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EQUITY MARKETS

India	Change %			
	28-Jun	1-day	1-mo	3-mo
Sensex	35,038	(0.5)	0.3	6.3
Nifty	10,589	(0.8)	(0.4)	4.7
Global/Regional indices				
Dow Jones	24,216	0.4	(0.6)	0.5
Nasdaq Composite	7,504	0.8	1.4	6.2
FTSE	7,616	(0.1)	(0.2)	7.9
Nikkei	22,180	(0.4)	(0.8)	4.8
Hang Seng	28,497	0.5	(6.5)	(5.3)
KOSPI	2,305	(0.4)	(6.2)	(5.4)
Value traded – India				
Cash (NSE+BSE)	403		327	336
Derivatives (NSE)	19,559		7,642	14,450
Deri. open interest	4,603		4,203	4,520

Forex/money market

	Change, basis points			
	28-Jun	1-day	1-mo	3-mo
Rs/US\$	68.8	3	99	369
10yr govt bond, %	8.2	5	15	49

Net investment (US\$ mn)

	27-Jun	MTD	CYTD
FIs	9	(532)	(777)
MFs	90	848	9,952

Top movers

Best performers	Change, %			
	28-Jun	1-day	1-mo	3-mo
TCS IN Equity	1,843	(0.8)	4.6	29.4
KMB IN Equity	1,339	1.1	4.3	27.8
MM IN Equity	908	1.7	4.3	22.9
LPC IN Equity	898	0.5	14.9	22.0
HUVR IN Equity	1,603	(0.4)	1.9	20.2
Worst performers				
HDIL IN Equity	20	(1.2)	(28.7)	(48.2)
RCOM IN Equity	13	(0.4)	(16.6)	(38.9)
IDBI IN Equity	50	(1.7)	(23.5)	(31.0)
UT IN Equity	4	(1.2)	(12.8)	(26.1)
IDEA IN Equity	57	1.8	(9.0)	(25.3)

Bubble somewhere, trouble elsewhere. Extreme valuations between sectors and within sectors may imply the market's (1) short-term concerns about global and domestic macro uncertainty and (2) long-term conviction about the future of disruptors and the disrupted. We note that extreme valuations and views have a history of nasty surprises, the most recent being the sudden turn in the market's opinion of the Indian IT and pharmaceuticals sectors, which had given up for dead not too long ago.

Share of certain 'growth' stocks in India's market capitalization quite high

Exhibit 1 shows the proportion of 'growth' stocks in India's market capitalization between March 2013 and June 2018 has increased to 31% from 22%. We use a cutoff of 25X forward P/E for non-financials and 2.5X forward P/B for financials for March 2013 and 30X forward P/E and 3X P/B for June 2018. Exhibit 2 shows the relative share of market capitalization for various sectors during periods of extreme valuations of a set of stocks—1999 (tech bubble), 2007 (GFC bubble), 2013 (taper tantrum) and June 2018 (disruptors bubble?).

Short-term concerns or long-term conviction?

The wide dispersion in valuations across sectors and more importantly, within sectors (see Exhibit 3) reflects the market's (1) short-term concerns about global and domestic macro issues leading to investors finding value in expensive 'defensive' stocks and/or (2) long-term conviction that a set of companies will dominate their sectors (disruptors) while the rest will lose relevance over time (disrupted) resulting in investors willing to pay exorbitant valuations for the disruptors and unwilling to pay even a pittance for the disrupted. We assume that a weaker macro will impact most sectors and stocks through (1) higher cost of capital and/or (2) lower 'disposable' household income arising from higher non-discretionary expenditure on fuels; households will have to ultimately absorb the higher cost of fuels (retail or industrial). A US\$10/bbl increase in global oil prices is tantamount to a tax of US\$15 bn on Indian consumers.

Disruption will not impact all companies equally and several very little for a long time

In our view, the market is not making any distinction between stocks barring bracketing stocks into two broad sets of (1) disruptors (quality) and (2) disrupted (not-so-great quality). We note that several companies currently bracketed in the latter category (materials, gas and power transmission utilities being a few examples) will be important parts of the economy for a longish period of time. It is generally not a good sign when the market starts writing epitaphs of sectors and stocks (Indian IT and pharmaceuticals being two recent examples) as is being implied by the valuations of certain sectors and stocks in the 'disrupted' category (see Exhibit 4).

Perceived disruptors can also face the threat of disruption

We are not entirely convinced about the market's extreme faith in the business moats of the disruptors. We had discussed the issue of disruption in our April 12, 2018 report (see Exhibit 5 for summary). As discussed, even consumer staple companies may face disruption in the future as alternative distribution channels emerge (organized brick-and-mortar retailing and e-commerce), organized retailers launch their own private label brands and new brands leapfrog the conventional distribution channels into households directly through the e-commerce route.

INDIA

JUNE 29, 2018

UPDATE

BSE-30: 35,038

QUICK NUMBERS

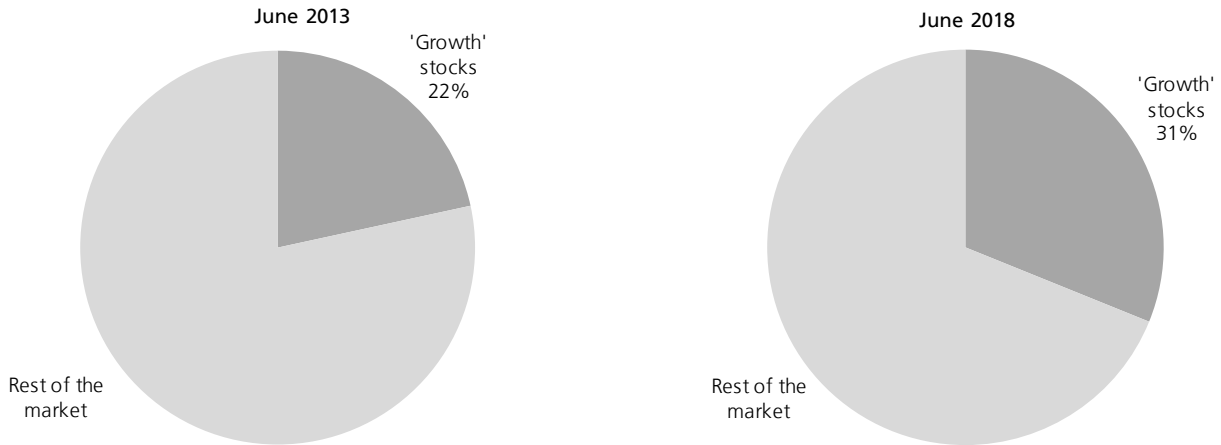
- Proportion of 'growth' stocks in India's market cap. has increased to 31% from 22%
- IT sector used to contribute almost 15% of India's market cap. in late 1999
- Financials contribute 25% of India's market cap. currently

Sanjeev Prasad

Sunita Baldawa

Anindya Bhowmik

Exhibit 1: 'Growth' stocks account for 31% of India's market cap. currently versus 22% in June 2013
 Proportion of 'growth' stocks in India's market capitalization between 2013 and 2018

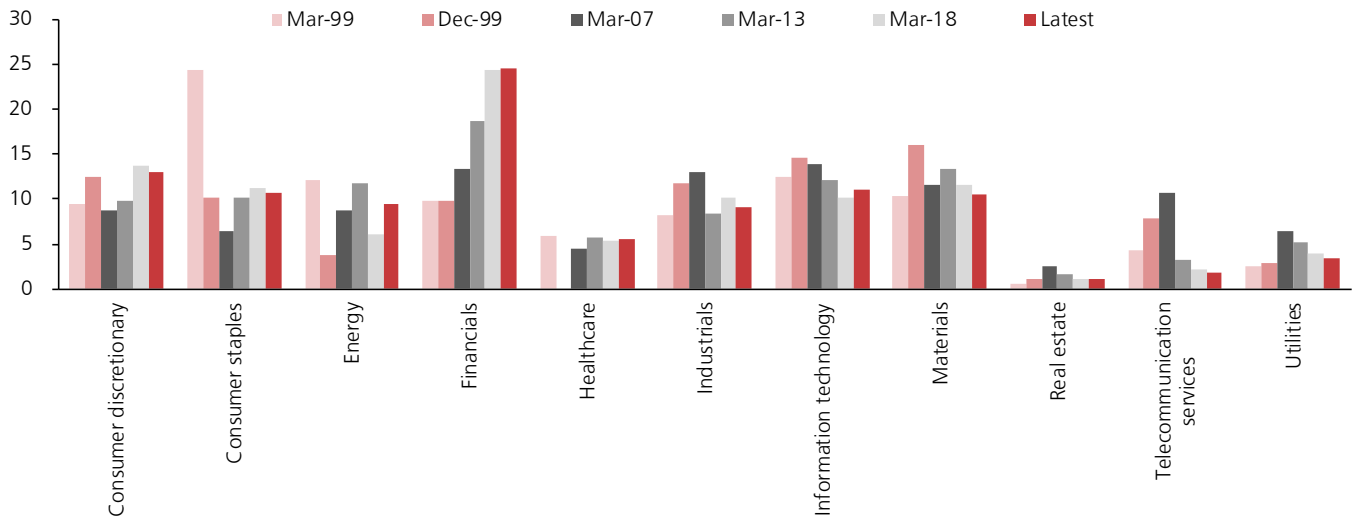


Notes:

(a) For growth stocks, we used a cutoff of 25X forward P/E for non-financials and 2.5X forward P/B for financials for March 2013 and 30X forward P/E and 3X P/B for June 2018.

Source: Factset, Kotak Institutional Equities

Exhibit 2: What the market liked? Consumers in early 1999, IT in late 1999, energy, industrials, materials, telecom in 2007, financials in 2018
 Relative market share of market capitalization of various sectors



Source: Bloomberg, Capitaline, Kotak Institutional Equities

Exhibit 3: Significant increase in dispersion in valuation within and between sectors
 1-year rolling forward P/E and P/B valuation for Nifty-50 stocks, March fiscal year-ends, 2013-18 (X)

Company	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Jun-18
Banking companies							
Axis Bank	1.7	1.6	2.6	1.8	2.0	1.9	2.0
Bajaj Finance	1.5	1.9	3.5	4.2	5.6	5.3	6.5
Bajaj Finserv	1.4	1.2	1.8	1.8	3.6	3.6	3.7
HDFC	4.8	4.4	5.9	4.5	5.7	4.7	4.8
HDFC Bank	3.5	3.5	3.6	3.2	3.8	3.8	4.0
ICICI Bank	1.7	1.8	2.1	1.5	1.8	1.7	1.7
Indiabulls Housing Finance	1.4	1.1	2.6	2.2	3.2	3.4	3.1
IndusInd Bank	2.5	2.6	3.8	2.9	3.7	4.0	4.1
Kotak Mahindra Bank	2.8	2.8	3.9	3.3	3.7	3.6	4.2
State Bank of India	1.4	1.3	1.6	1.2	1.6	1.2	1.2
Yes Bank	2.0	1.7	2.5	2.2	3.1	2.4	2.5
Non-banking companies							
Adani Ports and SEZ	15.2	17.8	22.8	18.0	19.5	17.6	17.8
Asian Paints	33.0	35.5	38.3	37.9	45.4	43.7	48.4
Bajaj Auto	13.8	15.5	15.4	16.5	18.1	16.7	16.6
Bharti Airtel	22.6	23.4	24.4	23.3	34.3	51.3	75.7
Bharti Infratel	26.3	22.7	30.5	26.3	20.1	22.3	21.0
BPCL	15.3	14.2	13.9	9.8	10.7	10.0	9.2
Cipla	18.5	18.8	30.5	19.9	24.0	20.4	24.5
Coal India	10.7	10.8	13.4	11.6	13.5	11.9	10.0
Dr Reddy's Laboratories	16.6	17.8	23.0	20.5	21.0	18.5	22.0
Eicher Motors	16.0	24.8	38.1	32.9	32.4	28.8	27.1
GAIL (India)	9.4	10.6	12.8	13.4	13.4	14.1	13.3
Grasim Industries	8.4	11.0	12.6	12.1	13.6	15.0	17.5
HCL Technologies	14.2	15.3	18.2	13.4	13.7	14.4	13.2
Hero Motocorp	13.5	16.5	16.1	17.2	16.9	17.5	17.0
Hindalco Industries	6.1	10.7	8.2	12.7	9.4	9.0	8.5
Hindustan Unilever	27.8	32.8	40.0	38.9	40.5	47.1	53.2
HPCL	9.1	10.4	10.3	7.8	10.5	8.2	6.7
Infosys	16.4	15.3	18.5	18.3	15.1	16.2	17.6
IOCL	8.8	10.3	10.6	7.6	10.6	8.4	7.5
ITC	27.7	27.4	23.6	23.3	28.4	24.7	25.0
L&T	15.2	22.0	28.0	21.5	22.9	22.9	19.9
Lupin	19.8	20.3	31.3	20.2	19.9	19.4	24.3
Mahindra & Mahindra	14.3	15.0	19.1	17.8	19.9	19.1	21.3
Maruti Suzuki	12.8	17.2	21.5	17.7	21.9	26.3	26.2
NTPC	10.5	9.8	12.5	10.2	12.3	11.4	10.2
ONGC	9.2	8.4	9.2	10.4	10.1	7.9	6.5
Power Grid	10.5	10.3	12.4	9.9	11.5	9.9	9.5
Reliance Industries	11.2	11.3	10.4	11.3	14.0	13.0	13.3
Sun Pharmaceuticals	22.6	20.4	29.0	24.2	21.1	24.8	29.8
Tata Motors	6.9	7.4	8.1	8.6	11.6	8.1	8.3
Tata Steel	8.3	9.0	9.0	29.1	10.8	8.1	7.4
TCS	19.7	18.7	20.4	18.5	16.8	19.1	23.6
Tech Mahindra	10.6	12.7	14.8	12.6	11.8	15.8	15.8
Titan Company	25.3	27.7	32.6	31.5	41.0	55.8	47.3
Ultratech Cement	15.8	24.0	23.5	27.7	34.7	31.2	29.1
UPL	6.3	7.5	13.6	13.3	16.6	15.4	12.8
Vedanta	5.1	7.0	9.4	12.8	9.1	7.6	6.6
Wipro	13.7	15.1	16.4	14.1	14.0	14.5	13.5
Zee Entertainment Enterprises	23.3	26.5	31.6	29.1	33.0	32.1	30.2

