

Q3FY23 Previews

17th January 2023



Auto & Auto Ancillaries					
Ashok Leyland (Rating: BUY)					
Particulars (Rs Mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Volumes (No)	47,562	34,077	39.6%	45,295	5.0%
Realization (Rs)	18,61,413	16,24,310	14.6%	18,24,914	2.0%
Revenues	88,533	55,352	60%	82,660	7.1%
EBITDA	6,910	2,239	209%	5,373	28.6%
EBITDA Margin (%)	7.8%	4.0%	376 Bps	6.5%	130 Bps
Adj PAT (adj. except items)	2,926	58	-	1,993	46.8%

Comments:- Volumes shoot-up by ~40% YoY driven by economic rebound, which uplifted MHCVs by 59% YoY for the same period. Realization improvement of 14.6% YoY to Rs 18,61,413 is largely led by volumes tilted towards MHCVs (64.7% in Q3FY23 vs. 56.7% in Q3FY22) and price increases taken several times in the last one year. This is offset by discounts in the market. EBITDA Margin to improve by 376bps YoY to 7.8% in Q3FY23 due to operating leverage and soft metal prices.

Bajaj Auto (Rating: ACCUMULATE)					
Particulars (Rs Mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Volumes (No)	9,83,276	11,81,361	-16.8%	11,51,012	-14.6%
Realization (Rs)	89,971	76,367	17.8%	88,642	1.5%
Revenues	88,467	90,217	-1.9%	1,02,028	-13.3%
EBITDA	15,944	13,721	16.2%	17,587	-9.3%
EBITDA Margin (%)	18.0%	15.2%	281 Bps	17.2%	79 Bps
PAT	13,846	12,142	14.0%	15,300	-9.5%

Comments:- QoQ volumes are lower by ~15% owing to 22% and 4% decline in domestic and export volumes respectively. Realization growth of 1.5% is driven by QoQ increase in exports (+500bps to 44.7% of volumes), 3Ws (+200bps to 13.4% of volumes) & better USD realization (\$ appreciated from 79.8 in Q2 to 82.1 in Q3), some price increase, offset by inched-up in discounts/offers in Q3 and reduction in export prices to lift up demand. EBITDA margin will improve by ~79bps QoQ to 18.0% in Q3 due to better export & 3W sales, softness in commodity prices, higher USD realization, offset by lower utilization level.

Eicher Motors (Rating: ACCUMULATE)					
Particulars (Rs Mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Volumes (No)	2,21,401	1,67,664	32.1%	2,03,451	8.8%
Realization (Rs)	1,69,525	1,71,811	-1.3%	1,72,985	-2.0%
Revenues	37,533	28,807	30.3%	35,194	6.6%
EBITDA	9,195	5,824	58%	8,216	11.9%
EBITDA Margin (%)	24.5%	20.2%	428 Bps	23.3%	115 Bps
PAT	7,001	4,561	53%	6,569	6.6%

Comments:- Volumes increased QoQ on account of good growth in domestic, offset by weak exports due to geopolitical situation. Realization is likely to drop by 2% QoQ to Rs 1,69,525 mainly due to inferior product & geographic mix (lower exports ~9% in Q3 vs. ~12% in Q2). EBITDA margin is likely to increase by 115bps QoQ to 24.5% in Q3FY23 led by benefits of fall in the commodity prices, some operating leverage, offset by weak exports & product mix. Overall, PAT QoQ will be higher by 7%. The bottom line will jump by ~54% YoY to Rs7bn in Q3 due to substantial improvement in the supply situation, commodity benefits and operating leverage benefits.

