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### Daily Alerts

#### Sector alerts

**Energy:** Spike in short run

- ▶ Falling oil supplies from Iran/Venezuela and slower growth in the US to keep the market tight
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- ▶ Reiterate positive stance on GAIL/ONGC and caution on OMCs given upside risks to crude

#### Economy alerts

**Economy:** Unabated macro concerns

- ▶ #1 External sector balance is the main macro concern
- ▶ #2 Difficult to stick to budgeted fiscal deficit target
- ▶ #3 Inflation will remain at risk—keep an eye on core inflation

### EQUITY MARKETS

India	Change %			
	26-Sep	1-day	1-mo	3-mo
Sensex	36,542	(0.3)	(5.6)	3.8
Nifty	11,054	(0.1)	(5.5)	3.6
<b>Global/Regional indices</b>				
Dow Jones	26,385	(0.4)	1.3	9.4
Nasdaq Composite	7,990	(0.2)	(0.3)	7.3
FTSE	7,511	0.1	(0.9)	(1.4)
Nikkei	23,995	(0.2)	5.2	7.7
Hang Seng	27,817	1.2	(1.6)	(1.9)
KOSPI	2,344	0.2	2.2	(0.6)
<b>Value traded – India</b>				
Cash (NSE+BSE)	386		407	366
Derivatives (NSE)	12,299		7,198	9,316
Deri. open interest	4,205		4,271	4,204

#### Forex/money market

	Change, basis points			
	26-Sep	1-day	1-mo	3-mo
Rs/US\$	72.6	14	263	364
10yr govt bond, %	8.3	(4)	14	21

#### Net investment (US\$ mn)

	25-Sep	MTD	CYTD
FIs	(506)	(1,069)	(1,761)
MFs	213	1,079	12,949

#### Top movers

Best performers	Change, %			
	26-Sep	1-day	1-mo	3-mo
DIVI IN Equity	1,385	(0.2)	6.7	35.9
RIL IN Equity	1,251	1.7	(3.1)	29.6
JSTL IN Equity	408	1.1	14.8	28.2
WPRO IN Equity	319	(2.8)	7.9	24.7
ARBP IN Equity	759	(0.3)	10.2	23.2

#### Worst performers

JPA IN Equity	7	2.8	(31.5)	(50.8)
YES IN Equity	224	1.8	(41.6)	(33.3)
UT IN Equity	3	9.3	(26.3)	(28.9)
IDEA IN Equity	41	2.3	(19.4)	(25.6)
TTMT/A IN Equity	123	(3.1)	(12.3)	(24.0)

SEPTEMBER 27, 2018

UPDATE

BSE-30: 36,542

**(C)Rude awakening.** The risks to India's macro have increased with the OPEC+'s decision (so far) to maintain oil production despite a likely curtailment of a significant portion of oil exports from Iran over the next few weeks. We hope that the US can influence OPEC+ to increase oil production to rebalance global oil markets. The recent ructions in India's bond and equity markets appear to be under control but bond yields and INR may stay under pressure on a weaker macro.

#### Crude awakening—higher oil prices likely without Iran oil exports

India's external challenges (high CAD and large BoP deficit in FY2019) may increase further if oil prices were to spike US\$10-15/bbl on possible large imbalance in global oil markets led by likely further cut in Iran oil exports (possibly around 1 mn b/d versus August 2018 level of 1.9 mn b/d; see Exhibit 1). We doubt current importers such as Europe, India, Japan and South Korea (other than China) would defy US sanctions; they are among the biggest importers of Iran oil currently (see Exhibit 2). In fact, India has already reduced oil imports from Iran significantly in August 2018 and has not placed any contracts for November 2018 as per press reports.

#### Rude awakening—more of it if oil prices spike

India may go through an extended period of weak macro in the form of high/higher CAD and high/higher bond yields and interest rates, led largely by high global crude oil prices. Weak global sentiment may curtail FPI debt and equity flows leading to a large BoP deficit and its related pressure on reserve money, external debt among others. The equity market only partly reflects the deterioration in the macro given its still-rich valuations and is certainly not factoring in a US\$10-20/bbl spike in oil prices. We doubt the equity market will perform against this backdrop, especially as overall market valuations are still on the higher side relative to (1) history (see Exhibit 3), (2) bond yields (see Exhibit 4) and (3) other markets (see Exhibit 5) and so are the valuations of the 'growth' stocks (see Exhibit 6).

#### Few hiding places other than cash and bonds (risk of higher yields versus some interest income)

We do not find much value in the 'growth'/'quality' stocks despite the recent correction in many such stocks. In most cases, valuations are well above our comfort levels and current stock prices still discounting FY2020E EPS/BV fully or even FY2021E EPS/BV in certain cases (see Exhibit 7). Certain 'value' stocks have held up better in the recent market correction resulting in some convergence of multiples between 'growth' and 'value' stocks, as discussed in our 1QFY19 results review report (*Slow Boil*, August 14, 2018).

#### Making the best of a bad situation

In our view, IT and commodity stocks offer better reward-risk balance versus pharmaceutical stocks for investors looking to 'hedge' their portfolios against possible further deterioration in India's macro and INR depreciation. We doubt global demand of basic commodities (aluminum, plastics) will be impacted meaningfully despite higher import tariffs being imposed by China and the US on each other's exports; presumably people will still drink beer and drive cars (though hopefully not at the same time). Exhibit 8 gives the sensitivity of FY2019E and FY2020E EPS to 5% depreciation in the INR versus our base-case assumptions.

#### QUICK NUMBERS

- A U\$10/bbl increase in oil price will result in 50 bps increase in CAD
- A U\$10/bbl increase in oil price will result in 30 bps increase in CPI
- Nifty-50 Index trades at 21.1X and 16.5X FY2019E 'EPS' and FY2020E 'EPS'

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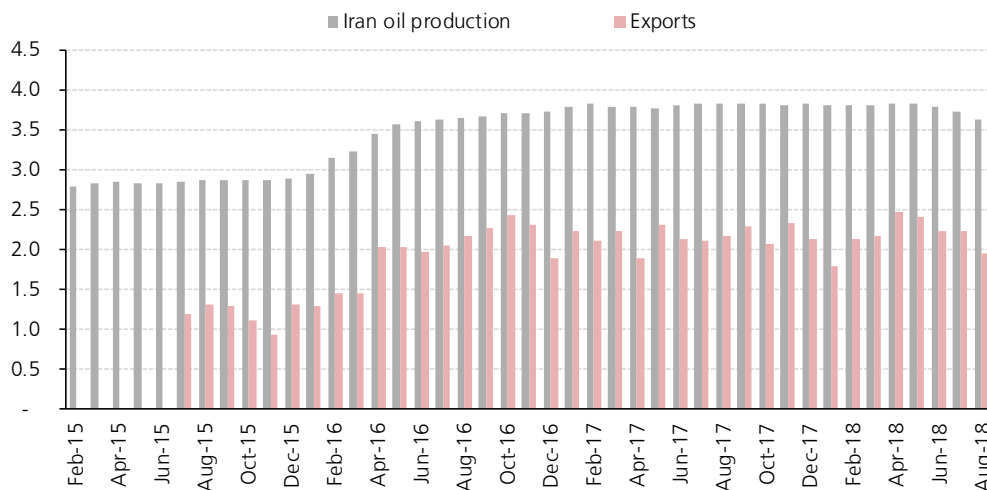
**Changes to recommended large-cap. and mid-cap. portfolios**

We stick to our stance of favoring stocks that offer (1) the most palatable valuations among the large-cap. 'growth' stocks or (2) large value among 'value' stocks on a bottom-up basis. We remove BOB (our thesis of recovery in NPL cycle has been undone by the government's restructuring plan for the PSU banks) from the large-cap. Model Portfolio and distribute the small weight of 150 bps to ICICI Prudential Life and IndusInd Bank equally (see Exhibit 9).

We add Balkrishna Tyres (BIL), Cholamandalam Finance (CIFC) and Jubilant Foodworks (JUBI) to our recommended mid-cap. Model Portfolio (see Exhibit 10). We have struggled with valuations of mid-caps. stocks for a while and only introduced a mid-cap. portfolio in end-June 2018 after the first round of severe price correction in the mid-cap. stocks. In hindsight, we could have waited for a few more months and watched the spectacle for free for some more time from the sidelines.

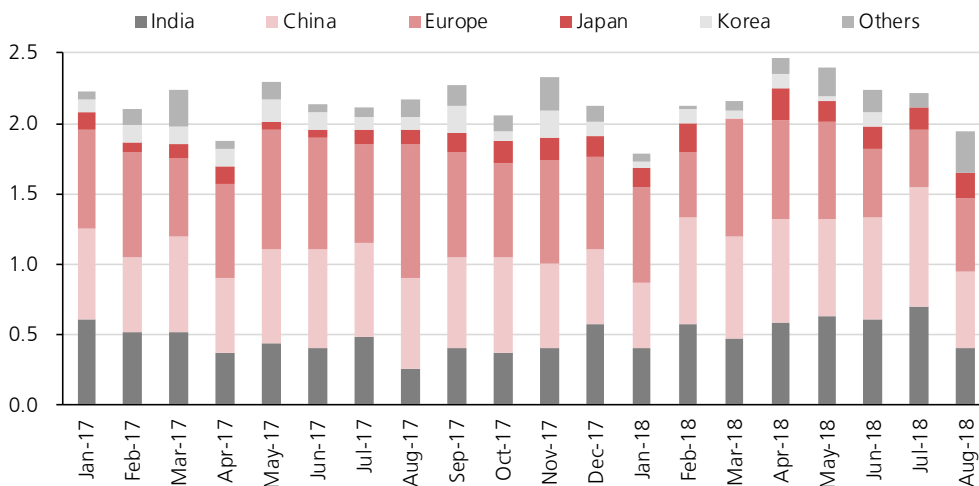
**Exhibit 1: Iran's oil exports have declined over the past few months but still stood at a meaningful 1.9 mn b/d in August 2018**

Monthly production of and exports from Iran, calendar year-ends, 2015-18 (mn b/d)



Source: OPEC, Kotak Institutional Equities

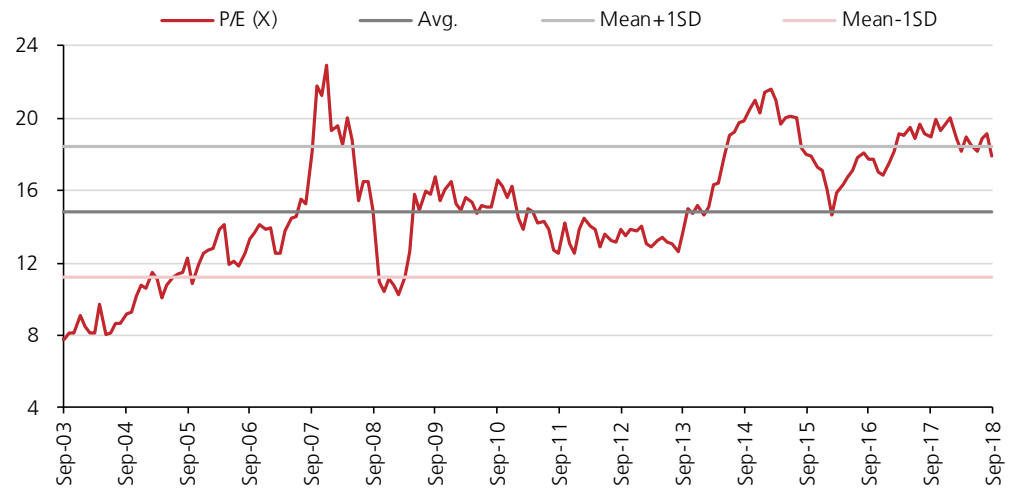
**Exhibit 2: China, Europe, India, Japan and South Korea account for the bulk of Iran's oil exports**  
Trend of monthly imports of crude oil from Iran, calendar year-ends, 2017-18 (mn b/d)



Source: IEA, Kotak Institutional Equities

**Exhibit 3: Valuation of the Indian market is quite high versus historical averages despite the recent market correction**

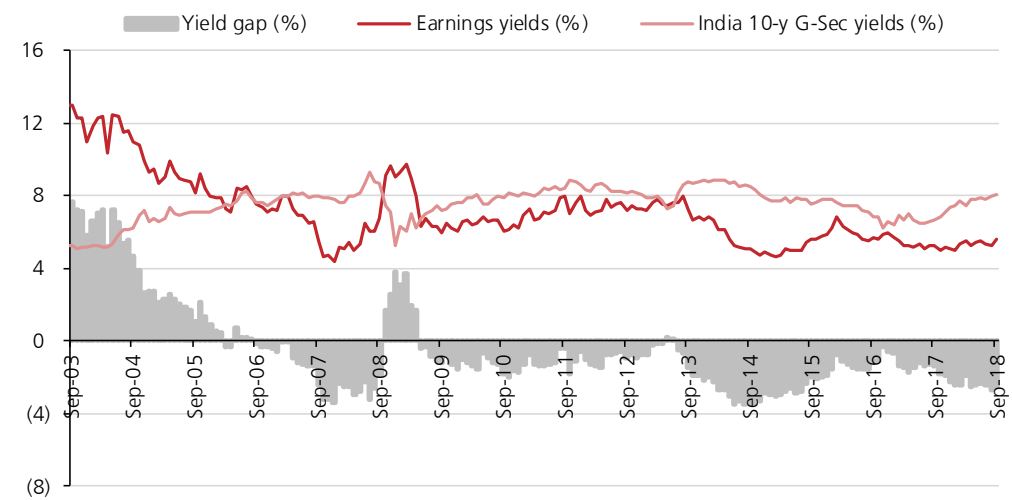
12-m rolling forward PE of Nifty-50 Index, March fiscal year-ends, 2004-19 (X)



Source: Bloomberg, Companies, Kotak Institutional Equities estimates

**Exhibit 4: Earnings yields have been broadly stable over the past few months despite a sharp increase in bond yields**

Nifty earnings yield and bond yield, March fiscal year-ends, 2004-19 (%)



Source: Bloomberg, Kotak Institutional Equities estimates

**Exhibit 5: The Indian market trades at a large premium to most other EMs**  
P/E, earnings growth, P/B of global indices, calendar year-ends, 2017-19E

Index		Earnings growth (%)			P/E (X)			P/B (X)		
		2017	2018E	2019E	2017	2018E	2019E	2017	2018E	2019E
IBOV Index	Brazil	5.3	41.7	15.9	15.9	11.2	9.7	1.8	1.6	1.4
CAC Index	France	17.6	12.1	9.4	16.5	14.7	13.5	1.7	1.6	1.5
DAX Index	Germany	22.4	2.6	11.6	13.8	13.4	12.0	1.7	1.6	1.5
HSI Index	Hong Kong	34.0	0.8	11.1	11.5	11.4	10.2	1.3	1.3	1.2
Nifty Index	India	(2.1)	19.4	23.9	24.7	21.1	16.5	3.0	2.7	2.5
JCI index	Indonesia	18.2	12.4	13.0	16.9	15.0	13.3	2.3	2.3	2.1
NKY Index	Japan	47.0	2.9	12.2	17.4	16.9	15.0	1.9	1.8	1.7
KOSPI Index	Korea	28.2	10.2	2.3	9.8	8.9	8.7	1.0	1.0	0.9
FBMKLIC Index	Malaysia	6.3	(1.0)	7.3	17.2	17.4	16.2	1.8	1.8	1.7
MEXBOL Index	Mexico	28.0	15.3	14.8	19.5	16.9	14.7	2.5	2.3	2.1
PCOMP Index	Philippines	9.7	11.2	13.0	18.8	16.9	14.9	2.1	1.9	1.7
SHCOMP Index	Shanghai	6.1	19.2	13.3	13.2	11.1	9.8	1.5	1.2	1.1
FSSTI Index	Singapore	26.6	(19.6)	8.0	10.6	13.1	12.2	1.1	1.1	1.1
TWSE Index	Taiwan	11.2	5.6	4.8	14.7	13.9	13.3	1.8	1.8	1.7
SET Index	Thailand	5.1	1.7	9.4	16.4	16.1	14.7	2.0	2.0	1.9
UKX Index	UK	107.3	(0.4)	7.8	13.4	13.5	12.5	1.8	1.8	1.7
SPX Index	USA	9.0	30.1	10.3	23.5	18.1	16.4	3.6	3.4	3.1
MXEF INDEX	EM	20.6	10.5	10.2	13.1	11.8	10.7	1.6	1.6	1.4
MXMS INDEX	EM Asia	23.8	9.9	10.2	13.4	12.2	11.0	1.6	1.6	1.4

## Notes:

- (a) Data for India is as per KIE estimates.  
(b) 2017 column refers FY2018 for India. For other countries, numbers are on CY basis.

