KRChoksey | institutional

Q4 FY17 RESULT PREVIEW

12th April 2017

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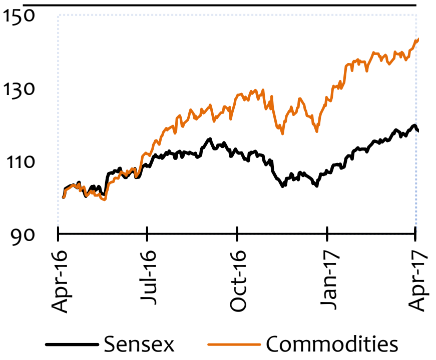
Cement Sector

Demonetization coupled with surge in input costs to lead to a weak quarter

MARKET DATA

Nifty	9,237
Sensex	29,788
CNX Commodities	3,526
USD / INR	64.49

SECTOR PERFORMANCE



Earnings expectation for Q4FY17

We believe that Q4 FY17 will be a weak quarter for cement companies owing to slowdown in construction activities post demonetization, significant surge in pet-coke prices and high base effect. There has been a regional variance in terms of volumes off-take with southern region least impacted. In terms of cement prices during the quarter, northern region witnessed stable prices while there was a 3% q-o-q decline in prices in the southern and western region. We continue to remain bullish on the sector for the long-term and we believe volumes off-take to return to normal levels from Q1FY18 onwards coupled with stability in pet-coke prices.

Expect Q4 volumes to decline significantly on account of demonetization and high base: The total cement volumes declined by 14.45% y-o-y for Jan-Feb 2017 on PAN India basis and we expect a 12.5% de-growth for Q4FY17. The significant de-growth was primarily owing to demonetization impact coupled with high base (Q4FY16 had witnessed a ~11% growth y-o-y). However in terms of specific regions, the southern region outperfomed by witnessing a 1.5% uptick y-o-y on account of high growth in Andhra Pradesh and Telangana. We continue to believe that Southern and Eastern regions will outperform over FY17-FY19E.

Margins to take a hit due to significant surge in pet-coke prices: We estimate that the average pet-coke prices stood at ~$85 for Q4FY17 as against ~$44 in Q4FY16 and will lead to a significant pressure on EBITDA margins of the companies. Further, lower capacity utilizations for the companies y-o-y will result into further decline in margins. We believe that pet-coke prices will continue to remain at these levels for a couple of quarters and hence margins for the companies will remain suppressed.

Dalmia Bharat and Sagar Cements continue to remain our top picks.

Q4FY17 Earnings Outlook of companies under coverage:

Ramco Cements: We expect the company to post muted growth with their top-line displaying a growth of 4.1% y-o-y and 9.3% q-o-q. We expect the cement volumes to grow by 2% y-o-y and 9.17% q-o-q. However we have estimated the realizations to fall by 3% q-o-q. We expect the EBITDA margins to fall by 241 bps y-o-y on account of significant hike in pet-coke prices and EBITDA to decline by 4.4% y-o-y. We expect the net profit to fall by 17.7% y-o-y and net profit margins to reduce by 367 bps y-o-y (low tax base). At CMP of INR 673, we recommend "ACCUMULATE" rating on the stock with a target price of INR 772 translating into an upside of 14.7%

India Cements: We expect the quarter to be subdued for the company with their top-line growing by 1.5% y-o-y and 4.7% q-o-q. We expect the realizations to decline by 2% q-o-q and volumes to grow by 0.5% y-o-y and 6.91% q-o-q. We estimate the EBITDA to decline by 9.6% y-o-y and 3% q-o-q and EBITDA margins to take a hit of 183 bps y-o-y due to hike in fuel costs. However, the shift from imported coal to pet-coke on y-o-y basis will lead to marginal cost savings for the company. We expect net profit to decline by 20.9% y-o-y and increase by 14.4% q-o-q. At CMP of INR 169, we recommend "ACCUMULATE" rating on the stock with a target price of INR 190 translating into an upside of 12.5%.

Dalmia Bharat: We expect the cement volumes to de-grow by 1.5% y-o-y and grow by 7.35% q-o-q and the realizations to decline by 2% y-o-y. Consequently we estimate its topline to degrow by 5.5% y-o-y and grow by 4.3% q-o-q. The subdued volume growth factored in for the company is primarily due to eastern region where volumes de-grew by ~15% during the quarter according to our estimates. We expect the EBITDA margins to remain weak at 21.6% as against 23.1% last year due to hike in pet-coke prices. We expect net profit to decline by 38.9% y-o-y and rise by 96.6% q-o-q. At CMP of INR 2143, we recommend "BUY" rating on the stock with a target price of INR 2540 translating into an upside of 18.52%

Sagar Cements: We expect the quarter to be relatively better for Sagar Cements with a volume growth of 5.5% y-o-y (consolidated basis) and 36.12% q-o-q and realizations to decline by 3% q-o-q. The healthy volume growth was due to high exposure to AP & Telangana (44% of sales) which grew by ~20% y-o-y during the quarter. We expect EBITDA to grow by 35% q-o-q translating into its EBITDA margins at 13.7%. Further we expect its net profit margins at 2.8% as against a negative 0.2% in Q3FY17. At CMP INR 790, we recommend a "BUY" rating on the stock with a target price of INR 972 translating into an upside of 23%

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Cement Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q4FY16	Q3FY17	Q4FY17E	QoQ	YoY	Remarks
Ramco Cements						
Gross Sales	11,669	11,113	12,150	9.3%	4.1%	We expect the company to post muted growth with their topline displaying a growth of 4.1% y-o-y and 9.3% q-o-q. We expect the cement volumes to grow by 2% y-o-y and 9.17% q-o-q. However we have estimated the realizations to fall by 3% q-o-q. We expect the EBITDA margins to fall by 241 bps y-o-y on account of significant hike in pet-coke prices and EBITDA to decline by 4.4% y-o-y. We expect the net profit to fall by 17.7% y-o-y and net profit margins to reduce by 367 bps y-o-y (low tax base).
EBIDTA	3,454	2,944	3,303	12.2%	-4.4%	
Net Profit	2,043	1,519	1,681	10.7%	-17.7%	
OPM (%)	29.6%	26.5%	27.2%	69	-241	
NPM (%)	17.5%	13.7%	13.8%	17	-367	
India Cements						
Gross Sales	13,110	12,710	13,312	4.7%	1.5%	We expect the quarter to be subdued for the company with their topline growing by 1.5% y-o-y and 4.7% q-o-q. We expect the realizations to decline by 2% q-o-q and volumes to grow by 0.5% y-o-y and 6.91% q-o-q. We estimate the EBITDA to decline by 9.6% y-o-y and 3% q-o-q and EBITDA margins to take a hit of 183 bps y-o-y due to hike in fuel costs. We expect net profit to decline by 20.9% y-o-y and increase by 14.4% q-o-q.
EBIDTA	2183	1917	1973	3.0%	-9.6%	
Net Profit	511	353	404	14.4%	-20.9%	
OPM (%)	16.7%	15.1%	14.8%	-26	-183	
NPM (%)	3.9%	2.8%	3.0%	26	-86	
Dalmia Bharat						
Gross Sales	21,733	19,674	20,530	4.3%	-5.5%	We expect the cement volumes to de-grow by 1.5% y-o-y and grow by 7.35% q-o-q and the realizations to decline by 2% y-o-y. Consequently we estimate its topline to degrow by 5.5% y-o-y and grow by 4.3% q-o-q. We expect the EBITDA margins to remain weak at 21.6% as against 23.1% last year due to hike in pet-coke prices. We expect net profit to decline by 38.9% y-o-y and rise by 96.6% q-o-q.
EBIDTA	5019	4211	4439	5.4%	-11.5%	
Net Profit	1149	357	702	96.6%	-38.9%	
OPM (%)	23.1%	21.4%	21.6%	22	-147	
NPM (%)	5.3%	1.8%	3.4%	160	-187	
Sagar Cements						
Gross Sales	1534	2213	2914	31.7%	90.0%	We expect the quarter to be relatively better for Sagar Cements with a volume growth of 5.5% y-o-y (consolidated basis) and 36.12% q-o-q and realizations to decline by 3% q-o-q. We expect EBITDA to grow by 35% q-o-q translating into its EBITDA margins at 13.7%. Further we expect its net profit margins at 2.8% as against a negative 0.2% in Q3FY17. *(The figures for Q4FY16 are standalone figures hence they are strictly not comparable)*
EBIDTA	258	295	398	35.0%	54.4%	
Net Profit	152	-5	82	1645.3%	-46.2%	
OPM (%)	16.8%	13.3%	13.7%	33	-315	
NPM (%)	9.9%	-0.2%	2.8%	305	-711	

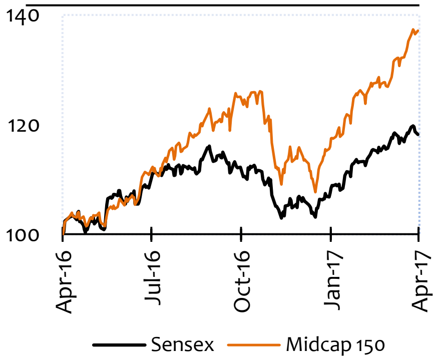
Midcap Sector

Midcaps outperformance to sustain

MARKET DATA

Nifty	9,237
Sensex	29,788
CNX Midcap [150]	5,831
USD / INR	64.49

SECTOR PERFORMANCE



Earnings expectation for Q4FY17

We have nine companies under our midcap coverage namely Indo count industries, VA tech Wabag, Praj Industries, Inox wind, Suzlon, Century Plyboards, Emmbi Industries, GE T&D and Schneider Electric Infra. We expect that improvement in the execution cycle among Capital goods players could help them to deliver decent financial performance during Q4FY17. Further, likely introduction of GST from early FY18 and improvement in the real estate activity could also support building material industry growth. We expect that dealers have built an inventory given the uncertainty on GST rate. Hence, this could result in strong sales growth for the overall industry. Apart from this, decline in the cotton prices and stable yarn prices have capped raw material cost for textile players. Any upcoming demand reversal could support overall top line growth in the coming period.