Source: Factset, Kotak Institutional Equities

Exhibit 4: Low valuations of 'disrupted' sectors/stocks imply a bleak future
P/E and P/B of stocks in the 'disrupted' category, March fiscal year-ends, 2018-20E (X)

	2018	2019E	2020E
Automobiles			
Tata Motors	13.6	11.5	7.1
Banks			
Axis Bank	2.5	2.2	1.8
Bank of Baroda	1.4	1.1	0.8
Federal Bank	1.5	1.3	1.2
ICICI Bank	2.1	1.9	1.6
State Bank of India	1.9	1.5	1.2
Oil & Gas			
BPCL	9.5	9.9	9.4
GAIL (India)	16.1	13.1	12.1
HPCL	6.6	8.7	8.4
IOCL	7.6	9.2	8.6
Oil India	8.4	8.6	8.6
ONGC	9.0	7.5	7.6
Petronet LNG	14.9	12.7	11.2
Metals & mining			
Coal India	23.5	9.9	9.6
Hindalco Industries	10.0	8.1	7.1
Hindustan Zinc	12.7	11.2	9.8
JSW Steel	11.9	12.0	12.7
Tata Steel	8.1	7.8	7.4
Vedanta	10.7	6.2	5.3
Utilities			
CESC	10.7	9.1	7.9
NTPC	13.5	10.3	9.9
Power Grid	11.9	10.0	8.8
Tata Power	13.5	9.2	8.3

Source: Companies, Kotak Institutional Equities estimates

Exhibit 5: Most sectors face high risks from disruption

Summary of sources of risks in various sectors

Sector	Disruption			
	Market forces	Policy	Regulatory	Technological
Automobiles-2Ws	Ride-sharing	Air pollution reduction, energy security		Electric vehicles
Automobiles-PVs	Ride-sharing	Air pollution reduction, energy security	Safety record of AVs versus normal driver cars	Electric vehicles, autonomous vehicles
BFSI-lending	Increased competition in retail lending Deepening of corporate bond market	Privatization of PSU banks (if) Policy on P2P lending	Corporate bond market	E-commerce, social media platforms
BFSI-payments				Digital entrants
BFSI-savings	Passive funds, low-cost insurance products	Privatization of PSU banks (if)		AI advisors
City gas distribution			New competition to break monopoly Break-up of business into infrastructure and marketing	
Coal		Clean energy		Renewables
Consumer products	Category diversification, new player entering, in-house brands of retailers		Possible health regulations for tobacco	New players through e-commerce platforms
IT services	Change in service model, new agile competitors, disruption in end-users' business			Cloud ecosystem
Media				Consumption through digital platforms
Petroleum products		Cleaner automobile and industrial fuels		Lower demand due to EVs
Power generation	Coal power generation versus renewable power generation	Clean energy		Demand from electric vehicles
Telecom (towers)	Competition in wireless industry			
Telecom service providers	Large disruption already seen in the industry		Relaxation in M&A guidelines	

Notes:

	High risk
	Medium risk
	Low risk
	High risk but positive

Source: Kotak Institutional Equities estimates

JUNE 29, 2018

UPDATE

BSE-30: 35,038

Retail loan growth in top gear. CIBIL's recent publication on consumer loans provides some of the best insights into the current state of the retail lending business. Key takeaways for 1QCY18: There is a solid growth momentum in the industry at this point which is reflected in loan growth (25% yoy) led by volume growth (~30% yoy) rather than average balances. Origination is still towards the prime segment giving comfort on asset quality barring LAP where there has been marginal deterioration in NPL ratios.

We are probably in the best phase in retail loan growth

We believe this short and yet insightful report from CIBIL provides good insights into the current state of the consumer loan growth journey. Given their access to all market participants (banks and NBFCs) and limited time lag (4QFY18 data being discussed), we see this product as well as their 'MSME pulse' as two of the most important reports to understand these businesses.

The following are the key takeaways from the recently published CIBIL report on consumer lending. (1) Retail loans grew 25% yoy led by 31% growth in live accounts but 6% decline in average balance/account. The decline is attributed to the change in loan mix towards short duration consumer loans like credit cards, personal loans and consumer durable loans. (2) New account originations increased by ~50% in 3QFY18 and have gained acceleration in recent quarters. (3) Average retail lending balance is ₹0.4mn. (4) Delinquency rates have declined or remained stable across most products barring LAP where they have increased by 33bps yoy.

Mortgages growth is mostly driven by volume growth rather than value

As of 3QFY17, mortgages grew 20% yoy led by 18% yoy volume growth (12 mn) and 1% yoy growth in the average ticket size at ₹1.2 mn. Loan originations grew 32% yoy with an average ticket size at the time of origination at ₹2.2 mn. Share of housing finance companies is at 44%. 60% of consumers are in prime plus (800-900 score) and ~20% in prime (750-800). 90+ DPD stands comfortable and stable at 1.6% of loans.

Auto loans are driven by a combination of volume and value; asset quality shows improvement

Overall loans grew 33% yoy led by 21% yoy volume growth and 10% yoy growth in the average ticket size (₹0.3 mn). Loan originations grew 13% yoy with an average ticket size at the time of origination at ₹0.55 mn. Share of NTC (new-to-credit) customers is at 30%. Share of prime and plus customers is steady at >65% of customers. 90+ DPD is higher than mortgage loans at 2.8% of loans but it reflects a decline of ~80bps yoy.

Personal loans is the fastest growing segment; NPLs lower than secured products

Overall loans grew ~50% yoy led by 27% yoy volume growth and 18% yoy growth in the average ticket size (₹0.2 mn). Loan originations grew >50% yoy with an average ticket size at the time of origination at ₹0.3 mn. CIBIL's report indicates a fair amount of repeat transactions as well as consumer loyalty exhibited in the product. 90+ DPD is lower than secured products at 0.5% of loans and this has declined ~20bps yoy.

Credit card growth has a bit more skew towards volumes; ~25% are zero balance cards

Overall receivables grew ~43% yoy led by 28% yoy volume growth and 12% yoy growth in average balances. Growth is focused primarily on prime and near prime (650-750). Zero balance cards ratio stable at ~25% of cards with ~55% of this are from consumers having a single card. 90+ DPD is also lower than secured products at 1.7% of receivables and is stable yoy.

QUICK NUMBERS

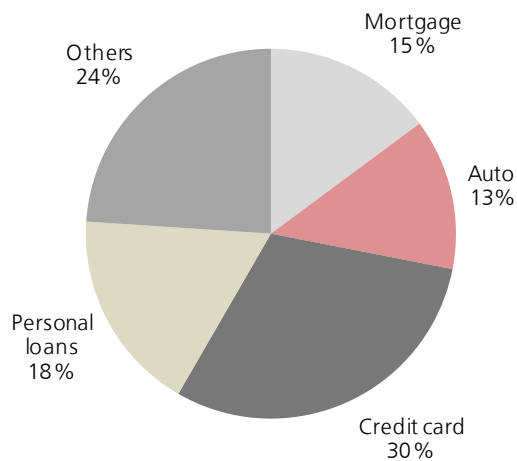
- Retail loans grew 25% yoy to touch ₹26 tn or ~15% of nominal GDP
- 65mn consumers have access to a live retail lending product
- Average retail lending consumer balance at ₹0.4 mn

M B Mahesh CFA

Nischint Chawathe

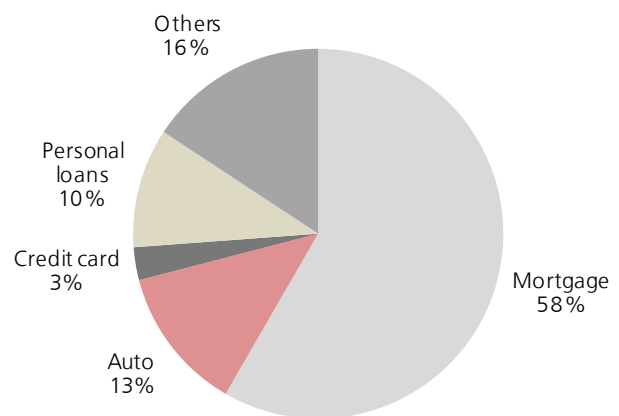
Dipanjan Ghosh

Exhibit 1: Cards and personal loans dominate the number
Outstanding loans across segments by number of live customers, March fiscal year-ends, 1Q2019



Source: CIBIL, Kotak Institutional Equities

Exhibit 2: Mortgages dominate the outstanding value
Outstanding loans across segments by value, March fiscal year-ends, 1QFY19



Source: CIBIL, Kotak Institutional Equities

Exhibit 3: Average ticket size was stable at 0.4 mn

Average balance in retail products, March fiscal year-ends, 2018

Segment	Average ticket size
Mortgage	1,240,000
Auto	341,957
Credit card	23,035
Personal loans	195,482
Average balance per account	402,141

Source: CIBIL, Kotak Institutional Equities

Exhibit 4: Mortgage loans primarily grew on the back of volumes

Mortgage loans key characteristics, March fiscal year-ends, 2018-19

	1QCY17	4QCY17	1QCY18	QoQ (%)	YoY (%)
Number of accounts (mn)	10	12	12	2.2	18.4
Outstanding balance (Rs bn)	12,677	14,625	15,225	4.1	20.1
Average balance per consumer (mn)	1.4	1.5	1.5	2.6	5.9
Average balance per account (mn)	1.2	1.2	1.2	1.9	0.9
Number of consumers carrying a balance (mn)	9	10	10	2	11
Average new account balance (Q4 2017)	2	2	2	2	3.9
Account-level delinquency rate (90-179 dpd)	3	3	3	-0.14	-0.35
Balance-level delinquency rate (90-179 dpd)	2	2	2	-0.02	-0.04

Source: Company, Kotak Institutional Equities

Exhibit 5: Auto loans grew on the back of healthy volume and value growth

Auto loans key characteristics, March fiscal year-ends, 2018-19

	1QCY17	4QCY17	1QCY18	QoQ (%)	YoY (%)
Number of accounts (mn)	8	9	10	1.8	20.8
Outstanding balance (Rs bn)	2,472	3,191	3,293	3.2	33.2
Average balance per consumer (Rs)	338,809	366,876	372,012	1.4	9.8
Average balance per account (Rs)	310,024	337,236	341,957	1.4	10.3
Number of consumers carrying a balance (mn)	7	9	9	1.7	21.3
Account-level delinquency rate (90-179 dpd, %)	6.4	4.8	4.4	-0.4	-2.0
Balance-level delinquency rate (90-179 dpd, %)	3.6	3.0	2.8	-0.2	-0.8

Source: Company, Kotak Institutional Equities

Exhibit 6: Personal loans was the fastest and led by value and volumes

Personal loans key characteristics, March fiscal year-ends, 2018-19

	1QCY17	4QCY17	1QCY18	QoQ (%)	YoY (%)
Number of accounts (mn)	11	13	14	4.7	26.9
Outstanding balance (Rs mn)	1,827	2,532	2,724	7.6	49.1
Average balance per consumer (Rs)	188,792	218,148	224,474	2.9	18.9
Average balance per account (Rs)	166,368	190,343	195,482	2.7	17.5
Number of consumers carrying a balance (mn)	10	12	12	4.5	25.4
Account-level delinquency rate (90-179 dpd)	1.2	1.0	1.0	-	(0.2)
Balance-level delinquency rate (90-179 dpd)	0.7	0.5	0.5	0.0	(0.2)

Source: Company, Kotak Institutional Equities

Exhibit 7: Credit cards is driven by solid growth in volumes

Credit cards key characteristics, March fiscal year-ends, 2018-19

	1QCY17	4QCY17	1QCY18	QoQ (%)	YoY (%)
Number of accounts (mn)	25	30	33	7.4	28.3
Outstanding balance (Rs bn)	525	702	751	7	43
Average balance per consumer (Rs)	31,664	35,354	35,495	0.4	12.1
Average balance per account (Rs)	20,659	23,128	23,035	-0.4	11.5
Number of active consumers (mn)	17	20	21	6.6	27.6
Account-level delinquency rate (90-179 dpd, %)	0.8	0.8	0.9	0.0	0.1
Balance-level delinquency rate (90-179 dpd, %)	1.6	1.6	1.7	0.0	0.1
Zero balance cards (mn)	6		8		24.6
Zero balance cards (%)	24		23		

Source: Company, Kotak Institutional Equities

JUNE 29, 2018

UPDATE

BSE-30: 35,038

In a different league. Accenture impressed with constant-currency revenue growth of 11% in May 2018 (3QFY18) quarter. The company also raised FY2018E revenue growth guidance to 9.5-10% from 7-9% earlier. Accenture's early participation in digital led by a comprehensive portfolio of offerings across verticals and geos is reaping rich dividends. Accenture results demonstrate that the spending environment is robust but requires an optimum portfolio mix and capabilities to capitalize on it. From IT companies' perspective, the progress made by TCS is impressive but other IT companies can do more to make the most of solid enterprise IT spends.

