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EQUITY MARKETS

India	Change %			
	2-Jul	1-day	1-mo	3-mo
Sensex	35,264	(0.4)	0.1	5.7
Nifty	10,657	(0.5)	(0.4)	4.0
Global/Regional indices				
Dow Jones	24,307	0.1	(1.3)	1.1
Nasdaq Composite	7,568	0.8	0.2	9.0
FTSE	7,548	(1.2)	(2.0)	7.4
Nikkei	21,872	0.3	(1.3)	2.7
Hang Seng	28,617	(1.2)	(6.2)	(4.9)
KOSPI	2,279	0.3	(6.6)	(6.7)
Value traded – India				
Cash (NSE+BSE)	311		311	335
Derivatives (NSE)	5,630		5,126	3,791
Deri. open interest	3,154		3,143	3,051

Forex/money market

	Change, basis points			
	2-Jul	1-day	1-mo	3-mo
Rs/US\$	68.8	8	170	384
10yr govt bond, %	8.2	1	3	48

Net investment (US\$ mn)

	29-Jun	MTD	CYTD
FIs	254	-	(622)
MFs	(10)	-	10,070

Top movers

Best performers	Change, %			
	2-Jul	1-day	1-mo	3-mo
TCS IN Equity	1,851	0.2	6.9	27.2
HUVR IN Equity	1,643	0.1	3.4	21.9
KMB IN Equity	1,338	(0.4)	1.5	21.3
INFO IN Equity	1,335	2.1	10.2	18.0
NEST IN Equity	9,765	(0.5)	(1.3)	17.0
Worst performers				
HDIL IN Equity	20	(3.4)	(23.0)	(52.1)
RCOM IN Equity	13	(3.6)	(19.5)	(41.4)
UT IN Equity	4	0.0	(5.7)	(30.3)
HPCL IN Equity	260	0.2	(16.8)	(26.6)
IDEA IN Equity	57	(3.9)	(7.7)	(26.2)

JULY 03, 2018

UPDATE

BSE-30: 35,264

World cup football, Indian stock market and life. The inglorious exit of defending champions in the first round of the last six football world cups (four out of six world cups) has some remarkable parallels in the Indian stock market and perhaps life. The leaders of a bull cycle usually struggle over the next few years given their distended valuations. However, 'champion' stocks like champion football teams usually make a comeback. Owners of 'expensive' stocks may want to keep football history in mind.

Inglorious exit of defending champions in four of the past six FIFA world cup championships

The last six football world cup championships (1998-2018) have seen the defending champions being eliminated in the first round of the next world cup. France (winners in 1998) exited in the group stage (first round) of the 2002 championship, Italy (winners in 2006) was eliminated in the group stage of 2010 championship, Spain (winners in 2010) suffered the same fate in the 2014 championship and Germany (winners in 2014) had a similar disappointing exit in 2018. Nonetheless, these countries are and will remain football powerhouses and will make a strong comeback in the future. France could even win in 2018 given the prodigious talent of young Kylian Mbappe (a possible unicorn in football). Germany, Italy and Spain are not in contention.

Leaders of a bull market usually struggle in the post-bull market stage

The last few bull markets have seen the leaders of the bull market struggling subsequently. Exhibit 1 shows the performance of the top performers in percentage terms in the last two years of a bull market (1998-99, 2006-07) and their subsequent 1-year, 3-year and 5-year performance. Exhibit 2 shows the contribution of the market leaders to the market rally in the last two years of the same bull markets and their subsequent 1-year, 3-year and 5-year performance. We also include the leaders of the current bull market (it may or may not be over) in the same exhibits with the standard disclaimer that past performance is not an indicator of future performance. The stocks may continue to do well given the companies' superior quality.

Champions usually come back but can struggle for some time

We note Infosys, the biggest contributor to the 1998-99 bull market, performed poorly until 2004 and periodically after that. However, it has made some sort of a return of late. Similarly, RIL, the biggest contributor to the 2005-07 bull market, struggled over 2008-16 but has been a strong performer over the past 1.5 years. It has been a large contributor to the ongoing rally (June 2016-June 2018) in the Indian market. Of course, INFO stock has returned a more modest 10% CAGR since its 1999 peak and RIL stock a paltry 3% CAGR since its 2007 peak. Timing of investment does matter although good stocks will deliver consistent returns over most periods.

Some valuable lessons for investors and life too

We note that strong football nations are 'repeat' world cup champions despite their periodic struggles. Good stocks are similar—they may have their periods of weak performance but generally deliver solid performance over long periods of time. We can argue the same for good investors and people in all walks of life (failure can follow success and success failure). However, dedication, perseverance and self-belief can drive individuals to achieve their own 'goals'. As Lionel Messi puts it—"It took me 17 years and 114 days to become an overnight success."

QUICK NUMBERS

- **INFO stock contributed 32% to the 1998-99 bull market; 10% CAGR in stock price since 1999 peak**
- **RIL stock contributed 15% to the 2006-07 bull market**
- **Top-5 Nifty-50 stocks have contributed 50% of the June 2016-June 2018 rally**

Sanjeev Prasad

Sunita Baldawa

Anindya Bhowmik

Exhibit 1: Most top performers in past bull markets struggled subsequently; this need not hold in the future

Top performers of Nifty during bubbles and their subsequent performance

	Return	Performance (%)		
	(%)	1-year	3-year	5-year
Top performers during Dec-97-Dec-99 and their subsequent performance				
Satyam Computer	2,680	(27)	(29)	6
Infosys	2,331	(21)	(34)	17
Reliance Petrochemicals	1,097	(1)	NA	NA
NIIT	631	(52)	(94)	(97)
Cipla	559	(25)	(35)	14
Top performers during Dec-05-Dec-07 and their subsequent performance				
Unitech	6,305	(92)	(79)	(89)
Sterlite Industries	536	(75)	(14)	(47)
SAIL	427	(73)	(36)	(68)
Larsen & Toubro	390	(63)	(1)	(19)
Reliance Infrastructure	314	(73)	(59)	(73)
Top performers during Jun-16-Jun-18				
Bajaj Finance	208			
Bajaj Finserv	151			
Vedanta	125			
Titan Company	117			
Maruti Suzuki	111			

Source: Capitaline, Bloomberg, Kotak Institutional Equities

Exhibit 2: Leaders of past bull markets struggled subsequently; this need not hold in the future

Top contributors to Nifty during bull markets and their subsequent performance

	Contribution	Performance (%)		
	(Index points)	1-year	3-year	5-year
Top contributors during Dec-97-Dec-99 and their subsequent performance				
Infosys	130	(21)	(34)	17
Reliance Petroleum	66	(4)	NA	NA
Hindustan Unilever	62	(8)	(19)	(36)
Satyam Computer	34	(27)	(29)	6
NIIT	31	(52)	(94)	(97)
Nifty	401	(15)	(26)	41
Top contributors during Dec-05-Dec-07 and their subsequent performance				
Reliance Industries	493	(54)	(17)	(34)
Bharti Airtel	207	(28)	(28)	(36)
Reliance Communication	192	(70)	(81)	(90)
NTPC	190	(28)	(20)	(37)
ONGC	162	(46)	4	(13)
Nifty	3,302	(52)	(0)	(4)
Top contributors during Jun-16-Jun-18				
HDFC Bank	441			
Reliance Industries	300			
HDFC	276			
Kotak Mahindra Bank	146			
Maruti Suzuki	139			
Nifty	2,427			

Source: Capitaline, Bloomberg, Kotak Institutional Equities

JULY 03, 2018

CHANGE IN RECO.

Coverage view: **Attractive**

Price (₹): **283**

Target price (₹): **440**

BSE-30: **35,264**

Well-placed on key counts. We upgrade Sadbhav Engineering after the recent correction, drawing comfort from (1) large order backlog giving growth visibility of 25%+ revenue CAGR, (2) pass-through NHAI grant escalation from SIPL protecting its EBITDA margin against cost inflation, (3) recent scale-up in cash profits of SIPL arm obviating support from parent for existing HAM projects and (4) good positioning of Sadbhav group to complete pending financial closures. We broadly retain operational standalone estimates and marginally trim down SoTP to ₹440 (from ₹460). Upgrade to BUY.

Company data and valuation summary

Sadbhav Engineering

Stock data		Forecasts/Valuations			
		2018	2019E	2020E	
52-week range (Rs) (high,low)	440-260	EPS (Rs)	12.9	17.8	18.2
Market Cap. (Rs bn)	48.6	EPS growth (%)	17.4	38.4	2.2
Shareholding pattern (%)		P/E (X)	22.0	15.9	15.6
Promoters	46.5	Sales (Rs bn)	35.1	42.5	55.6
FIs	15.5	Net profits (Rs bn)	2.2	3.1	3.1
MFs	22.2	EBITDA (Rs bn)	4.2	5.1	6.6
Price performance (%)	1M 3M 12M	EV/EBITDA (X)	15.3	12.2	9.4
Absolute	(15.0) (27.4) (9.2)	ROE (%)	12.5	15.2	13.7
Rel. to BSE-30	(15.1) (31.5) (20.4)	Div. Yield (%)	0.0	0.0	0.0

Order backlog offers good visibility of 25% revenue CAGR over FY2018-20E

Adjusting for GST, the ₹135 bn order backlog provides visibility of more than three years over one-year forward revenues and thus should yield a 25%+ revenue CAGR over FY2018-20E. Such order backlog has limited 33% share of work from HAM projects pending financial closure, a quantum that would further reduce with impending financial closure of the Jodhpur ring road project. Our FY2019E revenue estimate of ₹42 bn derives limited support from the five yet-to-start HAM projects and thus has upside potential.

Pass-through of escalation from SIPL to protect EBITDA margin against cost inflation

We note support to EBITDA margin for the construction business against cost inflation in form of (1) complete pass-through in case of EPC projects and (2) 40% pass-through of escalation (i.e. full escalation in NHAI grant component) in case of HAM projects. The latter is a good arrangement made with SIPL in contrast to the fixed-price nature of contracts other construction companies have signed with their BOT counterparts. The other comfort with Sadbhav Engineering is their track-record of relatively stable EBITDA margin over most of the past six-year period. The absence of cost and time overruns for SEL should also bolster the group's case for getting financial closures of pending HAM projects.

Uptick in cash profits for SIPL to obviate funding support from parent for existing HAM projects

Unlike in the past, SEL is unlikely to fund growth plans of its BOT counterpart (SIPL) and thus is likely to see the benefits of good EPC cash flows through financial deleveraging. SIPL has recently seen an uptick in cash profit (up 70%+ yoy in FY2018) and is likely to see another scale-up in FY2019 based on the exit quarter performance. The same (net of debt repayment) should take care of the incremental equity requirement of the existing HAM projects in its portfolio over the next three years.

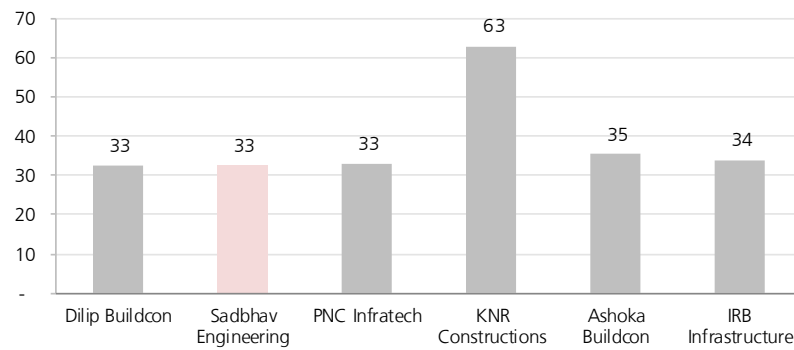
Broadly retain estimates; marginally revise down SoTP to ₹440 (from ₹460), upgrade to BUY

We marginally increase our standalone EBITDA estimates for SEL for FY2019 and FY2020 by 3-6%. We bring down our SoTP to ₹440 from ₹460 based on a lower 8X EV/EBITDA multiple (from 9X) based on good growth being factored into our FY2020/FY2021 estimates. BUY.

Aditya Mongia

Ajinkya Bhat

Exhibit 1: SEL has 33% of its order backlog dependent on closure of its HAM projects
Share of HAM projects pending financial closure in backlog of road construction companies (%)



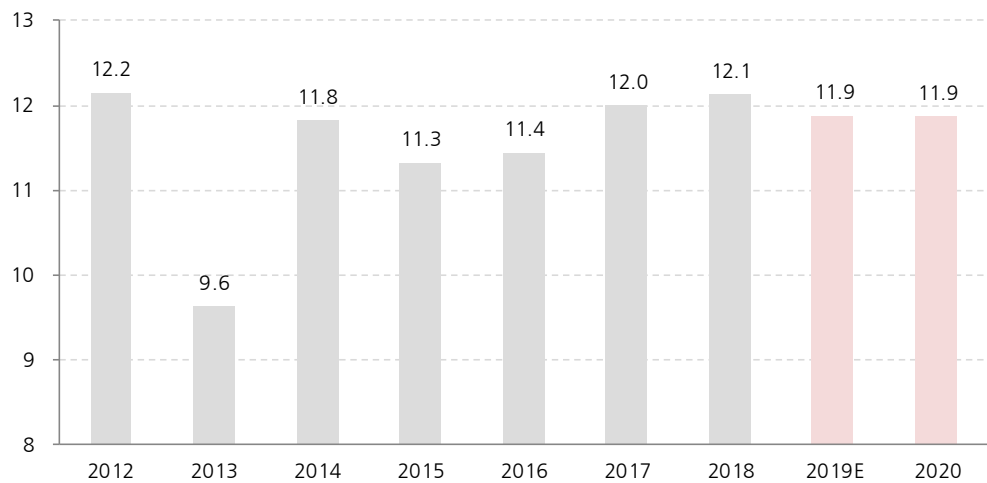
Notes

(a) KNR and PNC Infratech have not included HAM projects pending financial closure into backlog otherwise

Source: Companies, Kotak Institutional Equities

Exhibit 2: Apart from one year of sharp decline in execution, EBITDA margin has remained steady for SEL

EBITDA margin trends for SEL (standalone), March fiscal year-ends (%)

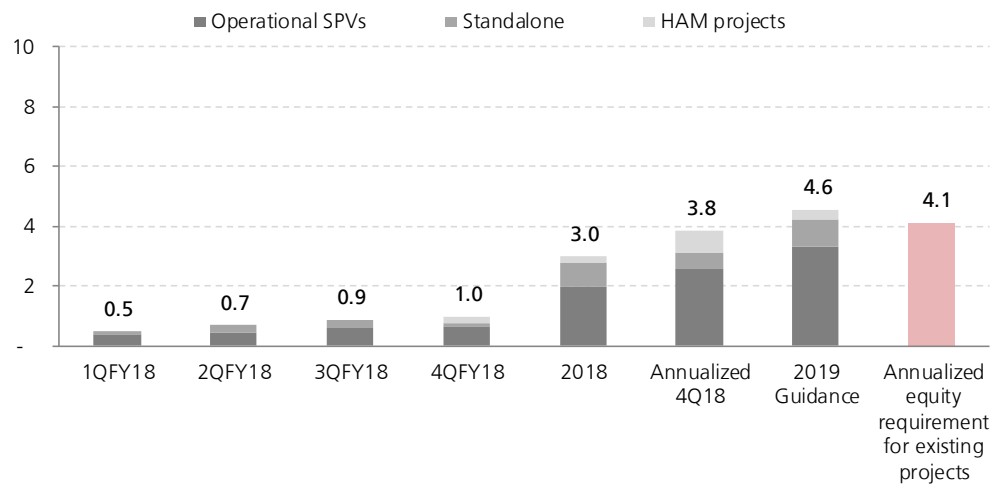


Notes:

(a) We have adjusted past revenues for GST-equivalent adjustments.

