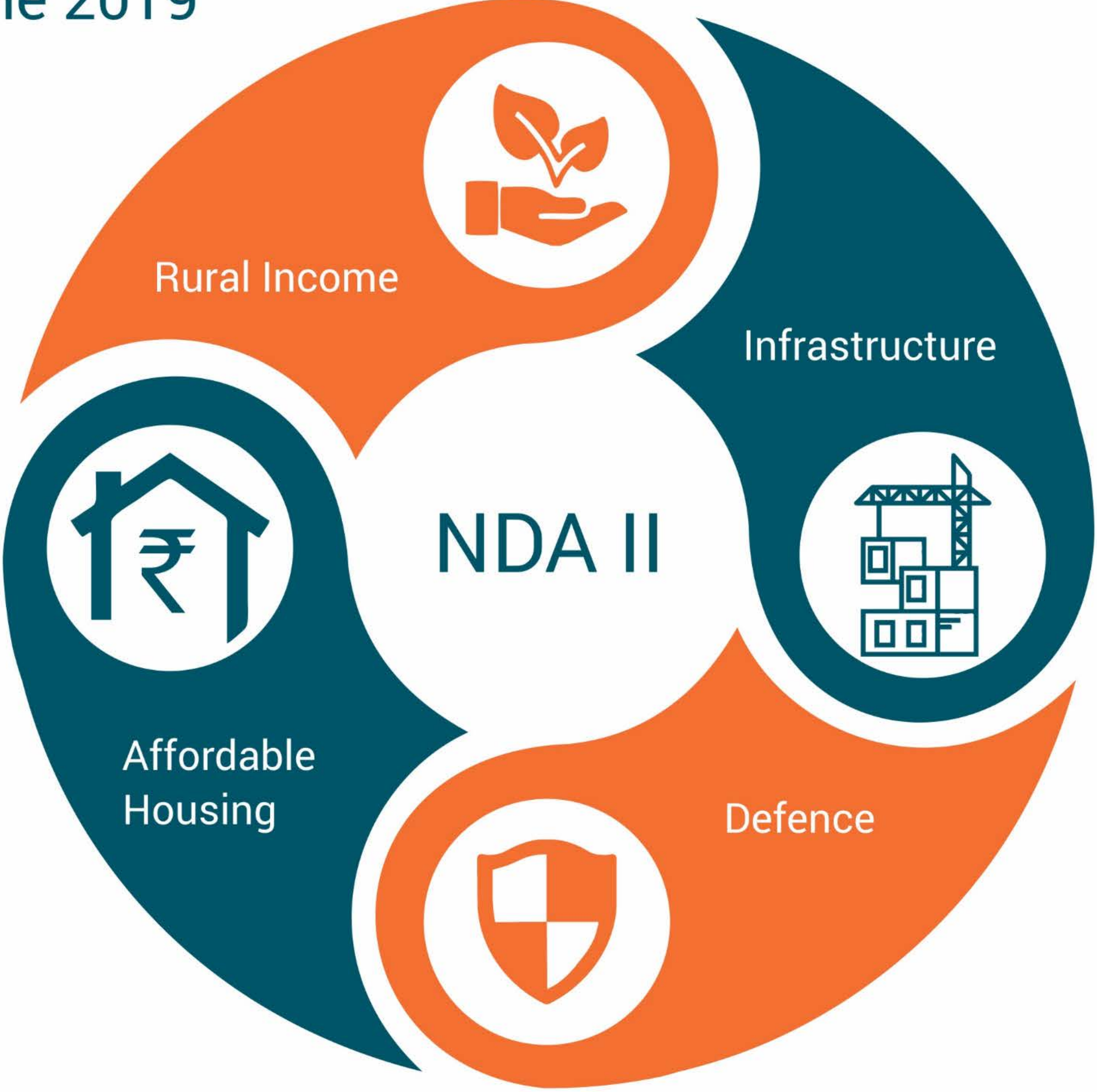
MARKET
OUTLOOK

June 2019



- Monthly Market Outlook
- Top Picks

Sanjeev Zarbade
sanjeev.zarbade@kotak.com
+91 22 6218 6424

MARKET OUTLOOK FOR JUNE 2019

Global markets ended in the red in May as concerns related to the trade war continued to weigh on investor sentiments. However, the Indian equities outperformed global peers as political risk receded after the ruling NDA dispensation came to power with a thumping majority.

The mid and small cap indices outperformed the Nifty/Sensex on account of relative underperformance in the past eighteen months. Among sectoral indices, bank Nifty was a major gainer. FIIs were the major buyers in March and April 2019, but turned net sellers in May on profit taking. However, domestic fund flows supported the markets with strong inflows.

The NDA II has won with a huge mandate. Naturally, this has fuelled expectations of bold reforms and path breaking measures that can have positive long term benefit on the economy. Considering this, we believe that in the near term, market is looking for more visibility as it is anticipating measures/plans to be announced by the government in its first 100 days of functioning. The likely news flows coming from the government side, coupled with fall in crude prices and softening of bond yields can keep market at elevated levels. We also have two key events which would be keenly watched by the market (RBI meet in June and the Union Budget sometime in July). Post Budget markets could again go back to factors like 1) Trade War 2) Consumption related slowdown 3) Quarterly earnings and 4) Valuations.

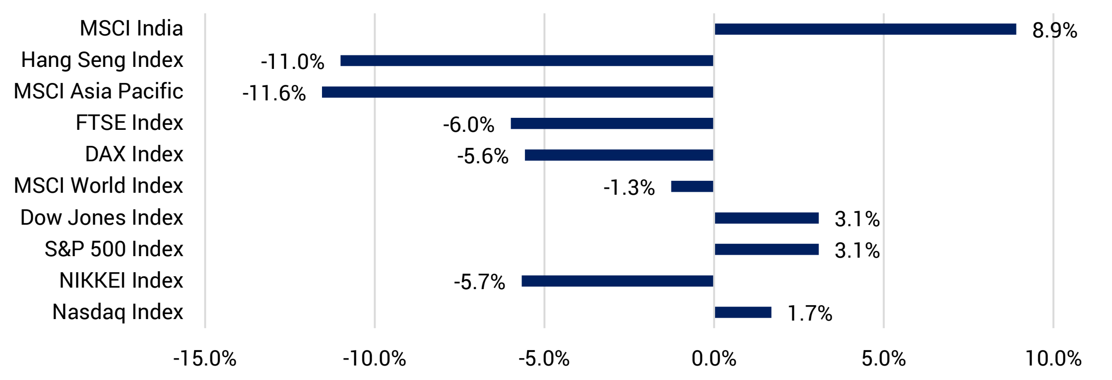
Portfolio strategy – In terms of market cap orientation we see more value in Mid & Small Caps rather than Large Caps at this stage. Accordingly, we would recommend a relatively higher weightage on mid/small caps. Stocks in Industrials, Construction, Private sector banks, Select PSU stocks and Mid caps look interesting. Also, PSU as a space is looking good in view of the limited risk of share sale in the initial phase of FY20, attractive valuations and good dividend yields. Key risks to Indian equities include weak monsoons, rising trade war and potential profit taking by FIIs.

Valuation

We note that the Indian market (Nifty-50 Index) is trading at 19.3x FY2020E 'EPS' assuming a 24% increase in net profits in FY20 and at 16.3X FY2021E 'EPS' assuming 18% increase in net profits in FY21 (based on inhouse estimates). We also note that Fw valuations of Nifty is trading at a 17% premium to the long term average valuation of 16.5x.

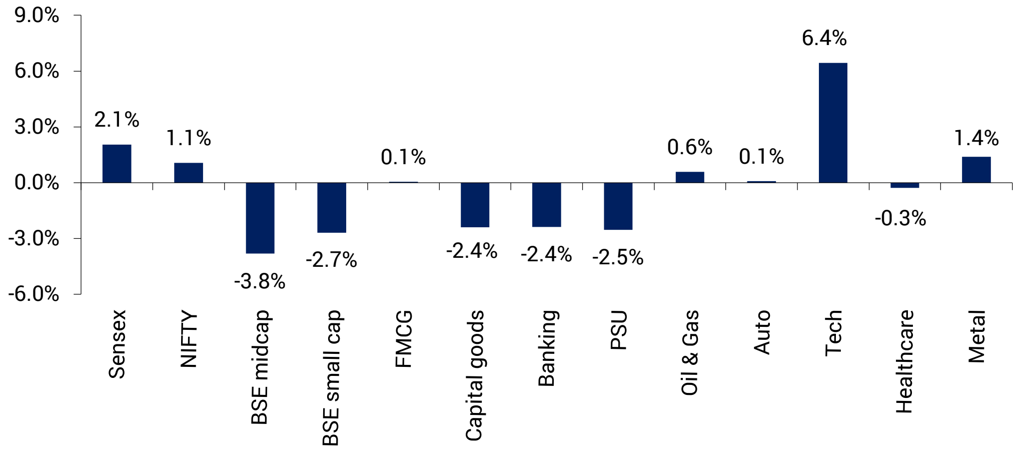
Based on Bloomberg estimates, the Mid Cap Index is now at trading at 15.5x Fw PE Vs 18.5x Fw PE of Nifty-50. The Mid Cap Fw PE now trades at 16.1% discount to Nifty Fw PE. We expect Nifty to trade between range of 12,500-13,000 by Mar 20 (average 12750), based on 17-18x Fw target multiple.

