

### Contents

### Daily Alerts

#### Company alerts

**Infosys:** On the right path; keep an eye on attrition though

- ▶ On track to achieve near-term financial objectives
- ▶ Medium-term growth objectives predicated on success in digital
- ▶ Rupee gains will not be reinvested but flow through the P&L

**ICICI Bank:** Winds of change

- ▶ Bakhshi takes charge ending months of speculation at the senior management level
- ▶ Move broadly on expected lines; preference towards internal candidates remains
- ▶ Maintain BUY with unchanged TP

### EQUITY MARKETS

India	Change %			
	18-Jun	1-day	1-mo	3-mo
Sensex	35,548	(0.2)	2.0	8.0
Nifty	10,800	(0.2)	1.9	7.0
<b>Global/Regional indices</b>				
Dow Jones	24,987	(0.4)	1.1	1.5
Nasdaq Composite	7,747	0.0	5.3	5.5
FTSE	7,631	(0.0)	(1.9)	8.4
Nikkei	22,587	(0.4)	(1.5)	5.1
Hang Seng	29,959	(1.2)	(3.5)	(4.9)
KOSPI	2,366	(0.4)	(3.8)	(4.4)
<b>Value traded – India</b>				
Cash (NSE+BSE)	251		338	343
Derivatives (NSE)	2,581		5,322	5,889
Deri. open interest	2,621		3,926	4,009

#### Forex/money market

	Change, basis points			
	18-Jun	1-day	1-mo	3-mo
Rs/US\$	68.0	(3)	(40)	276
10yr govt bond, %	8.1	(6)	-	17

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

	15-Jun	MTD	CYTD
FIs	(242)	(286)	(531)
MFs	14	286	9,350

#### Top movers

Best performers	Change, %			
	18-Jun	1-day	1-mo	3-mo
TCS IN Equity	1,829	(0.6)	4.5	29.2
UBBL IN Equity	1,284	1.1	13.3	29.0
SAIL IN Equity	87	1.6	18.1	26.2
NEST IN Equity	9,619	(1.3)	(0.7)	25.5
KMB IN Equity	1,315	(1.8)	1.6	25.4

#### Worst performers

HDIL IN Equity	23	(1.3)	(20.0)	(46.1)
RCOM IN Equity	15	(1.9)	(1.0)	(34.1)
UT IN Equity	5	(3.2)	(1.1)	(25.4)
VEDL IN Equity	232	(2.7)	(14.1)	(24.4)
JPA IN Equity	15	6.6	(11.7)	(21.2)

**JUNE 19, 2018**
**UPDATE**

Coverage view: **Cautious**

Price (₹): **1,267**

Target price (₹): **1,350**

BSE-30: **35,548**

**On the right path; keep an eye on attrition though.** Infosys' growth normalization has two tracks—track one is quick wins part of which will lay the foundation of creating a virtuous cycle of growth and people retention and track two is executing on a four-pillar strategy laid out by the CEO. Infosys is taking the right steps on track one even as close scrutiny is required on attrition. The company has started rolling out investments to successfully execute track two. The stock's relatively attractive valuations and progress towards growth normalization, keep us constructive. Maintain ADD rating.

**Company data and valuation summary**

Infosys

**Stock data**

52-week range (Rs) (high,low)	1,292-853
Market Cap. (Rs bn)	2,768.2

**Shareholding pattern (%)**

Promoters	12.9
FIs	52.7
MFs	10.6

**Price performance (%)**

	1M	3M	12M
Absolute	8.0	9.0	35.9
Rel. to BSE-30	7.9	3.8	18.9

**Forecasts/Valuations**

	2018	2019E	2020E
EPS (Rs)	64.6	69.8	76.5
EPS growth (%)	3.0	8.1	9.5
P/E (X)	19.6	18.1	16.6
Sales (Rs bn)	705.2	798.6	875.2
Net profits (Rs bn)	146.0	151.9	166.3
EBITDA (Rs bn)	190.1	206.5	225.9
EV/EBITDA (X)	13.5	12.4	11.1
ROE (%)	21.8	22.7	23.1
Div. Yield (%)	2.2	3.4	3.1

**On track to achieve near-term financial objectives**

Leadership changes cause attendant challenges on momentum and people retention. Quick wins are a must to give comfort to employees on the health of business and create a virtuous cycle of growth feeding into employee confidence, which in turn propels growth. Infosys has done a reasonable job up to now of defending its share of business in large accounts and accelerating deals wins (TCV in March 2018 quarter was at an eight-quarter high). Key verticals such as banking, which is a challenge for other IT companies, will grow for Infosys led by wins/ramp-ups in the Europe geography. These factors combine implies that Infosys is comfortably placed to achieve 6-8% revenue growth guidance. Attrition, however, continues to be a concern and can derail the momentum. The leadership bench of the company has thinned out due to exits in the past few years. Recent exits of Sangita Singh (head of the healthcare vertical) and Nitesh Banga (head of manufacturing) are not a good sign.

**Medium-term growth objectives predicated on success in digital**

Infosys identified the shift to digital early. However, Infosys has lost some mindshare and relative positioning in digital over the past 15-18 months owing to distractions and talent attrition associated with leadership changes. We believe the industry is on the verge of a gradual transition from pilot projects to large-scale digital programs. Infosys needs to accelerate its digital transformation journey—it needs to engage with industry analysts more extensively, step up hiring of next-gen talent and look at tuck-in acquisitions that help it bridge gaps in digital. That said, the gap is not material and Infosys can catch up quickly. Success in digital will decide the sustainability of growth; Infosys has identified the gaps and is working towards bridging it.

**Rupee gains will not be reinvested but flow through the P&L**

Infosys announced a cut in margin band by 100 bps to 22-24% in April 2018 to create more sustainable growth opportunities. Rupee has depreciated since this announcement. It seems that the company will not reinvest rupee depreciation gains; instead these gains will flow through P&L creating near-term upside to EPS estimates. We maintain our constructive view on the stock; inexpensive valuations combined with broad progress on turnaround keep us positive.

Kawaljeet Saluja

Jaykumar Doshi

### Attrition is the key focus area

Infosys' attrition has been higher than competition barring a brief period under the earlier CEO. High attrition can be attributed to multiple factors in the past such as change in strategy and performance management systems, perceived underperformance of a few leaders leading to counseling them out and CEO changes in itself. The net result is that the leadership strength has thinned out. Exhibit 2 details the key exits from Infosys over the past three years.

The new CEO has inherited a thinned-out leadership that requires augmentation. In the interim the company requires stability in leadership ranks. Recent exits of Sangita Singh (head of healthcare vertical) and Nitesh Banga (head of manufacturing) are not a good sign. We will keep a close eye on attrition numbers and exits at the leadership rank; controlling this will be critical to achieving much-desired industry-leading revenue growth rates.

### Investment in business is a step in the right direction

Infosys had cut margin guidance band by 100 bps to 22-24% from 23-25% earlier. The cut in guidance band is to reflect—(1) acceleration of investments in select digital competences, (2) localization of talent and (3) revitalization of sales. We note these investments are to accelerate revenue growth beyond the base growth of FY2019E and not simply sustain it. In effect, investments are an offensive strategy to capture the rapid shift in client spending towards digital projects. The company will roll out these investments progressively over the next 12 months, benefits of which will be visible in growth going forward.

Infosys will, however, not use the recent rupee depreciation to increase quantum of investments. Instead the benefits of rupee depreciation will flow through the P&L in the near term.

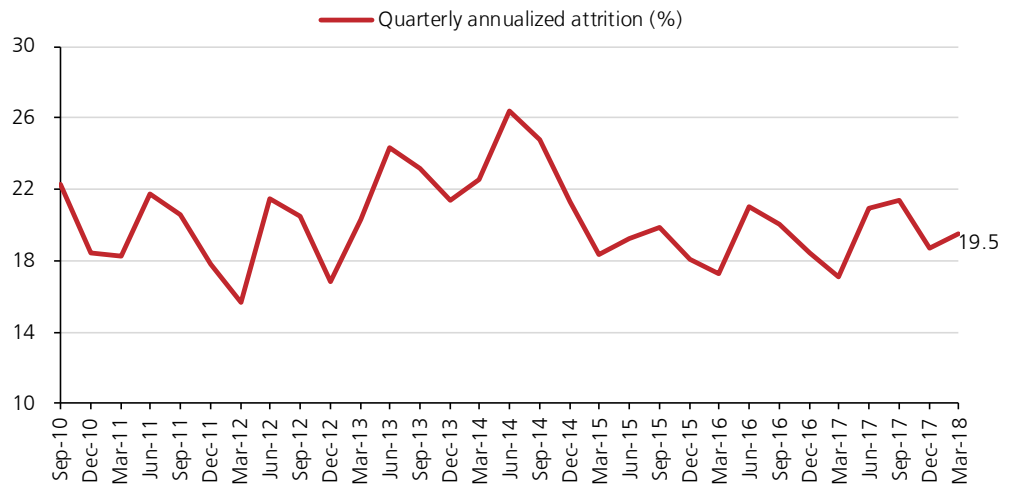
### A quick recap of Infosys' new growth strategy

Infosys' growth strategy is four-pronged.

