KRChoksey INSTITUTIONAL

Q1 FY18 RESULT PREVIEW

12th July, 2017

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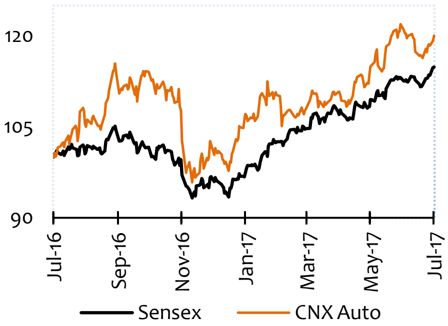
AUTO Sector

BS-3 ban , GST transition puts brake on volume growth

MARKET DATA

Nifty	9,786
Sensex	31,747
CNX AUTO	10,876
USD / INR	64.59

SECTOR PERFORMANCE



Earnings expectation for Q4 FY17

Automobile companies since January 2017 has going through a roller coaster ride. Impacted by demonetization, later by ban on BS-3 vehicles and now in transition towards GST. While, all the events which has happened in the first part of the year has been instrumental and betterment for the companies and society at large. However, in the near term disruption caused has been impacting the volumes and the financials of the company.

Expect flat growth in Q1 FY18 revenues: We expect our Auto & Auto Ancillary to post a flat growth of 3% Y-o-Y and is expected to decline by 11% Q-o-Q. We expect Minda Industries (42.2% Y-o-Y) to be the star performer followed by Bharat Forge (13% Y-o-Y growth) and Minda Corp (12.6% Y-o-Y growth) . We expect the overall revenue growth to be dragged down by 2-W mainly Bajaj Auto (8.9% Y-o-Y de-growth) .

Higher Input cost, inventory losses to weigh on EBITDA margins: While, sales recovery is expected to be modest we believe margins are expected to remain under-pressure driven by discounts and in anticipation of GST. 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 53bps Y-o-Y reduction in EBITDA margins. Our universe is mainly to be affected by Tyre Companies (CEAT and JKTyres), Maruti Suzuki . Minda Industries and Minda Corp is the only performer to achieve positive improvement lead by strong operational efficiency.

Earnings to be muted but better than Q1 FY17: A mix flattish sales and dilution in margins is expected to weigh on overall earnings of the companies in our universe. However, lower interest cost is expected to improve the profitability of all the companies.

Q1 FY18 Earnings Outlook of companies under coverage:

Maruti Suzuki Ltd:
We expect the company to post nominal topline growth resulting of 6% Y-o-Y on back of fall in volumes by ~5% Q-o-Q but improved mix of Baleno and Brezza is likely to drive realization up by ~5%. We expect the EBITDA margin to decline by 123bps Y-o-Y on back of higher discounts and increase in operational cost on back of rise in input cost. PAT margins to remain stable but decrease by 111bps. However, rise in other income will lead to PAT of INR 15,709 Mn. At CMP of INR 7456, we have an **"ACCUMULATE"** rating on the stock with a **target price of INR 7,607.**

Bajaj Auto Ltd:
We expect the company to post 8.9% decline Y-o-Y in revenue on back of fall in volumes by 9.5%, impacted by exports and on back of anticipation of GST. We expect the gross blended realization to improve by 1.5% y-o-y growth driven by refreshment of Pulsar and launch of Dominor. We expect the EBITDA margin to decline by 196bps Y-o-Y but remain flat Q-o-Q on back of increasing SG&A spend to push inventory, rise in input cost. We expect PAT margins to decline by 80bps Y-o-Y and remain flat Q-o-Q and expect to post PAT of INR 8053 Mn. At CMP of INR 2,785, we have an **"BUY"** rating on the stock with a **target price of INR 3,262.**

Hero Motorcorp Ltd:
We expect the company to post 7.2% Y-o-Y growth in top-line resulting out of 6% volume growth led by pick-up in rural sales and pick-up in scooter segment. We expect the improvement in realization to remain flat at 1%. We expect the EBITDA margin to declined on back of rise in input cost and increase in SG&A spend leading to 293bps Y-o-Y drop in EBITDA margins. We expect the PAT to de-grow by 12.1% Y-o-Y to register a PAT of INR 7,759Mn. At CMP of INR 3743, we have an **"HOLD"** rating on the stock with a **target price of INR 3,668**.

Tata Motors Ltd:
We expect the company to post a modest growth of 2% Y-o-Y in topline impacted by fall in JLR volumes and also impacted by loss downfall in CV sales . We expect the EBITDA margin to remain under pressure led by higher SG&A expenses and increasing input cost. We expect Adj.PAT of INR 33,606 Mn. At CMP of INR 467, we have an **"BUY"** rating on the stock with a **target price of INR 558.**

Bharat Forge Ltd:
We expect the company to post a 13% Y-o-Y growth on back of revival in Class 4 trucks, which is expected to drive the top-line sales for this particular quarter. We expect the EBITDA margin to remain underpressue Q-o-Q but improve Y-o-Y on back of expected revival in industrial and automotive business is likely to drive margins Y-o-Y. PAT margins are also likely to improve by 471 bps Y-o-Y and post PAT of INR 1808 Mn. At CMP on INR 1,121 we have a **"HOLD"** rating on the stock with a **target price of INR 1,171.**

AUTO Sector

Minda Corp Ltd:
We expect the company's revenue to improve by 12.6% Y-o-Y led by pick-up in domestic automobile volumes. 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 improve by 157bps Q-o-Q but fall 242 bps Y-o-Y on back of negative leverage in Minda Furukawa. Net Profit is expected to grow by 22.5% Q-o-Q but is expected to fall by 6.0% Y-o-Y. At CMP on INR 120 we have a **"BUY"** rating on the stock with a **target price of INR 142**.

Minda Industries Ltd: We expect the company to post 42.2% Y-o-Y growth in topline resulting out of consolidation of its key subsidiaires like rinder. However, company's increase in contribution from Maruti Suzuki and healthy volume growth of 2Ws. We expect the EBITDA margin to improve by 165 bps Y-o-Y but decline 58 bps Q-o-Q on back of rising input cost. At CMP on INR 676 we have a **"HOLD"** rating on the stock with a **target price of INR 678**.

Balkrishna Industries Ltd:
We expect the company to post 6.7% Y-o-Y growth in topline as we expect the volumes to increase by 5% Y-o-Y but relization is likely to decline We expect the EBITDA margin to decline by 267bps Y-o-Y on back of rise in natural rubber prices. PAT margins are further expected to improve on lower interest cost resulting into 139bps Y-o-Y improvement in margin. At CMP on INR 1699 we have a **"HOLD"** rating on the stock with a **target price of INR 1,652**.

CEAT Ltd:
We expect the company to post a flat quarter on back of held back of purchase due to GST. We expect the EBITDA margin to remain under pressure led by higher raw material cost and higher SG&A expenses basis leading to 251bps dilution in EBITDA margin. PAT margins are also expected to decline by 166bps Y-o-Y but is likely to improve by 56bps Y-o-Y. At CMP on INR 1,869 we have a **"ACCUMULATE"** rating on the stock with a **target price of INR 2,002**.

JK Tyre & Industries Ltd:
We expect the company to post 9.8% Y-o-Y growth in topline led by pick-up in CV sales and by company's foray in 2-W tyres. We expect the EBITDA margin to remain under pressure led by higher raw material cost and higher SG&A expenses basis leading to dilution in EBITDA margin by 739bps Y-o-Y but improve by 336bps Q-o-Q. PAT margins are expected to improve by 70bps Q-o-Q but are is likely to remain lower Y-o-Y. At CMP on INR 170 we have a **"BUY"** rating on the stock with a **target price of INR 234**.

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q1FY17	Q4FY17	Q1FY18E	QoQ	YoY	Remarks
Maruti Suzuki						
Sales	149,273	191,748	158179	-17.5%	6.0%	We expect the company to post nominal topline growth resulting of 6% Y-o-Y on back of fall in volumes by ~5% Q-o-Q but improved mix of Baleno and Brezza is likely to drive realization up by ~5%. We expect the EBITDA margin to decline by 123bps Y-o-Y on back of higher discounts and increase in operational cost on back of rise in input cost. PAT margins to remain stable but decrease by 111bps. However, rise in other income will lead to PAT of INR 15,709 Mn.
EBIDTA	22,157	29,146	21,536	-26.1%	-2.8%	
Net Profit	14,862	21,173	15,709	-25.8%	5.7%	
OPM (%)	14.8%	15.2%	13.6%	-159	-123	
NPM (%)	10.0%	11.0%	9.9%	-111	-3	
Bajaj Auto						
Sales	57,480	48,973	52,349	6.9%	-8.9%	We expect the company to post 8.9% decline Y-o-Y in revenue on back of fall in volumes by 9.5%, impacted by exports and on back of anticipation of GST. We expect the gross blended realization to improve by 1.5% y-o-y growth driven by refreshment of Pulsar and launch of Dominor. We expect the EBITDA margin to decline by 196bps Y-o-Y but remain flat Q-o-Q on back of increasing SG&A spend to push inventory, rise in input cost. We expect PAT margins to decline by 80bps Y-o-Y and remain flat Q-o-Q and expect to post PAT of INR 8053 Mn.
EBIDTA	11763	9049	9687	7.1%	-17.6%	
Net Profit	10400	8622	9053	5.0%	-13.0%	
OPM (%)	20.5%	18.5%	18.5%	3	-196	
NPM (%)	18.1%	17.6%	17.3%	-31	-80	
Hero Motorcorp						
Sales	73,989	69152	79,311	14.7%	7.2%	We expect the company to post 7.2% Y-o-Y growth in top-line resulting out of 6% volume growth led by pick-up in rural sales and pick-up in scooter segment. We expect the improvement in realization to remain flat at 1%. We expect the EBITDA margin to declined on back of rise in input cost and increase in SG&A spend leading to 293bps Y-o-Y drop in EBITDA margins. We expect the PAT to de-grow by 12.1% Y-o-Y to register a PAT of INR 7,759Mn.
EBIDTA	12301	9576	10866	13.5%	-11.7%	
Net Profit	8831	7142	7759	8.6%	-12.1%	
OPM (%)	16.6%	13.8%	13.7%	-15	-293	
NPM (%)	11.9%	10.3%	9.8%	-54	-215	

AUTO Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q1FY17	Q4FY17	Q1FY18E	QoQ	YoY	Remarks
Tata Motors						
Sales	658950	772172	672129	-13.0%	2.0%	We expect the company to post a modest growth of 2% Y-o-Y in topline impacted by fall in JLR volumes and also impacted by loss downfall in CV sales . We expect the EBITDA margin to remain under pressure led by higher SG&A expenses and increasing input cost. We expect Adj.PAT of INR 33,606 Mn.
EBIDTA	76129	99166	77295	-22.1%	1.5%	
Net Profit	18882	62069	33606	-45.9%	78.0%	
OPM (%)	11.6%	12.8%	11.5%	-134	-5	
NPM (%)	2.9%	8.0%	5.0%	-304	213	
Bharat Forge						
Sales	8,888	11,257	10,043	-10.8%	13.0%	We expect the company to post a 13% Y-o-Y growth on back of revival in Class 4 trucks, which is expected to drive the top-line sales for this particular quarter. We expect the EBITDA margin to remain underpressue Q-o-Q but improve Y-o-Y on back of expected revival in industrial and automotive business is likely to drive margins Y-o-Y. PAT margins are also likely to improve by 471 bps Y-o-Y and post PAT of INR 1808 Mn.
EBIDTA	244	3234	2822	-12.7%	1054.7%	
Net Profit	932	2075	1808	-12.9%	93.9%	
OPM (%)	2.7%	28.7%	28.1%	-63	2535	
NPM (%)	10.5%	18.4%	18.0%	-43	751	
Minda Corp						
Sales	6,954	7,614	7833	2.9%	12.6%	We expect the company's revenue to improve by 12.6% Y-o-Y led by pick-up in domestic automobile volumes. 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 improve by 157bps Q-o-Q but fall 242 bps Y-o-Y on back of negative leverage in Minda Furukawa. Net Profit is expected to grow by 22.5% Q-o-Q but is expected to fall by 6.0% Y-o-Y.
EBIDTA	585	338	470	39.2%	-19.7%	
Net Profit	249	191	234	22.5%	-6.0%	
OPM (%)	8.4%	4.4%	6.0%	157	-242	
NPM (%)	3.6%	2.5%	3.0%	48	-59	
Minda Industries						
Sales	7,666	9,481	10,903	15.0%	42.2%	We expect the company to post 42.2% Y-o-Y growth in topline resulting out of consolidation of its key subsidiaires like rinder. However, company's increase in contribution from Maruti Suzuki and healthy volume growth of 2Ws. We expect the EBITDA margin to improve by 165 bps Y-o-Y but decline 58 bps Q-o-Q on back of rising input cost.
EBIDTA	724	1,108	1,210	9.2%	67.1%	
Net Profit	271	578	648	12.1%	138.8%	
OPM (%)	9.4%	11.7%	11.1%	-58	165	
NPM (%)	3.5%	6.1%	5.9%	-15	240	
Balkrishna Industries						
Sales	9,281	10,029	9,901	-1.3%	6.7%	We expect the company to post 6.7% Y-o-Y growth in topline as we expect the volumes to increase by 5% Y-o-Y but relization is likely to decline We expect the EBITDA margin to decline by 267bps Y-o-Y on back of rise in natural rubber prices. PAT margins are further expected to improve on lower interest cost resulting into 139bps Y-o-Y improvement in margin.
EBIDTA	2600	2554	2510	-1.7%	-3.5%	
Net Profit	1645	2185	1892	-13.4%	15.0%	
OPM (%)	28.0%	25.5%	25.3%	-12	-267	
NPM (%)	17.7%	21.8%	19.1%	-268	139	
CEAT						
Sales	14,703	14,718	14,509	-1.4%	-1.3%	We expect the company to post a flat quarter on back of held back of purchase due to GST. We expect the EBITDA margin to remain under pressure led by higher raw material cost and higher SG&A expenses basis leading to 251bps dilution in EBITDA margin. PAT margins are also expected to decline by 166bps Y-o-Y but is likely to improve by 56bps Y-o-Y.
EBIDTA	1854	1325	1,465	10.6%	-21.0%	
Net Profit	1051	725	796	9.9%	-24.2%	
OPM (%)	12.6%	9.0%	10.1%	110	-251	
NPM (%)	7.2%	4.9%	5.5%	56	-166	

