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#### Sector alerts

**Energy:** Modest relief for now

- ▶ OPEC to raise production to mitigate excess supply cuts due to falling supplies from Venezuela
- ▶ Expect global oil supply-demand to balance in 2H CY18 post five quarters of deficit
- ▶ Ongoing issues in a few countries, Iran sanctions and US midstream bottlenecks will be crucial
- ▶ Implied spare capacity to remain tight even as supply-demand balance eases out in CY2019

### EQUITY MARKETS

India	Change %			
	22-Jun	1-day	1-mo	3-mo
Sensex	35,690	0.7	2.2	9.5
Nifty	10,822	0.8	2.0	8.2
<b>Global/Regional indices</b>				
Dow Jones	24,581	0.5	(0.7)	4.5
Nasdaq Composite	7,693	(0.3)	3.5	10.0
FTSE	7,682	1.7	(0.6)	11.0
Nikkei	22,421	(0.4)	(0.1)	8.7
Hang Seng	29,235	(0.4)	(4.4)	(3.6)
KOSPI	2,346	(0.5)	(4.6)	(2.9)
<b>Value traded – India</b>				
Cash (NSE+BSE)	296		330	340
Derivatives (NSE)	7,125		7,029	13,654
Deri. open interest	4,024		4,072	4,429

#### Forex/money market

	Change, basis points			
	22-Jun	1-day	1-mo	3-mo
Rs/US\$	68.0	7	25	322
10yr govt bond, %	8.1	-	(5)	17

#### Net investment (US\$ mn)

	21-Jun	MTD	CYTD
FIs	192	(710)	(955)
MFs	91	855	9,952

#### Top movers

Best performers	Change, %			
	22-Jun	1-day	1-mo	3-mo
UBBL IN Equity	1,268	(0.7)	7.1	34.6
TCS IN Equity	1,810	(0.5)	0.9	28.4
KMB IN Equity	1,321	0.6	2.0	27.2
NEST IN Equity	9,871	0.2	1.4	26.7
MM IN Equity	908	2.8	5.9	23.9

#### Worst performers

HDIL IN Equity	22	(0.5)	(19.7)	(45.6)
RCOM IN Equity	15	(1.3)	2.8	(35.2)
IDEA IN Equity	61	(0.4)	1.3	(22.0)
UT IN Equity	4	0.0	(3.3)	(21.9)
IDBI IN Equity	59	2.0	(9.4)	(18.0)

**Donald, duck, Mickey, mouse.** India has been so far largely unaffected by rising trade tensions between the US and its major trading partners. However, India runs large trade surplus with the US in both goods and services. Indian IT and pharmaceutical exports to the US could be sitting ducks if the US administration were to focus on the large India-US trade imbalance. These sectors are incidentally the current market favorites given concerns about global trade (ironically) and a weak domestic macro.

#### India has had high trade surplus with the US historically

Exhibit 1 shows yearly exports and imports of goods between India and the US over the past 10 years while Exhibit 2 gives the same data for services for the past few years. We note that India-US trade relations have worsened of late after months of periodic angst being expressed by the US administration about the trade imbalance and purported misuse of H-1B visas by Indian companies. The US has imposed tariffs on exports of aluminum and steel from India as part of its broader policy on metals industry and India has recently announced retaliatory tariffs on 29 export items from the US, which will be effective from August 4, 2018.

#### Jewelry and pharmaceuticals biggest export items from India to the US

We note that jewelry (US\$10 bn in FY2018) and pharmaceuticals (about US\$5 bn in FY2018) accounted for a significant portion of India's exports of US\$48 bn in FY2018 to the US. Exhibit 3 gives detailed breakup of the major export items by major sectors from India to the US and Exhibit 4 gives the same for major import items of India from the US.

#### IT service exports from India tilt the balance hugely in favor of India

We do not have accurate data about the breakup of India's services exports to the US but presumably the bulk of India's exports would comprise IT and ITES exports. There is also some discrepancy between imports of services by the US from India as reported by the Office of the US Trade Representative and India's IT and related exports to the US as reported by the RBI (see Exhibit 5). Nonetheless, the figures reported by RBI are higher than the OUSTR's, which makes the imbalance between India and the US in the services trade starker.

#### Too early to say how events pan out with respect to global trade and India-US trade

We can only hope that global trade tensions recede with a calmer approach to global trade by the major actors. However, global trade tensions can escalate as most countries have decided to impose retaliatory import tariffs on US exports in response to the US's decision to impose tariffs on exports from other countries for various reasons (national security, protection, unfair trade practices). India is in tricky position given its high CAD (see Exhibit 6) and it could be vulnerable if OPEC+ countries were to fail to arrive at a consensus decision to increase production by 0-5.1 mn b/d in their ongoing meeting (June 22/23). Global oil markets will require about 1 mn b/d additional supply to rebalance the market given declining production from Venezuela (see Exhibit 7) and possibly lower exports from Iran as a result of renewed US sanctions (see Exhibit 8). India could certainly do with (1) its exports of Mickeys (slang for certain types of drugs) to the US from its pharmaceutical companies and (2) export revenues emanating from millions of mouse clicking furiously in its offshore delivery centers given its weak BoP position.

JUNE 25, 2018

UPDATE

BSE-30: 35,690

#### QUICK NUMBERS

- India had about **US\$30 bn (possibly higher) of overall trade surplus with the US in FY2018**
- **Pharmaceuticals exports at around US\$5 bn and IT services exports at US\$45 bn**
- **India's FY2019E CAD at 2.9% assuming US\$72.5/bbl crude oil price**

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Suvodeep Rakshit

Anindya Bhowmik

Sunita Baldawa

**Exhibit 1: India's trade surplus in goods with US has increased significantly over the past 10 years**  
 India's exports and imports of goods with the US, March fiscal year-ends, 2009-18 (US\$ bn)



Source: CEIC, Kotak Institutional Equities

**Exhibit 2: India's trade surplus in services with the US has remained steady over the past few years**  
 India's services exports and imports with the US, December calendar year-ends, 2011-16 (US\$ bn)



Source: OUSTR, Kotak Institutional Equities

**Exhibit 3: Jewelry and pharmaceutical products are India's major goods export to the US**  
India's goods exports to US, March fiscal year-ends, 2009-18 (US\$ bn)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Exports</b>	<b>21.1</b>	<b>19.5</b>	<b>25.3</b>	<b>34.7</b>	<b>36.2</b>	<b>39.1</b>	<b>42.4</b>	<b>40.3</b>	<b>42.2</b>	<b>47.9</b>
Pearls, stones, precious metals, imitation jewelry	4.7	4.7	5.3	6.8	6.7	7.8	8.4	8.7	9.7	10.1
Pharmaceutical products	0.9	1.2	1.8	2.5	3.1	3.4	3.8	5.0	5.1	4.7
Nuclear reactors, boilers, machinery & mechanical appliances	1.1	0.9	1.1	1.6	1.6	1.6	2.2	1.8	2.1	2.8
Mineral fuels, oils, waxes & bituminous substances	0.2	0.4	1.0	1.3	1.8	4.0	3.9	2.1	1.9	2.6
Made up textile articles (excluding apparels)	1.0	1.1	1.4	1.8	2.0	2.1	2.2	2.3	2.4	2.4
Articles of apparel and clothing accessories, not knitted	1.5	1.5	1.6	1.8	1.8	1.9	2.0	2.2	2.1	2.1
Vehicles other than railway rolling stock	0.5	0.4	0.8	0.9	1.0	1.1	1.3	1.4	1.2	2.1
Fish and crustaceans	0.2	0.2	0.4	0.6	0.7	1.2	1.4	1.2	1.6	2.1
Articles of apparel and clothing accessories, knitted	1.2	1.2	1.4	1.4	1.3	1.5	1.6	1.7	1.7	1.7
Articles of iron and steel	1.6	0.8	1.4	1.6	1.8	1.3	1.7	1.2	1.3	1.6
Organic chemicals	0.9	1.1	1.3	1.5	1.5	1.5	1.6	1.4	1.4	1.6
Electrical machinery, telecom equipment, audio & video recorders	1.6	1.1	1.3	1.9	1.7	1.3	1.3	1.2	1.2	1.3
Carpets and other textile floor coverings	0.4	0.4	0.5	0.5	0.6	0.7	0.8	0.8	0.8	0.8
Plastics and articles	0.3	0.3	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.7
Miscellaneous chemical products	0.2	0.1	0.2	0.3	0.4	0.4	0.5	0.5	0.5	0.7
Others	4.8	4.0	5.6	9.7	9.7	8.7	9.3	8.3	8.8	10.5

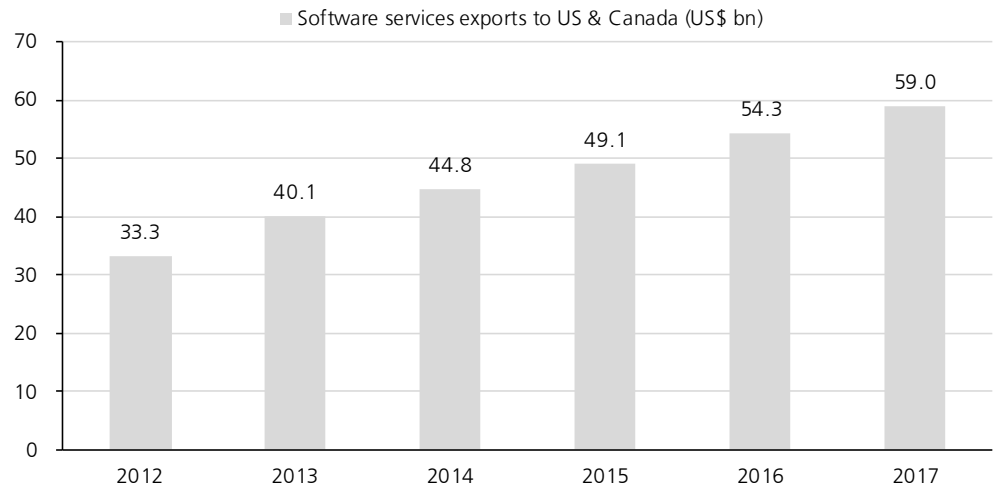
Source: CEIC, Kotak Institutional Equities

**Exhibit 4: Nuclear reactors and mineral fuels are India's major goods imports from the US**  
India's imports from US, March fiscal year-ends, 2009-18 (US\$ bn)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Imports</b>	<b>18.6</b>	<b>17.0</b>	<b>20.1</b>	<b>23.5</b>	<b>25.2</b>	<b>22.5</b>	<b>21.8</b>	<b>21.8</b>	<b>22.3</b>	<b>26.6</b>
Nuclear reactors, boilers, machinery & mechanical appliances	2.6	2.6	2.6	3.1	3.0	2.7	3.0	3.9	3.1	4.4
Mineral fuels, oils, waxes & bituminous substances	1.2	0.8	1.1	1.7	2.0	1.5	1.5	1.3	1.7	4.0
Pearls, stones, precious metals, imitation jewelry	1.5	1.5	2.8	2.3	4.4	2.1	3.5	3.2	2.1	2.8
Aircraft, spacecraft and parts	1.5	2.4	1.6	1.5	1.7	2.0	2.3	1.9	4.2	2.0
Electrical machinery, telecom equipment, audio & video recorders	1.4	1.2	1.3	1.6	1.5	1.4	1.7	1.4	1.3	1.8
Optical, photographic, cinematographic etc.	1.0	1.0	1.2	1.4	1.4	1.4	1.4	1.5	1.5	1.6
Organic chemicals	0.6	0.6	0.7	0.9	0.9	0.9	0.8	0.8	0.8	1.2
Plastics and articles	0.5	0.7	0.8	1.0	0.9	0.8	0.8	0.8	0.9	1.0
Edible fruit and nuts, peel or citrus fruit or melons	0.2	0.2	0.3	0.4	0.5	0.5	0.6	0.7	0.7	0.9
Miscellaneous chemical products	0.6	0.6	0.7	0.9	0.9	0.9	0.8	0.9	0.8	0.9
Pulp of wood, waste and scrap of paper	0.2	0.2	0.3	0.4	0.4	0.4	0.6	0.5	0.5	0.6
Cotton	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.5
Iron and steel	0.6	0.7	0.6	0.8	0.8	0.4	0.4	0.5	0.4	0.5
Inorganic chemicals, compounds of precious metals, isotopes	0.3	0.3	0.4	0.5	0.5	0.4	0.4	0.3	0.3	0.4
Vehicles other than railway rolling stock	0.1	0.1	0.2	0.2	0.2	0.1	0.2	0.3	0.2	0.3
Others	6.1	3.9	5.5	6.8	6.1	6.8	3.9	3.8	3.6	3.9

Source: CEIC, Kotak Institutional Equities

**Exhibit 5: IT and ITES exports would make up for the bulk of India's services exports to the US**  
India's exports of computer services to US and Canada, March fiscal year-ends, 2012-17 (US\$ bn)



Notes:

(a) Software services include IT services, software product development, BPO services, and engineering services.

Source: RBI Survey on Computer Software & Information Technology Enabled Services Exports, Kotak Institutional Equities

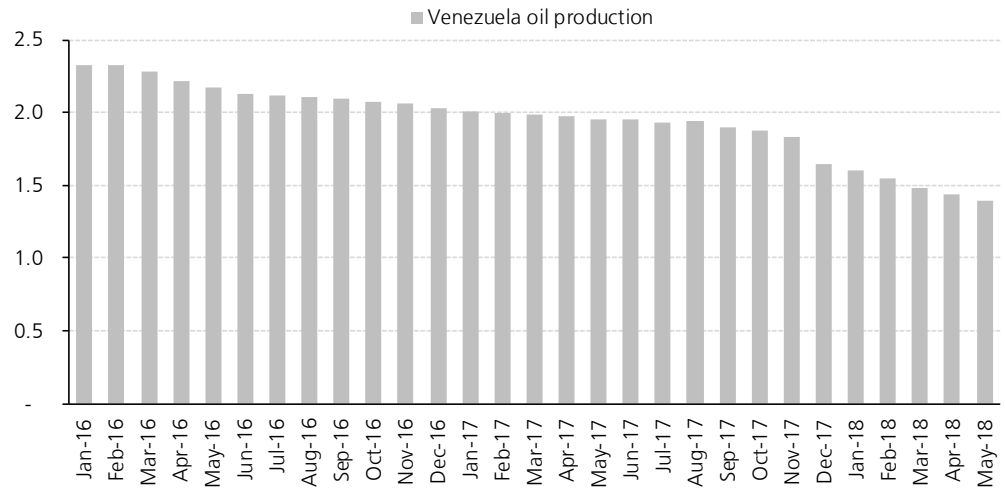
## Exhibit 6: Material negative risks to CAD in FY2019

India's balance of payments, March fiscal year-ends, 2014-19E (US\$ bn)

	2014	2015	2016	2017	2018	2019E		
						Oil@67.5/bbl	Oil@72.5/bbl	Oil@80/bbl
<b>Current account</b>	<b>(32.4)</b>	<b>(26.8)</b>	<b>(22.2)</b>	<b>(15.3)</b>	<b>(48.7)</b>	<b>(72.1)</b>	<b>(79.6)</b>	<b>(90.8)</b>
GDP	1,858	2,038	2,103	2,270	2,602	2,758	2,758	2,758
<b>CAD/GDP (%)</b>	<b>(1.7)</b>	<b>(1.3)</b>	<b>(1.1)</b>	<b>(0.7)</b>	<b>(1.9)</b>	<b>(2.6)</b>	<b>(2.9)</b>	<b>(3.3)</b>
Trade balance	(147.6)	(144.9)	(130.1)	(112.4)	(160.0)	(187.8)	(195.3)	(206.6)
<b>Trade balance/GDP (%)</b>	<b>(7.9)</b>	<b>(7.1)</b>	<b>(6.2)</b>	<b>(4.9)</b>	<b>(6.2)</b>	<b>(6.8)</b>	<b>(7.1)</b>	<b>(7.5)</b>
- Exports	319	317	266	280	309	330	332	336
- oil exports	63	57	31	32	39	41	43	47
- non-oil exports	255	260	236	249	270	289	289	289
- Imports	466	461	396	393	469	518	528	542
- oil imports	165	138	83	87	109	132	142	157
- non-oil imports	301	323	313	306	360	386	386	386
- gold imports	29	34	32	28	34	34	34	34
Invisibles (net)	115	118	108	97	111	116	116	116
- Services	73	77	70	67	78	80	80	80
- software	67	70	71	70	72	74	74	74
- non-software	6.0	6.2	(1.8)	(2.6)	5.4	5.5	5.5	5.5
- Transfers	65	66	63	56	62	66	66	66
- Income (net)	(23)	(24)	(24)	(26)	(29)	(30)	(30)	(30)
<b>Capital account</b>	<b>48.8</b>	<b>89.3</b>	<b>41.1</b>	<b>36.5</b>	<b>91.4</b>	<b>54.0</b>	<b>54.0</b>	<b>54.0</b>
Percentage of GDP	2.6	4.4	2.0	1.6	3.5	2.0	2.0	2.0
Foreign investment	26	73	32	43	52	34	34	34
- FDI	22	31	36	36	30	32	32	32
- FPI	5	42	(4)	8	22	2	2	2
- Equities	14	15	(4)	9	2	2	2	2
- Debt	(8)	26	(0)	(1)	21	—	—	—
Banking capital	25	12	11	(17)	16	12	12	12
- NRI deposits	39	14	16	(12)	10	9	9	9
Short-term credit	(5.0)	(0.1)	(1.6)	6.5	13.9	7.0	7.0	7.0
ECBs	11.8	1.6	(4.5)	(6.1)	(0.2)	(1.0)	(1.0)	(1.0)
External assistance	1.0	1.7	1.5	2.0	2.9	2.0	2.0	2.0
Other capital account items	(10.8)	1.1	3.3	7.6	6.2	—	—	—
E&O	(0.9)	(1.1)	(1.1)	0.4	0.9	—	—	—
<b>Overall balance</b>	<b>15.6</b>	<b>61.4</b>	<b>17.9</b>	<b>21.6</b>	<b>43.6</b>	<b>(18.1)</b>	<b>(25.6)</b>	<b>(36.8)</b>
<b>Memo items</b>								
Average USD/INR	60.5	61.2	65.4	67.2	64.5	67.6	67.6	67.6
Average Brent (US\$/bbl)	107.6	86.5	47.5	49.0	57.6	67.5	72.5	80.0

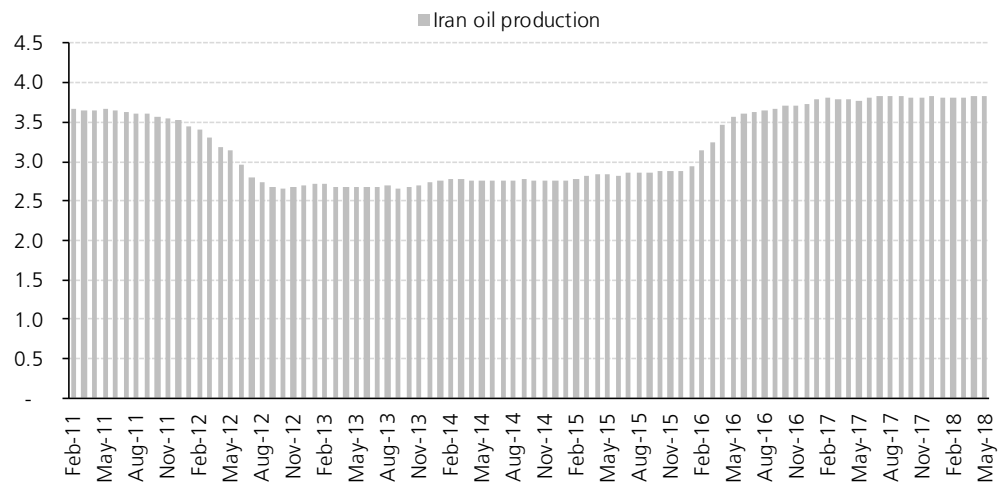
Source: RBI, Kotak Institutional Equities estimates

**Exhibit 7: Venezuela's crude oil production has declined by ~0.5 mn b/d from its run-rate in recent months**  
 Monthly production from Venezuela, December calendar year-ends, 2016-18 (mn b/d)



Source: OPEC, Kotak Institutional Equities

**Exhibit 8: Crude oil production from Iran had declined by ~1 mn b/d post US-led sanctions**  
 Monthly production from Iran, December calendar year-ends, 2011-18 (mn b/d)



Source: OPEC, Kotak Institutional Equities

JUNE 25, 2018

UPDATE

Coverage view: **Neutral**

Price (₹): **308**

Target price (₹): **445**

BSE-30: **35,690**

**Takeaways from JLR analyst day.** We believe JLR's management is taking steps to achieve its financial targets despite significant near-term challenges. The company acknowledged that volume growth will remain subdued due to recent challenges but they are on track to achieve their financial targets. Our estimates build in more conservative assumptions than the management guidance. Reiterate BUY with unchanged target price of ₹445.