Hero MotoCorp (Rating: REDUCE)					
Particulars (Rs Mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Volumes (No)	12,39,693	12,92,136	-4.1%	14,28,168	-13.2%
Realization (Rs)	64,045	61,010	5.0%	63,545	0.8%
Revenues	79,397	78,833	0.7%	90,754	-12.5%
EBITDA	9,540	9,600	-0.6%	10,383	-8.1%
EBITDA Margin (%)	12.0%	12.2%	(16)Bps	11.4%	57 Bps
PAT	6,562	6,861	-4.4%	7,161	-8.4%

Comments:- QoQ volumes were lower owing to weak demand post festivals, no uptick in rural zone and efforts to keep normalized inventory. Realization to increase by ~1% QoQ to Rs 64,045/unit as price increased plus Xtec range of products are preferred by customers, offset by increase in discounts due to festivals & to clear year end inventory. EBITDA margin will improve by 57bps QoQ on account of correction in steel & other metal prices in Q2FY23 is beneficial in Q3FY23 due to lag. This along with pricing action & savings benefits to lift-up margins, offset by lower operating leverage as volumes declined by ~13% QoQ.

Maruti Suzuki						(Rating: BUY)
Particulars (Rs Mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	
Volumes (No)	4,65,911	4,30,668	8.2%	5,17,395	-10.0%	
Realization (Rs)	5,87,168	5,39,766	8.8%	5,78,490	1.5%	
Revenues	2,73,568	2,32,460	17.7%	2,99,308	-8.6%	
EBITDA	26,005	15,590	67%	27,689	-6.1%	
EBITDA Margin (%)	9.5%	6.7%	280 Bps	9.3%	25 Bps	
PAT	17,092	10,113	69%	20,615	-17.1%	

Comments:- Maintenance shutdown in Dec for a week, some supply constraints & inventory clearance post festives dragged down volumes by 10% QoQ. Realization to improve by 1.5% QoQ to Rs 5,87,168 due to better product mix, offset by higher discounts specially in the entry level segment to clear year-end inventory. EBITDA margin to improve by 25bps QoQ to 9.5% in Q3FY23 due to benefits of soft metal prices, product mix & Yen depreciation benefit, offset by lower operating leverage.

TVS Motor						(Rating: ACCUMULATE)
Particulars (Rs Mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	
Volumes (No)	8,79,423	8,78,659	0.1%	10,27,437	-14.4%	
Realization (Rs)	72,021	64,945	10.9%	70,264	2.5%	
Revenues	63,337	57,064	11.0%	72,192	-12.3%	
EBITDA	6,589	5,683	16.0%	7,365	-10.5%	
EBITDA Margin (%)	10.4%	10.0%	45 Bps	10.2%	20 Bps	
PAT	3,549	2,883	23.1%	4,075	-12.9%	

Comments:- A drop in QoQ volumes is due to seasonality and weak exports. The realization to increase by 2.5% QoQ to Rs72,021 due to price increase, better USD realization, increase in supplies of premium products like Raider/Ronin/Apache/Scooters, increase in EV sales (3.5% of volumes in Q3 vs 1.6% in Q2). This is offset by lower export mix (28% in Q3 vs. 29% in Q2). EBITDA margin to improve by ~20bps QoQ majorly due to soft commodity prices, internal efficiencies & sales of premium products & scooters.

Suprajit Engineering Ltd						(Rating: BUY)
Particulars (Rs Mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	
Revenues	7,019	4,793	46.5%	7,161	-2.0%	
EBITDA	862	541	59%	787	9.6%	
EBITDA Margin (%)	12.3%	11.3%	100 Bps	11.0%	130 Bps	
PAT	545	317	72%	457	19.2%	

Comments:- YoY numbers are not comparable as LDC (new acquisition) incorporated from Apr '22.
 Phoenix Lamps: QoQ revenue/margin situation is getting better, aftermarket was good in Q3 & cost pass-on is happening. Expect Rs956mn revenue with 8.0% EBITDA margin.
 Non-auto cables: despite softness in global situation, it is winning new orders from the US. Pushing new & existing products like digital instrument clusters, etc. to off highway customers internationally. Expect Revenue of Rs1.29bn with 14.5% EBITDA margin.
 Auto cables QoQ executed order wins from fast growing PV OEMs, and winning new businesses in global auto market. Anticipate revenue of Rs3.0bn with EBITDA margin of 17.0%.
 LDC QoQ improvement to continue. No stoppage in China plant due to the situation over there, QoQ production/sales are better. Projects revenue of Rs1.77bn with EBITDA margin turning positive to 5.0% in Q3FY23.

