The Report Card

FY24: JUNE 2024

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FY24 in retrospect: Revenue growth moderating, margin tail winds drives earnings

- Revenue growth (ex financials) is moderating to single digit, FY19-24 the same grew at 10% CAGR
- Margins have improved both vs pre-pandemic and YoY basis with commodity tail winds and operating leverage
- With high operating cashflow and calibrated capex, balance sheet continue to strengthen with net debt equity improving
- Profits have grown at a healthy 15% CAGR FY19-23 and 17% YoY, Return on Equity have improved by 300 bps vs FY19

	Revenue		EBITDA			Net Debt to Equity			ROE		
	5 yr CAGR	YoY	FY24	vs FY19	vs FY23	FY24	vs FY19	vs FY23	FY24	vs FY19	vs FY23
IT	12%	6%	20%	-1%	-1%	-28%	10%	-7%	34%	4%	-1%
ex Tech Mah	13%	6%	17%	-2%	-1%	-25%	9%	-17%	29%	2%	-2%
Energy	9%	-4%	13%	3%	5%	29%	-18%	-62%	17%	2%	5%
ex RIL	10%	-4%	12%	3%	3%	40%	-5%	-105%	24%	5%	9%
Staples	11%	6%	19%	0%	1%	-11%	-3%	0%	23%	-4%	0%
ex HUL	11%	7%	19%	0%	1%	-9%	-5%	6%	23%	0%	0%
Comm Services	11%	9%	39%	16%	-1%	609%	479%	-36%	-17%	-14%	3%
Materials	11%	0%	28%	-5%	1%	43%	-23%	15%	11%	-1%	-3%
Ex Metals	11%	1%	28%	-6%	0%	38%	-30%	13%	11%	-2%	-2%
Cons Disc	9%	10%	12%	5%	3%	41%	1%	-63%	21%	16%	7%
ex Tata Motors	10%	5%	11%	0%	1%	38%	9%	-23%	18%	-1%	3%
Industrials	10%	10%	15%	2%	2%	39%	-14%	-31%	17%	2%	3%
Utilities	12%	2%	28%	2%	4%	111%	-23%	-48%	16%	4%	2%
Health Care	9%	11%	22%	3%	2%	-2%	-18%	-25%	14%	2%	2%
Real Estate	10%	10%	28%	1%	3%	27%	-21%	-87%	8%	3%	1%
Total	10%	2%	18%	2%	3%	43%	-10%	-33%	17%	3%	2%
Ex Energy, Metals	10%	7%	20%	2%	1%	64%	-6%	-22%	23%	6%	1%

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Analysis is done for NSE 500 universe ex financials

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Revenue Growth: Revenue growth moderating

- Revenue growth across sectors is moderating vs pre-covid avg only exceptions are Cons discretionary, Utilities and Real estate
- Growth vs FY23 is now down to low single digit. Industrials, Healthcare and Real estate are still maintaining double digit pace

	CAGR vs FY19								YoY Chg (%)							
	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
IT	14%	13%	14%	13%	13%	12%	12%	11%	22%	22%	23%	19%	12%	7%	3%	2%
ex Tech Mahindra	14%	13%	14%	14%	13%	12%	12%	11%	22%	22%	23%	19%	13%	8%	4%	3%
Energy	15%	12%	10%	12%	9%	7%	8%	10%	73%	44%	21%	9%	-9%	-9%	0%	3%
ex RIL	17%	15%	12%	10%	16%	9%	6%	8%	40%	78%	46%	22%	11%	-11%	-12%	-2%
Consumer Staples	12%	13%	12%	11%	11%	11%	10%	10%	31%	21%	12%	11%	6%	6%	6%	7%
ex HUL	12%	13%	11%	11%	11%	11%	11%	10%	33%	22%	12%	12%	6%	6%	7%	8%
Comm Services	13%	12%	9%	10%	13%	11%	9%	9%	17%	18%	13%	9%	16%	7%	6%	8%
Materials	15%	13%	13%	14%	12%	11%	10%	10%	28%	12%	4%	1%	1%	3%	1%	-3%
ex Metals	15%	13%	13%	14%	13%	11%	11%	10%	26%	11%	5%	2%	3%	2%	1%	-3%
Cons Disc	5%	7%	10%	13%	10%	6%	9%	11%	28%	40%	24%	26%	32%	3%	7%	5%
ex Tata Motors	6%	9%	12%	16%	10%	6%	10%	13%	36%	43%	25%	23%	28%	-6%	1%	1%
Industrials	13%	11%	8%	8%	11%	9%	9%	9%	59%	34%	18%	13%	7%	5%	12%	14%
Utilities	19%	15%	13%	14%	13%	12%	11%	13%	61%	41%	28%	17%	-5%	3%	3%	7%
Health Care	10%	9%	9%	9%	11%	10%	8%	9%	5%	9%	12%	11%	15%	14%	7%	11%
Real Estate	12%	4%	13%	10%	8%	9%	11%	11%	71%	-1%	25%	14%	-8%	28%	6%	16%
Total	13%	11%	11%	12%	11%	9%	9%	10%	47%	33%	19%	12%	2%	-1%	3%	4%
Ex Energy, Metals	11%	11%	11%	12%	12%	10%	10%	11%	33%	27%	18%	15%	12%	5%	6%	6%

Analysis is done for NSE 500 universe ex financials

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EBITDA Margins: Margins improve for most sectors as commodity cools off

- With exception of IT and communication services margins for most sectors improve on year-on-year basis as commodities cool off
- The margins still trending higher than pre-pandemic levels in most cases except IT, Staples and materials

EBITDA Margins: Improving across sectors

	FY19	FY20	FY21	FY22	FY23	FY24	1Q24	2Q24	3Q24	4Q24	4Q24 vs 4Q23	FY24 vs FY23	FY24 vs FY19
IT	21%	21%	23%	22%	20%	20%	19%	20%	19%	20%	-0.1%	-0.5%	-1.5%
ex Tech Mahindra	21%	21%	23%	22%	21%	20%	20%	20%	20%	21%	0.1%	-0.2%	-1.0%
Energy	11%	7%	13%	11%	8%	13%	15%	15%	12%	12%	0.3%	4.9%	2.6%
ex RIL	9%	9%	6%	11%	9%	12%	9%	14%	14%	10%	2.5%	2.8%	2.8%
Consumer Staples	19%	20%	20%	19%	18%	19%	19%	19%	19%	19%	1.7%	1.1%	-0.1%
ex HUL	19%	20%	19%	19%	17%	19%	19%	19%	18%	18%	2.2%	1.2%	-0.4%
Comm Services	23%	-10%	20%	43%	40%	39%	36%	40%	42%	38%	-4.6%	-1.2%	16.0%
Materials	33%	28%	40%	39%	27%	28%	28%	26%	30%	28%	0.8%	0.7%	-5.2%
ex Metals	34%	32%	41%	41%	28%	28%	29%	25%	31%	28%	0.4%	0.4%	-6.1%
Cons Disc	7%	8%	6%	9%	9%	12%	10%	13%	12%	11%	1.9%	2.6%	4.9%
ex Tata Motors	11%	9%	6%	9%	10%	11%	10%	13%	12%	10%	1.7%	1.1%	0.5%
Industrials	13%	12%	11%	12%	12%	15%	14%	14%	16%	16%	1.4%	2.5%	1.6%
Utilities	26%	31%	34%	31%	24%	28%	28%	29%	27%	28%	3.1%	3.8%	2.2%
Health Care	18%	18%	21%	19%	20%	22%	21%	22%	22%	22%	3.6%	1.9%	3.4%
Real Estate	27%	23%	23%	25%	25%	28%	24%	28%	28%	30%	5.9%	2.7%	1.1%
Total	15%	13%	18%	18%	15%	18%	18%	18%	17%	17%	0.9%	2.5%	2.4%
Ex Energy, Metals	18%	17%	20%	22%	19%	20%	20%	20%	21%	20%	1.1%	1.1%	2.0%

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Commodities: Benefits of lower commodities is abating

Commodity Price Trend	vs Q324	Change since 3 M	6 M	12 M
Energy				
Brent crude($/bbl) (ICE)	5%	14%	-8%	10%
Dutch TTF Natural gas 1M Fwd (Euro/MWH)	-37%	-14%	-30%	-42%
U.S. Coal 6900 Kcal (INR/'000 Kcal)	-4%	0%	-7%	-27%
Indonesian coal 4200 Kcal (INR/'000 Kcal)	0%	1%	3%	-16%
Indian Coal (Rs/kg) #	0%	-2%	-9%	-18%
Propane (USD/MT) #	4%	30%	10%	0%
Chemicals				
TIO2 (INR/KG)	-5%	-4%	-9%	-14%
Phenol (INR/KG)	4%	11%	-8%	-9%
HDPE (USD/MT)	17%	27%	9%	-1%
CPVC (USD/kg) #	-1%	-8%	-7%	-16%
PVC (USD/MT)	2%	5%	-7%	-9%
EDC (USD/MT)	3%	-6%	20%	-16%
VCM (USD/MT)	10%	14%	-5%	-16%
Soda Ash (INR/50KG)	-8%	-6%	-19%	-22%
Caustic Soda (USD/Ton)	8%	14%	5%	17%
Toluene Diisocyanate (USD / MT)	-7%	-6%	-11%	-13%
VAM (USD/MT) #	14%	-8%	-4%	-24%

Data source: Bloomberg, AMSEC, Industry.

Commodity Price Trend	vs Q324	Change since 3 M	6M	12M
Metal				
Copper (USD/MT) (LME)	7%	4%	7%	-1%
Steel (USD/T) (China)	-5%	-10%	-3%	-19%
Iron Ore (USD/MT)	-17%	-24%	-11%	-20%
Lead - USD/MT	-4%	-1%	-7%	-4%
Zinc (USD/MT)	-3%	-8%	-8%	-17%
Lithium	-36%	-20%	-52%	-81%
Cobalt	-11%	-1%	-14%	-18%
Nickel	-4%	1%	-10%	-30%
Agri				
Coffee Robusta (USD/MT)	32%	14%	41%	58%
Coffee Arabica (USD / MT)	8%	0%	29%	11%
Cotton (USD/LB) (ICE)	12%	13%	5%	10%
Sugar (USD/LB)	-12%	9%	-15%	1%
Rubber (Rs/KG) (SGX)	12%	7%	16%	21%
Natural rubber RRS4KO (Rs/kg)	21%	18%	25%	22%
Crude palm oil (Myr/25MT)	18%	18%	17%	7%
Refined palm oil (USD/MT)	18%	17%	17%	-4%
Wheat (USD/ BU)	-5%	1%	-1%	8%
Precious metals				
Gold (USD/troy ounce)	12%	8%	21%	13%
Silver (USD/troy ounce)	7%	5%	13%	4%

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Source: Bloomberg and AMSEC

Balance Sheet: ROE well above the pre-pandemic levels

RETURN ON EQUITY

	FY19	FY20	FY21	FY22	FY23	FY24	FY24 vs FY23	FY24 vs FY19
IT	30%	30%	31%	34%	34%	34%	-1%	4%
ex Tech Mahindra	27%	27%	29%	31%	31%	29%	-2%	2%
Energy	15%	8%	12%	14%	12%	17%	5%	2%
ex RIL	18%	7%	19%	21%	14%	24%	9%	5%
Consumer Staples	27%	32%	20%	21%	23%	23%	0%	-4%
ex HUL	23%	29%	22%	22%	24%	23%	0%	0%
Comm Services	-4%	-98%	-95%	7%	-20%	-17%	3%	-14%
Materials	13%	10%	15%	24%	14%	11%	-3%	-1%
Ex Metals	12%	12%	14%	23%	13%	11%	-2%	-2%
Cons Disc	5%	7%	2%	9%	14%	21%	7%	16%
ex Tata Motors	18%	13%	7%	14%	15%	18%	3%	-1%
Industrials	15%	10%	9%	11%	15%	18%	3%	3%
Utilities	12%	13%	13%	15%	14%	16%	2%	4%
Health Care	14%	14%	16%	16%	15%	17%	2%	3%
Real Estate	5%	1%	5%	6%	7%	8%	1%	3%
Total	14%	9%	13%	17%	15%	17%	2%	3%
Ex Energy, Metals	17%	13%	16%	25%	22%	23%	1%	6%

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Analysis is done for NSE 500 universe ex financials

ROE profile improves across most sectors vs FY23, overall, ROE is +300 bps vs FY19 and +600 bps FY19 ex commodities

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Sectoral Profit Pools: Financials profits pool has more than doubled from FY19

Sector profit/Nifty 500 profits

	FY19	FY20	FY21	FY22	FY23	FY24	vs FY23	vs FY19
IT	17%	23%	14%	11%	10%	8%	-2%	-8%
ex Tech Mah	16%	22%	14%	10%	10%	8%	-2%	-8%
Energy	26%	21%	21%	18%	14%	18%	4%	-8%
ex RIL	18%	10%	13%	12%	8%	13%	5%	-5%
Staples	7%	13%	6%	5%	5%	4%	-1%	-3%
ex ITC	6%	12%	5%	4%	4%	3%	-1%	-3%
Comm Services	-2%	-29%	-8%	0%	-1%	-1%	0%	1%
Materials	17%	18%	17%	20%	11%	7%	-4%	-10%
ex Metals	7%	13%	7%	6%	5%	4%	-2%	-3%
Cons Disc	-3%	2%	-1%	2%	6%	10%	4%	13%
ex Tata Motors	3%	6%	1%	3%	5%	8%	2%	4%
Industrials	9%	8%	5%	4%	6%	6%	0%	-3%
Utilities	9%	13%	8%	7%	7%	6%	0%	-2%
Health Care	5%	7%	6%	4%	4%	4%	0%	-1%
Real Estate	1%	1%	1%	1%	1%	1%	0%	-1%
Financials	14%	23%	31%	28%	38%	37%	-1%	23%
Total	100%	100%	100%	100%	100%	100%	0%	0%
ex Energy, Metals	82%	84%	83%	79%	88%	91%	3%	10%

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Financials and Consumer discretionary are the only two sectors where the profit pools are above the pre-pandemic levels. The profit pool of financials is more the doubled over the period

Analysis is done for NSE 500

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Balance Sheet: Leverage ratios continue to improve

- Debt servicing ability, as measured by net debt to EBITDA, remains healthy at <2x lowest since the pandemic
- Net debt to Equity is the lowest since the pandemic

NET DEBT TO EQUITY

	FY19	FY20	FY21	FY22	FY23	FY24	FY24 vs FY23	FY24 vs FY19
IT	-38%	-28%	-32%	-30%	-26%	-28%	-2%	10%
ex Tech Mahindra	-34%	-26%	-31%	-25%	-21%	-25%	-4%	9%
Energy	47%	56%	38%	35%	37%	29%	-8%	-18%
ex RIL	45%	70%	74%	57%	55%	40%	-15%	-5%
Consumer Staples	-9%	-15%	-12%	-8%	-11%	-11%	0%	-3%
ex HUL	-3%	-12%	-11%	-6%	-10%	-9%	2%	-5%
Comm Services	130%	232%	777%	686%	816%	609%	-208%	479%
Materials	65%	62%	49%	33%	43%	43%	0%	-23%
Ex Metals	69%	66%	49%	33%	40%	38%	-1%	-30%
Cons Disc	40%	49%	51%	57%	55%	41%	-14%	1%
ex Tata Motors	30%	37%	34%	39%	40%	38%	-2%	9%
Industrials	53%	60%	53%	47%	41%	39%	-2%	-14%
Utilities	134%	141%	137%	128%	120%	111%	-9%	-23%
Health Care	16%	11%	4%	-2%	4%	-2%	-5%	-18%
Real Estate	47%	36%	46%	31%	31%	27%	-4%	-21%
Total	52%	58%	52%	46%	49%	43%	-7%	-10%
Ex Energy, Metals	69%	76%	76%	69%	71%	64%	-7%	-6%

NET DEBT TO EBITDA

	FY19	FY20	FY21	FY22	FY23	FY24	FY24 vs FY23	FY24 vs FY19
IT	-115%	-103%	-88%	-76%	-65%	-72%	-7%	43%
ex Tech Mahindra	-121%	-109%	-99%	-75%	-64%	-81%	-17%	40%
Energy	160%	243%	187%	153%	161%	99%	-62%	-61%
ex RIL	145%	362%	420%	179%	210%	105%	-105%	-40%
Consumer Staples	-22%	-39%	-41%	-26%	-35%	-36%	0%	-14%
ex HUL	-10%	-35%	-38%	-20%	-33%	-27%	6%	-17%
Comm Services	559%	1442%	967%	408%	469%	434%	-36%	-125%
Materials	209%	254%	150%	82%	144%	160%	15%	-49%
Ex Metals	224%	252%	157%	86%	146%	159%	13%	-66%
Cons Disc	178%	327%	279%	216%	177%	114%	-63%	-64%
ex Tata Motors	98%	219%	211%	171%	153%	130%	-23%	33%
Industrials	190%	277%	277%	218%	166%	134%	-31%	-55%
Utilities	515%	445%	462%	412%	406%	358%	-48%	-156%
Health Care	76%	26%	17%	-11%	17%	-8%	-25%	-83%
Real Estate	370%	503%	583%	338%	320%	233%	-87%	-138%
Total	185%	231%	201%	151%	169%	136%	-33%	-49%
Ex Energy, Metals	198%	227%	209%	155%	172%	150%	-22%	-48%

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The sector(s)/stock(s)/issuer(s) mentioned in this presentation do not constitute any research report/recommendation of the same and may or may not have any future position in these sector(s)/stock(s)/issuer(s).

Cashflow: Quality of earnings has improved

- Cash after and before working capital, reflecting working capital lock up is 700 bps higher than pre-pandemic levels
- CFO/EBITDA is higher by 600 bps vs pre-pandemic levels reflecting improving quality of earnings

CFO after /CFO before Working Capital

	FY19	FY23	FY24	FY24 vs FY23	FY24 vs FY19
IT	91%	83%	83%	0%	-8%
ex Tech Mah	92%	83%	82%	-1%	-10%
Energy	76%	96%	98%	3%	23%
ex RIL	80%	102%	96%	-6%	16%
Staples	95%	91%	91%	0%	-4%
ex ITC	94%	91%	87%	-4%	-7%
Comm Services	87%	88%	91%	2%	3%
Materials	88%	79%	82%	3%	-6%
ex Metals	88%	79%	82%	3%	-6%
Cons Disc	67%	73%	86%	13%	19%
ex Tata Motors	65%	66%	74%	8%	9%
Industrials	38%	91%	82%	-9%	43%
Utilities	82%	96%	96%	0%	15%
Health Care	82%	86%	85%	-1%	3%
Real Estate	75%	50%	95%	45%	20%
Total	80%	86%	88%	2%	9%
Ex Energy, Metals	79%	86%	87%	1%	7%

CFO/EBITDA

	FY19	FY23	FY24	FY24 vs FY23	FY24 vs FY19
IT	97%	87%	97%	10%	0%
ex Tech Mah	97%	86%	95%	8%	-2%
Energy	83%	109%	104%	-5%	22%
ex RIL	91%	129%	104%	-25%	13%
Staples	95%	93%	98%	5%	3%
ex ITC	94%	93%	95%	2%	2%
Comm Services	97%	96%	99%	3%	2%
Materials	87%	84%	88%	4%	0%
Ex Metals	256%	206%	212%	6%	-44%
Cons Disc	102%	80%	88%	8%	-13%
ex Tata Motors	65%	67%	72%	6%	8%
Industrials	40%	100%	85%	-14%	46%
Utilities	104%	105%	103%	-2%	-1%
Health Care	92%	96%	98%	2%	5%
Real Estate	78%	65%	103%	38%	25%
Total	95%	102%	101%	-1%	6%
Ex Energy, Metals	88%	93%	94%	1%	6%

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Analysis is done for NSE 200 universe ex financials

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Cashflow: Healthy free cashflow generation helps deleveraging

- Capex trends accelerated in FY24 vs CAGR FY19-24 trends
- Capex however has trailed CFO generation resulting in deleveraging of corporate balance sheets

Capex and CFO Trends

	Capex		CFO	
	YoY (%)	5 Yr CAGR	YoY (%)	5 Yr CAGR
IT	-12%	0%	21%	13%
ex Tech Mah	-11%	0%	21%	13%
Energy	9%	9%	43%	22%
ex RIL	11%	8%	45%	18%
Staples	19%	12%	21%	14%
ex HUL	18%	11%	13%	12%
Comm Services	52%	8%	13%	27%
Materials	23%	18%	12%	8%
Ex Metals	23%	18%	12%	8%
Cons Disc	25%	3%	63%	24%
ex Tata Motors	7%	7%	43%	20%
Industrials	25%	19%	12%	51%
Utilities	41%	11%	15%	15%
Health Care	6%	10%	21%	19%
Real Estate	13%	8%	147%	19%
Total	19%	11%	27%	17%
Ex Energy, Metals	22%	10%	26%	17%

FCFF to EBITDA

	FY19	FY23	FY24	FY24 vs FY23	FY24 vs FY19
IT	58%	57%	68%	12%	10%
ex Tech Mah	58%	56%	67%	10%	9%
Energy	-6%	16%	33%	17%	39%
ex RIL	20%	45%	48%	3%	27%
Staples	45%	51%	58%	7%	13%
ex HUL	42%	49%	49%	0%	7%
Comm Services	-24%	53%	43%	-10%	67%
Materials	34%	17%	13%	-4%	-21%
Ex Metals	100%	42%	31%	-11%	-69%
Cons Disc	-35%	15%	30%	15%	66%
ex Tata Motors	-10%	3%	16%	13%	26%
Industrials	-14%	39%	29%	-10%	43%
Utilities	11%	37%	23%	-14%	13%
Health Care	20%	35%	40%	5%	20%
Real Estate	11%	-6%	42%	47%	31%
Total	19%	33%	37%	4%	18%
Ex Energy, Metals	20%	36%	38%	2%	18%