#### Company data and valuation summary

Tata Motors

##### Stock data

52-week range (Rs) (high,low)	468-282
Market Cap. (Rs bn)	1,046.5

##### Shareholding pattern (%)

Promoters	36.4
FIs	35.4
MFs	7.4

##### Price performance (%)

	1M	3M	12M
Absolute	0.1	(8.9)	(31.9)
Rel. to BSE-30	(2.8)	(15.7)	(40.3)

##### Forecasts/Valuations

	2018	2019E	2020E
EPS (Rs)	20.0	23.5	38.4
EPS growth (%)	(28.0)	18.0	63.0
P/E (X)	15.4	13.1	8.0
Sales (Rs bn)	2,946.2	3,196.5	3,447.2
Net profits (Rs bn)	67.8	80.0	130.3
EBITDA (Rs bn)	333.4	385.4	467.4
EV/EBITDA (X)	4.3	3.9	3.2
ROE (%)	8.8	8.0	11.9
Div. Yield (%)	0.0	0.0	0.0

#### Takeaways from JLR analyst meeting: reaffirmed financial targets despite current challenges

- ▶ **Management acknowledged the challenges faced by the company:** (1) High proportion of diesel vehicle sales in Europe (87% of EU/UK volumes in 4QFY18 versus 93% in 4QFY17). Diesel vehicle sales form 35% of JLR's global volumes, which are mostly in Europe (including UK), (2) decline in UK volumes due to Brexit uncertainty and (3) continued high incentives in the US market.
- ▶ **But despite challenges, the company reaffirmed its targets:** (1) The company indicated that it is quite comfortable with its target to achieve an EBIT margin of 4-7% over FY2019-21 and 7-9% over the long-term, (2) the company plans to grow volumes at a rate higher than the premium luxury industry volume growth. Volume growth will be driven by E-Pace, XE (localized production in China), I-Pace and new RR and RR sport models and (3) capex spend will be GBP4.5 bn annually over FY2019-21, which will come down to 12-13% of revenues over the long term. Capex will be utilized for (1) increasing capacity at Slovakia plant (first phase expansion of 150,000 units annually, which can be upgraded to 300,000 units) and (2) launch of four new vehicles over FY2019-24 period; transform ICE/hybrid/electric drivetrain options across all its models by FY2020. JLR intends to increase the sales volume mix of plug-in hybrid and battery electric vehicles to 20% over the medium term from negligible till FY2018. The company also indicated that it will spend 27% of total capex + R&D spend on capacity expansion, 13% on electrification, 9% on other powertrains and 51% of new products.
- ▶ **The company has high hopes for I-Pace:** The management believes that I-Pace (annual capacity of 43,000 units) is a game changer product for the company. I-Pace is very competitively priced for a product which gives (1) best in class performance and (2) a higher driving range than competition due to regenerative braking, light weighting and an integrated cooling system. The I-Pace electric vehicle offers 260-290 miles of driving range (in one charge) under real life conditions. The battery can be 80% charged in just 45/90 minutes by using 100/50 kwh chargers while the battery can be fully charged in 10-12 hours using 7 kwh charger in homes. For the battery, JLR is offering a warranty for 8 years or 100,000 miles whichever is earlier.
- ▶ **Focusing on Modular Longitudinal Architecture (MLA) to reduce development costs:** The company is planning to be able to use only one platform for all its products by CY2025 which can incorporate electric/hybrid/ICE powertrains. To reduce development costs, the company is reusing components and software systems across these powertrains.

Hitesh Goel

Nishit Jalan



- ▶ **Increased focus on cost reduction and cost optimization:** (1) Increase production in low-cost locations (Slovakia plant will start in CY2018), (2) increase localization in China, Hungary, Slovakia and India, (3) increase of automation in high-cost locations, (4) inflation in SG&A cost would be lower than the increase in revenues due to the company's cost reduction initiatives, (5) shift to MLA architecture and in-house development for engineering mechanical systems for reduction in development costs; this will lead to higher standardization, higher commonality of parts across models and thereby scale benefits and (6) tie-ups with companies in ADAS space to keep in touch with the latest developments.
- ▶ **New tie-ups to keep pace with technology changes:** The company is partnering with global partners for new technologies. **For example:** (1) it has partnered with Magna to manufacture I-Pace and (2) it will sell 20,000 I-Pace to Waymo over CY2020-21 to be used in Waymo's automated self-driving vehicles.
- ▶ **Will increase dealer network to 1,800 retailers by CY2023 from 1,571 currently.** The company is investing in changing the dealer network to a more modernized network called ARCH. 538 dealers have already shifted to ARCH and the company plans to upgrade all dealers to ARCH by CY2023. As per JLR's internal assessment, enquiry levels and new car sales of new ARCH dealers in UK are 7% higher compared to the national average performance of all dealers.

**Exhibit 1: We expect China volume mix to increase over FY2018-21E**

Geography-wise volume mix (including China JV), March fiscal year-ends, 2013-21E (units, %)

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>Geography</b>									
N.A	64,885	71,000	79,000	108,900	132,000	136,400	143,220	147,517	147,517
UK	68,054	76,000	88,100	111,100	115,000	114,100	91,280	94,018	96,839
Europe (excl Russia and UK)	78,781	70,000	89,700	124,200	137,000	126,300	113,670	117,080	120,593
Russia	16,721	13,000	10,400	6,000	6,000	6,000	6,000	6,000	6,000
China	79,441	104,000	119,300	98,651	125,000	153,800	190,670	207,364	217,292
Asia Pac (excl China)	18,289	23,000	27,100	29,810	32,791	34,431	41,317	43,796	46,423
Rest of World	45,891	73,000	56,900	65,376	53,009	62,369	73,338	76,324	79,069
<b>Total volumes</b>	<b>372,062</b>	<b>430,000</b>	<b>470,500</b>	<b>544,037</b>	<b>600,800</b>	<b>633,400</b>	<b>659,495</b>	<b>692,099</b>	<b>713,732</b>
Yoy growth (%)	18.3	15.6	9.4	15.6	10.4	5.4	4.1	4.9	3.1
<b>Geographical mix (%)</b>									
N.A	17.4	16.5	16.8	20.0	22.0	21.5	21.7	21.3	20.7
UK	18.3	17.7	18.7	20.4	19.1	18.0	13.8	13.6	13.6
Europe (excl Russia and UK)	21.2	16.3	19.1	22.8	22.8	19.9	17.2	16.9	16.9
Russia	4.5	3.0	2.2	1.1	1.0	0.9	0.9	0.9	0.8
China	21.4	24.2	25.4	18.1	20.8	24.3	28.9	30.0	30.4
Asia Pac (excl China)	4.9	5.3	5.8	5.5	5.5	5.4	6.3	6.3	6.5
Rest of World	12.3	17.0	12.1	12.0	8.8	9.8	11.1	11.0	11.1
<b>Total volumes</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 2: New model launches will be largely offset by decline in volumes of existing models**  
 JLR model-wise volume mix assumptions (including China JV), March fiscal year-ends, 2013-21E (units, %)

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>Model</b>									
XF	37,984	47,000	45,900	36,200	35,100	41,700	41,910	43,115	44,379
XJ	15,816	19,000	16,300	12,200	10,100	9,000	8,100	8,100	8,100
XK	4,012	3,000	2,100	100	—	—	—	—	—
F type	—	10,000	12,200	12,600	10,900	9,200	8,280	8,280	8,280
Small Jaguar	—	—	—	39,200	46,700	32,100	30,000	30,600	31,230
F Pace	—	—	—	1,806	76,000	69,500	62,550	62,550	62,550
I-Pace/E-Pace	—	—	—	—	—	14,800	60,000	72,600	73,230
<b>Jaguar</b>	<b>57,812</b>	<b>79,000</b>	<b>76,500</b>	<b>102,106</b>	<b>178,800</b>	<b>176,300</b>	<b>210,840</b>	<b>225,245</b>	<b>227,769</b>
Defender	15,089	17,000	20,000	20,200	600	—	—	—	—
Discovery	43,579	44,000	50,600	53,700	37,600	52,000	46,800	49,140	51,597
Freelander	52,150	57,000	38,700	—	—	—	—	—	—
Discovery Sport	—	—	13,600	97,800	124,800	118,100	109,105	114,560	120,288
Range Rover	29,835	46,000	61,400	60,100	56,300	54,900	57,645	60,527	63,554
RRSport	57,485	66,000	85,800	90,300	87,500	76,600	80,430	84,452	88,674
Evoque	116,112	121,000	123,900	119,831	115,200	96,300	84,675	84,675	84,675
Range Rover Velar	—	—	—	—	—	59,200	70,000	73,500	77,175
<b>Land Rover</b>	<b>314,250</b>	<b>351,000</b>	<b>394,000</b>	<b>441,931</b>	<b>422,000</b>	<b>457,100</b>	<b>448,655</b>	<b>466,854</b>	<b>485,963</b>
<b>Total volumes</b>	<b>372,062</b>	<b>430,000</b>	<b>470,500</b>	<b>544,037</b>	<b>600,800</b>	<b>633,400</b>	<b>659,495</b>	<b>692,099</b>	<b>713,732</b>
<b>Model mix (%)</b>									
XF	10.2	10.9	9.8	6.7	5.8	6.6	6.4	6.2	6.2
XJ	4.3	4.4	3.5	2.2	1.7	1.4	1.2	1.2	1.1
XK	1.1	0.7	0.4	0.0	—	—	—	—	—
F type	—	2.3	2.6	2.3	1.8	1.5	1.3	1.2	1.2
Small Jaguar	—	—	—	7.2	7.8	5.1	4.5	4.4	4.4
F Pace	—	—	—	0.3	12.6	11.0	9.5	9.0	8.8
I-Pace/E-Pace	—	—	—	—	—	2.3	9.1	10.5	10.3
Defender	4.1	4.0	4.3	3.7	—	—	—	—	—
Discovery	11.7	10.2	10.8	9.9	6.3	8.2	7.1	7.1	7.2
Freelander	14.0	13.3	8.2	—	—	—	—	—	—
Discovery Sport	—	—	2.9	18.0	20.8	18.6	16.5	16.6	16.9
Range Rover	8.0	10.7	13.0	11.0	9.4	8.7	8.7	8.7	8.9
RRSport	15.5	15.3	18.2	16.6	14.6	12.1	12.2	12.2	12.4
Evoque	31.2	28.1	26.3	22.0	19.2	15.2	12.8	12.2	11.9
Velar	—	—	—	—	—	9.3	10.6	10.6	10.8
<b>Total volumes</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 3: We expect strong performance of China JV to sustain over FY2018-21E**  
Summary projected financials of JLR China JV venture, March fiscal year-ends, 2016-21E (GBP mn)

	2016	2017	2018	2019E	2020E	2021E
<b>Sales volumes (units)</b>						
Discovery Sport	8,000	38,800	43,600	45,780	48,069	50,472
Evoque	26,751	17,700	18,800	18,800	18,800	18,800
Jaguar XF	—	9,500	21,900	24,090	25,295	26,559
Jaguar XE				12,000	12,600	13,230
E-Pace				12,000	12,600	13,230
<b>Total sales volumes</b>	<b>34,751</b>	<b>66,000</b>	<b>84,300</b>	<b>112,670</b>	<b>117,364</b>	<b>122,292</b>
<b>Net sales</b>	<b>1,106</b>	<b>2,163</b>	<b>2,773</b>	<b>3,542</b>	<b>3,690</b>	<b>3,845</b>
Raw material cost	(675)	(1,298)	(1,582)	(2,055)	(2,140)	(2,230)
Staff cost	(50)	(73)	(98)	(108)	(119)	(130)
Royalty	(55)	(108)	(139)	(177)	(184)	(192)
Other expenses	(98)	(161)	(194)	(248)	(258)	(269)
<b>Total expenses</b>	<b>(878)</b>	<b>(1,640)</b>	<b>(2,013)</b>	<b>(2,587)</b>	<b>(2,702)</b>	<b>(2,822)</b>
<b>EBITDA</b>	<b>228</b>	<b>523</b>	<b>760</b>	<b>955</b>	<b>988</b>	<b>1,023</b>
Interest expense	(2)	(3)	19	19	19	19
Depreciation expense	(58)	(105)	(139)	(149)	(159)	(169)
<b>Profit before tax</b>	<b>168</b>	<b>415</b>	<b>640</b>	<b>825</b>	<b>849</b>	<b>873</b>
Tax	(44)	(103)	(136)	(206)	(212)	(218)
<b>Profit after tax</b>	<b>124</b>	<b>312</b>	<b>504</b>	<b>619</b>	<b>636</b>	<b>655</b>
<b>Ratios</b>						
Raw material cost as % of net sales	61.0	60.0	57.1	58.0	58.0	58.0
Staff cost as % of net sales	4.5	3.4	3.5	3.0	3.2	3.4
Royalty cost as % of net sales	5.0	5.0	5.0	5.0	5.0	5.0
Other expenses cost as % of net sales	8.9	7.4	7.0	7.0	7.0	7.0
<b>EBITDA margin (%)</b>	<b>20.6</b>	<b>24.2</b>	<b>27.4</b>	<b>27.0</b>	<b>26.8</b>	<b>26.6</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 4: We expect standalone volumes to increase by 10% CAGR over FY2018-21E**  
Tata Motors standalone volume assumptions, March fiscal year-ends, 2011-21E (units)

	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>M&amp;HCVs</b>	<b>209,522</b>	<b>221,298</b>	<b>152,505</b>	<b>122,498</b>	<b>142,737</b>	<b>176,493</b>	<b>175,262</b>	<b>190,367</b>	<b>209,851</b>	<b>244,274</b>	<b>236,266</b>
M&HCVs-domestic	192,127	207,014	143,381	110,225	127,011	156,961	148,901	168,013	184,814	216,233	205,421
M&HCVs-exports	17,395	14,284	9,124	12,273	15,726	19,532	26,361	22,354	25,036	28,041	30,845
<b>LCVs</b>	<b>287,463</b>	<b>363,756</b>	<b>428,643</b>	<b>298,799</b>	<b>221,818</b>	<b>205,231</b>	<b>209,767</b>	<b>259,066</b>	<b>293,256</b>	<b>332,015</b>	<b>348,615</b>
LCVs-domestic	77,558	95,791	113,520	85,140	59,598	59,078	54,488	103,410	118,921	136,760	143,598
Ace	177,096	227,179	280,242	183,059	131,533	111,981	121,821	127,912	143,261	160,453	168,476
LCVs-exports	32,809	40,786	34,881	30,600	30,687	34,172	33,458	27,744	31,073	34,802	36,542
<b>UVs</b>	<b>43,063</b>	<b>56,464</b>	<b>48,617</b>	<b>32,400</b>	<b>25,617</b>	<b>19,364</b>	<b>20,197</b>	<b>53,397</b>	<b>74,274</b>	<b>81,669</b>	<b>85,752</b>
UVs-domestic	42,297	55,744	47,454	31,268	24,609	18,621	18,757	51,891	72,647	79,912	83,908
UVs-exports	766	720	1,163	1,132	1,008	743	1,440	1,506	1,626	1,757	1,844
<b>Passenger vehicles</b>	<b>263,274</b>	<b>265,254</b>	<b>180,355</b>	<b>112,894</b>	<b>111,982</b>	<b>111,072</b>	<b>137,096</b>	<b>136,548</b>	<b>143,309</b>	<b>160,218</b>	<b>168,168</b>
Passenger vehicles-domestic	185,767	183,439	120,845	85,648	92,569	86,796	126,908	133,430	140,102	156,914	164,759
Passenger vehicles-exports	7,075	7,288	5,663	5,707	2,512	3,264	2,597	1,118	1,207	1,304	1,408
Small car	70,432	74,527	53,847	21,539	16,901	21,012	7,591	2,000	2,000	2,000	2,000
Total domestic sales	745,277	843,694	759,289	516,879	452,221	454,449	478,466	586,656	661,746	752,271	768,161
Total export sales	58,045	63,078	50,831	49,712	49,933	57,711	63,856	52,722	58,944	65,904	70,640
<b>Total vehicle sales</b>	<b>803,322</b>	<b>906,772</b>	<b>810,120</b>	<b>566,591</b>	<b>502,154</b>	<b>512,160</b>	<b>542,322</b>	<b>639,378</b>	<b>720,690</b>	<b>818,175</b>	<b>838,801</b>
<b>Volume growth (yoy %)</b>											
<b>M&amp;HCVs</b>	<b>24.8</b>	<b>5.6</b>	<b>(31.1)</b>	<b>(19.7)</b>	<b>16.5</b>	<b>23.6</b>	<b>(0.7)</b>	<b>8.6</b>	<b>10.2</b>	<b>16.4</b>	<b>(3.3)</b>
M&HCVs-domestic	23.8	7.7	(30.7)	(23.1)	15.2	23.6	(5.1)	12.8	10.0	17.0	(5.0)
M&HCVs-exports	37.1	(17.9)	(36.1)	34.5	28.1	24.2	35.0	(15.2)	12.0	12.0	10.0
<b>LCVs</b>	<b>23.0</b>	<b>26.5</b>	<b>17.8</b>	<b>(30.3)</b>	<b>(25.8)</b>	<b>(7.5)</b>	<b>2.2</b>	<b>23.5</b>	<b>13.2</b>	<b>13.2</b>	<b>5.0</b>
LCVs-domestic	(10.1)	23.5	18.5	(25.0)	(30.0)	(0.9)	(7.8)	89.8	15.0	15.0	5.0
Ace	34.0	28.3	23.4	(34.7)	(28.1)	(14.9)	8.8	5.0	12.0	12.0	5.0
LCVs-exports	115.6	24.3	(14.5)	(12.3)	0.3	11.4	(2.1)	(17.1)	12.0	12.0	5.0
<b>UVs</b>	<b>26.2</b>	<b>31.1</b>	<b>(13.9)</b>	<b>(33.4)</b>	<b>(20.9)</b>	<b>(24.4)</b>	<b>4.3</b>	<b>164.4</b>	<b>39.1</b>	<b>10.0</b>	<b>5.0</b>
UVs-domestic	26.1	31.8	(14.9)	(34.1)	(21.3)	(24.3)	0.7	176.6	40.0	10.0	5.0
UVs-exports	29.2	(6.0)	61.5	(2.7)	(11.0)	(26.3)	93.8	4.6	8.0	8.0	5.0
<b>Passenger vehicles</b>	<b>27.2</b>	<b>0.8</b>	<b>(32.0)</b>	<b>(37.4)</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>23.4</b>	<b>(0.4)</b>	<b>5.0</b>	<b>11.8</b>	<b>5.0</b>
Passenger vehicles-domestic	8.6	(1.3)	(34.1)	(29.1)	8.1	(6.2)	46.2	5.1	5.0	12.0	5.0
Passenger vehicles-exports	25.5	3.0	(22.3)	0.8	(56.0)	29.9	(20.4)	(57.0)	8.0	8.0	8.0
Small car	132.1	5.8	(27.7)	(60.0)	(21.5)	24.3	(63.9)	(73.7)	—	—	—
Total domestic sales	22.5	13.2	(10.0)	(31.9)	(12.5)	0.5	5.3	22.6	12.8	13.7	2.1
Total export sales	70.0	8.7	(19.4)	(2.2)	0.4	15.6	10.6	(17.4)	11.8	11.8	7.2
<b>Total vehicle sales</b>	<b>25.0</b>	<b>12.9</b>	<b>(10.7)</b>	<b>(30.1)</b>	<b>(11.4)</b>	<b>2.0</b>	<b>5.9</b>	<b>17.9</b>	<b>12.7</b>	<b>13.5</b>	<b>2.5</b>

Source: Company, Kotak Institutional Equities estimates

Exhibit 5: We value Tata Motors at ₹445/share based on SOTP methodology  
Tata Motors SOTP valuation

	Multiple (X)	Value (Rs mn)	Value per share (Rs)	Comments
<b>Standalone business (Rs mn)</b>				
Standalone EBITDA in FY2020		72,396		
Standalone EV in FY2020	8.0	579,165		
Standalone net debt		(151,719)		
<b>Standalone equity value</b>		<b>427,447</b>	<b>126</b>	
<b>JLR</b>				
JLR UK net profit	8.0	751,903	221	based on 8X March 2020 EPS
JLR China JV valuation			79	based on 6X March 2020 EV/EBITDA
<b>Total standalone + JLR</b>			<b>426</b>	
Value of subsidiaries			19	
<b>SOTP-based value</b>			<b>445</b>	
<b>Target price</b>			<b>445</b>	

Source: Kotak Institutional Equities estimates

Exhibit 6: We expect JLR's EBITDA margin to improve gradually over the next two years as forex losses come off  
Jaguar Land Rover (ex-China JV) income statement, March fiscal year-ends, 2011-21E (GBP mn)

