YES SECURITIES INSTITUTIONAL EQUITIES

Q2 FY23 Earnings Preview

YES Sec universe (Ex Financial & OMC): Topline to grow 21% Y/Y

- Topline growth of 21% (ex-financial & OMCs) is largely driven by sectors like Automobiles and IT, while energy & consumption estimated to witness strong double-digit growth. Performance in 8 out of 11 sectors is likely to see >15%+ growth rate in the quarter, indicating that revenue growth is pervasive.
- Q2 will mark fifth consecutive quarters of contraction in operating margins on y/y basis. However, margins are likely to expand by flat sequentially, indicating that signs of bottoming out in EBITDA margins. Auto sector is also likely to witness an expansion, reversing four consecutive quarters of erosion. On the negative side, Cement, Building Materials, Pharma & IT are likely to witness margin dip of 7.7ppts, 6.3ppts, 3.0ppts and 1.8 ppts y/y basis respectively.
- PAT growth of 10% is predominantly driven by Auto and Real Estate. While, Telecom is likely to report reduction in losses by ~66%, further supporting aggregate PAT. On the negative side, margin erosion in IT, Cement, Building Materials and Pharma is likely to suppress Net Profit margins, thereby dragging the PAT growth for coverage universe to a mere 10%.

For Financials: Steady credit offtake to translate into NII expansion of 14% y/y

- NII for Banks is expected to register a healthy 14.3% y/y growth, boosted by a decent uptake in credit demand. Even though PPoP is likely to register a growth of 7.2% y/y, rising inflation and interest rates will prompt banks for higher provisioning given the anticipation of some degree of stress.
- NBFC & SFB are likely to witness strong growth both on topline and bottom-line by 24% & 31% y/y respectively.

Exhibit 1: YES Sec Universe: Stocks on the Radar

Sector	Earning Expectations	
	Strong	Weak
AMC		ABSL AMC
Pharma	Indoco	IPCA
	Alkem	Gland
Capital Goods	Apar Ind	GE T&D
	Triveni Turbine	
Infra	Capacite	VA Tech Wabag
	HG INFra	ITD Cementation
Cement	UltraTech	
	Sagar Cement	
	Dalmia Bharat	
Banks	Federal Bank	
	SBI	
Life Insurance	SBI Life	
IT	Infosys	Tech M
Consumer Durables	Blue Star	
	Crompton	
Real Estate	Presitge Estate	
	DLF	
Building Material	GreenPanel	Finolex Ind
	Cera Sanitaryware	Prince Pipes
Telecom	Airtel	Vodafone
	Indiamart	
Oil & Gas	IGL	Reliance Ind.
NBFC	Ujjivan SFB	
	SBI Cards	
	Manappuram	
	LIC HF	

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

Exhibit 2: Revenue growth estimated to clock 20%+ y/y, primarily driven by Energy, Auto and IT

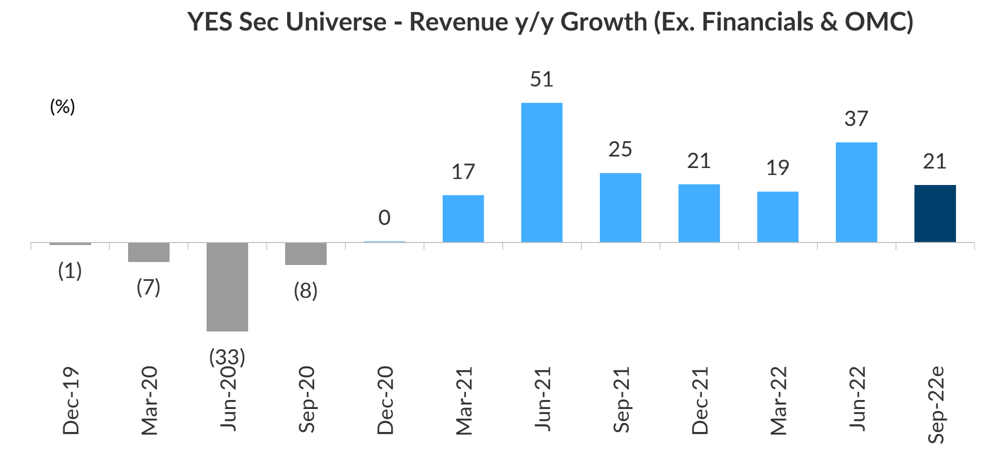
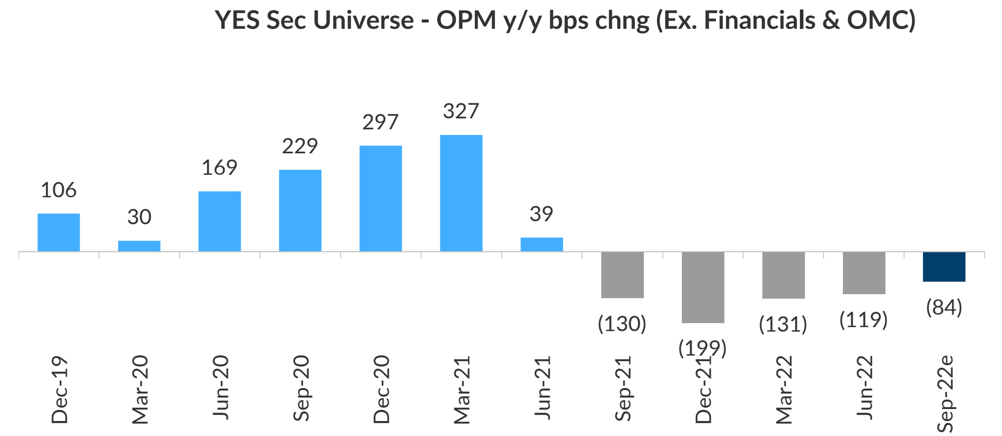


Exhibit 3: ...Q2 margins likely to contract, making it the 5th straight quarter of decline...



Note: This calculation excludes Banks, SFB, NBFC, Life Insurance, General Insurance, Fintech.

Exhibit 4: ...however, on q/q basis Operating Margins are likely to remain flat, hinting margin contraction cycle may be nearing an end...

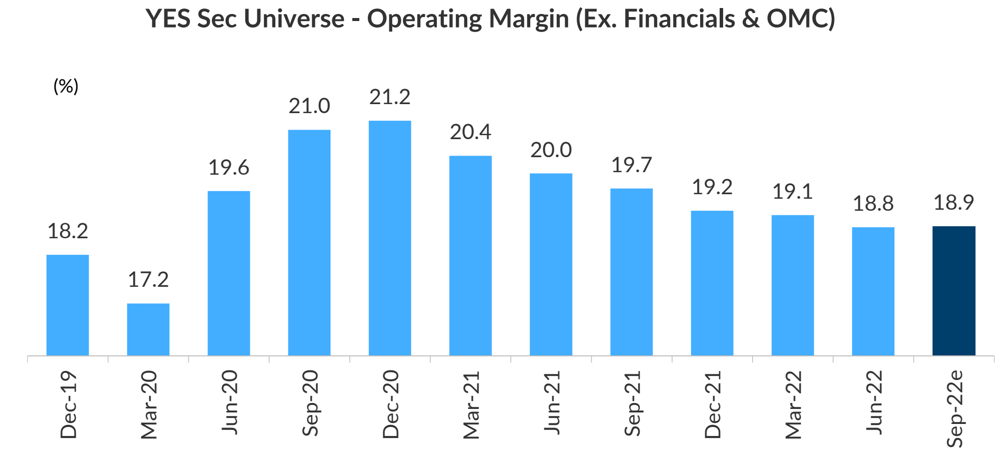


Exhibit 5: PAT to grow by mere 10%, dragged lower by erosion in NPM for IT, Oil & Gas, Cement and Consumer durables

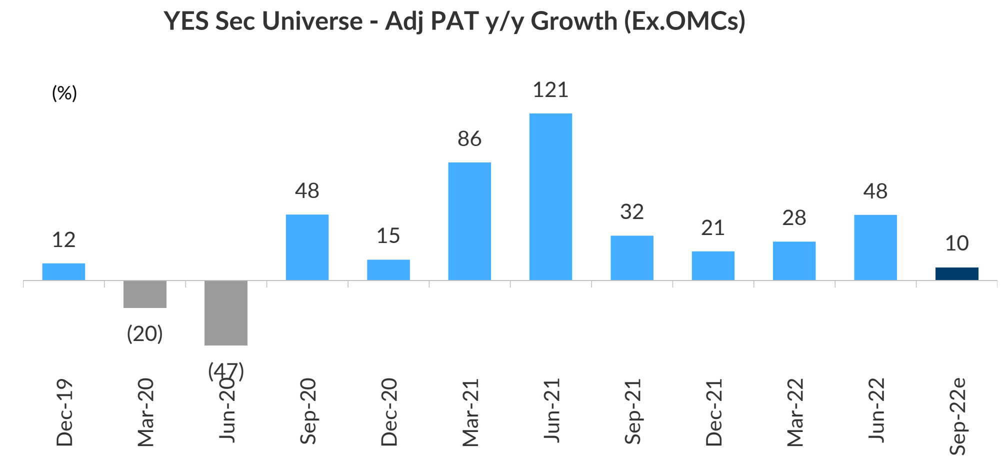


Exhibit 6: NII growth for Financials to be strong, thanks to steady momentum in credit offtake

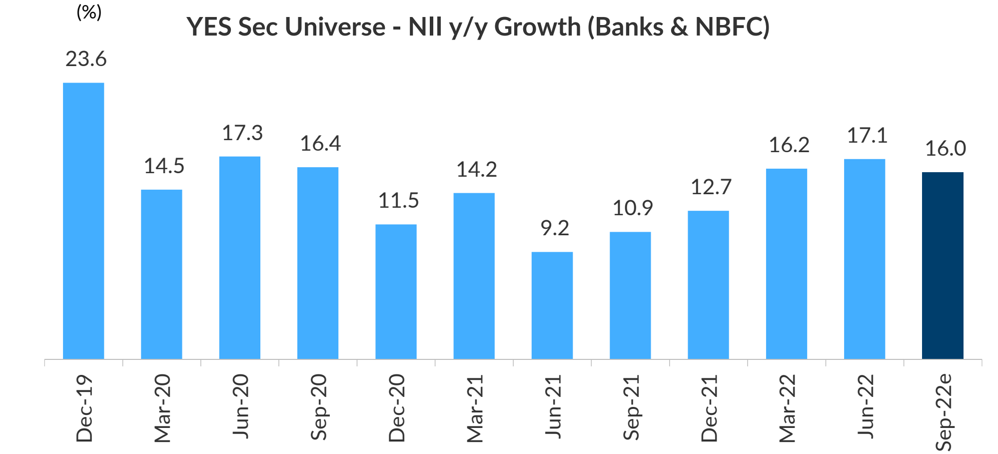


Exhibit 7: PPOP growth for Q2 likely to be better than the average of last 3 quarters, as losses on treasury operation is expected to be much lower than earlier feared

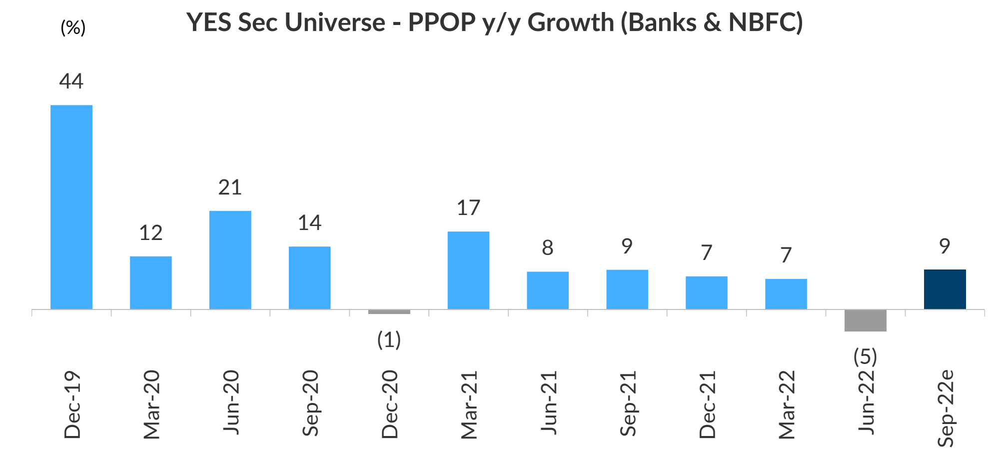
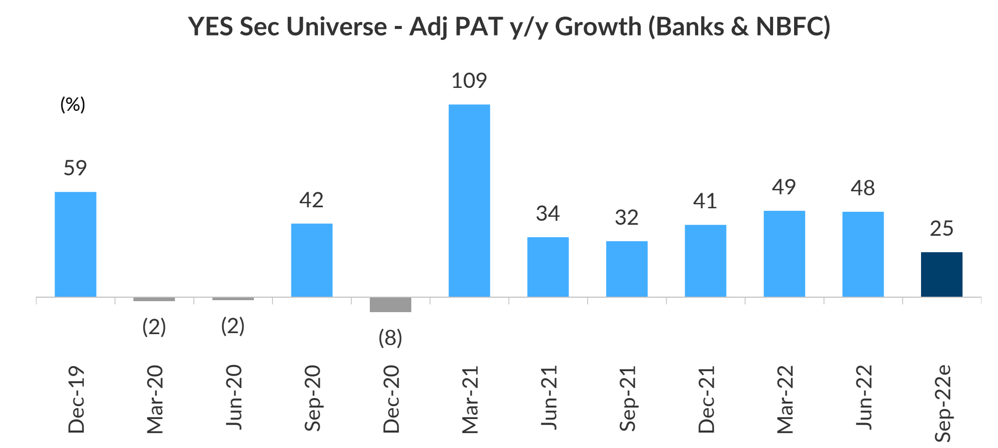
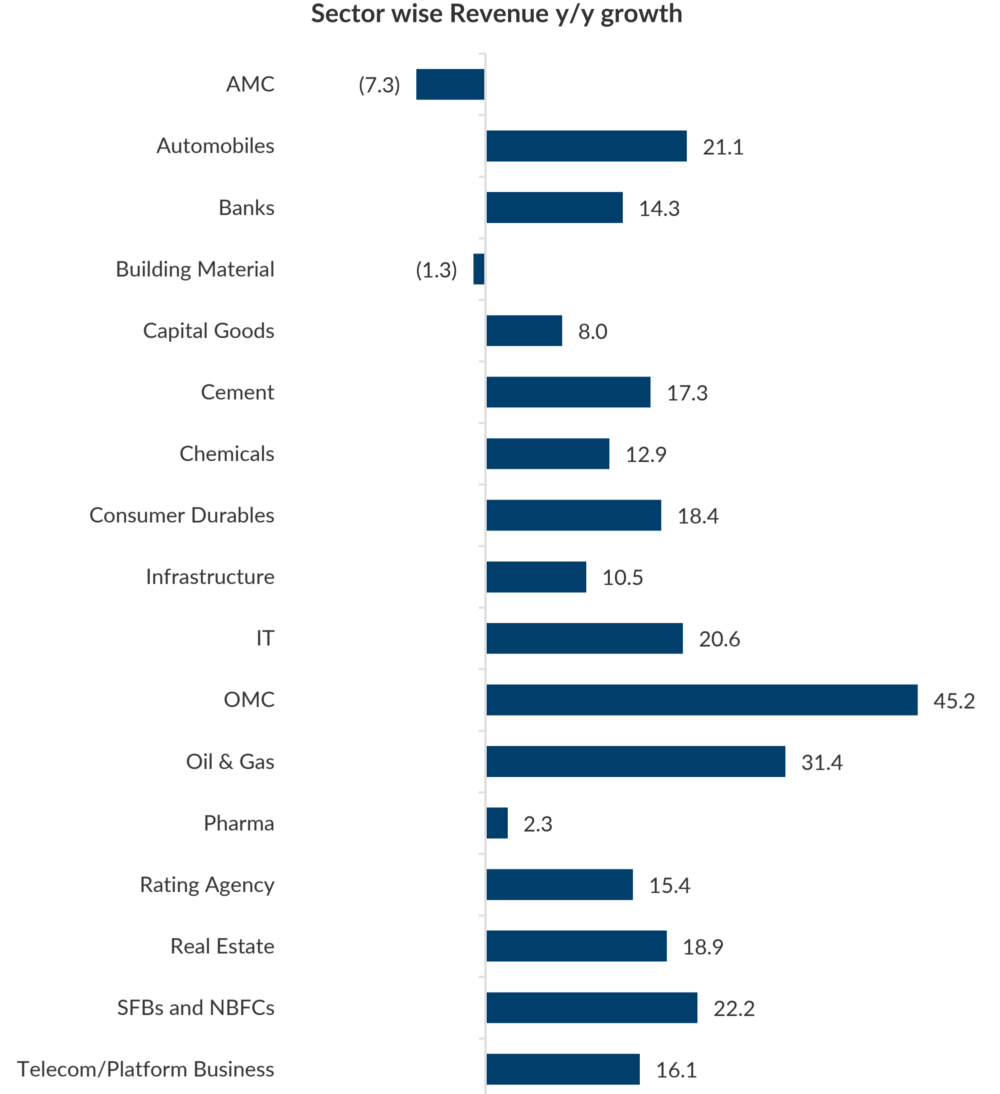


Exhibit 8: Bottom-line to notch 25% growth, lower when compared to the last 6 quarters. This is likely due to diluting impact of lower provisioning



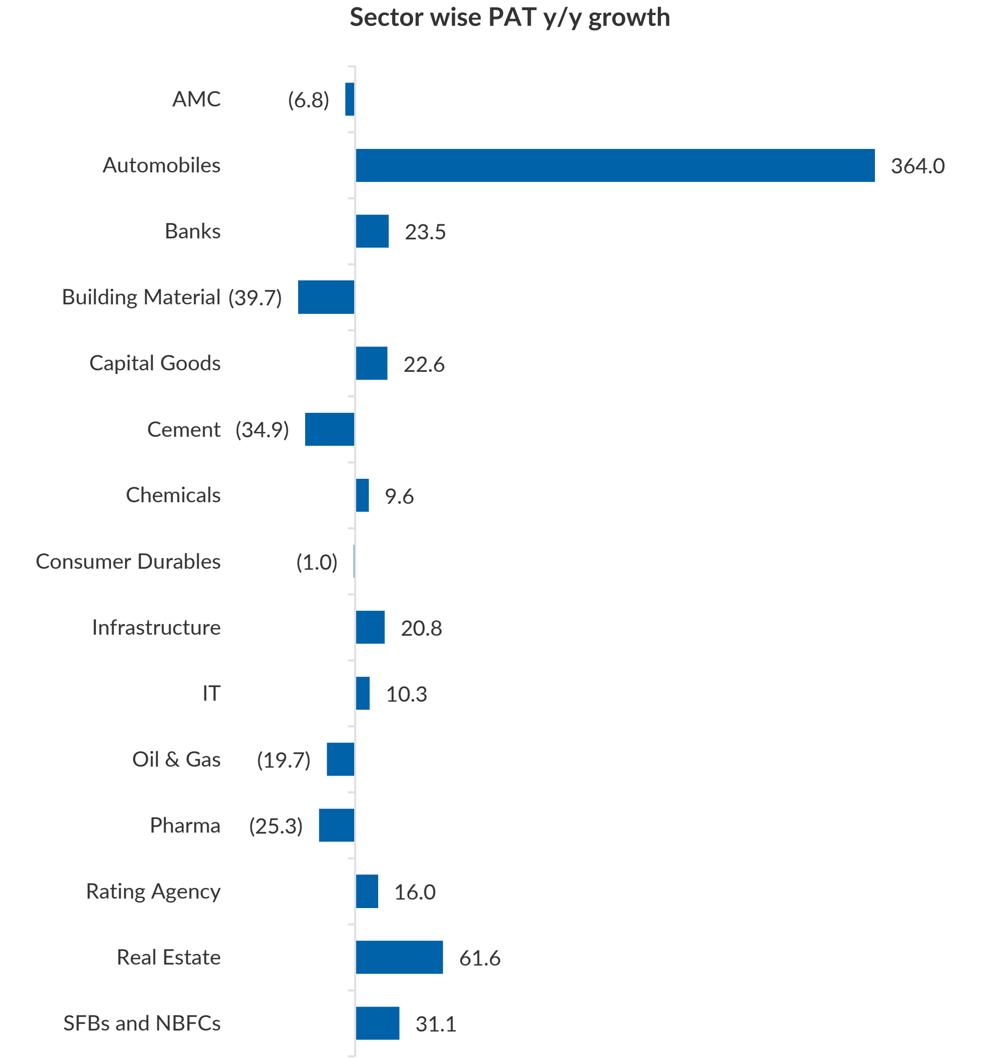
Note: This calculation excludes Life Insurance, General Insurance