Accenture reports 11% c/c revenue growth in 3QFY18

Organic revenues were just under 9% with the balance contributed by acquisitions. Accenture's revenue growth was powered by the communications, media & technology vertical that grew 18% in c/c. Growth was also strong in products and resources verticals that grew by 11% and 12%, respectively. All geos grew at a healthy rate. Consulting and outsourcing revenues grew 12% and 10%, respectively. New bookings grew at an impressive 14.4% in l/c to US\$11.7 bn. New services (digital, cloud and security services) contributed more than 60% to Accenture revenues in 3QFY18. Strategy consulting grew in mid-single digit and applications and operations grew in double digits.

Raises FY2018 (August year-end) revenue guidance to 9.5-10% from 7-9% earlier

The entire increase in guidance was courtesy strong organic performance in 3QFY18. 4QFY18 revenue growth guidance stands at 7-10% in l/c. FY2018 guidance builds in 2.5% contribution from acquisitions. Double-digit growth rate at such a large base is impressive. The management has retained flattish adjusted operating margin guidance for FY2018.

Accenture results demonstrate that spending environment is robust

Accenture will end up adding US\$3.4 bn of absolute revenues on c/c basis and US\$2.6 bn on organic c/c basis in FY2018. The strong results demonstrate that the spending environment is robust. What is helping Accenture's growth rates includes—(1) participation in the full lifecycle of clients' digital journey through its consulting, design and full spectrum of digital competencies that is strong across verticals and geos. This full spectrum of competencies becomes especially important in an environment of constant disruption and changes ensuring Accenture participates early in every element of change and is in sharp contrast to participation in late-cycle opportunities for technology-focused companies and (2) a portfolio that is nicely balanced between legacy and new, reducing the friction on growth. New services in fact contributed close to 60% of Accenture's revenues in 3QFY18.

Read-through—a matter of convenience

What is certain is that the spending environment is healthy. This will be construed as a positive. However, the points relevant from the perspective of IT companies are—(1) ability to participate and capitalize on increasing scale of digital programs, (2) portfolio mix, i.e. exposure to services facing severe deflationary exposure versus exposure to growth areas of digital and new services and (3) client-specific challenges, especially in the financial services vertical. On digital it does seem from the nature of digital contracts announced and broader recognition by industry analysts that TCS has broken out from the IT pack. At a broader industry level, the end result of the three points mentioned above will determine industry growth rates. Our view remains unchanged, i.e. 1-2% acceleration in FY2019 industry growth rates.

Kawaljeet Saluja

Jaykumar Doshi

The driver of growth in communications, media and technology (CMT) vertical

The CMT vertical has three major components—hi-tech, telecom and software & platforms. The driving force of growth in CMT is software and platforms for Accenture. Software and platforms companies are investing heavily in establishing leadership and dominance in the market. Accenture is helping these companies in the development and rollout process resulting in elevated growth rates. Telecom and hi-tech industries are undergoing significant changes; Accenture is participating in the same but this does not seem to be the primary growth driver in the CMT vertical.

Exhibit 1: Accenture interim results, August fiscal year-ends (US\$ mn)

	3QFY17	2QFY18	3QFY18	% qoq	% yoy
Revenues	8,867	9,585	10,315	7.6	16.3
Cost of revenues	5,957	6,737	6,996	3.8	17.4
SG&A expenses	1,534	1,566	1,699	8.5	10.8
Pension settlement charge	510				
EBIT	865	1,283	1,620	26.3	87.2
Other income	9	(38)	(7)		
PBT	874	1,245	1,613	29.5	84.4
Provision for taxes	170	325	554		
PAT	705	920	1,058	15.1	50.1
Minority interest	35	56	15	(72.9)	(57.2)
PAT after minority interest	669	864	1,043	20.8	55.8
Margins (%)					
EBIT (recurring)	15.5	13.4	15.7		
Net income	7.9	9.6	10.3		

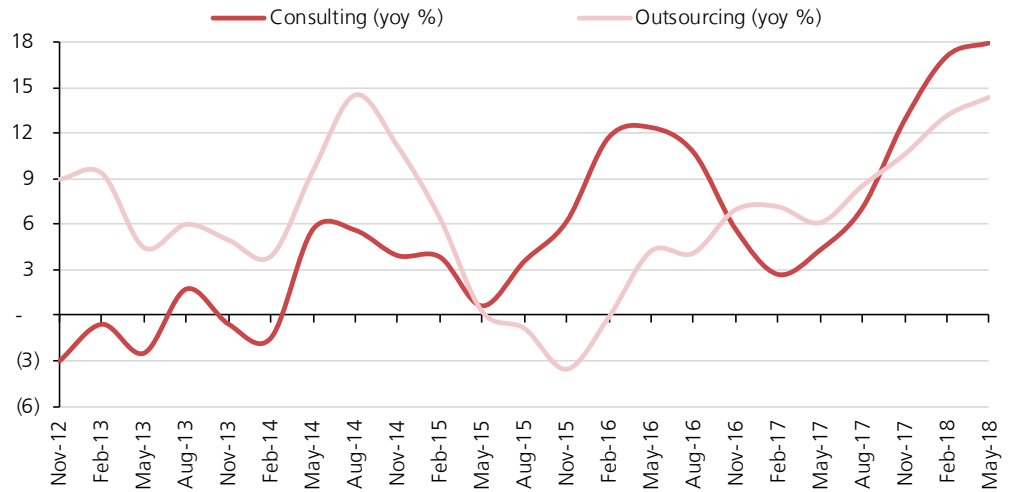
Source: Company

Exhibit 2: Revenue growth by segments and new bookings (May 2018 quarter)

	Revenues	Growth (%)			% of total
	(US\$ mn)	(qoq)	(yoy)	(yoy) 1/c	
Total revenues	10,315	7.6	16.3	11.0	100.0
by geography					
Americas	4,579	7.1	11.1	11.0	44.6
EMEA	3,733	7.1	22.7	9.0	36.4
Asia Pacific	2,003	9.8	17.1	17.0	19.0
by verticals					
Communications & High Tech	2,134	10.3	21.6	18.0	20.2
Financial Services	2,143	5.8	14.9	8.0	21.1
Health & Public Services	1,704	3.7	9.6	7.0	17.1
Products	2,843	8.0	17.0	11.0	27.5
Resources	1,469	9.9	17.9	12.0	14.0
by service line					
Consulting	5,687	10.2	18.0	12.0	53.8
Outsourcing	4,628	4.6	14.4	10.0	46.2
New bookings (US\$ bn)					
Consulting	5.9	3.5	13.5		55.3
Outsourcing	5.8	26.1	26.1		44.7
Total	11.7	13.6	19.4		100.0

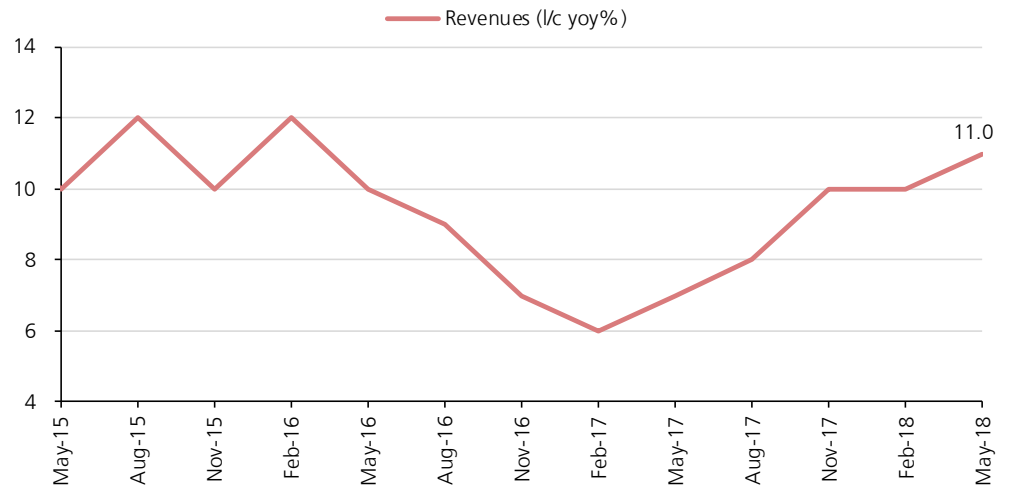
Source: Company, Kotak Institutional Equities

Exhibit 3: Outsourcing growth rates improve



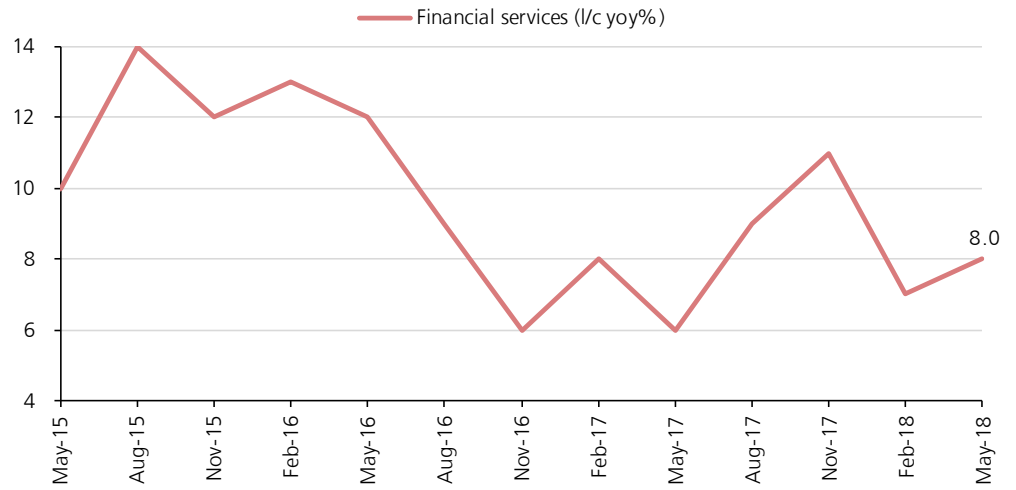
Source: Company, Kotak Institutional Equities

Exhibit 4: Revenue growth of Accenture (local currency yoy %)



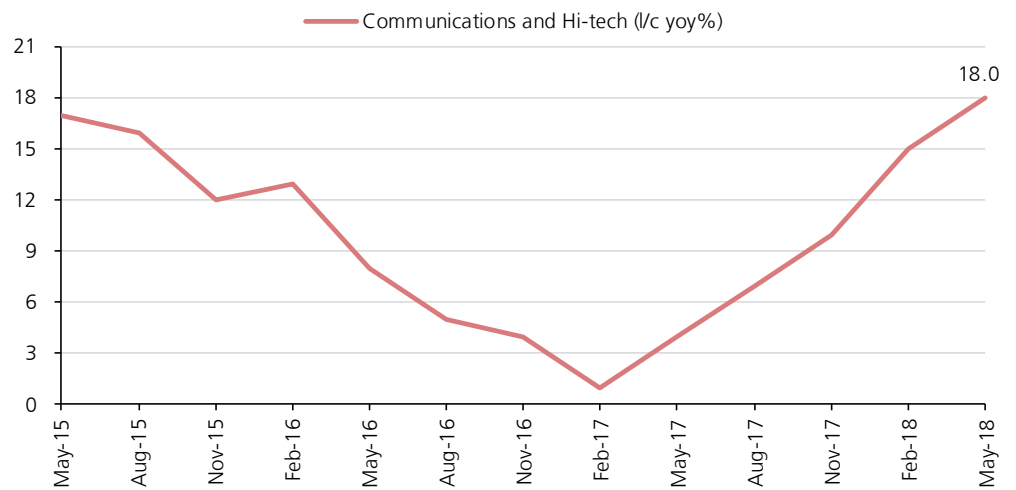
Source: Company

Exhibit 5: Revenue growth from financial services improves marginally



Source: Company, Kotak Institutional Equities

Exhibit 6: Revenue growth from communications & hi-tech has rebounded sharply



Source: Company, Kotak Institutional Equities

Exhibit 7: Kotak Institutional Equities: valuation summary of key Indian technology companies