Decent sales growth likely to continue:

We expect that sales under our midcap coverage companies to increase by 11.6% Y-o-Y to INR 95.5bn. The growth will be largely led by across the sectors primarily from Capital goods, renewable energy, building material etc. We believe that lower interest rate cycle along with robust govt initiatives to augment capacity across all business verticals could result in robust execution during the quarter.

Margins to remain under-pressure "marginally"

Although increase in the execution cycle could result in operating leverage to play out, the upswing in raw material cost could negate that impact. Hence, we expect overall margins to remain at around 13.6% (-50bps Y-o-Y). However, bottom-line is expected to post stellar growth given the lower finance cost.

Q4FY17 Earnings Outlook of companies under coverage:

Indo count Industries:

We expect that revenues for the company could fall by 2.5% YoY to INR 4,941mn. The subdued top line performance could be on account of poor realization in the home textile segment. We expect that realization for home textile products during Q4FY17 could remain at INR 323/mtrs (-17% YoY). We expect that key reason for dismal top-line performance is lower demand from US owing to prolonged summer. EBITDA could fall by 6.8% YoY to INR 1083mn with OPM of 21.9%. The operating margins are expected to improve against Q3FY17. The bottom-line growth could be impacted on account of higher tax outgo.

VA tech wabag:

VA tech could report robust sales growth during Q4FY17 largely on account of strong execution. Sales is expected to increase by 32.7% YoY to INR 11,360mn. The fall in the operational margins as against Q4FY16 is expected to be on account of lower wabag overseas margins.

Praj Industries:

Praj has been struggling to maintain its order book owing to sluggish order flows from its core segment. Moreover, Petrobras order being the largest contributor to the order book has gone for retendering, which will take some more time in finalization. We expect that the company could get around INR 2.65bn of orders during last qtr. Praj has end order book of INR 10.83bn at the end of Q3Y17. We expect that the execution cycle could remain at same level and hence, revenues could fall by 23.3% YoY to INR 2.66bn. OPM could contract by 851bps YoY to 4.6% owing to unabsorbed fixed cost, which could result in overall EBITDA to down by 73.2% YoY to INR 121mn. Lower operational performance could impact bottom-line growth.

Inox wind:

The company had around 226MW of orders to get commissioned at the end of Q3FY17, which we expect to get commission during this qtr. Apart from this, the company could execute around 362MW of contracts during Q4FY17. All this could result in top-line to grow at 5.1% YoY to INR 19.21bn. OPM could remain at stress given the higher share of WTG revenue in the overall pie. EBITDA is expected to decline by 1.8% YoY to INR 2.95bn, while PAT to remain at around INR 2.04bn.

Suzlon:

We expect this qtr will be very robust for Suzlon given the management expects to execute around 500-600MW of contracts. Further, the commissioning will also be strong, which could also fuel overall top-line growth. We expect revenues to increase by 19.4% YoY to 38.8bn. OPM will be expanded by 199bps YoY to 15.7%, which could boost overall operational performance growth. PAT is expected to stand at INR 2.4bn (+570.7% YoY).

Midcap Sector

Century Plyboards:
With GST going to get rolled out from early 2018, we expect that there will be inventory built up in the system given the uncertainty on the rate structure. Further, the govt initiatives for affordable housing could also help building material players. We expect that the growth will be largely led by the economic plywood during this qtr. Further, strong volumes from CFS could also support top-line growth. OPM margins could remain at lower level against Q4FY16 largely on account of lower EBIT margins from laminate segment. PAT growth could be on account of lower taxes.

EMMBI Industries:
We expect the company to post 15% Y-o-Y growth in top-line resulting from healthy sales in pond-liners and exports of advanced composites. We expect the EBITDA margin to improve by 37bps Q-o-Q and but may remain flat Y-o-Y on back of higher operartional cost affected by new lines. PAT margins are expected to improve on lower interest cost but may remain flat on Y-o-Y basis.

GE T&D:
We expect the company to post 6.7% Y-o-Y growth in topline resulting from faster execution of orders. We expect the EBITDA margin to remain under pressure impacted by higher input cost and other expenses leading to margin dilution. PAT margins are expected to decline on higher interest cost.

Schneider Electric Infra
We expect the company to post 7.1% Y-o-Y decline in topline resulting on back of lower order wins. However, EBITDA margins are set to improve led by change in product mix leading to 386bps Y-o-Y improvement and 39bps improvement Q-o-Q. PAT margins are expected to improve on back of lesser loses.

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q4FY16	Q3FY17	Q4FY17E	QoQ	YoY	Remarks
Indo count						
Sales	5,068	4,925	4,941	0.3%	-2.5%	Indo count reported muted growth in Q3FY17 largely on account of lower demand from US. We expect the trend could likely to continue in Q4 as well. We expect that decline in the realization for home textile segment has negated the downside impact to some extent owing to an increase in the volumes. This could result in overall sales to remain at almost same level against Q3FY17; however on YoY basis, we can see decline of around 2.5%. OPM is expected to fall by 102bps YoY to 21.9% largely on account of unabsorbed fixed cost, which could lead overall EBITDA to turn down by 6.8% YoY to INR 1083mn. PAT could fall by 16.4% YoY to INR 551bn, while NPM to stand at 11.2% (-186bps YoY).
EBIDTA	1,163	1,020	1,083	6.3%	-6.8%	
Net Profit	660	820	551	-32.8%	-16.4%	
OPM (%)	22.9%	20.7%	21.9%	123	-102	
NPM (%)	13.0%	16.7%	11.2%	-550	-186	
VA Tech Wabag						
Sales	8,561	7,130	11,360	59.3%	32.7%	VA tech could report robust sales growth during Q4FY17 largely on account of strong execution. Sales is expected to increase by 32.7% YoY to INR 11,360mn. OPM could remain at same level of Q3FY17, however it could show decline against Q4FY16 largely on account of lower OPM from Wabag overseas business. PAT could fall by 3.6% YoY to INR 661mn with NPM of around 5.8% (-219bps YoY).
EBIDTA	1,189	794	1,264	59.1%	6.3%	
Net Profit	685	-26	661	NA	-3.6%	
OPM (%)	13.9%	11.1%	11.1%	-1	-276	
NPM (%)	8.0%	-0.4%	5.8%	618	-219	
Praj Industries						
Sales	3,459	2,327	2,655	14.1%	-23.3%	Praj industries could report dismal revenue growth during Q4 owing to depressed order book resulting in lower execution. The revenue is expected to fall by 23.3% YoY to INR 2,655mn. OPM could remain subdued at 4.6% (-851bps YoY) ensuing in poor operational performance. EBITDA to fall by 73.2% YoY to INR 121mn. The sluggish operating performance could result in poor bottom-line growth. PAT is expected to remain at INR 84mn (-77.9% YoY) with NPM of 3.2% (-781bps YoY).
EBIDTA	453	184	121	-34.2%	-73.2%	
Net Profit	380	120	84	-29.8%	-77.9%	
OPM (%)	13.1%	7.9%	4.6%	-335	-851	
NPM (%)	11.0%	5.1%	3.2%	-198	-781	
Inox Wind						
Sales	18,277	11,591	19,207	65.7%	5.1%	*We expect Inox wind could report a sales growth of 5% YoY during Q4FY17. The growth will largely come from commissioning of executed orders in last qtr. Further, we expect that the company could execute around 362MW of contracts during Q4FY17. OPM could remain subdued given the end qtr is more tilted towards execution and hence O&M share will be small in the overall revenue pie. EBITDA could fall by 2% YoY to INR 2950mn. PAT could stand at around INR 2039mn (-3% YoY) with NPM of around 10.6% (-84bps YoY).*
EBIDTA	3,004	1,841	2,950	60.3%	-1.8%	
Net Profit	2,092	1,075	2,039	89.7%	-2.5%	
OPM (%)	16.4%	15.9%	15.4%	-52	-107	
NPM (%)	11.4%	9.3%	10.6%	134	-83	

