MOTILAL OSWAL
FINANCIAL SERVICES

3QFY24 REVIEW

February 2024

India Strategy

BSE Sensex: 72,086 | **Nifty-50: 21,854**

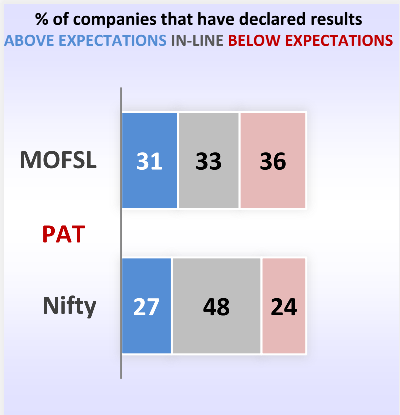
Interim review – In line; domestic cyclicals drive the quarter, as expected

Contributions from Metals and Consumer improve

- **In this report, we present our interim review of the 3QFY24 earnings season.**
- **As of 1st Feb'24, 147/33 companies within the MOFSL Universe/Nifty announced their 3QFY24 results.** These companies constitute: a) 73% and 74% of the estimated PAT for the MOFSL and Nifty Universe, respectively; b) 48% of India's market capitalization; and c) 77% weightage in the Nifty.
- The 3QFY24 aggregate earnings of the aforementioned 147 MOFSL Universe companies were in line with our estimates and grew 34% YoY (vs. our est. of +28% YoY). The earnings growth was fueled by the domestic cyclicals, such as BFSI and Auto. BFSI clocked a 26% YoY growth, while Auto registered a growth of 40% YoY (in line with our est. of +40%), driven by Maruti Suzuki and Bajaj Auto.
- OMC's profitability surged to INR120b in 3QFY24 from INR26b in 3QFY23, owing to strong marketing margins. Ex-OMCs, MOFSL/Nifty's earnings grew 28%/20% YoY.
- The Metals sector reported a healthy growth of 234% YoY (vs. est. of 133% YoY), primarily fired by Tata Steel, which clocked a profit of INR8.5b in 3QFY24 (vs. a loss of INR23.8b in 3QFY23). Excluding Tata Steel, the MOFSL Metals Universe grew 62% YoY during the quarter.
- Until now, 28/48 companies within the MOFSL Coverage Universe have reported an upgrade/downgrade of more than 3% each, leading to an adverse upgrade-to-downgrade ratio for FY25E. However, the EBITDA margin of the MOFSL Universe (excluding Financials) has expanded 250bp YoY to 14.9% during the quarter so far.
- Earnings of the 33 Nifty companies that have declared results so far jumped 21% YoY (vs. est. of +20% YoY), propelled by HDFC Bank, Tata Steel, ICICI Bank, JSW Steel, and Reliance Industries. These five companies contributed 57% to the incremental YoY accretion in earnings. Conversely, Tech Mahindra, Infosys, and Wipro contributed adversely to Nifty earnings. Only eight companies within Nifty reported profits below our expectations, while nine recorded a beat, and 16 registered in-line results so far.
- **Nifty EPS stable:** Our EPS estimates for FY24/FY25 have witnessed a marginal decline so far at INR972/INR1,131 (vs. INR976/INR1,142).
- **Summary of the 3QFY24 performance thus far:** 1) **Technology:** The IT Services companies (within MOFSL Universe) reported relatively healthy performance (beating our estimates) despite having seasonality and furlough impact in 3QFY24, with a median revenue growth of 1.0% QoQ CC. 2) **Banks:** Earnings growth for private banks was largely in line, while most of the PSU banks posted a slight earnings beat despite a higher opex due to wage provisions. NIMs of PSU banks stood resilient, with several of them reporting a sequential expansion in margins, while private banks continue to see NIM pressure emanating from the persistent rise in funding costs. 3) **NBFCs – Lending:** Demand momentum in the vehicle segment remained robust in CV and 2W but was showing signs of moderation in tractors and PV. 4) **Automobiles:** 3QFY24 results thus far have been in line; the growth has largely been driven by: 1) healthy volume growth, 2) better product mix, 3) lower commodity costs, and 4) operating leverage. The commodity price trend is largely expected to remain stable in the coming quarters. 5) **Consumer:** On a broader canvas, the pulse of consumption has been

Refer to our Dec'23 Quarter Preview

3QFY24: Expectations vs. delivery



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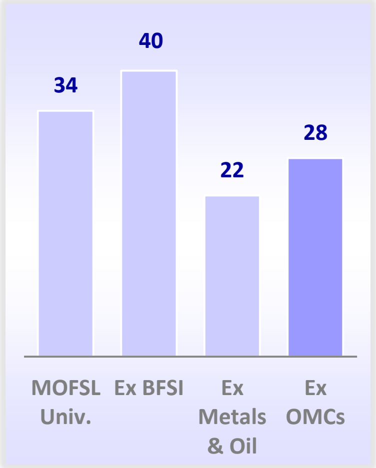
weak; only some pockets have fared relatively better on volume trajectory, such as Paints, and Jewelry. The Staple universe sustained a largely similar demand trend as witnessed in 2QFY24. Volume improved marginally on a sequential basis, but the overall revenue growth was muted due to price cuts. 6) **Oil & Gas:** The sector so far has reported mixed results. RIL missed our estimates due to lower gas price realizations and a lower downstream margin. OMCs witnessed an earnings decline sequentially amid contraction in GRM and marketing margins. However, the actual performance (vs. estimates) was a mixed bag. Gas companies broadly outperformed our expectations aided by reasonably stable gas prices. *Refer to page 8 for the detailed 3QFY24 sectoral trends*.

3QFY24: PAT growth YoY (%)

