



Economy News

- ▶ The domestic two-wheeler market showed a drop in volumes last month, the third such since demonetisation. A drop of a little more than seven per cent in two-wheelers. This was in spite of a strong comeback in passenger vehicles (PVs), of 14 per cent growth. (BS)
- ▶ The Directorate General of Civil Aviation (DGCA) has decided that a commercial agreement between AirAsia India and its Malaysian parent, AirAsia Berhad, does not violate the law of the land. (BL)
- ▶ Union Labour Minister Bandaru Dattatreya said that the government is looking at raising the Employees' Provident Fund Organisation (EPFO)'s investment in exchange traded funds (ETFs) to 15 per cent from the existing 10 per cent. (BS)
- ▶ Television advertisements, which plunged as demonetisation sucked out currency in circulation and hit consumer sentiment and thereby sales, are surging again. Compared with December 2016 - the immediate month after the note ban on November 9 - broadcasters witnessed a 20% rise in advertisement volumes in January. (ET)

Corporate News

- ▶ **Tata Steel** agreed to sell its U.K. speciality steel business to Liberty House Group for £100 million. The speciality division covers assets in Yorkshire, and services centres in Britain and China, and focuses on steel for the aerospace, automotive and oil and gas industries. (BL)
- ▶ **Indian Hotels Company (IHCL)**, will now have all its properties across luxury, business and leisure sport the Taj name. By the end of 2017, Vivanta and Gateway brands will be discontinued. However, IHCL will continue to use the Ginger name for its budget hotels. (ET)
- ▶ **Lupin Ltd**, plans to build a portfolio of specialty products for the US market through acquisitions in areas of women's health, pediatrics and neurology. (Mint)
- ▶ TVS Group flagship **Sundaram-Clayton Ltd (SCL)** has said it will invest around Rs 7.5 Bn to expand its domestic facilities as well as to set up its first overseas plant in the US. The company aims to invest Rs 4 Bn over the next three years to expand its facilities in India to cater to growth in the market. (BS)
- ▶ Airports Authority of India (AAI) has issued an eviction notice to **Hotel Leela** in Mumbai, for non-payment of Rs 2.5 Bn in dues. Hotel Leela Venture Ltd, which operates the 391-room five-star property near the CSI airport, got the notice earlier this week. (BS)
- ▶ **Welspun India**, which was mired in a controversy for faking products made of Egyptian cotton, plans to invest USD 3 million in promoting Egyptian cotton jointly with the Cotton Egypt Association. Last August, the US retailer Target Corporation terminated contract with Welspun after alleged lapses in its products supply. (BL)
- ▶ Canada-based fund Brookfield Asset Management is in talks with lenders to invest in the debt-laden **Jaiprakash Power Ventures (JPVL)**, which is under strategic debt restructuring (SDR). Brookfield is likely to infuse around Rs 10 Bn in JPVL. (Moneycontrol)
- ▶ **Aurobindo Pharma Ltd** has said it has acquired four biosimilar products from Swiss firm TL Biopharmaceutical AG of for an undisclosed amount. As part of this agreement, TL Biopharmaceutical will supply all the developmental data for four molecules and Aurobindo Pharma or its affiliates will develop, commercialize and market these products globally. (Mint)

Equity

	9 Feb 17	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	28,330	0.1	5.3	3.0
NIFTY Index	8,778	0.1	5.9	3.0
BANKEX Index	23,118	(0.5)	9.9	(0.3)
SPBSITIP Index	9,867	1.6	(0.9)	4.3
BSETCG INDEX	15,418	(0.3)	8.4	6.9
BSEOil INDEX	13,186	0.0	5.1	9.0
CNXMcap Index	16,246	0.4	8.4	5.6
SPBSSIP Index	13,583	0.2	7.9	5.1
World Indices				
Dow Jones	20,172	0.6	1.6	7.3
Nasdaq	5,715	0.6	2.9	9.7
FTSE	7,230	0.6	(0.6)	5.9
NIKKEI	18,908	(0.5)	0.2	11.5
HANGSENG	23,525	0.2	4.1	3.7

Value traded (Rs cr)

	9 Feb 17	% Chg - Day
Cash BSE	3,139	(46.8)
Cash NSE	23,432	5.6
Derivatives	887,000	104.3

Net inflows (Rs cr)

	8 Feb 17	% Chg	MTD	YTD
FII	(188)	(170)	1,038	19,774
Mutual Fund	(288)	(318)	950	53,410

FII open interest (Rs cr)

	8 Feb 17	% Chg
FII Index Futures	20,950	2.4
FII Index Options	76,329	0.7
FII Stock Futures	69,632	1.3
FII Stock Options	6,967	6.9

Advances / Declines (BSE)

	9 Feb 17	A	B	T	Total	% total
Advances	163	532	44	739	46	
Declines	135	634	53	822	52	
Unchanged	2	22	7	31	2	

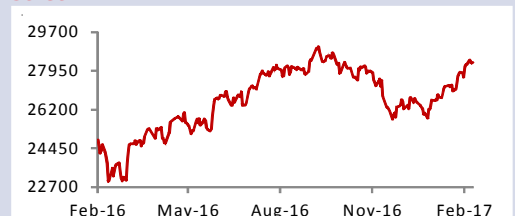
Commodity

	9 Feb 17	% Chg		
		1 Day	1 Mth	3 Mths
Crude (US\$/BBL)	53.1	0.2	4.4	18.9
Gold (US\$/OZ)	1,233.4	(0.7)	3.4	(3.3)
Silver (US\$/OZ)	17.7	(0.6)	4.7	(6.2)

Debt / forex market

	9 Feb 17	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	6.9	6.9	6.4	6.7
Re/US\$	66.9	67.2	68.2	66.4

Sensex



RESULT UPDATE

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HERO MOTOCORP (HMC)

PRICE: Rs.3265
TARGET PRICE: Rs.3692

RECOMMENDATION: BUY
FY18E P/E: 16.4x

HMC 3QFY17 results came in above our/street estimates with the company reporting robust operational performance for third quarter in a row. Sales volume during the quarter was hit hard by demonetization, but strong operating margin limited the impact. While revenues fell by 12% YoY, 131bps YoY expansion in EBITDA margin restricted PAT fall to 3% YoY. Post demonetization, two wheeler industry saw significant impact on demand. Demonetization will continue to weigh upon two wheeler demand in 4QFY17, though the impact is likely to recede. In FY18, volume growth in FY18 will be supported by demand recovery, lower FY17 base and some spill over 2HFY17 demand into FY18. In the past few quarters, HMC has surprised positively on the operational front. Though there are certain headwinds to margins, we expect that to partly get offset by price increase and internal cost control measures. We expect overall EBITDA margins for the company to stay healthy in FY18. We upgrade the stock to BUY (earlier ACCUMULATE) with unchanged price target of Rs3,692.

Summary table

(Rs mn)	FY16	FY17E	FY18E
Sales	285,993	283,979	328,062
Growth (%)	3.7	(0.7)	15.5
EBITDA	44,470	47,759	54,287
EBITDA margin (%)	15.5	16.8	16.5
PBT	43,946	48,340	55,731
Net profit	31,324	34,563	39,848
EPS (Rs)	156.9	173.1	199.5
Growth (%)	31.3	10.3	15.3
CEPS (Rs)	179.0	197.4	226.1
BV (Rs/share)	397.9	474.6	565.8
Dividend per share (Rs)	72	80	90
ROE (%)	43.2	39.7	38.4
ROCE (%)	59.8	54.1	52.5
Net cash (debt)	33,784	43,316	59,348
NW Capital (Days)	(9.2)	(9.0)	(11.2)
P/E (x)	20.8	18.8	16.3
P/BV (x)	8.2	6.9	5.8
EV/Sales (x)	2.2	2.1	1.8
EV/EBITDA (x)	13.9	12.7	10.9

Source: Company, Kotak Securities - Private Client Research

Quarterly performance

(Rs mn)	3QFY17	3QFY16	YoY (%)	2QFY17	QoQ (%)
Revenues	63,646	72,235	(11.9)	77,963	(18.4)
Total expenditure	52,849	60,927	(13.3)	64,274	(17.8)
RM consumed	41,280	48,833	(15.5)	51,833	(20.4)
Employee cost	3,743	3,431	9.1	3,575	4.7
Other expenses	7,826	8,663	(9.7)	8,867	(11.7)
EBITDA	10,797	11,308	(4.5)	13,689	(21.1)
EBITDA margin (%)	17.0	15.7	-	17.6	-
Depreciation	1,249	1,139	9.6	1,193	4.7
Interest cost	15	12	23.6	16	(1.9)
Other Income	1,319	902	46.3	1,524	(13.4)
PBT	10,853	11,058	(1.9)	14,004	(22.5)
PBT margins (%)	17.1	15.3	-	18.0	-
Tax	3,133	3,126	0.2	3,962	(20.9)
Tax rate (%)	28.9	28.3	-	28.3	-
Reported PAT	7,720	7,932	(2.7)	10,042	(23.1)
PAT margins (%)	12.1	11.0	-	12.9	-
Other Comprehensive Income	-	(9.3)	-	(95.0)	-
Total Comprehensive Income	7,720	7,923	(2.6)	9,947	(22.4)
EPS (Rs)	38.7	39.7	(2.7)	50.3	(23.1)
Volumes (nos)	1,473,548	1,690,354	(12.8)	1,823,498	(19.2)
Net Realization (Rs)	42,387	42,015	0.9	42,059	0.8
RM cost per vehicle (Rs)	28,014	28,889	(3.0)	28,425	(1.4)

Source: Company

Result Highlights

- HMC's performance during the quarter was impacted by demonetization. Two wheeler industry volumes witnessed sharp decline in demand due to demonetization. Accordingly HMC's volume fell by 13% YoY during the quarter. On the back of volume decline, company reported 11% decrease in revenues, which came in at Rs63.6bn. HMC's 3QFY17 revenues came as per estimates.

