

Contents

Daily Alerts

Results

Hindustan Unilever: The juggernaut keeps rolling

- ▶ 1QFY19 headline print – marginally below expectations
- ▶ UVG print at 12%, 2X the management-indicated market (off-take) volume growth of 5-6%
- ▶ Just 2% yoy growth in other expenses – savings program or more?

Bajaj Corp.: Decent quarter but no shine yet

- ▶ 1QFY19 earnings print - headline financials weak...
- ▶ ...however, internals better than headline
- ▶ Stock performance needs more than one engine to fire... and consistently

Company alerts

UltraTech Cement: FY2018 annual report analysis: high sustenance capex yields weak cash flows

- ▶ Ultratech's free cash flows restricted by higher sustenance and modernization capex
- ▶ Earnings - cost to rise; large presence in South, West may cap pricing improvement
- ▶ Maintain SELL rating, revise target price to Rs2,950 (Rs3,000 earlier)

Sector alerts

Energy: IMO 2020: unsustainable benefit, if any

- ▶ IMO 2020 rule to cap sulfur content in marine fuel oil to 0.5% from 3.5% currently
- ▶ Choice for shipping industry is to use costly low-sulfur fuels or install scrubbers or not comply
- ▶ Compliance by shipping industry remains uncertain and is likely to be low in the initial years
- ▶ Short-term gains to refiners from potential spike in demand of gasoil, depending on compliance
- ▶ Expected realignment of the refining industry to offset such gains anyway

Insurance: Marginally better

- ▶ Private sector (ex-ICICI Pru Life and SBI Life) individual business growth at 15% in June 2018
- ▶ SBI Life and ICICI Pru Life still weak
- ▶ Investment inflows may be moderate in FY2019E

Economy alerts

Economy: WPI inflation: Peaking out

- ▶ Headline WPI inflation rises led by broad-based increases
- ▶ Core WPI inflation inches up
- ▶ RBI on an even keel for August policy

EQUITY MARKETS

India	Change %			
	16-Jul	1-day	1-mo	3-mo
Sensex	36,324	(0.6)	2.0	5.6
Nifty	10,937	(0.7)	1.1	3.7
Global/Regional indices				
Dow Jones	25,064	0.2	(0.1)	1.1
Nasdaq Composite	7,806	(0.3)	0.8	7.2
FTSE	7,600	(0.8)	(0.4)	5.2
Nikkei	22,698	0.4	(0.7)	4.0
Hang Seng	28,540	0.0	(5.8)	(5.1)
KOSPI	2,292	(0.4)	(4.7)	(6.6)
Value traded – India				
Cash (NSE+BSE)	302		302	332
Derivatives (NSE)	5,798		5,988	5,227
Deri. open interest	3,778		3,887	4,012

Forex/money market

	Change, basis points			
	16-Jul	1-day	1-mo	3-mo
Rs/US\$	68.5	4	46	284
10yr govt bond, %	8.1	-	(8)	37

Net investment (US\$ mn)

	13-Jul	MTD	CYTD
	FIs	(6)	(178)
MFs	2	204	10,708

Top movers

	Change, %			
	16-Jul	1-day	1-mo	3-mo
Best performers				
TCS IN Equity	1,989	0.4	8.1	25.6
YES IN Equity	379	0.7	14.5	22.9
HUVR IN Equity	1,751	0.5	8.0	21.1
KMB IN Equity	1,408	0.3	5.1	20.9
GCPL IN Equity	1,301	(0.7)	11.9	20.9

Worst performers

HDIL IN Equity	18	(5.1)	(19.6)	(55.4)
RCOM IN Equity	12	(7.3)	(22.0)	(42.9)
UT IN Equity	4	(3.6)	(14.9)	(36.0)
BOI IN Equity	78	(5.1)	(21.3)	(29.4)
VEDL IN Equity	206	(1.9)	(13.5)	(28.5)

JULY 17, 2018

RESULT

Coverage view: **Cautious**

Price (₹): **1,751**

Target price (₹): **1,570**

BSE-30: **36,324**

The juggernaut keeps rolling. HUVR's 1QFY19 earnings print, while marginally below our estimates, was strong enough to keep the multiple-expansion theme going, in our view. Acceleration in underlying consumer off-take, generally benign competition and the flow-through of indirect benefits of GST (portfolio premiumization, supply chain savings, etc.) are likely to keep earnings momentum strong for the next few quarters, at least. We raise our FY2019-21E EPS forecasts by 4-5% and our DCF-based June 2019 fair value target to ₹1,570/share (from ₹1,430). REDUCE stays.

Company data and valuation summary

Hindustan Unilever

Stock data

52-week range (Rs) (high,low)	1,779-1,130
Market Cap. (Rs bn)	3,790.8

Shareholding pattern (%)

Promoters	67.2
FIs	12.6
MFs	1.6

Price performance (%)

	1M	3M	12M
Absolute	8.0	23.4	53.7
Rel. to BSE-30	5.9	16.5	35.5

Forecasts/Valuations

	2018	2019E	2020E
EPS (Rs)	24.5	29.3	33.2
EPS growth (%)	25.0	19.5	13.2
P/E (X)	71.4	59.7	52.8
Sales (Rs bn)	345.3	390.7	434.4
Net profits (Rs bn)	53.0	63.3	71.7
EBITDA (Rs bn)	72.8	89.7	101.6
EV/EBITDA (X)	51.2	41.4	36.4
ROE (%)	78.1	83.5	81.4
Div. Yield (%)	1.1	1.2	1.4

1QFY19 headline print – marginally below expectations

Reported net revenue growth stood at 11% yoy to ₹94.87 bn (KIE: ₹97.85 bn; like-on-like growth at 16%), EBITDA grew 21% yoy to ₹22.51 bn (KIE: ₹23.47 bn) and recurring PAT grew 21% yoy to ₹15.67 bn (KIE: ₹16.4 bn). EBITDA margins expanded a modest 184 bps yoy to 23.7%, marginally below our estimate of 24% but above consensus. Gross margins expanded 188 bps yoy to 54% (KIE: 53.5%). A&SP spends grew 27% yoy to ₹11.53 bn (up 154 bps as % of sales). Employee costs and other expenses grew a modest 5% and 2%, respectively. EPS for the quarter stood at ₹7.2. ETR stood at 30.4%.

UVG print at 12%, 2X the management-indicated market (off-take) volume growth of 5-6%

HUVR's underlying volume growth (UVG) print continues to come in materially ahead of the underlying market volume growth numbers indicated by HUVR management. For 1QFY19, HUVR's UVG of 12% was >2X the underlying market volume off-take growth of 5-6%. Even as a part of this can be explained by the fact that 1QFY19 would have seen primary sales run ahead of off-take given the pre-GST destocking in the base (1QFY18) quarter, the balance is not all market share gains, we believe. HUVR's UVG definition includes mix delta and we believe the company's portfolio-level GST benefit pass-through strategy has helped improve mix materially. We would have appreciated if the company had provided some insights into the mix contribution to reported UVG.

Just 2% yoy growth in other expenses – savings program or more?

184 bps yoy increase in EBITDA margin was driven primarily by the sharp 126 bps fall in other expenses as % of revenues as GM improvement was largely reinvested in higher A&P spends. Other expenses went up only 2% yoy in absolute terms. Even as ZBB and other ongoing savings programs likely helped, the company did indicate that there was some (not quantified) reversal of provisions at play as well. We had highlighted the sharp (and unusual) increase in provisions in FY2018 in our recent AR analysis note. Our understanding of the exact nature of this sharp increase in provisions is rather poor given (a) limited disclosures (beyond statutory requirements) in the AR and (b) the company's refusal to divulge more in response to our questions.

Rohit Chordia

Jaykumar Doshi

Aniket Sethi

Raise FY2019-21E EPS forecasts by 4-5%

Exhibit 1 depicts the key changes to our FY2019-21E EPS estimates for HUVR. Our revised EPS forecasts (₹29.3 for FY2019E, ₹33.2 for FY2020E and ₹37.4 for FY2021E) stand 4-5% higher than earlier. The upward revision is driven primarily by roughly 100 bps increase in margin assumption for each of the three years. Our revenue forecasts are broadly unchanged. Increased confidence on margin expansion stems primarily from the continued strong delivery on the savings program (reflected in the low 2-year CAGR of below 2% in both staff costs and other expenses). We now forecast a 190 bps yoy expansion in EBITDA margin in FY2019E, translating into a healthy 23% EBITDA and 20% EPS growth for the year.

Exhibit 1: Key changes to earnings model (standalone) – HUVR, March fiscal year-ends, 2019-21E

	Revised			Earlier			Change (%)		
	2019E	2020E	2021E	2019E	2020E	2021E	2018E	2019E	2020E
Net revenues (Rs mn)	390,684	434,376	482,206	390,584	434,266	482,085	0.0	0.0	0.0
EBITDA (Rs mn)	89,739	101,594	114,195	85,804	97,396	109,357	4.6	4.3	4.4
EBIT (Rs mn)	84,515	95,711	107,803	80,459	91,380	102,820	5.0	4.7	4.8
EBITDA margin (%)	23.0	23.4	23.7	22.0	22.4	22.7			
Net profit (pre-exceptionals, Rs mn)	63,313	71,669	80,709	60,864	68,750	76,976	4.0	4.2	4.8
EPS (Rs/share)	29.3	33.2	37.4	28.2	31.8	35.6	4.0	4.2	4.8
Effective tax rate (%)	30.5	30.7	31.0	30.0	30.5	31.0			

Source: Company, Kotak Institutional Equities estimates

Exhibit 2: Interim results of Hindustan Unilever as per Ind-AS, March fiscal year-ends (Rs mn)

	1QFY19	1QFY19E	1QFY18	4QFY18	(% chg.)			FY2019E	FY2018	(% chg.)	1QFY17	2-year CAGR (%)
					KIE	yoy	qoq					
Volume growth (%)	12.0	14.0	0.0	11.0	-200 bps	1200 bps	100 bps	8.9	6.5	237 bps	4.0	5.8
Net sales	93,560	96,414	84,010	90,030	(3)	11	4	384,213	339,260	13	79,870	8.2
Other operating income	1,310	1,434	1,280	940	(9)	2	39	6,472	5,990	8	1,400	-3.3
Net operating income	94,870	97,848	85,290	90,970	(3)	11	4	390,684	345,250	13	81,270	8.0
Material cost	(43,640)	(45,744)	(40,840)	(43,140)	(5)	7	1	(179,073)	(162,320)	10	(39,550)	5.0
Gross Profit	51,230	52,104	44,450	47,830	(2)	15	7	211,612	182,930	16	41,720	10.8
Gross margin (%)	54.0	53.3	52.1	52.6	75 bps	188 bps	142 bps	54.2	53.0	117 bps	51.3	
Employee cost	(4,420)	(4,504)	(4,190)	(4,000)	(2)	5	11	(18,362)	(17,450)	5	(4,270)	1.7
Advertising and promotion	(11,530)	(11,041)	(9,050)	(10,700)	4	27	8	(49,226)	(41,050)	20	(8,800)	14.5
Other expenditure	(12,770)	(13,090)	(12,550)	(12,650)	(2)	2	1	(54,285)	(51,670)	5	(12,300)	1.9
Total expenditure	(28,720)	(28,635)	(25,790)	(27,350)	0	11	5	(121,873)	(110,170)	11	(25,370)	6.4
EBITDA	22,510	23,469	18,660	20,480	(4)	21	10	89,739	72,760	23	16,350	17.3
EBITDA margin (%)	23.7	24.0	21.9	22.5	-26 bps	184 bps	121 bps	23.0	21.1	189 bps	20.1	
Other income	1,350	1,300	1,130	1,000	4	19	35	6,602	5,690	16	1,080	11.8
Interest	(70)	(30)	(60)	(40)	133	17	75	(150)	(210)	(29)	(60)	8.0
Depreciation	(1,270)	(1,315)	(1,140)	(1,280)	(3)	11	(1)	(5,223)	(4,780)	9	(930)	16.9
Pretax profits	22,520	23,424	18,590	20,160	(4)	21	12	90,967	73,460	24	16,440	17.0
Tax	(6,850)	(7,027)	(5,670)	(6,070)	(3)	21	13	(27,654)	(22,110)	25	(5,160)	15.2
PAT (recurring)	15,670	16,397	12,920	14,090	(4)	11	11	63,313	51,350	23	11,280	17.9
Extraordinary items	(380)	-	(90)	(580)				(380)	1,010		460	
Net profit (reported)	15,290	16,397	12,830	13,510	(7)	19	13	62,933	52,360	20	11,740	14.1
Income tax rate (%)	30.4	30.0	30.5	30.1	41 bps	-9 bps	30 bps	30.4	30.1	30 bps	31.4	-1.6
Core EPS (recurring)	7.2	7.6	6.0	6.5	(4)	21	11	29.3	23.7	23	5.2	17.9
Costs as a % of sales												
Material cost	46.0	46.8	47.9	47.4	-76 bps	-189 bps	-143 bps	45.8	47.0	-118 bps	48.7	-2.8
Employee cost	4.7	4.6	4.9	4.4	5 bps	-26 bps	26 bps	4.7	5.1	-36 bps	5.3	-5.8
Advertising and promotion	12.2	11.3	10.6	11.8	86 bps	154 bps	39 bps	12.6	11.9	71 bps	10.8	5.9
Other expenditure	13.5	13.4	14.7	13.9	8 bps	-126 bps	-45 bps	13.9	15.0	-108 bps	15.1	-5.7
Segment results												
Revenues (NOT COMPARABLE YOY)												
Home care	31,460	32,492	30,470	31,020	(3)	3	1	129,572	116,290	11	28,760	4.6
Personal care	44,070	45,864	43,680	40,960	(4)	1	8	182,004	164,640	11	42,220	2.2
Food & Refreshments	17,850	17,635	16,540	17,080	1	8	5	70,793	63,900	11	14,870	9.6
Others (incl exports)	1,490	1,856	1,440	1,910	(20)	3	(22)	8,315	7,200	15	2,040	-14.5
Total segment revenue	94,870	97,848	92,130	90,970	(3)	3	4	390,684	352,030	11	87,890	3.9
Segment EBIT (COMPARABLE)												
Home care	6,020	5,686	4,480	5,090	6	34	18	23,453	16,940	38	3,560	30.0
Personal care	11,620	12,613	10,790	10,660	(8)	8	9	49,323	41,000	20	10,210	6.7
Food & Refreshments	3,340	3,174	2,950	2,870	5	13	16	11,797	9,940	19	2,090	26.4
Others (incl exports)	(20)	(5)	(50)	20	331	NM	NM	(40)	(210)	(81)	(90)	-52.9
Total segment EBIT	20,960	21,468	18,170	18,640	(2)	15	12	84,532	67,670	25	15,770	15.3
Segment EBIT margins, % (NOT COMPARABLE YOY)												
Home care	19.1	17.5	14.7	16.4	163 bps	443 bps	272 bps	18.10	14.6	353 bps	12.4	
Personal care	26.4	27.5	24.7	26.0	-114 bps	166 bps	34 bps	27.10	24.9	219 bps	24.2	
Food & Refreshments	18.7	18.5	17.8	16.8	21 bps	87 bps	190 bps	16.66	15.6	110 bps	14.1	
Others (incl exports)	(1.3)	(0.3)	(3.5)	1.0	NM	NM	NM	(0.48)	(2.9)	NL	(4.4)	

Source: Company, Kotak Institutional Equities estimates

Segmental performance highlights

We note segmental revenues reported this quarter are on a net basis (net of GST and input tax credits) and not comparable to base quarter (gross revenues). Consequently, reported segmental EBIT margin also isn't comparably yoy.

- ▶ **Home care (includes fabric wash, household care, and water; 33% of 1Q revenues, 29% of EBIT).** underlying revenues (adjusted for GST-led changes in reporting) grew 20% yoy to ₹31.5 bn led by 14% UVG. EBIT registered strong 34% yoy growth to ₹6 bn; we note home care accounted for 55% of total EBIT growth for the quarter.

Management highlighted double-digit volume growth driven by – (1) fabric wash— double-digit growth across key brands, (2) growth in household care was led by strong performance in Vim. HUVR re-launched Domex in South India and Domex powders extended to new geographies, and (3) premium range RO and UV water purifiers continued to perform whereas Gravity purifiers declined.

- ▶ **Personal care (includes personal wash, skin, hair, oral, deos, and color cosmetics; 46% of 1Q revenues, 55% of EBIT).** Underlying revenues grew 14% yoy to ₹44 bn led by 11% UVG. EBIT for the segment witnessed grew at modest 8% yoy to ₹11.6 bn; we believe slow EBIT growth was on account of higher A&P spends and restructuring expense pertaining to streamlining of supply chain.

Personal care witnessed broad-based growth across personal products and personal wash. In skin care, double-digit growth was led by FAL and Ponds. Hair care reported another double-digit growth quarter led by premium portfolio and Indulekha. Color cosmetics delivered strong double digit growth quarter. Lakmé 9 to 5 Naturale range of makeup and skincare products infused with aloe vera were launched during the quarter. HUVR also launched Byrlcream's beard and hair grooming range on Amazon platform. Deodorants— growth was led by recently launched 'Axe Ticket', a pocket-sized perfume pack. In personal wash, growth was led by Dove and Pears. Oral care report another quarter of growth led by Closeup; Pepsodent is yet to turn the corner.

- ▶ **Food and Refreshments (tea, coffee, ice cream, and frozen dessert; 19% of 1Q revenues, 16% of EBIT).** We note that Food and Refreshments categories were clubbed together starting 1QFY19. Underlying revenues continued to grow at robust pace – up 14% yoy to ₹17.9 bn led by 11% UVG. EBIT grew 13% yoy to ₹3.3 bn.

Tea delivered broad based quarter of double-digit growth across key brands. In Coffee, Bru Kannadigara was introduced in select geographies to cater to local taste preferences. Ice-cream portfolio posted double-digit volume growth during the season backed by innovations and geographic expansion. Food registered double-digit growth led by Kissan and Knorr. HUVR launched Lever Ayush breakfast range in Tamil Nadu.

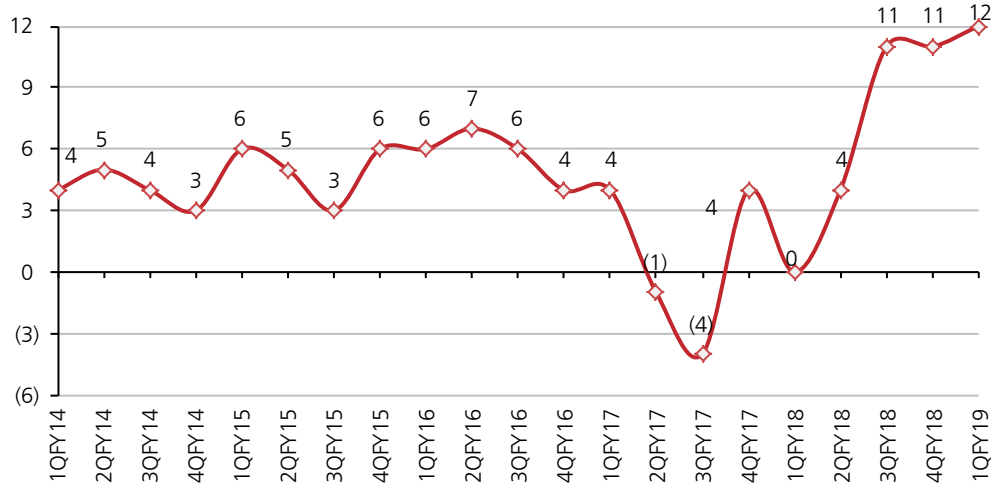
- ▶ **Comments on segmental margins.** (a) Home care—robust segmental margin is attributable to (1) conscious strategy to increase profitability of home care business, (2) judicious prices increases taken in view of higher RM costs, and (3) benefits of low-cost inventory and forex covers. (b) Personal care—margins were a tad suppressed due to exceptional restructuring charges that impacted segmental margins, high innovation intensity and investments in A&SP.

Key takeaways from earnings call; segmental comments discussed above

- ▶ **Comments on volume growth/ near-term outlook** – management reiterated that – (1) trade conditions have normalized across channels, (2) it is witnessing gradual improvement in demand and positive trend in urban and rural growth. Rural growth outpaced urban demand. Even as underlying demand drivers are trending well, HUVR management would prefer to wait for few more quarters before calling out definitive trends.

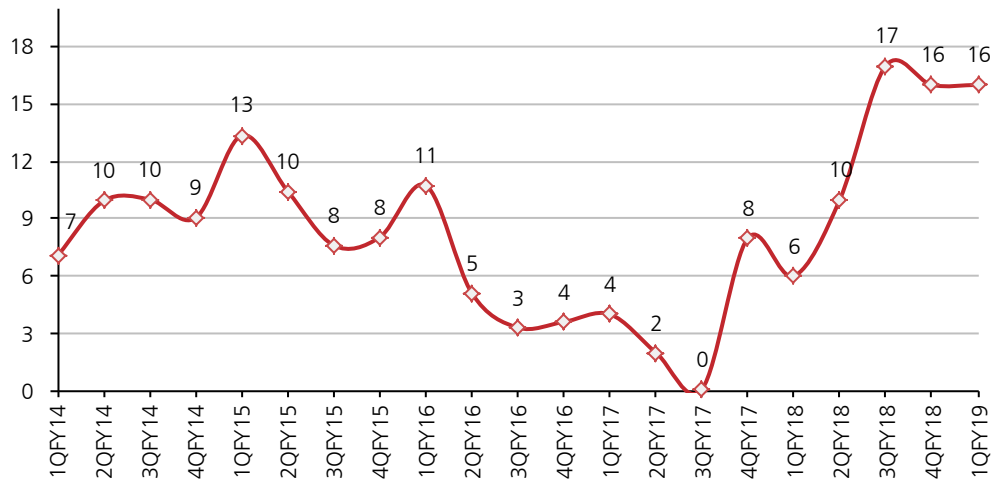
- ▶ **HUVR anticipates step-up in competitive intensity.** The management reiterated that it anticipates increase in competitive intensity, especially in view on green shoots in the demand environment that will compel brands to go after market share. The management categorically stated that its comments on competitive intensity is not restricted to detergents (P&G Ariel has stepped up promotions recently) but few other categories as well, especially categories that are not witnessing RM inflation (RMs such as palm oil and vegetable oil are at historical low prices). The management indicated that A&SP spends have started trending up. While cautioning on competitive intensity, HUVR management also indicated that it is not seeing any irrational competition.
- ▶ HUVR management reiterated its commitment to achieving end-to-end gross savings of about 6% of turnover through multiple cost-saving initiatives.
- ▶ Exceptional charge of ₹590 mn in 1QFY19 was pertaining to restructuring and few contested matters. The management indicated that restructuring charges will continue for few more quarters as it is in the process of restructuring supply chain components to make it more efficient.

