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Daily Alerts

Company alerts

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EQUITY MARKETS

India	Change %			
	6-Sep	1-day	1-mo	3-mo
Sensex	38,243	0.6	1.5	7.8
Nifty	11,537	0.5	1.3	7.1
Global/Regional indices				
Dow Jones	25,996	0.1	1.4	3.0
Nasdaq Composite	7,923	(0.9)	0.5	3.8
FTSE	7,319	(0.9)	(5.2)	(5.0)
Nikkei	22,247	(1.1)	(1.8)	(2.5)
Hang Seng	26,975	(1.0)	(4.5)	(14.4)
KOSPI	2,277	(0.5)	(1.0)	(7.9)
Value traded – India				
Cash (NSE+BSE)	377		375	343
Derivatives (NSE)	21,870		5,390	8,298
Deri. open interest	4,335		3,748	3,701

Forex/money market

	Change, basis points			
	6-Sep	1-day	1-mo	3-mo
Rs/US\$	72.0	2	336	455
10yr govt bond, %	8.3	(2)	24	23

Net investment (US\$ mn)

	5-Sep	MTD	CYTD
FIs	(44)	386	(305)
MFs	21	62	11,813

Top movers

	Change, %			
	6-Sep	1-day	1-mo	3-mo
Best performers				
HDIL IN Equity	33	0.2	44.0	48.2
ARBP IN Equity	759	8.9	22.6	38.6
SUNP IN Equity	677	2.1	18.9	38.6
DRRD IN Equity	2,567	(0.0)	13.6	30.6
RIL IN Equity	1,261	2.8	6.5	29.9
Worst performers				
UT IN Equity	4	(2.7)	(12.3)	(28.3)
IDEA IN Equity	47	(2.8)	(15.4)	(24.7)
JPA IN Equity	11	(1.3)	(24.1)	(22.5)
HPCL IN Equity	252	1.6	(12.7)	(20.0)
TTMT/A IN Equity	144	0.9	3.1	(19.8)

SEPTEMBER 07, 2018

UPDATE

Coverage view: **Neutral**

Price (₹): **8,760**

Target price (₹): **9,200**

BSE-30: **38,243**

Cost headwinds to moderate volume growth. Rising cost pressures and the recent impact of regulatory changes could increase passenger vehicle prices, which may lead to slowdown in PV industry growth in 2HFY19. We have thus cut our EPS estimates for MSIL by 8-12% factoring in cut in volume and margin estimates. We retain our ADD rating as we believe MSIL will gain market share and still grow volumes at double-digit rate. Cut target price to ₹9,200 (from ₹10,000 earlier).

Company data and valuation summary

Maruti Suzuki

Stock data

52-week range (Rs) (high,low) 9,996-7,651

Market Cap. (Rs bn) 2,687.3

Shareholding pattern (%)

Promoters 56.2

FII's 25.2

MFs 5.7

Price performance (%)

Absolute (3.2) 1.0 13.8

Rel. to BSE-30 (4.3) (7.3) (4.8)

Forecasts/Valuations

	2018	2019E	2020E
EPS (Rs)	255.6	298.2	361.6
EPS growth (%)	5.1	16.7	21.2
P/E (X)	34.8	29.8	24.6
Sales (Rs bn)	797.6	927.4	1,078.1
Net profits (Rs bn)	77.2	90.1	109.2
EBITDA (Rs bn)	120.6	136.2	165.2
EV/EBITDA (X)	19.4	16.9	13.5
ROE (%)	19.8	20.1	21.1
Div. Yield (%)	0.9	0.8	1.0

Cost headwinds (regulatory changes, oil price rally, INR depreciation) lead to earnings downgrade

We have reduced our earnings estimates by 8-12% for MSIL over FY2019-21 led by (1) 2-5% cut in our volume estimates and (2) 70-80 bps cut in our EBITDA margin estimates. Since June 30, 2018, petrol/diesel prices have increased by 5-6%, INR has depreciated versus JPY and USD by 6-7% and IRDA has announced that car buyers will need to purchase three-year third-party insurance upfront from September 1, 2018.

- ▶ INR depreciation versus JPY/USD could lead to increase in raw material costs (10% of net sales is vendor imports in JPY, the company has a natural hedge on dollar imports due to exports) and also increase royalty costs (5.5% of net sales) for Maruti Suzuki. A 6% depreciation of JPY versus INR since 2QFY18 average levels could impact MSIL's EBITDA margin by ~100 bps.
- ▶ Car buyers will need to purchase three-year third-party insurance upfront from September 2018 onwards, which could increase car prices by 1%, as per regulations notified by IRDA.
- ▶ Domestic steel and aluminum prices could also increase due to recent INR depreciation, which could also impact EBITDA margin of MSIL.

Maruti Suzuki has been too conservative in increasing prices over the last one year despite very high capacity utilization levels. The company will need to increase prices by at least 1.5% to offset the above cost pressures. However, we believe PV industry growth will moderate in 2HFY19 due to rise in oil prices and interest rates, which would make it difficult for car companies to increase prices. Hence, we assume Maruti would increase prices by ~1% only in 2HFY19, thus leading to 70-80 bps cut in our EBITDA margin assumptions.

MSIL likely to gain market share over next three years; maintain ADD

We expect MSIL to increase market share in the domestic PV industry by 280 bps over FY2018-21 primarily led by increase in share of petrol vehicles in the PV industry (MSIL has ~60% share in petrol vehicles versus ~35% in diesel). We thus maintain our ADD rating on the stock but cut target price to ₹9,200 (from ₹10,000 earlier) due to cut in our earnings estimates. We roll over our target price to September 2020E from June 2020E earlier.

Hitesh Goel

Nishit Jalan

Exhibit 1: We expect Maruti to gain 280 bps market share in passenger vehicle industry over FY2018-21E
 Petrol and diesel mix for passenger vehicle industry and Maruti's market share, March fiscal year-ends, 2010-21E (units, %)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Passenger cars												
Petrol/CNG	1,112,246	1,393,061	1,121,770	841,579	959,375	1,113,821	1,300,001	1,472,035	1,564,854	1,734,484	1,915,696	2,178,557
Diesel	414,032	589,522	894,409	1,032,949	840,481	762,244	744,133	630,872	608,554	641,521	638,565	544,639
Total	1,526,278	1,982,583	2,016,179	1,874,528	1,799,856	1,876,065	2,044,134	2,102,907	2,173,408	2,376,005	2,554,261	2,723,197
Uvs and Vans												
Petrol/CNG	154,676	219,915	239,402	277,926	223,105	238,741	272,666	358,608	412,186	509,836	646,728	710,902
Diesel	268,157	317,777	362,058	513,033	492,953	486,275	491,533	585,098	701,830	764,754	823,108	801,656
Total	422,833	537,692	601,460	790,958	716,057	725,016	764,199	943,706	1,114,016	1,274,589	1,469,836	1,512,558
PVs												
Petrol/CNG	1,266,922	1,612,976	1,361,172	1,119,504	1,182,479	1,352,562	1,572,667	1,830,643	1,977,040	2,244,319	2,562,424	2,889,460
Diesel	682,189	907,299	1,256,467	1,545,982	1,333,434	1,248,519	1,235,667	1,215,970	1,310,384	1,406,275	1,461,673	1,346,295
Total	1,949,111	2,520,275	2,617,639	2,665,486	2,515,913	2,601,081	2,808,333	3,046,613	3,287,424	3,650,594	4,024,097	4,235,755
Yoy growth (%)		29.3	3.9	1.8	(5.6)	3.4	8.0	8.5	7.9	11.0	10.2	5.3
Petrol vehicle mix (%)	65.0	64.0	52.0	42.0	47.0	52.0	56.0	60.1	60.1	61.5	63.7	68.2
Diesel vehicle mix (%)	35.0	36.0	48.0	58.0	53.0	48.0	44.0	39.9	39.9	38.5	36.3	31.8
Maruti Suzuki - PVs												
Petrol/CNG	707,790	933,739	763,316	658,046	713,643	821,171	916,436	1,002,198	1,179,549	1,390,654	1,573,727	1,743,271
Diesel	163,000	199,000	243,000	393,000	340,046	349,526	388,915	441,443	463,918	472,974	517,311	491,445
Total	870,790	1,132,739	1,006,316	1,051,046	1,053,689	1,170,697	1,305,351	1,443,641	1,643,467	1,863,628	2,091,038	2,234,716
Maruti Suzuki PV volume mix (%)												
Petrol/CNG	81.3	82.4	75.9	62.6	67.7	70.1	70.2	69.4	71.8	74.6	75.3	78.0
Diesel	18.7	17.6	24.1	37.4	32.3	29.9	29.8	30.6	28.2	25.4	24.7	22.0
Total	100	100	100	100	100	100	100	100	100	100	100	100
Maruti Suzuki mkt share (%)												
Petrol/CNG	55.9	57.9	56.1	58.8	60.4	60.7	58.3	54.7	59.7	62.0	61.4	60.3
Diesel	23.9	21.9	19.3	25.4	25.5	28.0	31.5	36.3	35.4	33.6	35.4	36.5
Total	44.7	44.9	38.4	39.4	41.9	45.0	46.5	47.4	50.0	51.0	52.0	52.8

Source: Company, SIAM, Kotak Institutional Equities estimates

Exhibit 2: On current fuel prices, it takes almost five years to recover the initial higher capital cost (Rs100,000) of a diesel vehicle
Benefit of owning diesel passenger vehicle in terms of running cost over five years, March fiscal year-ends, 2015-19

Date	Petrol price (Rs/liter)	Diesel price (Rs/liter)	Difference (Rs/liter)	Per km benefit (Rs/km)	Benefit over 5 years (Rs)
Apr-14	72.3	55.5	16.8	2.1	123,529
May-14	71.4	56.7	14.7	1.9	114,007
Jun-14	71.4	57.3	14.1	1.9	111,564
Jul-14	73.6	57.8	15.8	2.0	120,114
Aug-14	71.4	58.4	13.0	1.8	106,814
Sep-14	69.5	59.0	10.5	1.6	94,571
Oct-14	67.3	57.3	10.0	1.5	90,768
Nov-14	63.3	52.5	10.8	1.5	91,607
Dec-14	61.3	50.5	10.8	1.5	90,029
Jan-15	58.9	48.3	10.7	1.5	87,721
Feb-15	57.3	46.6	10.7	1.4	86,750
Mar-15	60.5	49.7	10.8	1.5	89,500
Apr-15	60.0	48.5	11.5	1.5	92,143
May-15	64.7	50.9	13.8	1.8	105,357
Jun-15	66.3	52.3	14.0	1.8	107,357
Jul-15	66.9	49.7	17.2	2.0	121,414
Aug-15	63.2	45.0	18.3	2.1	123,357
Sep-15	61.2	44.5	16.8	1.9	115,500
Oct-15	61.2	45.9	15.3	1.8	109,286
Nov-15	60.7	46.8	13.9	1.7	102,929
Dec-15	60.5	46.1	14.4	1.7	104,871
Jan-16	60.0	44.7	15.2	1.8	108,136
Feb-16	60.0	44.7	15.3	1.8	108,264
Feb-16	59.6	45.0	14.7	1.8	105,464
Mar-16	56.6	46.4	10.2	1.4	84,064
Apr-16	61.9	49.3	12.6	1.6	98,021
May-16	62.2	50.4	11.8	1.6	94,907
Jun-16	65.7	53.9	11.7	1.6	97,121
Jul-16	64.8	54.7	10.1	1.5	89,371
Aug-16	60.6	51.3	9.3	1.4	83,143
Sep-16	63.8	52.8	11.0	1.5	92,714
Oct-16	65.5	53.9	11.6	1.6	96,500
Nov-16	69.5	58.2	11.3	1.6	98,074
Dec-16	69.4	58.7	10.6	1.6	95,172
Jan-17	71.4	61.9	9.5	1.5	91,612
Feb-17	72.5	63.3	9.3	1.5	91,559
Mar-17	72.4	63.1	9.4	1.5	91,956
Apr-17	74.1	65.2	8.9	1.5	91,142
May-17	75.9	67.1	8.8	1.5	91,828
Jun-17	76.7	68.1	8.6	1.5	91,573
Jul-17	76.3	68.0	8.3	1.5	90,279
Aug-17	77.3	68.9	8.5	1.5	91,536

Notes:

- (1) Fuel prices are for Delhi region
- (2) Assuming 12,000 annual kms runs.
- (3) We assume 12 kmpl and 14 kmpl mileage for petrol and diesel cars in city traffic.

Source: IOCL, Kotak Institutional Equities estimates

Exhibit 3: Indian rupee has depreciated by 5% against JPY in FY2019 so far (from end-FY2018 levels)
JPY:INR exchange rate, March fiscal year-ends, 2012-18



Source: Company, Kotak Institutional Equities estimates

Exhibit 4: We cut our FY2019-21E EPS estimates by 8-12% due to 70-80 bps cut in EBITDA margin assumptions
Earnings revision table, March fiscal year-ends, 2019-21E

	New estimates			Old estimates			change (%)		
	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Volumes (units)	2,001,398	2,242,785	2,408,226	2,032,627	2,276,147	2,523,571	(1.5)	(1.5)	(4.6)
Net ASPs (Rs)	463,379	480,698	500,550	463,419	484,844	505,789	(0.0)	(0.9)	(1.0)
Net sales	927,407	1,078,102	1,205,437	941,958	1,103,576	1,276,395	(1.5)	(2.3)	(5.6)
EBITDA	136,232	165,162	185,821	145,038	177,538	206,883	(6.1)	(7.0)	(10.2)
Margin (%)	14.7	15.3	15.4	15.4	16.1	16.2			
EBITDA/vehicle (Rs)	68,069	73,641	77,161	71,355	77,999	81,980			
Net Profit	90,081	109,219	123,270	97,620	118,857	139,274	(7.7)	(8.1)	(11.5)
EPS (Rs)	298.2	361.6	408.1	323.2	393.5	461.1	(7.7)	(8.1)	(11.5)

Source: Kotak Institutional Equities estimate

Exhibit 5: We expect Maruti's volumes to grow by ~11% CAGR over FY2018-21E

Volume assumptions, March fiscal year-ends, 2014-21E (units)

	2014	2015	2016	2017	2018	2019E	2020E	2021E
Models								
Maruti 800	16,948	—	—	—	—	—	—	—
Omni	61,133	74,686	79,830	84,746	80,583	96,700	101,535	106,611
Alto	258,281	264,492	264,176	241,635	258,539	258,539	258,539	258,539
Zen Estilo	6,282	—	—	—	—	—	—	—
Wagon R	156,369	161,250	168,801	172,346	168,644	168,644	177,076	185,930
Ritz/Ignis petrol	14,270	18,811	12,252	24,089	29,222	32,144	35,359	37,127
Swift petrol	65,528	74,948	76,659	75,089	102,507	174,263	200,402	240,482
Dzire petrol	49,421	62,385	84,022	79,951	146,581	197,884	227,567	273,081
A star	4,434	—	—	—	—	—	—	—
Eeco	40,982	54,282	63,641	67,263	74,554	89,465	89,465	93,938
Grand Vitara	—	—	—	—	—	—	—	—
Gypsy	5,000	5,968	4,324	2,157	8,233	8,233	8,233	8,233
SX4 petrol	2,015	401	—	—	—	—	—	—
Kizashi	1	—	—	—	—	—	—	—
Ertiga petrol	16,836	19,230	20,451	22,234	33,107	28,141	29,548	31,025
Vitara Brezza petrol	—	—	—	—	—	—	60,000	66,000
Celerio	16,143	68,143	86,350	97,361	94,721	108,929	114,376	120,094
Ciaz	—	16,576	26,233	38,669	38,290	32,546	37,428	41,171
Baleno petrol	—	—	29,697	96,658	144,568	195,166	234,200	281,039
Exports	101,352	121,713	123,897	124,062	126,074	119,770	131,747	151,509
Petrol domestic volumes	713,643	821,171	916,436	1,002,198	1,179,549	1,390,654	1,573,727	1,743,271
Ritz/Ignis diesel	17,442	15,697	7,849	8,447	18,000	18,000	18,900	17,955
Swift diesel	133,043	126,390	120,071	91,776	73,421	69,750	73,237	69,575
Dzire diesel	148,264	148,264	148,355	119,927	93,543	88,866	93,309	88,644
SX4 diesel	2,015	—	—	—	—	—	—	—
Ertiga diesel	39,283	43,000	40,000	41,293	33,034	26,427	27,749	26,361
Ciaz diesel	—	16,175	28,000	25,779	20,623	16,499	17,324	16,457
Vitara Brezza diesel	—	—	5,563	108,640	148,462	160,339	184,390	175,170
S cross	—	—	24,077	21,417	30,923	49,477	54,424	51,703
Baleno diesel	—	—	15,000	24,164	45,912	43,617	47,978	45,579
Light commercial vehicle	—	—	—	900	10,033	18,000	20,000	22,000
Diesel domestic volumes	340,046	349,526	388,915	442,343	473,951	490,974	537,311	513,445
Total volumes	1,155,041	1,292,410	1,429,248	1,568,603	1,779,574	2,001,398	2,242,785	2,408,226
YoY chg (%)	(1.4)	11.9	10.6	9.8	13.4	12.5	12.1	7.4
Volume mix - Domestic (%)								
Petrol	67.7	70.1	70.2	69.4	71.3	73.9	74.5	77.2
Diesel	32.3	29.9	29.8	30.6	28.7	26.1	25.5	22.8