**Conditional color formatting is horizontal*

1	2	3	4

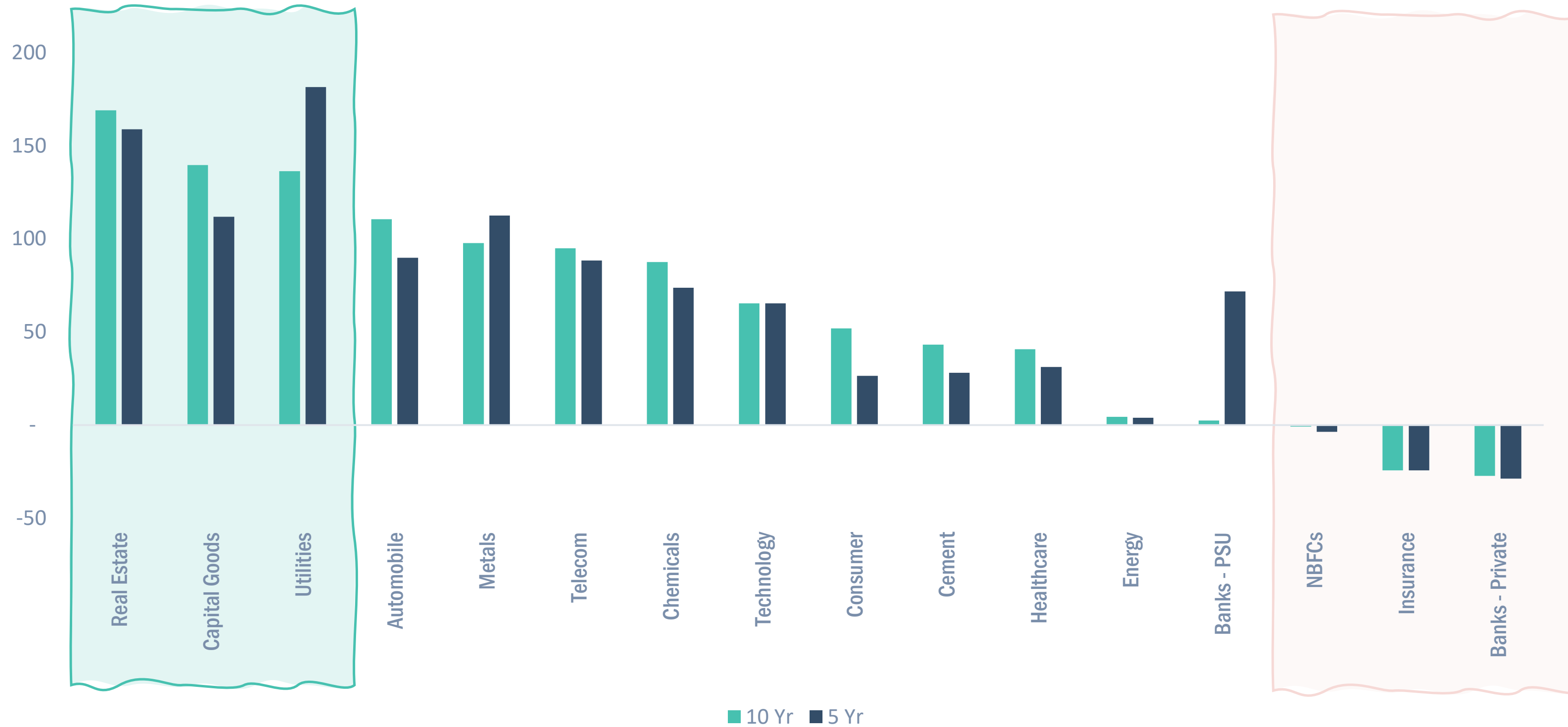
Analysis is done for NSE 200 universe ex financials

DSP

Valuation: Premium or Discount to pre-pandemic averages

- Highest premium to 10 yr averages: Real Estate, Capital Goods and Utilities
- Discount to 10 yr averages: NBFC, Insurance and Pvt Banks

Premium/Discount to pre –covid 5/10-year average multiples



1. *5 yr and 10 yr Pre covid multiples are from Jan-15 to Jan-20 and Jan-10 to Jan-20 respectively*
2. *Price to book multiples are used for NBFC, Banks, Metals, Oil and Gas, Real Estate and utilities*
3. *Price to Embedded value is used for insurance. The valuation data is available only from FY17*
4. *Price to Earnings is used for Technology*
5. *EV/EBITDA is used for Auto, Capital goods, Cement, Chemicals, Consumer, Healthcare, Telecom*
6. *Source: Bloomberg. The universe is BSE-200*

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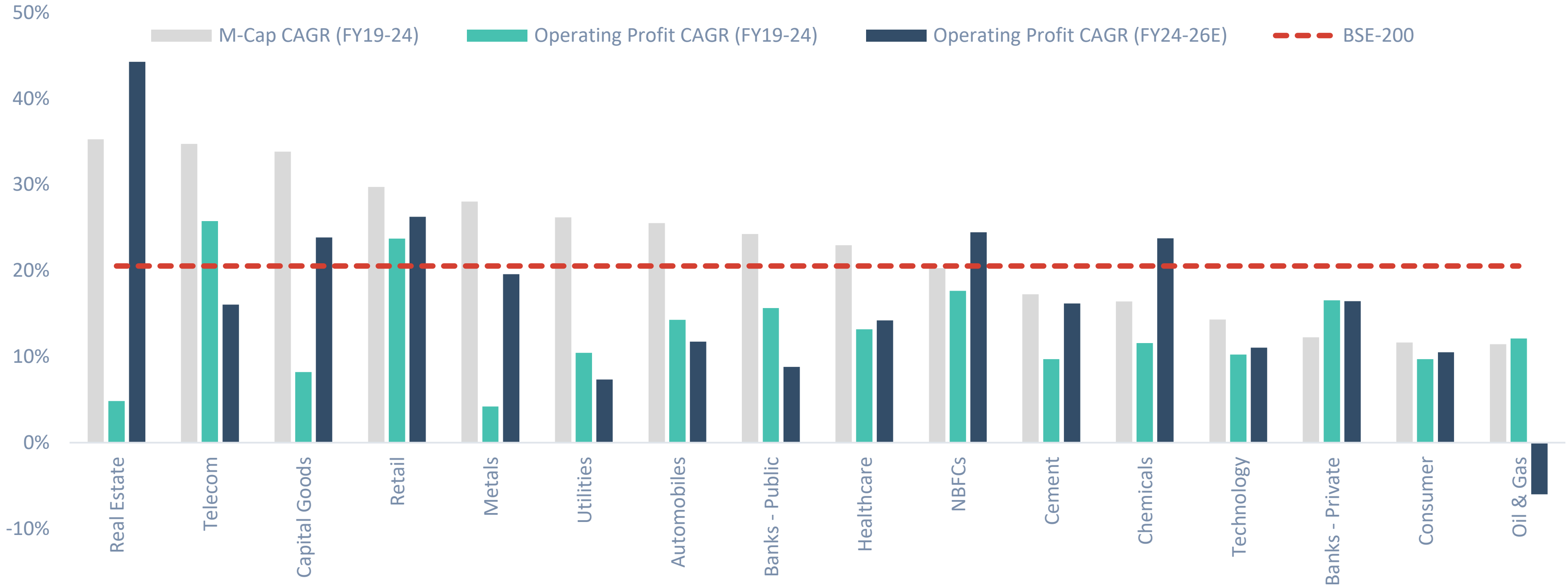
Market Capitalization vs Operating Profit growth

Market Cap CAGR < Operating profit CAGR: NBFC, Pvt Banks, Chemicals and Oil & Gas

Market Capitalization vs Operating Profits



1. *The exercise is based on BSE-200 companies due to lack of availability of reliable estimates beyond BSE-200*
2. *For Banks and NBFC's the operating profits is pre-provisioning operating profits (PPOP).*
3. *M-cap CAGR is May 19 to May 24*
4. *Operating profits CAGR is FY19-24 actuals and FY24 based on Bloomberg consensus estimates*
5. *Source: Capitaline and Bloomberg*

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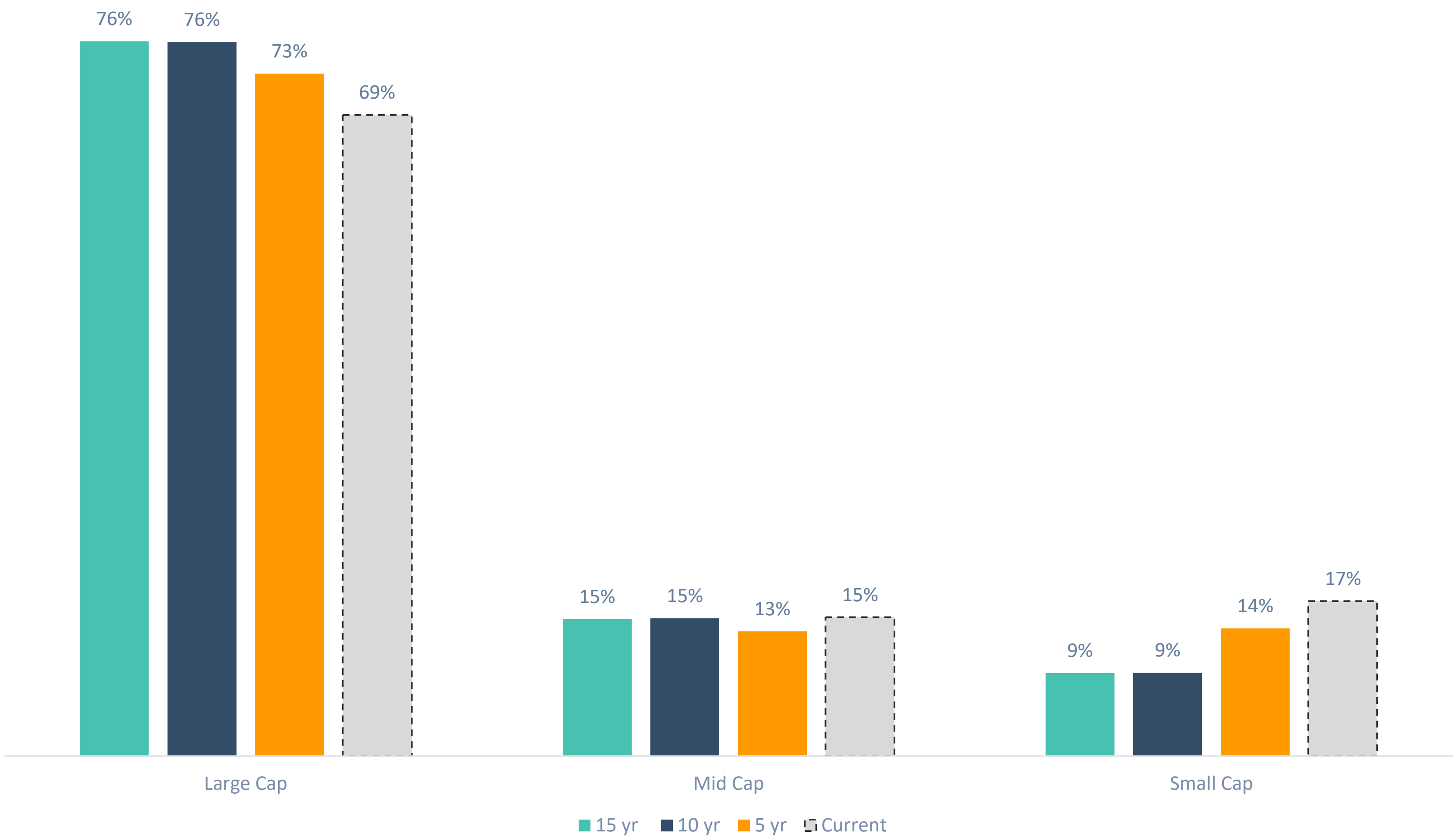
Market Cap Buckets: Small caps market caps are above long-term averages



1. *Large Caps = Aggregate Market Cap of Nifty 50 + Nifty next 50*
2. *Midcap = Aggregate Market Cap of Nifty Mid cap 150*
3. *Small Cap = Aggregate Market Cap Nifty 500 (-) Large Caps (-) Midcaps*

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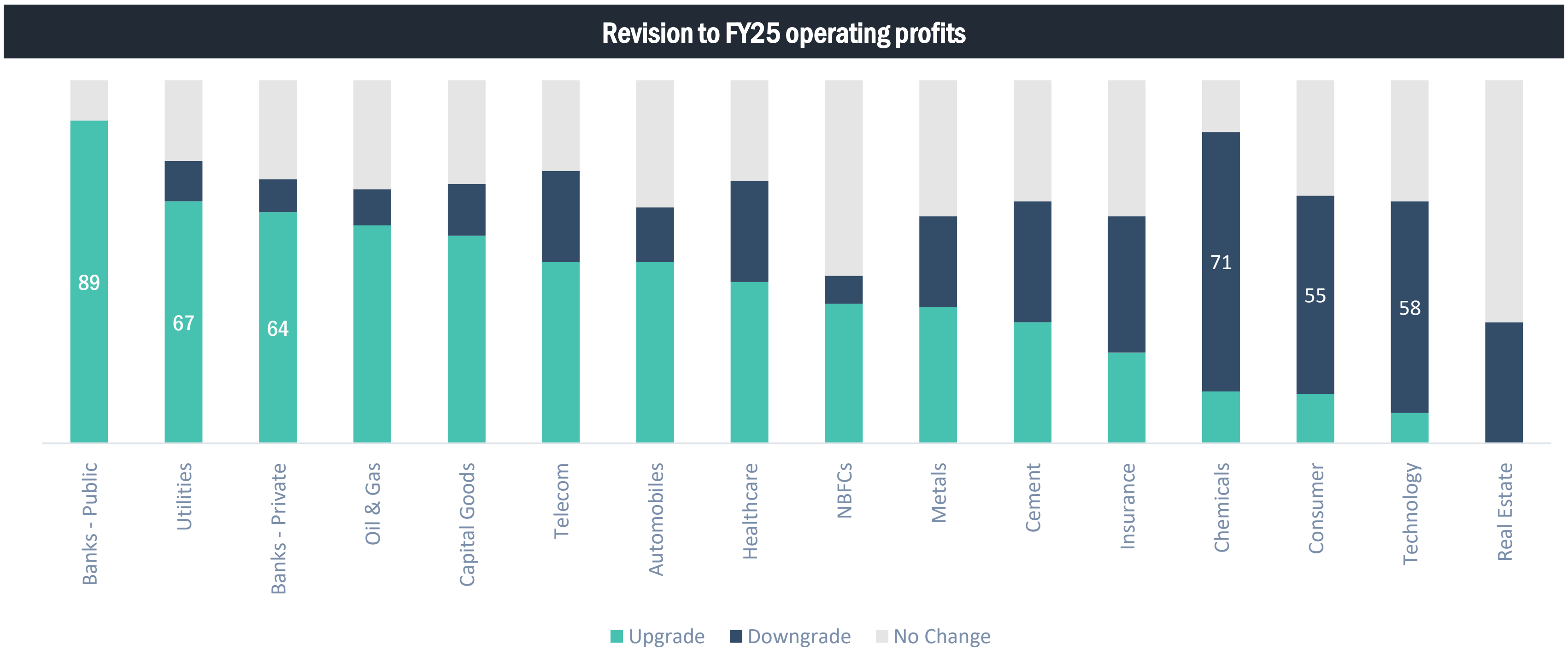
Earnings Momentum: Revision to FY25 Earnings

- Highest upgrades: PSU Banks, Utilities and Pvt Banks
- Highest Downgrades: Chemicals, Technology and Consumer



Source: Bloomberg. Based on the BSE-200 sample set for which estimates are available

Downgrades > 5%, No Change -5% to +5%, Upgrades <5% over the past 6 months. Calculated on 31st May 2024

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Sectoral Updates

Auto	Energy	NBFC
Auto Comps	Gas Utilities	Pharma
Banks	Industrials	Staples
Cement	IT services	Real Estate
Cons Durables	Life Insurance	Telecom
	Steel	

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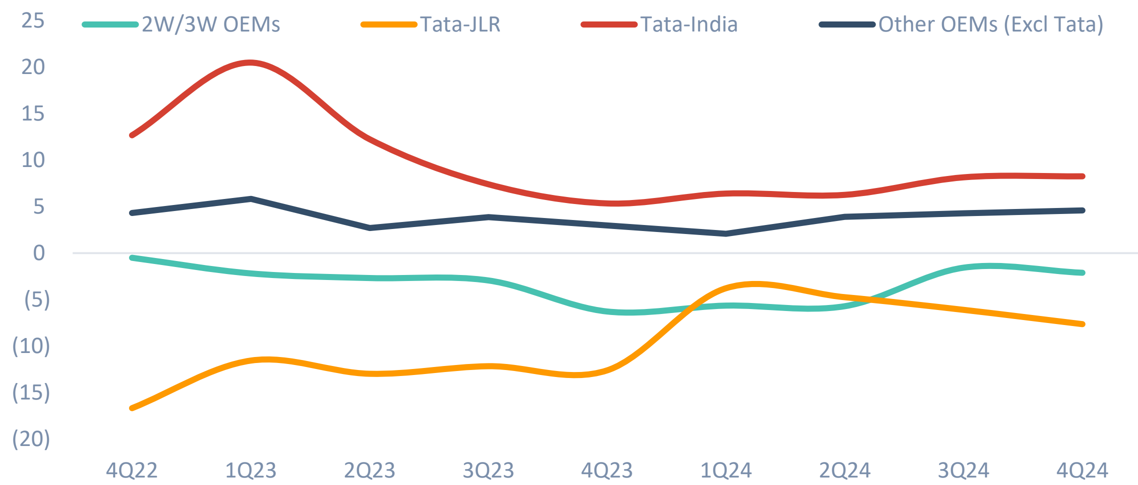
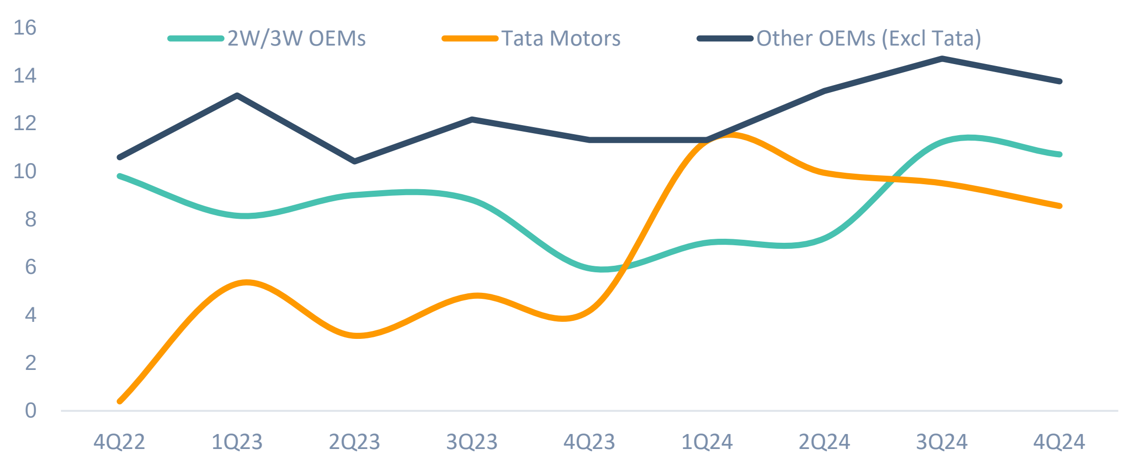
Automobiles: Revenues improve across segments

5-yr volume CAGR (comparison with last peak) shows PV/Tractor OEMs and Tata Motors (India) has crossed previous peak, while 2W/3W and Tata Motors (JLR) still below FY19 peak. For 4Q24, 2W/3W OEMs, Tata Motors (JLR) and PV OEMs have registered growth, while Tata Motors (India) and CV/Tractor OEMs have witnessed a decline.

5-yr volume CAGR: 2W/3W and Tata Motors (JLR) still below FY19 peak



5-yr revenue CAGR: Uptrend across OEMs on premiumisation/ price increases

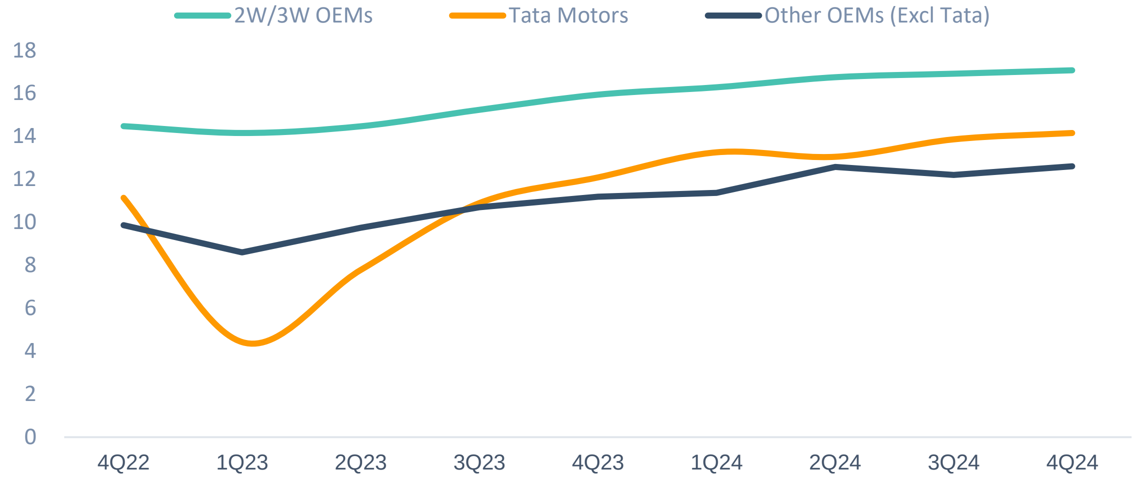


5-yr revenue CAGR in double digits for PV/CV OEMs and 2W/3W OEMs, and in high single-digits for Tata Motors. Revenue CAGR is much better than volume CAGR supported by premiumisation and price increases.