1-year performance of benchmark global indices (%)



Source: Bloomberg

Market performance – sector wise (May 2019)



Source: Bloomberg

TOP INVESTMENT IDEAS

Recommended Stocks

Company	CMP* (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Market Cap (Rs bn)
GAIL	361	455	26.0	399/296	814.0
Powergrid	189	235	24.1	212/173	990.3
SBI	353	410	16.3	364/247	3,145.9
Surya Roshni	252	328	30.0	381/185	13.7
Welspun Corp	142	171	20.8	187/87	37.5
Phoenix Mills	651	754	15.8	715/489	99.8

*Source: Kotak Institutional Equities; Kotak Securities – Private Client Research; *CMP as on 31 May 2019.*

GLOBAL MARKETS

Global markets were weak in May as concerns related to the trade war continued to weigh on investor sentiments. Apart from this, there were also signs of global economic slowdown which led to pressure on US 10 year bond yield which dropped to 2.26%. A positive fallout of this was on the crude oil prices, which weakened despite supply cuts by OPEC and sanctions on Iranian crude exports.

Trade war intensifies

US stocks as also other developed markets posted one of the sharpest declines in the month in recent times. Apart from signs of slowdown, it was the failure to reach an amicable middle path on the trade talks that led to the correction in global markets.

On May 10, the U.S. took tariff rates on $250 billion of Chinese exports to 25%. The Chinese retaliated by raising tariffs on certain U.S. goods in a range from 5% to 25%. These moves have the potential to pull down global economic growth. Bloomberg Economics' modelling suggest that two years hence, output in China and U.S. would be lower by 0.5% and 0.2% respectively, relative to a no-trade-war scenario. Global output would also come down a notch.

With few signs of a trade deal, investors are watching for the G-20 summit in June wherein Presidents Donald Trump and Xi Jinping are set to meet. But at this point, it looks more likely that the trade war will be long.

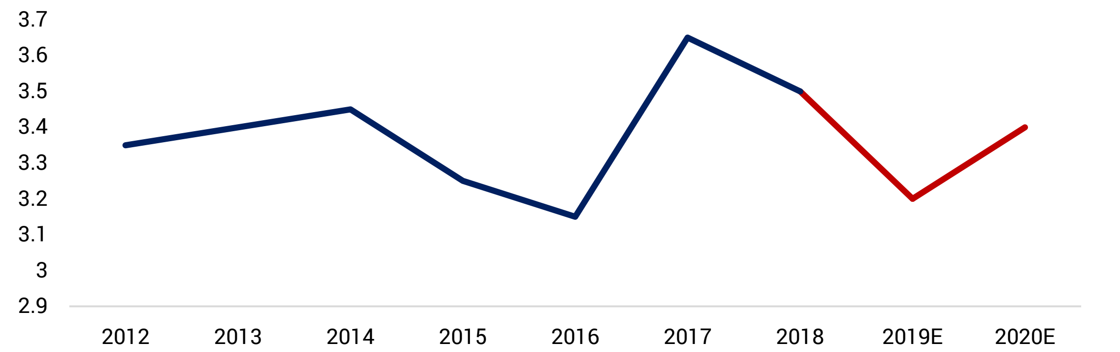
OECD sees heightened risk of a decelerating economic growth in CY2019

Trade tensions are seen weighing on the global growth, which is projected to slow to only 3.2% this year before edging up to 3.4% in 2020, well below the growth rates seen over the past three decades, or even in 2017-18. GDP growth in Germany and Japan is projected to be well below 1% in 2019. Secondly, while services growth has held up better than the manufacturing, given the direct and indirect linkages between manufacturing and services activity, the OECD expects the services sector growth to also slow down.

China remains a source of concern, as the deployment of monetary, fiscal and quasi-fiscal tools not only has uncertain effects on activity, but might continue to fuel non-financial corporate debt, already at a record high level. We estimate that a 2-percentage point reduction in domestic demand growth in China, sustained for two years and combined with heightened uncertainty, could hurt global GDP meaningfully by the second year.

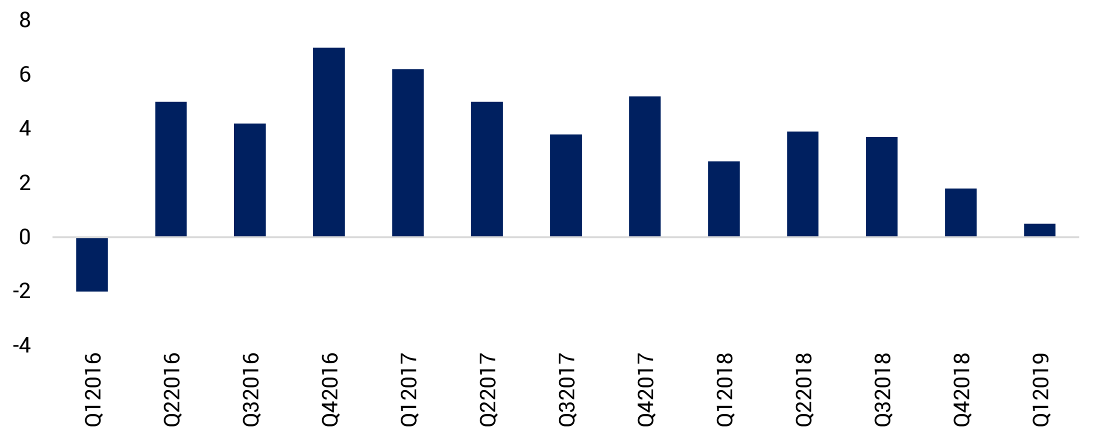
Finally, private sector debt is growing fast in major economies. The global stock of non-financial corporate bonds has almost doubled in real terms compared with 2008, at close to USD 13 trillion, and the quality of debt has been deteriorating, including a heightened stock of leveraged loans. As a result, a new wave of financial stress could erupt.

Global Economic Growth (%)



Source: OECD

QoQ growth in global trade (%)

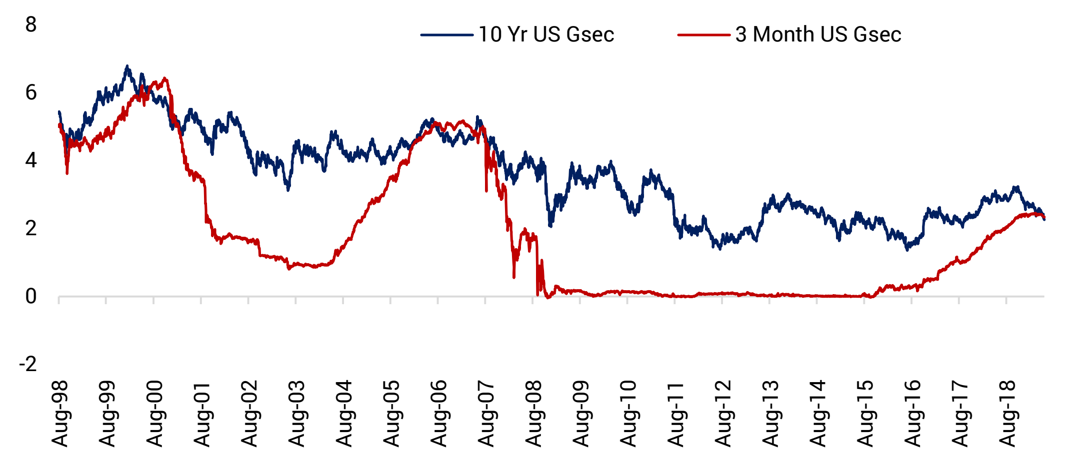


Source: OECD

Inverted Yield Curve – precursor to economic slowdown

In May, the 3-month US government T-bill yield rose above the 10-year government bond yield (commonly known as yield curve inversion). While the Central Bank anchors short-term rates with its monetary policy, economic conditions influence the long-term rates. An inverted yield curve occurs when the policy rates are raised, thereby forcing up the short-term yields and economic conditions deteriorate, thereby forcing down the long-term yields. Historically, every recession since the 1960s has been preceded by an inverted yield curve and therefore it is not surprising that investors have become a little nervous about the recent inversion.

US Yield curve



Source: Bloomberg

With US bond yields at 19 month low, expectations are raised of a Fed rate cut

With diminishing prospects of near term resolution in Trade war, the benchmark 10-year Treasury yield has continued to weaken and is now hovering around 2.21%, well below the fed funds rate that banks charge each other for overnight lending. Markets now expect the Federal Reserve to cut interest rates as economic signs continue to weaken and Wall Street stumbles through another rough patch.

Crude Oil prices cooled off.

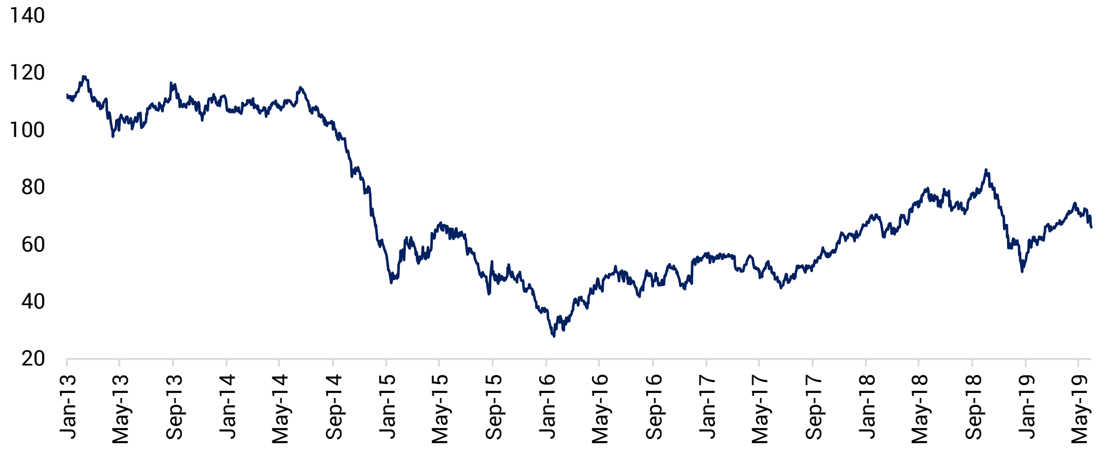
Crude oil is expected to remain under pressure on back of escalating US-China trade war and rising US oil inventories. The oil markets continued to hit hard by the increased tension in the US-China trade war, which has made investors increasingly worried about the state of the global economy and, by extension, the outlook for global oil demand growth for the rest of the year. Recently, the IEA has reduced its forecast demand for global crude. Anticipated risk of slowdown in demand, OPEC and some allies including Russia are due to meet in late June or early July to discuss output policy going forward.

