The Report Card

1H24: NOVEMBER 2023

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FY24: Revenue growth moderates, commodities ease aiding margins

- Nifty-500 ex-financials: Sustained healthy double-digit top-line growth for Sep-23 TTM (ex-commodities) with a recent moderation quarter on quarter.
- Operating margins have notably improved YoY post-commodity decline, surpassing pre-pandemic levels by 200 basis points (ex-commodities)
- Net profits saw a 17% uptick in FY24 compared to FY23, reflecting a strong 18% Compound Annual Growth Rate (CAGR) from FY19 to FY24
- Return on Equity (ROE) rebounded after a dip in FY23, notably exceeding pre-pandemic levels by 400 basis points in non-commodity sectors to 17%

	Revenue		EBITDA margins			Net Debt to Equity			ROE		
	FY19-23	YoY (%)	FY24*	YoY (%) chg	vs FY19	FY23	YoY (%) chg	vs FY19	FY23	YoY (%) chg	vs FY19
IT	13%	15%	20%	0%	-1%	-26%	0%	11%	27%	0%	2%
ex-Tech Mah	14%	16%	20%	0%	-1%	-27%	3%	11%	28%	0%	3%
Energy	9%	2%	13%	4%	2%	28%	-1%	-19%	17%	5%	2%
ex -RIL	9%	1%	11%	2%	1%	36%	-3%	-9%	24%	11%	6%
Staples	15%	7%	16%	1%	-3%	-11%	-2%	-5%	20%	0%	-5%
ex -ITC	17%	8%	12%	1%	-2%	-5%	123%	-21%	16%	-1%	-11%
Comm Services	11%	11%	38%	-1%	16%	575%	7%	445%	-18%	1%	-14%
Materials	13%	3%	14%	-1%	-4%	41%	3%	-25%	11%	-2%	0%
ex-Metals	14%	6%	15%	0%	-1%	33%	0%	-31%	13%	-1%	2%
Cons Disc	10%	21%	10%	1%	3%	50%	3%	11%	17%	4%	12%
ex-Tata Motors	12%	18%	10%	0%	-1%	41%	-6%	11%	16%	2%	-2%
Industrials	10%	10%	14%	1%	1%	44%	-9%	-11%	16%	2%	2%
Utilities	13%	9%	26%	2%	0%	109%	6%	-25%	16%	1%	4%
Health Care	12%	14%	21%	1%	3%	2%	-5%	-11%	26%	1%	3%
Real Estate	9%	13%	27%	3%	0%	5%	**3%**	3%	8%	1%	3%
Total	11%	8%	15%	2%	1%	43%	1%	-8%	17%	2%	3%
ex-Energy, Metals	12%	13%	17%	1%	2%	50%	0%	1%	17%	1%	4%

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**FY24 is TTM Sep-23*

Conditional color formatting is vertical

The analysis has been done of NSE-500 constituents ex financials universe, data is sourced from Capitaline.

Revenue Growth: Revenue growth moderating

- Revenue growth across sectors is moderating, with only pharmaceuticals and real estate reporting double-digit growth. Apart from the slow underlying growth, two other reasons may be impacting this trend
  - Moderating inflation, which leads to lower pricing
  - The shifting of the festivities from the second quarter of the last year to the third quarter in the current financial year

	3-YR REVENUE CAGR								YoY Chg (%)							
	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24*	2Q24*	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
IT	11%	12%	14%	15%	16%	16%	14%	13%	18%	20%	22%	23%	23%	19%	12%	8%
ex Tech Mah	12%	12%	14%	15%	16%	16%	14%	14%	18%	19%	22%	23%	23%	20%	13%	9%
Energy	7%	12%	17%	19%	16%	18%	10%	12%	51%	39%	71%	43%	20%	9%	-9%	-9%
ex RIL	7%	12%	19%	21%	17%	18%	11%	12%	49%	39%	76%	45%	21%	11%	-10%	-12%
Staples	18%	17%	19%	20%	20%	21%	15%	16%	21%	18%	30%	19%	12%	9%	4%	3%
ex ITC	20%	19%	21%	21%	22%	24%	16%	16%	22%	18%	33%	17%	10%	6%	2%	3%
Comm Services	9%	10%	11%	13%	13%	12%	12%	12%	11%	16%	18%	18%	13%	9%	16%	7%
Materials	16%	18%	20%	22%	21%	24%	15%	16%	36%	35%	34%	18%	10%	3%	0%	-1%
ex-Metals	16%	16%	19%	21%	21%	21%	14%	14%	25%	25%	44%	30%	22%	11%	0%	-5%
Cons Disc	6%	9%	9%	11%	17%	24%	14%	10%	13%	10%	29%	39%	24%	26%	31%	5%
ex-Tata Motors	9%	14%	10%	13%	20%	25%	14%	9%	19%	18%	37%	41%	25%	24%	27%	-2%
Industrials	7%	8%	15%	15%	13%	16%	12%	12%	19%	16%	60%	34%	18%	13%	6%	4%
Utilities	9%	14%	19%	18%	18%	16%	12%	14%	29%	31%	61%	41%	28%	17%	-5%	3%
Health Care	11%	11%	11%	10%	12%	14%	12%	11%	14%	17%	4%	10%	13%	15%	16%	13%
Real Estate	9%	8%	11%	4%	12%	7%	7%	10%	4%	24%	62%	-2%	23%	9%	-4%	29%
Total	9%	12%	16%	17%	17%	19%	12%	12%	30%	26%	46%	32%	19%	12%	3%	-1%
ex-Energy, Metals	10%	11%	14%	15%	16%	19%	13%	12%	18%	17%	35%	30%	21%	17%	11%	4%

** For 1Q24 and 1Q24 CAGR is for 4 years*

**Conditional color formatting is horizontal* ↔

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*	2Q23	3Q23	4Q23	1Q24	2Q24	2Q24 vs 2Q23	FY24 vs FY23	FY24 vs FY19
IT	21%	21%	23%	22%	20%	20%	20%	20%	20%	19%	20%	-0.6%	-0.3%	-1.2%
ex Tech Mah	21%	21%	23%	22%	20%	20%	21%	21%	21%	20%	20%	-0.2%	-0.1%	-0.9%
Energy	11%	8%	13%	11%	8%	13%	6%	9%	11%	15%	15%	9.0%	4.3%	1.7%
ex RIL	10%	5%	11%	10%	9%	11%	4%	7%	9%	14%	14%	10.5%	2.3%	1.4%
Staples	19%	20%	19%	17%	16%	16%	16%	17%	15%	17%	17%	1.3%	0.6%	-2.9%
ex ITC	24%	24%	21%	19%	19%	19%	18%	19%	19%	20%	19%	0.7%	0.5%	-4.8%
Comm Services	23%	-10%	20%	43%	40%	38%	40%	36%	42%	36%	40%	-0.9%	-1.5%	15.6%
Materials	17%	16%	21%	21%	14%	14%	11%	13%	15%	14%	13%	1.2%	-0.6%	-3.8%
ex-Metals	16%	18%	21%	19%	15%	15%	14%	15%	15%	16%	15%	1.6%	0.0%	-0.8%
Cons Disc	7%	8%	7%	9%	9%	10%	8%	10%	9%	10%	12%	3.7%	1.4%	3.5%
ex-Tata Motors	10%	9%	7%	9%	9%	10%	9%	9%	9%	10%	12%	3%	0.3%	-0.5%
Industrials	13%	12%	12%	12%	12%	14%	11%	13%	14%	14%	14%	2.5%	1.5%	0.5%
Utilities	26%	31%	34%	31%	24%	26%	23%	23%	25%	28%	29%	6.4%	2.0%	0.4%
Health Care	18%	19%	21%	19%	20%	21%	21%	21%	18%	22%	22%	0.6%	1.2%	2.7%
Real Estate	27%	23%	23%	25%	25%	27%	12%	30%	25%	25%	29%	17.0%	2.5%	0.1%
Total	14%	12%	16%	16%	14%	15%	12%	13%	14%	16%	16%	4.8%	1.5%	1.2%
ex-Energy, Metals	15%	15%	17%	18%	16%	17%	16%	16%	16%	17%	18%	2.5%	0.6%	1.8%

*FY24 is TTM Sep-23

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Commodities cool-off aiding margins

Commodity	UOM	% Chg 3M	% Chg 6M	% Chg 12M
Energy				
Brent crude	*US$/bbl*	27%	19%	8%
Natural Gas	*Euro/MW*	0%	26%	-60%
Natural gas spot US	*US$ / MMBTU*	8%	23%	-54%
Dutch TTF NG 1M Fwd	*Euro/MWH*	6%	-17%	-76%
Dutch TTF NG spot	*Euro/MWH*	4%	-18%	-39%
U.S. Coal 6900 Kcal	*INR/'000 Kcal*	13%	-22%	-49%
Indonesian coal 4200 Kcal	*INR/'000 Kcal*	12%	-18%	-33%
Indian Coal #	*Rs/kg*	-11%	-17%	-25%
Propane #	*US$/MT*	-15%	-24%	-15%
Chemicals				
TIO2	*Rs/kg*	-5%	-6%	1%
Phenol	*Rs/kg*	26%	-1%	-13%
PVC	*US$/MT*	12%	-2%	0%
EDC	*US$/MT*	-22%	-30%	-48%
VCM	*US$/MT*	16%	-11%	10%
Soda Ash	Rs/50KG	-4%	-4%	-11%
Caustic Soda	*US$/MT*	14%	11%	-38%
Toluene Diisocyanate	*US$/MT*	3%	-3%	-10%
VAM	*US$/MT*	5%	-13%	-19%
Currency				
USD/INR		1%	1%	2%
USD/EUR		3%	3%	-7%

Commodity	UOM	% Chg 3M	% Chg 6M	% Chg 12M
Metal				
Copper (LME)	*US$/MT*	-1%	-8%	9%
Alum (LME)	*US$/MT*	9%	-3%	9%
Steel (China)	*US$/MT*	-1%	-17%	-6%
Iron Ore	*US$/MT*	5%	-9%	18%
Lead	*US$/MT*	4%	4%	14%
Zinc	*US$/MT*	11%	-9%	-11%
Lithium		-41%	-59%	-64%
Cobalt		0%	-4%	-36%
Nickel		-9%	-22%	-12%
Agri				
Coffee Robusta	*US$/MT*	-9%	12%	14%
Coffee Arabica	*US$/MT*	-9%	-14%	-34%
Cotton (ICE)	*US$/LB*	8%	5%	2%
Sugar	*US$/LB*	16%	19%	50%
Rubber (SGX)	*Rs/kg*	9%	4%	5%
Natural rubber	*Rs/kg*	-6%	-2%	-3%
Crude palm oil	*Myr/25MT*	-2%	-9%	11%
Refined palm oil	*US$/MT*	-4%	-18%	0%
Wheat	*US$/BU*		9%	3%
Precious metals				
Gold	*USD/troy ounce*	-4%	-6%	11%
Silver	*USD/troy ounce*	-3%	-8%	10%

Data source: Bloomberg, Industry. # VAM, Indian coal, CPVC & Propane rates available monthly only

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Balance Sheet: ROE well above the pre-pandemic levels (ex-commodities)

- After dipping in FY23, ROEs improve year on year across all sectors except commodities, with ROEs 400+ bps above pre-pandemic levels.
- Net gearing remains healthy for most sectors except communication services and materials, where it has marginally deteriorated.

	RETURN ON EQUITY								NET DEBT TO EQUITY							
	FY19	FY20	FY21	FY22	FY23	FY24	FY23 vs FY22	FY23 vs FY19	FY19	FY20	FY21	FY22	FY23	FY24	FY23 vs FY22	FY23 vs FY19
IT	25%	25%	25%	27%	27%	27%	0%	2%	-38%	-28%	-32%	-30%	-26%	-26%	-1%	11%
ex-Tech Mah	25%	26%	25%	28%	28%	28%	0%	3%	-38%	-28%	-32%	-30%	-27%	-27%	-1%	11%
Energy	15%	8%	12%	14%	12%	17%	5%	2%	47%	55%	37%	34%	37%	28%	-10%	-19%
ex RIL	19%	8%	19%	21%	14%	24%	11%	6%	45%	69%	73%	57%	56%	36%	-20%	-9%
Staples	25%	29%	18%	19%	20%	20%	0%	-5%	-6%	-13%	-9%	-8%	-10%	-11%	-1%	-5%
ex ITC	28%	33%	17%	16%	17%	16%	-1%	-11%	16%	6%	0%	0%	-2%	-5%	-3%	-21%
Comm Services	-4%	-98%	-93%	7%	-19%	-18%	1%	-14%	130%	231%	761%	659%	782%	575%	-207%	445%
Materials	11%	11%	14%	22%	13%	11%	-2%	0%	67%	64%	48%	31%	39%	41%	3%	-25%
ex-Metals	11%	16%	14%	16%	14%	13%	-1%	2%	64%	51%	32%	27%	30%	33%	3%	-31%
Cons Disc	5%	7%	2%	9%	13%	17%	4%	12%	40%	49%	48%	52%	51%	50%	-1%	11%
ex-Tata Motors	18%	13%	7%	13%	14%	16%	2%	-2%	30%	39%	32%	35%	38%	41%	2%	11%
Industrials	14%	10%	9%	11%	14%	16%	2%	2%	55%	61%	53%	46%	40%	44%	4%	-11%
Utilities	12%	13%	13%	15%	14%	16%	1%	4%	134%	141%	137%	128%	120%	109%	-11%	-25%
Health Care	23%	24%	26%	27%	25%	26%	1%	3%	14%	8%	3%	-2%	4%	2%	-2%	-11%
Real Estate	5%	1%	5%	6%	7%	8%	1%	3%	3%	4%	8%	8%	3%	5%	2%	3%
Total	14%	9%	12%	17%	15%	17%	2%	3%	51%	57%	50%	44%	47%	43%	-4%	-8%
ex-Energy, Metals	13%	10%	12%	16%	16%	17%	1%	4%	49%	53%	55%	51%	52%	50%	-2%	1%

**FY24 is TTM Sep-23*

**Conditional color formatting is horizontal*

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Sectoral Profit Pools: Ex commodity profit pool recovering

Sector profit/Nifty 500 ex financial profits

	FY19	FY20	FY21	FY22	FY23	FY24*	vs FY23	vs FY19
IT	18%	26%	19%	14%	16%	14%	-2%	-4%
ex-Tech Mah	17%	25%	18%	13%	15%	13%	-2%	-3%
Energy	29%	24%	31%	26%	23%	30%	8%	1%
ex RIL	20%	11%	19%	17%	12%	21%	9%	1%
Staples	7%	14%	8%	6%	7%	6%	-1%	-1%
ex-ITC	4%	9%	5%	4%	4%	3%	-1%	-1%
Comm Services	-2%	-32%	-10%	1%	-2%	-2%	0%	0%
Materials	15%	22%	20%	25%	16%	12%	-4%	-3%
ex -Metals	6%	15%	10%	9%	9%	7%	-2%	1%
Cons Disc	4%	7%	2%	5%	9%	10%	1%	6%
ex-Tata Motors	10%	11%	4%	6%	8%	8%	0%	-2%
Industrials	10%	9%	7%	6%	9%	9%	0%	-1%
Utilities	10%	15%	11%	9%	10%	10%	0%	1%
Health Care	9%	14%	12%	9%	10%	9%	-1%	0%
Real Estate	1%	0%	1%	1%	1%	1%	0%	0%
Total	100%	100%	100%	100%	100%	100%	0%	0%
Ex Energy, Metals	62%	69%	59%	58%	70%	65%	-5%	3%

IT & Staples share dip below pre-pandemic lows
Metal's share has declined from 16% to 6%
Cons Discretionary share (ex Tata Motors has doubled from FY21 lows

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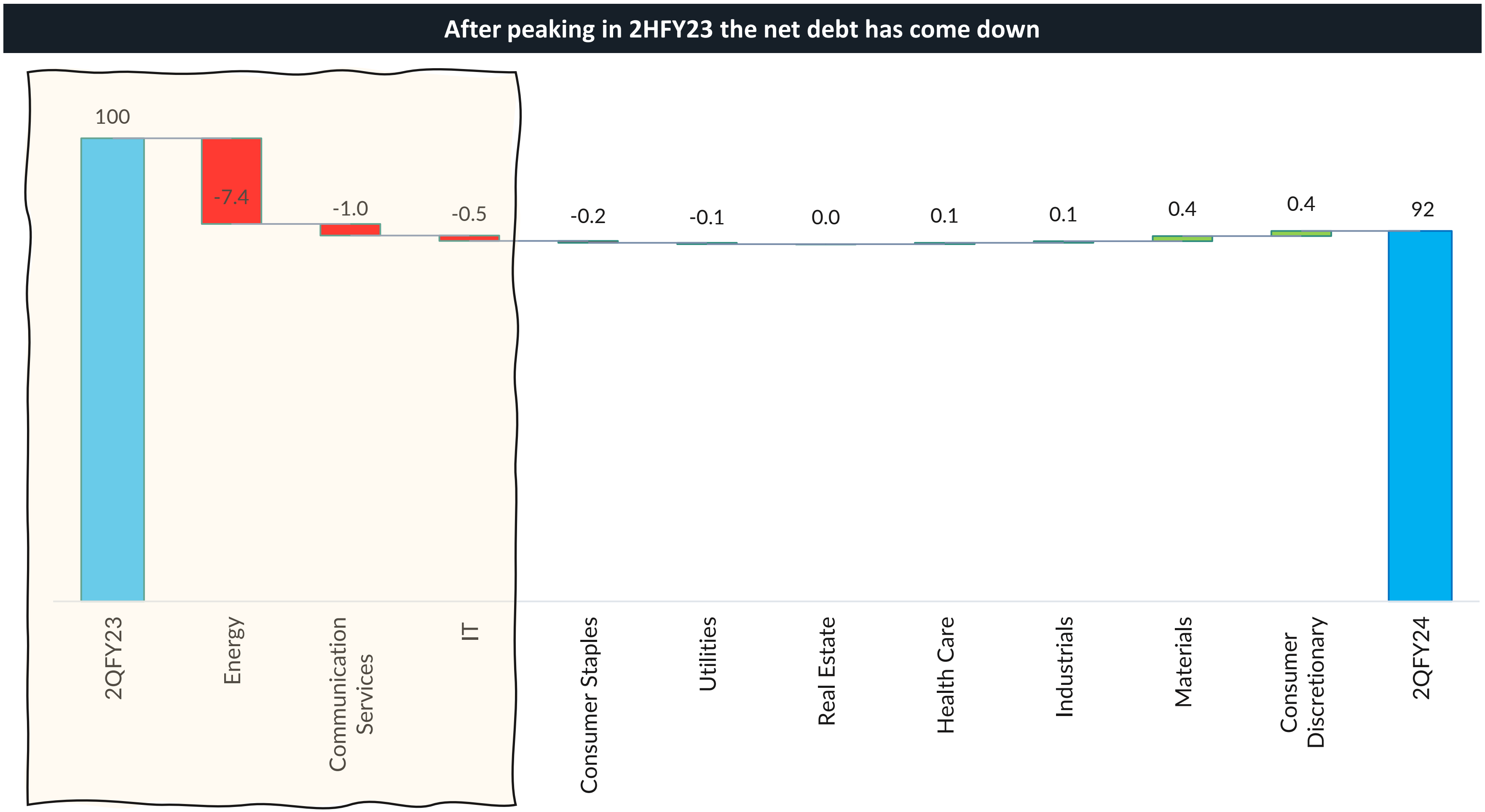
Balance Sheet: Working capital cycle remains healthy

- Debt servicing ability, as measured by net debt to EBITDA, remains healthy at <2x lowest since the pandemic
- The working capital cycle remains under control for most sectors