	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E
Volumes (000s)	244	314	372	430	467	509	535	545	547	575	591
<b>Sales</b>	<b>9,871</b>	<b>13,512</b>	<b>15,784</b>	<b>19,386</b>	<b>22,106</b>	<b>22,286</b>	<b>24,339</b>	<b>25,786</b>	<b>26,415</b>	<b>28,265</b>	<b>29,176</b>
Of which realized forex losses	—	—	—	—	240	78	(1,320)	(1,312)	(455)	—	—
Realizations per vehicle	40,520	42,972	42,422	45,083	47,387	43,759	45,510	47,296	48,305	49,180	49,331
Cost of sales	8,286	11,373	13,254	15,910	18,129	18,821	21,029	22,583	22,375	23,573	24,360
Materials	6,178	8,733	9,904	11,904	13,347	13,562	15,071	16,328	16,122	16,959	17,506
Labor	789	1,011	1,333	1,654	1,977	2,321	2,490	2,722	2,886	3,090	3,298
Manufacturing costs and SG&A	1,319	1,629	2,017	2,352	2,805	2,938	3,468	3,533	3,367	3,524	3,556
D&A	396	466	622	875	1,051	1,418	1,656	2,075	2,450	2,600	2,750
Product dev	119	149	198	236	253	318	368	406	750	750	750
<b>EBIT</b>	<b>1,069</b>	<b>1,524</b>	<b>1,710</b>	<b>2,365</b>	<b>2,673</b>	<b>1,729</b>	<b>1,286</b>	<b>722</b>	<b>840</b>	<b>1,342</b>	<b>1,316</b>
<b>EBITDA</b>	<b>1,465</b>	<b>1,989</b>	<b>2,331</b>	<b>3,240</b>	<b>3,724</b>	<b>3,147</b>	<b>2,942</b>	<b>2,797</b>	<b>3,290</b>	<b>3,942</b>	<b>4,066</b>
Other income	36	38	71	153	143	128	200	609	100	100	100
Interest	23	69	(3)	147	87	52	35	47	50	50	50
PBT	1,082	1,492	1,784	2,371	2,729	1,805	1,451	1,284	890	1,392	1,366
Tax	79	26	460	622	576	293	338	403	222	348	341
Forex gains/(losses)	(33)	(14)	(108)	137	(216)	(136)	—	—	—	—	—
<b>PAT</b>	<b>1,036</b>	<b>1,481</b>	<b>1,216</b>	<b>1,886</b>	<b>1,937</b>	<b>1,376</b>	<b>1,113</b>	<b>881</b>	<b>667</b>	<b>1,044</b>	<b>1,024</b>
<b>EBITDA margin (%)</b>	<b>14.8</b>	<b>14.7</b>	<b>14.8</b>	<b>16.7</b>	<b>16.8</b>	<b>14.1</b>	<b>12.1</b>	<b>10.8</b>	<b>12.5</b>	<b>13.9</b>	<b>13.9</b>
<b>EBIT margin - including China JV profit (%)</b>	<b>10.8</b>	<b>11.3</b>	<b>10.8</b>	<b>12.2</b>	<b>12.1</b>	<b>8.0</b>	<b>5.9</b>	<b>3.8</b>	<b>4.4</b>	<b>5.9</b>	<b>5.6</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 7: We expect strong turnaround in the standalone business over the next three years**

Tata Motors standalone profit and loss, balance sheet and cash flow statement, March fiscal year-ends, 2012-21E (₹ mn)

	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>Profit model (Rs mn)</b>										
Net sales	543,066	447,657	342,881	362,947	428,455	443,163	588,314	677,522	793,925	843,640
<b>EBITDA</b>	<b>41,776</b>	<b>17,180</b>	<b>(9,112)</b>	<b>(12,375)</b>	<b>29,466</b>	<b>13,577</b>	<b>33,256</b>	<b>52,579</b>	<b>72,396</b>	<b>76,854</b>
Other income	2,104	17,046	18,669	18,814	14,023	9,811	15,576	23,250	26,497	26,050
Interest	(8,550)	(10,041)	(13,375)	(16,117)	(15,920)	(15,690)	(17,444)	(16,257)	(12,661)	(8,125)
Depreciation	(16,067)	(18,176)	(20,703)	(26,032)	(23,292)	(30,371)	(31,019)	(33,843)	(36,112)	(38,381)
<b>Profit before tax</b>	<b>19,263</b>	<b>6,008</b>	<b>(24,521)</b>	<b>(35,710)</b>	<b>4,276</b>	<b>(22,673)</b>	<b>369</b>	<b>25,729</b>	<b>50,119</b>	<b>56,398</b>
Extra ordinary income/(expenses)	5,852	(8,642)	14,263	(4,038)	(4,948)	(859)	(9,838)	—	—	—
Tax expense	—	6	13,603	(7,642)	73	(764)	(880)	(6,432)	(12,530)	(14,099)
<b>Net profit</b>	<b>12,422</b>	<b>(1,354)</b>	<b>3,346</b>	<b>(47,390)</b>	<b>(623)</b>	<b>(24,296)</b>	<b>(10,349)</b>	<b>19,297</b>	<b>37,590</b>	<b>42,298</b>
<b>Adjusted net profit</b>	<b>16,519</b>	<b>(3,031)</b>	<b>(27,276)</b>	<b>(52,240)</b>	<b>3,088</b>	<b>(23,652)</b>	<b>(2,971)</b>	<b>19,297</b>	<b>37,590</b>	<b>42,298</b>
<b>Adjusted Diluted EPS (Rs)</b>	<b>4.9</b>	<b>(0.9)</b>	<b>(8.0)</b>	<b>(15.4)</b>	<b>0.9</b>	<b>(7.0)</b>	<b>(0.9)</b>	<b>5.7</b>	<b>11.1</b>	<b>12.5</b>
<b>Balance sheet (Rs mn)</b>										
Equity	6,348	6,381	6,438	6,438	6,792	6,792	6,792	6,792	6,792	6,792
Reserves and Surplus	189,913	187,118	185,328	142,188	225,829	201,299	194,918	214,214	251,804	294,102
Deferred tax liability	21,054	19,639	431	—	714	980	1,546	1,546	1,546	1,546
Total borrowings	158,806	167,990	150,528	211,344	164,733	195,740	184,640	154,640	104,640	54,640
Current liabilities	169,073	142,871	154,619	139,462	168,692	180,555	204,227	225,158	250,242	261,416
<b>Total liabilities</b>	<b>545,193</b>	<b>523,998</b>	<b>497,344</b>	<b>499,432</b>	<b>566,760</b>	<b>585,366</b>	<b>592,123</b>	<b>602,351</b>	<b>615,025</b>	<b>618,496</b>
Net fixed assets	190,562	202,085	215,956	218,240	267,623	274,745	268,003	264,160	258,048	249,666
Investments	204,936	199,344	184,584	169,670	152,175	153,072	142,608	142,608	142,608	142,608
Cash	18,410	4,629	2,262	9,650	25,343	26,870	26,163	14,915	6,002	5,768
Other current assets	128,702	115,790	94,542	101,872	121,619	130,679	155,349	180,668	208,367	220,454
Miscellaneous expenditure	2,584	2,150	—	—	—	—	—	—	—	—
<b>Total assets</b>	<b>545,193</b>	<b>523,998</b>	<b>497,344</b>	<b>499,432</b>	<b>566,760</b>	<b>585,366</b>	<b>592,123</b>	<b>602,351</b>	<b>615,025</b>	<b>618,496</b>
<b>Free cash flow (Rs mn)</b>										
Operating cash flow excl. working capital	39,671	17,557	(9,949)	(6,972)	34,789	14,552	40,139	69,397	86,363	88,805
Working capital changes	(3,135)	5,028	34,583	(15,171)	(7,759)	(738)	(998)	(4,388)	(2,615)	(914)
Capital expenditure	(28,355)	(25,884)	(30,941)	(30,548)	(32,492)	(34,116)	(24,277)	(30,000)	(30,000)	(30,000)
<b>Free cash flow</b>	<b>(6,642)</b>	<b>(21,394)</b>	<b>(23,805)</b>	<b>(71,140)</b>	<b>(26,321)</b>	<b>(39,877)</b>	<b>10,393</b>	<b>18,752</b>	<b>41,087</b>	<b>49,766</b>
<b>Ratios</b>										
Gross margin (%)	26.9	26.4	24.4	25.5	32.1	29.3	27.4	28.3	28.4	28.1
EBITDA margin (%)	7.7	3.8	(2.7)	(3.4)	6.9	3.1	5.7	7.8	9.1	9.1
EBIT margin (%)	4.7	(0.2)	(8.7)	(10.6)	1.4	(3.8)	0.4	2.8	4.6	4.6
Debt/equity (X)	0.8	0.9	0.8	1.4	0.7	0.9	0.9	0.7	0.4	0.2
Net debt/equity (X)	0.7	0.8	0.8	1.4	0.6	0.8	0.8	0.6	0.4	0.2
RoAE (%)	8.3	(1.6)	(14.2)	(30.7)	1.6	(10.7)	(1.4)	9.1	15.7	15.1
Book value/share (X)	57.8	57.0	56.5	43.8	68.5	61.3	59.4	65.1	76.1	88.6

Source: Company, Kotak Institutional Equities estimates

**Exhibit 8: We expect consolidated EPS to grow at 26% CAGR over FY2018-21E**

Tata Motors consolidated profit and loss, balance sheet and cash flow statement, March fiscal year-ends, 2012-21E (₹ mn)

	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>Profit model (Rs mn)</b>										
Net sales	1,656,545	1,888,176	2,328,337	2,627,963	2,730,456	2,696,925	2,946,192	3,196,468	3,447,170	3,588,349
<b>EBITDA</b>	<b>223,112</b>	<b>245,473</b>	<b>348,377</b>	<b>392,387</b>	<b>383,075</b>	<b>334,988</b>	<b>333,411</b>	<b>385,392</b>	<b>467,372</b>	<b>486,726</b>
Other income	6,618	8,115	8,286	8,987	8,854	7,545	8,889	7,700	7,700	7,700
Interest	(29,822)	(35,533)	(47,338)	(48,615)	(48,891)	(42,380)	(46,818)	(47,494)	(46,399)	(44,613)
Depreciation	(56,254)	(75,693)	(110,782)	(133,886)	(167,108)	(179,050)	(215,536)	(259,743)	(275,512)	(291,281)
<b>Profit before tax</b>	<b>143,654</b>	<b>142,362</b>	<b>198,544</b>	<b>218,873</b>	<b>175,930</b>	<b>121,103</b>	<b>79,946</b>	<b>85,854</b>	<b>153,161</b>	<b>158,531</b>
Extra ordinary income/(expenses)	(8,315)	(6,027)	(9,854)	(1,847)	(24,271)	(19,569)	22,123	—	—	—
Tax	400	(37,710)	(47,648)	(76,429)	(40,652)	(40,899)	(33,938)	(32,710)	(50,471)	(51,832)
Minority Interest + Associate income	(574)	301	(1,132)	(734)	4,786	13,908	21,758	26,821	27,613	28,444
<b>Net profit</b>	<b>135,165</b>	<b>98,926</b>	<b>139,910</b>	<b>139,863</b>	<b>115,793</b>	<b>74,544</b>	<b>89,889</b>	<b>79,964</b>	<b>130,304</b>	<b>135,143</b>
<b>Adjusted net profit</b>	<b>143,480</b>	<b>104,953</b>	<b>149,764</b>	<b>141,710</b>	<b>140,064</b>	<b>94,112</b>	<b>67,766</b>	<b>79,964</b>	<b>130,304</b>	<b>135,143</b>
<b>Adjusted EPS (Rs)</b>	<b>42.3</b>	<b>30.9</b>	<b>44.1</b>	<b>41.7</b>	<b>41.2</b>	<b>27.7</b>	<b>20.0</b>	<b>23.5</b>	<b>38.4</b>	<b>39.8</b>
<b>Balance sheet (Rs mn)</b>										
Equity	6,348	6,381	6,438	6,438	6,792	6,792	6,792	6,792	6,792	6,792
Reserves and Surplus	325,152	381,331	649,597	556,181	782,732	573,827	947,487	1,027,451	1,157,755	1,292,899
Deferred tax liability	21,651	20,195	15,723	13,432	44,748	11,740	61,258	61,258	61,258	61,258
Minority Interest	3,071	3,705	4,207	4,333	4,328	4,532	5,251	6,275	7,300	8,324
Total borrowings	471,490	535,914	606,423	736,104	733,413	786,040	889,510	905,458	887,532	872,814
Current liabilities	626,116	764,078	917,596	1,070,091	1,099,398	1,354,613	1,403,207	1,453,736	1,501,644	1,523,820
<b>Total liabilities</b>	<b>1,453,826</b>	<b>1,711,603</b>	<b>2,199,983</b>	<b>2,386,580</b>	<b>2,671,412</b>	<b>2,737,543</b>	<b>3,313,505</b>	<b>3,460,970</b>	<b>3,622,281</b>	<b>3,765,906</b>
Net fixed assets	562,125	694,836	973,754	1,124,226	1,323,909	1,289,696	1,613,309	1,721,066	1,813,053	1,889,272
Goodwill	40,937	41,024	49,788	46,970	7,598	6,733	1,165	1,165	1,165	1,165
Investments	89,177	90,577	106,867	12,405	45,340	52,968	61,490	61,490	61,490	61,490
Cash	182,381	211,127	297,118	462,120	496,934	511,190	492,777	443,076	431,185	440,977
Other current assets	574,691	662,701	748,986	717,389	797,630	876,956	1,144,765	1,234,174	1,315,388	1,373,003
Miscellaneous expenditure	4,514	11,339	23,471	23,471	—	—	—	—	—	—
<b>Total assets</b>	<b>1,453,826</b>	<b>1,711,603</b>	<b>2,199,983</b>	<b>2,386,580</b>	<b>2,671,412</b>	<b>2,737,543</b>	<b>3,313,505</b>	<b>3,460,970</b>	<b>3,622,281</b>	<b>3,765,906</b>
<b>Free cash flow (Rs mn)</b>										
Operating cash flow excl. working capital	206,644	221,302	303,768	388,547	365,864	269,450	402,786	388,227	453,240	472,063
Working capital changes	(22,801)	(680)	57,744	(36,718)	13,132	32,542	(219,214)	(38,880)	(33,306)	(35,439)
Capital expenditure	(138,756)	(187,570)	(269,252)	(315,396)	(314,442)	(304,135)	(533,580)	(367,500)	(367,500)	(367,500)
<b>Free cash flow (including finance business debt)</b>	<b>11,351</b>	<b>(13,508)</b>	<b>30,554</b>	<b>(26,637)</b>	<b>7,397</b>	<b>(55,506)</b>	<b>(396,827)</b>	<b>(65,648)</b>	<b>6,035</b>	<b>24,511</b>
<b>Ratios</b>										
EBITDA margin (%)	13.5	13.0	15.0	14.9	14.0	12.4	11.3	12.1	13.6	13.6
Debt/equity (X)	1.4	1.4	0.9	1.3	0.9	1.4	0.9	0.9	0.8	0.7
Net debt/equity (X)	0.9	0.8	0.5	0.5	0.3	0.5	0.4	0.4	0.4	0.3
Book value (Rs per share)	84.2	98.8	171.6	144.9	230.3	169.0	280.7	304.2	342.6	382.4
ROAE (%)	54.8	29.2	28.7	23.3	20.7	13.7	8.8	8.0	11.9	11.0

Source: Company, Kotak Institutional Equities estimates

JUNE 25, 2018

UPDATE

Coverage view: **Attractive**

Price (₹): 366

Target price (₹): 470

BSE-30: 35,690

**Group concerns deferred by a year.** Promoters have taken the first step to address group concerns by selling 2.4% stake in ADSEZ. This (1) takes away the risk of default by Adani Power in the near term (comforts against 21% of ADSEZ shares pledged) and (2) may get followed by restart of Mundra Power plant (ADSEZ to gain volumes). The event however lowers the probability of a one-stop solution to the group's balance sheet concerns, which would require a much larger stake sale in ADSEZ. We retain our BUY rating and ₹470 target price for now.

#### Company data and valuation summary

Adani Port and SEZ

Stock data				Forecasts/Valuations			
				2018	2019E	2020E	
52-week range (Rs) (high,low)	452-347			EPS (Rs)	20.0	20.0	23.0
Market Cap. (Rs bn)	757.6			EPS growth (%)	6.1	(0.2)	14.7
<b>Shareholding pattern (%)</b>				P/E (X)	18.3	18.3	15.9
Promoters	66.3			Sales (Rs bn)	113.2	115.1	131.5
FIs	18.0			Net profits (Rs bn)	41.5	41.4	47.5
MFs	2.2			EBITDA (Rs bn)	71.5	71.9	78.9
<b>Price performance (%)</b>				EV/EBITDA (X)	13.1	12.6	11.1
Absolute	1M	3M	12M	ROE (%)	21.5	18.1	17.9
	(3.7)	2.1	(1.0)	Div. Yield (%)	0.6	0.7	0.8
Rel. to BSE-30	(6.5)	(5.6)	(13.2)				

#### Promoters sell 2.4% stake in ADSEZ, after a continuous buildup for the last two years

The promoter entities have recently realized US\$220 mn for sale of 2.4% stake in the company in block deals. We see positives in the event as it (1) covers Adani Power against the risk of default for a year and (2) may lead to restart of operations at Mundra power plant. The back-and-forth move on shutting down and now likely restarting Mundra power plant operations would reduce the group's bargaining power with the Gujarat government for resolution. On a net basis, we believe the event to be positive for ADSEZ, whose recent stock price overlooks its good operational performance and rather reflects broader group concerns.

#### One-stop solution to group's levered balance sheet requires a much larger stake sale in ADSEZ

Our assessment of FY2018 financials of key Adani group entities beyond ADSEZ suggests cumulative net debt of US\$12 bn or 7X of EBITDA (transmission – 3X, enterprises – 8X, power-9X). This suggests the requirement of a material reduction in debt worth ~US\$1.5 bn or more to bring down the leverage of non-port entities to below 6X levels. Such quantum is equivalent to more than 10% shareholding of ADSEZ. With the recent 2.4% stake sale, the promoters are likely signaling unwillingness to look at a one-stop solution for resolving the group's balance sheet concerns. Promoters might be waiting for a resolution to the key stressed asset in the Mundra power plant after the general elections. The recent stake sale ensures serviceability of debt over the interim period.

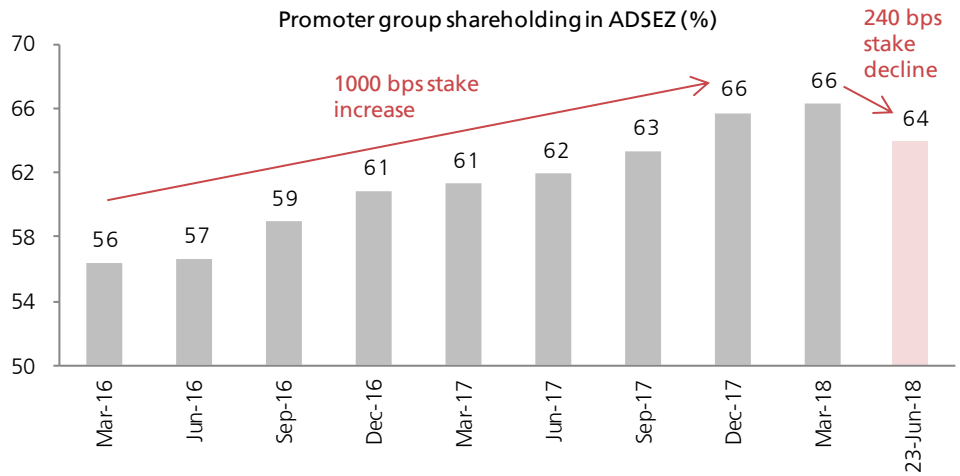
#### All is well on ports business otherwise; limited risk from escalation of trade war

The recent news flows are mixed for the sector. On the positive side, (1) container cargo data for major ports continues to be healthy (up 6% over April-May 2018), (2) global container trade is expected to grow at a steady pace for in the near term (6%, in line with supply), thus supporting pricing for port operators. On the negative side, (1) recent news reports suggest the sustained constraint of rake availability impacting throughput at Dhamra Port and (2) escalation of trade war posing a risk. On the latter, we note limited 8% share in terms of number of container services coming to Mundra port. Data from the DRHP of Avana Logistek (Transworld Group) also suggests ~12% share of trade with North America. We maintain our estimates noting downside risk to volumes estimates at Dhamra and upside risks to estimates for Mundra.