Steel Strips Wheels Ltd						(Rating: BUY)
Particulars (Rs Mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	
Revenues	10,333	8,605	20.1%	10,811	-4.4%	
EBITDA	1,134	1,066	6.3%	1,172	-3.2%	
EBITDA Margins (%)	11.0%	12.4%	(142)Bps	10.8%	14 Bps	
PAT	509	427	19.1%	568	-10.5%	

Comments:- YoY revenues is higher by 20% as except exports, all other segments performed very well, along with cost pass-on. EBITDA margin will improve QoQ due to benefits of soft steel prices and higher sales of high margin alloys & CV, this is offset by the expectation of some inventory loss in Q3FY23 & weak exports. YoY margins are lower due to complete pass on of input cost pressures, which inflated topline. YoY bottom line will be higher (despite drop in margins), is on account of better other income & lower interest rates, offset by some higher effective tax rate.

Swaraj Engines						(Rating: BUY)
Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	
Net sales	2,985	2,375	25.7%	3,848	-22.4%	
EBITDA	393	292	34.7%	505	-22.1%	
EBITDA Margin (%)	13.2%	12.3%	88 Bps	13.1%	5 Bps	
PAT	277	202	37.0%	359	-22.9%	

Comments:- On account of double digit growth in tractor industry, expected shift of business from Kirloskar and lower realization (Passing on lower steel prices), we expect Swaraj Engines to post sales growth of ~25.7% YoY. Margin is expected to expand by 5 bps QoQ to 13.2% which is 88 bps higher on YoY basis. With good growth and margin improvement, PAT is expected to report a good growth of 37% to Rs277Mn.

Mayur Uniquoters						(Rating: BUY)
Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	
Net sales	1,752	1,694	3.4%	1,945	-9.9%	
EBITDA	308	323	-4.8%	336	-8.3%	
EBITDA Margin (%)	17.6%	19.1%	(152)Bps	17.3%	31 Bps	
PAT	222	219	1.5%	254	-12.6%	

Comments:- On YoY basis there was good improvement at domestic auto sales front but the company's global clients performance was subdued. Also, there was decline in PVC prices both YoY and QoQ, which should lead the correction in overall realization. Based on this, ~3.4% YoY sales growth is expected led by ~14% volume growth but ~10% realization decline. We expect EBITDA margin to expand by 31 bps QoQ with PVC price correction, but still 152 bps YoY contraction. PAT is expected to witness a small growth of ~1.5% YoY to Rs222Mn with slightly higher other income.

Pharma					
Sun Pharmaceuticals					
(Rating: BUY)					
Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Sales	1,07,819	98,631	9.3%	1,09,523	-1.6%
EBITDA	26,070	26,063	0.02%	29,566	-11.8%
EBITDA Margin (%)	24.2%	26.4%	(225)Bps	27.0%	(282)Bps
PAT	19,663	21,308	-7.7%	22,602	-13.0%
Comments:- Sales to see healthy growth of 9.6% YoY driven by pick up in speciality drugs. Drug such as Winlevi, Ilumya, Odomzo etc. We expect the company to report 8% growth in the domestic market, and we expect the US business to deliver growth of 11% with revenues of USD 390 Mn. EBITDA margin will contract by 225 bps YoY to 24.2% due to increased R&D expenses in the quarter led by investments in clinical trials of speciality drugs.					