	NET DEBT TO EBITDA (%)								WORKING CAPITAL CYCLE (DAYS)							
%	FY19	FY20	FY21	FY22	FY23	FY24	vs FY23	vs FY19	FY19	FY20	FY21	FY22	FY23	FY24	vs FY22	vs FY19
IT	-115%	-103%	-89%	-76%	-65%	-66%	-1%	49%	49	51	44	43	46	46	0	-3
ex-Tech Mah	-115%	-101%	-86%	-77%	-66%	-66%	-1%	49%	49	51	45	44	48	48	0	-1
Energy	158%	237%	184%	152%	165%	93%	-73%	-65%	14	18	27	19	19	22	3	8
ex RIL	125%	307%	222%	166%	219%	92%	-127%	-33%	36	58	10	19	22	21	-1	-16
Staples	-16%	-40%	-36%	-28%	-38%	-39%	-1%	-23%	37	35	36	33	39	39	1	2
ex-ITC	39%	-2%	1%	-1%	-9%	-21%	-12%	-60%	45	44	42	37	44	45	1	-1
Comm Services	558%	1434%	962%	406%	466%	437%	-29%	-121%	-43	-27	-38	-25	-24	-18	6	25
Materials	229%	252%	158%	86%	147%	170%	23%	-60%	109	115	86	85	79	84	5	-25
ex -Metals	259%	145%	118%	102%	123%	145%	22%	-115%	149	144	103	111	93	96	3	-52
Cons Disc	172%	317%	258%	207%	171%	144%	-27%	-27%	8	7	6	15	15	16	1	8
ex-Tata Motors	98%	220%	194%	165%	149%	146%	-2%	48%	16	17	17	24	24	24	0	8
Industrials	195%	267%	268%	206%	156%	155%	-1%	-40%	51	49	45	37	31	39	8	-12
Utilities	515%	445%	462%	412%	403%	368%	-35%	-146%	38	52	70	52	50	47	-3	9
Health Care	67%	24%	11%	-8%	20%	11%	-9%	-56%	6	19	31	39	28	19	-9	13
Real Estate	22%	45%	96%	85%	32%	50%	17%	27%	720	661	1127	927	945	1005	60	284
Total	185%	226%	199%	151%	166%	140%	-26%	-45%	37	41	42	40	37	40	3	3
Ex Energy, Metals	193%	204%	206%	169%	166%	155%	-12%	-38%	45	48	45	46	43	44	1	0

**FY24 is TTM Sep-23*

Net Debt: Has come down after peaking in 2Q23



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Cashflows: Cash conversion deteriorates

- Cash conversion (CFO/EBITDA) deteriorates for almost every sector

Cashflow after w-cap/Cashflow before working cap

	2019	2023	2024
IT	96%	85%	91%
ex-Tech Mah	97%	86%	91%
Energy	90%	71%	113%
ex RIL	94%	72%	115%
Staples	88%	92%	96%
ex-ITC	83%	90%	99%
Comm Services	89%	94%	98%
Materials	103%	72%	95%
ex -Metals	91%	42%	82%
Cons Disc	85%	76%	86%
ex-Tata Motors	70%	73%	70%
Industrials	53%	63%	99%
Utilities	86%	81%	110%
Health Care	96%	77%	94%
Real Estate	51%	121%	42%
Total	89%	77%	101%
Ex Energy, Metals	85%	77%	94%

Cashflow from operations/EBITDA

	2019	2023	2024
IT	99%	106%	74%
ex-Tech Mah	101%	109%	73%
Energy	116%	112%	113%
ex RIL	144%	119%	158%
Staples	104%	103%	83%
ex-ITC	132%	122%	92%
Comm Services	-359%	105%	103%
Materials	98%	105%	87%
ex -Metals	94%	129%	71%
Cons Disc	152%	105%	73%
ex-Tata Motors	94%	106%	84%
Industrials	101%	106%	86%
Utilities	122%	109%	108%
Health Care	109%	109%	88%
Real Estate	114%	111%	24%
Total	120%	107%	95%
Ex Energy, Metals	125%	109%	85%

Cashflow: Capex trends accelerate sharply in FY24 vs FY23

- Capex accelerates sharply on year on year

Free cashflow to EBITDA

	2019	2023	2024
IT	67%	59%	61%
ex-Tech Mah	36%	59%	62%
Energy	40%	-9%	3%
ex RIL	31%	8%	22%
Staples	-8%	53%	41%
ex-ITC	-174%	49%	37%
Comm Services	-20%	57%	-47%
Materials	23%	16%	36%
ex -Metals	-47%	-19%	31%
Cons Disc	3%	20%	-8%
ex-Tata Motors	-31%	8%	-20%
Industrials	22%	11%	-5%
Utilities	46%	16%	23%
Health Care	41%	26%	46%
Real Estate	48%	61%	0%
Total	37%	21%	19%
Ex Energy, Metals	61%	29%	24%

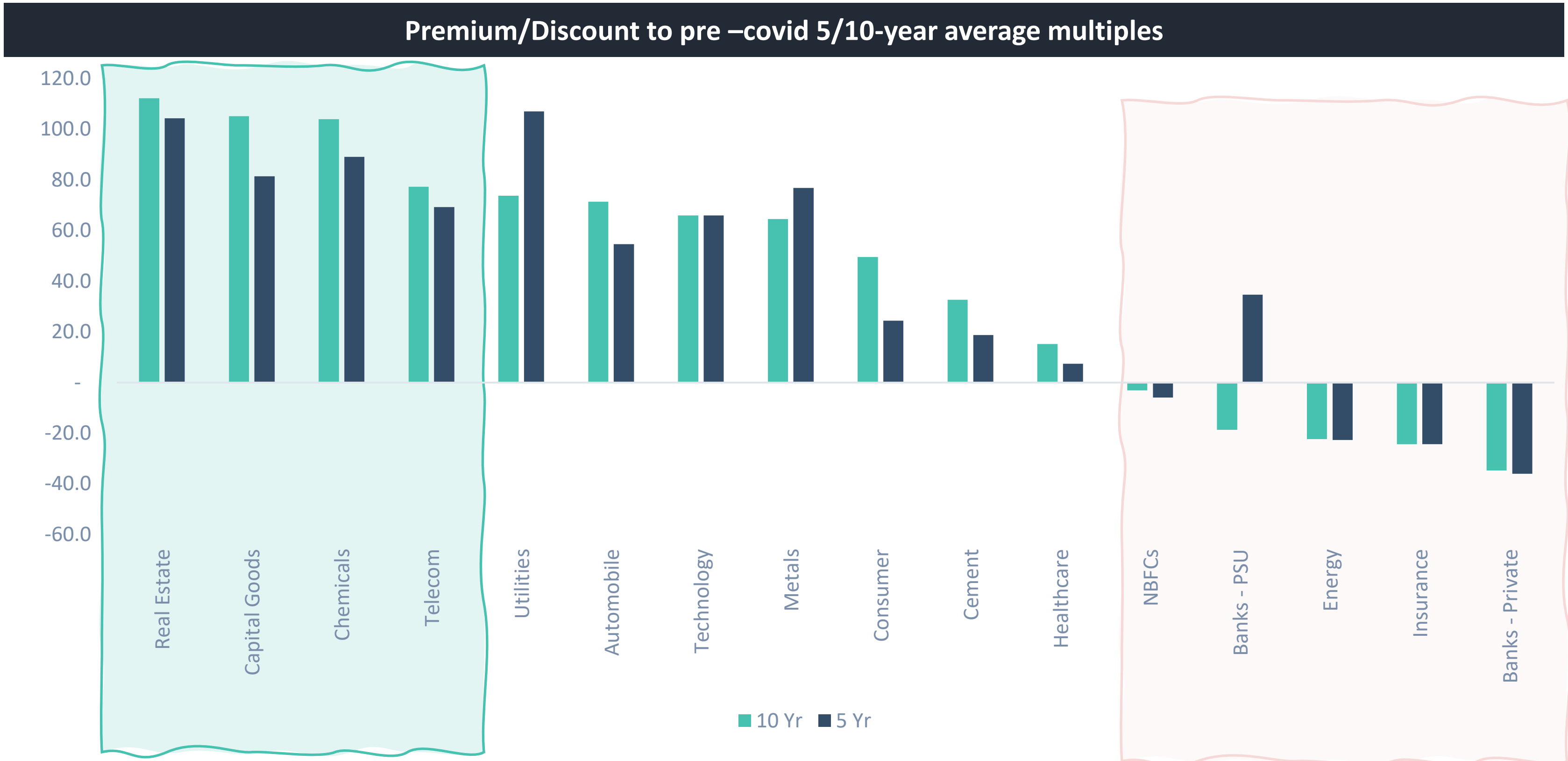
Capex and CFO CAGR

	Capex		CFO	
	YoY	4-Yr CAGR	YoY	4-Yr CAGR
IT	-16%	-3%	-23%	4%
ex-Tech Mah	-17%	-4%	-24%	4%
Energy	16%	8%	51%	16%
ex RIL	21%	3%	73%	12%
Staples	-10%	5%	-12%	3%
ex-ITC	-8%	8%	-18%	0%
Comm Services	19%	6%	1%	21%
Materials	26%	16%	-33%	5%
ex -Metals	16%	19%	-45%	2%
Cons Disc	41%	1%	2%	5%
ex-Tata Motors	26%	5%	-41%	-5%
Industrials	25%	14%	6%	6%
Utilities	7%	9%	8%	10%
Health Care	7%	8%	10%	6%
Real Estate	2%	4%	-71%	-30%
Total	18%	8%	5%	10%
Ex Energy, Metals	16%	8%	-9%	7%

DSP

Valuation: Premium or Discount to pre-pandemic averages

- Healthcare is at a marginal premium to long term averages. NBFC, energy, PSU & Pvt banks and Insurance at discount to long term averages

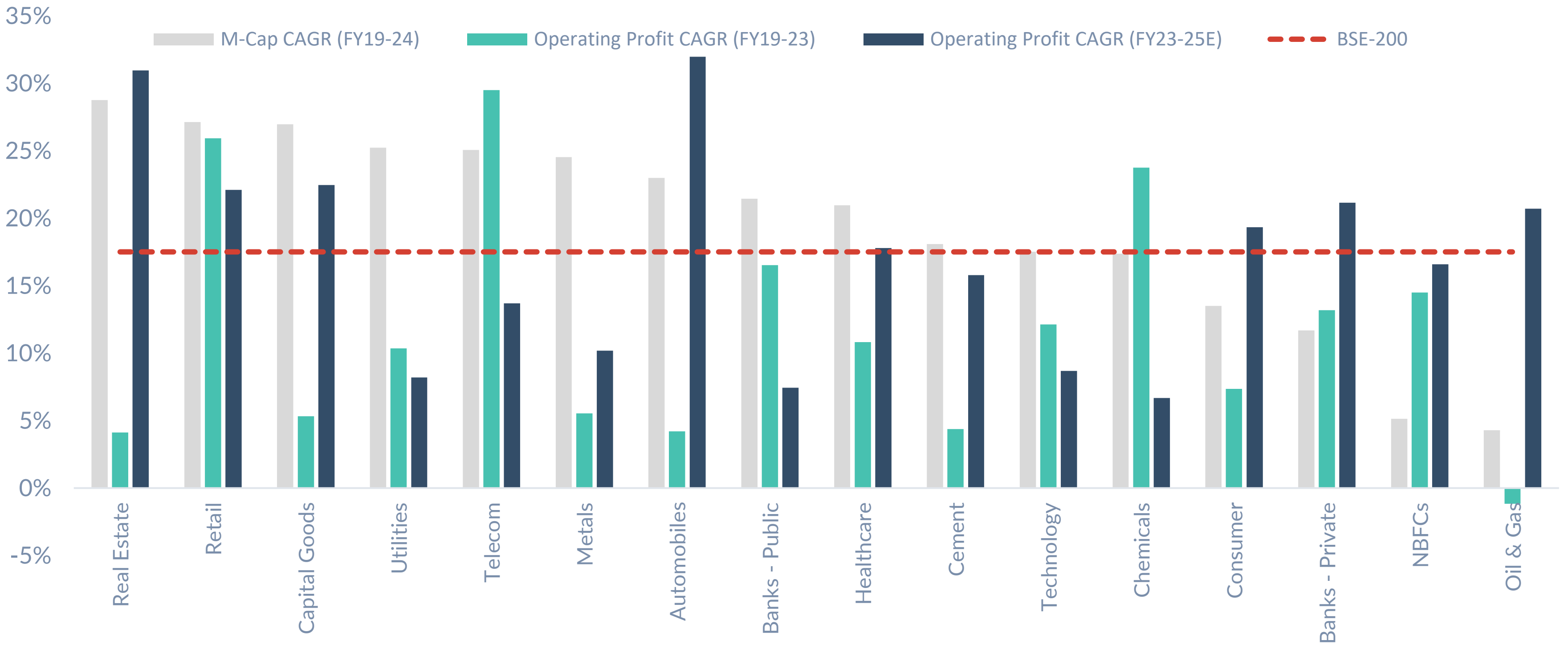


1. *5 yr and 10 yr Pre covid multiples are from Jan-15 to Jan-20 and Jan-10 to Jan-20 respectively*
2. *Price to book multiples are used for NBFC, Banks, Metals, Oil and Gas, Real Estate and utilities*
3. *Price to Embedded value is used for insurance. The valuation data is available only from FY17*
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*

Market Capitalization vs Operating Profit growth

Market Cap CAGR < Operating profit CAGR: Telecom, Automobile, Chemical, Consumer, Banks, NBFCs, Oil and Gas

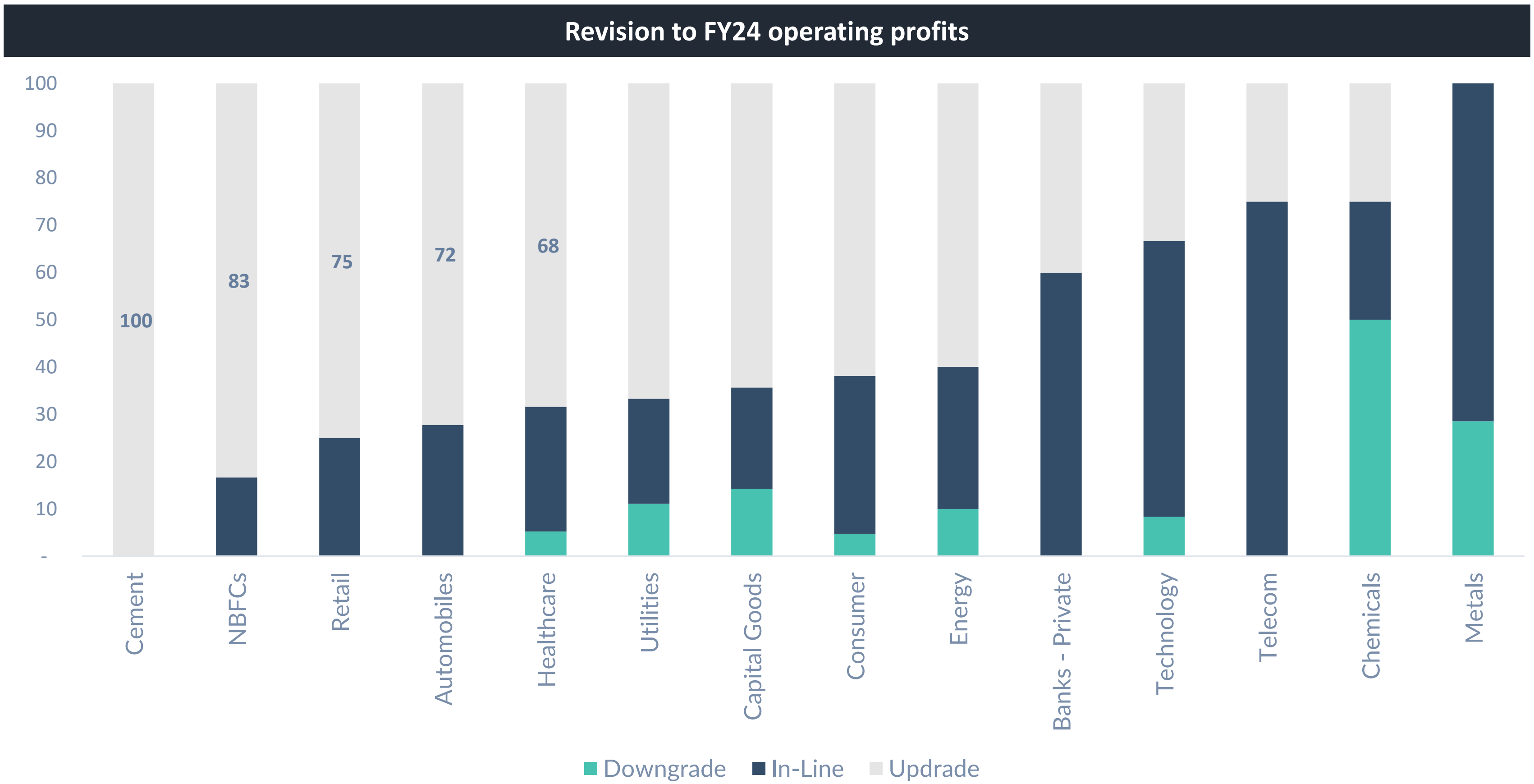
Market Capitalization vs Operating Profits



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 Nov 19 to Nov 23*
4. *Operating profits CAGR is FY19-23 actuals and FY24 based on Bloomberg consensus estimates*
5. *Source: Capitaline and Bloomberg*

Earnings Momentum: Revision to FY24 Earnings

Cement, NBFCs, Retail, Automobiles and Healthcare have seen highest upward revisions



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 2023

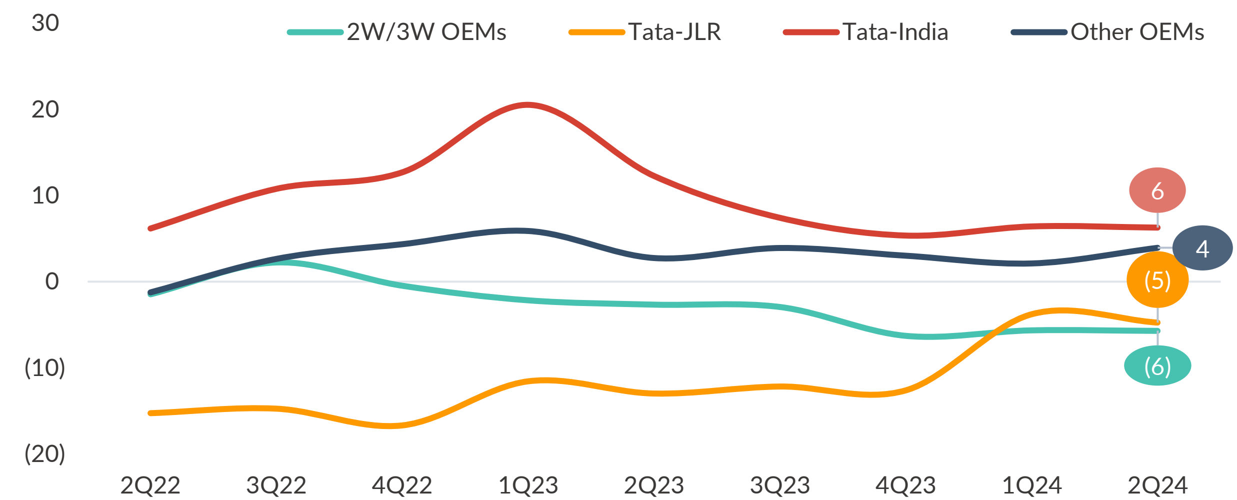
Sectoral Updates

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

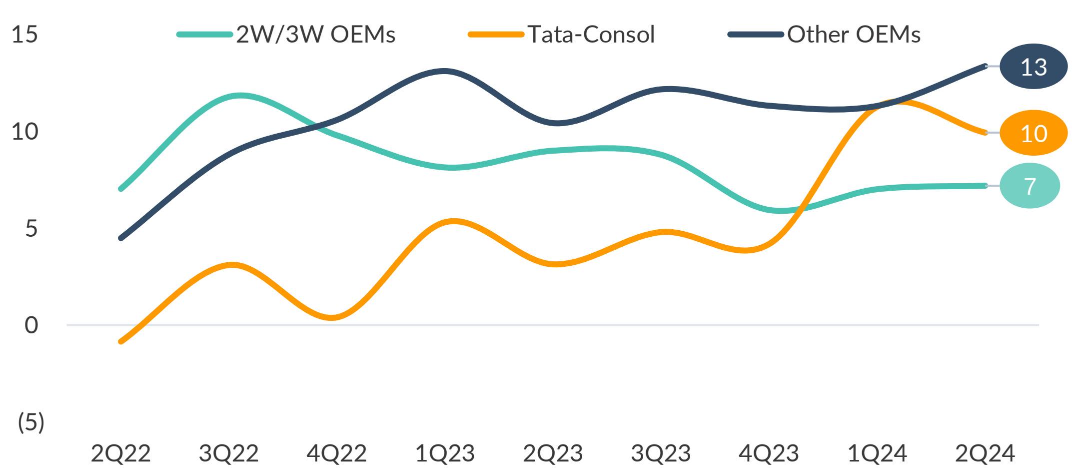
Automobiles: Revenues improve across segments

5-yr volume CAGR (comparison with last peak) shows PV/ Tractor OEMs are registering positive growth and have crossed last peak, while recovery is underway for 2W/3W OEMs and Tata Motors (JLR).

