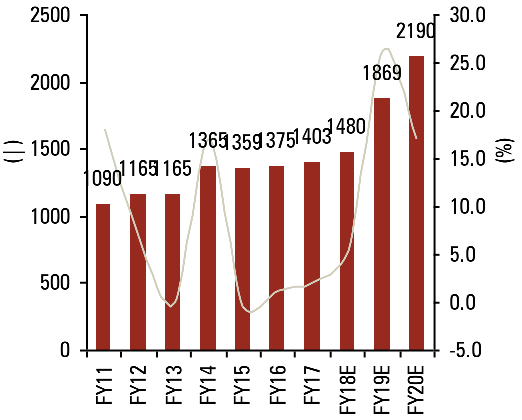
April 9, 2018

# Ground set for earnings surge…

**Trend in Sensex EPS**




*Source: Bloomberg, ICICIdirect.com Research*

**Research Analyst**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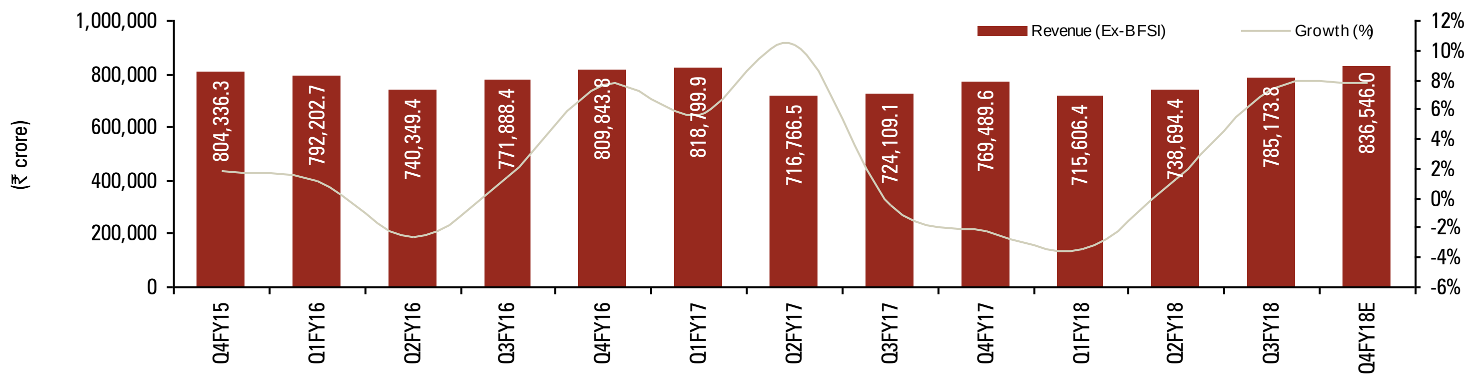
- Over the last couple of quarters, various lead indicators have been pointing towards traction being gained in fundamentals. This is expected to translate to a strong earnings trajectory from FY19E onwards. The same is reiterated by the growth rate (FY18) of core sectors like auto (14.5% YoY), cement (up 5.7% YoY), steel (~6% YoY) and power (5.2% YoY), amid the impact of GST from Q1FY18. In turn, this is all pointing towards a sharp up-tick in ensuing economic activity. Similarly, tendering activity across key infrastructure segments like roads (up 23%), railways (up 13.1%), real estate (96.1%) and irrigation (55% YoY) have started resulting in strong ordering trends. In our view, this has gradually kick started the capex cycle, which, in turn, will have a multiplier effect on growth of core sectors and GDP growth
- The earnings trend of the banking sector, marred by higher provisioning, has kept the earnings trajectory volatile and unfathomable in the short-term. However, current developments in NCLT resolutions have been quite encouraging as a good number of cases have seen substantial interest from potential suitors for the assets of these companies. This may lead to lower-than-expected haircuts and a resultant reversal of provisions. The recent bond yields correction and spreading out of bond portfolio losses over the next four quarters will provide some cushion to banking sector earnings. In our view, we may revert to a normalised earnings trajectory for banks in H2FY19. This, in turn, will help earnings to register 21% CAGR in FY18E-21E
- The spillover effect of demonetisation in Q4FY17 (low base), pick-up in capex cycle and resurrection of consumer demand is expected to have a favourable effect on the overall Q4FY18E performance. Cyclicals are likely to post healthy revenue growth as strong volume growth is witnessed in the auto & cement space while higher realisation is seen in the metals and oil & gas space. Higher provisioning and a sharp rise in bond yields will make profitability of banks volatile. However, pre provisioning profits may be up 1.3% YoY, 11.8% QoQ. The I-direct coverage (ex-BFSI, TML) may see revenue & PAT growth of 9.7% YoY each thereby making Q4FY18E the best quarter in terms of growth rate

**Exhibit 1: Trend in revenue growth of I-direct coverage universe (ex- BFSI)**

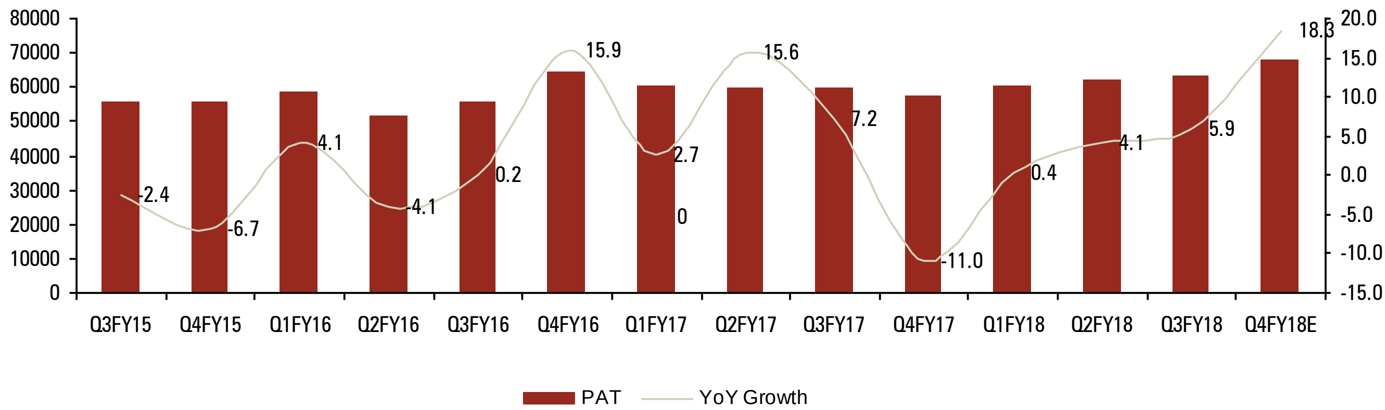



*Source: Company, ICICIdirect.com Research*

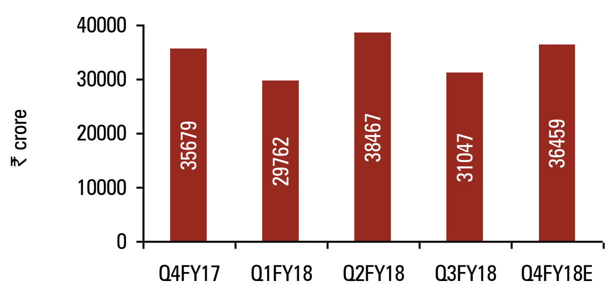
## Performance of Sensex companies

- In the past, Sensex earnings have looked suppressed mainly due to higher provisioning by banks, which impacted their profitability. Thus, over the last two years, Sensex earnings (ex-banking) has been up 9.6% YoY, nearly ~2x that of Sensex earnings (including banks - which account for ~40% of weights and is dragging overall profitability). For Q4FY18E, Sensex earning (ex SBI and Tata Motors) is expected to grow 16% YoY. The growth is expected to be primarily led by the oil & gas and auto sectors, which are likely to grow 27% YoY & 29% YoY, respectively
- The five companies that top the charts in terms of profitability growth include SBI (lower provisioning and low base of last year that reported losses), ONGC (higher crude prices are resulting in higher realisation), Bajaj Auto and Hero MotoCorp (supported by strong volume growth), and IndusInd Bank (healthy credit growth & margins driving profitability)
- Bharti Airtel once again leads the pack of possible bottom five companies in terms of PAT de-growth. This is attributable to price erosion and interconnect usage charge cut. The other companies that are likely to report PAT de-growth include names like Tata Motors (due to lower-than-expected pick-up in volumes & margins), Sun Pharma (due to high base), Axis Bank (higher slippage expectation) and Adani Port.

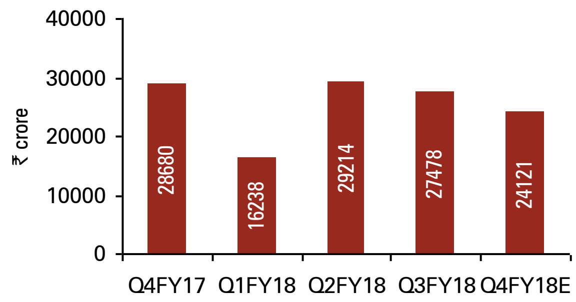
**Exhibit 2: Trend in profitability of Sensex companies…**




**Pre provisioning profit (PPP) of banks in Sensex**




**Provisions of banks in Sensex**




*Source: Company, ICICIdirect.com Research*

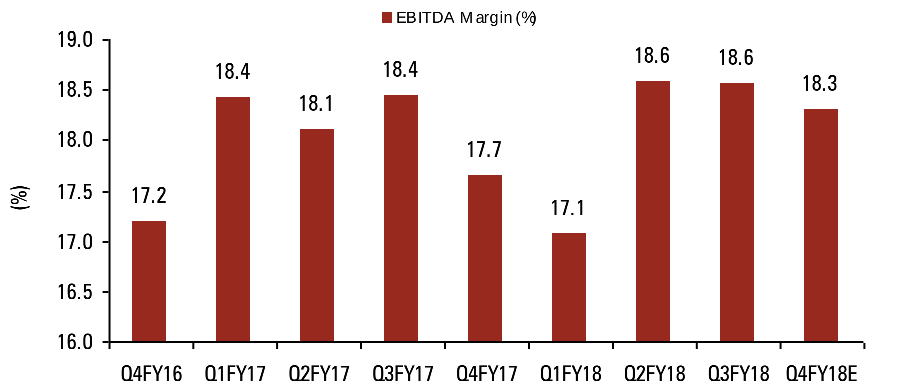
## What we expect our coverage universe to report; emerging trends

- From a sectoral perspective, we expect strong revenue growth in sectors like auto (ex-TML, it is likely to report growth of 26% YoY), cement (up 20% YoY) and consumer discretionary (15.6% YoY). Further, Q4FY18E has been a strong quarter with regard to order wins for the capital goods EPC space. We expect modest revenue growth in metals (up 7% YoY), IT (up 5% YoY), and FMCG (up 3% YoY). Telecom is the only sector that is expected to witness a sales decline of 10% YoY as interconnect usage charge cut added to the competitive pressure
- For the banking sector, Q4FY18 has been an eventful quarter. There were a host of negative news with regard to asset quality and sharp rise in bond yields by ~ 43 bps to 7.77% at some point in the quarter. The negative news with regard to NPA included the ~₹ 14500 crore fraud reported by PNB in the gems & jewellery segment, new NPA framework introduced by RBI that discarded past restructuring formats and a large telecom account (~₹ 25000 crore exposure of Indian banks) slipping into NPA owing to failure of its SDR before quarter end. Further, absence of any resolution in large NCLT cases referred earlier (especially in steel accounts) has also escalated provisioning pressure in Q4FY18. However, by quarter end some positive news like ~30 bps decline in G-sec yields, RBI announcement of spreading of MTM losses over four quarters and recent media reports of an RBI circular allowing banks to provide 40% vs. 50% by Q4FY18 in NCLT cases (~₹ 400000 crore) should provide some relief. Most large PSU and private ones have already provided ~50% of the exposure. Credit growth of the sector in Q4 has been healthy at 11.1% YoY to ₹ 83.7 lakh crore. However, despite this, we expect NII traction to be lower than double digit increase seen in Q3FY18 mainly owing to margin pressure due to expected rise in slippages. For the coverage universe, we expect NII growth of 6.4% YoY to ₹ 51886 crore, with private banks clocking ~16.5% YoY. PAT for private banks under coverage is expected to increase 23.7% YoY
- Overall auto volumes posted stupendous growth of ~24% YoY & ~11% QoQ mainly supported by the low base of last year (impacted by demonetisation) & strong growth momentum across segments. The 2-W volume recorded ~25% YoY growth, driven by both motorcycle & scooters. The revival in rural sentiment in key under penetrated states buoyed growth. CV volumes continued their momentum (up ~30% YoY), as M&HCV volumes were supported by overloading restriction while infrastructure development & LCV volumes were driven by increase in demand from e-commerce, container & refrigerator vehicles. The 3-W volumes are up ~84% YoY, backed by a revival in export demand & favourable industry development in key states lifted its domestic demand. PV volumes grew ~9% YoY, largely supported by market leader Maruti Suzuki (MSIL). Tractor volumes positively surprised with robust volume growth of ~39% YoY, backed by positive rural sentiment & higher use in non-agriculture space. Thus, we estimate our universe [ex-Tata Motors (TML)] will report topline growth of ~26% YoY, with OEMs & ancillary likely to grow ~25% & ~27%, respectively. Robust volumes may result in strong operating leverage, which will offset negative impact of rising input cost. Thus, EBITDA margin of our universe (ex-TML) is likely to expand ~48 bps YoY to 15%, with OEM margins likely to expand 117 bps YoY while ancillary margins are expected to contract 49 bps YoY. For the I-direct universe, (ex-TML) profits are expected to increase 24% YoY
- Q4FY18E has been a strong quarter with regard to order wins for capital goods EPC space. Awarding has happened across all key segments like

roads, power T&D, railways, irrigation and hydrocarbons. L&T has reported order wins in excess of ₹ 28000 crore. This included few large orders in infra segment (power T&D) and hydrocarbon space (international + domestic markets). Bhel also bagged orders in excess of ₹ 18000 crore. Power T&D EPC companies continued their strong order wins in Q4FY18E as KEC, Kalpataru Power bagged orders to the tune of ₹ 5800 crore, ₹ 2800 crore, respectively. On an overall basis, the coverage universe may report 8.7% YoY growth in revenue coupled with stable EBIDTA margin of the coverage universe remaining stable at 12.4% for Q4FY18E. The pick-up in execution gains will be limited by rising input costs thereby keeping margins muted for the universe. Interest cost, on the other hand, is expected to be muted at 3.9% YoY. This may be lower than revenue growth of 8.7% YoY given consistent improving working capital cycle for EPC based companies. Hence, profitability is expected to rise 9.3% YoY.

- EBITDA margins of the coverage universe (ex-BFSI) are likely to expand 70 bps YoY to 18.3%.

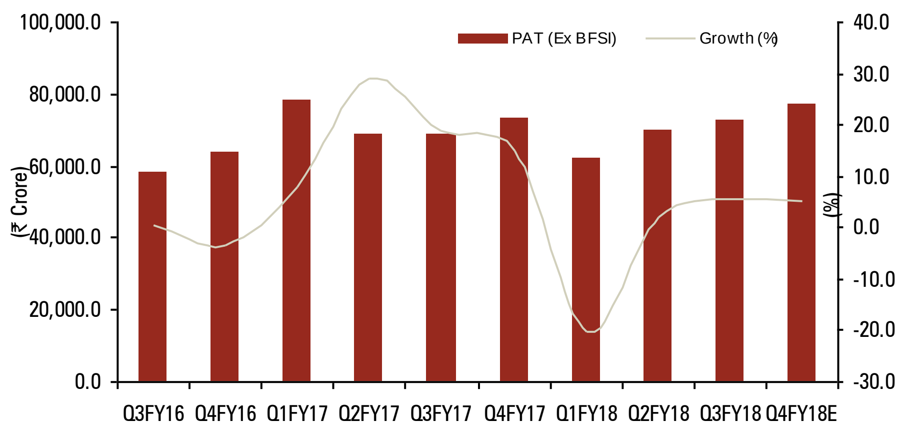
**Exhibit 3: Trend in EBITDA margins of I-direct coverage universe (ex- BFSI)**




*Source: Company, ICICIdirect.com Research*

- On the profitability front, the bottomline of the I-direct coverage universe (ex-BFSI & TML) is expected to increase 9.7% YoY mainly driven by the oil & gas, metals and auto sectors

**Exhibit 4: Trend in profitability of I-direct coverage universe (ex- BFSI)**




*Source: Company, ICICIdirect.com Research*

## Defensives: Consumption sectors impacted by GST…

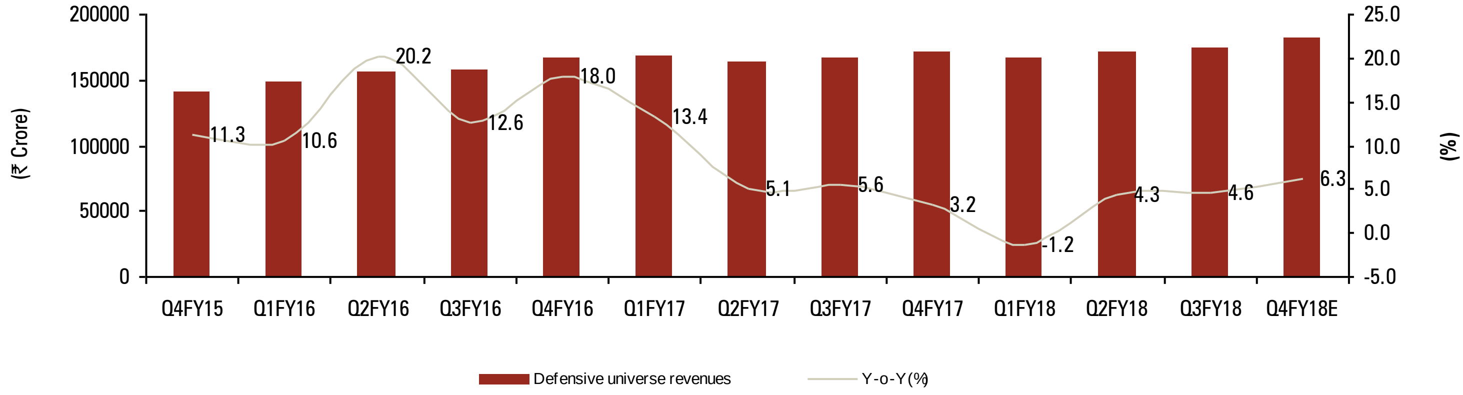
(Sector composition: consumer discretionary, IT, FMCG, healthcare)

**Key highlights:**

Within defensive space, IT sector is expected to benefit from the cross currency tailwinds, strong deal pipeline and increasing contribution from digital. The strong growth recovery in the branded pharma sector, post implementation of GST may partly mitigate the negative impact of high base & price erosion in the US. The revised lower GST rates for FMCG products, are expected to support its volumes (expected growth of 5-8%) while their realisation may be impacted. The March quarter (Q4) traditionally favours cooling product & pipe manufactures. Hence, seasonally factor may be seen in the discretionary space. Thus, we expect revenue & PAT of our defensive universe to grow 6% each YoY. Lower commodity prices & strict cost control measures are expected to benefit FMCG, healthcare space, respectively

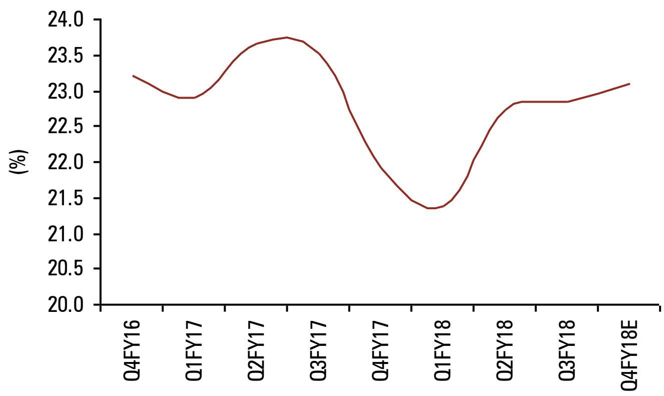
- In the IT space, Tier-1 IT companies are expected to report US$ revenue growth of ~2-3% QoQ supported by cross currency tailwind to the tune of ~90-120 bps. Within our midcap universe, we expect dollar revenue growth to be healthy compared to Tier I companies on the back of the deal pipeline and increasing contribution from digital. Cyient may see healthy growth on account of strong growth in the DLM business and contribution from B&F acquisition. Persistent is expected to report a weak set of numbers on the back of recent company update of sequential decline in IP led revenues by $8 million. On the operating margin front, margins of Tier-1 IT companies are likely to witness positive movement owing to positive impact of cross currency to the tune of 25-45 bps. From a future perspective, outlook for FY19E would be monitorable as we expect companies to set out respective annual revenue guidance for the year. We expect Infosys and HCLT to respectively guide for revenue growth of 6.5-7.5% (current 5.5-6.5%) and 8-10% (current 10.5-12.5%) in constant currency terms for FY19E
- In FMCG space, various headwinds were witnessed in 9MFY18 i.e. absence of price hike due to difficulties pertaining to implementation of GST, which disrupted trade channels, particularly wholesale channel. Our FMCG coverage universe is expected to witness sales growth of mere 3% as companies have passed on lower GST rates (announced in November 2017) to consumers in terms of price cuts. We expect volume growth at 5-8% on the back of a recovery from GST woes. After witnessing a challenging year, we expect a demand revival in the overall sector driven by normalcy in trade channels, demand recovery in rural regions considering expected normal monsoons in 2018. With flat crude oil prices and decline in milk, sugar, barley, Robusta prices, we expect a 287 basis points margin expansion for our FMCG universe. The trend towards digital advertisement will continue to limit the marketing spend resulting in a perk-up of operating margins. Further, we estimate 12.7% YoY net profit growth for our coverage universe
- I-direct healthcare universe is expected to register ~7% YoY growth to ₹ 40179 crore. However, excluding Sun Pharma, Lupin and Glenmark (these companies continue to be impacted by high base and price erosion in the US) overall universe sales are likely to grow ~15% YoY. The domestic market is likely to be on track post GST implementation and is expected to grow 14.4% YoY (select pack). Strong growth in branded market (India, Russia, Latin America, etc) is likely to mitigate US base business decline. We expect the US business (select pack) to decline ~5% YoY to ₹ 10058 crore mainly due to adverse currency movement, lack of meaningful launches and pricing pressure in the base business.

**Exhibit 5: Trend in revenue growth of defensives over last three years**



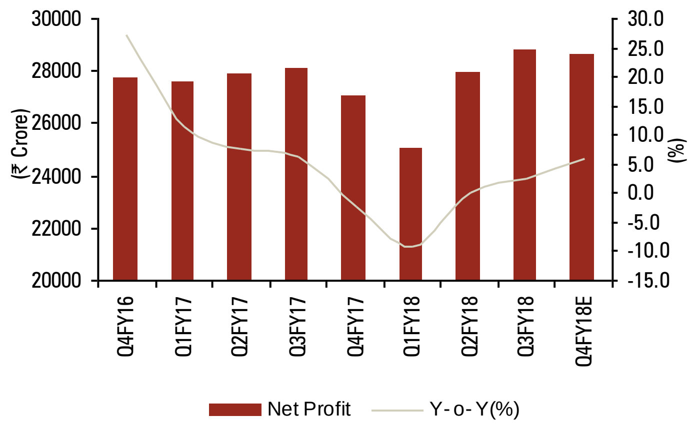

*Source: Company, ICICIdirect.com Research*

**Exhibit 6: Trend in EBITDA margins**




*Source: Company, ICICIdirect.com Research*

**Exhibit 7: Trend in profitability**




*Source: Company, ICICIdirect.com Research*

## Cyclicals: Uptick in capacity utilisation driving cyclical recovery

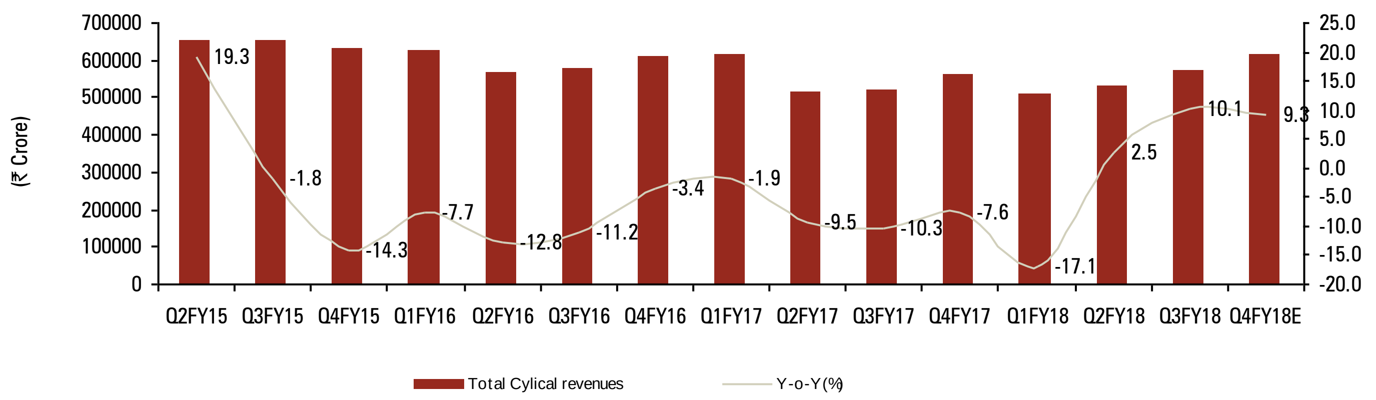
(Sector composition: auto, cement, capital goods, metals, power, infrastructure, real estate, oil & gas and telecom)

### Key Highlights

- Within cyclicals, all sectors (except telecom) are likely to report positive growth. The oil & gas sector is likely to report 11% YoY growth, driven by downstream companies that are expected to report higher realisations due to higher crude oil prices. Further, cement & auto (ex-TML) space is also expected to post healthy growth of 20% YoY (led by better sand availability in few states & pick-up in infra projects) & 26% YoY (largely volume driven), respectively. EBITDA margins are also expected improve by 51 bps YoY, mainly driven by metals and oil & gas sector. The telecom sector is likely to witness continued pricing pressure mainly due to 1) cut in international termination rate & 2) incumbents' follow-up to Jio's price cut across bundles; impacting its performance. Thus, our cyclical universe is likely to post revenue growth of 9% YoY
- We expect the oil & gas sector to report a steady Q4FY18E performance. Realisations of upstream oil & gas companies are expected to benefit from the 8.8% QoQ growth in average Brent crude oil prices to US$67/bbl. However, the quarter saw QoQ decline in production of both oil & gas. Although lower domestic gas production and LNG imports may have a marginal QoQ impact on volumes of gas utility companies, the performance may continue to remain strong YoY. Robust numbers of CNG vehicle conversions supported by lower domestic (APM) gas prices and rising pollution concerns will bode well for city gas distribution companies. On the OMCs front, we expect a decline in GRMs mainly on account of relatively lower inventory gains, which were higher than expectations in the previous quarter. On the marketing front, we expect volumes of major petroleum products to grow at an average rate of 5.3% YoY. Competition from private players will play a key role in the marketing segment
- In the metal space, we expect ferrous players to perform well on the back of healthy increase in steel realisations (both YoY & QoQ). JSW Steel is expected to report domestic steel sales of 4.0 million tonne and a strong EBITDA/tonne of ₹ 10000/tonne (vs. Q4FY17: ₹ 7586/tonne and Q3FY18: ₹ 9000/tonne). On the non-ferrous front, base metal prices were higher YoY. However, on a QoQ basis, price increase was modest. During Q4FY18, average zinc prices were at US$3413/tonne up 22.9% YoY, 5.6% QoQ. Lead prices were up 10.6% YoY, 1.2% QoQ to US$2518/tonne. Aluminium prices increased 16.3% YoY, 2.4% QoQ to US$2154/tonne while copper prices were at US$6958/tonne, up 19.2% YoY, 2% QoQ. Increasing trade tensions between the US and China impacted base metal prices in Q4 (especially in March 2018). However, going forward, the demand-supply dynamics are likely to chart out the trajectory for base metal prices. We believe the fortunes of the domestic metals space largely depend on the domestic infrastructure, the growth of which remains intact on account of increased thrust of the government, which augurs well
- In the cement sector, we expect double digit sales volume growth mainly led by better sand availability in a few states, a pick-up in infra projects, capacity expansion and low base of last year. Consequently, we expect the I-direct universe to report sales volume growth of 14% YoY in Q4FY18E. Increase in input prices led by higher pet coke price and diesel prices are expected to adversely impact operating cost/tonne by ~₹ 250-300/t. However, we expect rising cost/tonne to be offset by

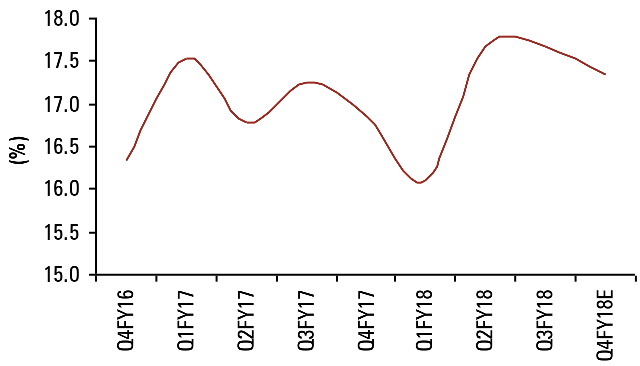
higher realisation and operating leverage. Hence, EBITDA/tonne is expected to rise 15.9% YoY to ₹ 897/tonne in Q4FY18E

**Exhibit 8: Trend in revenue growth of cyclicals**



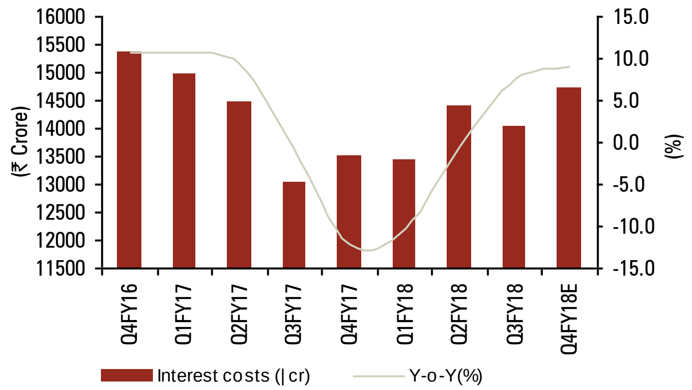

*Source: Company, ICICIdirect.com Research*

**Exhibit 9: Trend in EBITDA margins**



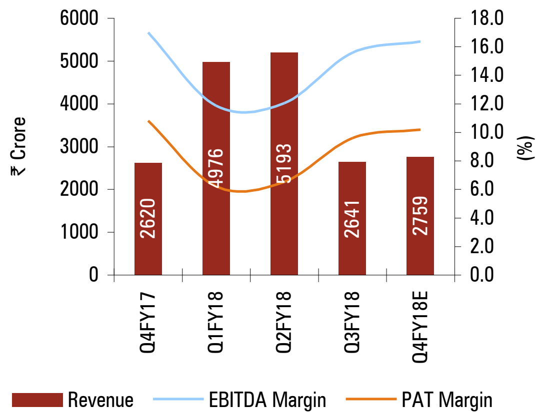

*Source: Company, ICICIdirect.com Research*

**Exhibit 10: Interest costs …**

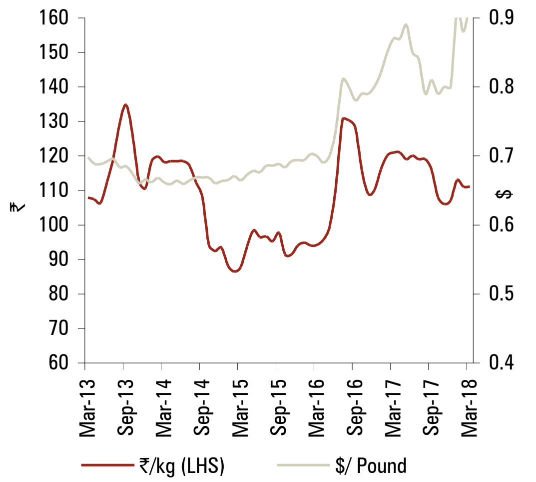



*Source: Company, ICICIdirect.com Research*

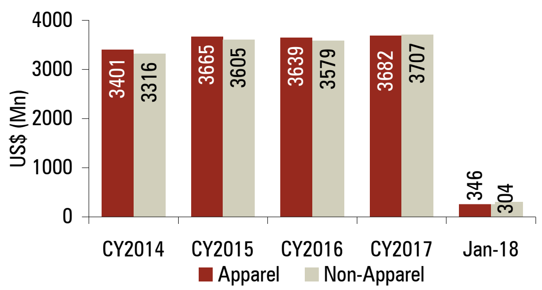
## Topline & Profitability (Coverage Universe)




## Cotton prices (domestic & international)




## Indian textile exports to US




## Apparel

### Revenue growth expected to be moderate; Page to outperform

We expect companies in our coverage universe to report subdued topline growth in Q4FY18. Except for Page Industries, all other companies are likely to register single digit topline growth. We anticipate Kewal Kiran Clothing (KKCL) will report growth of 4% YoY, mainly driven by volume growth while realisations are expected to remain flattish YoY. KKCL has refrained from giving away heavy discounts to combat the competition from e-commerce players. This has led to sluggish revenue growth for KKCL in the past couple of quarters. We expect Page to continue on its healthy trajectory and register revenue growth of 18% YoY. The growth is expected to be derived from 11% volume growth and 7% realisation growth. For Rupa, the quarter is expected to be muted on lower offtake at the dealer's level and high base effect of Q4FY17 (21% revenue growth). With no immediate capacity coming on stream, we expect Vardhman Textiles to report revenue growth 2% YoY.

### Cotton prices lower YoY despite damage to cotton crop by pink boll worm attacks

In the latest release of Cotton Association of India (CAI), the estimate of the cotton crop for the season 2017-18 has been lowered by 5 lakh bales (1 bale= 170 kg) to 362 lakh bales vs. previous estimate of 367 lakh bales. The downward revision of estimates was largely on the back of damage by pink bollworm infestation and scarcity of water in some states. Slower than usual pace of arrivals has resulted in cotton prices remaining firm in the range of ₹ 112-113/kg vs. ₹ 107/kg in the beginning of the procurement season. However, on a YoY basis, cotton prices are down 6% in Q4FY18. Softening of cotton prices is expected to provide some respite to textile players.

### Innerwear segment to exhibit margin expansion

Over the past couple of quarters, Page has increased the proportion of outsourced products leading to lower gross margins. However, it has exhibited commendable cost rationalisation measures, which have yielded better EBITDA margins. Hence, we expect Page to report margin expansion to the tune of 100 bps YoY to 20.5%. For Rupa, we expect margins to improve marginally by 60 bps YoY to 11.2% mainly on account of input tax credit on services. We expect margins of Vardhman Textiles to decline 30 bps YoY to 16.8%. We expect KKCL to report a decline in margins by 140 bps YoY to 22.7% owing to negative operating leverage.

**Exhibit 11: Estimates for Q4FY18E: (Apparel)** (₹ Crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Kewal Kiran | 134.7 | 4.0 | 42.8 | 30.6 | -2.2 | 94.3 | 24.6 | -27.5 | 136.9 |
| Page Industries | 588.8 | 18.0 | -5.2 | 120.7 | 23.9 | -6.3 | 77.0 | 15.3 | -7.7 |
| Rupa & Co. | 393.0 | 2.9 | 41.4 | 44.0 | 9.2 | 6.5 | 25.3 | 7.5 | 6.1 |
| Vardhman Tex | 1,642.5 | 2.1 | -0.3 | 276.0 | 0.2 | 22.4 | 163.7 | 3.2 | 20.8 |
| Total | 2,759.0 | 5.4 | 4.5 | 471.3 | 6.0 | 14.5 | 290.5 | 2.8 | 14.8 |

*Source: ICICIdirect.com Research*

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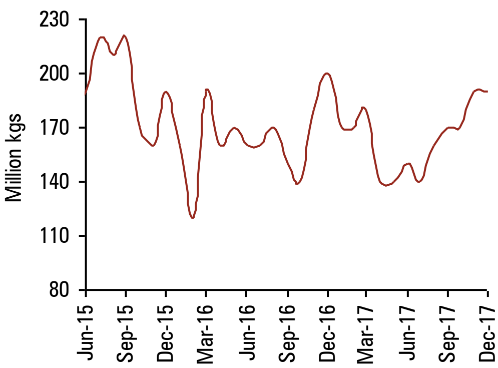
## Lower export incentives result in subdued exports for CY17

According to the data provided by Office of Textile and Apparel (OTEXA), India's textile exports to the US in CY17 witnessed subdued growth owing to intense competition from countries like Bangladesh & Vietnam and recent cut in duty drawback rates. India's apparel exports to the US for CY17 grew marginally by 1.2% YoY US$3682 million while non-apparel exports increased 3.6% YoY to US$3707 million.

