Q3FY23 Post Results Review

27th February 2023

SMIFS LIMITED
LEGACY | TRUST | GROWTH

Auto & Auto Ancillaries

Ashok Leyland	Target: INR 189		Previous Target: INR 188			(Rating: Retained Buy)	
Partculars (Rs mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Q3FY23E	Deviation
Revenue	90,297	55,352	63.1%	82,660	9.2%	88,533	2.0%
EBITDA	7,973	2,239	256.1%	5,373	48.4%	6,910	15.4%
EBITDA Margin	8.8%	4.0%	479 Bps	6.5%	233 Bps	7.8%	102 Bps
Adj PAT	3,561	-258	-	1,931	84.4%	2,926	21.7%

Key reasons for deviation: The result was above estimates across parameters. EBITDA Margin improved driven by soft commodity prices and operating leverage benefits. PAT outperformed due to superior operational performance & higher other income.

Outlook post results: Earnings estimates marginally tweaked, growth visibility is much better & market share gains are on cards.
It has been gaining market share across segments & geographies, and traction should continue. The company is taking serious efforts in filling products gaps & expanding its network, the full benefit of the same is yet to come. Margin improvement should continue majorly led by 1) operating leverage, 2) better mix as the market is tilted towards MHCVs & buses, 3) commodities have been supportive, and 4) internal efficiencies.

Eicher Motors	Target: INR 3,829		Previous Target: INR 3,999			(Rating: Accumulate to Buy)	
Partculars (Rs mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Q3FY23E	Deviation
Revenue	37,210	28,807	29.2%	35,194	5.7%	37,278	-0.2%
EBITDA	8,572	5,824	47.2%	8,216	4.3%	9,086	-5.6%
EBITDA Margin	23.0%	20.2%	282 Bps	23.3%	(31)Bps	24.4%	(133)Bps
Adj PAT	7,408	4,561	62.4%	6,569	12.8%	6,925	7.0%

Key reasons for deviation: Topline matched estimates, but EBITDA margin was lower than expectation. Inferior product (higher share of Hunter 350cc) & geographic mix (lower exports ~9% in Q3 vs. ~12% in Q2) impacted margins. PAT was higher than estimates driven by higher other income and higher than expected Share of profits from JV.

Outlook post results: Downgraded earnings slightly due to poor export visibility, and lower than expected margins.
The company is ticking right boxes for growth by applying the 360-degree approach on products, exports, marketing and correct pricing that's 1) attracting a wider & younger audience in domestic, and 2) supporting to capture bigger international markets. Expect commodity softness & recent pricing action benefits to flow-in. No more critical supply concerns is a major relief.

Bajaj Auto	Target: INR 4,375		Previous Target: INR 4,015			(Rating: Accumulate to Buy)	
Partculars (Rs mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Q3FY23E	Deviation
Revenue	93,151	90,217	3.3%	1,02,028	-8.7%	88,467	5.3%
EBITDA	17,768	13,721	29.5%	17,587	1.0%	15,944	11.4%
EBITDA Margin	19.1%	15.2%	387 Bps	17.2%	184 Bps	18.0%	105 Bps
Adj PAT	14,914	12,142	22.8%	15,300	-2.5%	13,846	7.7%

Key reasons for deviation: Beat across all parameters led by a better than expected increase in the realization 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. Touched 19%+ Margin after eight quarters owing to higher than expected benefits from soft commodities, better mix (geographic & product) and operating leverage.

Outlook post results: Marginally tweaked estimates on the higher side.
Anticipate continued strong show in domestic business across segments, refreshed models & special emphasis on EV product launches to support volume growth. Exports bottomed out and a gradual QoQ increase expected starting Q1FY24. EBITDA Margin is healthy at 19.1%, but will normalize to 18.5% in FY24e as overall domestic contribution is inching-up. A good number of e2W launches projected with increasing reach, whereas e3W launch is on cards by end of FY23e.

Hero MotoCorp	Target: INR 2,913		Previous Target: INR 3,021			(Rating: Buy to Accumulate)	
Partculars (Rs mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Q3FY23E	Deviation
Revenue	80,310	78,833	1.9%	90,754	-11.5%	79,397	1.2%
EBITDA	9,241	9,600	-3.7%	10,383	-11.0%	9,540	-3.1%
EBITDA Margin	11.5%	12.2%	(67)Bps	11.4%	7 Bps	12.0%	(51)Bps
Adj PAT	7,111	6,861	3.6%	7,161	-0.7%	6,562	8.4%

Key reasons for deviation: Revenue is near in-line our estimates. EBITDA Margin is lower than estimates due to 70bps impact owing to EV spends, while ICE margin was at 12.2% in Q3. Much higher other income & lower than expected effective tax rate lifted up the bottom line better vs. our estimates.

Outlook post results: Curtailed down FY23/FY24/FY25 EPS by ~11%/12%/12% respectively as margins were lower than our estimates & real demand uptick was lower than expectation. Maintain positivity due to attractive valuation. Positive triggers ahead are 1) signs of rural uptick as per our checks. 2) higher sales of Xtec range, premiumization & the aim to launch one new product in a year will not only take care of volume/market share growth, but also improve margins. 3) input costs softness to add further in uplifting margins, and 4) not leaving any stone unturned for EVs.

Maruti Suzuki	Target: INR 10,525		Previous Target: INR 9,739			(Rating: Retained Buy)
Partculars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	2,90,443	2,32,460	24.9%	2,99,308	-3.0%	2,73,568	6.2%
EBITDA	28,331	15,590	81.7%	27,689	2.3%	26,005	8.9%
EBITDA Margin	9.8%	6.7%	305 Bps	9.3%	50 Bps	9.5%	25 Bps
Adj PAT	23,513	10,113	132.5%	20,615	14.1%	17,092	37.6%

Key reasons for deviation: Exceptional beat on the realization front led by an increase in the UV share (~19% in Q2FY23 to ~25% in Q3FY23). Operating leverage benefits are clearly visible across line items, hence margins outperformed. Substantial increase in other income pushed up below EBITDA line items higher. Overall, a beat across all parameters.