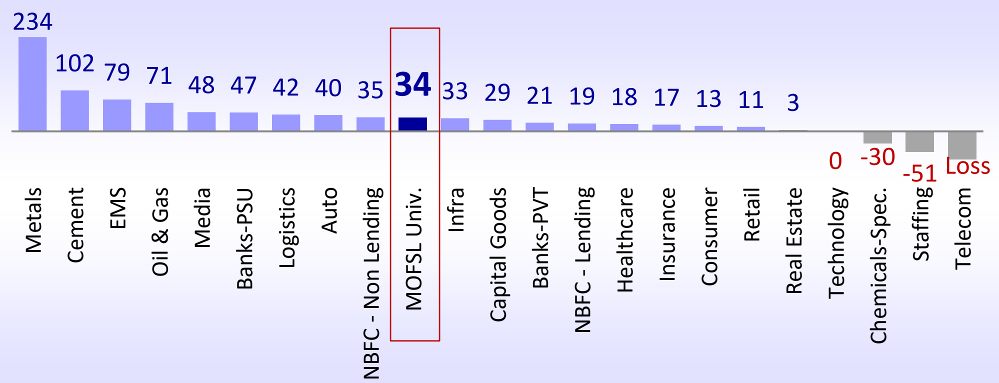


Key 3QFY24 result highlights

- As of 1st Feb'24, **33 Nifty stocks** reported a sales/EBITDA/PBT/PAT growth of 6%/15%/15%/21% YoY (vs. est. of +7%/14%/16%/20%). Of these, 9/8 companies surpassed/missed our PAT estimates. On the EBITDA front, 9/7 companies exceeded/missed our estimates during the quarter.
- For the **147 companies within our MOFSL Universe**, sales/EBITDA/PBT/PAT growth stood at 4%/19%/30%/34% YoY (vs. est. of +2%/15%/24%/28%). Excluding OMCs, the MOFSL Universe companies recorded a sales/EBITDA/PBT/PAT growth of 6%/15%/23%/28% YoY (vs. est. of +8%/14%/21%/25%) in 3QFY24.
- Among the Nifty constituents, ITC, HCL Tech, Wipro, Adani Ports, JSW Steel, Asian Paints, Dr Reddy's Labs, Cipla, and Tata Steel exceeded our profit estimates. Conversely, Kotak Mahindra Bank, L&T, HUL, Ultratech Cement, Titan Company, Tech Mahindra, and SBI Life Insurance missed our profit estimates for 3QFY24.
- Within the MOFSL Universe, Healthcare/Logistics/Cement/Tech recorded an FY25E earnings upgrade of 3.3%/2.4%/1.4%/1%. Conversely, Real Estate, Retail, and Consumer registered an earnings downgrade of 15.2%/5.1%/4.1% in 3QFY24 thus far.
- **View:** The 3QFY24 corporate earnings scorecard has been in line so far, with heavyweights such as HDFC Bank, Tata Steel, ICICI Bank, JSW Steel, and Reliance Industries driving the aggregate. The earnings spread has been decent, with 64% of our Coverage Universe either meeting or exceeding profit expectations. However, growth has primarily been led by the BFSI, Metals, O&G, and Auto sectors. Nifty is trading at a 12-month forward P/E of 19.4x, at a 4% discount to its own long-period average (LPA). We prefer PSU banks, Industrials (Capital Goods, Cement), Real Estate, Consumer Discretionary, and NBFCs, while we are UW on IT, and Metals. We recently upgraded Energy to Neutral and downgraded Auto and Pharma to Neutral in our model portfolio.

Of the 22 major sectors under MOFSL's coverage, 18 sectors have seen a rise in profits YoY

Exhibit 1: Sectoral PAT growth for 3QFY24 (YoY %)



Performance in line: BFSI, O&G and Metals drive earnings

- **Aggregate performance of the MOFSL Universe:** Sales/EBITDA/PBT/PAT growth stood at 4%/19%/30%/34% YoY (vs. est. of +2%/15%/24%/28%). Excluding OMCs, the MOFSL Universe companies recorded a sales/EBITDA/PBT/PAT growth of 6%/15%/23%/28% YoY (vs. est. of +8%/14%/21%/25%) in 3QFY24.
- **Nifty-50 companies that surpassed/missed our estimates:** Among the Nifty constituents, ITC, HCL Tech, Wipro, Adani Ports, JSW Steel, Asian Paints, Dr Reddy's Labs, Cipla, and Tata Steel exceeded our profit estimates. Conversely, Kotak Mahindra Bank, L&T, HUL, Ultratech Cement, Titan Company, Tech Mahindra, and SBI Life Insurance missed our profit estimates for the quarter.
- **Top FY25E upgrades:** Cipla (8.2%), Dr Reddy's Labs (4.6%), HCL Technologies (3.8%), Sun Pharma (3.7%), and Adani Ports (3.5%).
- **Top FY25E downgrades**: LTIMindtree (-8.3%), ITC (-6.2%), HUL (-4.6%), Axis Bank (-4.2%), and Indusind Bank (-3.4%).

Exhibit 2: Sector wise 3QFY24 performance of MOFSL Universe companies (INR b)

	Sales				EBIDTA				PBT				PAT			
Sector (no of companies)	Dec-23	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Dec-23	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Dec-23	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Dec-23	Chg. % QoQ	Chg. % YoY	Var. over Exp. %
Automobiles (11)	716	-3.6	17.9	-0.8	101	-5.5	35	-2.3	95	-5.8	40.5	-0.6	73	-5.5	40.3	0.2
Capital Goods (4)	655	7.9	17.2	-0.1	72	3.0	16.5	-7.9	61	-1	21.3	-6.9	40	-3.8	28.7	-10.4
Cement (7)	386	6.9	9.5	0.7	77	32.5	58	1.7	54	36.0	91.6	1.5	41	34.9	102.0	3.3
Chemicals-Spec. (1)	11	-4.7	-10.3	3.1	2	-2.3	-11.9	37.7	1	-15	-27.5	39.4	1	-21.0	-30.0	27.5
Consumer (11)	594	1.0	2.4	-3.1	158	2.9	7	-2.0	161	4.0	9.0	1.0	126	8.8	13.3	5.3
EMS (4)	12	23.1	39.6	-3.0	2	39.9	36.3	-1.7	2	39	76.1	6.2	1	37.7	79.2	9.2
Financials (38)	2,090	4.1	14.0	0.6	1,144	1.3	11	-1.0	908	2.4	23.3	-0.5	690	3.1	26.3	0.8
Banks-Private (12)	835	3.5	17.6	-0.6	627	3.9	15.2	0.0	525	0	16.3	-3.7	412	1.0	21.3	-0.4
Banks-PSU (5)	458	2.9	7.2	0.3	315	-5.5	0	-3.4	231	5.9	46.4	10.1	162	7.0	46.9	7.0
Insurance (5)	559	5.3	11.0	3.1	28	6.1	-1.1	2.8	19	0	18.3	-10.5	16	-4.0	16.6	-9.9
NBFC - Lending (13)	214	5.8	22.1	0.1	161	5.1	21	0.0	121	7.7	18.4	-2.2	91	8.0	19.4	-1.8
NBFC - Non Lending (3)	25	4.3	39.5	-0.3	12	-0.5	30.3	-4.5	12	1	34.1	-3.1	9	0.5	35.0	-2.5
Healthcare (8)	331	1.3	8.7	0.3	84	2.4	10	2.1	73	3.2	17.4	5.6	58	3.6	18.0	3.6
Infrastructure (1)	20	12.8	30.0	8.0	9	9.4	16.8	4.1	3	15	34.7	-8.1	2	95.7	32.6	4.7
Logistics (4)	119	3.3	26.1	-1.8	49	6.1	34	1.5	36	16.1	50.5	9.0	27	4.4	41.8	7.4
Media (1)	15	-22.7	6.2	2.6	2	-52.6	-3.1	10.4	1	-80	-41.1	78.6	0	-80.1	47.7	77.5
Metals (5)	1,518	-1.1	0.8	-2.4	283	16.6	30	19.3	142	42.7	52.2	46.6	91	23.4	234.5	43.3
Oil & Gas (10)	7,311	7.5	-0.5	5.9	726	-21.3	44.1	10.6	491	-29	75.7	16.4	346	-29.8	70.8	17.5
Ex OMCs (7)	3,052	1.2	1.2	-4.2	487	-1.2	26	-0.4	330	-2.2	29.9	-0.1	226	-0.5	27.9	0.2
Real Estate (4)	55	27.8	11.2	-6.9	19	25.7	2.7	-2.4	17	32	0.8	-3.1	16	23.6	3.4	-2.6
Retail (11)	365	10.0	16.1	-2.1	44	14.7	11	-9.2	32	17.1	6.1	-15.6	24	17.8	10.8	-15.7
Staffing (2)	55	3.2	12.3	-1.7	2	6.4	18.6	-3.0	1	-6	12.2	-24.3	1	-37.4	-51.4	-52.2
Technology (12)	1,858	1.5	2.4	1.1	425	2.6	0	4.3	385	2.8	1.0	2.9	284	2.4	-0.2	1.9
Telecom (3)	235	3.5	7.3	-1.0	91	4.0	41.2	2.8	-53	Loss	Loss	Loss	-60	Loss	Loss	Loss
Others (10)	284	-2.0	-4.4	-2.7	27	-12.3	-11	-9.3	21	-16.8	-9.6	-11.8	14	-16.7	-16.8	-11.3
MOFSL Univ. (147)	**16,630**	**4.5**	**4.1**	**2.2**	**3,315**	**-2.9**	**18.7**	**3.4**	**2,430**	**-3.7**	**30.2**	**4.8**	**1,775**	**-3.7**	**34.2**	**4.9**
Ex Financials (109)	**14,540**	**4.5**	**2.8**	**2.4**	**2,171**	**-4.9**	**23.3**	**5.9**	**1,522**	**-7.1**	**34.7**	**8.2**	**1,085**	**-7.6**	**39.7**	**7.7**
Ex Metals & Oil (132)	**7,802**	**2.9**	**9.5**	**-0.1**	**2,305**	**2.6**	**11.4**	**-0.3**	**1,797**	**3.5**	**20.3**	**-0.2**	**1,338**	**4.8**	**22.4**	**0.3**
Ex OMCs (144)	**12,371**	**1.9**	**6.2**	**-1.4**	**3,076**	**3.1**	**15.0**	**1.2**	**2,269**	**4.4**	**23.2**	**1.8**	**1,655**	**4.9**	**27.6**	**2.0**
Nifty (33)	**10,291**	**2.3**	**5.8**	**-0.7**	**2,470**	**0.9**	**14.6**	**0.8**	**1,752**	**-1.6**	**15.2**	**-0.5**	**1,295**	**-0.9**	**20.5**	**0.4**
Sensex (24)	**8,054**	**0.0**	**6.3**	**-3.0**	**2,230**	**3.3**	**12.9**	**0.6**	**1,569**	**0.9**	**11.7**	**-1.2**	**1,154**	**1.7**	**18.0**	**-0.2**