Exhibit 9: Revenue growth exhibits mixed trend, Auto & IT shines



Note: 1. NII considered for Financials, NBP for Life Insurance, NEP for General Insurance while calculating revenues`

Exhibit 10: Earnings growth for Auto rebounds, as RM inflation/semiconductor shortage subside and demand for PV remains buoyant. Building Material/Cement and Pharma see sharp erosion in PAT



Note: 1. Considered VNB margins for Life Insurance Cos

AUTOMOBILE

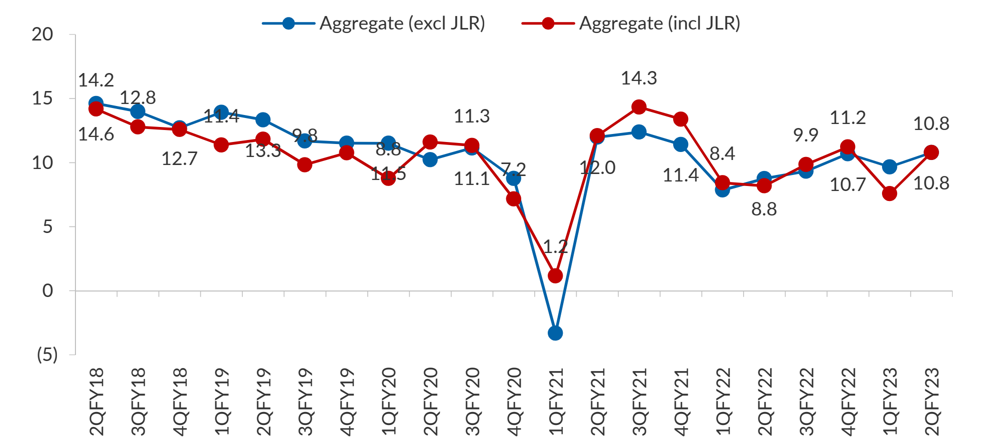
2QFY23 EBITDA margins for our coverage universe (ex-JLR) to expand 110bp QoQ at ~10.8% (v/s 9.7% in 1QFY23 and 8.8% in 1QFY22). This will be led by ~50bp QoQ gross margins expansion and ~50bp due to operating leverage and cost savings. We anticipate, margins expansion to be broad based across OEMs with sharp QoQ margins expansion expected for AL (+240bp), BJAUT (+195bp), MSIL (+120bp), ESC (+130bp), HMCL (+85bp), TVSL (+70bp). Key RM prices such as Copper/Aluminium/Lead declined for the second consecutive quarter by ~16%/15%/7% while NR prices too declined sharply by ~25% (v/s ~26% cumulative increase in past 3 quarters), which should reflect positively on margins of tyre companies from 2HFY23. OEM margins including JLR to expand ~320bp QoQ to 10.8% (v/s 8.2% in 2QFY21).

Post festive demand sustenance key for 2Ws and tractors while CV/PV will continue the healthy demand momentum - Demand in 2W segment has still been muted despite reopening of institutions and offices primarily driven by price hikes. However, with onset of festive and normal monsoon, our checks indicate healthy demand recovery expected in 2Ws (+15% YoY). We expect at aggregate level, PV/CV/2W segments margins to expand 90bp/125bp/140bp QoQ to 10.1%/6.6%/14.1%. We expect the momentum to continue given sharp decline in RM prices to be aided by healthy volume trajectory across segments. Further, recent INR depreciation (~10% YoY/ ~3% QoQ) to further aid margins of export dominated businesses.

Auto ancs performance to be mixed bag as global business continues to face cost headwinds – we have cut EPS across global facing business such as BHFC, MSS, ENDU and SONACOMS by 3-10% to factor in for demand and supply uncertainty due to prevailing macro challenges as well as increased cost of production (non-RM linked).

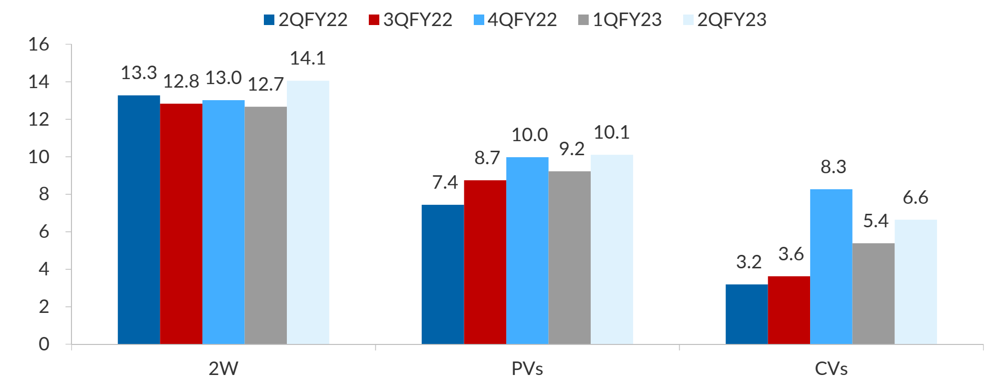
Top Picks – TTMT (BUY) and AL (BUY) from OEMs, BHFC (BUY), ENDU (BUY) from ancs- We continue to remain positive on CVs (owing to the pick-up in replacement demand led by increasing fleet utilization and signs of recovery in bus segment) and PVs (led by higher bookings and upcoming new launches). We are selective in 2Ws as we like EIM and TVSL.

Exhibit 11: Aggregate margin to expand ~110bp QoQ at 10.8%



Source- Company, Yes Sec

Exhibit 12: Margin across segments to expand led by softening RM and op leverage



Source- Bloomberg, Yes Sec

Exhibit 13: Automobile- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
Ashok Leyland	83,747	87.9	15.9	5,695	378	237	2,497	LP	317.4	We expect revenues to grow 16% QoQ at Rs83.7b led by ~14% QoQ growth in volumes coupled with ~1.5% QoQ growth in ASPs at Rs1.85m/unit. We expect AL to report EBITDA of Rs5.7b (+78% QoQ) with margins of 6.8% (+240bp QoQ) led by softening of RM prices and operating leverage.
Bharat Forge	18,843	17.3	7.1	5,008	(173)	43	3,046	(2.3)	23.8	We expect standalone revenues to grow ~5% QoQ at ~Rs18.8b in 2QFY23, to be driven by ~1% QoQ growth in shipment tonnage (~60.8k) coupled with ~4% QoQ growth in realizations (~Rs309.8k/ton). We expect margins to expand 50bp QoQ at 26.6% led by operating leverage benefits.
Bajaj Auto	100,167	14.3	25.1	18,184	216	195	15,396	20.8	31.2	Overall volume for the quarter grew ~0.6% YoY/ 23.3% QoQ, coupled with realizations growth of ~13.7% YoY/1.5% QoQ at Rs87k/unit. This should result in revenue growth of 14% YoY/25% QoQ at Rs100.2b. We expect margins to expandt ~220bp YoY/200bp QoQ at 18.2% due to benefits arising from softening of RM prices and INR depreciation due to higher exports.
CEAT	28,427	15.9	0.9	1,521	(363)	(51)	10	(97.6)	(88.2)	Ceat is expected to report ~16% YoY/ 1% QoQ growth in revenues at Rs28.4b on account of recovery in OE production and healthy replacement. Increased RM basket (~70bp QoQ impact) should result in margins contraction by ~50bp QoQ at 5.4%.
Eicher Motors	35,325	57.0	4.0	8,641	535	(0)	6,463	94.0	5.8	RE 2QFY23 volumes grew ~68% YoY/11% QoQ at 208k units, while VECV volumes grew ~16% YoY/ 1% QoQ to 17.6k units. We expect EIM to report consolidated revenue growth of ~57% YoY/ 4% QoQ at Rs35.3b, with margins to remain flat QoQ at 24.5% (vs ~19.1% in 2QFY22).
Endurance Tech.	22,380	20.5	7.4	2,542	(101)	130	1,238	12.6	40.7	Endu is expected to report revenue growth of ~21% YoY/ 7% QoQ at Rs22.4b led by growth in domestic 2W volumes while Eur PV volumes declined sharply. EBITDA margin is likely to expand ~130bp QoQ at 11.4% led by stabiling overall cost inflation coupled with op leverage.
Escorts	18,699	12.5	(7.2)	2,113	(134)	129	1,589	(10.1)	7.8	Escorts tractor volumes grew ~12.5% YoY/ (-11.5.% QoQ) in 2QFY23. This coupled with expected realisations growth of ~4.7% YoY/3.5% QoQ to led revenue growth of 12% YoY/ (-7% QoQ) at Rs18.7b. This also includes revenue de-growth in CE (-6% YoY/-5% QoQ) and Railways (+2% YoY/ flat QoQ). RM to sales is expected to contract ~120bp QoQ at ~71%. This will result in margins expansion of ~130bp QoQ at 11.3%
Exide Inds.	39,809	21.0	2.1	4,419	(146)	118	2,647	12.9	16.9	We expect 2QFY23 revenue to grow 21% YoY/ +2% QoQ at Rs39.8b led by ramup up in OE production, stable replacement demand and recovery in industrial battery. Lead prices in 2QFY23 declined ~7% QoQ at Rs157.6k/ton. Better gross margins (+70bp QoQ) and op leverage should drive overall margins expansion of ~120bp QoQ at 11.1%.
Hero Motocorp	88,804	5.1	5.8	10,712	(55)	85	7,432	(6.4)	19.0	With volume growth of ~3% QoQ/ (-1% YoY) coupled with realization growth of ~3% QoQ/ 6% YoY at Rs62.2k/units on account of price hikes, revenue to grow ~6% QoQ/5% YoY at Rs88.8b. EBITDA margins are likely to expand ~90bp QoQ at 12.1% led by operating leverage, while gross margin is expected to improve ~100bp QoQ at 28.2%.

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
M & M	208,851	57.0	6.5	26,106	3	56	15,592	(4.1)	6.0	M&M's S/A volume for 2Q grew ~0.5% QoQ/ (+43% YoY), wherein tractors volume grew 5% YoY while automotive sales grew 76% YoY/ (+15% QoQ). We expect MM's standalone revenues to grow 7% QoQ largely led by ASP growth of 6% QoQ at Rs7.64L. We expect EBITDA margins at 12.5% (+60bp QoQ) to be driven by lower RM (-40bp QoQ) majorly.
Maruti Suzuki	295,940	44.1	11.7	24,859	424	118	14,614	207.5	44.3	Volume growth of 11% QoQ coupled with realisations growth of 1% QoQ at Rs5.71L, to result in revenue growth of ~12% QoQ at Rs295.9b. Margins too are expected to improve ~120bp QoQ at 8.4% led by 60bp improvement in gross margins at ~26% and operating leverage.
Motherson Sumi	177,909	26.4	1.0	11,170	(43)	17	1,671	100.4	18.3	For 2QFY23, we expect MSS to report ~1% QoQ/ (+26% YoY) consol revenue growth at Rs177.9b. SMP, SMR, PKC margins are likely to be ~5.5% (+50bp QoQ), ~9% (+30bp QoQ), ~5% (flat QoQ) respectively. We hence, expect consol EBITDA margin to expand ~20bp QoQ at 6.3% (-40bp YoY) while absolute EBITDA is expected to grow ~18% YoY/ 4% QoQ at Rs11.2b.
Sona BLW Precis.	6,193	5.7	6.0	1,511	(196)	86	812	(8.0)	7.2	We expect Sona to report ~6% YoY/ 6% QoQ growth in revenue at Rs6.2b despite challenges in European/North American markets. There has not been any significant impact on the orderbook so far. While RM/sales is expected to contract just ~20bp QoQ margins are expected to benefit led by operating leverage resulting in EBITDA margins at 24.4% (+90bp QoQ).
Tata Motors	624,797	1.8	(13.1)	60,771	313	531	(7,527)	LL	LL	We expect TTMT's consol revenue to de-grow 13% QoQ at Rs624.8b, wherein JLR revenue is expected to remain flat QoQ at GBP4.4b. Moreover, consol margins are expected to expand ~530bp QoQ at 9.7% while JLR margins to contract to 20bp QoQ at 6.1%.
TVS Motor Co.	69,852	24.3	16.3	7,474	68	72	4,222	52.1	31.7	TVSL's 2QFY23 volume grew ~13% QoQ/ 12% YoY. This coupled with expected realizations growth of ~3% QoQ at ~Rs68k/unit to result in revenue growth of ~16% QoQ at Rs69.9b. Led by lower RM, better mix and cost control, EBITDA margin is likely to expand 70bp QoQ at 10.7%

BANKS

- **Asset quality:** Fresh **slippages** in 2QFY23 would generally be stable on sequential basis for our coverage banks. Slippages had risen sequentially in 1QFY23 due to slippages from restructured book and we see slippages remain at similar levels in 2QFY23 as the restructured book should throw up some more slippages. Furthermore, the macro environment has also changed due to elevated inflation and interest rates, which may cause some incipient build-up of stress. Sequential evolution of **provisions** would be a function of not only slippages but also of recoveries and upgrades and pre-existing provision buffers. Hence, we see a material rise in provisions sequentially for our entire coverage universe of banks, except for INBK, IIB and CUB, where we see a broadly flattish evolution of provisions.

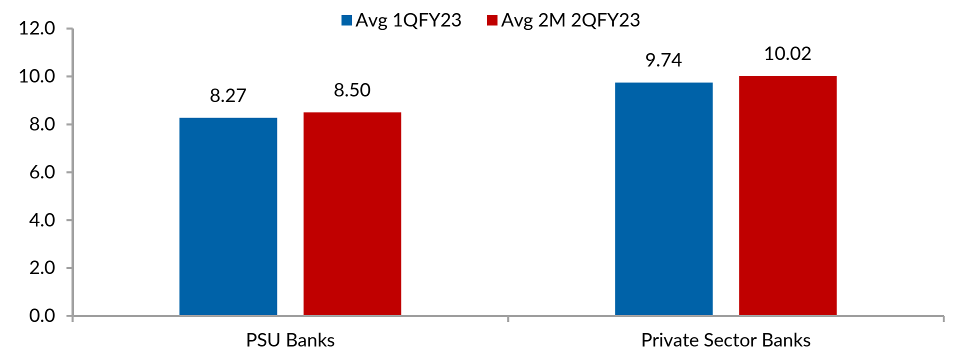
- **Net interest margin:** NIM would expand for coverage banks since yield on advances would have moved up faster than cost of deposits due to repo rate-linked loans re-pricing. A greater impact of this phenomenon would be felt in 2QFY23 than in 1QFY23, due to some lag. The average Weighted Average Domestic Term Deposit Rate (WADTDR) for private sector banks for 2M2QFY23 rose 15 bps, to 5.34%, compared with the average for 1QFY23. The corresponding Weighted Average Lending Rate (WALR) rose 28 bps to 10.02%, implying that **Loan Spread** rose 13 bps. For PSU banks, the WADTDR rose 16 bps to 5.30% and the WALR rose 23 bps to 8.50%, with implied Spread rising 7 bps. It may be note that the WADTDR and WALR for 2M2QFY23 excludes September month.

- **Loan growth:** Sequential loan growth in 2QFY23 would be aided, ceteris paribus, due to both the retail and wholesale growth engines working in tandem, apart from idiosyncratic trends specific to individual companies. Overall, we expect to see particularly healthy sequential growth for several names in our coverage universe. On the other hand, we expect moderately positive sequential growth for AXSB, SBI, BOB, INBK, CUB and DCB.

- **Core fee income:** Core fee income would grow at a reasonable pace due to reasonable traction for **card fees** due to consumer demand playing out to some extent during the quarter.

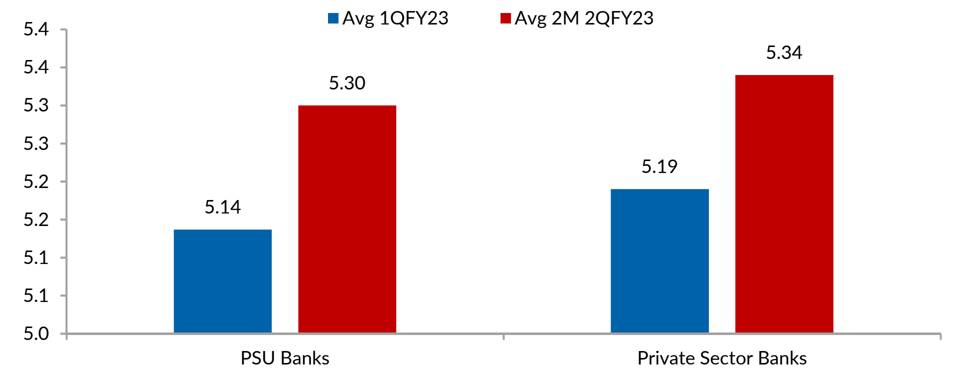
- **Treasury profit:** Treasury profit would be subdued in 2QFY23 but not as weak as it was in 1QFY23 as treasury yields have been broadly flattish during the quarter. For AXSB, ICICI, HDFCB, KMB and RBL, treasury income, on average, is a relatively smaller part of total non-interest income.

Exhibit 14: Change in Weighted Average Lending Rate, %



Source: RBI, YES Sec

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



Source: RBI, YES Sec

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

Exhibit 16: Banks- Earnings expectation snapshot- Stocks are as per order of investment preference

(Rs mn)	NII			PPOP			PAT			Remarks
	Q2 FY23E	YoY (%)	QoQ (%)	Q2 FY23E	YoY (%)	QoQ (%)	Q2 FY23E	YoY (%)	QoQ (%)	
Axis Bank	99,936	26.5	6.5	69,348	17.0	17.8	41,417	32.2	0.4	Sequential loan growth would be moderately positive due to the bank bouncing back from a weak 1Q, when corporate loan de-growth had dragged overall growth, which should not repeat. Sequential NII growth would be healthy due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be reasonable due to some bounce-back from a weak 1Q. Treasury income would be weak but not as much as 1Q as government bond yield has been sequentially flattish. In any case, treasury income moves the needle less for AXSB, relatively speaking, since treasury income is a relatively small part of total non-interest income for the bank. Provisions would rise materially on sequential basis due to a low absolute level of provisions in 1Q.
State Bank of India	324,438	4.0	4.0	181,513	0.4	42.3	88,705	16.3	46.2	Sequential loan growth would be moderately positive. Sequential NII growth would be moderately positive as well due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be reasonable due to some bounce-back from a weak 1Q. Treasury income would be weak but not as much as 1Q as government bond yield has been sequentially flattish. Provisions would rise materially on sequential basis due to a low absolute level of provisions in 1Q.
ICICI Bank	139,228	19.1	5.4	109,845	10.8	6.6	71,608	29.9	3.7	Sequential loan growth would be healthy as the bank would continue to deliver healthy retail and reasonable corporate loan growth. Sequential NII growth would be healthy due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be reasonable due to some bounce-back from a weak 1Q. Treasury income would be weak but not as much as 1Q as government bond yield has been sequentially flattish. In any case, treasury income moves the needle less for ICICI, relatively speaking, since treasury income is a relatively small part of total non-interest income for the bank. Provisions would rise materially on sequential basis due to a low absolute level of provisions in 1Q.
Federal Bank	17,115	15.7	6.7	10,576	16.0	8.7	6,340	37.8	5.6	Sequential loan growth is healthy as the bank continues to deliver healthy retail growth, whereas corporate loan growth has bounced back strongly. Sequential NII growth would be healthy due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be reasonable due to some bounce-back from a weak 1Q. Treasury income would be weak but not as much as 1Q as government bond yield has been sequentially flattish. Provisions would rise materially on sequential basis due to a low absolute level of provisions in 1Q.