AUTO Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q1FY17	Q4FY17	Q1FY18E	QoQ	YoY	Remarks
JK Tyre						
Sales	17,808	21,525	19,553	-9.2%	9.8%	We expect the company to post 9.8% Y-o-Y growth in topline led by pick-up in CV sales and by company's foray in 2-W tyres. We expect the EBITDA margin to remain under pressure led by higher raw material cost and higher SG&A expenses basis leading to dilution in EBITDA margin by 739bps Y-o-Y but improve by 336bps Q-o-Q. PAT margins are expected to improve by 70bps Q-o-Q but are is likely to remain lower Y-o-Y.
EBIDTA	3570	2001	2,475	23.7%	-30.7%	
Net Profit	2085	809	872	7.7%	-58.2%	
OPM (%)	20.0%	9.3%	12.7%	336	-739	
NPM (%)	11.7%	3.8%	4.5%	70	-725	

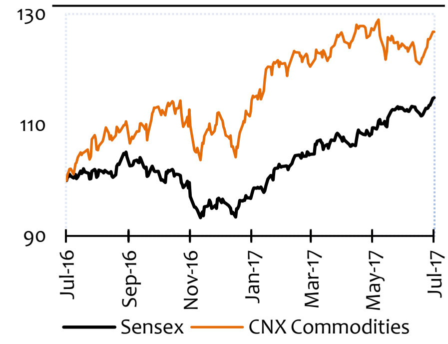
Cement Sector

Sequentially strong quarter expected on the back of improved realizations !

MARKET DATA

Nifty	9,786
Sensex	31,747
CNX Commodities	3,541
USD / INR	64.59

SECTOR PERFORMANCE



Earnings expectation for Q1FY18

We believe that Q1 FY18 will be a strong quarter sequentially for cement companies owing to pick up in construction activities coupled with increase in cement prices on PAN India basis. Volumes picked up steeply in eastern region with an estimated demand growth of 15% y-o-y followed by Western region which is estimated to have grown at 6% y-o-y. In terms of realization, cement prices have increased sharply in South with an estimated price growth of 12% y-o-y. On the growth outlook, we believe that East and South will continue to outperform on the demand front and we expect a sharp recovery in volumes on PAN India basis from H2FY18 onwards.

Q1 volumes on recovery path post demonetization: The total cement volumes on PAN India basis de-grew by ~1% y-o-y for April-May 2017 and we estimate it to have grown by ~3% y-o-y for Q1FY18 as against a de-growth of ~11.55% y-o-y during Q4FY17. We believe that the volumes are on a recovery path post demonetization with Eastern region being the major growth driver with an estimated volume growth of 15% y-o-y in the region. The Southern region remained sluggish on the demand front with an expected de-growth of ~6% y-o-y on volumes front on account of significant slowdown in Tamil Nadu and Kerala. Western region is estimated to have grown by 6% y-o-y followed by Northern region which we expect has grown by 5% y-o-y. Going ahead, we maintain our bullish stance on the Eastern and Southern region on the volumes front.

Margins to have improved sequentially on account of improved realization: Pet-coke prices have increased by ~10% on sequential quarter basis but we expect the effect to be off-set by improved realizations on PAN India basis. In terms of cement prices, the Southern region has picked up sharply with an estimated growth of 12% y-o-y while a healthy growth of ~4% y-o-y in the North. We expect the margins to improve on sequential basis but believe to be lower on y-o-y basis due to low base of pet-coke prices. Going ahead, we expect the margins to remain steady on the back of estimated stable prices of cement.

Dalmia Bharat Ltd, Ramco Cements Ltd, Sagar Cements Ltd and Sanghi Industries Ltd continue to remain our top picks.

Q2CY17/Q1FY18 Earnings Outlook of companies under coverage:

ACC Ltd: We expect the company to post a good set of numbers as healthy exposure to Eastern region will help the company fetch good volume growth. Further, the recent capex at Sindri and Jamul will help the company to outperform on the volume front. We expect the company to post a volume growth of 8% y-o-y and flattish growth q-o-q. At CMP of INR 1652, we recommend "HOLD" rating on the stock with a target price of INR 1542 translating into a downside of 6.6%.

Ambuja Cements Ltd: We expect the quarter to be strong for the company with volume growth expectation 7.8% y-o-y and 3% q-o-q. We believe that high exposure of the company to the Western region will fare well for ACEM on account of demand and price recovery in the region. The key thing to watch out for would be any further developments of an expected merger with ACC Ltd. At CMP of INR 256, we recommend "HOLD" rating on the stock with a target price of INR 248 translating into a downside of 3.13%.

Ultratech Cement Ltd: We expect the company to post a decent set of numbers on account of volume and price realization improvement on PAN India basis. We expect the cement volumes to grow by 6% y-o-y and flat on q-o-q basis. The company has successfully completed the acquisition of Jaiprakash Associates and the key thing to watch out for would be the management commentary on the current operational scenario of those cement assets. At CMP of INR 4145, we recommend "HOLD" rating on the stock with a target price of INR 4266 translating into an upside of 2.92%.

Dalmia Bharat Ltd: We expect the quarter to be relatively better for Dalmia Bharat Ltd with a volume growth of 9% y-o-y and realization growth of 5.1% y-o-y. We believe that high volume growth in East coupled with sharp price recovery in South will be the key beneficiary factors for the company in this quarter. At CMP of INR 2655, we recommend a "ACCUMULATE" rating on the stock with a target price of INR 2985 translating into an upside of 12.43%.

Ramco Cements Ltd: We expect the company to post a muted volume growth of 2% y-o-y on account of significant slowdown in Tamil Nadu and Kerala. However, a sharp price recovery in Southern belt will help the company to deliver an estimated top-line growth of 9.1% y-o-y. At CMP INR 708, we recommend a "ACCUMULATE" rating on the stock with a target price of INR 809 translating into an upside of 14.2%.

Cement Sector

India Cements Ltd: We expect the company to post relatively muted set of numbers with volume growth of 3% y-o-y and de-growth of 5.9% q-o-q primarily on account of slowdown in Tamil Nadu and Kerala. However, on account of price recovery; we expect a top-line growth of 15.3% y-o-y. The key thing to watch out for would be the management commentary on debt reduction plans of the company coupled with growth outlook for Tamil Nadu. At CMP of INR 207, we recommend "ACCUMULATE" rating on the stock with a target price of INR 220 translating into an upside of 6.28%.

Sanghi Industries Ltd: We expect the company to post good results on account of demand and price recovery in the Western region. We expect the company to post a volume growth of 6% y-o-y and flattish growth on q-o-q basis along with a sharp price recovery of 15% on q-o-q basis. The key thing to watch out for would be management commentary on developments of financial closure related to the capex plans. At CMP of INR 90, we recommend "BUY" rating on the stock with a target price of INR 115 translating into an upside of 27.49%.

Sagar Cements Ltd: We expect the company to post a strong set of numbers with volume growth of 11.3% y-o-y and flattish growth q-o-q. A strong growth in AP & Telangana in June coupled with the capacity addition will help the company outperform the industry growth rate. The key thing to watch out for would be the management commentary on the sustainability of growth in AP & Telangana. At CMP of INR 811, we recommend "BUY" rating on the stock with a target price of INR 1045 translating into an upside of 28.85%.

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q2CY16	Q1cY17	Q2cY17E	q-o-q	y-o-y	Remarks
ACC Ltd						
Gross Sales	33,402	36,311	37,970	4.6%	13.7%	We expect the company to post good growth with their topline displaying a growth of 13.7% y-o-y and 4.6% q-o-q. We expect the cement volumes to grow by 8% y-o-y and flat on q-o-q basis. We expect the EBITDA margins to fall by 177 bps y-o-y on account of significant hike in pet-coke prices and EBITDA to decline by 1% y-o-y. We expect the net profit to fall by 3.8% y-o-y and net profit margins to reduce by 109 bps y-o-y .
EBIDTA	4,576	4,160	4,530	8.9%	-1.0%	
Net Profit	2,370	2,120	2,280	7.5%	-3.8%	
OPM (%)	13.7%	11.5%	11.9%	47	-177	
NPM (%)	7.1%	5.8%	6.0%	17	-109	
Ambuja Cements Ltd						
Gross Sales	28,842	29,224	32,020	9.6%	11.0%	We expect the cement volumes to grow by 7.8% y-o-y and grow by 3% q-o-q. Consequently, we estimate its top-line to grow by 11% y-o-y and grow by 9.6% q-o-q. We expect the EBITDA margins to remain weak at 13.96% as against 20.8% last year due to hike in pet-coke prices. We expect net profit to decline by 23.9% y-o-y and rise by 23.3% q-o-q.
EBIDTA	6009	3940	4470	13.5%	-25.6%	
Net Profit	3995	2465	3040	23.3%	-23.9%	
OPM (%)	20.8%	13.5%	13.96%	48	-687	
NPM (%)	13.9%	8.4%	9.5%	106	-436	
INR Million	**Q1FY17**	**Q4FY17**	**Q1FY18E**	**q-o-q**	**y-o-y**	**Remarks**
Ultratech Cement Ltd						
Gross Sales	70,952	74,994	77,354	3.1%	9.0%	We expect the quarter to be decent for the company with their topline growing by 9% y-o-y and 3.1% q-o-q. We estimate the EBITDA to increase by 3.3% y-o-y and 14.9% q-o-q and EBITDA margins to take a hit of 106 bps y-o-y. We expect net profit to decline by 0.2% y-o-y and increase by 12.4% q-o-q.
EBIDTA	14225	12782	14692	14.9%	3.3%	
Net Profit	7749	6883	7735	12.4%	-0.2%	
OPM (%)	20.05%	17.04%	18.99%	195	-106	
NPM (%)	10.92%	9.18%	10.00%	82	-92	
Dalmia Bharat Ltd						
Gross Sales	20200	24330	23040	-5.3%	14.1%	We expect the quarter to be relatively better with a volume growth of 9% y-o-y and de-growth of 10% q-o-q. We expect EBITDA to grow by 8.8% y-o-y translating into its EBITDA margins at 24%. Further we expect its net profit margins at 7% as against 4.7% in Q1FY17.
EBIDTA	5084	5517	5530	0.2%	8.8%	
Net Profit	940	1839	1610	-12.5%	71.3%	
OPM (%)	25.2%	22.7%	24.0%	133	-117	
NPM (%)	4.7%	7.6%	7.0%	-57	234	

