RESULT UPDATE

CUMMINS INDIA

Conviction stays despite Q4FY17 miss

India Equity Research| Engineering and Capital Goods

Cummins India (KKC) missed our Q4FY17 sales and EBITDA estimates by 6% and 15%, respectively. The variance, despite 18% YoY domestic revenue growth, was due to tepid exports, which generate higher margin. However, sustained improvement in most domestic segments—power generation, distribution & industrial BU—is heartening and in sync with trend posted by short-cycle product companies fuelled by pick up in public infra. We retain our conviction in KKC's profitable growth story anchored by favourable tailwinds like changing emission norms and robust outlook on domestic data centers, construction etc. However, due to weak exports commentary, we revise down FY18E and FY19E EPS by 6.5% and 4.0%, respectively. Our preference for KKC is anchored by >2x growth in cash flow and ~20% EPS CAGR over FY17-19E. Recent unwarranted sharp correction around exports offers a good entry price for investors. Maintain 'BUY' with revised target price of INR1,055 (INR1,100 earlier).

Domestic operations on strong turf; tepid exports a concern

KKC's domestic sales for Q4FY17 jumped 18% YoY across power generation, industrial BU and distribution. However, tepid exports (down 7% YoY) coupled with adverse product mix impacted EBITDA—down 5% YoY—as gross margin tumbled 300bps YoY. Though management commentary on most domestic segments was strong, we perceive weak growth in LHP exports as a key concern. Management believes, pick up in HHP exports is feasible now as volumes have bottomed out.

Why KKC is our preferred pick

On adjusted earnings (building in lower exports) post Q4FY17 commentary, we estimate KKC to post ~20% earnings CAGR over FY17-19 with healthy ~21.7% & 22.6% RoE & RoCE over FY18/19E & stronger cash flow of INR6.5/6.7bn, respectively (2.4x higher than in past 5 years) given that peak capex is behind. Also, within our coverage, KKC has the best potential to scale up RoE when it comes to peak utilisation levels.

Outlook and valuations: Robust prospects; maintain 'BUY'

While weakness in exports is driven by LHP gensets in select countries (Middle East, Africa, Europe), we believe bottoming out of HHP engines is comforting given KKC's sensitivity to operating margin. We envisage improving growth across domestic businesses to unlock further value as and when pricing power returns. We trim our FY18/19 EPS by 5% each building in weaker exports. We maintain **'BUY/SO'.**

Financials **(INR mn)**

Year to March	Q4FY17	Q4FY16	*% change*	Q3FY17	*% change*	FY17	FY18E	FY19E
Net revenues	11,844	10,659	*11.1*	13,550	*(12.6)*	50,773	57,911	68,361
EBITDA	1,700	1,788	*(4.9)*	2,265	*(24.9)*	8,018	9,282	11,320
Adj. Net profit	1,585	1,670	*(5.1)*	1,981	*(20.0)*	7,346	8,671	10,363
Dil. EPS (INR)	5.7	6.0	*(5.1)*	7.1	*(20.0)*	26.5	31.3	37.4
Diluted P/E (x)						35.1	29.7	24.9
ROAE (%)						20.3	21.7	22.6

EDELWEISS 4D RATINGS

Absolute Rating	**BUY**
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Low
Sector Relative to Market	Overweight

MARKET DATA *(R: CUMM.BO, B: KKC IN)*

CMP	: INR 931
Target Price	: INR 1,055
52-week range (INR)	: 1,097 / 746
Share in issue (mn)	: 277.2
M cap (INR bn/USD mn)	: 258 / 3,997
Avg. Daily Vol.BSE/NSE('000)	: 326.4

SHARE HOLDING PATTERN (%)

	Current	Q3FY17	Q2FY17
Promoters *	51.0	51.0	51.0
MF's, FI's & BK's	21.5	20.9	20.3
FII's	14.3	15.1	15.5
Others	13.2	12.9	13.2

** Promoters pledged shares (% of share in issue) : NIL*

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Capital Goods Index
1 month	(4.0)	3.5	1.8
3 months	4.4	5.7	16.1
12 months	7.7	21.8	36.0

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Q4FY17 result: Key conference call highlights

Performance highlights: Performance was negatively impacted by 33% dip in exports and also by mix change, which was adverse for the quarter as well as the year. Gross margin contracted due to adverse product mix i.e., low sales of high-margin products (as margins vary by product and not segment), and not due to increase in raw material cost or of traded goods. KKC generated strong cash flow of INR1.4bn for Q4FY17 and INR6.35bn for FY17.

