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## Special Reports

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- ▶ Rise in average ticket size and up-scaling by existing borrowers drive portfolio growth
- ▶ Asset quality showing signs of improvement
- ▶ Tamil Nadu and West Bengal maintain dominant mix

#### Banks: Retail loans: growth in top gear

- ▶ Retail loans grew 27% yoy; number of live accounts crosses 100 mn for the first time
- ▶ Mortgages growth is mostly driven by volume growth rather than value
- ▶ Auto loans driven by a combination of volume and value; asset quality shows improvement
- ▶ Personal loans is the fastest growing segment; NPLs lower than secured products
- ▶ Credit card growth has a bit more skew towards volumes; ~25% are zero balance cards

## Daily Alerts

### Company alerts

#### YES Bank: Seeking a longer period of transition

- ▶ No major announcements; board seeking a longer time period to search for a replacement
- ▶ Over to RBI - tenure extension will help in better transition
- ▶ Transition to new MD & CEO will impact growth
- ▶ SELL call remains as uncertainty has extended

### Sector alerts

#### Banks: Lending yields: marginally up

- ▶ Cost of funds stable for both public and private banks
- ▶ MCLR rates continue to rise in 1QFY19; lending rates move marginally faster
- ▶ Gap between outstanding lending rates and fresh loans decline but remains nevertheless
- ▶ NIM pressure likely to remain in the short term for private banks

#### Energy: Long-short

- ▶ Disappointing performance of top-3 players in the recent CGD bidding round
- ▶ Risks of competition in extant areas from oil PSUs and private players, when enabled by PNGRB
- ▶ All except two bids won at floor tariffs; commitment of 3X stations and 4.5X PNG connections
- ▶ Recent de-rating warranted given near-term concerns on margins and long-term risks to growth

## EQUITY MARKETS

India	Change %			
	25-Sep	1-day	1-mo	3-mo
Sensex	36,652	1.0	(4.2)	3.3
Nifty	11,067	0.9	(4.2)	2.8
<b>Global/Regional indices</b>				
Dow Jones	26,492	(0.3)	2.7	9.1
Nasdaq Composite	8,007	0.2	0.8	5.9
FTSE	7,508	0.7	(0.9)	(0.4)
Nikkei	23,882	(0.2)	5.7	6.9
Hang Seng	27,607	0.4	(0.2)	(4.7)
KOSPI	2,339	0.7	2.0	(0.8)
<b>Value traded – India</b>				
Cash (NSE+BSE)	499		406	365
Derivatives (NSE)	13,663		7,198	7,569
Deri. open interest	4,092		4,271	4,146

### Forex/money market

	Change, basis points			
	25-Sep	1-day	1-mo	3-mo
Rs/US\$	72.7	6	281	437
10yr govt bond, %	8.3	2	18	23

### Net investment (US\$ mn)

	24-Sep	MTD	CYTD
FIs	(146)	(564)	(1,255)
MFs	104	861	12,707

### Top movers

Best performers	Change, %			
	25-Sep	1-day	1-mo	3-mo
DIVI IN Equity	1,388	2.0	6.7	33.1
WPRO IN Equity	328	(1.3)	12.4	27.4
RIL IN Equity	1,231	(0.1)	(3.7)	25.7
ARBP IN Equity	761	4.1	9.7	25.2
JSTL IN Equity	404	0.8	13.8	25.0

### Worst performers

JPA IN Equity	7	(7.7)	(40.0)	(57.3)
UT IN Equity	3	(3.6)	(32.5)	(36.5)
YES IN Equity	220	(3.0)	(41.3)	(34.6)
IDEA IN Equity	41	(3.9)	(22.3)	(30.1)
UNSP IN Equity	530	1.7	(16.1)	(24.4)

SEPTEMBER 26, 2018

THEME

BSE-30: 36,652

**MFI gears up.** As per CRIF High Mark's release on the microfinance (MFI) industry in India, MFI portfolio saw strong growth at 41% yoy in 1QFY19, driven by robust performance of NBFC-MFIs (up 52% yoy). Portfolio growth came on the back of a sharp rise in average ticket size (up 9% yoy to ₹28,300) as well as higher lending to existing borrowers (average exposure per borrower up 28% yoy to ₹30,800). Asset quality improved for most lenders (PAR<30 down 210 bps yoy to 1.6%). Tamil Nadu and West Bengal maintain a dominant mix at 15% and 14% of AUMs, respectively, in 1QFY19.

#### NBFC-MFIs drive robust growth in the microfinance business

The strong growth in MFI portfolio at 41% yoy in 1QFY19 (Exhibit 1) was driven by robust growth by NBFC-MFIs at 52% yoy. The number of borrowers increased 5% qoq to ~49mn while the number of loan accounts increased 7% qoq to ~53 mn. The share of NBFC-MFIs increased 240 bps yoy to 35% (Exhibit 4). Share of SFBs dropped 710 bps yoy in 1QFY19 to 20% with a gradual drop in the share of disbursements; down to 14% in 1QFY19 from 24% in FY2016 and 21% in FY2017 (Exhibit 6). We believe the slowdown in Jana SFB and Equitas SFB is driving this slowdown. The share of banks in the overall portfolio was stable yoy at 31%.

#### Rise in average ticket size and up-scaling by existing borrowers drive portfolio growth

The strong rise in the microfinance portfolio came was led by a dual impact of a rise in the average ticket size (up 9% yoy to ₹28,300) and the gradual increase in exposure per borrower (up 28% yoy to ₹30,800) that came on the back of increased lending to existing borrowers or the extension of credit by new lenders to active borrowers (Exhibits 2 and 3). The number of borrowers associated with more than four lenders has increased across most states (Exhibit 11). The rise in ticket size was however different across geographies with West Bengal and Tamil Nadu seeing a maximum increase at 12% yoy and 11% yoy, respectively, in 1QFY19. The average ticket size in West Bengal at ₹36,300 in 1QFY19 is 28% higher than the industry average. Average exposure per borrower increased around 19-29% yoy for key states with a maximum increase in Eastern states (West Bengal and Bihar) at 29% yoy in 1QFY19 (Exhibit 12).

#### Asset quality showing signs of improvement

Asset quality is showing signs of improvement driven by a rise in collection efficiency. PAR 1-30 dropped 210 bps yoy (down 31 bps qoq) to 1.6% while PAR 30-180 declined 600 bps yoy (down 30 bps qoq) to 1.3% (Exhibit 7). PAR 180+ saw deterioration on yoy basis owing to sharp slippages of demonetization related accounts in 1HFY18. PAR 180+ improved 50 bps qoq in 1QFY19 due to rise in write-offs of demonetization related accounts by lenders (Exhibit 8). NBFC-MFIs maintained superior asset quality (PAR 1-30 down 200 bps yoy to 0.9%) while banks also saw strong improvement in 1QFY19 (PAR 1-30 down 120 bps yoy to 1.9%). Small Finance Banks maintained higher stress (PAR 1-30 at 2.6% and PAR 180+ at 15.1%) (Exhibit 9).

#### Tamil Nadu and West Bengal maintain dominant mix

The MFI portfolio is highly concentrated in 10 states that have 84% share as of 1QFY19. The top two states, Tamil Nadu and West Bengal, account for 15% and 14% of the overall mix (Exhibit 10). Four of the top 10 states which account for 35% share are from Eastern and North-Eastern parts of India though overall bank credit is lower than 10% in these regions. Asset quality in these four states is superior to others (PAR 1-30 is 1.1%, 1.2%, 1.4% and 0.4% in West Bengal, Bihar, Odisha and Assam in 1QFY19 compared to 1.6% for the industry).

#### QUICK NUMBERS

- 41% yoy increase in microfinance GLP; disbursements up 37% yoy
- Average ticket size up 9% yoy to Rs28,300 while average exposure per borrower up 28% yoy to Rs30,800 in 1QFY19
- PAR 1-30 days dropped 210 bps yoy to 1.6% in 1QFY19

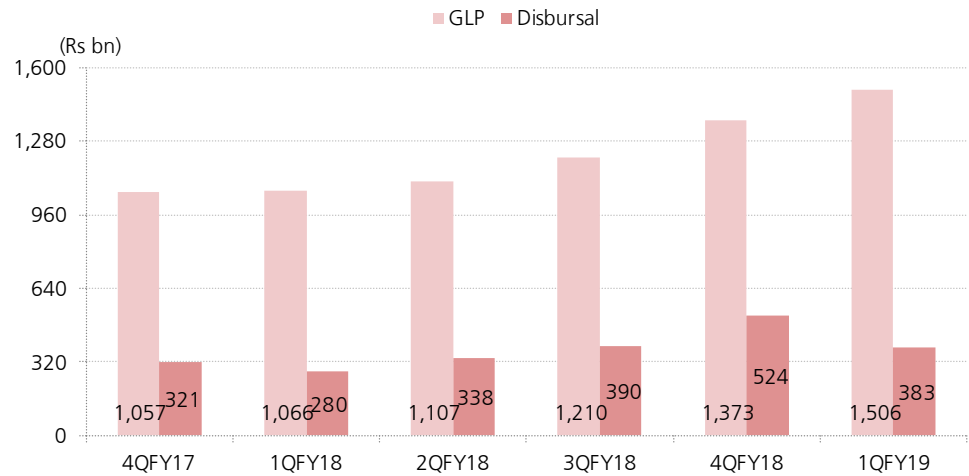
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Nischint Chawathe

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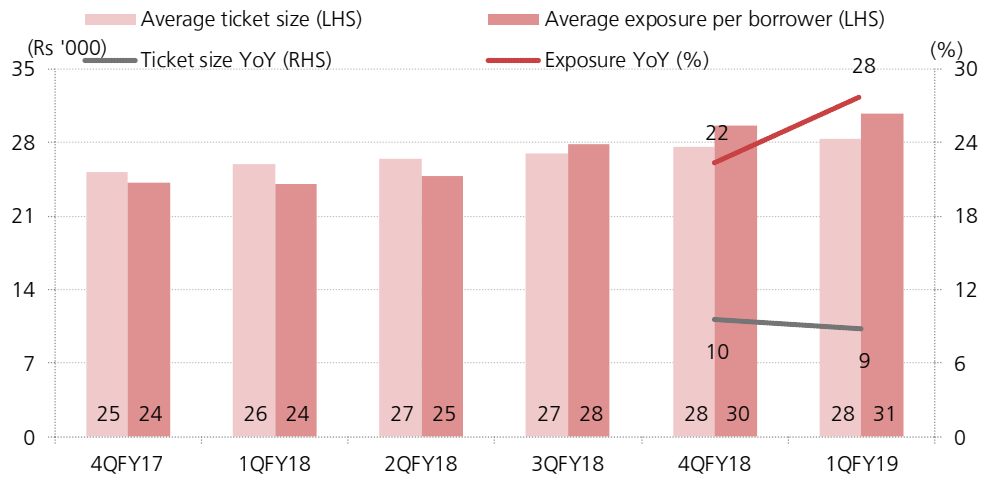
Shrey Singh

**Exhibit 1: Strong growth in the microfinance business; GLP up 41% yoy in 1QFY19**  
 MFI GLP and disbursements, March fiscal year-ends, 4QFY17-1QFY19



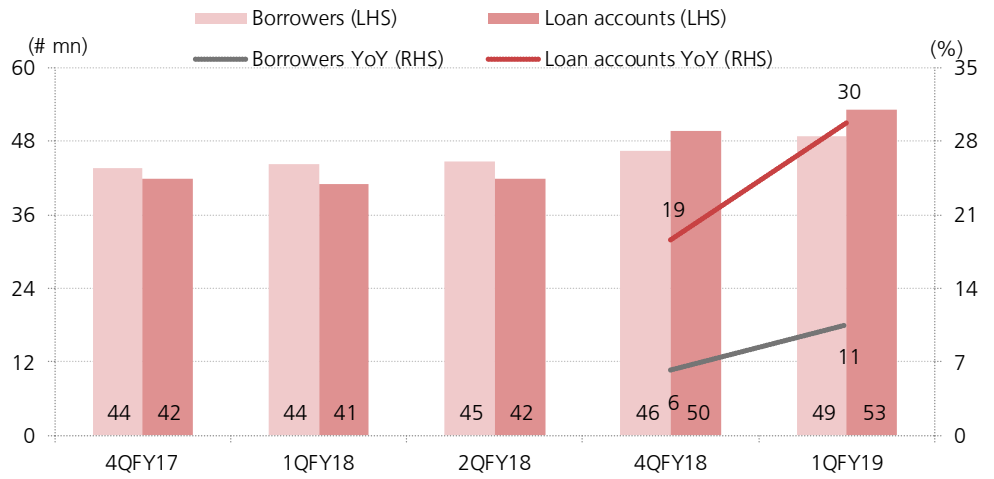
Source: CRIF High Mark, Kotak Institutional Equities

**Exhibit 2: Rise in average ticket size drives growth in microfinance portfolio**  
 Average ticket size and average exposure per borrower, March fiscal year-ends, 4QFY17-1QFY19



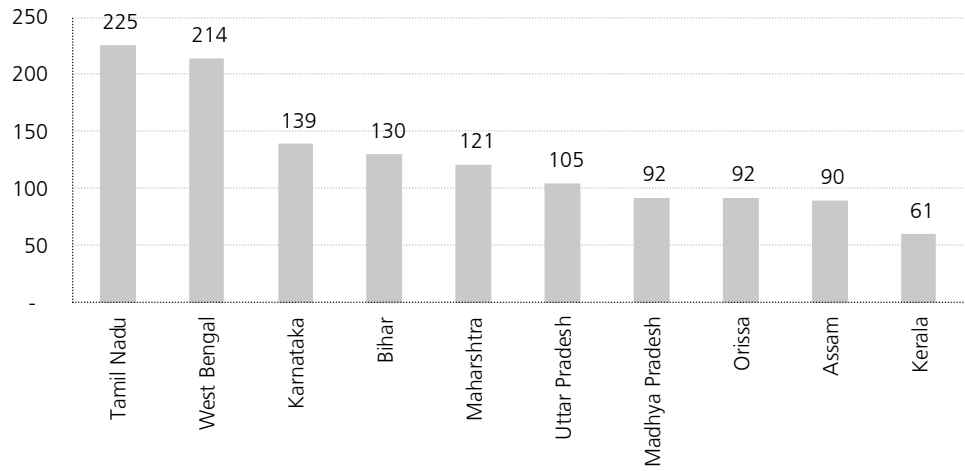
Source: CRIF High Mark, Kotak Institutional Equities

**Exhibit 3: Increase in borrowers is lower than increase in number of loan accounts**  
MFI loan accounts and borrower, March fiscal year-ends, 4QFY17-1QFY19



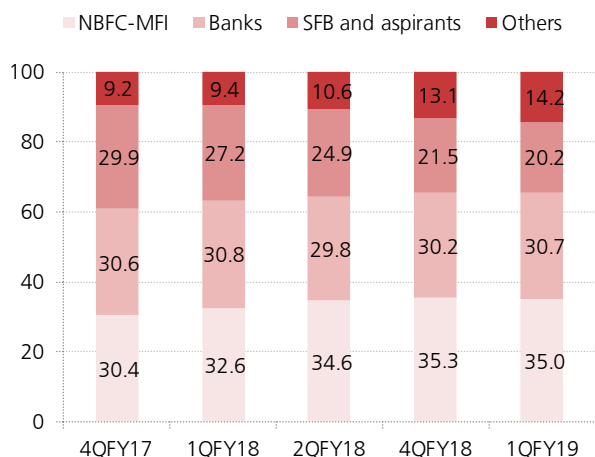
Source: CRIF High Mark, Kotak Institutional Equities

**Exhibit 4: Tamil Nadu and West Bengal has one of the highest lending amongst all MFI states**  
Gross loan portfolio across states, March fiscal year-ends, 1QFY19 (₹ bn)



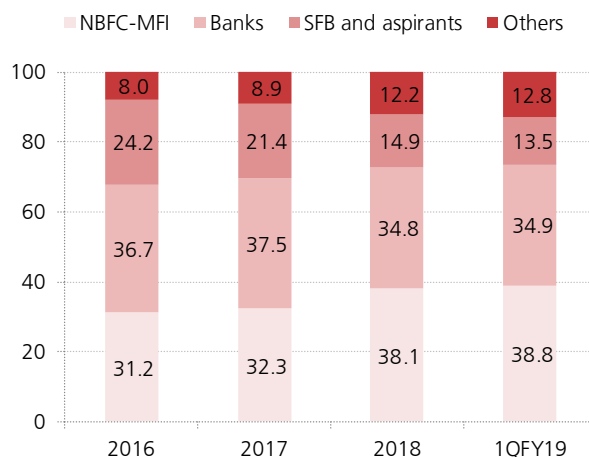
Source: CRIF High , Kotak Institutional Equities

**Exhibit 5: NBFC-MFIs have increased market share by 240 bps yoy to 35%**  
Lender-wise GLP mix, March fiscal year-ends, 4QFY17-1QFY19 (%)



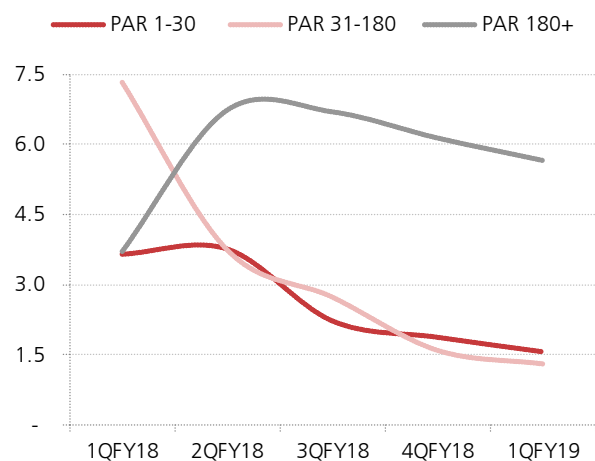
Source: CRIF High Mark, Kotak Institutional Equities

**Exhibit 6: Gradual drop in share of disbursements for Small Finance Banks**  
Lender-wise disbursement mix, 4QFY17-1QFY19 (%)



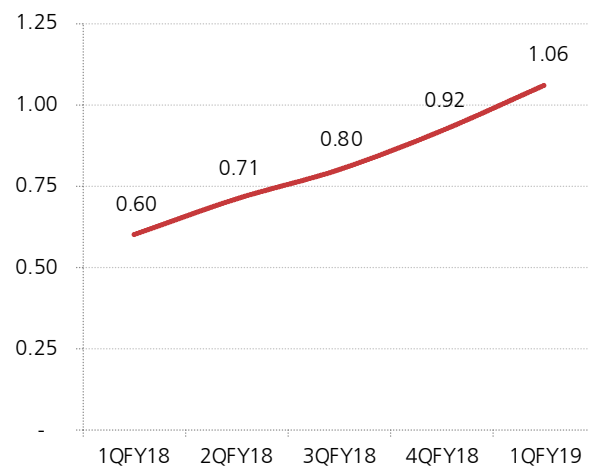
Source: CRIF High Mark, Kotak Institutional Equities

**Exhibit 7: Significant improvement in asset quality over several quarters**  
Asset quality, March fiscal year-ends, 1QFY18-1QFY19 (%)