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



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



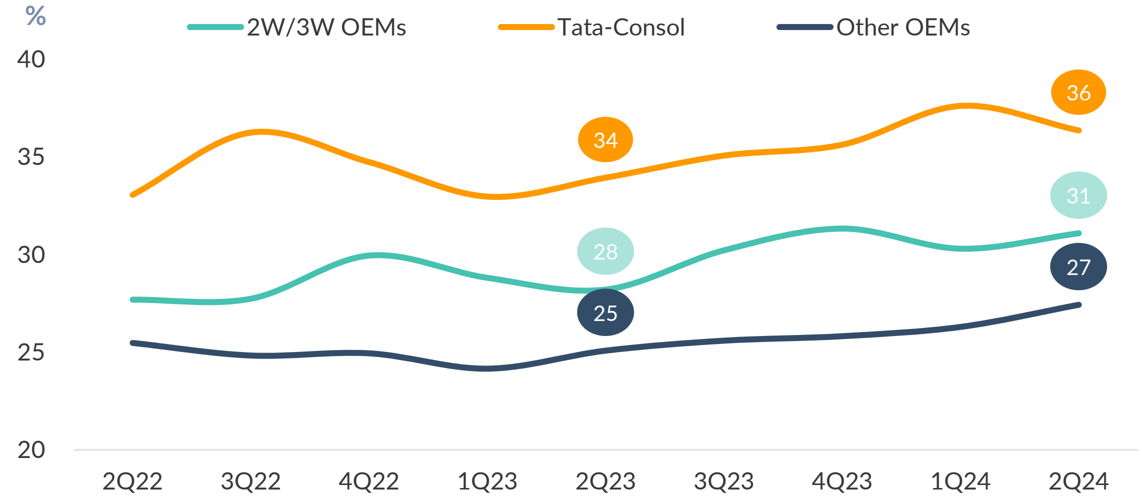
5-yr revenue CAGR in double digits for PV/CV OEMs and Tata Motors, and in single digits for 2W/3W OEMs. Revenue CAGR is much better than volume CAGR supported by premiumization and price increases.

DSP

Based on a representative set of 10 Automobile OEMs

Automobiles: Notable margin expansion across segments

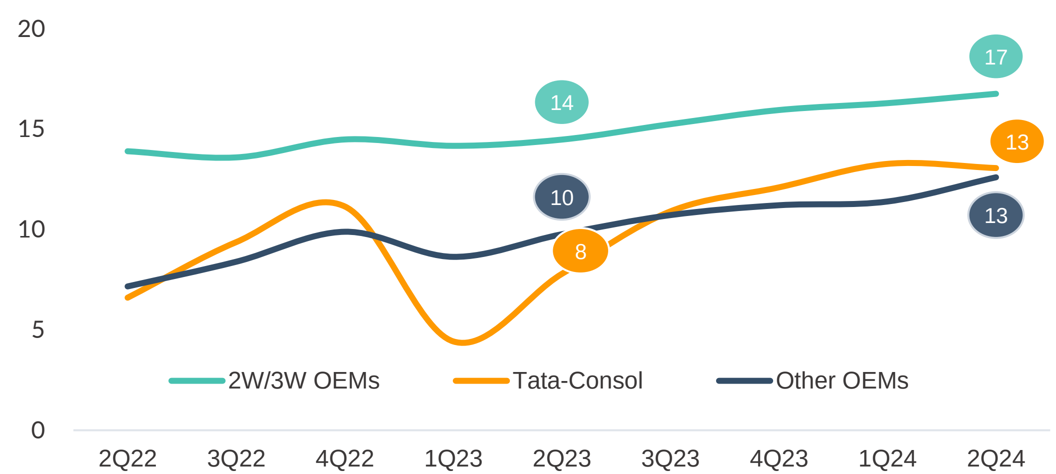
Gross margins have improved on premiumization and better net pricing



Gross margins have improved across segments YoY owing to premiumization (a shift to higher realization and margin vehicles) and better net pricing (price increases coupled with commodity deflation).

PV/CV OEMs and Tata Motors have posted notable uptick in EBITDA margin YoY owing to better Gross margin and operating leverage benefits

EBITDA margin improved on better gross margin and operating leverage

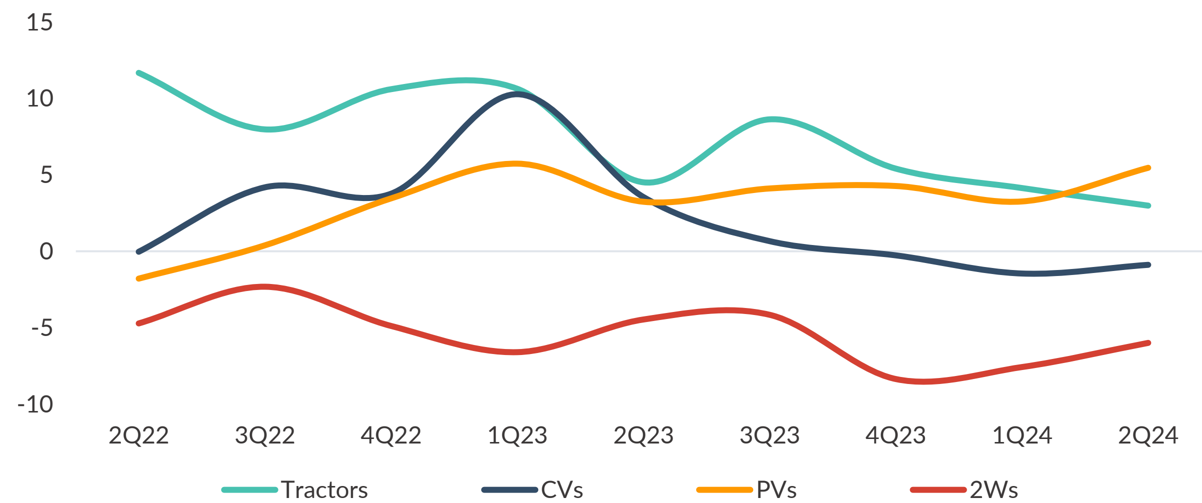


Based on a representative set of 10 Automobile OEMs

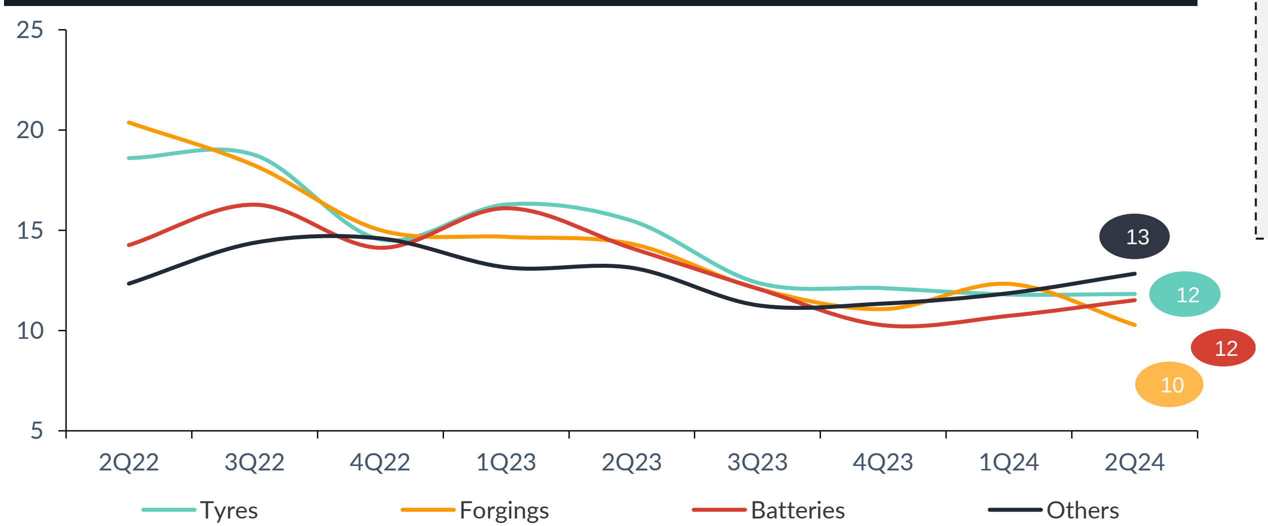
Auto Components: Revenues improve across segments

Component co's mirror trend in the underlying automobile segments. Within this, Tractors/ PVs have crossed last peak, while recovery underway for CVs and 2Ws.

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



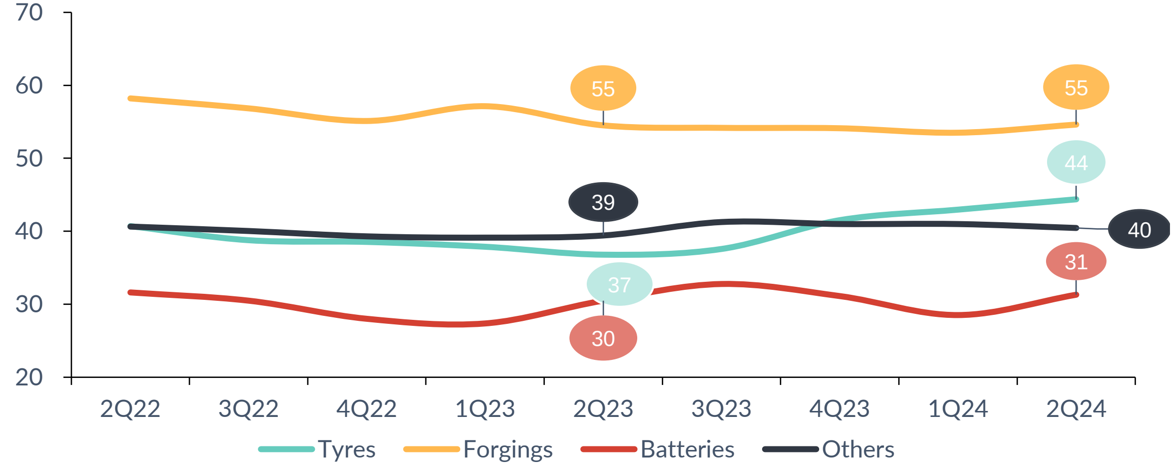
Component co's are witnessing an increase in content per vehicle, due to realization and premiumization/EV transition, resulting in outperformance vs. underlying auto segments.

DSP

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

Auto Components: Notable margin expansion across segments

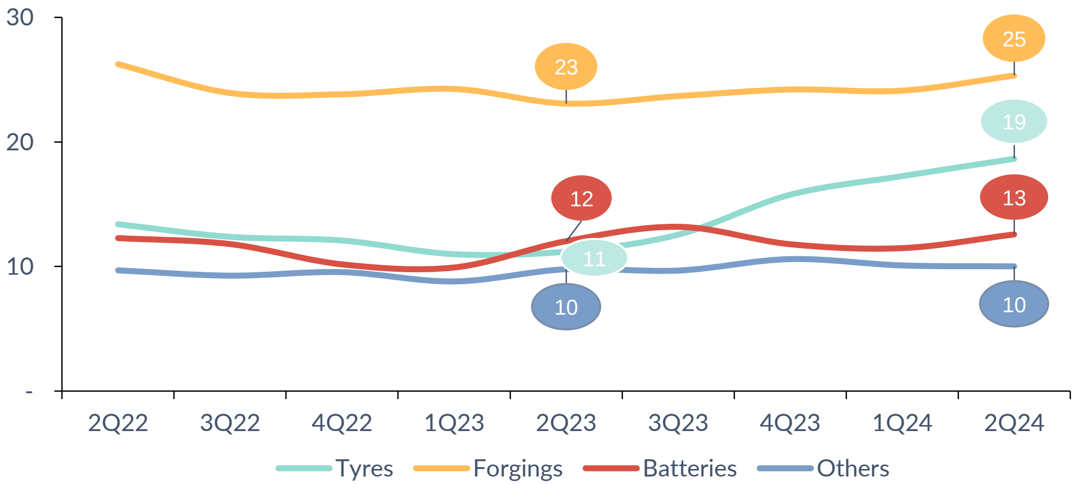
Gross margins have improved on premiumization and better net pricing



Gross margins have improved across segment YoY. Tyre, battery and other part co's have witnessed improvement due to better mix and softening commodity prices

Tyre, battery and forging co's have witnessed improvement in EBITDA margins on better gross margins and operating leverage

EBITDA margin improved on better gross margin and operating leverage

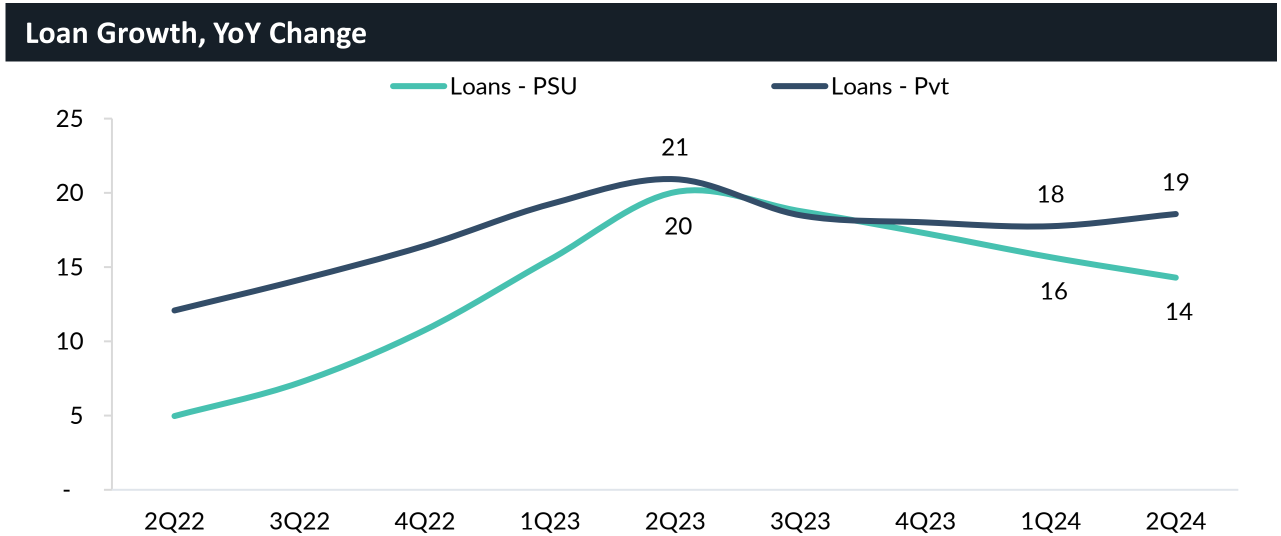


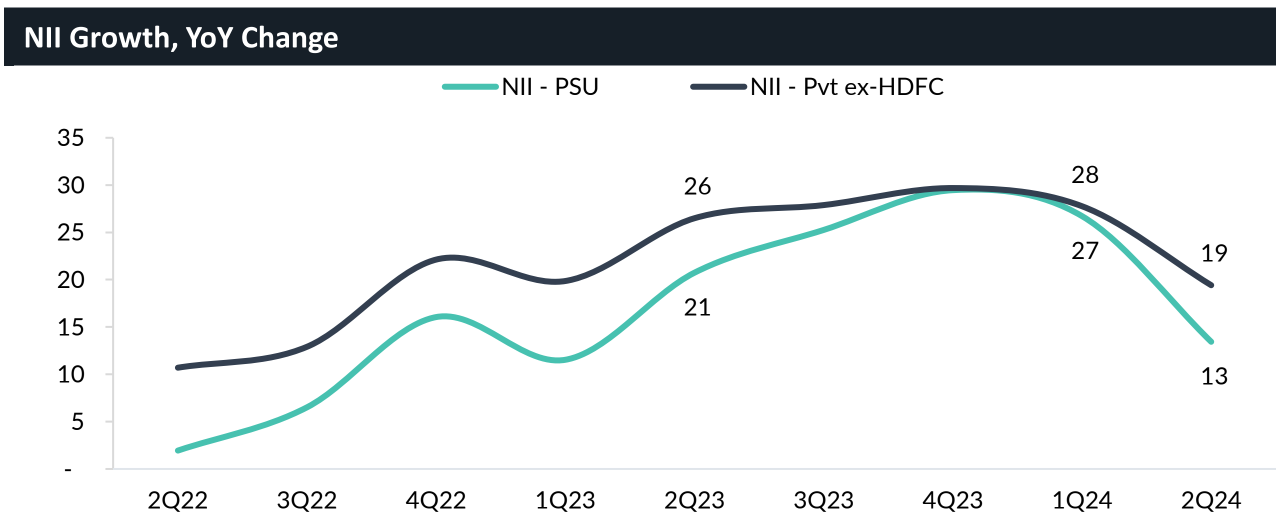
DSP

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

Banks: Deceleration in Net Interest Income

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





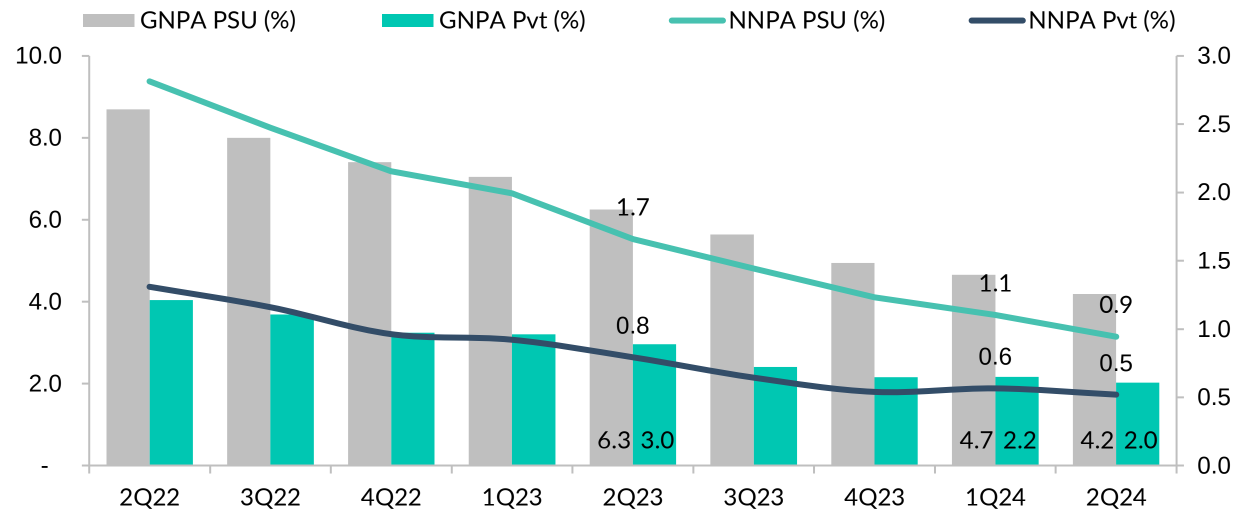
Sharp deceleration in Net Interest Income growth YoY (vs loan growth) as NIM have already peaked

Data pertains to 28 banks aggregating >90% of the banking system (ex Foreign banks). Loan growth YoY has been adjusted for HDFC merger. NII growth data excludes HDFCB

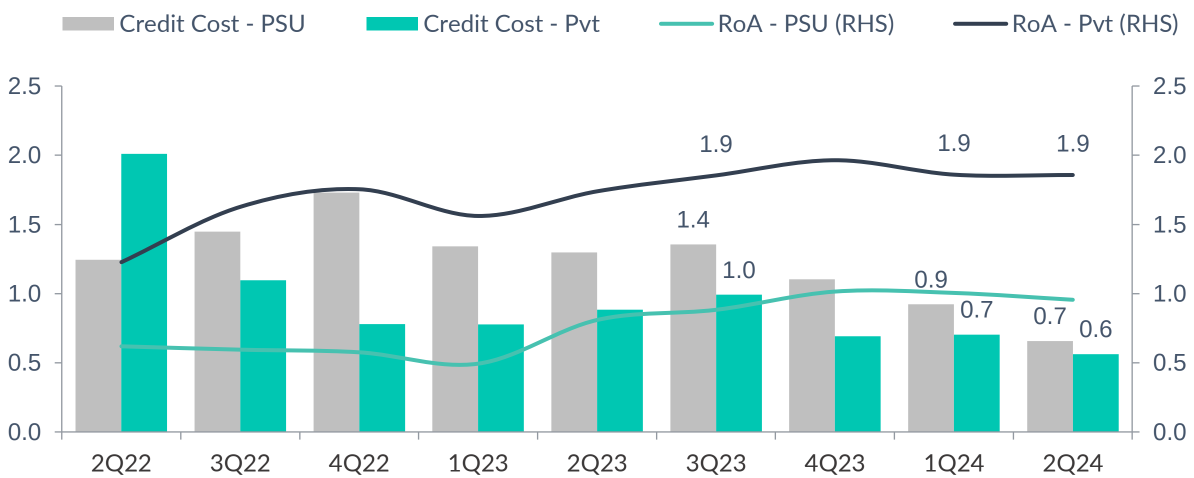
Banks : Asset quality remains benign, ROA above pre-covid levels

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

Asset Quality



Provisioning (Credit cost) and ROA



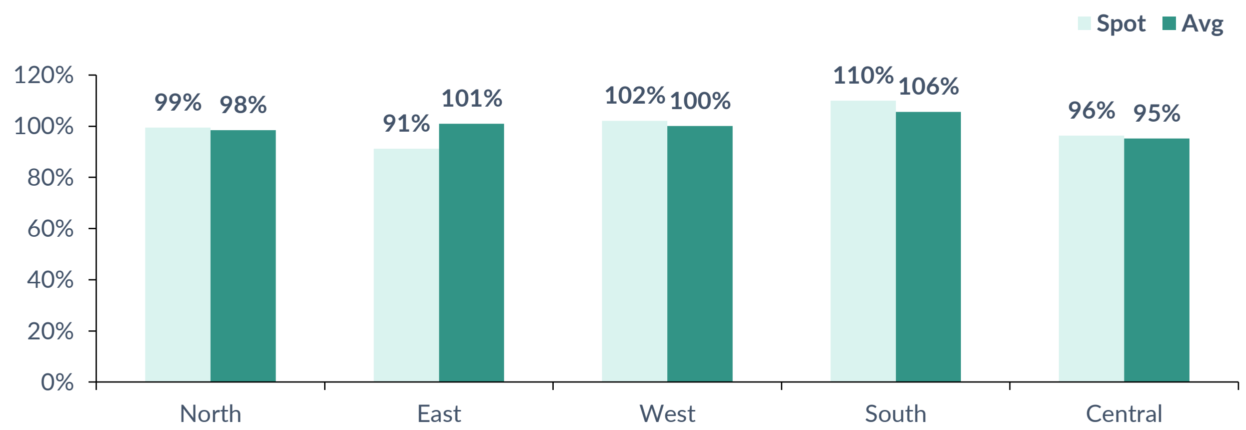
Despite some pressure on NIM, systemic RoA remain strong and steady (nearing historic high) due to contained provisioning

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).