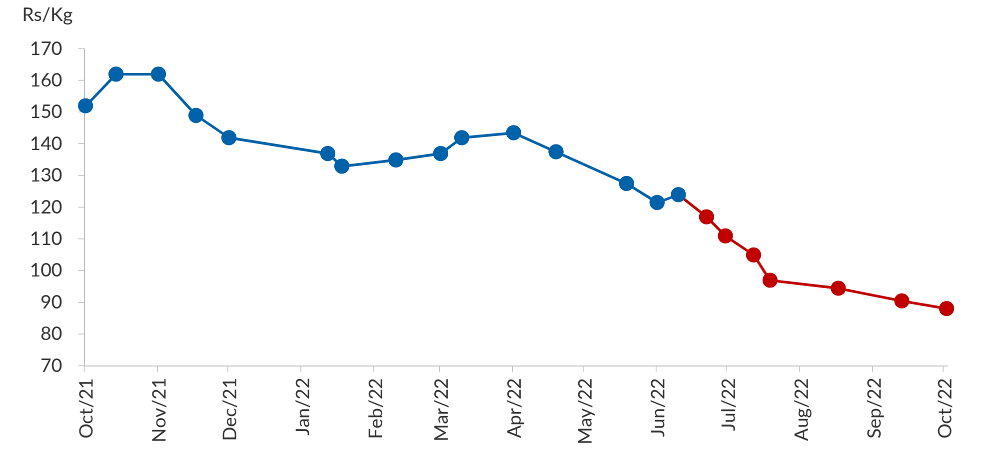
(Rs mn)	NII			PPOP			PAT			Remarks
	Q2 FY23E	YoY (%)	QoQ (%)	Q2 FY23E	YoY (%)	QoQ (%)	Q2 FY23E	YoY (%)	QoQ (%)	
CSB Bank	3,316	19.1	6.7	1,670	11.8	8.0	1,137	-4.1	-0.7	Sequential loan growth is healthy as the bank continues to deliver healthy gold loan growth. Sequential NII growth would be healthy due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be reasonable due to some bounce-back from a weak 1Q. Treasury income would be reasonable as government bond yield has been sequentially flattish. Provisions would rise materially on sequential basis due to a low absolute level of provisions in 1Q.
Bank of Baroda	91,919	21.5	4.0	49,476	-12.7	9.3	19,857	-4.9	-8.4	Sequential loan growth would be moderately positive. Sequential NII growth would be moderately positive as well due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be reasonable due to some bounce-back from a weak 1Q. Treasury income would be weak but not as much as 1Q as government bond yield has been sequentially flattish. Provisions would rise materially on sequential basis due to a low absolute level of provisions in 1Q.
Indian Bank	47,887	17.3	5.6	37,605	14.8	5.5	15,492	42.2	27.7	Sequential loan growth is expected to be moderately positive. Sequential NII growth would be healthy due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be reasonable. Treasury income would be reasonable as government bond yield has been sequentially flattish. Provisions would be flattish to slightly lower on sequential basis.
HDFC Bank	206,314	16.7	5.9	178,419	12.9	16.1	106,814	20.9	16.2	Sequential loan growth is healthy as the bank continues to deliver healthy retail growth, whereas corporate loan growth has bounced back strongly. Sequential NII growth would be healthy due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be reasonable due to some bounce-back from a tepid 1Q. Treasury income would be weak but not as much as 1Q as government bond yield has been sequentially flattish. Provisions would rise materially on sequential basis due to a low absolute level of provisions in 1Q.
Indusind Bank	43,518	19.0	5.5	36,158	13.9	6.5	18,071	62.3	12.7	Sequential loan growth is healthy due to bounce-back in microfinance, among other reasons. Sequential NII growth would be healthy as well due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be reasonable. Treasury income would be weak but not as much as 1Q as government bond yield has been sequentially flattish. Provisions would be flattish to somewhat lower on sequential basis.

(Rs mn)	NII			PPOP			PAT			Remarks
	Q2 FY23E	YoY (%)	QoQ (%)	Q2 FY23E	YoY (%)	QoQ (%)	Q2 FY23E	YoY (%)	QoQ (%)	
RBL Bank	10,730	17.2	4.4	5,450	-21.1	3.0	1,683	446.5	-16.3	Sequential loan growth is moderately positive due to bounce-back in microfinance. Sequential NII growth would be moderately positive as well due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be reasonable due to some bounce-back from a tepid 1Q. Treasury income would be weak but not as much as 1Q as government bond yield has been sequentially flattish. Provisions would rise materially on sequential basis due to a low absolute level of provisions in 1Q.
Kotak Mahindra Bank	49,583	23.3	5.6	34,975	12.1	25.7	24,356	19.9	17.6	Sequential loan growth would be healthy due to strong organic trajectory. Sequential NII growth would be healthy due to positive loan mix changes and yield on advances evolving higher at a somewhat faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be reasonable. Treasury income would be weak but not as much as 1Q as government bond yield has been sequentially flattish. Provisions would rise materially on sequential basis due to a low absolute level of provisions in 1Q.
City Union Bank	5,507	15.2	4.9	4,736	16.9	5.9	2,453	34.7	9.0	Sequential loan growth is expected to be moderately positive. Sequential NII growth would also be moderately due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be reasonable. Treasury income would be reasonable as government bond yield has been sequentially flattish. Provisions would be flattish on sequential basis.
DCB Bank	3,889	20.3	4.0	1,742	-0.5	4.9	929	43.1	-4.4	Sequential loan growth is expected to be moderately positive. Sequential NII growth would also be moderately positive due to positive loan mix changes and yield on advances evolving higher at a faster pace than cost of deposits due to repricing of externally benchmarked loans, implying NIM expansion on sequential basis. Sequential fee income growth would be reasonable. Treasury income would be reasonable as government bond yield has been sequentially flattish. Provisions would rise materially on sequential basis due to a low absolute level of provisions in 1Q.

BUILDING MATERIALS

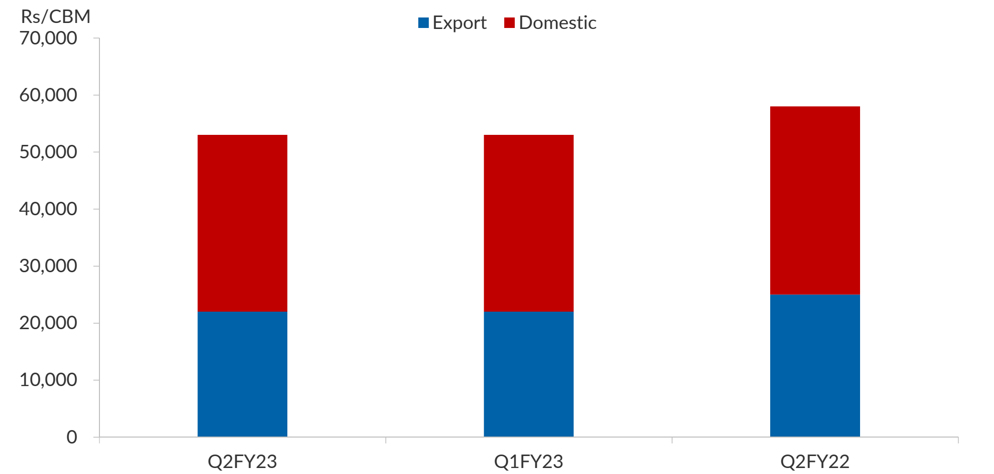
- Given the seasonality of the business, Q2FY23 is expected to remain muted for building material manufacturers. Demand from Tier-II & Tier-III remained healthy during the quarter but overall July-August'22 were abysmally dull, however September'22 witnessed improvement in demand owing to onset of festive season. Export demand remained sluggish on account of global slowdown caused by inflationary trends. During the quarter there were no major price hikes except for 2-3% price hike taken by tiles manufacturers. The input cost in Q2FY23 witnessed marginal contraction but due to low demand, the margins are expected to remain under pressure. Hence from our universe we believe Revenue to decline by 3%YoY & 6%QoQ & overall margins to decline by 500bps YoY & 110bps QoQ. Going ahead, we reckon H2FY23 should witness sharp reversal in demand owing to strong real-estate demand coupled with expected traction due to onset of festive & marriage season in India. However, export demand is likely to witness further headwinds.
- Woodpanel industry is likely to report revenue decline of 2%YoY & 7%QoQ. As per our checks, July'22 was one of the weakest months for manufacturers & demand only started to improve from September'22. Demand for plywoods & laminates remained sluggish while MDF demand continues to be sturdy. However, given the weak demand scenario, manufacturers refrained from taking any price hikes during the quarter. Hence, we expect margin contraction of ~185bps YoY & 86bps QoQ for woodpanel companies.
- Plastic Pipe companies are expected to report another weak set of numbers. With falling PVC prices, the dealers resorted to de-stocking & kept their dealer inventory at low levels. In July'22 itself prices contracted by ~Rs20/Kg & kept contracting further in August-September'22. CPVC prices also witnessed contraction (current CPVC prices ~Rs170-175/Kg), however not as steep as PVC prices. Owing to which plastic pipe manufacturers are expected to report inventory losses for Q2FY23 which will lead to contraction in EBITDA/Kg.
- For Tile manufacturers it is likely to be a mixed-bag wherein domestic demand has been healthy but due to additional capacities with Morbi manufacturers on account of lower exports, there has been pricing pressure. Additionally, due to higher supply, Morbi association took a shutdown for 1-month wherein Organized player's JVs/outsourced partners continued their operations. Hence players like Kajaria & Somany were not impacted. Manufacturers took a price hike of 2-3% to mitigate the rise in energy cost but the same was not passed-on fully during the quarter, hence margins can contract by 100-150bps sequentially.
- We expect weak set of numbers from Finolex Industries Ltd & Prince Pipes & Fittings Ltd.

Exhibit 17: July'22 witnessed steep contraction in PVC prices...



Source: Company, YES Sec

Exhibit 18: MDF prices continued to remain elevated...



Source: Company, YES Sec

Exhibit 19: Building Materials- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
Greenpanel Inds.	4,547	7.7	(2.0)	1,228	24	(135)	733	9.2	(5.6)	Greenpanel is expected to register a steady set of numbers in Q2FY23. MDF demand & pricing continued to remain healthy in domestic markets, however export demand witnessed marginal decline. Hence we expect company's revenue to grow by 8%YoY & remain flattish as compared to previous quarter. EBITDA margins are likely to come in at 27% in Q2FY23 Vs 28.4% in Q1FY23. Net profit is likely to increase by 9%YoY & decline by 6%QoQ to Rs 733Mn.
Greenply Industr	4,027	(6.9)	(11.2)	326	(340)	(74)	157	(50.8)	(24.4)	Greenply is likely to register sluggish quarter, wherein topline is expected to decline by 7%YoY & 11%QoQ to Rs4,207Mn. Plywood demand for the quarter remained weak which is likely to impact company's standalone performance. Morevoer, Gabon biz was largely impacted due to slowdown in Europe (50% of Gabon biz). Hence overall margins are likely to contract by 74bpsQoQ & 340bps YoY. Net profit is expected to come in at Rs157Mn, a decline of 24%QoQ & 51%YoY.
Greenlam Industr	4,471	(1.6)	(5.0)	469	39	(20)	219	5.6	(11.0)	We expect GRLMs revenue to degrow by 5%QoQ & 2%YoY to Rs4,471Mn wherein domestic demand remained healthy but export biz witnessed contraction. With softening of input cost but lower demand, operating margins of the company is expected to come in at 10.5% Vs 10.7%/10.1% in Q1FY23/Q2FY22 respectively. Hence absolute EBITDA should decline by 7%QoQ & improve by 2%YoY. Similarly, net profit of GRLM is expected to degrow by 11%QoQ & increase by 6%YoY.
Century Plyboard	8,019	(1.4)	(9.8)	1,203	(464)	(111)	775	(22.1)	(16.4)	For centuryply, the plywood segment is expected to report a degrowth of 3%YoY & 9%QoQ, while laminates revenue is likely to register 11.5%YoY & 7.4%QoQ decline in Q2FY23. While MDF & Particle boards are likely to report resilient quarter wherein revenue is expected to grow by 23% & 30% YoY respectively. Blended EBITDA margins are likely to come in at 15% as compared to 16%/19.5% in Q1FY23/Q2FY22 respectively. Net profit is estimated to to degrow by 22%YoY & 16%QoQ to Rs775Mn in Q2FY23.
Apollo Pipes	2,165	4.0	(1.1)	184	(397)	(66)	81	(42.3)	(8.2)	We believe Apollo Pipes ltd will continue to outperform industry growth, wherein company is lkely to register volume growth of 3%YoY & 4%QoQ. However due to sharp contraciton in PVC prices, the ASP is expected to contract by 5%QoQ. Margins are likely to remain under pressure as company will have inventory losses owing to correction in PVC prices. Hence we expect EBITDA/Kg to come in at Rs12 as compared to Rs14/Rs18 in Q1FY23/Q2FY22 respectively.
Prince Pipes	6,512	(14.4)	7.8	326	(1,112)	(227)	82	(89.2)	(49.0)	Prince Pipes is expected to register another soft quarter. Due to falling PVC prices, dealers resorter to de-stocking which kept demand under pressure for the company. Additioanlly, Prince pipe's inventory losses are expected to worsen sequentially due to sharp correction in PVC prices. Revenue is likely to degrow by 14%YoY & increase by 8%QoQ. EBITDA/Kg is expected to come in at Rs9 in Q2FY23 Vs Rs14/Rs29 in Q1FY23/Q2FY22 respectively.
Supreme Inds.	19,797	2.7	(10.3)	2,055	(573)	(181)	1,630	(28.7)	(23.8)	Supreme Industries Ltd's revenue is likely to increase by 3%YoY & degrow by 10%QoQ wherein company's pipe division (63% revenue) is expected to report flattish growth YoY but decline by 15%QoQ. EBITDA margins are likely to come in at 10.4% in Q2FY23 Vs 16%/12% in Q2FY22/Q1FY23 respectively. Absolute EBITDA should degrow by 34%YoY 24%QoQ. Similarly Net profit of the compant is expected to degrow by 29%YoY & 24% QoQ to Rs1.63Bn.

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
Finolex Inds.	9,644	(10.9)	(18.9)	916	(1,834)	(108)	621	(73.4)	(37.4)	Rural demand continued to remain tepid during Q2FY23, hence performance of Finolex industries is likely to get impacted in Q2FY23. We estimate company's revenue to decline by 11%YoY & 19%YoY to Rs 9.64Bn. EBITDA margins are expected to come in at 9.5% as compared to 27.8%/10.6% in Q2FY22/Q1FY23 respectively. Absolute EBITDA is likely to report 69%YoY & 27%QoQ decline in Q2FY23. Net profit is expected to degrow by 73%YoY & 37%QoQ to Rs621Mn.
Cera Sanitary.	4,100	1.7	3.2	615	(28)	(82)	416	(5.5)	4.3	CERA is expected to register a steady quarter on account of healthy demand from tier-II & tier-III cities, hence revenue for Q2FY23 is likely to come in at Rs4.10Bn, reporting a 2%YoY & 3%QoQ growth. EBITDA margins are expected to contract sequentially due to higher advertisement spends and surge in gas cost to 15% as against 15.8%/15.3% in Q1FY23/Q2FY22 respectively. Net profit is expected to stand at Rs416Mn, registering a 6%YoY degrowth & 4% sequential growth.
Kajaria Ceramics	10,342	6.2	2.6	1,448	(454)	(123)	867	(27.3)	(6.7)	Kajaria ceramic is likely to report better numbers as compared to its peers, wherein tile volumes are expected to decline by 5%YoY & remain flattish as compared to previous quarter. Tile revenue is likely to grow by 7%YoY & 3%QoQ. EBITDA margins should contract by 123bps QoQ & 453bps YoY to 14% in Q2FY23, hence absolute EBITDA is likely to degrow by 20%YoY & 6%QoQ. Net profit is esimated to decline by 27%YoY & 7%QoQ to Rs867Mn.
Acrysil	1,392	16.6	(18.7)	258	(325)	(118)	142	(20.6)	(24.8)	We believe, Acrysil Ltd to report a muted quarter wherein quartz revenue is expected to decline by 22%QoQ while, Stainless steel/Others/Solid surface revenue is likely to degrow by 18%/15%/5% respectively over similar period. Volumes of Quartz/Stainless steel & Others are expected to degrow by 20%/15% & 15% QoQ respectively. We expect EBITDA margins to contract by 325bps YoY & 120bps QoQ to 18.5% in Q2FY23. Net profit of the company is expected to stand at Rs142Mn, reporting a 21%YoY & 25%QoQ degrowth.

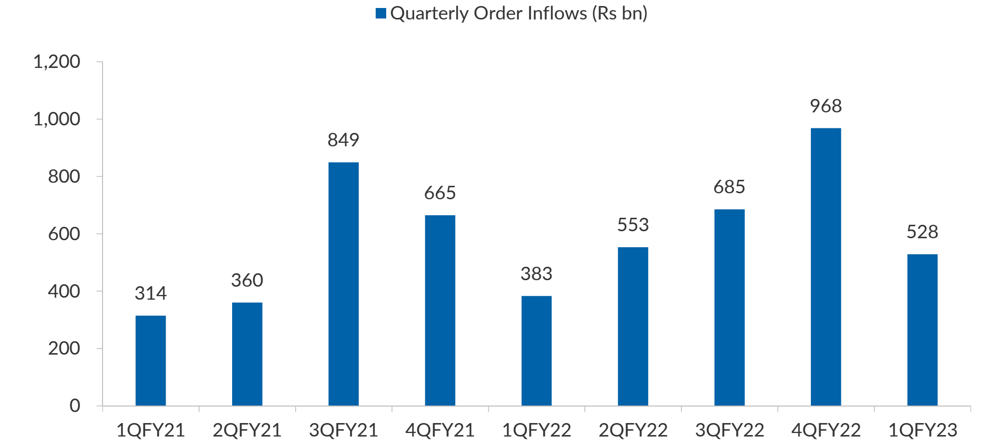
CAPITAL GOODS

As capacity utilization level continues to ramp up led by pick-up in economic activities, execution of government's capex outlay as well as private sector projects along with easing of supply side bottlenecks, we expect 2Q for our coverage universe to be a decent quarter (a revenue growth of 6%). We expect project companies to report a revenue growth of 4% owing to seasonal impact of monsoon while for Product companies we expect revenue growth of 21% YoY. As commodities have peaked, margin pressures are expected to ease however, there remains some unrecovered portion which is expected to stabilize 2HFY23 onwards. Since new orders have been booked at prevailing input costs, margins should improve going ahead.