Cement Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q1FY17	Q4FY17	Q1FY18E	q-o-q	y-o-y	Remarks
Ramco Cements Ltd						
Gross Sales	11,200	11,900	12,220	2.7%	9.1%	We expect the company to post a muted set of numbers with volumes up 2% y-o-y while down 7% q-o-q. We expect the top-line to stand at INR 12220 mn for the quarter up 9.1% y-o-y. We expect the EBITDA to be down by 8.5% y-o-y at INR 2800 mn and EBITDA margins to be down 442 bps y-o-y at 22.9%. We expect PAT to be up by 12.2% y-o-y at INR 1750 mn and PAT margins to be up by 40 bps y-o-y at 14.3%.
EBIDTA	3061	2525	2800	10.9%	-8.5%	
Net Profit	1559	1345	1750	30.1%	12.2%	
OPM (%)	27.3%	21.2%	22.9%	169	-442	
NPM (%)	13.9%	11.3%	14.3%	302	40	
India Cements Ltd						
Gross Sales	12,057	15,243	13,900	-8.8%	15.3%	We expect the company to post relatively muted set of numbers with volumes up 3% y-o-y while down 5.9% q-o-q. We expect the top-line to stand at INR 13900 mn for the quarter up 15.3% y-o-y. We expect the EBITDA to be down by 3.9% y-o-y at INR 1966 mn and EBITDA margins to be down 283 bps y-o-y at 14.1%. We expect PAT to be up by 7% y-o-y at INR 470 mn and PAT margins to be down 26 bps y-o-y at 3.4%.
EBIDTA	2046	1917	1966	2.6%	-3.9%	
Net Profit	439	343	470	37.1%	7.0%	
OPM (%)	17.0%	12.6%	14.1%	157	-283	
NPM (%)	3.6%	2.2%	3.4%	113	-26	
Sanghi Industries Ltd						
Gross Sales	3,004	2,738	3,150	15.1%	4.9%	We expect the company to post a good set of numbers with volumes up by 6% y-o-y while flat on q-o-q basis. We expect the topline to stand at INR 3150 mn for the quarter up 4.9% y-o-y. We expect the EBITDA to be down 21.9% y-o-y at INR 511 mn and EBITDA margins to be down 557 bps y-o-y at 16.2%. We expect PAT to be down 13.8% y-o-y at INR 205 mn and PAT margins to be down 141 bps y-o-y at 6.5%.
EBIDTA	655	423	511	20.7%	-21.9%	
Net Profit	238	263	205	-22.0%	-13.8%	
OPM (%)	21.8%	15.5%	16.2%	76	-557	
NPM (%)	7.9%	9.6%	6.5%	-309	-141	
Sagar Cements Ltd						
Gross Sales	2,286	2,709	2,774	2.4%	21.3%	We expect the company to post a strong set of numbers with volumes up by 11.3% y-o-y while flattish q-o-q. We expect the topline to stand at INR 2774 mn for the quarter up 21.3% y-o-y. We expect the EBITDA to be up 27% y-o-y at INR 330 mn and EBITDA margins to be up by 53 bps y-o-y at 11.9%. We expect PAT to be up 210.8% q-o-q at INR 35 mn and PAT margins to be up by 243 bps q-o-q at 1.3%.
EBIDTA	260	260	330	26.9%	27.0%	
Net Profit	-3	-32	35	210.8%	-	
OPM (%)	11.4%	9.6%	11.9%	230	53	
NPM (%)	-0.1%	-1.2%	1.3%	243	137	

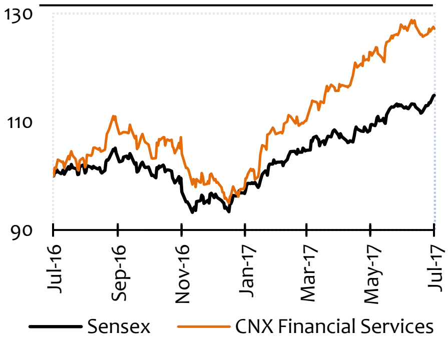
Financial Services Sector

Slippages to moderate, private banks to outperform

MARKET DATA

Nifty	9,786
Sensex	31,747
CNX Financial Services	9,605
USD / INR	64.59

SECTOR PERFORMANCE



Earnings expectation for Q1FY18 and Sector outlook

During FY17, bank credit grew at 5%, slowest in last 60 years. Besides the economy failing to pick up substantially, partially because of demonetization which led to a cash crunch among many sectors of the economy, another primary reason that could be cited as a major contributor is the continued pace of fresh slippages at large public sector banks. Even now, the outlook on the quality of the banking sector loan book is weak with most of the measures formulated by RBI failing to generate any fruitful outcome in terms of recoveries or upgradations. As NPA issues remain unresolved, NPA levels are expected to continue to rise for FY18, however, the pace of formation of NPAs may moderate. We attribute the slowdown partially to slightly improved economic outlook, as FY17 was impacted by demonetization, and partially due to the increasingly strict stance of the RBI towards NPA resolution. We feel that the recent directive by the RBI to initiate proceedings against the 12 accounts under IBC is expected to instill credit discipline among other large accounts and in the borrowing public at large.

On the growth side, we expect selective private sector banks to continue to post good growth rates while most of the PSUs would be restricted due to their capital constraints and the NPA problem at hand. Growth for NBFCs is likely to continue to be more than their banking peers, both private and public, due to their greater reach, ability to undertake greater amounts of risk and relatively better quality loan books.

During the last quarter of FY17, PSUs loan book, heavily dominated by corporate loans, recorded below-average growth rate. Amongst the PSUs, SBI saw the highest loan book growth despite the large size of the bank. While private sector banks saw increase in asset quality pressure, partially due to RBI directive with respect to NPA divergence, they saw their loan book grow better than the industry average. We expect private sector banks to continue to outgrow their public sector peers and grab a larger share of the total market, however, we also expect higher credit costs for some banks as they will be complying with the RBI directive with respect to NPA divergence.

Therefore, we stay positive on retail-focused banks and NBFCs given their relatively safe nature and low ticket size as against corporate-focused loan books as we feel the corporate cycle is yet to pick up. However, as most of the banks and NBFCs in recent years have shifted focus towards retail loans, one should be careful about the increasing competition in retail loans since it could lead to poor loan underwriting practices resulting in NPA formation over the longer-term. While retail-focused financial institutions should maintain stable earnings, corporate-heavy institutions are likely to see earnings decline in light of subdued loan book and top-line growth, higher provisions and fresh slippages. Hair-cuts on the 12 accounts referred to NCLT under IBC have also dampened earnings outlook for some banks.

On the profitability side, we expect the overall sector to see net profits grow slower than the top-line on q-o-q basis on account of higher credit costs but they could be higher on y-o-y basis as they would be having a higher CASA deposit base compared to Q1FY17 (due to demonetization). As a result, we expect accretion to equity to be lower on q-o-q basis.

While we do not expect macros to turn significantly positive during Q1FY18 of FY18, we do expect them to be supportive on account of better than expected monsoon, accelerated NPA resolution measures and focus on fiscal discipline, amongst many other reforms being undertaken at the centre, to kick-start the economy.

Top picks:
In the private space, we like IndusInd Bank, Yes Bank and Kotak Mahindra Bank. We like IndusInd Bank because of its differentiated high-yielding loan book and also because of the targets set by the management for up to FY20 (the new planning cycle) which will help the bank to achieve its high profitability. We like Yes Bank and Kotak Mahindra Bank because of their strong franchisees and retail-focus with better-than-industry asset quality.

On the public sector side, we like Canara Bank, Bank Of Baroda and State Bank Of India because of their relatively stronger balance sheets. Also, more recently these PSUs have guided for a better outlook in terms of loan book growth and asset quality.

Financial Services Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q1FY17	Q4FY17	Q1FY18E	QoQ	YoY	Remarks
Axis Bank Limited						
Net interest income	45,169	47,286	47,938	1%	6%	We expect NIM to remain under pressure on account of high loan book stress. We expect NIMs margin to decline slightly by 15-20 bps and credit costs to remain elevated, thereby putting further pressure on profitability.
Pre-provisioning profit	44,694	43,747	43,747	0%	-2%	
Net profit	15,555	12,251	13,227	8%	-15%	
Bank Of India Limited						
Net interest income	27,752	34,686	34,276	1%	24%	We expect negligible to zero loan book growth and NIMs to be around 2.3% for Bank Of India. The bank has been showing consistent operational improvement since last 4 quarters and we expect this improvement to continue in Q1FY18. On back of this, we see some improvement in net profits. However, we also expect credit costs to stay elevated, thereby dampening profitability.
Pre-provisioning profit	16,539	31,275	32,126	3%	94%	
Net profit	-7,414	-10,455	1,515	114%	120%	
Canara Bank Limited						
Net interest income	23,074	27,082	30,917	14%	34%	With most of the stressed assets pain behind it, the quality of earnings should improve substantially for the bank. Though the bank would like to maintain PCR at 70%, it could hurt profitability at the bottom level. Increase in share of CASA deposits should translate to higher NIMs. We expect loan book quality to improve on back of consistent efforts by the bank.
Pre-provisioning profit	18,189	29,729	32,950	11%	81%	
Net profit	2,290	2,142	2,587	21%	13%	
HDFC Bank Limited						
Net interest income	77,814	90,551	93,406	3%	20%	We expect HDFC Bank to maintain its quarterly growth rate of 4-5%. NIM and cost/income are expected to hold steady while credit costs may be slightly higher on account of newly recognized stress. However, on the whole, we expect the bank to continue to outperform industry peers.
Pre-provisioning profit	58,192	72,794	75,763	4%	30%	
Net profit	32,389	39,901	39,794	0%	23%	
ICICI Bank Limited						
Net interest income	51,585	59,622	57,114	-4%	11%	We expect loan book growth to be driven by the retail side. NIMs are likely to see some pressure however improvement in cost/income ratio is expected to provide some relief to profitability. We expect asset quality to remain stressed and credit costs to stay elevated. Watch-list will need to be monitored.
Pre-provisioning profit	52,147	51,120	51,397	1%	-1%	
Net profit	22,324	20,246	12,893	-36%	-42%	
IndusInd Bank Limited						
Net interest income	13,564	16,675	16955	2%	25%	The Bank is expected to continue its superior than industry performance both in terms of interest income as well as net profit. As the bank's new planning (FY17-20) kicks into gear, we should expect 20-25% y-o-y growth for the loan book. With focus on increasing CASA, we could see slight NIM improvement. Consequently, net profit should also increase aiding higher RoA. We do not expect any negative surprise on the asset quality side.
Pre-provisioning profit	12,338	15,722	15422	-2%	25%	
Net profit	6,614	7,516	8069	7%	22%	
Punjab National Bank Limited						
Net interest income	36,990	36,835	40,893	11%	11%	We expect NIMs to improve as the Bank has decided to not cut loan rates any further and correct deposit rates as well on the savings side. On the loan book growth side, we expect a subdued number, in the range of 6-7%, as guided by the management. Credit costs and asset quality will need to be watched out for as the loan book is corporate-heavy.
Pre-provisioning profit	32,746	62,318	35,447	-43%	8%	
Net profit	3,064	2,619	831	-68%	-73%	
State Bank Of India Limited						
Net interest income	1,43,123	1,80,707	1,58,053	-13%	10%	We expect loan book growth to be better than industry average, however slippages could continue to stay elevated. On account of higher slippages, we expect NIMs to come under pressure. Improvement in operations should aid profitability to some extent however higher slippages are likely to drive higher provisioning thereby nullifying the operational improvement.
Pre-provisioning profit	1,10,539	1,60,265	1,88,842	18%	71%	
Net profit	25,210	28,148	47,128	67%	87%	

Financial Services Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q1FY17	Q4FY17	Q1FY18E	QoQ	YoY	Remarks
Union Bank Of India Limited						
Net interest income	21,023	23,870	26,695	12%	27%	We expect loan book growth to be above industry average but NIMs are likely to remain slightly depressed as guided by the management. Cost/income ratio guidance is for 51% for FY18. The management is aiming to bring down credit costs by focusing profitable and good quality lending.
Pre-provisioning profit	16,251	21,341	27,469	29%	69%	
Net profit	1,663	1,082	3,668	239%	121%	
Yes Bank Limited						
Net interest income	1316.58	1639.7	1936.289	18%	47%	We expect 25% loan book growth for FY18 with slight improvement on NIMs owing to positive outlook on the retail front and improved CASA mix. Credit costs and cost/income are expected to remain in vicinity.
Pre-provisioning profit	1306.77	1690.98	1974.181	17%	51%	
Net profit	731.8	914.12	1058.732	16%	45%	
Kotak Mahindra Bank Limited						
Net interest income	19,191	21,614	23,127	7%	21%	We expect margins to increase on account of synergies derived from completion of integration of various businesses. On the loan book growth side, we expect the bank to outperform the industry average. We expect the bank to generate industry-leading profitability and maintain stable asset quality.
Pre-provisioning profit	13,150	17,020	18,444	8%	40%	
Net profit	7,420	9,765	10,328	6%	39%	
Bank Of Baroda Limited						
Net interest income	33,711	35,819	46,446	30%	38%	The management has guided for 18-20% loan book growth in FY18 along with stable margins. Guidance for credit costs has been in the range of 1.75%-1.90%. We do not expect much improvement in cost/income ratio. Changes in asset quality will need to be monitored.
Pre-provisioning profit	26,695	30,202	36,280	20%	36%	
Net profit	4,236	1,547	2,449	58%	-42%	

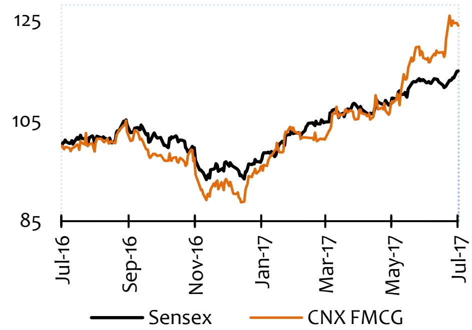
FMCG Sector

Glittering Future

MARKET DATA

Nifty	9,786
Sensex	31,747
CNX FMCG	27,362
USD / INR	64.59

SECTOR PERFORMANCE



Earnings expectation for Q1FY18

Just after Demonetization phase (In Dec'16), consumer companies were expecting revival and improvement in earnings through recovery in demand, expansion in direct distribution network, also synchronizing smooth functioning of payment cycle. We remain positive for the consumer sector as well as economy in FY18 and years forward due to implementation of GST which is positive for the sector, in addition to it average monsoon have been expected to be better, moreover we would further see improvement in demand both from rural and urban areas and lastly with clarity in GST rates we would also see increase in consumer spending on discretionary products in long term.