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

Aggregate performance of the MOFSL Universe companies that have announced results so far in 3QFY24

Exhibit 3: Sales in line – +4% YoY (vs. est. of +2% YoY)

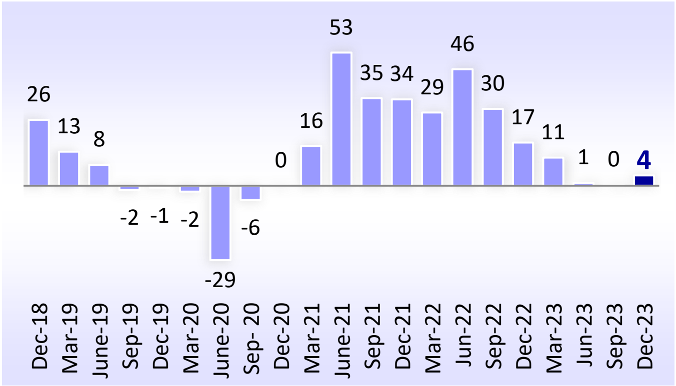


Exhibit 4: PAT growth at 34% YoY (vs. est. of +28% YoY)

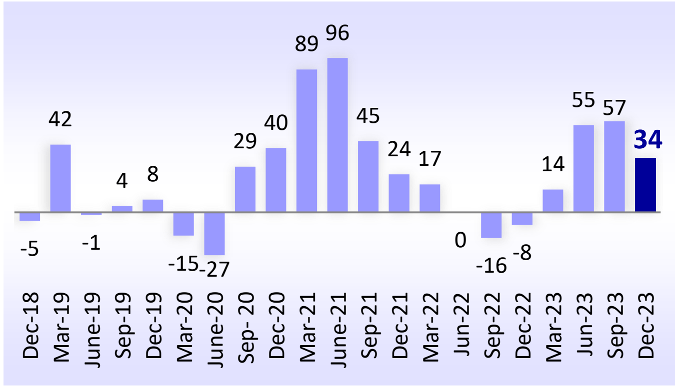
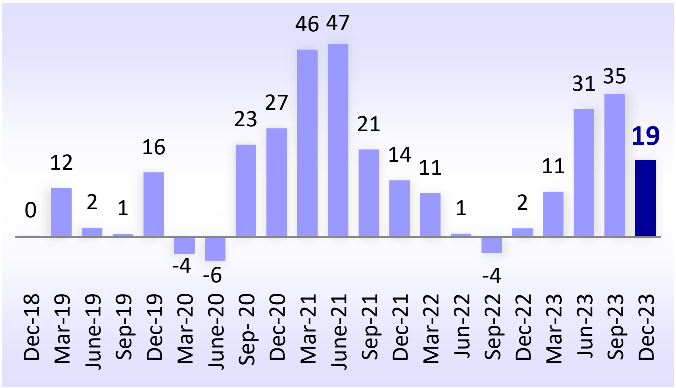
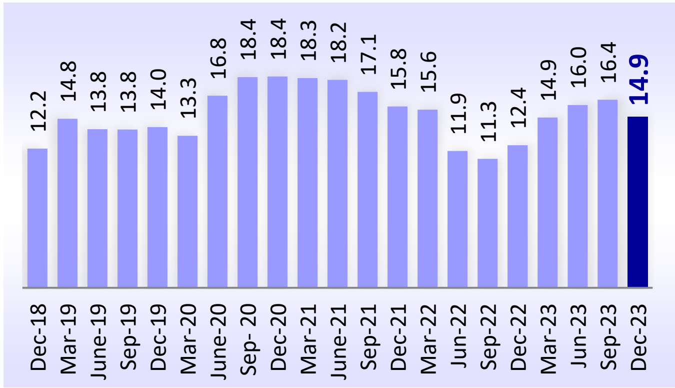


Exhibit 5: EBITDA in line – up 19% YoY (vs. est. of +15% YoY)



Source: Company, MOFSL

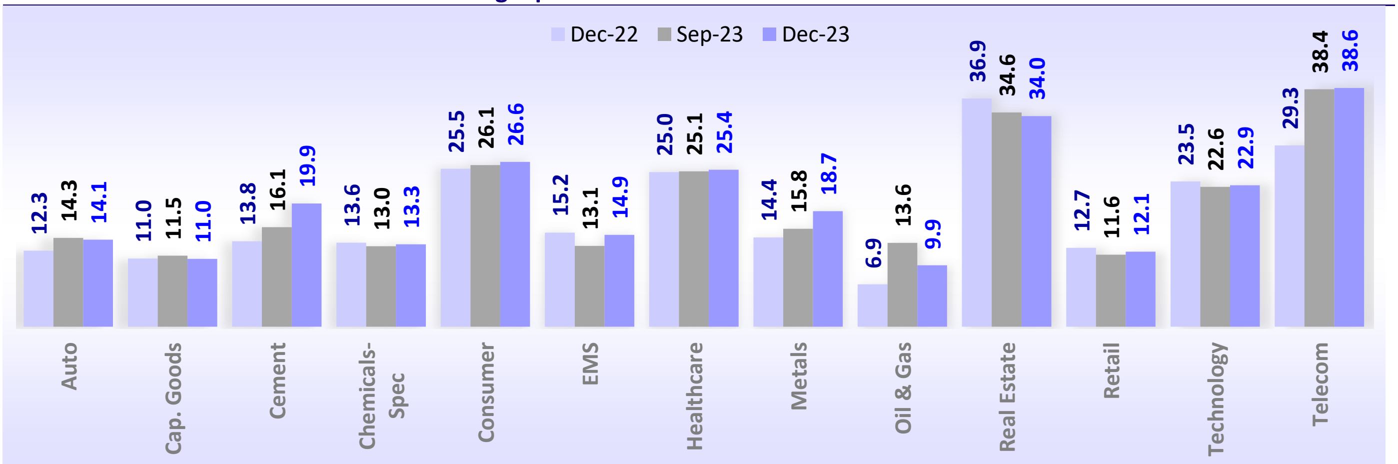
Exhibit 6: EBITDA margin (excluding financials) up 250bp YoY to 14.9%



Source: Company, MOFSL

Sectoral EBITDA margin

Exhibit 7: MOFSL Universe – sector wise margin performance



Source: Company, MOFSL

Aggregate performance of 33 Nifty companies in 3QFY24

- Nifty stocks reported a sales/EBITDA/PBT/PAT growth of 6%/15%/15%/21% YoY (vs. est. of +7%/14%/16%/20%). Of these, 9/8 companies surpassed/missed our PAT estimates. On the EBITDA front, 9/7 companies exceeded/missed our estimates during the quarter.