- ▶ Scale agile digital business. Infosys derived US\$2.8 bn of revenues in FY2018 through digital services. This portfolio is growing faster and is more profitable than company average. Digital constitutes 25.5% of overall revenues. The five building blocks of digital strategy are—(1) experience layer, which cuts across other four layers of Infosys' digital architecture. The company has created a string of pearls that embed design, strategy, Ux and creative work. Talent pool is different and deployed from design schools, creative agencies and includes refactoring of talent. Infosys has acquired design studios and creative ad agencies to augment capabilities, (2) insight layer—embedded AI and ML and leveraging IP-led differentiation to deliver insights, (3) innovate layer through several vertical industry platforms and digital product engineering, (4) accelerate the digital journey by transforming the core through cloud migration, automation, legacy modernization and digital systems integration and (5) assure by securing the core.
- ▶ Energize the core by applying intense automation and AI to improve productivity and apply and use its market-leading AI-platform NIA.
- ▶ Reskilling of employees. To reskill employees, Infosys provides anytime, anywhere tools for enabling employees to be ready for the clients' needs of the future.
- ▶ Localization. Infosys wants to continue localization in key markets, especially in the US by building delivery centers and training centers and then hiring locally. The company has a set of local development centers in Indiana and Connecticut and has plans to expand into other cities. Infosys has hired 4,000 of the proposed 10,000 locals in the US at an average cost that is lower than existing cost of H-1B hires. Part of the lower cost can be attributed to weightage of hiring towards lower experience profile talent. The company intends to pursue a similar approach in Europe and Australia.

Most companies have a similar strategy for growth. What truly differentiates one company from another is in execution, a key priority for Infosys CEO.

Exhibit 1: Attrition trend stays elevated and has scope for reduction



Source: Company, Kotak Institutional Equities

Exhibit 2: Key senior management exits at Infosys in the past 2-3 years

Date	Name	Designation
Jun-18	Sangita Singh	Executive VP ,Head of Healthcare & Lifesciences
Jun-18	Nitesh Banga	SVP -Global head of manufacturing and Edge products
Jan-18	Rajesh K Murthy	President, Head— Energy, Resources, Utilities, Communications & Services
Oct-17	Pervinder Johar	CEO- Edgeverve
Oct-17	Abdul Razack	Head- Platforms, Big Data and analytics
Sep-17	Navin Budhiraja	SVP - Head Architecture and Technology
Sep-17	Sanjay Rajagopalan	SVP - Design and research
Aug-17	Dr Vishal Sikka	CEO and MD
Jun-17	Sandeep Dadlani	President, Head of Manufacturing, Retail, CPG and logistics
Jun-17	Gordon Muehl	Industrial Internet business head
Jan-17	David Kennedy	Chief Compliance Officer
Sep-16	Sanjay Purohit	EVP and Global head of consulting
Jul-16	Sunil Gupta	Infosys Edgeverve and Finacle COO
Jul-16	Vasudeva Nayak	SVP - Global Head Mobility and assurance
Jul-16	Samson David	SVP, Global head- cloud, infrastructure and security
Jul-16	Anup Uppadhyay	Executive VP, Head of Strategic sales
Jul-16	Manish Tandon	Executive VP, Head of Healthcare, Lifesciences and Hi-Tech
Jan-16	Michael Reh	Head- Edgeverve and Finacle
Oct-15	Rajiv Bansal	CFO
Oct-15	Ronald Hafner	CEO/Partner, Lodestone
Jul-15	Sanjay Jalona	Executive VP, Head of Manufacturing and Hi-Tech

Source: Company, Kotak Institutional Equities

## Exhibit 3: Infosys: key client metrics are steady

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
<b>Client metrics</b>												
Number of active clients	987	1,011	1,045	1,092	1,126	1,136	1,152	1,162	1,164	1,173	1,191	1,204
New clients added in the period	79	82	75	89	95	78	77	71	59	72	79	73
Repeat business %	98.4	97.6	96.8	95.8	98.8	97.5	96.7	96.2	99.4	98.7	98.3	97.6
Million \$ clients	535	542	555	558	574	577	591	598	606	620	630	634
5 Million \$ clients	248	258	261	268	268	277	275	282	279	286	290	295
25 Million \$ clients	83	85	89	88	87	89	90	91	97	100	101	105
50 Million \$ clients	49	50	51	52	52	54	54	56	56	55	56	57
75 Million \$ clients	28	31	28	31	31	30	32	31	31	31	34	35
100 Million \$ clients	14	14	13	14	17	18	18	19	18	19	20	20
200 Million \$ clients	6	6	6	6	6	6	6	6	NA	NA	NA	NA
300 Million \$ clients	1	1	1	1	1	1	1	1	NA	NA	NA	NA

Source: Company, Kotak Institutional Equities

## Exhibit 4: Infosys: solid revenue growth from large accounts

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	4 qtr CQGR (%)
<b>Revenue (US\$ mn)</b>													
Top client	83	89	84	88	90	91	79	85	87	93	94	101	4.5
Top 10 clients	519	545	544	533	555	564	513	519	530	532	529	539	0.9
Top 25 clients					950	957	926	938	954	982	973	993	1.4
Ex- Top 10 clients	1,737	1,847	1,863	1,913	1,946	2,023	2,038	2,050	2,121	2,196	2,226	2,266	2.5
Total	2,256	2,392	2,407	2,446	2,501	2,587	2,551	2,569	2,651	2,728	2,755	2,805	2.2
<b>Growth (qoq %)</b>													
Top client	10.5	6.0	(4.8)	4.5	2.2	0.6	(12.7)	7.2	3.2	6.0	1.0	7.8	
Top 10 clients	5.9	5.1	(0.3)	(2.0)	4.1	1.6	(9.1)	1.2	2.2	0.3	(0.6)	1.8	
Top 25 clients						0.7	(3.3)	1.3	1.8	2.9	(1.0)	2.1	
Ex- Top 10 clients	4.1	6.3	0.9	2.7	1.7	4.0	0.8	0.6	3.5	3.5	1.4	1.8	
Total	4.5	6.0	0.6	1.6	2.2	3.4	(1.4)	0.7	3.2	2.9	1.0	1.8	

Source: Company, Kotak Institutional Equities

Exhibit 5: Condensed consolidated financials for Infosys, March fiscal year-ends, 2014-21E (Rs mn)