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- Sequential revenue fall was higher at 18% even due to strong 2QFY17. Volumes during 2QFY17 was high on account of huge inventory build-up for the festive season. Spare part revenues for the quarter were also hit due to demonetization. As a result, spare part revenues declined from Rs6bn in 2QFY17 to Rs5bn in 3QFY17.
- During the quarter, HMC reported its best ever quarterly gross margins. Further, improvement in gross margin came in an environment of rising commodity prices. At 35.1%, gross margin expanded by 274bps YoY and 163bps QoQ. Company indicated that raw material during the quarter reflects 1QFY17 commodity prices, which was lower (company have 3-6 months contracts with vendors). Going ahead in 4QFY17 / 1QFY18, recent increase in commodity prices will impact raw material cost for the company.
- Employee cost during the quarter increased by 9% YoY, broadly reflecting increased manpower and annual increments.
- Other expenses in 3QFY17 was lower than estimates. Despite generally high marketing spends during festive season, other expenses declined even QoQ. One reason for fall in other expenses was steep decline in volumes (lower variable cost). However, still other expenses was below estimates.
- Higher gross margins and lower other expenses led to EBITDA margin coming in at 17%, higher YoY and much ahead of our/street expectation. On a YoY basis, EBITDA margin inched up 131bps, despite 13% fall in sales volume.
- Depreciation cost increase pertains to start of new manufacturing facility in 3QFY17 at Halol, Gujarat.
- Strong operational performance restricted YoY decline in PAT. For the quarter, HMC reported PAT of Rs7.7bn, 3% lower YoY but above our estimate of Rs6.7bn.

Conference Call Highlights

- Two wheeler industry volumes were down by ~15% in November/December 2016 and by 9% in January 2017. Company expect volume growth to be almost flat by March 2017. In FY18, the management expects the industry to grow in high single digits with 2HFY18 volumes to be better than 1HFY18.
- Recovery in demand post demonetization is better in certain pockets of North and South India. However, some places in South and West India are slow to recover.
- In exports, company entered new markets like Nigeria, Argentina and Mexico. However, export volumes are facing headwinds.
- Impact of recent increase in commodity prices will reflect in 4QFY17/1QFY18 results.
- In January 2017, HMC took a price hike of ~Rs500-1,500 on its products. This price hike is largely taken to offset cost related to BSIV vehicles and partly to cover increased raw material cost. Cost increase on account of BSIII to BSIV migration is in the range of Rs400-500 per vehicle.
- Under LEAP (cost rationalization program), HMC saved Rs1.92bn in FY17YTD (till January 2017) and expects savings to increase to Rs2.5bn by end FY17. Company highlighted that these savings will add 80-90pbs to the margins in FY17. For FY18, the aim is to add 50-60bps (from LEAP) and 25-30bps (through other measures) to the margins.
- On BSIV, the company indicated that as per their understanding, deadline of 31st 2017 for BSIII vehicle is applicable only for manufacturing and the dealers will be able to sell BSIII compliant two wheelers inventory post 31st March 2017.

- HMC's dealer inventory is ~6-7 weeks.
- Excise benefit from Haridwar plant will end by 31st March 2018. There will be 100bps impact on margins on this count.
- Financed vehicle sales for HMC was at 38% in 3QFY17. Sales through cheque/NEFT/RTGS has seen an increase post demonetization.

Outlook and Valuation

- Post demonetization, two wheeler industry saw significant impact on demand. After growing at 17% YoY in 1HFY17, domestic volume growth for the industry came down to 4% YoY in 3QFY17. During December 2016, industry volumes fell by 22% over December 2015. Demonetization will continue to weigh upon two wheeler demand in 4QFY17, though the impact is likely to recede.
- Impact of demonetization was higher in rural areas and on entry/economy level motorcycles, due to higher component of cash transactions. Accordingly volumes of HMC were hit hard. However, as liquidity in the system improves, we expect gradual recovery in sales for the company. We expect healthy volume growth for the company in FY18E.
- In the past few quarters, HMC has surprised positively on the operational front. Due to strict control over cost, HMC has reported strong EBITDA margins during 9MFY17. Going forward, there are certain headwinds to operating margins, however price hike and cost control initiatives will offset the same to certain extent. We expect overall EBITDA margins for the company to stay healthy in FY18.
- We revise our FY17/FY18 to factor in negative impact of demonetization on volumes and strong operational performance. Accordingly, we lower our FY17/FY18 revenue estimates but increase our EBITDA margin assumption. As a result of above changes, our revised net profit estimates stands lower by 3% for FY17 and unchanged for FY18.
- We upgrade the stock to **BUY** (earlier ACCUMULATE) with unchanged price target of Rs3,692. We have valued the stock at a PE of 18.5x (unchanged) on FY18E earnings.

We recommend BUY on Hero MotoCorp with a price target of Rs.3692

Change in estimates

(Rs mn)	FY17			FY18		
	Old	New	% chg	Old	New	% chg
Revenues	314,046	283,979	-9.6	357,374	328,062	-8.2
EBITDA margin (%)	16.0	16.8		15.8	16.5	
PAT	35,650	34,563	-3.0	39,848	39,848	0.0

Source: Company

RESULT UPDATE

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ESCORTS LTD

PRICE: Rs.393
TARGET PRICE: Rs.421

RECOMMENDATION: ACCUMULATE
FY18E P/E: 14.9x

Escorts 3QFY17 results came on expected lines. Revenues for the company grew by 23% YoY on account strong growth in tractor volumes. EBITDA margin expanded 378bps YoY to 8.4% (estimate was 8.2%), supported by operating leverage from robust volume growth, focus on cost and reduction in losses from loss making divisions. Adjusted PAT grew by 115% YoY to Rs556mn. During the quarter, the company completed the divestment of OEM and export business in its auto ancillary division. Post demonetization, demand is gradually picking-up. We expect tractor volume growth to improve in coming months. Tractor volume growth is expected to healthy in 1HFY18 and 2HFY18 performance will depend on this year's monsoon. Operating leverage from volume growth and cost saving initiatives will likely support further expansion in EBITDA margin for Escorts. We retain ACCUMULATE on the stock with revised price target of Rs421 (earlier Rs410).

Summary table - Consolidated

(Rs mn)	FY16	FY17E	FY18E
Sales	35,376	41,742	48,741
Growth (%)	(14.0)	18.0	16.8
EBITDA	1,464	3,162	4,839
EBITDA margin (%)	4.1	7.6	9.9
PBT	789	2,096	3,931
Adjusted PAT	916	1,806	3,145
Adjusted EPS (Rs)	7.7	15.1	26.3
Growth (%)	(14.4)	97.2	74.1
CEPS (Rs)	12.8	20.6	31.9
BV (Rs/share)	157	167	189
Dividend / share (Rs)	1.2	1.2	1.2
ROE (%)	5.0	9.3	14.8
ROCE (%)	6.3	12.6	19.0
Net cash / (debt)	(2,256)	(1,876)	362
NWCcapital (Days)	11	10	11
P/E (x)	51.2	26.0	14.9
P/BV (x)	2.5	2.3	2.1
EV/Sales (x)	1.4	1.2	1.0
EV/EBITDA (x)	33.6	15.4	9.6

Source: Company, Kotak Securities - Private Client Research

Quarterly Data

(Rs mn)	3QFY17	3QFY16	YoY(%)	2QFY17	QoQ (%)
Revenues	10,929	8,913	22.6	9,827	11.2
Total expenditure	10,014	8,504	17.8	9,149	9.5
RM consumed	7,573	6,252	21.1	6,684	13.3
Employee cost	1,114	1,032	8.0	1,114	0.0
Other expenses	1,328	1,220	8.8	1,351	(1.7)
EBITDA	915	409	123.5	678	34.9
EBITDA margin	8.4	4.6	-	6.9	-
Depreciation	167	142	18.0	157	6.3
Interest cost	49	103	(52.0)	64	(23.4)
Other Income	79	136	(42.4)	71	10.8
EO income/(loss)	(329)	(55)	-	(96)	-
PBT	448	246	82.0	432	3.8
PBT margins	4.1	2.8	-	4.4	-
Tax	221	42	-	119	-
Tax rate	49.3	17.1	-	27.6	-
Reported PAT	227	204	11.2	313	(27.4)
PAT margins	2.1	2.3	-	3.2	-
Other Comprehensive Income	(0)	0	-	0	-
Total Comprehensive Income	227	204	10.9	313	(27.6)

Source: Company

Segmental Revenues

(Rs mn)	3QFY17	3QFY16	YoY (%)	2QFY17	QoQ (%)
Agri Machinery	8,893	7,073	25.7	7,957	11.8
Auto Ancillary	155	185	(16.2)	126	22.7
Railway Equipment	580	565	2.6	600	(3.4)
Construction Equipment	1,517	1,326	14.4	1,339	13.3

Source: Company

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Volumes

in units	3QFY17	3QFY16	YoY(%)	2QFY17	QoQ (%)
Tractor	16963	13319	27.4	15482	9.6
CE	815	698	16.8	724	12.6

Source: Company

Realisations

Rs	3QFY17	3QFY16	YoY(%)	2QFY17	QoQ (%)
Tractor	524,242	531,078	(1.3)	513,976	2.0
CE	1,861,277	1,899,466	(2.0)	1,849,177	0.7

Source: Company

Result Highlights

- Escorts 3QFY17 revenues came in as per our estimates. Revenues for the quarter grew by 23% YoY to Rs10.9bn, with growth driven by tractor and construction equipment segments.
- Escorts Agri Machinery (EAM) revenues for the quarter stood at Rs8.9bn, 26% higher YoY on account of 27% growth in tractor sales. As compared with 2QFY17 tractor volumes grew by 10% due to seasonality factor.
- Construction Equipment (CE) segment revenues for the quarter was at Rs1.5bn, 14% increase YoY. Volumes in CE business grew by 17%, while average selling price was down by 2%.
- Railway equipment division (RED) revenue growth during the quarter was subdued.
- Auto ancillary segment revenues for the quarter came in at Rs155mn, 16% lower QoQ. Escorts has divested the OEM and export business of this division.
- On a YoY basis, gross margins increased from 29.9% to 30.7%. However, in comparison with 2QFY17, gross margin declined by 127bps on account of increase in commodity prices.
- Increase in employee cost broadly pertains to annual increments in employee salary/wages. Other expenses increased by 9% YoY due to strong growth in tractor and construction equipment volumes.