DSP Based on a representative set of 10 Automobile OEMs

Automobiles: Notable margin expansion across segments

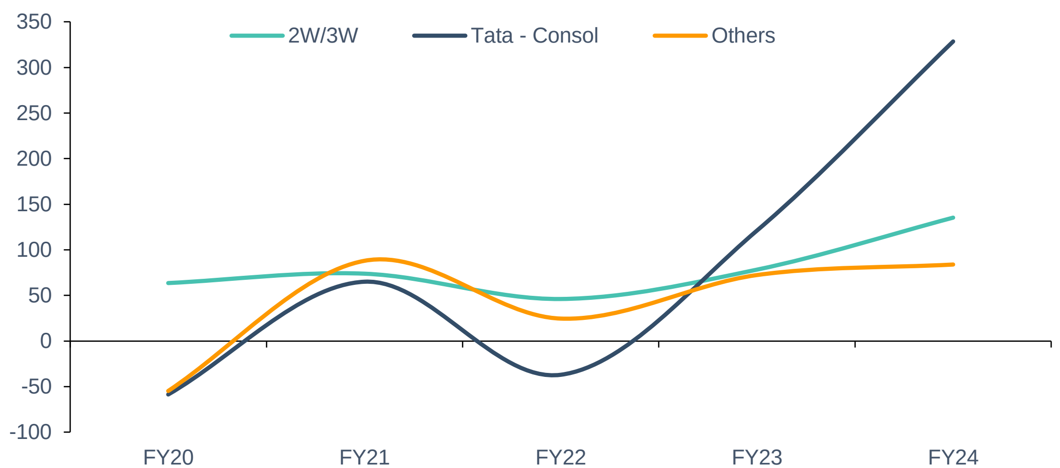
Margins have improved on premiumisation, better net pricing and higher scale



Margins have improved across segments YoY owing to premiumisation (a shift to higher realization and margin vehicles), better net pricing and operating leverage.

Strong revenue and profitability growth has driven higher free cash flows across 2W/3W OEMs, PV/CV OEMs and Tata Motors.

Free cash flows improve on better revenue and margins (INRbn)

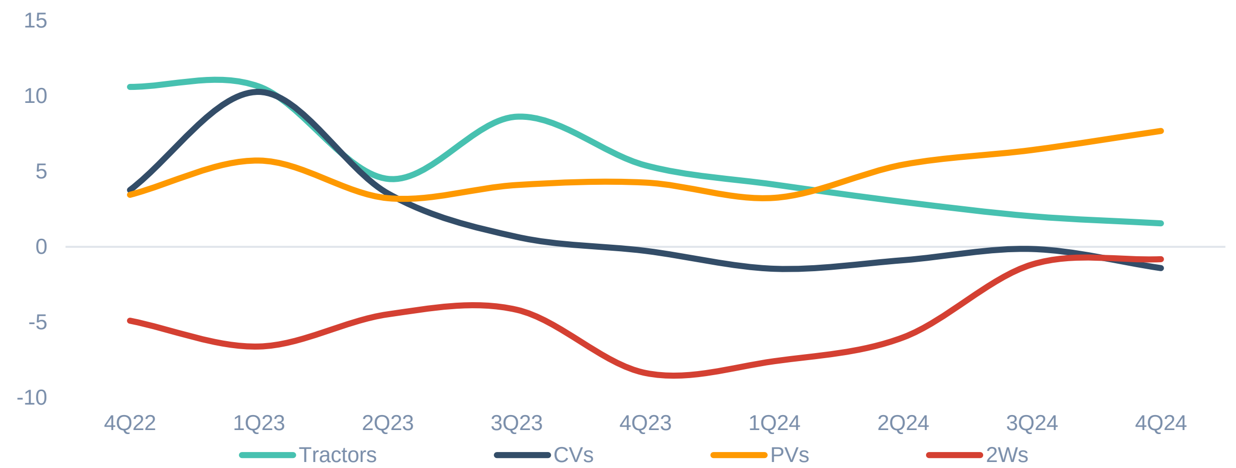


Based on a representative set of 10 Automobile OEMs

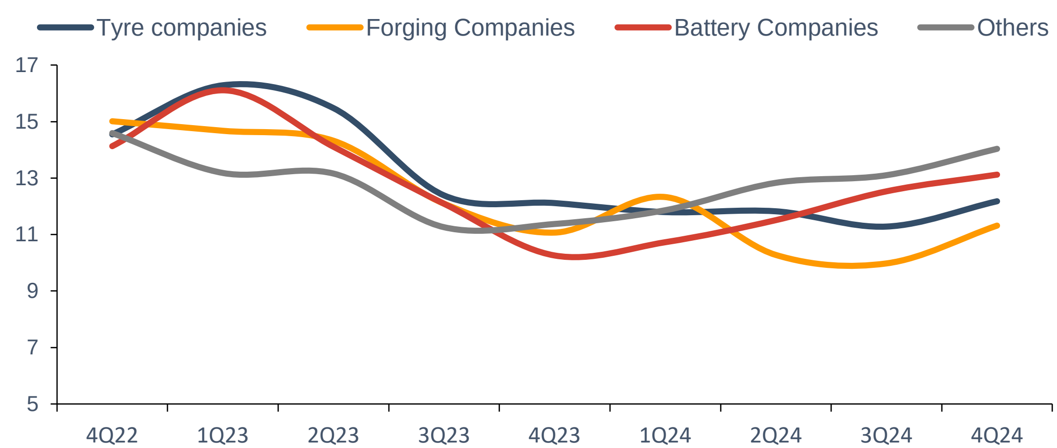
Components: Revenues improve across segments

Component co's mirror trend in the underlying automobile segments. Within this, Tractors/ PVs are above FY19 peak, while CVs and 2Ws are below peak. For 4Q24, 2Ws and PVs have registered growth, while Tractors and CVs have witnessed a decline.

5-yr volume CAGR positive for Tractors and PVs, CVs and 2Ws yet to reach previous peak



5-yr revenue CAGR: Component co's growth better than underlying industry

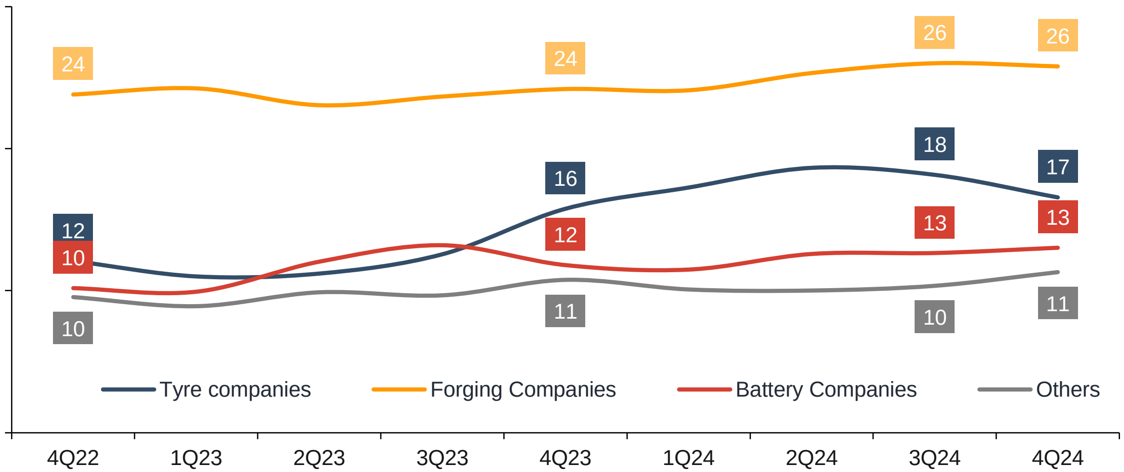


Component co's are witnessing better pricing and increase in content per vehicle, due to premiumisation and EV transition, resulting in outperformance vs. underlying auto segments.

Based on a representative set of 4 tyre firms, 3 forging firms, 2 battery firms and 9 other firms

Components : Notable margin expansion across segments

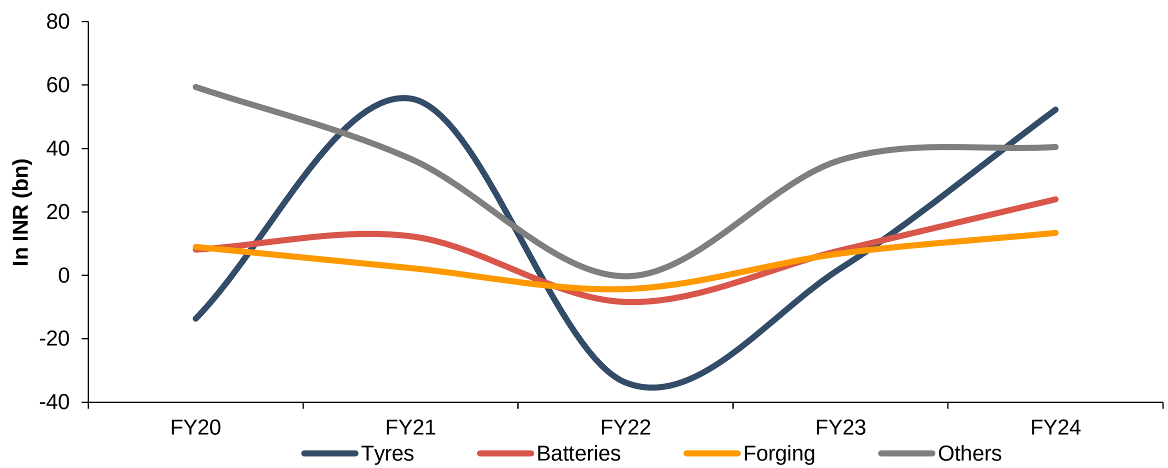
Margins have improved on premiumisation, better net pricing and higher scale



Margins have improved across segment YoY. Tyre, battery, forgings and other part co's have witnessed improvement due to better mix, benign commodity prices and operating leverage.

Strong revenue and profitability growth has driven higher free cash flows across Tyre, battery, forgings and other part co's.

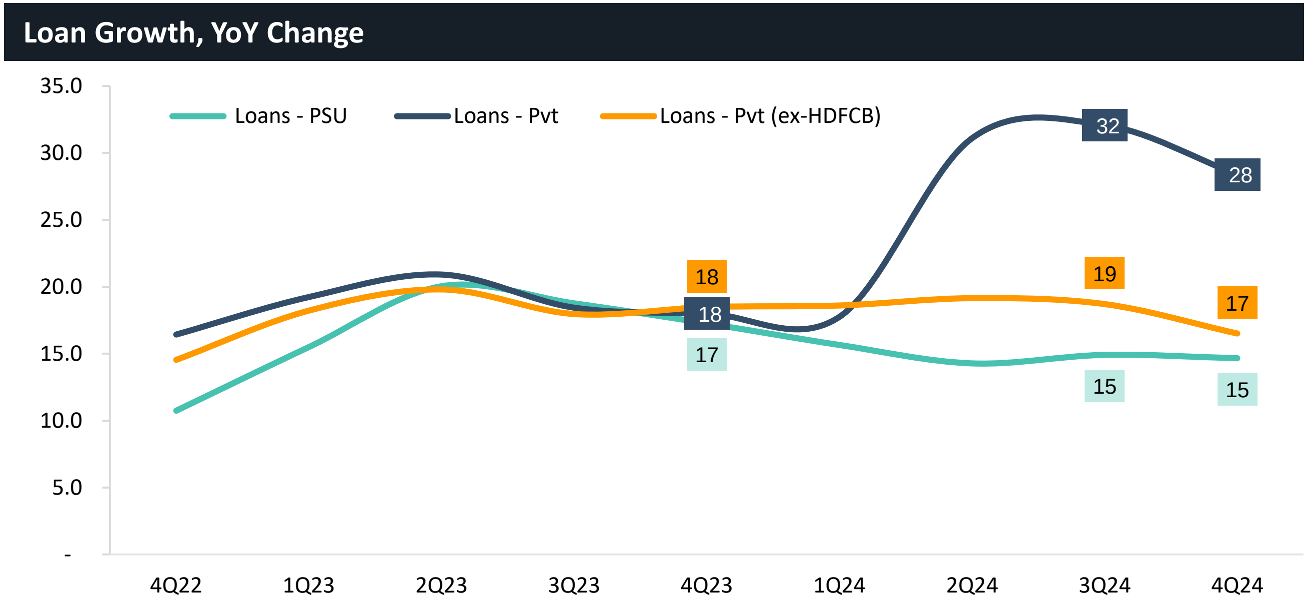
Free cash flows improve on better revenues and margins

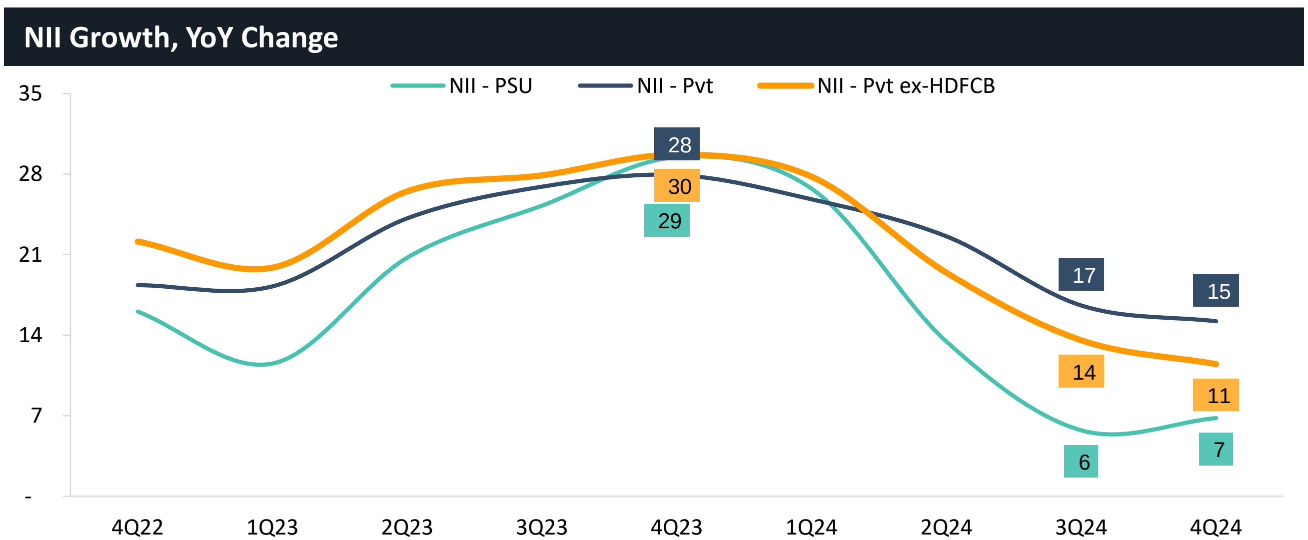


Based on a representative set of 4 tyre firms, 3 forging firms, 2 battery firms and 9 other firms

Banks: Healthy double-digit loan growth but NII growth moderating

Loan growth for PSU banks has been slowing as compared to private banks YoY, after the catch-up





Sharp deceleration in NII growth YoY (vs loan growth) as NIMs have already peaked

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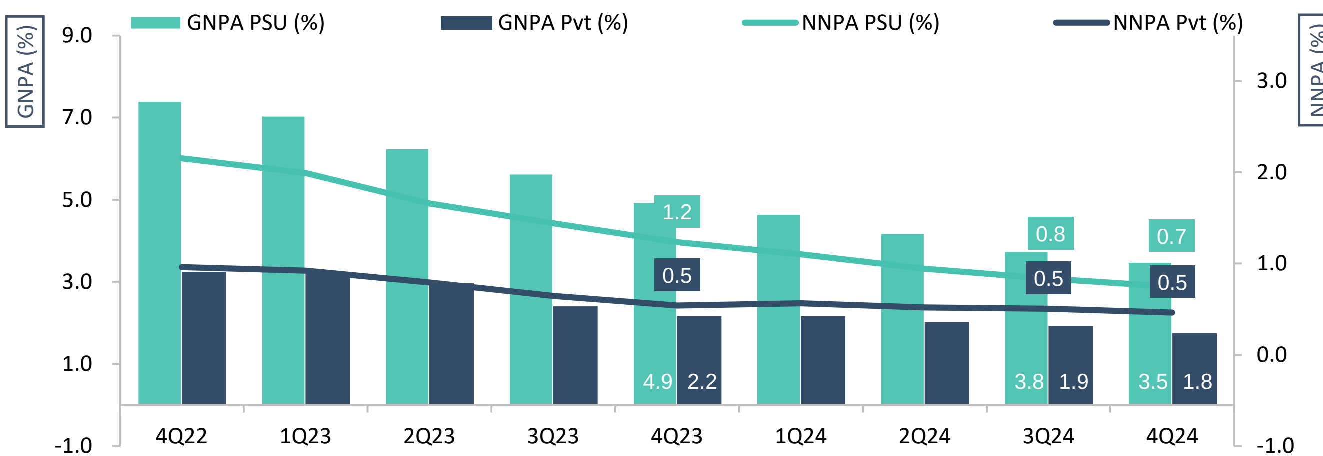
Data pertains to 28 banks aggregating >90% of the banking system (ex Foreign banks).

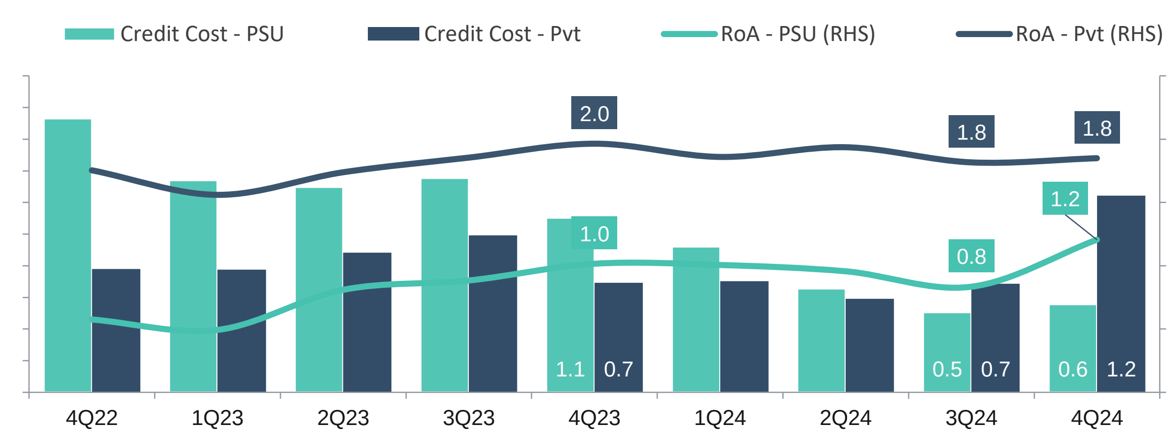
Banks : Asset quality remains benign, ROA remain strong and steady

Asset quality remains benign for both PSU and Private banks with continued improvement in Gross and Net NPAs for both set of banks.

NII Growth, YoY Change



Provisioning (Credit cost) and ROA



Systemic RoA remain strong and steady. Ex large contingent provisions at HDFCB, credit costs for private banks are stable QoQ.

Credit costs is defined as Total Provisions (annualized) divided by average loans.
Data pertains to 28 banks aggregating >90% of the banking system (ex Foreign banks).