	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>Profit model</b>								
Revenues	501,330	533,190	624,410	684,850	705,220	798,574	875,218	971,420
<b>EBITDA</b>	<b>136,340</b>	<b>149,010</b>	<b>170,780</b>	<b>186,050</b>	<b>190,100</b>	<b>206,470</b>	<b>225,919</b>	<b>251,230</b>
Depreciation	(13,740)	(10,690)	(14,590)	(17,030)	(18,620)	(19,216)	(21,047)	(22,614)
Other income	26,690	34,270	31,250	30,790	31,930	22,257	24,500	27,426
<b>Pretax profits</b>	<b>149,291</b>	<b>172,591</b>	<b>187,441</b>	<b>199,811</b>	<b>203,411</b>	<b>209,513</b>	<b>229,373</b>	<b>256,042</b>
Tax	(40,620)	(49,290)	(52,520)	(55,980)	(56,740)	(57,616)	(63,077)	(71,692)
<b>Profit after tax</b>	<b>108,671</b>	<b>123,301</b>	<b>134,921</b>	<b>143,831</b>	<b>146,671</b>	<b>151,897</b>	<b>166,296</b>	<b>184,351</b>
<b>Diluted earnings per share (Rs)</b>	<b>46.6</b>	<b>53.9</b>	<b>59.0</b>	<b>62.7</b>	<b>64.6</b>	<b>69.8</b>	<b>76.5</b>	<b>84.8</b>
<b>Balance sheet</b>								
Total equity	445,300	507,360	578,260	689,820	649,230	687,596	752,106	832,060
Assets held for sale	—	—	—	—	3,240	3,240	3,240	3,240
Minority interest	—	—	—	—	10	10	10	10
Current liabilities	124,360	155,530	173,150	141,660	141,010	143,634	149,199	156,184
<b>Total liabilities and equity</b>	<b>569,660</b>	<b>662,890</b>	<b>751,410</b>	<b>831,480</b>	<b>793,490</b>	<b>834,480</b>	<b>904,554</b>	<b>991,494</b>
Cash	259,500	303,670	326,970	226,250	198,180	214,156	258,847	315,049
Other current assets	180,240	209,940	258,790	276,940	299,660	321,202	343,359	371,113
Deferred taxation	6,290	5,360	5,330	3,330	7,410	7,410	7,410	7,410
Goodwill	22,440	35,950	44,760	36,520	22,110	22,110	22,110	22,110
Tangible fixed assets	70,950	85,270	96,640	124,920	144,500	147,971	151,198	154,181
Investments	30,240	22,700	18,920	163,520	121,630	121,630	121,630	121,630
<b>Total assets</b>	<b>569,660</b>	<b>662,890</b>	<b>751,410</b>	<b>831,480</b>	<b>793,490</b>	<b>834,480</b>	<b>904,554</b>	<b>991,494</b>
<b>Free cash flow</b>								
Operating cash flow, excl. working capital	93,920	91,610	120,090	126,080	124,854	148,545	162,841	179,538
Working capital changes	(2,810)	(8,420)	(21,460)	(16,240)	(1,114)	(18,919)	(16,591)	(20,769)
Capital expenditure	(27,450)	(22,550)	(27,230)	(27,600)	(19,980)	(22,377)	(24,274)	(25,598)
Acquisitions	—	(13,760)	(7,470)	—	(600)	—	—	—
Other income	23,800	25,510	23,810	29,570	31,930	22,257	24,500	27,426
<b>Free cash flow</b>	<b>87,460</b>	<b>72,390</b>	<b>87,740</b>	<b>111,810</b>	<b>135,090</b>	<b>129,506</b>	<b>146,476</b>	<b>160,597</b>
<b>Key ratios and assumptions</b>								
<b>Revenue growth (US\$ terms) (%)</b>	<b>11.5</b>	<b>5.6</b>	<b>9.1</b>	<b>7.4</b>	<b>7.2</b>	<b>7.9</b>	<b>9.0</b>	<b>9.4</b>
Re/US\$ rate	60.8	61.2	65.7	67.1	64.5	67.6	68.0	69.0
EBITDA margin (%)	27.2	27.9	27.4	27.2	27.0	25.9	25.8	25.9
<b>EBIT margin (%)</b>	<b>24.5</b>	<b>25.9</b>	<b>25.0</b>	<b>24.7</b>	<b>24.3</b>	<b>23.4</b>	<b>23.4</b>	<b>23.5</b>
RoAE	26.3	25.9	24.9	22.7	21.9	22.7	23.1	23.3
RoIC	59.5	58.7	54.4	45.7	39.3	39.9	41.1	42.9

Source: Company, Kotak Institutional Equities estimates

**JUNE 19, 2018**
**UPDATE**

Coverage view: **Attractive**

Price (₹): **293**

Target price (₹): **400**

BSE-30: **35,548**

**Winds of change.** ICICI Bank has made changes at the senior management level with the appointment of Mr. Sandeep Bakhshi as ED and COO of the bank to oversee all operations of the group while Mr. N S Kannan has been appointed MD and CEO of the life insurance business. Ms. Kochhar will remain on leave till the independent investigation is completed. Given the recent news flows, we see this as a positive and important development that aims to address a few key concerns. Maintain BUY.

**Company data and valuation summary**

ICICI Bank

**Stock data**

52-week range (Rs) (high,low) 366-255

Market Cap. (Rs bn) 1,884.1

**Shareholding pattern (%)**

Promoters 0.0

Fls 60.6

MFs 17.2

**Price performance (%)**

	1M	3M	12M
Absolute	2.4	(1.7)	1.8
Rel. to BSE-30	2.4	(6.4)	(10.9)

**Forecasts/Valuations**

	2018	2019E	2020E
EPS (Rs)	10.5	15.4	25.4
EPS growth (%)	(31.1)	46.5	64.1
P/E (X)	27.8	19.0	11.6
NII (Rs bn)	230.3	248.7	287.1
Net profits (Rs bn)	67.8	99.3	163.0
BVPS	130.1	148.6	174.5
P/B (X)	2.3	2.0	1.7
ROE (%)	6.6	9.1	13.7
Div. Yield (%)	0.5	1.1	1.7

**Bakhshi takes charge ending months of speculation at the senior management level**

As per the press release issued late last evening, the Board of Directors has appointed Mr. Sandeep Bakhshi as Wholetime Director and Chief Operating Officer designate of ICICI Bank. His appointment will be for a period of five years, subject to the usual regulatory approvals. He will be responsible for all the businesses and corporate centre functions of the bank and all executive directors and management would report to him. Mr. Bakhshi will report to Ms. Chanda Kochhar who will continue in her role as MD and CEO of the bank. The MD has been placed on leave till the completion of the enquiry. Mr. N S Kannan, who is currently an Executive Director at the bank, will move to their life insurance subsidiary as MD and CEO.

**Move broadly on expected lines; preference towards internal candidates remains**

Over the last few weeks, the board of ICICI Bank has taken a few strong steps to address a key concern that has been a key headwind for the stock, beginning with the appointment of a team led by Justice BN Srikrishna to examine a complaint by a whistle blower relating to conflict of interest and quid pro quo in the course of work with certain borrowers of the bank. Yesterday's announcement of an interim change to the senior management addresses the concerns on business continuity.

While Mr. Bakhshi has strong credentials backing him to lead the bank, the preference of internal candidates to lead various business operations continues at the bank. Mr. Bakhshi (58 years) started his career in 1986 and has experience in corporate and retail businesses. He was the MD and CEO of ICICI Lombard General Insurance between 2002 and 2009. He later moved back to the bank as deputy MD overlooking the wholesale and SME business. He became the MD of ICICI Prudential Life Insurance beginning August 1, 2010.

**Maintain BUY with unchanged TP**

We view the recent development as an important step to address a key concern that has been a headwind to the stock in recent months. The bank is making some painful adjustments in its loan portfolio which has slowed growth led by large recognition of bad loans, shift towards better rated corporates as well as building a granular retail and SME business funded by a solid low cost liability franchise. We maintain our BUY rating with TP at ₹400 (TP unchanged).

M B Mahesh CFA

Nischint Chawathe

Dipanjn Ghosh

Exhibit 24: ICICI Bank SOTP (FY2020) valuation

	ICICI share (%)	FY2020 (Rs)	Valuation methodology
<b>Value of ICICI standalone</b>	<b>100.0</b>	<b>285</b>	Based on residual growth model
<b>Subsidiaries</b>			
<b>ICICI Financial Services</b>		<b>88</b>	
ICICI Prudential Life	54.9	54	2.9X Embedded Value
General insurance	56.8	22	4.5X FY2020 PBR
Mutual funds	51.0	12	5.5% of AUMs
<b>Other subsidiaries/associates</b>			
ICICI Securities	74.0	9	15X FY2020 PER
ICICI Securities Primary Dealer	100.0	2	1X FY2020 PBR
ICICI Homes	100.0	4	1.5X FY2020 PBR
ICICI Bank UK	100.0	3	0.6X FY2020 PBR
ICICI Bank Canada	100.0	3	0.6X FY2020 PBR
Venture capital/MF	100.0	2	10% of AUM of US\$2 bn
<b>Value of subsidiaries</b>		<b>111</b>	
<b>Value of company</b>		<b>396</b>	

Source: Company, Kotak Institutional Equities estimates

Exhibit 25: ICICI Bank --forecasts and valuation

March fiscal year-ends, 2013-2021E

	PAT	EPS	P/E	BVPS	P/B	RoE	Core RoE	P/E (standalone)	ABVPS (standalone)	P/B (standalone)
	(Rs bn)	(Rs)	(X)	(Rs)	(X)	(%)	(%)	(X)	(Rs)	(X)
2013	83	13	22.3	105	2.8	13.1	14.7	16	83	2.2
2014	98	15	19.0	115	2.5	14.0	14.9	13.5	92	2.0
2015	113	18	16.5	126	2.3	14.7	15.0	11.9	101	1.8
2016	97	15	19.4	139	2.1	11.4	11.1	14.3	104	1.7
2017	98	15	19.2	156	1.9	10.9	10.0	13.9	108	1.7
2018E	68	11	27.8	164	1.8	6.6	6.1	20.7	113	1.6
2019E	99	15	19.0	175	1.7	9.1	8.8	13.4	132	1.4
2020E	163	25	11.6	195	1.5	13.7	13.6	7.8	159	1.1
2021E	199	31	9.5	219	1.3	15.0	14.9	7.8	187	1.0