Source: Company, Kotak Institutional Equities estimates

Exhibit 3: Internal accruals are more than enough to fund equity requirement of existing projects
Comparison of cash profits and equity requirement of SIPL, March fiscal year-ends (Rs bn)



Source: Company, Kotak Institutional Equities

Exhibit 4: We arrive at an SoTP of Rs440 for SEL
One-year forward SoTP for Sadbhav Engineering (Rs/share)

Business	Value (Rs mn)	Proportionate value (Rs mn)	Shareholding (%)	Per share (Rs)	Comments
EPC business	40,887	40,887	100	238	8X EV/EBITDA on two-year forward basis
Sadbhav Infrastructure Projects				240	FCFE valuation of projects
Operational projects	51,985	48,631	69	195	
Ahmedabad Ring Road	3,642	3,642			100% stake
Aurangabad-Jalna	4,709	4,709			100% stake
Nagpur-Seoni	(303)	(303)			100% stake
Dhule	3,741	3,741			100% stake
MBCPNL	18,590	16,709			89.7% stake
Rohtak-Panipat	2,122	2,121			100% stake
Hyderabad-Yadgiri	4,278	4,278			100% stake
Bijapur-Hungund	6,404	4,930			77% stake
Gomti ka Chauraha-Udaipur	6,241	6,241			100% stake
Rajsamand-Bhilwara	3,890	3,890			100% stake
Rohtak Hissar	(1,328)	(1,328)			100% stake
Under construction projects		2,081	69	8	
Karnataka State Highway project	2,812	2,081			74% stake
SIPL standalone operations+HAM operations	9,167	9,167	69	37	4X Mar-2020 EV/EBITDA
15% holding company discount for SIPL				(36)	
Total				442	

Source: Company, Kotak Institutional Equities estimates

Exhibit 5: Segmental numbers for Sadbhav Engg (standalone), March fiscal year-ends, 2012-21E (Rs mn)

	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Total standalone										
Order inflows	32,607	46,518	23,298	22,211	25,040	35,035	93,662	76,980	84,678	94,693
Yoy growth (%)	35.6	42.7	(49.9)	(4.7)	12.7	39.9	167.3	(17.8)	10.0	11.8
Revenues	26,706	18,039	23,523	29,621	31,816	33,134	35,493	42,533	55,620	64,854
Yoy growth (%)	20.9	(32.5)	30.4	25.9	7.4	4.1	7.1	19.8	30.8	16.6
Order backlog	75,541	104,020	89,410	82,000	74,873	76,834	132,493	166,940	195,998	225,837
Roads (BOT)										
Order inflows	20,042	20,545	125	1,834	1,264	33,033	62,096	37,257	40,983	45,081
Revenues	19,790	7,127	6,435	14,239	17,034	3,330	12,753	25,950	31,631	34,817
Yoy growth (%)	61.1	(64.0)	(9.7)	121.3	19.6	(80.5)	283.0	103.5	21.9	10.1
Order backlog	33,402	46,820	30,510	18,105	2,335	32,038	81,381	92,688	102,040	112,304
Roads (others)										
Order inflows	5,133	7,048	7,163	10,799	23,777	1,615	25,569	28,126	30,939	35,580
Yoy growth (%)	(66.5)	37.3	1.6	50.8	50.0	(93.2)	—	10.0	10.0	15.0
Revenues	2,616	5,655	10,663	6,064	5,229	22,056	17,130	12,009	17,793	22,541
Yoy growth (%)	(54.7)	116.2	88.6	(43.1)	(13.8)	321.8	(22.3)	(29.9)	48.2	26.7
Order backlog	20,587	21,980	15,089	19,824	38,372	17,931	26,370	42,488	55,634	68,673
Irrigation										
Order inflows	2,474	7,898	8,620	4,537	—	—	—	5,000	5,500	6,050
Yoy growth (%)	(43.7)	219.2	9.1	(47.4)	(50.0)	—	—	—	10.0	10.0
Revenues	2,106	2,856	2,861	4,060	5,359	4,580	2,851	1,672	2,522	3,294
Yoy growth (%)	68.0	35.6	0.2	41.9	32.0	(14.5)	(37.8)	(41.4)	50.8	30.6
Order backlog	9,958	15,000	19,670	20,146	14,419	9,899	4,539	7,867	10,845	13,601
Mining										
Order inflows	4,958	11,027	7,390	5,042	—	386	5,997	6,596	7,256	7,981
Yoy growth (%)	106.5	122.4	(33.0)	(31.8)	(60.0)	—	2,500.0	10.0	10.0	10.0
Revenues	2,194	2,401	3,565	5,258	4,194	3,168	2,759	2,902	3,675	4,201
Yoy growth (%)	(21.0)	9.4	48.5	47.5	(20.2)	(24.5)	(12.9)	5.2	26.6	14.3
Order backlog	11,594	20,220	24,141	23,925	19,748	16,966	20,204	23,897	27,478	31,259

Source: Company, Kotak Institutional Equities estimates

Exhibit 6: Financials of Sadbhav Engg (standalone), March fiscal year-ends, 2012-21E (Rs mn)

	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Profit model										
Total income	26,755	18,110	23,581	29,698	31,863	33,203	35,051	42,533	55,620	64,854
Expenses	(23,853)	(16,552)	(21,092)	(26,696)	(28,608)	(29,646)	(30,899)	(37,481)	(49,024)	(57,172)
EBITDA	2,903	1,558	2,489	3,002	3,254	3,556	4,152	5,052	6,596	7,682
Interest (expense)/income	(651)	(844)	(1,181)	(1,382)	(1,515)	(1,534)	(1,772)	(1,640)	(1,528)	(1,584)
Depreciation	(274)	(318)	(474)	(817)	(849)	(1,000)	(979)	(1,157)	(1,307)	(1,457)
Other income	108	103	369	655	905	875	762	799	750	764
Pretax profits	2,086	499	1,203	1,458	1,795	1,897	2,163	3,053	4,511	5,405
Tax	(681)	(166)	55	(346)	(405)	(18)	44	—	(1,391)	(1,684)
Adjusted net income	1,404	741	874	1,112	1,342	1,879	2,207	3,053	3,120	3,721
EPS (Rs)	9.3	4.9	5.8	7.1	7.8	11.0	12.9	17.8	18.2	21.7
Balance sheet										
Total equity	7,623	8,325	9,572	13,521	14,715	16,609	18,668	21,436	24,264	27,637
Deferred taxation liability	235	317	357	244	232	(477)	(994)	(994)	(994)	(994)
Total borrowings	4,488	7,630	10,257	10,963	12,166	15,183	14,840	13,340	13,840	14,340
Total liabilities and equity	12,346	16,272	20,186	24,728	27,112	31,316	32,514	33,781	37,110	40,982
Net fixed assets	2,881	3,303	4,982	5,357	5,550	5,229	5,028	5,371	5,563	5,606
Investments	3,323	5,385	5,210	5,313	5,278	5,694	5,775	5,278	5,278	5,278
Net current assets (excl. cash)	5,015	7,150	8,471	13,356	15,552	19,934	21,458	22,195	25,837	28,329
Cash	563	218	762	351	366	230	127	469	216	884
Total assets	12,346	16,272	20,186	24,728	27,113	31,316	32,514	33,781	37,110	40,982
Free cash flow										
Cash flow from operations	722	(293)	1,047	(1,163)	1,543	169	3,536	4,771	2,567	3,601
Cash flow from investing	(778)	(2,802)	(1,914)	(1,351)	(841)	(1,095)	(858)	(1,004)	(1,500)	(1,500)
Free cash flow	(56)	(3,095)	(866)	(2,514)	702	(927)	2,678	3,768	1,067	2,101
Ratios										
EBITDA margin (%)	10.8	8.6	10.6	10.1	10.2	10.7	11.8	11.9	11.9	11.8
PAT margin (%)	5.2	4.1	3.7	3.7	4.2	5.7	6.3	7.2	5.6	5.7
Net debt/equity (X)	0.5	0.9	1.0	0.8	0.8	0.9	0.8	0.6	0.6	0.5
RoAE (%)	30.5	22.5	18.5	13.2	13.9	17.3	17.8	20.1	17.3	17.4
RoACE (%)	22.7	13.0	12.8	11.8	11.4	12.1	12.7	14.9	13.7	14.2

Source: Company, Kotak Institutional Equities estimates

JULY 03, 2018

UPDATE

 Coverage view: **Attractive**

 Price (₹): **261**

 Target price (₹): **326**

 BSE-30: **35,264**

Ahead of expectations. Coal India reported impressive 8.2% yoy growth in dispatches in June 2018, though a tad below 13.9% yoy reported in May 2018. Production volumes remained strong at 13.2% yoy growth aided by a weak base in June 2017. E-auction premiums remained high though, declining to 63% in March 2018. We maintain ADD rating with a target price of ₹326/share.

Company data and valuation summary

Coal India

Stock data

52-week range (Rs) (high,low)	317-234
Market Cap. (Rs bn)	1,617.3

Shareholding pattern (%)

Promoters	78.5
FIs	5.5
MFs	1.6

Price performance (%)

	1M	3M	12M
Absolute	(11.6)	(6.1)	6.7
Rel. to BSE-30	(11.7)	(11.5)	(6.5)

Forecasts/Valuations

	2018	2019E	2020E
EPS (Rs)	11.3	26.9	27.7
EPS growth (%)	(24.2)	138.2	3.0
P/E (X)	23.0	9.7	9.4
Sales (Rs bn)	823.9	947.8	1,020.3
Net profits (Rs bn)	70.2	167.2	172.2
EBITDA (Rs bn)	77.7	216.9	234.5
EV/EBITDA (X)	17.0	6.1	5.8
ROE (%)	26.7	66.1	66.4
Div. Yield (%)	6.3	7.7	9.6

Strong dispatch and production growth aided by weak base

Coal India reported 8.6% yoy growth in coal dispatches at 49.6 mn tons in June 2018 with all subsidiaries reporting positive volume growth, partly aided by a weak base of 45.7 mn tons (+1.6% yoy) in June 2017. Production volumes stood at 45 mn tons registering a strong growth of 13.2% yoy in June 2018 compared to 7.2% yoy decline seen in June 2017.

WCL and BCCL showed the highest growth of 20% yoy each followed by ECL (+19% yoy) and SECL (+9.1% yoy). On the production front, all subsidiaries barring BCCL reported a healthy growth in production. Among subsidiaries, SECL reported highest production growth of 23% yoy while ECL, NCL and CCL reported growth in the range of 14-17% yoy in June 2018. Dispatch volumes have been good for CIL (+11.7% yoy) in 1QFY19 with all subsidiaries reporting consistent growth in dispatch volumes.

Auction prices remain strong; inventory days see improvement in South and East

E-auction premiums declined to 63% in March 2018 after an increase to 73% seen in February 2018. However, the auction premiums should be seen in the context of the additional evacuation facility charge introduced in December 2017 as well as revision in notified prices of coal in January 2018. Coal inventory days have remained stable over the past four months with 10 days of inventories in June 2018—South and East have no plants with critical inventories. Plants with critical/supercritical levels of inventory declined significantly to 16 in June 2018 from a high of 25 in May 2018, largely concentrated in the North and West regions.

Improved pricing and volume profile augurs well for earnings

Coal India's earnings, which were plagued on account of (1) increase in wage revisions and (2) grade slippages for coal, saw an improvement in realizations in 4QFY18 on the back of increase in notified coal prices as well as evacuation charge of ₹50/ton (in December 2017). Strong e-auction realizations on the back of rising prices of imported coal as well as increased scarcity in the domestic market, with improved power demand, will aid topline performance in FY2019. We expect blended coal realizations to increase by ~₹125/ton (9%) in FY2019E on volumes of 599 mn tons. We maintain ADD rating with a target price of ₹326/share.

Murtuza Arsiwalla

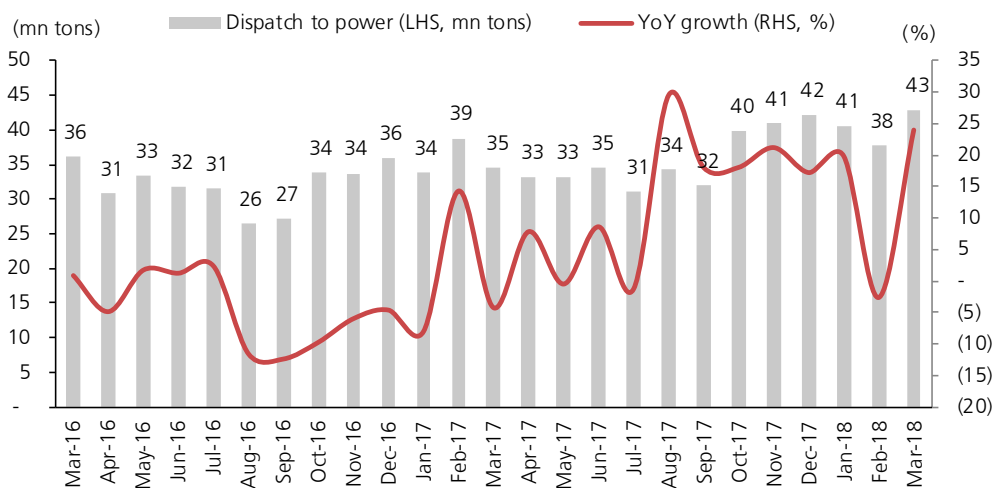
Samrat Verma

Exhibit 1: Coal India reported strong dispatch growth of 8.6% yoy in June 2018; production volume growth increased by 13.2% yoy
Subsidiary-wise monthly dispatch volumes, March fiscal year-ends (mn tons)

	Jun-18	Jun-17	May-18	Growth (%)		YTD			Quarterly		
				yoy	mom	2019	2018	(% chg.)	1QFY19	1QFY18	(% chg.)
Dispatches											
ECL	3.8	3.2	4.3	18.9	(12.3)	12.3	9.6	28.4	12.3	9.6	28.4
BCCL	2.8	2.4	3.2	19.9	(11.6)	9.1	7.8	16.4	9.1	7.8	16.4
CCL	5.3	5.1	6.4	3.1	(17.2)	17.7	16.0	10.8	17.7	16.0	10.8
NCL	7.8	7.4	8.4	5.0	(7.8)	24.4	21.8	11.9	24.4	21.8	11.9
WCL	4.6	3.8	4.6	20.0	(1.5)	13.6	11.1	22.2	13.6	11.1	22.2
SECL	13.7	12.6	13.9	9.1	(1.0)	40.6	37.6	8.0	40.6	37.6	8.0
MCL	11.6	11.1	12.0	4.2	(3.2)	35.7	33.4	7.0	35.7	33.4	7.0
NEC	0.0	0.1	0.1	(50.0)	(20.0)	0.2	0.2	(19.0)	0.2	0.2	(19.0)
CIL	49.6	45.7	52.9	8.6	(6.2)	153.5	137.4	11.7	153.5	137.4	11.7
Production											
ECL	3.4	2.9	3.8	17.3	(10.8)	11.0	8.9	24.0	11.0	8.9	24.0
BCCL	2.3	2.3	2.9	(0.9)	(21.8)	7.7	6.8	12.3	7.7	6.8	12.3
CCL	3.7	3.3	4.1	13.7	(8.8)	11.4	10.2	12.4	11.4	10.2	12.4
NCL	8.2	7.2	8.4	14.5	(3.0)	24.6	21.2	16.0	24.6	21.2	16.0
WCL	2.7	2.6	3.5	5.0	(21.7)	9.6	8.1	18.7	9.6	8.1	18.7
SECL	13.2	10.7	13.9	23.1	(5.7)	40.0	31.7	26.0	40.0	31.7	26.0
MCL	11.4	10.7	10.4	6.2	9.5	32.5	31.9	1.9	32.5	31.9	1.9
NEC	0.0	0.0	0.0	62.5	(42.2)	0.1	0.1	98.4	0.1	0.1	98.4
CIL	44.9	39.7	47.1	13.2	(4.8)	136.9	118.8	15.2	136.9	118.8	15.2

Source: Company, Kotak Institutional Equities

Exhibit 2: Monthly dispatches to power sector increased by 24% yoy in March 2018
Monthly trend of coal dispatches to power sector, March fiscal year-ends, Mar-2016 - Mar-2018



Source: Ministry of Power, Kotak Institutional Equities

Exhibit 3: Inventory days have remained stable in recent months; number of plants with critical inventory declining in North and West
Inventory position of coal across power plants in India, March fiscal year-ends, 2017-18

	Jun-2018			May-2018			Apr-2018		
	Days	Critical (#)	Super-Critical (#)	Days	Critical (#)	Super-Critical (#)	Days	Critical (#)	Super-Critical (#)
North	11	2	5	12	1	8	13	2	4
West	8	6	3	7	9	7	8	5	11
South	11	—	—	10	—	—	10	3	2
East	9	—	—	8	—	—	12	—	1
All India	10	8	8	9	10	15	10	10	18

	Jun-2017			May-2017			Apr-2017		
	Days	Critical (#)	Super-Critical (#)	Days	Critical (#)	Super-Critical (#)	Days	Critical (#)	Super-Critical (#)
North	17	1	—	21	—	—	28	—	—
West	9	2	1	9	1	3	11	3	3
South	12	—	—	10	2	1	13	1	1
East	10	—	—	9	1	—	15	—	—
All India	11	3	1	12	4	4	16	4	4

