

Contents

Special Reports

Theme Report

Banks: MSME maintains growth momentum

- ▶ MSME is a Rs23 tn business; robust growth at 18% yoy in 1QFY19
- ▶ Public sector banks continue to lose market share to private peers and NBFCs
- ▶ Asset quality shows signs of improvement
- ▶ Turn-around-time best by NBFCs at 18 days; <Rs1 mn fastest from a ticket-size perspective

Daily Alerts

Sector alerts

Infrastructure: Freight rates indicate strong recovery in demand

- ▶ Freight rates increase in seasonally weak quarter much beyond the fuel price rise
- ▶ Uptick in activity will support GST collections; enablers in place for increase in tax compliance
- ▶ Logistics ecosystem prone to disruption by those who can leverage networks and inspire trust

Utilities: September spikes, again

- ▶ Poor thermal generation against rising demand leads to rise in spot tariffs above Rs5/kwh
- ▶ Degree of increase may vary, though prices in September usually see a temporary spike
- ▶ Tariff spike more seasonal than structural, though higher prices augur well for select players

EQUITY MARKETS

India	Change %			
	18-Sep	1-day	1-mo	3-mo
Sensex	37,291	(0.8)	(1.7)	5.7
Nifty	11,279	(0.9)	(1.7)	5.3
Global/Regional indices				
Dow Jones	26,247	0.7	2.3	6.3
Nasdaq Composite	7,956	0.8	1.8	3.0
FTSE	7,300	(0.0)	(3.4)	(4.0)
Nikkei	23,761	1.5	6.7	6.7
Hang Seng	27,085	0.6	(0.5)	(8.1)
KOSPI	2,308	(0.0)	2.7	(1.4)
Value traded – India				
Cash (NSE+BSE)	350		378	350
Derivatives (NSE)	12,406		5,529	2,581
Deri. open interest	4,308		4,079	2,621

Forex/money market

	Change, basis points			
	18-Sep	1-day	1-mo	3-mo
Rs/US\$	72.7	3	300	474
10yr govt bond, %	8.3	(9)	14	16

Net investment (US\$ mn)

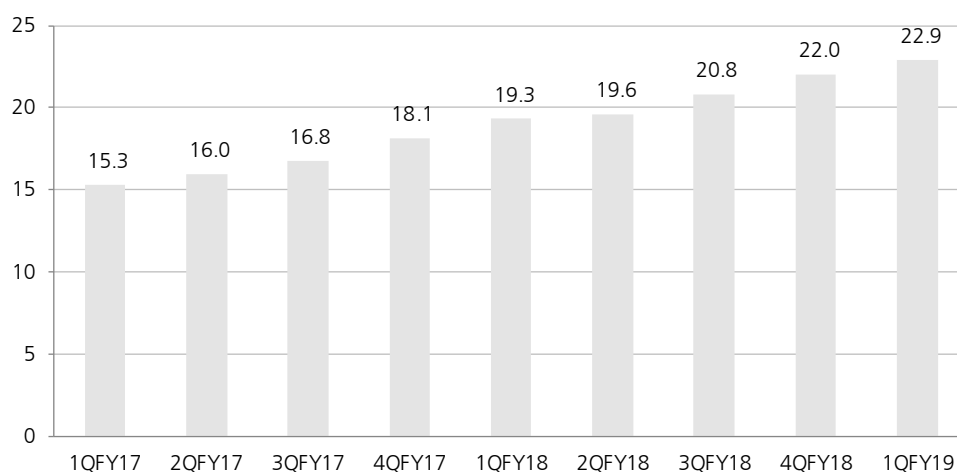
	17-Sep	MTD	CYTD
FIs	13	(80)	(771)
MFs	18	576	12,387

Top movers

	Change, %			
	18-Sep	1-day	1-mo	3-mo
Best performers				
HDIL IN Equity	29	(3.8)	(14.5)	33.1
ARBP IN Equity	776	(1.7)	18.3	27.5
WPRO IN Equity	333	0.8	18.7	27.4
DIVI IN Equity	1,380	1.1	17.5	26.4
DABUR IN Equity	470	1.9	3.1	25.5
Worst performers				
JPA IN Equity	10	(4.4)	(25.6)	(42.0)
UT IN Equity	3	(3.2)	(29.1)	(32.2)
IDEA IN Equity	46	(3.0)	(9.1)	(25.0)
TTMT/A IN Equity	138	(1.9)	1.5	(23.7)
HPCL IN Equity	249	(3.5)	(6.8)	(20.3)

Exhibit 1: MSME lending book is around ₹22.9 tn (including MSME loans to individuals) and is growing at 18% yoy

MSME loans outstanding, March fiscal year-ends, 1QFY17-1QFY19 (₹ tn)



Source: SIDBI, TransUnion CIBIL, Kotak Institutional Equities

Exhibit 2: Smaller segments have delivered better growth rates; MSME loans to individual also witnessed robust growth in 1QFY19

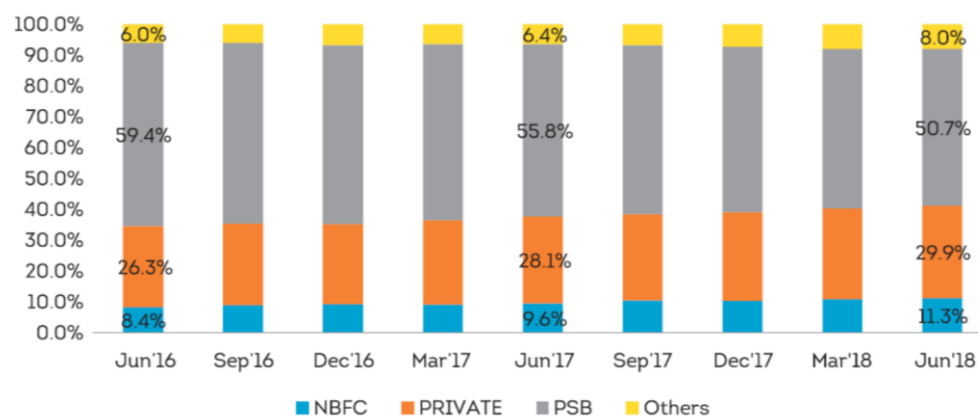
Break-up of segments within MSME lending, March fiscal year-ends, 1QFY17-1QFY19 (Rs bn)

	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	YoY growth (%)
Very small (<1 mn)	560	580	560	580	640	670	770	810	820	28
Micro 1 (1-5 mn)	1,390	1,460	1,420	1,490	1,570	1,600	1,750	1,890	1,900	21
Micro 2 (5-10mn)	930	970	950	1,010	1,060	1,070	1,160	1,220	1,230	16
SME 1 (10-50 mn)	2,980	3,060	3,060	3,220	3,360	3,380	3,710	3,880	3,950	18
SME 2 (50-100 mn)	1,760	1,790	1,810	1,870	1,930	1,920	2,070	2,130	2,170	12
MSME 3 (100-250 mn)	2,590	2,640	2,670	2,750	2,800	2,800	3,000	3,070	3,120	11
MSME loans to individuals	5,100	5,480	6,300	7,220	7,960	8,150	8,330	9,040	9,670	21
Total	15,310	15,980	16,770	18,140	19,320	19,590	20,790	22,040	22,860	18

Source: SIDBI, TransUnion CIBIL, Kotak Institutional Equities

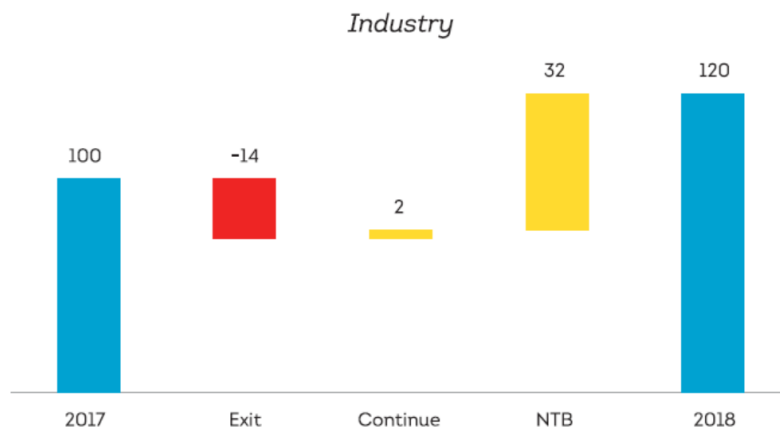
Exhibit 3: Private banks and NBFCs have continued to gain share

Lender-wise market share, March fiscal year-ends, June 2016-June 2018 (Rs bn)



Source: SIDBI, TransUnion CIBIL

Exhibit 4: 32% yoy rise in MSME credit in FY2018 is owing to NTC customers
 MSME credit movement with FY2017 as common base, March fiscal year-ends, 2017-2018 (%)



Source: SIDBI, TransUnion CIBIL

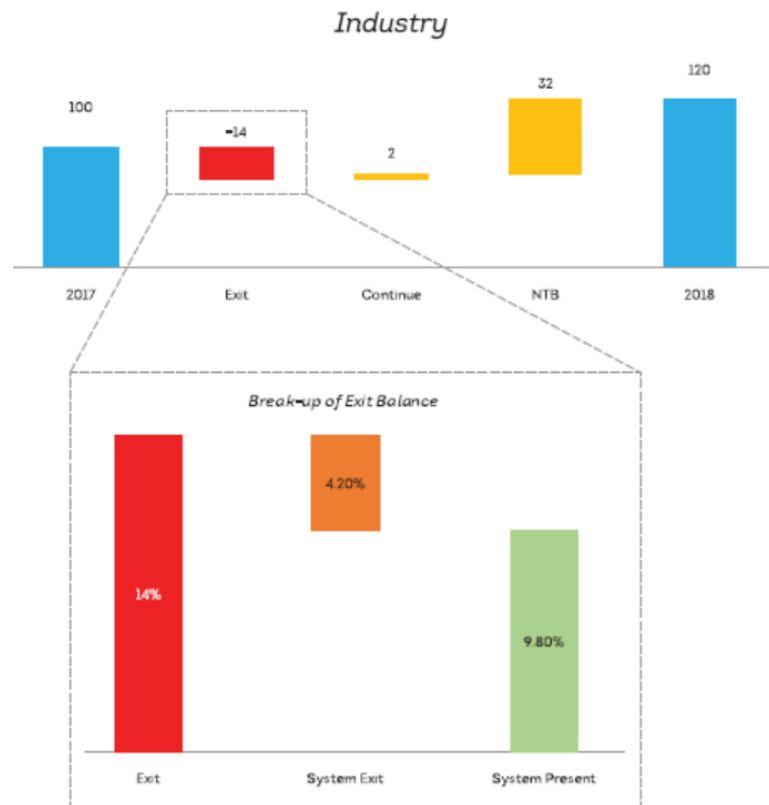
Exhibit 5: New to credit customer acquisition is highest for NBFCs
 Transition of MSME lenders across categories with FY2017 as common base, March fiscal year-ends, 2017-2018 (%)



Source: SIDBI, TransUnion CIBIL

Exhibit 6: While exit rate is high at 14% for the industry, nearly 70% of these borrowers remain present in the system

