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EQUITY MARKETS

India	Change %			
	9-Oct	1-day	1-mo	3-mo
Sensex	34,299	(0.5)	(9.6)	(5.4)
Nifty	10,301	(0.5)	(9.9)	(5.9)
Global/Regional indices				
Dow Jones	26,431	(0.2)	2.2	6.1
Nasdaq Composite	7,738	0.0	(2.3)	(0.3)
FTSE	7,238	0.1	(0.6)	(5.9)
Nikkei	23,497	0.1	5.0	5.9
Hang Seng	26,173	(0.1)	(1.7)	(8.7)
KOSPI	2,244	(0.4)	(1.7)	(1.8)
Value traded - India				
Cash (NSE+BSE)	369		420	382
Derivatives (NSE)	7,130		6,782	4,563
Deri. open interest	3,564		3,952	3,471

Forex/money market

	Change, basis points			
	9-Oct	1-day	1-mo	3-mo
Rs/US\$	74.1	0	149	540
10yr govt bond, %	8.2	-	(9)	3

Net investment (US\$ mn)

	8-Oct	MTD	CYTD
FIs	(158)	(1,576)	(3,581)
MFs	132	849	14,543

Top movers

Best performers	Change, %			
	9-Oct	1-day	1-mo	3-mo
ARBP IN Equity	767	4.1	(3.7)	24.2
WPRO IN Equity	322	1.3	(1.0)	18.9
JSTL IN Equity	371	(1.3)	(7.4)	17.0
DIVI IN Equity	1,248	(2.3)	(2.4)	14.4
ICICIBC IN Equity	306	(1.5)	(8.0)	12.0

Worst performers

JPA IN Equity	6	0.8	(40.8)	(61.5)
UT IN Equity	2	2.1	(31.4)	(43.5)
YES IN Equity	225	1.6	(30.6)	(39.5)
RCAPT IN Equity	237	0.7	(46.2)	(38.5)
IDEA IN Equity	34	2.4	(27.9)	(38.3)

Steady traffic, uncertain ordering prospects. Steady traffic growth and impending stake-sale of majority share of its BOT portfolio bode well for 50% of SEL's SoTP. The prospects of the remaining 50% of SoTP depend on the pace of incremental ordering from NHAI. This remains uncertain, with key factors at play being (1) NHAI considering lowering the 30% threshold for payment in the event of termination and (2) finding an alternative to descope of works in the event of land-acquisition issues. Such uncertainty is reflected in our revised 6.5X EV/EBITDA multiple for the construction business (down from 8X) and higher ~13.5-14% cost of equity for road assets; TP at ₹370 (from ₹435).

Company data and valuation summary

Sadbhav Engineering

Stock data

52-week range (Rs) (high,low)	440-191
Market Cap. (Rs bn)	34.1

Shareholding pattern (%)

Promoters	46.5
FIs	16.6
MFs	21.0

Price performance (%)

	1M	3M	12M
Absolute	(26.3)	(29.0)	(30.4)
Rel. to BSE-30	(17.5)	(25.6)	(35.4)

Forecasts/Valuations

	2019E	2020E	2021E
EPS (Rs)	17.0	21.7	22.3
EPS growth (%)	31.7	27.9	2.9
P/E (X)	11.7	9.2	8.9
Sales (Rs bn)	41.9	53.8	63.2
Net profits (Rs bn)	2.9	3.7	3.8
EBITDA (Rs bn)	5.0	6.4	7.5
EV/EBITDA (X)	9.1	7.1	6.0
ROE (%)	14.5	16.2	14.5
Div. Yield (%)	0.0	0.0	0.0

Healthy traffic growth continues in 2QFY19; impending deal to establish value for stake in SIPL

SIPL's BOT portfolio reported a steady 5% traffic growth on a relatively high yoy base (inventory refilling in the post-GST quarter, early start to the festive season). Revenue growth at 12% was aided by a ~7% tariff component, partly propped up by 18% increase in the MBCPNL project. Beyond the MBCPNL project, all BOT stretches reported 6-11% yoy growth in revenues.

In our recent interaction, SEL mentioned good progress made in the sale of majority 74% stake in its 11 operational BOT (toll) portfolio. With non-binding offers received and due diligence of projects close to complete, SEL expects binding offers to come by January 2019. While the recent development of ITNL's assets being on the block can play spoilsport, we note inherent advantages of the SIPL portfolio: (1) It gives a platform to financial investors to which more assets of SIPL can be added, (2) SIPL would be an active partner with a 26% stake and (3) SIPL would offer long-term O&M on fixed-price terms. We value the portfolio at ~2X invested book.

EPC: Lending concerns for real; ball now in NHAI's court

Sadbhav's assessment of the funding situation is that existing projects of most players would get financial closure. However, the same would limit the funding appetite for incremental projects. Even as NHAI is aiming to revive activity through award of EPC projects in two large corridors (~₹280 bn), SEL expects NHAI to end the year with ₹600-800 bn of ordering against ₹1.2 tn awarded in FY2018. The key upside risk is the leading public sector banks lowering threshold to lend much below its stated 30% completion of project; depends on NHAI lowering its own 30% threshold for compensating both equity and debt in the event of a termination. The downside risk is from private banks taking out funding, being unhappy about NHAI breaching the clause to descope project length where land does not get acquired in time.

Increase in cost of equity across BOT portfolio and EPC; revise SoTP to ₹370 from ₹435

We retain our operational estimates and cut our target EV/EBITDA multiple for the EPC business to 6.5X from 8X. We also increase our cost of equity assumption of the BOT portfolio by 75 bps to 13.5-14%. A 30/20% share of HAM in ordering mix of NHAI would yield 1.1/1.2X end-FY2020E debt-to-equity ratio for NHAI.

Aditya Mongia

Ajinkya Bhat

Exhibit 1: SEL's portfolio reported healthy traffic growth over a high base

Implied like-for-like yoy growth in traffic volumes for BOT projects of Sadbhav Engineering, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities

Exhibit 2: EPC business accounts for less than 50% of SoTP

SoTP of Sadbhav Engineering

Business	Value (Rs mn)	Proportionate value (Rs mn)	Shareholding (%)	Per share (Rs)	Comments
EPC business	30,769	30,769	100	179	6.5X EV/EBITDA on two-year forward basis
Sadbhav Infrastructure Projects				223	FCFE valuation of projects
Operational projects	47,763	44,763	69	180	
Ahmedabad Ring Road	3,399	3,399			100% stake
Aurangabad-Jalna	4,738	4,737			100% stake
Nagpur-Seoni	(291)	(291)			100% stake
Dhule	3,589	3,589			100% stake
MBCPNL	15,868	14,263			89.7% stake
Rohtak-Panipat	2,044	2,044			100% stake
Hyderabad-Yadgiri	4,548	4,548			100% stake
Bijapur-Hungund	6,060	4,665			77% stake
Gomti ka Chauraha-Udaipur	5,663	5,663			100% stake
Rajsamand-Bhilwara	3,536	3,536			100% stake
Rohtak Hissar	(1,391)	(1,391)			100% stake
Under construction projects		1,213	69	5	
Karnataka State Highway project	1,640	1,213			74% stake
SIPL standalone operations+HAM operations	9,807	9,807	69	38	3X Mar-2020 EV/EBITDA
15% holding company discount for SIPL				(33)	
Total				369	

Source: Company, Kotak Institutional Equities estimates

Exhibit 3: We assume a higher 85% share of funding of construction cost by NHAI, yielding a 1.1X debt-to-equity by end-FY2020
Spending and sources of funding for NHAI (Rs bn)

	2010-15	2015-18E	2018E-20E	Drivers
Spending	868	1,389	1,996	
Land acquisition	315	610	728	- Acquisition @Rs 32 mn/hectare in FY2018E and 5% p.a. growth - Factors hectare per km to become ~3 from ~4 at present - Assumes 5,000-6,000 km p.a. of near-term awards
Construction	553	780	1,268	- 85% share in construction spending from NHAI
Equity	601	605	697	
Cess funds	344	346	505	- Expected to grow based on FY2018E budgetary allocation
ABR	257	258	191	- We are only relying on Rs90 bn or so of annual toll revenues beyond projects ceded to Macquarie, growing at a modest pace
Borrowings	198	871	1,402	Implied shortfall in funding
End-period D/E (X)	0.2	0.7	1.1	

Source: NHAI, Kotak Institutional Equities estimates

Exhibit 4: Good credit ratings support the case for NHAI to borrow beyond set limits
Ratings of past and future bond issuances of NHAI

	Limit (Rs bn)	CRISIL rating	ICRA rating
Long-term borrowing programme for FY2019	620	CRISIL AAA/Stable	[ICRA]AAA (Stable)
Long-term borrowing programme for FY2018	590	CRISIL AAA/Stable	[ICRA]AAA (Stable)
Long-term borrowing programme for FY2017	333	CRISIL AAA/Stable	[ICRA]AAA (Stable)
Tax-free bonds FY2016	190	CRISIL AAA/Stable	[ICRA]AAA (Stable)
Tax-free bonds	100	CRISIL AAA/Stable	
Tax-free bonds	50	CRISIL AAA/Stable	
Total	1,883		
End-FY2018E borrowing	1,200		

Source: Industry reports, Kotak Institutional Equities

Exhibit 5: While funding remains scarce, HAM project compensates for most risks beyond the inflation-adjusted cost of construction
Primer on HAM projects

Funding pattern and cash flows

- Funding pattern - 40% of Bid Project Cost (BPC) given as grant by NHAI, 60% PPP funding
- Construction period -
 - SPV cash inflows = NHAI grant, equity contribution by developer, borrowings
 - SPV cash outflows = Construction cost paid to EPC contractor
- 15-year operation period -
 - SPV cash inflows = 60% of BPC paid as per annuity schedule over 15 years, interest on the outstanding annuities in each year paid by NHAI at bank rate + 3%, O&M quote submitted while bidding escalated by inflation, interest income on cash balance
 - SPV cash outflows = Actual O&M cost, interest on debt portion of PPP funding, taxes

Bidding considerations

- Bidder submits BPC which is the bidder's quote for creating the asset and first year O&M quote
- NHAI's standard template given to all bidders calculates a combined number of Bid Price = NPV of BPC + NPV of inflation-indexed O&M. L1 bidder and winner decided by this Bid Price
- For a given equity IRR, values of BPC and O&M quote can be optimised to make the calculated Bid Price the lowest. Actual costs may be different from the quoted BPC and O&M.

Risks and mitigation

- Interest rate - NHAI pays interest on PPP funding portion at Bank rate + 3%. Lenders charge interest at MCLR+spread. The risk is mitigated as bank rate and MCLR tend to move in tandem providing a natural hedge to debt.
- Inflation - NHAI provides escalation at 70% WPI + 30% CPI on BPC as well as quoted first year O&M. The risk from hyperinflation exists to the developer if (1) inflation in raw materials and construction cost is higher than the NHAI formula and (2) first year O&M was quoted much below the actual cost in order to optimise the Bid Price.

Financial statements under Ind-AS

- Construction period -
 - BPC booked as revenue as per construction milestones, corresponding actual construction cost and interest expense on debt book as expense, taxes paid on PBT.
 - Balance sheet accumulates revenue - NHAI grant as receivables, construction cost is paid by grant+PPP funding, IDC is capitalized to debt
- 15-year operation period -
 - Revenue booked consists of interest paid by NHAI on PPP funding at bank rate + 3%, inflation-indexed O&M quote paid by NHAI and yield earned on cash balance; actual O&M cost, interest on debt and taxes booked as expenses.
 - Balance sheet accrues retained earnings from P&L; annuity received from NHAI keeps reducing receivables, debt repayments keep reducing borrowings.

Source: Kotak Institutional Equities

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

	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Profit model										
Total income	26,755	18,110	23,581	29,698	31,863	33,203	35,051	41,928	53,803	63,191
Expenses	(23,853)	(16,552)	(21,092)	(26,696)	(28,608)	(29,646)	(30,899)	(36,949)	(47,421)	(55,706)
EBITDA	2,903	1,558	2,489	3,002	3,254	3,556	4,152	4,979	6,381	7,485
Interest (expense)/income	(651)	(844)	(1,181)	(1,382)	(1,515)	(1,534)	(1,772)	(1,556)	(1,556)	(1,613)
Depreciation	(274)	(318)	(474)	(817)	(849)	(1,000)	(979)	(1,102)	(1,182)	(1,270)
Other income	108	103	369	655	905	875	762	739	889	929
Pretax profits	2,086	499	1,203	1,458	1,795	1,897	2,163	3,060	4,533	5,531
Tax	(681)	(166)	55	(346)	(405)	(18)	44	(153)	(816)	(1,704)
Adjusted net income	1,404	741	874	1,112	1,342	1,879	2,207	2,907	3,717	3,826
EPS (Rs)	9.3	4.9	5.8	7.1	7.8	11.0	12.9	17.0	21.7	22.3
Balance sheet										
Total equity	7,623	8,325	9,572	13,521	14,715	16,609	18,668	21,303	24,673	28,141
Deferred taxation liability	235	317	357	244	232	(477)	(994)	(994)	(994)	(994)
Total borrowings	4,488	7,630	10,257	10,963	12,166	15,183	14,840	13,340	13,840	14,340
Total liabilities and equity	12,346	16,272	20,186	24,728	27,112	31,316	32,514	33,649	37,519	41,487
Net fixed assets	2,881	3,303	4,982	5,357	5,550	5,229	5,028	4,704	4,378	4,049
Investments	3,323	5,385	5,210	5,313	5,278	5,694	5,775	5,278	5,278	5,278
Net current assets (excl. cash)	5,015	7,150	8,471	13,356	15,552	19,934	21,458	19,104	23,079	25,340
Cash	563	218	762	351	366	230	127	2,282	2,392	3,410
Total assets	12,346	16,272	20,186	24,728	27,113	31,316	32,514	33,649	37,519	41,487
Free cash flow										
Cash flow from operations	722	(293)	1,047	(1,163)	1,543	169	3,536	5,765	2,369	3,430
Cash flow from investing	(778)	(2,802)	(1,914)	(1,351)	(841)	(1,095)	(858)	(282)	(856)	(941)
Free cash flow	(56)	(3,095)	(866)	(2,514)	702	(927)	2,678	5,483	1,514	2,489
Ratios										
EBITDA margin (%)	10.8	8.6	10.6	10.1	10.2	10.7	11.8	11.9	11.9	11.8
PAT margin (%)	5.2	4.1	3.7	3.7	4.2	5.7	6.3	6.9	6.9	6.1
Net debt/equity (X)	0.5	0.9	1.0	0.8	0.8	0.9	0.8	0.5	0.5	0.4
RoAE (%)	30.5	22.5	18.5	13.2	13.9	17.3	17.8	19.3	20.2	17.5
RoACE (%)	22.7	13.0	12.8	11.8	11.4	12.1	12.7	14.2	15.7	14.3

Source: Company, Kotak Institutional Equities estimates

OCTOBER 10, 2018

UPDATE

BSE-30: 34,299

Raise risk premium in our DCF models; stay cautious. A 50-100 bps increase in WACC in our DCF models drives a 6-20% cut in our fair value targets. Cuts would have been higher but for valuation rollover by a quarter to September 2019 from June 2019. Stay cautious. Rating changes – upgrade GCPL, TTAN, and UBBL to REDUCE (from SELL), upgrade TGBL to ADD from REDUCE and downgrade GSK-CH and VBL to REDUCE from ADD. ITC, NEST, BRIT, JUBI, MRCO and CLGT remain top picks.