Domestic enquiry levels for most companies continue to remain healthy as order conversions have picked up led by government's continued thrust on infrastructure development and pickup witnessed in private capex cycle. **Sectors such as data centers, railway, metro, T&D, pharma, cement, chemicals, mining and F&B continue to witness strong traction.** On the exports front, ordering and enquiry remains strong from geographies like Africa, Middle East, US, Europe and SAARC regions. However, rising inflation and attendant tightening monetary policy both globally and in India have the potential to act as a dampener to economic activity which had seemed to recover from pandemic-related shocks. Key monitorables would be conversion of huge tender pipeline in both domestic and International markets, margin trajectory given that commodity prices have cooled off, execution guidance, working capital and key growth drivers.

Strong results expected from Apar Industries and Triveni Turbine while GE T&D would be noticeably weaker. We prefer companies with strong balance sheet, low debt levels, good corporate governance, well managed working capital cycle and long-term scalability. Our top picks in the sector are KEC International & Engineers India.

Exhibit 20: Quarterly order inflow (Rs bn)



Source: Company, YES Sec

Exhibit 21: Q2 witnessed seasonally weak capex activity

Rs trillion	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
New projects	3.3	4.0	8.5	4.4	3.3
YoY growth (%)	45%	170%	292%	56%	0%
Completed projects	1.3	2.8	1.3	1.2	1.1
YoY growth (%)	66%	217%	13%	67%	-13%
Stalled projects	0.3	0.1	0.4	0.3	0.1
YoY growth (%)	250%	-74%	65%	-18%	-79%
Revived projects	0.4	2.0	0.3	0.3	0.1
YoY growth (%)	44%	1220%	45%	107%	-82%
Implementation stalled projects	0.3	0.7	0.1	0.3	0.0
YoY growth (%)	189%	230%	-72%	-24%	-88%

Source: Company, YES Sec

Exhibit 22: Capital Goods- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
Bharat Electron	38,271	4.6	22.9	7,823	(296)	395	5,482	(10.5)	27.0	BHE is expected to post a revenue growth of 5% YoY while margins are expected to contract by ~296bps YoY on account of a high base. Key monitorable would be updates on new products and margin guidance
Triveni Turbine	2,743	32.9	5.9	553	81	135	419	LP	9.3	We expect revenue growth of 43% YoY led by increasing utilisation levels while margins are expected to contract by ~100bps YoY. Conversion of traction into order inflows from Latin America, South East Asia, European region and Southern America in the export segment along with API markets would be the key monitorable.
Thermax	17,590	19.7	6.3	1,171	(83)	86	870	(1.0)	47.4	For 1Q, revenue is expected to grow 39% YoY led pickup in dispataches and execution of short cycle orders. EBITDA margins are expected to expand by ~100bps YoY on account of RM inflation cooling off. Key monitorable would be management commentary on ordering activity and margins.
A B B	21,980	23.6	7.1	1,848	(109)	(128)	1,375	14.6	(6.5)	We expect 31% revenue growth as utilisation improves and lot of suuply side constraints have been addressed. We expect ordering momentum to be pick up as economic activity and capex increases primarily from Govt.
Volt.Transform.	2,948	12.0	9.1	373	77	(79)	381	8.7	42.9	Revenue is expected to grow by 58% YoY on a low base while margins are expected to expand by ~600bps YoY led by improved gross margins and operating leverage. Key monitorable would be order negotiation due to elevated commodity inflation
Siemens	48,865	22.2	24.8	7,772	518	622	5,646	31.7	49.0	We expect company to report 13% YoY revenue growth. Gross margins are expected to remain under pressure owing to partial recovery of commodity inflation. Management comentary on order inflows both in domestic and international markets and its conversion would be key monitorable.
Larsen & Toubro	367,620	5.7	2.5	40,558	(46)	(0)	22,118	(0.9)	(3.5)	Consolidated revenues are expected to grow by 19% YoY led by pick up in execution across segments such as IT, Financial Services and Infrastructure. Key monitorables would be guidance on order execution and inflows. Q1 order inflows stand at Rs325bn at the higher range
K E C Intl.	31,303	(12.7)	(5.7)	1,866	(109)	88	448	(63.8)	44.6	We expect revenue to grow by 11% YoY on a low base. Margins are expected to expand ~45bps YoY. Key monitorable would be management guidance on margins and order inflows
Apar Inds.	30,773	35.6	(0.5)	2,717	321	115	1,493	172.8	21.9	We expect 3% YoY revenue growth while margins are expected to contract ~100bps YoY owing to RM inflation. Key monitorables would be volume and EBITDA for conductor business
GE T&D India	8,394	(1.4)	41.5	298	122	(23)	108	LP	69.8	We expect revenue to grow by 6% YoY led by uptick in execution. EBITDA is expected to be in the negative due to weak operational performance
Cummins India	18,265	5.7	8.3	2,638	(56)	176	2,522	14.7	18.3	Revenue is expected to grow by 15% YoY while margins are expected to contract ~100bps YoY due to RM pressure and high employee costs. Key monitorable would be outlook on export markets
Engineers India	7,782	20.1	(3.3)	743	23	382	734	23.5	45.4	Revenue is expected to be flattish YoY while margins are expected to contract 110bps YoY. Key monitorable would be order inflow.

CEMENT

For the cement industry, Q2FY23E as always would be a weak quarter operationally on account of ongoing monsoon season across India. As a result, volume (-3%) and NSR (-4%) would soften sequentially on account of muted demand and PAN India prices corrected by Rs15-20/bag during Jul-Sep'22. While strong demand momentum and rigorous price hikes to offset the cost would translate revenue growth by +17% y/y in Q2FY23. As per DPIIT, cement industry volume increased by 1% y/y remained muted by 8% q/q during Jul-Aug'22. Whereas, according to our channel checks all-India average price for Q2FY23E declined by ~5% q/q (flat y/y) to Rs360/bag. As a result, we expect our coverage companies NSR to decline by 4% sequentially but would remain up by 3% y/y in Q2FY23E. Continuously increasing fuel & input cost is expected to peak in this quarter, whereas we believe companies would take certain measure to offset it. Therefore, we expect total cost/te for coverage companies to remain flat q/q but surge by +13% y/y in Q2FY23E. Owing to muted NSR coupled with peaked cost would dent our EBITDA/te by 15% q/q and 34% y/y to ~Rs800/te in Q2FY23E.

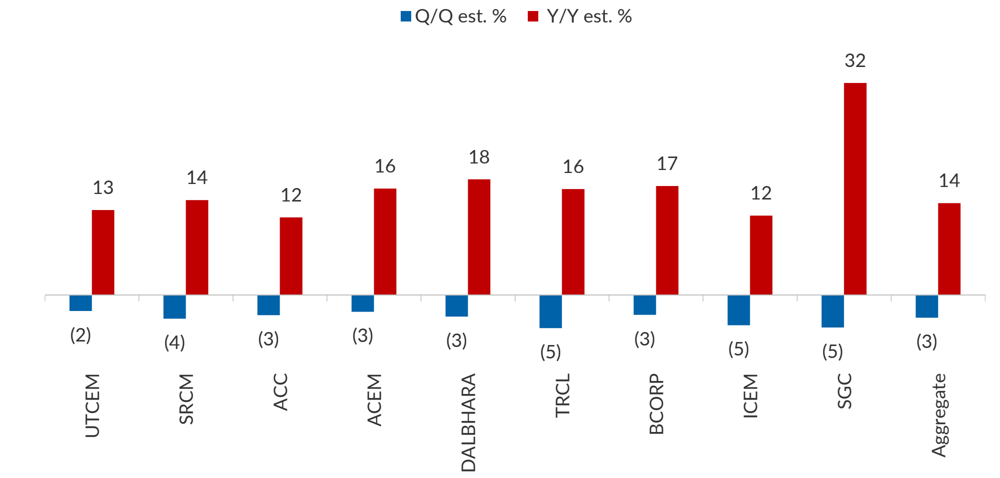
- **Demand Outlook:** We expect volumes of our coverage companies to increase by +14% y/y owing to strong demand momentum, whereas sequentially volume to decline by 3% due to operationally weak quarter. In Q2FY23E, Infra & construction and Real Estate activity softened across regions on account of monsoons. While, witnessed pickup in construction activities and retail demand with the receding of monsoon and festive season.

- **Pricing Outlook:** During Jul-Sep'22, All-India average price corrected by Rs15-20/bag, while stood flat y/y. East witnessed strong price correction of Rs25-30/bag on account of irrational rains. Whereas, rest all region price corrected in range of Rs10-20/bag during the quarter. As a result, we expect our coverage companies NSR to decline by 4% sequentially but would remain up by 3% y/y in Q2FY23E.

- **Cost Outlook:** Fuel prices started softening, Pet coke currently stood at US$160/te in Sep'22 v/s US$240/te in Jun'22. As a result, we believe fuel cost to peak in Q2FY23E while favorable effect of upcoming low-cost inventory would start reflecting by Q3 end or Q4FY23E. However, Industry is betting on other importing sources (Russia & Venezuela) for sourcing economical fuel to mitigate the impact of high-cost fuel inventories and cushion margin in the near-term. Consequently, we believe the total cost/te for our coverage companies to remain flat q/q and +13% y/y translating EBITDA to ~Rs800/te in Q2FY23E.

We remained positive on sector on the back of intrinsic demand and healthy cement price coupled with normalizing cost. Our preferred picks are UTCEM, DALBHARA, and SGC.

Exhibit 23: Industry to report strong volume growth of +14% y/y, while average volume to decline by ~3% sequentially in Q2FY23E due to seasonal weak quarter.



Source: YES Sec

Exhibit 24: Region-wise Quarterly Average Cement Prices - (Rs/Per bag)

REGION	Q2FY23	Q1FY23	Chg in Rs.	QoQ (%)	YoY (%)
NORTH	365	381	(16)	(4.2)	3.6
WEST	367	384	(18)	(4.6)	0.5
SOUTH	400	416	(16)	(3.8)	1.4
CENTRAL	359	370	(11)	(3.0)	(1.1)
EAST	309	336	(26)	(7.8)	(2.9)
PAN-INDIA	**360**	**377**	**(17)**	**(4.6)**	**0.4**

Source: YES Sec

Exhibit 25: Cement- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
UltraTech Cem.	142,896	18.9	(5.8)	25,190	(496)	(278)	11,681	(11.1)	(26.3)	Owing to strong volume momentum and health NSR, company is expected to report strong revenue growth y/y but lower than last quarter on account of seasonal weak quarter. Despite that the EBITDA likely to decline due to peaking fuel cost inflation.
Shree Cement	38,646	20.5	(8.0)	7,132	(956)	(103)	3,258	(43.6)	3.2	Over Q1 negative other income, PAT is expected to grow sequentially in Q2FY23. inflated cost and muted NSR would result in EBITDA decline to +Rs950/te
ACC	41,803	11.5	(6.4)	3,610	(1,036)	(90)	1,577	(65.0)	(30.7)	Over newly added capacity, volume is expected to grow double digit on y/y basis, but the substaintial cost pressure because of fuel/freight cost would dent the EBITDA to +Rs500/te
Ambuja Cements	37,683	16.4	(5.6)	5,642	(675)	(217)	7,327	66.1	(30.1)	Despite lower profitiabilty the lower finance cost would keep PAT elevated even after correction on q/q basis
Dalmia BharatLtd	30,218	17.3	(8.5)	3,971	(1,096)	(460)	706	(66.4)	(64.0)	Higher expsoure to east impacting the overall NSR whereas the south stable price would cushion the NSR fall. As a result margins we beileve would get softened.
The Ramco Cement	16,326	8.6	(8.2)	2,050	(1,404)	(448)	427	(91.7)	(60.9)	Led by strong volume momentum and health NSR, overall revenue is expected grow y/y but lower than last quarter on account of seasonal weak quarter. Despite that due to peaking fuel cost inflation the EBITDA likely to decline in Q2.
Birla Corpn.	20,521	20.9	(6.9)	1,584	(802)	(405)	34	(96.0)	(94.5)	Lower profitability and higher finance cost will be erording PAT for this quarter
India Cements	13,874	12.4	(8.4)	133	(1,054)	(167)	(907)	PL	PL	large expouser to the south coupled with higher OPC sale mix continue to pressure the margin because of its higher fuel consumption. With a lower margin and higher finance cost company would report net loss.
Sagar Cements	5,011	35.8	(10.1)	441	(767)	(214)	(370)	PL	LL	On account to lower profitablily led by substaintial cost pressure and inflated finance cost due to increase in debt from last couple of quarters, company can report net loss in this quarter.

CONSUMER DURABLES

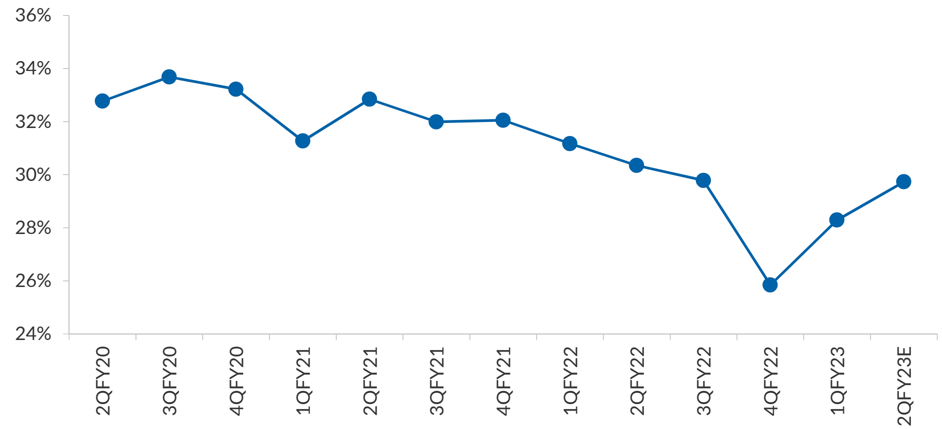
- Q2 is likely to be marred with de-stocking in wires and cables and subdued demand for fans. Kitchen appliances continues to see double digit growth. Most of the durables and electrical companies is expected to see margin improvement as commodity prices have corrected from peak and have stabilized. Volumes across the categories could remain subdued on absence of pent-up demand and monsoons across the country which has resulted in lower construction activity.
- Dealers have managed to clear all their inventory and are left with lower than normal inventory levels. Companies have not taken any price increase for any of the category owing to strong competition.
- Competitive intensity continues to remain intense resulting in passing on complete commodity benefits to the customer impacting profitability of the sector.
- Electricals companies are also expected to have a steady quarter with some signs of an uptick in demand especially on the B2B side.
- Commodity prices which had posed headwinds has corrected from its peak and has now stabilized resulting in companies not having to raise the prices of the products further. Infact many of the companies have passed on the lower commodity prices fully.
- Gross margins are expected to improve gradually from the lower levels, however it would be still below the average margins which companies used to make.

Our top result picks in the space would be Blue star and Crompton.

Exhibit 26: Q2FY23 (Avg Prices)

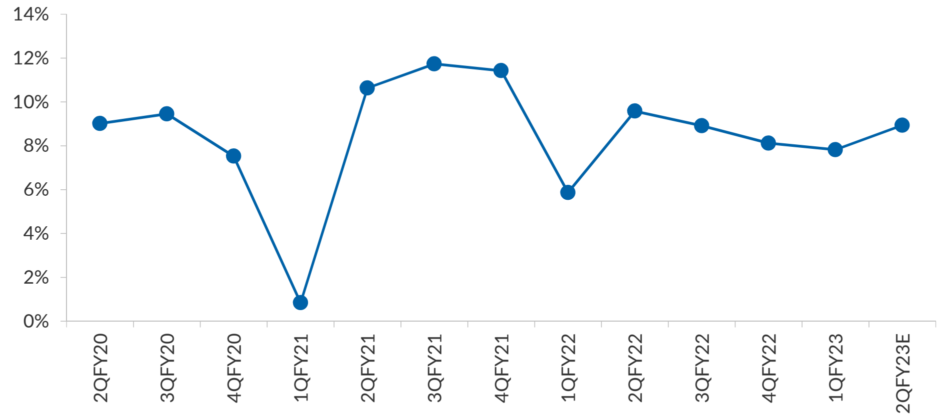
	Price	% yoy	% qoq
Copper (Rs/kg)	647	-11.4%	-14.5%
Aluminum (Rs/kg)	207	-3.8%	-12.0%
Polypropylene	1084	-12.1%	-18.4%
Container freight index	5794	-42.9%	-28.1%

Exhibit 27: Avg. Gross margin is expected to improve from its lows



Source: YES Sec

Exhibit 28: Avg. EBITDA margin to improve on sequential basis



Source: YES Sec

Exhibit 29: Consumer Durables- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
Amber Enterp.	7,310	24.4	(60.0)	379	(65)	(25)	40	(45.6)	(90.4)	Strong revenue growth is expected on back of favorable base and lower channel inventory, while gross margin is expected to expand sequentially due to passing of increased input costs and stabilization in commodity prices
Bajaj Electrical	13,921	6.9	13.3	1,014	4	120	899	43.8	118.3	Consumer durables revenue is expected to remain flattish as demand for fans has remained subdued after strong summer, while EPC revenue is expected to see growth led by illumination. PAT growth is on account of expected profit in EPC business vs loss in Q2FY22
Butterfly Gan Ap	4,546	12.8	79.3	546	46	184	319	25.2	140.9	BGAL is expected to deliver double digit revenue growth despite high base as its products are gaining traction and it is gaining market share. Margins are expected to improve on rationalisation of costs
Blue Star	14,568	17.5	(26.1)	799	(22)	(78)	424	34.9	(43.0)	Market share gains and increased execution is expected to drive revenue growth. Unitary products is expected to grow 15.5%. price increase and strong demand for RAC; while projects business is expected to grow 15.4%
Crompton Gr. Con	19,487	40.7	4.6	2,350	(340)	25	1,408	(11.4)	11.8	Market share gains, premiumization and consolidation of Butterfly should result in revenue growth despite high base; EBITDA margin is expected to improve sequentially on improved performance of butterfly
Dixon Technolog.	47,383	69.0	66.0	1,771	(19)	23	996	59.0	119.4	Increased capacities across product categories coupled with manufacturing of new products should lead to strong grow ahead of festive season; EBITDA margin is expected to remain improve on better operating leverage.
Havells India	36,179	12.3	(14.5)	3,860	(310)	213	2,645	(12.3)	9.1	Havells is expected to see revenue growth on market share gains in Lloyd and strong performance of ECD and wires and Cables segment . Gross margin is expected to expand from its lows as commodity prices have stabilized resulting into higher EBITDA margin on sequential basis
Johnson Con. Hit	4,276	7.6	(57.7)	3	(137)	(129)	(154)	LL	LL	Revenue growth is expected on back of price increase while volume growth is expeted to see decline; while gross margin should expand from historic lows in 1Q
IFB Industries	10,654	7.6	(0.2)	836	75	460	353	43.4	1,755.7	Change in product mix towards washing machine should result in improvement of gross margins, while controlon costs should result in improvement in EBITDA margin resulting in improved profitability
Orient Electric	6,211	4.5	(0.1)	444	(326)	102	239	(31.3)	26.0	Subdues demand for Fans and change in distribution pattern should result in flattish revenue growth for Fans. Lighting and switchgear segment should see strong growth of 15% led by increase in industrial capex and improved demand for consumer lighting
Polycab India	30,283	0.7	10.7	3,615	219	57	2,362	19.4	6.1	Destocking in the early part of the quarter for wirws and cables would result in flattish revenue growth for the company. EBITDA margin is estimated to be 11.9% as copper prices have eased from their peaks