Outlook post results: EPS upgraded by 15%/12%/11% in FY23e/FY24e/FY25e respectively as increasing SUV contribution is giving better than expected results. Maruti owing to 1) the combination of four SUVs, 2) strong order bookings of 363K with 1/3rd bookings for higher realization new models, 3) benefits of new RDE norms (no diesel presence), 4) offering bouquet of CNG models, and 5) change in the perception after it started offering safety & premium features should provide the required uplift in gaining back some of its lost market share. Premiumization, increase in sales from better margin SUVs (contribution to increase atleast by ~300bps to 23.6% of total volumes from FY22 to FY25e) & higher variant models, commodity softness benefits along with operating leverage will push-up margins higher.

TVS Motor	Target: INR 1,146		Previous Target: INR 1,209			(Rating: Accumulate to Buy)
Partculars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	65,454	57,064	14.7%	72,192	-9.3%	63,337	3.3%
EBITDA	6,589	5,683	16.0%	7,365	-10.5%	6,589	0.0%
EBITDA Margin	10.1%	10.0%	11 Bps	10.2%	(14)Bps	10.4%	(34)Bps
Adj PAT	3,528	2,883	22.4%	4,075	-13.4%	3,549	-0.6%

Key reasons for deviation: Q3FY23 results met our estimates across parameters. The realization increased higher than our estimates due to better than expected benefits from USD realization, price increase, higher supplies of premium products, increase in EV sales (3.5% of volumes in Q3 vs 1.6% in Q2), offset by a lower export mix (28% in Q3 vs. 29% in Q2). Absolute EBITDA & PAT matched our estimates.

Outlook post results: Tweaked estimates on the lower side looking at the current quarter's performance, 2W ICE demand situation & uncertainty w.r.t. the EV era on financials. Upgrade the stock to BUY, as trust that TVS is likely going to replicate its exceptional performance (showcased in the ICE since last multi-years) in the EV era, and has potential to become one of the EV leaders in the mid-term. Sustained share gains & margin improvement, strong positive commentary, and ahead of the curve in delivering EVs are some of the positives built-in.

Suprajit Engineering Ltd	Target: INR 445		Previous Target: INR 428			(Rating: Retained Buy)
Partculars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	6,921	4,793	44.4%	7,161	-3.3%	7,019	-1.4%
EBITDA	809	541	49.6%	787	2.8%	862	-6.2%
EBITDA Margin	11.7%	11.3%	41 Bps	11.0%	70 Bps	12.3%	(59)Bps
Adj PAT	380	317	19.9%	457	-16.8%	545	-30.2%

Key reasons for deviation: Operational performance was slightly lower than our estimates, but the bottom line impacted a lot due to higher finance cost (+238% YoY & +35% QoQ) owing to increase in the interest rates, and substantially lower other income (-36% YoY & -76% QoQ) due to MTM.

Outlook post results: Largely maintained earnings estimates. Phoenix Lamps reached at double-digit EBITDA margin, traction to continue. Auto cables division at one of its best level, outlook is healthy. Light Duty Cable's EBITDA margin turned in black, improvement to continue. A temporary blip in Non-auto cables performance is due to external factors. Suprajit Technology Centre to add a new wing to grow beyond cables.

Steel Strips Wheels Ltd	Target: INR 222		Previous Target: INR 224			(Rating: Retained Buy)
Partculars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	9,384	8,605	9.1%	10,811	-13.2%	10,333	-9.2%
EBITDA	1,079	1,066	1.2%	1,172	-7.9%	1,134	-4.9%
EBITDA Margin	11.5%	12.4%	(89)Bps	10.8%	66 Bps	11.0%	52 Bps
Adj PAT	438	427	2.5%	546	-19.9%	509	-13.9%

Key reasons for deviation: Revenues were below estimates owing to higher than expected reversal of commodity prices. Gross & EBITDA margin improvement is commendable owing to the combination of increase in high margin businesses viz. CVs (+400bps QoQ to 33%) & Alloy wheels (+170bps QoQ to 35%), and benefits of soft commodity prices. EBITDA for Q3FY22 includes one-time inventory gain of Rs100mn vs. loss of Rs110mn in Q3FY23.

Outlook post results: Marginally tweaked estimates on the lower side. The margins will be supportive and inching-up largely led by increasing contribution from its high value businesses viz. CVs, alloy wheels and exports. This, along with reverse pass-on of commodity from OEMs to ancillary has always remained beneficiary in EBITDA margin improvement. SSWL is adding new growth projects to add further wings to fly higher. Exports bottomed out, as green shoots are visible, alloys demand is healthy in domestic and the CV business is placed perfectly well to get benefits from the ongoing CV upcycle.

SJS Enterprises Ltd	Target: INR 583		Previous Target: INR 593				(Rating: Retained Buy)
Partculars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	1,064	918	15.9%	1,169	-9.0%	1,098	-3.1%
EBITDA	261	255	2.3%	310	-15.9%	272	-4.0%
EBITDA Margin	24.5%	27.8%	(325)Bps	26.5%	(200)Bps	24.8%	(23)Bps
Adj PAT	60	54	11.8%	73	-17.5%	169	-7.0%

Key reasons for deviation: Due to seasonality, domestic demand softened in Q3 vs. Q2 and Exports continue to remain weak in Q3. Owing to one-off in Exotech and subdued demand in high margin export business, its overall EBITDA Margin dropped.