Source: Bloomberg, Kotak Institutional Equities estimates

**Exhibit 6: Most 'growth' stocks in our universe have seen some de-rating of late but still trade at high multiples**  
 12-m forward PE multiple and earnings growth of growth stocks in KIE universe, March fiscal year-ends, 2011-20

Company	Sector	12-m forward PB/PE multiple (X)								
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Current
Bharat Forge	Automobiles	18	16	15	19	31	24	29	35	25
Hero Motocorp	Automobiles	14	16	15	17	17	17	16	20	16
Eicher Motors	Automobiles	15	14	16	25	70	33	33	36	23
Maruti Suzuki	Automobiles	14	15	15	17	s	19	20	32	24
Bajaj Finance	Banks/NBFCs	1.6	1.4	1.5	1.9	3.5	4.2	5.6	6.5	6.2
Cholamandalam	Banks/NBFCs	1.6	1.6	1.8	1.6	2.6	2.8	3.2	4.8	3.0
HDFC Bank	Banks/NBFCs	3.8	3.5	3.5	3.5	3.6	3.2	3.8	4.0	3.5
Indusind Bank	Banks/NBFCs	2.8	2.8	2.5	2.6	3.8	2.9	3.7	4.6	3.4
Yes Bank	Banks/NBFCs	2.3	2.2	2.0	1.7	2.5	2.2	3.1	2.9	1.7
ACC	Cement	21	22	14	24	23	22	39	30	24
Ambuja Cements	Cement	19	20	13	21	27	26	33	31	24
Shree Cement	Cement	NA	29	14	21	52	39	32	37	33
UltraTech Cement	Cement	14	17	15	26	28	30	32	42	28
Asian Paints	Consumer Products	26	30	35	37	39	40	49	52	43
Colgate-Palmolive (India)	Consumer Products	23	29	28	33	40	34	38	43	37
Dabur India	Consumer Products	25	24	26	29	34	31	35	42	45
Glaxosmithkline Consumer	Consumer Products	30	31	35	29	37	31	30	38	34
Hindustan Unilever	Consumer Products	25	29	28	32	41	40	41	56	52
Jubilant Foodworks	Consumer Products	37	49	38	39	58	53	53	77	43
Marico	Consumer Products	25	26	28	24	33	35	42	49	45
Nestle India	Consumer Products	35	33	36	38	42	46	63	63	53
Page Industries	Consumer Products	24	26	26	35	61	45	47	75	71
United Breweries	Consumer Products	47	54	58	68	74	55	55	65	61
United Spirits	Consumer Products	22	14	29	56	58	68	46	79	45
ABB	Industrials	25	32	35	35	86	56	44	63	52
BHEL	Industrials	15	10	8	19	21	23	27	31	16
L&T	Industrials	20	18	17	22	31	23	20	23	20
Siemens	Industrials	35	30	22	41	69	53	47	41	29
Thermax	Industrials	17	14	17	23	33	31	31	41	29
Cipla	Pharmaceuticals	20	17	19	20	30	19	22	25	25
Dr Reddy's Laboratories	Pharmaceuticals	23	16	16	18	25	24	22	32	25
Lupin	Pharmaceuticals	19	19	21	21	32	22	20	24	27
Sun Pharmaceuticals	Pharmaceuticals	22	22	23	22	30	26	21	43	32

Source: Companies, Kotak Institutional Equities estimates

Exhibit 7: Value still not visible in the 'growth'/quality' stocks despite the recent correction in many such stocks  
Valuation summary of Nifty-50 Index stocks, March fiscal year-ends, 2019-21E

	P/E (X)			EV/EBITDA (X)			Price (Rs)	Target price (Rs)	Upside (%)	Performance			
	2019E	2020E	2021E	2019E	2020E	2021E				1-mo	3-mo	1-Year	YTD
Ultratech Cement	32.3	25.1	20.2	16.9	14.0	11.6	4,068	2,950	(27)	(6)	6	4	(6)
Reliance Industries	18.0	16.0	14.3	12.1	10.3	8.8	1,251	985	(21)	(2)	28	53	36
Dr Reddy's Laboratories	29.3	22.1	18.5	14.7	10.5	8.8	2,601	2,150	(17)	6	15	10	8
Sun Pharmaceuticals	39.2	27.0	22.2	21.2	15.3	12.7	640	540	(16)	2	12	26	12
Bajaj Finance	34.1	25.8	20.3	—	—	—	2,316	2,000	(14)	(21)	(2)	26	32
Yes Bank	12.8	11.5	9.0	—	—	—	224	200	(11)	(40)	(33)	(38)	(29)
Lupin	32.9	22.8	17.9	15.4	11.1	9.0	892	800	(10)	(2)	(1)	(11)	1
TCS	25.4	22.8	21.2	18.7	16.8	15.6	2,142	1,950	(9)	5	16	73	59
UPL	14.3	12.7	11.6	9.6	8.2	7.1	698	660	(5)	7	9	(10)	(9)
Eicher Motors	25.3	21.3	19.3	18.1	15.1	13.1	25,181	24,000	(5)	(13)	(13)	(18)	(17)
Hero Motocorp	16.9	15.2	13.8	10.0	8.8	7.8	3,100	3,000	(3)	(3)	(13)	(18)	(18)
IOCL	8.5	8.8	8.6	4.9	4.8	4.7	154	150	(3)	0	(7)	(23)	(20)
Axis Bank	34.3	15.4	13.7	—	—	—	617	600	(3)	(4)	20	21	9
Bajaj Auto	17.8	16.0	15.0	12.1	10.5	9.5	2,773	2,700	(3)	3	(1)	(9)	(17)
Hindustan Unilever	55.0	48.5	43.1	38.0	33.4	29.6	1,611	1,570	(3)	(10)	(1)	32	18
Bajaj Finserv	25.3	20.2	16.5	—	—	—	6,213	6,100	(2)	(12)	2	20	19
HCL Technologies	15.3	14.0	13.4	10.0	8.8	8.2	1,090	1,100	1	7	20	25	22
Cipla	28.6	21.8	16.8	16.1	12.8	10.0	673	680	1	3	12	16	11
HDFC Bank	25.2	21.0	17.6	—	—	—	1,968	2,000	2	(5)	(6)	10	5
BPCL	9.8	9.5	9.4	7.1	6.7	6.6	369	375	2	3	(11)	(21)	(29)
Wipro	16.7	14.0	13.0	10.7	9.0	8.2	319	325	2	9	24	10	2
Titan Company	50.7	41.7	34.9	33.6	26.8	22.0	815	840	3	(8)	(7)	38	(5)
Asian Paints	47.3	39.3	33.2	29.6	24.5	20.7	1,282	1,325	3	(8)	1	9	11
Infosys	19.7	17.4	15.9	13.5	11.7	10.5	718	770	7	4	12	60	39
Tata Steel	8.0	7.2	6.5	6.0	6.3	6.0	609	660	8	6	11	(1)	(12)
Bharti Infratel	20.0	21.8	20.3	7.4	7.8	7.3	262	285	9	(8)	(11)	(31)	(31)
ONGC	8.9	8.9	9.4	4.2	4.0	3.9	181	200	11	3	14	5	(7)
IndusInd Bank	24.1	19.5	16.7	—	—	—	1,702	1,900	12	(12)	(14)	0	3
Grasim Industries	22.6	19.0	14.9	7.6	7.1	6.7	1,045	1,170	12	(1)	1	(8)	(10)
ITC	30.4	27.1	24.2	19.6	17.3	15.4	293	330	13	(6)	11	12	11
NTPC	11.3	10.8	9.3	9.0	8.3	7.0	168	190	13	2	8	1	(5)
HDFC	32.2	27.1	22.4	—	—	—	1,767	2,020	14	(8)	(8)	2	3
HPCL	7.7	7.8	7.8	6.9	7.3	7.6	248	285	15	(4)	(17)	(40)	(41)
Tech Mahindra	16.2	13.2	11.7	9.7	7.6	6.5	749	865	16	4	9	67	49
GAIL (India)	14.4	13.1	11.9	9.0	8.2	7.5	375	440	17	(1)	10	25	0
Maruti Suzuki	26.3	21.7	19.2	14.5	11.6	9.8	7,843	9,200	17	(14)	(12)	(1)	(19)
Coal India	10.9	10.7	10.0	8.3	7.0	6.5	273	320	17	(6)	3	5	4
Kotak Mahindra Bank	29.2	23.1	17.8	—	—	—	1,169	1,400	20	(7)	(12)	18	16
L&T	20.1	19.7	16.8	18.0	17.4	14.5	1,333	1,600	20	(1)	5	15	6
Hindalco Industries	9.1	8.0	7.2	5.8	5.0	4.5	248	305	23	12	11	6	(9)
Bharti Airtel	(62.8)	(88.3)	76.7	9.5	8.0	6.4	361	445	23	(2)	(5)	(7)	(32)
Mahindra & Mahindra	19.8	16.6	16.0	12.9	10.7	10.0	893	1,125	26	(8)	(1)	43	19
ICICI Bank	36.9	12.0	10.0	—	—	—	313	400	28	(5)	9	11	(0)
Power Grid	10.3	9.0	8.4	7.3	6.7	6.4	193	250	30	1	1	(8)	(4)
Zee Entertainment Enterprises	26.8	22.9	20.1	16.5	13.9	12.0	449	600	34	(12)	(20)	(15)	(23)
Adani Ports and SEZ	18.1	14.9	11.5	12.5	10.4	9.1	339	460	36	(10)	(7)	(13)	(17)
State Bank of India	34.3	7.1	5.0	—	—	—	264	370	40	(12)	(1)	2	(15)
Vedanta	7.5	6.3	6.3	4.9	4.0	3.7	242	370	53	8	4	(24)	(27)
Indiabulls Housing Finance	9.5	7.9	6.5	—	—	—	1,000	1,550	55	(21)	(16)	(20)	(16)
Tata Motors	10.6	6.5	6.0	3.3	2.8	2.6	233	425	82	(9)	(16)	(43)	(46)
<b>Nifty-50 Index</b>	<b>21.1</b>	<b>16.5</b>	<b>14.3</b>	<b>10.2</b>	<b>9.1</b>	<b>8.2</b>	<b>11,054</b>	<b>11,850</b>	<b>7</b>	<b>(4)</b>	<b>3</b>	<b>12</b>	<b>5</b>

Source: Bloomberg, Kotak Institutional Equities estimates

**Exhibit 8: Energy, metals and technology stocks will see benefits to their earnings from rupee depreciation**  
Earnings sensitivity to currency of Nifty-50 companies, March fiscal year-ends, 2018-20E

Company	Sector	FY2018 EPS 64.50	FY2019E					FY2020E				
			EPS (Rs)		Incremental EPS (%)		EPS (Rs)		Incremental EPS (%)			
			Base-case	73.4	76.8	73.4	76.8	Base-case	73.4	76.8	73.4	76.8
Bajaj Auto	Automobiles	140	156	165	170	6	9	174	189	193	9	11
BPCL	Energy	40	38	39	41	5	8	39	40	42	4	8
GAIL (India)	Energy	20	26	28	29	5	10	29	30	31	4	8
HPCL	Energy	42	32	33	34	3	6	32	33	33	3	5
IOCL	Energy	21	18	20	22	11	18	17	19	20	10	17
ONGC	Energy	17	20	23	26	15	27	20	23	25	13	25
Reliance Industries	Energy	59	69	76	81	9	17	78	83	88	6	12
Hindalco Industries	Metals & Mining	22	27	34	38	23	41	31	37	41	18	34
Tata Steel	Metals & Mining	67	76	92	103	21	36	85	99	112	17	32
Vedanta	Metals & Mining	22	32	37	41	16	28	39	43	47	12	23
Cipla	Pharmaceuticals	18	24	24	24	2	4	31	32	33	4	8
Dr Reddy's Laboratories	Pharmaceuticals	59	89	95	102	8	16	118	127	136	8	16
Lupin	Pharmaceuticals	38	27	29	31	7	14	39	42	45	7	14
Sun Pharmaceuticals	Pharmaceuticals	15	16	18	18	8	13	24	25	27	7	14
UPL	Others	43	49	54	59	10	21	55	62	69	12	27
HCL Technologies	Technology	62	71	79	86	10	20	78	86	93	10	20
Infosys	Technology	32	36	40	43	10	19	41	45	49	10	19
TCS	Technology	67	84	92	99	9	18	94	103	111	9	18
Tech Mahindra	Technology	43	46	51	56	11	22	57	63	69	11	22
Wipro	Technology	17	19	21	23	10	19	23	25	27	10	19

Source: Companies, Kotak Institutional Equities estimates

**Exhibit 9: 'Barbell' portfolio of 'growth' and 'value' stocks**  
KIE large-cap. Model Portfolio

Company	Price (Rs) 26-Sep-18	KIE weight (%)	Company	Price (Rs) 26-Sep-18	KIE weight (%)
<b>Automobiles</b>			<b>Reliance Industries</b>		
Mahindra & Mahindra	893	4.9		1,251	6.4
Maruti Suzuki	7,843	2.8	<b>Energy</b>		
Tata Motors	233	2.0			<b>13.6</b>
<b>Automobiles</b>			<b>Industrials/Construction</b>		
<b>9.6</b>			L&T	1,333	5.6
<b>Private Banks and NBFCs</b>			<b>Industrials/Construction</b>		
HDFC	1,767	7.6			<b>5.6</b>
HDFC Bank	1,968	9.9	<b>Metals &amp; Mining</b>		
ICICI Bank	313	8.4	Hindalco Industries	248	3.0
ICICI Prudential Life	344	2.4	Vedanta	242	2.2
IndusInd Bank	1,702	2.8	Tata Steel	609	2.8
LIC Housing finance	433	1.6	<b>Metals &amp; Mining</b>		
<b>Private Banks and NBFCs</b>					<b>8.0</b>
<b>32.7</b>			<b>Others</b>		
<b>PSU Banks</b>			InterGlobe Aviation	853	1.3
State Bank of India	264	5.1	<b>Others</b>		
<b>PSU Banks</b>					<b>1.3</b>
<b>5.1</b>			<b>Pharmaceuticals</b>		
<b>Consumers</b>			Cipla	673	3.1
Colgate-Palmolive (India)	1,097	2.1	<b>Pharmaceuticals</b>		
Marico	340	2.1			<b>3.1</b>
<b>Consumers</b>			<b>Technology</b>		
<b>4.2</b>			Infosys	718	9.7
<b>Energy</b>			Tech Mahindra	749	2.3
GAIL (India)	375	3.1	<b>Technology</b>		
ONGC	181	2.2			<b>12.0</b>
Petronet LNG	225	1.9	<b>Utilities</b>		
			NTPC	168	2.1
			Power Grid	193	2.6
			<b>Utilities</b>		
					<b>4.8</b>
			<b>BSE-30</b>		
				<b>36,542</b>	<b>100.0</b>

Source: Kotak Institutional Equities estimates



**Exhibit 10: More mid-cap. ideas after the recent correction in stock prices**  
 KIE mid-cap. Model Portfolio

Company	Sector	Rating	Target			Mkt cap.		EPS (Rs)			PER (X)			PBR (X)			RoE (%)		
			Price (Rs)	price (Rs)	Upside (%)	(Rs mn)	(US\$ mn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Balkrishna Industries	Automobiles	REDUCE	1,105	1,300	17.7	213,538	2,940	50.3	62.5	70.5	22.0	17.7	15.7	4.3	3.6	3.0	21.6	22.1	20.7
CESC	Utilities	BUY	906	1,180	30.2	120,070	1,653	114.8	128.1	141.0	7.9	7.1	6.4	0.8	0.7	0.6	10.0	10.4	10.5
Cholamandalam	NBFCs	ADD	1,216	1,425	17.2	190,049	2,616	74.3	92.1	113.3	16.4	13.2	10.7	3.3	2.7	2.2	20.6	21.3	21.7
Escorts	Automobiles	BUY	663	1,200	81.1	56,496	1,118	59.0	70.8	78.3	11.2	9.4	8.5	2.0	1.7	1.4	17.6	18.0	17.1
Federal Bank	Banks	BUY	72	130	81.8	141,619	1,950	5.7	7.9	9.7	12.6	9.1	7.4	1.2	1.1	0.9	8.8	11.4	12.8
Jubilant Foodworks	Consumer Products	BUY	1,292	1,650	27.7	170,504	2,347	25.4	35.0	46.3	50.8	36.9	27.9	12.7	9.6	7.3	29.0	29.7	29.9
Jyothy Laboratories	Consumer Products	ADD	200	240	19.9	72,754	1,002	5.6	6.6	7.6	35.6	30.5	26.4	5.5	4.8	4.2	16.6	16.8	16.9
Kalpataru Power Transmission	Industrials	BUY	325	560	72.3	49,875	687	23.0	32.1	41.0	14.1	10.1	7.9	1.7	1.4	1.2	12.5	15.2	16.7
Laurus Labs	Pharmaceuticals	ADD	435	500	14.9	46,134	635	16.2	29.2	34.3	26.8	14.9	12.7	2.8	2.3	2.0	10.9	17.1	15.6
Max Financial Services	NBFCs	ADD	443	650	46.7	118,948	1,638	6.3	6.4	6.5	70.6	69.4	68.2	—	—	—	8.3	8.0	7.8
Prestige Estates Projects	Real Estate	ADD	220	315	43.5	82,313	1,133	19.0	20.6	10.7	11.5	10.6	20.6	0.8	0.8	1.5	14.6	14.9	7.3
Sadbhav Engineering	Infrastructure	BUY	239	435	81.7	41,065	565	17.0	22.2	22.8	14.1	10.8	10.5	1.9	1.7	1.5	14.5	16.5	14.7
Shriram City Union Finance	NBFCs	ADD	1,725	2,120	22.9	113,822	1,567	139.1	170.6	205.5	12.4	10.1	8.4	2.0	1.7	1.5	15.5	16.7	17.4

Source: Companies, Kotak Institutional Equities estimates

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**Spike in short run.** We see near-term upside to crude prices given a tightening global oil market amid (1) expected reduction in oil exports from Iran due to the US sanctions, (2) persisting decline in Venezuelan production and (3) slowdown of growth in the US liquids production due to mid-stream bottlenecks. We reiterate our positive stance on GAIL and ONGC, both being beneficiaries of elevated crude prices (and a weaker rupee), while maintain our cautious stance on OMCs, which are adversely impacted.

#### Falling oil supplies from Iran/Venezuela and slower growth in the US to keep the market tight

We expect global oil markets to remain tight in the near term due to (1) imminent impact on crude exports from Iran post the US sanctions, (2) persisting decline in Venezuelan production and (3) slowdown of growth in the US liquids production due to mid-stream bottlenecks. We raise our assumption for Dated Brent crude price to US\$80/bbl for FY2019 and US\$72.5/bbl for FY2020 from US\$72.5/bbl and US\$67.5/bbl earlier accordingly.

