

India Strategy



Macro
Pick-up

Demand
uptick

Demonetization

GST

RERA

IBC

Turbulence behind; clear skies ahead

Research Team (Gautam.Duggad@MotilalOswal.com)

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Note: All stock prices and indices for companies as on 5 October 2017, unless otherwise stated

Investors are advised to refer through important disclosures made at the last page of the Research Report.

India Strategy

BSE Sensex: 31,592

S&P CNX: 9,889



Turbulence behind; Clear skies ahead

OMCs and select Cyclical drive earnings; maintain Nifty EPS estimates

Earnings rebound led by OMCs, Cyclical and low base

As we prepare estimates for 2QFY18, we can't help but notice the slight moderation in the Indian macro story – weaker than expected GDP growth for 1QFY18, higher crude prices and some teething troubles pertaining to GST implementation. That said, our Economist, Nikhil Gupta believes that the worst is behind as far as GDP growth is concerned. Post-GST restocking and an early festive season should help 2QFY18 performance of India Inc.

- We expect MOSL Universe PAT to grow 23.4% YoY, but just 4% YoY excluding OMCs, PSU Banks and Metals. Growth will be led by Cyclical like Metals, PSU Banks, OMCs, while Defensives are expected to post the fourth consecutive quarter of profit decline, dragged by IT and Healthcare.
- We maintain our FY18/FY19 Nifty EPS estimates at INR487/INR602 and introduce our FY20 Nifty EPS estimate at INR693. We expect Nifty EPS to grow 15%/24% in FY18/FY19.

Key sectoral trends/highlights

- **PSU Banks** will report 2.9x YoY jump in profits owing to swing in SBI's numbers from loss of INR5.6b to profit of INR29b.
- **Oil & Gas** will report 60% YoY profit growth, led by OMCs, which will benefit from inventory gains and higher GRMs, and report 3.2x higher profits.
- **Metals** will report another strong quarter, led by strong underlying commodity prices and low base – profits are expected to grow 123% YoY.
- **Autos** will report positive growth in profits after three consecutive quarters of YoY decline, while our **Consumer** universe will post 10% profit growth.
- **Technology** is expected to report the third consecutive quarter of muted PAT.
- **Healthcare, Telecom and Cement** will have a lackluster quarter, with YoY earnings decline. **Utilities'** performance will be buoyed by low base of Coal India.

Three key trends to watch out for:

1. **Macros: Worst is behind:** After the weak 1QFY18 GDP print, debate has revived around the macro fundamentals. We believe that worst is behind and expect GDP growth to recover, albeit gradually. Recent high frequency indicators like PMI and our own proprietary EAI for July and August point towards the same. We also don't find any indications of stress on the central governments budgeted tax receipts. While non-tax receipts are likely to be lower than estimated, there is still a good chance that it could be made up by higher-than-budgeted tax collection. Indirect tax receipts up to August 2017 were 39.5% of full-year budget estimates (BE), marking the highest collection in the first five months in any fiscal year (barring FY08) since FY01.

Sources of exhibits in this report include RBI, CMIE, Bloomberg, IMF, Industry, Companies, and MOSL database

2. **GST: Settling in; 2H to be much better vs. 1H for B2C sectors:** Implementation of GST has expectedly resulted in some teething troubles pertaining to compliance, tax return filing for SME's, Wholesalers and Retailers. However, our channel checks and conversations with corporates in our coverage universe suggest 2QFY18 will benefit from re-stocking of trade supply chain. We also expect 2HFY18 to be much better vs. 1HFY18 for B2C sectors like Consumer, Auto, Durables etc. as trade settles down with the GST. Low base of demonetization in 2HFY17 should also help in our view.
3. **Commodity costs hardening: threat to margins?** Operating margins of India Inc. benefitted from the commodity cost tailwinds in FY15, FY16 and 1HFY17. We saw eight consecutive quarters of operating margin expansion from Mar'15 till Dec'16 for MOSL Universe excl. OMCs and Financials. Commodity prices have hardened off-late – base metals, crude as well as agro commodities. This could potentially put at risk our estimated 50bps margin expansion for our universe in 2HFY18. Operating margins of sectors like Consumers, Cement, Automobiles, and Durables will be at risk especially since corporates have been reluctant to exercise pricing power in an environment of moderate demand scenario.

Model portfolio changes

We have made a few changes to our portfolio to reflect our preference for earnings visibility in an environment of disruption, and also our belief in an earnings pick-up 2HFY18 onward. Overall, we continue to like Financials, Autos, Energy and Healthcare sectors. At the same time, we find valuations in the Consumer space rich, even as we believe Discretionary will do well compared to Staples. We have also made a few changes to our Mid-Cap basket.

- **BFSI:** We have increased the weight in HDFC Bank, and replaced Federal Bank with RBL. We expect HDFC Bank to continue with its steady growth and report strong RoAs, driven by an improvement in operating leverage and digital initiatives. We believe that RBL is well positioned to report strong balance sheet growth, backed by the recent capital raising. Also, we expect the margins and fee income profile for RBL to improve, which should drive RoA expansion over the next two years. Among PSU Banks, we stick with SBIN, maintaining our positive stance. However, we have removed PNB from our portfolio, as its weak growth profile, combined with elevated provisions and relatively weak capital position, is expected to remain a drag on its earnings recovery. We introduce HDFC in our portfolio as the company has demonstrated its ability to keep spreads intact in a very competitive environment. We replace Repco with Capital First, as the land registration issues for the former are not yet resolved in TN. Besides this, we see continued intense pressure in terms of balance transfer from Repco's loan portfolio. We introduce Capital First as it has demonstrated strong growth and improving return ratios over the past few years, and has become a significant player in most of the businesses it operates in.
- **Consumer:** We maintain our positions in ITC and Britannia, but replace Colgate with Titan, given our expectations of sharper market share gains for organized jewelers. The recent government action to withdraw the notification pertaining to PMLA is an added positive.

- **Energy:** We introduce HPCL in our portfolio while maintaining our weights in IOC, ONGC and Petronet LNG. We continue to find the OMC story attractive, and the recent improvements in GRMs are yet to reflect in valuations, in our view.
- **Healthcare:** We maintain our overweight stance on Healthcare (had upgraded the stance in 4QFY17), with Sun Pharma and Aurobindo as our key picks. We are replacing Fortis with Granules, as we believe the latter has the potential to deliver >50% return over the next 12-18 months, led by multiple re-rating (to >18x forward earnings) and strong EPS CAGR of ~35% until FY20.
- **Metals and Utilities:** We maintain our overweight on Hindalco as we expect the de-leveraging story to play out. We are replacing Power Grid with Coal India, as we believe the worst is behind for the latter and its valuations are attractive with a 5.5% dividend yield.

2QFY18 PREVIEW**Growth led by cyclical sectors and low base****Earnings breadth remains a concern; retain Nifty EPS estimates for FY18/19**

- As we prepare estimates for 2QFY18, we can't help but notice the slight moderation in the Indian macro story. The narrative of India has so far been defined by excellent macros (inflation under control, twin deficits under control, stable currency, and highest-ever FDI and forex reserves) and muted micros (lack of earnings recovery). However, of late, the macros have moderated a bit, with a weaker than expected 5.7% GDP print of 1QFY18, followed by hardening of crude prices. Meanwhile, private capex is not showing signs of pick-up. Admittedly, the GDP impact could be owing to GST-related de-stocking in 1QFY18, and hence, transitory. We expect re-stocking to gather momentum in 2QFY18, aided by an early festive season in CY17. Our Economist also believes that the worst is behind as far as GDP growth is concerned. However, if Crude prices were to harden further, it could impact the fiscal deficit and inflation equation.
- As articulated in our earlier strategy reports, FY18 remains a year of earning recovery, albeit led by few sectors, and hence, narrow. We refrain from drawing any immediate conclusions on the soundness of this recovery as yet. While we build in healthy 15% earnings growth for the Nifty in FY18, we highlight two key potential risks to earnings:
 1. Prolonged GST-led disruption – while changes in GST rates have been largely passed through, the burden of compliance and challenges pertaining to GSTN infrastructure is impacting the trade and supply chain. This could create further volatility in earnings.
 2. Higher-than-estimated credit costs for the BFSI sector (PSU Banks account for 23% of FY18E PAT delta for MOSL), as one awaits the resolution of flagged stressed assets at NCLT.

**Earnings pick-up led by OMCs' exceptional gains and low base of Metals**

- As the implementation and impact of GST settles in, we expect 2QFY18 to be marked by volatility in earnings. Last four quarters have clearly been disruptive as far as the economy, and consequently, the earnings performance of Corporate India is concerned. Series of disruptive initiatives like demonetization, RERA, and now, GST have impacted earnings. If 1QFY18 was impacted by GST related de-stocking, 2QFY18 will benefit from re-stocking and early festive season, in our view. Inflation in commodity prices is also lending respectability to topline growth, as companies pass on the impact of input price inflation to consumers. We believe 2QFY18 will mark the end of material GST-related disruptions in numbers. From 3QFY18, we expect a relatively cleaner trajectory for India Inc. As we exit a disruptive 1HFY18, hopes of a strong 2HFY18 led by low base as well as non-disruptive environment characterize our optimism.
- For 2QFY18, we expect MOSL Universe revenue to grow 14.5% YoY (revenue was up 3% YoY in the base quarter), the highest in 20 quarters.
- EBITDA growth is estimated at 15% YoY, with flat underlying operating margin for the MOSL Universe (ex-Financials and OMCs). PAT is likely to grow 23% YoY (8% PAT growth in 2QFY17) – highest in 13 quarters. However, it is primarily boosted by exceptional performance of OMCs and low base of Metals and SBI.

Excluding OMCs, we estimate 12% YoY PAT growth for the MOSL Universe. Excluding OMCs, Metals and PSU Banks – PAT growth for MOSL Universe will be 4% YoY. PAT margin for the MOSL Universe (ex-OMC and Financials) is expected to see another quarter of contraction (by 40bp YoY to 9.8%). Global Cyclical will drive 85% of incremental growth for MOSL Universe PAT, with a strong 73% YoY PAT growth. Defensives are estimated to report the fourth consecutive quarter of YoY decline in PAT, while Domestic Cyclical should post strong 21% YoY PAT growth. Nifty earnings are expected to grow 29.4% YoY, while Nifty ex-OMCs profit is estimated to grow 15% YoY and Nifty ex-OMCs, Metals and PSU Banks is expected to post 5% YoY profit growth.

THREE KEY TRENDS



Three key trends characterizing 2QFY18

1. **Macros: Worst is behind? We think so...**

Recent moderation in macros numbers has revived the debate about the prevailing narrative of strong macros. However, we believe that worst of the GDP slowdown is behind us and we expect the economy to revive from hereon, albeit at a gradual pace. Recent high frequency indicators like PMI for Manufacturing and Services have shown a rebound from the July lows. Our monthly economic activity index (EAI) also confirms that India's economic activity grew 3.5% YoY in July-August 2017, same as in April-June 2017. With festive season beginning early this year, we believe that economic activity will improve in September, helping the 2QFY18 growth to be better than in 1QFY18. However, even if our EAI grows ~6% YoY in September, it indicates a real GDP growth of ~6% YoY in 2QFY18, higher than 5.7% in 1QFY18. Secondly, we don't find any indications of stress on the central government's budgeted tax receipts. While non-tax receipts are likely to be lower than estimated, there is still a good chance that it could be made up by higher-than-budgeted tax collection. Including past dues etc., total indirect tax collection in August 2017 (for July 2017) was INR1,046b – up 56% YoY, marking the highest growth in more than 7 years. Not surprisingly then, indirect tax receipts up to August 2017 was 39.5% of full-year budget estimates (BE), marking the highest collection in the first five months in any fiscal year (barring FY08) since FY01.

2. **GST: Settling in; 2H to be much better vs. 1H for B2C sectors**

2QFY18 will be the first quarter where one would see the actual impact of GST implementation in numbers. 1QFY18 saw de-stocking ahead of GST in several sectors – **Consumer, Consumer Durables, Autos, Healthcare** – as businesses corrected their supply chains before the onset of new regime of indirect tax. Impact of this de-stocking was felt in the 1QFY18 reported numbers of the aforementioned sectors with across the board revenue deceleration and consequent operating deleverage.

Our channel checks, media reports and anecdotal evidences suggest that initial teething troubles pertaining to compliance, return filing, adjusting to the new GSTN architecture are still being experienced. The impact is higher for wholesalers, retailers and SME players even as the large organized players and distributors have made requisite changes. In order to ease the teething troubles, GST council has recently announced some relief measures pertaining to composite scheme, frequency of return filing and several other mechanisms of GST.

That said, our conversations with corporates across sectors indicate decent re-stocking in the trade channels as inventory is replenished. Early festive season has also helped in our view. Needless to say, we expect qoq revenue pick-up for these sectors.

Going forward, as GST settles in and ecosystem gets well acquainted with the whole GST regime, we expect further improvement in topline numbers. The low base of 2HFY17 on account of Demonetization will also aid the 2HFY18 growth. In-fact, we are projecting healthy pick up in 2HFY18 vs. 1HFY18 performance for these sectors.

3. Commodity costs hardening: threat to margins?

The tailwind from commodity cost deflation boosted the margins of B2C oriented sectors in FY15, FY16 and 1HFY17 even in the absence of major demand pick up – for MOSL Universe excluding OMCs and Financials, operating margins had shown YoY expansion for eight consecutive quarters from 4QFY15 to 3QFY17. Last two quarters have seen margin contraction and for 2QFY18 we are forecasting flat margins for MOSL ex OMCs and Financials universe.

We note that commodity costs have been hardening. Base metal prices as well as several agro commodity prices have picked up. This introduces an element of risk to our margin forecasts given that demand recovery has not yet taken shape and corporates may refrain from passing on the entire impact of commodity price inflation.

We are currently building in ~50bps of operating margin expansion for 2HFY18 for our universe ex OMCs and Financials.

Earnings breadth yet to pick up

With OMCs, PSU Banks and Metals accounting for 85% of incremental PAT delta of MOSL Universe, we see huge scope for earnings breadth to improve. Quality of earnings remains less than impressive, with low-RoE sectors driving the performance. High-RoE sectors like Healthcare, Technology and Cement are expected to report YoY earnings decline for 2QFY18. PAT growth is likely to be 21% YoY (2% YoY in 2QFY17) for Domestic Cyclical, led by Financials. However, Defensives are estimated to report another quarter of YoY PAT decline (9% YoY decline), dragged by Technology and Healthcare. MOSL Universe (ex-Metals, OMCs and PSU Banks) PAT is likely to grow by a muted 4% YoY in 2QFY18, the first positive print after three consecutive quarters of decline. Earnings breadth is expected to remain weak, with 35% of the MOSL Universe expected to post YoY decline in PAT.

Snapshot of sector performance

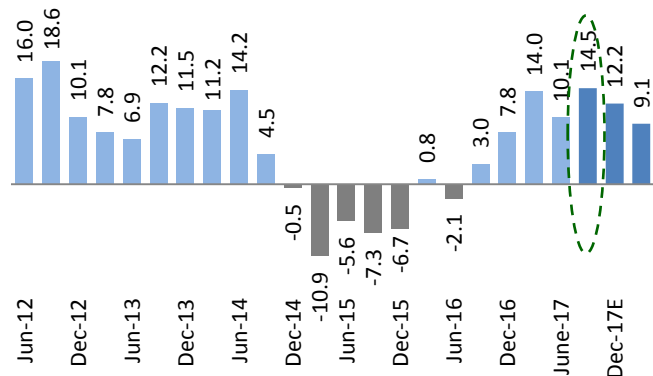
- The Cement universe is expected to report its worst PAT performance in nine quarters, on the back of high base and rising commodity costs.
- Technology is expected to witness another sluggish quarter, with (i) EBITDA decline of 1.8% YoY, and (ii) PAT decline of 0.1% YoY.
- Healthcare (-22%), Media (-10%) and Telecom (Profit to Loss) are the other sectors expected to report YoY PAT decline.
- Oil & Gas (60%), PSU Banks (188%), Consumer (10%), Auto (9%), Capital Goods (9%), NBFC (21%), Private Banks (18%), Metals (123%) and Utilities (35%) are expected to post PAT growth.

- Defensives' share in MOSL Universe earnings would continue declining to 29% (39% in 2QFY17, 33% in 1QFY18); the share of Domestic Cyclical would be 33% and Global Cyclical at 38% will be the biggest beneficiary (27% in 2QFY17, 30% in 1QFY18) in 2QFY18.
- Nifty sales are estimated to grow 16% YoY, highest growth in 20 quarters. PAT is estimated to grow 29%, highest in 13 quarters, aided by OMCs, SBI and Metals. EBITDA is likely to post 18% growth – the highest in 13 quarters.
- **Nifty EPS unchanged for FY18/19:** We maintain our Nifty EPS estimates at INR487/602 (INR484/602 earlier) for FY18/FY19. Major FY18E EPS downgrades vis-à-vis our 1QFY18 review: Dr Reddy's (15%), Hindalco (10%), Tata Motors (11%), and Zee (18%). Major FY18E EPS upgrades were for BPCL (44%), HPCL (35%), IOCL (39%), Coal India (8%), and ONGC (8%). We now expect Nifty EPS to grow 15%/24% for FY18/FY19.

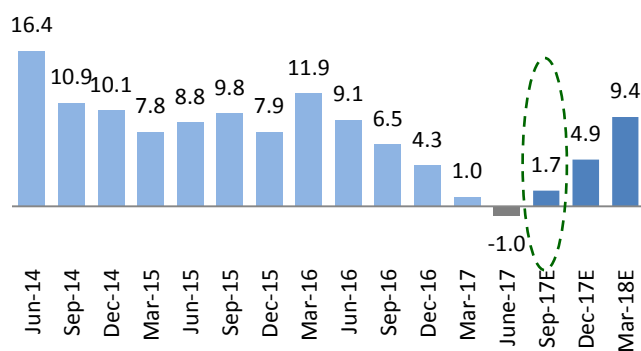
Exhibit 1: Profit growth led by OMC's and low base in Metals; Top-line growth at 20 quarter high

SECTOR (No of Companies)	SALES			EBITDA			PAT				PAT	EBITDA	PAT
	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	PAT Delta	Sh. %	Chg bp YoY	Chg bp YoY
High growth sectors	6,341	21	5	1,597	26	10	733	52	32	251	63	92	236
PSU Banks (7)	350	3	3	306	12	18	46	188	37	30	4	704	853
Metals (9)	1,246	21	7	249	41	17	81	123	22	44	7	276	295
Oil & Gas (12)	3,511	26	6	474	38	16	329	60	73	124	28	112	198
Logistics (3)	35	12	8	5	22	6	3	43	7	1	0	117	210
Utilities (6)	572	8	-1	182	24	-1	76	35	1	20	7	410	271
Others (18)	193	22	-4	29	18	-24	13	24	-38	2	1	-42	11
NBFC (16)	150	24	4	115	25	6	67	21	20	12	6	47	-103
Private Banks (11)	285	16	4	237	15	0	117	18	8	18	10	-98	65
Med/Low growth sectors	3,334	8	9	542	6	15	354	5	16	17	31	-26	-33
Consumer (18)	427	4	2	102	9	7	72	10	10	6	6	101	82
Auto (15)	1,438	12	18	189	14	36	94	9	53	8	8	18	-15
Capital Goods (13)	512	9	9	45	14	29	26	9	27	2	2	38	-1
Retail (2)	38	14	-19	3	4	-24	2	3	-23	0	0	-90	-63
Technology (15)	920	4	3	202	-2	3	160	0	3	0	14	-125	-67
PAT de-growth sectors	1,081	0	3	253	-14	1	71	-40	-1	-48	6	-398	-450
Media (10)	59	2	-2	17	-3	-7	7	-10	-4	-1	1	-148	-168
Cement (10)	230	15	-8	40	1	-26	19	-15	-33	-3	2	-248	-293
Healthcare (20)	418	4	16	84	-10	37	50	-22	53	-14	4	-334	-405
Telecom (4)	373	-11	-2	112	-22	-5	-6	PL	PL	-30	0	-440	-731
MOSL (189)	10,755	14.5	5.9	2,392	15.3	10.1	1,157	23.4	24.5	220	100	16	78
MOSL Ex Metals, Oil & PSU Banks (161)	5,648	7.7	6.0	1,364	6.6	5.4	701	3.1	9.6			-25	-55
MOSL Ex OMCs, Metals, PSU Bk (170)	6,949	9.4	7.0	1,652	8.3	6.0	867	4.0	10.3			-22	-65
Nifty (50)	8,255	15.7	6.5	1,813	18.3	12.7	945	29.4	27.8			49	122

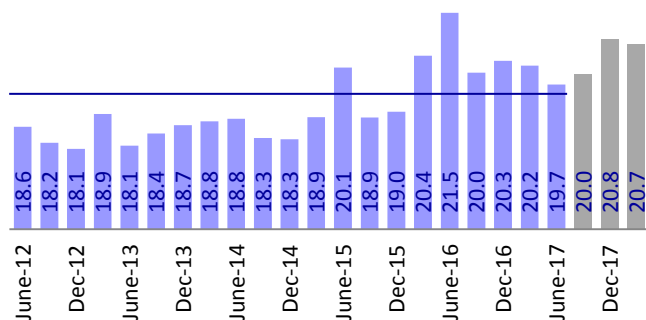
*Margins

MOSL Universe: Earnings breadth unimpressive; few sectors and low base drive profit growth**Exhibit 2: Sales growth for MOSL Universe highest since Sep'12**

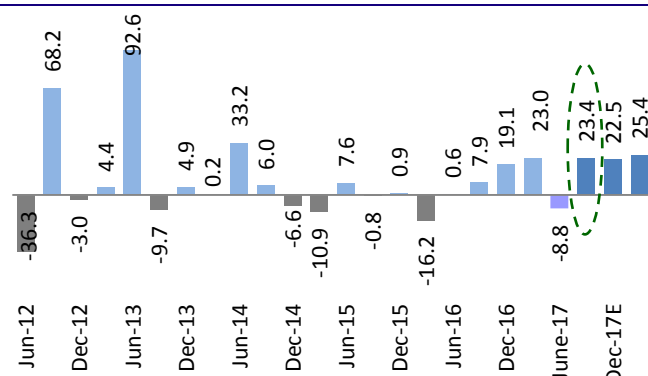
Source: MOSL

Exhibit 3: Sales growth of Defensives still lackluster

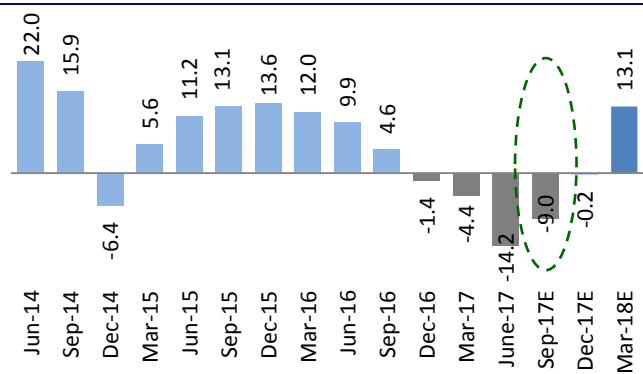
Source: MOSL

Exhibit 4: 2QFY18 EBITDA margins flattish YoY**MOSL Universe EBITDA Margin LPA: 19.2%**

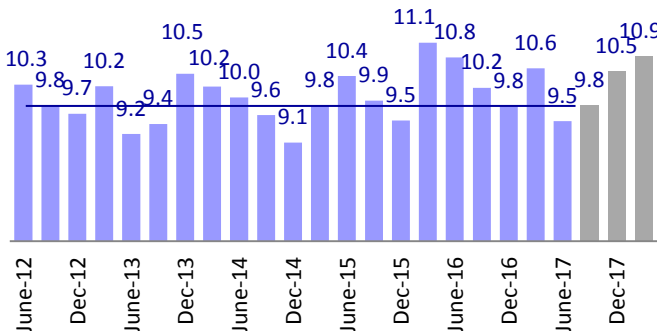
Source: MOSL

Exhibit 5: Multi-quarter high earnings growth led by Cyclicals

Source: MOSL

Exhibit 6: Fourth consecutive quarter of YoY PAT decline for Defensives

Source: MOSL

Exhibit 7: 2QFY18 PAT margin (ex-OMCs, Financials) would contract 40bp to 9.8%**MOSL Universe PAT Margin LPA: 10%**

Source: MOSL

Low base of select sectors and OMCs to drive 13-quarter high PAT growth for MOSL Universe

- PAT growth for several sectors in MOSL Universe to benefit from low base:**
Apart from OMCs, which will benefit significantly from inventory gains and higher GRMs post Hurricane Harvey in USA, low base of Banks, Metals and Utilities will aid the 23% YoY PAT growth for MOSL Universe.

- However, sectors like IT, Healthcare, Cement and Telecom are expected to post YoY PAT decline, while Auto, FMCG, Capital Goods will post YoY profit growth in the range of 8-10%.

Exhibit 8: Sectoral quarterly PAT trend (INR b)

Sector	FY14				FY15				FY16				FY17				FY18			
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep (E)	Dec (E)	Mar (E)
Auto	53	74	84	82	93	78	78	61	100	69	84	118	89	85	55	105	60	93	89	130
Capital Goods	15	21	23	53	18	20	21	46	13	16	6	46	16	24	23	54	20	26	32	55
Cement	20	11	11	19	18	14	10	16	14	16	16	24	28	22	17	23	28	19	26	31
Consumer	47	49	54	50	53	56	60	57	58	58	64	60	65	65	65	67	65	71	75	78
Financials	194	169	175	208	213	198	195	217	207	201	116	-11	153	166	184	122	193	228	232	242
Private Banks	70	72	80	85	82	85	95	100	91	98	106	83	94	94	97	102	102	114	117	121
PSU Banks	92	62	61	81	93	75	61	70	76	59	-37	-146	11	16	32	-37	34	46	43	42
NBFC	33	35	34	42	37	37	39	47	39	44	45	51	48	55	54	55	56	67	70	77
Healthcare	32	42	87	45	47	51	35	39	56	56	54	54	59	61	56	47	32	48	54	61
Logistics	3	3	3	3	4	3	4	4	3	3	3	4	3	2	3	5	3	3	3	4
Media	5	5	6	5	5	5	8	6	7	8	9	11	8	8	9	7	8	7	10	10
Metals	66	71	75	84	87	90	77	41	46	55	-13	29	33	36	53	98	66	81	103	105
Oil & Gas	63	169	109	315	160	130	58	242	239	119	184	204	275	205	229	237	189	328	279	277
Oil & Gas Ex OMCs	107	140	146	135	122	126	82	129	138	121	132	149	145	153	150	163	145	165	187	188
Retail	2	2	2	2	2	3	2	2	2	2	3	2	2	2	3	2	3	2	3	2
Technology	106	121	129	134	132	137	144	141	141	152	153	158	153	157	164	155	152	157	161	168
Telecom	15	13	15	24	23	27	28	29	23	26	26	28	28	24	8	11	3	-6	-7	-3
Utilities	77	71	85	99	79	59	74	91	83	76	88	92	79	56	78	81	75	76	95	112
Others	8	5	6	5	9	6	6	5	9	5	7	7	11	7	7	7	10	8	8	9
MOSL Universe	707	827	863	1,129	941	876	799	998	1000	861	797	825	999	921	952	1,020	906	1,140	1,164	1,278
MOSL Ex Metals, Oil & PSU Bks	486	524	619	649	601	581	603	645	638	627	663	737	681	664	638	722	617	685	739	855

Exhibit 9: Sectoral quarterly PAT growth trend (%)

Sector	FY14				FY15				FY16				FY17				FY18			
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep(E)	Dec(E)	Mar(E)
Auto	-10	42	69	3	74	5	-7	-25	7	-12	8	92	-10	24	-35	-11	-32	9	62	24
Capital Goods	-44	-24	-20	-13	24	-8	-11	-13	-27	-21	-71	-1	19	51	287	17	27	9	39	3
Cement	-28	-49	-36	-13	-9	31	-11	-12	-21	12	66	44	96	41	6	-2	3	-15	52	35
Consumer	14	15	13	13	12	14	11	13	9	4	7	6	13	12	2	11	-1	10	16	17
Financials	9	-3	-7	4	10	17	11	4	-3	2	-40	PL	-26	-17	59	LP	26	37	26	99
Private Banks	29	26	20	20	18	19	19	17	10	14	12	-16	3	-3	-9	22	9	20	21	19
PSU Banks	-6	-30	-31	-9	2	21	0	-13	-18	-21	PL	PL	-86	-73	LP	Loss	218	188	36	LP
NBFC	19	22	4	6	14	8	13	11	5	17	17	9	21	25	20	8	17	21	29	40
Health Care	43	40	133	48	45	20	-60	-12	20	11	53	37	7	9	4	-12	-46	-22	-3	29
Logistics	-6	-1	9	22	13	-2	32	20	-8	4	-32	0	-20	-26	-12	26	23	43	28	-24
Media	26	13	19	12	-4	4	33	18	29	38	9	88	13	8	-2	-35	0	-9	17	34
Metals	-34	6	28	-6	31	26	3	-52	-47	-38	PL	-28	-30	-34	LP	235	103	123	94	7
Oil & Gas	LP	-47	-42	-16	154	-23	-47	-23	49	-8	219	-15	15	72	25	16	-31	60	22	17
Oil & Gas Ex OMCs	-8	-6	9	25	14	-10	-44	-4	13	-4	61	16	5	27	14	9	0	8	24	15
Retail	15	3	-12	12	-5	22	7	1	-13	-37	13	-13	33	22	7	1	15	3	18	1
Technology	17	31	33	38	25	13	11	6	7	11	7	12	8	4	7	-2	0	0	-1	8
Telecom	44	41	128	105	48	105	86	17	2	-5	-9	-2	20	-6	-68	-59	-90	PL	PL	PL
Utilities	-9	8	-6	-1	2	-16	-13	-8	5	28	18	1	-5	-26	-11	-12	-4	35	22	38
Others	38	3	9	3	15	19	3	9	5	-9	10	22	18	37	9	10	-10	6	16	22
MOSL Universe	93	-10	5	0	33	6	-7	-12	6	-2	0	-17	0	7	19	24	-9	24	22	25
MOSL Ex Metals, Oil & PSU Bks	6	19	26	14	24	11	-3	-1	6	8	10	14	7	6	-4	-2	-9	3	16	18

Source: MOSL

Note: Comparable Universe, excludes Alkem Labs, Interglobe Aviation, CG Consumer Electricals, Parag Milk Foods, Equitas Holding, IDFC Bank, RBL Bank, L&T Infotech, Manpasand, SH Kelkar, Endurance Tech, Gujarat Gas, Music Broadcast, Avenue Supermarts, Qness Corp and Teamlease Service.

Exhibit 10: Key assumptions

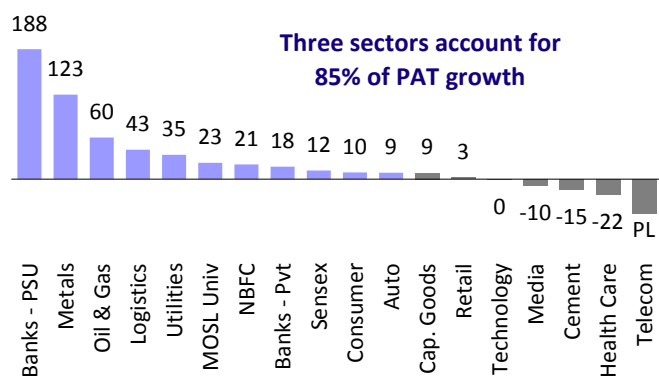
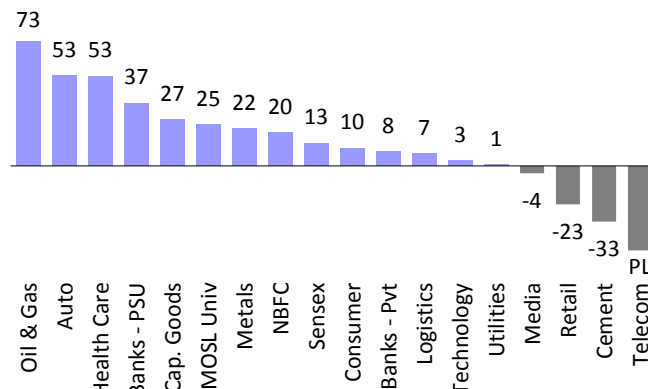
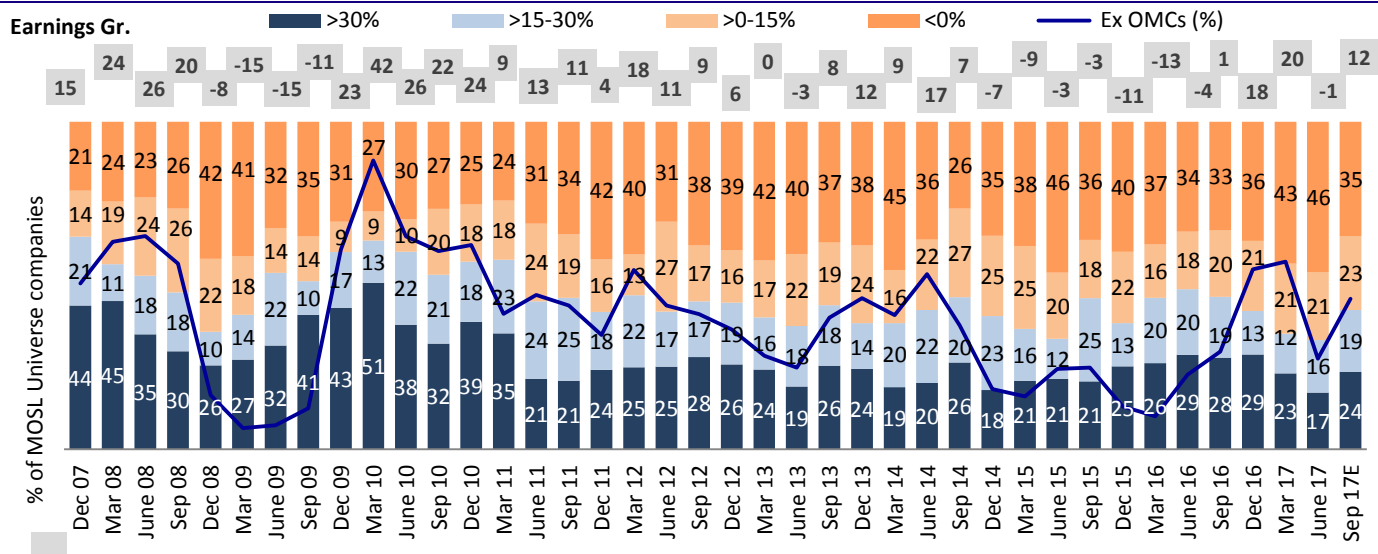
Macro	FY17	1QFY18E	2QFY18E	3QFY18E	4QFY18E	FY18E
GDP Growth (%)	6.9	5.7	6.3	6.6	7.2	6.6
IIP Growth (%)	0.9	1.9	1.9	3.7	4.2	3.0
Inflation CPI-RU (%)	4.6	2.2	3.2	4.2	4.6	3.5
Currency: USD/INR	67.1	64.5	64.1	64.5	65.0	64.5
Oil: Brent (US\$/bbl)	49.0	50.1	51.5	55.0	55.0	52.9
Repo Rate (%)	6.38	6.25	6.00	6.00	6.00	6.00
Interest Rate (%): 1Year CP Rate (Avg)	7.70	7.23	7.00	7.00	7.00	7.1
10Year G Sec (Avg)	6.95	6.71	6.51	6.50	6.50	6.6
Sectoral	FY17	1QFY18E	2QFY18E	3QFY18E	4QFY18E	FY18E
Auto: CV Volume growth (%)	1.7	-16.2	8.1	11.3	11.0	8.1
Car Volume growth (%)	10.6	14.0	18.3	10.5	15.0	14.4
Banking: Loan Growth (%)	5.9	6.0	4.5	9.3	10.0	10.0
Cement: Volume growth (%)	-1.2	-4.0	5.0	10.0	12.0	6.0
Capital Goods: L&T order Intake (INRb)	1,430	264	342	492	553	1,650
Capital Goods: L&T order Intake (% YoY)	4.5	-11.1	10.0	18.3	16.9	15.4
Metal: Steel (USD/Tonne)	503	550	566	566	566	562
Aluminium (USD/Tonne)	1,687	1,909	1,825	1,825	1,825	1,846
Zinc (USD/Tonne)	2,366	2,589	2,800	3,200	3,200	2,947
Oil & Gas: Under Recoveries (INRb)	227	58	66	66	68	258
Singapore GRM (USD/bbl)	5.7	6.4	8.3	6.5	6.0	6.8
Technology: USD Revenue growth (%)	7.2	2.8	2.4	1.5	1.8	7.7

* CV volume for Tata Motors and Ashok Leyland; PV Volume for Maruti Suzuki

Interesting sectoral trends**Key PAT growth sectors**

- **Autos** will report positive PAT growth after three consecutive quarters of YoY PAT decline. Growth will be led by Tata Motors (50%), Ashok Leyland (29%) and Eicher Motors (33%).
- **PSU Banks** should report PAT of INR46b (v/s INR16b in the base quarter), up 2.9x, largely led by SBI (swing from loss of INR5.6b to profit of INR29b, accounting for 2/3rd of MOSL PSU Bank Universe profits). Except, BOI, rest of the PSU Banks are expected to report profits.
- **NBFCs** are expected to post another quarter of steady growth (up 21%). All NBFCs, barring Bharat Financial and LIC HF, are expected to report healthy PAT performance, with Bajaj Finance, Capital First, Dewan, Chola, L&T Finance, MMFS and PNB HF particularly standing out.
- **Private Banks** are expected to accelerate profit growth from 11% in 1QFY18 to 18% in 2QFY18, aided to an extent by low base (1% growth in base). Federal Bank (39%), RBL (80%), Yes Bank (27%), Kotak (26%), HDFC Bank (22%) and IndusInd (27%) are expected to post strong performance. Among the corporate-focused private sector banks, while Axis Bank (up 4x) will benefit from low base, ICICI Bank is expected to post 18% YoY decline in profits.
- **Metals** will post 123% growth in PAT to INR81b – third consecutive quarter of triple-digit profit growth. JSW Steel (60%), Vedanta (76%) and Tata Steel (Loss to Profit) and Hindalco (126%) are expected to post strong results, while JSPL and SAIL are expected to post losses.
- **Utilities** are expected to report 35% growth in PAT – 22-quarter high growth, led by depressed base of Coal India. Ex-Coal India, MOSL Utilities universe is expected to register 10% YoY PAT growth.
- **Technology** is expected to report third consecutive quarter of flattish PAT (-0.1%), with Tech Mahindra (21%) likely to outperform among tier-I names.

- **MOSL Telecom** universe will report loss for the first time. Idea's loss is expected to double QoQ while Bharti is expected to post 85% YoY decline in profits.
- **Oil & Gas** would report 60% YoY PAT growth, entirely led by OMCs. OMCs are expected to report 3.2x YoY jump in earnings this quarter, aided by inventory gains, and contribute ~50% of YoY absolute profit delta for MOSL Universe. Excluding OMCs, profit growth for Oil & Gas universe will stand at 8%.

Exhibit 11: 2QFY18 sectoral PAT growth YoY (%)**Exhibit 12: 2QFY18 sectoral PAT growth QoQ (%)****Exhibit 13: Sequential improvement in earnings breadth; still one-third of the universe to report YoY PAT decline**

42% of the companies would grow at >15% YoY, and almost a quarter of the Universe would report >30% PAT growth. 35% of the Universe would report PAT de-growth.

THREE KEY TRENDS



Three key trends for 2QFY18

Trend 1] Macros: Is the worst behind? We think so...

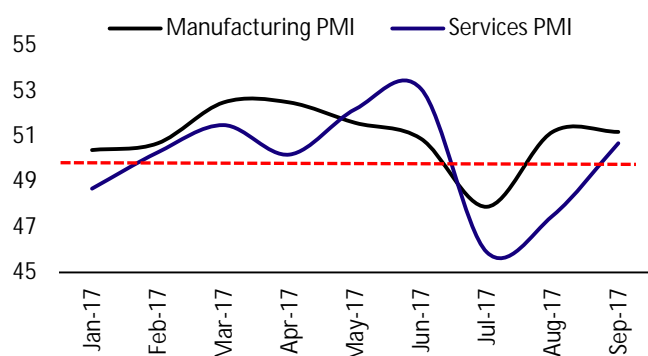
With real GDP growth slowing from ~9% in 4QFY16 to 5.7% in 1QFY18, the fear of a slowing economy has arisen again. While economists were quick to adjust their real GDP growth forecasts, the general consensus is a sharp rebound in GDP growth from 2QFY18. Even the Reserve Bank of India (RBI) lowered its growth forecast from 7.4% projected earlier to 6.7% for FY18. Real GDP is expected to grow ~6.5% in 2QFY18 before reclaiming 7% growth in 2HFY18.

Our forecasts for India's economic growth have been spot-on. Not only had we rightly identified the [inflection point in 4QFY17](#), when real GDP grew ~6% against the market consensus of 7%, we had stated as early as [April 2017](#) that real GDP growth will be sub-7% in FY18. This time, while we concur that the worst is behind, the market consensus seems aggressive on the pace of rebound.

After falling into contraction zone (reading <50) in July and August 2017, services PMI for India moved back into expansion territory last month (at 50.7). The manufacturing PMI in September – at 51.2 – was unchanged as in August, but better than 47.9 in July 2017 (*exhibit 14*).

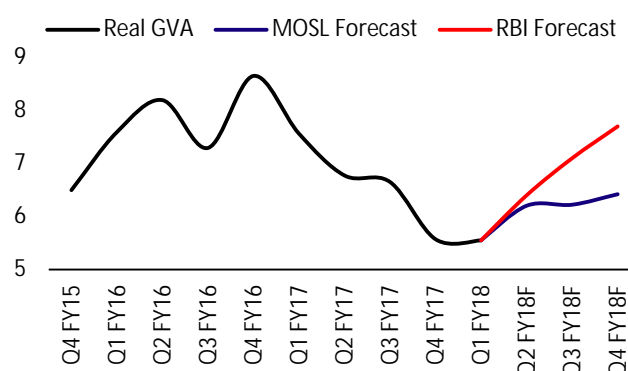
Our monthly economic activity index (EAI) also confirms that India's economic activity grew 3.5% YoY in July-August 2017, same as in April-June 2017. With festive season beginning early this year, we believe that economic activity will improve in September, helping the 2QFY18 growth to be better than in 1QFY18. **However, even if our EAI grows ~6% YoY in September, it indicates a real GDP growth of ~6% YoY in 2QFY18, higher than 5.7% in 1QFY18, but not as strong as ~6.5% expected by the consensus.**

Exhibit 14: India's PMI moved into expansion zone in September after a brief hiccup...



Source: Central Statistics office (CSO), MOSL

Exhibit 15: ...and India's economic activity appears to have bottomed out in 1QFY18 (%)



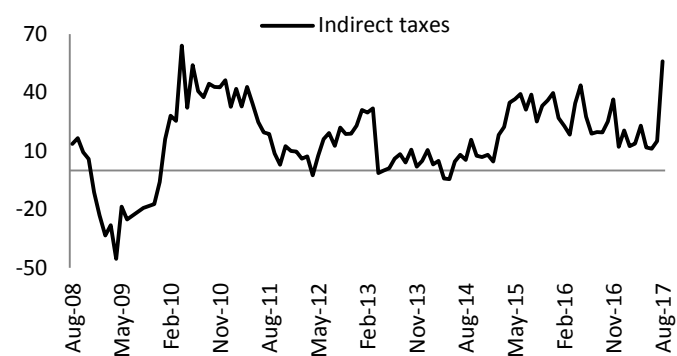
Source: Central Statistics office (CSO), MOSL

The pessimism about the central government's fiscal situation could be short-lived. We don't believe there is any scope or requirement for an effective fiscal stimulus; however, the growing concern about the possibility of a shortfall in the government's tax receipts could die down soon. August 2017, when taxes for the

activities undertaken in the month of July 2017 were received, was effectively the first month of GST-led tax collection for the government.

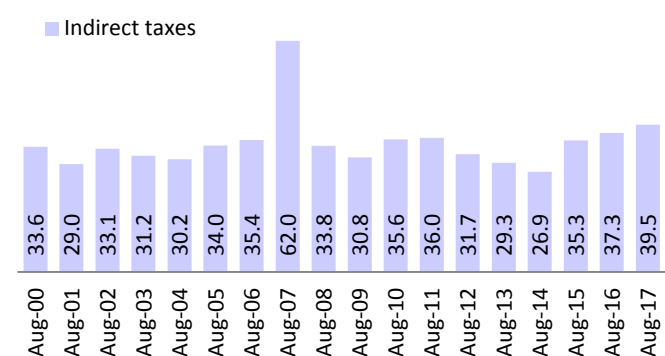
Multiple communications from various quarters led to confusion regarding the actual indirect tax receipts by the government for July 2017 in August 2017. With CGA publishing actual data (which is cash-based accounting), it is now clear that the government received a hefty INR939b as GST-led taxes in August 2017. **Including past dues, etc, total indirect tax collection in August 2017 (for July 2017) was INR1,046b – up 56% YoY, marking the highest growth in more than 7 years.** Not surprisingly then, indirect tax receipts up to August 2017 were 39.5% of full-year budget estimates (BE), marking the highest collection in the first five months in any fiscal year (barring FY08) since FY01.

Exhibit 16: GST-taxes led to 7-year highest growth in total indirect taxes in August 2017 (% YoY)...



Source: Ministry of Finance, CEIC, MOSL

Exhibit 17: ...which led to highest indirect tax collection (barring FY08) in the first five months since FY01 (% of BE)



Source: Ministry of Finance, CEIC, MOSL

The probability of such high collection faltering in the subsequent months is as high as the probability of continuance of such high collection. Yet, **even if there is only 1% YoY growth in total indirect tax collection in the last seven months of FY18, the government will slightly overshoot its FY18 BE.**

Can indirect taxes make up for the expected shortfall of about INR400b in non-tax receipts? Certainly, in our view. **With ~10% YoY growth in indirect taxes in the remaining seven months (versus an average growth of ~20% in the past 7 years and ~24% in the first five months of FY18), the government will garner an additional INR522b**, sufficient to offset the expected shortfall in non-tax receipts (INR400b on account of shortfall in RBI's dividends and another INR130b due to cut in fuel excise duty).

Overall, we don't find any indications of stress on the central government's budgeted tax receipts. While non-tax receipts are likely to be lower than estimated, there is still a good chance that it could be made up by higher-than-budgeted tax collection.

Trend 2] GST: Settling in; 2H to be much better than 1H for B2C sectors

2QFY18 will be the first quarter, when one would see the impact of GST implementation in numbers. 1QFY18 saw de-stocking ahead of GST in several sectors – Consumer, Consumer Durables, Autos, Healthcare – as businesses corrected their supply chains before the onset of a new indirect tax regime. Impact of this de-stocking was felt in the 1QFY18 reported numbers of the aforementioned sectors, with across-the-board revenue deceleration and consequent operating deleverage.

Our channel checks, media reports and anecdotal evidence suggest that teething troubles pertaining to compliance, return filing, and adjusting to the new GSTN architecture are still being experienced. The impact is higher for wholesalers, retailers and SME players, even as the large organized players and distributors have made requisite changes. To ease the teething troubles, the GST Council has recently announced some relief measures pertaining to composite scheme, frequency of return filing, and several other mechanisms of GST.

That said, our conversations with corporates across sectors indicate decent re-stocking in the trade channels, as inventory is replenished. An early festive season has also helped, in our view. We expect QoQ revenue pick-up for these sectors.

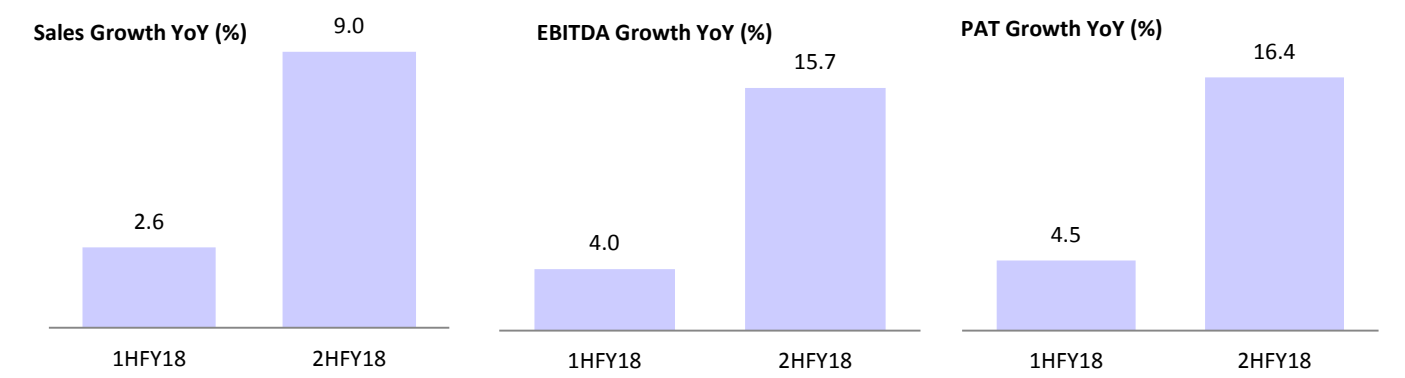
Going forward, as GST settles in and the ecosystem gets well acquainted with the whole GST regime; we expect further improvement in revenues. The low base of 2HFY17 on account of demonetization will also aid 2HFY18 growth. We project healthy pick-up in 2HFY18 v/s 1HFY18 for these sectors.

a) Consumer

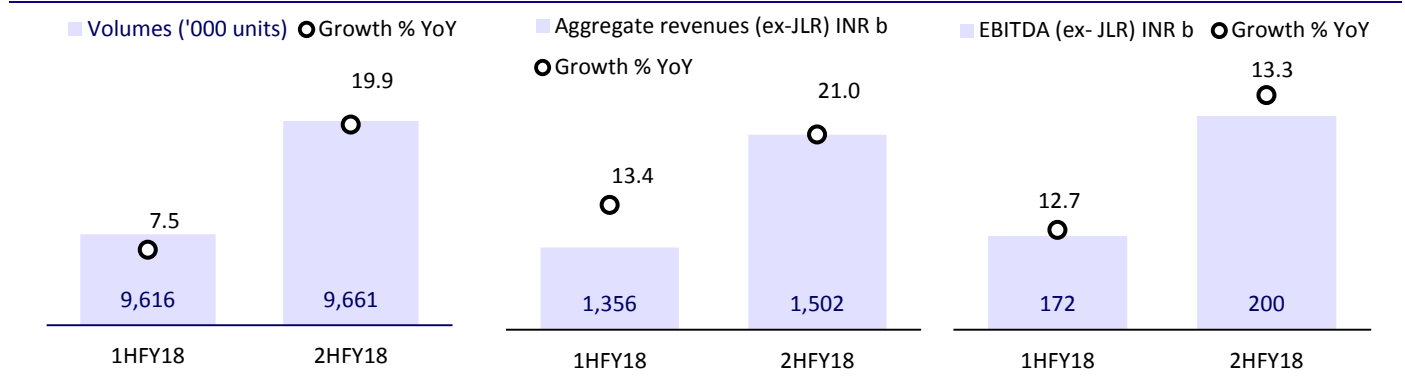
GST disruption impact reducing: The wholesale trade has already returned to near-normal in West and South India towards the second half of 2QFY18. Disruption on this front will incrementally be even lower in the other parts of the country, going forward. CSD impact will also reduce gradually. Traction has picked up in B2B wholesale and modern retail.

Weak base on demonetization and overseas business: From 3QFY17, most companies have seen an impact on sales as a result of demonetization. From 3QFY18, this will be in the base and outlook is improving. Similarly, companies with exposure to MENA – like Dabur, Emami, Britannia and Marico – had also seen demand fall off a cliff starting from 3QFY17. From 3QFY18, this will be in the base, and with rising crude, the outlook may actually even improve slightly for the MENA region.

Combination of volume growth, realization increase and premiumization will be witnessed for the first time in a few years in 2HFY18: Volumes will be led by rural (second consecutive year of normal monsoon) demand. End of commodity cost inflation will result not only in realization growth but also in potential volume growth and market share gain for organized players. Premiumization, which continued even during the slowdown, will be in effect, going forward.

Exhibit 18: MOSL Consumer universe: Key headline numbers expected to pick up sharply in 2HFY18**b) Automobiles**

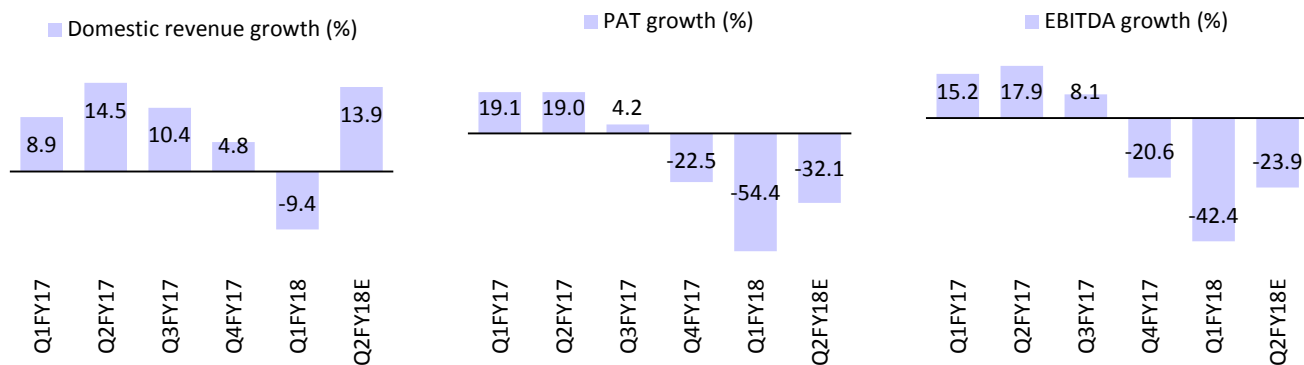
GST implementation impacted the Auto industry in 1QFY18 on both volumes (inventory de-stocking led to lower volumes) and margins (by up to 150bp due to dealer compensation for loss of input tax credit). However, with improving retails and festive buildup, we have seen pre-festive inventory build-up in 2QFY18, driving volume growth of ~11% for the Auto industry and ~160bp QoQ (-100bp YoY) margin improvement. We expect 2HFY18 to show significant pick-up in volumes, revenues, EBITDA and PAT.

Exhibit 19: Autos is expected to show significant pick up in 2HFY18 vs. 1HFY18

Source:

c) Healthcare

The domestic business of India Pharma companies has been deeply impacted by two major events – demonetization and GST. Since the announcement of demonetization, growth of domestic business has slowed drastically. GST implementation has led to further decline in sales growth. In 1QFY18, GST has been the major factor for muted revenue growth and EBITDA erosion in domestic business. Implementation of GST led to decline in inventory days with stockists from 45 days to 17 days. Companies are of the view that channel re-filling has started taking place, but inventory days stand at 25-30, well below pre-GST levels. Though companies might report sequential growth, full recovery could take at least six months.

Exhibit 20: Healthcare: Even Healthcare topline is expected to improve post GST related de-stocking in 1QFY18

*India sales of Alembic, Alkem, Cadila, Cipla, Glenmark, IPCA, Lupin, Sun Pharma & Torrent Pharma

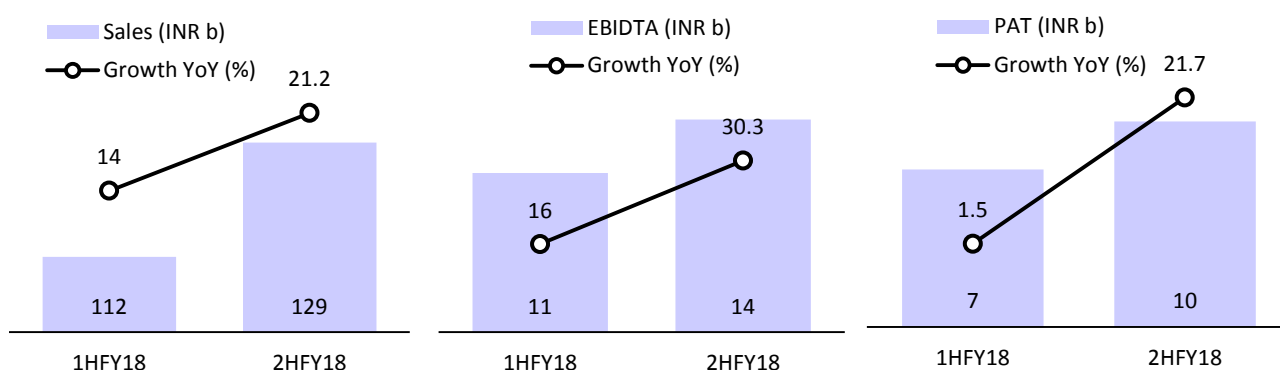
Source: MOSL, Company

d) Consumer Durables

GST implementation impacted the operating performance of consumer durables companies (Voltas, Blue Star, Crompton Consumer and Havells) in 1QFY18. Primary sales were impacted, as dealers were destocking due to confusion on availing input credit on implementation of GST.

Even 2QFY18 performance is likely to be impacted, as 2QFY18 is a seasonally weak quarter for AC players. Though restocking of inventory has picked up since August, secondary demand seems muted given advance purchases by consumers (old inventory cleared at high discount by dealers).

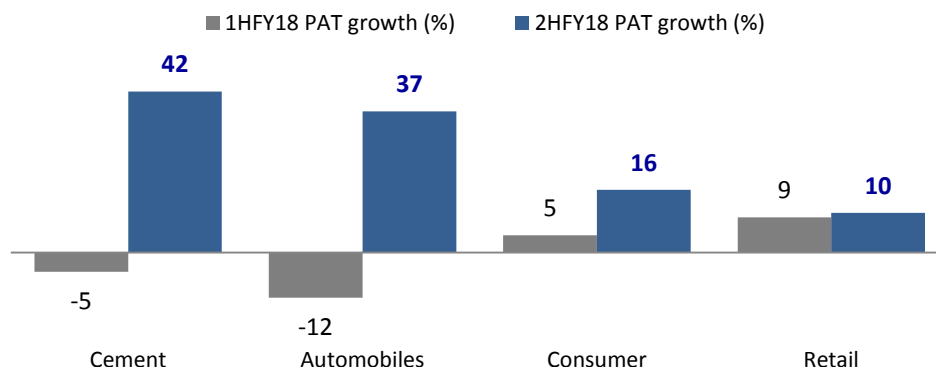
We expect demand to revert to normal levels from 3QFY18 and expect strong operating performance from these companies in 2HFY18, given (a) low base effect (demonetization impacted performance in 3QFY17), and (b) overall revival in demand.

Exhibit 21: Consumer Durables: Headline numbers of Durable companies should see pick-up in 2HFY18

*Summation of headline numbers of Voltas, Blue star, Crompton Consumer and Havells

Source: MOSL, Company

Exhibit 22: Trajectory of profit growth of B2C sectors changing materially in 2H v/s 1H due to GST disruption in 1HFY18 and low base of 2HFY17



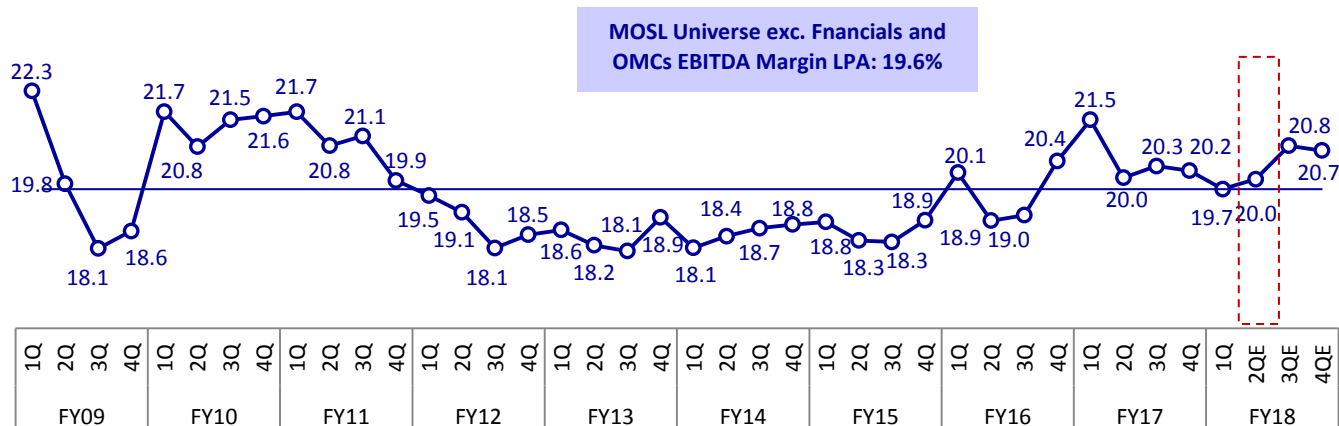
Trend 3: Commodity costs hardening – threat to margins?

The tailwind from commodity cost deflation boosted the margins of B2C-oriented sectors in FY15, FY16 and 1HFY17 even in the absence of major demand pick-up. For MOSL Universe excluding OMCs and Financials, operating margins had shown YoY expansion for eight consecutive quarters from 4QFY15 to 3QFY17. The last two quarters saw margin contraction, and for 2QFY18, we forecast flat margins for MOSL Universe ex OMCs and Financials.

We note that commodity costs have been hardening and this poses a risk to our margin assumptions. The reversal in commodity prices is driven by supply-side measures and unexpected improvement in demand conditions in China. Steel demand has grown ~15% YoY in July-August, aluminum production growth has contracted, while Zinc concentrate supply is impacted due to environment checks in China.

We build in ~50bp operating margin expansion in 2HFY18 for our Universe ex OMCs and Financials.

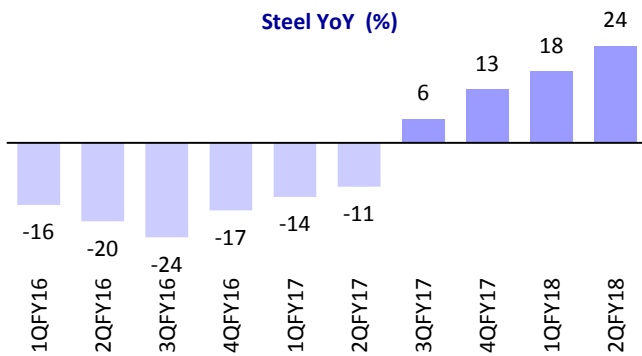
Operating margin of MOSL universe excluding OMCs and Financials is expected to expand 50bps YoY in 2HF18



Source: MOSL, Company

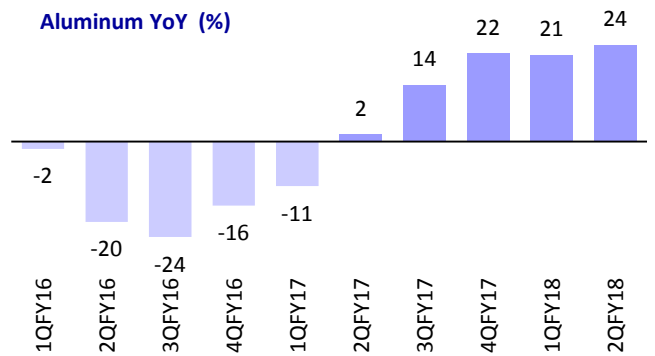
..but commodity prices have strengthened

Steel YoY (%)



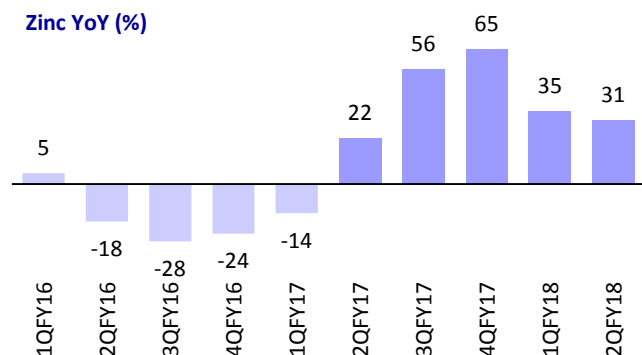
Source: Company, MOSL

Aluminum YoY (%)



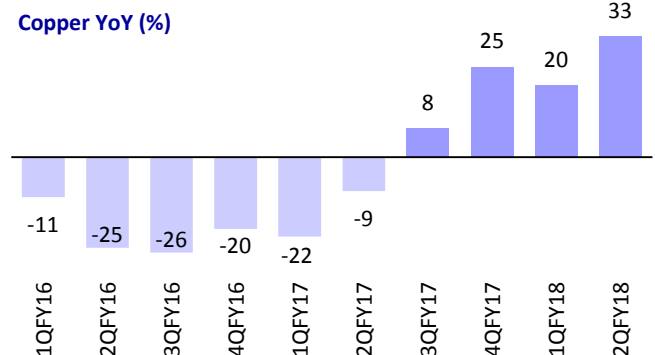
Source: Company, MOSL

Zinc YoY (%)



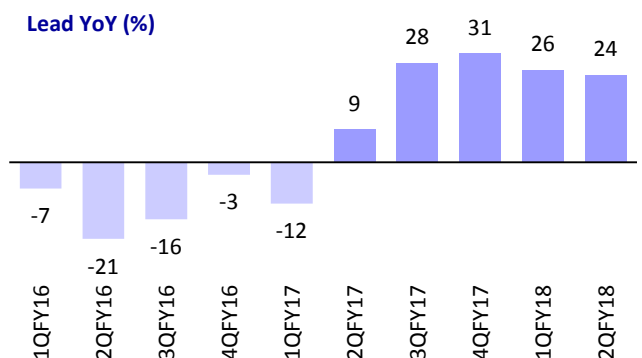
Source: Company, MOSL

Copper YoY (%)



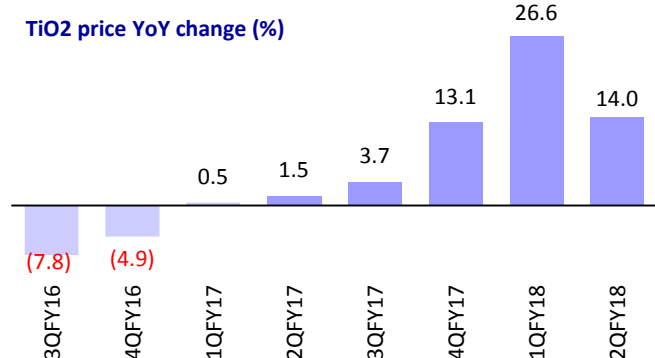
Source: Company, MOSL

Lead YoY (%)



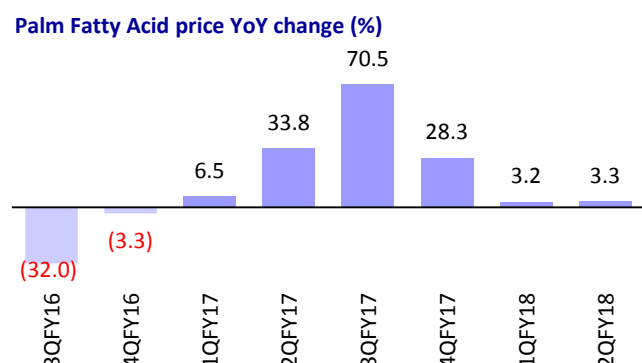
Source: Company, MOSL

TiO2 price YoY change (%)



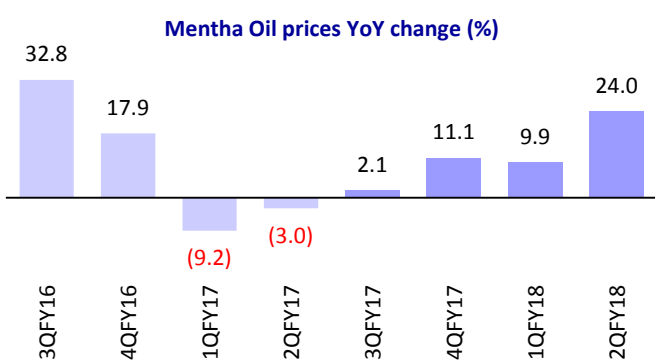
Source: Company, MOSL

Palm Fatty Acid price YoY change (%)



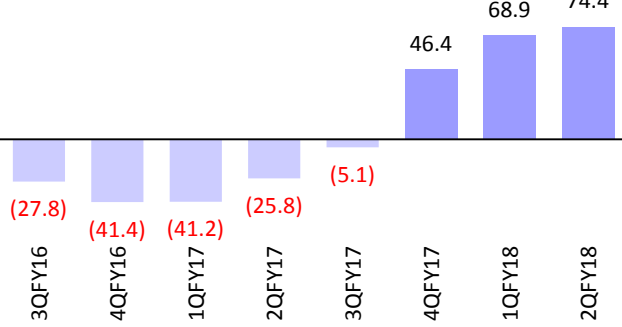
Source: Company, MOSL

Mentha Oil prices YoY change (%)



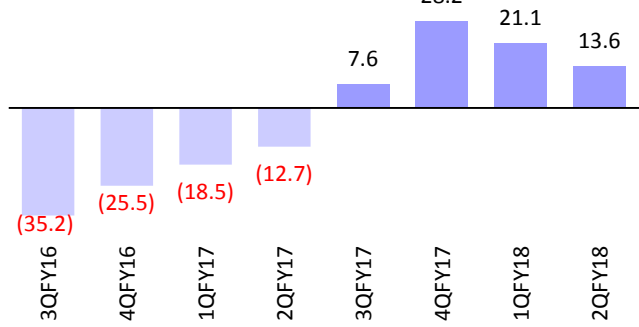
Source: Company, MOSL

Copra Calicut YoY change (%)



Source: Company, MOSL

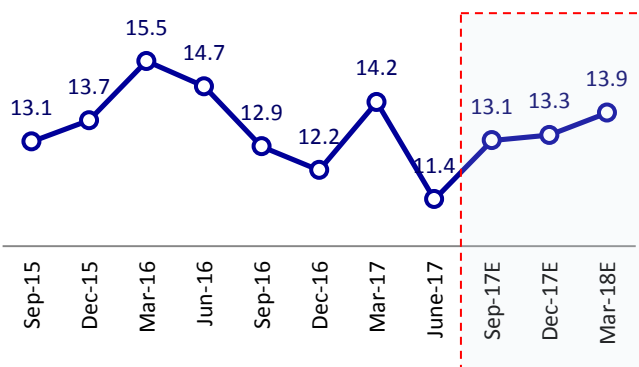
Liquid Paraffin YoY change (%)



Source: Company, MOSL

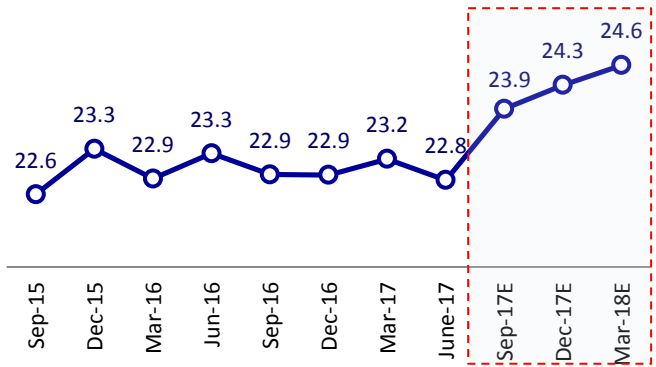
...putting operating margins of few B2C sectors at risk

Auto EBITDA margin



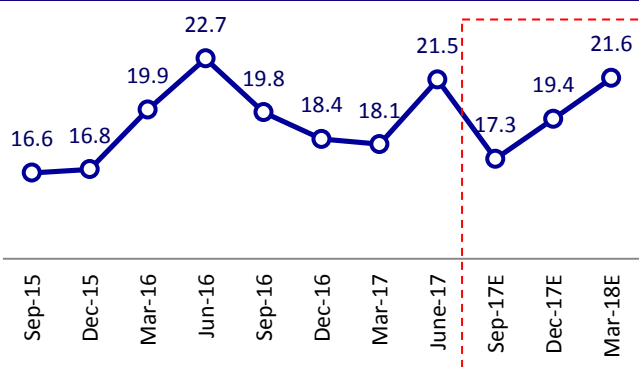
Source: Company, MOSL

Consumer EBITDA margin



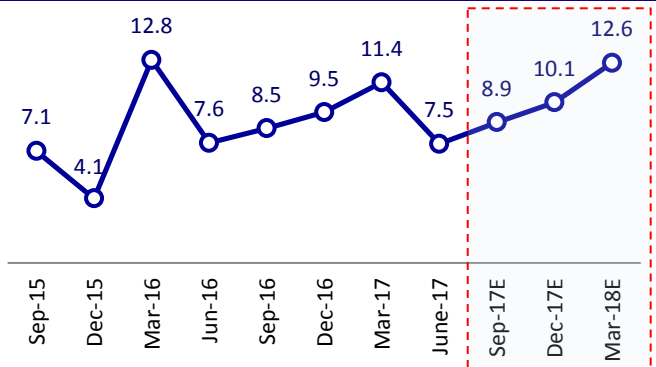
Source: Company, MOSL

Cement EBITDA margin



Source: Company, MOSL

Capital Goods EBITDA margin



Source: Company, MOSL

Global Cyclical to account for 85% of 2QFY18 earnings growth

- Global Cyclical are expected to post strong earnings growth of 73% YoY, led by Metals and OMCs, and account for 85% of YoY delta in MOSL Universe PAT.
- Defensives are expected to post 9% YoY PAT decline – dragged by IT and Healthcare, even as Consumer bounces off from the GST destocking impact of the June 2017 quarter. This will be the fourth consecutive quarter of YoY PAT decline for Defensives.
- For 2QFY18, Domestic Cyclical would report healthy 13% and 21% YoY growth in EBITDA and PAT, respectively, driven by Financials and Autos, and account for 30% of incremental PAT delta YoY.

Exhibit 23: Cyclical expected to drive earnings growth in FY18

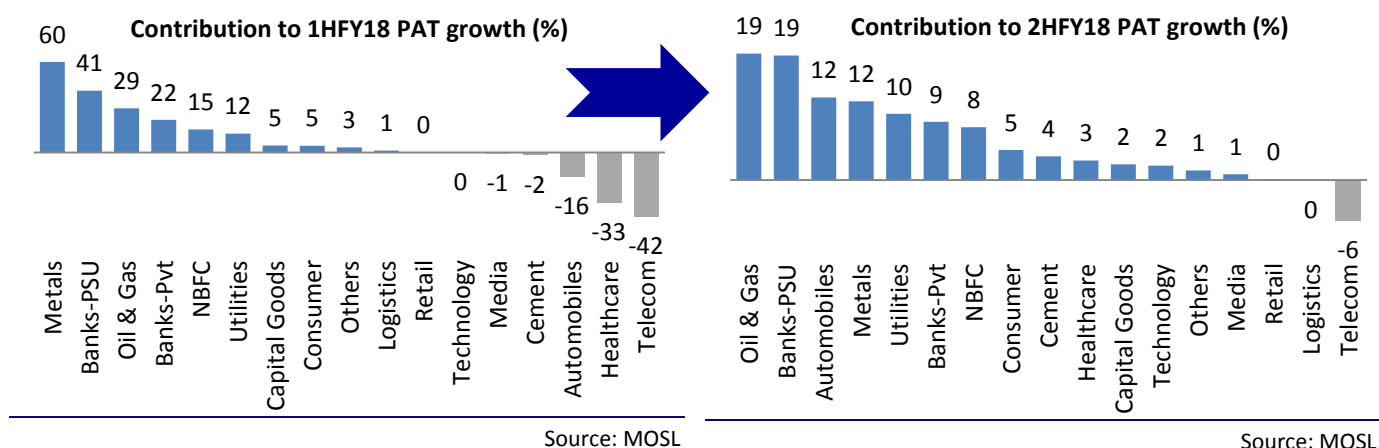
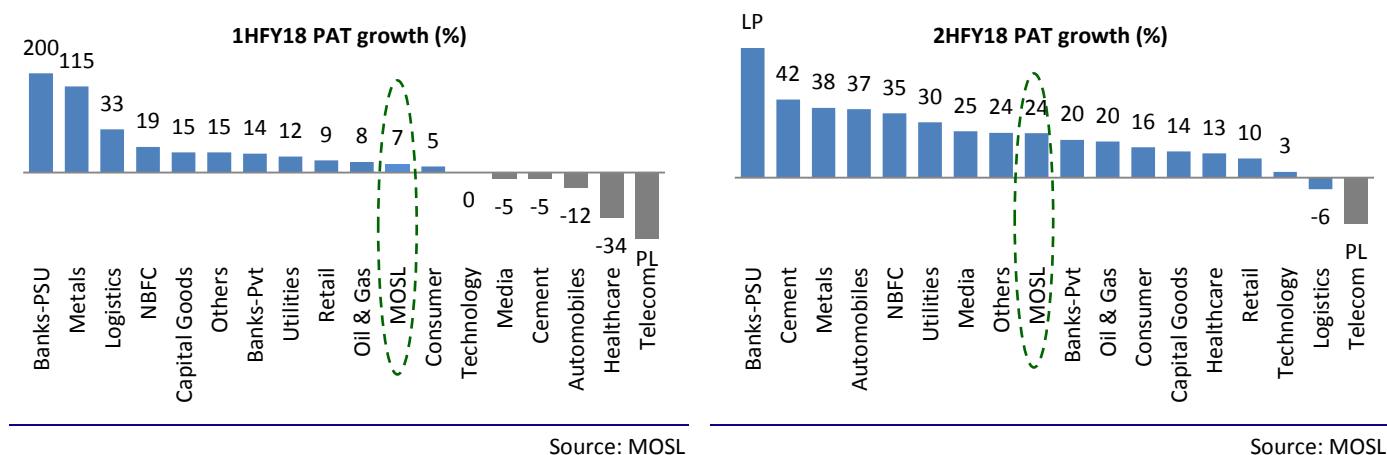


Exhibit 24: Cyclical growth expected to significantly exceed MOSL Universe average growth in FY18, with likely recovery in Automobiles and Cement in 2HFY18

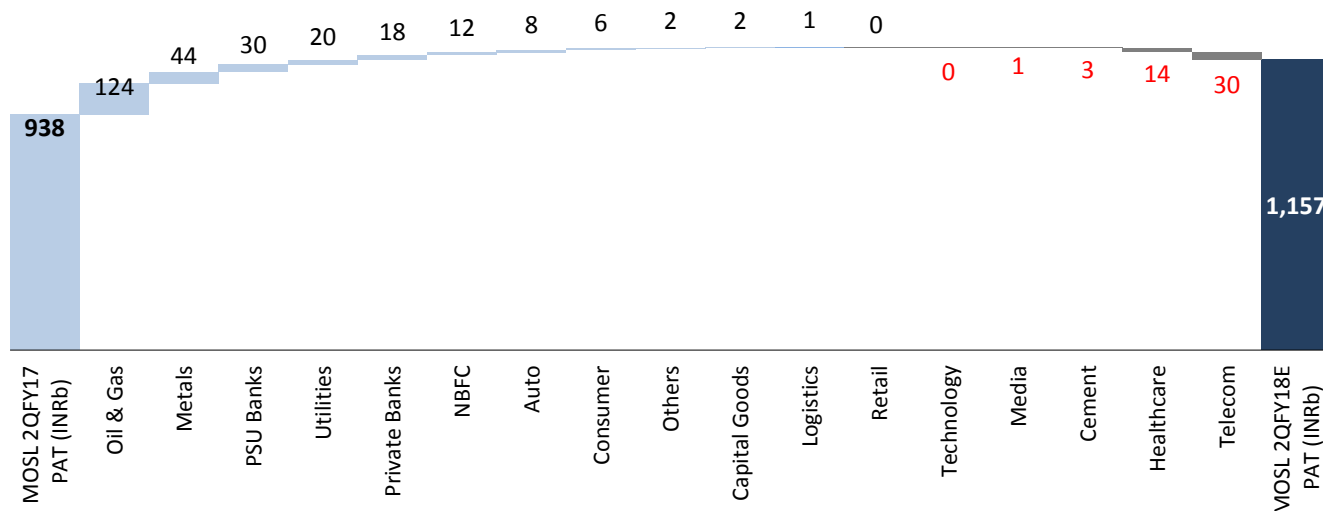


Defensives remain a drag; fourth consecutive quarter of PAT decline

- Defensives solely drove MOSL Universe PAT growth over FY14-16. Cyclical (both domestic and global), on the other hand, were under pressure, resulting in the share of Defensives in aggregate PAT rising to 37% in FY16 from 23% of FY12.
- However, we expect Domestic Cyclical to be the key drivers of PAT growth in FY18, with their share rising to 35% of aggregate PAT by FY18, a 600bp jump v/s FY17.

- As a result, we expect the share of Cyclical to increase to 71% by FY18 from 65% in FY17. Key drivers of growth within Cyclical would be Financials (PSU Banks, Private Banks, and NBFC), Metals, Cement and Capital Goods.
- For 2QFY18, Defensives would report EBITDA decline of 3.3% YoY and PAT decline of 9% YoY.

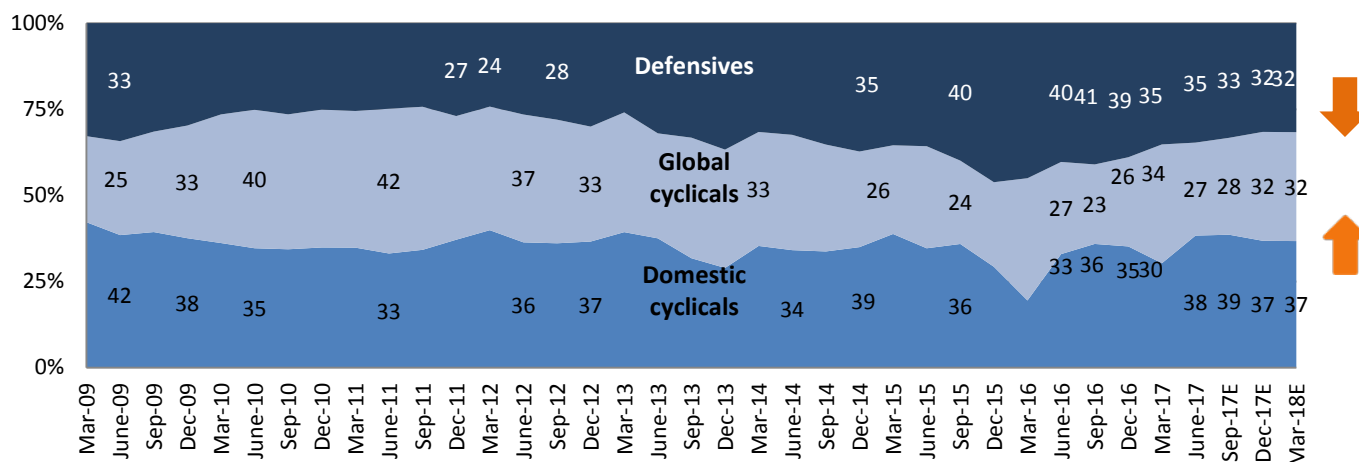
Exhibit 25: OMCs, Metals and PSU Banks to support earnings performance in 2QFY18, excluding which the earnings growth would be 4%



Source: MOSL

Share of Defensives to come off further; Cyclical's contribution to see sequential pick-up

Exhibit 26: PAT share of Domestic Cyclical to see pick-up



Defensives includes Consumer, Healthcare, Technology, Telecom and Utilities

Global cyclical includes Metals, Oil & Gas and JLR

Domestic cyclical includes Automobiles, Banks, Capital Goods, Cement, Media, NBFCs, Real Estate and Retail

Nifty sales growth to be at 20-quarter high; PAT growth of ~30% aided by low base and OMCs

- Nifty PAT is likely to grow 29.4% YoY, the highest since September 2014 and the first double-digit growth after six quarters. However, the profit growth is boosted by low base in few sectors and strong inventory gains of OMCs.

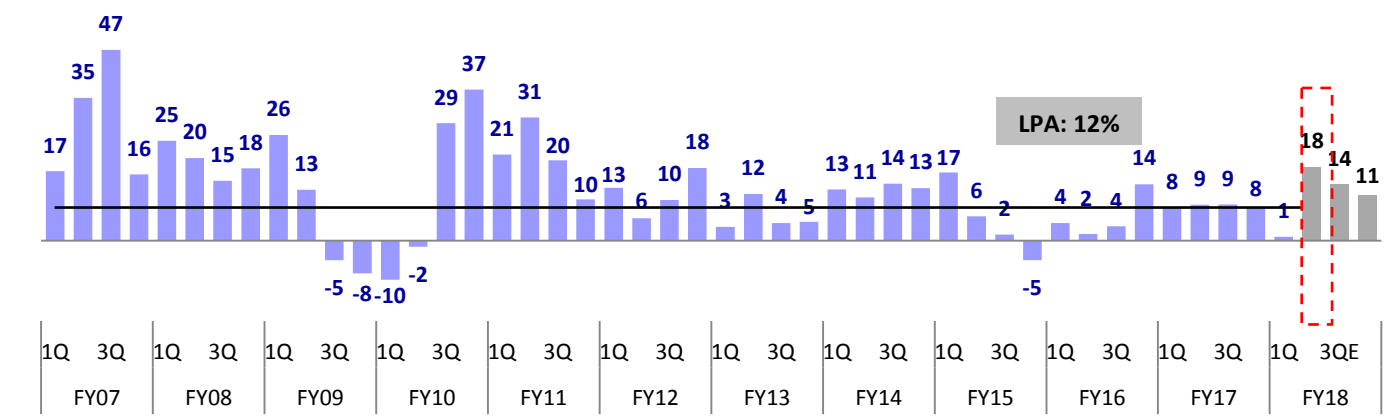
- Sales are expected to grow 15.7% YoY (2% YoY growth in base quarter), the highest in 20 quarters, again aided by Cyclical. Even excluding OMCs, Metals and PSU Banks, sales growth would be 9.4% YoY, the highest in 13 quarters. Pick-up in underlying commodity costs is driving pricing power at the margin and aiding topline growth, we believe.
- Nifty EBITDA is expected to grow 18%, the highest in 13 quarters. Excluding OMCs, PSU Banks and Metals, Nifty EBITDA is expected to post 9% YoY growth. Operating margin for Nifty (ex-OMCs, Financials) is expected to stay flat YoY at 21.2%.
- Nifty performance would be driven by Cyclical like SBI (big swing from loss to profit), OMCs (inventory gains plus higher GRMs post capacity outage in USA after Hurricane Harvey) and Metals (strong commodity prices coupled with low base).
- 13 Nifty companies (largely from Autos, IT, Oil & Gas and Pharma) are expected to post YoY PAT decline.

Fiscal Year	Quarter	Number of Employees
FY07	1Q	30
	3Q	32
FY08	1Q	26
	3Q	16
FY09	1Q	25
	3Q	23
FY10	1Q	30
	3Q	37
FY11	1Q	35
	3Q	33
FY12	1Q	8
	3Q	-4
FY13	1Q	-12
	3Q	-8
FY14	1Q	15
	3Q	28
FY15	1Q	26
	3Q	22
FY16	1Q	18
	3Q	22
FY17	1Q	26
	3Q	21
FY18	1Q	26
	3QE	21

LPA: 14%

Bar chart showing the change in the number of employees in thousands from FY07 to FY18. The chart shows a general upward trend with some fluctuations. A red dashed box highlights the FY18 data, which is 29 thousand. A grey box indicates LPA: 10%.

Fiscal Year	Change in Number of Employees (thousands)
FY07 1Q	22
FY07 3Q	65
FY08 1Q	38
FY08 3Q	16
FY09 1Q	36
FY09 3Q	19
FY10 1Q	13
FY10 3Q	12
FY11 1Q	21
FY11 3Q	11
FY12 1Q	-8
FY12 3Q	-5
FY13 1Q	-20
FY13 3Q	-15
FY14 1Q	19
FY14 3Q	27
FY15 1Q	16
FY15 3Q	34
FY16 1Q	24
FY16 3Q	4
FY17 1Q	10
FY17 3Q	0
FY18 1Q	12
FY18 3Q	29
FY19 1Q	6
FY19 3Q	24
FY20 1Q	5
FY20 3Q	-2
FY21 1Q	11
FY21 3Q	2
FY22 1Q	8
FY22 3Q	9
FY23 1Q	19
FY23 3Q	5
FY24 1Q	-6
FY24 3Q	-12
FY25 1Q	-1
FY25 3Q	0
FY26 1Q	-7
FY26 3Q	2
FY27 1Q	-2
FY27 3Q	-3
FY28 1Q	8
FY28 3Q	7
FY29 1Q	-9
FY29 3Q	29
FY30 1Q	22
FY30 3Q	24

Exhibit 29: 2QFY18 Nifty EBITDA to grow at 18% YoY – 13 quarter high**Exhibit 30: Nifty sectoral 2QFY18 PAT change YoY (%)**

PSU Banks, Metals, and Oil & Gas to outperform; Telecom, IT and Healthcare to underperform

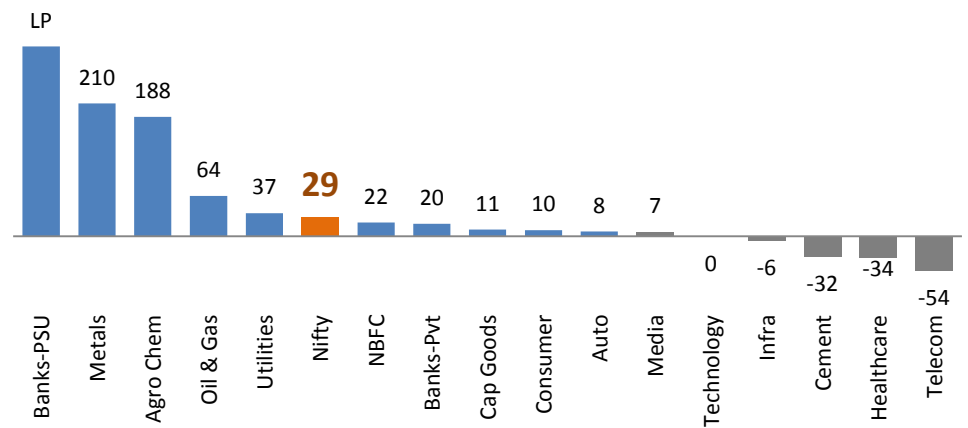



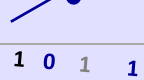
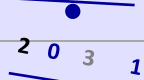
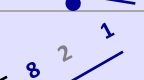

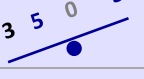





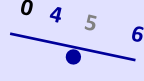
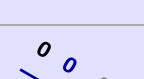



Exhibit 31: Nifty companies' 2QFY18 performance (INR b)

Company	Sales		EBITDA		PAT		PAT Contbn		EBITDA margin	
	Sep-17	Var % YoY	Sep-17	Var % YoY	Sep-17	Var % YoY	(%)	Grw. (%)	Sep-17	Var (bp)
High PAT Growth (23)	5,434	22	1,026	36	526	92	56	117	19	199
State Bank	185	2	181	29	29	LP	3	16	98	2057
Tata Steel	325	23	53	79	17	LP	2	9	16	510
HPCL	544	29	33	79	32	354	3	12	6	171
Axis Bank	47	5	42	3	13	309	1	5	89	-177
Coal India	186	15	28	276	21	244	2	7	15	1040
BPCL	606	36	36	107	39	200	4	12	6	203
IOC	1,060	32	116	87	92	195	10	28	11	320
UPL	42	14	8	34	5	188	1	1	18	274
Hindalco	266	10	34	12	11	126	1	3	13	26
Vedanta	213	34	63	36	22	76	2	4	30	31
Tata Motors	690	5	73	16	12	50	1	2	11	102
Bajaj Finance	20	47	12	45	6	39	1	1	57	-68
Eicher Motors	22	26	7	29	6	33	1	1	32	81
GAIL	132	11	21	36	12	32	1	1	16	283
Yes Bank	19	32	17	25	10	27	1	1	93	-518
IndusInd Bank	18	27	16	28	9	27	1	1	89	78
Kotak Mahindra Bank	23	15	18	23	10	26	1	1	77	450
HDFC Bank	98	22	76	25	42	22	4	4	77	200
Indiabulls Housing	12	34	11	21	8	21	1	1	95	-991
Tech Mahindra	76	5	10	-3	8	21	1	1	14	-123
Aurobindo Pharma	43	14	11	19	7	20	1	1	26	89
HDFC	27	17	25	17	22	19	2	2	94	11
Cipla	43	15	8	13	4	17	0	0	18	-19
Reliance Inds.	737	24	126	20	88	15	9	5	17	-57
Med/Low PAT Growth (14)	1,155	8	292	11	159	8	17	6	25	64
Power Grid Corp.	73	16	65	17	21	11	2	1	90	28
Larsen & Toubro	267	7	25	8	11	11	1	1	9	16
Asian Paints	42	13	8	14	5	11	1	0	19	20
Hind. Unilever	78	0	16	11	12	10	1	1	20	200
ITC	99	2	39	7	27	10	3	1	39	150
HCL Technologies	125	9	27	6	22	9	2	1	21	-50
Mahindra & Mahindra	122	20	18	19	14	8	1	0	14	-8
Dr Reddy's Labs	37	4	7	15	3	7	0	0	19	170
Zee Entertainment	16	-7	5	-4	3	7	0	0	30	107
Bharti Infratel	36	10	16	12	8	5	1	0	45	62
Ambuja Cements	23	14	3	26	3	5	0	0	15	145
NTPC	202	4	57	6	24	4	3	0	28	59
Bosch	34	31	6	35	4	1	0	0	19	53
Negative PAT Growth (13)	1,665	4	496	-4	260	-16	28	-23	30	-244
Hero MotoCorp	86	10	15	2	10	0	1	0	18	-138
Bajaj Auto	66	9	13	-3	11	0	1	0	19	-236
Infosys	176	1	45	-4	36	-2	4	0	26	-147
Maruti Suzuki	220	23	33	9	23	-3	2	0	15	-193
TCS	305	4	79	-3	64	-3	7	-1	26	-187
Wipro	138	0	26	-1	20	-5	2	-1	19	-18
Adani Ports	29	34	19	29	10	-6	1	0	64	-249
ONGC	200	9	104	9	43	-13	5	-3	52	-3
ICICI Bank	56	7	54	8	26	-18	3	-3	95	119
Lupin	41	-4	9	-14	5	-31	0	-1	22	-246
Ultratech Cement	64	19	12	6	3	-49	0	-1	18	-217
Sun Pharma	68	-13	13	-53	8	-63	1	-7	19	-1585
Bharti Airtel	217	-12	75	-21	2	-86	0	-6	34	-381
Nifty (50)	8,255	16	1,813	18	945	29	100	100	22	49

Intra-sector 2QFY18 earnings divergence (%)

Sectors	Sector gr.	+30% growth	15-30% growth	0-15% growth	-Ve earnings growth	Earnings momentum
HIGH GROWTH SECTORS						
Banks - PSU	188	CBK: 50, SBIN: LP			INBK: -1,BOB: -3, PNB: -24, UNBK: -34, BOI: PL	
Metals	123	HNDL: 126, VEDL: 76,JSTL: 60, NACL: 45, NMDC: 34,TATA: LP		HZ: 13	JSP & SAIL: Loss	
Oil & Gas (Ex OMCs)	51	HPCL: 354, BPCL: 200,IOCL: 195, MRPL: 76, GUJS: 38, GAIL: 32	GUJGA: 26	RIL: 15,IGL: 12, PLNG: 7	OINL: -7, ONGC: -13	
Logistics	43	CCRI: 66		GDPL: 5	AGLL: -4	
Utilities	35	COAL: 244, TPWR: 62		PWGR: 11, NTPC: 4,CESC: 4	JSW: -6	
NBFC	21	MMFS: 53, PNBHOUSI: 41, BAF: 39, LTFH: 30,CAFL: 30	DEWH: 27, MUTH: 26, CIFIC: 25,SHTF: 22, IHFL & GRHF: 21, HDFC: 19,REPCO: 17	SCUF: 13, LICHF: 8	BHAFIN: -16	
Banks - Private	18	AXSB: 309, RBK: 80,FB: 39	DCBB: 30, YES & IIB: 27, KMB: 26,HDFCB: 22		ICICIBC: -18, IDFCBK: -47, EQUITAS: -87	
MEDIUM/LOW GROWTH SECTORS						
Consumer	10	PARAG: 48, JYL: 42	UNSP: 27, UBBL: 23, PG: 22, PAG: 20, BRIT: 19, GCPL & MRCO: 18	CLGT & APNT: 11, HUVR & ITC: 10, DABUR: 7, PIDI: 5,HMN: 4	SKB: -5, NEST: -7	
Autos	9	ESC: 91,BHFC: 51, TTMT: 50,EIM: 33	AL: 29,TVSL: 25, ENDU: 21	EXID: 11,MM: 8. BOS: 1,HMCL: 0, BJAUT: 0	MSIL: -3,CEAT: -14, AMRJ: -19	
Capital Goods	9	BHEL: 146, GETD: 80, BLSTR: 54, SIEM: 46		LT: 11, CROMPTON: 7, TMX: 4,ABB: 3, VOLT: 2	KKC: -1, HAVL: -2, BHE: -35, CRG: -59	
Retail	3			TTAN: 3, JUBI: 0		
Technology	0		TECHM: 21, LTI: 19, TELX: 16, MTCL: 15	HEXW: 13, HCLT & NITEC: 9, CYL: 8,PSYS: 4	INFO: -2, TCS: -3, MPHL & WPRO: -5, KPIT: -10,ZENT: -23	
PAT DE-GROWTH SECTORS						
Media	-10			Z: 7,SUNTV: 5, DBCL: 1, PVRL: 0	ENIL: -17, HTML: -22, RADIOCIT: -25, JAGP: -71,DITV: -97, SITINET: Loss	
Cement	-15	DBEL: 225, ACC: 129, JKCE: 37		ACEM: 5	SRCM: -4,GRASIM: -16,TRCL: -32,UTCEM: -49,BCORP: -63,ICEM: -71	
Health Care	-22	IPCA: 61, CDH: 42	GLXO: 29, ARBP: 20,CIPLA: 17, TRP & JUBILANT: 16	SANL: 10, DRRD: 7	BIOS: -6,ALKEM: -12, GNP: -15,ALPM: -17, AJP: -20,SLPA: -25, DIVI: -29,LPC: -31, STR: -41, FORH: -56,SUNP: -63	
Telecom	PL			BHIN: 5	TCOM: -57, BHARTI: -86,IDEA: PL	

EARNINGS FY17-FY20**FY18 earnings largely dependent on three sectors****Introducing FY20 estimates; predict 18% earnings CAGR over FY17-20**

- **FY18 earnings recovery narrow; dependent on three sectors:** We expect FY18 revenue growth for our MOSL Universe to come in at 12% (v/s 0% CAGR in FY14-17). This will be the first year of double-digit revenue growth after three years of flattish sales performance. It will be driven by BFSI, Auto, Metals and Oil & Gas. On the other hand, we expect IT to see sharp deceleration in growth. Overall, we expect EBITDA margin for the MOSL Universe (ex-OMCs, Financials) to stay flat at 20.3% in FY18. For MOSL Universe, we expect profits to grow 15.4% YoY. 87% of the incremental profits are accounted for by BFSI (46% of delta), Metals (21% of delta) and Oil & Gas (20% of delta), highlighting the narrowness of FY18E earnings recovery. PSU Banks alone account for a quarter of earnings delta for FY18E, introducing an element of unpredictability in the forecasts given the uncertainty prevailing over provisions pertaining to IBC cases in NCLT.
- **Nifty to post 19.5% earnings CAGR over FY17-19:** Nifty PAT is expected to grow 16% in FY18 (v/s 6% in FY17) and record 19.5% CAGR over FY17-19. Even for Nifty, three sectors – BFSI, Metals and O&G – contribute 86% of incremental earnings delta in FY18E. For FY19E, we note that contribution of Auto sector to incremental Nifty profits move up significantly owing to Tata Motors – from 7% in FY18E to 27% in FY19E.
- **We introduce FY20 earnings estimates:** We are introducing our FY20 earnings estimates with this preview. We estimate MOSL Universe to post EBITDA and PAT growth of 12% and 16%, respectively. For Nifty, we expect EBITDA and PAT to grow 12% and 15%, respectively.

Exhibit 32: Recovery in Cyclical to drive robust 18% PAT CAGR (FY17-20E)

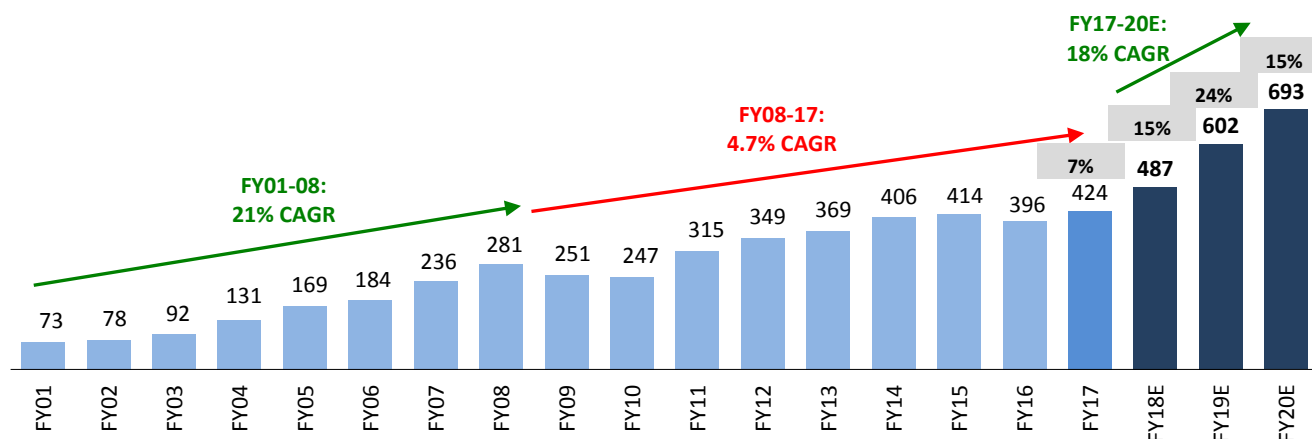
Sector	Sales Gr. / CAGR (%)	EBITDA Margin (%)	EBITDA CAGR (%)	EBITDA margin change (bp)	PAT Gr. / CAGR (%)				PAT delta Share (%)
(No of Companies)	(FY17-20)	FY18E	(FY17-20)	FY17-20	FY18E	FY19E	FY20E	(FY17-20)	FY17-20
High PAT CAGR (>20%)	13	28.8	15	118	35	42	21	32	70
Financials (36)	15	80.6	12	-611	43	40	26	36	38
PSU Banks (7)	10	76.2	6	-967	323	96	33	123	17
Private Banks (13)	18	84.7	15	-721	23	28	24	25	14
NBFC (16)	20	83.1	22	290	24	24	23	24	7
Metals (9)	9	20.7	16	416	57	35	13	34	12
Auto (15)	14	13.5	18	140	14	60	13	27	13
Cement (13)	17	19.3	22	253	18	36	26	26	4
Others (24)	19	16.2	22	109	20	31	27	26	3
Media (12)	11	30.4	17	490	12	37	23	24	1
Retail (2)	17	9.2	19	55	18	22	19	20	0
Medium PAT CAGR (10-20%)	11	21.8	15	258	9	20	16	15	18
Capital Goods (16)	11	10.2	17	174	13	24	19	19	3
Logistics (3)	14	14.1	12	-100	11	18	18	16	0
Utilities (6)	9	32.8	16	680	21	14	11	15	6
Consumer (18)	13	23.9	14	68	11	17	17	15	5
Healthcare (20)	12	20.4	14	101	-11	35	19	13	4
Low PAT CAGR (up to 10%)	9	16.8	8	-56	2	8	8	6	12
Oil & Gas (12)	11	14.0	10	-6	12	6	5	8	9
Excl. OMCs (9)	12	21.8	12	-13	12	13	4	9	7
Technology (15)	8	22.3	7	-83	1	9	8	6	5
Telecom (4)	3	30.8	3	-5	PL	LP	1073	-24	-2
MOSL (205)	11	22.3	12.9	100	15	25	15	18	100
MOSL Excl. OMCs (202)	12	25.5	13.2	111	16	28	16	20	NA
Sensex (30)	11	26.3	11.8	30	13	26	15	18	NA
Nifty (50)	11	23.2	12.6	103	16	24	15	18	NA

FY18 earnings recovery narrow; dependent on three sectors

- For MOSL Universe, we estimate FY18 PAT growth at 15% (after 14% growth in FY17), led by strong performance in Auto, Cement, Financials, Utilities and Metals. PSU Banks, Metals and Oil & Gas contribute 2/3rd of the earnings delta for our universe in FY18E. We note that earnings performance of PSU Banks is vulnerable to provisioning requirements pertaining to IBC cases in NCLT, which introduces volatility in our estimates.
- IT, Pharma and Telecom are expected to post muted performance, led by sector-specific headwinds.

Introducing FY20 estimates: Nifty EPS CAGR at 18% for FY17-20E

- We introduce our FY20 estimates with this preview and forecast 18% FY17-20E CAGR for MOSL PAT, significantly higher than 5% over FY12-17, largely driven by BFSI, Autos, Cement and Metals, which are expected to post 36%, 27%, 26% and 34% profit CAGR, respectively.
- For Nifty, we expect 18% PAT CAGR over FY17-20. 40% of Nifty universe is expected to post 20%+ profit CAGR over FY17-20. Only Bharti Airtel is estimated to register profit contraction (-24% CAGR over FY17-20E) while Sun Pharma's profits are expected to stay flat.
- EBITDA margin for the Nifty (ex-OMC/s, Financials) is expected to expand 10bp to 21.6% in FY18, and by 70bp to 22.3% in FY19. PAT margin is likely to decline by 20bp in FY18 to 10.7% and expand by 70bp in FY19 to 11.4%.
- We estimate Nifty EPS at INR487 (+15%) for FY18, INR602 for FY19 (+24%), and INR693 (+15%) for FY20.

Exhibit 33: Nifty EPS – expect 18% CAGR over FY17-20E (v/s 5% CAGR over FY12-17)**Nifty EPS estimates unchanged for FY18/19**

- We maintain our EPS estimates for Nifty at INR487/602 (INR484/602 earlier) for FY18/FY19.
- We expect the lower base of FY17 (especially in 2HFY17 due to demonetization) to aid a sharp rebound in FY18. For FY18, we build in 15% Nifty EPS growth.
- We note that 2QFY18 will benefit from sharp inventory gains and higher GRMs of OMCs – for the first time in its history, all three OMCs are now part of the Nifty.

Exhibit 34: Top Nifty companies' EPS upgrades/downgrades since 1QFY18 review (%)

Company	FY18	Company	FY19
BPCL	43.5	BPCL	25.9
IOC	39.3	HPCL	18.0
HPCL	34.7	Coal India	15.4
Coal India	8.3	IOC	14.9
ONGC	8.2	Vedanta	13.0
Bajaj Auto	5.2	Larsen & Toubro	9.5
Larsen & Toubro	3.8	Bajaj Auto	6.6
Bharti Infratel	-3.5	HCL Technologies	4.6
Bajaj Finance	-4.8	Bharti Infratel	-3.5
Reliance Inds.	-5.3	GAIL	-4.0
Hindalco	-9.7	Dr Reddy's Labs	-4.2
Tata Motors	-10.7	Infosys	-4.6
Dr Reddy's Labs	-14.7	Zee Entertainment	-5.9
Zee Entertainment	-17.5	Hindalco	-6.7

Exhibit 35: Nifty performance - Expect FY17-20 PAT CAGR of 18%

Company	Sales (INR b)			Sales CAGR % 17-20	EBIDTA Margin (%)			EBITDA CAGR % 17-20	PAT (INR b)			PAT YoY (%)			PAT CAGR % 17-20	Contbn to Delta %
	FY18E	FY19E	FY20E		FY18	FY19	FY20		FY18E	FY19E	FY20E	FY18	FY19	FY20		
High PAT Growth (20%+)	9,828	11,512	12,740	13	28	29	30	16	1,042	1,544	1,860	47	48	20	38	61
State Bank	766	890	1,014	10	77	71	74	8	126	232	309	5,126	84	33	404	16
Axis Bank	192	226	271	14	89	88	87	10	52	91	121	42	74	32	49	4
Tata Motors	2,970	3,726	4,135	15	12	15	15	18	68	208	214	1	206	3	47	8
Hindalco	1,075	1,148	1,144	5	13	13	13	5	44	55	56	132	24	2	43	2
Vedanta	855	1,026	1,112	15	30	34	34	21	94	139	159	68	48	14	41	5
Bajaj Finance	78	103	135	35	68	69	71	38	26	36	50	42	39	38	39	2
Eicher Motors	90	111	132	24	32	34	35	28	22	30	38	35	35	25	32	1
Cipla	168	190	215	14	18	19	20	20	17	21	27	33	23	28	28	1
Dr Reddy's Labs	145	172	203	13	18	21	23	24	12	20	25	3	65	23	28	1
Ambuja Cements	102	113	126	11	18	19	22	20	14	16	20	42	18	23	28	1
Tata Steel	1,255	1,254	1,263	4	17	16	17	9	65	62	74	76	-5	20	26	2
Yes Bank	76	94	121	28	93	94	96	26	42	52	66	26	24	26	25	2
Indiabulls Housing	52	64	81	26	108	111	113	26	35	44	57	22	25	29	25	1
Kotak Mahindra Bank	94	112	135	19	77	81	84	24	62	78	97	25	26	24	25	3
IndusInd Bank	75	94	114	23	90	89	88	23	37	46	55	29	24	19	24	1
Ultratech Cement	298	374	430	22	21	22	23	26	25	38	49	-4	51	27	23	1
UPL	186	211	237	12	20	20	21	20	22	26	31	27	21	19	22	1
Maruti Suzuki	820	978	1,127	18	15	16	16	21	86	115	133	15	34	15	21	3
HDFC Bank	401	479	576	20	80	81	81	22	175	212	255	20	21	21	21	6
Bosch	129	147	168	17	19	21	22	23	17	21	25	14	29	17	20	1
Medium PAT Growth (10-20%)	10,060	11,442	12,157	12	24	24	24	13	1,335	1,538	1,733	13	15	13	14	30
Mahindra & Mahindra	938	1,045	934	4	14	14	15	10	42	49	55	28	18	12	19	1
Coal India	829	887	945	7	21	22	24	23	123	137	155	32	12	14	19	3
Hind. Unilever	333	392	453	12	21	21	21	17	50	59	69	17	19	17	18	1
Larsen & Toubro	1,207	1,333	1,460	10	11	12	12	15	65	79	96	10	22	21	17	2
Bajaj Auto	247	280	321	14	19	20	21	14	42	50	59	9	21	16	15	1
Asian Paints	166	202	242	17	20	19	19	16	21	25	31	6	19	21	15	1
Zee Entertainment	65	76	88	11	31	35	37	19	13	18	22	-10	39	21	15	0
Power Grid Corp.	321	368	397	16	89	89	89	16	91	108	112	22	18	5	15	2
NTPC	850	966	1,069	10	28	32	34	19	111	129	147	13	16	13	14	3
HDFC	116	132	151	15	94	94	94	15	83	95	109	11	14	15	13	2
Bharti Infratel	146	159	171	8	45	45	44	9	32	36	40	16	14	9	13	1
GAIL	525	604	650	11	15	14	14	12	45	51	54	17	13	7	12	1

Company	Sales (INR b)			Sales CAGR % 17-20	EBIDTA Margin (%)			EBITDA CAGR % 17-20	PAT (INR b)			PAT YoY (%)			PAT CAGR % 17-20	Contbn to Delta %
	FY18E	FY19E	FY20E		FY18	FY19	FY20		FY18E	FY19E	FY20E	FY18	FY19	FY20		
Reliance Inds.	3,198	3,723	3,828	17	16	15	15	10	356	407	443	13	14	9	12	7
ITC	416	479	548	11	38	37	37	11	113	125	142	10	11	13	12	2
Tech Mahindra	309	347	391	10	14	15	14	10	31	33	37	13	7	12	11	1
ICICI Bank	228	262	304	12	101	91	90	1	93	106	132	-5	15	24	10	2
Aurobindo Pharma	167	186	205	11	25	24	24	12	26	29	31	14	11	5	10	0
Low PAT Growth (<10%)	14,717	16,149	17,253	8	17	17	17	8	1,349	1,435	1,526	0	6	6	4	9
Lupin	169	199	230	9	21	23	25	9	19	25	33	-27	36	31	9	0
Hero MotoCorp	326	351	385	11	16	15	15	8	37	39	43	9	7	10	9	0
HCL Technologies	511	570	612	9	22	22	21	8	91	99	105	8	9	6	7	1
Adani Ports	102	113	127	15	64	65	64	13	36	42	47	-7	16	12	7	0
Infosys	706	773	846	7	26	26	26	6	142	152	170	-1	7	12	6	1
Wipro	564	617	663	6	20	20	21	8	82	88	97	-1	7	10	5	1
IOC	4,055	4,479	4,897	11	10	9	9	7	242	220	234	19	-9	6	5	2
BPCL	2,284	2,459	2,537	8	7	7	7	8	97	102	109	2	6	7	5	1
TCS	1,239	1,382	1,488	8	26	26	26	6	258	286	299	-2	11	5	4	2
HPCL	2,093	2,266	2,333	8	6	6	6	8	70	65	70	13	-7	7	4	0
ONGC	1,509	1,674	1,728	7	41	41	41	14	229	246	233	8	8	-5	3	1
Sun Pharma	280	322	366	7	20	24	26	3	36	56	65	-42	54	17	1	0
Bharti Airtel	879	945	1,040	3	35	35	36	2	10	13	20	-78	34	52	-24	-1
Nifty (PAT free float)	34,604	39,103	42,151	11	22	23	23	12	1,876	2,320	2,669	16	24	15	18	100

Exhibit 36: Nifty stock absolute FY18E PAT change (INR b)

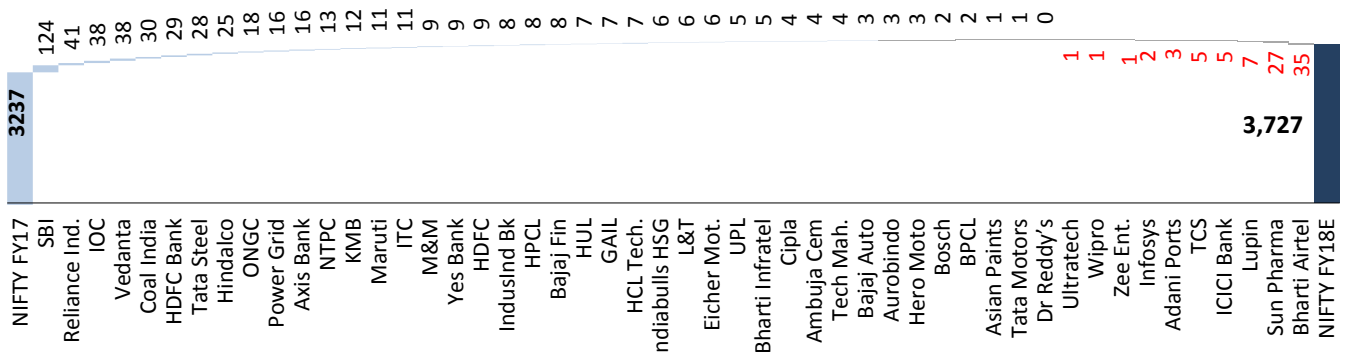
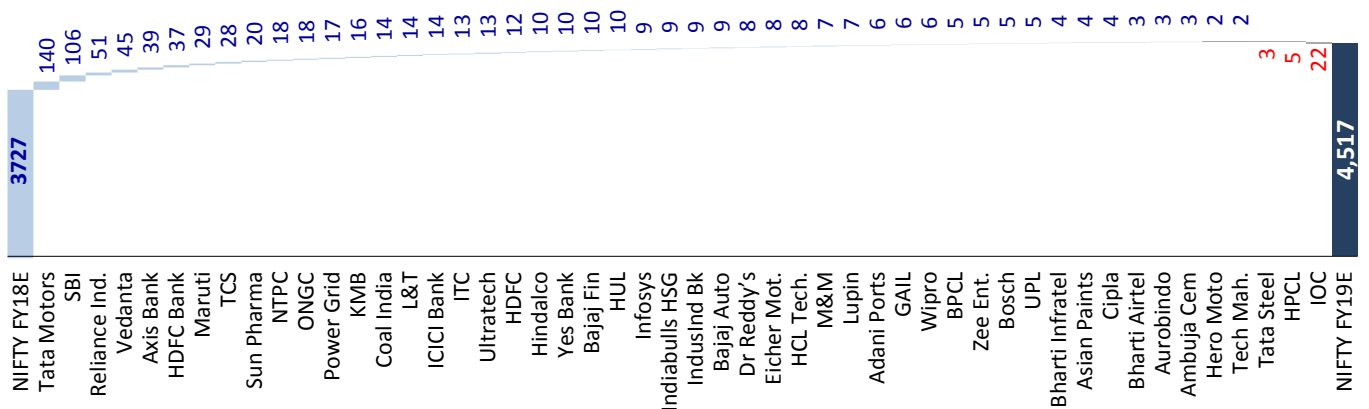






Exhibit 37: Nifty stock absolute FY19E PAT change (INR b)






Key Sectoral Highlights - 2QFY18



SECTOR	Key highlights	2QFY18E YoY (%)				Key stocks to watch
		Sales	EBITDA	PAT	Margin Chg YoY (pp)	
Auto 	<ul style="list-style-type: none"> Regulatory actions had materially influenced auto volumes since 3QFY17. However, given the waning regulatory impact, the automobile sector has witnessed gradual volume growth August onward, supported by pre-festive inventory build-up and improving rural sentiment. EBITDA margin for our auto OEM (ex-JLR) universe is likely to contract (-100bp YoY; +160bp QoQ) for the fourth consecutive quarter to 13.4%. This is without any impact of an increase in commodity prices (which is expected to be realized in 2HFY18). Auto aggregate PAT is likely to grow 9.4% YoY (ex JLR 8.1%), led by AL, EIM and MM. MSIL is likely to report a decline of 2.7%, partially offset the increase in overall PAT. 	12.0	13.5	9.4	0.2	<ul style="list-style-type: none"> Ashok Leyland's volumes were healthy, led by waning pre-buy impact and a revival in buying decisions post GST by fleet operators; EBITDA margin is expected to contract 104bp, while PAT should increase 29% YoY. Royal Enfield's volumes grew 21.5% YoY, led by additional capacity amid continued healthy demand. Consolidated margin is likely to be 31.7%. Consolidated PAT is estimated to rise 33.3% YoY (+19.9% QoQ). MM's volume growth of 16.3% YoY was led by healthy tractor and UV sales. PAT is projected to increase 8.5% YoY, while margin is expected to remain flat YoY. MSIL: PAT expected to fall 2.7% YoY, while EBITDA margin likely to shrink 190bp YoY to 15.1% due to the impact of Gujarat plant and GST transition.
Capital Goods	<ul style="list-style-type: none"> We expect order intake by most companies to be weak on account of a delay in ordering activity due to GST implementation. Also, announced orders during the quarter stand muted. Industrial capex remains sluggish; roads, rail and power T&D remain the only bright spots on the infra side. Revenue growth is expected to remain moderate as electrical consumer durables companies sales get impacted by delay in dealer restocking post GST implementation, Margins to show 40bp improvement YoY on account of better operational performance of core capital goods companies like ABB, Siemens and BHEL. 	9.1	14.0	8.9	0.4	<ul style="list-style-type: none"> Execution from LT is likely to register 7% growth in 2QFY18; operating profit is likely to register 8% growth YoY. Operating margins are expected to improve 70bp YoY to 9.4%. 2QFY17 operating performance was impacted by ECL provisioning. Bharat Electronics is likely to report weak operating performance despite strong revenue growth of 16% YoY, on account of adverse revenue mix. Gross margins are expected to shrink 490bp, and Apt is expected to decline 35% YoY. Havells to report revenue growth of 26% YoY given contribution from the newly acquired Lloyd. We expect operating margin to decline 130bp YoY given adverse product mix. Net profit is expected to decline 5% YoY.

SECTOR	Key highlights	2QFY18E YoY (%)				Key stocks to watch
		Sales	EBITDA	PAT	Margin Chg YoY (pp)	
Cement 	<ul style="list-style-type: none"> ■ We expect pan-India players like ACC, Ambuja and Ultratech to report combined volume growth of ~8% YoY, with ACC reporting stronger growth on account of capacity addition. North-based companies like Shree Cement, JK Cement and JK Lakshmi Cement are likely to report volume growth of 9% YoY, while south-based companies are expected to report volume growth of 4% YoY in 2QFY18. Volume growth for central players should come in muted due to the impact of sand mining issues in UP and Bihar. ■ We estimate volume growth at 7-8% YoY for FY18, given the favorable base in 2HFY18 and the demand improvement led by the pick-up in infrastructure and low-cost housing projects. We expect (a) pan-India players to report volume increase of 4-16% YoY, (b) players with capacity headroom (SRCM, JKLC) to deliver 8-11% YoY increase in volumes and (c) south-based companies to post volume growth of -3%-8%. ■ Cement prices should decrease QoQ due to weak exit prices in 1QFY18 v/s average prices for the quarter. Retail cement prices were lower QoQ due to the pass-through impact of GST. Cement prices in north and south are likely to be lower by 5%/6% QoQ, as exit prices of 1QFY18 in both north and south were ~3% lower than average prices for the quarter. ■ ASP should decrease 2% QoQ in 2QFY18 due to seasonal weakness. We estimate a price decline of (a) 5% QoQ in north India, (b) 3% QoQ in central India, (c) 5% QoQ in west India, (d) 4% QoQ in east India and (e) 6% QoQ in south India. However, the ASPs of companies under coverage will not decline to the extent of the fall in retail prices, as cement prices were reduced effective 1 July 2017 due to the pass-through of tax benefit on account of the 28% tax rate for cement under GST. 	14.9	0.5	-15.1	-2.5	<ul style="list-style-type: none"> ❖ Shree Cement's superior execution capabilities enable it to achieve RoIC of over 50% (FY19E), while its gross block to capacity has been structurally trending downward. ❖ Ramco Cement is likely to generate strong operating cash flow, which would be utilized to raise grinding capacity by ~16% over FY17-FY20E. We estimate 9%/14% EBITDA/PBT CAGR over FY17-20. ❖ JK Cement is a play on a revival in the north region and a strong improvement in white cement performance (40-45% market share in white cement). It thus deserves premium valuation, in our view. ❖ Birla Corp is likely to be profitable due to the strong performance of the acquired subsidiary Reliance Cement. With a 23% market share in the Satna cluster and Reliance Cement's mineral concession, it has the potential to expand to multiple states. ❖ We believe Dalmia Cement's deleveraging play and superior volume growth make it attractive for re-rating.


SECTOR	Key highlights	2QFY18E YoY (%)				Key stocks to watch
		Sales	EBITDA	PAT	Margin Chg YoY (pp)	
Consumer 	<ul style="list-style-type: none"> We expect our Consumer Universe's revenues to grow 4.3% YoY and aggregate PAT to grow 9.7% YoY in 2QFY18. Sales for the quarter are likely to be impacted by (a) GST-related disruptions, as well as by (b) GST accounting on sales, which will not affect the base. PFAD/palm oil prices were stable – up 3.3%/1.9% YoY in 2QFY18. TiO2 prices increased by 14% YoY and mentha prices by 24% YoY in 2QFY18. While copra and LLP prices were up 82% YoY and 13% YoY, respectively, HDPE prices declined 7% YoY in the two months ended August 2017. Aggregate EBITDA is likely to grow 9% YoY, mainly because of a weak base, and margin should expand 100bp YoY – GST accounting impacts sales, but not EBITDA. 	4.3	9.0	9.7	1.0	<ul style="list-style-type: none"> We expect ITC's sales to grow 2.5% YoY (with 2% decline in cigarette volumes) and PAT to grow 9.5% YoY (partly due to high 34.7% tax rate in the base quarter). HUVR's sales would be flattish (volume growth of 4%); its EBITDA margin is expected to expand 200bp YoY, mainly owing to GST accounting and a weak margin base. 15 of the 18 companies under our coverage are likely to report YoY growth in EBITDA. Britannia, Colgate, GCPL, Page Industries and P&G Hygiene are likely to report healthy EBITDA growth of over 15% YoY, mainly due to weak base. United Breweries is likely to report EBITDA decline (though much lower than initially feared) due to the absence of input tax credit under GST.
Financials		10.9	14.8	35.0	2.8	
						
Private Banks	<ul style="list-style-type: none"> Growth momentum is expected to sustain for YES, IIB and RBL, while earnings pressure should stay elevated at corporate lenders like ICICIB and AXSB, led by provisioning. The impact of GST on MSME borrowers and that of RERA on home/construction finance remain key monitorables. Yields would be under pressure, led by MCLR cuts. However, we expect reduced cost of funds to negate the pressure on margins. 	16.0	14.6	17.8	-1.0	<ul style="list-style-type: none"> Prefer YES and ICICIB among corporate lenders; HDFCB and IIB top picks among retail lenders.
PSU Banks	<ul style="list-style-type: none"> Loan and deposit growth trajectory would remain muted but start picking up from the lows of the last quarter. Margins are expected to normalize with reducing impact of interest income reversals, but stay under pressure with low yields. Provisions are expected to remain at elevated levels, led by ageing of NPLs and continued stress additions. Trading gains are expected to remain flat QoQ. Led by weak core revenue, 	2.6	11.5	188.4	7.0	<ul style="list-style-type: none"> Prefer SBIN, PNB and BOB among PSU banks.

SECTOR	Key highlights	2QFY18E YoY (%)				Key stocks to watch
		Sales	EBITDA	PAT	Margin Chg YoY (pp)	
	<p>muted non-core income and elevated credit costs, earnings would remain under pressure.</p>					
NBFC	<ul style="list-style-type: none"> ■ We expect stable-to-improving trends in growth across product segments in NBFCs. ■ Farm loan waivers and normal monsoon have lifted sentiment in the rural economy. Focus on collections has also helped companies to effect strong recoveries. Vehicle financiers are expected to report healthy asset quality. ■ Our channel checks suggest that at-par delinquencies have come off in the MFI segment and disbursements have resumed. This would benefit BHAFIN. ■ Margins in HFCs will continue to be under pressure. We expect continued diversification into other products such as LAP and corporate loans. 	24.2	24.9	21.4	0.5	<ul style="list-style-type: none"> ❖ Repco could disappoint on the growth front due to regulatory issues ❖ BHAFIN's provisioning and at-par delinquency trend would be a key monitorable. ❖ Growth in SHTF and MMFS would be a key thing to watch out for. SHTF is likely to report strong decline in cost of funds. ❖ SCUF may disappoint on growth due to impact of GST.
Healthcare	 <ul style="list-style-type: none"> ■ With respect to the US market, Cadila is expected to exhibit strong growth in the US, on the back of recently launched gLialda. ■ Sun Pharma is likely to continue to report decline in revenues, primarily on the back of a decrease in the US business due to continued pricing pressure. ■ Aurobindo Pharma's US business is expected to post robust growth with the launch of gRenvela. ■ Healthcare companies will continue to witness pricing pressure and channel consolidation in the US, partially offset by growth in the domestic business on the back of channel-refilling post GST implementation. 	4.4	-10.4	-22.0	-3.3	<ul style="list-style-type: none"> ❖ Cadila (+ve; US business to witness ~40% YoY growth led by gLialda sales). ❖ AJP (+ve; should report 25% YoY increase in revenues, largely due low base of 2QFY17, increased traction in both, pharma as well as life science ingredient segments, and additional sales of about one month from the Triad acquisition formulation and Africa sales). ❖ Sun (-ve; should report decline in revenues on back of decrease in US business by ~35% YoY).
Logistics	<ul style="list-style-type: none"> ■ EXIM originating volumes by rail are likely to grow in mid-teens in 2QFY18. In July-August 2017, EXIM container volumes were up by 13% YoY and domestic volumes by 12% YoY. ■ CCRI is likely to report EXIM handling volume growth of 13% YoY (+7 QoQ) for 2QFY18, led by 	12.5	22.2	42.7	1.2	<ul style="list-style-type: none"> ❖ We expect CCRI to report better margins YoY/QoQ due to strong volume growth in the EXIM and domestic businesses. ❖ GDPL should see downward pressure on margins, led by margin pressure on the CFS business and flat margins in the rail business.

SECTOR	Key highlights	2QFY18E YoY (%)				Key stocks to watch
		Sales	EBITDA	PAT	Margin Chg YoY (pp)	
	<p>strong EXIM volumes and ramp-up of the Kathuwas terminal.</p> <ul style="list-style-type: none"> GDPL is likely to report growth of 8% YoY (+17% QoQ) in rail volumes due to strong EXIM trade during the quarter. CFS segment is expected to see volume decline of 2% YoY (+3% QoQ), impacted by DPD at the JNPT terminal. 					<ul style="list-style-type: none"> AGLL is likely to see pressure on margins, led by subdued performance at CFS and P&E; the MTO segment is expected to do better.
Media 	<ul style="list-style-type: none"> We expect ad revenue for our Media universe to grow just ~1.3% YoY. Earnings are expected to remain weak, with GST-related hiccups keeping primary sales in FMCG, and consequently, ad spends in check. The sluggish performance of media companies is a consequence of a weak July and August in terms of ad spends across sectors, particularly FMCG and auto. However, we understand that September has started showing a healthy growth trend with the onset of the festive season. Zee's ad growth is likely to come in at ~4% YoY (3% ex-Sports), with contribution from RBL's revenues. Sun TV's ad revenue is expected to grow at a meager 2%. ARPU for Dish TV is expected to remain stable to INR148 (1QFY18 ARPU: INR148) and net additions are estimated at 0.17m. Radio broadcasters are likely to see weak like-to-like growth, the impact of which should be partly offset by new channel launches. 	2.2	-2.8	-9.7	-1.5	<ul style="list-style-type: none"> Zee Ent: 12%/9% ad/domestic subscription CAGR over FY17-19E. 13% EPS CAGR (adjusted for sports sale gain) over FY17-19E.
Metals 	<ul style="list-style-type: none"> Supply-side measures and demand surprise in China are driving metal prices. Chinese HRC export prices rose sharply QoQ, aluminum prices were up 5% QoQ, while zinc prices were up 14% QoQ. Domestic companies also benefited from increase in volumes. Steel sales for our coverage universe rose 19% QoQ. Aluminum volumes are higher by 14% QoQ. 	21.1	40.6	122.7	2.8	<ul style="list-style-type: none"> Tata Steel's EBITDA would increase 7% QoQ / 79% QoQ on strong volume growth and higher steel spreads. JSW Steel's EBITDA would increase by 24% QoQ/10% YoY to INR32.4b on higher steel spreads.

SECTOR	Key highlights	2QFY18E YoY (%)				Key stocks to watch
		Sales	EBITDA	PAT	Margin Chg YoY (pp)	
Oil & Gas 	<ul style="list-style-type: none"> Singapore complex GRM was USD8.3/bbl in 2QFY18 v/s USD6.4/bbl in 1QFY18 and USD5.1/bbl in 2QFY17. Inventory gains are likely to boost earnings further. Average Brent crude price was up 13% YoY and 3% QoQ to USD51.5/bbl. While the YoY/QoQ increase would benefit upstream companies, we expect lower operating costs to further help them. ONGC and Oil India should see YoY EBITDA increase. RIL is expected to clock a GRM of USD12.6/bbl, led by strong benchmark (premium of USD4.3/bbl). Petchem segment would do better despite decline in HDPE and LDPE delta, with RIL being an integrated player and strong volume growth in the segment. 	26.4	37.8	60.2	1.1	<ul style="list-style-type: none"> Bullish on OMCs: We continue to like OMCs on account of (a) improving core performance which reflects strong GRMs, (b) strong consumption growth of auto fuels, (c) potential marketing margin expansion, and (c) low competitive intensity. We prefer IOC among the three due to its high free cash flow generation.
Excl. OMCs	<ul style="list-style-type: none"> Brent crude increased, primarily due to Hurricane Harvey. The average for the quarter was up 13% YoY (3% QoQ) at USD51.5/bbl. OMCs are likely to post inventory gains for the quarter. Due to the increase in oil prices, we expect inventory gains to benefit all refiners – they had reported inventory losses in the previous quarter. OMCs' gross margins for auto fuels have increased YoY/QoQ. Gross margins were INR3.2/liter in 2QFY18 v/s INR2.7/liter in 2QFY17 for petrol and INR3.1/liter in 2QFY18 v/s INR2.5/liter in 2QFY17 for diesel. Domestic oil & gas production has improved, which would be beneficial for the upstream companies. Rise in crude oil price and revived production volume growth for oil and gas would benefit ONGC/OINL. We expect volume growth to continue for CGD players. We might see margin compression (YoY/QoQ) in the industrial segment due to competition from alternate fuels. 	17.2	17.4	7.7	0.0	<ul style="list-style-type: none"> ONGC looks attractive: We prefer ONGC, as (a) cost efficiency would result in decline in opex, (b) gas production is likely to grow 10-15% annually for the next five years, (c) oil production is set to increase, (d) it has no subsidy burden, and (e) valuations are attractive. PLNG – a long-term buy: Visibility on PLNG's medium/long-term earnings is high, given (a) the huge gas demand-supply gap in India, (b) volume growth, driven by gradual capacity addition, and (c) earnings growth boosted by annual re-gas charge escalation. Poor competition from existing and upcoming terminals and lower LNG prices add to the Buy case for PLNG.
Retail 	<ul style="list-style-type: none"> We expect our Retail Universe to report healthy revenue growth of 14.2% YoY in 2QFY18. EBITDA is expected to increase by 3.7% YoY and PAT by 2.6% YoY. Retail companies under our 	14.2	3.7	2.6	-0.9	<ul style="list-style-type: none"> Jewelry business revenue growth may not be as impressive for TTAN unlike the preceding few quarters due to (a) advancement of sales of INR 2.5-3b from July to June ahead of GST implementation; (b)

SECTOR	Key highlights	2QFY18E YoY (%)				Key stocks to watch
		Sales	EBITDA	PAT	Margin Chg YoY (pp)	
	coverage are moderating store expansion. In 2QFY18, TTAN added only two Tanishq stores (adding 7.5ksf), while JUBI likely added 12 stores.					<p>subdued response to diamond-studded activation and (c) some disruption as a result of new PMLA guidelines issued on 23 August.</p> <p>❖ For Jubilant Foodworks (JUBI), we expect sales to increase 11% YoY, with same-store sales (SSS) increasing by 6% YoY.</p>
Technology 	<ul style="list-style-type: none"> ■ The seasonal strength of 1Q was watered down by a delay in BFS recovery, which most companies were hoping for to drive an improved performance for the year. Continued softness in BFS, combined with troubles in Retail, drive our expectation of 1.0-2.2% QoQ CC growth for 2QFY18. ■ With EUR and GBP appreciating 6.7% QoQ and 2.2% QoQ, respectively, against the USD, we see ~100bp tailwind in reported QoQ dollar revenue growth. HCLT, TECHM, CYL and NITEC should be the larger beneficiaries, given their exposures to the EUR. ■ Although the absence of visa expenses and wage hikes (for some) should provide some margin tailwinds, we expect the benefits to be limited because of a flat average INR/USD and lack of a material pick-up in organic revenue growth. 	3.8	-1.8	-0.1	-1.2	<p>❖ At the end of 4QFY17, INFO guided for 6.5-8.5% YoY CC growth, implying a CQGR of 2.2-3%. FY17 guidance would be tested by 2Q revenue growth, and by expectations of momentum going forward as the company continues to be faced with multiple internal issues. Updates on stability of board and management, and strategy execution would also be keenly watched to judge the internal stability of the company.</p> <p>❖ For TECHM, we expect EBITDA margin to expand by 100bp QoQ to 13.7% post the margin shock in 4QFY17. The revival is expected to be led by completion of rationalization in LCC and better operational efficiencies. Organic revenue growth revival would also be crucial, given the subdued performance in 1Q led by multiple project closures.</p>
Telecom 	<ul style="list-style-type: none"> ■ Expect 2QFY18 to see pressure on both revenue and EBITDA because of 1) GST @ 18%, 2) ARPU downtrading to INR350-400 and 3) seasonality. We expect revenue de-growth of 1.2/6.9% QoQ for Bharti/Idea, with 4/18% QoQ EBITDA decline on consolidated basis. ■ Voice business is expected to decline 3.5/7.1% QoQ for Bharti/Idea, while Data revenue is expected to fall 7/12% QoQ respectively, hurt by the increase in unlimited and bundled price plans in the market. ■ Bharti Infratel is expected to continue its steady tenancy addition of ~4,290 (2% QoQ growth) in 2QFY18 on a consolidated basis. Tower growth is expected to be moderate at 680 (+1.9% QoQ). We expect revenue to grow 3% QoQ to INR36.2b and consolidated EBITDA growth of 3% QoQ to INR16.2b. 	-10.7	-22.1	PL	-4.4	<p>❖ Bharti's consolidated EBITDA expected to decline 4% QoQ.</p> <p>❖ Idea's consolidated EBITDA likely to decline 18% QoQ.</p> <p>❖ Bharti Infratel's consolidated EBITDA should grow 3% QoQ.</p> <p>❖ TCOM's EBITDA growth is estimated at 5% QoQ.</p>

SECTOR	Key highlights	2QFY18E YoY (%)				Key stocks to watch
		Sales	EBITDA	PAT	Margin Chg YoY (pp)	
	<ul style="list-style-type: none"> Revenues of Tata Comm. are expected to grow 1.8% QoQ to INR43.9b on the back of 3.2% data revenue growth to INR28.7b. EBITDA should grow at 5% QoQ to INR5.9b on the back of 7% data EBITDA growth to INR5b, partly offset by a 5% voice EBITDA decline to INR829m. 					
Utilities 	<ul style="list-style-type: none"> Regulated businesses: Power Grid would continue to outperform driven by strong capitalization momentum. CESC would grow at steady pace on growth in regulated equity. NTPC's earnings growth will remain impacted due to GCV measurement change. The increase in global thermal coal prices is likely to benefit Tata Power. JSW Energy on the other hand would be impacted on increase in fuel cost and lower generation. Coal India EBITDA (ex-OBR) is estimated increase ~3x YoY on higher volumes and e-auction realization. 	7.6	23.5	35.2	4.1	<ul style="list-style-type: none"> ❖ Coal India e-auction and ASQ realization. ❖ Power Grid – capitalization momentum ❖ NTPC - commercialization guidance and impact of GCV measurement change.

MARKETS & FLOWS

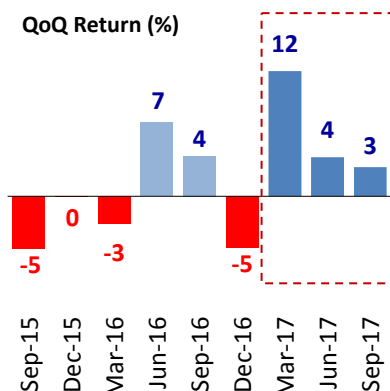
Indian equities remain buoyant

Domestic MFs record highest ever inflows



Nifty delivers positive returns in all three quarters of CY17 so far

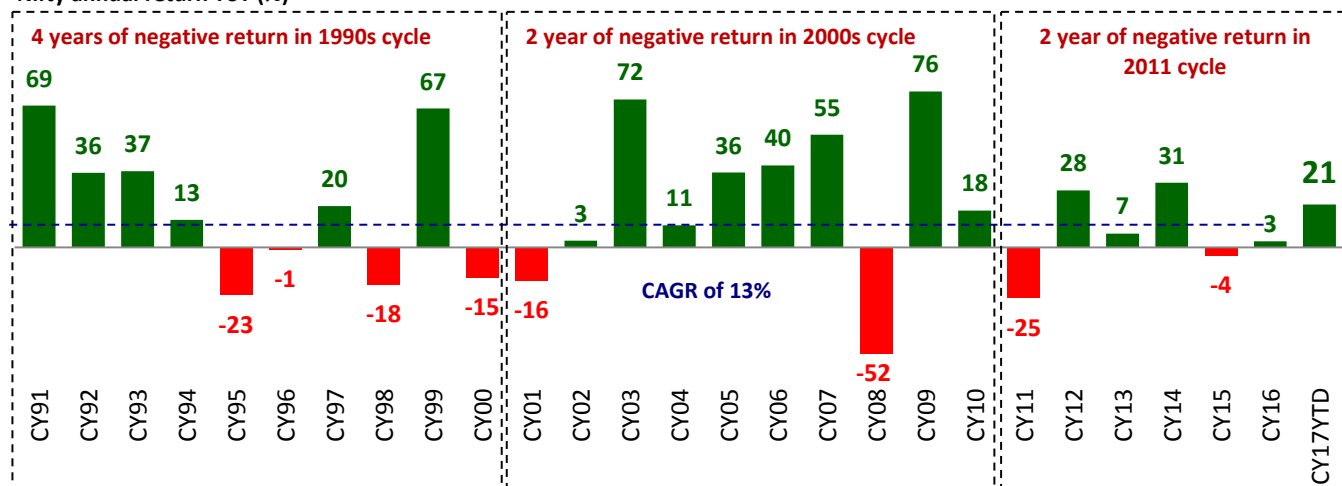
QoQ Return (%)



- The Nifty gained an impressive 21% in CY17 YTD, after two years of muted returns. Notably, the benchmark delivered positive returns in all three quarters of CY17 so far, despite negative return in the last two months due to global geopolitical tensions, moderation in domestic macros (inflation, CAD, currency depreciation, noise around fiscal stimulus) and continued selling by FIIs.
- Midcaps (+28% in CY17 YTD) outperformed the Nifty for the fourth consecutive year, expanding the premium v/s large caps to 42% (4% in May).
- In CY17 YTD, MSCI EM (+28%), Brazil (+27%), India-Nifty (+21%), China (+21%), Korea (+18%) and US (+14%) were the best performers among the key global markets in local currency terms. On the other hand, Russia (-10%) delivered negative returns.
- India's share in world market cap is at its long-term average of 2.4%. Over the last 12 months, world market cap has increased 29.3% (USD19.4t), while India's market cap is up 22%.
- Nine sectors outperformed the benchmark. Real Estate (+66%), Cement (+39%), Private Banks (+37%), Metals (+36%) and NBFCs (+32%) were the top outperformers in CY17 YTD. Healthcare (-6%) and Technology (-2%) were the only sectors to deliver negative returns.
- Market breadth has been positive so far in CY17 YTD, with 41 Nifty stocks trading higher. Bajaj Finance (+122%), Indiabulls Housing (+94%), Tata Steel (+69%), Yes Bank (+55%) and Hindalco (+55%) were the top performers. Lupin (-31%), Dr Reddy's (-22%), Sun Pharma (-18%), ONGC (-11%) and Infosys (-11%) were the worst performers.
- India has recorded highest ever inflows from domestic MFs: USD14b, double the full-year inflows of USD7.1b in CY16. FII inflows for YTD CY17 stand at USD5b. DIIs (ex-MFs) saw outflows of USD3.8b in CY17 YTD – six successive years of outflows.
- Valuations of Indian equities remain attractive. The Nifty trades at a P/E of 17.8x, at a 5% premium to long-period average of 17x. At 2.7x, Nifty P/B is near its historical average. RoE stands at 15.2%, near its long-term average. Market cap-to-GDP ratio of 79% (FY18E GDP) is near its long-term average of 78%.

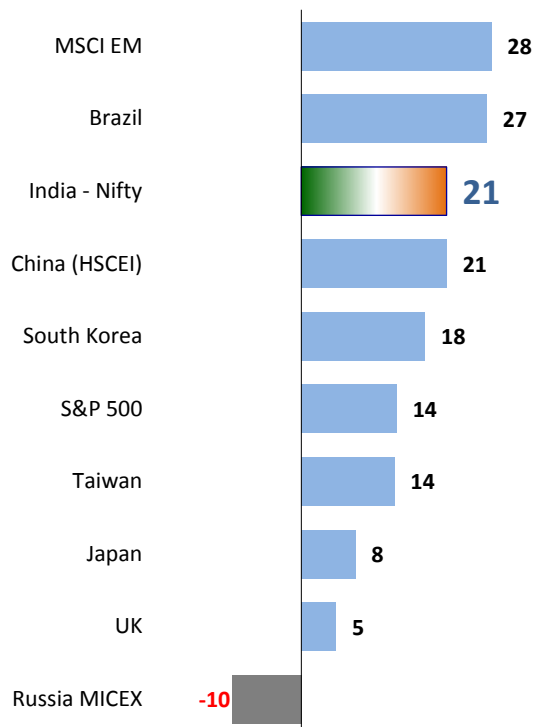
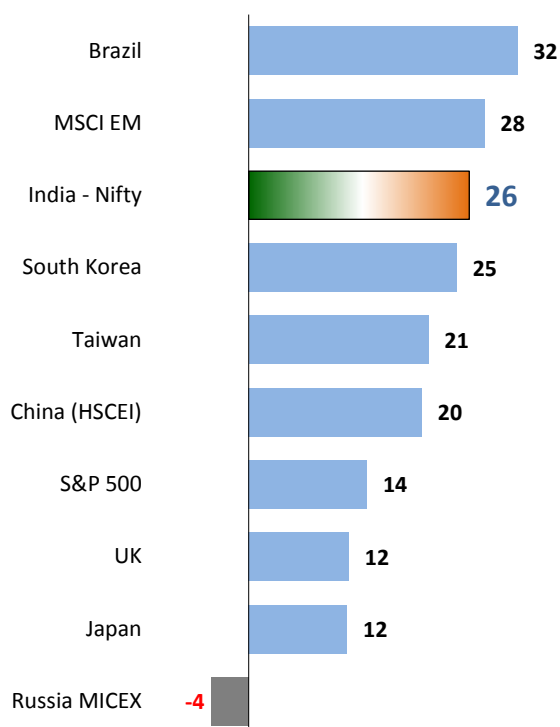
Exhibit 38: CY17 YTD returns best in last three years

Nifty annual return YoY (%)



Global equities: India among the best-performing markets in CY17 YTD

- MSCI EM (+28%), Brazil (+27%), India-Nifty (+21%), China (+21%), Korea (+18%) and US (+14%) were the best performers among the key global markets in local currency terms. On the other hand, Russia (-10%) delivered negative returns.
- In USD terms, India-Nifty has delivered 26% returns in CY17 YTD.

Exhibit 39: World equity indices (CY17YTD) – local currency**Exhibit 40: World equity indices (CY17YTD) – USD (%)****MSCI EM outperforms MSCI India in last 12 months**

- Over the last 12 months, MSCI EM (+20%) has outperformed MSCI India (+10%). Over the last five years, MSCI India has outperformed MSCI EM by 75%.
- MSCI India P/E is at a premium of 41% to MSCI EM P/E, marginally below its historical average premium.

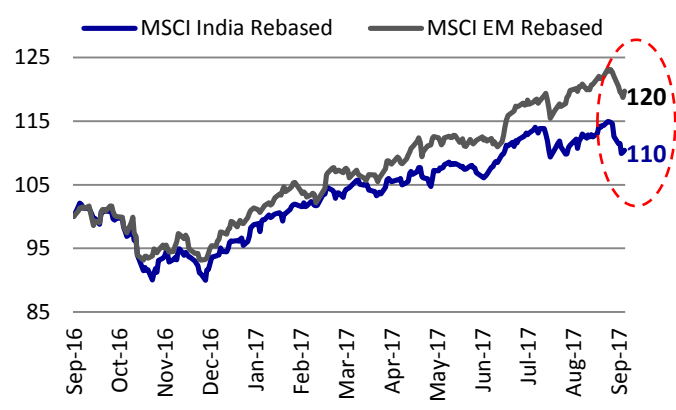
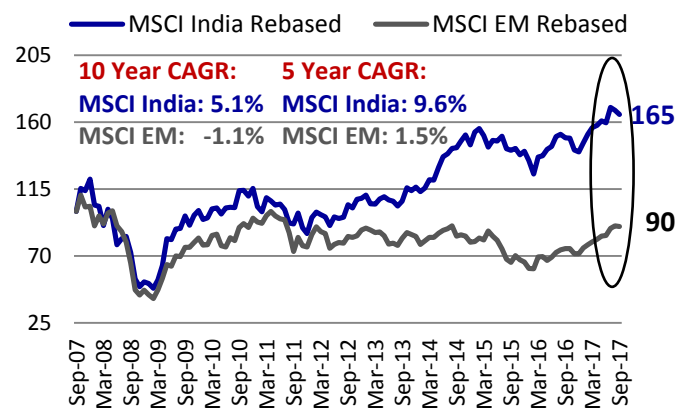
Exhibit 41: MSCI EM outperforms MSCI India over 12 months**Exhibit 42: MSCI India outperforms EM by 75% over five years**

Exhibit 43: MSCI India v/s MSCI EM trailing P/E (x)

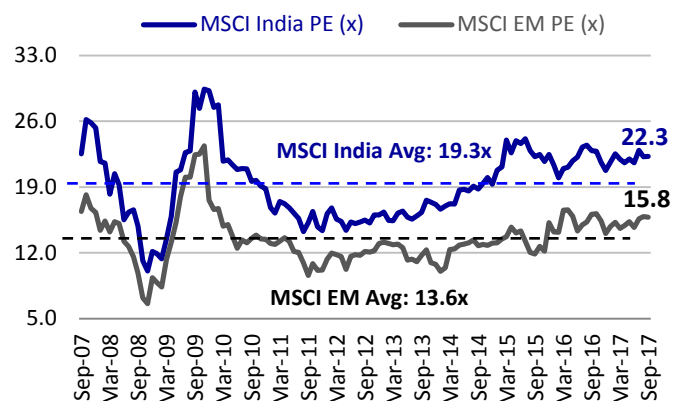
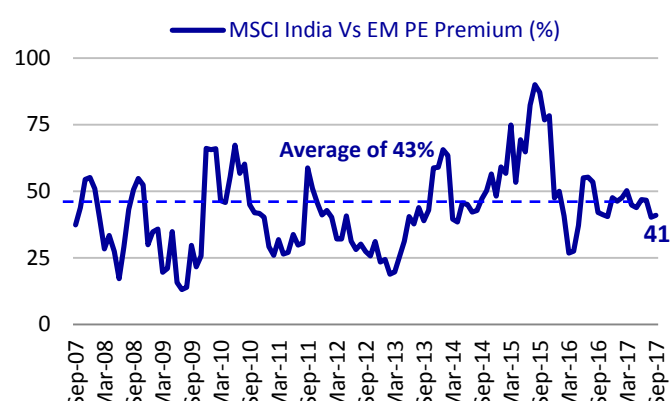


Exhibit 44: MSCI India v/s MSCI EM P/E premium (%)



India's share in world market cap at historical average

- India's share in the world market cap is at 2.4%, at its long-term average.
- Over the last 12 months, world market cap has increased 29.3% (USD19.4t), while India's market cap is up 22%.

Exhibit 45: Trend in India's contribution to world market cap

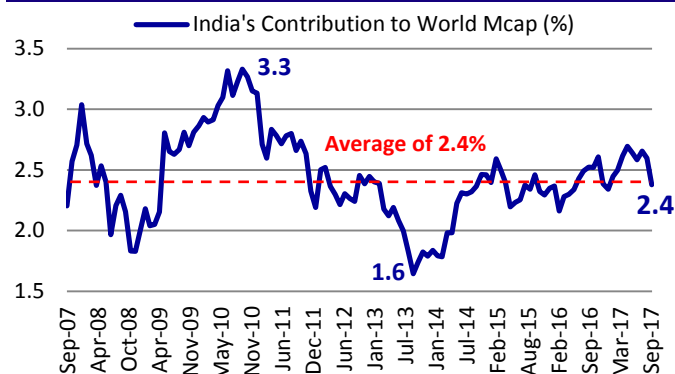
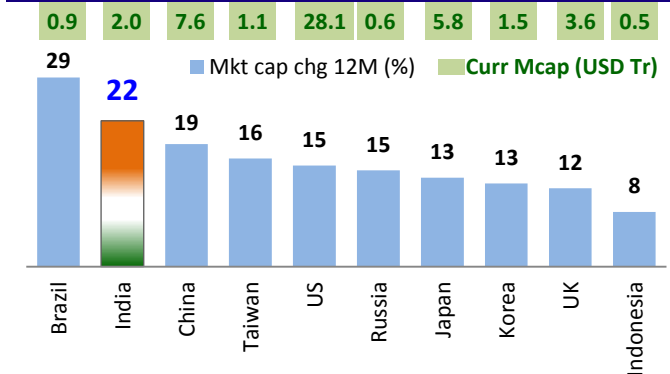


Exhibit 46: Market cap change in last 12 months (%)



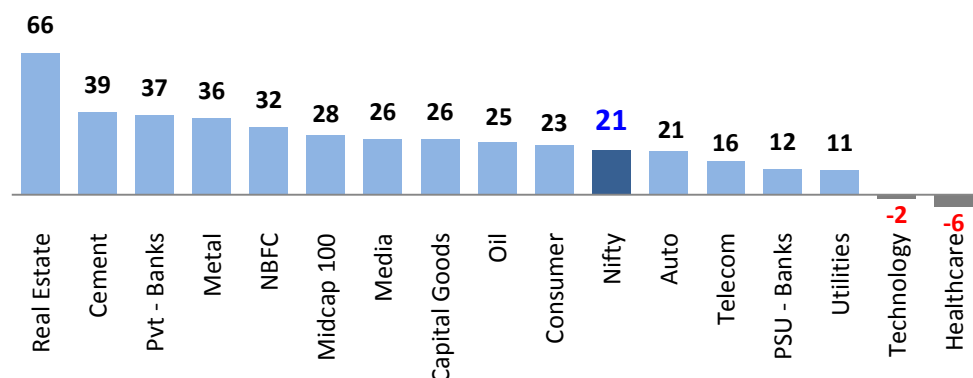
Sector performance: Nine sectors outperform the benchmark in CY17 YTD

Real Estate, Cement, Private Banks, Metals and NBFCs top outperformers

- Real Estate (+66%), Cement (+39%), Private Banks (+37%), Metals (+36%) and NBFCs (+32%) were the top outperformers for CY17 YTD.
- Except Healthcare and Technology, all sectors have delivered positive returns in CY17 YTD.