Segmental margins

(Rs mn)	3QFY17	3QFY16	2QFY17
Agri Machinery	10.4	7.0	9.4
Auto Ancillary	(13.6)	(32.7)	(46.8)
Railway Equipment	11.0	10.0	12.8
Construction Equipments	(2.4)	(4.2)	(4.6)

Source: Company

- EBITDA for the quarter increased by 123% YoY to Rs9.15bn. Strong tractor and construction equipment volume growth, cost control initiatives and operating leverage benefits translated into significant growth in EBITDA. EBITDA margin at 8.4% was marginally above our estimate of 8.2%.
- EAM division EBIT margin improved to 10.4% from 7% in 3QFY16 due to strong 27% jump in volumes and cost control measures. Sequentially, increase came due to volume growth and lower base as 2QFY17 cost included one-time consulting expense of Rs60mn.

- EBIT losses in the CE business came down from Rs55mn/Rs61mn in 3QFY16/2QFY17 to Rs36mn. Reduction in losses is due to 17% YoY / 13% QoQ growth in sales volume and focus on cost reduction.
- RED EBIT margin for the quarter was at 11%, higher YoY but lower QoQ. Auto ancillary business losses also declined YoY and QoQ.
- During the quarter, the company completed divestment of OEM and export business of its auto ancillary division. Accordingly, company provided for losses for this business separately and we have included the same in exceptional items. Effective losses booked from this business in 3QFY17 was Rs308mn that includes losses from operations, VRS to employees and losses related to disposal of certain assets/liabilities. Exceptional items for this quarter also includes Rs20mn as VRS to employees of other divisions.
- Tax rate increased YoY due to reduction in certain R&D benefits.
- Escorts reported PAT of Rs227mn. However, adjusted for exceptional items, PAT stands at Rs556mn, in line with our estimates of Rs550mn. Adjusted PAT grew by 115% YoY from Rs259mn to Rs556mn.

Outlook

- Good monsoons last year and lower base translated into strong growth in tractor volumes. Due to demonetization the growth slowed down, however, there has been gradual pick-up in demand. We expect tractor volume growth to improve in coming months. Tractor volume growth is expected to healthy in 1HFY18. Performance in 2HFY18 will depend on monsoons this calendar year.
- Escorts has increased FY17 domestic tractor industry growth guidance from 14-15% earlier to 18-20%. During 3QFY17 domestic tractor industry grew by 18%, with North and Central region growing by 16% and growth in South/West stood at 20%. Escorts market share improved by 63bps QoQ to 10.1%.
- Focus on turning around loss making construction equipment business will continue. Railway equipment business is likely to grow at a healthy rate over the next few years.
- So far in FY17, Escorts has reported significant improvement in EBITDA margin and we expect that trend to continue in FY18. Operating leverage from volume growth and cost saving initiatives will likely support further expansion in EBITDA margin for Escorts.
- We have marginally revised our estimates. For FY17, we lower our net profit estimates by 1% and for FY18, we increase estimates by 3%.
- We retain **ACCUMULATE** on the stock with revised price target of Rs421 (earlier Rs410) and maintain ACCUMULATE rating on the stock. We value the company at 16x FY18E consolidated EPS.

We recommend ACCUMULATE on Escorts Ltd with a price target of Rs.421

Change in estimates

(Rs mn)	FY17			FY18		
	Old	New	% chg	Old	New	% chg
Revenues	41,233	41,742	1.2	47,468	48,741	2.7
EBITDA margin (%)	7.3	7.6	-	9.6	9.9	-
Adjusted PAT	1,826	1,806	-1.1	3,058	3,145	2.8

Source: Kotak Securities - Private Client Research

Key risk

Lower than expected tractor sales growth can have substantial impact on our earnings estimates and target price.

RESULT UPDATE

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BAJAJ ELECTRICALS LTD (BAEL)

PRICE: Rs.263
TARGET PRICE: Rs.290

RECOMMENDATION: ACCUMULATE
FY18E P/E: 16.3x

BAEL reported Q3FY17 result slightly lower than our estimates due to weaker performance in the consumer division (including lighting division). Loss minimization continued in the E&P business. EBIT margin in consumer segment recovered (highest in last eight quarters), however still remain substantially lower than key competitors like Havells and Crompton Greaves Consumers Electricals.

At 16.3 x FY18 PER, BAEL stock is trading at a significant discount to the peer group (key players like Havells and Crompton Greaves consumer trading at PER of over 30x FY18 earnings) due to 1) company's presence in EPC business (B2B) which attract lower valuation, 2) sub-par margins vis-à-vis competitors and 3) prolonged history of earnings disappointment. We believe that the new initiatives taken by the management to improve distribution network (under RREP program) has modestly benefited and de-monetisation has also had less impact on company's sales (industry wide phenomenon).

We broadly maintain FY18 earnings estimate, however value B2C business at 20x FY18 PER (earlier 16x) to factor in improving profitability. We arrive at a SOTP based target price of Rs 290 (earlier Rs 260) and maintain 'ACCUMULATE' (buy on declines) rating on company's stock.

Summary table

(Rs mn)	FY16	FY17E	FY18E
Sales	46120	46220	52827
Growth (%)	8.3	0.2	14.3
EBITDA	2593	2773	3539
EBITDA margin (%)	5.6	6.0	6.7
PBT	1535	1643	2408
Net profit	955	1085	1590
EPS (Rs)	9.7	11.0	16.1
Growth %	nm	13.5	46.6
CEPS	12.4	14.3	19.4
BV (Rs/share)	76.1	83.8	95.7
DPS (Rs)	2.0	2.2	3.2
ROE %	13.3	13.7	17.9
ROCE %	9.0	9.7	12.7
Net cash (debt)	(1418)	(3369)	(2649)
NW Capital (Days)	7	25	22
EV/Sales (x)	0.6	0.6	0.5
EV/EBITDA (x)	10.6	9.9	7.7
P/E (x)	27.2	24.0	16.3
P/Cash Earnings	17.2	14.9	11.0
P/BV (x)	2.8	2.6	2.2

Source: Company, Kotak Securities - Private Client Research

Quarterly performance

(Rs mn)	Q3FY17	Q3FY16	YoY (%)	Q2FY17	QoQ (%)
Net Sales	10495	11276	(6.9)	9966	5.3
Other Income	67	111	(39.2)	77	(12.4)
Raw material cost	415	148	180.7	187	121.9
Purchase of traded goods	6588	7509	(12.3)	6320	4.2
Employee cost	1305	1158	12.8	1305	0.0
other expenditure	1514	1628	(7.0)	1701	(11.0)
Total expenditure	9822	10443	(5.9)	9513	3.3
EBITDA	672	833		453	48.6
Depreciation	78	70	10.7	71	10.5
PBIT	662	873	(24.2)	459	44.2
Interest expense	210	301	(30.2)	200	5.0
PBT	452	572		259	74.5
Tax Expense	155	212		92	68.4
Adj. PAT	297	360.2		167	77.9
Other comprehensive Income	(7.7)	(8.3)		(7.8)	
Total Comprehensive Income	289	352		159.2	
EPS (adj)	3.0	3.6		1.7	
EBITDA (%)	6.4	7.4		4.5	
Tax (%)	34.2	37.0		35.5	
RM/Sales (%)	66.7	67.9		65.3	

Source: Company

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Equities Research Group of Kotak Securities Limited.

Result Highlights

In Q3FY17, BAEL net revenues stood at Rs 10.5 Bn (-6.9% YoY) due to lower primary sales in the consumer business. The company reported operating margin at 6.4% (down 100 bps YoY, however recovered sequentially).

E&P segment, revenues stood at Rs 4.6 Bn (+4.6% YoY) with EBIT margins at 5.6% against 10.9% in Q3FY16. We believe that most of the loss making legacy orders in E&P segment are over and company would maintain superior margins in the segment going ahead. We do not anticipate a significant order inflows in the segment (current order book details are not available as no conference call has been held post Q3FY17 results).

Consumer appliances division reported gross sales at Rs 5.9 Bn (-14.6% YoY) due to likely loss in primary sales. Over the last few quarters, BAEL has been compromising sales through wholesale channel which has been negatively impacted under RREP format. We believe lighting division would have also suffered from ongoing contraction in CFL demand.

Management had earlier highlighted that 35% of current distribution systems has been brought under RREP (TOC based selling model). EBIT margin for the segment, expanded to 6.4% (highest in last eight quarters) in Q3FY17 vis-à-vis 5.1% in Q3FY16 and mere 2% in Q2FY16.

Employee cost at Rs 1.3 Bn, increased by 12.8% YoY due to increased manpower at distribution nodes under new distribution model. Management had maintained that the new distribution model shall stabilize by the end of FY18.

Segment Results

(Rs mn)	Q3FY17	Q3FY16	YoY (%)	Q2FY17	QoQ (%)
Consolidated revenues					
Consumer Durables	5895	6902	(14.6)	5661	4.1
Engg Projects	4654	4449	4.6	4393	5.9
PBIT					
Consumer Durables	377	349	8	115	229.6
Engg Projects	260	485	(46)	330	(21.3)
PBIT (%)					
Consumer Durables	6.4	5.1		2.0	
Engg Projects	5.6	10.9		7.5	

Source: Company, Q1FY17 and Q4FY16 financials not comparable due to reclassification of consumer numbers

Interest charges came down to Rs 210 mn in Q3FY17 vis-à-vis Rs 301 mn last year. Adjusted net profit in Q3FY17 stood at Rs 297 mn vis-à-vis Rs 360 mn in Q3FY16.

Valuation & Recommendation

We broadly maintain FY18 estimates and project revenue growth at 7% CAGR between FY16-18. In consumer division, we believe BAEL margins would continue to remain at lower levels until major part of RREP implementation is accomplished. We project EBITDA margin at 6% and 6.7% in FY17 and FY18 respectively.

