January 05, 2024

SENSE & SENTIMENT

YES SECURITIES
INSTITUTIONAL EQUITIES

Q3 FY24 Earnings Preview

For YES Sec universe (Ex Financials & OMC):

Topline growth is seen at 8.8% y/y, reflecting a slight pick-up compared to the previous two quarters. This can be attributed to a rebound in economic activity. EBITDA margins are likely to expand by 186bps y/y basis, touching 19.4%, the best seen in the past 7 quarters, however sequentially the number is growing by a mere 4bps. PAT growth of 27% y/y basis is the strongest seen in the last 8 quarters

- Topline growth of 8.8%y/y for our coverage universe is a positive takeaway as it snaps the falling revenue growth trend observed over the last seven quarters. The revenue growth for Q3 will be primarily driven by Consumption and infra-based sectors like Consumer Durables, Auto, Cement, and Capital Goods.

- Q3 margins are likely to witness an improvement of 186bps y/y to 19.4%, marking the second consecutive quarter of y/y expansion. However, on a sequential basis, the expansion rate has tapered to a mere 4bps, indicating the best is behind us. Consumption and Infra sectors which witnessed a strong uptick in topline, are also witnessing strong rebound in operational margins. For global-facing sectors, Pharma is likely to witness decent margin expansion while IT is likely to report a 36bps contraction.

- Topline growth along with improving operational efficiency drives PAT growth of 27% y/y, the best traction seen in the last eight quarters. In the current quarter, Metal companies are likely to turn black (Q2 FY24 reported losses on an aggregate basis). On the negative side, margin erosion in IT is likely to impact aggregate profitability.

For Financials: Softening NIM margin to offset a steady uptick in credit growth, NII to expand 13% y/y

- NII for Banks is expected to register a 10% y/y rise, as steady credit demand offsets NIM contraction. Wage revision in SBI will impact the aggregate PPoP, which may witness a de-growth of 7%y/y, the 1st contraction in the last 7 quarters. This will impact PAT, which is likely to grow by a mere 1% y/y, the worst growth post-June 2020.

- While NBFC and SFBs will continue to witness a strong performance, with NII/Revenue and PAT growing at 22.7% & 24.4% y/y respectively.

Oil & Gas and OMCs: These are the only two sectors to witness a revenue downtick y/y basis and that too because of lower oil pricing hurting realization for upstream companies, while resulting in inventory loss for OMCs

Exhibit 1: YES Sec Universe: Stocks on the Radar

Sector	Earning Expectations	
	Strong	Weak
Autombiles	Bajaj Auto, Motherson	Ceat
Banks	Federal Bank, ICICI Bank	
Building Materials	Astral, Supreme	Greenpanel Ind.
Capital Goods	L&T, ABB, Engineers India, GETD	
Cement	Dalmia, Sagar Cement	India Cement
Consumer Durables	Voltas, Orient Electric	Hitachi
Consumer Staples & Discretionary	Nestle, Colgate	Britannia, HUL
Insurance	Max Financials	
IT	Coforge, LTI Mindtree	Wipro
Metals	NMDC	SAIL
Oil & Gas	GAIL	IOC
Pharma	Auropharma, Indoco	Alembic Pharma, Syngene
Real Estate	Arvind Smart, DLF	
SFB & NBFC	Shriram Fin, LIC Housing, Aptus, Bajaj fin, Chola fin	
Telecom/Platform Business	Tata Comm	Vodafone Idea

HITESH JAIN, Lead Analyst
hitesh.jan@ysil.in | +91 22 6885 0521

Exhibit 2: Revenue Growth seen snapping the slowing trend

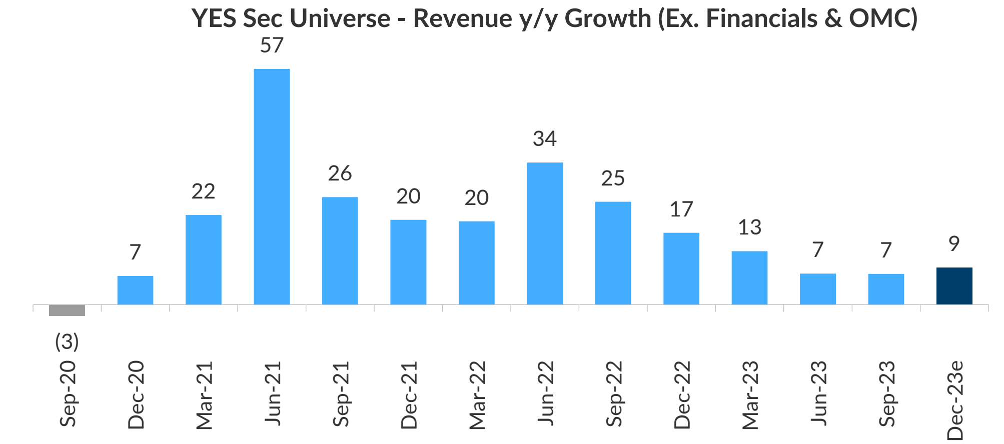
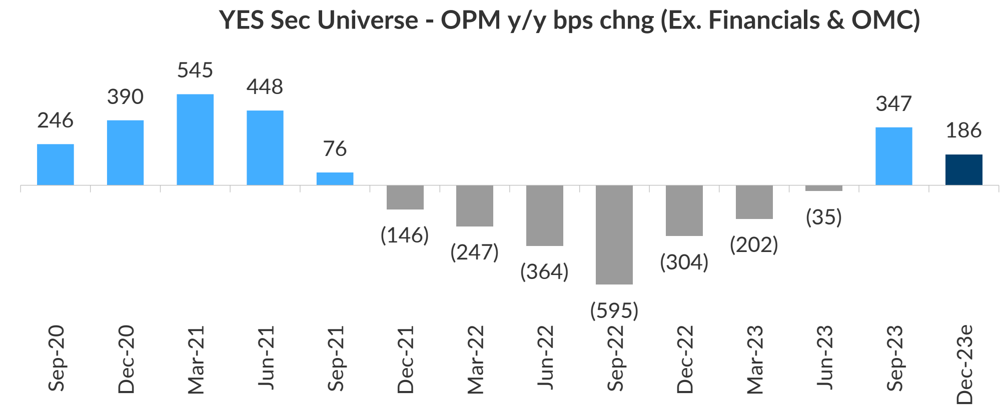


Exhibit 3: Operational Margins may witness second consecutive quarter of expansion…



Note: Calculation excludes Banks, SFB, NBFC, Life Insurance, General Insurance, Fintech and OMCs

Exhibit 4: …though margins likely to flatten sequentially

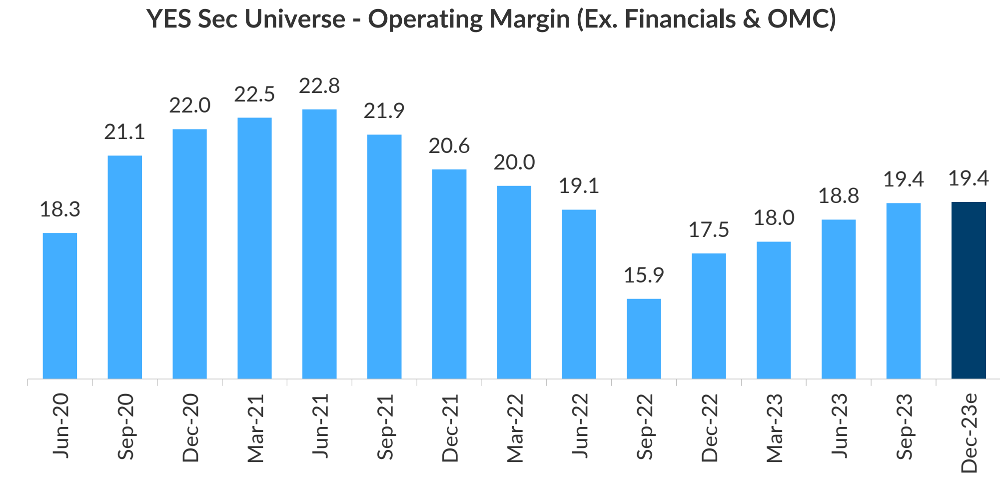


Exhibit 5: Sustained uptrend in PAT on the back of higher topline growth and improving margins

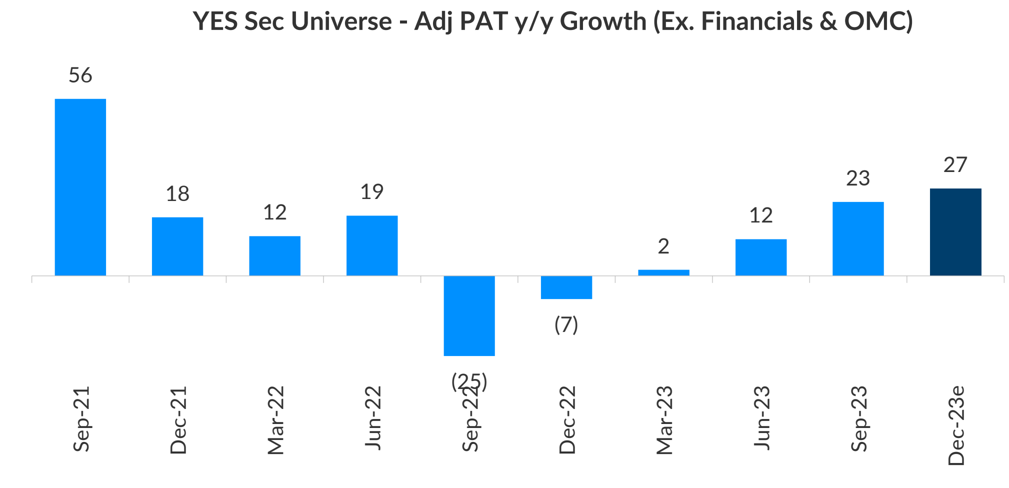


Exhibit 6: NII growth slows to 9 quarter low, impacted by fall in NIMs

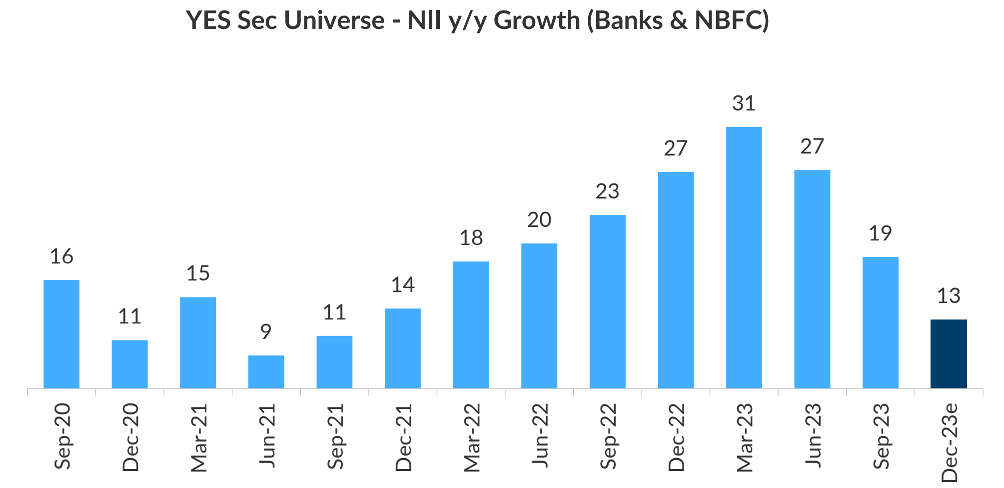


Exhibit 8: ...resulting into weakest earnings growth rate since June 2020

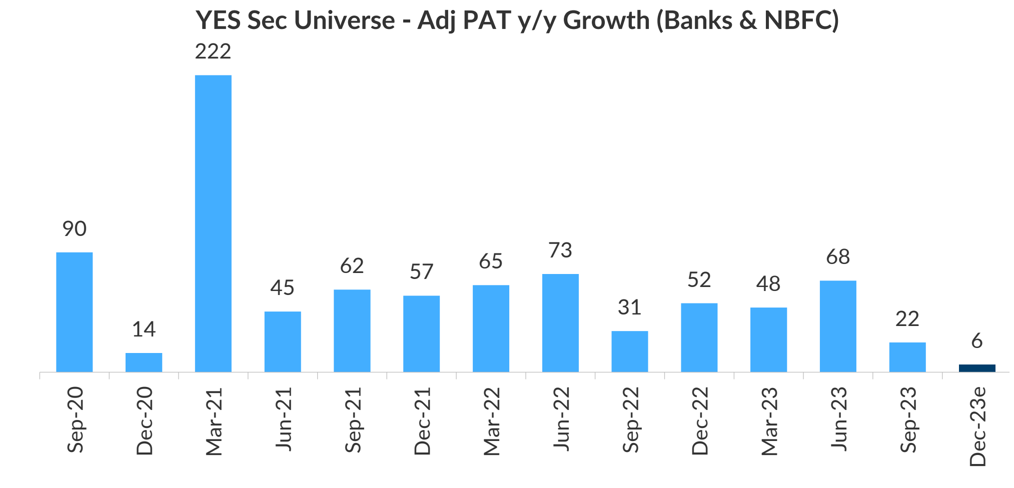
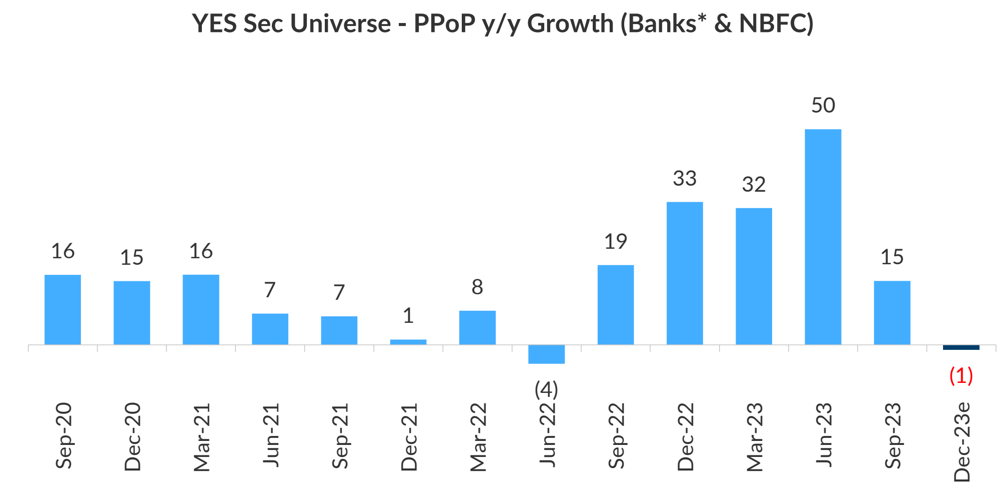


Exhibit 7: Wage revisions in SBI to dent aggregate PPoP growth...



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

Exhibit 9: YES Securities: Sectoral expectation

Sector	Revenue / NII / NEP / NBP		EBITDA / PPOP / APE / Underwriting Profit		PAT / VNB	
	YoY (%)	QoQ (%)	YoY (bps)	QoQ (bps)	YoY (%)	QoQ (%)
AMC	18.0	6.0	26	33	43.4	11.3
Automobiles	18.9	0.8	215	37	40.3	(2.9)
Banks*	9.9	3.0			1.2	(8.2)
Brokerages	54.5	6.9	2	181	47.9	10.7
Building Material	6.6	4.1	200	(11)	36.0	1.8
Capital Goods	20.3	10.3	71	41	21.0	6.8
Cement	10.3	7.4	407	201	81.8	23.4
Consumer Durables	24.2	11.3	29	55	54.6	24.8
FMCG	5.5	1.6	68	65	6.9	2.9
IT	2.0	1.3	(36)	54	(0.2)	4.5
Metals	9.9	2.5	387	(4)	1268.9	LP
Oil & Gas	(5.9)	6.5	448	(221)	11.0	(5.0)
OMC	(13.1)	(0.4)	321	(581)	263.6	(64.7)
Pharma	12.3	0.4	269	56	41.3	1.7
Rating Agency	8.2	14.1	132	14	13.3	10.2
Real Estate	12.8	28.6	(114)	5	22.5	30.3
SFBs and NBFCs	22.7	4.7			24.4	7.6
Telecom/Platform Business	6.4	3.2	357	(37)	LL	LL
Coverage	**2.9**	**2.5**	**233**	**(148)**	**23.7**	**(4.6)**
Coverage (Ex. Financials & OMC)	**8.8**	**3.5**	**186**	**4**	**27.5**	**14.1**
Coverage (Ex. OMC)	**9.2**	**3.5**	**80**	**(23)**	**18.9**	**6.6**
Coverage (Financials)	**12.6**	**3.4**	**(1.2)**	**(0.1)**	**5.7**	**(5.0)**

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

AUTOMOBILE

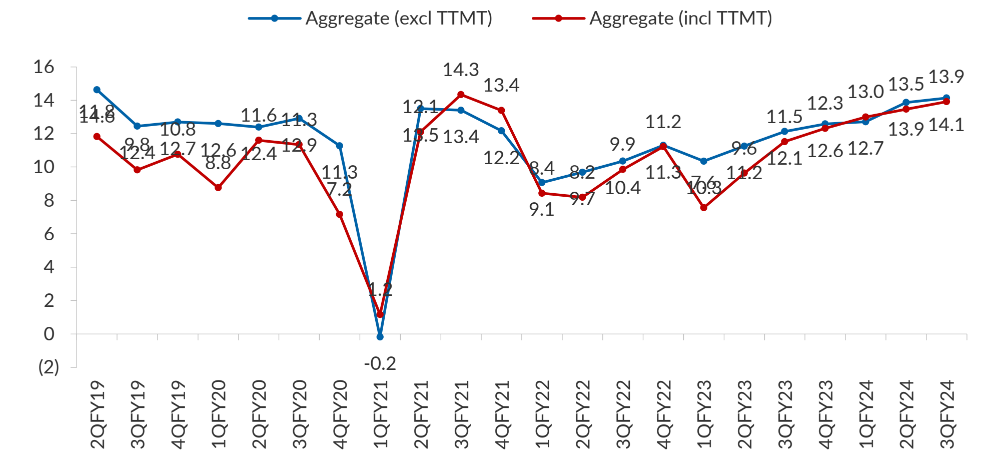
Sixth consecutive quarter of margins expansion – Q3FY24 EBITDA margins for our OEM coverage universe to expand 30bp QoQ at ~14.1% (v/s 13.5% in 2QFY24 and 11.5% in 3QFY23). This will largely be led by gross margins expansion across subsegments (both YoY and QoQ), favorable fx and operating leverage. We anticipate, margins expansion to be broad based across OEMs with sharp QoQ margins expansion expected for 2W OEMs such as Bajaj Auto (+70bp at 20.5%), HMCL (+30bp QoQ at 14.4%) and TVSL (+60bp QoQ at 11.6%). On the other hand, margins to contract for ESCORTS (-50bp at 12.4%), MSIL (-30bp QoQ at 12.6%). Key RM prices such as Copper/Aluminium/NR/Lead were -2%/+2%/+14%/-2% QoQ in Q3FY24. During Q3FY24, OEMs have taken price hikes of ~1% followed by ~1-1.5% price hike in Jan'24.

Demand trends positive for 2W/CV while muted for PV/Tractors as festive demand trended mixed – Q3FY24 demand largely remained mixed as 2W (led by rural) registered healthy double-digit growth (15-20%) during festive while the same for PV/tractors were muted at flat to mid-single digit growth. With early signs of signs of post festive demand sustenance in 2Ws, marriage season inquiry pool has started on a positive note, per our checks with key channel partners. PV demand started to moderate during later part of the quarter leading to ~10-15% increase in average discounts and rise in average inventory. On the other hand, led by unseasonal rains in key states, tractor demand started to moderate despite continued subsidy flow.

EPS upgrade in 2Ws led by positive volume outlook; valuations still comfortable barring few names – We revise our FY24E/25 EPS especially for 2W OEMs to account for 1) continued demand evolution in the domestic market, 2) bottoming out exports, and 3) RM/FX benefits. We raise EPS across 2W names by 5-8% (to factor in for likely volume upgrade as domestic demand environment remain buoyant supported by new product launches partially offset by reversal in RM cost decline). Among ancs we upgrade EPS by 4-5% for both domestic and global businesses, led by favorable forex movement. With recent run-up in stocks, valuations for the sector is close to historical averages however for few names the same is at premium (v/s 10 LPA) such as BJAUT (+20%), ESCORTS (~95%), HMCL (3%), TVSL (~29%).