For Q1FY18, we expect average revenue growth to be in range of 5%-10% yoy and also we would see average de-growth of revenue around 2%-5% qoq. We expect flattish to subdued quarter due to implementation of GST in July, which had concerned the dealers and wholesalers in June itself and they started de-stocking the goods and offered large discounts from mid to end June. The worry with them was that the tax rates for certain products were to be high after GST and it would be wise to de-stock them. We are expecting margins growth to be around 5%-7% in Q1FY18, as it was affected with high raw material price in Q4FY17 which we expect to continue in Q1FY18.

Outlook: We remain positive on Britannia, HUL, ITC, Heritage foods, GCPL and Whirlpool while on other hand we remain concerned on Colgate, Parag milk foods Ltd and Blue star, etc. We remain positive on whole consumer sector with implementation of GST as it is a win- win position for the sector. Furthermore we believe that after Q1FY18, we would have better clarification on GST rates and an investor should start accumulating stocks in FMCG sector with minimum horizon of 18-24 months. we are of the view that consumers space has bright future with concerns in near term.

Key Parameter to watch in for Q1FY18 and onwards:

- Repercussion of GST rates.
- Consumer spending on discretionary and non-discretionary goods.
- Companies spend on Advertisements & promotional activities.
- Contribution from E-commerce segment.

Q1FY18 Earnings Outlook of companies under coverage:

Britannia Industries Ltd is present in bakery and Dairy segment with large presence in biscuits (premium and ordinary) segment. It remained focused on growing its business and to obtain better realization of its products. It has large distribution network and with implementation of GST tax there was de-stock of goods by dealers and wholesalers. GST tax for its Bakery products would be tax at 18% while dairy products falls under different tax rate from 0% to 18% depending upon products. We expect demand recovery from Q2FY18 with new product launches. Britannia posted revenue of INR 23284.2Mn with growth of 6.0% yoy and 0.5% qoq. EBIDTA and PAT margins to be around 13.5% and 9.6%. **At CMP INR 3690, we recommended "ACCUMULATE" rating on the stock with a target price of INR 3965, an upside of 7.4%**

Colgate ltd has always been the dominant player and the market leader in both toothbrush and tooth paste category with highest volume market share of around 55%. Colgate has faced pressure from competitor and also due to GST it has announced price cut on some of its products. During quarter demand had been subdued but post GST we expect that market would be on revival phase with price cut and many of its products fall under tax of 18% We expect revenue of INR 12294.8Mn with yoy and qoq growth of 7.0% and 4.5% respectively. We expect EBIDTA and PAT margin around 20.5% and 12.5% respectively. **At CMP INR 1079, we recommended "ACCUMULATE" rating on the stock with a target price of INR 1145 an upside of 6.1%**

HUL is the largest consumer company which has presence both in rural and urban market. We expect demand recovery is on its way for both rural and urban area. We expect revenue to be around INR 89410 Mn with growth of 10% yoy and 0.6% qoq. With GST it will receive benefit for some of its category like soaps and detergent, etc and also it has cut price of its products to increase its volume. With companies effort for cost saving we expect improvement in EBIDTA and PAT margins, Its margins will be around 19.7% and 14.0% **At CMP INR 1107, we recommended "ACCUMULATE" rating on the stock with a target price of INR 1183, an upside of 6.9%.**

ITC is majorly dependent on its cigarette business, during the quarter sales were impacted due to announcement of implementation of GST which is to be charged at 28.0% plus cess. ITC is diversifying it business to FMCG and other business like Hotel, Paper and Agri which is currently facing the slowdown but is expected to recovery after Q1FY18, with implementation of GST. We expect overall revenue to be around INR 139157.1Mn with growth of 5.0% to and de-growth of 7.3% qoq. We expect benefits for segment like cigarettes, FMCG, Agri, paper business while Hotel (premium) is expect to pay higher taxes under GST. In Q1FY18, We expect EBIDTA and PAT margins to be around 26.5% and 18.9%, respectively. **At CMP INR 331, we recommended "ACCUMULATE" rating on the stock with a target price of INR 349, an upside of 5.5%**

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FMCG Sector

Monte Carlo is one of the largest player in apparels and accessories with its presence more in north India and majorly in cotton and woolen segment. It major revenue is in Q3 as it has large dependent on winters but with diversification in cotton products of men, women & kids we expect other quarter to improve. For Q1FY18 we expect revenue of around INR 907.7 Mn with growth of 25.5% yoy and de-growth of 5% qoq. With GST we are expecting tax rate to be majorly around 18%. We expect EBIDTA and PAT margins to be around 5% and negative 1%. **At CMP INR 611, we recommended "ACCUMULATE" rating on the stock with a target price of INR 665, An upside of 8.8%**

Nestle India Ltd will revenue of around INR 26124.4Mn with growth of 15.0% yoy and 0.8% qoq. After the recovery in it noodles segment and also in other segments. It has been aggressively launching its new products. With products in different segments we expect GST tax would be different but majorly tax would be around 18%. It is present in segments like Dairy, Chocolates, Noodles, We expect EBIDTA & PAT margin for Q2CY17 to be at 20.5% and 11.0% respectively. **At CMP INR 6791, we recommended "ACCUMULATE" rating on the stock with a target price of INR 7247, an upside of 6.7%**

Hatsun Agro is one of the south based dairy company and a market leader. We expect revenue to be around INR 10064.8 Mn with growth of 18.0% yoy and de-growth of 17.3% qoq. De-growth in quarter is due to summer season (April to June). 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) With GST milk falls under 0% tax category which will benefit the company in coming quarter. For Q4FY17, we expect EBIDTA and PAT margins will be around 10.0% and 3.7%, respectively. **At CMP INR 629, we recommended "ACCUMULATE" rating on the stock with a target price of INR 693, an upside of 10.1%**

Heritage Foods Ltd is a strong player in the south and has demerge its retail division with focus to grow its dairy business. Revenue of dairy is contributed in ratio 75% to 25% among milk and value added products. In the future company plans to increase its value added products share which would help in gain higher revenue and margins. With GST implementation, company is present in Dairy business and would have different tax for different products. (0% to 18%). We expect revenue to be around INR 7103.4 Mn with growth of 12.0% yoy and 1.4% qoq. EBIDTA and PAT margins will be around 5.6% and 3.0%, respectively. **At CMP INR 1081, we recommended "ACCUMULATE" rating on the stock with a target price of INR 1205, an upside of 11.5%**

Kwality Dairy Ltd is one of the largest Dairy player in north India. Its focus remains on transforming itself as a B2C player with strategy like focusing more on procurement model and bringing in more and more farmers under direct sourcing channel, developing value added products under its own brand and increasing distribution network. We expect revenue to be at INR 15472.7Mn and growth to be around 5.% yoy and 0.8% qoq. We expect EBIDTA and PAT margins to be at around 6.9% and 3.0%. **At CMP INR 148, we recommended "BUY" rating on the stock with a target price of INR 237, an upside of 60.1%**

Parag milk foods Ltd is a private and organized dairy player which has its major presence in west India. It is majorly present in value added products i.e cheese. PMFL is on the recovery phase and we expect its revenue to be around INR 4026.4 Mn which is growth of 5.0% yoy and de-growth of 6.0% qoq. Also raw material price increase has affected the margins and we expect EBIDTA and PAT margin to be around 9.0% and 4.2% **At CMP INR 235, we recommended "BUY" rating on the stock with a target price of INR 274, an upside of 16.5%**

Prabhat dairy Ltd is a dairy player in west and is on a expansion phase for transforming its business as B2C player from B2B. However it is gaining with introduction of new products, improving direct procurement channel, expanding in retail channel, etc which is helping in to gain in both revenue and margins front. We expect its revenue to be around INR 3224.3 Mn with growth of 10.0% yoy and de-growth of 14.5% qoq. We expects its EBIDTA and PAT margins to be around 8.6% and 2.5% for Q1FY18. **At CMP INR 135, we recommended BUYE" rating on the stock with a target price of INR 162, an upside of 19.9%**

GCPL: We expect GCPL to record revenue of INR 23,039 Mn, a 5% YoY growth. Normally Q1 results are soft due to less infestation of mosquitoes during summer season and apart from that the main focus of major FMCG companies was to sell off inventory during the quarter to avoid any losses that could arise from the transition period between per and post GST regime, which was launched on 1st July, 2017. We believe that companies had to provide discounts of the stockiest and dealers to reduce inventories from their books. We expect an impact of discounts which may result in subdued top line and average realization during this quarter. However, the company is likely to maintain its margin during the quarter, also we will see improvement in margins post GST launch. The company has also slashed prices of soaps by 6-8% extending the tax benefits to the consumer. We believe that with good monsoon and uptick in consumer demand coupled with GST, the second half of FY18 will be more positive for GCPL. **At CMP of INR 971, we recommend "BUY" rating on the stock with a target price of INR 1,120 an upside of 15.4%.**

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 1,350 we recommend "ACCUMULATE" rating on the stock with a target price of INR 1,448, an upside of 7.3%.**

Whirlpool of India Ltd: We expect the revenue to grow by around 20% on YoY basis and by around 45.1% on QoQ basis. The sales of cooling products have witnessed significant growth during Q1FY18E due to discounts offered by the company ahead of GST launch. We expect increase in price of white goods in coming quarters as tax under GST on white goods will be higher, this shall improve the top line and average realization of the company but it may impact bottom line. Whirlpool continues to remain debt free, cash rich and fundamentally strong. The company has expanded its product portfolio by including kitchen appliances, water purifier and air treatment. **At CMP of INR 1,156, we recommend "BUY" rating on the stock with a target price of INR 1,390, an upside of 20.3%.**

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 601.5, we recommend "BUY" rating on the stock with a target price of INR 693.6, an upside of 15.3%.**