Analysis of exiting borrowers, March fiscal year-ends, 2017-2018 (%)



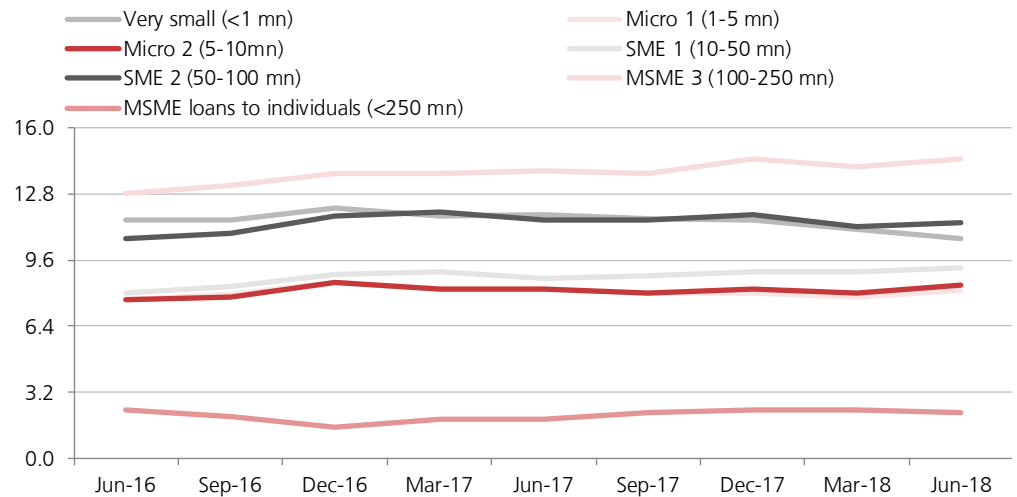
Note:

- 1) System exit: These set of borrowers have exited from their respective lender and also from the formal lending market. They do not have any active credit exposure as of March 2018.
- 2) System present: These set of borrowers exit the lender, but they have active exposure with other lenders.

Source: SIDBI, TransUnion CIBIL

Exhibit 7: Smallest and largest ticket segments have seen maximum stress; individual loans see low stress levels

NPL ratios for segments within MSME, June 2016-June 2018 (%)



Source: SIDBI, TransUnion CIBIL

Exhibit 8: Smallest and largest ticket segment have seen maximum stress

Lender-wise NPL ratios, 1QFY17-1QFY19 (%)

	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
NBFC	3.9	4.2	4.4	5.1	5.0	5.4	5.0	5.0	5.0
Private	3.6	3.4	4.2	4.1	4.0	3.9	3.8	3.9	3.9
PSB	13.0	13.4	14.3	14.3	14.5	14.3	14.2	14.4	15.2

Source: SIDBI, TransUnion CIBIL

Exhibit 9: In the mid ticket size segment, private lender witness superior asset quality compared to peers

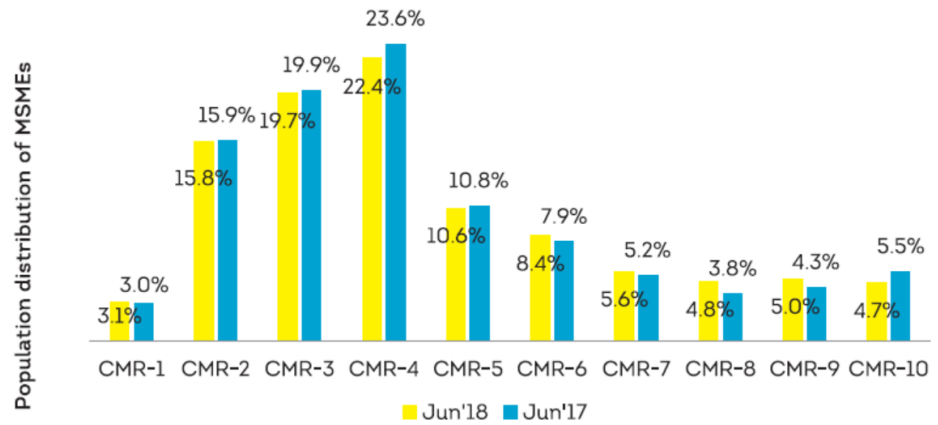
Lender-wise NPL ratios for different range of ticket size, March fiscal year-ends, 1QFY19 (%)

	PSU	Private	NBFC
<1 mn	5.0	3.7	2.3
1-5 mn	2.7	1.4	1.6
5-10 mn	2.6	1.3	1.1
10-50 mn	2.2	0.3	1.2
50-100 mn	4.5	0.9	2.1
100-250 mn	5.6	3.4	2.1

Source: SIDBI, TransUnion CIBIL

Exhibit 10: Marginal shift in MSME portfolio towards better quality borrowers

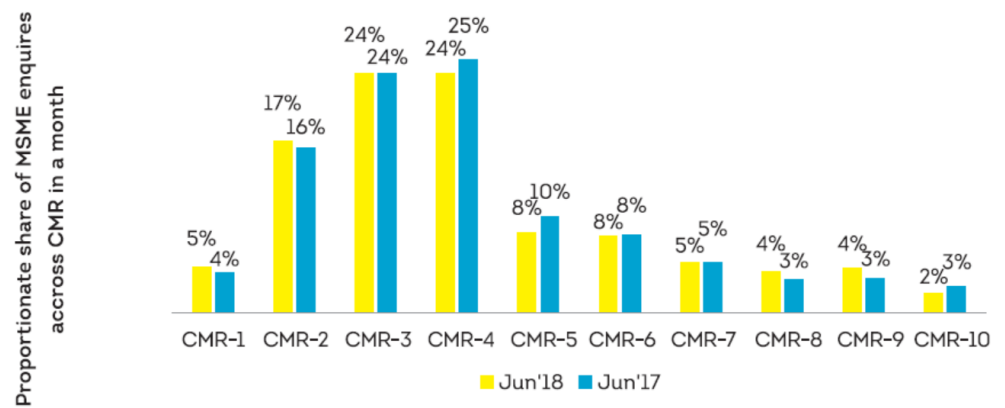
Break-up of MSME portfolio across banks, March fiscal year-ends, 1QFY18-1QFY18 (%)



Source: SIDBI, TransUnion CIBIL

Exhibit 11: Enquiries have shifted to better MSME businesses

Break-up of MSME enquiries, March fiscal year-ends, 1QFY18-1QFY19 (%)



Source: SIDBI, TransUnion CIBIL

Exhibit 12: Continuous reduction in turnaround time
Turnaround time, March fiscal year-ends, 2016-2018 (days)

	2016	2017	2018
NBFC	24	19	18
Private	32	29	29
PSB	41	35	31
Others	36	34	29
MSME space	32	29	26

Source: SIDBI, TransUnion CIBIL

Exhibit 13: Lower turnaround time in lower ticket size segments
Ticket-size wise turnaround time bank group-wise, March fiscal year-ends, 2016-2018 (days)

	2016	2017	2018
<Rs1 mn			
NBFC	NA	NA	13
Private	NA	NA	15
PSB	NA	NA	19
Others	NA	NA	27
Total	23	23	18
Rs1-10 mn			
NBFC	NA	NA	16
Private	NA	NA	23
PSB	NA	NA	26
Others	NA	NA	27
Total	29	26	24
Rs10-100 mn			
NBFC	NA	NA	19
Private	NA	NA	33
PSB	NA	NA	40
Others	NA	NA	29
Total	32	31	32
Rs100-250 mn			
NBFC	NA	NA	24
Private	NA	NA	39
PSB	NA	NA	46
Others	NA	NA	35
Total	34	36	37

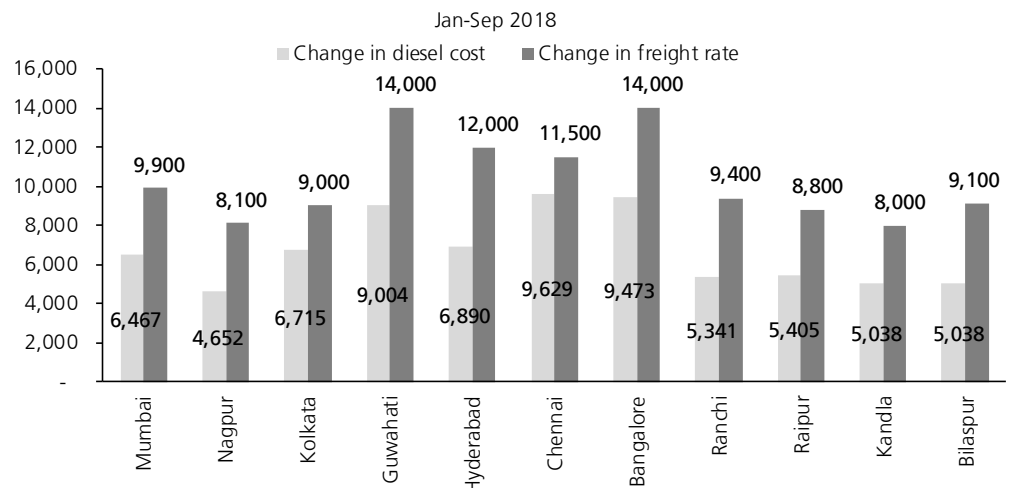
Source: SIDBI, TransUnion CIBIL

Key takeaways from meeting with Head, IFTRT

- ▶ **GST could have supported such formalization; enforcement could have been better.** The intent of GST was to have in place seamless movement of goods, higher tax compliance and still lower prices to end consumer. However, IFTRT believes that the enforcement of GST could have been better. There are several factors responsible for low pace of collections for GST, key among them are (1) rushed up implementation of the reform, (2) multiple rate slabs with no timelines for reduction in number of slabs and (3) weak levers of enforcement in anti-profiteering. Traders are not embracing the system. The same has moderated the pace of formalization of economy versus what was possible because of GST.
- ▶ **Transportation is the key segment to target to increase compliance of GST.** Most of the loopholes in tax evasion can be plugged once the government starts enforcing mandatory registration of all goods transportation agents. Registration as per the carriage act would make them responsible for the ills of the business in under-invoicing, carrying undeclared class of commodities and overloading. While the carriage act was passed in 2007 and rules had been laid down in 2011, the impetus from the government on getting all such goods transportation agents registered is still lacking.
- ▶ **Other market factors beyond DFC will ensure steady formalization of the transportation ecosystem.** Factors in favor of formalizing transportation, especially those having asset ownership, are falling in place. Over time, the share of contractual business has increased to 25%+ and companies are increasingly focusing on specific types of vehicles for transportation of their goods. Stiff commitments to customers require a higher share of owned vehicles for GTAs and also requirement of training drivers. Current increase in demand would accelerate pace of formalization.
- ▶ **Common myths about trucking.**
 - Our meeting with IFTRT helped us appreciate that there is no dearth of drivers with license in the ecosystem. Shortage is of skilled and trained drivers. To handle such limitation, transporter needs to focus on HSE policies and consider the same as a capital expenditure. There is otherwise limited sense to the industry demand of reducing the number of drivers on vehicles to 1 from 2.
 - Against popular perception, the transportation ecosystem makes good money through legal channels and even more through illegal channels. Legal levers used include (1) stiff minimum payload for retail cargo versus that for which truck space is bought, (2) utilizing low annual lease rates of railways for the long-haul part for small loads while charging customer at spot road freight rates and (3) utilizing broker network for return load/commissions of collections/payments. Illegal means include (4) utilizing passenger buses to transport cargo and (5) but obvious, enabling SMEs to transport under-invoiced consignments.
- ▶ **Most of the transporters are inept at using benefits of input tax credit.** Most of the truck owners own less than 10 trucks in order to obviate the requirement to share their business records. They are then able to pay tax on a per-truck basis and cannot claim depreciation benefits. This accounts for 85% of the market. This large segment would find it difficult to grow business at a pace to avail input tax credit accumulated through purchases of new trucks, tires, computer, insurance, etc. By the same argument, they would also not be able to avail of the ITC on diesel if and when it gets include in GST. Prior to GST, the input tax credit was also available against state VAT and as per IFTRT, the same went largely unutilized for most transporters.