Midcap Sector

INR Million	Q4FY16	Q3FY17	Q4FY17E	QoQ	YoY	Remarks
Suzlon						
Sales	32,456	33,075	38,760	17.2%	19.4%	Suzlon had reported stellar numbers in Q3FY17. We expect the same trend could continue during Q4FY17. The revenues could grow by 19.4% YoY to INR 38,760mn largely supported by strong execution and commissioning. Operating leveral could play out during this qtr, which could result in OPM to expand by 199bps YoY to 15.7%. This could result in overall EBITDA to surge by 36.7% YoY to INR 6101mn. PAT could remain at INR 2402mn (+570.7% YoY) with NPM of 6.2% (+509bps YoY).
EBIDTA	4,463	7,163	6,101	-14.8%	36.7%	
Net Profit	358	2,743	2,402	-12.5%	570.7%	
OPM (%)	13.8%	21.7%	15.7%	-592	199	
NPM (%)	1.1%	8.3%	6.2%	-210	509	
Century Plyboards						
Sales	4,512	4,229	4,839	14.4%	7.2%	We expect Century ply to report topline growth of 7.2% YoY to INR 4,839mn. The growth will be supported by robust growth from CFS segment. Further, ply segment growth could also fuel overall sales growth during this qtr. OPM could remain at around 15.3%, which could lead overall EBITDA to stand at INR 740mn (-2.6% YoY). PAT is expected to grow at 17.9% YoY owing to lower taxes as compared to Q4FY16.
EBIDTA	760	673	740	10.0%	-2.6%	
Net Profit	405	373	478	28.1%	17.9%	
OPM (%)	16.9%	15.9%	15.3%	-62	-155	
NPM (%)	9.0%	8.8%	9.9%	105	89	
Emmbi Industries						
Sales	561	551	645	17.0%	15.0%	We expect the company to post 15% Y-o-Y growth in topline resulting from healthy sales in pond-liners and exports of advanced composites. We expect the EBITDA margin to improve by 37bps Q-o-Q and but may remain flat Y-o-Y on back of higher operartional cost affected by new lines. PAT margins are expected to improve on lower interest cost but may remain flat on Y-o-Y basis.
EBIDTA	71	66	80	20.5%	12.4%	
Net Profit	37	24	31	28.7%	-17.1%	
OPM (%)	12.7%	12.1%	12.4%	37	-29	
NPM (%)	6.6%	4.3%	4.8%	44	-185	
GE T&D						
Sales	9,715	12,147	10,367	-14.7%	6.7%	We expect the company to post 6.7% Y-o-Y growth in topline resulting from faster execution of orders. We expect the EBITDA margin to remain under pressure impacted by higher input cost and other expenses leading to margin dilution. PAT margins are expected to decline on higher interest cost.
EBIDTA	913	744	494	-33.6%	-45.9%	
Net Profit	299	443	257	-42.0%	-14.0%	
OPM (%)	9.4%	6.1%	4.8%	-136	-464	
NPM (%)	3.1%	3.6%	2.5%	-117	-60	
Schneider Electric Infra						
Sales	2,968	4,262	2,756	-35.3%	-7.1%	We expect the company to post 7.1% Y-o-Y decline in topline resulting on back of lower order wins. However, EBITDA margins are set to improve led by change in product mix leading to 386bps Y-o-Y improvement and 39bps improvement Q-o-Q. PAT margins are expected to improve on back of lesser loses.
EBIDTA	6	156	112	-28.4%	1893.3%	
Net Profit	-120	97	-13	-113.5%	-89.0%	
OPM (%)	0.2%	3.7%	4.0%	39	386	
NPM (%)	-4.0%	2.3%	-0.5%	-275	355	
Solar Industries						
Gross Sales	4,655	4,659	5,276	13.2%	13.3%	We expect the company to post a decent result with a topline growth of 13.3% y-o-y and 13.2% q-o-q. We expect the cartridge explosives segment to grow by 5.8% y-o-y and bulk explosives segment to grow by 13.1% y-o-y. We expect the EBITDA margins to improve by 35 bps owing to a 3% realization improvement in its cartridge explosives segment. We estimate its net profit to increase by 14.9% y-o-y and 16.4% q-o-q.
EBIDTA	828	799	923	15.6%	11.5%	
Net Profit	482	476	554	16.4%	14.9%	
OPM (%)	17.8%	17.1%	17.5%	35	-29	
NPM (%)	10.4%	10.2%	10.5%	28	14	

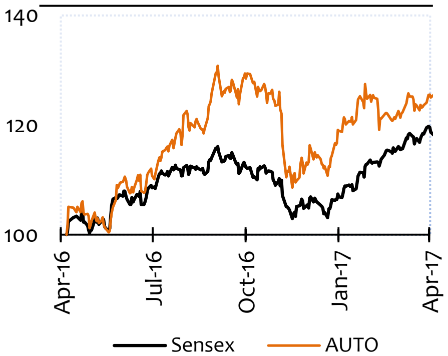
AUTO Sector

On tough terrain

MARKET DATA

Nifty	9,237
Sensex	29,788
CNX AUTO	10,040
USD / INR	64.49

SECTOR PERFORMANCE



Earnings expectation for Q4FY17

Automobile sector has been battling the blues of demonetization and has been on gradual recovery since the December, 2016. While Maruti Suzuki (recording 15.05% Y-o-Y volume growth in Q4 FY17) was front runner in and came out as clear winner tackling demon (demonetization), Hero Motorcorp (recorded -5.8% Y-o-Y de-growth in Q4 FY17) turned out to be the biggest loser of demonetization. To make matters worse, Supreme Court's ban on BS-3 vehicles registration further added tension for OEMs, leading to deep discounts on BS-3 vehicles. We believe, deep discounting strategy might have helped OEMs in reducing their inventories but this would certainly impact earnings on back of lower realization and pressure on margins.

Expect gradual recovery in Q4 revenues: We expect our Auto & Auto Ancillary to post a gradual recovery leading to 11.7% Q-o-Q growth but expect broadly remain flattish Y-o-Y. We expect Maruti Suzuki (28.7% Y-o-Y) to be the star performer followed by Minda Industries (25% Y-o-Y growth) . We expect the overall revenue growth to be dragged down by 2-W mainly Bajaj Auto (-11.7% Y-o-Y de-growth) followed by Hero Motorcorp (-7.6% Y-o-Y de-growth).

Higher Input cost, inventory losses to weigh on EBITDA margins: While, sales recovery is expected to be gradual and mostly driven by discounts, margins are expected to remain under pressure. Rising in-put cost led by increase in commodity prices is expected to bring the overall margins down. Additionally, we believe deep discounts and unsold inventory is likely to drag margins down further leading to 400bps Y-o-Y reduction in EBITDA margins. Our universe is mainly to be affected by Hero Motorcorp (257bps Y-o-Y on inventory losses) and Tata Motors (unsold inventory in domestic CV business and FX losses). Balkrishna Industries is the only performer to achieve positive 365bps Y-o-Y improvement lead by strong operational performance.

Earnings to be muted but better than Q3 FY17: A mix flattish sales and dilution in margins is expected to weigh on overall earnings of the companies in our universe. We expect Maruti Suzuki to post best in the industry performance (86.8% Y-o-Y growth in earnings) and dragged down by Tata Motors (48% de-growth in earnings)

Q4 FY17 Earnings Outlook of companies under coverage:

Maruti Suzuki Ltd: We expect Maruti Suzuki to post healthy topline growth resulting out of 15.5% Y-o-Y volume growth, driven by Baleno and Vitara Brezza. We expect the realization to improve by 4.82% Q-o-Q lead by change in product mix. EBITDA margin are also likely to improve by 39bps Q-o-Q led by lower discounts but expected to decline by 51bps Y-o-Y as spend on SG&A, employee cost and royalty expenses are expected to go higher. Hence, we expect the EBITDA to grow 24% Y-o-Y and PAT by 86.8% Y-O-Y. PAT margins are likely to improve 62bps Q-o-Q and 306bps Y-o-Y resulting out of gains in other income which will lead to PAT of INR 21,173 Mn. At CMP of INR 6162, we have an "**ACCUMULATE**" rating on the stock with a **target price of INR 6,765** an upside of 10%.

Bajaj Auto Ltd: We expect Bajaj Auto to post 11.7% decline Y-o-Y in revenue on back of fall in volumes impacted by exports, demonetization and by ban on BS3 vehicle. We expect the gross blended realization to improve by 1% y-o-y growth driven by refreshment of Pulsar and launch of Dominor. We expect the EBITDA margin to improve by 80bps Q-o-Q but remain flat Y-o-Y on back of increasing SG&A spend. We expect PAT margins to decline by 67bps Q-o-Q and remain flat Y-o-Y and post PAT of INR 8352 Mn led. At CMP of INR 2,816, we have an "**ACCUMULATE**" rating on the stock with a **target price of INR 3,002** an upside of 7%

Hero Motorcorp Ltd: We expect the company to post 4% decline y-o-y on facing the heat of demonitisation and bearing the maximum brunt of BS-3 ban. Improvement in cash circulation resulted into 10.1% Q-o-Q volume growth but was unable to surpass Q4 FY16 volumes which fell by 5.8% Y-o-Y. Volume growth was also triggered by deep discounting on BS-3 vehicles impacting the realization by 2%. We expect the EBITDA margin to be impacted by unsold inventory leading to 257bps Y-o-Y drop and 357bps drop in EBITDA margins. We expect the EBITDA to de-grow by 23.5% Y-o-Y and PAT by 21.8% Y-o-Y. At CMP of INR 3241, we have an "**ACCUMULATE**" rating on the stock with a **target price of INR 3,624** an upside of 13%.

Tata Motors Ltd: We expect the company to post de-growth of 5.2% Y-o-Y in topline led by adverse product mix in JLR and ban on BS-3 vehicle on domestic front. However, on quaterly basis sales are ecpected to improve 13.2% Q-o-Q led by improvement in JLR business. We expect the EBITDA margin to remain under pressure led by inventory losses in domestic business, higher SG&A expenses and FX losses. We expect Adj.PAT of INR 24,597 Mn. At CMP of INR 467, we have an "**ACCUMULATE**" rating on the stock with a **target price of INR 522** an upside of 12%

AUTO Sector

Bharat Forge Ltd: We expect the Bharat Forge to post a flat quarter Y-o-Y but revival in Class 4 trucks is expected to drive the top-line sales for this particular quarter. We expect the EBITDA margin to remain under pressue Y-o-Y but revival expected revival in industrial and automotive business is likely to drive margins Q-o-Q. We expect the EBITDA to de-grow by 8.3% Y-o-Y. PAT margins are also likely to decline by 148 bps Y-o-Y and post PAT of INR 1509 Mn. At CMP on INR 1,085 we have a **"HOLD"** rating on the stock with a **target price of INR 1,122** an upside of 3%

Minda Corp Ltd: We expect the Minda Corp's revenue to improve by 8% Y-o-Y led by pick-up in domestic automobile sales. However, sales may remain flat Q-o-Q on back of closure of Minda Furukawa plant, leading to lower sales. We expect the EBITDA margin to decline by 130 bps on back of negative leverage in Minda Furukawa but we expect margins to improve by 304bps led by localization of input cost and lower royalty. Net Profit is expected to grow by 14.2% Q-o-Q but is expected to remain under pressure. At CMP on INR 106 we have a **"BUY"** rating on the stock with a **target price of INR 142** an upside of 34%.