- ▶ Iran crude exports have declined by nearly 0.5 mn b/d to 1.9 mn b/d in August from a peak of 2.4 mn b/d achieved in April-May 2018; it is likely to fall further as the US sanctions on crude imports become effective from November 4. The rising rhetoric from the US government may result in sharp reduction in off-take of Iran crude by all key importers other than China; Europe, India, Japan and South Korea import ~1.4 mn b/d of oil from Iran currently.
- ▶ Venezuela crude production has declined to 1.2 mn b/d currently from 1.9 mn b/d a year ago and it is expected to reduce further to 1 mn b/d by end of this year given the continued turmoil.
- ▶ The growth in the US liquids production is also expected to slow down to 1.2 mn b/d in CY2019 as compared to a sharp increase of 1.7 mn b/d in CY2018 due to rising logistical challenges in Permian basin, which are unlikely to ease out before mid-CY2019. Overall drilling rig count in the US has already stopped increasing over the past 3-4 months.
- ▶ Further, OECD's reported oil and petroleum inventories have fallen well below five-year range, in terms of forward demand cover, in the recent months.

#### Potential weakness in crude demand next year could be a savior post the near-term tightness

We find IEA's forecast of 1.5 mn b/d of growth in global oil demand for CY2019 optimistic noting risks from recent sharp rally in crude prices and exacerbation of its impact on emerging economies due to depreciation of respective currencies against the US dollar; we note that effective crude prices have increased quite sharply in local currency terms over the past 1-2 years for several countries including China, India, Russia, Brazil and others, all of which contribute a decent proportion of incremental global oil demand. We highlight that IEA's demand estimate is predicated on world GDP growth of 3.9% for CY2019, which seems optimistic and could be at risk from scale-up in global trade disputes, especially between the US and China. Potential slowdown of growth in oil demand may help in providing a desirable balance to global crude markets during later part of CY2019.

#### Reiterate positive stance on GAIL/ONGC and caution on OMCs given upside risks to crude

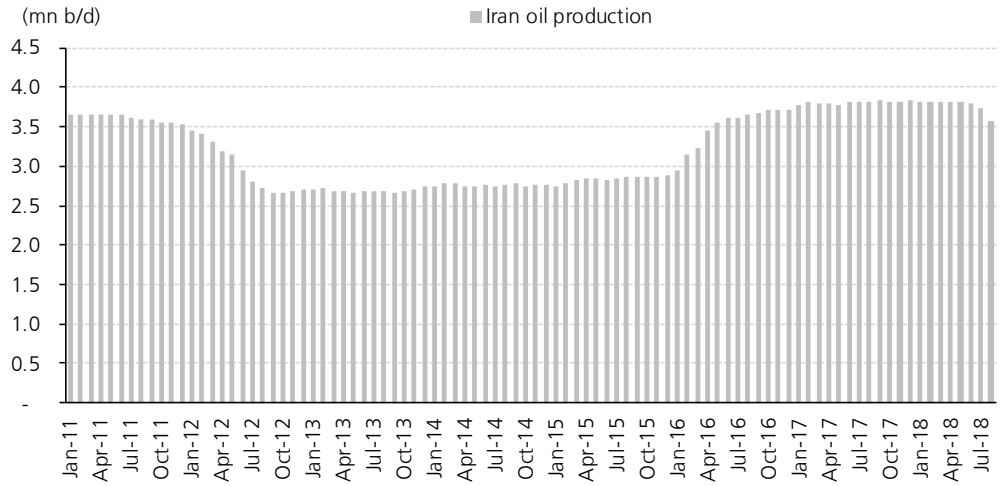
We reiterate our positive stance on GAIL and ONGC, both being beneficiaries of elevated crude prices and weaker rupee and can act as good hedge against any spike in crude and/or further weakening of rupee; we note that ONGC stock is already discounting net realization below US\$45/bbl implying that the government may put entire incremental subsidy burden beyond budget provision on upstream companies. We believe it is safer to avoid OMCs (BPCL, HPCL and IOCL) in the near term, even as valuations have become somewhat reasonable, given any spike in crude may put pressure on refining as well as marketing margins, while increasing uncertainty on the subsidy-sharing mechanism.

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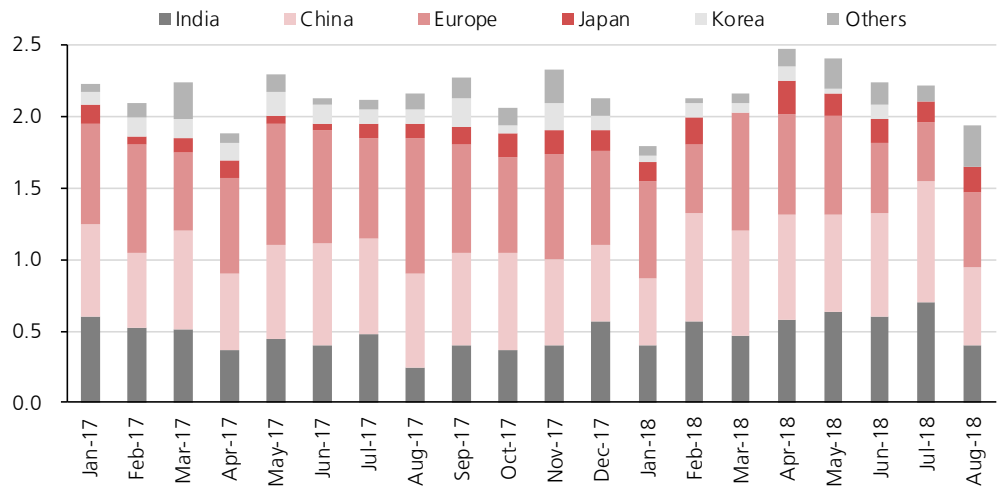
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**Exhibit 1: Restoration of sanctions on Iran may curtail crude supplies yet again**  
 Monthly production of crude oil in Iran, January 2011 onwards (mn b/d)



Source: OPEC, Kotak institutional Equities

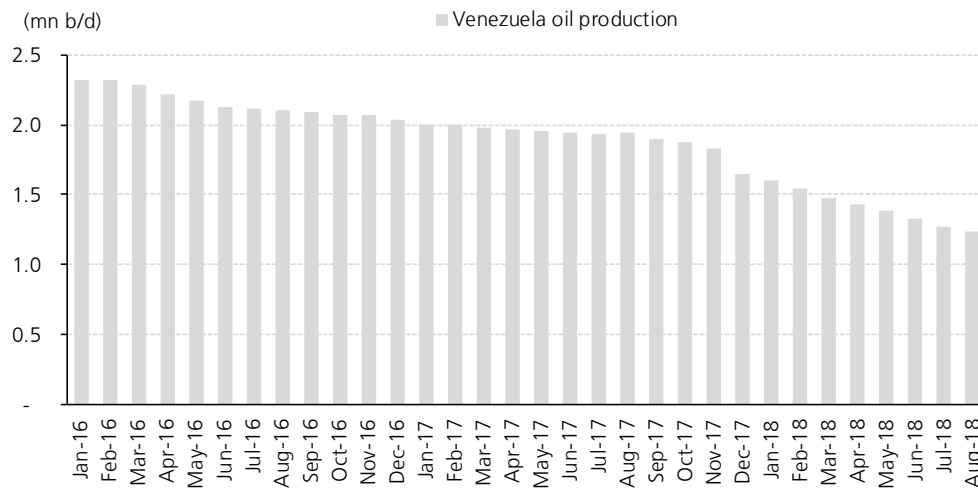
**Exhibit 2: Sharp decline in crude imports by key countries since April-May 2018**  
 Crude imports from Iran, January 2017 onwards (mn b/d)



Source: IEA, Kotak Institutional Equities estimates

**Exhibit 3: Venezuelan production continues to decline**

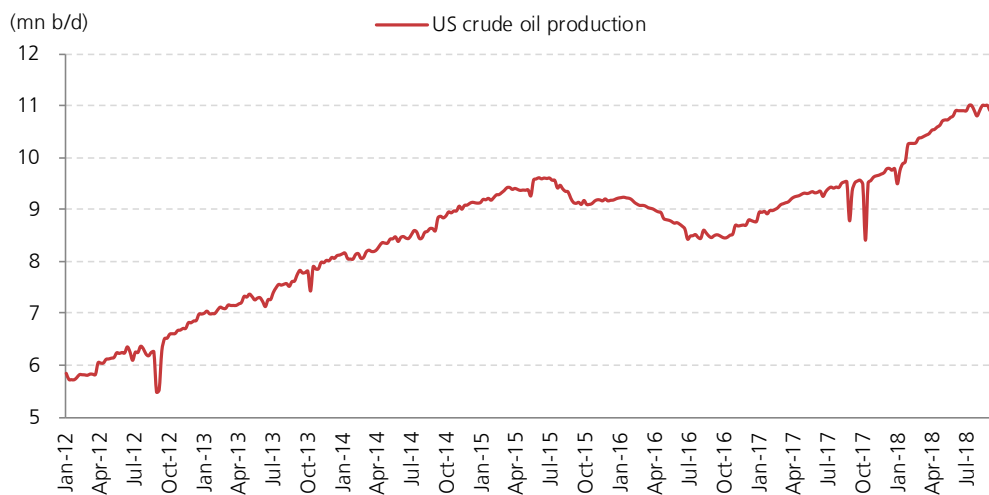
Monthly production of crude oil in Venezuela, January 2016 onwards (mn b/d)



Source: OPEC, Kotak Institutional Equities

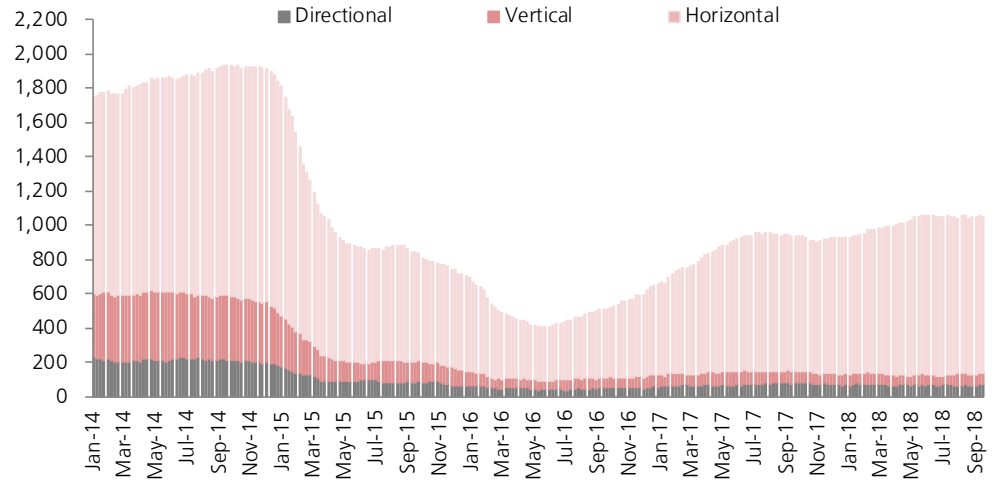
**Exhibit 4: US crude production seems to be plateauing given logistical bottlenecks in the near term**

Weekly field production of crude oil in the US, January 2012 onwards (mn b/d)



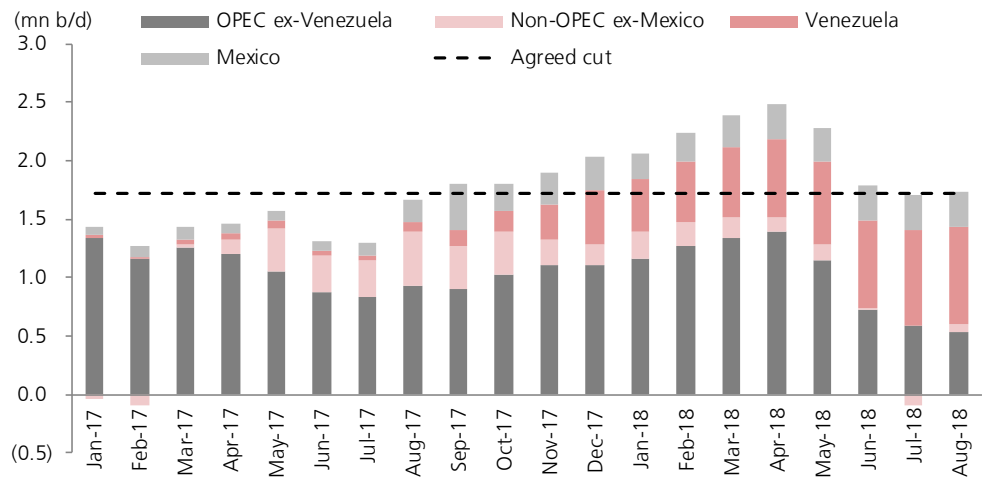
Source: EIA, Kotak institutional Equities

**Exhibit 5: Rigs deployment for horizontal drilling has stopped increasing in the recent months**  
 Weekly rig count in the US by type of drilling, January 2014 onwards (units)



Source: EIA, Kotak Institutional Equities

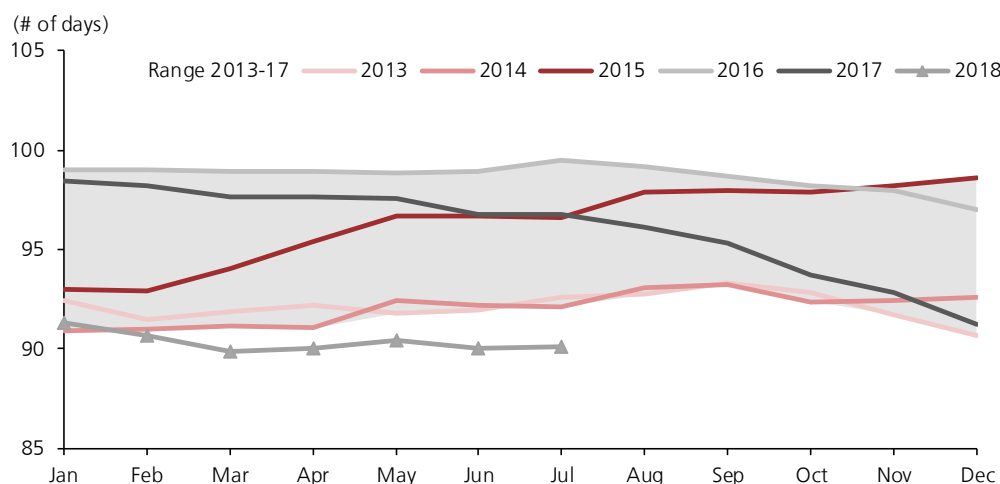
**Exhibit 6: Overall production cuts remain compliant with the target post calibrated increase in production to offset decline in Venezuela**  
 Compliance of OPEC and non-OPEC cartel, January 2017 onwards (mn b/d)



Source: IEA, OPEC, Kotak institutional Equities

**Exhibit 7: OECD crude inventories have fallen below five-year range in terms of forward demand cover**

Total inventory in OECD as days of forward cover of demand (# of days)



Notes:

(a) Total inventory representing days of forward cover based on average demand over the next four quarters.

Source: IEA, Kotak Institutional Equities

**Exhibit 8: Call on OPEC to increase further in 4QCY18 before moderating again in CY2019**

Global crude demand-supply balance, 1QCY17 onwards (mn b/d)

	1QCY17	2QCY17	3QCY17	4QCY17	1QCY18	2QCY18	3QCY18E	4QCY18E	CY2019E
Global oil demand	96.4	98.0	98.4	98.7	98.4	98.7	99.8	100.3	100.8
Non-OPEC oil supply	57.5	57.5	58.1	58.8	59.1	59.9	60.4	60.5	61.8
OECD Americas	20.0	19.8	20.3	21.2	21.7	22.1	22.3	22.6	23.6
OPEC NGLs supply	6.9	6.9	6.9	6.9	6.9	6.9	7.0	7.0	7.1
OPEC crude supply/call on OPEC	32.3	32.6	33.0	32.6	32.3	32.1	32.4	32.8	31.9
Surplus/(deficit)	0.2	(1.0)	(0.5)	(0.5)	(0.0)	0.3			

Source: IEA, Kotak Institutional Equities estimates

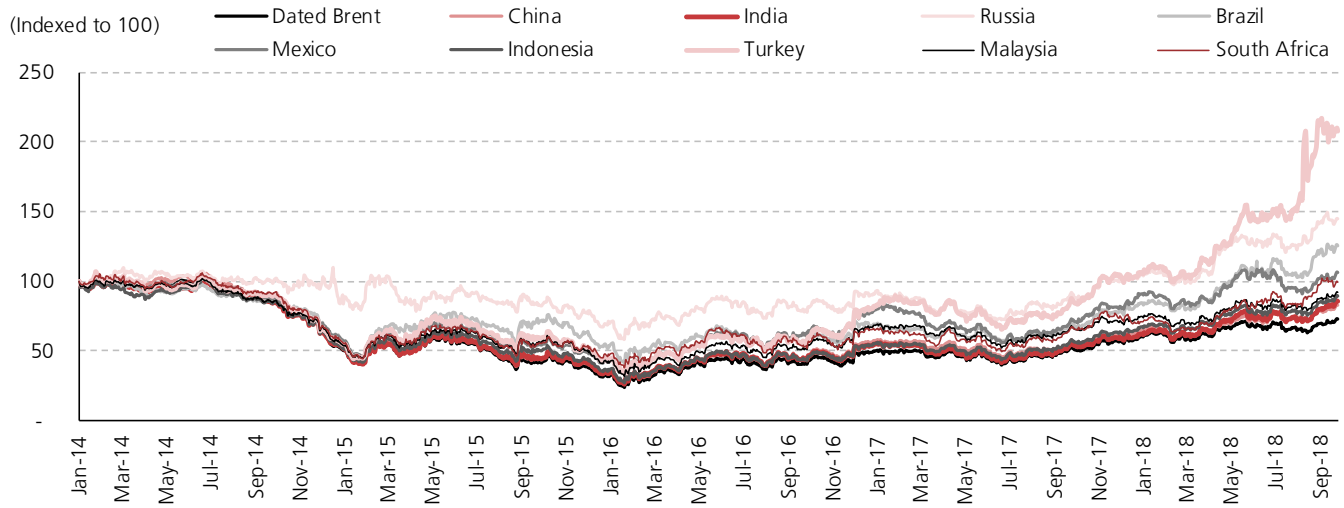
**Exhibit 9: Implied spare capacity to remain tight even as supply-demand eases out in CY2019**