Prospects and guidance:

- Domestic market appears to be good with increase in government investments in infrastructure, which are likely to drive demand for industrials over the next 3-5 years.
- Hence, management guided for 5-10% growth in domestic operations and maintained exports guidance of ~5-10% decline in FY18.
- The company is planning to exit the auto business soon because of BS-IV norms.

Exports:

- Exports were weak due to liquidity crisis globally and other market conditions and not due to competition. Hence, management maintained exports guidance of ~5-10% decline in FY18.
- Management also clarified that declining exports have nothing to do with exports pricing, but only with exports volume. Also, transfer pricing has not impacted exports.
- It believes, HHP exports have bottomed out and as global markets improve it expects them to improve. However, it still expects some pressure in LHP exports.

Raw material cost: Significant increase in cost of traded goods; this was primarily due to close down of the company's plant in Pirangut (Pune) where value was being added. KKC is now outsourcing these products to its sister concern Tata Cummins, which comes under the traded goods category. There were also base engines that they were sourcing from Simpsons Chennai. The company's HHP product QSK 60 is also outsourced to sister concerns CTIL and CIL just trades that product in the domestic market. Management expects this number to sustain and grow going forward which will add to CIL's profitability and is nowhere related to the compression in gross margins.

Other comments:

- KKC is working on various alternative technologies and looking for alliances as well.
- Headwinds/tailwinds:
  - Pricing, according to management, is a neutral to potential headwind.
  - Exports revenue depends on LHP demand.
  - Cost reduction programmes are potential tailwinds.
- Solar panels are not a substitute for CIL's products. Hence, management does not perceive dip in prices of solar panels as a threat, but as an opportunity.
- Margin could revert to historical highs.
- No change in royalties.
- Power generation drivers by segment:

- **HHP:** Most action seen in hospitality, realty and services (specifically data centres) segments.
- **MHP:** Most action seen in realty and rental gensets.
- **LHP:** Most action seen in hospitality and realty segments.

Key figures:

__Quarterly figures:__

Domestic revenue break up for the quarter (INR9.4bn)

- Power gen – INR3.4bn.
- Industrial – INR2.0bn.
- Auto – INR0.3bn.
- Distribution – INR2.85bn.
- Excise – INR0.85bn.

Exports revenue break up for the quarter (INR3.0bn)

- LHP – INR0.6bn.
- MHP – INR0.8bn.
- Heavy duty – INR0.2bn.
- HHP – INR1.2bn.
- Spare parts – INR0.2bn.

Break up of domestic power generation revenue for the quarter (INR3.4bn)

- Low HP – INR0.3bn.
- Mid range – INR1.1bn.
- Heavy duty – INR0.2bn.
- HHP – INR1.8bn.

Break up of power generation revenue by voltage for the quarter (INR3.4bn)

- <160Kva – INR0.85bn.
- 160-380Kva – INR0.7bn.
- 420-640Kva – INR0.45bn.
- >750Kva – INR1.35bn.

Annual figures:

Break up of power generation revenue for the year (INR13.5bn)

- Low HP – INR1.3bn (decline of 20% YoY).
- Mid range – INR3.95bn (growth of 15% YoY).
- Heavy duty – INR0.95bn.
- HHP – INR7.3bn (growth of 13% YoY).

Industrial revenue break up for the year (INR6.85bn)

- Compressor – INR1.75bn (growth of 30% YoY/ decline of 8% QoQ) – going through cyclical downturn.
- Construction – INR2.65bn (growth of 50% YoY /40% QoQ).
- Mining – INR0.7bn (growth of 20% YoY /130% QoQ).
- Railways – INR1.3bn (growth of 15% YoY /22% QoQ).
- Marine – INR0.45bn (growth of 3% YoY /100% QoQ).

Break up of LHP revenue by geography for the year (INR7.75bn)

- Africa – INR2.22bn.
- Mexico – INR0.85bn.
- Rest of America – INR1.16bn.
- Europe – INR1.12bn
- Middle East – INR1.2bn.
- Asia – INR1.2bn.