Source: CRIF High Mark, Kotak Institutional Equities

**Exhibit 8: Rise in write-offs to over the past few quarters**  
Write-offs, March fiscal year-ends, 1QFY18-1QFY19 (%)



Source: CRIF High Mark, Kotak Institutional Equities

**Exhibit 9: Asset quality has shown significant improvement for NBFC-MFIs**  
Lender-wise asset quality, March fiscal year-ends, 1QFY18-1QFY19 (%)

	PAR 1-30					PAR 30-180					PAR 180+				
	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19
NBFC-MFI	3.0	3.3	1.5	1.0	0.9	5.7	2.7	1.8	1.2	0.9	5.2	6.4	5.7	4.7	4.2
Banks	3.0	4.5	2.2	1.7	1.9	2.7	2.1	1.7	0.9	0.6	0.7	1.6	1.8	2.0	2.1
Others	3.3	3.0	2.0	2.3	1.0	5.1	2.3	1.8	1.3	0.8	4.2	4.8	4.9	4.2	3.7
SFB and aspirants	5.3	3.9	3.4	3.2	2.6	15.4	7.8	5.9	3.4	3.3	5.1	14.2	15.3	15.5	15.1
Industry	3.7	3.8	2.2	1.9	1.6	7.3	3.7	2.7	1.6	1.3	3.7	6.7	6.7	6.1	5.7

Source: CRIF High Mark, Kotak Institutional Equities

**Exhibit 10: Asset quality in few top states have shown signs of improvement**  
State-wise asset quality and GLP share, March fiscal year-ends, 4QFY18-1QFY19 (%)

	PAR 1-30		PAR 30-180		PAR 180+		GLP share (%)	
	4QFY18	1QFY19	4QFY18	1QFY19	4QFY18	1QFY19	4QFY18	1QFY19
Tamil Nadu	1.4	1.0	1.3	1.2	4.9	4.8	15.1	14.9
West Bengal	1.3	1.1	0.9	0.7	3.2	3.0	14.1	9.9
Karnataka	2.1	1.9	2.2	1.8	9.7	9.1	9.5	9.2
Bihar	1.4	1.2	0.7	0.5	1.7	1.6	8.5	8.6
Maharashtra	2.4	2.6	2.4	1.8	16.8	15.7	8.3	8.0
Uttar Pradesh	3.9	3.0	3.8	3.4	10.7	9.6	7.2	6.9
Madhya Pradesh	2.8	2.2	2.3	1.7	8.4	7.7	6.2	6.1
Orissa	1.5	1.4	0.4	0.4	2.9	2.8	6.0	6.1
Assam	0.7	0.4	0.3	0.3	0.4	0.4	5.7	5.9
Kerala	1.3	1.6	0.7	0.6	1.0	0.9	4.1	4.0
Industry	1.9	1.6	1.6	1.3	6.1	5.7		

Source: CRIF High Mark, Kotak Institutional Equities

**Exhibit 11: Rise in extension of new credit line to existing borrowers**  
State-wise share of borrowers associated with 4 or more lenders, March fiscal year-ends, 4QFY17-1QFY19 (%)

	4QFY17	1QFY18	2QFY18	4QFY18	1QFY19
Tamil Nadu	2.4	2.4	2.7	3.0	3.8
West Bengal	0.4	0.5	0.6	0.7	0.9
Karnataka	1.0	0.9	1.0	1.6	2.0
Maharashtra	1.2	1.0	1.0	1.1	1.3
Bihar	1.1	1.2	1.1	1.4	1.8
Uttar Pradesh	0.9	1.0	1.0	1.1	1.3

Source: CRIF High Mark, Kotak Institutional Equities

**Exhibit 12: Rise in average ticket size for West Bengal in 1QFY19 has been higher than other select states**  
MFI details across top states, March fiscal year-ends, 4QFY17-1QFY19

	Average ticket size (Rs '000)					Average exposure (Rs '000)					Borrowers (# mn)		Loan accounts (# mn)	
	4QFY17	1QFY18	2QFY18	4QFY18	1QFY19	4QFY17	1QFY18	2QFY18	4QFY18	1QFY19	4QFY18	1QFY19	4QFY18	1QFY19
Tamil Nadu	22.9	23.6	24.3	25.5	26.1	23.6	23.7	24.6	28.6	30.0	7.2	7.5	8.1	8.6
West Bengal	31.7	32.3	32.6	34.5	36.3	28.3	28.2	27.9	34.1	36.3	5.7	4.1	5.6	4.1
Karnataka	22.7	24.4	24.7	25.6	25.8	26.0	26.3	27.1	30.8	32.0	4.2	4.3	5.1	5.4
Maharashtra	23.9	24.7	25.2	25.8	26.3	23.9	23.1	23.6	26.8	27.6	4.2	4.4	4.4	4.6
Bihar	26.1	26.4	26.9	28.0	28.5	24.8	24.8	25.1	31.4	32.1	3.7	4.1	4.2	4.6
Uttar Pradesh	25.0	25.6	26.0	27.2	27.6	20.6	20.7	21.4	25.4	25.9	3.9	4.0	3.6	3.8
Industry	25.2	26.0	26.5	27.6	28.3	24.2	24.1	24.8	29.6	30.8	46.4	48.9	49.7	53.2

Source: CRIF High Mark, Kotak Institutional Equities

SEPTEMBER 26, 2018

THEME

BSE-30: 36,652

**Retail loans: growth in top gear.** CIBIL's recent paper on consumer loans provides one of the best insights into the current state of retail lending. Key takeaways for 1QFY19: there strong growth momentum in the industry which is reflected in loan growth (27% yoy) led by volume growth (~26% yoy) rather than average balances. Origination is still towards the prime segment, giving comfort on asset quality barring LAP where there has been marginal deterioration in NPL ratios.

#### Retail loans grew 27% yoy; number of live accounts crosses 100 mn for the first time

A recently report by CIBIL provides keen insights into the current state of the consumer loan growth business. Given their access to all market participants (banks and NBFCs) and limited time lag (1QFY19 data being discussed), we see this product as well as their 'MSME pulse' as one of the most important reports to understand these businesses.

Key takeaways from the recently published CIBIL report on consumer lending: (1) Retail loans grew 27% yoy led by 26% growth in live accounts touching 100 mn accounts. The flattish average ticket size is attributed to a change in the loan mix towards short duration consumer loans like credit cards, personal loans and consumer durable loans. (2) Maharashtra, Tamil Nadu and Karnataka account for 40% of outstanding loans. (3) Average retail lending balances are ₹0.6 mn (4) Delinquency rates have declined or remained stable across most products barring LAP where it has increased to 3% of loans (65 bps yoy).

#### Mortgages growth is mostly driven by volume growth rather than value

As of 1QFY19, mortgages grew 26% yoy led by 26% yoy volume growth and no growth in average ticket size at (₹1.3 mn). Loan originations grew 17% yoy with an average ticket size at the time of origination at ₹2.2 mn. Share of housing finance companies is at 48%. The average ticket size for PSU, NBFC and private banks were at ₹1.8, ₹2.3 and ₹3.4 mn, respectively. 90+ DPD stands comfortable and stable at 1.8% of loans (~15bps yoy). Outstanding loans grew in LAP grew 23% yoy. NPLs have increased 65bps yoy to 3% of loans.

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

Overall loans grew 29% yoy, led by 19% yoy volume growth and 9% yoy growth in average ticket size (₹0.4 mn). Loan originations grew 9% yoy with an average ticket size at the time of origination at ₹0.56 mn. The average ticket size for private banks is ₹0.6mn and for NBFCs was at ₹0.3mn. 90+ DPD is at 2.8% of loans but it does reflect a decline of ~70bps yoy.

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

Overall loans grew ~45% yoy led by 28% yoy volume growth and 112% yoy growth in average ticket size (₹0.2 mn). Loan originations grew >45% yoy with an average ticket size at the time of origination at ₹0.3 mn. CIBIL report indicates a fair amount of repeat transactions as well as consumer loyalty exhibited in the product. 90+ DPD is lower than secured products at 0.5% of loans and this has declined ~15bps yoy.

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

Overall receivables grew ~42% yoy, led by 23% yoy volume growth and 15% yoy growth in average balances. Growth is focused primarily on prime and near prime (650-750). Zero balance cards ratio is stable at ~25% of cards with ~55% coming from consumers having a single card. 90+ DPD is also lower than secured products at 1.7% of receivables and is stable yoy.

#### QUICK NUMBERS

- Retail loans grew 27% yoy to ₹27.9tn
- Mortgages and auto loans grew 26-29% yoy; unsecured grew ~42% yoy
- LAP shows the highest delinquency at 3% of loans

M B Mahesh CFA

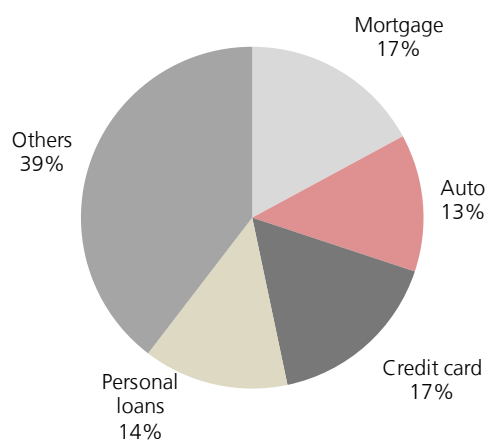
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**Exhibit 1: Cards and personal loans dominate by number**

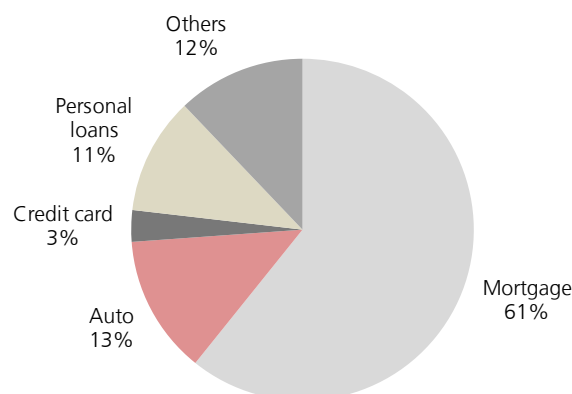
Outstanding loans across segments by number of live customers, March fiscal year-ends, 1QCY19



Source: CIBIL, Kotak Institutional Equities

**Exhibit 2: Mortgages dominate the outstanding value**

Outstanding loans across segments by value, March fiscal year-ends, 1QCY19



Source: CIBIL, Kotak Institutional Equities

**Exhibit 3: Average ticket size is broadly stable across segments**

Average balance in retail products, March fiscal year-ends, 1QFY18-1QFY19 (Rs mn)

Segment	2QCY17	1QCY18	2QCY18
Mortgage	1.3	1.2	1.3
Auto	0.3	0.3	0.4
Credit card	0.0	0.0	0.0
Personal loans	0.2	0.2	0.2
LAP	2.1	2.1	2.1

Source: CIBIL, Kotak Institutional Equities

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

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

	2QCY17	1QCY18	2QCY18	QoQ (%)	YoY (%)
Number of accounts (mn)	10	12	12	5.2	25.5
Outstanding balance (Rs bn)	12,928	15,225	16,225	6.5	25.5
Average balance per consumer (Rs mn)	1.6	1.5	1.7	1	3.3
Average balance per account (Rs mn)	1.3	1.2	1.3	1.2	0
Number of consumers carrying a balance (mn)	13	10	17	7.6	27.1
Average new account balance (Q4 2017)	2	2	2	2.3	6.8
Account-level delinquency rate (90-179 dpd)	3.0	2.6	2.9	-0.34	-0.03
Balance-level delinquency rate (90-179 dpd)	2.0	1.6	1.8	-0.24	-0.16

Source: Company, Kotak Institutional Equities



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

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

	2QCY17	1QCY18	2QCY18	QoQ (%)	YoY (%)
Number of accounts (mn)	9	10	10	4.7	0.19
Outstanding balance (Rs bn)	3,488	3,293	3,498	6.2	0.294
Average balance per consumer (Rs)	397,690	372,012	398,000	1.8	0.078
Average balance per account (Rs)	367,676	341,957	368,000	1.4	0.088
Number of consumers carrying a balance (mn)	13	9	13	5.7	0.188
Account-level delinquency rate (90-179 dpd, %)	5.7	4.4	4.4	0.1	-1.3
Balance-level delinquency rate (90-179 dpd, %)	2.9	2.8	2.8	0.1	-0.1

Source: Company, Kotak Institutional Equities

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

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

	2QCY17	1QCY18	2QCY18	QoQ (%)	YoY (%)
Number of accounts (mn)	11	14	14	7.3	28.3
Outstanding balance (Rs bn)	2,064	2,724	2,954	8.1	43.1
Average balance per consumer (Rs)	218,613	224,474	249,000	1.1	13.9
Average balance per account (Rs)	186,547	195,482	208,000	0.7	11.5
Number of consumers carrying a balance (mn)	11	12	14	6.8	28.2
Account-level delinquency rate (90-179 dpd)	1.2	1.0	1.0	(0.0)	(0.2)
Balance-level delinquency rate (90-179 dpd)	0.7	0.5	0.6	0.0	(0.1)

Source: Company, Kotak Institutional Equities

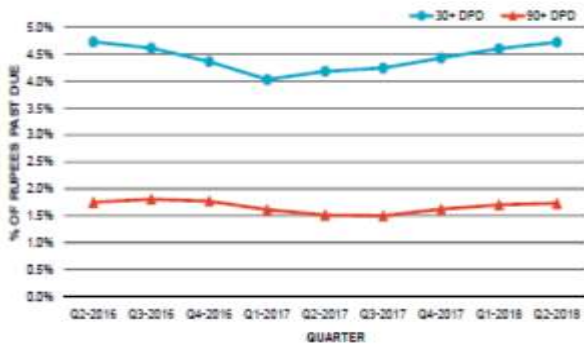
**Exhibit 7: Credit cards is driven by solid growth in volumes**

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

	2QCY17	1QCY18	2QCY18	QoQ (%)	YoY (%)
Number of accounts (mn)	30	33	37	6.8	23.3
Outstanding balance (Rs bn)	560	751	796	5.8	42.2
Average balance per consumer (Rs)	44,065	35,495	49,000	1.8	11.2
Average balance per account (Rs)	19,064	23,035	22,000	-0.9	15.4
Number of active consumers (mn)	13	21	17	3.9	27.6
Account-level delinquency rate (90-179 dpd, %)	0.7	0.9	0.9	0.0	0.2
Balance-level delinquency rate (90-179 dpd, %)	1.5	1.7	1.7	0.0	0.2

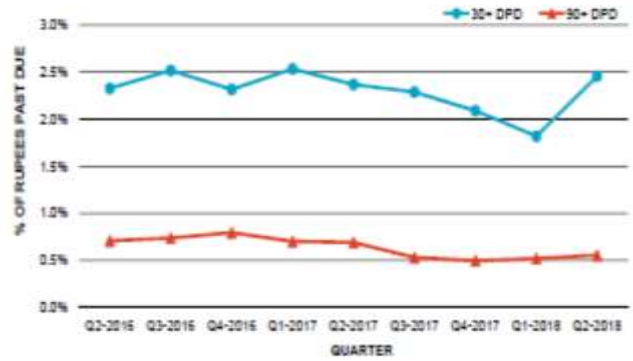
Source: Company, Kotak Institutional Equities

**Exhibit 8: Delinquency profile in the credit card portfolio**  
Calendar year-ends, 2QCY16-2QCY18 (%)



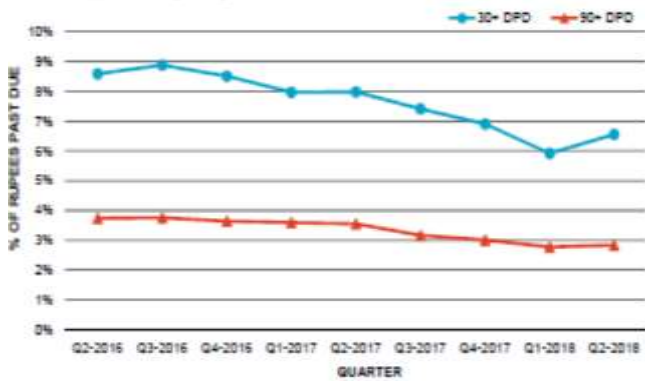
Source: CIBIL, Kotak Institutional Equities

**Exhibit 9: Delinquency profile in the personal loan portfolio**  
Calendar year-ends, 2QCY16-2QCY18 (%)



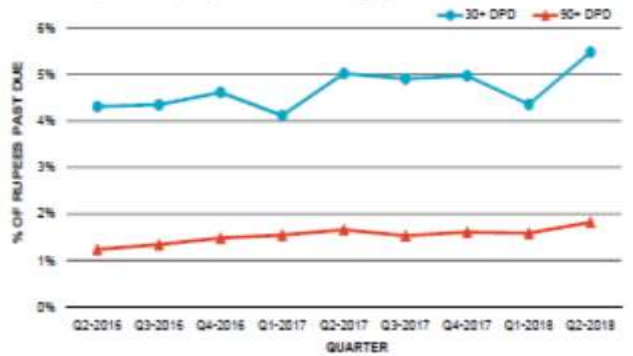
Source: CIBIL, Kotak Institutional Equities

**Exhibit 10: Delinquency profile in the auto loan portfolio**  
Calendar year-ends, 2QCY16-2QCY18 (%)



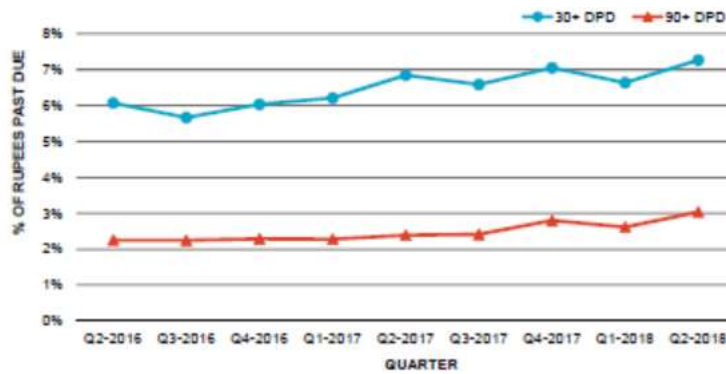
Source: CIBIL, Kotak Institutional Equities

**Exhibit 11: Delinquency profile in the mortgages portfolio**  
Calendar year-ends, 2QCY16-2QCY18 (%)



Source: CIBIL, Kotak Institutional Equities

**Exhibit 12: Delinquency profile in the loans-against-property portfolio**  
Calendar year-ends, 2QCY16-2QCY18 (%)



Source: CIBIL, Kotak Institutional Equities

SEPTEMBER 26, 2018

**UPDATE**

 Coverage view: **Attractive**

 Price (₹): **220**

 Target price (₹): **200**

 BSE-30: **36,652**

**Seeking a longer period of transition.** Yes Bank's board of directors have approved three key resolutions at yesterday's meeting: (1) constitute a search committee to identify a new CEO, (2) extend the tenure of Mr Kapoor by at least three months to ensure a smooth transition, and (3) induct two executive directors (Mr Rajat Monga and Mr Pralay Mondal) on the board. We cut our target price again as we factor in the underlying uncertainty with a ~10% earnings cut over the next three years. We cut our target price to ₹200 from ₹250 earlier, valuing the bank at 1.5X FY2020E adjusted book. SELL stays.