Source: CEA, Kotak Institutional Equities

Exhibit 4: Coal-based generation increased 5.3% yoy in May 2018

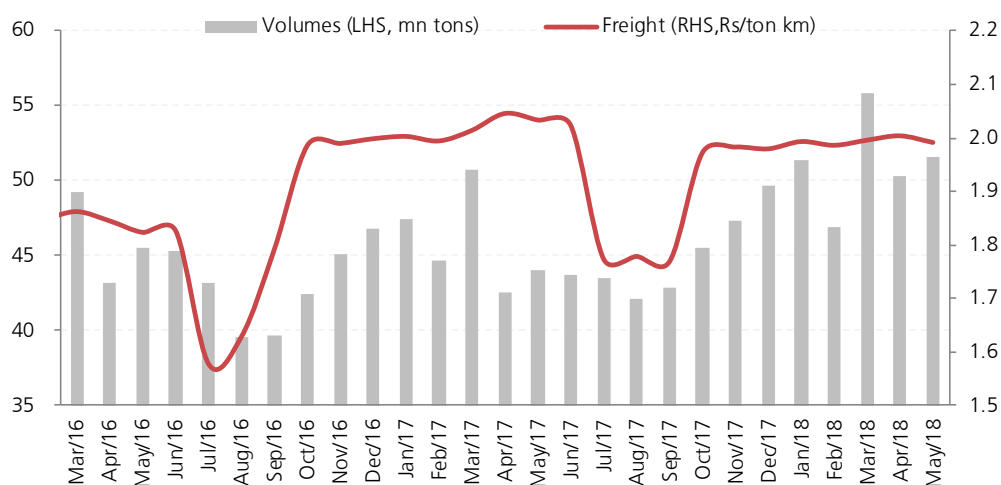
Key details of installed capacity, generation and PLF in India, March fiscal year-ends

	Monthly			YTD		
	May-18	May-17	yoy (%)	May-18	May-17	yoy (%)
Overall						
Installed capacity (MW)	343,898	330,261	4.1	343,898	330,261	4.1
Generation (MU)	110,311	107,003	3.1	213,673	209,962	1.8
PLF (%)	54.0	53.1	88 bps	53.1	53.1	1 bps
Coal						
Installed capacity (MW)	196,958	195,603	0.7	196,958	195,603	0.7
Generation (MU)	89,021	84,569	5.3	174,217	167,097	4.3
PLF (%)	62.8	60.7	207 bps	62.4	61.2	118 bps

Source: CEA, Kotak Institutional Equities

Exhibit 5: Railways freights remain high post increase seen in October 2017

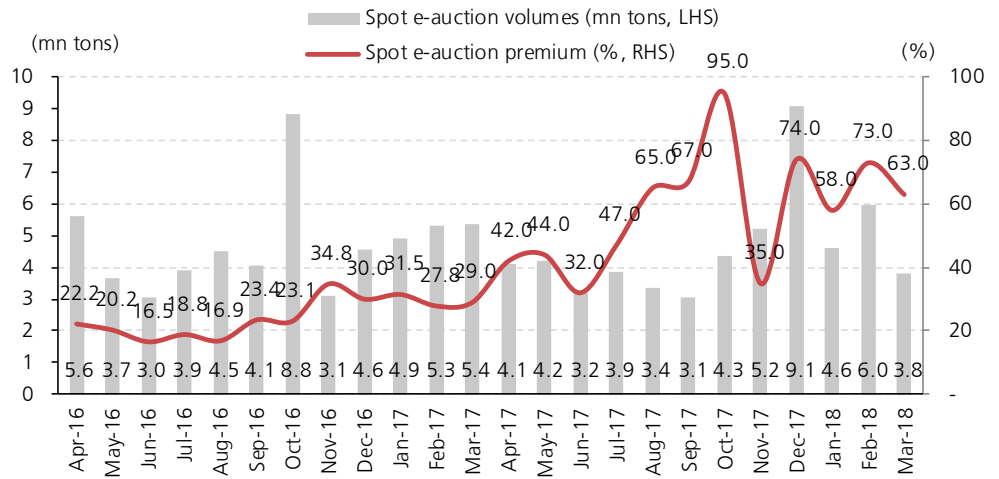
Volume and freight rates for coal movement by railway (mn tons, Rs/ton km)



Source: Indian Railways, Kotak Institutional Equities

Exhibit 6: Spot e-auction premiums declined to 63% in March 2018

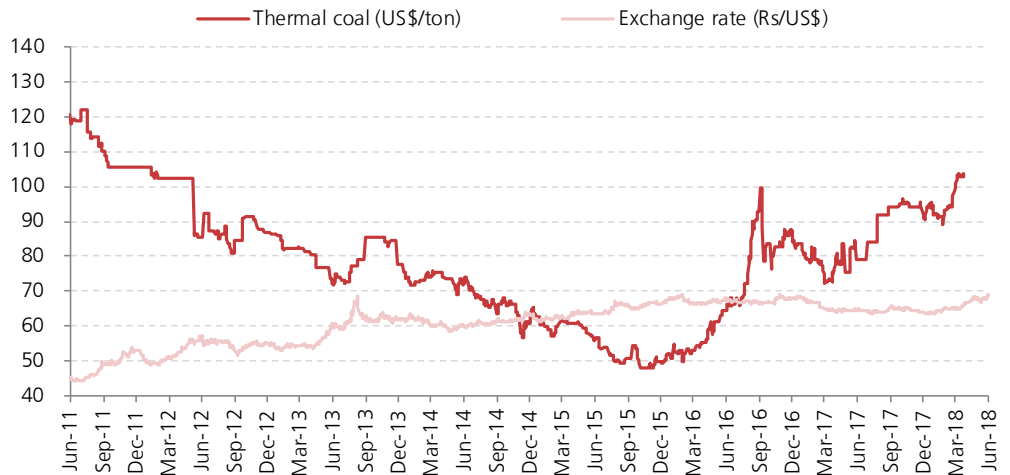
Monthly trend in spot coal volumes and premium for Coal India, March fiscal year-end, Mar-2016 – Mar-2018



Source: Ministry of Power, Kotak Institutional Equities

Exhibit 7: Imported coal prices have increased to US\$105/ton in June 2018

Trend in price of imported coal, March fiscal year-ends, June-2011 - June-2018



Source: Bloomberg, Kotak Institutional Equities

Exhibit 8: Our earnings assumptions factor 3% yoy growth in volumes for FY2019E

Key operational and financial assumptions, March fiscal year-ends, 2016-21E (Rs mn)

	2016	2017	2018	2019E	2020E	2021E	Growth (%)					
							2016	2017	2018	2019E	2020E	2021E
Volumes (mn tons)	534	543	580	599	628	649	9	2	7	3	5	3
Realization (Rs/ton)	1,415	1,389	1,408	1,541	1,583	1,623	(4)	(2)	1	9	3	3
Revenue (Rs mn)	756,443	754,666	817,000	923,280	994,627	1,052,762	5	(0)	8	13	8	6
Employee costs	(296,598)	(335,143)	(426,336)	(363,651)	(382,157)	(402,440)	(1)	13	27	(15)	5	5
Overburden	(28,114)	(26,722)	(33,583)	(28,379)	(30,707)	(33,106)	(27)	(5)	26	(15)	8	8
EBITDA	181,791	122,242	77,738	216,873	234,472	240,389	5	(33)	(36)	179	8	3
PAT	142,329	92,678	70,198	167,239	172,220	173,344	4	(35)	(24)	138	3	1
EBITDA margins	24	16	10	23	24	23	0	(33)	(41)	147	0	(3)
EBITDA (Rs/ton)	340	225	134	362	373	371	(4)	(34)	(40)	170	3	(1)

Source: Company, Kotak Institutional Equities estimates

Exhibit 9: Profit model, balance sheet, cash model of Coal India, March fiscal year-ends, 2016-21E (Rs mn)

	2016	2017	2018	2019E	2020E	2021E
Profit model						
Net sales	756,443	754,666	817,000	923,280	994,627	1,052,762
Transport and loading recovery	22,386	27,382	23,700	24,520	25,759	26,599
Total income	793,271	794,430	823,905	947,767	1,020,332	1,079,306
EBITDA	181,791	122,242	77,738	216,873	234,472	240,389
Interest income	48,042	37,306	31,633	18,278	14,245	14,870
Other Income (ex transport, interest)	10,515	18,008	32,875	43,407	43,407	43,407
Interest expense	(207)	(4,117)	(4,318)	(5,297)	(5,297)	(5,297)
Depreciation	(24,664)	(29,101)	(30,664)	(32,567)	(36,619)	(39,545)
Pretax profits	215,476	144,337	107,264	240,695	250,207	253,824
Tax	(73,148)	(51,660)	(37,067)	(73,456)	(77,987)	(80,480)
Net income	142,329	92,678	70,198	167,239	172,220	173,344
Extraordinary items	415	(18)	—	—	—	—
Reported profit	142,743	92,660	70,198	167,239	172,220	173,344
Earnings per share (Rs)	23	15	11	27	28	28
Balance sheet						
Paid-up common stock	63,164	62,074	62,074	62,074	62,074	62,074
Total shareholders' equity	338,976	245,268	198,466	220,464	211,133	202,926
Minority interest	1,048	3,459	3,625	3,625	3,625	3,625
Total borrowings	11,988	30,078	15,309	15,309	15,309	15,309
Shifting and rehab fund	31,777	38,197	43,666	43,666	43,666	43,666
Total liabilities and equity	383,788	317,002	261,065	283,064	273,733	265,525
Net fixed assets	183,608	220,900	275,774	292,861	325,640	316,939
Capital work-in progress	58,942	103,078	102,864	139,849	158,724	167,114
Investments	29,019	14,829	15,086	15,086	15,086	15,086
Cash	383,128	312,298	314,751	310,121	278,617	307,434
Current assets (excl. cash)	427,055	482,357	512,892	544,841	564,843	576,208
Current liabilities and provisions	718,408	843,787	1,013,852	1,075,170	1,126,483	1,177,245
Deferred tax asset	20,445	27,328	53,551	55,476	57,304	59,989
Misc. expenditure	—	—	—	—	—	—
Total assets	383,788	317,002	261,065	283,064	273,733	265,525
Free cash flow						
Operating cash flow, excl. working capital	165,021	121,761	100,862	197,880	207,011	210,204
Working capital changes	(62,730)	70,077	139,530	29,369	31,310	39,397
Capital expenditure	(43,450)	162,491	(85,324)	(86,638)	(88,274)	(39,233)
Investments	(885)	14,191	(258)	—	—	—
Free cash flow	57,957	368,519	154,810	140,612	150,047	210,368
Ratios						
Net debt/equity (%)	(109)	(115)	(151)	(134)	(125)	(144)
Return on equity (%)	38	32	32	80	80	84
Book value per share (Rs)	54	40	32	36	34	33
ROCE (%)	39	34	39	89	89	93

Source: Company, Kotak Institutional Equities estimates

JULY 03, 2018

UPDATE

BSE-30: 35,264

Party continues. The domestic automotive industry continues to be on a strong footing as June 2018 was another strong month for the industry with robust volume growth across segments even on a two-year CAGR basis. While demand is relatively broad-based across markets, rural India appears to be doing particularly well, which is reflected in strong growth in two-wheeler and tractor industry. All major OEMs have reported strong double-digit yoy volume growth in June 2018.

Passenger vehicle industry volumes likely grew by 34-35% yoy in June 2018 on low base

As per our calculations, passenger vehicle industry volumes grew by 34-35% yoy in June 2018 largely due to low base as GST-related disruptions impacted volumes last year (two-year CAGR of 9-10%). Maruti's overall volumes grew by 36% yoy to 144,981 units (two-year CAGR of 21%) led by (1) 45% yoy growth in domestic volumes and (2) 29% yoy decline in exports. In the domestic market, volume growth was driven by (1) launch of new Swift and (2) continued strong demand for Dzire, Baleno and Brezza models. Entry segment volumes grew by only 15% despite low base of last year. In terms of other OEMs, Hyundai's domestic volumes increased by 21% yoy, Toyota's volumes grew multi-fold on yoy basis (~13,000 units in June 2018 versus ~2,000 units yoy) while Honda reported 37% yoy volume growth. Tata Motors' passenger vehicle segment volumes grew by 63% yoy led by the success of new launches – Nexon and Tiago.

M&M's overall volumes grew by 25% yoy in June 2018; strong growth across segments

Mahindra reported 25% yoy overall volume growth led by (1) 26% yoy growth in auto segment (two-year CAGR of 8%) aided by 27% yoy growth in LCV/pick-up volumes and 12% yoy growth in UV volumes (on low base) and (2) 23% yoy growth in tractor volumes (two-year CAGR of 16%). The underlying demand in the tractor segment remains strong, which was reflected in sales volume of Escorts as well. Escorts reported 73% yoy growth in tractor volumes in June 2018 (two-year CAGR of 20%).

Strong growth in MHCV industry albeit partly due to low base of last year

We reckon that domestic MHCV industry volumes grew by around 40% yoy in June 2018 albeit partly due to low base; two-year CAGR for the MHCV industry is still strong at around 15%. Overloading ban in certain states, pick-up in road construction activity and easy availability of finance continue to drive industry growth. As per our channel checks, retail sales have somewhat moderated in June 2018 and that industry growth is also possibly aided by inventory build-up by the companies. In terms of OEMs, (1) Tata reported 50% yoy growth in domestic CV volumes led by strong growth in both MHCV and LCV segments, (2) Ashok Leyland reported 22% yoy growth in overall MHCV volumes and (3) VECV's domestic MHCV volumes increased by 65% yoy in June 2018.

Strong double-digit growth in two-wheeler industry volumes in June 2018

In two-wheeler segment, Hero reported 13% yoy volume growth in June 2018 driven by positive consumer sentiment and good monsoon, as per the company. Bajaj Auto's overall volumes increased by 65% yoy (volumes were down 23% yoy in June 2017) led by (1) 86% yoy growth in domestic motorcycle volumes, (2) 78% yoy growth in domestic three-wheeler volumes and (3) 44% yoy growth in exports. TVS reported 15% yoy volume growth driven by 8% yoy growth in domestic market and 49% yoy growth in exports. In terms of segments, scooter and bike volumes grew by 14-15% yoy while moped volumes were up 5% yoy. Eicher reported 18% yoy volume growth to 74,477 units, which was a tad below our estimate of 77,000 units.