FMCG Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q1FY17	Q4FY17	Q1FY18E	Y-o-Y	Q-o-Q	Remarks
Britannia Ltd						
Sales	21966.2	23161.2	23284.2	6.0%	0.5%	Britannia has the largest distribution network in consumer space and we expect increase in revenue of 6% yoy and around 0.5% qoq, while EBIDTA and PAT margins to be around 13.5% and 9.6%, respectively.
EBITDA	3162.0	3080.9	3143.4	-0.6%	2.0%	
Net Profit	2191.5	2107.6	2239.5	2.2%	6.3%	
OPM (%)	14.4%	13.3%	13.5%	-89 bps	20 bps	
NPM (%)	10.0%	9.1%	9.6%	-36 bps	52 bps	
Colgate Ltd						
Sales	11490.5	11767.1	12294.8	7.0%	4.5%	Colgate is the market leader in oral care category and we expect it to post revenue growth of around 7% yoy and 4.5% qoq. We expect EBIDTA and PAT margins to be around 20.5% and 12.5%, respectively.
EBITDA	2112.3	2443.1	2520.4	19.3%	3.2%	
Net Profit	1256.8	1425.8	1538.3	22.4%	7.9%	
OPM (%)	18.4%	20.8%	20.5%	212 bps	-26 bps	
NPM (%)	10.9%	12.1%	12.5%	157 bps	40 bps	
HUL						
Sales	81281.8	88860.0	89410.0	10.0%	0.6%	HUL is a leader in consumer space with presence in different category. We expect 10.0% yoy and 0.6% qoq revenue growth for Q1FY18. We expect EBIDTA and PAT margins to be around 19.7% and 14.0%, respectively
EBITDA	16358.9	16510.0	17613.8	7.7%	6.7%	
Net Profit	11031.3	11840.0	12473.6	13.1%	5.4%	
OPM (%)	20.1%	18.6%	19.7%	-43 bps	112 bps	
NPM (%)	13.6%	13.3%	14.0%	38 bps	63 bps	
ITC Ltd						
Sales	132530.6	150088.2	139157.1	5.0%	-7.3%	ITC is majorly dependent on its revenue from cigarettes and it is diversifying its business. We expect revenue growth of arund 5.0% yoy and de-growth 7.3% for Q1FY18. We expect EBIDTA and PAT margins to be around 26.5% and 18.9%, respectively.
EBITDA	35262.5	38753.9	36876.6	4.6%	-4.8%	
Net Profit	23846.9	26694.7	26267.3	10.1%	-1.6%	
OPM (%)	26.6%	25.8%	26.5%	-11 bps	68 bps	
NPM (%)	18.0%	17.8%	18.9%	88 bps	109 bps	
Monte Carlo Fashions Ltd						
Sales	723.2	955.5	907.7	25.5%	-5.0%	Monte Carlo is both cotton and wollen garments company. We expect revenue growth of around 25.5% yoy and de-growth of 5% qoq. On margin fron we expect EBIDTA to be around 5% while PAT margin to be negative 1%.
EBITDA	108.5	-93.3	45.4	-58.2%	51.4%	
Net Profit	18.8	-68.7	-9.0	-147.8%	113.1%	
OPM (%)	15.0%	-9.8%	5.0%	-1000 bps	1477 bps	
NPM (%)	2.6%	-7.2%	-1.0%	-359 bps	620 bps	
Nestle India Ltd	**Q2CY16**	**Q1CY17**	**Q2CY17E**	**Y-o-Y**	**Q-o-Q**	
Sales	22716.9	25919.4	26124.4	15.0%	0.8%	Nestle India Ltd will post revenue growth of around 15.0% yoy and 0.8% qoq. We expect EBIDTA and PAT margins to be around 20.5% and 11.0%, respectively.
EBITDA	4684.7	5251.4	5355.5	14.3%	2.0%	
Net Profit	2308.4	3067.6	2878.3	-224.7%	-6.2%	
OPM (%)	20.6%	20.3%	20.5%	-12 bps	24 bps	
NPM (%)	10.2%	11.8%	11.0%	86 bps	-82 bps	
Hatsun Agro Ltd						
Sales	8529.5	12176.5	10064.8	18.0%	-17.3%	Hatsun Agro will post revenue growth of around 18.0% yoy and de-growth of 17.3% qoq. We expect EBIDTA and PAT margins to be around 10.0% and 3.7%, respectively.
EBITDA	836.0	1171.9	1005.5	20.3%	-14.2%	
Net Profit	310.4	433.0	374.0	20.5%	13.6%	
OPM (%)	9.8%	9.6%	10.0%	19 bps	37 bps	
NPM (%)	3.6%	3.6%	3.7%	8 bps	16 bps	
Heritage foods Ltd						
Sales	6342.3	7002.8	7103.4	12.0%	1.4%	Heritage foods ltd will post revenue growth of around 12.0% yoy and 1.4% qoq. We expect EBIDTA and PAT margins to be around 5.6% and 3.0%, respectively.
EBITDA	354.8	338.7	397.8	12.1%	17.4%	
Net Profit	165.2	146.9	209.7	26.9%	42.7%	
OPM (%)	5.6%	4.8%	5.6%	1 bps	76 bps	
NPM (%)	2.6%	2.1%	3.0%	35 bps	85 bps	
Kwality Ltd						
Sales	14735.9	15343.7	15472.7	5.0%	0.8%	Kwality Ltd will post revenue growth of around 5% yoy and 0.8% qoq we are expecting EBIDTA margins to be around 6.9% and PAT margins to be around 3.0% for Q1FY18.
EBITDA	957.2	1053.9	1067.6	11.5%	1.3%	
Net Profit	422.7	348.6	464.2	9.8%	33.2%	
OPM (%)	6.5%	6.9%	6.9%	40 bps	3 bps	
NPM (%)	2.9%	2.3%	3.0%	13 bps	73 bps	

FMCG Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q1FY17	Q4FY17	Q1FY18E	Y-o-Y	Q-o-Q	Remarks
Parag Foods Ltd						
Sales	3834.7	4283.0	4026.4	5.0%	-6.0%	Parag milk foods ltd will post revenue growth of around 5.0% yoy and de-growth of 6.0% qoq. We expect EBIDTA and PAT margins to be around 9.0% and 4.2%, respectively.
EBITDA	329.7	518.5	362.4	9.9%	30.1%	
Net Profit	108.2	328.5	170.5	57.6%	48.1%	
OPM (%)	8.6%	12.1%	9.0%	40 bps	-311 bps	
NPM (%)	2.8%	7.7%	4.2%	141 bps	-343 bps	
Prabhat Dairy Ltd						
Sales	2931.2	3771.8	3224.3	10.0%	-14.5%	Prabhat dairy Ltd will post revenue growth of around 10.0% yoy and de-growth of 14.5% qoq. We expect EBIDTA and PAT margins to be around 8.6% and 2.5%, respectively.
EBITDA	247.8	298.4	277.3	11.9%	-7.1%	
Net Profit	60.4	-17.8	81.3	34.5%	-555.7%	
OPM (%)	8.5%	7.9%	8.6%	15 bps	69 bps	
NPM (%)	2.1%	-0.5%	2.5%	46 bps	299 bps	
GCPL						
Sales (INR Mn)	21,941.9	24,894.9	23,039.0	-7.5%	5.0%	We expect the revenue of GCPL to be around INR 23,039 Mn for Q1FY18E with 5% YoY growth. We believe that during the quarter the consumption of home insecticide product would be less as compared to other quarters due to good summer. We expect operating and net profits to be around INR 4,446.5 Mn and 3,178.5 Mn respectively. Operating margins are expected to increase by 282.9 bps and Net profit margins to increase by 258.9 bps in Q1FY18E.
EBIT (INR Mn)	3,614.1	5,395.2	4,446.5	-17.6%	23.0%	
Net Profit (INR Mn)	2,459.1	3,899.7	3,178.5	-18.5%	29.3%	
OPM (%)	16.5%	21.7%	19.3%	-237.2	282.9	
NPM (%)	11.2%	15.7%	13.8%	-186.8	258.9	
Symphony Ltd						
Sales (INR Mn)	1,526.0	1,840.5	1,831.2	-0.5%	20.0%	We expect the revenue of Symphony to be around INR 1,831.2 Mn for Q1FY18E with 20% YoY growth. We believe that during the quarter the sale of Air coolers would have increased due to good summer. We expect operating and net profits to be around INR 511.6 Mn and 368.3 Mn respectively. Operating margins are expected to reduce by 35.4 bps and Net profit margins to reduce by 29.3 bps in Q1FY18E.
EBIT (INR Mn)	431.7	636.1	511.6	-19.6%	18.5%	
Net Profit (INR Mn)	311.4	466.9	368.3	-21.1%	18.3%	
OPM (%)	28.3%	34.6%	27.9%	-662.5	-35.4	
NPM (%)	20.4%	25.4%	20.1%	-525.4	-29.3	
Whirlpool of India Ltd.						
Sales (INR Mn)	14,062.5	11,142.9	16,875.0	51.4%	20.0%	We expect the revenue of Whirlpool to be around INR 16,875 Mn for Q1FY18E with 20% YoY growth. We believe that during the quarter the sale of cooling products would have increased due to good summer. We expect operating and net profits to be around INR 1,771.9 Mn and 1,175.9 Mn respectively. Operating margins are expected to increase by 4 bps and Net profit margins to increase by 29.3 bps in Q1FY18E.
EBIT (INR Mn)	1,864.2	1,165.5	1,771.9	52.0%	-5.0%	
Net Profit (INR Mn)	1,219.5	743.8	1,175.9	58.1%	-3.6%	
OPM (%)	13.3%	10.5%	10.5%	4.0	-275.7	
NPM (%)	8.7%	6.7%	7.0%	29.3	-170.4	
Blue Star Ltd.						
Sales (INR Mn)	12,173.5	13,836.2	13,999.5	1.2%	15.0%	We expect the revenue of Blue Star Ltd. to be around INR 13,999.5 Mn for Q1FY18E with 15% YoY growth. We believe that during the quarter the sale of cooling products would have increased due to good summer. We expect operating and net profits to be around INR 756 Mn and 490.7 Mn respectively. Operating margins are expected to increase by 86.6 bps and Net profit margins to increase by 81.9 bps in Q1FY18E.
EBIT (INR Mn)	741.3	627.3	756.0	20.5%	2.0%	
Net Profit (INR Mn)	513.9	371.7	490.7	32.0%	-4.5%	
OPM (%)	6.1%	4.5%	5.4%	86.6	-68.9	
NPM (%)	4.2%	2.7%	3.5%	81.9	-71.6	

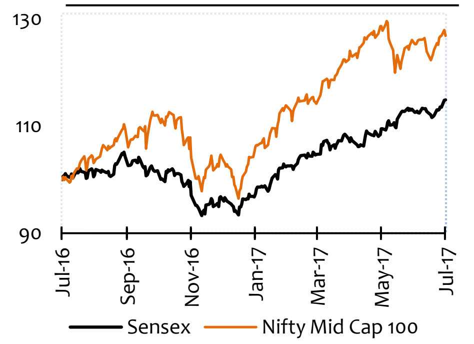
Midcap Sector

Midcaps outperformance to sustain

MARKET DATA

Nifty	9,786
Sensex	31,747
CNX Midcap [100]	18,099
USD / INR	64.59

SECTOR PERFORMANCE



Earnings expectation for Q1FY18

We have ten companies under our midcap coverage namely UPL, Apcotex, Suzlon, Inox wind, Indo count industries, Century Plyboards, VA tech Wabag, Emmbi Industries, GE T&D and Schneider Electric Infra. We expect that companies under B2B model such as Capital goods players could likely to have negligible impact of GST roll out and hence we expect renewable players with decent order book along with other capital goods players having comfortable book to bill could likely to witness normal execution during the qtr. Further, good monsoon along with higher GST rate for agrochemicals against previous rate in few northern states could have resulted inventory built up ahead of roll out and hence, few agrochem players could report decent sales growth for domestic market during the qtr. Moreover, although GST rate for building material came above expected line, we believe the same could have negative impact for unorganized players and hence, the fruits could be visible in next few qtrs for the players like Century ply, Green ply, Asian Granito, Kajaria etc.

Decent sales growth likely to continue:

We expect that sales under our midcap coverage companies to increase by 24% YoY to INR 104.1bn. The growth will be largely led by across the sectors primarily from Capital goods, renewable energy, Chemicals etc. We believe that businesses attracting higher GST against previous rates could have observed inventory built up ahead of roll out and hence could support overall top-line growth. Further, govt's impetus to fasten execution cycle for different B2B businesses such as Road, Metro and Renewable could remain largely unaffected owing to GST implementation.

Margins to 'expand'

With GE T&D turning into better operational performance, we expect OPM could be expanded by 290bps YoY to 14.4%. Further, improvement in OPM from Schneider Electric Infra could also support overall operational performance.