Aditya Mongia

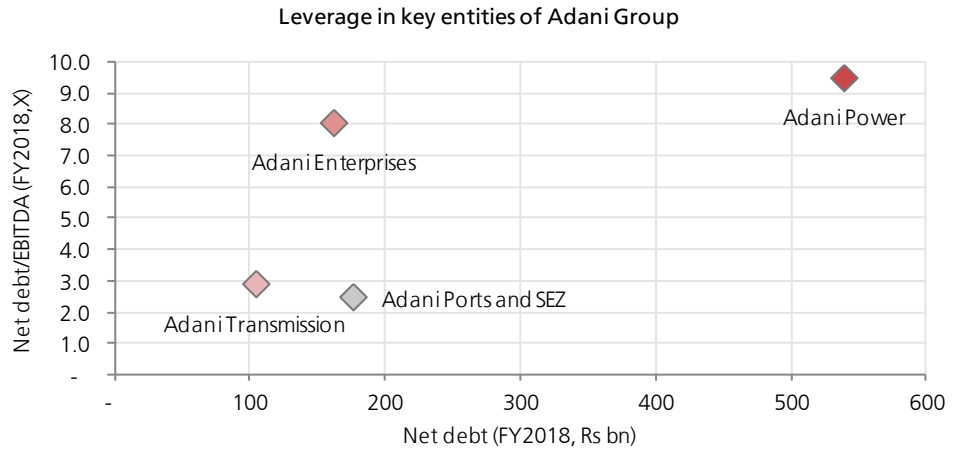
Ajinkya Bhat

**Exhibit 1: ADSEZ promoter shareholding declines by 240 bps after increasing by 1000 bps over the past two years**  
 Movement in promoter and promoter group shareholding in ADSEZ (%)



Source: bseindia.com, Kotak Institutional Equities

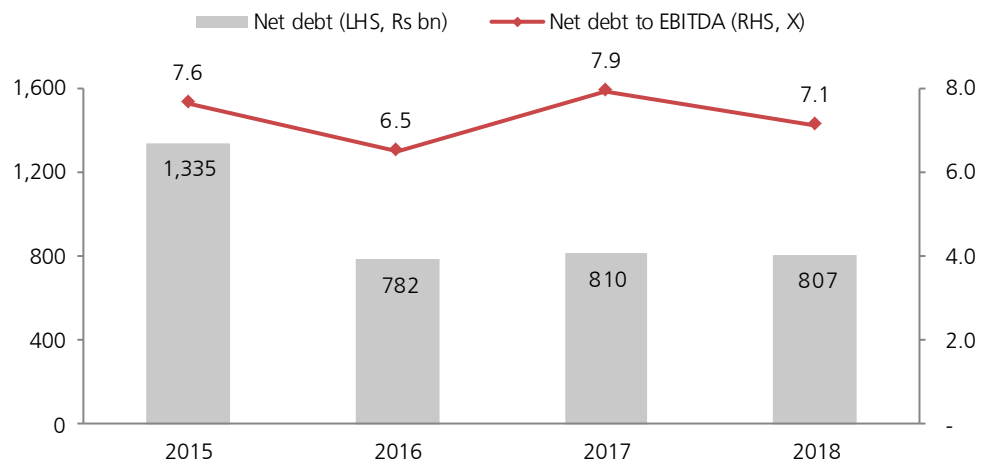
**Exhibit 2: Adani Power remains the most leveraged entity within the group**  
 Leverage in key entities of Adani Group, March fiscal year-ends, 2018



Source: Company, Kotak Institutional Equities



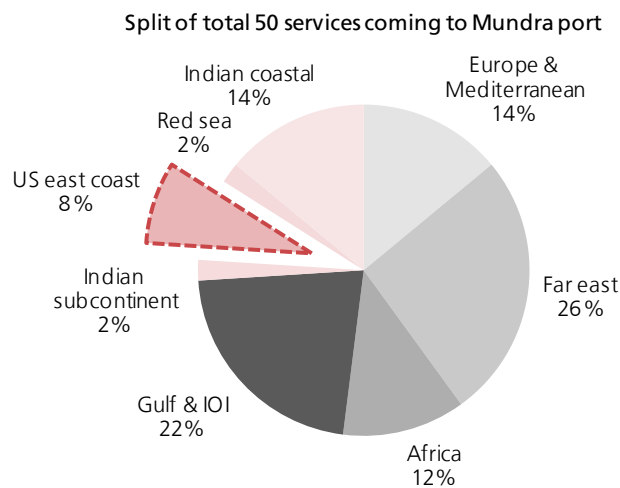
**Exhibit 3: Adani group requires debt reduction of ~US\$1.5-2 bn to bring down combined leverage of non-port entities<sup>(a)</sup> below 6X**  
 Debt metrics of key Adani group entities beyond ADSEZ, March fiscal year-ends, 2015-18



Notes:  
 (a) Includes Adani Power, Adani Enterprises and Adani Transmission.

Source: Companies, Kotak Institutional Equities

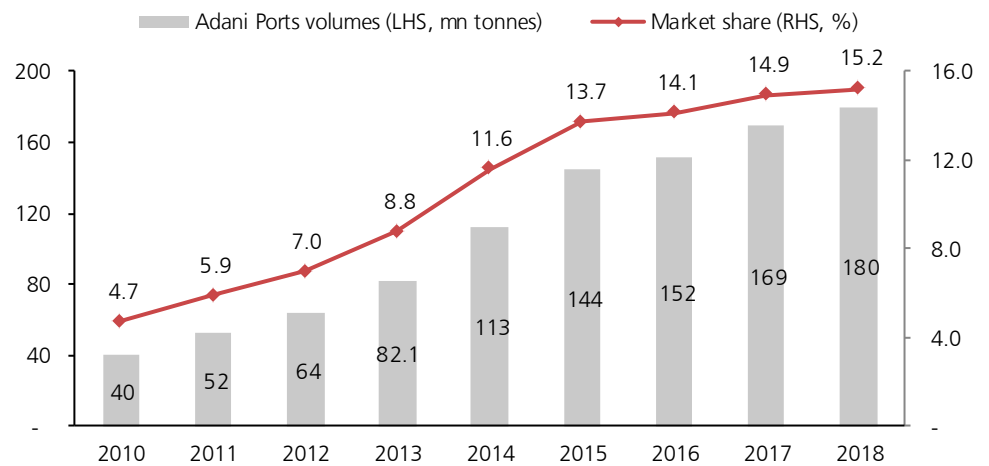
**Exhibit 4: We see limited risk to Mundra Port from a trade war with the US as it handles only four services from the US east coast out of its 50 services spread across the globe**  
 Split of container services coming to Mundra port



Notes:  
 (a) Container cargo accounts for 40% share of ADSEZ's volumes.

Source: Company, Kotak Institutional Equities

**Exhibit 5: Notwithstanding the group concerns, the port business has shown strong operational performance with continued market share growth even in a weak year like FY2018**  
Trend in market share of Adani Ports' portfolio, March fiscal year-ends, 2010-18 (%)



Source: Ministry of shipping, Company, Kotak Institutional Equities

**Exhibit 6: Volumes estimates for Mundra and other related ports, March fiscal year-ends, 2014-21E**

	2014	2015	2016	2017	2018E	2019E	2020E	2021E
<b>Volumes (mn tons)</b>								
<b>Mundra port</b>								
Bulk	47	52	46	42	39	30	32	33
Coal	36	39	34	31	27	18	18	19
Other bulk	10	13	11	11	12	13	13	14
Crude / POL / Liquid	23	22	26	28	28	32	35	38
Container ('000 TEUs)	2,642	2,913	3,238	3,459	4,062	4,647	5,368	5,996
Container (mn tons)	35	38	40	46	54	62	72	80
<b>Mundra volumes</b>	<b>105</b>	<b>111</b>	<b>112</b>	<b>116</b>	<b>121</b>	<b>125</b>	<b>138</b>	<b>150</b>
<b>Other port assets</b>								
Dahej port	8	12	8	6	7	8	10	11
Hazira port	4	7	12	15	17	19	22	24
Mormugao port	—	1	2	2	2	3	4	5
Vizag port	—	1	1	1	—	—	—	—
Kandla port	—	0	4	4	4	4	5	6
Dhamra port	14	15	15	21	21	26	31	35
Ennore + Kattupalli port	—	—	—	5	7	11	17	19
Vizhingam	—	—	—	—	—	—	3	7
<b>Total of key ports</b>	<b>131</b>	<b>149</b>	<b>153</b>	<b>171</b>	<b>179</b>	<b>198</b>	<b>229</b>	<b>256</b>

Source: Company, Kotak Institutional Equities estimates

Exhibit 7: We arrive at an SoTP-based target price of Rs470/share for ADSEZ  
End-Mar-2019E DCF-based SoTP valuation of Adani Ports & SEZ

Entity	EV (Rs mn)	Net debt	Implied equity value	Stake (%)	Equity Value of stake	Value/share	Method
Mundra Port (excl. SEZ)	322,966	33,285	289,681	100%	289,681	140	FCFF
SEZ	73,002	—	73,002	100%	73,002	35	FCFF
CT3 (incl. CT-3 extension)	88,787	37,403	51,384	50%	25,692	12	FCFF
CT4	34,661	16,019	18,642	50%	9,321	5	FCFF
Dahej	59,317	746	58,571	74%	43,343	21	FCFF
Dhamra	200,753	38,257	162,495	100%	162,495	78	FCFF
Hazira	109,598	12,413	97,185	100%	97,185	47	FCFF
Vizhinjam	25,212	6,659	18,553	100%	18,553	9	FCFF
Kandla	8,868	13,867	(4,998)	100%	(4,998)	(2)	FCFF
Murmugao	8,920	4,101	4,820	100%	4,820	2	FCFF
Ennore	12,982	8,191	4,792	100%	4,792	2	FCFF
Kattupalli	37,791	13,214	24,577	97%	23,839	12	FCFF
Adani Logistics	29,708	5,578	24,130	100%	24,130	12	15X EV/EBITDA
Adani Harbour (marine revenues)	184,577	(19,818)	204,394	100%	204,394	99	15X EV/EBITDA
<b>Total</b>	<b>1,197,141</b>	<b>169,913</b>	<b>1,027,228</b>		<b>976,249</b>	<b>471</b>	

Source: Company, Kotak Institutional Equities estimates

Exhibit 8: Consolidated financials of Adani Ports & SEZ, March fiscal year-ends, 2012-20E (Rs mn)

	2012	2013	2014	2015	2016	2017	2018	2019E	2020E
<b>Income statement</b>									
Net sales	32,708	35,766	48,240	61,520	71,087	84,394	113,230	115,134	131,490
Total operating costs	(12,056)	(12,007)	(19,036)	(22,497)	(24,843)	(30,247)	(41,776)	(43,273)	(52,596)
<b>EBITDA</b>	<b>20,653</b>	<b>23,760</b>	<b>29,204</b>	<b>39,023</b>	<b>46,243</b>	<b>54,147</b>	<b>71,454</b>	<b>71,862</b>	<b>78,894</b>
<b>EBITDA margin (%)</b>	<b>63.1</b>	<b>66.4</b>	<b>60.5</b>	<b>63.4</b>	<b>65.1</b>	<b>64.2</b>	<b>63.1</b>	<b>62.4</b>	<b>60.0</b>
Other income	596	2,644	6,836	6,856	7,327	10,401	10,109	10,189	11,113
Depreciation	(4,630)	(4,220)	(6,495)	(9,117)	(10,630)	(11,602)	(11,884)	(13,803)	(15,004)
Financial charges	(4,796)	(5,418)	(9,768)	(11,751)	(11,746)	(11,157)	(12,574)	(12,204)	(12,418)
<b>Pre-tax profit</b>	<b>11,822</b>	<b>16,766</b>	<b>19,777</b>	<b>25,012</b>	<b>31,194</b>	<b>41,789</b>	<b>57,106</b>	<b>56,044</b>	<b>62,585</b>
Taxation	(896)	(1,231)	(2,367)	(12,715)	(2,828)	(2,866)	(15,442)	(14,577)	(14,717)
<b>Adjusted PAT (before exceptional items)</b>	<b>10,927</b>	<b>15,535</b>	<b>17,410</b>	<b>12,297</b>	<b>28,366</b>	<b>38,922</b>	<b>41,664</b>	<b>41,467</b>	<b>47,868</b>
<b>Reported PAT post-minority interest</b>	<b>11,021</b>	<b>16,232</b>	<b>17,396</b>	<b>12,196</b>	<b>28,972</b>	<b>39,115</b>	<b>36,736</b>	<b>41,435</b>	<b>47,531</b>
<b>Adjusted EPS (Rs)</b>	<b>5.3</b>	<b>7.5</b>	<b>8.4</b>	<b>5.9</b>	<b>13.7</b>	<b>18.8</b>	<b>20.1</b>	<b>20.0</b>	<b>23.1</b>
<b>Balance sheet</b>									
<b>Shareholders funds</b>	<b>48,385</b>	<b>63,963</b>	<b>87,681</b>	<b>107,679</b>	<b>135,055</b>	<b>175,260</b>	<b>210,688</b>	<b>245,927</b>	<b>285,713</b>
Share capital	4,035	4,035	4,168	4,168	4,142	4,142	4,142	4,142	4,142
Reserves and surplus	44,350	59,928	83,513	103,511	130,913	171,118	206,546	241,786	281,571
<b>Loan funds</b>	<b>175,650</b>	<b>115,858</b>	<b>128,895</b>	<b>177,313</b>	<b>189,535</b>	<b>205,271</b>	<b>206,301</b>	<b>182,058</b>	<b>150,814</b>
Received/ receivable under LT lease	5,905	5,190	7,336	7,188	—	—	—	—	—
Deferred tax liability (net)	15,179	5,286	6,744	8,590	(12,015)	(17,759)	(11,681)	(9,981)	(8,281)
<b>Total sources of funds</b>	<b>246,467</b>	<b>191,720</b>	<b>232,093</b>	<b>302,359</b>	<b>313,814</b>	<b>364,165</b>	<b>406,804</b>	<b>419,652</b>	<b>430,281</b>
<b>Total fixed assets</b>	<b>217,825</b>	<b>146,065</b>	<b>160,893</b>	<b>195,361</b>	<b>236,427</b>	<b>264,023</b>	<b>280,503</b>	<b>293,437</b>	<b>296,574</b>
Investments	11,823	2,619	1,038	25,997	5,452	26,114	29,039	29,039	29,039
Cash and bank balance	11,184	8,306	4,694	8,940	12,782	19,768	29,676	31,591	34,154
Net current assets excl cash	5,635	34,730	65,468	72,061	59,153	54,261	67,586	65,585	70,514
<b>Total application of funds</b>	<b>246,467</b>	<b>191,720</b>	<b>232,093</b>	<b>302,359</b>	<b>313,814</b>	<b>364,165</b>	<b>406,804</b>	<b>419,652</b>	<b>430,281</b>
<b>Cash flows</b>									
Cash flow from operations	11,997	13,791	11,319	30,651	23,805	40,019	39,675	61,107	60,998
Cash flow from investing activities	(138,760)	(46,898)	(25,100)	(24,931)	(41,532)	(25,794)	(21,180)	(16,548)	(7,028)
<b>Free cash flows</b>	<b>(33,475)</b>	<b>(24,523)</b>	<b>297</b>	<b>18,361</b>	<b>2,703</b>	<b>3,148</b>	<b>11,311</b>	<b>34,369</b>	<b>42,857</b>
Cash flow from financing activities	129,763	42,111	7,725	(2,366)	21,704	(13,247)	(12,851)	(42,643)	(51,408)
<b>Cash generated / utilised</b>	<b>3,000</b>	<b>9,004</b>	<b>(6,056)</b>	<b>3,353</b>	<b>3,978</b>	<b>978</b>	<b>5,644</b>	<b>1,916</b>	<b>2,563</b>
Net cash at start of year	748	3,747	7,558	1,502	4,452	8,430	9,408	15,052	16,967
<b>Net cash at end of year (excl. other cash)</b>	<b>3,747</b>	<b>12,752</b>	<b>1,502</b>	<b>4,855</b>	<b>8,430</b>	<b>9,408</b>	<b>15,052</b>	<b>16,967</b>	<b>19,530</b>

Source: Company, Kotak Institutional Equities estimates

JUNE 25, 2018

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**Modest relief for now.** OPEC's decision to raise production, to alleviate excess cut versus agreement led by declining supplies from Venezuela, will provide near-term balance to global oil markets. However, crude prices may still remain elevated due to (1) persisting decline in supplies from Venezuela, (2) intermittent disruptions in Libya and Nigeria, (3) potential impact from the US sanctions on Iran from November 2018 and (4) midstream bottlenecks in the US. We also remain wary of expected tightness in implied spare capacity until CY2019, even as supply-demand balance eases out as per IEA's forecast. We continue to prefer GAIL/PLNG/ONGC over downstream OMCs.

#### OPEC to raise production to mitigate excess supply cuts due to falling supplies from Venezuela

OPEC countries have decided to raise production from July 1 aiming to bring down the overall conformity level to 100% on 1.2 mn b/d of agreed production cut; OPEC compliance to the agreed production cut has been in excess of 150-170% in the recent months, primarily led by persisting decline in supplies from Venezuela since October 2017. The pace of effective increase is expected to be gradual given continued or intermittent disruptions in Angola, Libya, Nigeria and Venezuela. Overall increase of ~0.6 mn b/d is likely to be supported by Saudi Arabia, although OPEC has not specified the quantum of increase for participating countries.

#### Expect global oil supply-demand to balance in 2HCY18 post five quarters of deficit

OPEC's decision may provide some balance to global oil markets in the near term, which has otherwise remained in deficit over the past five quarters. We expect a modest increase in global oil inventories led by a gradual increase in OPEC supplies during 2HCY18. We note that OECD crude inventories have fallen below five-year average levels currently, as a sharp increase in non-OPEC supplies led by rising shale oil production from the US has so far been offset by (1) sustained strength of growth in global oil demand and (2) excess reduction in supplies by OPEC due to declining production from Venezuela (and Angola).

#### Ongoing issues in a few countries, Iran sanctions and US midstream bottlenecks will be crucial

While OPEC's decision may provide some near-term relief, we remain watchful on any incremental impact on crude supplies from a sustained decline in production from Angola and Venezuela and intermittent disruptions in Libya and Nigeria. Further, potential impact of the US sanctions on Iran from November 2018 may also have a bearing on oil markets. We note that Iran crude supplies increased by ~1 mn b/d post removal of sanctions from January 2016 and proposed re-imposition by the US may at least have a partial impact on these volumes. We also see near-term bottlenecks in the US and Canada, which may restrain incremental supplies over the next 12 months, as the midstream pipelines connecting (1) Permian basin to the US Gulf coast and (2) Canadian oil sands to Cushing (US WTI delivery point), are both operating near full capacity utilization. However, the situation is expected to ease out once ongoing pipeline projects get completed during 2HCY19.

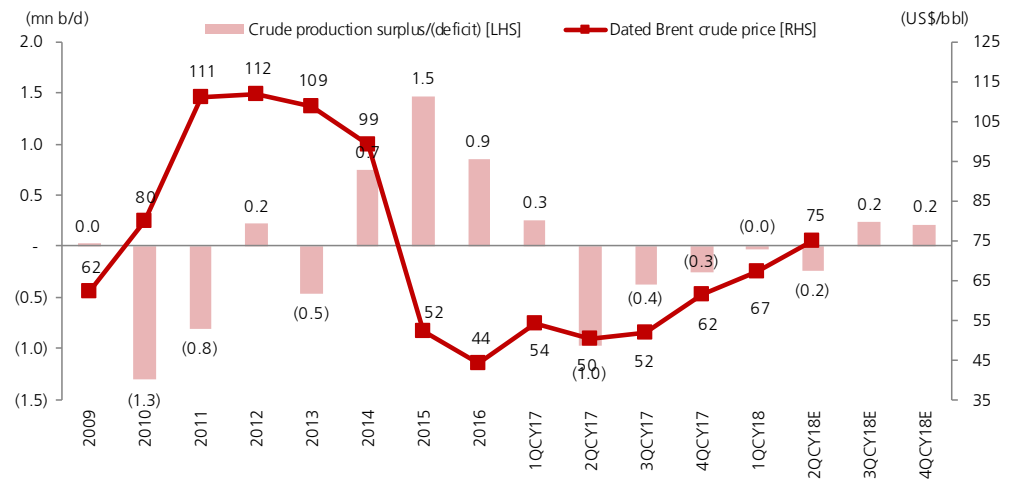
#### Implied spare capacity to remain tight even as supply-demand balance eases out in CY2019

We note that global oil supply-demand balance is expected to ease out during CY2019 if OPEC continues to produce around 32 mn b/d. IEA's forecast of a robust increase in non-OPEC crude supplies by 1.7 mn b/d primarily led by the US will adequately offset expected growth of 1.4 mn b/d in global oil demand. However, the implied global spare capacity is expected to remain tight around 3 mn b/d until CY2019 due to reduced production capacities of countries in OPEC outside the Middle-East region.