Of earnings growth prognosis and pricing of risk

For a fairly long time now, we had been perplexed with the seemingly never-ending multiple expansion for Indian consumer names. Fundamentally speaking, we never thought the medium-term earnings growth prognosis for the sector had become materially better than it had been in the past. It was as good as it had always been, but no better.

Even as demonetization and GST did improve the volume growth prognosis for the organized players in the space in the past 18-odd months, we felt the Street started over-reaching a tad as far as justifying higher and higher multiples is concerned. Easy-to-make statements like “mid-teens earnings growth deserves (some crazy high) xyz earnings multiple”, without any further fundamental justification, became a recurring feature. What found little audience was balancing arguments on – (a) valuations, (b) the fact that GST was not a gift that would keep on giving; growth and margin kicker from GST would fade for the organized players over time, and (c) risk to the incessant margin-expansion assumption.

We have been arguing for a while that multiple expansion for the sector was not really about any meaningful delta in sector fundamentals (i.e. earnings growth prognosis). It was mostly about continuous lowering of implied cost of equity. On similar lines, the recent sharp fall in the stocks does not really have much to do with any delta in sector fundamentals. There may be a reason or two to argue for some deterioration in fundamentals – crude-linked RM inflation and possible impact on volume growth as household budgets possibly come under some pressure. However, these arguments are not material enough to justify the multiple correction we have seen. Correction, like the rise, is about re-pricing of risk, in the adverse direction, this time.

Market inputs (risk-free rate, beta) demand increase in WACC assumptions

As sector analysts, we depend mostly on cues from the market (risk-free rate, beta for individual stocks, technically speaking) and our strategist on right pricing of risk. These cues now suggest we raise the WACC in our DCF models and we have done the same. Exhibit 1 captures the changes to our one-year forward fair-value targets for various names under coverage. Exhibit 2 has the sector valuation summary.

Broadly speaking, we have raised WACC for various names from a range of 10-11.75% to a range of 10.75-12.5%, a 75 bps increase in most cases and 50/100 bps increase in select ones. This has resulted in a 6-20% cut in our fair value target prices for various stocks. We note that the TP cuts would have been higher but for a valuation rollover by a quarter to September 2019 (from June 2019).

Sharp recent stock price movements and material changes in our fair value targets drive the following rating changes –

- ▶ Upgrades – GCPL, TTAN, and UBBL (to REDUCE from SELL), and TGBL (to ADD from REDUCE).
- ▶ Downgrades – GSK-CH and VBL (to REDUCE from ADD).

Rohit Chordia

Jaykumar Doshi

Aniket Sethi

Exhibit 1: Fair value target revision summary

	Fair value/ target price (Rs/share)			Rating		9-Oct-18 Price (Rs)	Upside/(downside) (%)
	Revised	Earlier	Change (%)	Revised	Earlier		
Asian Paints	1,200	1,325	(9.4)	REDUCE	REDUCE	1,201	(0.1)
Bajaj Corp	405	470	(13.8)	ADD	ADD	383	5.6
Britannia Industries	5,875	6,700	(12.3)	ADD	ADD	5,511	6.6
Coffee day Enterprises ¹	265	290	(8.6)	REDUCE	REDUCE	250	6.2
Colgate-Palmolive (India)	1,120	1,250	(10.4)	ADD	ADD	1,050	6.7
Dabur India	345	390	(11.5)	REDUCE	REDUCE	392	(12.1)
GlaxoSmithKline Consumer	6,325	7,300	(13.4)	REDUCE	ADD	6,667	(5.1)
Godrej Consumer Products	645	733	(12.0)	REDUCE	SELL	669	(3.6)
Hindustan Unilever	1,430	1,570	(8.9)	REDUCE	REDUCE	1,512	(5.5)
ITC ¹	310	330	(6.1)	ADD	ADD	269	15.5
Jubilant Foodworks	1,430	1,650	(13.3)	BUY	BUY	1,153	24.0
Jyothy Laboratories	210	240	(12.5)	ADD	ADD	188	11.7
Marico	310	375	(17.3)	ADD	ADD	295	5.1
Nestle India	9,950	11,000	(9.5)	ADD	ADD	9,487	4.9
Page Industries	22,300	25,000	(10.8)	SELL	SELL	29,050	(23.2)
Pidilite Industries	960	1,080	(11.1)	REDUCE	REDUCE	914	5.0
S H Kelkar	240	290	(17.2)	BUY	BUY	198	21.3
Tata Global Beverages ¹	230	250	(8.0)	ADD	REDUCE	216	6.4
Titan Co.	760	840	(9.5)	REDUCE	SELL	750	1.4
United Breweries	1,040	1,100	(5.5)	REDUCE	SELL	1,160	(10.4)
United Spirits	470	590	(20.3)	REDUCE	REDUCE	462	1.7
Varun Beverages	700	800	(12.5)	REDUCE	ADD	740	(5.4)

Note:

(1) For valuation based on SoTP/earnings multiple - P/E, EV/EBITDA and EV/Sales multiples have been reduced by 3x, 1x and 0.25x, respectively.

Source: Kotak Institutional Equities

Exhibit 2: KIE Consumer universe valuation summary

Company	Rating	TP	9-Oct-18	Upside /	Mkt cap.		EPS (Rs)			EPS Growth, %			PER (X)			EPS	Sales
		(Rs)	Price (Rs)	(downside)	(Rs bn)	(US\$ m)	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	CAGR - (2018-20E), %	
Consumer Products																	
Asian Paints	REDUCE	1,200	1,201	(0)	1,152	15,489	20.5	27.1	32.6	2.9	32.1	20.3	58.5	44.3	36.8	26.0	18.0
Bajaj Corp	ADD	405	383	6	57	760	14.3	15.4	17.0	(9.4)	7.8	10.3	26.8	24.9	22.5	9.1	12.6
Britannia Industries	ADD	5,875	5,511	7	661	8,889	83.7	104.2	127.3	13.5	24.5	22.2	65.9	52.9	43.3	23.4	14.7
Coffee day Enterprises	REDUCE	265	250	6	51	691	3.4	7.9	10.3	53.0	129.9	30.0	72.8	31.7	24.3	72.9	10.6
Colgate-Palmolive (India)	ADD	1,120	1,050	7	286	3,838	23.8	27.3	31.5	15.2	14.7	15.6	44.2	38.5	33.3	15.1	10.4
Dabur India	REDUCE	345	392	(12)	691	9,290	7.8	9.1	10.3	7.2	17.3	12.9	50.5	43.0	38.1	15.1	13.4
GlaxoSmithKline Consumer	REDUCE	6,325	6,667	(5)	280	3,768	166.5	199.0	223.1	6.6	19.5	12.1	40.0	33.5	29.9	15.8	11.0
Godrej Consumer Products	REDUCE	645	669	(4)	684	9,191	14.2	16.9	19.2	11.6	18.8	13.7	47.0	39.6	34.8	16.2	11.8
Hindustan Unilever	REDUCE	1,430	1,512	(5)	3,273	43,995	24.5	29.3	33.1	24.8	19.5	13.2	61.8	51.7	45.7	16.3	12.2
ITC	ADD	310	269	15	3,282	44,111	8.9	9.6	10.8	7.8	8.2	12.3	30.1	27.8	24.8	10.2	8.0
Jubilant Foodworks	BUY	1,430	1,153	24	152	2,045	14.6	25.4	35.0	191.7	74.7	37.6	79.2	45.4	33.0	55.1	18.0
Jyothy Laboratories	ADD	210	188	12	68	918	4.4	5.6	6.6	(26.4)	27.6	16.7	42.7	33.4	28.6	22.0	14.3
Marico	ADD	310	295	5	381	5,118	6.3	6.8	8.2	2.0	8.1	20.0	46.8	43.2	36.0	13.9	14.2
Nestle India	ADD	9,950	9,487	5	915	12,295	127.1	170.6	197.4	21.1	34.2	15.7	74.7	55.6	48.1	24.6	11.9
Page Industries	SELL	22,300	29,050	(23)	324	4,355	311.1	417.8	508.2	30.3	34.3	21.6	93.4	69.5	57.2	27.8	19.5
Pidlite Industries	REDUCE	960	914	5	469	6,300	18.0	21.1	25.7	7.5	16.8	21.8	50.7	43.4	35.6	19.3	16.6
S H Kelkar	BUY	240	198	21	29	384	7.4	6.9	9.9	2.1	(6.2)	41.9	26.7	28.5	20.1	15.4	9.3
Tata Global Beverages	ADD	230	216	6	136	1,833	7.3	7.9	9.3	20.7	7.7	17.0	29.4	27.3	23.3	12.3	5.5
Titan Co.	REDUCE	760	750	1	665	8,943	12.5	16.1	19.6	45.3	28.1	21.8	59.8	46.7	38.3	24.9	20.1
United Breweries	REDUCE	1,040	1,160	(10)	307	4,123	14.9	20.8	25.7	71.6	39.2	23.6	77.6	55.8	45.1	31.2	12.3
United Spirits	REDUCE	470	462	2	336	4,514	7.6	10.2	13.4	39.1	34.7	30.9	60.8	45.1	34.4	32.8	10.6
Varun Beverages	REDUCE	700	740	(5)	135	1,813	11.5	15.0	20.1	378.1	29.9	34.5	64.2	49.4	36.7	32.2	18.6
KIE universe					14,345	192,810				12.6	17.9	16.1	47.4	40.2	34.7	15.2	12.9
KIE universe (ex-ITC)					10,928	146,886				15.2	23.3	17.9	56.6	45.9	38.9	19.2	14.1
Price performance (%)																	
		1-mo	3-mo	6-mo	1-yr	EVEBITDA (X)			EV/Sales (X)			FCF yield (%)			Dividend yield (%)		
						2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E	2019E	2020E	
Asian Paints		(9)	(12)	4	4	35.7	27.8	22.9	6.8	5.8	4.8	0.6	1.1	2.1	1.0	1.2	
Bajaj Corp		(8)	(10)	(20)	(4)	21.1	19.8	16.9	6.5	5.8	5.1	3.0	3.6	4.4	3.4	3.7	
Britannia Industries		(12)	(14)	7	27	43.5	34.6	28.2	6.6	5.7	4.9	1.3	1.4	1.6	0.6	0.8	
Coffee day		(16)	(4)	(18)	16	12.7	11.1	9.7	2.1	2.0	1.8	2.8	0.4	1.0	—	—	
Colgate-Palmolive (India)		(8)	(9)	(3)	(3)	25.3	22.0	19.1	6.7	6.2	5.4	1.7	2.9	3.0	1.5	1.8	
Dabur India		(16)	5	16	25	44.6	38.5	33.2	9.0	7.9	6.9	1.3	1.9	2.1	1.0	1.1	
GlaxoSmithKline Consumer		(8)	5	9	33	27.7	23.2	19.9	5.7	5.1	4.5	2.8	2.2	2.4	1.4	1.6	
Godrej Consumer Products		(25)	(20)	(7)	2	34.4	28.9	25.0	7.3	6.4	5.6	3.2	2.6	2.8	0.8	0.9	
Hindustan Unilever		(8)	(11)	9	24	44.1	35.6	31.3	9.3	8.2	7.3	1.6	1.9	2.1	1.4	1.6	
ITC		(14)	(2)	1	0	20.1	18.3	16.2	7.6	7.1	6.4	3.3	3.0	3.4	2.1	2.5	
Jubilant Foodworks		(18)	(18)	(6)	54	33.7	23.2	18.0	4.9	4.2	3.5	0.0	2.0	2.6	0.2	0.3	
Jyothy Laboratories		(11)	(17)	(1)	(6)	27.8	22.6	19.1	4.1	3.5	3.0	3.5	2.5	3.2	0.5	0.8	
Marico		(17)	(15)	(10)	(6)	33.1	29.9	24.7	6.0	5.1	4.5	1.1	2.2	2.9	1.6	1.9	
Nestle India		(9)	(4)	13	30	40.7	31.5	27.2	8.8	7.8	6.9	1.8	2.3	2.5	1.2	1.4	
Page Industries		(13)	(1)	16	54	59.5	44.9	37.0	12.6	10.5	8.7	1.2	1.1	1.3	0.6	0.7	
Pidlite Industries		(21)	(14)	(8)	13	34.1	29.0	23.9	7.5	6.4	5.4	0.9	1.2	1.9	0.8	0.9	
S H Kelkar		(15)	(9)	(22)	(26)	18.7	18.5	13.3	3.0	2.8	2.4	(1.1)	1.8	2.3	0.9	1.0	
Tata Global Beverages		(3)	(21)	(22)	4	15.4	14.9	13.0	1.9	1.8	1.6	0.0	2.7	3.1	1.4	1.6	
Titan Co.		(14)	(9)	(22)	22	40.1	30.9	24.6	4.1	3.3	2.8	(0.7)	1.4	1.2	0.6	0.7	
United Breweries		(13)	(1)	16	38	34.3	27.6	23.6	5.5	4.8	4.2	1.2	1.4	1.9	0.3	0.4	
United Spirits		(24)	(28)	(31)	(2)	35.6	26.5	21.3	4.5	3.9	3.4	3.5	1.8	2.2	—	0.4	
Varun Beverages		(6)	(1)	15	41	19.6	16.5	14.0	4.1	3.3	2.9	(3.0)	0.8	1.4	—	—	
KIE FMCG universe		(13)	(9)	1	13	31.1	26.2	22.5	6.9	6.1	5.3	1.8	2.1	2.4	1.0	1.2	
KIE universe (ex-ITC)		(14)	(11)	(0)	17	36.7	29.8	25.3	6.7	5.8	5.1	1.4	1.8	2.2	0.9	1.2	
Sensex		(11)	(5)	2	8												

Source: Company, Kotak Institutional Equities estimates

2QFY19E preview—lower prices to hurt a few. The decline in base-metal prices by 5-15% qoq will result in lower earnings for non-ferrous names—we expect only Nalco to report a strong quarter aided by elevated alumina prices (US\$539/ton in 2QFY19). Among steel, we expect EBITDA/ton for non-integrated names to decline by 7-11% qoq due to lower long product prices (in a seasonally weak quarter) and higher iron-ore costs. Tata Steel will report improvement in earnings aided by its captive mining operations and ramp-up of Bhushan Steel. We maintain our positive outlook on aluminum—prefer HNDL (BUY), VEDL (BUY) and NACL (BUY). Maintain ADD on TATA.