Valuation

Rs mn	FY18E
B2C	
EBIT-Lighting	806
EBIT-Consumer Appliances	1454
EBIT B2C	2260
Interest	(300.00)
Tax	(646.72)
PAT	1313
Target PER	20
Target Market Capitalization (B2C) (a)	26261
EBIT B2B	1128
Interest	(700)
Tax	(141)
PAT	287
Target PER	8
Target Market Capitalization (B2B)(b)	2296
Target Market Capitalization (BAEL) (a+b)	28557
Target price per share (BAEL)	290

Source: Kotak Securities - Private Client Research

We maintain ACCUMULATE on Bajaj Electricals Ltd with a price target of Rs.290

At 16.3 x FY18 PER, BAEL stock is trading at a significant discount to the peer group (key players like Havells and Crompton Greaves consumer trading at PER of over 30x FY18 earnings) due to 1) company's presence in EPC business (B2B) which attract lower valuation, 2) sub-par margins vis-à-vis competitors and 3) prolonged history of earnings disappointment.

We value B2C business at 20x FY18 PER (earlier 16x) to factor in improving profitability. We arrive at a SOTP based target price of Rs 290 (earlier Rs 260) and maintain '**ACCUMULATE**' (buy on declines) rating on company's stock.

RESULT UPDATE

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ABB LTD

PRICE: Rs.1220
TARGET PRICE: Rs.1478

RECOMMENDATION: BUY
CY17E P/E: 28.9x

ABB's broad numbers were a tad lower than our estimates. EBITDA margins exceeded our forecast, though. The highlight of the results was the strong accretion in order book shown by the company aided by a large Rs 36 bn HVDC. Even the management commentary was markedly optimistic. With a strong order book, we believe ABB is in a strong position to deliver strong double-digit growth in CY16-18 period. Given this, we feel encouraged to change our stance to positive and recommend BUY (Reduce earlier).

We value the stock at 35x CY18 earnings (35x CY17 earlier), which is in line with exit multiple of Siemens and arrive at a price objective of Rs 1478 (Rs 1110 earlier).

Summary table

(Rs mn)	CY15	CY16E	CY17E
Sales	85156	101672	122874
Growth (%)	6.2	19.4	20.9
EBITDA	7467	11221	13934
EBITDA margin (%)	8.8	11.0	11.3
PBT	5761	10106	13359
Net profit	3763	6771	8951
EPS (Rs)	17.8	32.0	42.2
Growth (%)	25.5	80.0	32.2
CEPS (Rs)	24.9	39.4	49.9
BV (Rs/share)	155.1	181.8	218.2
Dividend / share (Rs)	4.0	4.5	5.0
ROE (%)	12.0	19.0	21.1
ROCE (%)	11.7	17.6	20.5
Net cash (debt)	5892	12437	17078
NW Capital (Days)	44.7	37.7	42.5
EV/Sales (x)	2.9	2.4	2.0
EV/EBITDA (x)	33.0	21.7	17.3
P/E (x)	68.7	38.2	28.9
P/Cash Earnings	49.0	31.0	24.4
P/BV (x)	7.9	6.7	5.6

Source: Company, Kotak Securities - Private Client Research

Quarterly performance

(Rs mn)	Q4 CY16	Q4 CY15	YoY (%)
Sales	24,409.50	23,840	2
Other operating income	506	411	23
Raw material costs	13,640	13,366	2
Purchase of traded goods	1,080	973	11
Personnel expenses	1,863	1,955	(5)
Other expenditure	4,168	4,068	2
Subcontracting exp	1,345	1,257	7
Operating expenses	22,096	21,620	2
Operating profit	2,819	2,632	7
Other income	95	108	(12)
Depreciation	389	442	(12)
EBIT	2,526	2,297	10
Interest	285	207	37
PBT	2,241	2,090	7
Tax	773	796	(3)
PAT reported	1,468	1,294	13
EPS	6.93	6.11	
Ratios			
EBITDA (%)	11.5	11.0	
Raw Material costs to sales (%)	60.3	60.1	
Staff costs to sales (%)	7.6	8.2	
Other exp to sales (%)	17.1	17.1	
Tax rate (%)	34.5	38.1	

Source: Company

Earnings estimates

(Rs mn)	Actual/Reported	Estimated	Comments
Revenue	24409	25,270	Minor miss in revenues
EBITDA %	11.5	11.0	Strong ebitda margins
PAT	1468	1,571	lower other income led to PAT miss

Source: Kotak Securities - Private Client Research

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Tepid revenue growth given muted demand from industrial sector

ABB reported revenues of Rs 24.4 bn, up 2% yoy (lower than our estimate).

The general business environment for the capital goods and equipment industry remained muted for the quarter.

The management highlighted weak "Gross Capital Formation" (grew a modest 3.9% in FY16), anemic credit growth and substantial under-utilized industrial capacity (~ 70%) in the system as the major reasons that are hurting growth in electrical equipment sector.

Despite this scenario, the revenue growth was supported by demand from short-cycle orders and renewables segment (15-16% of revenues).

Within renewables segment, revenues from solar power has been growing at a fast pace. The company is a market leader in the solar inverters space. In addition to this, the company has strong presence in the T&D component in a solar power project.

Given the strong growth momentum especially in Solar Power, the share of renewables should continue to rise in revenue mix, we believe.

Exports (15-16% of revenue) and Services (20% of revenue) grew at healthy rate in the quarter and in the process increased their share in the revenue.

Segment-wise, there was a strong turnaround in "Process Automation" segment led by execution of orders in the metals sector.

Segment revenues

(Rs mn)	Q4 CY16	Q4 CY15	% YoY
Discrete automation products	6695	5064	3.5%
Electrification Products	5122	4165	-5.5%
Process Automation	3835	2937	22.0%
Powergrids	10206	8731	-2.2%

Source: Company

Expansion in EBITDA margins

EBITDA margins expanded by 50 bps to 11.5%, which was mainly attributed to higher employee productivity.

Gross margins were down 20 bps y-o-y to 39.7%.

Segment Margins

(%)	Q4 CY16	Q4 CY15
Discrete automation products	14.3%	7.8%
Electrification Products	14.0%	11.6%
Process Automation	6.4%	5.5%
Powergrids	13.7%	26.1%

Source: Company

Demand from HVDC, Solar, Railways and Automation segments have partially offset weak ordering from the core sectors. Company exits fiscal on a all-time high order book

In Q3CY16, the company booked orders worth Rs 56 bn, up 181% on a y-o-y basis, mainly driven by a large order of Rs 36 bn for delivering HVDC line from Raigad to Pugallur.

Renewables and the transportation sector continued to provide steady flow of orders.

Base orders remained steady during the fourth quarter.

As consolidation continues in the industry sector, utilities remained cautious and mostly continued with upgradation of technology through dry type transformers, gas insulated switchgears and substation packages..

Solar power continues to grow at a robust pace and the company is seeing ordering for ~ 5700 MW of solar power equipments (inverters and power systems) to materialize in the next twelve months. The plans are afoot to scale up the domestic solar capacity of ~ 9000 MW currently to 100000 MW by 2020. This opens up a sizeable opportunity for the company as in the solar power sector, ABB's addressable opportunity is to the tune of Rs 20-25 mn per MW (inverters and power ancillaries). The company has also doubled its inverter manufacturing capacity.

In inverters, the company has almost 50% market share, being manufacturers of one of the most efficient inverters. With the investment in localization and R&D, ABB is set to ride the demand growth for inverters from the solar power sector. The company doubled its solar inverter capacity to 2 GW during the quarter.

Aided by strong order intake, Order backlog rose to Rs 120.8 bn, up 52% on a yoy basis. Revenue visibility stands at 171 months of trailing four quarters revenues.

The company sees opportunities in renewables (Solar and Wind), grid reliability projects, Metro rail, Railways (traction converters), upstream O&G (motors and drives) and Mining (electrics, Automation and material handling) and HVDC projects.

Earnings Change - Minor revision in earnings - CY17

(Rs mn)	Earlier	Revised
Revenues	97773	101672
EBITDA (%)	11.90	11.0
EPS (Rs)	31.7	32.0
% change		0.8

Source: Kotak Securities - Private Client Research

Upgrade to BUY from Reduce earlier in view of strong order book and the accompanying revenue visibility

We recommend BUY on ABB Ltd with a price target of Rs.1478

ABB is well placed to leverage the opportunities from a turnaround in the capex cycle. We have been negative on ABB in view of its rich valuations. However, in view of the improved order backlog and the improved revenue visibility, we upgrade the rating to "BUY" from "Reduce" earlier.

We value the stock at 35x CY18 earnings (earlier 35x CY17 earnings), which is in line with exit multiple of Siemens and arrive at a price objective of Rs 1478 (Rs 1110 earlier). In view of the minor upside to target price, we recommend **BUY**.

RESULT UPDATE

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THERMAX LTD

PRICE: Rs.860
TARGET PRICE: Rs.815

RECOMMENDATION: SELL
FY18E P/E: 31.6x

Thermax reported weak set of numbers as revenue were sharply lower due to weak order book and headwinds related to demonetisation. Gross margins were strong.

Business outlook remains subdued as investment pipeline is dry in major user industries like Power, Refineries and Metals. Given the continuing stagnation in order book, we forecast the

Company to report decline in revenues and modest rise in profits in FY17. Thus, in view of the subdued near-term earnings and premium valuations, we maintain "SELL" with a target price of Rs 815 (Rs 792 earlier).