Table – Demand Supply for Crude

Particulars	2015	2016	2017	2018	2019E	2020E
Demand (mn b/d)	95.3	96.4	98.0	99.2	100.6	102.0
Supply (mn b/d)						
- Non OPEC	59.8	59.1	59.9	62.7	64.6	66.3
- OPEC	36.6	37.8	37.5	37.4	36.0	36.0
Total Supply	96.4	96.9	97.4	100.1	100.6	102.3
OPEC Crude capacity	35.2	35.9	34.9	34.9	32.5	33.0
Implied spare capacity	4.9	4.0	2.3	3.9	2.1	2.9

Source: Kotak Institutional Equities, Bloomberg

Brent crude (US$/barrel)



Source: Bloomberg

DOMESTIC MARKETS

The Indian markets outperformed global markets as the focus shifted to the outcome of the general elections. Markets started rallying post the exit poll results which showed clear majority for the ruling NDA dispensation. The actual results were even better as the NDA cruised way above the comfortable majority. With this, the political risk has receded and the markets can again start focusing on economic reforms and global events.

Domestic events to watch out in near term

Consumption trends – slowdown accelerates. GDP growth to slow in FY20

March IIP growth contracted by (-)0.1% as against a growth of 0.1% in February led largely by slowdown in the manufacturing segment. Consumption growth has slowed down recently, especially on the back of NBFC-related liquidity crunch and farm sector concerns. Private sector investment is unlikely to see a sharp recovery given the still-weak balance sheets and limited scope for the private sector to invest in the basic infrastructure sectors. We thus see limited impetus to economic growth and expect GDP growth to weaken to 6.8% in FY20 from 6.9% in FY19.

Table – High frequency data is signaling deepening slowdown

YoY (%)	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Cement Production	11.8	18.4	8.8	11.6	11	8	15.7	na
Air traffic	19	13.3	11	12.9	8.9	5.6	0.1	-2
CV sales	24.1	24.8	5.7	-7.8	2.2	-0.4	0.3	-6
Passenger car	-5.6	1.6	-3.4	-0.4	-1.9	-1.1	-3	-17

Source: KIE and Kotak PCG

Hopes of a rate cut has increased in the 6th June Monetary Policy meet

CPI inflation inched marginally higher to 2.92% in April. While CPI inflation hardened for the third consecutive month but remains well within the RBI's target of 4%. Growth in the economy, which had been supported primarily by consumption and the government's expenditure, has slowed considerably in 4QFY19 as pointed out by high frequency indicators. Going ahead, the fiscal space to support capex in FY20 will be constrained given the higher revenue expenditure. Against this backdrop, the demand from economic observers for a rate cut has risen and we believe that the MPC would cut the repo rate by another 25-50 bps in the rest of CY19, although for rate cuts to be effective, structural liquidity concerns will need to be addressed.

Normal monsoons are critical for rural spending

IMD has forecast that the monsoon may enter Kerala 'slightly delayed' on 6th June with a model error of +/- four days. It sees a 'near normal' season this year , with its second long-range forecast update due in early June. However, there is very less chance for the monsoon rainfall to be above normal or excess. Overall, the country is expected to have well distributed rainfall scenario during the 2019 monsoon season, which will be beneficial to farmers in the country during the ensuing Kharif season.

Corporate earnings growth for Q4FY19 failed to meet estimates

Our analysis of Q4FY19 results of the Nifty-50 Index suggests that reported profits are well below our expectations. As against estimated aggregate profits for Nifty stocks of Rs 740 bn in Q4FY19, the reported profits have come at Rs 651 bn, a miss of 12%. However, if we exclude SBI and Yes Bank (both reported oversized provisions for credit losses), then the aggregate reported profits are very much in line with estimates.

Further, only sixteen or just 32% of Nifty companies managed to meet or exceed our estimates. And so, as a result of the earnings misses in Q4FY19 results, we now project the FY19 net profits of the Nifty-50 Index to grow 13% versus 22% at the beginning of FY19. We do not rule out earnings downgrades in a whole host of sectors in case the current economic slowdown was to be more prolonged versus our expectations.

Table – Q4FY19 Nifty Earnings

	Net income Rs bn			Change (%)	
	Mar 2019 (Act)	Mar 2019E	Mar 2018 (Act)	Act versus Est	YoY
Nifty 50	651	740	549	-12.0%	18.6%
State Bank of India	8.4	68	-77.2	-	-
Yes Bank	-15	8.5	11.8	-	-
Adjusted for SBI and Yes Bank	657.6	663.5	614.4	-0.9%	7.0%

Source: Kotak Institutional Equities

Table - Nifty-50 Index EPS estimates trend. Reported EPS has lagged forecast meaningfully in last three fiscals

Nifty 50 EPS

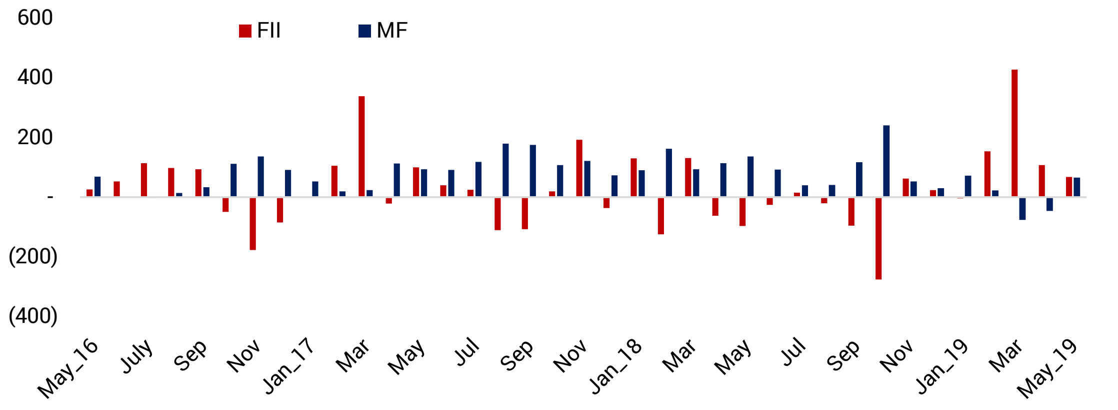
(Rs)	2Y Forecast	Reported	% change
FY17	560	439	-21.6%
FY18	628	449	-28.5%
FY19	622	481	-22.7%
FY20	618	na	na
FY21	731	na	na

Source: Kotak Institutional Equities

DIIs turned net buyers

After subdued January, FII flows picked up in February and March but started to decelerate from April onwards. In May, FII flows have been negative Rs 25.1 bn. On the other hand, MF flows have bounced back strongly in May at Rs 653 bn.

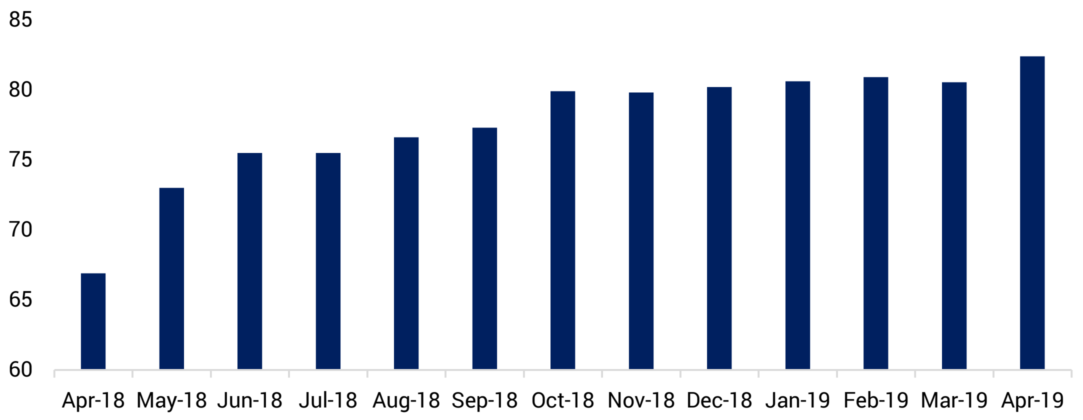
MF/FII flows (Rs bn)



Source: Bloomberg

While overall equity flows have been erratic, investment in equity funds through SIPs came as a silver lining, with a tally of Rs 82.4 bn in April, an all-time high. If the current monthly SIP run-rate at Rs 80 bn is maintained, the MF industry is expected to see equity inflows of nearly Rs 1.0 trn in FY20, which can help provide support to the markets in times of FII selling.

Monthly SIP flows Rs bn



Source: AMFI

NDA II – FOCUS AREAS FOR 2019-24

In our report dated 24th May 2019, we had shared our market outlook post the massive Election mandate received by NDA II. Given its relevance in the near term, we include some of the highlights of the report.