Minda Industries Ltd: We expect Minda Industries to post 25% Y-o-Y growth in topline resulting out of consolidation of its key subsidiaires like rinder. However, as company derives 56% of revenues from 2-W, we expect company's top-line to be hit in near term, resulting in flat growth Q-o-Q. We expect the EBITDA margin to decline by 38 bps Y-o-Y and 112 bps Q-o-Q on back of rising input cost. We expect PAT growth of 2.6% Y-o-Y. PAT margins are likely to remain subdued to post PAT of INR 436 Mn. At CMP on INR 437 we have a **"HOLD"** rating on the stock with a **target price of INR 467** an upside of 5%.

Balkrishna Industries Ltd: We expect the company to post 8% Y-o-Y growth in topline as we expect the volumes to increase by 5% Y-o-Y and realization by 3% We expect the EBITDA margin to improve by 365bps Y-o-Y as expect the company to further capitalize on improving operating leverage. PAT margins are further expected to improve on lower interest cost resulting into 666bps growth in margin. At CMP on INR 1,412 we have a **"HOLD"** rating on the stock with a **target price of INR 1,441** an upside of 2%.

CEAT Ltd: We expect the company to post 6% Y-o-Y growth in topline immpacted by demonitization but improving cash liquidity into the system will lead to 11% Q-o-Q growth. We expect the EBITDA margin to remain under pressure led by higher raw material cost and higher SG&A expenses basis leading to 133bps dilution in EBITDA margin. PAT margins are expected to improve by 23bps but are is likely to remain lower by 94bps Y-o-Y.
At CMP on INR 1,435 **(NOT RATED).**

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q4FY16	Q3FY17	Q4FY17E	QoQ	YoY	Remarks
Maruti Suzuki						
Sales	1,67,295	1,89,319	215287	13.7%	28.7%	We expect the company to post healthy topline growth resulting out of 15.5% Y-o-Y volume growth driven by Baleno and Vitara Brezza. We expect the realization to improve by 4.82% Q-o-Q lead by change in product mix. We expect the EBITDA margin to improve by 39bps Q-o-Q led by lower discounts but decline by 51bps as spend on SG&A, employee cost and royalty expenses are expected to go higher. Hence, we expect the EBITDA to grow 24% Y-o-Y and PAT by 86.8% Y-O-Y. PAT margins to improve 62bps Q-o-Q and improve by 306bps Y-o-Y resulting out of gains in Other income which will lead to PAT of INR 21,173 Mn.
EBIDTA	23,500	24,890	29,146	17.1%	24.0%	
Net Profit	11,336	17,445	21,173	21.4%	86.8%	
OPM (%)	14.0%	13.1%	13.5%	39	-51	
NPM (%)	6.8%	9.2%	9.8%	62	306	
Bajaj Auto						
Sales	56,026	52,628	49,457	-6.0%	-11.7%	We expect the company to post 11.7% decline Y-o-Y in revenue on back of fall in volumes impacted by exports, demonitization and seldomly impacted by ban on BS3 vehicle. We expect the gross blended realization to improve by 1% y-o-y growth driven by refreshment of Pulsar and launch of Dominor. We expect the EBITDA margin to improve by 80bps Q-o-Q but remain flat Y-o-Y on back of increasing SG&A spend. We expect PAT margins to decline by 67bps Q-o-Q and remain flat Y-o-Y and post PAT of INR 8352 Mn led.
EBIDTA	11534	10440	10208	-2.2%	-11.5%	
Net Profit	9493	9241	8352	-9.6%	-12.0%	
OPM (%)	20.6%	19.8%	20.6%	80	5	
NPM (%)	16.9%	17.6%	16.9%	-67	-6	
Hero Motorcorp						
Sales	79,839	67799	73,737	8.8%	-7.6%	We expect the company to post 4% decline y-o-y on facing the heat of demonitisation and bearing the maximum brunt of BS-3 ban. Improvement in cash circulation resulted into 10.1% Q-o-Q volume growth but was unable to surpass Q4 FY16 volumes and fell by 5.8% Y-o-Y. Volume growth was also triggered by deep discounting on BS-3 vehicles impacting the realization by 2%. We expect the EBITDA margin to be impacted by unsold inventory leading to 257bps Y-o-Y drop and 357bps drop in EBITDA margins. We expect the EBITDA to de-grow by 23.5% Y-o-Y and PAT by 21.8% Y-o-Y.
EBIDTA	11919	10797	9113	-15.6%	-23.5%	
Net Profit	8347	7720	6524	-15.5%	-21.8%	
OPM (%)	14.9%	15.9%	12.4%	-357	-257	
NPM (%)	10.5%	11.4%	8.8%	-254	-161	

AUTO Sector

INR Million	Q4FY16	Q3FY17	Q4FY17E	QoQ	YoY	Remarks
Tata Motors						
Sales	1,67,295	1,89,319	215287	13.7%	28.7%	We expect the company to post healthy topline growth resulting out of 15.5% Y-o-Y volume growth driven by Baleno and Vitara Brezza. We expect the realization to improve by 4.82% Q-o-Q lead by change in product mix. We expect the EBITDA margin to improve by 39bps Q-o-Q led by lower discounts but decline by 51bps as spend on SG&A, employee cost and royalty expenses are expected to go higher. Hence, we expect the EBITDA to grow 24% Y-o-Y and PAT by 86.8% Y-O-Y. PAT margins to improve 62bps Q-o-Q and improve by 306bps Y-o-Y resulting out of gains in Other income which will lead to PAT of INR 21,173 Mn.
EBIDTA	23,500	24,890	29,146	17.1%	24.0%	
Net Profit	11,336	17,445	21,173	21.4%	86.8%	
OPM (%)	14.0%	13.1%	13.5%	39	-51	
NPM (%)	6.8%	9.2%	9.8%	62	306	
Bajaj Auto						
Sales	56,026	52,628	49,457	-6.0%	-11.7%	We expect the company to post 11.7% decline Y-o-Y in revenue on back of fall in volumes impacted by exports, demonitization and seldomly impacted by ban on BS3 vehicle. We expect the gross blended realization to improve by 1% y-o-y growth driven by refreshment of Pulsar and launch of Dominor. We expect the EBITDA margin to improve by 80bps Q-o-Q but remain flat Y-o-Y on back of increasing SG&A spend. We expect PAT margins to decline by 67bps Q-o-Q and remain flat Y-o-Y and post PAT of INR 8352 Mn led.
EBIDTA	11534	10440	10208	-2.2%	-11.5%	
Net Profit	9493	9241	8352	-9.6%	-12.0%	
OPM (%)	20.6%	19.8%	20.6%	80	5	
NPM (%)	16.9%	17.6%	16.9%	-67	-6	
Hero Motorcorp						
Sales	79,839	67799	73,737	8.8%	-7.6%	We expect the company to post 4% decline y-o-y on facing the heat of demonitisation and bearing the maximum brunt of BS-3 ban. Improvement in cash circulation resulted into 10.1% Q-o-Q volume growth but was unable to surpass Q4 FY16 volumes and fell by 5.8% Y-o-Y. Volume growth was also triggered by deep discounting on BS-3 vehicles impacting the realization by 2%. We expect the EBITDA margin to be impacted by unsold inventory leading to 257bps Y-o-Y drop and 357bps drop in EBITDA margins. We expect the EBITDA to de-grow by 23.5% Y-o-Y and PAT by 21.8% Y-o-Y.
EBIDTA	11919	10797	9113	-15.6%	-23.5%	
Net Profit	8347	7720	6524	-15.5%	-21.8%	
OPM (%)	14.9%	15.9%	12.4%	-357	-257	
NPM (%)	10.5%	11.4%	8.8%	-254	-161	
Tata Motors						
Sales	806844	675313	764566	13.2%	-5.2%	*We expect the company to post de-growth of 5.2% Y-o-Y in topline led by adverse product mix in JLR and ban on BS-3 vehicle on domestic front. However, on quaterly basis sales are ecpected to improve 13.2% Q-o-Q led by improvement in JLR business. We expect the EBITDA margin to remain under pressure led by inventory losses in domestic business, higher SG&A expenses and FX losses. We expect Adj.PAT of INR 24,597 Mn.*
EBIDTA	113872	51612	64988	25.9%	-42.9%	
Net Profit	47238	-1842	24597	-1435.3%	-47.9%	
OPM (%)	14.1%	7.6%	8.5%	86	-561	
NPM (%)	5.9%	-0.3%	3.2%	349	-264	
Bharat Forge						
Sales	10,080	9,437	10,168	7.7%	0.9%	We expect the company to post a flat quarter Y-o-Y but revival in Class 4 trucks is expected to drive the top-line sales for this particular quarter. We expect the EBITDA margin to remain underpressue Y-o-Y but revival expected revival in industrial and automotive business is likely to drive margins Q-o-Q. We expect the EBITDA to de-grow by 8.3% Y-o-Y. PAT margins are also likely to decline by 148 bps Y-o-Y and post PAT of INR 1509 Mn.
EBIDTA	2982	2606	2888	10.8%	-3.2%	
Net Profit	1645	1286	1509	17.3%	-8.3%	
OPM (%)	29.6%	27.6%	28.4%	78	-118	
NPM (%)	16.3%	13.6%	14.8%	121	-148	
Minda Corp						
Sales	6,336	7,129	6843	-4.0%	8.0%	We expect the company's revenue to improve by 8% Y-o-Y led by pick-up in domestic automobile sales. However, sales may remain flat Q-o-Q on back of closure of Minda Furukawa plant, leading to lower sales. We expect the EBITDA margin to decline by 130 bps on back of negative leverage in Minda Furukawa but we expect margins to improve by 304bps led by localization of input cost and lower royalty. Net Profit is expected to grow by 14.2% Q-o-Q but is expected to remain under pressure.
EBIDTA	494	247	445	80.2%	-10.0%	
Net Profit	248	201	230	14.2%	-7.3%	
OPM (%)	7.8%	3.5%	6.5%	304	-130	
NPM (%)	3.9%	2.8%	3.4%	54	-56	
Minda Industries						
Sales	7,095	8,758	8,869	1.3%	25.0%	We expect the company to post 25% Y-o-Y growth in topline resulting out of consolidation of its key subsidiaires like rinder. However, as company derives 56% of revenues from 2-W, we expect company's top-line to be hit in near term, resulting in flat growth Q-o-Q. We expect the EBITDA margin to decline by 38 bps Y-o-Y and 112 bps Q-o-Q on back of rising input cost. We expect PAT growth of 2.6% Y-o-Y. PAT margins are likely to remain subdued to post PAT of INR 436 Mn.
EBIDTA	815	1,072	986	-8.0%	20.9%	
Net Profit	426	447	436	-2.5%	2.6%	
OPM (%)	11.5%	12.2%	11.1%	-112	-38	
NPM (%)	6.0%	5.1%	4.9%	-19	-108	