Ferrous—operating margins to decline for non-integrated names

Domestic steel demand increased by 8% yoy for April-September 2018 to 47.7 mn tons while production increased by 7% yoy to 48.2 mn tons. In 1HFY19, India's steel trade declined—imports declined 7% yoy to 4 mn tons while exports declined by 35% yoy to 3.1 mn tons. Steel imports to India increased from FTA countries (Japan, Korea) but declined from China.

Domestic steel prices declined by ₹100-1,500/ton qoq in 2QFY19 in a seasonally weak quarter due to the monsoons—prices declined by ₹800-1,500/ton for long products and ₹100-250/ton for flat products. On costs, we expect (1) iron-ore costs for non-integrated companies to increase due to a price hike by Odisha miners (+10-15% qoq), and (2) marginal increase in coking coal costs due to lower INR/US\$ rate. We expect EBITDA/ton for non-integrated steel names to decline by 7-11% qoq (but increase 22-57% yoy) due to a price-cost effect. However, we expect flat qoq EBITDA for Tata Steel aided by its captive mining operations.

Non-ferrous—weak quarter mostly due to low prices; higher alumina prices to aid Nalco earning

Base metal prices declined during the quarter—prices were down sharply for zinc (-18% qoq) while aluminum prices declined by 9% qoq. However, alumina prices increased by 3% qoq to US\$539/ton, which will aid earnings for alumina refineries but will result in increased costs for non-integrated aluminum smelters. We expect Vedanta's EBITDA to decline by 8% qoq to ₹57.6 bn—lower aluminum, zinc earnings will impact profitability. We expect Hindustan Zinc's EBITDA to decline 11% qoq to ₹24 bn due to lower zinc prices and volumes. Hindalco's India EBITDA (including Utkal) will decline by 16% qoq to ₹15.6 bn due to lower aluminum prices and a maintenance shutdown at a copper smelter in July. We expect Nalco to report another strong quarter led by elevated alumina prices—we estimate EBITDA of ₹9.9 bn (+196% yoy).

2QFY19E—non-integrated names to report a decline, Tata Steel to report an improvement

We expect 4% qoq decline in EBITDA of non-integrated steel names but an improvement in earnings for Tata Steel. The decline in long product prices, higher iron-ore costs will result in a sequential decline for JSW Steel, Jindal Steel & Power, per our estimate.

- ▶ **Tata Steel.** We expect EBITDA to increase by 17% qoq to ₹75.5 bn (+60% yoy) and net income of ₹25.5 bn (+162% yoy, +11% qoq). We expect India EBITDA/ton at ₹17,000 (+55% yoy, flat qoq). We expect Europe EBITDA/ton to decline to US\$70 (US\$101/ton in 1QFY19) due to higher maintenance repair costs and lower steel spreads. We estimate EBITDA from Bhushan Steel at ₹10.8 bn for 2QFY19. Note that Bhushan Steel's financials will be consolidated for the full quarter starting from 2QFY19.
- ▶ **JSW Steel.** We expect EBITDA to decline by 4% qoq to ₹49 bn (+61% yoy) and net income of ₹22.1 bn (-6% qoq). We expect marginal decline in steel realizations as the company's sales in long products are limited to <25% of overall sales mix. We expect increase in iron-ore costs due to prices increases by Odisha miners. We expect EBITDA/ton to decline by 6% qoq to ₹11,750 (+57% yoy) due to lower realizations and cost increase.

Abhishek Poddar

Prayatin Mahajan

- ▶ **Jindal Steel & Power.** We expect JSP's consolidated EBITDA to decline by 4% qoq to ₹20.6 bn (+50% yoy). We expect standalone EBITDA to decline by 5% qoq to ₹14.6 bn (+86% yoy). JSP's steel deliveries increased by 53% yoy to 1.27 mn tons (+7% qoq). We expect steel realizations to decline by 2% qoq due to a fall in long product prices and EBITDA/ton to decline by 11% qoq to ₹11,500—we expect iron-ore costs to increase.

Jindal Power's generation declined 12% qoq to 2.4 bn units (flat yoy) in 2QFY19. We expect Jindal Power's EBITDA to decline 9% qoq to ₹2.8 bn (-18% yoy). We estimate EBITDA for all subsidiaries combined at ₹6 bn (+2% yoy, -1% qoq).

- ▶ **NMDC.** We estimate NMDC's EBITDA to remain flat qoq at ₹14.3 bn (+19% yoy). We expect iron-ore sales to decline by 22% yoy to 6.4 mn tons (-6% qoq) due to lower off-take from Chhattisgarh mines. We expect sales from Chhattisgarh mines to decline by 37% yoy to 3.3 mn tons while we expect Karnataka sales to increase 1% yoy to 3.2 mn tons.

We expect blended realizations to increase 4% qoq to ₹3,660/ton led by higher prices at Chhattisgarh operations, partially offset by lower prices in Karnataka. We expect EBITDA/ton to increase 6% qoq to ₹2,210/ton (+53% yoy).

Non-ferrous companies—a weak quarter due to lower prices, cost increase

- ▶ **Vedanta.** We expect EBITDA to decline by 8% qoq to ₹57.6 bn (+2% yoy). We expect a sequential decline in EBITDA due to (1) lower aluminum EBITDA of ₹6.1 bn (+33% yoy, -52% qoq) on account of an increase in alumina, coal costs, (2) decline in HZ's EBITDA (₹24.1 bn, -12% qoq) and (3) lower EBITDA in iron-ore operations.

We expect another weak quarter at Zinc International (EBITDA: ₹549 mn, -86% yoy) due to lower production at Skorpion and as Gamsberg is still in initial stages of ramp-up (concentrate production was expected only from September 2018). We factor higher production costs at Zinc International due to low volumes. We estimate EBITDA from oil & gas operations to increase 18% qoq to ₹21.8 bn (+85% yoy) led by higher crude prices and volumes. We expect power EBITDA to increase 12% qoq to ₹4.8 bn led by higher generation.

- ▶ **Hindustan Zinc.** We expect Hindustan Zinc's EBITDA to decline by 11% qoq to ₹24.1 bn (-20% yoy). We expect lower zinc production due to transition from open-cast to underground mines—we expect refined zinc volumes to decline by 12% yoy to 169,000 tons (2% qoq). The lead production will improve from ramp-up of SK mines and we estimate lead volumes of 49,000 tons (+30% yoy, +17% qoq) and silver volumes of 155 tons (+11% yoy, +13% qoq). Earnings will also be impacted by lower metal prices as LME zinc prices declined by 18% qoq to US\$2,540/ton and silver prices declined by 10% qoq.
- ▶ **Hindalco.** We expect India EBITDA (including Utkal Alumina) to decline by 16% qoq to ₹15.6 bn (-2% yoy) due to (1) increase in aluminum production costs by ~4% qoq and lower aluminum prices (-9% qoq), and (2) shutdown at the copper smelter in July. We expect copper EBITDA to decline to ₹2.8 bn (-16% qoq) due to lower volumes. We expect aluminum EBITDA (including Utkal) to decline to ₹12.5 bn (+8% yoy, -18% qoq) due to price-cost effect.

At Novelis, we expect adjusted EBITDA before metal price lag at US\$330 mn (+9% yoy). We expect shipments to increase 2% yoy and EBITDA/ton to increase 7% yoy to US\$404/ton.

Exhibit 1: Domestic steel prices declined by 2-4% qoq and base-metal prices declined by 5-15% qoq in 2QFY19

Price movement for ferrous and non-ferrous metals, 2QFY18 - 2QFY19 (US\$/ton, Rs/ton)

	2QFY18 (US\$/ton)	1QFY19 (US\$/ton)	2QFY19 (US\$/ton)	Change		Implied Rupee realization			Change	
				yoy (%)	qoq (%)	2QFY18 (Rs/ton)	1QFY19 (Rs/ton)	2QFY19 (Rs/ton)	yoy (%)	qoq (%)
Non Ferrous										
Zinc	2,962	3,111	2,537	(14)	(18)	190,426	208,549	177,813	(7)	(15)
Aluminum	2,010	2,264	2,054	2	(9)	129,236	151,782	143,956	11	(5)
Aluminum all-in prices	2,129	2,393	2,186	3	(9)	136,855	160,430	153,206	12	(5)
Lead	2,331	2,384	2,103	(10)	(12)	149,877	159,798	147,352	(2)	(8)
Copper	6,351	6,881	6,120	(4)	(11)	408,348	461,309	428,846	5	(7)
Ferrous										
Hard coking coal - spot	183	190	188	2	(1)	11,796	12,722	13,159	12	3
Global HRC prices - China export ³	550	598	580	6	(3)	35,336	40,094	40,661	15	1
Domestic Steel HRC - Mumbai ¹						39,900	46,550	46,450	16	(0)
Domestic Steel - Primary Rebar - Mumbai ¹						36,300	41,850	41,050	13	(2)
Domestic Steel HRC - Mumbai ²						37,600	45,650	45,500	21	(0)
Domestic Steel - Rebar ²						30,900	40,200	38,500	25	(4)
INR/USD (average)						64.3	67.0	70.1	9	5
INR/USD (closing)						65.3	68.5	72.5	11	6

Note:

1. As per CRU

2. As per Steel mint

3. Also mentioned are China HRC export prices in rupee equivalent terms

Source: Bloomberg, CRU, Kotak Institutional Equities estimates

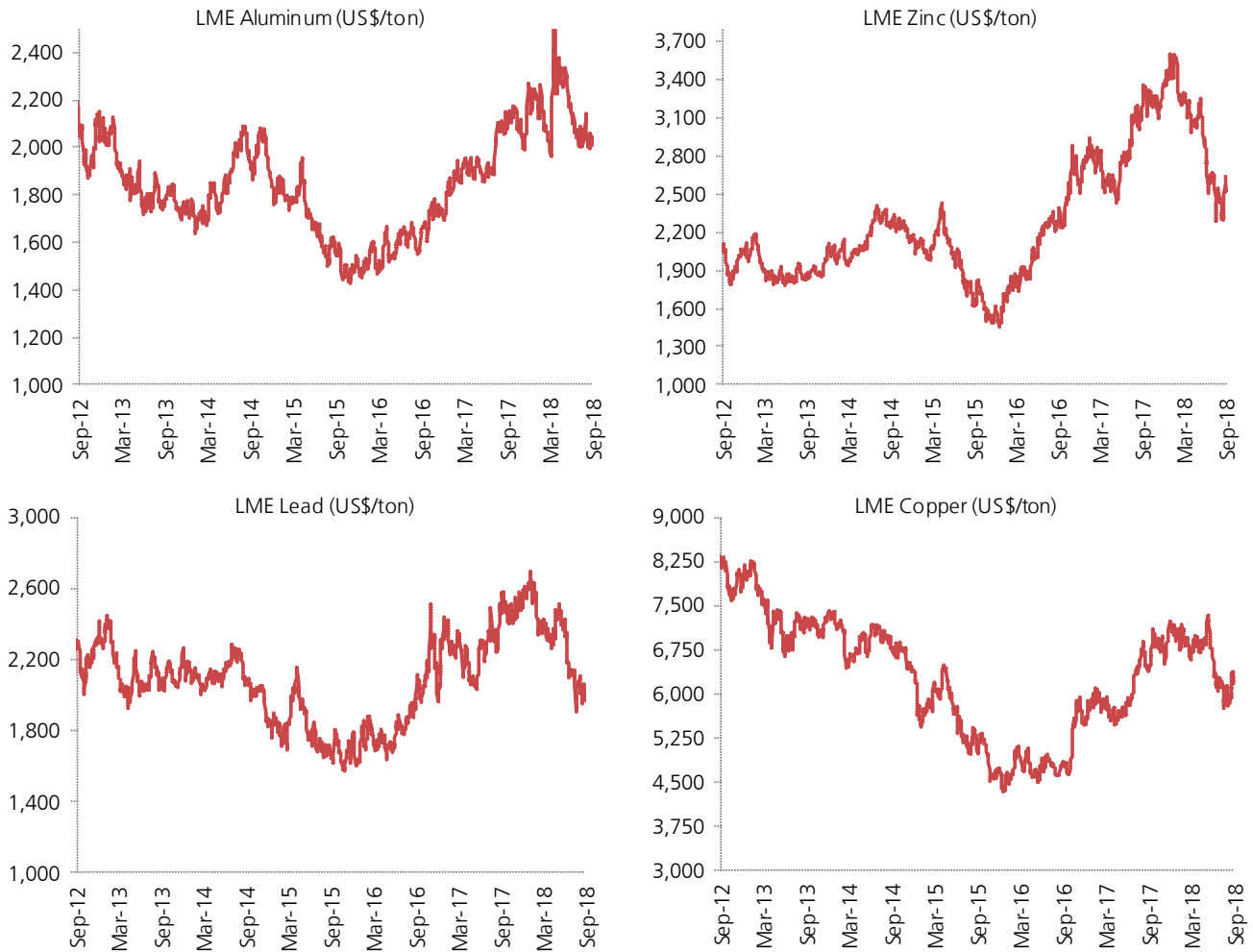
Exhibit 2: India's steel demand increased by 7.8% yoy during April - September 2018

India's steel production, consumption and trade volumes, 2018-2019E (mn tons)

	YTD		
	Apr-Sep 18	Apr-Sep 17	Change (%)
Summary (mn tons)			
Net production	48.2	45.0	7
Add: Imports	4.0	4.3	(7)
Less: Exports	3.1	4.8	(35)
Assumed consumption	49.1	44.5	10
Stock change	1.4	0.3	
Consumption	47.7	44.2	8