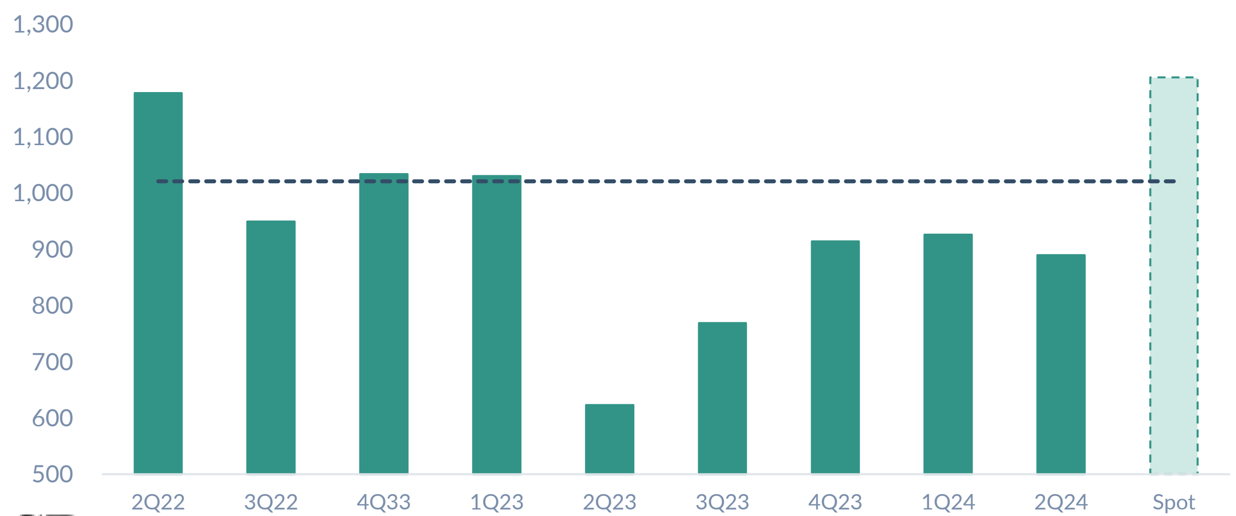
Cement : Price hike, strong volume growth continues in YTD-FY24

Spot regional cement prices (except East) are broadly in-line/ above long-term average as % of pan-India prices suggest limited price disparity regionally

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



With recent price hike, spot profitability to improve sharply from Q2 levels



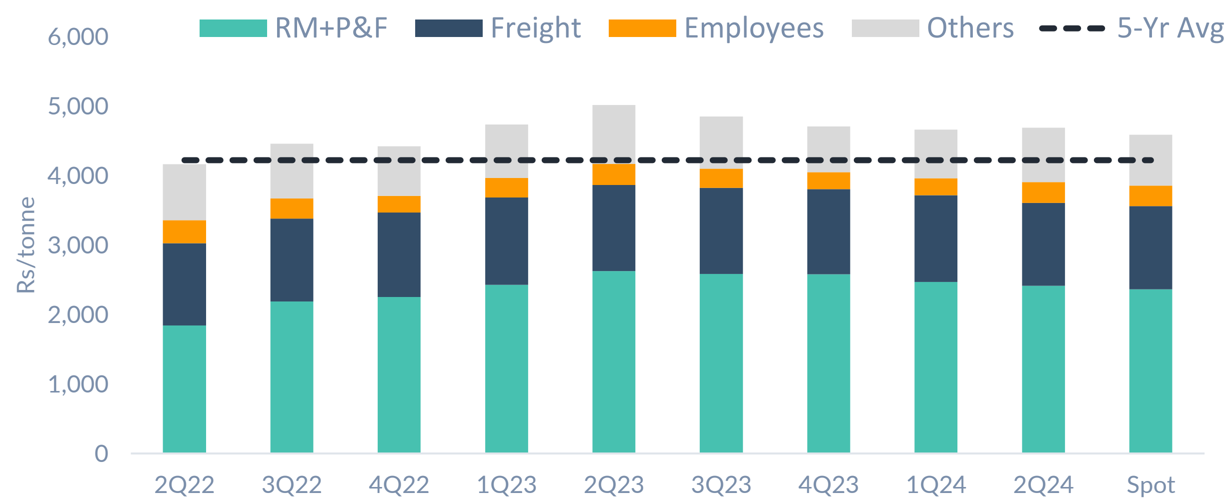
Industry average EBITDA/ton improved 43% YoY on a low base; though declined 4% QoQ to Rs890. With recent price hike, profitability at spot level has sharply improved

Representative set of 8 cement companies

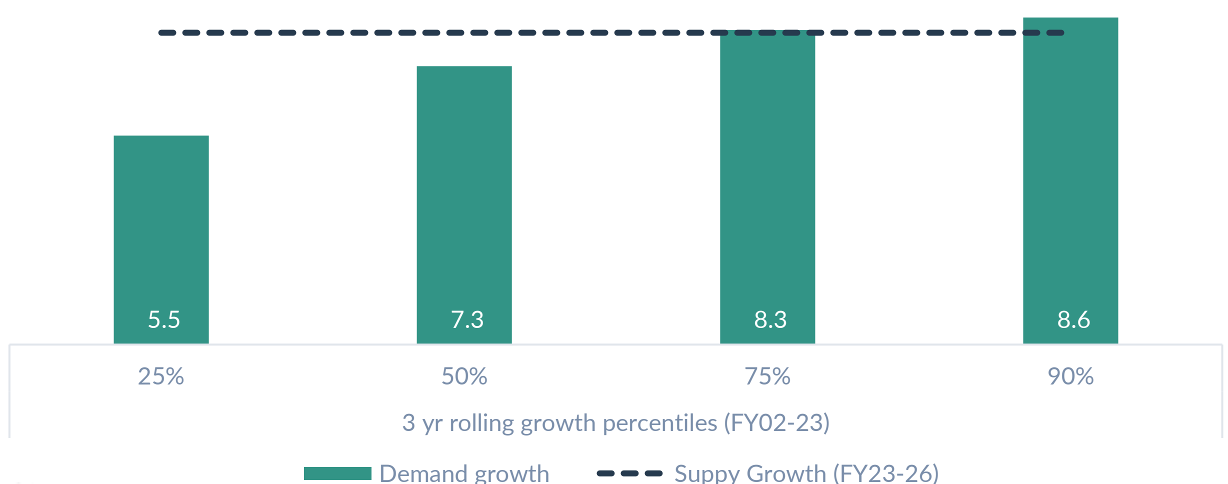
Cement: High ask rate to sustain current utilisations

Input prices have stabilized from past one month; however operating leverage benefit to kick in ensuing quarters

Input cost savings and operating leverage benefit to kick-in coming quarters



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 disappoint in demand growth may lead to fall in utilization level/ pricing.

DSP

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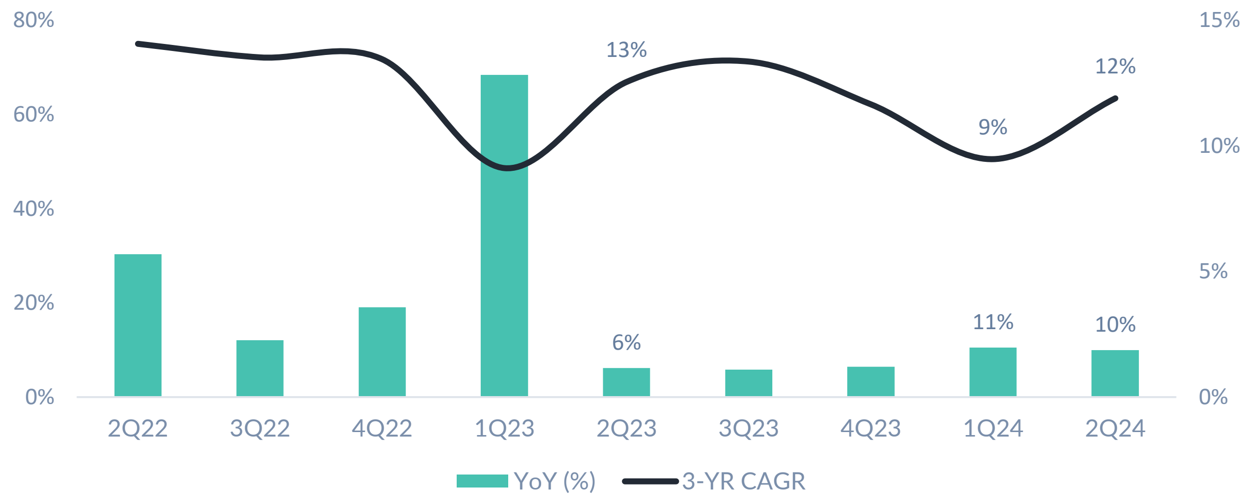
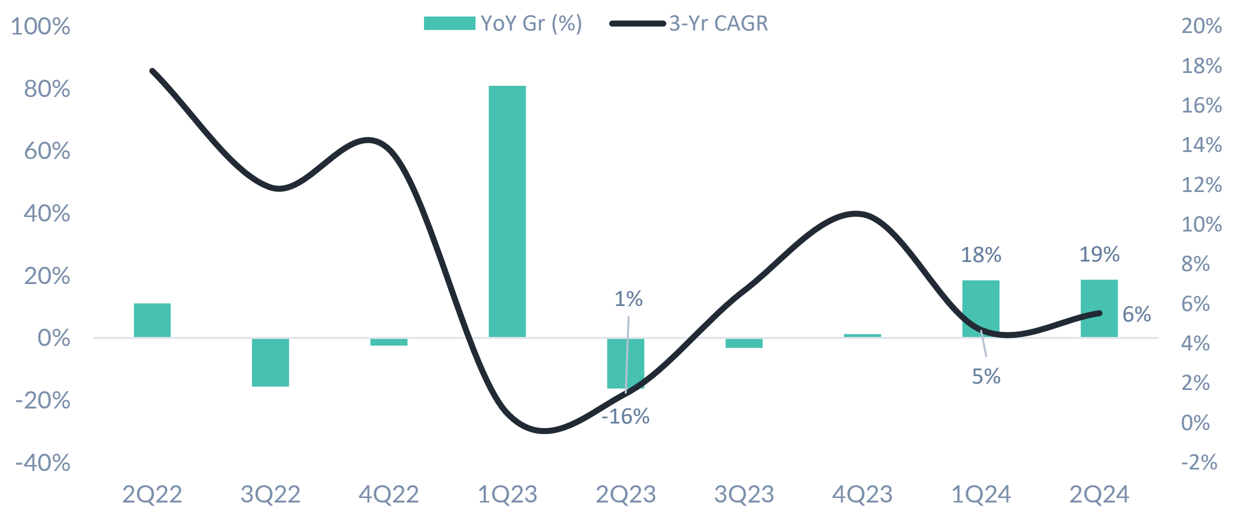
Consumer Durable : Weak demand trends and festive season shift

CD revenue four-year CAGR was at 12% in Q224, similar trend witnessed in the previous quarters. Reported YoY growth was partially impacted due to shift in festive season.

Revenue sustaining double digit CAGR



RM inflation, competitive intensity & strategic investment impact operating margin and PAT



PAT growth YoY was aided by stable input cost prices and a low base. On a four-year CAGR basis it looks deflated as inflation remains above pre-covid levels. Competitive intensity remains intense. Moreover, companies continue to reinvest on R&D and marketing.

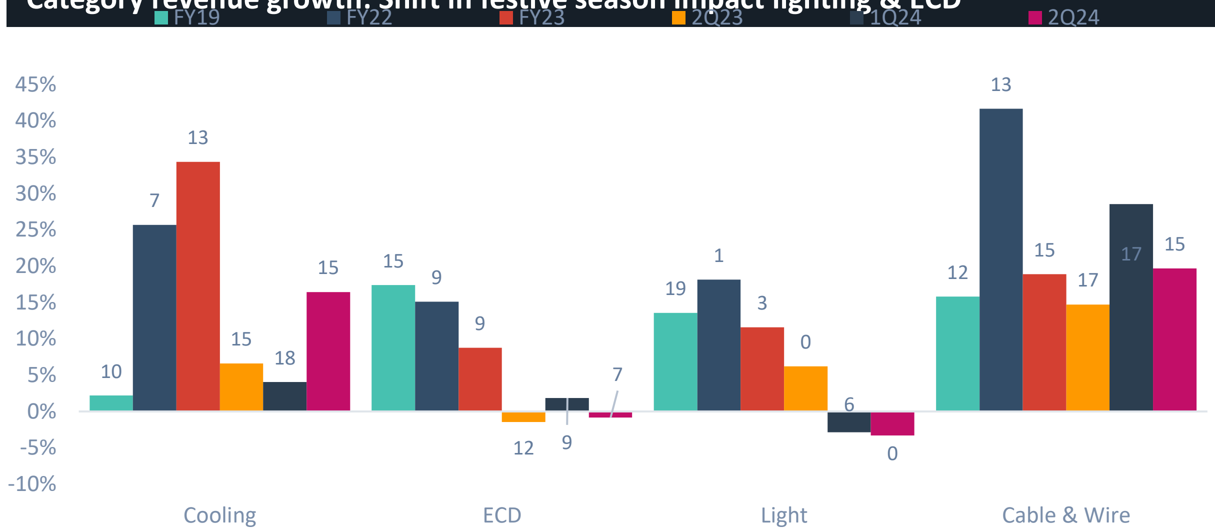
Note: Q4FY23/Q1FY24/Q2FY24 are 4 Yr CAGR

Based on representative sample of 17 consumer durable companies

Consumer Durable : C&W continues to outshine

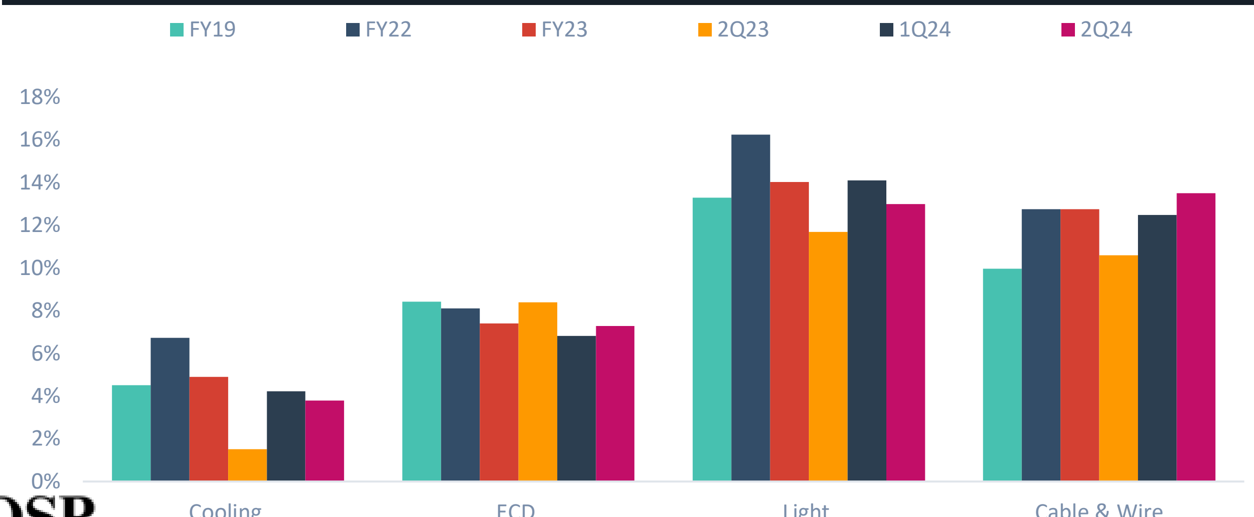
Weak consumer sentiment and shift in festive season impact the ECD segment. Price erosion in lighting impact value growth. Cable & Wire remained strong led by B-B. Heatwave in latter part of quarter aided cooling product sales.

Category revenue growth: Shift in festive season impact lighting & ECD



Note: Data labels are 3 Yr CAGR (FY23 and Q1FY24/Q2FY24 are 4 Yr CAGR)

Category EBIT margin: sustains QoQ improvement but remain flat vs FY19



Margins improve sequentially but remain flat over FY19 across categories due to commodity inflation, insufficient price hike, competitive intensity and growth deceleration FY21 and FY22 margin expansion has reversed in FY23.