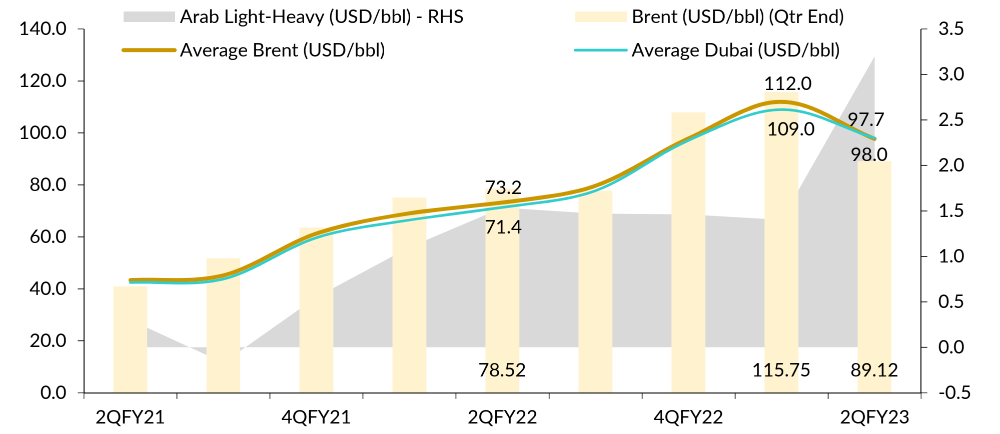
Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
Stove Kraft	4,034	11.2	46.7	446	(12)	321	255	11.4	216.1	Resolving of e-commerce related issues and re-starting of exports should result in double digit growth. Margins are expected to improve sequentially due to higher operating levarage
Symphony	3,014	37.0	(8.4)	627	307	1,047	491	63.8	69.5	Rationalization of channel inventory should result in strong domestic growth, while fresh disruption and lockdowns in China should result in subdued performance of its international subsidiaries. Gross margin is expected to improve on price increases
TTK Prestige	8,757	8.3	46.0	1,270	(229)	67	931	(5.6)	61.6	demand for kitchen appliances and increased capacity in cookware would lead to revenue growth for the company, EBITDA margin is expected to improve on higher gross margins
V-Guard Industri	10,037	10.6	(1.4)	921	(128)	112	596	0.3	11.6	Growth in electricals and consumer durables should result in overall growth for the company. EBITDA margin should improve on higher operating leverage
Voltas	16,718	(1.0)	(39.6)	1,141	(82)	43	816	(21.7)	(25.5)	UCP is expected to deliver flattish growth as high base and lower demand for RAC in off season has impacted overall demand. Voltas is expected to maintain market share. EMPS business should remain flat on lower order book
Whirlpool India	17,431	8.5	(12.1)	1,065	(194)	19	718	(10.9)	(7.9)	Lower base and festive demand for refrigerator and washing machine should drive the growth for the company. EBITDA margin should improve on gross margin expansion as commodity prices have corrected from their peak

ENERGY & CHEMICALS

- The 2QFY23 was marked by a) sequentially lower crude oil prices at an average of USD 97.7/bbl (1QFY23: USD 112/bbl); b) depreciation in INR to an average of Rs 79.8/USD (1QFY23: Rs 77.2/USD) ; c) QoQ higher global spot LNG prices at an average of ~USD 47/mmbtu (1QFY23: USD 27/mmbtu), d) QoQ flat domestic natural gas prices at USD 6.1/mmbtu (1Q: USD 6.1/mmbtu), e) QoQ decline in Sgp. benchmark GRMs to ~USD 7.1/bbl (1QFY23: ~ USD 21.4/bbl) and f) MS and HSD consumption likely higher YoY but lower QoQ; diesel retailing margins weighed down by under-recoveries (~Rs 10/ltr)

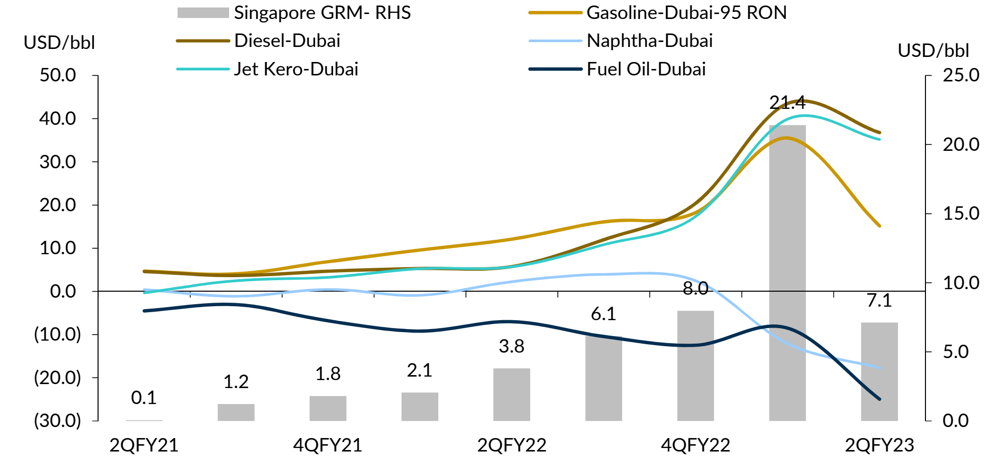
- In above backdrop, we estimate that earnings would be sequentially weaker for most of our coverage space with exception of CGD companies (GUJGA, IGLMAHGL and ATGL), where stronger margins are expected. While weaker refining and petchem margins coupled with retailing losses in diesel, are likely to weigh of RIL and PSU-OMCs; implementation of SAED is going to blunt the crude oil realization for ONGC and OINL, thereby weighing on earnings. Chemicals companies are also likely to report a sequentially weaker quarter on account of comparatively tepid business environment.

Exhibit 30: Crude oil prices decline QoQ to ~USD 98/bbl (Brent)



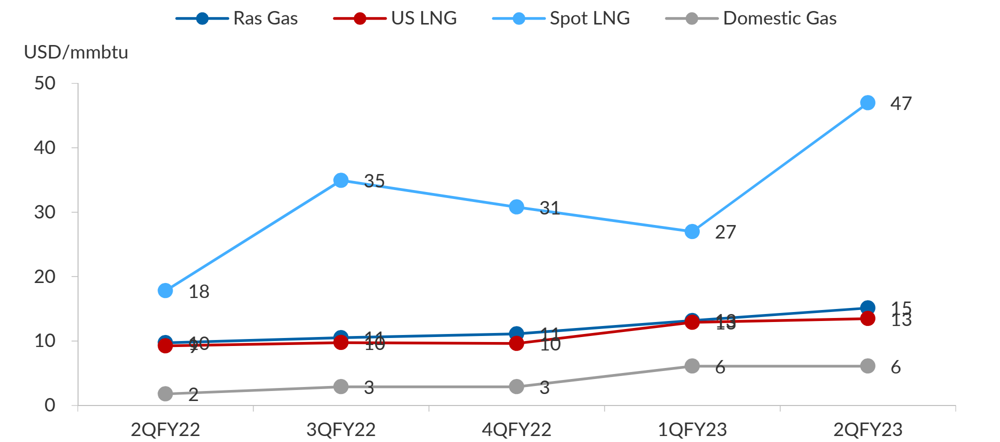
Source: Bloomberg, YES Sec

Exhibit 31: QoQ weaker, MS and FO cracks weigh on GRMs



Source: Bloomberg, YES Sec

Exhibit 32: Global LNG prices rise sequentially



Source: Bloomberg, YES Sec

Exhibit 33: Energy- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
Reliance Industr	2,007,491	19.8	(8.5)	311,372	(1)	(182)	155,724	0.6	(19.9)	We expect RIL to report QoQ weaker operating earnings on account of weaker earnings in petroleum segment due to a) QoQ lower GRMs & Petchem margins, b) sequentially lower refiniing throughput and c) continued loss in Diesel retail. The B2C segment (Telecom and Retail), howvever is estimated to report sequentially steady earnings
O N G C	351,139	44.2	(17.0)	190,712	287	(412)	100,801	(45.1)	(33.7)	ONGC is also expected to report QoQ weaker earnings on account of SAED (windfall tax) levied on the its crude sales; The crude realization as a result are estimated at USD 71/bbl (vs Brent at USD 97.7/bbl)
Oil India	45,143	36.3	(24.4)	17,459	1,109	(550)	9,023	78.9	(42.0)	On lines of ONGC, OINL also expected to report QoQ weaker earnings at its realizations also get impacted by SAED. We estimate an adjusted realization of USD 69/bbl for OINL
I O C L	2,121,399	56.7	(5.4)	(21,310)	PL	PL	(45,484)	PL	LL	IOCL estimated to report loss at operating level on account of high under-recovery in retail diesel sales (Rs 10/ltr), along with possibility of refining invetory loss
B P C L	1,156,183	41.8	(4.5)	(12,352)	PL	LL	(20,257)	PL	LL	IOCL estimated to report loss at operating level on account of high under-recovery in retail diesel sales (Rs 10/ltr), along with possibility of refining invetory loss
H P C L	1,079,809	30.0	(5.7)	(26,016)	PL	LL	(28,683)	PL	LL	HPCL estimated to report loss at operating level on account of high under-recovery in retail diesel sales (Rs 10/ltr), along with possibility of refining invetory loss
GAIL (India)	424,192	97.2	12.9	33,484	(826)	(373)	21,699	(24.2)	(25.6)	GAIL estimated to report QoQ weaker earnings as a) LPG prices correct QoQ, b) Petchem sales remain muted and c) Gas transmission & Trading volume expected QoQ lower on weaker LNG import
Petronet LNG	150,835	39.5	5.7	10,290	(517)	(64)	6,395	(22.3)	(8.8)	Earnings estimated QoQ weaker on weaker LNG import
Gujarat Gas	39,990	10.3	(22.7)	7,393	698	675	4,817	96.6	26.4	Earnings estimated to stand QoQ higher as better per unit margins offset sequential drop in volumes; Lower volume help reduce gas cost improving margins
Indraprastha Gas	33,881	85.0	6.1	6,808	(886)	76	4,651	16.1	9.6	Earnings estimated sequentially higher on better per unit margins as higher domestic gas allocation help moderate gas costs
Mahanagar Gas	14,646	76.4	0.7	2,975	(1,604)	68	1,965	(3.8)	6.1	Earnings estimated sequentially higher on better per unit margins as higher domestic gas allocation help moderate gas costs
Guj.St.Petronet	4,394	(25.3)	(8.8)	3,233	892	(118)	2,076	(37.2)	(11.8)	Earnings estimated sequentially lower on weaker gas throughput; offset partially by Ship or pay revenues
Adani Total Gas	9,703	49.7	(6.9)	2,300	(1,200)	274	1,436	(9.6)	4.2	Earnings estimated QoQ higher on improved margins, due to higher availiability of cheaper domestic gas
Castrol India	11,846	10.4	(4.6)	3,004	90	232	2,173	16.9	5.3	Earnings likely to stand higher QoQ, on better pass through of price revision undertaken in previous quarter; Volume nevertheless could be QoQ lower due to seasonality
Gulf Oil Lubric.	6,790	27.3	(3.9)	911	(107)	138	610	3.9	10.1	Earnings likely to stand higher QoQ, on better pass through of price revision undertaken in previous quarter; Volume nevertheless could be QoQ lower due to seasonality

Exhibit 34: Chemicals- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
Aarti Industries	19,177	23.6	(2.8)	3,440	(203)	(79)	1,801	2.3	(4.8)	Operating earning estimated +11% YoY but -7% QoQ, due to increase in fixed costs as new capacity get commissioned
SRF	35,578	25.3	(8.7)	8,739	72	(98)	5,154	34.1	(15.2)	Earnings likely to stand QoQ weaker on account on weakness in refrigerant sales and also weakness in pacjaging film business
Deepak Nitrite	18,631	10.8	(9.5)	4,074	(113)	457	2,686	5.6	14.5	Earnings likely to be improve QoQ on better Phenol -Acetone margins
Rossari Biotech	4,308	12.0	(0.9)	521	68	(118)	231	(11.9)	(19.4)	Operating earnings estimated 10% lower QoQ due to volatality in raw material prices
Chemplast Sanmar	13,199	(21.1)	(6.5)	1,944	(595)	97	976	(35.4)	140.4	Operating earnings estimated QoQ flat as improvement in PVC -VCM spreads could get partially offset by impact of inventory liquidation
Neogen Chemicals	1,420	25.5	(4.0)	220	(266)	(119)	95	(14.6)	(14.1)	Earnings estimated tad weaker QoQ on weaker demand environment in both Organic and Inorganic segments
Heranba Inds	4,213	19.2	16.4	674	(132)	320	490	7.5	45.4	Revenue likey to increase by 16% QoQ & 19%YoY largely due to pickup in domestic agrochemical demand with the onset of south west monsoon. Company reported poor financial performance in last quarter owing to lower exports demand due to delayed monsoon but demand scenario improved sequentially. We expect EBITDA margin to expand sequentially by 320bps to 16%. Net profit of the company is expected to stand at Rs490Mn, reporting a growth of 7%YoY & 45%QoQ.

FINANCIALS-SFBs, NBFCs, HFCs & CRAs

As per our channel checks and management interactions, the credit demand across products (except for Gold Loans) in the low-income/informal/self-employed borrower segments has been resilient thus far to higher inflation and increasing interest rates. Continued momentum in cash flows of the borrowers would likely drive stable or improved asset quality for our SFBs, HFCs and NBFCs coverage universe. The flow from std. OTR pool has been on expected lines and from the non-delinquent pool has been marginal with further normalization of bounce rates and robust X bucket collections. Except for microfinance (residual non-paying Covid portfolio will be written-off), the credit cost is expected to be moderate (or remain low) in other product segments. On NIM/Spread front, the Q2 FY23 could reflect transient challenges for some players (having higher proportion of bank funding) due to quicker re-pricing of liabilities.

We expect following dynamics to play out during Q2 FY23 in each product segments:

- Home Loan disbursements likely to remain strong in both prime and affordable housing segments, underpinned by structural demand uptick across ticket-size, customer segments and locations. Asset quality performance of home financiers in prime segment will remain strong, and 30+ dpd portfolio of affordable HFCs is expected to further prune on firm collections.

- In Vehicle Financing, disbursement volumes will remain strong on sustained demand/sales of PVs and LCV and strengthening demand recovery for MHCVs. Our checks suggest that stabilized fuel cost, gradually improving freight rates and firming vehicle utilization have been improving borrowers' cash flows and loan repayment capacity. Slippages from OTR portfolio have been moderate for VF NBFCs.

- Small business loans/MSME lending is likely to post a pronounced revival with calibration of caution by lenders and an improving demand from borrowers to fund higher business volumes/capacity. Asset quality should further stabilize backed by resilient collection trends.

- In Microfinance segment, disbursements should jump sequentially for most players as alignment with the new Microfinance guidelines was complete by May-June. With collections holding-up in the delinquent pool and new PAR creation being marginal, the core credit cost (w/o write-off) is pivoting down.

- Gold Loan NBFCs' portfolio accretion/tonnage growth remains impacted by stoppage of low-rate schemes, increased distribution by competition and likely increasing rate sensitivity of even low-ticket customers. Portfolio yield would improve materially on sequential basis on running down and re-pricing of low-rate loans.

- In Credit Cards, customer addition/mix, spend growth/mix and receivables continue to evolve favourably. Further positive movement in the share of Revolvers would be a key monitorable. Less-risky customers onboarded during Covid and portfolio construct/ECL coverage at pre-pandemic level to underpin benign credit cost.

We expect stronger performances (leading to upgrade in our FY23 earnings) from Ujjivan SFB, LIC HF, Manappuram, SBI Cards and Aptus Housing.

For our rating agencies coverage, we expect healthy domestic rating revenue growth and consequent margin expansion. Both for CRISIL and ICRA, the strong growth momentum in non-ratings businesses is likely to continue in Q2 FY23.

Exhibit 35: Expected sequential growth in AUM

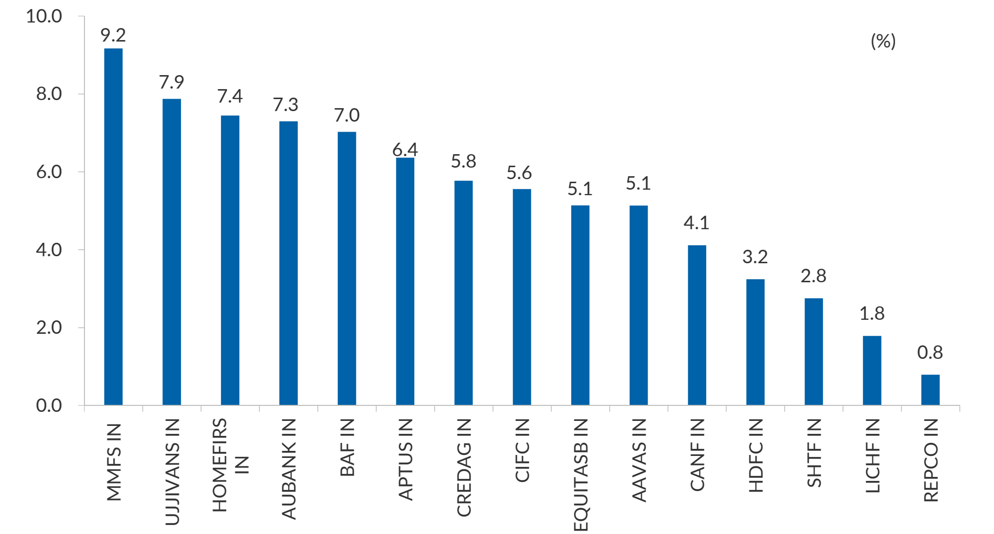


Exhibit 36: FINANCIALS-SFBs, NBFCs, HFCs & CRAs- Earnings expectation snapshot

Ticker	Console / Standalone	NII / Revenues			PPOP / EBITDA			PAT			Comments
		Q2 FY23E	Q2 FY22	Q1 FY23	Q2 FY23E	Q2 FY22	Q1 FY23	Q2 FY23E	Q2 FY22	Q1 FY23	
AUBANK IN	Standalone	10,482	7,531	9,760	4,977	3,925	3,941	3,285	2,785	2,679	Loans grew by 7% qoq/42% yoy, with disbursements up 2% qoq and up 68% yoy. CoF increasing at restrained pace with improving share of CASA & Retail TDs. Lending rate hikes ensuring stable NIM. Strong collections/resolutions to drive further improvement in asset quality and marginal credit cost.
EQUITASB IN	Standalone	6,082	4,838	5,806	2,749	1,989	2,682	1,237	412	970	A broad-based pick-up in disbursements with focus having shifted to growth. Recent CASA gains, normalization of slippages and lending rate hikes to support NIM. With the susceptible restructured pool having already slipped in preceding two quarters, both NPL additon and credit cost should be lower qoq.
UJJIVANS IN	Standalone	6,499	3,914	5,997	2,925	710	2,711	1,886	(2,738)	2,029	Strong growth in Gross Adv. to continue led by sustained momenutm in MFI disbursements. Firm collection trends to aid credit cost and NIM. Likely another strong quarter of profitability.
BAF IN	Console	70,604	53,338	66,358	45,807	33,048	42,575	28,932	14,810	25,963	Strong AUM growth of 7% qoq/31% yoy led by traction in all segments except Auto Finance. Limited increase in funding cost (less floating rate borowings) and favourable shift in asset mix to aid NIM. Credit cost to be benign with credit metrics and collection efficiencies even better than pre-Covid
HDFC IN	Standalone	47,139	41,096	44,469	44,384	37,765	41,956	42,643	37,805	36,688	Persisting momentum in Individual Loans to drive AUM growth; signs of recovery in construction finance portfolio likely. Lending rate increases and lagged back-book re-pricing to help in delivering a stable spread/NIM. Strong collections and significant provisions on BS to drive benign credit cost.
AAVAS IN	Standalone	2,385	2,089	2,181	1,321	1,231	1,156	989	921	892	With emphasis back on business and with the disbursements momentum coming back, AUM growth could further improve. Further marginal reduction in 1+ dpd/90+ dpd to drive lower provisions.
LICHF IN	Standalone	17,936	12,020	16,454	15,850	9,481	14,481	9,974	2,479	9,255	Healthy home loan disbursements to sustain overall loan portfolio growth. Limited increase in funding cost (majority funding from NCDs) and lending rate inreases should translate into better NIM. A likely stable PAR 30 portfolio to drive moderate credit cost, unless co. raises coverage levels.
CANF IN	Standalone	2,488	1,970	2,551	2,065	1,628	2,150	1,417	1,236	1,622	Pick-up in disbursements momentum and stabilizing BT Out to underpin sturdy loan growth. NIM to correct by 15-20 bps on sharp re-pricing of borrowings (CP substitution + higher Bank reliance), despite likely improvement in portfolio yield. Stable asset quality to cause benign provisioning
HOMEFIRS IN	Standalone	1,155	851	1,065	765	596	699	533	449	513	Robust AUM growth momentum to sustain with an increasing disbursements traction. Spread/NIM may only marginally dip as increase in CoF would be restricted by rating upgrade. Reduction in delinquent pool to drive moderate provisions.