Hitesh Goel

Nishit Jalan

Exhibit 4: Ashok Leyland reported 28% yoy volume growth in June 2018; MHCV volumes up 22% yoy
Ashok Leyland monthly sales volume, March fiscal year-ends (units)

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	YTD		Residual volumes		Total volumes	
														2018	2019	July-March	2018	2019E	2018
Sales volume (units)																			
LCV	3,128	2,955	3,067	3,566	3,804	3,819	3,303	4,458	4,455	5,396	3,709	3,238	4,534	8,618	11,481	3,859	4,511	43,348	52,082
MHCV	9,243	9,026	10,567	11,802	9,107	10,641	15,950	13,643	13,726	17,057	8,968	10,421	11,257	19,914	30,646	12,391	12,865	131,432	146,432
Total CVs	12,371	11,981	13,634	15,370	12,911	14,460	19,253	18,101	18,181	22,453	12,677	13,659	15,791	28,532	42,127	16,250	17,376	174,780	198,514
Yoy change (%)																			
LCV	29.1	27.9	13.8	15.3	28.6	44.3	69.5	58.3	62.7	57.6	45.0	10.4	44.9		33.2		16.9		20.1
MHCV	6.4	10.3	28.9	31.7	(4.8)	53.6	81.6	13.2	21.2	11.8	97.9	69.8	21.8		53.9		3.8		11.4
Total CVs	11.4	14.2	25.1	27.5	3.0	51.0	79.4	21.7	29.2	20.2	78.8	50.6	27.6		47.6		6.9		13.6

Source: Company, Kotak Institutional Equities estimates

Exhibit 5: VECV reported 63% yoy volume growth in June 2018; domestic MHCV volumes increased by 66% yoy
VECV monthly sales volume, March fiscal year-ends (units)

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	YTD		Residual volumes		Total volumes	
														2018	2019	July-March	2018	2019E	2018
Domestic sales																			
LCV	1,186	1,144	976	1,252	1,228	1,018	1,410	1,664	1,499	2,193	1,124	1,864	1,857						
MHCV	2,196	2,570	2,842	3,832	3,235	3,044	3,635	4,346	4,284	5,787	2,265	3,404	3,639						
Total	3,382	3,714	3,818	5,084	4,463	4,062	5,045	6,010	5,783	7,980	3,389	5,268	5,496	9,913	14,153	5,107	5,262	55,872	61,507
Export sales																			
LCV	184	234	247	162	166	65	111	154	329	404	168	115	233						
MHCV	319	368	456	688	537	600	799	548	684	861	382	491	586						
Total	503	602	703	850	703	665	910	702	1,013	1,265	550	606	819	1,588	1,975	824	927	9,001	10,322
Total sales	3,885	4,316	4,521	5,934	5,166	4,727	5,955	6,712	6,796	9,245	3,939	5,874	6,315	11,501	16,128	5,930	6,189	64,873	71,830
Yoy change (%)																			
LCV	(19.8)	4.1	(9.3)	10.4	9.5	59.8	65.1	59.8	9.9	20.1	(8.6)	9.1	56.6						
MHCV	(20.9)	0.2	19.7	27.1	18.4	71.9	50.5	57.7	23.7	26.2	68.0	51.6	65.7						
Total domestic	(20.5)	1.4	10.7	22.6	15.8	68.7	54.3	58.3	19.8	24.5	31.5	33.3	62.5		42.8		3.0		10.1
Export sales																			
LCV	(27.6)	(22.0)	22.9	(7.4)	(19.8)	(75.0)	63.2	(29.4)	213.3	101.0	0.0	(19.6)	26.6						
MHCV	(13.3)	4.8	1.6	67.4	38.4	50.4	26.4	26.0	53.4	80.5	15.4	10.8	83.7						
Total exports	(19.1)	(7.5)	8.2	45.1	18.2	0.9	30.0	7.5	83.8	86.6	10.2	3.4	62.8		24.4		12.6		14.7
Total sales	(20.4)	0.0	10.3	25.3	16.1	54.1	50.0	50.9	26.3	30.4	28.0	29.4	62.5		40.2		4.4		10.7

Source: Company, Kotak Institutional Equities estimates

Exhibit 6: Escorts reported 73% yoy volume growth in June 2018
Escorts monthly sales volume, March fiscal year-ends (units)

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	YTD		Residual volumes		Total volumes	
														2018	2019	July-March	2018	2019E	2018
Sales volume (units)																			
Escorts	5,776	5,430	4,575	10,353	10,205	5,119	3,606	5,316	6,462	11,790	6,186	8,325	9,983	17,561	24,494	6,983	7,193	80,405	89,229
Domestic	5,669	5,275	4,398	10,144	10,001	4,941	3,476	5,160	6,295	11,557	6,094	8,087	9,758	17,199	23,939	6,805	6,928	78,446	86,291
Exports	107	155	177	209	204	178	130	156	167	233	92	238	225	362	555	177	265	1,959	2,939
Yoy change (%)																			
Escorts	(16.8)	34.5	22.9	34.0	13.8	6.5	13.1	45.6	52.2	66.5	26.3	20.9	72.8		39.5		3.0		11.0
Domestic	(17.7)	33.4	19.9	32.4	12.9	5.2	14.2	47.1	53.4	64.8	28.0	19.5	72.1		39.2		1.8		10.0
Exports	94.5	86.7	221.8	242.6	83.8	64.8	(9.7)	7.6	16.8	258.5	(33.8)	105.2	110.3		53.3		49.2		50.0

Source: Company, Kotak Institutional Equities estimates

Exhibit 7: Bajaj reported 65% yoy volume growth in June 2018; strong growth across segments

Bajaj monthly sales volume, March fiscal year-ends (units)

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	YTD		Residual volumes July-March		Total volumes	
														2018	2019	2018	2019E	2018	2019E
Domestic motorcycles	108,109	164,915	171,664	247,418	211,553	141,948	112,930	163,111	175,489	158,987	200,742	192,543	200,949	426,562	594,234	172,002	165,021	1,974,577	2,079,427
Export motorcycles	96,558	100,267	112,197	122,260	114,225	122,022	115,832	125,825	122,025	110,952	148,875	150,052	136,803	349,152	435,730	116,178	125,972	1,394,757	1,569,481
Total motorcycles	204,667	265,182	283,861	369,678	325,778	263,970	228,762	288,936	297,514	269,939	349,617	342,595	337,752	775,714	1,029,964	288,180	290,994	3,369,334	3,648,908
Domestic three-wheelers	18,866	21,582	28,995	34,361	35,657	37,887	36,579	39,082	38,534	44,613	28,722	32,082	33,627	52,347	94,431	35,254	30,927	369,637	372,778
Exports three-wheelers	21,345	20,963	22,175	24,713	21,029	24,601	27,206	25,129	21,835	19,796	36,829	32,367	33,050	60,373	102,246	23,050	22,531	267,820	305,021
Total three-wheelers	40,211	42,545	51,170	59,074	56,686	62,488	63,785	64,211	60,369	64,409	65,551	64,449	66,677	112,720	196,677	58,304	53,458	637,457	677,799
Total sales	244,878	307,727	335,031	428,752	382,464	326,458	292,547	353,147	357,883	334,348	415,168	407,044	404,429	888,434	1,226,641	346,484	344,452	4,006,791	4,326,707
Yoy change (%)																			
Domestic motorcycles	(35.9)	(5.4)	(1.7)	7.3	(0.7)	1.6	5.9	36.1	23.2	5.0	24.0	23.0	85.9		39.3		(4.1)		5.3
Export motorcycles	(7.8)	(9.8)	6.7	20.5	20.4	24.5	19.9	36.7	18.9	19.6	12.8	24.4	41.7		24.8		8.4		12.5
Total motorcycles	(25.1)	(7.1)	1.4	11.4	5.8	11.0	12.5	36.4	21.4	10.5	18.9	23.6	65.0		32.8		1.0		8.3
Domestic three-wheelers	(24.8)	(8.9)	13.3	37.0	38.3	156.7	180.1	154.0	129.1	150.2	80.0	83.1	78.2		80.4		(12.3)		0.8
Exports three-wheelers	14.9	1.7	11.8	25.5	(6.5)	41.1	197.1	70.9	86.1	95.4	85.0	69.3	54.8		69.4		(2.3)		13.9
Total three-wheelers	(7.9)	(4.0)	12.6	31.9	17.4	94.1	187.1	113.4	111.4	130.3	82.8	75.9	65.8		74.5		(8.3)		6.3
Total sales	(22.7)	(6.7)	3.0	13.8	7.4	20.9	29.7	46.0	30.8	22.8	25.9	29.7	65.2		38.1		(0.6)		8.0

Source: Company, Kotak Institutional Equities estimates

Exhibit 8: Hero reported 13% yoy volume growth in June 2018

Hero MotoCorp monthly sales volume, March fiscal year-ends (units)

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	YTD		Residual volumes July-March		Total volumes	
														2018	2019	2018	2019E	2018	2019E
Total sales	624,185	623,269	678,797	720,739	631,105	605,270	472,731	641,501	629,597	730,473	694,022	706,365	704,562	1,849,375	2,104,949	637,535	697,146	7,587,193	8,379,263
Yoy change (%)	13.6	17.1	10.1	6.8	(4.8)	26.1	43.2	31.7	20.0	19.8	17.4	11.4	12.9		13.8		9.4		10.4

Source: Company, Kotak Institutional Equities estimates

Exhibit 9: Royal Enfield reported 18% yoy volume growth in June 2018

Royal Enfield monthly sales volume, March fiscal year-ends (units)

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	YTD		Residual volumes July-March		Total volumes	
														2018	2019	2018	2019E	2018	2019E
Sales volume (units)																			
Royal Enfield	63,160	65,761	67,977	70,431	69,492	70,126	66,968	77,878	73,077	76,087	76,187	74,697	74,477	183,998	225,361	70,680	79,753	820,121	943,139
Domestic	61,671	64,459	66,872	69,393	68,014	67,776	65,367	76,205	71,327	74,209	74,627	72,510	72,588	178,882	219,725				
Exports	1,489	1,302	1,105	1,038	1,478	2,350	1,601	1,673	1,750	1,878	1,560	2,187	1,889	5,116	5,636				
Yoy change (%)																			
Royal Enfield	24.6	23.2	22.0	21.8	17.5	22.4	16.7	30.5	25.0	26.6	26.7	23.1	17.9		22.5		12.8		15.0
Domestic	25.7	23.7	22.2	21.8	16.5	21.4	16.1	31.1	25.7	26.7	27.4	23.6	17.7		22.8				
Exports	(8.2)	4.2	12.1	17.4	97.6	59.9	48.0	8.4	2.8	20.1	(1.1)	6.7	26.9		10.2				

Source: Company, Kotak Institutional Equities estimates

Exhibit 10: TVS Motor's volumes increased by 15% yoy in June 2018

TVS Motors monthly sales volume, March fiscal year-ends (units)

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	YTD		Residual volumes July-March		Total volumes	
														2018	2019	2018	2019E	2018	2019E
Sales volume (units)																			
Motorcycles	112,146	109,427	111,927	143,923	125,409	93,202	95,281	98,649	113,296	134,412	131,704	126,711	128,825	330,050	387,240	113,947	126,089	1,355,576	1,522,040
Scooters	90,448	92,378	114,354	121,601	106,910	78,397	83,640	85,521	93,573	100,972	89,245	95,879	102,763	257,572	287,887	97,483	113,030	1,134,918	1,305,156
Mopeds	66,044	61,531	82,865	85,330	76,045	71,724	68,709	78,825	74,073	80,381	72,469	75,545	69,613	197,449	217,627	75,531	79,034	877,232	928,929
Three-wheelers	5,153	7,835	8,417	8,996	9,047	8,642	9,279	8,806	9,731	10,894	11,377	11,730	12,413	17,037	35,520	9,072	9,486	98,684	120,891
Total sales	273,791	271,171	317,563	359,850	317,411	251,965	256,909	271,801	290,673	326,659	304,795	309,865	313,614	802,108	928,274	296,034	327,638	3,466,410	3,877,015
Yoy change (%)																			
Total motorcycles	17.5	15.1	(2.0)	17.2	3.2	37.3	63.7	63.7	92.0	40.5	31.8	7.4	14.9		17.3		10.7		12.3
Scooters	33.9	35.8	49.3	43.3	15.7	7.2	50.6	22.1	35.6	20.0	9.6	11.9	13.6		11.8		15.9		15.0
Mopeds	(14.2)	(20.0)	7.8	6.9	(15.4)	(8.1)	4.4	9.7	(5.3)	13.0	21.4	5.3	5.4		10.2		4.6		5.9
Total three-wheelers	(27.7)	(1.6)	26.9	54.9	88.3	46.9	72.1	81.6	86.3	103.2	114.5	78.2	140.9		108.5		4.6		22.5
Total sales	10.8	9.3	15.8	22.7	2.8	12.0	38.9	31.3	37.5	27.4	23.7	9.9	14.5		15.7		10.7		11.8

Source: Company, Kotak Institutional Equities estimates

JULY 03, 2018

UPDATE

BSE-30: 35,264

1QFY19E preview: only the fiscal has changed. We expect weak 1QFY19E earnings prints for the Indian wireless names, minor revenue gains from challenger exits notwithstanding. Adoption of bundled plans remains ARPU-dilutive for now as the ARPU of the incumbents' prepaid smartphone segment remains above what the most competitive bundled plans offer. Impact of Jio's new disruptive postpaid plan is likely to be minimal on 1QFY19E financials.

ARPU decline pace to moderate but recovery nowhere in sight

We expect a lower sequential decline in India wireless revenues for Bharti and Idea as compared to what we saw in 4QFY18. Downtrading to the most competitive (lowest per month spend) bundled plans continues on the back of increasing smartphone adoption; however, the pace of downtrading is moderating in our view. Uptrading (low-ARPU pay-as-you-go subs moving up to bundled plans) has started but not in a meaningful way yet to mitigate the impact of downtrading. 1QFY19E would also see full quarter revenue contribution from Aircel subs gained by the incumbents in 4QFY18. This should also aid improvement in sequential revenue growth (decline) trajectory. Full-quarter impact of international termination rate cuts (effective from Feb 1, 2018) is an incremental, albeit minor, drag.

Overall, we expect a 2.5-3% qoq organic decline in wireless revenues for Bharti and Idea. Bharti's reported decline is likely to be lower at around 1% qoq as the company would consolidate financials of the acquired Telenor India operations for around half a quarter.

Bharti – Africa likely to be the only bright spot

We expect a 9%, 15%, and 48% yoy decline in Bharti's consolidated EBIT for 1QFY19E. Our absolute EBITDA estimate for the quarter stands at ₹65.7 bn. On an ex-forex basis, we expect a PBT loss of ₹5.61 bn and a net loss of ₹4.5 bn. Even as we expect some acquisition-related one-time expenses (likely to be reported as exceptional), we have not built in any. On the India wireless front, we expect an 8% qoq dip in ARPU (lower organic decline; Telenor India consolidation is ARPU-dilutive) to ₹107 and an 8.5% qoq and 39% yoy decline in EBITDA to ₹26.9 bn. We expect the strong volume momentum to sustain in both voice and data. For Africa wireless, we are building in a c/c topline growth of around 2% qoq and a 100 bps sequential dip in EBITDA margin. INR depreciation is likely to aid reported numbers.

Idea – reported qoq comps to appear ugly given the one-offs in 4QFY18

We expect a 2.6% qoq and 27% yoy decline in revenues for Idea. In addition to the ARPU pressure in the wireless business, Idea's revenues also get impacted by sale of owned towers to ATC. Idea had some external tenancy revenues from these towers; impact of this could be roughly 50 bps on sequential growth. On the EBITDA front, we expect ₹8.2 bn print, a decline of 44% qoq and 56% yoy on a reported and 19% qoq on an adjusted basis. We note that Idea's reported 4QFY18 EBITDA had the benefit of a few cost one-offs.

BHIN/TCOM – a soft quarter likely for both

BHIN's quarterly print is likely to be soft on account of loss of tenancies from Telenor, seasonal dip in energy spread and still-slow tenancy gains from the incumbents as well as Jio. We expect a 3% qoq and 2% yoy decline in EBITDA to ₹15.5 bn. We expect TCOM's EBITDA to be flat both qoq/yoy as losses in growth and innovation services are likely to remain high and voice segment EBITDA continues to decline; growth in traditional services to mitigate these impacts.