AUTO Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q4FY16	Q3FY17	Q4FY17E	QoQ	YoY	Remarks
Balkrishna Industries						
Sales	8,742	8,794	9,442	7.4%	8.0%	We expect the company to post 8% Y-o-Y growth in topline as we expect the volumes to increase by 5% Y-o-Y and realization by 3% We expect the EBITDA margin to improve by 365bps Y-o-Y as expect the company to further capitalize on improving operating leverage. PAT margins are further expected to improve on lower interest cost resulting into 666bps growth in margin.
EBIDTA	2389	2780	2925	5.2%	22.4%	
Net Profit	1550	1890	2303	21.9%	48.6%	
OPM (%)	27.3%	31.6%	31.0%	-63	365	
NPM (%)	17.7%	21.5%	24.4%	290	666	
CEAT						
Sales	14,507	13,859	15,377	11.0%	6.0%	We expect the company to post 6% Y-o-Y growth in topline immpacted by demonitization but improving cash liquidity into the system will lead to 11% Q-o-Q growth. We expect the EBITDA margin to remain under pressure led by higher raw material cost and higher SG&A expenses basis leading to 133bps dilution in EBITDA margin. PAT margins are expected to improve by 23bps but are is likely to remain lower by 94bps Y-o-Y.
EBIDTA	1846	1535	1,752	14.1%	-5.1%	
Net Profit	1047	838	965	15.2%	-7.8%	
OPM (%)	12.7%	11.1%	11.4%	31	-133	
NPM (%)	7.2%	6.0%	6.3%	23	-94	

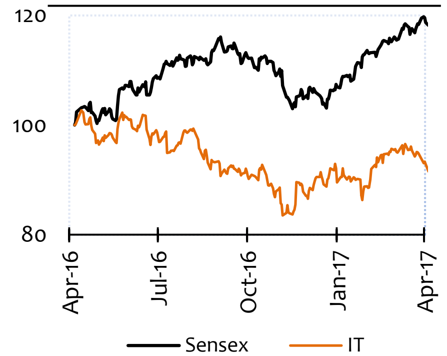
IT Sector

Expect a stable quarterly performance

MARKET DATA

Nifty	9,237
Sensex	29,788
CNX IT	10,399
USD / INR	64.49

SECTOR PERFORMANCE



Earnings expectation for Q4FY17

We believe that Q4 FY17 will be a relatively stable quarter for IT services companies performance will largely be in-line with estimates. We believe that depreciation of USD against GBP and EUR (0.2% and 1.1% qoq respectively) and appreciation against AUD (3.5%) will result in a positive cross-currency impact in the range of 10-40 bps in Q4 FY17. We expect the IT services sector to continue witnessing pricing pressure in traditional services and transition towards Digital, IoT, automation and AI to continue over the next few quarters. However, indicators such as improvement in performance of Accenture's Outsourcing Segment in the recent quarter and expectation of increased spending by US BFSI players should provide some respite in the quarters ahead. On a longer time frame, we expect huge amount of consolidation activity in the IT sector, especially in the midcap space as vendor consolidation and pricing pressure increase competition and impact profitability over the next 2-3 fiscal years.

Expect Q4 performance to be a mixed bag but largely muted: We expect USD revenue growth for IT services companies in Q4 FY17 to be in the range of 1.1% - 4.5% with benefits from cross-currency tailwinds in the range of 10-40 bps. Key performance indicators to watch out for will be company specific developments such as growth guidance for FY18E by Infosys, performance of Network Services, LCC and Comviva business for TechM, consummation of various acquisitions by Wipro and HCL Tech. Commentary on launch of Concept and Sentinent and performance of Digital and Alliance segments under Persistent Systems will be closely watched.

Focus on Digital Revenues to continue: Our focus continues to remain on companies emphasizing on revenues from Digital Enablement and Enterprise Digital Transformation. Having said that, we prefer midcaps like Persistent Systems and Zensar Tech and HCL Tech and TCS in the large cap space as we believe that these companies are highly capable on delivering performance in the digital space.

Q4FY17 Earnings Outlook of companies under coverage:

TCS: We expect TCS to record a 1.7% qoq growth in USD terms and positive cross-currency impact of 18 bps implying a revenue growth in CC terms to be ~1.5% qoq. Expect BFSI segment to outperform in FY18E as we expect client spend to improve. We will be closely watching performance of Digital revenues (16.8% of revenue as of Q3 FY17) and transition of the company post elevation of Mr. Chandrasekaran to Tata Sons. **At CMP of 2,419, we have an ACCUMALATE rating on the stock with a target price of INR 2,582 based on FY19E EPS of INR 171.**

Infosys: We estimate a marginal growth of 1.1% in USD revenues for Q4 FY17 with a cross currency tailwind of 15 bps. We believe that clarity on a series of Corporate Governance issues in the last quarter and growth guidance for FY18E will be key. At CMP of INR 972, we recommend "ACCUMULATE" rating on the stock with a target price of INR 1,079 an upside of 11%. **At CMP of 967, we have an ACCUMALATE rating on the stock with a target price of INR 1,097 based on FY19E EPS of INR 78.**

HCL Tech: We expect HCL Tech to report a USD revenue growth of 4.5% at USD 1,824 Mn in Q4 FY17 and expect a cross-currency tailwind of 15 bps. We believe that HCL Tech is well equipped to achieve it's FY17E revenue growth guidance of 12%-14% in CC terms after accounting for inorganic initiatives such as Butler America, Geometric, IP partnership deal with IBM and organic performance of IMS business. **At CMP of INR 834, we recommend "BUY" rating on the stock with a target price of INR 1,021 based on FY19E EPS of INR 70.**

Tech Mahindra: Expect TechM to report a topline growth of 1.7% qoq at USD 1,135 Mn in Q4 FY17 with a cross-currency tailwind of ~35 bps. We expect EBIT margins to improve by 15 bps at 12.3% on account of weakness in network services business. Going ahead, we expect rejuvenation in LCC business and resounding growth in the communications business on account of major transformations in the underlying sector. **At CMP INR 445, we recommend a "BUY" rating on the stock with a target price of INR 533 based on FY19E EPS of INR 38.**

Infibeam Incorporation Ltd.: We expect Infibeam to report a top-line of INR 1,154 Mn, up 13% qoq, primarily on complete roll-out of services for GCMMF in Q3 FY17, increasing traction in Services business (BaB.com) and bounce-back from demonetization. Penetration into Education sector and Payment aggregation space through merger of CC Avenues diversifies and amplifies sources of revenue. Going ahead, we believe that Infibeam will transform towards a Verticals based business model as it continuously expands towards new industries. **We maintain a 'BUY' rating on the stock and arrive at a target price of INR 1,530 based on FY19E earnings.**

Persistent Systems: We expect Persistent to record a USD revenue growth of 3.6% in Q4 FY17 largely on account traction in Digital business and launch of Concert and Sentinent products in mid – Q4 FY17 . We expect EBIT margins and NPM of 10.2% and 10.6% in Q4 FY17E, respectively. Expect investments in Alliance business to fade out in Q4 and therefore improvement in EBIT margins from current levels of 10.7% through FY18E. **From CMP of INR 564, we have a BUY rating on the stock with a target price of INR 835 based on FY19E EPS of INR 52.7.**