Laurus Labs					
(Rating: BUY)					
Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Sales	17,000	10,288	65%	15,759	7.9%
EBITDA	4,900	2853	72%	4,489	9.2%
EBITDA Margin (%)	28.8%	27.7%	109 Bps	28.5%	34 Bps
PAT	2,900	1,550	87%	2,338	24.0%
Comments:- Sales to see revenue growth of 65% YoY and 7.9% QoQ. Synthesis business will be the major revenue growth drivers. The sales from export of Paxlovid will drive the growth of the synthesis business segment, however the formulation business will continue to witness higher price erosion. EBITDA to witness margin expansion of 109 bps YoY as higher revenue from synthesis business will lead to higher EBITDA margins in the quarter. Management commentary for Long term and short term ARV tender business will be watched out.					

Divis Labs					
(Rating: HOLD)					
Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Sales	19,032	24,932	-23.7%	18,545	2.6%
EBITDA	6,750	10972	-38.5%	6,210	8.7%
EBITDA Margin (%)	35.5%	44.0%	(854)Bps	33.5%	198 Bps
PAT	5,300	9,022	-41.3%	4,936	7.4%
Comments:- Revenues are expected to degrow ~24% YoY to Rs. 19,032 Mn, mainly due to 45% decline in Custom Synthesis segment to Rs. 8,228 Mn, which had a higher base of Molnupiravir. APIs, on the other hand are expected to grow ~9% to Rs. 9,072 Mn. EBITDA is expected to degrow by 38% to Rs. 6,750 Mn whereas EBITDA margins are expected to decline 854 bps YoY to 35.5%.					

Indoco Remedies					
(Rating: BUY)					
Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Sales	4,600	3,580	28.5%	4,314	6.6%
EBITDA	870	735	18.4%	785	10.8%
EBITDA Margin (%)	18.9%	20.5%	(160)Bps	18.2%	71 Bps
PAT	410	330	24.3%	400	2.4%
Comments:- Revenue is expected to grow by 28.5% YoY, mainly driven by 35% YoY growth in LATAM formulations business. US revenue is expected to grow by 37% YoY mainly due to new launches, including Lacosamide injection. The domestic business is expected to grow by 8% YoY. EBITDA margin is expected to improve by 71bps QoQ.					

Healthcare					
Apollo Hospitals					
(Rating: BUY)					
Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Sales	42,789	36,389	17.6%	42,511	0.7%
EBITDA	6,761	5,870	15.2%	5,654	19.6%
EBITDA Margin (%)	15.8%	16.1%	(33)Bps	13.3%	250 Bps
PAT	4,236	2,283	86%	2,040	108%
Comments:- Revenues are expected to increase 17.6% YoY to Rs.42,789 Mn. Hospitals segment revenues are expected to increase 4.9% YoY to Rs. 23,721 Mn mainly due to ramp up in occupancy levels. Pharmacy sales is expected to increase 25% YoY to Rs. 16,343 Mn. AHLL business is likely to grow 12% YoY to Rs. 3,508 Mn on the back of continued ramp in diagnostics and return of patient visits to clinics. EBITDA margins are likely to improve 250 bps QoQ to 15.8% due to better operating leverage panning out from higher occupancy levels and EBITDA is expected to post growth of 19.6% QoQ to Rs. 6,761 Mn.					

HCGEL					
(Rating: BUY)					
Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Sales	4,235	3,580	18.3%	4,200	0.8%
EBITDA	834	618	35.0%	747	11.7%
EBITDA Margin (%)	19.7%	17.3%	244 Bps	17.8%	191 Bps
PAT	149	33	354%	74	101%
Comments:- Revenues are likely to grow 18.3% YoY to Rs.4,235 Mn driven largely by steady growth in occupancies at HCG centres. EBITDA margins are likely to increase 244 bps YoY to 19.7% on the back of improving operating leverage at newer centres. EBITDA for Q3FY23 is expected to grow 35% YoY to 834 Mn.					