Rohit Chordia

Aniket Sethi

Exhibit 1: Bharti - 1QFY19E preview, Ind-AS, March fiscal year-ends (Rs mn)

	1QFY18	2QFY18	3QFY18	4QFY18E	1QFY19E	Change (%)	
						qoq	yoy
Consolidated results							
Revenues	219,581	217,769	203,186	196,343	198,920	1.3	(9.4)
Operating costs	(141,997)	(138,549)	(128,498)	(127,044)	(133,227)		
EBITDA	77,584	79,220	74,688	69,299	65,693	(5.2)	(15.3)
EBITDA margin (%)	35.3	36.4	36.8	35.3	33.0		
Depreciation and Amortization	(48,192)	(46,873)	(48,375)	(48,991)	(50,250)		
EBIT	29,392	32,347	26,313	20,308	15,443	(24.0)	(47.5)
EBIT margin (%)	13.4	14.9	13.0	10.3	7.8		
Net finance (cost)/income	(17,431)	(23,020)	(20,186)	(17,728)	(21,050)		
PBT	11,961	9,327	6,127	2,580	(5,607)	(317.3)	(146.9)
Tax provision	(8,237)	(5,630)	(379)	3,021	2,523		
PAT before minority interest	3,724	3,697	5,748	5,601	(3,084)		
Minority interest	(2,504)	(2,431)	(2,549)	(3,361)	(3,200)		
Equity in earnings of affiliates	2,855	3,662	2,256	1,836	1,800		
Extraordinary items	(402)	(1,497)	(2,395)	(3,247)	—		
Reported net income	3,673	3,431	3,060	829	(4,484)	(640.9)	(222.1)
Adjusted net income	4,075	4,928	5,455	4,076	(4,484)	(210.0)	(210.0)
Reported EPS	0.92	0.86	0.77	0.21	(1.12)	(640.9)	(222.1)
Segmental performance							
Wireless - India							
Revenues	129,147	122,450	107,510	103,532	102,456	(1.0)	(20.7)
EBITDA	44,281	42,087	35,091	29,428	26,931	(8.5)	(39.2)
OPM (%)	34.3	34.4	32.6	28.4	26.3		
ARPU (Rs/sub/month)	155	145	125	116	107	(7.8)	(31.0)
MOU (min/sub/month)	507	518	576	665	721	8.5	42.1
RPM (Rs/min)	0.306	0.280	0.217	0.175	0.149	(15.0)	(51.5)
EPM (Rs/min)	0.105	0.096	0.071	0.050	0.039	(21.1)	(62.7)
Total minutes (bn)	421.9	437.1	494.5	592.7	687.5	16.0	62.9
Wireless - South Asia							
Revenues	972	1,028	1,013	1,033	1,050	1.6	8.1
EBITDA	(62)	(15)	18	67	75	12.1	NM
OPM (%)	(6.4)	(1.4)	1.8	6.5	7.1		
Bharti Africa							
Revenues	48,528	52,030	51,293	49,713	52,234	5.1	7.6
EBITDA	13,616	16,814	18,188	17,911	18,282	2.1	34.3
EBITDA margin (%)	28.1	32.3	35.5	36.0	35.0		
Telemedia services							
Revenues	6,703	6,367	6,153	6,042	5,966	(1.3)	(11.0)
EBITDA	3,014	2,715	3,072	3,001	2,834	(5.6)	(6.0)
OPM (%)	45.0	42.6	49.9	49.7	47.5		
Enterprise Services							
Revenues	27,787	28,231	29,005	28,195	29,605	5.0	6.5
EBITDA	9,342	9,881	11,654	11,418	9,770	(14.4)	4.6
OPM (%)	33.6	35.0	40.2	40.5	33.0		
Passive infra business							
Revenues	15,982	16,613	16,950	16,739	16,404	(2.0)	2.6
EBITDA	7,954	8,130	8,318	8,144	7,792	(4.3)	(2.0)
OPM (%)	49.8	48.9	49.1	48.7	47.5		
Others (incl DTH)							
Revenues	9,993	10,341	10,656	10,589	10,960	3.5	9.7
EBITDA	2,359	2,623	1,931	3,033	2,959	(2.4)	25.4
OPM (%)	23.6	25.4	18.1	28.6	27.0		

Source: Kotak Institutional Equities estimates

Exhibit 2: Idea - 1QFY19E preview, Ind-AS, March fiscal year-ends (Rs mn)

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19E	Change (%)	
						qoq	yoy
Consolidated							
Revenues	81,665	74,655	65,096	61,373	59,760	(2.6)	(26.8)
Costs	(62,911)	(59,639)	(52,862)	(46,902)	(51,591)	10.0	(18.0)
EBITDA	18,754	15,016	12,234	14,471	8,169	(43.6)	(56.4)
EBITDA margin (%)	23.0	20.1	18.8	23.6	13.7		
D&A	(20,679)	(21,143)	(21,415)	(20,854)	(21,500)	3.1	4.0
EBIT	(1,925)	(6,127)	(9,181)	(6,383)	(13,331)		
Net interest income/(expense)	(11,539)	(11,829)	(11,490)	(9,742)	(12,000)		
PBT	(13,464)	(17,956)	(20,671)	(16,125)	(25,331)		
Taxes	4,497	6,047	7,008	5,758	8,118		
MI and share of associates	818	843	818	745	730		
PAT	(8,149)	(11,066)	(12,845)	(9,622)	(16,483)	71	102
Wireless metrics							
Wireless ARPU (Rs/sub/month)	141	132	114	105	99	(5.6)	(29.7)
Wireless MOU (min/sub/month)	441	459	509	577	623	8.0	41.3
Wireless RPM (Rs/min)	0.320	0.288	0.224	0.182	0.159	(12.6)	(50.3)
Voice RPM (Rs/min)	0.244	0.221	0.168	0.134	0.118	(12.3)	(51.9)
Wireless EPM (Rs/min)	0.075	0.059	0.043	0.044	0.022	(49.4)	(70.4)
Wireless CPM (Rs/min)	0.245	0.229	0.181	0.138	0.137	(1.0)	(44.1)
Total minutes (bn min)	250.7	255.0	282.6	330.4	368.4	11.5	46.9
Churn (%)	6.7	6.3	6.6	6.6	6.6		
Non-voice as % of revenues	23.5	23.1	24.9	26.4	26.1		
Data as % of revenues	17.0	16.2	18.1	19.1	19.2		
Data revenues	13,652	11,845	11,426	11,453	11,224	(2.0)	(17.8)

Source: Kotak Institutional Equities estimates

Exhibit 3: TCOM - 1QFY19E preview, Ind-AS, March fiscal year-ends (Rs mn)

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19E	Change (%)	
						qoq	yoy
Revenues	43,100	42,176	41,146	40,086	40,110	0.1	(6.9)
Total expenditure	(37,514)	(36,531)	(35,019)	(34,531)	(34,578)	0.1	(7.8)
EBITDA	5,586	5,645	6,128	5,555	5,531	(0.4)	(1.0)
Depreciation and amortization	(4,447)	(4,837)	(4,728)	(5,052)	(5,085)	0.7	14.4
EBIT	1,140	808	1,400	503	446	(11.3)	(60.8)
Other income	444	292	740	2,330	325		
Interest expense	(761)	(877)	(896)	(910)	(925)		
Pre-tax profits	822	223	1,244	1,922	(154)	(108.0)	(118.7)
Tax (incl. deferred tax)	(461)	(588)	(1,050)	(1,451)	(230)		
Net income pre exceptionals	362	(365)	194	472	(384)		
Exceptional items	—	(2,134)	—	(1,621)	—		
PAT after exceptional items	362	(2,499)	194	(1,149)	(384)		
Minority int. share of loss	(7)	(16)	(2)	(5)	(10)		
Share in loss of associates	(32)	15	(90)	(55)	(40)		
Reported net income	322	(2,500)	101	(1,210)	(434)		
Margins (%)							
EBITDA	13.0	13.4	14.9	13.9	13.8		
EBIT	2.6	1.9	3.4	1.3	1.1		
PBT	1.9	0.5	3.0	4.8	(0.4)		
PAT (pre exceptionals and MI)	0.8	(0.9)	0.5	1.2	(1.0)		

Source: Kotak Institutional Equities estimates

Exhibit 4: Bharti Infratel - 1QFY19E preview, Ind-AS, March fiscal year-ends (Rs mn)

Rs mn	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19E	Change (%)	
						qoq	yoy
Revenues	35,239	36,482	36,553	36,622	35,891	(2.0)	1.8
Costs							
Power and fuel	(12,044)	(12,593)	(12,987)	(13,148)	(12,927)	(1.7)	7.3
Rent	(3,111)	(3,102)	(3,172)	(3,230)	(3,252)	0.7	4.5
Employee expenses	(1,216)	(1,263)	(1,254)	(1,269)	(1,286)	1.3	5.7
Others	(3,118)	(3,378)	(3,158)	(3,052)	(2,950)	(3.3)	(5.4)
Total	(19,489)	(20,336)	(20,571)	(20,699)	(20,414)	(1.4)	4.7
EBITDA	15,750	16,146	15,982	15,923	15,476	(2.8)	(1.7)
Of which, service EBITDA	15,150	14,901	15,014	14,306	14,135	(1.2)	(6.7)
Energy EBITDA	600	1,245	968	1,617	1,341	(17.0)	123.6
Net revenues (ex power and fuel)	23,195	23,889	23,566	23,474	22,964	(2.2)	(1.0)
EBITDA margin (% , overall)	44.7	44.3	43.7	43.5	43.1		
Service EBITDA margin (%)	67.1	65.8	66.4	65.5	65.4		
D&A - net	(5,905)	(5,941)	(5,895)	(5,721)	(5,765)	0.8	(2.4)
EBIT	9,845	10,205	10,087	10,202	9,711	(4.8)	(1.4)
Net finance costs and other income	1,101	510	(15)	827	620		
PBT	10,946	10,715	10,072	11,029	10,331	(6.3)	(5.6)
Provision for taxes	(4,307)	(4,331)	(4,218)	(4,469)	(4,134)	(7.5)	(4.0)
Recurring PAT	6,639	6,384	5,854	6,560	6,197	(5.5)	(6.7)
# of shares	1,850	1,850	1,850	1,850	1,850		
Recurring EPS (Rs/share)	3.59	3.45	3.16	3.55	3.35	(5.5)	(6.7)
Margins (%)							
EBITDA	44.7	44.3	43.7	43.5	43.1		
EBIT	27.9	28.0	27.6	27.9	27.1		
PAT	18.8	17.5	16.0	17.9	17.3		
Effective tax rate	39.3	40.4	41.9	40.5	40.0		
Key operating metrics							
Consolidated							
Service revenues (Rs mn)	22,595	22,644	22,598	21,857	21,623	(1.1)	(4.3)
Energy reimbursements (Rs mn)	12,644	13,838	13,955	14,765	14,260	(3.4)	12.8
Gross revenues (Rs mn)	35,239	36,482	36,553	36,622	35,883	(2.0)	1.8
Total towers (#)	90,837	90,955	91,007	91,451	91,712	0.3	1.0
Total tenants (#)	218,401	220,088	213,476	205,596	202,006	(1.7)	(7.5)
Incremental tenants (#)	7,795	1,687	(6,612)	(7,880)	(3,590)		
Tenancy ratio (end-period)	2.40	2.42	2.35	2.25	2.20		
Rental/tenant (Rs/month)	35,112	34,427	34,748	34,770	35,365	1.7	0.7
Bharti Infratel - Standalone							
Total towers (#)	39,211	39,264	39,363	39,523	39,700	0.4	1.2
Total tenants (#)	93,297	94,538	92,211	88,665	86,965	(1.9)	(6.8)
Tenancy ratio (end-period)	2.38	2.41	2.34	2.24	2.19		
Sharing revenue per tower (Rs/month)	86,937	87,111	87,739	83,716	82,469	(1.5)	(5.1)
Sharing revenue per operator (Rs/month)	37,292	36,394	36,941	36,511	37,200	1.9	(0.2)
Indus towers							
Total towers (#)	122,920	123,073	122,962	123,639	123,839	0.2	0.7
Total tenants (#)	297,867	298,929	288,727	278,408	273,908	(1.6)	(8.0)
Tenancy ratio (end-period)	2.42	2.43	2.35	2.25	2.21		
Sharing revenue per tower (Rs/month)	80,085	79,955	79,044	76,874	75,880	(1.3)	(5.3)
Sharing revenue per operator (Rs/month)	33,527	32,956	33,094	33,426	34,000	1.7	1.4

Source: Kotak Institutional Equities estimates

JULY 03, 2018

UPDATE

BSE-30: 35,423

From bad to worse; wireless spends hit a new low in March 2018 quarter. TRAI's performance indicators report for the March 2018 quarter peg annualized consumer spends on wireless (including service tax) at ₹1.2 tn, a 32% decline from the pre-Jio peak levels of ₹1.78 tn hit in June 2016 quarter. As a percentage of nominal GDP, this represents a new low of 0.66%, far below (a) global benchmarks, and (b) underlying spend potential.

No low is too low in the intense competition for market share

Consumer-level (including service tax) spends on wireless services declined 9% qoq and 13% yoy in the March 2018 quarter to ₹298 bn per TRAI's performance indicators report. Annualized spend of ₹1.2 tn represents (a) a 32% decline over the pre-Jio peak levels and (b) a wireless-spend-to-nominal-GDP ratio of 0.66%, a new low in what was already a global-low ratio. More important, competitive intensity in the market has only risen since the March 2018 quarter with Jio's aggressive intervention since in the hitherto-non-focus postpaid segment and further increase in promotional activity in the prepaid segment.

A certain market size is sine qua non for long-term value creation, in our view. We wonder if individual market share ambitions have made the economic rationale of price moves an after-thought; it does seem so, at this point. As we have always maintained, while market share swings are a zero-sum construct, value creation can be a negative-sum one.

Volume surge, both voice and data, continues

Rising adoption of unlimited-voice, heavy-data-allowance, and bundled plans continues to drive healthy volume growth in both voice and data. Industry voice volumes, that had started to grow in mid-single digits yoy, have grown at an 11% CQGR for the past five quarters, good for a 41% yoy growth in the March 2018 quarter to 1.95 tn minutes. MOU per sub stood at 582 minutes/month for the quarter, +18% qoq and +44% yoy. Surge in MOU qoq, we do note, was partly aided by the sharp decline in EOP subs base as Aircel's subs went out of the reported base. On the data front, industry data volumes increased 24% qoq and 133% yoy in the March 2018 quarter to 8.3 bn GB. Usage per data sub stood at 6.3 GB/month with LTE data usage per LTE sub at 8.9 GB/month.

Jio's share of data volumes still 60%+ even as incumbents are catching up gradually

Jio's reported 5.06 bn GB data volumes for the March 2018 quarter places its share of industry's data volumes at 61.2% for the quarter, down from 68% in September 2017 and 64.5% in December 2017 quarters. Jio's share of LTE volumes stood at a higher 72% for March 2018 (83% and 77% in September 2017 and December 2017 quarters, respectively).

We do note that 3G data volumes continue to grow at a healthy pace, +16% qoq and 3.3X yoy in the March 2018 quarter. Growth in 3G volumes, in our view, reflects (a) the incumbents not limiting their bundled plans only to LTE subs anymore and (b) the incumbents' LTE subs continuing to get pushed down to 3G networks in areas where they have not rolled out LTE yet. The latter is not a positive commentary on the pace of LTE coverage expansion by the incumbents, in our view, even as we do not know the relative contribution of the two factors to 3G data volume explosion. EOP LTE subs base stood at 288 mn with Jio's at 187 mn (65% share) and others' (combined) at 101 mn. While Jio's average data usage per sub has been flattish at around 9.6-9.7 GB/month levels for the past three quarters, others (primarily incumbents) have seen this metric grow to 6.8 GB/month from 4.9 GB/month in the September 2017 quarter.

Rohit Chordia

Aniket Sethi

Exhibit 1: Key metrics from TRAI's March 2018 PIR

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Revenue KPIs								
Aggregate spend								
Consumer-level spend (ex service tax, Rs bn)	388	384	351	291	286	299	278	253
Consumer-level spend (incl. service tax, Rs bn)	447	442	404	335	329	353	328	298
As % of nominal GDP (%)	1.24	1.18	1.02	0.81	0.83	0.87	0.77	0.66
Postpaid net revenues (Rs bn)	75	77	75	67	66	59	54	54
Prepaid net revenues (Rs bn)	313	307	276	224	220	240	224	198
Total (Rs bn)	388	384	351	291	286	299	278	253
Change yoy (%)	6	6	(5)	(24)	(26)	(22)	(21)	(13)
Voice revenues (Rs bn)	261	257	232	202	196	170	158	141
Data revenues (Rs bn)	94	94	81	69	75	119	129	134
Other revenues, including net IUC (Rs bn)	34	33	38	21	14	10	(9)	(23)
Total (Rs bn)	388	384	351	291	286	299	278	253
Net spend per month (ex service tax) per sub (Rs)								
Postpaid	493	496	462	416	393	365	352	360
Prepaid	106	103	86	67	65	71	67	65
Overall	125	122	104	83	80	84	80	76
Voice KPIs								
GSM volumes (bn min)	1,123	1,114	1,158	1,380	1,500	1,539	1,735	1,954
CDMA volumes (bn min)	28	22	12	10	9	6	2	1
Total volumes (bn min)	1,151	1,137	1,170	1,390	1,508	1,545	1,737	1,954
Change yoy (%)	3	4	5	21	31	36	48	41
CDMA as % of total	2.5	2.0	1.0	0.7	0.6	0.4	0.1	0.0
MOU (min/sub/month)	371	363	358	403	427	435	493	582
Data KPIs								
Subs (mn)								
2G	182	172	152	142	127	101	80	78
3G	132	144	128	126	121	109	106	106
4G		27	87	129	160	197	238	288
CDMA	16	3	3	3	2	2	1	1
Total	329	346	369	401	410	408	425	473
Data volumes (mn GB)								
2G	124	124	106	95	103	113	112	115
3G	303	329	319	392	707	973	1,115	1,291
4G	8	278	2,489	3,039	3,481	4,461	5,446	6,853
CDMA	53	32	25	20	17	13	6	2
Total	489	763	2,939	3,546	4,307	5,560	6,678	8,261
Change qoq (%)		56	285	21	21	29	20	24
Data usage per sub (MB/month)								
2G		239	223	221	261	339	422	498
3G		814	801	1,052	1,953	2,895	3,550	4,156
4G		7,096	14,970	9,599	8,217	8,536	8,542	8,891
CDMA		1,156	2,986	2,557	2,298	2,169	1,509	1,066
Overall		772	2,806	3,144	3,628	4,638	5,473	6,284