IT Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q4FY16	Q3FY17	Q4FY17E	QoQ	YoY	Remarks
TCS						
Sales (USD Mn)	4,207	4,387	4,460	1.7%	6.0%	We expect USD revenues of USD 4,460 Mn, up 1.7% qoq and 6.0% yoy in Q4 FY17. This translates into an INR revenue of INR 2,98,494, up 1% qoq. We estimate EBIT margins at 25.5%, down 47 bps qoq and NPM at 22.3%, down 54 bps qoq. Expect margins to be largely impacted due to INR appreciation vs USD, EUR and GBP. Expect impact of INR depreciation on margins to be offset by cross-currency tailwind of 18 bps in Q4 FY17. **Key Paramaters:** Performance of BFSI vertical and Retail & CPG, realization of India related revenues and revenue contirbution from Digital.
Sales (INR Mn)	2,84,486	2,97,350	2,98,494	0%	5%	
EBIT	74,119	77,330	76,214	-1%	3%	
Net Profit	63,412	67,780	66,427	-2%	5%	
OPM (%)	26.1%	26.0%	25.5%	-47	-52	
NPM (%)	22.3%	22.8%	22.3%	-54	-4	
Infosys						
Sales (USD Mn)	2,446	2,551	2,580	1.1%	5.5%	We expect Infosys to report a USD revenue growth of 1.1% qoq at USD 2,580 Mn in Q4 FY17. Expect EBIT margin to be reported at 24.9% and at the lower end of the range of 24 - 26% . We estimate cross-currency tailwinds of 15 bps in Q4 FY17. We expect an NPM of 21.3%, down 11 bps qoq. **Key Parameters:** Performance of Consultancy business, performance of MANA, Skava and Edgeverve and outlook for FY18E would be the key things to watch out for.
Sales (INR Mn)	1,65,500	1,72,730	1,74,686	1%	6%	
EBIT	39,590	43,340	43,534	0%	10%	
Net Profit	35,970	37,080	37,315	1%	4%	
OPM (%)	23.9%	25.1%	24.9%	-17	100	
NPM (%)	21.7%	21.5%	21.4%	-11	-37	
HCL Tech						
Sales (USD Mn)	1,587	1,745	1,824	4.5%	14.9%	We estimate USD revenus of USD 1,824 Mn, up 4.5% qoq and mainly aided by full consolidation of Butler America, revenue flows from IP deals signed with IBM and 1 month consolidation of Geometric in Q4 FY17E. Expect various consolidation activities to have a EBIT margin impact of 52 bps and be reported at 19.9%. Expect an NPM of 17.1%, down 40 bps qoq in Q4 FY17. Expect company to enjoy a cross-currency tailwind of 15 bps in Q4 FY17. **Key Parameters:** Performance of Mode II and Mode III services and comment on synergies through new consolidations will be key things to watch out for.
Sales (INR Mn)	1,06,980	1,18,140	1,22,088	3%	14%	
EBIT	22,220	24,080	24,255	1%	9%	
Net Profit	19,250	20,710	20,914	1.0%	9%	
OPM (%)	20.8%	20.4%	19.9%	-52	-90	
NPM (%)	18.0%	17.5%	17.1%	-40	-86	
Wipro						
Sales (USD Mn)	1,882	1,903	1,944	2.2%	3.3%	*We expect Wipro to record a USD revenue of $1944 Mn, up 2.2% qoq and mainly aided by consolidation of Appririo acquisition. Expect Wipro to report an EBIT margin of 16.3%, down 66 bps qoq on account of consolidation of acquisition and INR appreciation against USD, EURO and GBP. Expect NPM at 14.9%, down 50 bps qoq in Q4 FY17. Expect company to benefit from cross-currency tailwind of 23 bps.* ***Key Parameters:*** *Guidance for Q1 FY18 as acquisition of Appirio will be fully consumated, guidance on strategic and operational changes and M&A strategy for FY18.*
Sales (INR Mn)	1,36,324	1,36,878	1,36,234	0%	0%	
EBIT	24,836	23,233	22,220	-4%	-11%	
Net Profit	22,350	21,094	20,315	-4%	-9%	
OPM (%)	18.2%	17.0%	16.3%	-66	-191	
NPM (%)	16.4%	15.4%	14.9%	-50	-148	
Tech Mahindra						
Sales (USD Mn)	1,023	1,116	1,135	1.7%	11.0%	We expect Tech Mahindra to report dollar revenus of USD 1,135 Mn, up 1.7% qoq on the back of strong growth in communications business. Expect EBIT margins to be recorded at 12.3%, down 15 bps qoq on account of weakness in network services business. We estimate cross-currency tailwind of 35 bps in Q4. **Key Parameters:** Update on progress of several margin levers installed, growth guidance of inorganic components, performance of LCC business and performance of Telecom business apart from performance of other subsidiaries.
Sales (INR Mn)	68,837	75,575	75,998	1%	10%	
EBIT	9,436	9,385	9,323	-1%	-1%	
Net Profit	8,959	8,558	8,414	-2%	-6%	
OPM (%)	13.7%	12.4%	12.3%	-15	-144	
NPM (%)	13.0%	11.3%	11.1%	-25	-194	
Infibeam Incorporation Ltd.						
Sales (INR Mn)	748	1,025	1,154	12.6%	54%	We expect Infibeam to report a topline of INR 1,154 Mn, up 12.6% qoq in Q4 FY17. Expect EBITDA margins to be reported at 16.9%, up 19 bps qoq. We expect Net Profit to be reported at INR 150 Mn, up 42% qoq in Q4 FY17. We expect topline to be largely driven by bounceback from demonitization and higher realizations and merchant additions in the services business (BaB.com). **Key Parameters:** Watch out for Merchant additions in Q4 from previous figure of 66,109 in Q3 FY17 and update on acquisition of CC Avenues business.
EBITDA	66	171	195	14%	197%	
Net Profit	20	127	150	18%	666%	
OPM (%)	8.8%	16.7%	16.9%	19	812	
NPM (%)	2.6%	12.4%	13.0%	57	1036	
Persistent Systems						
Sales (USD Mn)	100	110	114	3.6%	13.5%	We expect Persistent to report dollar revenus of USD 114 Mn, up 3.6% qoq on the back of strong traction in Digital business, Alliance and Accelerite (product business). Expect EBIT margins to be recorded at 10.2%, down 50 bps qoq due to INR appreciation against the USD and last phase of investment in Alliance business.**Key Parameters:** Commentry on launch of Sentinent and Concert under Accelerite Business and growth in Digital revenues will be the key things to watch out for. We will be closely watching investments in Alliance business and guidance on the same.
Sales (INR Mn)	6,771	7,455	7,629	2%	13%	
EBIT	782	800	781	-2%	0%	
Net Profit	808	819	810	-1%	0%	
OPM (%)	11.5%	10.7%	10.2%	-50	-131	
NPM (%)	11.9%	11.0%	10.6%	-36	-131	

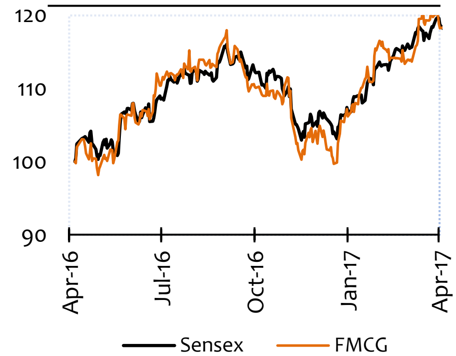
FMCG Sector

Leaving behind the painful Days

MARKET DATA

Nifty	9,237
Sensex	29,788
CNX FMCG	23,652
USD / INR	64.49

SECTOR PERFORMANCE



Earnings expectation for Q4FY17

After Demonetization phase (Since Jan'17), most of consumer companies has seen improvement in demand, expansion in direct distribution network, smooth function of payment cycle. We remain positive for the consumer sector as well as economy in the long run with number of things happening like implementation of GST, average monsoon, revival in demand both in rural and urban areas and increase in consumer spending on discretionary products in long term. As per IMD forecast, summers are expected to be hotter which will help to boost sales of products in categories like white goods, discretionary products, Drinks and beverage, Ice cream and frozen desserts.

Revenue Growth expectation for Q4FY17 : We expect the average revenue growth for Q4FY17 to be around 15% yoy and around 8-10% qoq. We expecting rise in growth because of demand which has picked up both in rural and urban area. For discretionary companies we expect revenue growth to be around 12-15% on the back on revival in demand, higher discretionary spends, approaching summer season. Also with launching of innovative product portfolio we expect boost in revenue

Q4FY17 expectation on margins: The rise in raw material price from last few quarter, also increased during Q4FY17. this increase has been impacting and dragging the margins downwards. So we expect margins to be around same levels or minimal increase in some of the companies which is affected by higher raw material price. Commodities like sugar, Wheat, Palm oil, PFAD, etc have seen hike in price in Q4FY17. Also companies spending on advertisements for promotions have increased in this quarter. Overall on an average we expect Q3FY17 EBIDTA margins growth to be around 10-12% yoy. In discretionary segment except for blue star we expect companies like Symphony, Whirlpool, GCPL to post better margins due to low cost, not much increase in advertisement spend during the quarter and would maintain same level as Q3FY17.

Outlook: We remain positive on ITC, Heritage foods, Kwality Ltd, GCPL and Whirlpool on other hand We remain concerned on Colgate, HUL, Parag milk foods Ltd and Blue star, etc. We believe an investor should start accumulating stocks in FMCG sector with horizon of 18-24 months as one can earn good return in long term. In the near term, we believe with recovery in demand condition and improving consumer sentiments the sector will show positive results.

Key Parameter to watch in for Q4FY17 and onwards:

- •Movement in Raw Material Price
- •Companies spend on Advertisements & promotional
- •Distribution reach of the companies.
- •Contribution from E-commerce segment.
- •Implementation of GST Bill in July 2017
- •Low penetration of Discretionary products.