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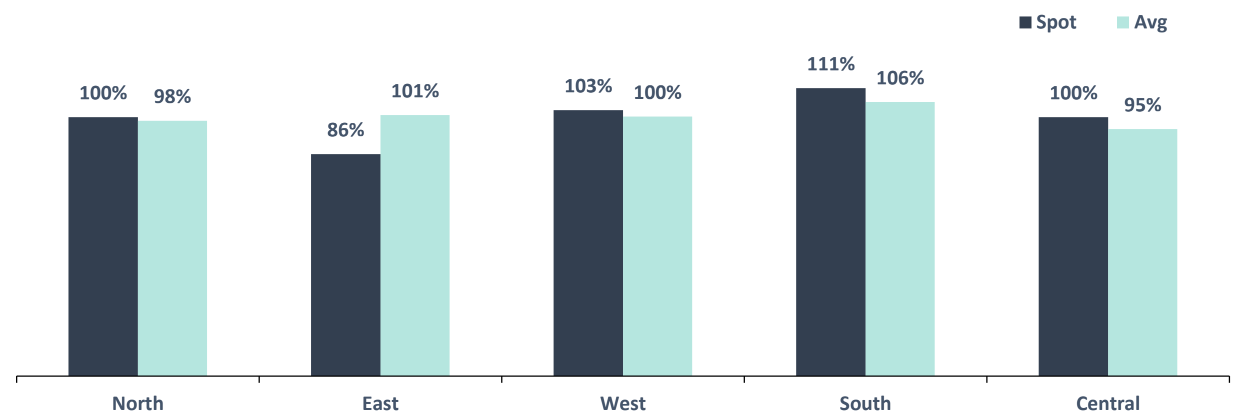
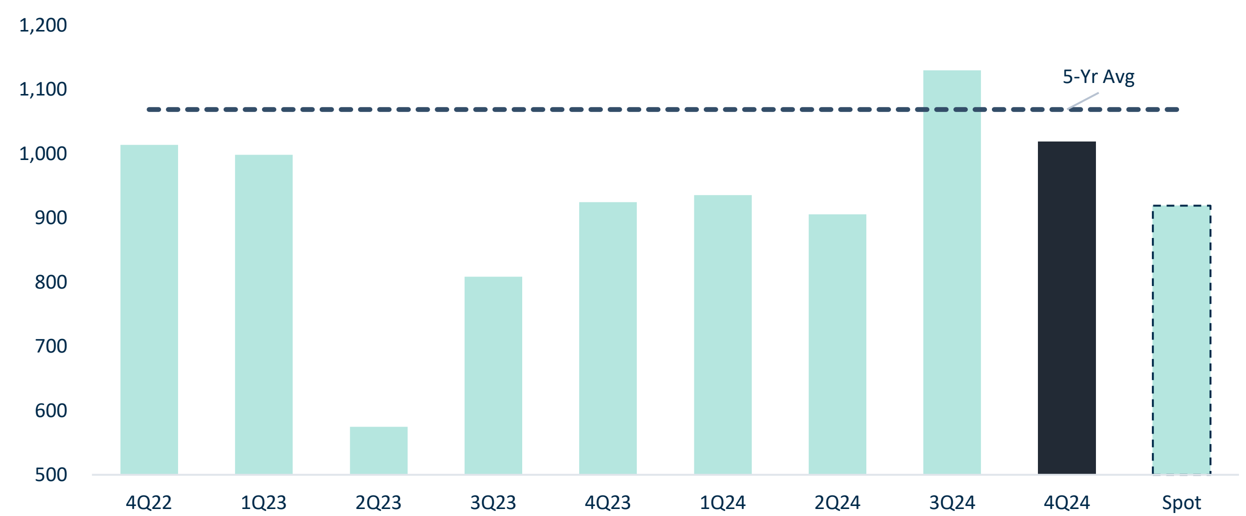
Cement: FY24 ends with subpar performance

Spot regional cement prices (except East) are broadly in-line/ above long-term average as % of pan-India prices suggests limited price hike potential from hereon

Spot regional cement prices are broadly in-line / above long-term avg as % of India prices



EBITDA/t: With lower prices and operating de-leverage; spot profitability likely to decline



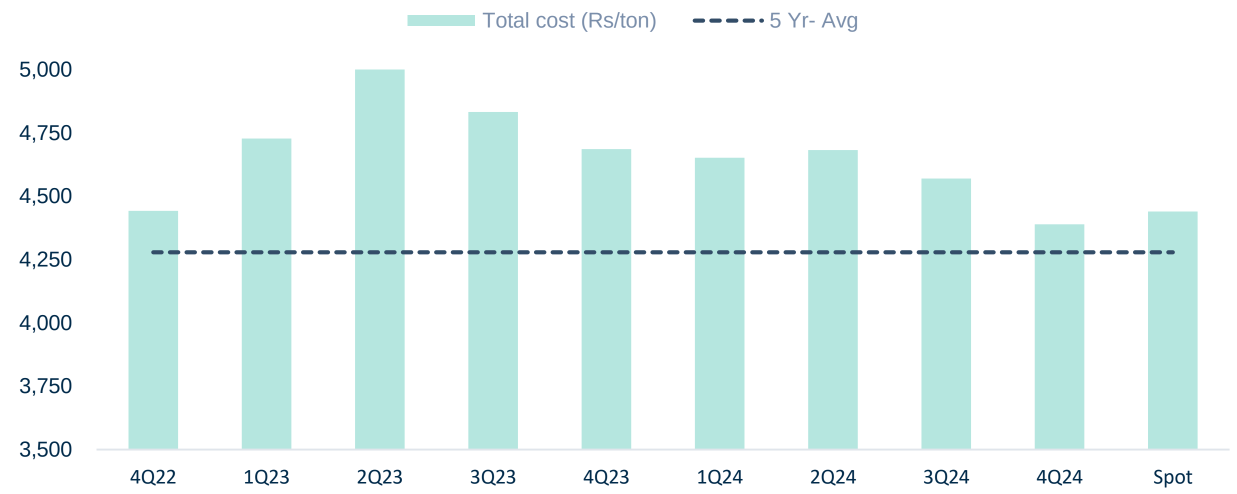
Industry average EBITDA/ton improved 10% YoY; though declined 10% QoQ. With lower avg price lower and operating de-leverage, profitability at spot level likely to decline

Based on a representative set of 10 Cement companies

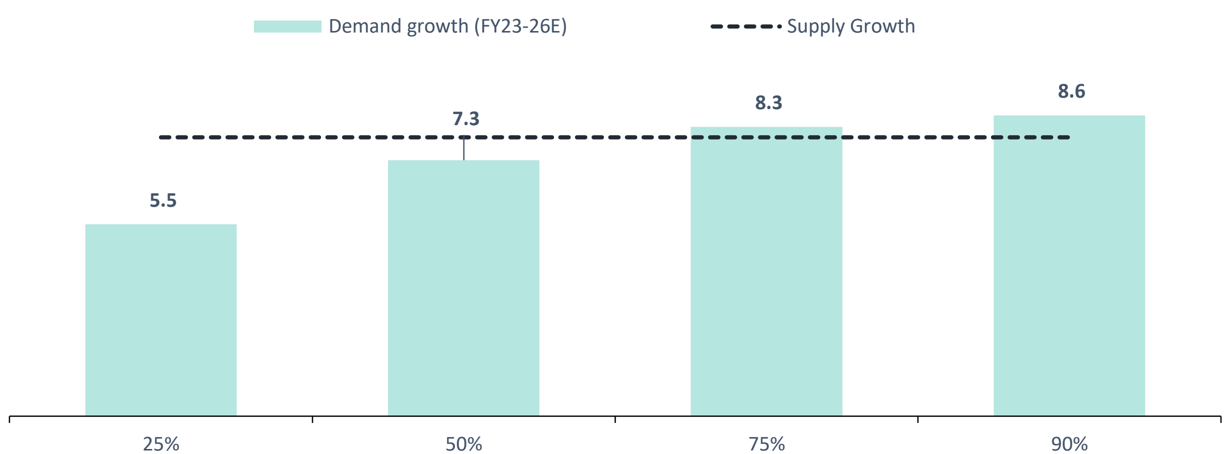
Cement: 1HFY25 like to remain soft

Input prices have stabilized; however, operating de-leverage to increase cost/t in upcoming quarters

Operating de-leverage to increase cost/t in coming quarter



Demand should grow at least 75% percentile to maintain utilization level over coming years

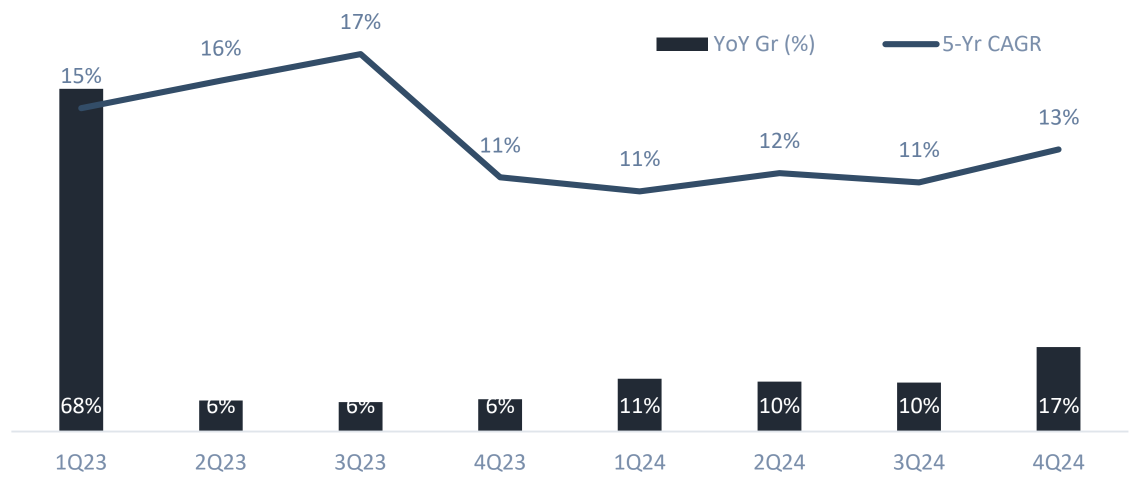


Demand should grow at least 8% CAGR (75% or above percentile) to maintain utilization level over next few years. Any disappointment in demand growth may lead to fall in utilization level/ pricing.

Based on a representative set of 10 Cement companies

Consumer Durables: Strong summer and infra spends drives growth

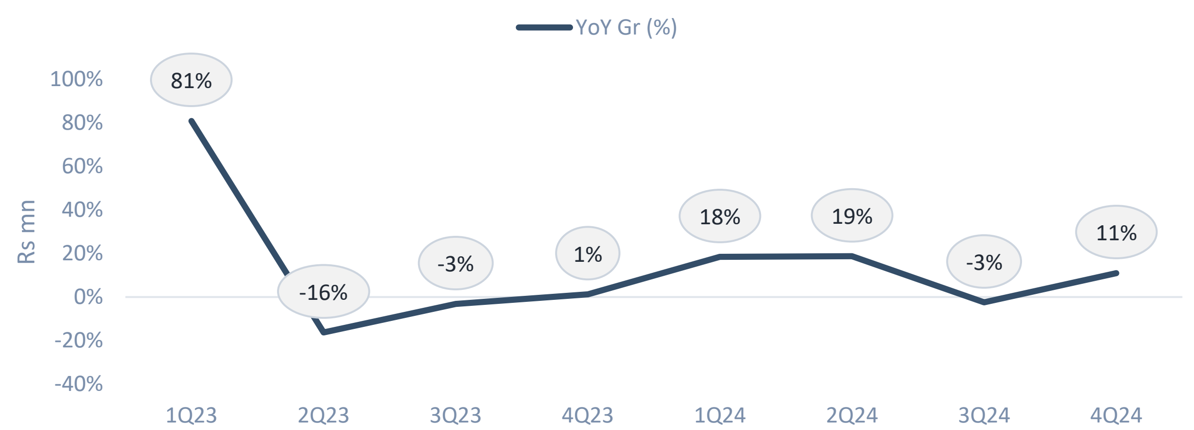
Revenue : Pre-covid revenue CAGR sustains at 11-12%



Growth driven by Cooling products' summer demand and Cable & Wire's (C&W) strong B2B demand from infrastructure and private capex

Stable RM prices and operating leverage maintained 4Q24 PAT growth despite higher advertising, R&D expenses, EPR provisioning, and competition in Fans and Kitchen appliances

PAT Growth: Higher revenue growth led to operating leverage and healthy PAT.

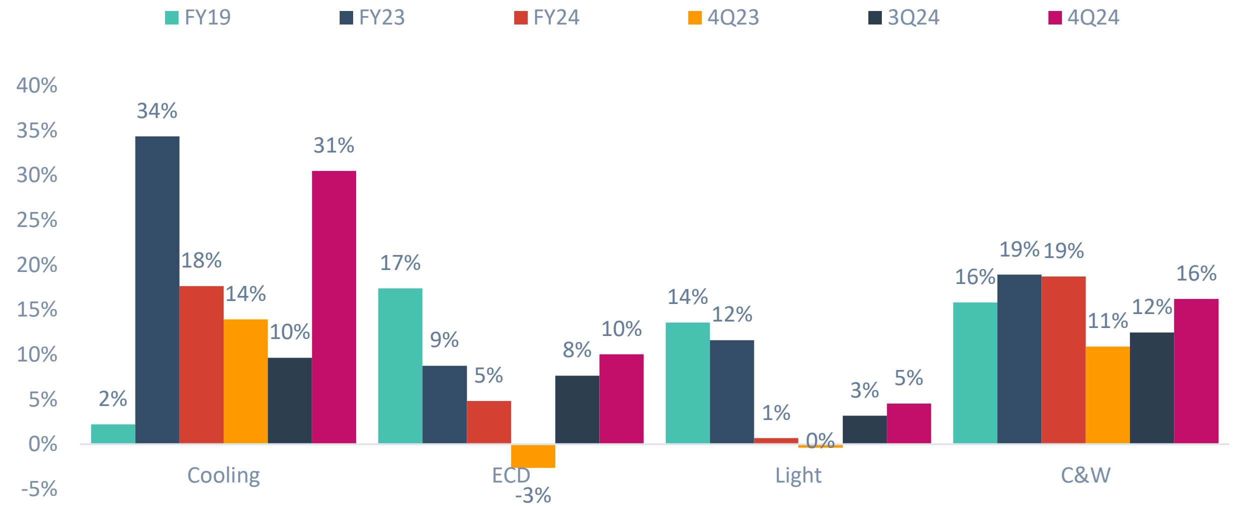


Based on a representative set of 17 Consumer durable companies

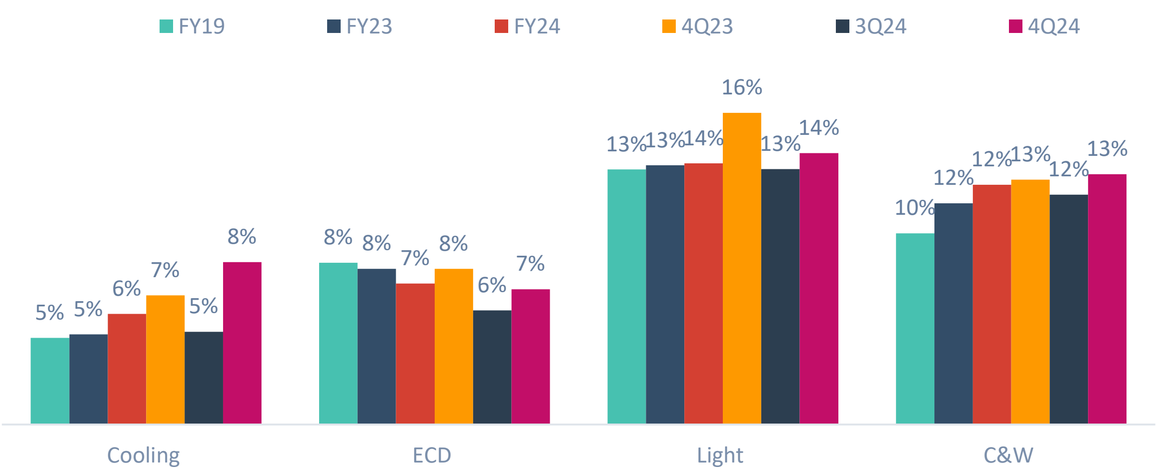
Consumer Durables: Cooling products grow strongly, C&W maintains momentum

Recovery in consumer demand and Fans industry stability boosted ECD revenue. Slower price erosion and higher growth in Lighting, and rising temperatures increased RAC sales, aiding cooling products growth.

Category revenue growth: Strong summer sales support cooling products growth, ECD witness revival



Category EBIT margin: Overall, margins sustain at last years' level, lighting margins are gradually recovering



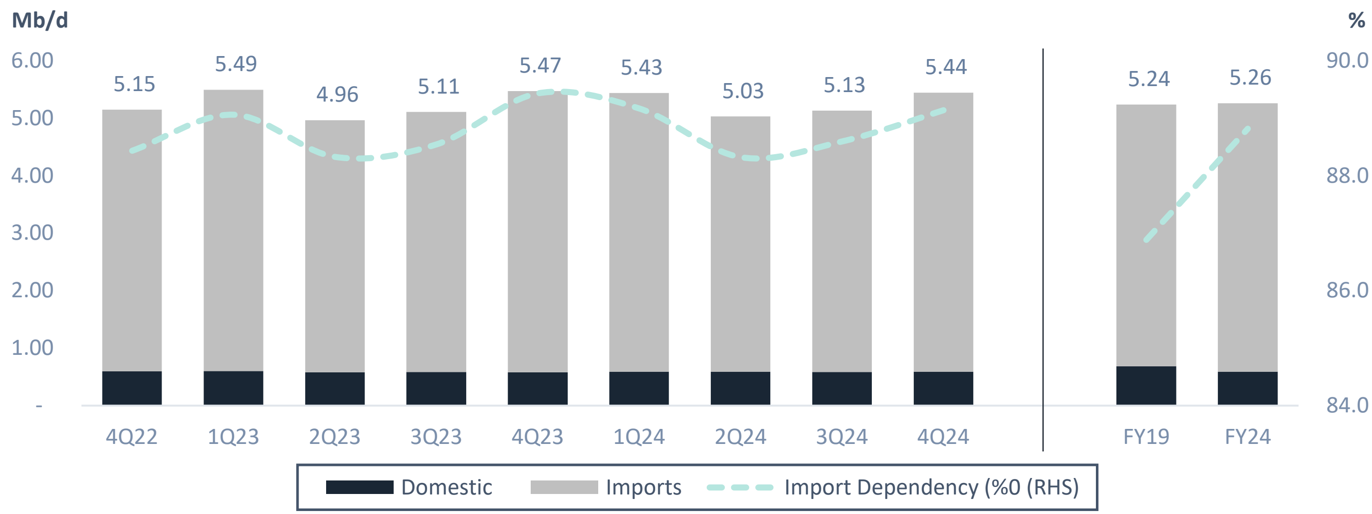
Margins in ECD and Lighting are below last year due to price erosion and higher ad spends. C&W margins are pressured by B2B growth. Cooling products help improve margins

Based on a representative set of 17 Consumer durable companies

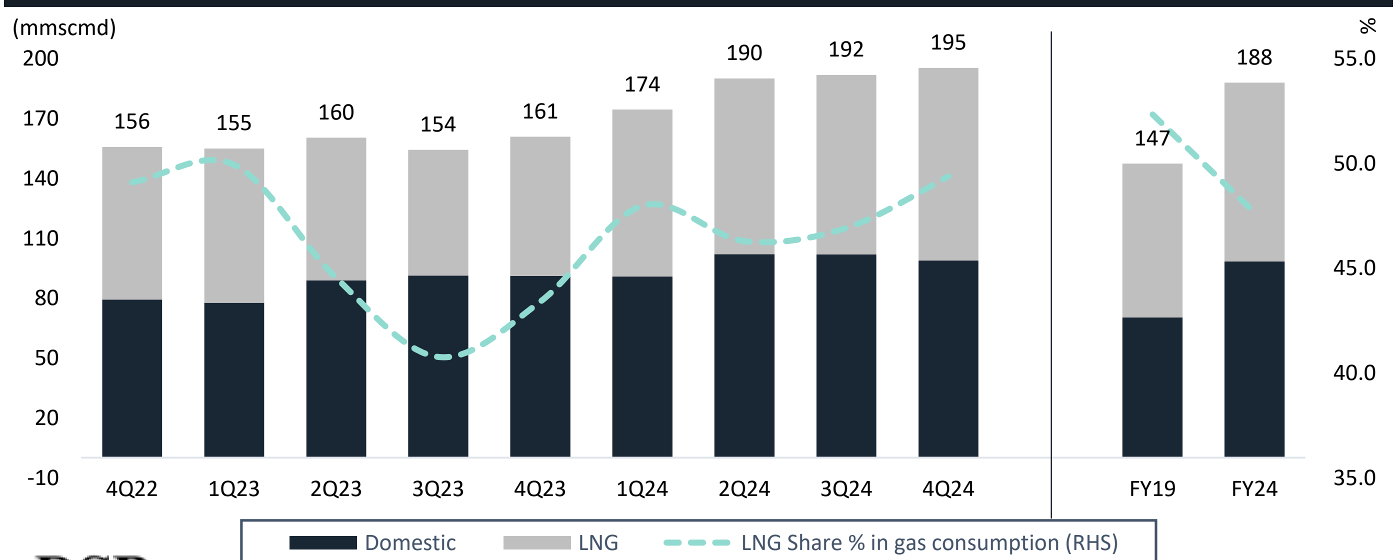
Energy: Gas consumption back on growth path

Import dependency of crude continues to be high, Russian discounted sourcing hovering at 30-35%

Oil consumption trends (mb/d)



Gas consumption trends (in mmscmd)



Overall gas consumption has grown at 5-yr CAGR of 5.0%, the dependence on imported LNG has started to increase QoQ due to cool-off in prices

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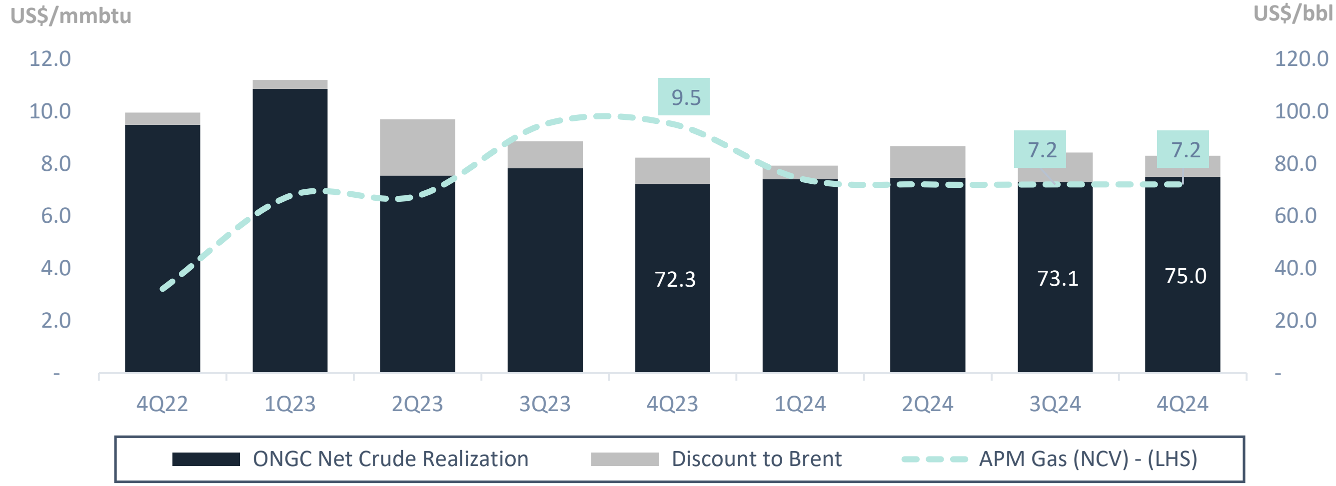
Energy: Domestic gas realisations stabilise, marketing margins strong in Q4

Oil and Gas realization trends

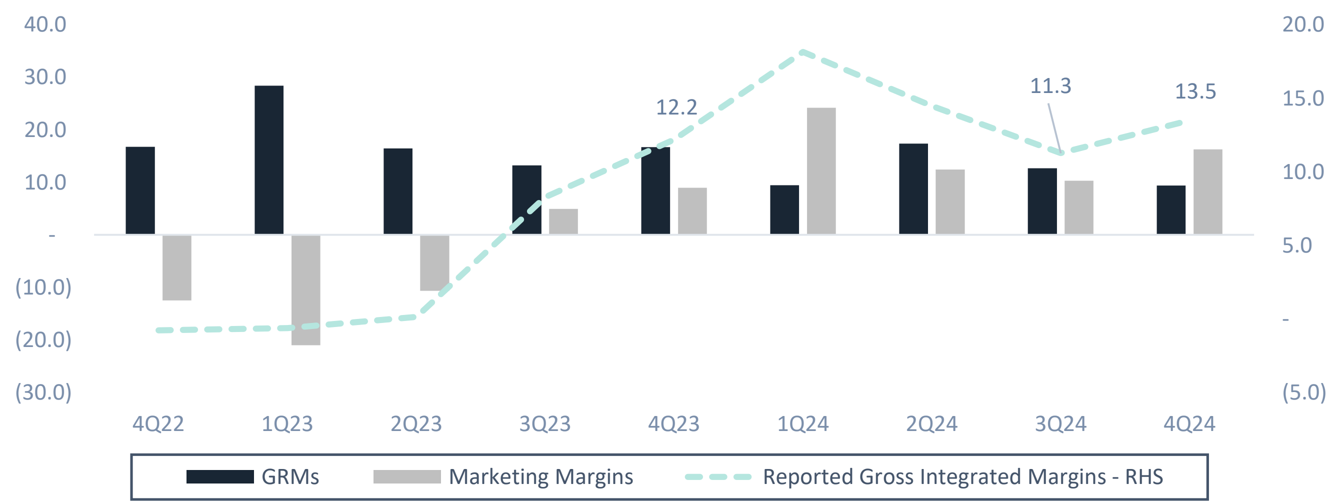


Note: Discount to Brent includes windfall levy from 2Q23.