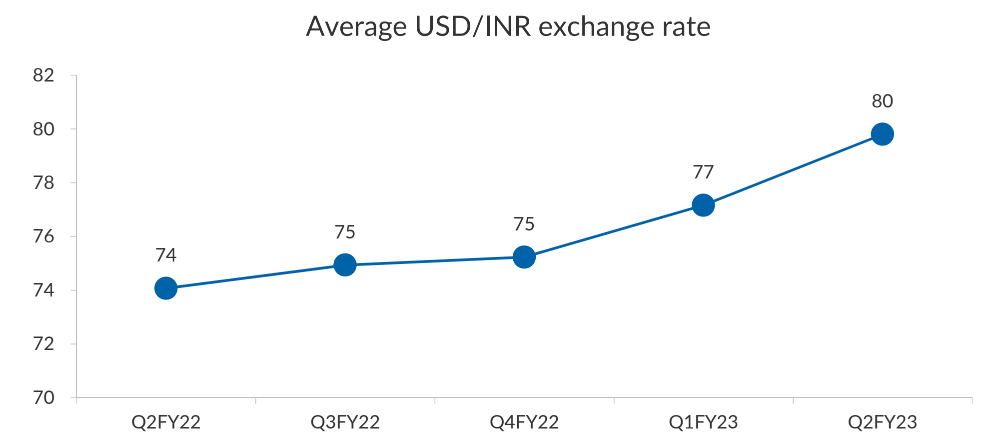
Ticker	Console / Standalone	NII / Revenues			PPOP / EBITDA			PAT			Comments
		Q2 FY23E	Q2 FY22	Q1 FY23	Q2 FY23E	Q2 FY22	Q1 FY23	Q2 FY23E	Q2 FY22	Q1 FY23	
APTUS IN	Console	1,960	1,417	1,861	1,677	1,169	1,618	1,215	853	1,188	Portfolio growth to remain strong as the disbursement momentum remains robust. Spread/NIM may only marginally dip as increase in CoF would be restricted by rating upgrades. Further reduction in 30+/GNPL pool to underpin modest provisions.
REPCO IN	Standalone	1,343	1,556	1,370	1,040	1,318	1,078	553	859	621	Disbursements momentum to further improve. Pressure on NIM/Spread to stay from re-pricing of borrowings and improving loan origination mix. GNPLs could rise on some flow from OTR pool; credit cost to be higher given management's intent of holding stronger provisions on the BS.
CIFC IN	Standalone	16,291	13,928	16,142	10,268	8,750	10,604	6,495	6,065	5,657	AUM growth to accelerate on increasing disbursements momentum. Reduction in Stage 2 & 3 assets is likely without material write-offs; thus credit cost would likely by marginal. NIM may see an impact of material CoF increase.
SHTF IN	Standalone	27,195	22,626	26,869	21,299	17,169	21,120	10,109	7,712	9,653	No change expected in AUM growth trajectory and the incremental growth mix, with demand and price buoyancy continuing in used CV/PV financing. Net bucket movements unlikely to be significant as collections remain strong and impact of daily stamping being better managed. Credit cost could be lower with substantial provisions held on standard assets.
MMFS IN	Standalone	16,710	14,928	15,544	10,259	10,163	9,458	3,900	10,229	2,229	Substantially improved disbursements momentum has led to a significant growth uptick in Business Assets (up 9% qoq/16% yoy). Collection efficiency was strong, leading to a reduction in Stage-2 and Stage-3 assets. Credit cost to be elevated as the co. makes provisions for bringing NNPL down.
CREDAG IN	Console	4,892	3,888	4,798	2,894	2,187	2,897	1,404	597	1,396	Disbursements to be near 2x qoq as the process alignment with new Microfinance guidelines was completed by June. Credit cost to remain elevated due to write-off of the residual non-paying Covid portfolio, even as collections have fully normalized on the paying pool.
SBICARD IN	Standalone	29,790	23,221	27,919	13,850	10,580	12,912	6,672	3,449	6,269	Strong pace of customer acquisition, accelerating momentum across spend categories and increasing ticket sizes to drive robust spends growth. Receivables build-up would continue and share of revolvers could inch-up. Less-risky customers onboarded in FY21/22 and portfolio construct/ECL coverage being at pre-pandemic level to underpin normalized credit cost.
MGFL IN	Console	10,735	10,396	9,974	5,521	6,028	5,091	3,210	3,699	2,819	Expect Gold AUM to be marginally lower qoq, impacted by change in product rates and slower demand recovery from the core customer segment. Portfolio yield to significantly improve on stoppage of low-rate schemes and running-off of such portfolio. Credit cost to be elevated with higher provisioning requirement in MFI business. Sequential improvement in PAT to continue.
MUTH IN	Console	18,839	19,750	17,374	12,426	14,702	11,020	8,921	10,029	8,250	Expect tepid qoq Gold AUM growth which will be on account of change in product rates. Auctions to be significantly lower. Portfolio yield to improve on stoppage of low-rate schemes and running-off of such portfolio. PAT to be sequentially higher.

Ticker	Console / Standalone	NII / Revenues			PPOP / EBITDA			PAT			Comments
		Q2 FY23E	Q2 FY22	Q1 FY23	Q2 FY23E	Q2 FY22	Q1 FY23	Q2 FY23E	Q2 FY22	Q1 FY23	
CRISIL IN	Console	6,747	5,710	6,685	1,774	1,465	1,691	1,333	1,129	1,369	While traction across businesses should continue, any hint/commentary of potential slowdown in GR&RS and GBA would be a key monitorable. EBITDA margin to be higher YoY on operating leverage and turnaround in Greenwich profitability.
CARE IN	Console	710	764	546	292	335	161	264	271	141	Expect relatively weaker ratings revenue growth versus CRISIL and ICRA. Q2 is seasonally strong quarter for CARE on higher revenue recognition and margins
ICRA IN	Console	969	827	925	346	227	317	301	244	216	Revenue growth momentum to continue in Ratings business (led by pricing improvement) and ICRA Analytics (sustained flow of work from the Parent). EBITDA margin to be materially higher YoY on better volumes and pricing.

INFORMATION TECHNOLOGY

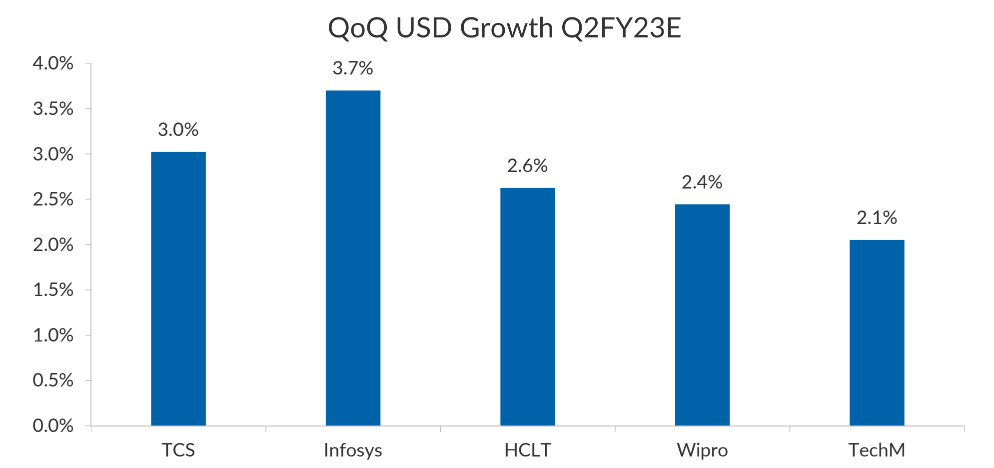
- The demand environment broadly remains strong. However, IT companies have indicated that clients have become watchful of evolving macroeconomic situation and there has been some increase in sales conversion cycle. IT companies are planning to stick with hybrid work model.
- Revenue growth for Q2FY23 is expected to remain strong for IT companies led by recent deal wins. The broad trend of accelerated adoption of digital technologies and migration to cloud based solutions sustains. The performance would be broad-based across BFSI, Telecom, Healthcare, Manufacturing and Retail sectors.
- We expect cross currency headwind of around 20-120bps in the quarter that would slightly dampen the reported USD revenue growth. Revenue growth is expected to be 1.5-4.0% QoQ in USD terms for large cap IT companies. The depreciation of average INR vs USD by 3.4% QoQ during the quarter would boost revenue growth in INR terms by around 250-350bps QoQ. Tier 2 IT companies are expected to report revenue growth of 2-5% in USD terms QoQ.
- Annualised quarterly attrition has started coming down for the IT sector and any commentary on attrition trend would be keenly watched. EBIT margin performance is expected to improve 50-140 bps QoQ for Tier 1 IT companies; while it is expected to show mixed performance for Tier 2 IT companies, depending on wage hike cycle.
- We expect that deal booking momentum would show some moderation as a result of concerns around economic growth in the US/European markets
- Management commentary on FY23E guidance, offshoring trend, supply side constraints, hiring trend and the momentum in deal booking would be the key thing to watch out for in the quarter.
- Tier 2 IT companies are expected to report higher sequential growth compared to Tier 1 IT companies. Among Large Cap IT companies, we prefer Infosys and TCS; while among tier 2 IT companies, we prefer LTI and Coforge.

Exhibit 37: There was significant depreciation of INR vs USD during the quarter



Source: Company, YES Sec

Exhibit 38: Infosys expected to report highest QoQ growth among large caps



Source: Company, YES Sec

Exhibit 39: Information Technology- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
TCS	557,397	18.9	5.7	149,382	(118)	137	106,095	10.2	11.9	Expect sequential improvement in margin due to positive operating leverage. Management commentary on Outlook on growth environment would be key thing to watch out for.
Infosys	367,753	24.2	6.7	89,984	(199)	165	64,294	18.6	20.0	Growth to be broadbased across industry verticals. Commentary on outlook on attrition; deal environment and FY23 revenue and margin guidance would be key to watch out for.
HCL Technologies	247,720	19.9	5.6	53,839	(169)	53	35,429	8.5	7.9	Expect sequential improvement in margin led by price hike and better utilization. Commentary on the Product and Platform business would be key to watch out for.
Wipro	227,171	15.5	5.5	42,976	(228)	99	28,667	(2.2)	12.0	Q3FY23 guidance and the commentary on M&A and large deal wins would be key thing to watch out for.
Tech Mahindra	132,903	22.1	4.6	19,936	(334)	21	12,064	(9.9)	6.6	Growth to be led by ramp up of recent deal wins in cloud, 5G, data analytics. Commentary on 5G deals, margin outlook and M&A strategy would be key thing to watch out for.
L & T Infotech	48,067	27.6	6.3	9,085	(56)	53	6,835	23.9	7.7	Growth to be broadbased across verticals led by wins in cloud and data analytics 'Commentary on merger with Mindtree, growth environment,deal pipeline and large deal wins would be key things to watch out for.
L&T Technology	19,757	22.9	5.4	4,195	(49)	(17)	2,841	23.5	3.6	Growth to be led by demand for plant automation. Commentary on margin outlook and performance of verticals would be key to watch out for.
Mindtree	33,102	28.0	6.1	6,885	28	(29)	4,840	21.3	2.6	Growth to be led by Travel and Hitech verticals Commentary on attrition, deal win momentum and merger status to be key to watch out for
Mphasis	36,519	27.3	7.1	6,464	35	11	4,323	26.6	7.6	Growth to be led by strong traction in direct international, while DXC revenue contribution has become insignificant. Commentary on demand environment, pricing and talent supply situation would be key thing to watch out for
Coforge	19,567	24.7	7.0	3,428	(25)	157	1,933	31.6	29.1	Growth to be led by strong performance in BFS and Insurance verticals. Management guidance on FY23 revenue growth guidance and overall margin outlook would be key to watch out for.

INFRASTRUCTURE

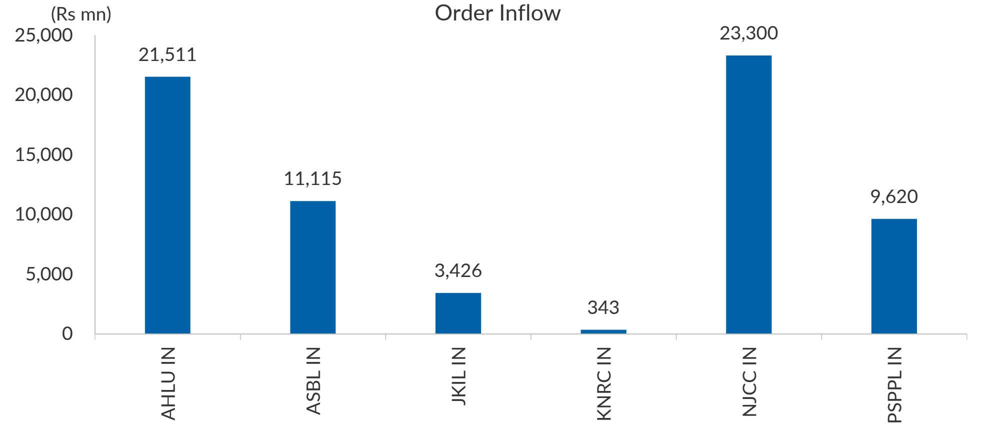
- During 2Q, we expect our infra coverage universe to report a revenue growth of 15% YoY on the back of lower base of 2QFY22 (Rs146bn). On execution front, with onset of monsoon and delay in receipt of ADs, the pace of construction is expected to slow down as compared to Q1. EBITDA margins are expected to be at an avg 16.8% (120 bps lower QoQ) on account of increase in inflation. Adjusted PAT is expected to remain lower QoQ at 7.1% owing to higher finance cost. Awarding activity also witnessed hiccups in 2Q, with increase in raw material prices, however the same is expected to gain momentum from 3Q.

- Awarding activities witnessed a speed bump on account of higher raw material prices leading to escalated project cost. With raw material prices cooling off, awarding activity is expected to pick up from 3Q onwards. Most players have a healthy order book (order book-to-sales ratios in the range of ~3.3x its TTM revenues) providing comfortable revenue visibility over the next 3-4 years. Key monitorable for the quarter would be working capital cycle, appointed dates in some projects, and update on asset monetization plans of certain companies.

- Execution momentum in 2Q would be driven by a) continued uptick in traffic volumes backed by economic recovery along with toll tariff hikes b) timely payments from Govt. authorities and private sector clients, c) upcycle in real estate with key markets like MMR, Pune, Bangalore, NCR eyeing surge in registrations and new launches being lined up.

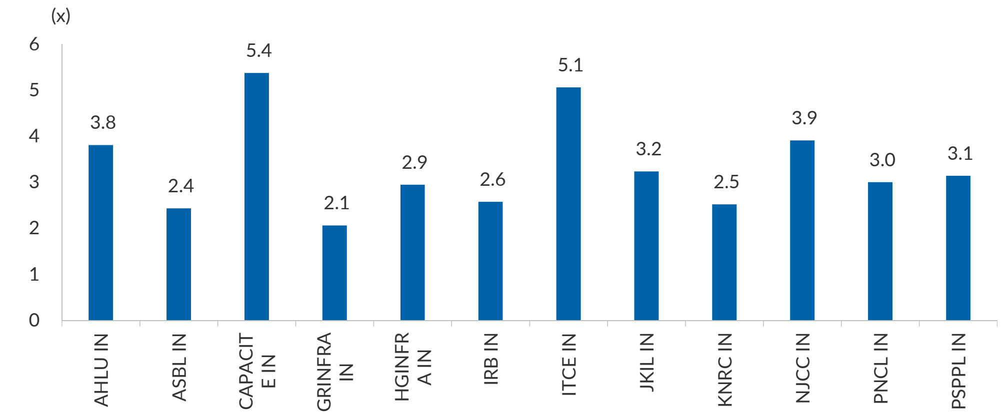
- Post monsoon, we expect construction activity to pick up the pace. NHAI has a strong bid pipeline to be awarded in FY23 and we expect strong momentum to continue in infra sector. Other sectors such as Water, Urban Infra, Railways, etc. are also witnessing good traction in ordering activity. With healthy OB, strong bid pipeline, rising toll revenues and strong infra push given by the NIP, GATI Shakti and budget 2022-23, most infra companies are expected to witness a robust fundamental performance going ahead. We continue to prefer companies with strong balance sheet, low debt levels, good corporate governance, well managed working capital cycle and high book to bill ratio provides a robust revenue visibility over next 2-3 years. CAPACITE, HGINFRA and PNCL are our top picks

Exhibit 40: Robust order inflow of Rs69bn witnessed in our infra coverage universe



Source: Company, YES Sec

Exhibit 41: OB-to-sales continues to remain health at avg 3.3x TTM revenues



Source: Company, YES Sec

Exhibit 42: Infrastructure- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
Ahluwalia Contr.	6,999	20.6	14.9	737	(35)	59	424	18.4	12.2	We expect execution to continue the momentum. EBITDAM is expected to improve to 10.5% as execution ramp ups and softening of raw material prices happening. Execution ramp up in key projects such as Chamba project, poultry project,Sion hospital,etc. would be key monitorable.
Ashoka Buildcon	14,440	14.2	(23.1)	3,924	(506)	141	841	7.6	(37.6)	Order inflows were healthy as ASBL bagged orders worth Rs7.2bn during 2Q. Revenues are expected to grow by 14.2% with blended EBITDAM expected to improve marginally at 27.2%. Guidance on order inflow, working capital cycle and monetization of its HAM portfolio would be key monitorable.
Capacit'e Infra.	3,819	36.4	(19.9)	592	(637)	(524)	127	(25.6)	(55.4)	Capacite's revenues are expected to grow by 36.4% YoY as execution ramps up across its portfolio and lower base of FY22. EBITDAM are expected to be de-grow at 15.5% led by change in revenue mix. Update on liquidity situation and CIDCO project would be key monitorable.
G R Infraproject	19,598	15.3	(20.9)	2,745	(235)	(563)	1,413	(13.4)	(56.0)	In 2Q, revenues are expected to grow to 15.3% YoY to Rs19.6bn with EBITDAM is expected to come at 14% due to impact of lower execution. AD's for newly awarded projects would be a key monitorable.
H.G. Infra Engg.	9,037	20.6	(15.2)	1,389	(88)	12	811	(8.8)	(16.9)	We expect HGInfra's revenues to grow by 20.6% YoY with EBITDAM expected to be 15.4%. Update on monetization, AD's for newly awarded projects and execution ramp up in order book would be key monitorable.
IRB Infra.Devl.	14,707	0.4	(23.6)	6,869	(228)	(841)	1,053	148.9	(71.0)	In 2Q, Revenue are expected to be muted to Rs14.7bn while EBITDAM at 46.7% due to lower share of BOT revenue Pickup in construction and receipt of PCOD in projects nearing completion would be the key monitorable.
ITD Cem	9,477	14.8	(13.7)	692	119	(85)	38	(74.7)	(87.4)	Revenues for the quarter are expected to grow by 14.8% YoY on higher base. EBITDAM expected to de-grow on account of elevated metro project. Implementation of strong cost control measures and AD for Ganga Expressway project would be the key monitorables.
J Kumar Infra	8,823	30.7	(11.2)	1,218	(250)	(33)	480	16.8	(22.5)	JKIL's revenue is expected to grow at 30.7% YoY with EBITDAM expected to de-grow marginally to 13.8%.Guidance on revenue growth and EBITDA margins would be key monitorable.
KNR Construct.	7,285	(3.6)	(18.2)	1,302	(430)	(65)	728	(23.6)	(27.8)	Revenue is expected to de-grow marginally owing to monsoon. EBITAM is expected to be marginally down to 17.9% due to slowdown in execution of irrigation projects.
NCC	25,530	34.9	(13.7)	2,579	(240)	59	1,070	46.4	(10.8)	We expect revenue to grow by 34.9% YoY with EBITDAM to expand to 10.1%. We continue to expect 12% revenue CAGR for next 2-3 years, driven by its robust order book. Pickup in execution of new projects and timely disbursement from state govts would be key monitorable.
PNC Infratech	15,403	(4.6)	(12.4)	1,679	(282)	(376)	959	(29.2)	(42.4)	Owing to monsoon, execution is expected to be affected. Given the low leverage and better working capital cycle, interest costs are likely to remain under control. Plans to monetize HAM portfolioand infusion of equity for HAM projects would be key monitorable.
PSP Projects	4,820	51.9	39.6	643	(389)	(29)	396	8.2	39.0	In 2Q, the company has received robust order inflow of Rs9.6bn. We expect revenue to grow by 51.9% YoY with EBITDAM expected to be muted to 13.3%. Rampup in execution and availability of labour would be a key monitorable.