Q1FY18 Earnings Outlook of companies under coverage:

UPL:

We expect that revenues for the company could grow by 13.6% YoY to INR 39.9bn. The growth will be largely led by Latin American market. Further, decent revenue from domestic market is also expected. OPM could decline by 60bps YoY to 19.3% largely on account of higher employee cost, which could result EBITDA to increase lower than revenues by 10.2% YoY to INR 7.7bn. UPL borrowed around US$ 500mn last year with a rate of around 3.25% and hence refinancing the higher cost debt could reduce finance cost. Moreover, lower tax outgo could improve bottom-line growth to 12.7% YoY to INR 4.07bn. **At CMP INR 853, we recommended "BUY" rating on the stock with a target price INR 1015, an upside of 19%.**

Apcotex:

Apcotex is expected to deliver revenue growth of 21.8% YoY & 48.9% QoQ to INR 1.3bn. The growth could be supported by decent growth from NBR segment. Further, improvement in water proofing chemicals demand ahead of monsoon could drive growth for construction chemical segment. In terms of operational performance, Omnova was amalgamated in FY17, which has been generating lower OPM and hence we believe Q1FY17 OPM should not be comparable on YoY basis. However, we expect the operational performance could improve on QoQ basis. OPM could be expanded by 75bps on QoQ to 9.3%, which could lead EBITDA to rise by 62.1% QoQ & 12.7% YoY. The bottom-line could increase by 102.1% QoQ & 4% YoY. **At CMP INR 406, we recommended "BUY" rating on the stock with a target price INR 447, an upside of 10.1%.**

Suzlon:

Suzlon had 1331 MW of order book in wind of which majority of the orders were confirmed with SEBs. Further, the company has around 231 MW of solar order book. We expect the company could execute 250MW of wind contracts and 50MW of solar contracts during the qtr. Further, 50MW of commissioning could support top-line by INR 750mn. All this could attribute revenue growth of 73.5% YoY to INR 28.7bn. The revenue contribution could be tilted towards O&M and hence, higher gross margins along with better absorption of fixed overheads owing to decent execution could expand operational performance during the qtr. OPM could enlarged by 175bps YoY to 12.1%, which could lead EBITDA to increase by 102.9% YoY to INR 3.5bn. We expect bottom-line could be negative largely on account of higher finance cost & depreciation. The loss could be to the tune of INR 875mn. **At CMP INR 19, we recommended "BUY" rating on the stock with a target price INR 32, an upside of 68.4%.**

Inox wind:

Inox wind has mere 300MW of order backlog and hence lower execution could impact top-line performance. We expect Inox's revenues to fall by 33.9% YoY to INR 2.9bn. Lower execution could increase unabsorption of more fixed overheads, which could impact operational performance. We expect OPM could contract by 358bps YoY to 6.9%, which could result EBITDA to fall by 56.5% YoY to INR 199mn. The bottom-line could be a loss of INR 171mn owing to higher finance cost. **At CMP INR 146, we recommended "HOLD" rating on the stock with a target price INR 171, an upside of 17.1%.**

Midcap Sector

Indo Count:
We expect with revival of US demand; Indo count could report top-line growth of 15.3% YoY to INR 5.7bn. The company had commissioned new capex last year and hence, increase in employee and power fuel cost could impact operational performance. OPM could fall by 328bps YoY to INR 19.1%, which could lead EBITDA to decline by 1.6% YoY to INR 1.09bn. PAT could remain at INR 585mn (-3% YoY). **At CMP INR 165, we recommended "ACCUMULATE" rating on the stock with a target price INR 214, an upside of 29.7%.**

Century Plyboards:
We expect century to report revenue growth of 15.3% YoY to INR 4.68bn. The growth will be led by plywood segment. Further, higher GST could put unorganized players under more burden and hence, benefits could be visible in medium term. OPM could expand by 20bps YoY to 16.5%, which could result EBITDA to increase by 16.8% YoY to INR 772mn. PAT could remain at INR 505mn (+17.4% YoY). "**NOT RATED"**

VA Tech:
With book to bill of more than 2x, we expect execution cycle will be normal during the qtr and hence, the revenues to grow by 11.4% YoY to INR 6.47bn. In terms of operational performance, we expect improvement in the wabag overseas OPM, the group operational performance could be expanded. OPM is expected to increase by 119bps YoY to 5.9%, which could lift EBITDA to up by 39.4% YoY to INR 383mn. Lower tax rate could aid bottom-line growth to 66.6% YoY to INR 86mn. **"NOT RATED"**

Emmbi Industries:
We expect the company to post 12.6% YoY growth in top line resulting from healthy sales in pond-liners and exports of advanced composites. We expect the EBITDA margin to improve by 129bps YoY but may remain flat QoQ on back of higher operational cost affected by new lines. PAT margins are expected to improve by 108bps YoY on back of lower interest cost but may remain flat on QoQ basis. **At CMP INR 190, we recommended "BUY" rating on the stock with a target price INR 208, an upside of 9.5%.**

GE T&D:
We expect the company to post 27.6% YoY growth in top line resulting from faster execution of orders. We expect the EBITDA margin to improve by largely on back faster utilization and decrease in other expenses. PAT margins to improve by 21bps QoQ. **At CMP INR 330, we recommended "BUY" rating on the stock with a target price INR 392, an upside of 18.8%.**

Schneider Electric Infra:
We expect the company to post 7.6% YoY improvement in top line resulting on faster execution of old projects and newer order wins. EBITDA margins are set to improve by 305bps on back of lower RM cost and decrease in amount of delays PAT margins are expected to improve on back of lesser loses. **At CMP INR 130, we recommended "ACCUMULATE" rating on the stock with a target price INR 158, an upside of 21.5%.**
Solar Industries India Ltd: We expect the quarter to be decent for the company with their topline growing by 19.5% y-o-y and 14.5% q-o-q. We expect healthy volume growth of 6.9% y-o-y in bulk explosives segment and 7% y-o-y in cartridge explosives segment. The key aspect to watch out for would be the management commentary on defense orders and growth outlook going ahead. **At CMP of INR 855, we recommend "ACCUMULATE" rating on the stock with a target price of INR 923 translating into an upside of 7.95%.**

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q1FY17	Q4FY17	Q1FY18E	QoQ	YoY	Remarks
UPL						
Revenues	35,102	53,414	39,878	-25.3%	13.6%	We expect UPL to report revenue growth of 13.6% YoY to INR 39.9bn. The growth will be led by India and Latin America regions. OPM could fall by 60bps YoY largely on account of higher employee exp on YoY basis, which could lead EBITDA to increase lower than revenue by 10.2% YoY to INR 7.7bn. Lower finance cost and tax rate could improve bottom-line growth by 12.7% YoY to INR 4.07bn.
EBIDTA	6,987	11,261	7,697	-31.7%	10.2%	
Net Profit	3,610	7,410	4,068	-45.1%	12.7%	
OPM (%)	19.9%	21.1%	19.3%	-178	-60	
NPM (%)	10.3%	13.9%	10.2%	-367	-8	
Apcotex						
Revenues	1,064	871	1,296	48.9%	21.8%	Apcotex is expected to register a revenue growth of 21.8% YoY to INR 1.3bn owing to improvement in the growth from NBR segment. Further, increase in demand for water proofing products to improve business outlook for construction latex segment. Although OPM could remain under pressure on YoY basis, we expect the same could augment on QoQ basis. The OPM could expand by 75bps on QoQ to 9.3%. This could lead EBITDA to increase by 62.1% QoQ to INR 121mn. PAT is expected to up by 12.7% YoY & 102.1% QoQ, while NPM to remain at 5.5% (-94bps YoY & +145bps QoQ).
EBIDTA	107	74	121	62.1%	12.7%	
Net Profit	69	35	71	102.1%	4.0%	
OPM (%)	10.0%	8.5%	9.3%	75	-75	
NPM (%)	6.4%	4.1%	5.5%	145	-94	
Suzlon						
Revenues	16,551	49,993	28,716	-42.6%	73.5%	Given the strong order book of 1331 MW in wind, we expect better execution could support top-line growth during the qtr. We expect 250MW of wind execution and 50MW of solar execution in Q1FY18. All this could result revenue to increase by 73.5% YoY to INR 28.7bn. EBITDA is expected to up by 102.9% YoY to INR 3.48bn, while OPM to remain at 12.1% (+175bps YoY). The higher finance cost & depreciation could result bottom-line to report loss of INR 875mn.
EBIDTA	1,713	7,216	3,475	-51.8%	102.9%	
Net Profit	-2,600	5,790	-875	-115.1%	NA	
OPM (%)	10.3%	14.4%	12.1%	-233	175	
NPM (%)	-15.7%	11.6%	-3.0%	-1463	1266	

Midcap Sector

INR Million	Q1FY17	Q4FY17	Q1FY18E	QoQ	YoY	Remarks
Inox Wind						
Revenues	4,350	10,192	2,875	-71.8%	-33.9%	With only 300MW of order backlog, we expect execution will be sluggish and thereby the financial performance. We expect Inox to report decline in revenues by 33.9% YoY to INR 2.88bn. Lower execution could result increase in unabsorption of fixed overheads, which could impact OPM by 358bps YoY to 6.9%. EBITDA is expected to fall by 56.5% YoY to INR 199mn. Higher finance cost could result bottom-line to report loss of INR 171mn.
EBIDTA	457	2,295	199	-91.3%	-56.5%	
Net Profit	118	1,275	-171	-113.4%	-244.9%	
OPM (%)	10.5%	22.5%	6.9%	-1561	-358	
NPM (%)	2.7%	12.5%	-6.0%	-1847	-867	
Indo count						
Revenues	4,926	5,129	5,678	10.7%	15.3%	Indo could is expected to report revenue increase of 15.3% YoY to INR 5.68bn. OPM to remain at 19.1% (-328bps YoY & +153bps QoQ), which could result EBITDA to fall by 1.6% YoY to INR 1.09bn. The subdued operational performance on yearly basis is primarily on account of increase in employee and power & fuel cost. PAT is expected to decline by 3% YoY to INR 585mn.
EBIDTA	1,103	901	1,085	20.4%	-1.6%	
Net Profit	603	488	585	19.9%	-3.0%	
OPM (%)	22.4%	17.6%	19.1%	153	-328	
NPM (%)	12.2%	9.5%	10.3%	79	-194	
Century Plyboards						
Revenues	4,058	4,885	4,680	-4.2%	15.3%	We expect century to report revenue growth of 15.3% YoY. The growth will be led by ply segment. OPM to expand by 20bps YoY to 16.5%, which could result EBITDA to up by 16.8% YoY to 772mn. PAT to remain at INR 505mn (+17.4% YoY), while NPM to expand by 19bps YoY to 10.8%.
EBIDTA	661	838	772	-7.8%	16.8%	
Net Profit	431	559	505	-9.6%	17.4%	
OPM (%)	16.3%	17.1%	16.5%	-65	20	
NPM (%)	10.6%	11.4%	10.8%	-64	19	
VA Tech						
Revenues	5,803	11,317	6,465	-42.9%	11.4%	We expect company to post revenue growth of 11.4% YoY to INR 6.47bn. OPM could expand by 119bps YoY to 5.9% largely on account of improvement in wabag overseas margins. EBITDA is expected to rise by 39.4% YoY to INR 383mn. Lower tax rate to aid bottom-line growth, which is expected to up by 66.6% YoY to INR 86mn.
EBIDTA	275	1317	383	-70.9%	39.4%	
Net Profit	52	757	86	-88.6%	66.6%	
OPM (%)	4.7%	11.6%	5.9%	-571	119	
NPM (%)	0.9%	6.7%	1.3%	-535	44	
Emmbi Industries						
Sales	534	632	602	-4.8%	12.6%	We expect the company to post 12.6% 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 129bps Y-o-Y but may remain flat Q-o-Q on back of higher operartional cost affected by new lines. PAT margins are expected to improve by 108bps Y-o-Y on back of lower interest cost but may remain flat on Q-o-Q basis.
EBIDTA	70	89	86	-3.7%	23.8%	
Net Profit	29	41	40	-3.2%	34.9%	
OPM (%)	13.0%	14.1%	14.3%	16	129	
NPM (%)	5.5%	6.5%	6.6%	11	108	
GE T&D						
Sales	8,559	11,963	10,921	-8.7%	27.6%	We expect the company to post 27.6% Y-o-Y growth in topline resulting from faster execution of orders. We expect the EBITDA margin to improve by largely on back faster utilization and decrease in other expenses. PAT margins to improve by 21bps Q-o-Q.
EBIDTA	-1799	930	1019	9.6%	-156.6%	
Net Profit	-1947	421	408	-3.2%	-120.9%	
OPM (%)	-21.0%	7.8%	9.3%	156	3035	
NPM (%)	-22.7%	3.5%	3.7%	21	2648	

Midcap Sector

INR Million	Q4FY16	Q3FY17	Q4FY17E	QoQ	YoY	Remarks
Schneider Electric Infra						
Sales	2,777	2,924	2,989	2.2%	7.6%	We expect the company to post 7.6% Y-o-Y improvement in topline resulting on faster execution of old projects and newer order wins. EBITDA margins are set to improve by 305bps on back of lower RM cost and decrease in amount of delays PAT margins are expected to improve on back of lesser loses.
EBIDTA	36	-1336	129	-109.7%	264.5%	
Net Profit	-137	1496	8	-99.5%	-105.9%	
OPM (%)	1.3%	-45.7%	4.3%	5004	305	
NPM (%)	-4.9%	51.2%	0.3%	-5090	520	
Solar Industries India Ltd						
Net Sales	4,238	4,421	5,062	14.5%	19.5%	We expect the quarter to be decent for the company with their top-line growing by 19.5% y-o-y and 14.5% q-o-q. We estimate the EBITDA to increase by 10.5% y-o-y and 4.1% q-o-q and EBITDA margins to take a hit of 153 bps y-o-y. We expect net profit to increase by 23.2% y-o-y and increase by 10.3% q-o-q.
EBIDTA	866	919	957	4.1%	10.5%	
Net Profit	501	560	618	10.3%	23.2%	
OPM (%)	20.4%	20.8%	18.9%	-189	-153	
NPM (%)	11.8%	12.7%	12.2%	-46	37	