Source: Company, Kotak Institutional Equities estimates

Exhibit 6: We expect earnings to grow at 17% CAGR over FY2018-21E

Maruti Suzuki profit and loss, balance sheet and cash flow statement, March fiscal year-ends, 2014-21E (Rs mn)

	2014	2015	2016	2017	2018	2019E	2020E	2021E
Profit model (Rs mn)								
Net sales	437,918	499,706	575,381	680,348	797,627	927,407	1,078,102	1,205,437
EBITDA	51,911	67,129	88,844	103,517	120,615	136,232	165,162	185,821
Other income	7,317	8,316	14,610	23,001	20,455	22,913	26,949	31,986
Interest	(1,759)	(2,060)	(815)	(894)	(3,457)	(866)	(866)	(866)
Depreciation	(20,884)	(24,703)	(28,202)	(26,021)	(27,579)	(29,592)	(35,217)	(40,842)
Profit before tax	36,585	48,682	74,437	99,603	110,034	128,687	156,027	176,099
Tax expense	8,755	11,570	20,794	26,101	32,816	38,606	46,808	52,830
Adj. net profit	27,830	37,112	53,643	73,502	77,218	90,081	109,219	123,270
Earnings per share (Rs)	92.1	122.9	177.6	243.3	255.6	298.2	361.6	408.1
Balance sheet (Rs mn)								
Equity	209,780	237,042	298,842	364,311	417,573	480,549	556,905	643,084
Deferred tax liability	5,866	4,810	1,943	4,662	5,589	5,589	5,589	5,589
Total Borrowings	16,851	8,521	774	4,836	1,108	1,108	1,108	1,108
Current liabilities	72,860	85,137	117,067	138,697	169,431	192,563	216,304	237,676
Total liabilities	305,357	335,510	418,626	512,506	593,701	679,810	779,906	887,457
Net fixed assets	134,118	141,421	135,169	145,450	154,849	170,257	180,039	184,197
Investments	101,179	128,140	199,322	284,810	352,902	387,902	457,902	547,902
Cash	6,297	183	391	138	711	2,343	3,614	760
Other current assets	63,763	65,766	83,744	82,108	85,239	119,308	138,351	154,598
Total assets	305,357	335,510	418,626	512,506	593,701	679,810	779,906	887,457
Free cash flow (Rs mn)								
Operating cash flow excl. working capital	41,474	55,750	70,398	81,270	89,796	97,626	118,354	132,992
Working capital changes	7,561	7,457	14,631	21,940	28,058	(10,937)	4,697	5,125
Capital expenditure	(34,927)	(31,487)	(26,327)	(33,723)	(38,653)	(45,000)	(45,000)	(45,000)
Free cash flow	14,108	31,720	58,702	69,487	79,201	41,689	78,051	93,117
Ratios								
Gross margin (%)	28.4	29.9	32.7	31.3	31.1	30.7	30.8	30.6
EBITDA margin (%)	11.9	13.4	15.4	15.2	15.1	14.7	15.3	15.4
PAT margin (%)	6.4	7.4	9.3	10.8	9.7	9.7	10.1	10.2
Net debt/equity (X)	(0.4)	(0.5)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Book value (Rs/share)	714	801	996	1,221	1,401	1,609	1,862	2,147
RoAE (%)	13.7	16.2	19.8	21.9	19.5	19.8	20.8	20.4

Source: Company, Kotak Institutional Equities estimates

Acquires Sandoz's US topicals and oral business. ARBP announced the acquisition of Sandoz's US dermatology and oral solids business for up to US\$1 bn in cash, implying ~5X FY2020E EV/EBITDA, and driving ARBP's US sales to US\$2.1 bn in FY2020. Despite product concentration and portfolio skew towards partnered products, we do not expect significant headwinds to the acquired portfolio, with potentially interesting opportunities from the pipeline over FY2020-23. We raise our FY2020/21E EPS by 13-14%, re-iterate ADD and revise target price to ₹760/share.

Company data and valuation summary

Aurobindo Pharma

Stock data

52-week range (Rs) (high,low)	809-527
Market Cap. (Rs bn)	444.9

Shareholding pattern (%)

Promoters	51.9
FIs	18.0
MFs	15.1

Price performance (%)

	1M	3M	12M
Absolute	21.6	40.4	1.6
Rel. to BSE-30	19.8	29.1	(15.9)

Forecasts/Valuations

	2018	2019E	2020E
EPS (Rs)	41.8	42.2	57.3
EPS growth (%)	6.0	1.0	35.8
P/E (X)	18.2	18.0	13.3
Sales (Rs bn)	165.0	185.4	270.7
Net profits (Rs bn)	24.4	24.6	33.5
EBITDA (Rs bn)	37.9	39.9	60.9
EV/EBITDA (X)	12.5	12.0	8.9
ROE (%)	23.2	19.3	19.9
Div. Yield (%)	0.6	0.7	0.8

Strategic fit at reasonable valuations

ARBP announced the acquisition of Sandoz's US dermatology and oral solids business for US\$900 mn in cash, plus up to US\$100 mn in contingent payments. The acquisition positions ARBP to #3 by value and #2 by prescriptions in the US generics market with combined revenues likely to cross US\$2.2 bn in FY2020. The acquisition comes with three facilities and net working capital of US\$225 mn. The Sandoz business generated sales of US\$1.2 bn in CY2017 (US\$600 mn in 1HCY18), though the management has guided for sales of US\$900 mn at the time of the close of the acquisition in CY2019 with group average margins, implying ~5X EV/EBITDA at time of close. This is after taking into account (1) price erosion in topicals, with revenues expected to drop to US\$270 mn (versus US\$450 mn in CY2017), (2) price erosion in oral solids (US\$50-150 mn), as well as (3) rationalization of low margin oral solids (US\$50-75 mn).

Product concentration high, though with an interesting pipeline mix

We believe top-10 products accounted for ~40% of sales in the oral solids bucket, including one >US\$100 mn product (levothyroxine); three US\$50-60 mn products including penicillin franchise, potassium chloride, as well as two AGs (Focalin XR and Adderall XR); and several products in the US\$15-20 mn bucket, including omeprazole, carbamazepine ER, metaxalone, etc. Of the large ones, we expect levothyroxine to stabilize at ~US\$80 mn, though, we expect sharper erosion in the US\$50-60 mn bucket, explaining the expected drop in oral solids from US\$750 mn in CY2017 to an expected US\$630 mn. We expect minimal divestitures at the FTC with penicillins being the key overlapping products. Similarly, we expect the topicals business to potentially further erode from the US\$270 mn. However, we believe the pipeline offers several interesting opportunities including Concerta (FY2020), Intuniv (FY2021), Afinitor/Zortress AG (FY2021), AndroGel (FY2023), Suboxone (FY2023 or earlier as an AG), Xifaxan (FY2023).

Raise FY2020/21 EPS estimates by 13-14% - ADD

We forecast acquired business revenues of US\$900 mn and US\$800 mn in FY2020/21 at 22% EBITDA margins. At 5% cost of financing, and 10 year amortization, we expect the acquisition to be EPS accretive by 13% in FY2020 itself, with net debt/EBITDA at ~2X. Thus, we raise our EPS estimates by 13% and 16% for FY2020/21. The stock trades at 13X FY2020E EPS, though, at 9X FY2020E EV/EBITDA, upside will be driven by synergies from R&D optimization and site switches given Sandoz's facilities (Wilson) are operating at ~55% utilization, with conversion costs significantly higher than ARBP's facilities. ADD with ₹760/share target price.

Chirag Talati, CFA

Kumar Gaurav

Exhibit 1: Key oral launch pipeline for ARBP

Y-Axis: brand sales (US\$ mn), X-Axis: Year of launch (March fiscal year-end, 2016-19)

	FY2016	FY2017	FY2018	FY2019	≥FY2020
>US\$1,000 mn	Abilfy	Nexium		Pulmicort Respules	Atripla
					Truvada
					Restasis
					Concerta
					Suboxone film
					Xifaxan
					Pulmicort Respules
					Brilinta
					Onglyza
					Kombiglyze
					Tecfidera
				Vimpat	
				Xarelto	
US\$500 - US\$1,000 mn			Renvela		Intuniv
			Viread		AndroGel
					Dexilant
US\$250 - US\$500 mn		Nuvigil	Nexium OTC	Metoprolol-XL	Multaq
			Ampyra	Bupropion SR/XL	Opana ER
			Effient	Fortamet ER	Oxycontin
			Mucinex-DM	Omeprazole OTC	
			Solodyn	Norvir	
US\$100 - US\$250 mn	Valcyte	Celecoxib	Epzicom	Prevacid-ODT	Livalo
		Hydromorphone	Atorvastatin	Carbamezapine/ER	Fentora
		Omeprazole		Reyataz	Oxecta
		Oxymorphone		Renagel	
		Stalevo			
<US\$100 mn	Suprax	Voriconazole	Trizivir	Sustiva	Emtriva
		Xopenex	Methylin		
			Renvela PFOS		
			Suprax tabs/caps		
High	> US\$25 mn revenues in first 12 months of launch				
Medium	US\$10 - 25 mn revenues in first 12 months of launch				
Low	< US\$10 mn revenues in first 12 months of launch				

Source: Kotak Institutional Equities estimates, Company; Border denotes Sandoz pipeline additions

Exhibit 2: Key sterile launch pipeline for ARBP

Y-Axis: brand sales (US\$ mn), X-Axis: Year of launch (March fiscal year-end, 2016-19)

	FY2016	FY2017	FY2018	FY2019	≥FY2020
US\$250 - US\$500 mn		Bivalirudin		Ertapenem Cyclophosphamide RTU	Iron Sucrose
US\$100 - US\$250 mn	Eptifibatide		Glycopyrrolate Fondaparinux Doripenem Zyvox bag	Vit-K1 Vancomycin Acular LS Isoproterenol Neostigmine Tygacil	Triamcinolone Enoxaparin Vancomycin RTU
<US\$100 mn	Isosulfan Blue	Methylprednisolone Pantoprazole Dexamethasone	Aztreonam Methyltestosterone Cisatracurium Imipenem	Acular Vitamin-A palmitate Zymaxid	
High	> US\$25 mn revenues in first 12 months of launch				
Medium	US\$10 - 25 mn revenues in first 12 months of launch				
Low	< US\$10 mn revenues in first 12 months of launch				

Source: Kotak Institutional Equities estimates, Company

Exhibit 3: Aurobindo Pharma - changes to estimates

March fiscal year-ends, 2019-21E, (₹ mn)

	New estimates			Old estimates			Changes (%)		
	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Sales	185,448	270,747	276,733	186,176	208,419	223,744	(0.4)	29.9	23.7
Gross profits	106,616	148,923	158,182	106,891	122,342	133,051	(0.3)	21.7	18.9
EBITDA	39,855	60,930	66,752	39,867	46,790	51,769	(0.0)	30.2	28.9
PBT	31,582	44,011	49,427	31,595	38,916	43,268	(0.0)	13.1	14.2
PAT	24,637	33,451	37,567	24,646	29,579	32,886	(0.0)	13.1	14.2
EPS	42.2	57.3	64.3	42.2	50.6	56.3	(0.0)	13.2	14.3

Source: Kotak Institutional Equities estimates

Exhibit 4: Aurobindo Pharma - US sales summary

March fiscal year ends, 2014-21E, (₹ mn)

	2015	2016	2017	2018	2019E	2020E	2021E
US consolidated sales (US\$ mn)	776	950	1,022	1,152	1,226	2,148	2,076
Base + other launches	456	482	514	530	514	496	489
Key oral products	83	111	100	181	190	179	195
Injectables	67	96	148	155	211	268	288
OTC/Natrol	30	95	105	130	160	168	176
Controlled substances	55	77	69	66	71	65	62
Third party	85	90	86	90	81	73	65
Sandoz dermatology						270	227
Sandoz OSD						629	576
YoY growth (%)							
US	38	22	7	13	6	75	(3)
Base + other launches	22.6	5.7	6.6	3.0	(2.9)	(3.5)	(1.5)
Key oral products	3.4	34.0	(9.4)	80.5	4.9	(5.6)	8.4
Injectables	55.8	42.6	55.0	4.9	35.6	27.4	7.2
OTC/Natrol		216.7	10.0	24.4	23.1	5.0	5.0
Controlled substances	NM	39.6	(10.2)	(4.3)	7.2	(8.6)	(4.8)
Third party	41.7	5.9	(5.0)	5.0	(10.0)	(10.0)	(10.0)
Sandoz dermatology							(16.0)
Sandoz OSD							(8.5)
% of US sales							
Base + other launches	59	51	50	46	42	23	24
Key oral products	11	12	10	16	16	8	9
Injectables	9	10	14	13	17	12	14
OTC/Natrol	4	10	10	11	13	8	8
Controlled substances	7	8	7	6	6	3	3
Third party	11	9	8	8	7	3	3
Sandoz dermatology	0	0	0	0	0	13	11
Sandoz OSD	0	0	0	0	0	29	28

Source: Company, Kotak Institutional Equities estimates

Exhibit 5: Aurobindo Pharma – profit and loss, balance sheet, cash flow model
March fiscal year-ends, 2013-21E (₹ mn)

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Net revenues	58,553	80,998	121,205	138,961	150,899	164,998	185,448	270,747	276,733
Gross profit	28,646	44,938	66,149	77,386	86,556	97,471	106,616	148,923	158,182
Staff costs	(6,633)	(8,024)	(13,023)	(15,508)	(17,678)	(21,308)	(23,645)	(31,136)	(33,315)
R&D expenses	(2,335)	(2,717)	(3,601)	(4,770)	(5,430)	(6,662)	(7,882)	(10,830)	(11,069)
Other expenses	(13,121)	(12,860)	(23,889)	(25,051)	(29,106)	(31,615)	(35,235)	(46,027)	(47,045)
EBITDA	6,557	21,337	25,636	32,056	34,343	37,885	39,855	60,930	66,752
Depreciation & amortisation	(2,487)	(3,125)	(3,326)	(3,926)	(4,276)	(5,580)	(6,512)	(11,873)	(13,034)
EBIT	4,069	18,211	22,310	28,130	30,067	32,306	33,343	49,056	53,718
Net Interest	(1,313)	(1,071)	(843)	(927)	(667)	(777)	(1,311)	(6,095)	(5,341)
Other income	285	216	808	682	538	1,020	1,000	1,000	1,000
Exceptional items (includes FX gains/losses)	(1,636)	(2,031)	(596)	(660)	621	0	1,500	—	—
Profit before tax	1,406	15,325	21,679	27,225	30,608	32,579	31,582	44,011	49,427
Tax & deferred Tax	(827)	(3,635)	(5,966)	(7,444)	(7,596)	(8,183)	(6,948)	(10,563)	(11,862)
Less: minority interest	(4)	38	45	39	5	3	3	3	3
Net income	575	11,729	15,758	19,820	23,017	24,399	24,637	33,451	37,567
EPS (Rs)	1.0	20.1	27.0	33.9	39.4	41.8	42.2	57.3	64.3
Balance sheet									
Equity	26,168	37,758	51,817	71,163	93,740	116,822	138,431	168,250	201,457
Total borrowings	33,844	36,339	38,636	47,020	33,641	44,825	42,325	110,825	106,825
Other liabilities	12,767	20,801	38,692	38,811	35,113	49,404	55,645	72,087	71,429
Total liabilities	72,778	94,898	129,145	156,993	162,494	211,052	236,402	351,161	379,711
Net fixed assets	28,574	30,314	41,253	52,635	62,919	81,037	92,654	160,780	157,746
Investments	222	198	1	1	2,459	3,115	3,115	3,115	3,115
Cash	2,085	1,786	4,888	8,344	5,135	12,616	4,521	7,497	19,621
Other current assets	41,897	62,601	83,003	96,013	91,982	114,283	136,113	179,769	199,229
Total assets	72,778	94,898	129,145	156,993	162,494	211,052	236,402	351,162	379,711
Cashflow statement									
Operating profit before working capital	8,157	20,476	25,741	32,337	34,413	37,505	38,096	55,887	62,464
Tax paid	(1,192)	(3,440)	(4,956)	(7,358)	(7,737)	(8,183)	(6,948)	(10,563)	(11,862)
Change in working capital	(4,216)	(10,574)	(8,417)	(7,383)	6,110	(11,621)	(15,589)	(27,215)	(20,118)
Capital expenditure	(2,733)	(3,905)	(7,683)	(15,682)	(16,942)	(12,115)	(12,060)	(80,000)	(10,000)
Free cash flow	16	2,558	4,685	1,914	15,844	5,587	3,500	(61,890)	20,483
Margins and ratios									
Gross profit margin (%)	48.9	55.5	54.6	55.7	57.4	59.1	57.5	55.0	57.2
EBITDA margin (%)	11.2	26.3	21.2	23.1	22.8	23.0	21.5	22.5	24.1
Tax rate (%)	58.8	23.7	27.5	27.3	26.0	26.0	22.0	24.0	24.0
RoAE (%)	2.3	36.7	35.2	32.2	27.9	23.2	19.3	21.8	20.3
RoACE (%)	7.6	28.0	28.3	28.8	25.9	23.6	20.3	21.9	19.2