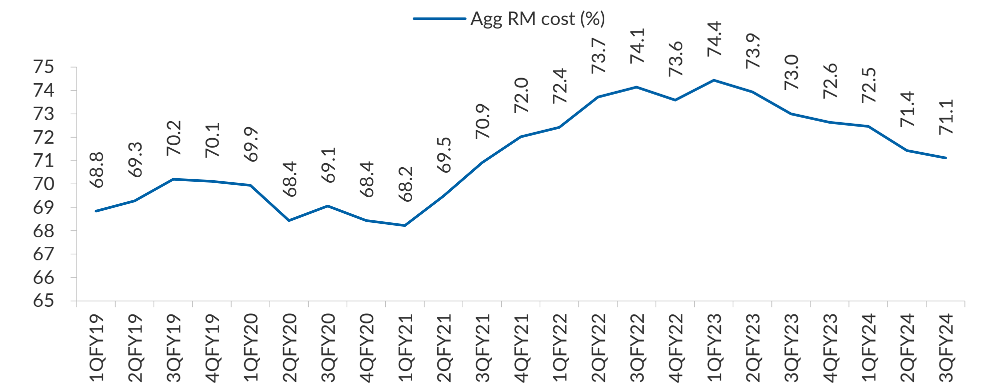
Top Picks – TTMT (BUY), TVSL (ADD) from OEMs and BHFC (BUY), MOTHERSO (BUY), ENDU (BUY) and EXID (BUY) from ancs- We continue to remain positive on CVs (owing to the peak-up in replacement demand led by increasing fleet utilization and sustained recovery in bus segment). We are selective in 2Ws as we like TVSL and EIM. Among ancillaries, we like BHFC for diversified product positioning in auto/non-auto, MOTHERSO for engine agnostic global PV play, ENDU for 2W recovery and EXID for strengthening EV narrative in favor of traditional OEMs and cell localization.

Exhibit 10: Aggregate margins for OEM coverage universe to expand YoY/ QoQ



Source- Company, YES Sec

Exhibit 11: Aggregate RM (ex-TTMT) to decline 30bp QoQ to ~71.1%



Source - Company, YES Sec

Exhibit 13: Automobile- Earnings expectation snapshot

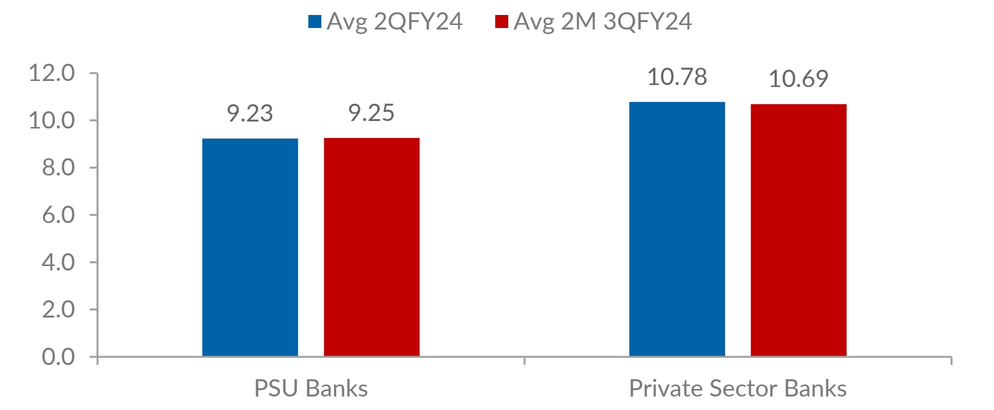
Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
Ashok Leyland	90,430	0.1	(6.2)	10,097	234	(4)	5,221	46.3	(9.3)	We expect revenues to decline 6.2% QoQ (flat YoY) at Rs90.4b led by ~5.2% QoQ decline in volumes (-0.7% YoY) coupled with -1% QoQ decline in ASPs (3.3% YoY) at Rs1.91m/unit, due to lower contrinution from MHCV. We expect AL to report EBITDA of Rs10b (-6.5% QoQ/+26.6% YoY) with EBITDA margins of 11.2% (flat QoQ/+230bp YoY) led by operating leverage impact.
Bharat Forge	22,378	14.6	(0.5)	6,119	206	25	3,484	21.8	(0.3)	We expect standalone revenues to decline ~0.5% QoQ at ~Rs22.3b to be driven by ~1% QoQ growth in shipment tonnage (~71k ton) offset by ~1.5% QoQ fall in realizations at ~Rs315k/ton (+1.3% YoY). We expect EBITDA margins to expand 210bp YoY (+20bp QoQ) at 27.3% led by RM benefits. Adj.PAT to grow 21.8% YoY (-0.3% QoQ) at Rs3.5b.
Bajaj Auto	120,967	29.9	12.2	24,807	143	72	21,044	41.1	14.6	Overall volume for the quarter grew ~22.1% YoY/ +14% QoQ at 1.2m units, while realizations are expected to grow ~6.3% YoY/-1.5% QoQ at Rs100.7k/unit. The QoQ decline in ASPs is largely led by weak product mix. This should result in revenue growth of 29.9% YoY/+12.2% QoQ at Rs120.09b. We expect EBITDA margins to expand ~140bp YoY/+70bp QoQ at 20.5% due to positive operating leverage. Adj. PAT to grow 41% YoY (+14.6% QoQ) at Rs21b.
CEAT	29,699	8.9	(2.7)	4,255	562	(61)	1,837	429.8	(11.5)	CEAT is expected to report +9% YoY/ -2% QoQ in revenues at Rs29.6b as we expect S/A volumes to decline by ~1% QoQ partially offset fall in volumes by ~1.8% increase in ASPs due to price hikes and favorable mix. ~50bp QoQ gross margins contraction and normalization of other operating expense, should result in EBITDA margins contraction by ~60bp QoQ (+560bp YoY) at 14.3%.
Eicher Motors	40,405	8.6	(1.8)	10,557	309	(30)	9,915	33.8	(2.4)	EIM's 3QFY24 S/A volumes grew ~3% YoY/-0.5% QoQ at 228k units, while VECV volumes grew ~14% YoY/ ~6.1% QoQ to 20.7k units. We expect EIM to report consolidated revenue of Rs40.4b, with EBITDA margins expected to contract 30bp QoQ (~300bp QoQ) at 26.1%. Adj. PAT to grow ~34% YoY (-2.4% QoQ) at Rs9.9b.
Endurance Tech.	26,701	27.4	5.9	3,345	110	88	1,658	53.2	22.1	ENDU is expected to report revenue growth of ~27.4% YoY/ 5.9% QoQ at Rs26.7b led by growth in domestic 2W volumes. EBITDA margin is likely to expand ~110bp YoY/ ~88bp QoQ at 12.5% led by better op leverage. Adj. PAT to grow ~53% YoY (22.1% QoQ) at Rs1.6b.
Escorts Kubota	23,730	4.8	16.0	3,283	542	97	2,669	43.2	13.7	ESCORTS tractor volumes declined ~7% YoY/ +18% QoQ in 3QFY24, partially offset by expected realisations growth of 4.4% YoY/ 0.5% QoQ to led revenue growth of 4.8% YoY/ +16% QoQ at Rs23.7b. This also includes revenue growth in CE (+55% YoY) and Railways (-3.2% YoY). RM to sales is expected to be flat QoQ at ~67.7%. This should partially be offset by lower volumes resulting in EBITDA margins to increase at ~13.8% QoQ (+540bp YoY). Adj. PAT to grow ~43% YoY (13.7% QoQ) at Rs2.6b.
Exide Inds.	41,885	23.0	2.0	4,703	(53)	(54)	2,781	24.6	(3.1)	We expect EXID's 3QFY24 revenue to grow ~23% YoY/ ~2% QoQ at Rs41.9b led by seasonal increase in OEM and exports. Lead prices in 3QFY24 decline by ~3% QoQ (-12.6% YoY) at Rs168.8k/ton. Gross margins to decline ~30bp QoQ at 30.8% and EBITDA margins to contract to 11.2% (v/s 11.8% QoQ and YoY each). Adj. PAT to grow ~24.6% YoY (-3.1% QoQ) at Rs2.8b.

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
Hero Motocorp	99,446	23.8	5.3	14,515	309	53	11,427	60.7	8.4	With volume growth of +20.9% YoY/+5.8% QoQ at ~1.5m units coupled with realization growth of +2.4% YoY/ -0.5% QoQ at Rs66.3k/units on account of price hikes, revenue to grow +23.8% YoY/+5.3% QoQ at Rs99.4b. EBITDA margins are likely to expand ~310bp YoY (+50bp QoQ) at ~14.6% led by better operating leverage and higher share of spare sales. Adj. PAT to grow ~60.7% YoY (+8.4% QoQ) at Rs11.4b.
M & M	248,151	14.6	2.1	32,168	(3)	35	27,230	26.2	(21.1)	M&M's overall volumes for 3QFY24 grew ~3.6% QoQ (+11.1% YoY), wherein tractors volume increased ~12.9% QoQ (-3.7% YoY). Tractor contribution in volumes increaed to 32.5% in 3Q (v/s 30.1% in 2Q). We expect MM's revenues to grow ~14.6% YoY (+2.1% QoQ) at Rs248.1b while we expect ASP of Rs792.5k/unit (+3.2% and -1.5% QoQ). We expect EBITDA margins at 13% (flat YoY/ +40bp QoQ). Adj. PAT to grow ~26.2% YoY (-21.1% QoQ) at Rs27.2b.
Maruti Suzuki	333,792	14.9	(9.9)	42,029	284	(32)	31,813	35.3	(14.4)	MSIL's volume decline by ~9.2% QoQ/ +7.6% YoY to 501.2k supported by ASP growth of 6.8% YoY (-1% QoQ) at ~Rs666k/unit, to result in ~14.9% YoY (-9.9% QoQ) growth in revenues at Rs333.8b. EBITDA margins are expected to expand ~280bp YoY (-30bp QoQ) at 12.6% led by postive operating leverage, favorable fx and product mix. Adj. PAT to grow ~35.3% YoY (-14.4% QoQ) at Rs31.8b.
Samvardh. Mothe.	243,726	20.5	3.8	20,229	51	25	5,268	15.9	9.2	For 3QFY24, we expect MOTHERSO to report +3.8% QoQ/ (+20.5% YoY) consol revenue growth at Rs243.7b. We expect consol EBITDA margin to expand 30bp QoQ/+50bp YoY at 8.3% while absolute EBITDA is expected to grow ~28% YoY/ 7% QoQ at Rs20.2b. Adj. PAT to grow ~15.9% YoY (9% QoQ) at Rs5.3b.
Sona BLW Precis.	7,654	13.4	(2.8)	2,094	123	(58)	1,186	10.8	(7.7)	We expect SONA to report +3.1% YoY/ -2.8% QoQ increase in revenue at Rs7.65b. The QoQ declinen in revenues is explained by likely impact of UAW strike during 3QFY24. EBITDA margins are expected to contract by 50bp QoQ (+130bp YoY) at 27.4%, led by negative op. leverage . Adj. PAT to grow ~10.8% YoY (-7.7% QoQ) at Rs1.18b.
Tata Motors	1,074,388	21.4	2.2	147,191	280	65	44,284	41.5	8.6	We expect TTMT's consol revenue to increase by ~2.2% QoQ/+21.4% YoY at Rs1074.4b. Consol EBITDA margins are expected to expand ~60bp QoQ (280bp YoY) at 13.7%. Led by healthy operating performance, adj.PAT to grow ~9% QoQ/+41.5% YoY at Rs44.3b.
TVS Motor Co.	84,287	28.8	3.5	9,777	153	55	5,816	64.9	8.4	TVSL's 3QFY24 volume grew ~25.2% YoY/ 2.5% QoQ to 1.1m units. This coupled with expected realizations growth of ~2.9% YoY and ~1% QoQ at ~Rs76.6k/unit to result in revenue growth of ~28.8% YoY and ~3.5% QoQ at Rs84.3b. EBITDA margin to expand ~60bp QoQ (+150bp YoY) at 11.6% led by RM cost savings and positive operating leverage. Adj. PAT to grow ~64.9% YoY (8.4% QoQ) at Rs5.8b.

BANKS

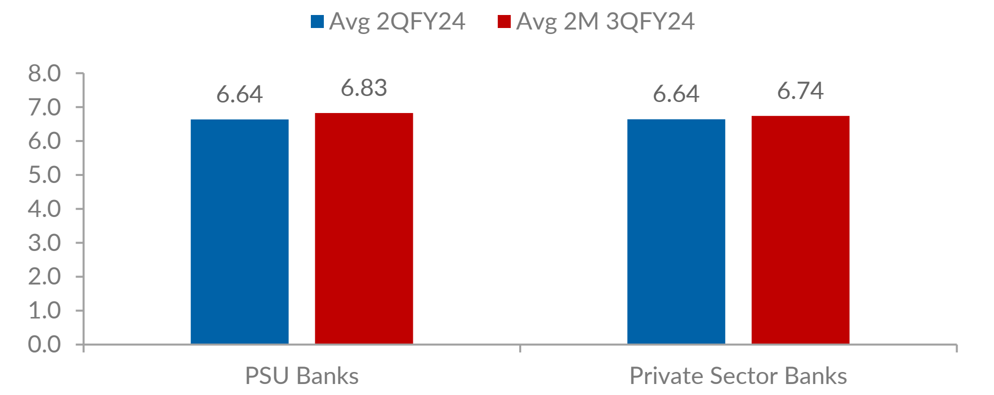
- **Asset quality**: Fresh **slippages** in 3QFY24 would generally be stable on sequential basis for our coverage banks. We see slippages remain at similar levels, sequentially, in 3QFY24 as the residual restructured book should throw up some more slippages. Furthermore, the macro environment has also changed due to elevated interest rates, which may also cause some incipient build-up of stress. Sequential evolution of **provisions** would be a function of not only slippages but also of recoveries and upgrades and pre-existing provision buffers. Hence, we see a meaningful rise in provisions, sequentially, for BOB, INBK, FED, SBI, ICICI, CSB, IIB and CUB and a marginal rise for IDFCB and DCB whereas we see flattish trend in provisions for AXSB, HDFCB and KMB. Provisions would decline sequentially for RBL.
- **Net interest margin**: Most banks will see a marginal sequential decline in net interest margin (NIM), whereas a few would be able to hold on to NIM. While card rates on deposits have, relatively speaking, stabilised, as legacy lower-cost deposits roll over, they would get repriced higher, causing blended cost of deposits to rise. On the flip side, some banks may see rise in loan-to-deposit ratio and/or favourable loan mix change. The average Weighted Average Domestic Term Deposit Rate (WADTDR) for private sector banks for 2M3QFY24 rose 10 bps, to 6.74%, compared with the average for 2QFY24. The corresponding Weighted Average Lending Rate (WALR) declined 9 bps to 10.69%, implying that **Loan Spread** declined 19 bps. For PSU banks, the WADTDR rose 19 bps to 6.83% and the WALR rose 2 bps to 9.25%, which implies that Spread declined 17 bps. It may be noted that the WADTDR and WALR for 2M3QFY24 excludes December month. We see NIM materially lower (>10 bps) sequentially for AXSB, CSB marginally lower (2-10 bps) sequentially for BOB, INBK, FED, SBI, ICICI, KMB, IDFCB, CUB and DCB whereas we see broadly stable NIM for HDFCB, IIB and RBL.
- **Loan growth**: Sequential loan growth has been / will be healthy (>4.5%) for IDFCB, reasonable (3.5-4.5%) for AXSB, ICICI, HDFCB, CSB, IIB, KMB, RBL and DCB moderate (2.5-3.5%) for FED, BOB, INBK, SBI and CUB.
- **Opex growth**: For private sector banks, opex growth would generally slightly lag loan growth whereas, for PSU banks, opex growth would materially exceed loan growth on account of wage hike provisions.
- **Treasury profit**: Treasury profit would be flattish to somewhat lower sequentially as average long-term bond yields have risen slightly on sequential basis, with the 10-year averaging 7.27% over 3QFY24, higher by 11 bps QoQ. On an ongoing basis, for AXSB, ICICI, HDFCB, KMB and RBL, treasury income, it may be noted, on average, is a relatively smaller part of total non-interest income and hence, moves the needle less on overall basis.

Exhibit 14: Change in Weighted Average Lending Rate, %



Source: RBI, YES Sec – Research

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



Source: RBI, YES Sec – Research

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

Exhibit 16: Banks - Earnings expectation snapshot – Part 1 – Stocks in respective tables are as per order of Market Capitalisation

Bank (Rs mn)	NII			PPOP			PAT			Remarks (Commentary on sequential evolution)
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	
HDFC Bank*	286,176	24.5	4.5	237,264	24.7	4.5	162,446	32.5	1.7	Sequential loan growth will be in the 4% ballpark due to idiosyncratic growth trajectory. NII growth will be similar to average loan growth due to rise in cost of deposits outpacing yield on advances being offset by liquidity unwind. Consequently, NIM will be stable sequentially. Sequential fee income growth will slightly exceed loan growth due to linkage with payments activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be stable sequentially due to idiosyncratic aspects.
ICICI Bank	190,487	15.7	4.0	148,361	11.8	4.3	102,952	23.9	0.3	Sequential loan growth will be in the 4% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than average loan growth due to rise in cost of deposits outpacing yield on advances. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will slightly exceed loan growth due to linkage with payments activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to idiosyncratic aspects.
State Bank of India	403,756	6.1	2.2	177,264	-29.7	-8.7	108,976	-23.3	-24.0	Sequential loan growth will be in the 3% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than average loan growth due to rise in cost of deposits outpacing yield on advances. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage with disbursement activity. Opex growth will materially exceed loan growth due to wage hike provisions. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to idiosyncratic aspects.
Kotak Mahindra Bank	65,870	16.5	4.6	48,420	25.8	5.0	33,674	20.6	5.5	Sequential loan growth will be in the 4% ballpark due to idiosyncratic growth trajectory. NII growth will be similar to than average loan growth due to rise in cost of deposits outpacing yield on advances being offset by loan mix change. Consequently, NIM will be stable sequentially. Sequential fee income growth will slightly exceed loan growth due to linkage with payments activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be broadly stable sequentially due to idiosyncratic aspects.
Axis Bank	126,025	10.0	2.3	88,657	-4.4	2.7	58,859	0.6	0.4	Sequential loan growth will be in the 4% ballpark due to idiosyncratic growth trajectory. NII growth will be materially slower than average loan growth due to rise in cost of deposits outpacing yield on advances and decline in credit deposit ratio. Consequently, NIM will be materially lower sequentially. Sequential fee income growth will slightly exceed loan growth due to linkage with payments activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to idiosyncratic aspects.

Source: Companies, YES Sec – Research, *Due to merger of HDFC Ltd with HDFC Bank in July 2023, the YoY numbers are not comparable

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

Bank (Rs mn)	NII			PPOP			PAT			Remarks (Commentary on sequential evolution)
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	
Indusind Bank	53,052	18.0	4.5	40,251	9.4	3.7	21,880	11.7	0.3	Sequential loan growth has been 3.6% due to idiosyncratic growth trajectory. NII growth will be similar to than average loan growth due to rise in cost of deposits outpacing yield on advances being offset by loan mix change. Consequently, NIM will be stable sequentially. Sequential fee income growth will slightly exceed loan growth due to linkage with payments activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to idiosyncratic aspects.
Bank of Baroda	110,705	2.3	2.2	76,357	-7.2	-4.8	40,045	3.9	-5.8	Sequential loan growth will be in the 3% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than average loan growth due to rise in cost of deposits outpacing yield on advances. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage with disbursement activity. Opex growth will materially exceed loan growth due to wage hike provisions. Slippages would be broadly stable on sequential basis. Provisions will be broadly stable sequentially due to idiosyncratic aspects.
Indian Bank	58,724	6.8	2.3	40,780	0.4	-5.2	17,085	22.4	-14.1	Sequential loan growth will be in the 3% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than average loan growth due to rise in cost of deposits outpacing yield on advances. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage with disbursement activity. Opex growth will materially exceed loan growth due to wage hike provisions. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to idiosyncratic aspects.
IDFC First Bank	41,702	26.9	5.6	16,137	28.0	6.9	7,957	31.6	5.9	Sequential loan growth will be in the 5% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly lower than average loan growth due to rise in cost of deposits outpacing yield on advances. Consequently, NIM will be slightly lower sequentially. Sequential fee income growth will slightly exceed loan growth due to idiosyncratic reasons. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will marginally rise sequentially due to idiosyncratic aspects.
Federal Bank	21,217	8.4	3.2	13,763	8.0	3.9	9,547	18.8	0.1	Sequential loan growth has been in the 3% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly slower than average loan growth due to rise in cost of deposits outpacing yield on advances. Consequently, NIM will be marginally lower sequentially. Sequential fee income growth will slightly exceed loan growth due to linkage with payments activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to idiosyncratic aspects.