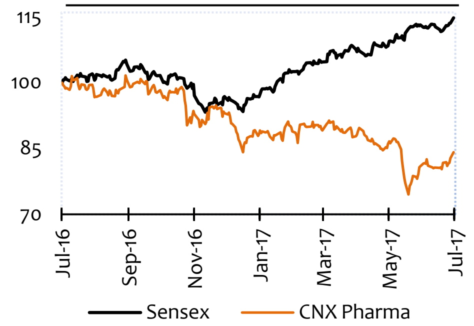
Pharma Sector

Price erosion in the US coupled with GST rollout will lead to a weak quarter

MARKET DATA

Nifty	9,786
Sensex	31,747
CNX Pharma	9,802
USD / INR	64.59

SECTOR PERFORMANCE

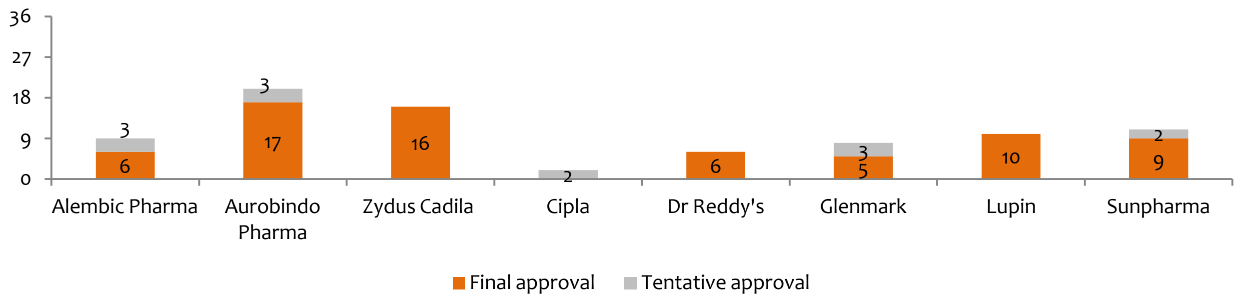


Earning expectation in Q1 FY18:

We believe that Q1 FY18 will be a weak quarter for pharma companies owing to low growth in the domestic market due to GST rollout, increase in price erosion in the US base portfolio, consolidation of channels and lack of meaningful approvals. The GST rollout in the quarter has resulted in destocking and some supply side disruptions leading to weak growth of the domestic business for the companies. However, the steady performance in other markets such as European Union, Japan and emerging markets of Russia, China and Brazil will subdue the effect. Overall, we believe that the pharma companies having major exposure to the International markets will have minimal impact due to GST and will deliver a flattish growth in the quarter.

Expect muted growth for the US business:

The US business of the companies are expected to deliver muted growth in the quarter due to increasing competition and price erosion of nearly 10% of the product portfolio along with slow traction in approvals. Currently, few companies such as Lupin and Zydus Cadila has received some value approvals which will help them to sustain the margins.
However in terms of approvals, companies such as Aurobindo Pharma, Zydus Cadila and Lupin has received higher number of approvals in this quarter which will help the companies to gain momentum in the US market.



Source: Company Data, KRChoksey Research

Valuation:

Post Q4FY17 results the CNX Pharma index has undergone correction and has outperformed in the quarter on the back EIR (Establishment Inspection report) by the US regulators, approvals of complex generics such gMinastrin, gLialda, gRenvela which have limited competition in the US along with a sizeable market size and increasing market share in the European markets. Many pharma companies have completed remediation process and have strengthen their compliance systems which has made them bounce back strongly in the market. Currently, the pharma sector is trading under lower valuations which provides a good entry point for select companies.

Zydus Cadila and Lupin continue to remain our top picks.

Q1FY18 Earnings Outlook of our top picks:

Zydus Cadila: We expect the quarter to be subdued for the company with their topline growing by 14.5% y-o-y and 5% q-o-q. We expect EBITDA margins to expand to 14.34% on a q-o-q basis on account of launch of acyclovir,entecavir and other approved ANDA. We anticipate US revenues to be at USD 160mn for the quarter. Domestic revenues are expected to be at INR 7 bn. At CMP of INR 520, we recommend "HOLD" rating on the stock with a target price of INR 574 translating into an upside of 10.3%.

Lupin: We expect the company to post muted growth with their topline displaying a degrowth of 3.4% y-o-y and 0.12% q-o-q. We expect domestic sales to fall by 13% due to destocking and supply side disruptions. The high base effect gGlumetza and Fortamet will affect the revenues. However, we expect that the Japan and Row markets will grow strongly which will help to sustain the margins. The 180 days exclusivity of gMinastrin and launch of gWellbutrin will drive the US revenues. We expect the EBITDA margins to fall by 3265 bps y-o-y due to high base effect. We expect the net profit to fall by 55.61% y-o-y and net profit margins to reduce by 5461 bps y-o-y. At CMP of INR 1142, we recommend "HOLD" rating on the stock with a target price of INR 1289 translating into an upside of 12.8%.

Pharma Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q1FY17	Q4FY17	Q1FY18E	q-o-q	y-o-y	Remarks
Lupin Ltd						
Gross Sales	43136	41618	41670	0.12%	-90.34%	We expect the company to post muted growth with their topline displaying a degrowth of 3.4% y-o-y and 0.12% q-o-q. We expect domestic sales to fall by 13% due to destocking and supply side disruptions. The high base effect gGlumetza and Fortamet will affect the revenues. However, we expect that the Japan and Row markets will grow strongly which will help to sustain the margins. The 180 days exclusivity of gMinastrin and launch of gWellbutrin will drive the US revenues. We expect the EBITDA margins to fall by 3265 bps y-o-y due to high base effect. We expect the net profit to fall by 55.61% y-o-y and net profit margins to reduce by 5461 bps y-o-y.
EBIDTA	13080	7806	8517	9.11%	-34.89%	
Net Profit	8826	3821	3871	1.31%	-56.14%	
EBITDA (%)	30.32%	187.55%	204.39%	8.89%	-32.65%	
NPM (%)	20.46%	91.81%	92.90%	0.01	-54.61%	
Zydus Cadila						
Gross Sales	22164	24175	25383	5.00%	14.52%	We expect the quarter to be subdued for the company with their topline growing by 14.5% y-o-y and 5% q-o-q. We expect EBITDA margins to expand to 14.34% on a q-o-q basis on account of launch of acyclovir,entecavir and other approved ANDA.We anticipate US revenues to be at USD 160mn for the quarter. Domestic revenues are expected to be at INR 7 bn
EBIDTA	5239	4636	5301	14.34%	1.18%	
Net Profit	3441	4104	3798	-7.46%	10.37%	
OPM (%)	23.64%	19.18%	20.88%	8.9	11.65	
NPM (%)	15.53%	16.98%	14.96%	11.86	3.62	
Cipla						
Gross Sales	34998	34870	33325	-4.43%	-4.78%	We expect the revenues to de-grow by 4.78 % y-o-y and 4.43% q-o-q due to lack of meaningful launches in the US market and increasing price erosion in the base portfolio along with impact of GST destokcing in the domestic market. However, the EBITDA margin is expected to grow by 4.02% q-o-q due to low base effect in q4FY17. We expect net profit to decline by 38.9% y-o-y and rise by 96.6% q-o-q.
EBIDTA	6110	5062	5032	-0.59%	-17.64%	
Net Profit	3732	-609	1996	-427.75%	-46.52%	
OPM (%)	17.46%	14.52%	15.10%	4.02%	-14%	
NPM (%)	10.66%	-1.75%	5.99%	-443%	-44%	
Sunpharma						
Gross Sales	80067	68252	66620	-2.39%	-16.79%	We expect the quarter to deliver negative growth with decline in revenues with degrowth of 16.79% y-o-y and 2.39% q-o-q due to price erosion in base portfolio in the US and decreasing market of gGleeved will impact the US revenues. The topline will also be impacted due to lower revenues in the domestic market due to GST destocking. We expect EBITDA margins to be contract by 10.13%% q-o-q and 22.45 % y-o-y due to increase in raw material cost leading to healthy product mix. We expect net profit margins of 26% for the quarter
EBIDTA	29210	25203	22651	-10.13%	-22.45%	
Net Profit	22748	19619	17132	-12.68%	-24.69%	
OPM (%)	36.48%	36.93%	34.00%	-8%	-7%	
NPM (%)	28.41%	28.74%	25.72%	-11%	-9%	
Dr Reddy's Labs						
Gross Sales	32123	34985	33342	31.70%	90.00%	We expect the quarter to be relatively better quarter for DRRD due to stabilized revenues from the international markets. The topline is expected to decline marginally to increasing pressure in Us markets and tough competition in the Russia's tender business of rituximab. The weak margins from Vitorin and slow approvals will impact the topline. EBITDA margins are expected to grow by 33% with a q-o-q due to low base effect in Q4FY17. The remediation of its key plant remain the key for long term sustainability of the profits.
EBIDTA	3902	5905	6420	35.00%	54.40%	
Net Profit	1462	3376	3020	1645.30%	-46.20%	
OPM (%)	12.10%	16.30%	18.70%	33	-315	
NPM (%)	4.55%	9.10%	8.70%	305	-711	
Alembic Pharma						
Gross Sales	7358	7403	6895	-6.86%	-6.29%	We expect topline to degrow by 6.29% y-o-y and 6.86% q-o-q due to increasing pressure on the US as well as domestic business. We estimate EBITDA margins at 18.3%, down 1500 bps y-o-y on account of higher investment in R&D and lower gross margins due to fease out of gAbilify. We expect domestic revenues to degrow by 13.1% y-o-y to INR 2.6bn in Q1FY18E and export revenues to be at INR 4.2 bn for the quarter
EBIDTA	1570	1347	1257	-6.68%	-19.94%	
Net Profit	1036	954	863	-9.54%	-16.70%	
OPM (%)	21.34%	18.20%	18.23%	0.19%	-15%	
NPM (%)	14.08%	12.89%	12.52%	-3%	-11%	

Pharma Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q1FY17	Q4FY17	Q1FY18E	q-o-q	y-o-y	Remarks
Granules India						
Gross Sales	3435	3553	3695	4.00%	7.57%	We expect Granules to post revenues growth of ~7.5% y-o-y to INR 3.6bn due healthy revenues from the international markets. Expect EBITDA margins to be recorded at 21.8% on account of superior product mix, up 1400 bps y-o-y. Net Profit is expected to be at 10.1% to INR 372 mn.
EBIDTA	693	774	791	2.20%	14.14%	
Net Profit	319	363	372	2.48%	16.61%	
OPM (%)	16.80%	13.30%	13.70%	3.01%	-18%	
NPM (%)	9.90%	-0.20%	2.80%	-1500%	-72%	
Indoco Remedies						
Gross Sales	2527	2656	2667	0.41%	5.54%	We expect Indoco remedies to post sluggish growth of 5.54% y-o-y on account of GST destocking nad no remediation of its Goa plant. EBITDA margins are expected to contract by ~276 bps q-o-q.
EBIDTA	418	326	317	-2.76%	-24.16%	
Net Profit	198	180	150	-16.67%	-24.24%	
OPM (%)	16.20%	11.70%	11.60%	-0.85%	-28%	
NPM (%)	7.70%	6.48%	5.40%	-17%	-30%	

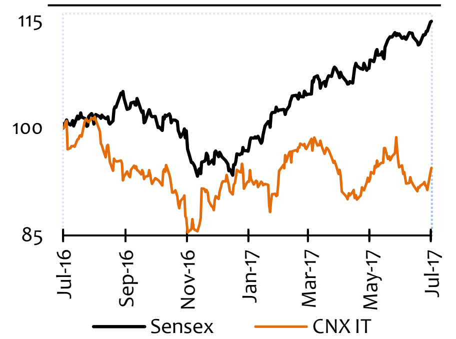
IT Sector

Status Quo apart from selective play

MARKET DATA

Nifty	9,786
Sensex	31,747
CNX IT	10,430
USD / INR	64.59

SECTOR PERFORMANCE



Earnings expectation for Q1FY18

We believe that Q1 FY18 will be a relatively status-quo quarter for IT services companies with absence of any surprises. We believe that depreciation of USD against GBP and EUR (3.2% respectively) will result in a cross-currency tailwind in the range of 90-140 bps in Q1 FY18. We expect the deterioration of pricing in IT sector to stagnate 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 quarters 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 Q1 performance to be largely stable and in-line with guidance: We expect USD revenue growth for IT services companies in Q1 FY17 to be in the range of 0.3% - 4.9% with benefits from cross-currency tailwinds in the range of 90-140 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 and restructuring of LCC for TechM, consummation of various acquisitions by Wipro and HCL Tech. We believe that earnings of Persistent Systems are at an inflection point as it has completed investments in its IBM Alliance and will now reap benefits.