Exhibit 8: Nifty sales up 6% YoY (est. of +7% YoY)

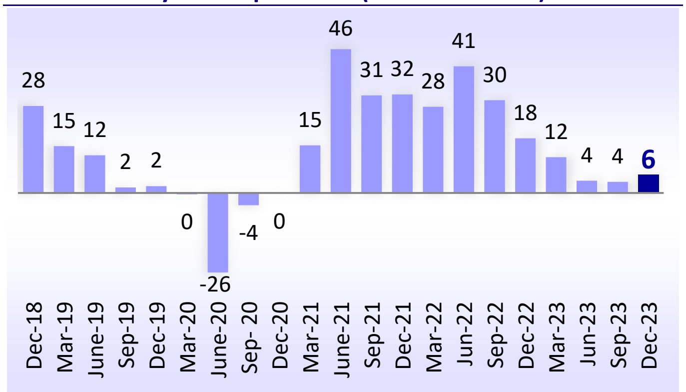


Exhibit 9: Nifty PAT up 21% YoY (est. of +20% YoY)

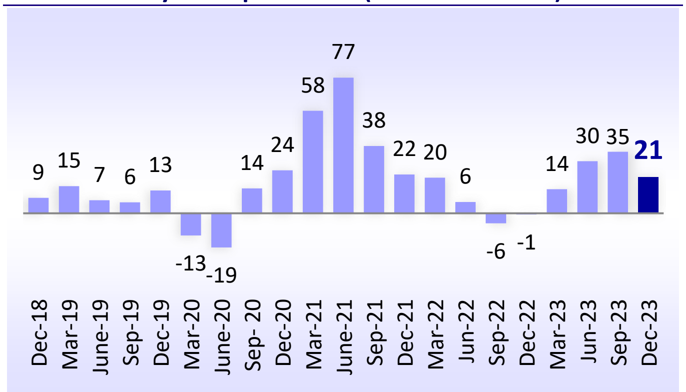
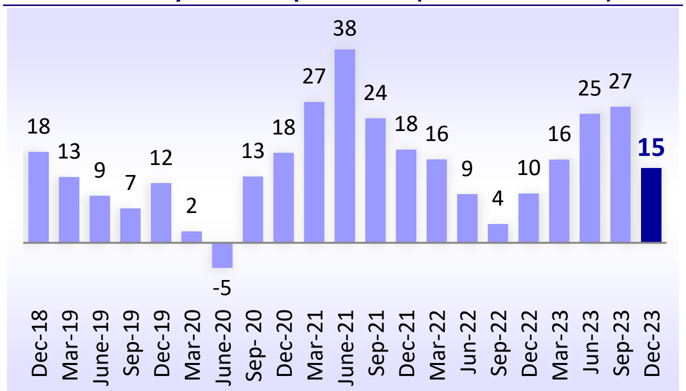
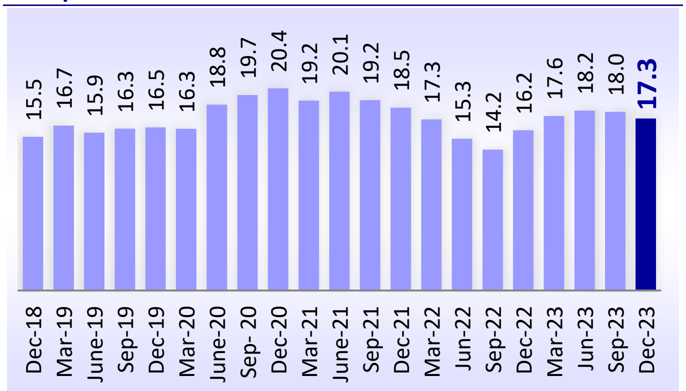


Exhibit 10: Nifty EBITDA up 15% YoY (est. of +14% YoY)



Source: Company, MOFSL

Exhibit 11: Nifty EBITDA margin (excluding financials) up 110bp YoY to 17.3%



Source: Company, MOFSL

Aggregate performance of the Nifty companies that have declared their 3QFY24 results so far

Exhibit 12: 3QFY24 performance of 33 Nifty companies that have declared their results so far (INR b)

		Sales				EBITDA				PBT				PAT			
Company	Sector	Dec-23	Chg. % YoY	Chg. % QoQ	Var. over Exp. %	Dec-23	Chg. % YoY	Chg. % QoQ	Var. over Exp. %	Dec-23	Chg. % YoY	Chg. % QoQ	Var. over Exp. %	Dec-23	Chg. % YoY	Chg. % QoQ	Var. over Exp. %
Bajaj Auto	Automobiles	121	30.0	12.4	0.1	24	36.8	13.9	0.2	27	36.3	11.5	-0.8	20	36.9	11.2	-0.1
Maruti Suzuki	Automobiles	333	14.7	-10.1	-0.5	39	37.9	-18.3	-3.9	41	37.2	-15.5	1.9	31	33.1	-15.8	1.9
Axis Bank	Banks-PVT	125	9.4	1.8	-1.4	91	-1.5	5.9	0.6	81	3.5	3.8	-0.2	61	3.7	3.5	-0.2
HDFC Bank	Banks-PVT	285	23.9	4.0	-2.3	236	24.3	4.2	-1.5	194	19.8	-1.8	-7.9	164	33.5	2.5	0.8
ICICI Bank	Banks-PVT	187	13.4	2.0	1.0	147	10.9	3.5	4.1	137	24.2	0.2	3.1	103	23.6	0.1	2.9
IndusInd Bank	Banks-PVT	53	17.8	4.3	0.0	40	9.7	3.4	-0.7	31	17.2	4.7	-1.3	23	17.2	4.5	-1.2
Kotak Mah Bank	Banks-PVT	66	15.9	4.1	0.6	46	18.6	-1.0	-5.5	40	7.7	-6.0	-10.5	30	7.6	-5.8	-10.5
HDFC Life Insur.	Insurance	155	6.5	3.9	-6.8	9	-2.2	6.9	-9.6	4	16.7	10.9	2.7	4	15.8	-3.1	4.2
SBI Life Ins.	Insurance	225	16.2	11.3	13.8	17	11.3	12.8	16.4	3	5.9	-15.0	-19.0	3	5.8	-15.4	-19.9
Bajaj Finance	NBFC – Lend.	77	29.3	6.4	0.1	61	26.6	5.3	-0.6	49	22.0	2.9	-2.5	36	22.3	2.4	-2.3
Bajaj Finserv	NBFC – Lend.	290	33.5	11.6	6.8	290	33.5	11.6	6.8	54	22.9	2.6	0.5	22	21.1	11.9	3.7
Larsen & Toubro	Cap. Goods	551	18.8	8.0	2.4	58	13.5	2.3	-7.1	48	13.6	-4.4	-9.8	29	20.0	-8.5	-15.1
Ultratech Cem.	Cement	167	7.9	4.5	-0.4	33	39.3	27.6	-3.6	23	54.2	39.3	-7.2	18	67.9	38.7	-7.2
Asian Paints	Consumer	91	5.4	7.4	-4.0	21	27.6	19.8	12.0	19	33.1	18.4	14.5	15	34.5	19.7	19.5
Hind. Unilever	Consumer	152	-0.3	-0.6	-4.5	35	0.1	-4.2	-9.3	35	-0.5	-4.8	-8.5	25	-1.5	-4.8	-9.9
ITC	Consumer	165	1.6	-0.4	-3.9	60	-3.2	-0.3	-5.8	67	0.8	3.3	0.2	56	10.9	13.2	9.9
Cipla	Healthcare	66	13.7	-1.1	2.0	17	24.2	0.8	12.4	16	32.6	-1.4	17.0	12	49.4	1.9	23.4
Dr Reddy’ s Labs	Healthcare	72	6.6	4.9	5.0	20	-1.3	1.6	6.2	18	6.2	6.2	12.5	14	5.1	3.7	13.7
Sun Pharma	Healthcare	122	10.5	1.3	-0.9	31	13.2	3.4	-0.8	29	24.2	4.3	4.1	25	19.2	3.0	-1.1
Adani Ports	Logistics	69	44.6	4.1	0.8	42	39.0	7.9	3.4	30	63.5	21.0	13.2	24	51.5	6.0	11.2
JSW Steel	Metals	419	7.2	-5.9	1.9	72	57.9	-9.0	9.0	33	221.0	-17.4	18.1	23	365.3	-25.6	8.5
Tata Steel	Metals	553	-3.1	-0.7	-9.9	63	54.7	46.8	24.8	22	1,102	3,753	117.9	8	LP	20.6	47.4
BPCL	Oil & Gas	1,155	-3.1	12.1	15.1	63	43.5	-51.7	-0.7	46	115.4	-59.5	4.9	34	73.4	-60.0	4.0
Reliance Inds.	Oil & Gas	2,251	3.6	-2.9	-6.3	407	15.3	-0.8	-1.1	258	12.3	-2.5	-1.6	173	9.2	-0.7	-2.1
Titan Company	Retail	142	22.0	13.0	-2.5	16	16.2	10.9	-11.4	14	10.8	10.2	-15.9	11	15.5	15.1	-15.2
HCL Tech.	Technology	284	6.5	6.7	1.5	67	6.1	12.6	11.1	59	9.3	14.5	10.8	44	6.2	13.5	7.9
Infosys	Technology	388	1.3	-0.4	0.8	97	-4.5	-3.2	2.0	86	-3.5	-1.7	2.6	61	-7.3	-1.7	-0.9
LTIMindtree	Technology	90	4.6	1.2	-0.3	16	8.9	-2.8	-2.1	15	11.1	1.7	0.4	12	8.2	0.6	1.4
TCS	Technology	606	4.0	1.5	1.5	164	5.2	4.4	3.5	159	8.4	3.5	1.5	118	8.2	3.5	1.1
Tech Mahindra	Technology	131	-4.6	1.8	2.5	14	-36.8	-3.7	-0.9	9	-50.4	-20.4	-16.8	7	-44.6	-26.5	-8.7
Wipro	Technology	222	-4.4	-1.4	0.6	42	-10.0	-0.3	9.1	36	-10.6	1.2	7.6	27	-11.7	1.8	8.1
NTPC-1	Utilities	395	-4.7	-3.5	-14.2	99	-24.9	-5.7	-16.8	45	-42.2	-14.3	-25.2	46	2.1	17.7	-9.6
Adani Enterp.	Others	283	6.5	25.8	0.0	32	98.1	37.8	0.0	24	202.8	198.5	0.0	19	130.3	595.4	0.0
Nifty Universe		**10,291**	**5.8**	**2.3**	**-0.7**	**2,470**	**14.6**	**0.9**	**0.8**	**1,752**	**15.2**	**-1.6**	**-0.5**	**1,295**	**20.5**	**-0.9**	**0.4**
Ex Financials		**8,829**	**3.9**	**1.7**	**-1.2**	**1,532**	**11.4**	**-2.2**	**0.0**	**1,159**	**14.0**	**-2.5**	**0.9**	**850**	**19.9**	**-2.2**	**0.7**
Ex Metals & Oil		**5,913**	**9.5**	**3.6**	**-0.4**	**1,866**	**11.5**	**4.4**	**0.3**	**1,392**	**10.7**	**2.3**	**-1.7**	**1,057**	**15.5**	**4.7**	**0.3**
Nifty Ex OMCs		**9,136**	**7.1**	**1.2**	**-2.4**	**2,407**	**14.0**	**3.8**	**0.8**	**1,706**	**13.7**	**2.3**	**-0.7**	**1,261**	**19.5**	**3.2**	**0.3**