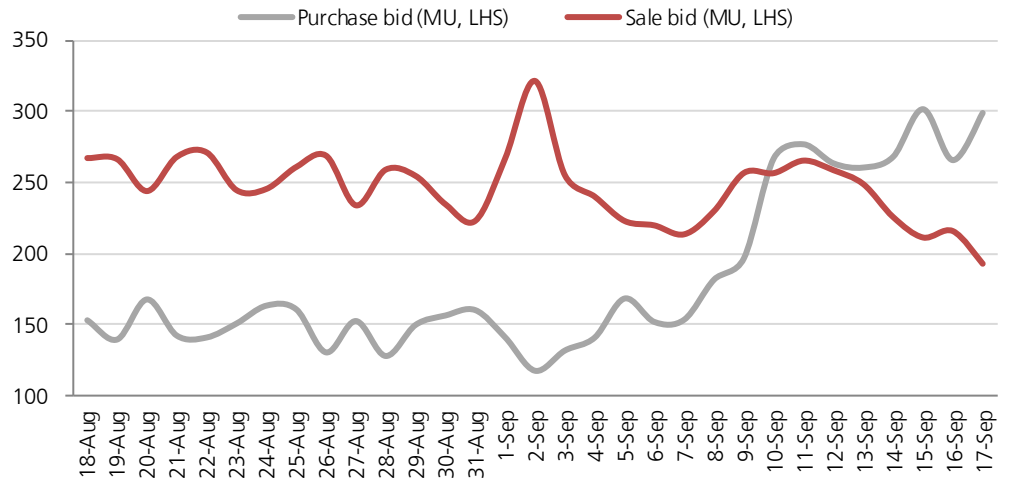
- ▶ **Overloading continues unabated.** Our interaction with IFTRT suggests that overloading continues unabated and in its view, overloading will unlikely go away because of penalties. It shared a quantum increase made in penalties in 1988 and even Supreme Court ruling in November 2005 of disallowing trucks to move with overloaded goods, all of which has increased the bargaining power of RTOs over time. Again, implementation of the clause of the 2007 Carriage Act demanding mandatory registration of all GTAs is the solution IFTRT sees to the issue of overloading. Once registered, GTAs can then be tracked for being complicit in the ills of transportation business. With unabated overloading, the government would have to consider the social cost of deterioration in infrastructure assets as well as higher incidences of accidents on highways.
- ▶ **Broker serves as an important intermediary.** The presence of broker networks is the lubricant for the functioning of the trucking ecosystem. The customer gives cargo to the transporter based on the guarantee of the broker. Also broker ensures return cargo for the transporter. Broker also helps out the transporter in times of need such as financing the transporter for replacing tires on an urgent basis. Lastly broker also facilitates payments and charges a commission there. These capabilities are difficult to replicate through an online network in an ecosystem that is largely based on trust.
- ▶ A large and growing network of customers and vendors is well-placed to obviate the role of a broker and thus becomes a scalable business model. Players owning established networks, inspiring trust and having strong HSE (human, social, environmental) policies can easily leverage opportunities to build businesses with scale.
 - Our recent conversations with Concor suggest scopes for developing large-scale logistics business in coastal shipping and distribution logistics over the next few years. They expect non-rail share of business to almost double over the next 5-7 years and the base transportation business also to double over such period. They expect additional transportation revenues from the new logistics offerings.
 - In its FY2018 annual report, Mahindra Logistics revealed steps taken to strengthen its network of business associates. Its new accounts' payable management system enables it to reduce the days payable outstanding by digitizing the Business Associate billing process. Such initiatives can eventually diminish the role of a broker and gather greater share of the business.

Exhibit 1: Strong demand growth is reflected in the sharp increase in freight rates across all routes, more than that warranted by fuel prices
 Change in round-trip freight rates from Delhi to various destinations in the country March fiscal year-ends, Jan 2018 – Sep 2018 (Rs)



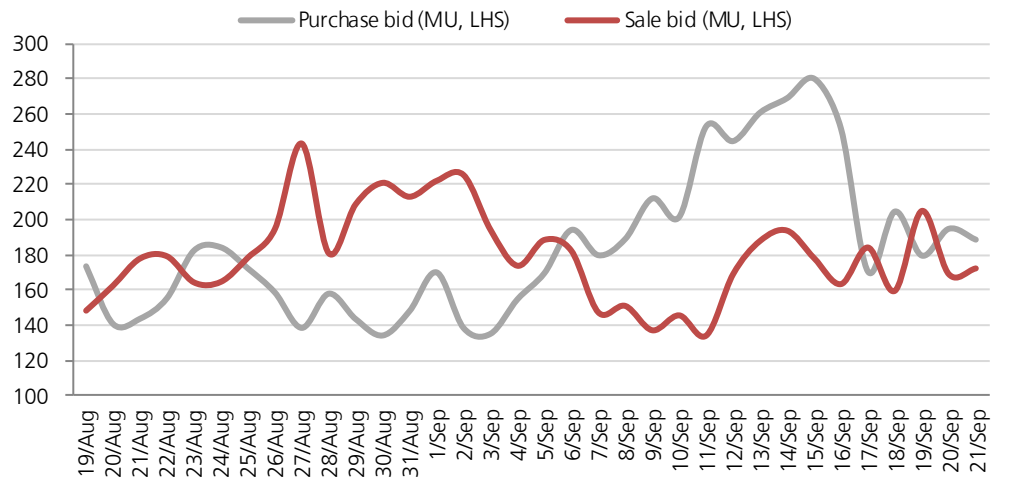
Source: IFTRT, Kotak Institutional Equities

Exhibit 3: Quantum of purchase bids crossed sale bids substantially since early September
Daily purchase bid and sales bid, August-September 2018 (MU)



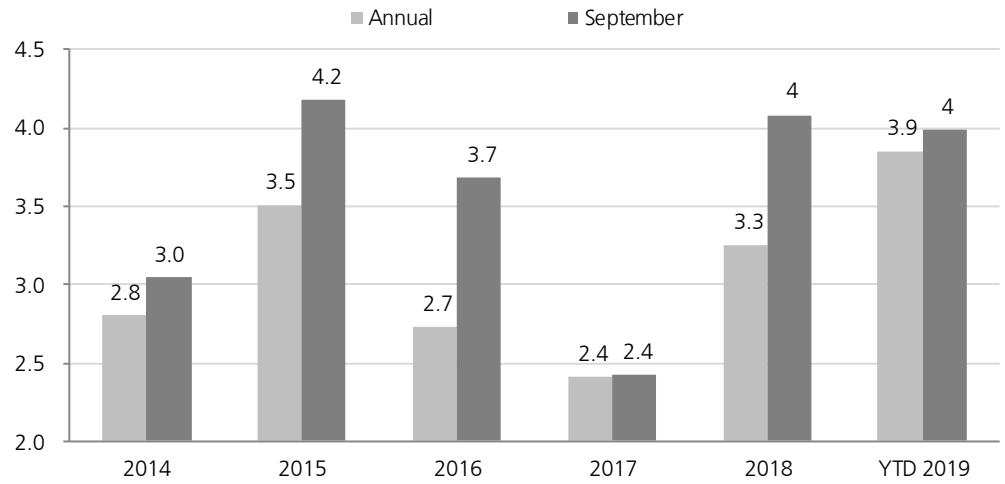
Source: IEX, Kotak Institutional Equities

Exhibit 4: Significant increase in purchase bids in early September pushed MCP last year as well
Daily purchase bid and sales bid, August-September 2017 (MU)



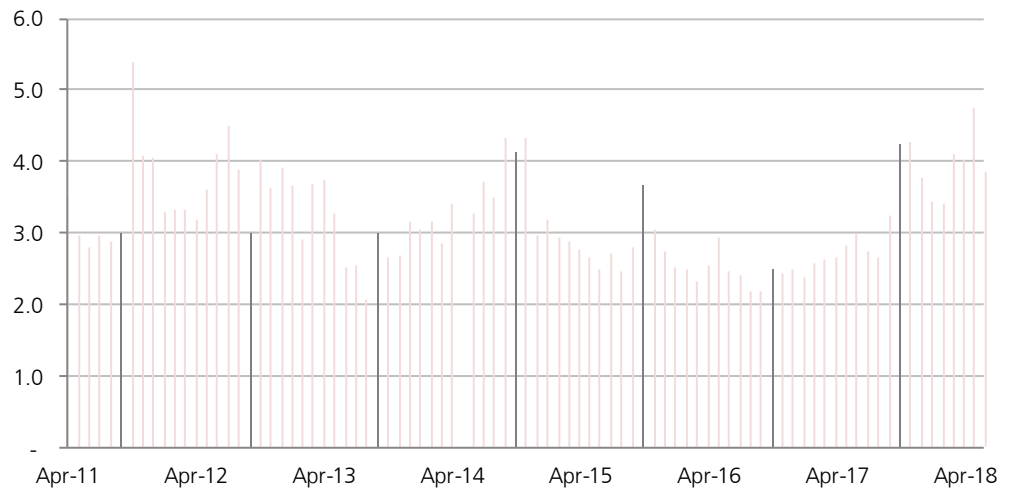
Source: IEX, Kotak Institutional Equities

Exhibit 5: Spot prices in September are generally higher than the full-year average
MCP for September and full-year, March fiscal year-ends, 2014-19 (Rs/kwh)