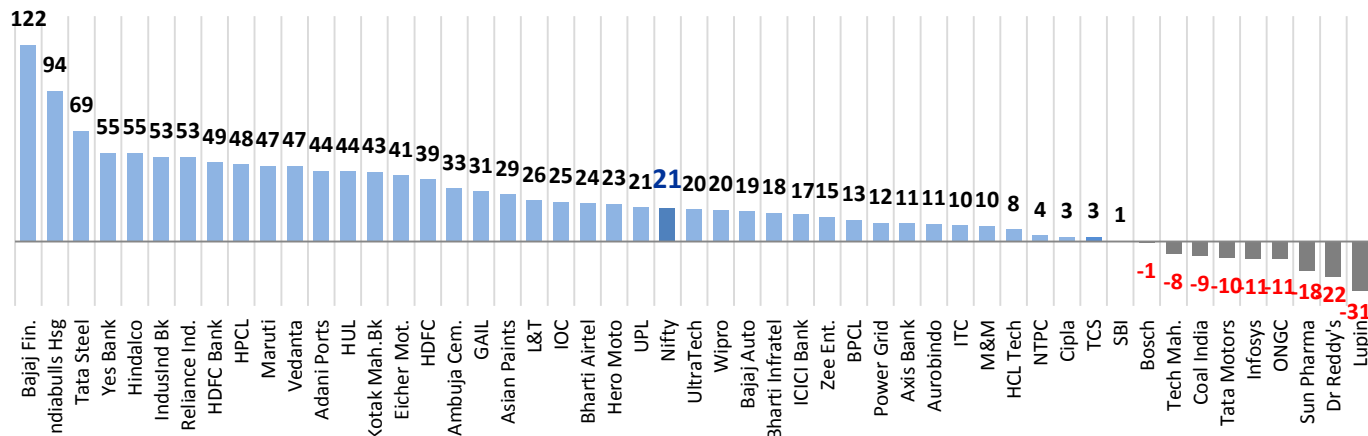
Exhibit 47: Sectoral performance in CY17 YTD (% return)

Midcaps outperformed the benchmark by 7% in CY17 YTD



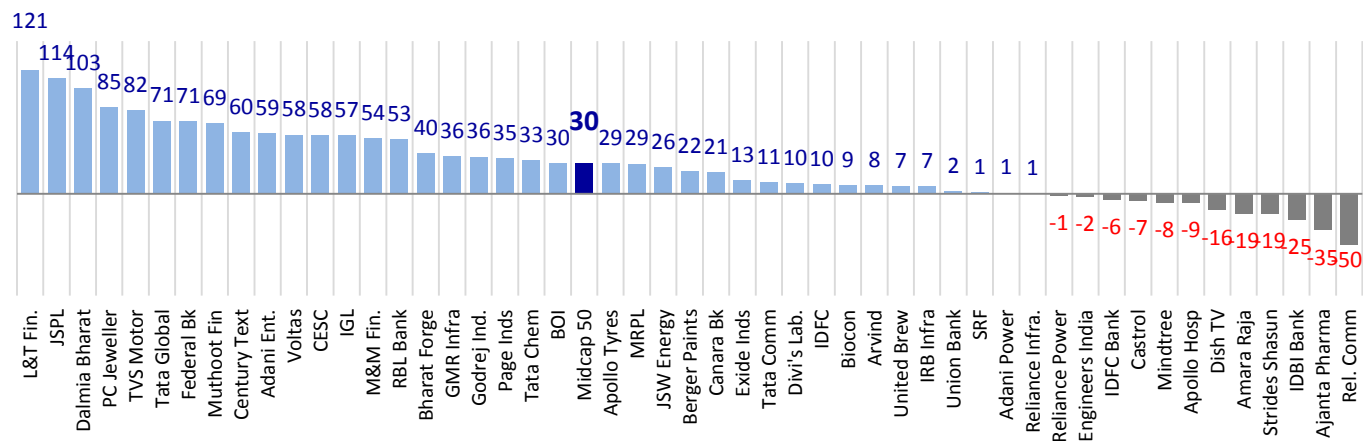
Breadth positive for CY17 YTD; 41 Nifty stocks trade higher**Healthcare stocks top underperformers**

- Among the Nifty components, Bajaj Finance (+122%), Indiabulls Housing (+94%), Tata Steel (+69%), Yes Bank (+55%) and Hindalco (+55%) were the top performers. Lupin (-31%), Dr Reddy's (-22%), Sun Pharma (-18%), ONGC (-11%) and Infosys (-11%) were the worst performers.

Exhibit 48: Best and worst Nifty performers for CY17 YTD (%)—24 companies of Nifty outperformed the benchmark

Source: Company, MOSL

- Among the Nifty Midcap 50 stocks, L&T Finance (+121%), JSPL (+114%), Dalmia Bharat (+103%), PC Jeweller (+85%) and TVS Motor (+82%) were the top performers. Reliance Comm (-50%), Ajanta Pharma (-35%), IDBI Bank (-25%), Strides Shasun (-19%) and Amara Raja (-19%) were the worst performers.

Exhibit 49: Best and worst Nifty Midcap 50 performers for CY17 YTD (%)—only 12 companies are trading lower

Institutional flows: Domestic MFs recorded highest ever inflows

FII flows moderate; FIIs big sellers in last two months

- India has recorded highest ever inflows from domestic MFs: USD14b, double the full-year inflows of USD7.1b in CY16.
- FII flows moderate; YTD CY17 inflows stand at USD5b.
- DIIs (ex-MFs) saw outflows of USD3.8b in CY17 YTD – sixth successive year of outflows.

Exhibit 50: Yearly domestic MF flows in equities (USD b)

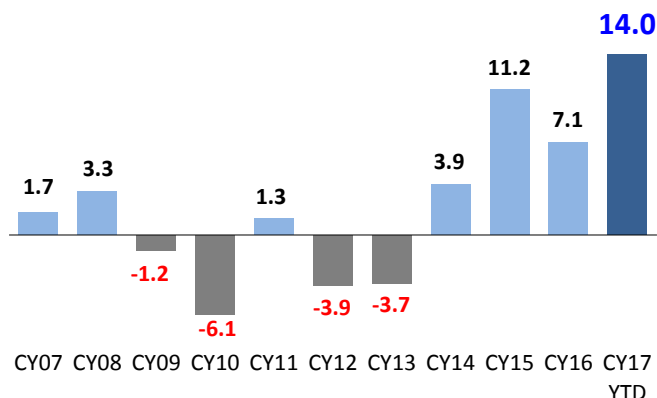


Exhibit 51: Cumulative domestic MF flows in CY17 YTD (USD b)

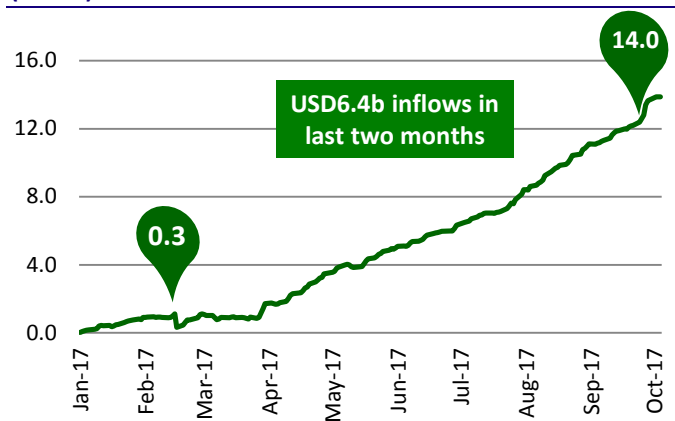


Exhibit 52: Yearly FII flows in equities (USD b)

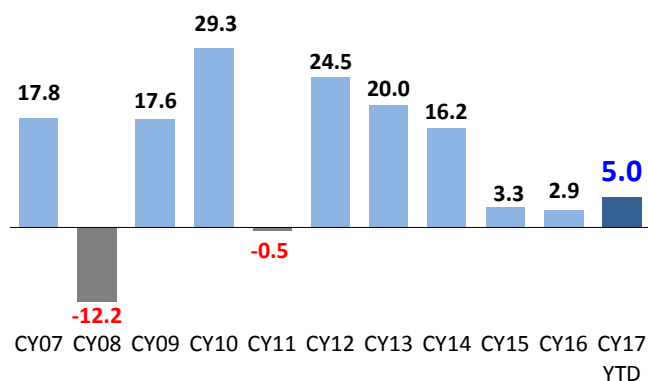


Exhibit 53: Cumulative FII flows in CY17 YTD (USD b)

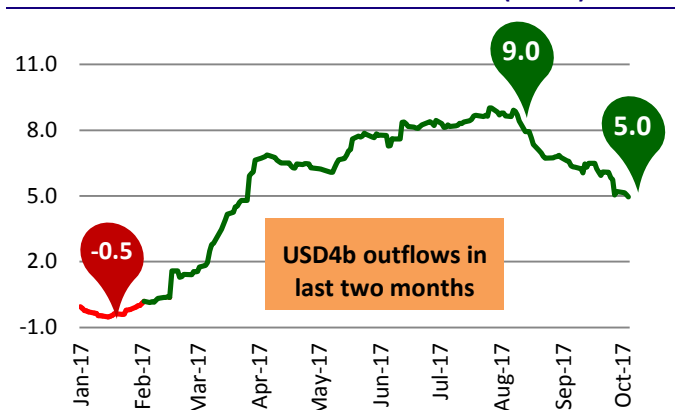
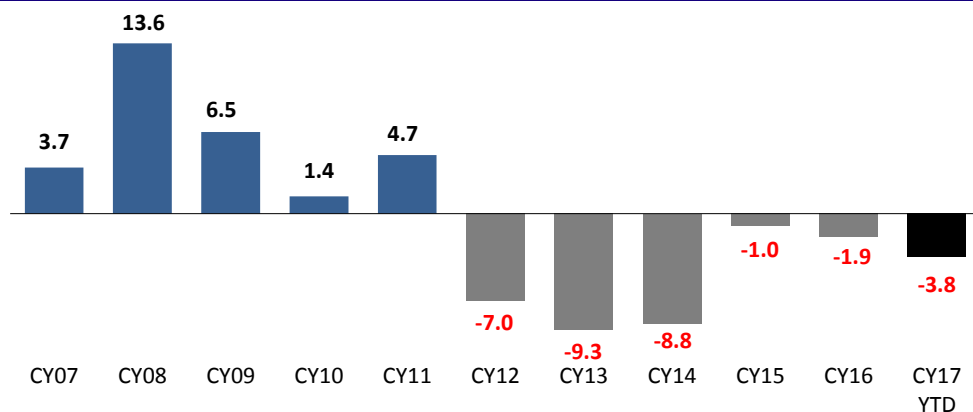


Exhibit 54: Yearly DII ex-MF flows in equity (USD b)

Six successive years of outflows



Valuations above long-period averages; midcaps continue to outperform

- Valuations of Indian equities remain attractive. Nifty trades at a P/E of 17.8x, at a 5% premium to long-period average of 17x. At 2.7x, Nifty P/B is near its historical average. RoE stands at 15.2%, near its long-term average.
- Market cap-to-GDP ratio of 79% (FY18E GDP) is near its long-term average of 78%.

Exhibit 55: 12-month forward Nifty P/E (x)

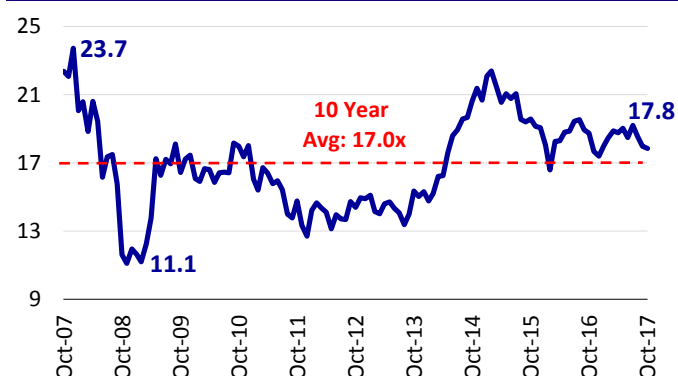


Exhibit 56: 12-month forward Nifty P/B (x)

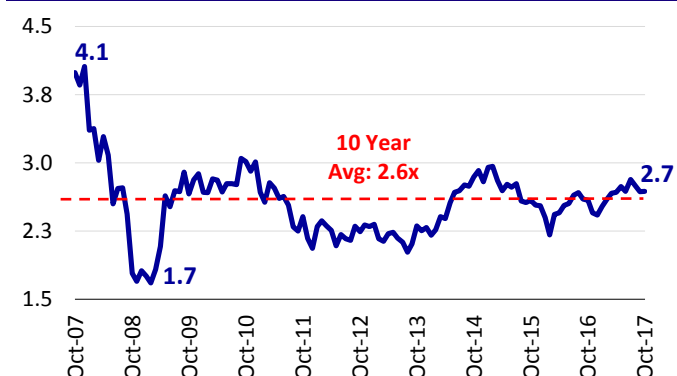


Exhibit 57: 12-month forward Nifty RoE (%)

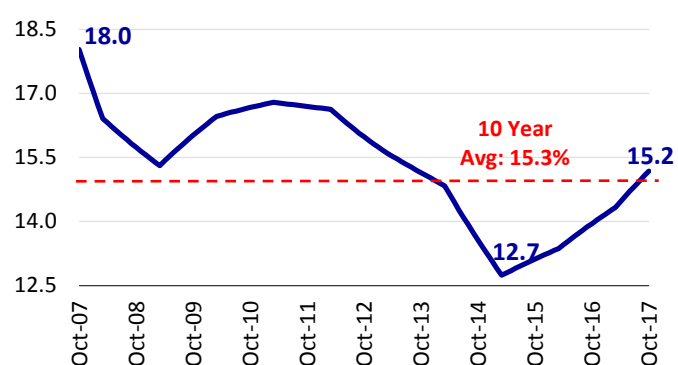
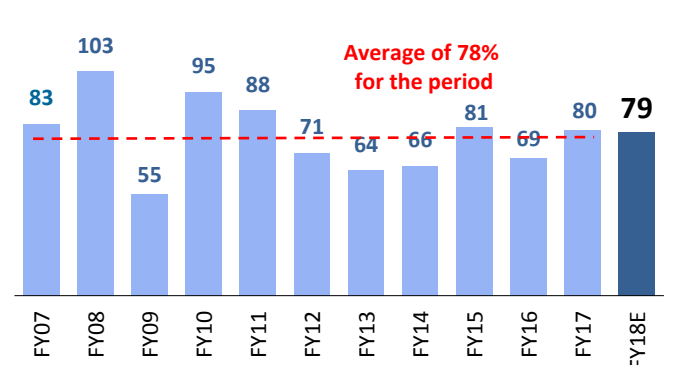


Exhibit 58: India's market cap to GDP (%)



Midcaps continue to outperform; premium to Nifty P/E inches up

- In CY17 YTD, midcaps delivered 28% return, as against 21% by the Nifty. Also, over the last five years, midcaps have outperformed the Nifty by 57%.
- Midcaps now trade at a 42% premium to the Nifty on a P/E basis.

Exhibit 59: Midcaps v/s Nifty P/E (x) – 12-month forward

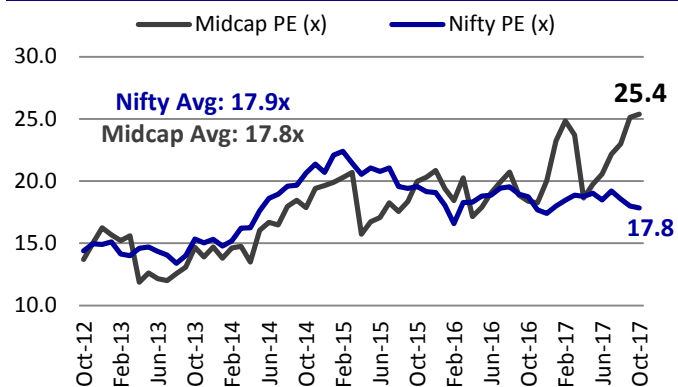


Exhibit 60: Midcaps trading at 42% premium to Nifty

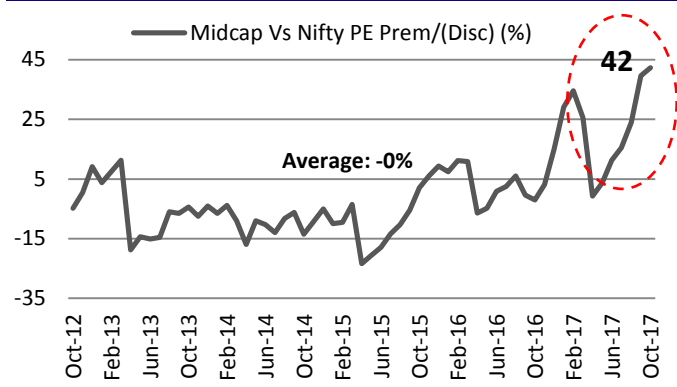
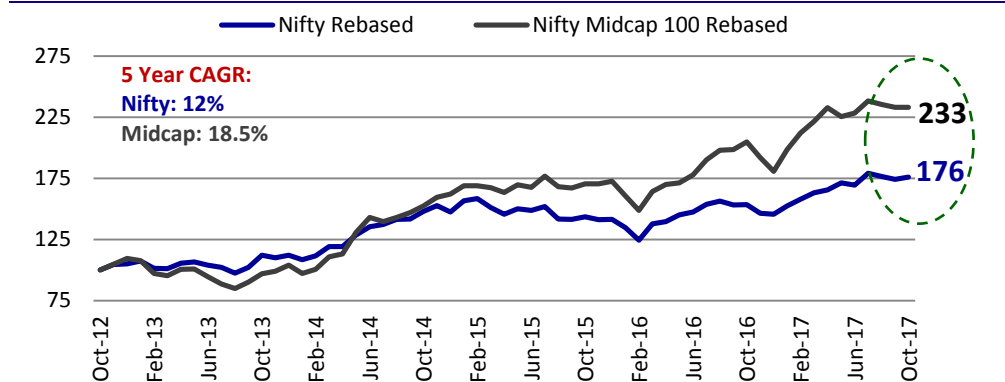


Exhibit 61: Midcaps outperformed large caps by 57% in last five years

Midcaps outperformed the benchmark by 57% in the last five years



Sector valuations: Moderation in domestic macros, GST implementation blurring earnings visibility

- Metals are among the top performing sectors for CY17 YTD, with 36% return. The sector trades at its historical average P/B of 1.6x. EV/EBITDA is at 6.6x, 10% discount to historical average. Steel prices weakened marginally, but spreads are still at multi-year highs. Aluminium prices continue to benefit from supply-side action in China.
- Healthcare is among the underperforming sectors for CY17 YTD, with 6% negative return. The sector trades at a P/E of 22x, near its historical average of 22.6x. Pricing pressure in the US and the new Draft Pharmaceutical Policy 2017 for push to generics are the key concerns in the medium term for Indian pharma companies. Outlook for FY18 remains negative due to structural changes in the US market and pricing pressure. Post implementation of GST, domestic businesses will be the key to watch out for in the coming quarter, as companies expect channel re-stocking in 2QFY18.
- Automobiles sector is trading at a P/E of 18.5x, at 21% premium to its historical average of 15.2x. In September 2017, auto volumes across OEMs grew at a healthy pace, led by inventory build-up ahead of Diwali and an improvement in rural sentiment, led by better crop realizations and spread of monsoon.

Exhibit 62: Sector valuations - Snapshot

Sector	PE (x)			Relative to Nifty P/E (%)		PB (x)			Relative to Nifty P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Auto	18.5	15.2	21.3	3	-12	3.8	3.1	23.0	43	22
Banks - Private	21.1	16.7	26.5	18	-3	2.9	2.2	30.7	9	-13
Banks - PSU	11.1	3.5	214.2	-38	-71	0.8	1.0	-24.1	-71	-61
NBFC	24.0	17.7	35.9	35	4	4.0	3.0	34.7	50	16
Capital Goods	27.5	26.6	3.6	54	52	3.0	3.9	-22.3	12	47
Cement	27.6	18.4	49.5	54	7	3.1	2.3	37.2	15	-12
Consumer	38.1	30.1	26.6	113	78	11.1	9.5	16.9	314	278
Healthcare	22.0	22.6	-2.5	23	33	3.3	3.9	-16.3	22	54
Media	26.1	23.4	11.4	46	36	4.6	3.9	18.1	71	51
Metals	12.1	12.3	-1.6	-32	-28	1.6	1.6	2.1	-41	-41
Oil & Gas	11.3	11.7	-4.0	-37	-30	1.5	1.6	-5.0	-44	-38
Retail	54.1	34.2	58.2	203	100	10.4	9.2	13.8	288	260
Technology	15.3	15.8	-3.3	-14	-6	3.4	4.1	-17.1	27	61
Telecom	Loss	-	-	-	-	2.3	2.6	-11.1	-15	0
Utilities	11.4	15.2	-25.2	-36	-8	1.5	2.0	-23.5	-43	-22

MOSL model portfolio

PORTFOLIO
60% EQUITY

SECTOR WEIGHT / PORTFOLIO PICKS	BSE 100	MOST WEIGHT	WEIGHT RELATIVE TO BSE100	EFFECTIVE SECTOR STANCE
Financials	33.3	33.0	-0.3	Neutral
Private	20.2	22.0	1.8	Overweight
HDFC Bank	8.2	8.0	-0.2	Buy
ICICI Bank	3.9	5.0	1.1	Buy
Yes Bank	1.5	3.0	1.5	Buy
Axis Bank	1.9	4.0	2.1	Neutral
RBL	0.0	2.0	2.0	Buy
PSU	2.7	3.0	0.3	Neutral
SBI	2.1	3.0	0.9	Buy
NBFCs	10.3	8.0	-2.3	Underweight
Mahindra Finance	0.3	2.0	1.7	Buy
HDFC	6.2	5.0	-1.2	Buy
Capital First	0.0	1.0	1.0	Buy
Auto	11.2	11.0	-0.2	Neutral
Tata Motors	1.8	4.0	2.2	Buy
Maruti	2.3	3.0	0.7	Buy
M&M	1.4	2.0	0.6	Buy
Amara Raja	0.0	2.0	2.0	Buy
Technology / Telecom	11.1	10.0	-1.1	Underweight
Infosys	4.0	5.0	1.0	Buy
Bharti Airtel	0.9	3.0	2.1	Buy
Cyient	0.0	2.0	2.0	Buy
Consumption / Retail	12.0	9.0	-3.0	Underweight
ITC	5.1	5.0	-0.1	Neutral
Titan	0.6	2.0	1.4	Neutral
Britannia	0.6	2.0	1.4	Buy
Cap Goods, Infra & Cement	7.7	8.0	0.3	Neutral
Larsen & Toubro	3.1	4.0	0.9	Buy
JK Cement	0.0	2.0	2.0	Buy
Bharat Electronics	0.3	2.0	1.7	Buy
Health Care	5.0	6.0	1.0	Overweight
Sun Pharma	1.2	3.0	1.8	Buy
Aurobindo	0.5	2.0	1.5	Buy
Jubilant Life	0.0	1.0	1.0	Buy
Energy	10.7	8.0	-2.7	Underweight
ONGC	1.1	2.0	0.9	Buy
IOC	0.9	2.0	1.1	Buy
HPCL	0.7	2.0	1.3	Buy
Petronet LNG	0.4	2.0	1.6	Buy
Utilities / Metals	7.2	5.0	-2.2	Underweight
Hindalco	0.8	3.0	2.2	Buy
Coal India	0.8	2.0	1.2	Buy
Midcaps	1.9	10.0	8.1	Overweight
Manpasand Beverages	0.0	1.0	1.0	Buy
Team Lease	0.0	1.0	1.0	Buy
IGL	0.0	1.0	1.0	Neutral
Birla Corp	0.0	1.0	1.0	Buy
Crompton Consumer	0.2	1.0	0.8	Buy
NALCO	0.0	1.0	1.0	Neutral
Granules	0.0	1.0	1.0	Buy
MCX	0.0	1.0	1.0	Buy
AllCargo	0.0	1.0	1.0	Buy
Shriram Transport	0.3	1.0	0.7	Buy
Cash	0.0	0.0	0.00	
TOTAL	100.0	100.0		

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Sectors & Companies

BSE Sensex: 31,592

S&P CNX: 9,889

October 2017



MOSL Universe: 2QFY18 Highlights & Ready Reckoner

Note: In our quarterly performance tables, our four-quarter numbers may not always add up to the full-year numbers. This is because of differences in classification of account heads in the company's quarterly and annual results or because of differences in the way we classify account heads as opposed to the company.

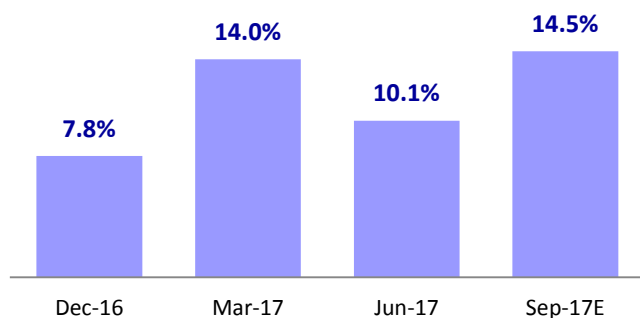
All stock prices and indices as on 5 October 2017, unless otherwise stated.

MOSL Universe: 2QFY18 aggregate performance highlights

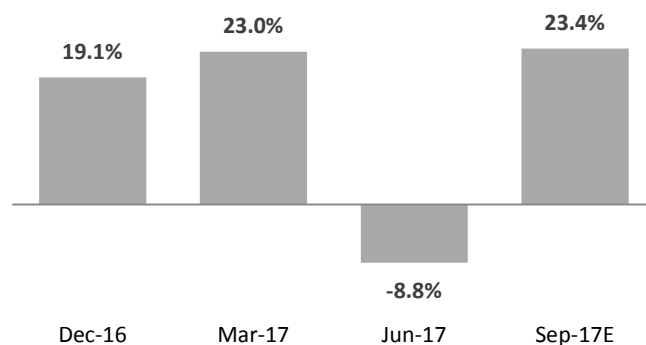
Quarterly Performance - MOSL Universe (INR b)

Sector (Nos of Companies)	Sales			EBITDA			PAT		
	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
Auto (15)	1,438	12.0	17.9	189	13.5	35.9	94	9.4	53.5
Capital Goods (13)	512	9.1	9.4	45	14.0	29.2	26	8.9	27.3
Cement (10)	230	14.9	-7.5	40	0.5	-25.6	19	-15.1	-33.0
Consumer (18)	427	4.3	1.8	102	9.0	6.7	72	9.7	10.4
Financials (34)	784	10.9	3.7	658	14.8	8.9	231	35.0	16.6
Private Banks (11)	285	16.0	3.8	237	14.6	0.3	117	17.8	8.5
PSU Banks (7)	350	2.6	3.5	306	11.5	18.2	46	188.4	37.1
NBFC (16)	150	24.2	4.1	115	24.9	5.6	67	21.4	19.9
Healthcare (20)	418	4.4	15.5	84	-10.4	36.8	50	-22.0	53.2
Logistics (3)	35	12.5	7.8	5	22.2	6.4	3	42.7	7.3
Media (10)	59	2.2	-2.4	17	-2.8	-7.1	7	-9.7	-4.3
Metals (9)	1,246	21.1	7.4	249	40.6	17.0	81	122.7	22.0
Oil & Gas (12)	3,511	26.4	5.6	474	37.8	16.4	329	60.2	73.3
Excl. OMCs (9)	1,301	17.2	11.6	288	17.4	9.3	166	7.7	13.3
Retail (2)	38	14.2	-19.2	3	3.7	-24.2	2	2.6	-22.8
Technology (15)	920	3.8	2.7	202	-1.8	3.0	160	-0.1	2.9
Telecom (4)	373	-10.7	-1.7	112	-22.1	-4.7	-6	PL	PL
Utilities (6)	572	7.6	-1.2	182	23.5	-0.9	76	35.2	0.7
Others (18)	193	21.6	-4.1	29	18.3	-24.0	13	23.7	-37.5
MOSL (189)	10,755	14.5	5.9	2,392	15.3	10.1	1,157	23.4	24.5
MOSL Excl. OMCs (186)	8,545	10.6	6.9	2,207	11.7	8.7	994	12.2	12.2
Sensex (30)	4,884	9.3	8.6	1,348	12.0	11.9	635	12.5	13.4
Nifty (50)	8,255	15.7	6.5	1,813	18.3	12.7	945	29.4	27.8

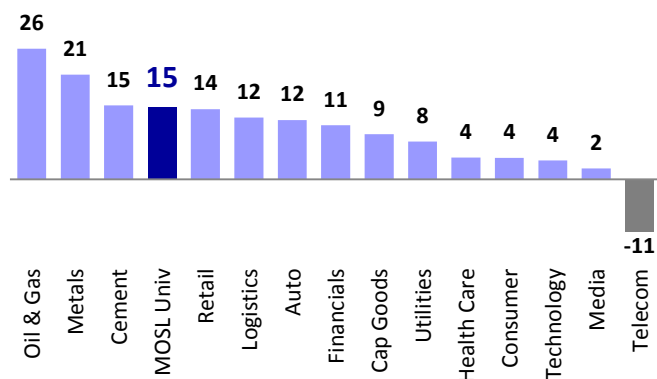
Quarter-wise sales growth (% YoY)



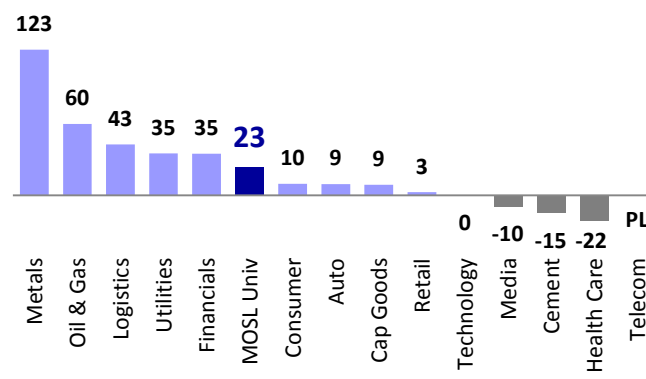
Quarter-wise net profit growth (% YoY)



Sectoral sales growth - quarter ended Sep-17 (%)



Sectoral net profit growth - quarter ended Sep-17 (%)



For Banks: Sales = Net Interest Income, EBITDA = Operating Profits

Annual performance - MOSL universe (INR Billion)

Sector	Sales (INR B)			Change YoY (%)			EBIDTA (INR B)			Change YoY (%)			PAT (INR B)			Change YoY (%)		
	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Auto (15)	5,569	6,327	7,571	3.8	13.6	19.7	792	854	1,175	-2.9	7.8	37.7	323	368	587	-9.9	13.7	59.6
Capital Goods (16)	2,186	2,416	2,713	9.4	10.5	12.3	208	246	297	25.8	17.8	21.0	127	143	178	48.3	13.0	24.4
Cement (13)	1,228	1,468	1,733	4.7	19.6	18.1	236	283	358	16.0	20.0	26.2	105	123	167	18.8	17.7	35.5
Consumer (18)	1,655	1,750	2,052	5.6	5.8	17.3	381	418	486	6.5	9.9	16.2	261	289	337	7.1	10.7	16.7
Financials (36)	2,934	3,239	3,782	10.2	10.4	16.8	2,501	2,611	2,959	19.6	4.4	13.3	666	956	1,339	19.8	43.4	40.1
Private Banks (13)	1,051	1,209	1,437	15.2	15.0	18.9	950	1,025	1,193	19.1	7.9	16.5	406	498	635	-0.7	22.7	27.5
PSU Banks (7)	1,396	1,438	1,640	3.6	3.0	14.1	1,153	1,095	1,175	19.3	-5.0	7.3	45	189	371	LP	323.4	95.7
NBFC (16)	487	592	705	20.8	21.6	19.1	399	492	591	21.8	23.4	20.2	216	268	334	15.1	24.4	24.3
Healthcare (20)	1,583	1,672	1,943	7.2	5.6	16.2	354	342	436	-0.7	-3.5	27.4	229	204	275	10.4	-10.7	34.5
Logistics (3)	123	140	159	-2.1	13.3	13.9	19	20	23	-7.7	1.6	15.9	12	14	16	-6.3	11.2	18.3
Media (12)	252	272	309	7.4	7.8	13.5	73	83	101	11.7	12.7	22.7	35	39	53	5.1	12.1	36.6
Metals (9)	4,405	5,008	5,444	7.4	13.7	8.7	835	1,035	1,221	64.3	23.8	18.0	225	354	478	65.0	57.2	35.0
Oil & Gas (12)	12,629	14,581	16,269	3.6	15.5	11.6	1,675	2,035	2,170	18.3	21.5	6.7	996	1,120	1,188	34.0	12.4	6.1
Excl. OMCs (9)	5,193	6,150	7,064	2.4	18.4	14.9	1,094	1,342	1,484	12.5	22.7	10.6	635	710	800	20.6	11.9	12.6
Retail (2)	156	178	211	13.5	14.4	18.4	14	16	20	16.5	17.9	21.3	9	10	13	12.2	18.3	21.9
Technology (15)	3,556	3,737	4,146	12.9	5.1	11.0	822	835	938	9.0	1.6	12.3	644	649	709	7.9	0.8	9.2
Telecom (4)	1,621	1,511	1,625	-2.0	-6.8	7.5	539	465	515	-1.1	-13.7	10.7	76	-12	3	-20.3	-116.0	-123.5
Utilities (6)	2,354	2,546	2,793	5.3	8.2	9.7	687	835	974	-1.0	21.5	16.7	299	362	411	-10.4	21.0	13.6
Others (24)	886	1,068	1,279	12.6	20.5	19.7	146	173	214	6.8	18.6	23.7	72	86	113	13.5	19.7	31.4
MOSL (205)	41135	45914	52029	5.9	11.6	13.3	9284	10250	11888	14.0	10.4	16.0	4079	4705	5868	14.5	15.4	24.7
Excl. OMCs (202)	33700	37482	42824	6.2	11.2	14.3	8703	9558	11201	13.0	9.8	17.2	3718	4296	5480	11.1	15.6	27.6
Sensex (30)	10072	11226	12859	4.8	11.5	14.5	2749	2952	3435	9.5	7.4	16.4	1246	1411	1774	-0.1	13.2	25.7
Nifty (50)	14774	16514	18747	5.4	11.8	13.5	3494	3829	4457	12.9	9.6	16.4	1623	1876	2320	6.3	15.5	23.7

For Banks: Sales = Net Interest Income, EBIDTA = Operating Profits; Note: Sensex & Nifty Numbers are Free Float

Valuations - MOSL universe

Sector	PE (x)			EV / EBIDTA (x)			P/BV (x)			ROE (%)			Div Yld (%)	EARN. CAGR
	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	(FY17-FY19)
Auto (15)	28.8	25.3	15.9	9.5	10.3	7.2	5.0	4.4	3.6	17.3	17.3	22.8	1.0	34.8
Capital Goods (16)	34.9	30.9	24.8	22.6	19.6	16.0	3.6	3.3	3.0	10.3	10.7	12.2	1.2	18.6
Cement (13)	36.9	31.3	23.1	15.3	14.0	10.9	3.5	3.2	2.9	9.4	10.2	12.4	0.6	26.3
Consumer (18)	46.2	41.7	35.7	28.3	28.2	24.1	12.8	11.9	10.5	27.7	28.4	29.5	1.4	13.7
Financials (36)	33.3	23.2	16.6	N.M	N.M	N.M	2.6	2.3	2.1	7.7	9.9	12.6	0.9	41.8
Private Banks (13)	29.7	24.2	19.0	N.M	N.M	N.M	3.4	3.0	2.7	11.5	12.5	14.2	0.8	25.1
PSU Banks (7)	73.9	17.4	8.9	N.M	N.M	N.M	0.9	0.8	0.8	1.2	4.6	8.6	0.9	187.8
NBFC (16)	31.9	25.6	20.6	N.M	N.M	N.M	5.1	4.4	3.7	15.9	17.0	17.9	1.1	24.4
Healthcare (20)	23.7	26.6	19.8	18.2	16.0	12.3	4.0	3.6	3.2	16.8	13.6	16.0	0.5	9.6
Logistics (3)	31.5	28.3	23.9	15.1	18.7	16.0	3.4	3.2	3.0	10.6	11.2	12.5	1.7	14.7
Media (12)	34.8	31.1	22.8	16.9	13.8	10.9	5.0	4.7	4.1	14.5	15.0	18.2	0.6	23.7
Metals (9)	23.0	14.6	10.8	8.3	7.5	6.0	1.8	1.7	1.5	7.6	11.5	14.1	4.0	45.7
Oil & Gas (12)	13.2	11.7	11.0	7.0	6.0	5.3	1.7	1.6	1.4	13.2	13.5	13.0	3.0	9.2
Excl. OMCs (9)	15.1	13.5	12.0	7.2	6.1	5.1	1.6	1.5	1.4	10.5	10.9	11.4	2.0	12.2
Retail (2)	72.2	61.0	50.1	33.9	37.6	30.8	12.4	11.4	9.8	17.2	18.6	19.6	0.5	20.1
Technology (15)	16.5	16.4	15.0	11.5	11.4	9.9	3.8	3.7	3.3	22.9	22.8	22.0	2.0	4.9
Telecom (4)	36.2	-226.1	960.8	7.3	8.9	7.9	2.5	2.6	2.7	6.9	-1.2	0.3	1.4	-80.6
Utilities (6)	15.5	12.8	11.3	10.6	9.0	7.8	2.3	2.1	1.9	14.6	16.3	16.9	3.7	17.3
Others (24)	37.5	31.4	23.9	15.3	14.8	11.7	7.0	5.8	5.1	18.6	18.4	21.4	1.2	25.4
MOSL (205)	24.2	20.9	16.8	N.M	N.M	N.M	3.0	2.8	2.5	12.6	13.3	15.0	1.6	19.9
MOSL Excl. OMCs (202)	25.6	22.1	17.3	N.M	N.M	N.M	3.1	2.8	2.6	12.0	12.8	14.8	1.5	21.4
Sensex (30)	23.5	21.3	16.9	N.M	N.M	N.M	3.0	2.9	2.6	12.9	13.5	15.1	1.4	19.3
Nifty (50)	23.3	20.3	16.4	N.M	N.M	N.M	3.1	2.9	2.6	13.3	14.2	15.6	1.4	19.5

N.M.: Not Meaningful.

Ready reckoner: Quarterly performance

Sector	CMP		Sales (INR m)			EBITDA (INR m)			PAT (INR m)		
	(INR)	Rating	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
Automobiles											
Amara Raja Batt.	705	Buy	15,474	15.0	3.3	2,006	-12.7	4.0	1,108	-18.7	10.9
Ashok Leyland	123	Buy	61,281	32.6	44.6	6,477	20.7	111.6	3,787	28.6	215.7
Bajaj Auto	3,131	Buy	65,803	8.7	20.9	12,537	-3.3	33.6	11,189	-0.3	18.2
Bharat Forge	632	Buy	12,430	39.5	3.5	3,560	43.8	6.8	1,913	50.8	9.2
Bosch	20,781	Neutral	34,211	31.0	29.2	6,329	34.8	44.2	4,384	0.9	44.9
CEAT	1,718	Buy	17,515	9.7	7.5	1,839	-0.8	236.5	921	-13.9	8614.6
Eicher Motors	30,788	Buy	22,080	25.8	10.4	7,000	29.1	12.8	5,509	33.3	19.9
Endurance Tech.	1,055	Buy	16,250	12.2	4.8	2,256	12.4	5.6	1,082	21.2	12.1
Escorts	665	Neutral	11,944	20.0	2.7	1,069	71.1	9.6	657	91.3	4.8
Exide Inds.	204	Buy	21,680	12.7	3.1	3,278	12.0	1.1	2,016	11.2	6.7
Hero Motocorp	3,757	Neutral	86,146	10.5	8.1	15,201	2.5	8.6	10,017	-0.3	9.6
Mahindra & Mahindra	1,301	Buy	122,241	20.2	10.2	17,543	19.5	20.7	13,591	8.5	76.9
Maruti Suzuki	7,838	Buy	219,928	23.3	25.3	33,188	9.3	42.4	23,323	-2.7	49.9
Tata Motors	423	Buy	690,313	4.8	18.0	72,832	15.9	46.7	12,322	50.4	304.7
TVS Motor	655	Buy	40,304	17.6	18.6	3,472	25.5	64.2	2,209	24.5	70.6
Sector Aggregate			1,437,601	12.0	17.9	188,589	13.5	35.9	94,029	9.4	53.5
Capital Goods											
ABB	1,388	Sell	23,050	12.2	3.7	1,950	28.6	32.4	897	3.0	19.5
Bharat Electronics	164	Buy	19,820	16.4	14.9	2,535	-24.3	55.2	2,211	-35.5	76.5
BHEL	84	Sell	68,859	3.3	25.1	3,846	147.9	LP	2,681	145.9	231.7
Blue Star	780	Neutral	9,610	8.1	-34.2	580	43.2	-35.8	307	53.5	-47.5
CG Consumer Elect.	216	Buy	9,000	1.1	-14.7	990	1.7	-23.5	595	7.4	-25.8
CG Power & Indl.	81	Neutral	12,915	8.7	2.4	697	-19.8	6.8	362	-59.3	95.6
Cummins India	919	Buy	14,050	9.9	4.8	2,250	13.1	15.2	1,940	-1.5	16.8
GE T&D India	390	Neutral	9,300	11.5	-23.1	700	106.2	-33.6	370	79.8	-39.9
Havells India	506	Neutral	19,030	31.0	2.3	2,165	6.5	25.6	1,386	-1.6	14.2
Larsen & Toubro	1,132	Buy	266,500	6.6	11.9	24,900	8.4	21.1	11,450	10.9	28.3
Siemens	1,214	Neutral	39,414	27.5	48.7	3,271	35.5	45.1	2,693	46.0	65.3
Thermax	920	Neutral	9,303	6.8	30.4	814	5.3	89.6	623	4.4	92.0
Voltas	518	Sell	10,798	11.6	-44.5	761	10.7	-64.2	714	2.5	-61.6
Sector Aggregate			511,648	9.1	9.4	45,460	14.0	29.2	26,229	8.9	27.3
Cement											
ACC	1,702	Neutral	28,613	15.8	-13.6	2,862	27.3	-42.2	1,926	129.1	-40.1
Ambuja Cements	274	Buy	22,933	14.4	-18.8	3,490	26.4	-43.1	2,918	5.3	-25.6
Birla Corporation	918	Buy	12,686	64.9	-13.0	1,721	124.5	-28.4	216	-63.1	-54.0
Dalmia Bharat	2,755	Buy	18,677	11.5	-9.3	4,496	15.2	-19.2	1,012	225.5	-30.4
Grasim Industries*	1,160	Neutral	29,929	20.3	9.2	5,514	4.0	-0.7	4,976	-16.0	43.3
India Cements	182	Neutral	12,627	-3.4	-2.1	1,636	-27.1	-11.9	183	-70.6	-30.6
J K Cements	980	Buy	9,990	9.7	-4.1	1,597	9.3	-19.2	560	36.9	-29.4
Ramco Cements	705	Buy	9,931	-1.9	-2.3	2,536	-27.4	-8.8	1,414	-31.7	-9.2
Shree Cement	18,718	Buy	20,719	3.2	-18.3	4,406	-32.9	-35.2	2,793	-4.2	-36.5
Ultratech Cement	3,897	Buy	64,259	19.1	-3.0	11,627	6.3	-25.5	3,067	-49.0	-65.6
Sector Aggregate			230,365	14.9	-7.5	39,884	0.5	-25.6	19,067	-15.1	-33.0
Consumer											
Asian Paints	1,152	Neutral	42,337	12.5	11.0	8,106	13.7	21.8	5,271	10.7	20.3
Britannia	4,360	Buy	24,792	5.0	11.4	3,783	20.8	30.6	2,788	19.1	29.1
Colgate	1,088	Buy	10,903	4.0	12.5	3,217	17.1	45.0	2,008	10.7	47.2
Dabur	317	Neutral	20,251	2.5	13.1	4,250	5.5	37.6	3,810	6.7	36.3
Emami	1,101	Buy	6,226	6.5	15.1	1,882	7.4	134.7	1,390	4.0	129.6
Godrej Consumer	961	Neutral	26,744	13.5	23.1	5,510	19.0	59.6	3,798	18.3	63.2
GSK Consumer	4,990	Neutral	10,965	1.5	11.3	2,324	-5.2	39.7	1,753	-4.6	32.6
Hind. Unilever	1,188	Buy	78,427	0.0	-8.0	15,615	11.2	-16.3	11,935	10.3	-7.6
ITC	266	Neutral	99,022	2.5	-0.5	38,693	6.6	3.3	27,378	9.5	6.9
Jyothy Labs	396	Neutral	4,500	8.5	26.4	741	16.3	69.7	454	41.9	120.2
Marico	313	Neutral	15,829	10.0	-5.9	2,663	6.8	-17.9	1,954	8.2	-17.2
Nestle	7,257	Neutral	23,194	-0.2	-2.8	4,600	-5.0	3.9	2,795	-7.5	11.5

Ready reckoner: Quarterly performance

Sector	CMP		Sales (INR m)			EBITDA (INR m)			PAT (INR m)		
	(INR)	Rating	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
P&G Hygiene	8,527	Neutral	6,725	12.0	33.7	1,910	26.4	45.7	1,278	22.4	63.8
Page Industries	18,501	Buy	6,453	20.0	-7.3	1,290	20.0	-5.5	825	20.1	-3.3
Parag Milk Foods	262	Neutral	5,201	10.0	26.0	415	10.0	41.3	189	32.2	79.9
Pidilite Inds.	794	Neutral	14,531	2.5	-5.0	3,568	10.6	11.1	2,414	4.6	6.8
United Breweries	839	Buy	11,045	7.0	-34.0	1,138	-3.8	-64.2	297	22.6	-81.6
United Spirits	2,399	Neutral	20,278	-1.0	13.8	2,638	11.9	67.6	1,238	26.6	94.3
Sector Aggregate			427,423	4.3	1.8	102,342	9.0	6.7	71,574	9.7	10.4
Healthcare											
Alembic Pharma	503	Neutral	8,491	-2.6	31.0	1,494	-15.6	47.3	986	-16.9	47.9
Alkem Lab	1,832	Neutral	17,265	5.4	33.3	3,108	0.1	229.3	2,492	-11.9	290.8
Ajanta Pharma	1,155	Buy	4,999	-3.1	5.7	1,425	-17.8	9.0	1,048	-19.8	6.9
Aurobindo Pharma	742	Buy	43,201	14.4	17.4	11,016	18.5	30.9	7,112	20.3	36.1
Biocon	344	Sell	10,939	16.4	17.2	2,625	16.7	36.7	1,389	-5.5	126.5
Cadila Health	501	Buy	29,552	25.6	34.5	7,240	40.3	161.1	4,791	41.9	246.1
Cipla	585	Neutral	42,975	14.6	21.9	7,717	13.4	19.4	4,159	17.4	1.7
Divis Labs	864	Neutral	9,224	-7.0	12.3	2,998	-18.5	22.4	2,161	-28.7	22.4
Dr Reddy's Labs	2,387	Neutral	37,374	4.2	12.7	6,914	14.8	126.1	3,469	6.9	486.9
Fortis Health	150	Buy	13,392	12.0	15.8	1,286	29.9	49.3	135	-56.5	-40.9
Glenmark Pharma	611	Neutral	23,160	6.6	-0.6	3,474	-12.7	-36.1	1,863	-15.1	-44.1
GSK Pharma	2,437	Neutral	8,768	12.0	49.4	1,534	23.3	LP	1,268	28.5	820.8
IPCA Labs.	528	Neutral	8,891	2.0	24.7	1,423	11.1	561.1	759	61.0	LP
Jubilant Life	653	Buy	17,353	25.2	11.5	3,696	8.6	9.5	1,676	15.8	16.6
Lupin	1,028	Buy	41,041	-4.3	6.1	8,824	-14.2	14.8	4,540	-31.4	26.8
Sanofi India	4,063	Buy	6,911	10.7	15.1	1,513	4.6	31.1	889	10.3	20.6
Shilpa Medicare	584	Buy	1,930	-8.6	14.5	405	-17.2	18.9	287	-24.9	30.0
Strides Shasun	857	Buy	8,952	-6.1	6.3	1,298	-9.5	48.7	439	-40.7	125.9
Sun Pharma	514	Buy	67,603	-12.9	9.6	12,507	-53.1	18.7	8,296	-62.9	57.8
Torrent Pharma	1,247	Neutral	16,461	17.1	22.1	4,001	21.2	34.7	2,408	16.3	28.1
Sector Aggregate			418,482	4.4	15.5	84,498	-10.4	36.8	50,167	-22.0	53.2
Logistics											
Allcargo Logistics	169	Buy	16,042	13.9	8.1	1,091	-13.4	6.0	626	-3.9	-0.7
Concor	1,326	Neutral	15,482	12.3	6.3	3,445	50.6	5.4	2,622	66.1	7.7
Gateway Distriparks	241	Buy	3,035	6.2	14.0	513	-11.8	14.0	181	4.9	36.4
Sector Aggregate			34,559	12.5	7.8	5,049	22.2	6.4	3,429	42.7	7.3
Media											
D B Corp	379	Buy	5,512	2.3	-7.2	1,508	0.2	-19.1	893	0.9	-18.9
Dish TV	71	Buy	7,547	-3.2	2.1	2,080	-21.3	3.4	24	-96.6	LP
Ent.Network	809	Neutral	1,266	-2.3	21.3	265	14.5	58.6	66	-17.0	295.0
HT Media	97	Neutral	5,822	-3.3	-2.8	585	15.9	-26.8	240	-22.2	-42.1
Jagran Prakashan	177	Buy	5,913	28.8	0.0	904	-25.5	-44.0	219	-71.0	-74.7
Music Broadcast	382	Buy	872	7.7	24.1	241	-13.7	8.5	121	-25.2	11.9
PVR	1,297	Buy	5,930	7.0	-6.8	1,008	8.4	-10.0	291	-0.2	-34.6
Siti Networks	25	Neutral	3,516	21.7	-3.7	772	63.1	-23.6	-265	Loss	Loss
Sun TV	781	Neutral	6,686	6.9	-15.0	4,770	2.3	6.4	2,825	4.5	12.3
Zee Entertainment	522	Buy	15,745	-7.1	2.2	4,712	-3.7	-2.7	3,078	6.9	10.3
Sector Aggregate			58,808	2.2	-2.4	16,844	-2.8	-7.1	7,493	-9.7	-4.3
Metals											
Hindalco	241	Buy	266,122	9.9	-0.7	34,241	12.1	4.2	11,073	126.2	13.7
Hindustan Zinc	313	Neutral	51,041	44.8	11.5	28,986	39.6	21.6	21,478	12.9	14.5
JSPL	148	Buy	57,840	19.0	-2.6	12,390	46.0	-8.4	-6,373	Loss	Loss
JSW Steel	249	Buy	149,094	12.7	1.4	32,441	9.6	24.0	11,625	60.0	86.3
Nalco	80	Neutral	20,983	13.7	16.4	3,216	86.6	41.4	1,758	45.0	36.3
NMDC	119	Buy	24,442	40.5	-14.0	12,314	49.1	-24.0	8,406	33.6	-26.1
SAIL	54	Sell	138,572	23.4	19.7	8,552	667.5	LP	-6,629	Loss	Loss
Tata Steel	660	Neutral	325,089	23.3	10.0	53,179	79.1	6.9	17,333	LP	12.9
Vedanta	318	Buy	213,073	34.3	16.5	63,363	35.8	30.0	22,085	76.4	44.8
Sector Aggregate			1,246,256	21.1	7.4	248,682	40.6	17.0	80,754	122.7	22.0

Ready reckoner: Quarterly performance

Sector	CMP		Sales (INR m)			EBITDA (INR m)			PAT (INR m)		
	(INR)	Rating	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
Oil & Gas											
BPCL	480	Buy	606,020	35.6	6.1	35,783	106.8	82.9	39,135	199.8	425.6
GAIL	431	Sell	131,905	11.2	15.6	20,585	35.8	8.4	12,207	32.0	19.0
Gujarat Gas	907	Sell	14,836	19.9	0.4	2,281	7.2	-15.4	904	25.8	-13.4
Gujarat State Petronet	195	Neutral	3,569	39.2	20.5	3,129	39.4	13.4	1,793	38.1	17.5
HPCL	436	Buy	543,603	29.3	1.8	33,364	79.4	3.7	31,860	354.3	244.5
IOC	406	Buy	1,060,179	32.5	0.6	116,073	87.1	27.3	92,189	195.3	244.4
Indraprastha Gas	1,438	Neutral	11,360	18.0	8.3	2,849	10.6	2.7	1,735	11.8	7.6
MRPL	127	Sell	113,907	14.3	11.0	13,578	72.9	133.0	7,338	76.5	213.6
Oil India	349	Buy	23,102	3.0	-0.9	7,588	1.5	-13.2	5,386	-7.2	19.6
ONGC	171	Buy	199,763	9.2	4.7	104,151	9.2	5.4	43,488	-12.6	11.9
Petronet LNG	239	Buy	65,436	-1.1	1.7	7,793	7.3	4.7	4,932	7.3	12.7
Reliance Inds.	824	Neutral	737,250	23.7	14.8	126,447	19.8	9.1	88,212	14.5	7.6
Oil & Gas Sector Aggregate			3,510,930	26.4	5.6	473,621	37.8	16.4	329,177	60.2	73.3
Oil & Gas Excl. OMCs			1,301,129	17.2	11.6	288,400	17.4	9.3	165,993	7.7	13.3
Retail											
Jubilant Foodworks	1,482	Sell	7,388	11.0	8.8	677	5.3	-15.0	215	-0.3	-9.8
Titan Company	596	Neutral	30,319	15.0	-23.9	2,692	3.4	-26.2	1,892	3.0	-24.1
Sector Aggregate			37,707	14.2	-19.2	3,368	3.7	-24.2	2,107	2.6	-22.8
Technology											
Cyient	506	Buy	9,665	5.8	6.6	1,356	5.6	16.9	1,054	8.3	20.3
HCL Technologies	891	Neutral	124,999	8.5	2.9	26,620	6.0	-0.7	22,055	9.5	1.6
Hexaware Tech.	265	Neutral	9,884	9.3	0.5	1,636	3.8	2.4	1,257	12.9	2.7
Infosys	903	Buy	175,683	1.5	2.9	45,455	-4.0	-0.3	35,503	-1.5	1.8
KPIT Tech.	129	Neutral	8,794	5.8	1.0	759	-17.0	-4.6	505	-10.1	-9.1
L&T Infotech	805	Buy	17,131	6.9	2.5	2,865	-5.9	2.4	2,772	19.2	3.7
Mindtree	478	Neutral	13,280	2.5	3.0	1,570	-3.2	9.4	1,091	15.1	17.2
Mphasis	610	Neutral	15,780	4.0	2.7	2,402	-2.5	4.7	2,053	-5.2	9.7
NIIT Tech.	562	Neutral	7,249	4.6	2.3	1,179	3.0	6.4	643	8.9	25.3
Persistent Systems	636	Buy	7,578	7.6	4.1	1,167	5.4	11.9	764	3.9	1.7
Tata Elxsi	827	Buy	3,488	15.0	7.9	882	18.4	20.2	541	15.6	8.8
TCS	2,430	Neutral	304,737	4.1	3.0	78,720	-2.9	6.2	63,594	-3.4	7.0
Tech Mahindra	451	Buy	75,582	5.5	3.0	10,356	-3.2	10.8	7,772	20.5	-2.7
Wipro	284	Neutral	138,122	0.3	1.4	26,380	-0.6	-1.1	19,544	-5.5	-5.9
Zensar Tech	746	Buy	7,544	-2.1	2.4	801	-27.9	7.1	543	-22.9	15.0
Sector Aggregate			919,516	3.8	2.7	202,148	-1.8	3.0	159,690	-0.1	2.9
Telecom											
Bharti Airtel	378	Buy	216,952	-12.0	-1.2	74,824	-20.7	-3.6	2,086	-85.8	-46.4
Bharti Infratel	405	Buy	36,201	10.0	2.7	16,166	11.5	2.6	8,154	5.4	22.8
Idea Cellular	74	Buy	76,001	-18.3	-6.9	15,332	-46.0	-18.2	-16,313	PL	Loss
Tata Comm	698	Buy	43,857	-2.7	1.8	5,863	-11.5	5.0	361	-57.2	9.8
Sector Aggregate			373,010	-10.7	-1.7	112,186	-22.1	-4.7	-5,712	PL	PL
Utilities											
CESC	1,003	Buy	18,869	-6.4	-13.6	5,253	-11.1	-13.5	2,513	3.8	41.2
Coal India	273	Buy	186,200	14.8	-2.8	27,902	275.7	-20.8	20,624	243.7	-12.3
JSW Energy	77	Sell	20,671	1.0	-7.4	8,678	-9.9	-0.1	2,043	-6.0	-6.0
NTPC	171	Buy	202,242	4.3	0.6	57,397	6.5	8.9	24,356	4.0	-5.4
Power Grid Corp.	205	Buy	72,542	16.4	1.0	65,169	16.8	3.9	20,897	11.4	1.8
Tata Power	79	Sell	71,080	-1.4	2.0	17,557	20.1	-4.1	5,444	61.9	232.4
Sector Aggregate			571,604	7.6	-1.2	181,957	23.5	-0.9	75,877	35.2	0.7
Others											
Arvind	382	Neutral	26,109	12.0	5.5	2,506	7.9	21.1	835	9.4	34.0
Avenue Supermarts	1,104	Neutral	39,118	39.9	8.7	3,521	40.6	16.1	2,103	68.6	20.3
Bata India	725	UR	6,421	10.0	-13.6	629	17.6	-34.1	404	16.7	-33.2
BSE	985	Neutral	1,132	-18.7	-3.6	185	-59.4	-39.6	592	-7.5	19.0
Castrol India	356	Buy	8,366	10.2	-3.9	2,186	4.1	4.4	1,504	7.6	9.1
Delta Corp	209	Buy	1,800	34.0	39.9	684	20.6	50.9	413	27.6	95.3

Ready reckoner: Quarterly performance

Sector	CMP		Sales (INR m)			EBITDA (INR m)			PAT (INR m)		
	(INR)	Rating	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
Indo Count Inds.	108	Neutral	5,763	0.0	33.5	986	-15.3	50.9	517	-17.5	61.8
Info Edge	1,059	Buy	2,313	10.2	4.0	741	6.6	5.3	667	-16.7	3.9
Interglobe Aviation	1,100	Neutral	49,659	19.2	-13.7	11,911	23.1	-38.9	2,198	57.2	-72.9
Kaveri Seed	519	Buy	745	10.0	-87.4	43	28.1	-97.9	73	-6.1	-96.4
MCX	1,048	Buy	647	8.6	16.2	176	-9.4	79.4	371	-1.5	24.7
Manpasand Beverages	477	Buy	1,281	25.0	-57.5	268	20.4	-52.5	62	15.3	-82.6
Navneet Education	163	Buy	2,142	25.0	-62.1	428	43.8	-73.6	278	49.7	-74.6
P I Industries	739	Buy	6,256	15.0	7.0	1,091	51.2	-16.3	759	66.4	-24.2
Quess Corp	824	Buy	15,030	47.7	26.5	877	59.1	38.2	540	79.4	63.1
SRF	1,560	Buy	14,037	15.5	1.1	2,541	9.2	21.5	1,147	1.0	10.5
S H Kelkar	265	Buy	2,953	12.0	16.7	523	25.6	22.4	333	37.0	24.2
Team Lease Serv.	1,620	Buy	9,121	26.2	6.9	137	59.6	5.5	146	61.3	-11.1
Sector Aggregate			192,894	21.6	-4.1	29,435	18.3	-24.0	12,942	23.7	-37.5

PL: Profit to Loss; LP: Loss to Profit; UR: Under Review; *Grasim: Financials are only for VSF and chemical business and does not include impact of ABNL merger

Ready reckoner: Quarterly performance

Sector	CMP		SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
	(INR)	Rating	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
Financials											
Private Banks											
Axis Bank	501	Neutral	47,308	4.8	2.5	42,134	2.8	-1.8	13,057	309.2	0.0
DCB Bank	187	Neutral	2,355	23.7	1.0	1,237	22.6	-9.3	630	29.9	-3.4
Equitas Holdings	152	Buy	2,262	12.8	4.7	318	-64.0	-54.1	58	-87.5	-62.8
Federal Bank	114	Buy	8,707	19.9	8.7	5,904	24.3	5.8	2,798	39.0	33.1
HDFC Bank	1,799	Buy	97,661	22.2	4.2	75,559	25.4	0.5	42,286	22.4	8.6
ICICI Bank	272	Buy	56,199	7.0	0.5	53,666	8.3	3.5	25,538	-17.7	24.6
IDFC Bank	57	Neutral	5,745	15.9	48.1	3,200	-45.0	-50.6	2,067	-46.7	-52.8
IndusInd Bank	1,691	Buy	18,498	26.7	4.3	16,378	27.8	3.1	8,962	27.3	7.1
Kotak Mahindra Bank	1,031	Buy	23,037	15.5	2.6	17,662	22.6	10.7	10,259	26.1	12.4
RBL Bank	513	Buy	4,302	42.0	13.7	3,389	54.7	8.8	1,622	80.4	15.0
Yes Bank	359	Buy	18,624	31.9	3.0	17,314	24.9	1.6	10,210	27.4	5.7
Pvt Banking Sector Aggregate			284,698	16.0	3.8	236,763	14.6	0.3	117,485	17.8	8.5
PSU Banks											
Bank of Baroda	140	Buy	35,041	2.3	2.9	27,539	2.4	4.0	5,383	-2.5	164.6
Bank of India	139	Neutral	25,727	-5.4	1.6	15,805	-36.6	-33.6	-2,748	PL	PL
Canara Bank	310	Neutral	27,138	11.1	0.0	22,761	6.3	-7.9	5,355	50.0	112.8
Indian Bank	268	Buy	14,711	15.1	0.8	10,470	4.1	-16.4	3,992	-1.5	7.2
Punjab National Bank	132	Buy	39,167	0.9	1.6	29,941	-9.6	-6.9	4,159	-24.3	21.1
State Bank	251	Buy	184,996	2.2	5.1	181,012	29.4	52.4	29,034	LP	44.8
Union Bank	126	Neutral	23,197	1.9	3.4	18,623	2.3	-9.4	1,169	-33.9	0.2
PSU Banking Sector Aggregate			349,976	2.6	3.5	306,151	11.5	18.2	46,343	188.4	37.1
NBFC											
Bajaj Finance	1,866	Buy	20,393	46.6	-1.6	11,523	44.9	-4.8	5,670	39.1	-5.8
Bharat Financial	968	Neutral	2,233	5.5	13.3	1,631	5.3	17.5	1,231	-15.6	LP
Capital First	745	Buy	4,552	44.5	9.7	2,668	45.3	11.1	749	30.1	11.6
Chola. Inv & Fin.	1,087	Buy	7,219	23.1	5.2	4,381	28.7	5.3	2,133	24.8	3.2
Dewan Housing	559	Buy	6,211	26.2	9.7	5,065	27.5	9.2	2,947	26.7	13.1
GRUH Finance	532	Neutral	1,727	30.5	6.8	1,371	30.6	0.6	751	21.2	4.0
HDFC	1,752	Buy	26,924	17.2	4.1	25,304	17.3	6.7	21,661	18.6	39.2
Indiabulls Housing	1,259	Buy	11,809	33.9	-0.2	11,166	21.2	5.3	8,303	21.3	5.3
L&T Fin.Holdings	194	Buy	11,206	19.9	9.2	9,000	37.3	11.7	3,230	30.2	4.5
LIC Housing Fin	648	Neutral	9,534	10.1	1.8	8,499	7.5	3.3	5,337	7.9	13.5
M & M Financial	416	Buy	9,698	23.8	12.8	5,735	27.3	17.2	1,448	52.8	205.7
Muthoot Finance	477	Buy	8,780	16.1	4.1	5,919	23.4	6.0	3,750	26.4	6.8
PNB Housing	1,511	Buy	3,745	64.0	9.0	3,496	89.2	5.5	1,947	41.4	5.4
Repco Home Fin	642	Buy	1,051	16.4	9.6	947	13.1	10.2	534	16.9	18.3
Shriram City Union	2,083	Buy	8,421	14.6	3.2	5,250	16.0	5.5	2,307	12.8	19.0
Shriram Transport Fin.	1,056	Buy	16,161	19.4	2.0	13,082	23.9	3.1	4,717	21.7	5.1
NBFC Banking Sector Aggregate			149,664	24.2	4.1	115,036	24.9	5.6	66,716	21.4	19.9
Financials Sector Aggregate			784,339	10.9	3.7	657,951	14.8	8.9	230,544	35.0	16.6

PL: Profit to Loss; LP: Loss to Profit; UR: Under Review

Ready reckoner: Full year valuations

Sector / Companies	CMP (INR)	Rating	EPS (INR)			PE (x)			EV/EBIDTA (x)			RoE (%)		
			FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Automobiles														
Amara Raja Batt.	705	Buy	28.0	25.6	32.9	25.2	27.6	21.4	17.6	14.6	11.3	20.3	15.8	17.7
Ashok Leyland	123	Buy	4.6	5.3	7.0	26.9	23.0	17.4	9.8	11.9	9.1	23.1	23.8	27.0
Bajaj Auto	3,131	Buy	132.3	144.4	174.3	23.7	21.7	18.0	15.3	16.0	12.9	25.3	23.2	25.3
Bharat Forge	632	Buy	13.1	18.3	25.5	48.3	34.6	24.8	20.7	18.4	14.5	16.2	19.3	22.9
Bosch	20,781	Neutral	473.1	540.8	698.6	43.9	38.4	29.7	32.6	24.1	18.8	15.8	17.8	20.5
CEAT	1,718	Buy	93.3	94.2	126.8	18.4	18.2	13.5	9.1	10.2	8.0	16.9	14.8	17.3
Endurance Tech.	1,055	Buy	23.5	29.6	39.3	44.9	35.6	26.9	14.6	16.8	13.9	20.8	21.8	24.0
Eicher Motors	30,788	Buy	612.7	826.7	1119.2	50.3	37.2	27.5	29.7	28.2	21.3	37.1	36.1	36.4
Escorts	665	Neutral	20.0	37.1	45.8	33.3	17.9	14.5	20.6	15.8	12.7	10.6	17.3	18.3
Exide Inds.	204	Buy	8.1	8.9	10.8	25.1	22.8	19.0	15.1	11.6	9.5	13.9	13.8	14.8
Hero Motocorp	3,757	Neutral	169.1	185.0	197.1	22.2	20.3	19.1	12.6	13.0	12.4	35.7	34.0	31.4
Mahindra & Mahindra	1,301	Buy	54.3	69.5	81.7	23.9	18.7	15.9	5.9	4.9	4.2	14.2	13.5	14.3
Maruti Suzuki	7,838	Buy	248.6	285.5	381.7	31.5	27.5	20.5	15.0	16.8	12.4	20.3	20.4	23.0
Tata Motors	423	Buy	19.8	20.0	61.3	21.4	21.1	6.9	4.2	5.0	2.9	9.8	11.0	27.4
TVS Motor	655	Buy	11.7	15.1	24.5	55.8	43.4	26.7	25.3	28.0	18.0	25.6	26.7	34.2
Sector Aggregate						28.8	25.3	15.9	9.5	10.3	7.2	17.3	17.3	22.8
Capital Goods														
ABB	1,388	Sell	19.7	22.4	31.6	70.5	61.9	43.9	33.6	32.1	23.8	12.7	12.6	15.8
Bharat Electronics	164	Buy	6.3	6.7	7.4	26.0	24.4	22.0	17.7	17.5	15.9	20.6	17.1	17.0
BHEL	84	Sell	1.3	2.7	3.8	62.5	30.8	22.2	34.9	10.9	10.1	1.5	3.1	4.1
Blue Star	780	Neutral	12.9	17.1	25.5	60.6	45.7	30.6	28.6	25.8	18.6	18.0	20.9	28.9
CG Consumer Elect.	216	Buy	4.7	5.0	6.3	46.1	42.9	34.2	29.0	27.2	22.2	76.4	49.7	48.8
CG Power & Indl.	81	Neutral	4.1	2.0	2.5	19.6	39.6	31.7	17.7	21.4	17.8	6.2	3.0	3.7
Cummins India	919	Buy	26.5	27.7	35.0	34.7	33.2	26.3	32.0	27.7	21.5	21.2	19.7	22.8
GE T&D India	390	Neutral	5.7	9.3	11.3	68.0	41.9	34.5	40.0	25.2	20.0	12.4	21.5	22.7
Havells India	506	Neutral	9.6	10.7	13.9	52.9	47.1	36.3	32.9	30.7	23.0	18.2	18.3	20.9
K E C International	311	Neutral	11.9	13.1	16.4	26.2	23.8	18.9	8.7	10.4	8.3	21.2	19.5	20.9
Larsen & Toubro	1,132	Buy	42.3	46.5	56.6	26.8	24.3	20.0	19.5	17.4	14.4	12.5	12.4	13.8
Siemens	1,214	Neutral	17.8	21.7	33.4	68.1	56.0	36.3	40.5	36.2	24.3	9.3	9.8	13.8
Solar Inds.	920	Neutral	20.6	24.2	30.0	44.6	38.0	30.7	22.7	21.6	17.8	19.8	19.8	20.9
Thermax	920	Neutral	30.8	30.1	33.4	29.8	30.5	27.5	21.9	20.5	17.7	14.3	12.7	12.8
Va Tech Wabag	586	Buy	29.8	34.6	39.8	19.7	16.9	14.7	12.6	8.5	7.3	16.8	17.6	17.4
Voltas	518	Sell	15.5	16.8	19.1	33.5	30.9	27.1	19.4	22.1	19.1	18.0	15.8	16.0
Sector Aggregate						34.9	30.9	24.8	22.6	19.6	16.0	10.3	10.7	12.2
Cement														
ACC	1,702	Neutral	36.1	51.0	66.9	47.1	33.4	25.4	20.1	19.6	14.9	7.9	10.8	13.5
Ambuja Cements	274	Buy	4.9	7.0	8.2	56.1	39.5	33.3	29.0	29.0	23.5	5.1	7.0	7.9
Birla Corporation	918	Buy	28.5	40.9	58.9	32.2	22.4	15.6	15.5	10.0	8.5	7.1	9.2	12.2
Dalmia Bharat	2,755	Buy	38.8	62.9	88.3	71.1	43.8	31.2	11.7	12.9	11.2	7.2	10.7	13.3
Grasim Industries	1,160	Neutral	67.8	70.6	101.2	17.1	16.4	11.5	5.7	4.7	3.7	10.8	10.0	12.9
India Cements	182	Neutral	5.6	7.5	10.8	32.4	24.2	16.8	9.2	9.2	7.6	3.4	4.4	6.1
J K Cements	980	Buy	33.7	39.7	54.4	29.1	24.7	18.0	13.6	12.2	10.4	14.4	14.8	17.5
JK Lakshmi Cem.	393	Buy	7.0	9.7	16.4	56.5	40.4	23.9	20.0	14.6	10.7	6.1	8.0	12.3
Orient Cement	155	Buy	-1.6	4.4	7.1	-98.8	35.0	21.8	22.2	12.6	9.9	-3.2	8.8	12.8
Prism Cement	104	Buy	0.3	3.5	5.6	381.0	29.9	18.6	21.3	15.2	11.1	1.4	17.0	22.9
Ramco Cements	705	Buy	27.3	27.4	34.4	25.8	25.7	20.5	14.6	15.4	12.7	19.0	16.1	17.5
Shree Cement	18,718	Buy	384.4	507.1	547.8	48.7	36.9	34.2	23.8	24.3	18.6	18.4	20.8	18.8
Ultratech Cement	3,897	Buy	96.1	92.1	138.8	40.6	42.3	28.1	21.8	19.3	14.3	11.6	10.1	14.0
Sector Aggregate						36.9	31.3	23.1	15.3	14.0	10.9	9.4	10.2	12.4
Consumer														
Asian Paints	1,152	Neutral	21.0	22.2	26.5	54.8	51.9	43.5	33.2	33.1	27.5	28.5	26.7	28.1
Britannia	4,360	Buy	73.7	85.3	104.6	59.2	51.1	41.7	33.9	36.2	29.1	36.9	34.3	34.5
Colgate	1,088	Buy	21.2	24.5	29.8	51.3	44.5	36.6	28.4	26.9	22.2	50.4	50.8	58.2
Dabur	317	Neutral	7.2	7.7	9.1	43.7	40.9	34.6	30.6	33.6	28.3	28.4	26.0	26.3
Emami	1,101	Buy	26.5	26.9	33.1	41.5	40.9	33.2	32.1	31.6	26.1	35.8	32.0	33.9
Godrej Consumer	961	Neutral	18.9	21.5	24.7	50.8	44.6	38.9	31.0	31.3	27.3	24.6	24.2	22.8
GSK Consumer	4,990	Neutral	156.1	158.1	182.1	32.0	31.6	27.4	22.3	21.0	18.2	22.2	21.1	22.6
Hind. Unilever	1,188	Buy	19.6	22.9	27.4	60.5	51.8	43.4	31.7	35.8	30.0	66.5	76.2	87.2

Ready reckoner: Full year valuations

Sector / Companies	CMP (INR)	Rating	EPS (INR)			PE (x)			EV/EBIDTA (x)			RoE (%)		
			FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
ITC	266	Neutral	8.4	9.3	10.3	31.6	28.6	25.7	22.5	19.6	17.5	23.5	24.8	26.3
Jyothy Labs	396	Neutral	11.2	9.8	11.1	35.3	40.3	35.6	27.2	27.0	22.9	21.1	16.5	18.4
Marico	313	Neutral	6.3	6.8	8.2	49.8	45.9	38.0	33.0	32.3	27.0	36.7	34.9	37.7
Nestle	7,257	Neutral	118.0	115.0	133.6	61.5	63.1	54.3	34.7	38.1	32.4	39.0	35.5	38.1
P&G Hygiene	8,527	Neutral	132.9	151.6	176.0	64.1	56.3	48.4	36.6	35.5	30.2	39.3	64.9	62.8
Page Industries	18,501	Buy	238.7	294.7	398.4	77.5	62.8	46.4	39.5	39.7	29.7	40.0	39.6	43.1
Parag Milk Foods	262	Neutral	3.6	9.1	12.5	72.6	28.7	21.0	19.1	13.4	10.9	6.0	11.0	13.3
Pidilite Inds.	794	Neutral	16.7	18.1	20.6	47.4	44.0	38.6	27.7	28.9	24.9	28.2	25.2	23.5
United Breweries	839	Buy	8.7	9.9	14.0	96.7	84.8	59.9	31.1	32.1	26.0	10.2	10.7	13.6
United Spirits	2,399	Neutral	26.7	34.5	51.5	89.7	69.5	46.6	35.7	35.7	26.8	21.3	18.0	20.3
Sector Aggregate						46.2	41.7	35.7	28.3	28.2	24.1	27.7	28.4	29.5
Healthcare														
Alembic Pharma	503	Neutral	21.6	19.8	25.5	23.3	25.4	19.7	19.1	16.1	12.8	23.0	18.4	20.5
Alkem Lab	1,832	Neutral	75.7	72.5	93.3	24.2	25.3	19.6	25.7	18.8	14.5	23.4	19.0	20.9
Ajanta Pharma	1,155	Buy	58.4	52.8	64.2	19.8	21.9	18.0	21.8	15.8	12.7	37.7	26.5	25.9
Aurobindo Pharma	742	Buy	39.3	44.9	50.0	18.9	16.5	14.9	12.2	11.1	9.8	27.6	24.8	22.1
Biocon	344	Sell	10.2	9.7	14.2	33.7	35.4	24.3	19.9	17.0	12.6	12.3	11.1	14.5
Cadila Health	501	Buy	14.2	17.5	23.6	35.3	28.6	21.2	25.5	19.9	14.8	23.0	23.5	26.0
Cipla	585	Neutral	15.9	21.1	26.0	36.8	27.7	22.5	20.7	16.8	13.9	10.2	12.1	13.2
Divis Labs	864	Neutral	39.9	33.9	40.4	21.6	25.5	21.4	10.4	17.3	14.0	22.0	17.0	19.5
Dr Reddy's Labs	2,387	Neutral	72.6	72.6	119.9	32.9	32.9	19.9	18.8	16.8	11.3	9.7	9.7	14.4
Fortis Health	150	Buy	10.3	2.2	5.6	14.5	68.7	26.9	25.0	11.3	8.1	11.3	2.1	4.9
Glenmark Pharma	611	Neutral	39.3	39.7	49.1	15.6	15.4	12.4	15.3	10.9	9.1	24.7	20.3	20.4
GSK Pharma	2,437	Neutral	34.4	46.8	54.9	70.9	52.1	44.4	64.4	44.4	35.8	14.5	23.0	30.9
IPCA Labs.	528	Neutral	16.1	16.6	26.8	32.8	31.8	19.7	18.8	16.4	11.6	8.6	8.2	12.2
Jubilant Life	653	Buy	37.0	47.1	56.7	17.7	13.9	11.5	12.3	8.8	7.5	18.1	19.5	19.6
Lupin	1,028	Buy	56.6	41.4	56.3	18.2	24.8	18.3	15.8	13.8	10.5	20.9	13.2	16.0
Sanofi India	4,063	Buy	129.1	133.6	160.6	31.5	30.4	25.3	19.5	16.2	13.2	17.1	16.6	18.1
Sun Pharma	514	Buy	26.1	15.1	23.3	19.7	34.1	22.1	17.9	20.2	13.7	18.1	9.6	13.8
Shilpa Medicare	584	Buy	14.0	21.1	30.4	41.7	27.7	19.2	29.9	19.7	13.8	14.4	17.0	20.4
Strides Shasun	857	Buy	32.3	47.4	74.8	26.6	18.1	11.4	18.8	11.9	8.8	10.7	14.7	20.2
Torrent Pharma	1,247	Neutral	55.2	53.4	67.3	22.6	23.4	18.5	20.0	14.8	11.6	23.8	19.5	21.5
Sector Aggregate						23.7	26.6	19.8	18.2	16.0	12.3	16.8	13.6	16.0
Logistics														
Allcargo Logistics	169	Buy	9.8	10.3	12.9	17.2	16.5	13.1	8.9	8.6	6.8	13.7	13.4	15.1
Concor	1,326	Neutral	38.0	42.4	48.6	34.9	31.3	27.3	18.4	24.1	21.1	10.8	11.4	12.4
Gateway Distriparks	241	Buy	6.8	8.8	12.2	35.4	27.4	19.8	9.6	8.9	6.9	7.3	9.2	12.1
Sector Aggregate						31.5	28.3	23.9	15.1	18.7	16.0	10.6	11.2	12.5
Media														
D B Corp	379	Buy	20.4	23.7	28.0	18.6	16.0	13.6	10.7	9.0	7.6	25.1	24.7	23.9
Den Networks	88	Neutral	-9.3	-2.9	0.1	-9.5	-29.9	1238	9.9	6.4	4.9	-19.1	-6.4	0.2
Dish TV	71	Buy	1.0	1.0	2.4	69.7	70.4	29.8	12.7	8.4	6.7	25.1	19.9	35.2
Ent.Network	809	Neutral	11.4	12.2	20.6	70.8	66.4	39.2	31.5	25.2	17.6	6.7	6.6	10.3
Hindustan Media	248	Buy	25.8	28.5	33.6	9.6	8.7	7.4	5.7	3.0	1.8	18.2	16.5	16.6
HT Media	97	Neutral	7.4	7.3	7.8	13.1	13.2	12.4	2.2	1.9	0.9	7.9	7.3	7.3
Jagran Prakashan	177	Buy	10.7	12.2	13.4	16.6	14.5	13.2	8.9	7.5	6.4	18.5	18.6	19.0
Music Broadcast	382	Buy	6.4	9.3	14.0	59.4	40.9	27.3	20.8	18.6	14.1	11.2	9.3	12.4
PVR	1,297	Buy	20.5	26.5	43.6	63.2	48.9	29.8	23.6	16.6	12.4	10.4	12.1	17.3
Siti Networks	25	Neutral	-1.8	-0.4	0.4	-13.8	-56.7	66.7	22.4	10.0	7.5	-28.7	-7.5	6.4
Sun TV	781	Neutral	24.9	28.8	36.9	31.4	27.2	21.2	17.3	15.0	12.0	26.0	27.0	31.6
Zee Entertainment	522	Buy	13.9	12.2	17.8	37.6	42.9	29.3	24.6	22.3	16.6	19.3	14.7	18.7
Sector Aggregate						34.8	31.1	22.8	16.9	13.8	10.9	14.5	15.0	18.2
Metals														
Hindalco	241	Buy	8.6	19.8	24.5	28.1	12.1	9.8	7.3	6.8	5.9	7.4	14.3	15.4
Hindustan Zinc	313	Neutral	19.7	22.4	29.3	15.9	14.0	10.7	10.0	8.8	6.3	24.4	31.8	37.9
JSPL	148	Buy	-20.9	-17.4	2.0	-7.1	-8.5	73.4	12.1	10.2	6.9	-7.9	-5.5	0.6
JSW Steel	249	Buy	14.8	22.3	25.7	16.8	11.2	9.7	7.9	7.8	7.2	17.3	21.6	20.8
Nalco	80	Neutral	3.7	4.5	5.8	21.4	17.8	13.8	10.4	7.9	6.1	7.2	8.3	10.1
NMDC	119	Buy	10.0	13.1	12.9	12.0	9.1	9.2	8.2	5.7	5.6	12.8	15.5	16.2

Ready reckoner: Full year valuations

Sector / Companies	CMP (INR)	Rating	EPS (INR)			PE (x)			EV/EBIDTA (x)			RoE (%)		
			FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
SAIL	54	Sell	-6.2	-7.7	-4.2	-8.8	-7.0	-12.9	131.5	27.2	14.0	-6.7	-9.1	-5.3
Tata Steel	660	Neutral	37.9	66.9	63.4	17.4	9.9	10.4	7.1	6.6	6.7	15.7	19.1	15.9
Vedanta	318	Buy	15.1	25.4	37.5	21.0	12.5	8.5	5.2	5.6	3.8	9.7	15.0	20.3
Sector Aggregate						23.0	14.6	10.8	8.3	7.5	6.0	7.6	11.5	14.1
Oil & Gas														
BPCL	480	Buy	48.3	49.2	52.0	9.9	9.8	9.2	8.7	7.7	7.3	32.4	28.5	25.2
GAIL	431	Sell	22.6	26.5	30.0	19.1	16.3	14.4	11.2	10.2	9.3	9.6	11.3	11.9
Gujarat Gas	907	Sell	16.2	31.6	44.0	55.9	28.7	20.6	17.1	14.0	11.2	14.2	23.9	27.0
Gujarat State Petronet	195	Neutral	8.8	12.1	13.3	22.1	16.2	14.7	10.4	9.0	7.9	11.6	14.3	14.1
HPCL	436	Buy	40.7	45.9	42.9	10.7	9.5	10.2	5.6	6.1	6.3	32.4	31.0	24.2
Indraprastha Gas	1,438	Neutral	44.0	49.6	54.8	32.7	29.0	26.3	14.1	17.2	15.3	21.0	21.7	20.4
IOC	406	Buy	43.0	51.1	46.5	9.4	7.9	8.7	6.0	4.7	4.7	21.2	21.9	17.4
MRPL	127	Sell	14.8	10.7	11.6	8.6	11.9	10.9	4.6	5.8	5.5	31.4	17.3	16.5
Oil India	349	Buy	19.3	29.1	34.1	18.1	12.0	10.2	10.1	9.0	7.7	5.7	7.9	8.8
ONGC	171	Buy	16.4	17.8	19.2	10.4	9.6	8.9	5.6	4.0	3.7	10.1	10.2	10.5
Petronet LNG	239	Buy	11.4	14.1	18.0	21.0	16.9	13.3	11.9	11.4	8.5	23.2	23.9	25.5
Reliance Inds.	824	Neutral	48.3	54.7	62.6	17.1	15.1	13.2	7.8	7.1	5.4	11.6	11.7	12.1
Sector Aggregate						13.2	11.7	11.0	7.0	6.0	5.3	13.2	13.5	13.0
Oil & Gas Ex OMCs						15.1	13.5	12.0	7.2	6.1	5.1	10.5	10.9	11.4
Retail														
Jubilant Foodworks	1,482	Sell	10.0	14.8	20.7	148.1	100.1	71.5	29.7	31.3	24.8	8.2	11.1	14.0
Titan Company	596	Neutral	9.0	10.5	12.6	66.0	56.9	47.5	34.7	39.0	32.2	20.6	21.0	22.2
Sector Aggregate						72.2	61.0	50.1	33.9	37.6	30.8	17.2	18.6	19.6
Technology														
Cyient	506	Buy	30.6	35.7	42.3	16.5	14.2	12.0	9.3	8.8	7.0	16.2	16.7	17.4
HCL Technologies	891	Neutral	59.8	63.5	68.9	14.9	14.0	12.9	10.9	9.9	8.6	27.5	25.5	24.6
Hexaware Tech.	265	Neutral	13.7	15.6	16.5	19.3	16.9	16.1	10.6	11.9	10.7	26.5	25.6	23.1
Infosys	903	Buy	62.9	62.3	66.3	14.4	14.5	13.6	10.5	8.7	7.8	22.0	19.6	19.1
KPIT Tech.	129	Neutral	11.9	10.8	13.6	10.8	11.9	9.5	6.0	5.9	4.0	14.3	13.3	14.7
L&T Infotech	805	Buy	55.5	60.9	65.3	14.5	13.2	12.3	9.3	10.9	9.2	40.4	33.3	28.3
Mindtree	478	Neutral	24.9	28.4	32.9	19.2	16.8	14.5	10.3	11.9	9.3	16.8	17.2	20.1
Mphasis	610	Neutral	38.9	40.2	43.0	15.7	15.2	14.2	12.2	12.7	10.8	13.2	14.4	16.2
NIIT Tech.	562	Neutral	38.0	43.3	50.8	14.8	13.0	11.1	4.3	6.1	5.2	13.7	14.7	16.0
Persistent Systems	636	Buy	37.7	42.9	51.9	16.9	14.8	12.3	8.5	8.4	7.0	17.0	17.7	20.6
TCS	2,430	Neutral	133.4	132.0	146.3	18.2	18.4	16.6	13.4	13.8	12.0	32.6	30.7	33.3
Tata Elxsi	827	Buy	28.1	33.8	40.2	29.4	24.4	20.6	14.7	13.7	11.2	37.1	33.6	32.4
Tech Mahindra	451	Buy	30.9	34.8	37.3	14.6	12.9	12.1	10.4	10.1	8.2	18.4	17.9	17.1
Zensar Tech	746	Buy	52.1	51.5	70.0	14.3	14.5	10.7	10.2	8.2	5.8	17.2	14.9	17.9
Wipro	284	Neutral	16.9	18.2	19.5	16.8	15.6	14.5	9.5	11.6	9.9	16.9	16.2	16.4
Sector Aggregate						16.5	16.4	15.0	11.5	11.4	9.9	22.9	22.8	22.0
Telecom														
Bharti Airtel	378	Buy	11.1	2.4	3.2	34.0	157.7	117.8	6.5	7.8	7.1	6.7	1.4	1.9
Bharti Infratel	405	Buy	14.9	17.3	19.7	27.3	23.4	20.6	9.2	10.6	9.7	16.2	20.7	23.2
Idea Cellular	74	Buy	-1.1	-15.5	-14.9	-66.5	-4.7	-5.0	7.7	11.9	10.0	-1.6	-25.6	-32.6
Tata Comm	698	Buy	27.2	8.3	25.4	25.6	84.4	27.4	11.0	10.2	7.5	132.2	13.8	33.1
Sector Aggregate						36.2	-226.1	960.8	7.3	8.9	7.9	6.9	-1.2	0.3
Utilities														
CESC	1,003	Buy	51.9	88.9	99.3	19.3	11.3	10.1	7.8	7.1	6.5	6.5	10.6	10.8
Coal India	273	Buy	14.9	19.8	22.0	18.3	13.8	12.4	11.7	7.7	7.0	37.8	47.6	50.5
JSW Energy	77	Sell	3.8	3.3	2.7	20.0	22.9	28.4	7.6	8.9	9.1	6.3	5.3	4.2
NTPC	171	Buy	12.0	13.5	15.7	14.3	12.7	10.9	11.1	10.7	8.5	10.5	11.0	11.9
Power Grid Corp.	205	Buy	14.2	17.4	20.6	14.4	11.8	10.0	9.7	8.2	7.3	16.2	17.3	17.8
Tata Power	79	Sell	7.4	7.3	7.3	10.6	10.9	10.7	12.4	10.3	9.6	17.1	15.8	14.2
Sector Aggregate						15.5	12.8	11.3	10.6	9.0	7.8	14.6	16.3	16.9
Others														
Arvind	382	Neutral	12.4	12.9	18.6	30.9	29.6	20.6	13.4	12.3	10.0	10.3	9.1	12.0
Avenue Supermarts	1,104	Neutral	7.7	12.7	17.6	144.0	86.8	62.6	40.1	50.5	37.1	17.9	19.3	23.0
Bata India	725	UR	13.5	15.7	19.4	53.6	46.2	37.3	24.3	27.0	21.5	13.9	14.4	15.8
BSE	985	Neutral	41.0	42.2	44.6	24.0	23.4	22.1	18.5	31.7	24.3	8.3	8.5	7.7

Ready reckoner: Full year valuations

Sector / Companies	CMP (INR)	Rating	EPS (INR)			PE (x)			EV/EBIDTA (x)			RoE (%)		
			FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Castrol India	356	Buy	13.6	12.6	13.3	26.1	28.1	26.7	20.8	17.7	17.1	115.2	99.8	95.8
Coromandel International	456	Buy	16.6	24.1	29.0	27.5	18.9	15.7	11.0	11.9	10.4	17.5	22.5	23.4
Delta Corp	209	Buy	3.1	5.6	7.7	68.4	37.4	26.9	26.1	21.2	15.5	8.1	11.9	12.4
Eveready Inds.	301	Buy	12.9	13.6	16.3	23.4	22.0	18.5	15.6	15.4	13.1	37.7	30.8	30.1
Indo Count Inds.	108	Neutral	13.0	8.9	10.8	8.3	12.1	10.0	9.7	6.7	5.7	34.8	18.6	18.3
Info Edge	1,059	Buy	15.7	21.8	24.7	67.6	48.7	42.9	37.7	41.8	35.6	10.2	12.7	13.1
Interglobe Aviation	1,100	Neutral	43.2	55.2	81.6	25.5	19.9	13.5	6.1	4.6	3.3	51.0	41.1	46.6
Kaveri Seed	519	Buy	19.1	34.0	41.0	27.2	15.2	12.6	22.5	13.6	11.1	13.6	23.3	27.4
MCX	1,048	Buy	24.8	29.4	40.7	42.2	35.7	25.8	98.1	67.8	34.2	9.9	10.7	13.9
Manpasand Beverages	477	Buy	6.3	9.7	15.3	75.1	49.0	31.3	25.9	25.3	16.9	7.3	8.2	13.4
Monsanto India	2,422	Buy	86.2	105.0	126.6	28.1	23.1	19.1	25.6	20.3	16.6	31.5	32.5	34.5
Navneet Education	163	Buy	7.3	8.4	10.4	22.4	19.4	15.7	14.2	12.5	10.1	26.7	26.3	27.9
P I Industries	739	Buy	33.4	30.4	35.8	22.1	24.3	20.7	20.6	16.7	14.1	32.8	23.4	22.9
Qness Corp	824	Buy	10.0	19.1	27.8	82.4	43.2	29.7	39.8	30.7	23.7	19.0	15.6	15.0
S H Kelkar	265	Buy	7.2	7.6	9.9	36.6	34.9	26.7	25.7	21.6	17.0	13.7	12.9	15.2
SRF	1,560	Buy	85.9	80.2	103.0	18.2	19.4	15.1	11.4	10.3	8.3	16.6	13.7	16.0
Team Lease Serv.	1,620	Buy	38.8	36.8	56.0	41.7	44.0	28.9	33.8	43.0	29.8	19.2	15.3	19.5
Trident	102	Buy	6.6	8.3	10.4	15.5	12.4	9.8	8.0	7.5	6.1	13.0	14.5	16.1
TTK Prestige	6,254	Neutral	132.1	137.8	176.1	47.4	45.4	35.5	31.8	27.2	22.0	19.5	18.0	20.7
V-Guard Inds	188	Neutral	3.6	4.5	6.0	52.6	41.9	31.6	33.8	29.7	22.3	27.4	26.9	28.8
Sector Aggregate						37.5	31.4	23.9	15.3	14.8	11.7	18.6	18.4	21.4

UR: Under Review

Ready reckoner: Full year valuations

Sector / Companies	CMP (INR)	Rating	EPS (INR)			PE (x)			PB (x)			RoE (%)		
			FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Banks-Private														
Axis Bank	501	Neutral	15.4	21.8	38.1	32.6	22.9	13.2	2.2	2.1	1.8	6.9	9.3	14.7
DCB Bank	187	Neutral	7.0	8.4	10.4	26.7	22.4	18.0	2.7	2.2	2.0	10.8	11.4	11.8
Equitas Holdings	152	Buy	5.0	1.7	6.1	30.1	89.5	25.1	2.3	2.3	2.1	9.5	2.5	8.6
Federal Bank	114	Buy	4.8	5.4	6.8	23.7	21.2	16.7	2.2	1.8	1.7	9.9	10.0	10.5
HDFC Bank	1,799	Buy	56.8	68.2	82.6	31.7	26.4	21.8	5.4	4.6	4.0	18.3	18.8	19.7
ICICI Bank	272	Buy	15.3	14.5	16.6	17.8	18.8	16.4	2.0	1.9	1.7	10.2	8.6	9.3
IDFC Bank	57	Neutral	3.0	2.8	3.2	18.9	20.4	17.5	1.3	1.3	1.2	7.2	6.3	6.9
IndusInd Bank	1,691	Buy	47.9	61.9	76.8	35.3	27.3	22.0	5.1	4.4	3.8	15.4	17.3	18.5
J&K Bank	74	Neutral	-31.3	3.9	8.3	-2.4	19.3	9.0	0.7	0.7	0.6	-27.0	3.5	7.2
Kotak Mahindra Bank	1,031	Buy	26.8	32.4	41.0	38.4	31.8	25.1	5.0	4.4	3.8	13.8	15.0	16.3
RBL Bank	513	Buy	11.9	17.2	22.5	43.2	29.8	22.8	4.5	3.2	2.9	12.3	13.0	13.3
South Indian Bank	30	Buy	2.2	2.9	3.7	13.7	10.4	8.1	1.2	1.1	1.0	9.5	10.8	12.7
Yes Bank	359	Buy	14.6	18.5	22.9	24.6	19.5	15.7	3.8	3.3	2.8	18.9	18.3	19.5
Private Bank Aggregate						29.7	24.2	19.0	3.4	3.0	2.7	11.5	12.5	14.2
Banks-PSU														
Bank of Baroda	140	Buy	6.0	9.5	20.8	23.3	14.6	6.7	0.9	0.9	0.8	4.0	6.1	12.4
Bank of India	139	Neutral	-14.8	-11.2	6.6	-9.4	-12.4	21.1	0.6	0.6	0.6	-6.7	-5.2	3.0
Canara Bank	310	Neutral	18.8	30.1	47.0	16.5	10.3	6.6	0.7	0.6	0.6	4.2	6.2	9.1
Indian Bank	268	Buy	29.3	34.4	38.3	9.2	7.8	7.0	0.9	0.8	0.8	10.1	10.9	11.2
Punjab National Bank	132	Buy	6.2	5.8	11.0	21.3	22.7	12.0	0.7	0.7	0.7	3.6	3.2	5.9
State Bank	251	Buy	0.3	14.6	26.8	845.0	17.2	9.4	1.2	1.1	1.0	-0.2	7.0	11.4
Union Bank	126	Neutral	8.1	9.0	19.1	15.6	13.9	6.6	0.4	0.4	0.4	2.7	3.0	6.1
PSU Bank Aggregate						73.9	17.4	8.9	0.9	0.8	0.8	1.2	4.6	8.6
NBFC														
Bajaj Finance	1,866	Buy	32.0	45.4	62.9	58.3	41.1	29.7	11.1	6.6	5.5	21.6	20.1	20.2
Bharat Financial	968	Neutral	21.0	29.9	54.9	46.1	32.4	17.6	5.5	4.4	3.6	15.1	15.1	22.4
Capital First	745	Buy	24.6	32.8	42.4	30.2	22.7	17.6	3.2	2.8	2.5	12.0	13.2	15.0
Chola. Inv & Fin.	1,087	Buy	46.0	56.0	68.1	23.7	19.4	16.0	3.9	3.3	2.8	18.0	18.6	19.2
Dewan Housing	559	Buy	29.6	37.7	47.1	18.9	14.8	11.9	2.2	2.0	1.7	14.4	14.1	15.6
GRUH Finance	532	Neutral	8.1	9.9	11.7	65.4	53.5	45.7	19.6	16.1	13.3	32.5	33.0	31.8
HDFC	1,752	Buy	46.8	52.2	58.2	37.4	33.6	30.1	6.9	6.3	5.2	18.9	18.6	17.8
Indiabulls Housing	1,259	Buy	69.0	84.2	105.6	18.3	15.0	11.9	4.4	3.9	3.4	25.5	27.6	30.6
L&T Fin.Holdings	194	Buy	5.2	6.8	10.1	37.0	28.3	19.1	4.4	3.8	3.3	12.4	14.7	18.5
LIC Housing Fin	648	Neutral	38.2	41.6	48.9	17.0	15.6	13.3	3.1	2.6	2.3	19.4	18.2	18.5
M & M Financial	416	Buy	7.1	13.9	17.8	58.8	30.0	23.5	3.7	3.5	3.2	6.5	12.0	14.2
Muthoot Finance	477	Buy	29.5	38.7	44.4	16.2	12.3	10.8	2.9	2.5	2.1	19.4	21.8	21.2
PNB Housing	1,511	Buy	31.6	48.1	65.1	47.8	31.4	23.2	4.6	4.1	3.6	13.8	13.8	16.6
Repco Home Fin	642	Buy	29.1	33.7	38.4	22.0	19.0	16.7	3.5	3.0	2.6	17.4	17.1	16.7
Shriram City Union	2,083	Buy	84.3	118.3	155.3	24.7	17.6	13.4	2.7	2.4	2.1	11.7	14.6	16.8
Shriram Transport Fin.	1,056	Buy	55.6	80.0	102.4	19.0	13.2	10.3	2.1	1.9	1.6	11.7	15.0	16.9
NBFC Aggregate						31.9	25.6	20.6	5.1	4.4	3.7	15.9	17.0	17.9
Sector Aggregate						33.3	23.2	16.6	2.6	2.3	2.1	7.7	9.9	12.6

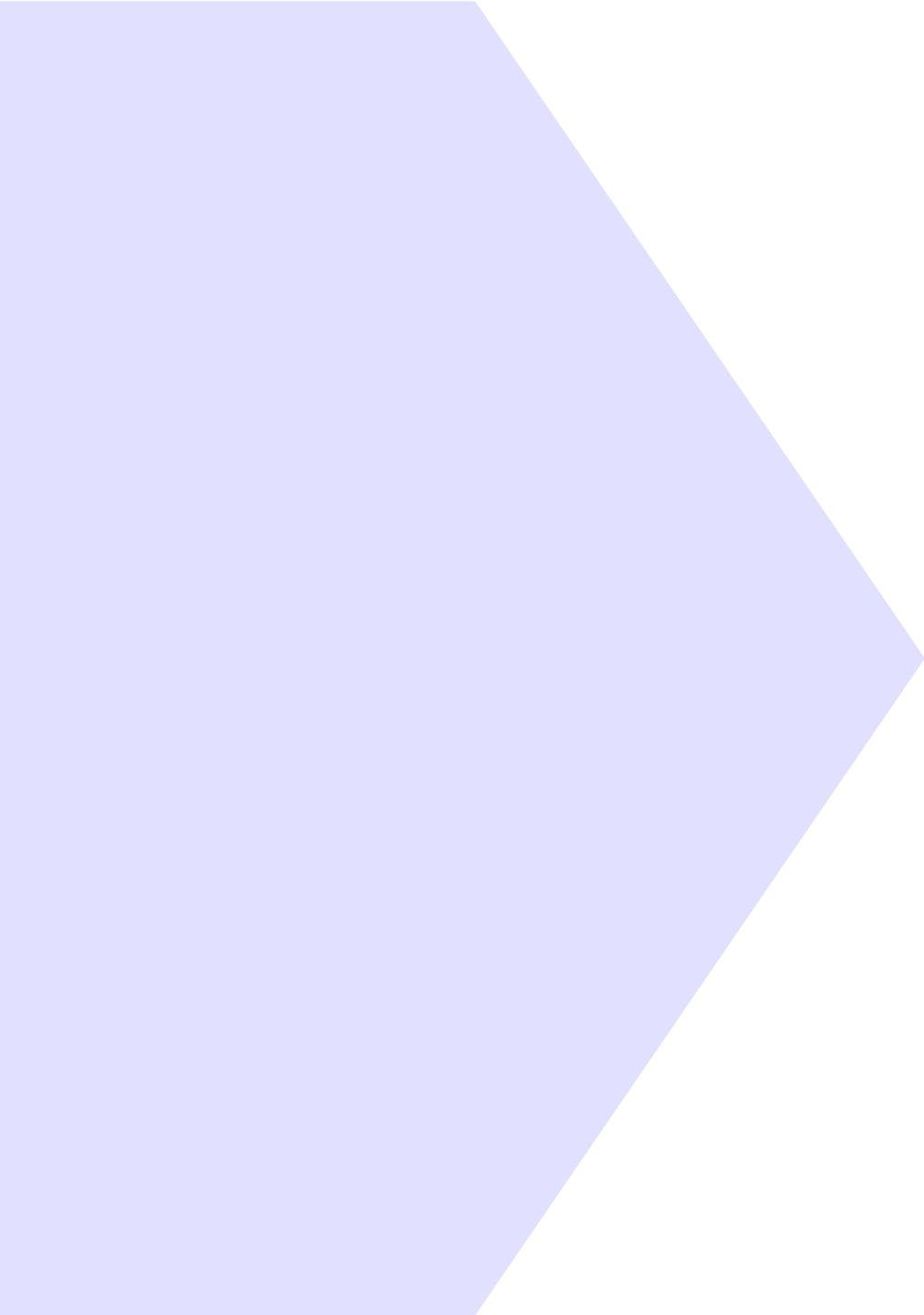
UR: Under Review

Sectors & Companies

BSE Sensex: 31,592

S&P CNX: 9,889

October 2017



Note: In our quarterly performance tables, our four-quarter numbers may not always add up to the full-year numbers. This is because of differences in classification of account heads in the company’s quarterly and annual results or because of differences in the way we classify account heads as opposed to the company.

All stock prices and indices as on 5 October 2017, unless otherwise stated.

Automobiles

Company name

Amara Raja Batteries
Ashok Leyland
Bajaj Auto
Bharat Forge
BOSCH
CEAT
Eicher Motors
Endurance technologies
Escort
Exide Industries
Hero MotoCorp
Mahindra & Mahindra
Maruti Suzuki
Tata Motors
TVS Motor Company

Regulatory impact waning – retail improving gradually

Strengthening commodity prices could exert pressure on margins in 2HFY18

- Regulatory actions had materially influenced auto volumes since 3QFY17. However, given the waning regulatory impact, the automobile sector has witnessed gradual volume growth August onward, supported by pre-festive inventory build-up and improving rural sentiment.
- Our channel checks indicate healthy retail growth in key segments like PV and 2W. However, its sustainability can be threatened by below-average monsoon in the key markets of UP (-29%), Bihar (-9%) and MP (-20%).
- EBITDA margin for our auto OEM (ex-JLR) universe is likely to contract (-100bp YoY; +160bp QoQ) for the fourth consecutive quarter to 13.4%. This is without any impact of an increase in commodity prices (which is expected to be realized in 2HFY18).
- We have lowered our FY19 EPS estimates for AMRJ (-13%), and increased for BJAUT (+7%) and ENDU (+4%).
- Our top picks are TTMT and MSIL among large caps, and AL and AMRJ among mid-caps. We also believe that MM is the best play on a rural market recovery.

Volume recovery across segments; first quarter post regulatory hiccups

Regulatory actions (demonetization, emission norm changes and pre-GST de-stocking) had materially influenced auto volumes since 3QFY17. However, given the waning regulatory impact, the automobile sector has witnessed gradual volume growth August onward. This was partly led by pre-festive inventory filling and positive rural sentiment in key markets. Our channel checks suggest above-average volume growth in key rural markets during this festive season.

Fourth straight quarter of YoY contraction in EBITDA margin; healthy QoQ recovery

EBITDA margin of our auto OEM (ex-JLR) universe is likely to contract (-100bp YoY; +160bp QoQ) for the fourth consecutive quarter to 13.4%, impacted by commodity price inflation. However, operating leverage to some extent limits the contraction in margins. We expect BJAUT's margin to shrink the most by 240bp YoY, followed by MSIL (-190bp), HMCL (-130bp) and AL (-100bp). However, margins are expected to expand for TVSL (+50bp), EIM S/A (+40bp) and TTMT S/A (+80bp).

Below-normal monsoon may result in slower rural recovery; higher commodity prices may hurt margins

Our channel checks suggest above-average festive demand growth in key rural markets. However, its sustainability can be impacted by below-average monsoon in the key markets of UP (-29%), Bihar (-9%) and MP (-20%). We estimate 2W and PV volumes CAGR of ~11% over FY17-19E. We estimate M&HCVs to grow at ~8% CAGR and LCVs to grow ~12.5% CAGR (on low base). Sharp increase in commodity prices (refer Exhibit 4) may impact EBITDA margin from 2HFY18.

Valuation and view

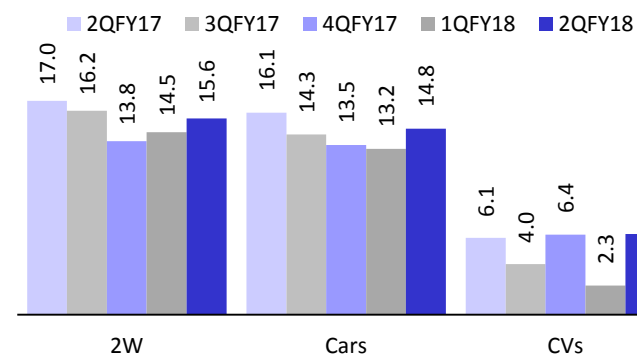
We have lowered our FY19 EPS estimates for AMRJ (-13%), and increased for BJAUT (+7%) and ENDU (+4%). Demand environment and changing competitive landscape would be the key determinants of the stock performance. Our top picks are Tata Motors, Maruti Suzuki, Ashok Leyland and Amara Raja. We also believe MM is the best play on a rural market recovery.

Exhibit 1: Summary of expected quarterly performance (INR m)

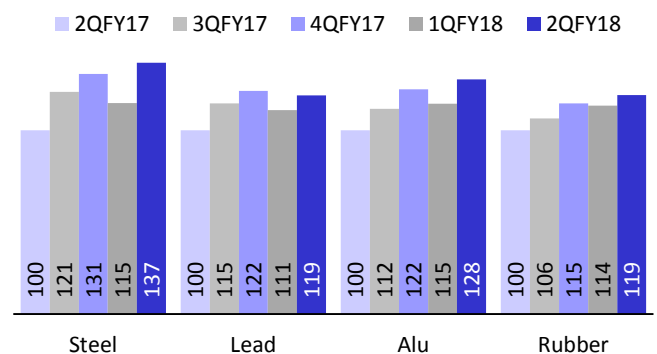
Sector			Sales (INR m)			EBDITA (INR m)			Net Profit (INR m)			
			CMP (INR)	Reco	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY
Automobiles												
Amara Raja Batt.	705	Buy	15,474	15.0	3.3	2,006	-12.7	4.0	1,108	-18.7	10.9	
Ashok Leyland	123	Buy	61,281	32.6	44.6	6,477	20.7	111.6	3,787	28.6	215.7	
Bajaj Auto	3,131	Buy	65,803	8.7	20.9	12,537	-3.3	33.6	11,189	-0.3	18.2	
Bharat Forge	632	Buy	12,430	39.5	3.5	3,560	43.8	6.8	1,913	50.8	9.2	
Bosch	20,781	Neutral	34,211	31.0	29.2	6,329	34.8	44.2	4,384	0.9	44.9	
CEAT	1,718	Buy	17,515	9.7	7.5	1,839	-0.8	236.5	921	-13.9	8614.6	
Eicher Motors	30,788	Buy	22,080	25.8	10.4	7,000	29.1	12.8	5,509	33.3	19.9	
Endurance Tech.	1,055	Buy	16,250	12.2	4.8	2,256	12.4	5.6	1,082	21.2	12.1	
Escorts	665	Neutral	11,944	20.0	2.7	1,069	71.1	9.6	657	91.3	4.8	
Exide Inds.	204	Buy	21,680	12.7	3.1	3,278	12.0	1.1	2,016	11.2	6.7	
Hero Motocorp	3,757	Neutral	86,146	10.5	8.1	15,201	2.5	8.6	10,017	-0.3	9.6	
Mahindra & Mahindra	1,301	Buy	122,241	20.2	10.2	17,543	19.5	20.7	13,591	8.5	76.9	
Maruti Suzuki	7,838	Buy	219,928	23.3	25.3	33,188	9.3	42.4	23,323	-2.7	49.9	
Tata Motors	423	Buy	690,313	4.8	18.0	72,832	15.9	46.7	12,322	50.4	304.7	
TVS Motor	655	Buy	40,304	17.6	18.6	3,472	25.5	64.2	2,209	24.5	70.6	
Sector Aggregate			1,437,601	12.0	17.9	188,589	13.5	35.9	94,029	9.4	53.5	

Exhibit 2: Volume snapshot for 2QFY18 ('000 units)

	2QFY18	2QFY17	YoY (%)	1QFY18	QoQ (%)	1HFY18	1HFY17	YoY (%)
Two wheelers	6,240	5,599	11.4	5,544	12.5	11,784	10,717	10.0
Three wheelers	257	232	10.8	187	37.6	444	438	1.5
Passenger cars	759	711	6.7	634	19.8	1,393	1,312	6.2
UVs & MPVs	341	293	16.4	273	24.9	614	548	11.9
Total PVs	1,100	1,004	9.5	907	21.3	2,007	1,860	7.9
M&HCV	90	77	16.4	57	56.5	147	158	-6.6
LCV	135	118	14.3	110	22.8	245	231	6.4
Total CVs	225	195	15.2	167	34.3	392	388	1.1
Total	7,822	7,031	11.3	6,806	14.9	14,628	13,403	9.1

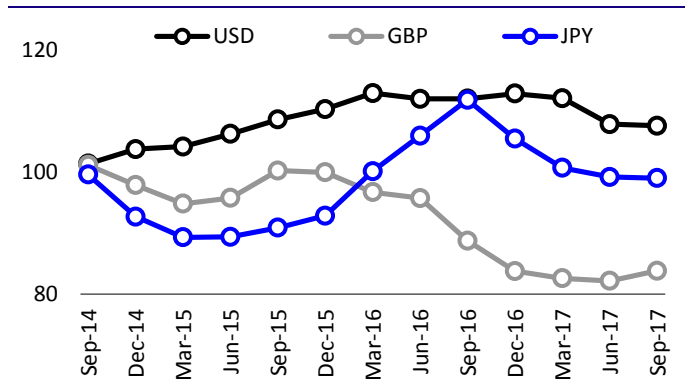
Exhibit 3: Trend in segment-wise EBITDA margins (%)

Source: Company, MOSL

Exhibit 4: Commodity prices remain at higher levels

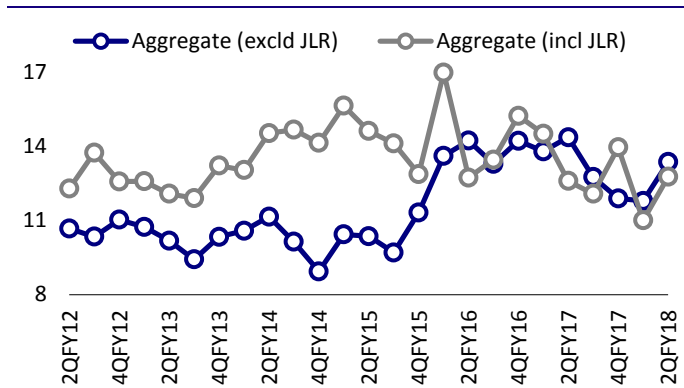
Source: Company, MOSL

Exhibit 5: Trend in key currencies v/s INR



Source: Bloomberg, MOSL

Exhibit 6: QoQ Margin expansion (ex-JLR) post three quarters



Source: Company, MOSL

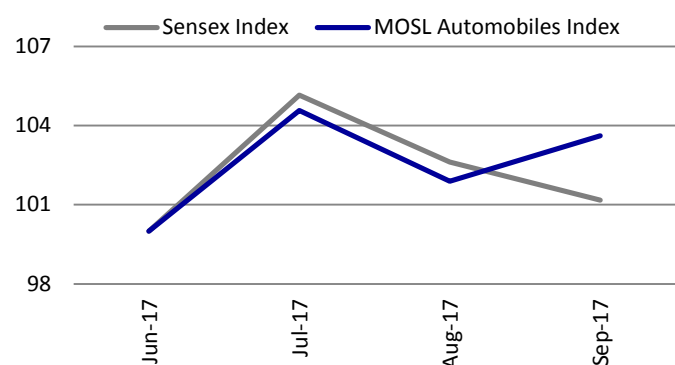
Exhibit 7: Revised estimates

	FY18E			FY19E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Bajaj Auto	144.4	137.2	5.2	174.3	163.6	6.6
Hero MotoCorp	185.0	189.3	-2.3	197.1	199.1	-1.0
TVS Motor	15.1	14.4	4.8	24.5	23.7	3.4
Maruti *	285.5	281.7	1.4	381.7	374.5	1.9
M&M *	69.5	68.5	1.4	81.7	82.4	-0.8
Tata Motors *	20.0	22.4	-10.7	61.3	59.8	2.5
Ashok Leyland	5.3	5.2	3.1	7.0	7.0	0.8
Eicher Motors *	826.7	852.9	-3.1	1119.2	1092.8	2.4
Amara Raja	25.6	28.2	-9.4	32.9	37.9	-13.2
Bharat Forge *	18.3	18.2	0.3	25.5	25.3	0.7
BOSCH	540.8	547.2	-1.2	698.6	705.7	-1.0
Exide Industries	8.9	9.2	-2.8	10.8	11.0	-2.1
Endurance Tech*	29.6	29.3	1.2	39.3	37.9	3.6

* Consolidated

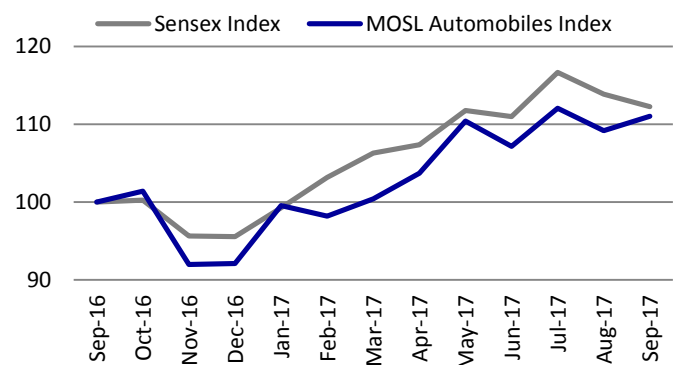
	Volumes ('000 units)			EBITDA margins (%)			Adj PAT (INR m)		
	2QFY18	YoY (%)	QoQ (%)	2QFY18	YoY (bp)	QoQ (bp)	2QFY18	YoY (%)	QoQ (%)
Bajaj Auto	1072	3.8	20.6	19.1	-240	180	11,189	-0.3	18.2
Hero MotoCorp	2004	9.9	8.3	16.3	-130	0	10,017	-0.3	9.6
TVS Motor	949	16.3	18.3	8.6	50	240	2,209	24.5	70.6
Maruti Suzuki	492	17.6	24.7	15.1	-190	180	23,323	-2.7	49.9
M&M	218	16.3	8.4	14.4	-10	120	13,591	8.5	76.9
Tata Motors (S/A)	153	13.9	39.5	4.5	80	440	-4,736	NM	-1.4
Tata Motors (Cons)	154	10.5	11.1	10.8	-10	290	172	29.6	38.5
Ashok Leyland				10.6	100	210	12,322	50.4	305
Eicher(Consol)	41	22.6	43.9	10.6	-100	330	3,787	28.6	215.7
JLR	203	21.5	10.3	31.7	40	30	5,043	27.3	2.0
Eicher - RE	15	12.0	29.6	8.5	130	20	1,095	56.8	68.4
Eicher - VECV				31.7	40	30	5,509	33.3	19.9
Agg. (ex JLR)	5146	11.3	15.1	13.4	-100	160	64,890	8.1	46.6

Exhibit 8: Relative performance – Three months (%)



Source: Bloomberg, MOSL

Exhibit 9: Relative performance – One year (%)



Source: Bloomberg, MOSL

Exhibit 10: Comparative valuation

Sector / Companies	CMP (INR)	Reco.	EPS (INR)			PE (x)			EV/EBIDTA (x)			RoE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Automobiles														
Amara Raja Batt.	705	Buy	25.6	32.9	43.0	27.6	21.4	16.4	14.6	11.3	8.7	15.8	17.7	19.8
Ashok Leyland	123	Buy	5.3	7.0	9.2	23.0	17.4	13.3	11.9	9.1	6.8	23.8	27.0	29.5
Bajaj Auto	3,131	Buy	144.4	174.3	202.9	21.7	18.0	15.4	16.0	12.9	10.9	23.2	25.3	27.1
Bharat Forge	632	Buy	18.3	25.5	32.6	34.6	24.8	19.4	18.4	14.5	11.6	19.3	22.9	24.5
Bosch	20,781	Neutral	540.8	698.6	820.2	38.4	29.7	25.3	24.1	18.8	15.8	17.8	20.5	21.2
CEAT	1,718	Buy	94.2	126.8	145.4	18.2	13.5	11.8	10.2	8.0	6.8	14.8	17.3	17.1
Endurance Tech.	1,055	Buy	29.6	39.3	49.2	35.6	26.9	21.5	16.8	13.9	11.4	21.8	24.0	25.0
Eicher Motors	30,788	Buy	826.7	1119.2	1395.8	37.2	27.5	22.1	28.2	21.3	16.9	36.1	36.4	33.9
Escorts	665	Neutral	37.1	45.8	52.5	17.9	14.5	12.7	15.8	12.7	10.4	17.3	18.3	17.9
Exide Inds.	204	Buy	8.9	10.8	13.0	22.8	19.0	15.7	11.6	9.5	7.6	13.8	14.8	15.8
Hero Motocorp	3,757	Neutral	185.0	197.1	215.6	20.3	19.1	17.4	13.0	12.4	11.1	34.0	31.4	29.8
Mahindra & Mahindra	1,301	Buy	69.5	81.7	91.9	18.7	15.9	14.2	4.9	4.2	4.0	13.5	14.3	14.8
Maruti Suzuki	7,838	Buy	285.5	381.7	440.3	27.5	20.5	17.8	16.8	12.4	10.2	20.4	23.0	22.6
Tata Motors	423	Buy	20.0	61.3	63.1	21.1	6.9	6.7	5.0	2.9	2.6	11.0	27.4	22.0
TVS Motor	655	Buy	15.1	24.5	33.8	43.4	26.7	19.4	28.0	18.0	13.1	26.7	34.2	35.5
Auto Sector Aggregate						25.3	15.9	14.1	10.3	7.2	6.3	17.3	22.8	21.5

Amara Raja Batteries

Bloomberg	AMRJ IN
Equity Shares (m)	170.8
M. Cap. (INR b)/(USD b)	120 / 2
52-Week Range (INR)	1075 / 695
1,6,12 Rel Perf. (%)	-11 / -27 / -45

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	53.2	61.6	73.0	85.6
EBITDA	8.5	8.0	10.1	12.7
NP	4.8	4.4	5.6	7.3
EPS (INR)	28	26.6	32.9	43.0
EPS Gr. (%)	(2.7)	(8.7)	28.8	30.4
BV/Sh. (INR)	152	173	200	235
RoE (%)	20.3	15.8	17.7	19.8
RoCE (%)	19.4	15.0	16.9	18.9

Valuations

P/E (x)	25.2	27.7	21.5	16.5
P/BV (x)	4.7	4.1	3.5	3.0
EV/EBITDA (x)	14.1	14.9	11.5	8.8
EV/Sales (x)	2.3	1.9	1.6	1.3

CMP: INR705

TP: INR854 (+21%)

Buy

- We expect AMRJ's revenue to grow 15% YoY (+3% QoQ) to INR15.5b. AMRJ has taken price hike of ~1-1.5% in automotive segments to pass on lead inflation costs.
- Spot LME lead prices increased ~7.6% QoQ (+~19% YoY) in 2QFY17.
- EBITDA margin is likely to contract 410bp YoY (+10bp QoQ) to 13%.
- We expect PAT to decline 18.7% YoY to INR1.1b.
- We are reducing EPS estimates of FY18E/FY19E by 9.4%/13.2% as we factor in lead price inflation. The stock trades at 27.7x FY18E and 21.5x FY19E EPS; Maintain **Buy**.

Key issues to watch

- Update on demand environment for OEMs, auto replacement and industrial battery segments.
- Update on entry into new segments like E-rickshaw, solar and motive power.
- Outlook for raw material cost trend, recent pricing action.
- Update on capacity expansion plans across product segments.
- Update on progress made on product development in lithium ion battery space and plans thereof.

Quarterly Performance

Y/E March (INR m)	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	13,081	13,455	13,280	13,445	14,975	15,474	15,538	15,626	53,172	61,612
YoY Change (%)	15.0	16.9	9.5	17.4	14.5	15.0	17.0	16.2	15.1	15.9
RM Cost (% of sales)	65.7	64.3	65.0	68.0	70.0	70.0	69.5	68.7	65.6	69.5
Staff Cost (% of sales)	5.0	5.2	5.4	5.2	5.4	5.2	5.1	5.2	4.7	4.2
Other Exp (% of sales)	11.9	13.5	14.1	13.0	11.7	11.8	12.5	12.8	13.9	11.6
EBITDA	2,273	2,297	2,051	1,844	1,929	2,006	1,997	2,084	8,499	8,016
Margins (%)	17.4	17.1	15.4	13.7	12.9	13.0	12.9	13.3	16.0	13.0
Depreciation	441	457	480	499	544	550	550	598	1,912	2,242
Interest	14	15	14	15	14	14	12	12	58	51
Other Income	90	120	133	151	137	175	190	198	492	700
PBT	1,908	1,945	1,689	1,480	1,508	1,617	1,625	1,672	7,022	6,422
Rate (%)	31.5	29.9	33.5	33.0	33.7	31.5	31.5	31.4	31.9	32.0
Adj PAT	1,307	1,363	1,123	992	999	1,108	1,113	1,147	4,785	4,367
YoY Change (%)	8.0	10.4	-17.9	-9.1	-23.6	-18.7	-0.9	15.7	-2.7	-8.7

E: MOSL Estimates

Ashok Leyland

Bloomberg	AL IN
Equity Shares (m)	2926.5
M. Cap. (INR b)/(USD b)	359 / 6
52-Week Range (INR)	126 / 74
1,6,12 Rel Perf. (%)	9 / 39 / 38

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	200.2	248.4	292.2	343.9
EBITDA	22.0	26.5	32.4	39.9
NP	13.3	15.6	20.6	26.9
Adj. EPS (INR)	4.6	5.3	7.0	9.2
EPS Gr. (%)	8.0	17.2	31.6	31.0
BV/Sh. (INR)	20.9	23.8	28.1	34.3
RoE (%)	23.1	23.8	27.0	29.5
RoCE (%)	21.8	21.0	24.7	27.3

Valuations

P/E (x)	26.9	22.9	17.4	13.3
P/BV (x)	5.8	5.1	4.3	3.6
EV/EBITDA (x)	16.0	12.7	9.8	7.4
Div. Yield (%)	1.3	1.6	1.8	2.0

CMP: INR122 TP:INR145 (+18%) Buy

- In 2QFY18, volumes increased 22.6% YoY (+43.9% QoQ), as M&HCV and LCV sales rose 23.9% YoY and 18.4% YoY, respectively, led by waning pre-buy impact and revival in buying decisions post GST.
- We expect realization to increase by 8.2% YoY (+0.5% QoQ), led by stable discounts and BS-4 related price hikes.
- Net revenue is likely to grow 32.6% YoY (+44.6% QoQ), led by volume and realization growth.
- EBITDA margin is likely to contract 104bp YoY (+335bp QoQ), driven by higher RM costs.
- EBITDA should increase 20.7% YoY to INR6.5b.
- However, higher other income and lower interest should boost PAT by 28.6% YoY to INR3.8b.
- We revise EPS estimates of FY18E/FY19E by 3%/0.8% led by better operating performance. The stock trades at EV/EBITDA of 12.7x FY18E and 9.8x FY19E EBITDA. Maintain **Buy**.

Key issues to watch

- Update on CV demand post GST and discount trends.
- RM cost guidance and price hikes to mitigate the same.
- Contribution of exports, spare parts and defence to revenues.
- Capex and investment guidance for FY19.
- Update on Hinduja Foundries and its profitability.
- Update on after-market presence and network expansion.

Quarterly Performance

Y/E March (INR m)	FY17				FY18				FY17	FY18E	FY18
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			2QE
Total Volumes (nos)	31,165	33,441	32,838	47,622	28,484	40,985	43,417	52,481	145,066	165,368	40,985
Growth %	10.7	-10.5	6.2	8.5	-8.6	22.6	32.2	10.2	3.4	14.0	22.6
Realizations (INR '000)	1,367	1,382	1,375	1,390	1,488	1,495	1,503	1,514	1,380	1,502	1,495
% change	-0.9	4.0	3.4	2.1	8.9	8.2	9.3	9.0	2.3	8.8	8.2
Net operating revenues	42,588	46,224	45,163	66,179	42,378	61,281	65,243	79,466	200,187	248,369	61,281
Change (%)	9.7	-6.9	9.8	10.8	-0.5	32.6	44.5	20.1	5.7	24.1	32.6
RM/sales %	68.7	67.8	69.4	71.9	69.4	70.3	71.0	70.5	69.7	70.4	70.3
Staff/sales %	8.4	8.0	8.7	6.2	10.3	7.4	6.9	6.2	7.6	7.4	7.4
Other exp/sales %	11.6	12.6	11.8	10.8	13.0	11.8	11.3	10.9	11.6	11.6	11.8
Total Cost	37,768	40,859	40,621	58,880	39,317	54,804	58,200	69,581	178,161	221,903	54,804
EBITDA	4,820	5,365	4,542	7,299	3,061	6,477	7,043	9,885	22,025	26,465	6,477
EBITDA Margins(%)	11.3	11.6	10.1	11.0	7.2	10.6	10.8	12.4	11.0	10.7	10.6
Other Income	385	316	258	404	384	425	475	566	1,363	1,850	425
Interest	338	339	453	423	366	300	275	263	1,554	1,204	300
PBT before EO Item	4,154	4,146	2,396	6,114	1,730	5,262	5,868	8,750	16,809	21,611	5,262
EO Exp/(Inc)	0	0	0	3,508	126	0	0	0	3,508	126	0
PBT	4,154	4,146	2,396	2,605	1,605	5,262	5,868	8,750	13,301	21,485	5,262
Tax	1,246	1,202	778	-2,157	492	1,475	1,645	2,411	1,070	6,023	1,475
Effective Tax Rate (%)	30.0	29.0	32.5	-	30.7	28.0	28.0	27.5	8.0	28.0	28.0
Adj. PAT	2,908	2,944	1,618	4,279	1,199	3,787	4,223	6,125	13,447	15,552	3,787
Change (%)	130.0	14.5	-25.6	-16.5	-58.7	28.6	161.0	43.1	11.6	15.7	28.6

E: MOSL Estimates

Bajaj Auto

Bloomberg	BJAUT IN
Equity Shares (m)	289.4
M. Cap. (INR b)/(USD b)	906 / 14
52-Week Range (INR)	3208 / 2510
1,6,12 Rel Perf. (%)	7 / 8 / -2

Financial Snapshot (INR b)

Y/E MAR	2017	2018E	2019E	2020E
Sales	218	247	280	321
EBITDA	44.2	46.8	56.9	66.3
NP	38.3	41.8	50.4	58.7
Adj. EPS (INR)	132	144	174	203
EPS Gr. (%)	-2.6	9.1	20.7	16.4
BV/Sh. (INR)	589	655	725	775
RoE (%)	25.3	23.2	25.3	27.1
RoCE (%)	24.6	22.5	24.5	36.0
Payout (%)				
Valuations	23.9	21.9	18.2	15.6
P/E (x)	5.4	4.8	4.4	4.1
P/BV (x)	17.7	16.2	13.0	11.1
EV/EBITDA (x)	1.7	2.1	2.5	4.1
Div. Yield (%)	218	247	280	321

CMP: INR3,164 TP:INR3,589 (+13%) Buy

- Overall volume increased ~3.8% YoY (+20.6% QoQ) to 1,072k units due to ~6.5% YoY increase in export volume, while domestic volumes increased by ~2.3% YoY. Volume growth was led by 3W, as domestic 3W sales increased by 14.2% YoY, while 3W exports grew by 13% YoY.
- We expect realization to grow by 4.7% YoY (0.3% QoQ) led by improvement in product mix. Consequently, net revenues are expected to increase by ~8.7% YoY (+20.9% QoQ).
- We expect EBITDA margin to contract by ~240bp YoY (+180bp QoQ) to 19.1%, primarily due to higher commodity prices.
- We expect PAT to remain flat YoY (+18.2% QoQ) at INR11.2b.
- We have revised upward our total volume estimates by 1.2% in FY18 and 2.2% in FY19, resulting in EPS increase of 5.2%/6.6% for FY18E/FY19E.
- The stock trades at 21.7x FY18E and 18x FY19E EPS; maintain **Buy**.

Key issues to watch

- Update on demand of new launches, channel inventory and outlook for FY18.
- Export demand outlook and pricing in key currency market.
- Comments on 3W demand drivers in domestic market.
- Comments on entry into electric 3Ws.
- Strategy for KTM, Husqvarna; further details on partnership with Triumph.

Quarterly Performance

										(INR m)
Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Volumes ('000 units)	995	1,032	852	788	888	1,072	1,035	962	3,666	3,956
Growth YoY (%)	-1.8	-2.3	-10.5	-9.7	-10.7	3.8	21.5	22.1	(5.8)	7.9
Realization (INR/unit)	57,784	58,676	59,495	62,171	61,258	61,411	62,025	64,794	59,419	62,360
Growth YoY (%)	4.5	2.0	2.0	1.2	6.0	4.7	4.3	4.2	2.4	4.9
Net Sales	57,480	60,545	50,669	48,973	54,424	65,803	64,165	62,314	217,827	246,705
Change (%)	2.7	-0.4	-8.7	-8.6	-5.3	8.7	26.6	27.2	(3.6)	13.3
RM/Sales %	67.2	67.0	66.8	67.8	70.0	69.7	68.8	67.7	67.1	69.2
Staff cost/Sales %	4.7	4.3	4.8	4.6	5.0	4.3	4.4	4.5	4.6	4.5
Oth. Exp./Sales %	7.7	7.4	7.9	9.2	7.8	7.0	7.3	8.4	8.0	7.6
EBITDA	11,763	12,961	10,439	9,060	9,384	12,537	12,670	12,225	44,384	46,271
EBITDA Margins (%)	20.5	21.4	20.6	18.5	17.2	19.1	19.7	19.6	20.4	18.8
Other Income	2,671	3,420	3,193	2,936	4,573	4,000	3,200	3,394	12,220	15,167
Interest	2	7	3	2	2	3	3	3	14	10
Depreciation	775	770	772	757	753	775	785	823	3,073	3,135
PBT	13,657	15,605	12,858	11,236	12,881	15,760	15,082	14,794	53,516	58,293
Tax	3,873	4,378	3,612	3,218	3,642	4,570	4,449	4,401	15,081	17,063
Effective Tax Rate (%)	28.4	28.1	28.1	28.6	28.3	29.0	29.5	29.8	28.2	29.3
Adj. PAT	9,784	11,228	9,246	8,018	9,469	11,189	10,633	10,393	38,436	41,774
Change (%)	2.2	6.7	(4.7)	(15.5)	(3.2)	(0.3)	15.0	29.6	(2.2)	8.7

E: MOSL Estimates

Bharat Forge

Bloomberg	BHFC IN
Equity Shares (m)	465.7
M. Cap. (INR b)/(USD b)	294 / 5
52-Week Range (INR)	645 / 383
1,6,12 Rel Perf. (%)	12 / 12 / 24

Financial Snapshot (INR b)

Y/E Mar	2017	2018E	2019E	2020E
Sales	64.0	79.3	90.9	104.6
EBITDA	12.5	16.5	20.5	24.9
EPS (INR)	26.2	18.3	25.5	32.6
EPS Gr. (%)	-7.2	39.9	39.1	28.2
BV/Sh. (INR)	176.8	101.6	120.7	145.8
RoE (%)	16.2	19.3	22.9	24.5
RoCE (%)	9.5	12.1	15.4	17.7

Valuations

P/E (x)	48.3	34.6	24.8	19.4
P/BV (x)	7.2	6.2	5.2	4.3
EV/EBITDA (x)	25.8	19.1	15.1	12.1
EV/Sales (x)	5.1	4.0	3.4	2.9

Consolidated

CMP: INR632 TP: INR726 (+15%) Buy

- We expect BHFC's shipment tonnage to rise 22.8% YoY (+3% QoQ) to 56,753 tons, as build data for class 8 trucks was strong, along with strong oil & gas and revival in industrial segments.
- Net realization is likely to increase 13.6% YoY (+0.5% QoQ) to ~INR219k/ton.
- As a result, net revenue would increase 39.5% YoY (+3.5% QoQ) to ~INR12.4b.
- EBITDA margin is likely to expand 84bp YoY (+88bp QoQ) to 28.6%.
- PAT is expected to increase by 50.8% YoY (+9.2% QoQ) to INR1.91b.
- We marginally upgrade our FY18 and FY19 earnings by 0.3% and 0.7%, respectively.
- The stock trades at 34.6x FY18E and 24.8x FY19E EPS; maintain **Buy**.

Key issues to watch

- Outlook for US Class 8 Trucks for CY17 and CY18.
- Outlook for oil & gas and mining segments, primarily with regard to price recovery.
- Update on ramp-up of new orders under commercial vehicles, PVs, aerospace and rail.

Quarterly performance

Y/E March (INR m)	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Tonnage	49,098	46,203	47,068	55,189	55,100	56,753	55,618	57,762	197,573	225,233
Change (%)	-5.6	-15.3	-7.2	5.3	12.2	22.8	18.2	4.7	-5.8	14.0
Realization (INR '000/ton)	184.2	192.8	200.5	204.0	217.9	219.0	222.3	223.0	195.6	220.6
Change (%)	-15.9	-6.4	-4.0	5.7	18.3	13.6	10.9	9.3	-4.7	12.8
Net operating income	9,044	8,909	9,437	11,257	12,008	12,430	12,364	12,883	38,647	49,686.1
Change (%)	-20.6	-20.7	-11.0	11.3	32.8	39.5	31.0	14.4	-10.2	28.6
RM/Sales (%)	34.4	34.4	32.6	35.1	35.0	35.0	35.3	35.3	34.2	35.2
Staff Cost (% of Sales)	10.1	10.1	9.6	9.2	8.9	8.6	8.7	9.2	9.7	8.9
Other Exp. (% of Sales)	28.5	27.6	30.2	27.3	28.3	27.8	28.0	27.2	28.3	27.8
EBITDA	2,444	2,477	2,606	3,200	3,333	3,560	3,464	3,644	10,726	14,002
EBITDA Margins (%)	27.0	27.8	27.6	28.4	27.8	28.6	28.0	28.3	27.8	28.2
Non-Operating Income	256	309	208	222	259	260	290	328	995	1,138
Interest	170	189	183	185	185	165	150	111	728	611
Depreciation	740	726	739	744	774	800	810	828	2949	3,212
EO Exp / (Inc)	0	0	0	-380	0	0	0	0	-380	0
PBT after EO items	1,791	1,870	1,892	2,872	2,633	2,855	2,794	3,033	8,425	11,316
Eff. Tax Rate (%)	31.8	32.2	32.0	27.8	33.5	33.0	33.0	32.6	30.6	33.0
Adj. PAT	1,221	1,269	1,286	1,801	1,751	1,913	1,872	2,046	5,587	7,582
Change (%)	-37.7	-26.3	-22.8	8.7	43.5	50.8	45.5	13.6	-16.9	35.7

E: MOSL Estimates

Bosch

Bloomberg	BOS IN
Equity Shares (m)	31.4
M. Cap. (INR b)/(USD b)	653 / 10
52-Week Range (INR)	25245 / 18005
1,6,12 Rel Perf. (%)	-6 / -15 / -21

Financial Snapshot (INR b)

Y/E Mar	FY17	FY18E	FY19E	FY20E
Sales	104.4	129.2	146.8	168.3
EBITDA	19.6	24.6	31.1	36.6
NP	14.4	16.5	21.3	25.0
EPS (INR)	473.1	540.8	698.6	820.2
EPS Gr. (%)	-1.8	14.3	29.2	17.4
BV/Sh. (INR)	2,883	3,204	3,618	4,104
RoE (%)	15.8	17.8	20.5	21.2
RoCE (%)	23.1	26.7	30.3	31.4

Valuations

P/E (x)	43.9	38.4	29.7	25.3
P/BV (x)	7.2	6.5	5.7	5.1
EV/EBITDA(x)	31.5	23.7	18.5	15.5
EV/Sales (x)	5.9	4.5	3.9	3.4

CMP: INR20,781 TP: INR22,781 (+10%) Neutral

- Net revenue is likely to grow 31% YoY (+29.2% QoQ) to INR34.2b, led by higher realization of BS-4 parts and higher PV sales.
- EBITDA margin is expected to expand by 53bp YoY, led by higher revenue.
- EBITDA is projected to grow 36% YoY to ~INR6.1b.
- Adjusted PAT is likely to increase 19% YoY to INR4.4b on lower other income and higher depreciation.
- We cut FY18 and FY19 EPS by 1.2% and 1%, respectively.
- The stock trades at 38.4x FY18E and 29.7x FY19E EPS; maintain **Neutral**.

Key issues to watch

- Implementation of BS-VI norms for 2-wheelers and underlying opportunity for Bosch.
- Advancement of BS-VI implementation and its impact on Bosch.
- Capex plans for BS-VI norms.

Quarterly performance (S/A)

Y/E March (INR Million)	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	25,418	26,115	26,720	25,746	26,484	34,211	34,735	33,753	104,351	129,184
YoY Change (%)	10.5	9.7	7.7	2.8	4.2	31.0	30.0	31.1	7.6	23.8
RM Cost (% of sales)	51.3	50.5	54.7	47.6	54.4	53.0	52.5	46.9	51.3	50.5
Staff Cost (% of sales)	12.8	13.3	14.5	11.0	12.9	11.5	11.5	11.6	12.8	13.3
Other Expenses (% of sales)	17.3	18.2	20.8	14.1	16.2	17.0	20.0	12.3	17.3	18.2
EBITDA	4,734	4,694	2,667	7,037	4,390	6,329	5,558	8,327	19,604	24,604
Margins (%)	18.6	18.0	10.0	27.3	16.6	18.5	16.0	24.7	18.8	19.0
Depreciation	860	889	1,294	1,492	1,062	1,150	1,450	1,581	4,562	5,244
Interest	13	10	17	232	5	10	12	123	272	150
Other Income	1,566	2,107	1,634	1,310	1,295	1,350	1,350	1,430	6,174	5,425
PBT after EO Expense	5,428	9,554	2,991	6,624	4,618	6,519	5,446	8,052	20,944	24,635
Tax	1,679	2,517	843	2,219	1,592	2,135	1,783	2,619	7,244	8,130
Tax Rate (%)	30.9	26.3	28.2	33.5	34.5	32.8	32.8	32.5	34.6	33.0
Reported PAT	3,749	7,037	2,148	4,405	3,026	4,384	3,662	5,433	13,700	16,505
Adj PAT	3,749	4,347	2,148	4,405	3,026	4,384	3,662	5,433	13,700	16,505
YoY Change (%)	-0.7	13.9	-23.5	-6.8	-19.3	0.9	70.5	23.3	-9.4	20.5

E: MOSL Estimates

CEAT Ltd

Bloomberg	CEAT IN
Equity Shares (m)	40.5
M. Cap. (INR b)/(USD b)	69 / 1
52-Week Range (INR)	1948 / 1060
1,6,12 Rel Perf. (%)	0 / 23 / 11

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	64.4	69.9	75.3	81.7
EBITDA	6.6	7.3	9.0	10.4
NP	3.8	3.8	5.1	5.9
EPS (Rs)	93.3	94.2	126.8	145.4
EPS Gr. (%)	-16.9	1.0	34.5	14.7
BV/Share	597.0	678.8	788.8	914.9
RoE (%)	16.9	14.8	17.3	17.1
RoCE (%)	13.5	12.2	14.7	16.1

Valuations

P/E (x)	18.4	18.2	13.5	11.8
P/BV (x)	2.9	2.5	2.2	1.9
EV/EBITDA (x)	11.9	10.5	8.3	7.0
EV/Sales (x)	1.2	1.1	1.0	0.9

CMP: INR1,718

TP: INR2,029 (18%)

Buy

- We expect revenue to increase 9.7% YoY to INR17.5b in 2QFY18.
- The larger effect of softening of raw material basket is expected to be witnessed in 2HFY18.
- We estimate 110bp YoY contraction in EBITDA margin to 10.5%. EBITDA is likely to remain flat at INR1,839m.
- We expect adjusted PAT to decline 14% YoY to INR921m. **Buy**.

Key things to watch for

- Change in raw materials prices.
- Performance of replacement market.

Consolidated - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	16,462	15,966	15,572	16,413	16,286	17,515	17,596	18,547	64,413	69,944
YoY Change (%)	4.2	5.1	1.1	5.0	-1.1	9.7	13.0	13.0	3.9	8.6
Total Expenditure	14,608	14,113	14,037	15,088	15,740	15,676	15,467	16,154	57,845	63,037
EBITDA	1,854	1,854	1,535	1,325	547	1,839	2,129	2,393	6,568	6,907
Margins (%)	11.3	11.6	9.9	8.1	3.4	10.5	12.1	12.9	10.2	9.9
Depreciation	302	317	351	460	396	377	368	371	1,431	1,512
Interest	252	162	191	212	226	252	233	210	817	921
Other Income	57	37	57	36	103	52	58	61	186	274
PBT before EO expense	1,356	1,411	1,050	689	28	1,262	1,586	1,873	4,506	4,749
Extra-Ord expense	9	0	0	125	4	0	0	0	133	4
PBT	1,347	1,411	1,050	564	25	1,262	1,586	1,873	4,373	4,745
Tax	417	430	262	-45	48	419	508	487	1,064	1,461
Rate (%)	30.9	30.5	25.0	-7.9	192.3	33.2	32.0	26.0	24.3	30.8
Minority Interest & P/L of Asso.Cos.	-102	-88	-50	-55	-37	-78	-80	-90	-295	-285
Reported PAT	1,033	1,069	838	663	14	921	1,159	1,476	3,603	3,569
Adj PAT	1,039	1,069	838	798	11	921	1,159	1,476	3,704	3,572
YoY Change (%)	-14.7	0.9	-26.1	-24.8	-99.0	-13.9	38.2	85.0	-17.0	-3.6
Margins (%)	6.3	6.7	5.4	4.9	0.1	5.3	6.6	8.0	5.8	5.1

E: MOSL Estimates

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Eicher Motors

Bloomberg	EIM IN
Equity Shares (m)	27.2
M. Cap. (INR b)/(USD b)	838 / 13
52-Week Range (INR)	33484 / 19571
1,6,12 Rel Perf. (%)	-3 / 15 / 5

Financial Snapshot (INR b)

Y/E Dec	FY17	FY18E	FY19E	FY20E
Net Income	70.3	90.6	111.4	132.6
EBITDA	21.7	28.8	37.4	45.9
Net Profit	16.7	22.5	30.5	38.0
Adj. EPS (INR)	613.8	826.7	1119.2	1395.8
EPS Gr. (%)	55.7	34.9	35.4	24.7
BV/Sh. (INR)	1,769	2,614	3,531	4,696
RoE (%)	40.3	36.1	36.4	33.9
RoCE (%)	27.1	32.6	33.5	31.9
Payout (%)	0.4	0.5	0.6	0.6
Valuations				
P/E (x)	45.4	37.7	27.8	22.3
P/BV (x)	15.7	11.9	8.8	6.6
EV/EBITDA (x)	28.0	23.9	17.9	14.2
Div. Yield (%)	0.4	0.5	0.6	0.6

CMP: INR30,788 TP: INR36,487 (+19%) Buy

- Royal Enfield's volumes grew 21.5% YoY (+10.3% QoQ) to 202,867 units, led by additional capacity amid continued healthy demand. Net realization should improve by 3.1% YoY (flat QoQ), helped by price hikes. We expect EBITDA to expand ~40bp YoY to 31.7% (+30bp QoQ).
- VECV's volume increased by ~12.3% YoY (+28% QoQ). We expect net realization to increase by 8% YoY (+2% QoQ), led by price hikes post BSIV implementation. Margin is expected to be at 8.5%, up by ~130bp YoY (20bp QoQ).
- Consolidated revenue would increase ~25.7% YoY (+10.4% QoQ) to INR22b. Consolidated margin is likely to be 31.7%. Consolidated PAT is estimated to rise ~33.3% YoY (+19.9% QoQ) to INR5.5b.
- We have cut our VECV volume estimates by ~3% in both FY18 and FY19, while increasing our FY19 RE volume by ~2%. Consequently, we have cut our FY18E consol. EPS by 3% and increased our FY19E consol. EPS by 2.4%.
- The stock trades at 37.2x FY18E and 27.5x FY19E EPS. Maintain **Buy**.

Key issues to watch

- Demand for RE at the retail level and order book position.
- Update on new product launches in RE.
- Update on current demand trends for commercial vehicles, discount levels and inventory post BS-IV and GST.
- Impact of competition on ICV segment.

Quarterly performance (Consolidated)

										(INR m)
Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Operating income	15,557	17,549	18,348	18,881	20,006	22,080	23,645	24,842	70,334	90,574
Growth (%)	42.0	35.0	42.9	23.2	28.6	25.8	28.9	31.6	42.4	61.0
EBITDA	4,700	5,422	5,770	5,848	6,207	7,000	7,611	8,019	21,740	28,838
Recurring PAT	30.2	30.9	31.4	31.0	31.0	31.7	32.2	32.3	60.9	31.8
Growth (%)	3,763	4,132	4,182	4,594	4,596	5,509	5,829	6,560	16,671	22,494
Standalone (RE)	58.6	45.2	50.0	33.9	22.1	33.3	39.4	42.8	55.7	68.7
Royal Enfield (units)										
Growth (%)	147,483	166,941	173,838	178,228	183,998	202,867	216,250	225,615	666,490	828,730
Net Realn (INR/unit)	38.3	30.8	38.2	20.3	24.8	21.5	24.4	26.6	38.8	55.4
Change - YoY (%)	105,603	105,576	105,477	105,731	108,691	108,841	109,341	110,141	105,598	109,292
EBITDA Margins (%)	2.7	3.7	3.3	1.5	2.9	3.1	3.7	4.2	2.4	3.5
Recurring PAT	4,796	5,524	5,828	5,910	6,278	7,000	7,611	7,949	22,058	28,838
Growth (%)	30.8	31.3	31.8	31.4	31.4	31.7	32.2	32.0	31.3	31.8
VECV	3,371	3,962	4,152	4,116	4,943	5,043	5,391	5,573	15,600	20,950
Total CV Volumes	69.6	54.2	64.5	8.5	46.6	27.3	29.9	35.4	48.9	67.9
Growth (%)										
Net Realn (INR '000/unit)	16,071	13,408	11,784	17,230	11,583	15,013	15,065	19,001	58,493	60,662
Change - YoY (%)	32.5	15.0	-7.1	10.8	-27.9	12.0	27.8	10.3	16.0	29.6
EBITDA Margins (%)	1,331.3	1,470.5	1,599.6	1,482.3	1,556.6	1,587.7	1,619.5	1,628.7	1,461.5	1,602.5
Recurring PAT	-9.6	-3.8	1.9	11.2	16.9	8.0	1.2	9.9	-4.3	9.6
Growth (%)	9.1	7.2	6.9	8.2	8.3	8.5	8.1	9.1	7.9	8.6

E: MOSL Estimates

Endurance Technologies

Bloomberg	ENDU IN
Equity Shares (m)	140.7
M. Cap. (INR b)/(USD b)	148 / 2
52-Week Range (INR)	1075 / 518
1,6,12 Rel Perf. (%)	4/30/-

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	55.9	63.7	72.7	84.1
EBITDA	7.6	8.9	10.6	12.6
NP	3.3	4.2	5.5	6.9
Adj EPS (INR)	23.5	29.6	39.3	49.2
EPS Gr. (%)	9.9	26.2	32.6	25.1
BV/Sh. (INR)	122.9	148.3	179.1	213.4
RoE (%)	20.8	21.8	24.0	25.0
RoCE (%)	15.6	18.3	21.4	23.4

Valuations

P/E (x)	44.9	35.6	26.9	21.5
P/BV (x)	20.0	16.9	14.0	11.6
EV/EBITDA (x)	20.8	21.8	24.0	25.0
EV/Sales (x)	15.6	18.3	21.4	23.4

CMP: INR1,055 TP: INR1,229(+16%) Buy

- We expect 12.2% YoY (+4.8% QoQ) growth in consolidated revenue to INR16.3b, led by strong performance in domestic and exports subsidiary.
- Consolidated EBITDA is expected to grow 12.4% YoY (+5.6% QoQ), led by healthy growth in standalone performance.
- EBITDA margin is likely to remain flat YoY and expand 11bp QoQ to 13.9%.
- We expect PAT to grow 21.2% YoY (+12.1% QoQ) to INR1.08b.
- We upgrade FY18 and FY19 EPS by 1.2% and 3.6%, respectively.
- The stock trades at 35.6x FY18E EPS and 26.9x FY19 EPS. Maintain **Buy**.

Key issues to watch for

- Update on capacity expansion plan at Chennai plant and investment thereof.
- Update on ramp-up of business with key customers like RE, HMSI and Yamaha.
- Supply contract of EV components with other OEMs (apart from Porsche)
- Update on new suspension products and ABS (recent tie-up with BWI).
- EU business: level of ramp-up at new plant in Germany.

Consolidated - Quarterly

Y/E March (INR Million)	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	14,402	14,482	13,203	13,803	15,503	16,250	15,680	16,246	55,880	63,679
YoY Change (%)	13.3	7.5	2.4	4.8	7.6	12.2	18.8	17.7	6.8	14.0
RM Cost (% of sales)	58.4	57.8	57.8	57.4	59.0	59.9	58.5	58.3	57.7	58.9
Staff Cost (% of sales)	9.8	8.9	10.5	9.9	9.5	9.0	9.6	9.5	9.8	9.4
Other Expenses (% of sales)	18.9	19.4	18.3	18.9	17.6	17.3	17.8	17.8	19.0	17.6
EBITDA	1,865	2,008	1,769	1,898	2,136	2,256	2,202	2,326	7,555	8,920
Margins (%)	13.0	13.9	13.4	13.8	13.8	13.9	14.0	14.3	13.5	14.0
Depreciation	684	699	741	781	742	760	790	825	2,905	3,117
Interest	104	81	88	49	57	57	57	56	322	226
Other Income	89	54	73	119	60	95	110	120	319	385
PBT	1,166	1,281	1,014	1,186	1,397	1,534	1,465	1,565	4,646	5,961
Eff. Tax Rate (%)	24.5	30.3	26.7	29.6	30.9	29.5	30.1	30.0	28.9	30.1
Adj. PAT	880	893	743	835	965	1,082	1,024	1,095	3,303	4,168
YoY Change (%)	15.2	14.8	13.6	3.3	9.7	21.2	37.8	31.1	9.9	26.2

Escorts

Bloomberg	ESC IN
Equity Shares (m)	122.6
M. Cap. (INR b)/(USD b)	82 / 1
52-Week Range (INR)	768 / 270
1,6,12 Rel Perf. (%)	3 / 18 / 53

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	41.5	49.7	54.8	63.1
EBITDA	3.1	4.9	5.8	6.7
NP	1.6	3.0	3.8	4.3
EPS (INR)	20.0	37.1	45.8	52.5
EPS Growth (%)	68.9	85.7	23.5	14.6
BV/Sh (INR)	197.2	230.7	270.5	316.9
RoE (%)	10.6	17.3	18.3	17.9
RoCE (%)	10.2	16.9	18.3	26.7
Payout (%)	25.2	11.3	9.7	13.1
Valuations				
P/E (x)	33.3	17.9	14.5	12.7
P/BV (x)	3.4	2.9	2.5	2.1
EV/EBITDA (x)	26.3	16.3	13.1	10.7
EV/Sales(x)	2.0	1.6	1.4	1.1

CMP: INR665 TP: INR732 (+10%) Neutral

- We expect revenue to grow 20% YoY to INR11.9b in 2QFY18 on account of strong monsoon and early festive season.
- 2QFY18 is expected to witness gradual restocking at the wholesale level post GST transition. We expect EBITDA margin to expand 270bp to 9%. Consequently, EBITDA should grow 71% YoY to INR1,069m.
- PAT should increase 91% to INR657m, as against INR343m in 2QFY17. **Neutral.**

Key things to watch for

- Tractor market share post GST transition.
- Execution of order book currently at INR1.5b.