**Company data and valuation summary**

Yes Bank

**Stock data**

52-week range (Rs) (high,low)	404-197
Market Cap. (Rs bn)	507.1

**Shareholding pattern (%)**

Promoters	20.0
FIs	42.5
MFs	11.6

Price performance (%)	1M	3M	12M
Absolute	(41.3)	(34.3)	(38.9)
Rel. to BSE-30	(38.7)	(36.4)	(47.3)

**Forecasts/Valuations**

	2018	2019E	2020E
EPS (Rs)	18.3	19.8	21.7
EPS growth (%)	25.7	8.1	9.5
P/E (X)	12.0	11.1	10.1
NII (Rs bn)	77.4	94.8	109.9
Net profits (Rs bn)	42.2	45.7	50.0
BVPS	108.0	122.7	140.2
P/B (X)	2.0	1.8	1.6
ROE (%)	17.7	16.6	15.9
Div. Yield (%)	1.1	1.5	1.6

**No major announcements; board seeking a longer time period to search for a replacement**

The board members of Yes Bank met yesterday and took the following decisions. (1) It established a search and selection committee comprising of five members of whom two would be external experts, (2) to request RBI for an extension in tenure for Mr. Rana Kapoor to Sep 30, 2019 i.e. up to the FY2019 AGM date, or at the least, up to April 30, 2019 (as against RBI's decision to restrict Mr. Kapoor's tenure to January 31, 2019) and (3) Mr. Rajat Monga and Mr. Pralay Mondal to be appointed as Executive Directors.

**Over to RBI—tenure extension will help in better transition**

Given the relatively short time (i.e. less than five months) to comply with the RBI's recent directives on a change in MD and CEO, we do believe that this request for an extension is in the best interest of the bank. RBI's view on the new request from the Yes Bank board of directors will be closely monitored. Views of stakeholders will be keenly watched with regards to the board's decision to nominate two senior vice presidents as executive directors. The bank made consider a similar move in FY2014 but this did not go to RBI for approval.

**Transition to new MD & CEO will impact growth**

Even as one can debate the magnitude of impact of recent events, the focus will be on: (1) loan growth is likely to slow down till the new MD & CEO takes charge and outlines a future strategy, (2) the bank requires fresh equity capital to fund growth but is hobbled by unattractive valuations. Even if the bank was willing to raise capital at unattractive valuations, investor appetite for the same is debatable, and (3) the short-term focus would be to keep the balance sheet fortified against any negative outcomes. In sum, the scope for earnings disappointment is high especially from 'corporate banking fee income' – a closely scrutinized and high earnings contributor.

**SELL call remains as uncertainty has extended**

We retain our SELL rating (revise TP to ₹200 from ₹250 earlier) to factor our revised downward earnings revision and valuing the bank at 1.5X FY2020 book and 10X EPS. We note that the sharp correction in stock prices is compounded by a lower CET-1 ratio. A longer-than-expected transition raises more uncertainties and we believe near-term weakness on earnings is likely to be high.

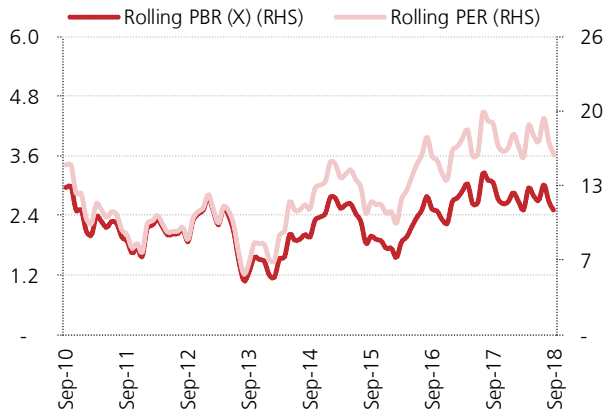
M B Mahesh CFA

Nischint Chawathe

Dipanjan Ghosh

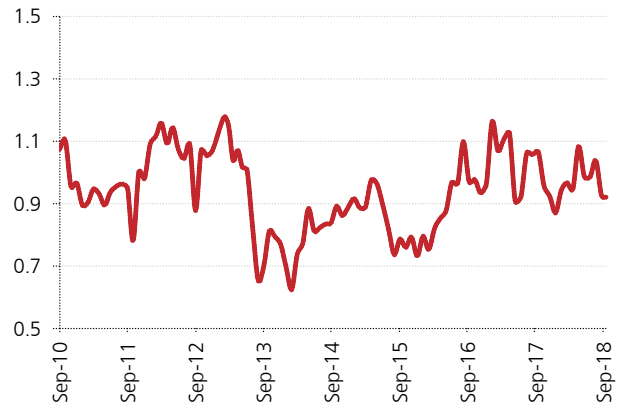
Shrey Singh

**Exhibit 1: Yes Bank trading at 2.5X one-year forward book (adj.)**  
 March fiscal year-ends, September 2010- September 2018 (X)



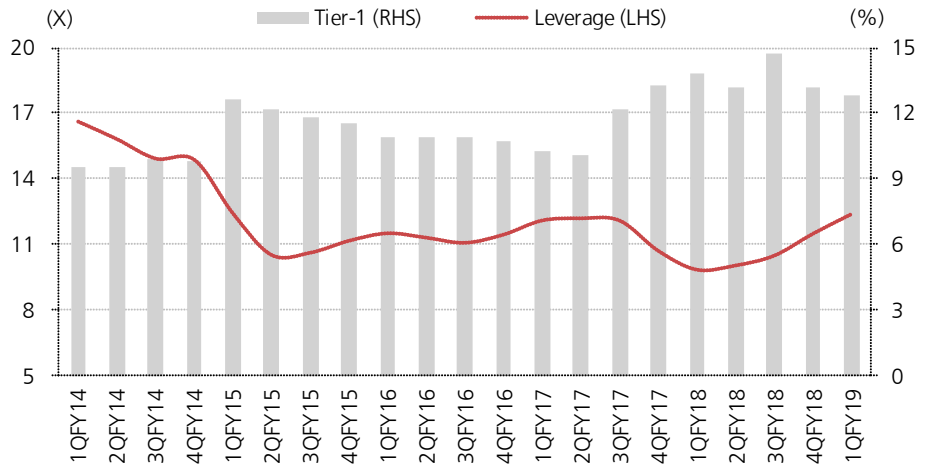
Source: Company, Bloomberg estimates, Kotak Institutional Equities

**Exhibit 2: Yes bank trading premium in-line with peers**  
 Yes bank trading premium to peers, September 2010-September 2018(X)



Source: Company, Bloomberg estimates, Kotak Institutional Equities

**Exhibit 3: Capital consumption remains high**  
 Total assets to net worth, March fiscal year-ends, 1QFY14-1QFY19 (X)



Source: Company, Kotak Institutional Equities

**Exhibit 4: Contribution of corporate banking fees continues to rise**

Break-up of fee income, March fiscal year-ends, 2008-1QFY19 (%)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	1QFY19
Corporate trade and cash management	19	24	30	28	26	25	24	17	11	13	13
Retail banking	9	7	10	9	11	12	20	23	22	22	20
Forex, debt capital markets and securities	25	21	24	11	6	22	13	10	17	11	21
Corporate banking fees	21	31	39	38	39	32	37	39	35	38	40
Treasury trading and others	26	17	(3)	14	18	9	6	12	15	16	7

Note:

1) Treasury and trading income has been clubbed with forex, DCM and securities.

Source: Company, Kotak Institutional Equities

**Exhibit 5: Yes Bank is targeting to improve the share of retail loans to overall loans**

Break-up of loans, March fiscal year-ends, 2008-1QFY19 (%)

	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	YoY (%)
Loan book	1,059	1,102	1,171	1,323	1,400	1,487	1,715	2,035	2,147	53
Corporate and institutional	715	748	807	895	953	1,002	1,161	1,382	1,452	52
Business banking	117	118	125	139	139	147	170	197	187	35
Micro and small	128	141	138	163	161	168	182	208	208	29
Retail	100	95	101	126	147	169	202	248	301	105
% of loan book										
Corporate and institutional	68	68	69	68	68	67	68	68	68	-50 bps
Business banking	11	11	11	11	10	10	10	10	9	-120 bps
Micro and small	12	13	12	12	12	11	11	10	10	-180 bps
Retail	9	9	9	10	11	11	12	12	14	350 bps

Source: Company, Kotak Institutional Equities

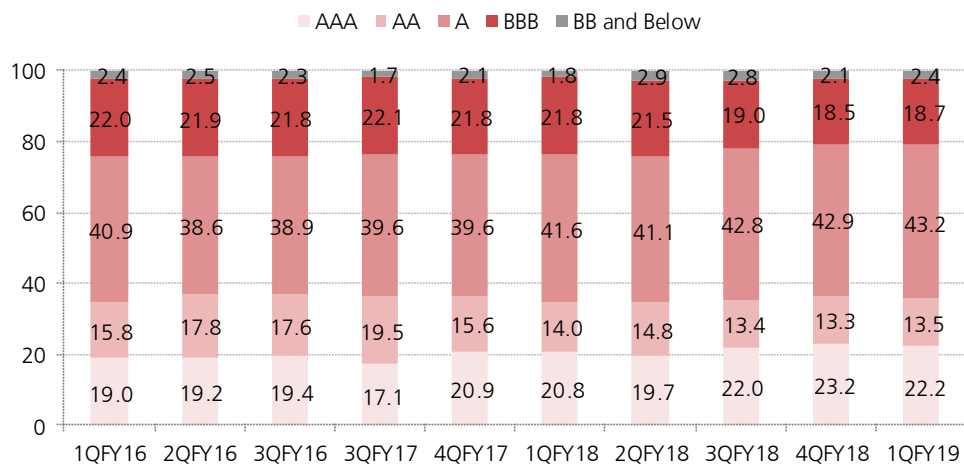
**Exhibit 6: Yes Bank has seen a qoq rise in exposure to telecom and iron and steel sectors**

Break-up of customer assets, March fiscal year-ends, 2013-1QFY19 (%)

	2013	2014	2015	2016	2017	2018	1QFY19
Electricity	3.0	4.8	8.3	8.7	11.3	9.2	9.3
Commercial real estate	-	0.0	0.0	6.8	5.8	5.9	5.8
Other real estate	-	0.0	0.0	0.9	0.8	0.5	0.4
Tech, ITES, Media	3.4	3.4	2.9	1.4	1.2	1.0	1.0
Food processing	4.6	4.4	3.2	2.7	2.4	2.4	2.4
Iron & Steel	5.7	3.5	3.3	2.2	1.8	2.0	2.6
Social & Commercial	2.1	1.8	2.7	2.4	2.7	2.5	2.4
Vehicles & equipments	2.4	2.8	3.1	2.5	2.4	2.8	2.8
Construction/ EPC	3.1	2.9	3.1	6.0	7.3	7.9	8.1
Other metal and metal	2.4	2.3	2.0	2.4	2.5	3.1	2.3
Telecom	2.4	3.1	2.2	4.5	4.9	2.2	3.6
Textiles	0.6	0.7	0.5	0.9	1.4	1.5	1.4
Aviation	0.3	0.3	0.2	0.6	1.0	0.8	0.9
Other industries	29.7	68.4	66.8	58.0	54.5	58.2	57.0

Source: Company, Kotak Institutional Equities

**Exhibit 7: Share of AA and above rated corporates has increased yoy**  
Credit rating of corporate portfolio, March fiscal year-ends, 1QFY16-1QFY19 (%)



Source: Company, Kotak Institutional Equities

**Exhibit 8: Yes bank - estimate changes**  
March fiscal year-ends, 2019-2021E, (₹ mn)

	New estimates			Old estimates			% change		
	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Net interest income	93,521	98,827	113,263	94,793	109,949	136,433	(1.3)	(10.1)	(17.0)
NIM (%)	3.0	3.0	3.3	3.0	2.9	3.1	4 bps	9 bps	25 bps
Customer assets	2,388,378	2,388,378	2,592,073	2,480,887	2,881,717	3,352,613			
Loan loss provisions	25,671	22,433	18,761	18,577	20,290	23,777	38.2	10.6	(21.1)
Other income	57,847	58,637	68,123	57,310	64,121	73,799	0.9	(8.6)	(7.7)
Fee income	48,278	46,550	53,651	47,741	51,784	59,328	1.1	(10.1)	(9.6)
Treasury income	2,500	3,250	3,500	2,500	3,500	3,500			
Operating expenses	60,845	67,860	76,083	60,845	78,631	93,162	—	(13.7)	(18.3)
Employee expenses	25,140	24,138	25,006	25,140	28,000	30,563			
PBT	59,651	66,471	85,841	67,481	74,449	92,593	(11.6)	(10.7)	(7.3)
Tax	19,267	21,802	28,584	21,796	24,419	30,833	(11.6)	(10.7)	(7.3)
<b>Net profit</b>	<b>40,384</b>	<b>44,669</b>	<b>57,257</b>	<b>45,685</b>	<b>50,030</b>	<b>61,760</b>	<b>(11.6)</b>	<b>(10.7)</b>	<b>(7.3)</b>
<b>PBT-treasury+provisions</b>	<b>88,023</b>	<b>86,354</b>	<b>101,803</b>	<b>88,758</b>	<b>91,939</b>	<b>113,570</b>	<b>(0.8)</b>	<b>(6.1)</b>	<b>(10.4)</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 9: Yes bank- key financial growth rates and ratios**  
 March fiscal year-ends, 2016-2021E (%)

	2016	2017	2018	2019E	2020E	2021E
<b>Growth rates (%)</b>						
Net loan	30.0	34.7	53.9	10.2	-	9.1
Net fixed assets	47.6	45.9	21.9	11.2	(22.2)	(8.7)
Cash and bank balance	8.8	137.9	26.6	(18.8)	(77.0)	(459.4)
Total Asset	21.4	30.1	45.3	11.0	1.8	7.3
Deposits	22.5	27.9	40.5	17.0	3.0	11.2
Current	28.5	74.6	51.1	13.0	6.7	15.1
Savings	62.3	60.6	35.3	19.7	14.4	17.9
Net interest income	30.9	29.4	30.9	20.8	5.7	14.6
Loan loss provisions	43.3	39.4	67.0	105.7	(12.6)	(16.4)
Total other income	32.5	51.1	29.0	9.5	1.4	16.2
Net fee income	24.4	30.2	31.4	14.8	(3.6)	15.3
Operating expenses	30.3	40.1	26.5	15.4	11.5	12.1
Employee expenses	32.4	41.9	21.4	12.5	(4.0)	3.6
<b>Key ratios (%)</b>						
Yield on average earning assets	9.6	9.3	8.1	9.1	9.1	9.5
Yield on average loans	11.2	10.7	9.2	10.1	9.9	9.9
Yield on average investments	7.6	7.7	7.0	7.7	7.8	7.9
Average cost of funds	6.9	6.5	5.5	6.5	6.6	6.6
Interest on deposits	7.1	6.4	5.5	6.3	6.4	6.5
Difference	2.8	2.7	2.7	2.6	2.6	2.9
Net interest income/earning assets	3.2	3.3	3.1	3.0	3.0	3.3
New provisions/average net loans	0.6	0.6	0.7	1.2	1.0	0.8
Interest income/total income	62.7	59.1	59.4	61.8	62.8	62.4
Other income / total income	37.3	40.9	40.6	38.2	37.2	37.6
Fee income to total income	33.8	32.0	32.3	31.9	29.6	29.6
Operating expenses/total income	40.9	41.7	40.5	40.2	43.1	41.9
Tax rate	32.6	34.0	31.8	32.3	32.8	33.3
Dividend payout ratio	16.6	14.0	13.0	16.6	16.6	16.6
Share of deposits						
Current	9.8	13.3	14.4	13.9	14.4	14.9
Savings	18.3	22.9	22.1	22.6	25.1	26.6
Loans-to-deposit ratio	87.9	92.6	101.4	95.5	92.7	90.9
Equity/assets (EoY)	8.3	10.2	8.2	8.4	9.2	9.8
<b>Dupont analysis (%)</b>						
Net interest income	3.0	3.1	2.9	2.8	2.8	3.1
Loan loss provisions	0.4	0.4	0.5	0.8	0.6	0.5
Net other income	1.8	2.2	2.0	1.8	1.7	1.9
Operating expenses	2.0	2.2	2.0	1.9	2.0	2.1
(1- tax rate)	67.4	66.0	68.2	67.7	67.2	66.7
ROA	1.7	1.8	1.6	1.2	1.3	1.6
Average assets/average equity	11.8	10.6	11.0	12.0	11.4	10.5
ROE	19.9	18.6	17.7	14.7	14.5	16.4

Source: Company, Kotak Institutional Equities estimates

**Exhibit 10: Yes bank- key financials**  
March fiscal year-ends, 2016-2021E (Rs mn)

	2016	2017	2018	2019E	2020E	2021E
<b>Income statement (Rs mn)</b>						
Total interest income	1,35,334	1,65,374	2,02,686	2,82,865	3,00,890	3,24,326
Loans	97,115	1,23,225	1,54,778	2,16,863	2,22,680	2,31,643
Investments	35,082	37,968	41,025	58,597	72,410	89,470
Cash and deposits	3,138	4,180	6,882	7,405	5,799	3,212
Total interest expense	89,667	1,06,273	1,25,294	1,89,344	2,02,063	2,11,063
Deposits from customers	71,784	82,040	93,825	1,37,808	1,52,910	1,65,425
Net interest income	45,667	59,100	77,392	93,521	98,827	1,13,263
Loan loss provisions	5,361	7,474	12,480	25,671	22,433	18,761
Net interest income (after prov.)	40,307	51,627	64,912	67,850	76,393	94,501
Other income	27,121	40,969	52,829	57,847	58,637	68,123
Net fee income	24,592	32,009	42,071	48,278	46,550	53,651
Net capital gains	2,606	7,113	5,135	2,500	3,250	3,500
Net exchange gains	(176)	1,019	2,136	2,670	3,337	4,171
Operating expenses	29,764	41,686	52,735	60,845	67,860	76,083
Employee expenses	12,968	18,402	22,347	25,140	24,138	25,006
Depreciation on investments	25	522	2,599	4,500	-	-
Other Provisions	(23)	(54)	463	700	700	700
Pretax income	37,662	50,441	61,943	59,651	66,471	85,841
Tax provisions	12,268	17,140	19,697	19,267	21,802	28,584
Net Profit	25,394	33,301	42,246	40,384	44,669	57,257
% growth	26.6	31.1	26.9	(4.4)	10.6	28.2
Operating profit	40,419	51,270	72,351	88,023	86,354	1,01,803
% growth	27	24	31	1	11	30
Tax rate (%)	33	34	32	32	33	33
<b>Balance sheet (Rsmn)</b>						
Cash and bank balance	82,184	1,95,547	2,47,538	2,00,957	46,153	(1,65,888)
Cash	4,124	5,705	6,227	(38,668)	(1,94,292)	(4,14,710)
Balance with RBI	53,638	63,815	1,08,031	1,20,838	1,21,658	1,30,036
Balance with banks	556	667	976	976	976	976
Net value of investments	4,88,385	4,99,818	6,82,934	8,33,180	10,16,480	12,40,105
Govt. and other securities	3,51,863	3,54,805	4,88,861	6,07,229	7,52,384	9,30,327
Shares	628	2,369	644	644	644	644
Debentures and bonds	95,154	1,10,453	1,45,046	1,74,055	2,08,866	2,50,639
Net loans and advances	9,82,099	13,22,627	20,35,188	22,43,333	22,43,333	24,47,027
Fixed assets	4,707	6,868	8,373	9,312	7,243	6,611
Other assets	95,259	1,25,738	1,50,463	1,80,555	2,16,666	2,60,000
Total assets	16,52,634	21,50,597	31,24,497	34,67,337	35,29,874	37,87,855
Deposits	11,17,195	14,28,574	20,06,886	23,48,969	24,19,438	26,91,383
Borrowings and bills payable	3,19,759	3,91,992	7,58,087	7,20,183	6,69,770	6,02,793
Other liabilities	77,814	1,09,634	1,01,998	1,08,118	1,14,605	1,21,481
Total liabilities	15,14,768	19,30,201	28,66,971	31,77,270	32,03,813	34,15,657
Paid-up capital	4,205	4,565	4,606	4,606	4,606	4,606
Reserves & surplus	1,33,661	2,15,831	2,52,919	2,85,461	3,21,455	3,67,592
Total shareholders' equity	1,37,866	2,20,396	2,57,525	2,90,067	3,26,061	3,72,198

Source: Company, Kotak Institutional Equities estimates



SEPTEMBER 26, 2018

UPDATE

BSE-30: 36,652

**Lending yields: marginally up.** RBI's data for system-wide average lending and deposit rates for July showed a much needed, albeit marginal upward trend in lending yields. The outcomes are similar for private and public banks. The deposit rate was stable for the past two months. The gap between outstanding WALR and fresh loans has started to shrink but is still negative. Back book re-pricing (increase in MCLR) is offsetting the pressure of lower rate of fresh lending. NIM pressure to remain in the medium term.