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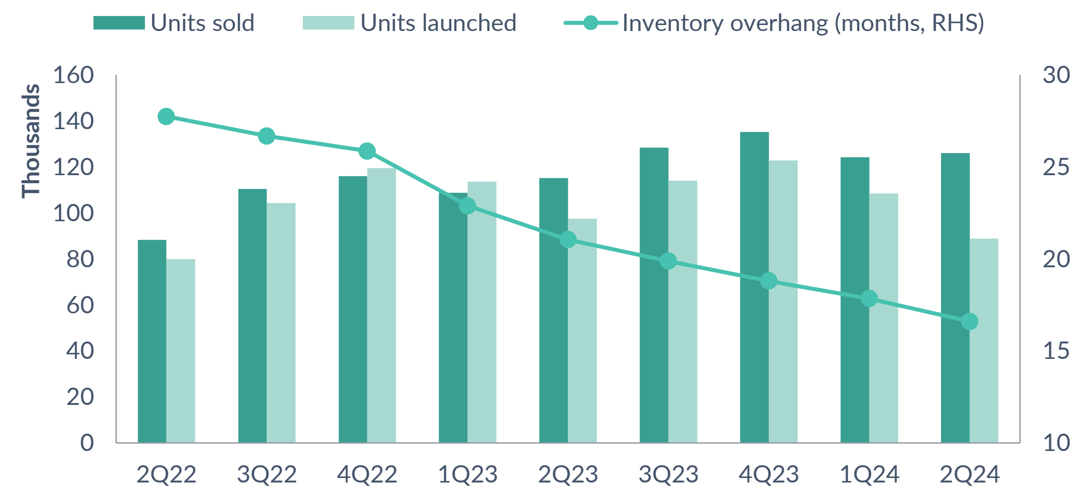
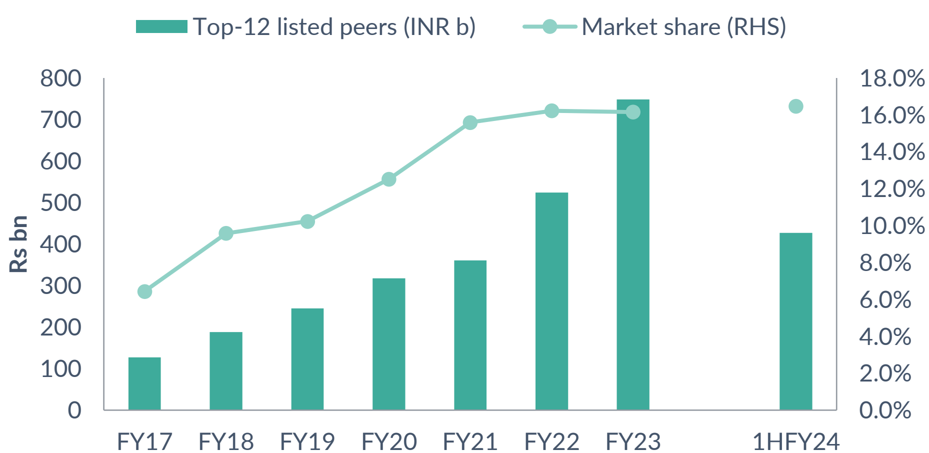
Real Estate: Top players gaining market share

Absorption across top-8 cities were flat at ~122,000 units while supply continued to remain lower at ~110,000 units bringing inventory overhang down to 17 months

Top-8 cities reported sequentially flattish quarter



Market share for top-12 listed players have been picking up



For 1HFY24, Top-12 listed players reported 23% YoY growth in volumes and 36% in terms of value. Market share of top-12 players increased by 30bps to 16.5%

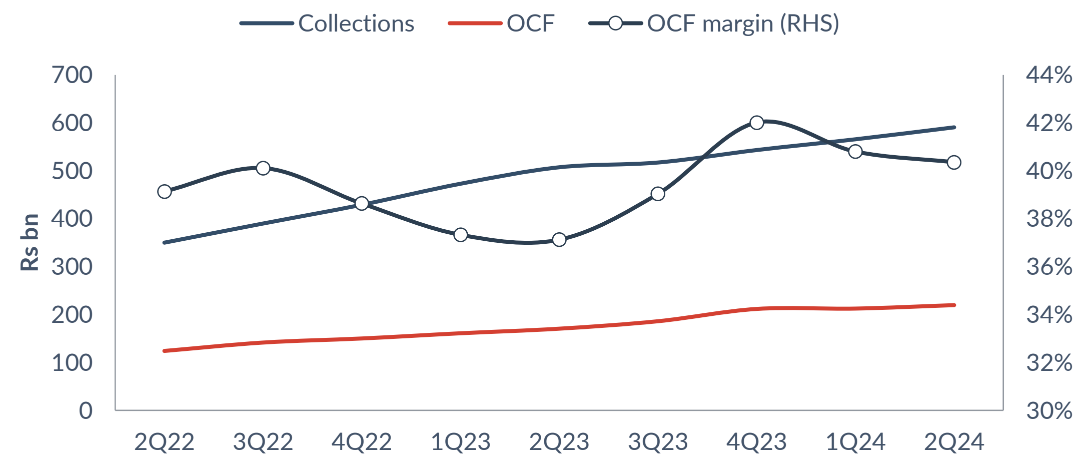
Representative set of 12 real estate companies

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).

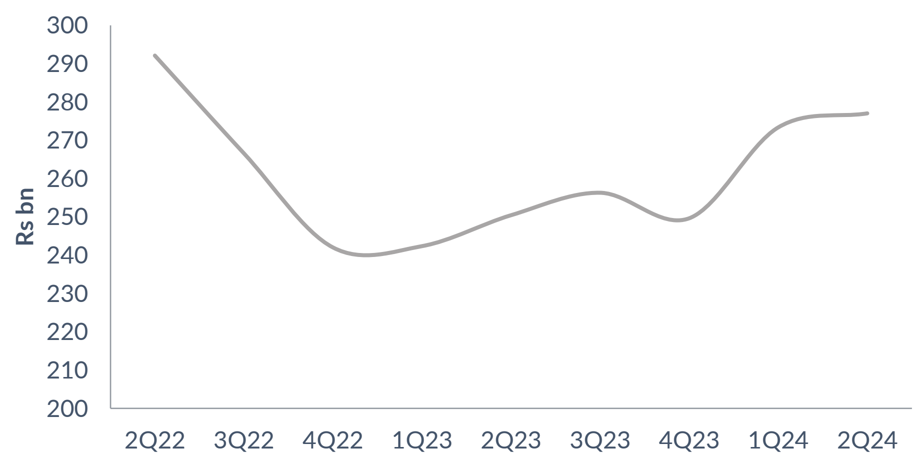
Real Estate: Improving collections trajectory

Collections for listed peers were up 19% YoY in 2QFY24. OCF has also been on increasing trend. OCF margin has recovered to above 40% despite rise in cost

Collections on a rising trend



Increasing net debt is company specific issue



While Net debt for listed universe is down from its peak of ~INR290b but has been on an increasing trend since last two quarters led by PEPL and GPL due to deployment towards new project acquisitions and capex

DSP

Representative set of 12 real estate companies

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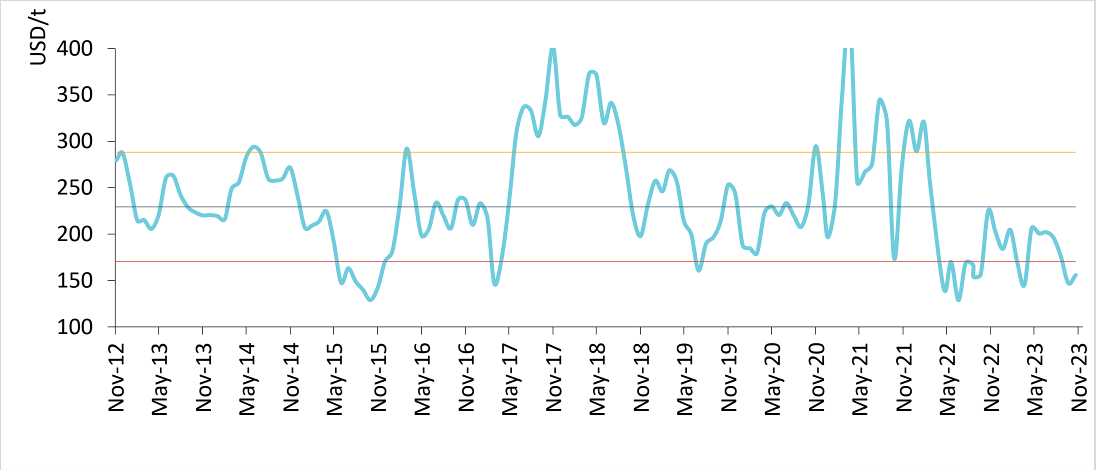
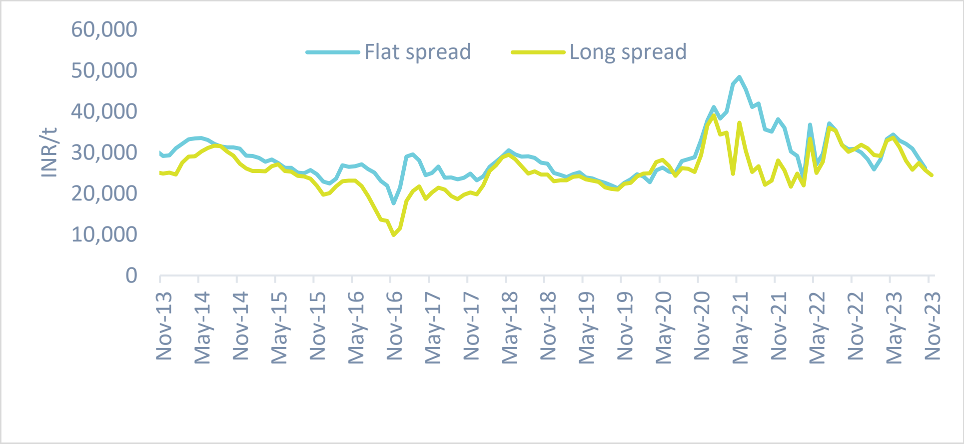
Metals: Chinese spreads at decadal lows

Chinese non-integrated steel producers' margins at 10 -year lows

China Steel spreads rises from lows; still near to decade low



Indian steel producers margins-near o 10 year average

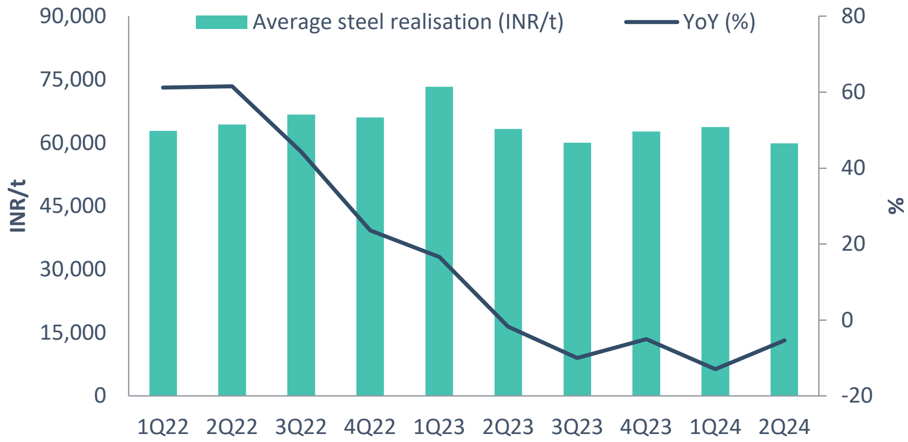


Contrary to that, Indian steel producers' margins are near to 10-year average. The domestic prices are at premium to landed prices given the healthy demand-supply scenario

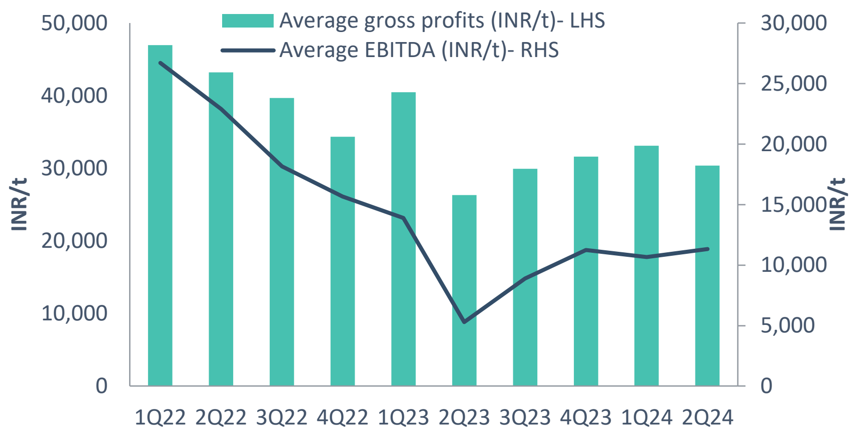
Source Bloomberg

Metals: Balance sheets remain healthy

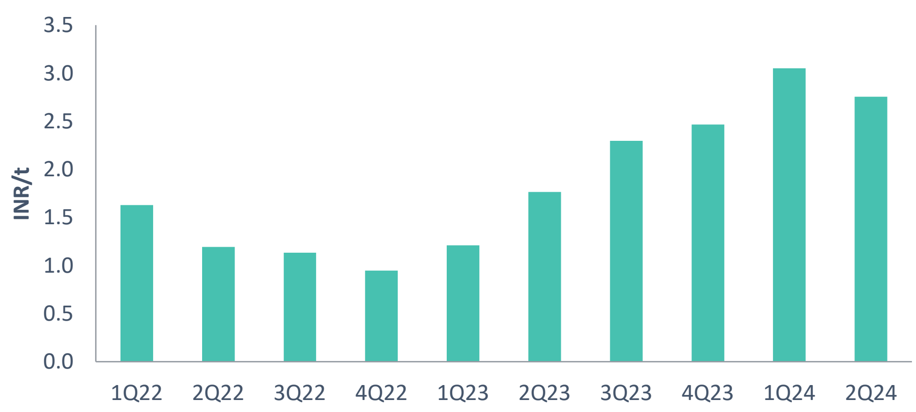
India steel realization sustaining around Rs 60k/t



Profitability for the Indian producers rise from lows



Net debt to EBITDA on the rise but within comfortable limit



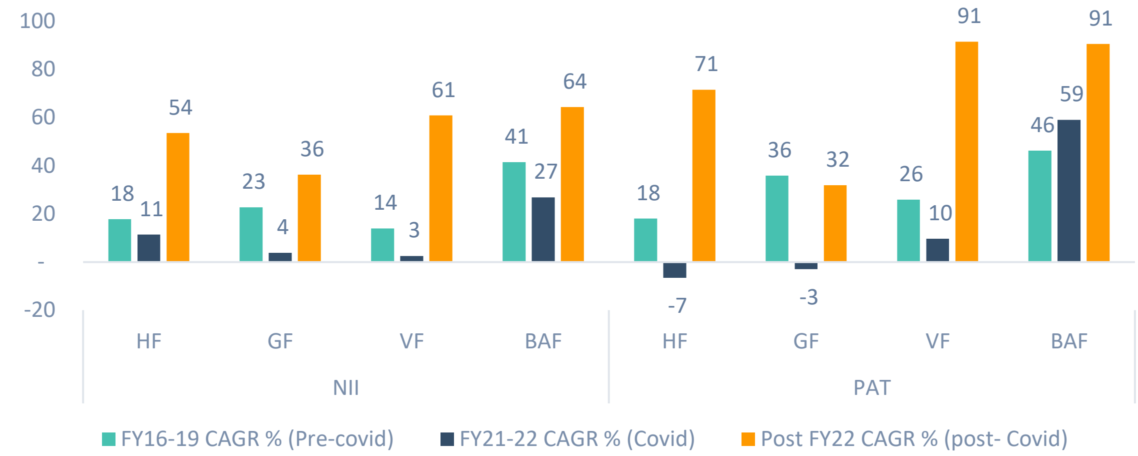
Debt (Net debt/EBITDA) increases amid ongoing brownfield capex, how the same is not alarming

DSP Representative set of 4 steel companies

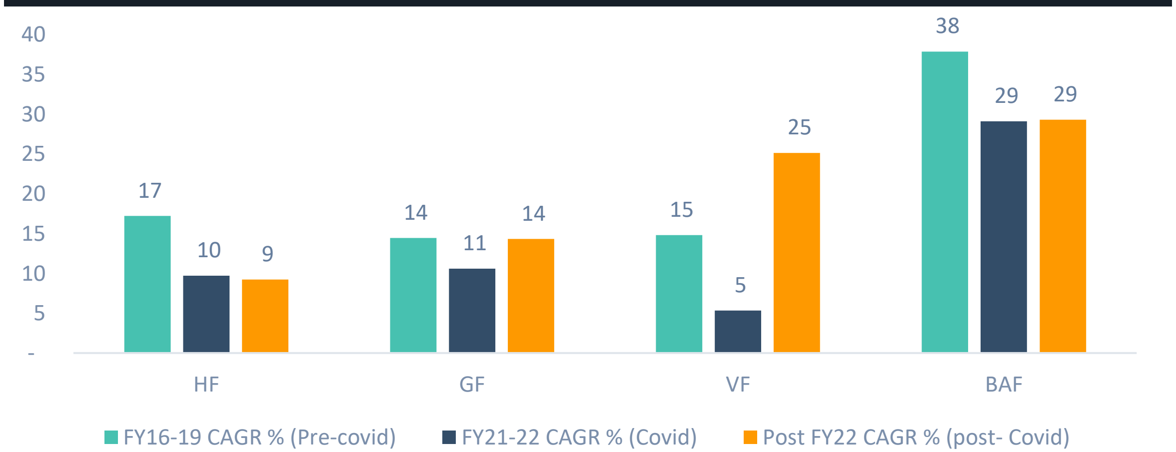
NBFC: Steady operating performance

Earnings have been healthy post covid on the back of benign credit cost

NII/PAT trajectory



Asset under management



Growth has been holding up despite passing on the Cost of funds increase.

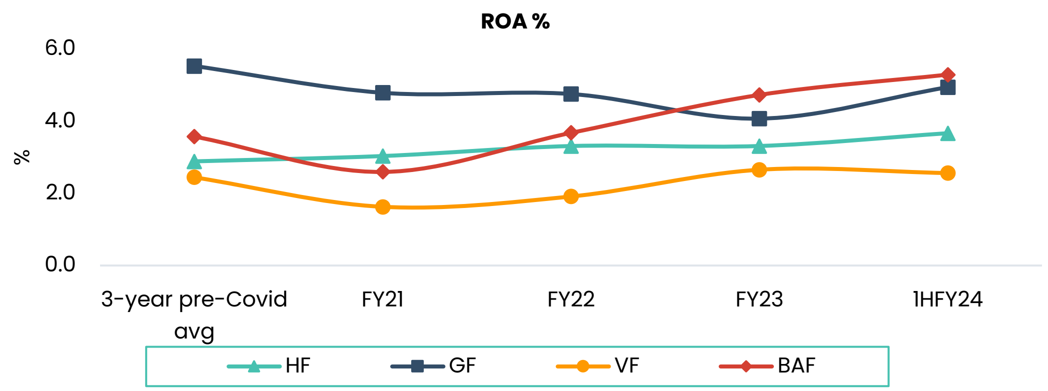
HDFC Ltd figures have been excluded for like-to-like comparison

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

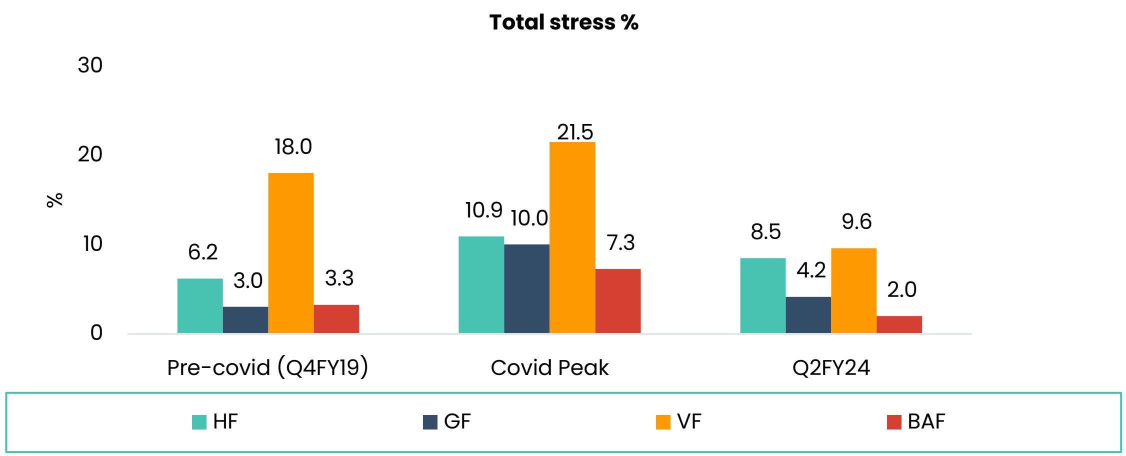
NBFC: Overall stress is moderating

Gradual inch-up in profitability except Gold fin (yields have structurally come down). Also 1H is usually muted for VF.