Source: Companies, YES Sec – Research

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

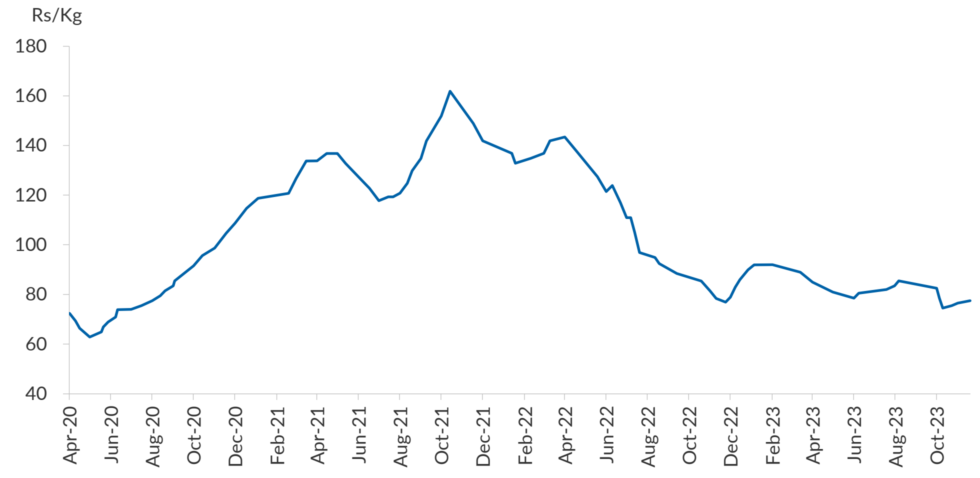
Bank (Rs mn)	NII			PPOP			PAT			Remarks (Commentary on sequential evolution)
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	
City Union Bank	5,507	-0.9	2.3	3,932	-20.9	1.7	2,240	2.8	-20.2	Sequential loan growth will be in the 3% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly lower than average loan growth due to rise in cost of deposits outpacing yield on advances. Consequently, NIM will be slightly lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage with disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will rise materially sequentially due to idiosyncratic aspects.
RBL Bank	15,414	34.2	4.5	7,869	38.7	7.6	3,676	75.9	25.0	Sequential loan growth will be in the 4% ballpark due to idiosyncratic growth trajectory. NII growth will be similar to than average loan growth due to rise in cost of deposits outpacing yield on advances being offset by loan mix change. Consequently, NIM will be stable sequentially. Sequential fee income growth will slightly exceed loan growth due to linkage with payments activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will decline sequentially due to idiosyncratic aspects.
CSB Bank	3,523	0.7	2.5	1,784	-7.8	2.2	1,279	-18.0	-4.0	Sequential loan growth has been in the 2% ballpark due to idiosyncratic growth trajectory. NII growth will be materially slower than average loan growth due to rise in cost of deposits outpacing yield on advances and decline in credit deposit ratio. Consequently, NIM will be materially lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage with disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will be materially higher sequentially due to idiosyncratic aspects.
DCB Bank	4,930	10.5	3.6	2,186	12.6	3.8	1,299	14.1	2.4	Sequential loan growth will be in the 4% ballpark due to idiosyncratic growth trajectory. NII growth will be slightly lower than average loan growth due to rise in cost of deposits outpacing yield on advances. Consequently, NIM will be slightly lower sequentially. Sequential fee income growth will broadly match loan growth due to linkage with disbursement activity. Opex growth will slightly lag loan growth. Slippages would be broadly stable on sequential basis. Provisions will rise marginally sequentially due to idiosyncratic aspects.

Source: Companies, YES Sec – Research

BUILDING MATERIALS

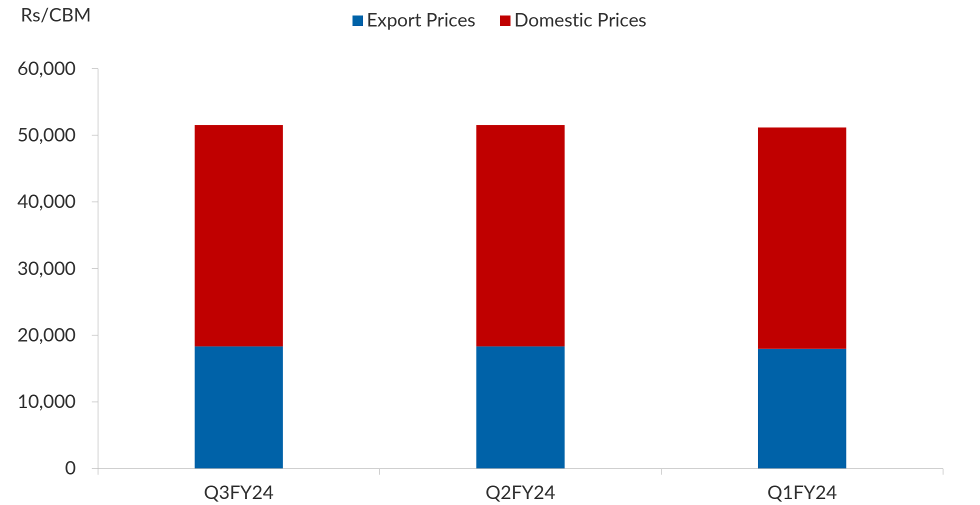
- Q3FY24E is likely to be a muted quarter for Building material companies. Owing to festive & marriage season the demand from real-estate segment remained sluggish during Oct & Nov'23. Moreover, with increase in travel and tourism, the demand in Dec'23 also remained soft. Plastic pipe companies catering to projects & infra should continue to register healthy growth, however manufacturers catering to plumbing are likely to witness a muted quarter. Sanitaryware & Faucet cos are expected to register a higher single digit growth while Tile companies should report mid-single digit growth in volume terms. Woodpanel companies are expected to register decent growth, however higher timber cost could weigh on operating margins.
- **From our universe, we expect strong earnings from ASTRAL LTD & SUPREME INDUSTRIES LTD, while weak set of numbers are expected from GREENPANEL INDUSTRIES LTD.**
- **Plastic Pipes:** Demand has been healthy from infra & projects biz backed by higher demand from Jal Jeevan Mission. However plumbing segment witnessed minor slowdown during the quarter. During the quarter, dealers maintained lower inventory levels in anticipation of contraction in PVC resin prices. Margins for the quarter could remain under pressure due to lower volumes coupled with sharp contraction in resin prices during the beginning of Q3FY24. We believe ASTRAL ltd and Supreme Industries Ltd should continue to outperform its peers in terms of volume growth.
- **Ceramics:** Domestic tile demand continues to remain under pressure, although export run-rate continues to grow on m/m basis. Our checks indicate that domestic demand has not revived as yet and sluggishness in demand should continue for coming 5-6months. Hence, we reckon a volume growth of 5-6% YoY for Tile companies. Margins are likely to remain similar Vs previous quarter. For sanitaryware & faucets, we reckon a growth of higher single digit for Q3FY24 wherein organized manufacturers should continue to outperform industry growth owing to premiumization trend. We expect muted performance from KJC, SOMC and HHIL.
- **Woodpanels:** Higher MDF imports continues to impact the domestic volumes, laminates are likely to register decent growth during the quarter. However, for Plywoods we expect muted growth. Timber prices for Oct-Nov'23 remained flattish, however prices surged in Dec'23 in both South & North region, hence we believe margins will remain under check. We expect steady performance from Greenply and CenturyPly.

Exhibit 19: Resin prices were under pressure during the quarter…



Source: YES Sec

Exhibit 20: Domestic MDF prices remained flattish QoQ…



Source: YES Sec

Exhibit 21: Building Materials- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
Greenpanel Inds.	4,042	(3.8)	1.4	714	(424)	33	404	7.7	(1.5)	Greenpanel is likely to report revenue of Rs4.04Bn, a degrowth of 4% YoY and remain flattish QoQ. We expect MDF volumes of 120,377cbm which will largely be driven by domestic sales. Operating margins are likely to come in at 17.7% as compared to 21.9%/17.3% in Q3FY23/Q2FY24 respectively. Company is expected to report a net profit of Rs404Mn, growth of 8% YoY.
Greenply Industr	5,630	31.5	(7.4)	542	203	118	141	(60.8)	1.1	Revenue is expected to grow by 31% YoY to Rs5.63Bn wherein plywood revenue is likely to grow 7% YoY & MDF performance should improve sequentially. Margins are expected to grow by 203bps YoY (base impact) & 118bps QoQ to 9.6%. Net profit should come in at Rs141Mn, remaining flat QoQ. Q3FY23 PAT was inflated due to tax adjustment.
Greenlam Industr	5,957	18.3	(1.3)	746	164	0	391	38.6	(0.7)	Greenlam's revenue is expected to increase by 18% YoY & remain flattish QoQ to Rs5.96Bn. Margins should come in at 12.5% as compared to 10.9%/12.5% in Q3FY23/Q2FY24 respectively. Absolute EBITDA is expected to increase by 36% YoY and remain flat QoQ to Rs746Mn. Company should report net profit of Rs391Mn, growth of 39% YoY.
Century Plyboard	9,721	10.0	(2.5)	1,361	(56)	(48)	909	10.4	(6.5)	CenturyPly is expected to register a revenue of Rs9.72Bn, growth of 10% YoY & degrowth of 2% QoQ. We expect operating margin to be at 14% as compared to 14.6%/14.5% in Q3FY23/Q2FY24 resectively. Consequently, net profit should increase by 10% YoY & decline by 6% QoQ to Rs909Mn.
Stylam Industrie	2,293	(2.0)	(2.0)	459	318	(21)	314	30.8	(1.1)	Stylam Industries should report flattish numbers wherein revenue is expected to stand at Rs2.29Bn, a decline of 2% both YoY & QoQ. Operating margins are likely to come in at 20% in Q3FY24, as compared to 16.8%/20.2% in Q3FY23/Q2FY24 respectively. Hence, absolute EBITDA is expected to grow by 16% YoY & decline by 3% QoQ to Rs459Mn. Net profit is likely to come in at Rs314Mn, an increase of 31% YoY & flat QoQ.
Apollo Pipes	2,269	(4.1)	(9.0)	216	274	(15)	113	131.3	(13.0)	Apollo pipes is expected to report volume degrowth of 9% QoQ to 18,011 Te. ASP should remain flattish at Rs126/Kg vs previous quarter. EBITDA/Kg expected to see a slight decline of 1.6% QoQ to Rs12. Revenue is expected to degrow by 4% YoY & 9% QoQ to Rs2.27Bn. Operating margins are likely to come in at 9.5% as compared to 6.8%/9.7% in Q3FY23/Q2FY24 respectively. Net profit expected to decline by 13% QoQ to Rs113Mn.
Prince Pipes	6,565	(7.0)	0.0	811	249	(200)	463	30.6	(34.4)	Prince is expected to report volume degrowth of 5% YoY and remain flat QoQ to 41,529 Te. Revenue is expected to decline by 7% YoY and remain flat QoQ to Rs6.56Bn. ASP is expected to decline by 2.2% YoY & remain flat QoQ at Rs158/Kg. EBITDA/Kg should come in at Rs20 as compared to Rs16 in Q3FY23 & Rs23 in Q2FY24. Company is expected to report Net Profit of Rs463Mn, a growth of 31% YoY and decline of 34% QoQ.
Supreme Inds.	25,784	11.6	11.7	3,929	211	(20)	2,795	53.2	7.5	Supreme is expected to report a steady quarter with revenue growing at 12% both YoY & QoQ to Rs25.78Bn. Total volumes are expected to grow by 13% both YoY & QoQ. Pipe biz's volumes are grow at 15% YoY & 16% QoQ. Margins are likely to come in at 15.2% in Q3FY24 vs 13.1%/15.4% in Q3FY23/Q2FY24 respectively. Net profit should come in at Rs2.8Bn, a growth of 53% YoY & 8% QoQ.

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
Finolex Inds.	9,983	(11.2)	13.0	1,048	233	(116)	1,004	26.2	2.5	Finolex is expected to report volume degrowth of 30% YoY and flat QoQ for Pipe Biz. Overall revenue is expected decline by 11% YoY & increase by 13% QoQ to Rs9.98Bn. Operating margin is expected to come in at 10.5% as compared to 8.2% in Q3FY23 & 11.7% in Q2FY24. Net Profit should improve to Rs1Bn as compared to Rs795Mn in Q3FY23 & Rs980Mn in previous quarter.
Astral	14,495	14.3	6.3	2,441	214	69	1,496	57.7	13.6	Astral is expected to report a healthy quarter with revenue growing 14% YoY & 6% QoQ to Rs14.5Bn. Pipe biz volume growth to be 18% YoY & 4% QoQ. Hence, we expect pipe segment's revenue to report growth of 7% YoY & 4% QoQ. ASP & EBITDA/Kg should remain flat QoQ at Rs185 & Rs35 respectively. Adhesive segment is expected to grow by 28% YoY & 12% QoQ. Blended margin should improve by 214bps YoY & 69bps QoQ to 16.8%. Company should report net profit of Rs1.5Bn, a growth of 58% YoY & 14% QoQ
Cera Sanitary.	4,993	9.1	7.7	824	11	(0)	635	11.5	10.5	CERA is expected to register a healthy quarter with revenue of Rs4.99Bn, a growth of 9% YoY & 8% QoQ. Operating margins to remain steady at 16.5% vs 16.4%/16.5% in Q3FY23/Q2FY24 respectively. Absolute EBITDA is expected to grow by 10% YoY & 8% QoQ to Rs824Mn. Net profit is expected to increase to Rs635Mn, viz. 12% YoY & 11% QoQ.
Hindware Home In	7,381	3.6	5.4	738	302	(27)	204	108.8	(2.5)	HHIL's overall revenue in expected to increase by 4% YoY 5% QoQ to Rs7.38Bn, wherein bathware revenue is expected to increase by 7% YoY & 3% QoQ to Rs4.07Bn. Pipe Revenue is expected to grow by 15% YoY & by 13% QoQ to Rs2.28Bn. Consumer & Retail Biz revenue is expected to remain flat on a QoQ basis. Blended margin to be 10% as compared to 7%/10.3% in Q3FY23/Q2FY24 respectively. Company should report net profit of Rs204Mn, flat on a QoQ basis.
Kajaria Ceramics	11,375	4.3	1.4	1,823	383	0	1,127	52.9	1.7	Kajaria Ceramic's tile volumes are expected to come in at 26.98msm, a growth of 6% YoY & 2% QoQ, Tiles revenue is likely to increase by 4% YoY & 2% QoQ. Overall revenue is expected to increase by 4% YoY & remain flat QoQ to Rs11.38Bn. We believe KJC's margins should come in at 16% as compared to 12.2%/16% in Q3FY23/Q2FY24 respectively. Net Profit should come in at Rs1.13Bn, growth of 53% YoY & 2% QoQ.
Somany Ceramics	6,503	4.5	(0.7)	637	328	(0)	286	149.1	(3.4)	SOMC's is expected to register volume growth of 5% YoY remain flat QoQ to 17msm. Tile revenue is likely to grow by 4% YoY and remain flat QoQ. Overall revenue is expected to increase by 4% YoY to Rs6.5Bn. Margins are likely to come in at 9,8%, as compared to 6.5% in Q3FY23 & 9.8% in Q2FY24. Net Profit is expected to came in at Rs286Mn, a decline of 3% QoQ
Carysil	1,700	23.4	3.9	342	199	0	173	42.6	10.8	Revenue is expected to increase by 23% YoY & 4% QoQ to Rs1.7Bn. Operating margin is expected to improve YoY to 20.1% from 18.2% in Q3FY23 & remain flat as compared to Q2FY24. Absolute EBITDA is expected to grow by 37% YoY & 4% QoQ to Rs342Mn. Net Profit to increase by 43% YoY & 11% QoQ to Rs173Mn

CAPITAL GOODS

- We expect our capital goods coverage universe (15 companies) to report ~20% YoY revenue growth during Q3FY23 driven by ~23% YoY growth in product companies (10) and ~20% growth in project companies (5). The growth ex-L&T is also expected around a similar 20% range. In addition to jacked up orderbooks driven by consistent and high value order inflows in the last few quarters, (for instance Siemens received the Rs263bn 9,000HP locomotive order, GETD recently announced a large export order of ~GBP74mn, Bharat Electronics already surpassing annual guidance before Q3 end), the execution seems to be picking up with a more normalized supply chain globally and a subsequent setting up of localized supply chains after the ordering momentum started picking up in the last 1-2 years. Stability in commodity prices has also helped companies improve and better plan their raw material costs. Some projects could also see increased activity based on urgency in completion before election related delays could kick in.

- So, we expect revenue growth to accelerate but gross margin to normalize after a strong show in Q2FY24. It will be a likely counter balancing play between some moderation in gross margin sequentially and revenue growth led operating leverage. Some project companies have already guided for a lower proportion of high-cost legacy projects which would be nearing completion and hence a sequential margin expansion is expected. L&T's infrastructure segment is expected to see sequential margin improvement while KEC is also expected to report an improved margin performance. Overall, we expect EBITDA margin for the universe to expand ~70bps YoY to 12.2% along with a PAT growth of 37% YoY.

- On the exports front, ordering and enquiry seemingly have lost some momentum on the back of inflationary pressures and a tightening monetary policy. However, certain geographies like North America and Middle East are witnessing a strong infrastructure push and green energy shift which coupled with the China +1 phenomenon is benefiting Indian players. Key monitorable would be ordering pipeline given that FY24 is an election year, margin trajectory given that commodity prices have cooled off, execution guidance, working capital levels and key growth drivers.

Strong results expected from L&T, ABB, EIL, GETD and KEC – A combination of healthy orderbook, execution, margin performance and a low base is expected to drive strong performance for these companies.

Exhibit 22: Expected Revenue Growth in Q3FY24

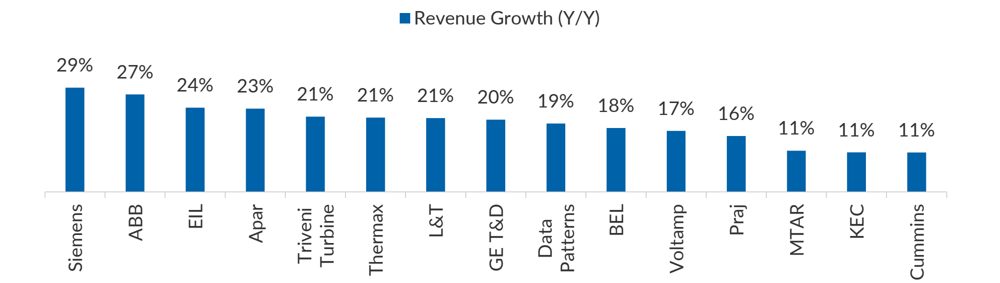


Exhibit 23: Expected margin expansion/decline in Q3FY24

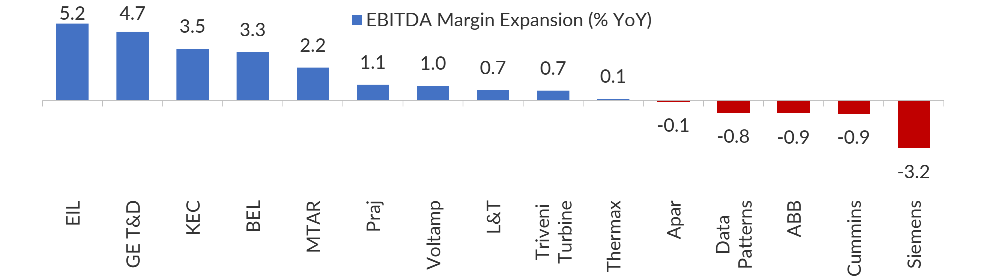
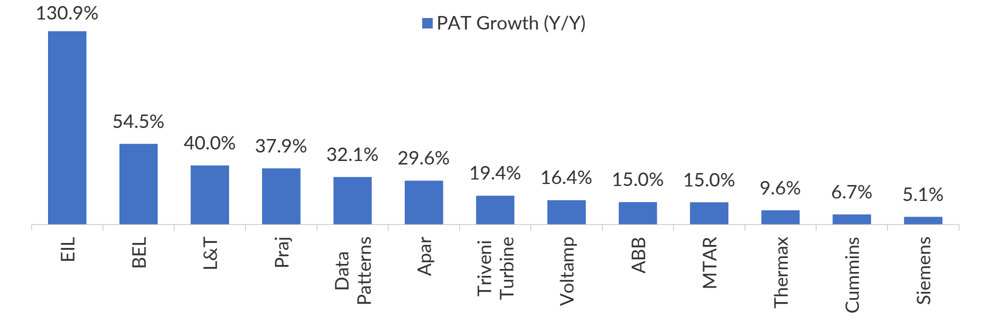


Exhibit 24: PAT Growth (Y/Y)



Source: YES Sec, Note: GETD and KEC's PAT expected to grow at 1010% and 662% YoY on low base