Tarun Lakhotia

Akshay Bhor

**Exhibit 1: We expect global crude inventories to increase modestly during 2HCY18**  
Global crude inventory movement versus crude prices, calendar year-ends, 2009-18E



Source: IEA, Kotak Institutional Equities estimates

**Exhibit 2: Implied spare capacity to remain tight even as supply-demand eases out in CY2019**  
Estimated global crude demand, supply and prices, calendar year-ends, 2012-19E

	2012	2013	2014	2015	2016	2017	2018E	2019E
<b>Demand (mn b/d)</b>								
Total demand	90.7	91.7	93.0	95.0	96.1	97.8	99.1	100.6
Yoy growth	1.2	1.1	1.2	2.0	1.1	1.6	1.4	1.4
<b>Supply (mn b/d)</b>								
Non-OPEC								
Non-OPEC	52.5	54.5	57.0	58.1	57.4	58.2	60.3	62.0
Yoy growth	(0.4)	2.1	2.4	1.1	(0.7)	0.8	2.0	1.7
OPEC								
Crude	32.1	30.6	30.5	31.8	32.8	32.3	32.0	32.0
NGLs	6.4	6.2	6.3	6.6	6.8	6.9	6.9	7.0
Total OPEC	38.4	36.8	36.8	38.4	39.6	39.2	38.9	39.0
<b>Total supply</b>	<b>90.9</b>	<b>91.3</b>	<b>93.7</b>	<b>96.5</b>	<b>97.0</b>	<b>97.4</b>	<b>99.2</b>	<b>101.0</b>
Total stock change	0.2	(0.5)	0.7	1.5	0.9	(0.3)	0.0	0.4
OPEC crude capacity	35.8	35.2	35.2	35.2	35.9	35.6	35.1	34.9
<b>Implied spare capacity</b>	<b>3.9</b>	<b>4.1</b>	<b>5.5</b>	<b>4.8</b>	<b>3.9</b>	<b>2.9</b>	<b>3.2</b>	<b>3.3</b>
Demand growth (yoy, %)								
Demand growth (yoy, %)	1.3	1.2	1.4	2.2	1.2	1.7	1.4	1.4
Supply growth (yoy, %)								
Non-OPEC	(0.8)	3.9	4.5	1.9	(1.1)	1.4	3.5	2.9
OPEC	7.4	(4.4)	0.0	4.5	3.1	(0.9)	(0.8)	0.3
Total	2.5	0.4	2.7	2.9	0.5	0.5	1.8	1.9
<b>Dated Brent (US\$/bbl)</b>								
Dated Brent (US\$/bbl)	112	109	99	52	44	54	73	68
<b>World GDP growth (%)</b>								
World GDP growth (%)	3.4	3.3	3.6	3.4	3.2	3.7	3.9	3.9

Source: IEA, Kotak Institutional Equities estimates

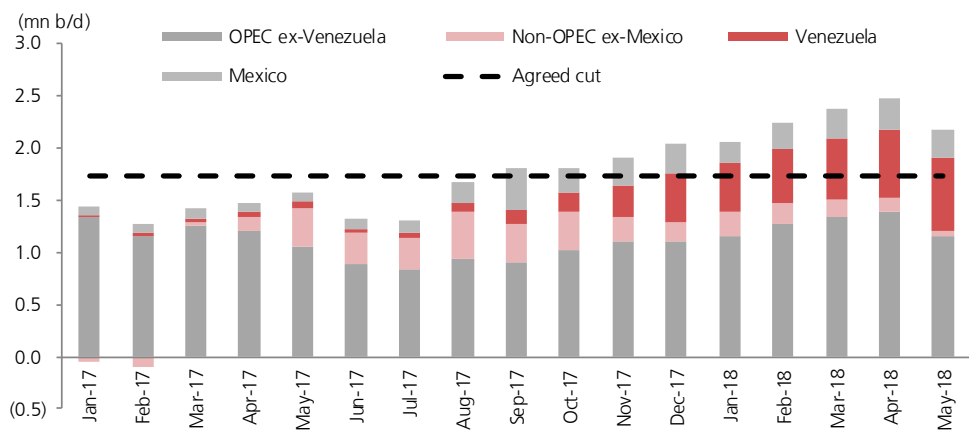
Exhibit 3: OPEC production declined by ~1 mn b/d over the past nine months  
OPEC crude production versus supply baseline (mn b/d)

	Monthly production								Supply baseline	Agreed cut	Average compliance (%)
	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18			
Algeria	1.00	1.01	1.04	1.02	1.04	0.98	0.99	1.04	1.09	(0.05)	103
Angola	1.68	1.61	1.59	1.57	1.57	1.52	1.50	1.53	1.75	(0.08)	179
Ecuador	0.53	0.54	0.52	0.52	0.51	0.52	0.52	0.53	0.55	(0.03)	78
Equatorial Guinea	0.13	0.13	0.13	0.13	0.13	0.13	0.12	0.12	0.14	(0.01)	116
Gabon	0.21	0.21	0.20	0.21	0.20	0.21	0.19	0.17	0.20	(0.01)	32
Iran	3.78	3.82	3.82	3.80	3.82	3.81	3.82	3.82	3.71	0.09	NA
Iraq	4.40	4.43	4.49	4.48	4.46	4.44	4.41	4.47	4.56	(0.21)	45
Kuwait	2.70	2.71	2.70	2.70	2.70	2.70	2.71	2.71	2.84	(0.13)	101
Libya	0.99	0.98	1.00	1.00	1.03	0.99	0.99	0.97			
Nigeria	1.58	1.61	1.61	1.68	1.68	1.62	1.59	1.47			
Qatar	0.61	0.62	0.61	0.62	0.58	0.60	0.60	0.61	0.65	(0.03)	136
Saudi Arabia	10.05	9.95	9.97	9.98	9.96	9.92	9.92	10.02	10.54	(0.49)	120
UAE	2.93	2.90	2.87	2.85	2.80	2.87	2.87	2.87	3.01	(0.14)	75
Venezuela	1.89	1.77	1.61	1.61	1.55	1.47	1.41	1.36	2.07	(0.10)	256
<b>Total OPEC</b>	<b>32.48</b>	<b>32.29</b>	<b>32.16</b>	<b>32.17</b>	<b>32.03</b>	<b>31.78</b>	<b>31.64</b>	<b>31.69</b>			
<b>Production cut</b>	<b>(1.20)</b>	<b>(1.41)</b>	<b>(1.56)</b>	<b>(1.62)</b>	<b>(1.79)</b>	<b>(1.94)</b>	<b>(2.05)</b>	<b>(1.86)</b>		<b>(1.18)</b>	<b>113</b>
<b>Compliance (%)</b>	<b>102</b>	<b>120</b>	<b>133</b>	<b>138</b>	<b>152</b>	<b>165</b>	<b>174</b>	<b>158</b>			

Source: IEA, Kotak Institutional Equities

Exhibit 4: Production cuts by new cartel has deepened in the recent months due to falling production in Venezuela and Mexico

Compliance of OPEC and non-OPEC cartel, January 2017 onwards (mn b/d)



Source: IEA, OPEC, Kotak institutional Equities

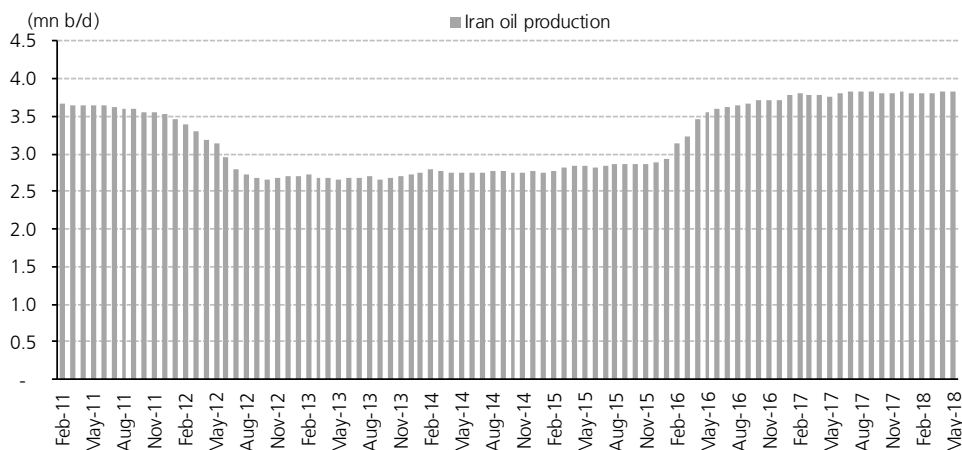
Exhibit 5: Call on OPEC expected to increase by 4QCY18 before moderating again in CY2019

Global crude demand-supply balance, 1QCY17 onwards (mn b/d)

	1QCY17	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18E	3QCY18E	4QCY18E	CY2019E
Global oil demand	96.4	97.9	98.3	98.5	98.4	98.9	99.2	100.1	100.6
Non-OPEC oil supply	57.7	57.8	58.3	59.0	59.4	60.1	60.5	61.0	62.0
OECD Americas	19.9	19.8	20.2	21.2	21.7	21.9	22.3	22.8	23.5
OPEC NGLs supply	6.8	6.9	6.9	6.9	6.9	6.9	7.0	7.0	7.0
OPEC crude supply/call on OPEC	32.1	32.3	32.7	32.3	32.0	31.7	31.7	32.1	31.6
<b>Surplus/(deficit)</b>	<b>0.3</b>	<b>(1.0)</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>(0.0)</b>	<b>(0.2)</b>			

Source: IEA, Kotak Institutional Equities estimates

**Exhibit 6: Restoration of sanctions on Iran may curtail crude supplies yet again**  
 Monthly production of crude oil in Iran, January 2011 onwards (mn b/d)



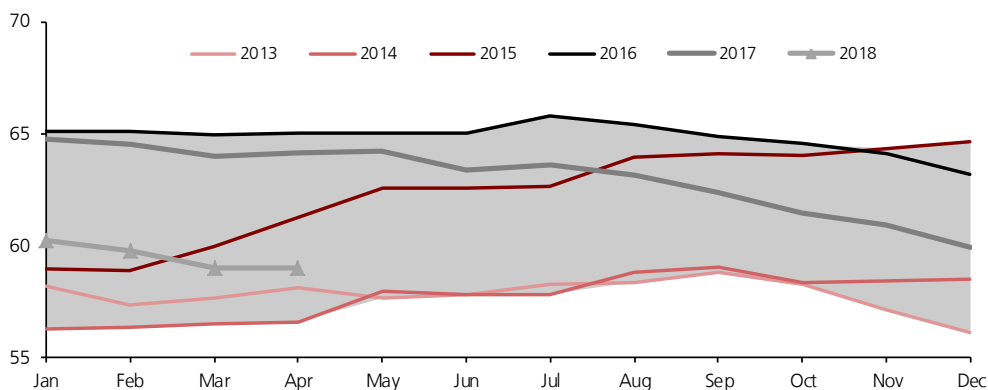
Source: OPEC, Kotak Institutional Equities

**Exhibit 7: Europe imports nearly one-third of Iran crude supplies, followed by China and India**  
 Crude imports from Iran (mn b/d)

Europe	0.5-0.7
China	0.4-0.6
India	0.4-0.5
Korea	0.1-0.2
Japan	0.1-0.2
Other	0.1-0.2
<b>Total</b>	<b>2.0-2.2</b>

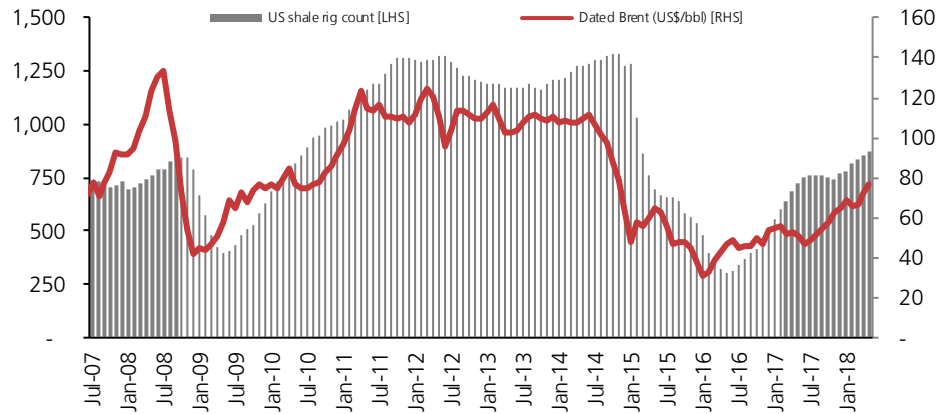
Source: IEA, Kotak Institutional Equities estimates

**Exhibit 8: OECD crude inventories are below five-year average in terms of forward demand cover**  
 Total inventory in OECD as days of forward cover of demand (# of days)



Source: IEA, Kotak Institutional Equities

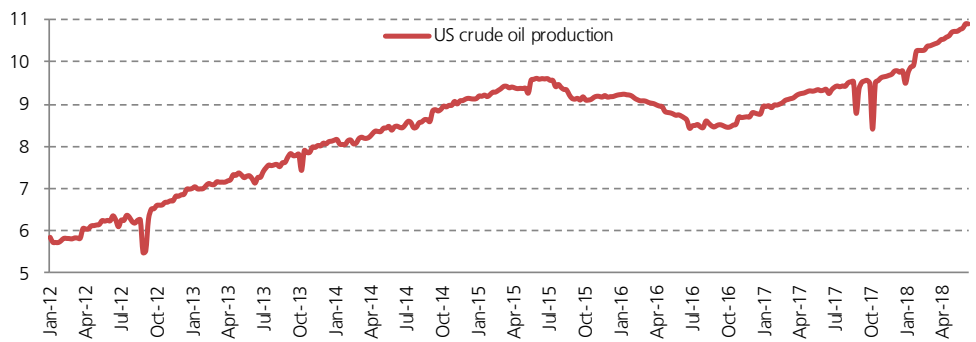
**Exhibit 9: Increasing deployment of rigs in the US shale regions amid higher crude prices**  
 Monthly rig count in the US shale regions versus crude price (units, US\$/bbl)



Source: EIA, Kotak Institutional Equities

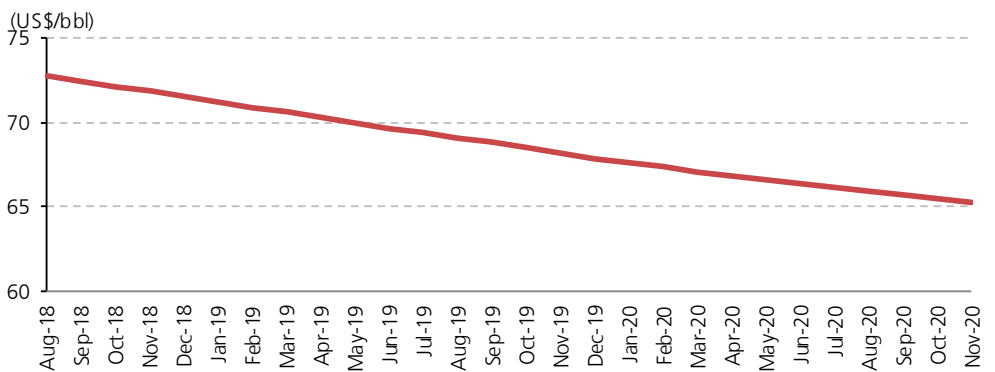
**Exhibit 10: Sharp rise in US crude production led by increase in drilling activity with recovery in crude prices**

Weekly field production of crude oil in the US, January 2012 onwards (mn b/d)



Source: EIA, Kotak institutional Equities

**Exhibit 11: Crude remains in backwardation with Dated Brent near US\$65/bbl by end-CY2020**  
 Futures curve of Dated Brent crude price (US\$/bbl)