Key measures proposed in the BJP Manifesto that could have impact on Equities

- By 2024, make capital investment of Rs.100 Trillion in the infrastructure sector (build gas grids, i-ways, regional airports, metros etc.).
- Making India a global manufacturing hub (Take country's ranking in Ease of Doing business Index into the Top50; Strengthening Companies Act; New Industrial Policy and creating clusters/networks for growth).
- Recognise the need of cheaper cost of capital.
- Plan to build 60,000 km of National Highways, connect 100% of villages with rural roads, operationalize 100 new airports, modernize 400 railway stations, and cover 50 cities with metro networks.
- Doubling farmer's income by 2022. Plan to spend Rs.25 Trillion in Agri-rural sector to improve the productivity of the farm sector
- To ensure 100% disposal of liquid waste water and reuse of waste water.

Based on our reading we feel following sectors could benefit the most in the next one year: capital goods, construction, building materials, corporate banks, power equipment, housing finance companies and rural focused companies. Consumption stocks could take a back seat because of the slowdown in demand and rich valuations.

In our view priority of the government will be to revive economic growth and investment although the macro-economic situation is quite challenging. There is a need of strong fiscal stimulus but scope of doing so seems limited given high crude prices leading to higher current account deficit and higher fiscal deficit. However, there is scope for monetary stimulus in the form of rate cuts, higher FPI limits for government bonds and infusion of liquidity in the banking system. Government would need to implement further reforms to attract more FDI in various sectors of the economy. Revival of capex cycle and investment of private sector in infrastructure building will be crucial to achieve the desired GDP growth and job creation.

Our Sector Preferences

Mid sized Industrials

As capacity utilization climbs, signs of a nascent capex cycle should emerge in the next few quarters. Already industrials are showing improved order books. Prefer L&T, KEC, Kalpaturu Power, Sadbhav Engineering, Voltamp Transformers and Cochin Shipyard.

Infrastructure

As per the election manifesto, by 2024, the government plans to make capital investment of Rs.100 Trillion in the infrastructure sector (build gas grids, i-ways, regional airports, metros etc). Plan to build 60,000 km of National Highways, connect 100% of villages with rural roads, operationalize 100 new airports, modernize 400 railway stations, and cover 50 cities with metro networks. Road building has been one of the success stories of the NDA II and we believe with plans like Bharat Mala, the focus on highway construction will continue. Accordingly, we expect significant growth opportunities for construction companies like L&T, PNC Construction, KNR Constructions, NCC etc.

Water and Waste Water: The election manifesto intends to ensure 100% disposal of liquid waste water and reuse of waste water. Improving Urban Infrastructure is one of the focus areas for NDA III. Towards this, we expect to see greater investments dedicated to river cleaning (Namami Gange) and waste water treatment. Accordingly, we see improved prospects for companies like VA Tech Wabag.

Select Midcaps

In terms of market cap orientation we see more value in Mid & Small Caps rather than Large Caps at this stage. From the peak of Jan'18, the Nifty is up ~7.5% as of 30th May'19 whereas the NSE Mid Cap 100 Index and BSE Small Cap Index are still down by 17% and 25%, respectively. We continue to be positive on Himatsingka Seide, Welspun Corp, Cyient Ltd, Mahindra Holidays etc.

Select PSUs

The S&P BSE PSU Index has been flat over the past year even as the Sensex has risen 13.5%. Post this sharp underperformance, we have begun to see pockets of value that more than discounts the risks and concerns that come with PSUs.

MARKET OUTLOOK

The market has rallied strongly post the announcement of the Exit Polls. With the ruling NDA set for another five-year term, political risks have reduced and market expectations of government's continuity have been addressed. There would be renewed expectations for a more reforms-oriented policy agenda in disinvestment, Goods & Services Tax (GST) simplification, labor reforms, the ease of doing business and land acquisition.

The NDA II has won with a huge mandate. Naturally, this has fuelled expectations of bold reforms and path breaking measures that can have positive long term benefit on the economy. Considering this, we believe that in the near term, market is looking for more visibility as it is anticipating measures/plans to be announced by the government in its first 100 days of functioning. The likely news flows coming from the government side, coupled with fall in crude prices and softening of bond yields can keep market at elevated levels. We also have two key events which would be keenly watched by the market (RBI meet in June and the Union Budget sometime in July). Post Budget markets could again go back to factors like 1) Trade War 2) Consumption related slowdown, 3) Quarterly earnings and 4) Valuations.

Post Pulwama attack lot of smart money from FIIs has already come into the market and higher proportion of that has come in the form of passive investment (i.e. ETFs). Hence, we cannot rule out profit booking from these smart investors in the very near future. However, long only money which has been waiting on the side lines by both active FIIs and local investors can come into the market (as there is visibility in terms of government stability for another five years and possibility of bolder reforms)

Beyond Elections/Budget, we believe that the market is likely to focus on the growth cycle as we move in to the 2H of 2019. Their key concerns include:

- A fresh wave of NPLs emanating from the weakness in non-bank financials creating systemic problems along with it.
- Further slowdown in consumption and lack of private capex hurting earnings growth prospects.
- Fiscal slippage leading to currency woes.
- Domestic flows turn negative.

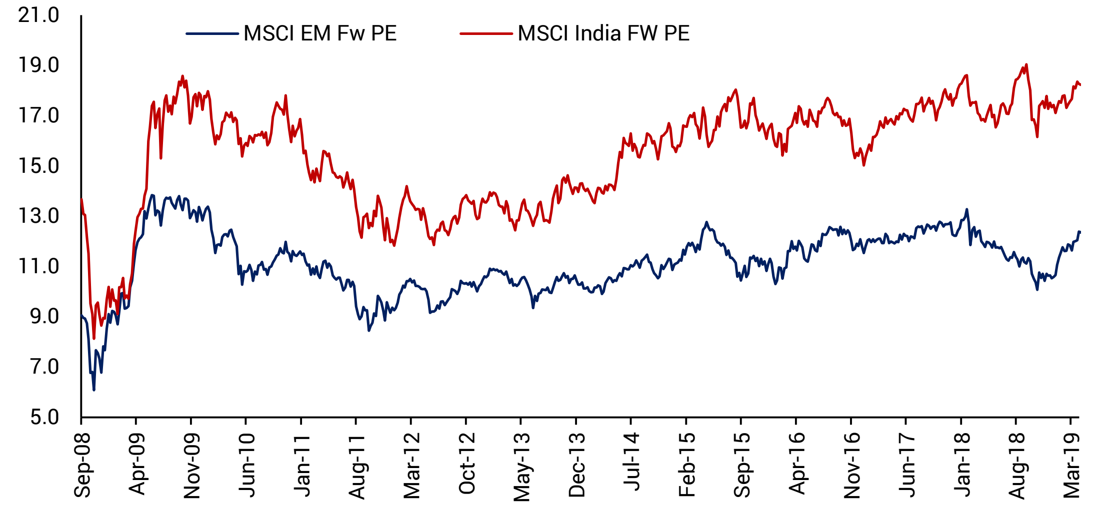
VALUATION

We note that the Indian market (Nifty-50 Index) is trading at 19.3x FY2020E 'EPS' assuming a 24% increase in net profits in FY20 and at 16.3X FY2021E 'EPS' assuming 18% increase in net profits in FY21 (based on inhouse estimates). We also note that Fw valuations of Nifty is trading at a 17% premium to the long term average valuation of 16.5x.

Based on Bloomberg estimates, the Mid Cap Index is now at trading at 15.5x Fw PE Vs 18.5x Fw PE of Nifty-50. The Mid Cap Fw PE now trades at 16.1% discount to Nifty Fw PE. We expect Nifty to trade between range of 12,500-13,000 by Mar 20 (average 12750), based on 17-18x Fw target multiple.

MSCI India trades at Fw PE of 18.2x as compared to the MSCI EM Fw PE of 11.7x. The Premium of MSCI India Fw PE over MSCI EM Fw PE has gone up to 56% as compared to the 10-year average of 40%.

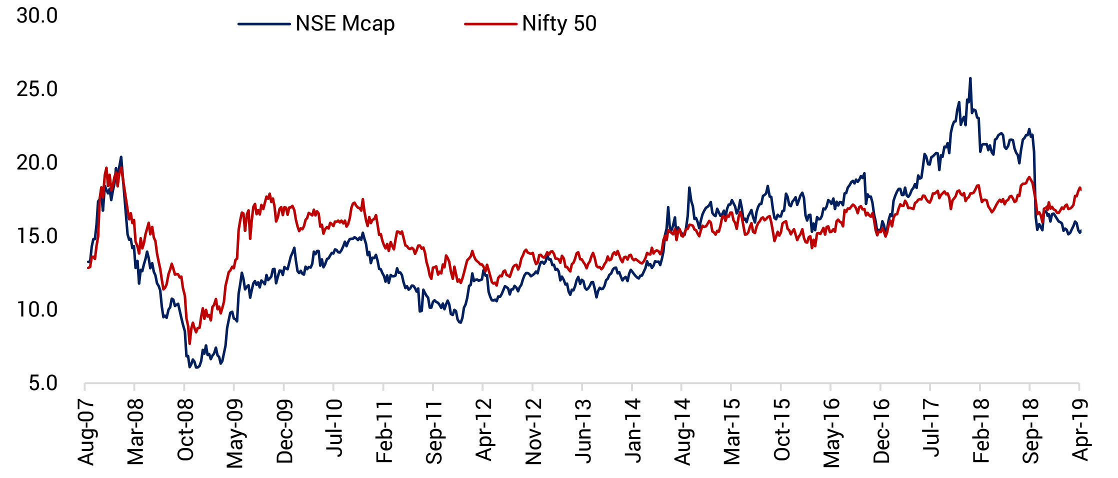
MSCI Emerging Market Vs MSCI India 1 Yr rolling FW PE



Source: Bloomberg

Based on Bloomberg estimates, the NSE Mid Cap Index trades at Fw PE of 15.5x Vs 18.5x of Nifty-50. The Mid Cap Fw PE now trades at 16% discount to the Nifty Fw PE.