Exhibit 25: Capital Goods- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
Bharat Electron	48,681	17.8	21.9	11,656	328	(121)	9,253	54.5	13.9	BHE is expected to post a revenue growth of 18% YoY while margins are expected to expand by ~320bps YoY. Gross margin is expected to normalize after a bumper Q2FY24 as commodity benefit is expected to normalize. The company's announced orders received have surpassed the full year guidance, however, translation into higher revenue growth is expected a few quarters away
Triveni Turbine	3,943	21.0	1.7	790	65	86	628	19.4	(2.1)	We expect revenue growth of 21% YoY led by continued traction in exports and aftermarket while margins are expected to be inch up ~60bps y/y . Conversion of traction into order inflows from Latin America, South East Asia, European region and Southern Africa in the export segment, status of aftermarket business and API segment would be the key monitorables.
Thermax	24,744	20.7	7.5	1,970	10	(93)	1,385	9.6	(12.7)	For 3Q, revenue is expected to grow 21% YoY led by execution of short cycle orders and a strong orderbook. Both gross margin and EBITDA margins are expected to expand to remain stable YoY with EBITDA margin expected to be at 8%. Thermax's foray into green energy related businesses is expected to provide a long-term filip, however, near term progress on the new age business models needs to be closely monitored
A B B	30,887	27.3	11.5	4,363	(88)	(171)	3,519	15.0	(2.8)	Revenue growth is expected to maintain its strong trajectory (expect 27% YoY) while commodity price led benefit is expected to normalize. Expect EBITDA margin of 14.1% (90bps YoY decline) mainly driven by gross margin drop partly compensated by operating leverage.
Volt.Transform.	4,184	17.0	9.7	690	98	(155)	591	16.4	(13.7)	We expect revenue growth of 17% YoY driven by strong volume growth in the power transformer business. A situation of undercapacity in the transformer segment is also expected to support strong bid margin, hence building in gross margin expansion of 310bps to 27%. This would also lead to EBITDA margin expanding 100bps to 16.5% and a PAT growth of 16% YoY
Siemens	51,852	29.1	(10.7)	6,054	(325)	(38)	4,863	5.1	(14.9)	29% with increased contribution from the locomotive order execution, which would also result in higher project bought out cost leading to some compression in margin (-320bps YoY on a high Q1SY23 base). Stable commodity prices is expected to flow into a steady gross margin profile QoQ
Larsen & Toubro	559,516	20.6	9.7	65,054	69	59	33,830	40.0	5.0	Revenue is expected to grow by 21% YoY driven by an orderbook of Rs4.5tn at the end of Q2FY24, which saw a 21% YoY growth during the same period. With proportion of legacy projects declining in the execution, sequential margin expanion is expected (building in 11.6% EBITDA margin, up 70bps YoY. Also, improved profitability in Hyderabad Metro and lower debt is expected to further drive PAT growth (expected at 33% YoY)
K E C Intl.	48,563	11.0	7.9	3,924	351	198	1,341	662.1	140.3	We expect revenue growth of 11% YoY led by continued healthy execution in T&D and Civil businesses. Margins are expected to expand ~350bps YoY driven by lower contribution of legacy projects and turnaround in SAE profitability. Key monitorable would be execution as we move into pre election quarters and related impact on order inflows.
Apar Inds.	48,546	23.2	23.7	4,190	(8)	(28)	2,201	29.6	26.2	We expect 23% YoY revenue growth while EBITDA margin is expected to remain flat at 8.6%. Key monitorables would be volume and EBITDA/ton for conductor business

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
GE T&D India	9,331	20.2	33.7	987	468	189	651	1,010.2	75.0	Revenue is expected to grow 20% YoY given a sharp jump in order book at the end of Q2FY24 (+24.4% YoY). Expect gross margin to consolidate to normalized levels sequentially while still expanding 360bps YoY. The company has reduced its net debt from Rs3.6bn at Q2FY23 end to almost nil at Q2FY24 end (Rs140mn) which is expected to significantly reduce interest cost. Hence, PAT is expected to jump sharply to Rs651mn (against Rs59mn in Q3FY23)
Cummins India	24,199	11.0	27.4	4,356	(90)	18	3,843	6.7	17.0	Revenue is expected to grow by 11% driven by normalized demand scenario in the domestic powergen business after two quarters of disruption in terms of both inventory with OEMs and end-user demand. Exports are expected to remain weak across major geogrpahies particularly developed markets. Gross margin is expected to normalize after an abnormal jump in Q2FY24 led by higher HHP in the mix as domestic LHP demand contracted by ~60% due to inventory correction. PAT growth is expected to remain at 7% YoY driven by significant increase in employee cost YoY even as other expense is expected to grow at a modest pace. EBITDA margin is expected to contract 90bps YoY to 18%
Engineers India	10,263	23.6	32.0	1,113	524	(140)	1,103	130.9	7.9	Revenue is expected to grow 24% YoY led by better execution while margins are expected to expand ~520bps YoY. Key monitorable would be order inflow and traction in consultancy business
Praj Industries	10,520	15.6	19.2	1,108	106	101	859	37.9	37.6	Revenue growth is expected at 16% YoY driven by execution pickup of a stronf orderbook after two quarters of disruption (FCI decision to ban rice for ethanol production). Similar to some of the other companies, gross margin is expected to stabilize after a strong Q2FY24 which is expected to be compensated by operating leverage benefit with EBITDA margin expected at 10.5% (+100bps YoY)
Data Pattern	1,332	19.1	23.0	549	(83)	361	440	32.1	30.2	Revenue is expected to grow at 19% YoY with execution of a strong order book which grew ~20% YoY at the end of Q2FY24. EBITDA margin is expected to remain in the normalized range at 41% driving a PAT growth of 32% YoY. Upside earnings risk remain as the company could execute more orders of its own products which could lead higher than anticipated gross margin
MTAR Technologie	1,786	11.5	7.0	542	224	872	362	15.0	76.8	Revenue growth is expected to decelerate to ~12% YoY from 47% YoY revenue growth seen in H1FY24 due to inventory correction and design changes in the hot box for its major customer Bloom Energy (~75% of overall revenue). With increased domestic revenue in the mix in Q3, gross margin is expected to expand to 55% (+230bps YoY). EBITDA margin is expected to expand 230bps YoY to 30.4%. PAT is expected to grow at 15% YoY.

CEMENT

During Q3FY24, the demand remained muted due to festivity, state elections, unexpected rainfall/cold weather and labor shortage. Last quarter's price hike largely got reversed, which resulted in price de-growth on y/y basis (+2% q/q) in Q3FY24. Therefore, we anticipate a mid-high single digit volume growth with stable NSR on y/y basis, which drives aggregate revenue growth by +10% y/y in Q3FY24E. Given the steady fall in energy cost, we believe industry power & fuel cost to decline by 19% y/y (Rs50-100/te q/q) in Q3FY24E. Therefore, with healthy NSR, higher operating leverage and eased fuel cost would improve the industry EBITDA by Rs150-250/te y/y (+Rs1000/te) in Q3FY24E, however the RM cost escalation might restrict the expected gains.

- **Demand Outlook:** We expect volumes of our coverage companies to increase by mid-high single-digit y/y due to muted demand lead by festivity, states elections, unexpected rainfall/cold weather and labor shortage. Whereas the demand from infra & real estate sector remained resilient. According to DPIIT, cement volume grew by +14% y/y during Oct-Nov'23 and our channel check hinted the demand sluggishness in Dec'23, restricting the volume growth to high single digit for overall Q3FY24.

- **Pricing Outlook:** We expect NSR of our coverage companies to remain flat y/y and +2-3% q/q in Q3FY24E. During Oct-Dec'23, All-India average cement prices de-grew y/y due to significant price correction during Mar-Aug'23 but remained up by +2% q/q. Regionally, the players operating in south/east could witness significant NSR fall by 3-4% y/y and on contrary the north/central NSR will remain up by +2-3% y/y in Q3FY24E.

- **Cost Outlook:** The fuel prices corrected significantly from its peak **(Pet coke/Imported coal to $120/116/te decline by 30-40% y/y in Dec'23).** As a result, 3-month trailing blended fuel cost corrected to Rs1.57 per kcal/kg vis-à-vis ~Rs1.9 per kcal/kg (indicated by the companies) in Q2FY24. Therefore, we expect the industry power & fuel cost to decline further by Rs250-300/te y/y in Q3FY24E, which will aid to improve the industry EBITDA to +Rs1000/te in Q3FY24E as compared to Rs762/te in Q3FY23.

We are POSITIVE on the sector guided by the healthy pricing environment and stable input cost. We like DALBHARA & SGC.

Exhibit 26: Industry will see a mid to high-digit volume growth in Q3FY24E

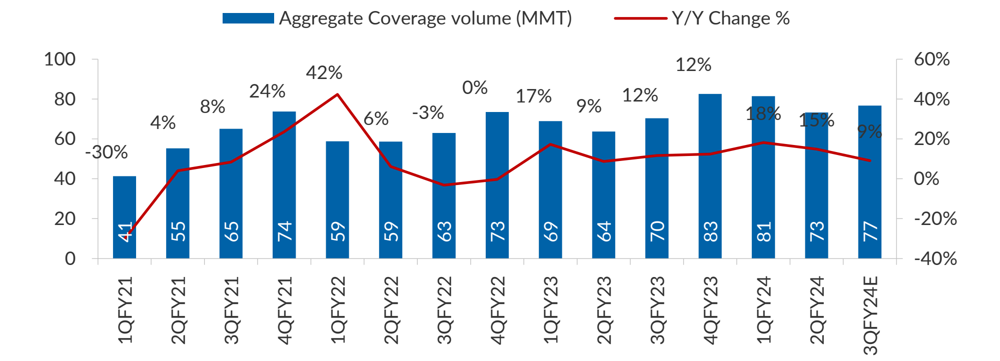


Exhibit 27: Quarterly pricing trends of Q3FY24 average

Region	Trade price	% Change Q/Q	Non-trade price	% Change Q/Q	Wtd. Avg	% Change Q/Q
North	408	5.2%	335	1.1%	386	4.1%
Central	371	-2.2%	319	-0.3%	360	-1.9%
East	368	0.1%	350	4.3%	359	2.1%
South	413	4.4%	361	6.2%	392	5.1%
West	414	-0.3%	387	4.2%	403	1.3%
PAN India	**395**	**1.4%**	**352**	**3.1%**	**380**	**2.0%**

Exhibit 28: Eased fuel cost and healthy NSR will improve EBITDA

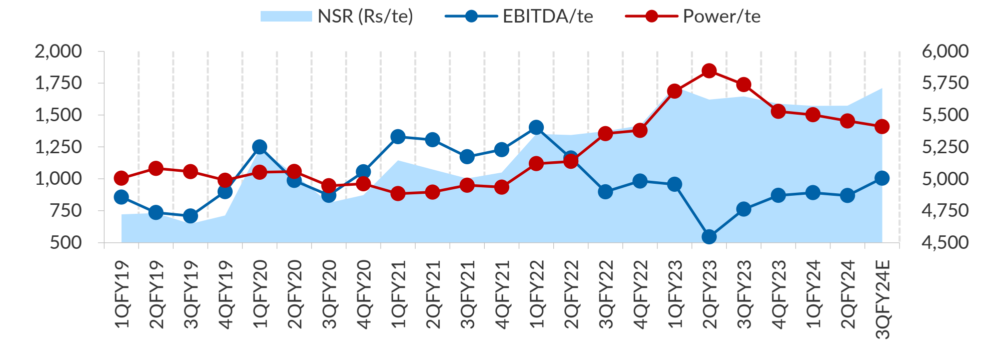


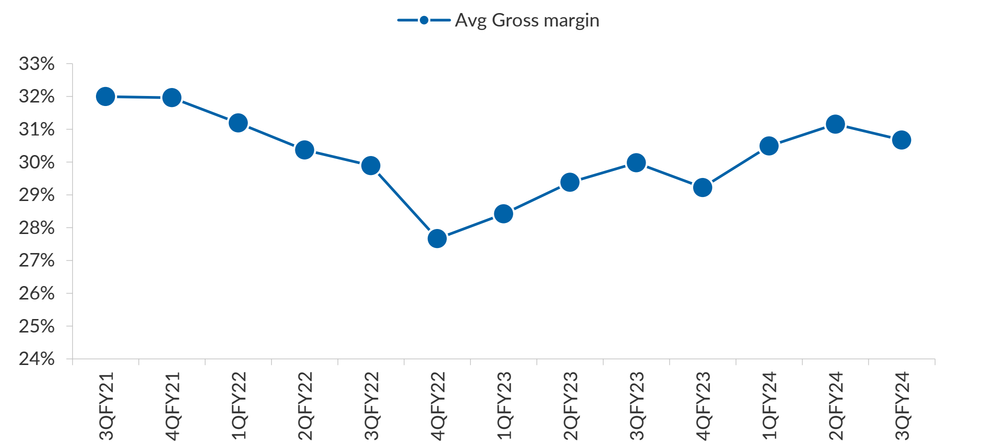
Exhibit 29: Cement- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
UltraTech Cem.	168,003	8.2	4.9	29,627	259	170	15,673	48.1	22.3	UTCEM delivers high single revenue growth aided by healthy NSR with 6% y/y volume growth. The overall cost is expected to remain flat due to stable fuel costs and high cost inventories. Therefore we expect NSR to drive the EBITDA/te improvement by Rs100-200/te.
Shree Cement	49,136	20.8	7.2	9,933	282	124	4,787	73.0	(2.6)	SRCM Volume to see mid-single digit growth y/y over higher base and healthy NSR on low base will drive double-digit revenue growth in Q3FY24 on a Y/Y basis, the total cost/te expected to increase due to RM cost escalation, which will mitigated by healthy NSR driving the EBITDA/te +Rs1100/te
ACC	47,426	4.5	6.9	7,061	653	250	4,186	117.7	7.9	Due to "MSA" the company will continue to report health volume despite limited production headroom. The cost-effective measure taken by the new management will continue to improve the margin significantly on a y/y basis.
Ambuja Cements	43,818	6.1	10.4	9,283	602	170	6,460	50.1	0.3	Expected to report health volume due to "MSA" despite limited production headroom. the cost effectiveness measure and stable fuel cost with better NSR will drive margins to 21% on standalone.
Dalmia BharatLtd	36,091	7.6	14.6	7,516	163	212	2,322	16.1	96.8	NSR is expected to decline y/y as cement price corrected significantly durnig Q2-Q3FY24 in the south/east. However high-single digit volume growth will offset the NSR impact and drive the Revenue growth y/y. Despite the moderating fuel cost , the RM cost escaltion will keep the tottal cost/te elevated, limiting the EBITDA/te improvement.
Birla Corpn.	24,424	21.1	6.8	3,675	788	241	1,084	(317.1)	85.7	Ramping up mukutban capacity in the west would drive the volume growth for the BCORP. with healthy NSR, revenue os expeted to grow in double-digit y/y. The increasing stabilization and utilization of mutukban plants will drive EBITDA improvement.
The Ramco Cement	25,182	25.2	7.6	4,925	549	223	1,912	270.9	165.5	TRCL will see a double-digit volume growth on account of higher utiliztion of newly added capacity, which will mitigate the y/y NSR de-growth and drives the revenue growth. Also, the moderating cost will improve the margin in Q3FY24.
India Cements	13,807	7.8	9.2	615	911	411	(455)	(134.1)	(46.8)	ICEM would continue to report net loss due to elevated input cost. However, cost normalisation will turn EBITDA positive.
JK Lakshmi Cem.	15,233	2.3	4.9	2,113	315	158	1,027	39.5	23.7	JKLC revenue expected to by 2% y/y on account of NSR de-growth. EBITDA would remain resilient at ~Rs700/te led by moderating cost.
Sagar Cements	6,833	18.7	16.4	1,095	776	576	137	(162.3)	(159.2)	Ramping up of recently added capacities (MP/orissa/ACL) would drive the double-digit volume growth y/y . As a result, absolute Revenue/EBITDA will see strong growth and drive SGC towards net profit despite higher interest cost outgo.
Orient Cement	8,155	11.4	13.2	1,237	283	316	537	95.2	118.1	Revenue to grow by +10% y/y on better volume and NSR. EBITDA/te expected to Improve by Rs150/te due to moderating cost and healthy realization.

CONSUMER DURABLES

- Shifting of festive season in Q3 would result in strong revenue growth for consumer durables companies. Festive demand from Navratri to Diwali has been strong where most of the retailers have seen their sales growing by 25% especially for electronics and white goods. Demand for electronics has been led by mobile phones, wearables and hearables and televisions, while RAC has seen strong festive demand in the white goods space followed by washing machine and refrigerators. FMEG demand has been relatively lower as compared to durables.
- Wires and Cables have continued to see strong demand traction with Wires now growing at the faster pace as compared to cables. Our dealers check suggest that housing wires have clocked volume growth of ~18% while cables which has been clocking 25% volume growth in past few quarters has seen some moderation in demand as orders from the 5 states that were going for election has been lower. Copper prices for the quarter were up by 5% on yoy basis, while on sequential basis it has seen marginal correction of 1.7%. On the other hand Aluminum prices have remained flat on yoy and on sequential basis it has seen increase of .4%
- Sales are expected to be strong in Q3 as carried forward inventory which was lying in the channel post muted Q1 was largely cleared in Q2 and there was strong channel filling ahead of the festive season with large part of has been falling in Q3 in current year vs Q2 of the previous year.
- Inventory in the channel is at the normalized levels as there have been strong festive Sales. Dealers are expect to start the inventory filling for the summer products as they are expecting strong summer season driving demand for the summer products. Companies have not taken any price increase in fact there were offers being given on the EMI purchases. Retailers have suggested that almost 75% of their sales in metros and tier I and II cities have been sold on consumer finance.
- B2B sales continues to remain encouraging, however there has been some moderation in B2B demand as government orders have been lower as 5 states were going for elections. Dealers are expecting B2B demand further moderating as general elections are slated to happen in April-May'24. But this moderation in demand as per the Dealers would be transient in nature and is likely to bounce back post elections.
- Commodity prices which had posed headwinds has stabilized and lower than its historic peak which it hit in march last year giving comfort to the companies as they would not have to increase product prices further. Infact few of the companies have passed on the lower commodity prices fully.
- Gross margins of our coverage universe is expected to expand 70bps yoy to 30.7%, while on sequential basis should it should contract 48bps as there have been price cuts in selective categories. Avg. Gross Margins for the companies in Q2 would be still lower than its peak of 33.6%.
- Our top result picks in the space would be Orient electric, Voltas and Amber.

Exhibit 30: Avg gross margin across our coverage universe is expected to remain steady



Source - Company, YES Sec

Exhibit 31: Consumer Durables- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
Amber Enterp.	16,314	21.0	76.0	1,259	190	129	394	178.5	(669.6)	Revenue growth is expected to be strong as higher inventory that was impacting the industry post poor summer sales have been liquidated. Demand for components remains strong with strong order book in the railway segment. We expect Amber's component revenevenue to grow faster than the RAC, components business has started to see increased traction.
Bajaj Electrical	13,708	(7.7)	23.2	1,006	49	225	575	(5.9)	81.6	Numbers are not comparable on yoy basis as project business has been de-merged. We expect consumer products to register modest growth of 4.2% as in the base quarter there has been strong channel filling ahead to implementation of BEE rating system for Fans. Lighting business is expected to grow at 6.4% as weakness in consumer lighting persist
Blue Star	21,966	22.8	16.2	1,407	55	(8)	816	39.7	15.3	we are expecting Improved execution resulting out of strong order-book. Unitary products is expected to grow 18% on better RAC sales and continued strong growth in commercial refrigeration, gross margin is expected to remain stable as volatility in commodity prices has been low
Crompton Gr. Con	17,808	17.5	(0.1)	1,784	(3)	23	1,062	20.4	5.3	ECD should register double digit growth on favourable base and inventory push in the channel for fans; EBITDA margin is expected to remain flat on yoy basis as higher brand investments and development of new product category would result in higher expenses
Dixon Technolog.	44,374	84.5	(10.2)	1,687	(82)	(22)	883	70.2	(22.1)	Growth would be driven by strong performance of mobile phones led by addition of new customers followed by television and strong order book of washing machines, while lighting segment is expected to remian muted; EBITDA margin is expected to largely remain stable
Havells India	47,831	15.9	22.9	4,760	(31)	39	3,227	13.8	29.6	Havells is expected to see growth of 16% led by strong performance of Lloyds in the festive season, followed by Wires and Cables which are largely infra dependent and B2B categories. Gross margin is expected to expand further from its lows however it is expected to be at lower than the historical levels given that intense competition is leading to limited pricing action some product categories
Johnson Con. Hit	5,400	4.2	92.7	(32)	(21)	1,497	(149)	(43.1)	(73.6)	Revenue is expected to grow on low base; The company has been loosing market share in past few quarters. Gross margin is expected to remain at lower levels on change in pricing strategy, while the company is expected to register loss as it is seasonally weak quarter resulting in negative operating leverage
IFB Industries	12,019	20.3	9.2	797	366	24	288	(2,622.3)	33.6	Festive season push should drive the sales for consumer durables Engineering division should see bump up from festive demand and increased traction in automobile industry. EBITDA margins should expand sequentially on cost reduction initiatives and better performance of premium washing machines which carries higher margin
Orient Electric	8,153	10.3	43.8	729	152	529	423	(15,193.2)	129.1	Strong growth in lighting and Switchgear should result in company's revenue growing at 10%. On ECD front revenue is expected to ~8% as in base quarter there has been significant inventory push in the channcel ahead of implementation of BEE rating. On the Margin front cost reduction initiative and improved product mix should result in margin expansion.
Polycab India	44,806	20.6	6.2	5,883	(43)	(131)	4,118	14.1	(4.2)	Polycab should deliver strong double digit growth despite some moderation in Cables demand as exports continue to remain strong. FMEG should see moderate growth on back of slower fans demand resulting out of high base. EBITDA margins is expected to moderate as there have been higher A&P spends as Q3 being the festive quarter

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
Stove Kraft	3,679	13.4	(3.1)	363	181	(66)	150	30.9	(9.3)	Shifting of festive season in Q3 should lead to some follow up revenue from Q2 resulting in 10% revenue growth despite sluggish demand for festive season. Margin is expected to moderate marginally as there have been higher spends on promotion and discounts to perk up demand
Symphony	3,144	13.5	14.3	530	98	195	424	8.6	21.0	Clearing of channel inventory in Q2 should result in initial inventory filling by the channel in Q3 resulting in sales growing by 13%. While on international front, Mexico should see continuation of improved performance, while Australia is expecte to see some improvement on back of summer. Margins are expected inch up on lower A&P spends and strong gross margins
TTK Prestige	7,320	12.2	7.1	1,040	231	208	772	34.3	24.1	Favourable base, sifting of festive season and higher demand for premium kitchen appliances should result in double digit revenue. EBITDA margin is expected to improve on lower other expense resuting out of curtailed A&P spends
V-Guard Industri	12,573	28.2	10.9	1,170	259	115	744	89.4	26.2	Consolidation of sunflame appliances along with growth inverter and stabalisers should result in higher growth for the quarter. EBITDA margin is expected to improve on sequential basis on favourable mix
Voltas	25,987	29.6	13.3	1,092	40	114	851	(177.0)	138.5	Improved execution and healthy order book in EMPS along with market share gains in RAC should result in strong revenue growth. Gross margin is expected to contract on sequential basis on unfavourable product mix
Whirlpool India	15,307	17.5	0.6	887	241	98	506	89.6	32.6	Festive season sales should drive revenue growth for the company. EBITDA margin should improve on gross margin expansion and costs reduction initiatives

FINANCIALS- SFBs, NBFCs, HFCs & CRAs

Another good quarter

As per our channel checks and management interactions, the credit demand across products from low-to-mid income, informal salaried, and self-employed borrower segments remained strong during Q3 FY24. Sustained progression in cash flows/incomes of the borrowers has supported loan eligibility/underwriting. Structural asset quality trends have been stable, barring for the usual festive disruptions. NIM experience will differ across product segments and players. For instance, NIM of MFIs may improve with incremental repricing of portfolio and NIM of HFCs may come-off due to competitive pressure on portfolio yield. In summary, we expect earnings growth momentum to continue in MFIs, HFCs and Vehicle Financiers. We estimate strong performance (causing earnings upgrade) from LIC HF, Aptus Home, Shriram Fin, Bajaj Finance and Chola Finance. Gold Loan NBFCs are likely to put up a much better show in Q4 FY24.