Narayana Hrudayalaya					
(Rating: BUY)					
Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Sales	11,600	9,598	20.9%	11,416	1.6%
EBITDA	2,500	1,752	42.7%	2,437	2.6%
EBITDA Margin (%)	21.6%	18.2%	330 Bps	21.3%	21 Bps
PAT	1,780	977	82%	1,754	1.5%
Comments:- Revenues are likely to grow 20.9% YoY at Rs. 11,600 Mn driven by continued momentum in elective surgeries. EBITDA margins are likely to remain flat QoQ at 21.6% as we expect better margins from newer hospitals and from Cayman business. EBITDA is expected to grow 43% YoY.					

Fortis Healthcare					
(Rating: BUY)					
Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Sales	17,674	14,665	20.5%	16,072	10.0%
EBITDA	2,809	2,347	19.7%	3,029	-7.3%
EBITDA Margin (%)	15.9%	16.0%	(11)Bps	18.8%	(295)Bps
PAT	1,126	592	90%	1,483	-24.1%
Comments:- Revenues are likely to grow 10% QoQ and 20.5% YoY with growth in hospitals as elective surgeries is likely to continue its growth momentum. However we expect that the diagnostics business of the company will see decline of 5% due to high base of covid. EBITDA margins is expected to decrease 11 bps YoY to 15.9%. EBITDA is expected to grow 19.7% YoY.					

Chemicals
Aarti Industries Ltd (Rating: BUY)

Particulars (Rs in mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Net Revenue	17,509	17,655	-0.8%	18,474	-5.2%
EBITDA	2,620	3556	-26.3%	2,670	-1.9%
EBITDA Margin (%)	15.0%	20.1%	(518)Bps	14.5%	51 Bps
PAT	1,210	2,051	-41.0%	1,245	-2.8%

Comments:- We expect revenue decline of ~5% QoQ because of weakness in end user industries like dyes, pigments, FMCG etc. Majority of benzene derivatives like PDA, NCB & Nitro-toluene has witnessed price decline. However, margins are expected to expand marginally by 51bps QoQ basis to 15.0% in Q3FY23E because of pass on effect. Despite margin expansion, EBITDA is expected to decline by ~2% QoQ basis. Consequently, PAT is expected to decline by ~3% QoQ in Q3FY23E. YoY comparison is not suitable because of demerger of pharma business in Q1FY23.

Apcotex Industries Ltd (Rating: ACCUMULATE)

Particulars (Rs in mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Net Revenue	2,995	2,508	19.4%	2,832	5.8%
EBITDA	495	339	46.0%	452	9.6%
EBITDA Margin (%)	16.5%	13.5%	300 Bps	16.0%	60 Bps
PAT	345	238	45.1%	308	12.0%

Comments:- Revenue is expected to grow by 19.4% YoY & ~6% QoQ during the quarter because of volume contribution from newly capacity. Although, base business has declined owing to realization decline in latex prices. EBITDA margins are expected to expand by 300bps YoY & 60bps QoQ to 16.5% in Q3FY23E. EBITDA is expected to grow by 46% YoY & 9.6% QoQ to Rs495mn in Q3FY23E. PAT is expected to grow by ~45% YoY & 12% QoQ to Rs345mn in Q3FY23E.

IG Petrochemicals Ltd (Rating: BUY)

Particulars (Rs in mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Net Revenue	5,559	5,070	9.7%	5,691	-2.3%
EBITDA	695	1121	-38.0%	854	-18.6%
EBITDA Margin (%)	12.5%	22.1%	(962)Bps	15.0%	(250)Bps
PAT	445	744	-40.2%	554	-19.7%

Comments:- Revenue is expected to grow by ~10% YoY & decline by 2.3% QoQ in Q3FY23E. The decline on sequentially is due to fall in PAN and Maleic realization during the quarter, although supported by robust plasticizers revenue momentum. The spread of PAN-Ox is expected to contract during the quarter owing to relentless surge in Ox prices. EBITDA is expected to decline by 38% YoY & 18.6% QoQ basis to Rs695mn in Q3FY23E. Consequently, PAT is expected to decline by ~20% QoQ to Rs445mn in Q3FY23E.