Exhibit 3: Volume growth (UVG) stood at 12% yoy (KIE estimate at 14%)
 HUVR domestic volume growth trends (%)



Source: Company, Kotak Institutional Equities

Exhibit 4: HUVR underlying domestic FMCG revenues grew 16% yoy aided by 4% price-led growth
 HUVR domestic business revenue growth trends (%)



Source: Company, Kotak Institutional Equities

Exhibit 5: HUVR: Standalone condensed financials (as per Ind-AS), March fiscal year-ends (Rs mn)

	IGAAP		Ind-AS					
	2014	2015	2016	2017	2018	2019E	2020E	2021E
Profit model (Rs mn)								
Net operating revenues	280,191	307,341	310,610	318,900	345,250	390,684	434,376	482,206
EBITDA	44,753	51,043	56,970	60,450	72,760	89,739	101,594	114,195
Financial income	6,210	6,184	5,640	5,260	5,690	6,602	7,842	9,288
Interest	(360)	(168)	(150)	(220)	(200)	(150)	(135)	(122)
Depreciation	(2,606)	(2,867)	(3,210)	(3,960)	(4,780)	(5,223)	(5,883)	(6,392)
Pretax profits	47,997	54,192	59,250	61,530	73,470	90,967	103,418	116,969
Tax	(12,444)	(16,560)	(18,090)	(19,060)	(20,480)	(27,654)	(31,749)	(36,260)
Recurring Net profit	35,553	37,632	41,160	42,470	52,990	63,313	71,669	80,709
EO items	3,122	5,520	210	2,430	(620)	(380)	—	—
Reported Net Profit	38,675	43,153	41,370	44,900	52,370	62,933	71,669	80,709
Recurring EPS (Rs)	16.4	17.4	19.0	19.6	24.5	29.3	33.2	37.4
Balance sheet (Rs mn)								
Total equity	32,771	37,248	62,790	64,900	70,750	80,923	95,247	110,861
Deferred tax liability (Net)	(1,617)	(1,960)	(1,680)	(1,600)	(2,550)	(2,550)	(2,550)	(2,550)
Total liabilities and equity	31,153	35,288	61,110	63,300	68,200	78,373	92,697	108,311
Net fixed assets (incl CWIP)	27,100	29,145	32,880	38,570	42,060	45,627	49,083	52,577
Intangible assets	318	220	120	3,700	3,660	3,660	3,660	3,660
Cash	22,210	25,376	27,590	16,710	33,730	46,713	63,924	83,100
Investments	30,941	32,779	27,800	37,790	31,110	31,110	31,110	31,110
Net current assets	(49,416)	(52,232)	(27,280)	(33,470)	(42,360)	(48,737)	(55,080)	(62,136)
Total assets	31,153	35,288	61,110	63,300	68,200	78,373	92,697	108,311
Free cash flow (Rs mn)								
Operating cash flow, excl. working capital	32,476	34,875	40,870	42,870	50,970	61,705	69,845	77,934
Working capital	4,766	(2,156)	(1,130)	6,660	8,190	6,377	6,343	7,056
Capital expenditure	(5,112)	(4,948)	(7,360)	(13,670)	(8,370)	(8,790)	(9,339)	(9,885)
Free cash flow	32,130	27,772	32,380	35,860	50,790	59,291	66,849	75,105
Key ratios								
Net operating revenue growth (%)	8.6	9.7	NM	2.7	8.3	13.2	11.2	11.0
Core EPS growth (%)	8.4	5.8	NM	3.2	24.8	19.5	13.2	12.6
Gross margins (%)	48.8	49.2	50.7	50.8	53.0	54.2	54.3	54.4
EBITDA margin (%)	16.0	16.6	18.3	19.0	21.1	23.0	23.4	23.7
A&SP (% of sales)	12.9	12.6	11.6	10.9	11.9	12.6	12.6	12.5
ETR (% of PBT)	25.9	30.6	30.5	31.0	27.9	30.4	30.7	31.0
RoE (%)	119.5	107.5	82.3	66.5	78.1	83.5	81.4	78.3
RoCE (%)	96.0	98.0	86.8	76.3	84.6	92.7	90.9	88.3

Source: Company, Kotak Institutional Equities estimates

JULY 17, 2018

RESULT

 Coverage view: **Cautious**

 Price (₹): **413**

 Target price (₹): **470**

 BSE-30: **36,324**

Decent quarter but no shine yet. BJCOR reported a decent 1QFY19 earnings print. Headline growth comps were impacted by the ongoing restructuring in the international business and erratic ordering in the CSD channel. Core ADHO volume growth was encouraging but needs to sustain to generate confidence. Some of the new product launches also need to fire for the stock underperformance to reverse. We keep faith and retain ADD. We bake in likely margin pressure ahead driving FY2019-21E EPS forecasts down 5-8%. TP revised to ₹470 (from ₹520).

Company data and valuation summary

Bajaj Corp.

Stock data		Forecasts/Valuations			
		2018	2019E	2020E	
52-week range (Rs) (high,low)	525-381	EPS (Rs)	14.3	15.4	17.0
Market Cap. (Rs bn)	60.9	EPS growth (%)	(9.4)	7.8	10.3
Shareholding pattern (%)		P/E (X)	28.8	26.8	24.2
Promoters	66.9	Sales (Rs bn)	8.3	9.3	10.5
FIs	25.1	Net profits (Rs bn)	2.1	2.3	2.5
MFs	3.6	EBITDA (Rs bn)	2.5	2.7	3.2
Price performance (%)	1M	3M	12M		
Absolute	(3.0)	(13.5)	2.8	EV/EBITDA (X)	22.8
Rel. to BSE-30	(4.9)	(18.3)	(9.4)	ROE (%)	42.8
				Div. Yield (%)	2.9
					3.2
					3.4

1QFY19 earnings print—headline financials weak...

BJCOR reported revenues of ₹2.15 bn (+9% yoy, 3% below estimate), EBITDA of ₹1.48 bn (+15% yoy, 4% below estimate) and recurring PAT of ₹538 mn (down 2% yoy, 11% below estimate) for 1QFY19. 15% yoy EBITDA growth, while healthy by itself, is off a low pre-GST 1QFY18 base. On a 2-year CAGR basis, revenues have grown at a modest 4% pace, EBITDA has declined at

1% and recurring PAT has declined at a sharper 7% pace. EBITDA margin for 1QFY19 came in at 31.2%, up 50 bps yoy and broadly in line with expectations. PAT growth was impacted by a sharp decline in other income to ₹12 mn versus ₹111 mn in 1QFY18 and ₹70 mn expected. The company indicated an MTM loss on treasury income of ₹55 mn for the quarter. ETR stood at 21.5%.

...however, internals better than headline

Core ADHO volume and value growth stood at a healthy 11.2% (2% 2-year CAGR) and 14% (like-on-like), respectively. NoMarks grew a healthy 41% yoy in value terms off a low base. Overall like-on-like growth stood at 13.2% with domestic revenue growth at a healthy 17.5% (despite a 22% decline in CSD sales). International business declined as much as 94% yoy. Within the domestic business, general trade grew at 17.5% while modern trade saw a stronger 36.3% yoy growth. ADHO's market share within the light hair oil category touched an all-time-high level of 62.9% for 1QFY19.

Stock performance needs more than one engine to fire... and consistently

Even as the headline print is disappointing, healthy core ADHO growth keeps us hopeful of an improvement in earnings growth trajectory. The company continues to invest in its new vision of an expanded portfolio as reflected in continued sharp increase in employee expenses (up 31% yoy for the quarter; 2-year CAGR at 26%). The shape of the financials and stock performance will depend on whether the company succeeds in executing its portfolio expansion vision. We remain hopeful of successful execution and stay constructive on the stock. Reasonable sector-relative valuations provide decent margin of safety even as timing of inflection in financial performance remains a question mark. ADD.

Rohit Chordia

Jaykumar Doshi

Aniket Sethi

Exhibit 1: Interim standalone results of Bajaj Corp, March fiscal year-ends (Rs mn)

	1QFY19	1QFY19E	1QFY18	4QFY18	% chg.			FY2019E	1QFY17	2-year CAGR (%)
					KIE Est	yoy	qoq			
Net sales	2,150	2,221	1,964	2,144	(3)	9	0	8,968	2,037	3
Other operating income	64	70	10	72	(8)	527	(10)	295	6	234
Net operating revenues	2,214	2,291	1,974	2,216	(3)	12	(0)	9,263	2,043	4
Material cost	(739)	(762)	(688)	(725)	(3)	7	2	(3,112)	(704)	2
Gross Profit	1,475	1,529	1,286	1,491	(4)	15	(1)	6,152	1,339	5
Gross Margin (%)	66.6	66.8	65.2	67.3	-15 bps	145 bps	-67 bps	66.4	65.5	
Employee cost	(221)	(203)	(169)	(199)	9	31	11	(908)	(138)	26
Other expenditure	(563)	(609)	(511)	(573)	(8)	10	(2)	(2,535)	(491)	7
Total expenditure	(1,523)	(1,573)	(1,368)	(1,498)	(3)	11	2	(6,555)	(1,334)	7
EBITDA	691	718	606	718	(4)	14	(4)	2,709	710	(1)
EBITDA margin (%)	31.2	31.3	30.7	32.4	-11 bps	50 bps	-120 bps	29.2	34.7	
Other income	12	70	111	9	(83)	(89)	37	270	84	(63)
Interest	(3)	(3)	(3)	(4)	3	1	(32)	(9)	(2)	13
Depreciation	(15)	(19)	(15)	(18)	(22)	(3)	(18)	(71)	(10)	21
Pretax profits	685	766	699	705	(11)	(2)	(3)	2,898	781	
Tax	(148)	(165)	(149)	(151)	(10)	(1)	(2)	(623)	(165)	(5)
Recurring PAT	538	601	550	554	(11)	(2)	(3)	2,275	616	(7)
Extraordinary items	—	—	—	—				—	(94)	
Net profit (reported)	538	601	550	554	(11)	(2)	(3)	2,275	522	1
Recurring EPS	3.6	4.1	3.7	3.8	(11)	(2)	(3)	15.4	4.2	(7)
Income tax rate (%)	21.5	21.5	21.3	21.4	4 bps	20 bps	18 bps	21.5	21.1	
Costs as a % of net operating revenue										
Material cost	33.4	33.3	34.8	33.8	14 bps	-146 bps	-43 bps	33.6	34.5	
Employee cost	10.0	8.8	8.5	9.3	113 bps	142 bps	67 bps	9.8	6.8	
Other expenditure	25.4	26.6	25.9	26.7	-118 bps	-48 bps	-132 bps	27.4	24.1	

Source: Company, Kotak Institutional Equities

Exhibit 2: Key changes to earnings, Bajaj Corp, March fiscal year-ends, 2019-21E

	Revised			Earlier			Change (%)		
	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Revenues (Rs mn)	8,968	10,161	11,390	9,169	10,426	11,725	(2.2)	(2.5)	(2.9)
EBITDA (Rs mn)	2,709	3,169	3,645	2,927	3,418	3,905	(7.5)	(7.3)	(6.7)
EBITDA (%)	29.2	30.2	31.0	30.9	31.7	32.2			
PAT (Rs mn)	2,275	2,510	2,747	2,476	2,736	2,897	(8.1)	(8.3)	(5.2)
EPS (Rs/share)	15.4	17.0	18.6	16.8	18.6	19.6	(8.1)	(8.3)	(5.2)

Source: Company, Kotak Institutional Equities estimates

Conference call highlights

- ▶ **Comments on volume growth.** Management highlighted—(1) volume growth in the hair oil segment was 2.6% yoy. ADHO has gained volume share—its volume market share for the year stood at 59.4% (+140 bps yoy) and value market share stood at 61.8% (+110 bps yoy), and (2) rural volume growth has picked up and is currently higher than urban.
- ▶ **Strong recovery in rural.** Management highlighted that a good pickup is being seen in the rural demand. While the LHO category recorded 10.5% yoy in volumes, growth in rural areas stood at 11.9% for the same. Management believes that several government programs announced for the rural areas should augur well for rural demand going forward. Bajaj Corp has already doubled its rural direct reach in the last one year.
- ▶ **New product pipeline on track.** Management reiterated its renewed focus on innovation and indicated that the next launches will be larger and more exciting (compared to the recent launches). Management targets to capture 40% of its incremental growth to come from new product innovation in the near term. Consequently, they expect a further uptick in R&D spends despite the sharp recent increase.
- ▶ **Margin outlook.** Management did acknowledge that if crude prices continue to rise, margins could come under stress. INR depreciation adds to the pressure here.
- ▶ **International business.** On the sharp decline in international business (down 94% yoy), management commented that the international channel was being cleaned up. They have a new team in place and will also be pushing products with new packaging. Management expects things to normalize by 3QFY19.
- ▶ **Comments on NOMARKS performance.** NOMARKS' renewed strategy has started yielding encouraging results. The management undertook a national relaunch in mid-June with a new brand ambassador.
- ▶ **Coco Jasmine launch.** BJCOR highlighted that it is still early days for Bajaj Coco Jasmine and currently a lot of sales is also being driven by distribution expansion.
- ▶ **M&A strategy.** BJCOR continues to scout for brands. However, they are being extremely careful on this front since they believe that a slippage on that front could be risky for them.
- ▶ **Other data points.** (1) Construction of Baroda plant should start in September/October. (2) Performance of CSD channel continues to be erratic and prospects appear weak for FY2019.

Exhibit 3: Channel-wise value growth trends, yoy (%)

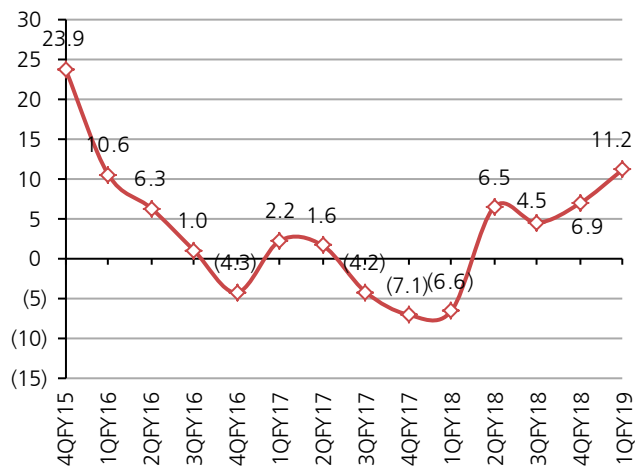
Sales vertical	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
General trade	(3.0)	10.2	14.1	11.1	17.5
Modern trade	11.7	22.9	13.8	23.9	36.3
Total Domestic (ex-CSD)	(2.3)	11.1	14.1	11.9	18.6
Canteen stores department (CSD)	(39.2)	(20.3)	(2.7)	5.6	(21.8)
Total Domestic	(3.8)	9.0	13.4	11.6	17.5
International busines	2.8	(24.2)	(44.2)	(32.9)	(94.1)
Underlying value growth	(3.6)	7.4	10.1	10.1	13.2

Note:

(1) Growth rate adjusted for GST-related changes.

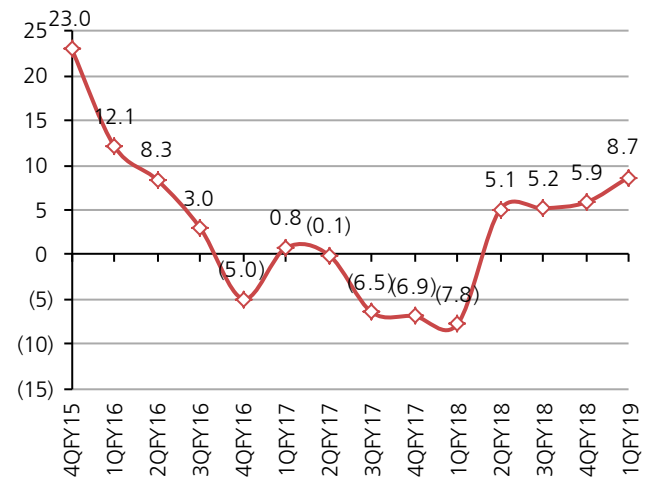
Source: Company, Kotak Institutional Equities

Exhibit 4: ADHO volumes up 11.2% yoy
ADHO quarterly volume growth, yoy (%)



Source: Company, Kotak Institutional Equities

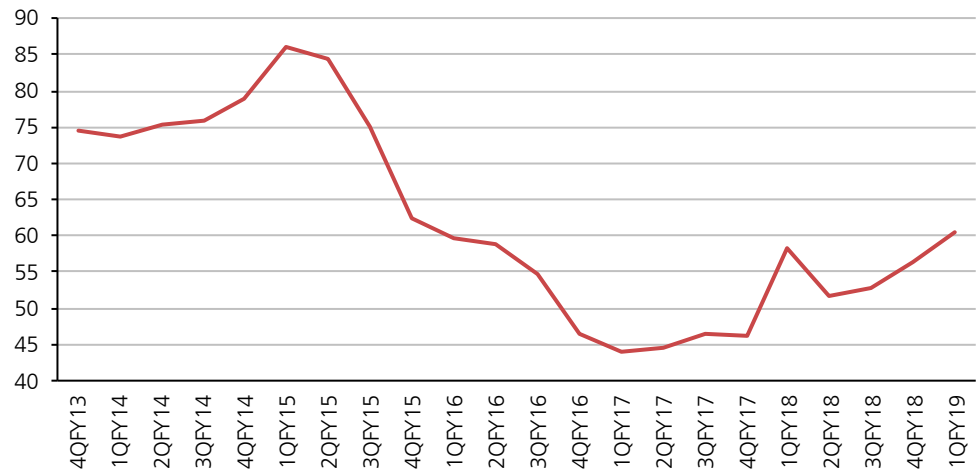
Exhibit 5: Overall volumes up 8.7% yoy
Overall (including NOMARKS) quarterly volume growth, yoy (%)



Source: Company, Kotak Institutional Equities

Exhibit 6: LLP prices up 3.7% yoy/ up 7.2% qoq

BJCOR's quarterly average purchase price for LLP – landed cost net of GST credit (Rs/Kg)



Source: Company, Kotak Institutional Equities

Exhibit 7: Consolidated profit model, balance sheet, cash model of Bajaj Corp, March fiscal year-ends, 2015-21E

	IGAAP			Based on Ind-AS			
	2015	2016	2017	2018	2019E	2020E	2021E
Profit model							
Net operating revenues	8,256	7,997	7,969	8,285	9,263	10,496	11,765
EBITDA	2,392	2,737	2,636	2,539	2,709	3,169	3,645
Other income	316	287	394	244	270	266	266
Interest expense	(1)	(2)	(10)	(12)	(9)	(8)	(6)
Depreciation	(49)	(49)	(53)	(74)	(71)	(81)	(89)
Pretax profits	2,658	2,973	2,966	2,698	2,898	3,347	3,816
Tax	(555)	(632)	(636)	(587)	(623)	(837)	(1,068)
Net income	2,102	2,340	2,330	2,111	2,275	2,510	2,747
Extraordinary items	(376)	(376)	(148)	—	—	—	—
Reported profit	1,727	1,964	2,182	2,111	2,275	2,510	2,747
Recurring Earnings per share (Rs)	14.3	15.9	15.8	14.3	15.4	17.0	18.6
Balance sheet							
Total shareholder's equity	4,886	4,811	4,942	4,925	4,892	4,916	5,001
Total borrowings	—	100	150	135	—	—	—
Deferred tax liability	5	8	8	7	7	7	7
Total liabilities and equity	4,891	4,918	5,100	5,067	4,899	4,924	5,008
Net fixed assets	771	786	1,182	1,301	1,454	1,428	1,561
Investments	1,843	2,754	3,395	3,087	2,788	2,590	2,392
Cash	1,342	603	123	134	141	429	629
Net current assets	(148)	54	(47)	102	73	34	(17)
Other non-current assets	—	106	13	11	11	11	11
Goodwill/intangibles	1084	616	434	432	432	432	432
Total assets	4,891	4,918	5,100	5,067	4,899	4,924	5,008
Free cash flow							
Operating cash flow, excl. working capital	1,932	2,205	2,049	1,944	2,117	2,369	2,619
Working capital changes	135	(276)	71	(143)	28	37	49
Capital expenditure	(8)	(168)	(358)	(181)	(224)	(55)	(222)
Free cash flow	2,059	1,761	1,762	1,620	1,920	2,351	2,445
Ratios (%)							
Revenue growth	22.9	NM	(0.4)	4.0	11.8	13.3	12.1
Gross margin	61.7	62.7	66.2	67.5	66.4	66.5	66.6
EBITDA margin	29.0	34.2	33.1	30.6	29.2	30.2	31.0
EPS growth	22.4	11.3	(0.4)	(9.4)	7.8	10.3	9.5
RoE	41.7	48.3	47.8	42.8	46.3	51.2	55.4
RoCE	46.5	54.8	51.6	48.5	52.9	62.9	71.6

Source: Company, Kotak Institutional Equities estimates

JULY 17, 2018

UPDATE

Coverage view: **Cautious**

Price (₹): **3,864**

Target price (₹): **2,950**

BSE-30: **36,324**

FY2018 annual report analysis: high sustenance capex yields weak cash flows.

Ultratech earned free cash flow of only ₹5 bn in FY2018 (post interest; ₹16 bn if we exclude growth capex) as the company continues to incur high capex spends on sustenance and modernization projects—even on assuming 3.5X improvement in FCF over the next two years led by higher EBITDA/ton, the FCF yield works out to a mere 5% as the stock remains richly valued. Earnings improvement faces multiple headwinds due to rising cost pressures, large capacity in the South, West and low industry utilization rates. Retain SELL rating and cut target price to ₹2,950 (₹3,000 earlier).

Company data and valuation summary

UltraTech Cement

Stock data

52-week range (Rs) (high,low) 4,600-3,563

Market Cap. (Rs bn) 1,061.1

Shareholding pattern (%)

Promoters 62.0

FIs 23.9

MFs 2.6

Price performance (%)

Absolute 4.7 (1.4) (8.5)

Rel. to BSE-30 2.6 (6.8) (19.3)

Forecasts/Valuations

	2018	2019E	2020E
EPS (Rs)	88.1	125.7	162.1
EPS growth (%)	(7.8)	42.7	28.9
P/E (X)	43.9	30.7	23.8
Sales (Rs bn)	293.6	358.1	400.4
Net profits (Rs bn)	24.2	34.5	44.5
EBITDA (Rs bn)	54.2	71.3	83.1
EV/EBITDA (X)	21.8	16.1	13.3
ROE (%)	9.7	12.6	14.3
Div. Yield (%)	0.3	0.3	0.3

Ultratech's free cash flows restricted by higher sustenance and modernization capex

UTCEM's free cash flows are restricted due to higher capital spends on sustenance and modernization projects. Over the past eight years, close to 40-70% of capex spends were meant for sustenance/modernization projects as per capex plans (see Exhibit 1). The company earned FCF of only ₹5 bn in FY2018 (post interest; attributable to equity shareholders)—if growth capex is excluded, the FCF improves to only ₹16 bn (see Exhibit 2). We also highlight that over FY2011-2018, the company earned an aggregate FCF of only ₹154 bn after accounting for sustenance and modernization capex; aggregate FCF fell to ₹73 bn including expansion projects.

While we remain hopeful that moderate improvement in industry utilization will aid UTCEM's profitability with EBITDA/ton improving to ₹1,070/ton, ₹1,160/ton in FY2019E, FY2020E (from ₹960/ton in FY2018), this translates into FCF(E) improving to ₹45 bn/₹57 bn over FY2019-2020E—or an FCFE yield of 4-5% based on CMP as the stock remains richly valued. And then, our estimate may have downside risks, given large capacity additions in the industry.

Earnings—cost to rise; large presence in South, West may cap pricing improvement

The company's pet-coke usage declined to 72% in FY2018 (from 74%) as prices increased by 45% during the year resulting in overall energy cost rising by 23% to ₹938/ton. We expect further increase in fuel costs in FY2019E due to higher pet-coke prices, INR/US\$ depreciation and as the regulation in India is moving towards restricting the usage of pet-coke—a move to ban pet-coke imports can raise costs as pet-coke is still a 15-20% cheaper fuel source than coal.

Besides increasing cost pressures, we believe any large improvement in earnings can also be capped due to Ultratech's significant presence in the South, West markets which have low industry utilizations—these markets account for close to 45% of Ultratech's capacity.

Maintain SELL rating, revise target price to ₹2,950 (₹3,000 earlier)

We incorporate FY2018 annual report details in our model and cut EBITDA estimates for FY2019-2021E by 0-2% and TP to ₹2,950 (₹3,000 earlier). The company ended FY2018 with net-debt of ₹118 bn—we expect debt to decline to ₹87 bn, ₹43 bn in FY2019E, FY2020E. Stock is expensive at 16X/13X FY2019/2020E EBITDA and 31X/24X earnings.

Abhishek Poddar

Murtuza Arsiwalla

Samrat Verma

Changes in our estimates

Exhibit 14 highlights key changes in our estimates.

We tweak our volumes estimates by (1)-1% to 66.8 mn tons, 71.4 mn tons and 76.4 mn for FY2019E, FY2020E and FY2021E. We factor in 18% volume growth in FY2018 from ramp-up of acquired assets of Jaiprakash—these operated at 53% utilization for only part of the year in FY2018. We cut our realization assumption by 3-2% and tweak cost assumptions resulting in 0-(3)% cut in our EBITDA/ton estimate to ₹1,067, ₹1,164 and ₹1,241 for FY2019E, FY2020E and FY2021E.

Our EPS estimate increases by 5-6% due to changes in interest, depreciation cost assumptions. We estimate EPS of ₹125.7, ₹162.1 and ₹201 for FY2019E, FY2020E and FY2021E.

Our estimates do not incorporate financials for acquisition of Century Textiles' cement assets. This transaction will likely be completed by FY2019-end and can be marginally earnings accretive. Exhibit 8 has pro-forma financials assuming acquisition of Century's assets.

Valuation multiples high despite de-rating over last two years

UTCEM's stock price has corrected by 9% and has underperformed broader indices by 19%. The company's valuation multiples have declined to their lowest levels since 2014 (at 15X 1 year forward EV/EBITDA from 20X in 2017) but are still higher than pre-2014 era (Exhibits 11 to 13).