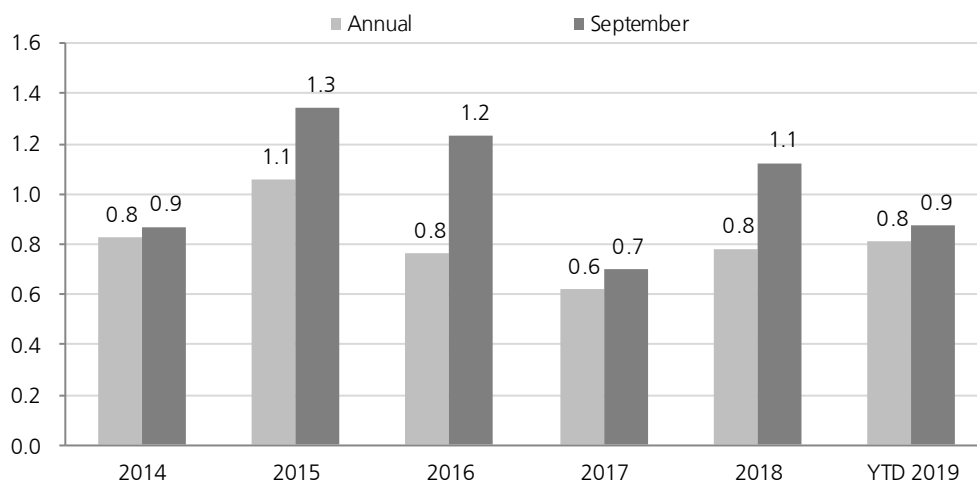
Source: IEX, Kotak Institutional Equities

Exhibit 6: Spot prices in September are generally higher than the full-year average
Monthly average prices at IEX, March fiscal year-ends, 2011-19 (Rs/kwh)



Source: IEX, Kotak Institutional Equities

Exhibit 7: Ratio of purchase bids to sales bids generally spike in September
Ratio of purchase bid over sales bid for September and full-year, March fiscal year-ends, 2014-19 (X)



Source: IEX, Kotak Institutional Equities

Exhibit 8: Increase in hydro and nuclear generation partly made up for no growth in thermal generation in Sep 2018
Generation trends for the current year (MU)

	Current (Till 10 Sept)			Month			YTD		
	Sep-18	YTD	Growth (%)	Aug-18	Aug-17	Growth (%)	Aug-18	Aug-17	Growth (%)
Coal	NA	NA	NA	77,111	77,128	(0)	405,380	389,343	4
Thermal	468,993	451,694	4	83,432	83,855	(1)	440,017	424,064	4
Nuclear	17,084	15,300	12	2,681	2,272	18	15,687	14,374	9
Hydro	72,630	72,145	1	18,643	15,529	20	65,773	67,253	(2)
All-India	558,637	539,138	4	104,755	101,656	3	521,476	505,691	3

Source: CEA, Kotak Institutional Equities

Exhibit 9: For every US\$5/ton change in coal prices, target price can change by Rs8/share
Sensitivity of JSW Energy's SOTP to coal prices and exchange rate

		Sensitivity of JSW SOTP to coal prices and exchange rates				
		FOB Coal price of SA coal (US\$/ton)				
		70	75	80	85	90
Exchange rate (USD/INR)	65	93	86	79	71	64
	67	90	83	75	67	59
	70	85	78	70	62	59
	72	82	74	66	55	52
	75	78	69	60	57	39

Source: IEX, Kotak Institutional Equities

Exhibit 10: For every Rs0.6/kwh change in merchant tariffs, target price can change by Rs25/share
Sensitivity of JSW Energy's SOTP to coal prices and merchant tariffs

		Sensitivity of JSW SOTP to coal prices and merchant tariffs				
		FOB Coal price of SA coal (US\$/ton)				
		70	75	80	85	90
Merchant Tariff (Rs/kwh)	3.6	60	57	33	31	19
	3.9	73	65	58	52	37
	4.2	85	78	70	62	59
	4.5	98	90	82	74	66
	4.8	111	103	95	87	79

Source: IEX, Kotak Institutional Equities

Exhibit 11: Coal inventories have improved compared to the same period last year, though still low on overall basis
Inventory position of coal across power plants in India, March fiscal year-ends (days of requirement)

	Aug-2018			Jul-2018			Jun-2018		
	Days	Critical (#)	Super-Critical (#)	Days	Critical (#)	Super-Critical (#)	Days	Critical (#)	Super-Critical (#)
North	12	1	—	14	—	1	11	2	5
West	10	3	6	10	6	5	8	6	3
South	13	—	1	12	—	1	11	—	—
East	4	—	—	5	—	—	9	—	—
All India	10	4	7	11	6	7	10	8	8

	Aug-2017			Jul-2017			Jun-2017		
	Days	Critical (#)	Super-Critical (#)	Days	Critical (#)	Super-Critical (#)	Days	Critical (#)	Super-Critical (#)
North	9	1	2	13	11	—	17	1	—
West	8	4	3	12	1	1	9	2	1
South	10	—	—	16	—	—	12	—	—
East	6	—	—	9	—	—	10	—	—
All India	8	5	5	12	0	1	11	3	1

Source: CEA, Kotak Institutional Equities

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		18-Sep-18	Target price (Rs)		(Rs bn)	(US\$ bn)		2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	
NBFCs																													
Bajaj Finance	SELL	2,570	2,000	(22.2)	1,486	20.4	575	68	90	114	56.6	31.9	27.3	37.8	28.7	22.5	—	—	—	7.7	6.2	5.0	22.4	24.0	24.6	0.3	0.3	0.4	60.7
Bajaj Finserv	REDUCE	6,528	6,100	(6.6)	1,039	14.3	159	245	307	376	39.7	25.2	22.5	26.6	21.3	17.4	—	—	—	4.2	3.5	3.0	17.5	18.1	18.6	0.2	0.2	0.2	19.5
Bharat Financial Inclusion	NA	1,145	—	—	160	2.2	139	43	54	69	31.1	27.2	25.8	26.7	21.0	16.7	—	—	—	4.3	3.5	2.9	17.9	18.5	19.0	—	—	—	9.8
Cholamandalam	REDUCE	1,320	1,500	13.7	206	2.8	156	90	110	136	44.8	22.1	23.4	14.6	12.0	9.7	—	—	—	3.4	2.8	2.2	24.5	24.3	24.3	0.8	1.0	1.2	7.2
HDFC	ADD	1,856	2,075	11.8	3,140	43.1	1,676	56	67	81	(25.8)	19.0	21.2	33.2	27.9	23.0	—	—	—	4.2	3.9	3.5	13.8	14.5	16.0	1.1	1.4	1.7	73.2
HDFC Standard Life Insurance	SELL	411	405	(1.4)	827	11.4	2,007	6	7	8	14.8	10.9	14.7	64.7	58.3	50.8	—	—	—	17.1	15.3	13.6	28.0	27.7	28.4	0.4	0.4	0.5	7.0
ICICI Lombard	SELL	874	620	(29.1)	397	5.5	454	26	32	37	37.1	21.5	18.5	33.6	27.6	23.3	—	—	—	7.3	6.1	5.2	23.8	24.2	24.0	0.7	0.8	1.0	3.2
ICICI Prudential Life	BUY	358	500	39.5	515	7.1	1,436	12	13	15	10.1	7.0	10.0	28.9	27.0	24.5	—	—	—	6.4	5.4	4.6	24.5	21.8	20.2	0.6	0.6	0.7	8.1
IIFL Holdings	SELL	628	625	(0.4)	200	2.8	319	38	45	52	31.5	18.6	16.0	16.7	14.1	12.1	—	—	—	3.0	2.6	2.2	20.5	20.0	20.0	1.3	1.5	1.8	1.7
L&T Finance Holdings	ADD	151	190	26.1	301	4.1	1,996	13	14	16	70.9	12.3	12.8	12.0	10.7	9.5	—	—	—	2.2	1.9	1.6	18.9	18.8	18.3	1.3	1.7	1.6	15.3
LIC Housing Finance	ADD	467	610	30.7	235	3.2	505	50	58	66	14.1	16.2	14.6	9.4	8.1	7.0	—	—	—	1.5	1.3	1.1	17.4	16.9	16.8	1.7	1.9	2.2	15.5
Magma Fincorp	BUY	132	190	43.7	36	0.5	237	13	17	21	34.0	31.8	23.0	10.2	7.7	6.3	—	—	—	1.3	1.1	1.0	13.9	15.8	17.0	1.5	1.9	2.4	1.0
Mahindra & Mahindra Financial	REDUCE	443	500	13.0	273	3.8	614	23	28	34	58.4	23.2	18.6	19.3	15.6	13.2	—	—	—	2.8	2.5	2.3	14.3	15.8	16.7	1.4	1.8	2.1	11.0
Max Financial Services	ADD	462	650	40.8	124	1.7	268	6	6	6	36.9	1.8	1.8	73.6	72.3	71.0	—	—	—	—	—	—	8.3	8.0	7.8	—	0.5	0.5	5.1
Muthoot Finance	ADD	444	480	8.1	178	2.4	400	40	42	48	(7.8)	6.0	14.8	11.2	10.6	9.2	—	—	—	2.0	1.8	1.5	19.0	17.6	17.8	2.1	2.2	2.5	6.0
PNB Housing Finance	REDUCE	1,253	1,325	5.7	210	2.9	167	62	75	92	25.3	20.9	22.4	20.1	16.6	13.6	—	—	—	2.9	2.6	2.2	15.2	15.9	17.0	0.3	0.3	0.3	4.8
SBI Life Insurance	ADD	623	785	26.0	623	8.6	1,000	15	18	21	26.0	22.9	17.0	42.9	34.9	29.8	—	—	—	8.1	6.8	5.7	20.6	21.3	20.9	0.4	0.5	0.5	2.5
Shriram City Union Finance	ADD	1,876	2,250	19.9	124	1.7	66	141	174	209	40.4	22.7	20.5	13.3	10.8	9.0	—	—	—	2.1	1.9	1.6	15.8	16.9	17.6	0.9	1.2	1.4	1.5
Shriram Transport	ADD	1,189	1,550	30.4	270	3.7	227	114	130	146	64.4	14.3	12.8	10.5	9.2	8.1	—	—	—	1.9	1.6	1.4	18.3	17.5	17.1	1.3	1.5	1.8	32.9
NBFCs	Neutral				10,343	142					15.1	19.5	19.4	26.3	22.0	18.4				4.2	3.7	3.2	16.1	16.7	17.3	0.7	0.9	1.0	620.9
Cement																													
ACC	SELL	1,570	1,270	(19.1)	295	4.1	188	62	70	81	27.0	13.8	15.2	25.4	22.3	19.4	14.1	12.1	10.3	2.9	2.7	2.4	11.9	12.5	13.1	1.1	1.1	1.1	16.1
Ambuja Cements	REDUCE	224	210	(6.4)	446	6.1	1,986	9	11	12	14.5	23.2	15.8	26.1	21.2	18.3	8.8	7.2	6.0	2.1	2.0	1.8	8.1	9.5	10.4	1.6	1.6	1.6	11.1
Dalmia Bharat	ADD	2,573	2,830	10.0	229	3.2	89	94	122	139	55.8	29.3	14.8	27.4	21.2	18.4	10.4	8.6	7.3	3.3	2.9	2.5	12.9	14.6	14.5	0.1	0.1	0.1	4.5
Grasim Industries	BUY	1,067	1,170	9.7	702	9.6	657	46	55	70	(2.5)	18.8	28.0	23.1	19.4	15.2	7.6	7.2	6.7	1.2	1.1	1.0	5.2	5.9	7.1	0.5	0.5	0.5	15.8
India Cements	REDUCE	114	118	3.3	35	0.5	308	4	8	12	28.0	102.6	41.3	27.3	13.5	9.5	8.7	6.8	5.7	0.7	0.6	0.6	2.5	4.8	6.5	0.9	0.9	0.9	9.3
J K Cement	ADD	794	890	12.1	55	0.8	70	45	79	78	3.7	75.4	(0.8)	17.7	10.1	10.2	10.4	8.5	7.0	2.5	2.1	1.7	15.0	22.3	18.5	1.0	1.0	1.0	0.5
JK Lakshmi Cement	ADD	310	370	19.2	37	0.5	118	11	28	37	153.5	147.9	30.5	27.4	11.0	8.5	9.7	6.3	5.1	2.4	2.0	1.6	8.9	19.5	21.0	0.6	0.6	0.6	0.3
Orient Cement	ADD	104	145	39.4	21	0.3	205	7	11	15	212.9	58.7	41.3	15.4	9.7	6.9	7.4	5.7	4.2	1.9	1.6	1.4	12.9	18.2	21.8	1.4	1.9	1.9	0.2
Shree Cement	SELL	16,912	12,500	(26.1)	589	8.1	35	421	630	760	6.0	49.7	20.6	40.2	26.8	22.3	18.7	14.0	11.4	5.8	4.9	4.0	15.4	19.7	19.8	0.3	0.3	0.3	5.5
UltraTech Cement	SELL	4,060	2,950	(27.3)	1,115	15.3	275	126	162	201	42.7	28.9	24.0	32.3	25.0	20.2	16.9	13.9	11.6	3.8	3.4	2.9	12.6	14.3	15.4	0.2	0.2	0.2	18.8
Cement	Cautious				3,524	48					19.5	30.3	21.8	28.5	21.9	17.9	10.9	9.3	8.1	2.4	2.2	2.0	8.4	10.0	11.0	0.6	0.6	0.6	82.0