Source: TRAI, 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)
		2-Jul-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	
NBFCs																													
Bajaj Finance	REDUCE	2,300	1,850	(19.5)	1,329	19.3	575	46	63	82	38.5	34.9	30.0	49.5	36.7	28.2	—	—	—	8.0	6.7	5.5	20.5	19.9	21.5	0.2	0.3	0.4	42.4
Bajaj Finserv	ADD	5,778	5,900	2.1	920	13.4	159	174	206	266	13.5	18.7	28.8	33.2	28.0	21.7	—	—	—	4.5	3.7	3.1	15.3	14.5	15.6	0.2	0.2	0.2	14.1
Bharat Financial Inclusion	NA	1,171	—	—	163	2.4	139	33	43	54	55.5	31.1	27.2	35.8	27.3	21.5	—	—	—	5.4	4.4	3.6	16.7	17.9	18.5	—	—	—	11.1
Cholamandalam	REDUCE	1,510	1,510	(0.0)	236	3.4	156	62	76	92	35.5	22.3	20.8	24.3	19.8	16.4	—	—	—	4.8	4.0	3.4	20.6	21.0	21.2	0.4	0.6	0.7	7.3
HDFC	BUY	1,897	2,100	10.7	3,191	46.5	1,676	75	58	67	52.1	(23.1)	15.2	25.2	32.7	28.4	—	—	—	5.0	4.3	3.9	23.9	14.3	14.5	1.1	1.1	1.2	70.8
HDFC Standard Life Insurance	SELL	458	405	(11.6)	922	13.4	2,007	6	6	7	24.4	14.8	10.9	82.9	72.2	65.1	—	—	—	21.4	19.1	17.1	27.3	28.0	27.7	0.3	0.3	0.4	14.9
ICICI Lombard	SELL	708	600	(15.2)	321	4.7	454	19	26	30	22.0	36.4	17.0	37.3	27.3	23.4	—	—	—	7.1	6.0	5.1	20.8	23.7	23.5	0.6	0.9	1.1	2.0
ICICI Prudential Life	BUY	374	500	33.6	537	7.8	1,436	11	12	13	(3.7)	3.8	7.6	33.2	31.9	29.7	—	—	—	8.2	6.8	5.7	25.0	23.2	20.9	1.5	0.5	0.6	12.1
IIFL Holdings	SELL	669	625	(6.6)	214	3.1	319	29	34	41	32.4	17.3	21.4	23.4	20.0	16.5	—	—	—	4.2	3.6	3.1	19.0	19.3	20.0	0.9	1.1	1.3	1.6
L&T Finance Holdings	REDUCE	147	185	26.0	293	4.3	1,996	7	10	12	23.7	34.6	24.1	20.0	14.9	12.0	—	—	—	2.3	2.1	1.8	14.2	14.7	16.1	1.2	1.4	1.4	10.0
LIC Housing Finance	BUY	470	610	29.7	237	3.5	505	44	50	58	3.2	13.8	17.5	10.8	9.5	8.1	—	—	—	1.8	1.5	1.3	14.5	14.3	14.4	1.4	1.6	1.9	12.4
Magma Fincorp	BUY	161	200	24.5	43	0.6	237	10	12	15	1,014.5	24.6	25.8	16.5	13.3	10.5	—	—	—	1.6	1.6	1.4	10.2	12.9	14.1	0.5	1.1	1.4	3.1
Mahindra & Mahindra Financial	REDUCE	453	475	4.8	280	4.1	614	15	22	26	105.0	53.5	16.6	31.2	20.3	17.4	—	—	—	3.2	2.9	2.6	11.3	14.0	14.8	0.9	1.4	1.6	11.7
Max Financial Services	BUY	430	650	51.3	115	1.7	268	5	6	6	(20.4)	36.9	1.8	93.7	68.5	67.2	—	—	—	—	—	—	6.5	8.3	8.0	—	0.5	0.5	4.8
Muthoot Finance	ADD	386	480	24.3	154	2.2	400	43	38	40	45.6	(10.8)	4.0	9.0	10.1	9.7	—	—	—	2.0	1.7	1.5	24.1	18.4	16.9	2.6	2.3	2.4	4.6
PNB Housing Finance	REDUCE	1,106	1,375	24.3	185	2.7	167	50	61	77	57.8	23.0	25.3	22.2	18.1	14.4	—	—	—	2.9	2.7	2.3	14.0	15.2	16.8	0.8	0.3	0.3	10.0
SBI Life Insurance	ADD	669	815	21.8	669	9.7	1,000	12	15	18	20.8	26.0	22.9	58.0	46.1	37.5	—	—	—	10.4	8.7	7.3	19.4	20.6	21.3	0.3	0.3	0.4	5.8
Shriram City Union Finance	ADD	2,097	2,550	21.6	138	2.0	66	101	140	174	19.6	39.4	23.8	20.8	14.9	12.1	—	—	—	2.6	2.3	2.0	12.5	15.5	16.7	0.9	0.8	1.0	0.9
Shriram Transport	REDUCE	1,286	1,600	24.4	292	4.2	227	69	105	125	24.7	52.1	18.7	18.6	12.2	10.3	—	—	—	2.5	2.1	1.8	13.1	17.6	18.0	0.9	1.1	1.4	18.0
NBFCs	Neutral				10,241	149					38.0	7.0	19.3	29.8	27.8	23.3				5.0	4.3	3.7	16.8	15.4	16.1	0.7	0.7	0.8	581.1
Cement																													
ACC	SELL	1,320	1,205	(8.7)	248	3.6	188	49	54	66	32.7	10.6	23.0	27.1	24.5	19.9	14.2	13.2	10.6	2.6	2.5	2.3	10.1	10.5	11.9	1.3	1.3	1.3	10.3
Ambuja Cements	REDUCE	200	215	7.3	398	5.8	1,986	8	7	9	29.7	(1.3)	27.0	26.7	27.0	21.3	8.7	8.6	7.0	1.9	1.9	1.8	7.4	7.0	8.6	1.8	1.8	1.8	8.8
Dalmia Bharat	ADD	2,207	2,900	31.4	197	2.9	89	60	98	128	55.4	62.6	30.3	36.6	22.5	17.3	11.6	8.8	7.1	3.2	2.8	2.4	9.7	13.4	15.2	0.1	0.1	0.1	5.2
Grasim Industries	BUY	986	1,275	29.3	648	9.4	657	47	43	60	(30.1)	(10.2)	41.3	20.8	23.2	16.4	12.0	7.7	7.0	1.1	1.1	1.0	7.0	4.8	6.4	0.6	0.6	0.6	13.8
India Cements	REDUCE	104	135	29.8	32	0.5	308	3	5	9	(42.5)	56.2	84.4	31.9	20.4	11.1	9.2	7.9	6.2	0.6	0.6	0.6	2.0	3.0	5.3	1.0	1.0	1.0	6.6
J K Cement	REDUCE	857	1,000	16.7	60	0.9	70	43	51	83	25.1	17.0	65.0	19.8	16.9	10.3	10.3	10.9	8.8	3.0	2.7	2.2	16.2	16.7	23.2	0.9	0.9	0.9	0.6
JK Lakshmi Cement	ADD	312	425	36.3	37	0.5	118	4	18	33	(35.7)	311.2	79.6	69.8	17.0	9.4	13.1	7.9	5.6	2.5	2.3	1.8	3.7	14.1	21.5	0.6	0.6	0.6	0.5
Orient Cement	ADD	112	165	47.1	23	0.3	205	2	8	12	237.8	250.7	64.8	52.0	14.8	9.0	11.6	7.4	5.4	2.2	2.0	1.7	4.4	14.3	20.6	0.7	1.3	1.8	0.2
Shree Cement	SELL	15,886	12,700	(20.1)	553	8.1	35	397	486	662	3.4	22.3	36.2	40.0	32.7	24.0	21.4	16.2	12.6	6.2	5.3	4.4	16.7	17.6	20.2	0.3	0.3	0.3	4.7
UltraTech Cement	SELL	3,777	3,000	(20.6)	1,037	15.1	275	89	119	153	(7.0)	33.1	28.9	42.2	31.7	24.6	19.7	15.4	12.9	4.0	3.6	3.2	9.9	12.0	13.7	0.3	0.3	0.3	17.0
Cement	Cautious				3,233	47					6.1	15.4	35.3	31.1	26.9	19.9	14.0	10.4	8.7	2.3	2.2	2.0	7.5	8.1	10.1	0.6	0.6	0.6	67.8

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Target 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)
		2-Jul-18	(Rs)		(Rs)	(%)			2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	
Consumer products																													
Asian Paints	REDUCE	1,293	1,100	(14.9)	1,240	18.1	959	21	24	28	2.9	18.7	14.7	63.0	53.1	46.3	38.5	33.1	28.8	14.7	13.0	11.6	24.6	26.1	26.6	0.7	0.8	1.0	15.7
Bajaj Corp.	ADD	401	520	29.6	59	0.9	148	14	17	19	(10.5)	18.7	10.5	28.4	23.9	21.6	22.3	19.2	16.3	12.0	11.6	42.3	49.4	52.4	3.0	3.2	3.5	0.3	
Britannia Industries	ADD	6,219	6,000	(3.5)	747	10.9	120	84	104	126	13.5	24.4	21.5	74.3	59.8	49.2	49.1	38.6	31.7	21.9	17.4	14.1	32.9	32.4	31.6	0.4	0.6	0.7	9.2
Coffee Day Enterprises	REDUCE	266	340	27.8	56	0.8	211	3	8	13	49.1	149.7	59.4	79.6	31.9	20.0	13.5	11.8	10.0	2.4	2.2	2.0	3.1	7.2	10.4	—	—	—	1.2
Colgate-Palmolive (India)	ADD	1,168	1,300	11.3	318	4.6	272	24	27	32	15.2	14.6	16.9	49.1	42.9	36.6	28.1	24.7	21.2	20.8	21.0	17.8	46.2	48.8	52.6	2.1	1.4	1.6	7.8
Dabur India	REDUCE	384	350	(8.8)	678	9.9	1,762	8	9	10	7.2	16.1	11.7	49.4	42.5	38.1	41.8	36.2	31.7	11.8	11.9	10.4	25.9	27.9	29.1	2.0	1.0	1.2	7.9
GlaxoSmithKline Consumer	ADD	6,490	6,750	4.0	273	4.0	42	166	189	211	6.6	13.3	11.9	39.0	34.4	30.7	26.8	23.0	19.8	7.8	7.1	6.5	21.2	21.7	22.2	1.2	1.4	1.6	2.4
Godrej Consumer Products	REDUCE	1,235	1,020	(17.4)	842	12.3	681	21	25	28	11.5	17.6	13.3	57.8	49.2	43.4	41.0	34.9	30.4	13.4	11.7	10.1	25.2	25.4	24.9	0.6	0.7	0.8	9.0
Hindustan Unilever	REDUCE	1,643	1,430	(13.0)	3,557	51.8	2,160	25	28	32	25.0	14.9	13.0	67.0	58.3	51.6	48.0	40.6	35.6	50.2	45.0	39.3	78.1	81.4	81.3	1.2	1.3	1.5	26.8
ITC	ADD	263	315	19.7	3,210	46.7	12,235	9	10	11	8.2	8.0	11.6	29.4	27.2	24.4	19.8	18.1	16.1	6.3	5.9	5.7	19.7	20.8	22.6	2.0	2.3	2.7	38.9
Jubilant Foodworks	BUY	1,409	1,500	6.5	186	2.7	132	15	24	33	191.7	64.1	39.2	96.8	59.0	42.4	41.3	28.6	21.5	19.2	14.0	10.8	21.7	27.5	28.8	0.1	0.1	0.2	38.7
Jyothy Laboratories	ADD	236	220	(6.7)	86	1.2	364	4	6	6	35.1	25.4	17.2	53.5	42.7	36.5	32.8	27.1	23.5	7.5	6.5	5.7	14.3	16.3	16.6	0.2	0.4	0.6	1.5
Manpasand Beverages	RS	156	—	—	18	0.3	114	9	12	17	39.5	32.0	43.8	17.6	13.3	9.3	7.9	5.4	3.7	1.4	1.3	1.2	8.4	10.2	13.2	0.3	0.5	1.0	3.2
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	8.1
Nestle India	ADD	9,765	9,500	(2.7)	942	13.7	96	127	168	191	21.1	32.5	13.4	76.8	58.0	51.2	42.2	32.8	28.9	27.5	25.3	23.2	36.6	45.5	47.3	0.9	1.2	1.3	9.1
Page Industries	SELL	28,334	21,000	(25.9)	316	4.6	11	311	392	482	32.5	26.1	22.9	91.1	72.2	58.8	58.0	45.9	37.7	37.3	29.1	23.3	45.9	45.3	44.0	0.5	0.6	0.7	7.6
Pidlite Industries	REDUCE	1,059	1,050	(0.8)	538	7.8	508	18	22	26	7.5	20.4	20.4	58.7	48.8	40.5	39.2	32.6	26.9	15.0	12.6	10.6	26.0	28.2	28.5	0.6	0.7	0.8	14.4
S H Kelkar and Company	BUY	229	315	37.6	33	0.5	145	7	9	11	2.1	18.2	25.9	30.9	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	264	285	7.8	167	2.4	631	7	10	11	20.7	29.4	19.1	36.0	27.8	23.3	19.0	16.0	13.8	2.4	2.3	2.1	7.0	8.3	9.4	0.9	1.1	1.3	13.8
Titan Company	SELL	897	800	(10.9)	797	11.6	888	13	16	20	43.3	26.7	20.5	70.2	55.4	45.9	48.1	36.7	29.4	15.7	13.2	11.1	24.3	25.8	26.2	0.4	0.5	0.6	35.9
United Breweries	SELL	1,116	1,000	(10.4)	295	4.3	264	15	19	24	71.6	29.7	23.4	74.8	57.7	46.7	33.0	27.4	23.7	11.0	9.4	8.0	15.7	17.6	18.6	0.2	0.3	0.3	9.4
United Spirits	SELL	650	560	(13.9)	473	6.9	727	8	11	14	39.1	40.5	27.4	85.5	60.8	47.8	49.0	36.1	29.9	18.9	12.8	9.5	24.9	25.1	22.8	—	—	0.3	19.2
Varun Beverages	ADD	747	750	0.5	136	2.0	183	12	17	22	377.8	45.4	29.8	64.8	44.6	34.3	19.7	15.9	13.7	7.7	6.6	5.6	12.1	16.0	17.7	—	—	0.1	1.2
Consumer products	Cautious				15,396	224					15.0	16.5	15.0	50.8	43.6	37.9	33.3	28.4	24.6	12.4	11.3	10.1	24.5	25.9	26.8	1.1	1.2	1.4	281.6
Energy																													
BPCL	REDUCE	369	390	5.6	801	11.7	1,967	40	39	41	(1.5)	(3.6)	5.3	9.2	9.5	9.0	7.5	7.0	6.5	2.1	1.9	1.7	24.8	21.1	20.0	5.7	4.2	4.4	38.3
Castrol India	ADD	160	215	34.2	158	2.3	989	7	8	9	3.3	13.6	10.9	23.3	20.5	18.5	14.6	12.8	11.6	15.5	14.7	14.4	67.9	73.6	78.6	3.0	3.7	4.4	4.1
GAIL (India)	BUY	341	410	20.2	769	11.2	2,255	20	25	27	21.8	23.2	8.3	16.7	13.6	12.5	10.5	8.7	8.1	1.9	1.8	1.6	11.7	13.5	13.5	2.1	2.5	2.6	20.0
GSPL	SELL	180	170	(5.6)	102	1.5	564	12	11	11	34.5	(7.0)	(4.6)	15.2	16.3	17.1	7.7	6.4	6.4	2.0	1.8	1.7	14.0	11.7	10.2	1.0	0.9	0.9	1.6
HPCL	REDUCE	260	320	23.2	396	5.8	1,524	42	32	33	(3.2)	(23.4)	3.4	6.2	8.1	7.9	5.6	7.3	7.4	1.7	1.5	1.4	28.7	19.3	18.2	6.5	5.0	5.2	31.6
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	10.6
IOCL	REDUCE	154	160	4.1	1,493	21.7	9,479	21	17	18	(24.8)	(17.9)	7.4	7.5	9.1	8.5	4.4	5.1	4.6	1.3	1.2	1.1	18.5	14.0	14.0	7.5	4.4	4.7	28.5
Mahanagar Gas	ADD	819	850	3.8	81	1.2	99	48	52	54	21.5	6.5	5.3	16.9	15.9	15.1	10.3	9.2	8.5	3.9	3.4	3.1	24.3	22.8	21.4	2.3	2.5	2.6	8.6
ONGC	ADD	156	200	28.6	1,996	29.1	12,833	17	21	21	3.1	19.6	(1.3)	8.9	7.5	7.6	4.8	3.8	3.7	0.9	0.8	0.8	9.9	11.5	10.7	4.2	4.5	4.5	17.0
Oil India	SELL	207	220	6.0	235	3.4	1,135	25	24	24	22.6	(1.3)	(0.7)	8.4	8.5	8.6	6.5	5.9	5.9	0.8	0.8	0.8	9.8	9.7	9.2	5.0	5.3	5.3	3.7
Petronet LNG	BUY	216	280	29.4	325	4.7	1,500	14	16	18	22.1	17.3	13.2	15.6	13.3	11.7	10.4	8.9	7.5	3.3	2.9	2.6	23.3	23.4	23.3	2.1	2.6	3.4	11.8
Reliance Industries	REDUCE	961	930	(3.2)	5,685	82.8	5,922	59	68	77	16.9	14.9	13.9	16.3	14.1	12.4	12.5	10.1	8.5	1.9	1.7	1.5	11.6	11.9	12.1	0.6	0.7	0.7	98.6
Energy	Attractive				12,219	178					1.0	5.8	7.3	11.9	11.2	10.4	7.9	7.0	6.4	1.6	1.4	1.3	13.3	12.8	12.6	2.8	2.4	2.5	274.4