Table 1: Segmental break up of revenues

Sector revenues	2,014	2,015	2,016	2,017	2018E	2019E	Remark
Power	11,600	10,556	12,667	13,491	16,324	19,978	We expect Power Gen revgenues to pick up led by improving demand from commercial real estate/data center and improved infra spending.
% change	*(27.5)*	*(9.0)*	*20.0*	*6.5*	*21.0*	*22.4*	
Industrial	5,125	5,074	5,581	6,855	8,938	11,744	Growth in industrials on the back of improved sepnding in construction, railways, mining etc
% change	*7.0*	*(1.0)*	*10.0*	*22.8*	*30.4*	*31.4*	
Auto	1,352	1,081	703	703	776	853	
% change	*(15.0)*	*(20.0)*	*(35.0)*	*-*	*10.4*	*10.0*	
Distribution & others	12,201	12,567	12,567	13,617	16,085	19,208	Led by rising share of industrial business , we expect the the distribution business to grow at 15-20% levels vs 10% historical.
% change	*(10.0)*	*3.0*	*-*	*8.3*	*18.1*	*19.4*	
Total domestic revenu	**30,278**	**29,279**	**31,519**	**34,665**	**42,123**	**51,784**	
% change	*(15.7)*	*(3.3)*	*7.7*	*10.0*	*21.5*	*22.9*	
Exports	11,929	17,177	16,669	16,110	15,788	16,577	While LHP gensets will remain weak in 1-2 quarters strong activity pick up in US will drive the demand for large gensets
% change	*(6.0)*	*44.0*	*(3.0)*	*(3.4)*	*(2.0)*	*5.0*	
Total reveneus	**42,207**	**46,456**	**48,188**	**50,775**	**57,911**	**68,361**	
% change	***(13.2)***	***10.1***	***3.7***	***5.4***	***14.1***	***18.0***	

Source: Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q4FY17	Q4FY16	*% change*	Q3FY17	*% change*	FY17	FY18E	FY19E
Net revenues	11,844	10,659	*11.1*	13,550	*(12.6)*	50,773	57,911	68,361
Raw material	7,707	6,576	*17.2*	8,722	*(11.6)*	32,745	37,376	44,342
Staff costs	1,069	1,005	*6.3*	1,101	*(2.9)*	4,334	4,766	5,179
Other operating expenses	1,368	1,290	*6.0*	1,462	*(6.4)*	5,677	6,486	7,520
Total expenditure	10,144	8,871	*14.3*	11,285	*(10.1)*	42,755	48,628	57,041
EBITDA	1,700	1,788	*(4.9)*	2,265	*(24.9)*	8,018	9,282	11,320
Depreciation	208	206	*1.3*	225	*(7.3)*	848	913	1,017
EBIT	1,492	1,582	*(5.7)*	2,040	*(26.9)*	7,170	8,369	10,303
Other income	511	498	*2.6*	461	*10.8*	2,080	2,660	2,907
Interest	49	24	*102.1*	55	*(11.5)*	168	168	168
Add: Exceptional items								
Profit before tax	1,954	2,056	*(5.0)*	2,446	*(20.1)*	9,082	10,862	13,043
Tax	369	386	*(4.4)*	466	*(20.7)*	1,736	2,191	2,680
Reported net profit	1,585	1,670	*(5.1)*	1,981	*(20.0)*	7,346	8,671	10,363
Adjusted Profit	1,585	1,670	*(5.1)*	1,981	*(20.0)*	7,346	8,671	10,363
Equity capital(FV INR 2)	554	554		554		554	554	554
Diluted shares (mn)	277	277		277		277	277	277
Adjusted Diluted EPS	5.7	6.0	*(5.1)*	7.1	*(20.0)*	26.5	31.3	37.4
As % of net revenues								
Raw material	65.1	61.7		64.4		64.5	64.5	64.9
Employee cost	9.0	9.4		8.1		8.5	8.2	7.6
Other operating expenses	11.5	12.1		10.8		11.2	11.2	11.0
EBITDA	14.4	16.8		16.7		15.8	16.0	16.6
Reported net profit	13.4	14.1		16.7		14.5	15.0	15.2

Change in Estimates

	FY18E			FY19E			
	New	Old	*% change*	New	Old	*% change*	Comments
Net Revenue	57,911	59,662	*(2.9)*	68,361	68,836	*(0.7)*	Building in weaker exports
EBITDA	9,282	9,970	*(6.9)*	11,320	11,869	*(4.6)*	
EBITDA Margin	*16.0*	*16.7*		*16.6*	*17.2*		
Adjusted Profit After Tax	8,671	9,273	*(6.5)*	10,363	10,810	*(4.1)*	
Net Profit Margin	*15.0*	*15.5*		*15.2*	*15.7*		
Capex	2,752	2,752	*0.0*	2,752	2,752	*0.0*	

Company Description

KKC is a subsidiary of Cummins, US, which holds 51% stake in the company. It is a leading manufacturer of medium-high HP range of diesel engines in India with manufacturing facilities in Pune and Daman.