NOCIL Ltd (Rating: BUY)

Particulars (Rs in mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Net Revenue	3,772	3,889	-3.0%	3,892	-3.1%
EBITDA	538	508	6.1%	620	-13.2%
EBITDA Margin (%)	14.3%	13.0%	(122)Bps	15.9%	(166)Bps
PAT	321	298	7.6%	357	-10.3%

Comments:- We expect revenue de-growth of 3% YoY & QoQ & in Q3FY23E because of weakening demand in export side. Domestic demand remained robust during the quarter. EBITDA is expected to decline by 13% QoQ in Q3FY23E as absolute spreads is expected to contract. PAT is expected to decline by ~10% QoQ to Rs321mn in Q3FY23E.

Bodal Chemicals Ltd (Rating: BUY)

Particulars (Rs in mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Net Revenue	3,657	5,618	-34.9%	3,957	-7.6%
EBITDA	311	683	-54%	321	-3.0%
EBITDA Margin (%)	8.5%	12.2%	(370)Bps	8.1%	40 Bps
PAT	101	384	-74%	103	-1.7%

Comments:- Revenue is expected to decline by 35% YoY & 7.6% QoQ during the quarter. Weakness in dyes demand & will impact the volumes alongwith declining realization of dyestuff & dye-intermediates business. EBITDA margins are expected to remain almost flattish at 8.5% in Q3FY23E. EBITDA is expected to decline by 54.5% YoY & 3% QoQ to Rs311mn in Q3FY23E. PAT is expected to decline by ~74% YoY & ~2% QoQ to Rs101mn in Q3FY23E.

Oriental Carbon & Chemicals Ltd						(Rating: BUY)
Particulars (Rs in mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	
Net Revenue	1,250	1,100	13.6%	1,410	-11.3%	
EBITDA	245	220	11.4%	240	2.1%	
EBITDA Margin (%)	19.6%	20.0%	(40)Bps	17.0%	258 Bps	
PAT	115	120	-4.2%	110	4.5%	

Comments:- Revenue growth is expected to remain strong with growth of ~13.6% YoY led by low base effect and capacity addition to propel volume growth. Decline in realization would largely offset volume growth and expected to decline by mere ~4.3% on sequential basis. Decline in freight & power cost & pass on of higher RM prices is likely to support the margins and is expected to be at 19.6% in Q3FY23E which is expansion of 258bps on QoQ basis. PAT is expected to decline by ~4% YoY & grow by ~4.5% QoQ to Rs115mn in Q3FY23E.

Phillips Carbon Black Ltd						(Rating: BUY)
Particulars (Rs in mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	
Net Revenue	13,897	11,561	20.2%	16,279	-14.6%	
EBITDA	1,614	1,680	-4.0%	1,886	-14.4%	
EBITDA Margin (%)	11.6%	14.5%	(290)Bps	11.6%	-	
PAT	956	1,114	-14.2%	1,164	-17.9%	

Comments:- Revenue is expected to grow by 20% YoY & decline by 14.6% QoQ during the quarter. Sequential decline is majorly because of decline in volumes owing to weak demand & realization decline in export market. Gross spreads per kg is expected to decline by 9% QoQ to ~Rs30 per kg for the quarter. EBITDA is expected to decline by 4% YoY & 14.4% QoQ to Rs1.61bn in Q3FY23E. EBITDA margins are expected to remain almost flattish on QoQ basis of 11.6% in Q3FY23E. PAT is expected to decline by ~14% YoY & 18% QoQ to Rs956mn in Q3FY23E.