#### Cost of funds stable for both public and private banks

Latest data by RBI (as of July 2018) suggest flat trends in term deposit rates over the last few months for the sector. Term deposit rates across banks which had increased to 6.7% in March 2018 (up 20 bps since November 2017) have remained stable since (Exhibit 1). Cost of funds increased for private banks at 7% which was last seen in February 2017. Wholesale deposit cost (as measured by CD rates) has also shown a similar trend (Exhibit 2). It is quite likely that the difference in loan growth between public and private banks would result in private banks looking to revisit their deposit rates in the next few months as the busy season begins.

#### MCLR rates continue to rise in 1QFY19; lending rates move marginally faster

Fresh lending for banks saw an improvement of 12 bps in July 2018 (Exhibit 3), which is one of the highest increases that we have seen in the past year. We watch for this increase to sustain given that we would be entering into a busy season from here on albeit with banks having a better advantage from a funding perspective. An increased focus on retail credit could be one of the driving factors for flat trends in fresh lending rates over March-July 2018. MCLR rates (8.5% as of July 2018) however continue to rise, up 25 bps since December 2017 and 15 bps since March 2018 (Exhibits 4 and 5). With deposit rates broadly stable, a swift rise in MCLR rates is less likely.

#### Gap between outstanding lending rates and fresh loans decline but remains nevertheless

As we have highlighted in earlier notes, there is a significant presence of a gap between fresh lending rates and weighted average lending rates (Exhibits 6-8), even as funding costs have started to rise. There has however been some improvement over April-July 2018, resulting in decline in the spread between them. However, the challenge is that we need to see an upward movement in lending rates to prevent NIM compression, which did not happen this quarter for the system. The gap for the sector declined to ~75 bps in July 2018 from ~95 bps in March 2018. PSU banks saw a drop in spreads to ~90 bps in July 2018 (from ~115 bps) while spreads declined to ~50 bps (from ~60 bps) for private banks over the same period. We do see that overall yields have improved, suggesting the upward re-pricing of the back book due to increase in MCLR rates.

#### NIM pressure likely to remain in the short term for private banks

On balance, while the difference between weighted average and fresh lending has declined, the overall trend needs to see further upward momentum to arrest NIM pressure. Recent results of private banks broadly reiterate this hypothesis. We are in a relatively unique situation where lending is quite concentrated with a few banks while deposit accretion continues by all banks. Consequently, the CD ratio for public banks, especially those under the PCA framework, remains low while it stays very high for the private banks. This is pushing private banks to increase rates to borrow funds while passing them is still a challenge though the trend shows improvement.

#### QUICK NUMBERS

- **Weighted average term deposit rates flat mom at 6.7%**
- **Weighted average lending rates increase marginally to 10.3%**
- **Gap between fresh lending and outstanding lending rates still negative by ~75 bps**

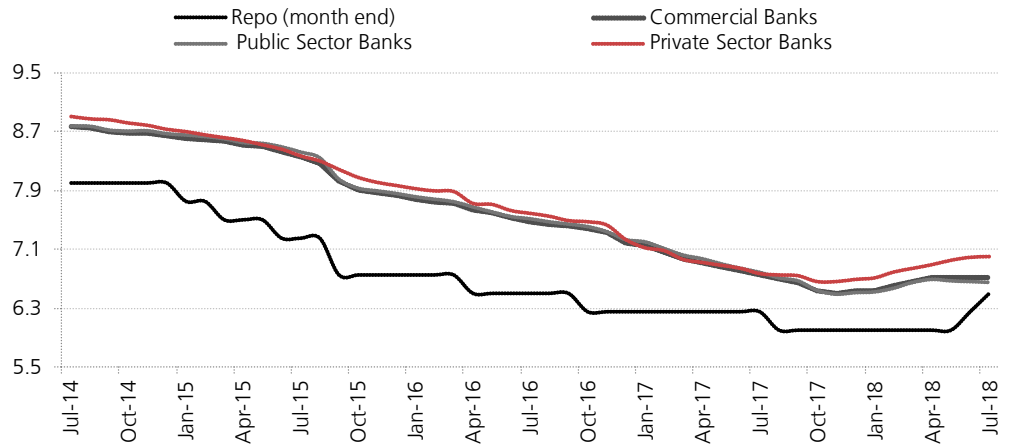
M B Mahesh CFA

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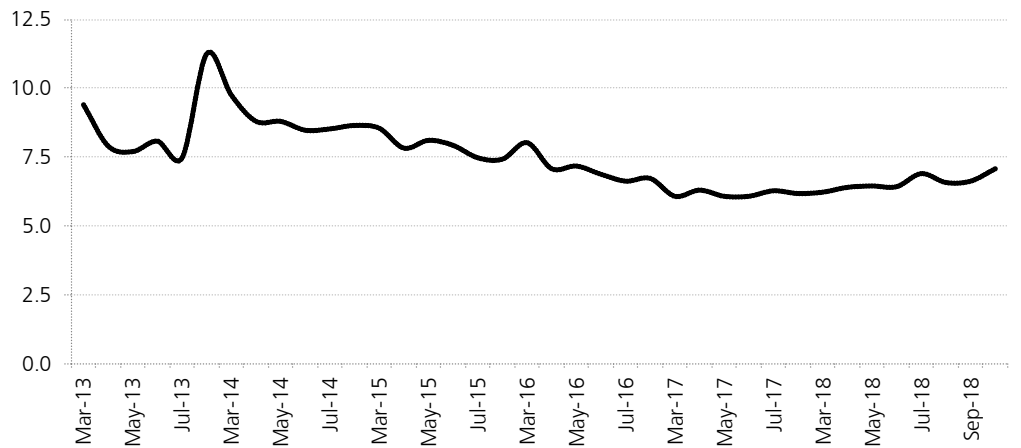
Shrey Singh

**Exhibit 1: Deposit rates have started to move up for the sector, especially for private banks**  
 Weighted average term deposit rates, March fiscal year ends, July 2014 – July 2018 (%)



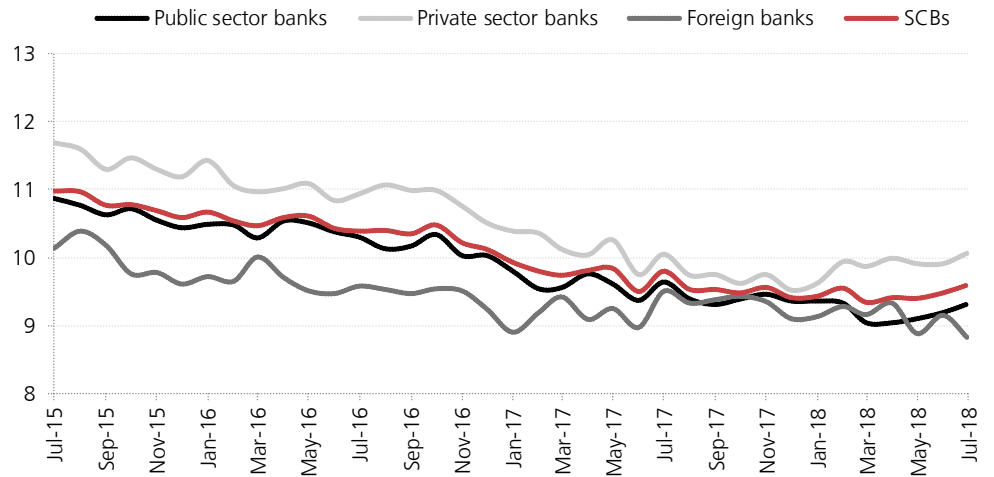
Source: RBI, Kotak Institutional Equities

**Exhibit 2: CD rates have started to increase for the system**  
 CD rates, March fiscal year ends, March 2013 – September 2018 (%)



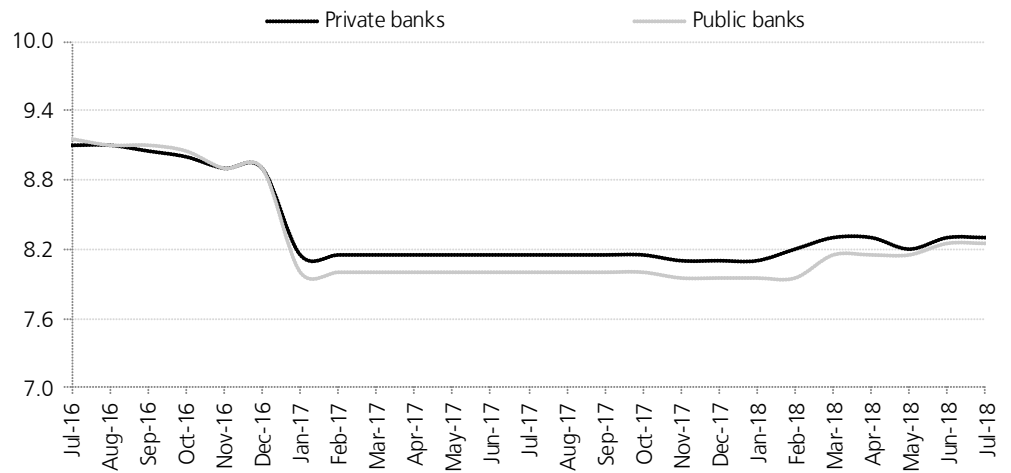
Source: RBI, Kotak Institutional Equities

**Exhibit 3: Fresh lending rates have increased sharply for private banks**  
 Weighted fresh lending rates, March fiscal year ends, July 2015 – July 2018 (%)



Source: RBI, Kotak Institutional Equities

**Exhibit 4: MCLR rates have increased in recent months**  
 One year MCLR rate for private and public banks, July 2016-July 2018 (%)



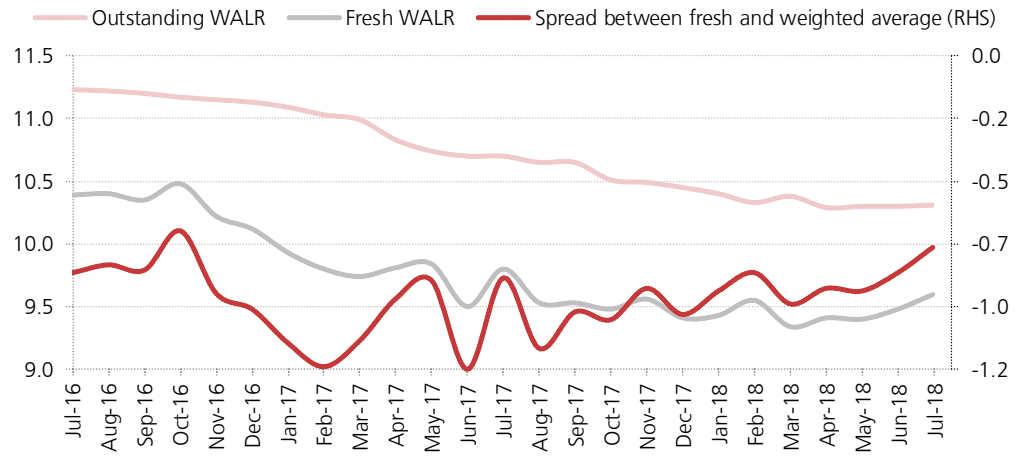
Source: RBI, Kotak Institutional Equities

**Exhibit 5: MCLR rates have seen an increase across most banks**  
MCLR rate across banks for 1 year loans, October 2017-September 2018 (%)

	Oct-17	Nov-17	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	(bps change) (Mar-18 to Sept-18)
<b>Public sector banks</b>										
Allahabad	8.45	8.45	8.45	8.25	8.25	8.35	8.45	8.45	8.45	-
Andhra	8.40	8.40	8.40	8.40	8.50	8.55	8.55	8.70	8.70	0.30
BoB	8.35	8.30	8.30	8.30	8.40	8.45	8.50	8.50	8.55	0.25
Bol	8.30	8.30	8.30	8.30	8.40	8.50	8.50	8.55	8.55	0.25
BoMH	8.70	8.65	8.65	8.65	8.75	8.75	8.75	8.75	8.75	0.10
Canara	8.30	8.30	8.30	8.40	8.45	8.50	8.50	8.60	8.60	0.30
Central	8.30	8.30	8.30	8.45	8.45	8.45	8.50	8.85	8.85	0.55
Corporation	8.65	8.65	8.65	8.75	8.75	8.85	8.85	8.50	8.50	(0.15)
Dena	8.25	8.25	8.30	8.30	8.35	8.35	8.45	8.50	8.50	0.20
IDBI	8.55	8.65	8.55	8.55	8.65	8.65	8.75	8.85	8.85	0.30
Indian	NA	NA	8.25	8.25	8.40	8.50	8.60	8.60	8.60	0.35
IOB	8.55	8.40	8.40	8.40	8.50	8.50	8.50	8.65	8.65	0.25
OBC	8.40	8.40	8.35	8.50	8.50	8.65	8.65	8.65	8.65	0.30
PNB	8.15	8.15	8.30	8.30	8.30	8.40	8.45	8.45	8.45	0.15
PSB	8.55	8.45	8.40	8.40	8.50	8.60	8.65	8.70	8.70	0.30
SBI	8.00	7.95	8.15	8.15	8.15	8.25	8.25	8.25	8.45	0.30
Syndicate	8.50	8.50	8.45	8.45	8.50	8.55	8.65	8.65	8.65	0.20
UCO	8.45	8.45	8.45	8.45	8.45	8.55	8.55	8.55	8.55	0.10
Union	8.20	8.20	8.20	8.35	8.35	8.45	8.45	8.55	8.55	0.35
United Bank	8.75	8.60	8.60	8.60	8.70	8.70	8.80	8.80	8.85	0.25
Vijaya	8.50	8.50	8.50	8.50	8.50	8.50	9.45	9.45	9.45	0.95
<b>Old private banks</b>										
CUBK	9.25	9.25	9.25	9.05	9.05	9.05	9.05	9.05	9.05	(0.20)
DCB	9.72	9.72	9.87	9.87	9.87	9.97	9.97	10.40	10.40	0.53
FB	8.90	8.90	8.90	8.90	8.90	9.15	9.15	9.20	9.20	0.30
J&K	8.90	8.80	8.80	8.70	8.80	8.80	8.80	8.80	8.80	-
KVB	9.00	9.00	9.00	9.15	9.15	9.30	9.30	9.55	9.55	0.55
<b>New private banks</b>										
Axis	8.25	8.25	8.40	8.40	8.40	8.50	8.60	8.60	8.60	0.20
Bandhan	-	-	9.95	9.91	9.75	9.75	10.38	10.38	10.38	0.43
HDFC	8.15	8.10	8.20	8.30	8.30	8.40	8.40	8.40	8.60	0.40
ICICI	8.20	8.20	8.20	8.30	8.30	8.40	8.40	8.40	8.55	0.35
IDFC	8.00	8.50	8.60	8.75	8.80	8.90	8.90	8.90	8.90	0.30
IndusInd	8.95	8.85	9.10	9.25	9.25	9.35	9.55	9.60	9.65	0.55
Karnataka	8.85	8.75	8.75	8.35	8.80	8.85	8.90	8.40	8.40	(0.35)
Kotak	8.60	8.60	8.65	8.60	8.70	8.90	8.95	8.95	8.95	0.30
LVB	9.35	9.30	9.35	9.40	9.45	9.70	9.70	9.70	9.70	0.35
RBL	9.30	9.25	9.40	9.45	9.50	9.55	9.70	9.75	9.75	0.35
SIB	9.00	9.00	9.00	9.00	9.00	9.00	9.25	9.25	9.25	0.25
Yes	8.80	8.85	9.25	9.25	9.35	9.45	9.45	9.55	9.55	0.30
<b>Small finance banks</b>										
AU	12.85	12.75	12.95	12.55	12.90	13.00	12.65	12.50	12.50	(0.45)
Equitas	16.15	16.15	16.15	16.10	15.55	15.30	15.40	15.15	15.15	(1.00)
Ujjivan	16.80	16.80	14.90	15.00	15.20	15.45	15.00	15.65	15.65	0.75

Source: Company, Public documents, Kotak Institutional Equities

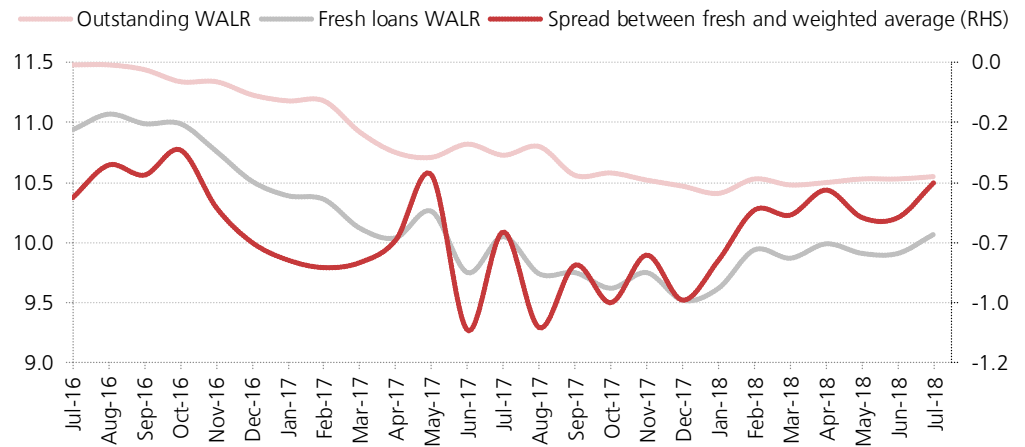
**Exhibit 6: The spread between fresh and outstanding lending rates continue to drop**  
 Average outstanding and fresh lending rates for all SCBs, June 2016 – June 2018 (%)