Company	28-Jun-18		Mkt cap.		EPS (Rs)			P/E (X)			EV/EBITDA (X)			RoE (%)		
	Price (Rs)	Rating	(Rs m)	(US\$ m)	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E
HCL Technologies	910	REDUCE	1,266,515	18,417	62.3	67.9	71.3	14.6	13.4	12.8	10.2	8.6	7.8	24.8	23.8	21.9
Hexaware Technologies	458	SELL	136,045	1,978	16.4	19.8	22.2	27.9	23.2	20.6	19.9	16.8	14.3	26.6	27.8	27.0
Infosys	1,290	ADD	2,816,650	40,959	64.6	69.8	76.5	20.0	18.5	16.9	13.8	12.6	11.3	21.8	22.7	23.1
L&T Infotech	1,642	ADD	282,490	4,108	63.5	72.8	85.5	25.8	22.6	19.2	22.4	16.7	14.0	31.8	30.0	29.4
Mindtree	953	ADD	156,311	2,273	34.5	42.6	52.4	27.6	22.4	18.2	20.0	14.0	11.3	21.4	23.6	24.9
Mphasis	1,056	SELL	204,057	2,967	43.9	51.9	56.2	24.1	20.3	18.8	17.3	14.0	12.4	14.6	17.4	17.1
TCS	1,847	REDUCE	7,072,527	102,847	67.5	77.6	84.4	27.4	23.8	21.9	20.3	17.3	15.7	29.4	32.7	33.1
Tech Mahindra	664	ADD	586,267	8,525	42.6	45.5	52.6	15.6	14.6	12.6	11.4	8.8	7.2	21.5	19.9	19.7
Wipro	257	REDUCE	1,163,116	16,914	16.9	18.8	21.4	15.2	13.7	12.0	9.5	8.0	7.0	16.0	16.3	16.6
Technology			13,683,978	198,989				21.4	19.4	17.7	15.5	13.3	11.9	23.7	23.5	23.5
KIE universe			104,913,337	1,525,288				26.0	20.2	16.1	12.1	10.3	9.0	11.0	12.9	14.6

Company	Target Price (Rs)	O/S shares (mn)	EPS CAGR (%) 2017-20E	EPS growth (%)			Net Profit (Rs mn)			EBITDA (Rs mn)			Sales (Rs mn)		
				2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
HCL Technologies	1,010	1,409	6.4	5.3	9.0	5.0	87,783	94,699	99,605	114,392	132,698	139,512	505,700	586,623	639,186
Hexaware Technologies	420	304	17.5	19.8	20.5	12.5	4,994	6,020	6,770	6,554	7,692	8,853	39,420	46,408	53,547
Infosys	1,350	2,175	6.8	3.0	8.1	9.5	145,960	151,896	166,295	190,100	206,470	225,919	705,220	798,574	875,218
L&T Infotech	1,650	175	15.3	13.9	14.6	17.4	11,119	12,753	14,978	11,875	15,684	18,322	73,065	88,450	102,050
Mindtree	1,015	165	27.9	37.8	23.2	23.2	5,701	6,992	8,612	7,405	10,369	12,486	54,628	65,767	74,914
Mphasis	760	193	13.6	14.4	18.3	8.2	8,477	10,028	10,853	10,596	12,901	14,170	65,459	76,151	84,791
TCS	1,650	3,829	8.2	1.1	15.0	8.8	258,260	296,267	322,415	325,160	380,548	414,946	1,231,040	1,418,443	1,554,308
Tech Mahindra	775	891	18.0	33.1	6.6	15.8	38,000	40,516	46,897	47,170	58,697	67,374	307,730	347,477	378,801
Wipro	295	4,507	7.0	(3.1)	11.1	13.7	80,081	84,821	96,476	105,277	115,414	127,121	546,359	573,697	613,778
Technology				1.6	9.9	9.8	640,375	703,991	772,902	818,529	940,474	1,028,702	3,528,621	4,001,590	4,376,592
KIE universe				(6.2)	29.0	29.0									

Notes:

(a) Hexaware Technologies is December year-ending.

Source: Company, 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) 28-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		
Automobiles																													
Amara Raja Batteries	REDUCE	728	780	7.1	124	1.8	171	28	33	39	(1.6)	21.2	15.5	26.4	21.8	18.8	14.0	11.6	9.9	4.2	3.7	3.2	17.0	18.0	18.0	0.6	0.7	0.8	5.9
Apollo Tyres	BUY	255	340	33.5	146	2.1	541	13	20	25	(38.0)	48.6	24.7	19.0	12.8	10.3	10.5	7.5	6.3	1.4	1.4	1.2	8.5	11.1	12.5	1.2	1.2	1.2	11.0
Ashok Leyland	ADD	124	160	28.8	365	5.3	2,926	5.4	6.2	8.9	8.0	16.1	43.0	23.1	19.9	13.9	13.3	10.2	7.4	5.1	4.4	3.6	23.7	23.6	28.5	2.0	1.5	2.2	36.4
Bajaj Auto	SELL	2,716	2,800	3.1	786	11.4	289	143	160	176	7.9	12.3	9.9	19.0	17.0	15.4	13.1	11.5	10.2	3.8	3.4	3.1	22.1	21.4	21.1	2.2	2.4	2.6	17.7
Balkrishna Industries	ADD	1,019	1,260	23.7	197	2.9	193	37	51	63	4.8	35.4	24.6	27.2	20.1	16.1	14.4	10.9	8.7	4.8	4.0	3.2	19.0	21.6	22.1	0.4	0.4	0.5	8.8
Bharat Forge	SELL	602	650	8.0	280	4.1	466	16	22	27	10.1	38.0	19.4	37.2	26.9	22.5	18.0	15.2	12.8	6.0	5.2	4.4	17.2	20.7	21.1	0.7	0.8	0.9	11.2
CEAT	ADD	1,250	1,600	28.0	51	0.7	40	65	101	113	(29.5)	55.4	12.6	19.3	12.4	11.0	9.5	8.0	6.8	1.9	1.7	1.5	10.4	14.6	14.4	0.9	0.8	0.8	14.8
Eicher Motors	SELL	28,426	26,000	(8.5)	775	11.3	27	792	995	1,200	29.3	25.5	20.6	35.9	28.6	23.7	25.9	20.8	16.9	14.4	10.4	7.8	46.4	42.3	37.5	0.1	0.1	0.1	17.0
Escorts	BUY	826	1,170	41.6	70	1.5	89	39	56	69	71.3	43.6	23.6	21.3	14.8	12.0	12.1	9.0	7.0	2.9	2.5	2.1	13.5	16.8	17.7	0.5	1.0	1.2	17.9
Exide Industries	SELL	249	225	(9.5)	211	3.1	850	8	10	11	0.6	23.7	11.1	30.3	24.5	22.0	17.0	14.2	12.5	3.9	3.6	3.2	13.5	15.2	15.3	1.0	1.2	1.4	8.1
Hero Motocorp	SELL	3,516	3,500	(0.5)	702	10.2	200	185	206	227	9.5	11.1	10.1	19.0	17.1	15.5	11.8	10.6	9.5	6.0	5.2	4.6	33.8	32.6	31.6	2.4	2.9	3.2	17.8
Mahindra CIE Automotive	ADD	245	275	12.1	93	1.4	378	10	13	15	107.0	35.8	12.9	25.6	18.8	16.7	12.6	9.5	8.3	2.5	2.2	1.9	10.4	12.5	12.4	—	—	—	1.7
Mahindra & Mahindra	BUY	908	1,015	11.8	1,129	16.4	1,138	38	44	50	22.0	15.6	14.8	23.9	20.7	18.0	15.7	13.4	11.6	3.4	3.0	2.7	15.1	15.4	15.7	0.8	1.0	1.1	32.8
Maruti Suzuki	ADD	8,771	9,700	10.6	2,650	38.5	302	256	330	395	5.1	29.2	19.6	34.3	26.6	22.2	19.0	14.9	11.9	6.3	5.4	4.6	19.8	22.0	22.6	0.7	0.9	1.1	61.7
Motherson Sumi Systems	SELL	282	265	(5.9)	593	8.6	2,105	8	11	14	6.1	37.7	21.7	34.4	25.0	20.6	13.1	10.0	8.3	6.0	5.1	4.4	19.0	22.1	22.9	0.8	1.0	1.2	14.3
MRF	REDUCE	72,933	76,000	4.2	309	4.5	4	2,669	3,896	4,447	(23.9)	46.0	14.1	27.3	18.7	16.4	12.4	9.1	7.8	3.2	2.7	2.3	12.3	15.7	15.4	0.1	0.1	0.1	8.3
Schaeffler India	BUY	5,300	6,000	13.2	88	1.3	17	143	171	207	22.0	19.4	21.1	37.0	31.0	25.6	21.8	18.7	15.1	5.2	4.6	4.1	15.0	15.8	16.9	0.3	0.6	0.8	0.7
SKF	REDUCE	1,720	1,700	(1.2)	88	1.3	51	58	70	81	24.6	20.8	16.4	29.8	24.7	21.2	18.5	15.8	13.3	4.8	4.2	3.6	16.1	17.0	17.2	0.7	0.8	1.0	0.4
Tata Motors	BUY	263	445	69.0	894	12.2	3,396	20	24	38	(28.0)	18.0	63.0	13.2	11.2	6.9	3.9	3.5	2.9	0.9	0.9	0.8	8.8	8.0	11.9	—	—	—	63.0
Timken	SELL	720	660	(8.3)	49	0.7	68	14	19	25	(5.3)	42.3	27.5	53.2	37.4	29.3	29.6	20.7	16.5	7.0	5.9	5.0	13.9	17.1	18.5	0.1	0.1	0.1	0.3
TVS Motor	SELL	558	410	(26.5)	265	3.9	475	14	18	21	18.7	25.9	21.8	40.0	31.8	26.1	24.4	18.7	15.6	9.2	7.8	6.5	25.1	26.5	27.2	0.6	0.9	1.1	11.6
WABCO India	SELL	7,000	6,350	(9.3)	133	1.9	19	144	169	223	27.8	17.4	32.2	48.7	41.5	31.4	31.6	27.0	20.4	8.7	7.3	6.0	19.5	19.1	21.0	0.1	0.1	0.2	0.5
Automobiles	Neutral				9,998	145					(0.8)	23.1	25.5	25.5	20.7	16.5	11.3	9.4	7.7	3.6	3.2	2.8	14.2	15.4	16.9	0.9	1.0	1.2	362.0
Banks																													
Axis Bank	ADD	505	600	18.9	1,296	18.8	2,567	1	20	39	(92.6)	1,735.5	100.1	469.8	25.6	12.8	—	—	—	2.5	2.2	1.8	0.5	7.7	13.8	1.0	0.6	1.2	66.2
Bank of Baroda	NR	113	—	—	299	4.3	2,652	(9)	8	21	(253.2)	189.5	155.3	(12.3)	13.8	5.4	—	—	—	1.3	1.1	0.8	(6.3)	5.3	12.6	(1.6)	1.5	3.7	32.6
Bank of India	ADD	85	120	40.9	148	2.2	1,744	(35)	(6)	16	(134.7)	82.2	366.7	(2.5)	(13.8)	5.2	—	—	—	1.3	1.6	1.0	(21.3)	(3.6)	9.5	—	(1.4)	3.9	13.1
Canara Bank	ADD	249	300	20.6	182	2.7	733	(58)	(2)	60	(406.6)	97.3	4,031.4	(4.3)	(161.9)	4.1	—	—	—	1.6	1.5	0.9	(11.9)	(0.3)	11.8	—	—	—	32.4
City Union Bank	ADD	184	190	3.4	122	1.8	665	9	10	12	6.4	16.2	13.0	20.6	17.8	15.7	—	—	—	3.2	2.8	2.4	15.3	15.5	15.5	0.2	1.0	1.1	2.0
DCB Bank	ADD	162	210	29.4	50	0.7	308	8	10	12	13.8	24.7	25.9	20.4	16.3	13.0	—	—	—	2.0	1.9	1.7	10.9	11.4	12.8	—	0.6	0.7	5.8
Equitas Holdings	BUY	134	190	41.4	46	0.7	340	0.9	4.4	8.3	(80.4)	374.7	88.2	145.2	30.6	16.3	—	—	—	2.1	2.0	1.8	1.4	6.4	11.0	—	—	—	4.4
Federal Bank	BUY	79	130	65.4	155	2.3	1,972	4.5	5.8	7.8	(7.5)	29.6	35.0	17.6	13.6	10.1	—	—	—	1.4	1.3	1.1	8.0	9.0	11.2	1.3	1.4	2.0	18.5
HDFC Bank	REDUCE	2,131	1,900	(10.8)	5,547	80.7	2,595	67	78	94	18.7	15.3	20.7	31.6	27.4	22.7	—	—	—	5.3	4.0	3.5	17.9	16.6	16.1	0.4	0.5	0.6	68.0
ICICI Bank	BUY	271	400	47.4	1,745	25.4	6,429	11	15	25	(31.1)	46.5	64.1	25.7	17.6	10.7	—	—	—	2.1	1.8	1.6	6.6	9.1	13.7	0.6	1.1	1.9	95.5
IDFC Bank	NR	39	—	—	134	1.9	3,404	2.5	1.6	3.3	(16.0)	(38.5)	109.8	15.6	25.3	12.1	—	—	—	0.9	0.9	0.8	5.7	3.4	6.9	1.3	0.8	1.7	8.4
IndusInd Bank	REDUCE	1,968	1,800	(8.5)	1,181	17.2	600	60	72	87	25.3	19.1	22.0	32.8	27.5	22.5	—	—	—	5.1	4.2	3.6	16.7	17.7	17.0	—	0.5	0.6	29.2
J&K Bank	BUY	49	105	114.3	27	0.4	557	4	8	11	111.6	116.7	44.4	13.5	6.2	4.3	—	—	—	0.6	0.5	0.5	3.4	6.9	9.4	—	3.2	4.6	0.4
Karur Vysya Bank	ADD	103	120	16.4	75	1.1	727	5	4	14	(52.2)	(22.8)	274.8	21.7	28.1	7.5	—	—	—	1.5	1.4	1.2	6.1	4.2	14.7	0.6	0.9	3.3	1.9
Punjab National Bank	ADD	73	90	22.9	202	2.9	2,761	(44)	(39)	9	(814.7)	13.4	124.1	(1.6)	(1.9)	7.9	—	—	—	4.3	(3.3)	(12.5)	(32.4)	(31.3)	8.2	—	(11.4)	2.7	32.4
RBL Bank	SELL	542	450	(17.0)	228	3.3	420	15	20	25	27.3	32.9	21.8	35.8	27.0	22.1	—	—	—	3.5	3.2	2.9	11.5	12.0	13.2	0.4	0.6	0.7	9.7
State Bank of India	BUY	257	370	44.0	2,294	33.4	8,925	(7)	19	38	(155.8)	NM	100.9	NM	13.7	6.8	—	—	—	1.9	1.5	1.1	(3.2)	7.4	13.6	1.1	1.2	1.3	80.4
Ujivan Financial Services	REDUCE	370	420	13.6	45	0.7	121	1	22	29	(96.5)	3,564.0	30.0	612.8	16.7	12.9	—	—	—	2.7	2.3	2.0	0.4	14.2	16.1	0.0	0.6	0.8	7.7
Union Bank	ADD	80	130	62.9	93	1.4	1,169	(45)	1	24	(655.5)	101.4	3,896.2	(1.8)	130.4	3.													