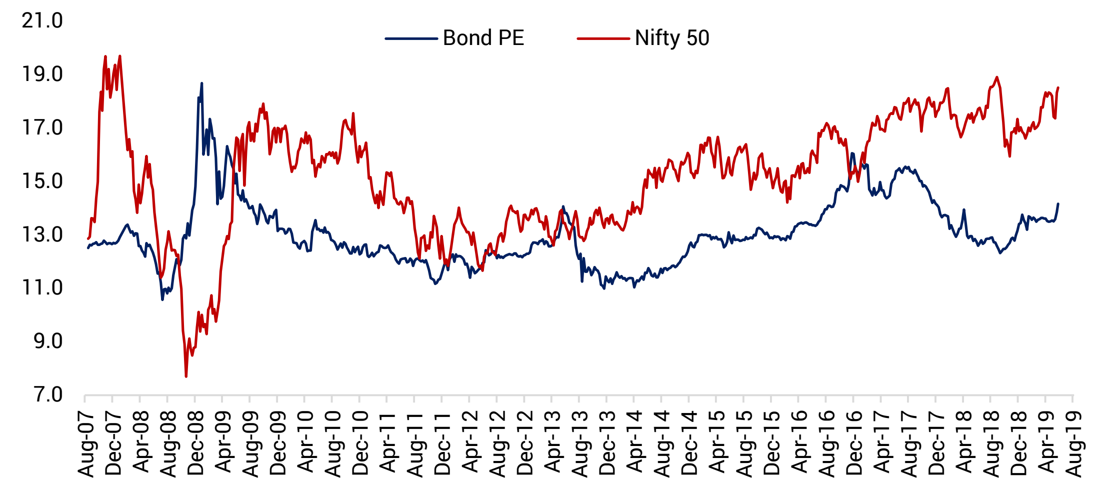
One Yr Fw PE chart: Nifty-50 Vs Mid Cap 100 Index



Source: Bloomberg

The Recent fall in Indian 10 YR GSec Yield to 7.06% has increased the Bond PE to 14.2x. Still the difference of Nifty PE over Bond PE is on the higher side at 430 bps.

Bond PE Vs Fw Equity PE of Nifty



Source: Bloomberg

GAIL (India) Ltd

Analyst: Tarun Lakhotia and Hemang Khanna (Email: kspcg.research@kotak.com; Contact: +91 22 6218 6427)

CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
361	455	26.0%	399 / 295	814081

Key Highlights:

- We expect the company to benefit from imminent upward revision in regulated tariffs for key pipelines, sustainability of gas marketing profits at reasonable levels and potential turnaround in the petchem segment.
- GAIL's management indicated that the entire long-term LNG volumes for CY2019 and ~90% for CY2020 have been placed through well-hedged contracts; excess volumes beyond CY2020 may be off-taken by five new fertilizer plants expected to commission by end-FY2021.
- GAIL also reaffirmed its optimism on:

  1) issuance of final tariff order for HVJ-DV-GREP pipeline over the next 15-20 days, 2) rising gas volumes trajectory led by incremental sourcing of supplies from ONGC, Vedanta, RIL and new LNG terminals and 3) inclusion of gas under GST in the near term.
- We expect gradual improvement in operating performance across key segments.
- Capex increased sharply to Rs.83 bn in FY2019 and is expected to remain high at Rs.70-80 bn over the next few years led by ongoing pipeline and petchem projects.
- We revise our standalone EPS estimates to Rs.31.8 (-2%) for FY2020 factoring in (1) lower petchem realization (-ve), (2) lower domestic gas price (+ve) and (3) other minor changes.
- We value GAIL stock at Rs455 per share based on FY2021 estimates.

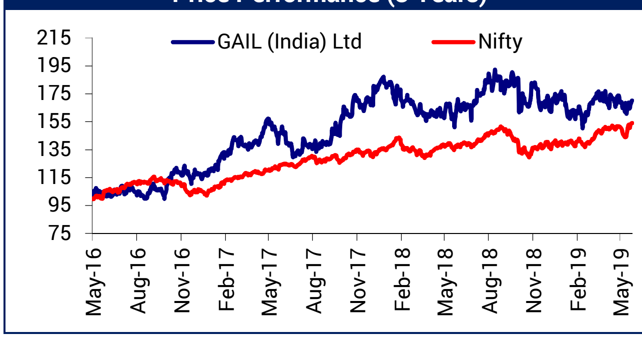
Financials (Rs mn)*	FY19	FY20E	FY21E
Sales	749,933	751,426	816,568
Growth (%)	39.8	0.2	8.7
EBITDA	96,038	112,813	123,374
EBITDA margin (%)	12.8	15.0	15.1
PBT	94,862	106,538	115,626
Net profit	62,919	71,668	77,699
Adjusted EPS (Rs)	27.9	31.8	34.5
Growth (%)	36.8	14.0	8.5
P/E (x)	*12.9*	*11.4*	*10.5*
Dividend / share (Rs)	8.0	9.5	10.5
ROE (%)	12.7	13.7	13.5
ROCE (%)	12.9	13.4	13.2
Debt/equity (%)	3.2	3.5	2.9

*Source: Company; Kotak Institutional Equities *Consolidated*

Financials (Rs mn)*	Q4FY18	Q4FY19	% Chg
Revenues	155,111	187,634	21.0
EBITDA	16,953	16,841	(0.7)
EBITDA Margin (%)	89.1%	91.0%	
PAT	10,209	11,222	9.9
PAT Margin (%)	6.6%	6.0%	
EPS (Rs)	4.4	5.9	34.1

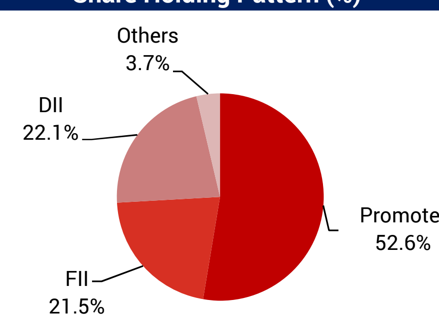
*Source: Kotak Institutional Equities *Consolidated*

Price Performance (3 Years)



Source: Bloomberg

Share Holding Pattern (%)



Source: BSE

Power Grid Corporation of India LTD (PWGR)

Analyst: Murtuza Arsiwalla / Samrat Verma (Email: kspcg.research@kotak.com; Contact: +91 22 6218 6427)

CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
189	235	24.1%	213 / 173	990340

Key Highlights:

- PGWR reported net income of Rs30 bn (+65% yoy) for 4QFY19, 26% ahead of estimates.
- The size and stability of its portfolio enables PWGR to enjoy (1) lower cost of debt compared to peers, (2) favorable cost and payment terms from contractors, and (3) lower operating and maintenance cost.
- PWGR has work in hand of over Rs610 bn in the standalone entity and another Rs90 bn under TBCB projects. Pipeline of TBCB projects that could be bid for is over Rs1900 bn comprising Rs930 bn of inter-state projects and Rs970 bn of intra-state projects.
- With PWGR starting investment in interstate transmission infrastructure, we build a high growth earnings trajectory for the company up to FY2022E based on incremental project visibility.
- Incremental stake sale by GOI poses a lower risk for PWGR compared to peers.
- Recently, CERC has issued the final regulations for the control period 2019-24, wherein it withdrew the proposal for reduction in regulated equity for plants beyond their useful life.
- Street concerns on PWGR's ability to compete profitably under TBCB may seem unfounded as (1) TBCB will still form a very small proportion of the overall asset base, (2) PWGR is able to fend off competition on the back of lower cost of capital as well as capex cost, and (3) early numbers show PWGR is doing well on the return profile even under TBCB projects.
- PWGR is attractively valued and will likely continue to deliver ahead of peer returns.
- PWGR has proposed a final dividend of Rs2.5/share in addition to the interim dividend of Rs5.83/share already paid, taking the total dividend for FY2019 to Rs8.33/share.
- Maintain BUY rating with unchanged fair value of Rs235/share.