Exhibit 1: Ultratech's capex plans have always included higher spends on sustenance, modernization projects

Capex plans for Ultratech at the start of each year (for next 2-3 years), March fiscal year ends (Rs mn)

	2011	2012	2013	2014	2015	2016	2017	2018
Expansion capex	51,490	54,690	67,590	43,620	29,990	9,300	27,160	25,240
Other capex—sustenance, modernization	58,510	49,150	46,880	55,380	46,120	26,800	20,660	33,760
Total capex plan	110,000	103,840	114,470	99,000	76,110	36,100	47,820	59,000
% of capex on sustenance, modernization	53	47	41	56	61	74	43	57

Source: Company, Kotak Institutional Equities estimates

Exhibit 2: UTCEM's FCF is restricted due to high capex ; excluding growth projects, we estimate FCFE of only Rs154 bn in last 8 years

FCFE, FCF for Ultratech based on total capex and derived sustenance, modernization capex, March fiscal year-ends (Rs mn)

	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Cash flows excluding operating activities	21,870	34,421	39,614	31,731	40,738	38,111	42,334	48,848	71,062	81,333	91,677
Working capital changes	(1,531)	158	(4,089)	685	91	5,195	4,878	(12,671)	1,353	562	2,163
Operating cash flows	20,339	34,578	35,524	32,416	40,829	43,306	47,213	36,177	72,414	81,894	93,839
Capital expenditure	(11,876)	(31,398)	(32,495)	(22,282)	(25,799)	(20,534)	(12,593)	(19,380)	(25,370)	(25,000)	(25,000)
Interest cost	(2,935)	(2,907)	(3,268)	(4,046)	(5,495)	(5,388)	(5,470)	(11,542)	(12,557)	(10,097)	(6,897)
Free cash flows to equity shareholders	5,528	273	(239)	6,088	9,535	17,384	29,149	5,255	34,488	46,798	61,943
Free cash flows to firm	8,463	3,180	3,030	10,134	15,030	22,772	34,619	16,797	47,044	56,894	68,839
Sustenance capex—based on capex plans	(9,567)	(16,701)	(15,380)	(9,125)	(14,432)	(12,443)	(9,349)	(8,373)	(14,517)	(14,305)	(14,305)
Free cash flows to equity shareholders	7,837	14,970	16,875	19,245	20,902	25,475	32,393	16,262	45,341	57,492	72,638
FCFE earned for FY2011-2018								153,959			
EBITDA/ton (Rs)	736	981	1,111	872	888	981	1,010	960	1,067	1,164	1,241

Note:

(1) We have computed sustenance capex for each of the fiscal years based on company's disclosed capex plan (Exhibit 1) where it detailed capex for growth projects as well as sustenance & modernization projects separately.

Source: Company, Kotak Institutional Equities estimates

Capacity details—South has large share; new projects in North, Central

UTCEM's India capacity increased to 85 mtpa (from 66.6 mtpa in FY2017) post the acquisition of Jaiprakash Associates' cement assets. These acquired assets had high regional concentration in the Central region where UTCEM had a lower capacity share—post acquisition the company's capacities in Central region have increased to 22% of its total capacity base from 15% earlier.

Significant presence in South, West. In spite of the above changes, UTCEM continues to have a large capacity base of 50% (but falling to 46% by FY2020) in South, West regions where volumes, pricing is affected due to overcapacity (some parts of West region has a spillover effect due to excess capacity in the South).

New capacity additions at 11 mtpa over next two years. UTCEM will be commissioning three projects over the next two years with capacity of 11 mtpa at a capital cost of US\$80-90/ton. This includes 4 mtpa capacity at Bara, Uttar Pradesh that was acquired from Jaiprakash.

Exhibit 3: Ultratech's new cement capacity will be commissioned in North, Central regions where utilization rates are high
Ultratech's India grey cement capacity details, March fiscal year-ends (mtpa)

	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Capacity (mtpa)											
South	12.6	12.6	12.6	14.1	15.5	15.5	15.5	21.7	21.7	21.7	21.7
West	12.8	12.8	15.0	15.0	19.8	21.4	21.4	21.4	21.4	21.4	21.4
Central	10.0	10.0	10.0	10.0	10.0	10.0	10.0	18.5	22.0	26.0	26.0
North	11.2	11.2	11.2	11.2	11.2	12.8	12.8	16.5	16.5	16.5	20.0
East	2.2	2.2	2.2	3.8	3.8	7.0	7.0	7.0	7.0	7.0	7.0
All India cement capacity (mtpa)	48.8	48.8	50.9	54.0	60.2	66.6	66.6	85.0	88.5	92.5	96.0
Capacity split (%)											
South	26	26	25	26	26	23	23	25	24	23	23
West	26	26	29	28	33	32	32	25	24	23	22
Central	21	21	20	19	17	15	15	22	25	28	27
North	23	23	22	21	19	19	19	19	19	18	21
East	5	5	4	7	6	11	11	8	8	8	7
All India cement capacity (mtpa)	100	100	100	100	100	100	100	100	100	100	100
All-India cement prices (Rs/bag)											
South	238	286	298	312	340	359	351	358	348		
West	232	263	295	297	313	279	289	314	321		
Central	235	259	275	300	307	283	310	321	333		
North	243	270	287	289	294	272	307	314	304		
East	248	251	308	328	342	341	327	339	340		
All-India cement prices (Rs/bag)	239	270	293	305	321	314	322	333	332		
UTCEM's EBITDA/ton	736	981	1,111	872	888	981	1,010	960	1,067	1,164	1,241

Note:

(1) The company's capacity will further increase by 13 mtpa by FY2020E on completion of acquisition of cement assets of Century Textiles.

Source: Company, Kotak Institutional Equities estimates

Exhibit 4: Ultratech will commission 11 mtpa of new capacity in North, Central region in next 2 years
New projects to be commissioned by Ultratech in next 2 years (mtpa)

	Capacity (mtpa)	Project cost (US\$/ton)	Expected commissioning date	Comments
Dhar, Madhya Pradesh	1.8	90	April-18	An integrated project with 2.5 mtpa clinker capacity and 13 MW waste heat recovery system
Dhar, Madhya Pradesh	1.8		September-18	
Bara, Uttar Pradesh	4.0	—	June-19	Acquired from Jaiprakash Associates in FY2018
Pali, Rajasthan	3.5	78	June-20	This will be an integrated cement plant
Total	11.0			

Source: Company, Kotak Institutional Equities estimates

High presence in South, West can cap earnings improvement. We note that industry utilization rates in the South region are sub-60% and this also affects the prices in the West markets—especially for those pockets that are in proximity to the Southern plants. We expect other regions including North and East to do relatively better on higher industry utilization rates. Even as we expect all-India Industry utilization rates to improve over the next 2-3 years from close to 64% now, we believe it will require consistent and material improvement in demand over the next few years to exceed 70% industry utilization given large capacity additions in India.

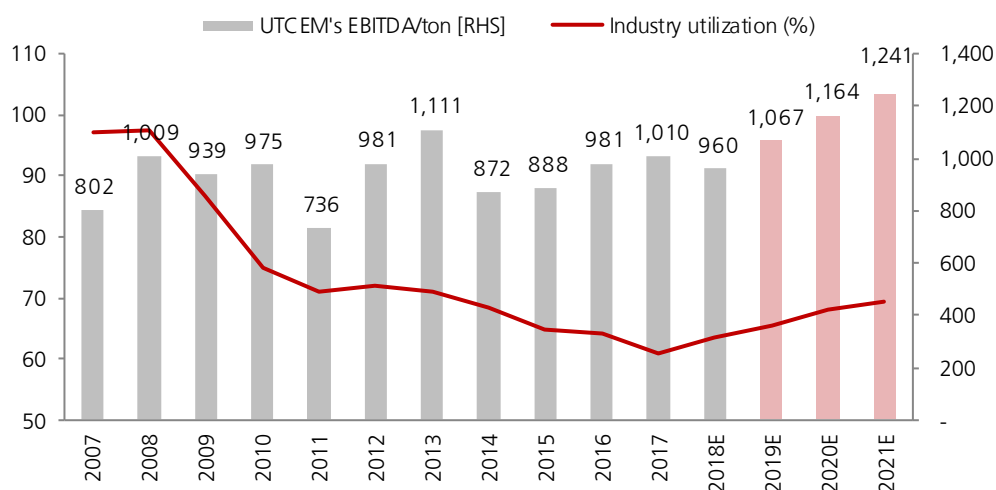
We note that post the recent announcements, close to 75 mtpa of additional cement capacity will be commissioned over the next 2-3 years. Of this, we estimate 22 mtpa new capacities in North and Central region, 25 mtpa in East, 15 mtpa in South region and 13 mtpa to be commissioned in the West.

Exhibit 5: We expect cement industry capacity utilization to remain below 70% over next 3 years due to large capacity additions
Cement India capacity, production and apparent consumption data, March fiscal year-ends, 2013-2021E

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Cement capacity (mtpa)	348	374	417	441	461	467	487	506	537
Cement production	247	256	271	283	280	298	320	345	373
Growth yoy (%)	7.5	3.7	5.9	4.6	(1.2)	6.3	7.5	8.0	8.0
Capacity utilization (%)	71	68	65	64	61	64	66	68	70
Consumption	245	251	266	279	275	293	315	341	369
Growth yoy (%)	7.9	2.7	5.7	4.8	(1.2)	6.5	7.6	8.1	8.1
Exports	2.9	5.1	6.3	6.2	6.3	6.0	6.0	6.1	6.2
Imports	1.3	0.8	1.1	1.4	1.6	1.6	1.6	1.6	1.6

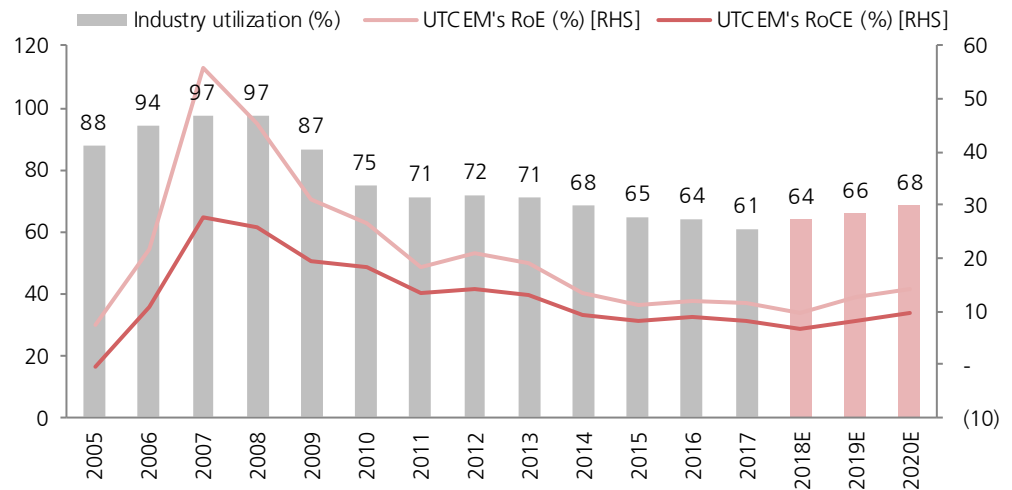
Source: Company, Kotak Institutional Equities estimates

Exhibit 6: We expect 30% improvement in EBITDA/ton; our estimates can have downside risks
UltraTech's EBITDA/ton and India cement industry utilization, March fiscal year-ends (Rs/ton, %)



Source: Company, Kotak Institutional Equities estimates

Exhibit 7: We expect moderate improvement in UTCEM's return ratios over next 2 years
 Ultratech's return ratios and India cement industry utilization, March fiscal year-ends (%)



Source: Company, Kotak Institutional Equities estimates

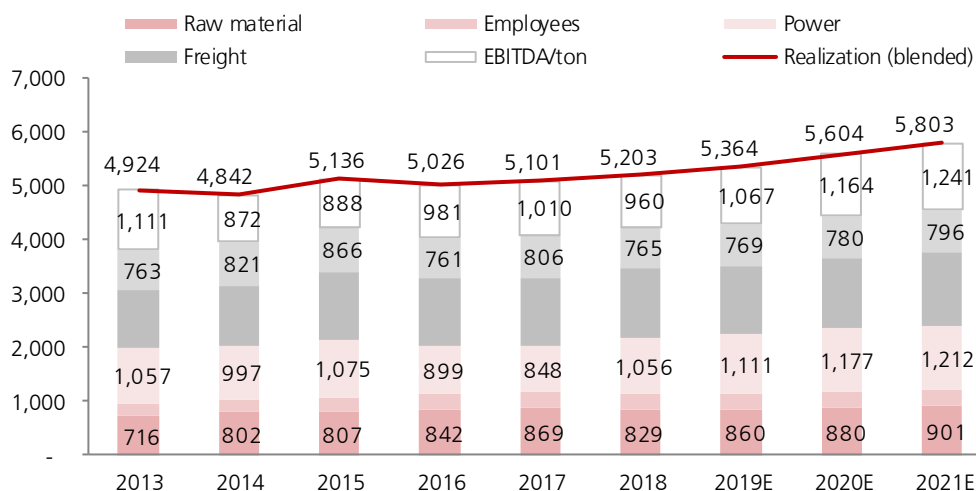
Cost pressure increasing—fuel and freight to hurt in FY2019E

- **Energy cost increase due to higher pet-coke prices.** UTCEM's energy cost increased to ₹938/ton from ₹763/ton in FY2017 due to (1) 45% increase in pet-coke prices to US\$96/ton, and (2) decline in pet-coke consumption to 72% from 74% in FY2017. We note that the company's pet-coke usage has peaked out at close to 70% for the last three years after it increased from 52% in FY2015.

The limited avenues to improve fuel mix, rising pet-coke prices, lower INR/US\$ rate (which affects pet-coke import parity costs) and restrictions on pet-coke usage can adversely impact UTCEM's costs (as well as of peers) as pet-coke remains close to 20% cheaper than other fuel sources, including imported coal.

- **Freight cost increase due to higher diesel prices.** UTCEM's freight costs increased by 5% to ₹1,124/ton in FY2018 due to a 7% increase in diesel prices even as the company reduced average lead distance by 3% led by improved utilization of new grinding capacities. We expect freight costs to further increase in FY2019E on the back of rising crude oil prices.

Exhibit 8: Rising pet-coke & slag prices to exert cost pressure on UTCEM's earnings
 UTCEM's realization, EBITDA/ton and other cost items, March fiscal year-ends (Rs/ton)



Source: Company, Kotak Institutional Equities estimates

Exhibit 9: The acquisition of Century Textiles' assets can be marginally earnings accretive assuming EBITDA/ton improves to Rs900/ton
 Profit and Loss statement for the combined entity of post-acquisition of Century Textiles assets, March year-ends, 2018E (Rs mn)

	FY2020E (Standalone)			Comments
	Ultratech	Century's assets	Combined	
Capacity (mtpa)	92.5	13.4	105.9	
Sales (mtpa)	71.4	10.7	82.2	
Sales	400,406	50,384	450,790	
Operating costs				
Raw material costs	(62,872)	(8,040)	(70,912)	
Employee costs	(20,906)	(3,216)	(24,122)	
Freight costs	(84,103)	(11,792)	(95,895)	
Power & fuel costs	(93,693)	(10,720)	(104,413)	
Other costs	(55,708)	(6,968)	(62,676)	
Total operating costs	(317,281)	(40,736)	(358,017)	
EBITDA	83,126	9,648	92,774	
EBITDA margin (%)	21	19	21	
Other income	12,157	—	12,157	
Interest	(10,097)	(2,700)	(12,797)	Interest on assumed debt
Depreciation	(18,757)	(1,090)	(19,847)	
PBT	66,429	5,858	72,287	
Tax expense	(21,921)	(1,933)	(23,855)	
Net income	44,507	3,925	48,432	
Shares outstanding (mn)	274.6		288.6	
EPS (Rs/share)	162.1		167.8	
Per ton analysis				
Despatches, mn tons	71.4	10.7	82.2	
Realization (Rs/ton)	5,604		5,486	
Operating cost (Rs/ton)	4,441		4,357	
Profitability (Rs/ton)*	1,164	900	1,129	

Note:

(a) Management expects profitability from Century assets to improve to Rs900/ton from Rs500/ton led by cost improvement projects, branding.

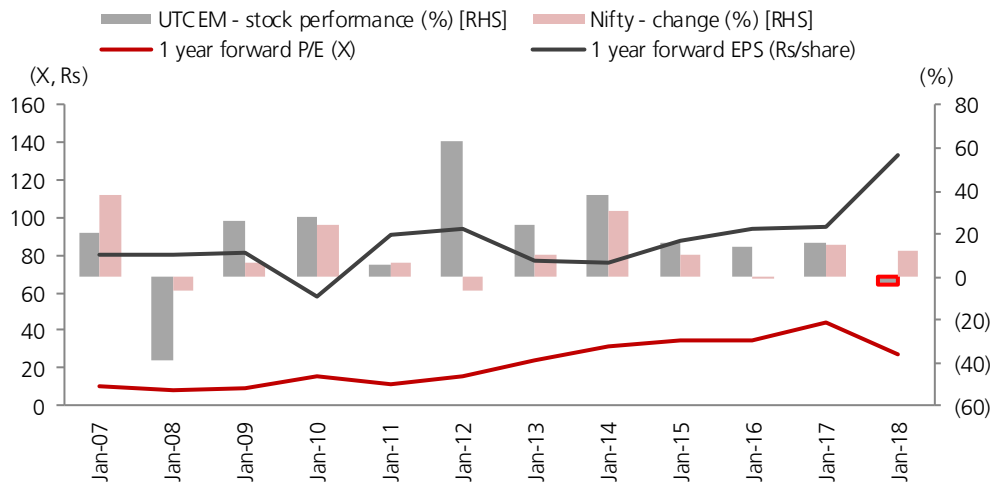
Source: Kotak Institutional Equities estimates

Exhibit 10: Century's cement business EBITDA was Rs4.9 bn in FY2018 on ~10 mn tons of volumes
 Revenue and EBIT for cement business of Century Textiles, March fiscal year-ends (Rs mn)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Revenue (Rs mn)	30,480	33,110	41,272	45,372	43,239	43,062
EBIT	3,492	2,382	2,735	1,023	1,657	4,088
EBIT margin (%)	11.5	7.2	6.6	2.3	3.8	9.5

Source: Company, Kotak Institutional Equities estimates

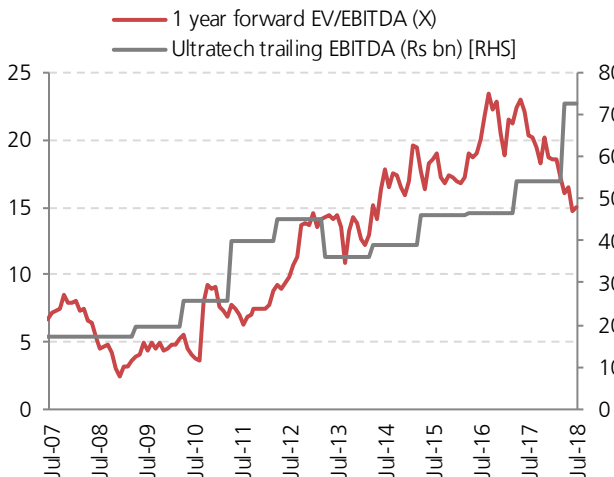
Exhibit 11: UTCEM has underperformed broader indices over past year due to multiple derating
 Comparison of UTCEM's stock performance, NIFTY change, EPS & P/E multiple, (% , X, Rs)



Source: Bloomberg, Kotak Institutional Equities estimates

Exhibit 12: UTCEM trades at rich valuations despite recent correction

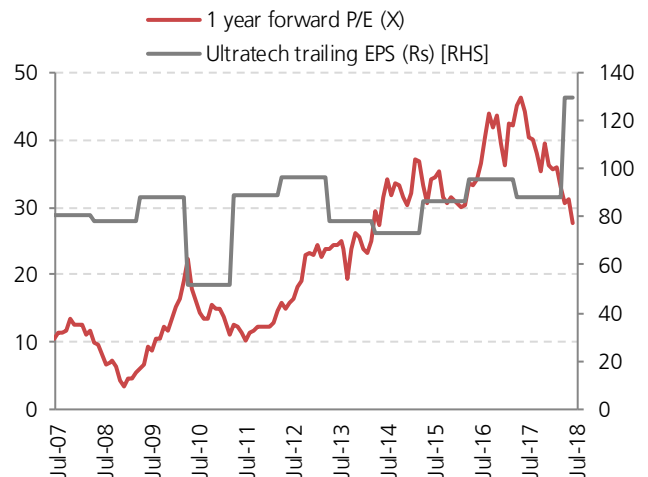
1 year forward EV/EBITDA and trailing EBITDA of UTCEM



Source: Bloomberg, Kotak Institutional Equities estimates

Exhibit 13: UTCEM trades at rich valuations despite recent correction

1 year forward P/E and trailing EPS of UTCEM



Source: Bloomberg, Kotak Institutional Equities estimates

Exhibit 14: Ultratech Cement, changes in estimates, March fiscal year ends, FY2019-2021E

	Revised estimate			Previous estimate			Change (%)		
	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Volume and realizations (mn tons, Rs/ton)									
Cement sales (mn tons)	66.8	71.4	76.4	66.3	71.8	76.8	1	(1)	(1)
Realization (Rs/ton)	5,031	5,271	5,471	5,207	5,407	5,607	(3)	(3)	(2)
EBITDA (Rs/ton)	1,067	1,164	1,241	1,100	1,169	1,237	(3)	(0)	0
Earnings estimates (Rs mn)									
Revenues	358,128	400,406	443,579	357,201	401,464	445,062	0	(0)	(0)
EBITDA	71,251	83,126	94,879	72,885	83,964	95,023	(2)	(1)	(0)
PAT	34,531	44,507	55,185	32,700	42,135	52,711	6	6	5
EPS	125.7	162.1	201.0	119.1	153.4	191.9	6	6	5

Source: Company, Kotak Institutional Equities estimates

Exhibit 15: Our assumptions factor a strong volume growth in FY2019E from full ramp-up of Jaiprakash capacities

Key assumptions that drive our financial model, March fiscal year-ends, 2016-21E (Rs bn)

	2016	2017	2018	2019E	2020E	2021E	Growth (%)				
							2017	2018	2019E	2020E	2021E
Key Standalone financials (Rs bn)											
Revenue	237	236	294	358	400	444	(0)	24	22	12	11
EBITDA	46	47	54	71	83	95	1	16	32	17	14
PAT	24	26	24	35	45	55	11	(8)	43	29	24
Key operating metrics											
Cement and clinker (mn tons)	47.2	46.3	56.4	66.8	71.4	76.4	(2)	22	18	7	7
Realization (Rs/ton)	5,026	5,101	5,203	5,364	5,604	5,803	1	2	3	4	4
Operating cost (Rs/ton)	4,045	4,091	4,243	4,296	4,441	4,561	1	4	1	3	3
Profitability (Rs/ton)	981	1,010	960	1,067	1,164	1,241	3	(5)	11	9	7

Source: Company, Kotak Institutional Equities estimates

Exhibit 16: Our fair value of Ultratech is Rs2,950/share based on March 2020E financials
Ultratech Cement, Valuation details, March 2020E fiscal year ends

Valuation	Rs mn	Multiple	EV	
		(X)	Rs mn	Rs/share
EBITDA (Rs mn)	83,126	10	852,868	3,107
Net cash (Rs mn)			(43,406)	(158)
Equity value (Rs mn)			809,462	2,950
TP (Rs/share)				2,950

Source: Kotak Institutional Equities estimates

Exhibit 17: Ultratech Cement, Profit model, balance sheet and cash flow model, March fiscal year-ends, 2016-2021E (Rs mn)

	2016	2017	2018	2019E	2020E	2021E
Profit model (Rs mn)						
Net sales	237,088	236,157	293,626	358,128	400,406	443,579
EBITDA	46,266	46,743	54,174	71,251	83,126	94,879
Other income	4,807	9,356	10,222	10,633	12,157	14,095
Interest	(5,117)	(5,714)	(11,863)	(12,557)	(10,097)	(6,897)
Depreciation	(12,970)	(12,679)	(17,636)	(17,789)	(18,757)	(19,711)
Profit before tax	32,986	37,706	34,898	51,539	66,429	82,366
Current tax	(6,238)	(8,067)	(6,780)	(10,823)	(13,950)	(17,297)
Deferred tax	(3,046)	(3,416)	(3,925)	(6,185)	(7,971)	(9,884)
Net profit	23,702	26,087	21,930	34,531	44,507	55,185
Adjusted PAT	23,702	26,224	24,192	34,531	44,507	55,185
Earnings per share (Rs)	86.4	95.5	88.1	125.7	162.1	201.0
Balance sheet (Rs mn)						
Equity	207,361	239,410	259,230	290,456	331,658	383,538
Deferred tax liability	32,274	27,736	31,741	37,925	45,897	55,780
Borrowings	76,378	62,404	174,195	142,694	112,694	62,694
Current liabilities	62,508	63,261	78,564	92,383	103,530	115,067
Total liabilities	378,521	392,811	543,730	563,458	593,778	617,079
Fixed assets	239,483	241,102	386,847	394,428	400,670	405,959
Investments	51,081	74,087	61,629	61,629	61,629	61,629
Cash	22,352	22,177	1,993	1,675	15,167	23,805
Other current assets	65,605	55,445	93,261	105,726	116,312	125,686
Total assets	378,521	392,811	543,730	563,458	593,778	617,079
Free cash flow (Rs mn)						
Operating cash flow excl. working capital	33,490	37,453	38,039	58,505	71,236	84,780
Working capital changes	5,195	4,878	(12,671)	1,353	562	2,163
Capital expenditure	(20,534)	(12,593)	(19,380)	(25,370)	(25,000)	(25,000)
Free cash flow	18,152	29,738	5,988	34,488	46,798	61,943
Ratios						
Book value (Rs/share)	756	872	944	1,058	1,208	1,397
RoAE (%)	12.0	11.7	9.7	12.6	14.3	15.4
RoACE (%)	8.8	8.1	6.7	8.3	9.8	11.3
CRoCI (%)	11.5	12.8	13.3	13.0	14.4	15.5

Source: Company, Kotak Institutional Equities estimates

JULY 17, 2018

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IMO 2020: unsustainable benefit, if any. The plausible benefit to refining margins from increasing demand of gasoil on the implementation of IMO 2020 rule restricting sulfur content for marine fuels from January 1, 2020, will be contingent on effective compliance by the shipping industry, which remains highly uncertain. Even if the benefit comes through in the initial period, it is unlikely to sustain for long as the gasoil/VLSFO availability improves led by (1) higher operating rates/distillate yields, (2) segregation of low-sulfur residues, (3) addition of desulfurizer capacity, (4) rise in off-take of low-sulfur crude and (5) possible revival of mothballed refineries. Any short-term gains, if any, for the refiners thereby cannot be accorded a recurring multiple. REDUCE RIL/OMCs.