Source: Company, Kotak Institutional Equities estimates



## Exhibit 26: ICICI Bank income statement and balance sheet

March fiscal year-ends, 2015-2020E (₹ mn)

	2016	2017	2018E	2019E	2020E	2021E
<b>Growth rates (%)</b>						
Net loan growth	12.3	6.7	10.4	12.6	13.8	13.7
Customer assets growth	10.7	6.5	9.7	11.9	13.1	13.1
Corporate loans	3.9	(0.9)	1.0	8.5	9.9	10.2
Total retail loans	22.7	14.5	18.8	15.8	16.7	16.1
Deposits growth	16.6	16.3	14.5	14.2	17.6	16.1
Borrowings growth	(2.6)	(27.1)	45.3	(6.2)	(5.0)	(3.4)
Net interest income	11.5	2.4	5.9	8.0	15.4	15.2
Loan loss provisions	226.1	29.1	20.6	(43.3)	(46.5)	(6.3)
Non-interest income	25.8	27.3	(10.7)	(8.7)	15.0	13.2
Net fee income	6.9	7.7	4.2	24.4	13.9	13.9
Net capital gains	145.1	127.2	(32.7)	(70.7)	17.6	-
Total income	17.1	12.8	(1.9)	0.8	15.3	14.4
Operating expenses	10.3	16.3	6.4	8.1	10.7	10.6
Employee expenses	5.3	14.6	3.2	9.5	10.3	9.6
DMA	18.0	18.6	10.8	22.8	19.6	19.6
<b>Asset management measures (%)</b>						
Yield on average earning assets	8.7	8.4	7.6	7.5	7.6	7.7
Interest on advances	9.5	8.8	8.4	8.4	8.5	8.7
Interest on investments	7.2	7.6	6.8	6.7	6.9	7.0
Average cost of funds	5.6	5.4	4.7	4.7	4.7	4.8
Interest on deposits	5.5	5.0	4.3	4.7	4.9	5.0
Other interest	5.7	6.4	6.1	4.7	3.7	3.6
<b>Difference</b>	<b>3.2</b>	<b>3.0</b>	<b>2.9</b>	<b>2.8</b>	<b>2.9</b>	<b>2.9</b>
Net interest income/earning assets	3.5	3.4	3.2	3.0	3.1	3.2
New provisions/average net loans	2.7	3.2	3.7	1.8	0.9	0.7
Loans-to-deposit ratio	73.3	75.4	68.9	71.1	71.7	72.4
Share of deposits						
Current	14.0	15.3	15.9	15.0	14.3	13.8
Fixed	54.2	49.6	48.3	50.5	52.4	53.9
Savings	31.9	35.1	35.8	34.5	33.3	32.4
Tax rate	20.2	13.1	8.8	29.0	29.0	29.0
Dividend payout ratio	29.9	29.7	14.2	20.0	20.0	20.0
<b>Asset quality metrics (%)</b>						
Gross NPL	5.7	8.5	9.6	8.0	6.4	5.0
Net NPL	3.0	5.4	5.4	3.8	2.4	1.6
Slippages	4.3	7.7	6.4	2.0	1.4	1.4
Provision coverage (ex write-off)	47.6	35.8	43.3	53.2	63.2	67.3
<b>RoA composition - % of average assets</b>						
Net interest income	3.1	3.0	2.8	2.7	2.8	2.9
Loan loss provisions	1.6	2.0	2.1	1.1	0.5	0.4
Net other income	2.3	2.7	2.1	1.7	1.8	1.8
Operating expenses	1.9	2.1	1.9	1.8	1.8	1.8
(1- tax rate)	79.8	86.9	91.2	71.0	71.0	71.0
<b>RoA</b>	<b>1.4</b>	<b>1.4</b>	<b>0.8</b>	<b>1.1</b>	<b>1.6</b>	<b>1.7</b>
Average assets/average equity	8.0	7.7	7.9	8.4	8.5	8.6
<b>RoE</b>	<b>11.4</b>	<b>10.9</b>	<b>6.6</b>	<b>9.1</b>	<b>13.7</b>	<b>15.0</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 27: ICICI Bank, growth rates, key ratios and Du Pont analysis**  
March fiscal year-ends, 2016-2021E (%)

	2016	2017	2018E	2019E	2020E	2021E
Total interest income	527,394	541,563	549,659	613,901	691,631	796,482
Interest on advances	389,432	396,034	408,662	459,720	526,433	612,100
Interest on investments	106,253	113,771	115,682	129,909	140,419	158,844
Total interest expense	315,154	324,190	319,400	365,187	404,576	465,904
Deposits from customers	215,488	228,717	225,148	281,043	343,322	407,764
Net interest income	212,240	217,373	230,259	248,714	287,055	330,578
Loan loss provisions	111,127	143,470	173,070	98,054	52,442	49,126
Net interest income (after prov.)	101,114	73,903	57,189	150,660	234,613	281,452
Other income	153,231	195,045	174,196	158,988	182,824	206,897
Net fee income	74,617	80,349	83,762	104,217	118,715	135,273
Net capital gains	37,954	86,232	58,020	17,000	20,000	20,000
Miscellaneous income	2,592	721	6,155	7,693	9,616	12,021
Operating expenses	126,836	147,551	157,044	169,770	187,873	207,753
Employee expense	50,023	57,337	59,144	64,763	71,418	78,285
DMA	9,340	11,078	12,277	15,078	18,032	21,568
Pre-tax income	121,959	112,787	74,341	139,879	229,564	280,596
Tax provisions	24,694	14,775	6,571	40,565	66,574	81,373
<b>Net profit</b>	<b>97,264</b>	<b>98,012</b>	<b>67,770</b>	<b>99,314</b>	<b>162,991</b>	<b>199,223</b>
% growth	(13.9)	0.8	(30.9)	46.5	64.1	22.2
<b>PBT+provision-treasury gains</b>	<b>200,681</b>	<b>172,545</b>	<b>189,391</b>	<b>220,933</b>	<b>262,006</b>	<b>309,722</b>
% growth	10.4	(14.0)	9.8	16.7	18.6	18.2
<b>Balance sheet (Rs mn)</b>						
Cash and bank balance	530,266	469,000	841,694	888,230	994,682	1,111,673
Cash	65,797	71,939	79,133	90,334	106,265	123,348
Balance with RBI	205,263	245,085	331,541	362,189	409,139	461,121
Balance with banks	2,446	3,801	4,181	4,600	5,059	5,565
Outside India	256,759	148,175	426,838	431,107	474,217	521,639
Net value of investments	1,604,118	1,615,065	2,029,942	2,058,272	2,265,859	2,494,057
Investments in India	1,522,607	1,541,700	1,829,373	1,859,544	2,068,880	2,300,401
Govt. and other securities	1,106,493	1,104,084	1,387,862	1,410,987	1,613,137	1,837,328
Shares	19,874	27,419	27,419	27,419	27,419	27,419
Subsidiaries	64,218	62,405	61,815	61,815	61,815	61,815
Debentures and bonds	92,742	100,750	102,765	104,820	106,917	109,055
Net loans and advances	4,352,639	4,642,321	5,123,953	5,770,948	6,568,233	7,467,691
Corporate loans	2,221,939	2,201,941	2,224,953	2,413,271	2,651,007	2,920,113
Total retail loans	2,130,700	2,440,380	2,899,000	3,357,677	3,917,226	4,547,578
Fixed assets	75,770	78,052	79,035	57,701	51,514	44,476
Net leased assets	2,415	2,415	1,218	1,035	880	748
Net owned assets	73,355	75,637	72,990	56,665	50,634	43,728
Other assets	575,737	625,345	717,268	788,995	867,894	954,684
<b>Total assets</b>	<b>7,138,531</b>	<b>7,429,784</b>	<b>8,791,892</b>	<b>9,564,146</b>	<b>10,748,183</b>	<b>12,072,582</b>
Deposits	4,214,257	4,900,390	5,609,752	6,403,789	7,533,152	8,744,128
Borrowings and bills payable	1,726,711	1,258,196	1,828,586	1,715,629	1,629,596	1,573,764
Preference capital	3,500	3,500	3,500	3,500	3,500	3,500
Other liabilities	300,207	271,688	301,964	317,062	332,915	349,561
<b>Total liabilities</b>	<b>6,241,175</b>	<b>6,430,274</b>	<b>7,740,302</b>	<b>8,436,480</b>	<b>9,495,663</b>	<b>10,667,453</b>
Paid-up capital	11,699	11,651	12,858	12,858	12,858	12,858
Reserves & surplus	885,657	987,860	1,038,731	1,114,808	1,239,662	1,392,271
<b>Total shareholders' equity</b>	<b>897,356</b>	<b>999,511</b>	<b>1,051,589</b>	<b>1,127,666</b>	<b>1,252,520</b>	<b>1,405,129</b>