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Target price	Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		18-Sep-18	(Rs)		(Rs bn)	(US\$ bn)		2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	
Consumer products																													
Asian Paints	REDUCE	1,292	1,325	2.5	1,239	17.0	959	27	33	39	32.1	20.3	18.3	47.7	39.6	33.5	29.9	24.7	20.8	12.9	11.2	9.8	28.8	30.3	31.3	0.9	1.2	1.4	22.4
Bajaj Corp.	ADD	458	470	2.7	67	0.9	148	15	17	19	7.8	10.3	9.5	29.7	26.9	24.6	23.8	20.3	17.7	13.8	13.7	13.5	46.3	51.2	55.4	2.8	3.1	3.3	0.6
Britannia Industries	ADD	6,066	6,700	10.4	729	10.0	120	104	127	152	24.5	22.2	19.2	58.3	47.7	40.0	38.2	31.2	26.1	17.0	13.7	11.2	32.5	31.8	30.9	0.6	0.7	0.9	13.3
Coffee Day Enterprises	REDUCE	310	290	(6.5)	66	0.9	211	8	10	12	129.9	30.0	21.2	40.4	31.0	25.6	13.0	11.3	10.5	2.6	2.4	2.2	6.6	8.0	8.9	—	—	—	1.0
Colgate-Palmolive (India)	ADD	1,122	1,250	11.4	305	4.2	272	27	32	36	14.7	15.6	15.5	41.2	35.6	30.8	23.5	20.4	17.8	18.0	15.6	13.7	46.0	46.9	47.3	1.4	1.7	2.0	6.8
Dabur India	REDUCE	470	390	(17.1)	831	11.4	1,762	9	10	12	17.3	12.9	13.6	51.6	45.7	40.2	43.2	37.3	32.4	14.5	12.6	11.1	28.1	29.6	29.4	0.8	1.0	1.2	19.4
GlaxoSmithKline Consumer	ADD	7,588	7,300	(3.8)	319	4.4	42	199	223	246	19.5	12.1	10.1	38.1	34.0	30.9	26.9	23.2	20.4	8.2	7.5	6.8	22.8	23.0	23.1	1.2	1.4	1.6	2.2
Godrej Consumer Products	SELL	859	733	(14.6)	878	12.1	1,022	17	19	22	18.8	13.7	12.7	50.8	44.7	39.6	36.0	31.3	27.4	11.9	10.3	9.0	25.3	24.7	24.2	0.7	0.7	0.9	13.3
Hindustan Unilever	REDUCE	1,665	1,570	(5.7)	3,604	49.5	2,160	29	33	37	19.5	13.2	12.6	56.8	50.2	44.6	39.3	34.6	30.6	44.4	37.8	32.4	83.5	81.4	78.3	1.3	1.4	1.6	35.5
ITC	ADD	303	330	8.8	3,709	51.0	12,275	10	11	12	8.2	12.3	11.7	31.4	28.0	25.1	20.3	18.0	16.0	6.8	6.4	6.1	20.4	22.2	24.2	1.9	2.2	2.5	56.7
Jubilant Foodworks	BUY	1,387	1,650	18.9	183	2.5	132	25	35	46	73.6	37.5	32.3	54.9	39.9	30.2	27.4	20.7	15.7	13.6	10.4	7.9	28.9	29.5	29.7	0.1	0.2	0.3	28.2
Jyothy Laboratories	ADD	213	240	12.6	77	1.1	364	6	7	8	27.6	16.7	15.4	37.9	32.5	28.1	25.3	21.5	18.3	5.8	5.1	4.5	16.6	16.8	16.9	0.5	0.7	0.9	0.9
Marico	ADD	345	375	8.8	445	6.1	1,291	7	8	9	8.9	20.0	14.5	50.5	42.1	36.7	35.1	28.9	25.0	16.6	15.4	14.2	33.7	37.9	40.2	1.4	1.6	1.8	9.5
Nestle India	ADD	10,244	11,000	7.4	988	13.6	96	171	197	223	34.2	15.7	13.2	60.1	51.9	45.8	34.4	29.7	26.0	26.6	24.4	22.3	46.1	49.0	50.8	1.1	1.3	1.5	9.7
Page Industries	SELL	32,770	25,000	(23.7)	366	5.0	11	418	508	607	34.3	21.6	19.5	78.4	64.5	54.0	50.7	41.8	34.9	33.1	26.3	21.1	47.8	45.5	43.4	0.5	0.7	0.8	17.7
Pidlite Industries	REDUCE	1,115	1,080	(3.1)	566	7.8	508	21	26	31	16.8	21.8	20.2	52.9	43.4	36.1	35.2	29.0	24.1	13.4	11.3	9.4	27.4	28.2	28.4	0.6	0.7	0.9	8.1
S H Kelkar and Company	BUY	219	290	32.2	32	0.4	145	7	10	12	(6.2)	41.9	23.2	31.6	22.3	18.1	20.4	14.6	12.6	3.4	3.1	2.7	11.3	14.5	16.0	0.8	0.9	1.3	0.4
Tata Global Beverages	REDUCE	235	250	6.4	148	2.0	631	8	9	10	7.7	17.0	12.9	29.7	25.4	22.5	16.3	14.3	12.6	2.0	2.0	1.9	7.0	7.9	8.5	1.3	1.5	1.7	11.3
Titan Company	SELL	825	840	1.8	732	10.1	888	16	20	23	25.6	21.8	19.3	51.4	42.2	35.4	34.1	27.2	22.3	12.1	10.2	8.6	25.6	26.3	26.4	0.5	0.7	0.8	37.3
United Breweries	SELL	1,306	1,100	(15.8)	345	4.7	264	21	26	31	39.2	23.6	20.6	62.8	50.8	42.1	31.0	26.6	22.8	10.9	9.2	7.8	18.7	19.6	20.0	0.2	0.3	0.5	13.6
United Spirits	REDUCE	568	590	4.0	412	5.7	727	10	13	17	34.7	30.9	24.5	55.4	42.3	34.0	32.3	26.1	22.0	11.3	8.3	6.4	24.2	22.7	21.3	—	—	0.4	13.4
Varun Beverages	ADD	792	800	1.0	145	2.0	183	15	20	26	29.8	34.5	30.7	53.0	39.4	30.1	17.5	14.9	12.6	7.3	6.3	5.3	14.6	17.1	19.0	—	—	0.3	1.5
Consumer products	Cautious				16,187	222					17.7	16.0	14.7	45.6	39.3	34.3	29.5	25.3	22.0	11.9	10.6	9.5	26.1	27.1	27.8	1.1	1.3	1.6	322.7
Energy																													
BPCL	REDUCE	355	375	5.6	770	10.6	1,967	38	39	39	(6.7)	3.1	1.1	9.5	9.2	9.1	6.9	6.5	6.4	1.8	1.7	1.5	20.5	19.1	17.5	4.2	4.4	4.4	25.8
Castrol India	SELL	153	155	1.3	151	2.1	989	7	8	9	2.9	10.1	9.7	21.6	19.6	17.9	13.5	12.2	11.0	14.2	13.9	13.4	67.1	71.5	76.0	3.6	4.1	4.4	3.7
GAIL (India)	BUY	375	440	17.4	845	11.6	2,255	26	29	31	27.8	10.0	9.5	14.4	13.1	11.9	9.0	8.2	7.5	1.9	1.8	1.6	14.0	14.1	14.2	2.3	2.5	2.8	24.4
GSPL	SELL	180	175	(2.8)	101	1.4	564	11	11	12	(6.5)	(0.5)	11.9	16.2	16.3	14.6	6.0	6.0	5.3	1.8	1.7	1.5	11.7	10.7	10.9	0.9	0.9	1.0	1.3
HPCL	REDUCE	249	285	14.3	380	5.2	1,524	32	32	32	(22.3)	(2.2)	0.5	7.7	7.9	7.8	6.9	7.3	7.7	1.4	1.3	1.2	19.6	17.4	16.1	5.3	5.2	5.2	23.1
Indraprastha Gas	SELL	261	240	(8.1)	183	2.5	700	12	13	15	16.4	12.3	10.7	21.8	19.4	17.5	13.7	12.1	10.7	4.5	3.9	3.5	22.1	21.5	20.9	1.0	1.2	1.6	9.4
IOCL	REDUCE	153	150	(1.7)	1,482	20.4	9,479	18	17	18	(11.2)	(4.1)	2.8	8.4	8.7	8.5	4.8	4.8	4.6	1.2	1.1	1.1	15.1	13.4	12.9	4.8	4.6	4.7	18.6
Mahanagar Gas	ADD	838	965	15.1	83	1.1	99	56	60	64	16.0	7.6	5.4	14.9	13.9	13.2	8.6	7.9	7.2	3.5	3.1	2.7	24.8	23.5	22.0	2.6	2.9	3.0	12.4
ONGC	ADD	174	200	15.0	2,232	30.7	12,833	20	20	19	16.8	0.3	(5.9)	8.5	8.5	9.1	4.1	3.9	3.8	0.9	0.9	0.8	11.2	10.6	9.5	3.9	4.0	4.0	15.5
Oil India	SELL	207	200	(3.6)	235	3.2	1,135	23	24	23	(6.7)	3.4	(2.5)	9.0	8.7	8.9	5.9	5.7	5.6	0.8	0.8	0.7	9.2	9.0	8.4	4.4	4.6	4.5	2.1
Petronet LNG	BUY	231	280	21.2	347	4.8	1,500	16	18	20	16.7	13.1	9.4	14.3	12.6	11.5	9.5	8.1	7.1	3.1	2.8	2.5	23.3	23.2	22.7	2.5	3.2	3.9	10.3
Reliance Industries	SELL	1,217	985	(19.1)	7,203	99.0	5,922	69	78	87	17.6	12.4	11.9	17.5	15.6	13.9	11.8	10.1	8.6	2.2	1.9	1.7	12.2	12.1	12.1	0.5	0.6	0.6	139.6
Energy	Attractive				14,013	193					7.2	5.2	4.8	12.7	12.1	11.5	7.7	7.1	6.5	1.6	1.5	1.4	13.0	12.5	12.0	2.1	2.2	2.2	286.2