Investment Theme

KKC is a play on the multiple segments of power requirement, rising mobile penetration across rural and suburban geographies, strong coal requirement (driving demand in mining), and continued growth in automobile sales on the back of large potential in environment friendly natural gas fuel-based engines. The company is a major outsourcing hub for its parent, especially in the LHP generators & High HP engines. We expect KKC to benefit from growth in the above segments.

Cummins has a strong co-relation to IIP growth & commercial capex which imparts confidence for an improved growth rate from FY18

CILs Phaltan mega-site is now a sole manufacturer of small kva gensets for global market. This will add peak sales potential of INR 12-14 bn for CIL over next 2-3 yrs.

Key Risks

Any major slowdown in the domestic market (70% of the total revenues) would pose a significant down side risk to our estimates.

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.8	5.0	5.2
Repo rate (exit rate)	6.8	6.3	6.3	6.3
USD/INR (Avg)	65.0	67.5	69.0	69.0
Company				
Excise duty as % of rev	7.6	7.5	7.5	7.5
Tax rate (%)	17.1	19.1	18.0	18.5
ICC	27,674	29,639	32,952	39,184
Sales volume	36,182	37,991	41,411	47,622
Avg. price realisation	764,844	780,141	795,744	822,799
Generating sets	360	-	-	-
Sales volume	1,108	-	-	-
Avg. price realisation	325,059	341,312	358,377	376,296
Total no. of employees	4,134	4,175	4,280	4,387
Employee cost per head	1	1	1	1
Capex (INR mn)	4,522	(267)	2,751	2,751
Dep. (% gross block)	4.3	4.3	4.0	4.0

Income statement (INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Income from operations	47,088	50,773	57,911	68,361
Materials costs	29,622	32,745	37,376	44,342
Employee costs	4,156	4,334	4,766	5,179
Other mfg expenses	5,559	5,677	6,486	7,520
Total operating expenses	39,337	42,755	48,628	57,041
EBITDA	7,751	8,018	9,282	11,320
Depreciation	810	848	913	1,017
EBIT	6,941	7,170	8,369	10,303
Add: Other income	2,258.6	2,079.8	2,660.31	2,907.3
Less: Interest Expense	96	168	168	168
Profit Before Tax	9,104	9,082	10,862	13,043
Less: Provision for Tax	1,561	1,736	2,191	2,680
Reported Profit	7,543	7,346	8,671	10,363
Adjusted Profit	7,543	7,346	8,671	10,363
Shares o /s (mn)	277	277	277	277
Basic EPS (INR)	27.2	26.5	31.3	37.4
Diluted shares o/s (mn)	277	277	277	277
Adjusted Diluted EPS	27.2	26.5	31.3	37.4
Adjusted Cash EPS	30.1	29.6	34.6	41.1
Dividend per share (DPS)	14.0	14.0	15.0	15.0
Dividend Payout Ratio(%)	61.7	63.3	57.5	48.1

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	62.9	64.5	64.5	64.9
Materials costs	8.8	8.5	8.2	7.6
Staff costs	11.8	11.2	11.2	11.0
Other mfg expenses	83.5	84.2	84.0	83.4
Depreciation	1.7	1.7	1.6	1.5
Interest Expense	0.2	0.3	0.3	0.2
EBITDA margins	16.5	15.8	16.0	16.6
Net Profit margins	16.0	14.5	15.0	15.2

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	6.9	7.8	14.1	18.0
EBITDA	5.4	3.4	15.8	22.0
PBT	(2.9)	(0.2)	19.6	20.1
Adjusted Profit	(4.0)	(2.6)	18.0	19.5
EPS	(4.0)	(2.6)	18.0	19.5

Balance sheet (INR mn)