We expect following dynamics to play out during Q3 FY24 in each product segment

- Interactions with DSAs and HFCs confirm that HL origination activity remained strong across ticket sizes, locations, and customer profiles. While **Prime HFCs** are likely to report improved business volume, the **Affordable HFCs** are expected to sustain their strong growth momentum. Players where one can expect a significant positive delta in disbursements are LIC HF, Aptus and Aavas, whereas Can Fin may likely report flattish business. Collections were sturdy for both Prime HFCs and Affordable HFCs.
- In **Vehicle Financing**, disbursements growth could decelerate (move towards normalization) on a higher base. Traction in demand/retail sales of PVs, 2Ws, M&HCVs and CEs has been healthy, while it has been muted for SCVs/LCVs and Tractors. Buoyancy has continued in used vehicle financing. Firm freight rates and healthy vehicle utilization supported transporters' cash flows, but collections generally dip in festive months (leading to slight increase in early buckets). A couple of field checks suggested more-than-usual increase in delinquencies in SCV/LCV segment.
- **Microfinance** disbursements are expected to be healthy and driven by good traction in new borrower acquisition and regional diversification. Collections have held well barring few pockets of Punjab and Haryana. Regular delinquency flow to underpin regular credit cost for players like CREDAG, Spandana and Ujjivan SFB, while higher-than-usual delinquency flow to drive more-than-regular credit cost for Fusion and Utkarsh SFB.
- Field checks suggest a muted sequential growth in Gold AUM of **Gold Loans NBFCs** with only marginal benefit from higher average gold prices (benefit to accrue in Q4 FY24). Q3 is typically a soft quarter from tonnage growth perspective due to higher pledge releases during festivals. Competitive pressure on yield has settled for now, and hence movement in Spread would be a function of CoF increase. In case of Muthoot, resolution/reduction of NPLs would be growth negative but margin and credit cost positive.
- In **Credit Cards**, trends in spends, category mix and receivables growth have been strong in recent months. Significant spends during the initial half of the quarter (festive period) may impact Revolvers' share. For SBI Cards, the pressure on margin and credit cost is likely to continue.
- **Small Business Loans** has been witnessing a pronounced revival with calibration of caution by lenders and improving demand from borrowers to fund business activity. Buckets and NPLs could remain steady, backed by firm collection trends.

For our Rating Agencies coverage, we expect domestic ratings revenue growth to be better than Q2 FY24 underpinned by higher Bond issuances and steady momentum in Wholesale credit growth. ICRA and CARE are expected to hold market share on incremental basis. The growth momentum in Global/Non-Ratings businesses is unlikely to recover materially for CRISIL and ICRA. Improvement in revenue growth may trigger margin expansion for ICRA. CRISIL typically sees a sizeable margin improvement in Dec quarter due to higher billing in Global Businesses. CARE usually witnesses a significant margin compression in this quarter due to lower effort billing.

Exhibit 32: Expected sequential growth in AUM

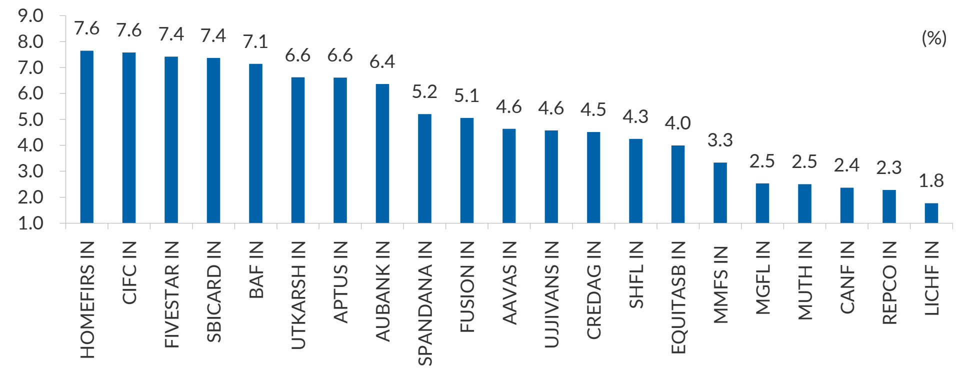


Exhibit 33: FINANCIALS- SFBs, NBFCs, HFCs & CRAs

Ticker (Rs mn)	NII			PPOP			PAT			Comments
	Q3 FY24E	YoY	QoQ	Q3 FY24E	YoY	QoQ	Q3 FY24E	YoY	QoQ	
AUBANK IN	13,197	14.5	5.7	6,792	22.2	4.9	4,349	10.7	8.2	Sustained healthy disbursements momentum drove AUM growth of 6% qoq/30% yoy. Uptick in funding cost and built-up of liquidity to impact NIM despite marginal increase in portfolio yield. Stable collections to drive moderate credit cost.
EQUITASB IN	7,932	22.5	3.6	3,323	19.0	0.6	1,912	12.4	(3.5)	Expect transient (marginal) impact of floods/rains in TN on Disbursements and Collections. Trimming of NIM expected with CoD increase outsizing the improvement in Portfolio Yield. PAT run-rate to be sustained, but RoA could be marginally below the 2% mark
UJJIVANS IN	8,468	21.5	2.9	4,512	16.0	(6.7)	2,964	1.1	(9.6)	Healthy disbursements/loan growth trends continued. Affordable Housing business gained further momentum. Sustained strong collections to underpin credit cost of well below 1%. NIM to be supported by portfolio repricing and absorption of excess liquidity. Another strong quarter of profitability with 3%+/24%+ RoA/RoE
UTKARSH IN	4,762	-	7.8	2,314	-	(2.6)	1,090	-	(4.7)	Significant revival likely in growth of Micro Banking. Overall loan book to grow strongly on qoq basis. NIM to improve marginally from re-pricing of Micro Banking loans. Less-than-expected improvement in collections would lead to continuance of elevated credit cost.
BAF IN	94,264	26.8	6.6	62,767	29.3	7.6	37,878	27.4	6.7	Reported robust AUM growth of 7% qoq/35% yoy led by traction across most products. NIM could calibrate on higher CoF. Credit cost to be stable with credit metrics and collection efficiencies remaining strong.
SBICARD IN	37,377	22.8	7.3	15,982	31.3	3.0	5,930	16.4	(1.7)	Spends growth to be seasonally strong qoq and drive a significant built-up of receivables. A decline in share of Revolvers/IEA is likely. NIM could further trim on increase in CoF and change in asset mix. Cost/Income ratio to deteriorate on higher Opex from festive cashbacks/rewards/offers. Credit cost to stay elevated as delinquency flow and write-offs remain high.
AAVAS IN	2,908	11.4	(0.8)	1,598	12.9	(2.0)	1,192	11.1	(2.1)	Further improvement in Disbursements to underpin 22-23% yoy AUM growth. Spread to decline on CoF increase and in absence of any significant portfolio re-pricing. Stable 1+ dpd and 90+ dpd delinquencies to drive benign provisions.
LICHF IN	20,579	26.3	(4.4)	17,788	31.2	(6.3)	11,322	135.7	(4.7)	Disbursement momentum to improve qoq on stabilization of operations after tech/system changes. With normalized BT and write-offs, loan book accretion will be better. NIM to decline on expected lines on inching-up of CoF and some pruning of Portfolio Yield. Some improvement in Asset Quality and absence of one-off provisions (present in Q2) to drive a lower credit cost on qoq basis.
CANF IN	3,243	26.4	0.5	2,698	26.7	(0.1)	1,941	28.1	22.8	Disbursement volume to be impacted by process changes towards strengthening of operations. Loan book growth would decelerate below 15% yoy. NIM to only marginally decline with some benefit of residual portfolio repricing. Slippages from Restructured Book to be in-line with Management Guidance.
HOMEFIRS IN	1,567	28.9	4.0	1,090	33.3	4.3	780	32.7	4.9	Robust AUM growth momentum to sustain on steady disbursements progression. Spread to decline as CoF would increase further. Stable delinquent pool to drive normal provisions.

Ticker (Rs mn)	NII			PPOP			PAT			Comments
	Q3 FY24E	YoY	QoQ	Q3 FY24E	YoY	QoQ	Q3 FY24E	YoY	QoQ	
APTUS IN	2,554	22.1	7.6	2,110	19.7	8.1	1,566	24.7	5.8	Acceleration in disbursements momentum to continue and drive strong AUM growth. Contrary to peers, portfolio spread could improve with lending rate hike taken w.e.f Sept. Moderate provisions to continue on stable delinquency buckets.
REPCO IN	1,749	19.8	1.3	1,326	20.4	(0.9)	974	20.6	(0.7)	Sequential disbursement momentum to moderately improve. NIM/Spread compression to be small from CoF increase. GNPL expected to improve in-line with preceding quarters and drive negligible credit cost.
FIVESTAR IN	4,345	34.4	5.2	2,889	40.1	4.1	2,046	35.5	2.6	Robust disbursement momentum to continue and underpin strong AUM growth. Spread compression likely from increase in CoF. Asset quality likely to remain steady despite floods/heavy rains in TN during December.
CIFC IN	23,878	34.2	7.1	15,332	42.0	7.9	9,020	31.8	18.3	Disbursement momentum may likely moderate on calibrated CSEL originations, but AUM growth would remain strong. Sustenance of strong collection efficiency to cause a decline in Credit Cost. NIM would likely remain stable despite CoF increase.
SHFL IN	51,434	14.5	4.3	36,093	9.3	3.7	19,081	7.4	9.0	AUM growth to remain firm with buoyancy in used PV financing and benefits of larger distribution in MSME and Gold loans. NIM unlikely to decline with limited CoF increase and benefit from portfolio mix shift towards better-yielding products. Stable delinquency buckets and ECL coverage to drive controlled credit cost .
MMFS IN	17,755	9.6	7.9	10,342	3.6	9.7	4,921	(21.8)	109.2	Moderation in disbursements growth has driven deceleration in growth of Business Assets (up 3% qoq/25% yoy). Decline in Stage-3 largely led by Collections/Recoveries to drive much lower credit cost versus Q2. NIM can improve by 5-10 bps on running down of dealer advances.
CREDAG IN	8,497	43.1	3.2	5,762	51.8	2.4	3,608	67.2	4.0	AUM growth to track Management's full-year growth guidance of 25%. Pace of customer acquisition and portfolio diversification to remain healthy. NIM may improve on reflection of risk-based pricing. PAR/write-offs/credit cost to be stable at guided levels.
SPANDANA IN	3,429	54.4	(5.1)	2,095	56.9	(13.5)	1,213	75.1	4.3	Sequential AUM accretion to be transiently impacted by operational improvements/changes being implemented in significant number of branches. NIM to be maintained as higher marginal lending rates reflect more in the Portfolio Yield. Core credit cost to remain controlled despite the expected mild swelling of PAR buckets due to operational changes.
FUSION IN	3,688	26.9	3.7	2,490	35.5	3.0	1,310	27.8	4.2	Customer acquisition and disbursement growth could improve along with slight recovery in overall Collection Efficiency. NIM to further improve on residual re-pricing of portfolio. Delinquency creation and flows to be marginally lower than Q2, and hence credit cost may come-off a bit.
MGFL IN	15,005	30.7	2.3	8,792	48.5	1.5	5,605	42.4	(0.0)	Gold AUM to be flat on limited benefit from higher gold prices and pressure on tonnage from seasonal releases. However, consol. AUM to grow by 2.5-3% qoq with sustained brisk momentum in Asirvad MFI, CV, MSME and Housing Finance businesses. NIM would likely be stable aided by small improvement in portfolio yield. Provisions in Asirvad MFI to remain elevated on higher-than-usual flows.

Ticker (Rs mn)	NII			PPOP			PAT			Comments
	Q3 FY24E	YoY	QoQ	Q3 FY24E	YoY	QoQ	Q3 FY24E	YoY	QoQ	
MUTH IN	23,342	18.9	2.8	15,926	16.3	2.7	11,306	21.1	3.2	Expect Gold AUM growth of around 1.5-2% qoq which would be largely driven by customer base growth. NPL resolution/reduction could have a positive bearing on Spread and Credit Cost.
CRISIL IN	8,827	7.4	20.0	2,481	14.8	29.5	1,810	14.5	19.1	YoY growth in Global Businesses (particularly in GBA) and GAC (S&P Rating support) to remain moderate. Domestic rating revenue growth could marginally improve. EBITDA margin could see a sizeable sequential expansion (seasonal feature) on higher billing in Global Businesses.
CARE IN	716	15.2	(25.7)	184	(6.3)	(56.2)	196	20.2	(45.1)	Domestic rating revenue growth could marginally improve. Growth contribution of Subsidiaries to remain weak. EBITDA margin to significantly decline qoq (seasonal feature) on lower effort billing.
ICRA IN	1,146	11.2	9.3	402	10.9	18.1	405	3.3	26.1	VoDR to be better over low base of Q2 FY24, and hence domestic rating revenue growth could marginally improve. YoY growth in ICRA Analytics can become better on increase in outsourcing by Moody's. EBITDA margin to improve with some operating leverage.

FMCG

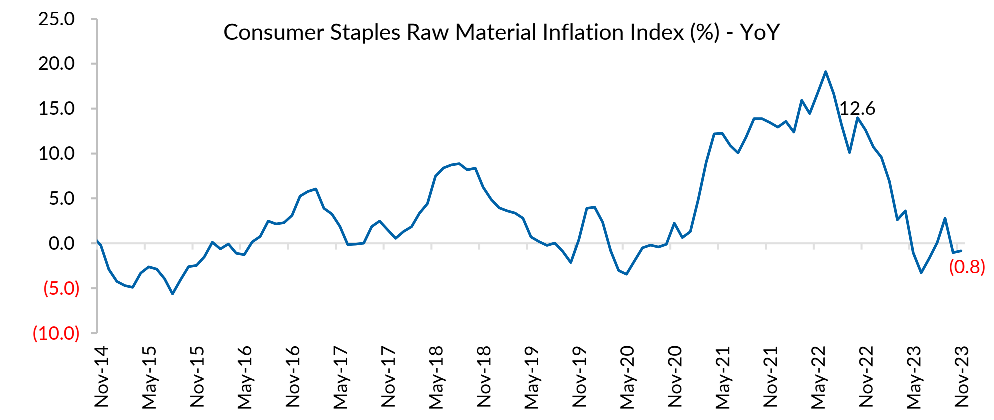
- **Demand stable QoQ –** Some of the FMCG companies have seen some greenshoots in rural areas post correction in product prices, but no major recovery is visible yet. We are not building any major change in volume growth trends (on a CAGR basis) in December quarter (3QFY24). Within our coverage, YoY volume growth is expected to look good and relatively better for Dabur's Domestic FMCG business and Nestle's Domestic business.
- **Pricing component to weigh sharply on growth –** Due to anniversarization of earlier price hikes and fresh pricing actions taken over the last couple of quarters, to pass on the benefit of lower commodity inflation and to compete with smaller regional players, pricing growth will further reduce and will even become negative for some companies. For our FMCG coverage universe, we estimate a revenue growth of 5.5% YoY with double-digit growth only from NEST (11.8%) while GILL and CLGT will see high-single digit revenue growth. (Refer "Earnings expectation snapshot" appended below for details on company wise 3QFY24 estimates).
- **Higher priced inventory to put some brakes on gross margin recovery trend slightly in 3QFY24 –** YoY inflation has come-off for last ~3 quarters and FMCG companies are building back their gross margins. There was a minor uptick in some commodities in 2QFY24. We believe, this higher priced inventory will get consumed in 3QFY24 putting some brakes to the gross margin recovery. Our internal Consumer Staples Raw Material Inflation Index is seeing 2nd consecutive month of YoY correction. YoY deflation in Oct'23 & Nov'23 month stood at 1% & 0.8% respectively, largely driven by crude & crude derivatives. 5-year CAGR inflation now stands at 5.4% in Nov'23.
- **A&SP spends to remain high** - With gross margins at comfortable levels and demand still not picking up as per expectation, companies will maintain the high intensity of A&SP this quarter as well. We thus expect ~70bps YoY improvement in EBITDA margins in 3QFY24. Consequently, we are building in aggregate EBITDA/APAT growth of 8.1%/6.8% YoY for our FMCG coverage.
- **Companies to watch out for:** We expect strong (higher than coverage universe average) operating profit growth for CLGT (+21.5%; looks slightly inflated due to lower base) and NEST (+20.1%) in 3QFY24. While we expect NEST to deliver the strongest earnings growth over FY23-25E, valuations are out of our comfort. We also fundamentally like BRIT but near-term valuations keep us restricted on the stocks. At current valuations and playing on rural recovery, we continue to prefer DABUR, MRCO & HUVR on FY25E earnings. With growth momentum improving and potentiality of strong growth, we have ADD rating on GILL. We will revisit our estimates, TP and RECO during the 3QFY24 earnings season. Key monitorable: Signs of recovery in rural demand, commodity price near-term outlook, innovation intensity and market share movement.