Estimated global crude demand, supply and prices, calendar year-ends, 2012-19E

	2012	2013	2014	2015	2016	2017	2018E	2019E
<b>Demand (mn b/d)</b>								
Total demand	90.7	91.7	93.0	95.0	96.4	97.9	99.3	100.8
Yoy growth	1.2	1.1	1.2	2.0	1.3	1.5	1.4	1.5
<b>Supply (mn b/d)</b>								
Non-OPEC	52.5	54.5	57.0	58.1	57.1	58.0	60.0	61.8
Yoy growth	(0.4)	2.1	2.4	1.1	(0.9)	0.8	2.0	1.8
OPEC								
Crude	32.1	30.6	30.5	31.8	33.0	32.6	32.4	32.0
NGLs	6.4	6.2	6.3	6.6	6.8	6.9	7.0	7.1
Total OPEC	38.4	36.8	36.8	38.4	39.8	39.5	39.3	39.1
Total supply	90.9	91.3	93.7	96.5	96.9	97.5	99.3	100.9
Total stock change	0.2	(0.5)	0.7	1.5	0.6	(0.4)	0.0	0.1
OPEC crude capacity	35.8	35.2	35.2	35.2	35.9	35.6	35.0	35.0
Implied spare capacity	3.9	4.1	5.5	4.8	3.4	2.5	2.7	3.1
<b>Dated Brent (US\$/bbl)</b>	112	109	99	52	44	54	76	76
<b>World GDP growth (%)</b>	3.4	3.3	3.6	3.4	3.2	3.7	3.9	3.9

Source: IEA, Kotak Institutional Equities estimates

**Exhibit 10: Crude prices have increased sharply for emerging economies in local currency terms over the past few years**  
 Crude price movement in domestic currencies for key emerging economies, Indexed from January 2014



Source: Bloomberg, Kotak Institutional Equities

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UPDATE

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**Unabated macro concerns.** With crude prices likely to remain around US\$80/bbl, we re-iterate our concerns on the Indian macro, especially, on (1) deteriorating external sector balance, (2) upside risks to inflation, (3) risks of fiscal slippage, and (4) INR depreciation. While directionally our view remains unchanged, we revise our estimates (especially CAD/GDP) factoring revised FY2019 crude assumption of US\$80/bbl. The recent import curbs are unlikely to dent imports significantly. We re-iterate that the policy makers should continue to focus on long-term macro-prudential measures.

### #1 External sector balance is the main macro concern

Based on KIE Energy team's revised FY2019 average crude price estimate of US\$80/bbl, we revise our CAD/GDP to 3.2% (US\$84.3 bn) from 2.8% (US\$75 bn) earlier. Consequently, we estimate the BOP to widen to US\$(-)39.3 bn (earlier US\$(-)34 bn) (see Exhibit 1). We maintain our view that India is unlikely to benefit much on exports due to INR depreciation as the global trade structure remains circumspect. India's imports will likely continue to be structurally dominated by consumption-oriented imports and non-substitutable imports (at least in the near term) (see Exhibit 2). The recent import duty hike on 19 items is unlikely to suppress imports significantly (see Exhibit 3). We maintain our USD-INR range of 69-74 for the rest of FY2019 with risks of the INR overshooting its fair values (see Exhibit 4) as the global adverse risks remain dominant: (1) risk of trade wars translating into currency wars, (2) escalating geopolitical tensions, (3) secular uptrend in crude oil prices, (4) Fed rate hikes despite global uncertainties, and (5) DM central banks' balance sheets' tightness as we approach 2019 (see Exhibit 5).

### #2 Difficult to stick to budgeted fiscal deficit target

We continue to believe that if the government plans to stick to its fiscal target, it will need to cut expenditure *sans* higher-than-budgeted divestment/direct taxes to offset GST revenue shortfall (see Exhibit 6). Sharp expenditure cuts will be difficult in an election year. As a base case, we maintain our FY2019 GFD/GDP at 3.5% (FY2019BE: 3.3%) (see Exhibit 7). We note that Rs94.2 bn has been achieved in 5MFY19 of the Rs800 bn divestment target though there is scope for higher divestments (see Exhibits 8-9). Direct tax revenues could see some increase though it is yet uncertain if it can fully offset shortfall in indirect tax revenues. Further it is likely that fuel subsidy will be higher by around Rs35 bn even after assuming that Rs275 bn is passed on to the upstream companies. We expect the government to stick to the GSec borrowing program, for now, (Rs2.68 tn for 2HFY19E) though alternate funding/adjustments such as NSSF or canceling of buybacks needs to be outlined for the program to be credible.

### #3 Inflation will remain at risk—keep an eye on core inflation

Crude prices have limited impact on headline CPI inflation (RBI estimates around 30 bps impact for US\$10/bbl movement). However, our concern is more on core inflation (including petrol and diesel). At a more fundamental level, the current growth trajectory (robust demand) without commensurate improvement in the supply side (weak private sector investment cycle) implies that the output gap has been closing down fast ([RBI paper](#)). On a structural basis this can be inflationary, especially on the core inflation side. We revise our headline inflation estimates slightly higher by 10 bps for March 2019 (FY2019 average headline inflation at 4.3% and core inflation at 5.8%) (Exhibit 10). The RBI MPC will likely increase repo rate by 25 bps in the October policy based on the implied impact of (1) expected cyclical recovery in growth (see Exhibit 11), (2) INR depreciation, and (3) crude price movement on the medium term inflation trajectory.

### QUICK NUMBERS

- **FY2019E CAD/GDP at 3.2%; BOP at US\$(-)39.3 bn**
- **FY2019E GFD/GDP at 3.5%**
- **FY201E average inflation at 4.3%; core inflation at 5.8%**

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**Re-iterate our stance on macro adjustments (slower growth needed)**

We had detailed our thoughts on macro adjustments in a recent note (*Economic growth at any cost?*, September 11, 2018). Essentially, India's widening CAD, on a fundamental basis, is symptomatic of lower savings compared to the investment level (see Exhibit 12). This essentially means that overall growth needs to slow down. It can be generated either through fiscal policy or through monetary policy. Reining in CAD on a sustainable basis would require increasing overall savings (or lowering aggregate demand) through (1) general fiscal consolidation, especially states, and (2) higher household financial savings. Given the level of consolidated fiscal deficit, it is imperative that the government (central+states) does not stray from the fiscal consolidation path.

With liquidity likely to remain tight (and tighten further in 2HFY19), financial conditions will tighten with RBI's liquidity injection providing some respite (for details refer to our comment *Liquidity: Remains tight beyond the recent squeeze*, September 25, 2018). The recent liquidity squeeze in the NBFC space could reduce the sector's growth in the near to medium term as funding costs increase across-the-board (possibly by 50-100 bps on an average), especially for the lower quality ones. An equivalent impact should be seen in the consumers' borrowing rates which would have (and to some extent needed) adverse implications for consumption growth.

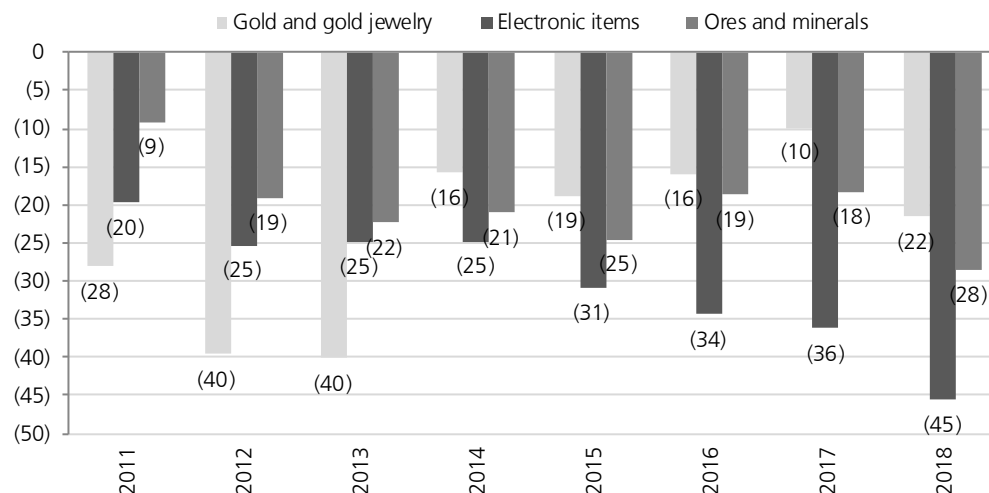
Exhibit 1: Material negative risks to CAD and BOP in FY2019  
India's balance of payments, March fiscal year-ends, 2014-19E (US\$ bn)

	2014	2015	2016	2017	2018	2019E		
						Oil@75/bbl	Oil@80/bbl	Oil@85/bbl
<b>Current account</b>	<b>(32.3)</b>	<b>(26.9)</b>	<b>(22.2)</b>	<b>(14.4)</b>	<b>(48.7)</b>	<b>(78.8)</b>	<b>(84.3)</b>	<b>(89.7)</b>
GDP	1,858	2,038	2,103	2,270	2,602	2,670	2,670	2,670
<b>CAD/GDP (%)</b>	<b>(1.7)</b>	<b>(1.3)</b>	<b>(1.1)</b>	<b>(0.6)</b>	<b>(1.9)</b>	<b>(3.0)</b>	<b>(3.2)</b>	<b>(3.4)</b>
Trade balance	(148)	(145)	(130)	(112)	(160)	(195)	(202)	(210)
<b>Trade balance/GDP (%)</b>	<b>(7.9)</b>	<b>(7.1)</b>	<b>(6.2)</b>	<b>(4.9)</b>	<b>(6.2)</b>	<b>(7.3)</b>	<b>(7.6)</b>	<b>(7.9)</b>
- Exports	319	317	266	280	309	331	333	335
- oil exports	63	57	31	32	39	44	47	49
- non-oil exports	255	260	236	249	270	286	286	286
- Imports	466	461	396	393	469	525	535	545
- oil imports	165	138	83	87	109	147	157	166
- non-oil imports	301	323	313	306	360	379	379	379
- gold imports	29	34	32	28	34	33	33	33
Invisibles (net)	115	118	108	98	111	116	118	120
- Services	73	77	70	68	78	77	77	77
- software	67	70	71	71	72	74	74	74
- non-software	6.1	6.1	(1.8)	(2.4)	5.4	3.0	3.0	3.0
- Transfers	65	66	63	56	62	68	70	72
- Income (net)	(23)	(24)	(24)	(26)	(29)	(29)	(29)	(29)
<b>Capital account</b>	<b>49</b>	<b>89</b>	<b>41</b>	<b>36</b>	<b>91</b>	<b>45</b>	<b>45</b>	<b>45</b>
Percentage of GDP	2.6	4.4	2.0	1.6	3.5	1.7	1.7	1.7
Foreign investment	26	73	32	43	52	22	22	22
- FDI	22	31	36	36	30	32	32	32
- FPI	5	42	(4)	8	22	(10)	(10)	(10)
- Equities	14	15	(4)	9	2	(2)	(2)	(2)
- Debt	(8)	26	(0)	(1)	21	(8)	(8)	(8)
Banking capital	25	12	11	(17)	16	15	15	15
- NRI deposits	39	14	16	(12)	10	10	10	10
Short-term credit	(5)	(0)	(2)	6	14	4	4	4
ECBs	12	2	(5)	(6)	(0)	2	2	2
External assistance	1	2	2	2	3	2	2	2
Other capital account items	(11)	1	3	8	6	—	—	—
E&O	(1)	(1)	(1)	(0)	1	—	—	—
<b>Overall balance</b>	<b>15.6</b>	<b>61.4</b>	<b>17.9</b>	<b>21.6</b>	<b>43.6</b>	<b>(33.8)</b>	<b>(39.3)</b>	<b>(44.7)</b>
<b>Memo items</b>								
Average USD/INR	60.5	61.2	65.4	67.2	64.5	69.9	69.9	69.9
Average Brent (US\$/bbl)	107.6	86.5	47.5	49.0	57.6	75.0	80.0	85.0

Source: CEIC, RBI, Kotak Economics Research estimates

**Exhibit 2: Electronics trade deficit has offset the gains on gold trade deficit**

Net exports of gold and gold products, electronic items, and ores and minerals, March fiscal year-ends (US\$ bn)



Source: CEIC, Kotak Economics Research

**Exhibit 3: Impact on imports may not be too significant from recent tariff increases**

Trade details of items with higher tariffs, March fiscal year-ends

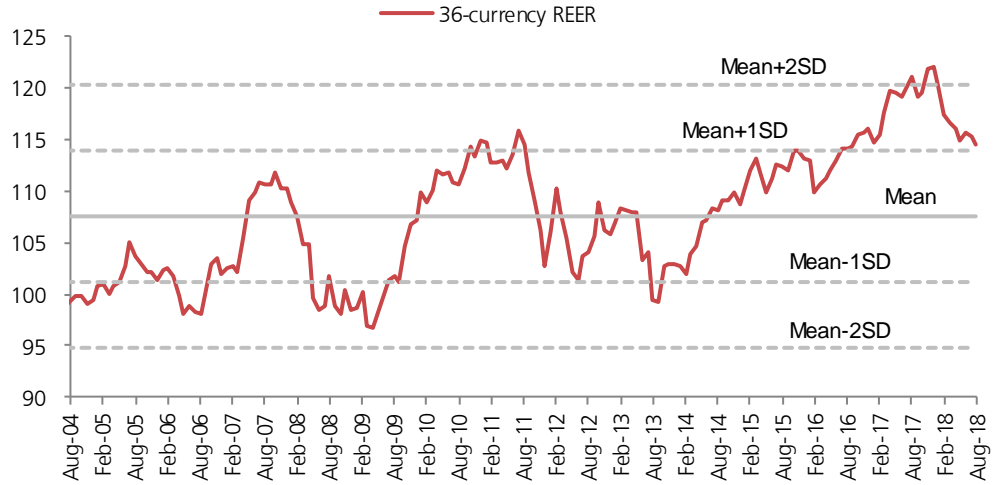
	Earlier rate (%)	Revised rate (%)	Imports (US\$ mn)				Exports (US\$ mn)				Trade balance (US\$ mn)			
			2017	2018	4MFY18	4MFY19	2017	2018	4MFY18	4MFY19	2017	2018	4MFY18	4MFY19
Non-industrial diamonds (cut and polished)	5.0	7.5	2,442	9,748	3,182	3,167	22,545	23,511	7,347	8,066	20,103	13,763	4,164	4,899
Jewellery and parts (precious metals)	15.0	20.0	333	1,797	265	208	11,891	12,742	3,794	4,609	11,558	10,945	3,529	4,401
Goldware or silverwares and parts	15.0	20.0	40	1,351	293	4	29	39	22	4	(10)	(1,312)	(271)	0
Air conditioners	10.0	20.0	954	1,163	390	530	122	155	51	60	(831)	(1,007)	(339)	(470)
Miscellaneous plastic items	10.0	15.0	886	916	331	302	589	606	210	180	(297)	(310)	(121)	(122)
Colored gemstones (cut and polished)	5.0	7.5	1,471	701	270	118	425	457	126	135	(1,046)	(245)	(144)	17
Footwears	20.0	25.0	457	610	181	200	2,449	2,469	846	831	1,993	1,858	664	632
Household refrigerators	10.0	20.0	451	543	172	169	273	245	95	79	(178)	(298)	(77)	(91)
Compressor (air conditioners, refrigerators)	7.5	10.0	479	542	192	224	98	93	33	31	(381)	(449)	(159)	(193)
Travel bags, carry bags, etc.	10.0	15.0	279	390	113	133	1,256	1,344	422	440	977	954	309	306
Lab-grown diamonds	5.0	7.5	155	347	113	82	0	238	65	81	(155)	(109)	(48)	(0)
Plastic articles for conveyance and packing	10.0	15.0	265	311	104	124	663	745	227	268	398	434	122	144
Speakers	10.0	15.0	189	211	66	86	24	5	1	3	(165)	(206)	(64)	(83)
Radial car tyres	10.0	15.0	163	203	65	65	88	98	30	29	(75)	(105)	(35)	(36)
Washing machines (less than 10kg)	10.0	20.0	149	195	53	72	55	50	15	13	(93)	(146)	(38)	(59)
Aviation turbine fuel	0.0	5.0	165	181	55	66	5,478	6,441	1,762	3,593	5,313	6,260	1,708	3,526
Sanitary fittings of plastics	10.0	15.0	52	66	20	23	5	8	2	3	(47)	(58)	(18)	(20)
Household items of plastics	10.0	15.0	27	59	12	23	173	170	55	54	146	111	43	31
Diamonds (semi processed, half-cut or broken)	5.0	7.5	43	37	23	61	0	0	0	0	(43)	(37)	(23)	(61)
<b>Total (US\$ mn)</b>			<b>9,000</b>	<b>19,370</b>	<b>5,900</b>	<b>5,656</b>	<b>46,165</b>	<b>49,413</b>	<b>15,103</b>	<b>18,478</b>	<b>37,165</b>	<b>30,043</b>	<b>9,202</b>	<b>12,822</b>
<b>Total (% of GDP)</b>			<b>0.4</b>	<b>0.7</b>			<b>2.0</b>	<b>1.9</b>			<b>1.6</b>	<b>1.2</b>		

Notes:

(a) Diamond related trade data is based on our estimate. Complete tariff code was not available.