Apparel - Innerwear					
Page Industries Ltd (Rating: BUY)					
Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Net sales	11,650	11,898	-2.1%	12,550	-7.2%
EBITDA	2,097	2,507	-16.4%	2,379	-11.8%
EBITDA Margin (%)	18.0%	21.1%	(307)Bps	19.0%	(95)Bps
PAT	1,382	1,746	-20.8%	1,621	-14.8%

Comments:- Expect sales to decline with lower volumes on a YoY basis, as per our channel check demand was weak in the month of December. Also impact of high base of sale of athleisure segment YoY, due to some demand moderation in the segment. Expect gross margins to be lower YoY, as company has not taken any price hike. EBITDA margins to be lower on lower gross margins and operating de-leverage. Expect PAT to decline by ~21% YoY.

Lux Industries Ltd (Rating: ACCUMULATE)					
Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Net sales	5,995	6,643	-9.8%	6,357	-5.7%
EBITDA	668	1,416	-53%	648	3.1%
EBITDA Margin (%)	11.1%	21.3%	(1,016)Bps	10.2%	95 Bps
PAT	427	1,013	-58%	420	1.6%

Comments:- Expect volumes to be lower & sales to decline YoY on continued channel de-stocking, due to fall in cotton yarn prices. Also there is a base impact as distribution channel has done over-stocking last year in anticipation of increase in GST rates. Distribution channel is making need based purchases and waiting for a stability in the yarn prices to make bulk purchase to impact primary sales of the company. Gross margins to be lower YoY as there was no price hike taken on certain high cost cotton yarn inventory, expect gross margins to be better QoQ on lower inventory losses. Expect PAT to decline by ~58% YoY on lower sales volumes, lower gross margins and operating de-leverage.

Rupa & Company Ltd (Rating: ACCUMULATE)					
Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Net sales	3,236	4,332	-25.3%	2,856	13.3%
EBITDA	390	809	-52%	293	33.3%
EBITDA Margin (%)	12.1%	18.7%	(662)Bps	10.2%	181 Bps
PAT	256	583	-56%	169	52%

Comments:- Expect volumes to be lower & sales to decline by ~25% YoY on continued channel de-stocking from Q2FY23. Also there is a base impact as distribution channel has done over-stocking last year in anticipation of increase in GST rates. Distribution channel is making need based purchase and waiting for a stability in the yarn prices to make bulk purchase. Gross margins to be lower YoY as there was no price hike taken on certain high cost cotton yarn inventory, expect gross margins to be better QoQ on lower inventory losses. Expect PAT to decline by ~56% YoY on lower sales volumes, lower gross margins and operating de-leverage.

Dollar Industries (Rating: BUY)					
Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Net sales	3,433	3,821	-10.1%	3,419	0.4%
EBITDA	353	643	-45.1%	303	16.4%
EBITDA Margin (%)	10.3%	16.8%	(655)Bps	8.9%	141 Bps
PAT	217	444	-51%	173	25.5%

Comments:- Expect volumes to be lower & sales to decline by ~10% YoY on continued channel de-stocking. Also there is a base impact as distribution channel has done over-stocking last year in anticipation of increase in GST rates. Distribution channel is making need based purchase and waiting for a stability in the yarn prices to make bulk purchase. Gross margins to be lower YoY as there was no price hike taken on certain high cost cotton yarn inventory, expect gross margins to be better QoQ on lower inventory losses. Expect PAT to decline by ~51% YoY on lower sales volumes, lower gross margins and operating de-leverage.

Textiles
Nitin Spinners (Rating: BUY)

Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Net sales	5,849	7,049	-17.0%	5,059	15.6%
EBITDA	690	1781	-61%	570	21.0%
EBITDA Margin (%)	11.8%	25.3%	(1,347)Bps	11.3%	53 Bps
PAT	292	933	-69%	291	0.2%

Comments:- With good sequential recovery in utilization levels during Q3FY23 but QoQ realization drop with declining cotton prices, the company is expected to report a sequential growth of 15.6% but 17.0 YoY drop at sales level. As the company had some higher cost cotton inventory, QoQ margin is expected to remain subdued at around 12% during the quarter. Despite QoQ growth at sales/EBITDA levels, PAT is expected to remain flat QoQ as Q2FY23 had negative effective tax rate.