Source: Company, Kotak Institutional Equities

SEPTEMBER 07, 2018

UPDATE

Coverage view: **Attractive**

Price (₹): 800

Target price (₹): 1,240

BSE-30: 38,243

Overhangs receding. Key overhangs for DBL may be receding as (1) SBI comes to the table to negotiate terms of lending to HAM projects and (2) DBL receives further cash from the Shrem group in August 2018. Read-through from the annual report is positive for cash flows (improving core working capital, elongated debt maturity profile, improving performance of yoy comparable assets) though negative for HAM project starts (PAT loss at 3% of sales). We broadly retain our standalone estimates. DBL is well-placed to leverage its lean book-to-bill ratio to gain market share. BUY.

Company data and valuation summary

Dilip Buildcon

Stock data			Forecasts/Valuations				
			2018	2019E	2020E		
52-week range (Rs) (high,low)	1,248-561		EPS (Rs)	46.5	55.7	71.0	
Market Cap. (Rs bn)	107.3		EPS growth (%)	76.1	19.8	27.5	
Shareholding pattern (%)			P/E (X)	16.9	14.1	11.1	
Promoters	75.6		Sales (Rs bn)	77.5	103.1	129.7	
FIs	10.0		Net profits (Rs bn)	6.4	7.6	9.7	
MFs	6.6		EBITDA (Rs bn)	14.0	18.4	23.7	
Price performance (%)	1M	3M	12M	EV/EBITDA (X)	9.6	7.3	5.8
Absolute	(9.6)	(4.3)	36.3	ROE (%)	29.5	26.7	26.2
Rel. to BSE-30	(10.7)	(12.1)	14.0	Div. Yield (%)	0.1	0.2	0.2

DBL to be the key beneficiary as SBI shows intention to lend to road projects

Our industry checks suggest likelihood of SBI to start lending to road projects though at stiffer terms (read higher upfront equity). Recent openness of other banks (IndusInd, Yes Bank) and NBFCs (L&T Finance) also bodes well for the sector. Uptick in pace of financial closures would address the key overhang for DBL, which has large 50% share of its reported road segment backlog pending financial closures. DBL would also benefit from financial closures happening for peers as it will set the stage for NHAI restarting ordering. DBL can then leverage its lean book-to-bill ratio versus peers to gain share.

Shrem group transaction trudges along

The other key overhang of the pending sale of assets to Shrem group also may be receding. The annual report reaffirms the status of the transaction – (1) tripartite agreement signed for sale of 24 assets on March 26, 2018, (2) 10 subsidiaries have ceded material stake already and (3) 15 subsidiaries operating over past two years aggregated a larger PAT in FY2018 versus FY2017. Our interaction with the management suggests another ₹1 bn of cash coming from Shrem group in August versus ₹10 bn expected by end March 2019. The other overhang of replacing the interim CFO may take time to recede. DBL, however, continues to beef up its finance team through recent hires.

AR 2018: Positive read-through for cash flows, negative for HAM projects

DBL was largely able to fund its investments/interest-free loans given to subsidiaries and working capital needs from execution growth of 40%+ yoy, from internal accruals; incremental debt was limited to capex funding. This bodes well for FY2019 when proceeds from Shrem group will largely offset incremental investments into subsidiaries. Modest debt additions coupled with impact of low-cost debentures would further improve PBT margin. The disappointment in the annual report came more from the ₹605 mn of PAT loss reported by its HAM projects. This amounts to 3% of revenues, part of which may be related to the large share of such projects in customer advances of DBL (73%) versus that in DBL's sales/receivables (~45% share). We broadly retain our estimates and marginally increase our target price to ₹1,240 from ₹1,230 on roll-forward. Retain BUY.

Aditya Mongia

Ajinkya Bhat

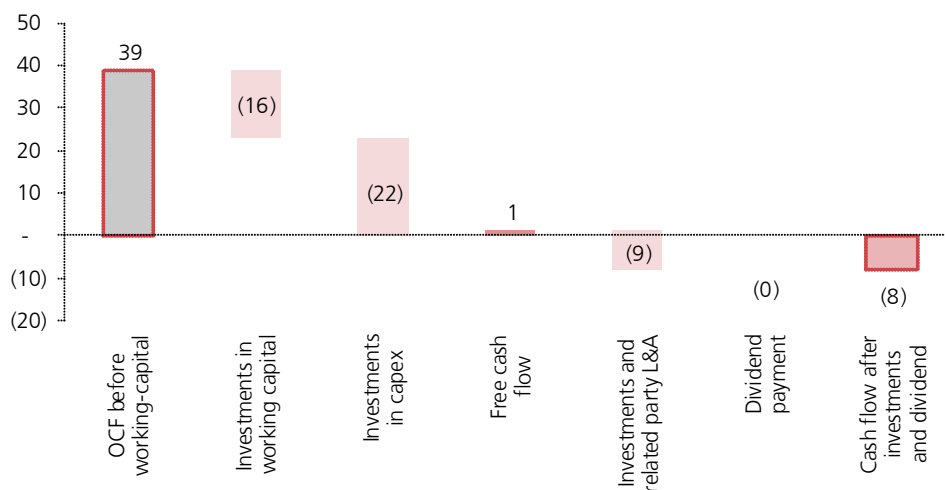
DBL is likely to do well in terms of cash flows – we note potential for current ₹29 bn standalone debt levels to decline meaningfully over next five years

Key takeaways from section 1

- ▶ Investments in assets and large build-up in working capital have led to a buildup in debt and related interest rate payments for DBL over the past five years.
- ▶ Over FY2014-18, DBL still generated nil free cash flow adjusted for investments.
- ▶ Over FY2019E-23E, we expect DBL to generate enough cash flows to pare down a large portion of its ₹29 bn end-FY2018 debt.
 - We expect OCF before working capital changes to treble over the next five-year period to ~₹110 bn.
 - We expect additional working capital requirement of ~₹30 bn against increase in revenues of ₹120 bn. This amounts to a working capital requirement of 25% of sales.
 - We expect capex of ₹26 bn for the additional ₹120 bn of sales. Their current run-rate of capex is ₹4 bn for a ₹25-30 bn increase in annual revenues.
 - We expect modest pace of investments from here. Here we assume the benefits of churning of assets at a modest 1.2X multiple. Against our estimate of ₹7 bn addition, the requirement would be a higher ₹35 bn if DBL is unable to churn its assets over time.

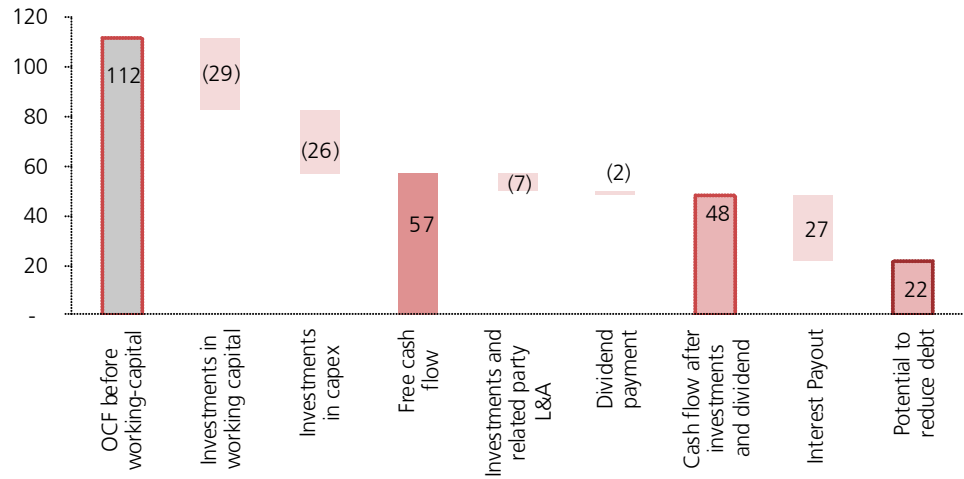
Exhibit 1: Rapid growth has eaten away all the operating cash flow generation of DBL standalone in funding the growth capital over the past five years

Cumulative cash flows of DBL standalone over the past five years, March fiscal year-ends, 2014-18 (Rs bn)



Source: Company, Kotak Institutional Equities

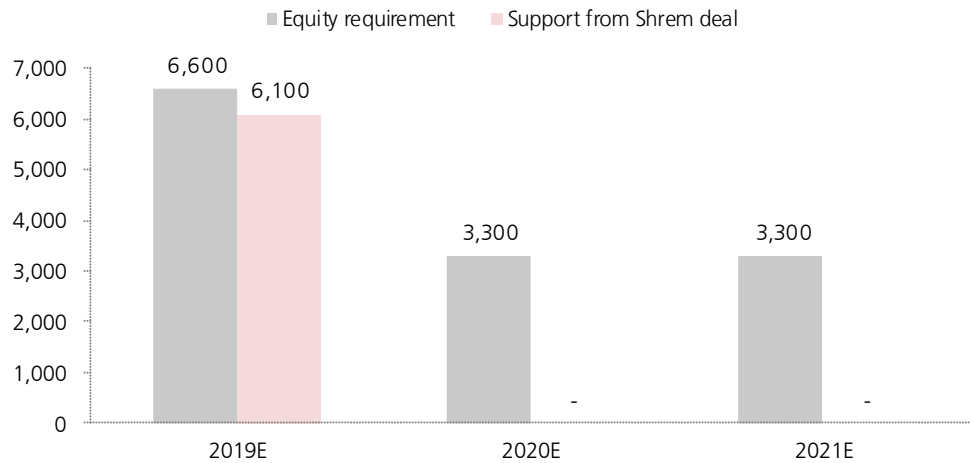
Exhibit 2: Stable-to-improving working capital would help reduce debt levels over next five years
 Cumulative cash flows of DBL standalone over the past five years, March fiscal year-ends, 2019E-23E (Rs bn)



Source: Company, Kotak Institutional Equities

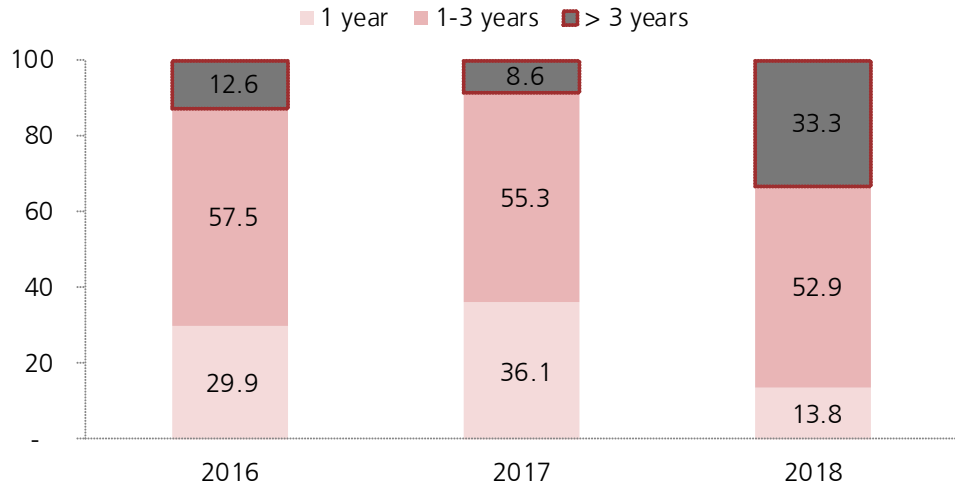
Exhibit 3: DBL will have to arrange funding for the outstanding equity commitment in HAM projects from FY2020 onwards

Equity requirement for existing HAM projects of DBL, March fiscal year-ends, 2019E-21E (Rs mn)



Source: Company, Kotak Institutional Equities

Exhibit 4: Elongated debt maturity profile bodes well for cash flows of DBL
Trend in debt maturity profile of DBL, March fiscal year-ends, 2016-18 (%)

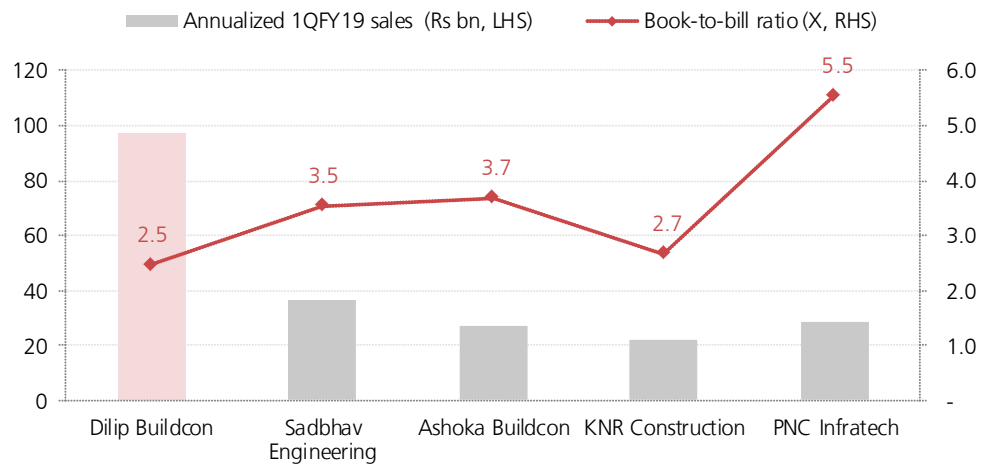


Source: Company, Kotak Institutional Equities

We expect DBL to be better-placed versus peers to gain share

Exhibit 5: With lowest book-to-bill ratio and thus fastest execution, Dilip Buildcon is well-placed within competition to gain market share

Comparison of the pace of execution and backlog of key road construction companies as of 1QFY19, March fiscal year-ends



Source: Company, Kotak Institutional Equities

Key concern from the annual report stems from weak initial performance of HAM projects

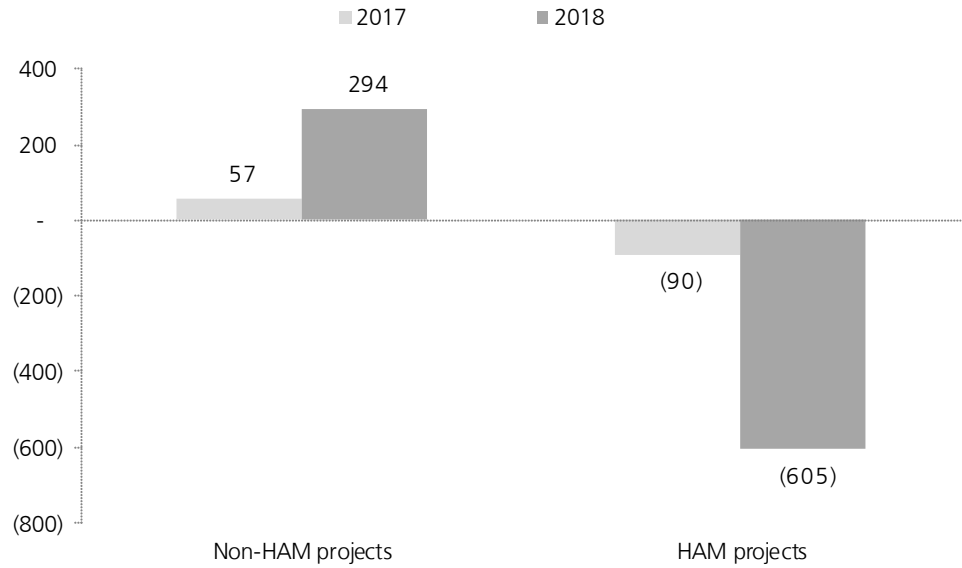
Key takeaways from section 2

- ▶ DBL’s portfolio of 24 assets would get sold to Shrem group over time as per a tripartite agreement signed on March 26, 2018. At present, DBL has ceded material shareholding in term of its assets. The remaining 14 assets largely comprise under-construction HAM assets (10 numbers).
- ▶ For the entire non-HAM project portfolio of DBL (15 numbers), aggregate profits have increased yoy in FY2018. However, for the remaining HAM projects (10 numbers), aggregate PAT is negative ₹605 mn. The loss of ₹605 mn amounts to 3% of sales.
- ▶ Some part of the stress is coming from the advances extended by HAM projects to DBL standalone. Such advances to DBL from HAM projects broadly make related party

receivables for DBL. For the remaining third-party business, advances are a fraction of receivables. Normalization of such advances from HAM projects would have yielded a materially lower loss quantum for the HAM projects.