Source: RBI, Kotak Institutional Equities

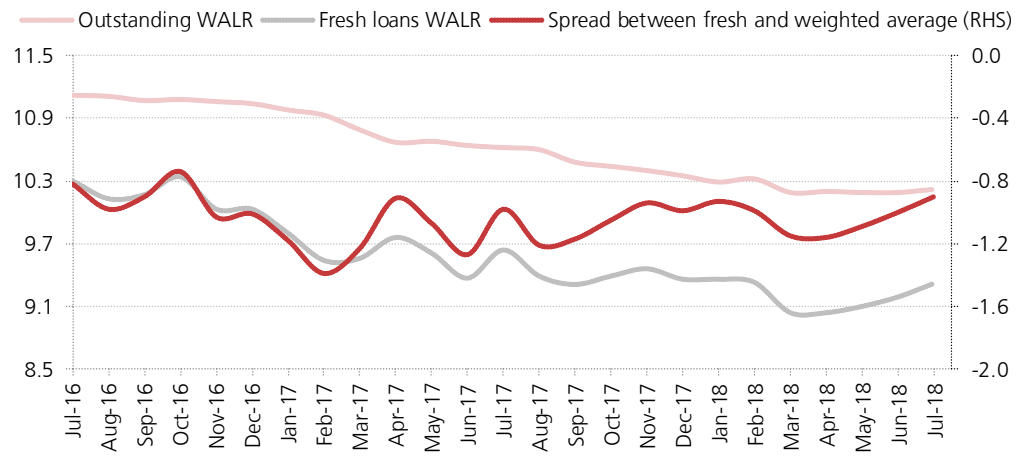
**Exhibit 7: Private banks –stable trends but still not positive at the margin**

Average outstanding and fresh lending rates for private banks, March fiscal year ends, June 2016 – June 2018 (%)



Source: RBI, Kotak Institutional Equities

**Exhibit 8: Public banks – marginal improvement led by rise in fresh lending rates**  
 Average outstanding and fresh lending rates for PSU banks, March fiscal year ends, June 2016 – June 2018 (%)



Source: RBI, Kotak Institutional Equities

SEPTEMBER 26, 2018

UPDATE

BSE-30: 36,652

**Long-short.** The success of oil PSUs and private companies in the recent CGD bidding round raises concerns on long-term growth for the top-3 CGD players—Gujarat Gas, IGL and MGL. The top-3 players have not only lost potential new areas, but also run the risk of facing competition in their extant areas, as and when third-party participation is facilitated by PNGRB. Imminent increase in domestic gas price and a weaker Rupee also raises concerns on margins in the near term. We remain cautious on CGD stocks, while retaining preference for MGL, which is trading at reasonable 14X forward EPS.

#### Disappointing performance of top-3 players in the recent CGD bidding round

Results of the recently concluded 9<sup>th</sup> CGD bidding round was disappointing for the top-3 players, with Gujarat Gas and IGL winning only one area each, of their 21 and 11 bids respectively, and MGL winning none out of its three bids. IGL's JV company, MNGL, was relatively better off, winning three out of five areas it bid for. On the other hand, downstream oil PSUs and a few key private players have been fairly successful—(1) Adani Gas won 13 areas on its own, (2) BPCL-promoted Bharat Gas Resources won 11 bids, (3) Torrent Gas won 10 bids and (4) IOCL won 7 bids on its own and 9 in a JV with Adani Gas.

#### Risks of competition in extant areas from oil PSUs and private players, when enabled by PNGRB

The successful participation of downstream oil PSUs and key private players such as Adani and Torrent in the recent CGD bidding round raises concerns of plausible competition for existing players in extant geographical areas as well in the long run. In our view, the downstream oil PSUs and private players may consider marketing CNG or industrial/commercial PNG through the established CGD networks in lucrative areas of Delhi, Mumbai and Gujarat, where marketing exclusivity has already expired. Third-party marketing in extant CGD networks can be facilitated by PNGRB by undertaking a few regulatory steps, including (1) declaration of existing CGD networks as common carrier to provide open access post expiry of marketing exclusivity, (2) notification of regulatory framework for CGD tariffs for third-party access on nominated areas and (3) finalization of such tariffs in the extant areas subsequently.

#### All except two bids won at floor tariffs; commitment of 3X stations and 4.5X PNG connections

Other interesting highlights of 9<sup>th</sup> CGD round include (1) all 84 winning bids except two were at the PNGRB-set floor for transportation rate of ₹30/mn BTU (~₹1.1/scm) for PNG and ₹2/kg (~₹1.4/scm) for CNG, both significantly below gross margins of ₹11-12/scm earned by IGL/MGL; and (2) the winners have optimistically committed to lay cumulative 112,696 kms of steel pipeline network and set up 4,346 CNG stations (3X of 1,464 outlets currently) and provide 21 mn PNG connections cumulatively (>4.5X of 4.6 mn connections currently), over a period of eight contract years from the date of authorization.

#### Recent de-rating warranted given near-term concerns on margins and long-term risks to growth

We note that the recent de-rating of valuation multiple for top-3 CGD stocks was somewhat warranted given (1) near-term concerns on margins from expected increase in domestic gas price to ~US\$3.4/mn BTU (GCV) from October 1 versus US\$3.06/mn BTU currently and a weaker Rupee; and (2) reduction in optionality of long-term growth from potential new areas given the disappointing performance in the recent CGD bidding round. We remain cautious on the sector given our long-highlighted concerns on sustainability of volumes growth as well as elevated margins; however, we prefer MGL given relatively reasonable valuation at 14X forward EPS as compared to IGL at 20X and Gujarat Gas at 18X.

Tarun Lakhotia

Akshay Bhor

**Exhibit 1: Private players and downstream oil PSUs have dominated the recent CGD bidding round**  
Results summary of 9<sup>th</sup> CGD bidding round

Company	Number of GAs	
	Bid	Won
Adani Gas	32	13
Bharat Gas Resources	53	11
Torrent Gas	31	10
Indian Oil-Adani Gas	20	9
IOCL	34	7
GAIL Gas	34	5
Megha Engineering and Infrastructures		4
Think Gas Investments PTE		4
Atlantic Gulf and Pacific LNG		3
Maharashtra Natural Gas	5	3
Assam Gas Company, Oil India and GAIL Gas		2
Green Gas		2
Tripura Natural Gas Company		2
Unison Enviro		2
Essel Gas Company		1
Gujarat Gas	21	1
Haryana City Gas, Kapil Chopra Enterprise and Rati Chopra		1
HPCL	20	1
Indraprastha Gas	11	1
IRM Energy		1
SKN Haryana City Gas Distribution and Chopra Electricals		1
Mahanagar Gas	3	0
Petronet LNG	7	0
<b>Total Gas</b>		<b>84</b>

Source: PNGRB, Kotak Institutional Equities

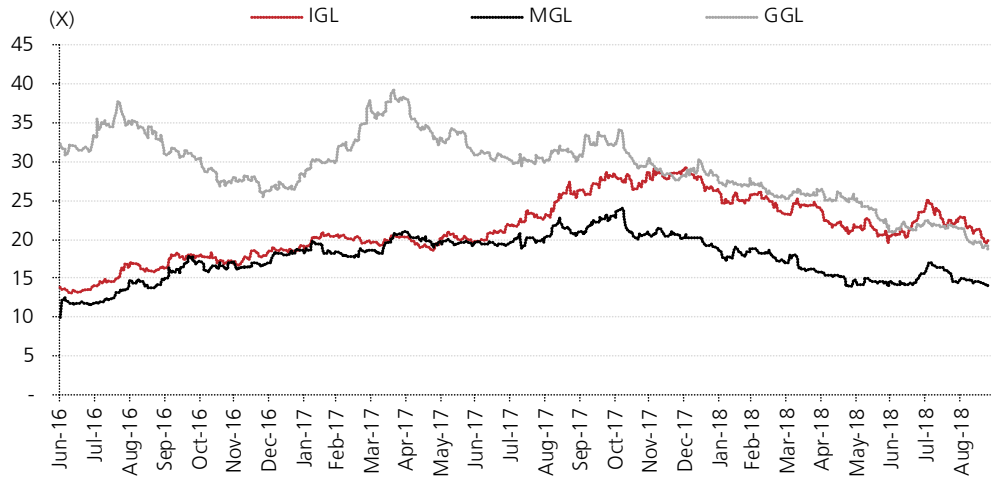
**Exhibit 2: IGL has won one area, while MNGL has three areas in the recent bidding round**  
Status of bids by IGL and its JVs

State	Geographical area	Status
<b>IGL</b>		
Haryana	Bhiwani, Charkhi Dadri and Mahendragarh	Unsuccessful
Haryana	Hisar	Unsuccessful
Haryana	Jhajjar	Unsuccessful
Haryana	Nuh and Palwal	Unsuccessful
Punjab	SAS Nagar district (Except areas already authorized), Patiala and Sangrur	Unsuccessful
Punjab	Ludhiana (except area already authorized), Barnala and Moga	Unsuccessful
Rajasthan	Alwar (Other than Bhiwadi) and Jaipur	Unsuccessful
Tamil Nadu	Coimbatore District	Unsuccessful
Uttar Pradesh	Bulandshahr (Except areas already authorized), Aligarh and Hathras	Unsuccessful
Uttar Pradesh	Meerut (Except areas already authorized), Muzaffarnagar and Shamali	Awarded
Uttarakhand	Dehradun District	Unsuccessful
<b>MNGL</b>		
Karnataka	Ramanagara	Awarded
Maharashtra	Valsad, Dhule and Nashik	Awarded
Maharashtra	Sindhudurg	Awarded
Maharashtra	Ahmednagar and Aurangabad	Unsuccessful
Maharashtra	Sangli and Satara	Unsuccessful
<b>CUGL</b>		
Uttar Pradesh	Auraiya, Kanpur Dehat and Etawah	Unsuccessful

Source: PNGRB, Kotak Institutional Equities



**Exhibit 3: CGD stocks have de-rated over the past 6-9 months**  
 12-month forward P/E for CGDs (X)



Source: 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)
		25-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	
<b>Automobiles</b>																													
Amara Raja Batteries	REDUCE	768	780	1.6	131	1.8	171	32	37	43	17.1	15.9	14.5	23.8	20.5	17.9	12.6	10.8	9.3	3.9	3.4	2.9	17.4	17.5	17.4	0.6	0.7	0.8	6.2
Apollo Tyres	BUY	231	340	47.1	132	1.8	541	20	25	29	46.9	25.7	17.0	11.7	9.3	8.0	7.4	6.2	5.1	1.2	1.1	1.0	11.0	12.5	13.1	1.3	1.3	1.3	12.3
Ashok Leyland	BUY	122	160	31.3	358	4.9	2,926	6.2	8.9	9.4	15.3	43.2	6.1	19.7	13.7	12.9	10.0	7.2	6.8	4.3	3.6	3.0	23.4	28.4	25.4	1.5	2.2	2.3	46.4
Bajaj Auto	SELL	2,789	2,700	(3.2)	807	11.1	289	156	174	185	11.2	11.5	6.3	17.9	16.0	15.1	12.2	10.5	9.6	3.8	3.4	3.0	22.2	22.1	21.0	2.2	2.5	2.6	31.7
Balkrishna Industries	REDUCE	1,094	1,300	18.8	211	2.9	193	50	62	70	34.5	24.1	12.8	21.7	17.5	15.5	11.8	9.7	8.4	4.3	3.5	2.9	21.6	22.1	20.7	0.5	0.6	0.6	15.4
Bharat Forge	SELL	617	600	(2.7)	287	4.0	466	23	27	29	44.4	14.6	7.1	26.4	23.0	21.5	15.0	13.1	12.1	5.3	4.5	3.9	21.5	21.0	19.4	0.8	0.9	1.0	12.2
CEAT	ADD	1,231	1,500	21.9	50	0.7	40	99	108	116	53.7	8.3	7.9	12.4	11.4	10.6	8.1	7.0	6.3	1.7	1.5	1.3	14.4	13.8	13.2	0.8	0.8	0.9	12.8
Eicher Motors	SELL	25,600	24,000	(6.2)	698	9.6	27	997	1,180	1,306	25.8	18.4	10.7	25.7	21.7	19.6	18.4	15.4	13.3	9.4	7.0	5.5	42.4	37.1	31.4	0.1	0.1	—	21.8
Escorts	BUY	661	1,200	81.4	56	1.1	89	59	71	78	52.2	19.9	10.6	11.2	9.3	8.4	6.8	5.5	4.5	2.0	1.7	1.4	17.6	18.0	17.1	1.3	1.6	1.8	15.0
Exide Industries	SELL	257	235	(8.7)	219	3.0	850	10	11	13	25.3	11.0	11.6	25.0	22.5	20.2	14.2	12.7	11.3	3.7	3.3	3.0	15.4	15.5	15.7	1.2	1.4	1.6	8.5
Hero Motocorp	SELL	3,113	3,000	(3.6)	622	8.6	200	183	204	225	(0.9)	11.4	10.2	17.0	15.2	13.8	10.0	8.8	7.8	4.7	4.2	3.7	29.3	29.1	28.6	2.9	3.3	3.6	21.3
Mahindra CIE Automotive	ADD	264	290	10.0	100	1.4	378	14	16	17	45.0	12.7	10.4	18.9	16.8	15.2	9.5	8.4	7.5	2.4	2.1	1.8	13.2	13.1	12.7	—	—	—	3.6
Mahindra & Mahindra	BUY	893	1,125	26.0	1,110	15.3	1,138	45	54	56	18.8	19.0	4.2	19.8	16.6	16.0	12.9	10.7	10.0	3.0	2.6	2.3	15.8	16.6	15.4	1.0	1.2	1.3	31.1
Maruti Suzuki	ADD	7,999	9,200	15.0	2,416	33.3	302	298	362	408	16.7	21.2	12.9	26.8	22.1	19.6	14.9	11.8	10.1	5.0	4.3	3.8	20.1	21.1	20.5	0.9	1.1	1.3	75.6
Motherson Sumi Systems	SELL	264	280	6.1	556	7.6	2,105	11	14	16	40.2	21.5	13.8	23.0	19.0	16.7	9.3	7.7	6.7	4.8	4.1	3.4	22.5	23.2	22.3	1.0	1.2	1.3	15.3
MRF	REDUCE	65,781	69,000	4.9	279	3.8	4	3,425	3,932	4,411	28.3	14.8	12.2	19.2	16.7	14.9	9.0	7.7	6.6	2.5	2.2	1.9	13.9	13.9	13.7	0.1	0.1	0.1	7.4
Schaeffler India	BUY	5,303	6,000	13.1	88	1.2	17	156	199	233	9.0	27.3	17.6	34.0	26.7	22.7	20.7	15.7	13.1	4.7	4.1	3.6	14.5	16.4	17.0	0.6	0.7	0.9	0.6
SKF	ADD	1,702	1,800	5.8	87	1.2	51	69	82	97	19.7	18.5	18.2	24.7	20.8	17.6	15.7	13.0	10.7	4.1	3.6	3.1	16.7	17.1	17.4	0.7	0.8	1.0	0.4
Tata Motors	BUY	241	425	76.5	818	10.5	3,396	22	36	39	10.7	62.7	8.0	10.9	6.7	6.2	3.4	2.9	2.6	0.8	0.7	0.6	7.6	11.2	10.8	—	—	—	52.5
Timken	SELL	612	660	7.9	42	0.6	68	19	25	30	42.3	27.5	21.8	31.8	24.9	20.5	17.5	13.9	11.5	5.0	4.2	3.5	17.1	18.5	18.8	0.2	0.2	0.2	0.3
TVS Motor	SELL	593	405	(31.7)	282	3.9	475	16	20	25	13.9	23.0	26.0	37.3	30.3	24.1	20.5	17.0	13.8	8.4	7.1	6.0	24.2	25.4	27.0	0.8	1.0	1.2	14.9
Varrco Engineering	BUY	981	1,250	27.5	132	1.8	135	39	47	51	52.3	19.9	10.2	25.2	21.0	19.1	19.4	16.4	14.3	3.9	3.2	2.6	15.3	15.3	13.5	—	—	—	—
WABCO India	SELL	6,788	6,350	(6.5)	129	1.8	19	169	222	225	17.8	31.3	1.0	40.1	30.5	30.2	26.1	19.7	19.5	7.1	5.8	4.9	19.2	20.9	17.7	0.1	0.2	0.2	0.4
<b>Automobiles</b>	<b>Neutral</b>				<b>9,610</b>	<b>132</b>					<b>18.3</b>	<b>26.1</b>	<b>9.9</b>	<b>20.6</b>	<b>16.3</b>	<b>14.9</b>	<b>9.2</b>	<b>7.6</b>	<b>6.8</b>	<b>3.1</b>	<b>2.7</b>	<b>2.4</b>	<b>14.9</b>	<b>16.4</b>	<b>15.9</b>	<b>1.0</b>	<b>1.2</b>	<b>1.3</b>	<b>405.5</b>
<b>Banks</b>																													
Axis Bank	REDUCE	614	600	(2.3)	1,578	21.7	2,567	18	40	45	1,577.6	122.3	12.3	34.1	15.3	13.7	—	—	—	2.6	2.2	1.9	7.1	14.1	14.1	0.4	1.0	1.1	86.4
Bank of Baroda	NR	109	—	—	290	4.0	2,652	21	26	29	323.7	26.4	12.1	5.3	4.2	3.8	—	—	—	0.9	0.7	0.6	12.7	14.0	13.7	—	—	—	40.7
Canara Bank	ADD	234	300	28.5	171	2.4	733	(5)	51	68	91.6	1,147.0	33.3	(48.2)	4.6	3.5	—	—	—	1.4	0.8	0.6	(1.0)	10.1	12.0	—	—	—	26.7
City Union Bank	REDUCE	178	200	12.1	131	1.8	665	9	11	12	5.8	13.3	16.7	18.9	16.7	14.3	—	—	—	2.9	2.6	2.2	15.5	15.6	16.0	0.9	1.1	1.2	1.8
DCB Bank	ADD	150	205	36.5	46	0.6	308	10	12	16	28.2	21.0	33.1	14.7	12.2	9.1	—	—	—	1.7	1.6	1.4	11.7	12.7	14.9	0.6	0.8	1.0	4.2
Equitas Holdings	BUY	130	190	46.1	44	0.6	340	4.4	8.4	11.4	378.4	89.9	35.6	29.3	15.4	11.4	—	—	—	1.9	1.7	1.5	6.4	11.2	13.4	—	—	—	4.9
Federal Bank	BUY	72	130	80.9	142	2.0	1,972	5.7	7.9	9.7	29.5	39.5	22.9	12.7	9.1	7.4	—	—	—	1.2	1.1	0.9	8.8	11.4	12.8	1.8	2.5	3.1	17.7
HDFC Bank	REDUCE	1,952	2,000	2.4	5,301	72.9	2,595	78	94	112	15.7	20.0	19.1	25.0	20.9	17.5	—	—	—	3.7	3.3	2.8	16.7	16.2	17.0	0.8	0.9	1.1	79.2
ICICI Bank	BUY	311	400	28.6	2,002	27.5	6,429	8	26	31	(19.6)	209.1	19.2	36.7	11.9	10.0	—	—	—	2.1	1.8	1.5	5.1	14.5	15.5	0.5	1.7	2.0	93.9
IDFC Bank	NR	38	—	—	129	1.8	3,404	1.2	2.9	4.3	(52.7)	146.7	44.8	31.8	12.9	8.9	—	—	—	0.8	0.8	0.7	2.6	6.3	8.6	0.6	1.6	2.2	7.3
IndusInd Bank	REDUCE	1,697	1,900	12.0	1,020	14.0	600	71	87	102	17.5	23.6	16.9	24.0	19.4	16.6	—	—	—	3.6	3.1	2.7	17.6	16.8	17.0	—	0.6	0.7	31.4
J&K Bank	BUY	46	100	115.3	26	0.4	557	7	11	15	82.4	63.8	33.5	7.0	4.3	3.2	—	—	—	0.6	0.5	0.5	5.9	9.1	11.2	2.9	4.7	6.2	0.3
Karur Vysya Bank	ADD	82	110	33.5	66	0.9	727	3	13	14	(32.3)	306.7	9.1	25.6	6.3	5.8	—	—	—	1.1	1.0	0.9	3.7	14.1	13.9	1.0	4.0	4.5	1.6
Punjab National Bank	ADD	67	90	34.4	185	2.5	2,761	(27)	12	18	40.4	145.3	46.9	(2.5)	5.6	3.8	—	—	—	3.3	1.1	0.6	(23.4)	10.7	13.8	—	—	—	40.4
RBL Bank	SELL	521	475	(8.9)	221	3.0	420	22	29	36	48.1	31.5	21.0	23.3	17.7	14.6	—	—	—	3.0	2.7	2.4	13.3	15.5	16.5	0.6	0.8	1.0	16.1
State Bank of India	BUY	271	370	36.6	2,418	33.3	8,925	8	37	53	204.8	380.5	42.7	35.2	7.3	5.1	—	—	—	1.8	1.3	1.0	3.1	13.6	16.7	—	0.1	0.2	99.8
Ujivan Financial Services	ADD	279	420	50.8	34	0.5	121	19	28	32	3,033.9	47.3	15.1	14.9	10.1	8.8	—	—	—	1.7	1.5	1.3	12.1	15.8	15.8	0.6	1.0	1.3	5.2
Union Bank	ADD	70	120	71.1	82	1.1	1,169																						

## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Target price	Upside	Mkt cap.		EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT	
		25-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	2019E	2020E
<b>NBFCs</b>																													
Bajaj Finance	SELL	2,299	2,000	(13.0)	1,329	18.3	575	68	90	114	56.6	31.9	27.3	33.8	25.7	20.2	—	—	—	6.9	5.6	4.5	22.4	24.0	24.6	0.3	0.4	0.5	68.1
Bajaj Finserv	REDUCE	6,186	6,100	(1.4)	984	13.5	159	245	307	376	39.7	25.2	22.5	25.2	20.1	16.4	—	—	—	4.0	3.4	2.8	17.5	18.1	18.6	0.2	0.2	0.2	21.0
Bharat Financial Inclusion	NA	1,056	—	—	148	2.0	139	43	54	69	31.1	27.2	25.8	24.7	19.4	15.4	—	—	—	4.0	3.3	2.6	17.9	18.5	19.0	—	—	—	9.8
Cholamandalam	ADD	1,230	1,425	15.8	192	2.6	156	74	92	113	19.4	23.8	23.1	16.6	13.4	10.9	—	—	—	3.3	2.7	2.3	20.6	21.3	21.7	0.7	0.9	1.1	7.4
HDFC	ADD	1,773	2,020	13.9	3,003	41.3	1,676	55	65	79	(27.3)	18.7	21.2	32.3	27.2	22.5	—	—	—	4.1	3.7	3.4	13.6	14.2	15.7	1.2	1.4	1.7	77.8
HDFC Standard Life Insurance	SELL	390	405	3.8	785	10.8	2,007	6	7	8	14.8	10.9	14.7	61.4	55.4	48.3	—	—	—	16.3	14.5	13.0	28.0	27.7	28.4	0.4	0.5	0.5	7.5
ICICI Lombard	SELL	833	620	(25.6)	378	5.2	454	26	32	37	37.1	21.5	18.5	32.0	26.3	22.2	—	—	—	7.0	5.9	4.9	23.8	24.2	24.0	0.7	0.9	1.0	3.5
ICICI Prudential Life	BUY	349	500	43.2	501	6.9	1,436	12	13	15	10.1	7.0	10.0	28.1	26.3	23.9	—	—	—	6.3	5.3	4.5	24.5	21.8	20.2	0.6	0.6	0.7	8.6
IIFL Holdings	SELL	557	625	12.3	178	2.4	319	38	45	52	31.5	18.6	16.0	14.8	12.5	10.8	—	—	—	2.6	2.3	2.0	20.5	20.0	20.0	1.4	1.7	2.0	1.7
L&T Finance Holdings	ADD	132	165	24.9	264	3.6	1,996	13	14	16	70.9	12.3	12.8	10.5	9.4	8.3	—	—	—	1.9	1.6	1.4	18.9	18.8	18.3	1.5	1.9	1.8	17.4
LIC Housing Finance	BUY	436	580	32.9	220	3.0	505	48	55	66	10.9	13.9	19.8	9.0	7.9	6.6	—	—	—	1.4	1.2	1.1	17.0	16.2	16.9	1.7	2.0	2.4	16.3
Magma Fincorp	BUY	121	165	36.1	33	0.4	237	13	17	21	34.0	31.8	23.0	9.3	7.1	5.7	—	—	—	1.2	1.0	0.9	13.9	15.8	17.0	1.6	2.1	2.6	1.0
Mahindra & Mahindra Financial	ADD	414	450	8.7	256	3.5	614	23	28	34	58.4	23.2	18.6	18.0	14.6	12.3	—	—	—	2.6	2.4	2.1	14.3	15.8	16.7	1.5	1.9	2.2	11.4
Max Financial Services	ADD	446	650	45.6	120	1.6	268	6	6	6	36.9	1.8	1.8	71.2	69.9	68.7	—	—	—	—	—	—	8.3	8.0	7.8	—	0.5	0.5	5.2
Muthoot Finance	ADD	428	480	12.2	171	2.4	400	40	42	48	(7.8)	6.0	14.8	10.8	10.2	8.9	—	—	—	1.9	1.7	1.5	19.0	17.6	17.8	2.1	2.3	2.6	6.8
PNB Housing Finance	REDUCE	1,056	1,200	13.6	177	2.4	167	62	75	92	25.3	20.9	22.4	16.9	14.0	11.4	—	—	—	2.5	2.2	1.8	15.2	15.9	17.0	0.3	0.3	0.3	5.2
SBI Life Insurance	ADD	566	785	38.7	566	7.8	1,000	15	18	21	26.0	22.9	17.0	39.0	31.7	27.1	—	—	—	7.4	6.2	5.2	20.6	21.3	20.9	0.4	0.5	0.6	2.7
Shriram City Union Finance	ADD	1,671	2,120	26.9	110	1.5	66	139	171	206	38.1	22.6	20.5	12.0	9.8	8.1	—	—	—	1.9	1.7	1.4	15.5	16.7	17.4	1.0	1.3	1.5	1.5
Shriram Transport	BUY	1,177	1,450	23.2	267	3.7	227	109	127	143	57.8	16.2	12.5	10.8	9.3	8.3	—	—	—	1.9	1.6	1.4	17.6	17.2	16.8	1.3	1.5	1.8	34.4
<b>NBFCs</b>	<b>Neutral</b>				<b>9,683</b>	<b>133</b>					<b>13.2</b>	<b>19.5</b>	<b>19.6</b>	<b>25.0</b>	<b>20.9</b>	<b>17.5</b>				<b>4.0</b>	<b>3.5</b>	<b>3.0</b>	<b>15.9</b>	<b>16.5</b>	<b>17.1</b>	<b>0.8</b>	<b>0.9</b>	<b>1.1</b>	<b>676.6</b>
<b>Cement</b>																													
ACC	SELL	1,564	1,270	(18.8)	294	4.0	188	62	70	81	27.0	13.8	15.2	25.3	22.2	19.3	14.0	12.1	10.2	2.9	2.7	2.4	11.9	12.5	13.1	1.1	1.1	1.1	16.5
Ambuja Cements	REDUCE	226	210	(6.9)	448	6.2	1,986	9	11	12	14.5	23.2	15.8	26.2	21.3	18.4	8.8	7.3	6.1	2.1	2.0	1.8	8.1	9.5	10.4	1.6	1.6	1.6	11.0
Dalmia Bharat	ADD	2,422	2,830	16.9	216	3.0	89	94	122	139	55.8	29.3	14.8	25.8	19.9	17.4	9.9	8.1	6.9	3.1	2.7	2.3	12.9	14.6	14.5	0.1	0.1	0.1	4.5
Grasim Industries	BUY	1,039	1,170	12.6	683	9.4	657	46	55	70	(2.5)	18.8	28.0	22.5	18.9	14.8	7.5	7.1	6.6	1.1	1.1	1.0	5.2	5.9	7.1	0.5	0.5	0.5	16.4
India Cements	REDUCE	106	118	10.9	33	0.5	308	4	8	12	28.0	102.6	41.3	25.5	12.6	8.9	8.4	6.6	5.5	0.6	0.6	0.6	2.5	4.8	6.5	0.9	0.9	0.9	9.5
J K Cement	ADD	771	890	15.4	54	0.7	70	45	79	78	3.7	75.4	(0.8)	17.2	9.8	9.9	10.2	8.4	6.8	2.4	2.0	1.7	15.0	22.3	18.5	1.0	1.0	1.0	0.5
JK Lakshmi Cement	ADD	306	370	21.1	36	0.5	118	11	28	37	153.5	147.9	30.5	27.0	10.9	8.3	9.6	6.2	5.1	2.3	1.9	1.6	8.9	19.5	21.0	0.7	0.7	0.7	0.3
Orient Cement	ADD	99	145	47.1	20	0.3	205	7	11	15	212.9	58.7	41.3	14.6	9.2	6.5	7.1	5.4	4.0	1.8	1.6	1.3	12.9	18.2	21.8	1.5	2.0	2.0	0.2
Shree Cement	SELL	17,129	12,500	(27.0)	597	8.2	35	421	630	760	6.0	49.7	20.6	40.7	27.2	22.5	18.9	14.2	11.5	5.9	4.9	4.1	15.4	19.7	19.8	0.3	0.3	0.3	5.3
UltraTech Cement	SELL	4,029	2,950	(26.8)	1,106	15.2	275	126	162	201	42.7	28.9	24.0	32.0	24.9	20.0	16.7	13.8	11.5	3.8	3.3	2.9	12.6	14.3	15.4	0.2	0.2	0.2	19.4
<b>Cement</b>	<b>Cautious</b>				<b>3,487</b>	<b>48</b>					<b>19.5</b>	<b>30.3</b>	<b>21.8</b>	<b>28.2</b>	<b>21.6</b>	<b>17.8</b>	<b>10.8</b>	<b>9.2</b>	<b>8.0</b>	<b>2.4</b>	<b>2.2</b>	<b>1.9</b>	<b>8.4</b>	<b>10.0</b>	<b>11.0</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>83.7</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

**Kotak Institutional Equities: Valuation summary of KIE Universe stocks**

Company	Rating	Target price			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) 25-Sep-18	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	
<b>Consumer products</b>																													
Asian Paints	REDUCE	1,290	1,325	2.7	1,237	17.0	959	27	33	39	32.1	20.3	18.3	47.6	39.6	33.4	29.8	24.6	20.8	12.8	11.2	9.8	28.8	30.3	31.3	0.9	1.2	1.4	23.6
Bajaj Corp.	ADD	444	470	5.8	66	0.9	148	15	17	19	7.8	10.3	9.5	28.8	26.1	23.8	23.1	19.7	17.2	13.4	13.3	13.1	46.3	51.2	55.4	2.9	3.2	3.4	0.6
Britannia Industries	ADD	5,774	6,700	16.0	694	9.5	120	104	127	152	24.5	22.2	19.2	55.4	45.4	38.0	36.3	29.6	24.8	16.1	13.0	10.7	32.5	31.8	30.9	0.6	0.8	1.0	14.1
Coffee Day Enterprises	REDUCE	298	290	(2.8)	63	0.9	211	8	10	12	129.9	30.0	21.2	38.8	29.9	24.6	12.7	11.1	10.2	2.5	2.3	2.1	6.6	8.0	8.9	—	—	—	1.1
Colgate-Palmolive (India)	ADD	1,097	1,250	13.9	298	4.1	272	27	32	36	14.7	15.6	15.5	40.2	34.8	30.1	23.0	20.0	17.3	17.6	15.2	13.4	46.0	46.9	47.3	1.5	1.7	2.1	7.3
Dabur India	REDUCE	438	390	(10.9)	773	10.6	1,762	9	10	12	17.3	12.9	13.6	48.0	42.5	37.4	40.2	34.7	30.0	13.5	11.7	10.3	28.1	29.6	29.4	0.9	1.0	1.3	20.8
GlaxoSmithKline Consumer	ADD	7,152	7,300	2.1	301	4.1	42	199	223	246	19.5	12.1	10.1	35.9	32.1	29.1	25.1	21.7	19.0	7.8	7.0	6.4	22.8	23.0	23.1	1.3	1.5	1.7	2.3
Godrej Consumer Products	SELL	782	733	(6.3)	800	11.0	1,022	17	19	22	18.8	13.7	12.7	46.3	40.7	36.1	32.8	28.4	24.8	10.8	9.4	8.2	25.3	24.7	24.2	0.7	0.8	0.9	13.8
Hindustan Unilever	REDUCE	1,631	1,570	(3.7)	3,530	48.6	2,160	29	33	37	19.5	13.2	12.6	55.6	49.2	43.6	38.5	33.8	29.9	43.5	37.0	31.8	83.5	81.4	78.3	1.3	1.5	1.7	37.6
ITC	ADD	301	330	9.6	3,684	50.7	12,275	10	11	12	8.2	12.3	11.7	31.2	27.8	24.9	20.2	17.8	15.9	6.8	6.4	6.0	20.4	22.2	24.2	1.9	2.2	2.6	58.1
Jubilant Foodworks	BUY	1,260	1,650	30.9	166	2.3	132	25	35	46	74.7	37.6	32.4	49.6	36.0	27.2	24.7	18.5	14.0	12.4	9.4	7.1	29.0	29.7	29.9	0.2	0.2	0.3	28.5
Jyothy Laboratories	ADD	200	240	20.0	73	1.0	364	6	7	8	27.6	16.7	15.4	35.6	30.5	26.4	23.8	20.2	17.2	5.5	4.8	4.2	16.6	16.8	16.9	0.5	0.8	1.0	0.9
Marico	ADD	332	375	13.1	428	5.9	1,291	7	8	9	8.9	20.0	14.5	48.6	40.5	35.4	33.7	27.8	24.0	15.9	14.8	13.7	33.7	37.9	40.2	1.4	1.7	1.9	10.0
Nestle India	ADD	9,697	11,000	13.4	935	12.9	96	171	197	223	34.2	15.7	13.2	56.9	49.1	43.4	32.5	28.0	24.6	25.1	23.1	21.1	46.1	49.0	50.8	1.2	1.4	1.6	9.9
Page Industries	SELL	32,654	25,000	(23.4)	364	5.0	11	418	508	607	34.3	21.6	19.5	78.2	64.3	53.8	50.5	41.7	34.8	33.0	26.2	21.0	47.8	45.5	43.4	0.5	0.7	0.8	18.0
Pidilite Industries	REDUCE	1,100	1,080	(1.8)	559	7.7	508	21	26	31	16.8	21.8	20.2	52.2	42.9	35.7	34.7	28.6	23.8	13.2	11.1	9.3	27.4	28.2	28.4	0.6	0.7	0.9	8.1
S H Kelkar and Company	BUY	212	290	36.7	31	0.4	145	7	10	12	(6.2)	41.9	23.2	30.6	21.5	17.5	19.8	14.2	12.2	3.3	3.0	2.6	11.3	14.5	16.0	0.8	0.9	1.3	0.5
Tata Global Beverages	REDUCE	236	250	5.9	149	2.1	631	8	9	10	7.7	17.0	12.9	29.8	25.5	22.6	16.3	14.4	12.7	2.0	2.0	1.9	7.0	7.9	8.5	1.3	1.5	1.7	11.0
Titan Company	SELL	797	840	5.4	707	9.7	888	16	20	23	25.6	21.8	19.3	49.6	40.8	34.2	32.9	26.2	21.5	11.7	9.9	8.3	25.6	26.3	26.4	0.6	0.7	0.9	39.3
United Breweries	SELL	1,385	1,100	(20.6)	366	5.0	264	21	26	31	39.2	23.6	20.6	66.6	53.9	44.7	32.9	28.3	24.3	11.5	9.8	8.3	18.7	19.6	20.0	0.2	0.3	0.4	13.9
United Spirits	REDUCE	530	590	11.3	385	5.3	727	10	13	17	34.7	30.9	24.5	51.7	39.5	31.7	30.2	24.4	20.5	10.6	7.8	6.0	24.2	22.7	21.3	—	—	0.5	13.2
Varun Beverages	ADD	765	800	4.6	140	1.9	183	15	20	26	29.8	34.5	30.7	51.2	38.1	29.1	17.0	14.5	12.2	7.1	6.0	5.1	14.6	17.1	19.0	—	—	0.3	1.3
<b>Consumer products</b>	<b>Cautious</b>				<b>15,749</b>	<b>217</b>					<b>17.7</b>	<b>16.0</b>	<b>14.7</b>	<b>44.3</b>	<b>38.2</b>	<b>33.3</b>	<b>28.7</b>	<b>24.6</b>	<b>21.4</b>	<b>11.6</b>	<b>10.4</b>	<b>9.3</b>	<b>26.1</b>	<b>27.1</b>	<b>27.8</b>	<b>1.2</b>	<b>1.4</b>	<b>1.6</b>	<b>333.9</b>
<b>Energy</b>																													
BPCL	REDUCE	364	375	3.0	790	10.9	1,967	38	39	39	(6.7)	3.1	1.1	9.7	9.4	9.3	7.1	6.7	6.5	1.9	1.7	1.6	20.5	19.1	17.5	4.1	4.3	4.3	25.9
Castrol India	SELL	151	155	2.5	149	2.1	989	7	8	9	2.9	10.1	9.7	21.4	19.4	17.7	13.3	12.0	10.9	14.0	13.7	13.2	67.1	71.5	76.0	3.6	4.1	4.5	3.7
GAIL (India)	BUY	370	440	19.0	834	11.5	2,255	26	29	31	27.8	10.0	9.5	14.2	12.9	11.8	8.8	8.1	7.4	1.9	1.7	1.6	14.0	14.1	14.2	2.3	2.6	2.8	25.2
GSPL	SELL	182	175	(3.8)	103	1.4	564	11	11	12	(6.5)	(0.5)	11.9	16.4	16.5	14.7	6.1	6.1	5.4	1.8	1.7	1.5	11.7	10.7	10.9	0.9	0.9	1.0	1.2
HPCL	REDUCE	243	285	17.2	371	5.1	1,524	32	32	32	(22.3)	(2.2)	0.5	7.5	7.7	7.6	6.8	7.2	7.6	1.4	1.3	1.2	19.6	17.4	16.1	5.4	5.3	5.3	22.4
Indraprastha Gas	SELL	265	240	(9.3)	185	2.6	700	12	13	15	16.4	12.3	10.7	22.1	19.6	17.7	13.9	12.2	10.8	4.5	4.0	3.5	22.1	21.5	20.9	0.9	1.2	1.6	9.6
IOCL	REDUCE	154	150	(2.7)	1,497	20.6	9,479	18	17	18	(11.2)	(4.1)	2.8	8.5	8.8	8.6	4.9	4.8	4.6	1.2	1.1	1.1	15.1	13.4	12.9	4.7	4.5	4.7	18.0
Mahanagar Gas	ADD	822	965	17.3	81	1.1	99	56	60	64	16.0	7.6	5.4	14.7	13.6	12.9	8.5	7.7	7.1	3.4	3.0	2.7	24.8	23.5	22.0	2.7	2.9	3.1	12.7
ONGC	ADD	182	200	9.7	2,399	32.2	12,833	20	20	19	16.8	0.3	(5.9)	9.0	8.9	9.5	4.2	4.0	4.0	1.0	0.9	0.9	11.2	10.6	9.5	3.7	3.8	3.8	16.3
Oil India	SELL	220	200	(9.0)	250	3.4	1,135	23	24	23	(6.7)	3.4	(2.5)	9.5	9.2	9.5	6.2	5.9	5.9	0.9	0.8	0.8	9.2	9.0	8.4	4.2	4.3	4.2	2.2
Petronet LNG	BUY	224	280	25.3	335	4.6	1,500	16	18	20	16.7	13.1	9.4	13.8	12.2	11.1	9.2	7.8	6.9	3.0	2.7	2.4	23.3	23.2	22.7	2.5	3.3	4.0	10.3
Reliance Industries	SELL	1,231	985	(20.0)	7,283	100.2	5,922	69	78	87	17.6	12.4	11.9	17.7	15.8	14.1	11.9	10.2	8.6	2.2	2.0	1.7	12.2	12.1	12.1	0.5	0.6	0.6	143.6
<b>Energy</b>	<b>Attractive</b>				<b>14,217</b>	<b>196</b>					<b>7.2</b>	<b>5.2</b>	<b>4.8</b>	<b>12.9</b>	<b>12.2</b>	<b>11.7</b>	<b>7.8</b>	<b>7.2</b>	<b>6.6</b>	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>	<b>13.0</b>	<b>12.5</b>	<b>12.0</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>	<b>291.2</b>