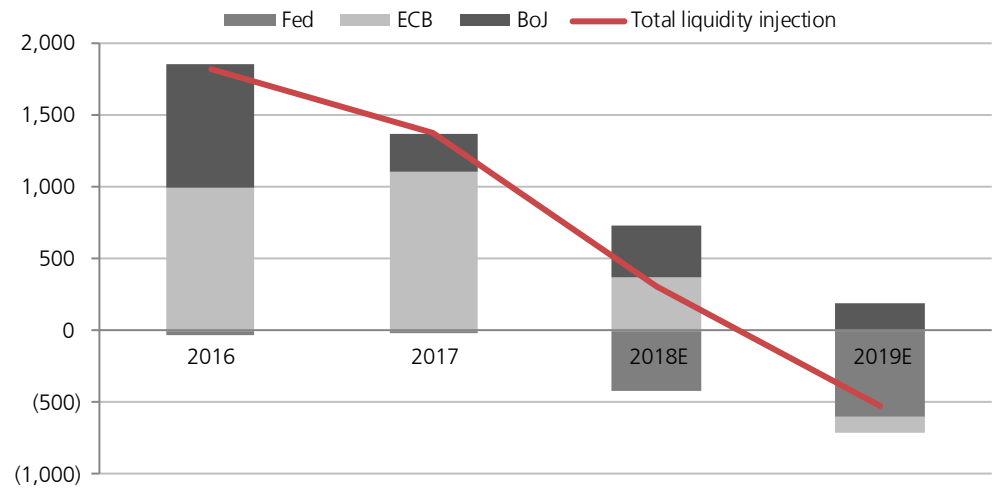
Source: Ministry of Commerce, Kotak Economics Research

**Exhibit 4: INR closing in on its fair value**  
Trend in 36- currency trade weighted REER (2004-05=100)



Source: CEIC, RBI, Kotak Economics Research

**Exhibit 5: Central banks will likely withdraw liquidity in CY2019**  
Net injection of liquidity by central banks, December calendar year-ends (US\$ bn)



Source: CEIC, Bloomberg, Kotak Economics Research estimates

**Exhibit 6: GST run rate significantly behind the budgeted run rate**

Summary of GST collections, March fiscal year-ends, FY2019 (Rs bn)

	Mar-18	Apr-18	May-18	Jun-18	Jul-18
<b>Monthly collections (PIB press releases)</b>					
<b>Center</b>	<b>325</b>	<b>288</b>	<b>316</b>	<b>579</b>	<b>370</b>
Center GST (CGST)	187	159	160	159	153
Centre's share of IGST (C-IGST)	138	129	157	420	217
<b>States</b>	<b>403</b>	<b>340</b>	<b>367</b>	<b>638</b>	<b>411</b>
States' GST (SGST)	257	217	220	223	212
States' share of IGST (S-IGST)	146	123	147	415	200
<b>Unallocated IGST</b>	<b>222</b>	<b>239</b>	<b>192</b>	<b>(335)</b>	<b>82</b>
<b>Compensation cess</b>	<b>86</b>	<b>73</b>	<b>81</b>	<b>84</b>	<b>76</b>
<b>Total</b>	<b>1,035</b>	<b>940</b>	<b>956</b>	<b>965</b>	<b>940</b>
<b>FYTD collections (incl. CGA adjustments for CGST, SGST, IGST)</b>					
<b>Centre</b>	<b>521</b>	<b>971</b>	<b>1,383</b>	<b>1,563</b>	<b>1,975</b>
- CGST	321	602	911	1,490	1,851
- Unallocated IGST	200	369	471	72	124
<b>State</b>	<b>399</b>	<b>732</b>	<b>1,092</b>	<b>1,730</b>	<b>2,132</b>
Compensation cess	85	157	237	317	391
<b>Total</b>	<b>1,004</b>	<b>1,860</b>	<b>2,712</b>	<b>3,609</b>	<b>4,498</b>
<b>FY2019BE</b>					
Centre					6,539
- Unallocated IGST					500
State					5,078
Compensation cess					900
<b>Total</b>					<b>12,517</b>
<b>FY2019BE required run rate</b>					
Centre					545
- Unallocated IGST					42
State					423
Compensation cess					75
<b>Total</b>					<b>1,043</b>
<b>FYTD run rate</b>					
Centre	521	486	461	391	395
- Unallocated IGST	200	185	157	18	25
State	399	366	364	432	426
Compensation cess	85	79	79	79	78
<b>Total</b>	<b>1,004</b>	<b>930</b>	<b>904</b>	<b>902</b>	<b>900</b>

Notes:

(a) Monthly collections are inclusive of monthly IGST transfers.

(b) FYTD collections for Jun-18 is based on our estimates of refunds and IGST settlements.

Source: Ministry of Finance, CGA, Kotak Economics Research estimates

**Exhibit 7: Significant chances of fiscal slippage in FY2019**  
Major central government budgetary items, March fiscal year-ends, 2014-19E (Rs bn)

	2014	2015	2016	2017	2018P	2019BE	2019E	Change (%)				
								2017/ 2016	2018P/ 2017	2019BE/ 2018P	2019E/ 2018P	
<b>Receipts</b>												
1. Revenue receipts (2d + 3)	10,147	11,014	11,950	13,742	14,352	17,257	17,075	15	4	20	19	
<b>2. Gross tax revenues (a + b)</b>	<b>11,388</b>	<b>12,449</b>	<b>14,556</b>	<b>17,158</b>	<b>19,192</b>	<b>22,712</b>	<b>22,433</b>	<b>18</b>	<b>12</b>	<b>18</b>	<b>17</b>	
2.a. Direct taxes	6,418	6,989	7,458	8,539	10,077	11,552	11,552	14	18	15	15	
2.a.1. Corporation tax	3,947	4,289	4,532	4,849	5,712	6,210	6,210	7	18	9	9	
2.a.2. Income tax	2,353	2,583	2,876	3,646	4,082	5,290	5,290	27	12	30	30	
2.a.3. Other taxes	118	117	50	43	283	52	52	(13)	553	(81)	(81)	
2.b. Indirect taxes	4,971	5,459	7,098	8,620	9,115	11,160	10,881	21	6	22	19	
2.b.1. Goods and Services Tax	—	—	—	—	4,347	7,439	7,160	—	—	71	65	
2.b.1.1. CGST	—	—	—	—	2,033	6,039	5,760	—	—	197	183	
2.b.1.2. IGST	—	—	—	—	1,688	500	500	—	—	(70)	(70)	
2.b.1.3. Compensation cess	—	—	—	—	626	900	900	—	—	44	44	
2.b.2. Customs duty	1,721	1,880	2,103	2,254	1,369	1,125	1,125	7	(39)	(18)	(18)	
2.b.2.1. Basic duties	470	526	572	646	808	963	963	13	25	19	19	
2.b.2.2. Others	1,251	1,354	1,532	1,608	562	162	162	5	(65)	(71)	(71)	
2.b.3. Excise duty	1,702	1,900	2,881	3,821	2,586	2,596	2,596	33	(32)	0	0	
2.b.4. Service tax	1,548	1,680	2,114	2,545	812	—	—	20	(68)	—	—	
2.c Transfers to states, UTs and national funds	3,230	3,413	5,119	6,145	6,765	7,906	7,809	20	10	17	15	
2.d Net tax revenues	8,159	9,036	9,438	11,014	12,427	14,806	14,624	17	13	19	18	
3. Non-tax revenues	1,989	1,978	2,513	2,728	1,925	2,451	2,451	9	(29)	27	27	
3.a. RBI's transfer of surplus	330	527	659	659	407	400	400	(0)	(38)	(2)	(2)	
4. Non-debt capital receipts (a + b)	419	515	630	654	1,158	922	922	4	77	(20)	(20)	
4.a Recovery of loans	125	137	208	176	156	122	122	(15)	(11)	(22)	(22)	
4.b Other receipts (disinvestments)	294	377	421	477	1,002	800	800	13	110	(20)	(20)	
<b>5. Total receipts (1 + 4)</b>	<b>10,566</b>	<b>11,529</b>	<b>12,580</b>	<b>14,396</b>	<b>15,510</b>	<b>18,179</b>	<b>17,997</b>	<b>14</b>	<b>8</b>	<b>17</b>	<b>16</b>	
<b>Expenditure</b>												
6. Revenue expenditure	13,718	14,670	15,378	16,906	18,790	21,418	21,548	10	11	14	15	
6.a. Interest payments	3,743	4,024	4,417	4,807	5,292	5,758	5,758	9	10	9	9	
6.b. Subsidies	2,546	2,583	2,641	2,348	2,242	2,928	3,044	(11)	(5)	31	36	
6.b.1. Food	920	1,177	1,394	1,102	1,003	1,693	1,773	(21)	(9)	69	77	
6.b.2. Fertilizer	673	711	724	663	664	701	701	(8)	0	5	5	
6.b.3. Oil	854	603	300	275	244	249	285	(8)	(12)	2	17	
6.b.4. Other subsidies	99	92	223	308	331	285	285	38	7	(14)	(14)	
6.c. Pay, allowances and pensions	2,589	3,091	3,301	3,996	4,414	4,791	4,791	21	10	9	9	
6.c.1.a. Pay and allowances	1,840	2,155	2,334	2,682	2,940	3,107	3,107	15	10	6	6	
6.c.1.b. Pensions	749	936	967	1,314	1,474	1,685	1,685	36	12	14	14	
6.d. Agriculture and farmers' welfare	104	193	153	369	374	467	467	141	1	25	25	
6.e. Education	711	689	672	720	800	850	850	7	11	6	6	
6.f. Health and family welfare	259	306	322	377	514	528	528	17	36	3	3	
6.g. Rural development	587	673	774	951	1,086	1,124	1,124	23	14	4	4	
6.h. Others	3,180	3,111	3,097	3,338	4,069	4,971	4,985	8	22	22	23	
<b>7. Capital expenditure</b>	<b>1,877</b>	<b>1,967</b>	<b>2,530</b>	<b>2,846</b>	<b>2,637</b>	<b>3,004</b>	<b>2,938</b>	<b>12</b>	<b>(7)</b>	<b>14</b>	<b>11</b>	
7.a. Defence	802	831	836	915	955	996	986	9	4	4	3	
7.b. Railways	271	301	350	452	434	531	504	29	(4)	22	16	
7.c. Roads and Highways	149	166	275	412	508	594	565	50	23	17	11	
7.d. Housing and urban affairs	67	74	106	165	153	164	164	56	(7)	7	7	
7.e. Others	588	595	963	902	587	720	720	(6)	(35)	23	23	
<b>8. Total expenditure (6 + 7)</b>	<b>15,594</b>	<b>16,637</b>	<b>17,908</b>	<b>19,752</b>	<b>21,427</b>	<b>24,422</b>	<b>24,486</b>	<b>10</b>	<b>8</b>	<b>14</b>	<b>14</b>	
<b>Deficit</b>												
Primary deficit (PD)	1,286	1,084	911	549	624	485	731	(55)	14	(22)	17	
Revenue deficit (RD)	3,570	3,656	3,427	3,164	4,438	4,160	4,473	3	40	(6)	1	
<b>Gross fiscal deficit (GFD)</b>	<b>5,029</b>	<b>5,108</b>	<b>5,328</b>	<b>5,356</b>	<b>5,917</b>	<b>6,243</b>	<b>6,489</b>	<b>0</b>	<b>10</b>	<b>6</b>	<b>10</b>	
Gross borrowings (dated securities)	5,637	5,920	5,840	5,830	5,451	5,555	5,651	3	(7)	2	4	
Net market borrowing	4,536	4,531	4,406	4,082	4,055	4,121	4,217	(4)	(1)	2	4	
Net market borrowing (adjusted for buyback)	—	—	4,041	3,497	3,485	3,651	3,747	5	(0)	5	8	
Short-term borrowing (T-bills)	77	92	507	55	775	170	320	—	—	—	—	
<b>Nominal GDP at market prices</b>	<b>112,335</b>	<b>124,680</b>	<b>137,640</b>	<b>152,537</b>	<b>167,731</b>	<b>187,223</b>	<b>187,188</b>	<b>10.8</b>	<b>10.0</b>	<b>11.6</b>	<b>11.6</b>	
PD/GDP (%)	1.1	0.9	0.7	0.4	0.4	0.3	0.4					
RD/GDP (%)	3.2	2.9	2.5	2.1	2.6	2.2	2.4					
GFD/GDP (%)	4.5	4.1	3.9	3.5	3.5	3.3	3.5					

Source: Union Budget, CEIC, Kotak Economics Research estimates

**Exhibit 8: Rs350 bn can be raised by reducing stakes in companies with 75% government holding**  
List of PSUs with more than 75% Govt holding (sorted on mcap.)

Company	Market Cap.		Govt holding (%)	Stake sale	
	(Rs bn)	(US\$ bn)		(%)	(Rs bn)
Coal India	1,692	23	78.6	3.6	60
KIOCL	106	1	99.0	24.0	26
Neyveli Lignite Corp.	102	1	84.0	9.0	9
SJVN	111	2	90.8	15.8	18
Hindustan Copper	51	1	76.1	1.1	1
MMTC	44	1	89.9	14.9	7
ITI	51	1	93.8	18.8	9
RITES	41	1	87.0	12.0	5
ITDC	32	0	87.0	12.0	4
Fertilizers & Chemicals Travancore	14	0	90.0	15.0	2
Andrew Yule & Co.	10	0	89.3	14.3	1
HMT	10	0	93.7	18.7	2
State Trading Corp.	7	0	90.0	15.0	1
Scooters India	2	0	93.7	18.7	0
<b>Banks/Finance</b>					
GIC	575	8	85.8	10.8	62
New India Assurance	362	5	85.4	10.4	38
Central Bank of India	114	2	86.4	11.4	13
HUDCO	102	1	89.8	14.8	15
Bank of India	146	2	83.1	8.1	12
IDBI Bank	220	3	81.0	6.0	13
Indian Overseas Bank	68	1	89.7	14.7	10
Indian Bank	115	2	81.9	6.9	8
UCO Bank	34	0	84.2	9.2	3
United Bank of India	32	0	93.1	18.1	6
Bank of Maharashtra	30	0	87.0	12.0	4
Punjab & Sind Bank	15	0	85.6	10.6	2
Haryana Financial Corp.	0	0	100.0	25.0	0
<b>Total</b>	<b>4,088</b>	<b>56</b>			<b>330</b>

Source: Capitaline, Kotak Institutional Equities

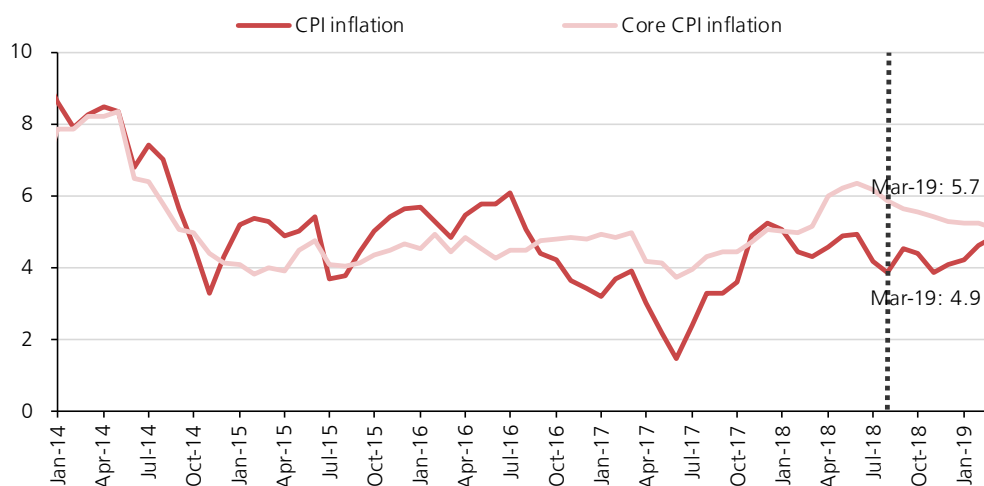
**Exhibit 9: The Government can raise Rs850 bn by selling minority stakes in non-Government companies**

Key minority holdings of Government in certain companies

Company	Mcap.	Govt holding	
	(Rs bn)	(%)	(Rs bn)
Axis Bank	1,586	9.6	153
Hindustan Zinc	1,296	29.5	383
ITC	3,586	8.0	285
L&T	1,868	1.7	32
<b>Total</b>			<b>853</b>

Source: Capitaline, Kotak Institutional Equities

**Exhibit 10: Upside risks to inflation from crude price, INR weakness, and higher-than-usual MSP hikes**  
Headline and core CPI inflation (%)



Source: CEIC, Kotak Economics Research estimates

**Exhibit 11: We estimate FY2019 GDP growth at 7.3% after 6.7% in FY2018**  
Real GVA and components growth, March fiscal-year ends, 2014-19E (%)

	2014	2015	2016	2017	2018	2019E
Real GVA	6.1	7.2	8.1	7.1	6.5	7.1
Agriculture and allied	5.6	(0.2)	0.6	6.3	3.4	3.5
Industry	3.8	7.0	9.8	6.8	5.5	7.1
Mining	0.2	9.7	13.8	13.0	2.9	2.0
Manufacturing	5.0	7.9	12.8	7.9	5.7	8.0
Electricity	4.2	7.2	4.7	9.2	7.2	7.2
Construction	2.7	4.3	3.7	1.3	5.7	7.0
Services	7.7	9.8	9.6	7.5	7.9	8.2
Trade, hotel, transport, communication	6.5	9.4	10.3	7.2	8.0	7.2
Financial, real estate, professional services	11.2	11.0	10.9	6.0	6.6	7.8
Public admin, defence, and others	3.8	8.3	6.1	10.7	10.0	10.3
Non-agriculture GVA	6.2	8.7	9.6	7.2	7.0	7.8
Real GDP	6.4	7.4	8.2	7.1	6.7	7.3

Source: CEIC, Kotak Economics Research estimates

**Exhibit 12: Most of the improvement in CAD has been on the back of higher corporate savings**  
Breakup of saving-investment gap as a proportion of GDP, March fiscal year-ends (%)

	2012	2013	2014	2015	2016	2017	2017-2013
CAD/GDP	(4.3)	(4.8)	(1.7)	(1.3)	(1.1)	(0.7)	4.1
(S-I)/GDP	(4.3)	(4.8)	(1.7)	(1.3)	(1.0)	(0.6)	4.2
- Corporates	(6.0)	(6.5)	(3.9)	(3.5)	(4.2)	(2.7)	3.7
- Nonfinancial	(7.8)	(8.1)	(5.8)	(5.3)	(5.2)	(4.3)	3.8
- Financial	1.9	1.6	1.9	1.9	0.9	1.6	(0.1)
- General government	(5.7)	(5.6)	(5.3)	(5.1)	(5.0)	(4.8)	0.8
- Households	7.4	7.2	7.5	7.3	8.2	6.8	(0.4)

Notes:

(a) Valuables and FOF adjustment factors have been equally distributed across sectors in GCF rate calculations.