Return on Assets



Total stress



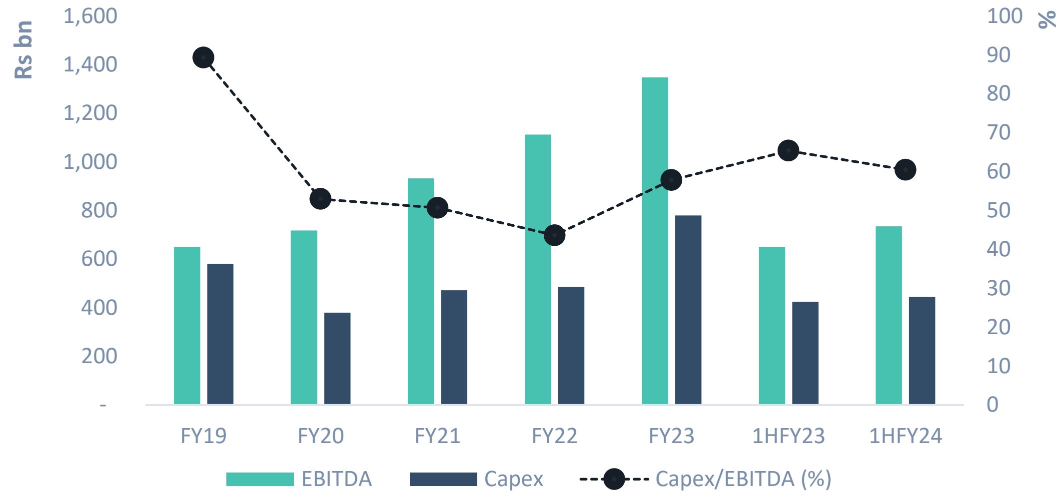
Stress levels below pre-covid levels for VFs. Rest gradually coming down

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

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

Telecom: Subscriber base remain stable despite price increases

Operating profits vs Capex



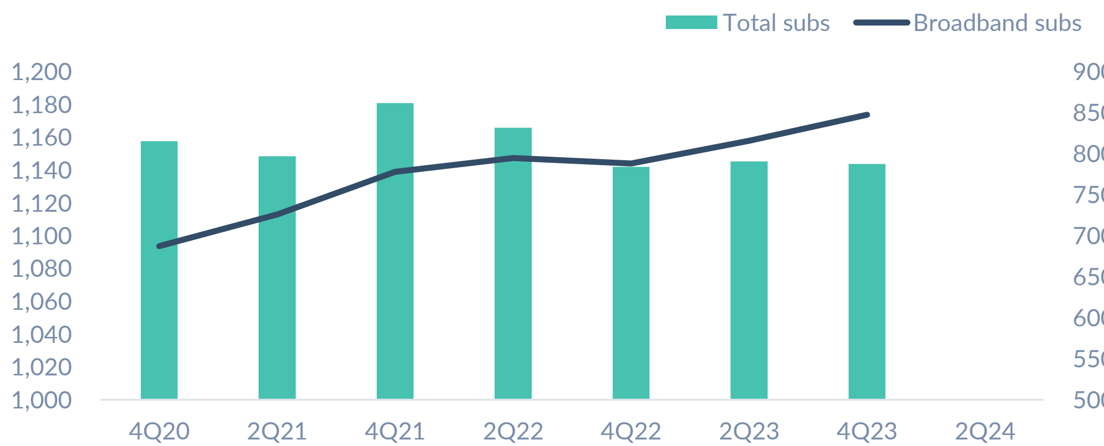
Capex to moderate as operating profit continues to ascend

Broadband subscriber penetration continues to increase. Total subscriber base remains largely stable despite multiple price hikes

Tariff increase history

Onwards	User Cohort	Price hike
3Q19	2G	Free incoming service was halted. Minimum recharge became mandatory.
3Q20	4G	25%+ rate card hike
1Q22	2G	Minimum recharge increased to Rs79
3Q22	4G	~20% rate card hike
3Q23	2G	Minimum recharge increased to Rs155

Subscriber base continues to remain stable



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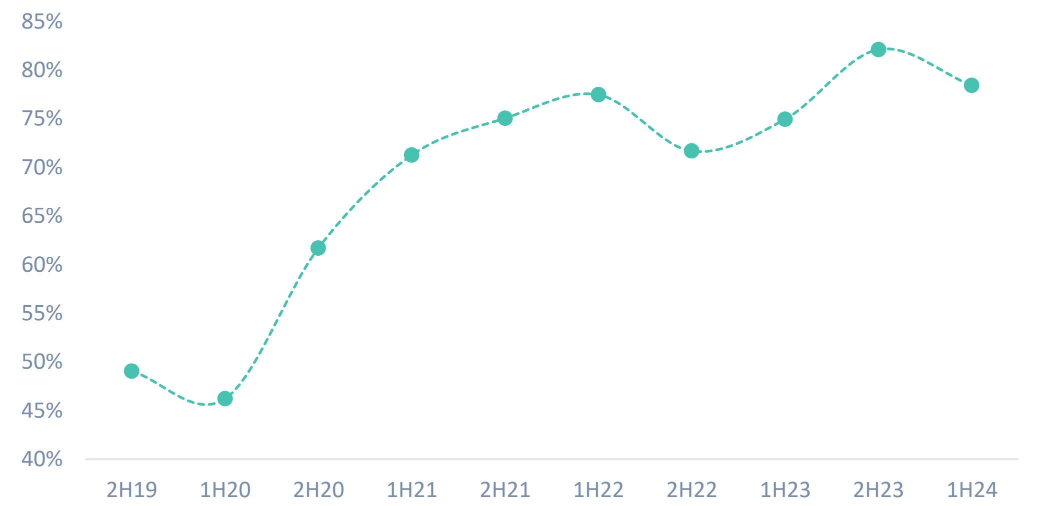
Telecom: Majority of debt owed to Government

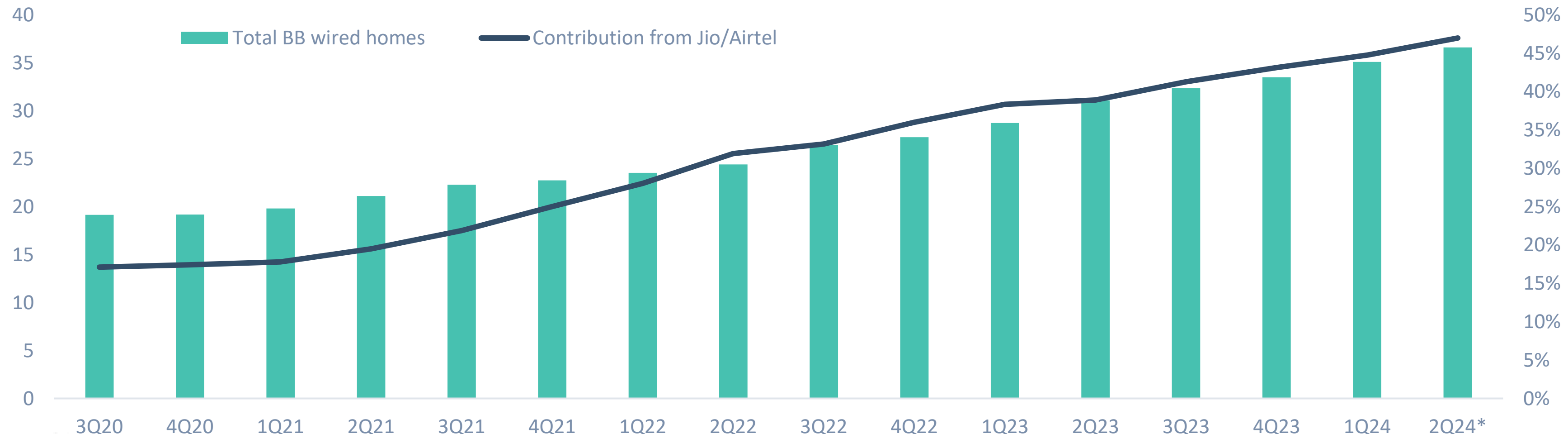
Majority of debt is owed to government for spectrum/AGR. From ~50% of debt owed for spectrum in FY19 to ~75% in FY22 , we are at ~80% now.

We have added nearly as many homes in last four years as we did since the beginning of wired broadband in India

Majority of debt is owed to government for spectrum/AGR



Strong growth in wired broadband



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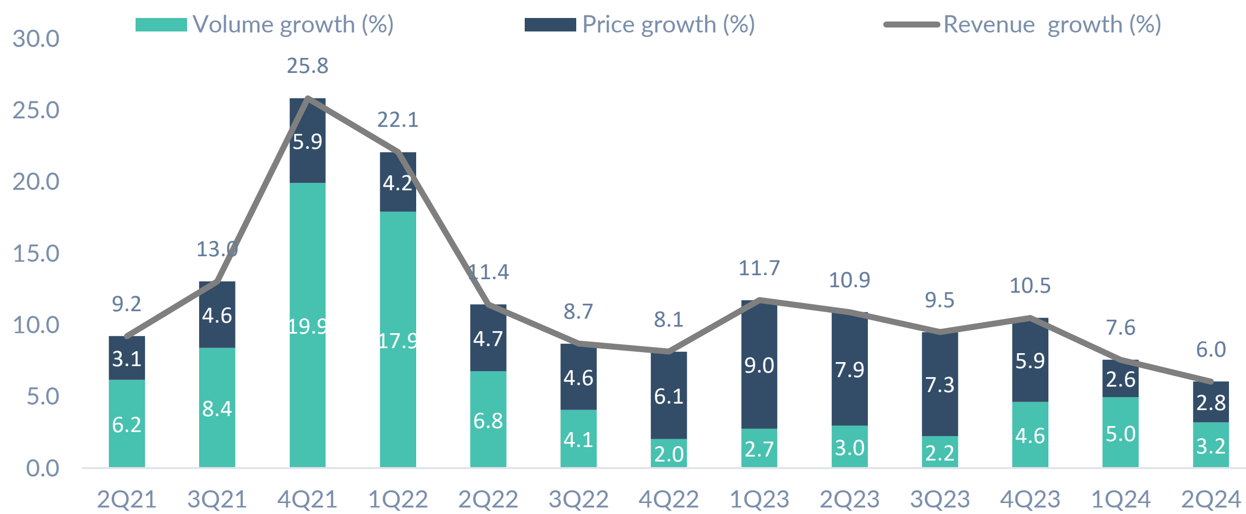
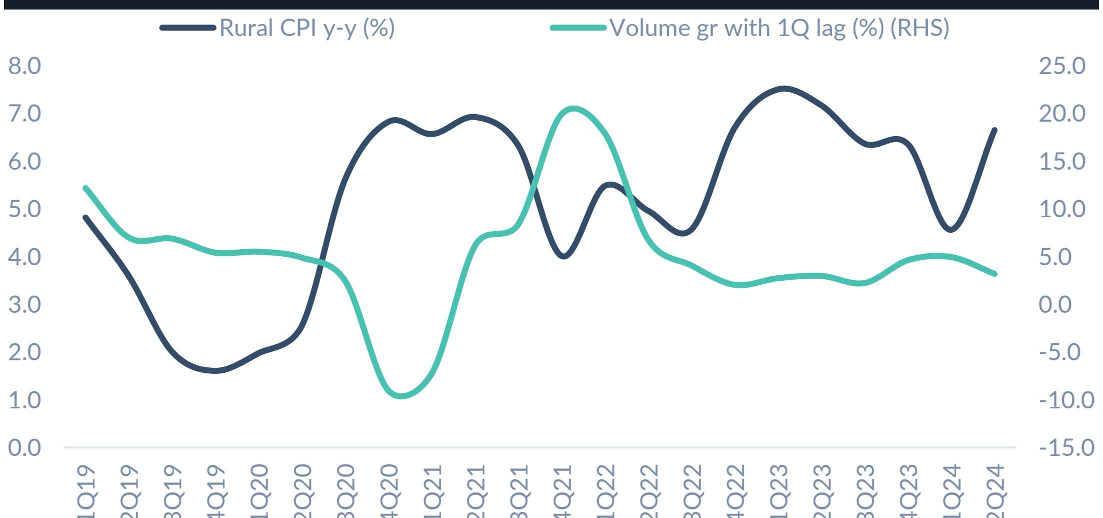
Staples: Revenue growth continues to moderate

One leg of revenue growth i.e pricing is fading away as cos have stopped taking price hikes, while some categories have seen price cuts – leading to lower revenue growth for the sector

Volumes not as strong while pricing growth moderating down – impacting overall growth



A higher rural inflation impacts FMCG volume growth

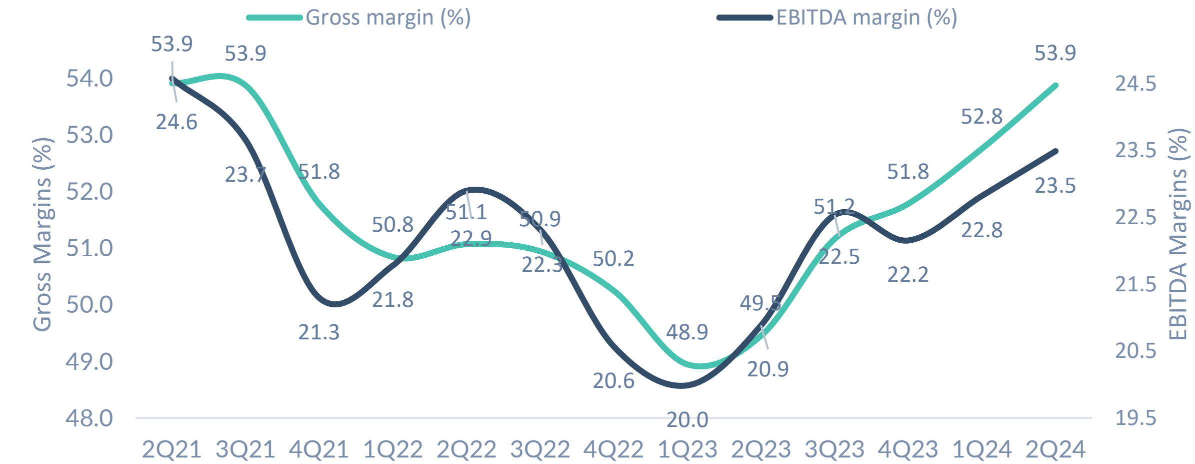


Rural inflation started to rise again impacting FMCG volumes. This along with lower rural wage growth seen recently can put additional pressure on FMCG volume growth

Based on a representative set of 11 FMCG companies

Staples: EBITDA Margins still below pre-Covid levels

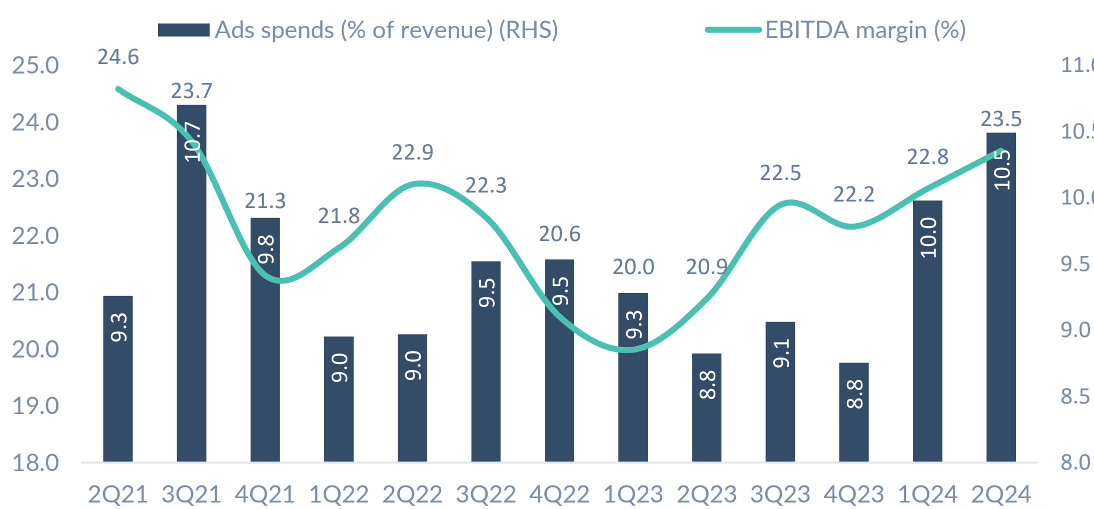
Gross and EBITDA Margin improving but still below pre-Covid levels



Despite improved gross margins from lower commodity costs, increasing expenses, notably in A&P and other areas, have widened the gap between Gross and EBITDA. Consequently, EBITDA margins remain impacted, lagging pre-Covid levels

Moderating commodity prices have aided gross margins however the same is not reflected in EBITDA margins due to higher competitive intensity and higher A&P spends

Ad spends seeing an step-up increase to fight unorganized players

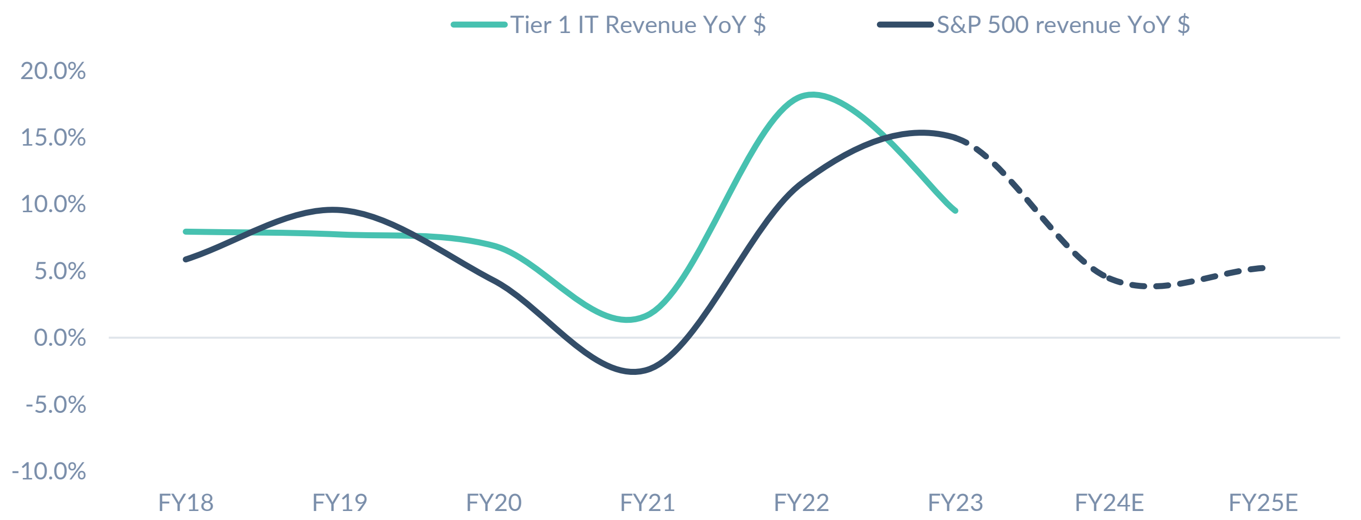


Based on a representative set of 11 FMCG companies

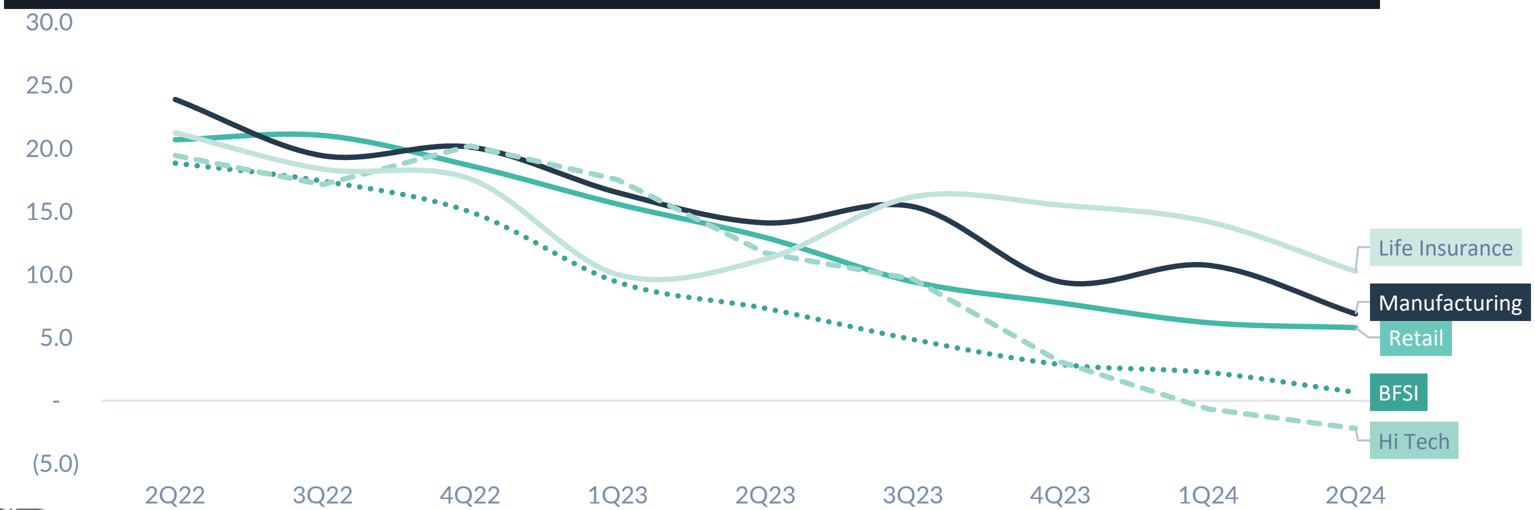
IT: Broad-based slow down

Indian IT firms saw revenue decline or slow growth in consecutive quarters, primarily due to weak discretionary spending in North America and Europe, especially in financial services, telecom, and hi-tech sectors. Cancellations, delays, and shifting priorities continued to impact discretionary spending

IT revenues correlated to S&P 500



Slowdown across key verticals

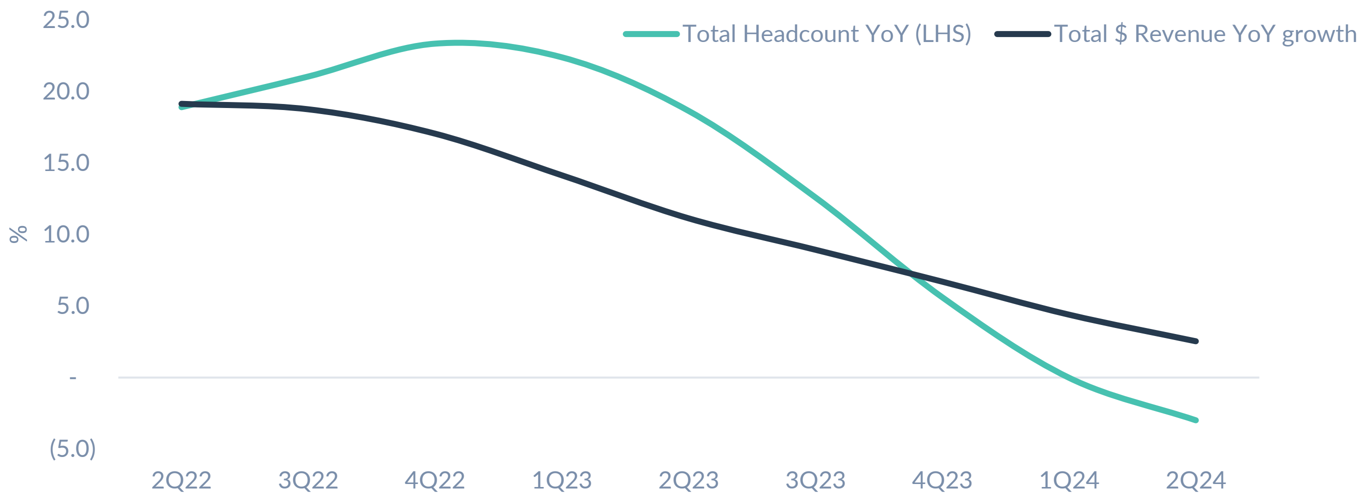


Based on key verticals reported by top-5 companies

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).