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Mkt cap. (Rs bn / US\$ 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)
		28-Jun-18	Target price (Rs)		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	2,275	1,850	(18.7)	1,315	19.1	575	46	63	82	38.5	34.9	30.0	48.9	36.3	27.9	—	—	—	7.9	6.6	5.5	20.5	19.9	21.5	0.2	0.3	0.4	41.9
Bajaj Finserv	ADD	5,848	5,900	0.9	931	13.5	159	174	206	266	13.5	18.7	28.8	33.6	28.3	22.0	—	—	—	4.6	3.7	3.2	15.3	14.5	15.6	0.2	0.2	0.2	15.2
Bharat Financial Inclusion	NA	1,175	—	—	164	2.4	139	33	43	54	55.5	31.1	27.2	36.0	27.4	21.6	—	—	—	5.5	4.4	3.6	16.7	17.9	18.5	—	—	—	10.9
Cholamandalam	REDUCE	1,468	1,510	2.9	230	3.3	156	62	76	92	35.5	22.3	20.8	23.6	19.3	16.0	—	—	—	4.7	3.9	3.3	20.6	21.0	21.2	0.4	0.6	0.8	7.1
HDFC	BUY	1,878	2,100	11.8	3,157	45.9	1,676	75	58	67	52.1	(23.1)	15.2	24.9	32.4	28.1	—	—	—	4.9	4.3	3.9	23.9	14.3	14.5	1.1	1.1	1.3	70.1
HDFC Standard Life Insurance	SELL	461	405	(12.1)	927	13.5	2,007	6	6	7	24.4	14.8	10.9	83.3	72.6	65.4	—	—	—	21.5	19.2	17.2	27.3	28.0	27.7	0.3	0.3	0.4	15.0
ICICI Lombard	SELL	699	600	(14.1)	317	4.6	454	19	26	30	22.0	36.4	17.0	36.8	27.0	23.0	—	—	—	7.0	5.9	5.0	20.8	23.7	23.5	0.6	0.9	1.1	2.0
ICICI Prudential Life	BUY	370	500	35.2	531	7.7	1,436	11	12	13	(3.7)	3.8	7.6	32.8	31.6	29.3	—	—	—	8.1	6.7	5.7	25.0	23.2	20.9	1.5	0.5	0.6	12.2
IIFL Holdings	SELL	680	625	(8.1)	217	3.2	319	29	34	41	32.4	17.3	21.4	23.8	20.3	16.7	—	—	—	4.3	3.7	3.2	19.0	19.3	20.0	0.9	1.1	1.3	1.7
L&T Finance Holdings	REDUCE	148	185	24.7	296	4.3	1,996	7	10	12	23.7	34.6	24.1	20.2	15.0	12.1	—	—	—	2.3	2.1	1.8	14.2	14.7	16.1	1.2	1.4	1.4	9.6
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	12.9
Magma Fincorp	BUY	156	200	28.5	42	0.6	237	10	12	15	1,014.5	24.6	25.8	16.0	12.9	10.2	—	—	—	1.6	1.5	1.4	10.2	12.9	14.1	0.5	1.2	1.5	3.1
Mahindra & Mahindra Financial	REDUCE	457	475	4.0	282	4.1	614	15	22	26	105.0	53.5	16.6	31.5	20.5	17.6	—	—	—	3.2	2.9	2.6	11.3	14.0	14.8	0.9	1.3	1.6	12.2
Max Financial Services	BUY	423	650	53.7	114	1.7	268	5	6	6	(20.4)	36.9	1.8	92.3	67.4	66.2	—	—	—	—	—	—	6.5	8.3	8.0	—	0.5	0.5	4.8
Muthoot Finance	ADD	375	480	27.8	150	2.2	400	43	38	40	45.6	(10.8)	4.0	8.7	9.8	9.4	—	—	—	1.9	1.7	1.5	24.1	18.4	16.9	2.7	2.4	2.4	4.7
PNB Housing Finance	REDUCE	1,175	1,375	17.0	197	2.9	167	50	61	77	57.8	23.0	25.3	23.6	19.2	15.3	—	—	—	3.1	2.8	2.5	14.0	15.2	16.8	0.8	0.3	0.3	10.0
SBI Life Insurance	ADD	667	815	22.3	667	9.7	1,000	12	15	18	20.8	26.0	22.9	57.8	45.9	37.3	—	—	—	10.4	8.7	7.3	19.4	20.6	21.3	0.3	0.3	0.4	5.9
Shriram City Union Finance	ADD	2,020	2,550	26.2	133	1.9	66	101	140	174	19.6	39.4	23.8	20.1	14.4	11.6	—	—	—	2.5	2.2	1.9	12.5	15.5	16.7	0.9	0.9	1.1	0.9
Shriram Transport	REDUCE	1,304	1,600	22.7	296	4.3	227	69	105	125	24.7	52.1	18.7	18.9	12.4	10.4	—	—	—	2.5	2.2	1.9	13.1	17.6	18.0	0.8	1.1	1.3	17.7
NBFCs	Neutral				10,201	148					38.0	7.0	19.3	29.7	27.7	23.2				5.0	4.3	3.7	16.8	15.4	16.1	0.7	0.7	0.8	582.8
Cement																													
ACC	SELL	1,291	1,205	(6.7)	242	3.5	188	49	54	66	32.7	10.6	23.0	26.5	24.0	19.5	13.9	12.9	10.4	2.6	2.4	2.2	10.1	10.5	11.9	1.3	1.3	1.3	9.9
Ambuja Cements	REDUCE	201	215	7.0	399	5.8	1,986	8	7	9	29.7	(1.3)	27.0	26.7	27.1	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	9.5
Dalmia Bharat	ADD	2,248	2,900	29.0	200	2.9	89	60	98	128	55.4	62.6	30.3	37.2	22.9	17.6	11.8	8.9	7.2	3.3	2.9	2.5	9.7	13.4	15.2	0.1	0.1	0.1	5.3
Grasim Industries	BUY	1,004	1,275	27.0	660	9.6	657	47	43	60	(30.1)	(10.2)	41.3	21.2	23.6	16.7	12.1	7.8	7.1	1.1	1.1	1.0	7.0	4.8	6.4	0.5	0.5	0.5	15.2
India Cements	REDUCE	104	135	30.2	32	0.5	308	3	5	9	(42.5)	56.2	84.4	31.7	20.3	11.0	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	865	1,000	15.6	60	0.9	70	43	51	83	25.1	17.0	65.0	20.0	17.1	10.4	10.4	11.0	8.9	3.1	2.7	2.2	16.2	16.7	23.2	0.9	0.9	0.9	0.6
JK Lakshmi Cement	ADD	305	425	39.4	36	0.5	118	4	18	33	(35.7)	311.2	79.6	68.2	16.6	9.2	12.9	7.8	5.5	2.5	2.2	1.8	3.7	14.1	21.5	0.7	0.7	0.7	0.5
Orient Cement	ADD	109	165	50.8	22	0.3	205	2	8	12	237.8	250.7	64.8	50.7	14.4	8.8	11.4	7.2	5.3	2.2	2.0	1.7	4.4	14.3	20.6	0.7	1.4	1.8	0.2
Shree Cement	SELL	15,499	12,700	(18.1)	540	7.9	35	397	486	662	3.4	22.3	36.2	39.0	31.9	23.4	20.9	15.8	12.3	6.1	5.2	4.3	16.7	17.6	20.2	0.3	0.3	0.3	4.9
UltraTech Cement	SELL	3,721	3,000	(19.4)	1,022	14.9	275	89	119	153	(7.0)	33.1	28.9	41.6	31.3	24.3	19.4	15.2	12.7	3.9	3.6	3.1	9.9	12.0	13.7	0.3	0.3	0.3	16.7
Cement	Cautious				3,215	47					6.1	15.4	35.3	30.9	26.8	19.8	13.9	10.3	8.7	2.3	2.2	2.0	7.5	8.1	10.1	0.6	0.6	0.6	69.5