Outlook post results: Marginally tweaked estimates on the lower side. SJS raising funds upto Rs3bn for inorganic & Exotech's expansion purpose. Due to near term challenges in the export markets, reduced revenue guidance from 25% to 20% for FY23e, while maintained mid-term CAGR of 25%/30% in Revenue/PAT respectively. The next leg of growth will come from the combination of 1) cross-selling Exotech-SJS products to each other clients, 2) selling higher realization new generation products developed in-house (2-3x higher price than traditional ones), 3) aims to grow exports faster, 4) premiumization in Auto/Consumer durables, and 5) mining existing accounts along with acquiring new customers in domestic as well as overseas.

Swaraj Engines Ltd	Target: INR 2,096		Previous Target: INR 2,197				(Rating: Retained Buy)
Partculars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	2,789	2,375	17.4%	3,848	-27.5%	2,985	-6.6%
EBITDA	331	292	13.2%	505	-34.5%	393	-15.9%
EBITDA Margin	11.9%	12.3%	(44)Bps	13.1%	(127)Bps	13.2%	(132)Bps
Adj PAT	232	202	15.1%	359	-35.3%	277	-16.0%

Key reasons for deviation: RMC remain the culprit that led to lower than expected EBITDA Margin. RMC as % of sales climbed higher by 139bps YoY to 79.8% in Q3FY23.

Outlook post results: All India tractor retail sales are higher by 9% YTDFY23, wholesales are up by 10.5% for the same period. Real on ground check reveals that tractor dealers' body language turned positive driven by good harvesting & farmers getting better crop prices. Looking at the good future demand scenario, the company will increase the engine capacity from 150K units annually to 180K units.

Mayur Uniquoters Ltd	Target: INR 571		Previous Target: INR 559				(Rating: Retained Buy)
Partculars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	1,698	1,694	0.3%	1,945	-12.7%	1,752	-3.1%
EBITDA	334	323	3.2%	336	-0.6%	308	8.4%
EBITDA Margin	19.7%	19.1%	56 Bps	17.3%	239 Bps	17.6%	208 Bps
Adj PAT	261	219	19.2%	254	2.7%	222	17.5%

Key reasons for deviation: Sequential improvement in product mix and PVC price correction resulted in better margin performance. Lower tax rate helped at earnings level.

Outlook post results: As chip shortage issues waning, more recovery is expected on auto front. The company has incorporated a new subsidiary to create a brand name and hit the retail business. They are onboarding retailers and expect 1,000 dealers to be added by CY23. With PU plant ramp up, commencement of Mercedes business and BMW business and much awaited traction at margin front, we estimate good earnings growth in coming years.
Considering BS strength and consistent handsome payouts to shareholders, we recommend BUY.

Key observation from the sector: CV companies have started a sharp turnaround on volumes/margins/profitability, Ashok Leyland will be the clear beneficiary. Domestic 2W ICE demand started showing positive traction, but the real demand uptick is lower than expectation. Export demand remained negative in Q3, but anticipate stable QoQ in Q4FY23, and to improve from Q1FY24 onwards. Some two-wheeler players started facing some headwinds on margins front due to investments in EVs, offset by benefits from commodities softness, and some more benefits expected in the coming 1-2 quarters. Across OEMs received much required relief on the supply challenges. Overall, across segments QoQ is looking healthy on volumes and margin side.

Outliner: 1) Maruti Suzuki is an outliner and beaten estimates across all parameters. New products specially SUVs to not only lift up volumes, but also margins as these models are higher priced than traditional ones. 2) Ashok Leyland has been gaining market share, better placed & growth visibility is healthy.

Pharma

Sun Pharmaceuticals	Target: INR 1,157		Previous Target: INR 1,080			(Rating: Retained ACCUMULATE)	
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	1,12,410	98,631	14.0%	1,09,523	2.6%	1,07,819	4.3%
EBITDA	30,037	26,063	15.2%	29,566	1.6%	26,070	15.2%
EBITDA Margin	26.7%	26.4%	30 Bps	27.0%	(27)Bps	24.2%	254 Bps
Adj PAT	21,660	20,588	5.2%	22,622	-4.3%	19,663	10.2%

Key reasons for deviation: SUNP's revenue was above estimates mainly due to robust growth in the US and emerging markets. Lower employee costs led to increase in EBITDA Margins by 30 bps YoY to 26.7%. However, the EBITDA margins declined marginally on QoQ basis by 27 bps due to higher other expenses which was driven by higher S&A costs.

Outlook post results: No Change in Estimates. Remain positive for the company. The specialty contribution continues to increase from here on to 20% in FY24 from 18% in Q3FY23. Strong growth in the specialty segment was the highlight which was driven by healthy sales from drugs such as Ilumya, Cequa and Winlevi during the quarter. Global specialty sales increased 28%+ YoY in Q3FY23 to US$235 mn. With stabilization in specialty spends the company will benefit from operating leverage.

Laurus Labs	Target: INR 390		Previous Target: INR 550			(Rating: Retained Buy)	
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	15,448	10,288	50.2%	15,759	-2.0%	17,000	-9.1%
EBITDA	4,036	2,853	41.5%	4,489	-10.1%	4,900	-17.6%
EBITDA Margin	26.1%	27.7%	(161)Bps	28.5%	(236)Bps	28.8%	(270)Bps
Adj PAT	2,030	1,537	32.1%	2,328	-12.8%	2,900	-30.0%

Key reasons for deviation: Laurus Labs's Q3FY23 performance was below expectations on all counts. Revenue was below estimates as growth in formulations business was offset by lower revenue of synthesis and API business. As Synthesis is a high margin business for the company, so lower revenue from this segment will lead to decline in EBITDA margins going ahead. The near-term headwinds such as pricing pressure in ARV business and inflation around RM prices will stay for near term