Source: CEIC, CSO, Kotak Economics Research estimates



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

Company	Rating	Price (Rs)			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)
		26-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	
<b>Automobiles</b>																													
Amara Raja Batteries	REDUCE	786	780	(0.8)	134	1.8	171	32	37	43	17.1	15.9	14.5	24.3	21.0	18.3	12.9	11.1	9.6	4.0	3.4	3.0	17.4	17.5	17.4	0.6	0.7	0.8	6.2
Apollo Tyres	BUY	228	340	48.9	131	1.8	541	20	25	29	46.9	25.7	17.0	11.6	9.2	7.9	7.3	6.2	5.0	1.2	1.1	1.0	11.0	12.5	13.1	1.3	1.3	1.3	12.2
Ashok Leyland	BUY	121	160	32.6	354	4.9	2,926	6.2	8.9	9.4	15.3	43.2	6.1	19.5	13.6	12.8	9.9	7.2	6.7	4.2	3.5	3.0	23.4	28.4	25.4	1.5	2.2	2.3	46.4
Bajaj Auto	SELL	2,773	2,700	(2.6)	803	11.0	289	156	174	185	11.2	11.5	6.3	17.8	16.0	15.0	12.1	10.5	9.5	3.7	3.3	3.0	22.2	22.1	21.0	2.2	2.5	2.7	31.4
Balkrishna Industries	REDUCE	1,105	1,300	17.7	214	2.9	193	50	62	70	34.5	24.1	12.8	22.0	17.7	15.7	12.0	9.8	8.5	4.3	3.6	3.0	21.6	22.1	20.7	0.5	0.6	0.6	15.4
Bharat Forge	SELL	625	600	(4.0)	291	4.0	466	23	27	29	44.4	14.6	7.1	26.7	23.3	21.8	15.2	13.3	12.3	5.3	4.5	3.9	21.5	21.0	19.4	0.8	0.9	1.0	12.2
CEAT	ADD	1,236	1,500	21.4	50	0.7	40	99	108	116	53.7	8.3	7.9	12.4	11.5	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	12.7
Eicher Motors	SELL	25,181	24,000	(4.7)	687	9.5	27	997	1,180	1,306	25.8	18.4	10.7	25.3	21.3	19.3	18.1	15.1	13.1	9.2	6.9	5.4	42.4	37.1	31.4	0.1	0.1	—	22.2
Escorts	BUY	663	1,200	81.1	56	1.1	89	59	71	78	52.2	19.9	10.6	11.2	9.4	8.5	6.8	5.5	4.5	2.0	1.7	1.4	17.6	18.0	17.1	1.3	1.6	1.8	15.2
Exide Industries	SELL	274	235	(14.1)	233	3.2	850	10	11	13	25.3	11.0	11.6	26.6	24.0	21.5	15.1	13.5	12.1	3.9	3.5	3.2	15.4	15.5	15.7	1.1	1.3	1.5	8.5
Hero Motocorp	SELL	3,100	3,000	(3.2)	619	8.5	200	183	204	225	(0.9)	11.4	10.2	16.9	15.2	13.8	10.0	8.8	7.8	4.7	4.2	3.7	29.3	29.1	28.6	3.0	3.3	3.6	21.3
Mahindra CIE Automotive	ADD	270	290	7.5	102	1.4	378	14	16	17	45.0	12.7	10.4	19.4	17.2	15.6	9.7	8.6	7.6	2.4	2.1	1.9	13.2	13.1	12.7	—	—	—	3.5
Mahindra & Mahindra	BUY	893	1,125	25.9	1,111	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	31.4
Maruti Suzuki	ADD	7,843	9,200	17.3	2,369	32.6	302	298	362	408	16.7	21.2	12.9	26.3	21.7	19.2	14.5	11.6	9.8	4.9	4.3	3.7	20.1	21.1	20.5	1.0	1.2	1.3	76.6
Motherson Sumi Systems	SELL	258	280	8.6	543	7.5	2,105	11	14	16	40.2	21.5	13.8	22.5	18.5	16.3	9.1	7.5	6.5	4.7	4.0	3.4	22.5	23.2	22.3	1.1	1.3	1.4	15.5
MRF	REDUCE	66,319	69,000	4.0	281	3.9	4	3,425	3,932	4,411	28.3	14.8	12.2	19.4	16.9	15.0	9.0	7.8	6.7	2.5	2.2	1.9	13.9	13.9	13.7	0.1	0.1	0.1	7.6
Schaeffler India	BUY	5,355	6,000	12.1	89	1.2	17	156	199	233	9.0	27.3	17.6	34.3	27.0	22.9	20.9	15.9	13.2	4.7	4.2	3.7	14.5	16.4	17.0	0.6	0.7	0.9	0.6
SKF	ADD	1,708	1,800	5.4	88	1.2	51	69	82	97	19.7	18.5	18.2	24.8	20.9	17.7	15.8	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	233	425	82.1	792	10.1	3,396	22	36	39	10.7	62.7	8.0	10.6	6.5	6.0	3.3	2.8	2.6	0.8	0.7	0.6	7.6	11.2	10.8	—	—	—	52.2
Timken	SELL	602	660	9.6	41	0.6	68	19	25	30	42.3	27.5	21.8	31.3	24.5	20.1	17.2	13.7	11.3	5.0	4.2	3.5	17.1	18.5	18.8	0.2	0.2	0.2	0.3
TVS Motor	SELL	584	405	(30.7)	278	3.8	475	16	20	25	13.9	23.0	26.0	36.8	29.9	23.7	20.2	16.7	13.6	8.3	7.0	5.9	24.2	25.4	27.0	0.8	1.0	1.3	14.9
Varrco Engineering	BUY	850	1,250	47.1	115	1.6	135	39	47	51	52.3	19.9	10.2	21.8	18.2	16.5	17.0	14.4	12.5	3.3	2.8	2.2	15.3	15.3	13.5	—	—	—	—
WABCO India	SELL	6,906	6,350	(8.1)	131	1.8	19	169	222	225	17.8	31.3	1.0	40.8	31.0	30.7	26.6	20.1	19.8	7.2	5.9	5.0	19.2	20.9	17.7	0.1	0.2	0.2	0.4
<b>Automobiles</b>	<b>Neutral</b>				<b>9,510</b>	<b>130</b>					<b>18.3</b>	<b>26.1</b>	<b>9.9</b>	<b>20.4</b>	<b>16.2</b>	<b>14.7</b>	<b>9.1</b>	<b>7.5</b>	<b>6.7</b>	<b>3.0</b>	<b>2.7</b>	<b>2.3</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>407.2</b>
<b>Banks</b>																													
Axis Bank	REDUCE	617	600	(2.8)	1,586	21.8	2,567	18	40	45	1,577.6	122.3	12.3	34.3	15.4	13.7	—	—	—	2.6	2.2	1.9	7.1	14.1	14.1	0.4	1.0	1.1	87.5
Bank of Baroda	NR	109	—	—	289	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	—	—	—	41.0
Canara Bank	ADD	235	300	27.6	172	2.4	733	(5)	51	68	91.6	1,147.0	33.3	(48.5)	4.6	3.5	—	—	—	1.4	0.8	0.6	(1.0)	10.1	12.0	—	—	—	26.7
City Union Bank	REDUCE	184	200	8.8	135	1.9	665	9	11	12	5.8	13.3	16.7	19.5	17.2	14.7	—	—	—	3.0	2.6	2.3	15.5	15.6	16.0	0.9	1.0	1.2	1.9
DCB Bank	ADD	154	205	33.5	47	0.7	308	10	12	16	28.2	21.0	33.1	15.0	12.4	9.3	—	—	—	1.8	1.6	1.4	11.7	12.7	14.9	0.6	0.8	1.0	4.2
Equitas Holdings	BUY	134	190	42.2	46	0.6	340	4.4	8.4	11.4	378.4	89.9	35.6	30.1	15.9	11.7	—	—	—	1.9	1.7	1.5	6.4	11.2	13.4	—	—	—	4.9
Federal Bank	BUY	72	130	81.8	142	1.9	1,972	5.7	7.9	9.7	29.5	39.5	22.9	12.6	9.1	7.4	—	—	—	1.2	1.1	0.9	8.8	11.4	12.8	1.8	2.5	3.1	17.6
HDFC Bank	REDUCE	1,968	2,000	1.6	5,348	73.6	2,595	78	94	112	15.7	20.0	19.1	25.2	21.0	17.6	—	—	—	3.7	3.3	2.9	16.7	16.2	17.0	0.8	0.9	1.1	79.8
ICICI Bank	BUY	313	400	27.8	2,015	27.7	6,429	8	26	31	(19.6)	209.1	19.2	36.9	12.0	10.0	—	—	—	2.1	1.8	1.5	5.1	14.5	15.5	0.5	1.7	2.0	94.6
IDFC Bank	NR	38	—	—	130	1.8	3,404	1.2	2.9	4.3	(52.7)	146.7	44.8	32.0	13.0	9.0	—	—	—	0.8	0.8	0.7	2.6	6.3	8.6	0.6	1.5	2.2	7.3
IndusInd Bank	REDUCE	1,702	1,900	11.6	1,023	14.1	600	71	87	102	17.5	23.6	16.9	24.1	19.5	16.7	—	—	—	3.6	3.1	2.7	17.6	16.8	17.0	—	0.6	0.7	32.6
J&K Bank	BUY	46	100	119.5	25	0.3	557	7	11	15	82.4	63.8	33.5	6.9	4.2	3.1	—	—	—	0.5	0.5	0.4	5.9	9.1	11.2	2.9	4.8	6.4	0.3
Karur Vysya Bank	ADD	81	110	35.2	65	0.9	727	3	13	14	(32.3)	306.7	9.1	25.3	6.2	5.7	—	—	—	1.1	1.0	0.9	3.7	14.1	13.9	1.0	4.0	4.6	1.6
Punjab National Bank	ADD	67	90	34.2	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	—	—	—	40.7
RBL Bank	SELL	536	475	(11.4)	228	3.1	420	22	29	36	48.1	31.5	21.0	23.9	18.2	15.0	—	—	—	3.1	2.8	2.4	13.3	15.5	16.5	0.6	0.8	1.0	16.2
State Bank of India	BUY	264	370	40.2	2,355	32.4	8,925	8	37	53	204.8	380.5	42.7	34.3	7.1	5.0	—	—	—	1.7	1.3	1.0	3.1	13.6	16.7	—	0.2	0.2	99.9
Ujivan Financial Services	ADD	283	420	48.5	34	0.5	121	19	28	32	3,033.9	47.3	15.1	15.1	10.3	8.9	—	—	—	1.8	1.5	1.3	12.1	15.8	15.8	0.6	1.0	1.2	5.4
Union Bank	ADD	71	120	70.0	83	1.1	1,169	8	33	40	117.1	330.8	22.5	9.2	2.1	1.7</													

**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		
		26-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	3mo	
<b>NBFCs</b>																													
Bajaj Finance	SELL	2,316	2,000	(13.6)	1,338	18.4	575	68	90	114	56.6	31.9	27.3	34.1	25.8	20.3	—	—	—	6.9	5.6	4.5	22.4	24.0	24.6	0.3	0.4	0.5	69.9
Bajaj Finserv	REDUCE	6,213	6,100	(1.8)	989	13.6	159	245	307	376	39.7	25.2	22.5	25.3	20.2	16.5	—	—	—	4.0	3.4	2.8	17.5	18.1	18.6	0.2	0.2	0.2	21.2
Bharat Financial Inclusion	NA	1,063	—	—	149	2.1	139	43	54	69	31.1	27.2	25.8	24.8	19.5	15.5	—	—	—	4.0	3.3	2.7	17.9	18.5	19.0	—	—	—	10.4
Cholamandalam	ADD	1,216	1,425	17.2	190	2.6	156	74	92	113	19.4	23.8	23.1	16.4	13.2	10.7	—	—	—	3.3	2.7	2.2	20.6	21.3	21.7	0.7	0.9	1.1	7.6
HDFC	ADD	1,767	2,020	14.3	2,994	41.2	1,676	55	65	79	(27.3)	18.7	21.2	32.2	27.1	22.4	—	—	—	4.0	3.7	3.3	13.6	14.2	15.7	1.2	1.4	1.7	79.5
HDFC Standard Life Insurance	SELL	404	405	0.3	813	11.2	2,007	6	7	8	14.8	10.9	14.7	63.6	57.3	50.0	—	—	—	16.8	15.0	13.4	28.0	27.7	28.4	0.4	0.4	0.5	7.6
ICICI Lombard	SELL	857	620	(27.7)	389	5.4	454	26	32	37	37.1	21.5	18.5	32.9	27.1	22.9	—	—	—	7.2	6.0	5.1	23.8	24.2	24.0	0.7	0.8	1.0	4.8
ICICI Prudential Life	BUY	344	500	45.5	493	6.8	1,436	12	13	15	10.1	7.0	10.0	27.7	25.9	23.5	—	—	—	6.2	5.2	4.4	24.5	21.8	20.2	0.6	0.6	0.7	8.7
IIFL Holdings	SELL	552	625	13.3	176	2.4	319	38	45	52	31.5	18.6	16.0	14.7	12.4	10.7	—	—	—	2.6	2.3	2.0	20.5	20.0	20.0	1.5	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	18.2
LIC Housing Finance	BUY	433	580	33.9	219	3.0	505	48	55	66	10.9	13.9	19.8	8.9	7.9	6.6	—	—	—	1.4	1.2	1.1	17.0	16.2	16.9	1.7	2.0	2.4	16.5
Magma Fincorp	BUY	128	165	28.6	35	0.5	237	13	17	21	34.0	31.8	23.0	9.9	7.5	6.1	—	—	—	1.3	1.1	1.0	13.9	15.8	17.0	1.5	2.0	2.5	1.0
Mahindra & Mahindra Financial	ADD	422	450	6.7	261	3.6	614	23	28	34	58.4	23.2	18.6	18.4	14.9	12.6	—	—	—	2.7	2.4	2.2	14.3	15.8	16.7	1.5	1.8	2.2	11.8
Max Financial Services	ADD	443	650	46.7	119	1.6	268	6	6	6	36.9	1.8	1.8	70.6	69.4	68.2	—	—	—	—	—	—	8.3	8.0	7.8	—	0.5	0.5	5.2
Muthoot Finance	ADD	433	480	10.9	173	2.4	400	40	42	48	(7.8)	6.0	14.8	10.9	10.3	9.0	—	—	—	1.9	1.7	1.5	19.0	17.6	17.8	2.1	2.2	2.6	7.0
PNB Housing Finance	REDUCE	996	1,200	20.5	167	2.3	167	62	75	92	25.3	20.9	22.4	16.0	13.2	10.8	—	—	—	2.3	2.0	1.7	15.2	15.9	17.0	0.3	0.3	0.3	5.2
SBI Life Insurance	ADD	577	785	36.0	577	7.9	1,000	15	18	21	26.0	22.9	17.0	39.7	32.3	27.6	—	—	—	7.5	6.3	5.3	20.6	21.3	20.9	0.4	0.5	0.6	2.7
Shriram City Union Finance	ADD	1,725	2,120	22.9	114	1.6	66	139	171	206	38.1	22.6	20.5	12.4	10.1	8.4	—	—	—	2.0	1.7	1.5	15.5	16.7	17.4	1.0	1.2	1.5	1.5
Shriram Transport	BUY	1,189	1,450	22.0	270	3.7	227	109	127	143	57.8	16.2	12.5	10.9	9.4	8.3	—	—	—	1.9	1.6	1.4	17.6	17.2	16.8	1.3	1.5	1.8	34.3
<b>NBFCs</b>	<b>Neutral</b>				<b>9,728</b>	<b>134</b>					<b>13.2</b>	<b>19.5</b>	<b>19.6</b>	<b>25.1</b>	<b>21.0</b>	<b>17.6</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>685.5</b>
<b>Cement</b>																													
ACC	SELL	1,582	1,270	(19.7)	297	4.1	188	62	70	81	27.0	13.8	15.2	25.6	22.5	19.5	14.2	12.2	10.4	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	(7.1)	449	6.2	1,986	9	11	12	14.5	23.2	15.8	26.3	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	10.9
Dalmia Bharat	ADD	2,430	2,830	16.5	217	3.0	89	94	122	139	55.8	29.3	14.8	25.9	20.0	17.4	9.9	8.1	6.9	3.1	2.7	2.4	12.9	14.6	14.5	0.1	0.1	0.1	4.5
Grasim Industries	BUY	1,045	1,170	12.0	687	9.5	657	46	55	70	(2.5)	18.8	28.0	22.6	19.0	14.9	7.6	7.1	6.7	1.1	1.1	1.0	5.2	5.9	7.1	0.5	0.5	0.5	16.3
India Cements	REDUCE	109	118	8.2	34	0.5	308	4	8	12	28.0	102.6	41.3	26.1	12.9	9.1	8.5	6.7	5.6	0.6	0.6	0.6	2.5	4.8	6.5	0.9	0.9	0.9	9.5
J K Cement	ADD	783	890	13.6	55	0.8	70	45	79	78	3.7	75.4	(0.8)	17.5	10.0	10.0	10.3	8.5	6.9	2.5	2.0	1.7	15.0	22.3	18.5	1.0	1.0	1.0	0.5
JK Lakshmi Cement	ADD	306	370	20.9	36	0.5	118	11	28	37	153.5	147.9	30.5	27.0	10.9	8.4	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	100	145	44.4	21	0.3	205	7	11	15	212.9	58.7	41.3	14.9	9.4	6.6	7.2	5.5	4.1	1.8	1.6	1.3	12.9	18.2	21.8	1.5	2.0	2.0	0.2
Shree Cement	SELL	17,442	12,500	(28.3)	608	8.4	35	421	630	760	6.0	49.7	20.6	41.4	27.7	23.0	19.3	14.5	11.8	6.0	5.0	4.2	15.4	19.7	19.8	0.3	0.3	0.3	5.4
UltraTech Cement	SELL	4,068	2,950	(27.5)	1,117	15.4	275	126	162	201	42.7	28.9	24.0	32.3	25.1	20.2	16.9	14.0	11.6	3.8	3.4	2.9	12.6	14.3	15.4	0.2	0.2	0.2	19.3
<b>Cement</b>	<b>Cautious</b>				<b>3,520</b>	<b>48</b>					<b>19.5</b>	<b>30.3</b>	<b>21.8</b>	<b>28.4</b>	<b>21.8</b>	<b>17.9</b>	<b>10.9</b>	<b>9.3</b>	<b>8.1</b>	<b>2.4</b>	<b>2.2</b>	<b>2.0</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>83.4</b>