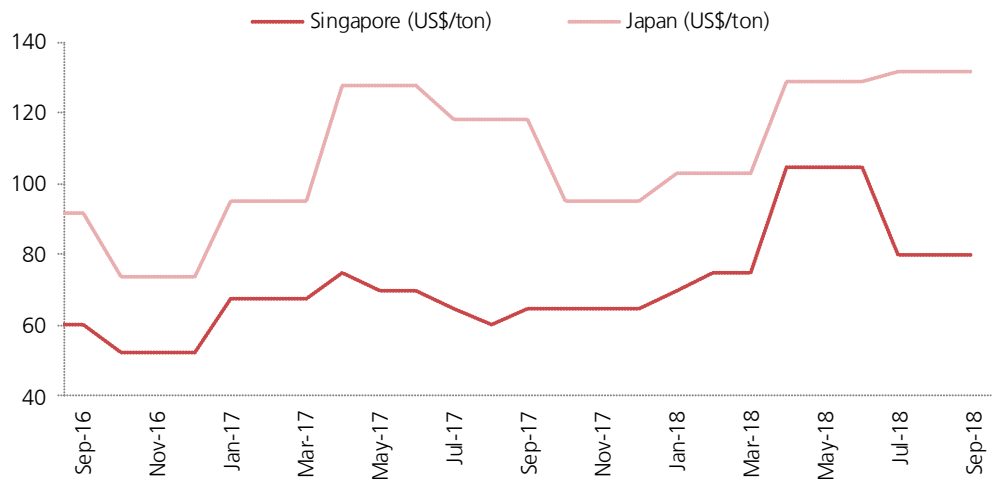
Source: JPC, Kotak Institutional Equities estimates

Exhibit 3: Average aluminum prices declined by 9% qoq while zinc prices declined by 18% qoq in 2QFY19
LME non-ferrous metals price movements, September 2012- 2018 (US\$/ton)



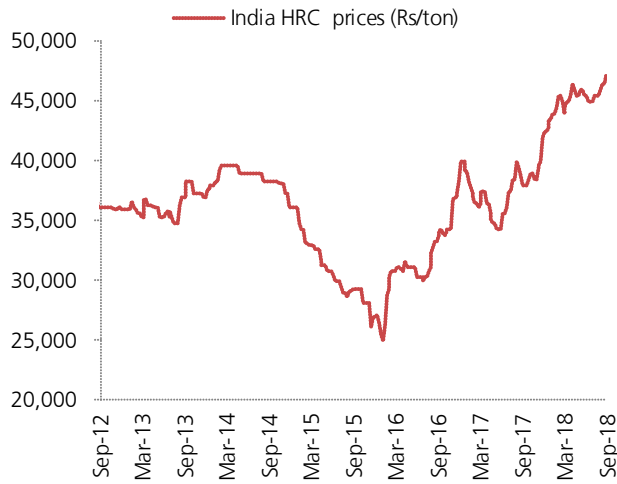
Source: Bloomberg, Kotak Institutional Equities estimates

Exhibit 4: Average ingot premiums for aluminum in Asia were flat in 2QFY19
Aluminum ingot premiums in Asia and Rotterdam, 2011-2018 (US\$/ton)



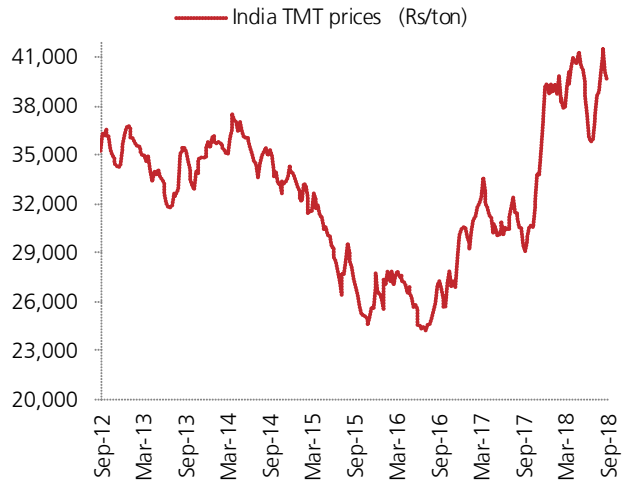
Source: CRU, Kotak Institutional Equities estimates

Exhibit 5: Domestic HRC prices declined marginally in 2QFY19
Domestic HRC price movement, 2012- 2018 (Rs/ton)



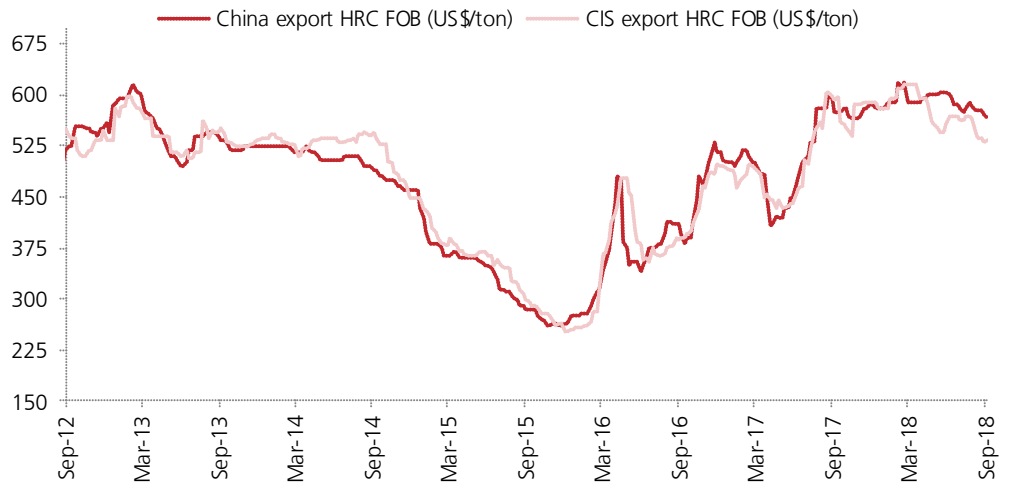
Source: CRU, Steelmint, Kotak Institutional Equities estimates

Exhibit 6: Domestic steel rebar prices declined 2-4% qoq
Domestic steel rebar price movement, 2012- 2018 (Rs/ton)



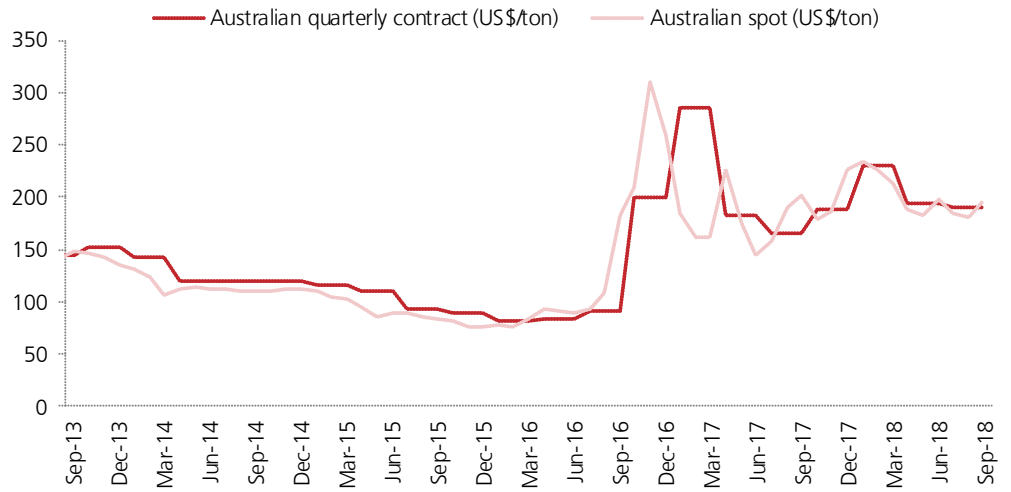
Source: CRU, Steelmint, Kotak Institutional Equities estimates

Exhibit 7: China HRC export prices declined 3% qoq in 2QFY19 to US\$580/ton
HRC steel export prices from China and CIS countries, 2012-2018 (US\$/ton)



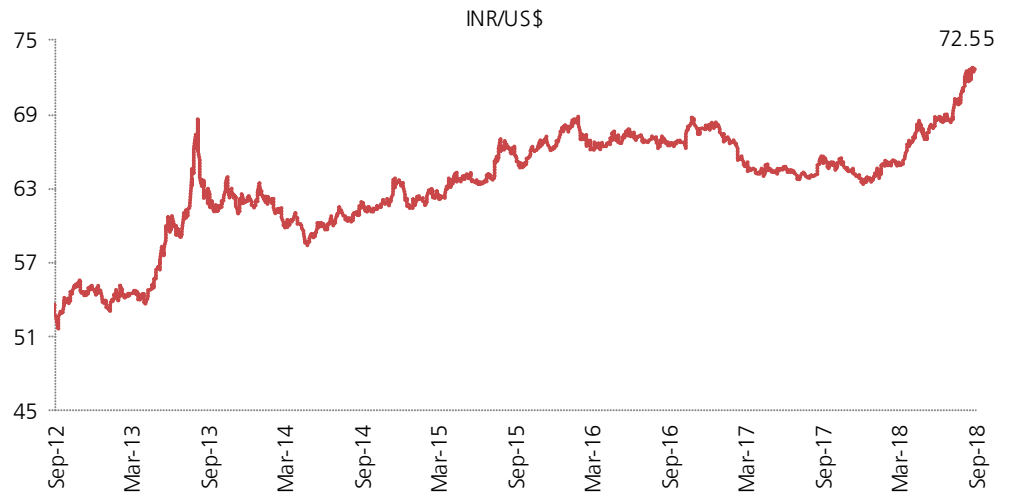
Source: Bloomberg, CRU, Kotak Institutional Equities estimates

Exhibit 8: Average spot coking coal prices declined 1% qoq to US\$188/ton in 2QFY19
 Australian coking coal contract and spot prices, 2013-2018 (US\$/ton)



Source: CRU, Bloomberg, Kotak Institutional Equities estimates

Exhibit 9: INR/US\$ closed 6% lower at 72.5/US\$ and on average was down 5% to Rs70.1/US\$
 Movement in INR/US\$ rate, September 2012- 2018 (Re/US\$)



Source: Bloomberg, Kotak Institutional Equities estimates

Exhibit 10: Results preview for ferrous companies, 2QFY18-2QFY19E (Rs mn)

	2QFY18	1QFY19	2QFY19E	Change (%)		
				yoy	qoq	
FERROUS						
Jindal Steel and Power - Standalone						
Net Sales	37,837	66,900	70,276	86	5	
EBITDA	7,837	15,384	14,606	86	(5)	
EBIT	2,880	9,617	8,781	205	(9)	
Net profit (adjusted)	(1,055)	3,323	2,611	(347)	(21)	
Steel deliveries ('000 tons)	830	1,190	1,270	53	7	JSP's steel deliveries increased by 53% yoy to 1.27 mn tons (+7% qoq). We expect steel realizations to decline by 2% qoq due to fall in long product prices and EBITDA/ton to decline by 11% qoq to Rs11,500—we expect iron-ore costs to increase as well.
Jindal Steel and Power - consolidated						
Net Sales	62,393	96,024	98,506	58	3	
EBITDA	13,734	21,508	20,649	50	(4)	
EBIT	3,758	11,109	10,145	170	(9)	
Net profit (adjusted)	(3,431)	1,808	985	NM	(46)	
Steel deliveries ('000 tons)	830	1,190	1,270	53	7	Jindal Power's generation declined 12% qoq to 2.4 bn units (flat yoy) in 2QFY19. We expect Jindal Power's EBITDA to decline 9% qoq to Rs2.8 bn (-18% yoy).
Power sales - Jindal Power (mn units)	2,427	2,751	2,425	(0)	(12)	We estimate EBITDA for all subsidiaries combined at Rs6 bn (+2% yoy, -1% qoq). The sequential decline is due to lower EBITDA at Jindal Power on account of lower generation.
JSW Steel - consolidated						
Net Sales	166,380	199,500	203,308	22	2	
EBITDA	30,360	51,050	49,026	61	(4)	
EBIT	21,850	42,180	40,111	84	(5)	
Net profit (adjusted)	8,390	23,660	22,130	164	(6)	
Steel deliveries ('000 tons)	3,940	4,110	4,191	6	2	We expect marginal decline in steel realizations as the company's sales in long products are limited to <25% of overall sales mix. We note that long product prices declined by 2-4% qoq in 2QFY19 while flat product prices were marginally down.
EBITDA/ton (Rs)	7,467	12,590	11,750	57	(7)	We expect increase in iron-ore costs due to prices increases by Odisha miners. We expect EBITDA/ton to decline by 6% qoq to Rs11,750 (+57% yoy) due to lower realizations and cost increase.
Tata Steel - Standalone						
Net Sales	142,209	164,055	175,616	23	7	
EBITDA	33,753	50,719	54,061	60	7	
EBIT	27,123	45,913	49,731	83	8	
Net profit (adjusted)	13,207	26,528	28,010	112	6	
Steel deliveries ('000 tons)	3,130	2,970	3,180	2	7	
Average realisation/ton (Rs)	45,164	54,392	54,380	20	(0)	We expect marginal decline in India steel realizations due to weak prices in the long product segment. We estimate India EBITDA/ton at Rs17,000 (+55% yoy, flat qoq).
EBITDA/ton (Rs)	10,959	17,077	17,000	55	(0)	India steel deliveries increased 2% yoy to 3.18 mn tons (+7% qoq) in 2QFY19.
Tata Steel - Consolidated						
Net Sales	324,641	378,328	428,361	32	13	
EBITDA	47,207	64,677	75,476	60	17	
EBIT	32,474	46,620	55,205	70	18	
Net profit	9,759	19,540	25,528	162	31	
Adjusted net profit	10,205	22,976	25,528	150	11	
Steel deliveries ('000 tons)	6,450	6,550	7,220	12	10	
Average realisation/ton (US\$)	783	862	846	8	(2)	
EBITDA/ton (US\$)	114	147	149	31	1	We expect Europe EBITDA/ton to decline to US\$70 (US\$101/ton in 1QFY19) due to higher maintenance repair costs and lower steel spreads. The European steel deliveries were lower at 2.25 mn tons (-13% yoy, -8% qoq).
NMDC						
Net Sales	24,213	24,220	23,592	(3)	(3)	
EBITDA	12,030	14,239	14,276	19	0	
EBIT	11,411	13,623	13,654	20	0	
Net profit (adjusted)	8,444	9,753	9,775	16	0	
Saleable ore ('000 dmt)	8,296	6,870	6,445	(22)	(6)	
Average realisation/ton (Rs)	2,919	3,525	3,660	25	4	We expect iron-ore sales to decline by 22% yoy to 6.4 mn tons (-6% qoq) due to lower off-take from Chhattisgarh mines. We expect sales from Chhattisgarh mines to decline by 37% yoy to 3.3 mn tons while Karnataka sales to increase by 1% yoy to 3.2 mn tons. We expect blended realization to increase 4% qoq to Rs3,660/ton led by higher prices at Chhattisgarh operations, partially offset by lower prices in Karnataka. We expect EBITDA/ton to increase 6% qoq to Rs2,210/ton (+53% yoy).