Standalone Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	10,480	9,953	10,929	10,223	11,632	11,944	13,547	12,929	41,586	50,051
YoY Change (%)	9.0	21.7	22.6	29.6	11.0	20.0	24.0	26.5	20.2	20.4
Total Expenditure	9,580	9,329	10,014	9,480	10,656	10,875	12,192	11,713	38,403	45,437
EBITDA	900	625	915	744	975	1,069	1,355	1,215	3,183	4,614
Margins (%)	8.6	6.3	8.4	7.3	8.4	9.0	10.0	9.4	7.7	9.2
Depreciation	139	163	167	167	178	164	182	186	637	710
Interest	85	96	49	112	80	35	32	35	343	182
Other Income	102	71	79	183	205	122	130	122	435	579
PBT before EO expense	778	437	777	647	923	992	1,271	1,116	2,639	4,302
Extra-Ord expense	58	39	20	-147	0	0	0	0	-38	0
PBT	720	398	757	794	923	992	1,271	1,116	2,676	4,302
Tax	213	85	221	203	297	335	432	380	756	1,443
Rate (%)	29.5	21.4	29.2	25.6	32.1	33.8	34.0	34.0	28.2	33.6
Reported PAT	508	313	536	591	626	657	839	737	1,947	2,859
Adj PAT	548	343	550	482	626	657	839	737	1,923	2,859
YoY Change (%)	55.8	215.9	112.5	51.1	14.3	91.3	52.4	52.9	85.7	48.6
Margins (%)	5.2	3.4	5.0	4.7	5.4	5.5	6.2	5.7	4.6	5.7

E: MOSL Estimates

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Exide Industries

Bloomberg	EXID IN
Equity Shares (m)	850.0
M. Cap. (INR b)/(USD b)	173 / 3
52-Week Range (INR)	250 / 168
1,6,12 Rel Perf. (%)	1 / -16 / -7

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Net Sales	76.2	85.3	95.3	108.6
EBITDA	10.9	12.5	14.5	17.1
Adj. PAT	6.9	7.6	9.1	11.1
Adj. EPS (INR)	8.1	8.9	10.8	13.0
EPS Gr. (%)	10.6	10.0	20.4	20.9
BV/Sh. (INR)	58.4	64.8	72.9	82.2
RoE (%)	13.9	13.8	14.8	15.8
RoCE (%)	14.2	14.1	15.2	16.4
Payout (%)	29.5	24.6	20.4	24.6

Valuations

P/E (x)	25.1	22.8	15.4	12.8
P/BV (x)	3.5	3.2	2.3	2.0
EV/EBITDA (x)	13.6	11.6	7.3	5.7
Div. Yield (%)	1.2	1.1	1.3	1.9

CMP: INR204

TP: INR279 (+37%)

Buy

- We expect revenues to grow 12.7% YoY (+3.1% QoQ) to INR21.7b led by better OEM and replacement demand.
- EBITDA margin is likely to decline 10bp YoY (-30bp QoQ) to 15.1% due to YoY increase in lead price. However, price increase of 1-2.5% in replacement segment is likely to arrest decline in margins.
- Spot LME lead prices increased ~7.6% QoQ (+~19% YoY) in 2QFY17.
- EBITDA is estimated to increase 12% YoY (+1% QoQ) to ~INR3.3b.
- PAT is likely to increase by 11.2% YoY (+6.7% QoQ) to INR2b.
- We reduced EPS estimates of FY18E/FY19E by 2.8%/2.1% as we factor in lead price inflation.
- The stock trades at 22.8x FY18E and 15.4x FY19E EPS, and maintain **Buy**.

Key issues to watch

- Update on demand environment for OEMs, auto replacement and industrial battery segments post demonetization.
- Market share in autos and non-autos.
- Outlook for raw material cost trend, recent pricing action and currency hedges, if any.
- Update on technical alliance with China-based Chaowei group for lithium ion battery.

S/A Quarterly Performance

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	20,103	19,233	17,253	19,717	21,029	21,680	20,721	21,905	76,203	85,335
Growth YoY (%)	11.3	10.3	12.6	11.7	4.6	12.7	20.1	11.1	11.3	12.0
RM(%)	62.4	61.1	60.0	62.7	62.9	63.0	63.0	62.7	61.6	62.9
Employee cost (%)	6.4	6.8	7.4	6.6	6.8	6.7	7.1	6.8	6.8	6.8
Other Exp(%)	15.6	16.9	19.3	17.6	14.9	15.2	16.0	16.7	17.3	15.7
EBITDA	3,142	2,927	2,296	2,578	3,243	3,278	2,884	3,049	10,919	12,454
EBITDA Margin(%)	15.6	15.2	13.3	13.1	15.4	15.1	13.9	13.8	14.3	14.6
Change (%)	18.4	14.7	-4.0	-3.2	3.2	12.0	25.6	18.3	6.8	14.1
Non-Operating Income	150	190	350	255	132	200	300	269	899	901
Interest	17	6	46	0	16	8	8	4	30	35
Depreciation	491	506	522	544	563	570	580	600	2,063	2,313
PBT after EO Exp	2,784	2,606	2,079	2,289	2,796	2,901	2,596	2,714	9,725	11,007
Effective Tax Rate (%)	29.6	30.4	27.1	28.0	32.4	30.5	30.5	30.6	29.0	31.0
Adj. PAT	1,961	1,813	1,515	1,648	1,890	2,016	1,804	1,884	6,904	7,595
Change (%)	25.9	16.9	9.4	-6.0	-3.6	11.2	19.1	14.4	10.6	10.0

E: MOSL Estimates

Hero MotoCorp

Bloomberg	HMCL IN
Equity Shares (m)	199.7
M. Cap. (INR b)/(USD b)	750 / 12
52-Week Range (INR)	4200 / 2844
1,6,12 Rel Perf. (%)	-5 / 12 / -4

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	284.7	323.9	348.8	382.3
EBITDA	46.3	54.1	54.0	59.1
NP	33.8	39.6	39.7	43.8
Adj. EPS (INR)	169.1	198.2	198.7	218.6
EPS Gr. (%)	6.9	17.2	0.3	10.0
BV/Sh. (INR)	506.3	596.1	686.3	794.8
RoE (%)	35.7	36.0	31.0	29.6
RoCE (%)	34.5	34.7	30.0	28.8
Payout (%)	57.8	52.2	52.1	47.3
Valuations				
P/E (x)	21.9	18.7	18.6	16.9
P/BV (x)	7.3	6.2	5.4	4.7
EV/EBITDA (x)	14.6	12.1	12.0	10.8
Div. Yield (%)	2.3	2.4	2.4	2.4

CMP: INR3,757 TP:INR3,868 (+3%) Neutral

- Volume increased 9.9% YoY (+8.3% QoQ) to 2m units, led by healthy festive demand.
- Realization would increase by 0.6% YoY (flat QoQ) to INR42,996/unit.
- Net revenue should increase by 10.5% YoY (and 8.1% QoQ) to INR86b.
- EBITDA margin is expected to decline by ~130bp YoY (flat QoQ) to 16.3%, mainly led by higher RM costs.
- EBITDA is likely to grow 2.5% YoY (and 8.2% QoQ) to ~INR14b.
- We expect PAT to remain flat YoY (+9.6% QoQ) to INR10b.
- We have cut our FY18E/FY19E EPS estimates by 2.3%/1%. The stock trades at 20.3 FY18E and 19.1 FY19E EPS; maintain **Neutral**.

Key issues to watch

- Signs of pick-up in rural demand, update on retail demand.
- Update on discounts given; price hikes.
- Guidance on exports plans and new launches along with timelines.
- Update on spare parts business post GST.

Quarterly Performance

Y/E March (INR m)	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Volumes ('000 nos)	1,745	1,823	1,473	1,622	1,849	2,004	1,850	1,843	6,664	7,546
Growth YoY (%)	6.1	15.8	-12.8	-5.8	6.0	9.9	25.6	13.7	0.5	13.2
Net Realization	42,391	42,755	43,202	42,635	43,104	42,996	43,319	43,410	42,729	43,203
Growth YoY (%)	1.0	-1.1	1.1	-2.2	1.7	0.6	0.3	1.8	-0.4	1.1
Net Op Revenues	73,989	77,963	63,646	69,152	79,716	86,146	80,140	80,021	284,750	326,023
Change (%)	7.2	14.5	-11.9	-7.9	7.7	10.5	25.9	15.7	0.1	14.5
RM Cost (% sales)	67.1	66.5	64.9	68.5	67.7	68.0	68.5	67.8	66.8	68.0
Staff Cost (% sales)	4.5	4.6	5.9	4.7	4.7	4.5	4.9	5.2	4.9	4.8
Other Exp (% sales)	11.7	11.4	12.3	12.9	11.4	11.3	11.3	11.8	12.1	11.4
EBITDA	12,301	13,689	10,797	9,576	12,959	14,025	12,328	12,172	46,348	51,484
EBITDA Margins (%)	16.6	17.6	17.0	13.8	16.3	16.3	15.4	15.2	16.3	15.8
Other Income	1,204	1,524	1,319	1,182	1,317	1,400	1,500	1,633	5,224	5,850
Interest	15	16	15	15	16	16	6	7	61	45
Depreciation	1,152	1,193	1,249	1,353	1,330	1,350	1,370	1,389	4,927	5,438
PBT	12,337	14,004	10,853	9,390	12,931	14,059	12,452	12,409	46,585	51,851
Effective Tax Rate (%)	28.4	28.3	28.9	23.6	29.3	28.8	28.8	28.2	27.5	28.8
Adj. PAT	8,831	10,042	7,720	7,178	9,140	10,017	8,872	8,913	33,771	36,942
Growth (%)	18.1	27.7	-2.7	-13.9	3.5	-0.3	14.9	24.2	6.9	9.4

E: MOSL Estimates

Mahindra & Mahindra

Bloomberg	MM IN
Equity Shares (m)	621.1
M. Cap. (INR b)/(USD b)	808 / 12
52-Week Range (INR)	1460 / 1142
1,6,12 Rel Perf. (%)	-1 / -5 / -19

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	437.9	496.4	567.8	639.0
EBITDA	47.7	54.8	63.5	73.3
NP (incl. MVML)	37.4	39.2	46.0	53.0
Adj. EPS (INR) *	62.5	65.5	76.9	88.5
EPS Gr. (%)	12.1	4.8	17.4	15.1
Cons. EPS (INR)	54.3	69.5	81.7	91.9
BV/Share (INR)	432.4	473.7	525.0	587.3
RoE (%)	14.2	13.5	14.3	14.8
RoCE (%)	13.3	12.6	13.3	13.9
Payout (%)	22.7	37.9	32.6	28.2

Valuations

P/E (x)	20.8	19.9	16.9	14.7
Cons. P/E (x)	23.9	18.7	15.9	14.2
P/BV (x)	3.0	2.7	2.5	2.2
EV/EBITDA (x)	15.7	13.7	11.6	8.4
Div. Yield (%)	1.0	1.5	1.5	1.5

* incl. MVML

Quarterly Performance (incl MVML)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Volumes (nos)	196,125	187,837	197,356	188,301	201,501	218,437	218,850	214,293	769,617	855,662
Growth YoY (%)	14.1	18.4	1.9	3.4	2.7	16.3	10.9	13.8	8.8	11.2
Net Realization	536,631	541,522	536,432	563,572	550,573	559,618	548,966	574,070	544,367	556,695
Growth YoY (%)	-2.3	-2.4	-0.7	0.9	2.6	3.3	2.3	1.9	-0.9	2.3
Net Op. Income	105,247	101,718	105,868	106,121	110,941	122,241	120,141	123,019	418,954	476,343
Growth YoY (%)	11.4	15.6	1.2	4.3	5.4	20.2	13.5	15.9	7.7	13.7
RM Cost (% of sales)	68.4	67.1	68.6	68.4	68.5	68.1	67.9	68.5	68.1	68.3
Staff (% of sales)	6.8	7.1	7.2	6.4	7.0	6.7	7.0	6.7	6.9	6.9
Oth. Exp. (% of Sales)	10.6	11.3	10.6	13.5	11.4	10.8	11.0	12.5	11.6	11.6
Total Cost	90,276	87,036	91,374	93,754	96,402	104,698	103,191	108,851	362,398	413,142
EBITDA	14,971	14,682	14,495	12,368	14,539	17,543	16,950	14,169	56,556	63,200
EBITDA Margins (%)	14.2	14.4	13.7	11.7	13.1	14.4	14.1	11.5	13.5	13.3
Change (%)	11.3	28.3	-0.1	-4.4	-2.9	19.5	16.9	14.6	7.8	11.7
Other income	1,294	6,879	921	2,940	1,282	6,125	950	3,386	12,035	11,743
Interest	515	464	591	673	499	525	550	613	2,285	2,188
Depreciation	3,484	3,701	3,753	3,782	3,783	4,000	4,250	4,762	14,721	16,795
PBT	13,176	17,397	11,236	11,790	11,538	19,143	13,100	12,179	53,597	55,960
Effective Tax Rate (%)	27.0	28.0	28.7	25.9	33.4	29.0	29.0	29.1	27.4	29.9
Reported PAT	9,613	12,529	8,011	8,737	7,683	13,591	9,301	8,639	38,889	39,214
Change (%)	15.8	28.8	-5.7	26.3	-20.1	8.5	16.1	-1.1	16.3	0.8
Adj PAT	8,949	12,529	7,893	8,043	7,683	13,591	9,301	8,639	37,429	39,214
Change (%)	7.8	28.8	-7.1	17.0	-14.2	8.5	17.8	7.4	12.1	4.8

E: MOSL Estimates

CMP: INR1,301 TP:INR1,585 (+22%) Buy

- Overall volumes were up 16.3% YoY (+8.4% QoQ), led by double-digit growth in Tractor (+31.2%), UV (+11.3%) and CV (+34.9%) volumes. 3W sales declined 11.7% YoY, restricting volume growth.
- MM's (including MVML) realization is expected to increase by 3.3% YoY (+1.6% QoQ), led by better product mix due to increase in share of tractors. As a result, revenue is likely to increase 20.2% YoY (+10.2% QoQ) to ~INR122.2b.
- EBITDA margin is expected to remain flat YoY at 14.4%, while it is expected to increase 130bp QoQ.
- PAT is projected to increase 8.5% YoY to INR13.6b.
- The stock trades at 19.9x FY18E and 16.9x FY19E EPS; Maintain **Buy**.

Key issues to watch

- Outlook for UV and tractor businesses for FY18.
- Product pipeline for FY18 and FY19.
- Update on smaller businesses like two-wheelers, commercial vehicles, Ssangyong, etc.

Maruti Suzuki

Bloomberg	MSIL IN
Equity Shares (m)	302.1
M. Cap. (INR b)/(USD b)	2368 / 36
52-Week Range (INR)	8200 / 4770
1,6,12 Rel Perf. (%)	1 / 18 / 26

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	680.3	812.5	969.7	1118.4
EBITDA	104.7	120.9	158.4	183.5
Adj. PAT	74.2	84.6	113.5	131.1
Con.adj.EPSINR	248.6	285.5	381.7	440.3
EPS Gr. (%)	36.6	14.8	33.7	15.4
BV/Sh. (INR)	1,197	1,375	1,631	1,920
RoE (%)	20.3	20.4	23.0	22.6
RoCE (%)	27.3	28.3	31.6	31.0
Payout (%)	37.1	36.5	32.0	33.2

Valuations

P/E (x)	31.5	27.5	20.5	17.8
P/CE (x)	23.4	20.7	16.1	14.0
EV/EBITDA (x)	20.0	16.9	12.4	10.2
Div. Yield (%)	1.0	1.1	1.3	1.5

*Consol. & adjusted

CMP: INR7,838 TP:INR9,417 (+20%) Buy

- Volume grew 17.6% YoY (+24.7% QoQ) to 492.1k units, led by Baleno, Brezza and newly launched Dzire.
- Net realization is likely to improve 4.8% YoY (+0.5% QoQ) to INR446,901 per unit, boosting net revenue by 23.3% YoY (+25.3% QoQ) to INR219.9b. Growth in realization is likely to be driven by improvement in product mix and nil discounts on newly launched products.
- We expect margin to decline 190bp YoY (+180bp QoQ) to 15.1%, led by impact of Gujarat plant and higher fixed cost due to same. Also, higher offers due to GST and festive season are expected to impact margins.
- EBITDA is estimated to grow by 9.3% YoY (+42.4% QoQ) to INR33.2b.
- We expect PAT to decline by 2.7% YoY (+50% QoQ) to INR23.3b, led by higher base due to increase in other income in 2QFY17.
- We cut FY18/19 EPS estimates by 3.6%/5.1% respectively.
- The stock trades at 27.5x FY18E and 20.5x FY19E EPS. Maintain **Buy**.

Key issues to watch

- Update on demand scenario, channel inventory, discounting trends and new launches.
- Gujarat plant product pipeline.
- Impact of GST on CIAZ demand.

Y/E March	FY17E				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Volumes (nos)	348,443	418,470	387,251	414,439	394,571	492,118	446,017	472,315	1,568,603	1,805,021
Change (%)	2.1	18.4	3.5	15.0	13.2	17.6	15.2	14.0	9.8	15.1
Realizations (INR/car)	428,899	426,382	435,500	442,367	444,678	446,901	451,370	456,826	433,729	450,117
Change (%)	9.4	8.8	8.5	4.6	3.7	4.8	3.6	3.3	7.9	3.8
Net operating revenues	149,447	178,428	168,648	183,334	175,457	219,928	201,319	215,766	680,348	812,470
Change (%)	11.7	28.8	12.3	20.3	17.4	23.3	19.4	17.7	18.4	19.4
RM Cost (% of sales)	67.9	67.7	69.2	69.6	70.0	70.4	70.0	68.9	68.7	69.8
Staff Cost (% of sales)	3.9	2.9	3.7	3.4	3.7	3.0	3.4	3.2	3.4	3.3
Other Cost (% of sales)	13.4	12.4	12.4	12.4	13.0	11.5	12.0	11.8	12.5	12.0
EBITDA	22,148	30,374	24,890	26,775	23,312	33,188	29,452	34,909	104,710	120,861
EBITDA Margins (%)	14.8	17.0	14.8	14.6	13.3	15.1	14.6	16.2	15.4	14.9
Depreciation	6,380	6,300	6,349	7,010	6,839	6,975	7,100	7,479	26,021	28,393
EBIT	15,768	24,074	18,541	19,765	16,473	26,213	22,352	27,430	78,689	92,468
EBIT Margins (%)	10.6	13.5	11.0	10.8	9.4	11.9	11.1	12.7	11.6	11.4
Interest	181	197	290	226	313	275	260	252	894	1,100
Non-Operating Income	4,881	8,126	5,919	4,491	6,827	6,500	7,000	7,411	23,001	27,738
PBT	20,468	32,003	24,170	22,850	22,987	32,438	29,092	34,589	99,616	119,106
Effective Tax Rate (%)	27.2	25.1	27.8	25.1	32.3	28.1	28.1	28.4	26.1	29.0
Adjusted PAT	14,909	23,980	17,445	17,988	15,564	23,323	20,917	24,761	74,452	84,565
Change (%)	23.4	60.2	47.5	21.9	4.4	-2.7	19.9	37.7	41.2	13.6

E:MOSL Estimates

Tata Motors

Bloomberg	TTMT IN
Equity Shares (m)	3396.6
M. Cap. (INR b)/(USD b)	1437 / 22
52-Week Range (INR)	571 / 358
1,6,12 Rel Perf. (%)	10 / -16 / -36

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Sales	2,697	2,970	3,726	4,135
EBITDA	369.1	357.1	573.2	612.0
NP	67.3	68.0	208.2	214.3
Adj. EPS (INR)	19.8	20.0	61.3	63.1
EPS Gr. (%)	-48.4	1.1	206.1	2.9
BV/Sh. (INR)	171.0	192.3	254.8	319.2
RoE (%)	9.8	11.0	27.4	22.0
RoCE (%)	9.2	6.5	16.7	14.8
Payout (%)	0.0	1.6	0.5	0.5
Valuations				
P/E (x)	21.4	21.1	6.9	6.7
P/BV (x)	2.5	2.2	1.7	1.3
EV/EBITDA (x)	4.4	4.9	2.8	2.4
Div. Yield (%)	0.0	0.1	0.1	0.1

CMP: INR423
TP: INR562 (+33%)
Buy

- We expect JLR's (incl. JV) volume to be up by 10.5% YoY (+11% QoQ), led by strong growth in Land Rover sales and increase in volume in China JV.
- Net realization is expected to increase by 4.7% YoY (+0.6% QoQ), led by ramp-up of F-Pace and increase in share of China. EBITDA margin would increase 110bp YoY (+210bp QoQ) to 10.6%, led by better mix, but restricted by GBP350m estimated forex hedge loss. JLR's adjusted PAT is likely to decline 30% YoY to GBP172m.
- S/A volume increased 14% YoY (+39.5% QoQ), led by 15.7% and 10% YoY increase in CV and PV sales, respectively. EBITDA margin is likely to increase 90bp YoY to 4.5%. Adjusted loss is likely to be INR4.7b (v/s INR6.6b in 2QFY17).
- The stock trades at 21.1x FY18E and 6.9x FY19E EPS. **Buy.**

Key issues to watch

- Impact of forex hedge loss.
- Current demand trends for JLR and outlook, particularly in China and the US.
- Update on new launches.
- Update on Chery JV operations and CV business outlook.

Quarterly Performance

Y/E March (Consolidated)	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
JLR vols. (incl JV)	134,334	139,227	152,245	175,000	138,476	153,803	164,793	208,728	600,806	665,800
JLR Realizations (GBP/unit)	44,338	45,642	46,200	45,746	47,483	47,768	48,007	48,544	45,515	48,018
JLR EBITDA (%)	12.5	10.9	10.1	14.5	7.9	10.8	12.0	16.3	12.1	12.3
JLR PAT (GBP m)	265	245	111	544	125	172	264	758	1153	1314
S/A vol. (units)	126,839	134,397	132,553	148,533	109,692	153,056	151,558	179,282	542,322	593,588
S/A Realizations (INR/unit)	811,243	768,057	769,912	914,725	829,080	853,952	811,254	917,997	2	9
S/A EBITDA (%)	6.5	3.6	1.4	4.1	0.0	4.5	4.0	6.9	3.8	4.3
S/A PAT (INR m)	258	-6,621	-10,452	-5,369	-4,671	-4,736	-6,244	-133	-22,546	-15,783
Net Op Income	650,047	659,004	639,330	772,172	584,934	690,313	717,264	977,278	2,696,925	2,969,790
Growth (%)	7.6	7.1	-9.4	-2.9	-10.0	4.8	12.2	26.6	-1.2	10.1
EBITDA	90,275	62,826	62,403	108,012	49,648	72,832	81,379	122,718	295,887	326,578
EBITDA Margins (%)	13.9	9.5	9.8	14.0	8.5	10.6	11.3	12.6	11.0	11.0
PBT before EO Exp	34,718	9,831	13,071	52,011	-5,145	13,332	17,929	60,273	82,002	86,389
EO Exp/(Inc)	9,204	-162	7,085	356	-42,515	0	0	0	16,483	0
PBT after EO Exp	25,514	9,993	5,986	51,655	37,370	13,332	17,929	60,273	65,519	86,389
Tax rate (%)	28.2	42.5	144.8	24.0	32.3	32.0	32.0	25.4	49.6	43.3
Adj PAT	28,970	8,191	-2,239	43,229	3,045	12,322	16,701	49,699	55,219	68,030

E: MOSL Estimates

TVS Motor Company

Bloomberg	TVSL IN
Equity Shares (m)	475.1
M. Cap. (INR b)/(USD b)	311 / 5
52-Week Range (INR)	672 / 339
1,6,12 Rel Perf. (%)	8 / 40 / 61

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	121.4	148.4	178.5	211.5
EBITDA	8.6	11.5	17.6	23.4
Adj. PAT	5.6	7.2	11.6	16.0
EPS (INR)	11.7	15.1	24.5	33.8
EPS Gr. (%)	14.1	28.5	62.5	37.7
BV/Sh (INR)	50.7	62.2	81.3	109.0
RoE (%)	25.6	26.7	34.2	35.5
RoCE (%)	22.8	26.9	36.8	41.9
Payout (%)	25.6	23.9	22.1	17.8
Valuations				
P/E (x)	55.7	43.4	26.7	19.4
P/BV (x)	12.9	10.5	8.1	6.0
EV/EBITDA (x)	37.7	28.0	18.0	13.1
Div. Yield (%)	0.4	0.5	0.7	0.8

CMP: INR655

TP: INR719 (+10%)

Buy

- Volume increased 16.3% YoY (+18.3% QoQ) to 948.6k units. Scooter and motorcycle volume increased by 43% and 10% YoY respectively, 3W volumes increased by 24% YoY, while mopeds volume declined by 2% YoY.
- Net realization is likely to increase ~1.1% YoY (flat QoQ) to INR42,488 per unit due to a favorable sales mix.
- We estimate net sales to grow by ~17.6% YoY (+18.6% QoQ) to ~INR40.3b.
- EBITDA margin is likely to recover to 8.6%, an increase of 50bp YoY and 240bp QoQ, driven by benefit of operating leverage and better product mix.
- We expect PAT to increase ~24.5% YoY (+71% QoQ) to INR2.2b.
- We have revised upward our FY18E/FY19E volume by 2.1%/2.6%. Consequently, we have increased our FY18E/FY19E EPS by 4.8%/3.4%.
- The stock trades at 43.4x FY18E and 26.7x FY19E EPS; Maintain **Buy**.

Key issues to watch

- Launch of product with BMW tie-up in domestic market, electric scooter.
- Response to Jupiter classic.
- Impact on spare parts business post GST.
- Update on key trends in exports market, outlook for exports.

S/A Quarterly Performance

Y/E March (INR m)	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Volumes (units)	714,964	815,562	718,562	673,572	802,108	948,584	878,900	838,705	2,923,139	3,468,297
Growth (%)	12.1	20.2	2.4	2.0	12.2	16.3	22.3	24.5	9.1	18.6
Realization (INR/unit)	40,305	42,014	41,519	42,230	42,382	42,488	42,807	43,450	41,515	42,777
Growth (%)	(0.1)	0.5	0.7	(0.3)	5.2	1.1	3.1	2.9	0.1	3.0
Net Sales	28,817	34,265	29,834	28,445	33,995	40,304	37,623	36,442	121,353	148,363
Growth (%)	11.9	20.8	3.0	1.7	18.0	17.6	26.1	28.1	9.3	22.3
RM (% of sales)	72.5	72.3	72.0	75.1	74.6	74.1	74.0	73.6	73.0	74.1
Emp cost (% of sales)	6.3	5.8	6.4	6.1	6.1	5.3	5.8	6.3	6.1	5.9
Other exp (% of sales)	14.2	13.8	14.2	13.1	13.1	12.0	12.2	12.2	13.8	12.4
TOTAL EXPENDITURE	26,806	31,498	27,649	26,830	31,881	36,831	34,601	33,552	112,782	136,865
EBITDA	2,011	2,767	2,185	1,615	2,114	3,472	3,022	2,890	8,571	11,498
EBITDA Margin(%)	7.0	8.1	7.3	5.7	6.2	8.6	8.0	7.9	7.1	7.8
Interest	98	94	115	132	107	110	115	118	440	450
Depreciation	660	724	720	775	783	795	805	820	2,878	3,204
Other Income	362	392	348	632	571	480	490	505	1,734	2,046
PBT after EO Exp	1616	2340	1698	1340	1794	3047	2592	2456	6,987	9890
Tax rate (%)	24.5	24.2	21.9	5.4	27.8	27.5	27.5	27.2	20.1	27.5
Adjusted PAT	1,220	1,774	1,327	1,268	1,295	2,209	1,879	1,787	5,581	7,170
Growth (%)	21.9	33.4	10.4	(6.8)	6.1	24.5	41.6	41.0	14.1	28.5

E: MOSL Estimates

Capital Goods

Company name

ABB

Bharat Electronics

BHEL

Blue Star

Crompton Greaves

Crompton Greaves Consumer

Cummins India

GE T&D

Havells India

Larsen & Toubro

Siemens

Thermax

Voltas

GST to cause near-term pain

Impending structural reforms to rekindle investment cycle

Domestic capex cycle weak; exports hamstrung by subdued global demand

The domestic capex cycle appears to have remained weak. New project announcements declined 64% YoY to INR845b against average of INR2.2t per quarter over the last three years and the lowest since June 2014, when the new Modi-led government assumed power. Private sector investment proposals fell to their lowest in 15 quarters to INR313b (down 83% YoY) and accounted for 37% of total new project proposals. Though the near-term outlook remains subdued, we note that policy initiatives and efforts are underway to (i) expedite regulatory approvals, and (ii) establish monetary conditions conducive to industrial revival in the medium term.

- We believe investment revival would be triggered by: (i) sustained recovery in consumption demand, and thus, capacity utilization, and (ii) investment push by the public sector, leading to a virtuous cycle of cash flow generation. Simultaneously, sustained progress in reviving stalled projects is imperative to attract new investments and stimulate aggregate demand.
- By initiating the GST, labor and energy sector reforms, the Indian government has partly addressed concerns about the pace and extent of reforms. Implementation of substantive reforms is essential for structured investment growth.
- Indian machinery exports have decelerated due to weak global demand, geopolitical concerns, and sharp currency volatility across markets, among others. Also, falling crude prices have had an adverse impact on global trade, and thus, investment demand. Project awards in the Middle-East have been muted – in fact, revenue estimates for global industrial players suggest that the sluggishness has continued for around nine quarters.

Equipment manufacturers key beneficiaries of 'Make in India' initiative

'Make in India' is the central government's initiative to improve the manufacturing sector's contribution through import substitution and increased exports. The intent is to ensure that customers in the public and private sectors increasingly procure locally manufactured equipment. Power Grid has mandated T&D players to manufacture certain components in India for orders tendered out in key high-end technology products such as SVC/STATCOM, GIS, 765KV transformers and reactors, HTLS conductors, OPGW, and HVDC.

In our view, the successful implementation of this initiative should benefit capital goods players. Increased imports over the past 5-6 years, particularly from China/South Korea, have been a key concern across several product segments, even where domestic manufacturing capabilities and competitiveness exist. Key beneficiaries include BHEL/Siemens (railways, solar cells, power T&D, defense, etc), L&T/BHE (defense), ABB/Alstom/CGPower/Siemens (power T&D, etc) and TMX (industrial products/power BTG).

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Exhibit 1: Summary of expected quarterly performance

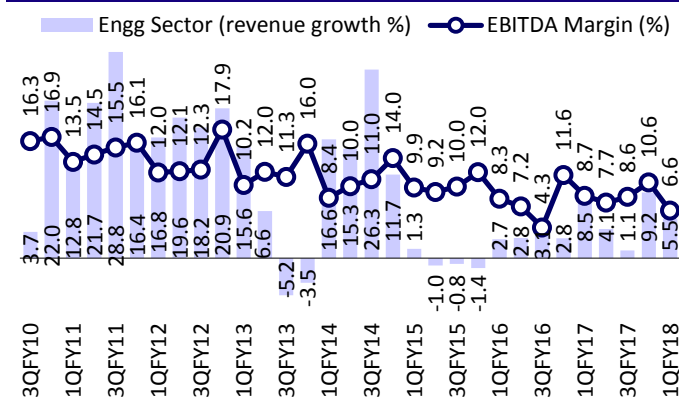
Sector	CMP (INR)	RECO	Sales (INR M)			EBDITA (INR M)			Net Profit (INR M)		
			Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
Capital Goods											
ABB	1,388	Sell	23,050	12.2	3.7	1,950	28.6	32.4	897	3.0	19.5
Bharat Electronics	164	Buy	19,820	16.4	14.9	2,535	-24.3	55.2	2,211	-35.5	76.5
BHEL	84	Sell	68,859	3.3	25.1	3,846	147.9	LP	2,681	145.9	231.7
Blue Star	780	Neutral	9,610	8.1	-34.2	580	43.2	-35.8	307	53.5	-47.5
CG Consumer Elect.	216	Buy	9,000	1.1	-14.7	990	1.7	-23.5	595	7.4	-25.8
CG Power & Indl.	81	Neutral	12,915	8.7	2.4	697	-19.8	6.8	362	-59.3	95.6
Cummins India	919	Buy	14,050	9.9	4.8	2,250	13.1	15.2	1,940	-1.5	16.8
GE T&D India	390	Neutral	9,300	11.5	-23.1	700	106.2	-33.6	370	79.8	-39.9
Havells India	506	Neutral	19,030	31.0	2.3	2,165	6.5	25.6	1,386	-1.6	14.2
Larsen & Toubro	1,132	Buy	266,500	6.6	11.9	24,900	8.4	21.1	11,450	10.9	28.3
Siemens	1,214	Neutral	39,414	27.5	48.7	3,271	35.5	45.1	2,693	46.0	65.3
Thermax	920	Neutral	9,303	6.8	30.4	814	5.3	89.6	623	4.4	92.0
Voltas	518	Sell	10,798	11.6	-44.5	761	10.7	-64.2	714	2.5	-61.6
Sector Aggregate			511,648	9.1	9.4	45,460	14.0	29.2	26,229	8.9	27.3

Source: MOSL

Ordering activity impacted by implementation of GST

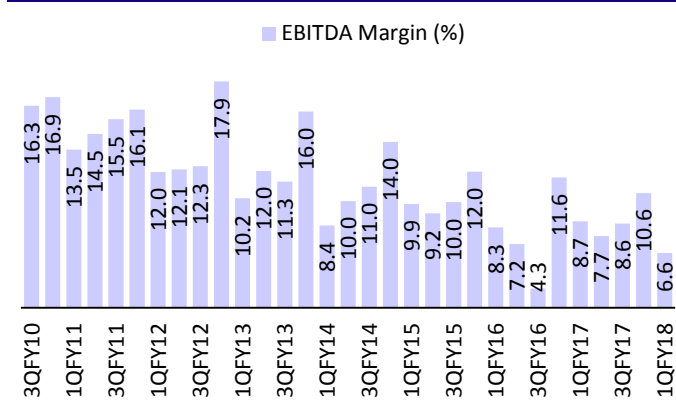
- Overall ordering activity has been impacted by a delay in finalization of orders on account of GST implementation and restrained capex by the private sector.
- Local ordering activity has been impacted, led by delay in finalization of orders, as companies wait for clarity on GST. After remaining subdued for most of 2015, tendering has seen some improvement since January 2016, mainly supported by central government activity. Sector-wise, roads, railways, power T&D and defense registered strong tendering activity (fiscal allocations for roads/railways have increased).
- Overseas project awards, particularly in the Middle-East, have started to see some signs of revival since 4QFY16, despite a sharp decline in crude oil prices. Growth in large orders is imperative to boost ordering activity further.

Exhibit 2: Constrained growth in revenue



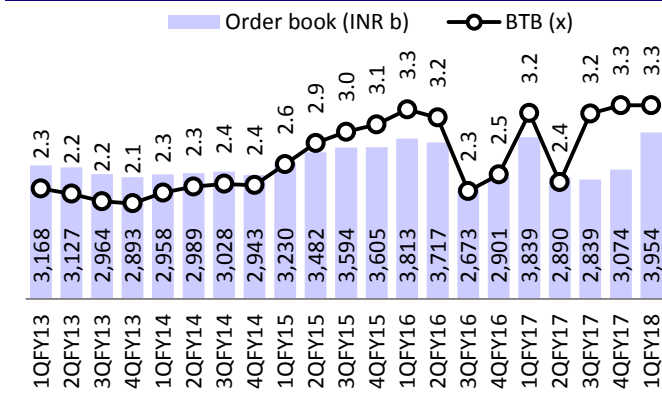
Source: MOSL, Company

Exhibit 3: EBITDA margin under pressure due to slower project execution



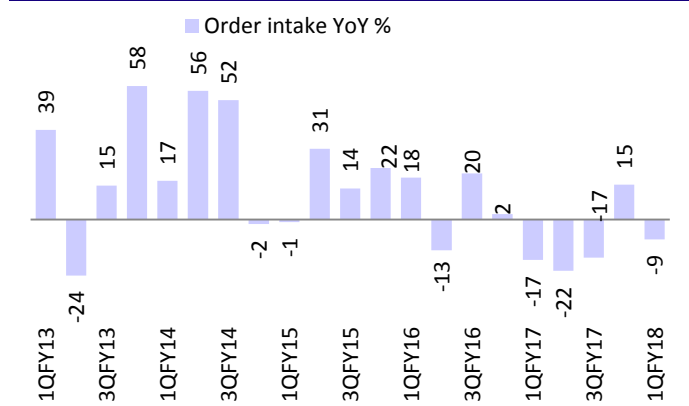
Source: MOSL, Company

Exhibit 4: Book-to-bill stable at 3.3x



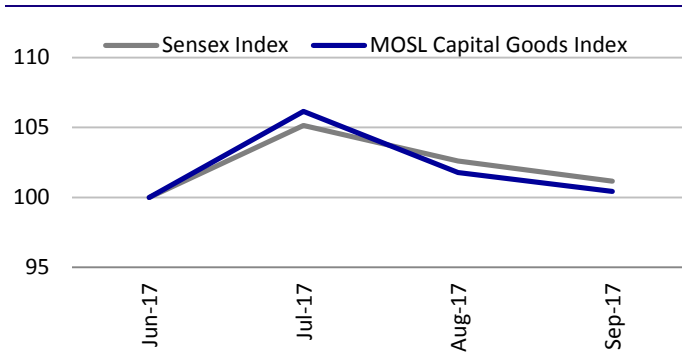
Source: MOSL, Company

Exhibit 5: Order intake growth remains muted



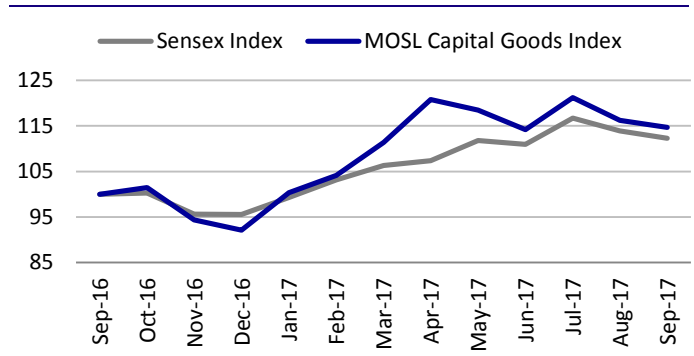
Source: MOSL, Company

Exhibit 6: Relative performance – three-month (%)



Source: Bloomberg, MOSL

Exhibit 7: Relative performance – one-year (%)



Source: Bloomberg, MOSL

Exhibit 8: Comparative valuation

Sector / Companies	CMP (INR)	RECO	EPS (INR)			PE (x)			EV/EBIDTA (x)			ROE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Capital Goods														
ABB	1,388	Sell	22.4	31.6	38.2	61.9	43.9	36.3	32.1	23.8	19.9	12.6	15.8	16.7
Bharat Electronics	164	Buy	6.7	7.4	8.6	24.4	22.0	19.1	17.5	15.9	13.5	17.1	17.0	17.6
BHEL	84	Sell	2.7	3.8	4.4	30.8	22.2	19.2	10.9	10.1	8.7	3.1	4.1	4.6
Blue Star	780	Neutral	17.1	25.5	32.0	45.7	30.6	24.4	25.8	18.6	15.2	20.9	28.9	33.0
CG Consumer Elect.	216	Buy	5.0	6.3	7.7	42.9	34.2	28.1	27.2	22.2	18.7	49.7	48.8	48.9
CG Power & Indl.	81	Neutral	2.0	2.5	3.4	39.6	31.7	23.9	21.4	17.8	13.6	3.0	3.7	4.7
Cummins India	919	Buy	27.7	35.0	40.5	33.2	26.3	22.7	27.7	21.5	18.1	19.7	22.8	24.3
GE T&D India	390	Neutral	9.3	11.3	14.3	41.9	34.5	27.2	25.2	20.0	16.4	21.5	22.7	24.9
Havells India	506	Neutral	10.7	13.9	16.4	47.1	36.3	30.9	30.7	23.0	19.4	18.3	20.9	21.6
K E C International	311	Neutral	13.1	16.4	20.2	23.8	18.9	15.4	10.4	8.3	6.4	19.5	20.9	21.7
Larsen & Toubro	1,132	Buy	46.5	56.6	68.4	24.3	20.0	16.5	17.4	14.4	12.7	12.4	13.8	15.1
Siemens	1,214	Neutral	21.7	33.4	38.5	56.0	36.3	31.5	36.2	24.3	20.5	9.8	13.8	14.5
Solar Inds.	920	Neutral	24.2	30.0	37.0	38.0	30.7	24.8	21.6	17.8	14.4	19.8	20.9	21.7
Thermax	920	Neutral	30.1	33.4	36.3	30.5	27.5	25.3	20.5	17.7	15.7	12.7	12.8	12.7
Va Tech Wabag	586	Buy	34.6	39.8	45.6	16.9	14.7	12.9	8.5	7.3	6.2	17.6	17.4	17.3
Voltas	518	Sell	16.8	19.1	21.9	30.9	27.1	23.7	22.1	19.1	16.2	15.8	16.0	16.2
Sector Aggregate	16					30.9	24.8	20.9	19.6	16.0	13.8	10.7	12.2	13.3

Source: Company, MOSL

ABB

Bloomberg	ABB IN
Equity Shares (m)	211.9
M. Cap. (INR b)/(USD b)	294 / 5
52-Week Range (INR)	1619 / 950
1,6,12 Rel Perf. (%)	4 / 0 / 7

Financial Snapshot (INR b)

Y/E Dec	2016	2017E	2018E	2019E
Net Sales	86.6	94.9	112.6	125.6
EBITDA	7.9	9.0	12.0	14.1
Adj. PAT	3.7	4.7	6.7	8.1
Adj. EPS (INR)	19.7	22.4	31.6	38.2
EPS Gr (%)	25.0	13.8	41.0	20.9
BV/Sh (INR)	154.9	177.3	200.7	228.9
RoE (%)	12.7	12.6	15.8	16.7
RoCE (%)	18.3	19.2	23.4	25.0
Payout (%)	19.9	22.5	22.5	22.5

Valuations

P/E (x)	73.8	58.0	45.2	37.1
P/BV (x)	9.4	8.1	7.1	6.2
EV/EBITDA (x)	32.4	24.9	18.9	14.2
Div. Yield (%)	0.3	0.4	0.5	0.6

CMP: INR1,388 TP: INR1,235 (-11%) Sell

- ABB has received orders to supply solar inverters to 750 railway stations in North India.
- During the quarter, we expect ABB to register 12% YoY growth in revenue, led by robust performance from the electrification products segment (+32% YoY growth).
- We expect 150bp gross margin improvement on YoY basis to 35.8%, led by efficiencies generated on account of supply chain initiatives taken by the company.
- We expect 110bp YoY expansion in EBITDA margin to 8.5%.
- Net profit growth is likely to remain a muted 3% YoY to INR897m on account of higher interest cost (INR300m v/s INR178m in 3QCY17). Maintain **Sell**.

Key issues to watch

- Management commentary suggests cautious optimism. Continued focus on exports and services to be an important driver of projected strong double-digit revenue and profit growth.
- Continued preference for cash generation vis-à-vis profits.

Quarterly Performance

Y/E December	CY16				CY17				CY16	CY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales	20,035	20,947	20,550	24,915	21,689	22,237	23,050	27,960	85,318	93,568
Change (%)	10.4	8.4	4.4	2.7	8.3	6.2	12.2	12.2	6.4	9.7
EBITDA	1,808	1,136	1,516	2,819	1,715	1,473	1,950	3,851	7,901	8,989
Change (%)	25.9	-29.5	-2.7	7.1	-5.2	29.7	28.6	36.6	5.8	13.8
As % of Sales	9.0	5.4	7.4	11.3	7.9	6.6	8.5	13.8	9.3	9.6
Depreciation	359	357	406	389	376	383	393	420	1510	1573
Interest	223	197	178	285	212	231	300	426	919	1,169
Other Income	149	299	299	95	186	326	100	117	658	728
PBT	1,376	881	1,231	2,241	1,312	1,185	1,357	3,121	6,131	6,975
Tax	442	324	427	773	428	435	460	903	1,957	2,226
Effective Tax Rate (%)	32.1	36.8	34.7	34.5	32.6	36.7	33.9	28.9	31.9	31.9
Reported PAT	854	556	811	1,468	884	751	897	2,217	3,687	4,749
Adj. PAT	934	556	871	1,468	884	751	897	2,217	4,175	4,749
Change (%)	72.0	-18.7	48.2	13.4	-5.3	34.9	3.0	51.1	25.0	13.8

Bharat Electronics

Bloomberg	BHE IN
Equity Shares (m)	2457.0
M. Cap. (INR b)/(USD b)	403 / 6
52-Week Range (INR)	181 / 110
1,6,12 Rel Perf. (%)	-5 / 6 / 30

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Sales	86.1	110.1	122.8	132.3
EBITDA	17.6	19.8	21.3	24.4
NP	15.5	16.5	18.3	21.0
EPS (INR)	6.3	6.7	7.4	8.6
EPS Gr. (%)	27.2	6.8	10.6	15.1
BV/Sh (INR)	30.6	39.4	43.7	48.7
RoE (%)	20.6	17.1	17.0	17.6
RoCE (%)	18.8	19.2	17.9	18.6

Valuations

P/E (x)	25.4	24.5	22.2	19.3
P/BV (x)	5.2	4.2	3.8	3.4
EV/EBITDA (x)	20.2	17.6	16.0	13.7

CMP: INR164
TP: INR187 (+14%)
Buy

- For FY18, BHE plans to pursue business opportunities in solar energy, homeland security, smart cities, smart cards and telecom.
- For FY18, BHE's growth would be driven by radar/missile systems, communication and network centric systems, tank electronics, gun upgrades, electro-optic systems, and electronic warfare systems.
- BHE has planned capacity enhancement and creation of new test facilities for the defense business.
- We expect BHE to register revenue growth of 18% YoY, supported by execution of Akash missile system, IACCS, and ship-borne EW systems.
- We expect gross margin to decline 450bp YoY to 45%, led by adverse product mix and lower contribution from the service segment, which is a higher-margin business.
- We expect EBITDA margin of 12.8% v/s 19.7% in 2QFY17 on account of weak product mix. EBITDA could decline 24% YoY to INR2.5b. PAT is expected at INR2.2b (-35% YoY). Maintain **Buy**.

Key issues to watch

- Revenue growth: Key orders (Akash missile, intake of INR67b in FY11-12) are currently under execution for Army and Air Force.
- Operating at 60% capacity utilization; possibility of strong operating leverage.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	8714	17033	20867	39877	17248	19820	24775	48267	86119	110110
Change (%)	-20.8	15.9	37.2	23.7	97.9	16.4	18.7	21.0	17.5	27.9
EBITDA	-467	3349	4828	9797	1633	2535	3823	11812	17617	19804
Change (%)	-699	85	74	8	-450	-24	-21	21	28	12
As of % Sales	-5.4	19.7	23.1	24.6	9.5	12.8	15.4	24.5	20.5	18.0
Depreciation	435	455	455	571	561	550	520	536	1915	2166
Interest	0	3	106	9	3	0	0	47	118	50
Other Income	1387	1714	776	909	723	850	1200	1227	4710	4000
Exceptional items (reported)	0	0	0	0	0	0	0	0	0	0
PBT	486	4606	5043	10125	1793	2835	4503	12456	20294	21588
Tax	125	1178	1307	2208	540	624	991	2906	4818	5060
Effective Tax Rate (%)	25.7	25.6	25.9	21.8	30.1	22.0	22.0	23.3	23.7	23.4
Reported PAT	361	3427	3735	7918	1253	2211	3513	9550	15476	16527
Change (%)	-52.9	66.5	33.3	6.3	247.2	-35.5	-6.0	20.6	18.4	6.8
Adj. PAT	361	3427	3735	7918	1253	2211	3513	9550	15476	16527
Change (%)	-52.9	66.5	33.3	6.3	247.2	-35.5	-6.0	20.6	18.4	6.8

BHEL

Bloomberg	BHEL IN
Equity Shares (m)	3671.4
M. Cap. (INR b)/(USD b)	307 / 5
52-Week Range (INR)	122 / 77
1,6,12 Rel Perf. (%)	-4 / -32 / -20

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Sales	282.2	284.9	314.8	352.2
EBITDA	8.3	15.9	19.4	23.5
PAT	4.9	10.0	13.8	16.0
EPS (INR)	1.3	2.7	3.8	4.4
EPS Gr. (%)	-169.3	102.9	38.5	38.5
BV/Sh. INR	88.0	90.1	93.0	96.3
RoE (%)	1.5	3.1	4.1	4.6
RoCE (%)	0.7	2.2	3.0	3.6
Payout (%)	20.0	20.0	20.0	20.0

Valuations

P/E (x)	62.7	30.9	22.3	19.3
P/BV (x)	1.0	0.9	0.9	0.9
EV/EBITDA (x)	24.7	11.4	10.5	9.0
Div Yield (%)	0.3	0.6	0.9	1.0

* Consolidated

CMP: INR84

TP: INR75(-11%)

Sell

- We expect muted revenue growth of 3% YoY, led by lower availability of orders for execution.
- We expect gross margin to expand 540bp YoY to 41%, led by better product mix. Operating profit is likely to grow 148% YoY to INR3.8b, driven by better operating leverage and lower other expenses.
- We estimate net profit at INR2.6b against profit of INR1.1b in 2QFY17.
- During the quarter, BHEL has entered into a technical collaboration agreement with Kawasaki Heavy Industries for the manufacture of stainless steel coaches and bogies for metros.
- During the quarter, BHEL bagged an EPC order from GACL to supply 15MW solar photovoltaic power plant on EPC basis.
- BHEL is L1 in 5GW of orders, which it expects to be finalized in FY18.

Key issues to watch

- Continued constraint on execution due to operational issues.
- Trends in provisions, particularly for liquidated damages on project completion.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales (Net)	56,118	66,645	63,254	96,882	55,056	68,859	62,418	98,530	282,222	284,863
Change (%)	28.7	12.2	18.7	-2.9	-1.9	3.3	-1.3	1.7	10.8	0.9
EBITDA	710	1,551	2,239	6,509	-883	3,846	2,293	9,778	8,270	15,869
Change (%)	-133.9	-135.4	-113.9	-24.9	-224.3	147.9	2.4	50.2	-160.5	91.9
As a % Sales	1.3	2.3	3.5	6.7	-1.6	5.6	3.7	9.9	2.9	5.6
Interest	57	50	263	3,136	657	300	350	2,199	3,506	3,506
Depreciation	2,182	2,080	2,088	2,139	2,001	2,110	2,397	3,081	8,488	9,589
Other Income	2,493	1,961	1,358	1,452	4,622	2,000	2,000	1,910	3,189	3,187
PBT	965	1,382	1,245	2,686	1,080	3,437	1,546	44,496	6,237	13,305
Tax	188	292	310	530	272	756	300	1,998	1,320	3,326
Effective Tax Rate (%)	19.4	21.1	24.9	19.7	25.2	22.0	19.4	4.5	21.2	25.0
Reported PAT	778	1,090	935	2,156	808	2,681	1,246	4,410	4,917	9,979
Change (%)	129.5	-160.3	-108.6	-57.4	3.9	145.9	33.2	104.6	-169.3	102.9
Adj. PAT	778	1,090	935	2,156	808	2,681	1,246	4,410	4,917	9,979
Change (%)	129.5	-160.3	-108.6	-57.4	3.9	145.9	33.2	104.6	-169.3	102.9

Blue Star

Bloomberg	BLSTR IN
Equity Shares (m)	95.6
M. Cap. (INR b)/(USD b)	75 / 1
52-Week Range (INR)	813 / 435
1,6,12 Rel Perf. (%)	3 / 7 / 25

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Sales	44.0	50.4	59.2	68.0
EBITDA	2.4	2.9	4.0	4.9
Adj. PAT	1.2	1.6	2.4	3.1
EPS(INR)	12.9	17.1	25.5	32.0
EPS Gr. (%)	-0.7	32.5	49.6	25.2
BV/Sh. (INR)	79.2	84.4	92.1	101.7
RoE (%)	18.0	20.9	28.9	33.0
RoCE (%)	15.5	19.0	27.1	31.9
Payout (%)	58.3	58.3	58.3	58.3

Valuations

P/E (x)	60.6	45.7	30.6	24.4
P/BV (x)	9.8	9.2	8.5	7.7
EV/EBITDA (x)	32.2	25.8	18.6	15.2
Div Yield (%)	1.0	1.3	1.9	2.4

*Consolidated

CMP: INR780 TP: INR690 (-12%) Neutral

- Unitary cooling division (UCP) is likely to report revenue growth of 10% YoY, partially impacted by lower restocking by dealers in July and August and the effect of GST on net sales.
- We expect revenue growth of 5% YoY in the MEP segment, as post GST implementation, project contracts are getting renegotiated. EBIT margin should expand 50bp YoY to 5.9%.
- Operating margin is expected to expand 140bp YoY to 6%, led by better margins in the UCP segment (+190bp YoY). Operating profit is expected to grow 43% YoY.
- Volatile crude prices have raised apprehensions over the pace of order awards and execution in the Middle East. Even in the domestic market, new project awards remain constrained. Maintain **Neutral**.

Key issues to watch

- Impact of LG vacating the fixed-speed air conditioning segment on Blue Star's market share and sales.
- Impact of GST on 2QFY18 room AC segment sales.
- Sustainability of profitability and capital employed in MEP business.

Quarterly performance (Consolidated)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3QE	4Q	1Q	2QE	3QE	4QE		
Sales	12,117	8,890	9,178	13,756	14,611	9,610	10,790	15,747	44,008	50,423
Change (%)	18.8	6.0	16.5	17.8	20.6	8.1	17.6	14.5	15.4	14.6
EBITDA	791	405	351	756	903	580	630	1,132	2,355	2,911
Change (%)	5.1	-8.4	-0.3	25.6	14.1	43.2	79.6	49.8	2.0	23.6
As of % Sales	6.5	4.6	3.8	5.5	6.2	6.0	5.8	7.2	5.4	5.8
Depreciation	135	150	155	166	125	160	170	144	606	600
Interest	92	88	85	114	48	60	60	108	378	276
Other Income	85	98	46	37	37	50	50	79	215	215
Extra-ordinary Items	0	0	0	0	0	0	0	0	0	0
PBT	649	266	157	514	766	410	450	959	1,586	2,250
Tax	145	73	15	133	183	110	100	237	367	630
Effective Tax Rate (%)	22.3	27.6	9.7	25.9	23.9	26.8	22.2	24.7	23.1	28.0
Reported PAT	504	193	142	381	583	300	350	721	1,231	1,631
Change (%)	35.7	-1.3	-10.6	-2.5	15.7	55.4	146.8	89.5	5.5	32.5
Adj. PAT	514	200	146	372	585	307	355	712	1,231	1,631
Change (%)	38.3	-4.6	-6.1	-6.5	13.8	53.5	142.2	91.7	5.5	32.5

CG Power and Industrial

Bloomberg	CGPOWER IN
Equity Shares (m)	626.8
M. Cap. (INR b)/(USD b)	50 / 1
52-Week Range (INR)	97 / 56
1,6,12 Rel Perf. (%)	-5 / -5 / -10

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Sales	61.2	64.4	69.1	76.8
EBITDA	4.7	4.9	5.2	5.9
Adj. PAT	-4.2	2.1	2.5	3.1
EPS(INR)	2.9	3.3	4.0	4.9
EPS Gr. (%)	-18.6	13.0	20.5	24.2
BV/Sh. (INR)	65.6	68.6	72.2	76.7
RoE (%)	4.2	6.1	6.3	7.3
RoCE (%)	6.8	7.8	6.9	7.6
Payout (%)	-7.7	7.7	7.7	7.7

Valuations

P/E (x)	27.1	24.0	19.9	16.0
P/BV (x)	1.2	1.2	1.1	1.0
EV/EBITDA (x)	11.5	11.1	10.1	8.8
Div Yield (%)	0.8	0.3	0.4	0.5

* Consolidated

CMP: INR81
TP: INR80 (-1%)
Neutral

- During the quarter, CG Power has accepted the binding offer for sale of assets of its business in Hungary for an EV of EUR38m.
- The management intends to monetize ~INR10b of non-core assets, including additional land at Kanjurmarg, to lower standalone business debt.
- We expect consolidated revenue to grow 7% YoY to INR14.2b in 2QFY18.
- Operating profit is expected to improve 37% YoY to INR1.1b, led by better product mix. EBITDA margin should improve 170bp YoY to 8.2%.
- We estimate net profit at INR587m, as against INR469m in 2QFY17.
- Maintain Neutral.

Key issues to watch

- Lowering of debt in demerged business through asset sales.

Quarterly performance (Consolidated)

(INR Million)

	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales (Net)	15,234	13,233	12,441	17,101	14,364	14,174	16,107	19,783	61,198	64,429
Change (%)	48.3	-7.4	10.6	-7.6	-5.7	7.1	29.5	15.7	9.4	5.3
EBITDA	1,365	844	833	1,181	451	1,159	1,164	2,118	4,702	4,892
Change (%)	-1,100.1	-34.8	-10.8	-23.7	-66.9	37.3	39.7	79.3	9.3	4.0
As of % Sales (Adj.)	9.0	6.4	6.7	6.9	3.1	8.2	7.2	10.7		
Depreciation	381	356	341	438	361	338	338	315	1,500	1,352
Interest	304	439	509	625	537	361	390	157	1,880	1,446
Other Income	155	502	306	232	118	220	238	305	687	880
EO Income/(Exp)	0	-573	-717	-4,816	-379	-125	-135	139		
PBT	835	-22	-427	-4,465	-707	554	538	2,089	2,009	2,974
Tax	150	78	-117	-31	146	88	88	73	166	394
Effective Tax Rate (%)	18.0	-356.6	27.4	0.7	-20.6	15.9	16.3	3.5	8.3	13.3
Minority interest	2.4	4.1	3.9	6.3	7.0	3.6	3.4	6.3	15.7	15.7
Reported PAT	682	-104	-314	-4,440	-860	462	447	2,010	1,827	2,564
Adjusted PAT	682	469	402	376	-481	587	582	1,871	1,827	2,564
Change (%)	(209.0)	(6.0)	(25.6)	(64.4)	(170.5)	25.3	44.8	397.7	(18.6)	40.3

CG Consumer Electricals

Bloomberg	CROMPTON IN
Equity Shares (m)	626.8
M. Cap. (INR b)/(USD b)	135 / 2
52-Week Range (INR)	246 / 135
1,6,12 Rel Perf. (%)	0 / -7 / 15

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Sales	39.8	40.7	45.9	52.0
EBITDA	4.9	5.1	6.2	7.2
Adj. PAT	2.9	3.2	3.9	4.8
EPS (INR)	4.7	5.0	6.3	7.7
EPS Gr. (%)	146.1	7.6	25.2	21.7
BV/Sh. (INR)	8.6	11.6	14.2	17.2
RoE (%)	76.4	49.7	48.8	48.9
RoCE (%)	32.5	28.0	30.1	34.7
Payout (%)	32.7	33.0	50.0	50.0

Valuations

P/E (x)	46.2	42.9	34.3	28.2
P/BV (x)	25.1	18.6	15.3	12.5
EV/EBITDA (x)	28.0	26.6	21.6	18.2
Div Yield (%)	0.7	0.8	1.5	1.8

* Consolidated

CMP: INR216
TP: INR240 (+11%)
Buy

- We expect sales to register muted growth of 1% YoY on account of 5-7% hit on net sales post GST.
- We expect operating profit of INR990m in 2QFY18, an improvement of 1% YoY, and stable EBITDA margin of 10.7%.
- Net profit is expected to be INR595m in 2QFY18, as against INR554m in 2QFY17, implying growth of 7.4%.

Key issues to watch

- Impact on operating performance on account of the destocking measures taken by dealers amid GST implementation.
- Details of segmental sales, as CROMPTON intends to improve sales of its premium category products.
- Ad spends incurred by the company during the quarter, as CROMPTON intends to position itself as an electrical consumer durables brand as against its current positioning as a fans brand.

Crompton: Quarterly Estimates (Standalone)

(INR Million)

Y/E March	FY17				FY18				FY17	FY18
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Sales	10,962	8,900	8,889	10,762	10,554	9,000	9,550	11,308	39,759	40,667
Change (%)			9.7	7.4	-3.7	1.1	7.4	5.1	119.5	2.3
EBITDA	1,573	974	993	1,386	1,294	990	1,150	1,673	4,902	5,107
Change (%)			19.9	9.0	-17.8	1.7	15.8	20.7	134.0	4.2
As of % Sales	14.4	10.9	11.2	12.9	12.3	11.0	12.0	14.8	12.3	12.6
Depreciation	28	27	26	29	32	30	30	24	110	116
Interest	180	161	162	153	162	155	150	135	655	658
Other Income	34	42	50	69	97	80	80	69	195	326
PBT	1,400	827	855	1,273	1,198	885	1,050	1,582	4,331	4,659
Tax	465	273	281	388	395	290	350	470	1,399	1,505
Effective Tax Rate (%)	33.2	33.0	32.9	30.5	33.0	32.8	33.3	29.7	32.3	32.3
Adjusted PAT	935	554	574	885	802	595	700	1,112	2,932	3,154
Change (%)			35	16.6	(14.2)	7.4	22.0	25.7	138.7	7.6
Extra-ordinary Income (net)	-	-	-	(20.7)	-	-	-	-		
Reported PAT	935	554	574	864	802	595	700	1,112	2,907	3,154
Change (%)			39	29.8	(14.2)	7.4	22.0	28.7	166.9	8.5

Cummins India

Bloomberg	KKC IN
Equity Shares (m)	277.2
M. Cap. (INR b)/(USD b)	255 / 4
52-Week Range (INR)	1096 / 748
1,6,12 Rel Perf. (%)	3 / -10 / -14

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Sales	50.8	56.0	65.0	74.4
EBITDA	8.0	8.9	11.5	13.5
Adj. PAT	7.3	7.7	9.6	11.2
EPS (INR)	26.5	27.7	35.0	40.5
EPS Gr. (%)	-2.6	4.3	26.6	15.6
BV/Sh. (INR)	135.0	145.7	159.0	174.6
RoE (%)	21.2	19.7	22.8	24.3
RoCE (%)	20.0	18.8	21.8	23.3
Payout (%)	52.8	52.8	52.8	52.8

Valuations

P/E (x)	34.7	33.2	26.3	22.7
P/BV (x)	6.8	6.3	5.8	5.3
EV/EBITDA (x)	31.9	28.5	22.1	18.6
Div Yield (%)	1.5	1.6	2.0	2.3

CMP: INR920
TP: INR1170 (+27%)
Buy

- We expect revenue to increase 10% YoY, supported by growth in the power generation (13% YoY) and distribution & spares (17% YoY) segments. The industrial segment is expected to register 9% YoY growth, led by weak demand during the monsoon season.
- Pick-up in the domestic demand environment and various pricing actions taken by KKC would help strengthen its market leadership position in the MHP and HHP segments.
- Domestic revenue should grow 11% YoY in 2QFY18.
- We expect export revenue to improve 7% YoY to INR4.7b in 2QFY18, supported by a favorable base of 2QFY17.
- EBITDA margin is expected to improve 40bp YoY to 16%; net profit is expected to decline 1.5% YoY to INR1.9b. Maintain **Buy**.

Key issues to watch

- Performance of the exports segment, considering poor demand conditions in LatAm, Europe and China.

KKC: Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	12,590	12,790	13,550	11,844	13,408	14,050	15,400	13,302	50,773	56,048
Change (%)	-3.9	7.1	19.0	11.1	6.5	9.9	13.7	12.3	7.8	10.4
EBITDA	2,063	1,990	2,265	1,700	1,953	2,250	2,850	1,992	8,018	8,934
Change (%)	-6.9	-1.4	31.1	-4.9	-5.4	13.1	25.8	17.2	14.6	7.0
As of % Sales	16.4	15.6	16.7	14.4	14.6	16.0	18.5	15.0	15.8	15.9
Depreciation	206	209	225	208	208	250	250	272	848	981
Interest	21	43	55	49	42	40	40	46	168	168
Other Income	416	692	461	511	583	550	550	502	2,080	2,185
PBT	2,252	2,430	2,446	1,954	2,286	2,510	3,110	2,176	9,082	9,970
Tax	440	461	466	369	625	570	620	489	1,736	2,305
Effective Tax Rate (%)	19.5	19.0	19.0	18.9	27.4	22.7	19.9	22.5	19.1	23.1
Adjusted PAT	1,812	1,969	1,981	1,585	1,660	1,940	2,490	1,687	7,346	7,666
Change (%)	(14.3)	(0.5)	11.3	(5.1)	(8.4)	(1.5)	25.7	6.4	(2.8)	4.3
Reported PAT	1,812	1,969	1,981	1,585	2,222	1,940	2,490	1,687	7,346	7,666
Change (%)	(14.3)	(0.5)	11.3	(5.1)	22.6	(1.5)	25.7	6.4	(2.8)	4.3

GE T&D

Bloomberg	GETD IN
Equity Shares (m)	256.1
M. Cap. (INR b)/(USD b)	100 / 2
52-Week Range (INR)	433 / 277
1,6,12 Rel Perf. (%)	-5 / 11 / 1

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Sales	40.5	47.8	51.1	55.2
EBITDA	2.2	4.1	5.1	6.1
Adj. PAT	1.5	2.4	2.9	3.7
EPS (INR)	5.7	9.3	11.3	14.3
EPS Gr. (%)	325.3	62.1	21.5	26.9
BV/Sh. (INR)	40.3	46.1	53.1	62.0
RoE (%)	12.4	21.5	22.7	24.9
RoCE (%)	15.7	26.0	29.3	33.2
Payout (%)	31.4	31.4	31.4	31.4

Valuations

P/E (x)	68.1	42.0	34.6	27.2
P/BV (x)	9.7	8.5	7.3	6.3
EV/EBITDA (x)	46.8	25.2	20.1	16.4
EV/ Sales (x)	2.6	2.2	2.0	1.8
Div Yield (%)	0.5	0.7	0.9	1.2

CMP: INR390

TP: INR395 (-1%)

Neutral

- We expect GETD to register revenue growth of 12% YoY to INR9.3b in 2QFY18. Revenue growth would be driven by execution of the Champa-Kurukshetra Phase-II project, which is expected to be commissioned by 2QFY18.
- We expect operating profit of INR700m in 2QFY18, as against INR339m in 2QFY17. Gross margin is likely to decline 60bp to 34.4% from 35% in 2QFY17.
- GETD is expected to book net profit of INR370m, as against INR206m in 2QFY17. Maintain **Neutral**.

Key issues to watch

- Progress in the Champa-Kurukshetra Phase-II project.

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18				FY17	FY18
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	8,546	8,340	11,623	11,963	12,093	9,300	12,914	13,524	40,521	47,831
Change (%)	11.6	-4.4	62.8	26.9	41.5	11.5	11.1	13.1	22.7	18.0
EBITDA	21	339	722	1,097	1,055	700	1,014	1,969	2,230	4,113
Change (%)	-70.3	-50.1	-235.7	81.7	4,875.9	106.2	40.5	79.5	-9.0	-9.0
As of % Sales	0.2	4.1	6.2	9.2	8.7	7.5	7.9	14.6	5.5	8.6
Depreciation	217	220	221	224	224	210	210	197	873	873
Interest	226	239	343	344	278	220	220	207	589	589
Other Income	326	435	522	177	421	310	200	326	427	427
PBT	-2,425	315	679	705	974	580	784	1,891	1,195	3,078
Tax	-455	109	236	244	358	210	210	447	508	508
Effective Tax Rate (%)	18.8	34.6	34.7	34.6	36.8	36.2	26.8	23.7	42.5	16.5
Reported PAT	-1,970	206	443	461	616	370	574	1,444	687	2,570
Change (%)	-2,041.0	-43.0	-215.4	70.9	-131.3	79.8	29.6	213.0	0.0	0.0
Adj. PAT	360	206	443	461	616	370	574	1,444	687	2,570
Change (%)	254.6	-43.0	-215.4	70.9	71.1	79.8	29.6	213.0	2.0	2.0

Havells India

Bloomberg	HAVL IN
Equity Shares (m)	625.0
M. Cap. (INR b)/(USD b)	316 / 5
52-Week Range (INR)	525 / 304
1,6,12 Rel Perf. (%)	3 / 2 / 1

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Sales	61.4	83.3	101.0	115.1
EBITDA	8.2	10.0	13.2	15.3
Adj. PAT	6.0	6.7	8.7	10.2
Adj. EPS (INR)	9.6	10.7	13.9	16.4
EPS Gr. (%)	17.1	12.4	29.7	17.7
BV/Sh(INR)	52.4	58.6	66.5	75.9
RoE (%)	18.2	18.3	20.9	21.6
RoCE (%)	18.2	18.2	21.3	22.3
Payout (%)	42.8	42.8	42.8	42.8

Valuations

P/E (x)	52.9	47.1	36.3	30.9
P/BV (x)	9.7	8.6	7.6	6.7
EV/EBITDA (x)	35.7	30.7	23.0	19.4
Div Yield (%)	0.7	0.8	1.0	1.2

CMP: INR506
TP: INR460 (-9%)
Neutral

- Standalone revenue is expected to register growth of 31% YoY, driven by revenue contribution from recently acquired Lloyd (INR3.2b). We expect the cables segment to register 5% YoY growth, led by an improvement in the prices of copper. Electrical consumer durables, lighting and switch gears sales would be impacted, as sales are being booked at net level post GST.
- We expect operating margin to decline 260bp YoY to 11.4%, led by increasing contribution from lower margin Lloyd business.
- Net profit is expected to decline 5% YoY. Maintain **Neutral**.

Key issues to watch

- Commentary on the integration of the consumer durables arm of Lloyd Electric with itself.
- Commentary on GST-led impact on sales and guidance for FY18.

Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	14,668	14,522	15,060	17,102	18,605	19,030	20,825	24,858	61,353	83,318
Change (%)	17.1	8.7	13.2	17.2	26.8	31.0	38.3	45.3	6.2	35.8
Adj. EBITDA	2,004	2,034	1,907	2,296	1,724	2,165	2,648	3,487	8,241	10,025
Change (%)	23.7	7.6	4.0	3.5	-14.0	6.5	38.8	51.9	9.2	21.6
Adj. EBITDA margin (%)	13.7	14.0	12.7	13.4	9.3	11.4	12.7	14.0	13.4	12.0
Depreciation	280	308	301	308	336	330	320	328	1,196	1,314
Interest	16	19	15	71	34	30	30	27	122	121
Other Income	314	253	264	419	348	120	120	112	1,343	700
Extra-ordinary Items	-	0.0	189.5	(768)	-	-	-	-		
PBT	2,022	2,030	1,877	2,337	1,703	1,925	2,418	3,244	8,266	9,290
Tax	567	572	537	622	489	539	665	890	2,298	2,582
Effective Tax Rate (%)	28.0	28.2	28.6	26.6	28.7	28.0	27.5	27.4	27.8	27.8
Reported PAT	1,456	1,458	1,530	947	1,214	1,386	1,753	2,354	5,969	6,708
Change (%)	36.3	22.0	27.6	-74.1	-16.6	-4.9	14.6	148.6	-34.2	12.4
Adj PAT	1,456	1,409	1,135	1,715	1,214	1,386	1,753	2,354	5,969	6,708
Change (%)	22.2	17.0	-4.0	5.0	-16.6	-1.6	54.4	37.3	16.9	12.4

Larsen & Toubro

Bloomberg	LT IN
Equity Shares (m)	1399.4
M. Cap. (INR b)/(USD b)	1584 / 24
52-Week Range (INR)	1250 / 864
1,6,12 Rel Perf. (%)	1 / -5 / 5

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	1,100	1,207	1,333	1,460
EBITDA	110.7	132.0	154.4	170.4
Adj. PAT *	59.2	67.4	80.0	96.6
EPS (INR)*	42.3	48.1	57.2	69.0
EPS Gr. (%)	43.0	13.8	18.8	20.8
BV/Sh (INR)	358.8	390.8	430.4	478.8
RoE (%)	12.5	12.8	13.9	15.2
RoCE (%)	8.0	8.2	9.6	10.1
Payout (%)	33.2	29.4	27.0	26.2

Valuations

P/E (x)*	26.8	23.5	19.8	16.4
P/BV (x)	3.6	3.2	2.9	2.6
EV/EBITDA (x)	22.3	18.5	15.5	13.8
Div Yield (%)	1.2	1.3	1.4	1.6

*Consolidated

CMP: INR1,132
TP: IN1,400 (+24%)
Buy

- LT announced order intake of INR117b in 2QFY18 compared to INR189b in 2QFY17, a decline of 38% YoY. Order inflow during the quarter has been supported by large as well as base order finalization (>INR15b).
- Large orders worth INR89b were finalized during the quarter. Domestic order wins were supported by order finalization in the power T&D and buildings & factories segments. Overseas order finalization was supported by the transport infra and power T&D segments.
- For 2QFY18, we expect revenue growth of 6.6% YoY to INR266b. We expect operating profit margin to improve by 80bps YoY to 10%. Margin improvement will be driven by recent favorable supreme court verdict in the Nabha power case which will lead to one off provision reversal of INR2.5b in 2QFY18.
- We expect net profit to grow 11% YoY to INR11.5b, led by working capital cycle improvement. Maintain **Buy**.

Key issues to watch

- Net working capital cycle (excluding financial services) stood at 20% of revenue in 1QFY18. For FY17, net working capital cycle stood at 18%.

Quarterly Performance (Consolidated)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Sales	217,265	250,107	262,870	366,187	238,109	268,000	291,000	410,002	1,100,110	1,207,202
Change (%)	8.4	8.2	1.4	11.4	9.6	7.2	10.7	12.0	8%	10%
EBITDA	18,890	22,977	25,227	43,351	20,567	26,800	31,550	53,046	110,747	131,964
Change (%)	15.1	7.8	18.7	-3.6	8.9	16.6	25.1	22.4	5.8	19.2
Margin (%)	8.7	9.2	9.6	11.8	8.6	10.0	10.8	12.9	10%	11%
Depreciation	4,648	4,602	7,223	7,227	5,513	4,800	4,700	4,902	23,699	19,915
Interest	3,248	3,517	3,788	2,966	3,651	3,400	3,400	3,418	13,398	13,868
Other Income	3,058	4,813	2,568	3,995	3,849	3,800	3,200	3,637	14,010	14,485
Extraordinary Inc/(Exp)	0	4,024	0	-2,810	0	0	0	0	1,214	0
Reported PBT	14,052	19,671	16,785	37,152	15,253	22,400	26,650	48,363	88,874	112,666
Tax	5,488	6,807	4,399	3,372	4,597	6,800	7,200	17,456	23,782	36,053
Effective Tax Rate (%)	39.1	34.6	26.2	9.1	30.1	30.4	27.0	36.1	22.9	32.0
Reported PAT	6,096	14,346	9,725	30,246	8,925	13,350	17,050	28,038	60,412	67,363
Change (%)	45.5	84.3	38.9	29.5	46.4	-6.9	75.3	-7.3	3.8	3.8
Adjusted PAT	6,096	10,322	9,725	33,056	8,925	13,350	17,050	28,038	59,198	67,363
Change (%)	45.5	40.9	38.9	44.6	46.4	29.3	75.3	-15.2	7.9	7.9

Siemens

Bloomberg	SIEM IN
Equity Shares (m)	356.1
M. Cap. (INR b)/(USD b)	432 / 7
52-Week Range (INR)	1470 / 1011
1,6,12 Rel Perf. (%)	-5 / -13 / -16

Financial Snapshot (INR b)

Y/E September	2016	2017E	2018E	2019E
Net Sales	108.1	118.1	143.8	151.7
EBITDA	10.2	10.6	15.7	18.2
Adj. PAT	6.3	7.7	11.9	13.7
Adj. EPS (INR)	17.8	21.7	33.4	38.5
EPS Gr (%)	5.2	21.5	54.2	15.3
BV/Sh. (INR)	191.6	220.0	241.3	265.9
RoE (%)	9.3	9.8	13.8	14.5
RoCE (%)	15.1	14.4	19.9	20.9
Payout (%)	30.1	40.9	40.0	30.0

Valuations

P/E (x)	66.2	54.5	35.3	30.6
P/BV (x)	6.2	5.4	4.9	4.4
EV/EBITDA (x)	37.8	35.1	23.5	19.9
Div. Yield (%)	2.8	0.7	0.8	1.0

CMP: INR1,214 TP: INR1,355 (+12%)**Neutral**

- We expect SIEM to register 28% YoY revenue growth during the quarter to INR39.4b, led by strong performance by the energy, mobility and infrastructure segments.
- Operating margin is expected to improve by 50bp YoY to 8.3%, and operating profit is expected to register 35% YoY growth.
- Net profit is expected to register 46% growth YoY to INR2.7b, led by higher other income and lower tax rate. Maintain **Neutral**.

Key issues to watch

- Raw material imports account for 55% of raw material cost; Siemens AG's network comprises 82% of imports; INR depreciation of 1% YoY v/s EUR could have a marginal negative impact on the margin profile.

Quarterly Performance (Standalone)

(INR Million)

Y/E September	FY16				FY17				FY16	FY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Total Revenues	23,142	27,836	26,204	30,906	22,933	29,288	26,508	39,414	108,094	118,143
Change (%)	-12.8	4.9	10.3	-6.3	-0.9	5.2	1.2	27.5	1.4	12.4
EBITDA	1,888	3,218	2,303	2,414	2,337	2,786	2,255	3,271	10,176	10,649
As % of Revenues	8.2	11.6	8.8	7.8	10.2	9.5	8.5	8.3	9.4	9.0
Depreciation	586	590	625	462	483	502	480	460	2,263	1,924
interest	9	14	15	21	20	21	14	29	64	84
Other Income	411	270	279	683	623	529	731	819	1,645	2,701
Extra-ordinary Items	0	0	0	22,825	0	72	0	0	22,825	0
PBT	1,705	2,884	1,942	25,439	2,456	2,864	2,492	3,602	32,446	11,510
Tax	592	1,003	661	770	856	1,001	863	910	3,148	3,630
Effective Tax Rate (%)	34.7	34.8	34.0	3.0	34.9	34.9	34.6	25.3	9.7	31.5
Reported PAT	1,113	1,881	1,282	24,670	1,600	1,863	1,629	2,693	29,298	7,880
Adjusted PAT	1,113	1,881	1,282	1,845	1,600	1,791	1,629	2,693	6,346	7,713
Change (%)	4.9	21.8	-23.8	7.1	43.8	-4.8	27.1	46.0	39.9	27.8

E: MOSL Estimates, Adj EBITDA: Adjusted for change in project revenues and cost estimates

Thermax

Bloomberg	TMX IN
Equity Shares (m)	119.2
M. Cap. (INR b)/(USD b)	110 / 2
52-Week Range (INR)	1071 / 738
1,6,12 Rel Perf. (%)	5 / -12 / -11

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Sales	44.8	48.2	51.8	56.7
EBITDA	4.7	4.8	5.4	5.9
Adj. PAT	3.5	3.4	3.8	4.1
EPS (INR)	30.8	30.1	33.4	36.3
EPS Gr. (%)	23.0	-2.3	11.0	8.6
BV/Sh. (INR)	225.4	247.8	272.7	299.7
RoE (%)	14.3	12.7	12.8	12.7
RoCE (%)	12.9	13.0	12.9	12.7
Payout (%)	25.6	21.9	21.7	22.0

Valuations

P/E (X)	29.8	30.5	27.5	25.3
P/BV (X)	4.1	3.7	3.4	3.1
EV/EBITDA (X)	21.6	21.5	18.6	16.5
Div Yield (%)	0.7	0.7	0.8	0.9

CMP: INR920
TP: INR840 (-9%)
Neutral

- During the quarter, Thermax bagged export orders worth USD43m from an UAE company for design and engineering, supply construction, and commissioning of a solid fuel-based captive power plant.
- Revenue is likely to grow 7% YoY, supported by execution pick-up in the energy segment (+12% YoY) and an improvement in orders available for execution. Operating margin is expected to contract by 20bp YoY to 8.7%.
- Ordering activity remains muted in a weak macro environment. We believe domestic orders have remained at the base level (INR5b-7b per quarter), as the company has not announced any meaningful domestic order during the quarter. Maintain **Neutral**.

Key issues to watch

- Demand environment in domestic and overseas markets.
- Sustainability of margins in the energy (12.3% in 4QFY17) and environment (11.6% in 4QFY17) segments.

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18				FY17 FY18E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	7,914	8,708	8,136	13,428	7,134	9,303	9,121	16,210	37,637	42,268
Change (%)	-22.2	-19.6	-21.4	3.9	-9.9	6.8	12.1	20.7	-15.6	12.3
EBITDA	637	773	806	1,521	429	814	966	1,958	3,738	4,167
Change (%)	-19.1	-14.7	0.0	22.6	-32.6	5.3	19.8	28.7	-24.5	11.5
As of % Sales	8.1	8.9	9.9	11.3	6.0	8.7	10.6	12.1	9.9	9.9
Depreciation	168	166	157	163	150	179	179	208	654	715
Interest	7	7	6	17	5	9	10	12	36	36
Other Income	211	289	206	321	222	290	180	76	1,027	768
Extra-ordinary Items	673	888	850	335	497	916	957	1,814	4,074	4,184
PBT	221	292	283	502	173	293	306	560	1,298	1,333
Tax	32.8	32.8	33.3	150.0	34.8	32.0	32.0	30.9	31.8	31.8
Effective Tax Rate (%)	452	597	566	-167	324	623	651	1,253	1,448	2,852
Reported PAT	(19.0)	(3.5)	(11.1)	(114.4)	(28.3)	4.4	14.9	(850.1)	(65.4)	96.9
Change (%)	452	597	566	1,161	324	623	651	1,253	2,777	2,852
Adj. PAT	(19.0)	(3.3)	(8.3)	0.0	(28.3)	4.4	14.9	7.9	(33.6)	2.7
Change (%)	7,914	8,708	8,136	13,428	7,134	9,303	9,121	16,210	37,637	42,268

Voltas

Bloomberg	VOLT IN
Equity Shares (m)	330.8
M. Cap. (INR b)/(USD b)	172 / 3
52-Week Range (INR)	565 / 287
1,6,12 Rel Perf. (%)	0 / 19 / 19

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Sales	60.3	66.8	75.2	86.2
EBITDA	5.8	6.5	7.3	8.4
Adj. PAT	5.1	5.6	6.3	7.2
EPS(INR)	15.5	16.8	19.1	21.9
EPS Gr. (%)	30.1	8.6	13.9	14.3
BV/Sh. (INR)	100.0	112.4	126.5	142.6
RoE (%)	18.0	15.8	16.0	16.2
RoCE (%)	16.5	15.6	15.8	16.0
Payout (%)	26.2	26.2	26.2	26.2

Valuations

P/E (x)	33.6	30.9	27.1	23.7
P/BV (x)	5.2	4.6	4.1	3.6
EV/EBITDA (x)	29.4	25.6	22.2	18.9
Div Yield (%)	0.7	0.7	0.8	0.9

*Consolidated

CMP: INR519
TP: INR470 (-9%)
Sell

- Unitary cooling division (UCP) is likely to report muted revenue growth of 7% YoY, impacted by delay in restocking by dealers and the effect of GST on net sales.
- We expect revenue growth of 12% YoY in the MEP segment, supported by favorable base in 2QFY17. The key monitorable would be sustainability of margins in the segment. VOLT had booked EBIT margin of 5.3% in 1QFY18 on positive closure of certain old projects, provision reversal, and higher-margin new projects getting executed.
- Volatile crude prices have raised apprehensions over the pace of order awards and also execution in the Middle East. Even in the domestic market, new project awards remain constrained. Maintain **Sell**.

Key issues to watch

- Impact of LG vacating the fixed-speed AC segment on VOLT's market share and sales.
- Impact of GST on 2QFY18 room AC segment sales.
- Sustainability of profitability in MEP segment and also execution of international orders (50% of orders are from Qatar).

Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY17				FY18				FY17	FY18
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Sales	18,500	9,672	11,805	20,351	19,446	10,798	13,548	22,761	60,328	66,788
Change (%)	18.7	-7.0	-6.7	9.7	5.1	11.6	14.8	11.8	5.5	10.7
EBITDA	1,995	687	890	2,219	2,123	761	985	2,367	5,791	6,470
Change (%)	52.0	6.4	58.0	22.7	6.4	10.7	10.7	6.6	33.8	11.7
As of % Sales	10.8	7.1	7.5	10.9	10.9	7.0	7.3	10.4	9.6	9.7
Depreciation	66	63	60	56	61	65	65	58	245	250
Interest	48	33	22	58	35	35	20	20	160	110
Other Income	357	658	597	386	550	500	550	285	1,998	1,885
Extra-ordinary Items	-9	0	0	-2	-20	0	0	0	11	0
PBT	2,248	1,249	1,405	2,493	2,596	1,161	1,450	2,573	7,395	7,995
Tax	651	505	437	496	727	406	435	751	2,089	2,318
Effective Tax Rate (%)	28.9	40.4	31.1	19.9	28.0	35.0	30.0	29.2	28.2	29.0
Reported PAT	1,597	697	815	2,005	1,879	714	975	1,773	5,114	5,556
Change (%)	55.7	7.8	42.2	22.1	17.7	2.5	19.6	-11.6	38.8	8.6
Adj. PAT	1,587	697	815	2,003	1,859	714	975	1,773	5,103	5,556
Change (%)	54.8	7.8	47.9	45.7	17.1	2.5	19.6	-11.5	42.6	8.9

Cement

Company name

ACC
Ambuja Cements
Birla Corporation
Dalmia Cement
Grasim Industries
India Cements
JK Cement
Shree Cement
Ramco Cement
UltraTech Cement

Demand growth stable

Players in north witness better growth than those in south

Volume growth healthy in 2QFY18; base favorable for north-based players

We expect companies under our coverage to report volume growth of ~7% YoY in 2QFY18, adjusting for the acquisition and merger impact on Ultratech, Birla Corp and India Cements. North players continue reporting modest volume growth on account of a favorable base and market share gains due to the ramp-down of Binani Cements' plants, which are faced with financial troubles. Demand in east saw some slowdown in 2QFY18 due to GST-led hiccups, as well as subdued demand in Bihar due to the sand mining ban. Political disruption in North Bengal further hampered demand. Demand in south continues to be muted due to the sand mining issue and the political instability in Tamil Nadu, partly offset by strong demand from AP/Telangana. Demand in the central market was impacted by sand mining issues in Bihar and UP, which constitute ~60-70% of cluster demand. Demand in Maharashtra was impacted by heavy monsoon, which should augur well for the medium-term demand prospects.

We expect pan-India players like ACC, Ambuja and Ultratech to report combined volume growth of ~8% YoY, with ACC reporting stronger growth on account of capacity addition. North-based companies like Shree Cement, JK Cement and JK Lakshmi Cement are likely to report volume growth of 9% YoY, while south-based companies are expected to report volume growth of 4% YoY in 2QFY18. Volume growth for central players should come in muted due to the impact of sand mining issues in UP and Bihar.

We estimate volume growth at 7-8% YoY for FY18, given the favorable base in 2HFY18 and the demand improvement led by the pick-up in infrastructure and low-cost housing projects.

We expect the MOSL cement universe to record volume growth of ~7% YoY in 2QFY18, adjusted for the merger and acquisition impact on Ultratech, Birla Corp and India Cements. We expect (a) pan-India players to report volume increase of 4-16% YoY, (b) players with capacity headroom (SRCM, JKLC) to deliver 8-11% YoY increase in volumes and (c) south-based companies to post volume growth of -3%-8%.

Sequential decline in pricing

Cement prices should decrease QoQ due to weak exit prices in 1QFY18 v/s average prices for the quarter. Retail cement prices were lower QoQ due to the pass-through impact of GST. Cement prices in north and south are likely to be lower by 5%/6% QoQ, as exit prices of 1QFY18 in both north and south were ~3% lower than average prices for the quarter.

ASP should decrease 2% QoQ in 2QFY18 due to seasonal weakness. We estimate a price decline of (a) 5% QoQ in north India, (b) 3% QoQ in central India, (c) 5% QoQ in west India, (d) 4% QoQ in east India and (e) 6% QoQ in south India. However, the ASPs of companies under coverage will not decline to the extent of the fall in retail prices, as cement prices were reduced effective 1 July 2017 due to the pass-through of tax benefit on account of the 28% tax rate for cement under GST.

Cost curve unfavorable for 2HFY18

Petcoke prices have increased ~17% YoY in 2QFY18 due to firm prices globally. While petcoke prices are flat QoQ (1% QoQ increase), cement companies with low-cost inventory of petcoke for earlier quarters are likely to report QoQ increase in P&F cost. Additionally, domestic petcoke prices have been further increased by 15% effective October 2017, which would continue hurting power and fuel cost. Additionally, overload restriction would result in higher freight cost for the companies in north and central India on a YoY basis. Diesel prices have increased 5% QoQ, which should translate into higher freight cost. However, diesel prices effective October 2017 have been reduced by 4%, which should result in lower freight cost from 3QFY18 onwards. Hence, EBITDA/t is likely to be lower YoY by INR97 for our coverage companies due to cost increase by INR141/t YoY.

Top picks: Shree Cement, Ramco Cement, Birla Corp, JK Cement and Dalmia Cement

Shree Cement's superior execution capabilities enable it to achieve RoIC of over 50% (FY19E), while its gross block to capacity has been structurally trending downward. Ramco Cement is likely to generate strong operating cash flow, which would be utilized to raise grinding capacity by ~16% over FY17-FY20E. We estimate 9%/14% EBITDA/PBT CAGR over FY17-20. JK Cement is a play on a revival in the north region and a strong improvement in white cement performance (40-45% market share in white cement). It thus deserves premium valuation, in our view. Birla Corp is likely to be profitable due to the strong performance of the acquired subsidiary Reliance Cement. With a 23% market share in the Satna cluster and Reliance Cement's mineral concession, it has the potential to expand to multiple states. We believe Dalmia Cement's deleveraging play and superior volume growth make it attractive for re-rating.

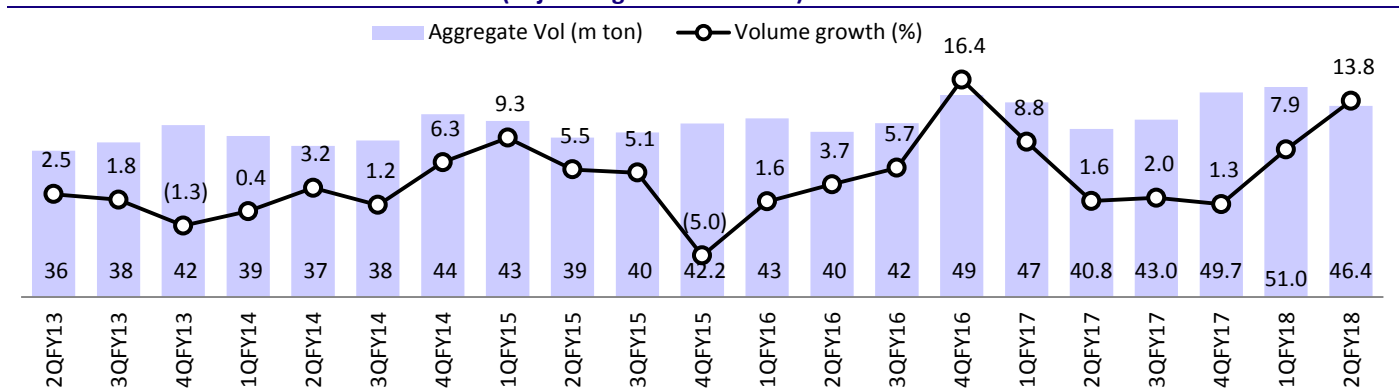
Exhibit 1: Trend in key performance indicators

	NET SALES (INR M)			EBITDA MARGIN (%)			NET PROFIT (INR M)		
	2QFY18	YoY (%)	QoQ (%)	2QFY18	YoY (BP)	QoQ (BP)	2QFY18	YoY (%)	QoQ (%)
ACC	28,613	15.8	-13.6	10.0	90	-490	1,926	129.1	-40.1
Ambuja Cement	22,933	14.4	-18.8	15.2	140	-650	2,918	5.3	-25.6
UltraTech*	64,259	19.1	-3.0	18.1	-220	-540	3,067	-49.0	-65.6
Birla Corp**	12,686	64.9	-13.0	13.6	360	-290	216	-63.1	-54.0
India Cement***	12,627	-3.4	-2.1	13.0	-420	-140	183	-70.6	-30.6
Shree Cement	20,719	3.2	-18.3	21.3	-1,140	-550	2,793	-4.2	-36.5
Dalmia Bharat	18,677	11.5	-9.3	24.1	80	-300	1,012	225.5	-30.4
J K Cements	9,990	9.7	-4.1	16.0	-10	-300	560	36.9	-29.4
JK Lakshmi Cem.	7,320	11.7	-18.8	9.4	-490	-400	-107	-143.0	-137.9
Madras Cement	9,931	-1.9	-2.3	25.5	-900	-180	1,414	-31.7	-9.2
Orient Paper	4,688	22.0	-17.5	13.3	920	-720	57	-119.3	-85.5
Prism Cement	13,207	13.9	-0.1	3.9	170	-190	23	-110.6	-86.5
Sector Aggregate	225651	14.2	-9.6	16.0	-200	-450	14,063	-13.6	-45.5

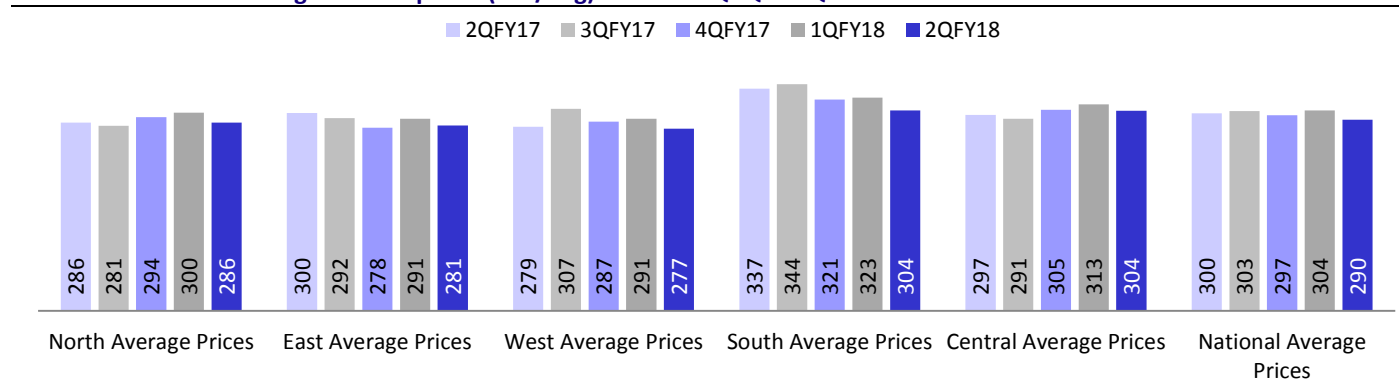
*Ultratech includes JPA numbers for 2QFY18

**Birla Corp YoY numbers not comparable as 2QFY18 is consolidated and 2QFY17 is standalone

*** India cement doesn't include Trinetra volumes and financials for 2QFY17

Exhibit 2: MOSL universe volume at 46.4mt (adjusted growth is 7%YoY)

Source: Company, MOSL

Exhibit 1: Pan-India average cement prices (INR/bag) down 5% QoQ in 2QFY18

Source: Company, MOSL

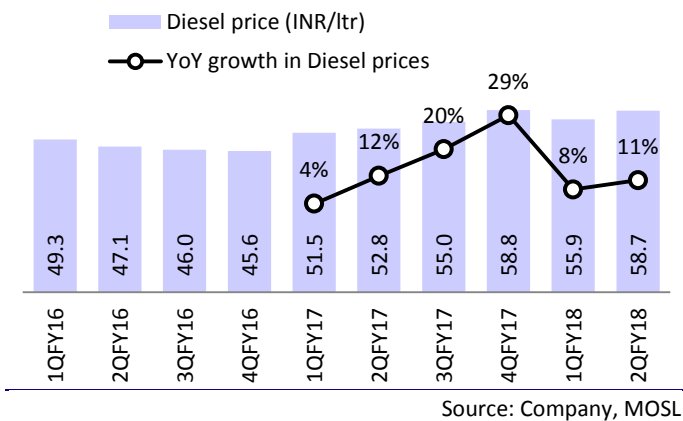
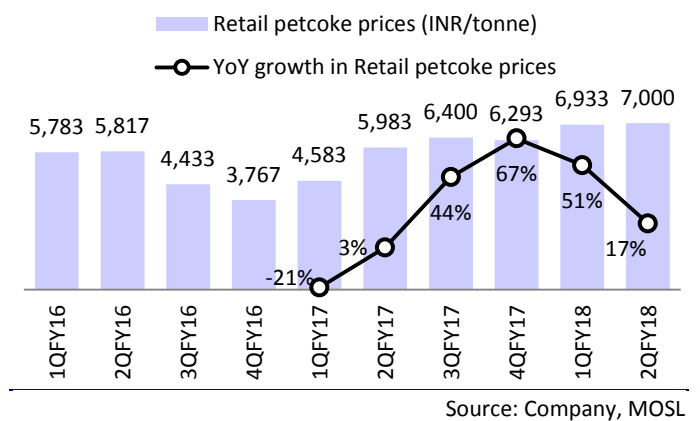
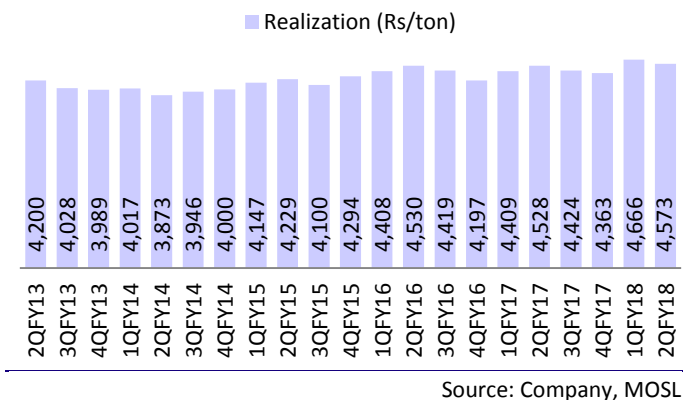
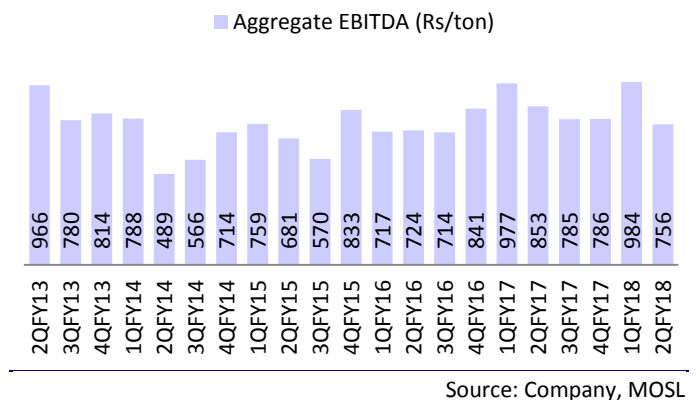
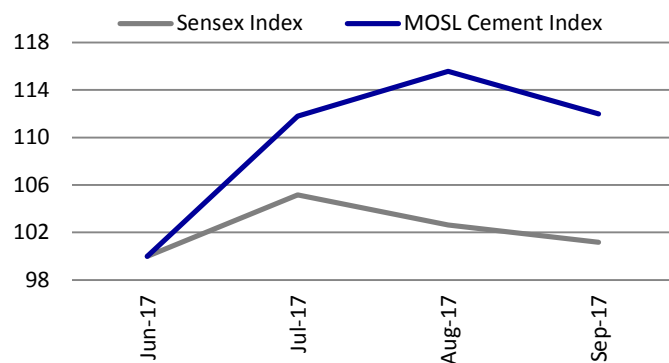
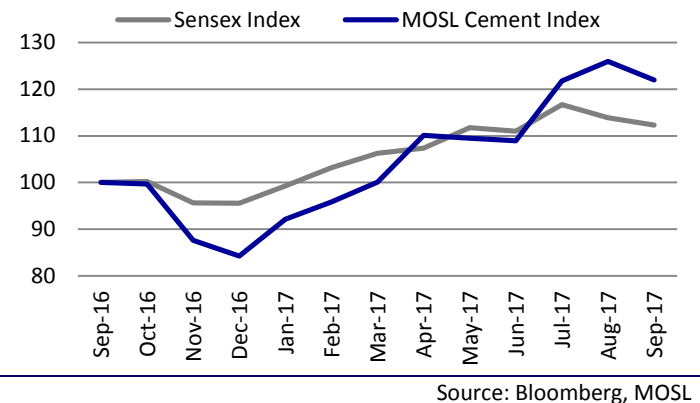
Exhibit 2: Diesel prices up 11%YoY in 2QFY18**Exhibit 3: Petcoke prices increased 17% YoY in 2QFY18****Exhibit 4: MOSL coverage realization to decline 2% QoQ in 2QFY18****Exhibit 5: Profitability to decrease 23% QoQ, led by lower realization and cost push****Exhibit 6: Relative performance—3 months (%)****Exhibit 7: Relative performance—1 year (%)**

Exhibit 8: Trend in key operating parameters

	Volume (M ton)			Realization (INR/ton)			EBITDA (INR/ton)		
	2QFY18	YoY (%)	QoQ (%)	2QFY18	YoY (INR/T)	QoQ (INR/T)	2QFY18	YoY (INR/T)	QoQ (INR/T)
ACC	5.9	16.0	-12.7	4,389	18	-120	487	43	-248
Ambuja Cement	5.1	10.3	-16.8	4,541	165	-110	691	88	-319
UltraTech*	12.77	17.5	-1.0	4,908	81	-118	888	-90	-295
Birla Corp**	2.85	61.9	-13.1	4,451	15	2	604	168	-129
India Cement***	2.68	9.1	1.0	4,706	-553	-151	610	-303	-89
Shree Cement	4.9	8.0	-16.2	3,996	30	-150	875	-425	-282
Dalmia Bharat	3.7	8.0	-7.4	5,057	160	-103	1,217	76	-178
J K Cements	2.07	7.7	-2.6	4,762	20	-140	772	11	-158
JK Lakshmi Cem.	1.9	11.0	-16.0	3,814	23	-130	358	-183	-168
Madras Cement	2.1	5.5	-0.2	4,507	-262	-100	1,018	-507	-173
Orient Paper	1.2	2.0	-14.3	3,915	641	-150	522	386	-314
Prism Cement	1.2	2.0	-18.7	4,570	228	-50	648	204	-111

*Ultratech includes JPA numbers for 2QFY18

**Birla Corp YoY numbers not comparable as 2QFY18 is consolidated for reliance subsidiary

*** India cement doesn't include Trinetra financial and volumes for 2QFY17

Volume growth adjusted for the JPA, Trinetra and Reliance acquisition is 7%YoY for coverage universe

Exhibit 9: Comparative Valuations

Sector / Companies	CMP (INR)	RECO	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
ACC	1,702	Neutral	51.0	66.9	78.4	33.4	25.4	21.7	3.5	3.3	3.4	10.8	13.5	15.4
Ambuja Cements	274	Buy	7.0	8.2	10.1	27.9	23.5	19.1	1.9	1.8	1.7	7.0	7.9	9.2
Birla Corporation	918	Buy	40.9	58.9	67.7	22.4	15.6	13.6	2.0	1.8	1.6	9.2	12.2	12.7
Dalmia Bharat	2,755	Buy	62.9	88.3	115.0	43.8	31.2	24.0	4.5	3.9	3.4	10.7	13.3	15.1
Grasim Industries*	1,160	Neutral	70.6	101.2	117.3	16.4	11.5	9.9	1.6	1.4	1.2	10.0	12.9	13.2
India Cements	182	Neutral	7.5	10.8	14.9	24.2	16.8	12.3	1.1	1.0	0.9	4.4	6.1	7.9
J K Cements	980	Buy	39.7	54.4	71.4	24.7	18.0	13.7	3.4	2.9	2.5	14.8	17.5	19.4
JK Lakshmi Cem.	393	Buy	9.7	16.4	23.5	40.4	23.9	16.7	3.1	2.8	2.4	8.0	12.3	15.4
Orient Cement	155	Buy	4.4	7.1	13.2	35.0	21.8	11.7	3.0	2.6	2.2	8.8	12.8	20.4
Prism Cement	104	Buy	3.5	5.6	7.8	29.9	18.6	13.4	4.8	3.9	3.1	17.0	22.9	25.4
Ramco Cements	705	Buy	27.4	34.4	40.2	25.7	20.5	17.5	3.9	3.3	2.9	16.1	17.5	17.6
Shree Cement	18,718	Buy	507.1	547.8	808.5	36.9	34.2	23.2	7.0	5.9	4.8	20.8	18.8	22.8
Ultratech Cement	3,897	Buy	92.1	138.8	176.8	42.3	28.1	22.0	4.1	3.8	3.4	10.1	14.0	16.2
Cement Sector Aggregate						31.3	23.1	18.4	3.2	2.9	2.6	10.2	12.4	14.1

*Valuations are for Grasim consolidated entity which doesn't include impact of ABNL merger

ACC

Bloomberg	ACC IN
Equity Shares (m)	188.0
M. Cap. (INR b)/(USD b)	320 / 5
52-Week Range (INR)	1869 / 1257
1,6,12 Rel Perf. (%)	-5 / 11 / -8

Financial Snapshot (INR Billion)

Y/E Dec	2016	2017E	2018E	2019E
Sales	108	124	139	156
EBITDA	13	15	19	23
NP	7	10	13	15
Adj. EPS (INR)	36	51	67	78
EPS Gr. (%)	-4	41	31	17
BV/Sh (INR)	461	482	513	507
RoE (%)	8	11	13	15
RoCE (%)	8	11	13	15
Payout (%)	88	59	54	108

Valuations

P/E (x)	47	33	25	22
P/BV (x)	4	4	3	3
EV/EBITDA (x)	24	19	15	12
EV/Ton (x)	134	132	124	117

CMP: INR1,702 TP: INR1,706 (0%) Neutral

- Dispatches in 3QCY17 are estimated at 5.88mt (+16% YoY), led by capacity ramp-up at Jamul and Sindri, and a favorable base from the previous year. Average realizations are expected to fall 2.7% QoQ (flat YoY) to INR4,389/ton due to weak pricing in most regions.
- Revenues are expected to increase 15.8% YoY to INR28.6b. EBITDA margin is expected to be 10%, down 4.9pp QoQ (+0.9pp YoY).
- EBITDA/ton is estimated at INR487 (+INR43 YoY, -INR248 QoQ) due to weak realization. PAT is likely to increase 129% YoY to INR1.9b.
- The stock trades at P/E of 25x/22x on CY18E/CY19E earnings, 15x/12x CY18E/CY19E EV/EBITDA and CY18E/CY19E EV/ton of USD124/USD117. Maintain **Neutral**.

Key issues to watch out for:

- Cement pricing recovery.
- Volume growth and demand revival.
- Ramp-up of new plant in east.

Quarterly Performance (Standalone)

Y/E December	CY16				CY17				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	CY16	CY17E
Cement Sales (m ton)	6.36	6.12	5.07	5.45	6.60	6.74	5.88	6.30	22.99	25.52
YoY Change (%)	9.3	-1.3	-9.6	-9.0	3.8	10.1	16.0	15.6	-2.7	11.0
Cement Realization	4,109	4,206	4,371	4,353	4,265	4,509	4,389	4,427	4,218	4,398
YoY Change (%)	-9.4	-4.1	-1.5	0.3	3.8	7.2	0.4	1.7	-4.6	4.3
QoQ Change (%)	-5.3	2.4	3.9	-0.4	-2.0	5.7	-2.7	0.9		
Net Sales	28,727	28,326	24,706	26,346	30,997	33,125	28,613	31,549	107,676	124,284
YoY Change (%)	-0.4	-4.3	-9.8	-7.4	7.9	16.9	15.8	19.7	-5.8	15.4
Total Expenditure	24,953	24,190	22,458	24,116	27,579	28,175	25,751	27,621	95,159	109,126
EBITDA	3,774	4,136	2,247	2,231	3,418	4,951	2,862	3,927	12,518	15,158
Margins (%)	13.1	14.6	9.1	8.5	11.0	14.9	10.0	12.4	11.6	12.2
Depreciation	1,434	1,410	1,529	1,679	1,650	1,621	1,660	1,672	6,052	6,603
Interest	188	208	197	209	252	225	200	223	826	900
Other Income	1,131	730	744	934	1,101	1,663	1,500	1,036	3,503	5,300
PBT before EO Item	3,283	3,248	1,265	1,277	2,617	4,768	2,502	3,068	9,143	12,954
EO Income/(Expense)	0	0	0	-428	0	0	0	0	-428	0
PBT after EO Item	3,283	3,248	1,265	849	2,617	4,768	2,502	3,068	8,715	12,954
Tax	937	824	424	44	502	1,550	575	741	2,244	3,368
Rate (%)	28.5	25.4	33.5	5.2	19.2	32.5	23.0	24.1	25.8	26.0
Reported PAT	2,346	2,424	841	805	2,115	3,218	1,926	2,327	6,470	9,586
Adjusted PAT	2,346	2,424	841	1,233	2,115	3,218	1,926	2,327	6,898	9,586
Margins (%)	8.2	8.6	3.4	4.7	6.8	9.7	6.7	7.4	6.4	7.7
YoY Change (%)	-6.0	84.5	-28.1	-49.4	-9.9	32.7	129.1	88.8	-7.4	39.0

E: MOSL Estimates

Ambuja Cements

Bloomberg	ACEM IN
Equity Shares (m)	1985.7
M. Cap. (INR b)/(USD b)	545 / 8
52-Week Range (INR)	291 / 191
1,6,12 Rel Perf. (%)	-2 / 10 / -5

Financial Snapshot (INR Billion)

Y/E DEC	2016	2017E	2018E	2019E
Sales	91.6	102.0	113.0	126.2
EBITDA	15.8	18.0	21.8	27.2
NP	9.7	13.8	16.3	20.1
Adj. EPS (INR)	4.9	7.0	8.2	10.1
EPS Gr. (%)	-10.6	42.2	18.4	23.1
BV/Sh. (INR)	96.4	101.7	107.6	111.6
RoE (%)	5.1	7.0	7.9	9.2
RoCE (%)	6.9	7.2	8.1	9.5
Payout (%)	29.6	23.5	28.4	60.1
Valuations				
P/E (x)	39.6	27.9	23.5	19.1
P/BV (x)	2.0	1.9	1.8	1.7
EV/EBITDA (x)	23.3	19.6	15.7	12.6
EV/Ton (USD)	186	178	165	151

CMP: INR274 TP: INR317 (+16%) Buy

- Dispatches in 3QCY17 are estimated to increase 10% YoY to 5.05mt, led by market share gains in north and a favorable base. Average realizations are expected to decrease by 2.4% QoQ to INR4,541/ton due to weak pricing. Revenue is estimated at INR22.9b (+14% YoY).
- EBITDA margin is expected to be 15.2% (-6.5pp QoQ, +1.4pp YoY). EBITDA/ton is estimated at INR691 (-INR319 QoQ, +INR88 YoY).
- Adjusted PAT is estimated to increase 5.3% YoY to INR2.9b due to weak profitability.
- The stock trades at P/E of 23.5x/19x on CY18E/CY19E earnings and 15.7x/12.6x CY18E/CY19E EV/EBITDA and CY18E/CY19E EV/ton of USD165/USD151. Maintain **Buy**.

Key issues to watch out for:

- Volume growth recovery and outlook.
- Cement pricing outlook and sustainability.
- Cost curve trend in CY17.

Quarterly Performance

Y/E December	CY16				CY17				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	CY16	CY17E
Sales Volume (m ton)*	5.97	5.85	4.58	5.09	6.02	6.07	5.05	5.68	21.49	22.82
YoY Change (%)	9.9	-1.7	-6.5	-7.1	0.9	3.8	10.3	11.6	-1.2	6.2
Realization (INR/ton)	4,032	4,322	4,376	4,316	4,208	4,651	4,541	4,483	4,263	4,468
YoY Change (%)	-9.7	3.2	2.3	0.4	4.4	7.6	3.8	3.9	-1.0	4.8
QoQ Change (%)	-6.2	7.2	1.3	-1.4	-2.5	10.5	-2.4	-1.3		
Net Sales	24,060	25,281	20,043	21,967	25,334	28,233	22,933	25,461	91,604	101,961
YoY Change (%)	-0.8	1.4	-4.3	-6.8	5.3	11.7	14.4	15.9	7.7	5.4
EBITDA	4,255	5,782	2,760	2,947	3,651	6,131	3,490	4,683	15,755	17,953
Margins (%)	17.7	22.9	13.8	13.4	14.4	21.7	15.2	18.4	17.2	17.6
Depreciation	3,830	1,507	1,595	1,563	1,460	1,439	1,500	1,495	8,501	5,894
Interest	188	212	192	136	377	165	150	-103	715	589
Other Income	1,303	1,900	2,503	755	1,310	940	2,000	1,751	6,837	6,000
PBT before EO Item	1,541	5,963	3,477	2,003	3,124	5,466	3,840	5,041	13,376	17,471
Extraordinary Inc/(Exp)	210	0	0	-105	0	0	0	0	0	0
PBT after EO Exp/(Inc)	1,751	5,963	3,477	1,898	3,124	5,466	3,840	5,041	13,376	17,471
Tax	1,216	1,444	707	297	658	1,544	922	545	3,672	3,669
Rate (%)	69.4	24.2	20.3	15.7	21.1	28.2	24.0	10.8	27.5	21.0
Reported Profit	535	4,519	2,770	1,601	2,465	3,922	2,918	4,496	9,703	13,802
Adj PAT	471	4,519	2,770	1,689	2,465	3,922	2,918	4,496	9,703	13,802
YoY Change (%)	-85.2	99.7	80.4	16.2	423.7	-13.2	5.3	166.2	14.4	42.2

E: MOSL Estimates

Birla Corporation

Bloomberg	BCORP IN
Equity Shares (m)	77.0
M. Cap. (INR b)/(USD m)	71 / 1
52-Week Range (INR)	985 / 609
1,6,12 Rel Perf. (%)	-4 / 17 / 16

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	43.5	63.0	69.0	74.1
EBITDA	6.2	10.8	12.6	13.9
NP	2.2	3.2	4.5	5.2
Adj. EPS (INR)	28.5	40.9	58.9	67.7
EPS Gr. (%)	27.9	43.5	43.9	14.8
BV/Share (INR)	429	458	506	562
RoE (%)	7.1	9.2	12.2	12.7
RoCE (%)	8.0	8.2	9.4	9.5
Payout (%)	40.8	28.4	19.7	17.2
Valuation				
P/E (x)	32.2	22.4	15.6	13.6
P/BV (x)	2.1	2.0	1.8	1.6
EV/EBITDA (x)	16.8	9.5	8.0	7.3
EV/Ton (USD)	100	98	97	97

CMP: INR918
TP: INR1,150 (+25%)
Buy

- 2QFY18 standalone cement volumes are estimated to increase 2.3% YoY to 1.8mt due to demand being impacted on account of sand mining ban in UP, which has also impacted Reliance operations. Reliance assets are expected to operate at 75% utilization for 2QFY18. Realizations are estimated to be flat QoQ and YoY at INR4,451/ton.
- We estimate consolidated cement EBITDA/ton at INR604 (-INR129/ton QoQ). EBITDA margin is expected to shrink 2.9pp QoQ to 13.6%.
- Consolidated EBITDA is estimated to decline 28% QoQ to INR1.7b, translating into PAT decline of 54% to INR216m.
- The stock trades at P/E of 15.6x/13.6x on FY19E/FY20E, 8x/7.3x FY19E/FY20E EV/EBITDA and FY19E/FY20E EV/ton of USD97/USD 97. Maintain **Buy**.

Key issues to watch out for:

- Volume growth recovery and outlook.
- Cement pricing outlook and sustainability.
- Update on profitability of acquired subsidiary of Reliance.

Quarterly Performance (S/A till 3QFY17, Consol numbers from 4QFY17)

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Cement Sales (m ton)	2.17	1.76	1.75	-	3.28	2.85	2.05	4.80	10.04	12.98
YoY Change (%)	10.8	-10.2	-11.0	-	51.3	61.9	17.2		24.2	29.2
Cement Realization	4,484	4,436	4,404	-	4,449	4,451	4,551	5,273	4,623	4,873
YoY Change (%)	21.9	5.3	3.0	-	-0.8	0.3	3.3		8.8	5.4
QoQ Change (%)	10.0	-1.1	-0.7			0.0	2.2	15.9		
Net Sales	8,936	7,692	7,390	14,374	14,588	12,686	15,907	19,865	43,477	63,045
YoY Change (%)	16.6	-3.2	-6.1	63.1	63.3	64.9	115.2	38.2	33.0	45.0
Total Expenditure	7,632	6,925	6,810	12,026	12,184	10,965	12,829	16,219	37,248	52,196
EBITDA	1,303	766	580	2,349	2,404	1,721	3,077	3,646	6,229	10,848
Margins (%)	14.6	10.0	7.8	16.3	16.5	13.6	19.3	18.4	14.3	17.2
Depreciation	379	374	364	797	832	830	300	1,622	2,555	3,584
Interest	225	303	507	902	937	910	145	2,702	2,768	4,694
Other Income	501	485	174	416	161	250	325	766	1,465	1,501
Profit before Tax	1,200	574	-117	1,065	796	231	2,957	87	2,371	4,071
Tax	257	-10	-138	-15	239	15	739	71	108	918
Rate (%)	21.4	-1.7	117.9	-1.4	30.0	6.4	25.0	81.8	4.6	22.5
Adj. PAT	943	584	21	1,080	557	216	2,218	16	2,263	3,154
EO Income/(Expense)	0	0	0	68	125	0	0	0	0	0
Reported PAT	943	584	21	1,011	470	216	2,218	16	2,263	3,154
YoY Change (%)	278.1	151.7	-87.7	-2.1	-50.2	-63.1	10,512.7	-98.4	13.8	39.4

E: MOSL Estimates , YoY Numbers not comparable

Dalmia Cement

Bloomberg	DBEL IN
Equity Shares (m)	88.8
M. Cap. (INR b)/(USD b)	245 / 4
52-Week Range (INR)	2847 / 1186
1,6,12 Rel Perf. (%)	1 / 28 / 31

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	74.0	84.8	96.0	107.0
EBITDA	19.0	21.9	24.5	27.8
NP	3.4	5.6	7.9	10.2
Adj. EPS(INR)	38.8	62.9	88.3	115.0
EPS Gr. (%)	81.2	62.4	40.2	30.3
BV/Sh (INR)	558	619	707	818
RoE (%)	7.2	10.7	13.3	15.1
RoCE (%)	7.3	9.3	10.6	11.8
Payout (%)	6.0	3.7	0.0	3.7
Valuation				
P/E (x)	71.1	43.8	31.2	24.0
P/BV (x)	4.9	4.5	3.9	3.4
EV/EBITDA (x)	16.9	13.8	12.0	10.6
EV/Ton (USD)	186	177	172	172

CMP: INR2,755 TP: INR3,272(+19%) Buy

- 2QFY18 cement volumes are estimated to increase 8% YoY to 3.69mt, led by strong growth in eastern operations, partially offset by weak growth from south operations. Realizations are estimated to decrease 2% QoQ and increase 3.3% YoY to INR5,057/ton, led by QoQ pricing weakness in key regions.
- We estimate cement EBITDA/ton at INR1,217 (-INR178/ton QoQ) due to a decrease in realization. EBITDA margin is expected to contract 3pp QoQ to 24.1%.
- EBITDA is estimated to increase 15% YoY to INR4.5b, translating into PAT increase of 225% YoY to INR1.0b.
- The stock trades at P/E of 31.2x/24x on FY19E/FY20E, 12x/10.6x FY19E/FY20E EV/EBITDA and FY19E/FY20E EV/ton of USD172/USD 172. Maintain **Buy**.

Key issues to watch out for:

- Volume growth recovery and outlook.
- Cement pricing outlook and sustainability.
- Update on restructuring timelines.

Quarterly Performance (Consolidated)

Y/E March	(INR Million)									
	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales Dispatches (m ton)	3.76	3.42	3.56	4.55	3.99	3.69	3.92	4.94	15.29	16.54
YoY Change (%)	21.7	20.0	20.3	17.3	6.1	8.0	10.0	8.5	19.5	8.2
Realization (INR/ton)	4,727	4,897	4,886	4,802	5,160	5,057	5,257	5,055	4,843	5,129
YoY Change (%)	-8.7	-1.6	-2.2	-1.4	9.2	3.3	7.6	5.3	-3.3	5.9
QoQ Change (%)	-3.0	3.6	-0.2	-1.7	7.5	-2.0	4.0	-3.9		
Net Sales	17,775	16,747	17,393	21,850	20,589	18,677	20,588	24,957	74,044	84,811
YoY Change (%)	11.1	18.0	17.6	15.6	15.8	11.5	18.4	14.2	15.5	14.5
EBITDA	5,084	3,902	4,211	5,517	5,566	4,496	5,257	6,617	19,019	21,935
Margins (%)	28.6	23.3	24.2	25.2	27.0	24.1	25.5	26.5	25.7	25.9
Depreciation	1,338	1,587	1,593	1,509	1,532	1,560	1,550	1,606	6,027	6,248
Interest	2,412	2,291	2,198	1,998	2,117	2,000	2,000	1,904	8,900	8,021
Other Income	766	1,102	712	715	700	700	700	500	2,988	2,600
PBT after EO Expense	2,100	1,125	1,131	2,863	2,885	1,636	2,407	3,607	7,210	10,266
Tax	911	662	624	704	889	523	963	1,271	2,892	3,593
Rate (%)	43.4	58.9	55.1	24.6	30.8	32.0	40.0	35.2	40.1	35.0
Reported PAT (pre minority)	1,189	463	507	2,159	1,996	1,112	1,444	2,336	4,318	6,673
Minority + associate	250	152	151	319	357	100	100	518	870	1,075
PAT Adj for EO items	940	311	357	1,736	1,454	1,012	1,344	1,818	3,448	5,598
YoY Change (%)	78.3	149.8	19.2	83.2	54.7	225.5	276.6	4.7	589.9	62.4

E: MOSL Estimates;

Grasim Industries

Bloomberg	GRASIM IN
Equity Shares (m)	466.8
M. Cap. (INR b)/(USD b)	541 / 8
52-Week Range (INR)	1274 / 640
1,6,12 Rel Perf. (%)	-1 / 28 / 32

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	360.7	444.9	538.9	610.4
EBITDA	73.9	89.7	115.7	136.7
Adj. PAT	31.7	33.0	47.3	54.8
Adj. EPS (INR)	67.8	70.6	101.2	117.3
EPS Gr. (%)	28.3	4.1	43.4	15.8
BV/Sh. (INR)	672.3	737.9	834.2	946.4
RoE (%)	10.8	10.0	12.9	13.2
RoCE (%)	12.2	10.8	12.1	13.0
Payout (%)	7.8	7.1	5.0	4.3

CMP: INR1,160 TP: INR1,276 (+10%) Neutral

- We expect VSF volumes to increase 5% YoY to 130,193 tons in 2QFY18, while realizations are expected to rise 8% YoY to INR141,124/ton. Standalone revenues are likely to increase 20.3% YoY to INR26.9b.
- Standalone EBITDA margin is estimated at 18.4% (-2.8pp YoY, -1.84pp QoQ).
- EBITDA is estimated to increase 4% YoY to INR5.5b, translating into PAT of INR4.9b (-16% YoY). **Neutral**.

Key issues to watch out for:

- Pick-up in cement demand and pricing thereon.
- Outlook on VSF business, and strategy to utilize upcoming capacities globally.
- Impact of demonetization on caustic soda demand.

Quarterly Performance*

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
VSF Volume (ton)	121,000	123,994	122,000	133,000	121,000	145,200	134,200	104,594	499,994	504,994
YoY Change (%)	17.8	9.00	1.1	2.31	0.00	17.10	10.00	-21.36	6.8	1.0
VSF Realization (INR/ton)	128,039	130,713	137,438	139,960	142,124	141,124	139,124	133,909	135,837	139,337
YoY Change (%)	13.0	12.0	9.0	11.0	11.0	8.0	1.2	-4.3	11.6	2.6
QoQ Change (%)	1.5	2.1	5.1	1.8	1.5	-0.7	-1.4	-3.7		
Net Sales	23,959	24,887	25,260	28,761	27,403	29,929	27,698	19,528	103,457	104,558
YoY Change (%)	23.8	17.4	9.7	13.1	14.4	20.3	9.7	-32.1	15.3	1.1
EBITDA	5,078	5,301	5,428	5,254	5,553	5,514	5,365	8,719	21,548	25,152
Margins (%)	21.2	21.3	21.5	18.3	20.3	18.4	19.4	44.7	20.8	24.1
Depreciation	1,104	1,119	1,106	1,133	1,103	1,160	1,160	1,289	4,461	4,711
Interest	231	156	107	83	73	45	45	16	576	179
Other Income	781	3,587	553	304	658	2,800	450	1,092	4,739	5,000
PBT before EO Items	4,525	7,612	4,769	4,343	5,036	7,109	4,610	8,507	21,249	25,261
Extraordinary Inc/(Exp)	0	0	0	0	0	0	0	0	0	0
PBT after EO Items	4,525	7,612	4,769	4,343	5,036	7,109	4,610	8,507	21,249	25,261
Tax	1,317	1,690	1,455	1,188	1,564	2,133	1,383	2,499	5,649	7,578
Rate (%)	29.1	22.2	30.5	27.4	31.1	30.0	30.0	29.4	26.6	30.0
Reported PAT	3,209	5,923	3,314	3,155	3,472	4,976	3,227	6,008	15,600	17,683
Adj. PAT	3,209	5,923	3,314	3,155	3,472	4,976	3,227	6,008	15,600	17,683
Margins (%)	13.4	23.8	13.1	11.0	12.7	16.6	11.7	30.8	15.1	16.9
YoY Change (%)	251.6	55.2	21.9	72.7	8.2	-16.0	-2.6	90.4	57.0	13.4

E: MOSL Estimates; *Grasim: Financials are only for VSF and chemical business and does not include impact of ABNL merger

India Cements

Bloomberg	ICEM IN
Equity Shares (m)	308.2
M. Cap. (INR b)/(USD b)	56 / 1
52-Week Range (INR)	226 / 105
1,6,12 Rel Perf. (%)	-1 / 7 / 4

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	50.8	55.1	62.2	72.8
EBITDA	8.6	9.1	10.6	13.2
NP	1.7	2.3	3.3	4.6
Adj. EPS (INR)	5.6	7.5	10.8	14.9
EPS Gr. (%)	31.3	33.6	44.1	37.2
BV/Sh (INR)	165.8	172.2	181.9	195.6
RoE (%)	3.4	4.4	6.1	7.9
RoCE (%)	5.1	5.8	6.7	7.8
Payout (%)	20.7	15.5	10.7	7.8
Valuations				
P/E (x)	32.4	24.2	16.8	12.3
P/BV (x)	1.1	1.1	1.0	0.9
EV/EBITDA(x)	9.9	9.2	7.6	5.7
EV/Ton (USD)	81	79	76	71

CMP: INR182 TP: INR198 (9%) Neutral

- India Cements' volumes are expected decline 3% YoY, adjusted for Trinetra volumes, to 2.68mt in 2QFY18 due to weak demand from Tamil Nadu. We expect realizations to decline 3% QoQ to INR4,706/ton due to weak pricing in key regions. Revenue is estimated at INR12.6b (-3.4% YoY).
- EBITDA is estimated at INR1.63b, and EBITDA margin is likely to contract 1.4pp QoQ to 13%, translating into blended EBITDA/ton of INR610 (-INR89 QoQ) due to lower realizations. PAT is expected to be INR183m (v/s INR624m in 2QFY17).
- The stock trades at P/E of 16.8x/12.3x on FY19E/FY20E, 7.6x/5.7x FY19E/FY20E EV/EBITDA and FY19E/FY20E EV/ton of USD76/USD 71. Maintain **Neutral**.

Key issues to watch out for:

- Visibility on AP demand recovery.
- Demand, especially in south India, post demonetization.
- Pricing outlook in south India.

Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY17				FY18				FY17E	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales Dispatches (m ton)*	2.31	2.46	2.71	2.90	2.66	2.68	2.76	3.21	11.00	11.32
YoY Change (%)	10	14	40	19	15	9	2	11	27.3	2.9
Realization (INR/ton)	5,173	5,259	4,633	4,633	4,857	4,706	4,955	4,940	4,589	4,840
YoY Change (%)	2.5	-5.6	-14.4	-0.9	-6.1	-10.5	7.0	6.6	-16.7	5.5
QoQ Change (%)	10.7	1.7	-11.9	0.0	4.8	-3.1	5.3	-0.3		
Net Sales	12,025	13,075	12,556	13,436	12,901	12,627	13,698	15,865	50,795	55,091
YoY Change (%)	11.9	6.7	18.6	17.1	7.3	-3.4	9.1	18.1	5.6	8.5
EBITDA	2,014	2,244	2,033	1,900	1,856	1,636	2,280	3,361	8,610	9,133
Margins (%)	16.7	17.2	16.2	14.1	14.4	13.0	16.6	21.2	17.0	16.6
Depreciation	511	521	644	639	630	630	630	627	2,571	2,517
Interest	825	876	931	820	874	810	793	1,026	3,605	3,502
Other Income	32	69	36	17	52	49	49	46	165	196
PBT before EO expense	710	917	495	458	404	245	906	1,754	2,600	3,309
Extra-Ord expense	0	0	0	0	0	0	0	0		
PBT	710	917	495	458	404	245	906	1,754	2,600	3,309
Tax	271	293	189	115	140	61	227	619	867	993
Rate (%)	38.1	31.9	38.2	25.1	34.6	25.0	25.0	35.3	33.3	30.0
Reported PAT	440	624	306	343	264	183	680	1,136	1,734	2,317
Adj PAT	440	624	306	343	264	183	680	1,136	1,734	2,317

*India cement doesn't include Trinetra volumes for 2QFY17

JK Cements

Bloomberg	JKCE IN
Equity Shares (m)	69.9
M. Cap. (INR b)/(USD b)	69 / 1
52-Week Range (INR)	1195 / 630
1,6,12 Rel Perf. (%)	-3 / -1 / -3

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	39.7	44.4	50.1	56.4
EBITDA	6.7	7.8	9.0	10.5
NP	2.4	2.8	3.8	5.0
Adj. EPS (INR)	33.7	39.7	54.4	71.4
EPS Gr. (%)	329.9	17.9	36.9	31.2
BV/Sh (INR)	251.6	286.9	335.3	399.1
RoE (%)	14.4	14.8	17.5	19.4
RoCE (%)	9.7	9.8	11.2	12.5
Payout (%)	29.6	20.6	15.1	11.5
Valuations				
P/E (x)	29.1	24.7	18.0	13.7
P/BV (x)	3.9	3.4	2.9	2.5
EV/EBITDA(x)	13.9	12.1	10.2	8.7
EV/Ton (USD)	123	123	121	121

CMP: INR980 TP: INR1,196 (22%) Buy

- 2QFY18 standalone grey cement volumes are estimated to increase 9% YoY to 1.80mt due to favorable demand from the north. White cement volumes estimated to remain flat with growth in putty offset by a decline in white cement volumes. Realizations are estimated to be flat YoY (-2.9% QoQ) at INR4,762/ton.
- We estimate cement EBITDA/ton at INR772 (-INR158/ton QoQ) due to lower realizations and cost push. EBITDA margin is expected to contract 3pp QoQ to 16%.
- EBITDA is estimated to increase 9% YoY to INR1.59b, translating into PAT increase of 37% to INR560m.
- The stock trades at P/E of 18x/13.7x on FY19E/FY20E, 10.2x/8.7x FY19E/FY20E EV/EBITDA and FY19E/FY20E EV/ton of USD121/USD 121. Maintain **Buy**

Key issues to watch out for:

- Profitability of white cement.
- Demand in north.
- Pricing in key regions.

Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales Dispatches (m ton)	1.89	1.92	1.93	2.15	2.12	2.07	2.06	2.09	7.88	8.34
YoY Change (%)	4.1	5.1	-4.5	-1.2	12.7	7.7	6.6	-2.9	0.6	5.8
Realization (INR/ton)	4,747	4,743	4,601	4,787	4,902	4,762	4,912	4,943	4,697	4,945
YoY Change (%)	5.9	0.2	3.0	10.2	3.3	0.4	6.8	3.3	4.6	5.3
QoQ Change (%)	9.3	-0.1	-3.0	4.0	2.4	-2.9	3.1	0.6		
Net Sales	8,951	9,110	8,878	10,297	10,415	9,990	10,512	10,324	37,036	41,241
YoY Change (%)	10.2	5.4	-1.6	8.9	16.4	9.7	18.4	0.3	5.2	11.4
Total Expenditure	7,202	7,648	7,396	8,375	8,438	8,393	8,428	8,646	30,621	33,904
EBITDA	1,749	1,462	1,482	1,922	1,977	1,597	2,084	1,678	6,414	7,336
Margins (%)	19.5	16.0	16.7	18.7	19.0	16.0	19.8	16.3	17.3	17.8
Depreciation	425	437	447	452	450	440	440	418	1,761	1,748
Interest	675	691	662	628	680	650	600	520	2,656	2,451
Other Income	191	188	441	418	186	220	220	182	1,441	808
PBT before EO expense	840	522	815	1,260	1,033	727	1,264	921	3,437	3,946
Extra-Ord expense	111	0	-7	89	0	0	0	0	193	0
PBT	729	522	822	1,171	1,033	727	1,264	921	3,244	3,946
Tax	121	112	158	258	240	167	291	229	649	908
Rate (%)	16.5	21.6	19.2	22.0	23.2	23.0	23.0	24.8	20.0	23.0
Reported PAT	609	409	664	913	793	560	973	693	2,596	3,038
Adj PAT	702	409	659	983	793	560	973	693	2,750	3,038
YoY Change (%)	6,536.2	181.4	272.7	40.3	13.1	36.9	47.8	-29.5	166.2	10.5

E: MOSL Estimates

Ramco Cements

Bloomberg	TRCL IN
Equity Shares (m)	236.0
M. Cap. (INR b)/(USD b)	166 / 3
52-Week Range (INR)	765 / 479
1,6,12 Rel Perf. (%)	-2 / 0 / 0

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	39.3	42.6	49.0	56.4
EBITDA	11.6	11.3	13.4	15.1
NP	6.5	6.5	8.1	9.5
Adj. EPS (INR)	27.3	27.4	34.4	40.2
EPS Gr. (%)	24.0	0.4	25.5	16.9
BV/Sh. (INR)	157.1	181.3	211.0	246.4
RoE (%)	19.0	16.1	17.5	17.6
RoCE (%)	14.0	13.0	15.0	16.0
Payout (%)	12.8	17.0	13.5	11.7

Valuations

P/E (x)	25.8	25.7	20.5	17.5
P/BV (x)	4.5	3.9	3.3	2.9
EV/EBITDA (x)	15.1	15.1	12.5	10.5
EV/Ton (USD)	162	159	155	147

CMP: INR705

TP: INR832 (+18%)

Buy

- 2QFY18 volumes are estimated to grow 5.5% YoY to 2.15mt, with majority of growth coming from the eastern markets. Average realizations are expected to decrease 5.5% YoY (-2.2% QoQ) to 4,507/ton due to a fall in realizations in the southern market.
- EBITDA margin is likely to contract 1.82pp QoQ to 25.5%. EBITDA/ton (ex-windmill) is estimated at INR1,018 (-INR173 QoQ, -INR507 YoY) due to cost push and lower realizations.
- PAT is estimated to decline 32% YoY to INR1.4b.
- The stock trades at P/E of 20.5x/17.5x on FY19E/FY20E, 12.5x/10.5x FY19E/FY20E EV/EBITDA and FY19E/FY20E EV/ton of USD155/USD 147. Maintain **Buy**

Key issues to watch out for:

- Volume growth recovery and outlook.
- Cement pricing outlook and demand sustainability in south (AP and Tamil Nadu).

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales Dispatches (m ton)	2.07	2.03	1.99	2.28	2.15	2.15	2.19	2.45	8.35	8.93
YoY Change (%)	14.0	18.9	22.3	9.8	4.1	5.5	10.0	7.6	16.0	7.0
Realization (INR/ton)	4,563	4,769	4,682	4,450	4,607	4,507	4,607	4,993	4,664	4,689
YoY Change (%)	-11.9	-2.2	-5.7	-12.4	1.0	-5.5	-1.6	12.2	-7.6	0.5
QoQ Change (%)	-10.2	4.5	-1.8	-5.0	3.5	-2.2	2.2	8.4		
Net Sales	9,667	10,124	9,374	10,166	10,165	9,931	9,958	12,590	39,292	42,644
YoY Change (%)	6.9	15.5	15.3	5.7	5.1	-1.9	6.2	23.8	10.7	8.5
EBITDA	2,988	3,493	2,690	2,429	2,781	2,536	2,400	3,630	11,561	11,346
Margins (%)	30.9	34.5	28.7	23.9	27.4	25.5	24.1	28.8	29.4	26.6
Depreciation	663	667	661	664	720	700	700	736	2,655	2,856
Interest	291	282	261	201	155	150	150	166	1,035	621
Other Income	73	93	273	154	176	200	216	270	632	862
PBT	2,106	2,637	2,040	1,718	2,082	1,886	1,766	2,997	8,502	8,731
Tax	547	567	542	373	524	471	459	815	2,009	2,270
Rate (%)	26.0	21.5	26.6	21.7	25.2	25.0	26.0	27.2	23.6	26.0
Adj PAT	1,559	2,070	1,498	1,345	1,558	1,414	1,307	2,182	6,493	6,461
YoY Change (%)	57.1	45.6	26.6	-26.3	-0.1	-31.7	-12.8	62.3	25.3	-0.5
Margins (%)	16.1	20.4	16.0	13.2	15.3	14.2	13.1	17.3	16.5	15.2

E: MOSL Estimates

Shree Cement

Bloomberg	SRCM IN
Equity Shares (m)	34.8
M. Cap. (INR b)/(USD b)	652 / 10
52-Week Range (INR)	20560 / 12555
1,6,12 Rel Perf. (%)	4 / 3 / -6

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	84.3	98.9	123.0	149.8
EBITDA	23.7	25.0	31.9	40.4
NP	13.4	17.7	19.1	28.2
Adj. EPS (INR)	384.4	507.1	547.8	808.5
EPS Gr. (%)	5.4	31.9	8.0	47.6
BV/Share (INR)	2,210	2,668	3,168	3,928
RoE (%)	18.4	20.8	18.8	22.8
RoCE (%)	17.5	19.3	17.8	21.6
Payout (%)	43.8	9.5	8.8	6.0

Valuation

P/E (x)	48.7	36.9	34.2	23.2
P/BV (x)	8.5	7.0	5.9	4.8
EV/EBITDA (x)	26.3	24.3	18.6	14.1
EV/Ton (USD)	312	256	223	193

CMP: INR18,718 TP: INR22,084(+18%) Buy

- We expect 2QFY18 cement volumes to grow 8% YoY to 4.94mt, led by favorable demand from the North market. Realizations are expected to decrease 3.6% QoQ to INR3,996/ton due to price weakness in most regions.
- Merchant power sales are expected to be meaningfully lower due to a sharp decline in merchant power rates. Power EBITDA is estimated to be INR86m in 2QFY18.
- Revenue is estimated at INR20.7b (+3.2% YoY) and EBITDA at INR4.4b, translating into margin of 21.3% (-5.54pp QoQ). Adjusted PAT is likely to be INR2.79b (-4.2% YoY).
- The stock trades at P/E of 34.2x/23.2x on FY19E/FY20E, 18.6x/14.1x FY19E/FY20E EV/EBITDA and FY19E/FY20E EV/ton of USD223/USD193. Maintain **Buy**.

Key issues to watch out for:

- Volume and pricing recovery for north India.
- Update on various expansion projects.
- New expansion plans.

Quarterly Performance - Shree Cement (S/A)

(INR Million)

	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales Dispat. (m ton)	5.13	4.57	4.91	5.93	5.89	4.94	5.65	6.78	20.54	23.25
YoY Change (%)	18.0	9.2	4.5	10.7	14.8	8.0	15.0	14.4	10.5	13.2
Realization (INR/Ton)	3,885	3,965	3,699	3,771	4,146	3,996	4,146	4,117	3,825	4,105
YoY Change (%)	11.8	9.6	7.2	13.9	6.7	0.8	12.1	9.2	10.7	7.3
QoQ Change (%)	17.4	2.1	-6.7	1.9	9.9	-3.6	3.8	-0.7		
Net Sales	21,987	20,068	18,434	23,803	25,363	20,719	24,099	28,768	84,292	98,950
YoY Change (%)	27.9	17.2	2.2	19.1	15.4	3.2	30.7	20.9	16.5	17.4
Total Expenditure	14,678	13,506	13,744	18,691	18,563	16,314	17,928	21,101	60,619	73,905
EBITDA	7,308	6,563	4,689	5,112	6,800	4,406	6,171	7,668	23,672	25,045
Margins (%)	33.2	32.7	25.4	21.5	26.8	21.3	25.6	26.7	28.1	25.3
Depreciation	1,540	4,322	3,176	3,109	2,312	2,000	2,000	2,333	12,147	8,644
Interest	276	293	411	314	329	320	320	349	1,294	1,318
Other Income	979	1,233	1,356	1,510	1,307	1,200	1,900	2,593	5,077	7,000
PBT before EO Exp	6,471	3,180	2,459	3,199	5,466	3,286	5,751	7,579	15,308	22,082
Extra-Ord Expense	0	0	21	0	0	0	0	0	0	0
PBT	6,471	3,180	2,438	3,199	5,466	3,286	5,751	7,579	15,308	22,082
Tax	1,394	265	83	154	1,065	493	575	2,425	1,917	4,416
Rate (%)	21.5	8.3	3.4	4.8	19.5	15.0	10.0	32.0	12.5	20.0
Reported PAT	5,077	2,915	2,354	3,045	4,401	2,793	5,176	5,154	13,391	17,666
Adj PAT	5,077	2,915	2,375	3,045	4,401	2,793	5,176	5,154	13,391	17,666
YoY Change (%)	106.1	18.3	1.6	-51.4	-13.3	-4.2	118.0	69.3	5.4	31.9

UltraTech Cement

Bloomberg	UTCEM IN
Equity Shares (m)	274.4
M. Cap. (INR b)/(USD b)	1069.5 / 16.5
52-Week Range (INR)	4531 / 3052
1,6,12 Rel Perf. (%)	-4 / -10 / -15

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	238.9	298.3	374.4	429.9
EBITDA	49.7	61.8	82.3	99.8
NP	26.4	25.3	38.1	48.5
Adj. EPS (INR)	96.1	92.1	138.8	176.8
EPS Gr. (%)	11.3	-4.2	50.8	27.4
BV/Share (INR)	872.1	943.6	1036.6	1151.6
RoE (%)	11.6	10.1	14.0	16.2
RoCE (%)	9.7	8.6	9.9	11.4
Payout (%)	12.1	18.9	16.7	16.4
Valuation				
P/E (x)	40.6	42.3	28.1	22.0
P/BV (x)	4.5	4.1	3.8	3.4
EV/EBITDA (x)	21.1	18.7	13.6	11.3
EV/Ton (USD)	243	208	196	190

CMP: INR3,897 TP: INR4,937 (+27%) Buy

- 2QFY18 cement volumes are estimated at 12.77mt, including volumes of JPA's assets. Standalone volumes for Ultratech are likely to grow by 4% YoY. JPA is expected to operate at utilization of 35% for 2QFY18. Realizations are estimated to increase 1.7% YoY (-2.3% QoQ) to INR4,908/ton.
- We estimate grey cement EBITDA/ton at INR888 (-INR295/ton QoQ) due to weak realizations. EBITDA margin is expected to shrink 5.4pp QoQ to 18.1%.
- EBITDA is estimated to increase 6% YoY to INR11.6b, while PAT is estimated to decline 49% to INR3.1b due to higher interest cost and depreciation related to JPA's acquisition.
- The stock trades at P/E of 28.1x/22x on FY19E/FY20E, 13.6x/11.3x FY19E/FY20E EV/EBITDA and FY19E/FY20E EV/ton of USD196/USD 190. Maintain **Buy**.

Key issues to watch out for:

- Volume growth recovery and outlook.
- Cement pricing outlook and sustainability.
- Update on JPA acquisition.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales (m ton)	12.91	10.87	11.40	13.68	12.90	12.77	14.72	18.10	48.9	58.5
YoY Change (%)	6.3	0.6	-0.6	-0.2	-0.1	17.5	29.1	32.3	1.6	19.7
Blended Realn.(INR/ton) *	4,723	4,827	4,781	4,689	5,025	4,908	5,038	4,968	4,762	4,985
YoY Change (%)	-1.5	-2.9	-0.1	3.2	6.4	1.7	5.4	6.0	-0.8	4.7
QoQ Change (%)	3.9	2.2	-0.9	-1.9	7.2	-2.3	2.7	-1.4		
Net Sales	62,295	53,966	56,091	65,953	66,265	64,259	75,926	91,816	238,914	298,266
EBITDA	14,225	10,938	11,135	12,782	15,601	11,627	14,406	20,146	49,690	61,780
Margins (%)	22.8	20.3	19.9	19.4	23.5	18.1	19.0	21.9	20.8	20.7
Depreciation	3,027	3,139	3,156	3,357	3,098	4,500	4,550	4,641	12,679	16,789
Interest	1,525	1,367	1,293	1,529	1,285	4,060	4,060	4,238	5,714	13,643
Other Income	1,504	2,335	970	2,401	1,652	1,500	1,300	298	6,600	4,750
PBT before EO expense	11,177	8,767	7,655	10,297	12,870	4,567	7,096	11,565	37,896	36,098
Tax	3,428	2,757	2,021	3,276	3,963	1,500	2,900	2,466	11,482	10,829
Rate (%)	30.7	31.4	26.4	32.2	30.8	32.8	40.9	21.3	30.4	30.0
Reported PAT	7,749	6,011	5,634	6,883	8,906	3,067	4,196	9,099	26,277	25,269
Adj PAT	7,749	6,011	5,634	6,976	8,906	3,067	4,196	9,099	26,372	25,269
YoY Change (%)	28.3	31.4	6.7	-10.7	14.9	-49.0	-25.5	30.4	11.3	-4.2

E: MOSL Estimates; includes JPA numbers for 2QFY18 and not for 2QFY17

Consumer

Company name

Asian Paints

Britannia Industries

Colgate

Dabur

Emami

Godrej Consumer

GSK Consumer

Hindustan Unilever

ITC

Jyothy Labs

Marico

Nestle India

Page Industries

Parag Milk Foods

Pidilite Industries

P&GHH

United Breweries

United Spirits

Delayed up-stocking to result in another muted quarter

GST accounting to impact YoY revenue growth

Another quarter of subdued revenue

For our Consumer Universe, we expect aggregate revenue to grow 4.3% YoY and aggregate PAT to grow 9.7% YoY in 2QFY18. Sales for the quarter are likely to be impacted by (a) GST-related disruptions, as well as by (b) GST accounting on sales, which will not affect the base. Aggregate EBITDA is likely to grow 9% YoY mainly because of a weak base and margin should expand 100bp YoY – GST accounting impacts sales, but not EBITDA. Despite another quarter of weak sales growth, EBITDA margins are likely to be optically higher YoY for all companies under coverage barring Glaxo Consumer, Marico, Nestle and United Breweries.

We expect ITC's sales to grow 2.5% YoY (with 2% decline in cigarette volumes) and PAT to grow 9.5% YoY (partly due to high 34.7% tax rate in the base quarter). HUV's sales would be flattish (volume growth of 4%); its EBITDA margin is expected to expand 200bp YoY, mainly owing to GST accounting and a weak margin base. 15 of the 18 companies under our coverage are likely to report YoY growth in EBITDA. Britannia, Colgate, GCPL, Page Industries and P&G Hygiene are likely to report healthy EBITDA growth of over 15% YoY mainly due to weak base. United Breweries is likely to report EBITDA decline (though much lower than initially feared) due to absence of input tax credit under GST.

RM costs, promotions and new launches

PFAD/palm oil prices were stable – up 3.3%/1.9% YoY in 2QFY18. TiO2 prices increased by 14% YoY and mentha prices by 24% YoY in 2QFY18. While copra and LLP prices were up 82% YoY and 13% YoY, respectively, HDPE prices declined 7% YoY in the two months ended August 2017. Companies have started taking selective price hikes/grammage reduction following an increase in raw material costs. Given the subdued environment, there has been no stream of new launches, though HUV has launched a spate of products in its naturals portfolio.

Preference for quality and longevity of growth

The consumer sector is characterized by rich near-term valuations, given the market's continued preference for quality with healthy growth. Our framework for earnings visibility, longevity of growth and quality management drives our choices in the sector universe. We continue preferring Britannia, Colgate, P&G Hygiene, Emami and Hindustan Unilever notwithstanding the near-term challenges. In the discretionary pack, while the near-term outlook is highly challenging, we like Page Industries, which has demonstrated robust volume growth even in a weak environment and is poised to do better, going forward. We recently upgraded United Breweries to Buy. While its longer term prospects remain robust, the stock has been an underperformer and the actual impact on margins despite the negative news flows over the past year has been far lower than anticipated.