**China's cotton yarn import**




China's cotton yarn imports grew by a mere 0.6% YoY in YTDCY18, which would impact revenue growth and margins of Indian cotton yarn exporters

**Exhibit 12: Company specific view (Apparel)**

| Company | Remarks |
|---|---|
| Kewal Kiran | With various e-commerce players, resorting to aggressive promotional offers, KKCL has refrained from giving heavy discounts so as not to dilute the brand image. We expect the same to impact volume growth in the quarter. We expect KKCL to report revenue growth of 4% YoY to ₹ 134.7 crore, mainly driven by volume growth, while realisations are expected to remain flattish at ₹ 1058/piece. We expect operating margins to decline 140 bps YoY to 22.7%. A moderate operational performance coupled with lower other income is expected to result in PAT of ₹ 24.6 crore (Q4FY17: ₹ 33.9 crore) |
| Page Industries | We expect Page to register healthy topline growth of 18.0% YoY to ₹ 588.8 crore, mainly driven by volume growth to the tune of 11% to 38 million pieces and realisation growth of 7% YoY to ₹ 153/piece. We anticipate revenues from the women's segment to increase 17% YoY while men's segment is expected to grow 18% YoY. Positive operating leverage is expected to enhance EBITDA margins by 100 bps YoY to 20.5%. Page had reported an exceptional income worth ₹ 4.5 crore in Q4FY17. Hence, we expect PAT to increase 15.3% YoY to ₹ 77.0 crore |
| Rupa & Company | We expect Rupa to register moderate topline growth of 3% YoY to ₹ 393.0 crore albeit on a high base of Q4FY17. EBITDA margins are expected to improve marginally by 60 bps YoY to 11.2% mainly on account of input tax credit on services. Subsequently, we expect PAT to grow 7.5% YoY to ₹ 25.3 crore |
| Vardhman Textiles | On a consolidated basis, we expect revenues to grow 2.1% YoY to ₹ 1642.5 crore. Though the cotton prices have declined in the current quarter on a YoY basis, however commensurate decline in cotton yarn prices are expected to result in flattish EBITDA margins at 16.8%. Lower depreciation cost is expected support PAT growth, to a certain extent. Hence, we expect PAT to increase marginally by 3.2% YoY to ₹ 163.7 crore |

*Source: Company, ICICIdirect.com Research*

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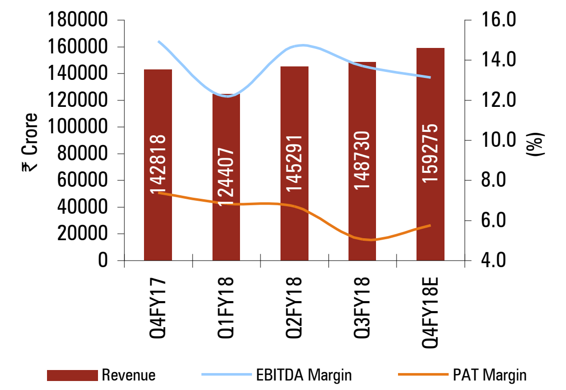
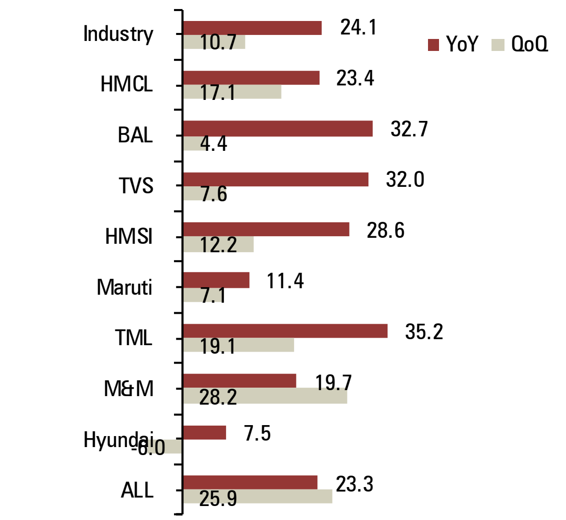
## Topline & Profitability (Coverage universe)




## Key players & industry volume Mar'18 quarter growth (%)




## Average Commodity price movement

| Commodity (₹/kg) | Q4FY18 | Q4FY17 | YoY (%) | Q3FY18 | QoQ (%) |
|---|---|---|---|---|---|
| Steel | 47 | 42 | 11.9 | 43 | 10.4 |
| Aluminium | 139 | 124 | 12.0 | 136 | 1.9 |
| Rubber | 125 | 152 | -17.6 | 129 | -2.9 |
| Plastics | 70 | 86 | -18.9 | 73 | -3.9 |
| Lead | 162 | 153 | 6.1 | 162 | 0.3 |

## Average Currency movement against INR

| Currency | Q4FY18 | Q4FY17 | YoY (%) | Q3FY18 | QoQ (%) |
|---|---|---|---|---|---|
| USD / INR | 64.3 | 67.0 | -4.0 | 64.7 | -0.6 |
| EUR / INR | 79.1 | 71.4 | 10.8 | 76.2 | 3.7 |
| GBP / INR | 89.6 | 82.9 | 8.0 | 85.9 | 4.2 |
| JPY / INR | 0.59 | 0.59 | 0.9 | 0.57 | 3.7 |

## Top Picks

Ashok Leyland & Eicher Motors

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## Auto and auto ancillary

### Low base + strong growth momentum = drives volumes

Overall auto volumes reported stupendous growth of ~24% YoY & ~11% QoQ mainly supported by the low base of last year (impacted by demonetisation) & strong growth momentum across segments. The 2-W volume recorded ~25% YoY growth, driven by both motorcycle & scooters. The revival in rural sentiments in key under penetrated states buoyed growth. CV volumes continued their momentum (up ~30% YoY), as M&HCV volumes were supported by overloading restriction and infrastructure development while LCV volumes were driven by an increase in demand from e-commerce, container & refrigerator vehicles. The 3-W volumes are up ~84% YoY, backed by a revival in export demand while favourable industry development in key states lifted its domestic demand. PV volumes grew ~9% YoY, largely supported by market leader Maruti Suzuki (MSIL). Tractor volumes positively surprised with robust volume growth of ~39% YoY, backed by positive rural sentiment and higher use in non-agriculture space. Thus, we expect our universe [ex-Tata Motors (TML)] to report topline growth of ~26% YoY, with OEMs & ancillary likely to grow ~25% & ~27%, respectively. We expect Ashok Leyland, Eicher & Wabco to report good results.

### Operating leverage to offset higher input cost!

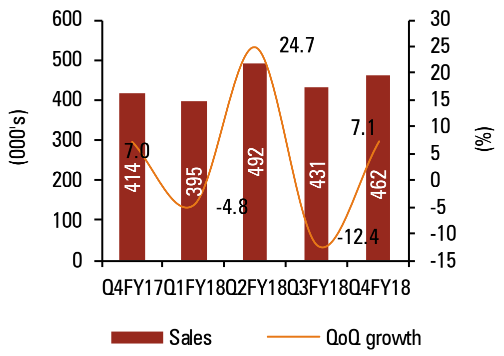
Average prices of key inputs like steel & aluminium were up 12% YoY each with lead up 6% YoY. Robust volumes are expected to lead to strong operating leverage, which will offset negative impact of rising input cost. Thus, EBITDA margin of our universe (ex-TML) is likely to expand ~48 bps YoY to 15%, with OEM margins likely to expand 117 bps YoY with ancillary margins contracting 49 bps YoY. On a QoQ basis, margins are likely to contract 48 bps, mainly due to a rise in input cost and one-time cost incurred by most companies in Auto Expo. For the I-direct universe, (ex-TML) profits are expected to rise 24% YoY. For TML, weak market condition and lower-than-expected pick-up of its recently launched model will impact JLR's performance.

**Exhibit 13: Estimates for Q4FY18E: Auto and auto ancillary** (₹ Crore)

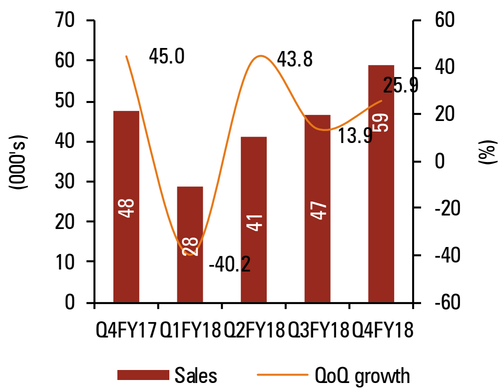
| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Amara Raja | 1637.2 | 21.8 | 5.4 | 256.4 | 38.9 | 6.1 | 143.0 | 43.9 | 6.3 |
| Apollo Tyre` | 3890.1 | 17.0 | -3.9 | 504.1 | 36.3 | 1.6 | 256.1 | 12.2 | 4.4 |
| Ashok Leyland | 9,284.6 | 40.3 | 30.5 | 1,092.6 | 49.7 | 38.6 | 661.1 | 38.8 | 47.0 |
| Bajaj Auto' | 6,782.5 | 38.5 | 6.5 | 1,286.6 | 42.0 | 4.5 | 1,076.6 | 34.3 | 13.0 |
| Balkrishna Ind | 1135.4 | 13.2 | 2.6 | 322.8 | 26.4 | 11.3 | 212.2 | 54.4 | 12.0 |
| Bharat Forge | 1487.8 | 32.2 | 7.0 | 444.6 | 39.0 | 6.8 | 247.4 | 19.2 | 8.4 |
| Bosch India | 3154.5 | 22.5 | 2.7 | 680.6 | -3.3 | 52.1 | 442.1 | 0.4 | 57.3 |
| Eicher Motors* | 2,523.3 | 28.6 | 11.4 | 799.3 | 46.0 | 11.3 | 663.4 | 27.6 | 22.9 |
| Exide | 2506.0 | 26.8 | 10.1 | 323.8 | 23.7 | 14.6 | 191.7 | 16.3 | 24.3 |
| Hero Motocorp | 8,641.2 | 25.0 | 18.3 | 1,376.1 | 43.7 | 18.8 | 963.1 | 34.2 | 19.6 |
| JK Tyre ` | 2361.9 | 9.7 | 11.2 | 242.9 | 21.4 | 14.1 | 52.0 | -41.4 | 374.1 |
| Mahindra CIE ` | 1800.2 | 19.0 | 11.2 | 244.2 | 25.5 | 5.4 | 116.4 | 42.1 | 25.0 |
| Maruti Suzuki | 21,144.3 | 15.3 | 9.7 | 3,137.0 | 22.5 | 3.3 | 2,066.7 | 20.9 | 14.9 |
| Motherson` | 15557.2 | 37.9 | 8.1 | 1554.2 | 25.3 | 23.4 | 514.6 | 8.4 | 41.2 |
| Tata Motors` | 76,653.6 | -0.7 | 3.4 | 8,527.1 | -27.9 | -9.9 | 1,494.5 | -65.5 | 23.0 |
| Wabco India | 715.2 | 24.0 | 10.1 | 110.3 | 42.1 | 9.9 | 77.2 | 55.7 | 21.0 |
| Total | 159275.1 | 11.5 | 7.1 | 20902.6 | -2.1 | 2.6 | 9177.9 | -12.9 | 21.9 |

*Source: Company, ICICIdirect.com Research, Consolidated numbers, *Eicher's PAT is consolidated, Highlighted rows depict auto ancillary companies*

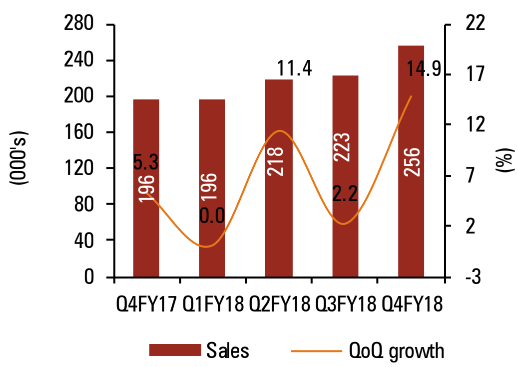
### Maruti Suzuki's sales performance




### Ashok Leyland's sales performance




### Eicher Motor's sales performance

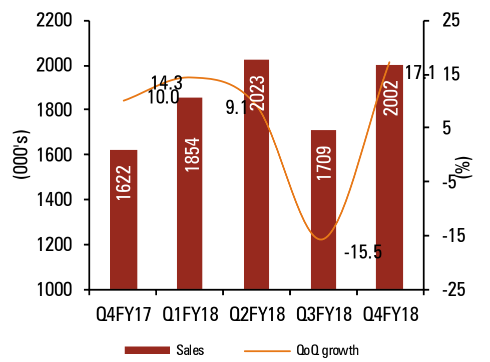



### Exhibit 14: Company specific view- OEM

| Company | Remarks |
|---|---|
| Ashok Leyland | The topline is expected to grow 40.3% YoY to ₹ 9285 crore as overall volumes have increased 23% YoY to 58734 units. The net realisation is expected to grow 17% YoY & 4% QoQ, as vehicle prices has moved higher post implementation of BS IV norms). M&HCV volumes have grown 15% YoY to 44425 units while LCV volumes are up 59.4% YoY to 14309 units. EBITDA margins are likely to expand 68bps YoY to 11.8% on account of positive operating leverage. Reported PAT is expected at ₹ 661 crore |
| Bajaj Auto | Revenues are expected to increase 38.5% YoY to ₹ 6783 crore on account of 32.7% YoY volume growth to ~1.05 million units. Blended realisations are expected to be up 2% QoQ. The growth is broad based (in both domestic & export market), with domestic 2W, 3W growing 20%, 144% YoY, respectively, while in the export market the growth of 2W, 3W was 25%, 83% YoY, respectively. EBITDA margins are likely to expand 47 bps YoY to 19% due to better product mix (higher share of 3-W). PAT is expected to increase 34% YoY to ₹ 1077 crore |
| Eicher Motors | RE business (motorcycles) volumes have bounced back after a relatively moderate growth in previous quarter. RE volumes grew ~27.4% YoY to ~227038 units. On the back of strong CV demand, VECV (truck business) volumes at ~22,522 units, grew ~30.4% YoY, 35.45 QoQ. Revenues are expected to grow 33.9% YoY to ₹ 2523 crore. EBITDA margins may come in at 31.7%, flat QoQ, as operating leverage benefit will offset any adverse impact of input costs. We expect VECV business margins to expand 40 bps QoQ to 9.1% due to operating leverage benefit. Consolidated PAT is expected at ~₹ 663 crore |
| Hero MotoCorp | Volumes increased ~23.4% YoY ~2 million units, with possible growth of ~35% YoY in the scooter segment (0.24 mn units) & 22% YoY growth in motorcycle segment (1.76 mn units). Volume growth cannot be attributable to only base effect (demonetisation), because even on a QoQ basis, volumes have grown 17%. EBITDA margins are expected to be flat at 15.9% QoQ as operating leverage benefit and ~1% price increase may be partly offset by an increase in input cost & higher other expenses on account of Auto Expo. Topline and PAT are seen at ~₹ 8641 & ~₹ 963 crore, respectively |
| Maruti Suzuki | Volumes have grown ~11.4% YoY to ~4.62 lakh units where strong domestic demand of 11.6% YoY is driven by continual growth in models like Baleno & Brezza, also aided by the newly launched DZire & Swift. EBITDA margins are expected to contract 92 bps QoQ to 14.8% as positive impact of operating leverage will be offset by higher input cost & higher other expense on account of Auto Expo. Topline is expected to grow 15.3% to ₹ 21144 crore. Net ASPs are expected to increase ~3% QoQ due to product mix & 2% price hike taken by company. PAT for the quarter is expected at ~₹ 2067 crore |
| Tata Motors | JLR is expected to clock sales volumes of ~155005 units, down 11.4% YoY, with decline attributable to weak market conditions in UK & Europe. JLR is likely to post topline of ~£6 billion with realisations down QoQ, as volumes of recently launched RR & RR Sport have not picked up due to weak market conditions. JLR margins are expected to contract ~90 bps QoQ to 10% due to a poor product mix & higher input cost. JLR's PAT is estimated at ~£160 million. Standalone revenues are expected to increase 38% YoY to ₹ 18782 crore due strong volume growth of 35% YoY. EBITDA margins are expected to contract sequentially to 4.4% due to high input cost and one-time cost related to Auto Expo. Standalone loss is expected at ~₹ 441crore |

*Source: Company, ICICIdirect.com Research*

**Hero MotoCorp's sales performance**




**Bajaj Auto's sales performance**

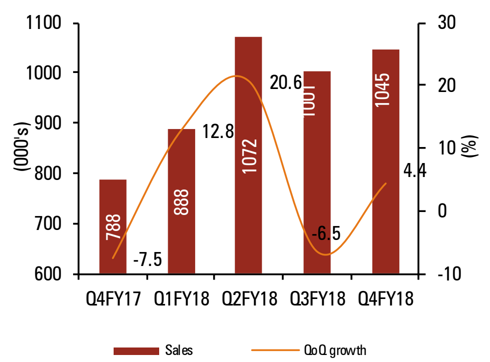
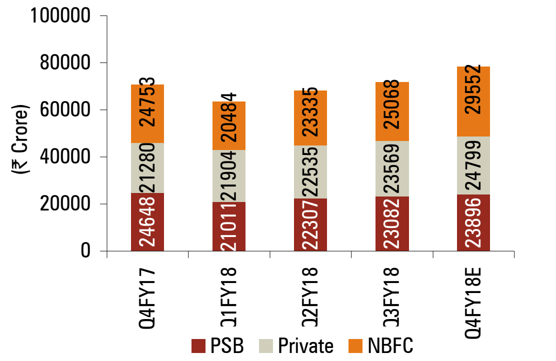



**Exhibit 15: Company specific view- Ancillaries**

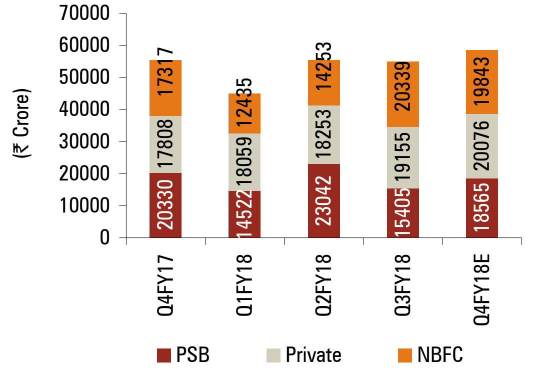
| Company | Remarks |
|---|---|
| Amara Raja Batteries (ARBL) | The strong volume growth in the automotive OEM segment is likely to drive ARBL's revenues, which are expected to grow 21.8% YoY to ₹ 1637 crore. Average lead prices were up 0.3% QoQ & 6% YoY to ₹ 162/kg. Higher lead prices had impacted margin in Q4FY17. Hence, margins are likely to expand 200 bps YoY to 15.7% (followed by price hikes). However, we believe sequentially margins are expected to remain flat. PAT is expected to grow 43.9% YoY to ₹ 143 crore |
| Apollo Tyres (APL) | APL's consolidated revenue is likely to grow 17% YoY to ₹ 3,890 crore as domestic demand remained strong mainly due to higher CV volumes & lower Chinese import. The negative impact of higher crude price will be offset by lower natural rubber prices (down 18% YoY & down 3% QoQ to ₹ 125/kg). Thus, we expect EBITDA margins to expand 184 bps YoY & 70bps QoQ to 13%. Higher interest & depreciation are expected to impact PAT, which is likely to grow 12.2% YoY to ₹ 256 crore |
| Balkrishna Industries (BIL) | Revenues are expected to grow 13.2% YoY to ₹ 1,135 crore, with volumes likely to rise 10% YoY to 50,764 MT. BIL's management remains optimistic on the demand front but unfavourable climate condition in Europe (derives >50% of revenue) may impact its business. EBITDA margins may expand 297 bps YoY & 222 bps QoQ to 28.4%. PAT is expected to increase 54% YoY to ₹ 212 crore |
| Bharat Forge | BFL has been growing continually in the last four quarters on a YoY, QoQ basis. We expect this trend to continue in Q4FY18E. Net domestic revenues are expected to grow 20% YoY to ₹ 554 crore, mimicking the growth in user M&HCV industry. Export revenues are expected to increase 42.8% YoY to ₹ 853 crore as class 8 truck is in an upcycle while oil & gas revenues are expected to grow significantly. EBITDA margins are expected to be flat QoQ to 29.9%. PAT is likely to increase 19% YoY to ₹ 247 crore |
| Bosch | Strong OEM volumes in the CV and tractor segment is likely to drive revenues, which are expected to increase 22% YoY to ₹ 3,155 crore. Margins would not be comparable YoY & QoQ, as in Q4FY17 multiple positively variables lifted margins, while Q3FY18 is traditionally weak. We expect EBITDA margins to come in at 21.6%. Higher revenue growth & lower margin on a YoY basis may impact its PAT, which is likely to remain flat at ₹ 442 crore |
| Exide Industries (EIL) | We believe strong 2-W (OEM + replacement) volume is likely to drive EIL's revenue, which is expected to grow 26.8% YoY to ₹ 2,506 crore. According to the management, continued escalation in lead price, is a concern for EIL. Thus, we expect its margin to decline 33 bps YoY to 12.9%. PAT is expected to grow 16% YoY to ₹ 192 crore |
| JK Tyre (JKTIL) | Consolidated revenues are expected to grow 9.7% YoY to ₹ 2,362 crore and is mainly after strong CV OEM demand & lower Chinese import. Its Mexican subsidiary had a major labour restructuring activity in Q3FY18. Hence, we expect an improvement from Q4FY18 onwards. EBITDA margins may improve 100 bps YoY & 30 bps QoQ to 10.3%. Higher interest & depreciation may impact PAT that is expected at ₹ 52 crore. There was exceptional gain of ₹ 50 crore in Q4FY17 |
| Mahindra CIE Automotive | Standalone business will be driven by healthy production volumes of its top three clients, which account >50% of its revenue. Thus, its revenue, EBITDA & PAT are expected at ₹ 615 crore, ₹ 66 crore & ₹ 28 crore, respectively. At consolidated level, we expect revenue & EBITDA of ₹ 1800 crore & ₹ 244 crore, respectively |
| Motherson Sumi | MSSL's results are not comparable YoY, as it will include the performance of the acquired PKC group. Consolidated revenues are expected to grow 37.9% YoY to ₹15,557 crore. Its European operations SMR - may face growth challenges while SMP is likely to report strong revenue growth. Consolidated EBITDA margins are likely to expand 125 bps QoQ to 10%. PAT is expected at ₹ 515 crore. The company in Q4FY17 had reported an exceptional expense of ₹ 97 crore |
| Wabco India (WIL) | The strong domestic M&HCV momentum (production up >18% YoY) coupled with continuous export growth will help Wabco post highest ever quarterly revenue of ₹ 715 crore (up 24% YoY). EBITDA margin is likely to improve 197 bps YoY to 15.4%. Strong revenue growth & margin expansion is likely to boost PAT, which is expected to increase 55.7% YoY to ₹ 77 crore |

*Source: Company, ICICIdirect.com Research*

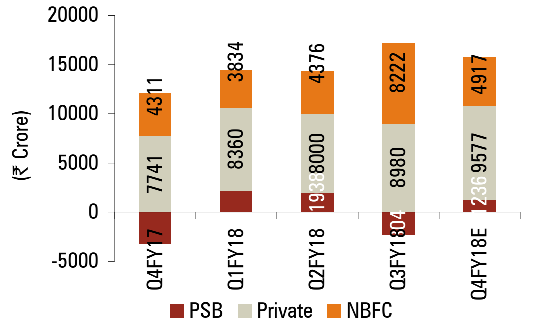
## Net interest income (Coverage Universe)




## PPP (Coverage Universe)




## Net Profit (Coverage Universe)




** Numbers in chart excludes Federal Bank and Indian Bank*

## Top Picks

Bajaj Finance
HDFC Bank
Kotak Mahidra Bank

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## Banking and Financial Institutions

### Asset quality to be under pressure in Q4 due to host of negative news

Q4FY18 has been an eventful quarter for the banking sector, which saw it being inflicted with further NPA pain and higher provisioning cost. These events include ~₹ 14500 crore letter of undertaking (LOU) fraud relating to the gems & jewellery sector, new NPA framework introduced by RBI (discarding past restructuring formats like SDR, S4A, 5/25 restructuring scheme, CDR, etc and resolution of accounts >₹ 2000 crore within 180 days from the date of default) and a large telecom account (~₹ 25000 crore exposure of Indian banks) slipping into NPA owing to failure of its SDR before quarter end. Further, absence of any resolution in large NCLT cases referred earlier (especially in steel accounts) has also escalated provisioning pressure in Q4FY18. However, recent media reports of an RBI circular to banks allowing them to provide 40% vs. 50% by Q4FY18 in NCLT cases (~₹ 400000 crore) should provide some relief. Most large PSU and private ones have already provided ~50% of the exposure.

### Quarter end decline in yields & RBI announcement to provide breather

G-sec yields witnessed sharp movements during the quarter. They increased from 7.34% at the beginning of the quarter to 7.77% and then finally ended the quarter at 7.4%. Thus, QoQ the yield increase was limited to merely 6 bps vs. 43 bps increase at some point in Q4. This should benefit banks (especially PSU banks) as relatively lower MTM provisions would be required. Further, RBI allowed banks to spread MTM losses incurred in Q3FY18 (68 bps) and Q4FY18 (6 bps) over four quarters. As per our estimate, the banking sector had suffered ~₹ 23000 crore MTM losses in Q3 & Q4. In Q3FY18, the sector had reported a loss of ~₹ 7000 crore on the PAT front propped by investment related MTM losses at ~₹ 21000 crore (~₹ 14700 crore post tax). Thus, this relaxation by RBI should provide banks with much needed respite amid elevated NPA provisions.

### NII growth to be lower than Q3 despite healthy credit traction

The credit growth of the sector in Q4 has been healthy at 11.1% YoY to ₹ 83.7 lakh crore. Further, the CD ratio has also improved to 75% vs. ~72% a year back. However, despite this, we expect NII traction to be lower than double digit increase seen in Q3FY18. This is largely owing to margin pressure on account of higher slippages estimated in Q4FY18. For the coverage universe, NII growth of 6.0% YoY to ₹ 48694 crore is estimated, with private banks clocking ~16.5% YoY.

PAT for the coverage universe seems higher YoY due to higher provisions last year leading to a lower earnings base. SBI is expected to turn into the green after posting losses in Q3FY18 due to lower slippages vs. Q3FY18 and spreading of MTM investment provisions.

Earnings of retail based private banks like HDFC Bank, IndusInd Bank, and Kotak Mahindra Bank are expected to remain strong both on the business, PAT front. Mid-sized banks like DCB Bank and City Union Bank would continue to deliver a healthy set of numbers. Federal Bank should sustain >20% YoY credit growth & earnings. Axis Bank's earnings would be relatively impacted QoQ owing to slightly higher slippages and provisioning estimated. NBFCs like Bajaj Finance may continue their streak of strong PAT growth of >30% YoY.

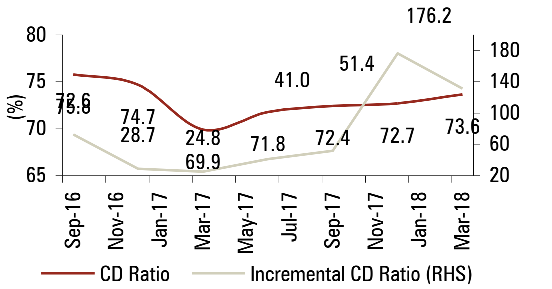
**Exhibit 16: Estimates for Q4FY18E** (₹ Crore)

| | NII | Change (%) | | PPP | Change (%) | | NP | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Public Sector Banks | | | | | | | | | |
| Bank of Baroda | 4070.8 | 13.6 | -7.4 | 3045.2 | 0.8 | -16.6 | 368.1 | 137.9 | 229.3 |
| SBI | 19824.8 | -5.9 | 6.1 | 15520.2 | -10.3 | 32.0 | 867.8 | LP | LP |
| Total | 23895.5 | -3.1 | 3.5 | 18565.4 | -8.7 | 20.5 | 1235.9 | LP | LP |
| Private Banks | | | | | | | | | |
| Axis Bank | 4992.4 | 5.6 | 5.5 | 4171.0 | -4.7 | 8.2 | 947.5 | -22.7 | 30.4 |
| City Union Bank | 368.2 | 18.6 | 0.9 | 285.2 | 15.2 | 0.9 | 147.7 | 14.6 | -4.6 |
| DCB | 261.7 | 18.8 | 4.5 | 121.7 | 5.5 | -0.7 | 61.3 | 16.0 | 7.5 |
| Federal Bank | 1012.4 | 20.2 | 6.6 | 629.8 | 14.7 | 12.2 | 311.1 | 21.2 | 19.6 |
| HDFC Bank | 10942.8 | 20.8 | 6.1 | 8769.7 | 20.5 | 3.8 | 4816.9 | 20.7 | 3.8 |
| Indusind Bank | 2011.4 | 20.6 | 6.2 | 1720.5 | 9.4 | 3.4 | 947.6 | 26.1 | 1.2 |
| J&K Bank | 748.7 | 14.3 | -4.0 | 396.4 | 43.4 | 3.6 | 74.9 | LP | 3.4 |
| Kotak Bank | 2477.9 | 14.6 | 3.5 | 1938.3 | 13.9 | 6.5 | 1152.4 | 18.0 | 9.4 |
| Yes Bank | 1983.5 | 21.0 | 5.0 | 2044.0 | 20.9 | 2.1 | 1117.7 | 22.3 | 3.8 |
| Total | 24799.1 | 16.5 | 5.2 | 20076.5 | 12.7 | 4.8 | 9577.1 | 23.7 | 6.7 |
| Total Banks | 48694.7 | 6.0 | 4.4 | 38641.8 | 1.3 | 11.8 | 10813.0 | 142.7 | 62.0 |
| NBFCs | | | | | | | | | |
| HDFC | 3125.4 | 13.2 | 9.7 | 3680.2 | 19.2 | -44.1 | 2299.6 | 12.5 | -59.4 |
| LIC HF | 1058.4 | 1.8 | 17.9 | 913.6 | 2.0 | 13.5 | 540.1 | 2.1 | 10.0 |
| Rel Cap | 5397.7 | 6.1 | 13.1 | 485.8 | 2.7 | 23.3 | 378.9 | -9.1 | 20.3 |
| Bajaj Finance | 1918.8 | 29.9 | -9.0 | 1221.0 | 24.6 | -14.0 | 604.3 | 34.3 | -21.2 |
| Bajaj Finserv | 8590.0 | 22.0 | 12.1 | 1521.2 | 30.0 | -13.7 | 747.6 | 39.8 | -0.1 |
| SBI Life Insurance | 9462.1 | 28.8 | 39.6 | 12021.0 | 12.2 | 28.3 | 346.4 | 3.1 | 50.4 |
| Total | 29552.5 | 19.4 | 17.9 | 19842.7 | 14.6 | -2.4 | 4916.9 | 14.1 | -40.2 |

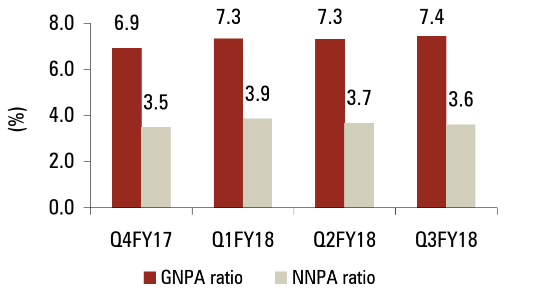
*LP denotes loss to profit,*

*Source: Company, ICICIdirect.com Research*

## C-D Ratio (Industry)




## Asset Quality (Coverage Universe)




## NPA trend (Coverage Universe)

| Q4FY18E | GNPA (₹ crore) | QoQ Growth(%) | NNPA (₹ crore) | QoQ Growth(%) |
|---|---|---|---|---|
| **PSB** | | | | |
| Bank of Baroda | 49980 | 3.1 | 20652 | 4.0 |
| SBI | 201952 | 1.4 | 103889 | 1.5 |
| **Private Banks** | | | | |
| Axis Bank | 26251 | 5.0 | 12358 | 5.0 |
| City Union Bank | 909 | 5.7 | 457 | 2.1 |
| DCB | 390 | 10.0 | 171 | 6.0 |
| Federal Bank | 2291 | 6.0 | 1215 | 5.0 |
| HDFC Bank | 8635 | 4.9 | 2924 | 5.4 |
| Indusind Bank | 1664 | 11.0 | 681 | 15.0 |
| J&K Bank | 6358 | 2.0 | 2602 | 4.6 |
| Kotak Mahindra Banl | 3846 | 3.5 | 1798 | 4.1 |
| Yes Bank | 3272 | 10.0 | 1707 | 7.0 |

## Exhibit 17: Company specific view (Banks)

| | |
|---|---|
| Bank of Baroda | The healthy operational performance reported by the bank in previous quarter may not continue in Q4FY18. This is owing to asset quality expected to be under stress due to RBI's new NPA framework announced in Q4FY18 and due to a large telecom account slipping into NPA. This along with lack of resolution in large NCLT cases would keep credit cost pressure on the higher side. The recent RBI circular allowing 40% vs. 50% provisions on NCLT cases (BoB's exposure at ~₹ 11300 crore) would provide some relief. MTM loss on investments would be lower owing to single digit increase in G-sec yields in Q4 and RBI allowing spreading of such losses into four quarters. Advances growth of 10% YoY to ₹ 422146 crore is estimated while deposit traction is expected to be muted. Overall PAT is seen at ₹ 368 crore |
| State Bank of India | For SBI, advance growth is expected to remain tepid as seen in previous quarters, at nearly 1% YoY, led by cautious lending in corporate and SME segment. Growth in retail book is seen remaining healthy. On operational front, NII growth is seen at 6.1% QoQ to ₹ 19825 crore. However, subdued treasury gain may impact traction in non-interest income. Led by slippage from watchlist, owing to revised norms for asset resolution, GNPA accretion is anticipated to remain elevated. Therefore, credit cost is seen remaining higher at ₹ 15266 crore, 98% of PPP. Relaxation in terms of spreading investment depreciation into four quarters and 10% reduction in provision required on accounts referred to NCLT may lead to reversals in provision and provide breather on earnings. Consequently, PAT is seen at ₹ 868 crore vs to loss in Q3FY18 |
| Axis Bank | Axis Bank's previous quarter was a healthy overall with slippages and GNPA witnessing a decline. However, in Q4FY18, owing to lack of resolutions in the large NCLT cases (exposure of ~₹ 7000 crore), RBI's new NPA framework and a large telecom account turning technically NPA, we expect bank's slippages and GNPA to be relatively higher QoQ. Business growth is expected to be decent with loan traction of 18% YoY to ₹ 440222 crore and deposit growth of 9% YoY to ₹ 451782 crore. With margins estimated steady QoQ at ~3.4%, NII growth may stay in single digit at 5.6% YoY to ₹ 4992 crore. PAT is seen at ₹ 947 crore |
| City Union Bank | Led by SME & retail book, advances growth may remain healthy at 16.3% YoY to ₹ 27717 crore, though lower compared to growth seen in Q3FY18 owing to demonetisation related base. Operational performance is seen healthy with NII growth at 18.6% YoY to ₹ 368 crore. However, non-interest income growth may remain in single digits owing to muted treasury gains. With steady opex and credit cost at 30 bps (28.4% of PPP), PAT is seen at ₹ 147.7 crore, up 14.6% YoY. With bulk of the asset quality problems being recognised, incremental slippage may remain steady with GNPA ratio at 3.3% |
| DCB Bank | For DCB Bank, the overall performance is expected to remain healthy both on balance sheet growth as well as profitability. With continuance in pick-up in mortgage book seen in the previous quarter, advances growth is seen at 25% YoY to ₹ 19770 crore. With cost of funds bottoming, margins are seen remaining stable at 4-4.1%. Upward movement in G-sec yield may keep other income subdued at ~₹ 65 crore. With slippages run rate seen steady at 1.8-2%, GNPA ratio is seen staying contained at ~2%. Credit cost is expected to remain at previous quarter level of ~25% of PPP. Healthy growth is seen in PAT at 16% YoY at ₹ 61.3 crore |