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		18-Sep-18	Target price (Rs)		(Rs bn)	(US\$ bn)		2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	
Industrials																													
ABB	SELL	1,443	1,020	(29.3)	306	4.2	212	26	29	36	30.1	14.2	23.5	56.0	49.0	39.7	32.9	29.6	24.5	7.8	7.1	6.3	14.5	15.1	16.7	0.6	0.6	0.6	2.0
BHEL	REDUCE	74	89	20.5	271	3.7	3,671	3.3	5.5	7.6	47.9	69.3	38.0	22.7	13.4	9.7	7.1	4.4	3.2	0.8	0.8	0.8	3.6	6.1	8.2	2.7	4.6	6.4	9.3
Carborundum Universal	SELL	377	322	(14.7)	71	1.0	189	14	17	20	25.0	21.4	13.8	26.5	21.8	19.2	14.5	11.9	10.3	4.1	3.7	3.3	16.3	17.8	18.1	1.1	1.4	1.6	0.4
CG Power and Industrial	BUY	53	72	34.7	33	0.5	627	2.9	4.3	6.2	25.2	48.7	44.9	18.4	12.4	8.5	7.5	5.9	4.6	1.2	1.2	1.1	6.7	9.8	13.3	—	—	—	6.4
Cummins India	REDUCE	721	710	(1.5)	200	2.7	277	28	33	37	15.2	17.5	13.7	25.9	22.0	19.4	21.7	18.6	16.0	4.7	4.4	4.1	18.7	20.6	21.8	2.1	2.5	2.8	4.7
Kalpitaru Power Transmission	BUY	329	560	70.5	50	0.7	153	23.0	32.1	41.0	26.0	39.1	27.7	14.3	10.2	8.0	6.5	5.1	4.3	1.7	1.5	1.2	12.5	15.2	16.7	0.5	0.5	0.5	0.6
KEC International	BUY	303	410	35.3	78	1.1	257	21	27	33	16.9	29.7	23.0	14.5	11.2	9.1	8.2	6.6	5.6	3.2	2.5	2.0	24.1	25.2	24.9	0.7	1.0	1.2	2.7
L&T	BUY	1,328	1,600	20.5	1,861	25.6	1,401	66.3	67.6	79.5	28.2	1.9	17.6	20.0	19.6	16.7	18.0	17.4	14.5	3.3	3.0	2.7	17.6	16.2	17.1	1.7	1.7	2.0	45.7
Siemens	SELL	965	1,000	3.6	344	4.7	356	29	35	—	21.4	21.7	—	33.2	27.3	—	18.6	15.0	—	4.0	3.7	—	12.3	14.0	—	1.2	1.5	—	3.5
Thermax	REDUCE	978	1,010	3.3	116	1.6	113	27.8	38.7	43.8	34.7	39.2	13.2	35.2	25.3	22.3	22.3	16.5	14.1	3.8	3.5	3.1	11.1	14.3	14.7	1.0	1.1	1.2	1.0
Industrials	Neutral				3,331	46					29.0	13.9	11.9	23.0	20.2	18.0	16.6	14.7	12.1	2.8	2.6	2.6	12.3	12.9	14.3	1.5	1.8	2.0	76.2
Infrastructure																													
Adani Ports and SEZ	BUY	380	460	21.2	786	10.8	2,071	19	23	29	1.2	21.1	29.8	20.3	16.7	12.9	13.8	11.4	10.0	3.2	2.7	2.3	17.0	17.7	19.4	0.5	0.5	0.5	21.6
Ashoka Buildcon	BUY	116	235	102.5	33	0.4	282	9	10	10	4.1	17.8	(1.3)	13.3	11.2	11.4	8.7	7.4	6.8	1.5	1.3	1.2	11.8	12.3	11.0	1.4	1.1	1.1	0.5
Container Corp.	SELL	614	635	3.5	299	4.1	487	21	25	29	17.4	20.9	15.0	29.6	24.5	21.3	18.2	14.4	11.8	3.0	2.7	2.5	10.3	11.6	12.3	1.4	1.7	1.6	5.5
Dilip Buildcon	BUY	748	1,240	65.7	102	1.4	137	56	71	85	19.8	27.5	20.1	13.4	10.5	8.8	7.1	5.6	4.8	3.2	2.4	1.9	26.7	26.2	24.4	—	—	—	3.9
Gateway Distriparks	BUY	166	250	50.9	18	0.2	109	7	8	11	(5.8)	15.2	37.5	23.1	20.1	14.6	10.6	8.8	7.2	3.1	2.7	2.3	9.8	14.5	17.1	—	1.8	1.8	0.3
Gujarat Pipavav Port	BUY	104	150	43.2	50	0.7	483	5.3	6.5	7.8	29.7	22.9	19.3	19.6	16.0	13.4	10.4	8.5	7.1	2.5	2.4	2.3	12.7	15.3	17.8	4.2	5.1	6.1	0.9
IRB Infrastructure	BUY	172	320	86.5	60	0.8	351	31	33	23	36.8	7.1	(31.3)	5.6	5.2	7.6	6.3	6.8	8.1	0.9	0.8	0.7	17.6	16.3	10.0	1.8	2.3	2.5	5.5
Mahindra Logistics	REDUCE	550	565	2.8	39	0.5	71	15	21	25	50.7	39.3	23.7	37.2	26.7	21.6	20.7	15.0	11.9	7.7	6.2	5.0	22.7	25.8	25.8	—	—	—	0.6
Sadbhav Engineering	BUY	264	435	65.0	45	0.6	172	17	22	23	31.7	31.0	2.6	15.6	11.9	11.6	11.3	8.9	7.5	2.1	1.8	1.6	14.5	16.5	14.7	—	—	—	1.4
Infrastructure	Attractive				1,433	20					11.3	20.3	16.7	18.6	15.5	13.2	11.6	9.8	8.9	2.8	2.4	2.1	14.8	15.5	15.7	0.8	1.0	1.0	40.3
Internet																													
Info Edge	ADD	1,533	1,425	(7.1)	187	2.6	122	26	33	40	14.9	27.5	20.6	59.3	46.5	38.6	45.1	34.2	27.7	7.0	6.4	5.7	13.2	14.3	15.6	0.5	0.5	0.6	3.1
Just Dial	ADD	493	610	23.8	33	0.5	67	26	30	33	23.0	15.0	9.4	18.9	16.4	15.0	9.7	7.7	6.3	2.9	2.5	2.2	16.7	16.6	15.7	0.5	0.6	0.7	24.4
Internet	Cautious				220	3					17.6	23.0	16.8	44.9	36.5	31.2	32.9	25.9	21.7	5.8	5.2	4.6	12.9	14.2	14.7	0.5	0.5	0.6	27.5
Media																													
DB Corp.	REDUCE	217	270	24.7	40	0.5	184	20	23	26	14.9	12.3	14.8	10.7	9.5	8.3	5.7	5.0	—	2.2	2.1	—	20.7	22.3	25.2	7.8	9.7	11.7	0.6
DishTV	ADD	66	90	36.7	121	1.7	1,925	1.8	3.4	4.9	514.6	88.2	42.6	NM	19.1	13.4	5.7	4.5	3.6	1.8	1.6	1.5	5.1	8.9	11.5	—	—	—	5.3
Jagran Prakashan	REDUCE	119	131	10.2	35	0.5	311	11	12	14	10.0	13.6	14.5	11.2	9.9	8.6	4.9	4.2	3.6	1.8	1.7	1.6	15.9	18.2	19.7	4.2	6.3	7.1	0.4
PVR	BUY	1,339	1,430	6.8	63	0.9	47	38	50	61	41.2	32.3	22.4	35.3	26.7	21.8	13.5	11.5	9.8	5.1	4.4	3.7	15.3	17.6	18.3	0.3	0.4	0.5	11.3
Sun TV Network	REDUCE	673	925	37.5	265	3.6	394	35	39	43	20.7	10.9	10.7	19.3	17.4	15.8	13.0	11.3	9.7	5.1	4.6	4.2	28.1	27.9	27.9	2.6	3.0	3.3	20.3
Zee Entertainment Enterprises	ADD	465	600	29.2	446	6.1	960	17	20	22	11.3	17.0	13.9	27.8	23.7	20.8	17.1	14.5	12.5	5.2	4.6	4.1	19.9	20.6	20.7	1.0	1.2	1.5	18.0
Media	Attractive				970	13					28.7	21.0	17.2	23.2	19.2	16.4	11.0	9.4	7.8	3.8	3.4	3.2	16.3	17.7	19.8	1.6	2.0	2.4	55.9