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Exhibit 1: Summary of expected quarterly performance

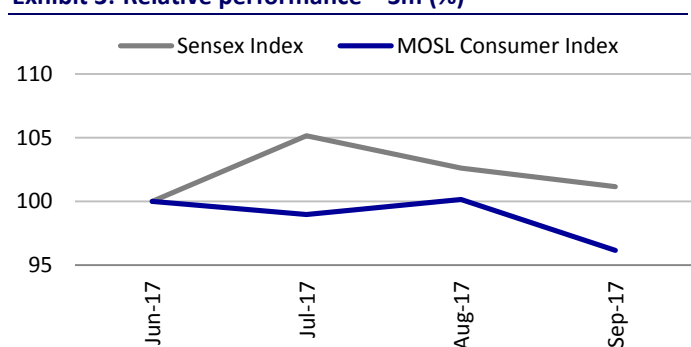
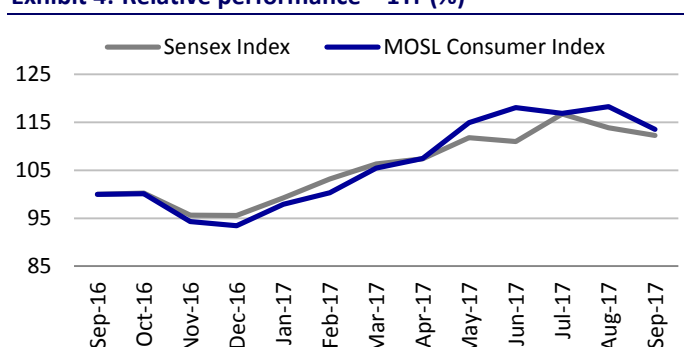
Sector			Sales (INR M)			EBDITA (INR M)			Net Profit (INR M)		
	CMP (INR)	RECO	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
Consumer											
Asian Paints	1,152	Neutral	42,337	12.5	11.0	8,106	13.7	21.8	5,271	10.7	20.3
Britannia	4,360	Buy	24,792	5.0	11.4	3,783	20.8	30.6	2,788	19.1	29.1
Colgate	1,088	Buy	10,903	4.0	12.5	3,217	17.1	45.0	2,008	10.7	47.2
Dabur	317	Neutral	20,251	2.5	13.1	4,250	5.5	37.6	3,810	6.7	36.3
Emami	1,101	Buy	6,226	6.5	15.1	1,882	7.4	134.7	1,390	4.0	129.6
Godrej Consumer	961	Neutral	26,744	13.5	23.1	5,510	19.0	59.6	3,798	18.3	63.2
GSK Consumer	4,990	Neutral	10,965	1.5	11.3	2,324	-5.2	39.7	1,753	-4.6	32.6
Hind. Unilever	1,188	Buy	78,427	0.0	-8.0	15,615	11.2	-16.3	11,935	10.3	-7.6
ITC	266	Neutral	99,022	2.5	-0.5	38,693	6.6	3.3	27,378	9.5	6.9
Jyothy Labs	396	Neutral	4,500	8.5	26.4	741	16.3	69.7	454	41.9	120.2
Marico	313	Neutral	15,829	10.0	-5.9	2,663	6.8	-17.9	1,954	8.2	-17.2
Nestle	7,257	Neutral	23,194	-0.2	-2.8	4,600	-5.0	3.9	2,795	-7.5	11.5
P&G Hygiene	8,527	Neutral	6,725	12.0	33.7	1,910	26.4	45.7	1,278	22.4	63.8
Page Industries	18,501	Buy	6,453	20.0	-7.3	1,290	20.0	-5.5	825	20.1	-3.3
Parag Milk Foods	262	Neutral	5,201	10.0	26.0	415	10.0	41.3	189	32.2	79.9
Pidilite Inds.	794	Neutral	14,531	2.5	-5.0	3,568	10.6	11.1	2,414	4.6	6.8
United Breweries	839	Buy	11,045	7.0	-34.0	1,138	-3.8	-64.2	297	22.6	-81.6
United Spirits	2,399	Neutral	20,278	-1.0	13.8	2,638	11.9	67.6	1,238	26.6	94.3
Sector Aggregate			427,423	4.3	1.8	102,342	9.0	6.7	71,574	9.7	10.4

Source: MOSL

Exhibit 2: 2QFY18 volume growth expectations (%)

Quarter Ending	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18E
Asian Paints (Dom Deco)	10.0	3.0	4.0	12.0	7.0	15.0	13.0	11.0	12.0	2.0	10.0	4.0	15.0
Britannia (Biscuits)	6.0	8.0	8.0	10.0	12.0	11.0	10.0	8.0	10.0	2.0	2.0	2.0	6.0
Colgate (Toothpaste)	7.0	5.0	5.0	2.0	3.0	1.0	3.0	5.0	4.0	(12.0)	(3.0)	(5.0)	7.0
Dabur	8.7	7.4	8.1	8.1	5.5	(2.5)	7.0	4.1	4.5	(5.0)	2.4	(4.4)	10.0
Emami	11.5	11.0	12.0	15.0	13.5	9.3	18.0	18.0	11.0	0.2	(1.5)	(18.0)	10.0
Godrej Cons. (Soaps)	2.0	3.0	5.0	DD	MSD	MSD	MSD	LDD	(MSD)	(8.0)	5.0	(8.0)	5.0
GSK Consumer	2.0	5.0	2.0	2.0	0.0	0.0	0.0	(6.0)	(3.0)	(17.0)	(1.0)	0.0	6.0
Hindustan Unilever	5.0	3.0	6.0	6.0	7.0	6.0	4.0	4.0	(1.0)	(4.0)	4.0	0.0	4.0
ITC (cigarette)	(4.0)	(13.0)	(12.0)	(17.0)	(14.0)	(5.0)	0.0	3.0	4.0	(1.0)	0.0	1.0	(2.0)
Marico													
Domestic	8.0	5.0	3.0	6.0	5.5	10.5	8.4	8.0	3.0	(4.0)	10.0	(9.0)	8.0
Parachute	7.0	8.0	5.0	8.0	11.0	4.0	7.0	7.0	(6.0)	(1.0)	15.0	(9.0)	9.0
Hair Oil	13.0	10.0	5.0	14.0	8.0	21.0	15.0	9.0	11.0	(12.0)	10.0	(8.0)	6.0
Saffola	9.0	3.0	(1.0)	4.0	4.0	17.0	10.0	11.0	8.0	6.0	6.0	(9.0)	7.0
Pidilite	10.0	7.0	5.5	5.0	3.0	6.0	6.0	9.0	7.8	(1.5)	7.0	0.0	4.0

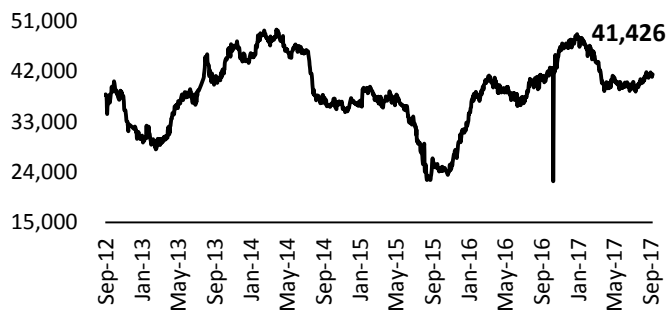
Source: Company, MOSL

Exhibit 3: Relative performance – 3m (%)**Exhibit 4: Relative performance – 1Yr (%)**

Source: Bloomberg, MOSL

Exhibit 5: PFAD prices up 3.3% YoY and down 0.6% QoQ

Palm Fatty Acid price (INR/MT)



Source: Bloomberg, MOSL

Exhibit 6: Palm oil prices up 1.9% YoY and down 2.5% QoQ

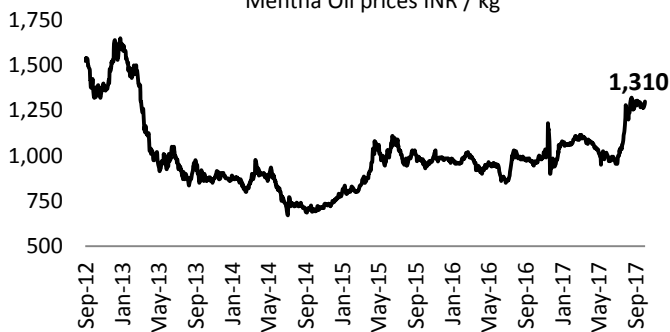
Palm Oil (Malaysian Ringgit Per Metric Tonne)



Source: Bloomberg, MOSL

Exhibit 7: Mentha prices up 24% YoY and 18% QoQ

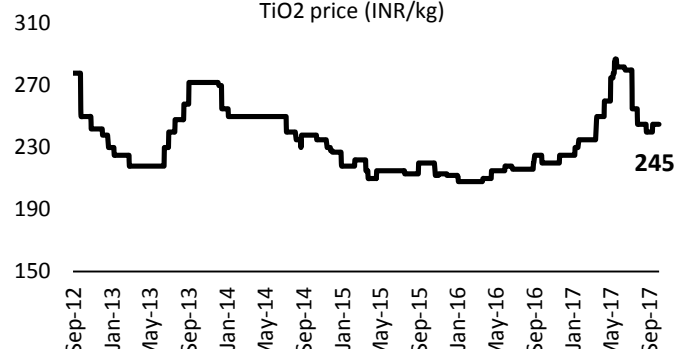
Mentha Oil prices INR / kg



Source: Bloomberg, MOSL

Exhibit 8: TiO2 prices up 14% YoY; down 8% QoQ

TiO2 price (INR/kg)



Source: Bloomberg, MOSL

Exhibit 9: Comparative valuation

Sector / Companies	CMP (INR)	RECO	EPS (INR)			PE (x)			EV/EBIDTA (x)			ROE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Consumer														
Asian Paints	1,152	Neutral	22.2	26.5	32.0	51.9	43.5	36.0	33.1	27.5	22.7	26.7	28.1	28.9
Britannia	4,360	Buy	85.3	104.6	130.1	51.1	41.7	33.5	36.2	29.1	22.9	34.3	34.5	34.9
Colgate	1,088	Buy	24.5	29.8	36.1	44.5	36.6	30.2	26.9	22.2	18.6	50.8	58.2	65.3
Dabur	317	Neutral	7.7	9.1	10.7	40.9	34.6	29.5	33.6	28.3	23.8	26.0	26.3	26.4
Emami	1,101	Buy	26.9	33.1	38.5	40.9	33.2	28.6	31.6	26.1	22.6	32.0	33.9	36.0
Godrej Consumer	961	Neutral	21.5	24.7	28.0	44.6	38.9	34.3	31.3	27.3	24.3	24.2	22.8	22.3
GSK Consumer	4,990	Neutral	158.1	182.1	201.5	31.6	27.4	24.8	21.0	18.2	15.5	21.1	22.6	22.2
Hind. Unilever	1,188	Buy	22.9	27.4	31.9	51.8	43.4	37.2	35.8	30.0	25.7	76.2	87.2	92.0
ITC	266	Neutral	9.3	10.3	11.7	28.6	25.7	22.7	19.6	17.5	15.3	24.8	26.3	27.2
Jyothy Labs	396	Neutral	9.8	11.1	13.4	40.3	35.6	29.5	27.0	22.9	19.7	16.5	18.4	21.1
Marico	313	Neutral	6.8	8.2	9.6	45.9	38.0	32.5	32.3	27.0	23.2	34.9	37.7	39.7
Nestle	7,257	Neutral	115.0	133.6	160.7	63.1	54.3	45.2	38.1	32.4	27.3	35.5	38.1	41.7
P&G Hygiene	8,527	Neutral	151.6	176.0	207.3	56.3	48.4	41.1	35.5	30.2	25.3	64.9	62.8	61.8
Page Industries	18,501	Buy	294.7	398.4	508.4	62.8	46.4	36.4	39.7	29.7	23.4	39.6	43.1	45.1
Parag Milk Foods	262	Neutral	9.1	12.5	16.9	28.7	21.0	15.5	13.4	10.9	8.2	11.0	13.3	15.6
Pidilite Inds.	794	Neutral	18.1	20.6	23.7	44.0	38.6	33.5	28.9	24.9	21.1	25.2	23.5	22.3
United Breweries	839	Buy	9.9	14.0	18.4	84.8	59.9	45.6	32.1	26.0	20.9	10.7	13.6	15.8
United Spirits	2,399	Neutral	34.5	51.5	63.8	69.5	46.6	37.6	35.7	26.8	21.0	18.0	20.3	18.8
Sector Aggregate						41.7	35.7	30.7	28.2	24.1	20.5	28.4	29.5	30.2

Source: MOSL

Asian Paints

Bloomberg	APNT IN
Equity Shares (m)	959.2
M. Cap. (INR b)/(USD b)	1105 / 17
52-Week Range (INR)	1261 / 850
1,6,12 Rel Perf. (%)	-4 / 1 / -17

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	152.9	166.2	202.2	242.4
EBITDA	30.2	32.8	39.0	46.6
Adj. PAT	20.2	21.3	25.4	30.7
Adj. EPS.INR	21.0	22.2	26.5	32.0
EPS Gr. (%)	8.7	5.6	19.5	20.8
BV/Sh.(INR)	79.3	87.1	101.3	120.5
RoE (%)	28.5	26.7	28.1	28.9
RoCE (%)	24.3	23.0	24.7	25.9
Payout (%)	37.8	45.1	39.6	34.3

Valuations

P/E (x)	54.8	51.9	43.5	36.0
P/BV (x)	14.5	13.2	11.4	9.6
EV/EBITDA	35.6	32.9	27.4	22.6
Div. Yield (%)	0.8	1.0	1.1	1.1

CMP: INR1,152 TP: INR1,315 (+14%) Neutral

- We expect revenue to grow 12.5% YoY to INR42.3b in 2QFY18, with 15% volume growth in the domestic decorative business. We have factored in GST related accounting impact of 7.5% on sales and no impact on absolute EBITDA.
- We note that crude prices are up 13% YoY and 3% QoQ in 2QFY18. The magnitude of price movement in crude derivatives is lower vis-à-vis crude prices.
- Operating margin is likely to expand slightly by 20bp to 19.1% in 2QFY18.
- We estimate 10.7% PAT growth for 2QFY18.
- The stock trades at 43.5x FY19E EPS of INR26.5; maintain **Neutral**.

Key issues to watch for

- Volume growth trends and demand scenario in urban and rural geographies.
- Demand outlook for industrial paints.
- Outlook for raw materials/pricing actions.

Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY17				FY18				FY17	FY18
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Dom Deco Volume Growth %	11.0	12.0	2.0	10.0	4.0	15.0	15.0	10.0	8.8	11.0
Net Sales	35,870	37,633	39,370	39,525	38,152	42,337	44,292	41,388	152,398	166,169
Change (%)	7.6	9.6	2.6	7.8	6.4	12.5	12.5	4.7	6.8	9.0
EBITDA	8,162	7,130	7,763	7,119	6,654	8,106	9,310	8,703	30,173	32,772
Margin (%)	22.8	18.9	19.7	18.0	17.4	19.1	21.0	21.0	19.8	19.7
Change (%)	20.3	17.3	-1.2	2.1	-18.5	13.7	19.9	22.3	9.0	8.6
Interest	63	60	92	90	80	80	80	104	305	344
Depreciation	844	844	855	835	905	970	983	998	3,378	3,857
Other Income	719	791	415	701	783	886	456	742	2,626	2,867
PBT	7,973	7,017	7,231	6,895	6,452	7,942	8,702	8,342	29,116	31,438
Tax	2,593	2,207	2,465	2,205	2,160	2,621	2,872	2,722	9,469	10,375
Effective Tax Rate (%)	32.5	31.5	34.1	32.0	33.5	33.0	33.0	32.6	32.5	33.0
Adjusted PAT	5,506	4,759	4,662	4,796	4,382	5,271	5,726	5,911	20,162	21,289

E: MOSL Estimates

Britannia Industries

Bloomberg	BRIT IN
Equity Shares (m)	120.0
M. Cap. (INR b)/(USD b)	523 / 8
52-Week Range (INR)	4409 / 2776
1,6,12 Rel Perf. (%)	3 / 24 / 14

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	89.6	95.8	116.8	141.4
EBITDA	11.9	14.2	17.5	21.9
Adj. PAT	8.8	10.2	12.6	15.6
Adj. EPS. INR	73.7	85.3	104.6	130.1
EPS Gr. (%)	7.3	15.8	22.6	24.4
BV/Sh.(INR)	224.7	272.4	334.4	411.6
RoE (%)	36.9	34.3	34.5	34.9
RoCE (%)	31.1	29.3	29.7	30.4
Payout (%)	0.0	35.0	35.0	35.0

Valuations

P/E (x)	59.2	51.1	41.7	33.5
P/BV (x)	19.4	16.0	13.0	10.6
EV/EBITDA (x)	43.7	36.1	29.0	22.9
Div. Yield (%)	0.0	0.7	0.8	1.0

CMP: INR4,360 TP: INR5,165 (+18%) Buy

- We expect Britannia's (BRIT) sales to grow 5% YoY to INR24.8b, with base business volumes growing 6%. We have factored in GST-related accounting impact of 7.5% on sales and no impact on absolute EBITDA.
- We expect 200bp YoY expansion in operating margin, and estimate 21% EBITDA growth and 19% PAT growth. Wheat and sugar costs are down YoY.
- The stock trades at 41.7x FY19E EPS of INR104.6; maintain **Buy**. Britannia is one of our top picks in the tier-II consumer space.

Key issues to watch for

- Volume growth in biscuits.
- Outlook for raw materials.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Base business volume growth (%)	10.0	10.0	2.0	2.0	2.0	6.0	10.0	10.0	6.0	7.1
Net Sales	21,063	23,612	22,648	22,444	22,248	24,792	24,686	24,111	89,623	95,837
YoY Change (%)	8.5	11.0	5.6	5.2	5.6	5.0	9.0	7.4	7.4	6.9
EBITDA	2,817	3,131	2,954	3,081	2,896	3,783	3,713	3,819	11,864	14,212
Margins (%)	13.4	13.3	13.0	13.7	13.0	15.3	15.0	15.8	13.2	14.8
YoY Growth (%)	3.5	2.0	0.3	6.1	2.8	20.8	25.7	24.0	-5.1	19.8
Depreciation	279	289	303	322	332	347	363	356	1,193	1,399
Interest	15	15	11	13	13	15	11	16	55	55
Other Income	739	670	561	335	741	804	673	538	2,424	2,756
PBT	3,263	3,496	3,201	3,081	3,293	4,224	4,012	3,985	13,040	15,514
Tax	1,071	1,156	997	973	1,133	1,436	1,364	1,342	4,197	5,275
Rate (%)	32.8	33.1	31.1	31.6	34.4	34.0	34.0	33.7	32.2	34.0
Adjusted PAT	2,192	2,340	2,204	2,108	2,160	2,788	2,648	2,644	8,843	10,239
YoY Change (%)	13.2	5.8	4.6	5.9	-1.5	19.1	20.1	25.4	7.3	15.8

E: MOSL Estimates

Colgate

Bloomberg	CLGT IN
Equity Shares (m)	272.0
M. Cap. (INR b)/(USD b)	296 / 5
52-Week Range (INR)	1176 / 862
1,6,12 Rel Perf. (%)	-1 / 3 / -1

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	39.5	40.4	48.5	57.1
EBITDA	9.4	10.9	13.0	15.5
Adj. PAT	5.8	6.7	8.1	9.8
Adj. EPS (INR)	21.2	24.5	29.8	36.1
EPS Gr. (%)	-5.7	15.2	21.7	21.2
BV/Sh.(INR)	46.8	49.4	52.9	57.6
RoE (%)	50.4	50.8	58.2	65.3
RoCE (%)	49.3	49.8	57.1	64.1
Payout (%)	47.0	70.0	70.0	70.0

Valuations

P/E (x)	51.3	44.5	36.6	30.2
P/BV (x)	23.2	22.0	20.6	18.9
EV/EBITDA (x)	31.0	26.9	22.2	18.6
Div. Yield (%)	0.9	1.6	1.9	2.3

CMP: INR1,088 TP: INR1,385 (+27%) Buy

- We expect Colgate's (CLGT) sales to grow 4% YoY to INR10.9b, with 7% toothpaste volume growth. We have factored in GST related accounting impact of 7.5% on sales and no impact on absolute EBITDA.
- We estimate EBITDA margin expansion of 320bp YoY to 29.2%. Hence, we have modeled EBITDA growth of 17.1% and adjusted PAT growth of 10.7% for the quarter.
- The stock trades at 36.6x FY19E EPS of INR29.8; we have a **Buy** rating on the stock.

Key issues to watch for

- Volume growth in toothpaste and market share movement.
- Ad spends and competitive intensity in toothpaste, especially from Patanjali.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Toothpaste Volume Gr %	5.0	4.0	-12.0	-3.0	-5.0	7.0	10.0	6.0	-1.5	4.5
Net Sales	10,056	10,483	8,650	10,326	9,694	10,903	9,299	10,492	39,515	40,388
YoY Change (%)	8.9	9.4	-8.8	2.5	-3.6	4.0	7.5	1.6	3.0	2.2
EBITDA	2,113	2,748	2,141	2,443	2,218	3,217	2,602	2,818	9,444	10,854
Margins (%)	20.9	26.0	24.5	23.5	22.7	29.2	27.6	26.5	23.7	26.6
YoY Growth (%)	3.7	8.1	-10.3	1.2	5.0	17.1	21.5	15.3	0.7	14.9
Depreciation	316	333	342	341	373	333	342	348	1,332	1,395
Interest	0	0	0	0	0	0	0	0	0	0
Financial other Income	101	113	109	80	125	135	131	77	403	467
PBT	1,897	2,527	1,908	2,182	1,970	3,019	2,391	2,547	8,514	9,927
Tax	640	714	630	756	606	1,011	801	857	2,740	3,276
Rate (%)	33.7	28.3	33.0	34.6	30.8	33.5	33.5	33.7	32.2	33.0
Adj PAT	1,257	1,813	1,278	1,426	1,364	2,008	1,590	1,689	5,774	6,651
YoY Change (%)	1.3	15.6	-12.8	-0.5	8.5	10.7	24.4	18.5	1.2	15.2

E: MOSL Estimates

Dabur

Bloomberg	DABUR IN
Equity Shares (m)	1761.5
M. Cap. (INR b)/(USD b)	558 / 9
52-Week Range (INR)	323 / 259
1,6,12 Rel Perf. (%)	2 / 6 / 0

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	77.0	79.2	92.2	106.0
EBITDA	15.1	15.7	18.3	21.2
Adj. PAT	12.8	13.6	16.1	18.9
Adj. EPS (INR)	7.2	7.7	9.1	10.7
EPS Gr. (%)	1.9	6.7	18.3	17.3
BV/Sh.(INR)	27.5	32.1	37.5	43.8
RoE (%)	28.4	26.0	26.3	26.4
RoCE (%)	24.6	22.6	23.3	23.9
Payout (%)	35.0	35.0	35.0	35.0

Valuations

P/E (x)	43.7	40.9	34.6	29.5
P/BV (x)	11.5	9.9	8.4	7.2
EV/EBITDA (x)	35.2	33.6	28.3	23.8
Div. Yield (%)	0.8	0.9	1.0	1.2

CMP: INR317 TP: INR330 (+4%) Neutral

- We expect sales to grow 2.5% YoY to INR20.3b, led by ~10% domestic organic volume growth. We have factored in GST related accounting impact of 5.5% on sales and no impact on absolute EBITDA.
- We expect EBITDA margin to expand 60bp YoY to 21% in 2QFY18.
- We have modeled EBITDA growth of 5.5% YoY and adjusted PAT growth of 6.7% in the quarter.
- The stock trades at 34.6x FY19E EPS of INR9.1; maintain **Neutral**.

Key issues to watch for

- Domestic volume growth and outlook for rural demand.
- Roadmap for science-based Ayurveda product launch.
- Recovery in wholesale channel.
- Margin performance in international business.
- Competitive intensity, especially from Patanjali.

Quarterly Performance (Consolidated)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Domestic Vol Growth (%)	4.1	4.5	-5.0	2.4	-4.4	10.0	18.0	14.0	2.0	9.5
Net Sales	19,522	19,757	18,477	19,147	17,901	20,251	20,417	20,652	77,014	79,221
YoY Change (%)	2.7	1.0	-6.1	-4.7	-8.3	2.5	10.5	7.9	-2.1	2.9
EBITDA	3,488	4,028	3,286	4,176	3,089	4,250	3,917	4,402	15,089	15,658
Margins (%)	17.9	20.4	17.8	21.8	17.3	21.0	19.2	21.3	19.6	19.8
YoY Growth (%)	10.5	0.7	-12.0	0.6	-11.4	5.5	19.2	5.4	-0.6	3.8
Depreciation	343	357	333	395	391	375	349	424	1,429	1,539
Interest	118	166	139	117	133	158	132	103	540	526
Other Income	610	952	883	650	813	1,047	971	600	2,984	3,431
PBT	3,637	4,456	3,697	4,314	3,378	4,763	4,407	4,475	16,104	17,024
Tax	701	873	753	977	589	943	873	966	3,303	3,371
Rate (%)	19.3	19.6	20.4	22.6	17.4	19.8	19.8	21.6	20.5	19.8
Minority Interest	-1	11	7	1	-5	11	7	16	31	30
Adjusted PAT	2,936	3,572	2,938	3,337	2,794	3,810	3,527	3,493	12,769	13,623
YoY Change (%)	12.3	6.2	-7.5	0.7	-4.8	6.7	20.1	4.7	2.1	6.7

E: MOSL Estimates

Emami

Bloomberg	HMN IN
Equity Shares (m)	227.0
M. Cap. (INR b)/(USD b)	250 / 4
52-Week Range (INR)	1261 / 937
1,6,12 Rel Perf. (%)	0 / 1 / -17

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	24.9	26.2	31.8	37.2
EBITDA	7.6	8.0	9.6	11.0
NP	6.0	6.1	7.5	8.7
EPS (INR)	26.5	26.9	33.1	38.5
EPS Gr. (%)	4.5	1.4	23.1	16.1
BV/Sh. (INR)	77.3	90.7	105.0	108.4
RoE (%)	35.8	32.0	33.9	36.0
RoCE (%)	31.0	32.5	38.2	42.4
Payout (%)	33.0	33.4	27.2	23.4

Valuations

P/E (x)	41.5	40.9	33.2	28.6
P/BV (x)	14.2	12.1	10.5	10.2
EV/EBITDA (x)	33.3	31.5	26.1	22.6
Div. Yld (%)	0.8	0.8	0.8	0.8

CMP: INR1,101 TP: INR1,400 (+27%) Buy

- We project Emami's (HMN) sales to grow 6.5% YoY to INR6.2b, with ~10% domestic volume growth. We have factored in GST related accounting impact of 6.5% on sales and no impact on absolute EBITDA.
- We expect EBITDA margin to expand 30bp to 30.2%. EBITDA is likely to grow 7.4% YoY to INR1.9b.
- PAT before amortization is expected to grow 4% YoY to INR1.4b due to a high tax rate of 23% (full-year tax rate taken at MAT) compared to 14.7% in base quarter 2QFY17.
- The stock trades at 33.2x FY19E EPS of INR33.1; maintain **Buy**.

Key issues to watch for

- Volume growth and broad consumer demand across categories.
- Recovery in wholesale channel.
- Outlook for mentha oil prices.
- Competitive intensity, especially from Patanjali.

Quarterly Performance

Y/E MARCH	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Domestic volume Growth (%)	18.0	11.0	0.2	-1.5	-18.0	10.0	14.0	18.0	6.9	6.0
Net Sales	6,454	5,846	7,260	5,777	5,411	6,226	8,058	6,541	25,337	26,235
YoY Change (%)	20.1	10.2	0.2	-4.4	-16.2	6.5	11.0	13.2	5.7	3.5
EBITDA	1,473	1,752	2,585	1,781	802	1,882	3,039	2,235	7,591	7,957
Margins (%)	22.8	30.0	35.6	30.8	14.8	30.2	37.7	34.2	30.0	30.3
YoY Change	49.2	15.1	3.7	-4.7	-45.6	7.4	17.5	25.5	10.5	4.8
Depreciation	106	111	112	140	153	122	123	122	469	519
Interest	125	160	127	168	79	50	30	25	580	185
Other Income	51	87	82	92	65	95	90	81	311	331
PBT	1,292	1,568	2,428	1,565	635	1,805	2,976	2,169	6,853	7,585
Tax	117	230	381	108	28	415	684	349	836	1,477
Rate (%)	9.1	14.7	15.7	6.9	4.4	23.0	23.0	16.1	12.2	19.5
PAT before Amortization	1,175	1,336	2,046	1,456	605	1,390	2,291	1,820	6,013	6,108
YoY Change (%)	18.0	9.6	4.8	-6.6	-48.5	4.0	12.0	25.0	5.0	1.6
Amortization	609	680	705	623	598	612	634	556	2,617	2,400
Reported PAT	567	661	1,343	833	10	778	1,657	1,264	3,404	3,708

E: MOSL Estimates

Godrej Consumer

Bloomberg	GCPL IN
Equity Shares (m)	681.0
M. Cap. (INR b)/(USD b)	654 / 10
52-Week Range (INR)	1084 / 643
1,6,12 Rel Perf. (%)	4 / 8 / 7

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	92.4	104.3	120.5	137.0
EBITDA	18.9	21.6	24.7	27.5
Adj. PAT	12.9	14.7	16.8	19.1
Adj. EPS (INR)	18.9	21.5	24.7	28.0
EPS Gr. (%)	12.4	14.0	14.6	13.6
BV/Sh.(INR)	77.8	100.0	116.2	135.7
RoE (%)	24.6	24.2	22.8	22.3
RoCE (%)	16.8	16.5	16.3	16.6
Payout (%)	31.2	34.8	30.4	26.7

Valuations

P/E (x)	50.8	44.6	38.9	34.3
P/BV (x)	12.3	9.6	8.3	7.1
EV/EBITDA (x)	35.8	31.5	27.4	24.4
Div. Yield (%)	0.6	0.8	0.8	0.8

CMP: INR961 TP: INR1,005 (+5%) Neutral

- We expect Godrej Consumer's revenue to rise 13.5% YoY to INR26.7b. We have factored in GST-related accounting impact of 2.5% on sales and no impact on absolute EBITDA. Soaps volumes are likely to grow 5% YoY in 2QFY18.
- We estimate operating margin to expand 100bp YoY to 20.6%.
- We have modeled 19% EBITDA growth, and expect PAT to grow by 18.3% YoY.
- The stock trades at 38.9x FY19E EPS of INR24.7. We have a **Neutral** rating on the stock.

Key issues to watch for

- Growth trend in soap volumes.
- Competitive intensity across categories.
- Currency guidance.
- Outlook for international business— demand outlook in Indonesia and margin guidance for LatAm.

Quarterly Performance (Consolidated)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	21,144	23,563	23,916	23,805	21,728	26,744	27,863	27,920	92,428	104,254
YoY Change (%)	6.5	11.3	8.9	11.8	2.8	13.5	16.5	17.3	9.7	12.8
EBITDA	3,806	4,631	5,063	5,414	3,452	5,510	6,177	6,454	18,915	21,594
Margins (%)	18.0	19.7	21.2	22.7	15.9	20.6	22.2	23.1	20.5	20.7
YoY Growth (%)	21.6	13.7	12.0	19.5	-9.3	19.0	22.0	19.2	16.4	14.2
Depreciation	327	358	363	369	374	393	417	430	1,416	1,614
Interest	326	350	397	379	397	333	357	376	1,452	1,463
Other Income	166	194	294	350	282	213	221	213	1,004	928
PBT	3,330	4,118	4,474	4,972	2,960	4,998	5,623	5,861	16,894	19,446
Tax	770	907	986	1,145	634	1,199	1,350	1,397	3,808	4,580
Rate (%)	23.1	22.0	22.0	23.0	21.4	24.0	24.0	23.8	22.5	23.6
Adj PAT	2,561	3,212	3,489	3,827	2,327	3,798	4,274	4,424	13,088	14,826
YoY Change (%)	18.3	7.3	5.0	21.4	-9.2	18.3	22.5	15.6	12.5	13.3

E: MOSL Estimates

GSK Consumer

Bloomberg	SKB IN
Equity Shares (m)	42.1
M. Cap. (INR b)/(USD b)	210 / 3
52-Week Range (INR)	6299 / 4650
1,6,12 Rel Perf. (%)	-5 / -9 / -31

Financial Snapshot (INR b)

Y/E December	2017	2018E	2019E	2020E
Sales	39.9	41.9	47.9	54.2
EBITDA	8.3	8.7	9.7	11.1
Adj. PAT	6.6	6.7	7.7	8.5
Adj. EPS (INR)	156.1	158.1	182.1	201.5
EPS Gr. (%)	0.9	1.3	15.2	10.7
BV/Sh. (INR)	742.4	757.8	854.6	961.9
RoE (%)	22.2	21.1	22.6	22.2
RoCE (%)	22.2	21.1	22.6	22.2
Payout (%)	35.0	40.0	40.0	40.0

Valuations

P/E (x)	32.0	31.6	27.4	24.8
P/BV (x)	6.7	6.6	5.8	5.2
EV/EBITDA (x)	21.5	21.0	18.2	15.5
Div. Yield (%)	1.1	1.3	1.5	1.6

CMP: INR4,990 TP: INR4,630 (-7%) Neutral

- We expect GSK Consumer to report net sales of INR11b, up 1.5% YoY, led by a 6% volume growth in HFD. We have factored in GST related accounting impact of 7.5% on sales and no impact on absolute EBITDA.
- We estimate EBITDA margin to contract 150bp YoY to 21.2% (over a very high base in 2QFY17), and PAT to decline 4.6% YoY.
- The stock trades at 27.4x FY19E EPS of INR182.1.

Key issues to watch for

- HFD volume outlook.
- Outlook for category growth and raw materials.
- Observe if there is any further market share decline.
- Guidance on price increases.

Quarterly Performance

Y/E Mar	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
HFD Volume Growth (%)	-6.0	-3.0	-17.0	-1.0	0.0	6.0	14.0	5.0	-6.8	6.0
Net Sales	9,439	10,803	8,604	11,019	9,853	10,965	9,593	11,444	39,864	41,855
YoY Change (%)	-5.2	-1.1	-11.5	2.3	4.4	1.5	11.5	3.9	-3.6	5.0
Total Exp	7,404	8,351	6,927	8,848	8,190	8,641	7,484	8,881	31,530	33,196
EBITDA	2,035	2,452	1,677	2,171	1,664	2,324	2,110	2,563	8,335	8,660
Margins (%)	21.6	22.7	19.5	19.7	16.9	21.2	22.0	22.4	20.9	20.7
YoY Change (%)	-0.6	3.0	-9.5	1.5	-18.3	-5.2	25.8	18.1	-1.0	3.9
Depreciation	147	148	171	177	170	170	172	174	642	686
Interest	6	6	6	9	5	7	7	9	28	28
Other Income	592	578	559	710	557	549	531	643	2,439	2,280
PBT	2,474	2,876	2,059	2,695	2,045	2,697	2,461	3,023	10,104	10,226
Tax	868	1,039	695	936	723	944	862	1,048	3,537	3,576
Rate (%)	35.1	36.1	33.8	34.7	35.3	35.0	35.0	34.7	35.0	35.0
Adj PAT	1,606	1,837	1,364	1,759	1,322	1,753	1,600	1,975	6,566	6,650
YoY Change (%)	2.9	-0.1	-8.3	8.4	-17.7	-4.6	17.3	12.3	-4.5	1.3

E: MOSL Estimates

Hindustan Unilever

Bloomberg	HUVR IN
Equity Shares (m)	2163.9
M. Cap. (INR b)/(USD b)	2571 / 39
52-Week Range (INR)	1286 / 783
1,6,12 Rel Perf. (%)	-1 / 22 / 24

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	313.0	326.4	385.1	445.6
EBITDA	60.5	70.5	83.5	97.2
Adj. PAT	42.5	49.7	59.2	69.0
Adj. EPS (INR)	19.6	22.9	27.4	31.9
EPS Gr. (%)	1.9	16.9	19.2	16.6
BV/Sh.(INR)	30.0	30.3	32.5	36.9
RoE (%)	66.5	76.2	87.2	92.0
RoCE (%)	88.5	101.0	115.9	123.0
Payout (%)	84.0	85.0	78.6	73.7

Valuations

P/E (x)	60.5	51.8	43.4	37.2
P/BV (x)	39.6	39.3	36.6	32.2
EV/EBITDA (x)	42.2	36.3	30.4	26.0
Div. Yield (%)	1.4	1.6	1.8	2.0

CMP: INR1,188 TP: INR1,400 (+18%) Buy

- We expect Hindustan Unilever's revenue to remain flat, with an underlying ~4% volume growth. We have factored in GST-related accounting impact of 7.5% on sales and no impact on absolute EBITDA.
- PFAD prices are up just 3.3% YoY and LAB prices are up 8% YoY.
- We expect operating margin to expand by 200bp YoY over a low base in 2QFY17 to 19.9% in 2QFY18.
- EBITDA is likely to grow 11% YoY and PAT is likely to grow 10% YoY.
- The stock trades at 43.4x FY19E EPS of INR27.4; maintain **Buy**.

Key issues to watch for

- Comments on volume growth and consumer demand environment.
- Prospects of rural recovery.

Quarterly performance

Y/E March	FY17				FY18				FY17 Ind AS	FY18 Ind AS
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Volume Growth (%)	4.0	-1.0	-4.0	4.0	0.0	4.0	10.0	7.0	0.8	5.0
Net Sales	81,270	78,427	77,060	82,130	85,290	78,427	83,225	86,016	318,887	332,957
YoY Change (%)	3.6	1.4	-0.7	6.4	4.9	0.0	8.0	4.7	2.7	4.4
EBITDA	16,347	14,046	13,560	16,510	18,660	15,615	16,809	19,404	60,463	70,488
YoY Change (%)	8.1	5.1	-5.2	12.2	14.1	11.2	24.0	17.5	5.1	16.6
Margins (%)	20.1	17.9	17.6	20.1	21.9	19.9	20.2	22.6	19.0	21.2
Depreciation	933	945	1,000	1,080	1,140	1,163	1,186	1,122	3,958	4,611
Interest	60	49	50	60	60	60	60	62	219	242
Other Income	1,076	2,528	820	830	1,130	2,781	902	993	5,254	5,806
PBT	16,431	15,580	13,330	16,200	18,590	17,173	16,465	19,213	61,541	71,440
Tax	5,411	4,807	4,480	4,360	5,630	5,238	5,022	5,900	19,058	21,789
Rate (%)	32.9	30.9	33.6	26.9	30.3	30.5	30.5	30.7	31.0	30.5
Adjusted PAT	11,277	10,818	9,199	11,180	12,920	11,935	11,443	13,313	42,474	49,651
YoY Change (%)	6.1	9.3	-10.2	7.6	14.6	10.3	24.4	19.1	3.2	16.9
Reported Profit	11,727	10,956	10,380	11,830	12,830	11,935	11,443	13,313	44,893	49,651

E: MOSL Estimates

Bloomberg	ITC IN
Equity Shares (m)	12147.4
M. Cap. (INR b)/(USD b)	3226 / 50
52-Week Range (INR)	353 / 222
1,6,12 Rel Perf. (%)	-5 / -10 / -1

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	396.4	412.1	474.0	542.2
EBITDA	145.8	158.1	176.5	200.4
Adj. PAT	102.0	112.6	125.5	142.3
Adj. EPS (INR)	8.4	9.3	10.3	11.7
EPS Gr. (%)	9.4	10.4	11.4	13.4
BV/Sh.(INR)	37.2	37.6	41.1	45.0
RoE (%)	23.5	24.8	26.3	27.2
RoCE (%)	22.6	23.8	25.3	26.4
Payout (%)	66.2	70.2	70.2	70.2

Valuations

P/E (x)	31.6	28.6	25.7	22.7
P/BV (x)	7.1	7.1	6.5	5.9
EV/EBITDA (x)	20.7	19.0	16.9	14.7
Div. Yield (%)	2.1	2.5	2.7	3.1

CMP: INR266**TP: INR290 (+9%)****Neutral**

- We expect net sales to grow 2.5% YoY to INR99b, with cigarette volume decline of 2% YoY (base quarter saw 4% volume growth). We have factored in GST related accounting impact of 7.5% on sales and no impact on absolute EBITDA.
- We expect cigarette EBIT to grow 8% YoY.
- We have factored in EBITDA growth of 6.6% YoY to INR38.7b for the company.
- We expect Other FMCG to post revenue growth of ~4% YoY.
- We estimate PAT growth of 9.5% YoY to INR27.4b.
- The stock trades at 25.7x FY19E EPS of INR10.3; maintain **Neutral**.

Key issues to watch for

- Trends in cigarette volume.
- Demand outlook for FMCG categories and segmental profitability.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Cigarette Vol Gr (%)	3.0	4.0	-1.0	0.0	1.0	-2.0	10.0	10.0	1.5	3.0
Net Sales	100,540	96,607	92,484	111,255	99,547	99,022	98,495	119,905	400,887	416,969
YoY Change (%)	9.8	9.8	4.3	14.0	-1.0	2.5	6.5	7.8	9.6	4.0
Total Exp	65,278	60,307	57,020	72,502	62,083	60,329	59,249	77,224	255,106	258,885
EBITDA	35,262	36,300	35,464	38,754	37,464	38,693	39,246	42,680	145,780	158,084
Growth (%)	8.4	7.3	2.1	7.5	6.2	6.6	10.7	10.1	6.3	8.4
Margins (%)	35.1	37.6	38.3	34.8	37.6	39.1	39.8	35.6	36.4	37.9
Depreciation	2,613	2,684	2,665	2,418	2,682	2,953	2,932	3,140	10,380	11,707
Interest	101	107	136	-115	104	107	136	-117	230	230
Other Income	4,205	4,754	6,879	4,021	4,768	5,229	7,567	4,359	19,859	21,923
PBT	36,754	38,262	39,542	40,471	39,446	40,862	43,746	44,016	155,030	168,070
Tax	12,907	13,262	13,075	13,777	13,841	13,484	14,436	13,702	53,021	55,463
Rate (%)	35.1	34.7	33.1	34.0	35.1	33.0	33.0	31.1	34.2	33.0
Adj PAT	23,847	25,000	26,467	26,695	25,605	27,378	29,310	30,314	102,009	112,607
YoY Change (%)	10.1	10.5	5.7	12.1	7.4	9.5	10.7	13.6	9.5	10.4

E: MOSL Estimates

Jyothy Labs

Bloomberg	JYL IN
Equity Shares (m)	181.0
M. Cap. (INR b)/(USD b)	72 / 1
52-Week Range (INR)	441 / 318
1,6,12 Rel Perf. (%)	2 / 11 / -2

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Sales	16.8	17.2	20.9	24.6
EBITDA	2.5	2.7	3.2	3.8
Adj PAT	2.0	1.8	2.0	2.4
Adj PAT for NCD	1.5	1.4	1.6	2.0
Adj.EPS (INR)	11.2	9.8	11.1	13.4
EPS Gr. (%)	175.7	-12.6	13.2	20.8
BV/Sh (INR)	59.9	59.5	61.5	65.7
RoE (%)	21.1	16.5	18.4	21.1
RoCE (%)	17.3	13.1	14.3	16.3

Valuations

P/E (x)	35.3	40.3	35.6	29.5
P/BV (x)	6.6	6.7	6.5	6.0
EV/EBITDA	30.0	27.1	23.0	19.7
Dividend Yield (%)	1.5	1.8	2.0	2.0

CMP: INR396
TP: INR410 (+3%)
Neutral

- We expect Jyothy Labs' net sales to grow 8.5% to INR4.5b. We have factored in GST-related accounting impact of 7.5% on sales and no impact on absolute EBITDA.
- EBITDA margin is likely to expand by 110bp YoY to 16.4%.
- We have factored in EBITDA growth of 16.3% YoY to INR741m.
- The stock trades at 23x FY19E EV/EBITDA. Speculation around Henkel deal (deadline for which has been extended till October 31st) will overshadow fundamentals in FY18, in our view. **Neutral**.

Key issues to watch for

- Update on new launches and innovations.
- Update on Henkel call option.
- Pick-up in Henkel brands' performance.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	4,244	4,148	3,834	4,457	3,559	4,500	4,256	4,860	16,683	17,175
YoY Change (%)	5.1	6.5	3.3	4.1	-16.1	8.5	11.0	9.0	4.7	3.0
Other Operating Income	3.9	4.2	5.2	5.0	8.0	4.6	5.7	1.8	18.3	20.1
Total Sales	4,248	4,152	3,839	4,462	3,567	4,505	4,261	4,862	16,701	17,195
EBITDA	807	637	507	606	437	741	690	870	2,557	2,737
EBITDA Growth %	38.8	28.0	-1.3	-3.5	-45.9	16.3	36.2	43.4	15.1	7.1
Margins (%)	19.0	15.3	13.2	13.6	12.2	16.4	16.2	17.9	15.3	15.9
Depreciation	133	73	73	83	141	81	81	83	363	384
Interest	143	164	144	99	86	112	123	103	551	424
Other Income	25	31	26	21	18	34	28	43	103	123
PBT	555	430	314	446	228	583	515	727	1,746	2,052
Tax	120	119	108	-629	22	128	113	4	-281	267
Rate (%)	21.6	27.7	34.3	-141.1	9.5	22.0	22.0	0.5	-16.1	13.0
Adjusted PAT	445	320	215	1,087	206	454	402	723	2,067	1,785
YoY Change (%)	72.6	61.2	6.6	778.6	-53.6	41.9	86.7	-33.5	164.4	-13.6

E: MOSL Estimates

Marico

Bloomberg	MRCO IN
Equity Shares (m)	1289.6
M. Cap. (INR b)/(USD b)	404 / 6
52-Week Range (INR)	348 / 235
1,6,12 Rel Perf. (%)	0 / 0 / -3

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	59.2	65.0	76.9	89.9
EBITDA	11.4	12.2	14.6	16.9
Adj. PAT	8.1	8.8	10.6	12.4
Adj. EPS (INR)	6.3	6.8	8.2	9.6
EPS Gr. (%)	12.1	8.5	20.9	16.8
BV/Sh.(INR)	18.0	21.0	22.7	25.7
RoE (%)	36.7	34.9	37.7	39.7
RoCE (%)	31.5	29.8	32.3	34.1
Payout (%)	47.7	46.9	66.8	57.1

Valuations

P/E (x)	49.8	45.9	38.0	32.5
P/BV (x)	17.4	14.9	13.8	12.2
EV/EBITDA (x)	35.1	32.4	27.1	23.2
Div. Yield (%)	1.0	1.0	1.8	1.8

CMP: INR313

TP: INR350 (+12%)

Neutral

- We expect sales to grow 10% YoY at INR15.8b, with 8% growth in domestic volumes. We have factored in GST-related accounting impact of 4% on sales and no impact on absolute EBITDA.
- In our opinion, *Parachute*, *VAHO* and *Saffola* should post 9%, 6% and 7% growth, respectively.
- We observe that copra prices are up 82% YoY (data available till August 2017), while kardi oil prices are up 24% YoY. We are modeling 50bp EBITDA margin decline for 2QFY18.
- PAT is projected to grow by 8.2% YoY to INR1.95b.
- We like MRCO's franchise, portfolio strength, management quality and multiple growth drivers. Valuations remain fair. The stock trades at 38x FY19E EPS of INR8.2; maintain **Neutral**.

Key issues to watch for

- Comments on volume growth trends across key categories.
- Outlook for raw materials.
- Margin expansion and guidance for the international business.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Domestic volume growth (%)	8.0	3.4	-4.0	10.0	-9.0	8.0	20.0	14.0	3.6	8.5
Net Sales	17,523	14,390	14,140	13,152	16,815	15,829	17,251	15,131	59,180	65,026
YoY Change (%)	0.2	-0.9	-7.5	2.2	-4.0	10.0	22.0	15.1	-3.3	9.9
EBITDA	3,740	2,493	2,697	2,525	3,243	2,663	3,393	2,908	11,414	12,207
Margins (%)	21.3	17.3	19.1	19.2	19.3	16.8	19.7	19.2	19.3	18.8
YoY Change (%)	18.2	9.8	-6.4	20.1	-13.3	6.8	25.8	15.2	8.1	7.0
Depreciation	208	209	213	273	211	262	266	385	903	1,124
Interest	54	21	44	47	35	27	58	101	166	220
Other Income	275	285	260	293	229	342	312	486	1,152	1,369
PBT	3,753	2,548	2,700	2,497	3,226	2,716	3,382	2,908	11,497	12,232
Tax	1,072	740	781	784	866	761	947	851	3,377	3,425
Rate (%)	28.6	29.1	28.9	31.4	26.8	28.0	28.0	29.3	29.4	28.0
Adjusted PAT	2,679	1,806	1,916	1,709	2,359	1,954	2,433	2,051	8,110	8,797
YoY Change (%)	17.2	18.1	-6.8	25.5	-11.9	8.2	26.9	20.0	14.4	8.5

E: MOSL Estimates

Nestle India

Bloomberg	NEST IN
Equity Shares (m)	96.4
M. Cap. (INR b)/(USD b)	700 / 11
52-Week Range (INR)	7408 / 5701
1,6,12 Rel Perf. (%)	4 / 4 / -5

Financial Snapshot (INR b)

Y/E December	2016	2017E	2018E	2019E
Sales	91.6	95.6	106.9	125.3
EBITDA	18.0	17.7	20.6	24.1
Adj. PAT	11.4	11.1	12.9	15.5
Adj. EPS (INR)	118.0	115.0	133.6	160.7
EPS Gr. (%)	-1.6	-2.5	16.1	20.3
BV/Sh.(INR)	312.6	336.0	365.7	404.9
RoE (%)	39.0	35.5	38.1	41.7
RoCE (%)	38.8	35.2	37.8	41.4
Payout (%)	53.4	60.9	59.9	59.1

Valuations

P/E (x)	61.5	63.1	54.3	45.2
P/BV (x)	23.2	21.6	19.8	17.9
EV/EBITDA (x)	37.5	37.9	32.1	27.1
Div. Yield (%)	0.9	1.0	1.1	1.3

CMP: INR7,257 TP: INR6,160 (-15%) Neutral

- We expect Nestle India's net sales to decline 0.2% YoY to INR23.2b in 3QCY17. We have factored in GST related accounting impact of 5.25% on sales (publicly stated management guidance) and no impact on absolute EBITDA.
- We expect EBITDA margin to contract by 100bp YoY to 19.8%. EBITDA and PAT are projected to decline by 5% YoY (to INR4.6b) and 7.5% YoY (to INR2.8b), respectively.
- The stock trades at 54.3x CY18E EPS; maintain **Neutral**.

Key issues to watch for

- Volume trends and management commentary on demand environment.
- Further recovery in sales and market share of Maggi.
- Response to new product/variant launches.

Quarterly performance

Y/E December	CY16				CY17				CY16	CY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	22,770	22,332	23,252	22,410	24,757	23,865	23,194	23,474	91,593	95,647
YoY Change (%)					8.7	6.9	-0.2	4.8	12.8	4.4
COGS	9,872	9,495	9,860	9,601	10,939	10,791	10,183	10,527	38,797	42,001
EBITDA	5,523	4,718	4,844	4,566	5,110	4,430	4,600	4,771	17,958	17,684
Margins (%)	24.3	21.1	20.8	20.4	20.6	18.6	19.8	20.3	19.6	18.5
YoY Growth (%)			69.5	30.8	-7.5	-6.1	-5.0	4.5	12.6	-1.5
Depreciation	891	889	883	873	867	854	838	830	3,536	3,414
Interest	259	220	220	210	228	229	220	210	35	38
Other income	421	524	547	668	578	569	629	768	2,139	2,322
PBT	4,793	4,132	4,289	4,150	4,593	3,915	4,171	4,499	16,526	16,554
Tax	1,722	1,288	1,269	1,332	1,468	1,408	1,376	1,485	5,150	5,463
Rate (%)	35.9	31.2	29.6	32.1	32.0	36.0	33.0	33.0	31.2	33.0
Adjusted PAT	3,071	2,844	3,020	2,818	3,126	2,507	2,795	3,014	11,376	11,091
YoY Change (%)		22.5	83.1	35.1	1.8	-11.8	-7.5	7.0	16.5	-2.5

Note: Quarterly numbers are adjusted for Ind-AS changes

E: MOSL Estimates

Page Industries

Bloomberg	PAG IN
Equity Shares (m)	11.2
M. Cap. (INR b)/(USD b)	206 / 3
52-Week Range (INR)	19560 / 12360
1,6,12 Rel Perf. (%)	1 / 21 / 4

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	21.3	26.2	32.3	39.8
EBITDA	4.1	5.2	6.9	8.7
Adj. PAT	2.7	3.3	4.4	5.7
Adj. EPS (INR)	238.7	294.7	398.4	508.4
EPS Gr. %	15.0	23.4	35.2	27.6
FCF to PAT	0.7	0.7	0.7	0.8
BV/Sh.INR	596.9	744.2	923.5	1126.9
RoE (%)	40.0	39.6	43.1	45.1
RoCE (%)	40.4	40.4	44.7	47.6
Payout (%)	43.7	50.0	55.0	60.0
Valuations				
P/E (x)	77.5	62.8	46.4	36.4
EV/EBITDA (x)	50.0	39.7	29.7	23.4

CMP: INR18,501 TP: INR21,310 (+15%) Buy

- We expect Page to report net sales of INR6.5b, up 20% YoY, led by ~15% volume growth.
- We expect EBITDA margin to remain flat YoY at 20%.
- PAT is likely to post 20.1% YoY growth to INR825m.
- The stock trades at 46.4x FY19E EPS of INR398.4; maintain **Buy**.

Key issues to watch for

- Volume trends and management commentary on demand environment.
- Update on EBO growth prospects.

Quarterly Performance

Y/E MARCH	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	5,686	5,378	5,283	4,989	6,962	6,453	6,498	6,317	21,335	26,230
YoY Change (%)	26.7	15.3	19.2	12.8	22.5	20.0	23.0	26.6	18.5	22.9
EBITDA	1,092	1,075	991	974	1,365	1,290	1,252	1,280	4,132	5,187
Margins (%)	19.2	20.0	18.8	19.5	19.6	20.0	19.3	20.3	19.4	19.8
YoY Change	8.8	6.3	19.6	5.3	25.0	20.0	26.3	31.5	9.7	25.5
Depreciation	59	60	62	65	67	66	69	72	247	273
Interest	39	40	45	56	45	40	45	39	180	169
Other Income	59	62	20	103	40	40	20	31	243	131
PBT	1,053	1,037	904	955	1,294	1,224	1,158	1,200	3,948	4,876
Tax	373	350	275	287	441	399	378	372	1,285	1,590
Rate (%)	35.5	33.8	30.4	30.1	34.1	32.6	32.6	31.0	32.6	32.6
PAT	679	687	629	668	853	825	781	828	2,663	3,287
YoY Change (%)	8.5	14.0	20.9	17.9	25.5	20.1	24.1	24.0	15.0	23.4

E: MOSL Estimates

Parag Milk Foods

Bloomberg	PARAG IN
Equity Shares (m)	84.1
M. Cap. (INR b)/(USD b)	22 / 0
52-Week Range (INR)	328 / 203
1,6,12 Rel Perf. (%)	5 / 3 / -27

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	17.3	19.8	23.1	26.8
EBITDA	1.1	1.7	2.1	2.7
Adj. PAT	0.3	0.8	1.0	1.4
Adj. EPS (INR)	3.6	9.1	12.5	16.9
EPS Gr. %	-46.4	152.6	37.0	35.1
BV/Sh.INR	78.2	87.3	99.7	116.6
RoE (%)	6.0	11.0	13.3	15.6
RoCE (%)	6.9	10.1	12.0	14.0

Valuations

P/E (x)	72.6	28.7	21.0	15.5
P/BV (x)	3.3	3.0	2.6	2.2

CMP: INR262
TP: INR280 (+7%)
Neutral

- We expect Parag to report net sales of INR5.2b, up 10% YoY. Both liquid milk and milk products are expected to see decent growth.
- Festive season related demand can be seen during this quarter.
- Milk prices have started declining in the last few days (down 7-10% YoY).
- We estimate EBITDA margin at 8% and PAT at INR189m.
- The stock trades at 21x FY19E EPS of INR12.5. We have a **Neutral** rating on the stock.

Key issues to watch for

- Farm gate milk prices and global SMP price movement.
- Execution of value-added products distribution, especially whey protein.
- Competitive intensity.

Consolidated - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	3,835	4,728	4,461	4,283	4,129	5,201	5,130	5,376	17,307	19,835
YoY Change (%)	2.6	0.7	15.1	3.4	7.7	10.0	15.0	25.5	5.2	14.6
EBITDA	318	377	-145	519	294	415	347	644	1,070	1,700
YoY Change (%)	11.8	-8.9	-137.8	29.6	-7.7	10.0	LP	24.3	-27.8	58.9
Margins (%)	8.3	8.0	-3.2	12.1	7.1	8.0	6.8	12.0	6.2	8.6
Depreciation	98	115	109	168	116	115	109	123	490	462
Interest	96	64	89	88	79	64	62	51	336	256
Other Income	16	23	20	59	15	23	20	24	118	82
PBT	140	222	-322	322	115	259	196	494	362	1,064
Tax	38	78	-54	3	9	70	53	166	65	298
Rate (%)	27.2	35.4	16.8	0.9	8.1	27.0	27.0	33.5	18.0	28.0
Adj PAT	102	143	-268	319	105	189	143	328	297	766
YoY Change (%)	45.5	47.8	-284.5	98.4	3.0	32.2	LP	2.8	-37.2	157.9
Margins (%)	2.7	3.0	-6.0	7.5	2.5	3.6	2.8	6.1	1.7	3.9

E: MOSL Estimates

P&G Hygiene

Bloomberg	PG IN
Equity Shares (m)	32.5
M. Cap. (INR b)/(USD b)	277 / 4
52-Week Range (INR)	8640 / 6428
1,6,12 Rel Perf. (%)	3 / 10 / 8

Financial Snapshot (INR b)

Y/E June	2016	2017	2018E	2019E
Sales	23.2	24.8	28.9	33.9
EBITDA	6.6	7.6	8.9	10.5
Adj. PAT	4.3	4.9	5.7	6.7
Adj. EPS (INR)	132.9	151.6	176.0	207.3
EPS Growth (%)	2.3	14.0	16.1	17.8
BV/Share (INR)	212.2	255.6	306.0	365.4
RoE (%)	39.3	64.9	62.8	61.8
RoCE (%)	40.2	66.0	63.7	61.7

Valuations

P/E (x)	64.1	56.3	48.4	41.1
P/BV (x)	40.2	33.4	27.9	23.3

CMP: INR8,527 TP: INR9,200 (+8%) Neutral

- We expect PGHH to report net sales of INR5.9b, down 2.4% YoY. We have factored in GST related accounting impact of 7% on sales and no impact on absolute EBITDA.
- We expect EBITDA margin to expand 540bp YoY to 30.6%.
- PAT would post 11.5% YoY growth to INR1.2b in 1QFY18 (June ending).
- The stock trades at 41.1x FY19E EPS of INR207.3; maintain **Neutral**.

Key issues to watch for

- Segmental growth numbers.
- Margin performance.

Standalone - Quarterly Earning Model

Y/E June	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	6,004	6,432	5,739	5,029	5,863	6,951	6,351	5,612	23,208	24,777
YoY Change (%)	11.5	-2.4	5.5	-5.8	-2.4	8.1	10.7	11.6	2.0	6.8
EBITDA	1,512	2,286	1,538	1,311	1,797	2,130	1,946	1,720	6,648	7,590
Growth	55.9	5.7	15.3	-17.7	18.9	-6.8	26.6	31.2	9.8	14.2
Margins (%)	25.2	35.5	26.8	26.1	30.6	30.6	30.6	30.6	28.6	30.6
Depreciation	127	132	142	197	157	157	157	157	561	628
Interest	4	43	13	44	8	8	9	9	104	35
Other Income	225	208	232	108	120	120	120	120	726	480
PBT	1,605	2,320	1,614	1,179	1,752	2,085	1,900	1,674	6,709	7,407
Tax	561	814	618	398	587	699	637	561	2,388	2,481
Rate (%)	34.9	35.1	38.3	33.8	33.5	33.5	33.5	33.5	35.6	33.5
Reported PAT	1,044	1,506	996	780					4,320	4,925
Adj PAT	1,044	1,506	996	780	1,165	1,387	1,264	1,113	4,320	4,925
YoY Change (%)	50.1	2.8	2.6	-28.6	11.5	-7.9	26.8	42.6	55.8	14.0
Margins (%)	17.4	23.4	17.4	15.5	19.9	19.9	19.9	19.8	18.6	19.9

E: MOSL Estimates

Pidilite Industries

Bloomberg	PIDI IN
Equity Shares (m)	512.7
M. Cap. (INR b)/(USD b)	407 / 6
52-Week Range (INR)	867 / 569
1,6,12 Rel Perf. (%)	-5 / 6 / -4

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	56.2	58.9	71.0	84.0
EBITDA	12.6	13.6	15.5	17.9
Adj. PAT	8.6	9.3	10.6	12.2
Adj. EPS (INR)	16.7	18.1	20.6	23.7
EPS Gr. (%)	6.7	7.9	14.0	15.2
BV/Sh.(INR)	64.5	79.0	96.1	116.3
RoE (%)	28.2	25.2	23.5	22.3
RoCE (%)	26.8	24.1	22.7	21.7
Payout (%)	29.2	16.6	14.6	12.6

Valuations

P/E (x)	47.4	44.0	38.6	33.5
P/BV (x)	12.3	10.0	8.3	6.8
EV/EBITDA (x)	31.5	29.0	25.0	21.1
Div. Yield (%)	0.6	0.4	0.4	0.4

CMP: INR794
TP: INR865 (+9%)
Neutral

- We expect Pidilite's (PIDI) revenue to grow by 2.5% YoY, led by 4% volume growth in Consumer and Bazaar segment. We have factored in GST related accounting impact of 7.5% on sales and no impact on absolute EBITDA.
- EBITDA margin is expected to expand 180bp YoY to 24.6%.
- We expect EBITDA and PAT to grow by 10.6% and 4.6% YoY, respectively.
- While we like the business franchise and the long-term growth prospects, fair valuations at 38.6x FY19E EPS of INR20.6 keep us **Neutral** on the stock.

Key issues to watch for

- Volume growth in Fevicol.
- Outlook for VAM prices.
- Outlook for industrial and construction chemical segments.
- Progress on Elastomer project (if any).

Consolidated - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	15,694	14,177	13,344	12,954	15,289	14,531	15,145	13,953	56,168	58,918
YoY Change (%)	6.8	7.5	-0.3	4.9	-2.6	2.5	13.5	7.7	4.8	4.9
Total Expenditure	11,754	10,951	10,477	10,375	12,079	10,964	11,513	10,810	43,570	45,366
EBITDA	3,939	3,225	2,866	2,579	3,210	3,568	3,632	3,143	12,598	13,552
Margins (%)	25.1	22.8	21.5	19.9	21.0	24.6	24.0	22.5	22.4	23.0
Depreciation	258	303	295	296	313	318	316	318	1,151	1,264
Interest	35	26	30	48	37	26	30	34	139	127
Other Income	241	324	272	286	432	275	272	279	1,123	1,259
PBT	3,887	3,209	2,814	2,520	3,292	3,499	3,558	3,070	12,430	13,419
Tax	1,174	912	793	971	1,033	1,085	1,103	940	3,851	4,160
Rate (%)	30.2	28.4	28.2	38.5	31.4	31.0	31.0	30.6	31.0	31.0
Adj PAT	2,713	2,309	2,020	1,549	2,260	2,414	2,455	2,130	8,579	9,259
YoY Change (%)	16.3	12.4	1.5	-7.5	-16.7	4.6	21.5	37.5	6.7	7.9
Margins (%)	17.3	16.3	15.1	12.0	14.8	16.6	16.2	15.3	15.3	15.7

E: MOSL Estimates

United Breweries

Bloomberg	UBBL IN
Equity Shares (m)	264.4
M. Cap. (INR b)/(USD b)	222 / 3
52-Week Range (INR)	976 / 716
1,6,12 Rel Perf. (%)	5 / 5 / -24

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	47.6	51.6	60.3	68.8
EBITDA	6.7	7.0	8.6	10.6
PAT	2.3	2.6	3.7	4.9
EPS (INR)	8.7	9.9	14.0	18.4
EPS Gr. (%)	-23.0	13.9	41.5	31.5
BV/Sh.(INR)	88.3	96.6	108.6	124.5
RoE (%)	10.2	10.7	13.6	15.8
RoCE (%)	9.1	10.0	12.9	14.7

Valuations

P/E (x)	96.7	84.8	59.9	45.6
P/BV (x)	9.5	8.7	7.7	6.7
EV/EBITDA (x)	33.8	32.1	26.0	20.9
EV/Sales (x)	4.8	4.3	3.7	3.2

CMP: INR839
TP: INR980 (+17%)
Buy

- We expect United Breweries' revenue to grow by 7% YoY to INR11b.
- We build in EBITDA margin contraction of 120bp YoY to 10.3%, and 3.8% EBITDA decline YoY to INR1.1b.
- We estimate 22.6% PAT growth in 2QFY18, led by lower interest and higher other income.
- The stock trades at 59.9x FY19E EPS of INR14. Maintain **Buy**.

Key issues to watch for

- Trends in volume growth and margins.
- Price trend and outlook for raw materials.
- Comment on highway ban impact on stores with 500m proximity.

Standalone - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	15,642	10,322	10,250	11,127	16,742	11,045	11,070	12,697	47,341	51,554
YoY Change (%)	7.5	-3.7	-6.6	-8.4	7.0	7.0	8.0	14.1	-2.2	8.9
Total Expenditure	12,733	9,139	8,942	10,116	13,559	9,906	9,802	11,327	40,930	44,594
EBITDA	2,909	1,183	1,308	1,011	3,184	1,138	1,268	1,369	6,412	6,960
YoY Change (%)	17.1	-12.4	-27.3	-21.3	9.4	-3.8	-3.0	35.4	-7.3	8.5
Margins (%)	18.6	11.5	12.8	9.1	19.0	10.3	11.5	10.8	13.5	13.5
Depreciation	637	702	698	833	649	667	690	749	2,870	2,754
Interest	148	141	153	144	142	80	80	124	587	426
Other Income	136	8	330	43	63	50	50	27	516	189
PBT	2,260	348	787	76	2,456	441	548	523	3,472	3,968
Tax	790	106	274	9	837	144	179	189	1,178	1,349
Rate (%)	34.9	30.4	34.8	11.7	34.1	32.7	32.7	36.1	33.9	34.0
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	4
Reported PAT	1,471	242	513	67	1,619	297	369	334	2,293	2,615
Adj PAT	1,471	242	513	67	1,619	297	369	334	2,293	2,615
YoY Change (%)	20.4	-53.5	-28.0	-87.1	10.1	22.6	-28.1	396.4	-23.0	14.0
Margins (%)	9.4	2.3	5.0	0.6	9.7	2.7	3.3	2.6	4.8	5.1

E: MOSL Estimates

United Spirits

Bloomberg	UNSP IN
Equity Shares (m)	145.3
M. Cap. (INR b)/(USD b)	349 / 5
52-Week Range (INR)	2773 / 1775
1,6,12 Rel Perf. (%)	-6 / 13 / -18

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	85.5	87.4	100.8	116.5
EBITDA	9.8	10.5	13.8	17.5
PAT	3.9	5.0	7.5	9.3
EPS (INR)	26.7	34.5	51.5	63.8
EPS Gr. (%)	87.1	29.1	49.3	23.8
BV/Sh.(INR)	133.4	191.4	254.1	339.0
RoE (%)	21.3	18.0	20.3	18.8
RoCE (%)	11.8	12.4	15.4	17.3
Payout (%)	0.0	0.0	0.0	0.0
Valuations				
P/E (x)	89.7	69.5	46.6	37.6
P/BV (x)	18.0	12.5	9.4	7.1
EV/EBITDA (x)	35.4	32.4	24.3	19.0

CMP: INR2,399 TP: INR2,600 (+8%) Neutral

- We expect United Spirits' (UNSP) revenue to decline by 1% to INR20.3b and have built in 7% decline in volumes.
- We expect EBITDA margin expansion of 150bp YoY to 13% and EBITDA to grow 11.9% YoY to INR2.6b.
- We estimate PAT of INR1.2b in 2QFY18, growth of 26.6% YoY, mainly due to lower interest costs.
- Maintain **Neutral**.

Key issues to watch for

- Trends in volume growth, premiumization and margins.
- Price trend and outlook for ENA.
- Comment on highway ban impact on stores with 500m proximity.

Quarterly Performance

Y/E March (Standalone)	FY17				FY18				FY17	FY18
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Volume Growth %	-0.2	1.0	-5.0	-8.2	-18.9	-7.0	0.0	4.0	-3.1	-5.6
Total Revenues	20,405	20,483	24,943	20,250	17,818	20,278	26,689	22,614	85,476	87,400
YoY Change (%)	10.4	8.2	3.5	-0.6	-12.7	-1.0	7.0	11.7	4.4	2.3
Total Exp	18,271	18,126	22,007	17,599	16,244	17,640	23,414	19,613	75,650	76,912
EBITDA	2,134	2,357	2,936	2,651	1,574	2,638	3,275	3,001	9,826	10,488
Margins (%)	10.5	11.5	11.8	13.1	8.8	13.0	12.3	13.3	11.5	12.0
EBITDA growth (%)	24.5	-18.8	15.2	142.3	-26.2	11.9	11.5	13.2	18.8	6.7
Depreciation	261	332	313	418	321	365	344	452	1,323	1,482
Interest	1,030	885	922	853	703	708	701	656	3,690	2,768
PBT From operations	843	1,140	1,701	1,380	550	1,565	2,230	1,894	4,813	6,239
Other income	241	283	454	253	309	283	386	266	995	1,244
PBT	1,084	1,423	2,155	1,633	859	1,848	2,616	2,160	5,808	7,482
Tax	253	445	580	515	222	610	889	748	1,923	2,469
Rate (%)	23.3	31.3	26.9	31.5	25.8	33.0	34.0	34.6	33.1	33.0
Adj. PAT	831	978	1,575	1,118	637	1,238	1,726	1,412	3,885	5,013
YoY Change (%)	616.1	-4.2	98.5	237.8	-23.4	26.6	9.6	26.3	87.1	29.1

E: MOSL Estimates

Financials - Banks

Company name

Axis Bank

Bank of Baroda

Bank of India

Canara Bank

DCB Bank

Equitas Holdings

Federal Bank

HDFC Bank

ICICI Bank

IDFC Bank

Indian Bank

IndusInd Bank

Kotak Mahindra Bank

Punjab National Bank

RBL Bank

State Bank of India

Union Bank of India

Yes Bank

Earnings to remain subdued

Provisioning pressure to stay elevated; margins likely to remain muted

- The key factors expected to impact earnings for the quarter are: (a) tepid corporate loan growth, (b) excess liquidity chasing quality credit (pressure on yields), and (c) progress on stressed asset resolutions under Insolvency and Bankruptcy Code (IBC) as well as quantum of new cases referred. Backed by excess liquidity and continued high CASA ratio in the system, cost of funds may remain benign, especially for bulk lenders. We expect trading gains to remain flat/decline marginally v/s 1Q.
- **Key things to watch for:** (a) Banks' comments on the second list of exposures referred to the IBC, outstanding provisioning and the expected impact in the ensuing quarters, (b) stake sale in strategic assets and capital raising plans, (c) power sector exposure, (d) comments/accounting on the large assets resolution (ESSAR, JP Associates) during the quarter, and (e) the trend in retail loan growth post demonetization (large banks better placed with CoF advantage). In our view, excluding power, most of the highly levered sector stress exposures are well communicated/recognized by banks; however, there could be surprises in the case of existing restructured/SDR cases being referred to NCLT. In the power sector, long-term restructuring in the recent past would make it difficult to assess the asset quality impact for FY18.
- On a sequential basis, we expect profit growth to pick up for state-owned banks as a whole due to moderation in provisions from the highs of 1QFY18. YoY growth is expected to be strong on a benign base, more so for private banks like AXSB. We expect balance sheet clean-up for ICICIB and AXSB to continue, which would remain as an overhang on their profitability. Mid-sized private banks would continue to outshine peers due to continued market share gains (loan growth of 4-5x system), stable asset quality, and stable-to-improving margins (sharp fall in bulk deposits). We expect IIB, YES, RBL and KMB to report PAT growth of ~25% YoY.
- For comparison, SBIN base quarter earnings are adjusted for associate bank performance. Hence, there is a strong variation in SBIN's earnings on both QoQ and YoY basis. We remain upbeat on the value migration story from state-owned banks to private sector banks. Within private sector banks, the emerging private banks are likely to be the major beneficiaries. Within state-owned banks, we like SBIN and BOB. Among private sector banks, our key picks are HDFCB, ICICIB and YES.

Progress on NCLT-referred cases remains the key to asset quality

- The RBI has announced a second list of accounts to be referred to NCLT for resolution under IBC, failing resolution under other mechanisms, by December 2017. This could have wide-ranging implications for asset quality and credit costs for corporate lenders with exposures to these accounts. Further, banks would continue to witness ageing-related NPA provisions (RBI AQR led to bulk of NPAs in 2HFY16). Hence, overall provisions would continue to dent earnings.

- Our interactions with bankers and channel partners suggest policy bottlenecks, which could act as deterrents to asset resolution under the IBC. However, during the quarter, some regulatory relaxation has been provided, which could ease the process of resolution. For example, banks have been allowed to classify priority debt as standard, which should pave the way for easier resolution of operating companies among stressed accounts.
- Any provisioning pressure on account of this list of exposures is likely to emerge post December, and would not affect credit costs/earnings for FY18 meaningfully, but may affect the same for FY19.

Business growth remains moderate – SME and retail remain growth drivers

- Loan growth at the system level has remained low at ~6% (slightly better than post-demonetization levels) due to (a) collapse in corporate loan growth on weak investment sentiment and excess capacity, (b) weak demand for working capital loans, (c) weak resolution to NPA accounts, (d) higher repayments from loans completing the restructuring moratorium, and (e) shift from loan market to bond market.
- Improvement in sentiment (led by better liquidity at the ground level) and fiscal/monetary policies hold the key to loan growth improvement. We expect retail growth to show better traction for private banks sequentially due to pent-up demand of demonetization period and the Supreme Court's ruling on BS-III. We expect mid-sized private banks to grow at 4-5x system during the quarter.
- Backed by significant cost of funds advantage, demonetization and excess liquidity, large private banks are expected to show strong growth, led by refinancing. Mid-sized PSBs would continue losing market share due to capitalization and asset quality issues, in our view. We expect retail-focused banks like HDFCB and KMB to also report strong growth in the corporate segment.

Yields under significant pressure – cost of funds to negate margin pressure

- We expect NII to be flattish QoQ (weak yields combined with interest reversals on SDR guidelines, partially offset by lower cost of funds) for state-owned banks. For private banks, we expect NII to grow 15% YoY (+3% QoQ) – among these, mid-sized private banks are expected to report 23% YoY growth. Weak loan growth would be the key reason for moderate revenue growth at the sector level.
- Sharp cut in MCLR over 2HFY17 would impact yields on the existing portfolio with a lag, while hyper competition in the refinancing and retail markets continue to exert pressure on blended yields.
- Excess liquidity and a sharp rise in the CASA ratio (though moderated from 1Q levels) post demonetization would help to reduce cost of funds, marginally offsetting the impact on NIMs.

Asset quality stress to stay elevated, but resolution underway

- Factors likely to continue weighing on performance include (a) the RBI's enhanced efforts toward resolution of large non-performing accounts and same asset classification on such accounts across the system, (b) banks' clean-up exercise (expect largely from restructured loans and watch list), (c) non-fund-based exposure turning into NPAs for some stressed corporates, and (d) impact on the supply chain of stressed large corporates.

- Performance of the SME and agriculture portfolio would be the key thing to watch for, considering the lagged impact of demonetization and loan waivers/drought in some large states. Farm loan waivers in key states such as UP, Maharashtra, Karnataka and Punjab have affected asset quality in the agri segment in the previous quarter, and we await commentary on subsequent trend in repayments. We factor in a net slippage ratio of ~1.5% (1.3% in 1QFY18) and provision-to-operating profits of 79% (80% in 1QFY18) for state-owned banks and 33% (34% in 1QFY18) for private sector banks. Bulk of the slippages that happened in 2HFY16 was due to RBI AQR and ageing of NPAs, which would lead to higher provisioning charge.

ICICIBC, HDFCB and SBIN amongst our top picks

- Delayed resolution of stress assets, lack of growth capital and increasing competition from private banks continue to mar the performance of state-owned banks. Further progress in steps by the RBI/Gol to resolve stress loans (such as targeting large accounts for resolution under IBC 2016) as well as regulatory relaxation on policy bottlenecks would be the key to the stock performance of corporate lenders. Meanwhile, mid-sized private sector banks with excess capacity would continue reporting strong core earnings growth. We expect market share gains to accelerate for them. We have tweaked earnings for RBL Bank to factor in capital raising during the quarter. Our top picks are HDFCB, ICICIBC and SBIN among the large banks. We like YES and RBL among the emerging names.

Exhibit 1: State-owned banks—one-year forward P/BV

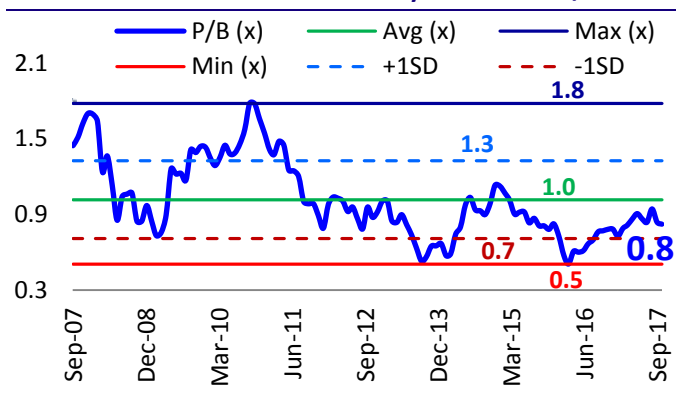


Exhibit 2: Private sector banks—one-year forward P/BV

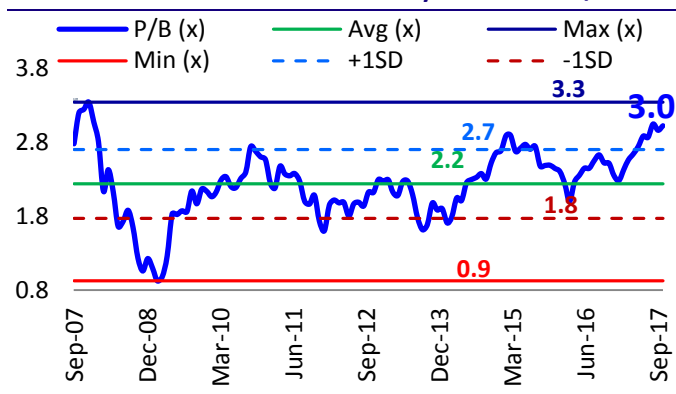
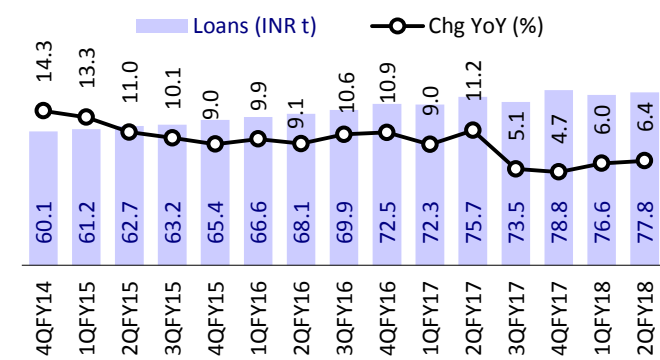
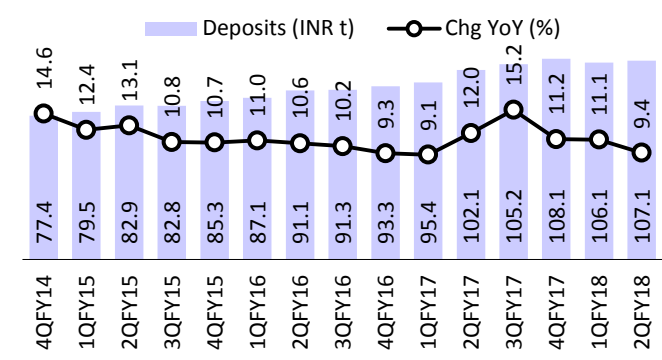
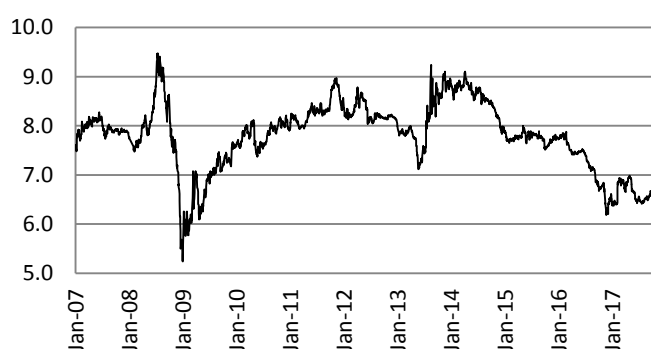
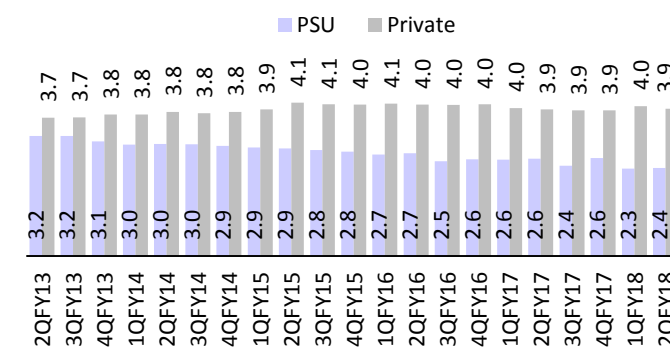
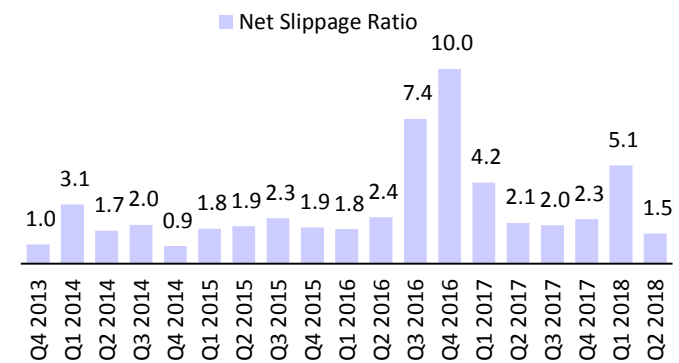


Exhibit 3: Expected quarterly performance (INR m)

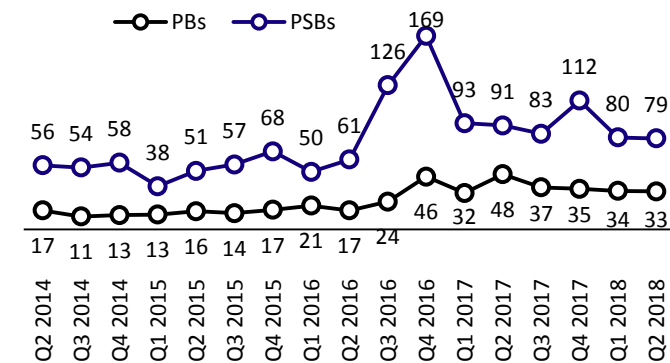
Sector	CMP (INR)	RECO	Sales (INR M)			EBDITA (INR M)			Net Profit (INR M)		
			Sep-17	YoY %	QoQ %	Sep-17	YoY %	QoQ %	Sep-17	YoY %	QoQ %
Private Banks											
Axis Bank	501	Neutral	47,308	4.8	2.5	42,134	2.8	-1.8	13,057	309.2	0.0
DCB Bank	187	Neutral	2,355	23.7	1.0	1,237	22.6	-9.3	630	29.9	-3.4
Equitas Holdings	152	Buy	2,262	12.8	4.7	318	-64.0	-54.1	58	-87.5	-62.8
Federal Bank	114	Buy	8,707	19.9	8.7	5,904	24.3	5.8	2,798	39.0	33.1
HDFC Bank	1,799	Buy	97,661	22.2	4.2	75,559	25.4	0.5	42,286	22.4	8.6
ICICI Bank	272	Buy	56,199	7.0	0.5	53,666	8.3	3.5	25,538	-17.7	24.6
IDFC Bank	57	Neutral	5,745	15.9	48.1	3,200	-45.0	-50.6	2,067	-46.7	-52.8
IndusInd Bank	1,691	Buy	18,498	26.7	4.3	16,378	27.8	3.1	8,962	27.3	7.1
Kotak Mahindra Bank	1,031	Buy	23,037	15.5	2.6	17,662	22.6	10.7	10,259	26.1	12.4
RBL Bank	513	Buy	4,302	42.0	13.7	3,389	55.0	8.8	1,622	80.4	15.0
Yes Bank	359	Buy	18,624	31.9	3.0	17,314	24.9	1.6	10,210	27.4	5.7
Pvt Banking Sector Aggregate			284,698	16.0	3.8	256,261	-2.7	8.6	118,087	17.9	8.4
PSU Banks											
Bank of Baroda	140	Buy	35,041	2.3	2.9	27,539	2.4	4.0	5,383	-2.5	164.6
Bank of India	139	Neutral	25,727	-5.4	1.6	15,805	-36.6	-33.6	-2,748	PL	PL
Canara Bank	310	Neutral	27,138	11.1	0.0	22,761	6.3	-7.9	5,355	50.0	112.8
Indian Bank	268	Buy	14,711	15.1	0.8	10,470	4.1	-16.4	3,992	-1.5	7.2
Punjab National Bank	132	Buy	39,167	0.9	1.6	29,941	-9.6	-6.9	4,159	-24.3	21.1
State Bank	251	Buy	184,996	2.2	5.1	181,012	29.4	52.4	29,034	LP	44.8
Union Bank	126	Neutral	23,197	1.9	3.4	18,623	2.3	-9.4	1,169	-33.9	0.2
PSU Banking Sector Aggregate			349,976	2.6	3.5	306,151	11.5	18.2	46,343	188.4	37.1
Banking Sector Aggregate			634,675	8.2	3.6	562,412	4.6	9.4	164,431	41.4	15.2

Exhibit 4: Financials - valuations

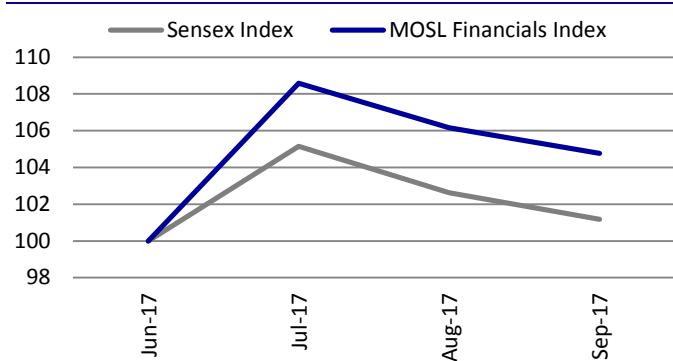
Sector / Companies	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Banks-Private														
Axis Bank	501	Neutral	21.8	38.1	50.4	22.9	13.2	9.9	2.1	1.8	1.6	9.3	14.7	17.1
DCB Bank	187	Neutral	8.4	10.4	12.5	22.4	18.0	14.9	2.2	2.0	1.8	11.4	11.8	12.7
Equitas Holdings	152	Buy	1.7	6.1	10.0	89.5	25.1	15.2	2.3	2.1	1.8	2.5	8.6	12.9
Federal Bank	114	Buy	5.4	6.8	8.6	21.2	16.7	13.3	1.8	1.7	1.5	10.0	10.5	12.1
HDFC Bank	1,799	Buy	68.2	82.6	99.6	26.4	21.8	18.1	4.6	4.0	3.4	18.8	19.7	20.3
ICICI Bank	272	Buy	14.5	16.6	20.6	18.8	16.4	13.2	1.9	1.7	1.6	8.6	9.3	10.8
IDFC Bank	57	Neutral	2.8	3.2	3.4	20.4	17.5	16.9	1.3	1.2	1.1	6.3	6.9	6.8
IndusInd Bank	1,691	Buy	61.9	76.8	91.7	27.3	22.0	18.4	4.4	3.8	3.2	17.3	18.5	18.9
J&K Bank	74	Neutral	3.9	8.3	11.6	19.3	9.0	6.4	0.7	0.6	0.6	3.5	7.2	9.5
Kotak Mahindra Bank	1,031	Buy	32.4	41.0	50.8	31.8	25.1	20.3	4.4	3.8	3.2	15.0	16.3	17.1
RBL Bank	513	Buy	18.1	23.6	31.0	28.4	21.7	16.6	3.2	2.9	2.5	13.6	13.9	16.1
South Indian Bank	30	Buy	2.9	3.7	4.2	10.4	8.1	7.1	1.1	1.0	0.9	10.8	12.7	13.1
Yes Bank	359	Buy	18.5	22.9	28.8	19.5	15.7	12.5	3.3	2.8	2.4	18.3	19.5	20.9
Private Bank Aggregate						24.2	18.9	15.3	3.0	2.7	2.4	12.5	14.2	15.5
Banks-PSU														
Bank of Baroda	140	Buy	9.5	20.8	25.0	14.6	6.7	5.6	0.9	0.8	0.7	6.1	12.4	13.5
Bank of India	139	Neutral	-11.2	6.6	16.1	-12.4	21.1	8.7	0.6	0.6	0.6	-5.2	3.0	7.2
Canara Bank	310	Neutral	30.1	47.0	62.3	10.3	6.6	5.0	0.6	0.6	0.5	6.2	9.1	11.0
Indian Bank	268	Buy	34.4	38.3	42.3	7.8	7.0	6.3	0.8	0.8	0.7	10.9	11.2	11.3
Punjab National Bank	132	Buy	5.8	11.0	13.5	22.7	12.0	9.8	0.7	0.7	0.6	3.2	5.9	6.8
State Bank	251	Buy	14.6	26.8	35.8	17.2	9.4	7.0	1.1	1.0	0.9	7.0	11.4	13.7
Union Bank	126	Neutral	9.0	19.1	32.5	13.9	6.6	3.9	0.4	0.4	0.4	3.0	6.1	9.7
PSU Bank Aggregate						17.4	8.9	6.7	0.8	0.8	0.7	4.6	8.6	10.6

Exhibit 5: Loan growth remains moderate in 1Q**Exhibit 6: Deposit growth has moderated****Exhibit 7: 10-year g-sec yields show volatility QoQ (%)****Exhibit 8: NIMs to remain largely stable QoQ (%)****Exhibit 9: State-owned banks' net slippage ratio expected to decline, led by recoveries (% annualized)**

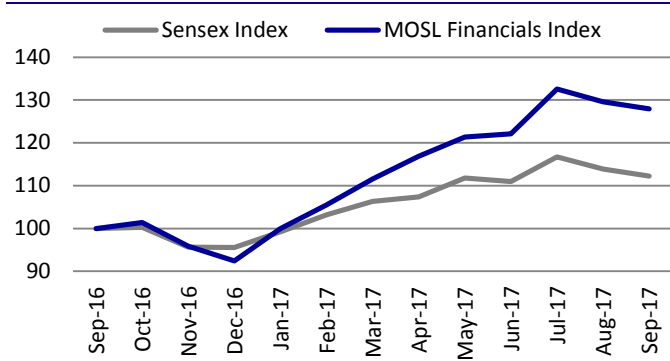
Source: MOSL, Company

Exhibit 10: Provisions to PPOP (%) to stay elevated for state-owned banks

Source: MOSL, Company

Exhibit 11: Relative performance—3 months (%)

Source: Bloomberg, MOSL

Exhibit 12: Relative performance—1 year (%)

Source: Bloomberg, MOSL

Axis Bank

Bloomberg	AXSB IN
Equity Shares (m)	2395.0
M. Cap. (INR b)/(USD b)	1200 / 18
52-Week Range (INR)	553 / 425
1,6,12 Rel Perf. (%)	0 / -6 / -18

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	180.9	192.4	225.5	271.2
OP	175.8	172.1	197.7	236.5
NP	36.8	52.3	91.2	120.7
NIM (%)	3.6	3.4	3.4	3.4
EPS (INR)	15.4	21.8	38.1	50.4
EPS Gr. (%)	-55.5	42.2	74.4	32.3
BV/Sh. (INR)	226.5	242.9	274.3	315.8
ABV/Sh. (INR)	203.1	214.9	241.9	288.7
RoE (%)	6.9	9.3	14.7	17.1
RoA (%)	0.6	0.8	1.2	1.3
Payout (%)	32.5	25.2	17.6	17.6

Valuations

P/E(X)	32.9	23.1	13.3	10.0
P/BV (X)	2.2	2.1	1.8	1.6
P/ABV (X)	2.5	2.3	2.1	1.7
Div. Yield (%)	1.0	0.9	1.1	1.5

CMP: INR501

TP: INR524 (+5%)

Neutral

- We expect AXSB to report ~14% loan growth, driven by continued strong growth in the retail and SME segments. Overall deposit growth is likely to be ~10%, bringing down the CD ratio, which is elevated at ~96%.
- Yield on loans would remain under pressure following MCLR cuts/aggressive competition in the refinance market. Margins are expected to stay flat QoQ at ~3.5%, weighed down further by interest reversals.
- Current watch-list stands at INR95b (~2.3% of customer assets) and is expected to be done away with completely by FY19. While slippages should moderate in 2Q, we expect them to remain at elevated levels (4% annualized slippage ratio), leading to high credit costs.
- We estimate PAT at INR13.1b (flat QoQ) vs INR3.2b in a muted 2QFY17, weighed down by provisions.
- AXSB trades at 1.8x FY19E BV and 13.3x FY19E EPS. **Neutral.**

Key issues to watch for

- Quantum of corporate slippages from watch list and any revision in the size of the same.
- Quantum of loans rescheduled under 5:25, SDR and S4A.

Quarterly Performance

(INR m)

	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Interest Income	45,169	45,139	43,337	47,286	46,161	47,308	48,737	50,147	1,80,931	1,92,355
% Change (Y-o-Y)	11.4	11.1	4.1	3.9	2.2	4.8	12.5	6.1	7.5	6.3
Other Income	27,383	25,397	34,002	30,132	29,998	29,700	30,450	34,738	1,16,913	1,24,886
Net Income	72,552	70,535	77,339	77,418	76,160	77,008	79,187	84,886	2,97,844	3,17,241
Operating Expenses	27,858	29,534	30,937	33,670	33,248	34,874	37,011	40,008	1,21,999	1,45,142
Operating Profit	44,694	41,002	46,402	43,747	42,912	42,134	42,176	44,878	1,75,845	1,72,099
% Change (Y-o-Y)	9.2	13.0	16.4	-0.5	-4.0	2.8	-9.1	2.6	9.2	-2.1
Other Provisions	21,172	36,227	37,958	25,813	23,419	22,500	22,500	25,027	1,21,170	93,447
Profit before Tax	23,522	4,774	8,444	17,935	19,492	19,634	19,676	19,850	54,676	78,653
Tax Provisions	7,967	1,584	2,649	5,684	6,436	6,577	6,592	6,743	17,883	26,349
Net Profit	15,555	3,191	5,796	12,251	13,056	13,057	13,085	13,107	36,793	52,304
% Change (Y-o-Y)	-21.4	-83.3	-73.4	-43.1	-16.1	309.2	125.8	7.0	-55.3	42.2
Operating Parameters										
NIM (Cal, %)	3.7	3.7	3.5	3.7	3.5	3.5	3.4	3.4	3.6	3.4
Deposit Growth (%)	16.3	17.3	9.6	15.8	10.0	9.8	20.4	16.0	15.8	16.0
Loan Growth (%)	21.2	18.5	10.1	10.1	11.8	13.5	20.7	18.0	10.1	18.0
CD Ratio (%)	96.4	92.9	93.6	90.0	97.9	96.1	93.8	91.6	90.0	91.6
Core CASA ratio (%)	40.0	41.0	42.0	45.0	0.0				45.0	
Asset Quality										
OSRL (INR b)	73.6	67.0	63.4	53.8					53.8	0.0
OSRL (%)	2.1	1.9	1.8	1.4					1.4	0.0
Gross NPA (INR b)	95.5	163.8	204.7	212.8	220.3	237.1	249.7	250.2	212.8	250.2
Gross NPA (on cust. assets, %)	2.5	4.2	5.2	5.0	5.0	5.7	5.8	5.5	5.0	5.5

E: MOSL Estimates

Bank of Baroda

Bloomberg	BOB IN
Equity Shares (m)	2310.5
M. Cap. (INR b)/(USD b)	322 / 5
52-Week Range (INR)	202 / 136
1,6,12 Rel Perf. (%)	1 / -25 / -30

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	135.1	145.3	170.0	197.1
OP	109.8	112.2	125.8	143.5
NP	13.8	22.0	48.0	57.7
NIM (%)	2.2	2.2	2.3	2.4
EPS (INR)	6.0	9.5	20.8	25.0
EPS Gr. (%)	NA	59.3	117.8	20.2
BV/Sh. (INR)	151.6	158.9	174.9	194.0
ABV/Sh. (INR)	100.8	113.2	136.1	156.6
RoE (%)	4.0	6.1	12.4	13.5
RoA (%)	0.2	0.3	0.6	0.6
Div. Payout (%)	27.9	23.2	23.2	23.2

Valuations

P/E(X)	23.3	14.6	6.7	5.6
P/BV (X)	0.9	0.9	0.8	0.7
P/ABV (X)	1.4	1.2	1.0	0.9
Div. Yield (%)	0.9	1.4	3.0	3.6

CMP: INR140
TP: INR217 (+56%)
Buy

- After an uptick in loan growth in 1Q, 2QFY18 should register 10% YoY loan growth (+3% QoQ). Balance sheet recalibration will continue, led by the focus on granular retail loans. We expect drill-down in the international book to continue. We expect deposit growth to remain tepid at ~4% YoY (3% QoQ).
- We expect margins to improve ~10bp QoQ (flat YoY) to ~2.3% from low levels, as interest income reversals start moderating from the high levels of previous quarters.
- We expect slippages to remain elevated. However, higher recoveries should provide some cushion to asset quality. We expect a marginal decline in absolute GNPA's in 2QFY18.
- Fee income growth is expected to be in mid-teens, driving non-interest income growth of ~9% YoY.
- PAT is expected to be at INR5.4b post a muted 1QFY18, led by moderation in provisions. Return ratios would still remain sub-optimal. The stock trades at 0.8x FY19E BV and 6.7x FY19E EPS.

Buy.

Key issues to watch for

- Stress addition, mainly from the international book.
- Guidance on loan growth, margins and operating expenses.

Quarterly Performance

(INR m)

	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	1,04,335	1,04,852	1,04,061	1,06,216	1,05,527	1,07,948	1,10,854	1,16,428	4,21,999	4,40,756
Interest Expense	70,624	70,591	72,717	72,933	71,478	72,907	74,001	77,075	2,86,865	2,95,461
Net Interest Income	33,711	34,261	31,344	33,283	34,050	35,041	36,853	39,352	1,35,134	1,45,295
% Change (YoY)	-2.6	5.6	15.9	-0.1	1.0	2.3	17.6	18.2	6.1	7.5
Other Income	14,444	15,614	17,750	19,773	15,512	17,014	16,425	20,061	67,581	69,012
Net Income	48,155	49,875	49,093	53,056	49,561	52,054	53,278	59,413	2,02,715	2,14,307
Operating Expenses	21,460	22,973	23,141	25,390	23,080	24,515	26,022	28,528	92,964	1,02,145
Operating Profit	26,695	26,902	25,952	27,666	26,481	27,539	27,256	30,885	1,09,751	1,12,162
% Change (YoY)	21.2	15.1	52.3	7.5	-0.8	2.4	5.0	11.6	24.5	2.2
Other Provisions	20,041	17,958	20,795	26,230	23,681	20,064	18,752	19,063	85,024	81,559
Profit before Tax	6,654	8,944	5,157	1,436	2,801	7,476	8,504	11,822	24,727	30,602
Tax Provisions	2,418	3,422	2,630	2,425	767	2,093	2,381	3,328	10,896	8,569
Net Profit	4,236	5,521	2,527	-989	2,034	5,383	6,123	8,494	13,831	22,034
% Change (YoY)	-59.7	343.5	NA	NA	-52.0	-2.5	142.3	NA	NA	59.3
Operating Parameters										
NIM (Calculated, %)	2.2	2.2	2.0	2.1	2.2	2.3	2.3	2.4	1.9	2.3
Deposit Growth (%)	-5.2	-7.3	0.0	4.8	1.5	3.6	3.6	7.0	4.8	7.0
Loan Growth (%)	-11.2	-14.6	-8.9	-0.1	4.1	9.8	15.6	10.0	-0.1	10.0
CD Ratio (%)	64.5	62.4	59.3	63.7	66.2	0.0	0.0	0.0	63.7	0.0
Asset Quality										
OSRL (INR B)	142	139	141	108	118	0	0	0	108	0
OSRL (%)	3.9	3.9	4.0	2.8	3.1	0.0	0.0	0.0	2.8	0.0
Gross NPA (INR B)	430	429	426	427	462	457	451	435	427	435
Gross NPA (%)	11.2	11.4	11.4	10.5	11.4	11.7	11.2	10.3	10.5	10.3

E: MOSL Estimates

Bank of India

Bloomberg	BOI IN
Equity Shares (m)	1055.4
M. Cap. (INR b)/(USD b)	147 / 2
52-Week Range (INR)	197 / 100
1,6,12 Rel Perf. (%)	-2 / -8 / 5

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	118.3	101.4	113.7	129.0
OP	97.3	62.9	70.5	80.8
NP	-15.6	-12.2	7.2	17.4
NIM (%)	2.1	1.8	1.8	1.9
EPS (INR)	-14.8	-11.2	6.6	16.1
EPS Gr. (%)	NM	NM	NM	143.4
ROE (%)	-6.7	-5.2	3.0	7.2
ROA (%)	-0.3	-0.2	0.1	0.2
BV/Sh. (INR)	224	216	218	229
ABV/Sh. (INR)	68	85	109	126
Div. Payout (%)	0.0	0.0	0.0	0.0

Valuations

P/E(X)	-9.4	-12.4	21.1	8.7
P/BV (X)	0.62	0.65	0.64	0.61
P/ABV (X)	2.06	1.65	1.27	1.11

CMP: INR139
TP: INR141 (+1%)
Neutral

- Continued asset quality strain and capital conservation efforts have led to multiple quarters of muted loan growth. We expect 2QFY18 loan growth to be 1% QoQ (+2% YoY). Deposit growth is expected to come in strong at 9% YoY (+1% QoQ) owing to strong CASA inflows over the last few quarters.
- We expect NIM to stay flat QoQ at ~1.8%, weighed down by interest income reversals. However, NIMs are expected to contract ~20bp YoY with decline in yields. Overall NII is expected to decline 5% YoY.
- Contribution of non-interest income is likely to fall sharply from previous quarters, given lower trading gains. Fee income is expected to pick up marginally.
- We expect stress additions to moderate, but remain high during the quarter (slippage ratio ~4%), leading to elevated provisioning.
- We expect operating profit to decline sharply by 37% YoY, led by decline in both NII and other income. BOI trades at 0.6x FY19E BV and 21.1x FY19E EPS. **Neutral**.

Key issues to watch for

- Stress addition trends and outlook for FY18.
- Upgrade/recovery trends.
- Outlook on balance sheet growth and further capital infusion.

Quarterly Performance

	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	94,259	94,585	98,248	1,05,817	94,957	96,697	97,422	96,424	3,92,909	3,85,501
Interest Expense	66,508	67,387	69,621	71,131	69,626	70,970	71,608	71,879	2,74,647	2,84,084
Net Interest Income	27,752	27,197	28,626	34,686	25,330	25,727	25,814	24,545	1,18,261	1,01,417
% Change (Y-o-Y)	-4.7	-9.9	5.7	8.8	-8.7	-5.4	-9.8	-29.2	0.9	-14.2
Other Income	12,384	20,106	17,693	17,540	16,110	13,779	12,954	12,366	67,723	55,210
Net Income	40,136	47,304	46,319	52,226	41,440	39,506	38,769	36,912	1,85,984	1,56,626
Operating Expenses	23,597	22,375	21,734	20,951	17,646	23,701	23,615	28,734	88,658	93,695
Operating Profit	16,539	24,928	24,584	31,275	23,794	15,805	15,154	8,178	97,326	62,931
% Change (Y-o-Y)	-3.0	70.9	74.5	113.6	43.9	-36.6	-38.4	-73.9	61.3	-35.3
Other Provisions	27,702	22,962	23,026	47,362	22,453	20,000	20,000	19,089	1,21,052	81,542
Profit before Tax	-11,163	1,966	1,559	-16,087	1,342	-4,195	-4,846	-10,911	-23,726	-18,611
Tax Provisions	-3,750	698	542	-5,632	464	-1,447	-1,672	-3,766	-8,142	-6,421
Net Profit	-7,414	1,268	1,017	-10,455	877	-2,748	-3,174	-7,145	-15,584	-12,190
% Change (Y-o-Y)	NM	NM	NM	NM	NM	-316.7	-412.1	NM	NM	NM
Operating Parameters										
NIM (Cal, %)	2.0	2.0	2.0	2.5	1.8	1.8	1.8	1.7	2.1	2.1
Deposit Growth (%)	-2.0	-3.8	2.6	5.3	9.2	8.7	2.2	5.0	5.3	5.0
Loan Growth (%)	-5.2	-4.8	-5.4	2.0	0.0	1.7	5.1	7.5	2.0	7.5
CD Ratio (%)	77.8	76.8	71.3	72.9	71.9	0.0	0.0	0.0	72.9	71.9
Asset Quality										
Gross NPA (INR b)	518.7	522.6	517.8	520.4	510.2	499.8	489.7	478.0	520.4	478.0
Gross NPA (%)	13.4	13.5	13.4	13.2	13.1	12.6	12.1	11.4	13.2	11.4

E: MOSL Estimates

Canara Bank

Bloomberg	CBK IN
Equity Shares (m)	543.0
M. Cap. (INR b)/(USD b)	168 / 3
52-Week Range (INR)	415 / 250
1,6,12 Rel Perf. (%)	-8 / -6 / -17

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	98.7	113.0	124.5	144.1
OP	89.1	93.4	99.7	116.3
NP	11.2	18.0	28.1	37.2
NIM (%)	1.9	2.0	2.0	2.0
EPS (INR)	18.8	30.1	47.0	62.3
EPS Gr. (%)	NM	60.1	56.4	32.5
BV/Sh. (INR)	471	498	540	595
ABV/Sh. (INR)	234	246	302	386
RoE (%)	4.2	6.2	9.1	11.0
RoA (%)	0.2	0.3	0.4	0.5
Div. Payout (%)	6.4	11.6	11.6	11.6

Valuations

P/E (x)	16.5	10.3	6.6	5.0
P/BV (x)	0.7	0.6	0.6	0.5
P/ABV (x)	1.32	1.26	1.03	0.80
Div. Yield (%)	0.3	1.0	1.5	2.0

CMP: INR307

TP: INR323 (+4%)

Neutral

- We expect slippages to moderate to 2.5% of loans. Continued fresh slippages and ageing of NPLs are expected to keep credit costs high (we factor in ~1.7% credit costs in 2QFY18).
- We expect loan growth to pick up to 9% YoY (+2% QoQ) v/s 8% YoY (+2% QoQ) in 1QFY18. Deposit growth is expected to be muted at 4% YoY (+4% QoQ), helped by strong CASA inflows in recent quarters.
- We expect NIM to remain under pressure (flat QoQ; up ~8bp YoY off a low base) at 2.04%. Overall NII should grow ~11% YoY, led by a revival in loan growth.
- Fee income growth is expected to be ~10% YoY. Investment gains are expected to decline, as 1QFY18 had a one-off gain of ~INR2.5b on stake sale in CARE.
- We expect PAT to increase to INR5.4b v/s INR3.6b in 2QFY17. The bank trades at 0.6x FY19E BV and 6.6x FY19E EPS. Maintain **Neutral**.

Key issues to watch for

- Quantum of loans rescheduled under 5:25, SDR and S4A.
- Outlook on balance sheet growth.

Quarterly Performance

	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	1,02,017	1,04,054	1,02,877	1,04,929	1,01,956	1,05,703	1,07,682	1,24,186	4,13,876	4,39,526
Interest Expense	78,943	79,630	78,739	77,847	74,824	78,565	78,957	94,139	3,15,158	3,26,485
Net Interest Income	23,074	24,424	24,138	27,082	27,132	27,138	28,725	30,047	98,718	1,13,042
% Change (Y-o-Y)	-8.3	-7.7	8.4	14.1	17.6	11.1	19.0	10.9	1.1	14.5
Other Income	15,847	17,818	17,917	23,963	21,085	19,060	17,996	15,744	75,544	73,885
Net Income	38,921	42,241	42,055	51,045	48,218	46,198	46,720	45,791	1,74,262	1,86,926
Operating Expenses	20,732	20,834	22,242	21,316	23,494	23,437	24,111	22,489	85,123	93,531
Operating Profit	18,189	21,408	19,813	29,729	24,724	22,761	22,609	23,301	89,140	93,395
% Change (Y-o-Y)	-9.2	10.1	27.6	80.6	35.9	6.3	14.1	-21.6	24.7	4.8
Other Provisions	14,929	15,857	14,846	27,087	22,038	15,000	15,000	15,320	72,720	67,358
Profit before Tax	3,260	5,550	4,968	2,642	2,686	7,761	7,609	7,982	16,420	26,038
Tax Provisions	970	1,981	1,749	500	170	2,406	2,359	3,137	5,200	8,072
Net Profit	2,290	3,569	3,219	2,142	2,516	5,355	5,250	4,845	11,220	17,966
% Change (Y-o-Y)	-52.2	-32.5	278.8	NA	9.9	50.0	63.1	126.2	-139.9	60.1
Operating Parameters										
NIM (Rep, %)	2.2	2.2	2.2	2.2	2.3	0.0	0.0	0.0	2.2	0.6
Deposit Growth (%)	-1.4	-0.2	4.0	3.2	4.4	4.3	1.0	12.0	3.2	12.0
Loan Growth (%)	-0.9	1.3	-0.1	5.3	8.4	9.1	10.3	10.0	5.3	10.0
CASA Ratio (%)	27.6	27.2	30.1	30.2	30.7	0.0	0.0	0.0	30.2	31.0
Tax Rate (%)	29.8	35.7	35.2	18.9	6.3	31.0	31.0	39.3	31.7	31.0
Asset Quality										
OSRL (INR b)	133.8	131.5	120.0	113.7	80.0	0.0	0.0	0.0	113.7	0.0
OSRL (%)	4.2	4.0	3.6	3.3	2.3	0.0	0.0	0.0	3.3	0.0
Gross NPA (INR b)	323.3	333.2	343.4	342.0	376.6	376.0	369.1	367.5	342.0	367.5
Gross NPA (%)	9.7	9.8	10.0	9.6	10.6	10.1	9.7	9.4	9.6	9.4

E: MOSL Estimates

DCB Bank

Bloomberg	DCBB IN
Equity Shares (m)	307.1
M. Cap. (INR b)/(USD b)	57 / 1
52-Week Range (INR)	213 / 100
1,6,12 Rel Perf. (%)	1 / 4 / 36

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
NII	8.0	9.7	11.9	14.5
OP	4.2	5.1	6.3	7.8
NP	2.0	2.6	3.2	3.8
EPS (INR)	7.0	8.4	10.4	12.5
EPS Gr. (%)	2.3	19.5	24.3	20.6
BV/Sh. (INR)	68.2	83.4	92.8	104.2
RoE (%)	10.8	11.4	11.8	12.7
RoA (%)	0.9	1.0	1.0	0.9

Valuations

P/E (x)	26.7	22.4	18.0	14.9
P/BV (x)	2.7	2.2	2.0	1.8

CMP: INR185

TP: INR188 (+2%)

Neutral

- Loan growth (19% YoY) and deposit growth (14% YoY) are expected to be significantly above industry average. Growth will be driven by retail; management intends to curb corporate growth below 20%.
- We expect NII to grow 24% YoY, led by strong loan growth and margin expansion of 15bp YoY owing to lower cost of funds from healthy CASA accretion post demonetization.
- Non-interest income is expected to grow ~10% YoY. While fee income is expected to remain healthy, trading gains would be sequentially lower, as 1QFY18 had one-off treasury gains of ~INR214m.
- Overall, we expect PPP growth to be ~23% YoY. We model opex growth of 22% YoY, lower than previous quarters, as the pace of branch addition will slow down. Credit costs may be elevated owing to potential stress in the retail and SME segments (we factor in 1.7% slippage ratio). We expect PBT growth of 27% YoY.
- DCBB trades at 2x FY19E BV and 18.0x FY19E EPS. Expensive valuations leave room for limited upside. Maintain **Neutral**.

Key issues to watch for

- Management commentary on slippages in SME segment.
- Update and commentary on balance sheet growth strategy.
- CASA ratio and NIM performance.

Quarterly Performance

(INR m)

	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	4,706	5,063	5,502	5,491	5,660	5,966	6,360	7,135	20,761	25,121
Interest Expense	2,936	3,160	3,407	3,288	3,329	3,612	3,919	4,513	12,791	15,372
Net Interest Income	1,770	1,903	2,095	2,203	2,332	2,355	2,441	2,622	7,971	9,749
% Change (Y-o-Y)	26.1	26.9	30.5	30.6	31.7	23.7	16.5	19.0	28.7	22.3
Other Income	601	616	641	636	858	725	728	725	2,495	3,035
Net Income	2,372	2,519	2,736	2,839	3,189	3,080	3,169	3,347	10,465	12,784
Operating Expenses	1,444	1,511	1,643	1,685	1,825	1,843	1,939	2,059	6,283	7,666
Operating Profit	927	1,009	1,093	1,153	1,364	1,237	1,229	1,288	4,182	5,119
% Change (Y-o-Y)	3.4	29.2	29.7	18.9	47.1	22.6	12.5	11.7	19.8	22.4
Other Provisions	205	265	305	339	355	290	270	311	1,115	1,226
Profit before Tax	722	744	787	814	1,009	947	959	977	3,067	3,893
Tax Provisions	252	259	274	286	357	317	321	328	1,070	1,323
Net Profit	470	485	513	529	652	630	638	649	1,997	2,569
% Change (Y-o-Y)	0.3	31.3	24.5	-24.0	38.7	29.9	24.4	22.8	2.6	28.7
Operating Parameters										
NIM (Reported,%)	4.1	4.0	4.0		4.2					
Deposit Growth (%)	18.2	30.4	33.8	29.2	22.2	13.7	14.2	25.0	29.2	25.0
Loan Growth (%)	27.9	29.1	24.3	22.4	22.0	19.4	25.3	25.0	22.4	25.0
CD Ratio (%)	85.1	81.6	77.4	82.0	84.9	0.0	0.0	0.0	82.0	82.0
Asset Quality										
Gross NPA (INR B)	2.3	2.6	2.3	2.5	2.9	3.0	3.2	3.0	2.5	3.2
Gross NPA (%)	1.7	1.8	1.6	1.6	1.7	1.7	1.7	1.5	1.6	1.6

E: MOSL Estimates

Equitas Holdings

Bloomberg	EQUITAS IN
Equity Shares (m)	337.8
M. Cap. (INR b)/(USD b)	51 / 1
52-Week Range (INR)	190 / 139
1,6,12 Rel Perf. (%)	-11 / -16 / -30

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	8.7	9.3	11.5	14.4
OP	3.7	2.0	4.1	6.4
NP	1.7	0.6	2.0	3.4
EPS (INR)	5.0	1.7	6.1	10.0
EPS Gr. (%)	-18.5	-66.3	256.5	65.3
BV/Sh. (INR)	66	68	73	82
RoE (%)	9.5	2.5	8.6	12.9
RoA (%)	2.2	0.6	1.7	2.0

Valuations

P/E(X)	29.8	88.5	24.8	15.0
P/BV (X)	2.3	2.2	2.1	1.8

CMP: INR152

TP: 212 (+39%)

Buy

- We expect NII growth of 13% YoY due to moderation in loan growth as the company slows down its MFI book, and recalibration in liability side (sufficient availability of funds). Loan growth is expected to be ~11% YoY.
- NIM is expected to expand ~10bp QoQ, driven by continued CASA traction, leading to decline in cost of funds, supported by bank borrowings being grandfathered and largely replaced by bulk deposits.
- Opex is expected to grow by ~63% YoY (v/s 14% YoY growth in total income), driven by greater employee and other expenses as a result of liability-side branch set-up and hiring.
- MFI collection trends in Tamil Nadu, Maharashtra and Karnataka, and asset quality of UCV portfolio remain key monitorables. We factor in provisions of INR230m during the quarter.
- The stock trades at 2.1x FY19E BV. **Maintain Buy**

Key issues to watch for

- Update on the transition progress.
- Commentary on growth and asset quality in MFI.

Quarterly Performance

(INR m)

	FY17				FY18				FY17	FY18
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Interest Income	2,043	2,006	2,291	2,214	2,160	2,262	2,361	2,513	8,666	9,296
% Change (Y-o-Y)	62.7	34.8	46.8	29.9	5.7	12.8	3.1	13.5	44.2	7.3
Other Income	230	287	418	205	820	344	355	506	1,140	2,026
Net Income	2,273	2,293	2,709	2,419	2,980	2,606	2,716	3,019	9,806	11,322
Operating Expenses	1,134	1,408	1,663	1,945	2,286	2,288	2,328	2,382	6,150	9,284
Operating Profit	1,139	885	1,046	474	694	318	388	638	3,656	2,038
% Change (Y-o-Y)	52.3	18.2	27.5	-45.8	-39.1	-64.0	-62.9	34.4	14.6	-44.2
Other Provisions	176	149	340	365	441	230	240	251	1,029	1,162
Profit before Tax	963	736	706	109	253	88	148	387	2,627	877
Tax Provisions	352	273	256	40	98	31	51	123	922	302
Net Profit	612	463	449	69	156	58	97	264	1,705	574
% Change (Y-o-Y)	62.6	17.8	3.5	-85.3	-74.6	-87.5	-78.4	282.9	2.1	-66.3
Operating Parameters										
AUM Growth (YoY %)										
NIM (Cal, %)	15.2	14.1	15.9	15.1	14.5	14.6	14.7	14.7	15.1	14.6
Deposit Growth (%)						220.9	38.9			38.9
Loan Growth (%)	42.2	26.5	17.4	15.1	6.9	11.2	11.1	21.6	15.1	21.6
CD Ratio (%)			774.6	309.6	268.1	268.1	270.9	244.5	309.6	244.5
Asset Quality										
Gross NPA (INR b)	918	1,437	1,450	2,060	3,000	3,250	3,400	3,517		

E: MOSL Estimates

Federal Bank

Bloomberg	FB IN
Equity Shares (m)	1719.0
M. Cap. (INR b)/(USD b)	196 / 3
52-Week Range (INR)	122 / 62
1,6,12 Rel Perf. (%)	3 / 20 / 42

Financial Snapshot (INR b)

Y/E Mar	2017	2018E	2019E	2020E
NII	30.5	35.4	43.4	52.0
OP	19.2	23.4	27.5	33.9
NP	8.3	10.4	13.3	16.7
NIM (%)	3.3	3.1	3.1	3.0
EPS (INR)	4.8	5.4	6.8	8.6
EPS Gr. (%)	74.1	11.6	27.0	25.7
BV/Sh. (INR)	50.8	62.3	67.7	74.6
ABV/Sh. (INR)	47.2	58.9	64.1	71.7
ROE (%)	9.9	10.0	10.5	12.1
ROA (%)	0.8	0.8	0.9	0.9
Payout (%)	26.1	20.3	19.7	19.7

Valuations

P/E(X)	23.7	21.2	16.7	13.3
P/BV (X)	2.2	1.8	1.7	1.5
P/ABV (X)	2.4	1.9	1.8	1.6
Div. Yield (%)	1.0	0.8	1.0	1.3

CMP: INR114

TP: INR139 (+22%)

Buy

- We expect FB to report ~24% YoY (5% QoQ) loan growth, aided by renewed focus on corporate growth. Traction in SME and retail loans would be maintained. We expect NIM to expand by 16bp QoQ, as 1QFY18 margin was impacted by an interest reversal.
- Other income growth is likely to moderate to 20% YoY, driven by healthy fee income growth.
- Overall PPop growth is expected to be ~24% YoY, led by strong revenue growth and controlled opex (+16% YoY).
- We expect slippages to decline to INR3.2b (at 1.7% annualized slippage ratio) v/s INR4.3b in 1QFY18, which had a bulky restructured account slipping into NPA. GNPA is expected to decline marginally to 2.38%.
- We expect PAT of INR2.8b v/s INR2b in 2QFY17 and ~INR2.1b in 1QFY18. FB trades at 1.7x FY19E BV and 16.7x FY19E EPS. **Buy.**

Key issues to watch for

- Outlook on asset quality.
- Strategy on balance sheet growth, particularly corporate growth.

Quarterly Performance

(INR m)

	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Interest Income	6,927	7,262	7,914	8,424	8,007	8,707	9,059	9,657	30,526	35,429
% Change (YoY)	14.5	19.4	30.7	22.8	15.6	19.9	14.5	14.6	21.7	16.1
Other Income	2,370	2,616	2,747	2,821	3,291	3,148	3,461	3,952	10,818	13,851
Net Income	9,297	9,878	10,661	11,245	11,298	11,855	12,519	13,609	41,345	49,280
Operating Expenses	5,039	5,128	5,912	5,753	5,719	5,951	6,599	7,604	22,095	25,874
Operating Profit	4,259	4,750	4,749	5,492	5,579	5,904	5,920	6,005	19,249	23,406
% Change (YoY)	16.0	41.1	45.9	39.2	31.0	24.3	24.7	9.3	35.2	21.6
Other Provisions	1,685	1,684	1,588	1,227	2,364	1,600	1,800	1,569	6,184	7,334
Profit before Tax	2,574	3,066	3,161	4,265	3,214	4,304	4,120	4,435	13,065	16,073
Tax Provisions	901	1,053	1,104	1,699	1,113	1,506	1,442	1,564	4,757	5,625
Net Profit	1,673	2,013	2,057	2,566	2,102	2,798	2,678	2,871	8,308	10,447
% Change (YoY)	18.3	24.8	26.4	2,400.9	25.6	39.0	30.2	11.9	74.7	25.7
Operating Parameters										
NIM (Reported,%)	3.3	3.3	3.3	3.4					3.3	
Deposit Growth (%)	12.5	17.0	23.3	23.4	18.1	17.7	18.4	21.0	23.4	21.0
Loan Growth (%)	19.3	27.2	32.0	26.2	29.1	23.9	22.0	25.0	26.2	25.0
CASA Ratio (%)	32.8	31.0	34.7	32.6					32.8	33.3
Asset Quality										
Gross NPA (INR b)	17.5	18.2	19.5	17.3	18.7	19.3	19.6	19.6	17.3	19.6
Gross NPA (%)	2.9	2.8	2.8	2.3	2.4	2.4	2.3	2.1	2.3	2.1

E: MOSL Estimates

HDFC Bank

Bloomberg	HDFCB IN
Equity Shares (m)	2562.5
M. Cap. (INR b)/(USD b)	4611 / 71
52-Week Range (INR)	1868 / 1159
1,6,12 Rel Perf. (%)	3 / 20 / 28

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
NII	331.4	400.9	479.4	576.0
OP	257.3	321.6	389.0	466.8
NP	145.5	174.8	211.6	255.1
NIM (%)	4.6	4.7	4.6	4.5
EPS (INR)	56.8	68.2	82.6	99.6
EPS Gr. (%)	16.7	20.1	21.0	20.6
BV/Sh. (INR)	336	388.2	451.5	527.9
ABV/Sh. (INR)	331	381.7	448.1	523.2
RoE (%)	18.3	18.8	19.7	20.3
RoA (%)	1.8	1.8	1.9	1.8
Payout (%)	23.4	23.4	23.4	23.4

Valuations

P/E(X)	31.7	26.4	21.8	18.1
P/BV (X)	5.4	4.6	4.0	3.4
P/ABV (X)	5.4	4.7	4.0	3.4
Div. Yield (%)	0.6	0.8	0.9	1.1

CMP: INR1,799

TP: INR2,066 (+15%)

Buy

- Loan growth will be strong at 26% YoY. Deposit growth will be healthy at ~18% YoY, led by CASA inflows.
- COF decline would help to negate the impact of declining yields environment, and we expect HDFCB to report only a marginal ~10bp contraction in margins and report strong NIM of 4.6%. NII is expected to grow at 22% YoY.
- Other income growth is expected to moderate to ~17% YoY, factoring in lower trading gains. Fee income should remain healthy. Tie-up with new banca partners will drive fee income growth.
- Opex growth would be lower than total income growth at ~15% YoY, aided by the bank's strong digital initiatives and focus on cutting excess flab (headcount reduced by ~10k in 2HFY17).
- Healthy PPOP growth would lead to 22% YoY PAT growth, largely in line with 20% growth trend exhibited by the bank in the last few years. Asset quality is expected to remain stable, with GNPA at ~1.3%.
- HDFCB trades at 4x FY19E BV and 21.8x FY19E EPS. Comfort on earnings (~21% CAGR over FY17-20) remains high. Maintain **Buy**.

Key issues to watch for

- Performance in retail loan/agri portfolio, especially in CV/CE.
- Trends in digital banking/payments and various initiatives; overall B/S growth outlook and economic recovery.

Quarterly Performance

(INR m)

	FY17				FY18E				FY17	FY18
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Interest Income	77,814	79,936	83,091	90,551	93,707	97,661	1,02,403	1,07,091	3,31,392	4,00,863
% Change (Y-o-Y)	21.8	19.6	17.6	21.5	20.4	22.2	23.2	18.3	20.1	21.0
Other Income	28,066	29,010	31,427	34,463	35,167	33,840	36,341	41,327	1,22,965	1,46,675
Net Income	1,05,881	1,08,945	1,14,518	1,25,014	1,28,874	1,31,502	1,38,744	1,48,418	4,54,357	5,47,538
Operating Expenses	47,689	48,700	48,425	52,220	53,675	55,942	56,451	59,898	1,97,033	2,25,965
Operating Profit	58,192	60,246	66,093	72,794	75,199	75,559	82,293	88,521	2,57,324	3,21,573
% Change (Y-o-Y)	20.0	19.5	15.2	26.9	29.2	25.4	24.5	21.6	20.4	25.0
Other Provisions	8,667	7,490	7,158	12,618	15,588	11,000	12,500	15,659	35,933	54,747
Profit before Tax	49,525	52,756	58,935	60,176	59,612	64,559	69,793	72,862	2,21,391	2,66,826
Tax Provisions	17,136	18,202	20,281	20,275	20,673	22,273	24,079	25,030	75,894	92,055
Net Profit	32,389	34,553	38,653	39,901	38,938	42,286	45,714	47,832	1,45,496	1,74,771
% Change (Y-o-Y)	20.2	20.4	15.1	18.3	20.2	22.4	18.3	19.9	18.3	20.1
Operating Parameters										
NIM (Reported, %)*	4.4	4.2	4.1	4.3					4.3	4.2
NIM (Cal, %) #	4.7	4.5	4.6	4.8	4.7	4.6	4.6	4.6	4.6	4.6
Deposit Growth (%)	18.5	16.7	21.1	17.8	17.0	18.0	16.1	22.0	17.8	22.0
Loan Growth (%)	23.2	18.1	13.4	19.4	23.4	25.7	31.9	22.0	19.4	22.0
CD Ratio (%)	82.0	83.6	78.0	86.2	86.5	89.0	88.6	86.2	86.2	86.2
CASA Ratio (%)	39.9	40.4	45.4	48.0				0.0	48.0	46.0
Asset Quality										
OSRL (INR B)	4.7	4.9	5.0	3.3	0.0	0.0	0.0	0.0	3.3	
OSRL (%)	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.1	
Gross NPA (INR B)	49.2	50.7	52.3	58.9	72.4	81.4	90.4	94.7	58.9	94.7
Gross NPA (%)	1.0	1.0	1.1	1.1	1.2	1.3	1.4	1.4	1.1	1.4

E: MOSL Estimates; * Reported on total assets; # Cal. on interest earning assets

ICICI Bank

Bloomberg	ICICIB IN
Equity Shares (m)	6408.1
M. Cap. (INR b)/(USD b)	1741 / 27
52-Week Range (INR)	315 / 217
1,6,12 Rel Perf. (%)	-8 / 0 / 5

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	217.4	228.1	262.1	304.0
OP	264.9	231.4	238.4	274.4
NP	98.0	92.7	106.4	132.1
NIM (%)	3.3	3.2	3.2	3.2
EPS (INR)	15.3	14.5	16.6	20.6
EPS Gr (%)	0.6	-5.4	14.7	24.2
BV/Sh (INR)*	135.4	145.7	157.5	172.1
ABV/Sh (INR)*	107.9	119.7	138.4	160.0
RoE (%)	10.2	8.6	9.3	10.8
RoA (%)	1.3	1.1	1.2	1.2

Valuations

AP/E (x)	13.2	13.0	10.4	7.2
AP/BV (x)	1.5	1.3	1.1	0.9
AP/ABV (x)	1.9	1.6	1.2	0.9

* BV adj for invt in subsidiaries

CMP: INR276
TP: INR366 (+32%)
Buy

- We expect loan growth to pick up from the lows of 1QFY18 to ~5% YoY (+3% QoQ): corporate loan growth would be moderate and international loan exposure would continue to decline. Retail loans should continue to exhibit healthy growth.
- NIM is expected to stay flat QoQ at ~3.4% (+9bp YoY); however, adjusted for interest on IT refund in 1QFY18, NIM is expected to expand QoQ. NII is expected to increase ~7% YoY.
- Fee income growth would remain moderate at ~10% YoY. 2QFY17 had ~INR56.8b gain on sale of stake in life insurance business, and while we assume INR19.5b gain on stake sale in general insurance business in 2QFY18, on a YoY basis, total other income is likely to decline off a high base.
- Gross slippages are expected to moderate from 1QFY18 levels but remain high (4% slippage ratio). O/s watch list stood at INR204b (~4.4% of advances).
- We expect PAT of INR25.5b v/s INR31b in 2QFY17 (one-off high due to life insurance stake sale) and INR20.5b in 1QFY18. ICICIB trades at 1.1x FY19E core BV and 10.6x FY19E EPS. **Buy.**

Key issues to watch for

- Movement of watch-list accounts.
- Plans on monetization of stakes in various ventures.
- Outlook on asset quality and trend on further relapse from RL.

Quarterly Performance

(INR m)

	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	1,33,303	1,36,394	1,36,181	1,35,685	1,34,591	1,37,647	1,40,191	1,42,321	5,41,563	5,54,750
Interest Expense	81,717	83,861	82,548	76,064	78,693	81,447	83,076	83,473	3,24,190	3,26,689
Net Interest Income	51,585	52,533	53,634	59,622	55,898	56,199	57,115	58,848	2,17,373	2,28,061
% Change (YoY)	0.8	0.0	-1.6	10.3	8.4	7.0	6.5	-1.3	2.4	4.9
Other Income	34,293	91,197	39,383	30,172	33,879	57,450	37,793	40,182	1,95,045	1,69,305
Net Income	85,878	1,43,730	93,017	89,794	89,778	1,13,650	94,908	99,030	4,12,418	3,97,366
Operating Expenses	33,731	37,369	37,777	38,674	37,944	40,484	43,021	44,545	1,47,551	1,65,994
Operating Profit	52,147	1,06,361	55,239	51,120	51,833	73,166	51,887	54,485	2,64,867	2,31,372
% Change (YoY)	3.5	106.2	-15.8	-28.1	-0.6	-31.2	-6.1	6.6	11.0	-12.6
Other Provisions	25,145	70,827	27,127	28,982	26,087	40,000	22,000	24,382	1,52,081	1,12,469
Profit before Tax	27,002	35,534	28,112	22,138	25,746	33,166	29,887	30,103	1,12,786	1,18,902
Tax Provisions	4,679	4,511	3,694	1,892	5,256	7,628	6,575	6,700	14,775	26,158
Net Profit	22,324	31,023	24,418	20,246	20,490	25,538	23,312	23,404	98,011	92,744
% Change (YoY)	-25.0	2.4	-19.1	188.5	-8.2	-17.7	-4.5	15.6	0.8	-5.4
Operating Parameters										
NIM (Reported,%)	3.2	3.1	3.1	3.6					3.2	
Deposit Growth (%)	15.3	16.8	14.2	16.3	14.7	13.7	15.2	15.2	16.3	15.2
Loan Growth (%)	12.4	10.9	5.2	6.7	3.3	5.2	9.7	13.2	6.7	13.2
CASA Ratio (%)	41.7	41.5	44.8	46.5						
Asset Quality										
Gross NPA (INR b)	271.9	321.8	380.9	425.5	431.5	431.9	432.7	436.4	425.5	436.4
Gross NPA (%)	5.9	6.8	7.9	7.9	8.0	8.7	8.3	8.0	7.9	8.0

E: MOSL Estimates; Note: We have factored in IPRU stake sale gain in 3QFY17 and reversal of contingency provisions in 2QFY17.

IDFC Bank

Bloomberg	IDFCBK IN
Equity Shares (m)	3392.6
M. Cap. (INR b)/(USD b)	192 / 3
52-Week Range (INR)	81 / 53
1,6,12 Rel Perf. (%)	-1 / -12 / -38

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	20.2	24.0	29.4	34.5
OP	17.5	15.8	19.0	20.7
NP	10.2	9.4	11.0	11.4
NIM (%)	2.3	2.1	2.1	2.2
EPS (INR)	3.0	2.8	3.2	3.4
EPS Gr. (%)		-7.4	16.3	3.8
BV/Sh. (INR)	43.2	45.3	48	50
ABV/Sh. (INR)	40.6	43.5	45	47
RoE (%)	7.2	6.3	6.9	6.8
RoA (%)	1.0	0.7	0.7	0.6

Valuations

P/E(X)	18.9	20.4	17.5	16.9
P/BV (X)	1.3	1.3	1.2	1.1

CMP: INR57

TP: INR56 (-1%)

Neutral

- We expect loan book to decline 3% YoY (+5% QoQ), with incremental growth to be driven by the retail segment, as the bank is conservative on corporate growth.
- Yields are expected to remain under pressure and we factor in ~70bp QoQ improvement in margins on a very low base to ~2.2% (~22bp decline YoY). Overall NII is expected to grow ~16% YoY.
- Non-interest income is likely to decline ~51% YoY to INR2b, largely driven by a sharp decrease in trading gains. Fee income is expected to remain moderate.
- Opex is likely to grow 40% YoY, driven by costs associated with expansion of retail and rural banking franchise. Overall PPOP is expected to decline ~45% YoY.
- Stress additions would keep credit costs elevated, and we expect high provisioning at INR550m. We expect PAT decline of ~47% YoY to INR2.1b.
- The stock trades at 1.2x FY19E BV and 17.5x FY19E EPS. **Neutral.**

Key issues to watch for

- Outlook on balance sheet growth and costs.
- Retail franchise building plans and update.

Quarterly Performance

(INR m)

	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	19,755	20,830	22,509	22,234	21,451	23,843	26,041	26,264	85,327	97,600
Interest Expense	14,766	15,874	17,301	17,213	17,571	18,098	18,958	18,993	65,154	73,620
Net Interest Income	4,989	4,956	5,208	5,021	3,880	5,745	7,083	7,272	20,173	23,979
% Change (Y-o-Y)			34.8	20.5	-22.2	15.9	36.0	44.8	NA	18.9
Other Income	2,128	4,101	3,350	563	6,488	2,000	2,100	2,667	10,131	11,828
Net Income	7,117	9,057	8,558	5,584	10,368	7,745	9,183	9,938	30,304	35,807
Operating Expenses	2,768	3,234	3,798	2,981	3,894	4,544	5,354	6,230	12,770	20,022
Operating Profit	4,349	5,823	4,760	2,602	6,475	3,200	3,829	3,708	17,535	15,785
% Change (Y-o-Y)			22.4	0.2	48.9	-45.0	-19.6	42.5	NA	-10.0
Other Provisions	236	223	2,318	48	-146	550	1,000	889	2,825	2,293
Profit before Tax	4,113	5,600	2,443	2,555	6,621	2,650	2,829	2,819	14,710	13,492
Tax Provisions	1,465	1,722	530	795	2,245	583	622	597	4,512	4,048
Net Profit	2,648	3,878	1,913	1,760	4,376	2,067	2,206	2,222	10,197	9,445
% Change (Y-o-Y)	NA	NA	-21.0	6.6	65.3	-46.7	15.4	26.3	NA	-7.4
Operating Parameters										
NIM (Reported,%)	2.4	2.2	2.1	2.0	1.7	0.0	0.0	0.0	2.2	0.4
NIM (Cal, %)	2.4	2.0	2.0	1.9	2.1	4.8	5.6	3.2	2.1	3.9
Tax Rate (%)	35.6	30.8	21.7	31.1	33.9	22.0	22.0	21.2	30.7	30.0
Asset Quality										
Gross NPA (INR b)	30.3	32.2	35.9	15.4	20.0	22.4	24.7	24.7	15.4	24.7
Gross NPA (on customer assets, %)	6.1	6.0	7.0	3.0	4.1	4.5	4.6	3.8	3.0	3.8

E: MOSL Estimates

Indian Bank

Bloomberg	INBK IN
Equity Shares (m)	480.3
M. Cap. (INR b)/(USD b)	129 / 2
52-Week Range (INR)	365 / 190
1,6,12 Rel Perf. (%)	-6 / -11 / 9

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	51.5	58.7	65.1	74.5
OP	40.0	44.8	46.2	50.2
NP	14.1	16.5	18.4	20.3
EPS (INR)	29.3	34.4	38.3	42.3
EPS Gr. (%)	97.6	17.6	11.4	10.3
BV/Sh. (INR)	301	327	357	389
ABV/Sh (INR)	219	245	273	306
RoE (%)	10.1	10.9	11.2	11.3
RoA (%)	0.7	0.7	0.7	0.7
Div. Payout (%)	23.8	23.2	23.2	23.2

Valuations

P/E (x)	9.2	7.8	7.0	6.3
P/ BV (x)	0.9	0.8	0.8	0.7
P/ABV (x)	1.2	1.1	1.0	0.9
Div. Yield (%)	2.2	2.6	2.9	3.2

CMP: INR267
TP: INR333 (+24%)
Buy

- Loan growth is expected to pick up marginally to ~8% YoY (+2% QoQ), led by balance sheet recalibration. Deposit growth is expected be 10% YoY (2% QoQ).
- Calculated NIM is expected to stay flat at 2.94%. 1QFY18 had interest income reversals of INR450m. NII will grow ~15% YoY, but stay flat QoQ.
- Overall non-interest income is expected to decline 8% YoY, led by decline in trading gains. Fee income growth is expected to be ~11% YoY.
- We expect slippage ratio to remain elevated at 2.5% and credit costs to moderate to 1.5% (2.15% in 1QFY18).
- INBK trades at 0.7x FY19E BV and 7.0x FY19E EPS. Maintain **Buy**.

Key issues to watch for

- Outlook on business growth and asset quality remains the key factor to monitor.
- Quantum of loans rescheduled under the 5/25 scheme.
- View on margins with an improvement in liquidity and lower interest rates.

Quarterly Performance

	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	40,713	39,944	39,576	40,165	41,360	42,011	42,334	41,557	1,60,397	1,67,201
Interest Expense	28,350	27,161	27,110	26,316	26,765	27,300	27,710	26,705	1,08,937	1,08,479
Net Interest Income	12,363	12,783	12,466	13,849	14,595	14,711	14,624	14,852	51,461	58,722
% Change (Y-o-Y)	10.4	18.3	12.2	22.1	18.1	15.1	17.3	7.2	15.7	14.1
Other Income	4,417	5,846	5,997	5,854	6,521	5,390	5,621	5,694	22,114	23,804
Net Income	16,780	18,629	18,463	19,703	21,116	20,101	20,245	20,547	73,574	82,526
Operating Expenses	7,748	8,567	8,251	9,001	8,592	9,631	10,012	9,450	33,567	37,685
Operating Profit	9,032	10,062	10,212	10,701	12,524	10,470	10,233	11,097	40,007	44,841
% Change (Y-o-Y)	27.5	36.8	33.2	29.3	38.7	4.1	0.2	3.7	18.1	12.2
Other Provisions	4,170	4,783	5,403	8,069	7,156	4,600	4,000	4,782	22,425	20,538
Profit before Tax	4,862	5,279	4,809	2,632	5,368	5,870	6,233	6,314	17,582	24,303
Tax Provisions	1,788	1,228	1,074	-565	1,644	1,878	2,057	2,197	3,526	7,777
Net Profit	3,074	4,051	3,735	3,197	3,724	3,992	4,176	4,117	14,057	16,526
% Change (Y-o-Y)	42.8	9.7	670.4	278.4	21.2	-1.5	11.8	28.8	97.6	17.6
Operating Parameters										
NIM (Rep, %)	2.5	2.6	2.5	2.7	2.7	0.0	0.0	0.0	2.7	0.0
Deposit Growth (%)	1.1	3.2	5.2	2.4	7.9	9.6	8.5	7.5	2.4	7.5
Loan Growth (%)	1.5	0.2	-0.7	-1.0	4.2	7.5	10.3	10.0	-1.0	10.0
CASA Ratio (%)	32.1	33.6	38.7	37.7	36.5	0.0	0.0	0.0	37.7	0.0
Asset Quality										
OSRL (INR b)	62.9	64.1	59.5	43.2	44.0	0.0	0.0	0.0	43.2	0.0
OSRL (%)	5.1	5.2	4.9	3.4	3.4	0.0	0.0	0.0	3.4	0.0
Gross NPA (INR b)	88.9	91.9	96.8	98.7	96.5	97.3	98.0	102.7	98.7	102.7
Gross NPA (%)	7.0	7.3	7.7	7.5	7.2	7.1	7.0	7.1	7.5	7.1

E: MOSL Estimates

IndusInd Bank

Bloomberg	IIB IN
Equity Shares (m)	595.0
M. Cap. (INR b)/(USD b)	1006 / 15
52-Week Range (INR)	1818 / 1038
1,6,12 Rel Perf. (%)	1 / 15 / 27

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
NII	60.6	75.3	94.0	114.1
OP	54.5	67.5	83.5	100.4
NP	28.7	37.0	45.9	54.8
NIM (%)	4.2	4.3	4.4	4.3
EPS (INR)	47.9	61.9	76.8	91.7
EPS Gr. (%)	24.8	29.1	24.1	19.4
BV/Sh. (INR)	332	383	446.4	522.0
ABV/Sh. (INR)	327	377	439.8	515.2
RoE (%)	15.4	17.3	18.5	18.9
RoA (%)	1.8	1.9	1.9	1.9

Valuations

P/E (X)	35.3	27.3	22.0	18.4
P/BV (X)	5.1	4.4	3.8	3.2
P/ABV (X)	5.2	4.5	3.8	3.3

CMP: INR1,691

TP: INR1,948 (+15%)

Buy

- We expect strong loan growth of ~24% YoY in 2QFY18, significantly ahead of system loan growth. Deposit growth should be strong at 25% YoY. Continued market share gains in VF would remain a key factor to monitor. NIM is likely to decline marginally (by ~5bp QoQ) to ~3.8%. The quantum of CASA retained would be a key factor.
- We expect non-interest income to grow ~25%, supported by healthy fee income growth of ~22%. Stronger contribution of third-party distribution fees owing to increased inflows into MFs and insurance industry should continue to support higher third-party distribution fees.
- Opex growth would remain high at ~24%+ YoY v/s 26% growth in total income. Healthy PPP growth (+28% YoY) and controlled credit costs would keep earnings growth strong at 27%+ YoY.
- IIB trades at 4x FY19E BV and 22x FY19E EPS, with best-in-class RoA of ~1.9% and RoE of 17-18%. **Buy.**

Key issues to watch for

- Continued CV/CE growth would be the key for CFD growth.
- Corporate asset quality a key monitorable.
- Traction in the non-vehicle consumer lending portfolio.

Quarterly Performance

(INR m)

	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Interest Income	13,564	14,603	15,784	16,675	17,741	18,498	19,267	19,792	60,626	75,298
% Change (YoY)	38.3	33.4	34.5	31.5	30.8	26.7	22.1	18.7	34.2	24.2
Other Income	9,730	9,704	10,168	12,113	11,673	12,100	12,775	14,353	41,715	50,898
Net Income	23,294	24,307	25,952	28,788	29,413	30,598	32,042	34,145	1,02,341	1,26,195
Operating Expenses	10,956	11,491	12,319	13,065	13,528	14,219	15,046	15,930	47,831	58,724
Operating Profit	12,338	12,816	13,633	15,722	15,885	16,378	16,996	18,215	54,510	67,472
% Change (YoY)	33.7	27.3	28.5	36.6	28.8	27.8	24.7	15.9	31.6	23.8
Other Provisions	2,305	2,139	2,169	4,301	3,100	2,800	2,250	2,805	10,913	10,955
Profit before Tax	10,033	10,677	11,465	11,421	12,786	13,578	14,746	15,410	43,597	56,517
Tax Provisions	3,419	3,635	3,959	3,905	4,420	4,617	5,014	5,448	14,918	19,498
Net Profit	6,614	7,042	7,506	7,516	8,365	8,962	9,732	9,962	28,679	37,019
Operating Parameters										
NIM (Cal, %)	3.8	3.8	3.9	3.9	3.8	3.8	3.8	3.8	3.8	3.8
Deposit Growth (%)	31.0	38.9	37.9	36.1	31.4	25.0	23.6	20.0	36.1	20.0
Loan Growth (%)	29.7	26.4	25.1	27.9	24.3	23.5	26.1	25.0	27.9	25.0
CD Ratio (%)	92.1	88.1	86.2	89.3	87.1	87.1	87.9	93.1	89.3	87.1
Tax Rate (%)	34.1	34.0	34.5	34.2	34.6	34.0	34.0	35.4	34.2	34.5
Asset Quality										
OSRL (INR b)	4.6	4.4	4.2	4.2	2.0				4.2	
OSRL (%)	0.5	0.4	0.4	0.4	0.2				0.4	
Gross NPA (INR b)	8.6	9.0	9.7	10.5	12.7	13.7	14.3	14.9	10.5	14.9
Gross NPA (%)	0.9	0.9	0.9	0.9	1.1	1.1	1.1	1.0	0.9	1.0

Kotak Mahindra Bank

Bloomberg	KMB IN
Equity Shares (m)	1834.4
M. Cap. (INR b)/(USD b)	1892 / 29
52-Week Range (INR)	1045 / 692
1,6,12 Rel Perf. (%)	5 / 11 / 20

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
NII	81.3	93.9	112.1	135.3
OP	59.8	72.7	90.6	113.2
NP	34.1	42.6	54.7	68.4
Cons. NP	49.4	61.7	78.1	96.6
NIM (%)	4.4	4.4	4.5	4.4
Cons. EPS (INR)	26.8	32.4	41.0	50.8
EPS Gr. (%)	42.3	20.9	26.5	23.7
Cons. BV. (INR)	208	232	272	321
Cons. RoE (%)	13.8	15.0	16.3	17.1
RoA (%)	1.7	1.8	2.0	2.0

Valuations

P/E(X) (Cons.)	38.4	31.8	25.1	20.3
P/BV (X) (Cons.)	5.0	4.4	3.8	3.2

CMP: INR1,031 TP: INR1,197 (+16%) Buy

- We expect the standalone bank to report 19% loan growth and 20% deposit growth in 2QFY18. NIM is likely to shrink ~7bp QoQ with declining yields. Overall, we expect NII growth of 16% YoY. CASA retention would be a key driver of NII and NIM.
- With strong digital initiatives, fast-paced customer acquisition and merger synergies from eIVBL, fee income would be a key growth driver for the bank. We factor in other income growth of 19% in 2Q, driven mostly by healthy fee traction and expect an improving trend in the coming quarters.
- We expect asset quality to remain stable, with GNPA at ~2.58% and NNPA at 1.2%, led by a high provision coverage ratio.
- On a reported basis, we expect standalone bank earnings to grow 26% YoY. The stock trades at 3.8x FY19E consolidated BV and 25.1x FY19E consolidated EPS. Maintain **Buy**.

Key issues to watch for

- Guidance on balance sheet growth.
- Performance on CASA, fees and growth.
- Performance of non-banking subsidiaries and their contribution to overall profit.

Quarterly Performance

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Interest Income	43,869	44,125	44,676	44,320	46,558	47,862	49,106	50,447	1,76,989	1,93,973
Interest Expense	24,678	24,171	24,173	22,706	24,102	24,825	25,322	25,807	95,728	1,00,057
Net Interest Income	19,191	19,954	20,503	21,614	22,456	23,037	23,784	24,639	81,261	93,916
% Change (Y-o-Y)	20.1	18.9	16.1	16.4	17.0	15.5	16.0	14.0	17.8	15.6
Other Income	7,332	8,311	9,102	10,027	9,069	9,854	11,100	12,306	34,772	42,329
Net Income	26,523	28,265	29,605	31,640	31,524	32,891	34,884	36,945	1,16,033	1,36,244
% Change (Y-o-Y)	21.1	23.2	19.0	24.6	18.9	16.4	17.8	16.8	22.0	17.4
Operating Expenses	13,373	13,864	14,328	14,620	15,571	15,228	16,032	16,699	56,185	63,530
Operating Profit	13,150	14,401	15,277	17,020	15,954	17,662	18,852	20,247	59,848	72,715
% Change (Y-o-Y)	120.3	37.8	26.8	42.5	21.3	22.6	23.4	19.0	48.1	21.5
Other Provisions	1,795	1,978	1,921	2,674	2,037	2,119	2,000	2,033	8,367	8,190
Profit before Tax	11,355	12,423	13,356	14,346	13,916	15,543	16,852	18,214	51,481	64,525
Tax Provisions	3,936	4,290	4,558	4,582	4,789	5,285	5,730	6,135	17,366	21,939
Net Profit	7,420	8,133	8,798	9,765	9,127	10,259	11,122	12,078	34,115	42,587
% Change (Y-o-Y)	291.0	42.8	38.6	40.3	23.0	26.1	26.4	23.7	63.2	24.8
Loan growth (%)	16.6	12.9	12.1	14.7	17.9	18.6	21.4	22.0	14.7	22.0
Cost to Income Ratio (%)	50.4	49.1	48.4	46.2	49.4	46.3	46.0	45.2	48.4	46.6
Tax Rate (%)	34.7	34.5	34.1	31.9	34.4	34.0	34.0	33.7	33.7	34.0

Punjab National Bank

Bloomberg	PNB IN
Equity Shares (m)	2128.0
M. Cap. (INR b)/(USD b)	282 / 4
52-Week Range (INR)	186 / 112
1,6,12 Rel Perf. (%)	-7 / -18 / -20

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	149.9	158.1	173.6	199.9
OP	145.7	116.1	119.1	138.1
NP	13.2	12.4	23.5	28.8
NIM (%)	2.3	2.3	2.4	2.4
EPS (INR)	6.2	5.8	11.0	13.5
EPS Gr. (%)	NM	-6.2	88.7	22.6
BV/Sh. (INR)	178	183	193	204
ABV/Sh. (INR)	71	77	111	146
RoE (%)	3.6	3.2	5.9	6.8
RoA (%)	0.2	0.2	0.3	0.3
Payout (%)	0.0	17.4	17.4	17.4

Valuations

P/E(X)	21.2	22.6	12.0	9.8
P/BV (X)	0.7	0.7	0.7	0.6
P/ABV (X)	1.86	1.72	1.19	0.90
Div. Yield (%)	0.0	0.7	1.3	1.6

CMP: INR132

TP: INR184 (+39%)

Buy

- We expect loan growth to remain muted (+3.6% YoY/+2% QoQ). Deposits should grow 11%+ YoY, reflecting some stickiness in CASA, post inflows in 3Q after demonetization.
- NII is likely to grow 1.6% QoQ (and 0.9% YoY) owing to sluggish loan book growth and flat margins.
- Fee income is expected to grow 7% QoQ (but decline 4% YoY); overall non-interest income is expected to decline 7% YoY.
- Stress addition is likely to be elevated (4.6% slippages), but recoveries could surprise positively with intense efforts. We expect credit cost to moderate to ~210bp.
- Resolutions in key accounts remain a key trigger. The stock trades at 0.7x FY19E BV and 12x FY19E EPS. **Maintain Buy.**

Key issues to watch for

- Outlook on asset quality, as net stressed loans remain one of the highest in the industry.
- Capital raising plans via fresh issue and sale of non-core assets.
- Trend in loan growth and fee income.
- NIMs and CASA performance.

Quarterly Performance

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	1,15,749	1,18,304	1,19,842	1,18,865	1,21,364	1,23,222	1,25,346	1,26,995	4,72,760	4,96,926
Interest Expense	78,759	79,505	82,534	82,030	82,812	84,054	85,105	86,811	3,22,828	3,38,783
Net Interest Income	36,990	38,799	37,308	36,835	38,551	39,167	40,241	40,184	1,49,932	1,58,143
% Change (YoY)	-9.8	-10.2	-9.4	33.1	4.2	0.9	7.9	9.1	-2.1	5.5
Other Income	23,551	23,879	25,135	31,028	23,318	22,106	20,881	22,235	89,514	88,540
Net Income	60,541	62,678	62,443	67,863	61,869	61,273	61,122	62,419	2,39,445	2,46,683
Operating Expenses	27,794	29,557	30,897	5,545	29,696	31,332	33,527	35,994	93,794	1,30,549
Operating Profit	32,746	33,120	31,546	62,318	32,173	29,941	27,595	26,424	1,45,652	1,16,133
% Change (YoY)	4.6	12.7	8.1	93.1	-1.8	-9.6	-12.5	-57.6	19.2	-20.3
Other Provisions	27,384	25,338	29,359	57,535	26,087	24,000	24,000	22,161	1,25,536	96,248
Profit before Tax	5,362	7,783	2,187	4,783	6,086	5,941	3,595	4,264	20,115	19,885
Tax Provisions	2,299	2,289	116	2,164	2,652	1,782	1,078	1,944	6,867	7,457
Net Profit	3,064	5,494	2,072	2,619	3,434	4,159	2,516	2,319	13,248	12,428
% Change (YoY)	-57.5	-11.5	306.2	NM	12.1	-24.3	21.5	-11.4	NM	NM
Operating Parameters										
NIM (Cal, %)	2.4	2.6	2.3	2.2	2.3	2.3	2.4	2.4	2.4	2.4
Deposit Growth (%)	7.0	6.5	11.6	12.4	12.9	11.0	6.3	4.0	12.4	4.0
Loan Growth (%)	2.8	3.4	-1.8	1.7	2.1	3.6	7.8	4.0	1.7	4.0
Tax Rate (%)	42.9	29.4	5.3	45.2	43.6	30.0	30.0	45.6	34.1	37.5
Asset Quality										
Gross NPA (INR B)	567	565	556	554	577	575	566	556	554	556
Gross NPA (%)	13.8	13.6	13.7	12.5	13.7	13.3	12.9	12.1	12.5	12.1
E: MOSL Estimates										

E: MOSL Estimates

RBL Bank

Bloomberg	RBK IN
Equity Shares (m)	375.2
M. Cap. (INR b)/(USD b)	193 / 3
52-Week Range (INR)	600 / 295
1,6,12 Rel Perf. (%)	-4 / -9 / 62

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	12.2	17.1	21.5	28.7
OP	9.2	13.9	17.5	22.8
NP	4.5	7.0	9.2	12.0
NIM (%)	3.0	3.4	3.2	3.2
EPS (INR)	11.9	17.2	22.5	29.5
EPS Gr. (%)	32.0	44.7	30.5	31.4
BV/Sh. (INR)	113.4	159.7	178.2	202.5
ABV/Sh. (INR)	112.7	158.9	177.2	201.1
RoE (%)	12.3	13.0	13.3	15.5
RoA (%)	1.0	1.28	1.28	1.26

Valuations

P/E(X)	43.2	29.8	22.8	17.4
P/BV (X)	4.5	3.2	2.9	2.5
P/ABV (X)	4.6	3.2	2.9	2.6
Div. Yield (%)	0.4	0.5	0.7	0.9

CMP: INR513 TP: INR651 (+27%)

BUY

- Loan growth (+35% YoY) and deposit growth (+36% YoY) would be significantly above industry average.
- We expect NII to grow 42% YoY, led by strong loan growth and NIM expansion, helped by strong CASA inflows and fall in bulk deposit rates, and also by reduced leverage due to QIP in 2QFY18.
- Overall non-interest income is expected to grow by ~47% YoY, led by strong growth in fee income and digital initiatives. We expect opex growth of 35%, led by continued capacity expansion. However, opex is expected to trail total income growth of 44%, driving 55% YoY increase in PPOp.
- Asset quality is expected to remain largely stable in 2QFY18, though some stress could materialize, particularly in the MFI segment. Credit costs would largely be under control.
- We expect PAT growth of 15% QoQ and 80% YoY. RBK trades at 2.9x FY19E BV and 22.8x FY19E EPS. We await management commentary on asset quality and growth outlook, and maintain our **BUY** rating.