Source: Company, Kotak Institutional Equities estimates



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

Company	Rating	Price			Mkt cap. (Rs bn)	O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)		EV/EBITDA (X)			P/B (X)		RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)			
		18-Jun-18	Target price (Rs)	Upside (%)			2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E					
<b>NBFCS</b>																													
Bajaj Finance	REDUCE	2,243	1,850	(17.5)	1,296	19.1	575	46	63	82	38.5	34.9	30.0	48.2	35.8	27.5	—	—	—	7.8	6.5	5.4	20.5	19.9	21.5	0.2	0.3	0.4	39.9
Bajaj Finserv	ADD	5,996	5,900	(1.6)	954	14.0	159	174	206	266	13.5	18.7	28.8	34.5	29.0	22.5	—	—	—	4.7	3.8	3.3	15.3	14.5	15.6	0.2	0.2	0.2	14.5
Bharat Financial Inclusion	NA	1,184	—	—	165	2.4	139	33	43	54	55.5	31.1	27.2	36.2	27.6	21.7	—	—	—	5.5	4.5	3.6	16.7	17.9	18.5	—	—	—	10.9
Cholamandalam	REDUCE	1,612	1,510	(6.3)	252	3.7	156	62	76	92	35.5	22.3	20.8	25.9	21.2	17.5	—	—	—	5.1	4.3	3.6	20.6	21.0	21.2	0.4	0.6	0.7	6.9
HDFC	BUY	1,824	2,100	15.2	3,064	45.0	1,676	75	58	67	52.1	(23.1)	15.2	24.2	31.5	27.3	—	—	—	4.8	4.2	3.8	23.9	14.3	14.5	1.1	1.1	1.3	71.0
HDFC Standard Life Insurance	SELL	479	405	(15.5)	964	14.2	2,007	6	6	7	24.4	14.8	10.9	86.6	75.5	68.0	—	—	—	22.4	20.0	17.9	27.3	28.0	27.7	0.3	0.3	0.4	15.5
ICICI Lombard	SELL	716	600	(16.2)	325	4.8	454	19	26	30	22.0	36.4	17.0	37.7	27.6	23.6	—	—	—	7.2	6.0	5.1	20.8	23.7	23.5	0.6	0.9	1.1	2.3
ICICI Prudential Life	BUY	398	500	25.8	571	8.4	1,436	11	12	13	(3.7)	3.8	7.6	35.2	33.9	31.5	—	—	—	8.7	7.2	6.1	25.0	23.2	20.9	1.4	0.5	0.5	12.2
IIFL Holdings	SELL	703	625	(11.1)	224	3.3	319	29	34	41	32.4	17.3	21.4	24.6	21.0	17.3	—	—	—	4.4	3.8	3.3	19.0	19.3	20.0	0.9	1.0	1.2	1.9
L&T Finance Holdings	REDUCE	164	185	12.5	328	4.8	1,996	7	10	12	23.7	34.6	24.1	22.4	16.6	13.4	—	—	—	2.6	2.3	2.0	14.2	14.7	16.1	1.1	1.2	1.2	9.9
LIC Housing Finance	BUY	501	610	21.8	253	3.7	505	44	50	58	3.2	13.8	17.5	11.5	10.1	8.6	—	—	—	1.9	1.6	1.4	14.5	14.3	14.4	1.4	1.5	1.8	13.2
Magma Fincorp	BUY	165	200	21.0	45	0.7	237	10	12	15	1,014.5	24.6	25.8	17.0	13.7	10.9	—	—	—	1.7	1.6	1.4	10.2	12.9	14.1	0.5	1.1	1.4	3.2
Mahindra & Mahindra Financial	REDUCE	476	475	(0.2)	294	4.3	614	15	22	26	105.0	53.5	16.6	32.8	21.4	18.3	—	—	—	3.4	3.0	2.7	11.3	14.0	14.8	0.8	1.3	1.5	12.3
Max Financial Services	BUY	470	650	38.3	126	1.9	268	5	6	6	(20.4)	36.9	1.8	102.5	74.9	73.6	—	—	—	—	—	—	6.5	8.3	8.0	—	0.5	0.5	5.2
Muthoot Finance	ADD	390	480	23.0	156	2.3	400	43	38	40	45.6	(10.8)	4.0	9.1	10.2	9.8	—	—	—	2.0	1.8	1.6	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	8.7
SBI Life Insurance	ADD	672	815	21.3	672	9.9	1,000	12	15	18	20.8	26.0	22.9	58.3	46.2	37.6	—	—	—	10.4	8.8	7.3	19.4	20.6	21.3	0.3	0.3	0.4	6.1
Shriram City Union Finance	ADD	2,292	2,550	11.3	151	2.2	66	101	140	174	19.6	39.4	23.8	22.8	16.3	13.2	—	—	—	2.9	2.5	2.2	12.5	15.5	16.7	0.8	0.8	1.0	0.8
Shriram Transport	REDUCE	1,467	1,600	9.0	333	4.9	227	69	105	125	24.7	52.1	18.7	21.2	14.0	11.8	—	—	—	2.8	2.4	2.1	13.1	17.6	18.0	0.7	1.0	1.2	18.4
<b>NBFCS</b>		<b>Neutral</b>			<b>10,358</b>	<b>152</b>					<b>38.0</b>	<b>7.0</b>	<b>19.3</b>	<b>30.1</b>	<b>28.2</b>	<b>23.6</b>				<b>5.1</b>	<b>4.3</b>	<b>3.8</b>	<b>16.8</b>	<b>15.4</b>	<b>16.1</b>	<b>0.7</b>	<b>0.7</b>	<b>0.8</b>	<b>604.7</b>
<b>Cement</b>																													
ACC	SELL	1,300	1,300	(0.0)	244	3.6	188	49	54	71	41.9	10.4	31.8	26.7	24.2	18.4	14.0	13.5	10.3	2.6	2.4	2.2	10.2	10.4	12.7	1.3	1.3	1.3	9.5
Ambuja Cements	REDUCE	203	215	6.0	403	5.9	1,986	8	7	9	29.7	(1.3)	27.0	27.0	27.3	21.5	8.8	8.7	7.1	1.9	1.9	1.8	7.4	7.0	8.6	1.8	1.8	1.8	9.0
Dalmia Bharat	ADD	2,516	2,900	15.3	224	3.3	89	60	98	128	55.4	62.6	30.3	41.7	25.6	19.7	13.0	9.9	8.0	3.7	3.2	2.8	9.7	13.4	15.2	0.1	0.1	0.1	6.0
Grasim Industries	BUY	1,020	1,275	25.0	671	9.9	657	47	43	60	(30.1)	(10.2)	41.3	21.5	24.0	17.0	12.2	7.9	7.2	1.2	1.1	1.1	7.0	4.8	6.4	0.5	0.5	0.5	15.7
India Cements	REDUCE	114	135	18.4	35	0.5	308	3	5	9	(42.5)	56.2	84.4	34.9	22.3	12.1	9.7	8.3	6.5	0.7	0.7	0.6	2.0	3.0	5.3	0.9	0.9	0.9	6.4
J K Cement	REDUCE	910	1,000	9.9	64	0.9	70	43	51	83	25.1	17.0	65.0	21.0	18.0	10.9	10.8	11.4	9.1	3.2	2.8	2.3	16.2	16.7	23.2	0.9	0.9	0.9	0.8
JK Lakshmi Cement	ADD	334	425	27.4	39	0.6	118	4	18	33	(35.7)	311.2	79.6	74.6	18.1	10.1	13.7	8.3	5.9	2.7	2.4	2.0	3.7	14.1	21.5	0.6	0.6	0.6	0.6
Orient Cement	ADD	116	165	42.2	24	0.3	205	2	8	12	237.8	250.7	64.8	53.7	15.3	9.3	11.8	7.5	5.5	2.3	2.1	1.8	4.4	14.3	20.6	0.6	1.3	1.7	0.2
Shree Cement	SELL	16,130	12,700	(21.3)	562	8.3	35	397	486	662	3.4	22.3	36.2	40.6	33.2	24.4	21.8	16.4	12.8	6.3	5.4	4.5	16.7	17.6	20.2	0.3	0.3	0.3	4.8
UltraTech Cement	SELL	3,670	3,000	(18.2)	1,008	14.8	275	89	119	153	(7.0)	33.1	28.9	41.0	30.8	23.9	19.2	15.0	12.5	3.9	3.5	3.1	9.9	12.0	13.7	0.3	0.3	0.3	15.9
<b>Cement</b>		<b>Cautious</b>			<b>3,274</b>	<b>48</b>					<b>6.6</b>	<b>15.4</b>	<b>36.1</b>	<b>31.5</b>	<b>27.3</b>	<b>20.1</b>	<b>14.1</b>	<b>10.5</b>	<b>8.8</b>	<b>2.4</b>	<b>2.2</b>	<b>2.0</b>	<b>7.5</b>	<b>8.1</b>	<b>10.1</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>68.8</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates





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

Company	Rating	Target			Mkt cap. (Rs bn)	O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)	
		Price (Rs) 18-Jun-18	price (Rs)	Upside (%)			2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E		
<b>Metals &amp; Mining</b>																													
Coal India	ADD	274	326	18.9	1,702	25.0	6,207	11	27	28	(24.2)	138.2	3.0	24.2	10.2	9.9	18.1	6.5	6.2	7.0	6.4	6.7	26.7	66.1	66.4	6.0	7.3	9.1	12.8
Hindalco Industries	BUY	231	315	36.4	519	7.6	2,229	22	27	31	155.4	23.5	14.3	10.6	8.6	7.5	6.5	5.6	4.8	0.9	0.9	0.8	9.7	10.4	10.8	0.5	0.5	0.5	44.1
Hindustan Zinc	REDUCE	298	325	9.1	1,259	18.5	4,225	22	24	28	9.3	13.6	13.8	13.9	12.2	10.7	8.6	7.1	5.9	3.5	3.0	2.5	27.2	26.4	25.6	2.7	2.7	2.8	10.2
Jindal Steel and Power	REDUCE	230	255	11.1	222	3.3	968	(8)	8	18	59.3	194.2	129.1	(27.0)	28.7	12.5	9.9	7.1	6.1	0.7	0.7	0.7	(2.7)	2.6	5.7	—	—	—	31.3
JSW Steel	ADD	327	345	5.5	791	11.6	2,417	27	27	25	83.9	(0.7)	(5.7)	12.2	12.3	13.0	7.9	7.3	7.8	2.7	2.3	2.0	24.8	20.4	16.5	1.0	1.0	1.0	20.0
National Aluminium Co.	ADD	69	85	23.5	133	2.0	1,933	4	7	7	12.7	63.0	11.1	16.7	10.2	9.2	7.1	4.7	4.3	1.3	1.3	1.2	7.7	12.4	13.6	8.3	8.0	8.0	12.8
NMDC	REDUCE	112	125	11.6	355	5.2	3,164	12	10	10	43.3	(16.5)	3.6	9.6	11.4	11.1	5.3	7.0	6.7	1.5	1.4	1.3	15.8	12.5	12.4	4.9	4.9	4.9	5.1
Tata Steel	ADD	559	710	27.1	640	9.4	1,205	67	69	73	62.6	3.1	5.3	8.3	8	7.6	6.2	6.1	5.7	1.1	1.0	0.9	17.2	13.1	12.1	1.7	1.8	1.8	76.1
Vedanta	BUY	232	415	78.7	863	12.7	3,717	22	37	43	9.6	71.9	16.9	10.8	6.3	5.4	5.8	4.3	3.6	1.4	1.2	1.1	12.9	20.6	21.4	3.4	4.8	5.6	57.9
<b>Metals &amp; Mining</b>	<b>Attractive</b>				<b>6,483</b>	<b>95</b>					<b>32.3</b>	<b>41.4</b>	<b>9.7</b>	<b>13.7</b>	<b>9.7</b>	<b>8.8</b>	<b>7.7</b>	<b>6.0</b>	<b>5.4</b>	<b>2.0</b>	<b>1.8</b>	<b>1.6</b>	<b>14.3</b>	<b>18.0</b>	<b>17.9</b>	<b>3.3</b>	<b>3.9</b>	<b>4.5</b>	<b>270.3</b>
<b>Pharmaceutical</b>																													
Apollo Hospitals	ADD	1,053	1,090	3.5	146	2.2	139	8	19	26	(46.9)	124.3	38.0	124.8	55.6	40.3	22.4	19.1	16.1	4.5	4.3	4.0	3.4	7.9	10.2	0.2	0.4	0.6	6.2
Aurobindo Pharma	ADD	614	640	4.3	360	5.3	584	42	43	46	6.0	2.3	7.9	14.7	14.4	13.3	10.3	9.9	8.9	3.1	2.6	2.2	23.2	19.5	16.6	0.7	0.8	1.0	20.3
Biocon	SELL	620	300	(51.6)	372	5.5	601	6	8	15	(39.2)	26.8	86.5	100.1	79.0	42.3	44.9	33.1	21.6	6.6	6.2	5.6	6.9	8.1	13.8	0.3	0.4	0.8	24.5
Cipla	BUY	607	650	7.2	488	7.2	805	18	26	34	40.2	46.7	32.4	34.6	23.6	17.8	18.0	13.4	10.5	3.4	3.0	2.7	10.2	13.4	15.9	0.6	0.9	1.2	22.3
Dr Lal Pathlabs	REDUCE	874	865	(1.0)	73	1.1	83	20	25	29	7.0	20.8	18.5	42.7	35.4	29.9	25.9	21.7	18.1	9.2	7.7	6.4	23.5	23.7	23.4	0.5	0.6	0.7	1.1
Dr Reddy's Laboratories	REDUCE	2,386	2,250	(5.7)	396	5.8	166	59	101	134	(18.5)	71.0	32.6	40.4	23.6	17.8	18.6	11.8	8.8	3.1	2.8	2.5	7.8	12.6	13.9	0.9	0.6	0.9	24.5
HCG	REDUCE	282	305	8.3	24	0.4	85	2	3	5	(40.0)	120.9	57.3	180.0	81.5	51.8	23.5	18.3	15.6	4.7	4.4	4.1	2.8	5.5	8.1	—	—	—	0.3
Laurus Labs	ADD	499	540	8.3	53	0.8	106	16	22	34	(11.9)	37.3	54.4	31.5	22.9	14.8	15.2	12.4	9.1	3.6	3.1	2.5	11.9	14.4	18.8	—	—	—	0.9
Lupin	REDUCE	902	800	(11.3)	408	6.0	450	38	34	45	(32.9)	(9.7)	30.2	23.7	26.2	20.1	14.5	13.1	10.7	3.0	2.7	2.4	12.6	10.9	12.8	0.6	0.6	0.7	26.4
Narayana Hrudayalaya	ADD	232	275	18.5	47	0.7	204	3	4	7	(38.1)	52.2	76.9	92.3	60.6	34.3	25.6	19.4	14.2	4.6	4.3	3.8	5.1	7.3	11.7	—	—	—	0.5
Sun Pharmaceuticals	REDUCE	570	500	(12.3)	1,368	20.1	2,406	15	17	24	(47.5)	12.0	42.0	37.6	33.5	23.6	22.2	18.2	13.4	3.6	3.3	2.9	9.8	10.2	13.1	0.4	0.6	0.8	47.7
Torrent Pharmaceuticals	NR	1,484	—	—	251	3.7	169	40	47	62	(27.4)	16.5	32.4	37.0	31.8	24.0	20.7	14.8	12.3	5.4	4.8	4.2	15.1	15.1	17.3	0.6	0.7	1.0	5.0
<b>Pharmaceuticals</b>	<b>Neutral</b>				<b>3,987</b>	<b>59</b>					<b>(27.6)</b>	<b>18.6</b>	<b>33.0</b>	<b>33.9</b>	<b>28.6</b>	<b>21.5</b>	<b>18.8</b>	<b>15.2</b>	<b>11.9</b>	<b>3.7</b>	<b>3.3</b>	<b>2.9</b>	<b>10.9</b>	<b>11.6</b>	<b>13.7</b>	<b>0.5</b>	<b>0.6</b>	<b>0.9</b>	<b>179.7</b>
<b>Real Estate</b>																													
Brigade Enterprises	BUY	241	340	40.8	33	0.5	136	10	9	9	(24.0)	(9.0)	(2.1)	23.6	25.9	26.5	12.0	12.2	11.9	1.4	1.4	1.3	7.0	5.4	5.1	1.0	1.0	1.0	0.4
DLF	RS	200	—	—	356	5.2	1,784	19.6	6.5	3.9	403.9	(66.9)	(39.6)	10.2	30.8	50.9	29.9	13.0	12.8	1.0	1.0	1.0	11.7	3.2	1.9	1.0	1.0	1.0	19.9
Godrej Properties	SELL	759	400	(47.3)	164	2.4	216	8.0	8.7	15.5	(15.8)	8.2	77.9	94.2	87.1	49.0	102.7	371.2	70.5	7.5	6.9	6.1	8.3	8.3	13.2	—	—	—	2.8
Oberoi Realty	REDUCE	510	535	4.9	173	2.5	340	14	57	50	21.4	318.9	(12.7)	37.7	9.0	10.3	28.0	9.7	14.4	2.8	2.2	1.8	7.8	27.5	19.2	0.4	0.4	0.4	3.5
Prestige Estates Projects	ADD	269	315	17.1	101	1.5	375	9	12	13	(6.7)	30.0	5.9	28.6	22.0	20.8	15.7	13.8	13.7	2.1	2.0	1.8	7.7	9.3	9.1	0.6	0.6	0.6	0.9
Sobha	REDUCE	491	510	3.9	47	0.7	96	21	23	26	25.6	9.1	13.4	23.4	21.5	18.9	13.4	12.8	12.0	1.7	1.6	1.5	7.5	7.8	8.3	1.4	1.4	1.4	2.4
Sunteck Realty	REDUCE	391	330	(15.7)	57	0.8	140	17	16	17	19.3	(6.4)	2.6	22.5	24.0	23.4	16.5	20.0	20.1	2.1	1.9	1.8	10.9	8.2	7.8	0.3	0.3	0.3	1.7
<b>Real Estate</b>	<b>Neutral</b>				<b>931</b>	<b>14</b>					<b>133.0</b>	<b>(15.1)</b>	<b>(11.5)</b>	<b>18.4</b>	<b>21.6</b>	<b>24.4</b>	<b>24.7</b>	<b>14.7</b>	<b>15.3</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>	<b>9.0</b>	<b>7.2</b>	<b>6.1</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>31.7</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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