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)
		25-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	
<b>Industrials</b>																													
ABB	SELL	1,429	1,020	(28.6)	303	4.2	212	26	29	36	30.1	14.2	23.5	55.4	48.5	39.3	32.6	29.3	24.3	7.7	7.0	6.2	14.5	15.1	16.7	0.6	0.6	0.6	2.2
BHEL	REDUCE	72	89	24.2	263	3.6	3,671	3.3	5.5	7.6	47.9	69.3	38.0	22.0	13.0	9.4	6.8	4.1	3.0	0.8	0.8	0.8	3.6	6.1	8.2	2.8	4.7	6.6	9.4
Carborundum Universal	SELL	375	322	(14.1)	71	1.0	189	14	17	20	25.0	21.4	13.8	26.3	21.6	19.0	14.4	11.8	10.2	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	49	72	45.6	31	0.4	627	2.9	4.3	6.2	255.2	48.7	44.9	17.0	11.5	7.9	7.1	5.6	4.3	1.1	1.1	1.0	6.7	9.8	13.3	—	—	—	5.8
Cummins India	REDUCE	693	710	2.5	192	2.6	277	28	33	37	15.2	17.5	13.7	24.9	21.2	18.6	20.8	17.9	15.4	4.5	4.2	3.9	18.7	20.6	21.8	2.2	2.6	2.9	4.9
Kalpitaru Power Transmission	BUY	325	560	72.2	50	0.7	153	23.0	32.1	41.0	26.0	39.1	27.7	14.1	10.1	7.9	6.5	5.1	4.3	1.7	1.4	1.2	12.5	15.2	16.7	0.5	0.5	0.5	0.6
KEC International	BUY	291	410	40.9	75	1.0	257	21	27	33	16.9	29.7	23.0	13.9	10.7	8.7	7.9	6.4	5.5	3.0	2.4	2.0	24.1	25.2	24.9	0.8	1.0	1.2	2.7
L&T	BUY	1,319	1,600	21.3	1,849	25.4	1,401	66.3	67.6	79.5	28.2	1.9	17.6	19.9	19.5	16.6	17.9	17.3	14.4	3.3	3.0	2.7	17.6	16.2	17.1	1.7	1.7	2.0	45.5
Siemens	SELL	942	1,000	6.2	335	4.6	356	29	35	—	21.4	21.7	—	32.4	26.6	—	18.1	14.5	—	3.9	3.6	—	12.3	14.0	—	1.3	1.5	—	3.6
Thermax	REDUCE	924	1,010	9.3	110	1.5	113	27.8	38.7	43.8	34.7	39.2	13.2	33.3	23.9	21.1	21.0	15.6	13.3	3.6	3.3	3.0	11.1	14.3	14.7	1.0	1.2	1.3	1.0
<b>Industrials</b>	<b>Neutral</b>				<b>3,279</b>	<b>45</b>					<b>29.0</b>	<b>13.9</b>	<b>11.9</b>	<b>22.6</b>	<b>19.9</b>	<b>17.8</b>	<b>16.4</b>	<b>14.6</b>	<b>12.0</b>	<b>2.8</b>	<b>2.6</b>	<b>2.5</b>	<b>12.3</b>	<b>12.9</b>	<b>14.3</b>	<b>1.6</b>	<b>1.8</b>	<b>2.0</b>	<b>76.0</b>
<b>Infrastructure</b>																													
Adani Ports and SEZ	BUY	338	460	36.1	700	9.6	2,071	19	23	29	1.2	21.1	29.8	18.1	14.9	11.5	12.5	10.4	9.0	2.9	2.4	2.0	17.0	17.7	19.4	0.5	0.6	0.6	17.1
Ashoka Buildcon	BUY	117	235	101.2	33	0.5	282	9	10	10	4.1	17.8	(1.3)	13.3	11.3	11.5	8.8	7.4	6.9	1.5	1.3	1.2	11.8	12.3	11.0	1.4	1.1	1.1	0.5
Container Corp.	SELL	613	635	3.6	299	4.1	487	21	25	29	17.4	20.9	15.0	29.6	24.5	21.3	18.1	14.4	11.8	2.9	2.7	2.5	10.3	11.6	12.3	1.4	1.7	1.6	5.5
Dilip Buildcon	BUY	682	1,240	81.9	93	1.3	137	56	71	85	19.8	27.5	20.1	12.3	9.6	8.0	6.6	5.2	4.4	2.9	2.2	1.7	26.7	26.2	24.4	—	—	—	4.1
Gateway Distriparks	BUY	156	250	60.4	17	0.2	109	7	8	11	(5.8)	15.2	37.5	21.7	18.9	13.7	10.2	8.4	6.9	2.9	2.6	2.2	9.8	14.5	17.1	—	1.9	1.9	0.3
Gujarat Pipavav Port	BUY	101	150	48.6	49	0.7	483	5.3	6.5	7.8	29.7	22.9	19.3	18.9	15.4	12.9	10.0	8.1	6.8	2.4	2.3	2.3	12.7	15.3	17.8	4.4	5.3	6.3	1.0
IRB Infrastructure	BUY	137	320	132.9	48	0.7	351	31	33	23	36.8	7.1	(31.3)	4.5	4.2	6.0	5.9	6.4	7.7	0.7	0.6	0.6	17.6	16.3	10.0	2.2	2.9	3.1	5.7
Mahindra Logistics	REDUCE	534	565	5.8	38	0.5	71	15	21	25	50.7	39.3	23.7	36.1	25.9	21.0	20.1	14.5	11.5	7.5	6.1	4.9	22.7	25.8	25.8	—	—	—	0.5
Sadbhav Engineering	BUY	247	435	75.8	42	0.6	172	17	22	23	31.7	31.0	2.6	14.6	11.1	10.9	10.7	8.4	7.1	2.0	1.7	1.5	14.5	16.5	14.7	—	—	—	1.4
<b>Infrastructure</b>	<b>Attractive</b>				<b>1,319</b>	<b>18</b>					<b>11.3</b>	<b>20.3</b>	<b>16.7</b>	<b>17.1</b>	<b>14.2</b>	<b>12.2</b>	<b>10.8</b>	<b>9.2</b>	<b>8.3</b>	<b>2.5</b>	<b>2.2</b>	<b>1.9</b>	<b>14.8</b>	<b>15.5</b>	<b>15.7</b>	<b>0.9</b>	<b>1.1</b>	<b>1.1</b>	<b>36.0</b>
<b>Internet</b>																													
Info Edge	ADD	1,519	1,425	(6.2)	185	2.5	122	26	33	40	14.9	27.5	20.6	58.7	46.1	38.2	44.7	33.8	27.4	7.0	6.3	5.6	13.2	14.3	15.6	0.5	0.5	0.7	3.3
Just Dial	ADD	492	610	23.9	33	0.5	67	26	30	33	23.0	15.0	9.4	18.8	16.4	15.0	9.7	7.6	6.3	2.9	2.5	2.2	16.7	16.6	15.7	0.5	0.6	0.7	23.5
<b>Internet</b>	<b>Cautious</b>				<b>218</b>	<b>3</b>					<b>17.6</b>	<b>23.0</b>	<b>16.8</b>	<b>44.5</b>	<b>36.2</b>	<b>31.0</b>	<b>32.6</b>	<b>25.7</b>	<b>21.4</b>	<b>5.8</b>	<b>5.1</b>	<b>4.6</b>	<b>12.9</b>	<b>14.2</b>	<b>14.7</b>	<b>0.5</b>	<b>0.6</b>	<b>0.7</b>	<b>26.8</b>
<b>Media</b>																													
DB Corp.	REDUCE	201	270	34.4	37	0.5	184	20	23	26	14.9	12.3	14.8	9.9	8.8	7.7	5.3	4.6	—	2.0	1.9	—	20.7	22.3	25.2	8.4	10.5	12.6	0.5
DishTV	ADD	59	90	51.9	109	1.5	1,925	1.8	3.4	4.9	514.6	88.2	42.6	NM	17.2	12.1	5.2	4.1	3.2	1.6	1.5	1.3	5.1	8.9	11.5	—	—	—	5.3
Jaagran Prakashan	REDUCE	113	131	15.7	34	0.5	311	11	12	14	10.0	13.6	14.5	10.7	9.4	8.2	4.6	3.9	3.4	1.8	1.7	1.6	15.9	18.2	19.7	4.4	6.6	7.5	0.4
PVR	BUY	1,254	1,430	14.1	59	0.8	47	38	50	61	41.2	32.3	22.4	33.1	25.0	20.4	12.7	10.8	9.2	4.8	4.1	3.5	15.3	17.6	18.3	0.3	0.4	0.5	11.6
Sun TV Network	REDUCE	640	925	44.6	252	3.5	394	35	39	43	20.7	10.9	10.7	18.4	16.6	15.0	12.3	10.7	9.2	4.9	4.4	4.0	28.1	27.9	27.9	2.7	3.1	3.5	19.4
Zee Entertainment Enterprises	ADD	449	600	33.5	432	5.9	960	17	20	22	11.3	17.0	13.9	26.9	23.0	20.2	16.5	13.9	12.1	5.0	4.4	3.9	19.9	20.6	20.7	1.0	1.2	1.6	18.3
<b>Media</b>	<b>Attractive</b>				<b>922</b>	<b>13</b>					<b>28.7</b>	<b>21.0</b>	<b>17.2</b>	<b>22.1</b>	<b>18.3</b>	<b>15.6</b>	<b>10.4</b>	<b>8.9</b>	<b>7.3</b>	<b>3.6</b>	<b>3.2</b>	<b>3.1</b>	<b>16.3</b>	<b>17.7</b>	<b>19.8</b>	<b>1.7</b>	<b>2.1</b>	<b>2.5</b>	<b>55.5</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)	
		25-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		
<b>Metals &amp; Mining</b>																													
Coal India	ADD	275	320	16.3	1,709	23.5	6,207	25	25	27	120.4	2.2	6.6	11.0	10.8	10.1	8.4	7.1	6.6	6.8	7.5	7.9	62.7	65.9	76.0	7.3	9.1	9.1	15.1
Hindalco Industries	BUY	243	305	25.5	546	7.5	2,229	27	31	34	25.1	13.6	10.2	8.9	7.8	7.1	5.7	5.0	4.4	0.9	0.8	0.7	10.6	10.8	10.8	0.5	0.5	0.5	35.9
Hindustan Zinc	ADD	304	290	(4.5)	1,284	17.7	4,225	22	26	27	3.7	14.7	5.4	13.6	11.9	11.3	8.0	6.6	5.8	3.1	2.7	2.3	24.4	24.2	22.1	2.6	2.6	2.7	6.2
Jindal Steel and Power	REDUCE	226	215	(4.7)	218	3.0	968	8	14	22	195.9	68.5	60.8	27.7	16.4	10.2	7.1	6.4	5.5	0.7	0.7	0.6	2.7	4.3	6.5	—	—	—	34.5
JSW Steel	SELL	404	350	(13.3)	976	13.4	2,406	31	26	31	16.1	(16.2)	17.2	12.9	15.4	13.1	7.5	8.6	7.6	2.7	2.4	2.1	23.5	16.6	16.8	0.8	0.8	0.8	32.3
National Aluminium Co.	ADD	66	80	21.5	127	1.8	1,933	9	7	8	125.8	(21.1)	2.4	7.1	9.0	8.7	3.1	4.0	3.9	1.2	1.2	1.2	16.8	13.0	13.3	9.1	9.1	9.1	11.7
NMDC	REDUCE	113	120	5.9	358	4.9	3,164	12	10	11	4.2	(14.3)	5.9	9.3	10.8	10.2	5.7	6.6	6.1	1.4	1.3	1.2	15.3	12.4	12.5	4.9	4.9	4.9	6.0
Tata Steel	ADD	601	660	9.8	688	9.5	1,205	76	85	94	12.8	12.1	10.9	7.9	7	6.4	6.0	6.3	5.9	1.0	1.0	0.9	14.3	14.3	14.4	1.7	1.7	1.7	73.5
Vedanta	BUY	230	370	60.6	856	11.8	3,717	32	39	38	49.1	19.7	(0.7)	7.2	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	45.9
<b>Metals &amp; Mining</b>		<b>Attractive</b>			<b>6,762</b>	<b>93</b>					<b>39.9</b>	<b>6.7</b>	<b>7.8</b>	<b>10.2</b>	<b>9.6</b>	<b>8.9</b>	<b>6.4</b>	<b>6.0</b>	<b>5.5</b>	<b>1.8</b>	<b>1.7</b>	<b>1.5</b>	<b>17.9</b>	<b>17.5</b>	<b>17.1</b>	<b>3.6</b>	<b>4.2</b>	<b>4.2</b>	<b>260.9</b>
<b>Pharmaceutical</b>																													
Apollo Hospitals	ADD	1,046	1,090	4.2	146	2.0	139	20	27	33	133.5	36.7	21.6	53.1	38.8	31.9	18.7	15.8	13.9	4.2	3.9	3.6	8.2	10.5	11.8	0.5	0.6	0.8	15.2
Aster DM Healthcare	BUY	155	240	54.4	79	1.1	505	5	8	12	74.4	62.0	51.4	32.3	20.0	13.2	11.8	9.3	7.2	2.6	2.3	2.0	8.3	12.2	16.3	—	—	—	0.2
Aurobindo Pharma	ADD	761	760	(0.1)	446	6.1	584	42	57	64	1.0	35.8	12.3	18.0	13.3	11.8	12.1	9.0	7.9	3.2	2.6	2.2	19.3	19.9	18.6	0.7	0.8	1.0	38.0
Biocon	SELL	702	330	(53.0)	421	5.8	601	8	15	18	35.9	75.7	21.7	83.3	47.4	39.0	36.2	24.2	20.6	7.0	6.3	5.6	8.7	13.9	14.3	0.4	0.7	0.9	22.2
Cipla	BUY	662	680	2.8	533	7.3	805	24	31	40	34.5	31.0	29.4	28.1	21.4	16.6	15.8	12.6	9.8	3.3	3.0	2.6	12.4	14.6	15.7	0.7	1.0	1.3	24.6
Dr Lal Pathlabs	REDUCE	964	900	(6.6)	80	1.1	83	24	29	34	19.0	17.9	18.4	39.6	33.6	28.4	24.3	20.3	16.6	8.5	7.1	6.0	23.4	23.1	22.9	0.5	0.6	0.7	1.3
Dr Reddy's Laboratories	REDUCE	2,612	2,150	(17.7)	433	6.0	166	89	118	141	50.2	32.8	19.3	29.5	22.2	18.6	14.8	10.6	8.8	3.1	2.8	2.5	11.1	12.6	13.3	0.5	0.7	0.8	35.0
HCG	REDUCE	224	290	29.6	20	0.3	85	2	4	7	39.8	80.3	80.8	102.4	56.8	31.4	16.8	13.9	10.7	3.6	3.4	3.0	3.5	6.1	10.1	—	—	—	0.2
Laurus Labs	ADD	433	500	15.5	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	883	800	(9.4)	399	5.5	450	27	39	50	(28.9)	44.0	27.4	32.6	22.6	17.7	15.2	11.0	8.9	2.7	2.5	2.2	8.6	11.4	12.4	0.5	0.7	0.8	46.2
Narayana Hrudayalaya	ADD	243	265	9.0	50	0.7	204	3	6	9	23.0	103.2	40.7	78.6	38.7	27.5	22.4	15.6	12.6	4.5	4.0	3.5	5.9	11.0	13.7	—	—	—	0.1
Sun Pharmaceuticals	SELL	641	540	(15.8)	1,538	21.2	2,406	16	24	29	7.5	45.5	21.6	39.3	27.0	22.2	21.2	15.3	12.7	3.7	3.3	2.9	9.8	12.9	13.2	0.5	0.7	0.9	62.7
Torrent Pharmaceuticals	NR	1,728	—	—	292	4.0	169	47	61	81	18.0	29.6	32.1	36.5	28.2	21.3	15.9	13.6	11.3	5.6	4.8	4.1	15.3	17.2	19.3	0.6	0.8	1.1	7.8
<b>Pharmaceuticals</b>		<b>Neutral</b>			<b>4,482</b>	<b>62</b>					<b>11.3</b>	<b>40.7</b>	<b>22.6</b>	<b>33.8</b>	<b>24.0</b>	<b>19.6</b>	<b>17.4</b>	<b>12.9</b>	<b>10.8</b>	<b>3.7</b>	<b>3.3</b>	<b>2.9</b>	<b>10.9</b>	<b>13.5</b>	<b>14.6</b>	<b>0.5</b>	<b>0.7</b>	<b>0.9</b>	<b>254.3</b>
<b>Real Estate</b>																													
Brigade Enterprises	BUY	196	290	48.2	27	0.4	136	9	15	17	(17.0)	59.2	15.8	21.3	13.4	11.6	13.3	10.3	8.3	1.1	1.1	1.0	5.4	8.1	8.8	1.3	1.3	1.3	0.3
DLF	RS	178	—	—	317	4.4	1,784	5.3	23.9	14.1	(87.2)	354.6	(41.0)	33.8	7.4	12.6	49.2	8.6	16.1	0.9	0.8	0.8	2.6	11.3	6.2	1.1	1.1	1.1	18.2
Godrej Properties	SELL	570	400	(29.8)	131	1.8	216	13.3	15.8	18.2	(38.9)	19.1	15.2	43.0	36.1	31.3	257.9	135.2	111.0	3.7	3.3	3.0	10.5	9.7	10.1	—	—	—	1.5
Oberoi Realty	BUY	406	560	37.9	148	2.0	340	62	44	66	385.4	(28.0)	49.3	6.6	9.1	6.1	9.2	11.4	4.9	1.5	1.3	1.1	27.4	15.2	19.2	0.5	0.5	0.5	2.3
Prestige Estates Projects	ADD	212	315	48.3	80	1.1	375	19	21	11	(24.2)	8.4	—	11.2	10.3	19.9	10.0	10.1	13.3	0.8	0.7	—	14.6	14.9	7.3	1.4	1.4	0.7	0.8
Sobha	REDUCE	423	510	20.5	40	0.6	95	23	36	24	(48.8)	51.7	(32.6)	18.0	11.9	17.6	11.1	8.7	10.9	1.9	1.7	1.6	9.0	14.8	9.1	1.7	1.7	1.7	
Sunteck Realty	REDUCE	439	360	(18.0)	64	0.9	140	19	19	39	22.4	1.6	106.6	23.5	23.1	11.2	19.7	19.1	8.4	2.1	2.0	1.7	9.5	8.9	16.2	0.2	0.2	0.2	1.9
<b>Real Estate</b>		<b>Neutral</b>			<b>806</b>	<b>11</b>					<b>(53.1)</b>	<b>65.1</b>	<b>(14.4)</b>	<b>17.2</b>	<b>10.4</b>	<b>12.2</b>	<b>18.6</b>	<b>11.0</b>	<b>12.1</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>	<b>7.1</b>	<b>10.6</b>	<b>9.0</b>	<b>0.8</b>	<b>0.8</b>	<b>0.7</b>	<b>26.6</b>