Key issues to watch for

- Management commentary on slippages in SME segment.
- Update and commentary on balance sheet growth strategy.
- CASA ratio and traction on NIMs.

Quarterly Performance

(INR m)

	FY17				FY18				FY17	FY18
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	8,637	9,019	9,612	9,863	10,428	11,079	11,690	12,250	37,132	45,447
Interest Expense	6,190	5,990	6,396	6,342	6,644	6,777	7,217	7,672	24,918	28,310
Net Interest Income	2,447	3,029	3,216	3,522	3,784	4,302	4,473	4,578	12,213	17,136
% Change (Y-o-Y)	46.8	59.5	44.6	46.6	54.7	42.0	39.1	30.0	49.1	40.3
Other Income	1,675	1,691	1,823	2,366	2,569	2,494	2,585	3,375	7,555	11,023
Net Income	4,122	4,721	5,038	5,887	6,353	6,796	7,058	7,953	19,768	28,160
Operating Expenses	2,277	2,530	2,687	3,070	3,239	3,407	3,564	4,045	10,564	14,254
Operating Profit	1,845	2,191	2,351	2,818	3,114	3,389	3,494	3,908	9,204	13,906
% Change (Y-o-Y)	65.3	81.3	57.6	75.2	68.8	54.7	48.6	38.7	69.7	51.1
Other Provisions	426	781	362	821	945	950	700	759	2,389	3,354
Profit before Tax	1,419	1,410	1,989	1,997	2,169	2,439	2,794	3,150	6,815	10,552
Tax Provisions	445	512	703	695	759	817	936	1,023	2,354	3,535
Net Profit	973	899	1,287	1,301	1,410	1,622	1,858	2,127	4,460	7,017
% Change (Y-o-Y)	61.4	34.3	58.8	54.6	44.9	80.4	44.4	63.4	52.5	57.3
Operating Parameters										
NIM (Cal, %)	2.7	3.2	3.2	3.3	3.4	3.7	3.6	3.4	3.0	3.4
Deposit Growth (%)		37.8	43.9	42.1	37.3	35.6	37.7	25.0	25.0	42.0
Loan Growth (%)		44.0	46.3	38.7	39.7	35.1	35.5	35.0	35.0	35.0
Tax Rate (%)	31.4	36.3	35.3	34.8					34.5	33.5
Asset Quality										
OSRL (INR b)										
OSRL (%)	0.1	0.1	0.3	0.3					0.3	
Gross NPA (INR b)	2.5	2.7	2.9	3.6	4.6	5.1	5.5	6.0	3.6	6.0
Gross NPA (%)	1.1	1.1	1.1	1.2	1.5	1.5	1.5	1.5	1.2	1.5

E: MOSL Estimates

State Bank of India

Bloomberg	SBIN IN
Equity Shares (m)	8632.1
M. Cap. (INR b)/(USD b)	2170 / 33
52-Week Range (INR)	315 / 231
1,6,12 Rel Perf. (%)	-9 / -21 / -15

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	753.5	766.1	890.1	1,014.3
OP	597.0	592.4	635.5	750.3
NP	-20.2	102.2	198.6	264.2
NIM (%)	2.8	2.5	2.7	2.7
EPS (INR)	0.3	14.6	26.8	35.8
EPS Gr. (%)	NM	NM	83.8	33.3
Cons. BV (INR)	211.3	227.5	248.9	277.6
Cons. ABV (INR)	126.9	149.9	181.1	223.2
RoE (%)	-1.2	5.6	9.9	12.0
RoA (%)	-0.1	0.3	0.5	0.6
Div. Payout (%)	NM	20.3	20.1	20.0

Valuations

Cons. P/E (x)	665.6	13.6	7.4	5.5
Cons. P/BV (x)	0.9	0.9	0.8	0.7
Cons P/ABV (x)	1.6	1.3	1.1	0.9
Div. Yield (%)	1.0	1.0	1.8	2.4

CMP: INR251

TP: INR341 (+36%)

Buy

- For historical data, we have done the line-by-line consolidation for the banking business with associate banks for comparison purpose. Hence, YoY growth numbers will not be strictly comparable.
- We expect loan growth to be muted as consolidation with subsidiaries is expected to result in an overall muted quarter.
- NII is expected to increase 6% QoQ on a low base as 1QFY18 was affected by interest reversals. Decline in yields owing to MCLR cuts and re-alignment of associate banks' MCLR and lowering of base rate will be offset by strong CASA accretion.
- Stress additions should continue to be high, but moderate from 1QFY18 levels. Commentary on RBI resolution with respect to large accounts is a key monitorable.
- Non-interest income is expected to be strong driven by stake sale in SBI Life (assumed INR48b gain). Fee income growth is expected to grow 2% QoQ and cost pressure would remain high (+4% QoQ) owing to consolidation.
- We expect credit cost to remain elevated at ~2.7%, led by continued stress additions and focus on shoring up PCR. The stock trades at 0.8x FY19E consolidated BV and 7.4x FY19E consolidated EPS. **Buy.**

Key issues to watch for

- Performance and guidance on asset quality.
- Outlook and update on ABs' merger.

Quarterly performance

Y/E March	FY17				FY18E				FY17	FY18
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	5,44,930	5,47,781	5,56,614	5,89,690	5,49,054	5,66,008	5,86,005	6,17,699	22,39,015	23,18,767
Interest Expense	3,62,480	3,66,834	3,79,151	3,79,030	3,72,994	3,81,012	3,91,235	4,07,397	14,87,495	15,52,637
Net Interest Income	1,82,450	1,80,947	1,77,463	2,10,660	1,76,060	1,84,996	1,94,770	2,10,302	7,51,520	7,66,129
% Change (YoY)	3.9	0.4	1.2	10.5	-3.5	2.2	9.8	-0.2		1.9
Other Income	87,610	1,01,420	1,15,042	1,22,220	80,060	1,39,274	1,02,258	1,44,601	4,26,292	4,66,193
Net Income	2,70,060	2,82,367	2,92,505	3,32,880	2,56,120	3,24,270	2,97,028	3,54,904	11,77,812	12,32,322
Operating Expenses	1,32,450	1,42,531	1,48,486	1,59,780	1,37,376	1,43,258	1,63,011	1,96,254	5,85,150	6,39,899
Operating Profit	1,37,610	1,39,836	1,44,020	1,73,100	1,18,744	1,81,012	1,34,017	1,58,649	5,92,662	5,92,423
% Change (YoY)	17.7	9.3	19.5	1.0	-13.7	29.4	-6.9	-8.3		0.0
Other Provisions	1,30,370	1,45,785	1,18,902	2,09,320	89,300	1,42,300	98,300	1,22,537	6,09,844	4,52,437
Profit before Tax	7,240	-5,949	25,118	-36,220	29,444	38,712	35,717	36,112	-17,182	1,39,986
Tax Provisions	3,510	-348	6,906	-1,810	9,390	9,678	9,286	9,442	7,355	37,796
Net Profit	3,730	-5,600	18,212	-34,410	20,054	29,034	26,431	26,671	-24,537	1,02,189
% Change (YoY)	-91.8	-111.8	95.0	-359.6	437.6	-618.4	45.1	-177.5		-516.5
Gross NPA (INR B)	1,377	1,598	1,633	1,779	1,881	1,871	1,856	1,856	1,779	1,856
Gross NPA (%)	7.4	8.5	8.7	9.1	10.0	9.7	9.4	9.0	9.1	9.0

Note: We have done the line by line consolidation of standalone bank with associate bank earnings. For 4QFY17, since associate banks earnings were not reported it is our estimated numbers for based on FY17 reporting. Due to lack of information, intra-group transactions of parent with associate banks are not factored in.

Union Bank of India

Bloomberg	UNBK IN
Equity Shares (m)	687.4
M. Cap. (INR b)/(USD b)	87 / 1
52-Week Range (INR)	205 / 116
1,6,12 Rel Perf. (%)	-8 / -26 / -29

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	89.0	95.1	103	119
OP	74.3	73.2	77.9	90.4
NP	5.6	6.6	13.9	23.6
NIM (%)	2.3	2.2	2.2	2.2
EPS (INR)	8.1	9.0	19.1	32.5
EPS Gr. (%)	-58.9	12.0	111.3	69.9
BV/Sh. (INR)	311.5	303.3	320	349
ABV/Sh. (INR)	119.7	83.2	118	173
RoE (%)	2.7	3.0	6.1	9.7
RoA (%)	0.1	0.1	0.3	0.4
Div. Payout (%)	0.0	11.6	11.6	11.6

Valuations

P/E(X)	15.6	14.0	6.6	3.9
P/BV (X)	0.41	0.42	0.39	0.36
P/ABV (X)	1.1	1.5	1.07	0.73
Div. Yield (%)	0.0	0.7	1.5	2.6

CMP: INR126

TP: INR135 (+7%)

Neutral

- Muted growth environment, capital constraints and low risk appetite would lead to 2% QoQ and 8% YoY growth in advances. Deposit growth is expected to be in-line with advances growth at ~7.6% YoY.
- NIM is expected to increase marginally by 5bp QoQ but decline 16bp YoY. NII growth is expected to be muted at ~2% YoY.
- Other income is likely to grow ~10% YoY, although trading gains would be lower than in 1QFY18. Opex growth of 7% would be more than total income growth of 5%, leading to muted PPop growth of 2%.
- Slippages are expected to moderate, but remain at elevated levels at 4.5%. Recoveries should pick up from 1QFY18 levels, leading to net slippages of ~3.6%. As a result, total credit costs are expected to moderate to 2.1% (2.7% in 1QFY18).
- Overall, we expect PAT growth to be muted (flat QoQ and 34% decline YoY off a high base). The stock trades at 0.4x FY19E BV and 6.6x FY19E EPS. Maintain **Neutral**.

Key issues to watch for

- Performance on asset quality—slippage from restructured loans, going forward.
- Trends and efforts to improve CASA ratio and NIM.
- Update and trends on balance sheet growth.

Quarterly Performance

	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Interest Income	21,023	22,774	21,366	23,870	22,426	23,197	24,267	25,209	89,033	95,099
% Change (YoY)	-1.3	8.4	7.0	14.5	6.7	1.9	13.6	5.6	7.1	6.8
Other Income	10,399	11,394	13,397	14,456	14,147	12,521	11,684	12,434	49,646	50,785
Net Income	31,421	34,169	34,763	38,326	36,573	35,717	35,951	37,643	1,38,679	1,45,884
Operating Expenses	15,171	15,972	16,250	16,986	16,007	17,094	18,911	20,654	64,378	72,665
Operating Profit	16,251	18,197	18,513	21,341	20,566	18,623	17,040	16,989	74,301	73,219
% Change (YoY)	9.2	29.0	38.8	51.4	26.6	2.3	-8.0	-20.4	31.7	-1.5
Other Provisions	13,530	16,203	16,701	24,441	17,037	17,000	14,525	13,704	70,875	62,266
Profit before Tax	2,721	1,994	1,811	-3,101	3,529	1,623	2,515	3,285	3,426	10,953
Tax Provisions	1,058	227	771	-4,183	2,363	454	704	859	-2,126	4,381
Net Profit	1,663	1,767	1,040	1,082	1,166	1,169	1,811	2,426	5,552	6,572
% Change (YoY)	-67.9	-73.2	32.4	12.6	-29.9	-33.9	74.1	124.1	-58.9	18.4
Operating Parameters										
NIM (Reported,%)	2.3	2.3	2.0	2.3	2.1	0.0	0.0	0.0	2.2	0.5
Deposit Growth (%)	3.5	9.3	16.0	10.4	10.9	7.6	6.0	10.0	10.4	10.0
Loan Growth (%)	3.5	7.7	3.5	7.1	8.4	7.1	10.8	7.0	7.1	7.0
Asset Quality										
OSRL (INR b)	72.5	56.4	55.2	56.9	38.6	0.0	0.0	0.0	56.9	0.0
OSRL (%)	2.7	2.0	2.0	1.9	1.3	0.0	0.0	0.0	1.9	0.0
Gross NPA (INR b)	272.8	298.6	324.0	337.1	372.9	392.1	406.5	415.5	337.1	415.5
Gross NPA (%)	10.2	10.7	11.7	11.2	12.6	13.0	13.1	12.8	11.2	12.8

E: MOSL Estimates

Yes Bank

Bloomberg	YES IN
Equity Shares (m)	2282.4
M. Cap. (INR b)/(USD b)	820 / 13
52-Week Range (INR)	383 / 218
1,6,12 Rel Perf. (%)	2 / 9 / 29

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	58.0	75.7	94.4	121.1
OP	58.4	70.4	88.8	116.0
NP	33.3	42.1	52.3	65.7
NIM (%)	3.4	3.5	3.6	3.7
EPS (INR)	14.6	18.5	22.9	28.8
EPS Gr. (%)	20.8	26.5	24.1	25.7
BV/Sh. (INR)	93.7	108.4	126.7	149.4
ABV/Sh. (INR)	78.5	101.4	116.4	138.9
RoE (%)	18.9	18.3	19.5	20.9
RoA (%)	1.8	1.8	1.8	1.8

Valuations

P/E(X)	24.6	19.5	15.7	12.5
P/BV (X)	3.8	3.3	2.8	2.4
P/ABV (X)	4.6	3.5	3.1	2.6
Div. Yield (%)	0.7	0.9	1.1	1.4

CMP: INR359
TP: INR446 (+24%)
Buy

- We expect loan growth to be significantly ahead of system average at 35% YoY (> 5x industry growth rate) on the back of refinancing opportunities and strong growth in retail banking.
- We expect NIM to improve YoY, helped by lower cost of funds on account of CASA inflows post demonetization and re-pricing of bulk deposits. Consequently, NII growth is expected to be healthy at 32% YoY, one of the best among peers.
- Non-interest income growth is likely to be ~20% YoY, led by strong growth from third-party distribution and processing fees.
- We expect opex growth to be 31%, as the bank invests in technology to leverage retail base.
- Asset quality performance so far has been significantly better than industry; we expect this trend to continue. YES trades at 2.8x FY19E BV and 16x FY19E EPS. Return ratios also remain strong (RoA of 1.8% and RoE of 19.5%). Maintain **Buy**.

Key issues to watch for

- Implementation of retail strategy on assets and liabilities sides.
- Performance on asset quality and quantum of loans rescheduled under 5:25 scheme/sale to ARCs.

Quarterly Performance

	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Interest Income	12,516	14,122	14,893	16,397	18,089	18,624	19,171	19,777	57,973	75,662
% Change (Y-o-Y)	18.1	27.4	28.7	32.1	44.5	31.9	28.7	20.6	26.9	30.5
Other Income	9,655	9,219	10,165	12,574	11,322	11,100	12,000	13,276	41,568	47,647
Net Income	22,171	23,340	25,059	28,971	29,411	29,724	31,171	33,053	99,541	1,23,309
Operating Expenses	9,103	9,481	10,520	12,061	12,369	12,410	13,410	14,748	41,165	52,937
Operating Profit	13,068	13,860	14,538	16,910	17,042	17,314	17,761	18,305	58,375	70,372
% Change (Y-o-Y)	43.9	36.0	26.5	38.0	30.4	24.9	22.2	8.3	35.7	20.6
Other Provisions	2,066	1,617	1,154	3,097	2,858	2,300	1,525	1,745	7,934	8,428
Profit before Tax	11,001	12,243	13,384	13,813	14,184	15,014	16,236	16,560	50,441	61,944
Tax Provisions	3,683	4,228	4,558	4,671	4,529	4,805	5,196	5,293	17,140	19,822
Net Profit	7,318	8,015	8,826	9,141	9,655	10,210	11,040	11,267	33,301	42,122
% Change (Y-o-Y)	32.8	31.3	30.6	30.2	31.9	27.4	25.1	23.3	31.1	26.5
Operating Parameters										
NIM (Cal, %)	3.3	3.62	3.6	3.8	3.9	3.77	3.7	3.6	3.6	3.7
Deposit Growth (%)	28.6	28.9	30.5	27.9	22.6	23.2	25.1	22.0	27.9	22.0
Loan Growth (%)	33.0	37.7	38.8	34.7	32.1	34.6	34.3	28.0	34.7	28.0
CD Ratio (%)	86.4	86.1	88.5	92.6	93.2	94.1	94.9	97.1	92.6	0.0
CASA Ratio (%)	29.6	30.3	33.3	36.3					36.3	37.1
Asset Quality										
Gross NPA (INR B)	8.4	9.2	10.1	20.2	13.6	14.0	14.2	14.0	20.2	14.0
Gross NPA (%)	0.8	0.8	0.9	1.5	1.0	0.9	0.9	0.8	1.5	0.8

E: MOSL Estimates

Financials - NBFCs

Company name

Bajaj Finance

Bharat Financial Inclusion

Capital First

Cholamandalam Inv & Fin

Dewan Housing

GRUH Finance

HDFC

Indiabulls Housing

L&T Finance Holdings

LIC Housing Fin

M & M Financial

Muthoot Finance

PNB Housing Finance

Repco Home Fin

Shriram City Union Fin

Shriram Transport Fin.

Strong growth across segments

Better profitability aided by declining cost of funds

- We expect gradual improvement for microfinance institutions (the most impacted segment post demonetization) and vehicle financiers (led by better monsoon). Post implementation of GST, while growth has moderated, we expect improved loan demand from SMEs due to inventory restocking and cash flow mismatches (increased receivables).
- Core housing growth has moderated due to RERA implementation, and tier II and III locations are the key growth drivers. For housing finance corporations (HFCs), we expect the share of non-retail loans in the overall portfolio to inch higher. Post implementation of RERA, we expect opportunistic growth by large players.
- Festive season-related demand, coupled with better availability of credit, is likely to keep growth rates healthy for segments like consumer durables, two-wheelers (2Ws) and vehicle finance. Backed by easy liquidity and cheaper cost of funds, NBFCs have become more competitive in the corporate lending segment.
- Farm loan waivers and normal monsoon have lifted sentiment in the rural economy. Focus on collections has also helped companies ensure strong recoveries. Vehicle financiers are expected to report healthy asset quality and growth.
- BAF, CAFL, LTFH, PNBHF and MMFS (off a low base) are likely to post earnings growth of 30%+ YoY, which is commendable, in our view. We expect positive surprises from MMFS, SHTF and DEWH. Our top picks in this space are HDFC, DEWH, BAF and SHTF.

HFC – share of non-retail loans to go up: Barring Repco, all HFCs under our coverage are likely to post AUM growth in line with past trends. Loan growth for Repco may continue to be subdued this quarter due to state-specific issues. We expect the shift toward LAP for LICHF and toward corporate loans (opportunistic in LRD segment) for HDFC to continue. Core retail housing yields are expected to remain under pressure due to intense competition, but the benefit on cost of funds and change in product mix should partially offset yield pressure. With healthy capitalization and strong demand, we expect DEWH to report AUM growth higher than historical trends.

AFC – strong growth across segments: We expect an improved performance across asset financiers. Bajaj Finance is likely to report strong AUM and PAT growth (our channel checks suggest strong festive demand). We expect growth for vehicle finance players like SHTF and MMFS to pick up sequentially, helped by a better rural economy and clarity emerging post GST implementation. Auto OEMs have delivered decent volume growth in the quarter. Asset quality is expected to improve, with better liquidity post demonetization and normal monsoon.

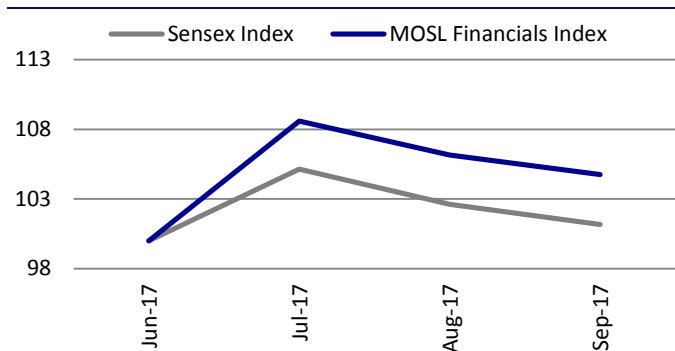
MFI – disbursements back to near-normalized levels: Our industry interaction suggests a significant improvement in at-PAR delinquencies, driving increased risk appetite in this segment. While provisioning for the stressed book is expected to impact earnings for the quarter, the outlook is much better. Barring Maharashtra, there has been a marked improvement in collection efficiency across states.

Exhibit 1: Expected quarterly performance summary (INR m)

Sector	CMP (INR)	RECO	Sales (INR m)			EBDITA (INR m)			Net Profit (INR m)		
			Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
NBFC											
Bajaj Finance	1,866	Buy	20,393	46.6	-1.6	11,523	44.9	-4.8	5,670	39.1	-5.8
Bharat Financial	968	Neutral	2,233	5.5	13.3	1,631	5.3	17.5	1,231	-15.6	LP
Capital First	745	Buy	4,552	44.5	9.7	2,668	45.3	11.1	749	30.1	11.6
Chola. Inv & Fin.	1,087	Buy	7,219	23.1	5.2	4,381	28.7	5.3	2,133	24.8	3.2
Dewan Housing	559	Buy	6,211	26.2	9.7	5,065	27.5	9.2	2,947	26.7	13.1
GRUH Finance	532	Neutral	1,727	30.5	6.8	1,371	30.6	0.6	751	21.2	4.0
HDFC	1,752	Buy	26,924	17.2	4.1	25,304	17.3	6.7	21,661	18.6	39.2
Indiabulls Housing	1,259	Buy	11,809	33.9	-0.2	11,166	21.2	5.3	8,303	21.3	5.3
L&T Fin.Holdings	194	Buy	11,206	19.9	9.2	9,000	37.3	11.7	3,230	30.2	4.5
LIC Housing Fin	648	Neutral	9,534	10.1	1.8	8,499	7.5	3.3	5,337	7.9	13.5
M & M Financial	416	Buy	9,698	23.8	12.8	5,735	27.3	17.2	1,448	52.8	205.7
Muthoot Finance	477	Buy	8,780	16.1	4.1	5,919	23.4	6.0	3,750	26.4	6.8
PNB Housing	1,511	Buy	3,745	64.0	9.0	3,496	89.2	5.5	1,947	41.4	5.4
Repco Home Fin	642	Buy	1,051	16.4	9.6	947	13.1	10.2	534	16.9	18.3
Shriram City Union	2,083	Buy	8,421	14.6	3.2	5,250	16.0	5.5	2,307	12.8	19.0
Shriram Transport Fin.	1,056	Buy	16,161	19.4	2.0	13,082	23.9	3.1	4,717	21.7	5.1
NBFC Banking Sector Aggregate			149,664	24.2	4.1	115,036	24.9	5.6	66,716	21.4	19.9

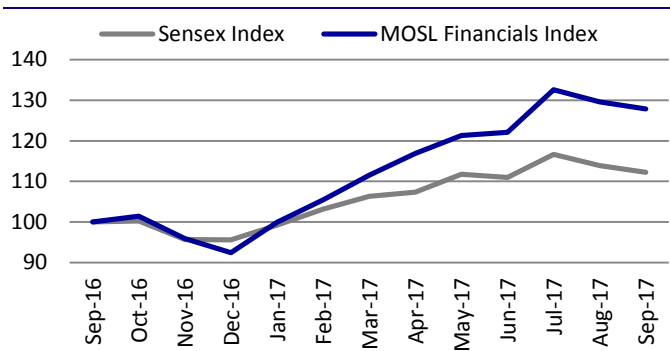
Source: MOSL

Exhibit 2: Relative performance—3 months (%)



Source: Bloomberg, MOSL

Exhibit 3: Relative performance—1 year (%)



Source: Bloomberg, MOSL

Exhibit 4: Comparative valuation

Sector / Companies	CMP (INR)	Reco	EPS (INR)			PE (x)			PB (x)			ROE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
NBFC														
Bajaj Finance	1,866	Buy	45.4	62.9	86.6	41.1	29.7	21.6	6.6	5.5	4.5	20.1	20.2	23.1
Bharat Financial	968	Neutral	29.9	54.9	87.4	32.4	17.6	11.1	4.4	3.6	3.0	15.1	22.4	29.2
Capital First	745	Buy	32.8	42.4	54.9	22.7	17.6	13.6	2.8	2.5	2.1	13.2	15.0	16.8
Chola. Inv & Fin.	1,087	Buy	56.0	68.1	83.2	19.4	16.0	13.1	3.3	2.8	2.4	18.6	19.2	19.8
Dewan Housing	559	Buy	37.7	47.1	56.2	14.8	11.9	9.9	2.0	1.7	1.5	14.1	15.6	16.3
GRUH Finance	532	Neutral	9.9	11.7	14.3	53.5	45.7	37.3	16.1	13.3	10.9	33.0	31.8	32.1
HDFC	1,752	Buy	52.2	58.2	66.9	33.6	30.1	26.2	6.3	5.2	4.5	18.6	17.8	17.4
Indiabulls Housing	1,259	Buy	84.2	105.6	135.7	15.0	11.9	9.3	3.9	3.4	3.0	27.6	30.6	34.4
L&T Fin.Holdings	194	Buy	6.8	10.1	12.5	28.3	19.1	15.5	3.8	3.3	2.8	14.7	18.5	19.4
LIC Housing Fin	648	Neutral	41.6	48.9	55.3	15.6	13.3	11.7	2.6	2.3	2.0	18.2	18.5	18.0
M & M Financial	416	Buy	13.9	17.8	23.1	30.0	23.5	18.0	3.5	3.2	2.9	12.0	14.2	16.8
Muthoot Finance	477	Buy	38.7	44.4	51.1	12.3	10.8	9.3	2.5	2.1	1.8	21.8	21.2	20.8
PNB Housing	1,511	Buy	48.1	65.1	87.2	31.4	23.2	17.3	4.1	3.6	3.1	13.8	16.6	19.2
Repco Home Fin	642	Buy	33.7	38.4	44.9	19.0	16.7	14.3	3.0	2.6	2.2	17.1	16.7	16.8
Shriram City Union	2,083	Buy	118.3	155.3	185.2	17.6	13.4	11.3	2.4	2.1	1.8	14.6	16.8	17.4
Shriram Transport Fin.	1,056	Buy	80.0	102.4	119.3	13.2	10.3	8.9	1.9	1.6	1.4	15.0	16.9	17.3
NBFC Aggregate	16					25.6	20.6	16.8	4.4	3.7	3.2	17.0	17.9	18.9

Source: MOSL

Bajaj Finance

Bloomberg	BAF IN
Equity Shares (m)	546.9
M. Cap. (INR b)/(USD b)	1020 / 16
52-Week Range (INR)	1989 / 762
1,6,12 Rel Perf. (%)	5 / 54 / 62

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	54.7	77.6	102.7	135.2
PPP	36.4	52.5	70.8	96.4
PAT	18.4	26.0	36.1	49.6
EPS (INR)	33.6	45.4	62.9	86.6
EPS Gr. (%)	40.7	35.1	38.7	37.6
BV/Sh. (INR)	176	285	338	412
RoA (%)	3.5	3.6	3.7	3.9
RoE (%)	21.6	20.1	20.2	23.1
Payout (%)	14.0	12.5	12.5	12.5
Valuations				
P/E (x)	55.5	41.1	29.7	21.5
P/BV (x)	10.6	6.6	5.5	4.5
Div. Yield (%)	0.1	0.2	0.2	2.9

CMP: INR1,865 TP: INR2,300 (+23%) Buy

- We expect AUM growth of 35% YoY, driven by strong growth in consumer and commercial lending. Rural business too should register strong growth, albeit off a low base. The company continues to increase its market share in consumer durables lending.
- With investments into upgradation of systems, C/I is expected to remain largely stable at 44%.
- Asset quality is likely to remain stable. We expect provisions of INR2.8b, as against INR2.9b in 1QFY18 and INR1.7b in 2QFY17.
- Net profit is likely to grow 39% YoY to INR5.7b.
- The stock trades at 6.6x FY18E and 5.5x FY19E BV (post capital raise). Maintain **Buy**.

Key issues to watch for

- Commentary on business growth momentum.
- Guidance on margins due to changing product mix.
- Asset quality trends, especially in LAP and 2W/3W businesses.
- Traction in cross-sell franchise.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue from operations	22,864	23,470	26,930	26,650	31,505	31,820	36,275	36,374	92,723	125,045
YoY Growth (%)	38.9	39.7	30.6	39.1	37.8	35.6	34.7	36.5	34.4	34.9
Interest expenses	8,833	9,562	9,802	9,837	10,780	11,426	12,112	13,113	38,034	47,430
Net Income	14,031	13,909	17,128	16,813	20,725	20,393	24,163	23,261	54,690	77,614
YoY Growth (%)	44.8	41.2	30.5	51.4	47.7	46.6	41.1	38.3	37.6	41.9
Other income	147	190	109	79	140	250	160	168	260	719
Total Income	14,178	14,098	17,237	16,892	20,866	20,643	24,323	23,429	54,949	78,333
Operating Expenses	5,865	6,144	6,939	7,099	8,755	9,120	9,580	9,337	25,642	36,792
Operating Profit	8,312	7,954	10,297	9,794	12,110	11,523	14,743	14,092	29,047	40,822
YoY Growth (%)	58.1	40.8	33.5	51.7	45.7	44.9	43.2	43.9	40.0	40.5
Provisions and Cont.	1,797	1,691	1,797	2,897	2,856	2,800	2,600	4,193	8,182	12,449
Profit before Tax	6,515	6,263	8,500	6,897	9,254	8,723	12,143	9,900	20,865	28,373
Tax Provisions	2,275	2,185	2,943	2,406	3,234	3,053	4,250	3,470	9,810	14,007
Net Profit	4,240	4,078	5,557	4,492	6,020	5,670	7,893	6,430	18,366	26,013
YoY Growth (%)	53.8	45.9	36.0	42.6	42.0	39.1	42.0	43.2	43.6	41.6
Loan Growth (%)	39.5	37.8	32.6	36.1	38.9	35.0	36.0	35.0	34.5	35.0
Borrowings Growth (%)	40.5	43.4	30.2	33.0	33.4	32.0	38.0	36.3	33.0	36.3
Cost to Income Ratio (%)	41.4	43.6	40.3	42.0	42.0	44.2	39.4	39.9	46.9	47.4
Tax Rate (%)	34.9	34.9	34.6	34.9	34.9	35.0	35.0	35.1	35.1	35.1

E: MOSL Estimates

Bharat Financial Inclusion

Bloomberg	BHAFIN IN
Equity Shares (m)	134 / 2
M. Cap. (INR b)/(USD b)	979 / 465
52-Week Range (INR)	6 / 16 / -5
1,6,12 Rel Perf. (%)	968

Financial Snapshot (INR m)

Y/E March	2017	2018E	2019E	2020E
NII	7,774	9,130	15,465	24,006
PPP	5,522	6,566	12,745	20,773
PAT	2,897	4,124	7,582	12,058
EPS (INR)	21.0	29.9	54.9	87.4
BV/Share (INR)	177.3	218.6	271.6	327.1
RoA on AUM (%)	3.3	3.2	4.0	4.7
RoE (%)	15.1	15.1	22.4	29.2
Valuations				
P/E (x)	46.1	32.4	17.6	11.1
P/BV (x)	5.5	4.4	3.6	3.0

CMP: INR967

TP: INR900 (-7%)

Neutral

- AUM is likely to grow 8% QoQ and 15% YoY. Management mentioned that the company is on track to achieve its stated guidance.
- Net income is likely to grow 10% YoY to INR3.2b.
- Cost-to-income ratio is expected to increase ~200bp YoY to 49%.
- Asset quality is likely to remain stable, with no incremental slippages. We factor in provisions of INR400m, as against INR1.8b in 1QFY18 and INR90m in 2QFY17.
- Net profit is likely to decline 16% YoY to INR1.2b, driven by higher provisions.
- The stock trades at 4.4x FY18E and 3.6x FY19E BV. Maintain **Neutral**.

Key issues to watch for

- Management commentary on growth trends/demand for loans.
- Management commentary on asset quality performance in key states like UP, Maharashtra and Karnataka.
- Guidance on C/I ratio.
- Movement in borrowing costs and margins.

Quarterly Performance

Y/E March	FY17				FY18				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Income from operations	3,341	3,692	3,682	3,290	3,720	4,017	4,499	4,715	14,005	16,951
Other Income	348	382	407	388	392	431	453	468	1,526	1,745
Total income	3,690	4,074	4,089	3,678	4,112	4,449	4,952	5,183	15,531	18,695
Y-o-Y Growth (%)	53.2	39.9	33.1	61.0	11.4	9.2	21.1	61.0	32.8	20.4
Interest expenses	1,361	1,576	1,643	1,646	1,749	1,784	1,963	2,324	6,225	7,821
Other income	452	422	460	415	519	545	599	662	1,748	2,325
Net Income	2,780	2,921	2,906	2,447	2,881	3,209	3,589	3,521	11,054	13,200
Y-o-Y Growth (%)	52.9	40.9	37.9	3.6	3.6	9.9	23.5	43.9	32.2	19.4
Operating Expenses	1,269	1,372	1,440	1,451	1,493	1,578	1,735	1,828	5,533	6,634
Provisions	120	90	38	3,346	1,759	400	200	84	3,594	2,443
Profit before tax	1,391	1,459	1,428	-2,349	-371	1,231	1,654	1,609	1,928	4,124
Y-o-Y Growth (%)	74.9	44.2	38.5	-313.3	-126.6	-15.6	15.8	-168.5	-51.0	113.8
Tax Provisions	-969	0	0	0	0	0	0	0	-969	0
Net Profit	2,359	1,459	1,428	-2,349	-371	1,231	1,654	1,609	2,897	4,124
Y-o-Y Growth (%)	285.8	87.4	79.6	-378.1	-115.7	-15.6	15.8	-168.5	-4.4	42.3

E: MOST Estimates

Capital First

Bloomberg	CAFL IN
Equity Shares (m)	97.4
M. Cap. (INR b)/(USD b)	73 / 1
52-Week Range (INR)	839 / 465
1,6,12 Rel Perf. (%)	1 / -8 / -11

Financial Snapshot (INR m)

Y/E March	2017	2018E	2019E	2020E
NII	12.3	18.1	23.1	29.3
PPP	8.1	11.6	15.1	19.4
PAT	2.4	3.2	4.1	5.3
EPS (INR)	24.6	32.8	42.4	54.9
EPS Gr. (%)	34.2	33.3	29.0	29.7
BV/Sh. (INR)	234.4	263.7	302.0	352.3
RoA on AUM (%)	1.6	1.7	1.8	1.9
RoE (%)	12.0	13.2	15.0	16.8
Payout (%)	10.6	9.0	8.0	7.0
Valuations				
P/E (x)	30.2	22.7	17.6	13.6
P/BV (x)	3.2	2.8	2.5	2.1
Div. Yield (%)	0.3	0.4	0.5	0.5

CMP: INR745

TP: INR925 (+24%)

Buy

- AUM is likely to grow 4.5% QoQ and 25% YoY, driven by strong festive demand and market share gains in the 2W segment. The LAP segment is expected to continue delivering slow growth.
- NII is likely to grow 45% YoY to INR4.6b.
- Cost-to-income ratio is expected to remain largely stable at 53%.
- Asset quality is likely to remain stable. We factor in provisions of INR1.6b, as against INR1.4b in 1QFY18 and INR1.0b in 2QFY17.
- Net profit is likely to grow 30% YoY to INR749m, driven by higher provisions.
- The stock trades at 2.8x FY18E and 2.5x FY19E BV. Buy.

Key issues to watch for

- Management commentary on growth trends/demand for loans.
- Management commentary on asset quality performance in key states like UP, Maharashtra and Karnataka.
- Guidance on C/I ratio.
- Movement in borrowing costs and margins.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	5,539	6,112	6,415	6,549	7,213	7,862	8,334	8,905	23,888	31,330
Fee Income	679	751	944	1,019	991	1,100	1,500	1,457	4,121	6,032
Operating Income	6,218	6,863	7,359	7,568	8,204	8,962	9,834	10,362	28,009	37,362
YoY Growth (%)	56.1	57.6	48.1	35.6	31.9	30.6	33.6	36.9	48.8	33.4
Interest expenses	2,760	2,961	3,082	2,803	3,065	3,310	3,409	3,448	11,606	13,232
Net Income	3,458	3,902	4,277	4,766	5,140	5,652	6,425	6,914	16,403	24,130
YoY Growth (%)	73.1	74.4	63.0	55.8	48.7	44.8	50.2	45.1	66.5	47.1
Operating Expenses	1,710	2,066	2,103	2,420	2,738	2,984	3,312	3,483	8,298	12,516
Operating Profit	1,748	1,837	2,174	2,346	2,402	2,668	3,113	3,431	8,104	11,614
YoY Growth (%)	72.4	67.7	67.6	58.5	37.4	45.3	43.2	46.3	68.1	43.3
Provisions and Cont.	995	1,032	1,240	1,264	1,408	1,550	1,900	1,992	4,530	6,850
Profit before Tax	753	805	934	1,082	994	1,118	1,213	1,439	3,575	4,764
Tax Provisions	262	229	320	363	323	369	400	473	1,174	1,565
Net Profit	492	576	614	719	672	749	812	966	2,389	3,199
YoY Growth (%)	48.5	40.3	37.8	51.4	36.6	30.1	32.4	34.3	43.8	33.9
AUM Growth (%)	36.1	31.8	25.5	23.6	24.4	24.7	25.1	25.7	20.4	26.0
Borrowings Growth (%)	46.8	42.0	25.0	18.0	25.5	18.1	25.3	26.0	18.0	26.0
Cost to Income Ratio (%)	49.4	52.9	49.2	50.8	53.3	52.8	51.6	50.4	50.6	51.9
Tax Rate (%)	34.7	28.5	34.3	33.6	32.4	33.0	33.0	32.9	35.1	35.1

E: MOSL Estimates; Quarterly and annual numbers may not match due to reporting styles

Cholamandalam Inv & Fin

Bloomberg	CIFC IN
Equity Shares (m)	156.3
M. Cap. (INR b)/(USD b)	170 / 3
52-Week Range (INR)	1244 / 805
1,6,12 Rel Perf. (%)	-4 / 6 / -23

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	23.5	29.1	33.9	39.8
PPP	13.9	17.9	21.6	26.2
Adj. PAT	6.9	8.8	10.6	13.0
EPS (INR)	46.0	56.0	68.1	83.2
EPS Gr. (%)	26.3	21.8	21.6	22.2
BV (INR)	276	325	384	458
BVPS Gr. (%)	18	18	18	19
RoAA (%)	2.6	2.8	2.9	3.0
RoE (%)	18.0	18.6	19.2	19.8

Valuations

P/E (x)	23.6	19.4	16.0	13.1
P/BV (x)	3.9	3.3	2.8	2.4
Div. Yield (%)	0.5	0.6	0.6	0.7

CMP: INR1,087 TP: INR1,400 (+29%) Buy

- Vehicle finance segment continues to register strong growth. Home equity too has witnessed some pick-up this quarter.
- AUM expected to increase 16% YoY. The home equity segment is expected to deliver sluggish growth.
- Margins are expected to expand slightly on a YoY basis, driven by lower cost of funds.
- As a result, NII growth is expected to be strong at 23% YoY.
- Calculated cost-to-income ratio should decline ~250bp to 40%.
- We believe GNPLs have topped out and should decline going forward, as the company has started invoking SARFAESI. We expect provisions of INR1.1b v/s INR1b in 1QFY18 and INR0.9b in 2QFY17.
- Net profit is likely to grow 19% YoY to INR1.97b.
- The stock trades at 3.3x FY18E and 2.8x FY19E BV. Maintain **Buy**.

Key issues to watch for

- Business growth trends and management commentary on the same.
- Impact of GST on business going forward.
- Trend in opex, given management's intent to reduce expense ratio to 2.5% by FY20.

Quarterly Performance

									(INR m)	
Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Income from Operations	11,017	11,558	11,698	12,069	12,273	12,764	13,274	13,678	45,790	51,611
Interest Expenses	5,481	5,694	5,658	5,476	5,410	5,545	5,711	5,866	22,308	22,531
Net Interest Income	5,536	5,864	6,040	6,594	6,863	7,219	7,563	7,812	23,482	29,080
YoY Growth (%)	13.8	20.6	20.1	22.5	24.0	23.1	25.2	18.5	13.4	23.8
Other Op. and Other Income	68	69	60	65	76	77	77	78	529	685
Net Operating Income	5,604	5,933	6,100	6,659	6,939	7,296	7,640	7,890	24,011	29,766
YoY Growth (%)	14.3	21.0	20.5	22.6	23.8	23.0	25.3	18.5	12.0	24.0
Operating Expenses	2,264	2,527	2,588	2,754	2,777	2,915	3,049	3,169	10,133	11,910
Operating Profit	3,341	3,405	3,512	3,905	4,162	4,381	4,592	4,721	13,878	17,856
YoY Growth (%)	20.4	22.7	17.9	19.1	24.6	28.7	30.7	20.9	6.9	28.7
Provisions & Loan Losses	804	772	1,003	529	981	1,100	1,400	913	3,106	4,393
Profit before Tax	2,537	2,634	2,509	3,376	3,181	3,281	3,192	3,809	10,771	13,463
Tax Provisions	880	924	884	1,181	1,116	1,148	1,117	1,330	3,868	4,711
Net Profit	1,657	1,709	1,625	2,196	2,066	2,133	2,075	2,479	6,903	8,752
YoY Growth (%)	50.3	55.0	34.9	50.7	24.6	24.8	27.7	12.9	21.4	26.8

E: MOSL Estimates; * Quarterly nos and full year nos will not tally due to different way of reporting financial nos

Dewan Housing Finance

Bloomberg	DEWH IN
Equity Shares (m)	313.2
M. Cap. (INR b)/(USD b)	175 / 3
52-Week Range (INR)	651 / 214
1,6,12 Rel Perf. (%)	2 / 40 / 77

Financial Snapshot (INR m)

Y/E March	2017	2018E	2019E	2020E
NII	15.1	19.3	24.9	30.3
PPP	16.2	21.2	26.7	31.9
Adj. PAT	9.3	11.8	14.7	17.6
EPS (INR)	29.6	37.7	47.1	56.2
EPS Gr. (%)	18.5	27.4	24.9	19.3
BV (INR)	252	282	321	367
RoAA (%)	1.2	1.2	1.3	1.3
RoE (%)	14.4	14.1	15.6	16.3
Payout (%)	15.7	17.4	17.4	17.4

Valuations

P/E (x)	18.9	14.8	11.9	9.9
P/BV (x)	2.2	2.0	1.7	1.5
P/ABV (x)	2.2	2.0	1.7	1.5
Div. Yield (%)	0.7	1.0	1.3	1.5

CMP: INR559

TP: INR690 (+23%)

Buy

- Business growth has been good, despite the implementation of GST and RERA. We expect 20% YoY growth in disbursements to drive 4%/22% QoQ/YoY growth in AUM in the quarter.
- Margins are likely to remain largely stable. As a result, we expect 26% YoY growth in NII in the quarter.
- Calculated cost-to-income ratio will continue to decline. We expect it to reach 24.5% in 2QFY18 v/s 25.3% in 1QFY18 and 26% in 2QFY17.
- Asset quality is likely to remain stable, with GNPA's of 0.95%. We factor in provisions of INR600m for 2QFY18.
- Net profit is likely to grow 27% YoY to INR2.9b.
- The stock trades at 2.0x FY18E and 1.7x FY19E BV. Maintain **Buy**.

Key issues to watch for

- Business growth trends and momentum, and management commentary on the same.
- Impact of RERA.
- Asset quality trends in non-retail and LAP segments.
- Guidance on cost structure.

Quarterly performance

Y/E March	FY17				FY18				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Interest Income	19,319	21,227	23,151	22,835	23,529	24,705	25,446	26,209	86,531	99,889
Interest Expenses	14,754	16,307	18,001	17,475	17,869	18,494	18,772	18,987	66,536	74,122
Net Interest Income	4,565	4,920	5,150	5,360	5,660	6,211	6,675	7,221	19,995	25,767
YoY Growth (%)	14.5	21.0	20.8	22.6	24.0	26.2	29.6	34.7	19.8	28.9
Fees and other income	275	451	514	943	549	500	600	806	2,182	2,455
Net Income	4,840	5,371	5,664	6,303	6,209	6,711	7,275	8,027	22,177	28,222
YoY Growth (%)	15.5	18.3	21.6	29.1	28.3	25.0	28.4	27.4	21.4	27.3
Operating Expenses	1,361	1,398	1,497	1,717	1,570	1,646	1,743	2,018	5,973	6,977
YoY Growth (%)	8.4	6.1	9.1	10.8	15.4	17.7	16.4	17.6	8.7	16.8
Operating Profits	3,479	3,972	4,167	4,586	4,640	5,065	5,532	6,009	16,204	21,245
YoY Growth (%)	18.6	23.2	26.9	37.7	33.4	27.5	32.8	31.0	26.9	31.1
Provisions	450	450	450	830	830	600	800	1,258	2,180	3,488
Profit before Tax	3,029	3,522	3,717	3,756	3,810	4,465	4,732	4,751	14,024	17,757
Tax Provisions	1,015	1,196	1,269	1,273	1,205	1,518	1,609	1,617	4,754	5,949
Profit after tax	2,014	2,326	2,448	2,483	2,605	2,947	3,123	3,134	9,270	11,809
YoY Growth (%)	16.2	29.0	31.7	30.9	29.3	26.7	27.6	26.2	27.1	27.4
Loan growth (%)	18.3	16.0	16.9	16.7	19.8	21.0	21.0	20.9	18.5	18.0
Borrowings growth (%)	20.4	38.5	28.0	33.1	34.4	12.0	16.0	12.5	45.7	23.9
Cost to Income Ratio (%)	28.1	26.0	26.4	27.2	25.3	24.5	24.0	25.1	26.9	24.7
Tax Rate (%)	33.5	34.0	34.2	33.9	31.6	34.0	34.0	34.0	33.9	33.5

E: MOSL Estimates

Gruh Finance

Bloomberg	GRHF IN
Equity Shares (m)	364.6
M. Cap. (INR b)/(USD b)	194 / 3
52-Week Range (INR)	551 / 270
1,6,12 Rel Perf. (%)	1 / 30 / 41

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	5.2	6.7	7.9	9.5
PPP	4.7	6.2	7.2	8.7
PAT	3.0	3.6	4.2	5.2
EPS (INR)	8.1	9.9	11.7	14.3
EPS Gr. (%)	21.5	22.2	17.2	22.4
BV/Sh. (INR)	27.2	33.2	40.2	48.8
ABV/Sh. (INR)	27.2	33.2	40.2	49.0
RoA (%)	2.4	2.4	2.4	2.4
RoE (%)	32.5	33.0	31.8	32.1
Payout (%)	34.0	34.0	34.0	34.0
Valuations				
P/E (x)	65.4	53.5	45.6	37.3
P/BV (x)	19.6	16.0	13.2	10.9
Div. Yield (%)	0.5	0.6	0.7	0.9

CMP: INR532
TP: INR490 (-8%)
Neutral

- We expect loan growth to be largely in line with trend at 4.5% QoQ and 18% YoY.
- Margins are likely to expand 45bp YoY to 4.9%.
- As a result, NII is likely to grow 31% YoY to INR1.7b.
- Operating expenses are likely to grow 30% YoY, resulting in largely stable cost-to-income ratio (20.6%).
- We expect asset quality to remain stable. We expect provisions of IN250m for the quarter.
- Net profit is likely to grow 21% YoY to INR751m.
- The stock trades at 16.0x FY18E and 13.2x FY19E BV. Maintain **Neutral**.

Key issues to watch for

- Business outlook; loan growth in various geographies.
- Impact of RERA.
- Outlook on asset quality.
- Management's outlook on developments in the affordable housing space.
- Commentary on government schemes in the affordable housing space.

Quarterly performance

										(INR m)
Y/E MARCH	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Operating Income	3,463	3,674	3,810	4,161	3,981	4,166	4,317	4,814	14,871	17,275
Total income	3,463	3,674	3,810	4,161	3,981	4,166	4,317	4,814	14,874	17,278
Y-o-Y Growth (%)	16.7	17.8	17.8	12.3	15.0	13.4	13.3	15.7	16.6	16.2
Interest expenses	2,241	2,351	2,297	2,307	2,365	2,439	2,532	2,645	9,196	9,981
Net Income	1,222	1,323	1,513	1,854	1,617	1,727	1,784	2,169	5,678	7,297
Operating Expenses	201	273	219	241	254	356	267	256	935	1,134
Operating Profit	1,021	1,050	1,294	1,613	1,362	1,371	1,517	1,913	4,742	6,163
Y-o-Y Growth (%)	17.5	20.1	29.8	23.3	33.4	30.6	17.3	18.6	23.6	30.0
Provisions and Cont.	125	91	327	14	279	250	220	11	322	760
Profit before Tax	896	958	967	1,600	1,083	1,121	1,297	1,902	4,420	5,403
Tax Provisions	294	339	326	495	361	370	428	618	1,454	1,777
Net Profit	601	619	640	1,104	722	751	869	1,284	2,967	3,627
Y-o-Y Growth (%)	19.6	19.9	19.2	25.8	20.0	21.2	35.8	16.3	21.8	22.2
Int Exp/ Int Earned (%)	64.7	64.0	60.3	55.4	59.4	58.6	58.7	54.9	61.8	57.8
Cost to Income Ratio (%)	16.5	20.7	14.5	13.0	15.7	20.6	15.0	11.8	16.5	15.5
Tax Rate (%)	32.8	35.4	33.8	31.0	33.3	33.0	33.0	32.5	32.9	32.9

E: MOSL Estimates

HDFC

Bloomberg	HDFC IN
Equity Shares (m)	1574.7
M. Cap. (INR b)/(USD b)	2760 / 42
52-Week Range (INR)	1802 / 1185
1,6,12 Rel Perf. (%)	0 / 12 / 11

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	99.5	116.3	132.0	151.0
PAT	74.4	83.0	94.6	108.7
Adj. EPS (INR)	35.7	39.9	45.4	52.8
EPS Gr. (%)	9.7	11.6	13.9	16.3
BV/Sh. (INR)	253.0	279.7	337.0	393.3
ABV/Sh. (INR)	201.2	227.9	286.4	321.7
RoAA (%)	2.4	2.3	2.3	2.3
Core RoE (%)	18.9	18.6	17.8	17.4
Payout (%)	37.1	43.5	43.5	43.5

Valuation

AP/E (x)	31.5	25.4	19.9	17.1
P/BV (x)	6.9	6.3	5.2	4.5
AP/ABV (x)	5.6	4.4	3.2	2.8
Div. Yield (%)	1.0	1.1	1.2	1.4

CMP: INR1,752 TP: INR2,020 (15%) Buy

- We estimate AUM growth of 18% YoY, in line with the trend in the prior quarters. We expect the pick-up in corporate loan growth to sustain.
- NII is expected to grow 17% YoY, with margins staying stable.
- Operating expenses will grow 13% YoY to INR2.3b.
- Asset quality has remained healthy over past several quarters, and the trend is likely to continue. Asset quality in the corporate loan book would be a key monitorable.
- We estimate provisions at INR950m (flat YoY).
- We expect 19% YoY PAT growth in the quarter
- The stock trades at 4.4x FY18E AP/ABV and 3.2x FY19E AP/ABV (price adjusted for value of other businesses and book value adjusted for investments made in those businesses). **Buy.**

Key issues to watch for

- Loan growth and uptick in corporate loans.
- Impact of RERA on real estate demand.
- Movement in spreads and margins (on individual loans), and asset quality trends.

Quarterly Performance

(INR m)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Interest Income	22,291	22,972	25,755	28,524	25,852	26,924	30,066	33,430	99,542	116,273
YoY Change (%)	9.3	14.5	18.0	15.5	16.0	17.2	16.7	17.2	14.5	16.8
Gross fee income	1,913	1,985	1,944	2,702	2,097	2,100	2,125	2,154	8,486	8,459
Core Income	24,204	24,958	27,699	31,226	27,949	29,024	32,191	35,583	108,029	124,732
YoY Change (%)	9.3	14.4	17.2	13.2	15.5	16.3	16.2	14.0	13.6	15.5
Operating Expenses	2,274	2,048	2,142	1,904	2,536	2,320	2,440	2,158	8,368	9,455
% of core income	9.4	8.2	7.7	6.1	9.1	8.0	7.6	6.1	7.7	7.6
Comission expenses	1,369	1,344	1,011	1,300	1,704	1,400	1,450	1,475	5,024	6,029
% of core income	5.7	5.4	3.6	4.2	6.1	4.8	4.5	4.1	4.7	4.8
Core Operating profits	20,561	21,565	24,546	28,023	23,709	25,304	28,301	31,951	94,637	109,249
YoY Change (%)	7.5	14.2	19.5	13.9	15.3	17.3	15.3	14.0	13.8	15.4
Provisions	650	950	1,170	1,480	850	950	1,000	1,050	4,250	3,850
Core PBT	19,911	20,615	23,376	26,543	22,859	24,354	27,301	30,901	90,387	105,399
YoY Change (%)	6.9	12.2	17.7	12.2	14.8	18.1	16.8	16.4	12.3	16.6
Profit on Sale of Inv.	9,216	281	34	486	21	650	800	1,029	10,017	2,500
Dividend income	510	4,560	1,788	2,228	599	5,370	1,500	2,635	9,144	10,103
One off expense/Prov	-2,750				0	0	0	0	-2,750	0
Other Income	111	118	114	125	109	135	135	135	468	538
PBT	26,997	25,575	25,312	29,382	23,587	30,509	29,736	34,699	107,266	118,541
YoY Change (%)	38.3	10.1	15.6	-19.3	-12.6	19.3	17.5	18.1	1.6	10.5
Provision for Tax	8,290	7,310	8,300	8,940	8,030	8,848	8,623	10,061	32,840	35,562
PAT	18,707	18,265	17,012	20,442	15,557	21,661	21,113	24,637	74,426	82,978
YoY Change (%)	37.5	13.9	11.9	-21.6	-16.8	18.6	24.1	20.5	-1.3	11.5

E: MOSL Estimates

Indiabulls Housing

Bloomberg	IHFL IN
Equity Shares (m)	421.3
M. Cap. (INR b)/(USD b)	531 / 8
52-Week Range (INR)	1323 / 616
1,6,12 Rel Perf. (%)	2 / 22 / 34

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Fin inc	39.9	51.9	64.0	80.6
PPP	45.5	56.2	70.9	91.0
EPS (INR)	69.0	84.2	105.6	135.7
EPS Gr. (%)	24.0	22.0	25.5	28.5
BV/Sh. (INR)	288	323	366	423
RoA on AUM (%)	3.1	2.9	2.9	2.9
RoE (%)	25.5	27.6	30.6	34.4
Payout (%)	52.5	50.0	50.0	50.0
Valuations				
P/E (x)	18.2	15.0	11.9	9.3
P/BV (x)	4.4	3.9	3.4	3.0
P/ABV (x)	4.4	3.9	3.4	3.0
Div. Yield (%)	2.9	3.3	4.2	5.4

CMP: INR1,259 TP: INR1,450 (+15%)
Buy

- AUM growth is expected to remain robust at 6% QoQ and 33% YoY.
- Total income (including investment income) should grow 20% YoY to INR15b.
- Expenses (including provisions) are likely to increase 18% YoY to INR3.8b.
- Asset quality is expected to remain stable. In 1QFY18, GNPA's were at 0.8% and NNPA's at 0.3%.
- PAT is likely to grow 21% YoY to INR8.3b during the quarter.
- The stock trades at 3.4x FY18E and 3.0x FY19E BV. Maintain **Buy**.

Key issues to watch for

- AUM growth trend and guidance.
- Impact of RERA.
- Movement in incremental spreads and margins, especially given the sharp home loan rate cuts.
- Asset quality trends in the corporate and LAP segments.

Quarterly Performance

(INR m)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Income from operations	23,720	25,098	25,859	29,314	29,560	30,151	31,659	36,625	103,990	127,995
Other Income	2,255	3,651	4,186	2,935	2,690	3,200	3,700	3,440	13,027	13,030
Total income	25,975	28,749	30,045	32,249	32,250	33,351	35,359	40,065	117,017	141,025
Y-o-Y Growth (%)	28.3	28.0	30.2	21.8	24.2	16.0	17.7	24.2	26.8	20.5
Interest expenses	14,109	16,279	16,329	17,391	17,722	18,342	19,260	20,776	64,108	76,100
Net Income	11,866	12,470	13,716	14,858	14,528	15,009	16,099	19,289	52,910	64,925
Y-o-Y Growth (%)	33.9	24.6	26.8	15.6	22.4	20.4	17.4	29.8	24.4	22.7
Operating Expenses	3,116	3,258	3,658	5,160	3,928	3,843	3,751	5,628	15,192	17,150
Profit before tax	8,750	9,212	10,058	9,698	10,600	11,166	12,348	13,661	37,718	47,775
Y-o-Y Growth (%)	26.4	24.3	24.9	9.0	21.1	21.2	22.8	40.9	20.5	26.7
Tax Provisions	2,401	2,352	2,555	1,325	2,764	2,903	3,210	3,544	8,633	12,421
Net Profit	6,349	6,861	7,502	8,373	7,836	8,263	9,137	10,117	29,085	35,353
Minority Int	-49	-18	13	32	46	40	40	40	-22	166
Net Profit after MI	6,301	6,843	7,515	8,405	7,882	8,303	9,177	10,157	29,064	35,187
Y-o-Y Growth (%)	23.2	23.2	24.7	24.4	25.1	21.3	22.1	20.8	24.0	21.1

E: MOSL Estimates

L&T Finance Holdings

Bloomberg	LTFH IN
Equity Shares (m)	1817.2
M. Cap. (INR b)/(USD b)	352 / 5
52-Week Range (INR)	213 / 81
1,6,12 Rel Perf. (%)	-5 / 51 / 89

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	31.4	36.7	41.2	47.1
PPP	26.7	36.2	42.0	49.2
PAT	9.2	12.4	18.4	22.7
EPS (INR)	5.2	6.8	10.1	12.5
BV/Sh. (INR)	44.3	50.5	59.2	69.8
RoAA (%)	1.3	1.6	2.1	2.3
RoE (%)	12.4	14.7	18.5	19.4
Payout (%)	19.8	15.3	14.8	14.7
Valuation				
P/E (x)	37.2	28.5	19.2	15.6
P/BV (x)	4.4	3.9	3.3	2.8
Div. Yield (%)	0.5	0.5	0.7	0.8

CMP: INR194

TP: INR230 (+19%)

Buy

- AUM growth is expected to remain robust at 16% YoY. The 'focused' book is expected to grow 21% YoY.
- NII should grow 20% YoY to INR11.2b. There should be slight margin accretion coming from the mix shift toward higher-yielding rural and housing businesses.
- Expenses are likely to grow 5% YoY to INR3.5b.
- Asset quality is expected to remain stable. We factor in provisions of INR5.2b v/s INR4.6b in 1QFY18 and INR3.2b in 2QFY17.
- PAT is likely to grow 30% YoY to INR3.2b during the quarter.
- The stock trades at 3.9x FY18E and 3.3x FY19E BV. Maintain **Buy**.

Key issues to watch for

- AUM growth trend and guidance.
- Impact of RERA on the housing finance segment.
- Trend in asset quality in the infrastructure finance segment.

Quarterly performance

Y/E March	FY17				FY18				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Interest Income	19,965	20,876	20,940	21,626	22,587	23,716	24,428	25,563	83,406	96,294
Interest Expenses	11,557	11,532	11,602	11,580	12,326	12,510	12,886	13,242	46,270	50,964
Net Interest Income	8,408	9,343	9,338	10,046	10,261	11,206	11,542	12,321	37,136	45,331
YoY Growth (%)	14.7	17.4	16.0	20.9	22.0	19.9	23.6	22.7	17.3	22.1
Other income	342	540	679	755	1,071	1,300	1,300	1,895	2,317	5,565
Total Income	8,751	9,883	10,018	10,801	11,332	12,506	12,842	14,216	39,453	50,896
YoY Growth (%)	13.1	17.7	17.9	22.3	29.5	26.5	28.2	31.6	17.9	29.0
Operating Expenses	3,222	3,327	3,154	3,063	3,277	3,506	3,717	4,223	12,765	14,723
YoY Growth (%)	3.6	-1.9	-1.4	-10.7	1.7	5.4	17.9	37.9	-2.8	15.3
Operating Profits	5,529	6,557	6,864	7,738	8,055	9,000	9,125	9,993	26,688	36,173
YoY Growth (%)	19.4	31.0	29.7	43.2	45.7	37.3	32.9	29.1	31.2	35.5
Provisions	2,530	3,202	3,282	6,885	4,587	5,200	5,200	5,373	15,899	20,359
Profit before Tax	2,999	3,354	3,582	853	3,468	3,800	3,925	4,620	10,789	15,814
Tax Provisions	951	888	811	-2,286	378	570	589	634	364	2,171
P/L of Associate Company	26	15	(63)	19	2	-	-	-	-3	2
Profit after tax	2,074	2,481	2,709	3,158	3,092	3,230	3,337	3,987	10,427	13,641
YoY Growth (%)	8.2	16.3	28.7	34.3	49.1	30.2	23.2	26.2	87	30.8
Loan growth (%)	18.2	18.5	10.4	14.4	17.2	16.3	15.1	12.9	10.4	13.7
Cost to Income Ratio (%)	36.8	33.7	31.5	28.4	28.9	28.0	28.9	29.7	32.4	28.9
Tax Rate (%)	31.7	26.5	22.6	-267.9	10.9	15.0	15.0	13.7	3.4	13.7

E: MOSL Estimates

LIC Housing Finance

Bloomberg	LICHF IN
Equity Shares (m)	505.0
M. Cap. (INR b)/(USD b)	327 / 5
52-Week Range (INR)	794 / 470
1,6,12 Rel Perf. (%)	-4 / -2 / -3

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	36.5	39.1	44.2	50.1
PPP	32.4	34.2	39.0	44.1
Adj. PAT	19.3	21.0	24.7	27.9
Adj. EPS (INR)	38.2	41.6	48.9	55.3
EPS Gr. (%)	16.3	8.7	17.7	13.1
BV/Sh (INR)	212.1	245.5	284.7	329.1
RoAA (%)	1.5	1.4	1.5	1.5
RoE (%)	19.4	18.2	18.5	18.0
Payout (%)	18.8	19.7	19.7	19.7
Valuations				
P/E (x)	16.9	15.6	13.2	11.7
P/BV (x)	3.1	2.6	2.3	2.0
Div. Yield (%)	1.0	1.1	1.3	1.5

CMP: INR648
TP: INR730 (+13%)
Neutral

- We expect loan growth of 15% YoY, driven primarily by the LAP segment. The share of builder loans is likely to remain ~4% of overall book. Growth in the retail home loan book would be the key monitorable.
- Calculated margins are likely to shrink ~30bp YoY, driven by falling loan yields.
- Operating expenses would rise 14% YoY, with the C/I ratio largely stable at 15%.
- Asset quality is likely to remain stable. We model provisions of INR350m, as against INR303m in 2QFY17.
- The stock trades at 2.6x FY18E and 2.3x FY19E BV. Maintain **Neutral**.

Key issues to watch for

- Trend in incremental spreads.
- Impact of RERA.
- Performance of corporate loan book and loans against property.
- Management commentary on increasing competitive intensity and margin trends.

Quarterly Performance

Y/E March	FY17				FY18				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Interest Income	33,263	34,283	35,125	36,096	36,332	37,170	38,285	40,013	138,767	151,801
Interest Expenses	25,018	25,626	25,972	25,699	26,962	27,637	28,466	29,439	102,315	112,504
Net Interest Income	8,245	8,657	9,154	10,396	9,370	9,534	9,820	10,574	36,452	39,297
YoY Growth (%)	25.1	20.8	22.6	26.6	13.6	10.1	7.3	1.7	23.8	7.8
Fees and other income	535	616	362	523	214	515	550	571	2,036	1,850
Net Income	8,780	9,273	9,516	10,919	9,583	10,049	10,370	11,145	38,489	41,147
YoY Growth (%)	24.2	18.8	18.7	22.7	9.1	8.4	9.0	2.1	21.1	6.9
Operating Expenses	1,382	1,364	1,407	1,965	1,354	1,550	1,775	2,229	6,118	6,908
Operating Profit	7,399	7,909	8,109	8,954	8,229	8,499	8,595	8,916	32,371	34,239
YoY Growth (%)	18.7	17.3	19.2	22.3	11.2	7.5	6.0	-0.4	19.4	5.8
Provisions and Cont.	1,165	303	453	893	1,045	350	375	417	2,813	2,187
Profit before Tax	6,234	7,606	7,656	8,061	7,185	8,149	8,220	8,499	29,558	32,052
Tax Provisions	2,156	2,659	2,663	2,769	2,484	2,811	2,836	2,927	10,247	11,058
Net Profit	4,078	4,948	4,993	5,292	4,701	5,337	5,384	5,572	19,311	20,994
YoY Growth (%)	6.7	20.2	19.2	18.1	15.3	7.9	7.8	5.3	16.3	8.7
Loan Growth (%)	15.4	14.9	15.3	15.5	15.4	15.0	15.0	12.6	15.5	12.6
Borrowings Growth (%)	15.7	14.2	15.0	13.9	14.3	14.6	14.7	12.0	13.9	12.0
Cost to Income Ratio (%)	15.7	14.7	14.8	18.0	14.1	15.4	17.1	20.0	15.9	16.8
Tax Rate (%)	34.6	35.0	34.8	34.4	34.6	34.5	34.5	34.4	34.7	34.5

E: MOSL Estimates

Mahindra Financial Services

CMP: INR416 TP: INR481 (+16%) Buy

- There has been good traction in vehicle sales in the quarter, which should translate into 4%/12% QoQ/YoY AUM growth in the quarter.
- NII is likely to increase 23% YoY (due to the low base in 2QFY17).
- We expect 17% growth in operating expenses, resulting in a 200bp YoY reduction in the C/I ratio to 42%.
- GNPL ratio is likely to remain stable.
- We factor in INR3.5b provisions in 2QFY18 v/s INR3b in 2QFY17 and INR4.3b in 1QFY18.
- The stock trades at 3.5x FY18E and 3.2x FY19E BV. Maintain **Buy**.

Bloomberg	MMFS IN
Equity Shares (m)	565.0
M. Cap. (INR b)/(USD b)	235 / 4
52-Week Range (INR)	456 / 244
1,6,12 Rel Perf. (%)	-4 / 24 / -2

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	33.2	40.0	45.1	53.2
PPP	19.3	23.9	26.8	32.4
PAT	4.0	7.8	10.0	13.1
EPS (INR)	7.1	13.9	17.8	23.1
BV/Sh.(INR)	111.8	120.1	130.6	144.3
ABV/Sh (INR)	92.0	95.4	104.4	118.1
RoA on AUM (%)	1.0	1.7	1.9	2.1
RoE (%)	6.5	12.0	14.2	16.8
Payout (%)	39.2	41.0	41.0	41.0

Valuations

P/E (x)	58.9	30.1	23.5	18.0
P/BV (x)	3.7	3.5	3.2	2.9
P/ABV (x)	4.5	4.4	4.0	3.5
Div. Yield (%)	0.7	1.2	1.5	1.9

Key issues to watch for

- Management commentary on performance of rural areas.
- Commentary on pick-up in the CV cycle.
- Asset quality trend in the wake of good monsoon.
- Margin and growth trends.
- Performance of subsidiaries.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Operating Income	13,664	14,916	14,904	18,255	15,924	17,261	16,909	20,359	61,739	70,453
Other Income	93	241	130	173	107	200	250	270	636	827
Total income	13,757	15,157	15,035	18,427	16,031	17,461	17,159	20,629	62,375	71,280
YoY Growth (%)	0.5	5.4	6.7	9.1	16.5	15.2	14.1	12.0	5.6	14.3
Interest Expenses	6,910	7,086	7,441	7,137	7,327	7,563	7,777	7,830	28,574	30,497
Net Income	6,847	8,071	7,593	11,290	8,704	9,898	9,382	12,799	33,801	40,782
YoY Growth (%)	-5.4	2.9	2.7	10.8	27.1	22.6	23.6	13.4	3.5	20.7
Operating Expenses	3,260	3,567	3,645	4,037	3,810	4,162	4,252	4,670	14,509	16,893
Operating Profit	3,587	4,504	3,949	7,252	4,894	5,735	5,130	8,129	19,292	23,889
YoY Growth (%)	-22.1	-10.5	-11.2	6.7	36.5	27.3	29.9	12.1	-7.6	23.8
Provisions	2,245	3,042	4,190	3,614	4,258	3,500	2,400	1,634	13,091	11,792
Profit before Tax	1,341	1,462	-241	3,638	636	2,235	2,730	6,495	6,202	12,098
Tax Provisions	472	514	-85	1,298	162	787	961	2,348	2,198	4,258
Net Profit	870	948	-156	2,341	474	1,448	1,769	4,147	4,003	7,840
YoY Growth (%)	-2.2	-35.1	-123.3	-36.8	-45.5	52.8	-1,231.3	77.2	-40.5	95.8
AUM growth (%)	10.0	13.9	12.9	13.9	13.9	12.3	13.2	15.2	0.0	0.0
Borrowings growth (%)	11.1	16.4	15.8	17.8	17.8	15.2	17.3	15.9	13.9	8.0
Cost to Income Ratio (%)	47.6	44.2	48.0	35.8	43.8	42.1	45.3	36.5	42.9	41.4
Tax Rate (%)	35.2	35.2	35.2	35.7	25.5	35.2	35.2	36.2	35.4	35.2

E: MOSL Estimates

Muthoot Finance

Bloomberg	MUTH IN
Equity Shares (m)	399.5
M. Cap. (INR b)/(USD b)	191 / 3
52-Week Range (INR)	526 / 261
1,6,12 Rel Perf. (%)	3 / 15 / 26

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	33.6	36.8	41.9	48.0
PPP	22.0	25.0	28.7	33.0
PAT	11.8	15.5	17.7	20.4
EPS (INR)	29.5	38.7	44.4	51.1
BV/Sh.(INR)	163.1	192.4	226.1	264.8
RoA on AUM (%)	4.6	5.3	5.4	5.5
RoE (%)	19.4	21.8	21.2	20.8
Div. Yld. (%)	1.3	1.6	1.9	2.1
P/E (x)	16.2	12.3	10.7	9.3
P/BV (x)	2.9	2.5	2.1	1.8

CMP: INR477 TP: INR550 (+15%) Buy

- AUM is expected to grow 4% YoY and 3% QoQ to INR287b. The low YoY growth must be seen in context of the high base in 2QFY17.
- Calculated margins are likely to improve 90bp YoY to 12.8%, led by a decline in funding costs.
- As a result, total income is expected to grow 14% YoY to INR9b.
- Asset quality is likely to remain largely stable. GNPL ratio in the prior quarter was 2.25%.
- We estimate provisions of INR150m as against INR171m in 2QFY17.
- PAT is expected to grow 26% YoY to INR3.75b.
- The stock trades at 2.5x FY18E and 2.1x FY19E BV. Maintain **Buy**.

Key issues to watch for

- Management commentary on business growth and steps taken to sustain AUM growth.
- Plan of branch expansion.
- Movement in yields and margins, with declining cost of funds.
- Progress in gold auctions.

Quarterly Performance

Y/E March	FY17				FY18				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Income from operations	12,712	13,497	13,225	16,962	13,758	14,240	14,809	15,767	56,395	58,574
Other operating income	252	320	184	135	165	180	190	215	891	750
Total Operating income	12,964	13,817	13,409	17,096	13,923	14,420	14,999	15,982	57,286	59,324
YoY Growth (%)	13.7	21.6	17.8	18.2	7.4	4.4	11.9	-6.5	17.8	3.6
Other income	44	45	56	36	63	65	65	68	181	261
Total Income	13,008	13,862	13,464	17,132	13,986	14,485	15,064	16,050	57,467	59,584
YoY Growth (%)	13.8	21.6	18.0	18.0	7.5	4.5	11.9	-6.3	17.9	3.7
Interest Expenses	5,571	5,937	5,970	5,460	5,326	5,459	5,541	5,474	22,938	21,800
Net Income	7,437	7,925	7,494	11,672	8,660	9,025	9,523	10,575	34,529	37,784
Operating Expenses	3,025	3,130	3,000	3,349	3,075	3,106	3,230	3,347	12,503	12,759
Operating Profit	4,413	4,795	4,495	8,323	5,585	5,919	6,293	7,228	22,026	25,025
YoY Growth (%)	50.1	69.5	51.2	37.6	26.6	23.4	40.0	-13.2	48.9	13.6
Provisions	176	171	39	2,430	66	150	800	52	2,816	1,069
Profit before Tax	4,237	4,624	4,456	5,893	5,518	5,769	5,493	7,176	19,211	23,957
Tax Provisions	1,534	1,657	1,545	2,675	2,007	2,019	1,922	2,555	7,411	8,504
Net Profit	2,703	2,967	2,911	3,218	3,511	3,750	3,570	4,621	11,799	15,453
YoY Growth (%)	47.6	70.0	55.9	21.3	29.9	26.4	22.7	43.6	45.7	31.0

E: MOSL Estimates

PNB Housing Finance

Bloomberg	PNBHOU5I IN
Equity Shares (m)	165.6
M. Cap. (INR b)/(USD b)	250 / 4
52-Week Range (INR)	1715 / 789
1,6,12 Rel Perf. (%)	-6/22/--

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	10.0	14.8	19.9	26.4
PPP	9.1	14.4	19.3	25.9
PAT	5.2	8.0	10.8	14.4
EPS (INR)	31.6	48.1	65.1	87.2
BV/Sh. (INR)	329.5	367.6	419.1	488.1
RoAA (%)	1.4	1.5	1.5	1.5
RoE (%)	13.8	13.8	16.6	19.2
Payout (%)	22.8	20.9	20.9	20.9
P/E (x)	47.8	31.4	23.2	17.3
P/BV (x)	4.6	4.1	3.6	3.1
Div. Yield (%)	0.4	0.6	0.8	1.0

CMP: INR1,511 TP: INR1,750 (+16%) Buy

- AUM is expected to grow 10% QoQ and 47% YoY to INR512b. There is unlikely to be a major impact of RERA on the company.
- Calculated margins are likely to improve 15bp YoY to 3.1%, led by a decline in funding costs.
- As a result, total income is expected to grow 64% YoY to INR3.75b.
- Asset quality is likely to remain largely stable. GNPL ratio in the prior quarter was 0.43%.
- We estimate provisions of INR500m, as against INR481m in 1QFY18.
- PAT is expected to grow 41% YoY to INR1.9b.
- The stock trades at 4.1x FY18E and 3.6x FY19E BV. Maintain **Buy**.

Key issues to watch for

- Management commentary on business growth and steps taken to sustain AUM growth.
- Impact of RERA.
- Plans of branch expansion.
- Movement in yields and margins, with declining cost of funds.
- Progress in gold auctions.

Quarterly performance

Y/E March	(INR m)									
	FY17				FY18				FY17E	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	8,172	9,130	9,376	10,106	10,965	11,952	12,789	14,216	36,785	49,922
Interest Expenses	6,080	6,847	6,731	6,779	7,529	8,207	8,945	9,775	26,437	34,456
Net Interest Income	2,092	2,284	2,645	3,327	3,436	3,745	3,843	4,442	10,348	15,466
YoY Growth (%)					64.2	64.0	45.3	33.5	45.3	49.5
Other income	457	572	611	654	958	900	900	850	2,294	3,607
Total Income	2,549	2,856	3,257	3,981	4,394	4,645	4,743	5,291	12,642	19,073
YoY Growth (%)					72.4	62.7	45.6	32.9	50.6	50.9
Operating Expenses	797	1,008	870	898	1,082	1,150	1,200	1,284	3,573	4,715
YoY Growth (%)					35.7	14.0	38.0	43.0	41.7	32.0
Operating Profits	1,752	1,848	2,387	3,083	3,312	3,496	3,543	4,008	9,069	14,358
YoY Growth (%)					89.1	89.2	48.4	30.0	54.5	58.3
Provisions	280	-225	308	667	481	500	500	615	1,029	2,096
Profit before Tax	1,472	2,073	2,079	2,416	2,831	2,996	3,043	3,393	8,040	12,263
Tax Provisions	513	696	702	892	984	1,048	1,065	1,195	2,803	4,292
Profit after tax	959	1,377	1,378	1,524	1,848	1,947	1,978	2,198	5,237	7,971
YoY Growth (%)					92.6	41.4	43.6	44.2	60.0	52.2
Cost to Income Ratio (%)	31.3	35.3	26.7	22.6	24.6	24.7	25.3	24.3	28.3	24.7
Tax Rate (%)	34.8	33.6	33.7	36.9	34.7	35.0	35.0	35.2	34.9	35.0

E: MOSL Estimates

Repco Home Finance

Bloomberg	REPCO IN
Equity Shares (m)	62.6
M. Cap. (INR b)/(USD b)	40 / 1
52-Week Range (INR)	923 / 500
1,6,12 Rel Perf. (%)	0 / -16 / -35

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	3.7	4.2	4.9	5.8
PPP	3.3	3.8	4.4	5.1
PAT	1.8	2.1	2.4	2.8
EPS (INR)	29.1	33.7	38.4	44.9
BV/Sh. (INR)	181.7	212.5	247.5	288.5
RoAA (%)	2.2	2.2	2.1	2.1
RoE (%)	17.4	17.1	16.7	16.8
Payout (%)	8.7	8.7	8.7	8.7
Valuation				
P/E (x)	22.1	19.0	16.7	14.3
P/BV (x)	3.5	3.0	2.6	2.2
Div. Yield (%)	0.3	0.4	0.4	0.5

CMP: INR642

TP: INR800 (+25%)

Buy

- Our interaction with management suggests that the issues related to property registration in Tamil Nadu still exist. Hence, we expect loan growth to moderate to 9% YoY. Growth will pick up in 2HFY18, led by a favorable base.
- Calculated margins are likely to expand 20bp YoY to 4.6% on account of a decline in cost of funds. As a result, NII growth will be decent at 16% YoY.
- C/I ratio is expected to remain largely stable at 16%.
- GNPL is expected to improve seasonally. Hence, provisions are expected to be INR125m v/s INR167m in 1QFY18 and INR127m in 1QFY17.
- The stock trades at 3.0x FY18E and 2.6x FY19E BV. Maintain **Buy**.

Key issues to watch for

- Resolution of property registration issues in TN.
- Competitive environment and prepayments by borrowers.
- Business outlook, loan growth, and share of home loans and LAP.
- Movement in borrowing costs and margins.
- Asset quality trends in the LAP segment.

Quarterly performance

Y/E March	FY17				FY18				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Interest Income	2,389	2,500	2,589	2,663	2,587	2,703	2,744	2,961	10,141	10,995
Interest Expenses	1,550	1,597	1,682	1,635	1,628	1,653	1,702	1,763	6,463	6,747
Net Interest Income	840	903	907	1,028	959	1,051	1,042	1,198	3,678	4,249
YoY Growth (%)	26.5	22.1	16.2	20.7	14.2	16.4	14.9	16.5	21.1	15.5
Other income	80	98	67	73	71	78	86	105	318	340
Total Income	920	1,000	974	1,102	1,030	1,129	1,128	1,302	3,996	4,589
YoY Growth (%)	26.0	22.0	15.5	16.8	12.0	12.9	15.8	18.2	19.8	14.8
Operating Expenses	149	163	163	200	171	182	191	209	676	754
YoY Growth (%)	-3.5	-6.8	1.9	30.7	14.9	11.6	17.1	4.6	5.1	11.6
Operating Profits	771	837	811	902	859	947	936	1,093	3,320	3,835
YoY Growth (%)	33.9	29.9	18.7	14.1	11.4	13.1	15.5	21.2	23.3	15.5
Provisions	179	127	96	116	167	125	119	180	519	591
Profit before Tax	592	710	714	786	692	822	818	912	2,802	3,244
Tax Provisions	196	253	250	280	241	288	286	319	979	1,134
Profit after tax	395	457	464	506	452	534	531	593	1,823	2,110
YoY Growth (%)	30.8	17.0	20.4	19.8	14.2	16.9	14.4	17.2	21.4	15.8
Borrowings growth (%)	25.3	22.6	21.1	15.6	11.7	9.7	11.8	13.7	15.6	0.0
Cost to Income Ratio (%)	16.2	16.3	16.8	18.2	16.6	16.1	17.0	16.1	16.9	16.4
Tax Rate (%)	33.2	35.7	35.0	35.6	34.8	35.0	35.0	35.0	35.0	35.0

E: MOSL Estimates

Shriram City Union Finance

Bloomberg	SCUF IN
Equity Shares (m)	65.9
M. Cap. (INR b)/(USD b)	137 / 2.1
52-Week Range (INR)	2650 / 1648
1,6,12 Rel Perf. (%)	1 / -14 / -18

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
NII	28.5	33.4	38.5	45.3
PPP	17.2	20.5	23.7	28.1
PAT	5.6	7.8	10.2	12.2
EPS (INR)	84	118	155	185
EPS Gr. (%)	5	40	31	19
BV/Sh. (INR)	763	860	989	1145
RoA (%)	2.7	3.3	3.8	3.9
RoE (%)	11.7	14.6	16.8	17.4
Payout (%)	7	18	17	16
Valuations				
P/E (x)	24.7	17.6	13.4	11.2
P/BV (x)	2.7	2.4	2.1	1.8
Div. Yield (%)	0.7	0.9	1.1	1.2

CMP: INR2,083 TP: INR2,700 (+30%) Buy

- The quarter has been slow for the company on account of both GST and the lagged impact of demonetization.
- Disbursement growth is expected to be 10% YoY, resulting in 15% YoY AUM growth.
- Spreads are expected to remain largely stable. Hence, NII growth is expected to be 15% YoY.
- Slower growth in operating expenses (13% YoY) is expected to drive 16% YoY PPOP growth.
- We expect asset quality to remain largely stable. We factor in provisions of INR1.7b, as against INR2b in 1QFY18 and INR1.4b in 2QFY17.
- The stock trades at 2.4x FY18E and 2.1x FY19E BVPS. **Buy.**

Key issues to watch for

- Trends in asset quality in each segment.
- Business growth and momentum, and management commentary on the same.
- Impact of GST.
- Performance of the housing finance subsidiary.

Quarterly performance

Y/E MARCH	FY17				FY18				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Interest Income	10,535	11,153	11,557	11,071	12,175	12,540	12,916	12,341	43,796	49,972
Interest expenses	3,672	3,802	3,933	3,937	4,019	4,119	4,222	4,185	15,344	16,544
Net Interest Income	6,863	7,351	7,624	7,134	8,156	8,421	8,694	8,156	28,452	33,428
Y-o-Y Growth (%)	19.7	22.1	17.7	14.6	18.9	14.6	14.0	14.3	19.1	17.5
Fees and Other Income	15	3	6	5	17	25	25	33	76	100
Net Operating Income	6,878	7,354	7,630	7,139	8,174	8,446	8,719	8,189	28,528	33,528
Y-o-Y Growth (%)	19.2	22.1	17.8	11.8	18.8	14.8	14.3	14.7	18.2	17.5
Operating Expenses	2,739	2,829	2,977	2,815	3,197	3,197	3,340	3,248	11,359	12,981
Operating Profit	4,139	4,525	4,653	4,324	4,976	5,250	5,380	4,941	17,168	20,547
Y-o-Y Growth (%)	21.3	29.3	19.5	26.2	20.2	16.0	15.6	14.3	25.8	19.7
Provisions	1,356	1,390	2,242	4,118	1,998	1,700	2,500	2,372	8,632	8,570
Profit before Tax	2,784	3,135	2,412	206	2,978	3,550	2,880	2,569	8,536	11,977
Tax Provisions	966	1,090	835	86	1,040	1,242	1,008	885	2,976	4,175
Net Profit	1,818	2,045	1,577	120	1,939	2,307	1,872	1,684	5,561	7,802
Y-o-Y Growth (%)	23.1	34.3	-9.5	-78.4	6.6	12.8	18.7	1,302.2	5.0	40.3
Int Exp/ Int Earned (%)	34.9	34.1	34.0	35.6	33.0	32.8	32.7	33.9	35.0	33.1
Cost to Income Ratio (%)	39.8	38.5	39.0	39.4	39.1	37.8	38.3	39.7	39.8	38.7
Tax Rate (%)	34.7	34.8	34.6	41.6	34.9	35.0	35.0	34.5	34.9	34.9

E: MOSL Estimates; * Quarterly nos and full year nos will not tally due to different way of reporting financial nos

Shriram Transport Finance

Bloomberg	SHTF IN
Equity Shares (m)	226.9
M. Cap. (INR b)/(USD b)	240 / 4
52-Week Range (INR)	1254 / 778
1,6,12 Rel Perf. (%)	-1 / -10 / -26

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Inc.	55.2	64.7	72.2	82.3
PPP	43.7	52.3	58.0	66.0
PAT	12.6	17.9	22.9	27.0
EPS (INR)	55.4	78.9	100.7	119.1
EPS Gr. (%)	6.7	42.4	27.7	18.2
BV/Sh (INR)	498	556	639.3	737.5
RoA on AUM (%)	2.0	2.7	3.1	3.2
RoE (%)	11.7	15.0	16.9	17.3
Payout (%)	20.9	18.6	17.4	17.4
Valuations				
P/E (x)	18.3	12.7	9.9	8.5
P/BV (x)	2.1	1.8	1.6	1.4
Div. Yield (%)	1.0	1.2	1.5	1.8

CMP: INR1,056 TP: INR1,320 (+25%) Buy

- SHTF's AUM growth is expected to improve to 12% YoY after two consecutive quarters of sub-10% growth.
- The company will continue to benefit from declining cost of funds, which should help offset yield pressure. We expect margins to improve ~60bp to 7.8%.
- As a result, NII growth is expected to be strong at 19% YoY.
- Due to cost-cutting measures (reduction in headcount) taken in FY17, we expect operating expenses to grow only 5% YoY in 2QFY18.
- Asset quality is expected to remain stable. We factor in INR5.8b NPL provisions v/s INR5.7b in 1QFY18 and INR4.6b in 2QFY17.
- The stock trades at 1.9x FY18E and 1.6x FY19E consolidated BV. Maintain **Buy**.

Key issues to watch for

- Impact of GST on vehicle demand.
- Movement in borrowing costs and margins.
- Asset quality trends, given impact of GST.
- Recoveries in equipment financing portfolio.

Quarterly Performance

Quarterly Performance									(INR m)	
Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	24,764	24,626	24,438	24,185	26,198	26,853	27,390	26,610	98,013	107,051
Interest expenses	13,165	13,358	12,825	12,746	12,835	13,155	13,418	13,014	52,094	52,422
Net Interest Income	11,598	11,268	11,613	11,440	13,364	13,698	13,972	13,595	45,919	54,628
YoY Growth (%)	15.5	8.9	1.5	-10.2	15.2	21.6	20.3	18.8	3.1	19.0
Securitisation income	1,876	2,262	2,508	2,647	2,488	2,464	2,439	2,641	9,293	10,032
Net Income (Incl. Securitization)	13,474	13,530	14,121	14,087	15,852	16,161	16,411	16,236	55,212	64,660
YoY Growth (%)	18.6	13.4	6.9	-2.4	17.6	19.4	16.2	15.3	8.8	17.1
Fees and Other Income	167	169	183	240	218	229	241	147	758	835
Net Operating Income	13,641	13,699	14,304	14,327	16,070	16,391	16,651	16,383	55,970	65,495
YoY Growth (%)	18.4	12.8	6.8	-2.1	17.8	19.7	16.4	14.4	8.7	17.0
Operating Expenses	3,341	3,138	2,905	2,903	3,379	3,309	3,257	3,240	12,288	13,184
Operating Profit	10,300	10,561	11,398	11,424	12,691	13,082	13,394	13,143	43,682	52,311
YoY Growth (%)	19.6	15.6	12.7	6.4	23.2	23.9	17.5	15.1	13.8	19.8
Provisions	4,603	4,621	6,105	9,114	5,823	5,880	5,980	7,295	24,443	24,977
Profit before Tax	5,697	5,940	5,293	2,310	6,869	7,202	7,414	5,849	19,239	27,334
Tax Provisions	1,956	2,063	1,834	813	2,382	2,485	2,558	2,005	6,666	9,430
Net Profit	3,741	3,877	3,460	1,496	4,487	4,717	4,856	3,843	12,573	17,904
YoY Growth (%)	16.5	14.7	-7.8	4.0	19.9	21.7	40.4	156.9	6.7	42.4
AUM Growth (%)	23.6	19.1	14.6	8.2	9.1	12.0	14.0	13.6	8.2	13.6
Securitization Inc. / Net Inc. (%)	13.7	16.5	17.5	18.5	15.5	15.0	14.6	16.1	16.6	15.3
Cost to Income Ratio (%)	24.5	22.9	20.3	20.3	21.0	20.2	19.6	19.8	22.0	20.1
Tax Rate (%)	34.3	34.7	34.6	35.2	34.7	34.5	34.5	34.3	34.6	34.5

E: MOSL Estimates; * Quarterly nos and full year nos will not tally due to different way of reporting financial nos

Healthcare

Company name

Alembic Pharma
Ajanta Pharma
Alkem Lab
Aurobindo Pharma
Biocon
Cadila Health
Cipla
Divis Labs
Dr Reddy's Labs
Fortis Health
Glenmark Pharma
GSK Pharma
IPCA Labs.
Jubilant Life
Lupin
Sanofi India
Shilpa Medicare
Strides Shasun
Sun Pharma
Torrent Pharma

Domestic business to improve, while US business to impede growth

- We expect our pharma universe to report low-single-digit revenue growth, led by continued pricing pressure and intensifying competition in the US market. Post GST implementation, we expect the domestic business of pharma companies to bounce back to 12-18% growth, driven by channel refilling at the stockist level. Although a few companies are expected to post an increase in EBITDA, our pharma universe is expected to report a decline due to a significant decline in the margins of large-caps.
- Cadila is expected to exhibit strong growth in the US, led by the recent launch of gLiialda. Sun Pharma revenues are expected to decline, primarily due to a fall in the US business on the back of pricing pressure in the base business. Aurobindo, Biocon, Cipla and Torrent Pharma are expected to post mid-double-digit growth.
- The previous quarter saw a major impact of GST in the domestic businesses of Indian pharma companies, with most of them reporting a 15-20% decline. Even though inventory levels at retailers have gone up, they have not yet reached pre-GST levels, which may have an impact in 2QFY18. In the US business, further channel consolidation of Walmart and Mckesson is yet to be seen.
- The pace of approvals has picked up at the US FDA. Indian pharma companies received approval for 138 ANDAs from the US FDA during the first half of CY17, as against 201 approvals during full-year ended December 2016.
- We maintain our top picks – **Aurobindo, Sun Pharma and Fortis.**

Exhibit 1: Expected quarterly performance summary (INR m)

Sector	CMP (INR)	RECO	Sales (INR M)			EBDITA (INR M)			Net Profit (INR M)		
			Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
Healthcare											
Alembic Pharma	503	Neutral	8,491	-2.6	31.0	1,494	-15.6	47.3	986	-16.9	47.9
Alkem Lab	1,832	Neutral	17,265	5.4	33.3	3,108	0.1	229.3	2,492	-11.9	290.8
Ajanta Pharma	1,155	Buy	4,999	-3.1	5.7	1,425	-17.8	9.0	1,048	-19.8	6.9
Aurobindo Pharma	742	Buy	43,201	14.4	17.4	11,016	18.5	30.9	7,112	20.3	36.1
Biocon	344	Sell	10,939	16.4	17.2	2,625	16.7	36.7	1,389	-5.5	126.5
Cadila Health	501	Buy	29,552	25.6	34.5	7,240	40.3	161.1	4,791	41.9	246.1
Cipla	585	Neutral	42,975	14.6	21.9	7,717	13.4	19.4	4,159	17.4	1.7
Divis Labs	864	Neutral	9,224	-7.0	12.3	2,998	-18.5	22.4	2,161	-28.7	22.4
Dr Reddy's Labs	2,387	Neutral	37,374	4.2	12.7	6,914	14.8	126.1	3,469	6.9	486.9
Fortis Health	150	Buy	13,392	12.0	15.8	1,286	29.9	49.3	135	-56.5	-40.9
Glenmark Pharma	611	Neutral	23,160	6.6	-0.6	3,474	-12.7	-36.1	1,863	-15.1	-44.1
GSK Pharma	2,437	Neutral	8,768	12.0	49.4	1,534	23.3	LP	1,268	28.5	820.8
IPCA Labs.	528	Neutral	8,891	2.0	24.7	1,423	11.1	561.1	759	61.0	LP
Jubilant Life	653	Buy	17,353	25.2	11.5	3,696	8.6	9.5	1,676	15.8	16.6
Lupin	1,028	Buy	41,041	-4.3	6.1	8,824	-14.2	14.8	4,540	-31.4	26.8
Sanofi India	4,063	Buy	6,911	10.7	15.1	1,513	4.6	31.1	889	10.3	20.6
Shilpa Medicare	584	Buy	1,930	-8.6	14.5	405	-17.2	18.9	287	-24.9	30.0
Strides Shasun	857	Buy	8,952	-6.1	6.3	1,298	-9.5	48.7	439	-40.7	125.9
Sun Pharma	514	Buy	67,603	-12.9	9.6	12,507	-53.1	18.7	8,296	-62.9	57.8
Torrent Pharma	1,247	Neutral	16,461	17.1	22.1	4,001	21.2	34.7	2,408	16.3	28.1
Sector Aggregate			418,482	4.4	15.5	84,498	-10.4	36.8	50,167	-22.0	53.2

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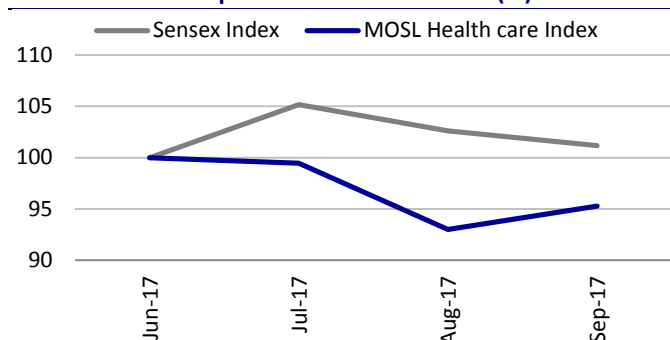
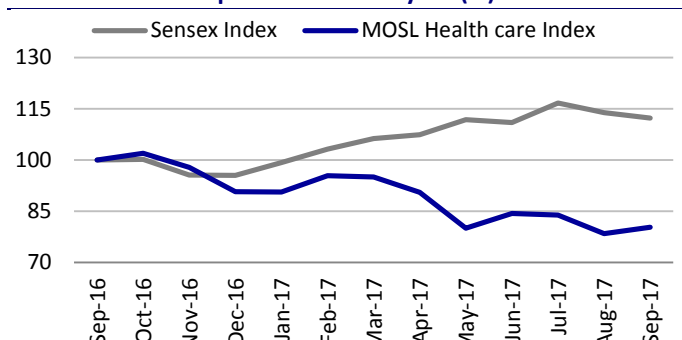
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Exhibit 2: 2QFY18 Aggregates

Healthcare Universe	YoY Growth (%)			EBITDA Margin (%)			PAT margin (%)		
	Sales	EBITDA	Adj. PAT	17-Jun	16-Jun	CHG (BPS)	17-Jun	16-Jun	CHG (BPS)
MNC Pharma	11.4	13.2	20.3	19.4	19.1	30	13.8	12.7	102
Big 5 Generics	0.5	-19.0	-32.0	21.3	26.4	-512	12.9	19.1	-617
Second Tier generics	9.7	3.8	-0.8	19.0	20.1	-108	10.8	12.0	-114
Sector Aggregate	4.4	-10.4	-22.0	20.2	23.5	-334	12.0	16.0	-405

USD/INR remained largely stable during the quarter

- Average rate of the INR against the USD has appreciated ~4% YoY over the past year (64.46 in 1QFY18 v/s 66.94 last year).
- Brexit vote was expected to have a negative impact on the companies from 2QFY17. However, we note that most Indian companies have limited exposure to the UK market (<1-2% of sales). Also, post the Brexit vote, it is still unclear whether or not Indian companies will have to conduct separate trials for approval in the UK and other EU markets. Separate trials would mean additional cost for companies; however, this is not expected to happen at least for the next two years, in our view.

Exhibit 3: Relative performance—3 months (%)**Exhibit 4: Relative performance—1 year (%)**

Source: Bloomberg, MOSL

Exhibit 5: Comparative valuation

Sector / Companies	CMP (INR)	RECO	EPS (INR)			PE (x)			EV/EBIDTA (x)			ROE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Healthcare														
Alembic Pharma	503	Neutral	19.8	25.5	31.7	25.4	19.7	15.9	16.1	12.8	10.1	18.4	20.5	21.6
Alkem Lab	1,832	Neutral	72.5	93.3	108.2	25.3	19.6	16.9	18.8	14.5	11.4	19.0	20.9	20.7
Ajanta Pharma	1,155	Buy	52.8	64.2	79.5	21.9	18.0	14.5	15.8	12.7	10.1	26.5	25.9	25.8
Aurobindo Pharma	742	Buy	44.9	50.0	52.5	16.5	14.9	14.1	11.1	9.8	8.8	24.8	22.1	19.1
Biocon	344	Sell	9.7	14.2	18.7	35.4	24.3	18.4	17.0	12.6	9.7	11.1	14.5	16.9
Cadila Health	501	Buy	17.5	23.6	26.9	28.6	21.2	18.6	19.9	14.8	12.8	23.5	26.0	24.1
Cipla	585	Neutral	21.1	26.0	33.3	27.7	22.5	17.6	16.8	13.9	11.2	12.1	13.2	14.6
Divis Labs	864	Neutral	33.9	40.4	43.6	25.5	21.4	19.8	17.3	14.0	12.5	17.0	19.5	19.0
Dr Reddy' s Labs	2,387	Neutral	72.6	119.9	147.5	32.9	19.9	16.2	16.8	11.3	8.7	9.7	14.4	15.5
Fortis Health	150	Buy	2.2	5.6	8.6	68.7	26.9	17.4	11.3	8.1	5.9	2.1	4.9	7.1
Glenmark Pharma	611	Neutral	39.7	49.1	61.0	15.4	12.4	10.0	10.9	9.1	7.3	20.3	20.4	20.5
GSK Pharma	2,437	Neutral	46.8	54.9	59.1	52.1	44.4	41.2	44.4	35.8	32.1	23.0	30.9	33.3
IPCA Labs.	528	Neutral	16.6	26.8	35.7	31.8	19.7	14.8	16.4	11.6	9.0	8.2	12.2	14.5
Jubilant Life	653	Buy	47.1	56.7	66.7	13.9	11.5	9.8	8.8	7.5	6.3	19.5	19.6	19.4
Lupin	1,028	Buy	41.4	56.3	74.0	24.8	18.3	13.9	13.8	10.5	8.1	13.2	16.0	18.2
Sanofi India	4,063	Buy	133.6	160.6	185.2	30.4	25.3	21.9	16.2	13.2	11.1	16.6	18.1	18.7
Sun Pharma	514	Buy	15.1	23.3	27.2	34.1	22.1	18.9	20.2	13.7	10.7	9.6	13.8	14.6
Shilpa Medicare	584	Buy	21.1	30.4	38.1	27.7	19.2	15.3	19.7	13.8	10.9	17.0	20.4	21.0
Strides Shasun	857	Buy	47.4	74.8	92.1	18.1	11.4	9.3	11.9	8.8	7.2	14.7	20.2	21.0
Torrent Pharma	1,247	Neutral	53.4	67.3	80.2	23.4	18.5	15.6	14.8	11.6	9.6	19.5	21.5	22.3
Sector Aggregate						26.6	19.8	16.5	16.0	12.3	10.0	13.6	16.0	16.5

Ajanta Pharma

Bloomberg	AJP IN
Equity Shares (m)	88.5
M. Cap. (INR b)/(USD b)	102 / 2
52-Week Range (INR)	2150 / 1106
1,6,12 Rel Perf. (%)	-3 / -38 / -54

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	20.0	20.9	24.8	29.6
EBITDA	7.0	6.2	7.6	9.3
NP	5.2	4.7	5.7	7.0
EPS (INR)	58.4	52.8	64.2	79.5
EPS Gro. (%)	24.0	-9.7	21.8	23.7
BV/Sh. (INR)	177.2	221.3	275.2	341.6
RoE (%)	37.7	26.5	25.9	25.8
RoCE (%)	36.4	26.1	25.6	25.5

Valuations

P/E (x)	19.8	21.9	18.0	14.5
P/BV (x)	6.5	5.2	4.2	3.4
EV/EBITDA (x)	14.6	16.1	12.9	10.3
EV/Sales (x)	5.1	4.8	4.0	3.2
Dividend Yield (%)	1.1	0.7	0.8	1.0

CMP: INR1,155 TP:INR1,605 (+39%) Buy

- We expect Ajanta Pharma (AJP) to show a 3.1% YoY decline in revenues, largely led by a reduction in US sales for the quarter.
- The disruption in supply chain due to implementation of GST has reduced. We expect a gradual recovery in growth of the domestic formulation business 2QFY18 onward.
- We expect Africa business to remain stable at lower level, as tender award from a global fund, which is one of the major clients, is yet to happen.
- We expect Asia business to grow better than industry on a constant currency basis. However, currency headwinds may impact growth in INR terms.
- On overall basis, we expect EBITDA margin to come in at 28.5% and PAT at INR1.05b for 2QFY18.
- The stock trades at 18.9x FY19E EPS. We maintain **Buy** with a target price of INR1,605 (25x FY19E EPS).

Key issues to watch out

- Impact on sales from global fund in the upcoming tender award.
- Outlook on future ANDA filings and traction in already approved products.

Consolidated - Quarterly Earning Model

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	4,759	5,158	5,331	4,768	4,731	4,999	5,262	5,918	20,016	20,905
YoY Change (%)	21.6	16.8	11.8	12.0	-0.6	-3.1	-1.3	24.1	15.3	4.4
Total Expenditure	3,093	3,426	3,551	3,054	3,424	3,574	3,610	4,060	13,125	14,670
EBITDA	1,666	1,732	1,780	1,714	1,307	1,425	1,652	1,858	6,892	6,241
Margins (%)	35.0	33.6	33.4	35.9	27.6	28.5	31.4	31.4	34.4	29.9
Depreciation	130	140	153	189	134	140	148	150	612	572
Interest	10	8	8	9	1	5	5	5	35	16
Other Income	55	67	192	24	48	60	120	62	337	290
PBT before EO expense	1,580	1,651	1,811	1,540	1,219	1,340	1,619	1,765	6,582	5,943
Extra-Ord expense	0	0	0	160	32	0	0	0	160	32
PBT	1,580	1,651	1,811	1,380	1,187	1,340	1,619	1,765	6,422	5,911
Tax	385	345	385	300	239	292	354	381	1,413	1,266
Rate (%)	24.3	20.9	21.2	21.7	20.1	21.8	21.9	21.6	22.0	21.4
Minority Interest & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0
Reported PAT	1,196	1,307	1,426	1,080	948	1,048	1,265	1,384	5,008	4,641
Adj PAT	1,196	1,307	1,426	1,205	980	1,048	1,265	1,384	5,133	4,669
YoY Change (%)	39.0	26.3	25.2	10.5	-18.0	-19.8	-11.3	14.8	24.5	-9.0
Margins (%)	25.1	25.3	26.7	25.3	20.7	21.0	24.0	23.4	25.6	22.3

Alembic Pharma

Bloomberg	ALPM IN
Equity Shares (m)	188.5
M. Cap. (INR b)/(USD b)	95 / 1
52-Week Range (INR)	709 / 470
1,6,12 Rel Perf. (%)	0 / -25 / -38

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	31.0	32.5	37.2	42.6
EBITDA	6.1	5.7	7.3	9.2
NP	4.0	3.7	4.8	6.0
EPS (INR)	21.6	19.8	25.5	31.7
EPS Gro. (%)	-43.2	-8.3	29.0	24.4
BV/Sh. (INR)	100.8	114.6	134.2	159.9
RoE (%)	23.0	18.4	20.5	21.6
RoCE (%)	22.1	17.9	20.2	27.4

Valuations

P/E (x)	23.3	25.4	19.7	15.9
P/BV (x)	5.0	4.4	3.8	3.1
EV/EBITDA (x)	15.9	16.7	13.2	10.4
EV/Sales (x)	3.1	2.9	2.6	2.2
D. Yield (%)	1.0	1.0	1.0	1.0

CMP: INR503

TP: INR510(+1%)

Neutral

- In 2QFY18, we expect Alembic Pharma (ALPM) to post a marginal decline in sales by ~3% YoY to INR8.5b. International business is expected to decline 12.4% YoY to INR3.1b owing to lower contribution from gAbilify, partially offset by new launches, including Pristiq generic launch. India business is expected to post modest growth of 3.3% YoY to INR3.8b.
- Reported EBITDA is likely to decrease ~15.6%YoY to INR1.5b, with EBITDA margin contracting 270bpYoY, primarily on account of poor performance in International business.
- We expect reported PAT to decline 16.9% YoY to INR986m.
- Given that recent investments in Oncology, Derma and Ophthal will fetch returns only from FY20, high R&D expense, coupled with pricing pressure in the US, will keep growth in check over the near term. We maintain **Neutral** with a TP of INR510 @20x FY19E EPS.

Key issues to watch out

- Contribution of chronic portfolio and growth strategy.
- Performance of US operations amid market pressure.
- Outlook on future ANDA launches/filings.

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	7,270	8,716	7,699	7,367	6,482	8,491	8,613	8,885	31,013	32,535
YoY Change (%)	24.6	-13.1	-16.4	17.8	-10.8	-2.6	11.9	20.6	-1.3	4.9
Total Expenditure	5,711	6,945	6,253	6,032	5,468	6,996	7,080	7,298	24,904	26,842
EBITDA	1,559	1,771	1,446	1,335	1,014	1,494	1,533	1,587	6,109	5,694
Margins (%)	21.4	20.3	18.8	18.1	15.6	17.6	17.8	17.9	19.7	17.5
Depreciation	194	206.2	211	218	218	225.0	225	235	830	903
Interest	11	9.6	8	18	9	14.0	14	5	51	42
Other Income	14	12	10	20	2	9	9	13	62	33
PBT	1,369	1,567	1,237	1,118	789	1,264	1,303	1,360	5,290	4,781
Tax	333	331.5	393	165	155	278.2	287	332	1,222	1,052
Rate (%)	24.3	21.2	31.8	14.7	19.6	22.0	22.0	24.4	23.1	22.0
Minority Interest & P/L of Asso. Cos.	16	49	-17	23	-33	0	0	0	38	0
Adj PAT	1,020	1,187	861	930	667	986	1,016	1,028	4,029	3,729
YoY Change (%)	46.2	-58.8	-68.0	2.2	-34.6	-16.9	18.0	10.5	-45.0	-7.4
Margins (%)	14.0	13.6	11.2	12.6	10.3	11.6	11.8	11.6	13.0	11.5

Alkem Labs

Bloomberg	ALKEM IN
Equity Shares (m)	119.6
M. Cap. (INR b)/(USD b)	219 / 3
52-Week Range (INR)	2238 / 1400
1,6,12 Rel Perf. (%)	2 / -22 / -2

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	58.5	63.7	74.6	85.7
EBITDA	10.0	10.9	13.5	16.6
NP	9.0	8.7	11.2	12.9
EPS (INR)	75.7	72.5	93.3	108.2
EPS Gro. (%)	7.5	-4.2	28.7	16.0
BV/Sh. (INR)	353.4	409.6	481.8	565.7
RoE (%)	23.4	19.0	20.9	20.7
RoCE (%)	21.3	17.4	23.0	24.7

Valuations

P/E (x)	24.2	25.3	19.6	16.9
P/BV (x)	5.2	4.5	3.8	3.2
EV/EBITDA (x)	21.6	19.2	14.8	11.6

CMP: INR1,832 TP: INR1,830 (-0%) Neutral

- We expect moderate revenue growth for Alkem due to the impact of GST in the domestic market and the lack of big approvals in the US. We expect domestic growth for Alkem to pick up from 2Q FY18 due to channel re-filling.
- EBITDA margin is expected to shrink marginally by 90bp YoY and expand 1,070bp QoQ on the back of low base effect of 1QFY17 due to GST implementation, which led to de-stocking.
- We expect adj. PAT to decline ~12% YoY, while tax rate is expected to inch up to ~17% from mid-single-digit in FY17.
- Growth in ALKEM's India business is expected to improve gradually as the industry still unravels actual impact of GST on inventory de-stocking.
- We continue believing that Alkem is the best way to play the domestic growth story (>70% of revenue and >85% of EBITDA came from India in FY17). Having said that, at current valuations, the stock provides limited room for upside. Our target price of INR1,830 for Alkem is based on 20x FY19E PER.

Key issues to watch out

- Impact of demonetization.
- Update on visibility of approval post EIR at Ankleshwar facility.
- Pick-up in chronic business.

Quarterly Performance (Consolidated)

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Net Revenues	14,808	16,383	14,819	12,514	12,952	17,265	16,462	17,222	58,525	63,681
YoY Change (%)	22.6	18.6	16.3	9.0	-12.5	5.4	11.1	37.6	15.9	8.8
EBITDA	2,711	3,105	2,681	1,493	944	3,108	2,914	4,145	9,989	10,889
Margins (%)	18.3	19.0	18.1	11.9	7.3	18.0	17.7	24.1	17.1	17.1
Depreciation	230	255	264	264	306	285	290	403	1,012	1,284
Net Other Income	181	219	137	132	169	180	270	214	669	834
PBT before EO Exp	2,663	3,069	2,554	1,361	807	3,003	2,894	3,956	9,646	10,439
EO Exp/(Inc)									0	0
PBT	2,663	3,069	2,554	1,361	807	3,003	2,894	3,956	9,646	10,439
Tax	230	187	192	-9	169	510	492	603	600	1,775
Rate (%)	8.6	6.1	7.5	-0.7	20.9	17.0	17.0	15.3	6.2	17.0
PAT (pre Minority Interest)	2,433	2,882	2,363	1,370	638	2,492	2,402	3,353	9,047	8,664
Minority Interest	45	53	29	0	0	0	0	0	0	0
Reported PAT	2,388	2,828	2,334	1,370	638	2,492	2,402	3,353	9,047	8,664
YoY Change (%)									0	0
Adj Net Profit	2,388	2,828	2,334	1,370	638	2,492	2,402	3,353	9,047	8,664
YoY Change (%)	18.7	5.9	24.7	-27.0	-73.3	-11.9	2.9	144.8	22.1	-4.2

Aurobindo Pharma

Bloomberg	ARBP IN
Equity Shares (m)	585.9
M. Cap. (INR b)/(USD b)	435 / 7
52-Week Range (INR)	895 / 504
1,6,12 Rel Perf. (%)	0 / 4 / -26

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	150.9	166.8	185.9	205.0
EBITDA	34.3	40.9	44.6	48.2
NP	23.0	26.3	29.3	30.8
EPS (INR)	39.3	44.9	50.0	52.5
EPS Gro. (%)	13.5	14.3	11.3	5.1
BV/Sh. (INR)	160.0	202.3	249.8	299.8
RoE (%)	27.6	24.8	22.1	19.1
RoCE (%)	19.0	19.7	18.5	16.6

Valuations

P/E (x)	18.9	16.5	14.9	14.1
P/BV (x)	4.6	3.7	3.0	2.5
EV/EBITDA (x)	13.4	11.1	9.9	8.8
EV/Sales (x)	3.1	2.7	2.4	2.1
Dividend Yield (%)	0.3	0.3	0.3	0.3

CMP: INR742
TP: INR850 (+15%)
Buy

- We expect Aurobindo (ARBP) to post 14.4% YoY sales growth to INR43.2b in 2QFY18, on the back of higher growth in the US business.
- We expect US business (~55% of formulation sales) to post robust growth of 18% YoY in 2QFY18E, primarily on the back of recent launch of gRenvela in July 2017. Europe and RoW sales are expected to exhibit growth of 15% YoY, while API sales are estimated to grow ~8% YoY in 2QFY18E.
- EBITDA margin is likely to expand marginally by ~90bp to 25.5% YoY (+ 260bp sequentially). Overall EBITDA is estimated to increase by ~18.5% to INR11b. We expect adj. PAT at INR7.1b, compared to INR6.1b in the corresponding quarter last year.
- At CMP, ARBP trades at ~15x FY19E, at >15-20% discount to its peers. We continue believing that ARBP is well poised to outperform peers in the current circumstances, led by its strong US pipeline, diversified product mix (top-25 products account for ~35% of sales) and no pending regulatory issues. ARBP remains one of our top picks. in the sector, with a target price of INR850 @ 17x FY19E PER.

Key issues to watch out

- Debt reduction during the quarter.
- Outlook on the US business (~35-40 launches expected over next 12 months).
- Profitability of acquired Actavis business in Europe.

Quarterly Performance Consolidated

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	37,666	37,755	39,062	36,417	36,788	43,201	43,513	43,371	150,897	166,846
YoY Change (%)	14.2	12.2	11.7	-2.8	-2.3	14.4	11.4	17.4	8.1	10.6
EBITDA	8,890	9,293	8,948	7,713	8,417	11,016	10,878	10,593	34,341	40,877
Margins (%)	23.6	24.6	22.9	21.2	22.9	25.5	25.0	24.4	22.8	24.5
Depreciation	1,062	1,102	1,111	1,001	1,312	1,315	1,315	1,304	4,276	5,246
Interest	206	175	143	143	169	175	175	160	667	679
Other Income	159	83	79	218	221	150	150	229	538	750
PBT before EO expense	7,780	8,098	7,774	6,787	7,157	9,676	9,538	9,358	29,936	35,703
Extra-Ord expense	-70	-202	-158	310	77	0	0	0	-621	0
PBT	7,851	8,300	7,932	6,477	7,080	9,676	9,538	9,358	30,557	35,703
Tax	2,008	2,240	2,177	1,172	1,910	2,564	2,528	2,459	7,596	9,461
Rate (%)	25.6	27.0	27.4	18.1	27.0	26.5	26.5	26.3	24.9	26.5
Minority Interest	-8	3	-31	-19	-15	0	0	0	-55	-55
Reported PAT	5,850	6,057	5,785	5,325	5,186	7,112	7,011	6,899	23,015	26,296
Adj PAT	5,790	5,913	5,640	5,560	5,226	7,112	7,011	6,899	22,552	26,296
YoY Change (%)	21.0	21.8	7.4	-0.4	-9.7	20.3	24.3	21.9	13.6	14.3
Margins (%)	15.4	15.7	14.4	15.3	14.2	16.5	16.1	15.9	14.9	15.8

Biocon

Bloomberg	BIOS IN
Equity Shares (m)	600.0
M. Cap. (INR b)/(USD b)	207 / 3
52-Week Range (INR)	424 / 268
1,6,12 Rel Perf. (%)	4 / -13 / -4

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	40.8	50.6	63.5	75.2
EBITDA	11.4	12.2	16.3	20.4
NP	6.0	5.8	8.5	11.2
EPS (INR)	10.2	9.7	14.2	18.7
EPS Gro. (%)	31.8	-4.8	45.9	32.0
BV/Sh. (INR)	80.6	87.5	97.5	110.8
RoE (%)	12.3	11.1	14.5	16.9
RoCE (%)	9.4	8.8	14.9	17.6

Valuations

P/E (x)	33.7	35.4	24.3	18.4
P/BV (x)	4.3	3.9	3.5	3.1
EV/EBITDA (x)	18.1	17.0	12.5	9.7
Div. Yield (%)	0.7	0.7	1.0	1.4

CMP: INR344

TP: INR330 (-4%)

Sell

- Biocon's revenue is likely to post strong growth of 16.4% YoY to INR10.9b, on the back of 15% YoY growth in Small Molecules business (72% of sales). Biologics and Branded Formulation business are expected to post significant growth of 30% and 25% YoY, respectively.
- EBITDA is expected to increase ~17% YoY to INR2.6b, with EBITDA margins at 24%.
- We expect PAT to decline to INR1.4b, primarily due to an increase in depreciation due to commencement of Malaysian facility.
- Key growth drivers for FY18E will be 1) commercialization and ramp-up of the insulin plant in Malaysia, 2) ramp-up in CRO division, 3) contribution from API/immuno-suppressants supplies to partners and 4) branded formulations in India. However, capex for long-term initiatives is likely to exert pressure on profitability and return ratios in the near term.
- The recent run-up in the stock price is primarily led by positive developments in the Biosimilars portfolio. Although the progress is impressive, there are still uncertainties that cap the upside potential. In the near term, commissioning of the Malaysia plant would exert pressure on profits. Maintain **Sell** with a TP of INR330 @ 23x FY19E EPS.

Key issues to watch out

- Update on Middle-East problems.
- Progress on Rh-Insulin/Glargine in Europe/US and other out-licensing opportunities.

Quarterly Performance Consolidated

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	9,920	9,400	10,290	9,250	9,337	10,939	12,033	17,948	40,787	50,603
YoY Change (%)	22.4	19.6	24.2	-2.1	-5.9	16.4	16.9	94.0	18.2	24.1
Total Expenditure	7,289	7,150	7,680	7,430	7,416	8,313	9,145	13,552	29,421	38,426
EBITDA	2,631	2,250	2,610	1,820	1,921	2,625	2,888	4,397	11,366	12,177
Margins (%)	26.5	23.9	25.4	19.7	20.6	24.0	24.0	24.5	27.9	24.1
Depreciation	661	680	710	730	988	1,000	1,050	2,034	2,772	5,072
Interest	57	70	90	50	161	68	68	-61	260	236
Other Income	409	520	630	653	540	500	500	460	0	2,000
PBT	2,322	2,020	2,440	1,693	1,312	2,057	2,270	2,884	8,334	8,870
Tax	552	420	550	110	376	494	545	714	1,616	2,129
Rate (%)	23.8	20.8	22.5	6.5	28.7	24.0	24.0	24.8	19.4	24.0
Minority Interest	104	130	180	150	123	175	175	439	760	912
PAT	1,666	1,470	1,710	1,433	813	1,389	1,550	1,731	5,958	5,829
YoY Change (%)	34.6	51.5	66.0	-56.6	-51.2	-5.5	-9.3	20.8	28.3	-2.2
Margins (%)	16.8	15.6	16.6	15.5	8.7	12.7	12.9	9.6	14.6	11.5

Cadila Healthcare

Bloomberg	CDH IN
Equity Shares (m)	1023.7
M. Cap. (INR b)/(USD b)	513 / 8
52-Week Range (INR)	558 / 330
1,6,12 Rel Perf. (%)	-1 / 6 / 17

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	94.3	114.7	140.3	163.7
EBITDA	19.0	27.0	35.3	40.9
NP	14.5	17.9	24.1	27.5
EPS (INR)	14.2	17.5	23.6	26.9
EPS Gro. (%)	-7.9	23.3	34.6	14.1
BV/Sh. (INR)	68.0	81.2	100.4	123.0
RoE (%)	23.0	23.5	26.0	24.1
RoCE (%)	15.2	15.0	17.9	18.3

Valuations

P/E (x)	35.3	28.6	21.2	18.6
P/BV (x)	7.4	6.2	5.0	4.1
EV/EBITDA (x)	28.6	19.9	14.8	12.8

CMP: INR501

TP: INR555 (+11%)

Buy

- Cadila Healthcare's (CDH) 2QFY18 revenue is likely to grow significantly by 25.6% YoY to INR29.6b, driven by strong growth in the US formulations business, with growth of ~41% YoY to INR13.9b due to the recent launch of gLialda.
- Overall export formulations are expected to grow ~36% YoY to INR16.6b, while domestic formulation is likely to grow 15% YoY to INR11.9b.
- We expect EBITDA to significantly increase by 40% YoY to INR7.2b and margin to expand 260bp. Adj. PAT is also likely to increase ~42% YoY to INR4.8b on the back of margin expansion and lower tax rate.
- We believe CDH has made investments in the right areas, and will start accruing benefits over next 2-3 years. With the recent successful closure of its Moraiya unit and several approvals from the plant, we expect 40-50 ANDA approvals from this plant till FY19. We expect strong EPS growth from FY17-19E (29% CAGR) on the back of Moraiya resolution and strong launch pipeline in US, with better return ratios over next two years.
- Strong launch momentum, coupled with limited-competition launches (like Lialda), should drive significant margin improvement (expect FY19 EBITDA margin to be ~25%), in our view. We maintain our **Buy** rating with a target price of INR555 @23x FY19E PER.

Key issues to watch out

- Outlook for recovery in domestic formulations.
- Progress on improvement in balance sheet.

Quarterly Performance

(INR Million)

Y/E March	FY17E				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Revenues	22,871	23,531	23,111	24,782	21,973	29,552	29,819	33,346	94,295	114,689
YoY Change (%)	-1.2	1.0	-4.8	1.2	-3.9	25.6	29.0	34.6	-1.0	21.6
EBITDA	5,239	5,160	4,043	4,636	2,773	7,240	7,604	9,335	19,036	26,952
Margins (%)	22.9	21.9	17.5	18.7	12.6	24.5	25.5	28.0	20.2	23.5
Depreciation	843	864	898	1,145	1,220	1,000	1,000	921	3,750	4,141
Interest	140	187	66	99	219	405	405	-15	450	1,014
Other Income	153	236	166	731	210	257	257	305	1,286	1,029
PBQ before EO Income	4,409	4,345	3,245	4,123	1,544	6,093	6,456	8,733	16,122	22,826
EO Exp/(Inc)	2	0	0	0	0	0	0	0	0	0
PBQ after EO Income	4,407	4,345	3,245	4,123	1,544	6,093	6,456	8,733	16,122	22,826
Tax	966	1,068	504	19	293	1,219	1,291	1,762	1,289	4,565
Rate (%)	21.9	24.6	15.5	0.5	19.0	20.0	20.0	20.2	8.0	20.0
Min. Int/Adj on Consol	-121	-99	-76	249	133	-84	-84	-300	47	-335
Adj PAT	3,564	3,376	2,817	3,855	1,384	4,791	5,081	6,670	14,880	17,926
YoY Change (%)	-13.0	-26.5	-27.8	-0.7	-61.2	41.9	80.4	73.0	3.7	20.5
Margins (%)	15.6	14.3	12.2	15.6	6.3	16.2	17.0	20.0	15.8	15.6

Cipla

Bloomberg	CIPLA IN
Equity Shares (m)	804.5
M. Cap. (INR b)/(USD b)	471 / 7
52-Week Range (INR)	622 / 479
1,6,12 Rel Perf. (%)	5 / -7 / -13

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	146.3	168.1	190.0	214.7
EBITDA	24.8	30.1	35.7	42.7
NP	12.8	16.9	20.9	26.7
EPS (INR)	15.9	21.1	26.0	33.3
EPS Gro. (%)	-15.5	32.7	23.2	27.9
BV/Sh. (INR)	155.7	174.3	197.2	227.4
RoE (%)	10.2	12.1	13.2	14.6
RoCE (%)	8.1	9.9	11.0	12.6

Valuations

P/E (x)	36.8	27.7	22.5	17.6
P/BV (x)	3.8	3.4	3.0	2.6
EV/EBITDA (x)	20.4	16.8	13.9	11.2
Div. Yield (%)	0.4	0.4	0.4	0.4

CMP: INR585

TP: INR520 (-11%)

Neutral

- We expect Cipla's revenues to grow 15% YoY to INR42.9b in 2QFY18.
- Export formulation business is expected to grow at ~10% YoY. Domestic business is expected to grow significantly at 20% YoY, driven by traction in Respiratory business. Export API sales are expected to report 10% YoY growth to INR1.2b.
- EBITDA is likely to grow 13% YoY to INR7.7b, with margin remaining flat. We expect reported PAT to increase 17.4% YoY to INR4.2b.
- Unlike other large-cap peers, CIPLA is well poised to deliver robust growth in the US due to a lower base, coupled with significant pickup in filing quality and rate (filed 32 ANDAs in FY17, planning to file 20-25 in FY18E). Maintain **Neutral** with TP of INR520 @ 20x FY19E PER.

Key issues to watch out

- Launch of combination inhaler in the UK market (USD450m market size).
- Margin improvement in Medpro operations (acquired in July 2014).
- Sustained strong growth in domestic formulations (38% of sales).

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Revenues	36,500	37,510	36,472	35,820	35,251	42,975	42,101	47,822	146,300	168,149
YoY Change (%)	-4.9	8.6	17.4	9.7	-3.4	14.6	15.4	33.5	7.0	14.9
EBITDA	6,112	6,807	6,776	5,062	6,465	7,717	7,578	8,338	24,756	30,099
Margins (%)	16.7	18.1	18.6	14.1	18.3	18.0	18.0	17.4	16.9	17.9
Depreciation	2,038	2,292	2,577	2,322	2,134	2,400	2,425	1,754	9,229	8,713
Interest	315	352	593	334	279	324	324	101	1,594	1,028
Other Income	252	272	1,535	228	1,514	400	400	-714	2,287	1,600
PBT after EO expense	4,011	4,436	5,141	2,634	5,566	5,393	5,229	5,770	16,220	21,957
Tax	553	719	1,283	593	1,308	1,122	1,088	1,050	3,094	4,567
Rate (%)	13.8	16.2	25.0	22.5	23.5	20.8	20.8	18.2	19.1	20.8
Minority Interest	67.6	173.6	109.8	9.3	169.6	112.5	112.5	55.4	360.2	450.0
Reported PAT	3,391	3,543	3,748	2,032	4,088	4,159	4,029	4,665	12,766	16,940
YoY Change (%)	-47.8	-34.7	8.7	-33.2	20.6	17.4	7.5	129.5	-30.7	32.7
Margins (%)	9.3	9.4	10.3	5.7	11.6	9.7	9.6	9.8	8.7	10.1

Divi's Laboratories

Bloomberg	DIVI IN
Equity Shares (m)	265.5
M. Cap. (INR b)/(USD b)	229 / 4
52-Week Range (INR)	1319 / 533
1,6,12 Rel Perf. (%)	20 / 31 / -45

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	41.0	37.7	43.0	49.4
EBITDA	14.3	12.3	15.0	16.6
NP	10.6	9.0	10.7	11.6
EPS (INR)	39.9	33.9	40.4	43.6
EPS Gro. (%)	-5.8	-15.2	19.3	7.9
BV/Sh. (INR)	201.8	195.6	217.8	241.8
RoE (%)	22.0	17.0	19.5	19.0
RoCE (%)	21.8	17.0	19.5	18.9

Valuations

P/E (x)	21.6	25.5	21.4	19.8
P/BV (x)	4.3	4.4	4.0	3.6
EV/EBITDA (x)	15.9	18.7	15.0	13.5
Div. Yield (%)	1.2	1.5	1.8	1.9

CMP: INR864

TP: INR720 (-17%)

Neutral

- Divis Laboratories (DIVI) is likely to register decline in revenues by 7% YoY to INR9.2b.
- Adjusted EBITDA is likely to decline ~19% YoY to INR3b, as margins are expected to contract ~460bp to 32.5%, primarily due to an increase in raw material cost (as % of sales) of 320bp.
- PAT is expected to decline 28.7% YoY to INR2.2b due to a decline in EBITDA margin.
- We expect the stock to remain range bound in the near term due to uncertainty related to a) impact of current import alert, 2) resolution timeline and 3) unit-1 inspection results. We retain **Neutral** with a TP of INR720. On a going concern basis, large capex addition and delay in commencement of facility are likely to keep growth under check till FY19. However, a strong balance sheet (net cash surplus) provides valuation cushion.
- The stock trades at 21x FY19E earnings.

Key issues to watch out

- Clarity on Unit 2 483s.
- Ramp-up at Vizag SEZ.
- Outlook for growth beyond FY18.

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Op Revenue	10,060	9,918	9,600	10,631	8,212	9,224	9,888	10,399	40,952	37,723
YoY Change (%)	24.7	3.1	12.7	-2.8	-18.4	-7.0	3.0	-2.2	7.8	-7.9
EBITDA	4,016	3,680	3,777	3,585	2,448	2,998	3,214	3,600	14,350	12,260
Margins (%)	39.9	37.1	39.3	33.7	29.8	32.5	32.5	34.6	35.0	32.5
Depreciation	301	308	310	314	323	512	512	507	1,233	1,855
Interest	4	4	4	10	5	5	5	15	23	30
Other Income	184	226	215	245	297	345	345	393	859	1,379
PBT before EO Income	3,896	3,595	3,678	3,505	2,417	2,825	3,041	3,471	13,953	11,754
EO Income	0	0	0	0	0	0	0	0	0	0
PBT	3,896	3,595	3,678	3,505	2,417	2,825	3,041	3,471	13,953	11,754
Tax	878	565	996	912	652	664	715	732	3,349	2,762
Deferred Tax	0	0	0	0	0	0	0	0	0	0
Rate (%)	22.5	15.7	27.1	26.0	27.0	23.5	23.5	21.1	24.0	23.5
Adj PAT	3,018	3,030	2,683	2,593	1,765	2,161	2,326	2,739	10,604	8,992
YoY Change (%)	23.1	2.5	8.8	-19.5	-41.5	-28.7	-13.3	5.6	-4.2	-15.2
Margins (%)	30.0	30.5	27.9	24.4	21.5	23.4	23.5	26.3	25.9	23.8
Reported PAT	3,018	2,239	2,683	2,593	1,765	2,161	2,326	2,739	10,604	8,992

Dr Reddy's Labs

Bloomberg	DRRD IN
Equity Shares (m)	170.5
M. Cap. (INR b)/(USD b)	407 / 6
52-Week Range (INR)	3395 / 1902
1,6,12 Rel Perf. (%)	9 / -18 / -35

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	140.8	145.2	172.2	203.3
EBITDA	24.2	25.4	37.0	46.3
NP	12.0	12.4	20.5	25.2
EPS (INR)	72.6	72.6	119.9	147.5
EPS Gro. (%)	-45.1	0.0	65.2	23.0
BV/Sh. (INR)	740	779	886	1,013
RoE (%)	9.7	9.7	14.4	15.5
RoCE (%)	6.4	6.8	10.7	12.2

Valuations

P/E (x)	32.9	32.9	19.9	16.2
P/BV (x)	3.2	3.1	2.7	2.4
EV/EBITDA (x)	17.6	16.8	11.3	8.7
Dividend Yield (%)	0.5	0.5	0.8	0.9

CMP: INR2,387 TP: INR2,400 (+1%) Neutral

- Dr Reddy's Lab is expected to report moderate growth of 4.2% in 2QFY18 YoY, with revenue at INR37.4b.
- US business is likely to decline ~3% YoY to INR15.6b, while Russia and CIS region sales are expected to post significant growth of ~24% YoY. India business is expected to report growth of 20% YoY to INR7.5b.
- EBITDA is expected to increase 14.8% YoY to INR6.9b and the margin to increase 170bp YoY to 18.5%. PAT is expected to increase to INR3.5b.
- We believe the stock will remain range bound until there is more visibility on key launches in the US (including Aloxi, Nuvaring, Soboxone, and Copaxone 20 and 40mg). Maintain **Neutral** with a target price of INR2,400 @ 20x FY19E PER.

Key issues to watch out

- Update on USFDA resolution of warning letters for Srikakulam, Duvvada and Miryalaguda API plants.
- FY18 outlook for both the generics and PSAI businesses.
- Impact of pricing pressure in the US.

Quarterly Performance

(INR Million)

Y/E March	FY17E				FY18E				FY17	FY18
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	32,345	35,857	37,065	35,542	33,159	37,374	37,503	37,123	140,809	145,159
YoY Change (%)	-13.9	-10.1	-6.6	-5.4	2.5	4.2	1.2	4.4	-9.0	3.1
Total Expenditure	28,572	29,834	28,539	29,708	30,101	30,460	30,002	29,193	116,654	119,756
EBITDA	3,773	6,023	8,526	5,834	3,058	6,914	7,501	7,930	24,155	25,403
Margins (%)	11.7	16.8	23.0	16.4	9.2	18.5	20.0	21.4	17.2	17.5
Amortization	2,681	2,914	2,924	3,204	2,799	2,800	2,825	2,173	11,722	10,597
Other Income	615	726	320	559	513	450	450	-31	2,220	1,382
Profit before Tax	1,707	3,835	5,922	3,189	772	4,564	5,126	5,726	14,652	16,187
Tax	444	885	1,221	64	181	1,095	1,230	1,298	2,614	3,804
Rate (%)	26.0	23.1	20.6	2.0	23.4	24.0	24.0	22.7	17.8	23.5
Reported PAT	1,263	2,950	4,701	3,125	591	3,469	3,895	4,429	12,038	12,383
Adjusted PAT	1,263	3,244	4,701	3,125	591	3,469	3,895	4,429	12,038	12,383
YoY Change (%)	-79.8	-55.1	-18.8	-16.9	-53.2	6.9	-17.1	41.7	-39.8	2.9
Margins (%)	3.9	9.0	12.7	8.8	1.8	9.3	10.4	11.9	8.5	8.5

Fortis Healthcare

Bloomberg	FORH IN
Equity Shares (m)	518.0
M. Cap. (INR b)/(USD b)	78 / 1
52-Week Range (INR)	231 / 126
1,6,12 Rel Perf. (%)	-1 / -27 / -26

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	45.7	51.2	58.2	67.0
EBITDA	3.5	5.6	7.6	9.7
NP	4.8	1.0	2.6	4.0
EPS (INR)	10.3	2.2	5.6	8.6
EPS Gro. (%)	-638.2	-78.9	155.6	54.8
BV/Sh. (INR)	96.8	111.0	116.5	125.1
RoE (%)	11.3	2.1	4.9	7.1
RoCE (%)	3.5	3.4	4.9	6.1

Valuations

P/E (x)	14.5	68.7	26.9	17.4
P/BV (x)	1.6	1.4	1.3	1.2
EV/EBITDA (x)	24.5	13.8	9.9	7.3
EV/Sales (x)	1.9	1.5	1.3	1.1

CMP: INR150

TP: INR220 (+47%)

Buy

- We expect Fortis to deliver low-double-digit revenue growth of 12% to INR13.4b on the back of steady growth in the core businesses (Hospitals & Diagnostics), partially impacted by demonetization.
- EBITDA margin will continue to expand sequentially, despite seasonality impact, on the back of better efficiency and fading impact of demonetization.
- We expect hospital EBITDA to grow more than 4x by FY19E (from FY16 base) on the back of lower base, coupled with strong high-teen growth in EBITDAC, relatively flattish BT cost (at normalized level) and FHTL transaction.
- We expect EBITDA margin for the diagnostics business to improve by ~200bp by FY19E on the back of deeper penetration in existing markets, rationalization of low-margin centers, growth in samples tested and higher share from the O&M model.
- We argue for multiple re-rating, led by a multifold increase in Hospital EBITDA, SRL demerger, asset light expansion strategy and FHTL transaction. We value Hospital and Diagnostic based on 20x FY19E EV/EBITDA. FORH is our top pick in the healthcare delivery space with a TP of INR220.

Key issues to watch out

- SRL demerger.
- Possibility of capital infusion and usage of capital.
- PAT breakeven of hospitals business.

Quarterly performance

Y/E March	FY17E				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	11,212	11,957	11,334	11,234	11,566	13,392	13,034	13,241	45,737	51,234
YoY Change (%)	8.4	10.9	8.9	3.2	3.2	12.0	15.0	17.9	7.8	12.0
Total Expenditure	10,585	10,968	10,211	10,444	10,705	12,107	11,587	11,239	42,208	45,638
EBITDA	626	990	1,123	790	861	1,286	1,447	2,002	3,529	5,596
Margins (%)	5.6	8.3	9.9	7.0	7.4	9.6	11.1	15.1	7.7	10.9
Depreciation	476	517	599	630	590	750	780	230	2,222	2,350
Interest	420	461	748	666	644	500	500	756	2,294	2,400
Other Income	330	380	589	361	576	75	75	-426	1,660	300
PBT before EO expense	61	393	365	-146	203	111	242	590	673	1,146
Extra-Ord expense	0	-9	-4,194	8	6	0	0	0	16	0
PBT	61	402	4,559	-153	197	111	242	590	657	1,146
Tax	29	242	190	263	123	37	80	139	724	378
Rate (%)	47.3	60.2	4.2	-171.7	62.1	33.0	33.0	23.6	110.3	33.0
Minority Interest & P/L of Asso. Cos.	-130	-154	-165	-41	-151	-61	-61	30	-4,861	-243
Reported PAT	162	314	4,533	-375	226	135	223	421	4,793	1,011
Adj PAT	162	310	514	-354	228	135	223	421	4,791	1,011
YoY Change (%)	-82.6	-62.6	-193.1	-61.0	41.1	-56.5	-56.7	-218.9	460.3	-78.9
Margins (%)	1.4	2.6	4.5	-3.2	2.0	1.0	1.7	3.2	10.5	2.0

Glenmark Pharma

Bloomberg	GNP IN
Equity Shares (m)	282.3
M. Cap. (INR b)/(USD b)	173 / 3
52-Week Range (INR)	993 / 568
1,6,12 Rel Perf. (%)	2 / -36 / -46

Financial Snapshot (INR Billion)

Y/E MAR	2017	2018E	2019E	2020E
Sales	89.7	96.7	112.6	130.4
EBITDA	18.2	18.6	22.0	26.2
NP	11.1	11.2	13.9	17.2
EPS (INR)	39.3	39.7	49.1	61.0
EPS Gro. (%)	58.0	1.0	23.8	24.2
BV/Sh. (INR)	159.2	195.2	240.7	298.0
RoE (%)	24.7	20.3	20.4	20.5
RoCE (%)	19.1	18.1	20.6	22.3

Valuations

P/E (x)	15.6	15.4	12.4	10.0
P/BV (x)	3.8	3.1	2.5	2.1
EV/EBITDA (x)	11.5	10.9	9.1	7.3
D. Yield (%)	0.5	0.5	0.5	0.5

CMP: INR611

TP: INR775 (+27%)

Neutral

- We expect Glenmark Pharmaceuticals (GNP) to report 6.6% YoY growth in overall revenues to INR23.2b.
- The India branded business is likely to grow 8% YoY, while the US generic segment is expected to decline marginally by ~3% YoY. LatAm business is expected decline ~10% YoY on back of absence of sale from Venezuela; RoW and Europe businesses are expected to grow 15% and 20% YoY, respectively.
- EBITDA is likely to decrease 13% YoY to INR3.5b. We expect margins to decline to ~15%. Adjusted PAT is expected to decline by 15.1% YoY to INR1.9b due to decline in margin, partially offset by lower tax rate at 25% v/s 28.5% in 2QFY17.
- Weak cash flow conversion and high net debt remain key concerns for GNP. Maintain **Neutral** with a TP of INR775 (15x FY19E EPS). We expect margins to come under pressure in the coming quarters due to high R&D expense and new competition in Zetia from early June 2017. Any big in-licensing deal in the innovation business could act as a positive catalyst.

Key issues to watch out

- New ANDA filings in complex category.
- Update on free-cash generation and debt repayment schedule.
- Progress of NCE/NBE pipeline and potential out-licensing prospects.

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Revenues (Core)	19,095	21,732	24,630	24,244	23,294	23,160	23,608	26,602	89,701	96,664
YoY Change (%)	17.4	17.9	42.8	11.5	22.0	6.6	-4.1	9.7	18.2	7.8
EBITDA	3,192	3,978	6,929	4,110	5,438	3,474	4,580	5,150	18,211	18,642
Margins (%)	16.7	18.3	28.1	17.0	23.3	15.0	19.4	19.4	20.3	19.3
Depreciation	642	770	625	689	777	780	775	781	2,644	3,114
Interest	430	629	617	697	709	710	600	585	2,373	2,604
Other Income	1,358	491	866	-185	489	500	500	511	2,530	2,000
PBT before EO Expense	3,477	3,070	6,553	2,539	4,441	2,484	3,705	4,294	15,724	14,925
Extra-Ord Expense	0	0	0	809	0	0	0	0	809	0
PBT after EO Expense	3,477	3,070	6,553	1,730	4,441	2,484	3,705	4,294	15,724	14,925
Tax	1,209	876	1,782	-107	1,108	621	926	1,076	3,827	3,731
Rate (%)	34.8	28.5	27.2	-6.2	24.9	25.0	25.0	25.1	24.3	25.0
Reported PAT (incl one-offs)	2,268	2,193	4,771	1,837	3,334	1,863	2,779	3,218	11,897	11,193
Reported PAT (excl MI)	2,268	2,193	4,771	1,837	3,334	1,863	2,779	3,218	11,897	11,193
YoY Change (%)	24.0	9.4	180.8	23.5	47.0	-15.1	-41.8	75.2	56.5	-5.9
Margins (%)	11.9	10.1	19.4	7.6	14.3	8.0	11.8	12.1	13.3	11.6

GSK Pharma

Bloomberg	GLXO IN
Equity Shares (m)	84.7
M. Cap. (INR b)/(USD b)	206 / 3
52-Week Range (INR)	3000 / 2309
1,6,12 Rel Perf. (%)	0 / -16 / -27

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	29.3	31.6	35.4	39.6
EBITDA	3.5	4.5	5.6	6.2
NP	2.9	4.0	4.7	5.0
EPS (INR)	34.4	46.8	54.9	59.1
EPS Gro. (%)	-22.2	36.2	17.3	7.7
BV/Sh. (INR)	236.9	203.2	177.6	177.6
RoE (%)	14.5	23.0	30.9	33.3
RoCE (%)	15.7	21.3	28.8	33.3

Valuations

P/E (x)	70.9	52.1	44.4	41.2
P/BV (x)	10.3	12.0	13.7	13.7
EV/EBITDA (x)	57.1	44.4	35.8	32.1
D. Yield (%)	1.2	2.9	2.9	2.9

CMP: INR2,437 TP:INR2,500(3%) Neutral

- In 2QFY18, we expect GlaxoSmithKline Pharmaceuticals (GLXO) to report modest 12% YoY increase in revenues to INR8.8b.
- EBITDA is expected to increase ~23% YoY to INR1.5b, due to increase in margin by 160bp to 17.5%.
- Increase in EBITDA margin and higher other income (+47% YoY) will improve Adj. PAT, which is expected to increase ~28.5% YoY to INR1.3b. Growth and profitability are expected to gradually improve, with volume ramp-up in key NLEM products.
- We believe GLXO has strong parent support, superior brand portfolio (competitive advantage), high payout ratio (>100%) and industry-leading return ratios (RoCE of ~30%). We maintain our **Neutral** rating with a target price of INR2,500 @ 45x FY19E PER.

Key issues to watch out

- New product introductions in FY18E.
- Market performance of products impacted by DPCO 2013.

Quarterly performance

(INR million)

Y/E March (Standalone)	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	6,852	7,829	6,893	7,634	5,868	8,768	7,858	9,082	29,265	31,576
YoY Change (%)	10.2	11.8	-5.4	11.3	-14.4	12.0	14.0	19.0	6.8	7.9
Total Expenditure	6,150	6,584	6,543	6,469	5,874	7,234	6,616	7,397	25,810	27,121
EBITDA	702	1,245	350	1,165	-6	1,534	1,242	1,685	3,455	4,455
Margins (%)	10.2	15.9	5.1	15.3	-0.1	17.5	15.8	18.6	11.8	14.1
Depreciation	54	66	66	78	75	74	74	102	264	325
Other Income	441	343	319	351	340	506	506	664	1,463	2,016
PBT before EO Expense	1,090	1,522	603	1,438	258	1,966	1,674	2,247	4,655	6,146
Tax	386	536	252	570	120	698	594	769	1,744	2,182
Rate (%)	35.4	35.2	41.8	39.6	46.6	35.5	35.5	34.2	37.5	35.5
Adjusted PAT	705	987	351	869	138	1,268	1,080	1,478	2,911	3,964
YoY Change (%)	-26.4	-4.5	-57.8	-3.3	-80.4	28.5	207.8	70.2	-22.2	36.2
Margins (%)	10.3	12.6	5.1	11.4	2.3	14.5	13.7	16.3	9.9	12.6
Extra-Ord Expense	-18	-2	-179	-259	-126	0	0	0	-457	-126
Reported PAT	723	988	530	1,127	264	1,268	1,080	1,478	3,368	4,090

Ipca Laboratories

Bloomberg	IPCA IN
Equity Shares (m)	126.2
M. Cap. (INR b)/(USD b)	67 / 1
52-Week Range (INR)	656 / 400
1,6,12 Rel Perf. (%)	26 / -24 / -27

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	32.1	33.7	39.5	45.1
EBITDA	4.4	4.4	6.1	7.7
NP	2.0	2.1	3.4	4.5
EPS (INR)	16.1	16.6	26.8	35.7
EPS Gro. (%)	52.8	3.2	61.9	33.0
BV/Sh. (INR)	194.6	208.7	231.5	261.8
RoE (%)	8.6	8.2	12.2	14.5
RoCE (%)	7.5	7.4	10.7	12.7

Valuations

P/E (x)	32.8	31.8	19.7	14.8
P/BV (x)	2.7	2.5	2.3	2.0
EV/EBITDA (x)	11.9	11.9	0.0	0.0
D. Yield (%)	0.4	0.5	0.8	1.0

CMP: INR528

TP: INR430 (-19%)

Neutral

- We expect Ipca Laboratories (IPCA) revenues to post muted growth of 2% YoY to INR8.9b, mainly due to a decline in International business by ~12% to INR2.3b, while domestic revenues are expected to grow 17% YoY to INR4.7b.
- International generic business is expected to decline ~20% YoY. API business is expected to decline marginally by 1%YoY to INR1.8b.
- EBITDA is likely to increase 11% YoY to INR1.4b, with increase of 130bp in EBITDA margin to 16%.
- PAT is expected to increase significantly by 61% YoY to INR759m, primarily due to deferred tax of INR160m in 2QFY17.
- We do not expect revival in the US business before 2HFY19E. Despite the stock's attractive valuation, we believe regulatory overhang will keep multiples under check in the near term. Reiterate **Neutral** with a TP of INR430 @ 16x FY19E, a discount of ~15-20% to peers.

Key issues to watch out

- Update on resolution of USFDA regulatory issues.
- Outlook for institutional tender business.
- Impact of emerging market currency weakness.

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Revenues (Core)	8,422	8,720	7,398	6,658	7,130	8,891	8,381	9,329	32,106	33,731
YoY Change (%)	11.1	16.8	8.1	6.6	-15.3	2.0	13.3	40.1	11.3	5.1
EBITDA	1,285	1,280	1,104	677	215	1,423	1,299	1,441	4,448	4,378
Margins (%)	15.3	14.7	14.9	10.2	3.0	16.0	15.5	15.4	13.9	13.0
Depreciation	422	429	432	428	433	459	459	446	1,730	1,797
Interest	65	68	57	44	56	71	71	46	241	244
Other Income	49	62	59	52	62	100	100	138	226	400
PBT before EO Expense	847	845	675	257	-212	992	869	1,087	2,703	2,736
Extra-Ord Expense	81	-78	39	0	0	0	0	0	0	0
PBT after EO Expense	766	923	636	257	-212	992	869	1,087	2,703	2,736
Tax	290	374	222	-187	-10	233	204	215	675	643
Rate (%)	34.2	44.2	32.9	-72.7	4.6	23.5	23.5	19.8	25.0	23.5
Reported PAT	476	549	414	444	-202	759	665	872	2,028	2,093
Adj PAT	557	471	453	444	-202	759	665	872	2,028	2,093
YoY Change (%)	82.5	31.1	88.4	9.6	-136.4	61.0	46.6	96.5	62.8	3.2
Margins (%)	5.6	6.3	5.6	6.7	-2.8	8.5	7.9	9.3	6.3	6.2

Jubilant Life Sciences

Bloomberg	JUBILANT IN
Equity Shares (m)	159.3
M. Cap. (INR b)/(USD b)	104 / 2
52-Week Range (INR)	879 / 515
1,6,12 Rel Perf. (%)	-7 / -27 / -11

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	60.1	65.9	72.9	82.2
EBITDA	13.5	15.7	17.7	20.1
NP	5.8	7.3	8.8	10.4
EPS (INR)	37.0	47.1	56.7	66.7
EPS Gro. (%)	37.5	27.3	20.4	17.7
BV/Sh. (INR)	220.7	263.1	314.1	374.1
RoE (%)	18.1	19.5	19.6	19.4
RoCE (%)	11.0	11.7	12.6	13.5

Valuations

P/E (x)	17.7	13.9	11.5	9.8
P/BV (x)	3.0	2.5	2.1	1.7
EV/EBITDA (x)	10.5	8.7	7.5	6.2
EV/Sales (x)	2.4	2.1	1.8	1.5
D. Yield (%)	0.4	0.6	0.7	0.8

CMP: INR653

TP: INR905(+39%)

Buy

- We expect Jubilant Life Sciences (JOL) to show a 25% YoY rise in revenues, largely due low base of 2QFY17, increased traction in both pharma and life science ingredient segments, and additional sales of about one month from Triad acquisition.
- We expect pharmaceutical segment to grow 10% YoY, led by superior execution in the radiopharmaceutical, allergy and CMO segments.
- On a low base, life science ingredient is expected to grow at 19% YoY for the quarter.
- We expect EBITDA margin at 21.3% v/s 22.8% in 2QFY17 and 21.7% in 1QFY18, largely due to addition of the low-margin Triad business.
- We expect PAT to be at INR1.7b, up 15.8% YoY for the quarter.
- The stock trades at 12.4x FY19E EPS. We maintain **Buy** with a target price of INR905 (SOTP-based).

Key issues to watch out

- Outlook on radiopharmaceutical products.
- Impact of reduced competition from Chinese companies due to tighter pollution norms by the China government.

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE		
Net Sales	14,195	13,855	14,582	15,982	15,563	17,353	16,508	17,715	60,063	65,9
YoY Change (%)	-1.8	-4.6	6.7	7.6	9.6	25.2	13.2	10.8	4.5	9.7
Total Expenditure	10,514	10,452	11,264	12,932	12,187	13,657	12,463	13,109	46,610	50,119
EBITDA	3,682	3,403	3,318	3,050	3,376	3,696	4,044	4,606	13,453	15,740
Margins (%)	25.9	24.6	22.8	19.1	21.7	21.3	24.5	26.0	22.4	23.9
Depreciation	715	720	727	752	725	780	815	820	2,914	3,140
Interest	828	800	982	802	687	690	695	695	3,411	2,767
Other Income	44	51	51	105	68	70	72	73	251	298
PBT before EO expense	2,183	1,934	1,661	1,601	2,032	2,296	2,606	3,164	7,379	10,131
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	2,183	1,934	1,661	1,601	2,032	2,296	2,606	3,164	7,379	10,131
Tax	542	497	480	111	595	620	717	873	1,630	2,814
Rate (%)	24.9	25.7	28.9	6.9	29.3	27.0	27.5	27.6	22.1	27.8
Minority Interest & P/L of Asso. Cos.	24	-11	0	0	0	0	0	0	-14	-11
Reported PAT	1,616	1,448	1,181	1,490	1,437	1,676	1,890	2,291	5,756	7,328
Adj PAT	1,616	1,448	1,181	1,490	1,437	1,676	1,890	2,291	5,756	7,328
YoY Change (%)	22.5	14.5	-4.0	1,272.3	-11.1	15.8	60.0	53.7	46.7	27.3
Margins (%)	11.4	10.4	8.1	9.3	9.2	9.7	11.4	12.9	9.6	11.1

E: MOSL Estimates

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Lupin

Bloomberg	LPC IN
Equity Shares (m)	447.5
M. Cap. (INR b)/(USD b)	460 / 7
52-Week Range (INR)	1572 / 920
1,6,12 Rel Perf. (%)	4 / -35 / -43

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	174.9	169.1	198.6	229.7
EBITDA	44.9	36.2	46.5	57.6
NP	25.6	18.7	25.4	33.4
EPS (INR)	56.6	41.4	56.3	74.0
EPS Gro. (%)	12.4	-26.9	36.0	31.5
BV/Sh. (INR)	298.9	329.8	375.5	439.1
RoE (%)	20.9	13.2	16.0	18.2
RoCE (%)	13.3	8.8	10.8	12.8

Valuations

P/E (x)	18.2	24.8	18.3	13.9
P/BV (x)	3.4	3.1	2.7	2.3
EV/EBITDA (x)	11.5	13.8	10.5	8.1
D. Yield (%)	0.9	0.9	0.9	0.9

CMP: INR1,028

TP: INR1,125 (+9%)

Buy

- We expect Lupin's (LPC) 2QFY18 revenue to decline 4.3% YoY to INR41b, mainly due to a decline in the US business by ~26% YoY, as the company may face further competitive pressure on Glumetza/Fortamet sales.
- India business is expected to exhibit 15% YoY growth to INR20b. Japan sales are expected to improve 14.7% YoY to INR5b in 2QFY18, aided by currency tailwinds.
- EBITDA is estimated to decline 14% YoY to INR8.8b, as margins are expected to come down by ~250bp to 21.5%.
- Reported PAT is likely to decline 31% YoY to INR4.5b, as tax rate is expected to increase to 26.5% from 19.4% in 2QFY17, along with a decrease in EBITDA margin.
- Although pricing pressure in base business and new competition in Metformin portfolio will keep exerting pressure on the US business, we believe that sales will bottom by 2QFY18. Resolution of Goa and Indore plant inspection in the next two months, coupled with key upcoming launches, will help drive growth from 2H. We maintain **Buy** with TP of INR1,125 @ 20x FY19E PER.

Key issues to watch out

- Gavis sales ramp-up.
- Outlook on future ANDA launches and Gavis integration.
- Impact of new competition in Glumetza and Fortamet.
- Outlook on inorganic growth initiatives.