Source: Company, Kotak Institutional Equities estimates

Exhibit 11: Result preview for non-ferrous companies, 2QFY18-2QFY19E (Rs mn)

	2QFY18	1QFY19	2QFY19E	Change (%)		
				yoy	qoq	
NON - FERROUS						
Hindalco Industries--standalone						
Net Sales	97,700	116,811	101,682	4	(13)	
EBITDA	13,899	13,253	10,312	(26)	(22)	We expect India EBITDA (including Utkal Alumina) to decline by 16% qoq to Rs15.6 bn (-2% yoy) due to (1) increase in aluminum production costs by ~4% qoq and lower aluminum prices (-9% qoq), and (2) shutdown at the copper smelter in July.
EBITDA (including Utkal)	15,909	18,452	15,570	(2)	(16)	
EBIT	11,967	10,265	7,325	(39)	(29)	
Net profit (adjusted)	3,930	4,135	2,183	(44)	(47)	
Primary aluminium ('000 tons)	329	300	325	(1)	8	We expect copper EBITDA to decline to Rs2.8 bn (-16% qoq) due to lower volumes. We expect aluminum EBITDA (including Utkal) to decline to Rs12.5 bn (+8% yoy, -18% qoq) due to price-cost effect.
Copper cathodes ('000 tons)	96	86	73	(24)	(15)	
Aluminium EBITDA/ton (US\$)	547	761	551	1	(28)	
Novelis (US\$ mn)						
Net Sales (US\$ mn)	2,794	3,097	3,022	8	(2)	
Adjusted EBITDA (US\$ mn)	302	332	330	9	(1)	We expect adjusted EBITDA before metal price lag at US\$330 mn (+9% yoy). We expect shipments to increase 2% yoy and EBITDA/ton to increase 7% yoy to US\$404/ton.
EBIT (US\$ mn)	195	285	251	29	(12)	
Net profit—adjusted (US\$ mn)	76	113	131	72	16	We expect higher EBITDA in (1) Asia (US\$49 mn, +33% yoy), (2) Europe (US\$62 mn, +22% yoy), and (3) South America (US\$97 mn, +8% yoy).
Rolled shipments ('000 t)	802	797	816	2	2	We expect higher recycling will continue to aid earnings.
Adj. EBITDA/ton -rolled (US\$)	377	417	404	7	(3)	
Hindustan Zinc						
Net Sales	53,090	53,100	48,102	(9)	(9)	We expect lower zinc production due to transition from open-cast to underground mines—we expect refined zinc volumes to decline by 12% yoy to 169,000 tons (2% qoq). The lead production will improve from ramp-up of SK mines and we estimate lead volumes of 49,000 tons (+30% yoy, +17% qoq) and silver volumes of 155 tons (+11% yoy, +13% qoq).
EBITDA	30,240	27,130	24,090	(20)	(11)	
EBIT	31,170	26,250	23,876	(23)	(9)	
Net profit	23,209	19,180	17,213	(26)	(10)	
Refined Zinc ('000 tons)	193	170	169	(12)	(0)	Earnings will also be impacted by lower metal prices as LME zinc prices declined by 18% qoq to US\$2,540/ton and silver prices declined by 10% qoq. We have assumed some respite in costs as 1QFY19 was affected by one-off wage settlement cost of Rs1.3 bn.
Refined Lead ('000 tons)	40	42	49	23	17	
Silver (tons)	146	141	155	6	10	
National Aluminium Co.						
Net Sales	24,548	29,733	30,142	23	1	We expect another strong quarter led by higher alumina realizations—the benchmark alumina prices increased by 2% qoq to US\$535/ton in 2QFY19. We model alumina sales of 320,000 tons (-13% yoy, +3% qoq).
EBITDA	3,355	10,111	9,930	196	(2)	
EBIT	2,231	8,894	8,701	290	(2)	
Net profit	2,346	6,871	6,097	160	(11)	We expect aluminum segment profitability to decline due to lower aluminum prices (-9% qoq) and increase in inter-segment alumina transfer price. We expect moderate increase in coal costs due to poor availability.
Aluminium deliveries ('000 tons)	105	110	111	6	1	
Vedanta						
Net Sales	215,900	222,060	200,164	(7)	(10)	We expect sequential decline in EBITDA due to (1) lower aluminum EBITDA of Rs6.1 bn (+33% yoy, -52% qoq) on account of increase in alumina, coal costs, (2) decline in HZ's EBITDA (Rs24.1 bn, -12% qoq) and (3) lower EBITDA in iron-ore operations.
EBITDA	56,690	62,840	57,628	2	(8)	
EBIT	42,430	44,880	39,848	(6)	(11)	
Net profit	20,910	15,330	13,574	(35)	(11)	We expect another weak quarter at Zinc International (EBITDA: Rs549 mn, -86% yoy) due to lower production at Skorpioń and as Gamsberg is still in initial stages of ramp-up (concentrate production was expected only from September 2018). We factor higher production costs at Zinc International due to low volumes.
Adjusted net profit	20,360	15,330	13,574	(33)	(11)	
Copper cathodes ('000 tons)	106	24	—	(100)	(100)	
Aluminum ('000 tons)	384	469	483	26	3	
Power wheeled units (mn units)	2,950	3,314	3,811	29	15	We estimate EBITDA from oil & gas operations to increase 18% qoq to Rs21.8 bn (+85% yoy) led by higher crude prices and volumes. We expect power EBITDA to increase 12% qoq to Rs4.8 bn led by higher generation.
Refined Zinc ('000 tons)	193	170	169	(12)	(0)	
Refined Lead ('000 tons)	40	42	49	23	17	
Silver (kg)	146	141	155	6	10	

Source: Company, Kotak Institutional Equities estimates

Exhibit 12: Metals comparative valuation

Company	Market cap. (US\$ mn)	CMP (Rs) 9-Oct	Target price (Rs)	Rating	EPS (Rs)				P/E (X)			
					2017	2018	2019E	2020E	2017	2018	2019E	2020E
NMDC	4,565	107	120	REDUCE	8.2	11.7	12.2	10.5	13.1	9.1	8.8	10.2
Hindustan Zinc	15,552	273	280	REDUCE	19.7	21.5	20.7	23.9	13.9	12.7	13.2	11.4
Jindal Steel and Power	2,281	175	215	REDUCE	(20.9)	(8.5)	8.1	13.7	NM	NM	21.5	12.8
JSW Steel	12,051	370	350	SELL	14.7	26.9	31.3	26.2	25.3	13.8	11.9	14.1
National Aluminium Co.	1,587	61	87	BUY	3.5	6.9	9.8	8.3	17.6	8.8	6.2	7.4
Vedanta	10,602	212	360	BUY	19.7	21.6	27.4	38.0	10.8	9.8	7.7	5.6
Tata Steel	8,799	572	660	ADD	41.4	67.3	75.9	85.1	13.8	8.5	7.5	6.7
Hindalco Industries	6,777	224	330	BUY	8.6	21.9	28.0	33.0	26.2	10.3	8.0	6.8

Company	EV/EBITDA (X)				Price/BV (X)				RoE (%)			
	2017	2018	2019E	2020E	2017	2018	2019E	2020E	2017	2018	2019E	2020E
NMDC	7.9	5.0	5.4	6.2	1.5	1.4	1.3	1.2	10.0	16.2	15.3	24.4
Hindustan Zinc	10.2	7.8	7.6	6.2	4.1	3.4	3.0	2.6	22.1	29.4	24.2	24.4
Jindal Steel and Power	13.4	9.1	6.5	5.9	0.5	0.6	0.6	0.5	(6.1)	(2.7)	2.7	4.3
JSW Steel	10.8	8.6	7.0	8.2	3.9	3.2	2.6	2.2	16.9	25.6	24.0	16.9
National Aluminium Co.	7.7	6.1	2.8	3.3	1.2	1.1	1.1	1.1	6.1	5.4	17.6	14.4
Vedanta	5.8	5.6	4.9	3.7	1.3	1.2	1.2	1.0	14.0	12.9	15.4	19.4
Tata Steel	8.2	6.3	5.9	6.2	1.6	1.2	1.0	1.0	10.4	17.2	14.3	14.3
Hindalco Industries	7.8	6.4	5.4	4.5	1.1	0.9	0.8	0.7	4.4	9.7	10.8	11.4

Source: Kotak Institutional Equities estimates

OCTOBER 10, 2018

UPDATE

BSE-30: 34,299

June 2018 performance indicators – the slide continues. Consumer-level wireless spends in India formed a new low in the June 2018 quarter both in absolute terms (₹288 bn) and as a percentage of nominal GDP (0.64%). Spends are down nearly 37% versus pre-Jio peak levels. Accelerated re-pricing in the postpaid segment is adding to the overall revenue slide. Ongoing pricing activity in the sector indicates that pressure on wireless spends could continue for the next few quarters.

Quarterly performance indicators report (PIR), June 2018: wireless spends hits a new low, again

At ₹288 bn absolute and 0.64% of nominal GDP, consumer-level wireless spends in India hit a new low in the June 2018 quarter. Spends declined 7.9% qoq in June 2018 (highest decline in five quarters) as pressure from the ongoing down-trading impact in prepaid mobile broadband segment was further exacerbated by accelerated postpaid re-pricing as incumbents look to protect their postpaid subs base from Jio's aggressive intent to make inroads into this segment. Annualized spends of ₹1.14 tn represent a 37% decline over the pre-Jio peak levels.

In our opinion, Indian wireless spends could continue to trend downwards for a few more quarters; we do not see any signs of a change in Jio's pricing stance. Jio is now looking to make inroads into the postpaid segment and its quest to break into enterprise/corporate segment may have just begun; incumbents are trying to ring-fence via voluntary repricing. Even as down trading in the prepaid segment is not completely done, we are perhaps getting close to its end. Jio's aggressiveness in the feature phone segment (with its JioPhone monsoon hungama exchange offer) could hurt overall industry spends, for some time, before turning accretive.

LTE subs base expands to 333 mn; LTE subs now form 68% of total data subs

LTE subs base expanded by 46 mn qoq to 333 mn subs; with 215 mn subs, Jio accounted for 65% of these subs. Incumbent's share of the incremental LTE customers acquired in June 2018 quarter stood at 37%, down from 47% in the previous quarter.

Continued strong volume growth could keep network capex elevated

Total wireless data usage in the June 2018 quarter increased 29% qoq and 148% yoy to 10.7 bn GB. As much as 85% of this was carried on LTE networks while 3G and 2G networks carried 13.8% and 1.1%, respectively. MOU per sub stood at 607 minutes/month for the quarter, +4% qoq and +42% yoy. Total voice traffic grew 3.3% qoq and 41% yoy to 2.12 tn minutes.

Jio's reported 6.6 bn GB data volumes for the June 2018 quarter places its share of industry's data volumes at 60% for the quarter, down from 61% in March 2018 and 65% in December 2017 quarter. Jio's share of LTE volumes stood at a higher 71% for June 2018 (74% and 79% in March 2018 and December 2017 quarters, respectively). Incumbents' share of LTE volumes for the quarter stood at around 29.3% with share of incremental LTE volumes at 41.1%.

An average data sub in India consumed nearly 7.5 GB data per month in the June 2018 quarter, up from 6.3 GB/month in March 2018 and 3.6 GB/month in June 2017. An average LTE sub consumed nearly 10 GB. Interestingly, average data usage per sub continues to grow on 3G networks as well – it touched 5 GB per month in the June 2018 quarter, up from 4.2 GB/month in March 2018 and just under 2 GB/month in June 2017. This continues to suggest that the incumbents' LTE subs are still forced to use their 3G networks due to LTE non-availability. We had expected data consumption on 3G networks to start flattening out or even declining by now. That this hasn't happened suggests that incumbents may still be behind the eight ball as far as relative LTE network coverage is concerned. Implication: capex likely to stay elevated.

Rohit Chordia

Aniket Sethi

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

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Revenue KPIs								
Aggregate spend								
Consumer-level spend (ex service tax, Rs bn)	384	351	291	286	299	278	265	244
Consumer-level spend (incl. service tax, Rs bn)	442	404	335	329	353	328	313	288
As % of nominal GDP (%)	1.18	1.02	0.81	0.83	0.87	0.77	0.70	0.64
Postpaid net revenues (Rs bn)	77	75	67	66	59	54	57	48
Prepaid net revenues (Rs bn)	307	276	224	220	240	224	208	197
Total (Rs bn)	384	351	291	286	299	278	265	244
Change yoy (%)	6	(5)	(24)	(26)	(22)	(21)	(9)	(15)
Voice revenues (Rs bn)	257	232	202	196	170	158	148	131
Data revenues (Rs bn)	94	81	69	75	119	129	141	135
Other revenues, including net IUC (Rs bn)	33	38	21	14	10	(9)	(24)	(22)
Total (Rs bn)	384	351	291	286	299	278	265	244
Net spend per month (ex service tax) per sub (Rs)								
Postpaid	496	462	416	393	365	352	360	305
Prepaid	103	86	67	65	71	67	61	60
Overall	122	104	83	80	84	80	76	69
Voice KPIs								
GSM volumes (bn min)	1,114	1,158	1,380	1,500	1,539	1,735	2,052	2,120
CDMA volumes (bn min)	22	12	10	9	6	2	1	0
Total volumes (bn min)	1,137	1,170	1,390	1,508	1,545	1,737	2,053	2,120
Change yoy (%)	4	5	21	31	36	48	48	41
CDMA as % of total	2.0	1.0	0.7	0.6	0.4	0.1	0.0	0.0
MOU (min/sub/month)	363	358	403	427	435	493	582	607
Data KPIs								
Subs (mn)								
2G	172	152	142	127	101	80	78	62
3G	144	128	126	121	109	106	106	95
4G	27	87	129	160	197	238	288	333
CDMA	3	3	3	2	2	1	1	0
Total	346	369	401	410	408	425	473	491
Data volumes (mn GB)								
2G	124	106	95	103	113	112	115	112
3G	329	319	392	707	973	1,115	1,291	1,475
4G	278	2,489	3,039	3,481	4,461	5,446	6,853	9,081
CDMA	32	25	20	17	13	6	2	1
Total	763	2,939	3,546	4,307	5,560	6,678	8,261	10,668
Change qoq (%)	56	285	21	21	29	20	24	29
Data usage per sub (MB/month)								
2G	239	223	221	261	339	422	498	544
3G	814	801	1,052	1,953	2,895	3,550	4,156	4,991
4G	7,096	14,970	9,599	8,217	8,536	8,542	8,891	9,981
CDMA	1,156	2,986	2,557	2,298	2,169	1,509	1,066	359
Overall	772	2,806	3,144	3,628	4,638	5,473	6,284	7,556