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)			Mkt cap.		O/S shares			EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		18-Sep-18	Target price (Rs)	Upside (%)	(Rs bn)	(US\$ bn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	
Metals & Mining																															
Coal India	ADD	273	326	19.3	1,696	23.3	6,207	27	28	28	138.2	3.0	0.7	10.1	9.8	9.8	6.5	6.1	5.9	6.4	6.7	6.9	66.1	66.4	69.1	7.3	9.2	9.2	14.2		
Hindalco Industries	BUY	234	305	30.3	526	7.2	2,229	27	31	34	25.1	13.6	10.2	8.6	7.5	6.8	5.6	4.9	4.3	0.9	0.8	0.7	10.6	10.8	10.8	0.5	0.5	0.5	34.9		
Hindustan Zinc	ADD	299	290	(2.9)	1,262	17.3	4,225	22	26	27	3.7	14.7	5.4	13.4	11.7	11.1	7.8	6.5	5.7	3.1	2.6	2.3	24.4	24.2	22.1	2.7	2.7	2.7	6.2		
Jindal Steel and Power	REDUCE	229	215	(6.3)	222	3.1	968	8	14	22	195.9	68.5	60.8	28.2	16.7	10.4	7.1	6.5	5.5	0.7	0.7	0.7	2.7	4.3	6.5	—	—	—	32.2		
JSW Steel	SELL	407	350	(14.0)	984	13.5	2,406	31	26	31	16.1	(16.2)	17.2	13.0	15.5	13.3	7.5	8.7	7.7	2.8	2.4	2.1	23.5	16.6	16.8	0.8	0.8	0.8	30.0		
National Aluminium Co.	ADD	68	80	17.6	132	1.8	1,933	9	7	8	125.8	(21.1)	2.4	7.3	9.3	9.0	3.3	4.2	4.1	1.2	1.2	1.2	16.8	13.0	13.3	8.8	8.8	8.8	11.6		
NMDC	REDUCE	119	120	0.8	377	5.2	3,164	12	10	11	4.2	(14.3)	5.9	9.7	11.4	10.7	6.0	7.0	6.5	1.4	1.4	1.3	15.3	12.4	12.5	4.6	4.6	4.6	5.8		
Tata Steel	ADD	613	660	7.7	703	9.7	1,205	76	85	94	12.8	12.1	10.9	8.1	7	6.5	6.1	6.4	6.0	1.1	1.0	0.9	14.3	14.3	14.4	1.6	1.6	1.6	70.2		
Vedanta	BUY	230	370	60.8	856	11.8	3,717	32	39	38	49.1	19.7	(0.7)	7.1	6.0	6.0	4.7	3.9	3.5	1.2	1.1	1.0	18.0	19.4	17.2	4.2	5.0	5.0	44.5		
Metals & Mining		Attractive			6,756	93					42.5	6.8	6.4	10.0	9.4	8.8	6.1	5.8	5.4	1.8	1.7	1.5	18.1	17.8	17.1	3.6	4.2	4.2	249.6		
Pharmaceutical																															
Apollo Hospitals	ADD	1,120	1,090	(2.7)	156	2.1	139	20	27	33	133.5	36.7	21.6	56.8	41.6	34.2	19.8	16.7	14.7	4.5	4.2	3.9	8.2	10.5	11.8	0.4	0.6	0.7	15.0		
Aster DM Healthcare	BUY	161	240	49.0	81	1.1	505	5	8	12	74.4	62.0	51.4	33.5	20.7	13.7	12.1	9.5	7.4	2.7	2.4	2.1	8.3	12.2	16.3	—	—	—	0.2		
Aurobindo Pharma	ADD	776	760	(2.1)	455	6.2	584	42	57	64	1.0	35.8	12.3	18.4	13.6	12.1	12.3	9.1	8.1	3.3	2.7	2.2	19.3	19.9	18.6	0.7	0.8	1.0	36.6		
Biocon	SELL	677	330	(51.3)	406	5.6	601	8	15	18	35.9	75.7	21.7	80.4	45.8	37.6	35.0	23.4	19.9	6.7	6.0	5.4	8.7	13.9	14.3	0.4	0.8	0.9	19.7		
Cipla	BUY	664	680	2.5	534	7.3	805	24	31	40	34.5	31.0	29.4	28.2	21.5	16.6	15.9	12.6	9.9	3.3	3.0	2.6	12.4	14.6	15.7	0.7	1.0	1.3	25.5		
Dr Lal Pathlabs	REDUCE	958	900	(6.1)	80	1.1	83	24	29	34	19.0	17.9	18.4	39.4	33.4	28.2	24.1	20.2	16.5	8.5	7.1	5.9	23.4	23.1	22.9	0.5	0.6	0.7	1.3		
Dr Reddy's Laboratories	REDUCE	2,584	2,150	(16.8)	429	5.9	166	89	118	141	50.2	32.8	19.3	29.1	21.9	18.4	14.7	10.5	8.7	3.1	2.8	2.4	11.1	12.6	13.3	0.5	0.7	0.8	36.6		
HCG	REDUCE	247	290	17.4	22	0.3	85	2	4	7	39.8	80.3	80.8	113.0	62.7	34.7	18.2	15.1	11.6	3.9	3.7	3.3	3.5	6.1	10.1	—	—	—	0.2		
Laurus Labs	ADD	434	500	15.3	46	0.6	106	16	29	34	2.4	79.9	17.5	26.7	14.8	12.6	12.4	8.6	7.5	2.8	2.3	2.0	10.9	17.1	15.6	—	—	—	0.7		
Lupin	REDUCE	929	800	(13.9)	420	5.8	450	27	39	50	(28.9)	44.0	27.4	34.3	23.8	18.7	16.0	11.6	9.4	2.9	2.6	2.3	8.6	11.4	12.4	0.4	0.6	0.8	46.1		
Narayana Hrudayalaya	ADD	252	265	5.1	52	0.7	204	3	6	9	23.0	103.2	40.7	81.5	40.1	28.5	23.1	16.1	13.0	4.7	4.2	3.7	5.9	11.0	13.7	—	—	—	0.1		
Sun Pharmaceuticals	REDUCE	643	520	(19.1)	1,542	21.2	2,406	17	24	29	11.1	42.5	20.5	38.1	26.7	22.2	20.9	15.4	12.9	3.7	3.3	2.9	10.2	13.1	13.3	0.5	0.7	0.9	61.3		
Torrent Pharmaceuticals	NR	1,735	—	—	294	4.0	169	47	61	81	18.0	29.6	32.1	36.7	28.3	21.4	16.0	13.7	11.3	5.6	4.9	4.1	15.3	17.2	19.3	0.6	0.8	1.1	7.8		
Pharmaceuticals		Neutral			4,516	62					12.4	39.9	22.3	33.7	24.1	19.7	17.5	13.0	10.9	3.7	3.3	2.9	11.0	13.6	14.6	0.5	0.7	0.9	251.0		
Real Estate																															
Brigade Enterprises	BUY	200	290	44.8	27	0.4	136	9	15	17	(17.0)	59.2	15.8	21.8	13.7	11.8	13.4	10.4	8.3	1.1	1.1	1.0	5.4	8.1	8.8	1.2	1.2	1.2	0.3		
DLF	RS	203	—	—	362	5.0	1,784	5.3	23.9	14.1	(87.2)	354.6	(41.0)	38.6	8.5	14.4	53.9	9.5	17.7	1.0	0.9	0.9	2.6	11.3	6.2	1.0	1.0	1.0	17.3		
Godrej Properties	SELL	641	400	(37.6)	147	2.0	216	13.3	15.8	18.2	(38.9)	19.1	15.2	48.3	40.6	35.2	286.9	149.8	123.3	4.1	3.8	3.4	10.5	9.7	10.1	—	—	—	1.4		
Oberoi Realty	BUY	461	560	21.5	168	2.3	340	62	44	66	385.4	(28.0)	49.3	7.5	10.4	6.9	10.3	12.9	5.7	1.7	1.5	1.2	27.4	15.2	19.2	0.4	0.4	0.4	2.2		
Prestige Estates Projects	ADD	232	315	35.6	87	1.2	375	19	21	11	(24.2)	8.4	—	12.2	11.3	21.8	10.3	10.4	14.0	0.9	0.8	—	14.6	14.9	7.3	1.3	1.3	0.6	0.8		
Sobha	REDUCE	427	510	19.4	41	0.6	95	23	36	24	(48.8)	51.7	(32.6)	18.2	12.0	17.8	11.2	8.8	11.0	1.9	1.7	1.6	9.0	14.8	9.1	1.6	1.6	1.6	1.6		
Sunteck Realty	REDUCE	461	360	(21.8)	67	0.9	140	19	19	39	22.4	1.6	106.6	24.6	24.3	11.7	20.6	19.9	8.8	2.2	2.1	1.8	9.5	8.9	16.2	0.2	0.2	0.2	2.0		
Real Estate		Neutral			899	12					(53.1)	65.1	(14.4)	19.2	11.6	13.6	20.1	11.9	13.2	1.4	1.2	1.2	7.1	10.6	9.0	0.7	0.7	0.7	25.6		

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		18-Sep-18	Target price (Rs)		(Rs bn)	(US\$ bn)		2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	
Technology																													
HCL Technologies	REDUCE	1,084	1,100	1.5	1,509	20.7	1,409	71	78	82	14.6	8.9	5.0	15.2	13.9	13.3	9.9	8.8	8.1	3.4	2.9	2.6	24.4	22.3	20.6	0.8	2.8	3.0	34.7
Hexaware Technologies	SELL	463	455	(1.8)	138	1.9	302	20	24	27	19.5	21.6	12.7	23.4	19.3	17.1	17.4	13.2	11.5	6.0	5.1	4.4	27.6	28.7	27.5	1.7	1.7	2.2	23.0
Infosys	ADD	719	770	7.1	3,141	43.2	4,350	36	41	45	12.8	13.3	8.9	19.7	17.4	16.0	13.5	11.8	10.5	4.4	4.0	3.6	23.4	24.2	23.7	3.0	2.7	2.9	85.2
L&T Infotech	ADD	1,847	2,100	13.7	320	4.4	175	83	96	113	30.5	15.6	18.1	22.3	19.3	16.3	16.9	13.6	11.5	6.7	5.5	4.4	33.5	31.3	30.0	1.3	1.4	1.6	8.7
Mindtree	ADD	1,147	1,225	6.8	188	2.6	165	45	57	65	29.5	27.0	14.5	25.7	20.2	17.6	16.3	12.8	11.0	5.9	5.0	4.2	24.7	26.6	25.8	1.2	1.5	1.7	26.3
Mphasis	SELL	1,215	900	(25.9)	235	3.2	193	53	60	63	21.9	12.1	4.7	22.7	20.3	19.4	16.8	14.3	13.3	4.5	4.0	3.7	18.9	21.0	20.0	1.6	2.1	2.5	6.7
TCS	REDUCE	2,071	1,950	(5.8)	7,928	108.9	3,829	84	94	101	24.9	11.7	7.4	24.6	22.0	20.5	18.0	16.2	15.0	8.0	7.8	7.7	34.3	35.6	37.7	2.0	3.6	3.9	86.0
Tech Mahindra	ADD	755	865	14.6	666	9.2	891	46	57	64	8.4	22.4	13.0	16.3	13.3	11.8	9.7	7.7	6.6	3.1	2.6	2.2	20.2	21.2	20.3	1.2	1.4	1.5	39.2
Wipro	REDUCE	333	325	(2.3)	1,504	20.7	4,507	19	23	25	12.8	19.5	7.5	17.4	14.6	13.6	11.3	9.5	8.7	2.7	2.5	2.3	16.5	17.6	17.4	0.5	3.0	3.3	18.2
Technology	Cautious				15,630	215					15.6	13.0	8.1	21.1	18.7	17.3	14.5	12.7	11.6	5.1	4.7	4.3	24.2	25.1	24.9	1.9	3.1	3.3	328.0
Telecom																													
Bharti Airtel	ADD	374	445	19.1	1,494	20.5	3,997	(6)	(4)	5	(221.5)	28.8	215.1	(65.0)	(91.3)	79.3	9.7	8.2	6.5	2.3	2.3	2.3	(3.4)	(2.5)	2.9	0.3	(0.2)	0.3	23.7
Bharti Infratel	REDUCE	267	285	6.9	493	6.8	1,850	13	12	13	(4.8)	(8.5)	7.7	20.4	22.3	20.7	7.5	8.0	7.5	3.0	3.0	3.0	14.6	13.7	14.6	4.0	3.6	3.9	10.4
IDEA	REDUCE	46	45	(2.7)	404	5.6	4,359	(17)	(17)	(15)	(75.6)	(2.4)	11.4	(2.8)	(2.7)	(3.0)	42.8	35.7	21.8	0.9	1.4	2.6	(29.7)	(41.1)	(59.4)	—	—	—	15.8
Tata Communications	ADD	517	660	27.7	147	2.0	285	0	3	7	(77.5)	694.2	123.5	1,395	175.7	78.6	10.5	9.2	8.3	(64.2)	(87.2)	(1,689.3)	7.8	(42.1)	(211.0)	1.3	1.5	1.5	3.3
Telecom	Cautious				2,538	35					(2,384.5)	5.0	68.0	(35.3)	(37.2)	(116.3)	11.3	10.0	8.2	2.4	2.7	2.8	(6.9)	(7.2)	(2.4)	1.0	0.6	1.0	53.2
Utilities																													
CESC	BUY	981	1,180	20.2	130	1.8	133	115	128	141	31.7	11.6	10.1	8.5	7.7	7.0	5.9	5.3	4.6	0.8	0.8	0.7	10.0	10.4	10.5	1.3	1.3	1.4	7.4
JSW Energy	REDUCE	69	70	0.8	114	1.6	1,640	5.1	6.5	6.6	65.9	26.8	2.9	13.6	10.8	10.5	5.8	4.8	4.4	1.0	0.9	0.8	7.2	8.5	8.0	—	—	—	1.2
NHPC	ADD	24	30	23.5	249	3.4	10,260	3.1	3.2	3.4	26.9	1.8	8.0	7.8	7.7	7.1	7.2	7.0	7.5	0.8	0.8	0.7	10.4	10.2	10.6	7.2	7.2	6.1	1.6
NTPC	BUY	170	190	12.0	1,399	19.2	8,245	15	16	18	30.9	4.4	16.5	11.4	10.9	9.4	9.0	8.3	7.0	1.3	1.2	1.1	11.6	11.3	12.2	2.6	2.7	3.2	11.9
Power Grid	BUY	199	250	25.7	1,041	14.3	5,232	19	21	23	19.3	13.6	7.6	10.6	9.3	8.7	7.4	6.8	6.4	1.7	1.5	1.4	17.1	17.5	17.0	3.1	3.6	3.9	15.0
Tata Power	BUY	75	90	20.6	202	2.8	2,705	6.0	7.0	10.9	12.7	15.6	57.0	12.4	10.7	6.8	10.7	10.3	9.0	1.2	1.1	0.9	10.1	10.6	14.6	—	—	—	4.2
Utilities	Attractive				3,135	43					26.0	8.8	14.1	10.7	9.8	8.6	8.1	7.4	6.7	1.3	1.2	1.1	11.9	12.0	12.5	2.8	3.0	3.2	41.3