Exhibit 34: Volume growth trend for coverage FMCG companies

Volume growth (%)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24e
Britannia (Base business)	6.0	4.5	-2.0	5.0	2.5	2.0	0.0	0.0	3.0
Colgate (Toothpaste)*	2.0	-3.0	-2.0	-2.0	-3.0	-1.0	8.0	1.0	5.0
Dabur (Domestic FMCG)	2.0	2.0	5.0	1.0	-3.0	0.0	3.0	3.0	7.0
Hindustan Unilever (UVG)	2.0	0.0	6.0	4.0	5.0	4.0	3.0	2.0	2.5
ITC (Cigarette)*	13.0	9.0	26.0	20.0	15.0	12.0	8.0	4.0	3.0
Marico (Domestic)	0.0	1.0	-6.0	3.0	4.0	5.0	3.0	3.0	4.0
Nestle (Domestic)	5.0	7.0	6.4	8.1	-0.8	4.0	4.0	0.0	6.0

Source- Company, YES Sec, * Our estimate; UVG = Function of volume growth & mix

Exhibit 35: YoY deflation in Oct'23 & Nov'23 month stood at 1% & 0.8% respectively, largely driven by crude & crude derivatives



Source - Office of Economic Adviser, YES Sec

Exhibit 36: FMCG- Earnings expectation snapshot

Ticker	Console / Standalone	Revenue (Rs mn)	Revenue growth	EBITDA (Rs mn)	EBITDA growth	EBITDA margin (EM)	EM change	APAT (Rs mn)	APAT growth	Comments
		Q3 FY24	YoY (%)	Q3 FY24	YoY (%)	%	YoY (%)	Q3 FY24	YoY (%)	
Britannia Inds.	Consol	42,943	2.3	8,374	2.4	19.5	0.0	5,657	(1.4)	We estimate BRIT's base business volumes to grow by ~3% in 3QFY24 (4-yr CAGR: ~4%). As realizations tail-off further led by anniversarization of earlier price hikes as well as grammage additions done recently, consolidated revenue should grow by just 2.3% YoY. There is no major risk on commodity front, we thus expect gross margin to improve QoQ by ~60bps (-20bps YoY) leading to EBITDA margin of 19.5% (flat YoY). EBITDA and APAT are thus estimated to grow by 2.4% YoY and -1.4% YoY, respectively.
Colgate-Palmoliv	Standalone	13,953	8.1	4,391	21.5	31.5	3.5	3,068	26.1	Past relaunch activity, innovations and low base along with stable market share should continue to support growth for CLGT. We thus expect a 8.1% revenue growth for the quarter driven by volume growth of 5% YoY (4-yr CAGR: ~2%) on a negative base. We see moderate QoQ improvement in gross margins but on a YoY basis GM would be up by 310bps. At operating level, we expect higher A&SP investment to continue, thus build operating margin improvement of ~350bps YoY to 31.5%. EBITDA and APAT are thus expected to grow by 21.5% and 26.1% YoY, respectively.
Dabur India	Consol	32,538	6.9	6,752	10.7	20.8	0.7	5,138	8.0	We expect Dabur to post ~7% YoY domestic FMCG volume growth (4-yr CAGR: 5.7%), leading to ~9% domestic FMCG value growth. This, along with low single-digit INR revenue growth (double digit CC growth) in the international business should lead to an overall consolidated revenue growth of 6.9% YoY. Gross margin is expected to improve YoY/QoQ (290bps/10bps), leading to EBITDA margin of 20.8% (+70bps YoY). Consequently, EBITDA and APAT are expected to grow by 10.7% and 8% YoY, respectively.
Gillette India	Standalone	6,712	8.5	1,329	5.4	19.8	(0.6)	855	14.8	We expect GILL's revenue to grow by 8.5% YoY owing to growth momentum seen in grooming segment seen in previous quarters and lower base for oral care. With inflation in key domestic commodities as well as imported finished goods, we expect gross margins to come down by 210bps QoQ but up 40bps YoY. Due to the combination of prudent pricing earlier taken combined with productivity program, we build EBITDA margin contraction of 60bps YoY to 19.8%. EBITDA and Adj PAT are thus expected to grow by 5.4% and 14.8% YoY, respectively.
Hind. Unilever	Standalone	155,313	2.0	36,809	4.1	23.7	0.5	26,247	1.7	We expect HUL to post UVG of ~2.5% YoY (4-yr CAGR: ~3%), this along with slight negative pricing should lead to a subdued 2% YoY revenue growth. We expect higher priced inventory to impact QoQ gross margin and thus build 52% GM (-70bps QoQ; +450bps YoY), resulting in EBITDA margin expansion of 50bps YoY to 23.7%. EBITDA and Recurring PAT are thus likely to grow by 4.1% YoY and 1.7% YoY, respectively.

Ticker	Console / Standalone	Revenue (Rs mn)	Revenue growth	EBITDA (Rs mn)	EBITDA growth	EBITDA margin (EM)	EM change	APAT (Rs mn)	APAT growth	Comments
		Q3 FY24	YoY (%)	Q3 FY24	YoY (%)	%	YoY (%)	Q3 FY24	YoY (%)	
ITC	Standalone	174,800	7.7	67,298	8.1	38.5	0.1	53,910	7.2	We expect ITC's overall topline to be up by 7.7% YoY even while we expect YoY volume growth in cigarette business to taper down slightly to ~3% (but maintaining CAGR). Other-FMCG business is expected to grow at ~12% YoY. Ban on exports for the Agri business will come into the base so the drag on topline will be restricted to the PPP business which is expected to be down by ~3% YoY. At the company level, we expect EBITDA margin to expand ~10bps YoY to 38.5%. EBITDA and APAT are thus likely to grow by 8.1% YoY and 7.2% YoY, respectively.
Marico	Consol	25,371	2.7	4,947	8.5	19.5	1.0	3,534	7.8	Marico's domestic volume growth for the quarter is expected to be ~4% as company expects gradual uptick in demand in 2HFY24. On international business, currency depreciation will continue to have some impact on INR growth. We thus build consolidated revenue growth of 2.7% YoY. There could be some correction in gross margin on sequential basis (-100bps QoQ but +460bps YoY) as copra should have seen some uptrend just before the festive season. With continued high ad spends intensity, we build EBITDA margin of ~19.5% (+100bps YoY). EBITDA and APAT are thus likely to grow by 8.5% and 7.8% YoY, respectively.
Nestle India	Standalone	47,589	11.8	11,732	20.1	24.7	1.7	7,788	23.2	We expect NEST to post topline growth of 11.8% YoY with ~6% volume growth in 4QCY23 on a lower base. We don't see any major worry on RM inflation for NEST and thus build ~100bps QoQ (+260bps YoY) improvement in gross margins to 57.5%, leading to 170bps YoY EBITDA margin expansion to 24.7%. EBITDA and APAT are thus likely to grow by strong 20.1% YoY and 23.2% YoY, respectively.

INFORMATION TECHNOLOGY

- IT companies are facing near term challenges due to macroeconomic concerns in the US and Europe. Deal booking momentum has slowed down over last few quarters due to concerns in the US and Europe as clients remain watchful regarding new deals. It has led to increase in deal conversion cycle and slowdown in discretionary spending by clients. The expected near term weakness in deal booking would adversely impact revenue growth for FY24, which is expected to be significantly lower than that of FY23. Also, IT companies have slightly reduced the headcount addition to manage the near term uncertainty. The focus currently is on improving utilization and overall productivity. IT companies remain focused on driving operating margin improvement through multiple levers. We may witness more divergence in the performance of IT companies in FY24 versus last two years that saw broad-based growth across the sector.
- Revenue growth for Q3FY24 is expected to be muted for IT companies led by recent moderation in deal booking. There are clear signs of softness in demand from verticals such as Retail, Telecom, Hitech, Mortgage etc.
- Revenue growth is expected to be -1.0% to 1.5% QoQ in USD terms for large cap IT companies. INR depreciated against USD by around 0.7% QoQ in Q3FY24 and that will support INR reported growth. Tier 2 IT companies are expected to report revenue growth of 2.0% to 4.0% in USD terms QoQ.
- Annualised quarterly attrition has started coming down for the IT sector and any commentary on attrition trend would be keenly watched. We expect operating margin to show marginal improvement sequentially. EBIT margin performance is expected to be +150 bps to (-)30bps QoQ for Tier 1 IT companies; while operating margin is expected to (+) 200 bps to (-)20bps QoQ for Tier 2 IT companies.
- We expect that deal booking momentum would show quite moderation as a result of concerns around economic growth in the US/European markets. Management commentary on FY24E guidance, offshoring trend, supply side constraints, hiring trend and the momentum in deal booking would be the key thing to watch out for in the quarter.
- Select Tier 2 IT companies would continue to outperform Tier 1 IT companies in terms of financial performance in Q3FY24. Among tier 1 IT companies, we prefer TCS and Infosys; while among tier 2 IT companies, we prefer LTIMindtree and Coforge.

Exhibit 37: INR depreciated against USD 0.7% QoQ during the quarter

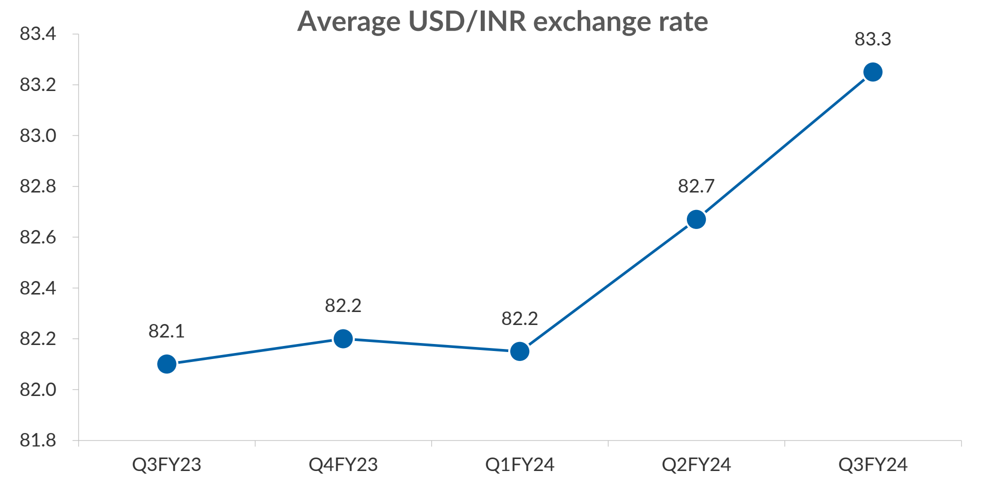


Exhibit 38: Revenue growth to be muted for tier 1 IT companies

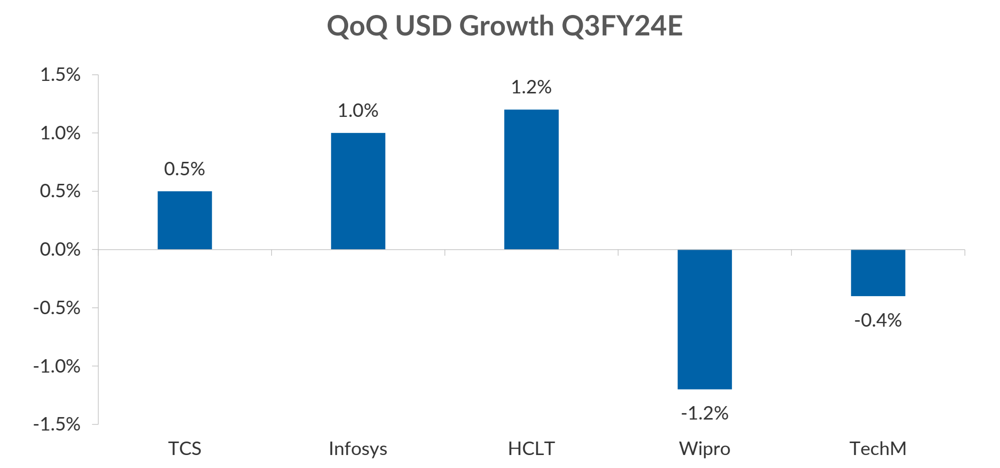


Exhibit 39: Information Technology- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
TCS	603,234	3.6	1.1	162,270	19	52	116,196	7.1	2.4	Expect sequential improvement in margin led by efficiency measures. Management commentary on demand environment would be key thing to watch out for.
Infosys	396,701	3.5	1.7	96,952	(1)	23	64,350	(2.3)	3.6	Growth to be muted in the quarter led by weak demand environment Commentary on outlook on attrition; deal environment and FY24 revenue and margin guidance would be key to watch out for.
HCL Technologies	271,678	1.8	1.9	61,088	(135)	20	40,298	(1.6)	5.2	Growth to be slightly better due to strong seasonality in Software segment. Commentary on the demand environment would be key to watch out for.
Wipro	223,636	(3.7)	(0.7)	41,118	(119)	(29)	26,292	(13.9)	(1.4)	Revenue expected to degrow. Q4FY24 guidance and the commentary on M&A and large deal wins would be key thing to watch out for.
Tech Mahindra	128,935	(6.1)	0.2	15,214	(381)	346	8,115	(37.4)	64.3	Revenue to be flatish due to softness in demand 'Commentary on 5G deals, margin outlook and M&A strategy would be key thing to watch out for.
LTIMindtree	91,998	6.7	3.3	17,204	275	38	12,328	23.2	6.1	Management commentary on FY24 revenue growth outlook and synergies actually realized would be key to watch out for
L&T Technology	24,584	20.0	3.0	4,917	(154)	7	3,200	5.9	1.5	Revenue growth to remain modest. Commentary on performance of Telecom and Hi-tech vertical would be key to watch out for.
Mphasis	33,853	(3.4)	3.3	6,127	49	(8)	4,060	(1.5)	3.6	Sequentially better performance is expected Commentary on demand environment, deal flow and talent supply situation would be key thing to watch out for
Coforge	23,846	16.0	4.8	4,231	16	248	2,695	18.1	49.0	Sequential improvement in margin led by positive operating leverage Management guidance on FY24 revenue growth and overall margin outlook would be key to watch out for.
Happiest Minds	4,218	15.0	3.8	937	(218)	189	658	14.2	12.5	Revenue growth to remain strong led by strong deal booking. Management commentary on revenue growth and margin outlook for FY24 key to watch out for.
eMudhra	1,018	66.2	5.7	305	(467)	65	201	32.0	7.0	Growth to be led by the strong traction in Enterprise business. Management commentary on new customer addition and outlook on Trust Services are key to watch out for.

INSURERS, ASSET MANAGERS, BROKERS AND FINTECH

LIFE INSURERS

- **New business growth**: Growth trend for 2M3QFY24 (October and November 2023) is publicly available on the IRDA website and we expect new business growth for the whole of 3QFY24 to be broadly along similar lines, penciling in QoQ APE de-growth of -9%, -9%, -8%, -6% and -4% for LIC, SBIL, IPRU, HDFL and MLI respectively.

- **New business margin**: We expect VNB margin to expand 180bps QoQ for MLI, 100bps QoQ for IPRU, 70bps for HDIL, 20bps for LIC and 0bps for SBIL due to idiosyncratic reasons.

GENERAL INSURERS

ICICI Lombard

- **Net earned premium**: We pencil in NEP growth of 0.5% QoQ for ICICGI based on the trends observed till November 2023.

- **Under-writing profit**: We expect overall loss ratio to improve marginally since we expect Health loss ratio would be marginally lower on sequential basis. Hence, we see a moderate sequential decline in under-writing loss.

- **Profit after tax**: ICICIGI would continue to generate enough investment return to remain in the black during 3QFY24. We expect PAT to grow 4.9% QoQ.

ASSET MANAGERS

- **Revenue growth**: Revenue growth for Asset Managers is a direct function of AUM growth and fund category mix. Overall AUM for NAM and HDFCAMC has seen growth in November 2023 compared with September 2023 levels whereas ABSLAMC and UTI AMC has seen de-growth. The share of Equity AUM has improved sequentially for all four coverage Asset Managers. We note that the trend as of December 2023 would have a 7.9% Nifty return overlay over November 2023. We have assumed higher revenue yield estimates QoQ for HDFCAMC whereas stable for NAM, ABSLAMC and UTIAMC. **CAMS**: We assume revenue growth would be broadly in-line with the AUM growth for CAMS.

- **EBITDA**: We have assumed sequentially marginally higher EBITDA margin for all four asset managers due to economies of scale. **CAMS**: We assume EBITDA margin to be moderately higher sequentially.

- **Profit after tax**: It may be noted that Asset managers earn return on their investment book, which is counted below EBITDA as other income. We estimate Other Income to be higher QoQ for all coverage asset managers, leading to higher profitability QoQ. **CAMS**: We assume moderately higher profit margin for CAMS QoQ.

BROKERS

Angel One

- **Revenue:** We note that order volume has increased by 3.7% QoQ, based on which we arrive at fees and commission income growth of 3.3% QoQ. The average client funding book has grown by 32% QoQ, while, for FDs we have assumed a 15% QoQ growth and hence, we arrive at 22.5% QoQ growth in interest income. **Operating Profit:** We assume increase in fees and commission expense and interest expense in line with the respective revenue items, while making suitable assumptions for other operating expenses, to arrive at 10.7% QoQ growth in operating profit. **Profit After Tax:** We finally arrive at a PAT growth of 10.7% QoQ.

FINTECH

One 97 Communications (Paytm)

- **Revenue**: We assume 6% QoQ growth in Payments Services to Consumers, 12% QoQ growth in Payments Services to Merchants and 6% QoQ growth in Financial Services and Others and arrive at an overall growth in Revenue from operations of 8.1% QoQ. **EBITDA:** We forecast Payment Processing Charges (PPC) as a proportion of Payments Revenue to be at 54.5%, a metric that was 54.4% in 2QFY24. We arrive at a Total Expenses (ex PPC) growth of 6% QoQ, compared with a growth of 3% in 2QFY24, resulting in an EBITDA margin (ex-Other Income and after ESOP cost) of -8.3%, an improvement of 89 bps QoQ.

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

Exhibit 40: Life Insurance - Earnings expectation snapshot- Stocks are as per order of market Capitalisation

Life Insurance (Rs mn)	NBP			APE			VNB			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	
LICI IN	488,111	-6	2	118,854	-4	-9	18,410	2	-8	We pencil in new business growth assumptions based on trends observed till November 2023, when LIC had displayed NBP/APE growth/de-growth of 7%/-11% for 2M3QFY24 (October and November 2023) over 2M2QFY24 (July and August 2023). We pencil in an VNB margin expansion of 20bps QoQ based on expected business mix changes.
HDFCLIFE IN*	65,405	-11	-8	28,540	-12	-6	7,709	-12	-4	We pencil in new business growth assumptions based on trends observed till November 2023, when HDFC Life had displayed NBP/APE de-growth of -8%/-7% for 2M3QFY24 (October and November 2023) over 2M2QFY24 (July and August 2023). We pencil in an VNB margin expansion of 70bps QoQ based on expected business mix changes.
SBILIFE IN	78,868	-6	-22	47,812	-12	-9	13,622	-10	-9	We pencil in new business growth assumptions based on trends observed till November 2023, when SBI Life had displayed NBP/APE de-growth of -29%/-11% for 2M3QFY24 (October and November 2023) over 2M2QFY24 (July and August 2023). We pencil in VNB margin to remain stable QoQ based on expected business mix.
IPRU IN	41,292	3	-9	19,021	4	-8	5,512	-11	-4	We pencil in new business growth assumptions based on trends observed till November 2023, when IPRU had displayed NBP/APE de-growth of -12%/-6% for 2M3QFY24 (October and November 2023) over 2M2QFY24 (July and August 2023). We pencil in an VNB margin expansion of 100bps QoQ based on expected business mix changes.
MAXF IN	22,545	0	-7	15,943	6	-4	4,300	-27	3	We pencil in new business growth assumptions based on trends observed till November 2023, when Max Life had displayed NBP/APE de-growth of -4%/0% for 2M3QFY24 (October and November 2023) over 2M2QFY24 (July and August 2023). We pencil in an VNB margin expansion of 180bps QoQ based on expected business mix changes.

Source: Companies, YES Sec – Research, *For HDFC Life all NBP, APE and VNB are Post-Merger numbers and hence comparable

Exhibit 41: General Insurance - Earnings expectation snapshot

General Insurance (Rs mn)	NEP			Underwriting Profit			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	
ICICI Lombard	43,268	14.1	0.5	(1,298)	-55.8	-11.1	6,058	71.8	4.9	We pencil in net earned premium growth assumption based on trends observed till November 2023, when ICICIGI had displayed GDPI de-growth of -2% for 2M3QFY24 (October and November 2023) over 2M2QFY24 (July and August 2023). Health Loss Ratio would be lower on sequential basis due to seasonality.