Summary table

(Rs mn)	FY16	FY17E	FY18E
Sales	55015	43807	46166
Growth (%)	2	-20	5
EBITDA	4481	3894	4478
EBITDA margin (%)	8.1	8.9	9.7
PBT	3893.9	4110.5	4978.1
Net profit	2753	2616	3236
EPS (Rs)	23.1	22.0	27.2
Growth (%)	7.3	-5.0	23.7
CEPS (Rs)	34.0	28.6	34.3
BV (Rs/share)	197.9	210.3	228.1
Dividend / share (Rs)	6.0	8.0	8.0
ROE (%)	8.5	8.5	11.2
ROCE (%)	10.1	9.5	10.9
Net cash (debt)	12059	15998	16808
NW Capital (Days)	-35.0	-84.4	-92.6
EV/Sales (x)	1.7	2.0	1.9
EV/EBITDA (x)	20.3	22.4	19.3
P/E (x)	37.2	39.1	31.6
P/Cash Earnings	25.3	30.0	25.0
P/BV (x)	4.3	4.1	3.8

Source: Company, Kotak Securities - Private Client Research

Quarterly performance

(Rs mn)	Q3FY17	Q3FY16	YoY (%)	9MFY17	9MFY16	YoY (%)
Net Sales	9,666	12,025	-19.6	30,111	36,777	-18.1
Other income from operations	62	170	-63.4	596	375	58.9
Raw Material costs	4,230	6,052	-30.1	13,738	18,298	-24.9
Purchase of trading goods	179	359	-50.2	537	673	-20.3
Staff costs	1,635	1,679	-2.6	5,087	4,897	3.9
Other expenditure	2,810	3,261	-13.8	8,747	10,315	-15.2
Total Operating Exp	8,854	11,351	-22.0	28,109	34,184	-17.8
PBIDT	875	844	3.6	2,598	2,968	-12.5
Other Income	252	260	-3.2	844	759	11.2
Depreciation	197	191	3.0	590	558	5.8
EBIT	930	913	1.8	2,852	3,169	-10.0
Interest	17	30	-43.9	72	96	-24.7
PBT	913	883	3.4	2,780	3,073	-9.6
Tax	334.90	272	23.2	962	997	-3.5
Share of profit from associates	(42)	(69)	-38.8	(9)	(397)	-97.7
Share of loss attributable to non controlling interest	12	-		9	-	
Adj Profit After Tax	548	543	0.9	1,817	1,680	8.1
EPS (Rs)	4.6	4.6	0.9	15	14	8.1
PBDIT % excluding other op income	8.4	5.6		6.6	7.1	
PBIDTM (%)	9.0	6.1		8.3	7.8	
Raw Material costs to sales (%)	45.3	52.6		46.5	51.1	
Staff costs to sales (%)	16.8	13.8		16.6	13.2	
Other costs to sales (%)	28.9	26.7		28.5	27.8	
Tax rate (%)	36.7	30.8		34.6	32.4	

Source: Company

Earnings estimates

Rs mn	Reported	Estimated	Comments
Revenue	9666	11000	Sharp drop in revenue as execution slows down
EBITDA (%)	9.0	8.6	Strong gross margin
PAT	548	702	Weak profits

Source: Kotak Securities - Private Client Research

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Contraction in revenue growth on back of weak order book and demonetization-related disruptions

For the quarter, revenue declined by 19.6% yoy, as apart from weak order book that weighed on the revenue growth, the company also suffered due to disruptions related to government's demonetization programme.

Revenue was mainly driven by delivery of short cycle orders as large orders are not getting finalized.

Management indicated that execution of some few large orders had lost momentum which also resulted in decline in revenue.

Energy business which includes boilers, heaters and captive power projects contracted by 24% yoy.

The performance of Environmental engineering division was also on similar lines, with revenues contracting by 9% y-o-y.

Segment revenues

Rs mn	Q3FY17	Q3 FY16	% change
Energy	7357	9710	-24%
Environmental Engineering	2524	2765	-9%
Total	9881	12474	-21%

Source: Company

Gross margins expanded to 54.7% as compared to 47.4% in the corresponding quarter of the previous fiscal. This enabled the company to restrict margin decline in the face of sharp drop in revenues.

EBITDA margins (excluding other operating income) expanded to 8.4% vs 5.6% in the corresponding quarter of the previous fiscal.

Other operating income declined sharply by 63% y-o-y to Rs 62 mn.

Segment margins

(%)	Q3FY17	Q3 FY16
Energy	8.1%	8.4%
Environmental Engineering	13.0%	8.3%

Source: Company

Consolidated PAT stood at Rs 548 mn for the quarter vs Rs 543 mn on a y-o-y basis.

TBW's order book continues to remain weak at Rs 2.41 bn and hence turnaround in performance remains contingent on gains in order intake in the near term.

Order book remains muted

Order backlog at consolidated level stands at Rs 46.5 bn, which is down 4% on a yoy basis.

Quarterly order intake (Cons) rose 19% yoy to Rs 11.9 bn vs Rs 10 bn in the corresponding quarter of the previous fiscal. The company could not win any major EPC project order during the quarter.

Order intake was driven by the overseas geographies even as the domestic market continued to remain subdued. Overseas orders rose 74% y-o-y to Rs 5.25 bn, while the same for domestic market declined 5% y-o-y to Rs 6.7 bn.

Exports orders were driven by South East Asia (Sugar and Rice processing orders) and Middle East (Oil and Gas).

The main drivers of the order intake continue to be Food processing (~ 25-30% of order intake), FMCG, Chemicals, Tyres, Dairy and Pharmaceuticals.

The management expects some distillery orders from Sugar sector to fructify in the near future.

The management maintained its pessimistic outlook on the thermal power generation equipment market and expects no major upturn in the next 1.5-2 year timeframe.

The management does not see any major ordering in the metals sector in view of the downtrend in metal prices. However, it added that some sponge iron makers are showing increased interest in setting up HRSG units for which the company is receiving enquiries.

The management appeared concerned that unless country starts investing in the Oil Refining capacity, the country may have to resort to imports. The company has won a small order of Rs 300 mn from the O&G sector, as part of the BS VI related capital expenditure. It expects six more tenders to be floated in the next twelve months from the sector for fuel upgradation to BS VI, which can entail an addressable opportunity for the company to the tune of Rs 8.0 bn.

Order enquiries have been encouraging but order finalization is not fructifying, the management indicated.

New initiatives

The company's plant in Indonesia for manufacturing ion exchange resins should be up and running by April 2017, the management indicated. This plant has a revenue potential of USD 100 mn.

The company would commence construction of Chillers plant in April with a capacity to make 800 units.

The management has envisaged that it expects overall business of USD 100 mn from the South East Asian region in the next few years.

Maintain "Sell" given minor upside

In the near-term, the headwinds for the stock include, 1) subdued trend in major project announcement 2) losses at its subsidiaries (TBW) 3) Premium valuations. In view of the earnings change, we revise our DCF based target price to Rs 815 (Rs 792 earlier). At our TP, the stock would be valued at 30x FY18 earnings. Thus, in view of the downside to our target price, we maintain **"SELL"**.

**We recommend SELL on
Thermax Ltd with a price
target of Rs.815**

RESULT UPDATE

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LUPIN LTD

PRICE: Rs.1499
TARGET PRICE: Rs.1664

RECOMMENDATION: ACCUMULATE
FY18E P/E: 18.9x

Lupin's results were ahead of expectations; revenues were higher than expectations (as we had built higher competition/price erosion in US), EBITDA margins at 27.1% were also ahead of our expectations but PAT though came in line due to higher tax rate. Going ahead the key concern for Lupin is the increasing competition for gFortamet as well as gGlumetza (~35% of Lupin's profit). While Sun has already received approval for gGlumetza, Actavis too is expected to join the bandwagon. In Fortamet, Mylan (which has already launched the product) will see pick up market share in coming quarters. Management commentary was optimistic as they indicated pick up in Gavis revenues with few controlled substance launches, other US launches like gMinastrin, gEpzicom, gVigamox all look to be interesting launches. We retain our positive view on the company, however the coming quarter will see impact of generic launches in gGlumetza, which will have to be offset by new launches, this remains a risk. We continue to value Lupin at 21x its FY18E EPS. Maintain ACCUMULATE with a target price of Rs 1664.

Quarterly Financials - Snapshot

(Rsmn)	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	YoY (%)	QoQ (%)
Net Revenues	33,577	40,913	43,136	42,112	44,049	31.2	4.6
Material Expenses	11,230	10,737	12,719	12,429	13,016	15.9	4.7
Employee Expenses	5,284	5,691	7,059	7,124	7,312	38.4	2.6
Other oper Expenses	6,357	6,597	6,541	7,356	6,661	4.8	(9.4)
R&D expenses	3,916	5,113	4,994	5,716	5,682	45.1	(0.6)
Operating Profits	6,790	12,776	11,822	9,487	11,379	67.6	19.9
Other Operating Income	1,982	898	1,259	793	779	(60.7)	(1.8)
EBITDA	8,772	13,674	13,080	10,281	12,158	38.6	18.3
Interest Cost	92	229	320	263	459	400.3	74.6
Depreciation	1,114	1,446	2,027	2,112	2,309	107.3	9.3
Other Income	653	254	826	271	1,036	58.6	282.1
PBT	8,219	12,254	11,560	8,177	10,426	26.8	27.5
Tax	2,909	4,132	2,734	1,589	4,094	40.7	157.6
PAT	5,310	8,122	8,826	6,588	6,332	19.2	(3.9)
Minority interest	(13)	(51)	(6)	(42)	0	(101.6)	(100.5)
Other comp income			912	-	-		
Reported PAT	5,298	8,071	9,731	6,545	6,332	19.5	(3.3)
E/o (adj for tax)	(162)	-	-	-	-		
APAT	5,136	8,071	9,731	6,545	6,332	23.3	(3.3)
Margin Analysis (%)	Q3FY16	4QFY16	1QFY17	2QFY17	3QFY17	YoY (bps)	QoQ (bps)
Raw mat cost (%)	33.4	26.2	29.5	29.5	29.5	(389.8)	3.5
Employee cost (%)	15.7	13.9	16.4	16.9	16.6	86.2	(31.8)
Other expenses (%)	18.9	16.1	15.2	17.5	15.1	(380.9)	(234.6)
R&D Expenses (%)	11.7	12.5	11.6	13.6	12.9	123.5	(67.4)
Operating Margin (%)	20.2	31.2	27.4	22.5	25.8	561.0	330.3
EBITDA Margin (%)	24.7	32.7	29.5	24.0	27.1	245.4	316.0
APAT Margin (%)	14.4	19.3	21.9	15.3	14.1	(32.0)	(113.1)
Tax Rate (%)	35.4	33.7	23.7	19.4	39.3	387.6	1,983.2