IMO 2020 rule to cap sulfur content in marine fuel oil to 0.5% from 3.5% currently

International Maritime Organization (IMO) has set a limit of 0.5% for sulfur content in fuel oil used by ships from January 1, 2020 onwards, outside the designated Emission Control Areas (ECAs), as compared to the current cap of 3.5%, in order to reduce sulfur oxide (SOx) emissions from the ships. The sulfur content in marine fuel is already restricted to 0.1% in the established ECAs of Baltic Sea, North Sea, North America and the US Caribbean Sea areas.

Choice for shipping industry is to use costly low-sulfur fuels or install scrubbers or not comply

In order to comply with the IMO 2020 rule, the shipping industry will be required to (1) use low-sulfur fuels such as 0.5% VLSFO, marine gasoil, methanol, LNG, etc. or (2) install approved equivalent means such as exhaust gas cleaning systems (scrubbers), which clean the emissions before they are released into the atmosphere. The former will result in higher fuel costs, at least until there is adequate fuel availability from the refining industry, and the latter requires a one-time capex for shippers and is also constrained by limited installation capacity of scrubbers.

Compliance by shipping industry remains uncertain and is likely to be low in the initial years

We understand that the shipping industry, operating at thin profit margins, especially in a rising crude price environment, will find it difficult to comply with IMO 2020 rule given the sharp increase in operating or capital costs attached with aforementioned choices. We note that IMO is primarily responsible for adopting regulations and the onus of monitoring, compliance and enforcement of such regulations lies with the individual member states of IMO, wherein slippages cannot be ruled out. A few industry estimates suggest that the compliance to more stringent ECAs such as Europe is as low as 20-40% even after more than three years of implementation.

Short-term gains to refiners from potential spike in demand of gasoil, depending on compliance

Several global agencies estimate 1.5-3 mn b/d of shift in demand of HSFO to gasoil and VLSFO from CY2020 onwards depending on likely compliance by the shipping industry, which is likely to benefit refiners, particularly with higher yield of gasoil and low-to-nil yield of HSFO. IEA estimates 4 mn b/d of marine fuel demand from OECD and main non-OECD countries, 81% of which is being serviced by high-sulfur fuel oil and remaining 19% by gasoil currently.

Expected realignment of the refining industry to offset such gains anyway

We believe potential gains to the refining industry from implementation of IMO 2020 is unlikely to sustain for long as gasoil/VLSFO availability is expected to improve led by (1) plausible increase in operating rates and middle distillate yields by the refiners, (2) likely segregation of available low-sulfur residues currently used in other industries with unregulated emission norms, (3) planned addition of desulfurizer capacity over the next few years, (4) expected increase in off-take of low-sulfur crude particularly due to rising proportion of supply from the US shale oil and (5) possible revival of mothballed refineries, as suggested in recent industry journals. In our view, the compliance to emission norms should be seen as an additional cost (of up-gradation) for refiners in the long run, contrary to short-term gains amid period of disruption.

Tarun Lakhotia

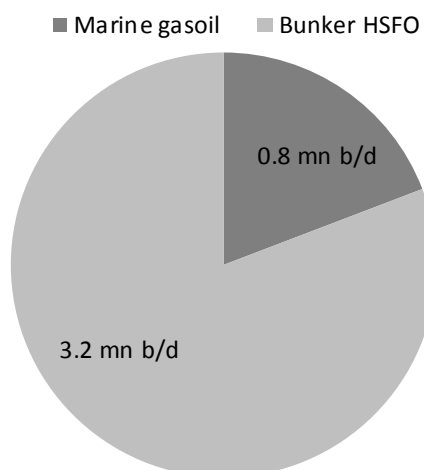
Akshay Bhor

Potential gains for the refining industry may erode soon

- ▶ **Plausible increase in operating rates and middle distillate yields by the refiners.** We note that any sharp uptick in gasoil spreads due to rise in demand may lead to increase in operating rates by the global refining industry, which will lead to possible surplus and consequent reduction in spreads of other distillates. Further, likely increase in middle distillate yields through minor flexibilities or debottlenecking by the refiners can also support incremental supplies of gasoil—we note that a plausible 1% switch in yield by the refining industry can release 1 mn b/d of gasoil additionally.
- ▶ **Segregation of low-sulfur residues.** Platts estimates that 1.5 mn b/d of low-sulfur residues is currently being used in industries, which have limited or no requirement on emission controls. Potential segregation of a portion of these low-sulfur residues can increase availability of VLSFO for the shipping industry.
- ▶ **Planned addition of desulfurizer capacity.** We note that the refining industry has undertaken several up-gradation projects including addition of desulfurizer capacity in the coming years, which should enhance availability of low-sulfur fuels. IEA estimates 4.8 mn b/d of addition of new desulfurizer capacity over CY2018-21E as compared to a modest 0.5 mn b/d added in CY2017.
- ▶ **Increase in off-take of low-sulfur crude oil.** We note that the refiners are also expected to increase off-take of low-sulfur crude, which will enhance production of low-sulfur fuels, given rising availability and thereby growing proportion of the US shale oil supply in the global crude oil mix.
- ▶ **Possible revival of mothballed refineries.** We also see a possibility of revival of recently mothballed old refineries in anticipation of gains, especially from processing of low-sulfur crudes—IEA estimates that 4.5 mn b/d of global refining capacity was shut during CY2014-18 due to weak economics. The recent industry journals indicate that two such refining assets, ArcLight Capital's Hovensa refinery (500 kb/d) in the US Virgin Islands and Hestya Energy's Wilhelmshaven refinery (260 kb/d) in Germany, have indicated plans of revival over the next 12-18 months in anticipation of improved refining economics.

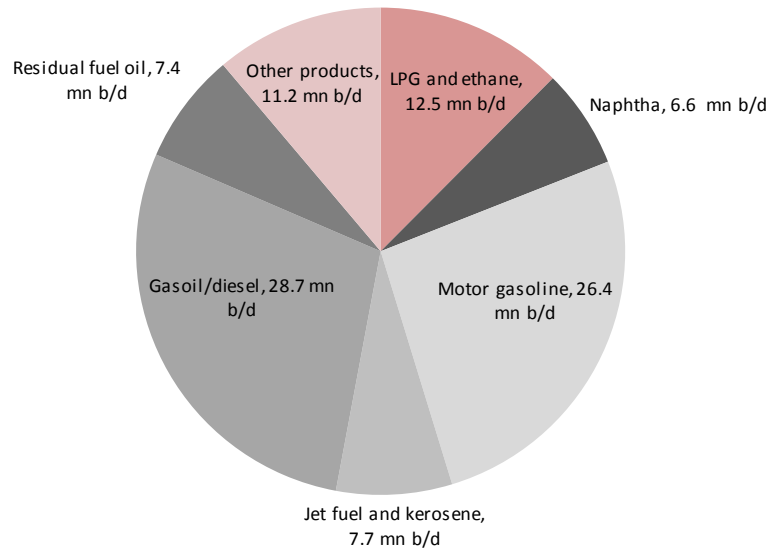
Exhibit 1: Bunker deliveries by fuel type

Bunker deliveries in OECD and main Non-OECD countries in mn b/d, calendar year-end, 2019E



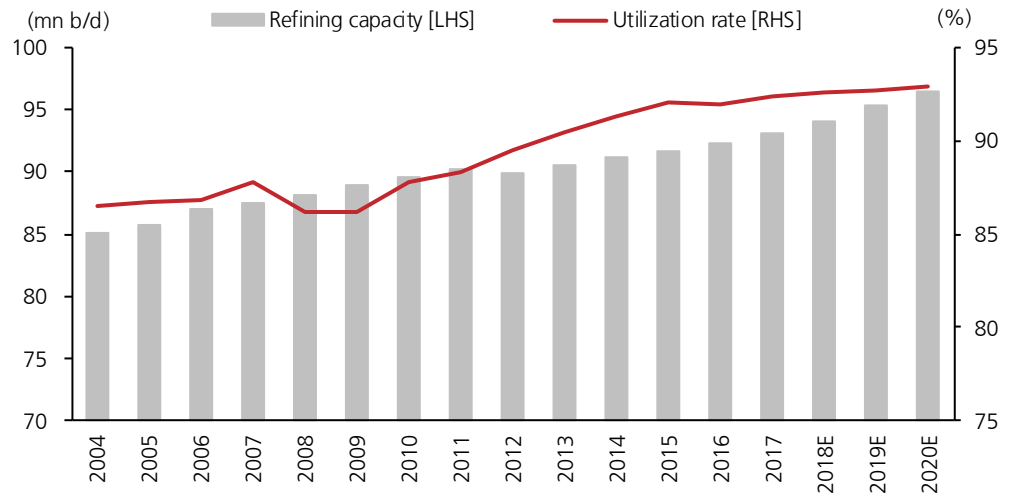
Source: IEA, Kotak Institutional Equities estimates

Exhibit 2: Middle distillate forms 36% of the global refinery supply
 Product-wise supply, calendar year-end, 2019E (mn b/d)



Source: IEA, Kotak Institutional Equities estimates

Exhibit 3: Global refining operating rates to increase further over the next few years
 Global refining capacity versus operating rate, calendar year ends, 2004-20E



Source: IEA, Kotak Institutional Equities estimates

Exhibit 4: Desulphurization capacity additions to pick up
Capacity additions, calendar year-ends, 2017-21E (kb/d)

	2017	2018E	2019E	2020E	2021E
OECD Americas	77	75			
OECD Europe		50	114		
OECD Asia Oceania					
FSU	40	156	249	210	20
Non-OECD Europe					
China	281	156	120	464	746
Other Asia	90	239	50	159	130
Latin America					
Middle East	(22)	170	527	248	658
Africa		42			200
Total World	466	888	1,060	1,081	1,754

Source: IEA, Kotak Institutional Equities estimates

Marginally better. Private life insurance companies reported 9% growth in individual premium (15% excluding ICICI Prudential Life and SBI Life) in June 2018, somewhat better than 4% (16% ex-ICICI and SBI) during May 2018. Inflows to equity mutual funds moderated further mom to ₹107 bn from ₹132 bn in May 2018. We expect FY2019 to be a moderate year for ULIP inflows though focus on the protection business will continue to drive VNB for large players; in that sense, monthly APE data is incrementally less relevant.

Private sector (ex-ICICI Pru Life and SBI Life) individual business growth at 15% in June 2018

Private sector APE was up 12% yoy in June 2018, leading to 6% yoy growth for 1QFY19. With 3% yoy growth in LIC for the month (21% in May 2018, 7% in 1QFY18), the overall industry growth was 8% yoy in June (6% in 1QFY19). Excluding two key players, viz. ICICI Prudential Life and SBI Life that carry a large base and have been moderating for the past few quarters, the rest of the industry was up 19% yoy (18% in 1QFY19).

SBI Life and ICICI Pru Life still weak

- ▶ SBI Life Insurance reported 8% yoy growth in individual APE in June 2018 (27% in May 2018). Growing at about 30% for several quarters, SBI Life slowed down to 11% yoy growth in 4QFY18 and 11% yoy decline in April 2018. After bouncing back in May 2018, it has again slowed down. Average ticket size in individual non-single segment was up 15% yoy likely implying that the number of policy had declined. According to the management, its focus has been on protection and digital business and its volumes will pick up over time.
- ▶ ICICI Prudential Life reported 5% decline in individual APE, better than 30% decline in April/May 2018. The company had high base (over 100% growth in April/May 2017)—reason for high yoy decline in April/May 2018. However, the reason for weakness in June is not clear as the base was moderate as well (27% yoy growth in June 2017). According to the management, business should pick up from July 2018.
- ▶ HDFC Life reported 4% growth in individual APE in June 2018, lower than 11-70% in previous two months—a high base (from June 2017) has started to catch on and is likely leading to lower growth. With a high base over the next few months, its yoy growth rate may be muted if the current trends continue.
- ▶ Max Life reported 19% yoy growth in individual APE in June 2018 leading to 13% growth in 1QFY18. Its average ticket size was up 13% yoy in June likely due to its shift to ULIPs.
- ▶ Birla SL Insurance continues to go strong with 40% growth during the month (37-40% in April/May 2018) despite a high base of 30% growth in 1QFY18; the traction may be likely due to its bancassurance partnership—a trend interesting to track.

Investment inflows may be moderate in FY2019E

Moderation in capital markets and rise in interest rates will likely reduce the intensity of inflows to capital market financial savings—equity inflows to mutual fund were down to ₹107 bn from ₹132-136 bn in the previous two months. Most large insurance companies are increasingly balancing their portfolios and shifting towards traditional policies. More importantly, all large players are focusing on the high-margin protection business, which will improve their VNB even as APE growth may be lower. As such, monthly APE trends are increasingly getting irrelevant.

JULY 17, 2018

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QUICK NUMBERS

- APE growth modest at 8% yoy in June 2018
- 15% yoy growth in individual APE excluding ICICI Pru Life and SBI Life
- HDFC Life up 4% yoy in individual non-single business

Nischint Chawathe

M B Mahesh CFA

Dipanjan Ghosh

Exhibit 1: Adjusted life insurance premium was modest at 8% in June 2018
APE in individual and group business, March fiscal year-end, June 2018 (Rs mn)

	Jun-18				YTD FY2019							
	Individual	yoy growth (%)	Group	yoy growth (%)	Total	yoy growth (%)	Individual	yoy growth (%)	Group	yoy growth (%)	Total	yoy growth (%)
Aegon Religare	66	(36)	0	149	66	(36)	170	(17)	0	52	171	(17)
Aviva	143	19	1	123	144	19	305	20	2	(70)	307	17
Bajaj Allianz	1,038	19	186	83	1,224	25	2,828	2	358	(1)	3,186	1
Bharti Axa	418	38	24	20	442	37	1,028	67	64	35	1,092	65
Birla Sunlife	1,137	41	229	149	1,366	52	2,271	40	375	52	2,647	42
Canara HSBC	654	3	74	834	728	13	1,376	9	89	76	1,466	12
DHFL Pramerica	324	43	69	(35)	393	18	823	47	185	(20)	1,007	27
Edelweiss	233	121	5	138	238	122	479	94	10	(3)	489	90
Future Generali	171	47	5	23	176	46	431	38	12	(65)	443	28
HDFC Life	3,147	4	632	95	3,779	12	8,116	18	1,394	65	9,510	23
ICICI Prudential	5,435	(5)	70	532	5,505	(4)	12,820	(22)	137	(20)	12,957	(22)
IDBI Federal	310	(21)	6	(13)	316	(21)	664	(28)	18	13	682	(27)
India First	426	(1)	212	937	638	41	1,003	0	282	—	1,285	14
Exide Life	498	12	2	(44)	500	12	1,292	22	14	(50)	1,305	20
Kotak	840	4	74	(9)	914	2	2,076	12	229	(21)	2,305	7
Max Life	2,603	20	29	(2)	2,632	19	5,256	15	63	(11)	5,320	14
PNB MetLife	979	22	12	27	990	22	2,245	17	28	(2)	2,274	17
Reliance Life	630	16	5	(54)	635	15	1,708	23	26	(28)	1,734	22
SBI Life	5,366	8	426	65	5,792	11	12,036	9	734	29	12,770	10
Shriram Life	436	8	25	1	461	8	843	5	57	(23)	900	3
Star Union Daichi	285	(33)	4	54	289	(33)	628	(19)	10	15	638	(18)
Tata AIA	1,330	55	3	(17)	1,333	55	2,651	37	22	99	2,673	37
Private players	26,470	9	2,092	87	28,562	12	61,050	5	4,111	26	65,161	6
Pvt. Ex-ICICI and SBI	15,669	15	1,596	88	17,265	19	36,194	17	3,240	28	39,433	18
LIC	20,862	(1)	7,781	18	28,642	3	52,127	7	16,126	8	68,253	7
Total Premium	47,332	4	9,872	28	57,204	8	113,177	6	20,236	11	133,414	6

Source: IRDA, Life council

Exhibit 2: Private sector individual APE was up 9% yoy; performance of LIC was weak in June 2018
Yoy growth in adjusted individual business premium, March fiscal year-ends, 2014-June 2018 (%)

	2014	2015	2016	2017	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	2018	Apr-18	May-18	Jun-18
Bajaj Allianz	(18.5)	(22.6)	(7.5)	40.9	344.9	68.8	54.3	37.6	30.5	31.4	15.7	49.7	20.9	70.5	27.6	5.0	38.3	(20.3)	17.2	18.6
Birla Sunlife	(18.9)	(11.8)	(7.7)	35.3	24.7	31.6	34.9	13.8	24.8	18.1	23.1	23.5	(0.1)	(11.7)	13.4	20.2	14.9	37.3	40.6	40.6
Canara HSBC	(22.8)	17.9	35.2	38.5	61.1	51.1	50.5	96.2	109.2	101.9	38.6	53.4	28.3	16.2	7.9	(11.4)	33.5	64.9	(16.7)	2.7
HDFC Standard Life	(24.2)	25.0	12.3	9.1	6.0	19.4	37.2	55.5	24.5	70.8	30.4	65.2	84.1	28.8	22.2	(2.4)	30.8	69.6	11.3	3.7
ICICI Prudential Life	(1.7)	41.3	8.1	29.0	144.6	100.5	27.2	19.1	14.0	17.9	25.8	10.7	(2.4)	(10.7)	(15.6)	16.6	16.4	(31.1)	(30.0)	(5.1)
India First	(37.2)	5.5	38.1	82.3	149.8	101.5	184.6	117.4	76.5	69.1	32.6	51.6	51.0	48.2	17.7	(20.1)	42.9	1.4	0.9	(1.4)
Kotak	1.2	32.8	52.2	28.1	7.8	76.5	24.3	46.8	40.7	16.3	62.6	63.9	36.2	27.3	47.7	12.9	31.0	34.2	5.8	3.6
Max Life	16.9	10.2	8.0	25.5	40.9	22.1	9.7	12.7	23.2	18.6	30.6	9.8	15.5	65.1	33.1	16.0	21.8	(1.4)	19.7	19.7
MetLife	2.8	23.4	28.5	10.8	12.4	16.0	14.6	42.3	10.4	31.2	20.7	35.3	19.8	43.2	19.9	4.8	20.3	(8.3)	31.5	22.4
Reliance Life	14.6	7.3	(25.6)	(22.8)	45.8	14.9	15.4	3.8	11.8	(2.7)	(7.2)	(17.2)	5.4	3.4	8.6	5.8	5.4	37.1	18.6	16.3
SBI Life	17.7	11.0	37.0	38.9	205.9	40.5	24.5	39.8	50.7	45.7	46.1	37.6	34.3	11.7	17.9	4.6	31.1	(11.0)	27.2	8.1
Star Union Daichi	23.3	18.6	(9.0)	64.4	18.6	32.8	38.3	56.3	26.3	(10.8)	42.3	17.0	(4.7)	31.1	(34.8)	(39.2)	(4.5)	29.8	(9.3)	(33.5)
Private sector	(3.6)	15.8	14.0	26.6	85.9	46.3	27.8	33.0	29.0	30.4	33.2	30.3	22.3	16.3	11.4	7.9	24.3	(1.9)	4.2	8.9
Pvt. ex-ICICI and SBI	(7.8)	9.8	9.5	21.8	41.5	28.1	29.3	37.0	27.5	30.3	31.3	37.5	27.7	32.1	22.4	7.1	24.9	21.0	16.4	15.0
LIC	(3.4)	(26.3)	2.9	14.7	16.6	5.2	17.0	22.8	9.3	9.9	25.9	23.5	12.9	17.4	9.3	5.1	13.4	3.3	20.6	(1.3)
Total	(3.4)	(10.4)	8.3	20.7	47.3	24.3	22.5	28.1	19.7	21.1	29.6	27.0	18.8	16.7	10.5	6.6	19.3	0.4	11.6	4.1

Source: IRDA, Life council

Exhibit 3: APE growth has slowed down in 1QFY19 to 6% yoy

Adjusted premium equivalent of life insurance players, March fiscal year-ends, 2011-1QFY19 (Rs bn)

	APE (Rs bn)									YoY (%)						Market share (%)								
	2011	2012	2013	2014	2015	2016	2017	2018	1QFY19	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2018	1QFY19	
Bajaj Allianz Life	20	14	14	11	9	9	12	17	3	(29)	(2)	(17)	(18)	(2)	34	34	1	3	3	2	2	2	2	2
Birla Sunlife	16	12	11	9	9	8	11	12	3	(24)	(11)	(17)	(7)	(3)	30	11	42	2	2	2	2	2	2	2
DHFL Pramerica	1	1	1	1	2	2	2	4	1	35	43	(17)	63	11	21	62	27	0	0	0	0	0	1	1
Exide	6	6	5	5	4	5	6	6	1	(5)	(15)	(3)	(12)	10	27	2	20	1	1	1	1	1	1	1
HDFC Life	30	28	32	25	32	36	41	53	10	(7)	16	(22)	26	14	13	29	23	5	6	5	7	7	6	7
ICICI Prudential Life	39	30	34	33	46	51	65	75	13	(23)	14	(5)	41	10	27	15	(22)	6	7	6	10	10	10	10
Max Life	17	15	15	18	20	21	27	32	5	(12)	0	17	10	8	26	21	14	3	3	3	4	4	4	4
Reliance Life	20	11	10	12	13	10	7	7	2	(44)	(12)	19	8	(26)	(24)	2	22	2	2	2	3	2	1	1
SBI Life	33	24	26	30	33	45	63	80	13	(27)	8	14	10	36	40	27	10	5	5	6	7	9	10	11
Private players	239	186	189	182	211	241	306	373	65	(22)	2	(3)	16	14	27	22	6	35	37	36	45	46	49	51
Private (ex. SBI, ICICI)	167	131	128	119	132	145	178	218	39	(21)	(3)	(7)	10	10	22	23	18	25	25	23	28	28	28	30
LIC	308	343	326	331	253	279	324	360	68	12	(5)	1	(23)	10	16	11	7	65	63	64	55	54	51	49
Total industry	547	529	515	513	464	520	630	733	133	(3)	(3)	(0)	(9)	12	21	16	6							

Source: IRDA, Life council

Exhibit 4: Private players gained 480 bps market share in June 2018

Trend in adjusted individual business market share, March fiscal year-ends, 2014-June 2018 (%)

	2014	2015	2016	2017	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Bajaj Allianz	2.2	1.9	1.6	1.9	1.9	1.8	1.9	2.1	2.1	2.2	2.4	2.1	2.1	2.2	3.4	2.2	2.2
Birla Sunlife	1.8	1.8	1.5	1.7	1.8	1.2	1.4	1.5	1.2	1.3	2.1	1.5	1.7	2.4	1.7	1.8	2.4
Canara HSBC	0.6	0.8	1.0	1.2	1.4	1.2	1.5	1.8	0.9	1.2	1.6	1.1	1.4	1.2	1.5	0.8	1.4
HDFC Standard Life	5.2	7.3	7.6	6.8	6.7	6.9	7.1	8.6	7.0	7.3	7.9	8.5	8.1	7.6	7.5	7.6	6.6
ICICI Prudential	7.2	11.3	11.3	12.0	12.6	12.6	12.9	12.1	12.4	12.5	11.8	10.2	11.7	7.5	12.4	10.4	11.5
Max Life	3.9	4.8	4.8	5.0	4.8	3.6	4.6	5.3	3.8	4.4	5.8	4.5	6.0	6.8	3.8	4.2	5.5
Met Life	1.3	1.8	2.1	1.9	1.8	1.9	1.7	2.2	1.7	1.9	2.2	1.8	2.0	2.1	1.7	2.1	2.1
Reliance Life	2.5	3.0	2.0	1.3	1.2	1.1	1.1	1.2	0.9	0.9	1.2	1.1	1.2	1.2	2.2	1.3	1.3
SBI Life	6.2	7.7	9.7	11.2	10.9	13.9	14.3	12.5	12.6	12.5	17.1	17.2	9.2	8.4	9.5	10.6	11.3
Private sector	37.9	48.9	51.5	53.9	53.5	54.2	56.8	58.6	52.2	54.0	64.3	59.1	56.8	53.7	54.6	51.1	55.9
LIC	62.1	51.1	48.5	46.1	46.5	45.8	43.2	41.4	47.8	46.0	35.7	40.9	43.2	46.3	45.4	48.9	44.1