*Source: Company, ICICIdirect.com Research*

**Exhibit 18: Company specific view contd. (Banks)**

| | |
|---|---|
| HDFC Bank | HDFC Bank's performance is seen to remain consistent on growth as well as profitability. After reporting higher growth in advances in Q3FY18, advances growth is seen at 20.8% YoY to ₹ 668068, led by a surge in the loan book in Q4FY17. Hike in MCLR is expected to keep margins stable at 4.2-4.3%. Led by healthy growth in advances and stable margin, NII growth is seen at 20.8% YoY to ₹ 10943 crore. PAT growth is expected at 20.7% YoY to ₹ 4817 crore. With AQR completed for FY17, asset quality is expected to remain stable with GNPA at 1.33% |
| Federal Bank | We expect Federal Bank to continue its healthy operating earnings with NII increasing by 20% YoY to ₹ 1012 crore. This is led by credit growth of 23% YoY to ₹ 90204 crore and healthy margins in the 3.3-3.4% range. Slippages number will be keenly monitored as it has witnessed an increase compared to last year. Exoect PAT of ₹ 311 crore (up 21% YoY) with overall MTM pressure remaining muted |
| Jammu & Kashmir Bank | For J&K Bank, we expect steady performance on earnings and asset quality. Aided by 19.9% YoY growth in advances at ₹ 59719 crore, NII growth is seen remaining healthy at 14.3% YoY to ₹ 749 crore. However, non-interest income is expected to remain subdued owing to muted treasury performance. With steady opex and credit cost at 62.5% of PPP, PAT is seen stable at ₹ 749 crore. Higher credit growth and steady accretion in GNPA may lead to stable asset quality with GNPA ratio at 10%. Performance of rehabilitated exposure of ~₹ 4000 crore is expected to remain stable. However, any negative surprise cannot be ruled out |
| Kotak Mahindra Bank | We expect continuance of the steady performance on both asset quality as well as earnings. Advance growth is expected to remain robust at 22% YoY, led by retail and small business segment. Hike in MCLR may support margins at ~4.2-4.3%. Therefore, NII growth is seen at 14.6% YoY. Asset quality remain resilient. Therefore, credit cost is seen remaining at ~15 bps or 12.5% of PPP. With healthy growth in topline and stable opex, PAT is seen at ₹ 1152 crore, up 18% YoY. Post a fall in GNPA ratio in the last couple of quarters, we expect GNPA ratio to remain broadly stable at 2.3% |
| Yes Bank | For Yes Bank, the robust traction in business is expected to continue. Deposits are expected to increase 25.6% YoY to ₹ 179459 crore while a 33.8% YoY increase is estimated in advances to ₹ 177003 crore. Margins are seen remaining stable at ~3.6%. The bank has low exposure of ~₹ 1342 crore towards NCLT accounts. Slippages, which had increased last quarter, are expected to stabilise in Q4FY18. The earnings trajectory is expected to remain healthy at 22% YoY to ₹ 1118 crore, though a bit slower compared to the run rate seen in previous quarters |
| IndusInd Bank | The bank remains one of the few that has been able to clock advances growth ahead of the industry on a consistent basis. In Q4FY18, we expect growth of 24.1% YoY to ₹ 140315 crore led by consumer finance (CF) segment. In CF, CV financing & LAP may continue to witness healthy traction. Margins are expected to be strong in the 3.8-4.0% range, which would lead to NII growth of 20.6% YoY levels to ₹ 2011 crore. PAT of ₹ 948 crore is expected, up 26.1% YoY while asset quality should remain largely steady owing to lower exposure to NCLT cases |

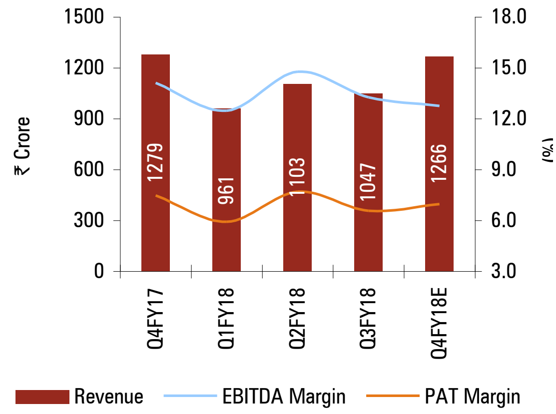
*Source: Company, ICICIdirect.com Research*

**Exhibit 19: Company specific view (NBFCs)**

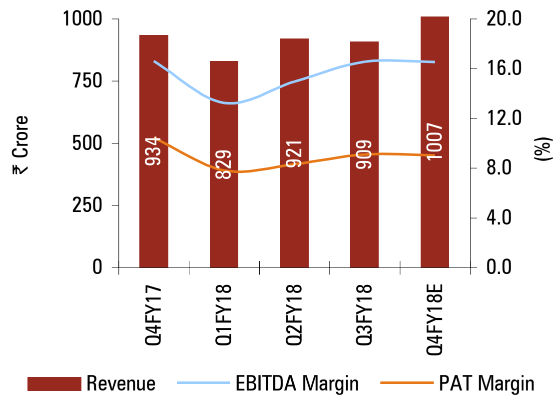
| | |
|---|---|
| LIC Housing Finance | For LIC HF, we expect loan traction of 15% YoY to continue with the loan book reaching ₹ 166792 crore. NPAs have been on a rising trajectory in the last three quarters. With Q4 seasonally being a better quarter in terms of asset quality, we expect the GNPA ratio to be lower than 0.87% in Q3FY18. Margins are also a key factor to watch. We expect it at ~2.5%. Muted NII and PAT growth as seen in last two quarters are estimated to continue in Q4FY18. PAT of ₹ 540 crore (up 2% YoY is estimated) |
| Reliance Capital | Expect bottomline to be ₹379 crore, being a usual quarter with capital gains from AMC due to stake inflow seen. Consolidated revenues seen rising 6% YoY to ₹5398 crore (not comparable as AMC not consolidated since last quarter). Life insurance and general insurance are expected to report an improvement in premium growth. AMC is expected to report PBT of ₹ 120 crore, AUMs are seen flat QoQ led by equity market corrections and debt yields rising. Loan growth in HFC seen ~50% YoY and commercial finance growth at 10-11% YoY. |
| HDFC Ltd | Improved credit traction, as seen in the last two quarters, may continue. We estimate 18% YoY increase in advances to ₹ 349837 crore in Q4FY18. This may be led by individual loan segment. Asset quality is expected to remain under control. Reported NIM is expected to be steady QoQ at ~4% while spread of ~2.3% would be maintained. PAT of ₹ 2300 crore is estimated. The QoQ decline in PAT is owing to large capital gains in Q3FY18 due to a stake sale in the life insurance arm. Dividend income of ~₹ 330 crore is expected while capital gains of ~₹ 300 crore are expected (~₹ 265 crore due to sale of stake in two subsidiaries namely HDFC Developers and HDFC Realty) |
| Bajaj Finance | For Bajaj Finance, Q4 is not expected to be as strong as the seasonally strong Q3 but it would still be decent. AUM is expected to increase 34% YoY to ₹ 80645 crore led by consumer finance segment. Calculated NIMs would slide QoQ to ~9% from 10.7% in Q3. No major negative surprise is expected on the asset quality front. PAT of ₹ 604 crore is estimated (up 34% YoY) |
| Bajaj Finserv | For Bajaj Finserv, overall performance is seen continuing to remain healthy with a robust trajectory in finance and general insurance. Led by healthy growth in AUM, healthy growth at 30.9% YoY is seen in topline and 31% YoY in PBT. Post slower growth in the previous quarter led by crop business, traction in general insurance premium is expected to remain healthy at 24% YoY while the combined ratio at ~92-94%, robust growth of 52% YoY is expected in earnings. In the life insurance business, growth in premium is expected at 12% YoY, led by new business and steady renewals. On a consolidated basis, revenue growth is seen remaining healthy at 22% YoY to ₹ 8590 crore, primarily led by the finance and general insurance business. Overall PAT is expected to grow 39.8% YoY to ₹ 748 crore |
| SBI Life Insurance | Net premium income is seen at ₹ 9462 crore, up 28.8% YoY, led by an uptick in single premium (group). Healthy growth in individual regular premium and 30% YoY growth in renewals is seen supporting topline. Owing to growth in single premium, APE is expected to grow 22.6% YoY to ₹ 2970 crore. Increase in actuarial liability, partly offset by stable opex at 7% is seen leading to ₹ 102 crore of policyholder's surplus. Healthy income from investment and ploughing back policyholders reserves, shareholders PAT is expected at ₹ 346 crore |

*Source: Company, ICICIdirect.com Research*

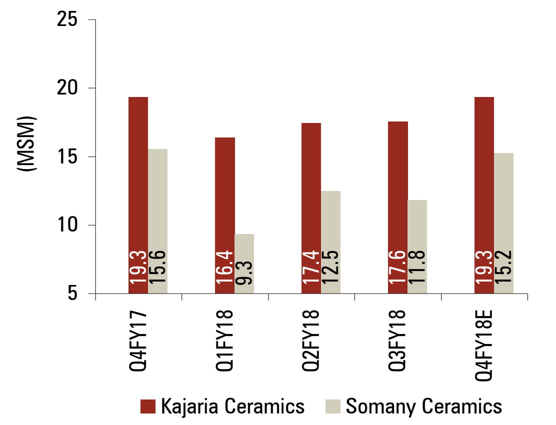
## Topline & Profitability (Tiles universe)




## Topline & Profitability (Plywood universe)




## Sales Volume Trend (Tiles Universe)

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## Building materials

### E-way bill implementation to benefit building material universe…

Despite the GST rollout last year, the shift from the unorganised to organised segment has not played out as expected. This was due to the delay in implementation of e-way bill, which led the unorganised segment to bypass compliance with easy inter-state movement of goods. However, the rollout of e-way bill from April, 2018 and revival in affordable housing segment bodes well for the building material sector for a revival in the demand environment in FY19E. GST rollout coupled with e-way bill implementation would enable faster movement from unorganised to organised players as the latter would now come under the tax ambit. In terms of Q4FY18E, we expect the top line of our building material universe to grow 2.7% YoY to ₹ 2273.7 crore.

### Tiles universe revenues expected to decline 1.0% YoY…

Our tiles universe is expected to post a volume de-growth of 1.0% YoY to 34.5 MSM due to a delay in implementation of e-way bill and high base impact. Consequently, revenues are expected to de-grow 1.0% YoY to ₹ 1266.2 crore. Furthermore, we expect EBITDA margins to contract 130 bps YoY to 12.8% on account of rising input costs. Hence, we expect the bottomline to de-grow 7.8% YoY to ₹ 88.2 crore.

### Plywood universe revenues expected to grow 7.8% YoY…

With Century's revenues expected to grow robustly by 17.2% YoY on account of incremental revenues from the new MDF plant, we expect the topline of plywood universe to grow 7.8% YoY to ₹ 1007.5 crore. EBITDA margins are expected to remain flattish YoY at 16.5%. Consequently, we expect the bottomline of our plywood universe to de-grow 7.0% YoY to ₹ 90.9 crore.

**Exhibit 20: Estimates for Q4FY18E (Tiles)** (₹ crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Kajaria Ceramics | 735.3 | 2.2 | 11.2 | 122.4 | -5.7 | 11.3 | 66.4 | -6.1 | 22.3 |
| Somany Ceramics | 530.9 | -5.1 | 37.6 | 39.2 | -22.8 | 36.1 | 21.8 | -12.7 | 52.3 |
| Total | 1,266.2 | -1.0 | 21.0 | 161.6 | -10.5 | 16.5 | 88.2 | -7.8 | 28.6 |

*Source: Company, ICICIdirect.com Research*

**Exhibit 21: Estimates for Q4FY18E (Plywood)** (₹ crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Century Plyboards | 571.2 | 17.2 | 12.0 | 99.4 | 18.6 | 13.3 | 51.1 | -8.7 | 9.5 |
| Greenply Industries | 436.3 | -2.4 | 9.3 | 67.1 | -6.0 | 7.0 | 39.8 | -4.8 | 10.4 |
| Total | 1,007.5 | 7.8 | 10.8 | 166.5 | 7.3 | 10.7 | 90.9 | -7.0 | 9.9 |

*Source: Company, ICICIdirect.com Research*

**Exhibit 22: Company specific view (Tiles coverage universe)**

| Company | Remarks |
|---|---|
| Kajaria Ceramics | We expect sales volumes to remain flattish YoY at 19.3 million square metre (MSM) given the high base. Consequently, revenues are expected to grow 2.2% YoY to ₹ 735.3 crore. Further, we expect EBITDA margins to contract 140 bps YoY to 16.6% due to higher input costs and subdued topline growth. Consequently, we expect the bottomline to de-grow 6.1% YoY to ₹ 66.4 crore |
| Somany Ceramics | We expect sales volumes to de-grow 2.2% to 15.2 MSM given the delay in implementation of e-way bill and high base impact. Consequently, we expect revenues to de-grow 5.8% YoY to ₹ 527.1 crore. Further, we expect EBITDA margins to contract 170 bps YoY to 7.4% led by higher input costs. Hence, we expect the bottomline to de-grow 12.7% YoY to ₹ 21.8 crore mainly on account of topline de-growth and EBITDA margin contraction |

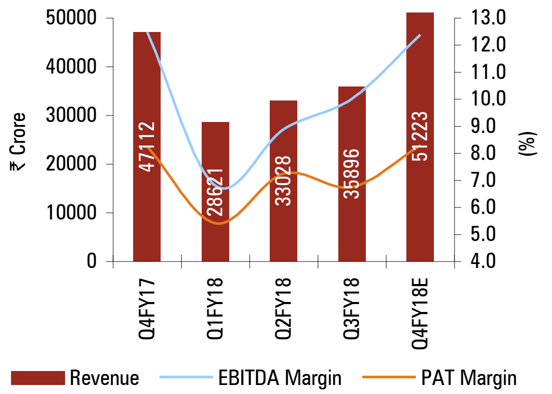
*Source: Company, ICICIdirect.com Research*

**Exhibit 23: Company specific view (Plywood coverage universe)**

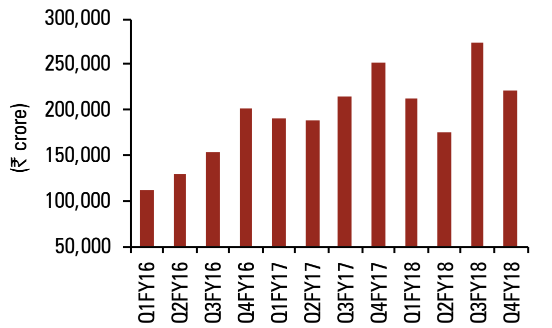
| Company | Remarks |
|---|---|
| Century Plyboard | We expect robust revenue growth of 17.2% YoY to ₹ 571.2 crore led by MDF division, which started contributing to topline from Q3FY18 onwards. We expect MDF division to operate at 70% capacity utilisation and clock revenues of ₹ 72.5 crore. Plywood & allied division revenues are expected to decline 3% YoY at ₹ 338.4 crore due to high base effect. Furthermore, we expect laminate revenues to grow robustly by 16.4% YoY to ₹ 114.6 crore. Further, we expect EBITDA margins to expand 30 bps YoY to 17.4% with high margin MDF division contributing to revenues. However, the bottomline is expected to decline 8.7% YoY to ₹ 51.1 crore due to higher other income in the base quarter (₹ 3.0 crore in Q4FY18 vs. ₹ 14.2 crore in Q4FY17) |
| Greenply Industries | The topline is expected to decline 2.3% YoY to ₹ 436.3 crore as its MDF division revenues are expected to contract 7.6% YoY to ₹ 127.2 crore given the high base effect. Furthermore, plywood division revenues are expected to remain flat with 0.9% YoY to ₹ 309.1 crore. Also, we expect EBITDA margins to contract 60 bps YoY to 15.4%. Consequently, we expect the bottomline to decline 4.8% YoY to ₹ 39.8 crore |

*Source: Company, ICICIdirect.com Research*

## Topline & Profitability (Coverage universe)

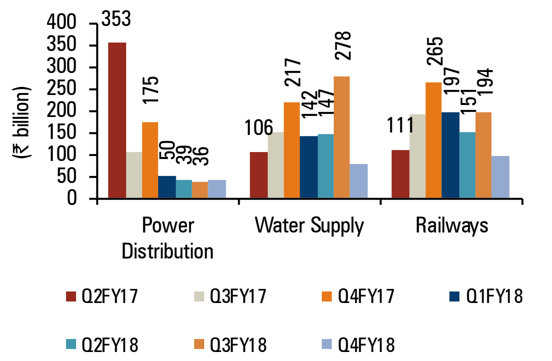



## Trend in quarterly tenders (both govt.+private players)




Q4FY18* = Tenders only for Jan-Feb 2018

## Trend in segment wise tenders




## Top pick of the sector

L&T
Kalpataru Power
SKF India
NRB Bearings

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## Capital Goods

### Strong order inflows across coverage universe in Q4FY18E

Q4FY18E has been a strong quarter with regard to order wins for capital goods EPC space. Awarding has happened across all key segments like roads, power T&D, railways, irrigation and hydrocarbons. There were few orders in power generation equipment segment. In terms of individual performances, L&T has reported order wins in excess of ₹ 28000 crore. This included few large orders in infra segment (power T&D) and hydrocarbon space (international + domestic markets). Bhel also bagged orders in excess of ₹ 18000 crore, including two big L1 orders converting into firm awards to the tune of ₹ 14000 crore. Power T&D EPC companies continued their strong order wins in Q4FY18E as KEC, Kalpataru Power bagged orders to the tune of ₹ 5800 crore, ₹ 2800 crore, respectively. Thermax in Q4FY18E managed to bag large order of ₹ 503 crore.

### Stable margins, reasonable execution to lead to 9.3% YoY PAT growth

On overall basis, coverage universe may report 8.7% YoY growth in revenue coupled with stable EBIDTA margin of the coverage universe remaining stable at ~12.4% for Q4FY18E. The pickup in execution gains will be limited by rising input costs thereby keeping margins flattish for the universe. Also, case specific issues like AIA Engineering (margin fall of 230 bps) and BEL (execution of lower margin orders, high base of Q4FY17) will keep margins flattish. Interest cost, on the other hand, will be muted at 3.9% YoY despite the revenue growth of 8.7% YoY, implying consistent improving working capital cycle for companies.

### EPC companies set to put up all-round show:

We expect EPC based companies to report consistent pick up in execution which will result in revenue growth of 8.4% YoY for Q4FY18E. Even PAT for the same is expected to grow 9.3% led by financial leverage gains. In terms of individual performance, L&T is likely to report robust performance with revenue, PAT expected to grow 10.4%, 13.5%YoY respectively. Thermax, on a low base, is likely to see pick-up in execution as revenues, PAT are expected to exhibit growth of 21.,2 22% YoY, respectively. Power T&D EPC companies like KEC, Kalpataru are expected to report PAT growth of 13%, 17% YoY, respectively, backed by margin expansion and flattish interest costs. Engineers India and VA Tech Wabag are also expected to report improved revenues at 18.6% YoY and 21.9% YoY, respectively. Bhel is also likely to report 3.7% revenue growth on account of improvement in status of executable order backlog.

### Product companies, especially bearing to post robust performance

We expect bearings companies like SKF, Timken, NRB to report strong topline growth of 12.9%, 14.9%, 14.3% respectively, on the back of strong volume growth of ~9%, 29%, and 28% in passenger vehicles, commercial vehicles and two-wheeler segments, respectively. We also expect strong EBITDA margins for these companies due to improving utilisations of their facilities and lower base of Q4FY17 (demonetisation). Accordingly, we expect profitability of the space to grow 35.3% YoY. Other product companies like Grindwell Norton and Greaves Cotton are also expected to healthy revenue growth. However, consolidated EBITDA growth is likely to be lower at 9.1% YoY vs. consolidated revenue growth of 11.2% YoY due to higher commodity prices for the quarter.

**Exhibit 24: Estimates for Q4FY18E (Capital Goods)** **(₹ Crore)**

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| AIA Engineering | 640.8 | -1.1 | 12.0 | 142.9 | -10.3 | 13.2 | 101.6 | -11.2 | -11.0 |
| Bharat Electronics | 4,119.4 | 3.3 | 63.9 | 830.2 | -15.3 | 86.5 | 612.5 | -22.6 | 102.2 |
| BHEL | 10,051.3 | 3.7 | 51.7 | 674.8 | 3.7 | 128.4 | 241.9 | 12.2 | 55.1 |
| Engineers India Ltd | 521.7 | 17.8 | 10.2 | 80.4 | 48.1 | -40.4 | 78.2 | 18.6 | -27.8 |
| Greaves Cotton | 422.7 | 8.2 | -5.5 | 56.4 | 5.7 | -9.4 | 43.5 | -6.9 | -21.7 |
| Grindwell Norton | 374.8 | 14.8 | 2.6 | 59.6 | 12.6 | -7.6 | 38.4 | 13.9 | -3.6 |
| Kalpataru Power | 1,751.5 | 17.1 | 23.6 | 192.7 | 22.5 | 26.8 | 104.8 | 17.0 | 39.4 |
| KEC Internnational | 3,189.8 | 12.0 | 32.6 | 336.5 | 11.7 | 37.8 | 164.5 | 13.0 | 47.1 |
| KSB Pumps | 237.6 | 15.6 | -27.6 | 26.1 | 28.7 | -38.2 | 13.4 | 0.5 | -51.1 |
| L&T | 25,952.2 | 10.4 | 46.5 | 3,425.7 | 13.4 | 104.6 | 2,513.9 | 13.5 | 105.7 |
| NRB Bearings | 215.8 | 14.3 | 3.8 | 37.2 | 38.1 | -8.2 | 17.6 | 36.3 | -17.1 |
| SKF India | 738.0 | 12.9 | 5.4 | 116.1 | 46.0 | -5.6 | 82.4 | 42.3 | -4.3 |
| Thermax Ltd | 1,459.7 | 8.7 | 48.9 | 160.6 | 5.6 | 73.7 | 112.4 | LP | 77.9 |
| Timken India | 299.3 | 14.9 | 7.5 | 46.0 | 22.2 | 121.9 | 30.6 | 18.9 | 233.4 |
| Va Tech Wabag | 1,248.0 | 10.2 | 44.3 | 156.7 | 18.7 | 101.7 | 95.2 | 21.9 | 216.8 |
| Total | 51,222.8 | 8.7 | 42.7 | 6,341.8 | 7.9 | 76.4 | 4,251.0 | 9.3 | 75.4 |

*Source: Company, ICICIdirect.com Research*

Exhibit 25: Company specific view : Capital Goods

| Company | Remarks |
|---|---|
| AIA Engineering | We expect AIA to report 7.4% YoY volume growth mainly led by mining segment at 62381 tonnes in Q4FY18E. On account of gaining new customers and geographies, AIA has adopted a penetrative pricing strategy which will result in 4.6% YoY decline in realisations at ₹100000/tonne. As a result, EBITDA margins are expected to decline of 230 bps to 22.3%. Hence we expect PAT to decline of 11.2% YoY to ₹101.6 crore on account EBITDA contraction and higher tax rate YoY. |
| Bharat Electronics | We expect BEL to report muted topline growth of 3.3% YoY to ₹ 4119.4 crore. This is because revenue bookings were spread across quarters in FY18, unlike previous years where revenue bookings were skewed in last 2 quarters. EBITDA margins are expected at healthy 20.2% for the quarter on the back of continued execution of orders like electronic voting machines, voter verifiable paper audit trail, integrated air command and control system, L70 gun upgrade, etc.. Q4FY17 witnessed EBITDA margins of 24.6% due to major revenue booking during the quarter. Accordingly, EBITDA is likely to decline 15.3% YoY. PAT for the quarter is likely to be ₹ 612.5 crore. |
| Bhel | The key highlight of Q4FY18E was the conversion of long pending L1 orders into firm awards as the company has bagged to manage orders in excess of ₹18000 crore. This include two large EPC orders of ₹4400 crore and ₹10000 crore. Revenues are expected to grow by 3.7% YoY to ₹10051 crore whereas EBITDA margins are expected to be flat YoY at 6.7%. Consequently, PAT is expected at ₹241.9 crore, up 12.1% YoY mainly led by growth in other income |
| Engineers India | We expect EIL to report topline growth of 17.8% YoY to ₹ 521.7 crore on the back of strong growth in both consultancy & LSTK segment. EBITDA margins are expected at 15.4% vs. 12.3% YoY. Q4FY18 is likely to witness higher margins YoY due to higher revenue booking in the high-margin consultancy segment. Thus, EBITDA is likely to grow 48.1% YoY to ₹ 80.4 crore. PAT is expected to grow 18.6% YoY due to lower other income for the quarter. |
| Greaves Cotton | Q4FY18E should be a reasonable quarter for Greaves as the company is likely to report marginal growth in auto engine segment while other non auto segment will witness reasonable growth. Overall revenues are expected to grow by 8.2% YoY to ₹422.7 crore. EBITDA margins are likely to compress by 30 bps to 13.3% on account of higher input costs. Consequently, adjusted PAT is expected at ₹43.5 crore. |
| Grindwell Norton | GNL is expected to report topline growth of 14.8% YoY to ₹ 374.8 crore on the back of expected growth of 13% and 17% in abrasive and ceramic segment respectively. EBITDA margins are expected at 15.9% in Q4FY18 vs. 16.2% in Q4FY17. Accordingly, EBITDA and PAT are expected to grow 12.6% YoY and 13.9% YoY respectively. We expect absolute PAT of ₹ 38.4 core for the quarter. |
| Kalpataru Power | For FY18, KPTL has exhibited more than 50% YoY growth in order inflows. In Q4FY18E itself the company has managed to bag orders to the tune of ₹2571 crore. The company is expected to report 17.1% YoY growth in revenues backed by strong growth in the infra segment (railways and pipeline infra). EBITDA margins are expected to be at 11%. On an overall basis, we expect PAT to grow by 17% YoY to ₹104.8 crore. |
| KEC International | KEC has reported more than ₹15000 crore of order wins for FY18E whereas in Q4FY18E, the company has bagged orders to the tune of ~₹5800 crore. In terms of financial performance, we expect revenues to grow by 12% YoY to ₹3189.8 crore. We expect the rise in input costs will be cushioned with improvement in execution as we have built in flattish margins of 10.5% YoY. Improvement in working capital is manifested by the fact that interest costs will be up only 5% vs. 12% growth in revenues at ₹63 crore. Consequently we expect PAT to grow by 13% YoY to ₹164.5 crore in Q4FY18E |

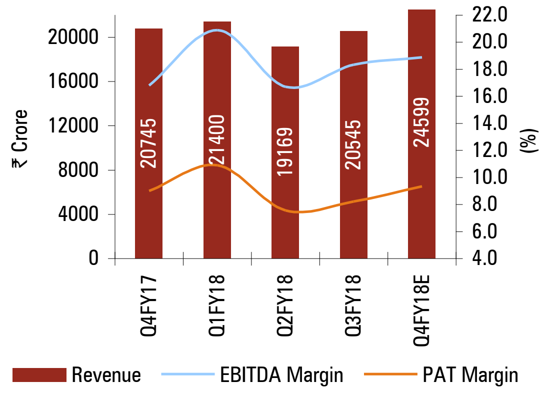
*Source: Company, ICICIdirect.com Research*

**Exhibit 26: Company specific view : Capital Goods (Continued)**

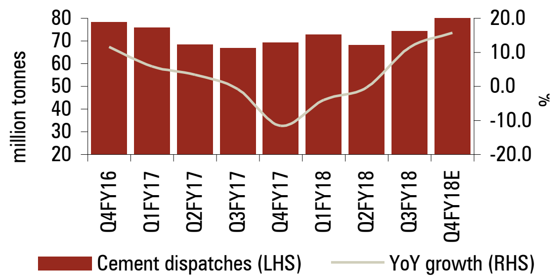
| | |
|---|---|
| KSB Pumps | KSB Pumps is expected to report steady performance in Q1CY18. Commissioning of new facility at KSB and positive momentum from the previous two quarters constructs the ground for healthy double digit top line growth. Net sales for the quarter is expected at ₹ 237.6 crore, up 15.6% YoY. Pumps sales is expected at ₹ 199.5 crore, up 14.9% YoY while Valve sales is expected at ₹ 38.2 crore, up 19.8% YoY. Healthy top line growth is expected to drive operational efficiencies thereby pushing EBITDA margins higher to 11.0%, up 110 bps YoY. For Q1CY18, EBITDA is expected at ₹ 26.1 crore, up 28.6% YoY while PAT is expected at ₹ 13.4 crore, flat YoY. The muted PAT growth despite healthy top line growth and margin expansion is mainly on account of higher depreciation and lower other income vs. the base quarter (Q1CY17). |
| L&T | We expect L&T to achieve marginal growth in order inflows for FY18E given H1FY18 was weak in terms of order wins. In Q4FY18,L&T has announced order inflows of~ ₹ 28000 crore, which is quite encouraging. We expect execution to pick up in Q4FY18E as revenues are expected to grow 10% YoY to ₹ 25952.2 crore. The key contributor will be the infrastructure segment wherein revenues are expected to grow 16% YoY whereas segments such as power will strong decline in revenues. On account of higher execution, EBITDA margins are expected to expand 30 bps to 13.2%. Interest costs are expected to remain muted YoY. Consequently, we expect PAT to grow 13.5% YoY to ₹ 2513.9 crore |
| NRB Bearings | NRB is expected to report robust topline growth of 14.3% YoY to ₹ 215.8 crore, on the back of strong volume growth of ~28% and ~29% in two-wheeler and commercial vehicle segment, respectively. EBITDA margins are expected higher at 17.2% vs. 14.3% YoY due to improving utilisations for the quarter. Accordingly, EBITDA and PAT are expected to grow 38.1% YoY and 36.3% YoY respectively. We expect absolute PAT of ₹ 17.6 crore for the quarter. |
| Reliance Defence | Reliance Defence is expected to post revenues of ₹ 160 crore for Q3FY18E on the back of continued execution of patrol boats during the quarter. Better execution would lead to EBITDA margin improvement resulting in operating profit of ₹ 18 crore. We expect interest costs to remain elevated at ₹ 150 crore. Accordingly, we expect the company to post loss of ₹ 112 crore for the quarter |
| SKF India | SKF is expected to deliver robust revenue growth of 12.9% YoY to ₹ 738 crore on the back of strong volume growth of ~28%, ~29% and ~9% in the two-wheeler, commercial vehicle and passenger segment, respectively. Higher utilizations in the automotive segment coupled with stable growth in the industrial segment (~10%) is likely to help SKF post strong EBITDA margins of 15.7% vs. 12.2% YoY. Accordingly, EBITDA and PAT are likely to witness healthy growth of 46% YoY and 42.3% YoY. We expect absolute PAT of ₹ 82.4 crore for the quarter. |
| Thermax | The company has won an order of ₹503 crore during Q4FY18E. Overall for the quarter we expect company to report order wins to the tune of ₹1600 crore. In terms of financial performance, we expect the revenues to grow by 8.7% YoY to ₹1459.7 crore. We expect the margins to be at 11%, down 30 bps YoY. PAT is expected to be at ₹112.4 crore. |
| Timken India | Timken is expected to report double digit topline growth of 14.9% to ₹ 299.3 crore on the back of strong domestic and export performance. Domestic performance is likely to witness strong growth on the back of ~19% growth in M&HCV segment in Q4FY18. Exports too, are likely to witness robust growth of ~10% YoY. EBITDA margins are expected higher at 15.4% vs. 14.4% YoY due to improving utilizations at its Jamshedpur facility. Accordingly, absolute EBITDA is likely to witness healthy growth of 22.2% YoY. PAT is expected to increase 18.9% YoY to ₹ 30.6 crore |
| VA Tech Wabag | Wabag is expected to report topline growth of 10.2% YoY to ₹ 1428 crore on the back of healthy execution in both domestic and overseas orders. The EBITDA margin is expected 12.6% vs. 11.7% YoY. Absolute EBITDA is likely to grow 18.7% YoY to ₹ 156.7 crore. We expect PAT of ₹ 95.2 crore for the quarter. |

*Source: Company, ICICIdirect.com Research*

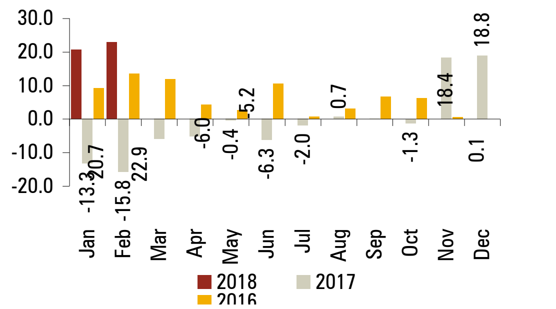
## Topline & Profitability (Coverage universe)




## All-India quarterly cement dispatches




## Monthly production growth YoY (%) – Till Feb 2018




## Top pick of the sector

JK Lakshmi Cement
Heidelberg Cement

## Research Analyst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## Cement

### Higher infra spend, improved sand availability to drive volumes

Cement demand has been witnessing a gradual improvement mainly led by increased government spending in infrastructure activities. This is supported by the fact that project tendering has increased 29.5% YoY to ₹ 2.2 lakh crore in January-February 2018 vs. 8.6% YoY last year. Within overall project tendering, road tendering has seen a strong pick-up, growing at 62% YoY to 1.4 lakh crore in January-February 2018. Further, better sand availability in Uttar Pradesh, Bihar and Tamil Nadu, pick-up in infra projects in Maharashtra, Andhra Pradesh & Telangana and improved demand in low cost housing are expected to be a key catalyst for cement demand. In addition, capacity expansion and low base of last year, would lead to a double digit volume growth (up 14.4% YoY) in our coverage universe.

### Prices have remained firm across regions

As per our channel checks, prices in the west have improved 6.3% YoY mainly due to low base while prices in the central region have improved 2.4% YoY mainly led by consolidation in the region. Further, prices in North, East and South have improved 1.0% YoY, 1.9% YoY and 0.6% YoY, respectively. Overall, realisation at the pan-India level has increased 1.2% YoY to ₹ 309/bag. We expect companies in our coverage universe to report 5.1% YoY increase in realisation to ₹ 4,754.

### UltraTech to lead in topline growth among our coverage universe

Our coverage universe is expected to report 20.2% YoY increase in cement revenues led by 14.4% YoY increase in volumes. Company wise, we expect UltraTech to report volume growth of 26.6% YoY mainly due to acquisition of Jaiprakash Associate. Further JK Lakshmi Cement is expected to register volume growth of 12.3% YoY mainly led by higher demand in the east and capacity expansion. However, Star Cement is expected to report volume de-growth of 5% YoY primarily due to reduced focus on the eastern region. Bottomline of our universe is expected to increase 23.1% YoY to ₹ 2,292.6 crore led by higher operating margins and lower interest expenses.

### Operating leverage benefit to offset cost headwinds

Increase in input prices led by higher pet coke price and diesel prices are expected to adversely impact operating cost/tonne by ~₹ 250-300/t. However, we expect rising cost/tonne to be offset by higher realisation and operating leverage. Hence, EBITDA/tonne is expected to rise 15.9% YoY to ₹ 897/tonne.