Brent prices are at US$80-85/bbl levels, while APM Gas Prices are constant at US$7/mmbtu NCV post new gas pricing guidelines

Integrated Margins (Refining + marketing -US$/bbl), refining was softer due to lower Russian discounts & HPCL issues while marketing margins improved QoQ in Q4

Integrated marketing margins (US$/bbl) strong for Oil marketing companies



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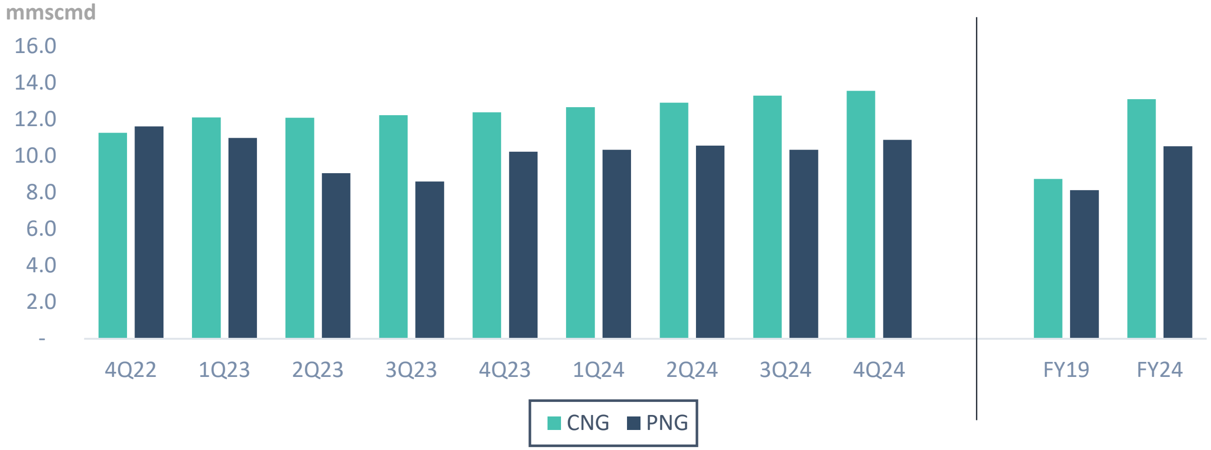
Gas Utility: CNG growth remained weak, lower gas prices support margins

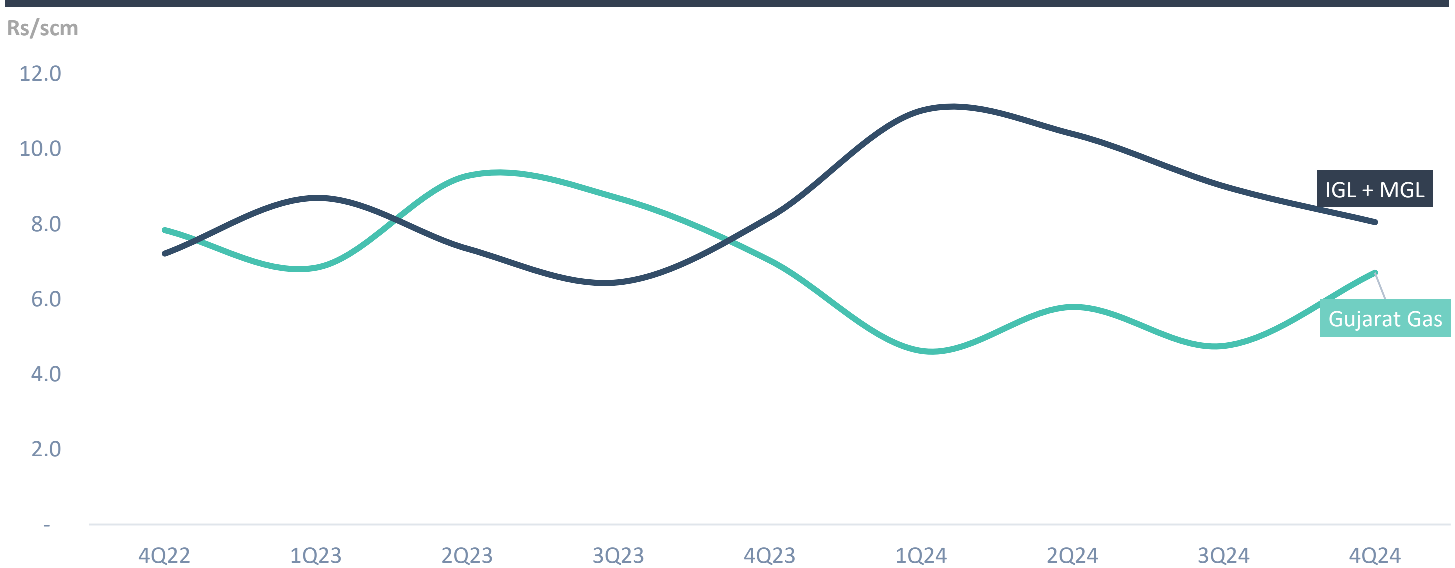
Volumes: CNG volumes improve steadily; supported by range-bound differentials



Key CGD utilities witnessed improvement in CNG sales volume growth in 4Q, margins were range-bound on lower LNG prices and lower APM allocation.

Industrial margins (represented by Gujarat Gas) improve on lower LNG, while priority margins (IGL+MGL) impacted by RSP cuts, lower APM allocation

EBITDA/scm: Industrials EBITDA/scm improve sequentially



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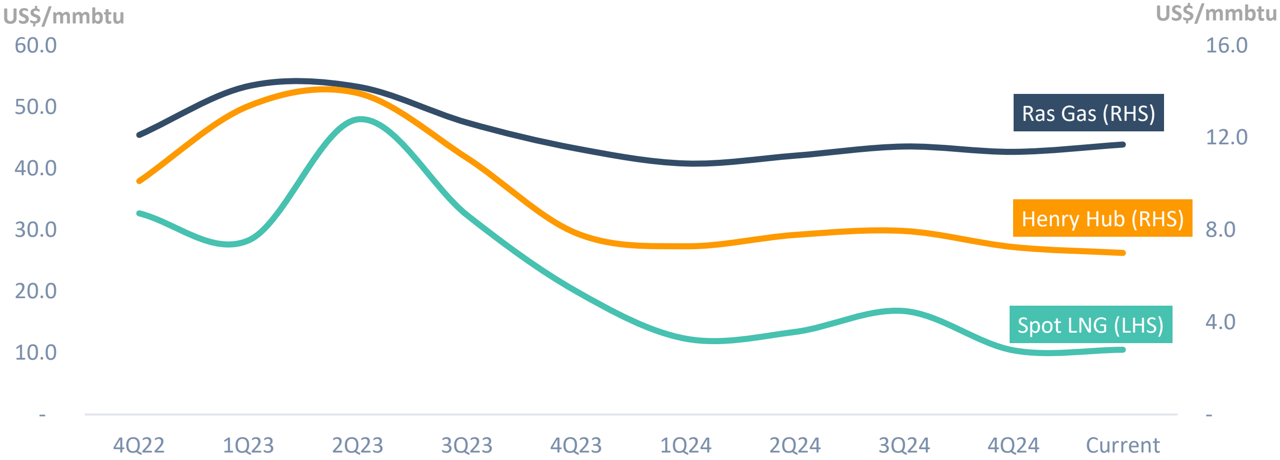
Gas Utility: CNG differentials range-bound, but still attractive enough

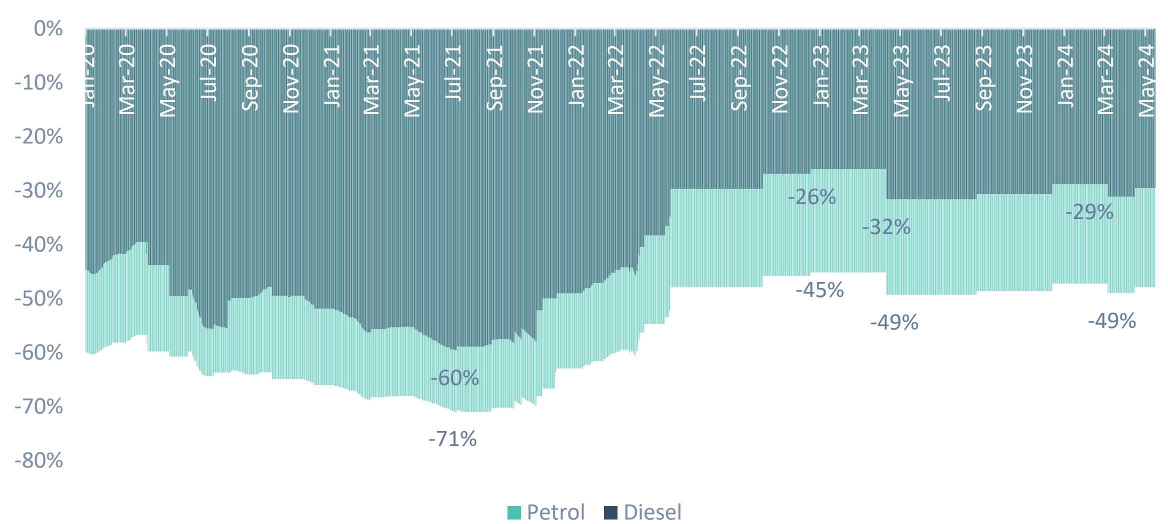
LNG prices flattish QoQ



The spot LNG prices have remained range-bound on oversupply in the market, curtailed Chinese demand, and potential seasonality

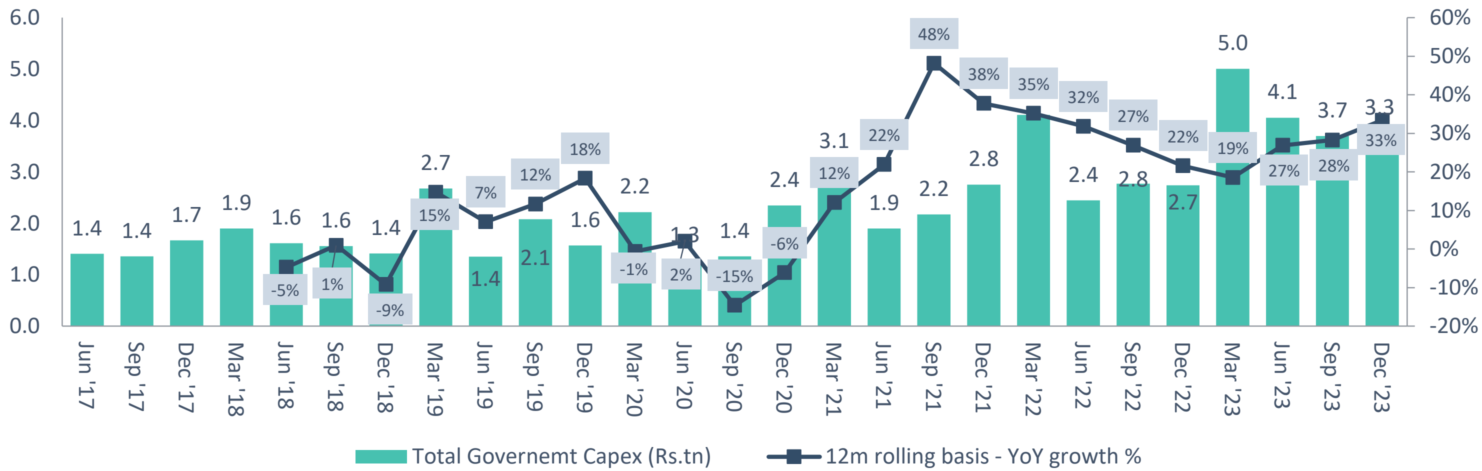
Differential of CNG prices vs petrol and diesel are largely stable, however economics remain favorable for decent volume growth

Volumes: CNG differentials steady



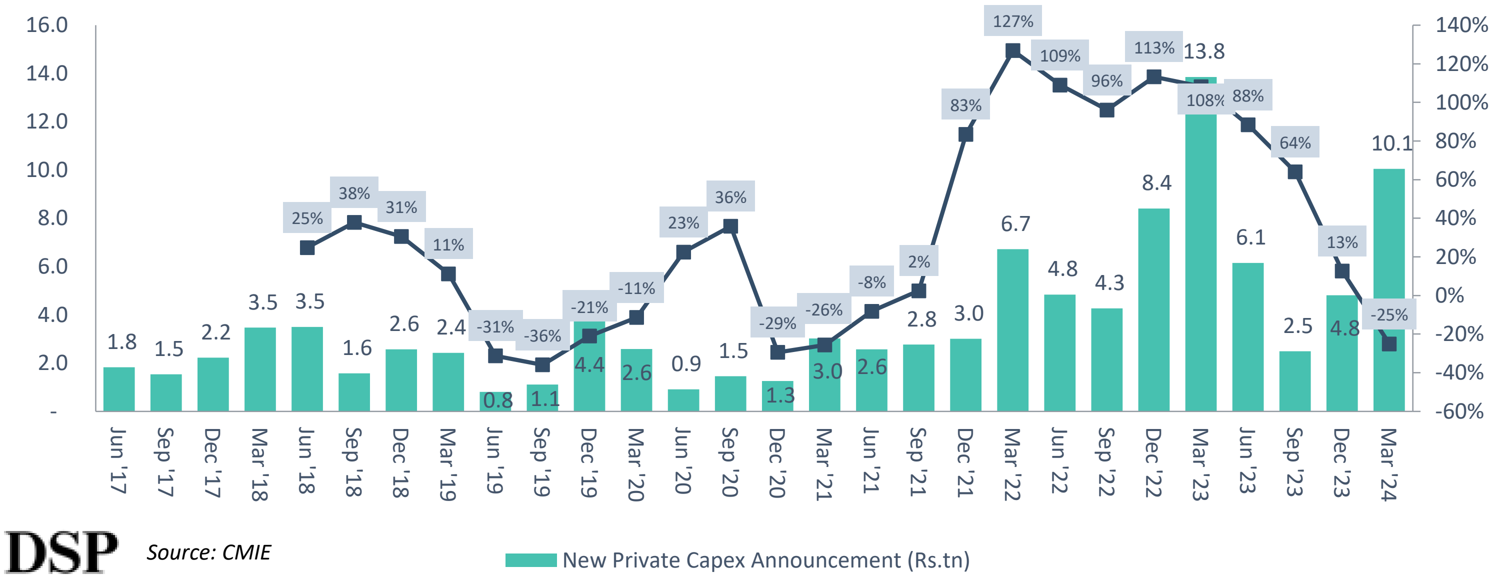
Industrials: Government Capex & New Private Capex Announcement Trend

Overall Government Capex Trend



Govt capex (Centre + state) has been on a steady rising trend over the past multiple quarters

New Private Capex Announcement Trend

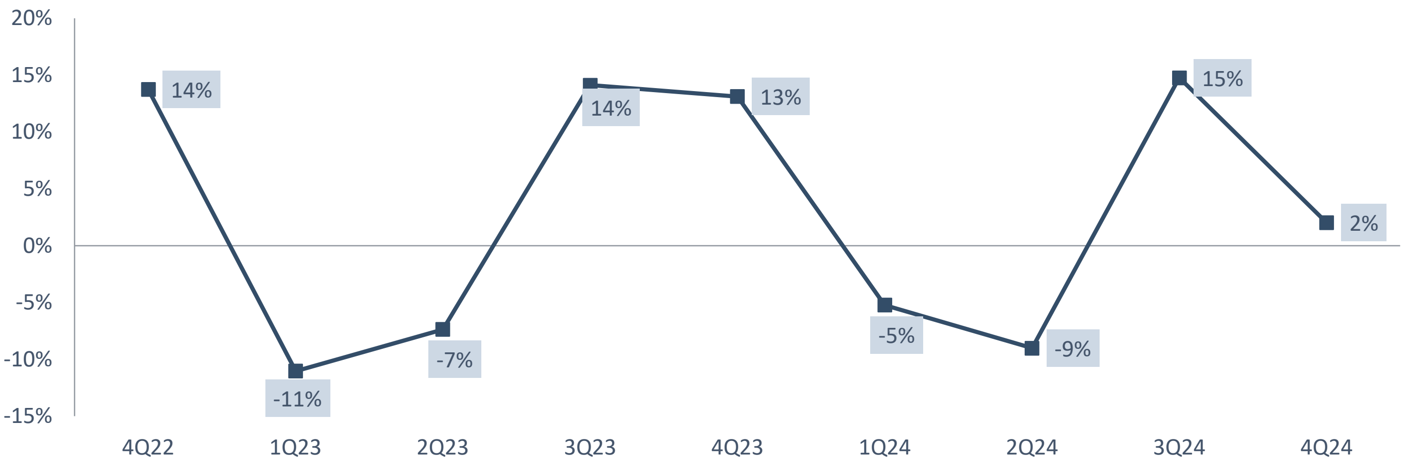


Private sector capex announcements have picked up significantly post Covid-19

Source: CMIE

Industrials - Major Companies Order Inflow and Order book

Capital Goods Sector - Major Companies Order Inflow Growth Trend

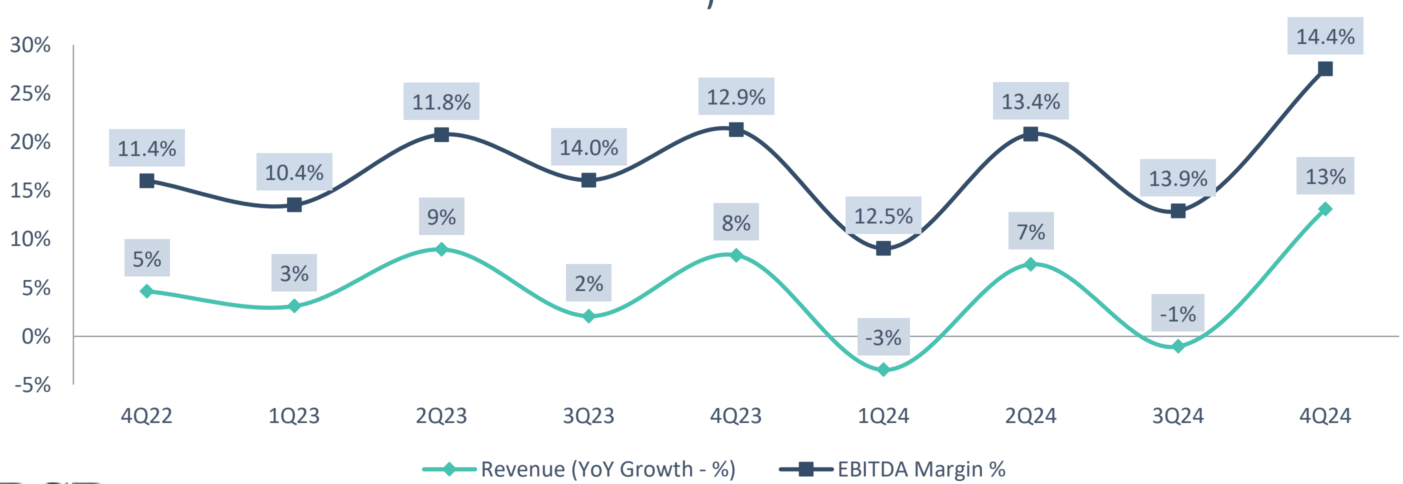


Order inflow momentum of leading capital goods companies has sustained in spite of a high base

Note: The above comprises of 6 companies cumulative performance

Capital Goods Sector - Major Companies Revenue & Growth Trend (Rs.bn

)



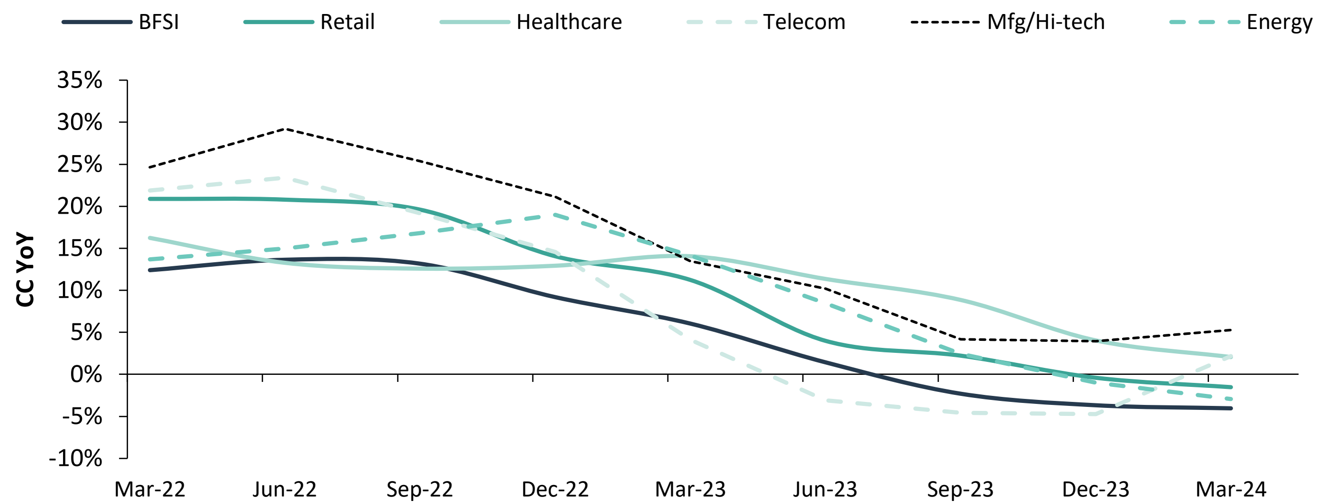
Revenue growth remains robust due to a strong order book and healthy inflows. EBITDA margins have expanded over many quarters thanks to healthy product pricing and strong operating leverage..