As on 31st March	FY16	FY17	FY18E	FY19E
Share capital	554	554	554	554
Reserves & Surplus	34,259	36,867	41,864	48,684
Shareholders' funds	34,813	37,421	42,418	49,238
Short term borrowings	-	2,508	2,508	2,508
Total Borrowings	-	2,508	2,508	2,508
Long Term Liabilities	1,021	887	887	887
Sources of funds	**35,230**	**40,040**	**45,037**	**51,857**
Gross Block	19,497	19,767	22,267	24,767
Net Block	12,818	12,240	13,849	15,359
Capital work in progress	75	82	162	237
Intangible Assets	5,192	4,631	4,781	4,931
Total Fixed Assets	18,086	16,954	18,792	20,527
Non current investments	374	3,052	3,052	3,052
Cash and Equivalents	4,235	8,447	12,512	16,997
Inventories	6,003	5,621	6,416	7,471
Sundry Debtors	9,381	9,557	11,268	13,060
Loans & Advances	1,287	1,287	1,222	1,137
Other Current Assets	4,808	4,692	4,458	4,146
Current Assets (ex cash)	21,478	21,156	23,364	25,813
Sundry creditors	7,170	7,470	8,526	10,375
Provisions	1,773	2,099	4,158	4,158
Total Current Liab	8,943	9,568	12,684	14,533
Net Curr Assets-ex cash	12,536	11,588	10,680	11,281
Net Deferred tax	(604)	(777)	(777)	(777)
Uses of funds	**35,230**	**40,040**	**45,037**	**51,857**
BVPS (INR)	125.6	135.0	153.0	177.6

Free cash flow (INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Reported Profit	7,543	7,346	8,671	10,363
Add: Depreciation	810	848	913	1,017
Interest (Net of Tax)	79	136	138	137
Others	(1,696)	(2,048)	(1,319)	(1,434)
Less: Changes in WC	(613)	(947)	(908)	601
Operating cash flow	7,350	7,229	9,311	9,483
Less: Capex	4,523	(266)	2,752	2,752
Free Cash Flow	**2,827**	**7,496**	**6,559**	**6,731**

Cash flow metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating cash flow	7,350	7,229	9,311	9,483
Investing cash flow	(1,780)	(1,471)	(1,092)	155
Financing cash flow	(4,679)	(2,314)	(5,153)	(5,153)
Net cash Flow	891	3,444	3,066	4,485
Capex	(4,523)	266	(2,752)	(2,752)
Dividend paid	(4,671)	(4,653)	(4,985)	(4,985)

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	22.6	20.3	21.7	22.6
ROACE (%)	27.5	24.8	26.0	27.3
Inventory Days	79	65	59	57
Debtors Days	72	68	66	65
Payable Days	91	82	78	78
Cash Conversion Cycle	61	51	46	44
Current Ratio	2.9	3.1	2.8	2.9
Gross Debt/EBITDA	-	0.3	0.3	0.2
Gross Debt/Equity	-	0.1	0.1	0.1
Adjusted Debt/Equity	-	0.1	0.1	0.1

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	1.4	1.3	1.4	1.4
Fixed Asset Turnover	3.7	4.0	4.4	4.6
Equity Turnover	1.4	1.4	1.5	1.5

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	27.2	26.5	31.3	37.4
Y-o-Y growth (%)	*(4.0)*	*(2.6)*	*18.0*	*19.5*
Adjusted Cash EPS (INR)	30.1	29.6	34.6	41.1
Diluted P/E (x)	34.2	35.1	29.8	24.9
P/B (x)	7.4	6.9	6.1	5.2
EV / Sales (x)	5.4	5.0	4.3	3.6
EV / EBITDA (x)	32.7	31.4	26.7	21.5
Dividend Yield (%)	1.5	1.5	1.6	1.6

Peer comparison valuation

	Market cap	Core EV/EBITDA (X)		Diluted P/E (X)		Price/ Adj. BV (X)	
Name	**(USD mn)**	**FY18E**	**FY19E**	**FY18E**	**FY19E**	**FY18E**	**FY19E**
Cummins India	3,997	-	-	29.8	24.9	-	-
Siemens	7,498	-		53.2		-	
Median	-	-	-	41.5	12.4	-	-
AVERAGE	-	-	-	41.5	24.9	-	-