**Exhibit 1: Estimates for Q4FY18E** (₹ Crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| ACC ^ | 3,735.8 | 20.5 | 9.3 | 473.0 | 38.1 | 29.3 | 266.3 | 26.2 | 29.4 |
| Ambuja ^ | 2,922.4 | 15.4 | 7.7 | 545.0 | 49.3 | 0.8 | 302.0 | 22.5 | -10.7 |
| Heidelberg | 506.9 | 11.7 | 4.8 | 86.8 | 23.7 | 15.0 | 35.7 | 3.2 | 8.6 |
| India Cement * | 1,360.3 | -10.7 | 12.1 | 213.3 | 12.3 | 27.5 | 50.2 | 74.2 | 229.3 |
| JK Cement | 1,248.8 | 21.3 | 10.9 | 209.0 | 8.7 | 22.8 | 97.7 | 8 | 34 |
| JK Laxmi Cement | 1,021.4 | 26.6 | 22.0 | 131.1 | 83.2 | 38.9 | 40.4 | 93.8 | 370.5 |
| Mangalam Cement | 290.7 | 12.4 | -0.4 | 37.8 | 29.4 | 363.3 | 18.3 | 579.9 | 475.2 |
| Ramco Cements | 1,206.5 | 17.6 | 14.2 | 281.3 | 11.4 | 19.6 | 140.7 | 4.6 | 14.6 |
| Sagar Cements | 272.2 | 16.3 | 9.1 | 37.3 | 43.3 | 17.9 | 6.7 | LP | 123.9 |
| Shree Cement * | 2,741.5 | 15.2 | 19.4 | 720.1 | 40.9 | 26.4 | 447.0 | 46.8 | 34.1 |
| Star Cement | 464.3 | -10.2 | 24.1 | 159.6 | -6.2 | 12.7 | 103.1 | -0.5 | 15.1 |
| UltraTech Cem | 8,828.5 | 33.9 | 16.3 | 1,747.7 | 36.7 | 37.7 | 784.5 | 14.0 | 86.1 |
| Total | 24,599.3 | 20.2 | 13.6 | 4,641.8 | 32.7 | 26.5 | 2,292.6 | 23.1 | 39.2 |

*Source: Company, ICICIdirect.com research ^Q1CY18 result, *including excise duty in Q4FY17*

## Sales volume (Coverage Universe)

| Million tonnes | Q4FY18E | Q4FY17 | YoY (%) | Q3FY18 | QoQ (%) |
|---|---|---|---|---|---|
| ACC | 7.5 | 6.6 | 13.6 | 6.9 | 8.4 |
| Ambuja | 6.3 | 6.0 | 4.8 | 5.9 | 7.4 |
| UltraTech* | 17.4 | 13.7 | 26.6 | 15.1 | 15.1 |
| Shree Cem | 6.4 | 5.9 | 7.7 | 5.3 | 20.0 |
| India Cem | 3.0 | 2.9 | 2.5 | 2.7 | 9.8 |
| JK Cement* | 2.6 | 2.2 | 20.7 | 2.3 | 11.8 |
| JK Lakshmi | 2.6 | 2.3 | 12.3 | 2.1 | 22.3 |
| Mangalam | 0.7 | 0.7 | 7.0 | 0.7 | 0.1 |
| Heidelberg | 1.3 | 1.2 | 3.3 | 1.2 | 2.7 |
| Star Cement | 0.7 | 0.8 | -5.0 | 0.6 | 16.3 |
| Ramco Cement | 2.6 | 2.3 | 12.5 | 2.3 | 12.6 |
| Sagar Cement | 0.7 | 0.6 | 14.4 | 0.7 | 8.1 |
| Total | 51.7 | 45.2 | 14.4 | 45.9 | 12.7 |

** blended sales volume (grey & white)*

## Region-wise cement retail prices

| ₹/50 kg bag | Q4FY18 | Q4FY17 | YoY (%) | Q3FY18 | QoQ (%) |
|---|---|---|---|---|---|
| North | 277 | 275 | 1.0 | 280 | -0.9 |
| East | 241 | 237 | 1.9 | 242 | -0.4 |
| South | 362 | 360 | 0.6 | 355 | 2.0 |
| West | 303 | 285 | 6.3 | 299 | 1.3 |
| Central | 299 | 292 | 2.4 | 292 | 2.4 |
| North East | 369 | 381 | -3.1 | 386 | -4.4 |
| *Average* | 309 | 305 | 1.2 | 309 | -0.1 |

## Cement Realisations (Coverage Universe)

| ₹ per tonne | Q4FY18E | Q4FY17 | YoY (%) | Q3FY18 | QoQ (%) |
|---|---|---|---|---|---|
| ACC | 4981 | 4696 | 6.1 | 4938 | 0.9 |
| Ambuja | 4633 | 4208 | 10.1 | 4620 | 0.3 |
| UltraTech | 5078 | 4801 | 5.8 | 5026 | 1.0 |
| Shree Cem | 4145 | 3771 | 9.9 | 4120 | 0.6 |
| India Cem ^ | 4520 | 5201 | -13.1 | 4420 | 2.3 |
| JK Cement* | 4810 | 4787 | 0.5 | 4848 | -0.8 |
| JK Lakshmi | 3973 | 3523 | 12.8 | 3983 | -0.3 |
| Mangalam | 3928 | 3741 | 5.0 | 3951 | -0.6 |
| Heidelberg | 4055 | 3750 | 8.1 | 3976 | 2.0 |
| Star Cement | 6513 | 6840 | -4.8 | 6040 | 7.8 |
| Ramco Cement | 4628 | 4450 | 4.0 | 4606 | 0.5 |
| Sagar Cement | 3704 | 3644 | 1.7 | 3667 | 1.0 |
| Average | 4754 | 4523 | 5.1 | 4717 | 0.8 |

** Blended realisations (grey cement +white cement), ^ including excise duty in Q4FY17*

## EBITDA per tonne (Coverage Universe)

| ₹ per tonne | Q4FY18E | Q4FY17 | YoY (%) | Q3FY18 | QoQ (%) |
|---|---|---|---|---|---|
| ACC | 631 | 519 | 21.6 | 529 | 19.3 |
| Ambuja | 864 | 606 | 42.5 | 921 | -6.2 |
| UltraTech* | 1005 | 931 | 8.0 | 840 | 19.6 |
| Shree Cem | 1123 | 818 | 37.3 | 1079 | 4.0 |
| India Cem | 688 | 640 | 7.4 | 595 | 15.6 |
| JK Cement* | 805 | 894 | -9.9 | 733 | 9.8 |
| JK Lakshmi | 510 | 312 | 63.1 | 449 | 13.6 |
| Mangalam | 510 | 422 | 20.9 | 110 | 362.7 |
| Heidelberg | 694 | 580 | 19.7 | 620 | 12.0 |
| Star Cement | 2213 | 2240 | -1.2 | 2284 | -3.1 |
| Ramco Cement^ | 1098 | 1109 | -1.0 | 1035 | 6.1 |
| Sagar Cement | 507 | 405 | 25.3 | 465 | 9.1 |
| Average | 897 | 774 | 15.9 | 799 | 12.2 |

**blended (grey + white), ^Blended (Cement +Power)*

## Exhibit 2: Company specific view

| Company | Remarks |
|---|---|
| ACC | Ramp up in utilisation of its new capacity in the east (2.8 MT) and higher infra spending is expected to drive ACC's cement volumes (up 13.6% YoY) during Q4FY18E. As a result, we expect revenues to increase 20.5% YoY to ₹ 3,736 crore. Further, EBITDA/tonne is expected to increase 21.6% YoY to ₹ 631/t mainly due to the low base of last year and operating leverage benefit. Also, PAT is expected to increase 26.2% YoY led by higher operating profit |
| Ambuja Cement | A healthy pricing environment in the company's area of operation and 4.8% YoY growth in volumes is expected to drive revenues (up 15.4% YoY) during Q4FY18E. Further, EBITDA/t is expected to increase 42.5% YoY to ₹ 864/t led by lower fixed cost/t and low base of last year. PAT is expected to increase 22.5% YoY led by lower interest expenses |
| UltraTech Cement | We expect Ultratech to report organic volume growth of 8% YoY mainly led by improving demand across regions (led by higher infra spending and lifting of sand mining in key regions). This coupled with higher utilisation in Jaypee assets (up from 51% to 60%) is expected to drive volume growth (up 26.6% YoY) in Q4FY18E. Consequently, we expect revenues to increase 33.9% YoY in Q4FY18E. In addition, we expect cost headwinds (in terms of higher power & freight cost) to be offset by operating leverage benefit and Waste Heat Recovery (WHR) leading to 8% YoY growth in EBITDA/t to ₹ 1,005/t. Further, we expect PAT to increase 14.0% YoY to ₹ 784.5 crore driven by higher operating margins |
| Shree Cement | In Q4FY18E, cement revenues are expected to increase 18.4% YoY driven by 7.7% YoY rise in volumes and 9.9% YoY increase in realisation. However, we expect power revenues to decline 34.9% YoY mainly led by 42.4% YoY dip in power volumes. Blended EBITDA/t is expected to increase 30.8% YoY to ₹ 1,127 mainly led by 37.3% YoY increase in cement EBITDA/t. Further, PAT is expected to increase 46.8% YoY due to lower depreciation and interest expenses |
| India Cement | The lifting of sand mining ban in Tamil Nadu and higher infra spend in AP & Telangana regions is expected to positively impact volume growth (up 2.5% YoY). Further, we expect EBITDA/t to increase 7.4% YoY to ₹ 688/t in Q4FY18E mainly led by lower fixed cost. In addition, we expect PAT to increase 74.2% on the back of higher operating margins |
| JK Cement | Grey cement revenues are expected to increase 27.1% YoY mainly due to the low base of last year, higher sand availability in Uttar Pradesh and pick-up in infra spend in Maharashtra. Further, white cement revenues are expected to increase 11.6% YoY mainly led by 11.0% YoY growth in volumes. However, blended EBITDA/t is expected to decline 9.9% YoY mainly led by 10.2% YoY dip in grey cement EBITDA/t. PAT is expected to increase 8.0% YoY as there was an exceptional expense of ₹ 8.9 crore last year. Adjusting for the exceptional expense PAT is expected to decline 1.7% YoY driven by higher operating expenses and lower other income |
| JK Lakshmi Cement | We expect topline growth of 26.6% YoY primarily due to 12.3% YoY increase in volumes (driven by 0.9 MT capacity expansion at Durg and better sand availability) and rise in realisation (due to better pricing in east and west). Further, we expect EBITDA/t to increase 63.1% YoY to 510/t mainly due to the low base of last year and operating leverage benefit. In addition, PAT is expected to increase from ₹ 20.9 crore to ₹ 40.4 crore driven by higher operating profit |
| Mangalam Cement | We expect capacity utilisation at the new unit in Aligarh (in UP) to rise led by higher sand availability in UP. This, coupled with improving cement demand is expected to drive the company's volume growth (up 7.0% YoY) in Q4FY18E. Further, EBITDA/t is expected to increase from ₹ 422/t to ₹ 510/t driven by lower fixed cost. PAT is expected to increase from ₹ 2.7 crore to ₹ 18.3 crore mainly due to lower interest expenses and higher other income |

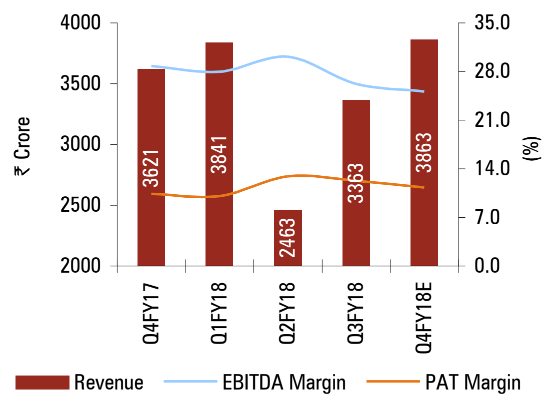
*Source: Company, ICICIdirect.com Research*

**Exhibit 3: Company specific view**

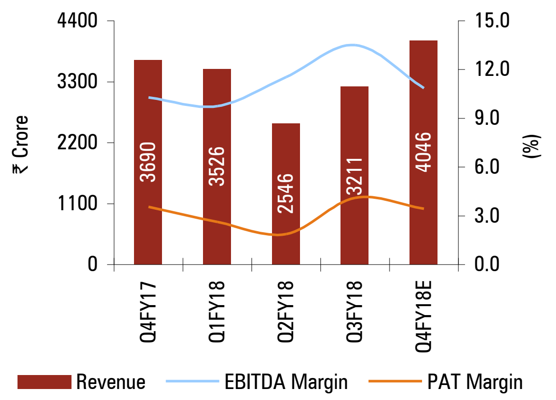
| Company | Remarks |
|---|---|
| Heidelberg Cement | Consolidation in the central region is expected to positively impact the pricing scenario in the region. This coupled with improving demand is expected to drive topline (up 11.7% YoY) in Q4FY18E. Further, higher utilisation and lower power cost (driven by setting up of waste heat recovery plant) is expected to result in 19.7% YoY increase in EBITDA/t. PAT is expected to increase 3.2% YoY mainly due to better performance at the operating level |
| Star Cement | The cessation of transport subsidy prompted the company to reduce its focus on the eastern region. We believe this will lead to a decline in volumes (down 5% YoY). This coupled with pricing pressure in the company's area of operation is expected to result in 10.2% YoY decline in revenues. Further, we expect EBITDA/t to decline 1.2% YoY to ₹ 2,213/t. PAT is expected to decline 0.5% YoY mainly due to lower operating profit |
| Ramco Cement | We expect Ramco Cement to register 12.5% YoY growth in volumes mainly led by lifting of sand mining ban in Tamil Nadu and higher sales in the eastern region. However, we expect EBITDA/t to decline 1.0% YoY to ₹ 1,098/t driven by higher power & fuel (due to higher pet coke prices) and freight cost (driven by higher diesel prices) |
| Sagar Cement | Higher infra spend in AP and Telangana is expected to drive volumes (up 14.4% YoY) during the quarter. Consequently, we expect the topline to grow 16.3% YoY. Further, EBITDA/t is expected to increase 25.3% YoY led by lower fixed cost. We expect the company to report profit at the net level vs. net loss in the previous quarter mainly due to better performance at the operating level and lower interest expenses |

*Source: Company, ICICIdirect.com Research*

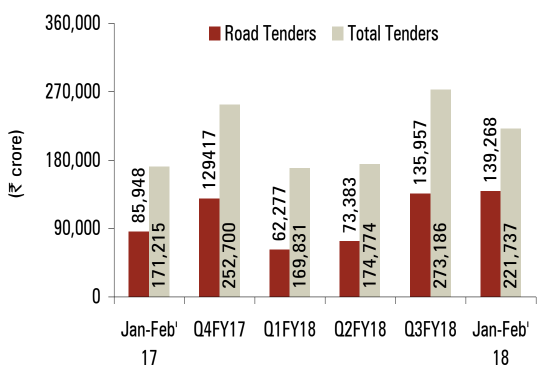
## Topline & profitability (Road Coverage)




## Topline & profitability (Construction Coverage)




## Strong pickup in tendering activity…




## Top pick of the sector

NCC, PNC Infratech

## Research Analyst

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## Construction & Roads

### Road construction at record high…

In the recent Union Budget, the government has hiked the budgetary allocation for the road sector by 16.3% to ₹ 70544 crore, which would help the ministry to partly fund its ambitious plans. For FY18E, the roads ministry has constructed, awarded a record 10000 km, 17055 km against 8232 km, 15948 km in FY17, respectively, with construction pace rising from 22.5 km/day in FY17 to 27.5 km/day. The strong awarding pace was led by awarding under the Bharatmala project picking up pace. The ministry has maintained same awarding, construction target of 25000 km, 15000 km, respectively, for FY19E. In our view, this strong awarding activity could translate into robust awarding opportunities for various construction players. Key beneficiaries: PNC Infratech, Simplex Infra, Sadbhav Engineering, Ashoka Buildcon & IRB Infrastructure.

### Road tendering activity improves significantly in Jan-Feb 2018…

On the tendering side, there has been a strong pick-up in the road sector with road tenders growing 62% YoY to ₹ 1.39 lakh crore in January-February 2018 and 23% YoY to ₹ 4.1 lakh crore in 11MFY18. A similar trend has been seen across sectors as overall tenders also grew 29.5% YoY to ₹ 2.2 lakh crore in January-February 2018 and 12.2%, up to ₹ 8.35 lakh crore in 11MFY18.

### Road universe revenues to grow 6.7% YoY…

We expect our road universe to report moderate revenue growth of 6.7% YoY to ₹ 3863.5 crore due to 12.6% YoY de-growth in IRB's revenues to ₹ 1422.8 crore in Q4FY18E. Further, revenues of our construction universe are expected to grow 9.7% YoY to ₹ 4046.5 crore led by 11.1% YoY growth in NCC's topline.

### PAT of our road universe to grow robustly by 16.6% YoY…

Our road universe is expected to post strong bottomline growth of 16.6% YoY to ₹ 436.8 crore due to 87.0% YoY growth in PNC's bottomline. Our construction universe bottomline is expected to grow moderately by 6.0% YoY to ₹ 138.4 crore due to 10.6% decline in bottomline of Simplex Infrastructure.

**Exhibit 4: Estimates for Q4FY18E (Road)** (₹ Crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Ashoka Buildcon | 675.5 | 10.7 | 2.5 | 85.6 | 34.7 | 7.6 | 68.0 | 4.1 | 30.8 |
| IRB Infra | 1,422.8 | -12.6 | 9.8 | 669.8 | -18.5 | 6.3 | 233.3 | 12.6 | 12.4 |
| PNC Infratech | 662.0 | 88.9 | 40.1 | 89.3 | 88.5 | 34.8 | 63.0 | 87.0 | -30.5 |
| Sadbhav Eng. | 1,103.2 | 6.8 | 18.0 | 124.6 | 13.7 | 18.0 | 72.4 | 6.1 | 17.2 |
| Total | 3,863.5 | 6.7 | 14.9 | 969.4 | -7.0 | 9.9 | 436.8 | 16.6 | 6.0 |

*Source: Company, ICICIdirect.com Research*

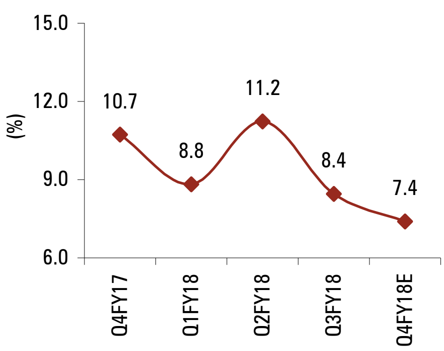
**Exhibit 5: Estimates for Q4FY18E (Construction)** (₹ Crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| NCC | 2,376.0 | 11.1 | 28.4 | 220.0 | 26.3 | -13.8 | 78.5 | 23.1 | -21.8 |
| Simplex Infra | 1,670.5 | 7.8 | 22.8 | 219.0 | 6.8 | 22.7 | 60.0 | -10.3 | 92.9 |
| Total | 4,046.5 | 9.7 | 26.0 | 438.9 | 15.7 | 1.2 | 138.4 | 6.0 | 5.3 |

*Source: Company, ICICIdirect.com Research*

## Road Coverage Universe

### Interest expense* trend




**Interest Expenses as %age of Sales*

### Major news during Q4FY18

| | |
|---|---|
| Ashoka Buildcon | Ashoka Buildcon in mutual agreement with Mumbai International Airport Limited (MIAL) has decided to withdraw from GVK Sky City project with no financial or any other implications to the company |
| | Macquarie group has won TOT bid of 9 national highways with a total length ~700 km with bid of ₹ 9681 crore as against government's expectations of ₹ 6258 crore. Ashoka Buildcon would be its O & M partner. |
| | Ashoka Concessions has been declared lowest bidder in 3 HAM projects in Karnataka with total bid project cost of ? 2991.7 crore |
| | Ashoka Buildcon has been declared lowest bidder in project of eight laning of Vadodara Kim expressway from 279 km to 292 km worth ₹ 1687 crore on HAM basis |
| IRB Infrastructure | IRB Infratructure has received LoA for 2 HAM projects worth ₹ 3465 crore |
| | IRB Infra is lowest bidder in project for 8 laning of Vadodara-Kim expressway from 355 to 378.4 km patch worth ₹ 2043 crore on HAM basis |
| | The charge sheet filed by CBI against Virendra D. Mhaiskar, company, M/s AIIPL and Deepak D.Gadgil have been proved devoid of substance as there are no grounds to frame charge |
| Sadbhav Engineering | Sadbhav Engg has been declared lowest bidder for 4 laning of Behta to Sitapur road (length: 32.9 km) worth ₹ 981.0 crore on EPC basis |
| | Sadbhav Infrastructure has been declared lowest bidder in project of four laning of Tumkur-Shivamogga section from 120 km to 170 km |
| | Sadbhav Infrastructure has been declared lowest bidder in project of 8 laning of Vadodara Kim expressway from 254.4 km to 279 km worth ₹ 1311 crore on HAM basis |
| PNC Infratech | PNC Infratech has been declared lowest bidder for project of 4 laning of Aligarh-Kanpur section from 195.7 to 240.9 km worth ₹ 1197 crore in UP on HAM basis. |
| Road Sector | Media reports indicate that MoRTH will raise ~₹ 1 lakh crore through off-budgetary mechanism in FY19E to fund its ambitious highway construction programme through NHAI bonds, institutional financing from LIC, EPFO and other market borrowings. |

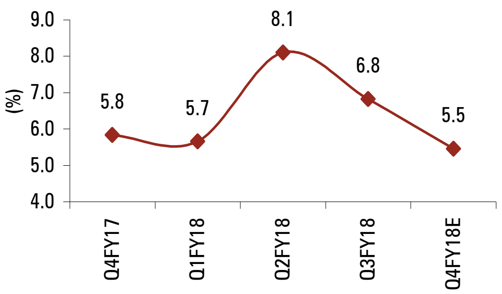
### Exhibit 6: Company specific view (Road coverage universe)

| Company | Remarks |
|---|---|
| Ashoka Buildcon | We expect revenue growth of 10.7% YoY to ₹ 675.5 crore led by improved execution. Furthermore, we expect EBITDA margins to expand 230 bps YoY to 12.7% in line with management guidance. On the profitability front, we expect PAT to grow moderately at 4.1% YoY to ₹ 68.0 crore given the higher tax incidence (24.6% in Q4FY18E vs. 11.7% in Q4FY17).<br>**Key monitorable**: Management guidance on execution ahead |
| IRB Infrastructure | We expect topline to decline 12.6% YoY to ₹ 1422.8 crore as toll revenues are expected to decline 25.0% YoY to ₹ 441.7 crore following the transfer of seven projects to IRB InVIT. We expect construction revenues to decline 5.5% YoY to ₹ 981.0 crore given the high base. Further, we expect EBITDA margins to contract significantly by 340 bps YoY to 47.1% as the share of comparatively lower margin construction division has increased from 63.8% in Q4FY17 to 68.9% in Q4FY18E. However, the bottomline is expected to grow 12.6% YoY at ₹ 233.3 crore led by lower depreciation and interest costs following the transfer of seven BOT projects to IRB InVIT.<br>**Key monitorable**: Management guidance on execution |
| PNC Infratech | Given the receipt of appointed dates of several big ticket projects, we expect the topline to grow significantly by 90.9% YoY to ₹ 662.0 crore. EBITDA margins are expected to remain flat YoY to 13.5%. Consequently, we expect the bottomline to grow 87.0% YoY to ₹ 63.0 crore<br>**Key monitorable**: Management commentary on HAM projects status |
| Sadbhav Engineering | We expect the topline to grow 6.8% YoY to ₹ 1103.2 crore in Q4FY18E given the strong order accretion and subsequent improvement in execution. Furthermore, EBITDA margins are expected to expand 70 bps YoY at 11.3%. Consequently, we expect the bottomline to grow moderately at 6.1% YoY to ₹ 72.4 crore led by topline growth and margin expansion.<br>**Key monitorable**: Improvement in execution |

*Source: Company, ICICIdirect.com Research*

## Construction Coverage Universe

**De-leveraging on top of mind of construction players…**




**Interest Expenses as %age of Sales*

**Major News during Q4FY18**

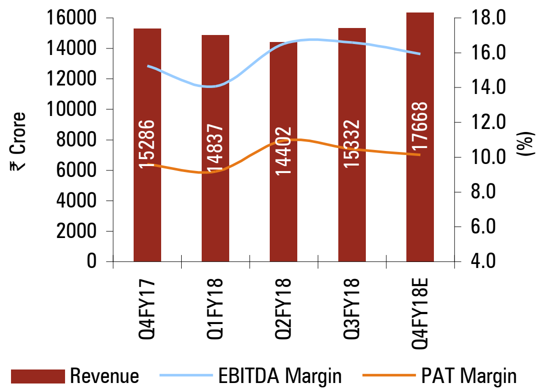
| | |
|---|---|
| Infrastructure sector | The government has reduced the GST rate on construction of metro and monorail projects (construction, erection, commissioning or installation of original works) from 18% to 12% |
| NCC | NCC has received seven new orders totalling ₹ 2,980 crore in February, 2018. Out of this, three orders of ₹ 1,967 crore pertain to water & environment division, two orders of ₹ 306 crore pertain to roads division while two of ₹ 707 crore pertain to buildings & housing division. The company has so far received new orders of ₹ 23,438 crore in 11MFY18 |

**Exhibit 7: Company specific view (Construction coverage universe)**

| Company | Remarks |
|---|---|
| Simplex Infrastructure | The company is targeting strong recoveries worth ~₹ 300 crore from old debtors in Q4FY18E, which should ease out liquidity. Having said that, a stretched working capital cycle could impact revenue growth. Consequently, we expect the topline to grow 7.8% YoY to ₹ 1670.5 crore. Furthermore, we expect EBITDA margins to remain flat YoY at 13.1%. However, the bottomline is expected to de-grow 10.3% YoY to ₹ 60.0 crore as in the base quarter, the company received net tax credit worth ₹ 29.9 crore.<br>**Key monitorable**: Management commentary on debtor recovery and QIP |
| NCC Ltd | With a strong orderbook position and lean balance sheet, we expect NCC to do strong execution during the quarter. Consequently, we expect the topline to grow at 11.1% YoY to ₹ 2376.0 crore. Furthermore, EBITDA margins are expected to expand 120 bps YoY at 9.3%. Overall, we expect bottomline to grow robustly by 23.1% YoY to ₹ 78.5 crore<br>**Key monitorable**: Management commentary on debt reduction |

*Source: Company, ICICIdirect.com Research*

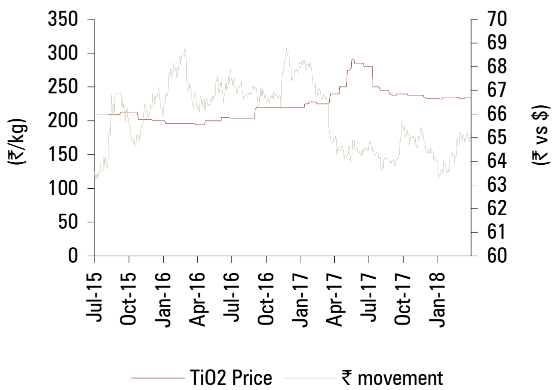
## Topline & Profitability (Coverage universe)




## EBITDA margin (%) movement

| EBITDA margin | Q4FY17 | Q1FY18 | Q2FY18 | Q3FY18 | Q4FY18 |
|---|---|---|---|---|---|
| Asian Paints | 18.1 | 17.5 | 18.7 | 20.9 | 19.0 |
| Kansai Nerolac | 17.4 | 17.7 | 19.0 | 16.8 | 17.7 |
| Pidilite Ind | 19.9 | 21.0 | 24.6 | 24.0 | 20.7 |
| Essel Propack | 19.6 | 18.2 | 20.7 | 19.2 | 19.0 |
| Havells | 13.4 | 9.3 | 14.5 | 13.3 | 14.0 |
| Bajaj Ele | 5.8 | 4.4 | 4.6 | 6.1 | 6.5 |
| V-Guard | 9.5 | 5.8 | 12.0 | 9.4 | 10.5 |
| Voltas | 10.8 | 10.9 | 8.3 | 8.6 | 11.6 |
| Supreme Ind | 18.9 | 13.7 | 13.6 | 15.5 | 19.5 |
| Astral Poly | 15.4 | 11.9 | 14.7 | 13.9 | 15.9 |
| Symphony | 26.9 | 15.0 | 34.8 | 39.9 | 29.1 |
| Time Techno | 13.9 | 14.7 | 14.9 | 15.1 | 15.4 |

## Titanium dioxide (₹/kg) price trend




## Top Pick

Voltas
Symphony

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## Consumer Discretionary

### Strong seasonal growth for cooling products

Seasonality plays a strong role in the I-direct consumer discretionary (CD) universe wherein Q4 is considered a strong quarter for cooling products and pipe manufacturers. The I-direct CD universe is likely to record sales growth of 14% YoY led by strong volume growth of 15% YoY in Q4FY18E. We believe the strong volume growth of universe would largely be driven by piping, cooling products volume growth of 20%, 16%, respectively, YoY. We believe Symphony and Astral Poly will record strong sales growth of 25% and 19% YoY, respectively, in Q4FY18E. Bajaj Electricals is likely to record sales growth of ~11% supported by a revival in consumer business with its Range, Reach Expansion programme (RREP) nearing completion. On the paints front, our dealer check suggests paints volume growth would be at ~10% YoY. We believe the industrial paint category will record volume growth of ~12% YoY supported by strong volume growth of passenger vehicles in Q4FY18E.

### Higher operating leverage to drive EBITDA margin

The I-direct CD universe is likely to record an increase in EBITDA margin by ~60 bps YoY led by increase in EBITDA margin of Symphony, Time Technoplast by ~220 bps, ~150 bps YoY respectively. This will be on the back of launches of premium products and rising contribution of value added products in total sales. For paint companies, though raw material prices were up marginally (titanium dioxide prices up ~3% YoY), overall EBITDA margin expansion will be on the back of higher operating leverage supported by volume growth. We believe gross margin of Supreme Industries will remain flat YoY due to passing on of benign raw material prices (PVC prices down ~6% YoY) to its customers. However, higher utilisation of piping segment would help drive higher operating leverage for both Supreme Industries and Astral Poly.

### Higher margin to drive bottom line

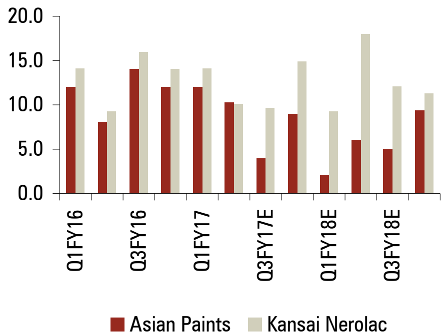
Following the trend of the last two quarters, I-direct (CD) universe is likely to record PAT growth of ~13% YoY (ex-Havells) during Q4FY18 supported by an increase in operating profit. Acquisition of Lloyd coupled with a low base would drive the PAT of Havells India higher by ~72% YoY. Among other electrical goods manufacturers, we believe Bajaj Electricals will record strong growth in bottomline owing to a better performance from both E&P and consumer segment.

**Exhibit 8: Estimates for Q4FY18E (Consumer Discretionary)** (₹ Crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Asian Paints | 4,345.7 | 11.2 | 2.0 | 825.8 | 16.7 | -7.3 | 536.8 | 11.9 | -5.4 |
| Astral Poly Technik | 694.4 | 19.4 | 31.4 | 110.2 | 23.4 | 49.5 | 67.0 | 20.7 | 44.7 |
| Bajaj Electricals | 1,412.4 | 10.5 | 23.3 | 92.5 | 25.1 | 31.6 | 49.7 | 29.4 | 35.0 |
| Essel Propack | 676.6 | 10.5 | 13.7 | 128.6 | 7.3 | 12.5 | 53.0 | 14.9 | 29.9 |
| Havells | 2,464.9 | 44.1 | 25.4 | 345.1 | 50.4 | 31.6 | 238.2 | 71.7 | 22.5 |
| Kansai Nerolac | 1,057.5 | 12.3 | -7.6 | 186.8 | 13.8 | -2.8 | 129.4 | 11.4 | 3.4 |
| Pidilite Industries | 1,443.8 | 11.5 | -6.4 | 298.7 | 15.8 | -19.3 | 178.2 | 13.3 | -25.5 |
| Supreme Industries | 1,461.6 | 14.0 | 14.3 | 285.0 | 17.5 | 44.2 | 164.2 | 12.6 | 58.4 |
| Symphony | 230.3 | 25.1 | 5.8 | 67.1 | 35.4 | -22.7 | 55.8 | 19.6 | -15.8 |
| V-Guard Industries | 719.2 | 15.4 | 37.4 | 75.7 | 27.4 | 53.3 | 53.2 | 27.0 | 48.8 |
| Voltas Ltd | 2,274.6 | 10.5 | 65.5 | 264.3 | 19.1 | 122.8 | 211.8 | 5.7 | 110.9 |
| Time Technoplast | 887.0 | 9.5 | 17.5 | 134.0 | 19.1 | 15.2 | 53.4 | 24.0 | 14.2 |
| Total | 17,668.1 | 15.6 | 15.2 | 2,813.7 | 20.8 | 10.6 | 1,790.7 | 18.6 | 11.7 |

*Source: Company, ICICIdirect.com Research,*

## Volume growth movement of paint companies




## Exhibit 9: Company specific view for Q4FY18E

| Company | Remarks |
|---|---|
| Asian Paints | Volume growth is likely to come in at ~ 10% YoY in Q4FY18E supported by a slight recovery in demand from the housing sector. As a result, consolidated sales are likely to grow ~11% YoY to ₹ 4346 crore. Increase in raw material prices (TiO2 prices up 3% YoY) would be partly offset by a price hike during the period (by ~1.5% YoY). As a result, EBITDA margins may increase ~90 bps YoY to 19%. PAT is likely to grow ~12% YoY to ~₹ 537 crore |
| Astral Poly Technik | We believe commencement of new facilities would lead to net sales growth of 19% YoY to ₹ 694 crore. On the segment front, piping segment revenue growth of ~15% YoY to ₹ 537 crore would largely be driven by volume growth of ~21% YoY while revenue growth of the adhesive division of 36% YoY to ₹ 176 crore would be due to stabilisation of new adhesive plants in Ahmedabad. Better utilisation level coupled with a change in the product mix is expected to lead to an expansion in EBITDA margin by ~52 bps YoY to 15.9% in Q4FY18E. Finally, PAT is likely to increase ~21% YoY at ~₹ 67 crore |
| Bajaj Electricals | Sales is expected to grow ~11% YoY to ~₹ 1412 crore in Q4FY18, led by both consumer durable and E&P segment. We believe CD sales will grow ~11% YoY to ₹ 679 crore on the back of lower base and steady growth in coverage of dealers (through Range Reach Expansion Program). A seasonally strong quarter for the E&P business would help drive segment revenue growth by 10% YoY to ₹ 734 crore. EBITDA margin may increase ~80 bps YoY to 6.5%, mainly due to higher profitability from CD segment. PAT may grow ~29% YoY ~₹ 50 crore supported by ~11% YoY drop in interest outgo |
| Essel Propack | Sales may post growth of ~11% YoY to ₹ 676 crore in Q4FY18E led by 11% YoY revenue growth in AMESA to ~₹ 273 crore. However, we believe the company will record muted revenue growth of ~ 3% YoY each from Europe & Americas regions owing to extreme weather situation in major part of the regions. We believe lower utilisation of overseas plant in Q4FY18E would result in lower operating leverage. This may drag EBITDA margin down ~60 bps YoY to 19%. PAT is likely to increase ~15% YoY to ~₹ 53 crore due to lower interest outgo |
| Havells India | Ex-Lloyd, Havells is likely to record consolidated sales growth of ~15% YoY supported by growth in lighting & ECD segment by 21% & 16% YoY to ~₹ 323 crore and ~₹ 451 crore, respectively. Further, the industrial product category cable and switchgear segment is likely to record sales growth of ~12% and 15% YoY, respectively, in Q4FY18 owing to seasonal demand. EBITDA margin is likely to increase ~60 bps YoY to 14% owing to higher operating leverage and price hike (to offset higher raw material prices). Adjusted PAT is likely to grow ~72% YoY to ~₹ 238 crore mainly due to a low base (owing to one-time exceptional loss in Q4FY17) |
| Kansai Nerolac | Sales growth of ~12% YoY to ~₹ 1058 crore in Q4FY18E is expected to be led by ~11% YoY volume growth. We believe a change in product mix (industrial paint volume growth of ~12% owing to strong demand from automotive segment) and higher raw material prices will weigh on gross margins. The EBITDA margin is likely to remain flat at 17.7% in Q4FY18E. PAT is likely to grow ~11% YoY to ~₹ 129 crore |

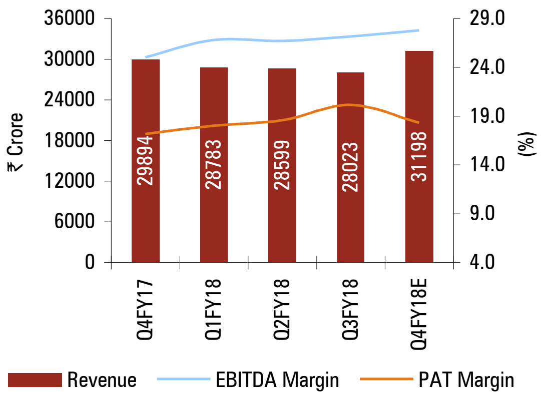
*Source: Company, ICICIdirect.com Research*

**Exhibit 10: Company specific view for Q4FY18E**

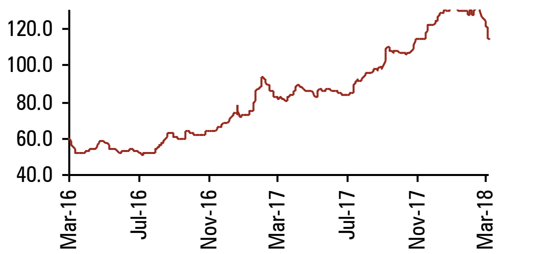
| | |
|---|---|
| Pidilite Industries | Despite a lean season, consolidated sales are likely to grow ~12% YoY to ₹ 1444 crore in Q4FY18E. Growth is largely supported by 12% and 11% YoY growth in revenue of consumer & bazaar and industrial product segment to ₹ 1297 crore and ₹ 280 crore, respectively. Saving in other expenses would help negate the impact of higher raw material prices, resulting in ~80 bps YoY increase in EBITDA margin to 20.7%. As a result, PAT is likely to record growth of ~13% YoY to ~₹ 178 crore |
| Supreme Industries | Sales is likely to grow ~14% YoY to ~₹ 1461 crore in Q4FY18E led by ~20% YoY growth in overall volume. Strong volume growth would largely be due to low base and a demand recovery in piping from rural India (piping declined ~10% YoY in Q4FY17). Piping, packaging & consumer durable segment sales may grow 14%, 19% & 17% YoY, respectively. We believe gross margin will remain flat YoY owing to a decline in PVC prices by ~6% YoY. However, higher operating leverage would help in EBITDA margin expansion to the tune of ~60 bps YoY to 19.5%. Finally, PAT is likely to increase ~13% YoY to ~₹ 164 crore |
| Symphony | Symphony is likely to post sales growth of ~25% YoY to ₹ 230 crore led by strong volume growth of 20% YoY during Q4FY18E. Strong volume growth would largely be on account of launch of new products (wall mount cooler). Recovery in volume coupled with higher realisation (due to a change in product mix) would drive EBITDA margin up 220 bps YoY to 29%. PAT is likely to record growth of 20% YoY to ₹ 56 crore supported by higher sales growth and expansion in operating margin |
| V-Guard | We expect topline to grow ~15% YoY to ~₹ 719 crore in Q4FY18E led by ~20% YoY increase in sales of consumer durable sales to ₹ 162 crore led by fan segment. Electronics products sales are likely to grow 16% YoY to ₹ 227 crore (supported by ~16% YoY growth in stabilisers segment). Electricals segment is likely to grow 13% YoY to ~₹ 331 crore led by the pump division. Further, a change in product mix coupled with rising utilisation of new plants would help in EBITDA margin expansion by 100 bps YoY to 10.5%. As a result, PAT is likely to grow 27% YoY to ~₹ 53 crore |
| Voltas | We believe Voltas would post sales growth of ~11% YoY to ~₹ 2275 crore in Q4FY18E supported by increase in sales of UCP, EMPS segment by ~17%, ~8% YoY to ₹ 1271 crore, ₹ 892 crore, respectively. We believe expectation of intensive summer would help in a pick-up of UCP segment volume growth by 13% YoY coupled with a price hike to the tune of ~4% YoY (due to new energy norms from January 2018 onwards). We believe higher operating leverage and passing on the higher raw material price would help in EBITDA margin expansion to the tune of ~84 bps YoY to 11.6%. PAT is likely to grow ~6% YoY at ~₹ 212 crore mainly due to higher tax outgo and a decline in other income |
| Time Technoplast | Sales is likely to grow ~10% YoY to ₹ 887 crore supported by introduction of new product categories (like Mox films, DWC pipes, etc) in Q4FY18E. The established product category is likely to increase ~5% YoY to ₹ 722 crore mainly due to lower offtake of piping products from government. The value added product category is expected to record sales growth of 36% YoY (owing to new product categories) to ~₹ 165 crore. Rising contribution of higher margin business would help in EBITDA margin expansion of ~121 bps YoY to ~15%. Finally, PAT is likely to grow ~24% YoY to ~₹ 53 crore |

*Source: Company, ICICIdirect.com Research*

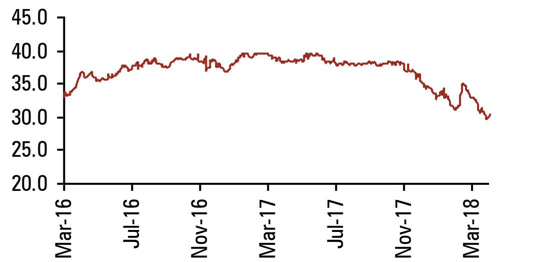
**Topline & profitability (Coverage Universe)**




**Copra price continues to remain elevated (₹ per kg)**




**Benign sugar prices (₹/kg)**




**Top Picks**

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ITC

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## FMCG

### Headwinds behind, volume growth expected on low base quarter

Various headwinds were witnessed in 9MFY18 i.e. absence of price hike due to difficulties pertaining to implementation of GST, which disrupted trade channels, particularly the wholesale channel. Our FMCG coverage universe is expected to witness sales growth of mere 4.4% as companies have passed on lower GST rates (announced in November 2017) to consumers in terms of price cuts. We expect volume growth at 5-8% on the back of a recovery from GST woes. ITC is expected to post sales growth of 4.7% largely due to cigarette volume de-growth of 3% during the quarter similar to the volume decline in Q2 & Q3FY18. In a similar space, VST Industries is likely to post 19.5% sales growth on the back of price hikes and expected strong growth from high priced cigarettes (sales volumes for VST is expected to be flat). HUL, Colgate, Dabur and Jyothy Laboratories are expected to see sales growth of 4.5%, 8.8%, 8.3% and 12.9%, respectively, mainly due to low base impact in Q4FY18 due to demonetisation. Nestlé and Varun Beverages are expected to see 10.7% and 19% growth, respectively, due to aggressive new product launches/acquisition of newer territories recently. Marico is expected to witness 25.2% sales growth led by ~30% increase in Parachute prices as the company passed on ~55% YoY increase in copra prices. Prabhat Dairy is likely to post sales growth of 12.8% YoY on the back of high volume growth led by better capacity utilisation. After witnessing a challenging year, we expect a demand revival in the overall sector driven by normalcy in trade channels, demand recovery in rural regions considering expected normal monsoons in 2018.