Exhibit 6: Non-HAM projects have improved in PAT, and HAM projects have reported larger aggregate PAT loss

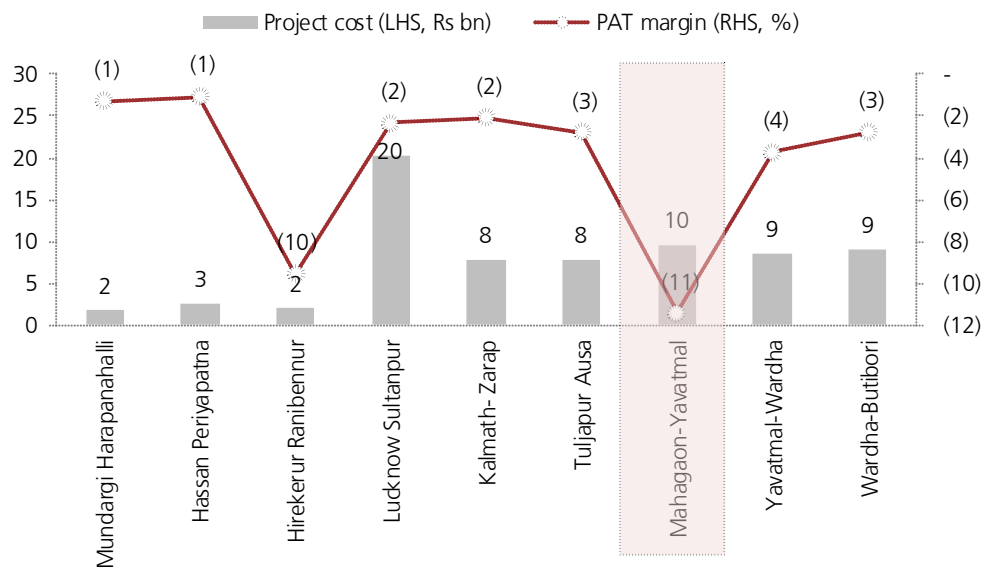
PAT performance of HAM and other road assets of Dilip Buildcon, March fiscal year-ends, 2017-18 (Rs mn)



Source: Company, Kotak Institutional Equities

Exhibit 7: Apart from one large project, most key HAM projects have reported PAT loss margin of 2-4%

PAT margin of HAM projects for Dilip Buildcon, March fiscal year-end, 2018



Source: Company, Kotak Institutional Equities

Exhibit 8: HAM project SPVs have contributed higher share of DBL's advances versus that of revenues and receivables

Breakup of key financials between own HAM SPVs and third-party clients, March fiscal year-ends, 2015-18 (Rs mn)

	2015	2016	2017	2018
Absolute (Rs mn)				
Revenues	26,241	40,853	50,976	77,459
Own	-	847	11,669	36,772
Third party	26,241	40,006	39,307	40,687
Receivables	11,289	9,118	10,165	16,040
Own	511	511	2,818	7,091
Third party	10,778	8,608	7,348	8,949
Advances	2,362	1,858	8,817	8,639
Own	47	-	4,205	6,301
Third party	2,315	1,858	4,612	2,338
Share (%)				
Revenues	100	100	100	100
Own	-	2	23	47
Third party	100	98	77	53
Receivables	100	100	100	100
Own	5	6	28	44
Third party	95	94	72	56
Advances	100	100	100	100
Own	2	-	48	73
Third party	98	100	52	27

Source: Company, Kotak Institutional Equities

We broadly retain our estimates for DBL standalone

Exhibit 9: Change in estimates for Dilip Buildcon, March fiscal year-ends, 2018-21E (Rs mn)

	New estimates				Old estimates			% change		
	2018	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Net revenues	77,459	103,131	129,727	150,821	103,216	129,954	151,153	(0)	(0)	(0)
Total operating expenses	(63,431)	(84,763)	(106,017)	(123,105)	(84,833)	(106,202)	(123,376)			
EBITDA	14,028	18,368	23,710	27,716	18,383	23,752	27,778	(0)	(0)	(0)
Depreciation & Amortization	(2,750)	(3,161)	(3,352)	(3,763)	(3,162)	(3,353)	(3,771)			
EBIT	11,434	15,376	20,584	24,223	15,389	20,690	24,293	(0)	(1)	(0)
Interest expense	(4,644)	(5,227)	(5,664)	(6,298)	(5,458)	(5,696)	(6,340)	(4)	(1)	(1)
PBT	6,789	10,149	14,919	17,924	9,932	14,994	17,953	2	(0)	(0)
Tax expense	(434)	(2,537)	(5,213)	(6,264)	(2,483)	(5,240)	(6,274)			
Recurring PAT	6,355	7,612	9,706	11,661	7,449	9,755	11,680	2	(0)	(0)
Recurring EPS	46.5	55.7	71.0	85.3	54.5	71.3	85.4	2	(0)	(0)
Ratios										
Revenue growth (%)	52.0	33.1	25.8	16.3	33.3	25.9	16.3			
EBITDA margin (%)	18.1	17.8	18.3	18.4	17.8	18.3	18.4			
Effective tax rate (%)	6.4	25.0	34.9	34.9	25.0	34.9	34.9			
PAT margin (%)	8.2	7.4	7.5	7.7	7.2	7.5	7.7			

Source: Company, Kotak Institutional Equities estimates

Exhibit 10: We expect sustainable strong ordering in roads led by Bharatmala Pariyojana; we have less visibility on large, infrequent mining contracts

Segmental financials of Dilip Buildcon (standalone), March fiscal year-ends, 2016-22E (Rs mn)

	2016	2017	2018	2019E	2020E	2021E	2022E	CAGR 2018-22E (%)	Comments
Roads and bridges									
Order inflow	75,665	91,358	140,514	119,437	140,935	162,076	186,387	7	We expect strong growth in road ordering to sustain led by Bharatmala programme
Yoy growth (%)	49.8	20.7	53.8	(15.0)	18.0	15.0	15.0		
Order backlog	96,697	145,809	219,250	246,997	280,415	316,462	355,916	13	
Yoy growth (%)	48.1	50.8	50.4	12.7	13.5	12.9	12.5		
Gross revenue	36,477	45,714	66,694	91,690	107,517	126,029	146,933	22	
Yoy growth (%)	54.6	25.3	45.9	37.5	17.3	17.2	16.6		
Bill-to-book ratio (%)	35.4	32.1	30.9	32.9	33.9	34.9	35.9		We expect execution to remain steady
Irrigation									
Order inflow	2,700	—	387—	4,000	4,200	4,410	4,631	NA	DBL has recently started taking irrigation projects; we assume gradual ramp-up
Yoy growth (%)	—	(100.0)	NA	5.0	5.0	5.0	5.0		
Order backlog	7,055	1,648	426	3,470	5,475	6,859	7,875	107	
Yoy growth (%)	4.8	(76.6)	(74.2)	714.8	57.8	25.3	14.8		
Gross revenue	2,378	2,783	1,610	956	2,195	3,026	3,615	22	
Yoy growth (%)	137.3	17.0	(42.2)	(40.6)	129.6	37.9	19.5		
Bill-to-book ratio (%)	29.4	39.4	87.4	39.4	39.4	39.4	39.4		We expect execution to remain steady
Urban development									
Order inflow	1,890	—	—	3,000	3,150	3,308	3,473	NA	DBL is foraying into urban development projects as the next growth vertical
Yoy growth (%)	—	(100.0)	NA	NA	5.0	5.0	5.0		
Order backlog	2,990	2,108	1,400	3,527	5,039	6,132	7,000	50	
Yoy growth (%)	9.5	(29.5)	(33.6)	151.9	42.9	21.7	14.2		
Gross revenue	1,558	901	315	873	1,638	2,215	2,604	70	
Yoy growth (%)	23.6	(42.2)	(65.1)	177.5	87.6	35.3	17.6		
Bill-to-book ratio (%)	42.4	30.1	14.9	30.1	32.1	33.1	33.1		We expect execution period of three years
Mining									
Order inflow	1,045	26,471	99—	343,085	15,000	16,500	18,150	NA	These are large contracts; we do not have near-term visibility on further order wins in mining
Yoy growth (%)	—	2,433.1	(99.6)	346,415.5	NA	NA	NA		
Order backlog	1,045	26,117	17,805	351,707	348,759	346,138	343,865	110	
Yoy growth (%)	—	2,399.3	(31.8)	1,875.3	(0.8)	(0.8)	(0.7)		
Gross revenue	—	1,399	8,411	9,183	17,948	19,121	20,423	25	
Yoy growth (%)	—	NA	501.2	9.2	95.4	6.5	6.8		
Bill-to-book ratio (%)	—	9.8	32.1	32.1	32.1	32.1	32.1		Large multi-year contract; we assume higher execution rate in initial years
Sum of segments									
Total order inflow	81,300	117,830	141,000	469,522	163,285	186,293	212,640	11	
Total order backlog	107,787	175,683	238,881	605,701	639,689	675,590	714,656		
Total revenues	40,413	50,797	77,030	102,702	129,298	150,392	173,575	23	
Less Intersegment	—	—	—	—	—	—	—		
Other adjustments (if any)	440	179	429	429	429	429	429		
Net revenue	40,853	50,976	77,459	103,131	129,727	150,821	174,004	22	

Source: Company, Kotak Institutional Equities estimates

Exhibit 11: We arrive at a DCF-based target price of Rs1,240/share for Dilip Buildcon
DCF valuation of Dilip Buildcon, March fiscal year-ends, 2017-27E (Rs mn)

	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	
FCFF calculation												
Net revenue	50,976	77,459	103,131	129,727	150,821	174,004	195,986	216,741	233,712	248,407	261,800	
Revenue growth (%)	24.8	52.0	33.1	25.8	16.3	15.4	12.6	10.6	7.8	6.3	5.4	
EBIT (excluding other income)	7,649	11,278	15,207	20,358	23,954	27,816	31,766	35,216	37,963	40,265	42,461	
EBIT margin (%)	15.0	14.6	14.7	15.7	15.9	16.0	16.2	16.2	16.2	16.2	16.2	
Operating tax expense	(1,774)	(212)	(3,041)	(4,072)	(6,509)	(9,720)	(11,100)	(12,306)	(13,266)	(14,070)	(14,838)	
NOPAT	5,875	11,066	12,166	16,287	17,444	18,096	20,666	22,910	24,697	26,195	27,624	
Depreciation	2,274	2,750	3,161	3,352	3,763	4,509	5,034	5,714	6,172	6,645	6,978	
Change in working capital	(2,967)	(8,109)	(7,651)	(4,116)	(4,548)	(6,557)	(5,939)	(5,855)	(4,805)	(4,180)	(3,829)	
Capital expenditure	(4,932)	(4,442)	(3,669)	(3,943)	(7,159)	(5,042)	(6,527)	(4,397)	(4,535)	(3,199)	(3,850)	
Equity contribution for HAM	—	(2,003)	(7,490)	(10,792)	(9,914)	(9,908)	(11,395)	(12,680)	(13,433)	(13,970)	(14,529)	
Divestments of HAM (at 1.15X invested equity)	—	—	6,102	—	7,343	15,225	9,302	10,697	12,302	14,147	14,713	
Free cash flow to the firm	251	(738)	2,618	787	6,929	16,323	11,140	16,390	20,398	25,638	27,106	
Key assumptions and value drivers												
Operating tax rate (% of EBIT)	23.2	1.9	20.0	20.0	27.2	34.9	34.9	34.9	34.9	34.9	34.9	
Gross FATR (X)	2.3	2.9	3.4	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	
Net working capital excluding cash as % of sales	43.7	42.1	39.1	34.2	32.4	31.9	31.3	31.0	30.8	30.7	30.6	
DCF valuation												
Terminal growth rate (%)	4.0											
Cost of equity (%)	13.5											
EV and target price calculation												
Sum of discounted FCF		57,461	62,600	70,264								
PV of terminal value		94,933	107,749	122,295								
Enterprise value		152,394	170,349	192,559								
Investments		5,376	1,629	10,263								
Net debt/(cash)		27,936	27,272	31,165								
Equity value		129,835	144,705	171,657								
Implied share price (Rs/share)		949	1,058	1,255								
Target price (Rs/share)		1,240										
Implied P/E FY2020E		17.5X										

Notes:

(a) Given the half-year convention where cash flows can be considered to occur at the middle of the financial year, we roll forward the DCF-calculated value by six months to arrive at the target price.