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)
		25-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	
<b>Technology</b>																													
HCL Technologies	REDUCE	1,116	1,100	(1.5)	1,555	21.4	1,409	71	78	82	14.6	8.9	5.0	15.6	14.4	13.7	10.2	9.1	8.4	3.5	3.0	2.7	24.4	22.3	20.6	0.7	2.8	2.9	35.9
Hexaware Technologies	SELL	444	455	2.5	132	1.8	302	20	24	27	19.5	21.6	12.7	22.4	18.5	16.4	16.6	12.6	11.0	5.8	4.9	4.2	27.6	28.7	27.5	1.8	1.8	2.3	23.3
Infosys	ADD	726	770	6.0	3,172	43.7	4,350	36	41	45	12.8	13.3	8.9	19.9	17.6	16.1	13.6	11.9	10.6	4.5	4.0	3.6	23.4	24.2	23.7	3.0	2.7	2.9	88.3
L&T Infotech	ADD	1,882	2,100	11.6	326	4.5	175	83	96	113	30.5	15.6	18.1	22.7	19.6	16.6	17.2	13.8	11.7	6.9	5.6	4.5	33.5	31.3	30.0	1.3	1.4	1.6	9.2
Mindtree	ADD	1,087	1,225	12.7	178	2.5	165	45	57	65	29.5	27.0	14.5	24.3	19.1	16.7	15.4	12.1	10.4	5.6	4.7	4.0	24.7	26.6	25.8	1.2	1.6	1.8	26.9
Mphasis	SELL	1,189	900	(24.3)	230	3.2	193	53	60	63	21.9	12.1	4.7	22.2	19.8	19.0	16.4	13.9	12.9	4.4	4.0	3.6	18.9	21.0	20.0	1.7	2.1	2.5	6.7
TCS	REDUCE	2,183	1,950	(10.7)	8,359	115.0	3,829	84	94	101	24.9	11.7	7.4	25.9	23.2	21.6	19.1	17.1	15.9	8.4	8.2	8.1	34.3	35.6	37.7	1.9	3.4	3.7	85.0
Tech Mahindra	ADD	759	865	14.0	670	9.2	891	46	57	64	8.4	22.4	13.0	16.4	13.4	11.9	9.8	7.7	6.6	3.1	2.6	2.2	20.2	21.2	20.3	1.2	1.4	1.5	40.3
Wipro	REDUCE	328	325	(1.0)	1,485	20.4	4,507	19	23	25	12.8	19.5	7.5	17.2	14.4	13.4	11.1	9.3	8.5	2.6	2.4	2.2	16.5	17.6	17.4	0.5	3.0	3.4	18.9
<b>Technology</b>	<b>Cautious</b>				<b>16,106</b>	<b>222</b>					<b>15.6</b>	<b>13.0</b>	<b>8.1</b>	<b>21.7</b>	<b>19.2</b>	<b>17.8</b>	<b>15.0</b>	<b>13.1</b>	<b>12.0</b>	<b>5.3</b>	<b>4.8</b>	<b>4.4</b>	<b>24.2</b>	<b>25.1</b>	<b>24.9</b>	<b>1.8</b>	<b>3.0</b>	<b>3.2</b>	<b>334.6</b>
<b>Telecom</b>																													
Bharti Airtel	ADD	361	445	23.4	1,441	19.8	3,997	(6)	(4)	5	(221.5)	28.8	215.1	(62.7)	(88.1)	76.5	9.5	8.0	6.4	2.2	2.2	2.2	(3.4)	(2.5)	2.9	0.3	(0.2)	0.3	24.3
Bharti Infratel	REDUCE	269	285	5.8	498	6.9	1,850	13	12	13	(4.8)	(8.5)	7.7	20.6	22.5	20.9	7.6	8.1	7.6	3.1	3.1	3.0	14.6	13.7	14.6	3.9	3.6	3.9	10.3
IDEA	REDUCE	41	45	11.1	354	4.9	4,359	(17)	(17)	(15)	(75.6)	(2.4)	11.4	(2.4)	(2.4)	(2.7)	40.5	33.9	20.8	0.8	1.2	2.2	(29.7)	(41.1)	(59.4)	—	—	—	16.5
Tata Communications	ADD	503	660	31.2	143	2.0	285	0	3	7	(77.5)	694.2	123.5	1,357	170.9	76.5	10.3	9.1	8.2	(62.5)	(84.8)	(1,643.2)	7.8	(42.1)	(211.0)	1.3	1.5	1.5	3.3
<b>Telecom</b>	<b>Cautious</b>				<b>2,436</b>	<b>34</b>					<b>(2,384.5)</b>	<b>5.0</b>	<b>68.0</b>	<b>(33.9)</b>	<b>(35.7)</b>	<b>(111.6)</b>	<b>11.1</b>	<b>9.7</b>	<b>8.0</b>	<b>2.3</b>	<b>2.6</b>	<b>2.7</b>	<b>(6.9)</b>	<b>(7.2)</b>	<b>(2.4)</b>	<b>1.0</b>	<b>0.6</b>	<b>1.0</b>	<b>54.3</b>
<b>Utilities</b>																													
CESC	BUY	892	1,180	32.3	118	1.6	133	115	128	141	31.7	11.6	10.1	7.8	7.0	6.3	5.6	5.0	4.3	0.8	0.7	0.6	10.0	10.4	10.5	1.4	1.4	1.5	7.7
JSW Energy	REDUCE	65	70	8.1	106	1.5	1,640	5.1	6.5	6.6	65.9	26.8	2.9	12.7	10.0	9.7	5.6	4.6	4.1	0.9	0.8	0.8	7.2	8.5	8.0	—	—	—	1.2
NHPC	ADD	24	30	27.4	242	3.3	10,260	3.1	3.2	3.4	26.9	1.8	8.0	7.6	7.5	6.9	7.1	6.9	7.3	0.8	0.7	0.7	10.4	10.2	10.6	7.4	7.5	6.3	1.6
NTPC	BUY	170	190	11.8	1,402	19.3	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	12.0
Power Grid	BUY	193	250	29.8	1,008	13.9	5,232	19	21	23	19.3	13.6	7.6	10.2	9.0	8.4	7.3	6.7	6.4	1.7	1.5	1.4	17.1	17.5	17.0	3.3	3.7	4.0	14.7
Tata Power	BUY	70	90	28.0	190	2.6	2,705	6.0	7.0	10.9	12.7	15.6	57.0	11.7	10.1	6.4	10.5	10.1	8.8	1.1	1.0	0.9	10.1	10.6	14.6	—	—	—	4.5
<b>Utilities</b>	<b>Attractive</b>				<b>3,066</b>	<b>42</b>					<b>26.0</b>	<b>8.8</b>	<b>14.1</b>	<b>10.5</b>	<b>9.6</b>	<b>8.4</b>	<b>8.0</b>	<b>7.3</b>	<b>6.6</b>	<b>1.2</b>	<b>1.2</b>	<b>1.1</b>	<b>11.9</b>	<b>12.0</b>	<b>12.5</b>	<b>2.9</b>	<b>3.1</b>	<b>3.3</b>	<b>41.8</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

**Kotak Institutional Equities: Valuation summary of KIE Universe stocks**

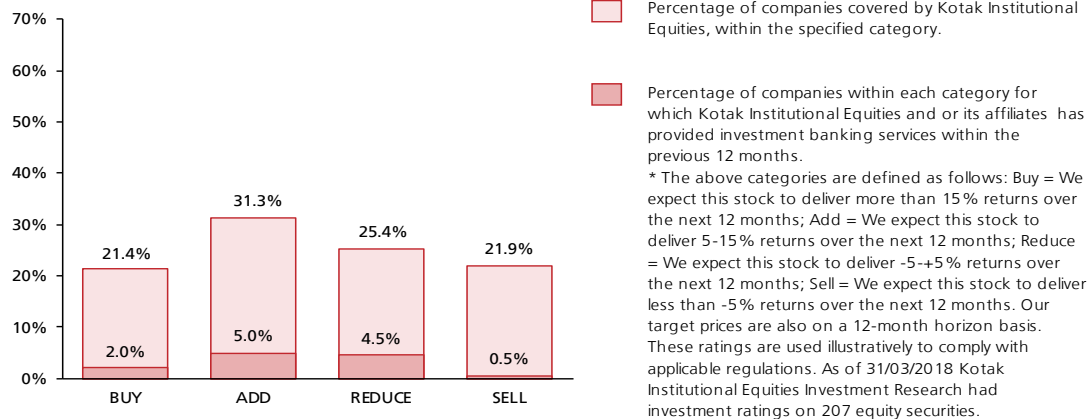
Company	Rating	Price (Rs)		Upside (%)	Mkt cap. (Rs bn) (US\$ bn)		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		25-Sep-18	Target price (Rs)		2019E	2020E		2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	
<b>Others</b>																													
Aditya Birla Fashion and Retail	BUY	183	220	20.5	141	1.9	773	2	4	6	50.6	59.1	53.5	79.5	50.0	32.6	23.4	18.2	14.8	11.1	9.1	7.1	15.0	20.0	24.5	—	—	—	4.8
Astral Poly Technk	SELL	1,009	640	(36.5)	121	1.7	120	19	25	29	30.2	28.8	16.1	52.8	41.0	35.3	28.4	22.6	19.1	9.3	7.7	6.4	19.8	20.5	19.7	0.1	0.1	0.1	0.9
Avenue Supermarts	SELL	1,427	860	(39.7)	891	12.3	624	16	20	26	28.6	26.4	27.5	88.3	69.8	54.8	50.9	40.0	31.5	15.8	12.9	10.4	19.6	20.3	21.0	—	—	—	—
Bayer Cropscience	REDUCE	4,361	4,100	(6.0)	150	2.1	34	106	130	154	20.5	23.1	18.3	41.3	33.6	28.4	26.2	21.3	17.7	7.3	6.2	5.4	18.9	20.0	20.3	0.5	0.6	0.7	0.5
Crompton Greaves Consumer	SELL	220	215	(2.1)	138	1.9	627	6	7	9	19.5	20.7	17.4	35.6	29.5	25.1	22.1	18.7	15.8	12.1	9.3	7.1	40.4	35.8	32.3	0.9	1.1	—	2.5
Dhanuka Agritech	ADD	450	650	44.3	22	0.3	49	27	31	34	3.9	15.4	10.8	16.9	14.6	13.2	12.2	9.9	8.6	3.0	2.6	2.3	19.2	19.2	18.5	1.3	1.5	1.6	0.2
Godrej Agrovet	ADD	518	640	23.5	100	1.4	189	15	19	23	28.9	28.8	21.1	34.9	27.1	22.4	19.0	14.9	12.4	5.1	4.4	3.7	15.7	17.4	17.9	—	1—	0.7	0.9
Godrej Industries	RS	540	—	—	182	2.5	336	16	20	—	8.9	24.2	—	34.0	27.4	—	28.7	31.2	—	4.5	3.9	—	13.9	15.1	—	0.3	0.3	—	4.2
Havells India	SELL	628	485	(22.8)	393	5.4	625	14	17	20	26.6	20.5	17.6	44.8	37.2	31.6	28.6	23.3	19.6	9.3	8.1	7.1	22.0	23.2	23.9	0.8	0.9	1.1	14.2
InterGlobe Aviation	BUY	853	1,220	43.1	328	4.5	383	50	83	99	(17.9)	65.3	19.5	17.1	10.3	8.6	9.0	5.1	4.1	3.7	2.8	2.2	24.1	31.1	28.6	0.6	1.0	1.1	19.8
Kaveri Seed	SELL	602	515	(14.5)	40	0.5	66	34	34	37	7.3	0.1	8.3	17.5	17.5	16.2	14.7	14.0	12.5	4.2	3.7	3.2	26.4	22.4	21.0	1.3	1.7	1.7	4.7
PI Industries	BUY	750	875	16.7	103	1.4	138	31	40	48	17.9	26.8	21.5	23.9	18.9	15.5	17.0	13.3	10.7	4.5	3.7	3.1	20.5	21.7	21.9	0.5	0.6	0.8	2.1
Rallis India	ADD	188	220	16.9	37	0.5	195	10	12	13	17.2	19.4	9.7	18.6	15.6	14.2	12.2	10.3	9.1	2.8	2.5	2.3	15.8	17.1	16.9	1.9	2.1	2.3	0.8
SIS	REDUCE	948	1,130	19.2	69	1.0	73	33	40	48	48.5	21.1	17.8	28.4	23.5	19.9	17.8	14.9	12.4	5.6	4.7	3.8	21.8	21.7	21.1	0.3	0.4	0.5	0.6
SRF	BUY	1,900	2,200	15.8	109	1.5	57	100	132	150	23.8	32.2	14.1	19.1	14.4	12.7	11.1	8.9	7.5	2.7	2.3	2.0	15.0	17.3	17.0	0.7	0.8	0.8	12.2
Tata Chemicals	ADD	711	760	6.9	181	2.5	255	44	51	56	(15.3)	14.6	11.5	16.1	14.1	12.6	6.7	5.6	4.8	1.5	1.4	1.3	9.7	10.3	10.8	2.1	2.4	2.4	6.9
TCNS Clothing Co.	BUY	640	760	18.8	39	0.5	64	18	23	27	15.6	28.2	20.8	36.1	28.1	23.3	19.4	14.6	11.6	7.2	5.6	4.3	22.7	22.2	20.9	—	—	—	—
TeamLease Services	SELL	2,527	1,785	(29.4)	43	0.6	17	58	75	96	34.2	29.0	28.7	43.7	33.9	26.3	44.2	33.6	25.8	8.0	6.5	5.2	20.1	21.1	21.9	—	—	—	1.2
UPL	ADD	661	660	(0.1)	337	4.6	507	49	55	60	14.0	12.1	9.6	13.5	12.0	11.0	9.1	7.8	6.7	3.0	2.5	2.1	24.6	22.9	21.1	1.5	1.7	1.8	28.9
Vardhman Textiles	ADD	1,014	1,300	28.2	58	0.8	56	118	130	142	14.8	9.7	9.8	8.6	7.8	7.1	6.6	6.0	5.3	1.1	1.0	0.9	13.1	13.0	13.0	2.0	3.0	3.0	0.4
Volta	SELL	577	530	(8.2)	191	2.6	331	17	21	25	0.4	18.8	18.9	33.3	28.0	23.5	24.9	20.3	17.0	4.4	3.9	3.5	13.9	14.8	15.7	0.6	0.7	0.9	12.7
Whirlpool	SELL	1,473	1,350	(8.4)	187	2.6	127	37	46	56	33.9	24.7	20.2	39.8	31.9	26.5	24.1	19.0	15.5	8.6	7.2	6.1	23.7	24.5	24.8	—	0.6	1.1	1.4
<b>Others</b>																													
					3,858	53				8.3	26.4	12.5	29.4	23.2	20.7	17.8	14.2	11.4	5.0	4.3	3.8	17.0	18.3	18.5	0.6	0.7	0.8	119.9	
<b>KIE universe</b>					110,393	1,519				24.2	27.4	14.3	21.5	16.9	14.8	11.0	9.7	8.7	2.8	2.5	2.3	12.8	14.8	15.2	1.4	1.7	1.9		
<b>KIE universe (ex-energy)</b>					96,176	1,323				29.9	33.4	16.3	23.9	17.9	15.4	12.2	10.6	9.4	3.0	2.7	2.5	12.8	15.4	16.1	1.3	1.7	1.8		

Notes:  
 (a) We have used adjusted book values for banking companies.  
 (b) 2019 means calendar year 2018, similarly for 2020 and 2021 for these particular companies.  
 (c) Exchange rate (Rs/US\$)= 72.66

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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NA = Not Available or Not Applicable. The information is not available for display or is not applicable.

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