Outlook post results: We have reduced our EPS estimates by 25% and 11% respectively for FY24 and FY25, primarily on account of lower ARV sales and margins. Visibility on earnings have gone down. Going ahead, we expect Pfizer revenue to taper off which will lead to revenue contribution from the synthesis business, thus leading to decline in EBITDA margins. We expect revenue contribution from the synthesis business to decrease from 40% in FY23E to 35% in FY25E

Divis Labs	Target: INR 2,992		Previous Target: INR 3,833			(Rating: Retained ACCUMULATE)	
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	17,077	24,932	-31.5%	18,545	-7.9%	19,032	-10.3%
EBITDA	4,083	10,972	-62.8%	6,210	-34.3%	6,750	-39.5%
EBITDA Margin	23.9%	44.0%	(2,010)Bps	33.5%	(958)Bps	35.5%	(1,156)Bps
Adj PAT	3,068	9,022	-66.0%	4,936	-37.8%	5,300	-42.1%

Key reasons for deviation: Divi's lab missed the earnings estimate and reported revenue degrowth of 31.5% YoY and 7.9% QoQ to Rs. 17,077 mn. The decline was due to lower revenue from custom synthesis business which had high base of molnupiravir in Q3FY22. The company has reported lowest ever gross margin since 16 quarters which was a disappointment. The higher input cost price pressure, unfavorable product mix and increased pricing pressure in generics business. EBITDA declined by 62.8% YoY and 34.3% QoQ at Rs. 4,083 Mn mainly due to lower gross margin accompanied with higher other expenses. EBITDA margins contracted by 2010 bps YoY and 958 bps QoQ to 23.9%.

Outlook post results: The headwinds in the generics business will continue for the next 4-5 quarters, hence we cut our revenue estimates for FY24 and FY25 by 9.8% and 10.2% respectively. Due to the near-term margin pressure which is transitory in nature, we forecast Revenue / EBITDA / PAT CAGR during FY23- 25E at 13.4% /15 %/22.8%.

Indoco Remedies	Target: INR 461		Previous Target: INR 469			(Rating: Retained Buy)	
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	3,992	3,580	11.5%	4,330	-7.8%	4,600	-13.2%
EBITDA	620	735	-15.6%	879	-29.5%	870	-28.7%
EBITDA Margin	15.5%	20.5%	(500)Bps	20.3%	(477)Bps	18.9%	(338)Bps
Adj PAT	282	330	-14.5%	497	-43.3%	410	-31.2%

Key reasons for deviation: Q3FY23 results were below our estimates. The company reported lowest ever EBITDA Margin in the quarter. The revenue witnessed growth of 11.5% YoY but it declined by 7.8% QoQ to Rs 3,992 Mn. In Q3FY23, the sales from Indian market have witnessed degrowth of 2% QoQ, however on YoY basis there was growth of 12%.

Outlook post results: Due to lower EU and US business and headwinds in EU region we cut our Revenue/EBITDA/PAT estimates by 8.8.%/17.8%/23% for FY23E. However, we expect the company to bounce back strongly in FY24 and FY25E. The company's growth will come from 1) Mid-to-high single digit growth in the India business (54% of revenue), 2) Robust growth in the US and Europe businesses by expanding the base portfolio where company plans to monetize its ANDA filings and strong growth from high margin opportunities in Europe

Key observation from the sector: The CDMO players have seen decline in revenues due to lower tender business and slowdown in EU. However, the generic pharma companies such as Sunpharma have seen higher growth in US business. The CDMO players will continue to witness muted revenue for next 2-3 quarters whereas companies having innovative portfolio will see higher revenue and profitability going forward. The Indian formulations market saw a mid single digit growth. The growth was below estimates, but this was attributed to the Covid component in the base business. Upon adjusting for the Covid impact, the growth was driven by new product launches and increased demand in chronic therapy areas such as cardiac, respiratory, and acute segments such as anti-infective. Overall, the Indian formulations market has shown resilience and continues to witness growth despite the challenges posed by the pandemic.

Healthcare

Apollo Hospitals	Target: INR 5,280		Previous Target: INR 5,260				(Rating: Retained Buy)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	42,636	36,389	17.2%	42,511	0.3%	42,789	-0.4%
EBITDA	5,054	5,870	-13.9%	5,654	-10.6%	6,761	-25.3%
EBITDA Margin	11.9%	16.1%	(428)Bps	13.3%	(145)Bps	15.8%	(395)Bps
Adj PAT	1,535	2,283	-32.8%	2,040	-24.8%	4,236	-63.8%

Key reasons for deviation: Revenues was in-line. Deviation in EBITDA and EBITDA margin was largely due to higher operating cost of 24*7 (Expected loss of : -550, Actual: loss of 1750 mn) and higher employee expenses due to ESOP costs

Outlook post results: Results were below estimates on operational front. But the losses for Apollo 24*7 has peaked in the quarter and going ahead, we the company will witness improvement in EBITDA margins. Growing Hospital business and improved Diagnostics business will lead to higher profitability going forward.

HCGEL	Target: INR 361		Previous Target: INR 367				(Rating: Retained Buy)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	4,247	3,580	18.6%	4,200	1.1%	4,235	0.3%
EBITDA	755	618	22.2%	747	1.1%	834	-9.5%
EBITDA Margin	17.8%	17.3%	52 Bps	17.8%	(1)Bps	19.7%	(191)Bps
Adj PAT	75	-458	-116.4%	74	1.9%	149	-49.4%

Key reasons for deviation: Revenue beats estimate due to higher growth from the new centres. EBITDA Margins missed the estimates due to higher other expenses.

Outlook post results: HCG reported muted results in the quarter. However, the long term outlook is intact. New centres continues to see growth. The company reported highest ever EBITDA in the quarter. Cost saving initiatives are helping company to improve its margins.