Source: Company Quarterly Results, Press release *Note: The above comprises of 14 companies cumulative performance*

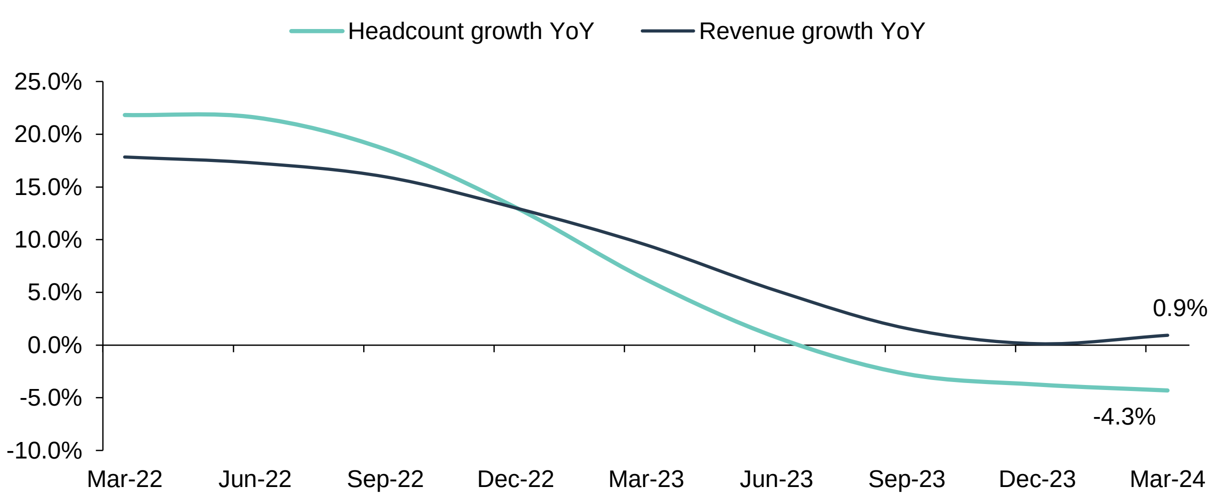
IT: Broad-based slow down

Indian IT reported muted growth qoq, driven by weak discretionary spending in both North America and Europe. Cancellations, delays and reprioritization continue to impact discretionary spending.

Slowdown across key verticals



Headcount continues to decline



Indian IT reported highest head count decline in 4Q24

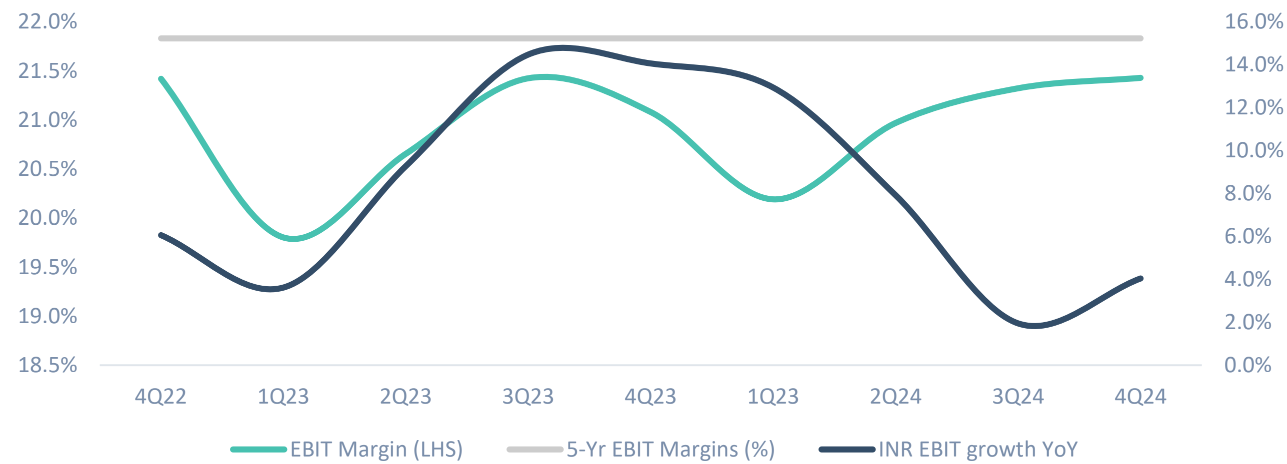
Note: Data for tier-1 IT

Based on key verticals reported by top-5 companies

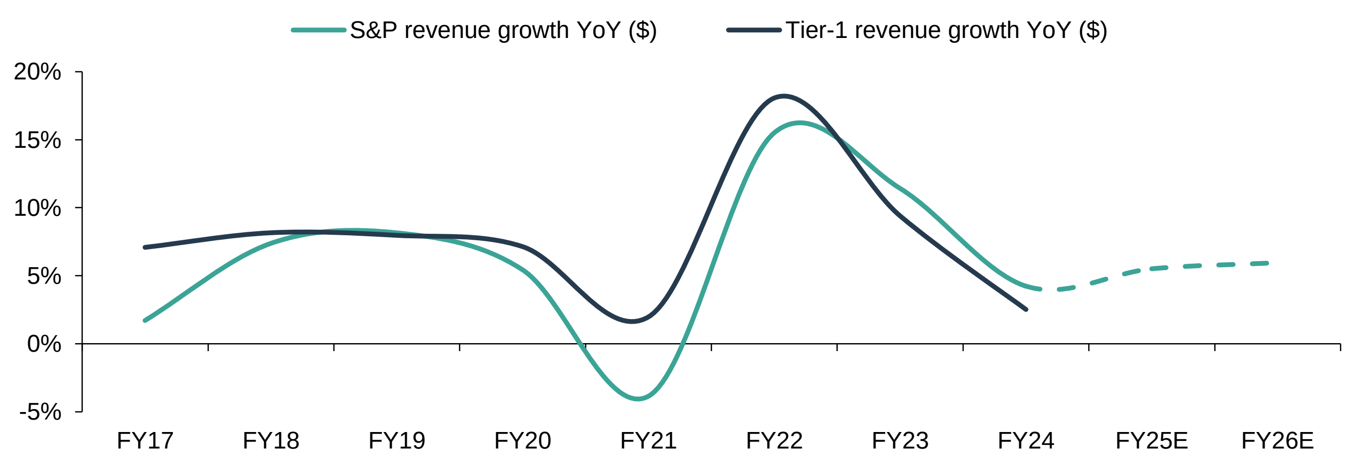
IT: Headcount turns negative sequentially

Cost management has received elevated focus, driving margin expansion and cushioning earnings against revenue headwinds

EBIT margins normalising



IT revenues correlated to S&P 500

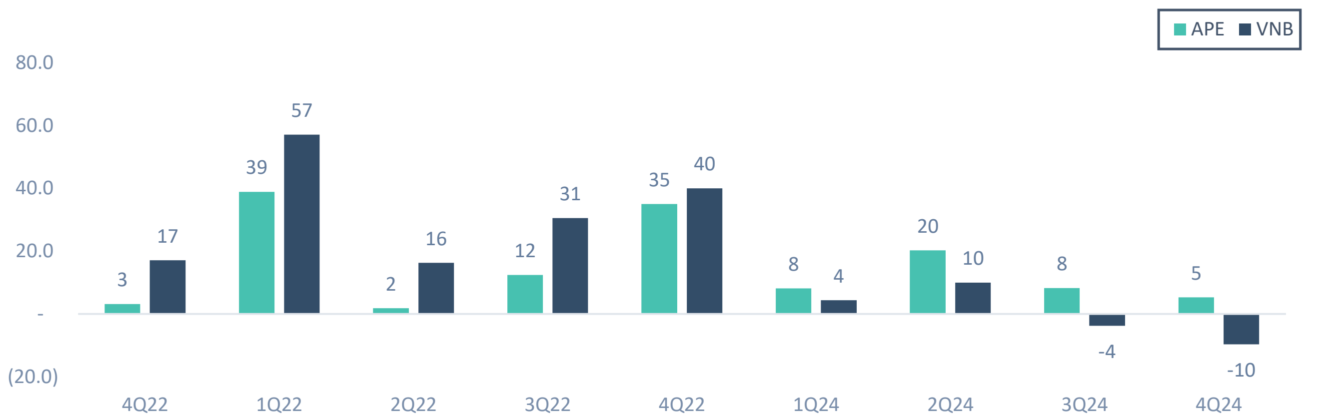


Note: Data for tier-1 IT

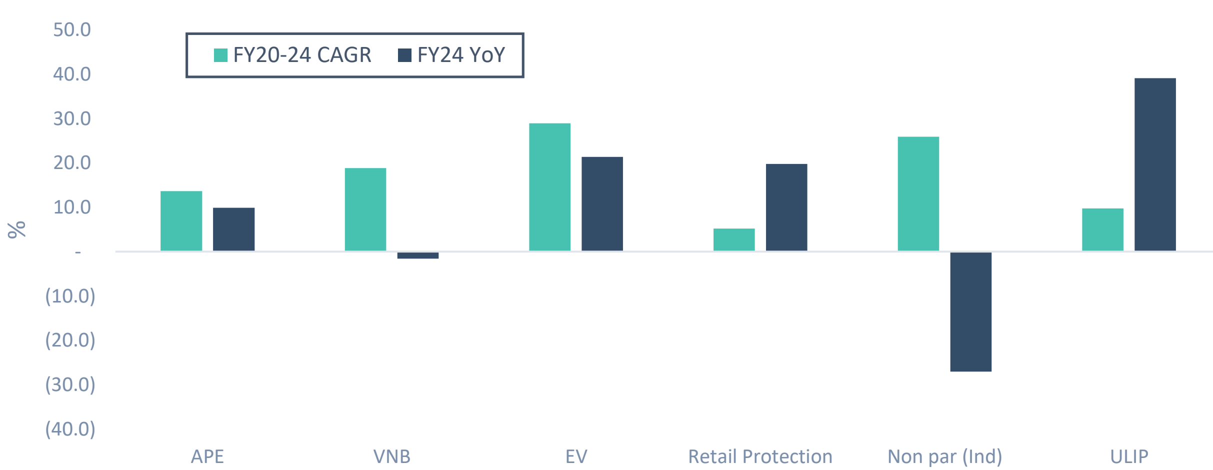
Life Insurance: Growth Moderates on high base

FY24/4QFY24 growth impacted by high base due to March-23 par and non-par product sales post budget announcement

YoY (%) APE and VNB growth



Key parameters – 4 yr CAGRs (%)



Product mix skewed towards ULIP on the back of vibrant equity markets, leading to normalization of margins

Based on IPRU Life, SBI Life, Max and HDFC Life.

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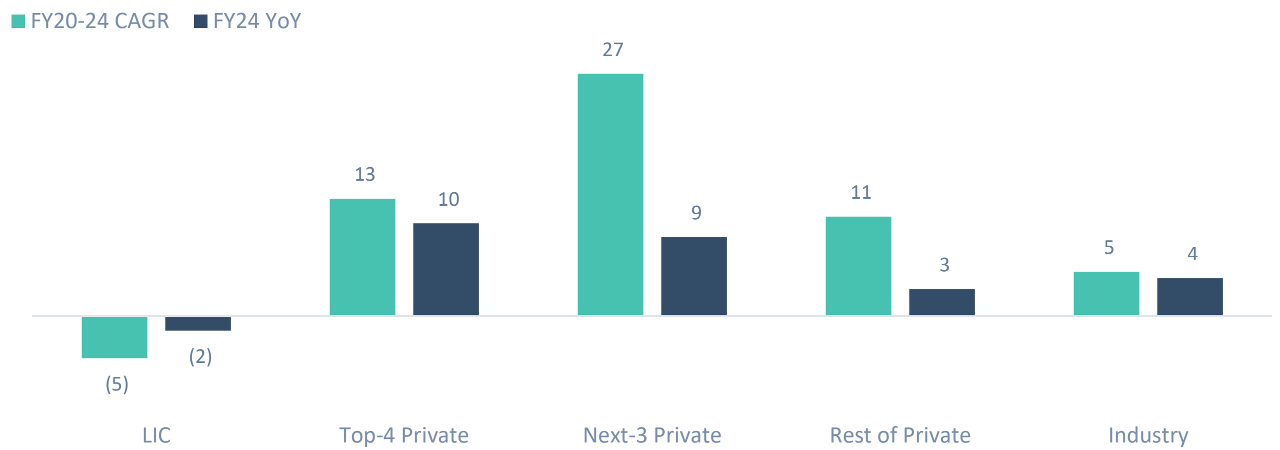
APE : Annualised premium equivalent, VNB: Value of new business, EV: Embedded value

**The sector(s)/stock(s)/issuer(s) mentioned in this presentation do not constitute any research report/recommendation of the same and may or may not have any future position in these sector(s)/stock(s)/issuer(s).*

Life Insurance: Implied expectations are low

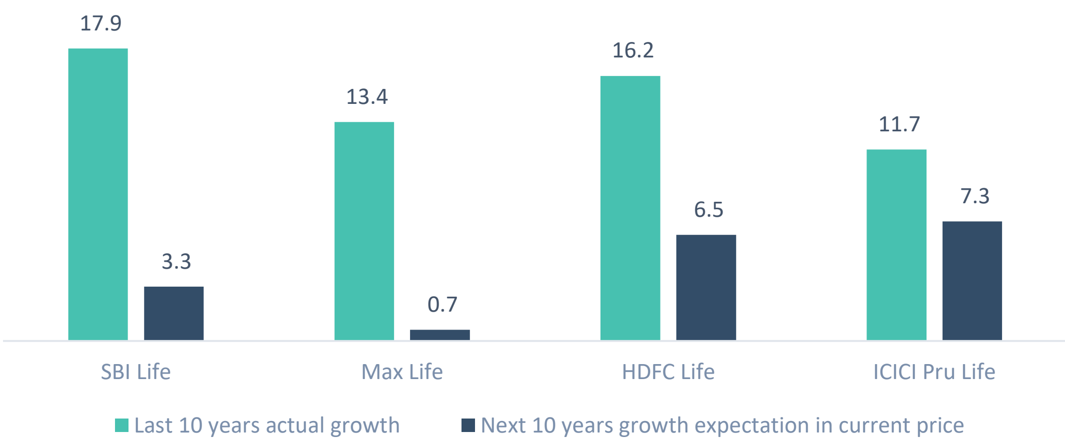
Industry growth has been largely driven by top-7 private life insurance companies, with top-4 players taking a slight lead in FY24

APE Growth print by players



Note: Top-4 private players include SBI Life, HDFC Life, ICICI Pru Life and Max Life. Next-3 private players include Tata AIA, BALIC and ABSL Life.

Implied APE growth expectation (%) *



Current prices factor in lower growth than demonstrated historically (ex. HDFC Life)

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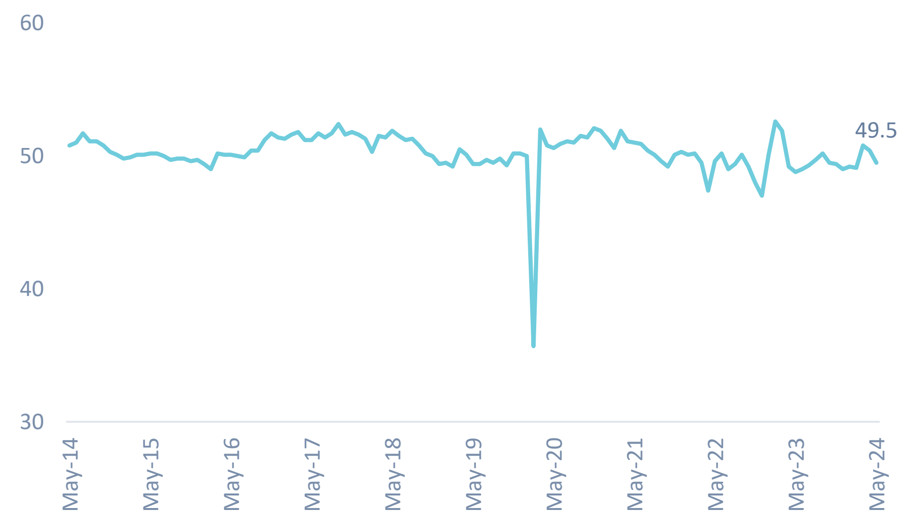
*Implied 10- year growth expected based on price May 16,2024 assuming current VNB margin and 6% terminal growth rate

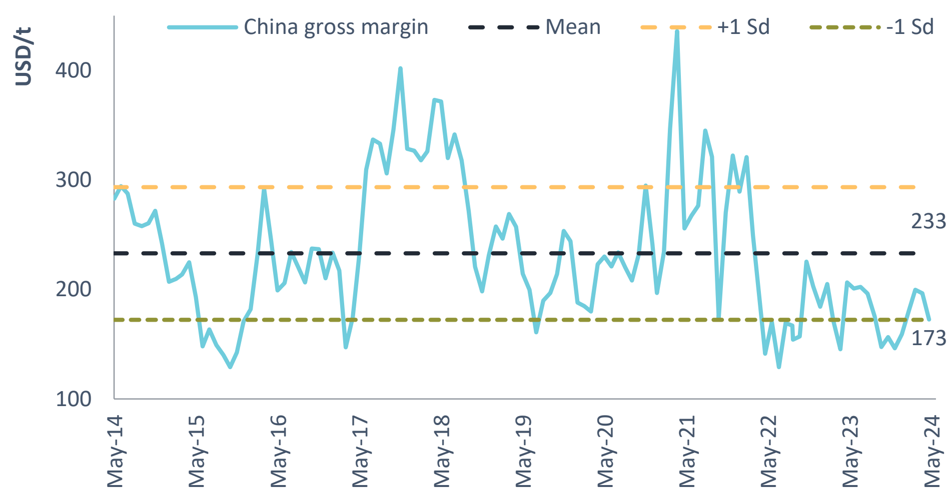
Steel: China gross spreads at 10 yr lows, India at 10 yr averages

China PMI slumped again in May-24 post showing expansion in Mar-24

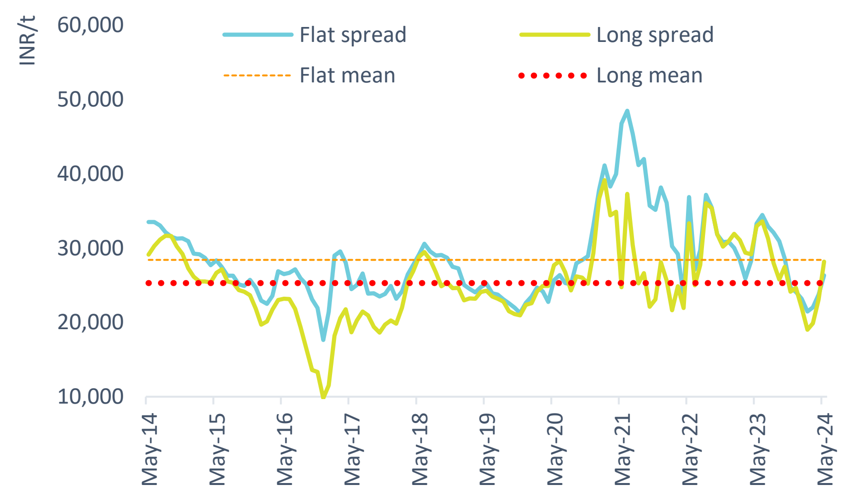


China post entering an expansion mode in Mar-24, PMI fell in May-24 (two month low) implying continuous slow down in demand

Margins stays lower than 10years avg of USD233/t



India spreads at 10 yr averages



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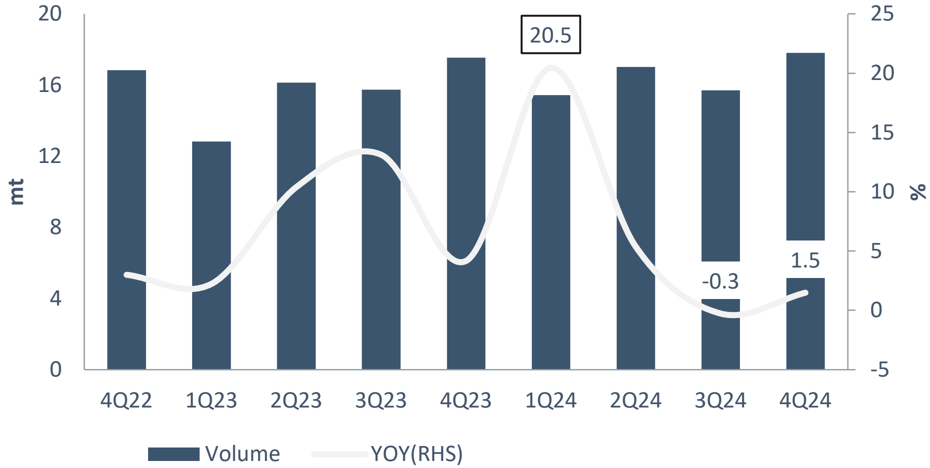
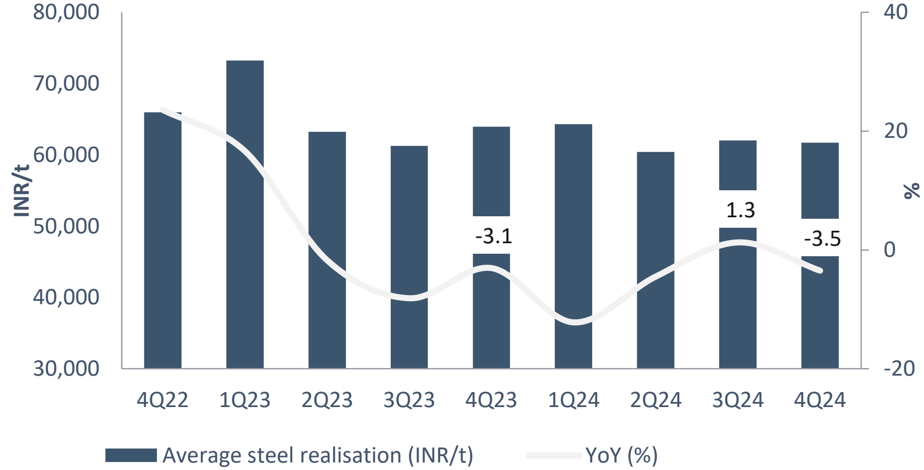
Steel: Leverage remains range bound despite high capex