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

Source: Company, MOFSL

Exhibit 13: YoY change (%) in the PAT of Nifty companies – only four companies posted a YoY decline in PAT

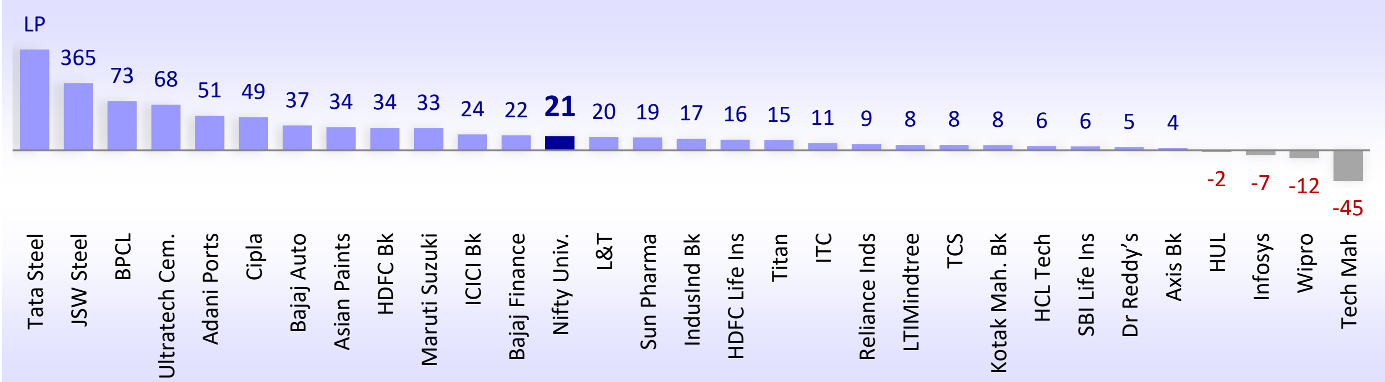
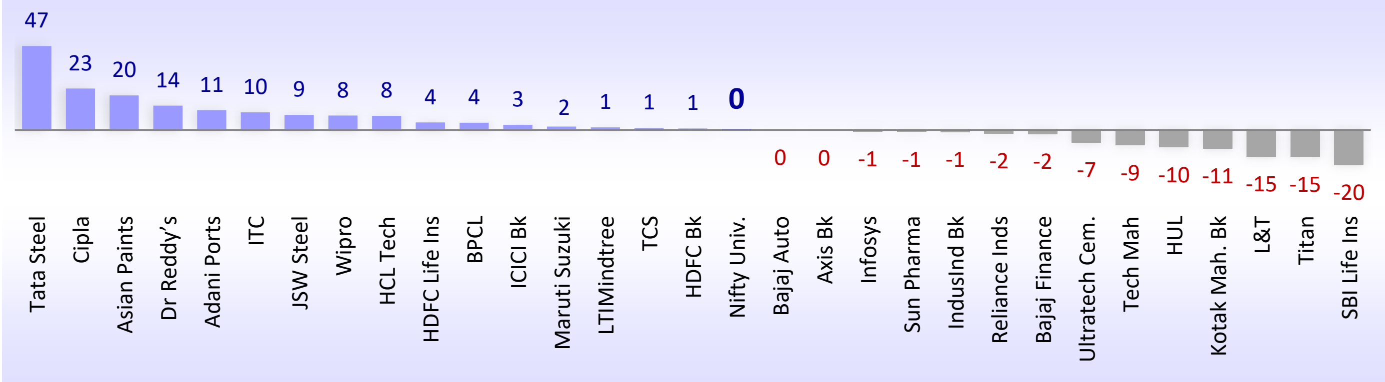


Exhibit 14: PAT for Nifty companies – actual vs. estimated variance (%)



Source: Company, MOFSL

Exhibit 15: Nifty Universe – Six upgrades of more than 3% and seven downgrades of over 3% for FY25E