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
Container Corpn.	20,786	14.0	5.1	5,249	187	138	4,719	78.6	62.0	We expect CONCOR to report a top-line of ~Rs20.8bn, up 14%YoY, on account of volume growth in domestic and EXIM. On the EBITDA margins front, we expect the company to report blended margins of 25.3% on a hike in realization for value-added services, rise in double stacking, reduction in land licensefees and strong operational efficiency.
Va Tech Wabag	8,027	17.4	27.1	582	(102)	364	259	(1.2)	(14.1)	We expect VATW's revenue to grow by 17.4% YoY to Rs8.0bn with EBITAM being sustainable at 7.3%. Guidance on revenue growth and EBITDA margins would be key monitorable.

INSURERS, ASSET MANAGERS AND FINTECH

LIFE INSURERS

- **New business growth:** Growth trend for 2M2QFY23 (July and August 2022) is publicly available on the IRDA website and we expect new business growth for the whole of 2QFY23 to be broadly along similar lines, penciling in QoQ APE growth of 44%, 33%, 47% and 42% for SBIL, IPRU, LIC and HDFL, respectively.
- **New business margin:** We expect VNB margin to expand 66 bps QoQ for SBIL, 20bps QoQ for LIC, 21bps QoQ each for HDFL and IPRU. We see sequential margin improvement across the 4 insurers due to improving product mix.

GENERAL INSURERS

- **Net earned premium:** Our coverage universe consists of only ICICI Lombard and hence, our commentary applies to only this name. We pencil in NEP growth of 4% QoQ for ICICGI based on the trends observed till August 2022.
- **Under-writing profit:** We expect overall loss ratio to improve since we expect Motor loss ratio would be somewhat lower on sequential basis due to better pricing. Health loss ratio would remain elevated but broadly stable, sequentially, due to distribution spends to build Retail business. We see a moderate sequential decline in under-writing loss.
- **Profit after tax:** ICICIGI would continue to generate enough investment return to remain in the black during 2QFY23.

ASSET MANAGERS

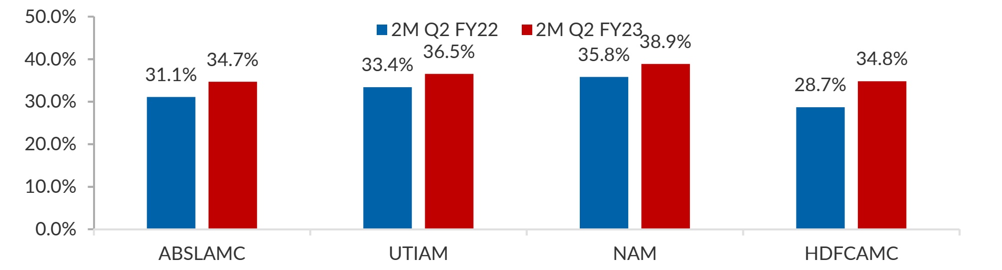
- **Revenue growth:** Revenue growth for Asset Managers is a direct function of AUM growth and fund category mix. Overall AUM for UTI, NAM and HDFCAMC has seen growth in August 2022 compared with June 2022 levels whereas ABSLAMC has seen de-growth. All the four coverage asset managers saw growth in Equity AUM over the same period. The share of Equity AUM has also improved sequentially for all Asset Managers. We believe that trends as of September 2022 would have a -3.7% Nifty return overlay over August. We have assumed stable revenue yield estimates QoQ for all Asset Managers despite rise in share of Equity expected in the AUM. **CAMS:** We assume revenue growth would be broadly in-line with the AUM growth for CAMS.
- **EBITDA:** Despite higher revenue QoQ, except for ABSLAMC and NAM and higher share of Equity AUM, we have assumed sequentially stable EBITDA margin for all Asset Managers. **CAMS:** We assume EBITDA margin to be stable sequentially.
- **Profit after tax:** It may be noted that Asset managers earn investment return on their investment book, which is counted below EBITDA as other income. We estimate Other Income to be significantly higher QoQ leading to better sequential growth in profitability. **CAMS:** We assume stable profit margin for CAMS QoQ.

FINTECH

- **One 97 Communications (Paytm):** We pencil in an overall growth in Revenue from operations of 15.3% QoQ based on segmental assumptions. We forecast an improvement in Payment Processing Charges (PPC) as a proportion of Payments Revenue to 62%, a metric that was 64% in 1QFY23. We arrive at a Total Expenses (ex PPC) growth of 10% QoQ, compared with 8% in 1QFY23, resulting in an EBITDA margin (ex Other Income and after ESOP cost) of -30.8%, an improvement of 698 bps QoQ.

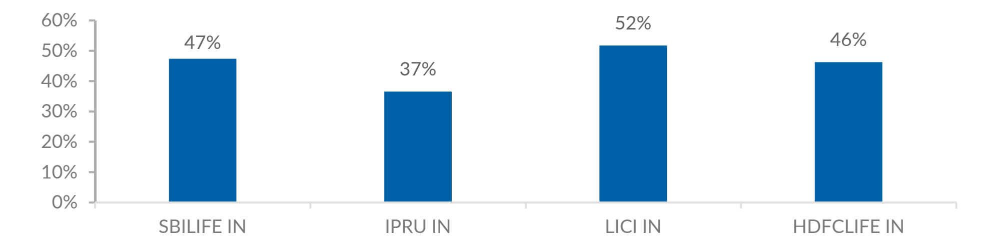
N.B. For stock specific trends for various aspects, kindly refer to the next page, including the Remarks portion.

Exhibit 43: Change in share of equity in AUM of Asset Managers



Source: Company, YES Sec

Exhibit 44: Growth in APE for Life Insurers, 2M2QFY23 Vs. 2M1QFY23



Source: IRDAI, YES Sec

Exhibit 45: Life Insurers- Earnings expectation snapshot- Stocks are as per order of investment preference

(Rs mn)	NBP			APE			VNB			Remarks
	Q2 FY23E	YoY (%)	QoQ (%)	Q2 FY23E	YoY (%)	QoQ (%)	Q2 FY23E	YoY (%)	QoQ (%)	
SBILIFE IN	89,827	29	61	41,842	5	44	12,971	25	47	We pencil in new business growth assumptions based on trends observed till August 2022, when SBIL had displayed NBP/APE growth of 82%/47% for 2M2QFY23 (July and August 2022) over 2M1QFY23 (April and May 2022). We pencil in an APE margin expansion of 66 bps QoQ based on expected business mix changes.
IPRU IN	41,151	5	29	20,210	2	33	6,306	22	34	We pencil in new business growth assumptions based on trends observed till August 2022, when IPRU had displayed NBP/APE growth of 31%/37% for 2M2QFY23 (July and August 2022) over 2M1QFY23 (April and May 2022). We pencil in an APE margin expansion of 21 bps QoQ based on expected business mix changes.
LICI IN	799,449	-	66	150,961	-	47	20,833	-	49	We pencil in new business growth assumptions based on trends observed till August 2022, when LIC had displayed NBP/APE growth of 85%/52% for 2M2QFY23 (July and August 2022) over 2M1QFY23 (April and May 2022). We pencil in an APE margin expansion of 20 bps QoQ based on expected business mix changes.
HDFCLIFE IN	62,670	-5	31	27,026	6	42	7,297	8	43	We pencil in new business growth assumptions based on trends observed till August 2022, when HDFCLIFE had displayed NBP/APE growth of 35%/46% for 2M2QFY23 (July and August 2022) over 2M1QFY23 (April and May 2022). We pencil in an APE margin expansion of 21 bps QoQ based on expected business mix changes.

Exhibit 46: General Insurers- Earnings expectation snapshot

(Rs mn)	NEP			Underwriting Profit			PAT			Remarks
	Q2 FY23E	YoY (%)	QoQ (%)	Q2 FY23E	YoY (%)	QoQ (%)	Q2 FY23E	YoY (%)	QoQ (%)	
ICICI Lombard	36,069	11.0	4.0	(1,443)	43.2	-25.4	3,968	-11.2	13.7	We pencil in net earned premium growth assumption based on trends observed till August 2022, when ICICIGI had displayed GDPI de-growth of -4% for 2M2QFY23 (July and August 2022) over 2M1QFY23 (April and May 2022). Motor loss ratio would be somewhat lower on sequential basis due to better pricing. Health loss ratio would remain elevated but broadly stable, sequentially, due to distribution spends to build Retail business.

Exhibit 47: Asset managers- Earnings expectation snapshot- Stocks are as per order of investment preference

(Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23E	YoY (%)	QoQ (%)	Q2 FY23E	YoY (%)	QoQ (%)	Q2 FY23E	YoY (%)	QoQ (%)	
UTI AMC	2,918	4.1	1.5	1,393	4.5	1.5	1,635	-17.7	73.2	Overall AUM for UTI grew 2.8% as of August 2022 compared with June 2022. Equity AUM grew by 7% over the same period leading to an increase in share of pure Equity AUM QoQ by 1.4% (excluding Balanced and Arbitrage Funds). We believe that trends as of September 2022 would be dependent on the trends seen till August while we additionally factor in Nifty Return of -3.7% for September 2022. We pencil in an overall AUM growth of 1.5% QoQ for UTI. We expect EBITDA margin will be similar sequentially but QoQ PAT growth would be significantly higher due to higher other income
Nippon Life AMC	3152	-3.9	-0.3	1786	-7.6	-0.3	1751	-17.9	53.1	Overall AUM for NAM grew 1.1% as of August 2022 compared with June 2022. Equity AUM grew by 6% over the same period leading to an increase in share of pure Equity AUM QoQ by 1.8% (excluding Balanced and Arbitrage Funds). We believe that trends as of September 2022 would be dependent on the trends seen till August while we additionally factor in Nifty Return of -3.7% for September 2022. We pencil in an overall AUM de-growth of -0.3% QoQ for NAM. We expect EBITDA margin will be similar sequentially but QoQ PAT growth would be significantly higher due to higher other income
ABSL AMC	2,994	-9.8	-1.7	1,785	-10.9	-1.7	1,645	-5.0	59.9	Overall AUM for ABSLAMC de-grew -0.5% as of August 2022 compared with June 2022. However, equity AUM grew by 3.2% over the same period leading to an increase in share of pure Equity AUM QoQ by 1.2% (excluding Balanced and Arbitrage Funds). We believe that trends as of September 2022 would be dependent on the trends seen till August while we additionally factor in Nifty Return of -3.7% for September 2022. We pencil in an overall AUM de-growth of -1.7% QoQ for ABSLAMC. We expect EBITDA margin will similar sequentially but QoQ PAT growth would be significantly higher due to higher other income
CAMS	2,437	7.1	3.0	1,008	-4.7	3.0	665	-8.3	3.0	Overall mutual fund industry AUM grew 6.9% as of August 2022 compared with June 2022. We additionally factor in Nifty return of -3.7% for September 2022 for industry AUM. Hence, we pencil in a revenue growth of 3% QoQ for CAMS. EBITDA margin for 2QFY23 is expected to be similar to 1QFY23.
HDFC AMC	5,283	-2.6	1.3	3,947	-4.0	1.3	3,649	6.0	16.1	Overall AUM for HDFCAMC grew 2.5% as of August 2022 compared with June 2022. Equity AUM grew by 6.3% over the same period leading to an increase in share of pure Equity AUM QoQ by 1.2% (excluding Balanced and Arbitrage Funds). We believe that trends as of September 2022 would be dependent on the trends seen till August while we additionally factor in Nifty Return of -3.7% for September 2022. We pencil in an overall AUM growth of 1.3% QoQ for HDFCAMC. We expect EBITDA margin will be similar sequentially and sequential PAT growth would also be healthy due to higher other income

Exhibit 48: Fintech- Earnings expectation snapshot

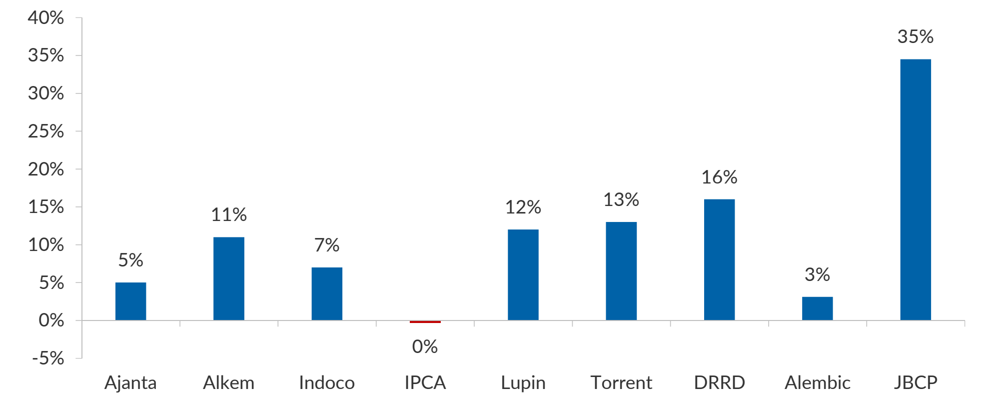
(Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23E	YoY (%)	QoQ (%)	Q2 FY23E	YoY (%)	QoQ (%)	Q2 FY23E	YoY (%)	QoQ (%)	
PAYTM	19,360	78.2	15.3	(5,956)	31.7	-6.0	(6,023)	29.0	-5.8	With steady loan disbursements and new device addition, we expect Paytm to post healthy sequential growth in revenue. We arrive at an overall growth in Revenue from operations of 15.3% QoQ. We forecast an improvement in Payment Processing Charges (PPC) as a proportion of Payments Revenue at 62%, a metric that was 64% in 1QFY23. We arrive at a Total Expenses (ex PPC) growth of 10% QoQ, compared with 8% in 1QFY23, resulting in an EBITDA margin (ex Other Income and after ESOP cost) of -30.8%, an improvement of 698 bps QoQ.

PHARMA & HEALTHCARE

A better quarter QoQ awaits most of the pharma names as high COGS of previous two quarters is understandably showing some signs of moderation or at least input costs are not rising like in months of April-May 2022. On the other hand, most companies would enjoy a full quarter of price hike on NLEM brands along with 4-6% price rise in rest of the portfolio in domestic business. Thirdly, acute season being in full swing would also create additional tailwinds on top of moderation in COGS and price hikes. US continues to be a struggle for most with price erosion not worsening being the only relief. Lack of meaningful approvals would continue to hamper most players with exceptions like DRRD (Lenalidomide launch would be eyed), Aurobindo (Vasopressin). Margin would recover from 1Q FY23 as domestic business enjoys its best quarter of the year though pain points would remain for some like ALPM who would be far away yet from normalized margin number. Sequentially, we expect strong results from Alkem, Indoco and Sequent while Gland would be still weak YoY. In revenue terms, we are much ahead of street on Syngene while being lower on Gland,

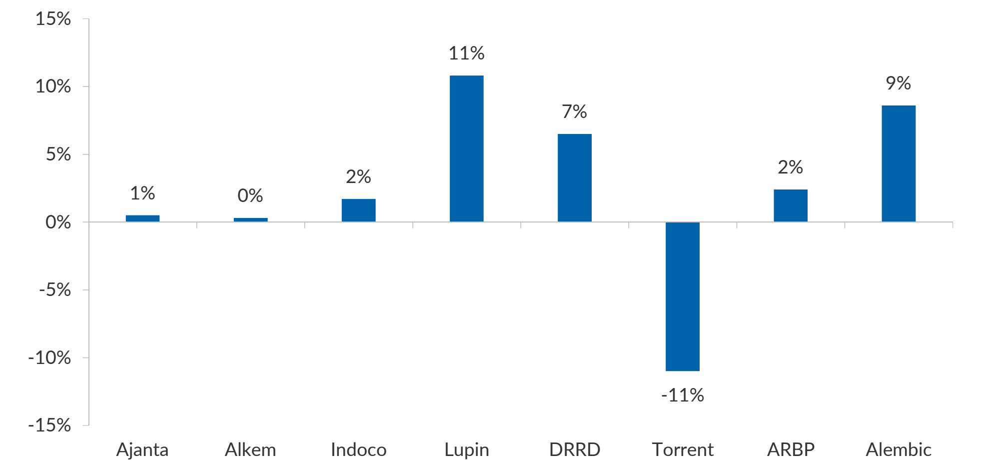
- Dr Reddys'- approval in Bortezonib inj, Toviaz and Revlimid launch along with base business key products (Vascepa) to drive 7% QoQ growth in US. India business to fall QoQ as 1Q had revenues from brands divested though price hikes would offset most of the decline
- Lupin - 'Suprep launch in early Sep, first time generic approvals and bouncing from the low US$130mn range of 1Q would help US business QoQ; India to sport better growth while cost cutting can help margin inch towards 10%
- Gland - US business to be better QoQ but not YoY – Enoxaparin PFS has been resolved, Heparin issue persists while Micafungin would be more supportive in H2
- Indoco and Alkem to be key beneficiaries of acute seasonality with former still showing growth on last year's residual Azithromycin base.
- Sequent – rebound after API fire incident though Europe to be weak due to demand issue; better margin quarter as API leads recovery
- Diagnostic - Low to mid double digit growth across Dr Lal , Metropolis and Vijaya; margin to inch up QoQ on better seasonality due to fever testing especially for Vijaya.