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	44,677	42,905	44,828	42,533	38,696	41,041	43,212	46,160	174,943	169,110
YoY Change (%)	41.6	28.9	26.1	2.0	-13.4	-4.3	-3.6	8.5	23.1	-3.3
Total Expenditure	31,596	32,624	32,670	31,481	31,012	32,218	33,706	35,985	130,012	132,920
EBITDA	13,080	10,281	12,158	11,052	7,684	8,824	9,507	10,175	44,931	36,190
Margins (%)	29.3	24.0	27.1	26.0	19.9	21.5	22.0	22.0	25.7	21.4
Depreciation	2,027	2,112	2,309	2,674	2,605	2,610	2,610	2,626	9,122	10,451
Interest	320	263	459	406	439	410	425	415	1,525	1,689
Other Income	826	271	1,036	453	320	400	350	430	1,065	1,500
PBT	11,560	8,177	10,426	8,425	4,959	6,204	6,822	7,565	35,349	25,550
Tax	2,734	1,589	4,095	1,367	1,368	1,644	1,808	1,951	9,785	6,771
Rate (%)	23.7	19.4	39.3	16.2	27.6	26.5	26.5	25.8	27.7	26.5
Minority Interest	6	8	24	-16	-12	20	20	57	72	85
Recurring PAT	8,820	6,622	6,331	6,069	3,581	4,540	4,994	5,557	25,492	18,694
YoY Change (%)	55.1	58.0	19.5	-18.9	-59.4	-31.0	-21.1	-8.4	12.3	-26.7
Margins (%)	19.7	15.4	14.1	14.3	9.3	11.1	11.6	12.0	14.6	11.1

Sanofi India

Bloomberg	SANL IN
Equity Shares (m)	23.0
M. Cap. (INR b)/(USD b)	94 / 1
52-Week Range (INR)	4930 / 3901
1,6,12 Rel Perf. (%)	2 / -20 / -15

Financial Snapshot (INR Billion)

Y/E Dec	2016	2017E	2018E	2019E
Sales	23.7	25.9	29.2	32.7
EBITDA	5.3	5.3	6.3	7.2
Net Profit	3.0	3.1	3.7	4.3
Adj. EPS (INR)	129.1	133.6	160.6	185.2
EPS Gr. (%)	24.9	3.5	20.2	15.3
BV/Sh. (INR)	754.5	806.9	886.3	990.3
RoE (%)	17.1	16.6	18.1	18.7
RoCE (%)	16.5	16.2	18.1	18.9
Payout (%)	63.5	60.8	50.6	43.8
Valuations				
P/E (x)	31.5	30.4	25.3	21.9
P/BV (x)	5.4	5.0	4.6	4.1
EV/EBITDA (x)	16.7	16.2	13.2	11.1
Div. Yield (%)	1.7	1.7	1.7	1.7

CMP: INR4,063 TP:INR4,820 (+19%) Buy

- We expect Sanofi India's (SANL) revenue to grow 10% YoY in 3QCY17 to INR6.9b. High growth of brands like Lantus, Allegra, Amaryl M, Enterogermina, Avila, Vaxlgrip and Cardace, and new product launches should drive SANL's revenue growth.
- EBITDA is also likely to increase 5% YoY to INR1.5b during this quarter.
- We expect PAT to increase 10% YoY to INR889m.
- We model an increase of 11% in sales, 9% in EBITDA and 12% in earnings over CY16-18E. We maintain our **Buy** rating with a target price of INR4,820 @ 30x CY18E earnings.

Key issues to watch out

- Amortization of goodwill and brands acquired from Universal Medicare.
- Clarity on nature of reversal of recently withdrawn NPPA guidelines.

Quarterly Performance

(INR Million)

Y/E December	CY16				CY17E				CY16	CY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	5,444	6,080	6,242	5,920	5,529	6,006	6,911	7,433	23,686	25,879
YoY Change (%)	11.4	10.6	6.6	4.1	1.6	-1.2	10.7	25.6	8.0	9.3
EBITDA	1,291	1,458	1,447	1,073	1,015	1,154	1,513	1,576	5,281	5,258
Margins (%)	23.7	24.0	23.2	18.1	18.4	19.2	21.9	21.2	22.3	20.3
Depreciation	301	300	300	412	253	255	300	296	1,313	1,104
Interest	1	7	3	4	4	0	4	7	15	15
Other Income	256	164	148	152	159	284	200	-53	708	590
PBT before EO Items	1,245	1,315	1,292	809	917	1,183	1,409	1,220	4,661	4,729
Extra-Ord Expense	0	0	0	0	0	0	0	0	0	0
PBT after EO Items	1,245	1,315	1,292	809	917	1,183	1,409	1,220	4,661	4,729
Tax	439	462	486	304	317	446	520	372	1,691	1,655
Effective tax Rate (%)	35.3	35.1	37.6	37.6	34.6	37.7	36.9	30.5	36.3	35.0
Reported PAT	806	853	806	505	600	737	889	848	2,970	3,074
Adj PAT	806	853	806	505	600	737	889	848	2,970	3,074
YoY Change (%)	66.5	32.9	11.2	-28.3	-25.6	-13.6	10.3	67.9	24.9	3.5
Margins (%)	14.8	14.0	12.9	8.5	10.9	12.3	12.9	11.4	12.5	11.9

Shilpa Medicare

Bloomberg	SLPA IN
Equity Shares (m)	80.0
M. Cap. (INR b)/(USD b)	47 / 1
52-Week Range (INR)	787 / 525
1,6,12 Rel Perf. (%)	-3 / -20 / -15

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	7.8	10.7	14.0	16.8
EBITDA	1.8	2.5	3.5	4.4
NP	1.1	1.7	2.4	3.0
EPS (INR)	14.0	21.1	30.4	38.1
EPS Gro. (%)	6.2	50.7	43.9	25.2
BV/Sh. (INR)	114.4	134.3	163.1	199.1
RoE (%)	14.4	17.0	20.4	21.0
RoCE (%)	11.5	12.9	16.4	18.0

Valuations

P/E (x)	41.7	27.7	19.2	15.3
P/BV (x)	5.1	4.3	3.6	2.9
EV/EBITDA (x)	27.7	19.8	14.0	11.0
EV/Sales (x)	6.2	4.6	3.5	2.9

CMP: INR584
TP: INR805 (+38%)
Buy

- We expect an 8.6% YoY decline in net sales of Shilpa Medicare (SLPA), led by the shift in the CRAMS business toward JV.
- We expect US formulation sales from Jadcherla to show strong pick-up QoQ on the back of increased market share.
- EBITDA margin is expected to shrink 202bp YoY due to lower other operating income.
- We expect PAT at INR309m, down 25% YoY, on high base of the past year.
- The stock trades at 19.2x FY19E EPS. We maintain **Buy** with a target price of INR805 (25x 12M forward earnings).

Key issues to watch out

- Outlook on new ANDA approvals.
- Outlook on market share in approved products.

Quarterly Performance

(INR Million)

	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	1,672	2,113	1,836	2,237	1,685	1,930	2,233	2,365	7,858	8,213
YoY Change (%)	11.7	21.1	-8.2	13.1	0.8	-8.6	21.6	5.7	366.3	325.6
Total Expenditure	1,339	1,624	1,487	1,650	1,344	1,525	1,664	1,738	6,100	6,271
EBITDA	333	489	348	587	341	405	569	627	1,758	1,942
Margins (%)	19.9	23.2	19.0	26.2	20.2	21.0	25.5	26.5	22.4	23.6
Depreciation	70	75	78	78	84	82	83	82	300	331
Interest	7	6	7	7	5	5	5	5	27	20
Other Income	24	37	40	79	52	75	85	95	180	307
PBT before EO expense	280	446	304	581	303	393	566	635	1,610	1,898
Share of p/ (L) in Associate/ JV	-62	54	-37	-7	28	30	85	95	0	238
Extra-Ord expense	0	0	0	45	0	0	0	0	45	0
PBT	342	391	340	633	275	363	481	540	1,655	1,660
Tax	80	124	97	147	90	114	137	153	447	494
Rate (%)	36.5	24.7	36.1	27.8	27.2	27.0	21.0	21.0	28.5	23.2
Minority Interest & P/L of Asso. Cos.	-9	-6	-4	-8	0	0	0	0	-27	0
Reported PAT	147	382	175	390	241	309	515	576	1,145	1,641
Adj PAT	147	382	175	423	221	287	447	501	1,178	1,458
YoY Change (%)	-5.3	52.4	-37.1	7.7	50.2	-24.9	156.4	18.6	433.3	408.0
Margins (%)	8.8	18.1	9.5	18.9	13.1	14.9	20.0	21.2	15.0	17.8

E: MOSL Estimates

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Strides Shasun

Bloomberg	STR IN
Equity Shares (m)	89.4
M. Cap. (INR b)/(USD b)	77 / 1
52-Week Range (INR)	1259 / 849
1,6,12 Rel Perf. (%)	-7 / -29 / -27

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	34.8	43.9	54.5	62.4
EBITDA	6.4	8.3	11.0	12.9
NP	2.9	4.2	6.7	8.2
EPS (INR)	32.3	47.4	74.8	92.1
EPS Gro. (%)	108.2	46.9	57.9	23.0
BV/Sh. (INR)	303.3	341.1	401.5	475.7
RoE (%)	10.7	14.7	20.2	21.0
RoCE (%)	7.8	9.2	12.2	13.7

Valuations

P/E (x)	26.6	18.1	11.5	9.3
P/BV (x)	2.8	2.5	2.1	1.8
EV/EBITDA (x)	18.0	13.8	10.2	8.4
EV/Sales (x)	3.3	2.6	2.1	1.7
Dividend	0.4	0.8	1.3	1.6
Yield (%)				

CMP: INR857 TP:INR1,300(+52%) Buy

- We expect 6% YoY decline in net sales of Strides Shasun (STR), led by lower formulation sales.
- API business is expected to remain stable YoY at INR1.6b.
- Gross margin is expected to shrink from 58% to 53% due to pricing pressure of part of the US portfolio and a delay in ANDA approvals.
- However, EBITDA margin is expected to contract marginally YoY to 14.5% due to lower other expenses.
- PAT is expected to reduce by 40% YoY due to a reduction in EBITDA, and also other income to INR439m for 2QFY18.
- The stock trades at 12.6x FY19E EPS. We maintain **Buy** with a target price of INR1,300 (SOTP basis).

Key issues to watch out

- Outlook on traction in approved ANDAs.
- Outlook on pending ANDA pipeline.

Consolidated - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	7,895	9,535	9,335	8,884	8,418	8,952	12,501	14,028	34,834	43,898
YoY Change (%)	28.8	33.3	7.6	-3.9	6.6	-6.1	33.9	57.9	11.6	26.0
Total Expenditure	6,573	8,101	7,338	7,315	7,545	7,654	9,663	10,696	28,406	35,558
EBITDA	1,323	1,434	1,997	1,569	873	1,298	2,838	3,332	6,428	8,340
Margins (%)	16.8	15.0	21.4	17.7	10.4	14.5	22.7	23.8	18.5	19.0
Depreciation	424	468	475	529	511	525	518	514	1,872	2,068
Interest	559	617	538	592	640	500	440	413	2,269	1,993
Other Income	208	658	202	731	361	250	300	414	1,686	1,325
PBT before EO expense	547	1,008	1,185	1,179	82	523	2,180	2,819	3,973	5,604
Extra-Ord expense	60	0	805	17	58	0	0	0	1,002	58
PBT	487	1,008	380	1,162	24	523	2,180	2,819	2,971	5,546
Tax	88	152	78	175	-33	84	371	462	470	883
Rate (%)	18.1	15.1	20.6	15.0	-136.9	16.0	17.0	16.4	15.8	15.9
Minority Interest & P/L of Asso. Cos.	65	114	1	-7	0	0	0	0	462	0
Reported PAT from Continuing Ops.	334	741	300	994	58	439	1,809	2,357	2,039	4,663
Adj. PAT from Continuing Ops.	383	741	940	1,009	194	439	1,809	2,357	2,883	4,663
YoY Change (%)	260.9	106.9	59.6	471.5	-25.4	-40.7	2,936.9	399.9	136.7	61.8
Margins (%)	4.9	7.8	10.1	11.4	2.3	4.9	14.5	16.8	8.3	10.6
Discontinued Operations	0	0	1,661	325	0	0	-191	1,986	1,986	0
Reported Profit for the year	334	741	1,962	1,319	58	439	1,618	4,343	4,025	4,663

E: MOSL Estimates

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Sun Pharma

Bloomberg	SUNP IN
Equity Shares (m)	2399.3
M. Cap. (INR b)/(USD b)	1233 / 19
52-Week Range (INR)	772 / 433
1,6,12 Rel Perf. (%)	5 / -31 / -44

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	302.6	279.7	321.7	366.3
EBITDA	87.8	55.4	78.7	96.8
NP	69.6	36.3	55.9	65.4
EPS (INR)	28.9	15.1	23.3	27.2
EPS Gro. (%)	48.0	-47.9	54.3	17.0
BV/Sh. (INR)	152.3	160.4	176.6	196.8
RoE (%)	18.1	9.6	13.8	14.6
RoCE (%)	19.0	10.0	14.2	15.7

Valuations

P/E (x)	19.7	34.1	22.1	18.9
P/BV (x)	3.4	3.2	2.9	2.6
EV/EBITDA (x)	13.2	20.3	13.7	10.7
D.Yield (%)	0.7	1.2	1.2	1.2

CMP: INR514
TP: INR515 (+0%)
Buy

- Sun Pharmaceuticals (SUNP) is likely to register decline in revenues by 12.9% YoY to INR67.6b, primarily on the back of a decrease in US business by 35% to INR24b.
- India business is expected to grow 9.4% YoY, while the Row and API business are expected to grow 2.5% YoY and 11.6% YoY, respectively.
- SUNP's EBITDA is expected to decline ~53% YoY to INR12.5b, with margin contraction of ~1,580bp to 18.5% due to pricing pressure and increased competition. Also, during 2QFY17, the company's operating income was higher due to the acquisition of Novartis (Japan) brands, one-time revenue of USD25m and lower other operating expense attributed to RBXY integration.
- PAT is expected to decline 62.9% YoY to INR8.3b due to the decline in EBITDA margin.
- We expect the stock to remain under pressure in near term due to challenges related to growth and margins. Maintain **Buy** with a reduced TP of INR515, based on 22x FY19E. We expect recovery from 2HFY18E/FY19E as earnings bounce back, Halol resolution happens and visibility of specialty business monetization improves.

Key issues to watch out

- Update on resolution of USFDA warning letter and 483 observations on Halol.
- Turnaround of Ranbaxy's business.
- Outlook on competitive landscape for Taro's products.

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Revenues	80,067	77,640	76,832	68,252	61,667	67,603	76,830	73,570	302,642	279,670
YoY Change (%)	18.4	13.0	8.5	-10.6	-23.0	-12.9	0.0	7.8	7.1	-7.6
Total Expenditure	53,220	50,974	54,595	55,895	51,131	55,097	60,696	57,396	214,892	224,320
EBITDA	26,847	26,666	22,237	12,357	10,535	12,507	16,134	16,174	87,751	55,350
Margins (%)	33.5	34.3	28.9	18.1	17.1	18.5	21.0	22.0	29.0	19.8
Depreciation	3,160	3,038	3,068	3,382	3,466	3,350	3,400	3,584	12,648	13,800
Net Other Income	2,588	5,668	1,851	4,913	847	2,250	2,250	1,653	15,376	7,000
PBT before EO Exp	26,275	29,295	21,020	13,888	7,916	11,407	14,984	14,243	90,479	48,550
EO Exp/(Inc)	0	0	0	0	9,505	0	0	0	0	0
PBT	26,275	29,295	21,020	13,888	-1,589	11,407	14,984	14,243	90,479	48,550
Tax	3,527	4,417	3,729	443	1,618	1,711	2,248	1,706	12,116	7,283
Rate (%)	13.4	15.1	17.7	3.2	20.4	15.0	15.0	12.0	13.4	15.0
PAT (pre Minority Interest)	22,748	24,879	17,291	13,445	-3,207	9,696	12,737	12,537	78,363	41,268
Minority Interest	2,411	2,528	2,573	1,208	1,042	1,400	1,400	1,158	8,719	5,000
Reported PAT	20,337	22,351	14,718	12,237	-4,249	8,296	11,337	11,379	69,644	36,268
YoY Change (%)	265.8	117.3	3.9	-28.6	-120.9	-62.9	-23.0	-7.0	28.9	-47.9

Torrent Pharmaceuticals

Bloomberg	TRP IN
Equity Shares (m)	169.2
M. Cap. (INR b)/(USD b)	211 / 3
52-Week Range (INR)	1700 / 1144
1,6,12 Rel Perf. (%)	3 / -21 / -37

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	58.6	63.7	74.5	84.7
EBITDA	13.8	14.8	18.3	21.2
NP	9.3	9.0	11.4	13.6
EPS (INR)	55.2	53.4	67.3	80.2
EPS Gro. (%)	-7.7	-3.2	26.0	19.1
BV/Sh. (INR)	257.1	291.2	334.2	385.4
RoE (%)	23.8	19.5	21.5	22.3
RoCE (%)	18.6	15.7	17.0	18.0

Valuations

P/E (x)	22.6	23.4	18.5	15.6
P/BV (x)	4.9	4.3	3.7	3.2
EV/EBITDA (x)	16.3	14.8	11.6	9.6
D. Yield (%)	1.3	1.3	1.6	1.9

CMP: INR1,247 TP: INR1,350 (+8%) Neutral

- We expect Torrent Pharmaceuticals (TRP) to post 17% YoY growth in 2QFY18 reported sales to INR16.5b. US business is expected to decline ~8% YoY owing to continued pressure due to price erosion, while India business is expected to witness 22% YoY growth with successful integration of Elder's portfolio.
- Reported EBITDA is likely to increase 21% YoY to INR4b, with marginal increase in EBITDA margin by ~90bp YoY.
- Although EBITDA is expected to increase, we expect PAT to decline by ~17.5% YoY to INR2.4b due to a higher tax rate at 20%, as against 18.2% in 2QFY17, and increase in depreciation cost.
- Although TRP remains one of the better plays on India's growth story (because of chronic heavy portfolio and one of the best margins), challenges in the US business will keep growth and margins under check in the near term. We have a **Neutral** rating due to limited upside at current valuations. Our TP is INR1,350@20x FY19E PER.

Key issues to watch out

- Contribution of Elder Pharma portfolio and growth strategy.
- Performance of Brazilian operations amid market pressure.
- Outlook on future ANDA launches.

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
INR m	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Revenues	15,070	14,060	14,130	13,810	13,480	16,461	16,398	17,101	58,570	63,699
YoY Change (%)	-22.6	-27.8	-8.2	-7.9	-10.6	17.1	16.1	23.8	-12.3	8.8
EBITDA	4,370	3,300	3,160	2,950	2,970	4,001	3,811	4,060	13,774	14,842
Margins (%)	29.0	23.5	22.4	21.4	22.0	24.3	23.2	23.7	23.5	23.3
Depreciation	680	690	730	970	800	816	816	1,072	3,070	3,503
Interest	490	510	480	580	560	550	550	581	2,060	2,241
Other Income	260	430	500	1,040	1,050	375	375	400	2,230	2,200
PBT before EO Expense	3,460	2,530	2,450	2,440	2,660	3,010	2,821	2,807	10,874	11,298
Extra-Ord Expense	0	0	0	0	0	0	0	0	0	0
PBT after EO Expense	3,460	2,530	2,450	2,440	2,660	3,010	2,821	2,807	10,874	11,298
Tax	540	460	160	380	780	602	564	313	1,540	2,260
Rate (%)	15.6	18.2	6.5	15.6	29.3	20.0	20.0	11.2	14.2	20.0
Reported PAT	2,920	2,070	2,290	2,060	1,880	2,408	2,256	2,493	9,334	9,038
YoY Change (%)	-35.0	-53.9	-34.2	-42.3	-35.6	-17.5	9.0	8.9	-49.9	-3.2
Margins (%)	19.4	14.7	16.2	14.9	13.9	14.6	13.8	14.6	15.9	14.2

Logistics

Company name

Allcargo

Concor

Gateway Distriparks

Robust EXIM container volume growth

Domestic container volumes continue growing

- EXIM originating container rail volumes grew 13% YoY during July-August 2017, indicating strong volume growth for the quarter. Domestic container volumes continued growing in double-digit at 12% YoY during July-August 2017.
- CCRI is expected to report better margins YoY/QoQ, led by strong volume growth. Margins for GDPL are unlikely to improve meaningfully due to intensifying competition in the CFS segment.
- CCRI and GDPL are likely to witness strong earnings improvement, led by robust rail volumes in 2QFY18. AGLL's earnings are expected to remain flattish due to margin pressure on the CFS segment and the subdued performance of the P&E segment.

EXIM originating container volumes grow 13% YoY in July-August

- EXIM originating volumes by rail are likely to grow in mid-teens in 2QFY18. During July-August 2017, EXIM container volumes were up by 13% YoY and domestic volumes by 12% YoY.
- CCRI is likely to report EXIM handling volume growth of 13% YoY (+7 QoQ) for 2QFY18, led by strong EXIM volumes and ramp-up of the Kathuwas terminal.
- GDPL is likely to report growth of 8% YoY (+17% QoQ) in rail volumes due to strong EXIM trade during the quarter. CFS segment is expected to see volume decline of 2% YoY (+3% QoQ), impacted by DPD at the JNPT terminal.

Margins to improve for CCRI

- We expect CCRI to report better margins YoY/QoQ due to strong volume growth in the EXIM and domestic businesses.
- GDPL should see downward pressure on margins, led by margin pressure on the CFS business and flat margins in the rail business.
- AGLL is likely to see pressure on margins, led by subdued performance at CFS and P&E; the MTO segment is expected to do better.

Lower leads to hurt margins

- Lead distance for EXIM trade by rail declined 3% YoY during July-August 2017 due to higher container movement from the Mundra and Pipavav ports compared to JNPT.

Exhibit 1: Expected quarterly performance summary

Sector	CMP (INR)	Reco.	Sales (INR m)			EBDITA (INR m)			PAT (INR m)		
			Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
Logistics											
Allcargo Logistics	169	Buy	16,042	13.9	8.1	1,091	-13.4	6.0	626	-3.9	-0.7
Concor	1,326	Neutral	15,482	12.3	6.3	3,445	50.6	5.4	2,622	66.1	7.7
Gateway Distriparks	241	Buy	3,035	6.2	14.0	513	-11.8	14.0	181	4.9	36.4
Logistics Sector Aggregate			34,559	12.5	7.8	5,049	22.2	6.4	3,429	42.7	7.3

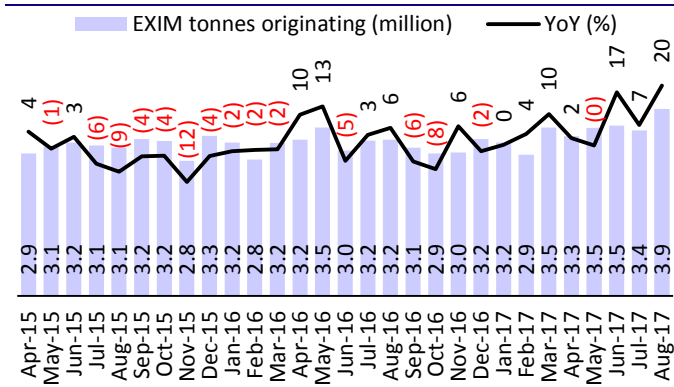
Source: MOSL

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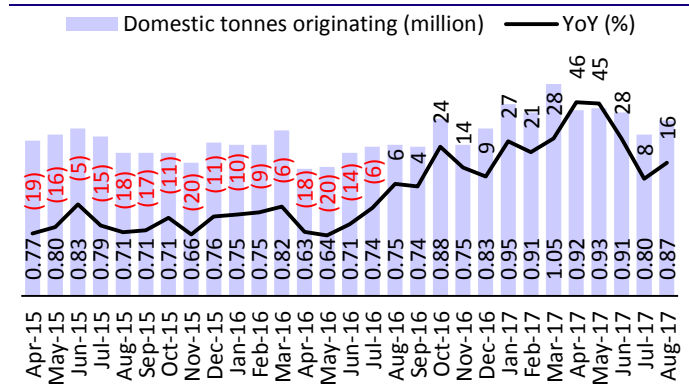
Robust EXIM originating rail volumes, up 13% YoY in July-August 2017

Exhibit 1: EXIM volumes up 13% YoY in July-August 2017



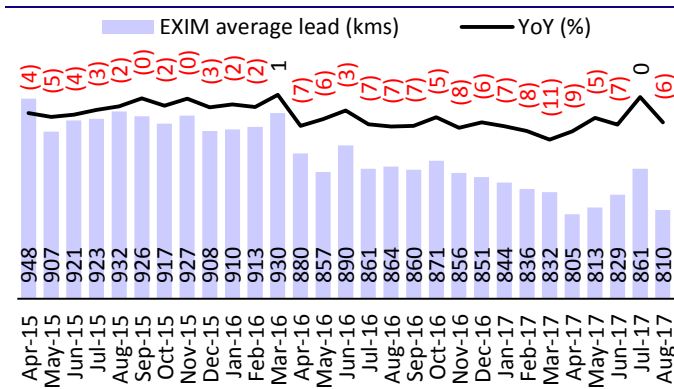
Source: Indian Rail, MOSL

Exhibit 2: Domestic volumes up 12% YoY in July-August 2017



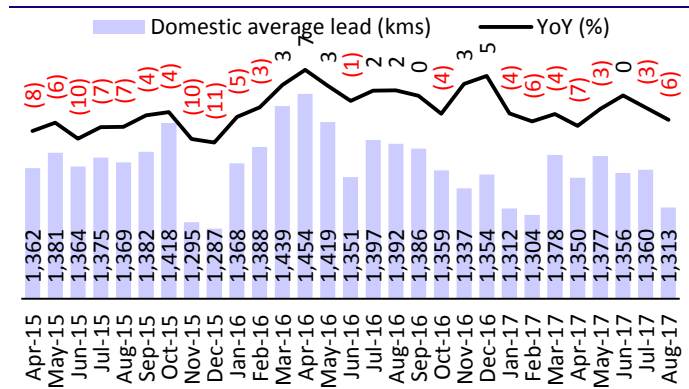
Source: Indian Rail, MOSL

Exhibit 3: EXIM lead distance down YoY in July-August 2017



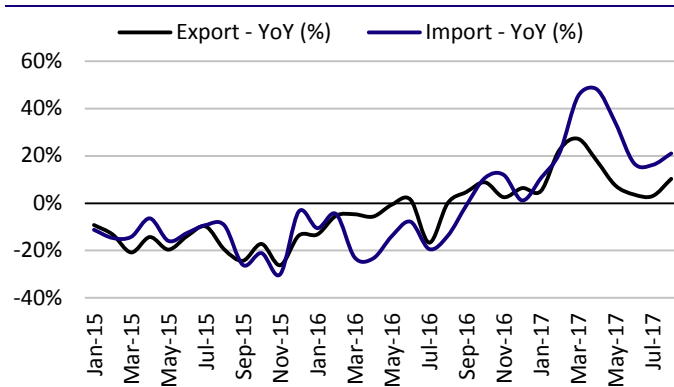
Source: Indian Rail, MOSL

Exhibit 4: Domestic lead distance down YoY in April-May 2017



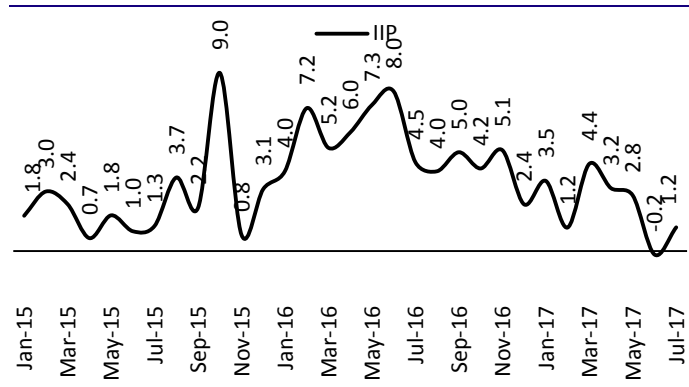
Source: Indian Rail, MOSL

Exhibit 5: India's EXIM trade up ~14% YoY in July-August 2017 (imports up +19% YoY, exports up +7% YoY)



Source: CEIC, MOSL

Exhibit 6: IIP was up ~1% YoY (-1% QoQ) in July 2017



Source: CEIC, MOSL

Exhibit 7: Comparative valuation

Sector / Companies	CMP (INR)	Reco.	EPS (INR)			PE (x)			EV/EBIDTA (x)			RoE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Logistics														
Allcargo Logistics	169	Buy	9.8	10.3	12.9	17.2	16.5	13.1	8.9	8.6	6.8	13.7	13.4	15.1
Concor	1,326	Neutral	38.0	42.4	48.6	34.9	31.3	27.3	18.4	24.1	21.1	10.8	11.4	12.4
Gateway Distriparks	241	Buy	6.8	8.8	12.2	35.4	27.4	19.8	9.6	8.9	6.9	7.3	9.2	12.1
Sector Aggregate						31.5	28.3	23.9	15.1	18.7	16.0	10.6	11.2	12.5

Allcargo

Bloomberg	AGLL IN
Equity Shares (m)	245.7
M. Cap. (INR b)/(USD b)	42 / 1
52-Week Range (INR)	207 / 150
1,6,12 Rel Perf. (%)	2 / -11 / -19

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	55.7	65.0	73.9	83.7
EBITDA	4.6	4.7	5.4	5.7
NP	2.4	2.5	3.2	3.4
EPS (INR)	9.8	10.3	12.9	13.7
EPS Growth (%)	-3.7	4.6	25.3	6.0
BV/Share (INR)	72.9	80.7	90.0	100.2
RoE (%)	13.7	13.4	15.1	14.4
RoCE (%)	12.1	11.5	13.0	13.0
Payout (%)	23.2	23.1	22.7	22.8

Valuations

P/E (x)	17.4	16.6	13.3	12.5
P/BV (x)	2.3	2.1	1.9	1.7
EV/EBITDA (x)	9.8	9.5	7.6	6.6
Div. Yield (%)	1.2	1.2	1.5	1.6

CMP: INR169
TP: INR206 (+22%)
Buy

- We expect AGLL to report EBITDA of INR1.1b (-13% YoY, +6% QoQ), led by an improvement in the MTO segment and a subdued performance at the CFS and P&E segments. We expect PAT of INR626m (-4% YoY, -1% QoQ) in 2QFY18.
- We estimate MTO volumes at 142k TEU (+12% YoY, +3% QoQ) and CFS volumes at 83k TEU (+5% YoY, +5% QoQ).
- We estimate ~7% EBITDA CAGR and ~12% PAT CAGR over FY17-20, and expect the return ratios to improve from ~13% to ~17%, driven by margin expansion and reduction in capex intensity.
- The stock trades at 13.3x/12.5x FY19E/FY20E P/E and FY19E/FY20E EV/EBITDA of 7.6x/6.6x. Maintain **Buy**.

Key issues to watch for

- (a) Volume data and (b) set-up of logistics park in Jhajjar.

Consolidated - Quarterly Earning Model

Y/E March	FY17				FY18				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Net Sales	13,989	14,084	14,052	13,628	14,834	16,042	16,844	17,266	55,753	64,987
YoY Change (%)	-5.2	-3.1	6.0	-1.6	6.0	13.9	19.9	26.7	-0.9	16.6
Total Expenditure	12,657	12,824	13,059	12,572	13,805	14,951	15,567	15,993	51,112	60,315
EBITDA	1,332	1,261	993	1,056	1,030	1,091	1,277	1,274	4,641	4,671
Margins (%)	9.5	9.0	7.1	7.7	6.9	6.8	7.6	7.4	8.3	7.2
Depreciation	436	434	407	386	399	400	400	425	1,662	1,624
Interest	75	75	78	96	83	80	90	89	324	342
Other Income	59	80	246	149	159	100	120	121	534	500
PBT before EO expense	880	832	754	724	707	711	907	881	3,189	3,206
Extra-Ord expense	0	10	63	0	0	0	0	0	73	0
PBT	880	822	691	724	707	711	907	881	3,117	3,206
Tax	256	178	211	131	76	85	236	308	776	705
Rate (%)	29.1	21.7	30.6	18.1	10.8	12.0	26.0	35.0	24.9	22.0
Reported PAT	624	643	480	593	630	626	671	573	2,340	2,500
Min. Interest & P&L of Asso. Cos.	-14	1	12	-20	-19	-5	-5	-39	-22	-67
Adj PAT	624	651	523	593	630	626	671	573	2,414	2,433
YoY Change (%)	-22.8	5.2	-9.8	-7.4	1.0	-3.9	28.3	-3.4	-3.7	0.8
Margins (%)	4.5	4.6	3.7	4.3	4.3	3.9	4.0	3.3	4.3	3.7

E: MOSL Estimates

Concor

Bloomberg	CCRI IN
Equity Shares (m)	243.7
M. Cap. (INR b)/(USD b)	323 / 5
52-Week Range (INR)	1415 / 844
1,6,12 Rel Perf. (%)	-1 / 26 / 6

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	56.1	62.7	70.9	82.8
EBITDA	12.5	12.7	14.5	17.6
NP	8.6	10.3	11.9	14.2
EPS (INR)	38.0	42.4	48.6	58.3
EPS Gr. (%)	-2.6	11.5	14.8	19.9
BV/Sh (INR)	363.0	380.9	401.4	426.1
RoE (%)	10.8	11.4	12.4	14.1
RoCE (%)	10.5	11.1	12.2	13.8
Payout (%)	57.7	57.7	57.7	57.7
Valuations				
P/E (x)	34.9	31.3	27.3	22.7
P/BV (x)	3.7	3.5	3.3	3.1
EV/EBITDA (x)	25.6	25.1	22.1	18.2
Div. Yield (%)	1.3	1.5	1.8	2.1

CMP: INR1,326 TP: INR1,214(-8%) Neutral

- We expect CCRI to report net sales of INR15.5b (+12% YoY, +6% QoQ), led by (a) strong volume growth of +13% YoY and +5% QoQ and (b) flattish realizations.
- We expect EXIM volumes to improve 12.5% YoY and domestic volumes to grow 15% YoY.
- We estimate EBITDA at INR3.4b (+51% YoY, +5% QoQ) and PAT at INR2.6b (+66% YoY, +8% QoQ).
- The stock trades at 27.3x/22.7x FY19E/FY20E P/E and FY19E/FY20E EV/EBITDA of 22x/18.2x.
- CCRI remains a direct play on the upcoming dedicated freight corridor (DFC) project, which will multiply its asset turnover and significantly improve profitability. Maintain **Neutral**.

Key issues to watch for

- EXIM and domestic volumes, and realizations.
- Progress on MMLPs and DFC projects.

Container Corporation

(INR m)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	13,392	13,786	13,304	15,579	14,568	15,482	15,042	17,621	56,061	62,713
YoY Change (%)	-5.7	-8.2	-5.3	-2.3	8.8	12.3	13.1	13.1	-5.3	11.9
EBITDA	2,619	2,288	2,612	4,950	3,267	3,445	2,973	3,063	12,469	12,748
Margins (%)	19.6	16.6	19.6	31.8	22.4	22.3	19.8	17.4	22.2	20.3
YoY Change (%)	-9.0	-27.6	-6.7	6.2	24.8	50.6	13.8	-38.1	-6.8	2.2
Depreciation	841	873	927	877	953	940	940	921	3,518	3,754
Interest	0	3	1	32	0	9	9	19	37	37
Other Income	692	763	845	593	936	1,000	1,250	1,822	2,892	5,009
PBT before EO expense	2,470	2,175	2,529	4,634	3,251	3,496	3,274	3,945	11,806	13,966
Extra-Ord expense	0	0	0	865	0	0	0	0	0	0
PBT	2,470	2,175	2,529	3,768	3,251	3,496	3,274	3,945	11,806	13,966
Tax	685	596	669	411	817	874	884	1,065	2,361	3,640
Rate (%)	27.7	27.4	26.4	10.9	25.1	25.0	27.0	27.0	20.0	26.1
Adj PAT	1,785	1,578	1,860	4,223	2,434	2,622	2,390	2,880	9,446	10,326
YoY Change (%)	-13.7	-32.4	-9.7	37.9	36.4	66.1	28.5	-31.8	-0.7	9.3
Margins (%)	13.3	11.4	14.0	27.1	16.7	16.9	15.9	16.3	16.8	16.5

E: MOSL Estimates

Gateway Distriparks

Bloomberg	GDPL IN
Equity Shares (m)	108.6
M. Cap. (INR b)/(USD b)	26 / 0
52-Week Range (INR)	292 / 209
1,6,12 Rel Perf. (%)	10 / -11 / -20

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	11.6	12.0	14.3	17.3
EBITDA	2.2	2.2	2.8	3.7
NP	0.7	1.0	1.3	1.7
EPS (INR)	6.8	8.8	12.2	15.9
EPS Gr. (%)	-40.2	29.1	38.7	30.7
BV/Sh (INR)	93.6	97.7	102.9	108.9
RoE (%)	7.3	9.2	12.1	15.0
RoCE (%)	10.0	9.7	13.5	18.0
Payout (%)	120.7	54.0	56.9	62.1
Valuations				
P/E (x)	35.4	27.4	19.8	15.1
P/BV (x)	2.6	2.5	2.3	2.2
EV/EBITDA (x)	12.2	12.0	9.4	7.0
Div. Yield (%)	2.9	1.7	2.4	3.5

CMP: INR241

TP: INR280 (+16%)

Buy

- We expect GDPL to report net sales of INR3b (+6% YoY, +14% QoQ), led by higher volumes in Rail businesses.
- We estimate EBITDA at INR513m (-12% YoY, +14% QoQ) and EBITDA margin at 16.9%. We estimate adjusted PAT at INR181m (+5% YoY, +36% QoQ).
- The stock trades at 19.8x FY19E EPS of INR12.2 and 9.4x FY19E EV/EBITDA.
- GDPL remains a direct play on the upcoming dedicated freight corridor project, which will multiply its asset turnover and significantly improve profitability. Maintain **Buy**.

Key issues to watch for

- Volume growth, realization and per TEU profitability.

Quarterly Performance

										(INR m)
Y/E March	FY17				FY18				FY17	FY18E
(Consolidated)	1Q*	2Q*	3Q*	4Q*	1Q*	2QE	3QE	4QE		
Net Sales	2,782	2,857	2,876	3,077	2,661	3,035	3,089	3,194	11,592	11,978
YoY Change (%)	5.9	10.1	7.7	19.5	-4.4	6.2	7.4	3.8	10.7	3.3
Total Expenditure	2,227	2,276	2,289	2,554	2,211	2,522	2,493	2,526	9,346	9,752
EBITDA	555	581	587	523	450	513	595	668	2,246	2,226
Margins (%)	19.9	20.3	20.4	17.0	16.9	16.9	19.3	20.9	19.4	18.6
YoY Change (%)	-20	-9	-5	-8	-19	-12	1	28	-11	-1
Depreciation	195	194	192	189	202	212	212	218	770	844
Interest	51	88	50	61	24	71	70	-72	251	93
Other Income	40	80	59	59	6	51	51	24	238	132
PBT	349	379	403	332	229	281	365	546	1,463	1,422
Tax	124	127	146	109	49	66	81	131	506	328
Rate (%)	35.6	33.6	36.2	32.8	21.5	23.6	22.3	24.0	34.6	23.1
PAT before minority / profit of assoc.	225	252	257	223	180	215	284	415	957	1,094
YoY Change (%)	13.0	-15.0	-11.9	-5.6	-20.1	-14.7	10.4	86.1	-6.5	14.3
Margins (%)	8.1	8.8	8.9	7.3	6.8	7.1	9.2	13.0	8.3	9.1
Less: Minority/Add: Profit of Asso.	39	79	54	31	47	34	34	54	203	168
Reported PAT	186	173	203	192	133	181	250	362	754	926
Adj PAT	186	173	203	192	133	181	250	362	754	926
YoY Change (%)	-47.8	-43.5	-34.3	-27.5	-28.7	4.9	23.1	88.6	-31.2	22.8
Margins (%)	6.7	6.0	7.1	6.2	5.0	6.0	8.1	11.3	6.5	7.7

E: MOSL Estimates, *Indicates addition of Rail and CFS details as provided and not actual consolidated number

Media

Company name

D B Corp

Dish TV India

HT Media

Jagran Prakashan

MBL

ENIL

PVR

Sun TV

Zee Entertainment

GST continues to impact performance

Adjusted aggregate earnings to grow 4% YoY

Expect subdued revenue due to GST impact: We expect ad revenue for our Media universe to grow just ~1.3% YoY. Earnings are expected to remain weak, with GST-related hiccups keeping primary sales in FMCG, and consequently, ad spends in check. Zee's ad growth is likely to come in at ~4% YoY (3% ex-Sports), with contribution from RBL's revenues. Sun TV's ad revenue is expected to grow at a meager 2%. Radio broadcasters are likely to see weak like-to-like growth, the impact of which should be partly offset by new channel launches. The sluggish performance of media companies is a consequence of a weak July and August in terms of ad spends across sectors, particularly FMCG and auto. We note that companies have shelved new product launches, as primary sales took a backseat due to the GST rollout in July. However, we understand that September has started showing a healthy growth trend with the onset of the festive season. Dish TV's ARPU and subscriber growth remain under pressure (growth expectation of meager 1% QoQ).

Expect aggregate EBITDA to remain weak with 1% growth: Aggregate EBITDA across universe is expected to remain flat YoY. For Zee, increased marketing spends, investments in new channels and higher original content in flagship channels should increase cost (offsetting savings from sports business, which was sold last fiscal), leading to a 4% EBITDA decline YoY. Sun TV is also expected to see sluggish earnings, with marginal 2% growth. Dish TV's weak revenue performance will keep its EBITDA growth under check at 3% QoQ. ENIL, due to the marketing cost savings in previous fiscal, should see 14% YoY growth, while MBL, due to the absence of bad debt write-back last quarter, should see 14% EBITDA decline YoY.

Monetization of digitization to drive subscription revenue: For Zee, subscription revenue is expected to decline 18% YoY (ex-sports low-single-digit). Sun TV is expected to see 13% YoY growth. Awaiting high court verdict on the TRAI's tariff order, distributors are postponing contract renewals, leading to moderate growth. Over the next 2-3 years, subscription revenues should grow in mid-teens. Dish TV is expected to see meager 190k net subscriber addition with flat ARPUs. However, digitization of Phase-III subscribers should support growth over the next 2-3 years. MBL and ENIL, with the launch of new stations, should see upbeat growth over the next 2-3 years.

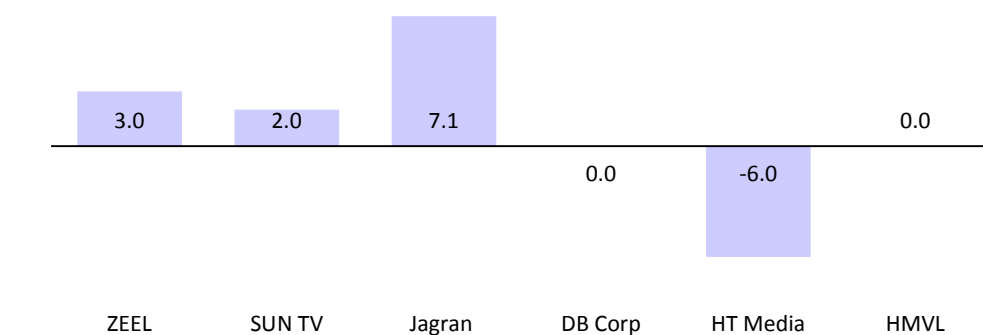
Ad growth revival – the key theme: Ad markets have started recovering since September 2017 due to the onset of the festive season. 2HFY18 could see ad growth returning, given (1) low base effect due to demonetization, (2) good monsoon, leading to a revision in ad budgets for rural markets, and 3) new product launches by FMCG and auto companies. TV/radio broadcasters, as well as print companies, would be the key beneficiaries of the same, in our view.

Exhibit 1: Media coverage: Quarterly snapshot

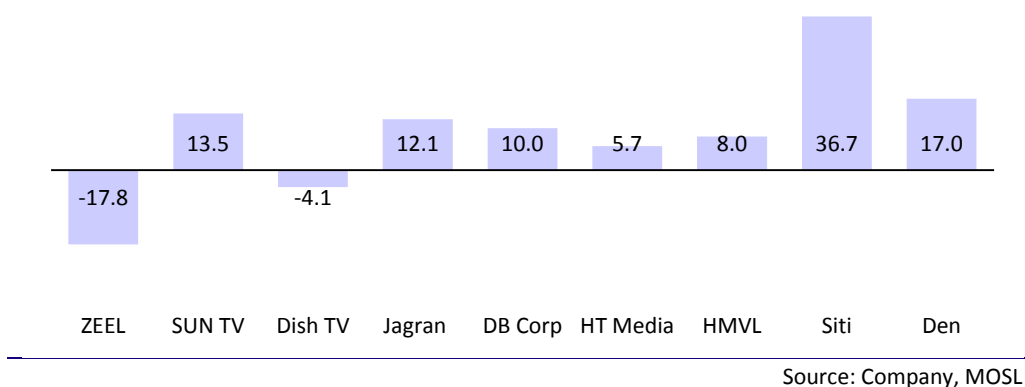
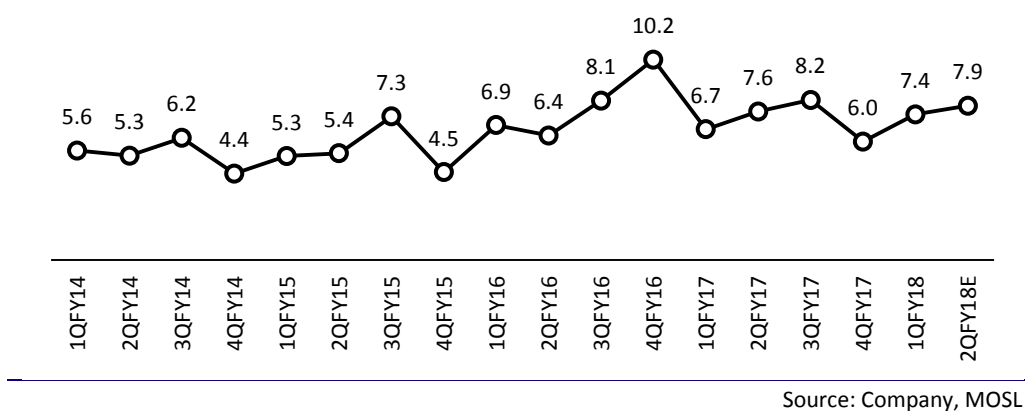
	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18E	YoY (%)	QoQ (%)
Advertisement Revenue (INR b)												
MBL	0.5	0.6	0.6	0.6	0.6	0.8	0.7	0.7	0.7	0.9	7.7	24.1
ENIL	1.0	1.2	1.4	1.5	1.1	1.3	1.5	1.7	1.0	1.3	-2.3	21.3
ZEEL	7.7	8.3	9.2	8.5	9.1	9.6	9.6	8.5	9.7	9.9	3.0	2.2
SUN TV	3.5	3.3	3.3	3.1	3.4	3.4	3.0	2.9	3.3	3.5	2.0	3.6
Dish TV	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Jagran Prakashan	2.9	3.3	3.7	3.2	3.5	3.2	3.5	3.4	3.7	3.5	7.1	-6.2
DB Corp	3.1	3.1	3.9	3.2	3.7	3.3	4.0	3.1	3.9	3.3	0.0	-15.4
HT Media	4.4	4.5	5.1	4.7	4.5	4.3	4.7	4.1	4.1	4.0	-6.0	-0.6
HMTL	1.7	1.7	1.8	1.7	1.8	1.7	1.7	1.7	1.8	1.7	0.0	-3.9
Siti	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Den	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	23.3	24.1	27.0	24.3	26.1	25.5	26.4	23.7	26.4	25.8	1.3	-2.2
Growth (YoY)	8%	14%	12%	11%	12%	6%	-2%	-2%	1%	1%		
Subscription Revenue (INR b)												
ZEEL	4.6	4.8	5.2	5.9	5.3	5.8	5.9	5.6	4.8	4.8	-17.8	0.1
SUN TV	2.3	2.3	2.4	2.5	2.7	2.7	2.8	2.8	3.0	3.1	13.5	2.9
Dish TV	6.8	6.9	7.1	7.0	7.3	7.3	6.9	6.2	6.9	7.0	-4.1	1.2
Jagran Prakashan	1.0	1.0	1.0	1.1	1.1	1.0	1.0	1.1	1.1	1.1	12.1	2.5
DB Corp	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.3	10.0	5.1
HT Media	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.8	5.7	3.8
HMTL	0.5	0.5	0.5	0.5	0.6	0.5	0.6	0.6	0.6	0.6	8.0	5.6
Siti	1.3	1.0	1.1	1.1	1.3	1.4	1.5	1.6	1.7	1.8	36.7	8.8
Den	1.0	0.9	1.0	1.2	1.1	1.3	1.4	1.6	1.5	1.5	17.0	0.3
Total	19.3	19.3	20.3	21.2	21.2	22.0	22.2	21.4	21.6	22.0	0.3	2.2
Growth (YoY)	9%	5%	7%	6%	10%	14%	9%	1%	2%	0%		
Total Revenue (INR b)												
MBL	0.5	0.6	0.6	0.6	0.6	0.8	0.7	0.7	0.7	0.9	7.7	24.1
ENIL	1.0	1.2	1.4	1.5	1.1	1.3	1.5	1.7	1.0	1.3	-5.8	21.3
ZEEL	13.3	13.8	15.9	15.2	15.7	17.0	16.4	15.3	15.4	15.7	-7.1	2.2
SUN TV	6.9	5.7	5.7	5.6	7.6	6.3	5.9	5.8	7.9	6.7	6.9	-15.0
Dish TV	7.4	7.5	7.7	8.0	7.8	7.8	7.5	7.1	7.4	7.5	-3.2	2.1
Jagran Prakashan	4.8	5.2	5.8	5.3	5.6	4.6	5.0	5.6	5.9	5.9	28.1	-0.5
DB Corp	4.7	4.8	5.9	5.1	5.7	5.4	6.3	5.2	5.9	5.5	2.3	-7.2
HT Media	5.9	6.0	6.8	6.3	6.1	6.0	6.5	5.9	6.0	5.8	-3.3	-2.8
HMTL	2.2	2.3	2.4	2.3	2.4	2.3	2.3	2.3	2.4	2.3	2.0	-1.1
Siti	2.3	2.3	3.4	3.4	2.8	2.9	3.0	3.3	3.6	3.5	21.7	-3.7
Den	2.4	2.1	2.3	2.7	2.7	2.7	3.0	3.2	3.1	3.2	15.8	0.4
Total	51.3	51.4	58.0	56.0	58.3	57.0	58.1	55.9	59.4	58.3	65.1	19.8
Growth (YoY)	10%	11%	13%	12%	14%	11%	0%	0%	2%	2%		
EBITDA (INR b)												
MBL	0.1	0.2	0.3	0.2	0.2	0.3	0.3	0.2	0.2	0.2	-13.7	8.5
ENIL	0.4	0.4	0.5	0.4	0.3	0.2	0.4	0.4	0.2	0.3	14.5	58.6
ZEEL	3.1	3.6	4.3	4.1	4.5	4.9	5.2	4.7	4.8	4.7	-3.7	-2.7
SUN TV	4.1	4.3	4.4	4.2	4.4	4.7	4.4	3.9	4.5	4.8	2.3	6.4
Dish TV	2.4	2.6	2.7	2.6	2.6	2.6	2.5	1.9	2.0	2.1	-21.3	3.4
Jagran Prakashan	1.3	1.5	1.7	1.4	1.6	1.2	1.6	1.4	1.6	1.6	31.2	-1.3
DB Corp	1.2	1.1	1.9	1.2	1.8	1.5	2.0	1.1	1.9	1.5	0.2	-19.1
HT Media	0.6	0.7	1.2	0.8	0.6	0.5	1.1	0.7	0.8	0.6	15.9	-26.8
HMTL	0.5	0.5	0.6	0.5	0.6	0.5	0.4	0.6	0.5	0.5	-2.5	-3.6
Siti	0.3	0.4	1.0	0.8	0.4	0.5	0.6	0.6	1.0	0.8	63.1	-23.6
Den	0.0	-0.4	-0.4	-0.3	0.4	0.3	0.5	0.6	0.6	0.4	22.4	-42.4
Total	14.1	14.7	18.0	15.9	17.5	17.2	18.8	16.1	18.1	17.4	108.5	-42.5
Growth (YoY)	7%	9%	18%	25%	24%	17%	4%	1%	4%	1%		

	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18E	YoY (%)	QoQ (%)
EBITDA Margin (%)												
MBL	31.5	28.8	39.2	36.0	30.5	34.4	36.6	24.9	31.5	27.6	-686bps	-396bps
ENIL	34.8	32.6	32.6	26.2	26.6	17.8	25.3	21.3	16.0	20.9	308bps	492bps
ZEEL	23.7	26.0	27.1	27.0	28.8	28.9	31.5	30.7	31.4	29.9	107bps	-152bps
SUN TV	59.0	75.9	76.3	74.5	57.4	74.6	74.6	67.6	57.0	71.4	-320bps	1433bps
Dish TV	32.0	33.9	34.4	32.6	34.0	33.9	33.4	26.9	27.2	27.6	-635bps	33bps
Jagran Prakashan	28.0	28.3	29.9	25.6	27.6	26.4	31.0	25.6	27.3	27.1	64bps	-20bps
DB Corp	25.3	22.7	32.1	22.7	31.5	27.9	31.6	21.7	31.4	27.4	-56bps	-400bps
HT Media	10.1	11.0	17.8	12.1	10.5	8.4	17.0	12.5	13.3	10.0	167bps	-330bps
HMVL	24.3	23.1	25.1	23.0	23.8	22.0	17.8	24.4	21.5	21.0	-97bps	-53bps
Siti	15.0	16.9	27.7	24.1	15.1	16.4	18.4	17.8	27.7	22.0	558bps	-572bps
Den	-1.2	-18.5	-17.2	-11.2	16.1	10.6	16.8	17.8	19.4	11.2	61bps	-829bps
Average	25.7	25.5	29.5	26.6	27.4	27.4	30.4	26.5	27.6	26.9	-48.2	-72.1
Growth (YoY)	-3%	-9%	1%	11%	7%	7%	3%	-1%	1%	-2%		
Adj. PAT (INR b)												
MBL	0.1	0.1	0.2	0.2	0.1	0.2	0.1	0.0	0.1	0.1	-25.2	11.9
ENIL	0.3	0.3	0.3	0.2	0.2	0.1	0.2	0.1	0.0	0.1	-17.0	47.4
ZEEL	1.8	1.9	2.3	2.3	2.2	2.4	2.5	2.9	2.5	3.1	29.1	22.4
SUN TV	2.0	2.2	2.2	2.4	2.3	2.7	2.4	2.4	2.5	2.8	4.5	12.3
Dish TV	0.5	0.9	0.7	4.8	0.4	0.7	0.3	-0.3	-0.1	0.0	NA	NA
Jagran Prakashan	1.8	0.9	0.9	0.8	0.8	0.8	0.9	0.8	0.9	0.9	21.6	6.0
DB Corp	0.6	0.6	1.1	0.6	1.0	0.9	1.2	0.6	1.1	0.9	0.9	-18.9
HT Media	0.2	0.4	0.7	0.4	0.2	0.3	0.9	0.3	0.4	0.2	-22.2	-42.1
HMVL	0.4	0.5	0.5	0.4	0.5	0.5	0.4	0.4	0.4	0.4	-18.5	-0.6
Siti	-0.4	-0.3	0.1	0.1	-0.5	-0.5	-0.3	-0.6	-0.3	-0.3	-43.6	-8.7
Den	-0.5	-1.0	-0.9	-2.0	-0.5	-0.5	-0.5	-0.7	-0.2	-0.5	-1.6	NA
Total	6.9	6.4	8.1	10.2	6.7	7.6	8.2	6.0	7.4	7.9	-71.9	29.6
Growth (YoY)	30%	17%	11%	128%	-3%	19%	0%	-41%	11%	4%		

Source: Company, MOSL

Exhibit 2: 2QFY18 estimated ad revenue growth (YoY, %)

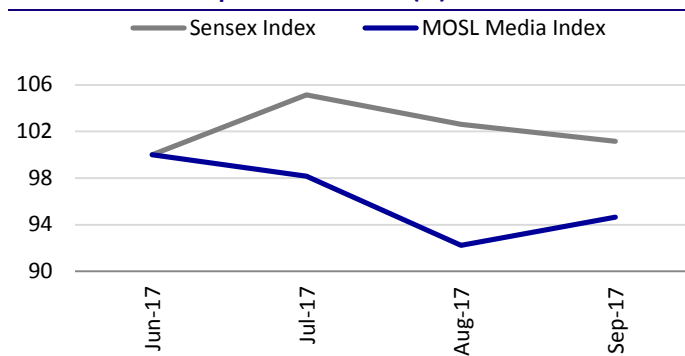
Source: Company, MOSL

Exhibit 3: 2QFY18 estimated subscription/circulation growth (YoY, %)**Exhibit 4: Media universe quarterly PAT (INR b)****Exhibit 5: Expected quarterly performance summary (INR m)**

Sector	CMP (INR)	RECO	Sales (INR M)			EBDITA (INR M)			Net Profit (INR M)		
			Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
Media											
D B Corp	379	Buy	5,512	2.3	-7.2	1,508	0.2	-19.1	893	0.9	-18.9
Dish TV	71	Buy	7,547	-3.2	2.1	2,080	-21.3	3.4	24	-96.6	LP
Ent.Network	809	Neutral	1,266	-2.3	21.3	265	14.5	58.6	66	-17.0	295.0
HT Media	97	Neutral	5,822	-3.3	-2.8	585	15.9	-26.8	240	-22.2	-42.1
Jagran Prakashan	177	Buy	5,913	28.8	0.0	904	-25.5	-44.0	219	-71.0	-74.7
Music Broadcast	382	Buy	872	7.7	24.1	241	-13.7	8.5	121	-25.2	11.9
PVR	1,297	Buy	5,930	7.0	-6.8	1,008	8.4	-10.0	291	-0.2	-34.6
Siti Networks	25	Neutral	3,516	21.7	-3.7	772	63.1	-23.6	-265	Loss	Loss
Sun TV	781	Neutral	6,686	6.9	-15.0	4,770	2.3	6.4	2,825	4.5	12.3
Zee Entertainment	522	Buy	15,745	-7.1	2.2	4,712	-3.7	-2.7	3,078	6.9	10.3
Media Sector Aggregate			58,808	2.2	-2.4	16,844	-2.8	-7.1	7,493	-9.7	-4.3

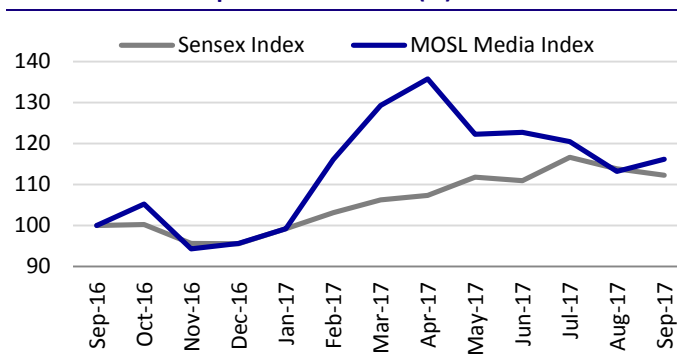
Source: MOSL

Exhibit 6: Relative performance-3m (%)



Source: Bloomberg, MOSL

Exhibit 7: Relative performance-1 Yr (%)



Source: Bloomberg, MOSL

Exhibit 8: Comparative valuations

Sector / Companies	CMP (INR)	RECO	EPS (INR)			PE (x)			EV/EBIDTA (x)			ROE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Media														
D B Corp	379	Buy	23.7	28.0	32.8	16.0	13.6	11.6	9.0	7.6	6.2	24.7	23.9	23.0
Den Networks	88	Neutral	-2.9	0.1	4.0	-29.9	1237.9	21.9	6.4	4.9	3.2	-6.4	0.2	8.7
Dish TV	71	Buy	1.0	2.4	3.9	70.4	29.8	18.3	8.4	6.7	5.3	19.9	35.2	39.1
Ent.Network	809	Neutral	12.2	20.6	32.7	66.4	39.2	24.7	25.2	17.6	12.4	6.6	10.3	14.5
Hindustan Media	248	Buy	28.5	33.6	40.3	8.7	7.4	6.2	3.0	1.8	0.7	16.5	16.6	17.0
HT Media	97	Neutral	7.3	7.8	8.5	13.2	12.4	11.4	1.9	0.9	-0.2	7.3	7.3	7.4
Jagran Prakashan	177	Buy	12.2	13.4	15.2	14.5	13.2	11.6	7.5	6.4	5.4	18.6	19.0	18.7
Music Broadcast	382	Buy	9.3	14.0	17.7	40.9	27.3	21.6	18.6	14.1	11.0	9.3	12.4	13.8
PVR	1,297	Buy	26.5	43.6	56.8	48.9	29.8	22.9	16.6	12.4	9.9	12.1	17.3	18.9
Siti Networks	25	Neutral	-0.4	0.4	1.1	-56.7	66.7	23.5	10.0	7.5	6.1	-7.5	6.4	16.4
Sun TV	781	Neutral	28.8	36.9	42.1	27.2	21.2	18.5	15.0	12.0	10.5	27.0	31.6	32.6
Zee Entertainment	522	Buy	12.2	17.8	22.1	42.9	29.3	23.6	22.3	16.6	13.5	14.7	18.7	20.1
Sector Aggregate						31.1	22.8	18.5	13.8	10.9	9.0	15.0	18.2	19.5

Source: MOSL

D B Corp

Bloomberg	DBCL IN
Equity Shares (m)	183.7
M. Cap. (INR b)/(USD b)	70 / 1
52-Week Range (INR)	448 / 345
1,6,12 Rel Perf. (%)	1 / -8 / -16

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Net Sales	22.6	24.4	26.5	28.5
EBITDA	6.4	7.2	8.1	9.0
Adj. Net Profit	3.7	4.4	5.1	6.0
Adj. EPS (INR)	20.4	23.7	28.0	32.8
Adj. EPS Gr. (%)	28.3	16.4	17.9	17.2
BV/Sh (INR)	86.7	105.6	128.8	156.7
RoE (%)	25.1	24.7	23.9	23.0
RoCE (%)	23.7	23.8	23.1	22.4
Div. Payout (%)	48.7	20.3	17.2	14.7

Valuations

P/E (x)	18.6	16.0	13.6	11.6
P/BV (x)	4.4	3.6	2.9	2.4
EV/EBITDA (x)	10.7	9.0	7.6	6.2
Div. Yield (%)	2.2	1.1	1.1	1.1

CMP: INR379

TP: INR450 (+19%)

Buy

- Ad growth in July and August remained weak on the back of GST rollout, however, September month has seen recovery in ad spend.
- Ad segment is likely to remain flattish on a YoY basis at INR3.30b.
- Circulation revenue is likely to grow 10% YoY to INR1.29b.
- DBCL's aggregate revenue is likely to remain muted at INR5.51b (+2% YoY), as print ad, which accounts for ~60-65% of overall revenue, was a slow-moving segment for more than half of the quarter.
- Raw material cost is expected to increase 4% YoY, largely volume-led.
- We expect EBITDA margin to remain largely steady YoY at 27.4%.
- We estimate net profit at INR0.89b, up 1% YoY.
- We maintain our target price at INR450 (16.1x FY19E EPS). The stock trades at 16.0x FY18E and 13.6x FY19E EPS. **Buy.**

Key things to watch for

- YoY ad growth (we expect to remain flat).
- EBITDA margin (we expect 27.4%).

Quarterly Performance

(INR m)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	5,746	5,391	6,273	5,171	5,943	5,512	7,106	5,805	22,580	24,366
YoY Change (%)	21.4	12.7	6.3	1.5	3.4	2.3	13.3	12.3	10.1	7.9
Total Expenditure	3,934	3,885	4,290	4,049	4,079	4,004	4,572	4,477	16,158	17,132
EBITDA	1,812	1,505	1,982	1,122	1,864	1,508	2,534	1,327	6,422	7,234
Margins (%)	31.5	27.9	31.6	21.7	31.4	27.4	35.7	22.9	28.4	29.7
Depreciation	211	216	218	218	220	226	226	226	863	898
Interest	34	6	30	5	16	10	10	10	74	44
Other Income	41	41	36	51	70	72	72	72	170	285
PBT before EO expense	1,608	1,325	1,771	950	1,698	1,344	2,370	1,163	5,654	6,576
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	1,608	1,325	1,771	950	1,698	1,344	2,370	1,163	5,654	6,576
Tax	568	440	590	309	597	452	796	391	1,907	2,236
Rate (%)	35.3	33.2	33.3	32.5	35.1	33.6	33.6	33.6	33.7	34.0
Minority Interest & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0
Reported PAT	1,040	885	1,181	642	1,101	893	1,574	772	3,748	4,340
Adj PAT	1,040	885	1,181	642	1,101	893	1,574	772	3,748	4,340
YoY Change (%)	62.0	55.9	6.6	6.2	5.9	0.9	33.3	20.3	28.3	15.8

Dish TV India

Bloomberg	DITV IN
Equity Shares (m)	1065.9
M. Cap. (INR b)/(USD b)	76 / 1
52-Week Range (INR)	111 / 70
1,6,12 Rel Perf. (%)	-11 / -36 / -39

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Net Sales	30.1	32.3	35.6	39.1
EBITDA	9.7	10.1	12.0	13.8
Adj. NP	1.1	1.1	2.6	4.2
Adj. EPS (INR)	1.0	1.0	2.4	3.9
Adj. EPS Gr.(%)	-84.2	-1.0	136.2	62.4
BV/Sh (INR)	4.6	5.6	8.0	11.9
RoE (%)	25.1	19.9	35.2	39.1
RoCE (%)	25.5	16.9	25.5	29.8

Valuations

P/E (x)	69.3	69.9	29.6	18.2
P/BV (x)	15.4	12.6	8.9	6.0
EV/EBITDA (x)	8.6	8.3	6.6	5.2

CMP: INR71
TP: INR106 (+49%)
Buy

- We expect DITV's overall revenue to grow 2.1% QoQ to INR7.5b.
- Subscription revenue is expected to grow 1% QoQ to INR7.0b on the back of net subscriber adds.
- We expect ARPU to remain flat QoQ at INR148.
- We expect gross additions of 0.6m and net additions of 0.2m.
- EBITDA margin is expected to improve 40bp QoQ to 27.6%.
- We expect DITV to turn marginally positive on bottom line, with INR24m in 2QFY18.
- The stock trades at EV/EBITDA of 8.3/6.6x FY18/19E. **Buy.**

Key things to watch for

- Quarterly net adds (we expect 0.17m).
- ARPU (we expect INR148).
- EBITDA margin (we expect 27.6%).

Quarterly Performance

(INR m)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	7,786	7,793	7,480	7,086	7,389	7,547	7,937	9,455	30,144	32,327
YoY Change (%)	5.7	3.6	-3.0	-11.4	-5.1	-3.2	6.1	33.4	-1.5	7.2
Operating expenses	5,139	5,151	4,985	5,180	5,377	5,467	5,537	5,844	20,415	22,225
EBITDA	2,647	2,642	2,495	1,906	2,012	2,080	2,400	3,611	9,729	10,102
YoY Change (%)	12.3	3.6	-6.0	-26.9	-24.0	-21.3	-3.8	89.5	-5.1	3.8
EBITDA margin (%)	34.0	33.9	33.4	26.9	27.2	27.6	30.2	38.2	32.3	31.2
Depreciation	1,649	1,635	1,656	1,728	1,822	1,870	1,870	1,870	6,631	7,432
Interest	526	554	591	573	590	261	261	261	2,239	1,371
Other Income	115	111	181	104	98	87	87	87	475	341
PBT	587	565	429	-291	-302	36	357	1,568	1,375	1,680
Tax	189	-136	163	-7	-162	12	121	586	241	557
Effective Tax Rate (%)	32.2	(24.1)	37.9	2.4	53.8	34.0	34.0	37.4	17.5	33.2
Net profit	398	701	267	-284	-139	24	235	981	1,133	1,122
YoY Change (%)	-25.0	-19.4	-61.1	-105.9	-135.0	-96.6	-11.7	-445.6	-83.6	-1.0
Net Subs (m)	14.9	15.2	15.3	15.5	15.7	15.9	16.2	30.7	28.4	30.7
ARPU (INR/month)	165	162	152	134	148	153	157	120	170	168

Entertainment Network

Bloomberg	ENIL IN
Equity Shares (m)	47.7
M. Cap. (INR b)/(USD b)	39 / 1
52-Week Range (INR)	1008 / 667
1,6,12 Rel Perf. (%)	-7 / -9 / -17

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Net Sales	5.6	6.1	7.3	8.5
EBITDA	1.3	1.5	2.1	2.7
Adj. NP	0.5	0.6	1.0	1.6
Adj. EPS (INR)	11.4	12.2	20.6	32.7
Adj. EPS Gr. (%)	-45.5	6.6	69.5	58.5
BV/Sh (INR)	179.3	190.9	210.4	241.9
RoE (%)	6.7	6.6	10.3	14.5
RoCE (%)	5.0	5.7	8.7	12.7

Valuation

P/E (x)	70.8	66.4	39.2	24.7
P/BV (x)	4.5	4.2	3.8	3.3
EV/EBITDA (x)	31.5	25.9	18.2	12.9

CMP: INR809 TP: INR928 (+15%) Neutral

- We expect ENIL's standalone revenue to decline 2% YoY to INR1.3b, impacted by GST.
- Old 35 stations to see a 9% drop to INR 1.1b.
- New 17 stations to contribute revenue of INR 111m.
- ENIL's standalone EBITDA is estimated to grow 14.5% YoY to INR265m. EBITDA margin is expected to expand 310bp YoY to 20.9%.
- PAT is expected to decline 17% YoY to INR66m.
- The stock trades at 25.9x/18.2x on FY18/FY19E EBITDA. **Neutral**.

Key things to watch for

- Growth in advertisement revenue in new and old stations

Quarterly Performance (Standalone)

Y/E March	FY17				FY18				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Net Sales	1,107	1,296	1,506	1,655	1,044	1,266	1,802	1,946	5,565	6,057
YoY Change (%)	9.0	11.5	4.9	12.4	-5.8	-2.3	19.6	17.6	9.4	8.8
Total Expenditure	813	1,065	1,125	1,303	877	1,001	1,226	1,456	4,306	4,560
EBITDA	294	231	381	352	167	265	576	490	1,259	1,498
Margins (%)	26.6	17.8	25.3	21.3	16.0	20.9	32.0	25.2	22.6	24.7
Depreciation	85	140	147	164	156	171	171	171	536	670
Net Interest cost	-33	-22	-4	-1	-15	-1	-1	9	-60	-7
PBT before EO expense	243	114	239	188	25	94	406	310	783	835
Extra-Ord expense	0	0	0	0	42	0	0	0	0	42
PBT	243	114	239	188	68	94	406	310	783	877
Tax	78	35	76	50	23	29	123	94	238	267
Rate (%)	32.0	30.5	31.7	26.7	34.2	30.4	30.4	30.4	30.4	30.4
Reported PAT	165	79	163	138	44	66	282	216	545	610
Adj PAT	165	79	163	138	17	66	282	216	545	581
YoY Change (%)	-36.3	-70.7	-43.3	-31.6	-89.9	-17.0	73.2	56.3	-46.5	6.6
Margins (%)	14.9	6.1	10.8	8.3	1.6	5.2	15.7	11.1	9.8	9.6

HT Media

Bloomberg	HTML IN
Equity Shares (m)	230.5
M. Cap. (INR b)/(USD b)	22 / 0
52-Week Range (INR)	109 / 70
1,6,12 Rel Perf. (%)	0 / 8 / -1

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Net Sales	24.5	25.0	26.3	27.5
EBITDA	3.0	3.2	3.1	3.3
Adj. NP	1.7	1.7	1.8	2.0
Adj. EPS (INR)	7.4	7.3	7.8	8.5
Adj. EPS Gr. (%)	-1.8	-0.8	6.9	8.6
BV/Sh (INR)	96.8	103.6	111.0	119.0
RoE (%)	7.9	7.3	7.3	7.4
RoCE (%)	9.7	8.7	8.6	8.9
Div. Payout (%)	6.9	6.9	6.5	5.9

Valuations

P/E (x)	13.1	13.2	12.4	11.4
P/BV (x)	1.0	0.9	0.9	0.8
EV/EBITDA (x)	10.8	9.0	8.2	6.7
Div. Yield (%)	0.4	0.4	0.4	0.4

CMP: INR97
TP: INR90 (-7%)
Neutral

- We expect revenue to decline 3% YoY to INR5.8b.
- Ad revenue is likely to decline 6% YoY to INR4.0b, as July and August were impacted due to GST-led pressure on ad spends.
- English print ad revenue decline ~10% YoY to INR2.34b impacted by digital medium.
- Hindi ad revenue is expected to remain flat at INR1.7b.
- Radio ad revenue growth is expected to grow 5% to INR0.38b.
- We expect circulation revenue to increase 6% YoY to INR0.8b.
- EBITDA margin is expected to expand 160bp YoY to 10%.
- Adjusted net profit is likely to come in at INR0.24b. The stock trades at 13.2x FY18E and 12.4x FY19E EPS. **Neutral**.

Key things to watch for

- YoY English ad growth (we expect ~10% YoY ad de-growth).
- Hindi ad growth (we expect to remain flat).
- EBITDA margin (we expect 10%).

Consolidated - Quarterly Earning Model

(INR m)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	6,147	6,022	6,499	5,853	5,990	5,822	6,968	6,275	24,521	25,055
YoY Change (%)	4.5	0.2	-4.6	-7.3	-2.5	-3.3	7.2	7.2	-2.0	2.2
Total Expenditure	5,504	5,518	5,394	5,122	5,191	5,238	6,003	5,406	21,538	21,837
EBITDA	643	505	1,105	731	799	585	965	868	2,983	3,218
Margins (%)	10.5	8.4	17.0	12.5	13.3	10.0	13.9	13.8	12.2	12.8
Depreciation	295	304	312	337	320	363	363	363	1,248	1,410
Interest	247	245	241	218	194	236	236	236	951	901
Other Income	478	780	549	488	531	552	552	552	2,295	2,187
PBT before EO expense	579	736	1,100	665	817	538	918	821	3,079	3,094
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	579	736	1,100	665	817	538	918	821	3,079	3,094
Tax	186	224	36	225	239	129	211	195	671	774
Rate (%)	32.2	30.5	3.3	33.8	29.2	24.0	23.0	23.7	21.8	25.0
Minority Interest & P/L of Asso. Cos.	168	202	150	184	162	168	168	168	705	667
Reported PAT	224	309	914	256	415	240	539	459	1,703	1,653
Adj PAT	224	309	914	256	415	240	539	459	1,703	1,653
YoY Change (%)	-9.5	-16.1	32.9	-40.7	85.5	-22.2	-41.0	79.4	-1.9	-2.9

Jagran Prakashan

Bloomberg	JAGP IN
Equity Shares (m)	326.9
M. Cap. (INR b)/(USD b)	58 / 1
52-Week Range (INR)	212 / 163
1,6,12 Rel Perf. (%)	1 / -9 / -25

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Net Sales	22.8	24.6	26.5	28.6
EBITDA	6.4	7.0	7.6	8.4
Adj. NP	3.5	4.0	4.4	5.0
Adj. EPS (INR)	10.7	12.2	13.4	15.2
Adj. EPS Gr (%)	-11.5	14.2	9.6	13.8
BV/Sh (INR)	65.9	65.4	75.4	87.2
RoE (%)	18.5	18.6	19.0	18.7
RoCE (%)	15.9	17.1	17.5	17.5
Div. Payout (%)	0.0	28.1	25.6	22.5

Valuations

P/E (x)	16.6	14.5	13.2	11.6
P/BV (x)	2.7	2.7	2.3	2.0
EV/EBITDA (x)	9.0	7.9	6.8	5.7
Div. Yield (%)	0.0	1.7	1.7	1.7

CMP: INR177

TP: INR225 (+27%)

Buy

- We expect Print advertising revenue to remain flat YoY at INR3.45b.
- We expect circulation revenue to grow 5% YoY to INR1.11b.
- We estimate Radio revenue at INR0.87b and EBITDA at INR0.24b.
- Aggregate revenue is expected to grow to INR5.88b.
- We estimate EBITDA at INR1.6b and EBITDA margin at 27.4%. Adjusted earnings are expected at INR0.9b.
- The stock trades at 14.5x FY18E and 13.2x FY19E EPS. **Buy.**

Key things to watch for

- YoY Print ad growth (we expect to remain flat).
- EBITDA margin (we expect 27.4%).

Quarterly Performance (Consolidated)

Y/E March	(INR m)									
	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Revenue from Operations	5,644	4,590	5,005	5,620	5,913	5,913	6,242	6,504	20,860	24,572
YoY Change (%)	17.3	-11.6	-13.2	6.1	4.8	28.8	24.7	15.7	-1.0	17.8
Total Expenditure	4,086	3,377	3,454	4,180	4,301	5,009	5,042	5,075	15,097	19,428
EBITDA	1,558	1,213	1,551	1,441	1,612	904	1,200	1,429	5,762	5,144
Margins (%)	27.6	26.4	31.0	25.6	27.3	15.3	19.2	22.0	27.6	20.9
Depreciation	302	195	208	351	328	338	338	338	1,055	1,342
Interest	102	89	50	81	72	79	79	79	322	308
Other Income	93	164	81	128	120	194	194	194	467	704
PBT before EO expense	1,248	1,094	1,373	1,137	1,333	681	977	1,206	4,852	4,197
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	1,248	1,094	1,373	1,137	1,333	681	977	1,206	4,852	4,197
Tax	407	339	482	327	446	462	522	560	1,555	1,991
Rate (%)	32.6	31.0	35.1	28.7	33.5	67.8	53.5	46.5	32.0	47.4
Minority Interest & P/L of Asso. Cos.	3	0	0	0	21	0	0	0	3	21
Reported PAT	838	754	891	811	865	219	455	646	3,295	2,185
Adj PAT	838	754	891	811	865	219	455	646	3,295	2,185
YoY Change (%)	-11.6	-6.4	-4.5	1.2	3.2	-71.0	-49.0	-20.4	-7.5	-33.7

Note: Only 1Q and 4Q numbers are comparable as both are on a consolidated basis

Music Broadcast

Bloomberg	RADIOCIT IN
Equity Shares (m)	57.1
M. Cap. (INR b)/(USD b)	22 / 0
52-Week Range (INR)	420 / 333
1,6,12 Rel Perf. (%)	- / - / -

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	2.7	3.2	3.6	4.1
EBITDA	0.9	1.0	1.3	1.6
Adj. NP	0.4	0.5	0.8	1.0
Adj. EPS (INR)	6.4	9.3	14.0	17.7
Adj. EPS Gr (%)	0.3	45.0	50.1	26.3
BV/Sh. (INR)	96.1	105.4	119.4	137.0
RoE (%)	11.2	9.3	12.4	13.8
RoCE (%)	8.8	9.4	12.3	13.8

Valuations

P/E (x)	59.4	41.0	27.3	21.6
P/BV (x)	4.0	3.6	3.2	2.8
EV/EBITDA (x)	22.6	18.9	14.4	11.2

CMP: INR382

TP: INR469 (+23%)

Buy

- We expect revenue to grow 8% YoY to INR872m in 2QFY18, impacted by GST.
- EBITDA is expected to decline 14% YoY due to the absence of write-backs bad debt in the previous quarter. Excluding the write back, EBITDA should remain flat.
- We expect PAT of INR121m, as against INR162m in 2QFY18.
- The stock trades at 18.9x/14.4x on FY18/FY19E EBITDA. **Buy.**

Key things to watch for

- Growth in advertisement revenue in new and old stations.

Standalone - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	628	810	728	666	703	872	837	759	2,714	3,172
YoY Change (%)	38.0	45.9	12.3	12.7	11.9	7.7	15.0	14.1	20.7	16.9
Total Expenditure	437	531	462	500	481	632	524	498	1,802	2,135
EBITDA	192	279	266	166	222	241	313	261	913	1,037
Margins (%)	30.5	34.4	36.6	24.9	31.5	27.6	37.4	34.4	33.6	32.7
Depreciation	45	49	50	56	64	64	64	64	197	257
Interest	41	81	50	59	39	39	39	42	190	157
Other Income	11	13	9	17	47	48	48	48	44	191
PBT before EO expense	116	162	175	68	166	185	258	203	570	813
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	116	162	175	68	166	185	258	203	570	813
Tax	40	0	54	23	57	64	89	70	203	281
Rate (%)	34.5	0.0	30.9	33.3	34.6	34.6	34.6	34.6	35.7	34.6
Reported PAT	76	162	121	45	108	121	169	133	367	532
Adj PAT	76	162	121	45	108	121	169	133	367	532
YoY Change (%)	-27.5	50.1	-43.9	-75.7	42.3	-25.2	40.0	195.6	32.7	45.0
Margins (%)	12.1	20.0	16.6	6.8	15.4	13.9	20.2	17.5	13.5	16.8

E: MOSL Estimates

PVR

Bloomberg	PVRL IN
Equity Shares (m)	46.7
M. Cap. (INR b)/(USD b)	61 / 1
52-Week Range (INR)	1660 / 1011
1,6,12 Rel Perf. (%)	0 / -20 / -5

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	21.2	24.3	28.9	34.1
EBITDA	3.1	4.1	5.4	6.4
NP	1.0	1.2	2.0	2.7
EPS (INR)	20.5	26.5	43.6	56.8
EPS Gr. (%)	-3.8	29.1	64.4	30.2
BV/Sh. (INR)	206.5	231.2	272.3	326.7
RoE (%)	10.4	12.1	17.3	18.9
RoCE (%)	9.5	10.4	14.0	16.1

Valuations

P/E (x)	63.2	48.9	29.8	22.9
P/BV (x)	6.3	5.6	4.8	4.0
EV/EBITDA (x)	21.5	16.6	12.4	9.9

CMP: INR1,297 TP: INR1,597 (23%)**Buy**

- We expect revenue to grow 7% YoY to INR5,930m in 2QFY18 on account of screen additions and content pipeline.
- Margins are likely to remain flat at 17%. We expect EBITDA to improve by 8% to INR1,008m.
- We expect PAT to remain flat at INR291m in 2QFY18. Maintain **Buy**.

Key things to watch for

- Growth in sponsorship revenue.
- Number of screen additions.

Quarterly Performance**(INR m)**

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	5,622	5,542	5,377	4,826	6,366	5,930	6,560	5,550	21,194	24,294
YoY Change (%)	15.7	16.8	7.4	18.4	13.2	7.0	22.0	15.0	14.6	14.6
Total Expenditure	4,557	4,612	4,488	4,358	5,246	4,922	5,248	4,922	18,058	20,213
EBITDA	1,065	930	890	467	1,120	1,008	1,312	627	3,136	4,081
Margins (%)	19.0	16.8	16.5	9.7	17.6	17.0	20.0	11.3	14.8	16.8
Depreciation	331	346	345	363	376	390	420	450	1,384	1,660
Interest	193	193	204	216	208	215	220	226	806	870
Other Income	165	49	21	171	164	40	41	56	623	311
PBT before EO expense	707	440	363	60	700	443	713	7	1,569	1,863
Extra-Ord expense	26	0	0	15	0	0	0	0	41	0
PBT	681	440	363	45	700	443	713	7	1,528	1,863
Tax	249	149	127	45	258	152	248	2	570.0	624.0
Rate (%)	36.6	33.8	35.1	99.8	36.8	34.4	34.8	34.0	37.3	33.5
Reported PAT	428	291	239	-0.5	445	291	465	4.7	958	1,239
Adj PAT	444	291	239	-0.5	445	291	465	4.7	984	1,239
YoY Change (%)	-3.0	-8.7	-23.5	NM	0.1	-0.2	94.6	NM	-8.0	25.8
Margins (%)	7.6	5.3	4.4	0.0	7.0	4.9	7.1	0.1	4.5	5.1

E: MOSL Estimates

Sun TV

Bloomberg	SUNTV IN
Equity Shares (m)	394.1
M. Cap. (INR b)/(USD b)	308 / 5
52-Week Range (INR)	950 / 435
1,6,12 Rel Perf. (%)	-5 / -7 / 37

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Net Sales	25.6	28.5	33.6	37.4
EBITDA	17.4	19.3	23.8	26.4
Adj. Net Profit	9.8	11.3	14.5	16.6
Adj. EPS (INR)	24.9	28.8	36.9	42.1
Adj. EPS Gr. (%)	14.1	15.7	28.3	14.2
BV/Sh (INR)	102.1	111.2	122.7	135.9
RoE (%)	26.0	27.0	31.6	32.6
RoCE (%)	26.0	27.0	31.6	32.6
Div. Payout (%)	46.5	68.3	68.9	68.5

Valuations

P/E (x)	31.4	27.2	21.2	18.5
P/BV (x)	7.7	7.0	6.4	5.7
EV/EBITDA (x)	17.3	15.4	12.3	10.8
Div. Yield (%)	1.3	2.2	2.8	3.2

CMP: INR781

TP: INR860 (+10%)

Neutral

- We expect Sun TV's standalone revenue to grow 7% YoY to INR6.7b.
- Advertising and broadcasting revenue is expected to remain weak, with 2% YoY growth to INR3.5b, impacted by GST.
- We expect subscription revenue to grow 13% YoY to INR3b.
- Sun TV's standalone EBITDA is estimated to grow 6% YoY to INR4.8b. EBITDA margin is expected to be 71.4% v/s 74.6% in the year-ago period.
- PAT is expected to grow 12% YoY to INR2.8b.
- The stock trades at 27.2x FY18E and 21.2x FY19E EPS. **Neutral**.

Key things to watch for

- YoY ad growth (we expect 2% growth).
- QoQ domestic subscription growth (we expect 13% growth).

Quarterly Performance (Standalone)

(INR m)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	7,608	6,255	5,894	5,825	7,863	6,686	7,002	6,995	25,583	28,546
YoY Change (%)	10.4	10.2	2.8	3.1	3.4	6.9	18.8	20.1	6.8	11.6
Total Expenditure	3,244	1,592	1,497	1,889	3,380	1,915	2,023	1,905	8,221	9,223
EBITDA	4,364	4,663	4,397	3,936	4,484	4,770	4,979	5,089	17,361	19,322
Margins (%)	57.4	74.6	74.6	67.6	57.0	71.4	71.1	72.8	67.9	67.7
Depreciation	1,008	1,030	1,107	767	1,035	833	833	833	3,911	3,533
Interest	1	2	7	2	1	3	3	3	13	10
Other Income	216	488	389	374	371	365	365	365	1,466	1,465
PBT before EO expense	3,571	4,119	3,673	3,541	3,819	4,299	4,508	4,618	14,904	17,244
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	3,571	4,119	3,673	3,541	3,819	4,299	4,508	4,618	14,904	17,244
Tax	1,240	1,415	1,272	1,182	1,302	1,474	1,546	1,583	5,109	5,905
Rate (%)	34.7	34.4	34.6	33.4	34.1	34.3	34.3	34.3	34.3	34.2
Reported PAT	2,331	2,704	2,401	2,359	2,516	2,825	2,962	3,035	9,794	11,339
Adj PAT	2,331	2,704	2,401	2,359	2,516	2,825	2,962	3,035	9,794	11,339
YoY Change (%)	19.0	21.7	11.0	5.4	8.0	4.5	23.4	28.6	14.2	15.8
Margins (%)	30.6	43.2	40.7	40.5	32.0	42.3	42.3	43.4	38.3	39.7

E: MOSL Estimates

Zee Entertainment

Bloomberg	Z IN
Equity Shares (m)	960.4
M. Cap. (INR b)/(USD b)	501 / 8
52-Week Range (INR)	580 / 429
1,6,12 Rel Perf. (%)	1 / -9 / -20

Financial Snapshot (INR Billion)

Y/E MARCH	2017	2018E	2019E	2020E
Net Sales	64.3	64.6	75.9	87.8
EBITDA	19.3	20.3	26.9	32.1
Adj. NP	14.5	13.1	18.2	22.1
Adj. EPS (INR)	13.9	12.2	17.8	22.1
Adj. EPS Gr. (%)	80.7	-12.4	46.4	24.1
BV/Sh (INR)	89.2	95.4	106.8	122.2
RoE (%)	19.3	14.7	18.7	20.1
RoCE (%)	20.7	15.7	19.5	20.5
Div. Payout (%)	13.0	22.7	19.0	15.7

Valuations

P/E (x)	37.6	42.9	29.3	23.6
P/BV (x)	5.9	5.5	4.9	4.3
EV/EBITDA (x)	24.7	22.9	17.1	14.0
Div. Yield (%)	0.5	0.5	0.6	0.6

CMP: INR522

TP: INR630 (+21%)

Buy

- We expect advertising revenue to grow 4% YoY to INR9.2b. Ex-sports, ad revenue is expected to grow 3% YoY, as it will be offset by RBL revenues. GST impacted ad growth in July and August significantly.
- Domestic subscription revenue is likely to decline 18% YoY to INR4.8b. Excluding sports, it has grown 9%.
- Total revenue is expected to decline 7% YoY to INR15.7b. Ex-sports, revenue is likely to grow 4% YoY.
- We expect EBITDA margin to improve 110bp YoY to 29.9% due to the sale of sports business. Ex-Sports EBITDA margin is expected to contract 420bp.
- Adjusted PAT is expected to grow ~29% YoY to INR3.1b.
- The stock trades at 42.6x FY18E and 29.1x FY19E EPS. **Buy.**

Key things to watch for

- YoY ad growth (Ex-sports 3% growth).
- Domestic subscription (Ex-sports 9% growth).

Consolidated - Quarterly Earning Model

(INR m)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Total Revenue from Operations	15,717	16,954	16,391	15,280	15,402	15,745	17,441	16,014	64,342	64,602
YoY Change (%)	18.5	23.0	3.4	0.4	-2.0	-7.1	6.4	4.8	10.7	0.4
Total Expenditure	11,185	12,062	11,233	10,593	10,559	11,033	11,830	10,863	45,073	44,285
EBITDA	4,532	4,892	5,158	4,688	4,844	4,712	5,611	5,151	19,269	20,317
Margins (%)	28.8	28.9	31.5	30.7	31.4	29.9	32.2	32.2	29.9	31.4
Depreciation	251	336	249	316	311	336	336	336	1,152	1,319
Interest	75	86	90	1,122	147	410	410	410	1,372	1,377
Other Income	734	432	525	549	1,011	698	698	698	2,240	3,104
PBT before EO expense	4,940	4,903	5,343	3,799	5,396	4,664	5,563	5,102	18,985	20,726
Extra-Ord expense	1,132	829	714	-12,705	532	0	0	0	-10,030	532
PBT	3,808	4,074	4,630	16,504	4,864	4,664	5,563	5,102	29,015	20,193
Tax	1,626	1,634	2,081	1,464	2,344	1,586	1,891	1,647	6,805	7,469
Rate (%)	42.7	40.1	44.9	8.9	48.2	34.0	34.0	32.3	23.5	37.0
Minority Interest & P/L of Asso. Cos.	13	56	41	-116	4	0	0	0	-7	4
Reported PAT	2,169	2,383	2,508	15,156	2,516	3,078	3,672	3,455	22,216	12,721
Adj PAT	2,818	2,880	2,901	3,578	2,791	3,078	3,672	3,455	12,177	12,996
YoY Change (%)	31.4	18.8	15.0	101.2	-0.9	6.9	26.6	-3.4	37.3	6.7
Margins (%)	17.9	17.0	17.7	23.4	18.1	19.6	21.1	21.6	18.9	20.1

E: MOSL Estimates

Metals

Company name

Hindalco

Hindustan Zinc

Jindal Steel & Power

JSW Steel

Nalco

NMDC

SAIL

Tata Steel

Vedanta

Supply- side measures and demand in China driving metal prices

Vedanta, JSW Steel, Tata Steel and Nalco lead the pack

Supply-side measures and demand growth in China driving metal prices

Steel and base metal prices gained during the quarter, led by supply measures and an unexpected surge in demand in China. Apparent steel demand rose ~15% YoY in July/August in China, partly contributed by how official data are reported. Aluminum production declined ~2% YoY in August on the back of illegal capacity cuts in China, and improving market confidence of a balancing market. Zinc also benefited as ore production, which is already in deficit, was impacted by China's strict environment checks. Resultantly, China's steel (HRC) export prices rose by 21% QoQ, aluminum prices by 5% QoQ (to USD2,009/t) and zinc prices by 14% QoQ (to USD2,950/t). Domestic steel product price increase, however, was constrained by weak demand – long product prices declined 1% QoQ to ~INR31,000/t, while flat product prices increased just 5% QoQ to ~INR37,400/t. However, volumes growth improved as larger players gained market share. Steel volumes for the four companies under our coverage are expected to rise 19% QoQ, led by SAIL and Tata Steel. Aluminum volumes are expected to rise 14% QoQ on ramp-up at Vedanta and a weaker base due to the GST impact.

Vedanta to outperform on strength in zinc and aluminum

We estimate EBITDA for our metals coverage universe to increase 16% QoQ (+41% YoY), led by higher realization and volumes. Among the large caps, Vedanta, JSW Steel and Tata Steel are expected to outperform. Nalco and NMDC are also expected to post strong numbers. Vedanta's EBITDA is estimated to increase 30% QoQ/36% YoY to INR63b on higher zinc and aluminum prices and volumes.

Strong volumes and price gains for steel companies; Tata and JSW to outperform

Flat steel producers are likely to benefit from higher realization and favorable cost (coking coal). JSW Steel's EBITDA would increase 24% QoQ to INR32b, led by an improvement in steel spreads (per ton EBITDA of INR7,655) and 10% QoQ (1% YoY) increase in volumes. Tata Steel's EBITDA would increase 7% QoQ/79% YoY to INR53b on a 14% QoQ increase in India volumes (to 3.1mt) and an improvement in steel spreads in India (per ton EBITDA of INR11,985), partly offset by lower margins in EU (per ton EBITDA of USD76). JSP's EBITDA would decline 8% QoQ to INR12.4b due to weak long products realization, lower generation in power and costs of the new furnace.

Nalco and NMDC gain on higher prices

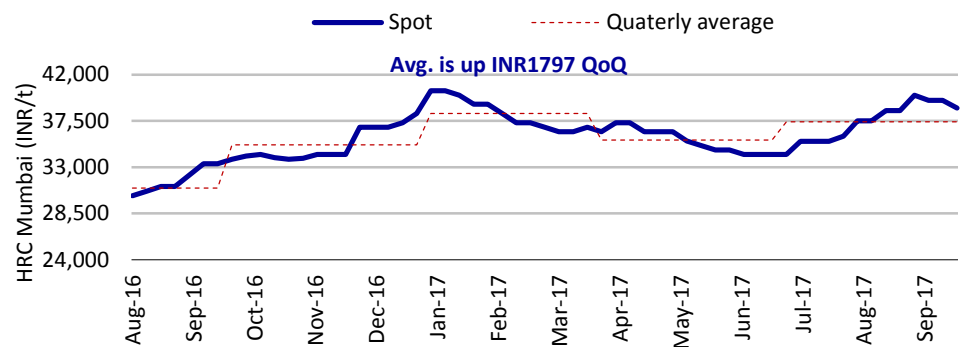
Nalco's EBITDA would increase 41% QoQ to INR3.2b, led by higher aluminum/alumina realization and increased volumes as it recovers from the GST base. NMDC's EBITDA would decline 24% YoY (+49% YoY) on lower export and domestic realization, but the underlying trend remains strong. Hindalco's EBITDA would increase 4% QoQ on higher LME prices.

Exhibit 1: Expected quarterly performance summary

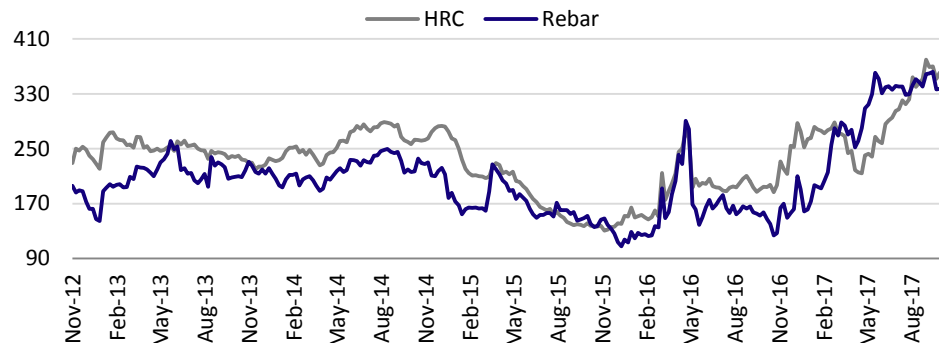
Sector	Sales (INR M)					EBDITA (INR M)			Net Profit (INR M)		
	CMP (INR)	RECO	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
Metals											
Hindalco	241	Buy	266,122	9.9	-0.7	34,241	12.1	4.2	11,073	126.2	13.7
Hindustan Zinc	313	Neutral	51,041	44.8	11.5	28,986	39.6	21.6	21,478	12.9	14.5
JSPL	148	Buy	57,840	19.0	-2.6	12,390	46.0	-8.4	-6,373	Loss	Loss
JSW Steel	249	Buy	149,094	12.7	1.4	32,441	9.6	24.0	11,625	60.0	86.3
Nalco	80	Neutral	20,983	13.7	16.4	3,216	86.6	41.4	1,758	45.0	36.3
NMDC	119	Buy	24,442	40.5	-14.0	12,314	49.1	-24.0	8,406	33.6	-26.1
SAIL	54	Sell	138,572	23.4	19.7	8,552	667.5	LP	-6,629	Loss	Loss
Tata Steel	660	Neutral	325,089	23.3	10.0	53,179	79.1	6.9	17,333	LP	12.9
Vedanta	318	Buy	213,073	34.3	16.5	63,363	35.8	30.0	22,085	76.4	44.8
Sector Aggregate			1,246,256	21.1	7.4	248,682	40.6	17.0	80,754	122.7	22.0

Exhibit 2: India import parity HRC prices

Domestic HRC steel price average is up by INR1,800/t QoQ

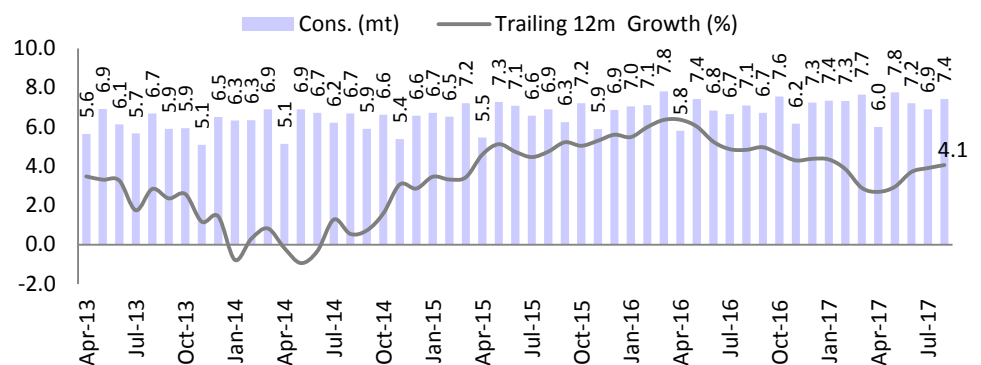
**Exhibit 3: China steel spreads with raw materials**

Chinese steel mills product spreads are at multi-year highs



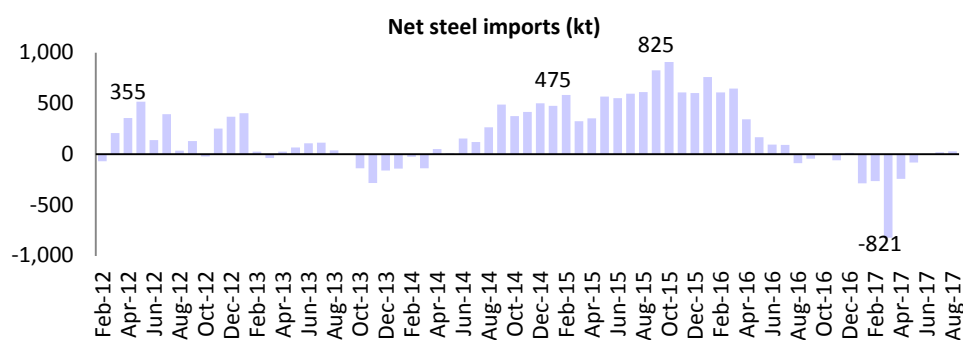
Source: MOSL, Company

Domestic steel consumption grew ~4% YoY in July and August 2017

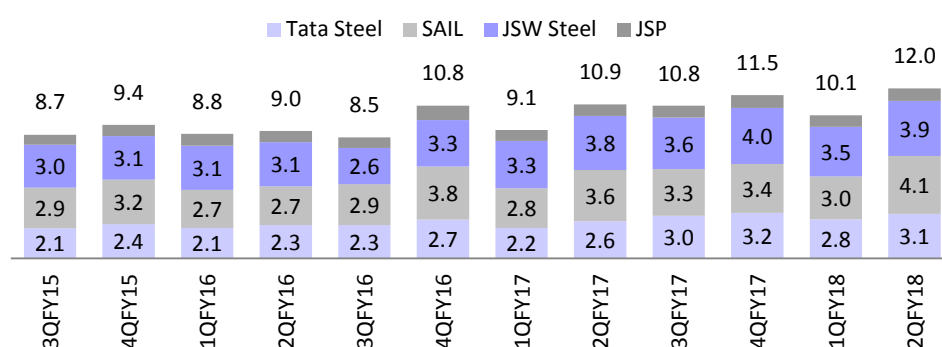
Exhibit 4: Domestic steel demand growth – trailing 12-month (YoY %)

Source: MOSL, Company

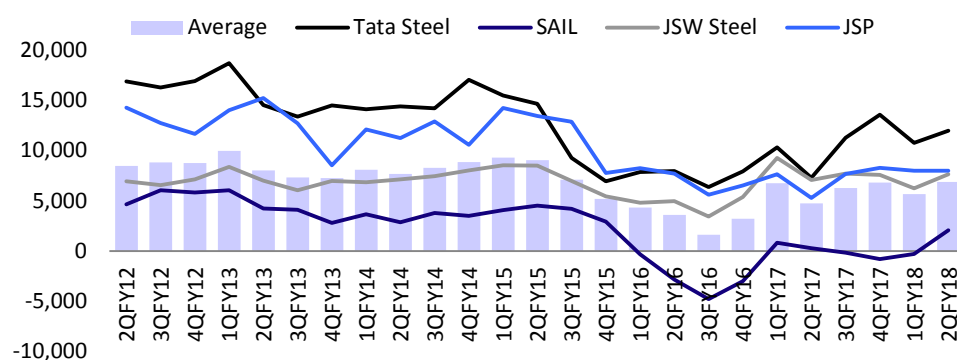
India's steel trade was in
balance

Exhibit 5: India net steel imports – kt

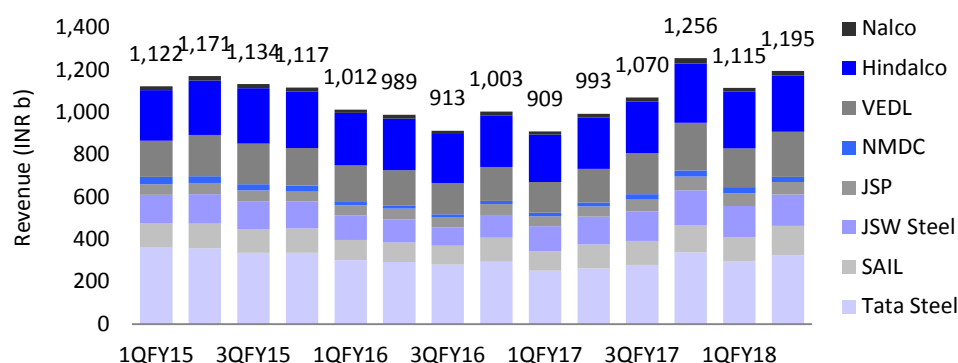
Source: MOSL, Company

Exhibit 6: India steel – sales volumes (mt)

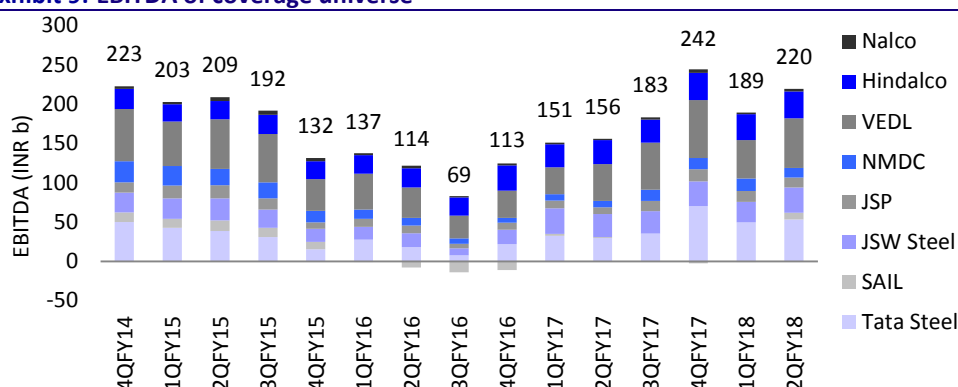
Source: MOSL, Company

Exhibit 7: India steel – EBITDA/ton (INR)

Source: MOSL, Company

Exhibit 8: Revenue of coverage universe

Source: MOSL, Company

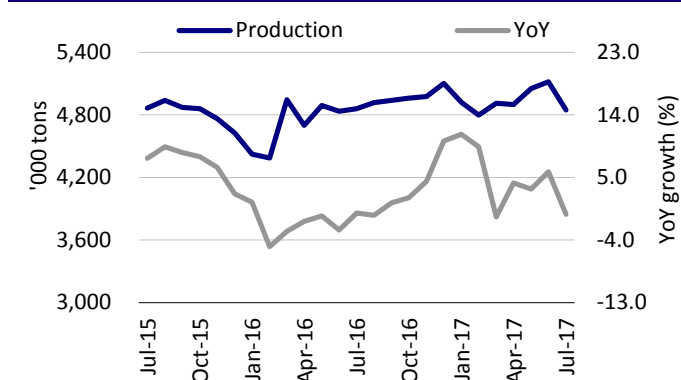
Exhibit 9: EBITDA of coverage universe

Source: MOSL, Company

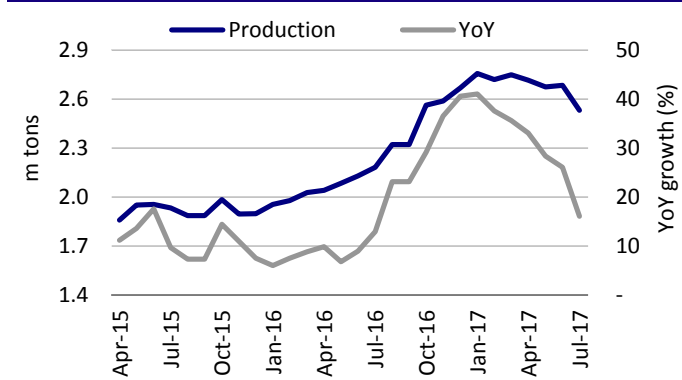
Exhibit 10: Quarterly average aluminum prices – USD/ton

Quarter	Aluminum			Premium			Aluminum total price			Alumina		
	Avg.	QoQ	YoY	Avg.	QoQ	YoY	Avg.	QoQ	YoY	Avg.	QoQ	YoY
2QFY18	2,009	5%	24%	92	-21%	21%	2,101	4%	24%	331	12%	41%
1QFY18	1,909	3%	21%	116	13%	16%	2,025	4%	21%	294	-14%	16%
4QFY17	1,851	8%	22%	103	40%	-8%	1,954	10%	20%	341	12%	56%
3QFY17	1,710	6%	14%	73	-3%	-21%	1,783	5%	12%	305	30%	31%
2QFY17	1,620	3%	2%	76	-24%	-25%	1,696	1%	0%	235	-7%	-20%
1QFY17	1,570	4%	-11%	100	-10%	-50%	1,672	3%	-15%	253	15%	-25%
4QFY16	1,516	1%	-16%	111	20%	-70%	1,627	2%	-25%	219	-6%	-36%
3QFY16	1,495	-6%	-24%	93	-8%	-78%	1,588	-6%	-33%	233	-20%	-34%
2QFY16	1,591	-10%	-20%	100	-49%	-75%	1,692	-14%	-29%	293	-13%	-9%
1QFY16	1,765	-2%	-2%	198	-48%	-47%	1,963	-10%	-10%	336	-2%	6%
4QFY15	1,800	-8%	5%	377	-9%	20%	2,177	-9%	8%	343	-3%	4%
3QFY15	1,966	-1%	11%	414	3%	68%	2,380	0%	18%	355	11%	10%
2QFY15	1,987	11%	12%	404	8%	63%	2,391	10%	18%	322	2%	1%
1QFY15	1,798	5%	-2%	374	19%	52%	2,172	7%	4%	317	-3%	-3%
4QFY14	1,708	-3%	-15%	313	27%	29%	2,022	0%	-10%	328	2%	-4%
3QFY14	1,768	-1%	-11%	246	-1%	1%	2,015	-1%	-10%	323	1%	-1%
2QFY14	1,780	-3%	-7%	248	1%	-1%	2,029	-2%	-6%	318	-3%	1%
1QFY14	1,834	-8%	-7%	246	2%		2,081	-7%		327	-4%	3%

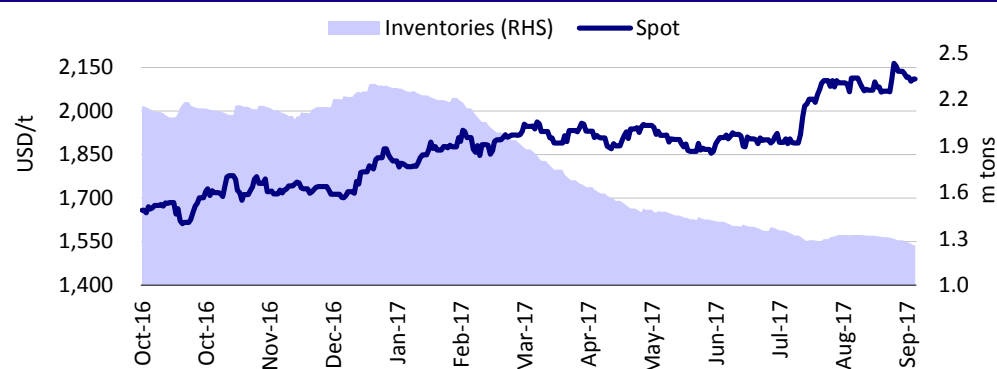
Source: MOSL, Company

Exhibit 11: Global aluminum production trend

Source: MOSL, Company, Bloomberg

Exhibit 12: China aluminum production trend

Source: MOSL, Company, Bloomberg

Exhibit 13: LME aluminum and inventories

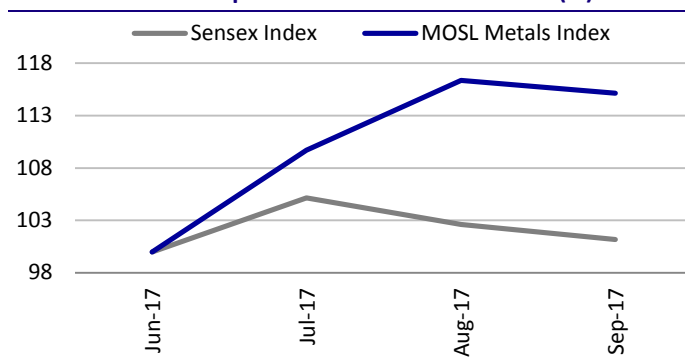
Source: MOSL, Bloomberg

Exhibit 14: Other base metals quarterly average prices – USD/ton

Quarter	Zinc			Copper			Lead			Silver (Rs/kg)		
	Avg.	QoQ	YoY	Avg.	QoQ	YoY	Avg.	QoQ	YoY	Avg.	QoQ	YoY
2QFY18	2,950	14%	31%	6,342	12%	33%	2,328	7%	24%	38,644	-3%	-16%
1QFY18	2,596	-6%	35%	5,662	-3%	20%	2,166	-5%	26%	39,766	-4%	0%
4QFY17	2,778	11%	65%	5,831	11%	25%	2,276	6%	31%	41,447	0%	16%
3QFY17	2,513	12%	56%	5,277	11%	8%	2,149	15%	28%	41,273	-10%	19%
2QFY17	2,253	17%	22%	4,772	1%	-9%	1,873	9%	9%	45,851	15%	32%
1QFY17	1,875	19%	-14%	4,726	1%	-22%	1,718	-1%	-12%	39,726	12%	7%
4QFY16	1,581	-2%	-24%	4,672	-4%	-20%	1,744	4%	-3%	35,595	2%	-4%
3QFY16	1,616	-15%	-28%	4,892	-7%	-26%	1,681	-2%	-16%	34,804	0%	-5%
2QFY16	1,892	-13%	-18%	5,259	-13%	-25%	1,714	-12%	-21%	34,651	-7%	-19%
1QFY16	2,183	5%	5%	6,043	4%	-11%	1,942	8%	-7%	37,194	0%	-11%
4QFY15	2,083	-7%	3%	5,818	-12%	-17%	1,806	-10%	-14%	37,167	1%	-17%
3QFY15	2,235	-3%	17%	6,624	-5%	-7%	2,000	-8%	-5%	36,694	-14%	-20%
2QFY15	2,311	11%	24%	6,995	3%	-1%	2,181	4%	4%	42,691	2%	-7%
1QFY15	2,073	2%	13%	6,787	-4%	-5%	2,095	0%	2%	41,862	-7%	-7%
4QFY14	2,029	6%	0%	7,040	-2%	-11%	2,105	0%	-8%	44,935	-3%	-20%
3QFY14	1,906	3%	-2%	7,153	1%	-10%	2,111	0%	-4%	46,099	0%	-23%
2QFY14	1,859	1%	-1%	7,073	-1%	-8%	2,101	2%	6%	46,077	3%	-17%
1QFY14	1,840	-9%	-5%	7,147	-10%	-9%	2,053	-11%	4%	44,837	-20%	-18%
4QFY13	2,032	4%	0%	7,931	0%	-5%	2,301	5%	10%	55,927	-7%	1%
3QFY13	1,946	3%	3%	7,908	3%	6%	2,198	11%	11%	59,949	8%	11%
2QFY13	1,885	-2%	-15%	7,705	-2%	-14%	1,974	0%	-20%	55,755	2%	-5%
1QFY13	1,927	-5%	-14%	7,869	-5%	-14%	1,973	-6%	-23%	54,406	-2%	-5%

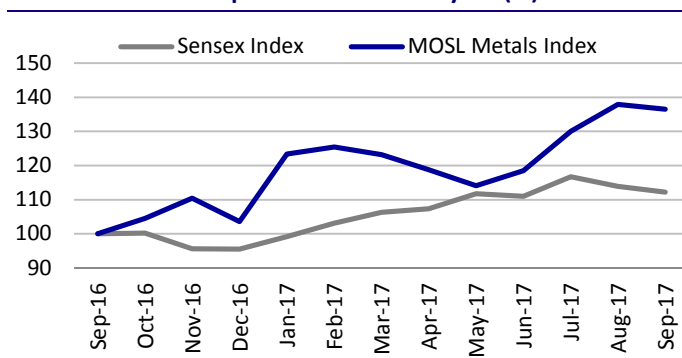
Source: MOSL, Company

Exhibit 15: Relative performance – three months (%)



Source: Bloomberg, MOSL

Exhibit 16: Relative performance – one year (%)



Source: Bloomberg, MOSL

Exhibit 17: Comparative valuation

Sector / Companies	CMP (INR)	RECO	EPS (INR)			PE (x)			EV/EBIDTA (x)			ROE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Metals														
Hindalco	241	Buy	19.8	24.5	25.0	12.1	9.8	9.6	6.8	5.9	5.4	14.3	15.4	13.7
Hindustan Zinc	313	Neutral	22.4	29.3	31.6	14.0	10.7	9.9	8.8	6.3	5.4	31.8	37.9	32.7
JSPL	148	Buy	-17.4	2.0	5.5	-8.5	73.4	26.6	10.2	6.9	6.1	-5.5	0.6	1.8
JSW Steel	249	Buy	22.3	25.7	23.9	11.2	9.7	10.4	7.8	7.2	7.0	21.6	20.8	16.3
Nalco	80	Neutral	4.5	5.8	5.9	17.8	13.8	13.5	7.9	6.1	5.7	8.3	10.1	9.7
NMDC	119	Buy	13.1	12.9	13.6	9.1	9.2	8.8	5.7	5.6	5.2	15.5	16.2	15.4
SAIL	54	Sell	-7.7	-4.2	0.4	-7.0	-12.9	136.2	27.2	14.0	8.9	-9.1	-5.3	0.5
Tata Steel	660	Neutral	66.9	63.4	76.4	9.9	10.4	8.6	6.6	6.7	6.1	19.1	15.9	16.6
Vedanta	318	Buy	25.4	37.5	42.7	12.5	8.5	7.4	5.6	3.8	3.1	15.0	20.3	20.8
Sector Aggregate						14.6	10.8	9.6	7.5	6.0	5.3	11.5	14.1	14.4

Source: MOSL

Hindalco

Bloomberg	HNDL IN
Equity Shares (m)	2227.2
M. Cap. (INR b)/(USD b)	536 / 8
52-Week Range (INR)	255 / 147
1,6,12 Rel Perf. (%)	0 / 16 / 41

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	1,001.8	1,075	1,148	1,144
EBITDA	124.4	136.6	146.7	144.2
NP	19.1	44.2	54.6	55.8
Adj. EPS (INR)	8.6	19.8	24.5	25.0
EPS Gr(%)	-28.5	131.6	23.7	2.0
BV/Sh. (INR)	129.9	148.2	171.3	195.0
RoE (%)	7.4	14.3	15.4	13.7
RoCE (%)	7.3	8.3	9.2	8.9
Payout (%)	15.0	8.3	6.7	6.5

Valuations

P/E (x)	28.0	12.1	9.8	9.6
P/BV	1.8	1.6	1.4	1.2
EV/EBITDA (x)	8.0	6.7	5.8	5.4
Div. Yield (%)	0.5	0.6	0.6	0.6

CMP:INR241

TP:INR308 (+28%)

Buy

- **Standalone:** We estimate standalone EBITDA to increase by 19% QoQ/18% YoY to INR13.6b, led by higher realization and volumes. Copper business earnings will also improve, despite lower volumes, on better margins and product credits. Aluminum segment EBITDA is expected to increase by 10% QoQ/30% YoY on higher realization and volumes. Copper EBITDA is estimated to increase by 16% QoQ (-4% YoY) to INR3.4b. Utkal EBITDA is estimated to decline 19% QoQ to INR2.4b on lower realization (quarter lag).
- Aluminum volumes are estimated to increase 8% QoQ to 322kt, while copper volumes are estimated to decline 10% YoY to 95kt.
- **Novelis:** We estimate Novelis to report adjusted EBITDA of USD282m, growth of 5% YoY. Adj. EBITDA/t is estimated at USD358 (v/s USD368 in 1QFY18). Volumes are estimated to increase by 2% YoY to 788kt.

Key issues to watch for:

- Lower margins in aluminum.
- Foreign exchange rate impact at Novelis.

Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	75,973	90,123	93,136	110,261	97,700	100,914	105,113	106,687	369,366	410,415
Change (YoY %)	-11.4	1.0	14.3	27.2	28.6	12.0	12.9	-3.2	7.6	11.1
EBITDA	11,325	11,564	11,852	13,472	11,477	13,636	13,691	13,994	48,135	52,799
As % of Net Sales	14.9	12.8	12.7	12.2	11.7	13.5	13.0	13.1		
Interest	5,996	5,943	5,879	5,411	4,878	4,876	4,851	4,827	23,229	19,431
Depreciation	3,382	3,516	3,580	3,802	3,792	3,579	3,615	3,651	14,280	14,637
Other Income	2,184	3,364	2,200	2,226	2,563	2,239	2,415	2,592	10,052	9,809
PBT (before EO item)	4,131	5,469	4,593	6,485	5,371	7,420	7,640	8,108	20,679	28,539
Extra-ordinary Income	-2	857		-3	-1,044				852	-1,044
PBT (after EO item)	4,129	6,326	4,593	6,482	4,327	7,420	7,640	8,108	21,531	27,495
Total Tax	1,189	1,929	1,390	1,457	1,431	2,078	2,139	2,270	5,964	7,918
% Tax	28.8	35.3	30.2	22.5	26.6	28.0	28.0	28.0	27.7	28.8
Reported PAT	2,941	4,397	3,204	5,025	2,896	5,343	5,501	5,838	15,567	19,577
Adjusted PAT	2,987	3,954	3,204	4,689	3,824	5,283	5,440	5,773	14,951	20,320
Novelis Shipments (kt)	755	773	750	789	785	788	765	805	3,067	3,143
Novelis adj. EBITDA (USDm)	268	270	255	292	289	282	279	296	1,085	1,146
Consolidated EBITDA	29,411	30,534	29,619	34,866	32,874	34,241	34,096	35,541	124,359	136,646
Novelis	17,956	18,090	17,187	19,564	18,631	18,358	18,120	19,224	72,804	74,334
India	12,275	13,264	13,252	16,122	14,387	16,027	16,120	16,461	54,835	62,887
Aluminium	9,646	9,691	10,058	11,493	11,412	12,584	12,628	12,968	40,809	49,484
Standalone	8,696	7,991	8,658	8,843	8,502	10,230	10,235	10,538	34,109	39,396
Utkal Alumina	950	1,700	1,400	2,650	2,910	2,355	2,393	2,431	6,700	10,088
Copper S/A	2,629	3,573	3,195	4,629	2,975	3,443	3,492	3,492	14,026	13,402
adj. PAT	3,192	4,896	2,962	7,305	9,742	11,073	11,005	12,050	19,069	44,171

E: MOSL Estimates

Hindustan Zinc

Bloomberg	HZ IN
Equity Shares (m)	4225.3
M. Cap. (INR b)/(USD b)	1321 / 20
52-Week Range (INR)	333 / 227
1,6,12 Rel Perf. (%)	3 / 2 / 12

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	173.0	219	271	285
EBITDA	0.0	0.0	0.0	0.0
NP	83.2	94.7	123.7	133.5
Adj. EPS (INR)	19.7	22.4	29.3	31.6
EPS Gr(%)		13.8	30.6	8.0
BV/Sh. (INR)	72.9	67.9	86.6	106.8
RoE (%)	24.4	31.8	37.9	32.7
RoCE (%)	29.4	39.1	51.6	43.5
Payout (%)	179.3	36.0	36.0	36.0

Valuations

P/E (x)	16.2	14.2	10.9	10.1
P/BV (x)	13.3	11.8	9.3	8.7
EV/EBITDA (x)	0.0	9.0	6.4	5.5
Div. Yield (%)	9.2	2.1	2.8	3.0

CMP:INR313

TP: INR322 (+1%)

Neutral

- We estimate HZL's EBITDA to increase 22% QoQ/40% YoY to INR28.9b, driven by higher LME. YoY growth is driven by normalization of volumes. LME zinc is up 14% QoQ to USD2,950/t, while lead is up 8% QoQ to USD2,328/t. 2Q of last year was impacted by phasing of mining operations. As a result, mine production is estimated to increase 19% YoY to 228kt in 2QFY18.
- We estimate PAT to increase 14% QoQ/13% YoY to INR21.5b. Other income is estimated to decline 40% QoQ to INR3b on lower cash balance due to dividend payout.

Key issues to watch for:

- Decline in global zinc prices.
- Production issues.

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Zinc refined (kt)	120	148	211	217	190	189	203	209	696	791
Lead refined (kt)	23	32	36	47	34	35	39	41	138	149
Silver (tonnes)	88	107	117	135	110	118	120	124	447	471
Zinc LME (USD/t)	1,918	2,252	2,518	2,777	2,589	2,950	3,200	3,200	2,366	2,985
Net Sales	25,306	35,257	49,799	62,602	45,760	51,041	60,210	62,227	172,964	219,239
Change (YoY %)	-30.3	-12.6	45.2	99.9	80.8	44.8	20.9	-0.6	21.6	26.8
EBITDA	11,309	20,767	27,834	37,480	23,840	28,986	35,723	36,826	97,390	125,375
Change (YoY %)	-42.5	2.6	88.3	186.5	110.8	39.6	28.3	-1.7	43.7	28.7
As % of Net Sales	44.7	58.9	55.9	59.9	52.1	56.8	59.3	59.2	56.3	57.2
Finance cost	712	712	451	142	1,370	0	0	0	2,017	1,370
DD&A	3,644	4,317	4,589	5,321	3,600	5,004	5,054	5,105	17,871	18,764
Other Income	6,101	7,702	5,882	4,811	5,300	3,206	3,424	3,077	24,496	15,007
PBT (before EO item)	13,053	23,440	28,676	36,829	24,170	27,187	34,093	34,798	101,998	120,248
EO exp. (income)	5	0	0	0	0	0	0	0	-5	0
PBT (after EO item)	13,048	23,440	28,676	36,829	24,170	27,187	34,093	34,798	102,003	120,248
Total Tax	2,680	4,421	5,477	6,259	5,410	5,709	7,160	7,308	18,837	25,586
% Tax	20.5	18.9	19.1	17.0	22.4	21.0	21.0	21.0	18.5	21.3
Reported PAT	10,369	19,019	23,199	30,570	18,760	21,478	26,933	27,490	83,166	94,662
Adjusted PAT	10,374	19,019	23,199	30,570	18,760	21,478	26,933	27,490	83,161	94,662
Change (YoY %)	-53.4	-11.4	28.1	42.2	80.8	12.9	16.1	-10.1	-0.7	13.8

E=Estimate

Jindal Steel & Power

Bloomberg	JSP IN
Equity Shares (m)	914.9
M. Cap. (INR b)/(USD b)	135 / 2
52-Week Range (INR)	159 / 63
1,6,12 Rel Perf. (%)	6 / 13 / 65

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	216.2	257.4	312.9	336.3
EBITDA	46.6	59.1	79.1	83.3
Adj. PAT	-19.1	-16.0	1.8	5.1
Adj. EPS (INR)	-20.9	-17.4	2.0	5.5
EPS Gr (%)	14.8	-16.5	-111.5	175.4
BV/Sh. (INR)	328.5	310.7	312.2	317.3
RoE (%)	-7.9	-5.5	0.6	1.8
RoCE (%)	1.0	1.8	4.0	4.6
Payout (%)	0.0	0.0	0.0	0.0

Valuations

P/E (x)	-7.1	-8.5	73.4	26.6
P/BV	0.4	0.5	0.5	0.5
EV/EBITDA	12.7	10.2	6.9	6.1
Div. Yield (%)	0.0	0.0	0.0	0.0

CMP: INR148

TP: 192 (+30%)

Buy

- **Standalone:** We estimate standalone EBITDA to decline 16% QoQ to INR6.3b due to the transitory start-up cost of blast furnace commissioned in 1Q. Steel sales volumes would increase 10% QoQ to 891kt, despite being a seasonally weak quarter. Realization is expected to be broadly flat due to weak realization in the long product segment. Pellet sales remain strong, with margins improving, but domestic coal prices are also higher. Ex-transitory costs, we estimate margins would had been broadly flat QoQ.
- **Jindal Power:** Jindal Power's EBITDA is estimated to decline 34% QoQ to INR3.1b, as higher spot realization benefit is offset by lower generation (-22% QoQ to 2.5bu) and higher coal cost. Generation is impacted, despite good demand, due to availability of coal.
- **Oman:** We estimate EBITDA to increase 28% QoQ to INR2.7b on benefit of higher realization and a limited increase in cost due to favorable gas sourcing contract.
- Consolidated EBITDA is estimated to decline 8% QoQ to INR12.4b.

Key issues to watch for:

- Ramp-up of Angul.
- Power demand growth.

Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	46,962	48,609	55,812	64,861	59,364	57,840	66,882	73,271	216,243	257,357
Change (YoY %)	-1.2	-3.6	21.5	27.7	26.4	19.0	19.8	13.0	11.1	19.0
Total Expenditure	37,121	40,125	43,045	49,340	45,837	45,450	50,817	56,153	169,631	198,256
EBITDA	9,841	8,484	12,767	15,521	13,527	12,390	16,066	17,118	46,613	59,100
Change (YoY %)	-3.3	-13.1	132.0	73.1	37.5	46.0	25.8	10.3	35.5	26.8
As % of Net Sales	21.0	17.5	22.9	23.9	22.8	21.4	24.0	23.4	21.6	23.0
Interest	8,529	8,716	8,353	8,642	9,006	7,698	7,622	7,700	34,240	32,026
Depreciation	9,171	9,986	10,274	10,059	9,622	11,173	11,873	11,935	39,490	44,603
Other Income	312	7	3	90	0	1	1	1	411	4
PBT (before EO item)	-7,548	-10,211	-5,856	-3,090	-5,101	-6,480	-3,428	-2,516	-26,706	-17,525
Extra-ordinary Income	-6,257	0	0	2,534	0	0	0	0	-3,723	0
PBT (after EO item)	-13,805	-10,211	-5,856	-556	-5,101	-6,480	-3,428	-2,516	-30,429	-17,525
Total Tax	-1,410	-2,739	-1,306	428	-887	16	17	18	-5,027	-836
% Tax	10.2	26.8	22.3	-76.9	17.4	-0.2	-0.5	-0.7	16.5	4.8
Reported PAT	-12,395	-7,473	-4,551	-984	-4,214	-6,496	-3,445	-2,534	-25,402	-16,689
MI - Loss/(Profit)	-1,560	-2	-458	-505	-334	-23	-23	-23	-2,524	-402
Associate	14	11	18	-16	10	100	100	100	27	310
Adjusted PAT	-4,564	-7,460	-4,074	-3,029	-3,871	-6,373	-3,322	-2,411	-19,128	-15,977
Change (YoY %)	34.5	317.8	-38.7	-37.4	-15.2	-14.6	-18.5	-20.4	14.8	-16.5

E: MOSL Estimates

JSW Steel

Bloomberg	JSTL IN
Equity Shares (m)	2417.2
M. Cap. (INR b)/(USD b)	602 / 9
52-Week Range (INR)	272 / 151
1,6,12 Rel Perf. (%)	-2 / 22 / 27

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	556.0	624.9	631.8	652.5
EBITDA	122.6	141.6	151.7	152.9
Adj. PAT	35.8	53.8	62.2	57.7
Adj. EPS (INR)	14.8	22.3	25.7	23.9
EPS Gr(%)	-	50.4	15.6	-7.4
BV/Sh. (INR)	93.7	112.4	135.7	157.0
RoE (%)	17.3	21.6	20.8	16.3
RoCE (%)	7.9	9.4	9.5	8.9
Payout (%)	18.4	6.6	5.7	11.3

Valuation

P/E (x)	16.8	11.2	9.7	10.4
P/BV	2.7	2.2	1.8	1.6
EV/EBITDA (x)	9.1	7.8	7.2	7.0
Div. Yield (%)	0.9	0.5	0.5	0.9

CMP: INR249
TP: INR298 (+20%)
Buy

- Consolidated EBITDA is estimated to increase 24% QoQ to INR32.4b on higher flat steel product prices and a decline in coking coal cost.
- Standalone steel sales will increase 10% QoQ/1% YoY to 3.9mt, coming off a weaker base due to the impact of GST. Sales have recovered from September.
- Standalone EBITDA/t is estimated at INR7,655, increasing 22% QoQ, on higher realization and lower coking coal cost.
- Adj. PAT is estimated to increase 86% QoQ/60% YoY to INR11.6b.

Key issues to watch for:

- Steel price hikes and impact of coking coal.
- Domestic steel demand growth.

Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	117,080	132,278	140,126	166,562	146,990	149,094	163,838	165,019	556,046	624,941
Change (YoY %)	1.1	21.3	61.1	55.7	25.5	12.7	16.9	-0.9	32.8	12.4
EBITDA	32,694	29,586	28,669	31,649	26,170	32,441	41,657	41,296	122,598	141,564
Change (YoY %)	100.9	71.1	221.5	73.5	-20.0	9.6	45.3	30.5	101.9	15.5
EBITDA (INR per ton)	9,789	7,705	7,876	7,992	7,456	8,364	9,802	9,717	8,295	8,910
EBITDA (USD per ton)	146	115	117	119	116	128	149	146	124	136
Interest	9,358	9,646	9,201	9,476	9,450	9,954	9,862	9,771	37,681	39,037
Depreciation	8,315	8,915	9,146	8,779	8,190	8,272	8,355	8,513	35,154	33,329
Other Income	334	296	333	558	410	846	852	857	1,521	2,965
PBT (before EO Item)	15,356	11,320	10,655	13,953	8,940	15,062	24,292	23,869	51,284	72,163
EO Items	0	0	0	0	0	0	0	0	0	0
PBT (after EO Item)	15,356	11,320	10,655	13,953	8,940	15,062	24,292	23,869	51,284	72,163
Total Tax	4,507	4,734	3,511	3,992	2,840	4,115	6,831	6,720	16,743	20,505
% Tax	29.4	41.8	32.9	28.6	31.8	27.3	28.1	28.2	32.6	28.4
Reported PAT	10,848	6,587	7,145	9,961	6,100	10,947	17,461	17,150	34,541	51,657
MI (Profit)/Loss	112	-117	13	57	0	-117	-117	-117	64	-352
Share of P/(L) of Ass.	130	795	143	125	140	795	795	795	1,193	2,526
Pref. Dividend	0	0	0	0	0	0	0	0	0	0
Adjusted PAT	11,090	7,265	7,300	10,143	6,240	11,625	18,139	17,828	35,798	53,831
Change (YoY %)	-1,076.8	557.5	-529.2	515.1	-43.7	60.0	148.5	75.8	-42,485.0	50.4

E: MOSL Estimates

Nalco

Bloomberg	NACL IN
Equity Shares (m)	1932.9
M. Cap. (INR b)/(USD b)	154 / 2
52-Week Range (INR)	85 / 46
1,6,12 Rel Perf. (%)	8 / -1 / 53

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	75.4	87.9	93.2	94.4
EBITDA	10.8	14.8	18.4	18.8
NP	7.2	8.7	11.1	11.4
Adj. EPS (INR)	3.7	4.5	5.8	5.9
EPS Gr(%)	37.9	20.3	28.7	2.3
BV/Sh. (INR)	52.8	55.2	58.9	62.7
RoE (%)	7.2	8.3	10.1	9.7
RoCE (%)	7.9	11.0	13.4	13.0
Payout (%)	60.5	46.9	36.5	35.6

Valuations

P/E (x)	21.4	17.8	13.8	13.5
P/BV	1.5	1.4	1.3	1.3
EV/EBITDA (x)	11.0	7.9	6.1	5.7
Div. Yield (%)	3.5	2.2	2.2	2.2

CMP: INR80

TP: INR87 (+9%)

Neutral

- We estimate EBITDA to increase 41% QoQ/87% YoY to INR3.2b on higher aluminum and alumina realization, and volumes.
- Aluminum LME is up 5% QoQ to USD2,009/t. Alumina realization is estimated to increase 12% QoQ to USD351/t.
- Aluminum volumes are estimated to increase 23% QoQ to 109kt, led by a recovery post impact of GST. Alumina sales, however, would decline 9% QoQ to 327kt, on higher internal consumption.
- We estimate EBITDA to increase 87% QoQ to INR3.6b on lower alumina sales and increase in power cost.
- PAT is estimated to increase 36% QoQ/45% YoY to INR1.7b.

Key issues to watch for:

- Availability of coal for captive power plant.
- LME price trend, utilization of smelter.

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Aluminium Prod. ('000 tons)	94	94	99	101	101	109	112	112	388	434
Aluminium Sales ('000 tons)	82	99	99	109	89	109	112	112	389	422
Alumina Sales ('000 tons)	291	290	311	403	259	237	353	353	1,295	1,202
Avg LME Aluminium (USD/ton)	1,570	1,619	1,710	1,851	1,910	2,009	2,000	2,000	1,687	1,980
NSR premiums (USD/ton)	290	132	196	275	323	223	223	223	223	248
Alumina NSR (USD/ton)	257	266	277	323	314	351	368	350	260	346
Net Sales	15,490	18,461	19,881	25,497	18,027	20,983	24,647	24,231	79,329	87,889
Change (YoY %)	3.9	1.7	21.6	36.0	16.4	13.7	24.0	-5.0	16.4	10.8
Total Expenditure	13,544	16,738	17,029	21,222	15,752	17,767	19,894	19,707	68,533	73,120
EBITDA	1,946	1,723	2,852	4,275	2,275	3,216	4,753	4,525	10,796	14,769
Change (YoY %)	-13.0	-49.2	109.2	79.1	16.9	86.6	66.7	5.8	15.1	36.8
As % of Net Sales	12.6	9.3	14.3	16.8	12.6	15.3	19.3	18.7	13.6	16.8
Interest	5	6	6	10	4	0	0	0	17	
Depreciation	1,188	1,353	1,177	1,086	1,170	1,196	1,157	1,152	4,804	4,676
Other Income	1,336	1,369	759	620	859	590	647	704	4,083	2,798
PBT (before EO Item)	2,089	1,733	2,428	3,798	1,960	2,609	4,243	4,076	10,058	12,892
Extra-ordinary Income	0	0	-371	-30	0	0	0	0		
PBT (after EO Item)	2,089	1,733	2,057	3,768	1,960	2,609	4,243	4,076	10,058	12,892
Total Tax	739	521	618	1,084	670	852	1,385	1,330	2,962	4,237
% Tax	35.4	30.1	30.0	28.8	34.2	32.6	32.6	32.6	29.4	32.9
Reported PAT	1,350	1,212	1,439	2,684	1,289	1,758	2,858	2,746	7,097	8,655
Adjusted PAT	1,350	1,212	1,699	2,705	1,289	1,758	2,858	2,746	7,097	8,655

E: MOSL Esitmates

NMDC

Bloomberg	NMDC IN
Equity Shares (m)	3163.9
M. Cap. (INR b)/(USD b)	377 / 6
52-Week Range (INR)	153 / 103
1,6,12 Rel Perf. (%)	-11 / -18 / -5

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	88.3	108.6	108.4	113.7
EBITDA	44.9	60.1	60.3	63.5
Adj. PAT	31.5	41.3	40.8	42.9
Adj. EPS	10.0	13.1	12.9	13.6
EPS Gr(%)	11.7	31.1	-1.2	5.2
BV/Sh. (INR)	71.2	77.0	82.7	89.1
RoE (%)	12.8	15.5	16.2	15.4
RoCE (%)	12.2	15.1	15.9	15.1
Payout (%)	74.9	55.2	55.8	53.1

Valuation

P/E (x)	12.3	9.3	9.5	9.0
P/BV	1.7	1.6	1.5	1.4
EV/EBITDA	7.4	5.8	5.7	5.4
Div. Yield (%)	4.2	4.9	4.9	4.9

CMP: INR119

TP: INR188 (54%)

Buy

- NMDC's EBITDA is estimated to decline 24% QoQ (49% YoY) to INR12.3b on lower realization, both exports and domestic.
- Iron ore sales volumes are estimated to decline 5% QoQ (+9% YoY) to 8.7mt, being a seasonally weak quarter. Underlying demand remains strong.
- Domestic iron ore realization is estimated to decline 8% QoQ to INR2,705/t on price cuts.
- Adj. PAT is estimated to decline 26% QoQ (+34% YoY) to INR8.4b.

Key issues to watch for:

- Increase in global iron ore prices.
- Stronger-than-expected iron ore demand.

Quarterly Performance

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Production (m tons)	7.6	6.3	9.7	10.4	8.5	8.7	10.6	10.3	35.6	38.7
Sales (m tons)	7.8	8.0	10.1	9.8	9.2	8.7	10.6	10.3	35.6	38.7
Avg Dom. NSR (USD/t)	32	31	35	43	46	41	39	39	36	41
Avg Dom. NSR (INR/t)	2,160	2,093	2,403	2,871	2,938	2,705	2,576	2,576	2,410	2,699
Lumps % (production)	36	36	36	36	36	36	36	36	36	36
Net Sales	17,207	17,392	24,979	28,717	28,415	24,442	28,236	27,499	88,294	108,592
EBITDA	8,164	8,258	14,226	14,295	16,206	12,314	17,182	14,386	44,944	60,087
EBITDA per ton (USD)	16	15	21	22	27	22	25	21	19	24
EBITDA per ton (INR/t)	1,050	1,030	1,415	1,463	1,765	1,416	1,627	1,402	1,262	1,553
Interest	81	15	53	59	82	0	0	0	208	
Depreciation	560	544	551	307	467	601	616	631	1,962	2,315
Other Income	3,452	2,735	1,559	1,343	1,286	812	805	858	9,088	3,761
PBT (before EO Item)	10,975	10,434	15,180	15,273	16,944	12,525	17,371	14,613	51,862	61,533
Extra-ordinary item	0	0	-5,972	-2,961	-1,258	0	0	0	-8,933	
PBT (after EO Item)	10,975	10,434	9,208	12,312	15,686	12,525	17,371	14,613	42,929	61,533
Total Tax	3,862	2,727	3,257	7,193	5,994	4,008	5,559	4,676	17,038	20,237
% Tax	35.2	26.1	35.4	58.4	38.2	32.0	32.0	32.0	39.7	32.9
Reported PAT	7,113	7,708	5,952	5,119	9,692	8,517	11,812	9,937	25,891	41,297
Adjusted PAT	6,619	6,293	9,156	9,211	11,371	8,406	11,658	9,807	31,279	41,297

E: MOSL Estimates

SAIL

Bloomberg	SAIL IN
Equity Shares (m)	4130.4
M. Cap. (INR b)/(USD b)	223 / 3
52-Week Range (INR)	69 / 45
1,6,12 Rel Perf. (%)	-12 / -23 / -1

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	448.8	525.7	599.3	677.9
EBITDA	5.3	25.8	51.5	82.2
NP	-25.5	-32.0	-17.3	1.6
Adj. EPS (INR)	-6.2	-7.7	-4.2	0.4
EPS Gr(%)	-31.0	25.2	-45.9	-109.5
BV/Sh. (INR)	89.1	81.3	77.1	77.5
RoE (%)	-6.7	-9.1	-5.3	0.5
RoCE (%)	-2.3	-0.9	1.8	5.6
Payout (%)				
Valuation				
P/E (x)	-9.1	-7.2	-13.4	141.0
P/BV	0.6	0.7	0.7	0.7
EV/EBITDA (x)	127.5	27.5	14.2	9.0
Div. Yield (%)				

CMP: INR54**TP: INR30 (-46%)****Sell**

- SAIL's EBITDA is estimated to increase to INR8.5b from a loss of INR0.8b in 1QFY18 on higher flat steel production realization, lower coking coal cost and operating leverage on higher volumes.
- Volumes are estimated to increase 35% QoQ/14% YoY to 4mt, as it pushes sales with production growth.
- EBITDA per ton is estimated at INR2,86, increasing from loss of INR277 QoQ.
- PAT loss is estimated at INR6.6b.

Key issues to watch for:

- Commissioning of Bhilai capacity and steel prices.

Quarterly Performance**(INR Million)**

Y/E March	FY17				FY18				FY17	FY18E
(Standalone)	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales (m tons)	2.8	3.6	3.3	3.4	3.0	4.1	3.8	4.0	13.1	14.9
Change (YoY %)	4.1	31.4	13.8	-8.6	8.1	13.9	15.2	16.4	8.6	13.6
Realization (INR per ton)	32,993	31,182	34,237	36,827	38,242	33,798	34,056	34,314	33,814	34,903
Change (YoY %)	-6.6	-7.7	11.1	22.1	15.9	8.4	-0.5	-6.8	4.7	3.2
Net Sales	92,381	112,256	112,982	126,905	115,796	138,572	129,413	137,599	444,524	521,379
Change (%)	-2.8	21.3	26.4	11.6	25.3	23.4	14.5	8.4	13.8	17.3
EBITDA	2,338	1,114	-428	-2,644	-839	8,552	6,586	6,501	380	20,800
Change (YoY %)	-386.2	-114.5	-96.9	-76.5	-135.9	667.5	-1,640.1	-345.9	-101.1	5,368.0
EBITDA per ton (INR)	835	310	-130	-767	-277	2,086	1,733	1,621	29	1,392
EBITDA per ton (USD)	12	5	-2	-11	-4	32	26	24	0	21
Interest	5,941	6,028	6,108	7,202	5,879	7,372	7,610	7,840	25,278	28,702
Depreciation	6,002	6,659	6,699	7,439	6,947	8,565	8,953	9,335	26,800	33,800
Other Income	893	682	688	3,094	893	551	549	546	5,356	2,539
PBT (before EO Inc.)	-8,712	-10,890	-12,547	-14,192	-12,771	-6,834	-9,429	-10,128	-46,341	-39,163
EO Income(exp)	-542	-1,640	11	3	-101				-2,167	-101
PBT (after EO Inc.)	-9,254	-12,531	-12,536	-14,188	-12,872	-6,834	-9,429	-10,128	-48,509	-39,264
Total Tax	-3,899	-5,215	-4,587	-6,475	-4,859	-205	-283	-304	-20,176	-5,650
% Tax	42.1	41.6	36.6	45.6	37.7	3.0	3.0	3.0	41.6	14.4
Reported PAT	-5,355	-7,316	-7,948	-7,713	-8,014	-6,629	-9,146	-9,824	-28,332	-33,613
Adjusted PAT	-5,042	-6,358	-7,956	-7,715	-7,951	-6,629	-9,146	-9,824	-27,066	-33,527
Change (YoY %)	56.8	-18.0	-48.0	-37.3	57.7	4.3	15.0	27.3	-29.8	23.9

E: MOSL Estimates

Tata Steel

Bloomberg	TATA IN
Equity Shares (m)	971.4
M. Cap. (INR b)/(USD b)	641 / 10
52-Week Range (INR)	697 / 366
1,6,12 Rel Perf. (%)	2 / 28 / 57

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	1,123	1,255	1,254	1,263
EBITDA	170	212	202	219
Adj. PAT	37	66	62	74
Adj. EPS (INR)	37.9	67.8	63.4	76.4
EPS Gr(%)	394.2	78.7	-6.5	20.5
BV/Sh. (INR)	330	373	427	493
RoE (%)	15.7	19.3	15.8	16.6
RoCE (%)	9.4	11.7	10.3	11.0
Payout (%)	-21.8	14.6	14.2	11.9

Valuation

P/E (x)	18.2	10.2	10.9	9.0
P/BV	2.1	1.9	1.6	1.4
EV/EBITDA (x)	8.3	6.7	6.9	6.2
Div. Yield (%)	1.2	1.2	1.2	1.2

CMP: INR660
TP: 666 (-4%)
Neutral

- **India:** We estimate Tata Steel's standalone EBITDA to increase 26% QoQ/96% YoY to INR37.5b on higher volumes, flat product realization and higher ferro prices. Sales volumes are up 19% YoY to 3.1mt (reported) on ramp-up at Kalinganagar. EBITDA per ton is estimated to increase ~INR1,200 QoQ to INR11,985 on higher realization, operating leverage and ferro.
- **Europe:** EU sales volumes grew 8% QoQ to 2.6mt, despite a seasonally weak quarter. Margins are estimated to decline 7% QoQ to USD76/t.
- Consolidated EBITDA is estimated to increase 7% QoQ/79% YoY to INR53.2b. Adj. PAT is estimated to turn from a loss of INR1.1b to INR17.3b YoY (and from INR15.3b QoQ).

Key issues to watch out:

- Imports from China and global iron ore prices.

Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales (k tons)	5,410	5,650	6,110	6,830	5,830	6,400	6,246	6,791	24,000	25,267
Change (YoY %)	-14.5	-10.2	-4.1	-1.6	7.8	13.3	2.2	-0.6	-7.4	5.3
Avg Realization (INR/tss)	46,635	46,674	45,755	49,628	50,698	50,795	48,925	48,432	47,272	49,675
Net Sales	252,298	263,710	279,565	338,960	295,568	325,089	305,592	328,912	1,134,532	1,255,160
Change (YoY %)	-16.7	-10.0	-0.3	14.9	17.2	23.3	9.3	-3.0	-3.2	10.6
EBITDA	32,420	29,700	35,393	70,252	49,740	53,179	53,996	53,769	167,764	210,684
Change (YoY %)	16.9	62.3	356.3	218.6	53.4	79.1	53	-23	121.2	25.6
(% of Net Sales)	12.8	11.3	12.7	20.7	16.8	16.4	17.7	16.3	14.8	16.8
EBITDA(USD/tss)	90	79	86	154	132	127	131	119	104	127
Interest	10,707	13,511	13,874	12,631	13,437	13,106	13,350	13,380	50,723	53,274
Depreciation	12,417	14,677	13,797	15,892	15,011	14,735	14,955	15,118	56,784	59,819
Other Income	1,367	1,084	1,301	1,522	1,555	1,213	1,343	1,315	5,274	5,426
PBT (before EO Inc.)	10,662	2,597	9,022	43,250	22,846	26,551	27,033	26,586	65,531	103,016
EO Income(exp)	-35,231	634	284	-45,199	-6,289				-79,512	-6,289
PBT (after EO Inc.)	-24,568	3,230	9,306	-1,948	16,557	26,551	27,033	26,586	-13,981	96,727
Total Tax	7,405	3,634	6,984	9,760	7,405	9,256	9,437	9,251	27,782	35,350
% Tax	69.4	139.9	77.4	22.6	32.4	34.9	34.9	34.8	42.4	34.3
Reported PAT	-31,973	-403	2,322	-11,708	9,152	17,295	17,596	17,335	-41,762	61,378
Adj. PAT (after MI & asso)	3,400	-1,127	2,035	33,435	15,352	17,333	17,641	17,363	37,742	67,690

Vedanta

Bloomberg	VEDL IN
Equity Shares (m)	3717.0
M. Cap. (INR b)/(USD b)	1182 / 18
52-Week Range (INR)	335 / 179
1,6,12 Rel Perf. (%)	1 / 11 / 54

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	722.3	855	1,026	1,112
EBITDA *	175.5	208.5	280.3	304.6
NP	56.3	94.3	139.2	158.9
Adj. EPS (INR)	15.1	25.4	37.5	42.7
EPS Gr (%)		67.6	47.7	14.1
BV/Sh. (INR)	162.7	175.2	194.3	216.4
RoE (%)	9.7	15.0	20.3	20.8
RoCE (%)	12.4	14.9	19.0	19.5
Payout (%)	154.2	37.4	37.9	37.6

Valuation

P/E (x)	21.0	12.5	8.5	7.4
P/BV	2.0	1.8	1.6	1.5
EV/EBITDA, x*	8.9	7.4	5.1	4.3
Div. Yield (%)	6.1	2.5	3.7	4.2

CMP:INR318

TP: INR360 (+13%)

Buy

- We estimate VEDL's EBITDA to increase 30% QoQ/36% YoY to INR63.4b, driven by zinc, oil and aluminum. Adj. PAT is estimated to increase 45% QoQ/76% YoY to INR22.1b.
By segments:
- **Aluminum:** EBITDA is estimated to increase by 82% QoQ to INR9.6b, driven by higher LME (up ~USD100/t) and volumes (up 18% QoQ to 374kt), partly offset by an increase in power and other costs.
- **Zinc:** EBITDA is estimated to increase 22% QoQ/40% YoY to INR28.9b on higher volumes and LME.
- **Iron ore:** EBITDA is estimated to increase 96% QoQ to INR0.8b, off a weak base.
- **Power:** EBITDA is estimated to increase 383% QoQ to INR5b on restart of Talwandi Saboo.
- **Copper:** EBITDA is up 56% QoQ to INR3.3b on higher volumes and improvement in by-product prices.

Key issues to watch for:

- Progress on ramp-up of 1.25mtpa smelter.
- Movement in base metal prices.

Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	144,371	158,596	194,171	225,113	182,850	213,073	225,239	233,628	722,250	854,789
Change (YoY %)	-15.2	-4.2	30.5	40.9	26.7	34.3	16.0	3.8	12.4	18.4
Total Expenditure	109,975	111,922	134,207	151,612	134,110	149,710	151,748	158,579	508,931	594,147
EBITDA	34,396	46,674	59,964	73,501	48,740	63,363	73,490	75,049	213,319	260,642
Copper	4,379	3,779	4,479	4,312	2,130	3,330	3,155	3,741	16,926	12,357
Aluminum	2,660	4,200	6,520	9,900	5,280	9,621	10,238	11,120	23,057	36,259
Iron ore	3,730	1,050	4,710	3,870	400	783	3,620	2,023	13,224	6,825
Power	3,870	3,641	4,452	4,565	1,040	5,023	5,033	4,978	16,425	16,074
Zinc-India	11,309	20,767	27,834	37,480	23,840	28,986	35,723	36,826	95,302	125,375
Zinc-International	2,490	3,390	2,020	1,380	3,210	3,345	3,293	4,220	9,261	14,068
Oil&Gas	7,937	10,391	10,837	11,210	13,850	12,275	12,428	12,141	40,132	50,694
Others	-1,978	-545	-887	784	-1,010				-1,008	-1,010
Change (YoY %)	-24.2	20.9	106.4	111.7	41.7	35.8	22.6	2.1	40.8	22.2
As % of Net Sales	23.8	29.4	30.9	32.7	26.7	29.7	32.6	32.1	29.5	30.5
Finance cost	13,931	14,503	15,082	15,035	15,920	15,108	14,812	13,923	58,550	59,764
DD&A	14,920	15,289	15,203	16,037	13,860	16,427	16,762	17,768	62,915	64,816
Other Income	10,935	12,521	9,160	9,208	10,550	10,677	10,421	11,360	45,806	43,008
PBT (before EO item)	16,480	29,403	38,840	51,637	29,510	42,505	52,337	54,718	137,660	179,071
EO exp. (income)	0	0	0	1,144	0				1,144	0
PBT (after EO item)	16,480	29,403	38,840	50,493	29,510	42,505	52,337	54,718	136,516	179,071
Total Tax	4,914	6,623	8,968	20,604	6,810	11,666	14,365	15,018	37,783	47,860
% Tax	29.8	22.5	23.1	40.8	23.1	27.4	27.4	27.4	27.7	26.7
Reported PAT	11,567	22,780	29,872	29,889	22,700	30,839	37,972	39,700	98,733	131,211
Profit from Asso.	0	2	-20	-8	0	10	5	15	-27	30
Minority interest	5,417	10,261	11,188	15,775	7,450	8,764	10,699	10,049	43,584	36,962
Adjusted PAT	6,150	12,521	18,663	15,249	15,250	22,085	27,278	29,666	56,266	94,279
Change (YoY %)	-56.4	50.1	-1,124.9	34.8	148.0	76.4	46.2	94.5	-73.8	67.6

E=Estimate

Oil & Gas

Company name

BPCL
GAIL
Gujarat Gas
Gujarat State Petronet
HPCL
Indraprastha Gas
IOC
MRPL
Oil India
ONGC
Petronet LNG
Reliance Industries

GRMs up YoY/QoQ; crude prices up YoY/QoQ

Inventory gains to boost refiners' earnings

- Singapore complex GRM was USD8.3/bbl in 2QFY18 v/s USD6.4/bbl in 1QFY18 and USD5.1/bbl in 2QFY17. Inventory gains are likely to boost earnings further.
- Average Brent crude price was up 13% YoY and 3% QoQ to USD51.5/bbl. While the YoY/QoQ increase would benefit upstream companies, we expect lower operating costs to further help them. ONGC and Oil India should see YoY EBITDA increase.
- RIL is expected to clock a GRM of USD12.6/bbl, led by strong benchmark (premium of USD4.3/bbl). Petchem segment would do better despite decline in HDPE and LDPE delta, with RIL being an integrated player and strong volume growth in the segment.