	EPS PREVIEW (INR)			EPS REVIEW (INR)			% Upgrade / Downgrade			EPS Growth (%)		
Company Name	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
HDFC Life Insur.	8.2	8.8	9.7	7.4	11.3	14.0	-9.0	**27.7**	44.1	17.7	51.6	24.3
Cipla	47.4	53.4	57.5	53.0	57.7	64.4	11.7	**8.2**	12.1	40.4	8.9	11.6
Dr Reddy' s Labs	296.7	308.8	324.9	317.8	322.9	338.8	7.1	**4.6**	4.3	29.9	1.6	4.9
HCL Technologies	57.2	65.0	72.8	58.9	67.5	78.3	3.0	**3.8**	7.6	7.5	14.5	16.1
Sun Pharma	39.5	45.6	53.7	40.1	47.3	56.6	1.6	**3.7**	5.4	12.2	17.9	19.5
Adani Ports	40.2	46.5	56.5	42.0	48.1	58.6	4.7	**3.5**	3.8	20.1	14.4	21.9
TCS	126.0	143.7	167.6	125.7	146.8	170.1	-0.2	**2.1**	1.5	9.0	16.8	15.9
ICICI Bank	57.3	65.4	76.3	58.2	66.0	77.1	1.6	**0.9**	1.1	27.2	13.3	16.8
Wipro	19.6	22.8	27.3	20.6	22.9	27.3	4.9	**0.7**	0.1	-0.6	11.5	19.2
Larsen & Toubro	97.6	120.9	146.9	93.5	121.1	149.7	-4.2	**0.2**	1.9	23.3	29.5	23.7
JSW Steel	42.3	65.3	73.7	43.5	65.4	73.6	2.8	**0.1**	-0.1	195.8	50.3	12.6
Reliance Inds.	102.4	120.9	138.5	100.9	120.7	138.8	-1.5	**-0.1**	0.2	2.3	19.7	15.0
Infosys	59.7	68.0	79.6	59.3	67.8	79.4	-0.6	**-0.4**	-0.2	3.1	14.2	17.2
Tech Mahindra	41.8	51.1	67.8	40.4	50.9	68.0	-3.4	**-0.5**	0.4	-29.5	26.1	33.8
Tata Steel	4.5	10.9	12.6	4.0	10.8	12.9	-11.1	**-0.7**	2.1	-43.6	171.5	19.0
Bajaj Finance	238.0	306.3	389.4	235.7	303.9	384.2	-1.0	**-0.8**	-1.3	23.8	28.9	26.4
Bajaj Auto	282.6	315.2	351.2	277.3	310.9	348.5	-1.8	**-1.4**	-0.8	29.5	12.1	12.1
Asian Paints	56.0	62.2	70.8	58.7	61.3	67.2	4.9	**-1.4**	-5.0	32.8	4.4	9.6
Ultratech Cement	250.3	310.1	375.5	242.1	305.1	366.4	-3.3	**-1.6**	-2.4	38.0	26.0	20.1
Kotak Mahindra Bank	92.0	105.4	124.0	89.7	103.3	121.3	-2.4	**-2.0**	-2.2	18.2	15.2	17.4
HDFC Bank	82.0	98.8	118.9	79.8	96.2	115.8	-2.7	**-2.6**	-2.6	0.6	20.6	20.4
BPCL	128.1	76.4	76.6	131.1	74.3	74.6	2.4	**-2.7**	-2.7	1291	-43.3	0.4
Maruti Suzuki	443.3	460.9	508.2	428.0	447.4	483.0	-3.4	**-2.9**	-5.0	57.5	4.5	7.9
Titan Company	44.9	54.9	67.8	41.5	53.1	64.1	-7.4	**-3.4**	-5.4	12.9	27.8	20.8
IndusInd Bank	117.4	145.5	178.6	116.0	140.5	170.5	-1.2	**-3.4**	-4.5	20.8	21.2	21.4
Axis Bank	76.7	93.9	114.6	78.3	89.9	107.3	2.1	**-4.2**	-6.4	9.7	14.9	19.3
Hind. Unilever	46.0	51.4	56.2	44.5	49.0	53.6	-3.2	**-4.6**	-4.6	2.5	10.1	9.4
ITC	16.3	18.4	20.0	16.4	17.2	18.5	0.6	**-6.2**	-7.7	9.1	5.0	7.3
LTIMindtree	160.1	195.5	242.0	157.9	179.2	220.0	-1.4	**-8.3**	-9.1	4.0	13.5	22.7
SBI Life Insurance	20.3	23.8	26.1	18.4	21.7	24.6	-9.2	**-8.9**	-5.8	7.0	17.9	13.3

Source: Company, MOFSL

Within the MOFSL Universe, Healthcare/Logistics/Cement/Tech recorded an FY25E earnings upgrade of 3.3%/2.4%/1.4%/1%. Conversely, Real Estate, Retail, and Consumer registered an earnings downgrade of 15.2%/5.1%/4.1% in 3QFY24 thus far.

Exhibit 16: Sector wise earnings estimates – revisions from our 3QFY24 preview

	PAT (INR b) - preview			PAT (INR b) - review			Upgrade/downgrade (%)			Growth YoY (%)		
Sector	**FY24E**	**FY25E**	**FY26E**	**FY24E**	**FY25E**	**FY26E**	**FY24E**	**FY25E**	**FY26E**	**FY24E**	**FY25E**	**FY26E**
Automobiles	302	342	385	295	336	376	-2.3	-1.7	-2.3	44	14	12
Capital Goods	174	216	262	168	217	266	-3.2	0.6	1.7	23	29	23
Cement	151	183	220	151	186	222	-0.2	1.4	0.8	45	23	20
Chemicals-Specialty	3	5	5	3	4	5	5.3	-8.0	-1.9	-34	27	27
Consumer	472	533	589	474	511	558	0.5	-4.1	-5.2	13	8	9
EMS	5	7	10	5	7	10	13.1	0.3	0.6	71	38	44
Financials	2,742	3,340	4,060	2,739	3,289	3,961	-0.1	-1.5	-2.5	31	20	20
Banks-Private	1,669	1,999	2,406	1,654	1,952	2,338	-0.9	-2.4	-2.8	26	18	20
Banks-PSU	601	752	928	626	756	902	4.1	0.5	-2.8	53	21	19
Insurance	77	93	106	67	86	104	-13.9	-7.3	-2.4	7	30	20
NBFC - Lending	360	454	570	357	454	569	-0.7	0.1	-0.2	29	27	25
NBFC - Non Lending	35	42	49	35	41	48	-1.4	-3.5	-2.2	31	17	18
Healthcare	216	250	286	223	258	300	3.4	3.3	4.8	19	16	16
Infrastructure	7	10	11	7	10	13	-6.0	3.4	18.7	-6	46	34
Logistics	103	121	147	106	124	152	3.1	2.4	3.1	16	17	22
Media	2	6	8	2	5	8	4.0	-6.2	-7.2	LP	113	48
Metals	320	521	604	336	523	618	4.9	0.4	2.3	-9	56	18
Oil & Gas	1,706	1,495	1,627	1,755	1,502	1,643	2.9	0.5	1.0	100	-14	9
Excl. OMCs	886	996	1,140	872	1,002	1,151	-1.5	0.6	0.9	8	15	15
Real Estate	67	97	97	56	83	104	-16.5	-15.2	7.4	2	48	26
Retail	92	121	155	87	114	146	-6.2	-5.1	-5.5	9	32	28
Staffing	5	7	9	4	7	9	-14.7	-4.4	1.8	-6	59	33
Technology	1,118	1,284	1,509	1,123	1,296	1,523	0.4	1.0	0.9	4	15	18
Telecom	-239	-170	-130	-256	-203	-155	7.3	Loss	19.6	Loss	Loss	Loss
Others	72	107	134	67	102	133	-6.3	-4.8	-0.5	5	51	31
MOFSL Universe	**7,319**	**8,473**	**9,991**	**7,345**	**8,372**	**9,894**	**0.4**	**-1.2**	**-1.0**	**33**	**14**	**18**