Source: IRDA, Life council

Exhibit 5: Mixed trends in ticket size on mom basis
Average policy size in individual non-single segment (Rs)

	Jun-17	May-18	Jun-18	YoY (%)	MoM (%)
Aegon Religare	25,907	13,871	19,749	(24)	42
Aviva	56,499	50,041	53,444	(5)	7
Bajaj Allianz	43,810	50,426	48,949	12	(3)
Bharti Axa	39,044	36,411	36,549	(6)	0
Birla Sun Life	33,520	45,493	47,206	41	4
Canara HSBC Oriental	71,272	69,016	74,926	5	9
DHFL Pramerica	32,994	42,250	39,644	20	(6)
HDFC Life	39,057	39,212	40,076	3	2
ICICI Prudential	90,175	78,085	98,646	9	26
IDBI Federal	37,566	38,738	41,233	10	6
IndiaFirst	35,505	33,350	35,261	(1)	6
Exide Life	28,345	31,920	33,854	19	6
Kotak	44,191	51,744	46,722	6	(10)
Edelweiss Tokio	31,421	40,369	42,942	37	6
Max Life	46,473	46,148	52,533	13	14
PNB Metlife	49,538	57,220	62,083	25	8
Reliance	30,170	34,370	35,020	16	2
SBI	50,031	50,199	57,554	15	15
Shriram	20,255	12,649	15,465	(24)	22
Star Union	44,034	41,346	48,057	9	16
Tata AIA	60,190	60,569	59,769	(1)	(1)
LIC	13,305	15,604	14,224	7	(9)

Source: IRDA, Life council

Exhibit 6: Ticket size dropped slightly in 1QFY19

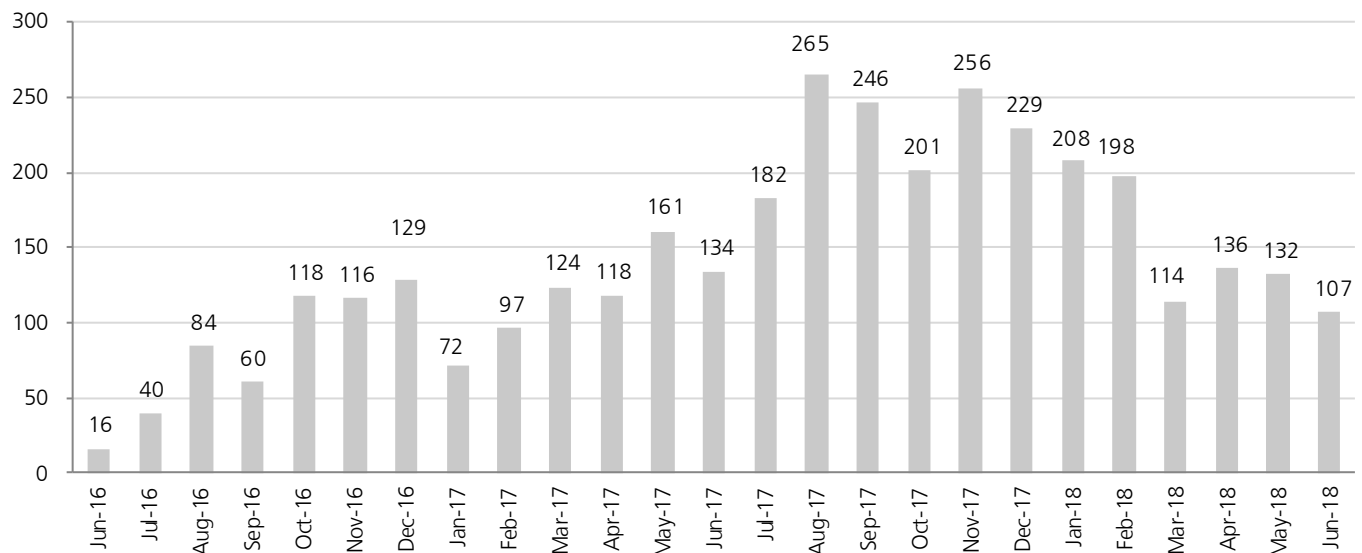
Average policy size in individual non-single segment, 2009-June 2018 (Rs)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	1QFY19
Bajaj Allianz	15,024	14,598	12,566	13,428	17,151	22,216	26,857	28,170	37,066	45,448	48,030
Exide	17,861	21,622	23,311	26,221	24,704	25,014	26,214	24,594	31,413	31,855	34,322
Reliance Life	13,796	13,713	10,704	10,330	12,951	19,145	25,145	24,544	25,380	33,636	35,718
SBI Life	33,625	30,880	37,099	25,266	27,315	27,499	28,103	34,098	47,109	54,929	53,062
Tata AIA	13,839	16,255	17,537	22,368	20,144	20,810	32,577	44,411	57,204	62,780	59,916
HDFC Standard	24,941	37,201	46,297	43,584	39,559	34,811	43,839	38,211	42,345	45,244	39,509
ICICI Prudential	19,686	29,081	28,462	27,533	34,570	41,948	72,582	88,373	94,759	93,116	84,214
Birla SunLife	19,941	13,722	16,348	13,849	18,468	20,062	25,480	23,700	30,445	42,518	46,227
Aviva	18,057	29,427	30,961	28,200	30,032	29,012	39,995	42,580	57,923	70,440	53,519
Kotak Mahindra Old Mutual	23,878	29,827	29,069	24,762	29,832	32,753	38,221	42,657	47,157	55,909	53,994
Max Life	13,198	16,546	20,869	25,973	29,564	32,999	38,909	44,569	51,057	55,836	49,360
Met Life	32,760	31,719	27,355	28,958	28,747	31,393	35,753	38,064	46,860	55,665	59,865
Sahara Life	8,230	9,008	7,952	6,540	5,969	7,397	6,534	8,780	11,782	14,072	NA
Shriram Life	16,928	21,982	18,767	12,897	12,700	13,627	13,727	13,815	18,820	17,382	13,749
Bharti Axa Life	14,229	24,840	20,868	19,952	22,030	29,960	40,491	40,464	39,017	40,695	37,291
Future Generali Life	12,903	13,308	10,859	15,566	13,673	16,842	34,786	42,945	44,659	19,704	39,514
IDBI Federal	29,239	35,271	28,082	25,994	21,763	24,845	29,066	30,856	36,158	40,836	40,217
Canara HSBC	82,635	62,624	62,372	66,162	49,016	54,072	53,981	57,487	67,193	78,115	79,749
Aegon Religare	12,910	32,576	28,402	25,374	22,015	26,883	36,630	28,475	22,807	24,278	17,183
DHFL Pramerica	12,102	18,645	19,021	13,525	13,134	16,897	25,838	27,324	28,332	37,979	43,562
Star Union Dai-ichi	29,220	29,529	30,483	19,333	18,608	27,033	39,855	41,301	50,424	50,941	43,334
Private Total	18,686	21,005	21,851	21,956	25,296	28,345	36,669	39,193	48,008	52,943	49,892
LIC	5,885	7,169	7,595	8,649	7,983	8,180	10,516	10,399	11,718	12,510	14,525
Grand Total	9,942	11,208	11,000	11,142	10,865	11,312	16,403	16,969	20,341	22,549	23,882

Source: IRDA, Life council

Exhibit 7: MF inflows continue to trend downwards

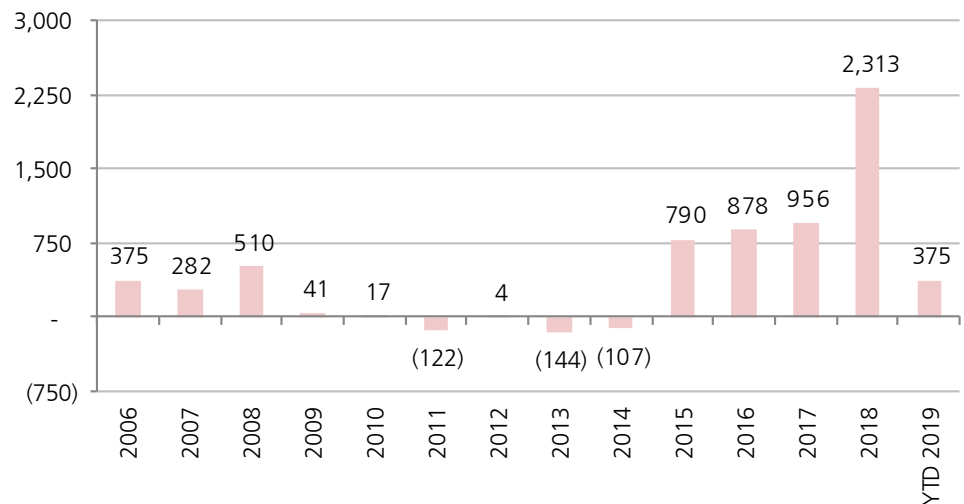
Net MF flows (Equity + ELSS+70% balanced), March fiscal year-ends, June 2016 –June 2018 (Rs bn)



Source: Source: AMFI, Kotak Institutional Equities

Exhibit 8: MF inflows peaked in FY2018

Net MF flows (Equity + ELSS+70% balanced), March fiscal year-ends, 2006 – 1QFY19 (Rs bn)



Source: AMFI, Kotak Institutional Equities

Exhibit 9: Share of ULIPs remains strong for major private players

Contribution of various products to APE, March fiscal year-ends, 2012-18 (% of total)

	2012	2013	2014	2015	2016	2017	2018
Bajaj Life							
Unit linked policies	12	12	10	24	29	62	64
Participating policies	60	49	51	21	19	20	20
Non participating policies	28	39	38	54	52	18	17
Birla SL							
Unit linked policies	59	43	45	35	48	38	NA
Participating policies	0	2	14	16	13	11	NA
Non participating policies	41	55	41	49	38	51	NA
ICICI Prudential Life							
Unit linked policies	56	60	66	85	84	86	84
Participating policies	18	7	18	13	13	10	11
Non participating policies	26	33	15	2	3	5	5
HDFC Life							
Unit linked policies	57	62	49	60	55	49	53
Participating policies	40	34	34	20	27	31	25
Non participating policies	3	5	17	21	18	20	23
Max Life							
Unit linked policies	12	10	21	26	27	32	41
Participating policies	76	74	67	58	59	55	45
Non participating policies	12	16	12	15	14	14	14
SBI Life							
Unit linked policies	44	35	32	40	54	71	67
Participating policies	21	22	31	40	30	16	24
Non participating policies	35	43	37	19	16	12	9

Source: Company, Kotak Institutional Equities

Exhibit 10: High share of bancassurance for select players

Contribution of various products to APE, March fiscal year-ends, 2012-18 (% of total)

	2012	2013	2014	2015	2016	2017	2018
Bajaj Life							
Agency	66	76	84	92	90	90	79
Bankassurance	10	7	8	1	2	2	5
Corporate agents	19	13	5	1	1	1	1
Others	5	4	3	7	7	7	14
Birla SL							
Agency	70	66	65	67	81	75	69
Bankassurance	14	17	20	19	9	9	19
Corporate agents	15	17	4	2	5	6	1
Others	—	—	12	12	5	10	11
HDFC Life							
Agency	20	16	16	16	13	15	13
Bankassurance	64	72	70	67	68	61	59
Corporate agents	11	7	7	2	3	4	5
Others	4	5	7	14	16	19	23
ICICI Prudential Life							
Agency	44	34	28	25	23	23	26
Bankassurance	38	45	54	58	57	57	53
Corporate agents	10	13	10	5	4	4	3
Others	7.5	7	8	13	16	16	19
Max Life							
Agency	37	35	31	29	28	25	24
Bankassurance	40	48	51	57	59	62	64
Corporate agents	13	10	9	6	4	3	3
Others	9	7	8	8	9	10	10
SBI Life							
Agency	52	53	50	46	38	34	31
Bankassurance	44	44	47	52	61	65	67
Corporate agents	1	1	1	1	0	0	1
Others	2	3	2	1	1	1	1

Source: Company, Kotak Institutional Equities

Exhibit 11: Agent productivity has improved across most players

Agency data, March fiscal year-ends, 2014-18

	2014	2015	2016	2017	2018	CAGR (%) (2014-18)
Policies per agent (#)						
Bajaj Life	2.3	1.9	2.2	2.1	2.4	1.3
Birla Sunlife	2.7	2.1	1.8	1.9	2.0	(7.3)
Exide Life	3.9	3.4	3.1	2.0	1.9	(16.4)
HDFC Standard Life	5.2	5.2	5.6	5.2	2.1	(20.2)
ICICI Prudential Life	1.3	1.0	1.2	1.3	1.4	2.6
Kotak Life	7.1	2.5	1.6	1.5	1.5	(31.8)
Max Life	5.0	3.8	3.6	2.7	2.3	(17.2)
PNB Metlife	2.1	1.9	2.3	1.6	1.0	(16.1)
Reliance Nippon Life	3.4	2.9	2.1	1.3	1.2	(22.2)
SBI Life	5.5	4.8	5.2	4.7	5.2	(1.6)
TATA AIA	2.1	1.5	2.3	2.8	3.8	16.6
Total of the above	3.2	2.6	2.7	2.3	2.2	(8.2)
LIC	26.7	16.3	17.7	17.7	18.0	(9.4)
Average size of policy (Rs)						
Bajaj Life	26,904	35,054	34,525	50,760	63,830	24
Birla Sunlife	22,434	28,402	31,066	38,536	45,823	20
Exide Life	29,008	41,668	29,409	54,928	39,841	8
HDFC Standard Life	12,106	17,368	11,954	18,320	56,394	47
ICICI Prudential Life	52,947	81,958	88,554	101,274	106,448	19
Kotak Life	30,089	33,420	34,577	38,354	43,373	10
Max Life	33,567	40,716	45,274	60,950	72,316	21
PNB Metlife	34,889	32,179	32,908	56,128	105,193	32
Reliance Nippon Life	20,102	24,672	23,619	24,679	34,919	15
SBI Life	28,366	36,987	40,690	49,492	49,919	15
TATA AIA	29,120	29,838	34,667	47,441	45,702	12
Total of the above	26,677	34,618	34,224	45,093	56,914	21
LIC	12,636	16,318	16,075	22,622	24,181	18
Premium per agent (Rs)						
Bajaj Life	62,336	66,686	76,129	108,097	155,958	26
Birla Sunlife	60,345	59,637	56,452	73,546	91,097	11
Exide Life	113,294	140,918	90,267	112,422	75,856	(10)
HDFC Standard Life	62,969	91,110	66,701	95,073	119,221	17
ICICI Prudential Life	67,095	80,494	104,411	127,531	149,334	22
Kotak Life	213,797	84,549	54,367	57,169	66,481	(25)
Max Life	166,402	155,588	163,550	165,933	168,807	0
PNB Metlife	71,642	60,765	74,238	90,778	107,181	11
Reliance Nippon Life	68,342	71,279	49,900	32,686	43,452	(11)
SBI Life	156,478	177,082	213,417	234,501	257,937	13
TATA AIA	60,341	45,645	78,330	132,211	175,066	31
Total of the above	84,167	91,438	91,953	105,868	127,749	11
LIC	337,096	266,440	284,819	399,628	434,128	7

Notes:

(a) We have considered individual premium for the above calculation.

Source: Company, IRDAI, Life Insurance Council

Exhibit 12: Individual agent addition was strong in 1QFY19

Gross individual agent addition, March fiscal year-ends, 2014-1QFY19

	Gross individual agents added (#)						YoY (%)				
	2014	2015	2016	2017	2018	1QFY19	2015	2016	2017	2018	1QFY19
Aegon	3,631	3,106	3,518	726	—	—	(14)	13	(79)	(100)	NA
Aviva	6,851	5,465	6,881	4,766	5,490	990	(20)	26	(31)	4	(19)
Bajaj	22,356	20,552	30,075	17,734	22,277	4,836	(8)	46	(41)	7	11
Bharti Axa	10,704	10,564	11,791	9,677	16,586	5,782	(1)	12	(18)	43	126
Birla Sunlife	31,918	22,911	20,992	20,753	24,999	6,124	(28)	(8)	(1)	10	(4)
Canara HSBC	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
DHFL	2,328	1,255	2,467	3,213	5,052	999	(46)	97	30	40	0
Edelweiss Tokio	3,930	3,939	5,102	5,423	10,498	2,317	0	30	6	71	96
Exide	24,642	20,698	32,278	24,411	28,478	4,972	(16)	56	(24)	3	(11)
Future Generali	8,316	3,930	4,852	3,822	3,421	607	(53)	23	(21)	(17)	(27)
HDFC Life	22,469	21,476	17,911	14,479	24,037	6,254	(4)	(17)	(19)	39	62
ICICI Pru	35,799	11,910	18,286	14,264	18,057	5,393	(67)	54	(22)	13	35
IDBI Federal	4,432	4,945	4,477	3,777	4,439	1,684	12	(9)	(16)	5	54
IndiaFirst	862	566	449	457	362	78	(34)	(21)	2	(26)	123
Kotak	24,184	29,903	43,494	42,813	53,151	11,142	24	45	(2)	10	9
Max	22,826	21,524	26,171	22,966	25,497	6,346	(6)	22	(12)	(2)	18
PNB Metlife	6,892	6,776	8,334	1,766	1,108	140	(2)	23	(79)	(43)	(48)
Reliance Nippon	76,578	63,252	47,692	29,036	25,153	7,190	(17)	(25)	(39)	(24)	44
Sahara India	766	450	136	393	113	—	(41)	(70)	189	(73)	NA
SBI Life	40,639	35,571	43,498	38,336	52,258	13,956	(12)	22	(12)	17	60
Shriram Life	192	48	26	82	10	—	(75)	(46)	215	(90)	NA
Star Union	5,330	1,742	1,670	619	98	7—	(67)	(4)	(63)	(85)	(79)
Tata AIA	18,507	14,622	15,615	13,490	17,598	3,768	(21)	7	(14)	13	8
Private	374,152	305,205	345,715	273,003	338,682	82,585	(18)	13	(21)	9	26
LIC	253,416	342,048	319,428	296,441	265,806	46,373	35	(7)	(7)	(22)	2
Total	626,802	647,253	665,143	569,444	604,488	128,958	3	3	(14)	(7)	17

Source: Companies, IRDAI, Life Insurance Council

Private sector reports 21% market share in group business; private players increase focus on single business

LIC remained focus on single premium with 72% share in total premium in June 2018. The share of single premium for private players increased to 49% from 43% in May 2018; among large players, the ratio increased mom for Bajaj Allianz, HDFC Life and SBI Life.

The market share of private players in group business increased to 21% from 15% in May 2018. The swing was largely led by Bajaj Allianz, HDFC Life and SBI Life.

Exhibit 13: Share of single premium in overall business increased in June 2018

Share of single premium to total premium, March fiscal year-ends, 2014-June 2018 (%)

	2014	2015	2016	2017	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	2018	Apr-18	May-18	May-18
Bajaj Allianz	38	44	52	39	55	64	55	54	52	87	72	54	43	36	68	70	65	46	54	65
Birla Sunlife	3	2	2	3	55	59	54	46	50	77	67	60	37	30	24	58	54	34	64	65
HDFC Life	42	47	49	59	67	57	55	64	56	61	62	54	51	53	64	61	59	74	65	73
ICICI Prudential	13	14	27	19	17	25	13	12	13	12	14	13	14	16	19	21	16	25	24	20
Max Life	21	25	28	28	33	32	31	33	29	27	30	30	29	24	25	20	27	36	31	29
Reliance Life	5	5	7	9	13	6	6	6	8	6	3	8	5	3	4	3	5	6	6	5
SBI Life	41	40	35	39	24	41	37	22	17	16	19	20	17	19	26	46	26	37	36	48
Private sector	30	31	34	35	37	40	37	35	31	43	39	34	29	29	38	42	37	46	43	49
LIC	65	71	76	79	72	81	79	87	83	87	78	84	76	69	73	73	80	71	81	82
Total	56	58	63	66	59	69	68	77	71	75	66	71	59	53	60	62	67	62	70	72

Source: IRDA, Life council

Exhibit 14: Private players gained significant market share in June 2018

Market share in group business, March fiscal year-ends, 2014-June 2018 (%)

	2014	2015	2016	2017	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Bajaj Allianz	2.4	2.8	2.5	2.3	1.3	0.7	0.9	5.5	4.0	2.4	1.5	1.4	3.8	3.7	2.4	1.3	1.9
Birla Sunlife	1.4	2.0	1.9	1.6	1.2	0.9	0.7	2.1	1.4	2.0	1.1	0.9	1.2	2.3	1.0	1.6	2.3
HDFC Life	2.5	3.8	3.5	4.6	4.2	3.7	3.7	4.7	6.9	7.0	5.3	8.7	9.0	5.8	13.4	4.7	6.4
ICICI Prudential	0.6	0.9	1.8	0.9	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.5	0.4	0.3	0.7	0.6	0.7
Max Life	0.3	0.4	0.3	0.4	0.4	0.2	0.2	0.2	0.4	0.5	0.4	0.5	0.5	0.3	0.4	0.3	0.3
Reliance Life	1.3	1.5	0.8	0.3	0.2	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.1
SBI Life	3.1	3.1	2.6	3.8	3.3	1.0	1.0	0.7	1.8	2.4	2.1	4.1	2.6	5.2	3.8	2.6	4.3
Private sector	18	21	19	19	15	8	9	16	19	22	16	21	23	22	29	15	21
LIC	82	79	81	81	85	92	91	84	81	78	84	79	77	78	71	85	79

Source: Kotak Institutional Equities

JULY 17, 2018

UPDATE

BSE-30: 36,324

WPI inflation: Peaking out. Input price inflation rose further with sequential increases across key items. WPI inflation has likely peaked for FY2019 at 5.77% in June 2018. We estimate it to glide down to around 4.1% by March 2019. From a policy perspective, RBI's MPC will continue to focus on CPI inflation. We remain cautious on the inflation trajectory as higher input prices feed into retail inflation over the next few months in addition to the extent of pass-through of MSP prices, and potential lower crop output. We maintain a call for another 25 bps of rate hike in the August policy though it will depend on how/when the RBI factors in risks from higher agriculture prices.

Headline WPI inflation rises led by broad-based increases

WPI inflation rose sharply to 5.77% in June (Kotak: 5.23%, Consensus: 5.23%) as against 4.43% in May, partly led by an unfavorable base effect, with increases across the board. The upside to inflation was on the back of "fuel and power" inflation (16.2% yoy, Kotak: 13.8%, May: 11.2%) and "non-food primary articles" inflation (3.8% yoy, Kotak: 1.3%, May: (-)0.6%) (see Exhibit 1). Primary food inflation momentum increased to 1.14% mom to yield 1.8% yoy after 1.6% in May. Within food, vegetables increased sharply by 15.7% mom while fruit prices contracted 7.5% sequentially. Eggs, meat and fish continued to increase sequentially (1.2% in June) (see Exhibit 2). Energy inflation at 16.2% after 11.2% in May, reflected sequential price increases on the back of LPG (6.4% mom), petrol (1.9%), and diesel (2%). We estimate headline WPI inflation to ease to 4.1% in March 2019 and average at 4.5% in FY2019 against 2.9% in FY2018 (see Exhibit 3).

Core WPI inflation inches up

Core WPI inflation (manufactured products excluding food products) increased to 4.8% from 4.4% in May, even as sequential growth moderated to 0.3% (from 0.7% in May), reflecting some moderation in commodity prices. Heavyweights (and global prices driven segments) such as 'basic metals' (0.7% mom) and 'chemicals and chemical products' (0.6% mom) continued to exhibit a sequential increase, albeit with some moderation. We estimate core inflation to trend higher through 1HFY19, peaking around 5.4% in August 2018 and easing to 4% by March 2019. We estimate average core inflation at 4.5% in FY2019 against 2.9% in FY2018.