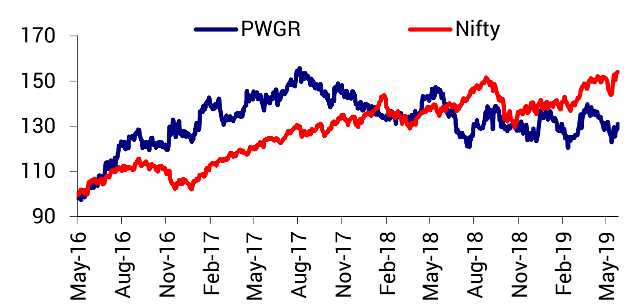
Financials (Rs mn)*	FY19	FY20E	FY21E
Sales	375,280	382,297	412,467
Growth (%)	24.5	1.9	7.9
EBITDA	326,910	330,405	357,078
EBITDA margin (%)	87.1	86.4	86.6
PBT	148,978	132,714	147,817
Net profit	99,386	107,801	119,897
Adjusted EPS (Rs)	19.0	20.6	22.9
Growth (%)	20.2	8.4	11.2
P/E (x)	*10.0*	*9.2*	*8.3*
BV (Rs/share)	132.0	144.0	158.0
Net Debt / Equity (%)	217.0	207.0	188.0
ROE (%)	15.8	14.9	15.1
ROCE (%)	8.0	8.6	8.8
Gross debt	1,353,395	1,356,249	1,413,657

*Source: Kotak Institutional Equities *Consolidated*

Financials (Rs mn)*	Q4FY18	Q4FY19	% Chg
Revenues	78,113	97,284	24.5
EBITDA	65,241	83,038	27.3
EBITDA Margin (%)	83.5%	85.4%	
PAT	18,461	30,540	65.4
PAT Margin (%)	23.6%	31.4%	
EPS (Rs)	3.5	5.8	65.7

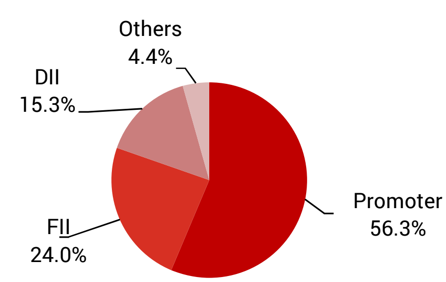
*Source: Kotak Institutional Equities *Standalone*

Price Performance (3 Years)



Source: Bloomberg

Share Holding Pattern (%)



Source: Bloomberg

This one pager on the company is extracted from last KIE update dated February 1, May 15, 2019, May 30, 2019 and it does not contain events beyond the last update. We take no obligation to update the KIE recommendations. While source of all other information is taken from Kotak Institutional Equities, the price performance and shareholding pattern chart is inputted by Kotak PCG research team (with source as Bloomberg). It is advisable to read the full KIE report before taking any investment decision on the above company recommendation.

State Bank of India

Analyst: MB Mahesh, CFA / Nischint Chawathe / Dipanjan Ghosh (Email: kspcg.research@kotak.com; Contact: +91 22 6218 6427)

CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
353	410	16.3%	364 / 247	3145917

Key Highlights:

- SBI reported a profit of Rs.8 bn in 4QFY19 on the back of healthy NII growth at 15% yoy and stringent cost control (operating expenses up 13% yoy).
- Calculated slippages dropped in 4QY19 on the back of decrease in slippages from the corporate book (adjusted for slippages from an aviation account worth Rs.12 bn). We project slippages of 1.5% in FY2020E from 2.1% in FY2019
- Overall loan growth (net) improved to 13% yoy driven by robust growth in retail loans and revival in corporate loan growth. On gross basis, retail loans saw robust increase at 19% yoy. Overall growth in the corporate book was high at 19% yoy (domestic companies), gradually inching upwards every quarter. We are building ~11% loan CAGR over FY2019-22E driven by strong traction in retail loans and gradual increase in corporate lending.
- Reported NIM was flat qoq at 2.8% in 4QFY19 driven by stable yields at 8.5% and cost of deposits at 5.1%. We forecast NIM (calculated) to improve 20 bps over FY2019-22E to 2.9%.
- CASA ratio stood at 44% in 4QFY19 (up 50 bps qoq) led by 9% growth in SA balances while CA growth was modest at 8% yoy. We forecast 11% CASA CAGR over FY2019-22E and stable CASA ratio of 45% in the medium term.
- Overall operating expenses growth was modest at 13% yoy, led by 13% yoy growth in staff cost while other expenses were up 12% yoy. We expect ~5% CAGR in operating expenses over FY2019-22E.
- Non-interest increased 2% yoy owing to steep decline in treasury gains (down 40% yoy). Management guided that it might sale stake in certain subsidiaries in FY2020E though we have not built the same in our forecasts.
- We maintain BUY rating on SBI with a fair value of Rs.410 (unchanged), valuing the bank at 1.2X book and 7X March 2021E EPS for RoEs in the range of ~15% in the medium term.

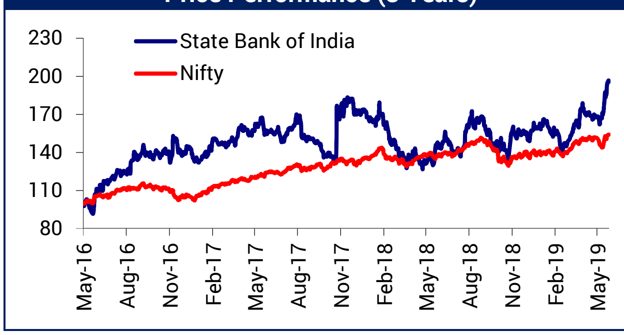
Financials (Rs mn)*	FY19	FY20E	FY21E
Net Interest Income	883,489	1,008,001	1,171,905
Non-interest Income	367,749	466,791	529,298
Total Income	1,251,238	1,474,792	1,701,203
Growth (%)	1.4%	17.9%	15.4%
PBT	16,075	472,532	666,581
Net profit	8,622	330,772	466,607
EPS (Rs)	1	37	52
BVPS	164	219	284
P/B (x)	*2.1*	*1.6*	*1.2*
Slippages (%)	2.1%	1.5%	1.5%
Gross NPL (%)	7.5%	5.5%	4.3%
Net NPL (%)	3.0%	1.9%	1.1%
ROE (%)	0.4%	13.9%	16.9%
RoA (%)	0.0%	0.9%	1.1%

*Source: Kotak Insitutional Equities; *Consolidated*

Financials (Rs mn)*	Q4-FY18	Q4-FY19	% Chg
Net Interest Income	199,743	229,538	15%
Non-Interest Income	124,948	126,851	2%
Total Income	324,691	356,390	10%
PBT	(122,132)	4,312	NM
PAT	(77,185)	8,384	NM
Slippages (%)	7.2%	1.6%	-563 bps

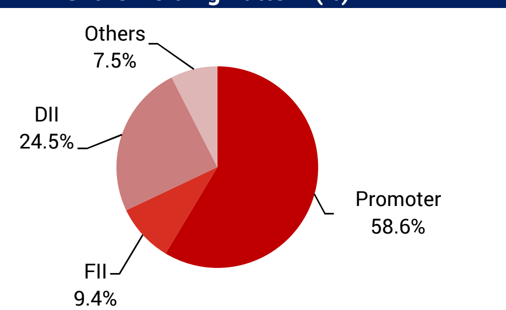
*Source: Kotak Insitutional Equities; *Consolidated*

Price Performance (3 Years)



Source: Bloomberg

Share Holding Pattern (%)



Source: Bloomberg

This one pager on the company is extracted from last KIE updates dated May 10, 2019 and it does not contain events beyond that dates. We take no obligation to update the KIE recommendations. While source of all other information is taken from Kotak Institutional Equities, the price performance and shareholding pattern chart is inputted by Kotak PCG research team (with source as Bloomberg). It is advisable to read the full KIE report before taking any investment decision on the above company recommendation.

Surya Roshni Limited

Analyst: Ruchir Khare (Email: ruchir.khare@kotak.com; Contact: +91 22 6218 6431)

CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
252	328	30.0%	381 / 185	13730

Key Highlights:

- Surya Roshni is India's second largest player in the lighting industry with dominating presence in tier-ii/iii cities and rural areas. Various welfare schemes, introduced by the Indian government and rural electrification drive could potentially benefit company's operations going ahead. We tend to believe that this will help Surya Roshni outpacing the industry growth over next few years.
- Leveraging on its strong brand equity, SURL has also entered into consumer durable (CD) market in the fans (Domestic' & Industrial) category in FY14. Commendably, in a short period of four years it could gain No. 6 position in the fan market.
- In FY15 company expanded its CD portfolio to include other contemporary electrical appliances (mainly brown goods) like- water heaters, room heaters, dry irons, steam irons, immersion heater and kitchen appliances like mixer grinder, induction cookers, toasters, glass cooktops etc.
- The company has a strong distribution reach spread across India. Distribution franchise includes a wide network of over 2500 distributors and 2.5 lakh country wide retailers. This facilitates the company in rapidly scaling-up of new product into the market.
- SURL has over four decades of presence and owns 'Prakash Surya' brand in the steel pipe industry. The company holds leadership position in ERW and Spiral API grade pipes which are used in transportation of oil and natural gas, city gas distribution, oil exploration, water pipeline etc.
- Exports contributes to c.20% of Steel Pipes division revenues. While it has presence in more than 50 countries, it holds indomitable position in the GCC countries backed by 'Prakash Surya' Brand.
- As per management, though at the nascent stage, company has been exploring the potential benefits/opportunities that can be achieved by the demerger of these two unrelated business. We believe that the corporate action would likely provide an enhanced focus on both the businesses and narrow the valuation gap of the B2C business vis-à-vis peer group.