Key sectoral trends – 3QFY24

- **Automobiles:** 3QFY24 results thus far have been in line, wherein aggregate revenue/EBITDA/PAT grew ~19%/36%/40% YoY for our coverage universe. The growth has largely been driven by: 1) healthy volume growth, 2) better product mix, 3) lower commodity cost, and 4) operating leverage. Commodity price trend is largely expected to remain stable in the coming quarters. While certain costs are anticipated to recur, we still believe margins will not decline notably in the coming quarters. We noted some logistics-related challenges for companies having a higher share of exports, due to the Red Sea crisis, which increased the lead time and costs marginally. In PVs, demand continues to remain healthy for SUVs; however, it continues to remain weak for lower-end models. For 2Ws, OEMs expect a sustained recovery in both domestic as well as export volumes. We cut our FY24E/FY25E EPS for CRAFTSMA (11%/15%) and BIL (5%/3%), while we retain our estimates for BJAUT/TVSL/SONACOMS/EXID/CEAT/MSIL/MSUMI.
- **Banks:** Earnings growth for private banks stood largely in line, while most of the PSU banks reported a slight earnings beat despite higher opex due to wage provisions. NIMs of PSU banks stood resilient with several of them reporting sequential expansion in margins, while private banks continue to see NIM pressure emanating from the persistent rise in funding costs. Advances growth has been healthy at ~3-4% QoQ led by growth across Retail and MSME segments. New regulations regarding the ever-greening of stressed loans via the AIF route have led several private banks to make provisions in the current quarter, which affected earnings adversely. However, the impact was not material for the banking sector, as most of the banks do not have any significant

investments in AIF. Select banks indicated that they would focus more on liabilities to improve their CD ratio, and this may constrain their loan growth. Asset quality has continued to improve, while SMA and restructured pool stood in control, thus driving the controlled provisioning expenses across banks.

- **NBFCs – Lending:** Demand momentum in the vehicle segment remained robust in CV and 2W but was showing signs of moderation in tractors and PV. MMFS guided for vehicle finance disbursements to taper in FY25. The CoB continues to rise for NBFC/HFC partly driven by re-pricing of the maturing liabilities, and partly from the RBI Risk Weight (RWA) circular. This led to an impact on NIM, which was most pronounced for the HFCs, and we expect NIM pressure to sustain in the near term. Asset quality and credit costs continue to remain benign, expect for BAF, which shared that it is witnessing higher delinquencies in its B2C business and increased its guidance on credit costs. Operating expense ratios continued to stay elevated for lenders, attributed to investments in distribution, manpower, and technology. All the diversified lenders who have a presence in the personal/consumer loans segment, calibrated their growth in these segments and are actively dialing down their small-ticket loans.
- **NBFCs – Non-lending**: Activity in the capital market space remained upbeat during 3QFY24, with F&O and cash volumes hitting new highs, demat account addition touching 9.6m, and NSE active clients bouncing back to 36m. This translated into strong revenue traction for Angel One (+49% YoY). However, operating margins were under pressure, led by investments in customer acquisition (the highest ever gross client addition), and investments in new tools on Super App. The general insurance players have seen a decent growth in premiums underpinned by the strength in auto sales, sustained high demand for health insurance, and commercial lines growing in line with economic growth. With elevated severity in Health Insurance claims during Oct'23, the loss ratio in the segment remained high. Profitability in the motor segment, however, improved considerably. ICICIGI/STARHEAL registered a YoY NEP growth of 14%/15%, whereas PAT grew 22%/38% YoY. Life Insurance players (except SBI Life) reported a muted performance both in terms of premium growth and VNB margins owing to adverse product mix (lower share of non-par) and higher investments for future growth. IPRU/SBILIFE/ HDFCLIFE reported APE growth of 5%/13%/1% and VNB margin contraction of 1,100bp/40bp/2bp on a YoY basis.
- **Capital Goods:** 3QFY24 results thus far were limited to only a few companies such as L&T, Bharat Electronics, KEC International, and Hitachi Energy. Mixed trends were visible across companies. Order inflows for strong for players like L&T and Bharat Electronics were mainly led by strong support from international geographies and up-fronting of order inflows, respectively. Hitachi Energy and KEC failed to meet their order inflow targets, and they have yet to improve their domestic T&D ordering on a larger scale. Revenue growth was in line for L&T, but was weaker than our estimates for other companies due to supply chain challenges. Margins disappointed for most of the companies due to the impact of the low-margin legacy projects. This led to the underperformance at the PAT level for most companies except Bharat Electronics. A shift in margin improvement guidance from 3QFY24 to 1QFY25 now, led to the earnings cut for L&T, Hitachi Energy, and KEC.

- **Cement:** As expected, cement volume growth moderated during the quarter. The aggregate volume of cement companies under our coverage (for results announced so far) grew ~8% YoY (broadly in line with our estimates). Aggregate revenue increased 9% YoY, led by higher volumes and better realizations. Opex/t declined 6% YoY (in line with our estimate), benefitting from lower fuel cost (fuel consumption cost stood in the range of INR1.5-INR2.05/Kcal). Blended realization improved ~2% YoY/QoQ each, which was in line with our estimate. Better realization and cost reductions led to ~46% YoY increase in EBITDA/t (broadly in line). Most of the management teams guided for a volume growth of ~7-9% YoY in FY25, led by robust growth in infrastructure development and housing. Cement prices have corrected, and average cement price in Dec'23-exit was almost back to 2QFY24 average levels. Fuel consumption cost in 4QFY24 is estimated to be flat to marginally lower on a QoQ basis. We have raised our FY25/FY26E EBITDA for ACC (8%/10%), SRCM (3% each) and JKCE (6%/7%), while estimates for UTCEM, ACEM and DALBHARA have remained largely stable.
- **Consumer/Consumer Discretionary:** On a broader canvas, the pulse of consumption has been weak; only some pockets have fared relatively better on volume trajectory, such as Paints, and Jewelry. The Staple universe sustained a largely similar demand trend as witnessed in 2QFY24. Volume improved marginally on a sequential basis, but the overall revenue growth was muted due to price cuts. Commentary on rural is still not satisfying for the recovery path, barring a few companies such as Dabur and Pidilite; rest all saw higher urban growth than rural. Among discretionary, Asian Paint and Pidilite's volume growth was in healthy double digits; a shift in the festive season to 3Q from 2Q last year also supported this growth. QSR companies delivered sluggish performance, as growth metrics (SSSG, ADS) were weak despite the ICC Cricket World Cup and other drivers. Weak growth put a pressure on PBT margin for most of the names. Restaurant Brand Asia (BK) was an outlier in QSR with healthy SSSG and improvement in operating margin. The Jewelry category also benefited from the festive and marriage season; Titan and Kalyan posted 22% and 34% YoY growth, respectively. Gross margin expansion was broadly visible across companies despite price cuts. However, owing to the steep increase in A&P spending, the EBITDA margin expansion was limited. Within our coverage universe, Marico, GCPL, Asian Paint, Pidilite, United Spirits, and Jyothy Labs witnessed double-digit EBITDA growth YoY.
- **Healthcare:** So far, six out of the 23 companies have announced their 3QFY24 results. The sales and EBITDA have largely been in line with our estimates, while PAT reported a slight beat (4%). The domestic formulation (DF) segment posted a healthy sales growth of 10% YoY on aggregate basis vs. IPM growth of 8% YoY. Particularly, CIPLA/SUNP outperformed the pack with 11.5%/11.4% YoY growth while AJP/DRRD underperformed with 4.8%/4.7% YoY growth. During the quarter, chronic therapies have witnessed double-digit (10%) growth, while acute therapies have witnessed a high single-digit growth (8%). Moreover, the US generics sales have also witnessed a healthy growth of 11.6% YoY (in CC terms) on an aggregate basis. Particularly, CIPLA outperformed the pack with 18% YoY growth. The price erosion continued to remain within mid-to-high single digit on the base portfolio in the US generics market. The companies highlighted the ongoing logistical pressure due to geopolitical concerns. On the

hospitals front, MAXHEALT reported in-line results. Revenue/EBITDA/PAT witnessed growth of 15%/15%/20% YoY and 3QFY24 is the 13th consecutive quarter of growth exhibited by MAXHEALT. The healthy operational performance led to a 14% YoY growth in EBITDA per bed (annualized) in 3QFY24.