Source: Company

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Summary table

(Rs mn)	FY16	FY17E	FY18E
Sales	137,016	166,495	195,020
Growth (%)	9.5	21.8	17.1
EBITDA	37,535	49,693	58,053
EBITDA margin (%)	26.4	28.6	28.5
PBT	34,330	43,038	51,204
Net profit	22,795	30,127	35,843
EPS(Rs)	50.4	66.6	79.2
Growth (%)	(6.7)	32.2	19.0
CEPS(Rs)	60.9	83.9	99.0
BVPS(Rs)	243.8	300.9	370.2
DPS (Rs)	7.5	8.0	8.5
ROE (%)	22.9	24.5	23.6
ROCE (%)	18.4	23.4	24.3
Net debt	63,396	50,707	32,435
NW capital(Days)	143.1	118.9	108.3
P/E (x)	29.7	22.5	18.9
P/BV (x)	6.1	5.0	4.0
EV/Sales (x)	5.4	4.4	3.6
EV/EBITDA (x)	19.7	14.6	12.1

Source: Company, Kotak Securities - Private Client Research

Key highlights

- Revenues at Rs 44.05bn were up a robust 31.0% YoY. Lupin is continuing to show resilient revenues even after the generic entry in gFortamet which is commendable.
- Domestic formulations revenues posted 14% growth at Rs 9.91bn, sequentially the sales dropped ~1%.
- US sales grew by 53.4% to US\$ 316 mn during Q3 FY2017 as compared to US\$ 206 mn during Q3 FY2016.
- The Company launched 4 products in the US market during the quarter having received 11 approvals from the US FDA. The Company now has 128 products in the US generics market.
- Lupin filed 6 ANDAs and received 11 approvals from the US FDA during the quarter. Cumulative ANDA filings with the US FDA stood at 344 as of 3QFY17, with the company having received 207 approvals to date. The Company now has 44 First-to-Files (FTF) filings including 23 exclusive FTF opportunities. Cumulative DMF filings stands at 173 as of Dec-16.
- On the margin front, Gross margin improved 390bps YoY but remained constant QoQ. We expect gross margin to come down in ensuing quarters as competition in key US products increases.
- EBIDTA margin came in at 27.1%, up ~250-300bps YoY as well as QoQ.
- Tax rate for the quarter was lower at 39.3%, up ~390bps YoY and ~2000bps QoQ.
- Reported PAT came in at Rs 6.33bn, up ~23% YoY but down 3% QoQ due to higher tax rate.
- R&D expense was at to Rs. 5,682 mn, 12.9% of revenues.
- Capital Expenditure for the quarter was Rs. 2.10 bn, expected to be ~Rs. 20.0bn for this fiscal.
- Net Debt-Equity ratio for the company stands at 0.41:1

Key concall highlights**US**

- US sales grew by 52% YoY to US\$ 316 mn during the quarter from US\$ 208 mn in base quarter and US\$ 292 mn QoQ.
- US growth was driven by (1) Glumetza growth - as LPC took more share from innovator, (2) Smaller launches aided growth, (3) Brand Methergine - did well, (4) Flu season also augured well for the segment.
- LPC is looking to launch 25+ ANDAs in next 12 months. Interesting ones include - gMinastrin (LPC is FTF), gEpzicom (end of Mar-17), gVigamox and few controlled substance. Hydrocodone - will be launched in next few weeks
- Company typically has higher ANDA filing in 4Q, so for full year - 30 ANDAs should be filed FY17.
- Brand Methergine - up to \$4mn/per month. Continues to grow.
- Lupin has seen most inspections last year (2016) - so don't expect anything inspections this calendar year. For next fiscal (FY18) there will be surely some inspection.
- On AG launch of Glumetza - LPC disclosed that they had an AG free launch for 12 months and this was anticipated. Currently LPC has 75% market share in gGlumetza, with this AG launch, LPC expects the generic market to expand. As far as generic competition is concern, Sun is expected to launch in 2HCY17 (3QFY17) and Teva could possibly launch in 2QCY17.

- Inhaler product - gAdvair - at the point of exhibit batches right now. FY18 filing - on track.

Domestic

- Domestic segment posted 14% growth in the quarter.
- LPC has seen some effect due to demonetization during the quarter and believes it will continue to see pressure for the Mar-17 quarter as well. Apr-17 onwards the growth should be back to 15%.
- Lupin added 1000 MRs and five new divisions in FY16, total MRs Stand at 6500.

Others

- Capex - for current year is high due to new facility in Japan, R&D set up in Florida, US and Pune, India as well as new injectable facility - (FY17 - 19.0bn) but FY18 capex should be at ~Rs 13.0-14.0bn.
- Other expense - line item low due to forex gain. Previous quarter (2QFY17) had Rs 560mn forex loss (across line items) vs. Rs 270mn gain in 3QFY17. The forex element is spread across line items.

Outlook and Valuation

Management commentary was optimistic as they indicated pick up in Gavis revenues with few controlled substance launches, other US launches like gMinastrin, gEpzicom, gVigamox all look to be interesting launches.

We maintain ACCUMULATE on Lupin Ltd with a price target of Rs.1664

Lupin has been investing in the inhaler as well as derma space and believes it will start rolling out products from next year (in the derma space especially). With over 100+ ANDAs awaiting approval, it also makes LPC well poised for the pricing pressures currently seen in the US market.

We retain our positive view on the company, however the coming quarter will see impact of generic launches in gGlumetza, which will have be offset by new launches, which remains a risk. We continue to value Lupin at 21x its FY18E EPS. Maintain **ACCUMULATE** with a target price of Rs 1664.

RESULT UPDATE

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CAIRN INDIA LTD (CIL)

PRICE: Rs.274
TARGET PRICE: Rs.209

RECOMMENDATION: SELL
FY18E P/E: 18x

- ❑ Cairn India has reported marginally better than expected operating performance. In Q3FY17, despite lower oil and gas production, CIL has reported 4% qoq increase in operating profit at Rs.10.8 bn (as against our expectation of Rs.10.2 bn) mainly on account of higher crude oil prices, lower discount for Rajasthan crude oil, and weaker currency. However, PAT has fallen 22% qoq to Rs.6 bn on account of forex losses and higher effective tax rate.
- ❑ Cairn reported lower production in all the three producing fields in Q3FY17 (Rajasthan, Ravva and Cambay). In Q3FY17, oil and gas production from Rajasthan block was lower 8% qoq and 9% yoy at 167,699 boepd (net of internal gas consumption) primarily due to the planned maintenance shutdown at the Mangala processing terminal.
- ❑ Flattish volume growth, uncertainty over the extension of PSCs, contingent tax liability and merger are some of the key headwinds for the stock in the near term. We expect Cairn to report an EPS of Rs.13.3/share in FY17E and Rs.15.2/share in FY18E. At the current price of Rs.274, the stock is richly valued at 8.3x EV/EBIDTA and 18x P/E based on FY18E earnings estimates. We maintain SELL rating on the stock with a DCF based target price to Rs.209. Cairn's share price movement is in line with Vedanta's share price performance. The Company has indicated that the merger will go through in Q1CY17.
- ❑ Key triggers for the stocks: In the medium term, key statutory triggers are 1). Extension of Rajasthan PSC by 10 years can meaningfully add to reserves and 2). Higher crude oil prices. These policy revisions will improve investment climate for CIL.

Summary table

(Rs mn)	FY16	FY17E	FY18E
Sales	86,256	83,250	100,810
Growth (%)	(41.1)	(3.5)	21.1
EBITDA	43,392	46,795	56,303
EBITDA Margin (%)	50.3	56.2	55.9
PBT	(94,346)	29,046	32,845
Net Profit	(94,319)	25,038	28,575
Adj. EPS (Rs.)	-50.3	13.3	15.2
Growth (%)	(310.6)	NM	14.1
CEPS	29.9	29.6	32.2
BV (Rs/Share)	260.2	268.6	278.5
DPS (Rs.)	3.0	4.0	4.5
ROE (%)	4.1	5.0	5.5
ROCE (%)	2.3	4.3	7.6
Net Debt/ (Cash)	(23,855)	(67,579)	(97,866)
NW Capital (Days)	-13.2	-7.7	-18.7
EV/Sales (x)	5.7	5.4	4.1
EV/EBITDA (X)	13.5	11.0	8.3
P/E (X)	-5.4	20.5	18.0
P/CEPS (X)	9.2	9.2	8.5
P/BV (X)	1.1	1.0	1.0

Source: Company, Kotak Securities - Private Client Research

Cairn India Ltd. (Consolidated)

(Rs mn)	Q3FY17	Q3FY16	YoY (%)	QoQ (%)
Income from Operations	21,494	20,395	5	5
Incr/(Decr) in stock	(118)	(13)		
Total Expenditure	10,539	13,322	(21)	4
EBIDTA	10,837	7,060	54	4
Depreciation + exploration costs	7,260	10,120	(28)	(7)
EBIT	3577	(3,060)		39
Other income	5,239	3,927	33	(2)
Interest-net	290	159	83	50
PBT	8,527	708		10
Extra ordinary Exp/(Inc)	789	462		
Tax	1,700	(164)		
PAT	6,037	409	1376	(22)
Other comprehensive income	5,959	1,360		
Adj PAT	11,996	1,769	578	155
Equity Capital (Rs. Mn)	18,759	18,759		
EPS (Rs)	3.22	0.22	1376	(22)

Source: Company. Note: Numbers for Q3FY16 have been restated as per IndAS requirement.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Equities Research Group of Kotak Securities Limited.

Q3FY17 below our estimates:

- **Net Revenue:** Cairn India's net revenue (after profit petroleum and royalty) for Q3FY17 was up 5% both qoq and yoy to Rs.21.5 bn, driven by increase in Brent prices and improved discount to Brent for Rajasthan crude.
- Consequent to higher revenue, net profit petroleum was also up by 3% qoq and 59% yoy to Rs.7.98 bn including Rs. 6.77 bn for Rajasthan block. Net royalty was higher by 5% qoq and 7% yoy at Rs.4.36 bn with Rajasthan share of Rs.4.3 bn.
- **Volume details:** Cairn reported lower production in all the three producing fields in Q3FY17 (Rajasthan, Ravva and Cambay). In Q3FY17, oil and gas production from Rajasthan block was lower 8% qoq and 9% yoy at 167,699 boepd (net of internal gas consumption) primarily due to the planned maintenance shut-down (to maintain asset integrity and improve the plant performance) at the Mangala processing terminal. Driven by enhanced well productivity and production optimization activities (Mangala Enhanced Oil Recovery), the production at Mangala field has increased by 6% qoq to an average of 55 kboepd in Q3FY17 from 52 kboepd in Q2FY17.
- Continued reservoir management including production optimization helped maintain steady production from Bhagyam and Aishwariya.
- Gross production from Development Area-1 (DA-1) averaged at 141,177 boepd in Q3FY17 down by 7% qoq and 6% yoy. Similarly, gross production from Development Area-2 (DA-2) averaged lower by 17% qoq and 34% yoy at 13,095 boepd.
- In Q3FY17, gross total production was lower by 7% qoq at 16.73 mmbobe.
- **Realisation:** In Q3FY17, Cairn's overall realization increased by 10% qoq and 31% yoy to US\$ 46.0/boe as realization for Rajasthan crude was up 10% qoq to US\$ 45.9/bbl. Rajasthan crude discount to Brent also lowered from US\$ 4.3/bbl to US\$ 3.4/bbl, implying a reduction from 9.3% to 6.9%.