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)		EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo		
		28-Jun-18	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	(US\$ mn)	
Consumer products																													
Asian Paints	REDUCE	1,268	1,100	(13.3)	1,217	17.7	959	21	24	28	2.9	18.7	14.7	61.8	52.0	45.4	37.8	32.5	28.2	14.5	12.8	11.4	24.6	26.1	26.6	0.7	0.8	1.0	15.7
Bajaj Corp.	ADD	401	520	29.7	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	11.1	42.3	49.4	52.4	3.0	3.2	3.5	0.3
Britannia Industries	ADD	6,097	6,000	(1.6)	732	10.6	120	84	104	126	13.5	24.4	21.5	72.9	58.6	48.2	48.2	37.8	31.1	21.5	17.0	13.8	32.9	32.4	31.6	0.4	0.6	0.7	9.4
Coffee Day Enterprises	REDUCE	274	340	24.3	58	0.8	211	3	8	13	49.1	149.7	59.4	81.8	32.8	20.6	13.7	12.0	10.2	2.4	2.3	2.0	3.1	7.2	10.4	—	—	—	1.2
Colgate-Palmolive (India)	ADD	1,156	1,300	12.5	314	4.6	272	24	27	32	15.2	14.6	16.9	48.6	42.4	36.3	27.8	24.4	20.9	20.6	20.8	17.6	46.2	48.8	52.6	2.1	1.4	1.6	7.9
Dabur India	REDUCE	387	350	(9.7)	684	10.0	1,762	8	9	10	7.2	16.1	11.7	49.9	42.9	38.4	42.2	36.6	32.0	12.0	12.0	10.5	25.9	27.9	29.1	1.9	1.0	1.2	8.3
GlaxoSmithKline Consumer	ADD	6,439	6,750	4.8	271	3.9	42	166	189	211	6.6	13.3	11.9	38.7	34.1	30.5	26.6	22.8	19.6	7.8	7.1	6.5	21.2	21.7	22.2	1.2	1.4	1.6	2.6
Godrej Consumer Products	REDUCE	1,218	1,020	(16.3)	830	12.1	681	21	25	28	11.5	17.6	13.3	57.0	48.5	42.8	40.4	34.4	30.0	13.3	11.5	10.0	25.2	25.4	24.9	0.6	0.7	0.8	8.7
Hindustan Unilever	REDUCE	1,604	1,430	(10.9)	3,472	50.5	2,160	25	28	32	25.0	14.9	13.0	65.4	56.9	50.4	46.9	39.6	34.8	49.0	43.9	38.4	78.1	81.4	81.3	1.2	1.3	1.5	26.4
ITC	ADD	261	315	20.9	3,179	46.2	12,235	9	10	11	8.2	8.0	11.6	29.1	26.9	24.1	19.6	17.9	15.9	6.2	5.9	5.6	19.7	20.8	22.6	2.0	2.4	2.7	38.5
Jubilant Foodworks	BUY	1,364	1,500	9.9	180	2.6	132	15	24	33	191.7	64.1	39.2	93.7	57.1	41.0	40.0	27.7	20.7	18.6	13.6	10.4	21.7	27.5	28.8	0.1	0.1	0.2	39.6
Jyothy Laboratories	ADD	227	440	93.5	83	1.2	364	4	6	6	35.1	25.4	17.2	51.6	41.2	35.1	31.7	26.1	22.6	7.2	6.2	5.5	14.3	16.3	16.6	0.2	0.4	0.7	1.5
Manpasand Beverages	RS	142	—	—	16	0.2	114	9	12	17	39.5	32.0	43.8	16.0	12.1	8.4	7.0	4.8	3.3	1.3	1.2	1.1	8.4	10.2	13.2	0.4	0.5	1.1	3.0
Marico	ADD	333	345	3.7	429	6.2	1,291	6	7	8	7.4	16.7	13.7	53.1	45.5	40.0	37.4	31.4	27.4	16.9	15.6	14.4	33.2	35.7	37.5	1.2	1.4	1.7	8.1
Nestle India	ADD	9,786	9,500	(2.9)	943	13.7	96	127	168	191	21.1	32.5	13.4	77.0	58.1	51.3	42.3	32.9	28.9	27.6	25.4	23.3	36.6	45.5	47.3	0.9	1.2	1.3	9.3
Page Industries	SELL	27,147	21,000	(22.6)	303	4.4	11	311	392	482	32.5	26.1	22.9	87.3	69.2	56.3	55.6	43.9	36.1	35.7	27.9	22.3	45.9	45.3	44.0	0.5	0.6	0.8	7.4
Pidlite Industries	REDUCE	1,028	1,050	2.1	522	7.6	508	18	22	26	7.5	20.4	20.4	57.0	47.4	39.3	38.1	31.7	26.1	14.6	12.3	10.3	26.0	28.2	28.5	0.6	0.7	0.8	14.5
S H Kelkar and Company	BUY	227	315	38.9	33	0.5	145	7	9	11	2.1	18.2	25.9	30.6	25.9	20.6	21.3	16.9	13.4	3.8	3.4	3.0	12.8	14.0	15.7	0.8	0.8	0.9	0.3
Tata Global Beverages	REDUCE	264	285	8.0	167	2.4	631	7	10	11	20.7	29.4	19.1	35.9	27.8	23.3	19.0	16.0	13.7	2.4	2.2	2.1	7.0	8.3	9.4	0.9	1.1	1.3	13.7
Titan Company	SELL	836	800	(4.3)	742	10.8	888	13	16	20	43.3	26.7	20.5	65.4	51.6	42.8	44.8	34.2	27.4	14.6	12.3	10.3	24.3	25.8	26.2	0.4	0.5	0.7	36.1
United Breweries	SELL	1,123	1,000	(11.0)	297	4.3	264	15	19	24	71.6	29.7	23.4	75.2	58.0	47.0	33.2	27.6	23.9	11.1	9.5	8.1	15.7	17.6	18.6	0.2	0.3	0.3	9.3
United Spirits	SELL	658	560	(14.8)	478	6.9	727	8	11	14	39.1	40.5	27.4	86.5	61.5	48.3	49.5	36.5	30.2	19.1	13.0	9.6	24.9	25.1	22.8	—	—	0.3	19.2
Varun Beverages	ADD	764	750	(1.8)	139	2.0	183	12	17	22	377.8	45.4	29.8	66.3	45.6	35.1	20.1	16.2	13.9	7.9	6.8	5.8	12.1	16.0	17.7	—	—	0.1	1.2
Consumer products	Cautious				15,149	220					15.0	16.5	15.0	50.0	42.9	37.3	32.8	27.9	24.2	12.2	11.1	10.0	24.5	25.9	26.8	1.1	1.2	1.5	282.2
Energy																													
BPCL	REDUCE	367	390	6.3	796	11.6	1,967	40	39	41	(1.5)	(3.6)	5.3	9.1	9.5	9.0	7.4	7.0	6.4	2.1	1.9	1.7	24.8	21.1	20.0	5.7	4.2	4.5	37.6
Castrol India	ADD	165	215	30.3	163	2.4	989	7	8	9	3.3	13.6	10.9	24.0	21.1	19.1	15.0	13.2	11.9	16.0	15.1	14.8	67.9	73.6	78.6	2.9	3.6	4.2	4.0
GAIL (India)	BUY	320	410	28.3	721	10.5	2,255	20	25	27	21.8	23.2	8.3	15.7	12.7	11.7	9.9	8.2	7.6	1.8	1.6	1.5	11.7	13.5	13.5	2.3	2.7	2.8	20.1
GSPL	SELL	179	170	(4.8)	101	1.5	564	12	11	11	34.5	(7.0)	(4.6)	15.1	16.2	17.0	7.6	6.3	6.3	2.0	1.8	1.7	14.0	11.7	10.2	1.0	0.9	0.9	1.6
HPCL	REDUCE	261	320	22.4	398	5.8	1,524	42	32	33	(3.2)	(23.4)	3.4	6.3	8.2	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	30.8
Indraprastha Gas	SELL	242	240	(0.9)	170	2.5	700	10	12	14	19.0	17.3	12.0	23.5	20.0	17.9	14.7	12.6	11.1	4.8	4.2	3.6	22.4	22.3	21.6	0.8	1.0	1.3	10.6
IOCL	REDUCE	154	160	3.7	1,499	21.8	9,479	21	17	18	(24.8)	(17.9)	7.4	7.5	9.2	8.5	4.4	5.1	4.7	1.3	1.2	1.1	18.5	14.0	14.0	7.5	4.4	4.7	28.7
Mahanagar Gas	ADD	799	850	6.4	79	1.1	99	48	52	54	21.5	6.5	5.3	16.5	15.5	14.7	10.0	8.9	8.3	3.8	3.3	3.0	24.3	22.8	21.4	2.4	2.6	2.7	8.5
ONGC	ADD	154	200	29.8	1,977	28.7	12,833	17	21	21	3.1	19.6	(1.3)	8.8	7.4	7.5	4.8	3.8	3.6	0.9	0.8	0.8	9.9	11.5	10.7	4.3	4.5	4.5	16.5
Oil India	SELL	201	220	9.3	228	3.3	1,135	25	24	24	22.6	(1.3)	(0.7)	8.1	8.3	8.3	6.4	5.8	5.8	0.8	0.8	0.8	9.8	9.7	9.2	5.1	5.5	5.4	3.9
Petronet LNG	BUY	207	280	35.6	310	4.5	1,500	14	16	18	22.1	17.3	13.2	14.9	12.7	11.2	9.9	8.5	7.2	3.2	2.8	2.5	23.3	23.4	23.3	2.2	2.8	3.6	11.7
Reliance Industries	REDUCE	945	930	(1.6)	5,591	81.3	5,922	59	68	77	16.9	14.9	13.9	16.0	13.9	12.2	12.4	10.0	8.4	1.9	1.7	1.5	11.6	11.9	12.1	0.6	0.7	0.7	98.0
Energy	Attractive				12,032	175					1.0	5.8	7.3	11.7	11.0	10.3	7.8	6.9	6.3	1.5	1.4	1.3	13.3	12.8	12.6	2.8	2.4	2.6	272.1