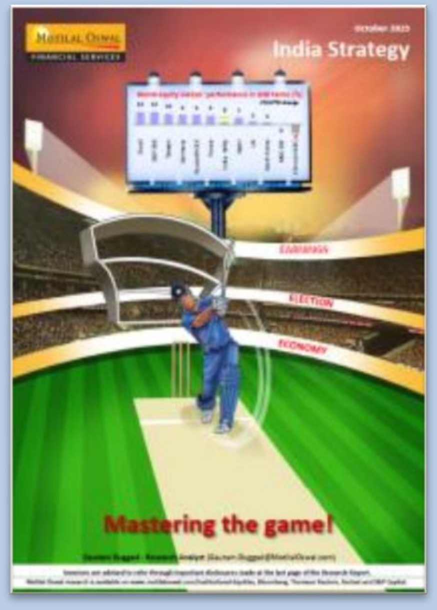
- **Metals:** So far, half of our coverage universe has reported numbers (TATA, JSTL, JSP, HZ, and VEDL). JSTL, JSP, and VEDL have reported in-line revenue with a beat on operating performance driven by lower input costs. Though TATA's standalone operating performance was above our estimates, the European operations dragged its performance on a consolidated level. TATA's UK operations continued to remain under pressure and are likely to face headwinds in 4QFY24 as well. HZ reported in-line performance vs. our estimate, with a slight beat on APAT driven by higher other income and lower tax outgo. Coking coal cost during the quarter stood at ~USD340/t and continues to remain at elevated levels; all the ferrous manufacturers have indicated a higher coking coal cost in 4QFY24. Domestic demand has continued to remain robust, powered by strong demand from sectors such as automobiles, industrial construction, infrastructure, and commercial real estate. Exports were weak for most players in 3QFY24 due to lower prices and soft demand.
- **Oil & Gas:** So far, 10 companies have declared their results within our Oil & Gas Coverage Universe – RIL, BPCL, IOCL, HPCL, MRPL, PLNG, MAHGL, IGL, GAIL and CSTRL. The sector thus far has reported mixed results. RIL missed our estimates due to lower gas price realizations and a lower downstream margin. BPCL's performance was in line, while IOCL outperformed because of a stronger-than-estimated GRM and marketing margins. HPCL's miss was due to a lower-than-estimated marketing margin; while MRPL missed our expectations due to lower-than-estimated GRM. PLNG's outperformance was on account of the 'Use or Pay' charges of INR6.1b recorded by the company in 3QFY24. However, adjusted EBITDA (ex of Use or Pay charges) was below our expectations. MAHGL's performance was in line, but IGL missed our estimates due to lower-than-expected margins led by a reduction in APM gas allocation. GAIL's outperformance was on account of stronger-than-expected transmission and LPG segments coupled with the turnaround in petchem segment. CSTRL beat our estimates due to lower-than-estimated RM costs.
- **Real Estate:** So far, four companies within our coverage universe announced their results – Macrotech, DLF, Oberoi and Sunteck. DLF reported higher-than-expected pre-sales driven by a strong response to its new launches that enabled it to breach the full-year guidance. Performance from Macrotech and Sunteck was largely in line, while Oberoi missed our estimates as it witnessed a drop in traction at a few of its key projects. Hence, despite a new launch, the company could not sustain its usual sales run-rate of INR9-10b. Macrotech added three new projects during the quarter, thereby exceeding its full-year BD guidance. Except for Macrotech, which has strong launches lined up, the bookings for other three companies will largely be driven by sustenance sales in 4QFY24.
- **Technology:** The IT Services companies (within MOFSL Universe) reported relatively healthy performance (beating our estimates) despite having seasonality and furlough impact in 3QFY24, with a median revenue growth of 1.0% QoQ CC. With continued weakness in key verticals and having built more visibility on 4Q executions, the companies have either narrowed their revenue guidance band or

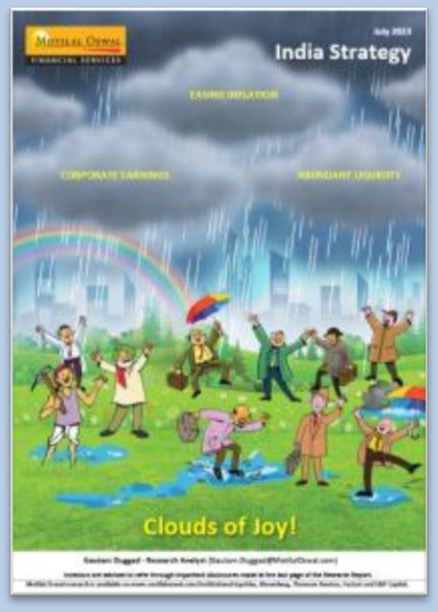
expect to achieve the lower band of the range. The softness in key verticals and geographies continued through 3QFY24, with BFSI, Consumer, and Communications reporting muted growth, while Manufacturing and Hi-Tech witnessed some recovery. The commentaries on demand recovery or discretionary spending were weak, while a few companies have witnessed early green shoots in selective pockets. The Tier-1 posted a median revenue growth of 0.9% QoQ CC while Tier-2 companies recorded a growth of 1.1% QoQ CC. HCLT (+6.0% QoQ CC) and Persistent (+3.1% QoQ CC) outperformed their peers with strong executions in 3Q. Moreover, the performance gap (growth + margins) between Tier-1 and Tier-2 has narrowed in 3Q, which otherwise had been favoring the Tier-2 pack. On the margins front, Tier-1 companies reported ~20bp QoQ improvement, while Tier-2 companies posted a meager ~10bp QoQ improvement. The margin improvement for Tier-1 was majorly attributed to a sharp decline in headcount (down ~16k QoQ vs. ~18k QoQ decline witnessed in 2Q), while Tier-2 delivered flat margin despite net hiring of ~500 employees in 3Q. The deal TCV growth has normalized (down 34% QoQ) for Tier-1 companies after mega wins recorded in 2Q, while the growth was strong (up 12% QoQ) for Tier-2 companies. The attrition rate moderated further across the board in 3QFY24. We continue to like HCLT and Cyient in the Tier-1 and Tier-2 space, respectively.

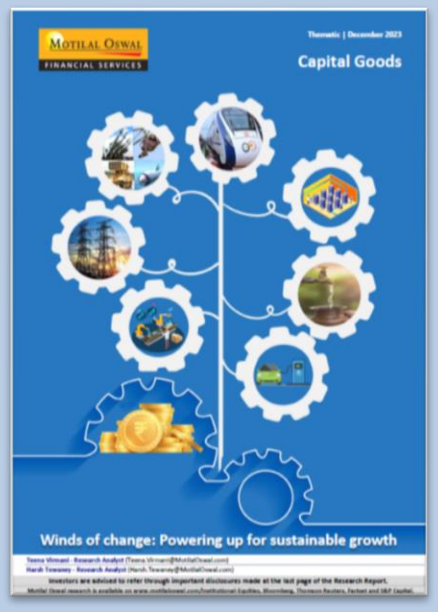
NOTES

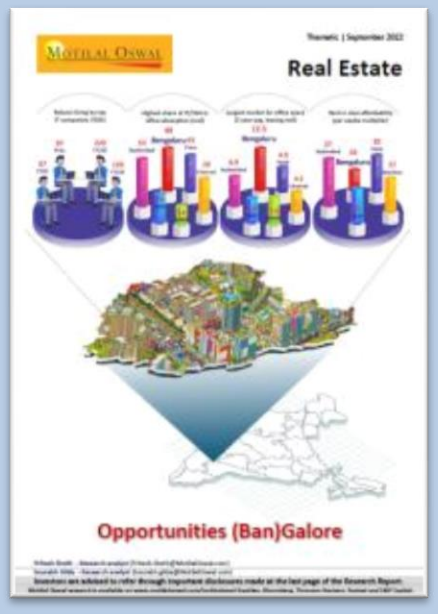
REPORT GALLERY

RECENT STRATEGY/THEMATIC REPORTS









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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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