RBI on an even keel for August policy

From a policy perspective, CPI continues to remain the focus for the MPC. Durable and rising core WPI inflation implies that input price inflation risks feeding into retail inflation over the near to medium term. We expect headline and core inflation to average 4.6% and 5.7%, respectively in FY2019. As a base case, we expect the RBI to remain cautious and possibly deliver another 25 bps rate hike in August given risks of (1) further broad-based increase in core inflation, (2) impact of MSP hikes, and (3) lower crop production given the progress of monsoon and sowing pattern. The recent data points related to monsoon and sowing indicate that rainfall has been subnormal until July 11 and acreage of kharif crops is 14.2% below last year's acreage for the same period as on July 6 (Exhibit 4-5). However, the RBI may defer factoring in the agriculture impact as it awaits the government's plan of implementing MSP benefits for non-procured crops and the pass-through of lower acreage into retail price formation. In such a scenario, the inflation projections may not immediately indicate a significant upside, thus, deferring the rate hike to October.

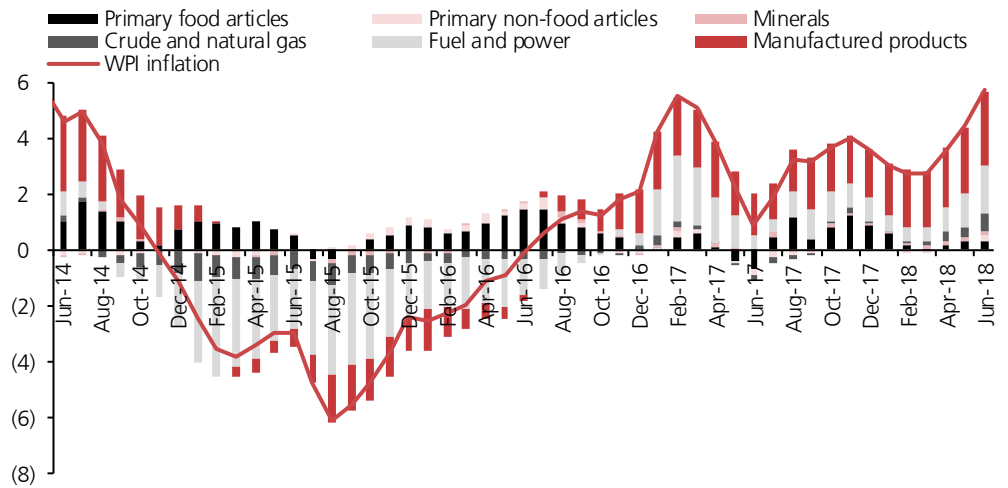
QUICK NUMBERS

- **Headline WPI inflation at 5.77% in June**
- **Core WPI inflation at 4.81%**
- **Expect FY2019 average WPI inflation at 4.5%; core WPI inflation at 4.5%**

Suvodeep Rakshit

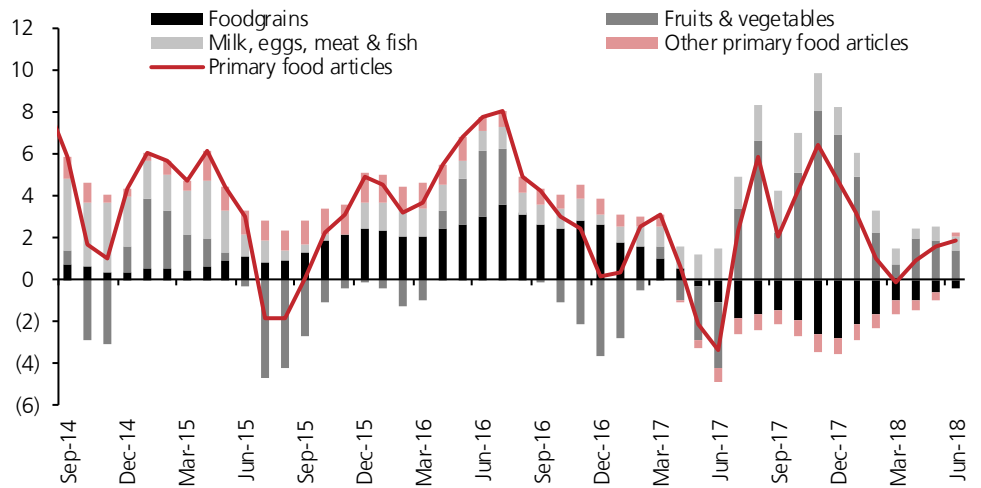
Upasna Bhardwaj

Exhibit 1: Energy inflation pushing up WPI inflation along with crude oil and manufactured products
 Contribution of key items to WPI inflation (%)



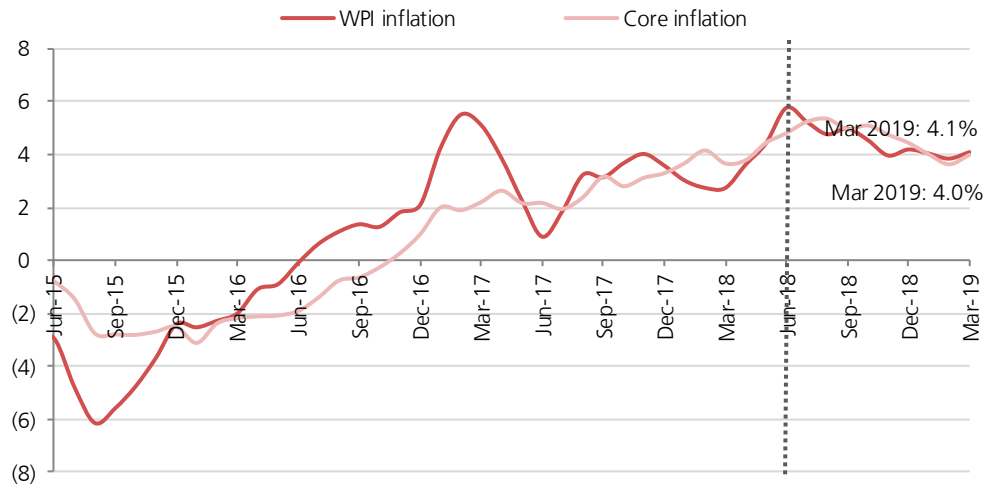
Source: CEIC, Kotak Economics Research

Exhibit 2: Vegetables and food grains have been pushing up food prices over last few months
 Contribution of key food items to primary food inflation (%)



Source: CEIC, Kotak Economics Research

Exhibit 3: WPI inflation will likely ease off gradually over next few months
Trend in headline and core WPI inflation (%)



Source: CEIC, Kotak Economics Research estimates

Exhibit 4: Weak start to monsoons

Cumulative rainfall surplus/deficiency in sub-divisions, 2017 and 2018 (%)

	28-Jun-17	5-Jul-17	12-Jul-17	27-Jun-18	4-Jul-18	11-Jul-18
India	1	6	0	(10)	(7)	(9)
East and North East India						
Arunachal Pradesh	(20)	(3)	12	(42)	(31)	(30)
Assam & Meghalaya	(18)	(13)	(12)	(29)	(23)	(31)
Bihar	(43)	(14)	14	(32)	(18)	(32)
Gangetic West Bengal	(15)	(16)	(17)	(16)	(26)	(30)
Jharkhand	(38)	(23)	(23)	(29)	(32)	(39)
Nagaland, Manipur, Mizoram and Tripura	34	33	25	(1)	(9)	(14)
Sub-Himalayan West Bengal and Sikkim	(21)	(16)	(4)	(20)	(5)	(11)
North West India						
East Rajasthan	28	31	(10)	7	26	8
East Uttar Pradesh	(54)	(9)	31	(57)	(36)	(55)
Haryana, Chandigarh and Delhi	94	126	54	(24)	35	(9)
Himachal Pradesh	13	11	(4)	(14)	28	(2)
Jammu & Kashmir	77	96	69	(12)	43	23
Punjab	93	83	41	50	110	32
Uttaranchal	(11)	6	27	(16)	4	(11)
West Rajasthan	150	141	65	(12)	41	2
West Uttar Pradesh	(16)	39	15	(54)	(27)	(51)
Central India						
Chhattisgarh	(5)	1	(6)	(17)	(14)	(14)
East Madhya Pradesh	(26)	(1)	(7)	(29)	(22)	(22)
Gujarat region	(7)	30	(5)	(34)	(32)	(21)
Konkan and Goa	8	13	(0)	52	32	52
Madhya Maharashtra	27	26	2	18	(1)	7
Marathwada	36	9	(5)	41	16	16
Odisha	(3)	(5)	(10)	(27)	(24)	(24)
Saurashtra and Kutch	(41)	10	(5)	(93)	(75)	(72)
Vidarbha	(11)	(11)	(27)	4	6	39
West Madhya Pradesh	12	2	(23)	5	2	7
South Peninsula						
Andaman & Nicobar Islands	(20)	(25)	(17)	19	13	11
Coastal Andhra Pradesh	51	31	19	(6)	11	19
Coastal Karnataka	(0)	(3)	(13)	17	5	14
Kerala	(7)	(17)	(24)	18	1	4
Lakshadweep	67	54	41	(46)	(38)	(34)
North interior Karnataka	34	14	2	17	(1)	(1)
Rayalaseema	38	17	16	(4)	(2)	(8)
South interior Karnataka	(18)	(26)	(35)	40	15	20
Tamil Nadu and Pondichery	8	(2)	(6)	5	51	28
Telangana region	58	26	10	23	8	27

Notes:

(a) Dark red denotes deficient, light red denotes normal, and white denotes excess rainfall.

Source: CEIC, Kotak Economics Research

Exhibit 5: Weak monsoons reflecting in sharp deterioration in sowing
 Acreage for major kharif crops, December calendar year-ends, (mn hectares)

As on July 6	2018	2017	Change (%)
Rice	6.7	7.9	(15.0)
Pulses	3.4	4.2	(19.4)
Coarse cereals	5.7	6.6	(13.5)
Oilseeds	6.4	7.3	(13.4)
Sugarcane	5.0	5.0	1.6
Jute & Mesta	0.7	0.7	(0.4)
Cotton	5.5	7.2	(24.0)
Total	33.4	38.9	(14.2)

Source: Ministry of Agriculture, Kotak Economics Research

June 2018: Results calendar

Mon	Tue	Wed	Thu	Fri	Sat	Sun
16-Jul	17-Jul	18-Jul	19-Jul	20-Jul	21-Jul	22-Jul
	Ashok Leyland	Mahindra CIE Automotive	ABB	Bajaj Auto	HDFC Bank	
	Crisil	Mindtree	Bajaj Finance	Bajaj Holding & Investment	Reliance Power	
	Federal Bank	UltraTech Cement	Bajaj Finserv	CEAT		
	ICICI Lombard		DB Corp.	Havells India		
	Rallis India		Kotak Mahindra Bank	HDFC Standard Life		
	Zee Entertainment Enterprises		RBL Bank	Just Dial		
				Kansai Nerolac		
				L&T Finance Holdings		
				Wipro		
23-Jul	24-Jul	25-Jul	26-Jul	27-Jul	28-Jul	29-Jul
ACC	Asian Paints	Ambuja Cements	Bharat Financial Inclusion	Coromandel International	J K Cements	
Hindustan Zinc	GlaxoSmithkline Pharmaceuticals	Bharti Infratel	Bharti Airtel	HCL Technologies		
Indiabulls Ventures	Hexaware Technologies	BHEL	Biocon	ICICI Bank		
L&T Infotech	ICICI Prudential Life	Canara Bank	CESC	JSW Energy		
United Spirits	Info Edge	Crompton Greaves Consumer	Cholamandalam	Mahindra & Mahindra Financial		
	TeamLease Services	GRUH Finance	Colgate-Palmolive (India)	Prestige Estates Projects		
		Hero Motocorp	Container Corporation			
		JSW Steel	Dr Reddy's Laboratories			
		Jubilant Foodworks	ITC			
		Karur Vysya Bank	Maruti Suzuki			
		L&T	Petronet LNG			
		Shriram City Union Finance	SBI Life Insurance			
		SIS	Tata Power			
		SKF	WABCO India			
			Yes Bank			
30-Jul	31-Jul	1-Aug	2-Aug	3-Aug	4-Aug	5-Aug
Axis Bank	Bharat Electronics	Aditya Birla Fashion	Indiabulls Housing	Berger Paints		PI Industries
Century Textile	Castrol India	Emami	Marico	Carborundum Universal		
Godrej Consumer Products	Dabur India	Exide Industries	The Ramco Cement	Titan Company		
GSPL	Mahanagar Gas	Pidilite Industries				
HDFC	Supreme Industries	Torrent Power				
IDFC Bank	Tata Motors					
Shree Cement	Vedanta					
Tech Mahindra						
6-Aug	7-Aug	8-Aug	9-Aug	10-Aug	11-Aug	12-Aug
Britannia Industries	AU Small Finance	Cipla		Apollo Hospitals	Amara Raja Batteries	
Ujivan Financial Services	Mahindra & Mahindra	PNB Housing Finance		Dr Lal Pathlabs		
	Mphasis			Endurance Technologies		
	TVS Motor			Timken		
13-Aug	14-Aug	15-Aug	16-Aug	17-Aug	18-Aug	19-Aug
Godrej Industries						

Source: NSE, Kotak Institutional Equities

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Mkt cap. (Rs bn)	O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)	
		16-Jul-18	Target price (Rs)				2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E		
Automobiles																													
Amara Raja Batteries	REDUCE	779	780	0.2	133	1.9	171	28	33	39	(1.6)	21.2	15.5	28.2	23.3	20.1	15.0	12.4	10.6	4.5	3.9	3.4	17.0	18.0	18.0	0.5	0.6	0.7	6.1
Apollo Tyres	BUY	268	340	26.7	153	2.2	541	13	20	25	(38.0)	48.3	25.0	20.0	13.5	10.8	11.2	8.0	6.7	1.5	1.4	1.3	8.5	11.1	12.5	1.1	1.1	1.1	10.4
Ashok Leyland	BUY	126	160	27.3	369	5.4	2,926	5.4	6.2	8.9	8.0	15.3	43.2	23.4	20.3	14.2	13.5	10.4	7.5	5.1	4.4	3.7	23.7	23.4	28.4	1.9	1.5	2.1	36.9
Bajaj Auto	SELL	3,102	2,800	(9.7)	898	13.1	289	140	160	176	6.0	14.0	10.0	22.1	19.4	17.6	15.5	13.9	12.3	4.7	4.2	3.7	22.9	22.8	22.3	1.9	2.1	2.3	22.3
Balkrishna Industries	REDUCE	1,137	1,260	10.8	220	3.2	193	37	50	63	4.8	34.8	25.0	30.4	22.6	18.1	16.1	12.4	9.8	5.4	4.5	3.7	19.0	21.6	22.2	0.5	0.5	0.6	8.4
Bharat Forge	SELL	591	600	1.5	275	4.0	466	16	23	27	10.1	43.0	16.8	36.5	25.5	21.9	17.6	14.5	12.5	6.0	5.1	4.3	17.3	21.5	21.4	0.8	0.8	0.9	10.2
CEAT	ADD	1,241	1,600	28.9	50	0.7	40	65	101	113	(29.5)	55.4	12.6	19.2	12.3	11.0	9.5	8.0	6.8	1.9	1.7	1.5	10.4	14.6	14.4	0.9	0.8	0.8	13.3
Eicher Motors	SELL	27,408	26,000	(5.1)	747	10.9	27	792	995	1,200	29.3	25.5	20.6	34.6	27.6	22.8	24.9	20.0	16.3	13.9	10.0	7.5	46.4	42.3	37.5	0.1	0.1	0.1	17.1
Escorts	BUY	875	1,170	33.7	75	1.6	89	39	56	69	71.3	43.6	23.6	22.6	15.7	12.7	12.9	9.6	7.5	3.1	2.6	2.3	13.5	16.8	17.7	0.5	1.0	1.2	17.4
Exide Industries	SELL	262	225	(14.3)	223	3.3	850	8	10	11	0.6	23.7	10.9	32.0	25.8	23.3	17.9	15.0	13.3	4.1	3.8	3.4	13.5	15.2	15.3	0.9	1.1	1.3	8.2
Hero Motocorp	SELL	3,426	3,500	2.2	684	10.0	200	185	206	227	9.5	11.1	10.1	18.5	16.6	15.1	11.5	10.3	9.2	5.8	5.1	4.5	33.8	32.6	31.6	2.5	3.0	3.3	18.3
Mahindra CIE Automotive	ADD	252	275	9.1	95	1.4	378	10	13	15	107.0	35.8	12.9	26.2	19.3	17.1	12.9	9.8	8.5	2.6	2.3	2.0	10.4	12.5	12.4	—	—	—	3.0
Mahindra & Mahindra	BUY	900	1,015	12.7	1,119	16.3	1,138	38	44	50	22.0	15.6	14.8	23.7	20.5	17.9	15.6	13.3	11.5	3.4	3.0	2.7	15.1	15.4	15.7	0.8	1.0	1.1	33.4
Maruti Suzuki	ADD	9,378	9,700	3.4	2,833	41.3	302	256	330	395	5.1	29.2	19.6	36.7	28.4	23.7	20.6	16.1	12.9	6.8	5.8	5.0	19.8	22.0	22.6	0.7	0.9	1.1	62.4
Motherson Sumi Systems	SELL	284	265	(6.6)	597	8.7	2,105	8	11	14	6.1	37.7	21.7	34.7	25.2	20.7	13.1	10.1	8.4	6.0	5.2	4.4	19.0	22.1	22.9	0.8	1.0	1.1	13.5
MRF	REDUCE	74,332	76,000	2.2	315	4.6	4	2,669	3,896	4,447	(23.9)	46.0	14.1	27.9	19.1	16.7	12.6	9.3	8.0	3.2	2.8	2.4	12.3	15.7	15.4	0.1	0.1	0.1	7.4
Schaeffler India	BUY	5,350	6,000	12.1	89	1.3	17	143	171	207	22.0	19.4	21.1	37.4	31.3	25.8	22.0	18.9	15.3	5.2	4.7	4.1	15.0	15.8	16.9	0.3	0.6	0.8	0.7
SKF	REDUCE	1,756	1,700	(3.2)	90	1.3	51	58	70	81	24.6	20.8	16.4	30.4	25.2	21.7	18.9	16.2	13.6	4.9	4.3	3.7	16.1	17.0	17.2	0.7	0.8	1.0	0.2
Tata Motors	BUY	252	445	76.5	856	11.7	3,396	20	23	38	(28.0)	15.9	63.8	12.6	10.9	6.7	3.8	3.5	2.9	0.9	0.8	0.7	8.8	7.9	11.7	—	—	—	60.1
Timken	SELL	726	660	(9.1)	49	0.7	68	14	19	25	(5.3)	42.3	27.5	53.6	37.7	29.6	29.9	20.8	16.6	7.0	6.0	5.0	13.9	17.1	18.5	0.1	0.1	0.1	0.4
TVS Motor	SELL	570	410	(28.1)	271	3.9	475	14	17	21	18.7	23.0	22.0	40.9	33.2	27.2	24.9	19.4	16.2	9.4	8.0	6.7	25.1	26.0	26.7	0.6	0.9	1.1	11.7
WABCO India	SELL	7,010	6,350	(9.4)	133	1.9	19	144	169	222	27.8	17.8	31.3	48.7	41.4	31.5	31.7	27.0	20.5	8.7	7.3	6.0	19.5	19.2	20.9	0.1	0.1	0.2	0.5
Automobiles	Neutral				10,276	149					(0.9)	23.0	25.5	26.3	21.4	17.1	11.7	9.7	8.0	3.7	3.3	2.9	14.2	15.5	16.9	0.8	1.0	1.1	361.9
Banks																													
Axis Bank	ADD	522	600	14.9	1,341	19.5	2,567	1	20	39	(92.6)	1,735.5	100.1	486.1	26.5	13.2	—	—	—	2.5	2.2	1.9	0.5	7.7	13.8	1.0	0.6	1.1	61.3
Bank of Baroda	NR	113	—	—	299	4.4	2,652	(9)	20	23	(253.2)	323.2	10.5	(12.3)	5.5	5.0	—	—	—	1.3	1.0	0.7	(5.8)	12.6	12.3	—	—	—	28.6
Bank of India	ADD	78	120	54.8	135	2.0	1,744	(35)	(6)	16	(134.7)	82.2	366.7	(2.2)	(12.6)	4.7	—	—	—	1.2	1.5	0.9	(21.3)	(3.6)	9.5	—	(1.6)	4.2	11.3
Canara Bank	ADD	222	300	34.9	163	2.4	733	(58)	(2)	60	(406.6)	97.3	4,031.4	(3.9)	(144.7)	3.7	—	—	—	1.4	1.4	0.8	(11.9)	(0.3)	11.8	—	—	—	28.6
City Union Bank	ADD	170	190	12.0	124	1.8	665	9	10	12	6.4	16.2	13.0	19.0	16.4	14.5	—	—	—	2.9	2.5	2.2	15.3	15.5	15.5	0.2	1.1	1.2	2.0
DCB Bank	ADD	162	205	26.9	50	0.7	308	8	10	12	13.8	28.2	21.0	20.3	15.8	13.1	—	—	—	2.0	1.9	1.7	10.9	11.7	12.7	—	0.6	0.7	6.0
Equitas Holdings	BUY	135	190	41.1	46	0.7	340	0.9	4.4	8.3	(80.4)	374.7	88.2	145.6	30.7	16.3	—	—	—	2.1	2.0	1.8	1.4	6.4	11.0	—	—	—	4.4
Federal Bank	BUY	74	130	75.3	147	2.1	1,972	4.5	5.8	7.8	(7.5)	29.5	34.9	16.6	12.8	9.5	—	—	—	1.3	1.2	1.1	8.0	9.0	11.2	1.3	1.5	2.1	17.1
HDFC Bank	REDUCE	2,169	1,900	(12.4)	5,648	82.3	2,595	67	77	93	18.7	14.7	20.0	32.2	28.1	23.4	—	—	—	5.4	4.1	3.6	17.9	16.6	16.2	0.6	0.7	0.8	77.7
ICICI Bank	BUY	259	400	54.3	1,667	24.3	6,429	11	15	25	(31.1)	46.5	64.1	24.6	16.8	10.2	—	—	—	2.0	1.7	1.5	6.6	9.1	13.7	0.6	1.2	2.0	85.6
IDFC Bank	NR	36	—	—	123	1.8	3,404	2.5	1.6	3.3	(16.0)	(38.5)	109.8	14.3	23.2	11.1	—	—	—	0.8	0.8	0.7	5.7	3.4	6.9	1.4	0.9	1.8	9.1
IndusInd Bank	REDUCE	1,923	1,900	(1.2)	1,155	16.8	600	60	71	87	25.3	17.5	23.6	32.0	27.2	22.0	—	—	—	5.0	4.1	3.5	17.1	17.6	16.8	—	0.4	0.5	31.4
J&K Bank	BUY	46	105	130.0	25	0.4	557	4	8	11	111.6	116.7	44.4	12.6	5.8	4.0	—	—	—	0.6	0.5	0.4	3.4	6.9	9.4	—	3.5	5.0	0.3
Karur Vysya Bank	ADD	99	120	21.3	72	1.1	727	5	4	14	(52.2)	(22.8)	274.8	20.8	27.0	7.2	—	—	—	1.4	1.4	1.2	6.1	4.2	14.7	0.6	0.9	3.5	1.7
Punjab National Bank	ADD	74	90	21.9	204	3.0	2,761	(44)	(39)	9	(814.7)	13.4	124.1	(1.7)	(1.9)	8.0	—	—	—	4.4	(3.3)	(12.6)	(32.4)	(31.3)	8.2	—	(11.3)	2.7	29.1
RBL Bank	SELL	550	450	(18.2)	231	3.4	420	15	20	25	27.3	32.9	21.8	36.3	27.3	22.4	—	—	—	3.5	3.2	2.9	11.5	12.0	13.2	0.4	0.5	0.7	10.2
State Bank of India	BUY	252	370	47.0	2,247	32.7	8,925	(7)	18	37	(155.8)	NM	106.1	NM	14.0	6.8	—	—	—	2.0	1.5	1.1	(3.2)	7.1	13.2	—	0.1	0.2	75.1
Ujivan Financial Services	REDUCE	374	420	12.4	45	0.7	121	1	22	29	(96.5)	3,564.0	30.0	619.0	16.9	13.0	—	—	—	2.7	2.3	2.0	0.4	14.2	16.1	0.0	0.6	0.8	7.3
Union Bank	ADD	74	130	74.7	87	1.3	1,169	(45)	1	24	(655.5)	101.4	3,896.2	(1.7)	121.5	3.0													