Q4FY17 Earnings Outlook of companies under coverage:

Britannia Industries Ltd with its presence across premium category has remained focus on the growth and better realization of its products. With demonetization it was one of the companies which were less affected due to large and direct source of distribution network. During the period we expect that demand is recovering so it is likely to post revenue of INR 24023.8Mn with growth of 8.6% yoy and 2.0% qoq. EBIDTA and PAT margins to be around 13.8% and 9.5%. **At CMP INR 3395, we recommended "HOLD" rating on the stock with a target price of INR 3543, an upside of 4.4%**

Colgate ltd has always been the dominant player in both toothbrush and tooth paste category with highest volume market share of 55%. With players entering in the segment Colgate is facing tough competition. We expect that market is on revival phase and demand is just picking up for Q4FY17. We expect revenue of INR 11399 Mn with yoy and qoq growth of 3.7% and 15% respectively. We expect EBIDTA and PAT margin around 21.9% and 13.3% respectively on back of advertisement cost which was muted in Q3FY17 has pick up and we expect it to be higher in Q4FY17. **At CMP INR 1019, we recommended "HOLD" rating on the stock with a target price of INR 1059 an upside of 4.0%**

HUL is the largest consumer company which has presence both in rural and urban market. Demand side urban has pick upp but still on rural front it is facing slowdown. We expect 5-6% growth out of which 2-3% is from volume and remaining is price. We expect revenue to be at around 84011.2 Mn with growth to be around 5.7% yoy and 1% qoq. Raw material price like palm oil and PFAD has seen increased in the quarter which will drain in margin. We expect EBIDTA & PAT Margins for Q4FY17 to be around 17.1% and 11.4% **At CMP INR 923, we recommended "ACCUMULATE" rating on the stock with a target price of INR 990, an upside of 7.3%.**

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FMCG Sector

ITC is majorly dependent on its cigarette business, during the quarter we saw price hike of many cigarettes pack. We expect overall revenue growth to be at 7% qoq which will be contributed by 1-2% volume hike while other will be due to price. We expect overall revenue to be around INR 145198.7 Mn. ITC's other business like paper, Hotel and Agri is still facing slowdown due to demonetization. We expect some benefit from GST in coming quarter. In Q4FY17, EBIDTA and PAT margins to be at 26.8% and 19.2%. **At CMP INR 282, we recommended "ACCUMULATE" rating on the stock with a target price of INR 305, an upside of 7.2%**

Monte Carlo is one of the largest player in apparels and accessories. It is majorly dependent on winters but with selling of cotton products to men, women & kids which will help them to diversify its seasonal business. Q4FY17 is a slowdown period and also still there has been affecting from demand slowdown. We expect revenue t be around INR 577.5 Mn with de-growth of 10.6% yoy. We expect EBIDTA and PAT margins to be around 19.0% and 3.0%. **At CMP INR 410, we recommended "ACCUMULATE" rating on the stock with a target price of INR 443, An upside of 8.1%**

Nestle India will posted revenue of around INR 26290.8Mn due to growth seen in noodles category after the comeback of Maggi noodles. It has gain in market share from 47% (at the time of Ban) to 65% currently. Also with its other portfolio it has been aggressively launching its new products. One need to watch out demand in the urban market and also demand for new launches. We expect EBIDTA & PAT margin for Q1CY17 to be at 24.3% and 12.5% respectively. **At CMP INR 6565, we recommended "HOLD" rating on the stock with a target price of INR 6729, an upside of 2.5%**

Hatsun Agro is south based dairy company and a market leader. We expect revenue to be around INR 10365 Mn with growth of 16% yoy and 9.5% qoq. The growth is expected because the company's strength remains in milk and milk products and its plans to diversify to value added products (higher demand in market) For Q4FY17, we expect with margins to be slight on the lower level due to increase in milk price. EBIDTA and PAT margins will be around 8.9% and 3.1%, respectively. **At CMP INR 550, we recommended "HOLD" rating on the stock with a target price of INR 569, an upside of 3.4%**

Heritage Foods Ltd is a strong player and among the top 3 player in Dairy market in south India. Company's plans to remain focus on growing core business i.e Dairy. Revenue of dairy is contributed in ratio 74% to 24% among milk and value added products. It is expected that with increase in value added products company would generate more in revenue and margins. We expect revenue to be around INR 7471.1 Mn with growth of 18.1% yoy and 12% qoq. EBIDTA and PAT margins will be around 6.3% and 3.2%, respectively. **At CMP INR 1071, we recommended "ACCUMULATE" rating on the stock with a target price of INR 1205, an upside of 12.5%**

Kwality Dairy Ltd is focus on transforming itself as a B2C player. Its key strategy and focus remains on procurement model, developing branded value added products, brand development and increasing distribution network. We expect revenue to be at INR 17413.3 Mn . We expect growth and improvement in margins from value added products. EBIDTA and PAT margins to be at around 6.5% and 3.0%. **At CMP INR 164, we recommended "BUY" rating on the stock with a target price of INR 237, an upside of 44.5%**

Parag milk foods Ltd is a dairy player presence in west India. It has its operation majorly in value added products (75-80%) and largely in cheese. PMFL has been affected with demonetization and it on the recovery phase. We expect Revenue to be around INR 4683.8 Mn which is growth of 13.1% yoy and 5% qoq. With increasing milk price we expect EBIDTA and PAT margin to be around 3.4% and 0.3% **At CMP INR 251, we recommended "ACCUMULATE" rating on the stock with a target price of INR 274, an upside of 9.0%**

Prabhat dairy Ltd is transforming its business from B2B to B2C. however the transformation protected company from demonetization effect. It is adding more value added products and improving direct procurement channel which is helping in to gain in both revenue and margins front. We expect revenue to be around INR 4285.1 Mn and EBIDTA and PAT margins to be around 8.7% and 2.7% for Q3FY17. **At CMP INR 124, we recommended "ACCUMULATE" rating on the stock with a target price of INR 139, an upside of 12.0%**

GCPL: We expect GCPL to record a 2.2% QoQ growth and 12% YoY growth. With robust pipeline of innovative products, GCPL continues to launch new products every year. The new launches are expected to contribute around 25% to 40% incremental revenue. GCPL covers around 50000 villages and has 5 to 6 lakhs outlets; this strong distribution network will help GCPL to maintain its market share. Lower penetration of HI and Hair care products in India and EBITDA growth ahead of Sales growth is expected to expand margins as well as top line going ahead. **At CMP of INR 1,677, we recommend "BUY" rating on the stock with a target price of INR 1,930, an upside of 15.1%**

Symphony Ltd: The USP of Symphony is its focus on single product business. Unlike Symphony, other players have air cooler as one of its products amongst many others. A successful business model has turned Symphony into an asset-light, zero-debt company; which has enabled the business to generate very high RoE and RoCE. Lower penetration of Industrial and Centralised Air coolers in India as well as Asset light and 100% advance business model are the key drivers. **At CMP of INR 1,508, we recommend "BUY" rating on the stock with a target price of INR 1,835, an upside of 21.7%**

Whirlpool of India Ltd: Whirlpool is entering into new ways to capture additional market share by focusing on built-in kitchen products. Whirlpool has already opened two such showrooms in Jaipur and Kolkata. With positive response for built-in kitchen products, it will further expand its footprint in this segment. Whirlpool is a zero debt company and it is generating high RoE and RoCE. With increase in consumer confidence, consumer spending is likely to increase. The company has expanded its product portfolio by including kitchen appliances, water purifier and air treatment. **At CMP of INR 1,213, we recommend "BUY" rating on the stock with a target price of INR 1,507, an upside of 24.2%**

Blue Star Ltd: Since 70 years, Blue Star is providing new and innovative cooling solution products to its customers. Despite the economic slowdown in past few years, the cooling product segment has always outperformed the market; this segment is expected to grow at 18.2% CAGR during FY18E-FY19E. Major growth driver for this segment is the increase in sales of room air conditioners, increase in disposable income, shift in consumption pattern and standard of living, the higher growth coming from Unitary products, Professional Electronics and industrial systems and growing order book is likely increase the top line and bottom line as well. **At CMP of INR 670, we recommend "BUY" rating on the stock with a target price of INR 750, an upside of 11.9%**