Source: Bloomberg, Kotak Institutional Equities



## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)		EV/EBITDA (X)		P/B (X)		RoE (%)		Dividend yield (%)			ADVT 3mo (US\$ mn)				
		22-Jun-18	Target price (Rs)		(Rs bn)	(US\$ bn)		2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E		2020E			
<b>Automobiles</b>																													
Amara Raja Batteries	REDUCE	765	780	2.0	131	1.9	171	28	33	39	(1.6)	21.2	15.5	27.7	22.9	19.8	14.7	12.2	10.4	4.4	3.8	3.3	17.0	18.0	18.0	0.5	0.7	0.8	5.9
Apollo Tyres	BUY	273	340	24.7	156	2.3	541	13	20	25	(38.0)	48.6	24.7	20.4	13.7	11.0	11.1	7.9	6.6	1.5	1.5	1.3	8.5	11.1	12.5	1.2	1.1	1.1	11.2
Ashok Leyland	ADD	136	160	17.3	400	5.9	2,926	5.4	6.5	9.1	7.9	20.6	39.7	25.4	21.0	15.0	14.9	12.1	9.2	5.6	4.8	4.0	23.7	24.4	28.8	1.8	1.4	2.0	37.1
Bajaj Auto	SELL	2,832	2,800	(1.1)	820	12.1	289	143	160	176	7.9	12.3	9.9	19.9	17.7	16.1	13.8	12.2	10.7	4.0	3.6	3.2	22.1	21.4	21.1	2.1	2.3	2.5	18.1
Balkrishna Industries	ADD	1,101	1,260	14.4	213	3.1	193	37	51	63	4.9	35.4	24.7	29.4	21.7	17.4	15.6	12.0	9.7	5.2	4.5	3.7	19.0	22.1	23.3	0.5	1.1	1.3	8.9
Bharat Forge	SELL	613	650	6.0	285	4.2	466	16	22	27	10.1	38.0	19.4	37.9	27.4	23.0	18.3	15.4	13.1	6.1	5.3	4.5	17.2	20.7	21.1	0.7	0.8	0.9	11.7
CEAT	ADD	1,326	1,600	20.6	54	0.8	40	65	101	114	(29.5)	56.2	12.3	20.5	13.1	11.7	10.1	8.4	7.2	2.1	1.8	1.6	10.4	14.8	14.7	0.9	1.3	1.3	14.9
Eicher Motors	SELL	29,141	26,000	(10.8)	795	11.7	27	792	995	1,200	29.3	25.5	20.6	36.8	29.3	24.3	26.6	21.4	17.4	14.8	10.7	8.0	46.4	42.3	37.5	0.1	0.1	0.1	17.1
Escorts	BUY	896	1,170	30.6	76	1.6	89	39	56	69	71.3	43.6	23.6	23.1	16.1	13.0	13.2	9.8	7.7	3.1	2.7	2.3	13.5	16.8	17.7	0.4	0.9	1.2	18.0
Exide Industries	SELL	251	225	(10.4)	214	3.1	850	8	10	11	0.6	23.7	11.1	30.6	24.8	22.3	17.1	14.3	12.7	4.0	3.6	3.3	13.5	15.2	15.3	1.0	1.2	1.4	8.4
Hero Motocorp	SELL	3,638	3,500	(3.8)	726	10.7	200	185	204	228	9.5	10.2	11.6	19.6	17.8	16.0	12.3	11.1	9.8	6.2	5.4	4.8	33.7	32.3	31.7	2.6	2.8	3.1	18.4
Mahindra CIÉ Automotive	ADD	265	275	3.9	100	1.5	378	10	13	15	107.0	35.8	12.9	27.6	20.3	18.0	13.5	10.2	8.9	2.7	2.4	2.1	10.4	12.5	12.4	—	—	—	1.7
Mahindra & Mahindra	BUY	908	1,015	11.8	1,129	16.6	1,138	38	44	50	22.0	15.6	14.8	23.9	20.7	18.0	15.7	13.4	11.6	3.4	3.0	2.7	15.1	15.4	15.7	0.8	1.0	1.1	32.7
Maruti Suzuki	ADD	8,875	9,700	9.3	2,681	39.5	302	256	330	395	5.1	29.2	19.6	34.7	26.9	22.5	19.3	15.1	12.1	6.4	5.5	4.7	19.8	22.0	22.6	0.7	0.9	1.1	63.1
Motherson Sumi Systems	SELL	304	265	(12.8)	639	9.4	2,105	8	11	14	6.1	37.7	21.7	37.1	27.0	22.2	14.0	10.7	8.9	6.5	5.5	4.7	19.0	22.1	22.9	0.7	0.9	1.1	14.2
MRF	REDUCE	75,703	76,000	0.4	321	4.7	4	2,669	3,896	4,447	(23.9)	46.0	14.1	28.4	19.4	17.0	12.9	9.5	8.1	3.3	2.8	2.4	12.3	15.7	15.4	0.1	0.1	0.1	8.4
Schaeffler India	BUY	5,341	6,000	12.3	89	1.3	17	143	171	207	22.0	19.4	21.1	37.3	31.2	25.8	21.9	18.8	15.3	5.2	4.6	4.1	15.0	15.8	16.9	0.3	0.6	0.8	0.7
SKF	REDUCE	1,744	1,700	(2.5)	90	1.3	51	58	70	81	24.6	20.8	16.4	30.2	25.0	21.5	18.8	16.1	13.5	4.9	4.2	3.7	16.1	17.0	17.2	0.7	0.8	1.0	0.4
Tata Motors	BUY	308	445	44.5	1,046	14.4	3,396	20	24	38	(28.0)	18.0	63.0	15.4	13.1	8.0	4.3	3.9	3.2	1.1	1.0	0.9	8.8	8.0	11.9	—	—	—	61.3
Timken	SELL	767	660	(14.0)	52	0.8	68	14	19	25	(5.3)	42.3	27.5	56.7	39.8	31.2	31.6	22.1	17.6	7.4	6.3	5.3	13.9	17.1	18.5	0.1	0.1	0.1	0.4
TVS Motor	SELL	583	410	(29.6)	277	4.1	475	14	18	21	18.7	25.9	21.8	41.8	33.2	27.3	25.4	19.5	16.2	9.6	8.1	6.8	25.1	26.5	27.2	0.6	0.9	1.1	11.6
WABCO India	SELL	7,150	6,350	(11.2)	136	2.0	19	144	169	223	27.8	17.4	32.2	49.7	42.4	32.0	32.4	27.6	20.9	8.9	7.4	6.1	19.5	19.1	21.0	0.1	0.1	0.2	0.5
<b>Automobiles</b>		<b>Neutral</b>			<b>10,429</b>	<b>153</b>					<b>(0.8)</b>	<b>23.2</b>	<b>25.5</b>	<b>26.6</b>	<b>21.6</b>	<b>17.2</b>	<b>11.8</b>	<b>9.9</b>	<b>8.1</b>	<b>3.8</b>	<b>3.3</b>	<b>2.9</b>	<b>14.2</b>	<b>15.5</b>	<b>16.9</b>	<b>0.8</b>	<b>1.0</b>	<b>1.1</b>	<b>364.8</b>
<b>Banks</b>																													
Axis Bank	ADD	526	600	14.1	1,350	19.9	2,567	1	20	39	(92.6)	1,735.5	100.1	489.4	26.7	13.3	—	—	—	2.6	2.3	1.9	0.5	7.7	13.8	—	0.6	1.1	70.7
Bank of Baroda	NR	122	—	—	321	4.7	2,652	(9)	8	21	(253.2)	189.5	155.3	(13.2)	14.8	5.8	—	—	—	1.4	1.2	0.9	(6.3)	5.3	12.6	(1.5)	1.4	3.5	33.5
Bank of India	ADD	95	120	26.9	165	2.4	1,744	(35)	(6)	16	(134.7)	82.2	366.7	(2.7)	(15.4)	5.8	—	—	—	1.4	1.8	1.1	(21.3)	(3.6)	9.5	—	(1.3)	3.5	13.6
Canara Bank	ADD	259	300	15.7	190	2.8	733	(58)	(2)	60	(406.6)	97.3	4,031.4	(4.5)	(168.8)	4.3	—	—	—	1.6	1.6	0.9	(11.9)	(0.3)	11.8	—	—	—	33.6
City Union Bank	ADD	184	190	3.4	122	1.8	665	9	10	12	6.4	16.2	13.0	20.6	17.8	15.7	—	—	—	3.2	2.8	2.4	15.3	15.5	15.5	0.2	1.0	1.1	2.1
DCB Bank	ADD	175	210	19.9	54	0.8	308	8	10	12	13.8	24.7	25.9	22.0	17.6	14.0	—	—	—	2.2	2.0	1.8	10.9	11.4	12.8	—	0.5	0.7	5.9
Equitas Holdings	BUY	147	190	29.1	50	0.7	340	0.9	4.4	8.3	(80.4)	374.7	88.2	159.1	33.5	17.8	—	—	—	2.3	2.1	1.9	1.4	6.4	11.0	—	—	—	4.4
Federal Bank	BUY	83	130	56.8	164	2.4	1,972	4.5	5.8	7.8	(7.5)	29.6	35.0	18.6	14.3	10.6	—	—	—	1.5	1.3	1.2	8.0	9.0	11.2	1.2	1.4	1.9	19.0
HDFC Bank	REDUCE	2,083	1,900	(8.8)	5,424	79.8	2,595	67	78	94	18.7	15.3	20.7	30.9	26.8	22.2	—	—	—	5.2	3.9	3.4	17.9	16.6	16.1	0.5	0.5	0.6	67.2
ICICI Bank	BUY	301	400	33.0	1,933	28.5	6,429	11	15	25	(31.1)	46.5	64.1	28.5	19.5	11.9	—	—	—	2.3	2.0	1.7	6.6	9.1	13.7	0.5	1.0	1.7	98.6
IDFC Bank	NR	42	—	—	143	2.1	3,404	2.5	1.6	3.3	(16.0)	(38.5)	109.8	16.7	27.1	12.9	—	—	—	0.9	0.9	0.9	5.7	3.4	6.9	1.2	0.7	1.5	8.5
IndusInd Bank	REDUCE	1,953	1,800	(7.8)	1,173	17.3	600	60	72	87	25.3	19.1	22.0	32.5	27.3	22.4	—	—	—	5.1	4.2	3.6	16.7	17.7	17.0	—	0.5	0.6	30.8
J&K Bank	BUY	54	105	95.2	30	0.4	557	4	8	11	111.6	116.7	44.4	14.8	6.8	4.7	—	—	—	0.7	0.6	0.5	3.4	6.9	9.4	—	2.9	4.2	0.4
Karur Vysya Bank	ADD	106	120	13.2	77	1.1	727	5	4	14	(52.2)	(22.8)	274.8	22.3	28.9	7.7	—	—	—	1.5	1.5	1.2	6.1	4.2	14.7	0.6	0.9	3.2	2.0
Punjab National Bank	ADD	82	90	9.9	226	3.3	2,761	(44)	(39)	9	(814.7)	13.4	124.1	(1.8)	(2.1)	8.8	—	—	—	4.8	(3.7)	(14.0)	(32.4)	(31.3)	8.2	—	(10.2)	2.5	33.1
RBL Bank	SELL	554	450	(18.8)	233	3.4	420	15	20	25	27.3	32.9	21.8	36.6	27.5	22.6	—	—	—	3.6	3.3	3.0	11.5	12.0	13.2	0.4	0.5	0.7	8.9
State Bank of India	BUY	273	370	35.5	2,437	35.9	8,925	(7)	19	38	(155.8)	NM	100.9	NM	14.6	7.3	—	—	—	2.0	1.6	1.2	(3.2)	7.4	13.6	1.0	1.1	1.2	83.6
Ujjivan Financial Services	REDUCE	389	420	8.1	47	0.7	121	1	22	29	(96.5)	3,564.0	30.0	643.8	17.6	13.5	—	—	—	2.8	2.4	2.1	0.4	14.2	16.1	0.0	0.6	0.8	7.9
Union Bank	ADD	86	130	51.6	100	1.5	1,169	(45)	1	24	(655.5)	101.4	3,896.2	(1.9)	140.1	3.5	—	—											

## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price			Mkt cap. (Rs bn)	O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)		EV/EBITDA (X)			P/B (X)		RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)			
		22-Jun-18	Target price (Rs)	Upside (%)			2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E					
<b>NBFCS</b>																													
Bajaj Finance	REDUCE	2,336	1,850	(20.8)	1,350	19.9	575	46	63	82	38.5	34.9	30.0	50.2	37.3	28.7	—	—	—	8.1	6.8	5.6	20.5	19.9	21.5	0.2	0.3	0.3	40.6
Bajaj Finserv	ADD	6,177	5,900	(4.5)	983	14.5	159	174	206	266	13.5	18.7	28.8	35.5	29.9	23.2	—	—	—	4.8	3.9	3.4	15.3	14.5	15.6	0.2	0.2	0.2	15.1
Bharat Financial Inclusion	NA	1,172	—	—	163	2.4	139	33	43	54	55.5	31.1	27.2	35.9	27.4	21.5	—	—	—	5.4	4.4	3.6	16.7	17.9	18.5	—	—	—	11.0
Cholamandalam	REDUCE	1,603	1,510	(5.8)	251	3.7	156	62	76	92	35.5	22.3	20.8	25.7	21.0	17.4	—	—	—	5.1	4.3	3.6	20.6	21.0	21.2	0.4	0.6	0.7	7.1
HDFC	BUY	1,907	2,100	10.1	3,204	47.1	1,676	75	58	67	52.1	(23.1)	15.2	25.3	32.9	28.6	—	—	—	5.0	4.3	4.0	23.9	14.3	14.5	1.0	1.1	1.2	70.4
HDFC Standard Life Insurance	SELL	471	405	(14.1)	948	14.0	2,007	6	6	7	24.4	14.8	10.9	85.2	74.2	66.9	—	—	—	22.0	19.7	17.6	27.3	28.0	27.7	0.3	0.3	0.4	15.2
ICICI Lombard	SELL	729	600	(17.6)	331	4.9	454	19	26	30	22.0	36.4	17.0	38.4	28.1	24.0	—	—	—	7.3	6.2	5.2	20.8	23.7	23.5	0.5	0.9	1.0	2.1
ICICI Prudential Life	BUY	390	500	28.3	559	8.2	1,436	11	12	13	(3.7)	3.8	7.6	34.5	33.3	30.9	—	—	—	8.5	7.1	6.0	25.0	23.2	20.9	1.4	0.5	0.5	12.1
IIFL Holdings	SELL	710	625	(12.0)	227	3.3	319	29	34	41	32.4	17.3	21.4	24.9	21.2	17.5	—	—	—	4.5	3.9	3.3	19.0	19.3	20.0	0.9	1.0	1.2	1.8
L&T Finance Holdings	REDUCE	162	185	14.4	323	4.7	1,996	7	10	12	23.7	34.6	24.1	22.0	16.4	13.2	—	—	—	2.5	2.3	2.0	14.2	14.7	16.1	1.1	1.2	1.2	9.7
LIC Housing Finance	BUY	497	610	22.6	251	3.7	505	44	50	58	3.2	13.8	17.5	11.4	10.0	8.5	—	—	—	1.9	1.6	1.4	14.5	14.3	14.4	1.4	1.6	1.8	13.1
Magma Fincorp	BUY	165	200	21.1	44	0.7	237	10	12	15	1,014.5	24.6	25.8	17.0	13.6	10.8	—	—	—	1.7	1.6	1.4	10.2	12.9	14.1	0.5	1.1	1.4	3.2
Mahindra & Mahindra Financial	REDUCE	497	475	(4.5)	307	4.5	614	15	22	26	105.0	53.5	16.6	34.3	22.3	19.1	—	—	—	3.5	3.1	2.9	11.3	14.0	14.8	0.8	1.2	1.4	12.4
Max Financial Services	BUY	450	650	44.5	121	1.8	268	5	6	6	(20.4)	36.9	1.8	98.2	71.7	70.4	—	—	—	—	—	—	6.5	8.3	8.0	—	0.5	0.5	5.1
Muthoot Finance	ADD	384	480	25.0	154	2.3	400	43	38	40	45.6	(10.8)	4.0	8.9	10.0	9.6	—	—	—	2.0	1.7	1.5	24.1	18.4	16.9	2.6	2.3	2.4	4.7
PNB Housing Finance	REDUCE	1,073	1,375	28.2	180	2.6	167	50	61	77	57.8	23.0	25.3	21.6	17.5	14.0	—	—	—	2.8	2.6	2.3	14.0	15.2	16.8	0.8	0.3	0.3	8.6
SBI Life Insurance	ADD	685	815	18.9	685	10.1	1,000	12	15	18	20.8	26.0	22.9	59.4	47.2	38.4	—	—	—	10.7	9.0	7.5	19.4	20.6	21.3	0.3	0.3	0.4	6.0
Shriram City Union Finance	ADD	2,136	2,550	19.4	141	2.1	66	101	140	174	19.6	39.4	23.8	21.2	15.2	12.3	—	—	—	2.7	2.4	2.1	12.5	15.5	16.7	0.8	0.8	1.0	0.9
Shriram Transport	REDUCE	1,494	1,600	7.1	339	5.0	227	69	105	125	24.7	52.1	18.7	21.6	14.2	12.0	—	—	—	2.9	2.5	2.1	13.1	17.6	18.0	0.7	1.0	1.2	18.0
<b>NBFCS</b>	<b>Neutral</b>				<b>10,560</b>	<b>155</b>					<b>38.0</b>	<b>7.0</b>	<b>19.3</b>	<b>30.7</b>	<b>28.7</b>	<b>24.1</b>				<b>5.2</b>	<b>4.4</b>	<b>3.9</b>	<b>16.8</b>	<b>15.4</b>	<b>16.1</b>	<b>0.7</b>	<b>0.7</b>	<b>0.8</b>	<b>602.5</b>
<b>Cement</b>																													
ACC	SELL	1,295	1,205	(6.9)	243	3.6	188	49	54	66	32.7	10.6	23.0	26.6	24.0	19.6	13.9	12.9	10.4	2.6	2.4	2.2	10.1	10.5	11.9	1.3	1.3	1.3	9.6
Ambuja Cements	REDUCE	205	215	4.9	407	6.0	1,986	8	7	9	29.7	(1.3)	27.0	27.3	27.6	21.8	8.9	8.8	7.1	2.0	1.9	1.8	7.4	7.0	8.6	1.8	1.8	1.8	9.2
Dalmia Bharat	ADD	2,398	2,900	20.9	214	3.1	89	60	98	128	55.4	62.6	30.3	39.7	24.4	18.7	12.5	9.5	7.7	3.5	3.1	2.7	9.7	13.4	15.2	0.1	0.1	0.1	5.8
Grasim Industries	BUY	1,010	1,275	26.2	664	9.8	657	47	43	60	(30.1)	(10.2)	41.3	21.3	23.8	16.8	12.1	7.8	7.1	1.2	1.1	1.0	7.0	4.8	6.4	0.5	0.5	0.5	15.5
India Cements	REDUCE	112	135	20.2	35	0.5	308	3	5	9	(42.5)	56.2	84.4	34.4	22.0	11.9	9.6	8.2	6.5	0.7	0.7	0.6	2.0	3.0	5.3	0.9	0.9	0.9	6.5
J K Cement	REDUCE	876	1,000	14.1	61	0.9	70	43	51	83	25.1	17.0	65.0	20.3	17.3	10.5	10.5	11.1	8.9	3.1	2.7	2.2	16.2	16.7	23.2	0.9	0.9	0.9	0.7
JK Lakshmi Cement	ADD	321	425	32.3	38	0.6	118	4	18	33	(35.7)	311.2	79.6	71.9	17.5	9.7	13.4	8.1	5.7	2.6	2.3	1.9	3.7	14.1	21.5	0.6	0.6	0.6	0.5
Orient Cement	ADD	110	165	49.9	23	0.3	205	2	8	12	237.8	250.7	64.8	51.0	14.5	8.8	11.4	7.3	5.3	2.2	2.0	1.7	4.4	14.3	20.6	0.7	1.4	1.8	0.2
Shree Cement	SELL	15,578	12,700	(18.5)	543	8.0	35	397	486	662	3.4	22.3	36.2	39.2	32.0	23.5	21.0	15.8	12.3	6.1	5.2	4.3	16.7	17.6	20.2	0.3	0.3	0.3	4.9
UltraTech Cement	SELL	3,641	3,000	(17.6)	1,000	14.7	275	89	119	153	(7.0)	33.1	28.9	40.7	30.6	23.7	19.0	14.9	12.4	3.9	3.5	3.1	9.9	12.0	13.7	0.3	0.3	0.3	16.1
<b>Cement</b>	<b>Cautious</b>				<b>3,227</b>	<b>47</b>					<b>6.1</b>	<b>15.4</b>	<b>35.3</b>	<b>31.0</b>	<b>26.9</b>	<b>19.9</b>	<b>13.9</b>	<b>10.4</b>	<b>8.7</b>	<b>2.3</b>	<b>2.2</b>	<b>2.0</b>	<b>7.5</b>	<b>8.1</b>	<b>10.1</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>69.1</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Target			Mkt cap. (Rs bn)	O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)		EV/EBITDA (X)		P/B (X)		RoE (%)		Dividend yield (%)			ADVT 3mo (US\$ mn)					
		Price (Rs) 22-Jun-18	price (Rs)	Upside (%)			2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E		2020E				
<b>Consumer products</b>																													
Asian Paints	REDUCE	1,268	1,100	(13.2)	1,216	17.9	959	21	24	28	2.9	18.7	14.7	61.8	52.0	45.4	37.7	32.5	28.2	14.5	12.8	11.4	24.6	26.1	26.6	0.7	0.8	1.0	15.5
Bajaj Corp.	ADD	402	520	29.4	59	0.9	148	14	17	19	(10.5)	18.7	10.5	28.4	23.9	21.7	22.4	19.2	16.4	12.0	11.6	11.1	42.3	49.4	52.4	3.0	3.2	3.5	0.3
Britannia Industries	ADD	5,959	6,000	0.7	715	10.5	120	84	104	126	13.5	24.4	21.5	71.2	57.3	47.1	47.1	36.9	30.4	21.0	16.7	13.5	32.9	32.4	31.6	0.4	0.6	0.8	9.4
Coffee Day Enterprises	REDUCE	286	340	18.7	60	0.9	211	3	8	13	49.1	149.7	59.4	85.6	34.3	21.5	14.2	12.4	10.5	2.5	2.4	2.1	3.1	7.2	10.4	—	—	—	1.2
Colgate-Palmolive (India)	ADD	1,180	1,300	10.2	321	4.7	272	24	28	33	15.2	19.7	17.0	49.6	41.5	35.5	28.4	23.9	20.5	21.1	20.8	17.3	46.2	50.4	53.3	2.0	1.4	1.6	8.0
Dabur India	REDUCE	385	350	(9.1)	680	10.0	1,762	8	9	10	7.2	16.1	11.7	49.6	42.7	38.2	41.9	36.3	31.8	11.9	11.9	10.4	25.9	27.9	29.1	1.9	1.0	1.2	8.6
GlaxoSmithKline Consumer	ADD	6,018	6,750	12.2	253	3.7	42	166	189	211	6.6	13.3	11.9	36.1	31.9	28.5	24.6	21.1	18.1	7.3	6.6	6.1	21.2	21.7	22.2	1.2	1.5	1.7	2.5
Godrej Consumer Products	REDUCE	1,166	1,020	(12.5)	794	11.7	681	21	25	28	11.5	17.6	13.3	54.6	46.4	41.0	38.7	32.9	28.7	12.7	11.0	9.5	25.2	25.4	24.9	0.6	0.7	0.8	8.6
Hindustan Unilever	REDUCE	1,608	1,430	(11.1)	3,481	51.2	2,160	25	28	32	25.0	14.9	13.0	65.6	57.1	50.5	47.0	39.7	34.8	49.1	44.0	38.5	78.1	81.4	81.3	1.2	1.3	1.5	26.2
ITC	ADD	265	315	18.8	3,236	47.6	12,235	9	10	11	8.2	8.0	11.6	29.6	27.4	24.6	20.0	18.2	16.2	6.3	6.0	5.7	19.7	20.8	22.6	1.9	2.3	2.7	39.0
Jubilant Foodworks	BUY	1,395	1,500	7.6	184	2.7	132	15	24	33	191.7	64.1	39.2	95.8	58.4	42.0	40.9	28.3	21.2	19.0	13.9	10.6	21.7	27.5	28.8	0.1	0.1	0.2	43.1
Jyothy Laboratories	ADD	432	440	1.8	79	1.2	182	9	11	13	35.1	25.4	17.2	49.1	39.1	33.4	30.1	24.9	21.5	6.9	5.9	5.2	14.3	16.3	16.6	0.2	0.5	0.7	1.5
Manpasand Beverages	RS	149	—	—	17	0.3	114	9	12	17	39.5	32.0	43.8	16.8	12.8	8.9	7.5	5.1	3.5	1.4	1.2	1.1	8.4	10.2	13.2	0.3	0.5	1.0	2.6
Marico	ADD	334	345	3.4	431	6.3	1,291	6	7	8	7.4	16.7	13.7	53.2	45.6	40.1	37.5	31.5	27.4	16.9	15.6	14.5	33.2	35.7	37.5	1.2	1.4	1.6	8.2
Nestle India	ADD	9,871	9,500	(3.8)	952	14.0	96	127	168	191	21.1	32.5	13.4	77.7	58.6	51.7	42.7	33.2	29.2	27.8	25.6	23.5	36.6	45.5	47.3	0.9	1.2	1.3	9.2
Page Industries	SELL	26,996	21,000	(22.2)	301	4.4	11	311	392	482	32.5	26.1	22.9	86.8	68.8	56.0	55.3	43.7	35.9	35.5	27.8	22.2	45.9	45.3	44.0	0.5	0.6	0.8	7.1
Pidlite Industries	REDUCE	1,051	1,050	(0.1)	534	7.9	508	18	22	26	7.5	20.4	20.4	58.3	48.4	40.2	38.9	32.4	26.7	14.9	12.5	10.5	26.0	28.2	28.5	0.6	0.7	0.8	14.8
S H Kelkar and Company	BUY	229	315	37.4	33	0.5	145	7	9	11	2.1	18.2	25.9	31.0	26.2	20.8	21.5	17.1	13.6	3.9	3.5	3.1	12.8	14.0	15.7	0.8	0.8	0.9	0.3
Tata Global Beverages	REDUCE	262	285	8.7	165	2.4	631	7	10	11	20.7	29.4	19.1	35.7	27.6	23.1	18.8	15.9	13.6	2.4	2.2	2.1	7.0	8.3	9.4	1.0	1.1	1.3	14.0
Titan Company	SELL	878	800	(8.8)	779	11.5	888	13	16	20	43.3	26.7	20.5	68.6	54.2	44.9	47.0	35.9	28.7	15.3	12.9	10.8	24.3	25.8	26.2	0.4	0.5	0.6	38.3
United Breweries	SELL	1,268	1,000	(21.1)	335	4.9	264	15	19	24	71.6	29.7	23.4	84.9	65.5	53.1	37.4	31.1	27.0	12.5	10.7	9.1	15.7	17.6	18.6	0.2	0.2	0.3	9.3
United Spirits	SELL	681	560	(17.8)	495	7.3	727	8	11	14	39.1	40.5	27.4	89.6	63.7	50.0	51.2	37.8	31.3	19.8	13.5	9.9	24.9	25.1	22.8	—	—	0.3	19.1
Varun Beverages	ADD	750	750	0.1	137	2.0	183	12	17	22	377.8	45.4	29.8	65.1	44.8	34.5	19.8	16.0	13.7	7.7	6.6	5.7	12.1	16.0	17.7	—	—	0.1	1.2
<b>Consumer products</b>	<b>Cautious</b>				<b>15,258</b>	<b>225</b>					<b>15.0</b>	<b>16.6</b>	<b>15.0</b>	<b>50.4</b>	<b>43.2</b>	<b>37.5</b>	<b>33.0</b>	<b>28.1</b>	<b>24.3</b>	<b>12.3</b>	<b>11.2</b>	<b>10.1</b>	<b>24.5</b>	<b>25.9</b>	<b>26.8</b>	<b>1.1</b>	<b>1.2</b>	<b>1.4</b>	<b>288.0</b>
<b>Energy</b>																													
BPCL	REDUCE	426	390	(8.5)	925	13.6	1,967	40	39	41	(1.5)	(3.6)	5.3	10.6	11.0	10.4	8.5	8.0	7.4	2.5	2.2	2.0	24.8	21.1	20.0	4.9	3.6	3.8	37.5
Castrol India	ADD	170	215	26.4	168	2.5	989	7	8	9	3.3	13.6	10.9	24.7	21.8	19.6	15.5	13.7	12.3	16.5	15.6	15.3	67.9	73.6	78.6	2.8	3.5	4.1	4.1
GAIL (India)	BUY	340	410	20.6	767	11.3	2,255	20	25	27	21.8	23.2	8.3	16.7	13.5	12.5	10.5	8.7	8.0	1.9	1.8	1.6	11.7	13.5	13.5	2.1	2.5	2.6	21.6
GSPL	SELL	182	170	(6.5)	103	1.5	564	12	11	11	34.5	(7.0)	(4.6)	15.3	16.5	17.3	7.8	6.5	6.4	2.0	1.8	1.7	14.0	11.7	10.2	1.0	0.9	0.9	1.7
HPCL	REDUCE	311	320	2.8	474	7.0	1,524	42	32	33	(3.2)	(23.4)	3.4	7.5	9.7	9.4	6.3	8.1	8.2	2.0	1.8	1.6	28.7	19.3	18.2	5.5	4.2	4.3	30.5
Indraprastha Gas	SELL	256	240	(6.2)	179	2.6	700	10	12	14	19.0	17.3	12.0	24.8	21.2	18.9	15.6	13.4	11.8	5.1	4.4	3.8	22.4	22.3	21.6	0.8	1.0	1.2	11.0
IOCL	REDUCE	170	160	(5.9)	1,651	24.3	9,479	21	17	18	(24.8)	(17.9)	7.4	8.3	10.1	9.4	4.8	5.6	5.1	1.5	1.4	1.3	18.5	14.0	14.0	6.8	4.0	4.3	29.1
Mahanagar Gas	ADD	834	850	1.9	82	1.2	99	48	52	54	21.5	6.5	5.3	17.2	16.2	15.4	10.4	9.4	8.7	3.9	3.5	3.1	24.3	22.8	21.4	2.3	2.5	2.6	8.7
ONGC	ADD	160	200	25.4	2,048	30.1	12,833	17	21	21	3.1	19.6	(1.3)	9.2	7.7	7.8	4.9	3.9	3.7	0.9	0.9	0.8	9.9	11.5	10.7	4.1	4.4	4.4	16.8
Oil India	SELL	210	220	4.7	239	3.5	1,135	25	24	24	22.6	(1.3)	(0.7)	8.5	8.6	8.7	6.6	6.0	6.0	0.9	0.8	0.8	9.8	9.7	9.2	4.9	5.2	5.2	4.5
Petronet LNG	BUY	210	280	33.4	315	4.6	1,500	14	16	18	22.1	17.3	13.2	15.1	12.9	11.4	10.1	8.6	7.3	3.2	2.8	2.5	23.3	23.4	23.3	2.1	2.7	3.5	12.0
Reliance Industries	REDUCE	1,013	930	(8.1)	5,992	88.2	5,922	59	68	77	16.9	14.9	13.9	17.1	14.9	13.1	13.0	10.5	8.8	2.0	1.8	1.6	11.6	11.9	12.1	0.6	0.6	0.7	99.9
<b>Energy</b>	<b>Attractive</b>				<b>12,942</b>	<b>190</b>					<b>1.0</b>	<b>5.8</b>	<b>7.3</b>	<b>12.6</b>	<b>11.9</b>	<b>11.1</b>	<b>8.3</b>	<b>7.3</b>	<b>6.6</b>	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>	<b>13.3</b>	<b>12.8</b>	<b>12.6</b>	<b>2.6</b>	<b>2.3</b>	<b>2.4</b>	<b>277.3</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)			Mkt cap. (Rs bn)	O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)	
		22-Jun-18	Target price (Rs)	Upside (%)			2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E		
<b>Industrials</b>																													
ABB	SELL	1,212	1,100	(9.3)	257	3.8	212	20	26	34	12.1	31.2	31.7	61.2	46.6	35.4	33.7	28.7	21.8	7.1	6.5	5.8	12.2	14.6	17.3	0.3	0.7	0.7	1.8
BHEL	SELL	75	81	8.0	275	4.1	3,671	2.2	2.6	5.4	62.7	19.5	106.9	34.1	28.6	13.8	8.4	8.1	4.1	0.8	0.8	0.8	2.5	3.0	6.1	2.4	2.9	6.0	9.2
Carborundum Universal	SELL	331	310	(6.4)	63	0.9	189	11	14	17	22.8	25.4	20.2	29.0	23.2	19.3	15.7	11.6	10.0	4.0	3.6	3.2	14.6	16.4	17.6	0.7	1.3	1.6	0.6
CG Power and Industrial	BUY	55	65	17.8	35	0.5	627	0.8	3.1	4.3	(72.2)	275.7	40.5	67.6	18.0	12.8	10.2	7.7	6.3	1.3	1.4	1.3	1.5	7.3	10.4	-	-	-	4.8
Crompton Greaves Consumer	SELL	225	210	(6.7)	141	2.1	627	5.2	6.2	7.5	13.3	20.1	20.8	43.6	36.3	30.1	26.8	22.6	19.1	17.9	12.4	9.5	49.5	40.5	35.9	0.7	0.9	1.1	3.3
Cummins India	REDUCE	669	680	1.6	185	2.7	277	24	28	32	(7.8)	16.1	13.9	27.6	23.8	20.9	24.3	20.9	17.3	4.7	4.3	4.0	17.4	18.9	20.1	2.2	2.2	2.5	5.6
Havells India	SELL	543	460	(15.2)	339	5.0	625	11	14	17	16.6	25.6	19.6	49.0	39.0	32.6	31.1	24.7	20.2	9.1	8.1	7.3	19.8	22.0	23.5	0.7	1.0	1.4	10.4
Kalpataru Power Transmission	BUY	414	530	28.0	64	0.9	153	19	19	24	36.5	(0.4)	26.7	21.4	21.4	16.9	8.9	7.3	5.9	2.4	2.2	2.0	11.7	10.6	12.2	0.6	0.6	0.6	0.7
KEC International	BUY	333	430	29.1	86	1.3	257	18	22	29	51.1	22.0	34.4	18.6	15.2	11.3	10.0	8.3	6.6	4.3	3.5	2.8	25.7	25.2	27.1	0.7	0.9	1.2	3.5
L&T	BUY	1,300	1,560	20.0	1,822	26.8	1,401	52	63	75	22.4	21.1	19.6	25.1	20.8	17.4	20.8	17.8	15.7	3.6	3.3	3.0	15.0	16.7	18.0	1.2	1.8	2.1	40.2
Siemens	SELL	994	975	(1.9)	354	5.2	356	24	29	36	20.0	23.4	23.5	41.9	34.0	27.5	23.8	19.0	15.1	4.4	4.1	3.8	10.7	12.4	14.3	1.0	1.2	1.5	3.8
Thermax	REDUCE	1,080	1,065	(1.4)	129	1.9	113	21	30	42	(3.6)	44.2	42.8	52.4	36.3	25.4	31.9	22.7	16.2	4.5	4.1	3.7	8.8	11.8	15.3	0.6	0.7	0.9	1.0
Voltas	SELL	517	525	1.5	171	2.5	331	17	19	22	12.6	8.3	15.6	29.9	27.6	23.9	24.9	21.1	17.5	4.4	3.9	3.5	15.9	15.0	15.5	0.8	0.8	1.0	14.5
<b>Industrials</b>	<b>Neutral</b>				<b>3,920</b>	<b>58</b>					<b>19.6</b>	<b>21.9</b>	<b>26.7</b>	<b>30.5</b>	<b>25.1</b>	<b>19.8</b>	<b>20.1</b>	<b>17.0</b>	<b>14.0</b>	<b>3.3</b>	<b>3.1</b>	<b>2.8</b>	<b>10.8</b>	<b>12.3</b>	<b>14.4</b>	<b>1.1</b>	<b>1.5</b>	<b>2.0</b>	<b>99.2</b>
<b>Infrastructure</b>																													
Adani Ports and SEZ	BUY	366	470	28.5	758	11.1	2,071	20	20	23	6.1	(0.2)	14.7	18.3	18.3	15.9	13.1	12.6	11.1	3.6	3.1	2.7	21.5	18.1	17.9	0.6	0.7	0.8	25.0
Ashoka Buildcon	BUY	228	310	36.1	43	0.6	188	12	13	13	18.9	9.0	4.5	19.6	18.0	17.2	14.3	12.3	11.0	2.1	1.8	1.7	11.2	10.9	10.2	0.8	1.4	0.9	1.2
Container Corp.	SELL	1,247	1,265	1.4	304	4.5	244	35	42	51	7.3	20.0	21.4	35.3	29.4	24.2	23.2	18.1	14.3	3.2	3.0	2.8	9.4	10.6	11.9	1.4	1.4	1.7	8.5
Dilip Buildcon	BUY	826	1,220	47.8	113	1.7	137	46	54	69	76.5	16.1	28.0	17.8	15.3	12.0	9.9	7.2	5.9	4.6	3.5	2.7	29.5	25.9	25.4	—	—	—	9.1
Gateway Distriparks	BUY	182	250	37.4	20	0.3	109	8	8	9	12.1	(1.2)	17.5	23.8	24.1	20.5	22.8	11.0	9.2	2.0	3.8	3.4	8.2	10.8	17.6	3.8	—	1.6	0.8
Gujarat Pipavav Port	BUY	112	170	52.1	54	0.8	483	4.1	5.9	7.2	(20.6)	43.7	22.5	27.2	19.0	15.5	13.3	11.0	8.7	2.7	2.6	2.6	9.8	14.0	16.8	3.0	4.3	5.3	0.5
IRB Infrastructure	BUY	227	330	45.6	80	1.2	351	23	31	33	10.8	36.8	7.1	10.0	7.3	6.9	7.4	6.9	7.4	1.4	1.2	1.0	14.5	17.6	16.3	1.0	1.4	1.8	11.8
Mahindra Logistics	BUY	605	540	(10.7)	43	0.6	71	10	14	19	16.2	44.3	32.0	61.7	42.7	32.4	35.6	23.9	18.1	10.3	8.6	7.0	18.2	21.8	23.8	—	—	—	0.9
Sadbhav Engineering	ADD	294	460	56.5	50	0.7	172	13	19	20	17.4	50.5	0.8	22.8	15.2	15.1	15.7	13.2	9.9	2.7	2.3	2.0	12.5	16.5	14.4	—	—	—	0.8
<b>Infrastructure</b>	<b>Attractive</b>				<b>1,464</b>	<b>22</b>					<b>10.5</b>	<b>11.2</b>	<b>15.4</b>	<b>20.2</b>	<b>18.2</b>	<b>15.8</b>	<b>12.9</b>	<b>11.5</b>	<b>10.0</b>	<b>3.2</b>	<b>2.8</b>	<b>2.5</b>	<b>15.7</b>	<b>15.4</b>	<b>15.5</b>	<b>0.8</b>	<b>0.9</b>	<b>1.1</b>	<b>58.6</b>
<b>Internet</b>																													
Info Edge	REDUCE	1,199	1,290	7.6	146	2.2	122	23	26	33	33.3	14.6	27.8	53.3	46.5	36.4	43.9	33.8	25.7	6.9	5.6	5.0	13.4	13.3	14.6	0.5	0.6	0.7	1.4
Just Dial	BUY	560	550	(1.7)	38	0.6	67	21	25	28	21.7	16.7	12.9	26.3	22.6	20.0	15.6	13.0	10.8	3.9	3.3	2.9	15.2	15.9	15.6	—	0.4	0.5	42.6
<b>Internet</b>	<b>Cautious</b>				<b>184</b>	<b>3</b>					<b>28.0</b>	<b>15.4</b>	<b>22.6</b>	<b>44.1</b>	<b>38.3</b>	<b>31.2</b>	<b>33.8</b>	<b>26.9</b>	<b>21.3</b>	<b>6.0</b>	<b>4.9</b>	<b>4.4</b>	<b>13.5</b>	<b>12.9</b>	<b>14.1</b>	<b>0.4</b>	<b>0.6</b>	<b>0.6</b>	<b>44.0</b>
<b>Media</b>																													
DB Corp.	REDUCE	254	295	16.2	47	0.7	184	18	20	24	(14.1)	13.2	18.8	14.4	12.7	10.7	7.7	6.7	5.6	2.8	2.7	2.6	19.9	21.5	24.5	5.1	6.3	7.9	0.5
DishTV	ADD	72	84	16.9	132	1.9	1,925	(0.4)	1.7	3.0	(143.0)	482.0	76.2	NM	42.7	24.2	11.7	6.3	5.2	2.1	2.0	1.8	(2.3)	4.7	7.8	—	—	—	9.4
Jagran Prakashan	REDUCE	140	168	19.6	44	0.6	311	10	12	14	(6.0)	21.7	15.3	14.0	11.5	10.0	6.4	5.7	5.0	2.1	2.1	2.0	14.8	18.1	20.9	2.1	3.6	6.4	0.8
PVR	REDUCE	1,350	1,425	5.5	63	0.9	47	27	38	50	25.5	39.8	33.2	50.3	36.0	27.0	16.9	13.9	11.5	5.9	5.1	4.4	12.3	15.2	17.5	0.1	0.3	0.4	6.1
Sun TV Network	REDUCE	836	925	10.6	329	4.8	394	29	35	39	10.2	20.7	10.9	29.0	24.0	21.7	19.5	16.4	14.3	7.1	6.4	5.8	26.3	28.1	27.9	1.2	2.1	2.4	22.4
Zee Entertainment Enterprises	ADD	566	625	10.5	543	8.0	961	15	17	20	7.8	13.8	16.6	37.7	33.1	28.4	24.6	21.5	18.1	7.2	6.2	5.5	20.3	20.2	20.5	0.5	0.8	1.0	15.3
<b>Media</b>	<b>Attractive</b>				<b>1,159</b>	<b>17</b>					<b>(1.5)</b>	<b>30.3</b>	<b>20.0</b>	<b>35.6</b>	<b>27.3</b>	<b>22.8</b>	<b>17.2</b>	<b>13.4</b>	<b>11.4</b>	<b>4.9</b>	<b>4.5</b>	<b>4.1</b>	<b>13.7</b>	<b>16.4</b>	<b>17.8</b>	<b>0.9</b>	<b>1.4</b>	<b>1.7</b>	<b>54.6</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Target	Upside	Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		22-Jun-18	price (Rs)		(%)	(Rs bn)		(US\$ bn)	shares (mn)	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	
<b>Metals &amp; Mining</b>																													
Coal India	ADD	265	326	23.1	1,644	24.2	6,207	11	27	28	(24.2)	138.2	3.0	23.4	9.8	9.5	17.3	6.2	5.9	6.8	6.2	6.5	26.7	66.1	66.4	6.2	7.6	9.4	12.8
Hindalco Industries	BUY	222	315	41.9	498	7.3	2,229	22	27	31	155.4	23.5	14.3	10.2	8.2	7.2	6.4	5.4	4.7	0.9	0.8	0.7	9.7	10.4	10.8	0.5	0.5	0.5	43.8
Hindustan Zinc	REDUCE	289	325	12.4	1,221	18.0	4,225	22	24	28	9.3	13.6	13.8	13.4	11.8	10.4	8.3	6.8	5.6	3.4	2.9	2.5	27.2	26.4	25.6	2.8	2.8	2.9	9.9
Jindal Steel and Power	REDUCE	231	255	10.4	223	3.3	968	(8)	8	18	59.3	194.2	129.1	(27.2)	28.9	12.6	9.9	7.1	6.1	0.7	0.7	0.7	(2.7)	2.6	5.7	—	—	—	30.3
JSW Steel	ADD	337	345	2.4	814	12.0	2,417	27	27	25	83.9	(0.7)	(5.7)	12.6	12.7	13.4	8.1	7.5	8.0	2.8	2.4	2.1	24.8	20.4	16.5	1.0	1.0	1.0	19.9
National Aluminium Co.	ADD	65	85	31.7	125	1.8	1,933	4	7	7	12.7	63.0	11.1	15.6	9.6	8.6	6.5	4.3	3.9	1.2	1.2	1.2	7.7	12.4	13.6	8.8	8.5	8.5	13.0
NMDC	REDUCE	110	125	14.1	347	5.1	3,164	12	10	10	43.3	(16.5)	3.6	9.3	11.2	10.8	5.1	6.9	6.6	1.4	1.4	1.3	15.8	12.5	12.4	5.0	5.0	5.0	4.7
Tata Steel	ADD	562	710	26.4	644	9.5	1,205	67	69	73	62.6	3.1	5.3	8.3	8	7.7	6.2	6.1	5.7	1.2	1.0	0.9	17.2	13.1	12.1	1.7	1.8	1.8	73.2
Vedanta	BUY	229	415	81.6	850	12.5	3,717	22	37	43	9.6	71.9	16.9	10.6	6.2	5.3	5.7	4.2	3.5	1.3	1.2	1.1	12.9	20.6	21.4	3.5	4.9	5.7	58.3
<b>Metals &amp; Mining</b>	<b>Attractive</b>				<b>6,367</b>	<b>94</b>					<b>32.3</b>	<b>41.4</b>	<b>9.7</b>	<b>13.5</b>	<b>9.5</b>	<b>8.7</b>	<b>7.6</b>	<b>5.9</b>	<b>5.3</b>	<b>1.9</b>	<b>1.7</b>	<b>1.6</b>	<b>14.3</b>	<b>18.0</b>	<b>17.9</b>	<b>3.4</b>	<b>3.9</b>	<b>4.5</b>	<b>265.8</b>
<b>Pharmaceutical</b>																													
Apollo Hospitals	ADD	1,021	1,090	6.7	142	2.1	139	8	19	26	(46.9)	124.3	38.0	121.0	53.9	39.1	21.9	18.7	15.7	4.4	4.1	3.8	3.4	7.9	10.2	0.2	0.5	0.6	6.4
Aurobindo Pharma	ADD	611	640	4.7	358	5.3	584	42	43	46	6.0	2.3	7.9	14.6	14.3	13.3	10.2	9.8	8.9	3.1	2.6	2.2	23.2	19.5	16.6	0.7	0.8	1.0	20.7
Biocon	SELL	630	300	(52.4)	378	5.6	601	6	8	15	(39.2)	26.8	86.5	101.6	80.2	43.0	45.6	33.6	21.9	6.7	6.3	5.6	6.9	8.1	13.8	0.3	0.4	0.8	24.3
Cipla	BUY	616	650	5.6	496	7.3	805	18	26	34	40.2	46.7	32.4	35.2	24.0	18.1	18.3	13.6	10.6	3.4	3.1	2.7	10.2	13.4	15.9	0.6	0.9	1.2	22.8
Dr Lal Pathlabs	REDUCE	933	865	(7.3)	78	1.1	83	20	25	29	7.0	20.8	18.5	45.6	37.8	31.9	27.7	23.3	19.5	9.8	8.2	6.9	23.5	23.7	23.4	0.5	0.5	0.6	1.2
Dr Reddy's Laboratories	REDUCE	2,336	2,250	(3.7)	388	5.7	166	59	101	134	(18.5)	71.0	32.6	39.6	23.1	17.4	18.2	11.6	8.6	3.1	2.8	2.4	7.8	12.6	13.9	0.9	0.7	0.9	27.1
HCG	REDUCE	286	305	6.8	25	0.4	85	2	3	5	(40.0)	120.9	57.3	182.6	82.7	52.5	24.0	18.7	15.9	4.7	4.5	4.1	2.8	5.5	8.1	—	—	—	0.2
Laurus Labs	ADD	478	540	13.1	51	0.7	106	16	22	34	(11.9)	37.3	54.4	30.1	21.9	14.2	14.6	11.9	8.7	3.4	2.9	2.4	11.9	14.4	18.8	—	—	—	0.9
Lupin	REDUCE	903	800	(11.4)	408	6.0	450	38	34	45	(32.9)	(9.7)	30.2	23.7	26.2	20.1	14.5	13.1	10.7	3.0	2.7	2.4	12.6	10.9	12.8	0.6	0.6	0.7	28.4
Narayana Hrudayalaya	ADD	233	275	18.1	48	0.7	204	3	4	7	(38.1)	52.2	76.9	92.6	60.8	34.4	25.7	19.4	14.2	4.6	4.3	3.8	5.1	7.3	11.7	—	—	—	0.5
Sun Pharmaceuticals	REDUCE	577	500	(13.4)	1,385	20.4	2,406	15	17	24	(47.5)	12.0	42.0	38.0	34.0	23.9	22.5	18.5	13.6	3.6	3.3	3.0	9.8	10.2	13.1	0.3	0.6	0.8	48.6
Torrent Pharmaceuticals	NR	1,471	—	—	249	3.7	169	40	47	62	(27.4)	16.5	32.4	36.7	31.5	23.8	20.5	14.7	12.2	5.4	4.8	4.1	15.1	15.1	17.3	0.6	0.7	1.0	5.3
<b>Pharmaceuticals</b>	<b>Neutral</b>				<b>4,004</b>	<b>59</b>					<b>(27.6)</b>	<b>18.6</b>	<b>33.0</b>	<b>34.0</b>	<b>28.7</b>	<b>21.6</b>	<b>18.9</b>	<b>15.2</b>	<b>11.9</b>	<b>3.7</b>	<b>3.3</b>	<b>3.0</b>	<b>10.9</b>	<b>11.6</b>	<b>13.7</b>	<b>0.5</b>	<b>0.6</b>	<b>0.9</b>	<b>186.3</b>
<b>Real Estate</b>																													
Brigade Enterprises	BUY	226	340	50.8	31	0.5	136	10	9	9	(24.0)	(9.0)	(2.1)	22.0	24.2	24.7	11.6	11.8	11.6	1.3	1.3	1.2	7.0	5.4	5.1	1.1	1.1	1.1	0.4
DLF	RS	201	—	—	358	5.3	1,784	19.6	6.5	3.9	403.9	(66.9)	(39.6)	10.2	30.9	51.2	30.0	13.0	12.9	1.0	1.0	1.0	11.7	3.2	1.9	1.0	1.0	1.0	19.5
Godrej Properties	SELL	744	400	(46.2)	161	2.4	216	8.0	8.7	15.5	(15.8)	8.2	77.9	92.4	85.4	48.0	101.0	365.0	69.4	7.4	6.8	6.0	8.3	8.3	13.2	—	—	—	2.8
Oberoi Realty	REDUCE	500	535	7.0	170	2.5	340	14	57	50	21.4	318.9	(12.7)	36.9	8.8	10.1	27.5	9.5	14.1	2.8	2.1	1.8	7.8	27.5	19.2	0.4	0.4	0.4	3.5
Prestige Estates Projects	ADD	264	315	19.5	99	1.5	375	9	12	13	(6.7)	30.0	5.9	28.0	21.5	20.3	15.5	13.6	13.5	2.1	1.9	1.8	7.7	9.3	9.1	0.6	0.6	0.6	1.0
Sobha	REDUCE	484	510	5.4	46	0.7	96	21	23	26	25.6	9.1	13.4	23.1	21.2	18.7	13.2	12.7	11.8	1.7	1.6	1.5	7.5	7.8	8.3	1.4	1.4	1.4	2.2
Sunteck Realty	REDUCE	385	330	(14.2)	56	0.8	140	17	16	17	19.3	(6.4)	2.6	22.1	23.6	23.0	16.3	19.8	19.8	2.0	1.9	1.7	10.9	8.2	7.8	0.3	0.3	0.3	1.8
<b>Real Estate</b>	<b>Neutral</b>				<b>921</b>	<b>14</b>					<b>133.0</b>	<b>(15.1)</b>	<b>(11.5)</b>	<b>18.2</b>	<b>21.4</b>	<b>24.2</b>	<b>24.4</b>	<b>14.6</b>	<b>15.2</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>9.0</b>	<b>7.2</b>	<b>6.1</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>	<b>31.1</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		22-Jun-18	Target price (Rs)		(Rs bn)	(US\$ bn)		2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	
<b>Technology</b>																													
HCL Technologies	REDUCE	905	1,010	11.6	1,260	18.5	1,409	62	68	71	5.3	9.0	5.0	14.5	13.3	12.7	10.2	8.5	7.8	3.5	2.9	2.6	24.8	23.8	21.9	0.9	3.2	3.4	30.7
Hexaware Technologies	SELL	442	420	(4.9)	131	1.9	304	16	20	22	19.8	20.5	12.5	26.9	22.3	19.9	19.2	16.1	13.7	6.7	5.8	5.0	26.6	27.8	27.0	0.9	1.8	1.8	12.1
Infosys	ADD	1,248	1,350	8.2	2,725	40.1	2,175	65	70	76	3.0	8.1	9.5	19.3	17.9	16.3	13.3	12.2	10.9	4.2	3.9	3.6	21.8	22.7	23.1	2.2	3.5	3.1	77.1
L&T Infotech	ADD	1,673	1,650	(1.4)	288	4.2	175	64	73	86	13.9	14.6	17.4	26.3	23.0	19.6	22.9	17.0	14.3	7.6	6.3	5.3	31.8	30.0	29.4	1.0	1.4	1.6	4.9
Mindtree	ADD	984	1,015	3.2	161	2.4	165	35	43	52	37.8	23.2	23.2	28.5	23.1	18.8	20.7	14.5	11.7	5.9	5.1	4.3	21.4	23.6	24.9	1.1	1.3	1.6	31.2
Mphasis	SELL	1,099	760	(30.9)	212	3.1	193	44	52	56	14.4	18.3	8.2	25.1	21.2	19.6	18.1	14.6	13.0	3.9	3.5	3.2	14.6	17.4	17.1	1.8	1.8	1.8	11.4
TCS	REDUCE	1,810	1,650	(8.8)	6,929	102.0	3,829	67	78	84	1.1	15.0	8.8	26.8	23.3	21.4	19.9	16.9	15.4	7.9	7.4	6.9	29.4	32.7	33.1	1.4	2.8	3.0	105.6
Tech Mahindra	ADD	691	775	12.1	610	9.0	891	43	45	53	33.1	6.6	15.8	16.2	15.2	13.1	11.9	9.2	7.6	3.3	2.8	2.4	21.5	19.9	19.7	2.1	1.3	1.5	32.6
Wipro	REDUCE	258	295	14.2	1,168	17.2	4,507	17	19	21	(3.1)	11.1	13.7	15.2	13.7	12.1	9.5	8.1	7.0	2.4	2.1	1.9	16.0	16.3	16.6	0.4	0.6	3.9	11.9
<b>Technology</b>	<b>Cautious</b>				<b>13,485</b>		<b>198</b>				<b>1.6</b>	<b>9.9</b>	<b>9.8</b>	<b>21.1</b>	<b>19.2</b>	<b>17.4</b>	<b>15.2</b>	<b>13.0</b>	<b>11.7</b>	<b>5.0</b>	<b>4.5</b>	<b>4.1</b>	<b>23.7</b>	<b>23.5</b>	<b>23.5</b>	<b>1.4</b>	<b>2.6</b>	<b>3.0</b>	<b>317.5</b>
<b>Telecom</b>																													
Bharti Airtel	ADD	375	470	25.5	1,497	22.0	3,997	5	(4)	0	(42.9)	(187.4)	104.6	79.1	(90.5)	1,982.3	8.2	9.4	7.5	2.2	2.2	2.3	2.8	(2.4)	0.1	1.4	0.3	0.0	38.7
Bharti Infratel	REDUCE	286	285	(0.3)	529	7.8	1,850	14	13	11	(7.4)	(8.7)	(9.0)	20.8	22.8	25.0	7.5	8.2	8.7	3.1	3.3	3.3	15.7	14.0	13.1	5.0	3.5	3.2	15.2
IDEA	REDUCE	61	75	23.9	264	3.9	4,359	(10)	(15)	(14)	(656.8)	(54.9)	6.4	(6.3)	(4.1)	(4.4)	12.7	23.3	17.2	1.0	1.3	1.8	(16.0)	(26.9)	(34.0)	—	—	—	16.8
Tata Communications	ADD	602	725	20.4	172	2.5	285	2	4	8	(84.3)	121.9	117.7	366	164.8	75.7	10.9	9.8	8.6	34.4	27.7	20.0	4.5	18.6	30.7	1.1	1.1	1.2	4.4
<b>Telecom</b>	<b>Cautious</b>				<b>2,462</b>		<b>36</b>				<b>(94.7)</b>	<b>(1,906.6)</b>	<b>36.2</b>	<b>782.7</b>	<b>(43.3)</b>	<b>(67.9)</b>	<b>8.9</b>	<b>10.5</b>	<b>8.7</b>	<b>2.2</b>	<b>2.4</b>	<b>2.5</b>	<b>0.3</b>	<b>(5.5)</b>	<b>(3.7)</b>	<b>2.0</b>	<b>0.9</b>	<b>0.7</b>	<b>75.2</b>
<b>Utilities</b>																													
CESC	ADD	967	1,180	22.0	128	1.9	133	87	102	118	67.1	16.8	15.5	11.1	9.5	8.2	7.8	5.8	5.1	0.9	0.8	0.7	7.9	8.8	9.4	1.3	1.0	1.1	7.1
JSW Energy	REDUCE	70	80	14.0	115	1.7	1,640	3.1	5.9	8.2	(19.2)	92.2	38.7	22.9	11.9	8.6	7.1	5.6	4.6	1.0	1.0	0.9	4.7	8.5	11.0	2.9	2.9	2.9	2.2
NHPC	ADD	25	30	20.2	256	3.8	10,260	2.4	3.1	3.2	(17.3)	26.9	1.8	10.2	8.1	7.9	9.3	7.4	7.2	0.9	0.8	0.8	8.5	10.4	10.2	5.6	7.0	7.0	2.3
NTPC	BUY	157	190	20.8	1,297	19.1	8,245	11	15	16	(7.6)	30.9	4.4	13.8	10.6	10.1	11.1	8.6	8.0	1.3	1.2	1.1	9.5	11.6	11.3	3.6	2.8	3.0	12.6
Power Grid	BUY	198	250	26.5	1,034	15.2	5,232	16	19	21	9.6	19.3	13.6	12.6	10.5	9.3	8.7	7.4	6.7	1.9	1.7	1.5	15.8	17.1	17.5	2.7	3.2	3.6	30.7
Reliance Power	SELL	35	43	23.6	98	1.4	2,805	3.5	5.1	5.2	(16.4)	45.6	2.7	10.0	6.9	6.7	8.0	6.9	6.7	0.4	0.4	0.4	4.5	6.1	5.9	—	—	—	4.9
Tata Power	ADD	76	97	27.4	206	3.0	2,705	5.3	7.8	8.7	(9.6)	46.1	11.2	14.2	9.8	8.8	10.4	9.6	8.8	1.3	1.2	1.0	10.7	12.9	12.7	—	—	—	6.3
<b>Utilities</b>	<b>Attractive</b>				<b>3,134</b>		<b>46</b>				<b>(2.4)</b>	<b>28.6</b>	<b>9.0</b>	<b>12.9</b>	<b>10.1</b>	<b>9.2</b>	<b>9.5</b>	<b>7.8</b>	<b>7.2</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>9.7</b>	<b>11.5</b>	<b>11.6</b>	<b>3.0</b>	<b>2.9</b>	<b>3.1</b>	<b>66.1</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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Company	Rating	Price (Rs)	Target price	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
		22-Jun-18	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	(US\$ mn)
<b>Others</b>																													
Astral Poly Technik	SELL	1,016	625	(38.5)	122	1.8	120	15	19	23	20.8	28.0	23.0	69.3	54.1	44.0	38.9	30.2	24.6	12.0	9.9	8.1	18.8	20.0	20.3	0.1	0.1	0.1	1.3
Avenue Supermarts	SELL	1,494	860	(42.4)	933	13.7	624	13	16	20	47.9	28.6	26.4	118.8	92.4	73.1	69.6	53.3	41.9	20.1	16.5	13.5	18.5	19.6	20.3	—	—	—	—
Bayer Cropscience	REDUCE	4,646	4,000	(13.9)	184	2.7	34	86	105	124	4.4	22.7	17.5	54.1	44.1	37.5	43.8	34.2	27.4	9.0	7.8	6.7	15.4	18.8	19.2	0.4	0.5	0.5	0.6
Dhanuka Agritech	ADD	579	680	17.5	28	0.4	49	26	28	32	7.7	8.9	15.4	22.5	20.7	17.9	16.5	14.2	11.9	4.5	3.9	3.3	21.9	20.1	20.0	1.0	1.0	1.2	0.1
Godrej Agrovet	ADD	643	650	1.1	123	1.8	189	12	16	20	6.9	39.8	24.6	55.9	40.0	32.1	28.7	22.1	17.9	7.2	6.3	5.3	14.7	16.9	17.9	0.3	0.4	0.5	2.6
Godrej Industries	RS	605	—	—	203	3.0	336	15	16	20	6.8	8.9	24.2	41.5	38.1	30.7	37.0	31.3	34.1	5.6	5.0	4.4	14.4	13.9	15.1	0.3	0.3	0.3	5.0
InterGlobe Aviation	BUY	1,187	1,500	26.3	456	6.7	383	59	79	107	27.2	35.0	34.9	20.3	15.0	11.1	11.8	8.6	6.0	6.4	4.7	3.4	41.3	36.0	35.4	0.5	0.7	0.9	26.5
Kaveri Seed	SELL	577	470	(18.5)	38	0.6	66	32	34	36	19.8	5.9	5.0	17.8	16.8	16.0	15.3	14.0	12.7	4.9	4.0	3.5	23.8	26.3	23.3	1.0	1.4	1.7	5.1
PI Industries	BUY	791	900	13.8	109	1.6	138	27	33	41	(20.0)	25.0	23.2	29.8	23.8	19.3	21.9	17.3	13.7	5.7	4.7	3.9	20.7	21.7	22.1	0.4	0.5	0.6	1.8
Rallis India	ADD	201	235	17.1	39	0.6	195	9	11	13	(1.5)	26.4	19.7	23.3	18.4	15.4	14.8	12.2	10.3	3.3	3.0	2.6	14.6	16.9	18.1	1.6	1.8	2.0	0.9
SIS	REDUCE	1,121	1,250	11.5	82	1.2	73	23	36	43	44.0	58.5	20.6	49.7	31.4	26.0	26.7	20.2	16.7	7.9	6.7	5.5	20.2	23.4	23.3	0.3	0.5	0.6	0.5
SRF	BUY	1,671	2,110	26.2	96	1.4	57	80	92	123	(10.4)	14.4	33.6	20.8	18.2	13.6	12.7	10.1	8.2	2.7	2.4	2.1	13.7	14.0	16.4	0.7	0.8	0.9	8.9
Tata Chemicals	ADD	720	760	5.6	183	2.7	255	51	46	52	6.5	(11.2)	13.6	14.0	15.7	13.9	7.7	6.6	5.6	1.7	1.5	1.4	13.8	10.0	10.5	3.1	2.1	2.4	9.6
TeamLease Services	SELL	3,138	1,750	(44.2)	54	0.8	17	43	59	76	28.0	37.7	27.2	72.8	52.8	41.5	76.0	53.8	41.7	12.1	9.9	8.0	18.2	20.6	21.3	—	—	—	2.4
UPL	ADD	640	850	32.8	326	4.8	507	43	47	53	20.9	9.0	13.5	14.9	13.7	12.0	10.3	9.0	7.6	3.5	2.9	2.5	26.4	23.6	22.4	1.3	1.5	1.7	14.4
Vardhman Textiles	ADD	1,212	1,400	15.5	70	1.0	56	103	130	140	(8.0)	26.4	7.4	11.8	9.3	8.7	9.9	7.3	6.6	1.4	1.3	1.1	12.7	14.3	13.8	1.2	1.7	2.5	1.1
Whirlpool	SELL	1,554	1,240	(20.2)	197	2.9	127	28	37	45	13.0	33.9	22.5	56.2	42.0	34.3	33.2	25.6	20.6	11.0	9.1	7.6	21.4	23.7	24.1	0.3	0.4	0.6	1.0
<b>Others</b>					<b>3,243</b>		<b>48</b>				<b>15.1</b>	<b>19.0</b>	<b>22.4</b>	<b>31.8</b>	<b>26.7</b>	<b>21.8</b>	<b>20.5</b>	<b>16.5</b>	<b>13.5</b>	<b>5.8</b>	<b>4.9</b>	<b>4.1</b>	<b>18.1</b>	<b>18.2</b>	<b>18.9</b>	<b>0.5</b>	<b>0.6</b>	<b>0.7</b>	<b>82.0</b>
<b>KIE universe</b>					<b>107,771</b>	<b>1,585</b>					<b>(6.2)</b>	<b>29.0</b>	<b>25.6</b>	<b>26.7</b>	<b>20.7</b>	<b>16.5</b>	<b>12.4</b>	<b>10.5</b>	<b>9.3</b>	<b>2.9</b>	<b>2.7</b>	<b>2.4</b>	<b>11.0</b>	<b>12.9</b>	<b>14.6</b>	<b>1.3</b>	<b>1.5</b>	<b>1.8</b>	
<b>KIE universe (ex-energy)</b>					<b>94,830</b>	<b>1,395</b>					<b>(8.4)</b>	<b>37.0</b>	<b>30.4</b>	<b>31.6</b>	<b>23.1</b>	<b>17.7</b>	<b>13.9</b>	<b>11.6</b>	<b>10.1</b>	<b>3.3</b>	<b>3.0</b>	<b>2.7</b>	<b>10.3</b>	<b>12.9</b>	<b>15.1</b>	<b>1.2</b>	<b>1.4</b>	<b>1.7</b>	