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Target			Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)		EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)	
		Price (Rs) 16-Jul-18	price (Rs)	Upside (%)	(Rs bn)	(US\$ bn)		2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E		2020E
NBFCs																													
Bajaj Finance	REDUCE	2,472	1,850	(25.2)	1,429	20.8	575	46	63	82	38.5	34.9	30.0	53.2	39.4	30.3	—	—	—	8.6	7.2	6.0	20.5	19.9	21.5	0.2	0.3	0.3	42.2
Bajaj Finserv	ADD	6,248	5,900	(5.6)	994	14.5	159	174	206	266	13.5	18.7	28.8	35.9	30.3	23.5	—	—	—	4.9	4.0	3.4	15.3	14.5	15.6	0.2	0.2	0.2	14.3
Bharat Financial Inclusion	NA	1,163	—	—	162	2.4	139	33	43	54	55.5	31.1	27.2	35.6	27.2	21.4	—	—	—	5.4	4.4	3.6	16.7	17.9	18.5	—	—	—	10.5
Cholamandalam	REDUCE	1,538	1,510	(1.8)	240	3.5	156	62	76	92	35.5	22.3	20.8	24.7	20.2	16.7	—	—	—	4.9	4.1	3.4	20.6	21.0	21.2	0.4	0.6	0.7	7.4
HDFC	BUY	1,991	2,075	4.2	3,355	48.9	1,676	75	58	67	52.1	(23.1)	15.2	26.4	34.3	29.8	—	—	—	5.2	4.5	4.1	23.9	14.3	14.5	1.0	1.0	1.2	71.6
HDFC Standard Life Insurance	SELL	460	405	(11.9)	925	13.5	2,007	6	6	7	24.4	14.8	10.9	83.1	72.4	65.3	—	—	—	21.5	19.2	17.1	27.3	28.0	27.7	0.3	0.3	0.4	13.4
ICICI Lombard	SELL	715	600	(16.1)	325	4.7	454	19	26	30	22.0	36.4	17.0	37.7	27.6	23.6	—	—	—	7.1	6.0	5.1	20.8	23.7	23.5	0.6	0.9	1.1	1.8
ICICI Prudential Life	BUY	353	500	41.8	506	7.4	1,436	11	12	13	(3.7)	3.8	7.6	31.3	30.1	28.0	—	—	—	7.7	6.4	5.4	25.0	23.2	20.9	1.6	0.6	0.6	12.1
IFL Holdings	SELL	603	625	3.7	192	2.8	319	29	34	41	32.4	17.3	21.4	21.1	18.0	14.8	—	—	—	3.8	3.3	2.8	19.0	19.3	20.0	1.0	1.2	1.4	1.4
L&T Finance Holdings	REDUCE	142	185	30.6	283	4.1	1,996	7	10	12	23.7	34.6	24.1	19.3	14.3	11.6	—	—	—	2.2	2.0	1.8	14.2	14.7	16.1	1.2	1.4	1.4	9.9
LIC Housing Finance	BUY	490	610	24.6	247	3.6	505	44	50	58	3.2	13.8	17.5	11.2	9.9	8.4	—	—	—	1.9	1.6	1.3	14.5	14.3	14.4	1.4	1.6	1.9	12.8
Magma Fincorp	BUY	149	200	33.9	40	0.6	237	10	12	15	1,014.5	24.6	25.8	15.4	12.3	9.8	—	—	—	1.5	1.5	1.3	10.2	12.9	14.1	0.5	1.2	1.5	1.6
Mahindra & Mahindra Financial	REDUCE	469	475	1.2	290	4.2	614	15	22	26	105.0	53.5	16.6	32.3	21.1	18.1	—	—	—	3.3	3.0	2.7	11.3	14.0	14.8	0.9	1.3	1.5	11.4
Max Financial Services	BUY	428	650	51.7	115	1.7	268	5	6	6	(20.4)	36.9	1.8	93.4	68.3	67.1	—	—	—	—	—	—	6.5	8.3	8.0	—	0.5	0.5	5.2
Muthoot Finance	ADD	388	480	23.7	155	2.3	400	43	38	40	45.6	(10.8)	4.0	9.0	10.1	9.7	—	—	—	2.0	1.7	1.5	24.1	18.4	16.9	2.6	2.3	2.4	4.4
PNB Housing Finance	REDUCE	1,219	1,375	12.8	204	3.0	167	50	61	77	57.8	23.0	25.3	24.5	19.9	15.9	—	—	—	3.2	2.9	2.6	14.0	15.2	16.8	0.7	0.3	0.3	10.1
SBI Life Insurance	ADD	656	815	24.2	656	9.6	1,000	12	15	18	20.8	26.0	22.9	56.9	45.2	36.7	—	—	—	10.2	8.6	7.2	19.4	20.6	21.3	0.3	0.4	0.4	5.1
Shriram City Union Finance	ADD	1,877	2,325	23.9	124	1.8	66	101	140	174	19.6	39.4	23.8	18.6	13.4	10.8	—	—	—	2.4	2.1	1.8	12.5	15.5	16.7	1.0	0.9	1.2	0.9
Shriram Transport	ADD	1,212	1,400	15.5	275	4.0	227	69	105	125	24.7	52.1	18.7	17.5	11.5	9.7	—	—	—	2.3	2.0	1.7	13.1	17.6	18.0	0.9	1.2	1.4	26.1
NBFCs	Neutral				10,519	153					38.0	7.0	19.3	30.6	28.6	24.0				5.1	4.4	3.8	16.8	15.4	16.1	0.7	0.7	0.8	562.0
Cement																													
ACC	SELL	1,269	1,205	(5.0)	238	3.5	188	49	54	66	32.7	10.6	23.0	26.1	23.6	19.2	13.6	12.6	10.1	2.5	2.4	2.2	10.1	10.5	11.9	1.3	1.3	1.3	11.1
Ambuja Cements	REDUCE	191	215	12.8	378	5.5	1,986	8	7	9	29.7	(1.3)	27.0	25.4	25.7	20.2	8.2	8.1	6.6	1.8	1.8	1.7	7.4	7.0	8.6	1.9	1.9	1.9	9.4
Dalmia Bharat	ADD	2,330	2,900	24.5	208	3.0	89	60	98	128	55.4	62.6	30.3	38.6	23.7	18.2	12.2	9.2	7.5	3.4	3.0	2.6	9.7	13.4	15.2	0.1	0.1	0.1	5.0
Grasim Industries	BUY	929	1,275	37.3	611	8.9	657	47	52	69	(30.1)	9.1	32.8	19.6	18.0	13.5	11.6	7.1	6.5	1.1	1.0	0.9	7.0	5.8	7.2	0.6	0.6	0.6	13.7
India Cements	REDUCE	100	135	35.1	31	0.5	308	3	5	9	(42.5)	56.2	84.4	30.6	19.6	10.6	9.0	7.7	6.1	0.6	0.6	0.6	2.0	3.0	5.3	1.0	1.0	1.0	6.7
J K Cement	REDUCE	788	1,000	26.9	55	0.8	70	43	51	83	25.1	17.0	65.0	18.2	15.6	9.4	9.7	10.3	8.4	2.8	2.4	2.0	16.2	16.7	23.2	1.0	1.0	1.0	0.6
JK Lakshmi Cement	ADD	331	425	28.3	39	0.6	118	4	18	33	(35.7)	311.2	79.6	74.1	18.0	10.0	13.6	8.2	5.8	2.7	2.4	2.0	3.7	14.1	21.5	0.6	0.6	0.6	0.4
Orient Cement	ADD	107	165	54.1	22	0.3	205	2	8	12	237.8	250.7	64.8	49.6	14.1	8.6	11.2	7.1	5.2	2.1	1.9	1.6	4.4	14.3	20.6	0.7	1.4	1.9	0.2
Shree Cement	SELL	16,339	12,700	(22.3)	569	8.3	35	397	486	662	3.4	22.3	36.2	41.1	33.6	24.7	22.1	16.7	13.0	6.4	5.5	4.6	16.7	17.6	20.2	0.3	0.3	0.3	4.8
UltraTech Cement	SELL	3,864	2,950	(23.7)	1,061	15.5	275	88	126	162	(7.8)	42.7	28.9	43.9	30.7	23.8	21.8	16.1	13.3	4.1	3.7	3.2	9.7	12.6	14.3	0.3	0.3	0.3	18.0
Cement	Cautious				3,212	47					5.9	23.4	33.3	31.0	25.1	18.9	14.1	10.1	8.5	2.3	2.2	2.0	7.5	8.6	10.5	0.6	0.6	0.6	69.9

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. (Rs bn)	O/S shares (US\$ bn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)	
		16-Jul-18	(Rs)				2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E		
Consumer products																													
Asian Paints	REDUCE	1,360	1,100	(19.1)	1,304	19.0	959	21	24	28	2.9	18.7	14.7	66.2	55.8	48.7	40.5	34.8	30.3	15.5	13.7	12.2	24.6	26.1	26.6	0.6	0.8	1.0	17.8
Bajaj Corp.	ADD	413	470	13.9	61	0.9	148	14	15	17	(9.4)	7.8	10.3	28.8	26.8	24.2	22.8	21.4	18.3	12.4	12.4	12.4	42.8	46.3	51.2	2.9	3.2	3.4	0.4
Britannia Industries	ADD	6,533	6,000	(8.2)	784	11.4	120	84	104	126	13.5	24.4	21.5	78.1	62.8	51.7	51.7	40.6	33.4	23.0	18.3	14.8	32.9	32.4	31.6	0.4	0.5	0.7	9.4
Coffee Day Enterprises	REDUCE	257	340	32.2	54	0.8	211	3	8	13	49.1	149.7	59.4	76.9	30.8	19.3	13.2	—	—	2.3	2.1	1.9	3.1	7.2	10.4	—	—	—	1.3
Colgate-Palmolive (India)	ADD	1,143	1,300	13.8	311	4.5	272	24	27	32	15.2	14.6	16.9	48.1	41.9	35.9	27.5	24.1	20.7	20.4	20.5	17.4	46.2	48.8	52.6	2.1	1.4	1.7	8.0
Dabur India	REDUCE	367	350	(4.7)	649	9.5	1,762	8	9	10	7.2	16.1	11.7	47.3	40.7	36.4	40.0	34.6	30.3	11.3	11.4	9.9	25.9	27.9	29.1	2.0	1.0	1.2	9.2
GlaxoSmithKline Consumer	ADD	6,270	6,750	7.7	264	3.8	42	166	189	211	6.6	13.3	11.9	37.7	33.2	29.7	25.8	22.1	19.0	7.6	6.9	6.3	21.2	21.7	22.2	1.2	1.4	1.7	2.2
Godrej Consumer Products	REDUCE	1,301	1,020	(21.6)	886	12.9	681	21	25	28	11.5	17.6	13.3	60.9	51.8	45.7	43.2	36.7	32.1	14.2	12.3	10.6	25.2	25.4	24.9	0.5	0.7	0.7	9.3
Hindustan Unilever	REDUCE	1,751	1,570	(10.3)	3,791	55.2	2,160	25	29	33	25.0	19.5	13.2	71.4	59.7	52.8	51.2	41.4	36.4	53.5	46.7	39.7	78.1	83.5	81.4	1.1	1.2	1.4	28.8
ITC	ADD	272	315	16.0	3,315	48.3	12,275	9	10	11	7.8	7.8	12.4	30.5	28.3	25.1	19.8	18.2	16.0	6.5	6.1	5.7	19.4	20.3	22.2	1.9	2.1	2.5	42.0
Jubilant Foodworks	BUY	1,420	1,500	5.7	187	2.7	132	15	24	33	191.7	64.1	39.2	97.5	59.4	42.7	41.7	28.9	21.6	19.4	14.1	10.8	21.7	27.5	28.8	0.1	0.1	0.2	36.8
Jyothy Laboratories	ADD	208	220	5.7	76	1.1	364	4	6	6	35.1	25.4	17.2	47.2	37.7	32.2	29.1	24.0	20.7	6.6	5.7	5.0	14.3	16.3	16.6	0.2	0.5	0.7	1.5
Manpasand Beverages	SELL	125	132	5.9	14	0.2	114	9	11	13	37.6	21.3	26.5	14.3	11.8	9.3	7.2	4.7	3.9	1.1	1.0	0.9	8.3	9.3	10.7	0.4	0.4	0.4	3.6
Marico	ADD	352	345	(1.9)	454	6.6	1,291	6	7	8	7.4	16.7	13.7	56.1	48.1	42.3	39.6	33.3	29.0	17.9	16.5	15.3	33.2	35.7	37.5	1.2	1.4	1.6	8.7
Nestle India	ADD	10,211	9,500	(7.0)	984	14.3	96	127	168	191	21.1	32.5	13.4	80.4	60.7	53.5	44.2	34.4	30.2	28.8	26.5	24.3	36.6	45.5	47.3	0.8	1.1	1.3	8.8
Page Industries	SELL	28,211	21,000	(25.6)	315	4.6	11	311	392	482	32.5	26.1	22.9	90.7	71.9	58.5	57.8	45.7	37.6	37.1	29.0	23.2	45.9	46.3	44.0	0.5	0.6	0.7	7.7
Pidlite Industries	REDUCE	1,053	1,050	(0.3)	535	7.8	508	18	22	26	7.5	20.4	20.4	58.4	48.5	40.3	39.0	32.4	26.7	15.0	12.6	10.5	26.0	28.2	28.5	0.6	0.7	0.8	13.9
S H Kelkar and Company	BUY	211	315	49.3	31	0.4	145	7	8	11	2.1	11.8	28.4	28.5	25.5	19.9	19.8	16.6	13.0	3.6	3.2	2.9	12.8	13.3	15.3	0.8	0.8	0.9	0.2
Tata Global Beverages	REDUCE	243	285	17.3	153	2.2	631	7	10	11	20.7	29.4	19.1	33.1	25.6	21.5	17.4	14.6	12.5	2.2	2.1	2.0	7.0	8.3	9.4	1.0	1.2	1.4	13.6
Titan Company	SELL	831	800	(3.8)	738	10.8	888	13	16	20	43.3	26.7	20.6	65.0	51.3	42.5	44.5	34.0	27.2	14.5	12.2	10.3	24.3	25.8	26.2	0.5	0.5	0.7	36.3
United Breweries	SELL	1,147	1,000	(12.8)	303	4.4	264	15	19	24	71.6	29.7	23.4	76.8	59.2	48.0	33.9	28.2	24.4	11.3	9.7	8.3	15.7	17.6	18.6	0.2	0.3	0.3	9.7
United Spirits	SELL	574	560	(2.5)	417	6.1	727	8	11	14	39.1	40.5	27.4	75.5	53.7	42.2	43.6	32.0	26.5	16.7	11.3	8.4	24.9	25.1	22.8	—	—	0.3	18.6
Varun Beverages	ADD	732	750	2.5	134	1.9	183	12	17	22	377.8	45.4	29.8	63.6	43.7	33.7	19.4	15.6	13.4	7.5	6.5	5.5	12.1	16.0	17.7	—	—	0.1	1.3
Consumer products	Cautious				15,760	230					15.0	17.1	15.3	52.0	44.4	38.6	33.9	28.6	24.7	12.7	11.5	10.3	24.5	25.9	26.7	1.1	1.2	1.4	289.4
Energy																													
BPCL	REDUCE	382	390	2.1	829	12.1	1,967	40	39	41	(1.5)	(3.6)	5.3	9.5	9.8	9.3	7.7	7.2	6.7	2.2	2.0	1.8	24.8	21.1	20.0	5.5	4.1	4.3	35.3
Castrol India	ADD	155	215	38.4	153	2.2	989	7	8	9	3.3	13.6	10.9	22.6	19.9	17.9	14.1	12.4	11.2	15.1	14.3	14.0	67.9	73.6	78.6	3.1	3.9	4.5	4.2
GAIL (India)	BUY	356	410	15.2	802	11.7	2,255	20	25	27	21.8	23.2	8.3	17.4	14.1	13.1	10.9	9.1	8.4	2.0	1.8	1.7	11.7	13.5	13.5	2.0	2.4	2.5	21.4
GSPL	SELL	182	170	(6.3)	102	1.5	564	12	11	11	34.5	(7.0)	(4.6)	15.3	16.5	17.3	7.8	6.4	6.4	2.0	1.8	1.7	14.0	11.7	10.2	1.0	0.9	0.9	1.5
HPCL	REDUCE	264	320	21.1	403	5.9	1,524	42	32	33	(3.2)	(23.4)	3.4	6.3	8.3	8.0	5.6	7.4	7.5	1.7	1.5	1.4	28.7	19.3	18.2	6.4	4.9	5.1	31.6
Indraprastha Gas	SELL	264	240	(8.9)	184	2.7	700	10	12	13	19.0	16.5	12.0	25.6	21.9	19.6	16.1	13.9	12.3	5.3	4.5	3.9	22.4	22.2	21.5	0.8	0.9	1.2	10.2
IOCL	REDUCE	158	160	1.6	1,530	22.3	9,479	21	17	18	(24.8)	(17.9)	7.4	7.7	9.3	8.7	4.5	5.2	4.8	1.4	1.3	1.2	18.5	14.0	14.0	7.3	4.3	4.6	26.8
Mahanagar Gas	ADD	811	850	4.9	80	1.2	99	48	52	54	21.5	6.5	5.3	16.8	15.7	14.9	10.1	9.1	8.4	3.8	3.4	3.0	24.3	22.8	21.4	2.3	2.5	2.7	4.6
ONGC	ADD	154	200	30.0	1,974	28.8	12,833	17	21	21	3.1	19.6	(1.3)	8.8	7.4	7.5	4.8	3.8	3.6	0.9	0.8	0.8	9.9	11.5	10.7	4.3	4.6	4.6	17.3
Oil India	SELL	205	220	7.1	233	3.4	1,135	25	24	24	22.6	(1.3)	(0.7)	8.3	8.4	8.5	6.5	5.9	5.9	0.8	0.8	0.8	9.8	9.7	9.2	5.0	5.3	5.3	3.5
Petronet LNG	BUY	207	280	35.1	311	4.5	1,500	14	16	18	22.1	17.3	13.2	14.9	12.7	11.2	10.0	8.5	7.2	3.2	2.8	2.5	23.3	23.4	23.3	2.2	2.8	3.6	11.7
Reliance Industries	REDUCE	1,076	930	(13.6)	6,369	92.8	5,922	59	68	77	16.9	14.9	13.9	18.2	15.8	13.9	13.6	11.0	9.2	2.2	1.9	1.7	11.6	11.9	12.1	0.5	0.6	0.6	114.2
Energy	Attractive				12,970	189					1.0	5.8	7.3	12.6	11.9	11.1	8.3	7.3	6.7	1.7	1.5	1.4	13.3	12.8	12.6	2.6	2.3	2.4	282.3

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EVEBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		16-Jul-18	Target price (Rs)		(Rs bn)	(US\$ bn)		2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	
Industrials																													
ABB	SELL	1,195	1,100	(7.9)	253	3.7	212	20	26	34	12.1	31.2	31.7	60.3	45.9	34.9	33.2	28.3	21.4	7.0	6.4	5.7	12.2	14.6	17.3	0.3	0.8	0.8	1.5
BHEL	SELL	65	81	24.6	239	3.5	3,671	2.2	2.6	5.4	62.7	19.4	106.9	29.6	24.8	12.0	6.5	5.9	2.9	0.7	0.7	0.7	2.5	3.0	6.1	2.8	3.3	6.9	8.8
Carborundum Universal	SELL	325	310	(4.6)	61	0.9	189	11	14	17	22.8	25.4	20.2	28.5	22.7	18.9	15.4	11.4	9.8	3.9	3.5	3.1	14.6	16.4	17.6	0.7	1.3	1.6	0.3
CG Power and Industrial	BUY	55	65	18.7	34	0.5	627	0.8	3.1	4.3	(72.2)	275.7	40.5	67.1	17.8	12.7	10.1	7.6	6.3	1.3	1.3	1.3	1.5	7.3	10.4	—	—	—	6.4
Crompton Greaves Consumer	SELL	233	210	(9.8)	146	2.1	627	5.2	6.2	7.5	13.3	20.0	20.9	45.1	37.6	31.1	27.7	23.4	19.8	18.5	12.8	9.9	49.5	40.5	35.9	0.6	0.9	1.1	2.7
Cummins India	REDUCE	625	680	8.7	173	2.5	277	24	28	32	(7.8)	16.1	13.9	25.8	22.2	19.5	22.7	19.4	16.1	4.3	4.1	3.8	17.4	18.9	20.1	2.4	2.3	2.7	4.4
Havells India	SELL	560	460	(17.8)	350	5.1	625	11	14	17	16.6	26.2	19.6	50.5	40.0	33.5	32.1	25.5	20.8	9.4	8.3	7.2	19.8	21.9	23.0	0.6	0.9	1.0	9.8
Kalpataru Power Transmission	BUY	364	530	45.7	56	0.8	153	19	24	34	36.5	24.3	39.8	18.8	15.1	10.8	8.1	6.7	5.4	2.1	1.9	1.6	11.7	13.1	16.1	0.7	0.7	0.7	0.7
KEC International	BUY	325	430	32.4	84	1.2	257	18	22	29	51.1	22.0	34.4	18.1	14.9	11.1	9.8	8.2	6.5	4.2	3.4	2.7	25.7	25.2	27.1	0.7	0.9	1.2	3.3
L&T	BUY	1,283	1,560	21.6	1,798	26.2	1,401	52	62	76	22.4	19.4	23.0	24.8	20.8	16.9	20.6	17.0	15.0	3.6	3.3	2.9	15.0	16.5	18.2	1.2	1.7	2.1	41.7
Siemens	SELL	953	975	2.3	339	4.9	356	24	30	37	22.5	23.0	23.2	39.4	32.0	26.0	22.1	17.7	14.1	4.2	3.9	3.6	10.9	12.6	14.5	1.0	1.3	1.6	3.5
Thermax	REDUCE	1,023	1,065	4.1	122	1.8	113	21	30	42	(3.6)	44.2	42.8	49.6	34.4	24.1	30.2	21.4	15.2	4.2	3.9	3.5	8.8	11.8	15.3	0.6	0.8	0.9	0.7
Voltas	SELL	530	525	(0.9)	175	2.6	331	17	19	22	12.6	8.3	15.6	30.6	28.3	24.5	25.5	21.6	17.9	4.5	4.0	3.6	15.9	15.0	15.5	0.8	0.8	0.9	14.4
Industrials	Neutral				3,831	56					19.8	21.6	28.9	29.8	24.5	19.0	19.7	16.3	13.4	3.2	3.0	2.8	10.8	12.3	14.6	1.2	1.5	2.0	98.3
Infrastructure																													
Adani Ports and SEZ	BUY	360	470	30.5	746	10.9	2,071	20	20	23	6.1	(0.2)	14.7	18.0	18.0	15.7	12.9	12.5	10.9	3.5	3.0	2.6	21.5	18.1	17.9	0.6	0.7	0.9	25.8
Ashoka Buildcon	BUY	153	210	37.1	43	0.6	282	8	8	9	34.6	0.5	5.2	18.2	18.1	17.2	14.7	12.4	11.0	2.2	1.9	1.8	13.0	11.4	10.7	0.7	1.1	0.7	1.0
Container Corp.	SELL	628	635	1.2	306	4.5	487	18	21	26	7.3	20.0	21.4	35.5	29.6	24.4	23.4	18.2	14.4	3.3	3.0	2.8	9.4	10.6	11.9	2.7	1.4	1.7	8.9
Dilip Buildcon	BUY	746	1,220	63.6	102	1.5	137	46	54	69	76.5	16.1	28.0	16.0	13.8	10.8	9.1	6.6	5.5	4.2	3.2	2.4	29.5	25.9	25.4	—	—	—	8.2
Gateway Distriparks	BUY	162	250	53.9	18	0.3	109	8	8	9	12.1	(1.2)	17.5	21.2	21.5	18.3	20.2	10.2	8.6	1.8	3.4	3.1	8.2	10.8	17.6	4.3	—	1.8	0.8
Gujarat Pipavav Port	BUY	118	170	44.2	57	0.8	483	4.1	5.9	7.2	(20.6)	43.7	22.5	28.7	20.0	16.3	14.1	11.6	9.2	2.8	2.8	2.7	9.8	14.0	16.8	2.9	4.1	5.0	0.9
IRB Infrastructure	BUY	190	330	74.1	67	1.0	351	23	31	33	10.8	36.8	7.1	8.4	6.1	5.7	6.9	6.5	7.0	1.2	1.0	0.9	14.5	17.6	16.3	1.2	1.6	2.1	9.9
Mahindra Logistics	BUY	560	540	(3.5)	40	0.6	71	10	14	18	16.2	42.8	31.2	57.1	40.0	30.5	32.9	22.1	16.7	9.5	7.9	6.5	18.2	21.6	23.5	—	—	—	0.8
Sadbhav Engineering	BUY	277	440	58.8	48	0.7	172	13	18	18	17.4	38.4	2.2	21.5	15.6	15.2	15.0	12.0	9.3	2.5	2.2	2.0	12.5	15.2	13.7	—	—	—	0.9
Infrastructure	Attractive				1,425	21					10.9	10.5	15.5	19.7	17.8	15.4	12.6	11.2	9.8	3.1	2.7	2.4	15.8	15.4	15.5	1.1	0.9	1.2	57.1
Internet																													
Info Edge	BUY	1,246	1,390	11.5	152	2.2	122	23	26	32	33.3	13.9	25.9	55.4	48.6	38.6	45.9	36.1	27.6	7.2	5.8	5.3	13.4	13.2	14.3	0.4	0.6	0.6	1.8
Just Dial	BUY	569	550	(3.3)	38	0.6	67	21	25	28	21.7	16.7	12.9	26.8	22.9	20.3	16.0	13.3	11.1	3.9	3.4	3.0	15.2	15.9	15.6	—	0.4	0.5	47.6
Internet	Cautious				190	3					28.0	14.8	21.4	45.6	39.7	32.8	35.2	28.6	22.7	6.2	5.1	4.6	13.5	12.8	13.9	0.4	0.6	0.6	49.3
Media																													
DB Corp.	REDUCE	275	295	7.2	51	0.7	184	18	20	24	(14.1)	13.2	18.8	15.6	13.8	11.6	8.3	7.3	6.2	3.0	2.9	2.8	19.9	21.5	24.5	4.7	5.8	7.3	0.6
DishTV	ADD	69	90	31.0	126	1.8	1,925	(0.4)	1.8	3.4	(143.0)	514.6	88.2	NM	37.6	20.0	11.3	5.9	4.7	2.0	1.9	1.7	(2.3)	5.1	8.9	—	—	—	8.4
Jagran Prakashan	REDUCE	128	168	31.3	40	0.6	311	10	12	14	(6.0)	21.7	15.3	12.8	10.5	9.1	5.8	5.1	4.5	1.9	2.0	1.9	14.8	18.1	20.9	2.3	3.9	7.0	0.7
PVR	REDUCE	1,154	1,425	23.5	54	0.8	47	27	38	50	25.5	39.8	33.2	43.0	30.8	23.1	14.7	12.2	10.0	5.0	4.4	3.8	12.3	15.2	17.5	0.2	0.3	0.4	6.8
Sun TV Network	REDUCE	744	925	24.3	293	4.3	394	29	35	39	10.2	20.7	10.9	25.8	21.4	19.3	17.3	14.5	12.6	6.4	5.7	5.1	26.3	28.1	27.9	1.3	2.4	2.7	22.4
Zee Entertainment Enterprises	ADD	508	625	23.0	488	7.1	960	15	17	20	7.8	13.8	16.8	33.8	29.7	25.4	21.9	18.8	15.9	6.5	5.7	5.0	20.3	20.3	20.9	0.5	0.9	1.1	15.0
Media	Attractive				1,052	15					(1.5)	31.1	21.5	32.3	24.7	20.3	15.6	11.9	10.1	4.4	4.1	3.7	13.7	16.6	18.2	0.9	1.5	1.9	53.9