### Benign commodity prices to help improve operating margins

With flat crude oil prices and decline in milk, sugar, barley, robusta coffee prices, we expect 275 basis points margin expansion for our FMCG universe. Decline in sugar prices is likely to have a positive impact on HUL, Varun Beverages and Nestlé. Similarly, a decline in barley prices (16%) and milk prices would help improve GSK Consumer's margins during the quarter. Prabhat Dairy would benefit from the 10% dip in milk procurement prices. However, Copra prices have risen 55% YoY, which would negatively impact operating margins for Marico. The trend towards digital advertisement will continue to limit the marketing spend resulting in a perk-up of operating margins. Further, we estimate 11.3% YoY net profit growth for our coverage universe.

**Exhibit 11: Estimates for Q4FY18E (FMCG)** (₹ crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Colgate Palmolive | 1,123.4 | -4.1 | 9.4 | 303.5 | 24.2 | 7.5 | 172.9 | 21.2 | 1.3 |
| Dabur India Ltd | 2,073.6 | 8.3 | 5.4 | 441.8 | 5.8 | 9.5 | 371.4 | 11.3 | 11.9 |
| GSK Consumer | 1,060.1 | 1.8 | 2.5 | 207.1 | -4.6 | 1.5 | 187.6 | 6.7 | 14.6 |
| HUL | 8,465.8 | -3.5 | 1.7 | 1,863.4 | 12.9 | 10.9 | 1,279.5 | 8.2 | -3.5 |
| ITC | 11,521.2 | 4.7 | 16.9 | 4,520.2 | 16.6 | 15.8 | 3,006.2 | 12.6 | -2.7 |
| Jyothy Laboratories | 511.0 | 12.9 | 22.4 | 71.3 | 13.6 | 2.1 | 40.3 | -63.3 | 10.8 |
| Marico Ltd | 1,654.8 | 25.2 | 1.9 | 306.4 | 18.1 | 1.4 | 212.0 | 24.0 | -5.1 |
| Nestle India | 2,854.8 | 10.8 | 10.2 | 633.7 | 20.7 | 1.8 | 349.0 | 13.8 | 11.9 |
| Prabhat Dairy | 425.5 | 12.8 | 5.3 | 42.8 | 43.3 | 14.0 | 19.8 | LP | 33.8 |
| Varun Beverages Ltd | 1,244.8 | 19.0 | 136.0 | 204.3 | 48.9 | 809.2 | 34.5 | 401.0 | LP |
| VST Industries | 262.6 | 19.4 | 2.3 | 71.2 | 12.3 | -10.9 | 41.8 | 15.9 | -15.9 |
| Total | 31,197.6 | 4.4 | 11.3 | 8,665.6 | 15.8 | 13.9 | 5,715.0 | 11.3 | 1.2 |

*Source: Company, ICICIdirect.com Research*

**Exhibit 12: Company specific view (FMCG)**

| Company | |
|---|---|
| Colgate | We expect a comparable 8.8% YoY growth (4.1% de-growth compared to gross numbers of corresponding quarter) led by strong volume growth after the company took price cuts post the reduction in indirect tax rates on toothpaste and low base impacted by demonetisation in the corresponding quarter. It had taken a price cut of ~10% in July 2017 after indirect tax rate cut from 24% to 18% after GST implementation. We expect operating margin expansion by 300 bps to 26.4% on account of GST related supply chain benefits. Net profit is likely to grow 21.2% YoY to ₹ 172.9 crore |
| Dabur | The company is likely to witness 8.3% YoY sales growth led by 21.7% growth in international operations along with robust volume growth in the domestic business. The base quarter witnessed a 4.7% decline in sales impacted by trade disruption due to demonetisation. We expect EBITDA margin to shrink 50 bps to 21.3%, with higher advertisement spend during the quarter. PAT is estimated to grow 11.5% to ₹ 371.4 crore |
| GSK Consumer Healthcare | Sales is likely to post comparable 1.8% YoY growth (12.3% de-growth compared to gross numbers in corresponding quarter) on the back of price cuts taken by the company after the GST rate cut from 28% to 18% on malt based beverages in November 2017. We expect a 160 bps improvement in operating margins mainly due to lower advertisement spend during the quarter. Net profit is likely to grow 6.7% to ₹ 187.6 crore |
| HUL | The company is expected to post 4.5% comparable sales growth mainly led by volumes as GST rate cut on detergents in November 2017 has led to price cuts by the company during the quarter. We expect a 300 bps improvement in operating margins on the back of expected lower overhead expenses due to GST related input cost and supply chain benefits. We expect net profit to witness growth of 8.1% to ₹ 1279.5 crore |
| ITC | Sales is likely to grow 4.7% during the quarter mainly due to dismal sales from cigarettes business. We expect cigarette volume de-growth of 3% impacted by a steep GST rate hike in July 2017. FMCG business is likely to witness 13.4% growth during the quarter on the back of low base quarter impacted by demonetisation. Agri and paper business is likely to post 2.2% and 17.7% growth in sales. With the increase in margins in FMCG business and price hike taken in cigarette business, net profit is likely to grow 12.6% to ₹ 3006.2 crore |
| Jyothy Labs | The company is likely to post 12.9% YoY sales growth backed by strong growth in the dishwashing and fabric care segments. GST related trade channel disruption impacted the wholesale network in H1FY18.This has normalised in the third quarter. Operating margins are likely to remain at 13.9% (corresponding quarter 13.8%). Margins were negatively impacted by demonetisation in the corresponding quarter. We expect net profit at ₹ 40.3 crore during the quarter against ₹ 109.9 crore in Q4FY17 (positively impacted on the merger becoming effective with Jyothy Consumer Products Marketing adjusted by its tax write back of ₹ 65.6 crore) |
| Marico | Sales is expected to grow 25.2% led by strong growth in the domestic business on account of ~30% increase in Parachute prices. The price increase has been on account of ~60% YoY increase in copra prices. The international business is expected to grow 18.8% during the quarter. We expect a 130 bps contraction in operating margins mainly due to a steep increase in copra prices. The company has been able to partly pass on an RM increase through Parachute price hikes. Net profit is expected to witness growth of 24% to ₹ 212 crore |

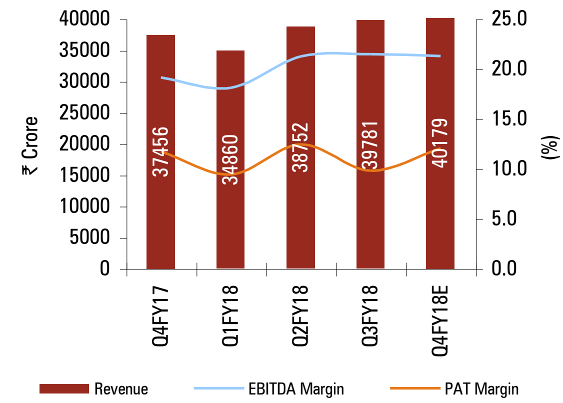
*Source: Company, ICICIdirect.com Research*

**Exhibit 13: Company specific view (FMCG)**

| Company | |
|---|---|
| Nestlé India | Revenue is expected to grow 10.7% YoY on the back of a slew of new launches last year to ₹ 2,854.8 crore. The company is focusing on volume growth through these launches. With its major raw materials i.e. milk, coffee and sugar prices in a downward trend, operating margins are likely to improve 180 bps to 22.1%. The company has been aggressively investing in brands through effective advertisements. We expect net profit to grow 13.8% to ₹ 349 crore during the quarter |
| Prabhat Dairy | Sales is likely to grow 12.8% YoY to ₹ 425.5 crore on the back of volume growth due to increasing capacity utilisation of the cheese facility. Milk procurement prices have been down ~10% during the quarter to ₹ 22. We expect operating margins of the company to improve 214 bps YoY to 10%. Net profit during the quarter is expected at ₹ 19.8 crore compared to a loss of ₹ 1.8 crore in the corresponding quarter last year. We expect the company to receive GST/VAT refund of ₹14 crore this quarter |
| Varun Beverages | Sales is likely to grow 19.0% to ₹ 1244.8 crore on the back of acquisition of newer territories and inclusion of Tropicana Juices in the company's portfolio. We expect it to report a robust 320 bps enhancement in margins mainly due to a significant decline in sugar prices. On the back of the same, the company is expected to report a net profit of ₹ 34.5 crore against ₹ 6.9 crore profit in the corresponding quarter last year |
| VST Industries | The company is expected to post 19.5% sales growth during the quarter with flat volumes during the quarter. We believe the shift towards the high priced cigarettes (total at ₹ 5/stick and Edition at ₹ 10/stick) would result in strong sales growth during the quarter. We expect 50% contribution from 64 mm cigarettes with the remaining 50% volume contribution from 69 mm or above category. Operating margins are expected to contract 170 bps to 27.1%. We expect net profit to grow 14.9% to ₹ 41.8 crore |

*Source: Company, ICICIdirect.com Research*

## Topline & Profitability (Coverage universe)

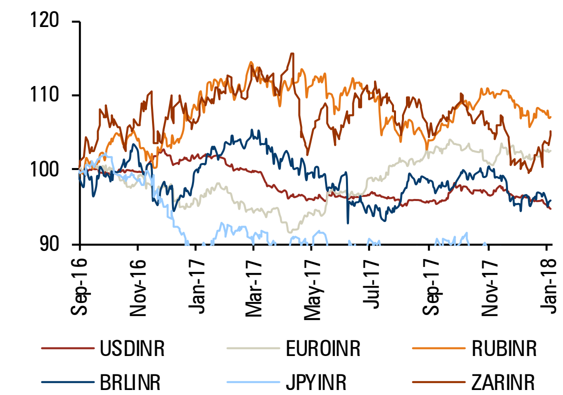



## USFDA approvals for Jan-Mar 2018 (Coverage Universe)

| Company | Final | Tentative |
|---|---|---|
| Ajanta Pharma | 0 | 0 |
| Aurobindo Pharma | 11 | 0 |
| Cadila Healthcare | 4 | 0 |
| Cipla | 4 | 1 |
| Dr. Reddy's Labs | 3 | 0 |
| Glenmark Pharma | 0 | 0 |
| Jubilant Life | 2 | 0 |
| Lupin | 5 | 1 |
| Natco | 0 | 0 |

*Source: USFDA, ICICIdirect.com Research*

## Currency Movement




## Top picks of sector

Narayana Hrudayalaya
Jubilant Life

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# Healthcare

### Strong volume growth seen across geographies…

The I-direct healthcare universe is expected to register ~7% YoY growth to ₹ 40179 crore. However, excluding Sun Pharma, Lupin and Glenmark (these companies continue to be impacted by high base and price erosion in the US) overall universe sales are likely to grow ~15% YoY. Domestic market is likely to be on track post GST implementation and expected to grow 14.4% YoY (select pack). Strong growth in branded market (India, Russia, Latin America, etc) is likely to mitigate US base business decline. We expect US business (select pack) to decline ~5% YoY to ₹ 10058 crore mainly due to adverse currency movement, lack of meaningful launches and pricing pressure on the base business. On the hospitals front, growth is likely to be driven by newly commissioned hospitals.

On the companies front, Syngene (lower base), Cadila (strong growth in gTamiflu and gLialda exclusivity), Natco (windfall of Copaxone and gTamiflu) and Jubilant Life (recovery in LSI business sales and consolidation of pharmacy business) are expected to register strong growth.

### EBITDA to increase 19% YoY

EBITDA of the I-direct healthcare universe is expected to increase 19.3% YoY to ₹ 7169 crore. EBITDA margins are likely to improve 215 bps YoY to 21.3%. Improvement in gross margins, implementation of cost control measures and re-calibrating of R&D spend is likely to improve the overall margins during the quarters.

### Adjusted net profit to increase 10% YoY

Net profit is expected to increase 10% YoY to ₹ 4400 crore, mainly due to improvement in operational performance, which is likely to be partly offset by higher tax rate (~22% vs 11.8% in Q4FY17).

**Exhibit 14: Estimates for Q4FY18E** (₹ Crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Ajanta Pharma | 488.0 | 2.3 | -16.9 | 161.0 | 0.1 | -18.5 | 115.7 | 1.4 | -21.6 |
| Alembic Pharma | 831.1 | 12.1 | -1.1 | 187.0 | 38.9 | -0.3 | 130.4 | 40.3 | -0.1 |
| Aurobindo Pharma | 4,189.6 | 15.0 | -3.4 | 941.7 | 30.6 | -8.2 | 596.0 | 11.9 | 1.4 |
| Biocon | 1,098.1 | 17.9 | 3.8 | 241.1 | 28.6 | 8.8 | 113.6 | -10.9 | 23.6 |
| Cadila Healthcare | 3,204.4 | 26.9 | -1.7 | 801.1 | 72.8 | -4.8 | 496.2 | 28.7 | -8.7 |
| Divi's Lab | 1,121.8 | 5.2 | 8.1 | 377.5 | 4.3 | 15.8 | 263.5 | 1.6 | 17.3 |
| Cipla | 3,877.6 | 8.3 | -0.9 | 717.4 | 41.7 | -12.4 | 298.1 | LP | -25.6 |
| Dr. Reddys | 3,748.0 | 3.8 | -2.2 | 661.6 | 12.0 | -16.5 | 328.2 | -2.8 | 8.4 |
| Glenmark | 2,346.8 | -4.5 | 6.5 | 433.3 | -2.4 | 34.3 | 215.0 | -18.8 | 105.2 |
| Indoco Remedies | 275.1 | -0.7 | -1.1 | 38.5 | 18.2 | -10.9 | 16.9 | -5.9 | -25.5 |
| IPCA Labs | 781.3 | 17.3 | -9.1 | 117.2 | 73.2 | -27.3 | 64.5 | 45.3 | -38.9 |
| Jubilant Life Sc. | 2,126.4 | 29.5 | 2.8 | 450.7 | 47.8 | 8.1 | 249.5 | 66.2 | 17.4 |
| Lupin | 4,030.4 | -5.2 | 1.4 | 775.1 | -0.8 | 12.6 | 344.6 | -9.4 | 55.8 |
| Narayana Hrudayalaya | 595.0 | 23.1 | 7.4 | 71.5 | 22.6 | 39.0 | 32.6 | 46.3 | 130.7 |
| Natco Pharma | 694.6 | 20.2 | 23.5 | 400.3 | 66.0 | 39.7 | 298.7 | 69.1 | 37.3 |
| Sunpharma | 6,718.7 | -5.9 | 1.0 | 1,406.9 | -9.1 | -3.2 | 908.3 | -25.8 | 148.6 |
| Syngene International | 380.6 | 30.8 | -1.8 | 126.0 | 26.0 | -0.1 | 79.9 | 2.4 | -2.5 |
| Torrent Pharma | 1,763.4 | 23.0 | 19.4 | 432.0 | 46.4 | 20.3 | 218.4 | 6.0 | 276.6 |
| Apollo Hospitals | 1,908.0 | 14.8 | 0.6 | 213.1 | 25.3 | -3.7 | 73.9 | 53.5 | 9.6 |
| Total | 40,178.7 | 7.3 | 1.0 | 8,553.0 | 19.3 | 0.1 | 4,843.8 | 10.1 | 24.2 |

*Source: Company, ICICIdirect.com Research*

**Expected growth (%) in Domestic formulation**

| (₹ crore) | Q4FY18E | Q4FY17 | Var. (%) | Q3FY18 | Var. (%) |
|---|---|---|---|---|---|
| Ajanta | 143.5 | 133.0 | 7.9 | 155.0 | -7.4 |
| Alembic | 293.1 | 261.7 | 12.0 | 314.1 | -6.7 |
| Biocon | 157.2 | 131.0 | 20.0 | 156.1 | 0.7 |
| Cadila | 963.5 | 840.2 | 14.7 | 916.8 | 5.1 |
| Glenmark | 646.2 | 576.9 | 12.0 | 578.5 | 11.7 |
| Indoco | 153.5 | 130.1 | 18.0 | 155.9 | -1.6 |
| Ipca | 318.2 | 276.7 | 15.0 | 382.9 | -16.9 |
| Lupin | 966.7 | 878.8 | 10.0 | 1,068.8 | -9.6 |
| Cipla | 1,340.6 | 1,197.0 | 12.0 | 1,601.0 | -16.3 |
| Dr Reddy's | 616.8 | 571.1 | 8.0 | 612.6 | 0.7 |
| Sun Pharma | 2,108.0 | 1,916.4 | 10.0 | 2,085.0 | 1.1 |
| Torrent | 732.9 | 467.0 | 56.9 | 586.0 | 25.1 |
| Total | 8,440.1 | 7,379.8 | 14.4 | 8,612.7 | -2.0 |

**Expected growth (%) in the US**

| (₹ crore) | Q4FY18E | Q4FY17 | Var. (%) | Q3FY18 | Var. (%) |
|---|---|---|---|---|---|
| Aurobindo | 1,820.0 | 1,643.2 | 10.8 | 1,909.6 | -4.7 |
| Cadila | 1,464.4 | 985.1 | 48.7 | 1,583.8 | -7.5 |
| Cipla | 655.9 | 646.0 | 1.5 | 650.0 | 0.9 |
| Glenmark | 732.8 | 1,000.4 | -26.8 | 735.9 | -0.4 |
| Lupin | 1,412.0 | 1,900.7 | -25.7 | 1,432.1 | -1.4 |
| Dr Reddy's | 1,630.9 | 1,534.9 | 6.3 | 1,607.3 | 1.5 |
| Sun Pharma | 2,073.4 | 2,554.5 | -18.8 | 2,124.2 | -2.4 |
| Torrent | 268.8 | 281.0 | -4.4 | 266.0 | 1.0 |
| Total | 10,058.3 | 10,545.8 | -4.6 | 10,308.8 | -2.4 |

**Expected growth (%) in Europe**

| (₹ crore) | Q4FY18E | Q4FY17 | Var. (%) | Q3FY18 | Var. (%) |
|---|---|---|---|---|---|
| Aurobindo | 1105.9 | 777.2 | 42.3 | 1171.6 | -5.6 |
| Cadila | 67.0 | 62.0 | 8.0 | 64.9 | 3.2 |
| Glenmark | 264.2 | 229.8 | 15.0 | 224.8 | 17.6 |
| Dr Reddy's | 237.6 | 206.6 | 15.0 | 200.6 | 18.4 |
| Lupin | 155.8 | 135.5 | 15.0 | 151.3 | 2.9 |
| Torrent | 258.5 | 235.0 | 10.0 | 241.0 | 7.3 |
| Total | 2089.0 | 1646.0 | 26.9 | 2054.2 | 1.7 |

**Expected growth (%) in Latin America**

| (₹ crore) | Q4FY18E | Q4FY17 | Var. (%) | Q3FY18 | Var. (%) |
|---|---|---|---|---|---|
| Cadila | 69.3 | 60.3 | 15.0 | 75.8 | -8.5 |
| Glenmark | 127.3 | 134.0 | -5.0 | 89.8 | 41.7 |
| Torrent | 216.0 | 216.0 | 0.0 | 194.0 | 11.3 |
| Total | 412.6 | 410.3 | 0.6 | 359.6 | 14.7 |

**Exhibit 15: Company specific view**

| | |
|---|---|
| Ajanta Pharma | Revenues are expected to grow mere 2% YoY mainly due to a 10% decline in Asia sales. On the other hand, domestic formulations and Africa sales are likely to grow ~8% and ~12%, respectively. EBITDA margins are expected to decline 75 bps YoY to 33%. Net profit is expected to remain flat YoY in line with the EBITDA performance |
| Alembic Pharma | Revenues are expected to grow 12% YoY mainly due to 16% growth in the US led by low base in the base business and 12% growth in domestic branded formulations. EBITDA margins are expected to increase 435 bps to 22.5% on account of lower R&D spend. Net profit is expected to increase 40% YoY mainly due to a better operational performance |
| Apollo Hospitals | Standalone sales are likely to grow ~15% YoY mainly due to 18% growth in the pharmacy business and 12% growth in the healthcare service business. The pharmacy business growth is expected to be largely driven by addition of new pharmacies while the hospital segment growth is likely to be driven by growth in new hospitals. EBITDA margins are likely to grow 93 bps YoY to 11.2% mainly due to waning losses at the Navi Mumbai hospital (new hospital) and normalisation effect of government regulation on stent pricing. Net profit is expected to increase 54% YoY on the back of an improvement in operational performance |
| Aurobindo Pharma | Revenues are expected to grow 15% YoY mainly due to strong growth in US injectables portfolio and ~42% growth in Europe. However, US base business (oral solid) continues to face pricing pressure. EBITDA margins are likely to grow 267 bps to 22.5% due to lower other expenses. Subsequently, net profit is expected to increase ~12% YoY |
| Biocon | Revenues are likely to grow 18% YoY on the back of strong growth seen in Syngene and the biologics segment. Small molecules, on the other hand, are likely to decline 2%. EBITDA margins are expected to improve 182 bps YoY to 22%. Subsequently, net profit is expected to decline 11% YoY as a better operational performance is likely to be offset by higher interest, depreciation and tax expenses |
| Cadila Healthcare | Revenues are expected to grow 27% YoY mainly due to continued sales of gLialda (GI) under exclusivity and strong sales from gTamiflu due to favourable flu season in the US. EBITDA margins are likely to improve 664 bps YoY to 25% mainly due to better product mix and exclusivity in the US. Subsequently, net profit is expected to increase ~29% YoY mainly due to a strong operational performance |
| Cipla | Revenues are expected to grow ~8% YoY mainly due to 12% growth in domestic formulations. South Africa sales are expected to grow 20% YoY mainly due to favorable currency movement and improvement in constant currency growth. On the other hand US and EU growth is likely to be muted. EBITDA margins are expected improve 437 bps YoY to 18.5% mainly due to implementation of price control measures across the board. Net profit is expected at ~₹ 298 crore against net loss of 62 crore in Q4FY17 due to one-off impairment charges and provision |
| Divi's Laboratories | Revenues are expected to increase mere 5% YoY mainly due to capacity constraints and disturbances due to addressing of regulatory issues. EBITDA margins are expected to remain at ~34%. Net profit is expected to increase ~2% YoY |
| Dr Reddy's | Revenues are likely to increase ~4% YoY mainly due to 8% growth in domestic formulations and ~6% growth in the US. EBITDA margins are likely to improve 130 bps YoY to 17.7%, mainly due to an improvement in the product mix. However, net profit is expected to decline 3% YoY due to higher tax rate (23% vs. 2% in Q4FY17) |
| Glenmark Pharma | Revenues are expected to decline ~5% YoY mainly due to 27% de-growth in the US led by high base due to gZetia exclusivity in Q4FY17. Domestic revenues are expected to grow 12% YoY. EBITDA margins are likely to improve 40 bps to 18.5%. Net profit is expected to decline 19% YoY due to high base on gZetia exclusivity and higher tax rate (27% vs -6% in Q4FY17) |

*Source: Company, ICICIdirect.com Research*

**Expected growth (%) in API**

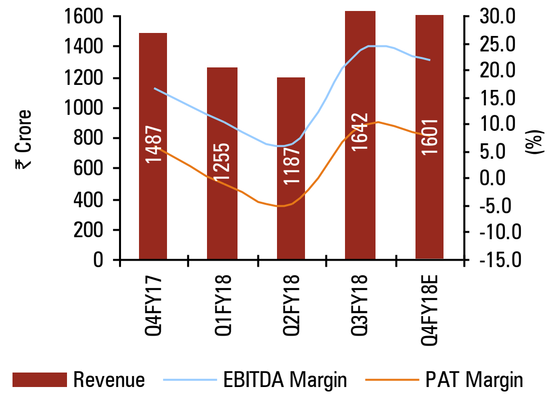
| (₹ crore) | Q4FY18E | Q4FY17 | Var. (%) | Q3FY18 | Var. (%) |
|---|---|---|---|---|---|
| Aurobindo | 778.1 | 762.8 | 2.0 | 765.7 | 1.6 |
| Alembic | 190.1 | 181.0 | 5.0 | 180.0 | 5.6 |
| Cadila | 98.1 | 93.4 | 5.0 | 113.7 | -13.7 |
| Glenmark | 209.7 | 199.7 | 5.0 | 231.6 | -9.5 |
| Divi's Lab | 586.3 | 558.4 | 5.0 | 508.6 | 15.3 |
| Indoco | 14.4 | 12.0 | 20.0 | 15.8 | -8.3 |
| Ipca Labs | 174.9 | 153.8 | 13.7 | 191.5 | -8.7 |
| Lupin | 281.5 | 281.5 | 0.0 | 268.0 | 5.0 |
| Cipla | 153.9 | 162.0 | -5.0 | 148.0 | 4.0 |
| Dr Reddy's | 550.9 | 540.1 | 2.0 | 543.6 | 1.3 |
| API | 61.6 | 56.0 | 10.0 | 81.1 | -24.0 |
| Sun Pharma | 417.5 | 409.3 | 2.0 | 391.3 | 6.7 |
| Unichem | 25.0 | 24.5 | 2.0 | 21.9 | 14.1 |
| Total | 3541.9 | 3434.6 | 3.1 | 3460.7 | 2.3 |

**Exhibit 16: Company specific view**

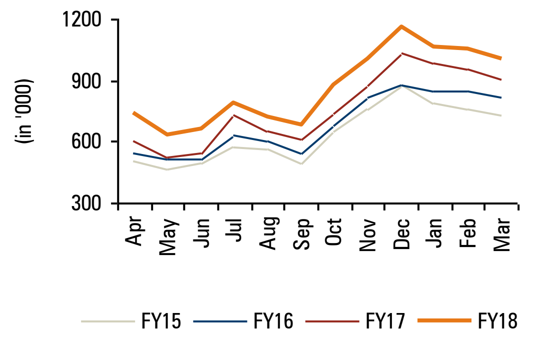
| | |
|---|---|
| Indoco Remedies | Revenues are likely to be muted YoY despite 18% growth in domestic formulations. This is due to 4% decline in export formulation and lower other operating income. EBITDA margins are likely to remain at 14-15%. Net profit is expected to decline 6% YoY mainly due to higher tax rate (17.5% vs 12.0% in Q4FY17) |
| Ipca Laboratories | Revenues are expected to grow 17% YoY mainly due to 23% growth in exports (on a lower base) and 15% growth in domestic formulations. EBITDA margins are likely to grow ~486 bps YoY to ~15% mainly due to improvement in product mix. Subsequently, net profit is expected to increase ~45% YoY mainly due to a better operational performance |
| Jubilant Life Science | Revenues are expected grow ~30% YoY mainly due to strong growth in both pharma (likely growth of 33% mainly due to consolidation of pharmacy business) and LSI segments (likely growth of 24%). LSI segment growth is likely to be driven by better growth in vitamins and advanced intermediates whereas pharma growth is likely to be driven by specialty and pharmacy businesses. Margins are expected to increase 261 bps to 21.2% YoY mainly due to improvement in LSI business margins. Net profit is expected to grow ~66% on the back of a strong operational performance |
| Lupin | Revenues are expected to decline ~5% YoY on the back of 26% YoY decline in the US mainly due to price erosion in Metformin group (anti-diabetic). Domestic sales are expected to grow 10% YoY. EBITDA margins are likely to remain in the range of 18-19%. Net profit is expected to decline ~9% YoY owing to a subdued operational performance |
| Narayana Hrudalaya | Revenues are likely to grow ~23% YoY mainly due to strong growth in new hospitals and acquisition of remaining stake in Cayman Islands hospital. EBITDA margins are likely to remain at ~12% YoY. Subsequently, net profit is expected to increase ~46% YoY mainly due to a stronger operational performance and lower tax outgo |
| Natco Pharma | Despite a high base, revenue is expected to grow 20% YoY mainly due to complex products launches in the US (gCopaxone and gDoxil) under partnership as well as robust sales expected from gTamiflu due to favourable flu season. EBITDA margins are likely to increase to 57.6% from 41.7% YoY mainly due to continued gCopaxone windfall and favourable flu season. Subsequently, net profit is expected to increase ~69% YoY |
| Sun Pharma | Revenues are likely to decline 6% YoY mainly due to 19% expected decline in the US owing to large base of gGleevec and gBenicar AG and price erosion across portfolio. Taro's sales are expected to decline 25% YoY. EBITDA margins are expected to decline to 74 bps YoY to 20.9%. Net profit is expected to decline 26% due to subdued operational performance and higher tax outgo |
| Syngene | Revenues are likely to grow 31% YoY on a lower base mainly due to disturbances in performance due to fire incident in FY17. EBITDA margins are expected to be in the range of 32-34%. Net profit is expected to increase 2.4% as a stronger operational performance is likely to be offset by higher tax outgo |
| Torrent Pharma | Revenues are expected to increase ~23% YoY mainly due to consolidation of Unichem's domestic sales, Excluding Unichem consolidation, domestic sales are expected to grow 12% YoY. US sales are expected to decline 4% YoY mainly due to price erosion across portfolio. EBITDA margins are expected to increase 393 bps YoY to 24.5% mainly due to a better product mix |

*Source: Company, ICICIdirect.com Research*

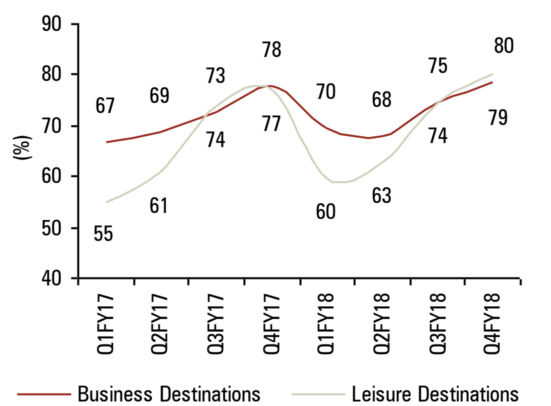
## Topline & Profitability (Coverage universe)




## FTAs to grow at 10% during Q4FY18E




## Trends in average occupancy levels




## Top pick of sector

EIH

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# Hotels

### Foreign tourist arrivals to continue double digit growth in Q4FY18

Foreign tourist arrivals (FTAs) are expected to grow at a healthy double digit rate of 10% YoY, 2.7% QoQ to 31.2 lakh during the quarter. With better FTA growth and improved domestic demand, we expect occupancy levels to improve during the quarter on a YoY basis. Average occupancy levels at leisure destinations are expected to improve ~300 bps YoY due to healthy traction in FTAs while business destinations are likely to see an uptick of ~100 bps in occupancy levels. With demand growth outpacing supply growth, we expect average room rates to also improve 2-3% YoY leading to over 10% revenue growth in the domestic market. **EIH** and **TajGVK** being pure domestic plays would likely report healthy double digit revenue growth whereas **Indian Hotels'** revenue growth would improve YoY on account of a turnaround of international subsidiaries. Overall, we expect our I-direct hotel coverage universe to report 7.7% YoY revenue growth during the quarter.

### Operating margins to improve YoY mainly due to cost controls

Margins of the I-direct hotel universe are expected to improve 510 bps YoY on account of cost control measures and improvement in ARRs. During the quarter, we expect **Indian Hotels** (sale of loss making unit & subsidiary turnaround) to report margin expansion of 338 bps while **EIH** is expected to report a sharp rise in margins (up 970 bps YoY) on re-opening of the property in Delhi. **TajGVK** may continue to report healthy traction in margins led by cost controls and improved ARR in the Hyderabad region during the quarter.

### Leisure destinations, select business destinations to drive growth in Q4

Average occupancy levels continue to remain higher at leisure destinations compared to business destinations during the quarter due to the ongoing peak season. However, select business destinations are expected to report marginally better occupancy levels during the quarter. Among leisure destinations, Rajasthan, Kerala and Goa would report healthy improvement in occupancy levels during the quarter. In business destinations, Mumbai, Hyderabad and Chennai are expected to register better occupancy compared to the previous year.