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 (mn)	EPS (Rs)			EPS growth (%)			P/E (X)		EV/EBITDA (X)			P/B (X)		RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)		
		26-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
<b>Consumer products</b>																													
Asian Paints	REDUCE	1,282	1,325	3.4	1,230	16.9	959	27	33	39	32.1	20.3	18.3	47.3	39.3	33.2	29.6	24.5	20.7	12.8	11.1	9.7	28.8	30.3	31.3	0.9	1.2	1.4	23.6
Bajaj Corp.	ADD	438	470	7.4	65	0.9	148	15	17	19	7.8	10.3	9.5	28.4	25.7	23.5	22.8	19.4	16.9	13.2	13.1	12.9	46.3	51.2	55.4	3.0	3.2	3.4	0.6
Britannia Industries	ADD	5,682	6,700	17.9	683	9.4	120	104	127	152	24.5	22.2	19.2	54.6	44.6	37.4	35.7	29.2	24.4	15.9	12.8	10.5	32.5	31.8	30.9	0.6	0.8	1.0	14.2
Coffee Day Enterprises	REDUCE	294	290	(1.5)	62	0.9	211	8	10	12	129.9	30.0	21.2	38.3	29.5	24.3	12.5	11.0	10.1	2.4	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	17.4	17.6	15.2	13.4	46.0	46.9	47.3	1.5	1.7	2.1	7.3
Dabur India	REDUCE	436	390	(10.6)	771	10.6	1,762	9	10	12	17.3	12.9	13.6	47.9	42.4	37.3	40.1	34.6	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	7,201	7,300	1.4	303	4.2	42	199	223	246	19.5	12.1	10.1	36.2	32.3	29.3	25.3	21.8	19.2	7.8	7.1	6.5	22.8	23.0	23.1	1.2	1.5	1.7	2.3
Godrej Consumer Products	SELL	772	733	(5.1)	790	10.9	1,022	17	19	22	18.8	13.7	12.7	45.7	40.2	35.6	32.4	28.1	24.5	10.7	9.3	8.1	25.3	24.7	24.2	0.7	0.8	0.9	13.8
Hindustan Unilever	REDUCE	1,611	1,570	(2.5)	3,487	48.0	2,160	29	33	37	19.5	13.2	12.6	55.0	48.5	43.1	38.0	33.4	29.6	43.0	36.5	31.4	83.5	81.4	78.3	1.3	1.5	1.7	37.5
ITC	ADD	293	330	12.6	3,586	49.4	12,275	10	11	12	8.2	12.3	11.7	30.4	27.1	24.2	19.6	17.3	15.4	6.6	6.2	5.9	20.4	22.2	24.2	1.9	2.3	2.6	58.1
Jubilant Foodworks	BUY	1,292	1,650	27.7	171	2.3	132	25	35	46	74.7	37.6	32.4	50.8	36.9	27.9	25.4	19.1	14.4	12.7	9.6	7.3	29.0	29.7	29.9	0.2	0.2	0.3	28.3
Jyothy Laboratories	ADD	200	240	19.9	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	0.7	1.0	0.9
Marico	ADD	340	375	10.4	439	6.0	1,291	7	8	9	8.9	20.0	14.5	49.8	41.5	36.2	34.6	28.5	24.6	16.3	15.2	14.0	33.7	37.9	40.2	1.4	1.6	1.8	10.0
Nestle India	ADD	9,729	11,000	13.1	938	12.9	96	171	197	223	34.2	15.7	13.2	57.0	49.3	43.5	32.6	28.1	24.7	25.2	23.1	21.2	46.1	49.0	50.8	1.2	1.4	1.6	9.9
Page Industries	SELL	32,812	25,000	(23.8)	366	5.0	11	418	508	607	34.3	21.6	19.5	78.5	64.6	54.0	50.8	41.9	34.9	33.2	26.3	21.1	47.8	45.5	43.4	0.5	0.7	0.8	17.9
Pidlite Industries	REDUCE	1,076	1,080	0.4	546	7.5	508	21	26	31	16.8	21.8	20.2	51.1	41.9	34.9	33.9	28.0	23.3	13.0	10.9	9.1	27.4	28.2	28.4	0.7	0.8	0.9	8.1
S H Kelkar and Company	BUY	206	290	41.0	30	0.4	145	7	10	12	(6.2)	41.9	23.2	29.6	20.9	16.9	19.2	13.8	11.9	3.2	2.9	2.6	11.3	14.5	16.0	0.9	1.0	1.3	0.5
Tata Global Beverages	REDUCE	234	250	6.7	148	2.0	631	8	9	10	7.7	17.0	12.9	29.6	25.3	22.4	16.2	14.2	12.6	2.0	1.9	1.9	7.0	7.9	8.5	1.3	1.5	1.7	11.0
Titan Company	SELL	815	840	3.1	723	10.0	888	16	20	23	25.6	21.8	19.3	50.7	41.7	34.9	33.6	26.8	22.0	12.0	10.1	8.5	25.6	26.3	26.4	0.6	0.7	0.9	39.3
United Breweries	SELL	1,418	1,100	(22.4)	375	5.2	264	21	26	31	39.2	23.6	20.6	68.2	55.2	45.8	33.7	29.0	24.9	11.8	10.0	8.5	18.7	19.6	20.0	0.2	0.3	0.4	13.9
United Spirits	REDUCE	534	590	10.5	388	5.3	727	10	13	17	34.7	30.9	24.5	52.1	39.8	32.0	30.4	24.6	20.7	10.6	7.8	6.0	24.2	22.7	21.3	—	—	0.5	13.2
Varun Beverages	ADD	787	800	1.7	144	2.0	183	15	20	26	29.8	34.5	30.7	52.6	39.1	29.9	17.4	14.8	12.5	7.3	6.2	5.3	14.6	17.1	19.0	—	—	0.3	1.3
<b>Consumer products</b>	<b>Cautious</b>				<b>15,614</b>	<b>215</b>					<b>17.7</b>	<b>16.0</b>	<b>14.7</b>	<b>43.9</b>	<b>37.9</b>	<b>33.0</b>	<b>28.4</b>	<b>24.4</b>	<b>21.2</b>	<b>11.5</b>	<b>10.3</b>	<b>9.2</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>333.6</b>
<b>Energy</b>																													
BPCL	REDUCE	369	375	1.7	800	11.0	1,967	38	39	39	(6.7)	3.1	1.1	9.8	9.5	9.4	7.1	6.7	6.6	1.9	1.7	1.6	20.5	19.1	17.5	4.1	4.2	4.2	25.9
Castrol India	SELL	150	155	3.6	148	2.0	989	7	8	9	2.9	10.1	9.7	21.2	19.2	17.5	13.2	11.9	10.8	13.9	13.6	13.1	67.1	71.5	76.0	3.7	4.2	4.5	3.7
GAIL (India)	BUY	375	440	17.3	846	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	25.1
GSPL	SELL	184	175	(5.1)	104	1.4	564	11	11	12	(6.5)	(0.5)	11.9	16.6	16.7	14.9	6.2	6.2	5.5	1.9	1.7	1.6	11.7	10.7	10.9	0.9	0.9	1.0	1.3
HPCL	REDUCE	248	285	14.9	378	5.2	1,524	32	32	32	(22.3)	(2.2)	0.5	7.7	7.8	7.8	6.9	7.3	7.6	1.4	1.3	1.2	19.6	17.4	16.1	5.3	5.2	5.2	22.5
Indraprastha Gas	SELL	268	240	(10.4)	187	2.6	700	12	13	15	16.4	12.3	10.7	22.3	19.9	17.9	14.1	12.4	11.0	4.6	4.0	3.5	22.1	21.5	20.9	0.9	1.2	1.5	9.6
IOCL	REDUCE	154	150	(2.9)	1,500	20.6	9,479	18	17	18	(11.2)	(4.1)	2.8	8.5	8.8	8.6	4.9	4.8	4.7	1.2	1.1	1.1	15.1	13.4	12.9	4.7	4.5	4.7	18.0
Mahanagar Gas	ADD	831	965	16.1	82	1.1	99	56	60	64	16.0	7.6	5.4	14.8	13.8	13.1	8.6	7.8	7.1	3.5	3.1	2.7	24.8	23.5	22.0	2.7	2.9	3.1	12.6
ONGC	ADD	181	200	10.7	2,318	31.9	12,833	20	20	19	16.8	0.3	(5.9)	8.9	8.9	9.4	4.2	4.0	3.9	1.0	0.9	0.9	11.2	10.6	9.5	3.7	3.9	3.9	16.4
Oil India	SELL	218	200	(8.4)	248	3.4	1,135	23	24	23	(6.7)	3.4	(2.5)	9.5	9.2	9.4	6.2	5.9	5.9	0.8	0.8	0.8	9.2	9.0	8.4	4.2	4.4	4.3	2.2
Petronet LNG	BUY	225	280	24.5	337	4.6	1,500	16	18	20	16.7	13.1	9.4	13.9	12.3	11.2	9.3	7.8	6.9	3.0	2.7	2.4	23.3	23.2	22.7	2.5	3.3	4.0	10.2
Reliance Industries	SELL	1,251	985	(21.3)	7,406	102.0	5,922	69	78	87	17.6	12.4	11.9	18.0	16.0	14.3	12.1	10.3	8.8	2.2	2.0	1.8	12.2	12.1	12.1	0.5	0.5	0.6	144.1
<b>Energy</b>	<b>Attractive</b>				<b>14,353</b>	<b>198</b>					<b>7.2</b>	<b>5.2</b>	<b>4.8</b>	<b>13.0</b>	<b>12.3</b>	<b>11.8</b>	<b>7.8</b>	<b>7.2</b>	<b>6.7</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>291.5</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		26-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	1,436	1,020	(29.0)	304	4.2	212	26	29	36	30.1	14.2	23.5	55.7	48.8	39.5	32.7	29.4	24.4	7.7	7.0	6.2	14.5	15.1	16.7	0.6	0.6	0.6	2.2
BHEL	REDUCE	72	89	23.4	265	3.6	3,671	3.3	5.5	7.6	47.9	69.3	38.0	22.2	13.1	9.5	6.8	4.2	3.0	0.8	0.8	0.8	3.6	6.1	8.2	2.8	4.7	6.5	9.4
Carborundum Universal	SELL	383	322	(15.9)	72	1.0	189	14	17	20	25.0	21.4	13.8	26.9	22.1	19.4	14.7	12.0	10.4	4.2	3.7	3.3	16.3	17.8	18.1	1.1	1.4	1.5	0.4
CG Power and Industrial	BUY	49	72	47.7	31	0.4	627	2.9	4.3	6.2	255.2	48.7	44.9	16.8	11.3	7.8	7.0	5.5	4.3	1.1	1.1	1.0	6.7	9.8	13.3	—	—	—	5.8
Cummins India	REDUCE	692	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	72.3	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	285	410	44.1	73	1.0	257	21	27	33	16.9	29.7	23.0	13.6	10.5	8.5	7.8	6.3	5.4	3.0	2.4	1.9	24.1	25.2	24.9	0.8	1.0	1.3	2.7
L&T	BUY	1,333	1,600	20.1	1,868	25.7	1,401	66.3	67.6	79.5	28.2	1.9	17.6	20.1	19.7	16.8	18.0	17.4	14.5	3.4	3.0	2.7	17.6	16.2	17.1	1.7	1.7	2.0	45.6
Siemens	SELL	946	1,000	5.7	337	4.6	356	29	35	—	21.4	21.7	—	32.5	26.7	—	18.2	14.6	—	3.9	3.6	—	12.3	14.0	—	1.3	1.5	—	3.6
Thermax	REDUCE	950	1,010	6.3	113	1.6	113	27.8	38.7	43.8	34.7	39.2	13.2	34.2	24.6	21.7	21.7	16.0	13.7	3.7	3.4	3.0	11.1	14.3	14.7	1.0	1.2	1.3	1.0
<b>Industrials</b>	<b>Neutral</b>				<b>3,305</b>	<b>46</b>					<b>29.0</b>	<b>13.9</b>	<b>11.9</b>	<b>22.8</b>	<b>20.0</b>	<b>17.9</b>	<b>16.5</b>	<b>14.6</b>	<b>12.1</b>	<b>2.8</b>	<b>2.6</b>	<b>2.6</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>76.2</b>
<b>Infrastructure</b>																													
Adani Ports and SEZ	BUY	339	460	35.9	701	9.7	2,071	19	23	29	1.2	21.1	29.8	18.1	14.9	11.5	12.5	10.4	9.1	2.9	2.4	2.0	17.0	17.7	19.4	0.5	0.6	0.6	17.3
Ashoka Buildcon	BUY	114	235	106.3	32	0.4	282	9	10	10	4.1	17.8	(1.3)	13.0	11.0	11.2	8.6	7.2	6.7	1.4	1.3	1.2	11.8	12.3	11.0	1.5	1.1	1.1	0.5
Container Corp.	SELL	629	635	1.0	306	4.2	487	21	25	29	17.4	20.9	15.0	30.3	25.1	21.8	18.6	14.8	12.1	3.0	2.8	2.6	10.3	11.6	12.3	1.4	1.7	1.6	5.5
Dilip Buildcon	BUY	687	1,240	80.5	94	1.3	137	56	71	85	19.8	27.5	20.1	12.3	9.7	8.1	6.6	5.3	4.5	2.9	2.2	1.8	26.7	26.2	24.4	—	—	—	4.1
Gateway Distriparks	BUY	153	250	63.2	17	0.2	109	7	8	11	(5.8)	15.2	37.5	21.4	18.6	13.5	10.1	8.3	6.8	2.9	2.5	2.1	9.8	14.5	17.1	—	2.0	2.0	0.3
Gujarat Pipavav Port	BUY	101	150	48.0	49	0.7	483	5.3	6.5	7.8	29.7	22.9	19.3	19.0	15.4	12.9	10.0	8.2	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	141	320	126.4	50	0.7	351	31	33	23	36.8	7.1	(31.3)	4.6	4.3	6.2	6.0	6.5	7.7	0.7	0.7	0.6	17.6	16.3	10.0	2.2	2.8	3.0	5.7
Mahindra Logistics	REDUCE	543	565	4.0	39	0.5	71	15	21	25	50.7	39.3	23.7	36.7	26.4	21.3	20.4	14.8	11.7	7.6	6.2	5.0	22.7	25.8	25.8	—	—	—	0.5
Sadbhav Engineering	BUY	239	435	81.7	41	0.6	172	17	22	23	31.7	31.0	2.6	14.1	10.8	10.5	10.5	8.2	6.9	1.9	1.7	1.5	14.5	16.5	14.7	—	—	—	1.4
<b>Infrastructure</b>	<b>Attractive</b>				<b>1,328</b>	<b>18</b>					<b>11.3</b>	<b>20.3</b>	<b>16.7</b>	<b>17.2</b>	<b>14.3</b>	<b>12.3</b>	<b>10.9</b>	<b>9.2</b>	<b>8.3</b>	<b>2.6</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>36.2</b>
<b>Internet</b>																													
Info Edge	ADD	1,523	1,425	(6.5)	186	2.6	122	26	33	40	14.9	27.5	20.6	58.9	46.2	38.3	44.8	33.9	27.5	7.0	6.3	5.7	13.2	14.3	15.6	0.5	0.5	0.7	3.2
Just Dial	ADD	506	610	20.5	34	0.5	67	26	30	33	23.0	15.0	9.4	19.4	16.8	15.4	10.1	8.1	6.7	3.0	2.6	2.3	16.7	16.6	15.7	0.5	0.6	0.6	23.4
<b>Internet</b>	<b>Cautious</b>				<b>220</b>	<b>3</b>					<b>17.6</b>	<b>23.0</b>	<b>16.8</b>	<b>44.8</b>	<b>36.4</b>	<b>31.2</b>	<b>32.9</b>	<b>25.9</b>	<b>21.6</b>	<b>5.8</b>	<b>5.2</b>	<b>4.6</b>	<b>12.9</b>	<b>14.2</b>	<b>14.7</b>	<b>0.5</b>	<b>0.5</b>	<b>0.7</b>	<b>26.7</b>
<b>Media</b>																													
DB Corp.	REDUCE	204	270	32.7	37	0.5	184	20	23	26	14.9	12.3	14.8	10.0	8.9	7.8	5.3	4.7	—	2.0	2.0	—	20.7	22.3	25.2	8.3	10.3	12.4	0.5
DishTV	ADD	57	90	57.8	105	1.4	1,925	1.8	3.4	4.9	514.6	88.2	42.6	NM	16.6	11.6	5.0	3.9	3.1	1.5	1.4	1.3	5.1	8.9	11.5	—	—	—	5.3
Jagran Prakashan	REDUCE	113	131	15.5	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	1,285	1,430	11.2	60	0.8	47	38	50	61	41.2	32.3	22.4	33.9	25.6	20.9	13.0	11.1	9.4	4.9	4.2	3.6	15.3	17.6	18.3	0.3	0.4	0.5	11.5
Sun TV Network	REDUCE	635	925	45.7	250	3.4	394	35	39	43	20.7	10.9	10.7	18.3	16.5	14.9	12.2	10.6	9.1	4.9	4.4	3.9	28.1	27.9	27.9	2.8	3.1	3.5	19.3
Zee Entertainment Enterprises	ADD	449	600	33.7	431	5.9	960	17	20	22	11.3	17.0	13.9	26.8	22.9	20.1	16.5	13.9	12.0	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>917</b>	<b>13</b>					<b>28.7</b>	<b>21.0</b>	<b>17.2</b>	<b>22.0</b>	<b>18.2</b>	<b>15.5</b>	<b>10.4</b>	<b>8.8</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>55.3</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)
		26-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	273	320	17.4	1,692	23.3	6,207	25	25	27	120.4	2.2	6.6	10.9	10.7	10.0	8.3	7.0	6.5	6.7	7.4	7.9	62.7	65.9	76.0	7.3	9.2	9.2	15.1
Hindalco Industries	BUY	248	305	23.0	557	7.7	2,229	27	31	34	25.1	13.6	10.2	9.1	8.0	7.2	5.8	5.0	4.5	0.9	0.8	0.7	10.6	10.8	10.8	0.5	0.5	0.5	35.7
Hindustan Zinc	ADD	307	290	(5.5)	1,296	17.8	4,225	22	26	27	3.7	14.7	5.4	13.8	12.0	11.4	8.1	6.7	5.9	3.1	2.7	2.3	24.4	24.2	22.1	2.6	2.6	2.6	6.2
Jindal Steel and Power	REDUCE	231	215	(6.8)	223	3.1	968	8	14	22	195.9	68.5	60.8	28.3	16.8	10.5	7.1	6.5	5.6	0.7	0.7	0.7	2.7	4.3	6.5	—	—	—	34.6
JSW Steel	SELL	408	350	(14.2)	986	13.6	2,406	31	26	31	16.1	(16.2)	17.2	13.1	15.6	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	32.4
National Aluminium Co.	ADD	67	80	19.9	129	1.8	1,933	9	7	8	125.8	(21.1)	2.4	7.2	9.1	8.9	3.2	4.1	4.0	1.2	1.2	1.2	16.8	13.0	13.3	9.0	9.0	9.0	11.7
NMDC	REDUCE	117	120	2.3	371	5.1	3,164	12	10	11	4.2	(14.3)	5.9	9.6	11.2	10.6	5.9	6.8	6.4	1.4	1.4	1.3	15.3	12.4	12.5	4.7	4.7	4.7	6.0
Tata Steel	ADD	609	660	8.4	698	9.6	1,205	76	85	94	12.8	12.1	10.9	8.0	7	6.5	6.0	6.3	6.0	1.1	1.0	0.9	14.3	14.3	14.4	1.6	1.6	1.6	73.9
Vedanta	BUY	242	370	53.2	898	12.4	3,717	32	39	38	49.1	19.7	(0.7)	7.5	6.3	6.3	4.9	4.0	3.7	1.3	1.1	1.0	18.0	19.4	17.2	4.0	4.8	4.8	46.0
<b>Metals &amp; Mining</b>	<b>Attractive</b>				<b>6,850</b>	<b>94</b>					<b>39.9</b>	<b>6.7</b>	<b>7.8</b>	<b>10.4</b>	<b>9.7</b>	<b>9.0</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>4.1</b>	<b>4.1</b>	<b>261.6</b>
<b>Pharmaceutical</b>																													
Apollo Hospitals	ADD	1,043	1,090	4.5	145	2.0	139	20	27	33	133.5	36.7	21.6	52.9	38.7	31.9	18.7	15.8	13.8	4.2	3.9	3.6	8.2	10.5	11.8	0.5	0.6	0.8	15.1
Aster DM Healthcare	BUY	159	240	50.5	81	1.1	505	5	8	12	74.4	62.0	51.4	33.2	20.5	13.5	12.0	9.4	7.4	2.6	2.4	2.1	8.3	12.2	16.3	—	—	—	0.2
Aurobindo Pharma	ADD	759	760	0.1	445	6.1	584	42	57	64	1.0	35.8	12.3	18.0	13.3	11.8	12.0	8.9	7.9	3.2	2.6	2.2	19.3	19.9	18.6	0.7	0.8	1.0	38.3
Biocon	SELL	707	330	(53.3)	424	5.8	601	8	15	18	35.9	75.7	21.7	83.9	47.8	39.3	36.5	24.4	20.7	7.0	6.3	5.6	8.7	13.9	14.3	0.4	0.7	0.9	22.6
Cipla	BUY	673	680	1.1	542	7.5	805	24	31	40	34.5	31.0	29.4	28.6	21.8	16.8	16.1	12.8	10.0	3.4	3.0	2.6	12.4	14.6	15.7	0.7	1.0	1.3	24.5
Dr Lal Pathlabs	REDUCE	968	900	(7.0)	81	1.1	83	24	29	34	19.0	17.9	18.4	39.8	33.7	28.5	24.4	20.4	16.7	8.5	7.2	6.0	23.4	23.1	22.9	0.5	0.6	0.7	1.3
Dr Reddy's Laboratories	REDUCE	2,601	2,150	(17.3)	432	5.9	166	89	118	141	50.2	32.8	19.3	29.3	22.1	18.5	14.7	10.5	8.8	3.1	2.8	2.5	11.1	12.6	13.3	0.5	0.7	0.8	34.9
HCG	REDUCE	223	290	29.8	20	0.3	85	2	4	7	39.8	80.3	80.8	102.2	56.7	31.4	16.8	13.9	10.6	3.6	3.4	3.0	3.5	6.1	10.1	—	—	—	0.2
Laurus Labs	ADD	435	500	14.9	46	0.6	106	16	29	34	2.4	79.9	17.5	26.8	14.9	12.7	12.4	8.6	7.6	2.8	2.3	2.0	10.9	17.1	15.6	—	—	—	0.7
Lupin	REDUCE	892	800	(10.3)	403	5.6	450	27	39	50	(28.9)	44.0	27.4	32.9	22.8	17.9	15.4	11.1	9.0	2.7	2.5	2.2	8.6	11.4	12.4	0.5	0.7	0.8	46.0
Narayana Hrudayalaya	ADD	247	265	7.4	50	0.7	204	3	6	9	23.0	103.2	40.7	79.8	39.3	27.9	22.7	15.8	12.7	4.6	4.1	3.6	5.9	11.0	13.7	—	—	—	0.1
Sun Pharmaceuticals	SELL	640	540	(15.6)	1,535	21.1	2,406	16	24	29	7.5	45.5	21.6	39.2	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	62.8
Torrent Pharmaceuticals	NR	1,705	—	—	289	4.0	169	47	61	81	18.0	29.6	32.1	36.1	27.8	21.1	15.7	13.5	11.1	5.5	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>4,492</b>	<b>62</b>					<b>11.3</b>	<b>40.7</b>	<b>22.6</b>	<b>33.9</b>	<b>24.1</b>	<b>19.6</b>	<b>17.5</b>	<b>13.0</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>254.7</b>
<b>Real Estate</b>																													
Brigade Enterprises	BUY	197	290	47.2	27	0.4	136	9	15	17	(17.0)	59.2	15.8	21.4	13.5	11.6	13.3	10.4	8.3	1.1	1.1	1.0	5.4	8.1	8.8	1.3	1.3	1.3	0.3
DLF	RS	183	—	—	326	4.5	1,784	5.3	23.9	14.1	(87.2)	354.6	(41.0)	34.8	7.6	13.0	50.2	8.8	16.4	0.9	0.8	0.8	2.6	11.3	6.2	1.1	1.1	1.1	18.6
Godrej Properties	SELL	604	400	(33.7)	138	1.9	216	13.3	15.8	18.2	(38.9)	19.1	15.2	45.5	38.2	33.2	271.6	142.1	116.9	3.9	3.5	3.2	10.5	9.7	10.1	—	—	—	1.5
Oberoi Realty	BUY	417	560	34.4	152	2.1	340	62	44	66	385.4	(28.0)	49.3	6.8	9.4	6.3	9.4	11.7	5.0	1.5	1.3	1.1	27.4	15.2	19.2	0.5	0.5	0.5	2.3
Prestige Estates Projects	ADD	220	315	43.5	82	1.1	375	19	21	11	(24.2)	8.4	—	11.5	10.6	20.6	10.1	10.2	13.6	0.8	0.8	—	14.6	14.9	7.3	1.4	1.4	0.7	0.8
Sobha	REDUCE	421	510	21.2	40	0.5	95	23	36	24	(48.8)	51.7	(32.6)	17.9	11.8	17.5	11.1	8.7	10.9	1.8	1.6	1.6	9.0	14.8	9.1	1.7	1.7	1.7	1.7
Sunteck Realty	REDUCE	426	360	(15.4)	62	0.9	140	19	19	39	22.4	1.6	106.6	22.8	22.4	10.8	19.2	18.7	8.1	2.1	1.9	1.6	9.5	8.9	16.2	0.2	0.2	0.2	1.9
<b>Real Estate</b>	<b>Neutral</b>				<b>827</b>	<b>11</b>					<b>(53.1)</b>	<b>65.1</b>	<b>(14.4)</b>	<b>17.7</b>	<b>10.7</b>	<b>12.5</b>	<b>19.0</b>	<b>11.2</b>	<b>12.4</b>	<b>1.3</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>27.2</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)	
		26-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	1,090	1,100	0.9	1,518	20.9	1,409	71	78	82	14.6	8.9	5.0	15.3	14.0	13.4	10.0	8.8	8.2	3.4	2.9	2.6	24.4	22.3	20.6	0.8	2.8	3.0	36.1
Hexaware Technologies	SELL	436	455	4.4	129	1.8	302	20	24	27	19.5	21.6	12.7	22.0	18.1	16.1	16.3	12.4	10.8	5.7	4.8	4.1	27.6	28.7	27.5	1.8	1.8	2.3	23.1
Infosys	ADD	718	770	7.3	3,136	43.2	4,350	36	41	45	12.8	13.3	8.9	19.7	17.4	15.9	13.5	11.7	10.5	4.4	4.0	3.6	23.4	24.2	23.7	3.0	2.7	2.9	88.5
L&T Infotech	ADD	1,872	2,100	12.2	324	4.5	175	83	96	113	30.5	15.6	18.1	22.6	19.5	16.5	17.1	13.8	11.7	6.8	5.5	4.5	33.5	31.3	30.0	1.3	1.4	1.6	9.1
Mindtree	ADD	1,074	1,225	14.1	176	2.4	165	45	57	65	29.5	27.0	14.5	24.0	18.9	16.5	15.2	11.9	10.3	5.5	4.6	3.9	24.7	26.6	25.8	1.2	1.6	1.8	26.6
Mphasis	SELL	1,180	900	(23.8)	228	3.1	193	53	60	63	21.9	12.1	4.7	22.1	19.7	18.8	16.3	13.8	12.8	4.4	3.9	3.6	18.9	21.0	20.0	1.7	2.1	2.5	6.8
TCS	REDUCE	2,142	1,950	(9.0)	8,201	112.9	3,829	84	94	101	24.9	11.7	7.4	25.4	22.8	21.2	18.7	16.8	15.6	8.2	8.1	7.9	34.3	35.6	37.7	2.0	3.5	3.8	85.2
Tech Mahindra	ADD	749	865	15.5	661	9.1	891	46	57	64	8.4	22.4	13.0	16.2	13.2	11.7	9.7	7.6	6.5	3.0	2.6	2.2	20.2	21.2	20.3	1.2	1.4	1.5	40.2
Wipro	REDUCE	319	325	1.8	1,444	19.9	4,507	19	23	25	12.8	19.5	7.5	16.7	14.0	13.0	10.7	9.0	8.2	2.6	2.4	2.2	16.5	17.6	17.4	0.5	3.1	3.4	18.9
<b>Technology</b>	<b>Cautious</b>				<b>15,818</b>	<b>218</b>					<b>15.6</b>	<b>13.0</b>	<b>8.1</b>	<b>21.4</b>	<b>18.9</b>	<b>17.5</b>	<b>14.7</b>	<b>12.9</b>	<b>11.8</b>	<b>5.2</b>	<b>4.7</b>	<b>4.4</b>	<b>24.2</b>	<b>25.1</b>	<b>24.9</b>	<b>1.9</b>	<b>3.0</b>	<b>3.3</b>	<b>334.5</b>
<b>Telecom</b>																													
Bharti Airtel	ADD	361	445	23.2	1,444	19.9	3,997	(6)	(4)	5	(221.5)	28.8	215.1	(62.8)	(88.3)	76.7	9.5	8.0	6.4	2.2	2.2	2.2	(3.4)	(2.5)	2.9	0.3	(0.2)	0.3	24.4
Bharti Infratel	REDUCE	262	285	9.0	484	6.7	1,850	13	12	13	(4.8)	(8.5)	7.7	20.0	21.8	20.3	7.4	7.8	7.3	3.0	3.0	2.9	14.6	13.7	14.6	4.0	3.7	4.0	10.3
IDEA	REDUCE	41	45	8.6	362	5.0	4,359	(17)	(17)	(15)	(75.6)	(2.4)	11.4	(2.5)	(2.4)	(2.7)	40.9	34.2	21.0	0.8	1.2	2.3	(29.7)	(41.1)	(59.4)	—	—	—	16.5
Tata Communications	ADD	510	660	29.3	145	2.0	285	0	3	7	(77.5)	694.2	123.5	1,377	173.4	77.6	10.4	9.1	8.2	(63.4)	(86.1)	(1,667.4)	7.8	(42.1)	(211.0)	1.3	1.5	1.5	3.3
<b>Telecom</b>	<b>Cautious</b>				<b>2,435</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>54.4</b>
<b>Utilities</b>																													
CESC	BUY	906	1,180	30.2	120	1.7	133	115	128	141	31.7	11.6	10.1	7.9	7.1	6.4	5.6	5.0	4.4	0.8	0.7	0.6	10.0	10.4	10.5	1.4	1.4	1.5	7.6
JSW Energy	REDUCE	63	70	11.3	103	1.4	1,640	5.1	6.5	6.6	65.9	26.8	2.9	12.4	9.7	9.5	5.5	4.5	4.0	0.9	0.8	0.7	7.2	8.5	8.0	—	—	—	1.2
NHPC	ADD	23	30	27.9	241	3.3	10,260	3.1	3.2	3.4	26.9	1.8	8.0	7.6	7.4	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	168	190	13.2	1,384	19.0	8,245	15	16	18	30.9	4.4	16.5	11.3	10.8	9.3	9.0	8.3	7.0	1.3	1.2	1.1	11.6	11.3	12.2	2.7	2.8	3.2	12.0
Power Grid	BUY	193	250	29.6	1,009	13.9	5,232	19	21	23	19.3	13.6	7.6	10.3	9.0	8.4	7.3	6.7	6.4	1.7	1.5	1.4	17.1	17.5	17.0	3.2	3.7	4.0	14.7
Tata Power	BUY	70	90	28.1	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>3,046</b>	<b>42</b>					<b>26.0</b>	<b>8.8</b>	<b>14.1</b>	<b>10.4</b>	<b>9.6</b>	<b>8.4</b>	<b>7.9</b>	<b>7.3</b>	<b>6.6</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</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:

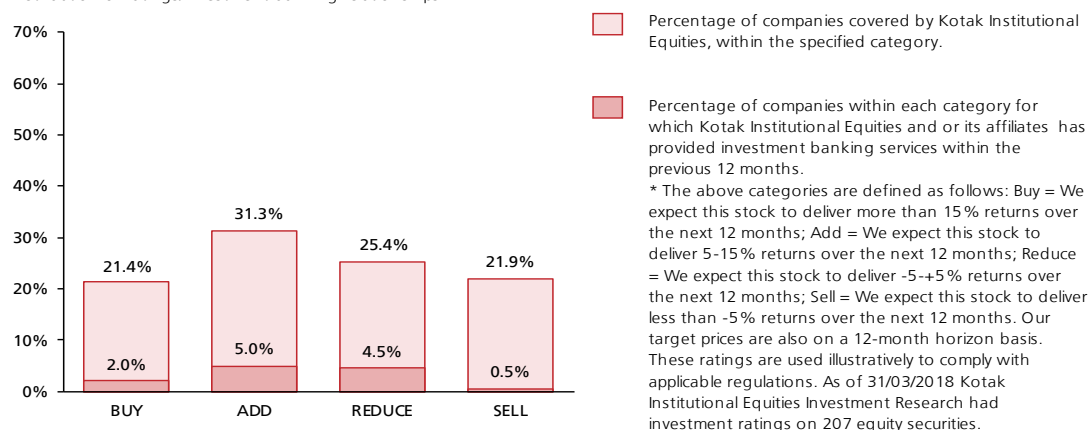
- (a) We have used adjusted book values for banking companies.  
 (b) 2019 means calendar year 2018, similarly for 2020 and 2021 for these particular companies.  
 (c) Exchange rate (Rs/US\$)= 72.66

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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As of June 30, 2018

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