Vardhman Textiles (Rating: BUY)

Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Net sales	24,435	27,071	-9.7%	24,696	-1.1%
EBITDA	3,530	4992	-29.3%	3,579	-1.4%
EBITDA Margin (%)	14.4%	18.4%	(400)Bps	14.5%	(5)Bps
PAT	2,020	3,221	-37.3%	2,049	-1.4%

Comments:- With better utilization levels during Q3FY23 but QoQ realization drop with declining cotton prices, the company is expected to report a sequential de-growth of 1.1% but 9.7 YoY drop at sales level. As the company had some higher cost cotton inventory, QoQ margin is expected to remain flattish despite cotton price correction during the quarter. With sequential flattish sales & EBITDA, PAT is also expected to be flat QoQ.

Mid/Small Caps
Huhtamaki India Ltd (Rating: REDUCE)

Particulars (Rs in mn)	Q4CY22E	Q4CY21	YoY (%)	Q3CY22	QoQ (%)
Net Revenue	7,115	6,616	7.5%	7,690	-7.5%
EBITDA	320	109	195%	230	39.4%
EBITDA Margin (%)	4.5%	1.6%	286 Bps	3.0%	151 Bps
PAT	32	-135	NA	0.4	7953%

Comments:- Revenue is expected to grow by 7.5% YoY majorly because of low base effect & higher utilization. Sequential dip in demand and volumes will lead to revenue decline of ~7.5% to Rs7.11bn in Q4CY22E. Raw material prices has started its downward trajectory, which will support the margins in current & coming quarters & hence we expect EBITDA margin expansion of 286bps YoY & 151bps QoQ to 4.5% in Q4CY22E. PAT is expected to be Rs32mn in Q4CY22E.

TCI Express Ltd (Rating: ACCUMULATE)

Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Net Revenue	3,324	2,869	15.9%	3,099	7.3%
EBITDA	558	472	18.4%	515	8.5%
EBITDA margin (%)	16.8%	16.4%	36 Bps	16.6%	19 Bps
PAT	408	351	16.3%	378	8.1%

Comments:- Expect healthy topline growth with sales growth of ~16% YoY backed by improved traction in all its focussed verticals of engineering, pharma, auto-parts, electronics, lifestyle products etc. Expect increase in contribution from new services (C2C, Rail Express, Cold Chain etc). Margins to improve on better capacity utilisation, operating leverage benefit. Expect PAT to increase by ~24% YoY on healthy sales growth and improved margins.

HIL Ltd. (Rating: BUY)

Particulars (Rs mn)	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Net sales	7,520	8,214	-8.4%	7,639	-1.6%
EBITDA	420	729	-42.4%	120	249%
EBITDA Margin (%)	5.6%	8.9%	(329)Bps	1.6%	401 Bps
PAT	139	342	-59%	-68	LTP

Comments:- Expect results to be weak mainly led by weak performance in Parador business. Expect sales to decline by ~8% YoY, margins to be impacted mainly due to higher raw material cost in the roofing solution business. Expect margins to improve QoQ on lower losses in the Parador business due to cost control initiatives taken by the company. PAT is expected to decline by ~59% YoY due to lower sales and margins.

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Contact us:

SMIFS Limited. (<https://www.smifs.com/>)

Compliance Officer:

Sudipto Datta

5F Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: +91 33 4011 5414, +91 33 6634 5414

Email Id: compliance@smifs.com

Mumbai Office:

206/207, Trade Centre, Bandra Kurla Complex (BKC), Bandra East, Mumbai – 400051, India

Contact No: (D) +91 22 4200 5508, (B) +91 22 4200 5500

Email Id: institutional.equities@smifs.com

Kolkata Office:

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No: (D) +91 33 6634 5408, (B) +91 33 4011 5400

Email Id: smifs.institutional@smifs.com