Source: TRAI, Kotak Institutional Equities

September 2018: Results calendar

Mon	Tue	Wed	Thu	Fri	Sat	Sun
8-Oct	9-Oct	10-Oct	11-Oct	12-Oct	13-Oct	14-Oct
		Indiabulls Ventures	TCS	Hindustan Unilever	AU Small Finance	
		Zee Entertainment Enterprises			Avenue Supermarts	
15-Oct	16-Oct	17-Oct	18-Oct	19-Oct	20-Oct	21-Oct
Indiabulls Housing	Crisil	ACC		SBI Life Insurance	HDFC Bank	
IndusInd Bank	Federal Bank	DCB Bank		UltraTech Cement	ICICI Lombard	
	Hero Motocorp	Havells india				
	Infosys	Mindtree				
	J&K Bank	Mphasis				
	Mahindra CIE Automotive					
22-Oct	23-Oct	24-Oct	25-Oct	26-Oct	27-Oct	28-Oct
Asian Paints	Adani Port and SEZ	Bajaj Auto	Biocon	Bharat Electronics		
GlaxoSmithkline Pharmaceuticals	Ambuja Cements	Bajaj Holding & Investment	Crompton Greaves Consumer	Coromandel International		
Kansai Nerolac	Bajaj Finance	Bharat Financial Inclusion	JSW Steel	Dr Reddy's Laboratories		
	Bajaj Finserv	Hexaware Technologies	Yes Bank	ICICI Bank		
	HDFC Standard Life	IDFC Bank		PI Industries		
	ICICI Prudential Life	Jubilant Foodworks				
	RBL Bank	L&T Infotech				
	TVS Motor	Mahindra & Mahindra Financial				
		SIS				
		SKF				
		Wipro				
29-Oct	30-Oct	31-Oct	1-Nov	2-Nov	3-Nov	4-Nov
Carborundum Universal	Cholamandalam	Dabur India	Berger Paints	Aditya Birla Fashion	Endurance Technologies	
Colgate-Palmolive (India)	Info Edge		HDFC	Axis Bank		
GRUH Finance	Pdillite Industries			Gillette India		
Tata Power	Tech Mahindra			Magma Fincorp		
	The Ramco Cement			P&G Hygiene		
	Torrent Power					
5-Nov	6-Nov	7-Nov	8-Nov	9-Nov	10-Nov	11-Nov
Cipla				Amara Raja Batteries		
Timken				Titan Company		
WABCO India						
12-Nov	13-Nov	14-Nov	15-Nov	16-Nov	17-Nov	18-Nov

Source: NSE, Kotak Institutional Equities

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	
		9-Oct-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	2021E	(US\$ mn)
NBFCs																													
Bajaj Finance	SELL	2,061	2,000	(3.0)	1,191	16.1	575	68	90	114	56.6	31.9	27.3	30.3	23.0	18.1	—	—	—	6.2	5.0	4.0	22.4	24.0	24.6	0.3	0.4	0.6	81.7
Bajaj Finserv	REDUCE	5,429	6,100	12.4	864	11.7	159	245	307	376	39.7	25.2	22.5	22.1	17.7	14.4	—	—	—	3.5	2.9	2.5	17.5	18.1	18.6	0.3	0.3	0.3	21.9
Bharat Financial Inclusion	NA	996	—	—	140	1.9	139	43	54	69	31.1	27.2	25.8	23.3	18.3	14.5	—	—	—	3.8	3.1	2.5	17.9	18.5	19.0	—	—	—	11.5
Cholamandalam	ADD	1,065	1,425	33.9	166	2.2	156	74	92	113	19.4	23.8	23.1	14.3	11.6	9.4	—	—	—	2.9	2.4	2.0	20.6	21.3	21.7	0.8	1.0	1.3	7.9
HDFC	ADD	1,713	2,020	17.9	2,906	39.2	1,676	55	65	79	(27.3)	18.7	21.2	31.2	26.3	21.7	—	—	—	3.9	3.6	3.2	13.6	14.2	15.7	1.2	1.4	1.8	82.5
HDFC Standard Life Insurance	SELL	361	405	12.1	728	9.8	2,007	6	7	8	14.8	10.9	14.7	56.9	51.3	44.7	—	—	—	15.1	13.5	12.0	28.0	27.7	28.4	0.4	0.5	0.6	7.9
ICICI Lombard	SELL	735	620	(15.6)	334	4.5	454	26	32	37	37.1	21.5	18.5	28.2	23.2	19.6	—	—	—	6.2	5.2	4.3	23.8	24.2	24.0	0.8	1.0	1.2	5.8
ICICI Prudential Life	BUY	317	500	57.8	455	6.1	1,436	12	13	15	10.1	7.0	10.0	25.5	23.9	21.7	—	—	—	5.7	4.8	4.1	24.5	21.8	20.2	0.7	0.7	0.8	8.5
IIFL Holdings	SELL	452	625	38.2	144	1.9	319	38	45	52	31.5	18.6	16.0	12.0	10.1	8.7	—	—	—	2.2	1.9	1.6	20.5	20.0	20.0	1.8	2.1	2.4	2.0
L&T Finance Holdings	ADD	124	165	33.3	247	3.3	1,996	13	14	16	70.9	12.3	12.8	9.9	8.8	7.8	—	—	—	1.8	1.5	1.3	18.9	18.8	18.3	1.6	2.0	1.9	21.1
LIC Housing Finance	BUY	403	580	43.9	203	2.7	505	48	55	66	10.9	13.9	19.8	8.3	7.3	6.1	—	—	—	1.3	1.1	1.0	17.0	16.2	16.9	1.9	2.1	2.6	17.3
Magma Fincorp	BUY	103	165	59.7	28	0.4	237	13	17	21	34.0	31.8	23.0	7.9	6.0	4.9	—	—	—	1.0	0.9	0.8	13.9	15.8	17.0	1.9	2.5	3.1	1.0
Mahindra & Mahindra Financial	ADD	371	450	21.3	229	3.1	614	23	28	34	58.4	23.2	18.6	16.1	13.1	11.0	—	—	—	2.3	2.1	1.9	14.3	15.8	16.7	1.7	2.1	2.5	12.2
Max Financial Services	ADD	373	650	74.2	100	1.4	268	6	6	6	36.9	1.8	1.8	59.5	58.4	57.4	—	—	—	—	—	—	8.3	8.0	7.8	0.6	0.6	0.6	5.8
Muthoot Finance	ADD	373	480	28.7	149	2.0	400	40	42	48	(7.8)	6.0	14.8	9.4	8.9	7.7	—	—	—	1.7	1.5	1.3	19.0	17.6	17.8	2.4	2.6	3.0	7.5
PNB Housing Finance	REDUCE	880	1,200	36.4	147	2.0	167	62	75	92	25.3	20.9	22.4	14.1	11.7	9.5	—	—	—	2.0	1.8	1.5	15.2	15.9	17.0	0.4	0.4	0.4	4.3
SBI Life Insurance	ADD	540	785	45.3	540	7.3	1,000	15	18	21	26.0	22.9	17.0	37.2	30.2	25.8	—	—	—	7.1	5.9	5.0	20.6	21.3	20.9	0.4	0.5	0.6	3.3
Shriram City Union Finance	ADD	1,563	2,120	35.6	103	1.4	66	139	171	206	38.1	22.6	20.5	11.2	9.2	7.6	—	—	—	1.8	1.6	1.4	15.5	16.7	17.4	1.1	1.4	1.7	1.4
Shriram Transport	BUY	956	1,450	51.7	217	2.9	227	109	127	143	57.8	16.2	12.5	8.8	7.5	6.7	—	—	—	1.5	1.3	1.1	17.6	17.2	16.8	1.6	1.9	2.2	29.3
NBFCs					8,892	120					13.2	19.5	19.6	22.9	19.2	16.1				3.6	3.2	2.7	15.9	16.5	17.1	0.9	1.0	1.2	738.3
Cement																													
ACC	SELL	1,466	1,270	(13.4)	275	3.7	188	62	70	81	27.0	13.8	15.2	23.7	20.8	18.1	13.0	11.2	9.4	2.7	2.5	2.3	11.9	12.5	13.1	1.2	1.2	1.2	16.8
Ambuja Cements	REDUCE	205	210	2.6	406	5.5	1,986	9	11	12	14.5	23.2	15.8	23.8	19.3	16.7	7.8	6.4	5.3	1.9	1.8	1.7	8.1	9.5	10.4	1.8	1.8	1.8	10.7
Dalmia Bharat	ADD	2,077	2,830	36.3	185	2.5	89	94	122	139	55.8	29.3	14.8	22.1	17.1	14.9	8.6	7.0	5.9	2.7	2.3	2.0	12.9	14.6	14.5	0.1	0.1	0.1	4.3
Grasim Industries	BUY	902	1,170	29.7	593	8.0	657	46	55	70	(2.5)	18.8	28.0	19.5	16.4	12.8	7.0	6.7	6.2	1.0	0.9	0.9	5.2	5.9	7.1	0.6	0.6	0.6	16.8
India Cements	REDUCE	93	118	27.4	29	0.4	308	4	8	12	28.0	102.6	41.3	22.2	10.9	7.7	7.8	6.1	5.1	0.5	0.5	0.5	2.5	4.8	6.5	1.1	1.1	1.1	9.8
J K Cement	ADD	697	890	27.6	49	0.7	70	45	79	78	3.7	75.4	(0.8)	15.5	8.9	8.9	9.5	7.9	6.4	2.2	1.8	1.5	15.0	22.3	18.5	1.1	1.1	1.1	0.4
JK Lakshmi Cement	ADD	281	370	31.8	33	0.4	118	11	28	37	153.5	147.9	30.5	24.8	10.0	7.7	9.1	5.9	4.7	2.1	1.8	1.5	8.9	19.5	21.0	0.7	0.7	0.7	0.4
Orient Cement	ADD	84	145	72.4	17	0.2	205	7	11	15	212.9	58.7	41.3	12.4	7.8	5.6	6.4	4.9	3.6	1.5	1.3	1.1	12.9	18.2	21.8	1.8	2.4	2.4	0.3
Shree Cement	SELL	15,745	12,500	(20.6)	548	7.4	35	421	630	760	6.0	49.7	20.6	37.4	25.0	20.7	17.3	12.9	10.5	5.4	4.5	3.8	15.4	19.7	19.8	0.3	0.3	0.3	5.6
UltraTech Cement	SELL	3,782	2,950	(22.0)	1,039	14.0	275	126	162	201	42.7	28.9	24.0	30.1	23.3	18.8	15.8	13.0	10.8	3.6	3.1	2.7	12.6	14.3	15.4	0.3	0.3	0.3	19.2
Cement					3,175	43					19.5	30.3	21.8	25.7	19.7	16.2	10.0	8.6	7.4	2.1	2.0	1.8	8.4	10.0	11.0	0.6	0.6	0.6	84.4