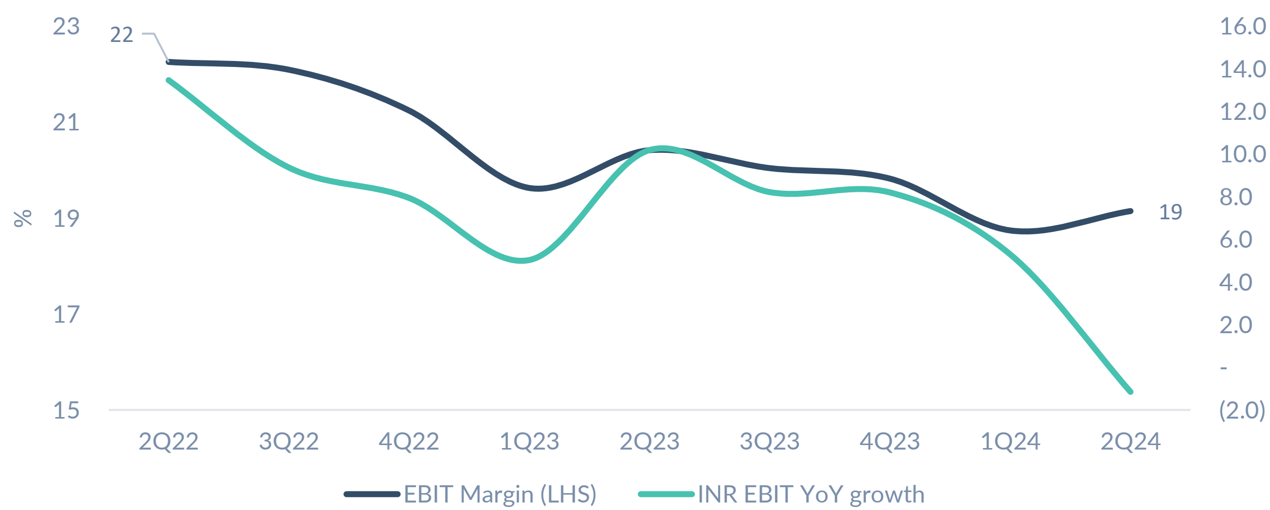
IT: Headcount turns negative sequentially

headcount declined sequentially



Emphasis on cost control has been heightened, resulting in increased profit margins and providing a buffer against challenges in revenue growth.

EBIT margins normalising



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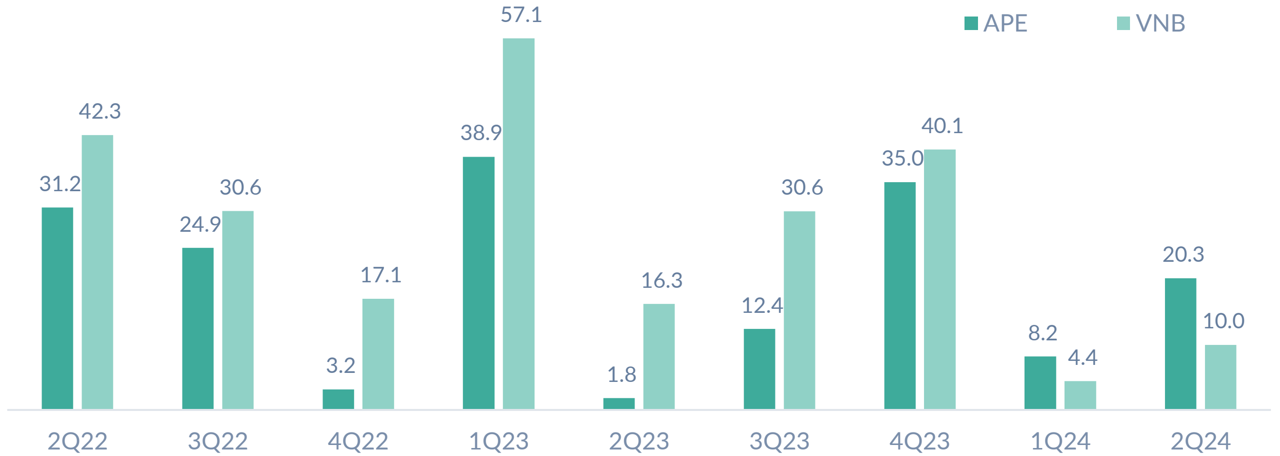
Life Insurance: Strong growth uptick in 2Q24

Growth pick-up strong in 2QFY24 as unit-linked products see tailwinds from positive equity markets, while impacting VNB growth and margins negatively

YoY (%) APE and VNB growth



Key parameters – 4 yr CAGRs (%)

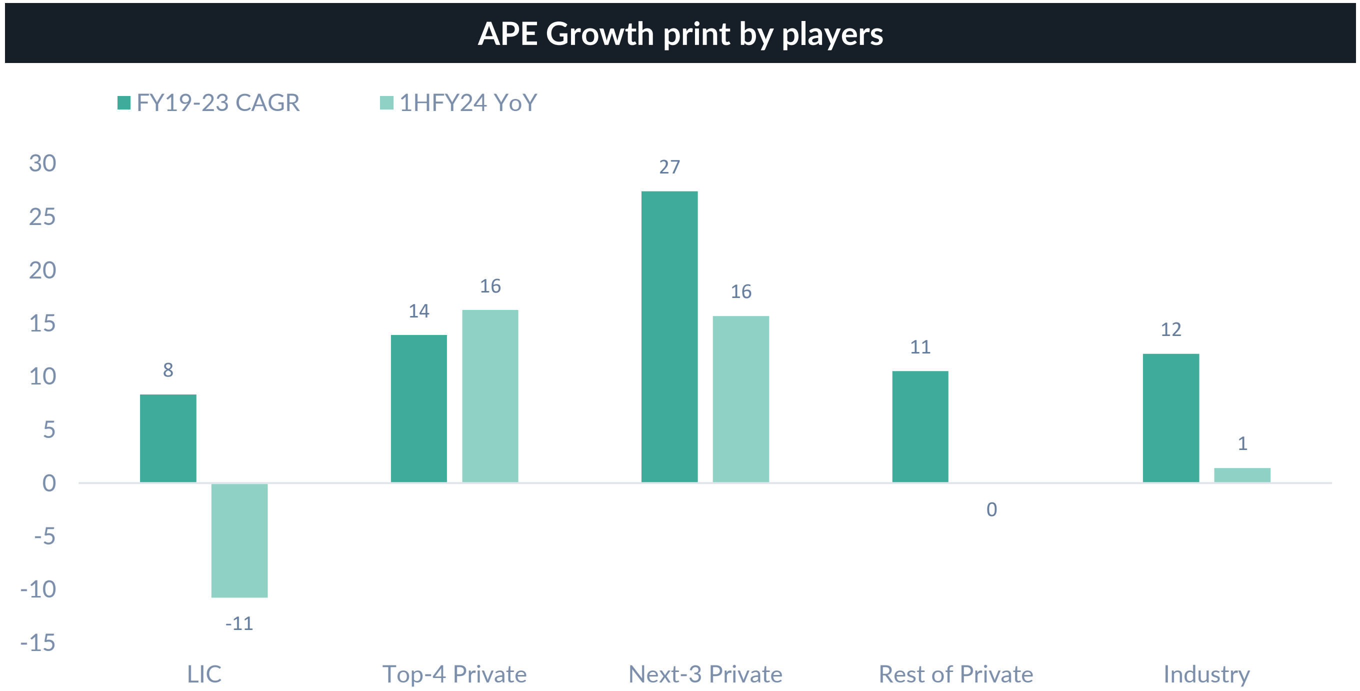
Parameters	1HFY24	
	1HFY20-1HFY24 CAGR	YoY
APE	10.7	15.2
VNB	16.4	7.7
EV	18.2	25.8
Retail Protection	6.2	37.2
Non par (Ind)	14.2	(11.2)
ULIP	5.0	27.4

FY24 will see normalization of margin due to product mix change as non-par segment sees some impact of taxation-change along with strong ULIP demand

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

Life Insurance:Top-4 companies gaining market share

Industry growth has been largely driven by top-7 private life insurance companies, with top-4 players taking a slight lead in 1HFY24

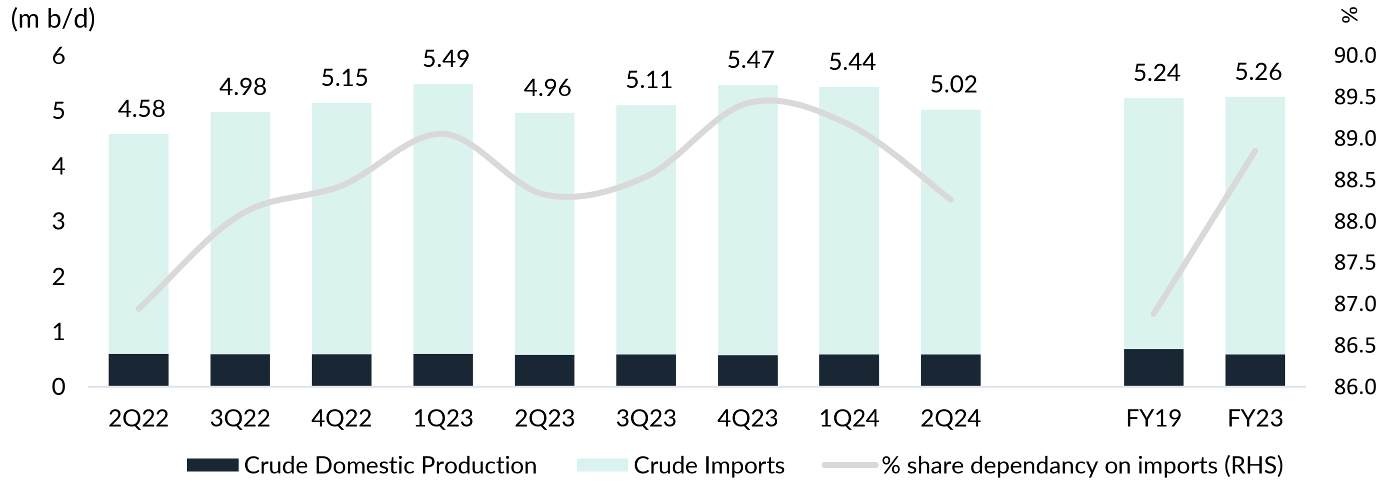


Note: Top-4 private players include SBI Life, HDFC Life, ICICI Pru Life and Max Life. Next-3 private players include Tata AIA, BALIC and ABSL Life.

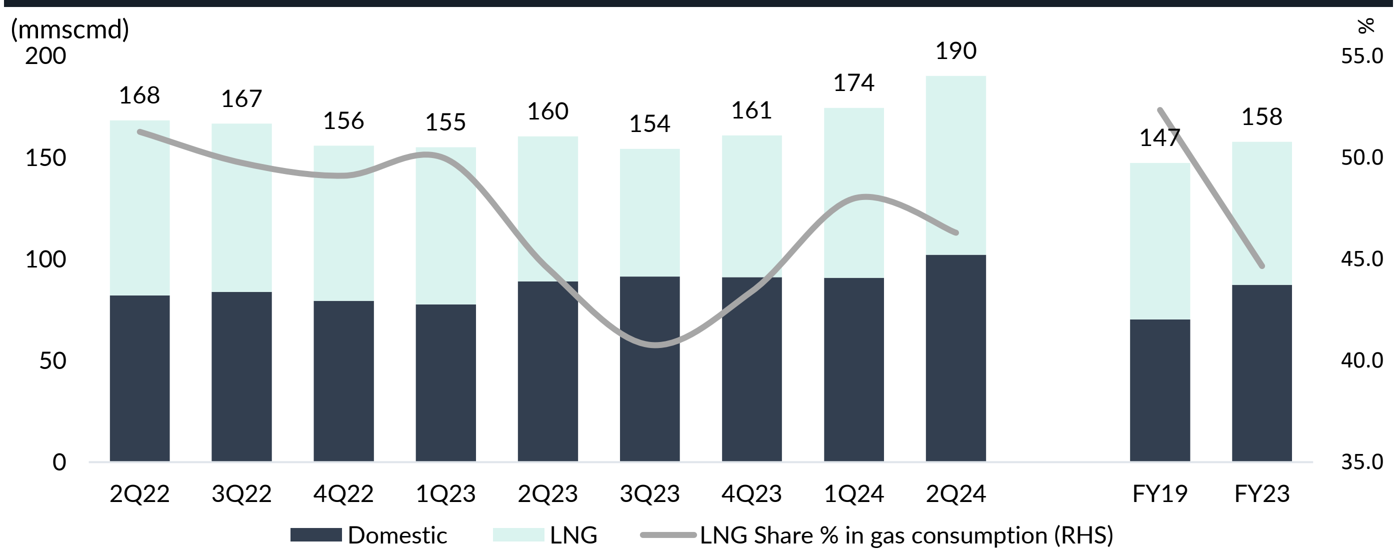
Energy: LNG import rises on softening LNG prices

Import dependency of crude continues to be high, Russian discounted sourcing hovering at 35-40%

Oil consumption trends (mb/d)



Gas consumption trends (in mmscm/d)



Overall gas consumption has grown at 4-yr CAGR of 2%, the dependence on imported LNG has started to increase due to cool-off in prices

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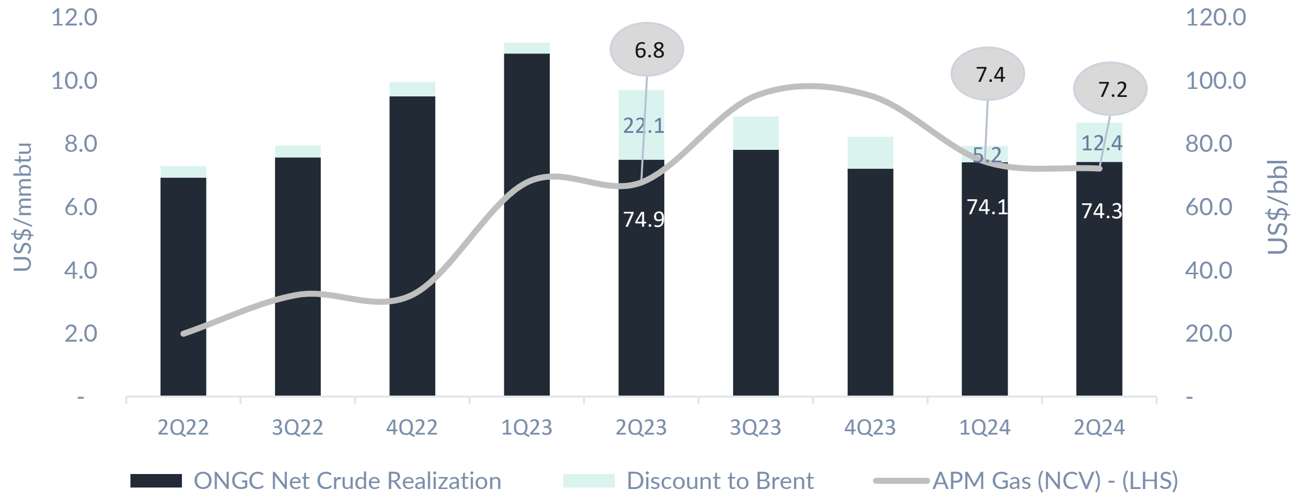
Energy: Dom-Gas realisations stabilise, Marketing margins decline

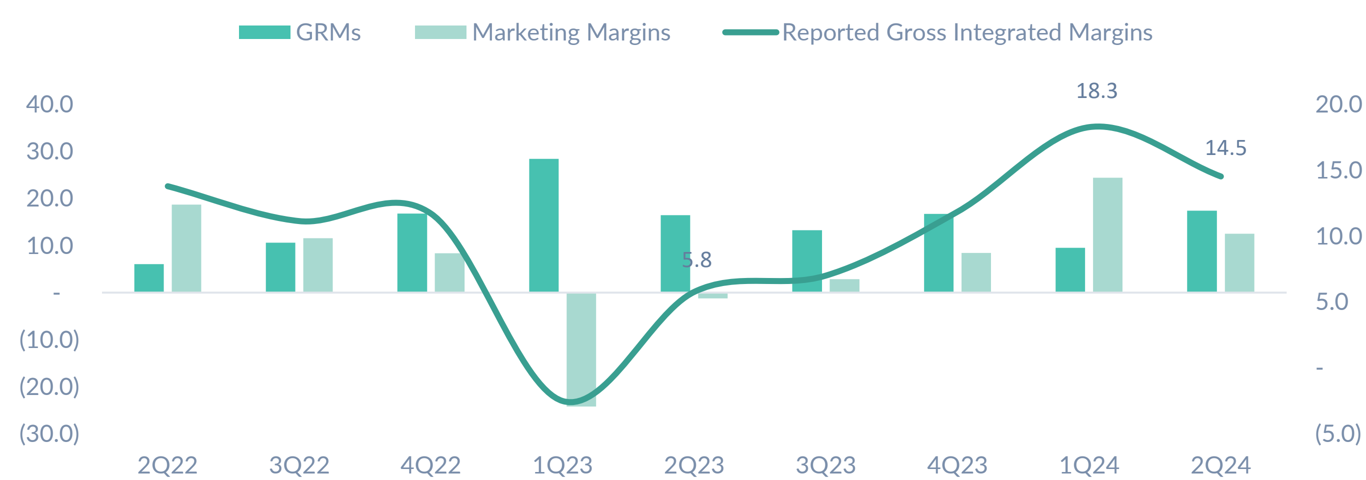
Upstream: Oil and Gas realization trends



Brent prices are at US$80-85/bbl levels, while APM Gas Prices have stabilized being fixed at US$6.5/mmbtu GCV post Kirit Parikh panel recos being accepted

Integrated Margins (Refining + marketing - US$/bbl), refining was strong due to inventory gains while marketing margins were weaker QoQ in Q2