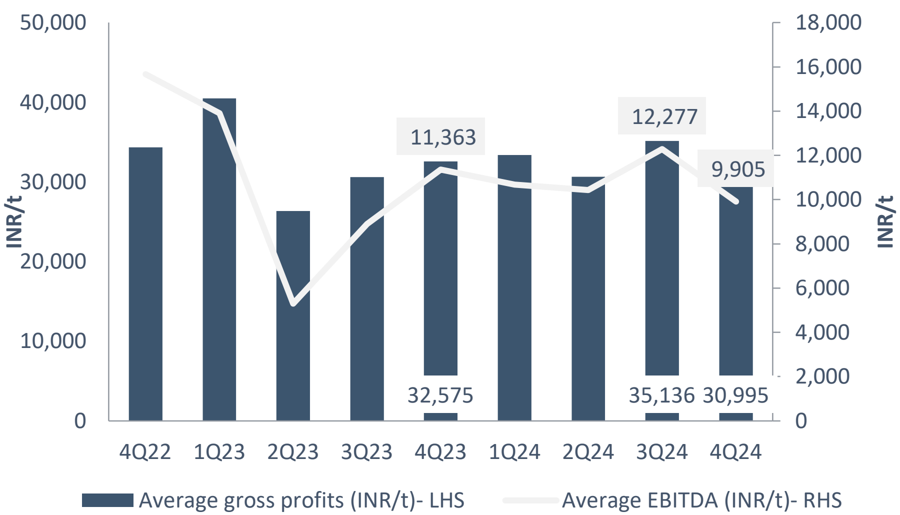
4Q24 reported a marginal uptick in volume YoY



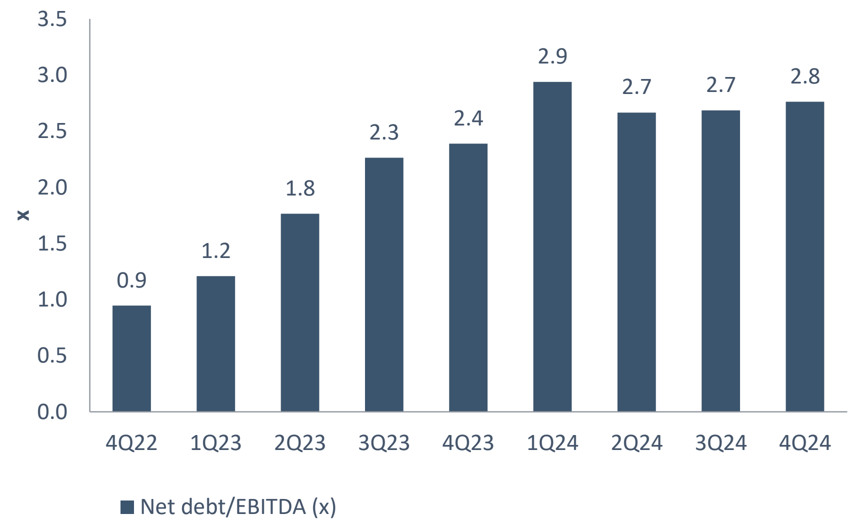
Realization range-bound in last seven quarters; above 60k/t



Profitability dips QoQ amid low steel prices and high cost



Net debt/EBITDA remains range-bound despite high capex

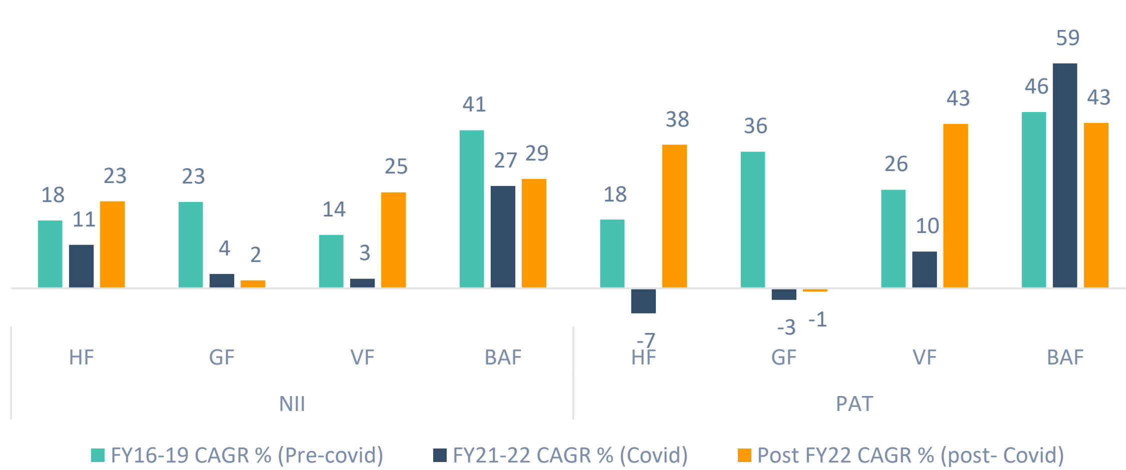


Based on a representative set of 4 steel companies

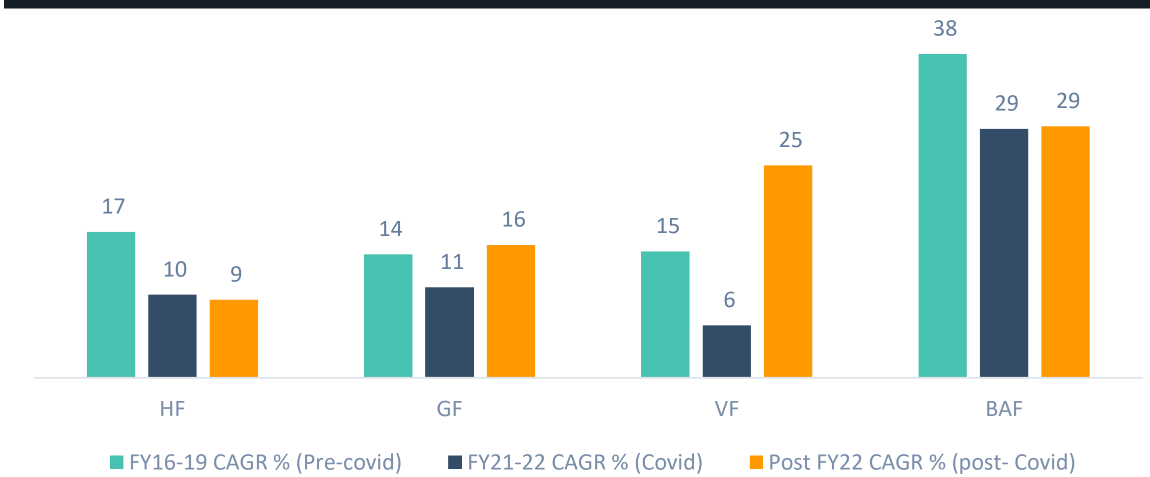
NBFC: Steady operating performance

Cost of funds have largely peaked out for most NBFCs. Expect steady margins in 1H of FY25, followed by some inch-up in 2H with rate cuts.

Net Interest Income /PAT trajectory



Asset under management



Healthy outlook for affordable housing and Gold financiers, VF could remain strong amidst capex.

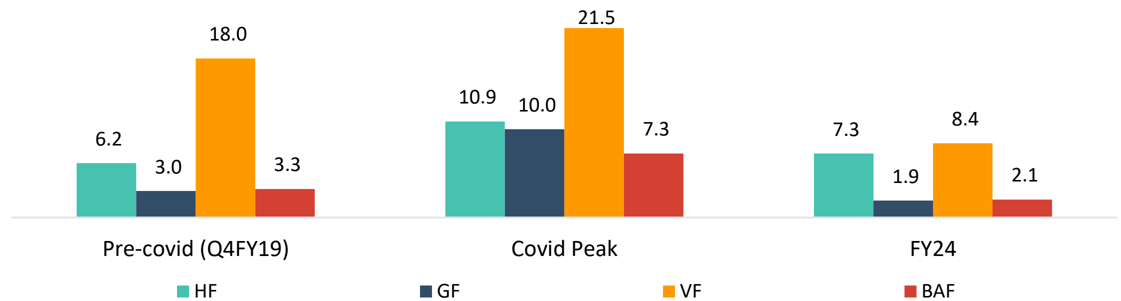
Representative set of 15 NBFCs, HFs: Housing finance companies, VF Vehicle Finance, GF: Gold Finance and BAF Bajaj Finance

HDFC Ltd figures have been excluded for like-to-like comparison

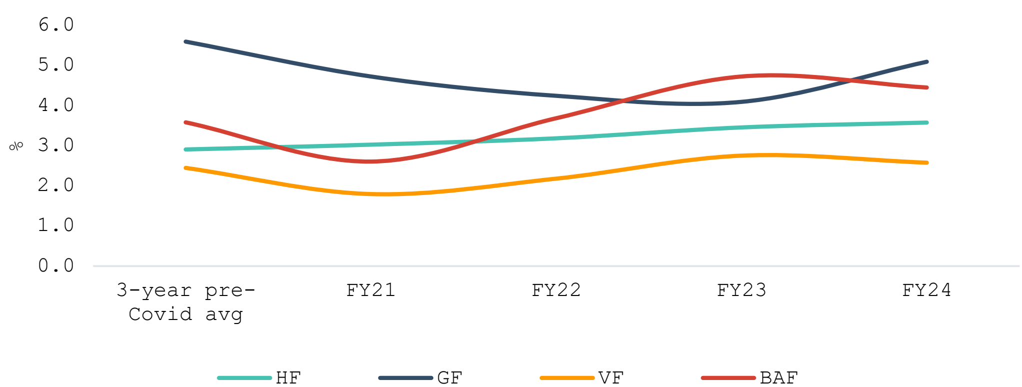
NBFC: ROA improve for most segments

Overall stress levels (Stage 3 + Stage 2) as% of total assets stand lowest since Ind-AS conversion.

Total stress



Return on Assets



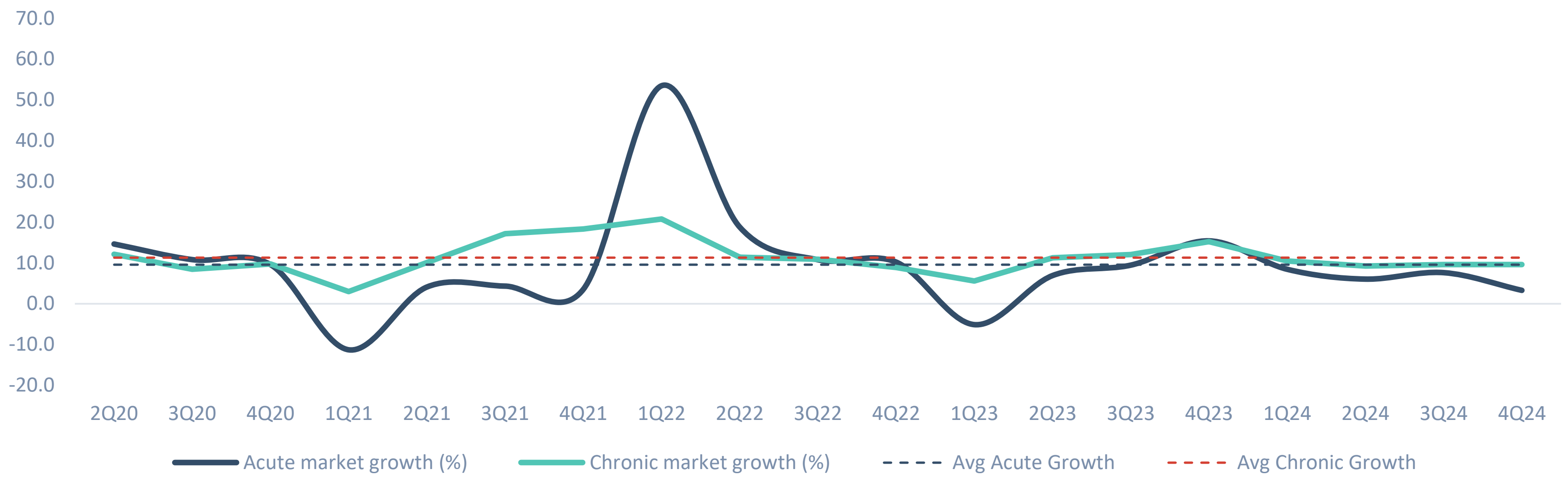
RoAs to move up going ahead as margin uptick, benign credit cost and operating leverage kick-in over FY25-FY26

Representative set of 15 NBFCs, HFs: Housing finance companies, VF Vehicle Finance, GF: Gold Finance and BAF Bajaj Finance

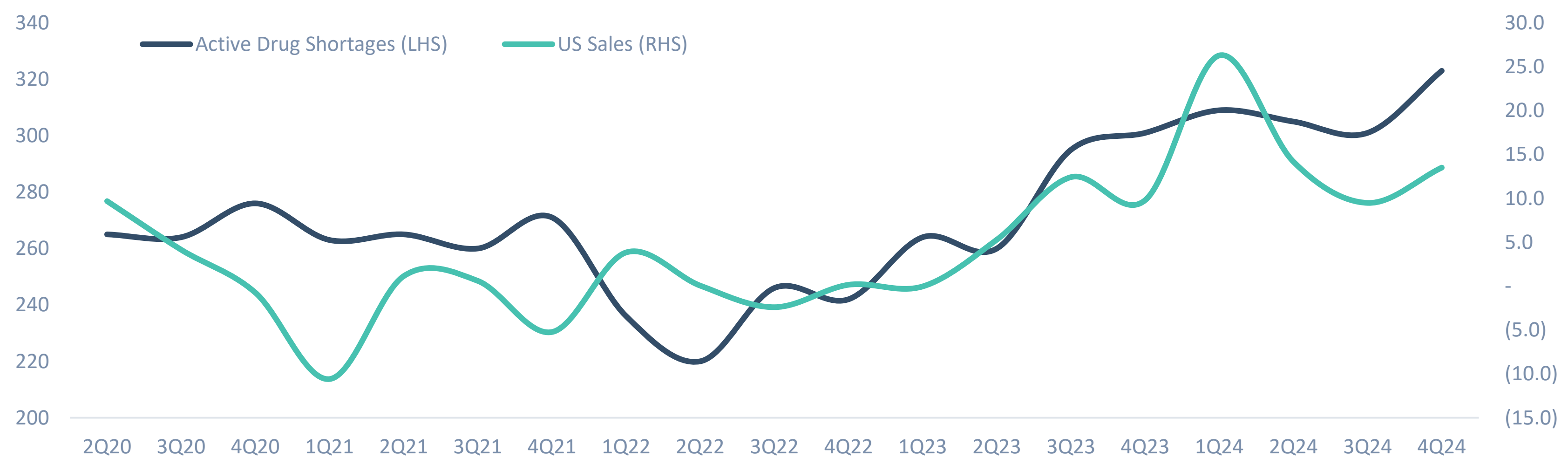
HDFC Ltd figures have been excluded for like-to-like comparison

Pharma: Domestic market impacted by acute therapy

Domestic pharma Market : Slowdown in acute therapy impacts market growth

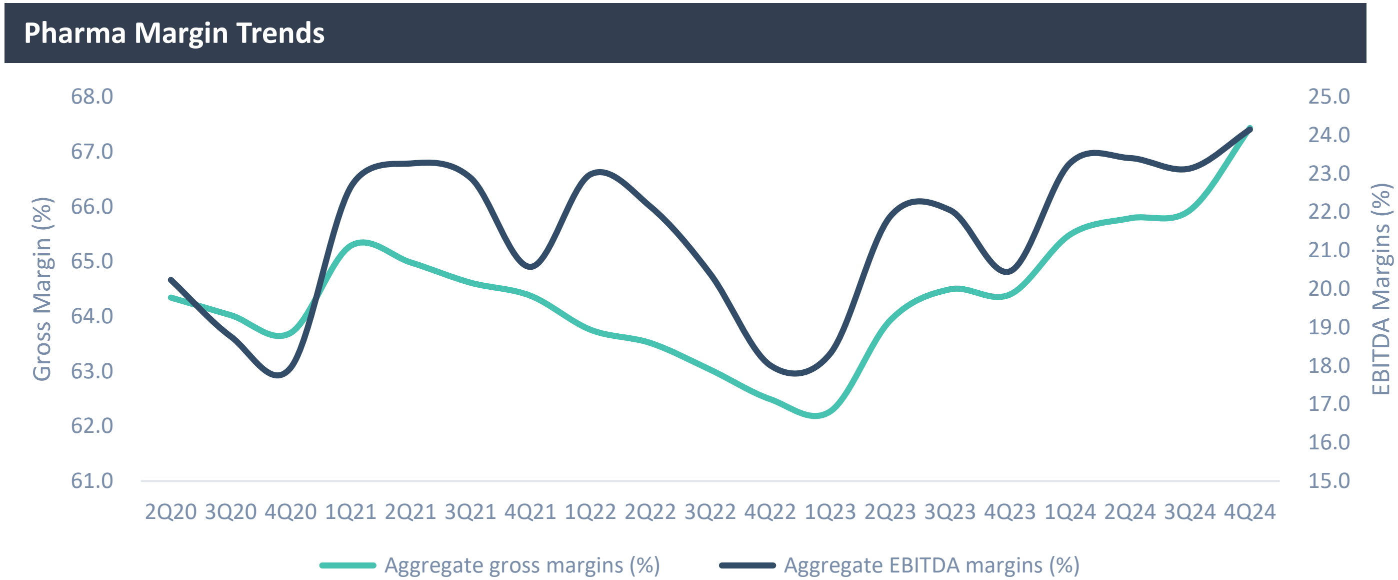


US Generics Growth: Reviving on new product launches and better pricing due to drug Shortages



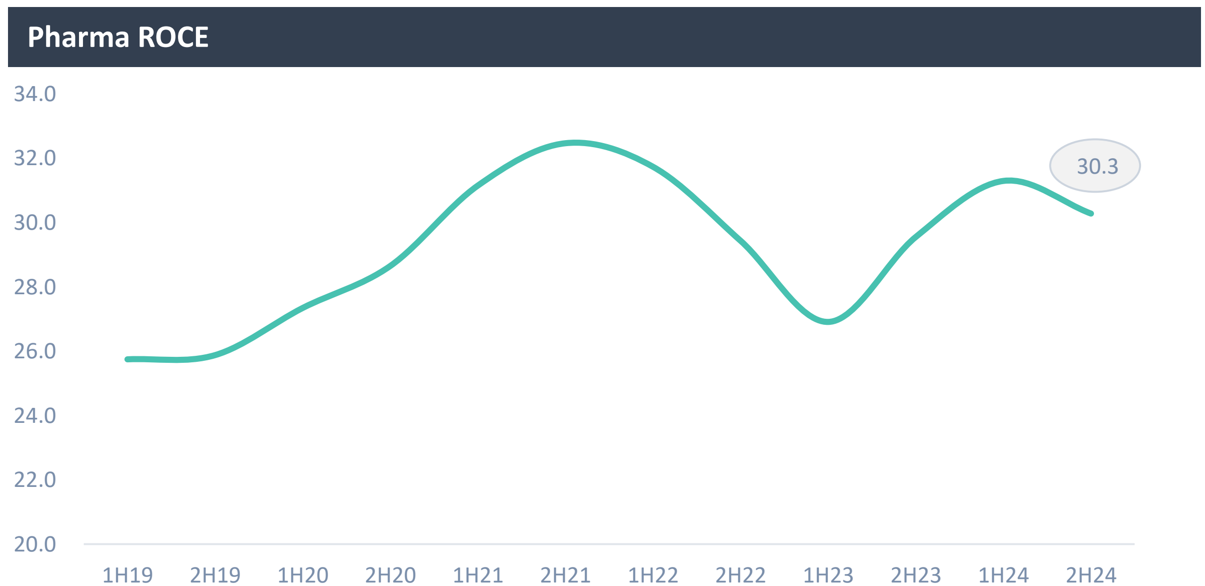
Based on a representative set of 18 pharma companies

Pharma: Margins and ROCE remain healthy



Softening of RM prices and US exclusivities is driving margins of Indian Pharma companies

Better asset sweeting and overall improvement in margins to drive pre-tax RoCE to above 30%



Based on a representative set of 18 pharma companies

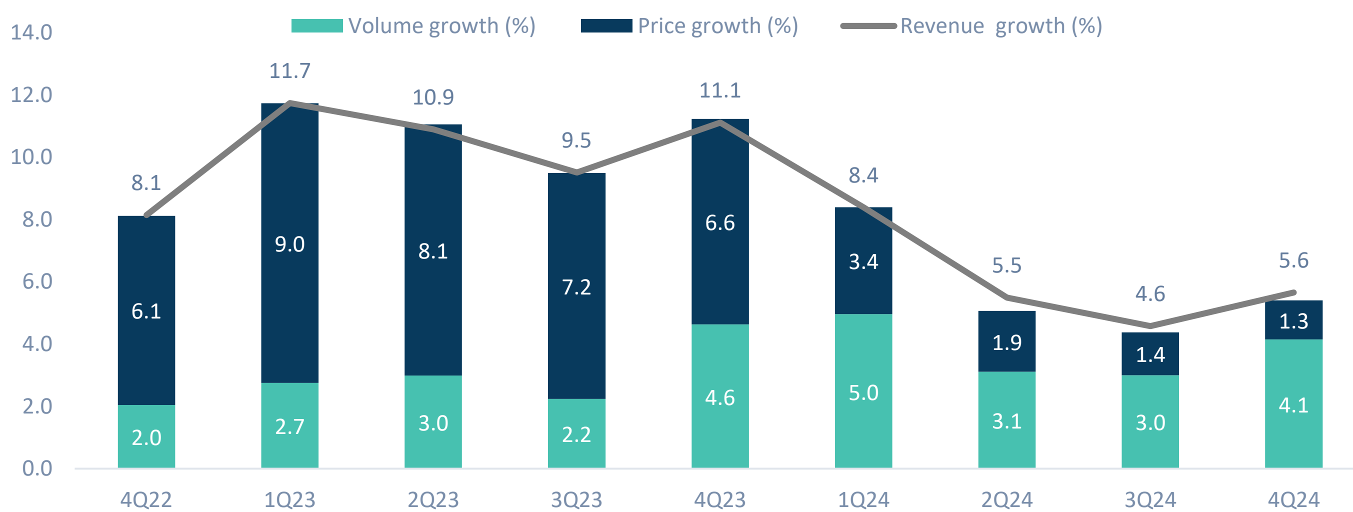
Consumer Staples: Volume uptick likely

Rural CPI vs Volume growth – Negative Correlation

Historically rural CPI and volume growth are negatively correlated with moderating CPI should be positive for volume growth for FMCG companies

Marginal uptick in volumes for FMCG companies in 4Q

Volume growth infecting?