Source: Company, Kotak Institutional Equities estimates

Exhibit 12: Summary financials of Dilip Buildcon (standalone), March fiscal year-ends, 2014-22E (Rs mn)

	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E
Income statement									
Net revenues	23,158	26,241	40,853	50,976	77,459	103,131	129,727	150,821	174,004
Total operating expenses	(18,458)	(20,586)	(32,861)	(41,054)	(63,431)	(84,763)	(106,017)	(123,105)	(141,679)
EBITDA	4,700	5,655	7,992	9,922	14,028	18,368	23,710	27,716	32,325
Other income	62	60	162	114	155	169	225	269	375
Depreciation & Amortization	(788)	(1,179)	(1,835)	(2,274)	(2,750)	(3,161)	(3,352)	(3,763)	(4,509)
EBIT	3,975	4,537	6,320	7,763	11,434	15,376	20,584	24,223	28,191
Interest expense	(1,551)	(2,587)	(3,814)	(4,162)	(4,644)	(5,227)	(5,664)	(6,298)	(6,236)
PBT	2,423	1,949	2,506	3,601	6,789	10,149	14,919	17,924	21,955
Tax expense	(484)	(491)	(293)	9	(434)	(2,537)	(5,213)	(6,264)	(7,672)
Cash tax paid as Minimum Alternate Tax (MAT)	(511)	(438)	(589)	(835)	(128)	(2,030)	(2,984)	(4,871)	(7,672)
Net profit	1,940	1,458	2,213	3,609	6,355	7,612	9,706	11,661	14,283
Exceptional items	3	—	(5)	-	(152)	422	—	435	901
Reported PAT	1,943	1,458	2,208	3,609	6,203	8,033	9,706	12,095	15,184
Recurring EPS	14.2	10.7	16.2	26.4	46.5	55.7	71.0	85.3	104.4
Balance sheet									
Shareholders' funds	7,284	8,730	10,621	18,529	24,571	32,391	41,839	53,614	68,395
Share capital	592	1,171	1,171	1,368	1,368	1,368	1,368	1,368	1,368
Reserves & surplus	6,691	7,558	9,450	17,161	23,203	31,023	40,471	52,246	67,027
Debt	12,589	24,184	25,114	25,634	29,549	29,549	33,949	33,949	25,749
Deferred tax liabilities	268	707	775	759	1,067	1,067	1,067	1,067	1,067
Total sources of funds	20,141	33,621	36,510	44,922	57,931	63,006	76,855	88,629	95,211
Net fixed assets	6,391	11,890	14,204	16,825	18,319	18,828	19,419	22,815	23,349
Net working capital (ex-cash)	11,251	16,600	18,349	22,265	32,623	40,274	44,390	48,937	55,494
Investments	1,830	2,789	2,898	4,695	5,376	1,629	10,263	12,854	9,707
Cash and bank balances and current investments	668	2,342	1,059	1,137	1,613	2,276	2,784	4,023	6,660
Total application of funds	20,141	33,621	36,510	44,922	57,931	63,006	76,855	88,629	95,211
Free cash flow									
Operating profit before wcap. changes	4,725	5,745	8,355	10,339	13,806	18,451	21,706	27,027	33,601
Change in working capital / other adjustments	(3,362)	(2,895)	(3,498)	(2,967)	(8,109)	(7,651)	(4,116)	(4,548)	(6,557)
Direct tax paid	(801)	(647)	(589)	(835)	(1,504)	(2,030)	(2,984)	(4,871)	(7,672)
Net cashflow from operating activities	563	2,203	4,268	6,537	4,192	8,770	14,606	17,609	19,372
Fixed assets	(1,700)	(6,682)	(4,156)	(4,884)	(4,242)	(3,669)	(3,943)	(7,159)	(5,042)
Cash (used) / realised in investing activities	(2,541)	(7,610)	(4,221)	(6,592)	(4,560)	(2,667)	(12,577)	(9,750)	(1,896)
Free cash flow (CFO + net capex)	(1,137)	(4,479)	112	1,653	(50)	5,101	2,030	7,858	17,476
Growth (%)									
Revenue growth		13.3	55.7	24.8	52.0	33.1	25.8	16.3	15.4
EBITDA growth		20.3	41.3	24.1	41.4	30.9	29.1	16.9	16.6
Recurring PAT growth		(24.8)	51.8	63.1	76.1	19.8	27.5	20.1	22.5
Key ratios									
EBITDA margin (%)	20.3	21.6	19.6	19.5	18.1	17.8	18.3	18.4	18.6
Net debt/equity (incl. acceptances)	1.6	2.5	2.7	1.7	1.5	1.2	1.1	0.9	0.5
Net debt/EBITDA (incl. acceptances)	2.5	3.9	3.6	3.1	2.6	2.1	1.9	1.7	1.2
Book value per share (Rs)	53.3	63.8	77.7	135.5	179.6	236.8	305.9	392.0	500.1
RoAE (%)	30.7	18.2	22.9	24.8	29.5	26.7	26.2	24.4	23.4
RoACE (%)	18.2	12.6	14.9	16.7	18.2	16.5	16.3	16.2	16.8

Notes:

(a) RoE declines going forward as section 80I tax exemptions on EPC projects have been withdrawn for all projects won after March 2017.

Source: Company, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Target price			Mkt cap.		O/S	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)		RoE (%)			Dividend yield (%)			ADVT	
		6-Sep-18	(Rs)	Upside (%)	(Rs bn)	(US\$ bn)	shares (mn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	(US\$ mn)
Automobiles																													
Amara Raja Batteries	REDUCE	801	780	(2.7)	137	1.9	171	32	37	43	17.1	15.9	14.5	24.8	21.4	18.7	13.2	11.3	9.8	4.0	3.5	3.0	17.4	17.5	17.4	0.6	0.7	0.8	5.6
Apollo Tyres	BUY	246	340	38.2	141	2.0	541	20	25	29	46.9	25.7	17.0	12.5	9.9	8.5	7.7	6.5	5.3	1.3	1.2	1.1	11.0	12.5	13.1	1.2	1.2	1.2	11.7
Ashok Leyland	BUY	130	160	23.4	381	5.3	2,926	6.2	8.9	9.4	15.3	43.2	6.1	20.9	14.6	13.8	10.7	7.8	7.3	4.6	3.8	3.2	23.4	28.4	25.4	1.4	2.1	2.2	45.8
Bajaj Auto	SELL	2,783	2,500	(10.2)	805	11.2	289	148	161	176	5.4	9.0	9.3	18.8	17.3	15.8	13.1	11.6	10.2	3.8	3.4	3.1	21.2	20.7	20.3	2.1	2.3	2.5	30.7
Balkrishna Industries	REDUCE	1,177	1,300	10.5	227	3.2	193	50	62	70	34.5	24.1	12.8	23.4	18.8	16.7	12.8	10.5	9.1	4.6	3.8	3.2	21.6	22.1	20.7	0.5	0.5	0.6	13.2
Bharat Forge	SELL	669	600	(10.3)	311	4.3	466	23	27	29	44.4	14.6	7.1	28.6	25.0	23.3	16.2	14.1	13.1	5.7	4.9	4.2	21.5	21.0	19.4	0.7	0.8	0.9	11.3
CEAT	ADD	1,368	1,500	9.7	55	0.8	40	99	108	116	53.7	8.3	7.9	13.8	12.7	11.8	8.8	7.5	6.8	1.9	1.7	1.5	14.4	13.8	13.2	0.7	0.7	0.8	13.2
Eicher Motors	SELL	28,844	24,000	(16.8)	787	10.9	27	997	1,180	1,306	25.8	18.4	10.7	28.9	24.4	22.1	21.0	17.7	15.3	10.6	7.9	6.2	42.4	37.1	31.4	0.1	0.1	—	20.2
Escorts	BUY	789	1,200	52.2	67	1.3	89	59	71	78	52.2	19.9	10.6	13.4	11.1	10.1	8.2	6.7	5.6	2.4	2.0	1.7	17.6	18.0	17.1	1.1	1.3	1.5	14.4
Exide Industries	SELL	275	235	(14.5)	233	3.2	850	10	11	13	25.3	11.0	11.6	26.7	24.1	21.6	15.2	13.6	12.1	3.9	3.6	3.2	15.4	15.5	15.7	1.1	1.3	1.5	8.2
Hero Motocorp	SELL	3,165	3,000	(5.2)	632	8.8	200	183	204	225	(0.9)	11.4	10.2	17.2	15.5	14.1	10.2	9.0	8.0	4.8	4.3	3.8	29.3	29.1	28.6	2.9	3.2	3.6	20.6
Mahindra CIE Automotive	ADD	289	290	0.4	109	1.5	378	14	16	17	45.0	12.7	10.4	20.7	18.4	16.7	10.3	9.1	8.2	2.6	2.3	2.0	13.2	13.1	12.7	—	—	—	3.4
Mahindra & Mahindra	BUY	935	1,085	16.0	1,162	16.2	1,138	45	51	53	18.5	14.4	3.1	20.8	18.2	17.6	13.5	11.7	11.1	3.1	2.7	2.5	15.8	16.0	14.7	1.0	1.1	1.1	29.6
Maruti Suzuki	ADD	8,760	9,200	5.0	2,646	36.8	302	298	362	408	16.7	21.2	12.9	29.4	24.2	21.5	16.6	13.2	11.3	5.5	4.8	4.1	20.1	21.1	20.5	0.9	1.0	1.2	64.6
Motherson Sumi Systems	SELL	291	280	(3.9)	613	8.5	2,105	11	14	16	40.2	21.5	13.8	25.4	20.9	18.4	10.2	8.4	7.3	5.3	4.5	3.8	22.5	23.2	22.3	0.9	1.1	1.2	14.1
MRF	REDUCE	70,912	69,000	(2.7)	301	4.2	4	3,425	3,932	4,411	28.3	14.8	12.2	20.7	18.0	16.1	9.7	8.4	7.2	2.7	2.4	2.1	13.9	13.9	13.7	0.1	0.1	0.1	7.0
Schaeffler India	BUY	5,411	6,000	10.9	90	1.3	17	156	199	233	9.0	27.3	17.6	34.7	27.2	23.2	21.1	16.1	13.4	4.8	4.2	3.7	14.5	16.4	17.0	0.6	0.7	0.9	0.5
SKF	ADD	1,771	1,800	1.6	91	1.3	51	69	82	97	19.7	18.5	18.2	25.7	21.7	18.3	16.4	13.6	11.2	4.3	3.7	3.2	16.7	17.1	17.4	0.7	0.8	0.9	0.4
Tata Motors	BUY	270	425	57.4	917	11.9	3,396	22	36	39	10.7	62.7	8.0	12.2	7.5	7.0	3.7	3.1	2.8	0.9	0.8	0.7	7.6	11.2	10.8	—	—	—	52.0
Timken	SELL	661	660	(0.1)	45	0.6	68	19	25	30	42.3	27.5	21.8	34.3	26.9	22.1	18.9	15.1	12.5	5.4	4.6	3.8	17.1	18.5	18.8	0.2	0.2	0.2	0.4
TVS Motor	SELL	570	405	(28.9)	271	3.8	475	16	20	25	13.9	23.0	26.0	35.9	29.1	23.1	19.7	16.3	13.3	8.0	6.8	5.8	24.2	25.4	27.0	0.8	1.0	1.3	13.6
WABCO India	SELL	6,900	6,350	(8.0)	131	1.8	19	169	222	225	17.8	31.3	1.0	40.7	31.0	30.7	26.6	20.1	19.8	7.2	5.9	5.0	19.2	20.9	17.7	0.1	0.2	0.2	0.4
Automobiles	Neutral				10,153	141					17.4	25.5	10.1	22.1	17.6	16.0	9.8	8.1	7.3	3.3	2.9	2.5	14.8	16.3	15.8	0.9	1.1	1.2	380.9
Banks																													
Axis Bank	REDUCE	638	600	(6.0)	1,639	22.8	2,567	18	40	45	1,577.6	122.3	12.3	35.4	15.9	14.2	—	—	—	2.7	2.3	2.0	7.1	14.1	14.1	0.4	0.9	1.1	69.8
Bank of Baroda	NR	146	—	—	386	5.4	2,652	21	26	29	323.7	26.4	12.1	7.1	5.6	5.0	—	—	—	1.3	1.0	0.8	12.7	14.0	13.7	—	—	—	33.6
Canara Bank	ADD	269	300	11.7	197	2.7	733	(5)	51	68	91.6	1,147.0	33.3	(55.4)	5.3	4.0	—	—	—	1.6	0.9	0.6	(1.0)	10.1	12.0	—	—	—	26.5
City Union Bank	REDUCE	182	200	10.0	133	1.9	665	9	11	12	5.8	13.3	16.7	19.3	17.0	14.6	—	—	—	3.0	2.6	2.2	15.5	15.6	16.0	0.9	1.0	1.2	1.6
DCB Bank	ADD	171	205	20.0	53	0.7	308	10	12	16	28.2	21.0	33.1	16.7	13.8	10.4	—	—	—	2.0	1.8	1.5	11.7	12.7	14.9	0.6	0.7	0.9	4.1
Equitas Holdings	BUY	153	190	24.6	52	0.7	340	4.4	8.4	11.4	378.4	89.9	35.6	34.4	18.1	13.3	—	—	—	2.2	2.0	1.8	6.4	11.2	13.4	—	—	—	4.7
Federal Bank	BUY	77	130	68.1	153	2.1	1,972	5.7	7.9	9.7	29.5	39.5	22.9	13.7	9.8	8.0	—	—	—	1.3	1.1	1.0	8.8	11.4	12.8	1.7	2.3	2.9	17.8
HDFC Bank	REDUCE	2,052	2,000	(2.5)	5,572	77.5	2,595	78	94	112	15.7	20.0	19.1	26.3	21.9	18.4	—	—	—	3.9	3.4	3.0	16.7	16.2	17.0	0.7	0.9	1.0	77.0
ICICI Bank	BUY	329	400	21.7	2,115	29.4	6,429	8	26	31	(19.6)	209.1	19.2	38.8	12.5	10.5	—	—	—	2.2	1.9	1.6	5.1	14.5	15.5	0.5	1.6	1.9	95.7
IDFC Bank	NR	45	—	—	153	2.1	3,404	1.2	2.9	4.3	(52.7)	146.7	44.8	37.6	15.2	10.5	—	—	—	1.0	0.9	0.9	2.6	6.3	8.6	0.5	1.3	1.9	8.0
IndusInd Bank	REDUCE	1,880	1,900	1.1	1,130	15.7	600	71	87	102	17.5	23.6	16.9	26.6	21.5	18.4	—	—	—	4.0	3.5	3.0	17.6	16.8	17.0	—	0.5	0.6	28.6
J&K Bank	BUY	54	100	84.2	30	0.4	557	7	11	15	82.4	63.8	33.5	8.2	5.0	3.7	—	—	—	0.6	0.6	0.5	5.9	9.1	11.2	2.4	4.0	5.3	0.3
Karur Vysya Bank	ADD	92	110	20.0	74	1.0	727	3	13	14	(32.3)	306.7	9.1	28.5	7.0	6.4	—	—	—	1.3	1.1	1.0	3.7	14.1	13.9	0.9	3.6	4.1	1.6
Punjab National Bank	ADD	83	90	8.1	230	3.2	2,761	(27)	12	18	40.4	145.3	46.9	(3.1)	6.9	4.7	—	—	—	4.1	1.4	0.8	(23.4)	10.7	13.8	—	—	—	39.0
RBL Bank	SELL	592	475	(19.7)	251	3.5	420	22	29	36	48.1	31.5	21.0	26.4	20.1	16.6	—	—	—	3.5	3.1	2.7	13.3	15.5	16.5	0.6	0.7	0.9	15.7
State Bank of India	BUY	296	370	24.8	2,646	36.8	8,925	8	37	53	204.8	380.5	42.7	38.6	8.0	5.6	—	—	—	1.9	1.4	1.1	3.1	13.6	16.7	—	0.1	0.2	94.0
Ujivan Financial Services	ADD	342	420	22.9	41	0.6	121	19	28	32	3,033.9	47.3	15.1	18.3	12.4	10.8	—	—	—	2.1	1.8	1.6	12.1	15.8	15.8	0.5	0.8	1.0	5.5
Union Bank	ADD	83	120	44.7	97	1.3	1,169	8	33	40	117.1	330.8	22.5	10.8	2.5	2.1	—	—	—	1.2	0.7	0.5	3.9	15.2	16.3	1.4	6.0	7.3	9.9
YES Bank	SELL	339	335	(1.2)	783	10.9	2,303	20	22	27	8.1	9.5	23.4	17.1	15.6	12.6	—	—	—	2.8	2.4	2.1	16.6	15.9	17.2	1.0	1.1	1.3	71.5
Banks	Attractive				15,733	219					822.5	144.3	26.3	31.5	12.9	10.2				1.9	1.7	1.5	6.1	13.2	14.5	0.5	0.9	1.0	604.8