Brent up 13% YoY and 3% QoQ; upstream subsidy nil in 2QFY18

- Brent crude increased, primarily due to Hurricane Harvey. The average for the quarter was up 13% YoY (3% QoQ) at USD51.5/bbl. OMCs are likely to post inventory gains for the quarter.
- We do not build any net under-recovery either for the OMCs or for the upstream companies.

GRM at USD8.3/bbl, up from USD5.1/bbl in 2QFY17

- Reuters Singapore Complex GRM was up 62% YoY (29% QoQ), led by ~25% refinery outages on US Gulf Coast due to Hurricane Harvey.
- PE, PP and PVC delta declined sequentially. While POY spread declined, PSF spread was flattish sequentially. RIL being an integrated player is less likely to be affected by lower petchem deltas sequentially.

Exhibit 1: Expected quarterly performance summary

Sector	CMP (INR)	RECO	Sales (INR M)			EBDITA (INR M)			Net Profit (INR M)		
			Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
Oil & Gas											
BPCL	480	Buy	606,020	35.6	6.1	35,783	106.8	82.9	39,135	199.8	425.6
GAIL	431	Sell	131,905	11.2	15.6	20,585	35.8	8.4	12,207	32.0	19.0
Gujarat Gas	907	Sell	14,836	19.9	0.4	2,281	7.2	-15.4	904	25.8	-13.4
Gujarat State Petronet	195	Neutral	3,569	39.2	20.5	3,129	39.4	13.4	1,793	38.1	17.5
HPCL	436	Buy	543,603	29.3	1.8	33,364	79.4	3.7	31,860	354.3	244.5
IOC	406	Buy	1,060,179	32.5	0.6	116,073	87.1	27.3	92,189	195.3	244.4
Indraprastha Gas	1,438	Neutral	11,360	18.0	8.3	2,849	10.6	2.7	1,735	11.8	7.6
MRPL	127	Sell	113,907	14.3	11.0	13,578	72.9	133.0	7,338	76.5	213.6
Oil India	349	Buy	23,102	3.0	-0.9	7,588	1.5	-13.2	5,386	-7.2	19.6
ONGC	171	Buy	199,763	9.2	4.7	104,151	9.2	5.4	43,488	-12.6	11.9
Petronet LNG	239	Buy	65,436	-1.1	1.7	7,793	7.3	4.7	4,932	7.3	12.7
Reliance Inds.	824	Neutral	737,250	23.7	14.8	126,447	19.8	9.1	88,212	14.5	7.6
Oil & Gas Sector Aggregate			3,510,930	26.4	5.6	473,621	37.8	16.4	329,177	60.2	73.3
Oil & Gas Excl. OMCs			1,301,129	17.2	11.6	288,400	17.4	9.3	165,993	7.7	13.3

Source: MOSL

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Higher marketing margins

- A rise in crude oil price, noise over increased retail fuel prices and Finance Ministry stating no cut in excise duties raised concerns about the ability of the OMCs to raise fuel prices, affecting stock performance. In a move positive for the OMCs nonetheless, the excise was cut by INR2/liter on petrol and diesel from October 04, 2017.
- OMCs' gross margins for auto fuels have increased YoY/QoQ. Gross margins were INR3.2/liter in 2QFY18 v/s INR2.7/liter in 2QFY17 for petrol and INR3.1/liter in 2QFY18 v/s INR2.5/liter in 2QFY17 for diesel.

Domestic oil production revived

- After almost a decade of negative-to-flat growth, domestic gas production has increased by ~5.4% YoY in April-August 2017 v/s 3% YoY decline in FY17. We expect domestic gas production to grow at 10-15% annually for the next five years.
- Domestic crude oil production declined by 0.27% YoY in April-August 2017. Production for ONGC grew by 2.52% YoY to 9.6mmt during April-August 2017; OIL's production grew by 5.5% YoY to 1.6mmt during April-August 2017.
- We expect oil production for ONGC to further increase from WO16, Vasai East, and Ratna & R-series.

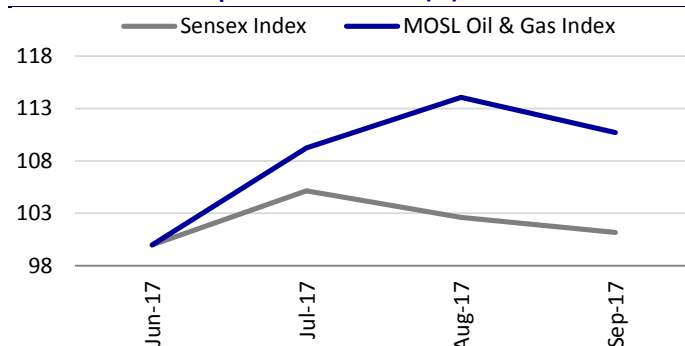
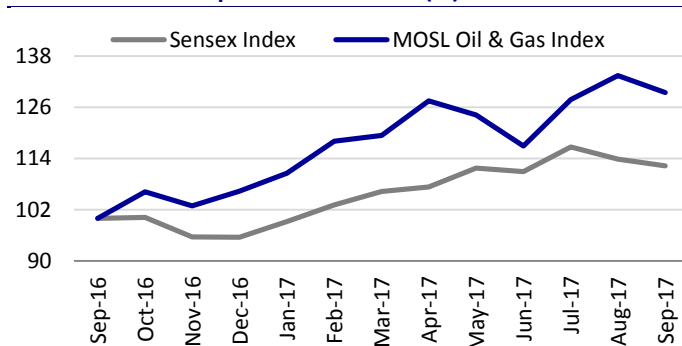
LNG imports to continue growing

- While LNG imports grew by 16% in FY17, they declined by 4% YoY during April-August 2017 due to lower volumes at Dabhol LNG terminal. We expect LNG imports to revive and grow in double-digits for the rest of the year.

Valuation and view

- Strong benchmark GRMs and inventory gains led by rise in crude oil price will boost OMCs (IOCL/HPCL/BPCL). We expect OMCs' core earnings to increase YoY/QoQ in 2QFY18.
- RIL is expected to clock a GRM of USD12.6/bbl, led by strong benchmark (premium of USD4.3/bbl). Petchem segment would do better despite decline in HDPE and LDPE delta, with RIL being an integrated player and strong volume growth in the segment.
- We expect volume growth to continue for CGD players. We might see margin compression (YoY/QoQ) in the industrial segment due to competition from alternate fuels.
- Rise in crude oil price and revived production volume growth for oil and gas would benefit ONGC/OINL.
- **Bullish on OMCs:** We continue to like OMCs on account of (a) improving core performance which reflects strong GRMs, (b) strong consumption growth of auto fuels, (c) potential marketing margin expansion, and (c) low competitive intensity. We prefer IOC among the three due to its high free cash flow generation.
- **ONGC looks attractive:** We prefer ONGC, as (a) cost efficiency would result in decline in opex, (b) gas production is likely to grow 10-15% annually for the next five years, (c) oil production is set to increase, (d) it has no subsidy burden, and (e) valuations are attractive.
- **PLNG – a long-term buy:** Visibility on PLNG's medium/long-term earnings is high, given (a) the huge gas demand-supply gap in India, (b) volume growth,

driven by gradual capacity addition, and (c) earnings growth boosted by annual re-gas charge escalation.. Poor competition from existing and upcoming terminals and lower LNG prices add to the Buy case for PLNG.

Exhibit 2: Relative performance - 3m (%)**Exhibit 3: Relative performance - 1Yr (%)**

Source: Bloomberg, MOSL

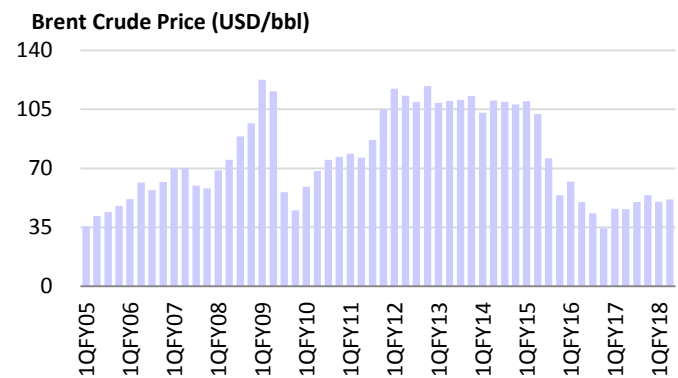
Exhibit 4: Comparative valuations

Sector / Companies	CMP (INR)	RECO	EPS (INR)			PE (x)			EV/EBIDTA (x)			ROE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Oil & Gas														
BPCL	480	Buy	49.2	52.0	55.5	9.8	9.2	8.7	7.7	7.3	6.9	28.5	25.2	22.9
GAIL	431	Sell	26.5	30.0	32.0	16.3	14.4	13.5	10.2	9.3	8.7	11.3	11.9	11.8
Gujarat Gas	907	Sell	31.6	44.0	50.9	28.7	20.6	17.8	14.0	11.2	9.8	23.9	27.0	25.3
Gujarat State Petronet	195	Neutral	12.1	13.3	15.2	16.2	14.7	12.8	9.0	7.9	6.8	14.3	14.1	14.5
HPCL	436	Buy	45.9	42.9	45.7	9.5	10.2	9.5	6.1	6.3	6.1	31.0	24.2	22.2
Indraprastha Gas	1,438	Neutral	49.6	54.8	62.7	29.0	26.3	22.9	17.2	15.3	13.2	21.7	20.4	20.0
IOC	406	Buy	51.1	46.5	49.4	7.9	8.7	8.2	4.7	4.7	4.3	21.9	17.4	16.6
MRPL	127	Sell	10.7	11.6	12.3	11.9	10.9	10.3	5.8	5.5	4.5	17.3	16.5	15.6
Oil India	349	Buy	29.1	34.1	34.8	12.0	10.2	10.0	9.0	7.7	7.4	7.9	8.8	8.6
ONGC	171	Buy	17.8	19.2	18.2	9.6	8.9	9.4	4.0	3.7	4.2	10.2	10.5	9.6
Petronet LNG	239	Buy	14.1	18.0	18.3	16.9	13.3	13.1	11.4	8.5	7.8	23.9	25.5	21.8
Reliance Inds.	824	Neutral	54.7	62.6	68.1	15.1	13.2	12.1	7.1	5.4	4.5	11.7	12.1	11.9
Sector Aggregate						11.7	11.0	10.5	6.0	5.3	5.0	13.5	13.0	12.5
Ex OMCs						13.5	12.0	11.5	6.1	5.1	4.9	10.9	11.4	10.9

Source: MOSL

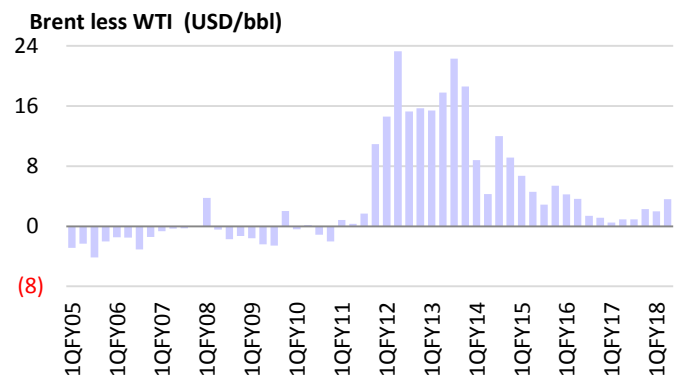
Brent up 3% QoQ (13% YoY), GRM strong, light/heavy spreads decline

Exhibit 5: Brent crude price was up 13% YoY and 3% QoQ to an average of USD51.5/bbl in 2QFY18



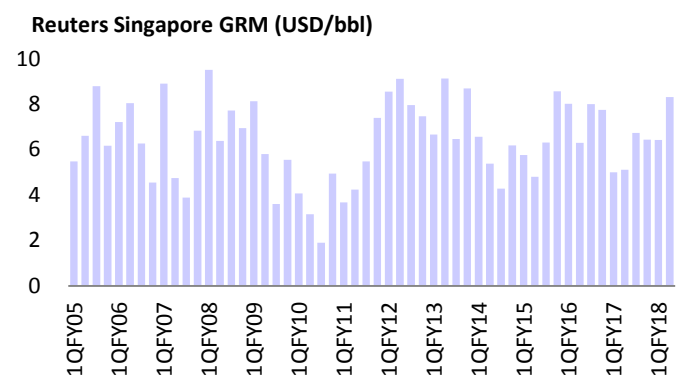
Source: Bloomberg, MOSL

Exhibit 6: Premium of Brent over WTI rose QoQ to USD3.6/bbl in 2QFY18



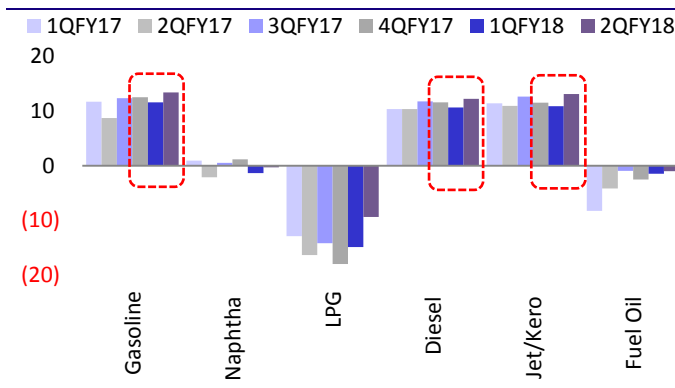
Source: Bloomberg, MOSL

Exhibit 7: Reuters Singapore GRM rose 62% YoY (+29% QoQ) to an average of USD8.3/bbl in 2QFY18



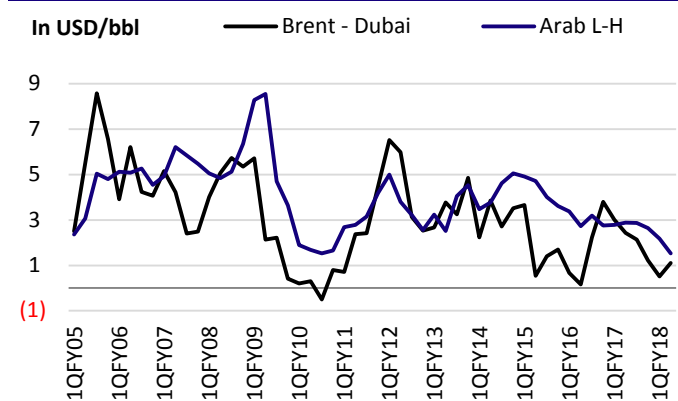
Source: Bloomberg, MOSL

Exhibit 8: YoY GRM increase led by higher Gasoline and Diesel cracks



Source: Reuters, MOSL

Exhibit 9: Crude differentials declined YoY in 2QFY18



Source: Bloomberg, MOSL

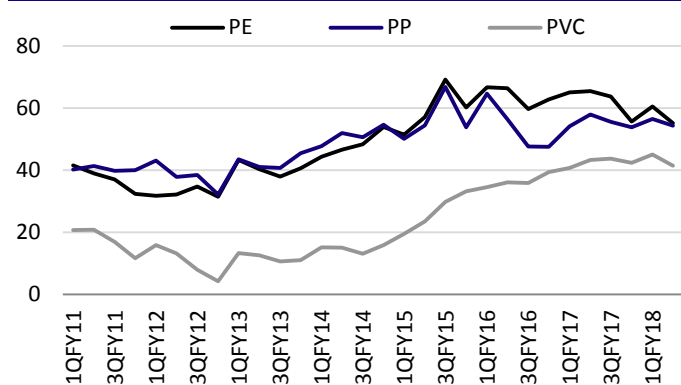
Our key assumptions

- Our crude price assumptions are USD51.5/bbl for 2QFY18, USD53/bbl for FY18 and USD55/bbl for FY19/20.
- We expect the regional benchmark Singapore Reuters GRM to remain strong in the near term and settle at USD5-6/bbl for the medium-long term, with downward bias.

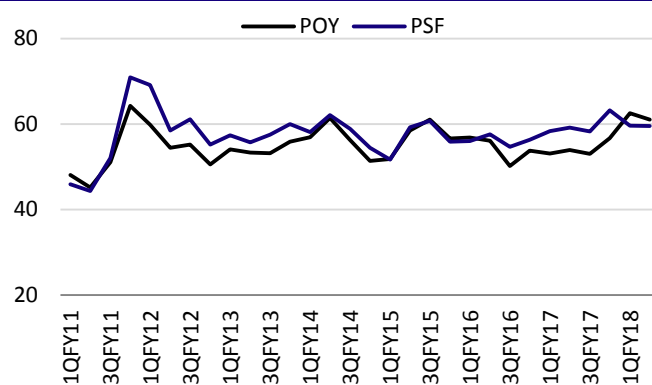
Exhibit 10: Polymer spreads declined YoY/QoQ

(INR/kg)	RIL Basic prices (INR/kg)						Simple Spreads			Int. Spreads	
	PE	PP	PVC	POY	PSF	Naphtha	PE	PP	PVC	POY	PSF
1QFY15	109.0	107.7	77.0	97.7	97.6	57.6	51.4	50.1	19.5	51.8	51.7
2QFY15	113.0	110.3	79.4	102.9	103.6	55.9	57.1	54.4	23.5	58.5	59.2
3QFY15	109.3	107.0	70.0	92.7	92.4	40.2	69.1	66.8	29.8	61.0	60.7
4QFY15	90.7	84.3	63.7	80.6	79.8	30.5	60.1	53.8	33.2	56.6	55.8
1QFY16	102.3	100.3	70.1	84.8	84.0	35.6	66.7	64.7	34.5	56.8	56.0
2QFY16	95.8	85.8	65.5	79.0	80.5	29.4	66.4	56.4	36.1	56.1	57.5
3QFY16	88.8	76.7	65.0	73.0	77.5	29.2	59.6	47.6	35.8	50.2	54.7
4QFY16	85.6	70.4	62.3	71.5	74.0	22.8	62.8	47.6	39.5	53.8	56.3
1QFY17	92.4	81.5	68.1	74.4	79.7	27.4	65.0	54.1	40.7	53.1	58.3
2QFY17	91.4	83.9	69.2	74.1	79.3	26.0	65.5	57.9	43.3	53.9	59.2
3QFY17	88.8	82.7	70.8	74.1	79.3	27.1	63.7	55.6	43.7	53.0	58.2
4QFY17	89.1	87.4	75.9	83.0	89.5	33.5	55.6	53.8	42.4	56.7	63.2
1QFY18	89.4	85.4	73.9	85.0	82.2	28.9	60.5	56.4	45.0	62.5	59.6
2QFY18	85.1	84.3	71.4	84.5	83.0	30.0	55.1	54.3	41.4	61.0	59.5
QoQ (%)	-4.8%	-1.3%	-3.4%	-0.7%	1.0%	3.8%	-9.0%	-3.8%	-8.0%	-2.4%	-0.1%
YoY (%)	-6.9%	0.5%	3.2%	14.0%	4.6%	15.5%	-15.8%	-6.2%	-4.2%	13.1%	0.6%

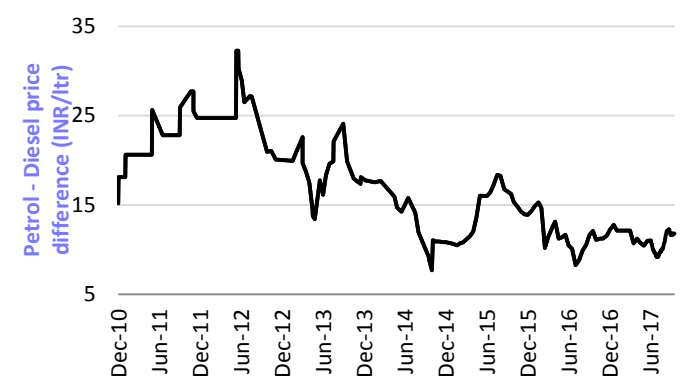
Source: Company, MOSL

Exhibit 11: Polymer spreads declined YoY/QoQ (INR/kg): PE , PP, PVC spreads change -9%/-3.8%/-8% QoQ

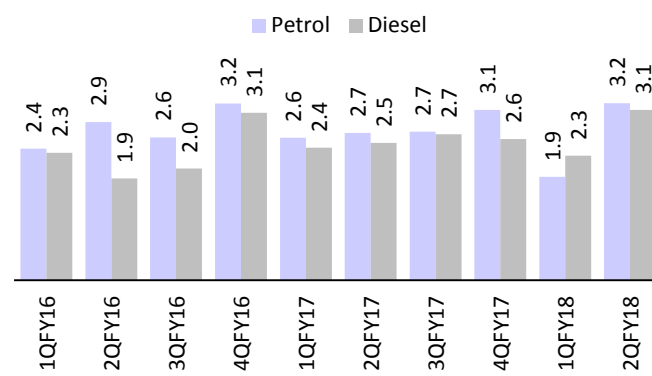
Source: Bloomberg, Company, MOSL

Exhibit 12: POY spreads down 2.4% QoQ; PSF spreads flat QoQ (INR/kg)

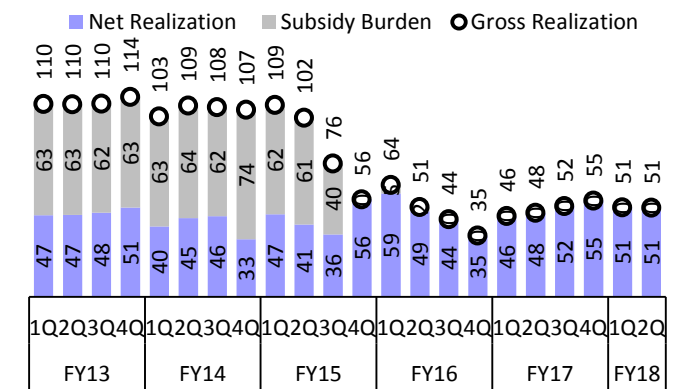
Source: Bloomberg, Company

Exhibit 13: Petrol-diesel price difference (INR/liter)

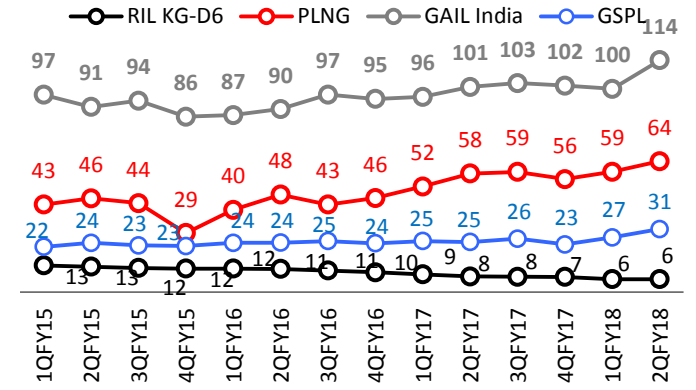
Source: PPAC, MoPNG, MOSL

Exhibit 14: Petrol/diesel gross margin trend (INR/liter)

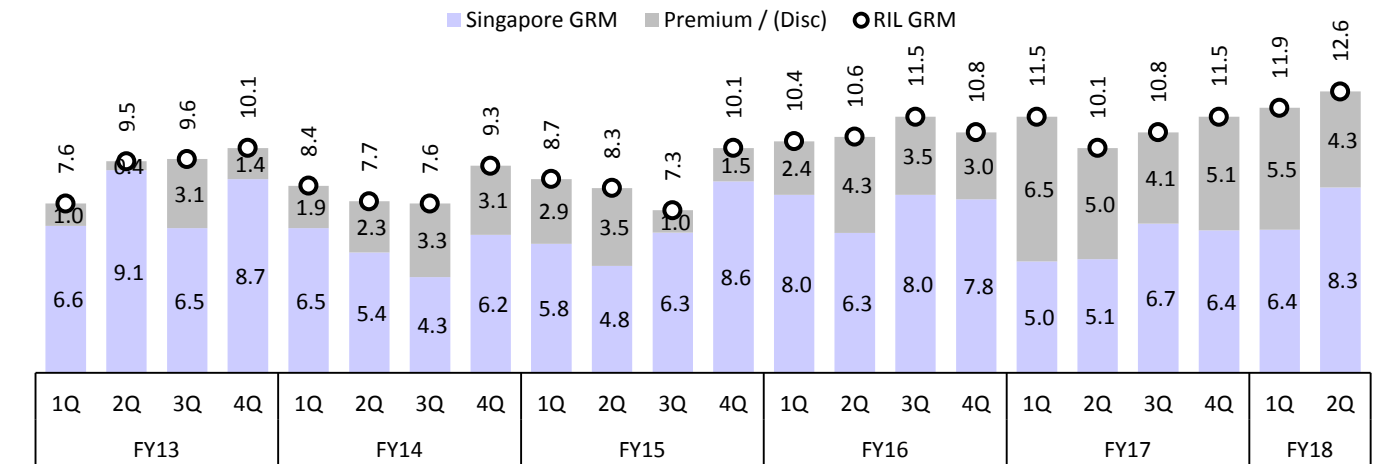
Source: PPAC, MoPNG, MOSL

Exhibit 15: With almost nil subsidy, model ONGC's net realization for 2QFY18 at USD51/bbl

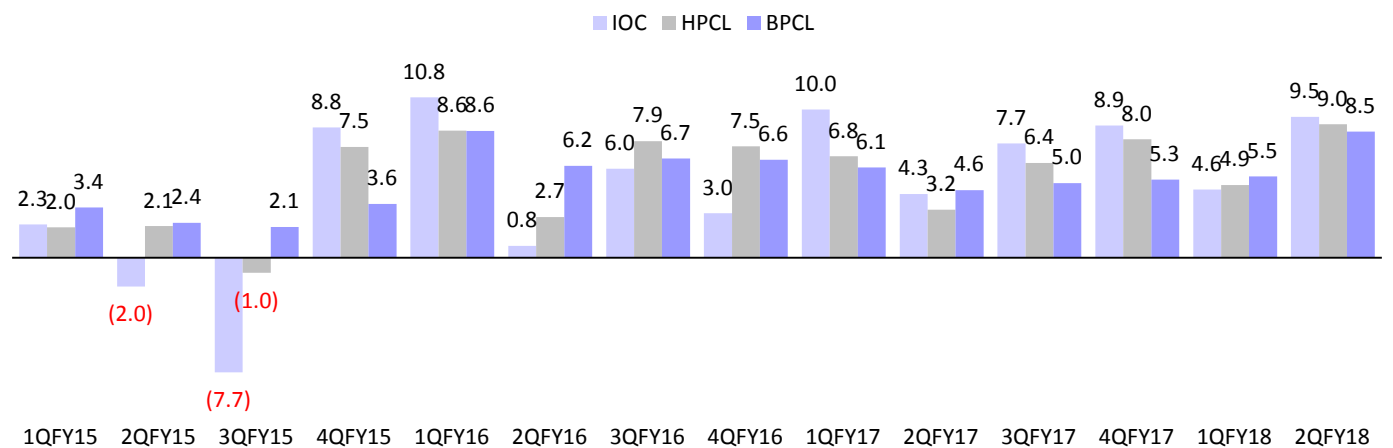
Source: Company, MOSL

Exhibit 16: Expect higher LNG volumes in 2QFY18 (mmscmd) and lower production in RIL's KG-D6

Source: Company, MOSL

Exhibit 17: Expect RIL's GRM at USD12.6/bbl in 2QFY18 (USD/bbl)

Source: MOSL, Company

Exhibit 18: Expect strong GRMs for OMCs in 2QFY18 (USD/bbl)

Source: MOSL, Company

BPCL

Bloomberg	BPCL IN
Equity Shares (m)	1966.9
M. Cap. (INR b)/(USD b)	944 / 15
52-Week Range (INR)	546 / 399
1,6,12 Rel Perf. (%)	-10 / 8 / -1

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	2012.5	2284.4	2459.4	2537.4
EBITDA	135.1	155.0	163.1	172.0
Adj. PAT	95.1	96.8	102.3	109.1
Adj. EPS (INR)	48.3	49.2	52.0	55.5
EPS Gr.%	97.8	19.7	7.6	12.7
BV/Sh.INR	156.7	189.0	223.1	261.1
RoE (%)	32.4	28.5	25.2	22.9
RoCE (%)	16.2	15.1	14.0	13.5
Payout (%)	52.4	34.3	34.6	31.4

Valuation

P/E (x)	9.9	9.8	9.2	8.7
P/BV (x)	3.1	2.5	2.2	1.8
EV/EBITDA (x)	9.2	8.2	7.7	7.3
Div. Yld (%)	4.5	3.0	3.2	3.1

CMP: INR480

TP: INR644 (+34%)

Buy

- We expect OMCs' (IOCL, BPCL and HPCL) core earnings to increase YoY/QoQ, led by strong GRMs and inventory gains in 2QFY18.
- We model nil subsidy-sharing for OMCs; subsidy in 2QFY18 would be entirely borne by the government.
- We peg BPCL's refinery throughput at 6.2mmt for 2QFY18 v/s 6.4mmt in 1QFY18 and 2QFY17.
- We model GRM of USD8.5/bbl and inventory gains of INR20b for BPCL in 2QFY18.
- We expect BPCL to report adjusted EBITDA of INR35.8b (+107% YoY, +83% QoQ) in 2QFY18.
- We estimate PAT at INR39b (+200% YoY, +426% QoQ) for 2QFY18.
- BPCL trades at 9.2x FY19E EPS of INR52 and 2.2x FY19E BV (adjusted for investments), with ~5% dividend yield. Maintain **Buy**.

Key issues to watch for

- (a) Inventory and forex change impact, (b) GRM, (c) Kochi refinery expansion, and (d) update on Mozambique/Brazil E&P blocks.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	469,387	446,927	535,427	570,365	571,258	606,020	539,484	537,127	2,022,106	2,253,889
YoY Change (%)	-9.9	-3.4	15.1	31.0	21.7	35.6	0.8	-5.8	7.3	11.5
Total Expenditure	428,532	433,257	500,775	548,242	559,008	550,236	504,754	504,440	1,910,807	2,118,438
EBITDA	40,855	13,670	34,652	22,123	12,250	55,783	34,730	32,687	111,299	135,451
Margins (%)	8.7	3.1	6.5	3.9	2.1	9.2	6.4	6.1	5.5	6.0
Adj. EBITDA*	28,025	17,300	28,002	23,001	19,565	35,783	34,730	32,687	96,328	122,765
Depreciation	4,315	4,524	4,836	5,238	5,892	5,900	5,367	5,367	18,913	22,525
Interest	1,111	1,024	1,349	1,475	1,789	2,400	2,400	2,400	4,959	8,990
Other Income	1,986	10,367	4,024	6,624	6,566	5,762	5,762	5,762	23,001	23,852
PBT	37,415	18,489	33,978	22,033	11,136	53,245	32,725	30,682	110,428	127,788
Tax	11,210	5,437	9,771	3,616	3,690	14,110	8,672	8,131	30,035	34,603
Rate (%)	30.0	29.4	28.8	16.4	33.1	26.5	26.5	26.5	27.2	27.1
Reported PAT	26,205	13,052	22,719	18,417	7,446	39,135	24,053	22,552	80,393	93,185
Adj PAT	26,205	13,052	23,147	18,417	7,446	39,135	24,053	22,552	80,393	93,185
YoY Change (%)	11.0	26.2	49.8	-13.0	-71.6	199.8	3.9	22.5	13.9	15.9
Margins (%)	5.6	2.9	4.3	3.2	1.3	6.5	4.5	4.2	4.0	4.1
Key Assumptions										
Refining throughput (mmt)	6.2	6.4	6.8	6.0	6.4	6.2	7.2	7.2	25.4	27.1
Reported GRM (USD/bbl)	6.1	3.1	5.9	6.0	4.9	8.5	7.0	6.5	5.3	7.6
Marketing sales volume exclud exports (mmt)	9.7	8.9	9.8	9.3	10.0	9.3	10.2	9.6	37.7	39.1
Marketing GM per litre (INR/litre)	4.8	3.3	4.4	4.2	3.1	5.7	3.8	3.8	3.7	3.8

E: MOSL Estimates; *Adj. for inventory gain/loss and one-offs

GAIL

Bloomberg	GAIL IN
Equity Shares (m)	1691.3
M. Cap. (INR b)/(USD b)	729 / 11
52-Week Range (INR)	440 / 289
1,6,12 Rel Perf. (%)	14 / 7 / 31

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	480.7	524.5	604.1	650.1
EBITDA	63.2	76.8	84.7	89.8
Adj. PAT	38.2	44.8	50.7	54.1
Adj. EPS (INR)	22.6	26.5	30.0	32.0
EPS Gr. (%)	71.4	17.5	13.2	6.7
BV/Sh.(INR)	225.6	242.1	260.8	280.7
RoE (%)	9.6	11.3	11.9	11.8
RoCE (%)	8.7	9.7	10.2	10.1
Payout (%)	41.1	37.7	37.7	37.7

Valuations

P/E (x)	19.1	16.3	14.4	13.5
P/BV (x)	1.9	1.8	1.7	1.5
EV/EBITDA (x)	10.5	9.1	8.3	7.8
Div. Yield (%)	1.6	1.9	2.2	2.3

CMP: INR431**TP: INR334 (-22%)****Sell**

- We expect GAIL to report PAT of INR12.2b (+32% YoY and +19% QoQ). We model nil subsidy sharing for GAIL in 2QFY18 (v/s nil in 2QFY17 and 1QFY18).
- We estimate EBITDA at INR20.6b in 2QFY18 v/s INR15.2b in 2QFY17 and INR18.9b in 1QFY18.
- We model Brent crude price of USD53/bbl for FY18 and USD55/bbl for FY19/20.
- Segmental EBIT (pre-subsidy) is expected to be INR17b (+47% YoY), led by a turnaround in petchem division profitability and likely higher gas transmission profitability.
- GAIL trades at 11.8x FY19E EPS of INR29.8. Maintain **Sell**.

Key issues to watch for

- (a) Petchem profitability, (b) profitability in the gas trading business, (c) progress of pipeline projects, (d) pending tariff revisions for key pipelines, and (e) visibility on placement of US contracts.

Quarterly Performance**(INR Million)**

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	106,866	118,582	121,079	134,217	114,065	131,905	131,196	146,789	480,743	523,955
Change (%)	-14.6	-15.8	-9.5	15.4	6.7	11.2	8.4	9.4	-6.9	9.0
EBITDA	15,732	15,155	17,015	15,250	18,994	20,585	19,545	20,436	63,152	79,560
% of Net Sales	14.7	12.8	14.1	11.4	16.7	15.6	14.9	13.9	13.1	15.2
Depreciation	3,354	3,563	3,579	3,471	3,451	3,580	3,580	3,656	13,968	14,267
Interest	1,774	1,198	1,601	220	1,014	860	860	703	4,794	3,437
Other Income	1,362	3,361	3,002	4,981	1,158	2,350	2,350	2,961	12,705	8,819
Extraordinary item*	4,893	0	0	-7,880	0	0	0	0	-2,987	0
PBT	16,858	13,755	14,836	8,659	15,687	18,495	17,455	19,038	54,108	70,676
Tax	3,506	4,508	5,007	6,058	5,431	6,288	5,935	6,473	19,079	24,127
Rate (%)	20.8	32.8	33.7	70.0	34.6	34.0	34.0	34.0	35.3	34.1
PAT	13,352	9,247	9,829	2,602	10,256	12,207	11,521	12,565	35,029	46,549
Adj PAT	8,459	9,247	9,829	10,482	10,256	12,207	11,521	12,565	38,016	46,549
Change (%)	99.4	109.9	48.0	36.1	21.3	32.0	17.2	19.9	65.4	22.4
EPS (INR)	5.0	5.5	5.8	6.2	6.1	7.2	6.8	7.4	22.5	27.5
Key Assumptions										
Gas Trans. volume (mmsmd)	96	101	103	102	100	109	108	108	100	106
Petchem sales ('000MT)	110	136	146	186	131	180	180	184	578	675

E: MOSL Estimates

Gujarat Gas

Bloomberg	GUJGA IN
Equity Shares (m)	137.7
M. Cap. (INR b)/(USD b)	125 / 2
52-Week Range (INR)	920 / 487
1,6,12 Rel Perf. (%)	11 / 12 / 45

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	50.9	63.4	76.0	84.7
EBITDA	7.5	10.4	12.7	14.0
PAT	2.2	4.3	6.1	7.0
EPS (INR)	16.2	31.6	44.0	50.9
EPS Gr. (%)	8.1	94.7	39.3	15.8
BV/Sh.(INR)	119.5	145.1	180.9	222.3
RoE (%)	14.2	23.9	27.0	25.3
RoCE (%)	14.5	20.3	25.2	26.7
Payout (%)	18.7	18.7	18.7	18.7

Valuations

P/E (x)	55.9	28.7	20.6	17.8
P/BV (x)	7.6	6.2	5.0	4.1
EV/EBITDA (x)	19.7	14.0	11.2	9.8
Div. Yield (%)	0.3	0.5	0.8	0.9

CMP: INR907
TP: INR712 (-22%)
Sell

- We expect GUJGA to report volumes of 5.6mmscmd, and assume EBITDA/scm at INR4.4 for 2QFY18.
- We expect 2QFY18 PNG industrial/commercial volumes at 3.9mmscmd (+10% YoY, -11% QoQ), impacted by GST implementation, and PNG household volumes at 0.4mmscmd (+1% YoY, flat QoQ). We expect CNG volumes at 1.3mmscmd (+9% YoY, flat QoQ).
- We expect GUJGA to report EBITDA of INR2.3b (+7% YoY, -15% QoQ) for 2QFY18.
- We expect GUJGA to report PAT of INR904m (+26% YoY, -13% QoQ).
- We model total volumes of 5.4/6.1/7.0mmscmd and EBITDA/scm of INR4.6/5.0/4.9 in FY18/FY19/FY20.
- The stock trades at 20.6x FY19E EPS of INR44. Maintain **Sell**.

Key issues to watch for

- PNG and CNG volumes.
- EBITDA/scm.
- Gas cost.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	12,247	12,371	12,309	14,002	14,780	14,836	16,410	17,402	50,929	63,427
YoY Change (%)	-26.7	-21.3	-17.1	1.6	20.7	19.9	33.3	24.3	-16.6	24.5
Total Expenditure	10,073	10,243	10,600	12,539	12,082	12,555	13,883	14,482	43,455	53,002
EBITDA	2,173	2,129	1,709	1,463	2,698	2,281	2,526	2,920	7,474	10,425
Margins (%)	17.7	17.2	13.9	10.4	18.3	15.4	15.4	16.8	14.7	16.4
Depreciation	632	645	653	643	666	725	725	725	2,672	2,840
Interest	534	541	539	476	496	336	336	336	2,090	1,504
Other Income	62	53	75	71	78	128	128	128	372	463
PBT	1,070	995	593	415	1,615	1,349	1,594	1,987	3,084	6,544
Tax	321	277	170	84	571	445	526	656	852	2,198
Rate (%)	30.0	27.8	28.6	20.2	35.4	33.0	33.0	33.0	27.6	33.6
Reported PAT	748	718	423	331	1,044	904	1,068	1,331	2,232	4,346
YoY Change (%)	27.7	158.8	31.5	-63.9	39.4	25.8	152.5	301.7	8.1	94.7
Margins (%)	6.1	5.8	3.4	2.4	7.1	6.1	6.5	7.6	4.4	6.9
Total volume (mmscmd)	5.1	5.2	5.3	6.1	6.1	5.6	6.3	6.5	5.4	6.1
CNG	1.1	1.2	1.2	1.2	1.3	1.3	1.5	1.5	1.2	1.4
PNG - Industrials/commercial	3.5	3.6	3.7	4.3	4.4	3.9	4.4	4.5	3.8	4.3
PNG - Households	0.4	0.4	0.5	0.6	0.4	0.4	0.4	0.5	0.5	0.4
EBITDA (INR/scm)	4.7	4.5	3.5	2.7	4.8	4.4	4.3	5.0	3.8	4.6

E: MOSL Estimates

Gujarat State Petronet

Bloomberg	GUJS IN
Equity Shares (m)	563.0
M. Cap. (INR b)/(USD b)	110 / 2
52-Week Range (INR)	211 / 119
1,6,12 Rel Perf. (%)	5 / 16 / 11

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	10.3	13.5	14.4	15.7
EBITDA	8.9	12.0	12.8	13.9
Adj. PAT	5.0	6.8	7.5	8.6
Adj. EPS (INR)	8.8	12.1	13.3	15.2
EPS Gr. (%)	11.5	37.1	10.0	14.8
BV/Sh.(INR)	80	89.2	99.5	111.4
RoE (%)	11.6	14.3	14.1	14.5
RoCE (%)	9.9	12.1	11.9	12.3
Payout (%)	22.6	22.3	22.0	22.3

Valuations

P/E (x)	22.1	16.2	14.7	12.8
P/BV (x)	2.4	2.2	2.0	1.8
EV/EBITDA (x)	12.6	9.0	8.0	6.8
Div. Yield (%)	0.9	1.2	1.3	1.5

CMP: INR195
TP: INR180 (-7%)
Neutral

- We expect GUJS to report net sales of INR3.6b and PAT of INR1.8b (+38% QoQ, +18% YoY).
- We model transmission volume at 31mmscmd (+26% YoY, +15% QoQ) led by increased gas demand from power sector and transmission tariff at INR1,200/mscm (+11% YoY, +4% QoQ).
- GUJS had won the bids for three cross-country pipelines (Mehsana-Bhatinda, Bhatinda-Srinagar, Mallavaram-Bhilwara). We await clarity on the current status, timelines and other details regarding these pipelines.
- We build in gas transmission volumes of 30mmscmd for FY18 and 32/35mmscmd for FY19/20, and model tariff at INR1,200/mscm for FY18/19/20. The stock trades at 14.7x FY19E EPS of INR13.3. Maintain **Neutral**.

Key issues to watch for

- Transmission volumes and tariffs.
- Progress on clearances of the three pipelines.

Quarterly Performance

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	2,579	2,564	2,668	2,446	2,963	3,569	3,559	3,416	10,256	13,508
Change (%)	-0.5	-0.7	3.4	5.5	14.9	39.2	33.4	39.6	1.8	31.7
EBITDA	2,330	2,245	2,275	2,013	2,760	3,129	3,119	2,970	8,864	11,977
% of Net Sales	90.4	87.6	85.3	82.3	93.1	87.6	87.6	86.9	86.4	88.7
% Change	2.6	-3.8	0.6	-1.6	18.4	39.4	37.1	47.5	-0.5	35.1
Depreciation	430	436	465	460	430	507	507	586	1,791	2,030
Interest	167	148	165	116	106	145	130	148	596	529
Other Income	147	304	177	273	164	253	253	342	901	1,012
PBT	1,881	1,965	1,822	1,710	2,389	2,730	2,735	2,577	7,378	10,430
Tax	668	666	636	441	864	937	939	885	2,411	3,624
Rate (%)	35.5	33.9	34.9	25.8	36.2	34.3	34.3	34.3	32.7	34.7
PAT	1,213	1,298	1,186	1,270	1,525	1,793	1,796	1,693	4,966	6,807
Adj. PAT	1,213	1,298	1,186	1,270	1,525	1,793	1,796	1,693	4,966	6,807
Change (%)	8	7	-9	28	26	38	52	33	7	37
EPS (INR)	2.2	2.3	2.1	2.3	2.7	3.2	3.2	3.0	8.8	12.1
Transmission Vol. (mmscmd)	25.1	24.6	26.2	23.4	26.9	31.0	32.0	30.0	24.8	30.0
Implied adj. tariff (INR/mscm)	1,073	1,079	1,095	1,197	1,157	1,200	1,200	1,243	1,111	1,200

E: MOSL Estimates

HPCL

Bloomberg	HPCL IN
Equity Shares (m)	1525.5
M. Cap. (INR b)/(USD b)	665 / 10
52-Week Range (INR)	493 / 269
1,6,12 Rel Perf. (%)	-9 / 20 / 39

Financial snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	1,870	2,093	2,266	2,333
EBITDA	105.8	126.6	125.5	134.1
Adj. PAT	62.1	70.1	65.4	69.7
Adj. EPS (INR)	40.7	45.9	42.9	45.7
EPS Gr. (%)	66.6	12.9	(6.7)	6.5
BV/Sh.(INR)	133.4	163.2	191.0	220.6
RoE (%)	32.4	31.0	24.2	22.2
RoCE (%)	18.8	17.3	13.7	12.9
Payout (%)	57.5	35.2	35.2	35.2

Valuations

P/E (x)	10.7	9.5	10.2	9.5
P/BV (x)	3.3	2.7	2.3	2.0
EV/EBITDA (x)	7.9	7.0	7.2	6.9
Div. Yield (%)	4.6	3.2	3.0	3.2

CMP: INR436

TP: INR585 (+34%)

Buy

- We expect OMCs' (IOCL, BPCL and HPCL) core earnings to increase YoY/QoQ, led by strong GRMs and inventory gains in 2QFY18.
- We model nil subsidy sharing for OMCs; subsidy in 2QFY18 would be entirely borne by the government.
- We peg HPCL's refinery throughput at 4.3mmt for 2QFY18 v/s 4.0mmt in 2QFY17 and 4.5mmt in 1QFY18.
- We model GRM of USD9.0/bbl and inventory gains of INR20b for HPCL in 2QFY18.
- We expect HPCL to report adjusted EBITDA of INR33.4b (+79% YoY, +4% QoQ) in 2QFY18.
- We estimate PAT at INR31.8b (+354% YoY, +245% QoQ) for 2QFY18.
- HPCL trades at 10.2x FY19E EPS of INR42.9 and 2.3x FY19E BV (adjusted for investments), with ~5% dividend yield. Maintain **Buy**.

Key issues to watch for

- GRM.
- Impact of forex and inventory change.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	447,793	420,306	484,856	514,142	533,848	543,603	508,225	503,524	1,867,097	2,089,200
YoY Change (%)	-13.4	0.1	12.9	25.3	19.2	29.3	4.8	-2.1	5.1	11.9
Total Expenditure	411,534	408,416	455,903	486,388	518,405	491,116	479,637	476,932	1,762,241	1,966,090
EBITDA	36,259	11,890	28,953	27,754	15,443	52,487	28,588	26,592	104,856	123,110
Margins (%)	8.1	2.8	6.0	5.4	2.9	9.7	5.6	5.3	5.6	5.9
Adj. EBITDA	21,567	18,593	18,398	28,203	32,164	33,364	28,588	26,592	86,761	120,707
Depreciation	6,108	6,160	6,336	6,749	6,671	6,700	7,858	7,858	25,353	29,087
Interest	1,250	1,164	530	2,268	1,430	1,506	1,506	1,506	5,212	5,949
Other Income	2,618	6,188	1,959	5,153	6,540	3,507	3,507	3,507	15,918	17,061
PBT	31,518	10,755	24,046	23,890	13,883	47,787	22,730	20,734	90,208	105,134
Tax	10,534	3,741	8,143	5,702	4,636	15,928	7,576	6,911	28,120	35,050
Rate (%)	33.4	34.8	33.9	23.9	33.4	33.3	33.3	33.3	31.2	33.3
Reported PAT	20,984	7,013	15,903	18,188	9,247	31,860	15,154	13,823	62,088	70,085
YoY Change (%)	32.1	-318.8	52.7	31.0	-55.9	354.3	-4.7	-24.0	68.0	12.9
Margins (%)	4.7	1.7	3.3	3.5	1.7	5.9	3.0	2.7	3.3	3.4
Key Assumptions										
Refining throughput (mmt)	4.5	4.0	4.7	4.6	4.5	4.3	4.3	4.3	17.8	17.5
Core GRM (USD/bbl)	4.8	4.2	3.9	8.5	8.8	9.0	7.1	6.1	5.4	7.7
Marketing sales volume incl exports (mmt)	8.9	8.0	9.3	8.9	9.3	9.2	9.2	9.2	35.1	36.8
Marketing GM per litre (INR/litre)	4.7	3.5	3.9	4.0	3.2	5.9	4.0	4.0	4.0	4.3

E: MOSL Estimates; Adj. for inventory and one-off

Indraprastha Gas

Bloomberg	IGL IN
Equity Shares (m)	140.0
M. Cap. (INR b)/(USD b)	201 / 3
52-Week Range (INR)	1524 / 795
1,6,12 Rel Perf. (%)	10 / 36 / 62

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	38.1	45.5	50.9	57.1
EBITDA	9.6	11.4	12.6	14.1
Adj. PAT	6.2	6.9	7.7	8.8
Adj. EPS (INR)	44.0	49.6	54.8	62.7
EPS Gr. (%)	46.9	12.7	10.5	14.4
BV/Sh.(INR)	209.0	246.9	288.8	336.2
RoE (%)	21.0	21.7	20.4	20.0
RoCE (%)	19.8	20.6	19.5	19.3
Payout (%)	18.2	20.2	20.1	20.7

Valuation

P/E (x)	32.7	29.0	26.3	22.9
P/BV (x)	6.9	5.8	5.0	4.3
EV/EBITDA (x)	20.3	17.2	15.3	13.2
Div. Yield (%)	0.6	0.7	0.8	0.9

CMP: INR1,438 TP: INR1,295 (-10%) Neutral

- We expect IGL to report volumes of 5.14mmscmd, and assume EBITDA/scm at INR6 for 2QFY18.
- We expect 2QFY18 CNG volumes at 3.88mmscmd (+12% YoY, +5% QoQ) and PNG volumes at 1.26mmscmd (+14% YoY, +5% QoQ).
- We expect IGL to report EBITDA of INR2.8b (+11% YoY, +3% QoQ) for 2QFY18.
- We expect IGL to report PAT of INR1.7b (+20% YoY, +8% QoQ)
- We model total volumes of 5.2/5.7/6.4mmscmd and EBITDA/SCM at INR6/SCM in FY18/FY19/FY20.
- The stock trades at 20.4x FY19E EPS of INR50.9. Maintain **Neutral**.

Key issues to watch for

- Increase in volumes.
- EBITDA/SCM.

Quarterly performance

(INR Million)

Y/E MARCH	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	8,970	9,624	9,467	10,019	10,492	11,360	11,438	12,354	38,081	45,643
Change (%)	-0.3	-0.3	2.1	13.1	17.0	18.0	20.8	23.3	3.5	19.9
EBITDA	2,570	2,575	2,554	2,422	2,773	2,849	2,862	3,033	10,121	11,516
EBITDA (Rs/scm)	6.5	6.1	6.0	5.6	6.2	6.0	6.0	6.0	6.1	6.1
% of Net Sales	28.7	26.8	27.0	24.2	26.4	25.1	25.0	24.5	26.6	25.2
% Change	32.7	37.0	38.0	36.2	7.9	10.6	12.1	25.2	35.9	13.8
Depreciation	466	483	479	244	439	465	470	512	1,671	1,886
Interest	0	0	0	12	4	0	0	0	12	4
Other Income	106.5	251.4	152.4	208.8	178.8	245.0	280.0	305.1	719.1	1,008.9
PBT before EO	2,211	2,344	2,227	2,375	2,509	2,629	2,672	2,826	9,157	10,636
EO	0	-167	-83	-300	0	0	0	0	-550	0
PBT after EO	2,211	2,177	2,144	2,075	2,509	2,629	2,672	2,826	8,607	10,636
Tax	731	735	696	734	897	894	908	961	2,896	3,660
Rate (%)	33.1	33.8	32.5	35.4	35.7	34.0	34.0	34.0	33.7	34.4
PAT	1,480	1,442	1,448	1,341	1,613	1,735	1,763	1,865	5,711	6,976
Adj. PAT	1,480	1,552	1,504	1,535	1,613	1,735	1,763	1,865	6,076	6,976
EPS (INR)	10.6	11.1	10.7	11.0	11.5	12.4	12.6	13.3	43.4	49.8
Gas Volumes (mmscmd)										
CNG	3.31	3.47	3.48	3.65	3.70	3.88	3.90	4.25	3.48	3.93
PNG	1.02	1.11	1.13	1.19	1.20	1.26	1.28	1.34	1.11	1.27
Total	4.34	4.58	4.61	4.84	4.90	5.14	5.18	5.59	4.59	5.20
YoY Change (%)										
CNG	11.7	11.9	13.2	15.7	11.8	12.0	12.0	16.4	13.2	13.1
PNG	17.7	13.3	20.1	25.8	17.2	13.5	13.5	13.1	19.2	14.2
Total	13.0	12.3	14.8	18.1	13.1	12.4	12.4	15.6	14.6	13.4

E: MOSL Estimates

IOC

Bloomberg	IOCL IN
Equity Shares (m)	4855.9
M. Cap. (INR b)/(USD b)	1971 / 30
52-Week Range (INR)	463 / 282
1,6,12 Rel Perf. (%)	-5 / 1 / 20

Financial snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	3,553	4,055	4,479	4,897
EBITDA	340.1	410.9	397.6	419.8
Adj. PAT	203.9	242.3	220.2	234.0
Adj. EPS (INR)	43.0	51.1	46.5	49.4
EPS Gr. (%)	106.9	18.8	(9.1)	6.3
BV/Sh.(INR)	215.4	251.6	282.0	313.5
RoE (%)	21.2	21.9	17.4	16.6
RoCE (%)	15.0	15.9	13.6	13.3
Payout (%)	62.4	34.6	34.4	36.2

Valuations

P/E (x)	9.4	7.9	8.7	8.2
P/BV (x)	1.9	1.6	1.4	1.3
EV/EBITDA (x)	7.4	5.7	5.8	5.3
Div. Yield (%)	5.5	4.0	3.4	3.8

CMP: INR406

TP: INR559 (+38%)

Buy

- We expect OMCs' (IOCL, BPCL and HPCL) core earnings to increase YoY/QoQ, led by strong GRMs and inventory gains in 2QFY18.
- We model nil subsidy sharing for OMCs; subsidy in 2QFY18 would be entirely borne by the government.
- We peg IOCL's refinery throughput at 18mmt for 2QFY18 v/s 15.6mmt in 2QFY17 and 17.5mmt in 1QFY18 – higher due to contribution from the Paradip refinery.
- We model GRM of USD9.5/bbl and inventory gains of INR40b for IOCL in 2QFY18.
- We expect IOCL to report adjusted EBITDA of INR116b (+87% YoY, +27% QoQ) in 2QFY18.
- We estimate PAT at INR92b (+195% YoY, +103% QoQ) in 2QFY18.
- IOCL trades at 8.7x FY19E EPS of INR46.5 and at 1.4x FY19E BV. Dividend yield is ~5%. Maintain **Buy**.

Key issues to watch for

- Utilization of Paradip refinery.
- GRM.
- Capex plans.
- Forex/inventory changes.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	856,553	800,435	931,019	1,003,375	1,054,342	1,060,179	1,011,772	979,385	3,591,382	4,105,678
YoY Change (%)	-15.3	-5.1	13.0	28.0	23.1	32.5	8.7	-2.4	3.7	14.3
Total Expenditure	720,652	748,519	848,541	959,289	1,002,427	904,105	917,976	886,343	3,277,001	3,710,852
EBITDA	135,901	51,916	82,478	44,086	51,915	156,073	93,796	93,042	314,381	394,826
Margins (%)	15.9	6.5	8.9	4.4	4.9	14.7	9.3	9.5	8.8	9.6
Adj. EBITDA*	65,840	62,044	71,745	83,756	91,208	116,073	93,796	93,042	283,385	394,119
Depreciation	14,350	15,048	15,541	17,290	17,213	17,500	14,228	14,228	62,230	63,169
Interest	6,800	6,147	9,967	11,541	7,180	5,899	5,899	5,899	34,454	24,878
Other Income	5,637	14,347	4,938	20,593	12,276	5,602	5,602	5,602	45,515	29,081
PBT	120,388	45,069	61,907	35,849	67,878	138,276	79,270	78,516	263,212	363,941
Tax	37,698	13,850	21,958	-1,358	22,393	46,087	26,421	26,169	72,148	121,071
Rate (%)	31.3	30.7	35.5	-3.8	33.0	33.3	33.3	33.3	27.4	33.3
Reported PAT	82,690	31,219	39,949	37,206	45,485	92,189	52,849	52,347	191,064	242,870
Adj PAT	82,690	31,219	39,949	37,206	26,767	92,189	52,849	52,347	191,064	224,131
YoY Change (%)	35.2	-456.2	52.3	85.5	-67.6	195.3	32.3	40.7	84.9	17.3
Margins (%)	9.7	3.9	4.3	3.7	2.5	8.7	5.2	5.3	5.3	5.5
Key Assumptions										
Refining throughput (mmt)	16.1	15.6	16.4	17.1	17.5	18.0	18.0	18.0	65.2	71.5
Core GRM (USD/bbl)	3.6	4.2	5.1	6.9	6.6	9.5	6.5	6.5	4.9	7.3
Domestic sale of refined products (mmt)	19.3	17.3	19.0	18.5	19.8	18.0	19.7	19.3	74.1	76.7

E: MOSL Estimates; Adj. for inventory and one-offs

MRPL

Bloomberg	MRPL IN
Equity Shares (m)	1752.7
M. Cap. (INR b)/(USD b)	222 / 3
52-Week Range (INR)	144 / 78
1,6,12 Rel Perf. (%)	-8 / 10 / 30

Financial snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	432.1	433.0	481.7	488.2
EBITDA	47.1	38.4	39.8	40.3
Adj. PAT	25.9	18.7	20.3	21.6
Adj. EPS (INR)	14.8	10.7	11.6	12.3
EPS Gr. (%)	95.1	(28)	8.5	6.7
BV/Sh.(INR)	57.5	65.6	74.5	83.9
RoE (%)	31.4	17.3	16.5	15.6
RoCE (%)	19.6	12.8	13.3	13.3
Payout (%)	23.4	23.4	23.4	23.4
Valuation				
P/E (x)	8.6	11.9	10.9	10.3
P/BV (x)	2.2	1.9	1.7	1.5
EV/EBITDA (x)	5.7	6.1	5.9	4.9
Div. Yield (%)	3.3	1.7	1.8	2.0

CMP: INR127 TP: INR112 (-11%)

Sell

- We expect MRPL to report EBITDA of INR13.6b (v/s INR5.8b in 1QFY18). We estimate adjusted PAT at INR7.3b (v/s INR2.3b in 1QFY18).
- Reuters Singapore's GRM is up +62% YoY and +29% QoQ at USD8.3/bbl. We model MRPL's GRM at USD6.5/bbl (v/s USD7.1/bbl in 1QFY18 and USD5.5/bbl in 2QFY17) due to shutdown of polypropylene unit and few other secondary units at its plant.
- We expect refinery throughput at 4mmt v/s 4mmt in 1QFY18 and 2QFY17.
- For MRPL, we model GRM of ~USD6.6/bbl in FY18 and ~USD6.5/bbl in FY19/20. The stock trades at 10.9x FY19E EPS of INR11.6 and EV of 5.9x FY19E EBITDA. Maintain **Sell**.

Key issues to watch for

- GRM.
- Forex fluctuations.
- Inventory changes.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	84,288	99,690	114,753	133,349	102,624	113,907	107,815	108,648	432,079	432,995
YoY Change (%)	-25.5	-2.5	30.1	43.5	21.8	14.3	-6.0	-18.5	9.0	0.2
EBITDA	12,206	7,855	11,476	15,540	5,827	13,578	9,476	9,547	47,076	38,428
Margins (%)	14.5	7.9	10.0	11.7	5.7	11.9	8.8	8.8	10.9	8.9
Depreciation	1,703	1,681	1,702	1,703	1,637	1,896	1,896	1,896	6,788	7,325
Interest	1,459	1,115	1,395	1,219	1,074	1,263	1,263	1,263	5,188	4,864
Other Income	2,295	926	636	375	204	588	588	588	4,232	1,969
PBT before EO expense	11,340	5,984	9,015	12,993	3,320	11,007	6,905	6,976	39,332	28,207
Extra-Ord expense	0	0	0	-15,973	0	0	0	0	-15,973	0
PBT	11,340	5,984	9,015	28,966	3,320	11,007	6,905	6,976	55,305	28,207
Tax	4,155	1,826	3,355	9,542	980	3,669	2,301	2,325	18,877	9,275
Rate (%)	37	31	37	33	30	33	33	33	34	33
Reported PAT	7,185	4,159	5,660	19,424	2,340	7,338	4,604	4,651	36,428	18,933
Adj PAT	7,185	4,159	5,660	8,713	2,340	7,338	4,604	4,651	25,907	18,933
YoY Change (%)	36.0	-146.5	91.8	-35.5	-67.4	76.5	-18.7	-46.6	98.3	-26.9
Margins (%)	8.5	4.2	4.9	6.5	2.3	6.4	4.3	4.3	6.0	4.4
Key Assumptions										
Refining throughput (mmt)	3.7	4.0	4.4	4.2	4.0	4.0	4.0	4.0	16.3	16.0
Core GRM (USD/bbl)	5.3	5.5	5.1	8.1	7.1	6.5	6.3	6.3	6.0	6.6

E: MOSL Estimates

Oil India

Bloomberg	OINL IN
Equity Shares (m)	801.5
M. Cap. (INR b)/(USD b)	280 / 4
52-Week Range (INR)	367 / 258
1,6,12 Rel Perf. (%)	14 / 0 / 1

Financial snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	92.8	97.2	105.2	107.5
EBITDA	28.7	33.3	37.7	38.0
Adj. PAT	15.5	23.3	27.3	27.9
Adj. EPS (INR)	19.3	29.1	34.1	34.8
EPS Gr. (%)	-32.8	50.8	17.0	2.2
BV/Sh.(INR)	362.9	378.4	396.5	415.0
RoE (%)	5.7	7.9	8.8	8.6
RoCE (%)	6.4	6.1	6.7	6.5
Payout (%)	88.8	46.9	46.9	46.9

Valuations

P/E (x)	18.1	12.0	10.2	10.0
P/BV (x)	1.0	0.9	0.9	0.8
EV/EBITDA (x)	10.5	9.0	7.7	7.4
Div. Yield (%)	4.0	3.2	3.7	4.0

CMP: INR349

TP: INR340 (-2%)

Buy

- We expect OINL to report adjusted PAT of INR5.4b (v/s INR4.5b in 1QFY18 and INR5.8b in 2QFY17).
- We estimate EBITDA at INR7.6b (+1% YoY and -13% QoQ). We estimate gross and net realization at USD50.3/bbl, with no subsidy sharing burden.
- Our Brent price assumption is USD53/bbl for FY18 and USD55/bbl for FY19/20.
- The stock trades at 10.2x FY19E EPS of INR34.1. Maintain **Buy**.

Key issues to watch for

- DD&A charges.
- Oil & gas production volumes.

Quarterly Performance

(INR Billion)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	22.2	22.4	23.8	24.4	23.3	23.1	24.0	25.5	92.8	95.9
Change (%)	-19.2	-6.5	7.1	28.3	5.0	3.0	1.0	4.6	0.1	3.4
EBITDA	8.6	7.5	6.6	5.9	8.7	7.6	7.3	8.2	28.7	31.9
% of Net Sales	38.8	33.3	28.0	24.4	37.5	32.8	30.5	32.3	30.9	33.3
Change (%)	-20.4	-2.9	7.1	0.2	1.3	1.5	10.2	38.5	-6.5	11.1
D,D&A	2.3	2.5	2.8	3.3	2.9	3.2	3.5	3.9	10.9	13.6
Interest	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	4.0	3.9
OI (incl. Oper. other inc)	2.4	4.8	3.2	8.7	1.5	4.6	5.6	7.2	19.2	18.9
PBT before exceptionals	7.7	8.8	6.1	10.4	6.4	8.0	8.4	10.5	33.0	33.4
Exceptional item	0.0	0.0	0.0	11.5	0.0	0.0	0.0	0.0	11.5	0.0
PBT after exceptionals	7.7	8.8	6.1	-1.1	6.4	8.0	8.4	10.5	21.5	33.4
Tax	2.8	2.9	1.5	-1.3	1.9	2.7	2.8	3.5	6.0	10.8
Rate (%)	36.2	33.7	25.1	-12.5	29.4	33.0	33.0	33.0	18.1	32.3
PAT	4.9	5.8	4.5	0.2	4.5	5.4	5.6	7.1	15.5	22.6
Change (%)	-36.2	-14.0	18.8	-95.9	-8.9	-7.2	24.3	3,558.4	-32.8	45.9
Adj. EPS (INR)	6.2	7.2	5.7	14.6	5.6	6.7	7.0	8.8	33.7	28.2
Key Assumptions (USD/bbl)										
Exchange rate (INR/USD)	66.9	67.0	67.4	67.2	64.4	64.1	64.5	65.0	67.1	64.5
Gas Price (USD/bbl)	3.4	3.4	2.8	2.8	2.8	2.8	3.2	3.2	3.1	3.0
Gross Oil Realization	43.1	44.6	49.2	52.5	48.4	50.3	53.8	53.8	47.3	51.6
Subsidy	-	-	-	-	-	-	-	-	-	-
Net Oil Realization	43.1	44.6	49.2	52.5	48.4	50.3	53.8	53.8	47.3	51.6
Subsidy (INR b)	-	-	-	-	-	-	-	-	-	-

ONGC

Bloomberg	ONGC IN
Equity Shares (m)	12833.3
M. Cap. (INR b)/(USD b)	2194 / 34
52-Week Range (INR)	212 / 155
1,6,12 Rel Perf. (%)	6 / -14 / -16

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	1421	1509	1674	1728
EBITDA	471	613	679	705
Adj. PAT	211	229	246	233
Adj. EPS (INR)	16.4	17.8	19.2	18.2
EPS Gr. (%)	20.8	8.5	7.7	-5.2
BV/Sh.(INR)	172	179	185	192
RoE (%)	10.1	10.2	10.5	9.6
RoCE (%)	8.5	8.9	9.1	8.3
Payout (%)	52.5	64.9	64.9	64.9
Valuation				
P/E (x)	10.4	9.6	8.9	9.4
P/BV (x)	1.0	1.0	0.9	0.9
EV/EBITDA (x)	5.2	4.0	3.7	4.2
Div. Yield (%)	4.4	5.8	6.2	5.9

CMP: INR171 TP: INR190 (+11%) Buy

- We expect ONGC to report adjusted PAT of INR43.5b in 2QFY18 (v/s INR38.8b in 1QFY18 and INR49.7b in 2QFY17).
- We estimate EBITDA at INR104b (v/s INR98.8b in 1QFY18 and INR95.4b in 2QFY17), led by lower opex assumption.
- We estimate gross and net realization at USD52.6/bbl, as we expect the entire subsidy to be borne by the government.
- Our Brent price assumption is USD53/bbl for FY18 and USD55/bbl for FY19/20.
- The stock trades at 8.9x FY19E consolidated EPS of INR19.2, with implied dividend yield of ~5%. Maintain **Buy**.

Key issues to watch for

- DD&A charges.
- Oil & gas production volumes.
- Development plan for KG Basin.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	176,704	182,866	199,338	217,140	190,735	199,763	215,673	217,320	776,048	823,492
YoY Change (%)	-21.5	-11.1	9.2	33.7	7.9	9.2	8.2	0.1	0.1	6.1
Total Expenditure	83,942	87,476	96,440	149,889	91,929	95,613	96,970	97,364	417,746	381,876
EBITDA	92,761	95,391	102,898	67,252	98,807	104,151	118,702	119,957	358,302	441,616
Margins (%)	52.5	52.2	51.6	31.0	51.8	52.1	55.0	55.2	46.2	53.6
EBITDA adj. for one-offs	92,761	95,391	102,898	110,692	98,807	104,151	118,702	119,957	401,742	441,616
Depreciation	36,997	34,529	47,039	53,875	45,204	44,122	44,451	44,451	172,440	178,228
Interest	2,920	3,034	3,062	3,202	2,769	2,800	960	960	12,217	7,489
Other Income	10,668	12,920	9,727	45,195	8,544	8,000	13,910	13,910	78,511	44,364
PBT	63,512	70,748	62,524	55,371	59,378	65,228	87,201	88,455	252,155	300,262
Tax	21,186	20,999	19,001	11,969	20,530	21,741	29,064	29,482	73,155	100,817
Rate (%)	33.4	29.7	30.4	21.6	34.6	33.3	33.3	33.3	29.0	34
Reported PAT	42,325	49,749	43,523	43,402	38,847	43,488	58,137	58,973	179,000	199,445
Adj PAT	42,325	49,749	43,523	43,402	38,847	43,488	58,137	58,973	179,000	199,445
YoY Change (%)	-21.2	2.7	3.3	-0.3	-8.2	-12.6	33.6	35.9	-8.3	11.4
Margins (%)	24.0	27.2	21.8	20.0	20.4	21.8	27.0	27.1	23.1	24.2
Key Assumptions (USD/bbl)										
Fx rate (INR/USD)	66.9	67.0	67.4	67.2	64.5	64.2	64.5	65.0	67.1	64.6
Gross Oil Realization	46.1	47.9	50.1	54.9	51.0	52.6	56.1	56.1	49.8	54.0
Subsidy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Oil Realization	46.1	47.9	50.1	54.9	51.0	52.6	56.1	56.1	49.8	54.0
Subsidy (INR b)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

E: MOSL Estimates

Petronet LNG

Bloomberg	PLNG IN
Equity Shares (m)	1500.0
M. Cap. (INR b)/(USD b)	358 / 5
52-Week Range (INR)	242 / 163
1,6,12 Rel Perf. (%)	6 / 11 / 17

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	246.2	265.3	334.4	339.7
EBITDA	25.9	31.1	39.4	40.3
Adj. PAT	17.1	21.2	27.0	27.4
Adj. EPS (INR)	11.4	14.1	18.0	18.3
EPS Gr. (%)	102.7	24.2	27.4	1.5
BV/Sh.(INR)	54.0	64.1	77.1	90.2
RoE (%)	23.2	23.9	25.5	21.8
RoCE (%)	20.2	21.1	24.0	21.8
Payout (%)	25.7	28.1	28.1	28.1

Valuation

P/E (x)	21.0	16.9	13.3	13.1
P/BV (x)	4.4	3.7	3.1	2.6
EV/EBITDA (x)	1.5	1.4	1.0	0.9
Div. Yield (%)	1.0	1.4	1.8	1.8

CMP: INR239
TP: INR275 (+15%)
Buy

- We expect PLNG to report PAT of INR4.9b (+7% YoY, +13% QoQ) and EBITDA of INR7.8b (+7% YoY, +5% QoQ) for 2QFY18.
- We model Dahej LNG volumes at 199tbtu, with 105% utilization and Kochi LNG volumes at 9.5tbtu, with 15% utilization in 2QFY18.
- PLNG's long-term growth would depend on Dahej's ramp-up and Kochi terminal's pipeline connectivity.
- As against 15mmt capacity, PLNG has ~16mmt long-term take-or-pay contracts.
- The stock trades at 13.3x FY19E EPS of INR18. Maintain **Buy**.

Key issues to watch for

- Utilization at Dahej terminal.
- Progress on Kochi-Mangalore pipeline.
- Spot volumes and marketing margin on spot volumes.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	53,373	66,144	62,993	63,651	64,351	65,436	67,326	68,221	246,160	265,334
YoY Change (%)	-36.3	-12.3	22.4	4.9	20.6	-1.1	6.9	7.2	-9.3	7.8
EBITDA	6,425	7,264	6,071	6,163	7,442	7,793	7,725	8,110	25,923	31,071
Margins (%)	12.0	11.0	9.6	9.7	11.6	11.9	11.5	11.9	10.5	11.7
Depreciation	806	860	1,009	1,016	1,027	1,078	1,078	1,078	3,691	4,259
Interest	556	554	517	469	465	470	267	267	2,097	1,468
Other Income	494	915	550	1,508	707	800	1,129	1,129	3,466	3,764
PBT	5,556	6,765	5,095	6,186	6,658	7,046	7,510	7,894	23,602	29,107
Tax	1,777	2,170	1,121	1,478	2,282	2,114	2,253	2,368	6,545	9,017
Rate (%)	32	32	22	24	34	30	30	30	28	31
PAT	3,779	4,596	3,975	4,708	4,376	4,932	5,257	5,526	17,057	20,091
YoY Change (%)	115.8	84.7	122.8	96.8	15.8	7.3	32.3	17.4	102.7	17.8
Margins (%)	7.1	6.9	6.3	7.4	6.8	7.5	7.8	8.1	6.9	7.6
Key Assumptions										
Regas volume (tbtu)	50.1	60.7	75.3	71.1	80.5	94.3	94.3	94.3	257.1	363.3
Sales volume (tbtu)	118.1	128.2	116.1	108.9	111.1	114.3	117.4	117.4	471.2	460.3

E: MOSL Estimates

Reliance Industries

Bloomberg	RIL IN
Equity Shares (m)	6502.0
M. Cap. (INR b)/(USD b)	5359 / 82
52-Week Range (INR)	872 / 466
1,6,12 Rel Perf. (%)	2 / 11 / 39

Financial snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Net Sales	2,420	3,198	3,723	3,828
EBITDA	433	516	565	572
Net Profit	314	356	407	443
Adj. EPS (INR)	48.3	54.7	62.6	68.1
EPS Gr. (%)	14.6	13.2	14.4	8.8
BV/Sh. (INR)	464	513	569	630
RoE (%)	11.6	11.7	12.1	11.9
RoCE (%)	9.1	10.0	10.7	10.6
Payout (%)	13.3	14.4	14.4	14.4

Valuations

P/E (x)	17.1	15.1	13.2	12.1
P/BV (x)	1.8	1.6	1.4	1.3
EV/EBITDA (x)	14.7	10.9	8.8	7.8
EV/Sales (x)	2.6	1.8	1.3	1.2

CMP: INR824
TP: INR938 (+14%)
Neutral

- We expect RIL to report GRM of USD12.6/bbl v/s USD11.7/bbl in 1QFY18 and USD10.1/bbl in 2QFY17. We model a premium of USD4.3/bbl over benchmark GRM of USD8.3/bbl which is up +62% YoY and +29% QoQ.
- Petchem segment is expected to do better despite decline in HDPE and LDPE delta, with RIL being an integrated player and strong volume growth in the segment.
- We expect RIL to report EBITDA of INR126.4b v/s INR115.8b in 1QFY18 and INR105.5b in 2QFY17.
- We expect RIL to report standalone PAT of INR88.2b (+15% YoY and +8% QoQ).
- RIL trades at 13.2x FY19E adjusted EPS of INR62.6. Its new refining/petchem projects are likely to add to earnings from 2HFY18/FY19, but the telecom business would be a drag on profitability. Maintain **Neutral**.

Key issues to watch for

- GRM.
- Petchem margins.
- Progress on core expansions.
- Update on telecom venture.

Standalone - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	534,960	595,770	618,060	671,460	642,170	737,250	905,717	912,631	2,420,250	3,197,768
YoY Change (%)	-18.7	-2.0	9.3	34.4	20.0	23.7	46.5	35.9	3.8	32.1
Total Expenditure	426,790	490,220	512,020	558,660	526,280	610,803	767,458	777,291	1,987,690	2,681,833
EBITDA	108,170	105,550	106,040	112,800	115,890	126,447	138,258	135,339	432,560	515,935
Margins (%)	20.2	17.7	17.2	16.8	18.0	17.2	15.3	14.8	17.9	16.1
Depreciation	19,500	20,290	20,770	24,090	21,580	23,000	27,456	27,456	84,650	99,492
Interest	9,240	6,330	9,310	2,350	7,880	9,355	9,355	9,355	27,230	35,944
Other Income	20,330	22,800	30,250	13,710	19,180	19,000	24,558	24,558	87,090	87,295
PBT	99,760	101,730	106,210	100,070	105,610	113,092	126,006	123,087	407,770	467,795
Tax	24,280	24,690	25,990	18,560	23,650	24,880	27,721	27,079	93,520	103,331
Rate (%)	24	24	24	19	22	22	22	22	23	22
Adj PAT	75,480	77,040	80,220	81,510	81,960	88,212	98,284	96,008	314,250	364,464
YoY Change (%)	19.5	17.4	11.1	11.4	8.6	14.5	22.5	17.8	14.6	16.0
Margins (%)	14.1	12.9	13.0	12.1	12.8	12.0	10.9	10.5	13.0	11.4
Key Assumptions										
Refining throughput (mmt)	16.8	18.0	17.8	17.5	17.3	17.5	17.5	17.5	70.1	69.8
GRM (USD/bbl)	11.5	10.1	10.8	11.5	11.9	12.6	11.0	11.0	11.0	11.6
Petchem EBITDA/tonne (USD/MT)	303.8	314.4	329.4	313.7	348.9	370.0	300.0	280.0	315.3	324.7
Petchem volumes (mmt)	1.9	2.1	2.0	2.1	2.2	2.3	3.0	3.0	8.1	10.5

E: MOSL Estimates

Retail

Company name

Jubilant Foodworks

Titan Company

Double-digit sales growth likely again for sector players

Margins likely to be under pressure

Retail coverage to witness sales growth of 14.2%

We expect our Retail Universe to report healthy revenue growth of 14.2% YoY in 2QFY18. EBITDA is expected to increase by 3.7% YoY and PAT by 2.6% YoY.

For Titan (TTAN), Jewelry revenue growth may not be as impressive as the past few quarters due to (a) advancement of sales of INR2.5-3b from July to June in the run up to GST implementation, (b) subdued response to diamond-studded activation and (c) some disruption as a result of the new PMLA guidelines issued on 23 August 2017. For the other businesses, TTAN management, in a press release, announced that watches is likely to witness healthy growth in revenues, led by dealer restocking and exceptionally strong online sales (and despite lower-than-expected activation demand and slowdown in exports). Eyewear sales are likely to be under pressure due to the absence of price increases (despite high GST levels of 28% announced by the GST Council) while at the same time, the company compensated channel partners for the high GST rate. For TTAN, EBITDA growth is likely to come in at 3.4% YoY and PAT growth at 3.0%. We expect EBITDA margin to contract 100bp YoY to 9.9% in 2QFY18 in the quest for growth.

For Jubilant Foodworks (JUBI), we expect sales to increase 11% YoY, with same-store sales (SSS) up 6% YoY. With SSS growth below cost increases (particularly with schemes to offer better value to customers and efforts to improve product quality), 2QFY18 is likely to be another quarter of margin pressure, and PAT is expected to be flattish YoY for JUBI.

Store expansion subdued

Retail companies under our coverage are moderating store expansion. In 2QFY18, TTAN added only two Tanishq stores (adding 7.5ksf), while JUBI likely added 12 stores. Expansion plans are likely to be a function of pick-up in consumer sentiment, which is getting delayed.

No preferred pick in sector, given weak discretionary environment, steep valuations

Discretionary demand remains sluggish, with no recovery in sight. Competition is also a worry for JUBI in a period of slowdown. We like JUBI's business model with strong earnings growth potential on recovery; however, poor medium-term visibility with possible worsening of consumer sentiment makes us wary of turning constructive. Valuations still remain expensive despite our aggressive growth forecasts at 71.5x FY19E EPS.

While TTAN's franchise, management quality and long-term opportunity in Jewelry offer comfort, we believe that valuations of 47.5x FY19E EPS leave little room for potential upside.

Exhibit 1: Summary of expected quarterly performance

Sector			Sales (INR M)			EBDITA (INR M)			Net Profit (INR M)		
	CMP (INR)	RECO	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
Retail											
Jubilant Foodworks	1,482	Sell	7,388	11.0	8.8	677	5.3	-15.0	215	-0.3	-9.8
Titan Company	596	Neutral	30,319	15.0	-23.9	2,692	3.4	-26.2	1,892	3.0	-24.1
Sector Aggregate			37,707	14.2	-19.2	3,368	3.7	-24.2	2,107	2.6	-22.8

Source: Company, MOSL

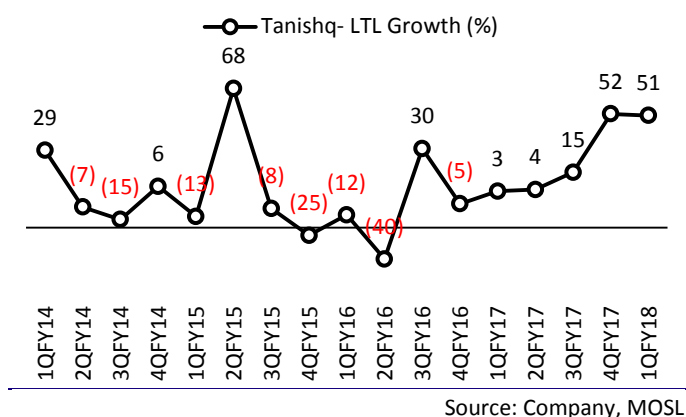
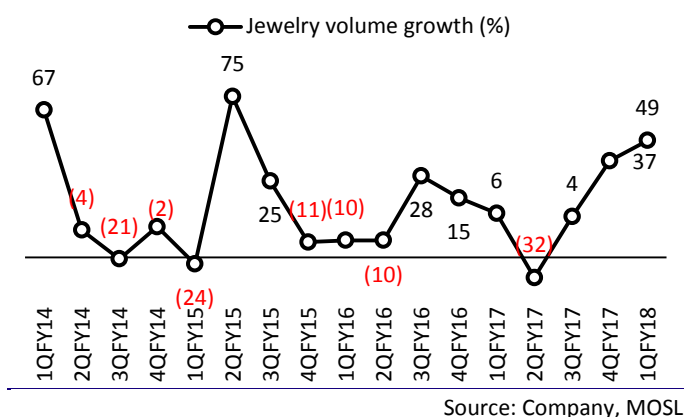
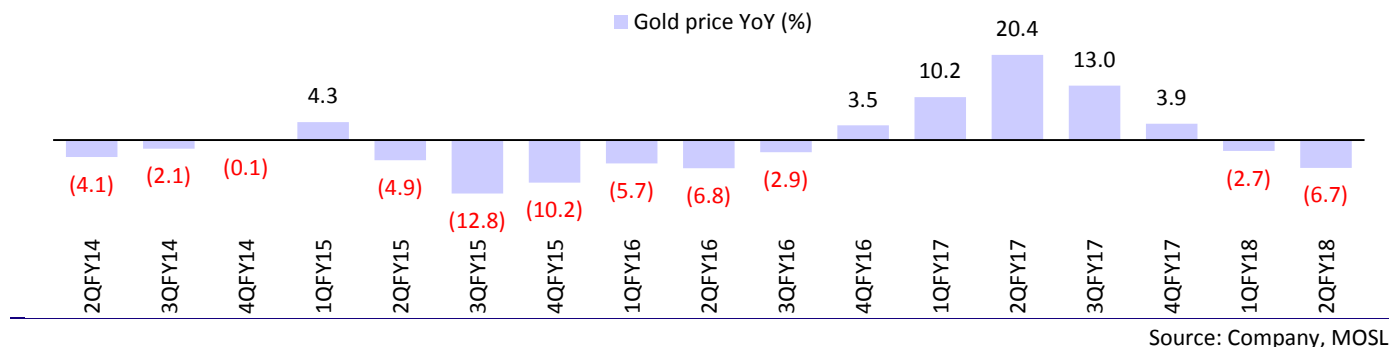
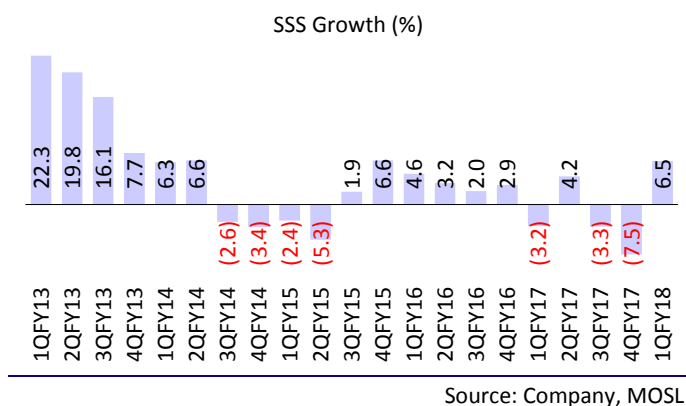
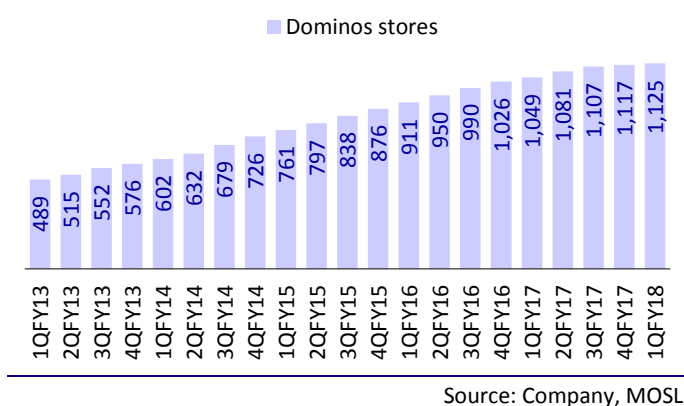
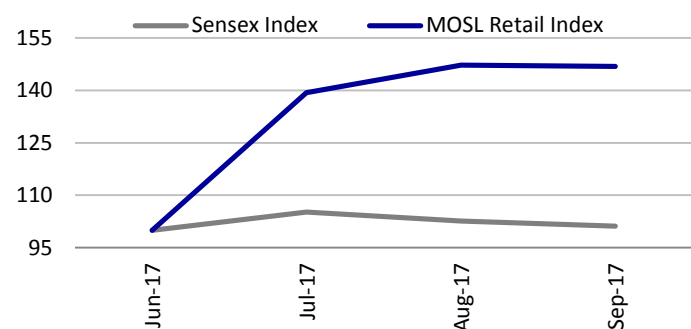
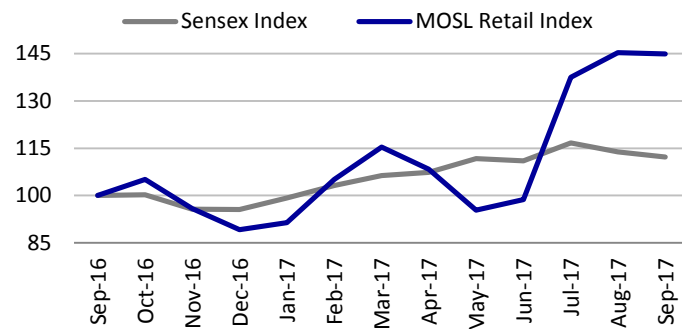
Exhibit 2: Tanishq's LTL sales grew 51% in 1QFY18**Exhibit 3: Tanishq's jewelry grammage grew 49% in 1QFY18; advancement and PMLA affect 2QFY18 sales****Exhibit 4: Gold prices came down in the quarter on average by 6.7% YoY****Exhibit 5: JUBI's SSS is expected to grow 6% in 2QFY18****Exhibit 6: Dominos is expected to add 12 stores in 2QFY18**

Exhibit 7: Relative performance – three months (%)

Source: Bloomberg, MOSL

Exhibit 8: Relative performance – one-year (%)

Source: Bloomberg, MOSL

Exhibit 9: Comparative valuation

Sector / Companies	CMP (INR)	RECO	EPS (INR)			PE (x)			EV/EBIDTA (x)			ROE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Retail														
Jubilant Foodworks	1,482	Sell	14.8	20.7	27.3	100.1	71.5	54.3	31.3	24.8	20.0	11.1	14.0	15.9
Titan Company	596	Neutral	10.5	12.6	14.8	56.9	47.5	40.2	39.0	32.2	27.0	21.0	22.2	22.5
Sector Aggregate						61.0	50.1	41.9	37.6	30.8	25.7	18.6	19.6	20.1

Jubilant Foodworks

Bloomberg	JUBI IN
Equity Shares (m)	65.8
M. Cap. (INR b)/(USD b)	98 / 1
52-Week Range (INR)	1490 / 761
1,6,12 Rel Perf. (%)	8 / 30 / 37

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	25.8	28.8	32.8	38.0
EBITDA	2.4	3.0	3.8	4.5
Adj. PAT	0.6	1.0	1.4	1.8
Adj. EPS (INR)	10.0	14.8	20.7	27.3
EPS Gr. (%)	-32.1	48.0	40.0	31.5
BV/Sh.(INR)	122.1	133.0	148.3	172.0
RoE (%)	8.2	11.1	14.0	15.9
RoCE (%)	8.4	11.6	14.7	17.0
Payout (%)	25.0	20.3	21.7	11.0

Valuations

P/E (x)	148.1	100.1	71.5	54.3
P/BV (x)	12.1	11.1	10.0	8.6
EV/EBITDA (x)	40.0	31.4	24.9	20.1
Div. Yield (%)	0.2	0.2	0.3	0.2

CMP: INR1,482 TP: INR960 (-35%) Sell

- We expect JUBI's revenue to grow by 11% YoY in 2QFY18.
- SSSG is likely to be 6% for the quarter.
- We anticipate addition of 12 Dominos stores this quarter.
- We expect EBITDA margin to contract by 50bp YoY to 9.2%, and EBITDA to grow by 5.3% YoY to INR595m.
- We estimate PAT to decline by 0.3% to INR215m, led by higher depreciation YoY.
- The stock trades at 71.5x FY19E EPS of INR20.7. Maintain **Sell**.

Key issues to watch for:

- Demand outlook for QSR and Pizza space, as well as competition.
- Benefits of cost-saving efforts.
- Performance of *Dunkin Donuts* and margin guidance.

Quarterly Standalone Performance

Y/E March	FY17				FY18					
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
No of Stores	1049	1081	1107	1117	1125	1137	1150	1162	1117	1162
LTL Growth (%)	-3.2	4.2	-3.3	-7.5	6.5	6.0	10.0	10.0	-2.5	8.0
Net Sales	6,089	6,655	6,588	6,128	6,788	7,388	7,577	7,057	25,834	28,810
YoY Change (%)	6.7	13.3	3.9	-0.9	11.5	11.0	15.0	15.2	7.2	11.5
EBITDA	577	643	641	605	796	677	793	762	2,411	3,027
EBITDA Growth %	-14.2	6.4	-11.9	-15.1	37.8	5.3	23.9	25.9	-11.3	25.5
Margins (%)	9.5	9.7	9.7	9.9	11.7	9.2	10.5	10.8	9.3	10.5
Depreciation	326	366	381	438	462	403	419	428	1,554	1,712
Other Income	31	43	35	36	30	47	39	49	147	165
PBT	282	320	295	203	364	321	413	382	1,004	1,480
Tax	92	104	95	53	125	106	136	136	345	503
Rate (%)	32.7	32.5	32.2	26.4	34.4	33.0	33.0	35.5	34.3	34.0
Adjusted PAT	190	216	200	149	238	215	277	247	660	977
YoY Change (%)	-31.1	-1.3	-31.9	-46.3	25.6	-0.3	38.5	65.1	-38.1	48.0

E: MOSL Estimates

Titan Company

Bloomberg	TTAN IN
Equity Shares (m)	887.8
M. Cap. (INR b)/(USD b)	529 / 8
52-Week Range (INR)	654 / 296
1,6,12 Rel Perf. (%)	-6 / 16 / 35

Financial Snapshot (INR b)

Y/E March	2017	2018E	2019E	2020E
Sales	129.8	149.3	178.1	209.6
EBITDA	11.6	13.4	16.2	19.1
Adj. PAT	7.0	9.3	11.1	13.2
Adj. EPS (INR)	9.0	10.5	12.6	14.8
EPS Gr. (%)	18.5	15.8	20.0	18.0
BV/Sh.(INR)	47.7	52.1	60.7	70.8
RoE (%)	20.6	21.0	22.2	22.5
RoCE (%)	21.1	21.6	22.7	22.9
Payout (%)	30.0	30.0	30.0	30.0

Valuation

P/E (x)	66.0	56.9	47.5	40.2
P/BV (x)	12.5	11.4	9.8	8.4
EV/EBITDA (x)	44.7	38.7	32.0	26.8
Div. Yield (%)	0.5	0.5	0.6	0.7

CMP: INR596

TP: INR590 (-1%)

Neutral

- We expect TTAN's revenue to increase 15% YoY to INR30.3b.
- Jewellery sales in 2QFY18 were impacted by the advancement of sales to June to the extent of INR2.5-3b, subdued response to diamond-studded activation (which went on from end-July to early-September), and the inclusion of gold under the Prevention of Money Laundering Act (PMLA) from August. Despite the slowdown, the company's Jewellery business continued to gain market share.
- Watches businesses saw good growth during the quarter.
- The company added two Tanishq stores (7,500 sq. ft. of retail space) post 1QFY18.
- We factor in EBITDA growth of 3.4% YoY for 2QFY18, with underlying margin contraction of 100bp YoY to 8.9%.
- PAT is expected to grow by 3% to INR1.9b.
- The stock trades at 47.5x FY19E EPS of INR12.6; maintain **Neutral**.

Key issues to watch for:

- Comments on consumer demand in Jewelry and Watches.
- Expansion initiatives.
- Update on the new Golden Harvest Scheme.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	28,026	26,364	38,372	34,297	39,851	30,319	44,127	34,970	129,789	149,268
YoY Change (%)	4.3	-0.7	12.9	43.4	42.2	15.0	15.0	2.0	16.6	15.0
Total Exp	25,157	23,760	34,703	31,576	36,202	27,628	39,909	32,095	118,234	135,834
EBITDA	2,869	2,604	3,668	2,721	3,649	2,692	4,218	2,875	11,555	13,434
EBITDA Growth %	43.8	42.3	30.5	30.3	27.2	3.4	15.0	5.7	32.4	16.3
Margins (%)	10.2	9.9	9.6	7.9	9.2	8.9	9.6	8.2	8.9	9.0
Depreciation	263	260	238	224	295	273	250	378	1,105	1,196
Interest	88	117	84	82	108	129	101	106	377	443
Other Income	134	277	127	273	282	277	127	125	705	811
PBT	2,652	2,504	3,472	2,687	3,528	2,567	3,994	2,516	10,777	12,605
Tax	468	667	936	658	1,038	675	1,050	554	2,760	3,318
Rate (%)	17.7	26.6	26.9	24.5	29.4	26.3	26.3	22.0	25.6	26.3
Adjusted PAT	2,184	1,837	2,537	2,029	2,491	1,892	2,944	1,962	8,017	9,287
YoY Change (%)	44.1	25.5	12.2	8.6	14.1	3.0	16.0	-3.3	12.8	15.8

E: MOSL Estimates

Technology

Company Name

Cyient
HCL Tech
Hexaware
Infosys
KPIT Tech
L&T Infotech
Mindtree
Mphasis
NIIT Tech
Persistent
Tata Elxsi
TCS
TechM
Wipro
Zensar

Keeping expectations low as US continues to drag

Familiar story – weakness despite seasonal strength: The seasonal strength of 1Q was watered down by a delay in BFS recovery, which most companies were hoping for to drive an improved performance for the year. Any revival in spend – albeit there have been increased discussions on ground and positive business sentiment across the US – appears elusive. Continued softness in BFS, combined with troubles in Retail, drive our expectation of 1.0-2.2% QoQ CC growth for 2QFY18.

The shade is darker if adjusted for acquisitions: Deceleration of growth has been steady, and 2Q is expected to clock aggregate YoY CC growth of 8.0% (v/s 9.4% in the year-ago period). However, this is aided by several acquisitions, especially across Wipro and HCL Tech, excluding which, aggregate growth lands up at 5.5% YoY CC (v/s 7.7% in 2Q last year). On an organic constant currency basis, we see YoY growth to be the lowest at Wipro (1.0% YoY CC) and to have come off the most for HCL Tech (4.3% YoY in 2QFY18 versus 9.9% in 2QFY17).

Mid-caps seeing stronger growth: We see double-digit growth at Persistent (12.0% YoY), Hexaware (13.7% YoY), Cyient (10.1% YoY) and LTI (11.1% YoY). The four have been seeing continued traction, led by company-specific and client-specific dynamics. This puts the second tier higher on the revenue scorecard compared to Tier-I. However, the gravity of profitability erosion has been stronger for Tier-II.

Cross-currency tailwind to offer some respite to dollar growth...: With EUR and GBP appreciating 6.7% QoQ and 2.2% QoQ, respectively, against the USD, we see ~100bp tailwind in reported QoQ dollar revenue growth. HCLT, TECHM, CYL and NITEC should be the larger beneficiaries, given their exposures to the EUR.

...but rupee-dollar movement won't aid margins much: The INR has largely remained flat in 2QFY18 on an average basis, resulting in no respite on profitability, despite the recent reversal of trend. There is a case for margin expansion for (i) TCS since their wage hikes are now behind, and the absence of visa expenses will provide for some tailwinds and (ii) TECHM, led by continued improvement in LCC and operational efficiencies. We notice that YoY margins are under continued pressure across the board, moving -190bp to -20bp across the top tier, with TCS faring the worst.

INFO's guidance and commentary could be the highlight: INFO's already uninspiring 6.5-8.5% YoY CC growth guidance may be tested if it sets off on a slow footing, possibly impacted by management churn, and yet no respite offered by BFS (recovery of which is embedded in the guidance). A repeat of the pruning of expectations may now switch the disconcerting impact from valuations to earnings.

Continue to be selective: Valuations drive our preference for INFO and TECHM among the top tier, although clearing of skies on several issues around INFO would be the key in determining the path forward. Among tier-II, we prefer PSYS (onset of margin improvement ex-currency), CYL (play on engineering services execution) and LTI (strong momentum).

Exhibit 1: Expected quarterly performance summary

Sector				Sales (INR M)			EBDITA (INR M)			Net Profit (INR M)		
	Technology	CMP (INR)	RECO	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
	Cyient	506	Buy	9,665	5.8	6.6	1,356	5.6	16.9	1,054	8.3	20.3
	HCL Technologies	891	Neutral	124,999	8.5	2.9	26,620	6.0	-0.7	22,055	9.5	1.6
	Hexaware Tech.	265	Neutral	9,884	9.3	0.5	1,636	3.8	2.4	1,257	12.9	2.7
	Infosys	903	Buy	175,683	1.5	2.9	45,455	-4.0	-0.3	35,503	-1.5	1.8
	KPIT Tech.	129	Neutral	8,794	5.8	1.0	759	-17.0	-4.6	505	-10.1	-9.1
	L&T Infotech	805	Buy	17,131	6.9	2.5	2,865	-5.9	2.4	2,772	19.2	3.7
	Mindtree	478	Neutral	13,280	2.5	3.0	1,570	-3.2	9.4	1,091	15.1	17.2
	Mphasis	610	Neutral	15,780	4.0	2.7	2,402	-2.5	4.7	2,053	-5.2	9.7
	NIIT Tech.	562	Neutral	7,249	4.6	2.3	1,179	3.0	6.4	643	8.9	25.3
	Persistent Systems	636	Buy	7,578	7.6	4.1	1,167	5.4	11.9	764	3.9	1.7
	Tata Elxsi	827	Buy	3,488	15.0	7.9	882	18.4	20.2	541	15.6	8.8
	TCS	2,430	Neutral	304,737	4.1	3.0	78,720	-2.9	6.2	63,594	-3.4	7.0
	Tech Mahindra	451	Buy	75,582	5.5	3.0	10,356	-3.2	10.8	7,772	20.5	-2.7
	Wipro	284	Neutral	138,122	0.3	1.4	26,380	-0.6	-1.1	19,544	-5.5	-5.9
	Zensar Tech	746	Buy	7,544	-2.1	2.4	801	-27.9	7.1	543	-22.9	15.0
	Sector Aggregate			919,516	3.8	2.7	202,148	-1.8	3.0	159,690	-0.1	2.9

Exhibit 2: Double-digit growth seen only in HCLT, led by multiple acquisitions

Company	Revenue (USD m)					Revenue (INR b)				
	2QFY18E	2QFY17	YoY (%)	1QFY18	QoQ (%)	2QFY18E	2QFY17	YoY (%)	1QFY18	QoQ (%)
TCS	4,739	4,374	8.4	4,591	3.2	305	293	4.1	296	3.0
Infosys	2,732	2,587	5.6	2,651	3.1	176	173	1.5	171	2.9
Wipro	2,013	1,916	5.1	1,972	2.1	138	138	0.3	136	1.4
HCLT	1,944	1,722	12.9	1,884	3.2	125	115	8.5	121	2.9
TECHM	1,175	1,072	9.6	1,138	3.3	76	72	5.5	73	3.0
Aggregate	12,604	11,672	8.0	12,236	3.0	819	790	3.6	798	2.7
Company	EBITDA Margin (%)					PAT (INR b)				
	2QFY18E	2QFY17	YoY (bp)	1QFY18	QoQ (bp)	2QFY18E	2QFY17	YoY (%)	1QFY18	QoQ (%)
TCS	25.8	27.7	(190)	25.1	80	64	66	(3.4)	59	7.0
Infosys	25.9	27.3	(150)	26.7	(80)	36	36	(1.5)	35	1.8
Wipro	19.1	19.3	(20)	19.6	(50)	20	21	(5.5)	21	(5.9)
HCLT	21.3	21.8	(50)	22.1	(80)	22	20	9.5	22	1.6
TECHM	13.7	14.9	(120)	12.7	100	8	6	20.5	8	(2.7)
Aggregate	22.9	24.1	(120)	22.9	-	148	149	(0.5)	145	2.5

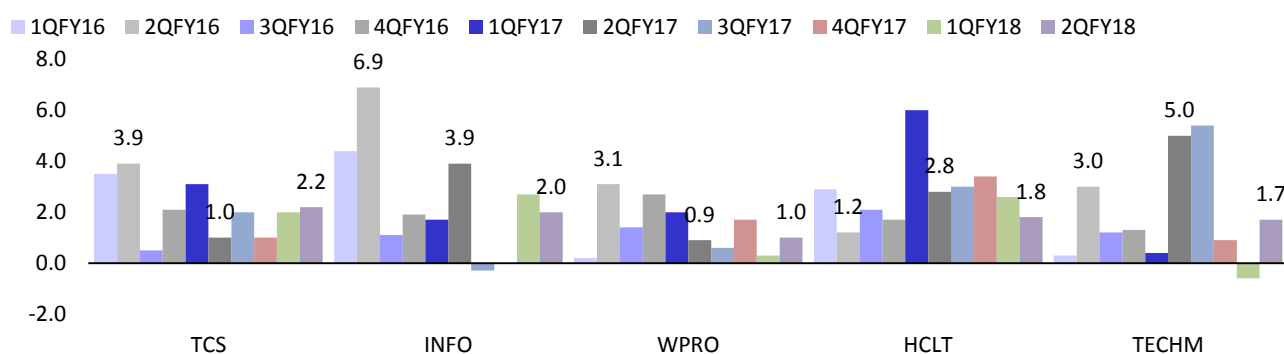
Source: Company, MOSL

Exhibit 3: Tier-II in better shape on revenue growth, but worse-off on profitability

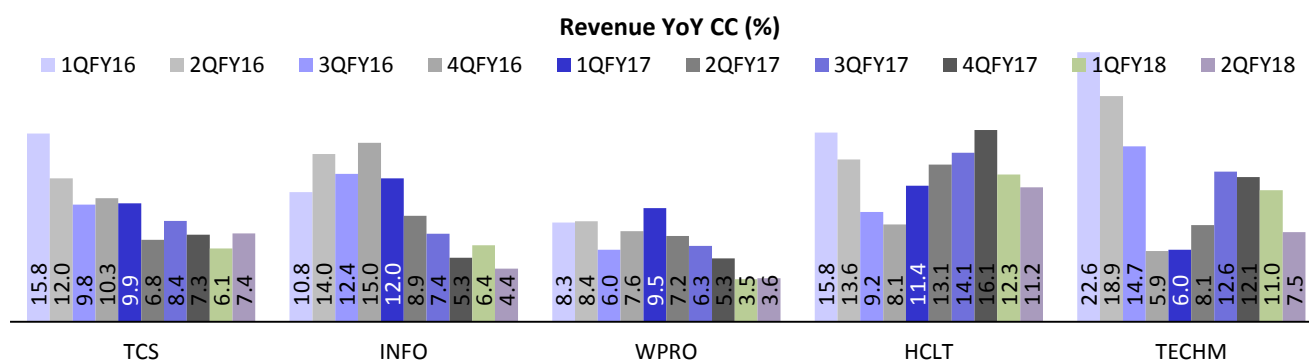
Company	Revenue (USD m)					Revenue (INR b)				
	2QFY18E	2QFY17	YoY (%)	1QFY18	QoQ (%)	2QFY18E	2QFY17	YoY (%)	1QFY18	QoQ (%)
Persistent Systems	118	105	12.0	113	4.3	7.6	7.0	7.6	7.3	4.1
Hexaware	154	135	13.7	153	0.7	9.9	9.0	9.3	9.8	0.5
KPIT Tech.	137	123	10.8	134	1.8	8.8	8.3	5.8	8.7	1.0
Mindtree	207	193	7.0	200	3.2	13.3	13.0	2.5	12.9	3.0
Mphasis	236	224	5.5	231	2.4	15.8	15.2	4.0	15.4	2.7
Cyient	150	137	10.1	141	6.6	9.7	9.1	5.8	9.1	6.6
NIIT Tech	113	103	8.9	110	2.6	7.2	6.9	4.6	7.1	2.3
Zensar	117	116	1.1	114	2.6	7.5	7.7	(2.1)	7.4	2.4
LTI	266	240	11.1	259	2.8	17.1	16.0	6.9	16.7	2.5
Aggregate	1,498	1,377	8.8	1,455	2.9	96.9	92.3	5.0	94.3	2.8

Company	EBITDA margin (%)					PAT (INR b)				
	2QFY18E	2QFY17	YoY (bp)	1QFY18	QoQ (bp)	2QFY18E	2QFY17	YoY (%)	1QFY18	QoQ (%)
Persistent Systems	15.4	15.7	(30)	14.3	110	0.8	0.7	3.9	0.8	1.7
Hexaware	16.6	17.4	(90)	16.2	30	1.3	1.1	12.9	1.2	2.7
KPIT Tech.	8.6	11.0	(240)	9.1	(50)	0.2	0.2	(17.6)	0.2	(8.7)
Mindtree	11.8	12.5	(70)	11.1	70	1.1	0.9	15.1	0.9	17.2
Mphasis	15.2	16.2	(100)	14.9	30	2.1	2.2	(5.2)	1.9	9.7
Cyient	14.0	14.0	-	12.8	120	1.1	1.0	8.3	0.9	20.3
NIIT Tech	16.3	16.5	(30)	15.6	60	0.6	0.6	8.9	0.5	25.3
Zensar	10.6	14.4	(380)	10.2	50	0.5	0.7	(22.9)	0.5	15.0
LTI	16.7	19.0	(230)	16.8	-	2.8	2.3	19.2	2.7	3.7
Aggregate	14.2	15.5	(130)	13.8	40	10.3	9.7	6.0	9.5	9.0

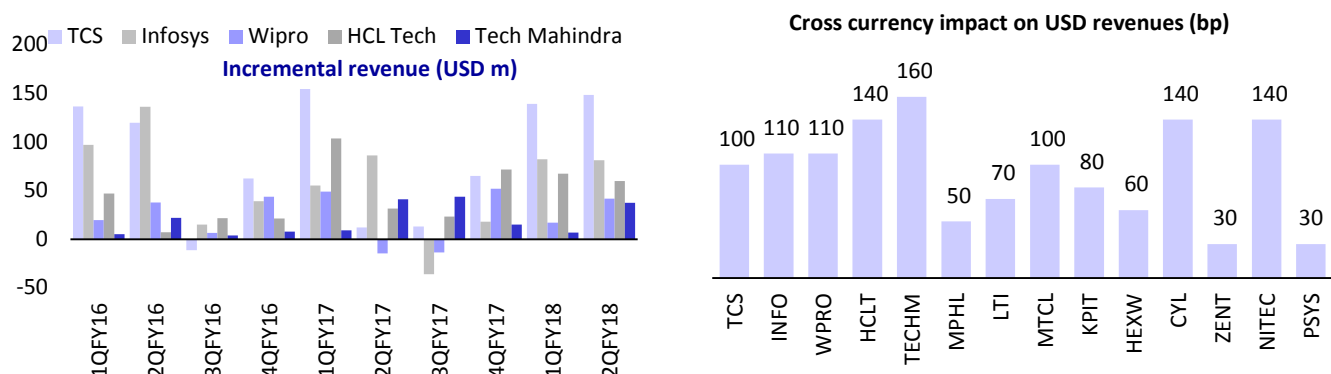
Source: Company, MOSL

Exhibit 4: Seasonal strength lower than what was hoped for (QoQ, CC %)

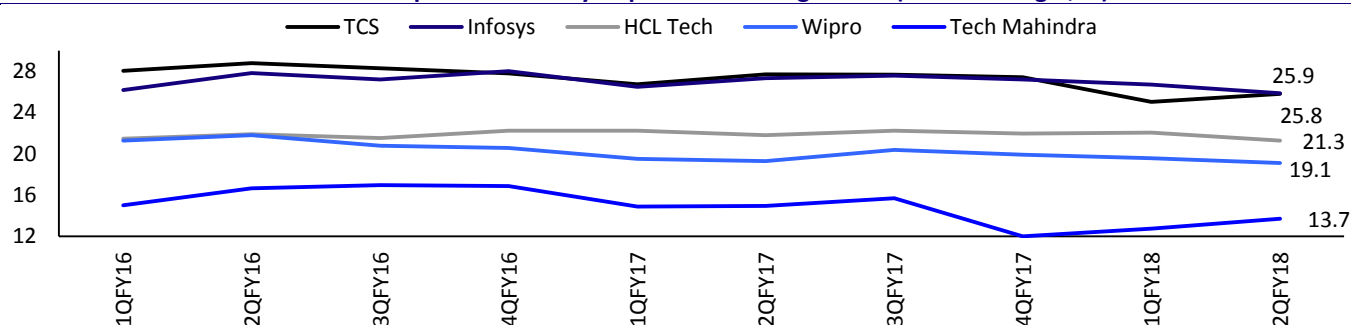
Source: Company, MOSL

Exhibit 5: YoY traction seen picking up only at TCS, but the base in 2Q last year was lower! (YoY, CC, %)

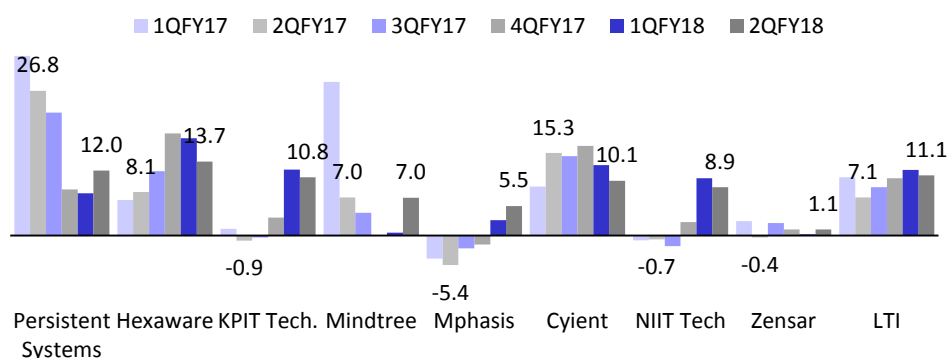
Source: Company, MOSL

Exhibit 6: Sanguine cross-currency tailwinds for most

Source: Company, MOSL

Exhibit 7: Pressures evident as all companies are likely to post lower margins YoY (EBITDA margin, %)

Source: Company, MOSL

Exhibit 8: Traction seen in Persistent, Cyient and LTI (Revenue growth, YoY, USD, %)

Source: Company, MOSL

Exhibit 9: 2QFY18 currency highlights (INR)

	Rates (INR)				Change (QoQ)			
	USD	EUR	GBP	AUD	USD	EUR	GBP	AUD
Average	64.30	75.5	84.1	50.7	-0.3%	6.3%	2.0%	4.9%
Closing	65.28	77.1	87.4	51.2	1.1%	4.6%	4.3%	3.1%

Source: Company, MOSL

Exhibit 10: 2QFY18 currency highlights (in USD)

	Rates (USD)			Change (QoQ)		
	EUR	GBP	AUD	EUR	GBP	AUD
Average	1.18	1.31	0.79	6.7%	2.2%	5.2%
Closing	1.18	1.34	0.78	3.4%	2.9%	1.9%

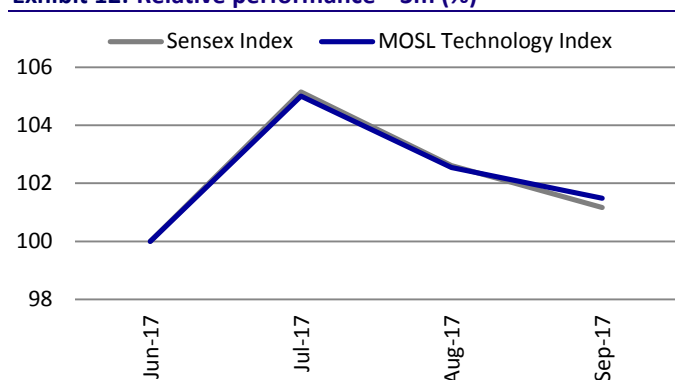
Source: Company, MOSL

Exhibit 11: Cross currencies: Assumed rates v/s actual

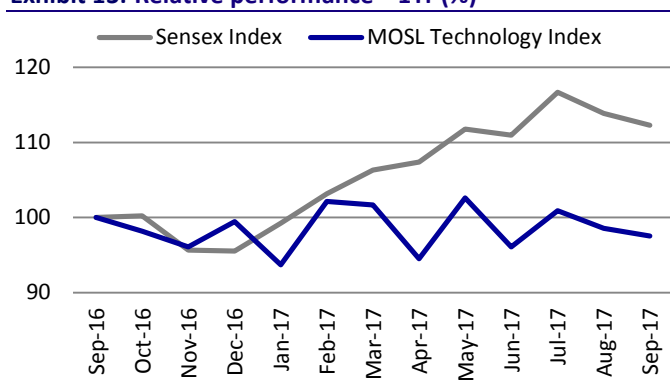
Guided at	EUR	GBP	AUD	INR/USD
Infosys	1.09	1.30	0.75	nm
Wipro	1.11	1.29	0.75	64.46
Actual (Average)	1.18	1.31	0.79	64.30

Change (%)	EUR	GBP	AUD	INR/USD
Infosys	7.8%	0.7%	5.3%	nm
Wipro	5.9%	1.4%	5.3%	-0.3%

Source: Company, MOSL

Exhibit 12: Relative performance—3m (%)

Source: Bloomberg, MOSL

Exhibit 13: Relative performance—1Yr (%)

Source: Bloomberg, MOSL

Exhibit 14: Comparative valuation

Company	Rating	TP (INR)	Upside (%)	EPS (INR)			P/E (x)			RoE (%)			FY17-19E CAGR (%)	
				FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	USD rev.	EPS
TCS	Neutral	2,350	-3.3	128.7	143.1	148.6	18.9	17.0	16.4	31.0	33.1	30.4	7.6	3.5
Infosys	Buy	1,050	16.3	62.3	66.3	74.2	14.5	13.6	12.2	19.6	19.1	19.7	7.5	2.7
Wipro	Neutral	270	-4.8	18.2	19.5	21.5	15.6	14.5	13.2	16.2	16.4	16.1	6.5	7.4
HCL Tech	Neutral	950	6.6	63.5	68.9	72.9	14.0	12.9	12.2	25.5	24.6	23.5	10.6	7.3
TechM	Buy	490	8.7	35.3	37.8	42.4	12.8	11.9	10.6	17.9	17.1	17.1	9.2	9.7
Mphasis	Neutral	610	-0.1	40.2	43.0	48.0	15.2	14.2	12.7	14.4	16.2	16.9	9.0	5.1
L&T Infotech	Buy	880	9.3	60.9	65.3	73.2	13.2	12.3	11.0	33.3	28.3	25.9	10.7	8.5
Mindtree	Neutral	450	-5.8	28.4	32.9	40.3	16.8	14.5	11.9	17.2	20.1	22.4	8.8	14.9
KPIT Tech	Neutral	140	8.6	10.8	13.6	16.6	11.9	9.5	7.8	13.3	14.7	15.4	9.1	6.8
Cyient	Buy	600	18.5	35.7	42.3	46.9	14.2	12.0	10.8	16.7	17.4	17.0	13.2	17.5
Hexaware	Neutral	250	-5.5	15.6	16.5	18.6	16.9	16.1	14.2	25.6	23.1	22.1	12.5	9.7
NIIT Tech	Neutral	540	-3.9	43.3	50.8	57.1	13.0	11.1	9.8	14.7	16.0	16.8	0.8	15.6
Persistent	Buy	750	17.8	42.9	51.9	60.4	14.8	12.3	10.5	17.7	20.6	23.3	10.8	17.4
Zensar	Buy	950	27.3	51.5	70.0	77.3	14.5	10.7	9.7	14.9	17.9	17.2	7.5	15.9

Bloomberg	CYL IN
Equity Shares (m)	112.2
M. Cap. (INR b)/(USD b)	57 / 1
52-Week Range (INR)	564 / 416
1,6,12 Rel Perf. (%)	-4 / -2 / -7

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	36.1	39.5	46.0	51.2
EBITDA	4.9	5.3	6.3	7.1
PAT	3.7	4.0	4.8	5.3
EPS (INR)	30.6	35.7	42.3	46.9
EPS Gr. (%)	(0.2)	16.5	18.5	10.9
BV/Sh. (INR)	188.7	213.7	243.3	276.1
RoE (%)	16.2	16.7	17.4	17.0
RoCE (%)	15.9	15.4	16.0	15.7
Payout (%)	34.3	30.0	30.0	30.0

Valuation

P/E (x)	16.5	14.2	12.0	10.8
P/BV (x)	2.7	2.4	2.1	1.8
EV/EBITDA	10.1	8.8	6.9	5.8
Div yld (%)	2.1	2.1	2.5	2.8

CMP: INR506

TP: INR600 (+19%)

Buy

- We expect CYL's USD revenue to grow 6.6% QoQ in 2QFY18 (+5.2% QoQ in CC).
- In the core services business, CYL's revenue is expected to increase by 5.8% QoQ. Revenue growth is expected to further pick-up as strong momentum is seen across several customers.
- We expect USD14m in revenue in Rangsons, which would imply 18% QoQ revenue; +4% YoY.
- Margins are expected to expand by 120bp QoQ to 14%, despite part negative impact of wage hikes, because of strong revenue growth, improved profitability in Rangsons and favorable business mix.
- While we expect margins in the services business to expand by 90bp to 15.5%, we anticipate margin revival in Rangsons to 0%, from -6.9% in the previous quarter.
- PAT estimate for the quarter is INR1,054m, +20.3% QoQ. Strong operational performance and the absence of tax one-off are resulting in strong bottom-line growth.
- The stock trades at 14.2x FY18E and 12.0x FY19E EPS. Maintain **Buy**.

Key issues to watch for

- Update on problem verticals like Semiconductor and Energy.
- Revenue trajectory for Rangsons for FY18.
- Health and performance expectations of top customers.

Quarterly Performance

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	125	137	136	141	141	150	156	160	538	608
QoQ (%)	3.1	9.5	-0.5	3.8	0.0	6.6	3.9	2.4	14.0	12.9
Revenue (INR m)	8,349	9,136	9,171	9,410	9,070	9,665	10,232	10,561	36,065	39,527
YoY (%)	15.0	18.4	17.3	15.3	8.6	5.8	11.6	12.2	16.5	9.6
GPM (%)	35.0	34.4	34.0	34.4	34.9	35.4	34.4	34.8	34.4	34.9
SGA (%)	22.0	20.4	20.6	21.1	22.1	21.3	21.2	21.2	21.0	21.4
EBITDA	1,090	1,283	1,228	1,249	1,160	1,356	1,351	1,438	4,848	5,305
EBITDA Margin (%)	13.1	14.0	13.4	13.3	12.8	14.0	13.2	13.6	13.4	13.4
EBIT Margin (%)	10.4	11.5	10.7	10.6	9.9	11.4	10.7	11.1	10.8	10.8
Other income	116	184	309	264	350	318	244	251	874	1,163
ETR (%)	25.5	22.6	25.8	18.1	31.2	27.0	26.0	26.0	24.2	27.4
PAT	740	973	940	785	876	1,054	1,006	1,071	3,699	4,007
QoQ (%)	-12.3	31.5	-3.4	-16.5	11.6	20.3	-4.5	6.5		
YoY (%)	-1.1	-1.2	8.3	-7.0	18.4	8.3	7.0	36.5	7.4	8.3
EPS (INR)	6.6	8.7	8.4	7.0	7.8	9.4	9.0	9.5	32.9	35.7
Headcount	12,082	12,286	12,155	12,048	12,048	12,201	12,631	12,931	12,048	13,131
Util incl. trainees (%)	73.5	78.0	78.3	77.4	74.1	74.1	76.5	74.5		
Attrition (%)	19.9	22.7	22.6	15.6	16.6					
Offshore rev. (%)	40.7	40.1	40.4	39.2	40.4	40.4	40.2	40.0		

E: MOSL Estimates

HCL Technologies

Bloomberg	HCLT IN
Equity Shares (m)	1412.9
M. Cap. (INR b)/(USD b)	1259 / 19
52-Week Range (INR)	926 / 731
1,6,12 Rel Perf. (%)	4 / -1 / -3

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	467.2	510.9	569.5	611.7
EBITDA	103.1	112.3	124.8	129.9
PAT	84.6	91.2	99.1	105.0
EPS (INR)	59.8	63.5	68.9	72.9
EPS Gr. (%)	49.2	6.1	8.5	5.8
BV/Sh. (INR)	239.0	271.4	302.6	333.2
RoE (%)	27.5	25.5	24.6	23.5
RoCE (%)	25.3	23.2	22.9	22.2
Payout (%)	40.1	36.2	46.4	49.4

Valuation

P/E (x)	14.9	14.0	12.9	12.2
P/BV (x)	3.7	3.3	2.9	2.7
EV/EBITDA	10.9	9.8	8.6	9.7
Div yld (%)	2.7	2.6	3.6	4.0

CMP: INR891 TP: INR950 (+7%) Neutral

- We expect HCLT's USD revenue to grow 3.2% QoQ, and 1.8% QoQ on a constant currency basis.
- It is expected to be divided as follows: Organic: 1pp, UFS and new IBM partnership: 0.8pp.
- We expect organic momentum to take a step down. HCLT's 10.5-12.5% CC guidance implies organic growth of 5.5-7.5%, which means CC CQGR of 1.2-2% (mid-point of 1.6% v/s 2.2% achieved in FY17).
- EBIT margins are likely to shrink by 80bp to 19.4% because of continued investments in the business, slower organic growth, and integration of lower-margin businesses.
- With this, we expect 20.1% EBIT margin for FY18 – at the mid-point of the 19.5-20.5% guidance range.
- Adjusted PAT estimate for the quarter is INR22.1b, +1.6% QoQ, on the back of lower margins.
- The stock trades at 14.0x FY18E and 12.9x FY19E EPS. Maintain Neutral.

Key issues to watch for

- Traction in IMS and Engineering Services.
- Margin movement, given lower organic growth.
- Traction in Digital.

HCL Tech Quarterly Performance (US GAAP, INR Million)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	1,691	1,722	1,745	1,817	1,884	1,944	1,991	2,030	6,975	7,849
QoQ (%)	6.5	1.9	1.4	4.1	3.7	3.2	2.4	2.0	11.9	12.5
Revenue (INR m)	113,360	115,190	118,140	120,530	121,490	124,999	130,401	134,006	467,220	510,896
YoY (%)	15.9	14.1	14.2	12.7	7.2	8.5	10.4	11.2	14.2	9.3
GPM (%)	34.4	33.6	33.9	33.7	33.7	32.4	33.2	33.5	33.9	33.2
SGA (%)	12.1	11.8	11.7	11.8	11.6	11.1	11.1	11.1	11.8	11.2
EBITDA (INRm)	25,210	25,110	26,280	26,490	26,810	26,620	28,841	30,049	103,090	112,320
EBITDA Margin (%)	22.2	21.8	22.2	22.0	22.1	21.3	22.1	22.4	22.1	22.0
EBIT Margin (%)	20.6	20.1	20.4	20.0	20.1	19.4	20.2	20.5	20.3	20.1
Other income	2,530	2,350	2,310	2,150	2,690	3,354	2,651	2,795	9,340	11,490
ETR (%)	21.0	21.1	21.5	11.5	20.0	20.0	20.0	20.0	18.8	20.0
PAT before EOI	20,430	20,150	20,710	20,250	21,710	22,055	23,189	24,217	84,570	91,171
QoQ (%)	6.1	-1.4	2.8	-2.2	7.2	1.6	5.1	4.4		
YoY (%)	14.6	10.5	7.9	5.2	6.3	9.5	12.0	19.6	13.5	7.8
EPS	14.5	14.3	14.7	16.5	15.1	15.4	16.2	16.9	59.8	63.5
Headcount	107,968	109,795	111,092	115,973	117,781	123,331	126,081	128,631	115,973	128,631
Util excl. trainees (%)	85.8	85.3	84.6	85.7	85.7	85.5	85.4	85.7	83.1	83.2
Attrition (%)	17.8	18.6	17.9	16.9	16.2					
Fixed Price (%)	60.9	61.3	63.2	61.6	59.8					

E: MOSL Estimates

Hexaware Technologies

Bloomberg	HEXW IN
Equity Shares (m)	301.8
M. Cap. (INR b)/(USD b)	80 / 1
52-Week Range (INR)	283 / 178
1,6,12 Rel Perf. (%)	-3 / 18 / 27

Financial Snapshot (INR b)

Y/E DEC	2016	2017E	2018E	2019E
Sales	35.3	39.4	44.2	50.1
EBITDA	5.7	6.4	6.9	7.8
PAT	4.2	4.7	5.0	5.6
EPS (INR)	13.7	15.6	16.5	18.6
EPS Gr. (%)	5.8	14.1	5.4	12.8
BV/Sh. (INR)	56.3	64.9	77.1	90.8
RoE (%)	26.5	25.6	23.1	22.1
RoCE (%)	24.2	23.8	22.5	22.0
Payout (%)	38.6	24.8	23.6	20.9

Valuation

P/E (x)	19.3	16.9	16.1	14.2
P/BV (x)	4.7	4.1	3.4	2.9
EV/EBITDA	12.8	11.5	10.4	8.6
Div yld (%)	2.1	1.5	1.5	1.5

CMP: INR265 TP: INR250 (-6%) Neutral

- We expect USD revenue to grow 0.7% QoQ to USD154m (0.1% QoQ CC).
- The company has been indicating of a ramp-down in two of its top customers, which is expected to begin in 3QCY17.
- However, because of a strong pick-up over the last few quarter, YoY growth of 13.7% is expected to be clocked.
- EBITDA margins have been steady over the last couple of quarters despite wage hike, resulting out of strong volume growth and improvement in operational efficiencies.
- We expect EBITDA margins to expand by 40bp QoQ in 3Q to 16.6%, led by the absence of visa charges.
- Our PAT estimate for the quarter is INR1,257m, up 2.7% from the previous quarter, on the back of a soft performance on the revenue front.
- The stock trades at 16.9x CY17E and 16.1x CY18E earnings. **Neutral.**

Key issues to watch for

- Large deal pipeline and traction post the increased S&M spend.
- Commentary on ramp-down schedule of the key customers.
- Health of top customers and outlook over CY17.

Quarterly Performance (Indian GAAP)

Y/E Dec	CY16				CY17				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	CY16	CY17E
Revenue (USD m)	121.7	129.7	135.2	138.9	144.7	152.6	153.7	153.6	525	605
QoQ (%)	-1.9	6.6	4.2	2.7	4.2	5.5	0.7	0.0	8.2	15.2
Revenue (INR m)	8,202	8,697	9,041	9,409	9,605	9,836	9,884	10,064	35,349	39,388
YoY (%)	15.0	12.6	10.5	14.8	17.1	13.1	9.3	7.0	13.2	11.4
GPM (%)	33.6	34.6	35.4	34.6	34.1	33.7	33.6	32.3	34.6	33.4
SGA (%)	19.0	19.0	18.0	17.3	17.2	17.4	17.0	17.0	18.3	17.1
EBITDA	1,194	1,353	1,576	1,624	1,623	1,598	1,636	1,539	5,747	6,396
EBITDA Margin (%)	14.6	15.6	17.4	17.3	16.9	16.2	16.6	15.3	16.3	16.2
EBIT Margin (%)	12.9	14.0	15.9	15.8	15.3	14.6	14.9	13.7	14.7	14.6
Other income	55	132	67	140	28	146	169	61	394	404
ETR (%)	24.2	25.8	25.8	25.1	23.8	22.9	23.5	23.5	25.3	23.4
PAT	842	999	1,114	1,216	1,139	1,224	1,257	1,098	4,171	4,718
QoQ (%)	-15.3	18.6	11.5	9.2	-6.3	7.4	2.7	-12.7		
YoY (%)	1.0	1.0	-0.1	22.3	35.3	22.5	12.9	-9.7	6.1	13.1
EPS (INR)	2.8	3.3	3.7	4.0	3.8	4.1	4.2	3.6	13.7	15.6
Headcount	11,599	11,875	11,859	12,115	12,734	13,098	13,255	13,492	12,115	13,492
Utilization (%)	69.6	70.0	74.1	78.6	78.9	80.8	80.0	77.0	73.9	80.3
Attrition (%)	16.0	16.6	16.5	16.1	14.9	13.8				
Offshore rev. (%)	36.9	36.1	34.4	35.5	33.4	35.3	35.0	33.8	37.6	34.9

E: MOSL Estimates

Infosys

Bloomberg	INFO IN
Equity Shares (m)	2285.6
M. Cap. (INR b)/(USD b)	2064 / 32
52-Week Range (INR)	1081 / 862
1,6,12 Rel Perf. (%)	1 / -15 / -25

Financial Snapshot (INR b)

Y/E MAR	2017	2018E	2019E	2020E
Sales	684.9	706.0	772.8	846.2
EBITDA	186.1	184.5	200.3	219.3
PAT	143.8	142.3	151.6	169.5
EPS (INR)	62.9	62.3	66.3	74.2
EPS Gr. (%)	6.6	-1.1	6.5	11.8
BV/Sh. (INR)	302	333.5	361.1	391.7
RoE (%)	22.0	19.6	19.1	19.7
RoCE (%)	22.0	19.6	19.1	19.7
Payout (%)	40.9	48.2	51.3	51.2

Valuations

P/E (x)	14.4	14.5	13.6	12.2
P/BV (x)	3.0	2.7	2.5	2.3
EV/EBITDA (x)	9.0	8.7	7.8	6.9
Div Yield (%)	2.9	3.3	3.8	4.2

CMP: INR903

TP: INR1,050 (+16%)

Buy

- In CC terms, our revenue growth estimate for 1QFY18 is 2% QoQ. We expect absence of a seasonal pick-up, given the softness witnessed in BFS and Retail. Cross-currency tailwinds of 110bp would result in USD revenue growth of 3.1%.
- At the end of 4QFY17, INFO guided for 6.5-8.5% YoY CC growth, implying a CQGR of 2.2-3%. FY17 guidance would be tested by 2Q revenue growth, and by expectations of momentum going forward as the company continues to be faced with multiple internal issues.
- We expect EBITDA margin to decline by 80bp QoQ to 25.9%, led by continued investments in the business and the fact that operational efficiency levers have been squeezed materially over the last few quarters.
- With this, we expect full-year EBIT margin at 23.6%, at the lower end of the revised profitability guidance range of 23-25%.
- Our PAT estimate is INR35.5b, +1.8% QoQ, led by lower profitability and higher ETR.
- The stock trades at 14.5x FY18E and 13.6x FY19E earnings. **Buy.**

Key issues to watch for

- Update on internal stability of the company.
- Commentary around contribution of newly launched services, and revenue scale and growth from products and solutions.
- Commentary around macro, verticals, margins and pricing.

Quarterly Performance (IFRS)

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Revenue (USD m)	2,501	2,587	2,551	2,569	2,651	2,732	2,751	2,802	10,208	10,936
QoQ (%)	2.2	3.4	-1.4	0.7	3.2	3.1	0.7	1.9	7.4	7.1
Revenue (INR m)	167,820	173,100	172,730	171,200	170,780	175,683	177,417	171,200	684,850	705,992
YoY (%)	16.9	10.7	8.6	3.4	1.8	1.5	2.7	0.0	9.7	3.1
GPM (%)	38.7	39.1	39.7	39.7	38.8	38.1	38.1	38.4	39.3	38.3
SGA (%)	12.2	11.8	12.2	12.5	12.1	12.2	12.3	12.2	12.2	12.2
EBITDA	44,470	47,330	47,670	46,580	45,610	45,455	45,794	47,625	186,050	184,485
EBITDA Margin (%)	26.5	27.3	27.6	27.2	26.7	25.9	25.8	27.8	27.2	26.1
EBIT Margin (%)	24.1	24.9	25.1	24.6	23.7	23.3	23.3	23.6	24.7	23.6
Other income	7,530	7,600	8,200	7,460	8,140	9,038	7,659	8,262	30,790	33,100
ETR (%)	28.4	28.8	28.1	27.0	28.2	29.0	29.0	29.0	28.0	28.7
PAT	34,360	36,060	37,080	36,030	34,880	35,503	34,738	36,430	143,830	142,261
QoQ (%)	-4.5	4.9	2.8	-2.8	-3.2	1.8	-2.2	4.9		
YoY (%)	13.4	6.1	7.0	0.2	1.5	-1.5	-6.3	1.1	6.6	-1.1
EPS (INR)	15.0	15.8	16.2	15.8	15.3	15.5	15.2	15.9	62.9	62.3
Headcount	197,050	199,829	199,763	200,364	198,553	202,141	211,885	215,126	200,364	215,126
Util excl. trainees	81.1	83.1	82.4	82.6	84.5	87.0	84.2	83.8	82.8	84.9
Attrition (%)	21.0	20.0	18.4	17.1	21.0					
Offshore rev. (%) (IT)	43.0	43.0	43.5	43.3	43.4					
Fixed Price (%)	45.7	47.1	49.5	49.4	49.3					

E: MOSL Estimates

KPIT Technologies

Bloomberg	KPIT IN
Equity Shares (m)	200.2
M.Cap. (INR b) /(USD b)	26 / 0
52-Week Range (INR)	147 / 105
1, 6, 12 Rel. Per (%)	11 / -7 / -15

Financial Snapshot (INR b)

Y/E MAR	2017	2018E	2019E	2020E
Sales	33.2	35.6	39.2	42.4
EBITDA	3.5	3.3	4.3	4.4
PAT	2.1	2.2	2.8	3.4
EPS (INR)	11.9	10.8	13.6	16.6
EPS Gr. (%)	-15.3	-9.1	25.6	21.8
BV/Sh. (INR)	79.2	85.9	99.5	116.1
RoE (%)	14.3	13.3	14.7	15.4
RoCE (%)	15.9	14.1	17.1	18.6
Payout (%)	16.8	18.4	14.7	12.1

Valuations

P/E (x)	10.8	11.9	9.5	7.8
P/BV (x)	1.6	1.5	1.3	1.1
EV/EBITDA	6.3	6.5	4.5	3.8
Div yld (%)	1.6	1.6	1.6	1.6

CMP: INR129 TP: INR140 (+9%) Neutral

- KPIT guided for 6-8% YoY growth in FY18, uniformly spread through the year. Despite a strong start to the year (4.8% QoQ in 1QFY18), the company kept its guidance unchanged.
- Much of the growth last quarter was however contributed to by the acquisition of MicroFuzzy and one-off growth in Products, adjusted for which growth was ~1% QoQ.
- We expect similar momentum to continue in 2Q, leading to QoQ growth of 1.8% in USD terms and 1.0% in CC terms.
- Margins over the last couple of quarters have been subdued, as the company undertook increased fresher hiring, despite low revenue growth, leading to operational inefficiencies.
- We expect wage hikes to continue resulting in subdued profitability, expecting a 60bp decline to 8.5%.
- Our PAT estimate is INR505m, -9.1% QoQ, which is a function of lower margins.
- KPIT trades at 11.9x FY18E and 9.5x FY19E earnings. Maintain **Neutral**.

Key issues to watch for

- Growth in IES, Engineering Services and top client.
- Commentary on deal wins across segments.
- Plan to recoup profitability.

Quarterly Performance (Indian GAAP)

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Revenue (USD m)	120	123	123	128	134	137	137	139	494	547
QoQ (%)	-3.5	3.0	-0.4	4.4	4.8	1.8	0.1	1.3	0.8	10.6
Revenue (INR m)	8,032	8,310	8,307	8,585	8,704	8,794	8,969	9,151	33,234	35,618
YoY (%)	5.9	2.3	2.2	2.1	8.4	5.8	8.0	6.6	3.1	7.2
GPM (%)	28.9	29.5	29.0	29.2	26.6	26.4	27.0	27.2	29.1	26.8
SGA (%)	18.3	18.5	18.8	19.0	17.6	17.8	17.2	17.0	18.7	17.4
EBITDA	855	914	846	870	788	752	872	928	3,486	3,368
EBITDA Margin (%)	10.7	11.0	10.2	10.1	9.1	8.5	9.7	10.1	10.5	9.5
EBIT Margin (%)	8.3	8.6	7.9	7.3	6.9	6.4	7.6	8.0	8.0	7.3
Other income	116	49	29	12	121	120	76	97	207	414
Interest	56	14	66	0	26	24	23	22	136	96
ETR (%)	24.3	25.1	23.1	15.3	23.4	23.5	23.5	23.5	22.2	23.5
PAT	551	562	475	537	555	505	562	618	2,125	2,240
QoQ (%)	-37.8	2.0	-15.5	13.1	3.3	-9.1	11.3	10.0		
YoY (%)	24.0	-25.2	-35.4	-39.3	0.9	-10.1	18.3	15.0	-24.5	5.4
EPS (INR)	2.8	2.8	3.7	2.7	2.8	2.4	2.7	3.0	11.9	10.8
Headcount	11,288	11,666	11,881	12,110	12,261	12,605	12,664	12,748	12,110	12,748
Util excl. trainees (%)	68.1	69.2	69.2	69.2	68.8	72.5	72.0	73.0	68.3	71.6
Offshore rev. (%)	41.5	43.3	43.6	43.4	43.9	44.7	44.6	44.9	42.7	44.5
Fixed Price (%)	28.5	28.0	33.7	35.8	34.8					

E: MOSL Estimates

L&T Infotech

Bloomberg	LTI IN
Equity Shares (m)	175.0
M. Cap. (INR b)/(USD b)	141 / 2
52-Week Range (INR)	840 / 595
1,6,12 Rel Perf. (%)	6 / 7 / 19

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	65.0	69.4	77.3	87.1
EBITDA	12.3	11.9	13.6	16.0
PAT	9.7	10.7	11.4	12.8
EPS (INR)	55.5	60.9	65.3	73.2
EPS Gr. (%)	5.9	9.7	7.2	12.2
BV/Sh. (INR)	159.5	205.7	255.3	311.0
ROE (%)	40.4	33.3	28.3	25.9
RoCE (%)	42.7	31.6	30.6	29.8
Payout (%)	17.5	20.0	20.0	20.0
Valuation				
P/E (x)	14.5	13.2	12.3	11.0
P/BV (x)	5.0	3.9	3.2	2.6
EV/EBITDA	10.9	10.9	9.2	7.5
Div Yld (%)	1.2	1.5	1.6	1.8

CMP: INR805

TP: INR880 (9%)

Buy

- LTI witnessed strong growth throughout FY17, led by sustained ramp-up of deals. Although growth has been as strong in 1QFY18, the company expected a pick-up towards 2HFY18.
- Visibility for this revival comes from the ramp-up schedule of recent deal wins and visibility lent by new deal wins.
- We hence expect 2QFY18 to be moderate, with revenue growing at 2.8% in USD terms and 2.1% in CC terms.
- We expect EBITDA margin to remain steady at 16.7%, and expect a pick-up in profitability to be aligned with revenue growth, starting in 2H.
- Our PAT estimate for the quarter is INR2.8b, which implies 3.7% QoQ growth, largely led by lower margins.
- The stock trades at 13.2x FY18E and 12.3x FY19E earnings. **Buy.**

Key issues to watch for

- Deal wins, ramp-up schedule for FY18 and visibility on continuity of traction.
- Outlook on top clients and their contribution to growth.
- Growth in Digital.

Quarterly Performance

(INR m)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	231	240	245	254	259	266	272	279	970	1,077
QoQ (%)	0.6	3.7	2.3	3.7	2.0	2.8	2.2	2.6	9.3	11.1
Revenue (INR m)	15,550	16,020	16,667	16,772	16,707	17,131	17,563	18,027	65,009	69,428
YoY (%)	16.6	9.1	12.1	7.7	7.4	6.9	5.4	7.5	11.2	6.8
GPM (%)	35.3	35.4	34.3	35.8	33.8	33.2	33.6	34.0	35.2	33.7
SGA (%)	15.7	16.4	16.2	16.8	17.0	16.5	16.3	16.3	16.3	16.5
EBITDA	3,050	3,044	3,020	3,190	2,799	2,865	3,047	3,192	12,303	11,903
EBITDA Margin (%)	19.6	19.0	18.1	19.0	16.8	16.7	17.3	17.7	18.9	17.1
EBIT Margin (%)	16.9	16.1	15.3	16.5	14.4	14.3	15.0	15.4	16.2	14.8
Other income	372	365	597	503	1,084	1,163	588	792	1,837	3,628
ETR (%)	21.2	21.0	21.2	22.3	23.4	23.4	23.4	23.4	21.4	23.4
PAT	2,359	2,326	2,481	2,547	2,673	2,772	2,472	2,739	9,711	10,656
QoQ (%)	3.2	-1.4	6.7	2.7	4.9	3.7	-10.8	10.8		
YoY (%)	35.1	21.3	10.5	11.4	13.3	19.2	-0.4	7.5	5.9	9.7
EPS (INR)	13.5	13.3	14.2	14.6	15.3	15.8	14.1	15.7	55.5	60.9
Headcount	19,292	21,074	20,605	21,023	22,321	22,681	23,051	23,521	21,023	23,521
Util incl. trainees (%)	77.4	78.7	78.1	78.3	77.7	77.5	78.0	78.5	7807.5	77.9
Attrition (%)	19.5	18.5	18.1	16.9	14.7					
Offshore rev. (%)	51.9	51.2	52.3	51.3	53.2	52.2	52.5	52.7	48.3	52.6

E: MOSL Estimates

MindTree

Bloomberg	MTCL IN
Equity Shares (m)	167.7
M. Cap. (INR b)/(USD b)	80 / 1
52-Week Range (INR)	566 / 400
1,6,12 Rel Perf. (%)	6 / 0 / -16

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	52.4	54.3	61.7	67.6
EBITDA	7.2	6.7	8.4	9.8
PAT	4.2	4.4	5.4	6.6
EPS (INR)	24.9	28.4	32.9	40.3
EPS Gr. (%)	-30.6	14.1	15.7	22.6
BV/Sh. (INR)	153.0	155.8	170.5	189.1
RoE (%)	16.8	17.2	20.1	22.4
RoCE (%)	20.1	18.0	23.5	25.7
Payout (%)	40.2	42.3	45.6	44.7
Valuation				
P/E (x)	19.2	16.8	14.5	11.9
P/BV (x)	3.1	3.1	2.8	2.5
EV/EBITDA	9.7	10.4	8.1	6.8
Div Yld (%)	2.1	2.5	3.1	3.8

CMP: INR478
TP: INR450 (-6%)
Neutral

- A strong order book, deal pipeline and discussions with customers gave MTCL confidence of low double-digit revenue growth in FY18.
- However, the start to FY18 wasn't strong enough to achieve the initial guidance, thereby increasing the ask-rate for the remainder of the year.
- However, led by improvement in acquired entities, we expect 2.2% QoQ growth in 2QFY18 in CC terms. MTCL would benefit from cross-currency movement to the tune of 100bp, taking USD revenue growth to 3.2% QoQ.
- We expect EBITDA margin to expand by 70bp to 11.8%, led by better profitability in acquisitions and the absence of visa expenses.
- Our PAT estimate for the quarter is INR1.1b, which implies 17.2% QoQ growth. The major contributors to this growth are improved margins and lower ETR.
- The stock trades at 16.8x FY18E and 14.5x FY19E earnings. **Neutral.**

Key issues to watch for

- Update on top clients, pricing pressure and outlook.
- Margin trajectory, going forward, given the increased investments, revenue growth issues and problems in acquired entities.
- Deal wins during the quarter and growth in Digital.

Quarterly Performance

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Revenue (USD m)	199	193	192	196	200	207	211	216	780	834
QoQ (%)	2.1	-3.0	-0.4	1.8	2.3	3.2	2.3	2.2	9.0	7.0
Revenue (INR m)	13,276	12,954	12,953	13,181	12,895	13,280	13,846	14,261	52,364	54,282
YoY (%)	35.8	10.8	6.7	-0.2	-2.9	2.5	6.9	8.2	11.7	3.7
GPM (%)	37.0	34.2	34.1	34.0	34.9	33.8	34.0	34.2	34.8	34.2
SGA (%)	22.3	21.7	20.7	19.8	23.8	22.0	21.2	21.0	21.1	22.0
EBITDA	1,951	1,621	1,740	1,869	1,435	1,570	1,769	1,884	7,181	6,658
EBITDA Margin (%)	14.7	12.5	13.4	14.2	11.1	11.8	12.8	13.2	13.7	12.3
EBIT Margin (%)	10.8	8.6	9.5	10.3	7.3	8.1	9.2	9.6	9.8	8.6
Other income	198	170	144	-95	368	360	251	240	417	1,219
ETR (%)	24.2	26.0	25.2	22.8	28.6	24.0	24.0	24.0	24.6	25.0
PAT	1,235	948	1,031	972	931	1,091	1,154	1,227	4,186	4,403
QoQ (%)	-7.1	-23.2	8.8	-5.7	-4.2	17.2	5.8	6.4		
YoY (%)	-3.7	-40.1	-31.7	-26.9	-24.6	15.1	11.9	26.2	-30.6	5.2
EPS (INR)	7.4	5.6	6.1	5.8	7.2	6.7	7.0	7.5	24.9	34.2
Headcount	16,110	16,219	16,099	16,470	16,561	17,011	17,611	17,911	16,470	17,911
Util incl. trainees (%)	71.4	71.4	71.3	70.9	73.2	74.0	72.0	72.0	71.3	72.8
Attrition (%)	16.5	16.4	16.1	15.1	14.0					
Offshore rev. (%)	40.5	40.8	39.8	39.5	42.0	42.1	41.5	41.2	40.2	41.7
Fixed Price (%)	48.7	50.6	52.5	52.8	52.9					

E: MOSL Estimates

Mphasis

Bloomberg	MPHL IN
Equity Shares (m)	210.2
M. Cap. (INR b)/(USD b)	128 / 2
52-Week Range (INR)	654 / 425
1,6,12 Rel Perf. (%)	1 / 2 / -1

Financial Snapshot (INR b)

Y/E MAR	2017	2018E	2019E	2020E
Sales	60.8	64.3	71.1	78.0
EBITDA	9.7	9.9	11.3	12.5
PAT	8.2	8.3	8.9	9.9
EPS (INR)	38.9	40.2	43.0	48.0
EPS Gr. (%)	12.9	3.3	7.0	11.6
BV/Sh. (INR)	292.4	274.9	292.6	311.8
RoE (%)	13.2	14.4	16.2	16.9
RoCE (%)	12.4	13.9	15.8	16.9
Payout (%)	43.7	54.8	51.2	52.1

Valuations

P/E (x)	15.7	15.2	14.2	12.7
P/BV (x)	2.1	2.2	2.1	2.0
EV/EBITDA(x)	10.4	10.0	8.5	7.4
Div yld (%)	2.8	3.6	3.6	4.1

CMP: INR610
TP: INR610 (0%)
Neutral

- The HP channel has seen four consecutive quarters of steady performance. We expect this trend to continue in 2QFY18 as well.
- However, pressures in Digital Risk and in one of the top clients in Direct International are expected to partly offset this, and result in moderation of growth.
- We expect CC revenue growth of 1.9% QoQ and cross-currency tailwinds of 50bp, leading to USD revenue growth of 2.4% QoQ.
- The company is on an improving trajectory on a YoY basis as growth would improve to 5.5% YoY in 2QFY18 from -5.4% YoY in 2QFY17.
- Margins are likely to improve by 30bp QoQ to 15.2%, with an improved revenue mix and the absence of visa expenses.
- Our PAT estimate is INR2.05b (+9.7% QoQ). Higher PAT is also led by higher other income, due to lower translation gains.
- The stock trades at 15.2x FY18E and 14.2x FY19E EPS. **Neutral**.

Key issues to watch for

- Outlook for Digital Risk given an interest rate cycle reversal.
- Strategy changes and roadmap under the new leadership.
- Top customer outlook and consequent impact on the Direct International channel.

Quarterly Performance

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Revenue (USD m)	224	224	224	222	231	236	244	251	894	962
QoQ (%)	-0.3	-0.2	-0.3	-0.9	4.2	2.4	3.2	2.8	-3.5	7.7
Revenue (INR m)	15,167	15,176	15,361	15,059	15,360	15,780	16,304	16,813	60,763	64,258
YoY (%)	1.5	-2.6	1.3	-0.7	1.3	4.0	6.1	11.6	-0.2	5.8
GPM (%)	28.1	28.1	27.8	28.7	27.3	27.3	27.4	28.1	28.2	27.5
SGA (%)	12.0	11.8	12.3	12.8	12.4	12.0	12.1	12.2	12.2	12.2
EBITDA	2,445	2,463	2,396	2,384	2,295	2,402	2,490	2,670	9,688	9,857
EBITDA Margin (%)	16.1	16.2	15.6	15.8	14.9	15.2	15.3	15.9	15.9	15.3
EBIT Margin (%)	15.2	15.3	14.7	14.6	13.8	13.8	13.9	14.5	15.0	14.0
Other income	572	711	617	485	469	653	581	712	2,385	2,415
ETR (%)	27.7	27.5	28.5	27.5	26.9	27.0	27.0	27.0	27.8	27.0
PAT	2,043	2,166	2,044	1,934	1,872	2,053	2,062	2,288	8,188	8,275
QoQ (%)	6.4	6.0	-5.6	-5.4	-3.2	9.7	0.4	11.0		
YoY (%)	23.2	14.0	17.7	0.7	-8.4	-5.2	0.9	18.3	13.0	1.1
EPS (INR)	9.7	10.3	9.7	8.8	9.1	10.0	10.0	11.1	38.5	40.2
Headcount	22,374	22,284	22,018	21,979	21,878	21,113	21,383	21,903	21,979	21,903
Net Additions	50	-90	-266	-39	-101	-765	270	520	-345	-76
HP Channel rev. (%)	23.4	23.9	24.0	24.4	25.8					
Fixed Price (%)	19.8	19.1	20.6	19.3	21.3					

E: MOSL Estimates

NIIT Technologies

Bloomberg	NITEC IN
Equity Shares (m)	61.2
M. Cap. (INR b)/(USD b)	34 / 1
52-Week Range (INR)	601 / 370
1,6,12 Rel Perf. (%)	10 / 25 / 20

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	27.8	29.4	32.0	34.4
EBITDA	4.6	4.8	5.3	5.7
PAT	2.6	2.5	3.0	3.4
EPS (INR)	38.0	43.3	50.8	57.1
EPS Gr. (%)	-16.9	13.8	17.4	12.4
BV/Sh. (INR)	286.5	301.6	333.2	345.7
RoE (%)	13.7	14.7	16.0	16.8
RoCE (%)	15.7	14.4	15.8	16.4
Payout (%)	32.9	32.3	31.5	28.0
Valuations				
P/E (x)	14.3	12.6	10.7	9.5
P/BV (x)	1.9	1.8	1.6	1.6
EV/EBITDA	5.5	5.8	4.9	4.4
DIV Yld (%)	2.3	2.6	2.9	2.9

CMP: INR562
TP: INR540 (-4%)
Neutral

- We expect 1.1% QoQ CC revenue growth for NITEC in 2QFY18. While strength is being seen in Digital, we expect some of that to be offset by a ramp-down in one of its top customers.
 - The company would have a tailwind of 140bp because of cross-currency movements leading to USD revenue growth of 2.5% QoQ.
 - We expect EBITDA margin to expand by 70bp QoQ to 16.3%, because of the absence of visa expenses and wage hikes, and led by a better mix of revenue.
 - Our PAT estimate is INR643m, +25.3% QoQ. While the operational performance supports healthy growth in PAT, lower ETR would result in a further boost.
 - The stock trades at 12.6x FY18E and 10.7x FY19E earnings.
- Neutral.**

Key issues to watch for

- Traction in the international business.
- Progress on succession and development of strategy under new leadership.
- Deal wins and outlook for the year.