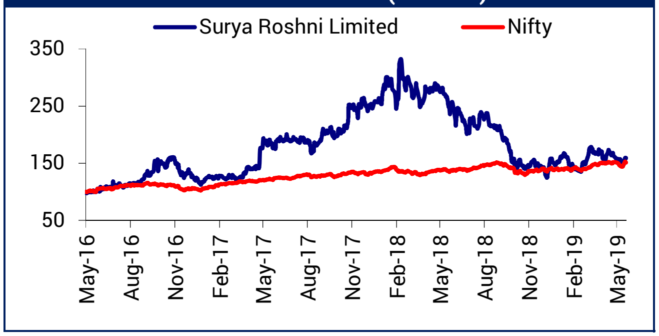
Financials (Rs mn)*	FY19	FY20E	FY21E
Sales	59,770	64,876	69,614
Growth (%)	21.2	8.5	7.3
EBITDA	3,720	4,248	4,762
EBITDA margin (%)	6.2	6.5	6.8
PBT	1,726	2,247	2,819
Net profit	1,209	1,550	1,945
Adjusted EPS (Rs)	22.2	28.5	35.7
Growth (%)	11.9	28.3	25.4
P/E (x)	*11.4*	*8.9*	*7.1*
BV (Rs/share)	212.0	238.0	271.0
Dividend / share (Rs)	2.0	2.0	2.1
ROE (%)	11.0	12.7	14.1
ROCE (%)	12.1	13.4	14.6
Net cash (debt)	(11,294)	(10,570)	(9,602)

*Source: Company; Kotak Securities - Private Client Research * Standalone*

Financials (Rs mn)*	Q4FY18	Q4FY19	% Chg
Revenues	14,259	17,065	19.7
EBITDA	1,018	1,181	16.0
EBITDA Margin (%)	7.1%	6.9%	
PAT	371	441	19.1
PAT Margin (%)	2.6%	2.6%	
EPS (Rs)	6.8	8.1	19.1

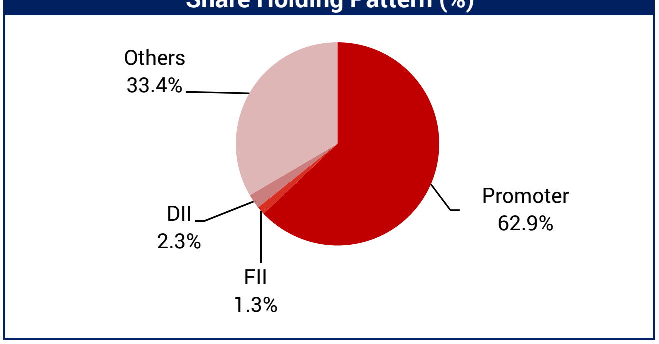
*Source: Kotak Securities - Private Client Research; * Standalone*

Price Performance (3 Years)



Source: Bloomberg

Share Holding Pattern (%)



Source: Bloomberg

This one pager on the company is extracted from last Kotak Securities – Private Client Research update dated January 14, 2019, February 19, 2019 and 27 May, 2019 and it does not contain events beyond that date. Above company recommendation is of Kotak Securities – Private Client Research. Detailed rating scale and disclaimer is provided at the end of this report. It is advisable to read the last report of Kotak Securities – Private Client Research before taking any investment decision on the above company recommendation.

Welspun Corp Limited

Analyst: Jatin Damania (Email: jatin.damania@kotak.com; Contact: +91 22 6218 6440)

CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
142	171	20.8%	187 / 87	37543

Key Highlights:

- Welspun Corp (WCL) is a leading global manufacturer of large diameter pipes with an installed capacity of 2.4 Mn tonnes. Given its presence in USA, Saudi Arabia and India, we believe that, the company is better placed compared to its peers in terms of tapping the global market opportunity of over US$400 bn.
- FY20 opening order book was 1.66MT (Rs 141 bn) and as on May 14, 2019, WCL order book stands at 1.712 MT (Rs 150 bn), to be executed over the next 15-18 months.
- The overseas order book not only provides good revenue visibility, but also comes with the stronger margin compared to the domestic market, as number of qualified bidders are less. In addition, increasing demand of spiral pipes in US due to increase in shale gas production and the country's focus on reducing imports of pipes augurs well of local manufacturers.
- During Q4FY19, the company entered into agreement to divest (non-core assets) PCMD and 43 MW Power plant at a consideration of Rs9.4bn. The PCMD transaction is expected to complete by end of Dec'19 (power plant by May'19). During FY19, PCMD reported negative EBITDA of Rs840 mn. The transaction will strengthen the company balance sheet by providing enough liquidity and deleverage the balance sheet. We believe RoCE to expand by 350 bps, post the completion of the transaction.
- With the leaner balance sheet and completion of capex cycle, Free Cash Flow is expected to improve backed by strong operational performance.

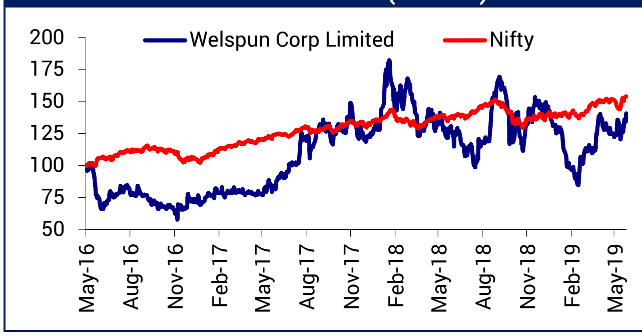
Key Risks

- Steel price volatility can impact performance; and
- Low crude price can defer investments in oil and gas industry.

Financials (Rs mn)*	FY19	FY20E	FY21E
Sales	89,535	89,583	90,923
Growth (%)	40.1	0.1	1.5
EBITDA	5,731	8,600	8,890
EBITDA margin (%)	6.4	9.6	9.8
PBT	2,706	5,190	5,655
Net profit	(216)	4,093	4,441
EPS (Rs)	(0.8)	15.4	16.7
Growth (%)	(114.1)	583.8	8.5
P/E (x)	*(176.9)*	*9.2*	*8.5*
BV (Rs/share)	106.2	120.3	137.8
ROE (%)	2.1	12.7	12.2
ROCE (%)	7.3	13.1	12.6
Net Debt (Rs Mn)	5,826	3,395	(2,605)

*Source: Kotak Securities - Private Client Research; *Consolidated*

Price Performance (3 Years)

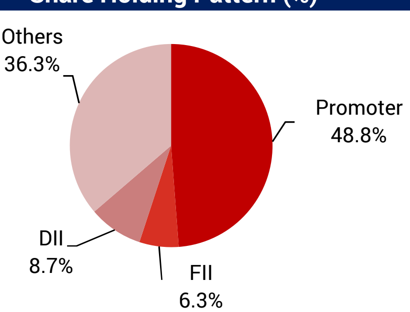


Source: Bloomberg

Financials (Rs mn)*	Q4FY18	Q4FY19	% Chg
Revenues	12,766	27,561	115.9
EBITDA	929	322	(65.3)
EBITDA Margin (%)	7.3%	1.2%	
PAT	(76)	(1,490)	
PAT Margin (%)	-0.6%	-5.4%	
EPS (Rs)	(0.3)	(5.6)	

*Source: Kotak Securities - Private Client Research; *Consolidated*

Share Holding Pattern (%)



Source: Bloomberg

This one pager on the company is extracted from last Kotak Securities – Private Client Research update dated 16 May 2019 and it does not contain events beyond that date. Above company recommendation is of Kotak Securities – Private Client Research. Detailed rating scale and disclaimer is provided at the end of this report. It is advisable to read the last report of Kotak Securities – Private Client Research before taking any investment decision on the above company recommendation.

The Phoenix Mills Ltd

Analyst: Teena Virmani (Email:teena.virmani@kotak.com; Contact: +91 22 6218 6432)

CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
651	754	15.8%	715 / 489	99841

Key Highlights:

- Rental growth for the company is being driven by the strong operational performance of Market City malls - PMC Pune & PMC Mumbai as well as High Street Phoenix & Palladium.
- Commercial and hospitality segment also registered healthy YoY growth respectively led by improvement in rentals and ARRs. St Regis has emerged as a preferred hospitality destination in South Mumbai with large areas available for banquet halls. Company expects its strong performance to continue and margins also to improve from current levels.
- For One-Bangalore West, it had handed over flats for Towers 1-5. Execution at Tower 6 is progressing well and company is planning to launch Tower 7 in June 2019.
- We believe that rental renegotiations, new project launches and completion of under-construction assets are likely to maintain healthy performance for the company going forward. Residential revenues are likely to witness contraction going forward due to revenue recognition largely done during FY19.
- Company has commenced work at all under development assets – at Hebbal Bengaluru and Pune, Lucknow & Palladium at Ahmedabad and company is well placed to achieve its target of 11-12 msft of operational retail portfolio by FY23
- Debt on operational portfolio is coming down with steady annuity income while debt on under-construction portfolio is moving up with improved pace of execution. Upon operationalization of the underdevelopment retail assets, construction loans are expected to be converted into lease-rental discounting (LRD) loans backed by the asset's annual income generation ability.