**Exhibit 17: Estimates for Q4FY18E: (Hotels)** (₹ Crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| EIH | 411.6 | 11.4 | 9.5 | 103.6 | 81.6 | 7.0 | 61.2 | 20.8 | 5.2 |
| Indian Hotel | 1,107.0 | 5.5 | -3.9 | 225.8 | 27.1 | -20.2 | 56.1 | 40.1 | -43.6 |
| Taj GVK Hotels | 82.6 | 12.5 | 7.3 | 20.3 | 51.7 | 0.5 | 7.2 | 1,096.4 | 27.8 |
| Total | 1,601.2 | 7.3 | -0.2 | 349.8 | 41.0 | -12.6 | 124.5 | 36.4 | -23.7 |

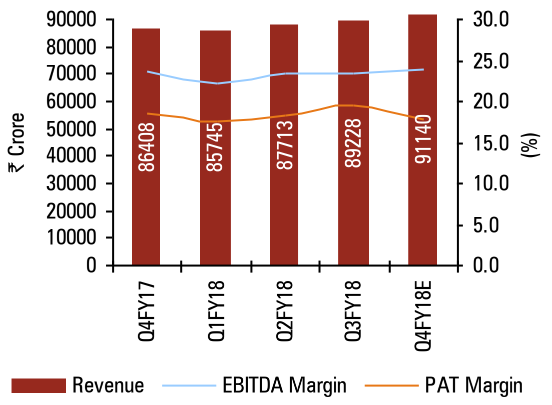
*Source: ICICIdirect.com Research*

**Exhibit 18: Company specific view**

| Company | Remarks |
|---|---|
| Indian Hotels | With the turnaround of US subsidiaries, we expect the overall profitability to improve during the quarter. On the revenue front, we expect domestic revenue growth of 8% YoY, in line with industry growth while international segment may witness 1.8% growth. OPM may improve mainly due to sale of loss making units aided by cost control measures. Lower depreciation and interest cost may lead to growth in profitability during the quarter |
| EIH | With the re-opening of property in Delhi, we expect healthy revenue growth of 11.4% YoY vs. drop of 12.7% last year. ARR is expected to increase 2-3% YoY. Occupancy levels may also remain healthy vs. last year. Margins are likely to improve sharply by 974 bps YoY on account of leverage benefit and low base of last year |
| Taj GVK Hotel | On the standalone front, we expect revenue growth of 12.5% YoY led by improved ARRs. OPM margins may improve 635 bps YoY mainly due to operating leverage benefit. Reduced losses from the JV are expected to improve the profitability of the company during the quarter |

*Source: ICICIdirect.com Research*

## Topline & profitability (Coverage universe)




## Dollar growth, QoQ

| IT Services | Q4FY18E | Q3FY18 | Growth (%) |
|---|---|---|---|
| TCS | 4,901.9 | 4,787.0 | 2.4 |
| Infosys | 2,807.3 | 2,755.0 | 1.9 |
| Wipro ^ | 2,063.3 | 2,013.0 | 2.5 |
| HCL Tech | 2,047.6 | 1,988.0 | 3.0 |
| | | | |
| Tech Mahindra | 1,239.1 | 1,209.1 | 2.5 |
| Mindtree | 222.0 | 214.3 | 3.6 |
| KPIT Technologies | 142.6 | 141.2 | 1.0 |
| Cyient | 163.5 | 152.0 | 7.6 |
| NIIT Technologies | 119.8 | 116.7 | 2.7 |
| Persistent Systems | 115.4 | 122.5 | (5.8) |
| eClerx | 49.7 | 48.9 | 1.5 |
| BPO (in ₹) | | | |
| Firstsource | 930.4 | 887.2 | 4.9 |
| Internet (in ₹) | | | |
| Info Edge | 242.4 | 227.2 | 6.7 |

^ IT services

## Top picks of the sector

Firstsource Solutions

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## Information Technology

### Q4FY18: Cross currency to support dollar revenue growth…

We expect Tier-1 IT companies to report US$ revenue growth of ~2-3% QoQ supported by cross currency tailwind to the tune of ~90-120 bps. Cross currency would benefit taking into account US$ depreciating against all major currencies. Inter-quarter, average US$ has depreciated 0.6%, 4.3%, 4.8% and 2.2% vs. rupee, Euro, GBP and AU$, respectively. The outlook for FY19E would be monitored as we expect companies to set out respective annual revenue guidance for the year. We expect Infosys, HCLT to guide for revenue growth of 6.5-7.5% (current 5.5-6.5%) and 8-10% (current 10.5-12.5%), respectively, in constant currency terms for FY19E.

### Margins to see up-tick led by cross currency, operational efficiency…

With cross currency impacting margins positively by 25-45 bps, we expect EBIT margins of Tier-1 IT companies to witness positive movement. EBIT margins are likely to remain flat QoQ for Infosys and expand 50 bps and 10 bps for TCS and HCL Tech, respectively. Wipro is expected to witness a margin expansion of 270 bps QoQ taking into account the one off impact in Q3FY18. Adjusted for this, EBIT margins are anticipated to increase 30 bps QoQ for Wipro.

### Midcap to see broad based growth, Persistent to drag…

Among our midcap universe, we expect dollar revenue growth to be healthy compared to Tier I companies on the back of a deal pipeline and increasing contribution from digital. Cyient may see healthy growth on account of strong growth in DLM business and contribution from B&F acquisition. MindTree (3.6%) could continue its growth momentum on the back of healthy TCV and digital portfolio while TechM growth to be supported by Comviva seasonality. Persistent is expected to report a weak set of numbers on the back of the recent company update of a sequential decline in IP led revenues by $8 million. The same would impact its EBITDA margins.

### Eyes on FY19E guidance, commentary on digital strategy crucial…

The initial commentary of IT companies is indicative of a better FY19E compared to FY18E. Reassertion of this stance along with strategic initiatives to focus more on 'Digital and Emerging' areas would be key monitorable for Q4FY18. Moreover, IT annual revenue guidance of companies for FY19E and how companies manage margins in the wake of increased US local hiring and demand for investments in digital would be watched. In our view, investor interest would be the outlook for FY19E, vertical outlook for BFSI, deal pipeline and spending in digital.

**Exhibit 19: Estimates for Q4FY18E** (₹ Crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Cyient | 1,052.3 | 11.8 | 7.0 | 150.0 | 20.1 | 4.8 | 96.1 | 22.5 | -11.7 |
| Eclerx | 344.3 | 3.9 | 1.3 | 92.7 | -16.9 | 2.5 | 66.1 | -11.8 | 14.0 |
| Firstsource Sol | 930.4 | 4.3 | 4.9 | 125.6 | 26.9 | 8.1 | 84.0 | 28.5 | -15.6 |
| HCL Tech | 13,176.6 | 9.3 | 2.9 | 3,057.0 | 15.4 | 3.1 | 2,221.4 | -4.5 | 1.3 |
| Infosys | 18,065.3 | 5.5 | 1.5 | 4,895.7 | 5.1 | 1.6 | 3,593.1 | -0.3 | -29.9 |
| InfoEdge | 242.4 | 16.3 | 6.7 | 83.5 | 32.2 | 5.9 | 70.3 | 114.0 | 31.8 |
| KPIT Tech | 917.5 | 6.9 | 0.5 | 101.4 | 16.5 | 2.5 | 67.8 | 26.0 | 9.9 |
| Mindtree | 1,428.7 | 8.4 | 3.7 | 215.2 | 31.2 | 3.8 | 138.8 | 42.8 | -1.9 |
| NIIT Technologies | 771.2 | 3.8 | 1.9 | 136.5 | -12.7 | 5.3 | 83.3 | -23.6 | 10.0 |
| Persistent Systems | 742.8 | 2.2 | -6.2 | 101.4 | -14.7 | -26.3 | 62.8 | -13.6 | -31.5 |
| TCS | 31,543.6 | 6.4 | 2.1 | 8,611.4 | 5.9 | 3.9 | 6,720.0 | 1.7 | 2.9 |
| Tech Mahindra | 7,973.4 | 6.4 | 2.5 | 1,331.6 | 48.2 | 5.3 | 874.5 | 48.6 | -7.3 |
| Wipro | 13,951.4 | -0.8 | 2.1 | 2,903.1 | -5.1 | 15.9 | 2,095.4 | -7.3 | 8.2 |
| Total | 91,140.0 | 5.5 | 2.1 | 21,805.0 | 7.3 | 4.6 | 16,173.8 | 1.3 | -7.2 |

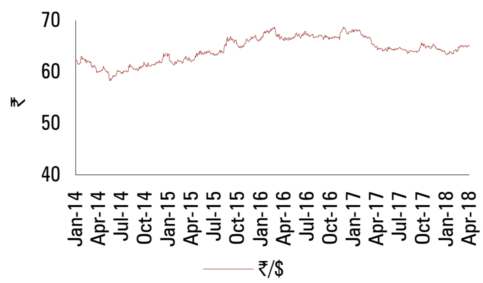
*Source: Company, ICICIdirect.com Research*

**EBIT margin impact**

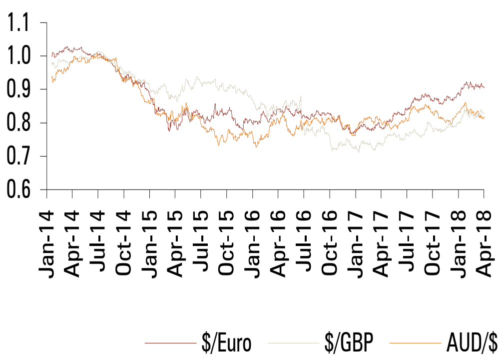
| EBIT margins | Q4FY18E | Q3FY18 | Change (bps) |
|---|---|---|---|
| TCS | 25.7 | 25.2 | 50 |
| Infosys | 24.3 | 24.3 | (0) |
| Wipro ^ | 17.5 | 14.8 | 270 |
| HCL Tech | 19.7 | 19.6 | 10 |
| EBITDA margins | | | |
| Tech Mahindra | 16.7 | 16.3 | 40 |
| Mindtree | 15.1 | 15.1 | 0 |
| KPIT Technologies | 11.1 | 10.8 | 30 |
| Cyient | 14.3 | 14.6 | (30) |
| NIIT Technologies | 17.7 | 17.1 | 60 |
| Persistent Systems | 13.6 | 17.4 | (370) |
| eClerx | 26.9 | 26.6 | 30 |
| BPO | | | |
| Firstsource | 13.5 | 13.1 | 40 |
| Internet (in ₹) | | | |
| Info Edge | 34.4 | 34.7 | (30) |

^ IT Services

**$/₹**




**$ vs. global currencies**




Inter-quarter, average US$ has depreciated 0.6%, 4.3%, 4.8% and 2.2% vs. ₹, Euro, GBP and AU$ respectively.

**Exhibit 20: Company specific view**

| Company | Remarks |
|---|---|
| TCS | US$ revenue is expected to grow 2.4% to $4,901.9 million led by continued materialisation of deals and partnerships along with the benefit of cross currency to the tune of 120 bps. Rupee revenues may grow 2.1% QoQ to ₹ 31,544 crore. EBIT margins may expand 50 bps QoQ to 25.7% on the back of cross currency tailwind and productivity enhancements. Investor interest: Demand outlook for FY19E segregated across business segments, margin trajectory and traction in digital business |
| Infosys | Constant currency revenues are expected to grow 1% QoQ while US$ revenues may grow 1.9% QoQ to $2,807.3 million owing to cross currency tailwind. Rupee revenue may grow 1.5% to ₹ 18,065.3 crore. EBIT margins may remain flat QoQ to 24.3% primarily owing to cross currency benefit partially offset by rupee headwind. Investor interest: FY19E revenue guidance and margin trajectory, outline of strategic priorities and reconfirmation of the capital allocation policy by new CEO |
| Wipro | Global IT services US$ revenues could grow 2.5% QoQ to $2,063.3 million, in line with its guided range of $2,033-2,073 million. Global IT services rupee revenue may grow 2% while consolidated revenues could grow 2% to ₹ 13,951 crore. Global IT services EBIT margins may expand 30 bps QoQ (on adjusted basis from 17.2%) to 17.5% after a sharp decline in Q3. Investor interest: FY19E outlook, update on business segments, demand across digital ecosystem |
| HCL Tech | Dollar revenues are expected to grow 3% QoQ to $2047.6 million driven by engineering and R&D services and newly entered IP partnership. Rupee revenue could increase 2.9% to ₹ 13,176.6 crore. EBIT margins may expand 10 bps QoQ to 19.7% on account of cross currency tailwind offset by weak seasonality in IP led business. Investor interest: Sustainability of growth in IMS, FY19E revenue & margin guidance momentum in IP-led partnership |
| Tech Mahindra | We expect US$ revenues to grow 2.5% QoQ to $1,239 million led by enterprise business and Comviva seasonality. Rupee revenues may grow 2.5% QoQ to ₹ 7,973.4 crore. EBITDA margins could expand 40 bps QoQ to 16.7% owing to revenue growth aided by cross currency tailwind. Investor Interest: Revenue outlook for FY19E, enterprise and telecom business trajectory, top customer growth and margin outlook |
| Info Edge | We expect revenues to grow 16.3% YoY to ₹ 242.4 crore led by broad based growth across Naukri business, 99 acres and other businesses. EBITDA margins may decline 30 bps QoQ to 34.4% led by marketing spends in Naukri and other businesses. Investor interest: New product initiatives, update on 99 acres business and Naukri, traction in Zomato amid increased competition |
| MindTree | We expect $ revenues to increase 3.6% QoQ to $222 million led by deal ramp ups. Rupee revenue may grow 3.7% QoQ to ₹ 1,428.7 crore. EBITDA margins may stay unchanged QoQ to 15.1% after a sharp rise of 350 bps in Q3. Investor interest: FY19E revenue outlook, margin enhancement levers, update on acquired entities, order-book conversion, and top 10 clients trajectory |
| Persistent Systems | Persistent is expected to report a weak set of numbers on the back of recent company update of sequential decline in IP led revenues by $8 million. Thus, we incorporate this into our estimates and expect dollar revenues to decline 5.8% QoQ to $115.4 million. Rupee revenues may decline 6.2% QoQ to ₹ 742.9 crore. EBITDA margins may decline ~370 bps sequentially to 13.6% given the sharp fall in high margin IP led revenues. Investor interest: FY19E Revenue/margin outlook, deal traction in emerging technologies, update on strategic key accounts |

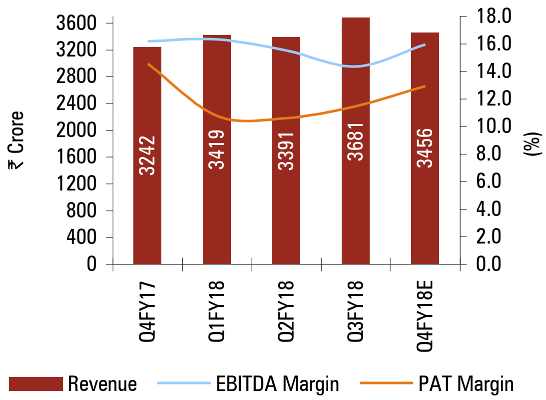
*Source: Company, ICICIdirect.com Research*

**Company specific view**

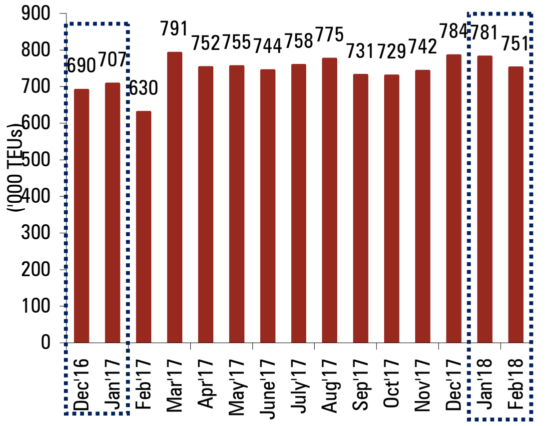
| Company | Remarks |
|---|---|
| Cyient | We expect dollar revenues to grow 7.6% QoQ to $163.5 million led by strong growth in DLM business and revenue contribution from B&F acquisition (US$1.4 million). Rupee revenues may grow 7% QoQ to ₹ 1,052.3 crore. EBITDA margins may decline 30 bps QoQ to 14.3% owing to rupee appreciation partly countered by cross currency benefit. Investor interest: Outlook for FY19E and margin trajectory, demand environment across business segments and order book conversion |
| eClerx | Dollar revenues are expected to increase 1.5% QoQ to $49.7 million led by deal pipeline and receding of impact of client ramp down. Rupee revenues may grow 1.3% sequentially to ₹ 344.3 crore. EBITDA margins may expand 30 bps QoQ to 26.9% owing to revenue growth and cross currency tailwind. Investor interest: FY19E revenue and margin trajectory, update on top clients stability, deal pipeline across verticals |
| NIIT Tech | Dollar revenues may grow 2.7% QoQ to US$119.8 million led by order book conversion partly offset by client specific headwind (~$1.5 mn impact). Rupee revenues may grow 1.9% QoQ to ₹ 771.2 crore. EBITDA margins may expand 60 bps QoQ to 17.7% led by operational efficiency. Investor interest: FY19E revenue and margin outlook, order book conversion, update on business segments and traction in digital business |
| KPIT Tech | Dollar revenues may grow 1.0% QoQ to $142.6 million while rupee revenue could grow 0.5% QoQ to ₹ 917.5 crore. EBITDA margins could expand 30 bps QoQ to 11.1% mainly on account of cross currency benefit. Investor Interest: Update on merger with Birlasoft, FY19E revenue guidance, margin enhancement levers |
| Firstsource Solutions | We expect rupee revenues to grow 4.9% sequentially to ₹ 930.4 crore on account of quarter seasonality and deal pipeline. EBITDA margins may expand 40 bps QoQ to 13.5%. Investor interest: Revenue guidance for FY19E, ISGN and healthcare business update, deal pipeline trajectory |

*Source: Company, ICICIdirect.com Research*

## Topline & Profitability (Coverage universe)




## Port container Volumes in an uptrend…




## Top Pick

Transport Corporation of India

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## Logistics

### Strong growth in Exim container volumes to benefit Concor…

The year FY18 earmarked the highest ever tonnage loading for Indian railways with growth of 5.4% YoY to 1167.5 MT compared to 1108 MT in FY17. Majority of the growth was derived from bulk commodities like coal (48% of overall tonnage), which grew 5% and cement (10% of the overall tonnage) that grew 10%. However, growth in container volumes (5% of overall tonnage) remained robust at 15% YoY. For Q4FY18 (January & February) Exim volumes remained robust with growth of 21% YoY to 7.36 MT. However, domestic volumes de-grew 6% YoY to 1.74 MT. Overall Q4FY18 (January & February) tonnage grew 14% YoY to 9.1 MT compared to 7.95 MT in Q4FY17. Concor, market leader (73% of the Indian container rail tonnage) would be the biggest beneficiary of this growth. We expect Concor's Q4FY18 volumes to grow 9% YoY to 873975 TEUs. Exim volumes are expected to grow 12% YoY to 745132 TEUs with domestic volumes expected to de-grow 5% YoY to 128843 TEUs resulting in revenue growth of 9% YoY (excluding SEIS income) to ₹ 1472.5 crore. Positive impact of double stacking coupled with lower empties would be negated by lower lead distances resulting in 200 bps reduction in EBITDA margins with EBITDA de-growth of 1.3% YoY to ₹ 279.8 crore. Lower SEIS income may result de-growth in PAT by 9% YoY to ₹ 305 crore. The decline in volumes, revenues for Gujarat Pipavav Port would be curtailed by addition of a liner from the parent.

### Seasonality, diesel price pass through; surface players to lead growth

According to Indian Foundation of Transport Research and Training (IFTRT), truck rentals grew 9% over January and February. The growth was on the back of seasonality demand coupled with improvement in manufacturing activities and higher diesel prices. The pass through of diesel prices would lead to higher growth for surface logistics players. In contrast, e-commerce offerings of logistics players would remain impacted by higher focus on captive units by online players. Subsequently, the e-com revenues for BlueDart and Gati would remain impacted. However, key beneficiaries of growth in the auto industry would be the TCI group (TCI, TCI Express). Revenue for BlueDart and Gati is expected to grow sub-5% YoY each. However, revenue growth for TCI & TCI Express would be >15% YoY. We expect margin expansion across surface players. BlueDart's margins would benefit from an absence of onetime restructuring expense incurred in Q4FY17.

### Sector to be driven by surface players, margins to remain range-bound

Revenues of our logistics coverage universe are expected to grow 8.4% YoY to ₹ 3876 crore vs. ₹ 3574 crore in Q4FY17. Profitability of surface players would drive the overall EBITDA growth of 5% to ₹ 625.5 crore. However, lower SEIS income from Concor would impact overall PAT growth that is expected to be flattish at ₹ 454.5 crore.

**Exhibit 21: Estimates for Q4FY18E: (Logistics)** (₹ crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Blue Dart | 700.0 | 3.5 | -0.7 | 77.0 | 40.3 | -4.3 | 42.3 | 72.7 | -6.9 |
| Container Corporation | 1,472.5 | 9.4 | -10.2 | 279.8 | 6.8 | 7.8 | 305.0 | -9.2 | 5.5 |
| GATI Ltd | 425.8 | 2.6 | -5.1 | 23.4 | 9.6 | -2.7 | 6.0 | -35.3 | 25.3 |
| Gujarat Pipavav | 170.7 | -2.2 | 4.9 | 104.1 | -9.2 | 9.9 | 57.7 | -12.9 | 15.3 |
| TCI Express | 233.2 | 15.0 | 1.9 | 24.5 | 29.4 | 1.9 | 16.0 | 30.5 | 3.6 |
| Transport Corp | 558.4 | 15.9 | 0.5 | 53.6 | 36.3 | 1.9 | 27.6 | 48.6 | -1.3 |
| Total | 3,560.6 | 8.0 | -4.8 | 562.4 | 10.0 | 5.0 | 454.5 | -2.6 | 5.0 |

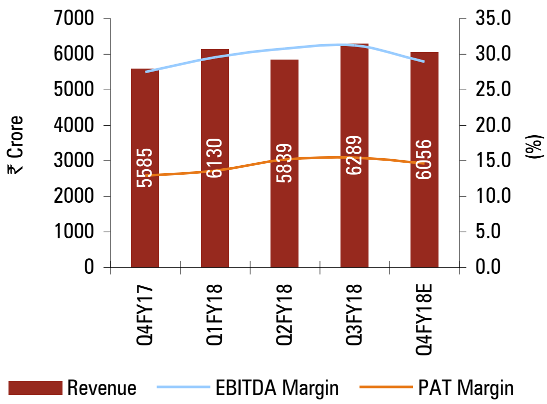
*Source: Company, ICICIdirect.com Research*

**Exhibit 22: Company specific view**

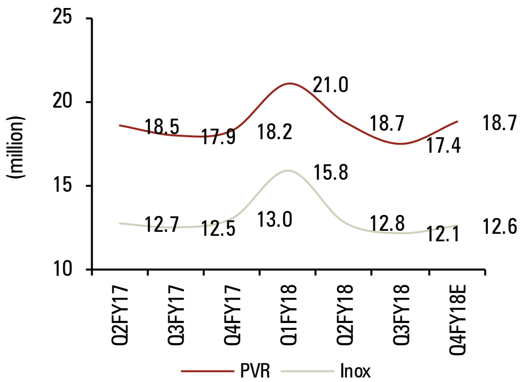
| Company | Remarks |
|---|---|
| Container Corporation | Throughput container volumes are expected to grow 9% YoY to 874000 TEUs. Robust Exim volumes (up 12% YoY) are expected to be moderated by subdued domestic volumes (down 5% YoY). The resultant core revenues are expected to grow 9.4% YoY to ₹ 1472.5 crore. Reported income (including SEIS income) may come in at ₹ 1645 crore (up 6% YoY). EBITDA margins may remain impacted by lower lead distances and subdued realisations resulting in moderation of 200 bps YoY to 19% with an absolute EBITDA of ₹ 279.8 crore (down 1% YoY). Higher depreciation coupled with lower SEIS income (YoY) could result in de-growth in reported PAT that is expected at ₹ 305 crore |
| Transport Corporation of India | Freight revenues are expected to grow 2% YoY to ₹ 264.2 crore. Shipping and supply chain are expected to grow 25% and 45% YoY to ₹ 229.6 crore and ₹ 67 crore, respectively. Resultant total revenues are expected to grow 16% YoY to ₹ 558.4 crore. Increased contribution from high margin SCS and shipping business is expected to lead to improvement of 140 bps in EBITDA margins that are expected at 9.6%. Absolute EBITDA is expected to grow 36% YoY to ₹ 53.6 crore. Robust operational performance coupled with lower taxation (higher shipping revenues) may result in robust PAT growth of 49% YoY to ₹ 27.6 crore |
| BlueDart | Revenues are expected to grow 5% YoY to ₹ 700 crore. The company had incurred an expenditure of ₹ 35 crore spread over Q4FY17 and Q1FY18 to prepare its business for next level of growth. Following this, EBITDA margins may optically recover sharply by 300 bps YoY (down 40 bps QoQ) to 11%. Absolute EBITDA may grow 40% YoY to ₹ 77 crore. In addition to the operational performance, lower taxation would further accelerate PAT by 73% YoY to ₹ 42.3 crore |
| Gujarat Pipavav Port | Post addition of a liner from parent, volumes for Q4FY18 are expected at a two-year high of 187400 TEUs. However, bulk volumes would continue to remain sluggish. Higher competition from ports in the vicinity would keep a tab on realisations. Ancillary revenues (RoRo, liquid) would remain supportive to softness in the mainstream business. Overall revenues are expected to de-grow 2% YoY to ₹ 170.7 crore. Due to execution of an over dimensional assignment, Q4FY17 margins were robust, following which Q4FY18 margins may optically decline 470 bps YoY to 61% leading to EBITDA de-growth of 9% YoY to ₹ 104.1 crore. PAT is expected at ₹ 57.7 crore |
| Gati | KWE is expected to maintain a quarterly run-rate of ₹ 305 crore, entailing a YoY growth of 15%. However, subdued e-commerce revenues would impact the standalone revenue, which is expected to de-grow 10% YoY. Fuel sales could surprise positively. Kausar revenues are expected to grow 5% YoY to ₹ 10.9 crore. Consolidated revenues are expected to grow 3% YoY to ₹ 425.8 crore. Operating margins may expand 50 bps to 5.5% resulting in EBITDA growth of 10% YoY to ₹ 23.4 crore. Higher interest expenses and depreciation (due to one-time adjustment in Q4FY17) would dent PAT, which is expected to de-grow 35% YoY to ₹ 6 crore |
| TCI Express | Robust growth in the auto industry would provide tailwind for revenue growth. Revenues are expected to grow 15% YoY to ₹ 233.2 crore. Given the operational benefits and implementation of minimum support price (MSP), EBITDA margins are expected to expand 120 bps to 10.5% with absolute EBITDA growth of 29% YoY to ₹ 24.5 crore. Resultant PAT is expected at ₹ 16 crore (up 30% YoY) |

*Source: ICICIdirect.com Research*

## Topline & Profitability (Coverage universe)




## PVR & Inox – Footfalls




## Top pick of sector

Inox Leisure
PVR
Sun TV

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## Media

### Multiplex players to report their best ever fourth quarter performance

PVR and Inox are likely to report their best ever performance in a seasonally weak fourth quarter. Strong collections for *Padmavat* and the unexpected positive response for *Raid* and *Sonu ke Titu ki Sweety* (collected ~₹ 100 crore each) fuelled box office collections. We expect both Inox and PVR to report 7% YoY growth in ATP. We expect PVR to report 2.9% YoY growth in footfalls while footfalls for Inox are expected to decline 3.3% YoY owing to a ban on *Padmavat's* release in the Rajasthan and Gujarat. We expect superior ad revenue growth of 47.4% YoY for Inox while PVR is expected to post 35% YoY ad revenue growth. Box office collections for Inox are expected to grow 2.8% YoY while for PVR, growth will be 13.8% YoY. On EBITDA margin front, we expect PVR, Inox to post 460 bps, 500 bps, respectively, expansion YoY, aided by a strong ad growth trajectory.

### Strong ad momentum continues for broadcasters

Broadcasters are expected to continue their strong traction on the ad revenue front in this quarter owing to the base effect (low base post demonetisation) coupled with strong traction from the key segment of FMCG. Zee Entertainment is expected to post 20% YoY ad revenue growth to ₹ 1016 crore. Subscription revenues are expected to post 2.4% YoY decline to ₹ 544.5 crore (exclusion of Ten Sports). On an adjusted basis (ex-sports), subscription growth is likely to be in low teens. On EBITDA margin front, Zee is likely post 300 bps YoY decline to 27.7% on account of higher content costs, brand refresh and investments in digital platform Zee5. Advertisement revenue for Sun TV is expected to grow 20% YoY to ₹ 350.4 crore. Strong subscription revenue growth is likely to continue this quarter as well. The company expects to post 17.3% YoY growth to ₹ 283.8 crore.

### Print players expected to post mixed ad revenue growth trends

The ad revenue growth for print players is expected to be mixed since HT Media and Jagran had UP elections in the base quarter. This coupled with a delayed recovery in local retail market and government ads, will likely result in muted ad revenue growth for both companies. DB Corp, on the other hand, which does not have a presence in UP, is expected to post healthy ad revenue growth on account of base effect (-2.7% ad revenue decline in base quarter). DB Corp is likely to post 9% YoY ad revenue growth to ₹ 337.6 crore. Ad revenue growth for Jagran is expected to be flattish at ₹ 336 crore. HT Media is likely to post 4% YoY ad revenue growth in English (on base effect) while growth for Hindi is expected to be ₹ 174.5 crore. On EBITDA margin front, Jagran expects to post 110 bps decline to 25.5% while EBITDA margins for DB Corp are likely to decline 150 bps to 20.2%. HT Media, on the other hand, is likely to report 750 bps YoY improvement in margins to 20%, given effective cost control measures.

### MBL to witness superior growth in radio segment

The revenue growth of radio segments presents a mixed picture. ENIL is expected to post flattish revenue of 161.5 crore on a YoY basis owing to after effects of government ad related issue, which it faced in Q3FY18. On the EBITDA margin front also, it is expected to post flattish margin of 21.6%. MBL, on the other hand, is expected to report strong growth of 13.7% YoY to ₹ 75.7 crore (half of the growth driven by new stations) while EBITDA margins are expected to expand 610 bps YoY to 31.0% driven by operating leverage.

**Exhibit 23: Estimates for Q4FY18E- Media** (₹ crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| DB Corp | 557.7 | 7.9 | -6.8 | 112.8 | 0.5 | -19.2 | 65.1 | 1.4 | -16.7 |
| Dish TV | 755.3 | 6.6 | 2.0 | 209.0 | 9.7 | 4.2 | -0.3 | NA | NA |
| ENIL | 163.6 | -1.2 | 10.2 | 35.3 | 0.4 | -0.9 | 13.0 | -5.6 | -1.0 |
| HT Media | 592.3 | 1.2 | -5.3 | 118.6 | 62.3 | -11.9 | 90.0 | 252.3 | -27.6 |
| Inox Leisure | 315.9 | 9.5 | -3.0 | 42.0 | 76.3 | -9.4 | 11.0 | 3,131.5 | NM |
| Jagran Prakashan | 572.2 | 1.8 | -4.3 | 145.9 | 1.3 | -10.4 | 75.1 | -7.4 | -13.9 |
| Music Broadcast Ltd | 75.7 | 13.7 | -0.6 | 23.5 | 41.4 | 0.6 | 12.1 | 168.2 | 1.6 |
| PVR | 560.7 | 16.2 | 0.6 | 79.9 | 71.1 | -20.3 | 20.9 | LP | -27.6 |
| Sun TV | 678.3 | 16.4 | -0.7 | 485.0 | 23.2 | -1.4 | 270.5 | 14.6 | 1.3 |
| TV Today | 180.2 | 9.4 | 3.8 | 57.7 | 22.9 | 0.9 | 35.1 | -4.1 | -1.8 |
| Zee Ent. | 1,680.4 | 10.0 | -8.6 | 465.5 | -0.7 | -21.7 | 304.0 | 4.1 | -5.7 |
| Total | 6,056.5 | 8.4 | -3.7 | 1,751.6 | 14.1 | -10.8 | 884.4 | 22.6 | -8.8 |

*Source: Company, ICICIdirect.com Research*

**Exhibit 24: Company specific view**

| Company | Remarks |
|---|---|
| DB Corp | DB Corp, given its lack of presence in UP (unlike HT Media and Jagran) and a favourable base (ad revenues decline of 2.7% in Q4FY17), is expected to post healthy print ad revenue growth of 9% YoY to ₹ 337.6 crore. The circulation growth continued to be healthy and is expected to post 8.2% YoY growth to ₹ 131.6 crore. Radio is expected to grow 7% YoY to ₹ 35.3 crore. Margins are expected to decline 150 bps YoY to 20.2% owing to elevated newsprint costs and expansion related cost as companies continue to increase copies in the non-leadership markets |
| Dish TV | We expect the company to add 200,000 net subscribers for the quarter. ARPU is expected to remain muted (up 1% QoQ) at ₹ 146. Dish TV is expected to post revenue of ₹ 754.9 crore, which is 1.9% growth. We expect the company to report EBITDA margins of 27.6% for the quarter (improvement of 50 bps QoQ). We highlight that merger with Videocon is completed with effective date being March 22, 2018. However, our estimates incorporate Dish TV's numbers only. We would incorporate Videocon after we get other KPIs |
| ENIL | Ad revenues for the quarter are likely be impacted on aftereffects of issues with government advertisement. This coupled with the company's focus on continuous ad yield improvement may result in flattish revenue growth of ₹ 161.5 crore. We expect flattish EBITDA of ₹ 35.3 crore, with EBITDA margins of 21.6% for the quarter (flattish YoY). We expect the company to post profit of ₹ 13 crore for the quarter |
| HT Media | The company expects to post flattish ad revenues in its Hindi segment at ₹ 174.5 crore, given the benefits of UP elections in the base quarter. English ad revenues are expected to post growth of 4% YoY to ₹ 242.1 crore given its low base. Circulation revenues are expected to post 1.3% YoY growth to ₹ 73.7 crore. The radio segment is expected to post growth of 8% YoY to ₹ 48.1 crore. We expect the company to report EBITDA of ₹ 118.6 crore with EBITDA margins of 20%, expansion of 750 bps YoY given its effective cost control measures |
| Jagran Prakashan | Given the high base (owing to UP elections), Jagran is expected to report flattish growth in print advertisement revenues at ₹ 336 crore. Circulation revenues are expected to decline 1.8% YoY to ₹ 107.6 crore. On the radio front, ad revenues are expected to post healthy growth of 13.7% YoY to ₹ 75.7 crore. Owing to a sluggish print ad performance, overall revenues are expected to grow only 1.8% YoY to ₹ 572.2 crore. We expect EBITDA margins of 25.5% , flattish on YoY basis |

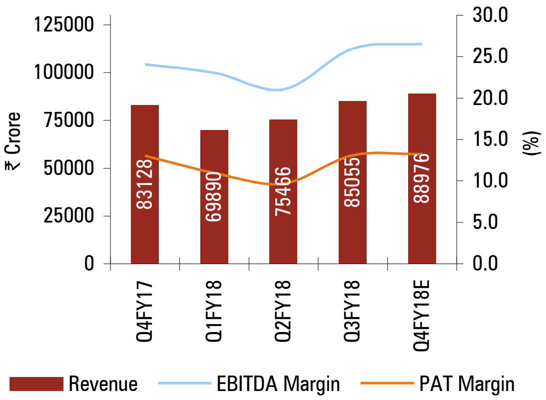
*Source: Company, ICICIdirect.com Research*

**Exhibit 25: Company specific view**

| Company | Remarks |
|---|---|
| Inox Leisure | On a footfall basis, Inox is expected to report 3.3% YoY decline on account of Padmavat release ban in its key markets of Rajasthan and Gujarat. However, on account of Padmavat success as well unexpected positive response to Raid and Sonu ke Titu ki Sweety (collected ₹ 100 crore each), we expect Inox to post healthy numbers in seasonally weak quarter. ATP is expected to grow 7% YoY on a strong content performance. Net box office collections are expected to improve 2.8% YoY to ₹ 183.8 crore while F&B revenues are expected to witness 14.9% YoY growth. Advertisement revenues are expected to grow 47.4% YoY. We expect EBITDA margins to improve 460 bps YoY to 13.3%, largely driven by operating leverage from healthy revenues growth |
| PVR | Box office collections were healthy in a seasonally weak quarter because of Padmavat's success as well unexpected success of Raid and Sonu ke Titu ki Sweety. On the footfalls front, we expect the company to report 2.9% YoY growth to 18.7 million. ATP is expected to grow 7% YoY to ₹ 203. Net ticketing revenues are expected to post healthy growth of 13.8% YoY to ₹ 300.9 crore, driven by ATP as well footfall growth. F&B revenues are expected to report strong growth of 18.5% YoY to ₹ 152.2 crore. Advertising revenues are expected to post growth of 35% YoY to ₹ 71.2 crore. Healthy revenue growth would be providing operating leverage. We expect margin expansion of 460 bps YoY to 14.3%. PVR is expected to post net profit of ₹ 20.9 crore for the quarter |
| Sun TV | We expect Sun TV to report healthy ad revenue growth on a relatively favourable base. Subscription revenues are expected to continue their strong momentum on digitisation drive. We expect ad revenues to grow 20% YoY to ₹ 350.4 crore while subscription revenues are expected to grow 17.3% YoY to ₹ 283.8 crore. We expect EBITDA margins of 71.5% for the quarter (up 390 bps YoY) |
| TV Today Network | Given the heavy base quarter (16% growth owing to UP elections), we expect broadcasting revenue for the quarter to grow ~9% YoY to ₹ 175.2 crore. The radio business is expected to continue its momentum and is expected to post revenue of ₹ 4.9 crore, resulting in total revenue of ₹ 180.2 crore (~9.4% YoY growth). We expect EBITDA margins to improve 350 bps YoY to 32%, as the base quarter was marred by high production costs due to election events |
| Zee Entertainment | On a reported basis (ex-sports and integration of Big channels), Zee is expected to post healthy ad revenue growth of 20% YoY to ₹ 1015.9 crore. Owing to exclusion of sports business and weak international subscription revenue, total subscription revenue is expected to post a decline of 2.4% YoY to ₹ 544.5 crore (low teens growth on like-to-like basis). EBITDA margins are expected to decline 300 bps YoY at 27.7%, given the company's investments into brand refresh, higher content costs as well as Zee5 (digital launch) |
| Music Broadcast | We expect MBL to continue its momentum on the revenue and EBITDA front on account of ramping up new stations and continuous healthy performance from its legacy stations. We expect the company to report 13.7% YoY revenue growth to ₹ 75.7 crore with half of the growth driven by volume led new stations. We expect the company to post 610 bps YoY margin expansion to 31%, largely driven by operating leverage and presence of IPO related expenses and costs related to new stations in the base quarter. We expect the company to report a net profit of ₹ 12.1 crore for the quarter |

*Source: Company, ICICIdirect.com Research*

## Top line & Profitability (Coverage universe)

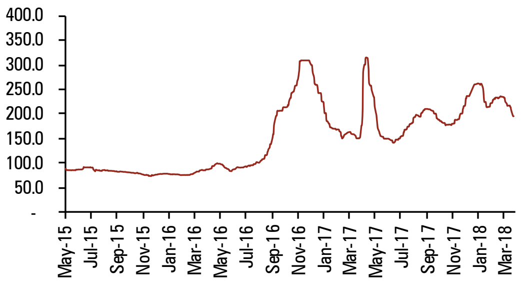



## Movement of Base metal prices on LME (US$ per tonne)

| | Q4FY18 | Q4FY17 | YoY | Q3FY18 | QoQ |
|---|---|---|---|---|---|
| Zinc | 3,413 | 2,778 | 22.9 | 3,232 | 5.6 |
| Lead | 2,518 | 2,278 | 10.6 | 2,489 | 1.2 |
| Aluminium | 2,154 | 1,853 | 16.3 | 2,104 | 2.4 |
| Copper | 6,958 | 5,838 | 19.2 | 6,822 | 2.0 |

*Source: Bloomberg, ICICIdirect.com Research*

## Spot Coking Coal Prices ($/tonne)




*Source: Bloomberg, ICICIdirect.com Research*

# Metals & Mining

### Indian finished steel consumption grows 7.6% in YTDFY18...

For the first 11 months of FY18 (April-February), Indian finished steel production was at 95.3 million tonne (MT), up 2.8% YoY. Imports during the period were up 5.6% YoY to 7.0 MT while exports were up 34.6% YoY to 8.9 MT. On a YTD basis, India remained a net exporter of steel. Finished steel consumption witnessed growth of 7.6% YoY to 81.9 MT. During Q4FY18, domestic steel prices reported a healthy increase across product categories. On the cost front, average coking coal prices increased ~13% QoQ to US$230/tonne (vs. US$204/tonne in Q3FY18).