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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) 18-Sep-18	price (Rs)	Upside (%)	(Rs bn)	(US\$ bn)		2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E																																							
Others																																																																			
Aditya Birla Fashion and Retail	BUY	188	220	17.0	145	2.0	773	2	4	6	50.6	59.1	53.5	81.9	51.5	33.5	24.0	18.7	15.2	11.4	9.4	7.3	15.0	20.0	24.5	—	—	—	4.6																																						
Astral Poly Technk	SELL	1,094	640	(41.5)	131	1.8	120	19	25	29	30.2	28.8	16.1	57.3	44.5	38.3	30.8	24.5	20.8	10.1	8.3	6.9	19.8	20.5	19.7	0.1	0.1	0.1	0.9																																						
Avenue Supermarts	SELL	1,535	860	(44.0)	958	13.2	624	16	20	26	28.6	26.4	27.5	95.0	75.1	58.9	54.8	43.0	33.9	16.9	13.8	11.2	19.6	20.3	21.0	—	—	—	—																																						
Bayer Cropscience	REDUCE	4,349	4,100	(5.7)	172	2.4	34	106	130	154	20.5	23.1	18.3	41.2	33.5	28.3	30.2	24.6	20.5	7.3	6.2	5.3	18.9	20.0	20.3	0.5	0.6	0.7	0.5																																						
Crompton Greaves Consumer	SELL	228	215	(5.7)	143	2.0	627	6	7	9	19.5	20.7	17.4	36.9	30.6	26.1	23.0	19.4	16.4	12.6	9.7	7.4	40.4	35.8	32.3	0.9	1.1	—	2.5																																						
Dhanuka Agritech	ADD	531	650	22.5	26	0.4	49	27	31	34	3.9	15.4	10.8	19.9	17.2	15.5	14.5	11.9	10.3	3.6	3.1	2.7	19.2	19.2	18.5	1.1	1.2	1.4	0.2																																						
Godrej Agrovet	ADD	563	640	13.7	108	1.5	189	15	19	23	28.9	28.8	21.1	37.9	29.4	24.3	20.6	16.1	13.4	5.6	4.7	4.0	15.7	17.4	17.9	—	1—	0.6	0.9																																						
Godrej Industries	RS	569	—	—	191	2.6	336	16	20	—	8.9	24.2	—	35.8	28.8	—	29.8	32.5	—	4.7	4.1	—	13.9	15.1	—	0.3	0.3	—	4.4																																						
Havells India	SELL	647	485	(25.0)	404	5.6	625	14	17	20	26.6	20.5	17.6	46.1	38.3	32.5	29.5	24.0	20.2	9.5	8.3	7.3	22.0	23.2	23.9	0.8	0.9	1.1	13.8																																						
InterGlobe Aviation	BUY	862	1,220	41.6	331	4.6	383	50	83	99	(17.9)	65.3	19.5	17.3	10.4	8.7	9.1	5.2	4.2	3.8	2.9	2.2	24.1	31.1	28.6	0.6	0.9	1.1	20.5																																						
Kaveri Seed	SELL	620	515	(16.9)	41	0.6	66	34	34	37	7.3	0.1	8.3	18.1	18.0	16.7	15.2	14.5	13.0	4.4	3.8	3.3	26.4	22.4	21.0	1.3	1.6	1.6	5.0																																						
PI Industries	BUY	775	875	12.9	107	1.5	138	31	40	48	17.9	26.8	21.5	24.7	19.5	16.1	17.6	13.8	11.1	4.7	3.9	3.2	20.5	21.7	21.9	0.5	0.6	0.7	2.1																																						
Rallis India	ADD	199	220	10.6	39	0.5	195	10	12	13	17.2	19.4	9.7	19.7	16.5	15.0	12.9	10.9	9.6	3.0	2.7	2.4	15.8	17.1	16.9	1.8	2.0	2.2	0.8																																						
SIS	REDUCE	1,031	1,130	9.6	76	1.0	73	33	40	48	48.5	21.1	17.8	30.9	25.6	21.7	19.4	16.2	13.6	6.1	5.1	4.2	21.8	21.7	21.1	0.3	0.4	0.4	0.6																																						
SRF	BUY	1,993	2,200	10.4	114	1.6	57	100	132	150	23.8	32.2	14.1	20.0	15.1	13.3	11.6	9.2	7.8	2.8	2.4	2.1	15.0	17.3	17.0	0.7	0.7	0.8	12.2																																						
Tata Chemicals	ADD	741	760	2.5	189	2.6	255	44	51	56	(15.3)	14.6	11.5	16.8	14.7	13.2	7.0	5.9	5.0	1.6	1.5	1.4	9.7	10.3	10.8	2.0	2.3	2.3	6.7																																						
TCNS Clothing Co.	BUY	675	760	12.7	41	0.6	64	18	23	27	15.6	28.2	20.8	38.0	29.6	24.6	20.5	15.5	12.2	7.6	5.9	4.6	22.7	22.2	20.9	—	—	—	—																																						
TeamLease Services	SELL	2,520	1,785	(29.2)	43	0.6	17	58	75	96	34.2	29.0	28.7	43.5	33.8	26.2	44.1	33.5	25.7	8.0	6.4	5.2	20.1	21.1	21.9	—	—	—	1.3																																						
UPL	ADD	709	660	(6.9)	361	5.0	507	49	55	60	14.0	12.1	9.6	14.5	12.9	11.8	9.7	8.3	7.2	3.2	2.7	2.3	24.6	22.9	21.1	1.4	1.6	1.7	27.9																																						
Vardhman Textiles	ADD	1,037	1,300	25.4	60	0.8	56	118	130	142	14.8	9.7	9.8	8.8	8.0	7.3	6.7	6.1	5.4	1.1	1.0	0.9	13.1	13.0	13.0	1.9	2.9	2.9	0.6																																						
Volta	SELL	579	530	(8.4)	191	2.6	331	17	21	25	0.4	18.8	18.9	33.3	28.1	23.6	24.9	20.4	17.0	4.4	3.9	3.5	13.9	14.8	15.7	0.6	0.7	0.9	12.2																																						
Whirlpool	SELL	1,565	1,350	(13.7)	199	2.7	127	37	46	56	33.9	24.7	20.2	42.3	33.9	28.2	25.7	20.4	16.6	9.2	7.6	6.5	23.7	24.5	24.8	—	0.6	1.1	1.3																																						
Others																																																																			
				4,070		56					8.3			26.4			12.5			31.0			24.5			21.8			18.8			14.9			12.1			5.3			4.5			4.0			17.0			18.3			18.5			0.6			0.7			0.7			118.9		
KIE universe				112,653		1,547					24.8			27.2			14.0			21.8			17.2			15.0			11.1			9.8			8.8			2.8			2.5			2.3			12.9			14.8			15.2			1.4			1.7			1.8					
KIE universe (ex-energy)				98,641		1,355					30.7			33.2			16.0			24.3			18.3			15.7			12.3			10.7			9.5			3.1			2.8			2.5			12.8			15.4			16.1			1.3			1.6			1.8					

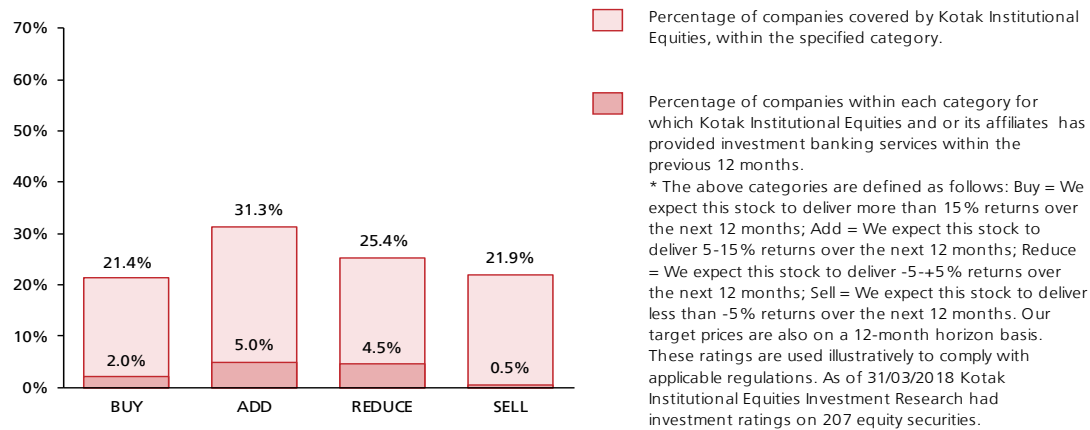
Notes:
 (a) We have used adjusted book values for banking companies.
 (b) 2019 means calendar year 2018, similarly for 2020 and 2021 for these particular companies.
 (c) Exchange rate (Rs/US\$)= 72.79

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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