Risks

- Oversupply in retail and commercial may keep rentals subdued
- Delay in completion of under-construction assets may impact future revenue growth

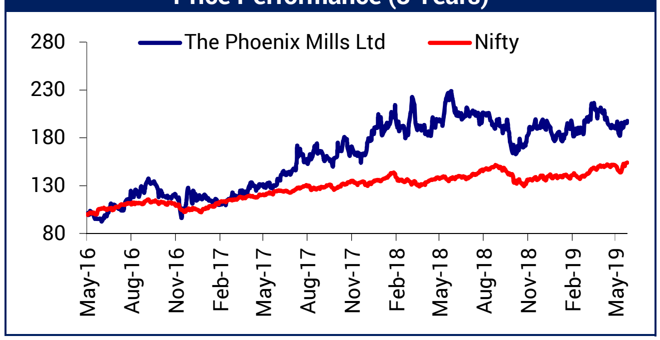
Financials (Rs mn)*	FY19	FY20E	FY21E
Sales	19,816	19,805	20,342
Growth (%)	22.3%	-0.1%	2.7%
EBITDA	9,931	10,128	10,640
EBITDA margin (%)	50.1%	51.1%	52.3%
PBT	5,716	5,066	5,327
Net profit	4,210	3,499	3,682
Adjusted EPS (Rs)	27.5	22.8	24.0
Growth (%)	73.7%	-16.9%	5.2%
P/E (x)	*23.7*	*28.5*	*27.1*
BV (Rs/share)	226.6	246.3	267.2
ROE (%)	13.3	9.7	9.4
ROCE (%)	10.1	9.6	9.9
Net Debt (Rs Mn)	45,676	49,152	48,324

*Source: Kotak Securities - Private Client Research; *Consolidated*

Financials (Rs mn)*	4Q-FY18	4Q-FY19	% Chg
Revenues	4,366	7,232	65.6
EBITDA	2,162	3,772	74.5
EBITDA Margin (%)	49.5%	52.2%	
PAT	926	2,284	146.7
PAT Margin (%)	21.2%	31.6%	
EPS (Rs)	6.1	14.9	146.3

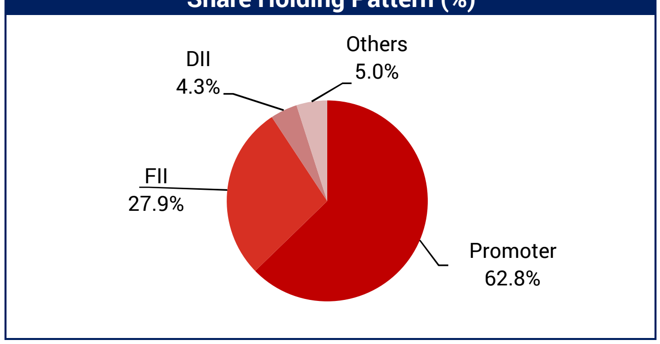
*Source: Kotak Securities - Private Client Research; *Consolidated*

Price Performance (3 Years)



Source: Bloomberg

Share Holding Pattern (%)



Source: Bloomberg

This one pager on the company is extracted from last Kotak Securities – Private Client Research update dated 20 May 2019 and it does not contain events beyond that date. Above company recommendation is of Kotak Securities – Private Client Research. Detailed rating scale and disclaimer is provided at the end of this report. It is advisable to read the last report of Kotak Securities – Private Client Research before taking any investment decision on the above company recommendation.

Rating Scale (Kotak Securities – Private Client Research) / Kotak Institutional Equities

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
SUBSCRIBE	–	We advise investor to subscribe to the IPO.
RS	–	**Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a Sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

Fundamental Research Team (Private Client Research)

Rusmik Oza
Head of Research
rusmik.oza@kotak.com
+91 22 6218 6441

Arun Agarwal
Auto & Auto Ancillary
arun.agarwal@kotak.com
+91 22 6218 6443

Amit Agarwal
Transportation, Paints, FMCG
agarwal.amit@kotak.com
+91 22 6218 6439

Krishna Nain
M&A, Corporate actions
krishna.nain@kotak.com
+91 22 6218 7907

K. Kathirvelu
Support Executive
k.kathirvelu@kotak.com
+91 22 6218 6427

Sanjeev Zarbade
Cap. Goods & Cons. Durables
sanjeev.zarbade@kotak.com
+91 22 6218 6424

Ruchir Khare
Cap. Goods & Cons. Durables
ruchir.khare@kotak.com
+91 22 6218 6431

Jatin Damania
Metals & Mining, Midcap
jatin.damania@kotak.com
+91 22 6218 6440

Deval Shah
Research Associate
deval.shah@kotak.com
+91 22 6218 6425

Teena Virmani
Construction, Cement, Buildg Mat
teena.virmani@kotak.com
+91 22 6218 6432

Sumit Pokharna
Oil and Gas, Information Tech
sumit.pokharna@kotak.com
+91 22 6218 6438

Pankaj Kumar
Midcap
pankajr.kumar@kotak.com
+91 22 6218 6434

Technical Research Team (Private Client Research)

Shrikant Chouhan
shrikant.chouhan@kotak.com
+91 22 6218 5408

Amol Athawale
amol.athawale@kotak.com
+91 20 6620 3350
+91 22 62185499

Faisal Shaikh, FRM, CFTe
Research Associate
faisalf.shaikh@kotak.com
+91 22 62185498

Siddhesh Jain
Research Associate
siddhesh.jain@kotak.com

Derivatives Research Team (Private Client Research)

Sahaj Agrawal
sahaj.agrawal@kotak.com
+91 79 6607 2231

Malay Gandhi
malay.gandhi@kotak.com
+91 22 6218 6420

Prashanth Lalu
prashanth.lalu@kotak.com
+91 22 6218 5497

Prasenjit Biswas, CMT, CFTe
prasenjit.biswas@kotak.com
+91 33 6625 9810

Disclosure/Disclaimer – Kotak Securities Ltd

Following analysts: MB Mahesh CFA, Nischint Chawathe, Dipanjan Ghosh, Tarun Lakhotia, Hemang Khanna, Murtuza Arsiwalla, Samrat Verma of Kotak Institutional Equities and Teena Virmani, Ruchir Khare, Jatin Damania of Kotak Securities – Private Client Research hereby certify that all of the views expressed in this report accurately reflect their personal views about the subject company or companies and its or their securities. They also certify that no part of their compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Kotak Securities Limited established in 1994, is a subsidiary of Kotak Mahindra Bank Limited. Kotak Securities is one of India's largest brokerage and distribution house.

Kotak Securities Limited is a corporate trading and clearing member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), Metropolitan Stock Exchange of India Limited (MSE), National Commodity and Derivatives Exchange (NCDEX) and Multi Commodity Exchange (MCX). Our businesses include stock broking, services rendered in connection with distribution of primary market issues and financial products like mutual funds and fixed deposits, depository services and Portfolio Management.

Kotak Securities Limited is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Kotak Securities Limited is also registered with Insurance Regulatory and Development Authority as Corporate Agent for Kotak Mahindra Old Mutual Life Insurance Limited and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI). We are registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise/warning/deficiency letters/ or levied minor penalty on KSL for certain operational deviations. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

We offer our research services to clients as well as our prospects.

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Kotak Securities Ltd. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither Kotak Securities Limited, nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Kotak Securities Limited (KSL) may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. The views provided herein are general in nature and does not consider risk appetite or investment objective of particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with KSL. Kotak Securities Limited is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation. Kotak Securities Limited does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and take professional advice before investing.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

No part of this material may be duplicated in any form and/or redistributed without Kotak Securities' prior written consent.

Details of Associates are available on www.kotak.com

1. "Note that the research analysts contributing to the research report may not be registered/qualified as research analysts with FINRA; and
2. Such research analysts may not be associated persons of Kotak Mahindra Inc and therefore, may not be subject to NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account

Any U.S. recipients of the research who wish to effect transactions in any security covered by the report should do so with or through Kotak Mahindra Inc. (Member FINRA/SIPC) and (ii) any transactions in the securities covered by the research by U.S. recipients must be effected only through Kotak Mahindra Inc. (Member FINRA/SIPC)at 369 Lexington Avenue 28th Floor NY NY 10017 USA (Tel:+1 212-600-8850).

Kotak Securities Limited and its non US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non US issuers, prior to or immediately following its publication. This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. This research report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services. Accordingly, any brokerage and investment services including the products and services described are not available to or intended for Canadian persons or US persons."

Research Analyst has served as an officer, director or employee of subject company(ies): No

We or our associates may have received compensation from the subject company(ies) in the past 12 months.

We or our associates have managed or co-managed public offering of securities for the subject company(ies) in the past 12 months: No

We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report. Our associates may have financial interest in the subject company(ies).

Research Analyst or his/her relative's financial interest in the subject company(ies): No

Kotak Securities Limited has financial interest in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: Colgate Palmolive, GAIL India, Power Grid, SBI, L&T, NCC - Yes

Nature of financial interest is holding of equity shares or derivatives of the subject company.

Our associates may have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No.

Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report.

"A graph of daily closing prices of securities is available at https://www.nseindia.com/ChartApp/install/charts/mainpage.jsp and http://economictimes.indiatimes.com/markets/stocks/stock-quotes. (Choose a company from the list on the browser and select the "three years" icon in the price chart)."

Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: www.kotak.com/www.kotaksecurities.com. Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No: INZ000200137 (Member ID: NSE-08081; BSE-673; MSE-1024; MCX-56285; NCDEX-1262), AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-NSDL-23-97. Our research should not be considered as an advertisement or advice, professional or otherwise. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing. Investments in securities market are subject to market risks, read all the related documents carefully before investing. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts. Compliance Officer Details: Mr. Manoj Agarwal. Call: 022 - 4285 8484, or Email: ks.compliance@kotak.com.

In case you require any clarification or have any concern, kindly write to us at below email ids:

- **Level 1**: For Trading related queries, contact our customer service at 'service.securities@kotak.com' and for demat account related queries contact us at ks.demat@kotak.com or call us on: Toll free numbers 18002099191 / 1860 266 9191
- **Level 2:** If you do not receive a satisfactory response at Level 1 within 3 working days, you may write to us at ks.escalation@kotak.com or call us on 022-42858445 and if you feel you are still unheard, write to our customer service HOD at ks.servicehead@kotak.com or call us on 022-42858208.
- **Level 3:** If you still have not received a satisfactory response at Level 2 within 3 working days, you may contact our Compliance Officer (Mr. Manoj Agarwal) at ks.compliance@kotak.com or call on 91- (022) 4285 8484.
- **Level 4:** If you have not received a satisfactory response at Level 3 within 7 working days, you may also approach CEO (Mr. Kamlesh Rao) at ceo.ks@kotak.com or call on 91- (022) 4285 8301.