Source: Edelweiss research

Additional Data

Directors Data

Anant J Talaulicar	Managing Director	B H Reporter	Independent Non-Executive Director
P S Dasgupta	Independent Non-Executive Director	Nasser Munjee	Independent Non-Executive Director
Rajeev Bakshi	Independent Non-Executive Director	Venu Srinivasan	Independent Non-Executive Director
M A Levett	Promoter & Non-Executive Director	James Kelly	Promoter & Non-Executive Director
Patrick Ward	Promoter & Non-Executive Director	Antonio Leitao	Additional Director
J M Barrowman	Alternate Director	Sean Milloy	Alternate Director
Pradeep Bhargava	Alternate Director		

Auditors - PWC

Holding – Top10

	Perc. Holding		Perc. Holding
Cummins inc	51	Franklin resources	6.15
Life insurance corp	4.97	Pinebridge investmen	2.92
Reliance capital tru	2.54	Axis asset managemen	2.21
Birla sun life asset	1.79	Royal bank of canada	1.73
Uti asset management	1.72	Templeton asset mgmt	1.53

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
ABB India	BUY	SO	L	Bajaj Electricals	HOLD	SP	M
Bharat Forge	BUY	SO	M	Bharat Heavy Electricals	BUY	SO	M
Crompton Greaves	HOLD	SP	M	Cummins India	BUY	SO	L
Engineers India Ltd	BUY	SO	L	Greaves Cotton	HOLD	SP	M
Havells India	BUY	SP	M	Kalpataru Power	BUY	SO	M
KEC International	BUY	SP	M	Larsen & Toubro	BUY	SO	M
Praj Industries	BUY	None	None	Ramkrishna Forgings	BUY	SP	M
Siemens	HOLD	SP	L	TD Power Systems	BUY	None	None
Techno Electric & Engineering	BUY	SO	M	Thermax	REDUCE	SP	L
Triveni Turbine	BUY	None	None	VA Tech Wabag	BUY	None	None
Voltas	BUY	SP	L				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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ADITYA NARAIN

Coverage group(s) of stocks by primary analyst(s): Engineering and Capital Goods

ABB India, Bharat Heavy Electricals, Bharat Forge, Bajaj Electricals, Crompton Greaves, Engineers India Ltd, Greaves Cotton, Havells India, KEC International, Cummins India, Kalpataru Power, Larsen & Toubro, Praj Industries, Ramkrishna Forgings, Siemens, TD Power Systems, Techno Electric & Engineering, Thermax, Triveni Turbine, VA Tech Wabag, Voltas

Recent Research

Date	Company	Title	Price (INR)	Recos
15-May-17	**Siemens**	Reaping benefits of infra pick up; *Result Update*	1,422	Hold
15-May-17	**Engineering & Capital Goods**	Capex recovery: Here it comes!; *Sector Update*		
12-May-17	**Havells India**	On a transformational growth path; *Result Update*	513	Buy

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240

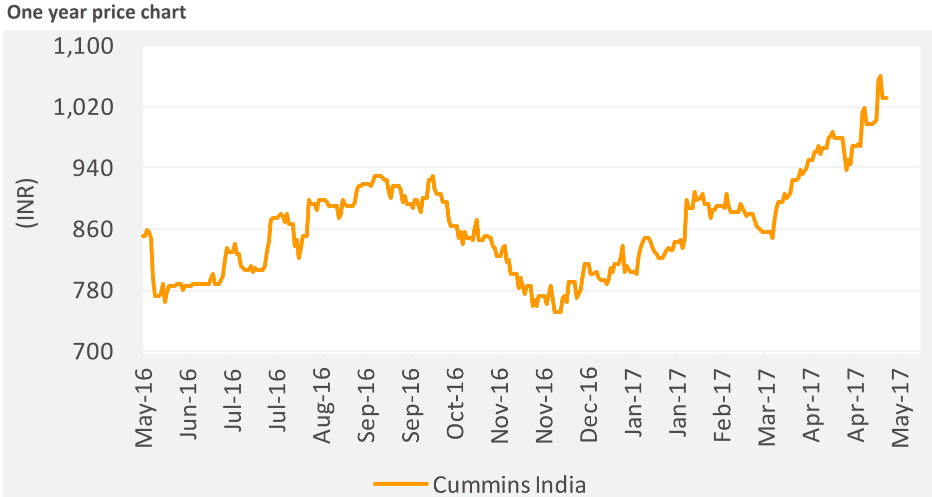
* 1stocks under review

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	156	62	11

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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