Narayana Hrudayalaya	Target: INR 972		Previous Target: INR 995				(Rating: Retained Buy)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Sales	11,282	9,598	17.5%	11,416	-1.2%	11,600	-2.7%
EBITDA	2,544	1,752	45.3%	2,437	4.4%	2,500	1.8%
EBITDA Margin (%)	22.6%	18.2%	430 Bps	21.3%	121 Bps	21.6%	100 Bps
PAT	1,538	975	57.7%	1,688	-8.9%	1,780	-13.6%

Key reasons for deviation: The results were mostly in line. However, higher depreciation led to reduced PAT. The deviation of 2.7% in revenue was due to lower than expected revenue growth from India hospitals. This was due to decline in inpatient volume which were at 56,500, while OP footfalls were 5,81,700.

Outlook post results: Change in Estimates. Visibility on earnings have improved due to volume growth in Cayman Business. The international patient mix grew to 8% in Q3FY23 from 6% in Q3FY22 which led to improvement in revenues.

Fortis Healthcare	Target: INR 380		Previous Target: INR 360				(Rating: Retained Buy)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	15,599	14,667	6.4%	16,072	-2.9%	17,674	-11.7%
EBITDA	2,764	2,869	-3.7%	3,029	-8.7%	2809	-1.6%
EBITDA Margin	17.7%	19.6%	(184) bps	18.8%	(113) bps	15.9%	183 bps
Adj PAT	1,296	1,167	11.0%	2,044	-36.6%	1,126	15.1%

Key reasons for deviation: Lower than expected revenue from the hospital business was a major reason for deviation. (Expected: 14,510 Mn , Actual: Rs. 12,674 Mn)

Outlook: No change in Estimates. The diagnostic business which was struggling from last few quarters due to increased competition and high covid base has seen improvement on YOY basis on the EBITDA margin from 13.7% in Q3FY23 to 18.3% in Q3FY23. Diagnostic business will see growth from here on.

KIMS Ltd	Target: INR 1,707		Previous Target: INR 1,682				(Rating: Retained Buy)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	5,622	3,936	42.8%	5,641	-0.3%	6,090	-7.7%
EBITDA	1,512	1,298	16.5%	1,524	-0.8%	1638	-7.7%
EBITDA Margin	26.9%	33.0%	(608) bps	27.0%	(12) bps	26.9%	(0) bps
Adj PAT	760	812	-6.4%	971	-21.7%	826	-8.0%

Key reasons for deviation: The deviation in revenue was due to lower than expected revenue growth from the Telangana and AP mature cluster which has witnessed degrowth of 6% and 1% QoQ.

Outlook post results: Consolidation of Nagpur and Sunshine hospitals led to lower EBITDA margins in the quarter. KIMS is adding 1200-1300 beds over span of 2 years, this will lead to muted margins going ahead.

Key observation from the sector: The overall trend in the hospital sector during the quarter was lower occupancy levels due to the festive season, resulting in lower revenue growth. However, some hospitals like Apollo and Fortis saw growth in international patients, while HCG and Narayana witnessed muted growth in international patients. The upcoming Q4FY23 is expected to show stronger growth due to the favorable seasonality of the cold season. Despite the festival season, hospitals performed better than expected with increased elective surgeries. Hospitals are now trending at pre-Covid levels with higher occupancy and surgery counts, along with better cost optimization practices. Payer mix and case mix improved QoQ with better international operations. The brownfield expansion strategy for growth in India remains on track for most coverage universe companies in the hospital sector. **Our top pick for the sector in small cap is Healthcare global, midcap is KIMS and in large cap is Apollo hospital.**

Demand Outlook: Post covid-19 Healthcare industry as a whole has been in a sweet spot. Due to rise in lifestyle diseases and more awareness about health post covid has led to higher occupancies and utilization levels for the hospitals. Online consultation was there in the industry but post covid the volume has grown 4x-5x. All these factors will drive the demand for hospitals going forward.

Chemicals

IG Petrochemicals Ltd	Target: INR 579		Previous Target: INR 551			(Rating: BUY)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	5,183	5,070	2.2%	5,691	-8.9%	5,559	-6.8%
EBITDA	490	1,121	-56.3%	854	-42.6%	695	-29.5%
EBITDA Margin	9.5%	22.1%	(1,267)Bps	15.0%	(555)Bps	12.5%	(305)Bps
Adj PAT	255	744	-65.7%	554	-54.0%	445	-42.7%

Key reasons for deviation: Revenue numbers were a miss because of lower than anticipated volumes. Realizations of MAN was also lower than anticpated.

Outlook post results: Currently, the stock is trading at FY25E P/E of ~7x. We roll forward our target multiples to FY25E & also upgrade our target multiple to 9x (earlier 8.5x) owing to anticipated improvement in spreads, demand pickup & increasing downstream contribution, thereby, arriving at target price of Rs 579 per share which offers upside of 32% from current valuations. We upgraded to BUY rating on the stock from ACCUMULATE earlier.

NOCIL Ltd	Target: INR 223		Previous Target: INR 273				(Rating: ACCUMULATE)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	3,257	3,889	-16.2%	3,892	-16.3%	3,772	-13.6%
EBITDA	376	508	-26.0%	620	-39.4%	538	-30.2%
EBITDA Margin	11.5%	13.0%	(151)Bps	15.9%	(439)Bps	14.3%	(273)Bps
Adj PAT	186	298	-37.5%	357	-47.9%	321	-41.9%

Key reasons for deviation: The company's topline was a miss because of more than expected decline of volumes in domestic segment because of weak demand. Anticipated input output spreads for the quarter were majorly a miss led by lower realizations.

Outlook post results: We feel that demand weakness in replacement segment could impact domestic tyre market along with slowing export market might remain an overhang in the near term. Considering pressure on input output spreads, we have cut down our earnings estimates by 20-25% for coming years. Revised downwards from BUY to ACCUMULATE.