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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Company	Rating	Price (Rs)		Upside (%)	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)
		28-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	
Industrials																													
ABB	SELL	1,147	1,100	(4.1)	243	3.5	212	20	26	34	12.1	31.2	31.7	57.9	44.1	33.5	31.8	27.1	20.5	6.7	6.2	5.5	12.2	14.6	17.3	0.3	0.8	0.8	1.7
BHEL	SELL	70	81	16.1	256	3.7	3,671	2.2	2.6	5.4	62.7	19.5	106.9	31.7	26.6	12.8	7.4	7.1	3.6	0.8	0.8	0.8	2.5	3.0	6.1	2.6	3.1	6.4	9.0
Carborundum Universal	SELL	320	310	(3.0)	60	0.9	189	11	14	17	22.8	25.4	20.2	28.0	22.3	18.6	15.1	11.2	9.6	3.9	3.5	3.1	14.6	16.4	17.6	0.7	1.3	1.6	0.3
CG Power and Industrial	BUY	56	65	16.8	35	0.5	627	0.8	3.1	4.3	(72.2)	275.7	40.5	68.2	18.1	12.9	10.3	7.7	6.3	1.3	1.4	1.3	1.5	7.3	10.4	-	-	-	5.0
Crompton Greaves Consumer	SELL	220	210	(4.6)	138	2.0	627	5.2	6.2	7.5	13.3	20.1	20.8	42.6	35.5	29.4	26.2	22.1	18.6	17.5	12.1	9.3	49.5	40.5	35.9	0.7	0.9	1.1	3.1
Cummins India	REDUCE	646	680	5.2	179	2.6	277	24	28	32	(7.8)	16.1	13.9	26.7	23.0	20.2	23.5	20.1	16.7	4.5	4.2	3.9	17.4	18.9	20.1	2.3	2.3	2.6	5.5
Havells India	SELL	523	460	(12.0)	327	4.8	625	11	14	17	16.6	26.2	19.6	47.2	37.4	31.3	29.9	23.7	19.4	8.8	7.7	6.8	19.8	21.9	23.0	0.7	0.9	1.1	10.3
Kalpataru Power Transmission	BUY	388	530	36.5	60	0.9	153	19	19	24	36.5	(0.4)	26.7	20.0	20.1	15.9	8.5	7.0	5.6	2.2	2.0	1.8	11.7	10.6	12.2	0.6	0.6	0.6	0.7
KEC International	BUY	333	430	29.0	86	1.2	257	18	22	29	51.1	22.0	34.4	18.6	15.3	11.4	10.0	8.4	6.6	4.3	3.5	2.8	25.7	25.2	27.1	0.7	0.9	1.2	3.5
L&T	BUY	1,235	1,560	26.3	1,731	25.2	1,401	52	63	75	22.4	21.1	19.6	23.9	19.7	16.5	20.1	17.2	15.2	3.5	3.1	2.8	15.0	16.7	18.0	1.3	1.8	2.2	39.8
Siemens	SELL	955	975	2.1	340	4.9	356	24	29	36	20.0	23.4	23.5	40.3	32.7	26.5	22.7	18.1	14.4	4.2	3.9	3.7	10.7	12.4	14.3	1.0	1.3	1.5	3.7
Thermax	REDUCE	1,038	1,065	2.6	124	1.8	113	21	30	42	(3.6)	44.2	42.8	50.4	34.9	24.4	30.7	21.8	15.5	4.3	4.0	3.6	8.8	11.8	15.3	0.6	0.8	0.9	0.9
Voltas	SELL	511	525	2.7	169	2.5	331	17	19	22	12.6	8.3	15.6	29.6	27.3	23.6	24.6	20.8	17.3	4.3	3.9	3.5	15.9	15.0	15.5	0.8	0.8	1.0	14.9
Industrials	Neutral				3,747	54					19.6	22.0	26.7	29.2	23.9	18.9	19.3	16.4	13.5	3.2	2.9	2.7	10.8	12.3	14.4	1.2	1.6	2.0	98.5
Infrastructure																													
Adani Ports and SEZ	BUY	362	470	29.9	749	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	3.0	2.6	21.5	18.1	17.9	0.6	0.7	0.9	24.4
Ashoka Buildcon	BUY	212	310	45.9	40	0.6	188	12	13	13	18.9	9.0	4.5	18.2	16.7	16.0	13.4	11.6	10.3	2.0	1.7	1.6	11.2	10.9	10.2	0.9	1.5	1.0	1.1
Container Corp.	SELL	611	635	3.9	298	4.3	487	18	21	26	7.3	20.0	21.4	34.6	28.8	23.7	22.8	17.7	14.0	3.2	2.9	2.7	9.4	10.6	11.9	2.8	1.5	1.8	8.3
Dilip Buildcon	BUY	699	1,220	74.5	96	1.4	137	46	54	69	76.5	16.1	28.0	15.0	13.0	10.1	8.7	6.2	5.2	3.9	3.0	2.3	29.5	25.9	25.4	—	—	—	8.9
Gateway Distriparks	BUY	179	250	39.8	19	0.3	109	8	8	9	12.1	(1.2)	17.5	23.4	23.7	20.1	22.3	10.9	9.1	1.9	3.8	3.4	8.2	10.8	17.6	3.9	—	1.7	0.8
Gujarat Pipavav Port	BUY	105	170	62.7	51	0.7	483	4.1	5.9	7.2	(20.6)	43.7	22.5	25.5	17.7	14.5	12.4	10.3	8.1	2.5	2.5	2.4	9.8	14.0	16.8	3.3	4.6	5.6	0.6
IRB Infrastructure	BUY	203	330	62.9	71	1.0	351	23	31	33	10.8	36.8	7.1	9.0	6.6	6.1	7.0	6.7	7.1	1.3	1.1	0.9	14.5	17.6	16.3	1.1	1.5	2.0	11.6
Mahindra Logistics	BUY	552	540	(2.1)	39	0.6	71	10	14	19	16.2	44.3	32.0	56.2	39.0	29.5	32.4	21.7	16.4	9.4	7.8	6.4	18.2	21.8	23.8	—	—	—	0.8
Sadbhav Engineering	ADD	272	460	69.0	47	0.7	172	13	19	20	17.4	50.5	0.8	21.2	14.1	13.9	14.8	12.4	9.3	2.5	2.2	1.9	12.5	16.5	14.4	—	—	—	0.8
Infrastructure	Attractive				1,410	20					10.5	11.2	15.4	19.5	17.5	15.2	12.5	11.1	9.7	3.1	2.7	2.4	15.7	15.4	15.5	1.2	1.0	1.2	57.3
Internet																													
Info Edge	REDUCE	1,148	1,290	12.4	140	2.0	122	23	26	33	33.3	14.6	27.8	51.0	44.5	34.8	41.8	32.1	24.4	6.6	5.3	4.8	13.4	13.3	14.6	0.5	0.7	0.7	1.5
Just Dial	BUY	542	550	1.4	37	0.5	67	21	25	28	21.7	16.7	12.9	25.5	21.9	19.4	14.9	12.3	10.2	3.7	3.2	2.8	15.2	15.9	15.6	—	0.5	0.5	42.9
Internet	Cautious				177	3					28.0	15.4	22.6	42.3	36.7	29.9	32.2	25.5	20.2	5.7	4.7	4.2	13.5	12.9	14.1	0.4	0.6	0.7	44.4
Media																													
DB Corp.	REDUCE	255	295	15.6	47	0.7	184	18	20	24	(14.1)	13.2	18.8	14.5	12.8	10.8	7.7	6.8	5.7	2.8	2.7	2.6	19.9	21.5	24.5	5.1	6.3	7.8	0.5
DishTV	ADD	71	84	18.4	131	1.9	1,925	(0.4)	1.7	3.0	(143.0)	482.0	76.2	NM	42.1	23.9	11.6	6.3	5.1	2.0	1.9	1.8	(2.3)	4.7	7.8	—	—	—	9.3
Jagran Prakashan	REDUCE	131	168	28.3	41	0.6	311	10	12	14	(6.0)	21.7	15.3	13.1	10.8	9.3	5.9	5.3	4.6	2.0	2.0	1.9	14.8	18.1	20.9	2.3	3.8	6.9	0.8
PVR	REDUCE	1,392	1,425	2.4	65	0.9	47	27	38	50	25.5	39.8	33.2	51.9	37.1	27.9	17.3	14.3	11.8	6.0	5.3	4.5	12.3	15.2	17.5	0.1	0.3	0.4	6.1
Sun TV Network	REDUCE	779	925	18.7	307	4.5	394	29	35	39	10.2	20.7	10.9	27.0	22.4	20.2	18.1	15.2	13.2	6.7	6.0	5.4	26.3	28.1	27.9	1.3	2.2	2.6	22.6
Zee Entertainment Enterprises	ADD	539	625	16.0	518	7.5	961	15	17	20	7.8	13.8	16.6	35.9	31.5	27.0	23.4	20.5	17.2	6.8	5.9	5.2	20.3	20.2	20.5	0.5	0.8	1.0	14.7
Media	Attractive				1,108	16					(1.5)	30.3	20.0	34.1	26.1	21.8	16.4	12.8	10.9	4.7	4.3	3.9	13.7	16.4	17.8	0.9	1.4	1.8	54.1

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				
		28-Jun-18	(Rs)	(%)	(Rs bn) (US\$ bn)	(mn)	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	(US\$ mn)	
Metals & Mining																													
Coal India	ADD	261	326	25.1	1,618	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	13.2
Hindalco Industries	BUY	221	315	42.5	496	7.2	2,229	22	27	31	155.4	23.5	14.3	10.1	8.2	7.2	6.4	5.4	4.7	0.9	0.8	0.7	9.7	10.4	10.8	0.5	0.5	0.5	43.0
Hindustan Zinc	REDUCE	272	325	19.4	1,150	16.7	4,225	22	24	28	9.3	13.6	13.8	12.7	11.1	9.8	7.7	6.3	5.2	3.2	2.7	2.3	27.2	26.4	25.6	2.9	2.9	3.1	9.5
Jindal Steel and Power	REDUCE	210	255	21.5	203	3.0	968	(8)	8	18	59.3	194.2	129.1	(24.7)	26.2	11.5	9.6	6.9	5.9	0.7	0.7	0.6	(2.7)	2.6	5.7	—	—	—	28.7
JSW Steel	ADD	322	345	7.0	779	11.3	2,417	27	27	25	83.9	(0.7)	(5.7)	12.0	12.1	12.9	7.8	7.2	7.8	2.7	2.3	2.0	24.8	20.4	16.5	1.0	1.0	1.0	19.4
National Aluminium Co.	ADD	62	85	37.0	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	12.8
NMDC	REDUCE	103	125	20.9	327	4.8	3,164	12	10	10	43.3	(16.5)	3.6	8.8	10.6	10.2	4.8	6.4	6.2	1.3	1.3	1.2	15.8	12.5	12.4	5.3	5.3	5.3	4.3
Tata Steel	ADD	548	710	29.5	628	9.1	1,205	67	69	73	62.6	3.1	5.3	8.2	8	7.5	6.1	6.1	5.6	1.1	1.0	0.9	17.2	13.1	12.1	1.7	1.8	1.8	70.0
Vedanta	BUY	230	415	80.4	855	12.4	3,717	22	37	43	9.6	71.9	16.9	10.7	6.2	5.3	5.7	4.3	3.5	1.3	1.2	1.1	12.9	20.6	21.4	3.5	4.8	5.7	58.6
Metals & Mining	Attractive				6,176	90					32.3	41.4	9.7	13.1	9.2	8.4	7.4	5.8	5.2	1.9	1.7	1.5	14.3	18.0	17.9	3.5	4.0	4.7	259.5
Pharmaceutical																													
Apollo Hospitals	ADD	1,012	1,090	7.7	141	2.0	139	8	19	26	(46.9)	124.3	38.0	120.0	53.5	38.7	21.7	18.5	15.6	4.3	4.1	3.8	3.4	7.9	10.2	0.2	0.5	0.6	6.3
Aurobindo Pharma	ADD	601	640	6.6	352	5.1	584	42	43	46	6.0	2.3	7.9	14.4	14.0	13.0	10.1	9.7	8.7	3.0	2.5	2.2	23.2	19.5	16.6	0.7	0.9	1.0	21.0
Biocon	SELL	616	300	(51.3)	369	5.4	601	6	8	15	(39.2)	26.8	86.5	99.4	78.4	42.0	44.6	32.8	21.5	6.6	6.1	5.5	6.9	8.1	13.8	0.4	0.4	0.8	24.7
Cipla	BUY	601	650	8.2	484	7.0	805	18	26	34	40.2	46.7	32.4	34.3	23.4	17.7	17.8	13.2	10.4	3.3	3.0	2.6	10.2	13.4	15.9	0.6	0.9	1.2	23.1
Dr Lal Pathlabs	REDUCE	934	865	(7.4)	78	1.1	83	20	25	29	7.0	20.8	18.5	45.7	37.8	31.9	27.8	23.3	19.5	9.9	8.2	6.9	23.5	23.7	23.4	0.5	0.5	0.6	1.3
Dr Reddy's Laboratories	REDUCE	2,296	2,250	(2.0)	381	5.5	166	59	101	134	(18.5)	71.0	32.6	38.9	22.7	17.1	17.9	11.4	8.5	3.0	2.7	2.4	7.8	12.6	13.9	0.9	0.7	0.9	27.9
HCG	REDUCE	287	305	6.2	25	0.4	85	2	3	5	(40.0)	120.9	57.3	183.6	83.1	52.8	24.1	18.8	16.0	4.7	4.5	4.1	2.8	5.5	8.1	—	—	—	0.2
Laurus Labs	ADD	451	540	19.7	48	0.7	106	16	22	34	(11.9)	37.3	54.4	28.5	20.7	13.4	13.9	11.4	8.3	3.2	2.8	2.3	11.9	14.4	18.8	—	—	—	0.9
Lupin	REDUCE	898	800	(10.9)	406	5.9	450	38	34	45	(32.9)	(9.7)	30.2	23.5	26.1	20.0	14.4	13.0	10.6	3.0	2.7	2.4	12.6	10.9	12.8	0.6	0.6	0.7	29.3
Narayana Hrudayalaya	ADD	231	275	19.0	47	0.7	204	3	4	7	(38.1)	52.2	76.9	91.8	60.3	34.1	25.5	19.3	14.1	4.6	4.2	3.8	5.1	7.3	11.7	—	—	—	0.4
Sun Pharmaceuticals	REDUCE	567	500	(11.9)	1,361	19.8	2,406	15	17	24	(47.5)	12.0	42.0	37.4	33.4	23.5	22.1	18.1	13.3	3.6	3.3	2.9	9.8	10.2	13.1	0.4	0.6	0.9	49.6
Torrent Pharmaceuticals	NR	1,398	—	—	237	3.4	169	40	47	62	(27.4)	16.5	32.4	34.9	29.9	22.6	19.6	14.0	11.6	5.1	4.5	3.9	15.1	15.1	17.3	0.7	0.8	1.0	5.2
Pharmaceuticals	Neutral				3,929	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	190.1
Real Estate																													
Brigade Enterprises	BUY	211	340	61.1	29	0.4	136	10	9	9	(24.0)	(9.0)	(2.1)	20.6	22.7	23.2	11.3	11.5	11.3	1.3	1.2	1.2	7.0	5.4	5.1	1.2	1.2	1.2	0.4
DLF	RS	185	—	—	330	4.8	1,784	19.6	6.5	3.9	403.9	(66.9)	(39.6)	9.4	28.5	47.2	28.3	12.3	12.2	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	(44.0)	155	2.2	216	8.0	8.7	15.5	(15.8)	8.2	77.9	88.7	82.0	46.1	97.4	352.2	67.0	7.1	6.5	5.7	8.3	8.3	13.2	—	—	—	2.8
Oberoi Realty	REDUCE	463	535	15.6	168	2.4	340	14	57	50	21.4	318.9	(12.7)	34.2	8.2	9.4	27.3	9.4	14.0	2.6	2.0	1.6	7.8	27.5	19.2	0.4	0.4	0.4	3.4
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	446	510	14.4	42	0.6	96	21	23	26	25.6	9.1	13.4	21.3	19.5	17.2	12.5	12.0	11.2	1.6	1.5	1.4	7.5	7.8	8.3	1.6	1.6	1.6	2.1
Suntech Realty	REDUCE	365	330	(9.7)	53	0.8	140	17	16	17	19.3	(6.4)	2.6	21.0	22.4	21.9	15.5	18.9	19.0	1.9	1.8	1.7	10.9	8.2	7.8	0.4	0.3	0.3	1.8
Real Estate	Neutral				879	13					133.0	(15.1)	(11.5)	17.3	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	30.1