Exhibit 49: Trend in domestic growth across pharma cos, % YoY



Source: Company, YES Sec

Exhibit 50: Trend in US growth across pharma cos, % QoQ



Source: Company, YES Sec

Exhibit 51: Pharma & Healthcare- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
Dr Reddy's Labs	54,359	(6.1)	3.9	10,972	(331)	220	6,555	(34.2)	(44.9)	Approval in Bortezonib inj, Toviaz and Revlimid launch along with base business key products (Vascepa) to drive 7% QoQ growth in US. India business to fall QoQ as 1Q had revenues from brands divested though price hikes would offset most of the decline. Margin to inch up QoQ as some softening in input costs + better India seasonality drive gross margin
Aurobindo Pharma	64,673	8.8	3.7	11,377	(238)	212	6,541	(6.1)	25.7	Vasopressin approval to help but US business remains under pressure with low growth expectation YoY. Gross margin to be similar to 1Q while margin to benefit after excess air freight expenses in 1Q. ARV had additional sales in 1Q from 4Q which we have tapered off
Lupin	39,796	(2.7)	6.3	3,895	(399)	541	1,090	(78.1)	LP	Suprep launch in early Sep, first time generic approvals (Rufinamide, Azilsartan), Perforomist FDA nod and bouncing from the low US$130mn range of 1Q would help US business QoQ; India to sport better growth while cost cutting can help margin inch towards 10% with gross margin relief as 1Q had shelf stock adjustment in US
Torrent Pharma.	22,533	5.4	(4.0)	6,553	(180)	(126)	3,300	4.4	(6.8)	US business had one-off Rs380mn settlement income in 1Q adjusted for which sales would be flat QoQ - Dapsone may offset price erosion. India to remain at elevated level QoQ and double digit growth YoY. Margin optically lower QoQ due to one-off income in 1Q
Ajanta Pharma	9,094	2.8	(4.4)	2,203	(546)	91	1,713	(12.5)	(1.9)	India business YoY growth to moderate on a 20% + growth in 2Q of last year; branded markets would follow suit with lower growth YoY. COGS had one-time inventory write off in 1Q while price hikes in India and forex would help regain gross margin to ~74% driving QoQ margin recovery
Alkem Lab	29,492	5.3	14.5	5,561	(344)	1,097	4,425	(20.8)	236.7	Domestic business to clock double digit growth YoY while US would continue to be a struggle subject to variation around intense price erosion which persists. Price hikes, strong acute seasonality and one-off in other expenses in 1Q would lead to strong rebound in margin QoQ
Indoco Remedies	4,301	11.2	5.4	821	(326)	158	439	5.2	13.7	US to remain range bound till Brinzolamide picks up presumably in H2; India business in single digit growth YoY. Europe to struggle and normalize from 3Q. Gross margin to pick up sequentially though would remain below last year's 72%
Ipca Labs.	15,825	2.5	(0.2)	3,228	(327)	342	2,005	(22.2)	35.1	Quarter would be more of a margin recovery than topline growth which would be muted on last year's high Azithro base especially in domestic business and impacted by weak anti malaria sales
Dr Lal Pathlabs	5,398	8.3	7.4	1,289	(451)	51	688	(28.6)	18.2	Low double digit growth on last year's non Covid base along with Suburban revenues; margin to inch up slightly QoQ as non Covid revenues drive growth
Metropolis Healt	3,022	(0.1)	8.0	781	(399)	136	378	(35.1)	12.6	Double digit growth on ex-Covid base last year along with better seasonality to drive revenue traction; margin inching up to pre Covid level

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
Syngene Intl.	7,000	14.7	8.6	1,869	(67)	(64)	827	(4.9)	7.0	High teens growth on what would be a largely normalized base last year (Rs 120mn of Remdesivir probably still left in base quarter) ; COGS inching up as manufacturing share rises. Zoetis deal would start from H2 though not significant to move the needle in FY23
Gland Pharma	9,297	(14.0)	8.5	3,025	(232)	104	2,552	(15.6)	11.4	US business to be better QoQ but not YoY – Enoxaparin PFS has been resolved, Heparin issue persists with resolution of shortage only by Nov as guided earlier. India business to be better as insulin lines come back. ROW markets to see some relief as shortages presumably ease though large markets like Brazil would take time
Alembic Pharma	13,671	5.8	8.3	2,065	(480)	1,394	1,260	(25.6)	LP	Margin to improve QoQ even adjusted for Aleor R&D w/o in 1Q as US aided by forex tailwind and India to be seasonally stronger + price hikes to support gross margin
Apollo Hospitals	37,897	2.0	(0.2)	5,253	(268)	93	1,901	(23.3)	(40.0)	0
Sequent Scien.	3,806	8.6	11.5	393	49	442	86	(40.3)	LP	API business to recover after fire incident in 1Q though Europe would remain under pressure due to demand problem amongst cattle owners. Margin recovery seen as API - best margin segment drives growth
Vijaya Diagnost.	1,150	5.0	10.2	448	(337)	75	211	(10.0)	20.9	Low single digit growth YoY across pathology and radiology & healthy double digit QoQ Pathology has rebounded due to fever testing which was absent last year. Most of the opex of above centres was loaded in 1Q except for variable costs like doctor fees and reagents
J B Chem & Pharm	7,291	22.9	(7.1)	1,601	(397)	(223)	726	(25.7)	(30.9)	Domestic growth YoY would remain strong at mid-teens coupled with ~Rs600mn added from 3 acquisitions; gross margin to improve slightly QoQ while PAT would be impacted by ESOP cost (Rs160mn), Amortization (Rs100mn) of acquired brands

REAL ESTATE

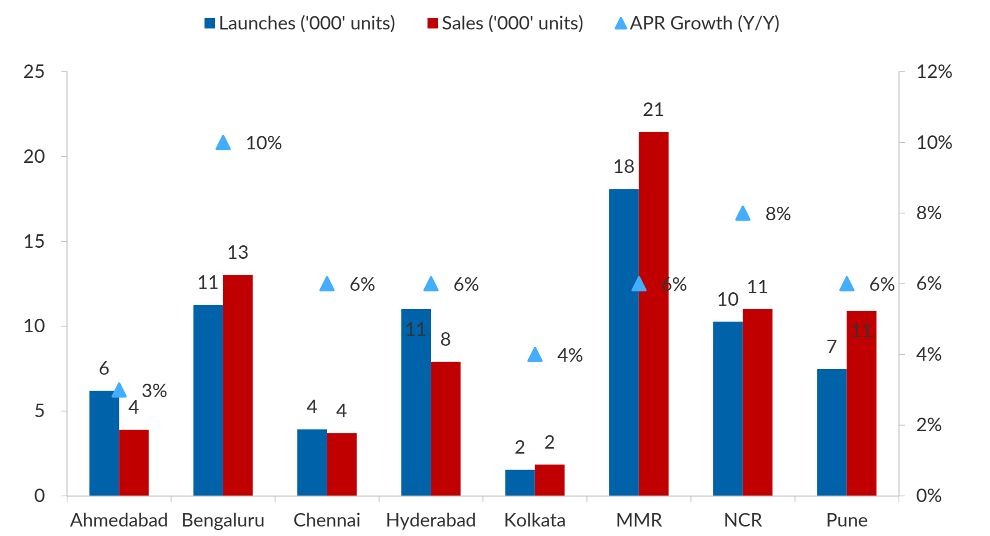
Traditionally, Q2 is considered to be a weak quarter as it is affected by the rainy season, due to which construction activity and sales remains subdued. But for this year demand continued in Q2FY23 and as per Knight Frank's recent report sales for Top 8 cities was 73,691 units. MMR contributed 29% with sales booking of 21,450units, Bengaluru 18% with 13,013units while NCR & Pune contributed 15% each to the total sales. From our coverage, we believe on the back of the strong demand momentum all the players to report strong operational numbers. On the pricing front Bengaluru, Chennai, Hyderabad and NCR seen sequential uptick of ~1% while compared to same time last year Bengaluru witnessed 10% uptick, NCR 8% while Chennai, Hyderabad, MMR and Pune witnessed 6% uptick each respectively. We believe listed players are well placed and will gain most out of consolidation witnessed in the sector.

Office assets are on the path of the recovery with increase in the physical occupancy as more and more associates are back to the office. Knight Frank report depicts there is strong traction for office leasing wherein Top 8 cities witnessed gross leasing of 16.1msf while supply was lagging with 13msf. Bengaluru (7.3msf) contributed 45% of total leasing happened in Top 8 cities. Average Rentals jump after several quarters wherein Bengaluru topped the table with 13%Y/Y, Pune (9%), Hyderabad (7%), Chennai (5%) and MMR (4%). From our coverage DLFU, PEPL & OBER has exposure to the commercial real estate and believe should report good numbers.

Retail & hospitality assets recovered fast in Q4FY22 as restriction eased out and we expect the same traction to continue for Q2FY23 too as not only all restrictions are eased but now international travel too resumed. Retails assets recovered fully and surpassed the pre-covid trading volumes in Q4FY22 with F&B/cinema back to 100% capacity. In Q2FY23, we believe the retail assets might see one of the best trading volumes on the back of pent-up demand and festival buying. For Hospitality, leisure hotels recovered long back as domestic travel resumed while drag was due to the business hotels which are on recovery path. Restoration of international travel, increased corporate and social/family events, should reflect in occupancy and ARR going north for current fiscal.

We remain structurally positive on the real estate sector on the back of strong demand in the residential space, increased leasing traction, mall operating at full capacity and recovery of business hotels. Our preferred picks for the sector are PEPL, DLFU & SRIN.

Exhibit 52: Top 8 Cities Launches, Sales & Average Price Realisation



Source: Knight Frank, YES Sec –

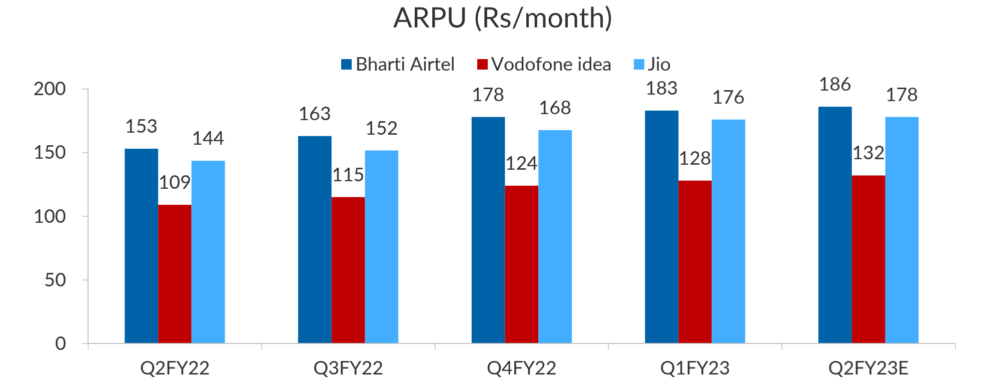
Exhibit 53: Real Estate- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
DLF	13,473	(9.0)	(6.5)	3,860	(229)	(4)	5,358	41.4	14.1	Key is to monitor the sales traction for newly launch project "GROVE" in DLF5 and response to the other projects in festival season
Oberoi Realty	13,311	76.5	45.8	6,779	146	(297)	4,665	75.0	15.7	360 West to remain in focus as channel check suggests good sales, comentary on Thane launches and business development activity to monitor
Prestige Estates	13,517	0.5	(30.3)	3,853	(64)	468	953	25.5	(53.5)	Need to monitor MMR projects sales velocity and specifically for Mulund, BD activity along with launch pipeline for Mumbai & NCR portfolio
Sunteck Realty	3,891	185.5	171.2	1,544	1,289	816	931	510.4	273.3	Launch pipeline for rest of year and BD activity is prime moniterables

TELECOM AND INTERNET/PLATFORM

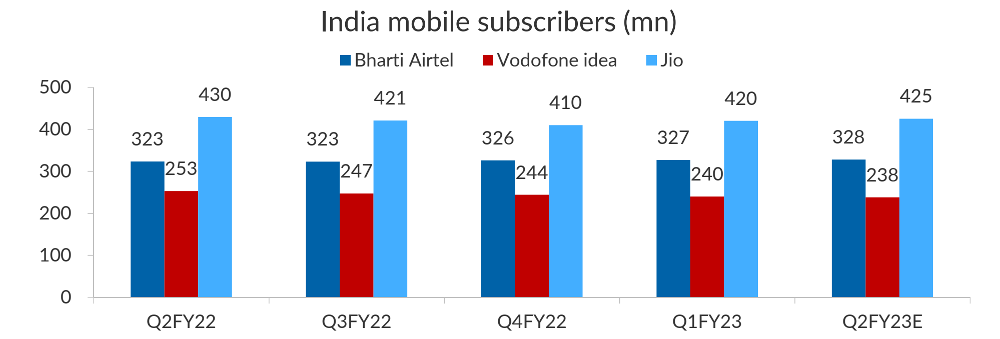
- Vodafone Idea is expected to report decline of 2mn subscribers QoQ, with growth in ARPU of 3% QoQ driven by migration of users from 2G to 4G technology. The Management commentary on any progress on fund raising activity would be the key thing to watch out for in the quarter.
- Any funding related update from VIL is being keenly awaited as that would determine its timeline of 5G rollout
- RJio and Airtel have launched 5G technology in India and any update on its progress would be keenly watched by investors.
- Tata Communication is expected to report modest revenue growth led by improved traction in Growth services of the data segment.
- For Internet companies, Infoedge, led by continued strong traction in Naukri.com, is expected to report strong performance. Matrimony.com is expected to maintain the growth momentum visible in Q1FY23, with sequential revenue growth of around mid single digit.
- The rising digital penetration would support the overall performance of these Internet based companies as the pandemic has accelerated the market share gain towards internet-based companies in their respective segments.
- Management guidance on growth in billings and competitive intensity in the segment would be the key things to watch out for in the quarter.
- Tanla Platform and Nazara Technologies would report moderate performance for the quarter inline with the trend for Q2
- For SIS Ltd, the growth in the quarter would be led by strong performance in India security business and sustained recovery in facilities management business. The commentary on the International business is being keenly awaited by investors

Exhibit 54: The growth in ARPU to be led by tariff hike and migration from 2G to 4G customers



Source: Company, YES Sec

Exhibit 55: VIL's subscribers is expected to decline by 2mn QoQ



Source: Company, YES Sec

Exhibit 56: Telecom and Internet/Platform- Earnings expectation snapshot

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q2 FY23	YoY (%)	QoQ (%)	Q2 FY23	YoY (bps)	QoQ (bps)	Q2 FY23	YoY (%)	QoQ (%)	
Info Edg.(India)	5,416	54.0	6.7	1,755	217	27	1,550	52.6	4.4	Naukri.com to be key driver of revenue growth. Key thing to watch out would be the performance of 99acres.com and Jeevansathi
Just Dial	1,991	27.7	7.3	189	(72)	497	350	6.5	LP	Overall growth to remain decent led by growth in paid customers Management commentary on traction in the B2B segment would be ke thing to watch out for.
Matrimony.com	1,212	10.2	4.5	212	(644)	45	127	(23.4)	6.1	Growth is expected to be low double digit YoY. Management commentary on pricing environment, international operations would be key thing to watch out for.
Indiamart Inter.	2,386	30.8	6.2	692	(1,660)	43	699	(15.0)	49.7	Growth to remain strong strong sequentially led by improvement in business environment for SMEs Commentary on growth in paid suppliers and traffic would be key thing to watch out for.
Nazara Technolo.	2,404	85.5	7.7	329	(137)	18	145	43.9	26.4	Sequential growth to be in mid single digit and more broadbased Commentary on performance of subsegments would be key thing to watch out for.
Tanla Platforms	8,572	1.9	7.1	1,440	(444)	46	1,022	(24.9)	1.8	Revenue to show strong sequential after getting hit in Q1FY23 ; While improvement in margin would be muted.
Tata Comm	43,737	4.8	1.5	10,606	(241)	(74)	4,559	10.5	(16.2)	Growth to be led by traction in the data services. Voice business would continue to decline QoQ. Margin would remain strong due to continuos focus on cost optimization.
Indus Towers	69,221	0.7	0.4	36,035	(88)	1,839	14,780	(5.2)	209.7	Growth to be mainly led by increase in the number of co-locations. Management commentary on receivables form VIL would be key thing to watch out for.
Vodafone Idea	105,878	12.6	1.7	45,401	181	130	(71,261)	LL	LL	ARPU expected to grow by ~3% QoQ due to migration from 2G to 4G users. Subscriber base is expected to decline by 2mn QoQ
Sterlite Tech.	18,201	20.7	15.6	1,638	(844)	176	81	(92.0)	LP	Sequential revenue growth to be strong led by strong performance in product business; while margin would show sequential improvement due to cost inflation/logistics cost coming under control. Commentary on margin outlook would be key to watch out for.
SIS	28,022	15.3	4.6	1,419	0	56	851	24.4	3.0	Growth will be led by strong performance by India Security business and facilities management business. Management commentary on international business is key thing to watch out for.
eMudhra	569	75.6	9.0	227	1,262	40	153	532.1	11.2	Growth to be led by the strong traction in Enterprise business. Management commentary on new customer addition and outlook of Trust Services are key to watch out for.
Bharti Airtel	345,285	21.4	4.6	176,839	226	54	35,155	75.9	42.4	Earnings likely to stand higher YoY and QoQ primarily on improvement in ARPU, due to continued addition in 4G subscriber base

YES SECURITIES
INSTITUTIONAL EQUITIES

DISCLAIMER

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

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

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

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

YSL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

YES Securities (India) Limited distributes research and engages in other approved or allowable activities with respect to U.S. Institutional Investors through SEC 15a-6 rules and regulations under an exclusive chaperone arrangement with Brasil Plural Securities LLC. The views and sentiments expressed in this research report and any findings thereof accurately reflect YES Securities (India) Limited analyst's truthful views about the subject securities and or issuers discussed herein. YES Securities (India) Limited is not registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC. For questions or additional information, please contact Gil Aikins (gil.aikins@brasilplural.com) or call +1 212 388 5600.

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

YES Securities (India) Limited

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

Correspondence Address: 4th Floor, AFL House,
Lok Bharti Complex, Marol Maroshi Road, Andheri East,
Mumbai - 400059, Maharashtra, India.

✆ +91 22 68850521 | ✉ research@ysil.in | Website: www.yesinvest.in

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

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

DISCLOSURE OF INTEREST

Name of the Research Analyst : Aakash Fadia, Abhishek Lodhiya, Bhavesh Gandhi, Deep Shah, Harsh Tewaney, Hemant Nahata, Hitesh Jain, Keval Shah, Khushbu Gandhi, Nitin Tiwari, Piyush Pandey, Rajiv Mehta, Shivaji Thapliyal, Udit Gajiwala

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

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

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

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

HITESH CHAMPALAL JAIN

Digitally signed by HITESH CHAMPALAL JAIN
Date: 2022.10.06 21:39:26 +05'30'

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

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

BUY: Upside greater than 20% over 12 months

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

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

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

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a SEBI registered stock broker holding membership of NSE, BSE, MCX & NCDEX. YSL is also a SEBI registered Category I Merchant Banker, Investment Adviser and a Research Analyst. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.