### Non-ferrous prices report modest up-tick in Q4FY18...

Non-ferrous prices, over the last couple of quarters, registered healthy growth on a QoQ basis. However, in Q4FY18, the price increase was modest. During the quarter (especially March 2018), non-ferrous prices declined and remained volatile on account of increasing trade tensions between the US and China. During Q4FY18, average zinc prices were at US$3413/tonne up 22.9% YoY, 5.6% QoQ. Lead prices were up 10.6% YoY, 1.2% QoQ to US$2518/tonne. Aluminium prices increased 16.3% YoY, 2.4% QoQ to US$2154/tonne while copper prices were at US$6958/tonne, up 19.2% YoY, 2% QoQ. We believe the fortunes of the Indian metals space largely depends on domestic infrastructure, whose growth remains intact on account of the increased thrust of the government, which augurs well.

### Graphite electrode players to report yet another stellar quarter...

We expect HEG, Graphite India to report a robust performance driven by higher realisations. HEG's topline is likely to increase 314.2% YoY, 26.7% QoQ while Graphite India's topline is expected to increase 214.2% YoY and 25.7% QoQ. Higher realisations are expected to more than offset the increase in raw material cost (needle coke). Thus, we expect HEG and Graphite India to report EBITDA margins of 60.7% and 52.2%, respectively.

### Aggregate EBITDA margins to increase QoQ...

We expect the aggregate topline of coverage companies to increase 7.0% YoY, 4.6% QoQ while the aggregate EBITDA margin is likely to increase 250 bps YoY, 57 bps QoQ to 26.5% (vs. 24% in Q4FY17 and 26.0% in Q3FY18). We expect JSW Steel's domestic operations to report an EBITDA/tonne of ₹ 10000/tonne. Domestic miners like Coal India are expected to clock an EBITDA/tonne of ₹ 300/tonne while NMDC is likely to report an EBITDA/tonne of ₹ 1700/tonne. We expect Novelis (Hindalco's wholly owned subsidiary) to clock an EBITDA/tonne of US$375/tonne (vs Q3FY18 – US$ 383/tonne, Q4FY17 – US$ 370/tonne).

**Exhibit 26: Estimates for Q4FY18E: (Metals & Mining)** (₹ Crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Coal India | 22,524.6 | -2.8 | 4.1 | 4,766.6 | 40.7 | 3.2 | 3,214.2 | 18.3 | 7.0 |
| Graphite India | 1,173.3 | 214.2 | 25.7 | 612.2 | 4,064.9 | 18.1 | 413.0 | 566.1 | 21.3 |
| HEG | 1,067.9 | 314.2 | 26.7 | 648.3 | 2,090.3 | 16.3 | 434.0 | LP | 26.9 |
| Hindalco | 11,072.3 | 0.4 | 0.4 | 1,267.5 | -5.9 | -3.4 | 470.3 | -6.5 | 25.8 |
| Hindustan Zinc | 6,151.4 | -1.7 | 3.9 | 3,342.3 | -10.8 | 3.0 | 2,142.2 | -29.9 | -3.9 |
| JSW Steel | 18,820.6 | 13.0 | 5.4 | 4,288.7 | 35.5 | 11.4 | 1,701.8 | 68.7 | -4.1 |
| NMDC | 3,347.6 | 16.6 | 35.6 | 1,699.6 | 82.3 | 40.5 | 1,154.2 | 125.5 | 30.2 |
| Vedanta Ltd | 24,818.5 | 10.2 | 1.9 | 6,974.6 | -5.1 | 3.1 | 2,250.8 | -24.2 | 3.6 |
| Total | 88,976.2 | 7.0 | 4.6 | 23,599.9 | 18.2 | 6.9 | 11,780.3 | 8.8 | 5.9 |

*Source: Company, ICICIdirect.com Research, Hindalco numbers are of Standalone entity*

**Hindustan Zinc: Sales Volume Trend**

| | | FY17 | FY18 | | | |
|---|---|---|---|---|---|---|
| Sales | Unit | Q4 | Q1 | Q2 | Q3 | Q4E |
| Zinc | Tonne | 217000 | 190000 | 193000 | 200000 | 210000 |
| Lead | Tonne | 47000 | 34000 | 40000 | 46000 | 47000 |
| Silver | Kg | 135000 | 110000 | 146000 | 132000 | 135000 |

**JSW Steel: EBITDA/tonne & Sales**

| | FY17 | FY18 | | | |
|---|---|---|---|---|---|
| | Q4 | Q1 | Q2 | Q3 | Q4E |
| Sales Volume | 4.0 | 3.5 | 3.9 | 4.0 | 4.0 |
| EBITDA/tonne | 7,586 | 6,262 | 7,467 | 9,000 | 10,000 |

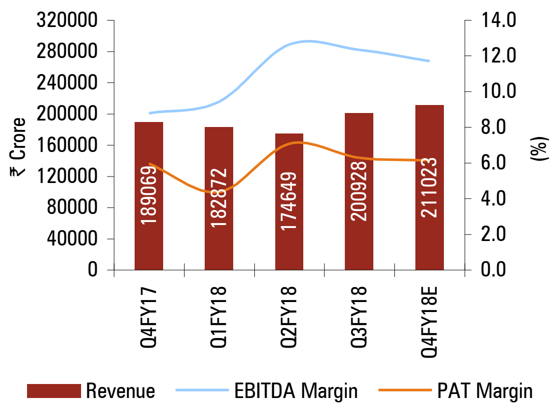
Sales volume in Million tonnes and EBITDA/tonne in ₹/tonne

**Exhibit 27: Company specific view**

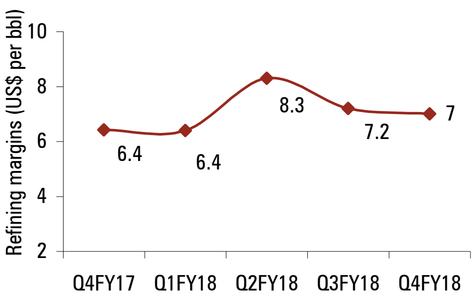
| Company | Remarks |
|---|---|
| Coal India | For Q4FY18E, Coal India reported coal offtake of 158.9 million tonne (MT), up ~5% YoY and QoQ. The topline is likely to increase 4.1% QoQ while the EBITDA margin is expected to remain flattish QoQ at 21.2%. We expect an EBITDA/tonne of ₹ 300/tonne |
| Graphite India | We expect capacity utilisation of 95% for Q4FY18E. On the back of higher realisations, the topline is expected to increase 214.2% YoY, 25.7% QoQ. We expect higher realisations to more than offset the increased needle coke cost. We expect healthy EBITDA margins of 52.2% (vs. 3.9% in Q4FY17 and 55.6% in Q3FY18) |
| HEG | For Q4FY18E, we expect capacity utilisation of 90% (vs. 80% in Q4FY17 and 84% in Q3FY18). The higher realisations are expected to boost the topline by 314.2% YoY and 26.7% QoQ. We expect EBITDA margins to remain healthy as an increase in realisations is expected to more than offset the increase in needle coke cost. We expect an EBITDA margin of 60.7% (vs. 11.5% in Q4FY17 and 66.2% in Q3FY18) |
| Hindustan Zinc | For Q4FY18, sales volumes will include the forward sales of 165 KT of zinc at US$3084/tonne sold in Q2FY18. We expect the company to report zinc sales of 210000 tonne, lead sales of 47000 tonne and silver sales of 135000 kg. We expect EBITDA margin to remain flattish at 54.3% for the quarter |
| JSW Steel | For Q4FY18, we expect a strong EBITDA/tonne of ₹ 10000/tonne driven by a healthy increase in domestic steel prices. We expect domestic operations to report steel sales of 4.0 MT. The consolidated topline is expected to increase 13.0% YoY, 5.4% QoQ while EBITDA is expected to increase 35.5% YoY, 11.4% QoQ. We expect a consolidated EBITDA margin of 22.8% for Q4FY18 |
| Hindalco | For Q4FY18E, we expect Hindalco's EBITDA margins to remain flattish QoQ at 11.4%. We expect domestic operations to report aluminium sales of ~330000 tonne and copper sales of ~105000 tonne. We expect the topline to remain flattish QoQ. Novelis for Q4FY18 is likely to report FRP shipments of 803 kilo tonne (KT) and an EBITDA/tonne of US$375/tonne |
| NMDC | We expect the company to report iron ore sales of 10.0 million tonne (MT) for Q4FY18. On the back of healthy realisations (on account of steep price hike taken in January 2018, despite a price cut in March), we expect the topline to increase 34.0% YoY, 35.6% QoQ while EBITDA is expected to increase 65.6% YoY, 40.5% QoQ. It is likely to clock an EBITDA/tonne of ₹1700/tonne, subsequently reporting EBITDA margin of 50.8% |
| Vedanta | The Q4FY18 performance is likely to be marked by a healthy increase in base metal and crude prices auguring well for the company's zinc and oil & gas businesses. We expect the topline to increase 10.2% YoY, 1.9% QoQ. We expect EBITDA margins to come in at 28.1% (vs. 32.7% in Q4FY17 and 27.8% in Q3FY18) |

*Source: ICICIdirect.com Research*

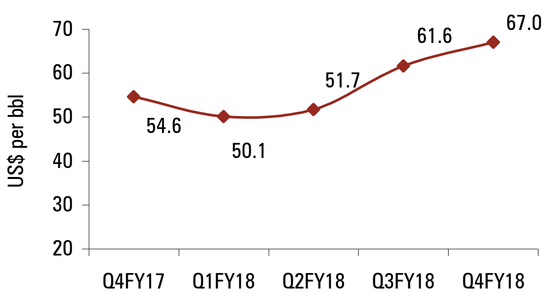
## Topline & profitability (Coverage universe)




## Singapore gross refining margins (GRMs)




## Average Brent crude oil prices




## Top picks of sector

Petronet LNG
MRPL
Gujarat Gas

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# Oil and gas

### Domestic gas production, LNG imports remain subdued QoQ

During the quarter, we expect volumes of major gas utility companies to decline marginally on account of a QoQ decline in domestic natural gas production. Also, imported LNG posted a marginal volume drop QoQ. On account of the same, we expect marginal dip in performance on a sequential basis whereas YoY the performance would continue to remain strong. For city gas distribution companies, we expect profitability to maintain its steady growth momentum supported by encouraging conversions of CNG vehicles amid the government's participation to arrest rising concerns over pollution issues.

### Geopolitical cues push crude oil prices, realisations higher

The quarter witnessed volatile geopolitical cues leading to higher crude oil prices on a sequential basis. Opec countries continued to be in line with their production cut agreements with leading members suggesting extension of agreements even in 2019. On the other hand, a reduction in the US in number of rigs and oil inventories also added to bullish sentiments related to crude oil prices. As a result, average Brent crude prices increased 8.8% QoQ from US$61.7/bbl in Q3FY18 to US$67/bbl in Q4FY18. This may lead to an improvement in realisations of upstream oil companies. On the subsidy sharing front, although we assume nil subsidy burdens for PSUs, the sharing mechanism remains uncertain as the government is yet to decide on the same.

### Relatively lower inventory gains QoQ to impact GRMs of OMCs

Benchmark Singapore GRMs witnessed a decline from US$7.2/bbl in Q3FY18 to US$7/bbl in Q4FY18 due to a decline in spreads of majority of products. While crack spreads for gasoline (petrol) declined by US$4.9/bbl QoQ to US$11.2/bbl, spreads for gas oil (diesel major product for Indian refiners) increased by US$1.7/bbl, thus having minimal impact on GRMs of OMCs. However, relatively lower inventory gains in Q4FY18 vs. Q3FY18 are expected to lead to a QoQ decline in reported GRMs. We assume an average growth rate of 5.3% YoY for marketing volumes of major petroleum products. Competition from private players in the marketing segment will continue to play an important role.

**Exhibit 28: Estimates for Q4FY18E: (Oil and Gas)** (₹ Crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Bharat Petroleum | 76,019.1 | 15.1 | 8.3 | 3,800.5 | 71.8 | 19.2 | 2,330.3 | 26.5 | 8.7 |
| Castrol India Ltd | 958.0 | 8.6 | -1.3 | 274.7 | 4.3 | -10.4 | 184.0 | 2.8 | -6.5 |
| Gail India | 13,693.9 | 0.1 | -5.0 | 2,030.4 | 30.5 | 3.1 | 1,218.2 | 368.2 | -3.5 |
| Gujarat Gas | 1,647.7 | 17.7 | 4.9 | 249.2 | 70.3 | 24.7 | 93.2 | 181.2 | 55.3 |
| GSPL | 334.5 | 36.7 | -4.5 | 300.6 | 49.3 | 1.2 | 176.1 | 38.8 | -3.0 |
| Gulf Oil | 354.6 | 18.3 | -0.4 | 59.9 | 28.8 | -2.5 | 38.9 | 21.2 | -8.3 |
| HPCL | 67,847.7 | 15.4 | 7.6 | 2,641.0 | -8.5 | -16.4 | 1,446.9 | -20.4 | -25.8 |
| Indraprastha Gas Ltd | 1,198.5 | 19.6 | 1.2 | 252.8 | 19.1 | -3.9 | 148.6 | 10.8 | -10.4 |
| Mahanagar Gas Ltd | 626.5 | 8.7 | -1.8 | 195.5 | 19.8 | -2.7 | 120.5 | 21.1 | -2.8 |
| MRPL | 17,186.9 | -5.1 | -1.3 | 1,107.7 | -28.7 | -36.6 | 577.4 | -70.3 | -40.5 |
| ONGC | 23,300.4 | 7.3 | 1.3 | 12,937.1 | 92.4 | 3.3 | 6,111.9 | 40.8 | 21.9 |
| Petronet LNG | 7,855.5 | 23.4 | 1.3 | 840.6 | 36.4 | -0.8 | 510.2 | 8.4 | -3.5 |
| Total | 211,023.1 | 11.6 | 5.0 | 24,689.9 | 48.9 | -0.3 | 12,956.2 | 14.9 | 2.5 |

*Source: Company, ICICIdirect.com Research*

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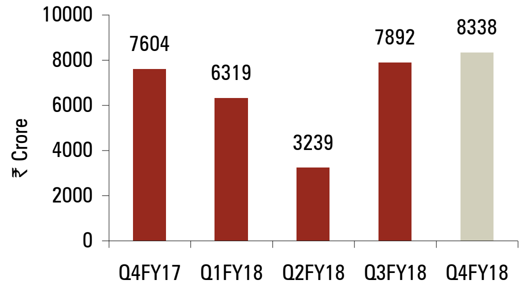
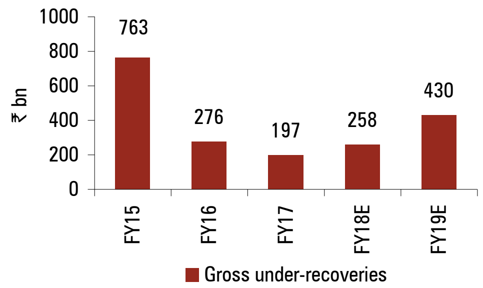
### Gross under-recoveries of petroleum products (QoQ)




** Under-recoveries includes Cash Subsidy under DBTL*

### Gross under-recoveries of petroleum products (YoY)




### Singapore benchmark product spreads (US$/bbl)

| Product Spreads | Q3FY18 | Q4FY18 | Chg YoY | Chg QoQ |
|---|---|---|---|---|
| Gasoline | 16.2 | 11.2 | -3.6 | -4.9 |
| Naphtha | 3.0 | 7.9 | 8.6 | 4.9 |
| Jet Kerosene | 13.4 | 12.5 | 1.5 | -0.9 |
| Gas Oil | 13.1 | 14.8 | 3.0 | 1.7 |
| Fuel Oil | -4.8 | -10.7 | -5.3 | -5.9 |
| LPG | -7.2 | -22.1 | -7.9 | -14.9 |

*Source: Bloomberg, Reuters*

### Exhibit 29: Company specific view

| Company | Remarks |
|---|---|
| BPCL | With rise in product realisations due to higher crude oil prices, revenues are expected to increase 8.3% QoQ to ₹ 76019.4 crore. We expect GRMs to decline QoQ to $7.5/bbl in Q4FY18E from $7.9/bbl in Q3FY18 mainly due to relatively lower inventory gains. However, higher efficiencies at the Kochi refinery will support operating GRMs. Crude throughput is expected at 7.5 MMT vs. 7.3 MMT in Q3FY18. Subsequently, PAT is expected to increase 8.7% QoQ to ₹ 2330.3 crore |
| Castrol India | Revenues are expected to increase 8.6% YoY mainly on account of higher net realisations. We expect steady volume growth of 3.5% YoY. Gross margins are expected to increase 2.1% YoY to ₹ 97.2/litre with EBITDA per litre at ₹ 52.9/litre. However, on a QoQ basis, we expect margins to decline marginally due to a rise in base oil (raw material prices). On the profitability front, we expect PAT to increase 2.8% YoY to ₹ 184 crore vs. ₹ 179 crore in Q1CY17 |
| Gail | We expect profitability to remain strong with an improvement of 16.2% YoY (adjusting for one-offs observed in Q4FY17) supported by a stable performance across segments. Gas transmission volumes are expected to increase 4.4% YoY to 106 mmscmd with its EBIT increasing 32.5% YoY mainly on account of higher volumes and realisations. The EBIT of the petchem segment is expected at ₹ 172 crore supported by better realisations due to a rise in crude oil prices and volume growth. On the LPG liquid hydrocarbon front, EBIT is expected to increase 13.3% YoY to ₹ 569.6 crore. However, on a QoQ basis, a fall in LPG prices is expected to have an impact on the realisations and EBIT of the segments |
| GSPL | Despite a decline of 3% QoQ, gas transmission volumes are expected to remain stable at 32.5 mmscmd in Q4FY18 vs. 33.5 mmscmd in Q3FY18 (that witnessed higher offtake from the power sector). Subsequently, we expect revenues to decline 4.5% QoQ (increase 36.7% YoY) to ₹ 334.5 crore with transmission tariffs at ₹ 1.13 per scm. PAT is expected to decline 3% QoQ to ₹ 176.1 crore |
| Gujarat Gas | We expect revenues to increase 17.7% YoY (4.9% QoQ) on account of steady volume growth of 3.9% YoY (flat QoQ) at 6.3 mmscmd. The company took a price hike for its industrial customers at the end of the previous quarter to pass on higher LNG prices. Hence, we expect a strong recovery in gross margins at ₹ 7.1/scm on both YoY and QoQ basis. On account of the same, we expect profitability at ₹ 93.2 crore, up 2.8x YoY and 55.3% QoQ |
| Gulf Oil Lubricants | Revenues are expected to increase 18.3% YoY mainly on account of higher realisations YoY. We expect core volumes to report stable growth rate of 10.5% YoY. EBITDA per litre is expected to increase by ₹ 3.6/litre YoY to ₹ 25.2/litre due to improvement in gross margins. However, on a QoQ basis, margins are expected to remain flat due to a rise in base oil prices. PAT is expected to increase 21.2% YoY to ₹ 38.9 crore |
| Hindustan Petroleum | We expect revenues to increase 7.6% QoQ to ₹ 67847.7 crore mainly due to higher product prices. Crude throughput is expected to remain flat QoQ at 4.5 MMT in Q4FY18. We expect a decline in refining margins to $6.5/bbl due to relatively lower inventory gains in comparison to Q3FY18. Subsequently, PAT is expected to decline 25.8% QoQ to ₹ 1446.9 crore |
| Indraprastha Gas | We expect volumes to grow 12.4% YoY with encouraging conversion of CNG vehicles amid the Delhi government's efforts to control high pollution concerns. Total volumes are expected at ~5.4 mmscmd (CNG: 4 mmscmd, PNG: 4 mmscmd). We expect gross margins to continue to remain strong YoY at ₹ 13.1 per scm, up ₹ 0.5 per scm led by pricing power and relatively lower domestic gas prices. However, on a QoQ basis, higher levels of LNG prices are expected to have a marginal impact on the same. EBITDA per scm is expected to remain strong YoY at ₹ 13 per with PAT growth at 10.8% YoY to ₹ 148.6 crore |

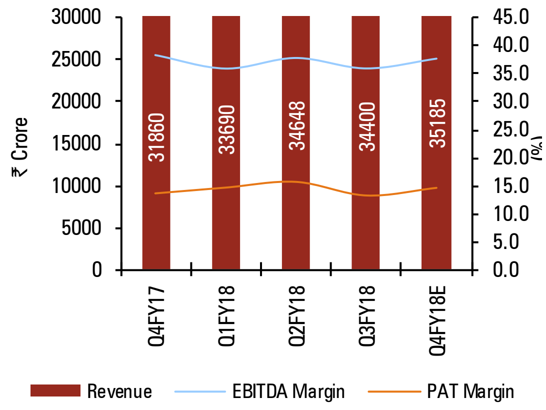
*Source: ICICIdirect.com Research*

**Exhibit 30: Company specific view**

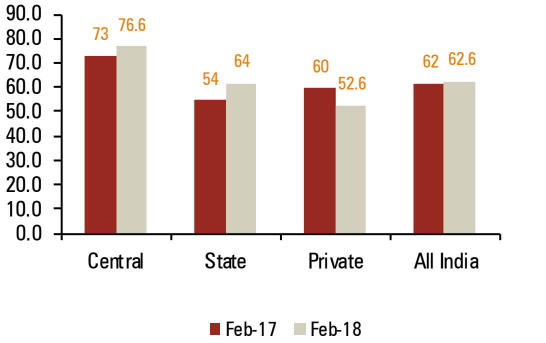
| | |
|---|---|
| Mahanagar Gas | Growth momentum is expected to remain steady with volume growth of 6% YoY supported by robust conversion rate of CNG vehicles. Volumes are expected at 2.78 mmscmd (CNG: 2.04 mmscmd, PNG: 0.74 mmscmd). Gross margins are expected to witness an expansion to ₹ 14.4 per scm vs. ₹ 13.4 per scm in Q4FY17 on account of higher pricing power and relatively lower domestic gas prices. However, on a quarterly basis, gross margins are expected to decline marginally given higher levels of LNG prices. PAT is expected to increase 21.1% YoY to ₹ 120.5 crore |
| MRPL | For Q4FY18, we expect reported GRMs at $8.5/bbl vs. $9.3/bbl in Q3FY18. The decline in GRMs may be mainly due to relatively lower inventory gains of $1.1/bbl vs. $2.5/bbl in Q3FY18. Adjusting for inventory gains, we expect operational GRMs of $7.4/bbl in Q4FY18. Throughput in Q4FY18 is expected at 4 MMT vs. 4.5 MMT in Q3FY18. Subsequently, PAT is expected to decline 40.5% QoQ to ₹ 577.4 crore |
| ONGC | Oil & gas production is expected to witness a QoQ decline of 2% and 3.1% respectively. While oil production is estimated at 6.2 MMT, gas output is expected at 6.1 MMT in Q4FY18. With the QoQ rise in crude oil prices, we expect net realisations to increase 9.8% QoQ at $66.5/bbl. Although we have assumed nil subsidy burden in Q4FY18, the sharing mechanism remains uncertain as the government is yet to take a call on same. PAT is expected to increase 21.9% QoQ to ₹ 6111.9 crore mainly on account of higher realisation and lower depreciations costs which were higher in previous quarter |
| Petronet LNG | The topline is expected to increase 23.4% YoY to 7855.5 crore on account of robust volume growth. Total volumes are expected to increase 18.5% YoY to 213.2 trillion British thermal units (tbtu) (4.1 MMT). However, on a QoQ basis, volumes are expected to decline 4.4% due to higher offtake at the Dabhol terminal. Blended margins are expected to increase marginally YoY to ₹ 47.1/mmbtu. Subsequently, PAT is expected to increase 8.4% YoY to ₹ 510.2 crore |

*Source: ICICIdirect.com Research*

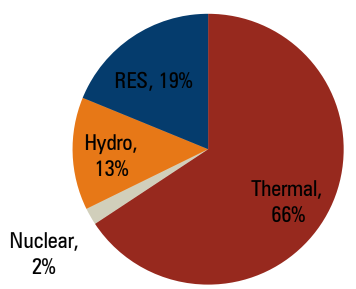
## Topline & Profitability (Coverage universe)




## Trend in all India sectoral PLF




## Segment wise break up of total installed capacity




*Data as on February 2018*

## Top pick of sector

Power Grid
CESC

## Research Analyst

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## Power

### Coverage companies to meet capacity addition target

Regulated utilities like NTPC and Power Grid are likely to achieve their guidance for capacity addition in FY18E. NTPC is likely to commission capacity to tune of 4500 MW in FY18E and 1460 MW in Q4FY18E. Power Grid, on the other hand, is likely to exhibit ₹ 30000 crore asset capitalisation with ₹ 12000 crore expected in Q4FY18E. However, the capacity addition trend has been very muted across the power sector as only capacity to the tune of 5615 MW was added in YTDFY18 vs. 9690.7 MW in FY17. Total installed capacity as of February 2018 was at 334147 MW. The share of renewable has inched up to 19% of overall capacity. Renewable capacity installed was at 62847 MW whereas installed hydro capacity was at 44963 MW. As of February 2018, cumulative solar and wind capacity was at 18503 MW and 32957 MW, respectively. The scenario for wind capacity addition has improved dramatically as tenders under SECI schemes in FY18 were at 4000 MW.

### Power generation up 4.1% in YTDFY18

Overall power generation in April 2017-February 2018 was up 4.1% YoY while in November 2017 the same was up marginally at ~2.6% YoY. In terms of segmental (YTD) basis, thermal generation was up 4.1% YoY while hydro has seen decent growth of 4.08% YoY. On the other hand, renewable segment witnessed 27.3% YoY growth in generation in January 2018, mainly on the back of strong capacity addition in FY16-18. Base and peak deficit were at 0.6% and 1.1%, respectively, in February 2018. On an all-India level, PLFs for February 2018 were up 110 bps at 63.6%. On a segmental basis, the central and state level utilities saw robust PLFs at 77% and 64% while that of private IPPs meaningfully declined to 52.6% from 60%.

### Coverage companies to put up reasonable show

**On an overall basis, Q4FY18E is expected to pan out well for companies under coverage. We expect the coverage universe to report revenue growth of 10.4% YoY while PAT growth is expected at 17.8% YoY (mainly led by NTPC's one offs in Q4FY17 that dragged PAT for that quarter). NTPC may post a strong all-round performance with 4500 MW of capacity commercialised in FY18. Generation growth is likely to be strong at 7% whereas revenues are expected to grow 4.5% YoY (on the back of lower realisations YoY). Power Grid may continue its strong asset capitalisation trend of ₹ 12000 crore for Q4FY18E, which is likely to help it to achieve the yearly guidance of ₹ 30000 crore. Similarly, revenues and PAT are expected to grow 17.7% and 13.8% YoY, respectively, in Q4FY18E. CESC may report strong 19.7% YoY growth in generation in base business. Energy sold (volume from base business plus power purchase from subsidiary) may exhibit growth of 17%. Consequently, we expect PAT to grow 7%, mainly on account of lower other income and higher fuel cost.**

**Exhibit 31: Estimates for Q4FY18E: (Power)** (₹ Crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| CESC | 1,857.4 | 18.2 | 8.9 | 287.9 | 41.1 | -8.3 | 318.2 | 7.9 | 106.6 |
| NTPC | 21,343.0 | 4.5 | 2.7 | 5,975.7 | -3.7 | 13.2 | 2,603.6 | 24.2 | 10.3 |
| Power Grid Corp | 7,897.5 | 17.7 | 5.2 | 6,902.4 | 21.1 | 4.0 | 2,172.0 | 13.8 | 6.9 |
| PTC India Ltd | 4,087.1 | 29.4 | -7.4 | 72.5 | -19.7 | -15.7 | 63.0 | -20.0 | 6.9 |
| Total | 35,185.0 | 10.4 | 2.3 | 13,238.5 | 8.5 | 7.5 | 5,156.7 | 17.8 | 12.0 |

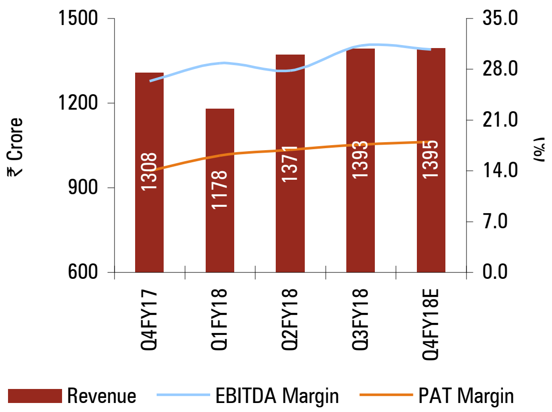
*Source: Company, ICICIdirect.com Research*

**Exhibit 32: Company specific view**

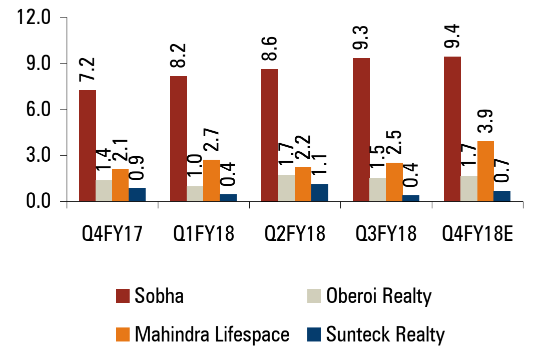
| Company | |
|---|---|
| NTPC | The company has commissioned capacity to the tune of 1460 MW in Q4FY18E and has clearly met its FY18 capacity addition guidance of 4500 MW. In Q4FY18E, the gross generation and energy sold have grown by 7% and 6.9% YoY. The gross generation for Q4FY18 stood at 68.1 billion units. We have built in realisations of ₹3.35/Kwhr vs. ₹3.43/Kwhr in Q4FY17. Revenues are expected at ₹21343 crore, up 4.5% YoY. Higher commissioning of assets will lead to higher depreciation charge and interest costs which will result in a PAT of ₹2603 crore,. This numbers are not comparable YoY on account of many one offs in Q4FY17. |
| PTC India | We expect PTC India to report a strong volume growth of 26% in overall volumes traded at 1277.2 crore units for Q4FY18E, amid low base and favourable demand scenario. Long term volumes are expected to grow by 30% YoY whereas short term volumes are expected to grow by 8% YoY. On account of higher base of other income, we expect the PAT to decline by 20% YoY to ₹63 crore despite strong operational performance. |
| Power Grid | We expect the company to capitalise assets to the tune of ₹12000 crore which will in turn allow it achieve its capitalsiation target of ₹30000 crore for FY18E. The consolidated revenues are expected to grow by 17.7% YoY to ₹ 7897.5 crore. In terms of segment, transmission segment revenues are expected to grow by 18% whereas telecom and consultancy segment are expected to grow by 15% and 5% YoY, respectively. Consequently, with higher interest and depreciation costs, PAT is expected to grow by 13.8% YoY to ₹2172 crore. |
| CESC | CESC is likely to report strong gross generation trend in its standalone operations. The generation is likely to grow by 19.7% YoY at 150.4 crore units. Similarly energy purchased is also likely to be up by 10% which is likely to result into 17% YoY growth in energy sold. Revenues are expected to grow by 18.2% YoY to ₹1857.4 crore. PAT is likely to grow by 7.9% YoY at ₹318.2 crore. The key monitarable will be the outlook on the PPA signing at the chandrapur plant. |

*Source: Company, ICICIdirect.com Research*

## Topline & Profitability (Coverage universe)




## Sales Volume Trend (Coverage Universe)




## Research Analyst

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## Real Estate

### New launches decline in FY18…

New launches have dried up in FY18 as the real estate sector is tackling the impact of RERA, GST and demonetisation. Consequently, the Mumbai Metropolitan Market (MMR) witnessed a ~27% drop in new launches in FY18 indicates a report by Liases-Foras. The tepid demand environment and drop in new launches indicate a stable price environment ahead. However, the affordable housing segment continues to witness strong demand. Also, in the recently announced Union Budget, the government announced setting up of an Affordable Housing Fund in National Housing Bank, funded from priority sector lending shortfall and fully serviced bonds authorised by the Government of India. This move could boost demand as well as supply of affordable homes, going forward.

### Sales volumes of real estate universe to improve strongly sequentially…

We expect sales volumes of our universe to post robust sequential growth of 19.3% to 16.4 lakh sq ft in Q4FY18E led by 56% growth in sales volumes of Mahindra Lifespace to 3.9 lakh sq ft. Also, Sobha reported strong sales volume growth of 8.8% QoQ to 10.15 lakh square feet which is its highest ever sales volume in past five years. Furthermore, Sunteck Realty is expected to see improvement in sales volumes with 70% QoQ growth to 0.68 lakh sq ft with incremental bookings from "Avenue City" projects. Overall, given the low interest rate regime and gradual improvement in consumer sentiments, we expect a meaningful recovery in sales volumes in the real estate sector largely led by the affordable housing segment, going forward.

### Topline of real estate coverage universe to grow 6.6% YoY…

Real estate universe revenues are expected to grow 6.6% YoY to ₹ 1394.5 crore. This growth is mainly on account of robust topline growth of Sunteck Realty of 76.3% YoY to ₹ 243.1 crore led by incremental revenue recognition in the quarter from Avenue City projects that hit revenue recognition threshold in Q2FY18. Furthermore, the universe is expected to post EBITDA margins of 30.7%. Consequently, we expect our universe PAT to grow robustly by 37.1% YoY to ₹ 250.7 crore.