Bodal Chemicals Ltd	Target: INR 65		Previous Target: INR 95				(Rating: ACCUMULATE)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	3,158	5,618	-43.8%	3,957	-20.2%	3,657	-13.7%
EBITDA	245	683	-64.1%	321	-23.5%	311	-21.1%
EBITDA Margin	7.8%	12.2%	(439)Bps	8.1%	(33)Bps	8.5%	(73)Bps
Adj PAT	24	384	-93.7%	103	-76.4%	101	-76.0%

Key reasons for deviation: The company's topline was a miss because of more than expected decline in dye intermediates segment because of weaker pigments & textile sector demand. Dyestuffs demand also remained largely impacted because of higher supply & weaker demand.

Outlook post results: The company's major end users are textiles, leather, dyes & pigments wherein demand had weakened significantly and is expected to remain weak for the coming quarters. Export market is also witnessing weak demand and pickup is anticipated by Q1FY24, also, recent turkey earthquake will again put exporters of textile dyes manufacturers in difficult times which will slow the recovery in demand. Revised downwards to ACCUMULATE from BUY earlier.

Phillips Carbon Black Ltd	Target: INR 163						(Rating: BUY)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	13,633	11,561	17.9%	16,279	-16.2%	13,897	-1.9%
EBITDA	1,634	1,680	-2.8%	1,886	-13.4%	1,614	1.2%
EBITDA Margin	12.0%	14.5%	(255)Bps	11.6%	40 Bps	11.6%	37 Bps
Adj PAT	970	1,114	-12.9%	1,164	-16.6%	956	1.5%

Key reasons for deviation: Numbers came almost in line with our estimates

Outlook post results: We feel increasing share of speciality business, rising exports & strong tyre growth are the key triggers going ahead. We roll forward our target multiples to FY25E and value the stock on forward P/E multiple of 12x (earlier 12.5x) and, thereby, arrive at target price of Rs 163 per share which offers upside of 36% from current valuations.

Aarti Industries Ltd	Target: INR 681		Previous Target: INR 703				(Rating: BUY)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	16,677	20,762	-19.7%	16,850	-1.0%	17,509	-4.8%
EBITDA	2,887	8,898	-67.6%	2,670	8.1%	2,620	10.2%
EBITDA Margin	17.3%	42.9%	(2,555)Bps	15.8%	146 Bps	15.0%	235 Bps
Adj PAT	1,365	7,253	-81.2%	1,245	9.7%	1,210	12.8%

Key reasons for deviation: Revenue numbers were near to our estimates. EBITDA was a miss because of much lower than anticipated other expenses & raw material cost. Raw material cost were lower than anticipation which led to stronger EBITDA than estimates.

Outlook post results: We believe Aarti is on a multi year growth cycle & new projects like NCB capacity expansion, multipurpose plants will drive growth by FY25 & new chlorotoluene value chain, nitro-toluene capacity expansion, ethylation business expansion will drive growth beyond FY25E with stonger margin profile. Considering the strong growth outlook & reasonable valuation post correction in the stock price provides comfort for investors to ride on the growth story, therefore, we upgrade to BUY rating on the stock from REDUCE earlier.

Apcotex Industries Ltd	Target: INR 357		Previous Target: INR 488				(Rating: SELL)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	2,341	2,508	-6.6%	2,832	-17.3%	2,995	-21.8%
EBITDA	307	339	-9.4%	452	-32.0%	495	-38.0%
EBITDA Margin	13.1%	13.5%	(40)Bps	16.0%	(284)Bps	16.5%	(341)Bps
Adj PAT	204	238	-14.3%	308	-33.8%	345	-40.9%

Key reasons for deviation: Numbers were much lower than anticipation owing to delay of nitrile latex capacity commercialization which impacted volumes alongwith lower realization of NBR & latex.

Outlook post results: Currently, the stock is trading at FY25E P/E of 15.7x. We value the stock on forward P/E multiple of 13x owing to near term headwinds faced by the company because of demand slump, declining or volatile crude oil prices & slower ramp up of newer businesses and, thereby, arrive at target price of Rs 357 per share which offers downside of ~17.3% from current valuations.

Key observation from the sector: Chemical sector faced headwinds led by inventory destocking, weakening of domestic demand & slowing exports. However, decline in raw material prices is a benefit which will support the operating margins in the coming quarters, we are closely monitoring the demand pickup, the only factor which will revive the sector from the woods. Slight improvement in global demand is witnessed however sustainaibility is the key going ahead.

Apparel - Innerwear

Page Industries Ltd	Target: INR 45,566		Previous Target: INR 51,514				(Rating: ACCUMULATE to BUY)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	12,233	11,898	2.8%	12,550	-2.5%	11,650	5.0%
EBITDA	1,928	2,507	-23.1%	2,379	-19.0%	2,097	-8.1%
EBITDA Margin	15.8%	21.1%	(531)Bps	19.0%	(320)Bps	18.0%	(224)Bps
Adj PAT	1,237	1,746	-29.2%	1,621	-23.7%	1,382	-10.5%

Key reasons for deviation: In Q3FY23 company reintroduced & rolled out Automatic Replenishment System (ARS) across all its product verticals to optimise inventory which impacted primary sales in Q3FY23 and also may have some impact in Q4FY23. While primary sales declined in the quarter, secondary sales volumes were not effected to the same extent.

Outlook post results: Management highlighted that while this will be having a short term impact on primary sales of the company, but in the long term this will enable the company to have a more robust and efficient distribution system. ARS will also help in improving ROI of the channel partners while also improving order fulfilment to the retailers. In our view moderation in demand is also partly due to inflation led slowdown in consumption and partly due to a high base (pent-up demand and channel filling on impending GST hike last year). Management expects retail demand environment to normalise by Q1FY24.