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)			EVEBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)	
		2-Jul-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		
Industrials																													
ABB	SELL	1,184	1,100	(7.1)	251	3.7	212	20	26	34	12.1	31.2	31.7	59.7	45.5	34.6	32.9	28.0	21.2	7.0	6.4	5.7	12.2	14.6	17.3	0.3	0.8	0.8	1.6
BHEL	SELL	71	81	13.8	261	3.8	3,671	2.2	2.6	5.4	62.7	19.5	106.9	32.4	27.1	13.1	7.7	7.4	3.7	0.8	0.8	0.8	2.5	3.0	6.1	2.6	3.1	6.3	9.1
Carborundum Universal	SELL	317	310	(2.1)	60	0.9	189	11	14	17	22.8	25.4	20.2	27.8	22.1	18.4	15.0	11.1	9.5	3.8	3.4	3.1	14.6	16.4	17.6	0.7	1.4	1.6	0.3
CG Power and Industrial	BUY	59	65	10.4	37	0.5	627	0.8	3.1	4.3	(72.2)	275.7	40.5	72.1	19.2	13.7	10.7	8.1	6.6	1.4	1.4	1.4	1.5	7.3	10.4	-	-	-	5.6
Crompton Greaves Consumer	SELL	225	210	(6.6)	141	2.1	627	5.2	6.2	7.5	13.3	20.0	20.9	43.5	36.3	30.0	26.7	22.6	19.1	17.9	12.4	9.5	49.5	40.5	35.9	0.7	0.9	1.1	3.0
Cummins India	REDUCE	659	680	3.1	183	2.7	277	24	28	32	(7.8)	16.1	13.9	27.2	23.4	20.6	24.0	20.6	17.0	4.6	4.3	4.0	17.4	18.9	20.1	2.3	2.2	2.6	4.8
Havells India	SELL	533	460	(13.7)	333	4.9	625	11	14	17	16.6	26.2	19.6	48.1	38.1	31.9	30.5	24.2	19.8	8.9	7.9	6.9	19.8	21.9	23.0	0.7	0.9	1.1	10.4
Kalpataru Power Transmission	BUY	400	530	32.6	61	0.9	153	19	19	24	36.5	(0.4)	26.7	20.6	20.7	16.3	8.7	7.2	5.7	2.3	2.1	1.9	11.7	10.6	12.2	0.6	0.6	0.6	0.7
KEC International	BUY	325	430	32.3	84	1.2	257	18	22	29	51.1	22.0	34.4	18.1	14.9	11.1	9.8	8.2	6.5	4.2	3.4	2.7	25.7	25.2	27.1	0.7	0.9	1.2	3.6
L&T	BUY	1,256	1,560	24.2	1,760	25.6	1,401	52	63	75	22.4	21.1	19.6	24.3	20.1	16.8	20.3	17.4	15.4	3.5	3.2	2.9	15.0	16.7	18.0	1.3	1.8	2.2	40.0
Siemens	SELL	977	975	(0.2)	348	5.1	356	24	29	36	20.0	23.4	23.5	41.2	33.4	27.1	23.3	18.6	14.8	4.3	4.0	3.7	10.7	12.4	14.3	1.0	1.2	1.5	3.7
Thermax	REDUCE	1,046	1,065	1.9	125	1.8	113	21	30	42	(3.6)	44.2	42.8	50.7	35.2	24.6	30.9	21.9	15.6	4.3	4.0	3.6	8.8	11.8	15.3	0.6	0.8	0.9	0.9
Voltas	SELL	515	525	2.0	170	2.5	331	17	19	22	12.6	8.3	15.6	29.8	27.5	23.8	24.7	21.0	17.4	4.4	3.9	3.5	15.9	15.0	15.5	0.8	0.8	1.0	15.3
Industrials	Neutral				3,814	56					19.6	22.0	26.7	29.7	24.4	19.2	19.6	16.6	13.7	3.2	3.0	2.8	10.8	12.3	14.4	1.2	1.5	2.0	99.0
Infrastructure																													
Adani Ports and SEZ	BUY	363	470	29.5	751	10.9	2,071	20	20	23	6.1	(0.2)	14.7	18.1	18.1	15.8	13.0	12.5	11.0	3.6	3.1	2.6	21.5	18.1	17.9	0.6	0.7	0.9	27.1
Ashoka Buildcon	BUY	227	310	36.7	42	0.6	188	12	13	13	18.9	9.0	4.5	19.5	17.9	17.1	14.2	12.3	10.9	2.1	1.8	1.7	11.2	10.9	10.2	0.8	1.4	1.0	1.1
Container Corp.	SELL	637	635	(0.3)	310	4.5	487	18	21	26	7.3	20.0	21.4	36.0	30.0	24.7	23.8	18.5	14.6	3.3	3.1	2.8	9.4	10.6	11.9	2.7	1.4	1.7	8.6
Dilip Buildcon	BUY	631	1,220	93.4	86	1.3	137	46	54	69	76.5	16.1	28.0	13.6	11.7	9.1	8.0	5.7	4.8	3.5	2.7	2.1	29.5	25.9	25.4	—	—	—	8.9
Gateway Distriparks	BUY	177	250	41.0	19	0.3	109	8	8	9	12.1	(1.2)	17.5	23.2	23.5	20.0	22.1	10.8	9.1	1.9	3.7	3.3	8.2	10.8	17.6	3.9	—	1.7	0.8
Gujarat Pipavav Port	BUY	103	170	65.0	50	0.7	483	4.1	5.9	7.2	(20.6)	43.7	22.5	25.1	17.5	14.3	12.2	10.1	8.0	2.5	2.4	2.4	9.8	14.0	16.8	3.3	4.7	5.7	0.8
IRB Infrastructure	BUY	206	330	60.3	72	1.1	351	23	31	33	10.8	36.8	7.1	9.1	6.7	6.2	7.1	6.7	7.2	1.3	1.1	0.9	14.5	17.6	16.3	1.1	1.5	1.9	11.8
Mahindra Logistics	BUY	569	540	(5.2)	41	0.6	71	10	14	19	16.2	44.3	32.0	58.1	40.2	30.5	33.5	22.5	17.0	9.7	8.1	6.6	18.2	21.8	23.8	—	—	—	0.9
Sadbhav Engineering	BUY	283	440	55.3	49	0.7	172	13	18	18	17.4	38.4	2.2	22.0	15.9	15.6	15.3	12.2	9.4	2.6	2.3	2.0	12.5	15.2	13.7	—	—	—	0.8
Infrastructure	Attractive				1,421	21					10.5	10.8	15.5	19.7	17.7	15.4	12.6	11.2	9.8	3.1	2.7	2.4	15.7	15.4	15.5	1.1	0.9	1.2	60.7
Internet																													
Info Edge	REDUCE	1,195	1,290	8.0	146	2.1	122	23	26	33	33.3	14.6	27.8	53.1	46.3	36.2	43.7	33.6	25.6	6.9	5.6	5.0	13.4	13.3	14.6	0.5	0.6	0.7	1.5
Just Dial	BUY	530	550	3.7	36	0.5	67	21	25	28	21.7	16.7	12.9	25.0	21.4	18.9	14.4	11.9	9.8	3.6	3.2	2.8	15.2	15.9	15.6	—	0.5	0.5	43.6
Internet	Cautious				181	3					28.0	15.4	22.6	43.5	37.7	30.8	33.3	26.4	20.9	5.9	4.9	4.3	13.5	12.9	14.1	0.4	0.6	0.7	45.1
Media																													
DB Corp.	REDUCE	262	295	12.7	48	0.7	184	18	20	24	(14.1)	13.2	18.8	14.9	13.1	11.0	7.9	7.0	5.8	2.9	2.8	2.7	19.9	21.5	24.5	5.0	6.1	7.6	0.5
DishTV	ADD	72	84	16.4	133	1.9	1,925	(0.4)	1.7	3.0	(143.0)	482.0	76.2	NM	42.9	24.3	11.8	6.4	5.2	2.1	2.0	1.8	(2.3)	4.7	7.8	—	—	—	9.7
Jagran Prakashan	REDUCE	138	168	21.6	43	0.6	311	10	12	14	(6.0)	21.7	15.3	13.8	11.4	9.9	6.3	5.6	4.9	2.1	2.1	2.0	14.8	18.1	20.9	2.2	3.6	6.5	0.8
PVR	REDUCE	1,366	1,425	4.3	64	0.9	47	27	38	50	25.5	39.8	33.2	50.9	36.4	27.3	17.0	14.1	11.6	5.9	5.2	4.4	12.3	15.2	17.5	0.1	0.3	0.4	6.1
Sun TV Network	REDUCE	782	925	18.3	308	4.5	394	29	35	39	10.2	20.7	10.9	27.1	22.5	20.3	18.2	15.2	13.3	6.7	6.0	5.4	26.3	28.1	27.9	1.3	2.2	2.6	22.7
Zee Entertainment Enterprises	ADD	540	625	15.8	518	7.5	961	15	17	20	7.8	13.8	16.6	35.9	31.6	27.1	23.4	20.5	17.2	6.9	5.9	5.2	20.3	20.2	20.5	0.5	0.8	1.0	14.7
Media	Attractive				1,114	16					(1.5)	30.3	20.0	34.2	26.3	21.9	16.5	12.9	10.9	4.7	4.3	3.9	13.7	16.4	17.8	0.9	1.4	1.8	54.5

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Target			Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)		EVEBITDA (X)			P/B (X)		RoE (%)		Dividend yield (%)			ADVT 3mo (US\$ mn)			
		Price (Rs) 2-Jul-18	price (Rs)	Upside (%)	(Rs bn)	(US\$ bn)		2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E				
Metals & Mining																													
Coal India	ADD	261	326	25.1	1,617	23.5	6,207	11	27	28	(24.2)	138.2	3.0	23.0	9.7	9.4	17.0	6.1	5.8	6.7	6.1	6.3	26.7	66.1	66.4	6.3	7.7	9.6	13.0
Hindalco Industries	BUY	223	315	41.1	501	7.3	2,229	22	27	31	155.4	23.5	14.3	10.2	8.3	7.2	6.4	5.5	4.7	0.9	0.8	0.7	9.7	10.4	10.8	0.5	0.5	0.5	42.6
Hindustan Zinc	REDUCE	280	325	16.2	1,182	17.2	4,225	22	24	28	9.3	13.6	13.8	13.0	11.5	10.1	8.0	6.5	5.4	3.3	2.8	2.4	27.2	26.4	25.6	2.9	2.9	3.0	9.3
Jindal Steel and Power	REDUCE	207	255	23.2	200	2.9	968	(8)	8	18	59.3	194.2	129.1	(24.4)	25.9	11.3	9.6	6.9	5.9	0.7	0.7	0.6	(2.7)	2.6	5.7	—	—	—	28.1
JSW Steel	ADD	313	345	10.1	758	11.0	2,417	27	27	25	83.9	(0.7)	(5.7)	11.7	11.8	12.5	7.7	7.1	7.6	2.6	2.2	1.9	24.8	20.4	16.5	1.1	1.1	1.1	19.4
National Aluminium Co.	ADD	62	85	36.9	120	1.7	1,933	4	7	7	12.7	63.0	11.1	15.0	9.2	8.3	6.1	4.1	3.7	1.1	1.1	1.1	7.7	12.4	13.6	9.2	8.9	8.9	13.0
NMDC	REDUCE	106	125	18.5	334	4.9	3,164	12	10	10	43.3	(16.5)	3.6	9.0	10.8	10.4	4.9	6.6	6.3	1.4	1.3	1.3	15.8	12.5	12.4	5.2	5.2	5.2	4.1
Tata Steel	ADD	561	700	24.9	642	9.3	1,205	67	69	82	62.6	3.1	18.4	8.3	8	6.8	6.2	6.1	6.3	1.2	1.0	0.9	17.2	13.1	13.9	1.7	1.8	1.8	68.6
Vedanta	BUY	240	415	73.0	892	13.0	3,717	22	37	43	9.6	71.9	16.9	11.1	6.5	5.5	5.9	4.4	3.6	1.4	1.3	1.1	12.9	20.6	21.4	3.3	4.6	5.4	58.3
Metals & Mining	Attractive				6,246	91					32.3	41.4	11.3	13.2	9.3	8.4	7.5	5.8	5.3	1.9	1.7	1.5	14.3	18.0	18.4	3.5	4.0	4.6	256.4
Pharmaceutical																													
Apollo Hospitals	ADD	1,065	1,090	2.4	148	2.2	139	8	19	26	(46.9)	124.3	38.0	126.1	56.2	40.7	22.6	19.3	16.3	4.6	4.3	4.0	3.4	7.9	10.2	0.2	0.4	0.6	6.3
Aurobindo Pharma	ADD	603	640	6.2	353	5.1	584	42	43	46	6.0	2.3	7.9	14.4	14.1	13.1	10.1	9.7	8.7	3.0	2.5	2.2	23.2	19.5	16.6	0.7	0.9	1.0	20.6
Biocon	SELL	616	300	(51.3)	370	5.4	601	6	8	15	(39.2)	26.8	86.5	99.4	78.4	42.0	44.6	32.9	21.5	6.6	6.1	5.5	6.9	8.1	13.8	0.4	0.4	0.8	23.9
Cipla	BUY	616	650	5.6	496	7.2	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	23.3
Dr Lal Pathlabs	REDUCE	919	865	(5.9)	77	1.1	83	20	25	29	7.0	20.8	18.5	44.9	37.2	31.4	27.3	22.9	19.1	9.7	8.1	6.8	23.5	23.7	23.4	0.5	0.5	0.6	1.3
Dr Reddy's Laboratories	REDUCE	2,240	2,250	0.4	372	5.4	166	59	101	134	(18.5)	71.0	32.6	37.9	22.2	16.7	17.5	11.1	8.3	2.9	2.6	2.3	7.8	12.6	13.9	0.9	0.7	0.9	28.8
HCG	REDUCE	295	305	3.4	26	0.4	85	2	3	5	(40.0)	120.9	57.3	188.6	85.4	54.3	24.7	19.2	16.4	4.9	4.6	4.2	2.8	5.5	8.1	—	—	—	0.2
Laurus Labs	ADD	467	540	15.6	50	0.7	106	16	22	34	(11.9)	37.3	54.4	29.5	21.5	13.9	14.3	11.7	8.6	3.3	2.9	2.4	11.9	14.4	18.8	—	—	—	0.9
Lupin	REDUCE	889	800	(10.1)	402	5.9	450	38	34	45	(32.9)	(9.7)	30.2	23.3	25.8	19.8	14.3	12.9	10.5	2.9	2.7	2.4	12.6	10.9	12.8	0.6	0.6	0.8	30.2
Narayana Hrudayalaya	ADD	231	275	19.3	47	0.7	204	3	4	7	(38.1)	52.2	76.9	91.7	60.2	34.1	25.5	19.2	14.1	4.5	4.2	3.8	5.1	7.3	11.7	—	—	—	0.4
Sun Pharmaceuticals	REDUCE	563	500	(11.2)	1,351	19.7	2,406	15	17	24	(47.5)	12.0	42.0	37.1	33.1	23.3	21.9	18.0	13.2	3.6	3.2	2.9	9.8	10.2	13.1	0.4	0.6	0.9	49.9
Torrent Pharmaceuticals	NR	1,419	—	—	240	3.5	169	40	47	62	(27.4)	16.5	32.4	35.4	30.4	22.9	19.8	14.2	11.8	5.2	4.6	4.0	15.1	15.1	17.3	0.6	0.8	1.0	5.2
Pharmaceuticals	Neutral				3,931	57					(27.6)	18.6	33.0	33.4	28.2	21.2	18.5	14.9	11.7	3.6	3.3	2.9	10.9	11.6	13.7	0.5	0.6	0.9	191.1
Real Estate																													
Brigade Enterprises	BUY	209	340	62.8	28	0.4	136	10	9	9	(24.0)	(9.0)	(2.1)	20.4	22.4	22.9	11.2	11.4	11.2	1.2	1.2	1.2	7.0	5.4	5.1	1.2	1.2	1.2	0.4
DLF	RS	184	—	—	329	4.8	1,784	19.6	6.5	3.9	403.9	(66.9)	(39.6)	9.4	28.4	47.0	28.2	12.3	12.1	0.9	0.9	0.9	11.7	3.2	1.9	1.1	1.1	1.1	18.7
Godrej Properties	SELL	714	400	(43.9)	155	2.2	216	8.0	8.7	15.5	(15.8)	8.2	77.9	88.6	81.9	46.0	97.3	352.0	67.0	7.1	6.5	5.7	8.3	8.3	13.2	—	—	—	2.8
Oberoi Realty	REDUCE	471	535	13.6	171	2.5	340	14	57	50	21.4	318.9	(12.7)	34.8	8.3	9.5	27.7	9.6	14.2	2.6	2.0	1.7	7.8	27.5	19.2	0.4	0.4	0.4	3.4
Prestige Estates Projects	ADD	279	315	13.0	105	1.5	375	9	12	13	(6.7)	30.0	5.9	29.6	22.8	21.5	16.1	14.1	14.0	2.2	2.0	1.9	7.7	9.3	9.1	0.5	0.5	0.5	1.0
Sobha	REDUCE	439	510	16.1	42	0.6	96	21	23	26	25.6	9.1	13.4	21.0	19.2	16.9	12.4	11.9	11.1	1.5	1.5	1.4	7.5	7.8	8.3	1.6	1.6	1.6	2.0
Sunteck Realty	REDUCE	351	330	(6.0)	51	0.7	140	17	16	17	19.3	(6.4)	2.6	20.2	21.6	21.0	14.9	18.3	18.4	1.8	1.7	1.6	10.9	8.2	7.8	0.4	0.3	0.3	1.8
Real Estate	Neutral				880	13					133.0	(15.1)	(11.5)	17.4	20.4	23.1	23.6	14.1	14.7	1.6	1.5	1.4	9.0	7.2	6.1	0.7	0.7	0.7	30.0