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)
		6-Sep-18	Target price (Rs)		(Rs bn)	(US\$ bn)		2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	
NBFCs																													
Bajaj Finance	SELL	2,684	2,000	(25.5)	1,551	21.6	575	68	90	114	56.6	31.9	27.3	39.5	29.9	23.5	—	—	—	8.0	6.5	5.2	22.4	24.0	24.6	0.3	0.3	0.4	59.0
Bajaj Finserv	REDUCE	6,547	6,100	(6.8)	1,042	14.5	159	245	307	376	39.7	25.2	22.5	26.7	21.3	17.4	—	—	—	4.2	3.6	3.0	17.5	18.1	18.6	0.2	0.2	0.2	18.5
Bharat Financial Inclusion	NA	1,147	—	—	161	2.2	139	43	54	69	31.1	27.2	25.8	26.8	21.1	16.7	—	—	—	4.3	3.5	2.9	17.9	18.5	19.0	—	—	—	9.9
Cholamandalam	REDUCE	1,399	1,500	7.2	219	3.0	156	90	110	136	44.8	22.1	23.4	15.5	12.7	10.3	—	—	—	3.6	2.9	2.4	24.5	24.3	24.3	0.8	0.9	1.2	7.0
HDFC	ADD	1,956	2,075	6.1	3,309	46.1	1,676	56	67	81	(25.8)	19.0	21.2	35.0	29.4	24.2	—	—	—	4.5	4.1	3.7	13.8	14.5	16.0	1.1	1.3	1.6	69.0
HDFC Standard Life Insurance	SELL	454	405	(10.7)	913	12.7	2,007	6	7	8	14.8	10.9	14.7	71.4	64.4	56.2	—	—	—	18.9	16.9	15.1	28.0	27.7	28.4	0.4	0.4	0.4	8.9
ICICI Lombard	SELL	853	620	(27.3)	387	5.4	454	26	32	37	37.1	21.5	18.5	32.8	27.0	22.8	—	—	—	7.2	6.0	5.0	23.8	24.2	24.0	0.7	0.9	1.0	2.4
ICICI Prudential Life	BUY	374	500	33.6	537	7.5	1,436	12	13	15	10.1	7.0	10.0	30.1	28.2	25.6	—	—	—	6.7	5.6	4.8	24.5	21.8	20.2	0.6	0.6	0.7	8.9
IIFL Holdings	SELL	712	625	(12.3)	227	3.2	319	38	45	52	31.5	18.6	16.0	19.0	16.0	13.8	—	—	—	3.4	2.9	2.5	20.5	20.0	20.0	1.1	1.3	1.6	1.6
L&T Finance Holdings	ADD	164	190	15.5	328	4.6	1,996	13	14	16	70.9	12.3	12.8	13.1	11.7	10.3	—	—	—	2.4	2.0	1.8	18.9	18.8	18.3	1.2	1.5	1.4	14.0
LIC Housing Finance	ADD	499	610	22.4	252	3.5	505	50	58	66	14.1	16.2	14.6	10.0	8.6	7.5	—	—	—	1.6	1.4	1.2	17.4	16.9	16.8	1.6	1.8	2.1	14.8
Magma Fincorp	BUY	142	190	33.6	38	0.5	237	13	17	21	34.0	31.8	23.0	10.9	8.3	6.7	—	—	—	1.4	1.2	1.1	13.9	15.8	17.0	1.4	1.8	2.2	1.0
Mahindra & Mahindra Financial	REDUCE	445	500	12.2	275	3.8	614	23	28	34	58.4	23.2	18.6	19.4	15.7	13.3	—	—	—	2.8	2.5	2.3	14.3	15.8	16.7	1.4	1.8	2.1	10.3
Max Financial Services	ADD	450	650	44.4	121	1.7	268	6	6	6	36.9	1.8	1.8	71.8	70.5	69.3	—	—	—	—	—	—	8.3	8.0	7.8	—	0.5	0.5	4.3
Muthoot Finance	ADD	451	480	6.5	180	2.5	400	40	42	48	(7.8)	6.0	14.8	11.4	10.7	9.3	—	—	—	2.0	1.8	1.6	19.0	17.6	17.8	2.0	2.1	2.5	4.8
PNB Housing Finance	REDUCE	1,294	1,325	2.4	217	3.0	167	62	75	92	25.3	20.9	22.4	20.8	17.2	14.0	—	—	—	3.0	2.6	2.3	15.2	15.9	17.0	0.3	0.3	0.3	5.0
SBI Life Insurance	ADD	679	785	15.6	679	9.5	1,000	15	18	21	26.0	22.9	17.0	46.7	38.0	32.5	—	—	—	8.9	7.4	6.2	20.6	21.3	20.9	0.3	0.4	0.5	2.9
Shriram City Union Finance	ADD	2,010	2,250	11.9	133	1.8	66	141	174	209	40.4	22.7	20.5	14.2	11.6	9.6	—	—	—	2.3	2.0	1.7	15.8	16.9	17.6	0.9	1.1	1.3	1.5
Shriram Transport	ADD	1,198	1,550	29.4	272	3.8	227	114	130	146	64.4	14.3	12.8	10.5	9.2	8.2	—	—	—	1.9	1.6	1.4	18.3	17.5	17.1	1.3	1.5	1.8	31.6
NBFCs	Neutral				10,842	151					15.1	19.5	19.4	27.5	23.0	19.3				4.4	3.8	3.3	16.1	16.7	17.3	0.7	0.8	1.0	604.8
Cement																													
ACC	SELL	1,558	1,270	(18.5)	292	4.1	188	62	70	81	27.0	13.8	15.2	25.2	22.1	19.2	13.9	12.0	10.2	2.9	2.6	2.4	11.9	12.5	13.1	1.1	1.1	1.1	15.6
Ambuja Cements	REDUCE	227	210	(7.3)	450	6.3	1,986	9	11	12	14.5	23.2	15.8	26.3	21.4	18.5	8.9	7.3	6.1	2.1	2.0	1.8	8.1	9.5	10.4	1.6	1.6	1.6	11.5
Dalmia Bharat	ADD	2,539	2,830	11.5	226	3.1	89	94	122	139	55.8	29.3	14.8	27.0	20.9	18.2	10.3	8.4	7.2	3.3	2.8	2.5	12.9	14.6	14.5	0.1	0.1	0.1	4.7
Grasim Industries	BUY	1,031	1,170	13.5	678	9.4	657	46	55	70	(2.5)	18.8	28.0	22.3	18.8	14.7	7.5	7.1	6.6	1.1	1.1	1.0	5.2	5.9	7.1	0.5	0.5	0.5	15.5
India Cements	REDUCE	118	118	0.3	36	0.5	308	4	8	12	28.0	102.6	41.3	28.1	13.9	9.8	8.9	7.0	5.8	0.7	0.7	0.6	2.5	4.8	6.5	0.9	0.9	0.9	9.0
J K Cement	ADD	812	890	9.6	57	0.8	70	45	79	78	3.7	75.4	(0.8)	18.1	10.3	10.4	10.5	8.6	7.1	2.6	2.1	1.8	15.0	22.3	18.5	1.0	1.0	1.0	0.5
JK Lakshmi Cement	ADD	331	370	11.9	39	0.5	118	11	28	37	153.5	147.9	30.5	29.2	11.8	9.0	10.1	6.6	5.4	2.5	2.1	1.7	8.9	19.5	21.0	0.6	0.6	0.6	0.3
Orient Cement	ADD	114	145	26.9	23	0.3	205	7	11	15	212.9	58.7	41.3	16.9	10.7	7.5	7.9	6.1	4.6	2.1	1.8	1.5	12.9	18.2	21.8	1.3	1.8	1.8	0.2
Shree Cement	SELL	18,250	12,500	(31.5)	636	8.8	35	421	630	760	6.0	49.7	20.6	43.3	28.9	24.0	20.2	15.2	12.4	6.3	5.2	4.4	15.4	19.7	19.8	0.3	0.3	0.3	5.2
UltraTech Cement	SELL	4,153	2,950	(29.0)	1,141	15.9	275	126	162	201	42.7	28.9	24.0	33.0	25.6	20.7	17.2	14.2	11.9	3.9	3.4	3.0	12.6	14.3	15.4	0.2	0.2	0.2	18.4
Cement	Cautious				3,578	50					19.5	30.3	21.8	28.9	22.2	18.2	11.0	9.4	8.2	2.4	2.2	2.0	8.4	10.0	11.0	0.6	0.6	0.6	81.0

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)
		6-Sep-18	Target price (Rs)		(Rs bn)	(US\$ bn)		2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	
Consumer products																													
Asian Paints	REDUCE	1,315	1,325	0.8	1,261	17.5	959	27	33	39	32.1	20.3	18.3	48.5	40.3	34.1	30.4	25.1	21.2	13.1	11.4	10.0	28.8	30.3	31.3	0.9	1.1	1.4	21.3
Bajaj Corp.	ADD	416	470	13.1	61	0.9	148	15	17	19	7.8	10.3	9.5	26.9	24.4	22.3	21.6	18.4	16.0	12.5	12.5	12.3	46.3	51.2	55.4	3.1	3.4	3.6	0.5
Britannia Industries	ADD	6,198	6,700	8.1	745	10.4	120	104	127	152	24.5	22.2	19.2	59.5	48.7	40.8	39.0	31.9	26.7	17.3	14.0	11.5	32.5	31.8	30.9	0.6	0.7	0.9	12.4
Coffee Day Enterprises	REDUCE	285	290	1.7	60	0.8	211	8	10	12	129.9	30.0	21.2	37.1	28.5	23.5	12.3	10.7	9.9	2.4	2.2	2.0	6.6	8.0	8.9	—	—	—	1.0
Colgate-Palmolive (India)	ADD	1,140	1,250	9.6	310	4.3	272	27	32	36	14.7	15.6	15.5	41.8	36.2	31.3	23.9	20.8	18.1	18.2	15.8	13.9	46.0	46.9	47.3	1.4	1.7	2.0	7.0
Dabur India	REDUCE	454	390	(14.1)	802	11.2	1,762	9	10	12	17.3	12.9	13.6	49.8	44.1	38.8	41.7	36.0	31.2	14.0	12.2	10.7	28.1	29.6	29.4	0.8	1.0	1.2	17.8
GlaxoSmithKline Consumer	ADD	7,322	7,300	(0.3)	308	4.3	42	199	223	246	19.5	12.1	10.1	36.8	32.8	29.8	25.8	22.3	19.5	8.0	7.2	6.6	22.8	23.0	23.1	1.2	1.4	1.7	2.1
Godrej Consumer Products	SELL	1,311	1,100	(16.1)	894	12.4	681	25	29	33	18.8	13.7	12.7	51.7	45.5	40.3	36.7	31.9	27.9	12.2	10.5	9.2	25.4	24.8	24.3	0.6	0.7	0.8	11.4
Hindustan Unilever	REDUCE	1,609	1,570	(2.4)	3,482	48.5	2,160	29	33	37	19.5	13.2	12.6	54.9	48.5	43.1	38.0	33.4	29.5	42.9	36.5	31.3	83.5	81.4	78.3	1.3	1.5	1.7	34.6
ITC	ADD	311	330	6.2	3,801	52.9	12,275	10	11	12	8.2	12.3	11.7	32.2	28.7	25.7	20.9	18.4	16.4	7.0	6.6	6.2	20.4	22.2	24.2	1.8	2.2	2.5	53.8
Jubilant Foodworks	BUY	1,417	1,650	16.4	187	2.6	132	25	35	46	73.6	37.5	32.3	56.1	40.8	30.8	28.1	21.2	16.1	13.9	10.6	8.1	28.9	29.5	29.7	0.1	0.2	0.3	30.3
Jyothy Laboratories	ADD	213	240	12.8	77	1.1	364	6	7	8	27.6	16.7	15.4	37.8	32.4	28.1	25.3	21.4	18.3	5.8	5.1	4.5	16.6	16.8	16.9	0.5	0.7	0.9	1.0
Marico	ADD	356	375	5.2	460	6.4	1,291	7	8	9	8.9	20.0	14.5	52.2	43.5	38.0	36.3	29.9	25.8	17.1	15.9	14.7	33.7	37.9	40.2	1.3	1.5	1.8	9.6
Nestle India	ADD	10,336	11,000	6.4	997	13.9	96	171	197	223	34.2	15.7	13.2	60.6	52.4	46.2	34.7	29.9	26.3	26.8	24.6	22.5	46.1	49.0	50.8	1.1	1.3	1.5	9.1
Page Industries	SELL	31,843	25,000	(21.5)	355	4.9	11	418	508	607	34.3	21.6	19.5	76.2	62.7	52.4	49.2	40.6	33.9	32.2	25.5	20.5	47.8	45.5	43.4	0.6	0.7	0.8	16.8
Pidlite Industries	REDUCE	1,152	1,080	(6.2)	585	8.1	508	21	26	31	16.8	21.8	20.2	54.7	44.9	37.3	36.4	30.0	25.0	13.9	11.6	9.7	27.4	28.2	28.4	0.6	0.7	0.8	8.5
S H Kelkar and Company	BUY	236	290	23.1	34	0.5	145	7	10	12	(6.2)	41.9	23.2	33.9	23.9	19.4	21.9	15.7	13.5	3.7	3.3	2.9	11.3	14.5	16.0	0.7	0.8	1.2	0.4
Tata Global Beverages	REDUCE	221	250	13.1	140	1.9	631	8	9	10	7.7	17.0	12.9	27.9	23.9	21.1	15.2	13.4	11.8	1.9	1.8	1.8	7.0	7.9	8.5	1.4	1.6	1.8	10.9
Titan Company	SELL	867	840	(3.1)	770	10.7	888	16	20	23	25.6	21.8	19.3	54.0	44.3	37.2	35.8	28.6	23.5	12.8	10.7	9.1	25.6	26.3	26.4	0.5	0.6	0.8	36.6
United Breweries	SELL	1,342	1,100	(18.1)	355	4.9	264	21	26	31	39.2	23.6	20.6	64.6	52.2	43.3	31.9	27.4	23.5	11.2	9.5	8.0	18.7	19.6	20.0	0.2	0.3	0.4	13.5
United Spirits	REDUCE	602	590	(1.9)	437	6.1	727	10	13	17	34.7	30.9	24.5	58.7	44.8	36.0	34.1	27.6	23.3	12.0	8.8	6.8	24.2	22.7	21.3	—	—	0.4	13.9
Varun Beverages	ADD	782	800	2.3	143	2.0	183	15	20	26	29.8	34.5	30.7	52.3	38.9	29.7	17.3	14.7	12.4	7.2	6.2	5.2	14.6	17.1	19.0	—	—	0.3	1.5
Consumer products	Cautious				16,263	226					17.7	16.0	14.7	45.8	39.5	34.4	29.7	25.5	22.1	12.0	10.7	9.6	26.1	27.1	27.8	1.1	1.3	1.6	314.0
Energy																													
BPCL	REDUCE	353	375	6.2	766	10.7	1,967	38	39	39	(6.7)	3.1	1.1	9.4	9.1	9.0	6.9	6.5	6.3	1.8	1.7	1.5	20.5	19.1	17.5	4.3	4.4	4.4	26.0
Castrol India	SELL	154	155	0.5	152	2.1	989	7	8	9	2.9	10.1	9.7	21.8	19.8	18.1	13.6	12.3	11.1	14.3	14.0	13.5	67.1	71.5	76.0	3.6	4.1	4.4	4.1
GAIL (India)	BUY	366	440	20.4	824	11.5	2,255	26	29	31	27.8	10.0	9.5	14.0	12.7	11.6	8.8	8.0	7.3	1.9	1.7	1.6	14.0	14.1	14.2	2.3	2.6	2.9	23.4
GSPL	SELL	195	175	(10.4)	110	1.5	564	11	11	12	(6.5)	(0.5)	11.9	17.6	17.7	15.8	6.7	6.7	6.0	2.0	1.8	1.7	11.7	10.7	10.9	0.9	0.8	0.9	1.4
HPCL	REDUCE	252	285	13.2	384	5.3	1,524	32	32	32	(22.3)	(2.2)	0.5	7.8	7.9	7.9	7.0	7.4	7.7	1.4	1.3	1.2	19.6	17.4	16.1	5.2	5.1	5.2	23.1
Indraprastha Gas	SELL	274	240	(12.4)	192	2.7	700	12	13	15	16.4	12.3	10.7	22.8	20.3	18.4	14.4	12.7	11.3	4.7	4.1	3.6	22.1	21.5	20.9	0.9	1.1	1.5	10.1
IOCL	REDUCE	154	150	(2.4)	1,492	20.8	9,479	18	17	18	(11.2)	(4.1)	2.8	8.4	8.8	8.5	4.8	4.8	4.6	1.2	1.1	1.1	15.1	13.4	12.9	4.7	4.5	4.7	18.8
Mahanagar Gas	ADD	854	965	13.0	84	1.2	99	56	60	64	16.0	7.6	5.4	15.2	14.1	13.4	8.8	8.0	7.4	3.5	3.1	2.8	24.8	23.5	22.0	2.6	2.8	3.0	12.1
ONGC	ADD	175	200	14.6	2,239	31.2	12,833	20	20	19	16.8	0.3	(5.9)	8.6	8.6	9.1	4.1	3.9	3.8	0.9	0.9	0.8	11.2	10.6	9.5	3.9	4.0	4.0	15.4
Oil India	SELL	208	200	(4.0)	237	3.3	1,135	23	24	23	(6.7)	3.4	(2.5)	9.0	8.7	9.0	5.9	5.7	5.7	0.8	0.8	0.7	9.2	9.0	8.4	4.4	4.6	4.5	2.2
Petronet LNG	BUY	238	280	17.5	358	5.0	1,500	16	18	20	16.7	13.1	9.4	14.7	13.0	11.9	9.8	8.3	7.4	3.2	2.8	2.6	23.3	23.2	22.7	2.4	3.1	3.8	10.2
Reliance Industries	SELL	1,261	985	(21.9)	7,465	103.9	5,922	69	78	87	17.6	12.4	11.9	18.2	16.2	14.4	12.1	10.4	8.8	2.3	2.0	1.8	12.2	12.1	12.1	0.5	0.5	0.6	133.5
Energy	Attractive				14,303	199					7.2	5.2	4.8	12.9	12.3	11.7	7.8	7.2	6.7	1.7	1.5	1.4	13.0	12.5	12.0	2.0	2.1	2.2	280.2