Expect ER&D companies and Digital focussed companies to outperform: Our focus continues to remain on companies focusing on Engineering Research & Development (ER&D) and Digital. Having said that, we prefer midcaps like Persistent Systems, Tata Elxsi 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.

Q1FY18 Earnings Outlook of companies under coverage:

TCS: We expect TCS to record a 3.5% qoq growth in USD terms and positive cross-currency impact of 137 bps. Expect BFSI segment to outperform in FY18E on account of robust industry estimates on improvement in client spend. We will be closely watching performance of Digital revenues (17.9% of revenue as of Q4 FY17) and transition of the company post transformation of organizational structure based on strategic business units. **At CMP of 2,475, we have an 'ACCUMALATE' rating on the stock with a target price of INR 2,757 based on FY19E EPS of INR 177.**

Infosys: We estimate a growth of 2.8% in USD revenues for Q1 FY18 with a cross currency tailwind of 108 bps. We believe that performance of products and platform businesses (~10% of business) will be key figures to watch out for. **At CMP of INR 975, we give a "BUY" rating on the stock with a target price of INR 1,162 an upside of 19%.**

HCL Tech: We expect HCL Tech to report a USD revenue growth of 4.9% at USD 1,906 Mn in Q1 FY18 and expect a cross-currency tailwind of 120 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 850, we recommend "BUY" rating on the stock with a target price of INR 1,085 based on FY19E EPS of INR 72.**

Tech Mahindra: Expect TechM to report a topline growth of 1.2% qoq at USD 1,145 Mn in Q1 FY18 with a cross-currency tailwind of ~124 bps. We expect EBIT margins to be reported at 12.3% and largely flattish on account of weakness in network services business and restructuring of LCC business. **At CMP of INR 385, we recommend a "BUY" rating on the stock with a target price of INR 464 based on FY19E EPS of INR 36.**

Persistent Systems: We expect Persistent to record a USD revenue growth of 3.2% in Q1 FY18 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 12.4% and 11.6% in Q1 FY18E, respectively. **From CMP of INR 663, we have a "BUY" rating on the stock with a target price of INR 828 based on FY19E EPS of INR 51.8.**

Tata Elxsi: We expect Tata Elxsi to post a strong quarter based on a series of strong order wins in Q4FY17 and Q1 FY18. We believe that updates such as licensing of 'Autonomai' platform by a Global Top OEM, association with Airtel to provide solutions for internet TV and association with Panasonic for ER&D in consumer electronics will go a long way to drive revenue growth for Tata Elxsi in Q1 FY18. **We have a "BUY" rating on the stock with a target price of INR 2,070 based on FY19E EPS of INR 90.**

IT Sector

Infibeam: We expect Infibeam to report a revenue of INR 1300Mn in 1Q FY18, an increase of 26% YoY. The combination of Remit Guru platform with CC Avenue is expected facilitate offshore merchants for transactions, which in turn would is revenue-per-merchant accretive. We expect the company to deliver strong set of numbers on the back of increase in consumer spending after being conservative for the previous quarter and improvement in realization by roping offshore merchants. **We have a "BUY" recommendation on the stock with a target price of INR 1,461.**

Sterlite Tech: We expect Sterlite Tech to report a topline of INR 7,023 Mn, up by 27% yoy on the back of increase in volume for OF and OFC and improved realizations. Recently, the company bagged Smart City project for Kakinada of INR 110 Cr which requires integration of advanced technologies and therefore will boost Software & Services business which is ~20-25% of revenue. Going ahead, we expect more project wins, and Software and Services to contribute larger portion to its overall revenues. **We have a "BUY" recommendation on the stock with a target price of INR 232 based on FY19E EPS of INR 8.5.**

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q1FY17	Q4FY17	Q1FY18E	QoQ	YoY	Remarks
TCS						
Sales (USD Mn)	4,362	4,452	4,606	3.5%	5.6%	We expect USD revenues of USD 4,606 Mn, up 3.5% qoq and 5.6% yoy in Q1 FY18 largely driven by consistent growth in Digital business and traction in BFSI vertical. This translates into an INR revenue of INR 3,06,688, up 3% qoq. We estimate EBIT margins at 24.8%, down 91 bps qoq and NPM at 22%, down 30 bps qoq. Expect margins to be largely impacted due to INR appreciation vs USD and expected wage hike in the quarter. Expect impact of INR depreciation on margins to be offset by cross-currency tailwind of 137 bps in Q1FY18. **Key Paramaters:** Performance of BFSI vertical and Retail & CPG, performance of Diligenta business and revenue contirbution from Digital.
Sales (INR Mn)	293,050	296,420	306,688	3%	5%	
EBIT	73,470	76,270	76,122	0%	4%	
Net Profit	63,170	66,080	67,460	2%	7%	
OPM (%)	25.1%	25.7%	24.8%	-91	-25	
NPM (%)	21.6%	22.3%	22.0%	-30	44	
Infosys						
Sales (USD Mn)	2,501	2,569	2,642	2.8%	5.6%	We expect Infosys to report a USD revenue growth of 2.8% qoq at USD 2,642 Mn in Q1 FY18. Expect EBIT margin to be reported at 23.5% and below the lower end of the range of 24 - 26% due to impact of wage hike. We estimate cross-currency tailwinds of 108 bps in Q1 FY18. We expect an NPM of 20%. **Key Parameters:** Performance of Consultancy business and performance of Products & Platforms segments like Infosys Nia, Skava, Panaya and Edgeverve and outlook for FY18E would be the key things to watch out for.
Sales (INR Mn)	167,820	171,200	174,340	2%	4%	
EBIT	40,470	42,120	40,886	-3%	1%	
Net Profit	34,360	36,255	34,889	-4%	2%	
OPM (%)	24.1%	24.6%	23.5%	-115	-66	
NPM (%)	20.5%	21.2%	20.0%	-116	-46	
HCL Tech						
Sales (USD Mn)	1,691	1,817	1,906	4.9%	12.7%	We estimate USD revenus of USD 1,906 Mn, up 4.9% qoq and mainly aided by revenue flows from IP deals signed with IBM and full consolidation of Geometric in Q4 FY17E. Expect various consolidation activities to have neutral impact on EBIT margins which are estimated at 20.1%. Expect company to enjoy a cross-currency tailwind of 120 bps in Q4 FY17. Expect HCL Tech to post industry leading growth on account of high exposure to ER&D segment which is not facing pricing deterioration. **Key Parameters:** Contribution of IP led businesses and comment on integration of acquisitions will be key. Growth of organic business and Mode II and Mode III services will be key things to watch out for.
Sales (INR Mn)	113,360	120,530	125,785	4%	11%	
EBIT	23,370	24,160	25,230	4%	8%	
Net Profit	20,470	23,280	21,781	-6%	6%	
OPM (%)	20.6%	20.0%	20.1%	1	-56	
NPM (%)	18.1%	19.3%	17.3%	-200	-74	
Wipro						
Sales (USD Mn)	1,931	1,955	1,960	0.3%	1.5%	We expect Wipro to record a USD revenue of $1960 Mn, up 0.3% qoq and largely flat due to sluggishness in the organic business. Expect Wipro to report an EBIT margin of 16.7%, down 51 bps qoq on acccount of wage hikes 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 90 bps. **Key Parameters:** Guidance for Q2 FY18, guidance on strategic and operational changes and M&A strategy for FY18.
Sales (INR Mn)	135,992	143,957	136,025	-6%	0%	
EBIT	24,836	24,828	22,769	-8%	-8%	
Net Profit	20,518	22,611	21,007	-7%	2%	
OPM (%)	18.3%	17.2%	16.7%	-51	-152	
Tech Mahindra						
Sales (USD Mn)	1,032	1,131	1,145	1.2%	11.0%	We expect Tech Mahindra to report dollar revenus of USD 1,145 Mn, up 1.2% qoq on the back currency tailwind of 124 bps. We expect topline to be largely impacted by restructuring of LCC business and cutting back on certain loss-making contracts. Expect EBIT margins to be recorded at 12.3%, down 15 bps qoq on account of weakness in network services business. **Key Parameters:** Update on progress of several margin levers installed, growth guidance of inorganic components, performance of LCC business and updates on its restructuring.
Sales (INR Mn)	69,209	74,950	75,539	1%	9%	
EBIT	8,271	6,152	6,682	9%	-19%	
Net Profit	7,523	5,879	5,955	1%	-21%	
OPM (%)	12.0%	8.2%	8.8%	64	-310	
NPM (%)	10.9%	7.8%	7.9%	4	-299	

IT Sector

Exhibit 1: Quarterly result expectation for companies under coverage

INR Million	Q1FY17	Q4FY17	Q1FY18E	QoQ	YoY	Remarks
Infibeam Incorporation Ltd.						
Sales (INR Mn)	1,031	1,209	1,300	8%	26%	We expect Infibeam to report a revenue of INR 1300Mn in 1Q FY18, an increase of 26% YoY. The combination of Remit Guru platform with CC Avenue is expected facilitate offshore merchants for transactions, which in turn would is revenue-per-merchant accretive. We expect the company to deliver strong set of numbers on the back of increase in consumer spending after being conservative for the previous quarter and improvement in realization by roping offshore merchants. **Key Parameters:** Addition of merchants during the quarter, revenue per merchants, and commentary on recent merger and acquisition of CCAvenue and Remit Guru.
EBITDA	127	201	209	4%	64%	
Net Profit	96	136	152	12%	58%	
OPM (%)	7.4%	11.2%	12.3%	110	490	
NPM (%)	9.6%	11.3%	11.7%	40	210	
Persistent Systems						
Sales (USD Mn)	105	109	113	3.2%	7.4%	We expect Persistent to report dollar revenus of USD 113 Mn, up 3.2% qoq on the back of strong traction in Digital business, Alliance and Accelerite (product business). We expect revenues to be boosted by spill over of 2 deals from Q4 FY17 into the current quarter. Expect EBIT margins to be recorded at 12.4%, up 226 bps yoy due to bounceback from completion of investments in IBM 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)	7,018	7,271	7,539	4%	7%	
EBIT	715	908	938	3%	31%	
Net Profit	733	842	877	4%	20%	
OPM (%)	10.2%	12.5%	12.4%	-4	226	
NPM (%)	10.4%	11.6%	11.6%	5	118	
Tata Elxsi						
Sales (USD Mn)	44	49	53	8.1%	20.9%	Expect Tata Elxsi to report a 17% yoy growth in revenues at INR 3,442 Mn in Q1 FY18. Expect EBITDA margins of 24.9% on the back of strong realizations in the product ER&D space. We expect the company to report net profit of INR 512 Mn, which converts into an NPM of 14.9%. **Key Parameters:** Commentry on new order win in the Autonomous Car space, association with Panasonic in the consumer electronics space and order by Airports Authority of India (AAI) will be key things to watch out for.
Sales (INR Mn)	2,943	3,260	3,442	6%	17%	
EBITDA	691	758	857	13%	24%	
Net Profit	419	445	512	15%	22%	
EBITDA (%)	23.5%	23.2%	24.9%	166	143	
NPM (%)	14.2%	13.6%	14.9%	121	62	
Sterlite Technologies						
Sales (INR Mn)	5,517	7,072	7,023	-1%	27%	We expect Sterlite Tech to report a topline of INR 7,023 Mn, up by 27% yoy on the back of increase in volume for OF and OFC and improved realizations. Recently, the company bagged Smart City project for Kakinada of INR 110 Cr which requires integration of advanced technologies and therefore will boost Software & Services business which is ~20-25% of revenue. Going ahead, we expect more project wins, and Software and Services to contribute larger portion to its overall revenues. **Key Parameters:** Offtake in demand for OF and OFC, guidence for the next quarter, and status of project executions.
EBIT	534.5	1179.5	1,245.32	6%	133%	
Net Profit	333.9	639.4	675.28	6%	102%	
OPM (%)	9.69%	16.68%	17.73%	105	804	
NPM (%)	6.05%	9.04%	9.61%	57	356	

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, Dhavan Shah (BCom, MS [Finance]), research analyst, Kunal Shah (BE), research associate, Shweta Koltharkar (BCom, DFM), research associate, Kunal Jagda (B.com, MBA), research associate, Pritesh Thakkar (MBA), research associate, Bhavik Shah (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. We 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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