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	
		9-Oct-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	2019E	2020E
Industrials																													
ABB	SELL	1,355	1,020	(24.7)	287	3.9	212	26	29	36	30.1	14.2	23.5	52.6	46.0	37.2	30.8	27.7	23.0	7.3	6.6	5.9	14.5	15.1	16.7	0.7	0.7	0.7	2.4
BHEL	REDUCE	70	89	26.7	258	3.5	3,671	3.3	5.5	7.6	47.9	69.3	38.0	21.6	12.8	9.3	6.5	4.0	2.9	0.8	0.8	0.8	3.6	6.1	8.2	2.9	4.8	6.7	9.6
Carborundum Universal	SELL	334	322	(3.6)	63	0.9	189	14	17	20	25.0	21.4	13.8	23.4	19.3	17.0	12.8	10.5	9.1	3.6	3.3	2.9	16.3	17.8	18.1	1.3	1.6	1.8	0.5
CG Power and Industrial	BUY	41	62	52.0	25	0.3	627	1.4	3.6	5.7	71.6	157.3	57.0	29.0	11.3	7.2	7.4	5.4	4.2	1.0	0.9	0.9	3.3	8.4	12.5	—	—	—	4.4
Cummins India	REDUCE	666	710	6.6	185	2.5	277	28	33	37	15.2	17.5	13.7	23.9	20.4	17.9	20.0	17.2	14.8	4.3	4.1	3.8	18.7	20.6	21.8	2.3	2.7	3.0	5.1
Kalpitaru Power Transmission	BUY	300	560	86.7	46	0.6	153	23.9	32.7	41.3	23.4	36.6	26.4	12.5	9.2	7.3	6.2	4.8	4.1	1.5	1.3	1.1	13.0	15.5	16.9	0.5	0.5	0.5	0.6
KEC International	BUY	250	410	63.8	64	0.9	257	21	27	33	16.9	29.7	23.0	12.0	9.2	7.5	7.0	5.7	4.8	2.6	2.1	1.7	24.1	25.2	24.9	0.9	1.2	1.4	2.7
L&T	BUY	1,221	1,600	31.0	1,712	23.1	1,401	62.8	67.1	83.3	21.5	6.8	24.1	19.4	18.2	14.7	15.7	15.0	13.0	3.1	2.8	2.5	16.7	16.1	18.0	1.7	1.8	2.3	49.7
Siemens	SELL	892	1,000	12.1	318	4.3	356	29	35	—	21.4	21.7	—	30.7	25.2	—	16.9	13.6	—	3.7	3.4	—	12.3	14.0	—	1.3	1.6	—	4.0
Thermax	REDUCE	890	1,065	19.7	106	1.4	113	27.8	38.7	43.8	34.7	39.2	13.2	32.0	23.0	20.3	20.2	14.9	12.7	3.5	3.1	2.9	11.1	14.3	14.7	1.1	1.2	1.4	1.1
Industrials	Neutral				3,064	41					23.8	17.8	15.7	22.0	18.7	16.1	14.7	13.0	10.9	2.6	2.4	2.4	11.8	12.9	14.7	1.6	1.9	2.2	80.0
Infrastructure																													
Adani Ports and SEZ	BUY	319	460	44.3	660	8.9	2,071	19	23	29	1.2	21.1	29.8	17.0	14.1	10.8	11.9	9.9	8.6	2.7	2.3	1.9	17.0	17.7	19.4	0.6	0.6	0.6	16.0
Ashoka Buildcon	BUY	107	220	106.5	30	0.4	282	9	10	10	4.1	17.8	(1.3)	12.2	10.3	10.5	8.1	6.8	6.4	1.3	1.2	1.1	11.8	12.3	11.0	1.6	1.2	1.2	0.6
Container Corp.	SELL	598	635	6.1	292	3.9	487	21	25	29	17.4	20.9	15.0	28.9	23.9	20.8	17.7	14.0	11.5	2.9	2.7	2.5	10.3	11.6	12.3	1.5	1.7	1.7	5.3
Dilip Buildcon	BUY	513	1,240	141.9	70	0.9	137	56	71	85	19.8	27.5	20.1	9.2	7.2	6.0	5.3	4.3	3.6	2.2	1.7	1.3	26.7	26.2	24.4	—	—	—	3.5
Gateway Distriparks	BUY	148	250	68.6	16	0.2	109	7	8	11	(5.8)	15.2	37.5	20.7	18.0	13.1	9.8	8.1	6.6	2.8	2.4	2.1	9.8	14.5	17.1	—	2.0	2.0	0.2
Gujarat Pipavav Port	BUY	100	150	49.4	48	0.7	483	5.3	6.5	7.8	29.7	22.9	19.3	18.8	15.3	12.8	9.9	8.1	6.7	2.4	2.3	2.2	12.7	15.3	17.8	4.4	5.4	6.3	0.6
IRB Infrastructure	BUY	125	320	155.8	44	0.6	351	31	33	23	36.8	7.1	(31.3)	4.1	3.8	5.5	5.8	6.3	7.6	0.7	0.6	0.5	17.6	16.3	10.0	2.5	3.2	3.4	5.7
Mahindra Logistics	REDUCE	512	565	10.4	36	0.5	71	15	21	25	50.7	39.3	23.7	34.6	24.9	20.1	19.2	13.9	11.0	7.2	5.8	4.7	22.7	25.8	25.8	—	—	—	0.5
Sadbhav Engineering	BUY	199	370	86.1	34	0.5	172	17	22	22	31.7	27.9	2.9	11.7	9.2	8.9	9.1	7.1	6.0	1.6	1.4	1.2	14.5	16.2	14.5	—	—	—	1.3
Infrastructure	Attractive				1,231	17					11.3	20.2	16.7	16.0	13.3	11.4	10.2	8.7	7.8	2.4	2.1	1.8	14.8	15.5	15.7	1.0	1.2	1.2	33.8
Internet																													
Info Edge	ADD	1,438	1,425	(0.9)	175	2.4	122	26	33	40	14.9	27.5	20.6	55.6	43.6	36.2	42.0	31.8	25.8	6.6	6.0	5.3	13.2	14.3	15.6	0.6	0.6	0.7	3.2
Just Dial	ADD	426	610	43.3	29	0.4	67	26	30	33	23.0	15.0	9.4	16.3	14.2	13.0	7.4	5.6	4.3	2.5	2.2	1.9	16.7	16.6	15.7	0.6	0.7	0.8	20.5
Internet	Cautious				204	3					17.6	23.0	16.8	41.6	33.8	28.9	30.1	23.6	19.7	5.4	4.8	4.3	12.9	14.2	14.7	0.6	0.6	0.7	23.7
Media																													
DB Corp.	REDUCE	194	270	39.2	36	0.5	184	20	23	26	14.9	12.3	14.8	9.6	8.5	7.4	5.0	4.4	—	1.9	1.9	—	20.7	22.3	25.2	8.7	10.9	13.0	0.5
DishTV	ADD	54	90	66.4	100	1.3	1,925	1.8	3.4	4.9	514.6	88.2	42.6	NM	15.7	11.0	4.8	3.7	2.9	1.5	1.3	1.2	5.1	8.9	11.5	—	—	—	4.4
Jaagran Prakashan	REDUCE	107	168	56.8	32	0.4	311	11	12	14	10.0	12.2	14.6	10.1	9.0	7.9	4.3	3.8	3.2	1.7	1.6	1.5	15.9	18.3	20.2	4.7	8.4	8.4	0.4
PVR	BUY	1,208	1,430	18.4	56	0.8	47	38	50	61	41.2	32.3	22.4	31.9	24.1	19.7	12.3	10.5	8.9	4.6	3.9	3.3	15.3	17.6	18.3	0.3	0.4	0.5	11.7
Sun TV Network	REDUCE	611	925	51.5	241	3.2	394	35	39	43	20.7	10.9	10.7	17.6	15.8	14.3	11.8	10.2	8.7	4.7	4.2	3.8	28.1	27.9	27.9	2.9	3.3	3.7	17.9
Zee Entertainment Enterprises	ADD	433	600	38.6	416	5.6	960	17	20	22	11.3	17.0	13.9	25.9	22.1	19.4	15.8	13.4	11.6	4.9	4.3	3.8	19.9	20.6	20.7	1.0	1.3	1.6	18.8
Media	Attractive				880	12					28.7	20.9	17.2	21.1	17.4	14.9	9.9	8.5	7.0	3.4	3.1	3.0	16.3	17.8	19.9	1.8	2.2	2.6	53.7

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	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)	
		9-Oct-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		
Metals & Mining																													
Coal India	ADD	274	320	16.8	1,701	22.9	6,207	25	25	27	120.4	2.2	6.6	11.0	10.8	10.1	8.4	7.1	6.5	6.8	7.5	7.9	62.7	65.9	76.0	7.3	9.1	9.1	14.7
Hindalco Industries	BUY	224	330	47.2	504	6.8	2,229	28	33	35	28.1	17.8	6.4	8.0	6.8	6.4	5.4	4.5	4.0	0.8	0.7	0.7	10.8	11.4	10.9	0.5	0.5	0.5	38.6
Hindustan Zinc	REDUCE	273	280	2.4	1,155	15.6	4,225	21	24	27	(3.8)	15.7	12.3	13.2	11.4	10.2	7.6	6.2	5.1	2.8	2.5	2.1	22.9	23.2	22.6	2.9	2.9	2.9	6.0
Jindal Steel and Power	REDUCE	175	215	22.8	169	2.3	968	8	14	22	195.9	68.5	60.8	21.5	12.8	7.9	6.5	5.9	5.0	0.6	0.5	0.5	2.7	4.3	6.5	—	—	—	36.0
JSW Steel	SELL	371	350	(5.8)	898	12.1	2,406	31	26	31	16.1	(16.2)	17.2	11.9	14.2	12.1	7.1	8.2	7.2	2.5	2.2	1.9	23.5	16.6	16.8	0.9	0.9	0.9	37.1
National Aluminium Co.	BUY	61	87	42.2	118	1.6	1,933	10	8	9	238.9	(16.0)	3.6	6.2	7.4	7.2	2.8	3.3	3.2	1.1	1.1	1.0	17.6	14.4	14.6	9.8	9.8	9.8	11.6
NMDC	REDUCE	107	120	11.9	339	4.6	3,164	12	10	11	4.2	(14.3)	5.9	8.8	10.2	9.7	5.4	6.2	5.8	1.3	1.2	1.2	15.3	12.4	12.5	5.1	5.1	5.1	6.5
Tata Steel	ADD	573	660	15.3	654	8.8	1,205	76	85	94	12.8	12.1	10.9	7.5	7	6.1	5.9	6.2	5.8	1.0	0.9	0.8	14.3	14.3	14.4	1.7	1.7	1.7	72.9
Vedanta	BUY	212	360	69.7	788	10.6	3,717	27	38	39	26.7	39.0	2.2	7.8	5.6	5.5	5.1	3.8	3.4	1.2	1.0	0.9	15.4	19.4	17.7	3.9	5.4	5.5	50.1
Metals & Mining	Attractive				6,327	85					35.8	10.0	9.1	9.9	9.0	8.3	6.2	5.7	5.2	1.7	1.6	1.4	17.3	17.5	17.3	3.8	4.5	4.5	273.5
Pharmaceutical																													
Apollo Hospitals	ADD	1,099	1,090	(0.8)	153	2.1	139	20	27	33	133.5	36.7	21.6	55.7	40.8	33.5	19.5	16.5	14.5	4.4	4.1	3.8	8.2	10.5	11.8	0.4	0.6	0.7	15.5
Aster DM Healthcare	BUY	156	240	53.8	79	1.1	505	5	8	12	74.4	62.0	51.4	32.5	20.0	13.2	11.8	9.3	7.2	2.6	2.3	2.0	8.3	12.2	16.3	—	—	—	0.2
Aurobindo Pharma	ADD	767	760	(0.9)	449	6.1	584	42	57	64	1.0	35.8	12.3	18.2	13.4	11.9	12.1	9.0	8.0	3.2	2.7	2.2	19.3	19.9	18.6	0.7	0.8	1.0	39.9
Biocon	SELL	587	330	(43.8)	352	4.8	601	8	15	18	35.9	75.7	21.7	69.7	39.7	32.6	30.3	20.3	17.3	5.8	5.2	4.7	8.7	13.9	14.3	0.5	0.9	1.1	23.4
Cipla	BUY	639	680	6.4	515	6.9	805	24	31	40	34.5	31.0	29.4	27.2	20.7	16.0	15.3	12.1	9.5	3.2	2.9	2.5	12.4	14.6	15.7	0.8	1.0	1.3	22.8
Dr Lal Pathlabs	REDUCE	950	900	(5.3)	79	1.1	83	24	29	34	19.0	17.9	18.4	39.0	33.1	28.0	23.9	20.0	16.4	8.4	7.0	5.9	23.4	23.1	22.9	0.5	0.6	0.7	1.2
Dr Reddy's Laboratories	REDUCE	2,454	2,150	(12.4)	407	5.5	166	89	118	141	50.2	32.8	19.3	27.7	20.8	17.5	13.9	9.9	8.3	2.9	2.6	2.3	11.1	12.6	13.3	0.6	0.7	0.9	34.2
HCG	BUY	210	270	28.4	18	0.2	85	2	4	7	28.8	87.5	73.4	104.4	55.7	32.1	16.2	13.4	10.6	3.4	3.2	2.9	3.3	5.9	9.4	—	—	—	0.2
Laurus Labs	ADD	402	500	24.5	43	0.6	106	16	29	34	2.4	79.9	17.5	24.7	13.7	11.7	11.6	8.1	7.1	2.6	2.2	1.8	10.9	17.1	15.6	—	—	—	0.6
Lupin	REDUCE	869	800	(7.9)	393	5.3	450	27	39	50	(28.9)	44.0	27.4	32.0	22.3	17.5	15.0	10.9	8.8	2.7	2.4	2.2	8.6	11.4	12.4	0.5	0.7	0.9	44.8
Narayana Hrudayalaya	ADD	234	265	13.1	48	0.6	204	3	6	9	23.0	103.2	40.7	75.7	37.3	26.5	21.6	15.1	12.1	4.4	3.9	3.4	5.9	11.0	13.7	—	—	—	0.2
Sun Pharmaceuticals	SELL	610	540	(11.4)	1,463	19.7	2,406	16	24	29	7.5	45.5	21.6	37.4	25.7	21.1	20.1	14.5	12.0	3.5	3.2	2.8	9.8	12.9	13.2	0.5	0.8	0.9	60.3
Torrent Pharmaceuticals	NR	1,595	—	—	270	3.6	169	47	61	81	18.0	29.6	32.1	33.7	26.0	19.7	14.8	12.7	10.4	5.2	4.5	3.8	15.3	17.2	19.3	0.7	0.9	1.2	7.9
Pharmaceuticals	Neutral				4,269	58					11.3	40.7	22.6	32.2	22.9	18.7	16.6	12.3	10.3	3.5	3.1	2.7	10.9	13.5	14.6	0.6	0.8	1.0	251.3
Real Estate																													
Brigade Enterprises	BUY	188	290	53.9	26	0.3	136	9	15	17	(17.0)	59.2	15.8	20.5	12.9	11.1	13.1	10.2	8.2	1.1	1.0	0.9	5.4	8.1	8.8	1.3	1.3	1.3	0.3
DLF	RS	154	—	—	274	3.7	1,784	5.3	23.9	14.1	(74.4)	354.6	(41.0)	29.2	6.4	10.9	44.8	7.9	14.6	0.8	0.7	0.7	2.6	11.3	6.2	1.3	1.3	1.3	21.4
Godrej Properties	SELL	467	400	(14.4)	107	1.4	216	12.9	15.1	18.2	(32.9)	16.3	20.8	36.1	31.0	25.7	611.9	175.6	93.2	3.7	3.3	2.5	10.9	11.4	10.1	—	—	—	1.8
Lemon Tree Hotels	ADD	70	76	8.6	55	0.7	786	—	1	2	147.2	174.0	66.8	156.9	57.3	34.3	35.1	21.3	15.9	6.5	5.8	5.4	4.2	10.7	16.3	—	—	1.3	—
Oberoi Realty	BUY	376	560	49.1	137	1.8	340	62	44	66	385.4	(28.0)	49.3	6.1	8.5	5.7	8.6	10.6	4.5	1.4	1.2	1.0	27.4	15.2	19.2	0.5	0.5	0.5	2.7
Prestige Estates Projects	ADD	171	315	84.7	64	0.9	375	10	10	11	(24.2)	8.4	—	17.9	16.5	16.0	12.1	12.1	12.0	1.3	1.2	—	7.3	7.5	7.3	0.9	0.9	0.9	0.7
Sobha	REDUCE	390	510	30.8	37	0.5	95	20	23	24	(7.5)	14.8	3.5	19.3	16.8	16.2	11.7	11.0	10.3	1.3	1.2	1.4	6.8	7.4	9.1	1.8	1.8	1.8	1.4
Sunteck Realty	REDUCE	333	360	8.3	49	0.7	140	19	19	39	22.4	1.6	106.6	17.8	17.5	8.5	15.6	15.2	6.4	1.6	1.5	1.3	9.5	8.9	16.2	0.3	0.3	0.3	1.9
Real Estate	Neutral				748	10					(22.8)	69.2	(6.9)	17.4	10.3	11.1	20.1	11.0	11.1	1.2	1.1	1.0	7.0	10.6	9.1	0.8	0.8	0.9	30.2