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
		6-Sep-18	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	(US\$ mn)	
Industrials																														
ABB	SELL	1,296	1,020	(21.3)	275	3.8	212	26	29	36	30.1	14.2	23.5	50.3	44.0	35.6	29.5	26.5	21.9	7.0	6.3	5.6	14.5	15.1	16.7	0.7	0.7	0.7	1.4	
BHEL	REDUCE	81	89	9.3	299	4.2	3,671	3.3	5.5	7.6	47.9	69.3	38.0	25.0	14.8	10.7	8.4	5.2	3.8	0.9	0.9	0.9	3.6	6.1	8.2	2.5	4.2	5.8	9.0	
Carborundum Universal	SELL	371	322	(13.2)	70	1.0	189	14	17	20	25.0	21.4	13.8	26.0	21.4	18.8	14.3	11.7	10.1	4.0	3.6	3.2	16.3	17.8	18.1	1.2	1.4	1.6	0.3	
CG Power and Industrial	BUY	56	72	28.6	35	0.5	627	2.9	4.3	6.2	255.2	48.7	44.9	19.3	13.0	9.0	7.7	6.1	4.8	1.3	1.2	1.1	6.7	9.8	13.3	—	—	—	7.1	
Cummins India	REDUCE	774	710	(8.2)	214	3.0	277	28	33	37	15.2	17.5	13.7	27.8	23.7	20.8	23.4	20.1	17.3	5.1	4.7	4.4	18.7	20.6	21.8	1.9	2.3	2.6	4.3	
Kalpitaru Power Transmission	BUY	360	560	55.7	55	0.8	153	23.0	32.1	41.0	26.0	39.1	27.7	15.6	11.2	8.8	6.9	5.4	4.6	1.8	1.6	1.4	12.5	15.2	16.7	0.5	0.5	0.5	0.6	
KEC International	BUY	298	410	37.5	77	1.1	257	21	27	33	16.9	29.7	23.0	14.2	11.0	8.9	8.1	6.5	5.6	3.1	2.5	2.0	24.1	25.2	24.9	0.8	1.0	1.2	2.9	
L&T	BUY	1,347	1,600	18.8	1,888	26.3	1,401	66.3	67.6	79.5	28.2	1.9	17.6	20.3	19.9	16.9	18.1	17.5	14.6	3.4	3.1	2.8	17.6	16.2	17.1	1.6	1.7	2.0	47.0	
Siemens	SELL	998	1,000	0.2	356	4.9	356	29	35	—	21.4	21.7	—	34.3	28.2	—	19.4	15.6	—	4.1	3.8	—	12.3	14.0	—	1.2	1.4	—	3.2	
Thermax	REDUCE	992	1,010	1.8	118	1.6	113	27.8	38.7	43.8	34.7	39.2	13.2	35.7	25.7	22.7	22.6	16.8	14.3	3.9	3.5	3.2	11.1	14.3	14.7	0.9	1.1	1.2	1.0	
Industrials	Neutral				3,387	47					29.0	13.9	11.9	23.4	20.5	18.3	16.8	14.9	12.2	2.9	2.7	2.6	12.3	12.9	14.3	1.5	1.7	1.9	76.7	
Infrastructure																														
Adani Ports and SEZ	BUY	385	460	19.5	797	11.1	2,071	19	23	29	1.2	21.1	29.8	20.6	17.0	13.1	14.0	11.6	10.2	3.3	2.8	2.3	17.0	17.7	19.4	0.5	0.5	0.5	21.9	
Ashoka Buildcon	BUY	134	235	76.0	37	0.5	282	9	10	10	4.1	17.8	(1.3)	15.3	12.9	13.1	10.0	8.3	7.7	1.7	1.5	1.4	11.8	12.3	11.0	1.3	1.0	1.0	0.5	
Container Corp.	SELL	639	635	(0.6)	312	4.3	487	21	25	29	17.4	20.9	15.0	30.8	25.5	22.2	19.0	15.0	12.4	3.1	2.8	2.6	10.3	11.6	12.3	1.4	1.6	1.5	5.5	
Dilip Buildcon	BUY	800	1,240	55.0	109	1.5	137	56	71	85	19.8	27.5	20.1	14.4	11.3	9.4	7.4	5.9	5.0	3.4	2.6	2.0	26.7	26.2	24.4	—	—	—	4.5	
Gateway Distriparks	BUY	184	250	36.1	20	0.3	109	7	8	11	(5.8)	15.2	37.5	25.6	22.2	16.2	11.4	9.4	7.8	3.5	3.0	2.6	9.8	14.5	17.1	—	1.6	1.6	0.4	
Gujarat Pipavav Port	BUY	109	150	37.1	53	0.7	483	5.3	6.5	7.8	29.7	22.9	19.3	20.5	16.7	14.0	10.9	8.9	7.4	2.6	2.5	2.5	12.7	15.3	17.8	4.1	4.9	5.8	0.9	
IRB Infrastructure	BUY	178	320	79.9	63	0.9	351	31	33	23	36.8	7.1	(31.3)	5.8	5.4	7.8	6.4	6.9	8.1	0.9	0.8	0.8	17.6	16.3	10.0	1.7	2.2	2.4	5.7	
Mahindra Logistics	REDUCE	590	565	(4.3)	42	0.6	71	15	21	25	50.7	39.3	23.7	39.9	28.7	23.2	22.3	16.2	12.8	8.3	6.7	5.4	22.7	25.8	25.8	—	—	—	0.6	
Sadbhav Engineering	BUY	271	435	60.3	47	0.6	172	17	22	23	31.7	31.0	2.6	16.0	12.2	11.9	11.6	9.1	7.7	2.2	1.9	1.6	14.5	16.5	14.7	—	—	—	1.5	
Infrastructure	Attractive				1,479	21					11.3	20.3	16.7	19.2	16.0	13.7	11.9	10.1	9.1	2.8	2.5	2.1	14.8	15.5	15.7	0.8	1.0	1.0	41.4	
Internet																														
Info Edge	ADD	1,637	1,425	(12.9)	200	2.8	122	26	33	40	14.9	27.5	20.6	63.3	49.7	41.2	48.5	36.8	29.9	7.5	6.8	6.1	13.2	14.3	15.6	0.5	0.5	0.6	3.0	
Just Dial	ADD	537	610	13.6	36	0.5	67	26	30	33	23.0	15.0	9.4	20.6	17.9	16.3	11.2	9.0	7.6	3.2	2.8	2.4	16.7	16.6	15.7	—	0.6	0.6	31.1	
Internet	Cautious				236	3					17.6	23.0	16.8	48.1	39.1	33.5	35.6	28.1	23.6	6.2	5.6	4.9	12.9	14.2	14.7	0.5	0.5	0.6	34.1	
Media																														
DB Corp.	REDUCE	225	270	19.8	41	0.6	184	20	23	26	14.9	12.3	14.8	11.1	9.9	8.6	6.0	5.3	—	2.3	2.2	—	20.7	22.3	25.2	7.5	9.3	11.2	0.6	
DishTV	ADD	68	90	33.0	125	1.7	1,925	1.8	3.4	4.9	514.6	88.2	42.6	NM	19.7	13.8	5.8	4.6	3.7	1.8	1.7	1.5	5.1	8.9	11.5	—	—	—	7.4	
Jagran Prakashan	REDUCE	123	131	6.5	36	0.5	311	11	12	14	10.0	13.6	14.5	11.6	10.2	8.9	5.1	4.4	3.8	1.9	1.8	1.7	15.9	18.2	19.7	4.1	6.1	6.9	0.5	
PVR	BUY	1,341	1,430	6.7	63	0.9	47	38	50	61	41.2	32.3	22.4	35.4	26.7	21.8	13.6	11.5	9.8	5.1	4.4	3.7	15.3	17.6	18.3	0.3	0.4	0.5	11.6	
Sun TV Network	REDUCE	698	925	32.6	275	3.8	394	35	39	43	20.7	10.9	10.7	20.1	18.1	16.4	13.5	11.8	10.1	5.3	4.8	4.3	28.1	27.9	27.9	2.5	2.9	3.2	19.5	
Zee Entertainment Enterprises	ADD	470	600	27.6	452	6.3	960	17	20	22	11.3	17.0	13.9	28.1	24.0	21.1	17.3	14.7	12.7	5.3	4.6	4.1	19.9	20.6	20.7	1.0	1.2	1.5	16.6	
Media	Attractive				992	14					28.7	21.0	17.2	23.8	19.6	16.8	11.3	9.6	7.9	3.9	3.5	3.3	16.3	17.7	19.8	1.6	1.9	2.3	56.2	

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs) 6-Sep-18	Target price (Rs)	Upside (%)	Mkt cap.		EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)	
					(Rs bn)	(US\$ bn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E		
Metals & Mining																													
Coal India	ADD	284	326	14.9	1,761	24.5	6,207	27	28	28	138.2	3.0	0.7	10.5	10.2	10.2	6.8	6.4	6.1	6.7	6.9	7.1	66.1	66.4	69.1	7.1	8.8	8.8	14.3
Hindalco Industries	BUY	235	305	29.6	529	7.4	2,229	27	31	34	25.1	13.6	10.2	8.6	7.6	6.9	5.6	4.9	4.3	0.9	0.8	0.7	10.6	10.8	10.8	0.5	0.5	0.5	33.8
Hindustan Zinc	ADD	300	290	(3.2)	1,266	17.6	4,225	22	26	27	3.7	14.7	5.4	13.4	11.7	11.1	7.9	6.5	5.7	3.1	2.6	2.3	24.4	24.2	22.1	2.7	2.7	2.7	7.1
Jindal Steel and Power	REDUCE	212	215	1.5	205	2.9	968	8	14	22	195.9	68.5	60.8	26.0	15.4	9.6	6.9	6.3	5.4	0.7	0.7	0.6	2.7	4.3	6.5	—	—	—	29.3
JSW Steel	ADD	399	350	(12.2)	964	13.4	2,417	30	27	30	10.2	(8.7)	11.7	13.5	14.8	13.2	7.9	8.6	7.3	2.8	2.4	2.1	22.4	17.3	16.7	0.8	0.8	0.8	27.3
National Aluminium Co.	ADD	71	80	12.2	138	1.9	1,933	9	7	8	125.8	(21.1)	2.4	7.6	9.7	9.5	3.5	4.5	4.4	1.3	1.3	1.3	16.8	13.0	13.3	8.4	8.4	8.4	10.8
NMDC	REDUCE	115	120	3.9	365	5.1	3,164	12	10	11	4.2	(14.3)	5.9	9.4	11.0	10.4	5.8	6.7	6.3	1.4	1.3	1.3	15.3	12.4	12.5	4.8	4.8	4.8	5.1
Tata Steel	ADD	600	660	9.9	688	9.6	1,205	76	85	94	12.8	12.1	10.9	7.9	7	6.4	6.0	6.3	5.9	1.0	1.0	0.9	14.3	14.3	14.4	1.7	1.7	1.7	69.7
Vedanta	BUY	230	370	60.9	855	11.9	3,717	32	39	38	49.1	19.7	(0.7)	7.1	6.0	6.0	4.7	3.9	3.5	1.2	1.1	1.0	18.0	19.4	17.2	4.2	5.0	5.0	46.1
Metals & Mining	Attractive				6,771	94					41.7	7.7	5.9	10.1	9.4	8.9	6.2	5.8	5.3	1.8	1.7	1.5	18.0	17.8	17.1	3.6	4.2	4.2	243.4
Pharmaceutical																													
Apollo Hospitals	ADD	1,121	1,090	(2.8)	156	2.2	139	20	27	33	133.5	36.7	21.6	56.9	41.6	34.2	19.8	16.7	14.7	4.5	4.2	3.9	8.2	10.5	11.8	0.4	0.6	0.7	14.2
Aster DM Healthcare	BUY	176	240	36.7	89	1.2	505	5	8	12	74.4	62.0	51.4	36.5	22.5	14.9	13.0	10.2	8.0	2.9	2.6	2.3	8.3	12.2	16.3	—	—	—	0.3
Aurobindo Pharma	ADD	759	760	0.1	445	6.2	584	42	57	64	1.0	35.8	12.3	18.0	13.3	11.8	12.0	8.9	7.9	3.2	2.6	2.2	19.3	19.9	18.6	0.7	0.8	1.0	25.0
Biocon	SELL	663	330	(50.2)	398	5.5	601	8	15	18	35.9	75.7	21.7	78.7	44.8	36.8	34.3	22.9	19.5	6.6	5.9	5.3	8.7	13.9	14.3	0.4	0.8	1.0	21.6
Cipla	BUY	662	680	2.7	533	7.4	805	24	31	40	34.5	31.0	29.4	28.1	21.5	16.6	15.8	12.6	9.8	3.3	3.0	2.6	12.4	14.6	15.7	0.7	1.0	1.3	26.8
Dr Lal Pathlabs	REDUCE	1,005	900	(10.5)	84	1.2	83	24	29	34	19.0	17.9	18.4	41.3	35.0	29.6	25.4	21.3	17.4	8.9	7.4	6.2	23.4	23.1	22.9	0.5	0.6	0.7	1.3
Dr Reddy's Laboratories	REDUCE	2,567	2,150	(16.2)	426	5.9	166	89	118	141	50.2	32.8	19.3	28.9	21.8	18.3	14.6	10.4	8.7	3.1	2.7	2.4	11.1	12.6	13.3	0.5	0.7	0.8	39.3
HCG	REDUCE	255	290	13.7	22	0.3	85	2	4	7	39.8	80.3	80.8	116.7	64.7	35.8	18.7	15.5	11.9	4.1	3.8	3.5	3.5	6.1	10.1	—	—	—	0.2
Laurus Labs	ADD	432	500	15.7	46	0.6	106	16	29	34	2.4	79.9	17.5	26.6	14.8	12.6	12.4	8.6	7.5	2.8	2.3	2.0	10.9	17.1	15.6	—	—	—	0.6
Lupin	REDUCE	918	800	(12.8)	415	5.8	450	27	39	50	(28.9)	44.0	27.4	33.9	23.5	18.5	15.8	11.5	9.2	2.8	2.6	2.3	8.6	11.4	12.4	0.4	0.6	0.8	46.3
Narayana Hrudayalaya	ADD	251	265	5.5	51	0.7	204	3	6	9	23.0	103.2	40.7	81.2	40.0	28.4	23.0	16.1	12.9	4.7	4.2	3.6	5.9	11.0	13.7	—	—	—	0.2
Sun Pharmaceuticals	REDUCE	677	520	(23.2)	1,625	22.6	2,406	17	24	29	11.1	42.5	20.5	40.2	28.2	23.4	22.1	16.3	13.7	3.9	3.5	3.1	10.2	13.1	13.3	0.5	0.7	0.9	62.8
Torrent Pharmaceuticals	NR	1,828	—	—	309	4.3	169	47	61	81	18.0	29.6	32.1	38.7	29.8	22.6	16.8	14.4	11.9	5.9	5.1	4.4	15.3	17.2	19.3	0.6	0.8	1.0	7.8
Pharmaceuticals	Neutral				4,600	64					12.4	39.9	22.3	34.4	24.6	20.1	17.8	13.3	11.1	3.8	3.3	2.9	11.0	13.6	14.6	0.5	0.7	0.9	246.4
Real Estate																													
Brigade Enterprises	BUY	217	290	33.9	29	0.4	136	9	15	17	(17.0)	59.2	15.8	23.6	14.8	12.8	13.8	10.7	8.6	1.2	1.2	1.1	5.4	8.1	8.8	1.2	1.2	1.2	0.3
DLF	RS	204	—	—	365	5.1	1,784	5.3	23.9	14.1	(87.2)	35.4	(41.0)	38.9	8.6	14.5	54.2	9.5	17.8	1.0	0.9	0.9	2.6	11.3	6.2	1.0	1.0	1.0	17.3
Godrej Properties	SELL	684	400	(41.5)	157	2.2	216	13.3	15.8	18.2	(38.9)	19.1	15.2	51.6	43.3	37.6	304.8	158.9	130.9	4.4	4.0	3.6	10.5	9.7	10.1	—	—	—	1.7
Oberoi Realty	BUY	447	560	25.2	163	2.3	340	62	44	66	385.4	(28.0)	49.3	7.2	10.1	6.7	10.0	12.5	5.5	1.6	1.4	1.2	27.4	15.2	19.2	0.4	0.4	0.4	2.3
Prestige Estates Projects	ADD	232	315	35.7	87	1.2	375	19	21	11	(24.2)	8.4	—	12.2	11.3	21.8	10.3	10.4	14.0	0.9	0.8	—	14.6	14.9	7.3	1.3	1.3	0.6	0.9
Sobha	REDUCE	439	510	16.2	42	0.6	95	23	36	24	(48.8)	51.7	(32.6)	18.7	12.3	18.3	11.4	8.9	11.2	1.9	1.7	1.6	9.0	14.8	9.1	1.6	1.6	1.6	1.5
Sunteck Realty	REDUCE	482	360	(25.3)	70	1.0	140	19	19	39	22.4	1.6	106.6	25.8	25.4	12.3	21.4	20.7	9.2	2.4	2.2	1.8	9.5	8.9	16.2	0.2	0.2	0.2	2.0
Real Estate	Neutral				913	13					(53.1)	65.1	(14.4)	19.5	11.8	13.8	20.3	12.0	13.3	1.4	1.2	1.2	7.1	10.6	9.0	0.7	0.7	0.7	26.0