Lux Industries Ltd	Target: INR 1,509		Previous Target: INR 1,802				(Rating: Retained ACCUMULATE)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	4,591	6,643	-30.9%	6,357	-27.8%	5,995	-23.4%
EBITDA	325	1,416	-77.0%	647	-49.8%	668	-51.3%
EBITDA Margin	7.1%	21.3%	(1,424)Bps	10.2%	(310)Bps	11.1%	(406)Bps
Adj PAT	181	1,013	-82.1%	420	-56.9%	427	-57.6%

Key reasons for deviation: Company reported results for Q3FY23 were below our expectations. Revenues in Q3FY23 declined by ~30.9% YoY, led by a volume decline of ~41% YoY (volumes in 9mFY23 declined by ~14% YoY). Volumes in Q3FY23 were impacted due to inventory destocking at the primary distribution channel on account of significant fall in the raw material prices. There was also an impact of high base of last year (pentup demand and channel filling). Gross Margins were impacted in Q3FY23 due to consumption of high cost raw material inventory.

Outlook post results:–Management believes that prices of raw materials now seems to have stabalised which should help to improve sentiments of the distribution channel. We expect performance of the company to improve QoQ from Q4FY23 due to increased primary sales led by stability in raw material prices and gross margins to also improve as impact of higher cost inventory seems to be over now.

Rupa & Co. Ltd	Target: INR 255		Previous Target: INR 316				(Rating - Retained ACCUMULATE)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	2,360	4,332	-45.5%	2,856	-17.4%	3,236	-27.1%
EBITDA	143	809	-82.3%	292	-51.0%	390	-63.3%
EBITDA Margin	6.1%	18.7%	(1,262)Bps	10.2%	(416)Bps	12.1%	(599)Bps
Adj PAT	55	583	-90.6%	169	-67.5%	256	-78.5%

Key reasons for deviation: Company reported weak all round performance in Q3FY23, which was even lower than our estimates. Revenues in Q3FY23 declined by ~45.5% YoY led by a volume decline of ~55% YoY as per our estimate. In Q3FY23 primary sales of the company was impacted due to a sharp volatility in raw material prices, which impacted purchasing decisions of the distribution channels. There was also a base impact of last year (pentup demand and channel filling) due to an expectation of hike in GST rate which led to preponement of demand from Q4FY22. Gross margins were impacted in the quarter due to consumption of high cost inventory.

Outlook post results:- Management expects some impact of high cost inventory to be there even in Q4FY23. Raw material prices seem to be stabalised now which should help in improvement of sentiments of the distribution channel and results in better pickup in primary sales. We expect performance of the company to gradually improve from Q1FY24 onwards.

Dollar Industries	Target: INR 508		Previous Target: INR 708				(Rating: Retained Buy)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	2,853	3,815	-25.2%	3,404	-16.2%	3,433	-16.9%
EBITDA	194	643	-69.8%	303	-36.0%	353	-45.0%
EBITDA Margin	6.8%	16.9%	(1,005)Bps	8.9%	(210)Bps	10.3%	(348)Bps
Adj PAT	77	444	-82.7%	173	-55.5%	217	-64.5%

Key reasons for deviation: Company reported weak performance in Q3FY23, which was even lower than our estimates. Revenues in Q3FY23 declined by ~25.2% YoY led by a volume de-growth of ~32% YoY (volumes in 9mFY23 declined by ~6% YoY). Volumes in Q3FY23 were impacted due to volatility in the raw material prices which impacted primary sales. There was also an impact of high base of last year (pentup demand and channel filling) due to an expectation of increase in GST rates which resulted in preponment of demand from Q4FY22. Gross margins in Q3FY23 declined on account of consumption of high cost inventory.

Outlook post results: Raw material prices have now started to stabalise in a range company does not expect any further inventory related loss in Q4FY23. There has also been improvement visible in the sentiments of the distribution channel & thus management has guided for a topline growth of ~14%-15% YoY in Q4FY23 with EBIDTA margin improvement on a QoQ basis. We expect performance of the company to improve on a QoQ basis from here onwards due to some stability in raw material prices. We remain positive on the company's mid-to long term potential and thus maintain our 'Buy' rating on the stock

Key observation from the sector: All the innerwear companies reported volumes decline in Q3FY23 over last year. In Q3FY23 innerwear companies witnessed the impact of channel de-stocking from the distribution channel due to volatile raw material prices which impacted primary sales of the company, however now with some stability in the cotton yarn prices sentiments have been improving. On the margins side there was an impact of inventory losses in Q3FY23 due to consumption of high cost raw materials. We expect performance of the innearwear companies to improve on a QoQ basis from Q4FY23.

Textiles

Nitin Spinners	Target: INR 407		Previous Target: INR 388				(Rating: Retained Buy)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	5,372	7,049	-23.8%	5,059	6.2%	5,849	-8.2%
EBITDA	601	1,781	-66.2%	570	5.4%	690	-12.9%
EBITDA Margin	11.2%	25.3%	(1,408)Bps	11.3%	(8)Bps	11.8%	(61)Bps
Adj PAT	316	933	-66.1%	291	8.5%	292	8.2%

Key reasons for deviation: Slightly lower-than-expected utilization in yarn segment and continued low business from knitted fabric segment, lower scale of operation and higher than expected correction in realization put margin under pressure, Profit was ahead of estimates, helped by lower tax outgo

Outlook post results: Considering moderation in the profitability levels and stabilization of cotton prices at lower levels, we have toned down our estimates. However, Q2 and Q3 performances were kind of botton as far as financial performance is concerned and we expect both utilization and margins to improve from here on. With capex on track, we are positive on company's expected strong future financials.