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)
		9-Oct-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	
Technology																													
HCL Technologies	REDUCE	1,068	1,100	3.0	1,488	20.1	1,409	71	78	82	14.6	8.9	5.0	15.0	13.7	13.1	9.7	8.6	8.0	3.3	2.9	2.6	24.4	22.3	20.6	0.8	2.9	3.1	34.2
Hexaware Technologies	SELL	391	455	16.4	116	1.6	302	20	24	27	19.5	21.6	12.7	19.8	16.3	14.4	14.5	11.0	9.5	5.1	4.3	3.7	27.6	28.7	27.5	2.0	2.0	2.6	22.7
Infosys	ADD	718	770	7.3	3,135	42.3	4,350	36	41	45	12.8	13.3	8.9	19.7	17.4	15.9	13.5	11.7	10.5	4.4	4.0	3.6	23.4	24.2	23.7	3.0	2.7	2.9	88.2
L&T Infotech	ADD	1,732	2,100	21.3	300	4.0	175	83	96	113	30.5	15.6	18.1	20.9	18.1	15.3	15.8	12.6	10.7	6.3	5.1	4.2	33.5	31.3	30.0	1.4	1.5	1.7	10.0
Mindtree	ADD	1,010	1,225	21.3	166	2.2	165	45	57	65	29.5	27.0	14.5	22.6	17.8	15.5	14.2	11.1	9.6	5.2	4.4	3.7	24.7	26.6	25.8	1.3	1.7	1.9	26.1
Mphasis	SELL	1,065	900	(15.5)	206	2.8	193	53	60	63	21.9	12.1	4.7	19.9	17.8	17.0	14.6	12.4	11.5	3.9	3.5	3.3	18.9	21.0	20.0	1.9	2.3	2.8	7.2
TCS	REDUCE	2,092	1,950	(6.8)	8,009	108.0	3,829	84	94	101	24.9	11.7	7.4	24.8	22.2	20.7	18.2	16.4	15.2	8.0	7.9	7.7	34.3	35.6	37.7	2.0	3.6	3.9	83.5
Tech Mahindra	ADD	696	865	24.3	614	8.3	891	46	57	64	8.4	22.4	13.0	15.1	12.3	10.9	8.9	7.0	5.9	2.8	2.4	2.0	20.2	21.2	20.3	1.3	1.5	1.6	38.6
Wipro	REDUCE	322	325	1.0	1,455	19.6	4,507	19	23	25	12.8	19.5	7.5	16.8	14.1	13.1	10.8	9.1	8.3	2.6	2.4	2.2	16.5	17.6	17.4	0.5	3.1	3.4	20.9
Technology	Cautious				15,489	209					15.6	13.0	8.1	20.9	18.5	17.1	14.4	12.6	11.5	5.1	4.6	4.3	24.2	25.1	24.9	1.9	3.1	3.3	331.5
Telecom																													
Bharti Airtel	ADD	289	445	54.0	1,155	15.6	3,997	(6)	(4)	5	(221.5)	28.8	215.1	(50.2)	(70.6)	61.4	8.5	7.1	5.7	1.7	1.8	1.8	(3.4)	(2.5)	2.9	0.3	(0.3)	0.4	25.9
Bharti Infratel	REDUCE	267	285	6.9	493	6.6	1,850	13	12	13	(4.8)	(8.5)	7.7	20.4	22.2	20.7	7.5	8.0	7.5	3.0	3.0	3.0	14.6	13.7	14.6	4.0	3.6	3.9	9.9
IDEA	REDUCE	34	45	30.6	301	4.1	4,359	(17)	(17)	(15)	(75.6)	(2.4)	11.4	(2.1)	(2.0)	(2.3)	38.1	32.0	19.8	0.7	1.0	1.9	(29.7)	(41.1)	(59.4)	—	—	—	16.2
Tata Communications	ADD	477	660	38.5	136	1.8	285	0	3	7	(77.5)	694.2	123.5	1,286	162.0	72.5	10.0	8.8	7.9	(59.2)	(80.4)	(1,557.3)	7.8	(42.1)	(211.0)	1.4	1.6	1.6	3.0
Telecom	Cautious				2,085	28					(2,384.5)	5.0	68.0	(29.0)	(30.5)	(95.5)	10.1	8.9	7.3	2.0	2.2	2.3	(6.9)	(7.2)	(2.4)	1.2	0.7	1.2	55.0
Utilities																													
CESC	BUY	836	1,180	41.1	111	1.5	133	115	128	141	31.7	11.6	10.1	7.3	6.5	5.9	5.4	4.8	4.2	0.7	0.7	0.6	10.0	10.4	10.5	1.5	1.5	1.6	8.1
JSW Energy	REDUCE	59	70	18.9	97	1.3	1,640	5.1	6.5	6.6	65.9	26.8	2.9	11.6	9.1	8.9	5.3	4.3	3.8	0.8	0.7	0.7	7.2	8.5	8.0	—	—	—	1.2
NHPC	ADD	23	30	32.7	232	3.1	10,260	3.1	3.2	3.4	26.9	1.8	8.0	7.3	7.2	6.6	6.9	6.7	7.1	0.7	0.7	0.7	10.4	10.2	10.6	7.7	7.8	6.6	1.5
NTPC	BUY	162	190	17.5	1,333	18.0	8,245	15	16	18	18.8	4.4	16.5	10.8	10.4	8.9	8.8	8.1	6.8	1.2	1.1	1.0	11.6	11.3	12.2	2.8	2.9	3.4	10.8
Power Grid	BUY	187	250	34.0	976	13.2	5,232	19	21	23	19.3	13.6	7.6	9.9	8.7	8.1	7.2	6.6	6.3	1.6	1.5	1.3	17.1	17.5	17.0	3.4	3.8	4.1	13.4
Tata Power	BUY	61	90	47.7	165	2.2	2,705	6.0	7.0	10.9	12.7	15.6	57.0	10.1	8.8	5.6	10.1	9.6	8.4	1.0	0.9	0.8	10.1	10.6	14.6	—	—	—	4.5
Utilities	Attractive				2,913	39					21.1	8.8	14.1	9.9	9.1	8.0	7.8	7.2	6.5	1.2	1.1	1.0	11.9	12.0	12.5	3.1	3.3	3.5	39.5

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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)
		9-Oct-18	Target price (Rs)		2019E	2020E		2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	
Others																													
Aditya Birla Fashion and Retail	BUY	176	220	25.4	135	1.8	773	2	4	6	50.6	59.1	53.5	76.4	48.1	31.3	22.6	17.6	14.2	10.7	8.7	6.8	15.0	20.0	24.5	—	—	—	5.0
Astral Poly Technk	SELL	849	640	(24.7)	102	1.4	120	19	25	29	30.2	28.8	16.1	44.5	34.5	29.8	24.0	19.0	16.0	7.8	6.4	5.4	19.8	20.5	19.7	0.1	0.1	0.2	1.0
Avenue Supermarts	SELL	1,373	860	(37.3)	857	11.6	624	16	20	26	28.6	26.4	27.5	84.9	67.2	52.7	49.0	38.5	30.3	15.2	12.4	10.0	19.6	20.3	21.0	—	—	—	—
Bayer Cropscience	REDUCE	4,309	4,100	(4.8)	148	2.0	34	106	130	154	20.5	23.1	18.3	40.8	33.2	28.0	25.9	21.0	17.5	7.2	6.2	5.3	18.9	20.0	20.3	0.5	0.6	0.7	0.5
Crompton Greaves Consumer	SELL	202	215	6.3	127	1.7	627	6	7	9	19.5	20.7	17.4	32.8	27.1	23.1	20.3	17.1	14.4	11.2	8.6	6.6	40.4	35.8	32.3	1.0	1.2	—	2.8
Dhanuka Agritech	ADD	391	650	66.2	19	0.3	49	27	31	34	3.9	15.4	10.8	14.6	12.7	11.4	10.4	8.5	7.3	2.6	2.3	2.0	19.2	19.2	18.5	1.5	1.7	1.9	0.2
Godrej Agrovet	ADD	505	640	26.7	97	1.3	189	15	19	23	28.9	28.8	21.1	34.0	26.4	21.8	18.5	14.5	12.0	5.0	4.3	3.6	15.7	17.4	17.9	—	0.6	0.7	0.9
Godrej Industries	RS	452	—	—	152	2.0	336	16	20	—	8.9	24.2	—	28.4	22.9	—	25.1	27.3	—	3.7	3.2	—	13.9	15.1	—	0.4	0.4	—	4.0
Havells India	SELL	564	485	(14.0)	353	4.8	625	14	17	20	26.6	20.5	17.6	40.2	33.4	28.4	25.6	20.8	17.4	8.3	7.3	6.3	22.0	23.2	23.9	0.9	1.0	1.2	15.0
InterGlobe Aviation	BUY	724	980	35.3	278	3.8	383	(11)	42	75	(118.1)	496.4	79.4	(68.3)	17.2	9.6	(37.8)	7.8	4.2	4.1	3.3	2.5	(5.9)	21.5	29.9	(0.1)	—	0.5	19.2
Kaveri Seed	SELL	482	515	6.9	32	0.4	66	34	34	37	7.3	0.1	8.3	14.0	14.0	12.9	11.2	10.6	9.3	3.4	2.9	2.5	26.4	22.4	21.0	1.7	2.1	2.1	5.0
PI Industries	BUY	719	875	21.7	99	1.3	138	31	40	48	17.9	26.8	21.5	23.0	18.1	14.9	16.3	12.7	10.2	4.3	3.6	3.0	20.5	21.7	21.9	0.5	0.7	0.8	2.1
Rallis India	ADD	181	220	21.6	35	0.5	195	10	12	13	17.2	19.4	9.7	17.9	15.0	13.7	11.8	9.9	8.7	2.7	2.4	2.2	15.8	17.1	16.9	2.0	2.2	2.4	0.7
SIS	REDUCE	903	1,130	25.2	66	0.9	73	33	40	48	48.5	21.1	17.8	27.1	22.4	19.0	16.9	14.1	11.8	5.4	4.4	3.7	21.8	21.7	21.1	0.3	0.4	0.5	0.5
SRF	BUY	1,699	2,200	29.5	98	1.3	57	100	132	150	23.8	32.2	14.1	17.1	12.9	11.3	10.2	8.1	6.9	2.4	2.1	1.8	15.0	17.3	17.0	0.8	0.9	0.9	11.4
Tata Chemicals	ADD	636	760	19.5	162	2.2	255	44	51	56	(15.3)	14.6	11.5	14.4	12.6	11.3	5.9	4.9	4.1	1.3	1.3	1.2	9.7	10.3	10.8	2.4	2.7	2.7	6.8
TCNS Clothing Co.	BUY	588	760	29.2	36	0.5	64	18	23	27	15.3	27.5	20.8	33.3	26.1	21.6	17.8	13.4	10.5	6.6	5.1	4.0	22.7	22.2	20.9	—	—	—	—
TeamLease Services	SELL	2,225	1,785	(19.8)	38	0.5	17	60	77	100	38.9	29.2	28.7	37.2	28.8	22.3	37.3	28.2	21.6	7.0	5.6	4.5	20.8	21.7	22.4	—	—	—	1.1
UPL	ADD	604	660	9.3	308	4.2	507	49	55	60	14.6	11.9	9.5	12.3	11.0	10.0	8.4	7.1	6.1	2.8	2.3	1.9	24.7	22.9	21.1	1.7	1.8	2.0	30.0
Vardhman Textiles	ADD	984	1,300	32.1	57	0.8	56	118	130	142	14.8	9.7	9.8	8.3	7.6	6.9	6.4	5.9	5.2	1.0	0.9	0.9	13.1	13.0	13.0	2.0	3.0	3.0	0.4
Volta	SELL	485	530	9.4	160	2.2	331	17	21	25	0.4	18.8	18.9	27.9	23.5	19.8	20.8	16.9	14.0	3.7	3.3	2.9	13.9	14.8	15.7	0.7	0.9	1.0	11.9
Whirlpool	SELL	1,358	1,350	(0.6)	172	2.3	127	37	46	56	33.9	24.7	20.2	36.7	29.4	24.5	22.0	17.4	14.1	8.0	6.6	5.6	23.7	24.5	24.8	0.5	0.7	1.2	1.7
Others					3,531		48				(10.1)	39.1	18.2	32.6	23.4	19.8	19.1	14.0	10.9	4.7	4.0	3.6	14.4	17.2	18.3	0.6	0.7	0.8	120.2
KIE universe					101,510		1,369				23.1	28.4	15.1	20.1	15.7	13.6	10.3	9.0	8.0	2.5	2.3	2.1	12.6	14.7	15.2	1.5	1.9	2.0	
KIE universe (ex-energy)					89,408		1,206				29.5	34.6	16.9	22.5	16.7	14.3	11.4	9.9	8.7	2.8	2.6	2.3	12.6	15.3	16.1	1.4	1.8	2.0	

Notes:

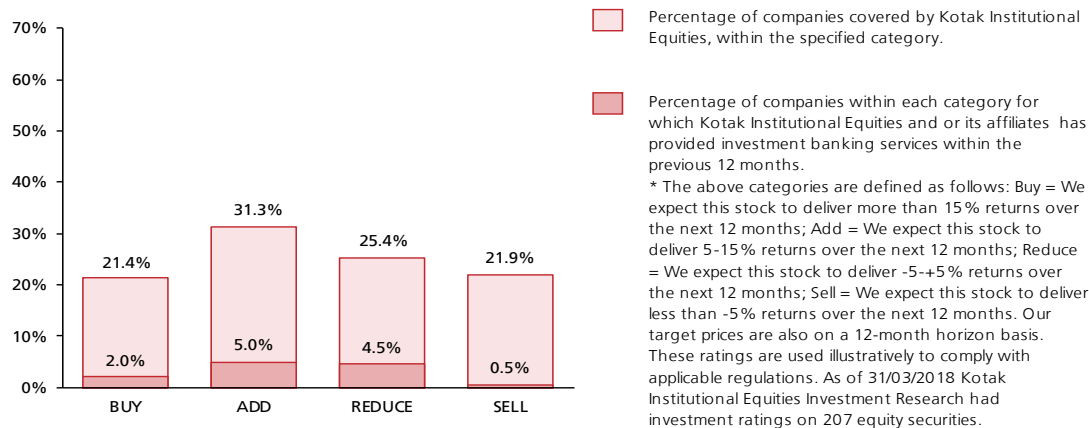
(a) We have used adjusted book values for banking companies.

(b) 2019 means calendar year 2018, similarly for 2020 and 2021 for these particular companies.

(c) Exchange rate (Rs/US\$)= 74.13

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.

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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

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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