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Target price	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)		EVEBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo	
		16-Jul-18	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	(US\$ mn)
Metals & Mining																													
Coal India	ADD	262	326	24.6	1,624	23.7	6,207	11	27	28	(24.2)	138.2	3.0	23.1	9.7	9.4	17.1	6.1	5.8	6.7	6.1	6.4	26.7	66.1	66.4	6.3	7.6	9.6	13.7
Hindalco Industries	BUY	212	315	48.7	476	6.9	2,229	22	27	31	155.4	23.5	14.3	9.7	7.8	6.9	6.2	5.3	4.6	0.9	0.8	0.7	9.7	10.4	10.8	0.6	0.6	0.6	37.8
Hindustan Zinc	REDUCE	269	325	21.0	1,135	16.5	4,225	22	24	28	9.3	13.6	13.8	12.5	11.0	9.7	7.6	6.2	5.1	3.2	2.7	2.3	27.2	26.4	25.6	3.0	3.0	3.1	8.7
Jindal Steel and Power	REDUCE	196	255	30.1	190	2.8	968	(8)	8	18	59.3	194.2	129.1	(23.1)	24.5	10.7	9.4	6.7	5.8	0.6	0.6	0.6	(2.7)	2.6	5.7	—	—	—	28.2
JSW Steel	ADD	307	345	12.2	743	10.8	2,417	27	27	25	83.9	(0.7)	(5.7)	11.5	11.6	12.3	7.6	7.0	7.5	2.6	2.2	1.9	24.8	20.4	16.5	1.1	1.1	1.1	19.2
National Aluminium Co.	ADD	57	85	48.7	110	1.6	1,933	4	7	7	12.7	63.0	11.1	13.8	8.5	7.6	5.4	3.6	3.3	1.1	1.0	1.0	7.7	12.4	13.6	10.0	9.6	9.6	12.9
NMDC	REDUCE	96	125	30.0	304	4.4	3,164	12	10	10	43.3	(16.5)	3.6	8.2	9.8	9.5	4.4	5.9	5.7	1.2	1.2	1.1	15.8	12.5	12.4	5.7	5.7	5.7	3.8
Tata Steel	ADD	519	700	34.8	594	8.7	1,205	67	69	82	62.6	3.1	18.4	7.7	7	6.3	6.0	6.0	6.0	1.1	0.9	0.9	17.2	13.1	13.9	1.8	1.9	1.9	66.6
Vedanta	BUY	206	415	101.7	765	11.1	3,717	22	37	43	9.6	71.9	16.9	9.5	5.5	4.7	5.4	4.0	3.3	1.2	1.1	1.0	12.9	20.6	21.4	3.9	5.4	6.3	57.0
Metals & Mining	Attractive				5,940	87					32.3	41.4	11.3	12.6	8.9	8.0	7.2	5.6	5.1	1.8	1.6	1.5	14.3	18.0	18.4	3.6	4.2	4.9	247.9
Pharmaceutical																													
Apollo Hospitals	ADD	941	1,090	15.9	131	1.9	139	8	19	26	(46.9)	124.3	38.0	111.5	49.7	36.0	20.4	17.4	14.7	4.0	3.8	3.5	3.4	7.9	10.2	0.2	0.5	0.7	6.8
Aurobindo Pharma	ADD	572	640	12.0	335	4.9	584	42	45	49	6.0	8.0	9.4	13.7	12.7	11.6	9.6	8.9	7.9	2.9	2.4	2.0	23.2	20.5	17.4	0.8	0.9	1.1	20.6
Biocon	SELL	583	300	(48.5)	350	5.1	601	6	8	15	(39.2)	27.1	84.9	94.0	74.0	40.0	42.2	31.0	20.4	6.2	5.8	5.2	6.9	8.1	13.7	0.4	0.5	0.9	23.1
Cipla	BUY	621	650	4.6	500	7.3	805	18	26	34	40.2	48.7	30.8	35.5	23.9	18.2	18.4	13.5	10.7	3.4	3.1	2.7	10.2	13.6	15.9	0.6	0.9	1.2	24.2
Dr Lal Pathlabs	REDUCE	912	865	(5.2)	76	1.1	83	20	25	29	7.0	20.8	18.5	44.6	36.9	31.2	27.1	22.7	19.0	9.6	8.0	6.7	23.5	23.7	23.4	0.5	0.5	0.6	1.3
Dr Reddy's Laboratories	REDUCE	2,094	2,150	2.7	347	5.1	166	59	89	119	(18.5)	51.4	32.9	35.5	23.4	17.6	16.5	11.2	8.4	2.7	2.5	2.2	7.8	11.2	12.7	1.0	0.7	0.9	30.8
HCG	REDUCE	280	305	8.9	25	0.4	85	2	3	5	(40.0)	120.9	57.3	179.1	81.1	51.5	23.6	18.4	15.6	4.6	4.4	4.0	2.8	5.5	8.1	—	—	—	0.2
Laurus Labs	ADD	462	540	16.9	49	0.7	106	16	22	34	(11.9)	37.3	54.4	29.1	21.2	13.8	14.2	11.6	8.5	3.3	2.9	2.4	11.9	14.4	18.8	—	—	—	0.7
Lupin	REDUCE	818	800	(2.2)	370	5.4	450	38	35	45	(32.9)	(7.7)	28.6	21.5	23.2	18.1	13.3	11.8	9.6	2.7	2.5	2.2	12.6	11.1	12.9	0.6	0.6	0.8	32.0
Narayana Hrudayalaya	ADD	252	275	9.1	51	0.8	204	3	4	7	(38.1)	52.2	76.9	100.2	65.8	37.2	27.6	20.8	15.2	5.0	4.6	4.1	5.1	7.3	11.7	—	—	—	0.4
Sun Pharmaceuticals	REDUCE	534	500	(6.4)	1,281	18.7	2,406	15	17	24	(47.5)	12.0	42.0	35.2	31.4	22.1	20.7	16.9	12.4	3.4	3.1	2.7	9.8	10.2	13.1	0.4	0.6	0.9	52.1
Torrent Pharmaceuticals	NR	1,435	—	—	243	3.5	169	40	46	61	(27.4)	15.1	32.9	35.8	31.1	23.4	20.0	14.3	11.9	5.3	4.6	4.0	15.1	14.9	17.2	1.1	0.7	1.0	5.2
Pharmaceuticals	Neutral				3,758	55					(27.6)	18.6	32.6	31.9	26.9	20.3	17.7	14.3	11.2	3.5	3.1	2.8	10.9	11.6	13.7	0.5	0.7	0.9	197.4
Real Estate																													
Brigade Enterprises	BUY	192	340	77.1	26	0.4	136	11	9	9	(17.7)	(15.1)	(1.6)	17.3	20.4	20.8	10.8	11.0	10.8	1.1	1.1	1.1	7.6	5.5	5.2	1.3	1.3	1.3	0.4
DLF	RS	178	—	—	318	4.6	1,784	19.6	6.5	3.9	403.9	(66.9)	(39.6)	9.1	27.4	45.4	27.5	12.0	11.8	0.9	0.9	0.9	11.7	3.2	1.9	1.1	1.1	1.1	17.0
Godrej Properties	SELL	671	400	(40.4)	154	2.2	216	11.6	16.8	19.2	21.9	43.9	14.9	57.6	40.0	34.8	145.2	103.3	73.4	6.4	5.5	4.8	11.8	14.9	14.7	—	—	—	3.1
Oberoi Realty	BUY	461	560	21.4	168	2.4	340	13	62	44	14.0	385.4	(28.1)	36.3	7.5	10.4	27.2	10.4	13.0	2.6	1.7	1.5	7.3	27.4	15.2	0.4	0.4	0.4	3.4
Prestige Estates Projects	ADD	253	315	24.7	95	1.4	375	13	10	10	24.3	(24.2)	8.4	20.1	26.6	24.5	14.3	14.8	14.9	2.0	1.9	1.8	10.3	7.3	7.5	0.6	0.6	0.6	1.2
Sobha	REDUCE	458	510	11.4	43	0.6	95	22	20	23	30.9	(7.5)	14.8	21.0	22.7	19.7	12.8	13.0	12.2	1.6	1.5	1.4	7.6	6.8	7.4	1.5	1.5	1.5	1.6
Sunteck Realty	REDUCE	387	330	(14.7)	57	0.8	140	15	18	20	4.8	20.2	6.9	25.3	21.1	19.7	16.3	17.9	16.7	2.1	1.9	1.7	9.7	9.4	9.2	0.3	0.3	0.3	1.8
Real Estate	Neutral				860	13					140.1	(12.6)	(20.2)	16.5	18.8	23.6	23.2	14.1	14.5	1.5	1.4	1.3	9.3	7.5	5.7	0.7	0.7	0.7	28.4

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EVEBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		16-Jul-18	Target price (Rs)		(Rs bn)	(US\$ bn)		2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	
Technology																													
HCL Technologies	REDUCE	974	1,010	3.7	1,356	19.8	1,409	62	68	71	5.3	9.0	5.0	15.6	14.3	13.7	11.0	9.3	8.5	3.8	3.2	2.8	24.8	23.8	21.9	0.8	3.0	3.2	36.2
Hexaware Technologies	SELL	500	420	(16.0)	148	2.2	304	16	20	22	19.8	20.5	12.5	30.5	25.3	22.5	21.8	18.4	15.7	7.6	6.6	5.6	26.6	27.8	27.0	0.8	1.6	1.6	14.4
Infosys	ADD	1,333	1,400	5.0	2,912	42.4	2,175	65	71	78	3.0	9.7	10.4	20.6	18.8	17.0	14.3	12.8	11.5	4.5	4.2	3.8	21.8	23.0	23.5	2.1	3.3	2.9	81.6
L&T Infotech	ADD	1,835	1,650	(10.1)	316	4.6	175	64	73	84	13.9	14.5	15.7	28.9	25.2	21.8	25.3	18.9	15.9	8.3	6.9	5.8	31.8	30.0	29.0	0.9	1.3	1.4	4.8
Mindtree	ADD	1,081	1,015	(6.1)	177	2.6	165	35	43	52	37.8	23.2	23.2	31.3	25.4	20.6	22.8	16.0	13.0	6.5	5.6	4.8	21.4	23.6	24.9	1.0	1.2	1.5	30.8
Mphasis	SELL	1,204	760	(36.9)	233	3.4	193	44	52	56	14.4	18.3	8.2	27.5	23.2	21.4	20.0	16.2	14.5	4.2	3.9	3.5	14.6	17.4	17.1	1.7	1.7	1.7	11.4
TCS	REDUCE	1,989	1,790	(10.0)	7,614	111.0	3,829	67	82	89	1.1	21.2	8.8	29.5	24.3	22.3	22.0	17.8	16.4	8.7	7.7	7.5	29.4	33.4	33.8	1.3	2.1	3.6	125.8
Tech Mahindra	ADD	657	775	17.9	580	8.5	891	43	45	53	33.1	6.6	15.8	15.4	14.5	12.5	11.3	8.7	7.1	3.1	2.7	2.3	21.5	19.9	19.7	2.2	1.4	1.6	36.6
Wipro	REDUCE	283	295	4.2	1,281	18.7	4,507	17	19	21	(3.1)	11.1	13.7	16.7	15.0	13.2	10.6	9.0	7.9	2.6	2.3	2.1	16.0	16.3	16.6	0.4	0.5	3.5	12.6
Technology	Cautious				14,617	213					1.6	12.3	9.6	22.8	20.3	18.5	16.6	13.9	12.6	5.4	4.8	4.5	23.7	23.7	24.0	1.3	2.2	3.2	354.3
Telecom																													
Bharti Airtel	ADD	347	470	35.3	1,389	20.2	3,997	5	(4)	0	(42.9)	(187.4)	104.6	73.4	(83.9)	1,838.6	7.9	9.0	7.2	2.0	2.1	2.1	2.8	(2.4)	0.1	1.5	0.3	0.0	34.0
Bharti Infratel	REDUCE	301	285	(5.4)	557	8.1	1,850	14	13	11	(7.4)	(8.7)	(9.0)	21.9	24.0	26.3	8.0	8.7	9.2	3.3	3.4	3.5	15.7	14.0	13.1	4.8	3.4	3.1	14.1
IDEA	REDUCE	52	75	43.0	229	3.3	4,359	(10)	(15)	(14)	(656.8)	(54.9)	6.4	(5.5)	(3.5)	(3.8)	12.2	22.3	16.5	0.8	1.1	1.5	(16.0)	(26.9)	(34.0)	—	—	—	17.1
Tata Communications	ADD	564	725	28.6	161	2.3	285	2	4	8	(84.3)	121.9	117.7	342	154.3	70.9	10.4	9.3	8.2	32.2	26.0	18.8	4.5	18.6	30.7	1.2	1.2	1.3	4.7
Telecom	Cautious				2,335	34					(94.7)	(1,906.6)	36.2	742.4	(41.1)	(64.4)	8.6	10.1	8.5	2.0	2.2	2.4	0.3	(5.5)	(3.7)	2.1	1.0	0.7	69.9
Utilities																													
CESC	ADD	886	1,180	33.2	117	1.7	133	87	102	118	67.1	16.8	15.5	10.2	8.7	7.5	7.5	5.5	4.8	0.8	0.7	0.7	7.9	8.8	9.4	1.4	1.1	1.2	5.9
JSW Energy	REDUCE	64	80	25.8	104	1.5	1,640	3.1	5.9	8.2	(19.2)	92.2	38.7	20.7	10.8	7.8	6.7	5.3	4.3	0.9	0.9	0.8	4.7	8.5	11.0	3.1	3.1	3.1	1.9
NHPC	ADD	24	30	25.5	245	3.6	10,260	2.4	3.1	3.2	(17.3)	26.9	1.8	9.8	7.7	7.6	9.1	7.2	7.0	0.8	0.8	0.8	8.5	10.4	10.2	5.9	7.3	7.4	2.1
NTPC	BUY	156	190	22.0	1,284	18.7	8,245	11	15	16	(7.6)	30.9	4.4	13.7	10.4	10.0	11.1	8.6	8.0	1.3	1.2	1.1	9.5	11.6	11.3	3.6	2.9	3.0	13.6
Power Grid	BUY	181	250	37.9	949	13.8	5,232	16	19	21	9.6	19.3	13.6	11.5	9.6	8.5	8.3	7.1	6.5	1.7	1.6	1.4	15.8	17.1	17.5	2.9	3.5	3.9	30.5
Reliance Power	SELL	29	43	47.5	82	1.2	2,805	3.5	5.1	5.2	(16.4)	45.6	2.7	8.4	5.8	5.6	7.6	6.5	6.3	0.4	0.3	0.3	4.5	6.1	5.9	—	—	—	4.1
Tata Power	ADD	69	97	40.7	186	2.7	2,705	5.3	7.8	8.7	(9.6)	46.1	11.2	12.9	8.8	7.9	10.1	9.3	8.5	1.2	1.1	0.9	10.7	12.9	12.7	—	—	—	5.5
Utilities	Attractive				2,968	43					(2.4)	28.6	9.0	12.3	9.5	8.7	9.2	7.6	7.0	1.2	1.1	1.0	9.7	11.5	11.6	3.1	3.1	3.3	63.6

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)			EVEBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT	
		16-Jul-18	(Rs)	(%)	(Rs bn)	(US\$ bn)	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	(US\$ mn)	
Others																													
Astral Poly Technik	SELL	1,042	625	(40.0)	125	1.8	120	15	19	23	20.8	28.0	23.0	71.0	55.5	45.1	39.9	31.0	25.2	12.3	10.1	8.4	18.8	20.0	20.3	0.1	0.1	0.1	1.0
Avenue Supermarts	SELL	1,548	860	(44.4)	966	14.1	624	13	16	20	47.9	28.6	26.4	123.1	95.8	75.8	72.2	55.3	43.4	20.8	17.1	13.9	18.5	19.6	20.3	—	—	—	—
Bayer Cropscience	REDUCE	4,495	4,000	(11.0)	178	2.6	34	86	105	124	4.4	22.7	17.5	52.3	42.7	36.3	42.3	33.1	26.5	8.7	7.5	6.5	15.4	18.8	19.2	0.4	0.5	0.6	0.5
Dhanuka Agritech	ADD	517	690	33.5	25	0.4	49	26	28	32	7.7	8.9	15.4	20.1	18.5	16.0	14.7	12.6	10.5	4.0	3.4	3.0	21.9	20.1	20.0	1.1	1.2	1.3	0.1
Godrej Agrovet	ADD	605	650	7.4	116	1.7	189	12	16	20	6.9	39.8	24.6	52.5	37.6	30.2	27.1	20.8	16.8	6.8	5.9	5.0	14.7	16.9	17.9	0.3	0.4	0.5	1.8
Godrej Industries	RS	575	—	—	193	2.8	336	15	16	20	6.8	8.9	24.2	39.4	36.2	29.2	35.5	30.1	32.7	5.3	4.7	4.1	14.4	13.9	15.1	0.3	0.3	0.3	4.6
InterGlobe Aviation	BUY	1,101	1,430	29.9	423	6.2	383	59	71	98	27.2	21.8	37.5	18.8	15.4	11.2	10.7	8.7	6.0	6.0	4.4	3.3	41.3	33.0	33.8	0.5	0.7	0.9	25.6
Kaveri Seed	SELL	534	470	(12.0)	35	0.5	66	32	31	33	18.4	(3.7)	6.1	16.7	17.3	16.3	14.0	14.4	13.0	4.5	3.8	3.4	23.6	24.0	21.9	1.1	1.5	1.9	4.7
PI Industries	BUY	780	900	15.4	108	1.6	138	27	33	41	(20.0)	25.0	23.2	29.4	23.5	19.1	21.6	17.0	13.5	5.6	4.7	3.8	20.7	21.7	22.1	0.4	0.5	0.6	1.5
Rallis India	ADD	187	235	25.7	36	0.5	195	9	11	13	(1.5)	26.4	19.7	21.7	17.2	14.3	13.8	11.3	9.6	3.1	2.8	2.5	14.6	16.9	18.1	1.8	1.9	2.1	0.8
SIS	REDUCE	1,132	1,250	10.4	83	1.2	73	23	36	43	44.0	58.5	20.6	50.2	31.7	26.3	26.9	20.4	16.8	8.0	6.8	5.6	20.2	23.4	23.3	0.3	0.5	0.6	0.7
SRF	BUY	1,578	2,110	33.7	91	1.3	57	80	92	123	(10.4)	14.4	33.6	19.6	17.2	12.8	12.2	9.6	7.8	2.5	2.3	2.0	13.7	14.0	16.4	0.8	0.8	0.9	10.5
Tata Chemicals	ADD	669	760	13.5	171	2.5	255	51	46	52	6.5	(11.2)	13.6	13.0	14.7	12.9	7.2	6.1	5.1	1.5	1.4	1.3	13.8	10.0	10.5	3.3	2.2	2.5	9.0
TeamLease Services	SELL	2,853	1,750	(38.7)	49	0.7	17	43	59	75	28.0	37.4	27.2	66.2	48.2	37.9	69.0	48.9	37.8	11.0	9.0	7.3	18.2	20.6	21.2	—	—	—	2.4
UPL	ADD	560	850	51.8	285	4.2	507	43	73	82	20.9	71.2	11.9	13.0	7.6	6.8	9.1	7.9	6.7	3.1	2.6	2.2	26.4	23.6	22.4	1.4	1.7	1.9	15.8
Vardhman Textiles	ADD	1,210	1,400	15.7	70	1.0	56	103	130	140	(8.0)	26.4	7.4	11.7	9.3	8.7	9.9	7.3	6.6	1.4	1.3	1.1	12.7	14.3	13.8	1.2	1.7	2.5	1.0
Whirlpool	SELL	1,508	1,240	(17.8)	191	2.8	127	28	37	45	13.0	33.9	22.5	54.6	40.7	33.2	32.2	24.8	20.0	10.7	8.8	7.4	21.4	23.7	24.1	0.3	0.4	0.6	1.0
Others					3,144	46					15.0	15.9	22.8	30.8	26.6	21.7	19.8	16.4	13.3	5.6	4.7	4.0	18.1	17.8	18.6	0.6	0.6	0.7	81.0
KIE universe					107,542	1,567					(6.2)	30.2	25.0	26.7	20.5	16.4	12.4	10.5	9.2	2.9	2.7	2.4	11.0	12.9	14.7	1.3	1.4	1.8	
KIE universe (ex-energy)					94,572	1,378					(8.4)	38.5	29.7	31.5	22.7	17.5	13.9	11.5	10.1	3.3	2.9	2.7	10.4	13.0	15.2	1.1	1.3	1.7	

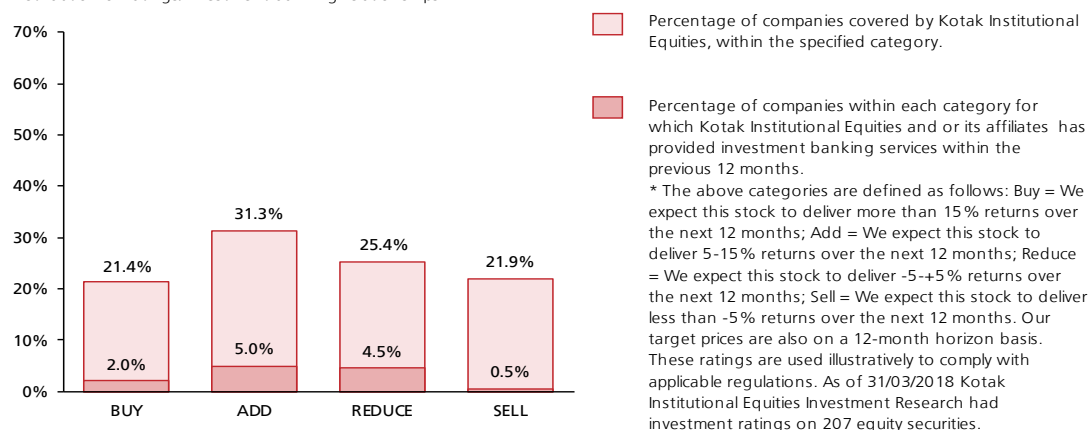
Notes:

- (a) We have used adjusted book values for banking companies.
 (b) 2018 means calendar year 2017, similarly for 2019 and 2020 for these particular companies.
 (c) Exchange rate (Rs/US\$)= 68.62

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

NR = Not Rated. The investment rating and target price, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.

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