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Target price	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EVEBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
		2-Jul-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)
Technology																													
HCL Technologies	REDUCE	926	1,010	9.1	1,290	18.8	1,409	62	68	71	5.3	9.0	5.0	14.9	13.6	13.0	10.4	8.8	8.0	3.6	3.0	2.7	24.8	23.8	21.9	0.9	3.1	3.3	32.6
Hexaware Technologies	SELL	461	420	(8.9)	137	2.0	304	16	20	22	19.8	20.5	12.5	28.1	23.3	20.7	20.0	16.9	14.4	7.0	6.1	5.2	26.6	27.8	27.0	0.9	1.7	1.7	12.6
Infosys	ADD	1,335	1,350	1.1	2,915	42.4	2,175	65	70	76	3.0	8.1	9.5	20.7	19.1	17.5	14.3	13.1	11.8	4.5	4.2	3.9	21.8	22.7	23.1	2.1	3.3	2.9	76.2
L&T Infotech	ADD	1,650	1,650	0.0	284	4.1	175	64	73	84	13.9	14.5	15.7	26.0	22.7	19.6	22.6	16.9	14.1	7.5	6.2	5.2	31.8	30.0	29.0	1.0	1.5	1.6	4.7
Mindtree	ADD	991	1,015	2.4	163	2.4	165	35	43	52	37.8	23.2	23.2	28.7	23.3	18.9	20.8	14.6	11.8	6.0	5.1	4.4	21.4	23.6	24.9	1.1	1.3	1.6	31.0
Mphasis	SELL	1,100	760	(30.9)	213	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	11.5
TCS	REDUCE	1,851	1,650	(10.9)	7,088	103.2	3,829	67	78	84	1.1	15.0	8.8	27.4	23.9	21.9	20.3	17.3	15.8	8.1	7.5	7.0	29.4	32.7	33.1	1.3	2.7	3.0	107.4
Tech Mahindra	ADD	657	775	17.9	580	8.4	891	43	45	53	33.1	6.6	15.8	15.4	14.5	12.5	11.3	8.7	7.1	3.1	2.7	2.3	21.5	19.9	19.7	2.2	1.4	1.6	34.9
Wipro	REDUCE	261	295	13.2	1,179	17.2	4,507	17	19	21	(3.1)	11.1	13.7	15.4	13.8	12.2	9.6	8.2	7.1	2.4	2.1	2.0	16.0	16.3	16.6	0.4	0.6	3.8	11.2
Technology	Cautious				13,848	202					1.6	9.9	9.8	21.6	19.7	17.9	15.7	13.4	12.1	5.1	4.6	4.2	23.7	23.5	23.5	1.4	2.6	2.9	322.0
Telecom																													
Bharti Airtel	ADD	367	470	28.0	1,468	21.4	3,997	5	(4)	0	(42.9)	(187.4)	104.6	77.6	(88.7)	1,943.2	8.1	9.3	7.4	2.1	2.2	2.2	2.8	(2.4)	0.1	1.5	0.3	0.0	37.0
Bharti Infratel	REDUCE	299	285	(4.5)	552	8.0	1,850	14	13	11	(7.4)	(8.7)	(9.0)	21.7	23.8	26.1	7.9	8.6	9.1	3.3	3.4	3.4	15.7	14.0	13.1	4.8	3.4	3.1	15.1
IDEA	REDUCE	57	75	31.5	249	3.6	4,359	(10)	(15)	(14)	(656.8)	(54.9)	6.4	(6.0)	(3.9)	(4.1)	12.5	22.8	16.9	0.9	1.2	1.7	(16.0)	(26.9)	(34.0)	—	—	—	16.9
Tata Communications	ADD	591	725	22.7	168	2.5	285	2	4	8	(84.3)	121.9	117.7	359	161.8	74.3	10.8	9.6	8.5	33.7	27.2	19.7	4.5	18.6	30.7	1.1	1.1	1.3	4.4
Telecom	Cautious				2,437	35					(94.7)	(1,906.6)	36.2	774.8	(42.9)	(67.2)	8.8	10.4	8.7	2.1	2.3	2.5	0.3	(5.5)	(3.7)	2.0	0.9	0.7	73.5
Utilities																													
CESC	ADD	895	1,180	31.9	119	1.7	133	87	102	118	67.1	16.8	15.5	10.3	8.8	7.6	7.5	5.5	4.8	0.8	0.7	0.7	7.9	8.8	9.4	1.4	1.1	1.2	6.2
JSW Energy	REDUCE	63	80	27.2	103	1.5	1,640	3.1	5.9	8.2	(19.2)	92.2	38.7	20.5	10.7	7.7	6.7	5.3	4.3	0.9	0.9	0.8	4.7	8.5	11.0	3.2	3.2	3.2	2.1
NHPC	ADD	23	30	31.3	234	3.4	10,260	2.4	3.1	3.2	(17.3)	26.9	1.8	9.4	7.4	7.2	8.8	7.0	6.8	0.8	0.8	0.7	8.5	10.4	10.2	6.1	7.6	7.7	2.1
NTPC	BUY	154	190	23.7	1,266	18.4	8,245	11	15	16	(7.6)	30.9	4.4	13.5	10.3	9.9	11.0	8.5	7.9	1.2	1.2	1.1	9.5	11.6	11.3	3.7	2.9	3.0	12.5
Power Grid	BUY	185	250	35.1	968	14.1	5,232	16	19	21	9.6	19.3	13.6	11.8	9.8	8.7	8.4	7.1	6.6	1.8	1.6	1.4	15.8	17.1	17.5	2.8	3.4	3.8	30.5
Reliance Power	SELL	31	43	38.5	87	1.3	2,805	3.5	5.1	5.2	(16.4)	45.6	2.7	8.9	6.1	6.0	7.8	6.7	6.4	0.4	0.4	0.3	4.5	6.1	5.9	—	—	—	4.9
Tata Power	ADD	72	97	34.7	195	2.8	2,705	5.3	7.8	8.7	(9.6)	46.1	11.2	13.5	9.2	8.3	10.3	9.4	8.6	1.3	1.1	1.0	10.7	12.9	12.7	—	—	—	6.0
Utilities	Attractive				2,972	43					(2.4)	28.6	9.0	12.3	9.5	8.8	9.2	7.6	7.0	1.2	1.1	1.0	9.7	11.5	11.6	3.1	3.1	3.3	64.3

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Target			Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EVEBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		Price (Rs) 2-Jul-18	price (Rs)	Upside (%)	(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	
Others																													
Astral Poly Technik	SELL	986	625	(36.6)	118	1.7	120	15	19	23	20.8	28.0	23.0	67.2	52.5	42.7	37.8	29.3	23.8	11.6	9.6	7.9	18.8	20.0	20.3	0.1	0.1	0.1	1.3
Avenue Supermarts	SELL	1,526	860	(43.6)	952	13.9	624	13	16	20	47.9	28.6	26.4	121.4	94.4	74.7	71.1	54.5	42.8	20.5	16.9	13.7	18.5	19.6	20.3	—	—	—	—
Bayer Cropscience	REDUCE	4,538	4,000	(11.9)	179	2.6	34	86	105	124	4.4	22.7	17.5	52.8	43.1	36.7	42.8	33.4	26.8	8.7	7.6	6.5	15.4	18.8	19.2	0.4	0.5	0.5	0.5
Dhanuka Agritech	ADD	555	680	22.4	27	0.4	49	26	28	32	7.7	8.9	15.4	21.6	19.8	17.2	15.8	13.6	11.4	4.3	3.7	3.2	21.9	20.1	20.0	1.0	1.1	1.2	0.1
Godrej Agrovet	ADD	624	650	4.2	120	1.7	189	12	16	20	6.9	39.8	24.6	54.2	38.8	31.1	27.9	21.5	17.4	7.0	6.1	5.1	14.7	16.9	17.9	0.3	0.4	0.5	2.5
Godrej Industries	RS	618	—	—	208	3.0	336	15	16	20	6.8	8.9	24.2	42.4	38.9	31.3	37.6	31.8	34.6	5.7	5.1	4.4	14.4	13.9	15.1	0.3	0.3	0.3	5.1
InterGlobe Aviation	BUY	1,049	1,430	36.3	403	5.9	383	59	71	98	27.2	21.8	37.5	17.9	14.7	10.7	10.0	8.2	5.6	5.7	4.2	3.1	41.3	33.0	33.8	0.6	0.7	1.0	27.0
Kaveri Seed	SELL	543	470	(13.4)	36	0.5	66	32	34	36	19.8	5.9	5.0	16.8	15.8	15.1	14.3	13.1	11.8	4.6	3.8	3.3	23.8	26.3	23.3	1.1	1.5	1.8	5.1
PI Industries	BUY	760	900	18.5	105	1.5	138	27	33	41	(20.0)	25.0	23.2	28.6	22.9	18.6	21.1	16.6	13.2	5.5	4.5	3.7	20.7	21.7	22.1	0.4	0.5	0.6	1.7
Rallis India	ADD	186	235	26.7	36	0.5	195	9	11	13	(1.5)	26.4	19.7	21.5	17.0	14.2	13.7	11.3	9.5	3.0	2.7	2.4	14.6	16.9	18.1	1.8	2.0	2.2	0.8
SJS	REDUCE	1,130	1,250	10.6	83	1.2	73	23	36	43	44.0	58.5	20.6	50.1	31.6	26.2	26.9	20.4	16.8	8.0	6.8	5.6	20.2	23.4	23.3	0.3	0.5	0.6	0.5
SRF	BUY	1,650	2,110	27.9	95	1.4	57	80	92	123	(10.4)	14.4	33.6	20.5	17.9	13.4	12.6	10.0	8.1	2.7	2.4	2.1	13.7	14.0	16.4	0.7	0.8	0.9	9.8
Tata Chemicals	ADD	692	760	9.8	176	2.6	255	51	46	52	6.5	(11.2)	13.6	13.5	15.1	13.3	7.4	6.3	5.3	1.6	1.4	1.4	13.8	10.0	10.5	3.2	2.2	2.5	9.5
TeamLease Services	SELL	2,896	1,750	(39.6)	50	0.7	17	43	59	76	28.0	37.7	27.2	67.2	48.8	38.3	70.0	49.5	38.3	11.2	9.1	7.4	18.2	20.6	21.3	—	—	—	2.4
UPL	ADD	624	850	36.3	318	4.6	507	43	47	53	20.9	9.0	13.5	14.5	13.3	11.7	10.1	8.8	7.4	3.4	2.9	2.4	26.4	23.6	22.4	1.3	1.5	1.7	14.4
Vardhman Textiles	ADD	1,213	1,400	15.4	70	1.0	56	103	130	140	(8.0)	26.4	7.4	11.8	9.3	8.7	9.9	7.4	6.6	1.4	1.3	1.1	12.7	14.3	13.8	1.2	1.6	2.5	1.1
Whirlpool	SELL	1,520	1,240	(18.4)	193	2.8	127	28	37	45	13.0	33.9	22.5	55.0	41.1	33.5	32.4	25.0	20.1	10.7	8.9	7.4	21.4	23.7	24.1	0.3	0.4	0.6	1.0
Others					3,168	46					15.1	16.1	22.7	31.0	26.7	21.8	20.0	16.5	13.4	5.6	4.8	4.0	18.1	17.9	18.6	0.6	0.6	0.7	83.0
KIE universe					105,768	1,540					(6.2)	28.9	25.8	26.2	20.3	16.2	12.2	10.4	9.2	2.9	2.6	2.4	11.0	12.9	14.6	1.4	1.5	1.8	
KIE universe (ex-energy)					93,549	1,362					(8.4)	36.9	30.7	31.2	22.8	17.4	13.8	11.5	10.1	3.2	2.9	2.6	10.4	12.9	15.2	1.2	1.4	1.7	

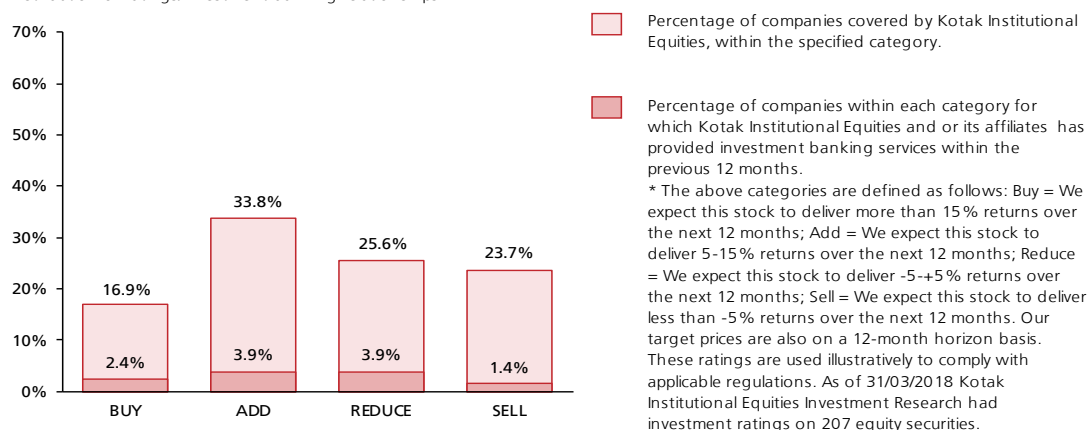
Notes:

- (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\$)= 68.69

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.

Other definitions

Coverage view. The coverage view represents each analyst’s overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: Attractive, Neutral, Cautious.

Other ratings/identifiers

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