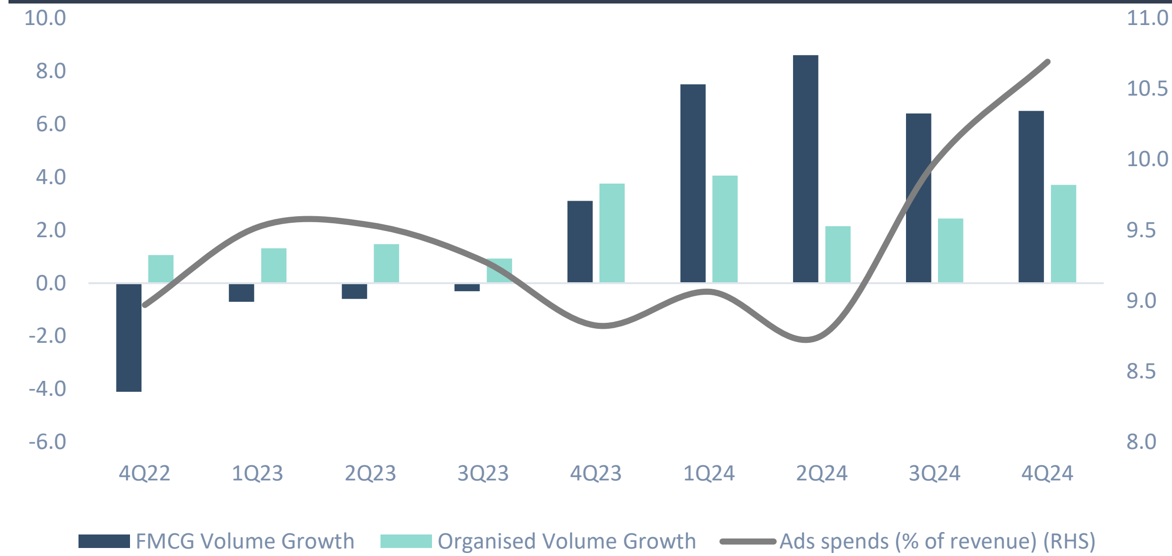


Based on a representative set of 11 consumer companies

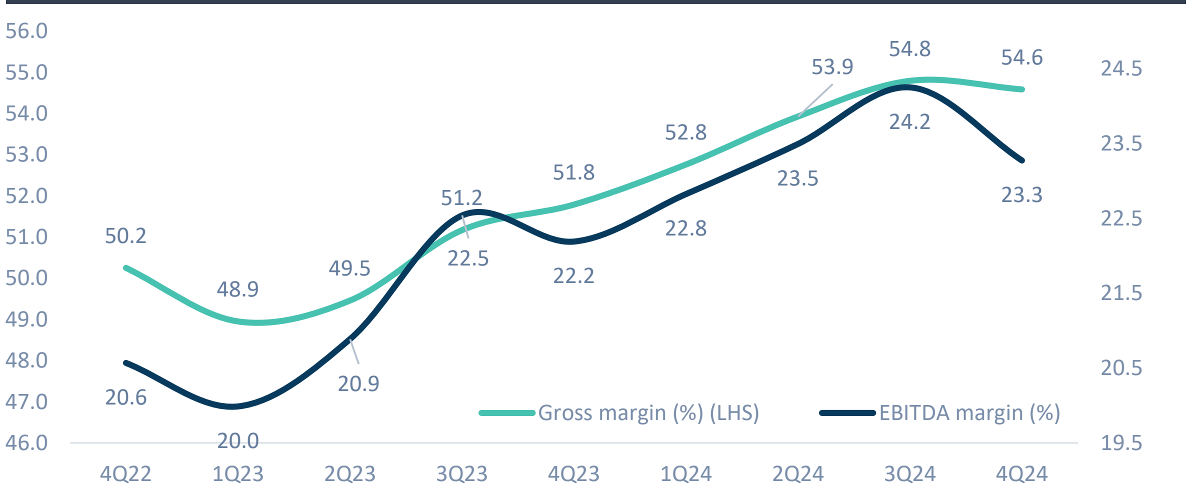
Consumer Staples: A&P spends are inflecting

As organized players trail the overall FMCG volume growth, the advertisement spends are accelerating

Rising A&P spends



Gross Margins are inflecting



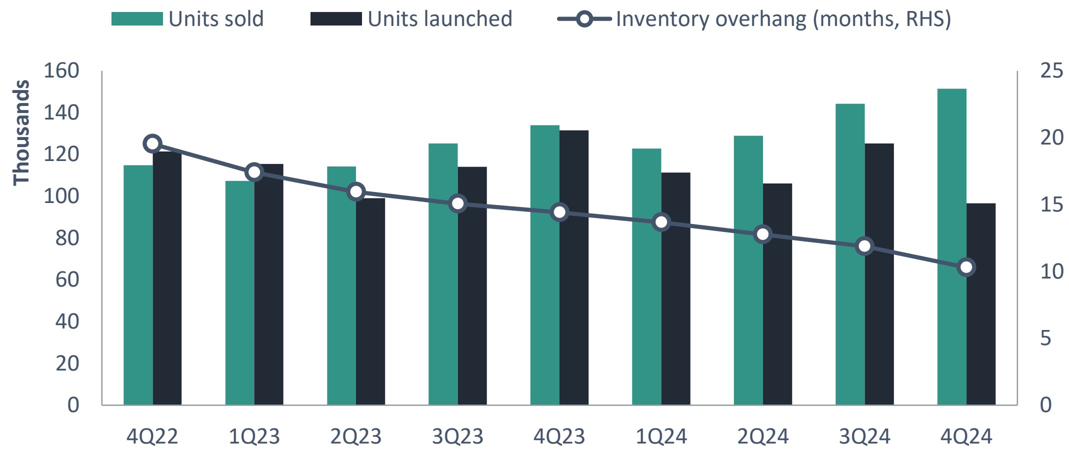
Margins tailwinds would be redirected to higher advertisement spends

Based on a representative set of 11 consumer companies

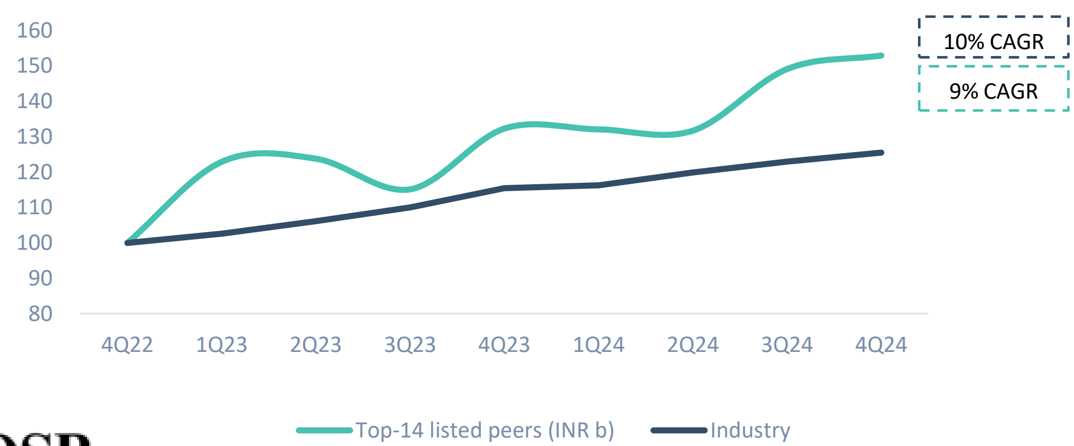
Real Estate: Strong momentum in both demand in pricing

Absorption across top-8 cities increased by 13% to ~150,000 units in 4QFY24 while supply dropped to ~100,000 units leading to further decline in inventory overhang to 10 months

Top-8 cities reported 15% growth in volumes in FY24



Realizations have increased at a CAGR 10% over last three years



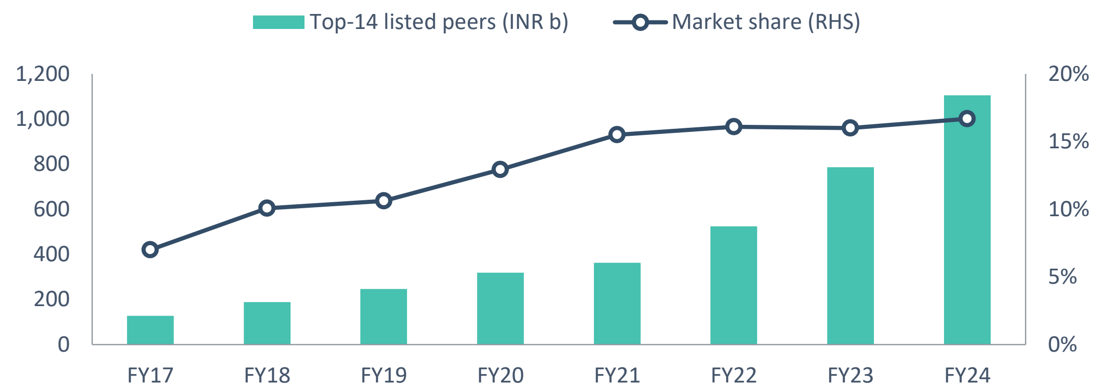
Realization continue to inch-up across listed peers and industry driven by like for like increase as well premiumization. Top-14 listed peers reported 16% YoY increase in realization in 4QFY24

Source: Propequity, company data

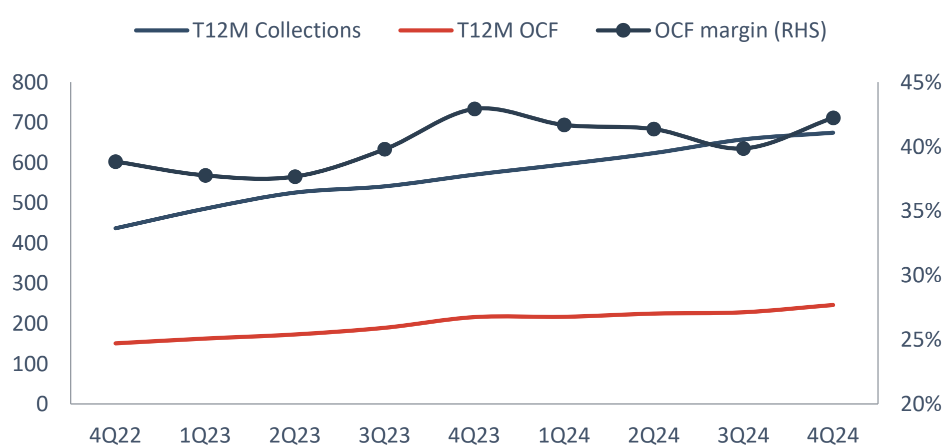
Real Estate: Listed players gaining market share, cash flow trajectory on rise

Market share of top-14 listed players increased by 100bps to 17% in FY24 with cumulative sales surpassing INR1tn

Market share of top-14 listed peers increased to 17%



Collections, cash flows and margins on a rising trend

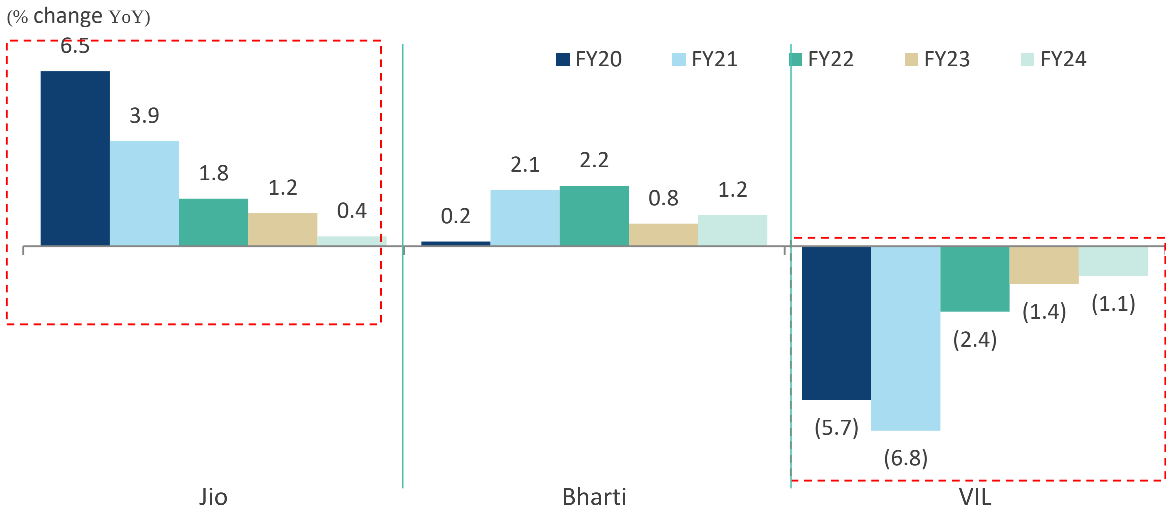


T12m collections for listed peers were up 18% YoY in 4QFY24. OCF margins dipped 100bps YoY in 4QFY24 but has remained above 40% since last 5 quarters

Source: Propequity, company data

Telecom: A&P spends are inflecting

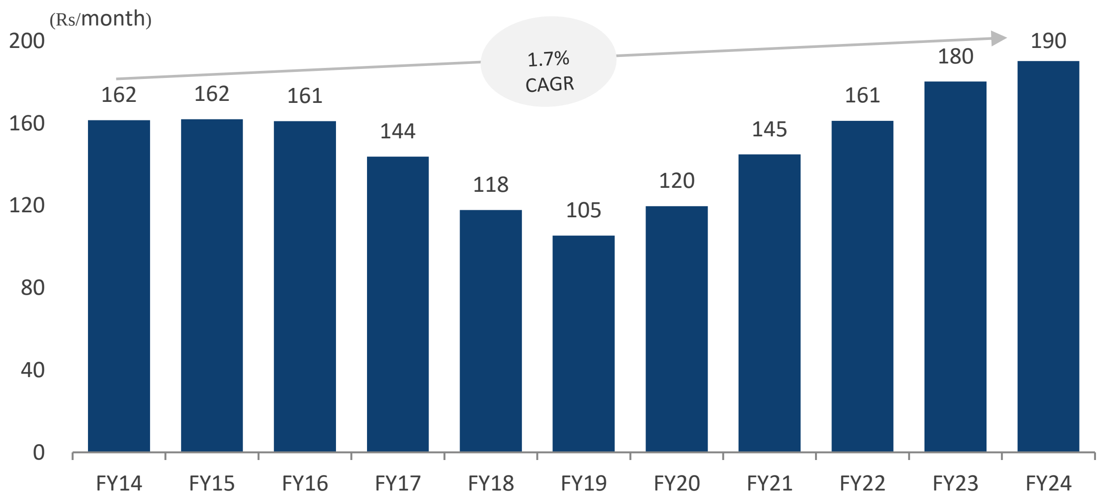
Revenue share changes



Moderating market share shifts to drive focus on market growth for which companies ideally will have to increase the tariffs.

Sector ARPUs have headroom to grow

Sector ARPU on active subs



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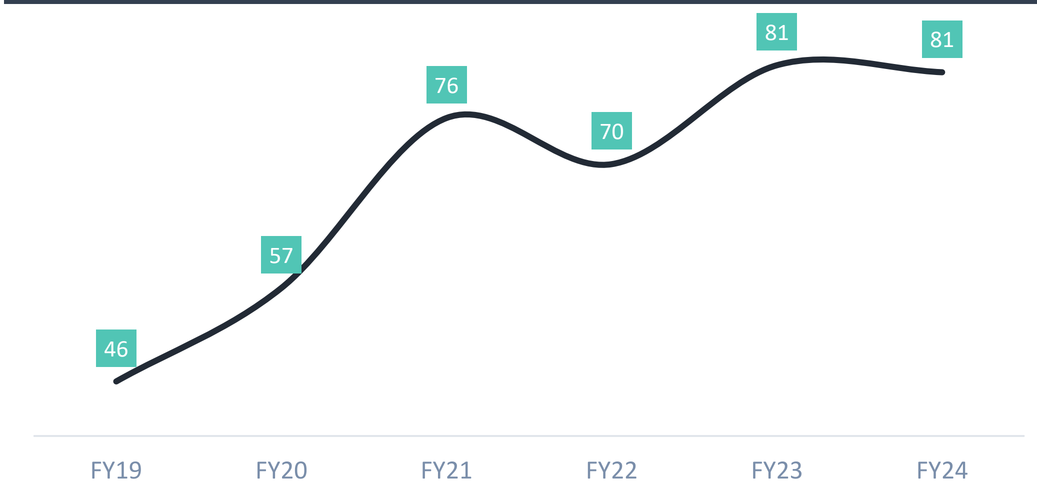
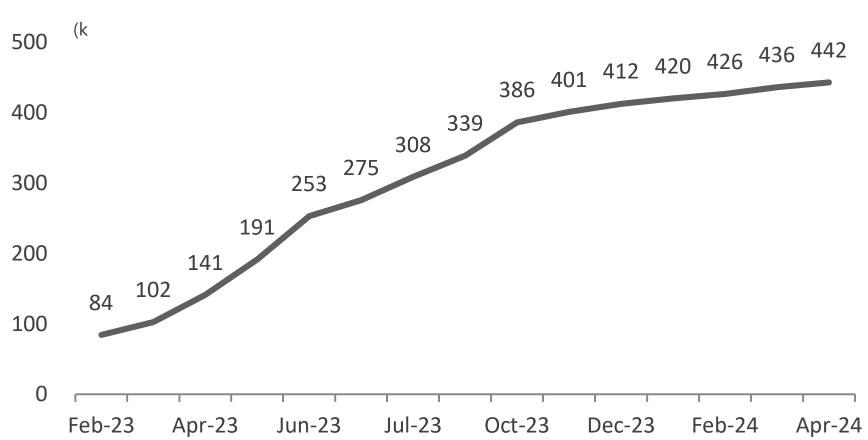
Telecom: A&P spends are inflecting

Government dues as % of total debt for telecom sector

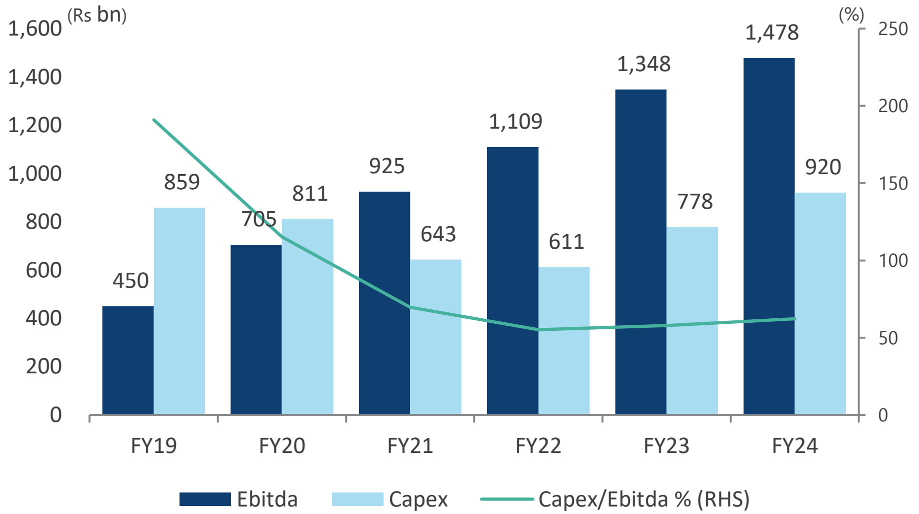


Being the largest lender to telcos, Govt. to support the sector

5G roll out trend plateauing would lead to lower capex



Moderating capex to aid free cash generation



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SUMMING UP…

KEY HIGHLIGHTS

- Revenue growth is moderating to single digits .
- Operating margins are improving due to operating leverage, while the favorable commodity trends are now beginning to abate.
- Profit growth has been robust at an 15% 5-year CAGR given higher operating profits and lower net interest costs
- Aggregate ROE is 300 bps higher than pre-COVID levels and 600 bps ex commodities
- The quality of earnings has improved reflecting in lower working capital and higher ebitda to cashflows
- Capex is trailing operating cashflow aiding corporate deleveraging

SECTORAL TRENDS

- Public sector banks, utilities and private banks witnessed the highest earnings upgrades
- Chemical, consumer and technology had the highest number of downgrades
- Consumer staples and IT sector trends are indicative of bottoming up of the cycle
- China steel spreads 10 yrs lows and India margins at long term averages
- NII seem to have peaked for banks and asset quality cycles remains very benign
- Order inflow momentum for Industrials continues to remain healthy

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