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	
		28-Jun-18	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	(US\$ mn)
Technology																													
HCL Technologies	REDUCE	910	1,010	11.0	1,267	18.4	1,409	62	68	71	5.3	9.0	5.0	14.6	13.4	12.8	10.2	8.6	7.8	3.5	3.0	2.6	24.8	23.8	21.9	0.9	3.2	3.4	31.3
Hexaware Technologies	SELL	458	420	(8.4)	136	2.0	304	16	20	22	19.8	20.5	12.5	27.9	23.2	20.6	19.9	16.8	14.3	6.9	6.0	5.2	26.6	27.8	27.0	0.9	1.7	1.7	12.4
Infosys	ADD	1,290	1,350	4.7	2,817	41.0	2,175	65	70	76	3.0	8.1	9.5	20.0	18.5	16.9	13.8	12.6	11.3	4.3	4.1	3.7	21.8	22.7	23.1	2.2	3.4	3.0	75.2
L&T Infotech	ADD	1,642	1,650	0.5	282	4.1	175	64	73	84	13.9	14.5	15.7	25.8	22.6	19.5	22.5	16.8	14.0	7.4	6.2	5.2	31.8	30.0	29.0	1.0	1.5	1.6	4.8
Mindtree	ADD	953	1,015	6.5	156	2.3	165	35	43	52	37.8	23.2	23.2	27.6	22.4	18.2	20.0	14.0	11.3	5.7	4.9	4.2	21.4	23.6	24.9	1.2	1.3	1.7	31.0
Mphasis	SELL	1,056	760	(28.0)	204	3.0	193	44	52	56	14.4	18.3	8.2	24.1	20.3	18.8	17.3	14.0	12.4	3.7	3.4	3.1	14.6	17.4	17.1	1.9	1.9	1.9	11.4
TCS	REDUCE	1,847	1,650	(10.7)	7,073	102.8	3,829	67	78	84	1.1	15.0	8.8	27.4	23.8	21.9	20.3	17.3	15.7	8.1	7.5	7.0	29.4	32.7	33.1	1.4	2.7	3.0	106.6
Tech Mahindra	ADD	664	775	16.7	586	8.5	891	43	45	53	33.1	6.6	15.8	15.6	14.6	12.6	11.4	8.8	7.2	3.1	2.7	2.3	21.5	19.9	19.7	2.2	1.4	1.5	32.8
Wipro	REDUCE	257	295	14.7	1,163	16.9	4,507	17	19	21	(3.1)	11.1	13.7	15.2	13.7	12.0	9.5	8.0	7.0	2.4	2.1	1.9	16.0	16.3	16.6	0.4	0.6	3.9	11.4
Technology	Cautious				13,684	199					1.6	9.9	9.8	21.4	19.4	17.7	15.5	13.3	11.9	5.1	4.6	4.2	23.7	23.5	23.5	1.4	2.6	3.0	316.8
Telecom																													
Bharti Airtel	ADD	378	470	24.4	1,511	22.0	3,997	5	(4)	0	(42.9)	(187.4)	104.6	79.8	(91.3)	2,000.3	8.3	9.4	7.6	2.2	2.3	2.3	2.8	(2.4)	0.1	1.4	0.3	0.0	37.8
Bharti Infratel	REDUCE	298	285	(4.3)	551	8.0	1,850	14	13	11	(7.4)	(8.7)	(9.0)	21.7	23.7	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	15.3
IDEA	REDUCE	57	75	32.3	247	3.6	4,359	(10)	(15)	(14)	(656.8)	(54.9)	6.4	(5.9)	(3.8)	(4.1)	12.5	22.8	16.9	0.9	1.2	1.7	(16.0)	(26.9)	(34.0)	—	—	—	17.0
Tata Communications	ADD	585	725	24.0	167	2.4	285	2	4	8	(84.3)	121.9	117.7	355	160.1	73.6	10.7	9.6	8.4	33.4	27.0	19.5	4.5	18.6	30.7	1.1	1.1	1.3	4.4
Telecom	Cautious				2,476	36					(94.7)	(1,906.6)	36.2	787.2	(43.6)	(68.2)	8.9	10.5	8.8	2.2	2.4	2.5	0.3	(5.5)	(3.7)	1.9	0.9	0.7	74.5
Utilities																													
CESC	ADD	883	1,180	33.6	117	1.7	133	87	102	118	67.1	16.8	15.5	10.1	8.7	7.5	7.5	5.5	4.8	0.8	0.7	0.7	7.9	8.8	9.4	1.4	1.1	1.2	6.6
JSW Energy	REDUCE	64	80	24.4	105	1.5	1,640	3.1	5.9	8.2	(19.2)	92.2	38.7	21.0	10.9	7.9	6.8	5.3	4.4	0.9	0.9	0.8	4.7	8.5	11.0	3.1	3.1	3.1	2.1
NHPC	ADD	23	30	33.0	231	3.4	10,260	2.4	3.1	3.2	(17.3)	26.9	1.8	9.2	7.3	7.2	8.8	6.9	6.7	0.8	0.7	0.7	8.5	10.4	10.2	6.2	7.7	7.8	2.3
NTPC	BUY	156	190	21.5	1,290	18.8	8,245	11	15	16	(7.6)	30.9	4.4	13.7	10.5	10.1	11.1	8.6	8.0	1.3	1.2	1.1	9.5	11.6	11.3	3.6	2.9	3.0	12.3
Power Grid	BUY	185	250	35.3	967	14.1	5,232	16	19	21	9.6	19.3	13.6	11.7	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	3.9	30.3
Reliance Power	SELL	32	43	35.0	89	1.3	2,805	3.5	5.1	5.2	(16.4)	45.6	2.7	9.1	6.3	6.1	7.8	6.7	6.5	0.4	0.4	0.4	4.5	6.1	5.9	—	—	—	4.9
Tata Power	ADD	72	97	35.4	194	2.8	2,705	5.3	7.8	8.7	(9.6)	46.1	11.2	13.4	9.2	8.3	10.2	9.4	8.6	1.3	1.1	1.0	10.7	12.9	12.7	—	—	—	6.1
Utilities	Attractive				2,993	44					(2.4)	28.6	9.0	12.4	9.6	8.8	9.3	7.6	7.0	1.2	1.1	1.0	9.7	11.5	11.6	3.1	3.1	3.3	64.5

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)			EVEBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		28-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	
Others																													
Astral Poly Technik	SELL	996	625	(37.2)	119	1.7	120	15	19	23	20.8	28.0	23.0	67.9	53.1	43.1	38.2	29.6	24.1	11.7	9.7	8.0	18.8	20.0	20.3	0.1	0.1	0.1	1.3
Avenue Supermarts	SELL	1,434	860	(40.0)	895	13.0	624	13	16	20	47.9	28.6	26.4	114.0	88.7	70.2	66.8	51.2	40.2	19.3	15.8	12.9	18.5	19.6	20.3	—	—	—	—
Bayer Cropscience	REDUCE	4,578	4,000	(12.6)	181	2.6	34	86	105	124	4.4	22.7	17.5	53.3	43.5	37.0	43.1	33.7	27.0	8.8	7.6	6.6	15.4	18.8	19.2	0.4	0.5	0.5	0.5
Dhanuka Agritech	ADD	564	680	20.5	28	0.4	49	26	28	32	7.7	8.9	15.4	21.9	20.2	17.5	16.1	13.9	11.6	4.4	3.8	3.2	21.9	20.1	20.0	1.0	1.1	1.2	0.1
Godrej Agrovet	ADD	613	650	6.1	118	1.7	189	12	16	20	6.9	39.8	24.6	53.2	38.1	30.6	27.4	21.1	17.1	6.9	6.0	5.0	14.7	16.9	17.9	0.3	0.4	0.5	2.5
Godrej Industries	RS	595	—	—	200	2.9	336	15	16	20	6.8	8.9	24.2	40.8	37.5	30.2	36.5	30.9	33.6	5.5	4.9	4.3	14.4	13.9	15.1	0.3	0.3	0.3	4.9
InterGlobe Aviation	BUY	1,100	1,500	36.3	423	6.1	383	59	79	107	27.2	36.0	34.9	18.8	13.9	10.3	10.7	7.8	5.4	5.9	4.3	3.2	41.3	36.0	35.4	0.5	0.7	1.0	26.4
Kaveri Seed	SELL	538	470	(12.6)	36	0.5	66	32	34	36	19.8	5.9	5.0	16.6	15.7	15.0	14.1	12.9	11.6	4.6	3.8	3.2	23.8	26.3	23.3	1.1	1.5	1.9	5.1
PI Industries	BUY	760	900	18.5	105	1.5	138	27	33	41	(20.0)	18.5	23.2	28.6	22.9	18.5	21.1	16.6	13.1	5.5	4.5	3.7	20.7	21.7	22.1	0.4	0.5	0.6	1.7
Rallis India	ADD	188	235	24.9	37	0.5	195	9	11	13	(1.5)	26.4	19.7	21.8	17.3	14.4	13.9	11.4	9.7	3.1	2.8	2.5	14.6	16.9	18.1	1.8	1.9	2.1	0.8
SIS	REDUCE	1,129	1,250	10.8	83	1.2	73	23	36	43	44.0	58.5	20.6	50.0	31.6	26.2	26.8	20.4	16.8	8.0	6.7	5.6	20.2	23.4	23.3	0.3	0.5	0.6	0.5
SRF	BUY	1,642	2,110	28.5	94	1.4	57	80	92	123	(10.4)	14.4	33.6	20.4	17.9	13.4	12.6	10.0	8.1	2.6	2.4	2.0	13.7	14.0	16.4	0.7	0.8	0.9	9.7
Tata Chemicals	ADD	691	760	10.0	176	2.6	255	51	46	52	6.5	(11.2)	13.6	13.4	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	9.6
TeamLease Services	SELL	2,906	1,750	(39.8)	50	0.7	17	43	59	76	28.0	37.7	27.2	67.4	49.0	38.5	70.3	49.7	38.4	11.3	9.1	7.4	18.2	20.6	21.3	—	—	—	2.4
UPL	ADD	607	850	40.1	309	4.5	507	43	47	53	20.9	9.0	13.5	14.1	13.0	11.4	9.8	8.5	7.2	3.4	2.8	2.3	26.4	23.6	22.4	1.3	1.6	1.8	14.4
Vardhman Textiles	ADD	1,201	1,400	16.6	69	1.0	56	103	130	140	(8.0)	26.4	7.4	11.7	9.2	8.6	9.8	7.3	6.5	1.4	1.2	1.1	12.7	14.3	13.8	1.2	1.7	2.5	1.1
Whirlpool	SELL	1,498	1,240	(17.2)	190	2.8	127	28	37	45	13.0	33.9	22.5	54.2	40.5	33.0	32.0	24.6	19.8	10.6	8.8	7.3	21.4	23.7	24.1	0.3	0.4	0.6	1.0
Others					3,111	45					15.1	19.0	22.4	30.5	25.6	20.9	19.6	15.8	12.9	5.5	4.7	3.9	18.1	18.2	18.9	0.6	0.6	0.7	82.2
KIE universe					104,913	1,525					(6.2)	29.0	25.6	26.0	20.2	16.1	12.1	10.3	9.0	2.9	2.6	2.3	11.0	12.9	14.6	1.4	1.5	1.8	
KIE universe (ex-energy)					92,881	1,350					(8.4)	37.0	30.4	30.9	22.6	17.3	13.7	11.4	9.9	3.2	2.9	2.6	10.3	12.9	15.1	1.2	1.4	1.7	

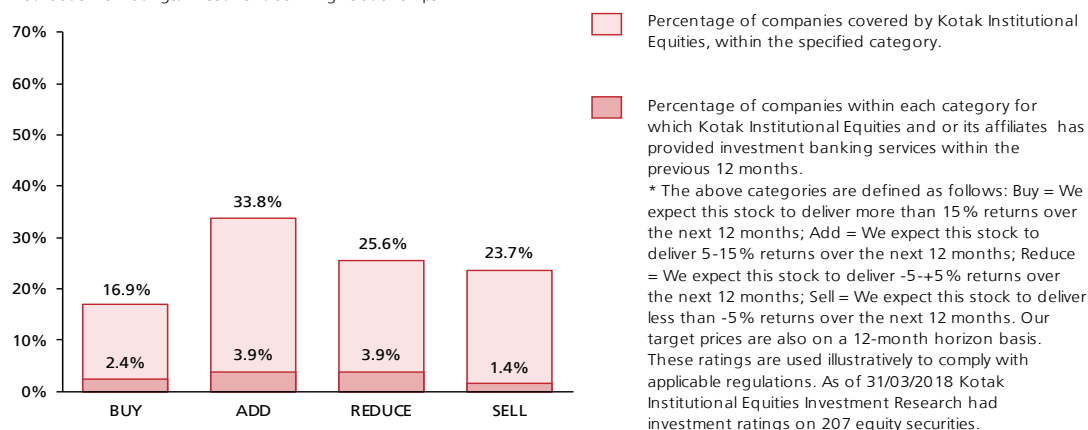
Notes:

- (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\$)= 68.77

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of March 31, 2018

Ratings and other definitions/identifiers

Definitions of ratings

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

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

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

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

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

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