FMCG Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q4FY16	Q3FY17	Q4FY17E	QoQ	YoY	Remarks
Britannia						
Sales	22113.8	23552.7	24023.8	8.6%	2.0%	We expect revenue to be around INR 24023.8Mn with growth of 8.6% yoy and 2% qoq. The sales of the company were not impacted much due to demonetization as company is the second largest in distribution network. We expect EBIDTA & PAT margin to be around 13.8% and 9.5%
EBITDA	2912.1	3125.5	3315.3	13.8%	6.1%	
Net Profit	1902.8	2201.9	2272.9	19.4%	3.2%	
OPM (%)	13.2%	13.3%	13.8%	63 bps	53 bps	
NPM (%)	8.6%	9.3%	9.5%	86 bps	11 bps	
Colgate						
Sales	10988.2	9912.2	11399.0	3.7%	15.0%	Colgate revenue for Q4FY17 will be around INR 11399 Mn which is growth of 15% yoy and 3.7% qoq due to recovery in demand but still rural demand remains challenging. We expect EBIDTA & PAT margins to be around 21.9% and 13.3%
EBITDA	2412.0	2140.6	2496.4	3.5%	16.6%	
Net Profit	1458.9	1278.2	1519.8	4.2%	18.9%	
OPM (%)	22.0%	21.6%	21.9%	-5 bps	30 bps	
NPM (%)	13.3%	12.9%	13.3%	6 bps	44 bps	
HUL						
Sales	79456.6	83179.4	84011.2	5.7%	1.0%	We expect Q4FY17 revenue growth of 5.7% yoy and 1% qoq with revenue at INR 84011.2 Mn. Company's growth was largely affected due to demonitization and slow down in demand inspite od strong distribution network. However we expect demand is improving and demonitization affect has been revised. We expect EBIDTA and PAT margins to be around 17.1% and 11.4%
EBITDA	14668.2	13554.8	14365.9	-2.1%	6.0%	
Net Profit	10466.3	8849.2	9597.0	-8.3%	8.5%	
OPM (%)	18.5%	16.3%	17.1%	-136 bps	80 bps	
NPM (%)	13.2%	10.6%	11.4%	-175 bps	78 bps	
ITC						
Sales	101687.3	135699.7	145198.7	42.8%	7.0%	*For ITC we expect its cigarettes volume to see growth of around 1-2%, while its FMCG busienss to pick up with increase in dmeand. It's other business like paper board, hotels and agri has been impacted by demonetisation and will see delay in recovering We expect EBIDTA & PAT margins to be around 26.8% and 19.2%*
EBITDA	36870.8	35463.9	38913.2	5.5%	9.7%	
Net Profit	24952.0	26467.3	27920.3	11.9%	5.5%	
OPM (%)	36.3%	26.1%	26.8%	-946 bps	67 bps	
NPM (%)	24.5%	19.5%	19.2%	-531 bps	-28 bps	
Monte Carlo						
Sales	645.7	2887.4	577.5	-10.6%	-80.0%	Monte Carlo Q4FY17 is a slow down quarter for wollen products and company has diversified to cotton products which wil bring in some revenue. We expect revenue t be around INR 577.5 Mn with de-growth of 10.6% yoy. We expect EBIDTA and PAT margins to be around 19.0% and 3.0%
EBITDA	98.8	530.1	109.7	11.1%	-79.3%	
Net Profit	9.3	340.4	17.4	86.4%	-94.9%	
OPM (%)	15.3%	18.4%	19.0%	370 bps	64 bps	
NPM (%)	1.4%	11.8%	3.0%	157 bps	-877 bps	
Nestle	**Q1CY16**	**Q4CY16**	**Q1CY17**	**Y-o-Y**	**Q-o-Q**	
Sales	23024.6	22861.6	26290.8	14.2%	15.0%	Nestle India Q1CY17 will post revenue growth of 14.2% yoy and 15.0% qoq because of recovery in its market share of noddles category. Other business are showing growth with launching of new products in urban areas. We expect EBIDTA and PAT margins to be around 24.3% and 12.5% respectively.
EBITDA	5355.5	4463.5	6388.7	19.3%	43.1%	
Net Profit	2590.4	1673.4	3293.2	-227.1%	96.8%	
OPM (%)	23.3%	19.5%	24.3%	104 bps	478 bps	
NPM (%)	11.3%	7.3%	12.5%	128 bps	521 bps	
Hatsun Agro						
Sales	8935.4	9468.2	10365.0	16.0%	9.5%	We expect Revenue to be around INR 10365 Mn with growth of 16.0% yoy and growth of around 9.5% qoq due to new products launches and increase in distribution reach. During the quarter there was increase in price of milk so we expect EBIDTA margin to be at 8.9% and PAT margin around 3.1%
EBITDA	714.1	879.0	921.5	29.0%	4.8%	
Net Profit	-168.0	288.7	325.8	-294.0%	-12.8%	
OPM (%)	8.0%	9.3%	8.9%	90 bps	-39 bps	
NPM (%)	-1.9%	3.0%	3.1%	502 bps	9 bps	
Heritage foods						
Sales	6327.1	6670.6	7471.1	18.1%	12.0%	We expect Heritage Foods ltd to post growth of INR 7471.1Mn with 18.1% yoy growth and 12.0% qoq growth. The growth is backed by increase in contribution from value added products. The mix of the total revenue is contributed 76% and 24% among milk and value added products. EBIDTA & PAT margins to be around 6.3% and 3.2%.
EBITDA	374.5	387.6	470.7	25.7%	21.4%	
Net Profit	180.5	199.4	240.6	33.3%	20.6%	
OPM (%)	5.9%	5.8%	6.3%	38 bps	49 bps	
NPM (%)	2.9%	3.0%	3.2%	37 bps	23 bps	
Kwality Ltd						
Sales	14390.3	15830.2	17413.3	21.0%	10.0%	We expect Kwality Ltd to post revenue around INR 17413.3 Mn with growth of around 21.0% yoy and 10.0% qoq. Strategy to remain same i.e. to focus on transforming and increasing presence in B2C market with product innovations and distribution reach as a pan india player. We expect EBIDTA & PAT margins to be around 6.5% and 3.0%
EBITDA	756.0	1076.1	1131.9	49.7%	5.2%	
Net Profit	333.5	450.9	522.4	56.6%	15.9%	
OPM (%)	5.3%	6.8%	6.5%	125 bps	-30 bps	
NPM (%)	2.3%	2.8%	3.0%	68 bps	15 bps	

FMCG Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q4FY16	Q3FY17	Q4FY17E	QoQ	YoY	Remarks
Parag Foods Ltd						
Sales	4142.4	4460.7	4683.8	13.1%	5.0%	We expect Revenue to be around INR 4683.8 Mn which is growth of 13.1% yoy and 5% qoq. With increasing milk price and with value added product cheese the company is facing slowdown and still has not recovered due to demonetization. We expect EBIDTA and PAT margin to be around 3.4% and 0.3%
EBITDA	398.9	-144.5	159.2	-60.1%	210.2%	
Net Profit	160.9	-214.8	13.1	-91.9%	106.1%	
OPM (%)	9.6%	-3.2%	3.4%	-623 bps	664 bps	
NPM (%)	3.9%	-4.8%	0.3%	-360 bps	510 bps	
Prabhat Dairy Ltd						
Sales	3082.7	4081.0	4285.1	39.0%	5.0%	We expect Prabhat Ltd to show growth of 39% yoy and 5% qoq due to change in business model from B2B to B2C. Its revenue is expected to be at INR 4285.1Mn. We expect EBIDTA & PAT margins to be slight low of around 8.7% and 2.7%.
EBITDA	278.3	376.6	372.8	34.0%	-1.0%	
Net Profit	81.6	81.6	117.0	43.3%	43.4%	
OPM (%)	9.0%	9.2%	8.7%	-33 bps	-53 bps	
NPM (%)	2.6%	2.0%	2.7%	8 bps	73 bps	
GCPL						
Sales	22,691	24,858	25,414	2.2%	12.0%	We expect the revenue to grow by around 12% in Q4FY17E as compared to Q4FY16. Following the past trends we also expect the EBITDA growth ahead of Sales growth in Q4FY17E. The drivers for revenue & margin expansion is expected from higher growth from Home Insecticides (HI) and Hair Care segment, backed by new premium product launches and the cost saving projects. The company also foresee some incremental margin expansion in Indonesia and also expects lot of margin expansion opportunities in Africa & LATAM. **Key Parameters:** Lower penetration of HI and Hair care products in India. EBITDA growth ahead of Sales growth is expected to expand margins going ahead.
EBITDA	4,288	4,995	4,956	-0.8%	15.6%	
Net Profit	3,101	3,518	3,561	1.2%	14.8%	
OPM (%)	18.9	20.1	19.5	-59.3	60.3	
NPM (%)	13.7	14.2	14.0	-13.9	34.8	
Symphony Ltd						
Sales	1,379	1,801	1,586	-12.0%	15.0%	We expect the revenue to grow by around 15% in Q4FY17E as compared to Q4FY16. The increasing temperature during the month of March and the expectation of long summer and average rain fall is likely to push sales of Air Coolers. Historically Q4 and Q1 have witnessed good set of number and we expect this trend to continue. Apart from that the 100% advance model of Symphony is one of the driving forces for top line growth. We expect marginal increase in EBITDA and PAT due to reduction in Interest cost on account of repayment of debt. The unchanged capital employed with growing operating margins is likely to fetch attractive RoCE. **Key Parameters:** Lower penetration of Industrial and Centralised Air coolers in India. Asset light and 100% advance business model key drivers.
EBITDA	625	781	622	-20.4%	-0.5%	
Net Profit	465	561	446	-20.4%	-4.1%	
OPM (%)	45.3	43.3	39.2	-413.9	-611.8	
NPM (%)	33.7	31.1	28.1	-298.3	-559.6	
Whirlpool of India Ltd.						
Sales	8,602	8,102	9,376	15.7%	9.0%	We expect the revenue to grow by around 9% on YoY basis and by around 15.7% on QoQ basis. The sales of cooling products have witnessed around 20% growth during the month of March on YoY basis. We expect better numbers for coming quarters as the consumer confidence is increasing in India. The company continues to remain debt free, cash rich and fundamentally strong. **Key Parameters:** With increase in consumer confidence, consumer spending is likely to increase. The company has expanded its product portfolio by including kitchen appliances, water purifier and air treatment.
EBITDA	993	838	1,069	27.6%	7.6%	
Net Profit	678	554	714	28.8%	5.3%	
OPM (%)	11.5	10.3	11.4	106.0	-14.7	
NPM (%)	7.9	6.8	7.6%	77.3	-26.7	
Blue Star Ltd.						
Sales	11,571	9,178	12,959	41.2%	12.0%	We expect the revenue to grow by around 12% on YoY basis and by around 41.2% on QoQ basis. The sales of cooling products have witnessed around 20% growth during the month of March on YoY basis, also the expectation of long summer and average rain fall is likely to push sales of cooling products. We expect better numbers for coming quarters as the consumer confidence is increasing in India. **Key Parameters:** With increase in consumer confidence, consumer spending is likely to increase. The higher growth coming from Unitary products, Professional Electronics and industrial systems and growing order book is likely increase the top line and bottom line as well.
EBITDA	532	242	687	184.3%	29.1%	
Net Profit	150	145	443	205.2%	194.9%	
OPM (%)	4.6	2.6	5.3	266.8	70.2	
NPM (%)	1.3	1.6	3.4	183.6	211.8	

Analyst Certification

We, Vaibhav Chowdhry (B.Com, MBA), research analyst, Nirvi Ashar (B.com, MBA), research analyst, Mayank Babla (MCom & BSc Economics & Management) research analyst, Ankit Merchant (M Com, BMS), research analyst, Shweta Koltharkar (BCom, DFM), research associate, Dhavan Shah (BCom, MS [Finance]), research analyst, Kunal Shah (BE), research associate, Kunal Jagda (B.com, MBA), research associate, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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