Vardhman Textiles	Target: INR 410		Previous Target: INR 457				(Rating: Retained Buy)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	23,705	26,032	-8.9%	24,696	-4.0%	24,435	-3.0%
EBITDA	1,785	6,194	-71.2%	3,579	-50.1%	3,530	-49.4%
EBITDA Margin	7.5%	23.8%	(1,626)Bps	14.5%	(696)Bps	14.4%	(692)Bps
Adj PAT	1,024	4,286	-76.1%	2,049	-50.0%	1,671	-38.7%

Key reasons for deviation: Higher than expected negative effects of devaluation of stocks, exports issue, global pressure, very high price of cotton

Outlook post results: The management highlighted the possibility of better utilization with better cotton situation and recovery in demand in coming months. Plan for the new capacity addition is on hold for another few months. As higher inventory loss situation is behind and cotton prices are stabilizing at lower levels, we can expect better margins. Considering the tough situation, we have trimmed down our estimates. We assign 9.5x PE multiple to FY25e earnings and arrive at a target price Rs410 per share. Hence, we maintain BUY rating on the stock.

Key observation from the sector:

1. Industry has started witnessing better utilization in spinning and woven fabric continue to hold good ground.
2. High cost inventory continue put pressure on margins in Q2
3. Cotton prices did decline recently and gap has narrowed down but still there is complete parity with international prices
4. With new cotton crop arrival and cotton price correction, there is expectaion of better margins going forward
5. As loads of inventory corrections happened recently, hence Q4FY23 onwards, we can expect better export demand
6. Demand from domestic market is okay and woven fabric business is doing well. Knitted fabric business is still under pressure.

Mid/Small Caps

Huhtamaki India Ltd	Target: INR 213		Previous Target: INR 196				(Rating: ACCUMULATE)
Particulars (Rs mn)	**Q4CY22**	**Q4CY21**	**YoY (%)**	**Q3CY22**	**QoQ (%)**	**Q4CY22E**	**Deviation**
Revenue	6,927	6,616	4.7%	7,690	-9.9%	7,115	-2.6%
EBITDA	489	109	350.5%	230	113.0%	320	52.7%
EBITDA Margin	3.0%	4.6%	(164)Bps	4.4%	(137)Bps	4.5%	(151)Bps
Adj PAT	168	-135	NA	0	NA	32	422.8%

Key reasons for deviation: Topline was majorly in line with estimates. Much lower than anticipated raw material cost because of pass on of raw material cost led to steep improvement in EBITDA.

Outlook post results: Considering strong performance in current quarters and anticipation of strong quarters ahead, we have upgraded our price target to Rs 213, owing to pass on raw material prices & greenshoots of pickup in demand valuing the stock 14.5x CY24E EPS of Rs 14.7. At our target price, the stock offers an upside of ~7.1%, thereby, assigning ACCUMULATE rating on the stock.

TCI Express Ltd	Target: INR 2,082		Previous Target: INR 2,168				(Rating: ACCUMULATE to BUY)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	3,144	2,869	9.6%	3,099	1.5%	3,324	-5.4%
EBITDA	461	472	-2.3%	515	-10.5%	558	-17.4%
EBITDA Margin	14.7%	16.5%	(179)Bps	16.6%	(196)Bps	16.8%	(212)Bps
Adj PAT	320	351	-8.8%	375	-14.7%	408	-21.6%

Key reasons for deviation: TCI Express Q3FY23 results were below our expectations on all counts. Although company reported highest quarterly sales in Q3FY23 with revenue growth of ~9.6% YoY, sales was impacted due to decrease in utilisation levels in the month of October 2022 after the festive season and long weekend. Margins were impacted due to lower utilisation levels and uptick in advertisement and other administrative expenses. Capacity utilization for the quarter stood at ~83% which was down by ~200 bps both YoY & QoQ. Company reported volumes growth of ~10% YoY at ~2,53,000 MT.

Outlook post results: Management has guided for revenue growth of ~16-17% YoY in FY23e (revised down from earlier guidance of ~18-20% YoY growth). It expects EBIDTA margins for FY23e to be around FY22 levels. Further, management is confident of delivering good growth in FY24e with an improvement in margins. Margins are expected to improve by ~50-100 bps over next 2-3 years. We have upgraded our rating to “Buy” from “Accumulate”.

HIL Ltd.	Target: Under Watch		Previous Target: INR 3,658				(Rating: BUY to Under Watch)
Particulars (Rs mn)	**Q3FY23**	**Q3FY22**	**YoY (%)**	**Q2FY23**	**QoQ (%)**	**Q3FY23E**	**Deviation**
Revenue	7,672	8,214	-6.6%	7,639	0.4%	7,520	2.0%
EBITDA	504	729	-30.9%	120	320.0%	420	20.0%
EBITDA Margin	6.6%	8.9%	(231)Bps	1.6%	500 Bps	5.6%	98 Bps
Adj PAT	125	342	-63.5%	-68	LTP	139	-10.1%

Key reasons for deviation: HIL reported Q3FY23 results were slightly lower than our estimates at the PAT level, while revenue was in line & EBIDTA was higher than our estimates. Company reported ~6.6% YoY decline in sales due to decline in the flooring & polymer solution segment. Parador business was impacted due to high inflation in European countries which led to low sentiments amongst the consumers which led to lower demand in the market. In Q3FY23 company faced inflationary pressure in most of the business segment due to inflation in key raw material cost, high sea freights and geopolitical scenario in Europe which led to decline in profit margins YoY across all the business segment (except building solution) of the company.

Outlook post results:-Company is yet to conduct their post results Q3FY23 earnings conference call, so there is lack of clarity on the future outlook. Hence, we have kept the rating “Under Watch” till we have further clarity from the management on future outlook of business of the company.

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Analyst Certification:

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