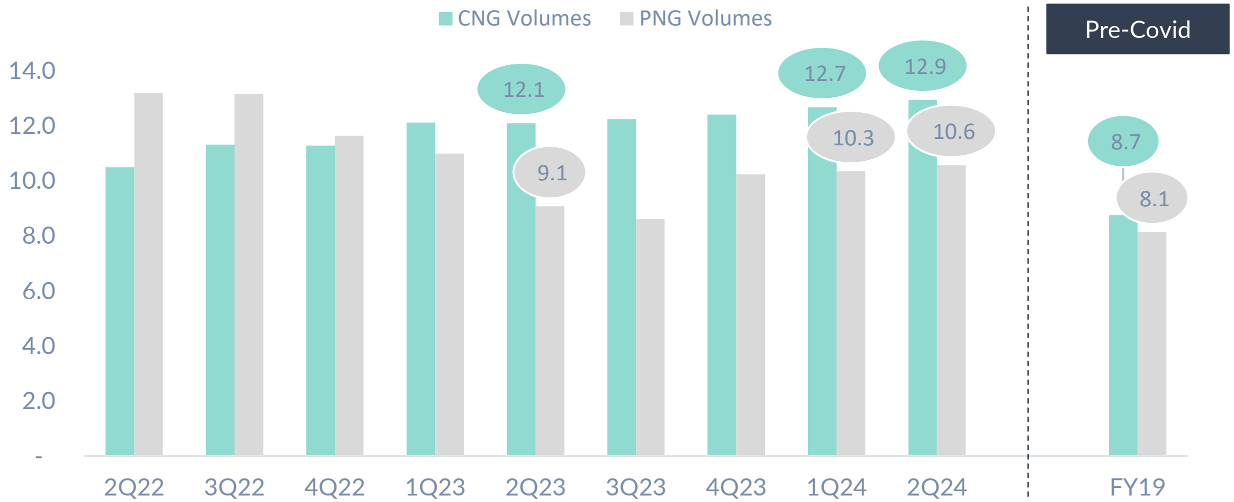
Oil Marketing Companies: Integrated marketing margins (US$/bbl)



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

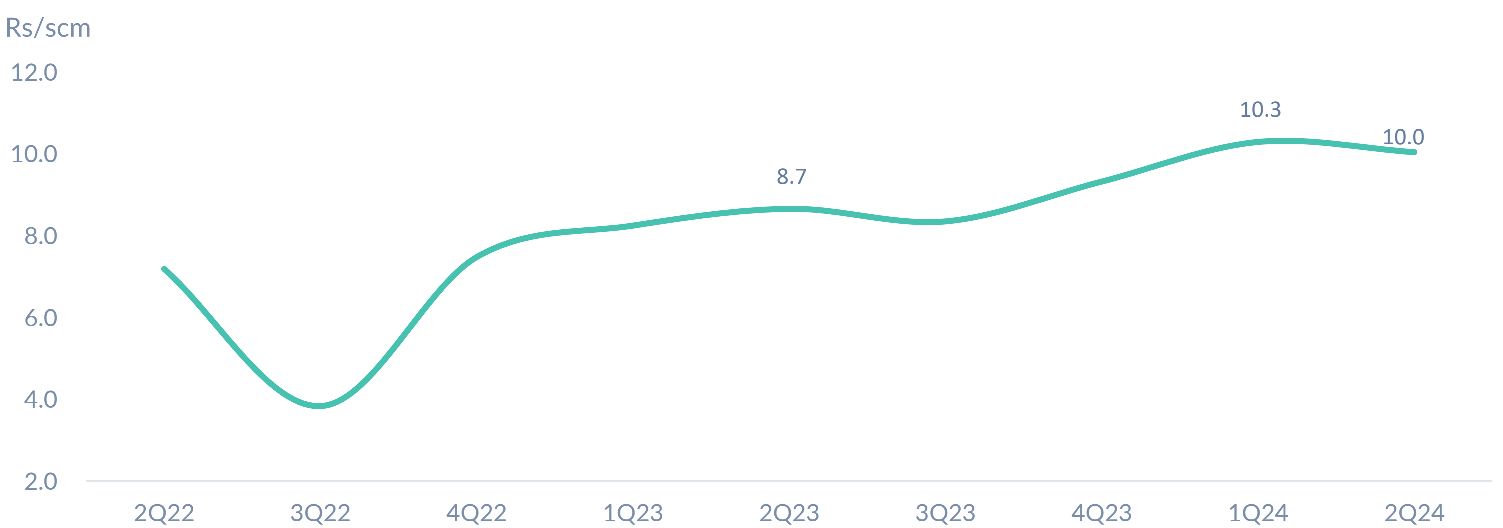
Gas Utility: Volumes range bound, Lower gas prices support margins

Volumes: CNG volumes improve steadily; despite lower differentials



Key CGD utilities witnessed range-bound CNG sales volume growth in Q2, margins were steady due to reverse leverage and stable gas prices

Blended EBITDA Spreads: Aggregate margins continue to improve with falling LNG



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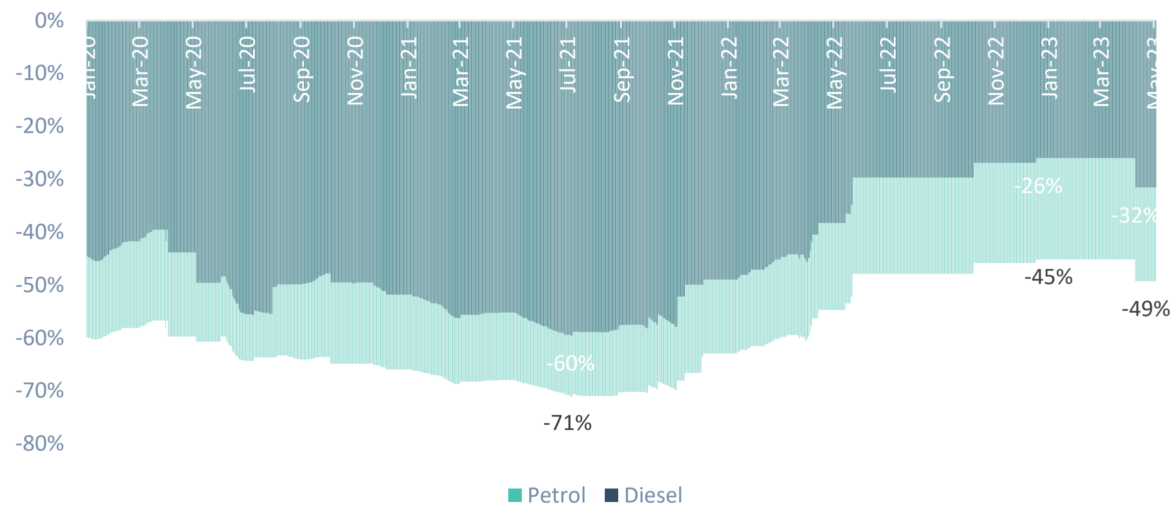
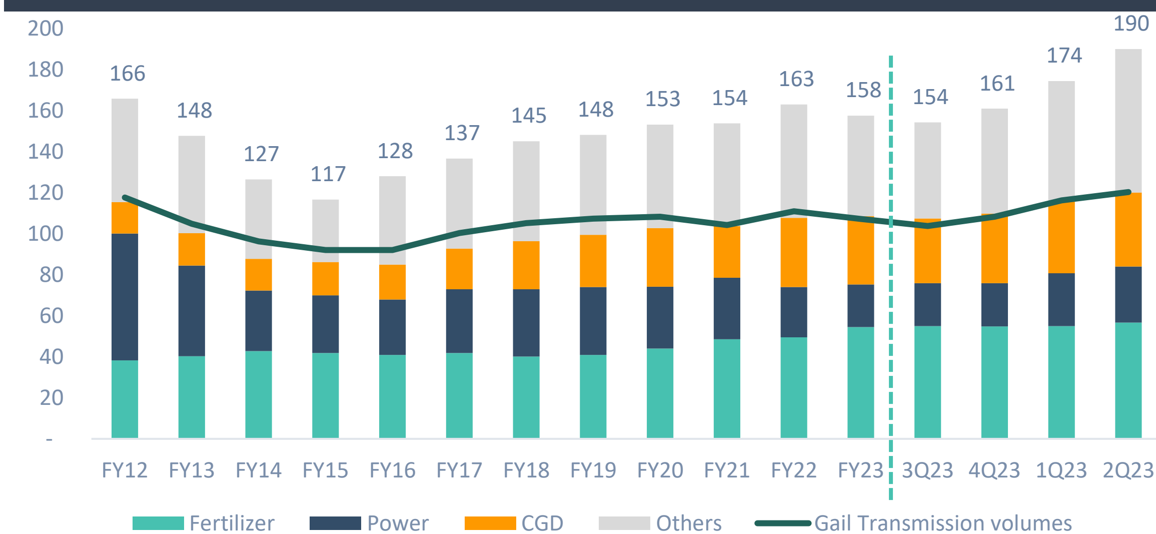
Gas Utility: Gas transition volumes recovering

Differential of CNG prices vs petrol and diesel reduced, however economics remains favorable for decent volume growth

Volumes: CNG differentials narrow



Gas Transmission segment recovering



The gas consumption volumes for India have stagnated over last 10 yr as power volumes in mix declined sharply. With power volumes in base, increasing domestic gas availability and tariff reforms transmission companies are likely to benefit

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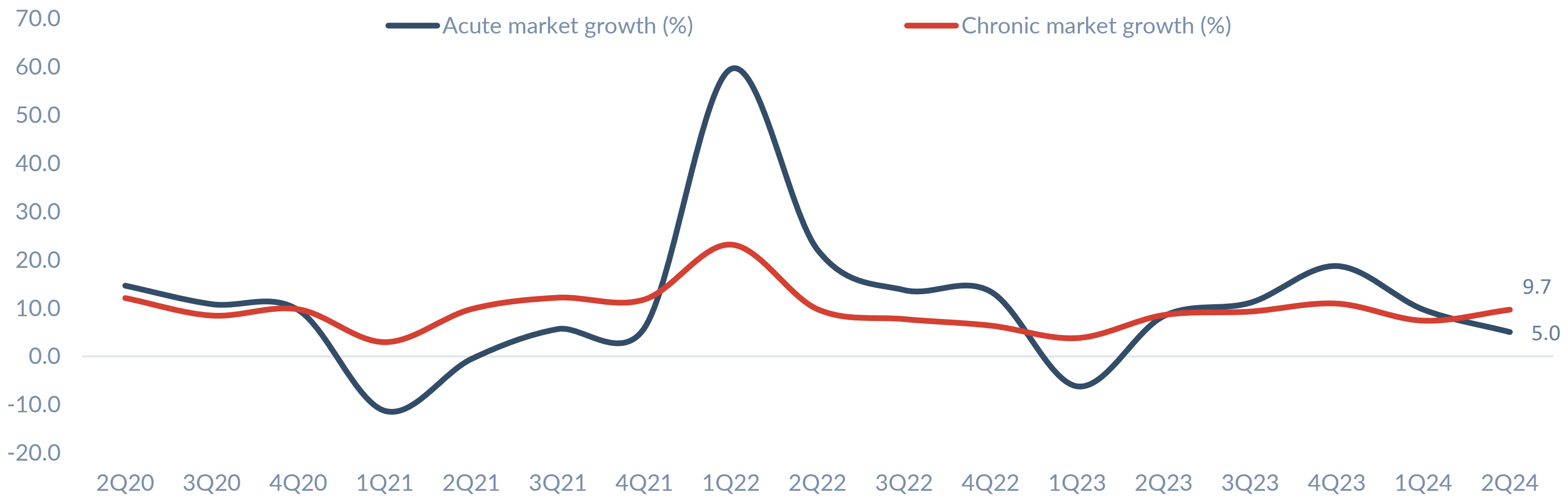
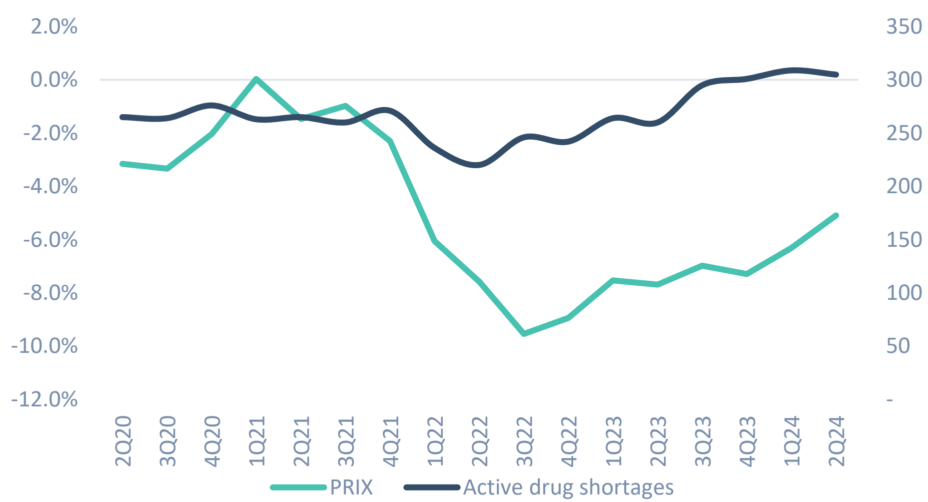
Pharma: US business going through an upcycle

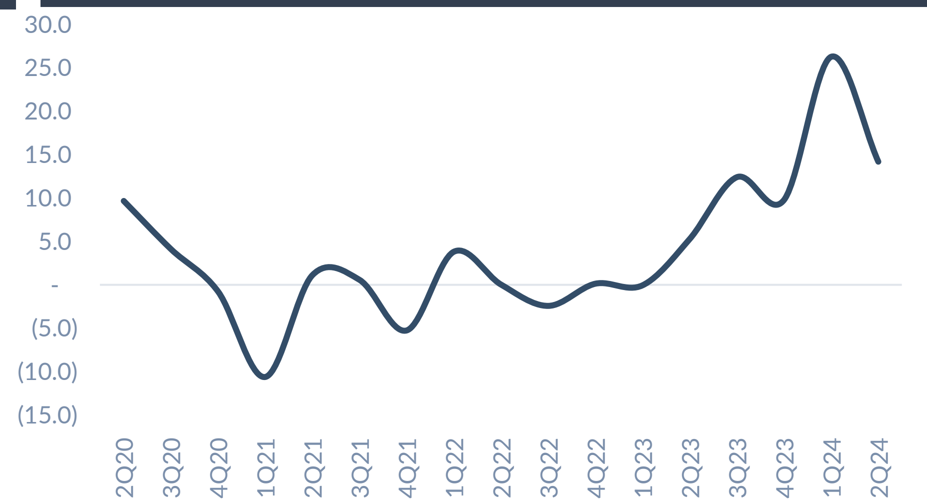
Lackluster season for acute care has led to lower than trend growth in India businesses



Drug shortages in US are increasing leading to better pricing



US generics reviving on new launches and better pricing

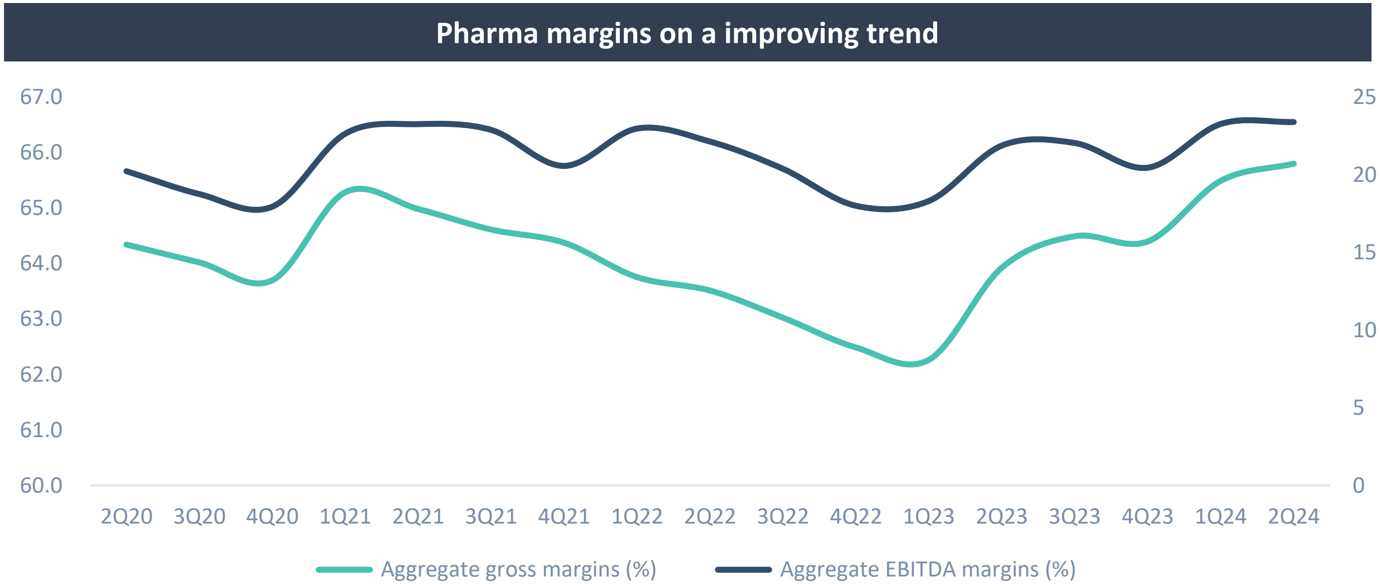


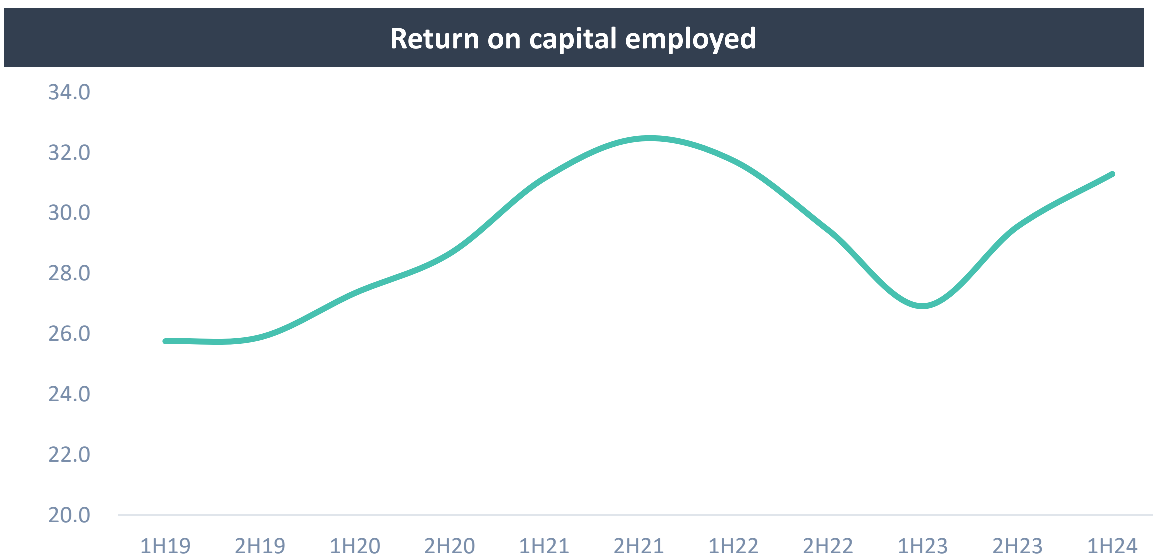
*Source: Investec

*Representative set of 18 Pharma companies

Pharma: Margins at a new high

Margins are reverting back to mean levels on back of price increase in India, softening of RM cost and operating leverage in US





Better asset sweating and overall improvement in margins is driving pre-tax RoCE to above 30% levels

*Representative set of 18 Pharma companies

SUMMING UP…

KEY HIGHLIGHTS

- Revenue growth moderates sequentially due to moderating commodity prices.
- EBITDA margins are aided by the moderation in commodity prices.
- Profit growth has been robust at an 18% 4-year CAGR.
- Aggregate ROE is 400 bps higher than pre-COVID levels.
- Net debt has come down after peaking in 2Q23.
- Corporate capex increases sharply on a year-on-year basis

SECTORAL TRENDS

- Within financials, NBFCs witness earnings upgrades and remain cheaper vis-à-vis pre-pandemic levels.
- Operating metrics remain weak for IT and consumer staples, and the contribution of both these sectors remains at lows.
- Chinese steel spreads are at record lows, yet the balance sheets of steel companies remain healthy.
- Expectations for volume growth in the cement industry are high to maintain current utilizations.
- Pharma margins rebound due to the US market recovery

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