Source: Company, YES Sec – Research

Exhibit 42: Asset Managers - Earnings expectation snapshot - Stocks are as per order of market Capitalisation

Asset Managers (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	
HDFC AMC	6,909	23.5	7.4	5,202	25.9	7.9	4,833	30.8	10.5	Overall AUM for HDFCAMC grew 2.9% as of November 2023 compared with September 2023. Equity AUM grew by 7.5% over the same period leading to an increase in share of pure Equity AUM QoQ by 1.9% (excluding Balanced and Arbitrage Funds). We believe that trends as of December 2023 would be dependent on the trends seen till November while we additionally factor in Nifty Return of 7.9% for December 2023. We pencil in an overall AUM growth of 6.4% QoQ for HDFCAMC. We expect EBITDA margin will be marginally higher sequentially and other income to also be higher sequentially during the quarter.
Nippon Life AMC	4334	22.5	9.0	2635	23.5	9.2	2660	29.9	8.9	Overall AUM for NAM grew 5.3% as of November 2023 compared with September 2023. Equity AUM grew by 7.7% over the same period leading to an increase in share of pure Equity AUM QoQ by 1.0% (excluding Balanced and Arbitrage Funds). We believe that trends as of December 2023 would be dependent on the trends seen till November while we additionally factor in Nifty Return of 7.9% for December 2023. We pencil in an overall AUM growth of 9.0% QoQ for NAM. We expect EBITDA margin will be marginally higher sequentially and other income to also be higher sequentially during the quarter.
ABSL AMC	3,420	8.9	2.1	1,963	7.2	2.3	1,939	16.6	8.9	Overall AUM for ABSLAMC de-grew -0.8% as of November 2023 compared with September 2023. Equity AUM grew by 1.7% over the same period leading to an increase in share of pure Equity AUM QoQ by 0.9% (excluding Balanced and Arbitrage Funds). We believe that trends as of December 2023 would be dependent on the trends seen till November while we additionally factor in Nifty Return of 7.9% for December 2023. We pencil in an overall AUM growth of 2.1% QoQ for ABSLAMC. We expect EBITDA margin will be marginally higher sequentially and other income to also be higher sequentially during the quarter.
UTI AMC	3,003	5.9	3.0	1,230	0.4	3.3	2,209	265.5	20.8	Overall AUM for UTIAMC de-grew -0.1% as of November 2023 compared with September 2023. Equity AUM grew by 2.9% over the same period leading to an increase in share of pure Equity AUM QoQ by 1.1% (excluding Balanced and Arbitrage Funds). We believe that trends as of December 2023 would be dependent on the trends seen till November while we additionally factor in Nifty Return of 7.9% for December 2023. We pencil in an overall AUM growth of 3.0% QoQ for UTIAMC. We expect EBITDA margin will be marginally higher sequentially and other income to also be higher sequentially during the quarter.
CAMS	2,923	20.0	6.3	1,301	20.2	6.5	897	22.0	7.1	Overall mutual fund industry AUM grew 2.0% as of November 2023 compared with September 2023. We additionally factor in Nifty return of 7.9% for December 2023 for industry AUM. Hence, we pencil in a revenue growth of 6.3% QoQ for CAMS. EBITDA margin for 3QFY24 is expected to be marginally higher over 2QFY24.

Source: Companies, YES Sec – Research

Exhibit 43: Brokers - Earnings expectation snapshot

Brokers (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	
ANGELONE	8,710	54.5	6.9	4,617	54.5	10.7	3,372	47.9	10.7	We note that order volume has increased by 3.7% QoQ, based on which we arrive at fees and commission income growth of 3.3% QoQ. The average client funding book has grown by 32% QoQ, while, for FDs we have assumed a 15% QoQ growth and hence, we arrive at 22.5% QoQ growth in interest income. We assume increase in fees and commission expense and interest expense in line with the respective revenue items, while making suitable assumptions for other operating expenses, to arrive at 10.7% QoQ growth in operating profit. We finally arrive at a PAT growth of 10.7% QoQ.

Source: Company, YES Sec – Research

Exhibit 44: Fintech - Earnings expectation snapshot

Fintech (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (%)	QoQ (%)	
PAYTM	27,214	32.0	8.1	(2,254)	(31.9)	(2.4)	(2,800)	(29.5)	(4.3)	We assume 6% QoQ growth in Payments Services to Consumers, 12% QoQ growth in Payments Services to Merchants and 6% QoQ growth in Financial Services and Others and arrive at an overall growth in Revenue from operations of 8.1% QoQ. We forecast Payment Processing Charges (PPC) as a proportion of Payments Revenue to be at 54.5%, a metric that was 54.4% in 2QFY24. We arrive at a Total Expenses (ex PPC) growth of 6% QoQ, compared with a growth of 3% in 2QFY24, resulting in an EBITDA margin (ex-Other Income and after ESOP cost) of -8.3%, an improvement of 89 bps QoQ.

Source: Company, YES Sec – Research

METALS

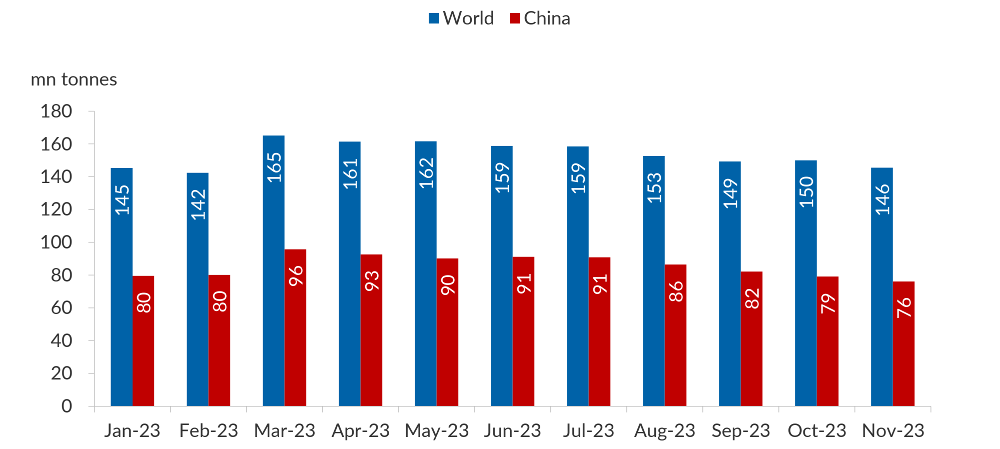
After going through a turmoil of price volatility when it comes to coking coal for most part of the year, the steel producers have finally been able to breathe a sigh of relief with raw material prices remaining rangebound for the most part of the quarter. The effect of the hike in the coking coal prices will majorly come into effect from Q4FY24. We see Q3FY24 to benefit NMDC the most in terms of top-line growth on the back of rising iron ore prices as well as increased volume figures. For the steel players, a $30/t rise in the coking coal prices will mostly be offset with the higher HRC prices, thus we expect the margins to remain similar as the previous quarter. The Indian HRC prices have remained quite stable for most part of the period and the operational efficiencies will play role in determining the profitability margins for the companies.

- **Global Industry Scenario:** The global steel industry had been impacted with the low than expected Chinese economy reopening. The weak demand in China led to higher exports from the country and the production numbers did not seem to drop on the back of continuous production. However, the Sept-Dec'23 period did reflect the massive cuts in production from the Chinese steel producers. From ~90 mt during July to ~76 mt in November'23 did help in erasing the price gap in the Indian and Chinese HRC prices. With the turn of the year and the winters coming up in China, it is expected that the Chinese production will drop even further and so will the export which can be seen as a positive for the steel manufactures across the world as the Chinese HRC prices can still see an uptick of $30-40/t from the current levels.

- **Indian Steel Picture:** The Indian steel sector had been facing challenges from the cheap Chinese imports of steel products. The steel producers have finally been able to breathe a sigh of relief on the back of rising Chinese steel prices. The Indian Steel companies would feel more at comfort as the import parity is slowly fading away with the Chinese HRC prices reaching the $570/t mark.

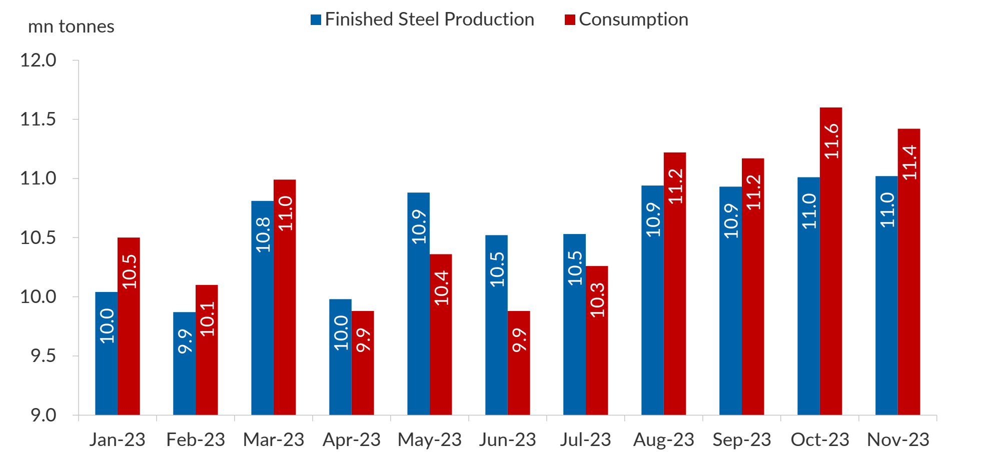
- **The macro-economic impact:** Despite the increase in imports from China, the country has seen stable production numbers since the start of the financial year indicating the strong demand for steel in the country. We see Q3FY24 to be quite flattish in terms of margins of the steel producers in India and for the companies under our coverage.

Exhibit 45: Global Steel Production Scenario



Source: World Steel Association, YES Sec

Exhibit 46: Indian Steel Industry Picture



Source: Ministry of Steel, YES Sec

Exhibit 47: Metals- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
Tata Steel	595,614	4.3	7.0	59,707	246	195	20,617	(192.7)	(133.3)	Tata Steel would again be in focus during the Q3FY24 results on how the operations are going to change for the firm at its European operations and the update on the union talks. However, at the consolidated level we see margin expansion to take place on the back of stable steel prices as well as small impact on the coking coal front.
JSW Steel	447,675	14.4	0.4	70,285	408	(199)	21,169	332.0	(23.3)	For Q3FY24, we expect to a similar performance as compared to Q2FY24. The coking coal impact should be in the ~$30/t range for JSW Steel for its Indian operations. Additionally, we expect to see the top-line growth to be quite flattish.
S A I L	278,125	11.1	(6.4)	33,110	321	(163)	10,365	91.2	(20.6)	SAIL had a strong performance during Q2FY24 despite having massive high-cost inventory. We expect the momentum to maintain especially with the company's contracts to source the coking coal from Mongolia coming into the picture. We expect to see flattish numbers on both the top-line and the EBITDA levels.
NMDC	52,247	40.4	30.2	19,958	203	54	15,397	68.8	50.0	NMDC's operations would see recovery from its Q2FY24 production numbers due to the impact of the monsoons on the company's mining operations. The company would also see the benefit in its top-line due to the rise in the global iron ore prices. The company has been hiking the prices of its fines and lumps since the end of Q2FY4. We believe that the strong iron ore prices will support the company's strong performance and can expect the company to maintain its EBITDA margins at ~42%

OIL & GAS

- Overall, the Oil & Gas sector's core performance in Q3FY24 is expected to be strong, OMCs impacted on inventory losses on reported performance, gas demand picks up and CGDs show an improvement.
- **Macros:** The price of Brent crude for the quarter averaged USD82.9/bbl down USD5.8 QoQ and USD3.1 YoY. The benchmark Singapore GRM at USD5.4/bbl, was USD4.2/bbl lower than the previous quarter with a fall in key product cracks – gasoil/gasoline/ATF down by USD/bbl of 6.1/5.7/2.5. The spot LNG prices averaged USD15.7/mmbtu vs 12.6 in the previous quarter.
- **Upstream:** The Upstream companies would report a marginal decline in operating profits given slightly lower crude and gas volumes.
- **Refining and OMCs:** The gross marketing margins for MS (petrol) and HSD (diesel)during the quarter averaged Rs8.8 and Rs1.7 a litre respectively (better than the last quarter and also higher on blended margins compared to last year same quarter. OMCs was also supported by better petroleum products consumption improving volumes sequentially. In terms of refining, the Singapore GRMs declined sequentially but Indian refiners to report a premium over the benchmark on higher share of better cracks product - HSD. Higher sourcing of discounted Russian crude would uplift the core GRMs but would be offset by inventory losses on a fall in end period crude and product prices. Overall OMCs core performance would be slightly better QoQ but on reported basis impacted by inventory/adventitious losses.
- **Gas Utilities:** For the gas Utilities pack, PLNG would report improved volumes sequentially and on YoY basis with better Dahej utilization due to the fall in spot LNG prices. GAIL's performance is expected to be similar to the the previous quarter supported by higher volumes in natural gas transmission and trading, a decline in gas trading gross margins, Petchem capacity utilization improvement sequentially, LPG and LHC improvement. GSPL would report increased volumes QoQ and YoY on higher volumes from most of the sectors.
- **City Gas Distribution (CGDs):** CGD volumes would improve QoQ for IGL, GUJGA and MAHGL. The EBITDA spreads for IGL is expected to be higher due to an increase in CNG realization by the company while MAHGL which took at price cut in CNG prices would report a decline in EBITDA spreads impacting its profitability. GUJGA could report a marginal improvement in spreads sequentially on increased realization in the industrial segment.

Exhibit 48: Brent crude prices and Singapore benchmark GRM

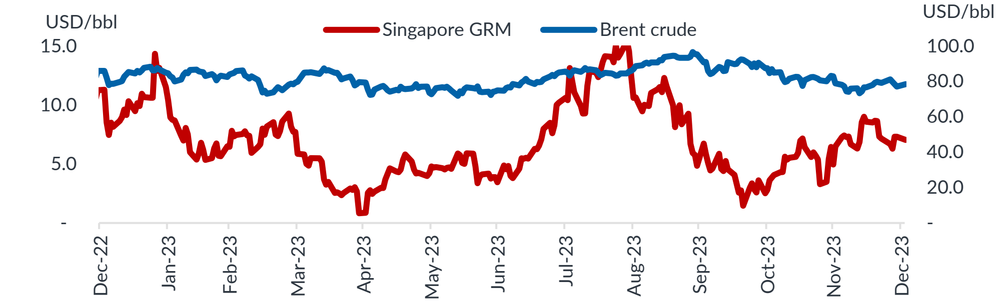


Exhibit 49: Gross marketing margins for OMCs

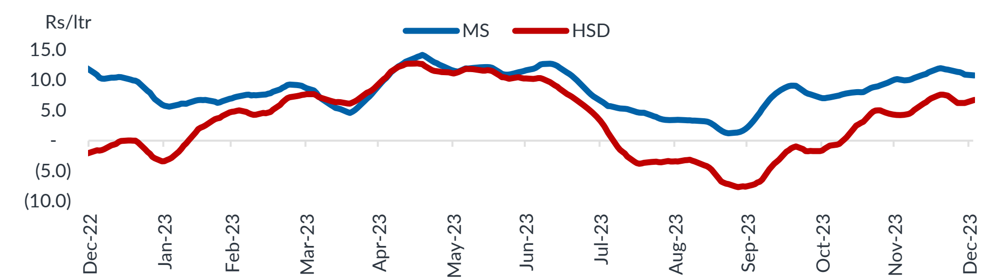


Exhibit 50: Major imported gas prices

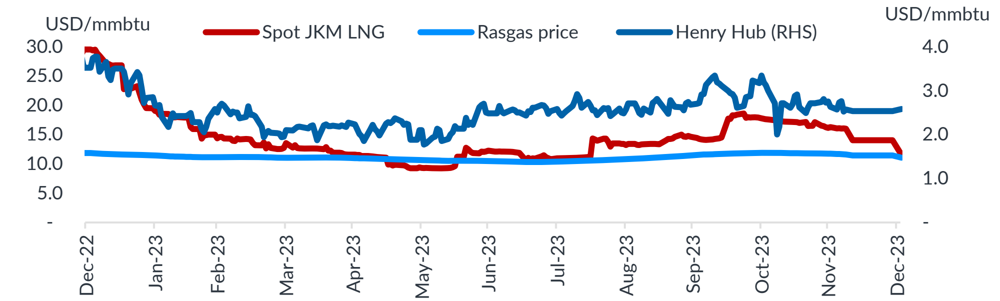


Exhibit 51: Oil & Gas- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
O N G C	355,617	(7.8)	1.1	187,310	(8)	2	93,267	(15.6)	(8.7)	Expect a net crude oil realisation of USD75.9/bbl, gas realization flat QoQ, while the volume for crude oil is expected to decline by 1.5% YoY but up 1.3% QoQ and gas volumes decline 3.9% YoY and 1% QoQ.
Oil India	53,846	0.2	0.8	24,130	(15)	(3)	16,730	(4.2)	414.3	Expect a net crude oil realisation of USD76.0/bbl, gas realization flat QoQ, while the volume for crude oil is expected to increase by 4.4%/0.9% YoY/ QoQ and gas volumes decline by 1.2%/1.7% YoY/QoQ.
I O C L	1,480,416	(27.7)	(17.6)	78,246	118	(63)	26,735	496.7	(79.4)	Expect core/reported GRM USD/bbl of 11.5/8.4 on a refining throughput of 18.3mmt; blended gross marketing margin at Rs4.2/ltr and an integrated EBITDA margins at USD 5.4/bbl, while total sales volumes rose by 0.3% YoY to 24.4mmt.
B P C L	1,196,483	0.4	16.2	74,362	76	(42)	39,986	104.0	(53.0)	Expect core/reported GRM USD/bbl of 11.6/9.2 on a refining throughput of 9.3mmt; blended gross marketing margin at Rs5.6/ltr and an integrated EBITDA margins at USD 7.2/bbl, while total sales volumes rose by 0.5% YoY to 13.1mmt.
H P C L	1,091,271	(0.1)	14.5	51,015	205	(38)	27,090	1,471.1	(47.1)	Expect core/reported GRM USD/bbl of 11.4/8.8 on a refining throughput of 5.6mmt; blended gross marketing margin at Rs3.3/ltr and an integrated EBITDA margins at USD 7.4/bbl, while total sales volumes rose by 1% YoY to 11.4mmt.
M R P L	252,520	(4.9)	31.3	14,232	395	(33)	5,758	(402.3)	(45.6)	Expect core/reported GRM USD/bbl of 11.5/7.8 on a refining throughput of 4.4mmt
C P C L	173,587	8.1	4.9	11,142	158	(38)	6,717	369.9	(43.6)	Expect core/reported GRM USD/bbl of 12.0/8.5 on a refining throughput of 3.0mmt
GAIL (India)	306,262	(13.4)	(3.7)	35,137	1,245	1	23,001	836.0	(4.4)	Expect natural gas transmission/marketing volumes to grow by 1.2%/1.7% QoQ, Gas marketing margins expected to decline QoQ, while petchem utilisation improvement but increased losses. LPG realisations is expected to improve QoQ
Petronet LNG	147,103	(6.8)	17.4	13,596	(19)	12	9,533	(19.2)	16.5	The terminal utilization is expected to be at 98%/20% for Dahej/Kochi with a total volume of 232tbtu
Guj.St.Petronet	5,276	31.1	(0.3)	4,006	48	(2)	2,730	59.7	(48.7)	Volumes to increase 3.7% QoQ at 31.3mmscmd; EBITDA/scm to remain flat QoQ at Rs1.56/scm.
Indraprastha Gas	35,297	(4.9)	2.1	6,937	62	6	4,826	73.4	(9.8)	Volumes to grow 4.8% YoY/2.5% QoQ to 8.5mmscmd; a 3.1% QoQ improvement in EBITDA/scm to Rs8.9 on lower gas costs improving gross margins.
Gujarat Gas	40,603	10.2	5.6	5,285	(9)	6	3,318	(10.6)	11.4	Volumes to grow 30.4% YoY/2.0% QoQ to 9.5mmscmd; a 4.3% QoQ improvement in EBITDA/scm to Rs6.0 on increased realizations improving gross margins.
Mahanagar Gas	14,796	(11.5)	(5.8)	3,586	40	(25)	2,440	41.8	(27.9)	Volumes to grow 5.7% YoY/0.9% QoQ to 3.6mmscmd; a 25.8% QoQ decline in EBITDA/scm to Rs10.8 on a decline in realization and higher gas costs resulting in a fall in gross margins.

PHARMA & HEALTHCARE

We expect the QoQ domestic drawdown to be limited in Q3 as acute season was quite weak in previous quarter. US business would be mixed after strong recovery posted in Q2 as key products like Spiriva (Lupin) and Revlimid (Aurobindo, DRRD) cause quarterly fluctuations. Margin mostly would be lower QoQ due to slightly lackluster India though still up YoY as Q3 last year had worst of RM inflation and US price erosion in double digits. In our coverage, expect Torrent and JB Chem to lead domestic growth with 12% and 14% rise in India sales respectively while DRRD and Alembic could post weak YoY domestic growth. Key results where we differ from consensus – strong results – Aurobindo and Indoco while noticeably weaker results from Alembic, Syngene and Dr Lal.