### Notes:

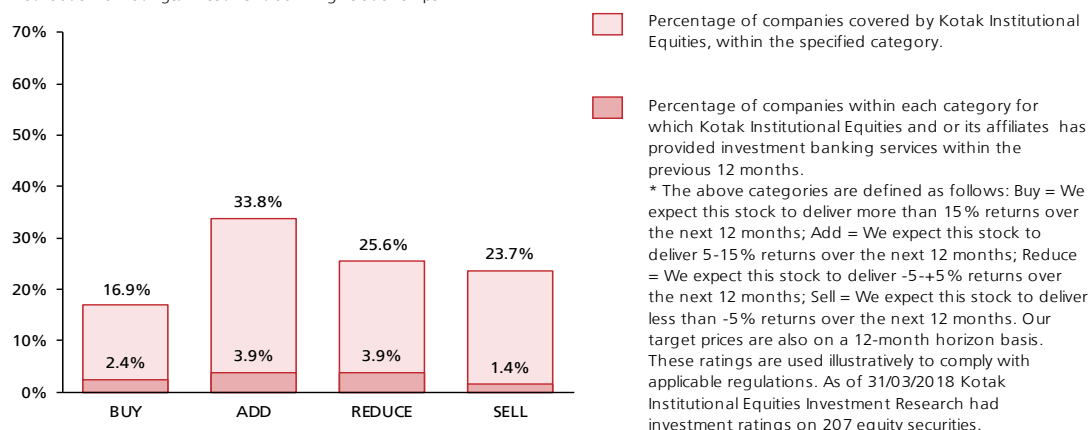
- (a) We have used adjusted book values for banking companies.  
 (b) 2018 means calendar year 2017, similarly for 2019 and 2020 for these particular companies.  
 (c) Exchange rate (Rs/US\$)= 67.95

Source: Companies, Kotak Institutional Equities estimates

Source: Company, Bloomberg, Kotak Institutional Equities estimates

**Kotak Institutional Equities Research coverage universe**

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of March 31, 2018

**Ratings and other definitions/identifiers**

**Definitions of ratings**

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5-+5% returns over the next 12 months.

SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our target prices are also on a 12-month horizon basis.

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