Segments

	Q3FY17	Q3FY16	YoY (%)	QoQ (%)
Margins (%)				
EBITDA Margin (%)	50.4	35	15.8	(1)
EBIT Margin (%)	16.6	(15)	31.6	4
Adj PAT Margin (%)	28.1	9	19.4	(10)
Other Income/PBT (%)	61.4	555	(493.4)	(8)
Tax/PBT (%)	22.0	(67)	88.6	15
Expenses				
Operating expenses (Incl Royalty)	4,644	5,435	(15)	(0)
Staff costs	224	355	(37)	26
Exploration cost	18	47	(63)	59
Other Administration exp.	353	642	(45)	(11)
Cess to government	5,300	6842	(23)	7
Total	10,539	13,322	(21)	4
Ratios				
Operating to Sales	21.6	26.6	(5.0)	(1.2)
Staff to Sales	1.0	1.7	(0.7)	0.2
Exploration to Sales	0.1	0.2	(0.2)	0.0
Other Adm. to Sales	1.6	3.1	(1.5)	(0.3)

Source: Company

- **Share of expenses in producing oil and gas blocks:** In Q3FY17, the operating expenses was flat sequentially at Rs.4.6 bn (-15% yoy). Cairn's focus on cost reduction helped maintain the water-flood operating cost for Rajasthan at a low of US\$ 4.3/boe. The cost was slightly up from US\$ 3.9/boe in Q2FY17 due to lower production volumes and expenses for the shutdown activities. Blended operating cost for RJ was also up from US\$ 5.8/boe in Q2FY17 to US\$6.3/boe in Q3FY17 while the polymer injection in Mangala was maintained at the target rate of 400 kbpld.
- **Exploration cost:** Similarly, in Q3FY17, CIL has charged an exploration expense of Rs.18 mn higher 59% qoq but lower 63% yoy, reflecting higher well write off.
- **Employee expenses:** In Q3FY17, the employee cost increased 26% qoq (base effect) to Rs.224 mn (-37% yoy).
- **Cess on crude oil production:** In Q3FY17, the amount of oil cess paid increased 7% qoq but down 23% yoy to Rs.5.3 bn due to higher Cess charges on ad-valorem basis.
- **Operating margin:** EBITDA margin marginally declined to 50.4% in Q3FY17 from 51% in Q2FY17 due to higher operating cost.
- **Depreciation cost:** In Q3FY17, depreciation charge decreased 7% qoq and 28% yoy to Rs.7.3 bn. DD&A charges accounted on unit of production basis were lower due to lower production on account of planned maintenance shutdown.
- **Higher other Income:** CIL's other income decreased 2% qoq to Rs.5.24 bn (+33% yoy) in Q3FY17 due to further softening of interest rate.
- **Forex gain/loss:** In Q3FY17, Cairn India has booked forex loss of Rs.789 mn due to 1.9% depreciation in Rupee versus US Dollar on closing basis.
- **Income Tax:** In Q3FY17, the Company paid tax of Rs.1700 mn vs Rs.586 mn in Q2FY17. Cairn paid tax at a rate of 22% in Q3FY17 as against 7% in Q2FY17.
- **Bottom line:** In Q3FY17, CIL has reported a net profit of Rs.6 bn down 22% qoq (higher base) on account of lower production, forex loss on account of rupee depreciation and higher effective tax rate which has been partially offset by higher EBITDA and lower depreciation. CIL's profit resulted into an EPS of Rs.3.22 for Q3FY17.
- **Cash flow/Investment:** In Q3FY17, Cairn India generated total free cash flow of Rs.14.69 bn. Net capital investment was Rs. 180 mn with 40% on exploration activities and 60% spent on development work. Sustained free cash generation further strengthened the cash and cash equivalent position to Rs.259.8 bn (US\$ 3.8 bn), of which 66% is invested in rupee funds and 34% in dollar funds.

Key Risk -

- Any significant fall in the crude oil prices will impact valuations.
- Exchange fluctuation risk
- Delay in getting government approval for increasing the production from the Rajasthan block can impact our valuations.

We recommend SELL on Cairn India Ltd with a price target of Rs.209

Valuation and Recommendation:

Flattish volume growth, uncertainty over the extension of PSCs, contingent tax liability and merger are some of the key headwinds for the stock in the near term. We expect Cairn to report an EPS of Rs.13.3/share in FY17E and Rs.15.2/share in FY18E. At the current price of Rs.274, the stock is richly valued at 8.3x EV/EBIDTA and 18x P/E based on FY18E earnings estimates. We maintain SELL rating on the stock with a DCF based target price to Rs.209. Cairn's share price movement is in line with Vedanta's share price performance. The Company has indicated that the merger will go through in Q1CY17.

Cairn and Vedanta's share price is moving in tandem

Cairn's share price movement is in line with Vedanta's share price performance.



Source: Capitaline

COMPANY UPDATE

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TV18 BROADCAST LTD

PRICE: Rs.40
TARGET PRICE: Rs.53

RECOMMENDATION: BUY
FY18E P/E: 19.1x

TV18 Broadcast's business news channels, especially CNBC-TV18, stood out relative to competition in the Budget Week. We highlight why the Budget Week viewership is an important indicator of English business news viewership (all-year round), and remind investors of the upside potential in business news operations, as and when advertising from IPOs and BFSI category take off. Meanwhile, competitive metrics of the company in other genres remain favorable (Colors, the Hindi GEC of the company was #1 in Week 5). Media reports indicate that several industry participants have begun to sense normalcy in advertising expenses post demonetization. We maintain BUY on TV18 Broadcast, with a price target of Rs 53.

Summary table

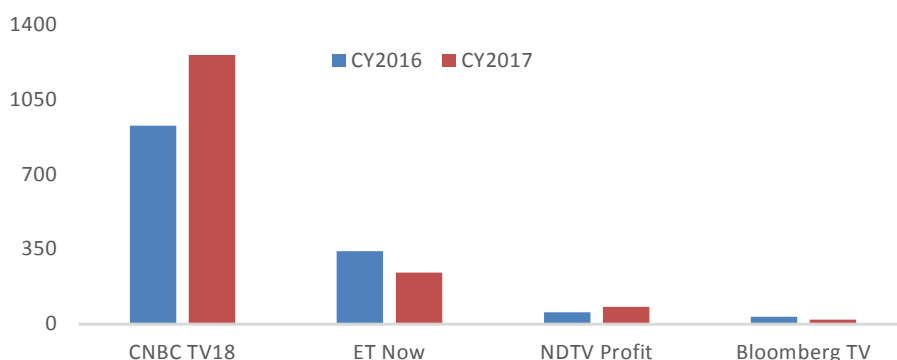
(Rs mn)	FY16	FY17E	FY18E
Sales	10,521	10,269	11,769
Growth (%)	NM	-2.4	14.6
EBITDA	1,056	1,034	1,828
EBITDA margin (%)	10.0	10.1	15.5
PBT	1,957	1,616	3,874
Net profit (adj.)	2,047	1,572	3,622
EPS (Rs)	1.2	0.9	2.1
Growth (%)	30	-23	130
CEPS (Rs)	1.4	1.1	2.4
BV (Rs/share)	22.3	23.2	25.2
Dividend per share (Rs)	0	0	0
ROE (%)	5.5	4.0	8.7
ROCE (%)	5.5	4.1	8.8
Net cash (debt)	200	1,074	3,911
NW Capital (Days)	74	99	110
P/E (x)	33.7	44.0	19.1
P/BV (x)	1.8	1.7	1.6
EV/Sales (x)	NM	NM	NM
EV/EBITDA (x)	NM	NM	NM

Source: Company, Kotak Securities - Private Client Research

Budget Day Viewership Confirms Undisputed Status in Business News

In the Budget Week (Week 5), CNBC-TV18, the English business news channel of the company, registered viewership of 1.26mn weekly impressions, 5X as much as its closest competitor (ET Now).

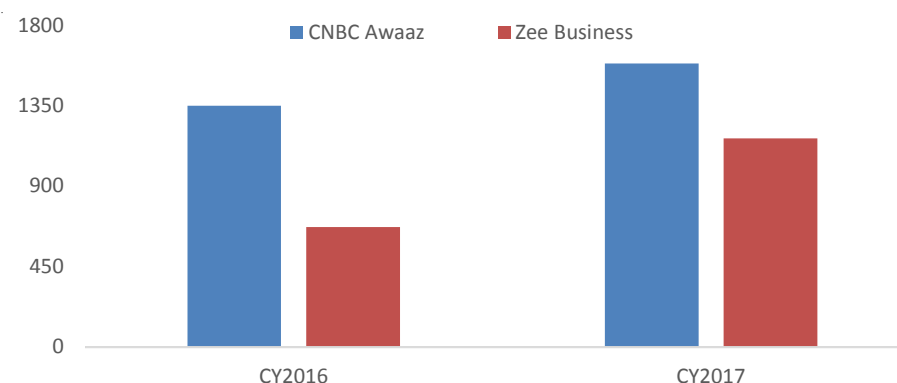
Budget Week Viewership (Week 5, 2017), English Business News (Weekly Impressions, '000)



Source: BARC

The company also maintained its number uno position in the Hindi business news segment, leading against its only competitor by 36%.