Quarterly Performance (IFRS)

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Revenue (USD m) Ex. forex	99	103	101	104	108	111	113	115	408	447
QoQ (%)	-2.5	4.2	-2.4	3.1	3.9	2.5	1.9	1.6	0.5	9.5
Revenue (INR m)	6,692	6,913	6,922	7,160	7,089	7,249	7,473	7,622	27,750	29,433
YoY (%)	4.4	2.0	2.0	4.6	5.7	4.6	7.7	6.2	3.5	6.1
GPM (%)	35.3	35.3	36.2	36.6	35.4	34.8	34.2	34.3	35.7	34.7
SGA (%)	20.0	19.0	19.3	18.7	19.8	18.5	17.6	17.0	19.1	18.2
EBITDA	1,023	1,122	1,168	1,284	1,108	1,179	1,243	1,320	4,582	4,850
EBITDA Margin (%)	15.3	16.2	16.9	17.9	15.6	16.3	16.6	17.3	16.5	16.5
EBIT Margin (%)	10.9	12.0	12.7	14.0	11.2	11.6	12.1	12.8	11.9	11.9
Other income	71	27	45	44	58	96	62	79	159	294
ETR (%)	10.3	24.2	24.2	15.9	34.7	24.0	24.0	24.0	18.6	26.4
Minority Interest	46.0	54.0	48.0	72.0	42.0	72.0	72.0	72.0	220.0	258.0
PAT	313	596	653	1,073	513	643	662	730	2,238	2,548
QoQ (%)	-60.4	90.4	9.6	64.3	-30.6	25.3	2.9	10.4	-20.1	13.8
YoY (%)	-46.7	-12.7	-11.9	35.8	80.0	8.9	6.0	-1.2		
EPS (INR)	5.1	9.7	10.6	13.1	8.7	10.9	11.2	12.4	38.0	43.3
Headcount	9,022	8,868	8,809	8,853	8,963	9,348	9,548	9,648	8,853	9,648
Util excl. trainees (%)	79.8	81.0	80.0	81.0	81.2	80.0	79.0	79.5	80.4	79.9
Attrition (%)	13.4	12.9	12.9	12.7	12.1					
Offshore rev. (%)	39.0	39.0	40.0	41.0	40.0				39.8	39.8
Fixed Price (%)	46.0	46.0	48.0	48.0	49.0					

Persistent Systems

Bloomberg	PSYS IN
Equity Shares (m)	80.0
M. Cap. (INR b)/(USD b)	51 / 1
52-Week Range (INR)	707 / 558
1,6,12 Rel Perf. (%)	5 / 4 / -20

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	28.8	31.0	35.0	38.5
EBITDA	4.7	5.0	5.9	6.7
Adj. PAT	3.1	3.4	4.2	4.8
Adj. EPS (INR)	37.7	42.9	51.9	60.4
EPS Gr. (%)	1.4	13.8	21.1	16.4
BV/Sh.(INR)	244.5	254.1	264.0	269.5
RoE (%)	17.0	17.7	20.6	23.3
RoCE (%)	16.7	16.0	16.9	19.9
Payout (%)	23.9	28.0	27.0	26.5

Valuations

P/E (x)	16.9	14.8	12.3	10.5
P/BV (x)	2.6	2.5	2.4	2.4
EV/EBITDA (x)	8.9	8.1	6.7	5.8
Div. Yield (%)	1.4	1.9	2.2	2.5

CMP: INR636

TP: INR750 (18%)

Buy

- We expect 4.0% QoQ revenue growth in 2QFY18, driven by [1] double-digit sequential growth in Digital, [2] moderate growth in IBM IoT, led by a high base of 1Q caused by seasonal strength, [3] stability in Services and Accelerite.
- With the come-back in Digital, and increased traction in the IBM deal, we see revenue growth picking up to 12% YoY in 2QFY18 from 7.8% YoY in the previous quarter.
- We are modeling EBITDA margin of 15.4% (+90bp QoQ). We expect a pick-up in revenue growth, improved operational efficiencies and the absence of visa expenses to lead to better margins during the quarter.
- Our PAT estimate for the quarter is INR764m, up 1.7% QoQ. The improved operational performance is being offset by lower other income, leading to moderate growth on the bottom line.
- The stock trades at 15.3x FY18E and 12.6x FY19E earnings. **Buy**

Key issues to watch for

- Performance and outlook for top clients in ISV (ex-IBM).
- Commentary on traction with Enterprise customers and potential of winning large deals in Digital.
- Outlook on sustainable profit margins in the near-to-medium term.

Quarterly Performance (IFRS)

(INR m)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	104.8	105.2	110.0	109.0	113.0	117.9	123.9	121.9	429	477
QoQ (%)	4.3	0.4	4.6	-0.9	3.6	4.3	5.1	-1.6	22.0	11.1
Revenue (INR m)	7,018	7,040	7,455	7,271	7,280	7,578	8,115	8,044	28,784	31,017
QoQ (%)	3.6	0.3	5.9	-2.5	0.1	4.1	7.1	-0.9		
YoY (%)	40.2	29.7	25.9	7.4	3.7	7.6	8.8	10.6	24.5	7.8
GPM (%)	34.7	35.5	36.3	36.1	34.3	35.0	37.4	34.9	35.7	35.4
SGA (%)	19.6	19.8	20.4	18.2	20.0	19.3	19.2	18.3	19.5	19.3
EBITDA	1,058	1,108	1,187	1,302	1,044	1,167	1,461	1,330	4,653	5,001
EBITDA Margin (%)	15.1	15.7	15.9	17.9	14.3	15.4	18.0	16.5	16.2	16.1
EBIT Margin (%)	10.2	10.5	10.7	12.5	9.0	10.1	13.1	11.5	11.0	11.0
Other income	253	243	318	143	368	255	283	284	958	1,189
ETR (%)	24.3	25.3	26.7	19.9	26.3	25.0	25.0	25.0	24.1	25.3
PAT	733	735	819	842	751	764	1,007	909	3,129	3,430
QoQ (%)	-9.3	0.3	11.4	2.8	-10.8	1.7	31.9	-9.8		
YoY (%)	9.0	2.3	5.7	4.2	2.5	3.9	23.0	7.9	5.2	9.6
EPS (INR)	9.2	9.2	10.2	9.1	9.4	9.5	12.6	11.4	37.7	42.9
Headcount	9,389	9,305	9,229	9,460	9,401	9,537	9,593	9,724	9,460	9,724
Util excl. trainees (%)	75.3	74.2	78.9	77.8	77.2	78.0	78.5	78.5	76.5	77.7
Attrition (%)	16.7	15.9	15.8	15.7	15.5					
IP rev. proportion(%)	28.2	27.8	28.4	27.6	27.2	26.7	28.0	26.4	28.0	27.1

E: MOSL Estimates

Tata Elxsi

Bloomberg	TELX IN
Equity Shares (m)	31
M. Cap. (INR b)/(USD b)	43.8 / 0.7
1863	6550 / 1022
1,6,12 Rel. Perf. (%)	-17 / -2 / -45

Financial snapshot (INR billion)

Y/E March	2017	2018E	2019E	2020E
Sales	12.3	14.3	16.6	19.9
EBITDA	2.9	3.4	4.0	4.9
NP	1.8	2.1	2.5	3.0
EPS (Rs)	28.1	33.8	40.2	48.4
EPS Gr. (%)	13.2	20.2	18.8	20.5
BV/Share	89.8	111.5	136.6	206.7
RoE (%)	37.1	33.6	32.4	28.2
RoCE (%)	37.1	33.6	32.4	42.6

Valuations

P/E (x)	29.4	24.4	20.6	17.1
P/BV (x)	9.2	7.4	6.1	4.0
EV/EBITDA (x)	16.7	13.7	11.2	8.5
Div. Yield (%)	1.0	1.2	1.5	2.2

CMP: INR827

TP: INR1,004 (21%)

Buy

- We expect revenue to grow 15% YoY to INR3.5b in 2QFY18, driven by steady growth in both Transportation and Broadcast business.
- We expect EBITDA margin to expand 70bp YoY to 25.3%. Consequently, we expect EBITDA to increase 18% YoY to INR882m.
- We expect adjusted PAT to grow 15.6% to INR541m. **Buy.**

Key things to watch for

- Addition of new customers and subsequent realization.
- JLR's contribution to revenues.

Consolidated - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	2,959	3,033	3,094	3,260	3,232	3,488	3,651	3,847	12,330	14,277
YoY Change (%)	21.5	15.0	12.9	10.9	9.3	15.0	18.0	18.0	14.7	15.8
Total Expenditure	2,268	2,288	2,355	2,503	2,498	2,605	2,760	2,936	9,398	10,851
EBITDA	691	745	739	758	734	882	891	912	2,932	3,427
Margins (%)	23.3	24.6	23.9	23.2	22.7	25.3	24.4	23.7	23.8	24.0
Depreciation	67	64	69	68	65	78	70	82	269	298
Interest	0	0	0	0	0	0	0	0	0	0
Other Income	8	26	23	-21	79	12	13	10	-48	50
PBT before EO expense	632	707	693	669	749	816	834	840	2,615	3,179
Extra-Ord expense	0	57	31	0	0	0	0	0	0	0
PBT	632	651	662	669	749	816	834	840	2,615	3,179
Tax	215	220	224	224	251	275	285	282	862	1,072
Rate (%)	34.0	33.8	33.9	33.4	33.6	33.7	34.2	33.6	33.0	33.7
Reported PAT	417	431	438	445	497	541	549	558	1,753	2,107
Adj PAT	417	468	458	445	497	541	549	558	1,753	2,107
YoY Change (%)	16.7	22.9	12.5	8.3	19.3	15.6	19.7	25.3	12.6	20.2
Margins (%)	14.1	15.4	14.8	13.6	15.4	15.5	15.0	14.5	14.2	14.8

E: MOSL Estimates

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TCS

Bloomberg	TCS IN
Equity Shares (m)	1970.4
M. Cap. (INR b)/(USD b)	4788 / 74
52-Week Range (INR)	2707 / 2055
1,6,12 Rel Perf. (%)	-1 / -4 / -10

Financial Snapshot (INR b)

Y/E MAR	2017	2018E	2019E	2020E
Sales	1179.7	1239	1382	1488
EBITDA	323.1	322.9	365.8	383.3
PAT	262.9	258.2	286.1	299.2
EPS (INR)	133.4	132.0	146.3	153.0
EPS Gr. (%)	8.3	-1.0	10.8	4.6
BV/Sh. (INR)	448.3	417.1	481.5	542.8
RoE (%)	32.6	30.7	33.3	30.6
RoCE (%)	32.4	26.8	25.7	24.5
Payout (%)	35.2	110.0	48.3	51.5

Valuation

P/E (x)	18.2	18.4	16.6	15.9
P/BV (x)	5.4	5.8	5.0	4.5
EV/EBITDA (x)	13.4	13.4	11.6	10.8
Div. yield (%)	1.9	6.0	2.9	3.2

CMP: INR 2,430 TP: INR2,350 (-3%) Neutral

- Revenue growth for TCS has been dragged lower by the softness seen in BFS and Retail. Although it has been seeing a pick-up in Insurance and emerging verticals, pressure points have been restricting growth.
- We expect a continuation of these factors to result in capped seasonal strength, leading to 3.2% QoQ USD revenue growth.
- This would be comprised of 2.2% QoQ CC growth and a cross-currency tailwind of 100bp.
- Our EBIT margin estimate for 2Q stands at 24.2% (+80bp QoQ), yet below the lower end of the guided range of 26-28%.
- Our PAT estimate stands at INR64b (+7.0% QoQ). growth is being led by sequential growth in revenue and margins, and higher other income compared to the previous quarter.
- The stock trades at 18.4x FY18E and 16.6x FY19E earnings.

Neutral.

Key issues to watch for

- Outlook on BFS and Retail.
- Traction in new Digital initiatives (automation/solutions).
- Margin expectations given lower organic growth.

Quarterly Performance (IFRS)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	4,362	4,374	4,387	4,452	4,591	4,739	4,818	4,892	17,575	19,040
QoQ (%)	3.7	0.3	0.3	1.5	3.1	3.2	1.7	1.5	6.2	8.3
Revenue (INR m)	293,050	292,840	297,350	296,420	295,840	304,737	315,557	322,845	1,179,660	1,238,979
YoY (%)	14.2	7.8	8.7	4.2	1.0	4.1	6.1	8.9	8.6	5.0
GPM (%)	43.9	44.8	44.5	45.0	42.8	43.4	43.7	44.0	44.5	43.5
SGA (%)	17.1	17.1	16.8	17.6	17.8	17.6	17.1	17.3	17.1	17.4
EBITDA	78,380	81,110	82,290	81,330	74,120	78,720	83,829	86,184	323,110	322,853
EBITDA Margin (%)	26.7	27.7	27.7	27.4	25.1	25.8	26.6	26.7	27.4	26.1
EBIT Margin (%)	25.1	26.0	26.0	25.7	23.4	24.2	24.9	25.1	25.7	24.4
Other income	9,630	10,520	11,850	9,890	9,320	10,260	8,355	10,334	41,890	38,269
ETR (%)	24.0	23.8	23.6	23.1	24.2	24.2	24.2	24.2	23.6	24.2
PAT	63,179	65,860	67,780	66,080	59,450	63,594	65,963	69,228	262,899	258,235
QoQ (%)	-0.4	4.2	2.9	-2.5	-10.0	7.0	3.7	4.9		
YoY (%)	10.7	8.8	10.9	4.2	-5.9	-3.4	-2.7	4.8	8.6	-1.8
EPS (INR)	32.1	33.4	34.4	33.5	30.4	32.5	33.7	35.4	133.4	132.0
Headcount	362,079	371,519	378,497	378,223	385,809	394,006	400,474	406,761	387,223	406,761
CC QoQ rev gr (%)	3.1	1.0	2.0	1.0	2.0	3.2	1.7	1.5	8.4	8.3
Attrition (%)	13.6	12.9	12.2	11.5	11.6	5.9	8.0	9.9		

E: MOSL Estimates

Tech Mahindra

Bloomberg	TECHM IN
Equity Shares (m)	984.7
M. Cap. (INR b)/(USD b)	444 / 7
52-Week Range (INR)	515 / 358
1,6,12 Rel Perf. (%)	6 / -4 / -6

Financial Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	291.4	308.7	346.5	391.3
EBITDA	41.8	43.1	50.5	55.9
Adj. PAT	28.4	31.0	33.1	37.2
Adj. EPS (INR)	32.0	34.8	37.3	41.8
EPS Gr. (%)	-8.8	9.0	7.0	12.2
BV/Sh.(INR)	187.9	208.0	234.0	262.2
RoE (%)	18.4	17.9	17.1	17.1
RoCE (%)	15.2	14.9	14.4	14.6
Payout (%)	29.1	34.4	26.8	28.7
Valuation				
P/E (x)	14.1	12.9	12.1	10.8
P/BV (x)	2.4	2.2	1.9	1.7
EV/EBITDA (x)	9.1	9.0	7.2	6.1
Div. Yield (%)	2.0	2.7	2.2	2.7

CMP: INR451

TP: INR490 (+9%)

Buy

- We expect 3.3% QoQ USD revenue in 2QFY18, led by [1] 0.7% CC organic growth, [2] 1% from HCI integration and [3] ~160bp benefit from cross-currency movements.
- Organic growth is expected to be a function of flat revenue in LCC, moderate growth in Communications because of ramp-down in an account and a pick-up in Enterprise.
- We expect EBITDA margin to expand by 100bp QoQ to 13.7% post the margin shock in 4QFY17. The revival is expected to be led by completion of rationalization in LCC and better operational efficiencies.
- Expect PAT to decline by 2.7% QoQ to INR7.8b, despite higher margins, led by lower other income (one-off in the previous quarter).
- The stock trades at 12.9x FY18E and 12.1x FY19E earnings. **Buy.**

Key issues to watch for

- Performance of the Telecom segment and expectations around top customer performance.
- Comments on profitability, including LCC.
- TCV of deal wins in the Enterprise segment.

Quarterly Performance

Y/E March	FY17				FY18E				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Revenue (USD m)	1,032	1,072	1,116	1,131	1,138	1,175	1,202	1,227	4,351	4,743
QoQ (%)	0.9	4.0	4.1	1.4	0.6	3.3	2.2	2.1	7.8	9.0
Revenue (INR m)	69,209	71,674	75,575	74,950	73,361	75,582	78,718	80,999	291,408	308,660
YoY (%)	10.0	8.3	12.8	8.9	6.0	5.5	4.2	8.1	10.0	5.9
GPM (%)	29.5	30.6	30.7	26.9	28.0	28.4	29.5	30.0	29.4	29.0
SGA (%)	14.6	15.7	15.0	14.9	15.3	14.7	14.7	13.8	15.1	15.0
EBITDA	10,290	10,701	11,865	8,987	9,347	10,356	11,617	11,757	41,843	43,077
EBITDA Margin (%)	14.9	14.9	15.7	12.0	12.7	13.7	14.8	14.5	14.4	14.0
EBIT Margin (%)	12.0	11.5	12.4	8.2	9.4	10.4	11.6	11.3	11.0	10.7
Other income	1,519	1,387	1,552	2,378	4,106	2,706	1,051	1,199	6,836	9,062
Interest expense	274	345	349	318	370	311	296	282	1,286	1,259
ETR (%)	25.9	30.8	20.2	28.2	25.4	23.5	23.5	23.5	26.0	24.0
PAT excl. BT amort & EOI	6,561	6,447	8,560	5,879	7,985	7,772	7,491	7,731	27,447	30,979
QoQ (%)	-23.5	-1.7	32.8	-31.3	35.8	-2.7	-3.6	3.2		
YoY (%)	5.4	-17.9	12.8	-31.5	21.7	20.5	-12.5	31.5	-12.0	12.9
EPS (INR)	7.4	7.3	9.6	6.6	9.0	8.7	8.4	8.7	31.9	34.8
Headcount	107,216	111,743	117,095	117,693	115,990	121,105	124,271	127,168	117,693	127,168
Util excl. trainees (%)	78.0	78.0	77.0	77.0	77.0	78.7	78.6	78.9	77.5	78.3
Attrition (%)	21.0	19.0	18.0	17.0	17.0					
Offshore rev. (%)	36.6	36.5	36.1	35.7	36.3	36.4	36.1	36.3	36.2	36.3

E: MOSL Estimates

Wipro

Bloomberg	WPRO IN
Equity Shares (m)	4925.5
M. Cap. (INR b)/(USD b)	1397 / 21
52-Week Range (INR)	304 / 205
1,6,12 Rel Perf. (%)	-4 / 6 / 7

Financial Snapshot (INR b)

Y/E MAR	2017	2018E	2019E	2020E
Sales	550.4	564.5	616.8	663.3
EBITDA	108.8	111.9	125.5	136.6
PAT	83.3	82.2	88.0	96.9
EPS (INR)	16.9	18.2	19.5	21.5
EPS Gr. (%)	-6.3	7.8	7.1	10.1
BV/Sh. (INR)	105.9	109.3	128.9	138.3
RoE (%)	16.9	16.2	16.4	16.1
RoCE (%)	13.6	13.7	15.0	15.3
Payout (%)	5.8	0.0	0.0	46.5

Valuations

P/E (x)	16.8	15.6	14.5	13.2
P/BV (x)	2.7	2.6	2.2	2.1
EV/EBITDA	10.8	10.5	8.9	8.0
Div Yld (%)	0.3	0.0	0.0	3.5

CMP: INR284

TP: INR270 (-5%)

Neutral

- In the previous quarter, Wipro had guided -0.5% to +1.5% QoQ CC growth for 2Q. The weak guidance reflected the pressure in Healthcare vertical and sluggishness in Communications and Retail.
 - We expect growth to be at the mid-point of the guided range at +1%. A cross-currency tailwind of 110bp would lead to USD revenue growth of 2.1% QoQ.
 - However, on an organic YoY basis, growth expectations for the quarter translate into 1% growth.
 - We expect EBIT margin in IT Services to decline by 60bp because of the organic revenue softness and partial wage hikes.
 - We expect overall EBIT margin to decline by 50bp, led by improved profitability in the Products business.
 - Our PAT estimate is INR19.5b, -5.9% QoQ on account of the dip in profitability, and lower other income.
 - The stock trades at 15.6x FY18E and 14.5x FY19E earnings.
- Neutral.**

Key issues to watch for

- Revenue growth guidance for 3QFY18.
- Commentary on Healthcare, Communications and Retail verticals.
- Commentary on large deal wins and ramp-up schedule.

Quarterly Performance (IFRS)

(INR m)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	1,931	1,916	1,903	1,955	1,972	2,013	2,054	2,094	7,705	8,132
QoQ (%)	2.6	-0.8	-0.7	2.7	0.9	2.1	2.0	2.0	4.9	5.6
Revenue (INR m)	135,992	137,657	136,878	139,875	136,261	138,122	143,358	146,710	550,402	564,451
QoQ (%)	-0.2	1.2	-0.6	2.2	-2.6	1.4	3.8	2.3		
YoY (%)	11.1	10.0	6.4	2.6	0.2	0.3	4.7	4.9	7.4	2.6
GPM (%)	29.1	28.9	29.4	28.0	28.7	27.7	28.7	29.0	28.9	28.5
SGA (%)	13.0	13.2	13.0	11.9	12.8	12.2	12.2	12.2	12.8	12.3
IT Serv. EBIT (%)	17.8	17.8	18.3	17.7	16.8	16.2	17.3	17.7	17.9	17.0
EBIT Margin (%)	16.1	15.8	16.4	16.1	16.0	15.5	16.5	16.9	16.1	16.2
Other income	4,848	4,958	5,120	5,328	5,079	3,846	3,645	1,973	20,254	14,544
ETR (%)	22.9	22.2	23.3	24.2	22.3	22.3	22.3	22.3	23.2	22.3
PAT	20,518	20,672	21,094	19,340	20,765	19,544	21,190	20,672	83,326	82,172
QoQ (%)	-8.2	0.8	2.0	-8.3	7.4	-5.9	8.4	-2.4		
YoY (%)	-6.2	-7.5	-5.6	-13.5	1.2	-5.5	0.5	6.9	-6.3	-1.4
EPS (INR)	4.2	4.3	4.4	4.0	4.3	4.0	4.7	4.6	16.9	18.2
Headcount	173,863	174,238	179,129	181,482	166,790	170,905	174,290	177,925	181,482	177,925
Util excl. trainees (%)	79.7	82.8	81.9	84.8	82.1	82.1	82.1	82.1	77.4	77.3
Attrition (%)	16.5	16.6	16.3	16.3	15.9					
Offshore rev. (%)	45.6	46.1	46.5	47.2	46.4	46.1	46.2	46.1	46.4	46.2
Fixed Price (%)	56	56.4	57.7	58.3	1915-					

E: MOSL Estimates

Zensar Technologies

Bloomberg	ZENT IN
Equity Shares (m)	45.4
M. Cap. (INR b)/(USD b)	34 / 1
52-Week Range (INR)	1070 / 738
1,6,12 Rel Perf. (%)	-5 / -25 / -37

Financial Snapshot (INR b)

Y/E MAR	2017	2018E	2019E	2020E
Sales	30.6	30.8	35.5	39.7
EBITDA	3.8	3.6	4.8	5.4
PAT	2.3	2.3	3.2	3.5
EPS (INR)	52.1	51.5	70.0	77.3
EPS Gr. (%)	-24.1	-1.0	35.8	10.5
BV/Sh. (INR)	325.9	364.6	418.1	478.7
RoE (%)	17.2	14.9	17.9	17.2
RoCE (%)	23.2	17.5	21.8	21.9
Payout (%)	23.0	21.3	20.1	18.4

Valuations

P/E (x)	14.3	14.5	10.7	9.7
P/BV (x)	2.3	2.0	1.8	1.6
EV/EBITDA (x)	7.9	8.0	5.6	4.5
Div Yld (%)	1.6	1.5	1.9	1.9

CMP: INR 746

TP: INR950 (+27%)

Buy

- We expect revenue of USD117m, representing growth of 2.6% QoQ. This would translate into 2.3% QoQ CC growth, a cross-currency tailwind of 30bp for ZENT.
- Sluggish growth is expected to continue for a couple of quarters as the company rationalizes tail accounts, and faces pressure from the Oracle ATG ecosystem.
- We expect EBITDA margin to expand only by 40bp QoQ to 10.6%, despite the multiple negative one-off items impacting profitability over the last couple of quarters.
- Continued investments and a lack of organic growth pick-up would keep margin expansion under check.
- Our PAT estimate is INR543m, +15% QoQ, on account of better sequential performance.
- The stock trades at 14.5x FY18E and 10.7x FY19E earnings. **Buy.**

Key issues to watch for

- Traction in Digital, large deals and other new initiatives.
- Margin outlook, given the shock in 4Q and investments required in the business.
- Progress on restructuring.

Quarterly Performance (IFRS)

(INR m)

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue (USD m)	114	116	118	112	114	117	120	122	459	474
QoQ (%)	3.1	1.8	1.3	-4.9	2.2	2.6	2.2	2.0	1.4	3.2
Revenue (INR m)	7,624	7,767	7,922	7,492	7,367	7,544	7,854	8,071	30,556	30,836
YoY (%)	8.2	2.7	4.7	0.4	-2.5	-2.1	-0.1	8.6	3.1	0.9
GPM (%)	29.1	29.7	30.0	28.0	27.6	26.6	27.8	27.9	29.3	27.5
SGA (%)	15.3	15.6	16.2	18.7	17.4	16.0	15.0	15.0	16.8	15.8
EBITDA	1,053	1,092	1,090	697	748	801	1,003	1,040	3,819	3,591
EBITDA Margin (%)	13.8	14.1	13.8	9.3	10.2	10.6	12.8	12.9	12.5	11.6
EBIT Margin (%)	12.5	12.5	12.4	7.7	7.7	8.3	10.5	10.6	10.9	9.3
Other income	169	37	183	-236	203	203	132	153	241	691
ETR (%)	30.5	28.2	29.1	28.9	32.0	29.0	29.0	29.0	31.6	29.6
PAT	763	687	811	217	472	543	636	676	2,349	2,326
QoQ (%)	8.5	-10.0	18.1	-73.3	354.7	15.0	17.1	6.3		
YoY (%)	0.1	-24.8	13.4	-69.1	-36.3	-22.9	-20.6	551.1	-24.1	-1.0
EPS (INR)	16.9	15.2	18.0	4.8	10.5	12.0	14.1	15.0	52.1	51.5
Headcount	8,238	8,316	8,564	8,524	8,567	8,642	8,892	8,942	8,524	8,942
Utilization (%)	79.8	80.1	79.5	79.2	83.2	83.0	82.0	81.0	79.7	82.3
Offshore rev. (%)	31.2	33.8	33.5	34.5	37.5	37.0	36.5	35.8	33.2	36.7

E: MOSL Estimates

Telecom

Company name

Bharti Airtel

Bharti Infratel

Idea Cellular

Earnings remain in a downward spiral...

...led by GST, seasonality and ARPU downtrading

Earnings remain subdued led by multiple factors

The telecom sector was impacted by three key factors during the quarter.

- (i) **GST** rate of 18% versus service tax of 15% previously led to an incremental impact of ~1.5-2%, as rest of the gap was compensated by input tax credits. The impact was largely felt due to the telecom sector's inability to pass on higher tax to low-ARPU prepaid subscribers, which contributed ~95% of the market.
- (ii) **ARPU downtrading** continued in 2QFY18 due to the INR350-400 unlimited price plans, which pulled down high-ARPU subscribers.
- (iii) Additionally, **seasonality** impacted revenue by ~2%. We believe that clearly the focus is to protect the active subscriber market share in the current hyper-competitive market, which has impacted ARPUs.

RJio likely to report earnings for the first time

RJio is expected to report its quarterly earnings for the first time. With no previous base, we have not come up with quarterly estimates. Our full-year FY18 revenue and EBITDA estimates stand at INR207.5b and -INR21.1b, respectively, with operating cost of INR228.6b. This is based on the assumption of a 132m subscriber base and ARPU of INR215.

Expect India wireless revenue to decline 1-2% QoQ

We expect Bharti's India wireless revenue to decline 4.7% QoQ (-16.5% YoY) to INR123b, while Idea's consolidated revenue should drop 6.9% QoQ (-18% YoY) to INR76b in 2QFY18. This is disappointing after 1QFY18's flattish revenue growth, giving an impression of revenue bottoming out. Bharti's consolidated revenue is expected to decline 1.2% QoQ (-12% YoY) to INR217b, as the rest of the businesses – Africa, passive infrastructure and enterprise segment – are expected to remain insulated from intense competition in the market.

- **Voice and data segments hurt by unlimited plans:** The bundled price plans are blurring the difference between voice and data businesses, as both the segments are hurt by the increase in unlimited price plans in the market. We expect Bharti/Idea's voice revenue to decline by 3.5%/7.1% QoQ and data revenue by 7/12% QoQ. Idea's higher decline could be attributed to the more prominent impact of seasonality, coupled with the loss of market share through stronger ARPU downtrading.

EBITDA in a downward spiral

After an EBITDA impact of 7%/12% for Bharti India wireless/Idea in the last quarter, 2QFY18 is likely to see a steeper impact. This could be attributed to a higher impact on revenue v/s 1QFY18, coupled with limited cost-efficiency measures left after last three quarters of cost savings to protect EBITDA.

Bharti's India wireless EBITDA is expected to fall 9.4% QoQ (-35.8% YoY) to INR40.1b. Idea's consolidated EBITDA is expected to decline by a steep 18% QoQ (-46% YoY) to INR15.3b. Bharti's consolidated EBITDA is likely to fall 4% QoQ (-21% YoY) to 34.5%.

Bharti's India wireless EBITDA margin is likely to shrink 170bp QoQ (-980bp YoY) to 32.6%, while Idea's consolidated EBITDA margin is expected to contract 280bp QoQ (10.4pp) to 20.2%. Bharti's other segments like Africa, passive infrastructure and enterprise are relatively insulated, putting lesser impact on consolidated EBITDA margin, which is likely to see an 80bp QoQ contraction (-380bp YoY) to 34.5%.

Bharti's Africa business EBITDA likely to remain steady: Seasonally stronger 2Q is expected to drive Bharti's Africa revenue growth by 4% QoQ (-5% YoY) to INR50.2b on the back of 2.5% ARPU increase. Africa EBITDA margin is expected to continue its upward trajectory, with a 70bp QoQ improvement to 28.3% from the lows of 21.7% in 1QFY17. We expect Bharti's Africa EBITDA to grow 6.3% QoQ (14.8% YoY) to INR14.2b.

Bharti Infratel expected to continue witnessing healthy tenancy growth

Bharti Infratel is expected to continue its steady tenancy addition of ~4,290 in 2QFY18 on a consolidated basis (i.e. 2% QoQ growth to 222,691 co-locations). Tower growth is expected to be moderate at 680 (+1.9% QoQ to 91,517 towers on consolidated basis). Tenancy addition has tapered v/s +7,795 in 1QFY18, but we believe this is still healthy growth, led by accelerated data network rollout by Bharti and RJio (including deployment of spectrum acquired in the recent auction). We expect revenue to grow 3% QoQ (10% YoY) to INR36.2b on the back of healthy rental revenue growth of 1.6% and energy revenue growth of 4.8%. Ex-energy EBITDA margin is expected to expand 20bp to 67.2%, despite healthy tenancy addition, as revised tenancy agreements and lower loading revenues are expected to keep tenancy rates lower. This, coupled with a 90bp increase in the energy margin to 5.6%, should translate into consolidated EBITDA growth of 3% QoQ to INR16.2b.

Tata Communications: EBITDA to grow 5% QoQ

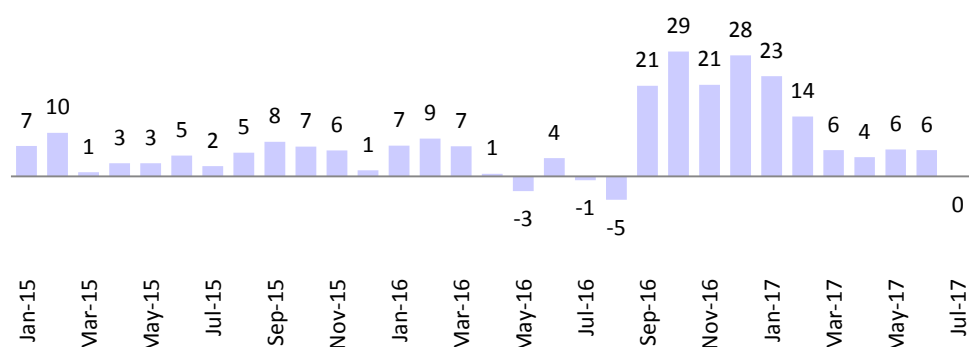
Revenues are expected to grow 1.8% QoQ to INR43.9b on the back of 3.2% data revenue growth to INR28.7b, partly offset by a 1% voice revenue decline to INR15.2b. EBITDA should grow at 5% QoQ to INR5.9b on the back of 7% data EBITDA growth to INR5b, partly offset by a 5% voice EBITDA decline to INR829m. With the sale of data center and Neotel, the entity now only includes the data and voice businesses. Net income after minority is expected to stand at INR361m v/s INR329m in 1QFY18.

Our view: The next two quarters should continue witnessing weak earnings, led by the impact of IUC and RJio's VoLTE feature phone launch. Bharti Infratel should benefit from sustainable tenancy growth, led by capex-intensive phase in the telecom market. Tata Communications' EBITDA is expected to remain healthy post the sale of data center and Neotel.

Expected quarterly performance summary

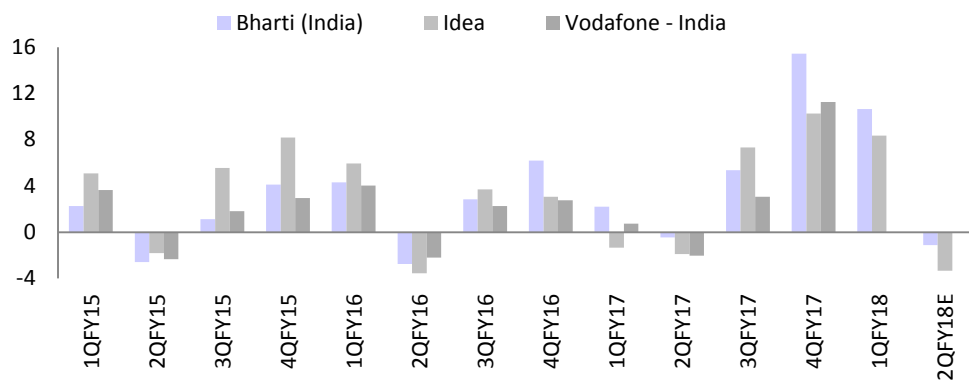
Sector	CMP (INR)	RECO	SALES (INR M)			EBDITA (INR M)			NET PROFIT (INR M)		
			Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ	Sep-17	Var % YoY	Var % QoQ
Telecom											
Bharti Airtel	378	Buy	216,952	-12.0	-1.2	74,824	-20.7	-3.6	2,086	-85.8	-46.4
Bharti Infratel	405	Buy	36,201	10.0	2.7	16,166	11.5	2.6	8,154	5.4	22.8
Idea Cellular	74	Buy	76,001	-18.3	-6.9	15,332	-46.0	-18.2	-16,313	PL	Loss
Tata Comm	698	Buy	43,857	-2.7	1.8	5,863	-11.5	5.0	361	-57.2	9.8
Telecom Sector Aggregate			373,010	-10.7	-1.7	112,186	-22.1	-4.7	-5,712	PL	PL

Exhibit 1: Wireless subscriber net additions (m)



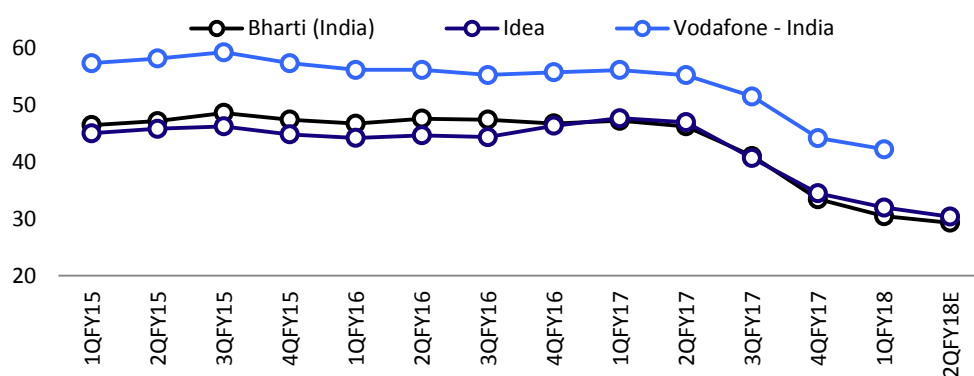
Source: TRAI, MOSL

Exhibit 2: QoQ wireless traffic growth (%)



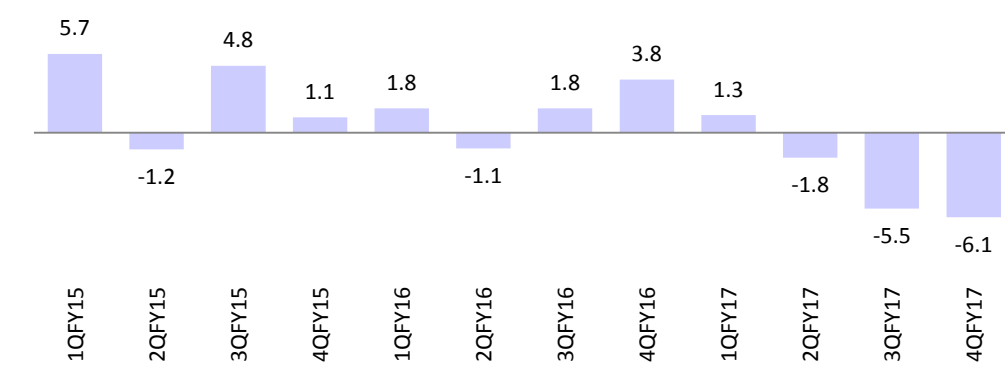
Source: Company, MOSL

Exhibit 3: Trend in wireless RPM (INR)



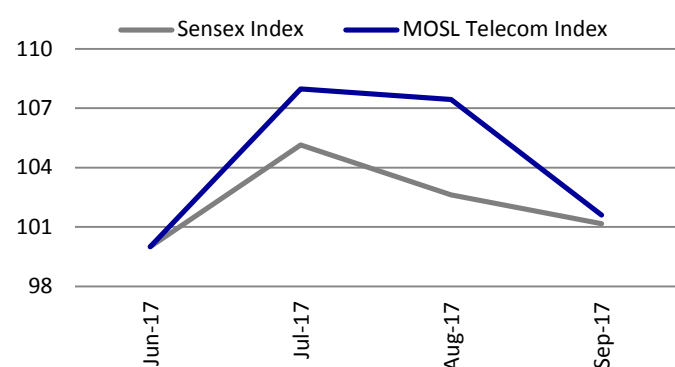
Source: Company, MOSL

Exhibit 4: Aggregate India wireless revenue growth (QoQ, %)



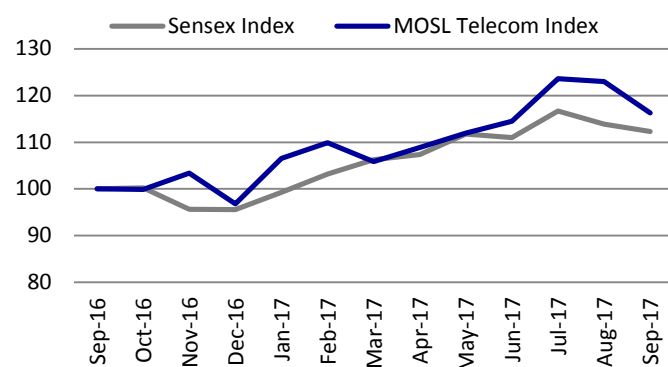
Source: Company, MOSL

Exhibit 5: Relative Performance-3m (%)



Source: Bloomberg, MOSL

Exhibit 6: Relative Performance-1 Yr (%)



Source: Bloomberg, MOSL

Exhibit 7: Wireless KPIs

	FY15				FY16				FY17				FY18		YoY (%)	QoQ (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2QE		
EOP Wireless SUBS (m)																
Bharti (India)	209	212	217	226	231	235	243	251	256	260	266	274	281	285	9.6	1.5
Idea	139	144	151	158	162	167	172	175	176	179	185	190	189	189	5.5	-0.2
Vodafone - India	170	174	179	184	185	188	194	198	199	201	205	209	212			
AV. Wireless Subs (m)																
Bharti (India)	207	211	214	222	228	233	239	247	253	258	263	270	277	283	9.7	2.0
Idea	138	142	148	155	160	165	170	174	176	178	182	187	189	189	6.4	-0.2
Vodafone - India	169	172	177	182	185	187	191	196	199	200	203	207	211			
ARPU (INR/month)																
Bharti (India)	202	198	202	198	198	193	192	194	196	188	172	158	154	144	-23.2	-6.6
Idea	181	176	180	179	180	173	174	179	180	173	156	142	141	130	-24.7	-8.0
Vodafone - India	193	187	189	184	184	178	175	177	176	171	158	142	141			
MOU/Sub																
Bharti (India)	435	418	416	418	424	404	405	415	414	406	419	471	507	492	21.2	-3.0
Idea	401	384	388	400	408	383	387	387	379	368	385	412	441	428	16.2	-3.0
Vodafone - India	336	321	319	321	327	316	316	317	314	306	308	336	NA			
Revenue per min (p)																
Bharti (India)	46.5	47.2	48.6	47.5	46.8	47.6	47.5	46.8	47.3	46.3	41.1	33.5	30.5	29.3	-36.6	-3.7
Idea	45.1	45.8	46.3	44.9	44.2	44.7	44.4	46.4	47.7	47.0	40.7	34.5	32.0	30.4	-35.3	-5.0
Vodafone - India	57.4	58.2	59.3	57.4	56.2	56.2	55.3	55.8	56.2	55.3	51.5	44.2	42.3			
Wireless traffic (B min)																
Bharti (India)	271	264	267	278	290	282	290	308	315	313	330	381	422	417	33.1	-1.1
Idea	165	162	171	185	196	189	196	202	199	196	210	231	251	242	24.0	-3.3
Vodafone - India	170	166	169	174	181	177	181	186	187	184	189	211	NA			

Source: Company, MOSL

Exhibit 8: Quarterly Financials (pro forma)

	FY15				FY16				FY17				FY18		YoY (%)	QoQ (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2QE		
Revenue (INR b)																
Bharti (ex Africa)	159.9	159.5	163.9	168.0	174.3	174.7	177.3	185.1	193.0	193.5	179.8	168.9	171.1	166.7	-13.8	-2.5
Bharti (consolidated)	229.6	228.5	232.2	230.2	235.9	237.5	239.8	249.6	255.5	246.5	233.4	219.3	219.6	217.0	-12.0	-1.2
Idea	75.6	75.7	80.2	84.2	87.9	86.9	90.1	94.8	94.9	93.0	86.6	81.3	81.7	76.0	-18.3	-6.9
Vodafone - India	97.1	96.5	99.9	100.1	101.7	99.5	100.0	104.0	105.0	102.5	96.0	88.4	89.0			
EBITDA (INR b)																
Bharti (ex Africa)	59.8	60.6	62.8	68.0	69.6	69.6	70.8	76.8	81.9	82.0	72.4	65.7	64.2	60.6	-26.1	-5.6
Bharti (consolidated)	76.8	76.9	77.7	80.9	82.2	82.3	84.1	91.1	95.5	94.4	84.8	78.6	77.6	74.8	-20.7	-3.6
Idea	25.0	24.9	27.5	30.6	29.8	30.6	31.3	36.2	30.9	28.4	21.7	21.2	18.8	15.3	-46.0	-18.2
EBITDA Margin (%)																
Bharti (ex Africa)	37.4	38.0	38.3	40.5	39.9	39.8	39.9	41.5	42.5	42.4	40.3	38.9	37.5	36.4	-604bps	-118bps
Bharti (consolidated)	33.4	33.7	33.5	35.1	34.9	34.7	35.1	36.5	37.4	38.3	36.3	35.8	35.3	34.5	-381bps	-84bps
Idea	33.1	32.9	34.3	36.4	33.9	35.2	34.7	38.1	32.6	30.5	25.0	26.1	23.0	20.2	-1036bps	-279bps
PAT (INR b)																
Bharti (consolidated)	11.1	13.8	14.4	12.6	21.1	15.4	11.1	13.2	14.6	14.6	5.0	3.7	3.7	2.1	-85.7	-43.2
Idea	7.3	7.6	7.7	9.4	8.5	8.1	7.6	5.8	2.2	0.9	-3.8	-3.3	-8.1	-16.3	NA	100.2
EPS (INR)																
Bharti	2.8	3.5	3.6	3.1	5.3	3.8	2.8	3.3	3.7	3.7	1.3	0.9	0.9	0.5	-85.7	-43.2
Idea	2.1	2.1	2.1	2.6	2.4	2.2	2.1	1.6	0.6	0.3	-1.1	-0.9	-2.3	-4.5	NA	100.2

Source: Company, MOSL

Exhibit 9: Comparative valuation

Sector / Companies	CMP (INR)	RECO	EPS (INR)			PE (x)			EV/EBIDTA (x)			ROE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Telecom														
Bharti Airtel	378	Buy	2.4	3.2	4.9	157.7	117.8	77.3	7.8	7.1	6.0	1.4	1.9	2.8
Bharti Infratel	405	Buy	17.3	19.7	20.9	23.4	20.6	19.3	10.6	9.7	8.8	20.7	23.2	24.4
Idea Cellular	74	Buy	-15.5	-14.9	-10.6	-4.7	-5.0	-7.0	11.9	10.0	7.7	-25.6	-32.6	-31.5
Tata Comm	698	Buy	8.3	25.4	42.9	84.4	27.4	16.3	10.2	7.5	5.4	13.8	33.1	38.7
Telecom Sector Aggregate	4					-226.1	960.8	81.9	8.9	7.9	6.6	-1.2	0.3	3.3

Source: Company, MOSL

Bharti Airtel

Bloomberg	BHARTI IN
Equity Shares (m)	3997.3
M. Cap. (INR b)/(USD b)	1510 / 23
52-Week Range (INR)	438 / 284
1,6,12 Rel Perf. (%)	-6 / 4 / 5

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Net Sales	954.7	878.8	944.6	1,040
EBITDA	353.3	307.3	330.1	372.4
Adj. NP	44.4	9.6	12.8	19.5
AdjEPS(INR)	11.1	2.4	3.2	4.9
AdjEPS Gr(%)	-6.4	-78.4	33.8	52.4
BV/Sh (INR)	168.8	169.9	171.9	175.6
RoE (%)	6.7	1.4	1.9	2.8
RoCE (%)	5.4	3.0	3.2	3.8
Payout (%)	12.7	51.4	37.5	24.6

Valuations

P/E (x)	34.0	157.7	117.8	77.3
P/BV (x)	2.2	2.2	2.2	2.2
EV/EBITDA x	7.3	8.2	7.5	6.4
Div. Yld (%)	0.3	0.3	0.3	0.3

CMP: INR377 TP: INR470 (+25%) Buy

- We expect consolidated revenue to decline 1.2% QoQ (-12% YoY) to INR278b. We expect India wireless revenue to decline 4.7% QoQ (-14.9% YoY) to INR123.1b and Africa revenue to grow 3.5% QoQ to INR50.2b.
- Consolidated EBITDA margin is likely to contract 80bp QoQ to 34.5%, led by 170bp contraction in the India wireless margin to 32.6%, partly offset by 70bp expansion in Africa EBITDA margin to 28.3%.
- Consolidated net profit is expected to fall 43% QoQ (86% YoY) to INR2.1b.
- We expect India wireless ARPU to decline 6.7% QoQ (and 23.2% YoY) to INR144.2, with voice ARPU shrinking 3.5% QoQ and data ARPU declining 7.5% QoQ.
- Bharti trades at an EV/EBITDA of 8.2x FY18E and 7.8x FY19E. Maintain **Buy**.

Key monitorables

- Consolidated revenue (expect 1.2% decline QoQ).
- India wireless revenue (expected to decline 4.7% QoQ).
- Consolidated EBITDA margin (expected at 34.5%; -80bp QoQ).
- India wireless EBITDA margin (expected at 32.6%; -170bp QoQ).

Consolidated - Quarterly Earning Model

Y/E March	FY17					FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
Gross Revenue	2,55,465	2,46,515	2,33,357	2,19,346	2,19,581	2,16,952	2,17,206	2,25,106	9,54,683	8,78,845	
YoY Change (%)	7.9	3.4	-3.0	-12.1	-14.0	-12.0	-6.9	2.6	-1.1	-7.9	
Total Expenditure	1,59,985	1,52,113	1,48,542	1,40,746	1,41,997	1,42,128	1,41,688	1,45,733	6,01,386	5,71,547	
EBITDA	95,480	94,402	84,815	78,600	77,584	74,824	75,517	79,374	3,53,297	3,07,299	
Margins (%)	37.4	38.3	36.3	35.8	35.3	34.5	34.8	35.3	37.0	35.0	
Depreciation	50,402	49,560	48,350	49,418	48,192	49,282	51,746	54,210	1,97,730	2,03,430	
Interest	19,399	19,057	19,356	19,162	18,274	21,459	21,459	21,459	76,974	82,652	
Other Income	2,787	1,568	3,487	2,494	3,698	3,698	3,698	3,698	10,336	14,792	
PBT before EO expense	28,466	27,353	20,596	12,514	14,816	7,781	6,010	7,402	88,929	36,009	
Extra-Ord expense	3,536	66	2,040	6,055	503	0	0	0	11,697	503	
PBT	24,930	27,287	18,556	6,459	14,313	7,781	6,010	7,402	77,232	35,506	
Tax	10,089	11,136	11,841	1,753	8,136	4,273	3,300	4,065	34,819	19,774	
Rate (%)	40.5	40.8	63.8	27.1	56.8	54.9	54.9	54.9	45.1	55.7	
Minority Interest & P/L of Asso. Cos.	222	1,544	1,678	972	2,504	1,422	1,098	1,353	4,416	6,377	
Reported PAT	14,619	14,607	5,037	3,734	3,673	2,086	1,611	1,985	37,997	9,355	
Adj PAT	16,724	14,646	5,775	8,146	3,890	2,086	1,611	1,985	44,421	9,578	
Mobile ARPU (INR/month)	195.7	187.9	172.0	157.6	154.5	144.2	139.7	143.9	177.0	146.0	
QoQ Growth (%)	0.8	-4.0	-8.4	-8.4	-2.0	-6.6	-3.2	3.0	-8.2	-17.5	
Mobile MOU/sub/month	414.2	405.9	418.8	470.8	507.0	491.7	496.7	501.6	425.6	500.8	
QoQ Growth (%)	-0.2	-2.0	3.2	12.4	7.7	-3.0	1.0	1.0	4.0	17.7	
Mobile Traffic (B Min)	315	313	330	381	422	417	428	439	1,340	1,706	
QoQ Growth (%)	2.2	-0.5	5.4	15.5	10.7	-1.1	2.6	2.6	14.4	27.3	
Mobile RPM (INR)	0.47	0.46	0.41	0.33	0.30	0.29	0.28	0.29	0.42	0.29	
QoQ Growth (%)	1.0	-2.0	-11.3	-18.5	-9.0	-3.7	-4.1	2.0	-11.8	-29.9	

E: MOSL Estimates

Bharti Infratel

Bloomberg	BHIN IN
Equity Shares (m)	1896.7
M. Cap. (INR b)/(USD b)	768 / 12
52-Week Range (INR)	439 / 283
1,6,12 Rel Perf. (%)	10 / 14 / -4

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Net Sales	134.2	146.3	158.9	171.1
EBITDA	59.0	65.9	70.9	75.9
Adj. NP	27.5	32.0	36.4	39.7
AdjEPS INR	14.9	17.3	19.7	20.9
Gr. (%)	25.3	16.4	13.7	6.5
BV/Sh (INR)	83.7	83.6	85.9	87.7
RoE (%)	16.2	20.7	23.2	24.4
RoCE (%)	13.2	15.6	17.0	18.0
Payout (%)	125.0	100.6	88.5	81.0

Valuations

P/E (x)	27.3	23.4	20.6	19.3
P/BV (x)	4.8	4.8	4.7	4.6
EV/EBITDAx	12.7	11.2	10.2	9.5
Div. Yld (%)	4.0	3.7	3.7	3.6

CMP: INR404
TP: INR440 (+9%)
Buy

- We expect consolidated revenue to grow 2.7% QoQ (and 10% YoY) to INR36.2b.
- Consolidated rental revenue is likely to reach INR22.9b, up 1.6% QoQ and 10.6% YoY. We expect energy and other reimbursements to grow 4.8% QoQ.
- We expect consolidated EBITDA to grow 2.6% QoQ to INR16.2b. EBITDA margin is likely to remain flat QoQ to 44.7%, despite 20bp rental EBITDA margin improvement due to higher contribution from energy margin.
- We expect PAT to grow 5.4% QoQ to INR8.2b.
- Bharti Infratel trades at EV/EBITDA of 11.2x FY18E and 10.2x FY19E. Maintain **Buy**.

Key monitorables

- Consolidated co-location additions (we expect a steady ~4,290, in line with high tenancy addition in 2HFY17).
- Consolidated revenue per sharing operator (expected to remain flat due to tenancy renewal risks).

Quarterly Performance

(INR Million)

Y/E March (Consolidated)	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue from operations	32,106	32,919	34,007	35,204	35,239	36,201	37,008	37,819	1,34,237	1,46,267
YoY Change (%)	6.9	8.3	9.5	10.6	9.8	10.0	8.8	7.4	8.9	9.0
Total Expenditure	18,159	18,421	19,206	19,481	19,489	20,034	20,369	20,456	75,268	80,348
EBITDA	13,947	14,498	14,801	15,723	15,750	16,166	16,639	17,363	58,969	65,919
Margins (%)	43.4	44.0	43.5	44.7	44.7	44.7	45.0	45.9	43.9	45.1
Depreciation	5,648	5,629	5,664	5,684	5,905	5,933	6,083	6,107	22,626	24,028
Interest	-1,281	-2,472	-947	287	-627	-2,120	-2,120	-2,120	-4,414	-6,988
Other Income	352	333	357	414	474	0	0	0	1,455	474
PBT	9,932	11,674	10,441	10,166	10,946	12,354	12,676	13,377	42,212	49,353
Tax	2,369	3,936	4,237	4,200	4,307	4,200	4,310	4,548	14,742	17,365
Rate (%)	23.9	33.7	40.6	41.3	39.3	34.0	34.0	34.0	34.9	35.2
Reported PAT	7,563	7,738	6,204	5,966	6,639	8,154	8,366	8,828	27,470	31,987
Adj PAT	7,563	7,738	6,204	5,966	6,639	8,154	8,366	8,828	27,470	31,987
YoY Change (%)	71.0	30.8	25.3	-17.0	-12.2	5.4	34.9	48.0	22.2	16.4
Margins (%)	23.6	23.5	18.2	16.9	18.8	22.5	22.6	23.3	20.5	21.9

E: MOSL Estimates

Idea Cellular

Bloomberg	IDEA IN
Equity Shares (m)	3600.5
M. Cap. (INR b)/(USD b)	265 / 4
52-Week Range (INR)	124 / 66
1,6,12 Rel Perf. (%)	-12 / -21 / -20

Financial Snapshot (INR Million)

Y/E March	2017	2018E	2019E	2020E
Net Sales	355.8	309.2	330.7	372.9
EBITDA	102.8	67.5	82.1	105.3
Adj. NP	-4.0	-56.1	-53.6	-38.0
AdjEPS (INR)	-1.1	-15.5	-14.9	-10.6
Adj.EPSGr(%)	-116.2	1302.4	-4.4	-29.0
BV/Sh(INR)	68.6	53.1	38.2	28.8
RoE (%)	-1.6	-25.6	-32.6	-31.5
RoCE (%)	1.5	-2.2	-1.4	0.8
Payout (%)	0.0	0.0	0.0	0.0

Valuations

P/E (x)	-66.5	-4.7	-5.0	-7.0
P/BV (x)	1.1	1.4	1.9	2.6
EV/EBITDA(x)	7.3	11.9	10.0	7.7
Div. Yield (%)	0.0	0.0	0.0	0.0

CMP: INR74
TP: INR105 (+42%)
Buy

- We expect consolidated revenue to decline 6.9% QoQ (and 18.3% YoY) to INR76b.
- Voice revenue is expected to decline 7.1% QoQ to INR56.6b, while data revenue is likely to fall 12% to INR12b.
- EBITDA margin is expected to contract ~280bp QoQ/10.3pp YoY to 20.2% due to weak revenue and increased network cost.
- We expect Idea's net loss to double QoQ to INR16.3b v/s INR 8.1b in 1QFY18.
- Idea trades at an EV/EBITDA of 11.9x FY18E and 10x FY19E.

Key monitorables

- Blended ARPU (we expect INR130.2, 8% QoQ fall).
- Voice revenue performance (we expect 7.1 QoQ decline).
- Data revenue performance (we expect 12% decline QoQ).
- EBITDA margin (we expect 280bp contraction QoQ).

Consolidated - Quarterly Earning Model

(INR Million)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Gross Revenue	94,866	93,002	86,627	81,261	81,665	76,001	73,845	77,149	3,55,758	3,09,223
YoY Change (%)	7.9	7.0	-3.9	-14.3	-13.9	-18.3	-14.8	-5.1	12.7	-13.1
Total Expenditure	63,917	64,601	64,973	60,062	62,911	60,669	59,298	58,843	2,52,995	2,41,752
EBITDA	30,949	28,401	21,655	21,199	18,754	15,332	14,547	18,307	1,02,763	67,471
Margins (%)	32.6	30.5	25.0	26.1	23.0	20.2	19.7	23.7	28.9	21.8
Depreciation	19,192	19,543	19,653	19,885	20,679	21,348	21,889	22,545	78,272	86,461
Share in Profits from Associates	1,035	1,057	1,143	983	818	834	851	868	4,218	3,371
Net Finance Costs	9,431	8,753	9,232	9,366	11,539	11,131	11,131	11,131	37,342	44,932
PBT before EO expense	3,361	1,162	-6,087	-7,069	-12,646	-16,313	-17,622	-14,501	-8,633	-60,550
PBT	3,361	1,162	-6,087	-7,069	-12,646	-16,313	-17,622	-14,501	-8,633	-60,550
Tax	1,158	247	-2,248	-3,792	-4,497	0	0	0	-4,636	-4,497
Rate (%)	34.5	21.3	36.9	53.6	35.6	0.0	0.0	0.0	53.7	7.4
Reported PAT	2,203	915	-3,839	-3,277	-8,149	-16,313	-17,622	-14,501	-3,997	-56,053
Adj. PAT	2,203	915	-3,839	-3,277	-8,149	-16,313	-17,622	-14,501	-3,997	-56,053
YoY Change (%)	-74.2	-88.7	-150.2	-156.9	-469.9	-1,883.6	359.1	342.5	-117.3	1,302.4
Margins (%)	2.3	1.0	-4.4	-4.0	-10.0	-21.5	-23.9	-18.8	-1.1	-18.1

E: MOSL Estimates

Tata Communications

Bloomberg	TCOM IN
Equity Shares (m)	285.0
M. Cap. (INR b)/(USD b)	199 / 3
52-Week Range (INR)	784 / 543
1,6,12 Rel Perf. (%)	6 / -9 / 2

Financial Snapshot (INR Million)

Y/E March	2017	2018E	2019E	2020E
Net Sales	176.2	177.1	190.3	205.4
EBITDA	24.1	24.6	32.1	40.7
Adj. NP	7.8	2.4	7.2	12.2
AdjEPS (INR)	27.2	8.3	25.4	42.9
Adj.EPSGr(%)	NM	-69.6	207.5	68.7
BV/Sh(INR)	55.9	64.1	89.6	132.5
RoE (%)	132.2	13.8	33.1	38.7
RoCE (%)	10.2	3.6	7.9	11.2

Valuations

P/E (x)	25.9	85.2	27.7	16.4
P/BV (x)	12.6	11.0	7.9	5.3
EV/EBITDA(x)	12.0	11.5	8.5	6.2
Div. Yield (%)	0.6	0.6	0.6	0.6

CMP: INR700

TP: INR775 (+11%)

Buy

- Tata Communications' revenue is expected grow 1% QoQ (-3% YoY) to INR43.9b on weak voice and data revenues.
- Data revenue is likely to grow 3.2% QoQ to INR28.7b, adjusting for the impact of sale of Singapore data center business.
- Core EBITDA is expected to grow 5% QoQ to INR5.9b on the back of 40bp improvement in EBITDA margin to 13.4%.
- Data EBITDA is expected to grow 7% QoQ to INR5b, led by 60bp improvement in data EBITDA margin to 17.6%.
- The stock trades at an EV/EBITDA of 11.5x FY18E and 8.5x FY19E.

Key monitorables

- Data revenue performance (we expect 3.2% QoQ growth).
- Data EBITDA margin (we expect ~60bp QoQ improvement).

Cons. Quarterly Earning Model

Y/E March	(INR Million)									
	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4Q		
Net Sales	44,569	45,091	43,601	42,937	43,100	43,857	44,623	45,525	1,76,197	1,77,104
YoY Change (%)	-14.0	-12.1	-14.5	-16.5	-3.3	-2.7	2.3	6.0	-14.3	0.0
Total Expenditure	37,849	38,466	37,910	37,914	37,514	37,993	38,291	38,677	1,52,138	1,52,475
EBITDA	6,720	6,625	5,691	5,024	5,586	5,863	6,332	6,848	24,059	24,629
Margins (%)	15.1	14.7	13.1	11.7	13.0	13.4	14.2	15.0	13.7	13.9
Depreciation	4,660	4,644	4,677	4,677	4,447	4,999	4,999	4,999	18,658	19,444
Interest	933	960	999	780	761	711	699	687	3,672	2,857
Other Income	954	728	909	1,012	444	345	354	255	3,603	1,397
PBT before EO expense	2,081	1,750	924	578	822	498	987	1,417	5,332	3,725
Extra-Ord expense	0	0	0	10,633	0	0	0	0	10,633	0
PBT	2,081	1,750	924	-10,055	822	498	987	1,417	-5,301	3,725
Tax	734	899	923	-192	461	164	326	468	2,364	1,419
Rate (%)	35.3	51.4	99.9	1.9	56.0	33.0	33.0	33.0	-44.6	38.1
Minority Interest & P/L of Asso. Cos.	0	6	-7	-40	32	-28	-28	-28	-51	-51
Reported PAT	1,347	845	7	-9,824	329	361	689	977	-7,614	2,357
Adj PAT	1,347	845	7	607	329	361	689	977	7,761	2,357
YoY Change (%)	211.2	1,303.7	-96.6	132.4	-75.6	-57.2	9,213.0	61.1	1,653.4	-69.6
Margins (%)	3.0	1.9	0.0	1.4	0.8	0.8	1.5	2.1	4.4	1.3

E: MOSL Estimates

Utilities

Company name

CESC
Coal India
JSW Energy
NTPC
Power Grid Corp.
Tata Power

Coal India expected to outperform

Tata Power gains from higher coal price and inorganic growth

Within our utilities coverage universe, we expect Coal India to outperform, driven by strong volume growth, an increase in e-auction realization, and operating leverage gains. EBITDA (ex-OBR) is expected to increase ~3x YoY to INR28.7b. Dispatches are up 13% YoY, while e-auction realization should increase 7% QoQ (+26% YoY) to INR1,700/t. We expect FSA realization to decline 5% YoY, led by the base impact of grade slippages.

Tata Power's PAT is likely to be up 1.6x YoY (+3.3x QoQ) to INR5.4b, driven by the benefit of fuel price hike at Mundra, higher coal prices and the acquisition of Welspun. We expect Mundra's losses to decline as it realizes the full benefit of the fuel price hike applicable for 1HFY18. Global coal prices remain higher than expectation, which should benefit Tata Power.

NTPC's adjusted PAT growth is expected to come in muted at ~4% YoY to INR24.3b, with regulated equity growth partly offset by the impact of change in measurement of GCV. NTPC capitalized 2.8GW in the quarter, taking standalone installed base to 43.3GW. Regulated equity is expected to increase 16% YoY, but given that majority of the capex has come at the end of the quarter, the benefit would be visible only 3Q onward.

Power Grid's PAT is expected to grow ~11% YoY to INR20.8b, led by growth in capitalization. We expect capitalization of INR70b in the quarter. CESC's growth would be muted due to a delay in tariff approval. JSW Energy's PAT should decline 6% YoY to INR2b on the back of lower generation at Ratnagiri and higher fuel costs.

Conventional electricity generation growth at ~5%: Conventional electricity generation grew ~6% YoY in July/August. Growth accelerated in August, but preliminary data for September suggest growth has moderated. YTD August 2017, conventional generation grew 4.6% YoY to 505BU. Utilization was up 43bp YoY to 50.8%.

ST prices seasonally higher: Short-term (ST) prices on IEX were up 18% QoQ to INR3.26/kWh on shortage of coal. IEX day-ahead volumes were up 11% YoY to 11.8bu in 2QFY18.

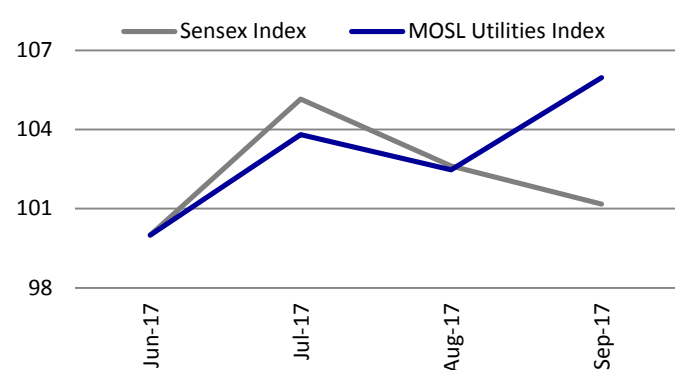
Exhibit 1: Expected quarterly performance summary

Sector	CMP		Sales (INR M)			EBDITA (INR M)			PAT (INR M)		
	(INR)	RECO	Jun-17	Var % YoY	Var % QoQ	Jun-17	Var % YoY	Var % QoQ	Jun-17	Var % YoY	Var % QoQ
CESC	1,003	Buy	18,869	-6.4	-13.6	5,253	-11.1	-13.5	2,513	3.8	41.2
Coal India	273	Buy	186,200	14.8	-2.8	27,902	275.7	-20.8	20,624	243.7	-12.3
JSW Energy	77	Sell	20,671	1.0	-7.4	8,678	-9.9	-0.1	2,043	-6.0	-6.0
NTPC	171	Buy	202,242	4.3	0.6	57,397	6.5	8.9	24,356	4.0	-5.4
Power Grid Corp.	205	Buy	72,542	16.4	1.0	65,169	16.8	3.9	20,897	11.4	1.8
Tata Power	79	Sell	71,080	-1.4	2.0	17,557	20.1	-4.1	5,444	61.9	232.4
Sector Aggregate			571,604	7.6	-1.2	181,957	23.5	-0.9	75,877	35.2	0.7

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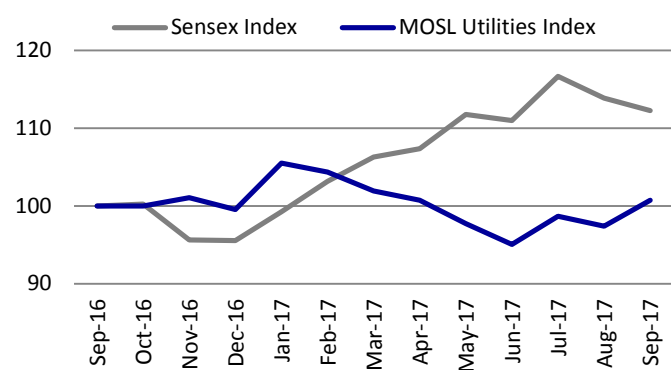
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Exhibit 2: Relative performance—3m (%)



Source: Bloomberg, MOSL

Exhibit 3: Relative performance—1Yr (%)



Source: Bloomberg, MOSL

Exhibit 4: Comparative valuation

Sector / Companies	CMP (INR)	RECO	EPS (INR)			PE (x)			EV/EBIDTA (x)			ROE (%)		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Utilities														
CESC	1,003	Buy	88.9	99.3	108.1	11.3	10.1	9.3	7.1	6.5	6.0	10.6	10.8	10.7
Coal India	273	Buy	19.8	22.0	25.0	13.8	12.4	10.9	7.7	7.0	6.2	47.6	50.5	54.2
JSW Energy	77	Sell	3.3	2.7	3.1	22.9	28.4	25.0	8.9	9.1	8.9	5.3	4.2	4.7
NTPC	171	Buy	13.5	15.7	17.8	12.7	10.9	9.6	10.7	8.5	7.2	11.0	11.9	12.5
Power Grid Corp.	205	Buy	17.4	20.6	21.5	11.8	10.0	9.5	8.2	7.3	6.9	17.3	17.8	16.3
Tata Power	79	Sell	7.3	7.3	7.7	10.9	10.7	10.2	10.3	9.6	9.2	15.8	14.2	13.3
Sector Aggregate						12.8	11.3	10.2	9.0	7.8	7.0	16.3	16.9	17.2

CESC

Bloomberg	CESC IN
Equity Shares (m)	133.2
M. Cap. (INR b)/(USD b)	134 / 2
52-Week Range (INR)	1080 / 539
1,6,12 Rel Perf. (%)	-4 / 13 / 51

Financial Snapshot (INR Million)

Y/E MARCH	FY17	FY18E	FY19E	FY20E
Sales	139.0	148.3	157.7	166.3
EBITDA	31.6	36.7	38.5	40.0
NP	6.9	11.8	13.2	14.4
EPS (INR)	51.9	88.9	99.3	108.1
EPS Gr. (%)	14.7	71.4	11.7	8.8
BV/Sh. (INR)	797.4	874.3	961.6	1,057.
RoE (%)	6.5	10.6	10.8	10.7
RoCE (%)	7.3	8.4	8.6	8.7
Payout (%)	19.3	11.2	10.1	9.3

VALUATION

P/E (x)	20.1	11.7	10.5	9.6
P/BV (x)	1.3	1.2	1.1	1.0
EV/EBITDA (x)	9.0	7.6	7.0	6.5
Div. Yield (%)	1.0	1.0	1.0	1.0

CMP: INR1,042 TP: INR1,360 (+31%) Buy

- We expect CESC's standalone PAT to increase 3.8% YoY to INR2.5b, driven by regulated equity growth, partly offset by a delay in approval of tariff for FY18.
- Regulated equity is estimated to grow 7.2% YoY/1.8% QoQ to INR38.8b.
- Profitability of Dhariwal should improve on commissioning of PPA supplies and opportunistic short-term contracts.
- Spencer EBITDA should improve as the performance improves after being impacted by GST in 1Q.

Key issues to watch for

- Performance of Spencer.
- Progress on demerger.

Quarterly Performance - Standalone

(INR m)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	20,120	20,160	16,200	15,720	21,840	18,869	16,368	16,247	72,200	73,324
Change (%)	18.1	13.8	5.3	6.3	8.5	-6.4	1.0	3.3	12.2	1.6
EBITDA	5,110	5,910	3,150	2,040	6,070	5,253	3,975	4,309	16,210	19,607
Change (%)	32.4	34.9	5.7	-57.1	18.8	-11.1	26.2	111.2	1.4	21.0
As of % Sales	25.4	29.3	19.4	13.0	27.8	27.8	24.3	26.5	22.5	26.7
Depreciation	960	990	980	1,160	1,050	1,039	1,028	1,175	4,090	4,292
Interest	1,150	1,160	1,080	1,090	1,210	1,286	1,197	1,273	4,480	4,966
Other Income	260	320	300	590	400	293	275	379	1,470	1,347
Regulatory (inc)/exp	620	600	-960	-3,410	1,940	0	0	-1,940	-3,150	0
PBT	2,640	3,480	2,350	3,790	2,270	3,222	2,024	4,180	12,260	11,696
Tax	900	1,060	830	840	490	709	445	929	2,380	2,573
Effective Tax Rate (%)	34.1	30.5	35.3	22.2	21.6	22.0	22.0	22.2	19.4	22.0
Reported PAT	1,740	2,420	1,520	2,950	1,780	2,513	1,579	3,251	9,880	9,123
Adjusted PAT	1,740	2,420	1,520	2,950	1,780	2,513	1,579	3,251	8,630	9,123
Change (%)	14.5	24.1	35.7	19.0	2.3	3.8	3.9	10.2	22.1	5.7

E: MOSL Estimates

Coal India

Bloomberg	COAL IN
Equity Shares (m)	6207.4
M. Cap. (INR b)/(USD b)	1695 / 26
52-Week Range (INR)	337 / 234
1,6,12 Rel Perf. (%)	8 / -11 / -27

Financial Snapshot (INR Million)

Y/E MARCH	2017	2018E	2019E	2020E
Net Sales	782.2	828.9	886.7	945.1
EBITDA	149.1	186.0	209.2	238.7
NP	92.7	122.7	136.9	155.5
Adj. EPS (INR)	14.9	19.8	22.0	25.0
EPS Gr. (%)	-34.0	32.4	11.5	13.6
BV/Sh. (INR)	39.5	41.5	43.7	46.2
RoE (%)	37.8	47.6	50.5	54.2
RoCE (%)	32.2	48.6	51.5	55.4
Payout (%)	163.0	90.0	90.0	90.0

VALUATION

P/E (x)	18.5	14.0	12.5	11.0
P/BV (x)	7.0	6.7	6.3	6.0
EV/EBITDA (x)	8.9	7.3	6.6	5.9
Div. Yield (%)	7.2	5.4	6.0	6.8

CMP: INR276

TP: INR335 (+18%)

Buy

- We expect Coal India's EBITDA (ex-OBR) to increase ~3x YoY to INR28.7b on strong growth in volumes, higher e-auction realization and operating leverage gains.
- Dispatches are up 14% YoY to 131.7mt. FSA volumes are estimated to increase 15% YoY to 107mt, led by strong power sector demand. E-auction volumes are expected to increase ~10% YoY to ~21m tons.
- FSA realization is estimated to decline 5% YoY to INR1,226/ton due to the impact of grade slippages.
- E-auction realization is estimated to increase 7% QoQ/26% YoY to INR1,700/ton due to shortage of coal and higher international coal prices.
- PAT is estimated to increase ~3x YoY to INR20.6b.

Key issues to watch for

- E-auction volumes and realization.
- Global coal prices.

Quarterly Performance

Y/E March	FY17				FY18E				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	177,961	156,450	197,045	224,239	184,533	172,253	212,505	239,659	755,694	808,949
Change (%)	-6.1	-7.7	3.9	8.0	3.7	10.1	7.8	6.9	-0.1	7.0
Cash EBITDA (OBR adj.)	38,621	3,176	39,571	41,242	35,594	18,268	53,126	62,121	122,609	169,109
As of % Sales	21.7	2.0	20.1	18.4	19.3	10.6	25.0	25.9	16.2	20.9
Depreciation	6,672	6,921	7,011	8,498	6,736	6,987	7,078	8,580	29,101	29,380
OBR	2,331	1,425	8,124	14,843	3,441	2,285	11,321	20,711	26,722	37,758
Interest	890	970	1,107	1,151	773	842	961	1,000	4,117	3,575
Other Income	17,564	19,800	18,268	26,034	16,000	16,500	14,500	15,239	81,667	62,239
PBT	46,293	13,661	41,598	42,784	40,645	24,654	48,266	47,070	144,337	160,635
Tax	15,641	7,660	12,754	15,606	13,006	7,889	15,445	15,046	51,660	51,387
Effective Tax Rate (%)	33.8	56.1	30.7	36.5	32.0	32.0	32.0	32.0	35.8	32.0
Reported PAT	30,653	6,001	28,845	27,179	27,639	16,765	32,821	32,023	92,677	109,248
Adjusted PAT	30,653	6,001	28,845	27,179	27,639	16,765	32,821	32,023	92,677	109,248
Change (%)	-19.1	-76.2	-21.7	-35.9	-9.8	179.4	13.8	17.8	-34.9	17.9

E: MOSL Estimates

JSW Energy

Bloomberg	JSW IN
Equity Shares (m)	1640.1
M. Cap. (INR b)/(USD b)	126 / 2
52-Week Range (INR)	82 / 54
1,6,12 Rel Perf. (%)	14 / 9 / -10

Financial Snapshot (INR Million)

Y/E MARCH	2017	2018E	2019E	2020E
Sales	826.3	856.3	891.3	963.3
EBITDA	33.2	30.4	30.0	32.2
NP	6.3	5.5	4.4	5.0
EPS (INR)	3.8	3.3	2.7	3.1
EPS Gr. (%)	-51.5	-12.8	-19.5	13.8
BV/Sh. (INR)	63.2	64.2	64.4	65.1
RoE (%)	6.3	5.3	4.2	4.7
RoCE (%)	8.6	7.9	7.8	7.9
Payout (%)	52.1	59.8	74.3	65.3
VALUATION				
P/E (x)	20.2	23.1	28.7	25.2
P/BV (x)	1.2	1.2	1.2	1.2
EV/EBITDA (x)	8.3	9.0	9.1	8.9
Div. Yield (%)	2.6	2.6	2.6	2.6

CMP: INR77
TP: INR49 (-36%)
Sell

- We estimate JSW Energy's EBITDA to decline 10% YoY to INR8.7b on lower generation at Ratnagiri and higher fuel cost.
- Ratnagiri PLF is estimated at 51%, down from 82% in the previous year. Vijaynagar PLF is estimated at 39% v/s 31% in the previous year.
- Imported coal prices are up by ~USD2/ton QoQ / ~USD19/t YoY to USD77/ton.
- PAT is likely to decline 6% YoY to ~INR2b.

Key issues to watch for

- International coal prices.
- Short-term power market prices.

Consolidated performance

Y/E March	FY17				FY18				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Net Sales	24,500	20,470	19,043	18,621	22,316	20,671	20,738	21,906	82,634	85,632
YoY Change (%)	16.3	-19.1	-28.1	-30.6	-8.9	1.0	8.9	17.6	-17.1	3.6
Total Expenditure	13,328	10,843	12,468	12,752	13,628	11,993	13,961	15,625	49,391	55,207
EBITDA	11,173	9,627	6,575	5,869	8,688	8,678	6,777	6,282	33,244	30,425
Margins (%)	45.6	47.0	34.5	31.5	38.9	42.0	32.7	28.7	40.2	35.5
Depreciation	2,398	2,471	2,444	2,379	2,428	2,473	2,446	2,353	9,692	9,700
Interest	4,293	4,356	4,229	3,970	3,963	3,924	3,949	3,895	16,848	15,730
Other Income	416	516	505	732	1,025	600	300	683	2,170	2,608
PBT before EO expense	4,899	3,316	407	253	3,323	2,881	682	717	8,875	7,602
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	4,899	3,316	407	253	3,323	2,881	682	717	8,875	7,602
Tax	1,248	1,167	249	22	1,114	778	184	-23	2,685	2,053
Rate (%)	25.5	35.2	61.2	8.6	33.5	27.0	27.0	-3.2	30.3	27.0
MI and Associates	-14	-25	-56	-11	36	60	60	-91	-106	66
Reported PAT	3,665	2,174	214	242	2,173	2,043	438	830	6,295	5,484
Adj PAT	3,665	2,174	214	242	2,173	2,043	438	830	6,295	5,484
YoY Change (%)	32.1	-42.3	-93.3	-92.1	-40.7	-6.0	104.6	242.9	-51.2	-12.9

E: MOSL Estimates

NTPC

Bloomberg	NTPC IN
Equity Shares (m)	8245.5
M. Cap. (INR b)/(USD b)	1408 / 22
52-Week Range (INR)	179 / 143
1,6,12 Rel Perf. (%)	2 / -3 / 0

Financial Snapshot (INR Million)

Y/E MARCH	2017	2018E	2019E	2020E
Net Sales	813.8	847.8	966.31	1,069.3
EBITDA	215.0	239.5	309.9	362.3
NP	98.6	109.7	129.2	146.4
Adj. EPS (INR)	12.0	13.3	15.7	17.8
EPS Gr. (%)	1.8	11.3	17.7	13.4
BV/Sh. (INR)	118.7	126.6	136.2	146.8
RoE (%)	10.5	10.9	11.9	12.6
RoCE (%)	6.4	6.6	7.7	8.6
Payout (%)	33.5	33.8	31.9	33.8

VALUATION

P/E (x)	14.7	13.2	11.2	9.9
P/BV (x)	1.5	1.4	1.3	1.2
EV/EBITDA (x)	11.9	11.3	8.9	7.5
Div. Yield (%)	2.6	2.8	3.4	3.7

CMP: INR175

TP: INR211 (+20%)

Buy

- We expect adjusted PAT growth to be subdued at just ~4% YoY to INR24.4b on regulated equity growth, partly offset by the impact of change in GCV measurement.
- Installed capacity has increased by 2.37GW on commissioning of Kudgi 800MW, Mauda 660MW, Solapur 660MW, Unchahar 500MW and RE 250MW.
- Regulated equity is expected to increase by 16% YoY to INR491b; however, given that major capacity addition has happened at the end of the quarter, earnings benefit is likely to be realized only 3QFY18 onward.

Key issues to watch for

- PLF for coal-based projects and generation loss.
- Core RoE and incentives.
- Impact of shift in GCV determination.

Quarterly Performance (standalone)

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	188,585	193,979	193,959	204,167	201,076	202,242	199,690	208,248	782,734	811,255
Change (%)	10.3	8.1	10.9	11.4	6.6	4.3	3.0	2.0		
EBITDA	52,139	53,914	52,260	58,248	52,684	57,397	60,678	69,340	216,200	240,098
Other income	1,579	1,906	2,502	4,702	6,626	2,544	3,823	2,864	10,689	15,857
PBT	30,761	32,580	30,819	30,080	34,654	32,048	35,769	39,278	123,879	141,749
Tax	7,066	7,621	6,131	9,286	8,472	7,692	8,585	9,272	30,026	34,020
PAT	23,695	24,960	24,687	20,794	26,182	24,356	27,184	30,007	93,853	107,729
Change (%)	4.1	-17.9	-7.5	-25.5	10.5	-2.4	10.1	44.3	-12.9	14.8
Adj. PAT	24,047	23,410	22,448	26,606	25,742	24,356	27,184	30,446	96,227	107,729
Change (%)	5.7	-0.7	0.0	0.5	7.0	4.0	21.1	14.4	1.0	12.0
A. Core PAT	22,827	22,138	20,536	23,121	20,757	22,423	24,279	28,219	88,298	95,678
Core RoE (%)	21.9	21.0	19.4	21.4	18.9	19.3	19.3	21.9	20.7	19.9
a. Base RoE - 15.5%	15,582	16,337	16,428	16,765	17,058	18,040	19,457	20,000	65,113	74,555
b. PLF incentive	1,530	0	0	1,500	549	604	664	602	3,030	2,419
c. Others	5,715	5,801	4,108	4,855	3,150	3,780	4,157	7,617	20,155	18,704
B. Other income	1,220	1,272	1,912	3,485	4,985	1,933	2,906	2,227	7,930	12,051
Key metrics										
Regulated Equity	420,146	423,072	424,822	440,489	439,927	491,157	513,073	519,196	440,489	519,196
Commercial cap.(MW)	39,552	39,602	39,602	40,522	40,522	43,392	44,442	44,442	40,522	44,442
Coal-based PLF (%)	81.4	74.7	77.2	81.2	79.1	0.0	0.0	0.0		

E: MOSL Estimates

Power Grid Corporation

Bloomberg	PWGR IN
Equity Shares (m)	5231.6
M. Cap. (INR b)/(USD b)	1072 / 16
52-Week Range (INR)	226 / 167
1,6,12 Rel Perf. (%)	-4 / 0 / 1

Financial Snapshot (INR Million)

Y/E March	2017	2018E	2019E	2020E
Sales	257.0	320.5	368.0	397.3
EBITDA	226.6	283.9	327.1	352.3
NP	74.5	91.0	107.5	112.4
EPS (INR)	14.2	17.4	20.6	21.5
EPS Gr. (%)	23.9	22.1	18.1	4.6
BV/Sh. (INR)	93.7	107.4	123.5	139.9
RoE (%)	16.2	17.3	17.8	16.3
RoCE (%)	7.3	8.3	8.9	8.7
Payout (%)	20.9	21.7	21.7	23.7
VALUATION				
P/E (x)	14.3	11.7	9.9	9.5
P/BV (x)	2.2	1.9	1.7	1.5
EV/EBITDA (x)	9.9	8.2	7.3	6.9
Div. Yield (%)	1.2	1.5	1.8	2.1

CMP: INR204
TP: INR262 (+28%)
Buy

- We estimate PAT to grow by 11% YoY to INR20.1b, driven by growth in regulated equity.
- We estimate capitalization of INR70b in the quarter, doubling QoQ. Of the major projects, Champa-Kurukshetra HVDC Pole-II was commissioned in September 2017.

Key issues to watch for

- Capitalization/capex guidance for FY18.
- Details on competitively bid projects.
- Development on green energy projects, state JVs, etc.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	60,691	62,296	65,010	67,120	71,814	72,542	75,037	85,402	257,165	304,795
Change (%)	29.4	28.5	22.1	16.9	18.3	16.4	15.4	27.2	24.4	18.5
EBITDA	53,675	55,788	58,220	57,015	62,699	65,169	67,451	75,391	226,715	270,710
Change (%)	29.8	30.3	22.8	12.9	16.8	16.8	15.9	32.2	24.0	19.4
As of % Sales	88.4	89.6	89.6	84.9	87.3	89.8	89.9	88.3	88.2	88.8
Depreciation	17,573	18,769	19,653	20,633	21,311	22,224	23,271	23,928	76,628	90,734
Interest	15,178	15,876	16,426	15,558	17,624	18,526	19,168	18,242	63,038	73,560
Other Income	1,902	2,507	2,866	3,424	2,085	2,032	2,323	572	8,649	7,011
PBT	22,827	23,650	25,006	24,247	25,848	26,451	27,334	33,792	95,698	113,426
Tax	4,819	4,888	5,706	5,083	5,324	5,555	5,740	7,200	20,496	23,819
Effective Tax Rate (%)	21.1	20.7	22.8	21.0	20.6	21.0	21.0	21.3	21.4	21.0
Reported PAT	18,008	18,762	19,300	19,164	20,524	20,897	21,594	26,592	75,202	89,607
Adjusted PAT	18,008	18,762	19,300	20,131	20,524	20,897	21,594	26,793	76,169	89,607
Change (%)	32.8	33.2	20.2	28.3	14.0	11.4	11.9	33.1	28.0	17.6

E: MOSL Estimates

Tata Power

Bloomberg	TPWR IN
Equity Shares (m)	2705.0
M. Cap. (INR b)/(USD b)	214 / 3
52-Week Range (INR)	91 / 67
1,6,12 Rel Perf. (%)	2 / -16 / -11

Financial Snapshot (INR Million)

Y/E March	2017	2018E	2019E	2020E
Sales	279.0	313.2	325.2	340.8
EBITDA	58.5	68.8	72.1	73.0
NP	14.0	19.6	19.9	21.0
EPS (INR)	5.2	7.3	7.3	7.7
EPS Gr. (%)	83.8	40.4	1.4	5.4
BV/Sh. (INR)	43.5	48.1	55.7	60.4
RoE (%)	11.9	15.8	14.2	13.3
RoCE (%)	6.8	6.5	6.6	6.4
Payout (%)	0.0	17.9	17.7	16.8

VALUATION

P/E (x)	15.6	11.1	10.9	10.4
P/BV (x)	1.8	1.7	1.4	1.3
Div. Yield (%)	0.0	1.6	1.6	1.6

CMP: INR80
TP: INR71 (-12%)
Sell

- We expect Tata Power's PAT to grow 62% YoY to INR5.4b, driven by an increase in coal prices, benefit of fuel price hike at Mundra and acquisition of Welspun.
- We expect under-recovery at Mundra to halve QoQ to ~INR0.46/kWh on full benefit of fuel price hike, partly offset by higher coal prices.
- PAT of coal and other JV companies is estimated to increase 2% QoQ to INR3.8b, driven by a rise in coal prices. We estimate coal price of USD66/t, up by USD2/t QoQ.

Key issues to watch for

- Cost control at Mundra.
- Performance at Delhi.

Consolidated performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	68,383	72,089	66,837	71,668	69,686	71,080	72,502	99,914	278,977	313,182
YoY Change (%)	-24.9	-23.8	-27.6	-23.2	1.9	-1.4	8.5	39.4	-5.4	12.3
Total Expenditure	52,028	57,473	52,809	58,201	51,375	53,522	54,261	79,786	220,510	244,402
EBITDA	16,355	14,616	14,029	13,467	18,311	17,557	18,240	20,128	58,467	68,780
Margins (%)	23.9	20.3	21.0	18.8	26.3	24.7	25.2	20.1	21.0	22.0
Depreciation	4,393	4,476	5,318	5,698	5,857	5,886	5,916	5,919	19,886	23,577
Interest	7,915	7,243	7,010	8,973	9,286	9,193	9,101	8,984	31,140	36,565
Other Income	-477	1,029	-792	2,262	313	1,000	1,000	1,020	2,022	3,332
Rate regulated activity	-2,721	-3,064	1,523	-1,832	-2,438	0	0	2,438	-6,095	
PBT before EO expense	849	862	2,432	-775	1,044	3,478	4,223	8,682	3,369	11,970
Extra-Ord expense	0	0	0	-6,515	0	0	0	0	-6,515	0
PBT	849	862	2,432	-7,289	1,044	3,478	4,223	8,682	-3,145	11,970
Tax	1,449	-1,117	706	-1,496	2,630	1,305	1,305	-21	-458	5,219
Rate (%)	170.6	-129.6	29.0	20.5	252.0	37.5	30.9	-0.2	14.6	43.6
Minority Interest & P/L of Asso. Cos.	1,324	1,383	4,356	3,169	3,224	3,271	3,259	3,106	10,142	12,860
Reported PAT	725	3,362	6,082	-2,625	1,638	5,444	6,178	11,809	7,455	19,612
Adj PAT	725	3,362	6,082	3,890	1,638	5,444	6,178	11,809	13,969	19,612

E: MOSL Estimates

3.3

Arvind

Bloomberg	ARVND IN
Equity Shares (m)	258.2
M. Cap. (INR b)/(USD b)	99 / 2
52-Week Range (INR)	427 / 322
1,6,12 Rel Perf. (%)	-1 / -12 / -4

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	92.4	106.4	121.2	136.6
EBITDA	9.4	10.1	12.5	15.0
NP	3.2	3.3	4.8	6.4
EPS (INR)	12.4	12.9	18.6	24.8
EPS Gr. (%)	1.2	4.4	43.6	33.3
BV/Sh. (INR)	138.1	147.4	161.2	179.9
RoE (%)	10.3	9.1	12.0	14.5
RoCE (%)	8.8	7.8	9.5	11.2
Div Payout (%)	23.5	28.1	26.0	24.4
Valuations				
P/E (x)	30.9	29.6	20.6	15.4
P/BV (x)	2.8	2.6	2.4	2.1
EV/EBITDA (x)	13.4	12.6	10.2	8.5
Div Yield (%)	0.6	0.8	1.0	1.3

CMP: INR382 TP: INR376 (-2%) Neutral

- We expect cotton prices to soften; however, textiles margins would continue facing threat from currency appreciation, as exports form a major portion of the textiles business.
- We expect ARVND's revenue to grow 12% YoY to INR26.1b in 2QFY18, driven by growth in brand & retail on account of a recovery post GST destocking and the onset of the festive season.
- We expect EBITDA margin to contract 40bp YoY (+120bp QoQ) to 9.6%, and EBITDA to increase 8% YoY to INR2,506m. Adjusted PAT is likely to increase 9.4% YoY to INR835m. **Neutral**.

Key things to watch for

- ⊗ Impact of cotton price and currency movement on Textile business.
- ⊗ Performance of branded apparels.

Quarterly Performance

Y/E March	FY17				FY18				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Net Sales	21,041	23,311	23,355	24,648	24,750	26,109	27,234	28,395	92,355	106,405
YoY Change (%)	17.8	19.1	14.8	10.4	17.6	12.0	16.6	15.2	15.3	15.2
Total Expenditure	18,597	20,988	20,984	22,342	22,680	23,602	24,401	25,711	82,922	96,296
EBITDA	2,445	2,323	2,370	2,306	2,070	2,506	2,832	2,683	9,433	10,108
Margins (%)	11.6	10.0	10.1	9.4	8.4	9.6	10.4	9.5	10.2	9.5
Depreciation	691	719	734	827	863	855	863	906	2,971	3,466
Interest	891	731	676	585	614	672	638	632	2,884	2,595
Other Income	166	221	109	284	163	243	120	258	780	837
PBT before EO expense	1,029	1,094	1,070	1,178	756	1,222	1,451	1,403	4,358	4,885
Extra-Ord expense	-2	-63	-38	89	-69	0	0	0	181	0
PBT	1,027	1,031	1,032	1,089	686	1,222	1,451	1,403	4,178	4,885
Tax	317	270	280	131	135	388	470	457	997	1,563
Rate (%)	30.9	26.1	27.1	12.0	19.7	31.7	32.4	32.6	23.9	32.0
MI & Profit/Loss of Asso. Cos.	-23	45	4	-11	-16	0	0	0	19	19
Reported PAT	733	717	748	969	568	835	981	946	3,200	3,341
Adj PAT	734	763	776	1,048	623	835	981	946	3,338	3,341
YoY Change (%)	28.3	13.9	-15.7	7.8	-15.1	9.4	26.5	-9.7	5.9	0.1
Margins (%)	3.5	3.1	3.2	3.9	2.3	3.2	3.6	3.3	3.5	3.1

E: MOSL Estimates

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October 2017

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Avenue Supermarts

Bloomberg	DMART IN
Equity Shares (m)	62.4
M. Cap. (INR b)/(USD b)	570.4 / 8.8
1863	6550 / 1022
1,6,12 Rel Perf. (%)	11 / - / -

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	119.0	163.1	217.9	280.6
EBITDA	9.8	13.6	18.5	24.1
NP	4.8	7.9	11.0	14.5
EPS (Rs)	7.7	12.7	17.6	23.3
EPS Gr. (%)	34.5	65.8	38.7	31.9
BV/Share	61.6	70.5	82.8	99.1
RoE (%)	17.9	19.3	23.0	25.6
RoCE (%)	14.2	16.5	23.2	25.7

Valuations

P/E (x)	143.9	86.8	62.6	47.5
P/BV (x)	17.9	15.7	13.3	11.1
EV/EBITDA (x)	62.8	45.5	33.4	25.6
EV/Sales (x)	5.2	3.8	2.8	2.2

CMP: INR1,104 TP: INR882 (-20%) Neutral

- n We expect revenue to grow 40% YoY to INR39.1b in 2QFY18, driven by steady like-to-like growth.
- n We expect EBITDA margin to remain flat at 9%, and EBITDA to increase 41% YoY to INR3,521m.
- n We expect adjusted PAT to grow 68.6% to INR2,103m.

Key things to watch for

- Ø Store additions during the quarter.
- Ø Like-to-like store sales growth.

Standalone - Quarterly Earning

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	26,524	27,953	33,394	31,106	35,981	39,118	45,749	42,616	118,977	163,464
YoY Change (%)	-	-	-	40.6	35.7	39.9	37.0	37.0	38.6	37.4
Total Expenditure	24,176	25,449	30,511	29,029	32,949	35,597	41,723	39,675	109,165	149,945
EBITDA	2,348	2,504	2,883	2,077	3,032	3,521	4,026	2,940	9,812	13,519
Margins (%)	8.9	9.0	8.6	6.7	8.4	9.0	8.8	6.9	8.2	8.3
Depreciation	288	323	314	354	337	380	410	450	1,278	1,577
Interest	281	321	310	308	243	0	0	0	1,220	243
Other Income	49	53	85	99	228	46	46	46	286	367
PBT before EO expense	1,828	1,914	2,344	1,515	2,680	3,187	3,662	2,537	7,600	12,066
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	1,828	1,914	2,344	1,515	2,680	3,187	3,662	2,537	7,600	12,066
Tax	643	666	825	548	932	1,084	1,245	862	2,683	4,124
Rate (%)	35.2	34.8	35.2	36.2	34.8	34.0	34.0	34.0	35.3	34.2
Minority Interest & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	129	0
Reported PAT	1,184	1,247	1,519	967	1,748	2,103	2,417	1,674	4,788	7,942
Adj PAT	1,184	1,247	1,519	967	1,748	2,103	2,417	1,674	4,788	7,942
YoY Change (%)	-	-	-	47.4	47.6	68.6	59.1	73.2	49.5	65.9
Margins (%)	4.5	4.5	4.5	3.1	4.9	5.4	5.3	3.9	4.0	4.9

E: MOSL Estimates

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Bata India

Bloomberg	BATA IN
Equity Shares (m)	128.5
M. Cap. (INR b)/(USD b)	93 / 1
52-Week Range (INR)	750 / 400
1,6,12 Rel Perf. (%)	6 / 23 / 35

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	24.7	27.6	31.3	35.7
EBITDA	2.8	3.2	3.9	4.8
NP	1.7	2.0	2.5	3.1
EPS (INR)	13.5	15.7	19.4	24.3
EPS Gr. (%)	6.8	16.2	23.8	24.8
BV/Sh.(INR)	103.0	115.1	130.3	149.8
RoE (%)	13.9	14.4	15.8	17.3
RoCE (%)	14.1	14.5	16.0	17.3
Payout (%)	19.5	23.1	21.7	19.9
Valuations				
P/E (x)	53.7	46.2	37.3	29.9
P/BV (x)	7.0	6.3	5.6	4.8
EV/EBITDA (x)	31.6	27.0	21.5	17.0
Dividend yield	0.3	0.4	0.5	0.6

CMP: INR725

Under Review

- n We expect revenue to grow 10% YoY to INR6.4b in 2QFY18 on account of the company's focus on fashion for 'Young India' and ladies' footwear.
- n EBITDA is likely to grow 18% YoY to INR629m, with the margin expanding 60bp to 9.8%.
- n Adjusted PAT is expected to grow 16.7% YoY to INR404m.

Key things to watch for

- Ø SSS growth during the quarter.
- Ø Promotional spend during the quarter.
- Ø New store additions.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
Consolidated	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	6,747	5,837	6,408	5,980	7,431	6,421	7,177	6,578	24,743	27,604
YoY Change (%)	-1.5	1.6	2.5	6.1	10.1	10.0	12.0	10.0	1.0	11.6
Total Expenditure	5,895	5,302	5,651	5,413	6,476	5,792	6,266	5,894	21,957	24,429
EBITDA	851	535	757	567	955	629	911	684	2,786	3,174
Margins (%)	12.6	9.2	11.8	9.5	12.9	9.8	12.7	10.4	11.3	11.5
Depreciation	162	160	162	166	137	188	168	169	650	717
Interest	7	13	5	16	9	5	4	5	40	22
Other Income	80	141	190	122	116	159	144	151	460	622
PBT before EO expense	762	504	780	507	925	595	883	661	2,555	3,058
Extra-Ord expense	0	0	217	0	0	0	0	0	217	0
PBT	762	504	563	507	925	595	883	661	2,339	3,058
Tax	257	158	186	147	321	192	295	212	749	1,040
Rate (%)	33.8	31.3	23.8	29.1	34.7	32.2	33.4	32.1	32.0	34.0
Reported PAT	505	346	377	359	604	404	588	449	1,590	2,018
Adj PAT	505	346	594	359	604	404	588	449	1,737	2,018
YoY Change (%)	6.8	53.2	32.5	27.3	19.7	16.7	-0.9	24.9	7	16
Margins (%)	7.5	5.9	9.3	6.0	8.1	6.3	8.2	6.8	7.0	7.3

E: MOSL Estimates

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October 2017

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BSE

Bloomberg	BSE IN
Equity Shares (m)	54.8
M. Cap. (INR b)/(USD b)	54 / 1
52-Week Range (INR)	1200 / 887
1,6,12 Rel Perf. (%)	2 / -5 / -

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Net Sales	5.6	4.6	4.9	5.3
EBITDA	1.3	0.9	0.9	1.1
PAT	2.2	2.3	2.4	2.8
EPS (INR)	41.0	42.2	44.6	51.9
EPS Gr (%)	68.4	2.9	5.7	16.3
BV / Sh (INR)	495	497	580	584
P/E (x)	26.0	12.2	23.9	20.5
P / BV (x)	2.2	2.1	1.8	1.8
RoE (%)	8.3	8.5	7.7	8.9
RoCE (%)	13.7	11.0	10.2	11.5

CMP: INR985 TP: INR1,100 (+12%) Neutral

- We expect revenue to decline 23.2% YoY to INR992m.
- While the equities cash volume on BSE has grown by 15.5% YoY to INR2.5t in 2QFY18, it has changed its pricing model from a value basis to a per-order basis.
- Moreover, now that it owns a minority stake in CDSL, revenue from it has stopped getting consolidated, thereby causing a further decline.
- Consequently, or EBITDA margin estimate of 18.7% in 2QFY18 signifies a decline of more than 16pp compared to the previous year.
- However, BSE's share of profits from CDSL result in a lesser impact at a PAT level, which at INR592m factor in a decline of 7.5% YoY.

Key things to watch for

- Ø Volume movement and market share dynamics post pricing strategy change
- Ø Performance in non-equity segments
- Ø Update on operations in and prospects of INX

Consolidated - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Revenue from operations	1,285	1,392	1,323	1,628	1,174	1,132	1,151	1,170	5,628	4,627
YoY Change (%)	24.7	30.4	14.1	17.8	-8.6	-18.7	-13.0	-28.1	20.1	-17.8
Total Expenditure	947	935	989	1,332	868	947	963	979	4,369	3,756
EBITDA	338	456	334	296	306	185	188	191	1,258	871
Margins (%)	26.3	32.8	25.3	18.2	26.1	16.3	16.3	16.3	22.4	18.8
Depreciation	118	126	135	161	101	127	129	131	540	488
Interest	2	4	3	2	2	0	0	0	10	3
Investment income	552	630	514	684	410	586	595	605	2,380	2,196
PBT before EO expense	770	957	711	817	613	643	654	665	3,089	2,575
Extra-Ord expense	136	72	0	0	0	0	0	0		
PBT	634	885	711	817	613	643	654	665	3,089	2,575
Tax	110	127	76	93	118	130	132	135	406	515
Rate (%)	17.4	14.4	10.7	11.4	19.2	20.2	20.2	20.2	13.2	20.0
Minority Interest & P/L of Asso. Cos.	87	118	106	122	-2	-79	-80	-81	435	-242
Reported PAT	437	640	529	601	497	592	602	612	2,248	2,303
Adj PAT	549	701	529	601	497	592	602	612	2,248	2,303
YoY Change (%)	135.3	44.0	62.2	2.7	-9.5	-15.6	13.8	1.8	32.5	2.4
Margins (%)	42.8	50.4	40.0	36.9	42.4	52.3	52.3	52.3	39.9	49.8

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Castrol (India)

Bloomberg	CSTRL IN
Equity Shares (m)	494.6
M. Cap. (INR b)/(USD b)	191 / 3
52-Week Range (INR)	495 / 354
1,6,12 Rel Perf. (%)	-4 / -1 / -17

Financial Snapshot (INR b)

Y/E Dec	2015	2016	2017E	2018E
Sales	33.0	33.6	34.4	35.8
EBITDA	9.3	9.9	9.3	9.6
PAT	6.4	6.7	6.3	6.6
EPS (INR)	12.8	13.6	12.6	13.3
EPS Gr. (%)	33.8	6.3	-7.4	5.5
BV/Sh.(INR)	11.6	12.0	13.3	14.6
RoE (%)	118.4	115.2	99.8	95.8
RoCE (%)	118.5	115.4	100.0	95.9
Payout (%)	87.1	97.0	90.3	90.3

Valuations

P/E (x)	27.7	26.1	28.1	26.7
P/BV (x)	30.5	29.5	26.8	24.4
EV/EBITDA (x)	18.2	16.9	17.7	17.1
Div. Yield (%)	2.5	3.1	2.7	2.8

CMP: INR356 **TP: INR467 (+31%)** **Buy**

- n We expect revenue to grow 10% YoY (and decline 4% QoQ) to INR8.4b, led by volumes at 48.5m liters (+6% YoY, -5% QoQ) and realization at INR172.5/liter (+4% YoY, +1% QoQ).
- n We expect CSTRL to report EBITDA of INR2.2b (+4% YoY, +4% QoQ). EBITDA margin would be 26%, lower than 37.7% in 3QCY16.
- n We estimate net profit at INR1.5b (+8% YoY, +9% QoQ).
- n The stock trades at 26.7x CY18E EPS of INR13.3. Maintain **Buy**.

Key issues to watch for

- (a) Volume growth.
- (b) Operating margin expansion.
- (c) Launch of new products.
- (d) Competitive pressure from other players.

Quarterly Performance

Quarterly Performance									(INR Million)	
Y/E December	CY16				CY17				CY16	CY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net Sales	8,521	9,679	7,589	7,791	8,822	8,704	8,366	8,531	33,580	34,423
YoY Change (%)	7.1	5.2	-2.8	-1.2	3.5	-10.1	10.2	9.5	2.2	2.5
Total Expenditure	6,005	6,535	5,488	5,627	6,189	6,609	6,180	6,165	23,655	25,143
EBITDA	2,516	3,144	2,101	2,164	2,633	2,095	2,186	2,366	9,925	9,280
YoY Change (%)	34.3	15.2	-1.2	3.4	4.7	-33.4	4.1	9.3	12.5	-6.5
Margins (%)	29.5	32.5	27.7	27.8	29.8	24.1	26.1	27.7	29.6	27.0
Depreciation	86	149	107	108	123	118	115	115	450	471
Interest	4	7	1	3	3	1	4	7	15	15
Other Income	223	202	183	389	185	155	212	270	997	822
PBT	2,649	3,190	2,176	2,442	2,692	2,131	2,279	2,513	10,457	9,616
Tax	925	1,121	778	884	902	752	775	940	3,708	3,365
Rate (%)	35	35	36	36	34	35	34	37	35	35
PAT	1,724	2,069	1,398	1,558	1,790	1,379	1,504	1,573	6,749	6,250
YoY Change (%)	48.4	12.1	-2.4	10.7	3.8	-33.3	7.6	0.9	15.4	-7.4
Margins (%)	20.2	21.4	18.4	20.0	20.3	15.8	18.0	18.4	20.1	18.2

E: MOSL Estimates

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Delta Corp

Bloomberg	DELTA IN
Equity Shares (m)	267.1
M. Cap. (INR b)/(USD b)	56 / 1
52-Week Range (INR)	218 / 95
1,6,12 Rel Perf. (%)	11 / -2 / 6

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	4.5	6.8	8.7	10.6
EBITDA	1.6	2.5	3.3	4.1
Adj. PAT	0.7	1.5	2.1	2.7
Adj. EPS (INR)	3.1	5.6	7.7	9.9
EPS Gr. (%)	125.5	82.8	38.8	28.4
BV/Sh.(INR)	39.7	59.2	65.4	73.6
RoE (%)	8.1	11.9	12.4	14.3
RoCE (%)	8.7	11.4	12.5	21.1
Payout (%)	13.2	25.9	20.2	16.9

Valuations

P/E (x)	68.4	37.4	27.0	21.0
P/BV (x)	5.3	3.5	3.2	2.8
EV/EBITDA (x)	35.2	21.6	15.8	12.1
Div. Yield (%)	0.2	0.6	0.6	0.7

CMP: INR209 TP: INR232 (+11%) Buy

- n We expect revenue to grow 34% YoY to INR1,800m, driven by the casino business in Goa and Sikkim, as well as the amalgamation of Adda52.
- n EBITDA margin is likely to shrink 420bp YoY to 38%, and EBITDA should grow 20.6% YoY to INR684m.
- n Net profit is likely to increase 27.6% YoY to INR413m. **Buy.**

Key issues to watch for

- Ø Commencement of Sikkim airport.
- Ø Expansion plans of online business.

Consolidated - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	1,087	1,343	1,036	1,081	1,286	1,800	1,864	1,892	4,547	6,827
YoY Change (%)	34.6	43.8	3.4	5.3	18.4	34.0	80.0	75.0	21.2	50.1
Total Expenditure	671	776	723	737	833	1,116	1,230	1,230	2,907	4,369
EBITDA	415	567	313	344	453	684	634	662	1,640	2,458
Margins (%)	38.2	42.2	30.2	31.8	35.2	38.0	34.0	35.0	36.1	36.0
Depreciation	91	93	89	87	89	105	112	112	361	423
Interest	87	87	82	94	70	33	0	0	350	80
Other Income	9	11	11	19	37	70	70	70	49	210
PBT before EO expense	246	399	152	182	332	616	592	620	978	2,165
Extra-Ord expense	-46	2	5	0	-18	0	0	0	42	0
PBT	292	397	147	181	350	616	592	620	936	2,165
Tax	85	91	40	64	127	203	178	186	280	671
Rate (%)	29.2	22.9	27.2	35.4	36.1	33.0	30.0	30.0	29.9	31.0
Minority Interest & P/L of Asso. Cos.	4	-16	6	3	1	0	0	0	2	3
Reported PAT	202	322	101	114	223	413	414	434	654	1,491
Adj PAT	170	323	105	114	211	413	414	434	683	1,491
YoY Change (%)	2,539.9	494.1	-9.4	-29.3	24.4	27.6	296.2	281.3	118.8	118.2
Margins (%)	15.6	24.1	10.1	10.5	16.4	22.9	22.2	23.0	15.0	21.8

E: MOSL Estimates

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Indo Count Industries

Bloomberg	ICNT IN
Equity Shares (m)	197.4
M. Cap. (INR b)/(USD b)	21 / 0
52-Week Range (INR)	210 / 95
1,6,12 Rel Perf. (%)	-6 / -51 / -39

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	22.6	21.0	23.0	25.0
EBITDA	4.3	3.4	3.9	4.4
NP	2.6	1.8	2.1	2.5
EPS (INR)	13.0	8.9	10.8	12.5
EPS Gr. (%)	-10.7	-31.7	21.2	16.4
BV/Sh. (INR)	42.9	52.7	64.8	76.1
RoE (%)	34.8	18.6	18.3	17.8
RoCE (%)	26.5	16.5	17.3	26.7

Valuations

P/E (x)	8.3	12.2	10.0	8.6
P/BV (x)	2.5	2.0	1.7	1.4
EV/EBITDA (x)	5.6	6.7	5.7	4.8
EV/Sales (x)	1.1	1.1	1.0	0.8

CMP: INR108 TP: INR118 (+10%) Neutral

- We expect revenue to remain flat YoY (+33% QoQ) at INR5,763m in 2QFY18 due to the after-effects of destocking on account of GST.
- EBITDA margin is likely to contract 310bp YoY to 17.1%, and EBITDA is likely to decline 15% YoY to INR986m.
- PAT is expected to de-grow 17.5% YoY to INR517m in 2QFY18.

Key things to watch for

- ⊗ Impact on raw material prices on account of increased cotton acreage.
- ⊗ Impact on margin going forward due to a reduction in duty drawback.

Standalone - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	4,926	5,763	5,029	5,129	4,318	5,763	5,331	5,642	22,578	21,020
YoY Change (%)	7.6	0.0	0.4	-0.1	-12.4	0.0	6.0	10.0	7.0	-6.9
Total Expenditure	3,824	4,599	4,009	4,228	3,665	4,778	4,430	4,756	18,294	17,615
EBITDA	1,103	1,164	1,020	901	653	986	901	886	4,285	3,405
Margins (%)	22.4	20.2	20.3	17.6	15.1	17.1	16.9	15.7	19.0	16.2
Depreciation	80	73	79	79	75	105	110	105	331	395
Interest	98	116	91	89	82	80	90	90	421	342
Other Income	0	0	0	0	0	0	0	0	0	0
PBT	924	975	849	733	496	801	701	691	3,532	2,668
Tax	321	348	287	245	177	283	235	229	965	915
Rate (%)	34.8	35.7	33.8	33.4	35.6	35.4	33.6	33.1	27.3	34.3
Reported PAT	603	627	562	488	320	517	465	462	2,567	1,753
Adj PAT	603	627	562	488	320	517	465	462	2,567	1,753
YoY Change (%)	15.6	21.5	-27.3	-28.1	-47.0	-17.5	-17.2	-5.3	-10.7	-31.7
Margins (%)	12.2	10.9	11.2	9.5	7.4	9.0	8.7	8.2	11.4	8.3

E: MOSL Estimates

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Info Edge

Bloomberg	INFOE IN
Equity Shares (m)	126.4
M. Cap. (INR b)/(USD b)	134 / 2
1863	1238 / 752
1,6,12 Rel Perf. (%)	11 / 21 / 1

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	119.0	163.1	217.9	280.6
EBITDA	9.8	13.6	18.5	24.1
NP	4.8	7.9	11.0	14.5
EPS (Rs)	7.7	12.7	17.6	23.3
EPS Gr. (%)	34.5	65.8	38.7	31.9
BV/Share	61.6	70.5	82.8	99.1
RoE (%)	17.9	19.3	23.0	25.6
RoCE (%)	14.2	16.5	23.2	25.7

Valuations

P/E (x)	143.9	86.8	62.6	47.5
P/BV (x)	17.9	15.7	13.3	11.1
EV/EBITDA (x)	62.8	45.5	33.4	25.6
EV/Sales (x)	5.2	3.8	2.8	2.2

CMP: INR1059 TP: INR1130 (+7%) Buy

- n We expect standalone revenue to grow 10.2% YoY to INR2.3b.
- n Recruitment segment (~75% of business) is estimated to grow 10.2% YoY to INR1.68b.
- n We estimate real estate portal 99acres.com's revenue at INR333m (8% YoY) and that of matrimonial portal Jeevansathi.com at INR161m (up 12.5% YoY).
- n Revenue growth in Naukri.com has been under pressure because of a policy change in the sales incentive structure, of which normalization didn't pan out as expected.
- n 99acres.com continues to be impacted by the slowdown in the real estate market and uncertainty around RERA.
- n Our EBITDA margins estimate for the quarter stands at 32.0% compared to 31.6% in the previous quarter, and 33.1% in 2QFY17.
- n Consequently, we expect PAT of INR667m (up 6.4% YoY, excluding the exceptional item in 2QFY17).

Key things to watch for

- Ø Impact of consolidation in the real estate segment, and outlook on ad spends given state of competitive dynamics
- Ø Traction in the recruitment business from segments other than IT
- Ø Commentary around monetization in Zomato.com

Standalone - Quarterly Earning

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	26,524	27,953	33,394	31,106	35,981	39,118	45,749	42,616	118,977	163,464
YoY Change (%)	-	-	-	40.6	35.7	39.9	37.0	37.0	38.6	37.4
Total Expenditure	24,176	25,449	30,511	29,029	32,949	35,597	41,723	39,675	109,165	149,945
EBITDA	2,348	2,504	2,883	2,077	3,032	3,521	4,026	2,940	9,812	13,519
Margins (%)	8.9	9.0	8.6	6.7	8.4	9.0	8.8	6.9	8.2	8.3
Depreciation	288	323	314	354	337	380	410	450	1,278	1,577
Interest	281	321	310	308	243	0	0	0	1,220	243
Other Income	49	53	85	99	228	46	46	46	286	367
PBT before EO expense	1,828	1,914	2,344	1,515	2,680	3,187	3,662	2,537	7,600	12,066
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	1,828	1,914	2,344	1,515	2,680	3,187	3,662	2,537	7,600	12,066
Tax	643	666	825	548	932	1,084	1,245	862	2,683	4,124
Rate (%)	35.2	34.8	35.2	36.2	34.8	34.0	34.0	34.0	35.3	34.2
Minority Interest & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	129	0
Reported PAT	1,184	1,247	1,519	967	1,748	2,103	2,417	1,674	4,788	7,942
Adj PAT	1,184	1,247	1,519	967	1,748	2,103	2,417	1,674	4,788	7,942
YoY Change (%)	-	-	-	47.4	47.6	68.6	59.1	73.2	49.5	65.9
Margins (%)	4.5	4.5	4.5	3.1	4.9	5.4	5.3	3.9	4.0	4.9

E: MOSL Estimates

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InterGlobe Aviation

Bloomberg	INDIGO IN
Equity Shares (m)	360.4
M. Cap. (INR b)/(USD b)	304 / 4
52-Week Range (INR)	1372 / 702
1,6,12 Rel Perf. (%)	-2 / -17 / -37

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	185.8	233.9	291.1	351.8
EBITDA	21.4	29.8	38.7	54.4
NP	16.6	21.2	31.3	45.1
EPS (INR)	43.2	55.2	81.6	117.4
EPS Gr. (%)	-16.6	27.8	47.7	43.9
BV/Sh (INR)	98.5	170.4	179.3	192.1
RoE (%)	51.0	41.1	46.6	63.2
RoCE (%)	31.4	31.9	49.3	65.7
Payout (%)	89.1	89.1	89.1	89.1

Valuations

P/E (x)	25.5	19.9	13.5	9.4
P/BV (x)	11.2	6.5	6.1	5.7
Adj.EV/EBITDAR(x)	11.7	9.0	7.6	6.2
Div. Yield (%)	2.9	3.7	5.5	7.9

CMP: INR1,100 TP: INR1,142 (+4%) Neutral

- n We expect INDIGO to report revenue of INR49.6b in 2QFY18 (+19% YoY, -14% QoQ) and EBITDAR of INR11.9b (+23% YoY, -39% QoQ).
- n We model ticket yield at INR3.35 (+2.3% YoY, +12.5% QoQ) and RPK at 12.9b (+18% YoY). Any deviation in yield would have a meaningful impact on our estimates.
- n We model ATF at INR50/liter (+2% YoY, -5.2% QoQ) for 2QFY18 and expect INDIGO to report net profit of INR2.2b.
- n We model ASK at 65b/78b in FY18/FY19 v/s 54b in FY17, and RPK at 56b/69b in FY18/FY19 v/s 46.3b in FY17, driven by an increase in fleet size.
- n The stock trades at 13.5x FY19E reported EPS of INR81.6 and at an EV of 7.6x FY19E adjusted EBITDAR. Maintain **Neutral**.

Key issues to watch for

- Ø Induction of new aircraft in the fleet.
- Ø Fuel costs and their impact on yields.

Quarterly performance

Y/E March	(INR Million)									
	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	45,789	41,669	49,865	48,482	57,529	49,659	66,080	60,633	185,805	233,902
YoY Change (%)	8.7	17.7	16.0	18.5	25.6	19.2	32.5	25.1	15.1	25.9
Fuel cost	13,674	15,524	16,712	17,734	17,929	18,014	22,426	23,478	63,644	81,848
Employee cost	4,789	5,080	5,273	5,339	5,843	6,092	6,903	6,983	20,482	81,848
Other expenses	12,046	11,388	13,471	12,087	14,250	13,641	15,815	15,858	48,992	59,564
Total Expenditure	30,509	31,992	35,457	35,160	38,022	37,748	45,145	46,319	133,118	167,234
EBITDAR	15,279	9,677	14,409	13,322	19,507	11,911	20,936	14,314	52,687	66,668
Margins (%)	33	23	29	27	34	24	32	24	28	29
Net Rentals	7,127	7,721	8,164	8,242	8,537	8,605	9,796	9,899	31,254	36,836
EBITDA	8,152	1,956	6,245	5,080	10,970	3,306	11,140	4,415	21,433	29,832
Margins (%)	17.8	4.7	12.5	10.5	19.1	6.7	16.9	7.3	11.5	12.8
Depreciation	1,148	1,189	1,184	1,052	983	1,248	1,243	1,001	4,573	4,476
Interest	1,163	610	759	777	770	732	770	745	3,308	3,016
Other Income	1,626	1,608	1,719	2,938	2,026	1,768	1,805	1,742	7,891	7,342
PBT	7,467	1,765	6,022	6,190	11,243	3,095	10,932	4,412	21,443	29,682
Tax	1,549	367	1,149	1,786	3,132	898	3,170	1,279	4,852	8,479
Rate (%)	20.7	20.8	19.1	28.9	27.9	29.0	29.0	29.0	22.6	28.6
Reported PAT	5,918	1,398	4,873	4,403	8,111	2,198	7,762	3,132	16,592	21,203
EPS	15.4	3.6	12.7	11.5	21.1	5.7	20.2	8.2	43.2	55.2
YoY Change (%)	-8.8	24.1	-25.9	-24.0	37.1	57.2	59.3	-28.9	-17.0	27.8

E: MOSL Estimates

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Kaveri Seed

Bloomberg	KSCL IN
Equity Shares (m)	69.1
M. Cap. (INR b)/(USD b)	36 / 1
52-Week Range (INR)	708 / 358
1,6,12 Rel Perf. (%)	-5 / -12 / 14

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	7.0	8.1	9.3	10.5
EBITDA	1.4	2.3	2.7	3.1
NP	0.8	2.2	2.7	3.1
EPS (INR)	19.1	34.0	41.0	47.3
EPS Gr. (%)	-21.4	78.6	20.4	15.3
BV/Sh (INR)	146.8	139.2	159.8	186.7
RoE (%)	13.6	23.3	27.4	27.3
RoCE (%)	16.0	25.1	29.6	29.5
Payout (%)	32.2	52.9	49.8	43.2
Valuations				
P/E (x)	27.2	15.2	12.7	11.0
P/BV (x)	3.5	3.7	3.2	2.8
EV/EBITDA (x)	25.6	15.6	12.7	10.8
Div Yield (%)	0.6	2.8	3.2	3.2

CMP: INR519 TP: INR738 (+42%) Buy

- We expect revenue to grow 10% YoY to INR745m in 2QFY18. The company's focus on the non-cotton business and strengthening of the distribution network is expected to drive growth.
- We expect EBITDA margin to expand 80bp to 5.8%, and EBITDA to grow 28% to INR43m in 2QFY18.
- We expect adjusted PAT of INR73m in 2QFY18, as against INR77m in the year-ago period. **Buy.**

Key things to watch for

- ❌ Inventory and write-off in FY18.
- ❌ Rise in cotton acreages with a rise in prices.
- ❌ Cotton yields.

Quarterly Performance

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	4,940	678	679	403	5,906	745	814	484	7,050	8,052
YoY Change (%)	-8.4	2.2	-2.7	-1.9	19.6	10.0	20.0	20.0	-1.6	14.2
Total Expenditure	3,357	644	644	675	3,837	702	636	531	5,654	5,781
EBITDA	1,583	34	34	-272	2,069	43	178	-47	1,395	2,271
Margins (%)	32.0	5.0	5.0	-67.4	35.0	5.8	21.9	-9.8	19.8	28.2
Depreciation	78	72	69	66	63	89	76	80	302	284
Interest	0	0	0	0	2	2	2	0	2	5
Other Income	54	170	101	18	43	140	117	48	344	361
PBT before EO expense	1,559	132	66	-320	2,046	92	217	-80	1,435	2,344
PBT	1,559	132	-527	-912	2,046	92	217	-80	843	2,344
Tax	15	54	30	-40	22	19	43	-3	70	94
Rate (%)	1.0	41.1	-5.7	4.4	1.1	21.0	20.0	4.2	8.3	4.0
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0		
Reported PAT	1,544	77	-557	-872	2,024	73	174	-76	773	2,250
Adj PAT	1,544	77	69	-306	2,024	73	174	-76	1,316	2,250
YoY Change (%)	-29.6	NM	-40.9	NM	31.1	-6.1	150.0	-75.0	-55.1	70.9
Margins (%)	31.3	11.4	10.2	-75.9	34.3	9.8	21.3	-15.8	18.7	27.9

E: MOSL Estimates

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Manpasand Beverages

Equity Shares (m)	MANB IN
M. Cap. (INR b)/(USD b)	114.4
52-Week Range (INR)	55 / 1
1,6,12 Rel Perf. (%)	512 / 253
Equity Shares (m)	18 / 28 / 13

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	7.2	10.2	15.2	19.9
EBITDA	1.4	2.0	3.0	3.9
NP	0.7	1.1	1.7	2.3
Adj EPS (INR)	6.3	9.7	15.3	20.4
EPS Gr. (%)	43.8	53.4	56.7	33.6
BV/Sh. (INR)	100.8	108.1	119.6	135.0
RoE (%)	7.3	8.2	13.4	16.0
RoCE (%)	8.4	9.3	15.2	18.2

Valuations

P/E (x)	75.1	49.0	31.3	23.4
P/BV (x)	4.7	4.4	4.0	3.5
EV/EBITDA (x)	37.4	26.3	17.6	13.2
EV/Sales (x)	7.3	5.2	3.5	2.6

CMP: INR477 TP: INR534 (12%) Buy

- We expect revenue to grow 25% YoY to INR1,281m in 2QFY18, with healthy growth in *Mango Sip* and *Fruits Up*, and increased traction in the recently launched *Jeera Sip*.
- EBITDA margin is likely to contract 80bp to 20.9%, and EBITDA is expected to grow 20% YoY to INR268m.
- The pilot for tie-up with Parle Products has been initiated in West Bengal, and should boost its distribution network.
- We estimate PAT at INR62m, as against INR54m in 2QFY17, growth of 15.3% YoY. **Buy.**

Key issues to watch for

- Ø Update on expected tie-ups for products other than *Mango Sip*.
- Ø Update on advertisement campaigns and plans ahead.
- Ø Update on commissioning of new plants.

Standalone - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	2,369	1,025	1,025	2,734	3,015	1,281	1,639	4,320	7,171	10,235
YoY Change (%)	63.1	34.6	11.6	28.6	27.2	25.0	60.0	58.0	34.8	42.7
Total Expenditure	1,917	803	844	2,217	2,451	1,013	1,329	3,443	5,773	8,219
EBITDA	453	222	181	518	563	268	310	877	1,398	2,016
Margins (%)	19.1	21.7	17.6	18.9	18.7	20.9	18.9	20.3	19.5	19.7
Depreciation	149	171	177	241	237	216	230	260	738	965
Interest	1	8	2	1	4	2	1	1	12	0
Other Income	17	17	60	85	98	21	46	50	179	215
PBT	320	61	61	361	421	71	125	666	827	1,266
Tax	33	7	13	48	62	8	20	79	101	152
Rate (%)	10.4	10.8	21.9	13.2	14.7	11.8	16.2	11.8	12.2	12.0
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0
Reported PAT	286	54	48	313	359	62	105	587	726	1,114
Adj PAT	286	54	48	313	359	62	105	587	726	1,114
YoY Change (%)	82.5	24.5	-1.4	22.5	25.3	15.3	118.2	87.4	43.8	53.4
Margins (%)	12.1	5.3	4.7	11.5	11.9	4.9	6.4	13.6	10.1	10.9

E: MOSL Estimates

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MCX

Bloomberg	MCX IN
Equity Shares (m)	51.0
M. Cap. (INR b)/(USD b)	53 / 1
52-Week Range (INR)	1411 / 932
1,6,12 Rel Perf. (%)	-2 / -17 / -32

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	24.7	27.6	31.3	35.7
EBITDA	2.8	3.2	3.9	4.8
NP	1.7	2.0	2.5	3.1
EPS (INR)	13.5	15.7	19.4	24.3
EPS Gr. (%)	6.8	16.2	23.8	24.8
BV/Sh.(INR)	103.0	115.1	130.3	149.8
RoE (%)	13.9	14.4	15.8	17.3
RoCE (%)	14.1	14.5	16.0	17.3
Payout (%)	19.5	23.1	21.7	19.9
Valuations				
P/E (x)	53.7	46.2	37.3	29.9
P/BV (x)	7.0	6.3	5.6	4.8
EV/EBITDA (x)	31.6	27.0	21.5	17.0
Dividend yield	0.3	0.4	0.5	0.6

CMP: INR1,048 TP: INR1,300 (+24%)**Buy**

- Total volumes at MCX traded during the quarter stood at INR14.1t, up 17.0% QoQ and down 14.0% YoY.
- Volumes at MCX have been severely impacted post demonetization. Barring bullion, other commodities have been seeing stability in the past few months. Gold volumes in 2QFY18 are down 38.7% YoY. However, volumes have seen a sharp rebound on a sequential basis, growing by 12.0% YoY, which is an encouraging sign.
- Despite the volume decline of 14.0% YoY on MCX, our revenue growth estimate stands at +8.3% YoY, given the fact that it took a ~25% price hike in late 2017.

Key things to watch for

- Roadmap of the launch of Options
- Expectations of volume revival
- Pace of reforms under SEBI

Quarterly Performance

	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Sales	582	596	634	574	557	645	686	727	2,386	2,615
Q-o-Q Gr. (%)	16.9	2.3	6.5	-9.5	-3.0	15.9	6.4	5.9	11.7	9.6
Staff Costs	143	144	198	160	162	164	166	168	644	661
Other expenses	265	257	296	335	297	306	311	315	1,116	1,130
Depreciation	49	42	45	49	54	54	54	54	186	215
EBIT	125	152	96	30	44	121	156	190	440	610
Margins (%)	21.5	25.6	15.1	5.2	8.0	18.8	22.7	26.1	18.4	23.3
Other Income	356	359	363	295	353	372	386	397	1,373	1,507
PBT bef. Exceptional items	480	511	459	325	396	493	542	586	1,811	2,115
Tax	152	134	119	106	99	123	135	146	512	504
Rate (%)	31.7	26.3	26.0	32.6	25.0	25.0	25.0	25.0	28.3	23.8
PAT	328	376	339	219	297	370	406	440	1,299	1,611
Q-o-Q Gr. (%)	14.1	14.8	-9.9	-35.5	35.9	24.4	9.9	8.3	210.6	27.6
EPS (INR)	6.5	7.4	6.7	4.3	5.8	7.2	8.0	8.6	25.5	31.6
Total volumes (INR t)	16.0	16.4	13.9	12.4	12.0	14.1	15.6	16.9	58.7	58.6
Q-o-Q Gr. (%)	7.3	2.3	-15.2	-10.3	-3.4	17.0	11.1	8.0		
Y-o-Y Gr. (%)	17.7	10.3	6.4	-16.5	-24.8	-14.0	12.6	35.7	4.1	-0.1

E: MOSL Estimates

Sagar Lele – Research Analyst (Sagar.Lele@MotilalOswal.com)

Ashish Chopra – Research Analyst (Ashish.Chopra@MotilalOswal.com)

Navneet Education

Bloomberg	NELI IN
Equity Shares (m)	233.5
M. Cap. (INR b)/(USD b)	39 / 1
52-Week Range (INR)	194 / 94
1,6,12 Rel Perf. (%)	-1 / -8 / 49

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	11.8	13.5	15.7	18.1
EBITDA	2.8	3.1	3.7	4.3
NP	1.7	2.0	2.4	2.9
Adj. EPS (INR)	7.3	8.4	10.4	12.5
Adj. EPS Gr. (%)	61.9	15.5	23.6	19.5
BV/Sh(INR)	29.7	34.4	40.4	47.8
RoE (%)	26.7	26.3	27.9	28.3
RoCE (%)	23.9	22.0	24.4	25.7

Valuations

P/E (x)	22.3	19.3	15.6	13.1
P/BV (x)	5.5	4.7	4.0	3.4
EV/EBITDA (x)	14.1	12.6	10.1	8.4
EV/Sales (x)	3.3	2.9	2.4	2.0

CMP: INR163 TP: INR209 (+28%) Buy

- We expect revenue to grow 25% to INR2,142m in 2QFY18. The quarter is expected to witness spillover of revenue of supplementary books from 1QFY18.
- EBITDA is expected to grow 44% YoY to INR428m. EBITDA margin would expand 260bp YoY to 20%.
- The Publication business is expected to witness strong growth in FY18 on account of syllabus change in Maharashtra/Gujarat and strong order book visibility.
- We expect adjusted PAT to increase by 49.7% to INR278m in 2QFY18. **Buy.**

Key issues to watch for

- Ø New series launches under Indiannica.
- Ø Syllabus change in Maharashtra and Gujarat.
- Ø

Standalone - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	5,602	1,714	1,566	2,098	5,652	2,142	2,067	2,843	11,813	13,457
YoY Change (%)	8.5	46.0	38.6	11.9	0.9	25.0	32.0	35.5	24.0	13.9
Total Expenditure	3,853	1,416	1,363	1,819	4,028	1,714	1,736	2,371	9,001	10,402
EBITDA	1,749	298	203	279	1,624	428	331	472	2,813	3,055
Margins (%)	31.2	17.4	13.0	13.3	28.7	20.0	16.0	16.6	23.8	22.7
Depreciation	60	62	65	64	53	69	77	82	284	350
Interest	23	0	1	11	26	3	2	12	43	40
Other Income	76	45	55	40	123	41	33	48	152	206
PBT before EO expense	1,743	281	193	244	1,668	397	285	426	2,638	2,871
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	1,743	281	193	244	1,668	397	285	426	2,638	2,871
Tax	607	95	66	75	572	119	85	94	827	900
Rate (%)	34.8	33.9	34.3	30.8	34.3	30.0	30.0	22.0	31.3	31.3
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0
Reported PAT	1,136	186	126	169	1,097	278	199	332	1,811	1,971
Adj PAT	1,136	186	126	169	1,097	278	199	332	1,811	1,971
YoY Change (%)	15.5	69.8	68.3	80.1	-3.4	49.7	57.6	97.1	50.7	8.8
Margins (%)	20.3	10.8	8.1	8.0	19.4	13.0	9.6	11.7	15.3	14.6

E: MOSL Estimates

Niket Shah (Niket.Shah@MotilalOswal.com)

Aksh Vashishth (Aksh.Vashishth@MotilalOswal.com)

PI Industries

Bloomberg	PI IN
Equity Shares (m)	136.6
M. Cap. (INR b)/(USD b)	101 / 2
52-Week Range (INR)	950 / 674
1,6,12 Rel Perf. (%)	6 / -17 / -23

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	23.8	25.3	28.6	32.5
EBITDA	5.5	5.7	6.7	7.7
NP	4.6	4.2	4.9	5.7
EPS (INR)	33.4	30.4	35.8	41.3
EPS Gr. (%)	46.4	-8.9	17.6	15.4
BV/Sh. (INR)	118.3	142.0	169.8	203.1
RoE (%)	32.8	23.4	22.9	22.1
RoCE (%)	31.0	23.0	22.9	28.0

Valuations

P/E (x)	22.1	24.3	20.7	17.9
P/BV (x)	6.2	5.2	4.4	3.6
EV/EBITDA (x)	18.2	16.8	14.3	12.0
EV/Sales (x)	4.2	3.8	3.3	2.8

CMP: INR739
TP: INR894 (+21%)
Buy

- We expect revenue to grow 15% YoY to INR6.3b, with the pressure on global ag-chem space expected to ease only in 2HFY18.
- We estimate 510bp margin expansion to 17.4%, and expect EBITDA to grow 51% YoY to INR1,091m.
- We estimate adjusted PAT at INR759m, as against INR456m in 2QFY17. **Buy.**

Key things to watch for

- Ø CSM growth and order book.
- Ø New launches and tie-ups.

Standalone - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	6,834	5,440	5,003	6,273	5,848	6,256	5,824	7,233	23,550	25,161
YoY Change (%)	15.4	14.1	-4.5	3.7	-14.4	15.0	16.4	15.3	7.2	6.8
Total Expenditure	5,178	4,719	3,970	4,736	4,544	5,165	4,428	5,316	18,603	19,454
EBITDA	1,656	722	1,034	1,537	1,304	1,091	1,395	1,916	4,948	5,707
Margins (%)	24.2	13.3	20.7	24.5	22.3	17.4	24.0	26.5	21.0	22.7
Depreciation	178	181	183	185	197	210	167	220	727	794
Interest	16	13	12	31	14	9	3	5	72	31
Other Income	113	134	133	-21	126	107	99	112	358	444
PBT before EO expense	1,575	661	973	1,299	1,219	979	1,324	1,803	4,507	5,326
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	1,575	661	973	1,299	1,219	979	1,324	1,803	4,507	5,326
Tax	306	205	33	-53	218	220	298	406	491	1,142
Rate (%)	19.4	31.0	3.4	-4.0	17.9	22.5	22.5	22.5	10.9	21.4
Reported PAT	1,269	456	940	1,352	1,001	759	1,026	1,398	4,016	4,184
Adj PAT	1,269	456	940	1,352	1,001	759	1,026	1,398	4,016	4,184
YoY Change (%)	47.7	-20.0	32.7	40.8	-21.1	66.4	9.2	3.4	29.7	4.2
Margins (%)	18.6	8.4	18.8	21.5	17.1	12.1	17.6	19.3	17.1	16.6

E: MOSL Estimates

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October 2017

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Quess Corp

Bloomberg	QUESS IN
Equity Shares (m)	137.7
M. Cap. (INR b)/(USD b)	113 / 2
52-Week Range (INR)	1068 / 516
1,6,12 Rel Perf. (%)	0 / 9 / 24

Financial Snapshot (INR Billion)

INR million	FY17	FY18E	FY19E	FY20E
Sales	41.6	60.1	72.1	86.6
EBITDA	2.2	3.5	4.5	5.7
NP	1.1	2.2	3.1	4.4
EPS (Rs)	10.0	19.1	27.8	39.2
EPS Growth (%)	354.4	68.6	166.3	177.9
BV/Share (Rs)	73.8	170.9	198.7	237.9
P/E (x)	82.4	43.2	29.7	21.0
P/BV (x)	11.2	4.8	4.1	3.5
EV/EBITDA (x)	43.8	25.8	19.8	15.1
EV/Sales (x)	2.3	1.5	1.2	1.0
RoE (%)	19.0	15.6	15.0	17.9
RoCE (%)	12.6	11.8	12.6	15.5

CMP: INR824 TP: INR990 (+10%) Neutral

- n We expect revenue of INR12b for Quess in 2QFY18, signifying a growth of 20% YoY.
- n Recent acquisitions are expected to get fully integrated in 2HFY18, thereby resulting in a spike of expectations in the next quarter.
- n EBITDA margins at 5.4% are expected to be flattish on a sequential and a YoY basis.
- n Our PAT estimate is INR329m, down 0.8% QoQ and up 9.2% YoY.

Key things to watch for

- Ø Integration of recently acquired entities
- Ø Restructuring of operations in the Industrials segment
- Ø Organic growth momentum, and traction in the general staffing business post GST

Consolidated - Quarterly Earning Model

Y/E March	FY17				FY18				(INR m)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY17	FY18E
Net Sales	9,910	10,177	10,266	11,221	11,881	12,212	18,013	18,013	41,574	60,118
YoY Change (%)	35.7	26.9	13.3	12.6	19.9	20.0	75.5	60.5	21.0	44.6
Total Expenditure	9,382	9,626	9,703	10,634	11,246	11,551	16,906	16,906	39,346	56,608
EBITDA	528	551	563	586	635	662	1,107	1,107	2,228	3,510
Margins (%)	5.3	5.4	5.5	5.2	5.3	5.4	6.1	6.1	5.4	5.8
Depreciation	60	69	69	65	67	70	112	112	263	361
Interest	92	98	121	153	161	180	26	26	465	392
Other Income	7	57	60	29	34	35	76	76	153	220
PBT before EO expense	382	441	432	396	441	447	1,045	1,045	1,652	2,978
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	382	441	432	396	441	447	1,045	1,045	1,652	2,978
Tax	135	140	126	116	115	118	291	291	518	816
Rate (%)	35.4	31.7	29.2	29.4	26.2	26.4	27.9	27.9	31.3	27.4
Minority Interest & P/L of Asso. Cos.	0	0	-4	3	-6	0	3	3	-1	0
Reported PAT	247	301	311	277	331	329	751	751	1,136	2,162
Adj PAT	247	301	311	277	331	329	751	751	1,136	2,162
YoY Change (%)	37.1	65.9	80.0	-20.9	34.1	9.2	141.8	171.2	28.4	90.4
Margins (%)	2.5	3.0	3.0	2.5	2.8	2.7	4.2	4.2	2.7	3.6

E: MOSL Estimates

Sagar Lele – Research Analyst (Sagar.Lele@MotilalOswal.com)

Ashish Chopra – Research Analyst (Ashish.Chopra@MotilalOswal.com)

SH Kelkar

Equity Shares (m)	SHKL IN
M. Cap. (INR b)/(USD b)	144.6
52-Week Range (INR)	38 / 1
1,6,12 Rel Perf. (%)	362 / 237
Equity Shares (m)	3 / -16 / -25

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	10.6	11.2	13.2	15.8
EBITDA	1.7	1.7	2.2	2.7
NP	1.0	1.1	1.4	1.8
Adj EPS (INR)	7.2	7.6	9.9	12.2
EPS Gr. (%)	43.5	4.9	30.5	22.5
BV/Sh. (INR)	56.1	61.5	68.6	77.2
RoE (%)	13.7	12.9	15.2	16.7
RoCE (%)	19.0	18.9	22.8	25.0

Valuations

P/E (x)	36.6	34.9	26.7	21.8
P/BV (x)	4.7	4.3	3.9	3.4
EV/EBITDA (x)	23.2	21.8	17.2	14.2
EV/Sales (x)	3.6	3.4	2.9	2.4

CMP: INR265

TP: INR298 (+12%)

Buy

- n We expect revenue to grow 12% YoY to INR2.9b in 2QFY18, as the fragrance division is expected to witness a recovery in consumer demand post hiccups during GST transition phase.
- n EBITDA margin is likely to expand 190bp to 17.7% on account of increased efforts to optimize cost. EBITDA is expected to grow 26% YoY to INR523m.
- n We estimate PAT at INR333m, as against INR243m in 2QFY17, an increase of 37%. **Buy.**

Key issues to watch for

- Ø Revival in Fragrances business.
- Ø New launches in FMCG companies, and service income levels.

Consolidated - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	2,768	2,636	2,319	2,698	2,529	2,953	2,620	3,102	10,421	11,204
YoY Change (%)	25.2	18.0	-5.3	-6.5	-8.6	12.0	13.0	15.0	6.6	7.5
Total Expenditure	2,294	2,220	2,101	2,328	2,102	2,430	2,309	2,625	8,766	8,623
EBITDA	474	416	218	370	427	523	312	478	1,655	2,582
Margins (%)	17.1	15.8	9.4	13.7	16.9	17.7	11.9	15.4	15.9	23.0
Depreciation	44	49	48	53	58	50	51	60	194	219
Interest	17	22	2	10	6	6	3	6	51	21
Other Income	32	29	19	40	38	33	25	44	119	140
PBT before EO expense	444	375	186	346	401	500	283	456	1,529	2,481
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	444	375	186	346	401	500	283	456	1,529	2,481
Tax	169	132	110	71	133	167	95	150	482	545
Rate (%)	38.1	35.1	59.0	20.7	33.1	33.4	33.6	33.0	31.5	22.0
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0
Reported PAT	275	243	76	274	268	333	188	305	1,047	1,936
Adj PAT	275	243	76	274	268	333	188	305	1,047	1,936
YoY Change (%)	41.0	246.0	-65.0	12.5	-2.5	37.0	145.8	11.3	43.9	85.0
Margins (%)	9.9	9.2	3.3	10.2	10.6	11.3	7.2	9.8	10.0	17.3

E: MOSL Estimates

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SRF

Bloomberg	SRF IN
Equity Shares (m)	57.4
M. Cap. (INR b)/(USD b)	90 / 1
52-Week Range (INR)	1970 / 1352
1,6,12 Rel Perf. (%)	3 / -11 / -31

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	48.2	55.3	64.1	73.0
EBITDA	9.7	10.1	12.4	14.7
NP	4.9	4.6	6.0	8.0
EPS (INR)	85.9	80.2	103.0	136.6
EPS Gr. (%)	12.8	-6.6	28.3	32.6
BV/Sh. (INR)	544.6	604.9	684.7	798.0
RoE (%)	16.6	13.7	16.0	18.4
RoCE (%)	17.7	17.6	22.1	26.0

Valuations

P/E (x)	18.2	19.4	15.1	11.4
P/BV (x)	2.9	2.6	2.3	2.0
EV/EBITDA (x)	11.2	10.5	8.4	6.8
EV/Sales (x)	2.2	1.9	1.6	1.4

CMP: INR1,560 TP: INR1,751 (+12%) Buy

- Exports business of ref gas remains strong due to higher HFC32 usage.
- Global agri-chem environment is expected to ease only in 2HFY18, which will enable execution of the deferred order book.
- We expect SRF's revenue to increase 15.5% YoY to INR14b, and EBITDA to rise 9% YoY to INR2,541m.
- We expect EBITDA margin to shrink 100bp YoY to 18.1%, and adjusted PAT to remain flat at INR1,147m. Buy.

Key things to watch for

- Ø Growth in Chemicals segment (particularly Specialty Chemicals).
- Ø Margins in Technical Textiles and Packaging segments.

Consolidated - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	12,994	12,154	12,055	14,164	13,884	14,037	14,104	16,997	48,218	55,309
YoY Change (%)	6	5	10.0	27.3	7	16	17.0	20.0	5.0	14.7
Total Expenditure	10,032	9,827	9,742	12,007	11,793	11,497	11,453	14,142	38,524	45,187
EBITDA	2,962	2,326	2,313	2,157	2,091	2,541	2,652	2,856	9,694	10,122
Margins (%)	22.8	19.1	19.2	15.2	15.1	18.1	18.8	16.8	20.1	18.3
Depreciation	696	735	709	730	758	814	782	733	2,834	3,146
Interest	281	242	269	228	271	217	231	237	1,018	939
Other Income	62	70	64	259	203	68	66	80	455	275
PBT before EO expense	2,047	1,419	1,400	1,459	1,266	1,578	1,705	1,966	6,296	6,312
Extra-Ord expense	0	-72	45	-185	0	0	0	0	-276	0
PBT	2,047	1,491	1,355	1,644	1,266	1,578	1,705	1,966	6,572	6,312
Tax	501	298	271	352	228	431	462	468	1,422	1,704
Rate (%)	24.5	20.0	20.0	21.4	18.0	27.3	27.1	23.8	21.6	27.0
Reported PAT	1,546	1,193	1,084	1,292	1,038	1,147	1,243	1,498	5,150	4,608
Adj PAT	1,546	1,135	1,120	1,147	1,038	1,147	1,243	1,498	4,934	4,608
YoY Change (%)	37.5	3.5	10.1	7.0	-32.8	1.0	11.0	30.6	14.4	-6.6
Margins (%)	11.9	9.3	9.3	8.1	7.5	8.2	8.8	8.8	10.2	8.3

E: MOSL Estimates

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October 2017

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TeamLease Services

Bloomberg	TEAM IN
Equity Shares (m)	17.1
M. Cap. (INR b)/(USD b)	28 / 0
52-Week Range (INR)	1771 / 828
1,6,12 Rel Perf. (%)	8 / 56 / 40

Financial Snapshot (INR Billion)

Y/E March	2017	2018E	2019E	2020E
Sales	30.4	38.0	47.5	59.4
EBITDA	0.4	0.6	0.8	1.1
NP	0.7	0.6	1.0	1.3
EPS (Rs)	38.8	36.8	56.0	78.3
EPS Growth (%)	167.6	-5.1	52.1	39.8
BV/Share (Rs)	222.9	259.7	315.8	394.1
P/E (x)	42.2	44.5	29.2	20.9
P/BV (x)	7.3	6.3	5.2	4.2
EV/EBITDA (x)	59.2	43.6	30.3	22.1
EV/Sales (x)	0.9	0.7	0.5	0.4
RoE (%)	19.2	15.3	19.5	22.1
RoCE (%)	19.0	15.2	19.5	22.1

CMP: INR1620 TP: INR1990 (+23%) Buy

- n We expect revenue growth of 26.2% YoY to INR9.1b, led by continued traction in organic business and the addition of recent IT staffing acquisitions to the previous year's base.
- n The company is expecting a GST-led pick-up in 2HFY18 in the general staffing business, when growth will start looking brighter on a YoY basis.
- n EBITDA margin is expected to be 1.5%, steady on a sequential basis, and higher by 30bp YoY.
- n Our PAT expectation of INR146m (+61.3% YoY) factors in a lower ETR (25.3% in 2QFY18 versus 36.7% in 2QFY17) owing to benefits from Section 80JJAA of the Income Tax Act.

Key issues to watch for

- Ø Expectations around a GST-led pick-up in the general staffing business
- Ø Momentum in the IT staffing business
- Ø Penetration of other HR services in existing customers and new accounts

Consolidated - Quarterly Earning Model

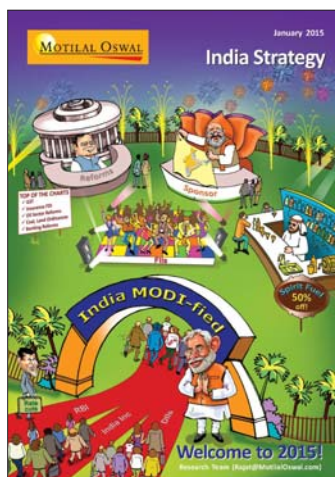
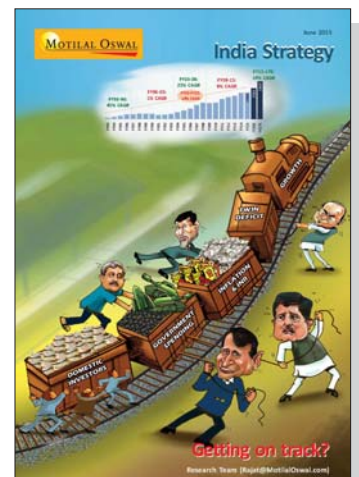
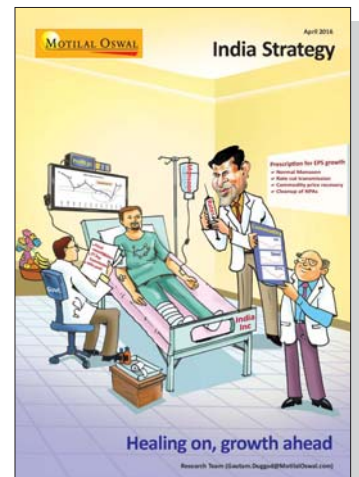
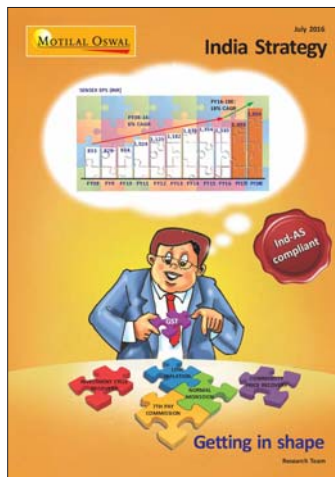
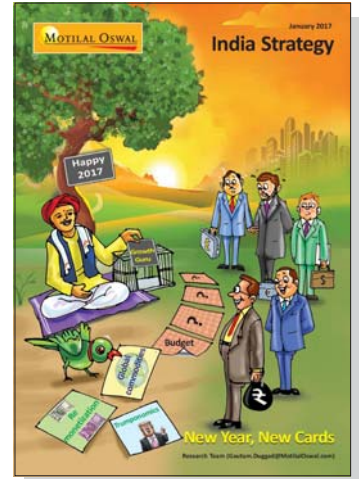
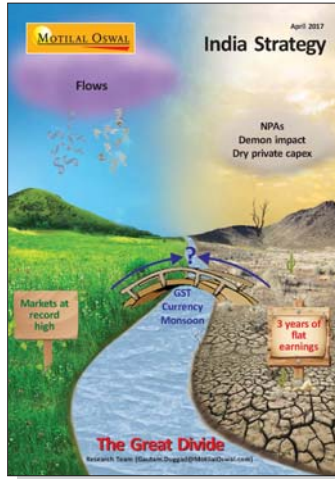
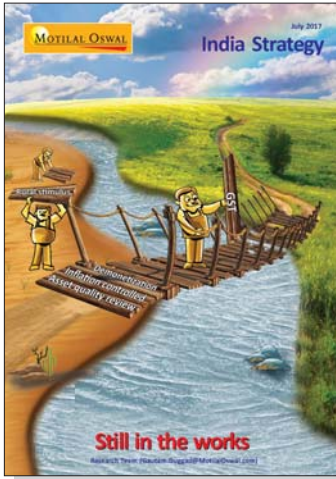
Y/E March	FY17				FY18				FY17	FY18E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	6,878	7,226	8,147	8,168	8,530	9,121	9,728	10,586	30,418	37,964
YoY Change (%)	21.4	12.3	29.1	23.0	24.0	26.2	19.4	29.6	21.4	24.8
Total Expenditure	6,816	7,140	7,999	8,022	8,399	8,983	9,585	10,400	29,976	37,368
EBITDA	62	86	148	146	130	137	143	186	442	597
Margins (%)	0.9	1.2	1.8	1.8	1.5	1.5	1.5	1.8	1.5	1.6
Depreciation	10	10	10	13	20	12	12	12	43	47
Interest	2	3	3	3	2	0	0	0	11	2
Other Income	61	70	37	57	58	70	70	70	224	279
PBT before EO expense	110	143	171	188	166	195	201	244	612	828
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0
PBT	110	143	171	188	166	195	201	244	612	828
Tax	37	52	56	-196	2	49	49	49	-50	198
Rate (%)	33.4	36.7	32.7	-103.9	1.3	25.3	24.6	20.3	-8.2	23.9
Minority Interest & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0
Reported PAT	74	90	115	384	164	146	151	194	663	630
Adj PAT	74	90	115	384	164	146	151	194	663	630
YoY Change (%)	48.7	57.9	132.1	318.7	122.7	61.3	31.3	-49.3	167.3	-5.1
Margins (%)	1.1	1.2	1.4	4.7	1.9	1.6	1.6	1.8	2.2	1.7

E: MOSL Estimates

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Motilal Oswal India Strategy Gallery



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