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Target price	Upside	Mkt cap.		EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo	
		6-Sep-18	(Rs)	(%)	(Rs bn)	(US\$ bn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	(US\$ mn)	
Technology																													
HCL Technologies	REDUCE	1,089	1,025	(5.9)	1,516	21.1	1,409	70	74	77	12.8	5.0	5.0	15.5	14.8	14.1	10.2	9.3	8.7	3.5	3.0	2.7	24.2	21.8	20.5	0.8	2.8	3.0	33.3
Hexaware Technologies	SELL	443	435	(1.9)	132	1.8	302	20	23	25	18.4	18.0	10.0	22.6	19.2	17.4	16.8	13.3	11.7	5.8	4.9	4.3	27.4	27.8	26.3	1.8	1.8	2.3	21.6
Infosys	ADD	727	700	(3.7)	3,176	44.2	4,350	35	39	42	9.7	10.4	6.2	20.5	18.6	17.5	14.6	13.5	12.6	5.4	5.7	6.1	24.9	29.8	33.8	6.0	5.4	5.8	86.1
L&T Infotech	ADD	1,885	2,000	6.1	326	4.5	175	83	94	109	30.5	13.0	16.5	22.7	20.1	17.3	17.5	14.7	12.5	6.9	5.6	4.6	33.5	30.7	29.2	1.3	1.4	1.6	7.8
Mindtree	ADD	1,158	1,115	(3.7)	190	2.6	165	43	53	62	24.9	23.6	15.9	26.9	21.7	18.7	17.0	13.7	11.7	6.0	5.1	4.3	23.9	25.2	24.9	1.1	1.4	1.6	25.0
Mphasis	SELL	1,245	825	(33.8)	241	3.4	193	53	57	59	20.5	7.1	4.6	23.6	22.0	21.0	17.4	15.5	14.4	4.6	4.2	3.9	18.7	19.9	19.2	1.6	2.0	2.4	6.6
TCS	REDUCE	2,075	1,790	(13.7)	7,945	110.6	3,829	82	89	96	21.2	8.8	7.4	25.4	23.3	21.7	18.6	17.2	15.9	8.0	7.8	7.7	33.4	33.8	35.9	2.0	3.4	3.7	91.6
Tech Mahindra	ADD	775	785	1.3	684	9.5	891	46	55	61	8.3	18.2	11.1	16.8	14.2	12.8	10.2	8.3	7.2	3.1	2.7	2.3	20.2	20.5	19.5	1.2	1.3	1.5	39.1
Wipro	REDUCE	321	295	(8.2)	1,453	20.2	4,507	19	22	23	11.8	14.6	7.7	17.0	14.8	13.7	10.9	9.6	8.8	2.6	2.4	2.2	16.4	16.8	16.8	0.5	3.1	3.4	15.8
Technology	Cautious				15,664	218					13.1	9.7	7.4	21.6	19.7	18.4	15.1	13.7	12.6	5.3	5.1	4.9	24.7	25.8	26.5	2.4	3.5	3.8	327.0
Telecom																													
Bharti Airtel	ADD	372	445	19.5	1,488	20.7	3,997	(6)	(4)	5	(221.5)	28.8	215.1	(64.7)	(91.0)	79.0	9.7	8.1	6.5	2.3	2.3	2.3	(3.4)	(2.5)	2.9	0.3	(0.2)	0.3	24.9
Bharti Infratel	REDUCE	271	285	5.3	501	7.0	1,850	13	12	13	(4.8)	(8.5)	7.7	20.7	22.6	21.0	7.6	8.1	7.6	3.1	3.1	3.0	14.6	13.7	14.6	3.9	3.6	3.9	10.8
IDEA	REDUCE	47	45	(3.5)	407	5.7	4,359	(17)	(17)	(15)	(75.6)	(2.4)	11.4	(2.8)	(2.7)	(3.1)	43.0	35.9	21.9	0.9	1.4	2.6	(29.7)	(41.1)	(59.4)	—	—	—	16.2
Tata Communications	ADD	517	660	27.6	147	2.1	285	0	3	7	(77.5)	694.2	123.5	1,395	175.7	78.6	10.5	9.2	8.3	(64.2)	(87.2)	(1,689.5)	7.8	(42.1)	(211.0)	1.3	1.5	1.5	3.6
Telecom	Cautious				2,544	35					(2,384.5)	5.0	68.0	(35.4)	(37.3)	(116.6)	11.3	10.0	8.2	2.4	2.7	2.8	(6.9)	(7.2)	(2.4)	1.0	0.6	1.0	55.4
Utilities																													
CESC	BUY	1,017	1,180	16.0	135	1.9	133	115	128	141	31.7	11.6	10.1	8.9	7.9	7.2	6.0	5.4	4.7	0.9	0.8	0.7	10.0	10.4	10.5	1.3	1.3	1.3	7.0
JSW Energy	REDUCE	69	70	0.8	114	1.6	1,640	5.1	6.5	6.6	65.9	26.8	2.9	13.6	10.8	10.5	5.8	4.8	4.4	1.0	0.9	0.8	7.2	8.5	8.0	—	—	—	1.2
NHPC	ADD	25	30	18.3	260	3.6	10,260	3.1	3.2	3.4	26.9	1.8	8.0	8.2	8.0	7.4	7.4	7.2	7.7	0.8	0.8	0.8	10.4	10.2	10.6	6.9	6.9	5.8	1.7
NTPC	BUY	169	190	12.5	1,393	19.4	8,245	15	16	18	30.9	4.4	16.5	11.3	10.9	9.3	9.0	8.3	7.0	1.3	1.2	1.1	11.6	11.3	12.2	2.6	2.8	3.2	11.6
Power Grid	BUY	199	250	25.4	1,043	14.5	5,232	19	21	23	19.3	13.6	7.6	10.6	9.3	8.7	7.4	6.8	6.5	1.7	1.6	1.4	17.1	17.5	17.0	3.1	3.6	3.8	15.5
Tata Power	BUY	75	90	19.9	203	2.8	2,705	6.0	7.0	10.9	12.7	15.6	57.0	12.5	10.8	6.9	10.8	10.3	9.0	1.2	1.1	0.9	10.1	10.6	14.6	—	—	—	4.2
Utilities	Attractive				3,147	44					26.0	8.8	14.1	10.7	9.9	8.7	8.1	7.4	6.7	1.3	1.2	1.1	11.9	12.0	12.5	2.8	3.0	3.2	41.2

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

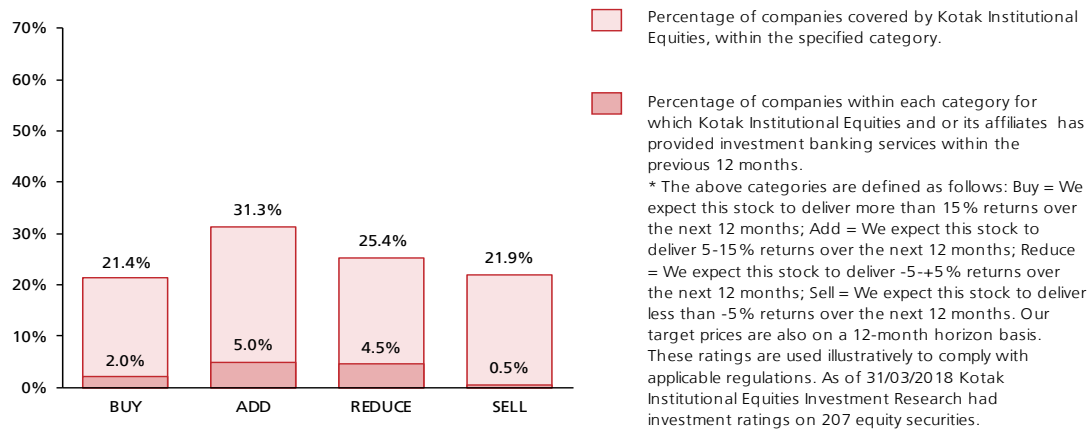
Company	Rating	Price (Rs)	Target price	Upside	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		6-Sep-18	(Rs)	(%)	(Rs bn)	(US\$ bn)		2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	
Others																													
Aditya Birla Fashion and Retail	BUY	199	220	10.4	154	2.1	773	2	4	6	50.6	59.1	53.5	86.8	54.6	35.6	25.3	19.7	16.0	12.1	9.9	7.8	15.0	20.0	24.5	—	—	—	4.2
Astral Poly Technk	SELL	1,113	640	(42.5)	133	1.9	120	19	25	29	30.2	28.8	16.1	58.3	45.3	39.0	31.3	24.9	21.1	10.3	8.5	7.0	19.8	20.5	19.7	0.1	0.1	0.1	1.1
Avenue Supermarts	SELL	1,561	860	(44.9)	974	13.6	624	16	20	26	28.6	26.4	27.5	96.5	76.4	59.9	55.7	43.7	34.4	17.2	14.1	11.4	19.6	20.3	21.0	—	—	—	—
Bayer Cropscience	REDUCE	4,349	4,100	(5.7)	172	2.4	34	106	130	154	20.5	23.1	18.3	41.2	33.5	28.3	30.2	24.6	20.5	7.3	6.2	5.3	18.9	20.0	20.3	0.5	0.6	0.7	0.5
Crompton Greaves Consumer	SELL	217	215	(1.0)	136	1.9	627	6	7	9	19.5	20.7	17.4	35.2	29.1	24.8	21.9	18.5	15.6	12.0	9.2	7.0	40.4	35.8	32.3	0.9	1.2	—	2.3
Dhanuka Agritech	ADD	550	650	18.2	27	0.4	49	27	31	34	3.9	15.4	10.8	20.6	17.8	16.1	15.0	12.3	10.7	3.7	3.2	2.8	19.2	19.2	18.5	1.0	1.2	1.3	0.2
Godrej Agrovet	ADD	571	640	12.0	110	1.5	189	15	19	23	28.9	28.8	21.1	38.5	29.9	24.7	20.9	16.4	13.6	5.6	4.8	4.1	15.7	17.4	17.9	—	1—	0.6	1.0
Godrej Industries	RS	602	—	—	203	2.8	336	16	20	—	8.9	24.2	—	37.9	30.5	—	31.2	34.0	—	5.0	4.3	—	13.9	15.1	—	0.3	0.3	—	4.6
Havells India	SELL	679	485	(28.6)	425	5.9	625	14	17	20	26.6	20.5	17.6	48.4	40.2	34.2	31.0	25.3	21.3	10.0	8.8	7.6	22.0	23.2	23.9	0.7	0.9	1.0	13.5
InterGlobe Aviation	BUY	885	1,220	37.8	340	4.7	383	50	83	99	(17.9)	65.3	19.5	17.7	10.7	9.0	9.5	5.4	4.3	3.9	2.9	2.3	24.1	31.1	28.6	0.6	0.9	1.1	18.9
Kaveri Seed	SELL	638	515	(19.2)	42	0.6	66	34	34	37	7.3	0.1	8.3	18.6	18.5	17.1	15.7	15.0	13.4	4.5	3.9	3.4	26.4	22.4	21.0	1.3	1.6	1.6	5.1
PI Industries	BUY	778	875	12.4	107	1.5	138	31	40	48	17.9	26.8	21.5	24.8	19.6	16.1	17.7	13.8	11.1	4.7	3.9	3.2	20.5	21.7	21.9	0.5	0.6	0.7	1.8
Rallis India	ADD	201	220	9.3	39	0.5	195	10	12	13	17.2	19.4	9.7	19.9	16.7	15.2	13.1	11.0	9.7	3.0	2.7	2.4	15.8	17.1	16.9	1.8	2.0	2.2	0.8
SIS	REDUCE	1,122	1,130	0.7	82	1.1	73	33	40	48	48.5	21.1	17.8	33.7	27.8	23.6	21.1	17.7	14.8	6.7	5.5	4.6	21.8	21.7	21.1	0.3	0.3	0.4	0.7
SRF	BUY	1,988	2,200	10.7	114	1.6	57	100	132	150	23.8	32.2	14.1	20.0	15.1	13.2	11.5	9.2	7.8	2.8	2.4	2.1	15.0	17.3	17.0	0.7	0.7	0.8	11.3
Tata Chemicals	ADD	744	760	2.2	190	2.6	255	44	51	56	(15.3)	14.6	11.5	16.9	14.7	13.2	7.0	5.9	5.1	1.6	1.5	1.4	9.7	10.3	10.8	2.0	2.3	2.3	7.0
TeamLease Services	SELL	2,497	1,785	(28.5)	43	0.6	17	58	75	96	34.2	29.0	28.7	43.1	33.5	26.0	43.6	33.1	25.5	7.9	6.4	5.1	20.1	21.1	21.9	—	—	—	1.4
UPL	ADD	705	660	(6.4)	359	5.0	507	49	55	60	14.0	12.1	9.6	14.4	12.8	11.7	9.7	8.3	7.2	3.2	2.7	2.3	24.6	22.9	21.1	1.4	1.6	1.7	26.2
Vardhman Textiles	ADD	1,080	1,300	20.4	62	0.9	56	118	130	142	14.8	9.7	9.8	9.1	8.3	7.6	6.9	6.3	5.6	1.1	1.0	0.9	13.1	13.0	13.0	1.9	2.8	2.8	0.6
Voltas	SELL	596	530	(11.1)	197	2.7	331	17	21	25	0.4	18.8	18.9	34.3	28.9	24.3	25.7	21.0	17.6	4.5	4.1	3.6	13.9	14.8	15.7	0.6	0.7	0.8	12.7
Whirlpool	SELL	1,668	1,350	(19.1)	212	2.9	127	37	46	56	33.9	24.7	20.2	45.1	36.1	30.1	27.6	21.9	17.9	9.8	8.1	6.9	23.7	24.5	24.8	—	0.6	1.0	1.2
Others																													
					4,120	57					8.2	26.4	12.4	31.7	25.1	22.3	19.2	15.3	12.4	5.4	4.6	4.1	17.0	18.3	18.5	0.6	0.7	0.7	115.1
KIE universe					114,725	1,596					24.3	26.9	14.0	22.4	17.6	15.5	11.2	10.0	9.0	2.9	2.6	2.4	12.9	14.8	15.3	1.4	1.7	1.9	
KIE universe (ex-energy)					100,422	1,397					29.9	32.9	16.0	24.9	18.8	16.2	12.5	11.0	9.7	3.2	2.9	2.6	12.8	15.4	16.1	1.3	1.7	1.8	

Notes:

- (a) We have used adjusted book values for banking companies.
 (b) 2019 means calendar year 2018, similarly for 2020 and 2021 for these particular companies.
 (c) Exchange rate (Rs/US\$)= 71.85

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 June 30, 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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Corporate Office

Kotak Securities Ltd.
27 BKC, Plot No. C-27, "G Block"
Bandra Kurla Complex, Bandra (E)
Mumbai 400 051, India
Tel: +91-22-43360000

Overseas Affiliates

Kotak Mahindra (UK) Ltd
8th Floor, Portoken House
155-157 Minories
London EC3N 1LS
Tel: +44-20-7977-6900

Kotak Mahindra Inc
369 Lexington Avenue
28th Floor, New York
NY 10017, USA
Tel: +1 212 600 8856

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