- **Dr Reddys'** - Presumed Revlimid sales to be flat QoQ and overall US business aided by better traction in Mayne portfolio; domestic business to gradually pick up at ~7% YoY growth
- **Aurobindo** - Revlimid contribution of US$25mn would be the highlight along with steady improvement in base business on back of Eugia approvals and benign pricing environment
- **Lupin** - Some tapering off in Spiriva may be partly offset by decent approvals like Prolensa (180-day exclusivity), gChantix and ramp up in key products like Nascobal. Impact of Suprep generic approval could be seen in Q3 or Q4. Slower Spiriva sales might dampen gross margin some bit but broadly expect margin around 18%
- **Ajanta Pharma** - Domestic growth to be tad lower at 10% YoY as MetXL impact run its course in Q3; Asia and Africa branded to recover at mid-teens each. Presumed flu sales to be weak while R&D and promotional expenses to be higher QoQ leading to margin decline on sequential basis
- **Alkem** - Presume ~7% YoY domestic growth and high single digit US growth YoY; margin to decline QoQ even as Pen G prices still hover above US$30/kg. US cost savings are largely accounted in earlier quarters
- **Indoco** - US business likely weak due to continued OAI impact and weak market share trend in Brinzolamide + lack of Com Factor in sharp jump in Europe on back of strong H2 as paracetamol overstocking is slated to be over. US could include profit share but sales seen flat QoQ. Domestic growth may not touch required 14-16% rate to meet full year guidance. Margin to be aided by Europe and offset by remedial expenses for Goa plant 2
- **Syngene** - Expect ~10% growth in lieu of weakness alluded on Q2 call; gross margin to be better QoQ as biologics sales could be the weak link leadng to lower consumption of RM.
- **Alembic Pharma** - US sales had one-offs in Q2 which are presumed to be reversed while domestic business might witness 7-8% growth YoY. Gross margin to hover around 70%

Exhibit 52: Trend in US growth across pharma cos, % QoQ

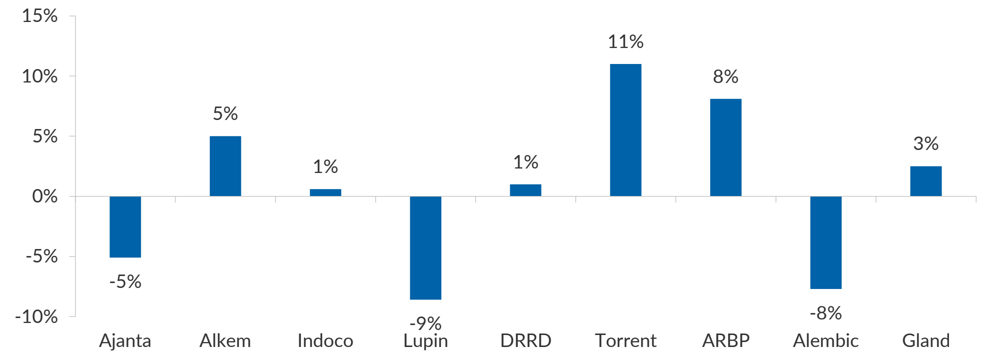


Exhibit 53: Trend in domestic growth across pharma cos, % YoY

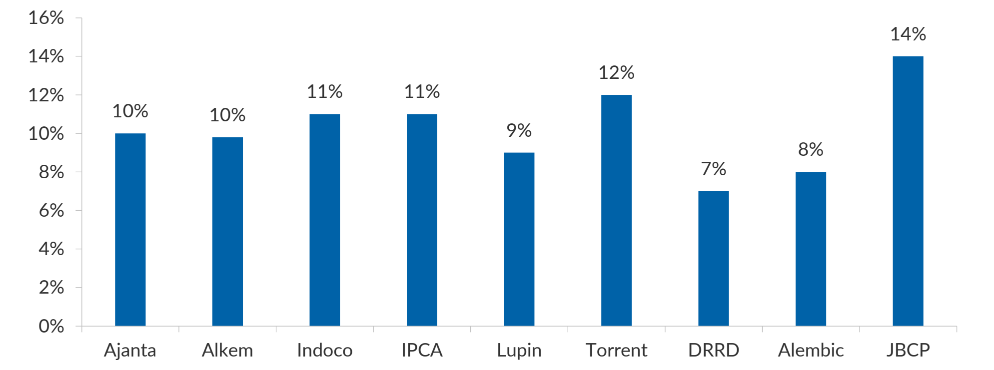


Exhibit 54: Pharma & Healthcare- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
Dr Reddy's Labs	71,244	4.9	3.2	20,564	12	(31)	14,676	18.0	(1.0)	Presumed Revlimid sales to be flat QoQ and overall US business aided by better traction in Mayne portfolio; domestic business to gradually pick up at ~7% YoY growth while margin to be stable QoQ
Aurobindo Pharma	73,629	14.9	2.0	16,659	773	319	10,237	108.4	35.2	Revlimid contribution of US$25mn would be the highlight along with steady improvement in base business on back of Eugia approvals and benign pricing environment. EBIDTA margin would get a boost from Revlimid and to cross 20% in H2 FY24
Lupin	48,823	13.0	(3.1)	8,656	579	(59)	4,313	181.1	(11.9)	Some tapering off in Spiriva may be partly offset by decent approvals like Prolensa (180-day exclusivity), gChantix and ramp up in key products like Nascobal. Impact of Suprep generic approval could be seen in Q3 or Q4. Slower Spiriva sales might dampen gross margin some bit but broadly expect margin around 18% as one-offs recede from other expenses
Torrent Pharma.	27,038	8.5	1.6	8,352	183	(12)	3,949	35.3	2.3	Steady quarter as Curatio is now part of base business; Brazil would chug along after recovery in Q2 while US at ~US$33mn might see an upmove. Margins would be largely flat QoQ
Ajanta Pharma	10,093	3.9	(1.9)	2,704	554	(147)	1,911	42.1	(2.1)	Domestic growth to be tad lower at 10% YoY as MetXL impact run its course in Q3; Asia and Africa branded to recover at mid-teens each. Presumed flu sales to be weak while R&D and promotional expenses to be higher QoQ leading to margin decline on sequnetial basis
Alkem Lab	32,466	6.8	(5.6)	6,743	107	(94)	5,430	18.1	(11.7)	Presume ~7% YoY domestic growth and high single digit US growth YoY; margin to decline QoQ even as Pen G prices still hover above US$30/kg. US cost savings are largely accounted in earlier quarters
Indoco Remedies	5,088	27.5	5.6	872	160	233	463	64.7	31.1	Factor in sharp jump in Europe on back of strong H2 as paracetamol overstocking is slated to be over. US could include profit share but sales seen flat QoQ. Domestic growth may not touch required 14-16% rate to meet full year guidance. Margin to be aided by Europe and offset by remedial expenses for Goa plant 2
Ipca Labs.	21,351	38.1	5.0	3,781	375	191	2,015	86.9	38.9	Unichem to be merged for full 3 months vs 2 in Q2 coupled with healthy growth in domestic business; standalone IPCA margin would continue to hover around 19-20%
J B Chem & Pharm	8,803	11.1	(0.2)	2,467	367	(39)	1,511	42.5	0.4	Seasonally weaker quarter for acute brands like Ranitidine, Metrogyl leading to better gross margin from higher chronic share. Domestic business seen up 14% YoY on low base of Q3 FY23 while margin just shy of 28%. Not factored Rs1.25bn of upfront payment to Novartis in Q3
Syngene Intl.	8,645	10.0	(5.0)	2,492	(256)	(106)	949	(13.5)	(18.6)	Expect ~10% growth in lieu of weakness alluded on Q2 call; gross margin to be better QoQ as biologics sales could be the weak link leadng to lower consumption of RM. Forex loss expected as spot INR continues to rule above hedged rate of 81-81.5 to USD
Gland Pharma	14,587	55.5	6.2	3,669	(571)	156	2,411	3.9	24.2	US sales to be up modestly QoQ between 2-3%. Cenexi sales factored around US$50mn for the quarter; gross margin to improve QoQ as Cenexi sales recover from shutdown of previous quarter also leading to better OPM QoQ. ROW sales continue to be impacted YoY on account of lower Heparin pricing
Alembic Pharma	16,032	6.2	0.5	1,868	(483)	(141)	888	(27.2)	(35.0)	US sales had one-offs in Q2 which are presumed to be reversed while domestic business might witness 7-8% growth YoY. Gross margin to hover around 70%

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
Sequent Scien.	3,427	(8.7)	(0.9)	271	52	102	(11)	(87.4)	(86.7)	Some progress on margin is built in as company guides towards double digit margin in Q4 exit; API business to hover around Rs900mn and formulations might be impacted by demand issues in Europe. Costs should be controlled after much talked about initiatives in API though revenue recovery would be more keenly eyed
Dr Lal Pathlabs	5,472	11.8	(9.0)	1,294	56	(592)	726	37.5	(33.6)	About 14% non Covid revenue growth driven by 8-9% volumes and rest being price hikes taken earlier in H1 FY24. Higher investments and weak seasonality would lead to margin contraction QoQ though would be up YoY
Metropolis Healt	3,041	6.5	(1.4)	759	25	73	370	3.2	4.1	Mid-teens growth seen YoY excluding Rs210mn of PPP revenues in base quarter; margin to recover QoQ as Q2 had one-off bad debt provision
Vijaya Diagnost.	1,313	16.0	(5.5)	505	(68)	(284)	279	68.9	(17.0)	Healthy growth led by 15% rise in test volumes; margin tad weaker YoY as 2-3 new hubs have been added since Q3 FY23 which would take time to be fully utilized

REAL ESTATE

As per PropEquity, the residential market is witnessing strong demand with top 7 cities witnessing average price realization moving up by 5% Y/Y and Pan India also exhibiting the same trend with 5.7% Y/Y. Bangalore, NCR & Pune witnessed price escalation both on yearly as well as sequential basis. NCR average price grew by 19.9% Y/Y, Bangalore by 13.2%, Pune by 7.4% Y/Y and Hyderabad by 6.5% while Kolkata de-grew by 3.8% Y/Y. MMR blended price was marginally up by 1.2% Y/Y. Additionally, Bangalore & Pune markets are most stable markets with inventory overhang months of just 8months while top cities are in the range of 10-15months. With the strong intrinsic demand management bandwidth for all the players is now focusing on the business development activity to create a strong pipeline for future launches. Listed developers in Q3FY23 are expected to report strong operational numbers with the continuation of demand. Additionally, Tier-I /listed developers are well placed and will gain most out of consolidation witnessed in the sector.

Retail assets have witnessed strong festive demand with trading density surpassing every quarter backed by the strong consumption trend. For Hospitality, most of the catalyst has been played out on the margin front but keys addition would show topline growth in the longer run and consolidation would lead to the strong realization leading to better RevPAR.

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 ARVSMART & DLF while we believe SRIN would be a tactical buy at current price.

Exhibit 55: Price Trend for Q3FY24

City	Y/Y Change	Q/Q Y Change
Bengaluru	1.2%	13.2%
Chennai	-2.3%	3.0%
Hyderabad	-1.3%	6.5%
Kolkata	-1.5%	-3.8%
Mumbai	-1.8%	1.2%
NCR	5.2%	19.9%
Pune	1.1%	7.4%
Pan India	-0.2%	5.7%

Source: PropEquity, YES Sec

Exhibit 56: Inventory Overhang months for Top-7 cities

City	Q3FY24	Q2FY24	Q3FY23
Bengaluru	8	9	12
Chennai	12	12	16
Hyderabad	15	16	18
Kolkata	14	15	18
Mumbai	13	14	17
NCR	10	10	15
Pune	8	9	11
Pan India	12	13	15

Source: PropEquity, YES Sec

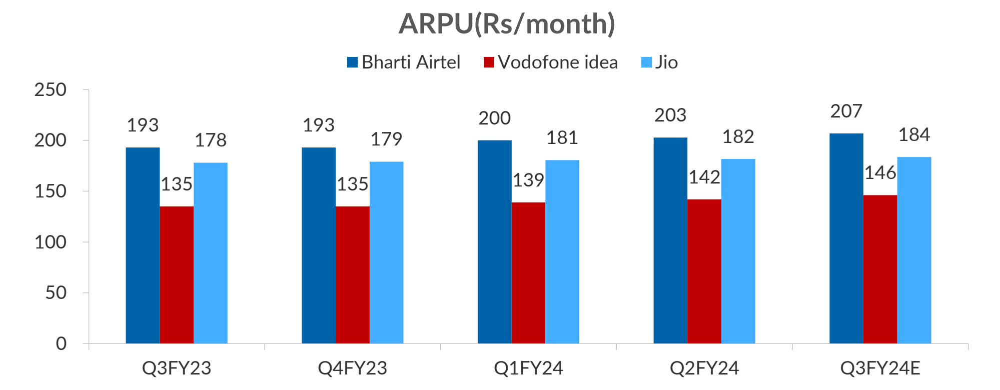
Exhibit 57: Real Estate- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
Arvind SmartSp.	1,512	187.3	108.1	329	516	(2,485)	188	343.0	117.9	Project acquisition and HDFC Platform deployment are key monitorable
DLF	20,295	35.8	50.6	6,994	254	14	8,561	64.9	37.4	Key monitorable is launches in Q4FY24 for DLF and the recognition of the independent floors
Prestige Estates	25,696	10.9	14.9	6,317	(20)	(191)	2,270	77.6	14.9	Entry in Pune along with BD in NCR is important to track along with commissioning of annuity assets
Sunteck Realty	3,079	244.7	1,134.9	1,229	1,972	9,661	708	3,319.4	(607.6)	Kalyan launch and response to it needs to be monitor and Launch pipeline for next 12months with business development
Oberoi Realty	12,412	(23.8)	2.0	7,188	20	549	4,849	(31.0)	6.2	Response to Kolshet, Thane projects is important along with the tentative Pokhran road-2 projects launch

TELECOM AND INTERNET/PLATFORM

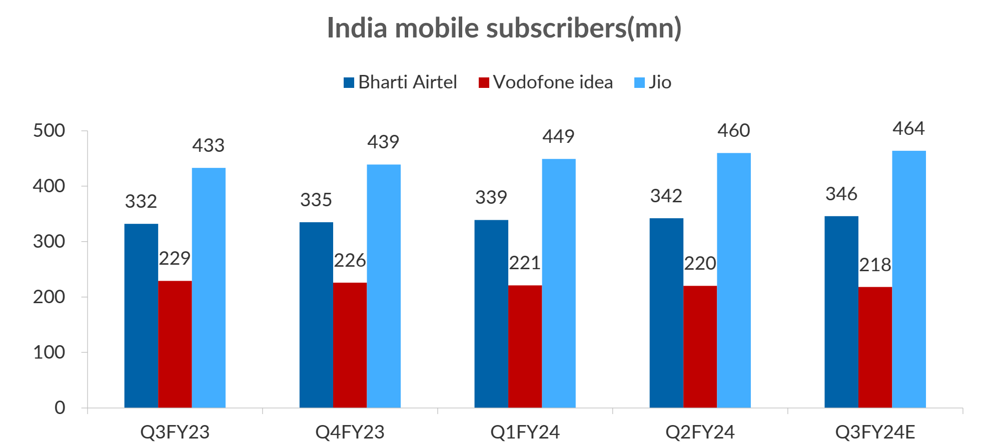
- Reliance Jio is expected to add 4mn subscribers QoQ to 463 mn subscribers, with growth in ARPU by 1% QoQ to Rs 184, led by improving customer mix. Bharti Airtel is expected to add ~3.5mn subscribers QoQ to 346mn subscribers, with ARPU growing by 2% QoQ to Rs 207, driven by ongoing migration of subscribers from 2G to 4G and prepaid to postpaid.
- Vodafone Idea is expected to report decline of 2mn subscribers QoQ, with growth in ARPU of ~2.5% QoQ to Rs 146, driven by migration of users from 2G to 4G technology. The Management commentary on any progress on fund raising activity would be the key thing to watch out for in the quarter.
- RJio and Airtel have been ramping up 5G services in India and any update on progress in 5G implementation would be keenly watched by investors.
- Tata Communication is expected to report modest revenue growth led by improving traction in Digital Platform and services of the data segment.
- Infoedge would likely show muted revenue growth due to slowdown in IT hiring, with EBITDA margin expected to contract marginally. The management guidance on growth in billings and competitive intensity in the segment would be key to watch out for in the quarter.
- 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.
- Tanla Platform is expected to report high digit sequential revenue growth; while Nazara Technologies is expected to report strong pickup in sequential growth, on account of strong seasonality.
- For SIS Ltd, the growth in the quarter would be led by strong performance in India security business and sustained high growth in facilities management business. The commentary on the International business is being keenly watched by investors.

Exhibit 58: The growth in ARPU to be primarily led by migration from 2G to 4G customers



Source: Company, YES Sec

Exhibit 59: VIL's subscribers is expected to decline by 2mn QoQ



Source: Company, YES Sec

Exhibit 60: Telecom and Internet/Platform- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q3 FY24	YoY (%)	QoQ (%)	Q3 FY24	YoY (bps)	QoQ (bps)	Q3 FY24	YoY (%)	QoQ (%)	
Info Edg.(India)	6,175	11.2	4.1	2,396	(25)	(186)	2,073	8.1	(3.0)	Growth to be muted to slowdown in IT hiring. Key thing to watch out would be the performance of 99acres.com and Jeevansathi
Indiamart Inter.	3,100	23.3	5.2	886	65	143	885	(21.5)	27.5	Growth to remain strong as addition of paid customers remain robust Commentary on growth in paid suppliers and traffic would be key thing to watch out for.
Nazara Technolo.	3,463	10.0	16.5	345	26	57	183	31.6	0.8	Seasonally strong quarter for Nazara Commentary on performance of subsegments would be key thing to watch out for..
Tanla Platforms	10,792	24.1	7.0	2,142	244	33	1,632	40.0	14.5	Revenue to grow at around high single digit sequentially ; EBITDA margin to improve by 30bps QoQ
Tata Comm	57,517	27.0	18.0	10,641	(529)	(234)	3,895	(1.1)	75.6	Growth to be led by traction in the data services. Voice business would continue to decline QoQ. Commentary on traction in new generation solutions to be keenly watched.
Indus Towers	72,028	6.5	1.0	35,186	3,132	40	13,523	(291.0)	4.5	Revenue growth to remain modest and to be led by increase in the number of co-locations. Management commentary on receivables form VIL would be key thing to watch out for.
Vodafone Idea	108,792	2.4	1.5	44,206	127	67	(75,413)	(5.6)	(13.7)	ARPU expected to grow by ~2% QoQ due to migration from 2G to 4G users. Subscriber base is expected to decline by 2mn QoQ
Sterlite Tech.	16,400	(12.9)	9.8	2,460	209	74	665	(14.8)	137.5	Expect high single digit revenue growth sequentially; Commentary on revenue and margin outlook would be key to watch out for.
SIS	32,545	12.1	5.9	1,627	65	30	1,034	(0.1)	37.3	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	375,513	4.9	1.4	198,181	124	10	33,085	46.5	13.7	Subscriber base is expected to increase by 3mn QoQ. 'ARPU expected to grow by ~2% QoQ due to migration from 2G to 4G users

DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that each security's price or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Technical Analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. YES Securities (India) Limited distributes research and engages in other approved or allowable activities with respect to U.S. Institutional Investors through SEC 15a-6 rules and regulations under an exclusive chaperone arrangement with Brasil Plural Securities LLC. The views and sentiments expressed in this research report and any findings thereof accurately reflect YES Securities (India) Limited analyst's truthful views about the subject securities and or issuers discussed herein. YES Securities (India) Limited is not registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC. For questions or additional information, please contact Gil Aikins (gil.aikins@brasilplural.com) or call +1 212 388 5600.

This Research Report is the product of YES Securities (India) Limited. YES Securities (India) Limited is the employer of the research analyst(s) who has prepared the research report. YES Securities (India) Limited is the employer of the YES Securities (India) Limited Representative who is responsible for the report, are responsible for the content of the YES Securities (India) Limited Research Report; any material conflicts of interest of YES Securities (India) Limited in relation to the issuer(s) or securities discussed in the YES Securities (India) Limited Research Report. This YES Securities (India) Limited Research Report is distributed in the United States through Brasil Plural Securities LLC (BPS). The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and is/ are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution by YES Securities (India) Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity. Transactions in securities discussed in this research report should be effected through Brasil Plural Securities LLC (BPS) or another U.S. registered broker dealer/Entity as informed by YES Securities (India) Limited from time to time.

YES Securities (India) Limited

Registered Address: 2nd Floor, North Side, YES BANK House, Off Western Express Highway, Santacruz East, Mumbai - 400 055, Maharashtra, India.

Correspondence Address: 7th Floor, Urmi Estate Tower A, Ganpatrao Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West), Mumbai – 400 013, Maharashtra, India.

✉ research@ysil.in | **Website:** www.yesinvest.in

Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Single Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL & NSDL: IN-DP-653-2021 | MERCHANT BANKER: INM000012227 | RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (CAT III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 | AMFI ARN Code – 94338.

Details of Compliance Officer: Name: Aditya Goenka,
Email id: compliance@ysil.in, **Contact No:** 022- 65078127 (Extn: 718127)

Grievances Redressal Cell: customer.service@ysil.in/igc@ysil.in

DISCLOSURE OF INTEREST

Name of the Research Analyst : Shivaji Thapliyal, Rajiv Mehta, Bhavesh Gandhi, Hitesh Jain, Hemant Nahata, Aakash Fadia, Abhijeet Singh, Abhishek Lodhiya, Deep Shah, Harshraj Aggarwal, Udit Gajiwala, Vishal Punmiya, Manav Gogia, Parth Ghiya

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

HEMANT SUMATILAL NAHATA

Analyst Signature

Digitally signed by HEMANT SUMATILAL NAHATA
Date: 2024.01.05 00:19:26 +05'30'

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.