Company	Rating	Price (Rs)	Target	Upside	Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		18-Jun-18	price (Rs)		(Rs bn)	(US\$ bn)		2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	
<b>Technology</b>																													
HCL Technologies	REDUCE	933	1,010	8.2	1,299	19.1	1,409	62	68	71	5.3	9.0	5.0	15.0	13.7	13.1	10.5	8.8	8.1	3.6	3.0	2.7	24.8	23.8	21.9	0.9	3.1	3.3	31.0
Hexaware Technologies	SELL	436	420	(3.7)	129	1.9	304	16	20	22	19.8	20.5	12.5	26.6	22.0	19.6	18.9	15.9	13.6	6.6	5.7	4.9	26.6	27.8	27.0	0.9	1.8	1.8	12.2
Infosys	ADD	1,267	1,350	6.5	2,768	40.7	2,175	65	70	76	3.0	8.1	9.5	19.6	18.1	16.6	13.5	12.4	11.1	4.2	4.0	3.7	21.8	22.7	23.1	2.2	3.4	3.1	78.3
L&T Infotech	ADD	1,685	1,650	(2.1)	290	4.3	175	64	73	86	13.9	14.6	17.4	26.5	23.1	19.7	23.0	17.2	14.4	7.6	6.4	5.3	31.8	30.0	29.4	1.0	1.4	1.6	5.0
Mindtree	ADD	992	1,015	2.3	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	32.5
Mphasis	SELL	1,098	760	(30.8)	212	3.1	193	44	52	56	14.4	18.3	8.2	25.0	21.2	19.6	18.0	14.6	13.0	3.9	3.5	3.2	14.6	17.4	17.1	1.8	1.8	1.8	11.3
TCS	REDUCE	1,829	1,650	(9.8)	7,002	102.9	3,829	67	78	84	1.1	15.0	8.8	27.1	23.6	21.7	20.1	17.1	15.5	8.0	7.5	6.9	29.4	32.7	33.1	1.4	2.8	3.0	105.4
Tech Mahindra	ADD	711	775	9.1	627	9.2	891	43	45	53	33.1	6.6	15.8	16.7	15.6	13.5	12.3	9.5	7.8	3.4	2.9	2.5	21.5	19.9	19.7	2.0	1.3	1.4	32.8
Wipro	REDUCE	266	295	11.0	1,202	17.7	4,507	17	19	21	(3.1)	11.1	13.7	15.7	14.1	12.4	9.9	8.4	7.3	2.5	2.1	2.0	16.0	16.3	16.6	0.4	0.6	3.8	11.8
<b>Technology</b>		<b>Cautious</b>			<b>13,694</b>	<b>201</b>					<b>1.6</b>	<b>9.9</b>	<b>9.8</b>	<b>21.4</b>	<b>19.5</b>	<b>17.7</b>	<b>15.5</b>	<b>13.3</b>	<b>11.9</b>	<b>5.1</b>	<b>4.6</b>	<b>4.2</b>	<b>23.7</b>	<b>23.5</b>	<b>23.5</b>	<b>1.4</b>	<b>2.6</b>	<b>3.0</b>	<b>320.2</b>
<b>Telecom</b>																													
Bharti Airtel	ADD	371	470	26.7	1,483	21.8	3,997	5	(4)	0	(42.9)	(187.4)	104.6	78.4	(89.6)	1,963.0	8.2	9.3	7.5	2.1	2.2	2.2	2.8	(2.4)	0.1	1.4	0.3	0.0	40.2
Bharti Infratel	SELL	291	285	(2.2)	539	7.9	1,850	14	13	11	(7.4)	(8.7)	(9.0)	21.2	23.2	25.5	7.7	8.4	8.9	3.2	3.3	3.3	15.7	14.0	13.1	4.9	3.5	3.2	15.6
IDEA	REDUCE	62	75	20.5	271	4.0	4,359	(10)	(15)	(14)	(656.8)	(54.9)	6.4	(6.5)	(4.2)	(4.5)	12.9	23.5	17.4	1.0	1.3	1.8	(16.0)	(26.9)	(34.0)	—	—	—	17.3
Tata Communications	ADD	605	725	19.9	172	2.5	285	2	4	8	(84.3)	121.9	117.7	367	165.6	76.1	10.9	9.8	8.6	34.5	27.9	20.1	4.5	18.6	30.7	1.1	1.1	1.2	4.7
<b>Telecom</b>		<b>Cautious</b>			<b>2,465</b>	<b>36</b>					<b>(94.7)</b>	<b>(1,906.6)</b>	<b>36.2</b>	<b>783.8</b>	<b>(43.4)</b>	<b>(68.0)</b>	<b>8.9</b>	<b>10.5</b>	<b>8.7</b>	<b>2.2</b>	<b>2.4</b>	<b>2.5</b>	<b>0.3</b>	<b>(5.5)</b>	<b>(3.7)</b>	<b>1.9</b>	<b>0.9</b>	<b>0.7</b>	<b>77.8</b>
<b>Utilities</b>																													
CESC	ADD	978	1,180	20.6	130	1.9	133	87	102	118	67.1	16.8	15.5	11.2	9.6	8.3	7.9	5.8	5.1	0.9	0.8	0.8	7.9	8.8	9.4	1.3	1.0	1.1	7.2
JSW Energy	REDUCE	72	80	11.3	118	1.7	1,640	3.1	5.9	8.2	(19.2)	92.2	38.7	23.4	12.2	8.8	7.2	5.7	4.7	1.1	1.0	0.9	4.7	8.5	11.0	2.8	2.8	2.8	2.3
NHPC	ADD	26	30	17.2	263	3.9	10,260	2.4	3.1	3.2	(17.3)	26.9	1.8	10.5	8.3	8.1	9.5	7.5	7.3	0.9	0.8	0.8	8.5	10.4	10.2	5.5	6.8	6.9	2.3
NTPC	BUY	157	190	21.0	1,295	19.0	8,245	11	15	16	(7.6)	30.9	4.4	13.8	10.5	10.1	11.1	8.6	8.0	1.3	1.2	1.1	9.5	11.6	11.3	3.6	2.8	3.0	12.6
Power Grid	BUY	199	250	25.8	1,039	15.3	5,232	16	19	21	9.6	19.3	13.6	12.6	10.6	9.3	8.7	7.4	6.8	1.9	1.7	1.5	15.8	17.1	17.5	2.6	3.2	3.6	31.0
Reliance Power	SELL	35	43	23.9	97	1.4	2,805	3.5	5.1	5.2	(16.4)	45.6	2.7	10.0	6.8	6.7	8.0	6.9	6.7	0.4	0.4	0.4	4.5	6.1	5.9	—	—	—	5.0
Tata Power	ADD	75	97	29.3	203	3.0	2,705	5.3	7.8	8.7	(9.6)	46.1	11.2	14.0	9.6	8.6	10.4	9.6	8.7	1.3	1.2	1.0	10.7	12.9	12.7	—	—	—	6.4
<b>Utilities</b>		<b>Attractive</b>			<b>3,144</b>	<b>46</b>					<b>(2.4)</b>	<b>28.6</b>	<b>9.0</b>	<b>13.0</b>	<b>10.1</b>	<b>9.3</b>	<b>9.5</b>	<b>7.8</b>	<b>7.2</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>9.7</b>	<b>11.5</b>	<b>11.6</b>	<b>3.0</b>	<b>2.9</b>	<b>3.1</b>	<b>66.7</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates



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

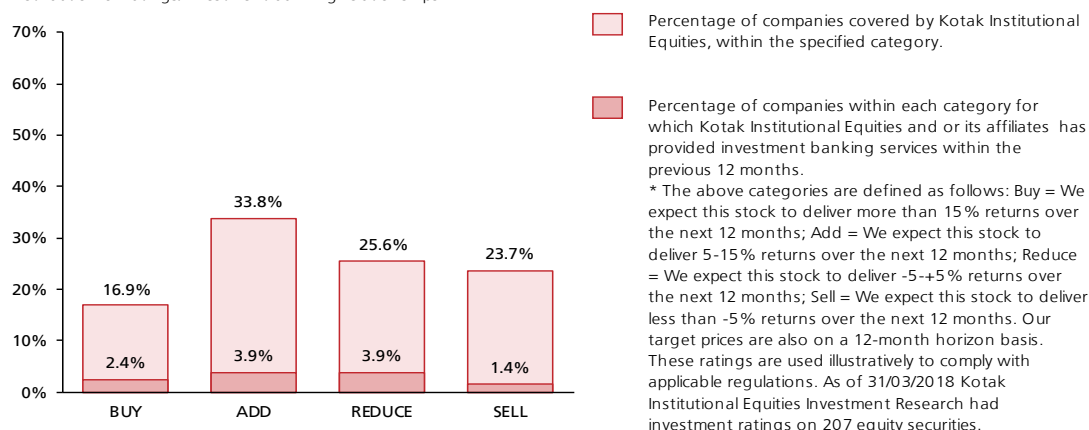
Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)																																							
		18-Jun-18	Target price (Rs)		(Rs bn)	(US\$ bn)		2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E																																								
<b>Others</b>																																																																				
Astral Poly Technik	SELL	1,014	625	(38.4)	121	1.8	120	15	19	23	20.8	28.0	23.0	69.1	54.0	43.9	38.9	30.2	24.5	11.9	9.9	8.1	18.8	20.0	20.3	0.1	0.1	0.1	1.2																																							
Avenue Supermarts	SELL	1,524	860	(43.6)	951	14.0	624	13	16	20	47.9	28.6	26.4	121.2	94.3	74.6	71.0	54.4	42.7	20.5	16.8	13.7	18.5	19.6	20.3	—	—	—	—																																							
Bayer Cropscience	REDUCE	4,633	4,000	(13.7)	183	2.7	34	86	105	124	4.4	22.7	17.5	53.9	44.0	37.4	43.7	34.1	27.4	8.9	7.7	6.7	15.4	18.8	19.2	0.4	0.5	0.5	0.6																																							
Dhanuka Agritech	ADD	585	680	16.2	29	0.4	49	26	28	32	7.7	8.9	15.4	22.8	20.9	18.1	16.7	14.4	12.1	4.5	3.9	3.4	21.9	20.1	20.0	0.9	1.0	1.2	0.1																																							
Godrej Agrovet	ADD	663	650	(2.0)	127	1.9	189	12	16	20	6.9	39.8	24.6	57.6	41.2	33.1	29.6	22.8	18.5	7.4	6.5	5.5	14.7	16.9	17.9	0.3	0.4	0.5	2.8																																							
Godrej Industries	RS	614	—	—	207	3.0	336	15	16	20	6.8	8.9	24.2	42.1	38.7	31.2	37.4	31.7	34.5	5.7	5.1	4.4	14.4	13.9	15.1	0.3	0.3	0.3	4.8																																							
InterGlobe Aviation	BUY	1,241	1,500	20.8	477	7.0	383	59	79	107	27.2	35.0	34.9	21.2	15.7	11.6	12.5	9.1	6.4	6.7	4.9	3.6	41.3	36.0	35.4	0.5	0.7	0.9	25.8																																							
Kaveri Seed	SELL	571	470	(17.7)	38	0.6	66	32	34	36	19.8	5.9	5.0	17.6	16.7	15.9	15.1	13.8	12.5	4.8	4.0	3.4	23.8	26.3	23.3	1.1	1.4	1.8	4.8																																							
PI Industries	BUY	782	900	15.1	108	1.6	138	27	33	41	(20.0)	25.0	23.2	29.4	23.5	19.1	21.7	17.1	13.6	5.6	4.7	3.9	20.7	21.7	22.1	0.4	0.5	0.6	1.8																																							
Rallis India	ADD	201	235	17.0	39	0.6	195	9	11	13	(1.5)	26.4	19.7	23.3	18.4	15.4	14.8	12.2	10.3	3.3	3.0	2.6	14.6	16.9	18.1	1.6	1.8	2.0	0.9																																							
SIS	REDUCE	1,152	1,250	8.5	84	1.2	73	23	36	43	44.0	58.5	20.6	51.1	32.2	26.7	27.4	20.8	17.1	8.1	6.9	5.7	20.2	23.4	23.3	0.3	0.5	0.6	0.6																																							
SRF	BUY	1,873	2,110	12.7	108	1.6	57	80	92	123	(10.4)	14.4	33.6	23.3	20.4	15.2	14.0	11.1	9.0	3.0	2.7	2.3	13.7	14.0	16.4	0.6	0.7	0.8	8.3																																							
Tata Chemicals	ADD	732	760	3.8	187	2.7	255	51	46	52	6.5	(11.2)	13.6	14.2	16.0	14.1	7.9	6.8	5.7	1.7	1.5	1.4	13.8	10.0	10.5	3.0	2.0	2.3	9.7																																							
TeamLease Services	SELL	3,248	1,750	(46.1)	56	0.8	17	43	59	76	28.0	37.7	27.2	75.3	54.7	43.0	78.8	55.8	43.2	12.6	10.2	8.3	18.2	20.6	21.3	—	—	—	2.4																																							
UPL	ADD	692	850	22.8	353	5.2	507	43	47	53	20.9	9.0	13.5	16.1	14.8	13.0	11.1	9.7	8.2	3.8	3.2	2.7	26.4	23.6	22.4	1.2	1.4	1.6	13.7																																							
Vardhman Textiles	ADD	1,229	1,400	13.9	71	1.0	56	103	130	140	(8.0)	26.4	7.4	11.9	9.4	8.8	10.0	7.4	6.7	1.4	1.3	1.2	12.7	14.3	13.8	1.2	1.6	2.4	0.9																																							
Whirlpool	SELL	1,532	1,240	(19.1)	194	2.9	127	28	37	45	13.0	33.9	22.5	55.4	41.4	33.8	32.7	25.2	20.3	10.8	9.0	7.5	21.4	23.7	24.1	0.3	0.4	0.6	1.1																																							
<b>Others</b>					<b>3,331</b>		<b>49</b>					<b>15.1</b>			<b>19.0</b>			<b>22.4</b>			<b>32.6</b>			<b>27.4</b>			<b>22.4</b>			<b>21.0</b>			<b>17.0</b>			<b>13.8</b>			<b>5.9</b>			<b>5.0</b>			<b>4.2</b>			<b>18.1</b>			<b>18.2</b>			<b>18.9</b>			<b>0.5</b>			<b>0.6</b>			<b>0.7</b>			<b>79.4</b>		
<b>KIE universe</b>					<b>108,304</b>		<b>1,591</b>					<b>(6.2)</b>			<b>29.0</b>			<b>25.6</b>			<b>26.9</b>			<b>20.8</b>			<b>16.6</b>			<b>12.5</b>			<b>10.6</b>			<b>9.3</b>			<b>2.9</b>			<b>2.7</b>			<b>2.4</b>			<b>11.0</b>			<b>12.9</b>			<b>14.6</b>			<b>1.3</b>			<b>1.5</b>			<b>1.8</b>					
<b>KIE universe (ex-energy)</b>					<b>95,221</b>		<b>1,399</b>					<b>(8.4)</b>			<b>37.0</b>			<b>30.4</b>			<b>31.7</b>			<b>23.1</b>			<b>17.7</b>			<b>14.0</b>			<b>11.7</b>			<b>10.2</b>			<b>3.3</b>			<b>3.0</b>			<b>2.7</b>			<b>10.3</b>			<b>12.9</b>			<b>15.1</b>			<b>1.2</b>			<b>1.4</b>			<b>1.7</b>					

Notes:  
(a) We have used adjusted book values for banking companies.  
(b) 2018 means calendar year 2017, similarly for 2019 and 2020 for these particular companies.  
(c) Exchange rate (Rs/US\$)= 68.04

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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