Budget Week Viewership (Week 5, 2017), Hindi Business News (Weekly Impressions, '000)



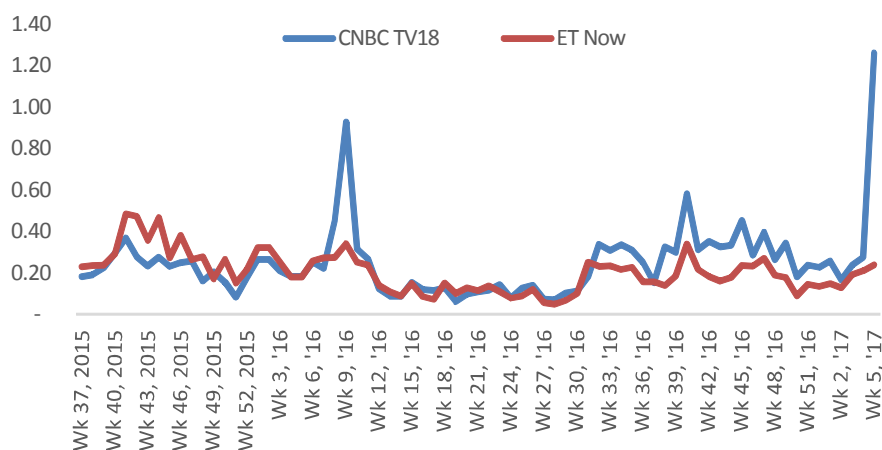
Source: BARC

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The following facts are worth noting:

Since viewership of English business news is very small (in a typical week, <0.4mn impressions), budget week/ budget day viewership is a critical factor in determining perceptions about viewership on average days (reliability of weekly data, to that extent, is subject to this reality check). It also provides an indication of the audience's "go-to" channel as and when the audience believes that something is worth following. This is why the management of the company (TV18 Broadcast) itself follows this number very closely.

Viewership, English Business News Channels (Weekly impressions, mn)



Source: BARC

Business News is Critical to Near-Term Earnings Stability in TV18 Broadcast

TV18 Broadcast profits are generated from: a/ standalone operations (business news and general news channels in Hindi and English), b/ ETV regional news channels, ('a' and 'b' total up to form the consolidated revenue/ EBITDA post Ind-AS adoption in 1QFY17) and c/ 50% ownership in entertainment operations, through JV Viacom18 and ETV Regional channels (post Ind-AS adoption in 1QFY17, these are accounted for below the EBITDA line, as profits from JVs/ associates).

As of now, our estimates factor in 60% contribution to PAT from JV/ associate income in FY18 (40% being accounted for by TV18 Standalone operations). In FY16, standalone operations generated revenues Rs 6262 mn and EBITDA Rs 1228 mn. Within standalone operations TV18 Broadcast does not report the EBITDA of general/ business news separately anymore. However, one may use the following as an indicator: in FY13/FY14, business news EBITDA was 90%/ 80% of the total EBITDA generated by standalone operations. We expect that, due to inherently weak profitability in general news as also launches/ re-launches scheduled, in FY18 business news shall generate 80-100% EBITDA of standalone operations (i.e. negative to zero EBITDA for general news operations).

Business News as a Play on Stock Market Boom

In our report dated September 19th, 2016, we have highlighted the potential positives that could emerge from the business news operations of the company. We highlight that as of now (as per our estimates) business news accounts for merely 1.5% of the total advertising expenses on TV, while the boom-time share of the same has been as high as 3.3%.

The reason for lower share of business news is lower activity from certain critical segments, most notably BFSI (contribution of BFSI to total advertising spends has declined from c. 8% in CY2008 to c. 2% in 2015). In stock-market booms, advertising from IPOs and BFSI pushes up significantly, which can lead to spikes in operating income. Our current valuation of TV18 Broadcast (Rs 53/ share) includes Rs 15-Rs18 from business news. We believe the valuation of business news, assuming share of business news rises to boom levels of 3%, can rise to as high as Rs 41/ share (thus, bringing an upside of upto Rs 23 to our current price target).

Outlook and Investment View

Budget week viewership of TV18 Broadcast's business news channels is a reminder of the first-mover strengths that the company has generated in the space. By and large, every year, while weekly ratings may sometimes confound, the strength of TV18 Broadcast relative to competition is evident in the Budget week, thus enabling our confidence in the story of TV18 Broadcast in relation to the strength in capital markets. We note that as of now, our model incorporates only moderate industry growth in the business news segments' advertising revenues (1.5% of industry revenues, versus 1.4% witnessed in CY15).

Our investment thesis on TV18 Broadcast largely relies on: a/ strong rise in entertainment operations EBITDA on account of strengthened competitive position and rising clout, b/ consistent growth in business news from a low base. On the first, we would like to note that competitive position of the company's entertainment channels has remained strong. Colors, the Hindi GEC of Viacom18 (50% owned by TV18 Broadcast), was the #1 Hindi GEC in Week 5 (78% ahead of Zee TV in urban markets, and 47% ahead of Zee TV in Urban+Rural).

Industry environment had been hurt significantly on account of demonetization. As of now, industry comments in the media indicate that sentiment has begun to improve and a recovery is underway.

We maintain **BUY** on TV18 Broadcast, with a price target of Rs 53.

**We maintain BUY on TV18
Broadcast Ltd with a price
target of Rs.53**

Bulk deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
09-Dec	ACEMEN	Piyush Jentilal Malde	S	16,300	17.1
09-Dec	APTECHT	Ashish Ramchandra Kacholia	B	2,19,872	223.6
09-Dec	AREYDRG	Darshan Kirtikumar Shah Huf	S	96,000	91.0
09-Dec	BLFL	Acharya Bijal Ankurbhai	S	34,600	40.4
09-Dec	BLUECHIPT	Arora Amit	S	11,700	84.9
09-Dec	CROWNTOURS	Jayantilal Bhimraj Jain	B	40,000	39.3
09-Dec	DEVHARI	Bavel Rajkumar Singh	B	5,05,992	10.4
09-Dec	DEVHARI	Rajkumar Shyamnarayan Singh	S	5,10,094	10.4
09-Dec	GREYCELLS	Lts Investment Fund Ltd	B	1,43,890	40.0
09-Dec	GREYCELLS	Has Lifestyle Limited	S	1,30,650	40.0
09-Dec	IRISMEDIA	Seema Aggarwal	S	7,00,000	16.0
09-Dec	KAMANWALA	Naresh Jhalani	S	88,500	16.6
09-Dec	KFBL	Hasmukhkumar Motilal Patel	B	33,732	70.8
09-Dec	KFBL	Jalanisagars	B	41,000	69.9
09-Dec	MURAD	Shree Bhuvanakaram Tradinvest	B	20,000	26.5
09-Dec	MURAD	Shree Suprinit Tradinvest Pvt Ltd	B	20,000	26.5
09-Dec	MURAD	Shree Mallikarjun Trad Invest Pvt Ltd	B	20,000	26.5
09-Dec	MURAD	Vishwamurte Trad Invest Pe Ltd	B	20,000	26.5
09-Dec	MURAD	Emotionshares Shares & Securites	B	20,000	26.5
09-Dec	OVOBELE	Merlin Securities Private Limited	B	1,81,600	33.2
09-Dec	OVOBELE	Saharsh Parekh	S	1,81,600	33.2
09-Dec	PADMAIND	B Desai Rajubhai	S	40,000	59.1
09-Dec	PADMAIND	Ethan Constructions Pvt Ltd	B	49,075	59.0
09-Dec	PADMAIND	Adamina Traders Pvt Ltd	B	40,000	59.1
09-Dec	PADMAIND	Sunayana Investment Company Ltd	B	35,000	59.0
09-Dec	PADMAIND	Adamina Traders Pvt Ltd	B	41,500	59.1
09-Dec	PADMAIND	Shah Dimplben Sanjaykumar	S	33,100	59.1
09-Dec	PADMAIND	Shah Sanjaykumar D	S	41,900	59.0
09-Dec	PADMAIND	Paryusha Upen Shah	S	1,00,000	59.1
09-Dec	PFLINFOTC	Taradevi Ratanlal Bafna	S	1,88,000	15.6
09-Dec	PFLINFOTC	Elan Capital Advisors Pvt Ltd	S	95,511	15.9
09-Dec	PFLINFOTC	Suman Prasad Durgoli	B	88,000	16.0
09-Dec	PFLINFOTC	Rohidas Shivaji Sarjine	B	1,78,000	16.0
09-Dec	PPAP	Ajay Kumar Jain	S	72,000	206.0
09-Dec	PPAP	Nikunj Food Pvt Ltd.	B	72,000	206.0
09-Dec	PRISMEDI	Karaikuruichi Rengaswamy Seshadri	S	39,600	37.6
09-Dec	SKL	Manish Agrwal Huf	S	1,00,000	15.9
09-Dec	VARDMNPOLY	Real Value Info Solutions Pvt Ltd	S	1,20,000	82.0
09-Dec	VKJINFRA	Lts Investment Fund Ltd	B	9,00,000	13.5

Source: bseindia.com

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
Bharti Infra	319	2.9	NA	6.8
Tech Mahindra	485	2.2	NA	3.0
TCS	2,317	2.0	NA	2.0
Losers				
Hindalco Ind	184	(2.8)	NA	14.0
Cipla Ltd	588	(2.6)	NA	4.2
Tata Steel	460	(2.3)	NA	6.5

Source: Bloomberg

Forthcoming events

Company/Market

Date	Event
10 Feb	Bank of Baroda, Berger Paints, Crompton Greaves, Hindustan Zinc, Ipca Labs, Jagran Prakashan, M&M, Sun TV Network, Tata Power earnings expected

Source: BSE India

RATING SCALE

Definitions of ratings

- BUY** – We expect the stock to deliver more than 12% returns over the next 9 months
- ACCUMULATE** – We expect the stock to deliver 5% - 12% returns over the next 9 months
- REDUCE** – We expect the stock to deliver 0% - 5% returns over the next 9 months
- SELL** – We expect the stock to deliver negative returns over the next 9 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- RS** – **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 9-month perspective. Returns stated in the rating scale are our internal benchmark.

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