**Exhibit 33: Estimates for Q4FY18E (Real Estate)** (₹ crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Oberoi Realty | 336.8 | 17.4 | -5.0 | 183.6 | 21.2 | -4.7 | 114.4 | 12.4 | -4.8 |
| Mahindra Lifespace | 110.2 | -63.2 | -23.8 | 13.8 | 2,202.6 | -14.2 | 11.7 | 129.8 | -11.3 |
| Sobha Dev. | 704.4 | 20.6 | 1.8 | 142.0 | 18.1 | 3.3 | 56.3 | 19.8 | 5.4 |
| Sunteck Realty | 243.1 | 76.3 | 20.6 | 102.7 | 41.7 | 15.3 | 68.3 | 135.6 | 16.7 |
| Total | 1,394.5 | 6.6 | 0.1 | 442.1 | 28.2 | 1.6 | 250.7 | 37.1 | 2.2 |

*Source: Company, ICICIdirect.com Research*

## Major News during Q4FY18

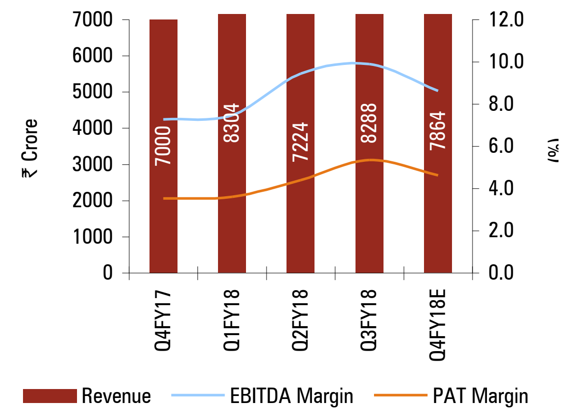
| | |
|---|---|
| Real Estate Sector | The government clarified that real estate broking service is not classified as real estate business and is, therefore, eligible for 100% FDI under the automatic route |
| | A Knight Frank India report suggests that the residential real estate market is slowly coming out of the shadow of demonetisation woes as housing sales across top eight property markets for Q3FY18 have risen 28% YoY to 51,701 apartments |
| | A CBRE report indicated that annual absorption of office space in India crossed 42 million sq ft in 2017, signalling the continued growth of the segment. Out of the key markets, Bangalore and Delhi-National Capital Region accounted for over 50% of annual leasing activity |
| | The government has extended the concessional rate of GST on houses constructed/acquired under the credit linked subsidy scheme for Economically Weaker Section/Lower Income Group/Middle Income Group-1 / Middle Income Group-2 under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana (Urban) and low-cost houses up to a carpet area of 60 square metre per house in a housing project, which has been given infrastructure status |
| | In a big relief to new home buyers, the housing ministry has extended coverage of interest subsidy under PM Awas Yojana (PMAY) to property falling under any part of a development authority and planning area, including rural areas, industrial belts and even rural pockets within special economic zones (SEZs) |
| | The Centre will constitute a group to suggest necessary changes in the policy for special economic zones (SEZs). Designed to facilitate exports, units in SEZs could get certain fiscal and non-fiscal incentives such as no licencing required for imports and full freedom of sub-contracting, as well as direct and |
| | The Supreme Court has allowed the BMC to permit a builder to carry on construction by imposing the condition in the preliminary permission that debris shall be deposited at a specific site approved by the BMC |
| | The Union Housing Minister has said the government would complete its target of building 1.1 crore homes under the Pradhan Mantri Awas Yojana much before |
| Mahindra Lifespace | The minimum alternate tax levied on special economic zones (SEZs) that hit fresh investments in the scheme is under review as a panel appointed by the commerce department has recommended removal of MAT for manufacturing units and zones to boost exports as well as job creation in the country |
| Oberoi Realty | Media reports indicate that Oberoi Realty expects to generate rental revenue of ~₹ 1000 crore in the next three years from its existing and upcoming commercial portfolio and is consequently planning to list these assets on a Real Estate Investment Trust |
| Sunteck Realty | Sunteck Realty has entered into a pact to jointly develop 100-acre land parcel into an affordable housing project on the outskirts of Mumbai in Naigaon. The land parcel has total development potential of 10 million sq ft |

**Exhibit 34: Company specific view (Real Estate coverage universe)**

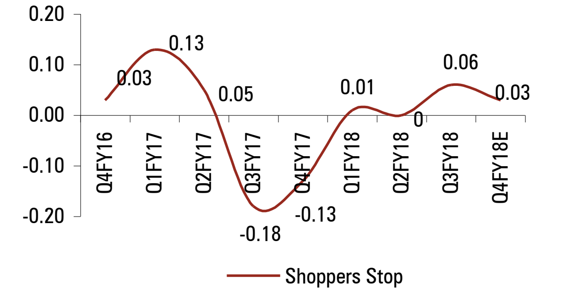
| Company | Remarks |
|---|---|
| Oberoi Realty | With gradual improvement in the demand environment, we expect Oberoi to post sales volumes of 1.66 lakh sq ft. Further, on the financial front, we expect the topline to grow strongly by 16.8% YoY to ₹ 338.3 crore. EBITDA margins are expected to expand 200 bps YoY to 54.3%. Consequently, we expect its bottomline to grow by 12.4% YoY to ₹ 114.4 crore |
| Sobha Ltd | Sobha reported strong sequential volume growth of 8.8% to 10.15 lakh sq ft led by strong performance in the Bangalore market which reported 16.5% sequential volume growth to 7.5 lakh sq ft. On the financial front, we expect topline to grow robustly by 20.6% YoY to ₹ 704.4 crore mainly due to strong growth in the real estate revenues. Further, we expect EBITDA margins to contract 40 bps YoY to 20.2%. Consequently, we expect the bottomline to grow 19.8% YoY to ₹ 56.3 crore led by strong topline growth. |
| Mahindra Lifespace | Mahindra Lifespace has received strong response at its newly launched affordable housing project in Palghar. It managed to sell 400 flats within 45 days of launch. Consequently, we expect Mahindra Lifespace to report robust sales volume growth of 56% QoQ to 3.9 lakh sq ft in Q4FY18E. On the financial front, we expect MLDL's topline may decline significantly by 63.2% YoY to ₹ 110.2 crore mainly due to high base impact. However, on a positive note, we expect the EBITDA margins to expand 1230 bps to 12.5%. Consequently, we expect the bottomline to grow robustly by 129.8% YoY to ₹ 11.7 crore |
| Sunteck Realty | With strong sales performance at "Signia High" and "Avenue City" projects, we expect Sunteck to post sales volumes of 0.68 lakh sq ft in Q4FY18. On the financial front, we expect topline to grow robustly by 76.3% YoY to ₹ 243.1 crore with incremental revenue recognised from Avenue City projects. Further, we expect the company to post EBITDA margin of 42.2% in Q4FY18E. Consequently, the bottomline is expected to grow 135.6% YoY to ₹ 68.3 crore |

*Source: Company, ICICIdirect.com Research*

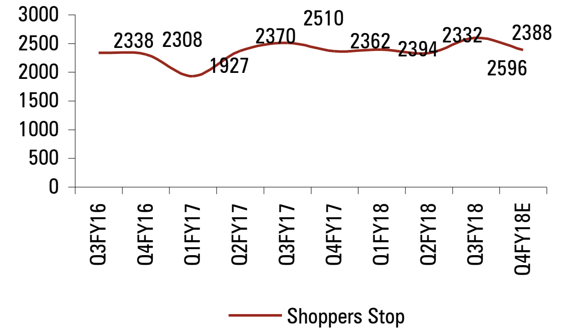
## Topline & Profitability (Coverage Universe)




## Space addition – million square feet ( QoQ)




## Revenue per sq. ft.




## Top Pick

Aditya Birla Fashion & Retail

## Research Analyst

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# Retail

### EOSS, strong wedding season to support revenue growth

We expect our retail coverage universe to report stable revenue growth of 12% YoY in Q4FY18 on the back of stock clearance sale by various branded players and retailers. A strong wedding season is expected to provide additional growth impetus. We expect Shoppers Stop's departmental stores to report low single digit like to like (LTL) sales growth owing to ongoing renovations and road construction work impacting the footfalls. Also, a rejig in inventory of private label brands (focusing on value fashion rather than premium fashion) is expected to take some time to stabilise. We anticipate Trent (Westside format) will sustain its healthy revenue trajectory with growth of 19% YoY driven by end of season sale (EOSS) and inclusion of Zudio (value fashion format) with effect from Q3FY18. Westside had commenced its EOSS period in January. For ABFRL, we expect Pantaloons division to be the key revenue growth driver owing to healthy store additions and low base effect of Q4FY17. Revenues for ABFRL are expected to increase 11% YoY. Among speciality retail players, we expect Bata to register revenue growth of 7.6% YoY. We anticipate Titan's jewellery division will report healthy revenue growth of 15% YoY, in line with the management's guidance to achieve 25% growth for FY18.

### Enhancement in EBITDA margins to sustain in quarter

At the EBITDA level, we believe positive operating leverage coupled with cost rationalisation measures like space rationalisation and better inventory management are expected to improve operating margins for companies. We expect EBITDA margins for our coverage universe to increase ~140 bps YoY. We expect operating margins on a YoY basis for Trent, ABFRL, Titan, Shoppers Stop and Bata to expand 150 bps, 40 bps, 160 bps, 60 bps and 350 bps, respectively.

### Robust store expansion plans in place for FY19

For 9MFY18, Titan added 32 Tanishq stores (including conversion of Gold Plus stores) taking the total store count to 243. The company has aggressive store expansion plans for FY19 and FY20, majority of them being through franchisee route. For Shoppers Stop, the company added one departmental store in Q4FY18 and three in FY18 taking the total store count to 83 stores. The management expects to take the total store count of departmental stores from 80 to 100 over the next three years (five to six store addition annually). ABFRL added net 47 Pantaloons stores in 9MFY18 and is on track to meet its guidance to open 60-70 stores annually.

**Exhibit 35: Estimates for Q4FY18E: (Retail) (₹ Crore)**

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Aditya Birla Fashion & | 1794.9 | 11.1 | -3.2 | 134.6 | 18.1 | -2.5 | 29.7 | 36.0 | -23.878 |
| Bata India | 636.6 | 7.6 | -5.5 | 83.4 | 47.3 | -25.2 | 49.6 | 38.0 | -27.3 |
| Shopper Stop | 942.6 | 3.6 | -2.1 | 60.3 | 14.8 | -24.0 | 12.6 | LP | -22.6 |
| Titan Company | 3,949.7 | 15.2 | -7.6 | 375.2 | 37.9 | -11.2 | 259.7 | 29.4 | -7.9 |
| Trent Ltd | 540.4 | 19.0 | 3.7 | 24.9 | 77.9 | -63.8 | 11.4 | -55.1 | -70.1 |
| Total | 7,864.2 | 12.3 | -5.1 | 678.4 | 33.2 | -17.3 | 363.0 | 46.6 | -18.1 |

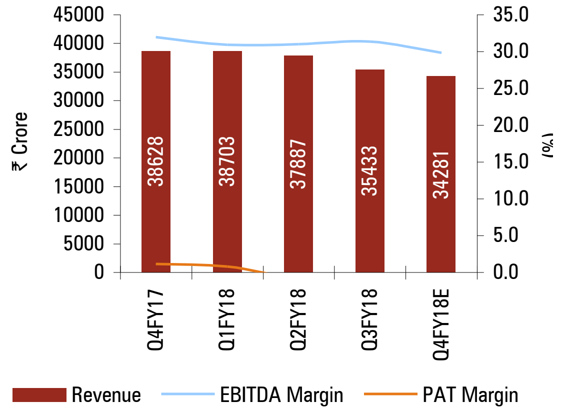
*Source: ICICIdirect.com Research*

**Exhibit 36: Company specific view (Retail)**

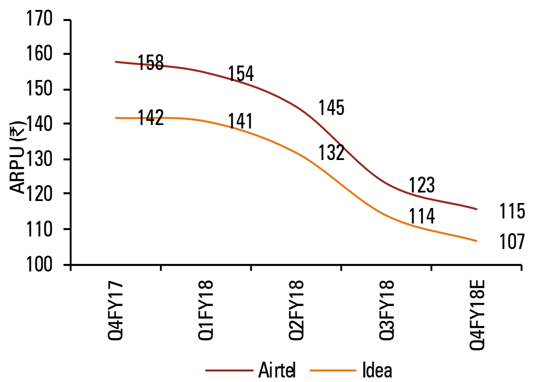
| Company | Remarks |
|---|---|
| Bata India | Bata's sustained efforts towards premiumisation of product mix through launch of new trendy designs is expected to yield better ASP. Consequently, we expect Bata to register topline growth of 7.6% YoY to ₹ 636.6 crore. Controlled operational cost structure and input tax credit is expected to enhance EBITDA margins by 350 bps YoY to 13.1%. We expect PAT to register growth of 38% YoY to ₹ 49.6 crore |
| Shoppers Stop | We expect Shoppers Stop’s departmental store to report subdued like-to-like sales growth of 2% owing to, a) ongoing renovations and road construction work impacting footfalls and b) downward revision of GST rates on various non-apparel categories leading to lower MRP. Shoppers Stop added one departmental store in the current quarter, taking the total store count to 83. We expect standalone revenues to grow 3.6% YoY to ₹ 942.6 crore. EBITDA margins are expected to improve 60 bps YoY to 6.4%. The company had to incur an exceptional expense worth ₹ 47.8 crore towards impairment of investments in Q4FY17. Hence, we expect SSL to report PAT of ₹ 12.6 crore vs. loss of ₹ 36.1 crore in Q4FY17 |
| Titan Company | We expect Titan to continue on its strong revenue trajectory mainly driven by sustained market share gains for 'Tanishq' in the jewellery segment. Topline is expected to increase 15.2% YoY to ₹ 3949.7 crore, led by 15% revenue growth in the jewellery segment and 5% growth in the watches segment. EBITDA margins are expected to expand 160 bps YoY to 9.5% on account of positive operating leverage. Subsequently, we expect PAT to increase 29.4% YoY to ₹ 259.7 crore |
| Trent Ltd | We expect Trent to register healthy revenue growth of 19% YoY to ₹ 540.4 crore, driven by end of season sale (EOSS) and inclusion of Zudio (value fashion format) with effect from Q3FY18. Traditionally, EBITDA margins for Q4 are significantly lower compared to Q3 on account of varied discount offerings impacting gross margins negatively. On a YoY basis, we expect operating margins to improve 150 bps YoY to 4.6% (Q3FY18:13.2%) led by cost rationalisation and positive operating leverage. Absolute EBITDA is expected to increase 78% YoY to ₹ 24.9 crore. However, higher tax incidence (Q4FY17:12% vs. average 30%), coupled with absence of exceptional income (₹ 24.7 crore in Q4FY17) is expected to negatively impact PAT for the current quarter. Hence, we expect Trent to report PAT of ₹ 11.4 crore vs. ₹ 25.3 crore in Q4FY17 |
| ABFRL | We expect ABFRL to register revenue growth of 11% YoY to ₹ 1794.9 crore, mainly led by robust growth in Pantaloons division, which is expected to increase 20% YoY to ₹ 703.2 crore. ABFRL added net 47 Pantaloons stores in 9MFY18. We expect Lifestyle brands to report moderate topline growth of 6% YoY to ₹ 963.5 crore. Rationalisation of store size and closure of high cost legacy stores for Forever 21 (fast fashion) is expected to stabilise operating margins. We expect EBITDA margins to improve 40 bps YoY to 7.5%. Subsequently, we expect PAT to increase 36% YoY to ₹ 29.7 crore |

*Source: Company, ICICIdirect.com Research*

## Topline & Profitability (Coverage Universe)




## ARPU trend

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## Telecom

### Pricing pressure continues…

Telecom operators are likely to witness continued pricing pressure in Q4FY18 owing to a) cut in international termination rate (from 53 p/min to 30 p/min with effect from February 1, 2018), which is likely to impact Bharti's Indian mobility and Idea revenues by 1% during the quarter and b) incumbents' follow-up to Jio's price cut across bundles by ₹ 50/month. Moreover, given the lower number of days in the quarter, overall APRU would also be lower optically. Consequently, we expect 6% QoQ decline in ARPU for Bharti to ₹ 115 resulting in 4.1% QoQ decline in India mobility revenues at ₹ 10,307 crore. Bharti's Africa revenues are expected at ₹ 5111 crore, down 0.5% QoQ. For Idea, we expect ~6.5% QoQ decline in ARPU to ₹ 107, resulting in 4.6% decline in revenues at ₹ 6212 crore. The key theme of increased data adoption would continue with Bharti's monthly data usage/customer expected to grow ~10% QoQ to ~5.8 GB. For Idea, the monthly data usage per customer is expected to witness a healthy 10% sequential growth to ~5 GB.

### Margins to remain under pressure

The pressure on topline is likely to percolate to margins for telecom operators, given the negative operating leverage amid increasing network opex cost and access charges (higher adoption of bundled offers). Idea is expected to post margins at 15.5%, down 330 bps QoQ. On the other hand, consolidated margins of Airtel are seen at 35.5%, down 130 bps QoQ, impacted by a margin decline in the Indian mobility business (margins down 230 bps QoQ to 33.8%) but partly offset by Africa margins that are expected to be robust at 35%. Steep EBITDA erosion for Bharti is likely to result in loss at PAT levels.

### Infratel tenancy to take hit as marginal players exit

Bharti Infratel is expected to report another quarter of tenancy exits as marginal players wind up their business. We expect gross exits of ~6000 tenancies given the pressure of industry consolidation. Moreover, weaker addition momentum owing to slow addition by Jio and incumbents is likely to result in net tenancy exits of 4000.

### Strong performance for Sterile Tech again

We expect Sterlite Technologies to witness another quarter of strong growth momentum driven by robust export demand. Consequently, we expect 22.6% topline growth coupled with 100 bps YoY margins improvement to 24% in Q4FY18, which will drive ~40% growth in bottomline. Tata Communication, on the other hand, would be impacted by weak growth in voice business and impact on traditional data business owing to Tata Teleservices exit. As a result, we expect a muted 1.2% topline growth coupled with 20 bps sequential decline in margins to 14.7%.

**Exhibit 37: Estimates for Q4FY18E- Telecom** (₹ crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Bharti Airtel | 19,389.5 | -11.8 | -4.6 | 6,888.8 | -12.9 | -7.8 | -158.3 | PL | PL |
| Bharti Infratel | 3,647.2 | 3.6 | -0.2 | 1,548.7 | -1.5 | -3.1 | 583.1 | -2.3 | -0.4 |
| Idea Cellular | 6,212.4 | -23.6 | -4.6 | 960.1 | -56.3 | -21.5 | -1,465.0 | NA | NA |
| Sterlite Technologies | 866.6 | 22.6 | 3.8 | 208.0 | 28.0 | 3.1 | 89.3 | 40.3 | -2.5 |
| Tata Comm | 4,165.5 | -3.0 | 1.2 | 612.3 | 21.9 | -0.1 | 23.4 | LP | 131.4 |
| Total | 34,281.3 | -11.3 | -3.3 | 10,217.9 | -17.2 | -8.0 | -927.4 | PL | NA |

*Source: Company, ICICIdirect.com Research*

**Exhibit 38: Company specific view (Telecom)**

| Company | Remarks |
|---|---|
| Bharti Airtel | Bharti is likely to witness the impact of a cut in international termination rate (from 53 p/min to 30 p/min with effect from February 1, 2018), which is likely to impact its Indian mobility revenues by 1% during the quarter, follow-up to Jio’s price cut across bundles by ₹ 50/month coupled with lower number of days in the quarter and downtrading. We expect 6% decline in ARPU to ₹ 115 for Q4FY18. The resultant India wireless revenues are expected to decline 4.1% QoQ at ₹ 10,307 crore. Given the higher network operating costs and access charges (driven by bundled offer adoption), we expect ~230 bps sequential decline in India EBITDA margins at 33.9%. Africa revenues are expected at ₹ 5111crore, down 0.5% QoQ. Africa margins are expected to be robust at 35%. The consequent, consolidated margins are seen at 35.5%, down 130 bps QoQ, mainly impacted by weak India margins |
| Bharti Infratel | Bharti Infratel is expected to witness another quarter of tenancy exits during the quarter owing to closure of business by marginal players. We expect gross exits of ~6000 owing to shutdown of services by Aircel. Moreover, weaker addition momentum owing to slow addition by Jio and incumbents would also play spoilsport. Consequently, we expect net tenancy exits of 4000 during the quarter. We expect 2.3% QOQ decline in rental revenues at ₹ 2209 crore. Energy revenues are also expected to grow 3.1 QoQ at 1438 crore (higher diesel prices). Overall margins at 42.5% are expected to decline 120 bps QoQ, largely impacted by lower core margins (~64.9% vs. 66.4% in Q3FY18) |
| Idea Cellular | Idea is also likely to witness continued pricing pressure in the aftermath of Jio's price cut in January, 2018 coupled with the impact of a cut in international termination rates. We expect ~6.5% decline in ARPU to ₹ 107 during the quarter, which also witnessed continued downtrading by high ARPU customers. Consequently, we expect ~4.6% decline in revenue at ₹ 6212 crore. On the EBITDA front, the IUC impact coupled with negative operating leverage would result in ~330 bps decline in margins at 15.5% during the quarter |
| Sterlite Technologies | Strong momentum from the product segment especially on the exports front is likely to drive 22.6% YoY growth for Sterlite to ₹ 866.6 crore. Given the higher growth trajectory of product segment, which has a higher margin profile, the EBITDA margin at 24% is expected to expand 100 bps YoY. Consequently, PAT at ₹ 89.3 crore is expected to grow 40% YoY, driven by robust performance at the operating level |
| Tata Comm | Tata Communication is expected to report muted topline growth of ~1.2% YoY to ₹ 4165.5 crore. Data segment revenues are expected to grow ~1.9% QoQ to ₹ 2940 crore, largely driven by growth services (expected to grow 19.4% YoY), while issues at Tata Teleservices will impact growth in subsidiaries like TCTSL. Data margins are expected at 18.5% vs. 18.8% in Q3FY18 while improvement in growth services margins may be offset by a fall in traditional services margins. The weakness in the voice business is expected to continue. We expect voice revenue to decline 0.4% QoQ to ₹ 1226 crore. Voice margins are expected at 5.6%, down 40 bps sequentially. Hence, overall margins are expected at 14.7%, down 20 bps sequentially. We expect the company to report PAT of ₹ 23.4 crore |

*Source: Company, ICICIdirect.com Research*

## Others

**Exhibit 39: Estimates for Q4FY18E** (₹ Crore)

| Company | Revenue | Change (%) | | EBITDA | Change (%) | | PAT | Change (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ | Q4FY18E | YoY | QoQ |
| Cox & Kings | 528.9 | 16.8 | 12.8 | 104.7 | 51.2 | -13.8 | -7.3 | PL | PL |
| CARE | 85.1 | 11.5 | 13.8 | 55.2 | 17.3 | 19.1 | 40.8 | 6.3 | 9.5 |
| DRECOR | 123.6 | -5.0 | 3.1 | 31.1 | -14.8 | 332.7 | 2.5 | -28.7 | LP |
| Jet Airways | 6,594.0 | 9.4 | 0.1 | 428.6 | 6.1 | 16.2 | 30.6 | 27.5 | 23.7 |
| Mah. Seamless | 581.8 | 28.5 | 3.2 | 66.9 | -7.4 | 9.6 | 42.0 | 7.3 | 8.5 |
| Mcleod Russel | 391.4 | 3.8 | -10.4 | -148.7 | NA | NA | -131.9 | NA | PL |
| Navneet Publications | 225.3 | 7.4 | 29.2 | 27.0 | -3.2 | 32.2 | 16.5 | -2.1 | 39.0 |
| Rallis India | 373.9 | 7.4 | -4.2 | 41.4 | -0.6 | 10.4 | 23.2 | -25.1 | -6.8 |
| Ratnamani Metals & | 566.2 | 45.8 | 5.7 | 94.8 | 38.5 | 12.7 | 54.4 | 36.5 | 18.8 |
| Solar Industries | 505.5 | 14.3 | 8.5 | 105.1 | 14.4 | 0.8 | 62.7 | 14.1 | 15.8 |
| Swaraj Engines | 247.8 | 54.1 | 35.2 | 42.0 | 74.0 | 63.2 | 26.3 | 72.4 | 52.3 |
| TTK Prestige | 431.1 | 8.5 | -13.6 | 56.0 | 12.6 | -21.7 | 35.9 | -35.2 | -24.0 |
| Talwalkars | 965.3 | 18.2 | 5.1 | 19.4 | 61.4 | 8.6 | 20.2 | -40.1 | 9.9 |
| United Spirits | 2,127.4 | 5.6 | -6.0 | 288.2 | 8.7 | 5.8 | 152.1 | LP | 13.6 |
| United Breweries | 1,241.0 | 11.5 | 3.7 | 126.4 | 25.0 | -17.2 | 33.4 | 396.1 | -29.5 |
| VST Tillers & Tractors | 255.7 | 29.7 | 54.3 | 40.9 | 42.0 | 41.2 | 28.2 | 61.5 | -10.2 |
| Wonderla Holidays | 66.5 | 8.7 | -10.2 | 20.7 | 109.2 | 15.0 | 9.2 | 166.8 | 34.8 |
| Total | 15,310.6 | 11.3 | 0.9 | 1,399.8 | 23.7 | -8.5 | 438.9 | 77.2 | -25.0 |

*Source: Company, ICICIdirect.com Research*

**Exhibit 40: Company specific view (Others)**

| Company | Remarks |
|---|---|
| Cox & Kings | Q4 is a seasonally weak quarter for Cox and Kings. However, a better performance in the Meininger division (up 40% YoY led by increase in bed addition) is expected to drive the topline in the quarter to ₹ 528.9 crore (up 14.7% YoY). In addition, EBITDA margins are expected to expand 300 bps YoY to 19.8% mainly led by improving margins in the Meininger division and low base last year (due to foreign exchange loss). Further, the company's loss at the PAT level is expected to narrow to ₹ 7.3 crore from a net loss of ₹ 59.6 crore in Q4FY17 mainly led by a better performance at the operating level |
| CARE | On a YoY basis, traction in rating revenue is expected at 11.5% to ₹ 85 crore. In the last two quarters growth in revenue has improved a bit owing to improving credit growth of the banking sector. Thus, sustainability of this improvement in Q4FY18 would be keenly monitored. EBITDA margin of 64.9% and PAT of ₹ 40.8 crore is estimated (up 12% YoY, 9.5 QoQ YoY).Other income may stay normal in the range of ~₹ 6 crore. |
| Dredging Corporation of India | The quarter would remain impacted by unrest on the back of company's privatisation plans. Revenues for the quarter are expected to de-grow 5% YoY to ₹ 123.6 crore. Higher crude would further impact the operational performance (EBITDA), which is expected to de-grow 15% to ₹ 31.1 crore. PAT is expected to be marginally profitable at ₹ 2.5 crore |
| Jet Airways | Jet's domestic passenger traffic growth (up 13% YoY) is expected to remain below industry average passenger growth of 23% YoY. With expected international traffic growth of 3.8% YoY, we expect total passenger traffic growth of 10.2%. Sharp rise in ATF prices (up 12.0% YoY, 10% QoQ) to put pressure on margins. It would decline 200 bps QoQ to 6.5% |

*Source: Company, ICICIdirect.com Research*

**Exhibit 41: Company specific view (Others)**

| | |
|---|---|
| McLeod Russel | McLeod Russel is expected to witness sales growth of 3.8% on the back of 5.7% price hike & 2.0% de-growth in volumes. We expect the company to sell 24.4 million kg of tea with the realisation of ₹ 160 / kg. The company sells low quality / left over tea in Q4 as it is off-season for tea industry. We expect the company to post a loss of ₹ 131.9 crore against ₹ 107.8 crore in the corresponding quarter |
| Rallis India | Rallis India is expected to report flat performance in a seasonally weak quarter i.e. Q4FY18. The company is also expected to face headwinds on account of high cost raw material imports, thereby denting its margins. In Q4FY18, in the agro-chemical segment we expect sales to grow 7.7% YoY to ₹ 352.9 crore. On the Metahelix front, we expect sales to be flat at ₹ 21.0 crore. At the consolidated level, we expect sales to grow 7.4% YoY to ₹ 373.9 crore while EBITDA margins are expected at 11.1% down 80 bps YoY. Consequent EBITDA & PAT in Q4FY18 is expected at ₹ 41.4 crore & ₹ 23.2 crore, respectively. PAT for the quarter looks optically much lower YoY primarily driven by tax write back in the base quarter by its subsidiary i.e. Metahelix |
| Swaraj Engines | Swaraj Engines is expected to report a robust performance in Q4FY18 in spite of a higher base given the strong show at the parent i.e. M&M and upbeat tractor market in FY18. Furthermore, we expect operational efficiencies to drive margin expansion at the EBITDA level. Engine sales volume is expected at 30,115 units, up 51.8% YoY vs. tractor sales of 67,222 units at parent M&M, up 44.0% YoY. Consequent sales are expected at ₹ 247.8 crore, up 54.1% YoY. EBITDA margins are expected at 16.9%, up 190 bps YoY. Ensuing PAT in Q4FY18 is expected at ₹ 26.3 crore (up 71.9% YoY) |
| Solar Industries | Solar Industries is expected to post revenue growth of 14.3% YoY to ₹ 505.5 crore. We expect the domestic performance to be muted on account of weak volume growth of 4.5% and -2.1% in the bulk and cartridge segment respectively. However, the overseas performance is likely to continue with its strong performance with growth of ~45% YoY. We expect robust overseas performance due to recovery in its key geographies - Nigeria, Turkey, Zambia and South Africa due to higher commodity prices. EBITDA margins are also likely to remain healthy at 20.8%. PAT is likely to increase by 14.1% YoY to ₹ 62.7 crore |
| TTK Prestige | We expect TTK Prestige to report revenue growth of 8.5% YoY to ₹ 431 crore, driven by growth in appliances and cooker segment to the tune of 11% and 6% respectively.In addition, foray into new segments such as home cleaning is further expected to support revenue growth. We expect EBITDA margins to improve 50 bps YoY to 13.0% mainly on account of positive operating leverage and enhanced product mix. On the bottomline front, we expect PAT to decline 35.2% YoY to ₹ 35.9 crore as the company had incurred tax write back worth ₹ 16.5 crore. Adjusting for the same, we expect PAT growth at 14% YoY. |
| United Spirits | The de-focus in popular segment would continue to impact the volumes for the quarter. Moreover, the change in route to market (RTM) would continue disrupt the distribution strategy. Overall volumes are expected to de-grow by 7% YoY to 19.9 million cases. However, premiumisation and recent price hikes would drive the revenue per case resulting an is expected to continue resulting net revenue growth of 5% YoY to ₹ 2127.4 crore. Franchisee model would cushion gross margins resulting 150 bps expansion in EBITDA margins, which are expected at 13.5% with an absolute EBITDA of ₹ 288.2 crore. Given the exceptional loss of ₹ 295 crore reported in Q4FY17, PAT would optically turnaround with a profit of ₹ 152 crore (vs. |

*Source: Company, ICICIdirect.com Research*

**Exhibit 42: Company specific view (Others)**

| | |
|---|---|
| United Breweries | Volumes are expected to de-grow 5% to 33.6 million cases. However, price hikes in key states would, to an extent, make up for the volume decline that would result in revenue growth of 11.5% YoY to ₹ 1241 crore. Lower sugar prices would result in margin expansion of 100 bps YoY to 10.2% with an absolute EBITDA of ₹ 126.4 crore. Impact of higher depreciation in Q4FY17 would enable higher PAT growth in Q4FY18 that is expected at ₹ 33.4 crore (vs. ₹ 6.7 crore in Q4FY17) |
| VST Tillers & Tractors | VST Tillers and Tractors is expected to report a robust Q4FY18 primarily tracking healthy double digit volume growth in tractor segment and resurgent demand pick up in the power tiller segment. In Q4FY18, tractor sales volume came in at 3574 units (up 39.2% YoY) while power tillers sales volume was at 10,125 units (up 29.7% YoY). Consequent net sales are expected at ₹ 255.7 crore (up 29.7% YoY), EBITDA margins at 16.0% (up 140 bps YoY) and PAT at ₹ 28.2 crore, up 61.1% YoY |
| Wonderla Holidays | Q4 is generally a seasonally weak quarter for Wonderla (due to exams). However, lower GST rates for amusement park is expected to have a positive rub off during the quarter. We expect revenues to increase 8.7% YoY mainly led by lower base and higher pricing. Further, we expect EBITDA margins to improve from 16.2% in Q4FY17 to 31.1% in Q4FY18 mainly due to stabilisation of Hyderabad park and low base in the last year. In addition, we expect PAT to increase from ₹ 3.4 crore to ₹ 9.2 crore mainly led by higher operating margins |
| TeamLease Financials | TeamLease is expected to report rupee revenue growth of 5.1% QoQ to ₹ 965.3 crore owing to revenue growth in general staffing and contribution from Evolve acquisition. EBITDA margins could expand 10 bps QoQ to 2% owing to revenue growth and increased contribution from higher margin specialised staffing. PAT is expected to increase 9.9% to ₹ 20.2 crore on account of operating performance and 80 JJAA tax benefits |
| Ratnamani Metals & Tubes | For Q4FY18, we expect EBITDA margin to increase 104 bps QoQ to 16.8%. We expect the stainless steel division to report sales of ~5950 tonne and carbon steel of ~74375 tonne. The topline is likely to increase 45.8% YoY and 5.7% QoQ while the EBITDA is expected to increase 38.5% YoY and 12.7 QoQ |

*Source: Company, ICICIdirect.com Research*

# ICICIdirect.com Coverage Universe

**Valuation Matrix**

| Sector / Company | CMP | TP | Rating | M Cap | EPS (Rs) | | | P/E (x) | | | EV/EBITDA (x) | | | RoCE (%) | | | RoE (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E |
| **Apparels** | | | | | | | | | | | | | | | | | | | |
| Kewal Kiran Clothing Ltd | 1,567 | 2,050 | Buy | 1,932 | 69.2 | 69.0 | 81.3 | 22.7 | 22.7 | 19.3 | 19.1 | 18.7 | 16.1 | 32.9 | 27.5 | 29.0 | 23.8 | 21.1 | 21.9 |
| Vardhman Textiles Ltd | 1,276 | 1,465 | Buy | 7,329 | 179.0 | 99.1 | 144.1 | 7.1 | 12.9 | 8.9 | 7.1 | 9.7 | 6.8 | 13.1 | 10.0 | 12.8 | 23.0 | 11.8 | 15.0 |
| Page Industries | 23,801 | 22,920 | Hold | 26,547 | 238.7 | 297.2 | 395.7 | 99.7 | 80.1 | 60.2 | 61.7 | 49.1 | 37.5 | 54.0 | 55.5 | 61.5 | 40.0 | 40.5 | 44.1 |
| Rupa | 390 | 530 | Buy | 3,100 | 9.1 | 10.8 | 13.7 | 43.0 | 36.1 | 28.4 | 22.6 | 20.0 | 16.0 | 20.8 | 23.3 | 27.6 | 16.4 | 17.7 | 20.1 |
| **Auto** | | | | | | | | | | | | | | | | | | | |
| Amara Raja Batteries | 797 | 875 | Hold | 13,617 | 28.0 | 29.0 | 35.5 | 28.5 | 27.5 | 22.4 | 16.8 | 15.6 | 13.1 | 25.8 | 23.8 | 24.9 | 18.5 | 16.5 | 17.3 |
| Apollo Tyres | 293 | 300 | Buy | 16,781 | 19.2 | 12.5 | 21.2 | 15.3 | 23.5 | 13.9 | 9.4 | 10.5 | 7.6 | 13.6 | 8.9 | 12.8 | 15.1 | 7.7 | 11.7 |
| Ashok Leyland | 146 | 150 | Buy | 42,589 | 4.3 | 5.3 | 7.1 | 33.9 | 27.4 | 20.6 | 15.7 | 12.6 | 10.0 | 23.9 | 29.9 | 33.4 | 25.0 | 22.6 | 25.2 |
| Bajaj Auto | 2,796 | 3,400 | Hold | 80,904 | 132.3 | 143.4 | 172.5 | 21.1 | 19.5 | 16.2 | 19.4 | 17.3 | 13.9 | 30.3 | 29.9 | 31.8 | 22.5 | 21.9 | 22.8 |
| Bharat Forge | 732 | 860 | Buy | 34,089 | 15.0 | 19.3 | 27.3 | 48.9 | 37.9 | 26.8 | 28.5 | 19.1 | 14.3 | 16.7 | 23.2 | 29.5 | 15.4 | 19.0 | 23.1 |
| Mahindra CIE | 222 | 280 | Buy | 8,415 | 4.5 | 9.5 | 12.3 | 49.8 | 23.5 | 18.0 | 18.7 | 11.9 | 9.9 | 6.9 | 11.2 | 13.0 | 5.4 | 9.8 | 11.2 |
| Eicher Motors | 29,779 | 32,300 | Buy | 81,164 | 655.9 | 839.0 | | 45.4 | 35.5 | | 26.6 | 20.3 | | 39.4 | 40.1 | | 36.0 | 33.8 | |
| Hero Motocorp | 3,773 | 4,200 | Buy | 75,349 | 169.1 | 187.4 | 221.4 | 22.3 | 20.1 | 17.0 | 14.5 | 12.6 | 11.0 | 44.0 | 45.5 | 44.8 | 33.4 | 32.7 | 33.4 |
| Tata Motors | 367 | 475 | Buy | 116,442 | 22.3 | 29.8 | 44.3 | 16.5 | 12.3 | 8.3 | 5.5 | 5.3 | 3.8 | 11.6 | 11.1 | 15.9 | 15.0 | 13.8 | 20.2 |
| Balkrishna Industries | 1,200 | 1,150 | Hold | 23,198 | 37.0 | 39.8 | 51.5 | 32.4 | 30.1 | 23.3 | 19.7 | 18.8 | 14.0 | 23.0 | 23.6 | 26.7 | 20.2 | 18.3 | 19.7 |
| Bosch | 19,609 | 21,500 | Hold | 59,848 | 570.5 | 455.8 | 562.0 | 34.4 | 43.0 | 34.9 | 29.6 | 28.1 | 23.0 | 24.1 | 22.0 | 24.7 | 16.4 | 14.7 | 16.6 |
| Exide Industries | 237 | 250 | Buy | 20,179 | 8.2 | 7.7 | 9.8 | 29.1 | 31.0 | 24.2 | 16.5 | 14.9 | 12.3 | 18.5 | 17.6 | 19.7 | 14.0 | 12.6 | 14.1 |
| JK Tyre & Industries | 162 | 175 | Hold | 3,680 | 16.6 | -1.2 | 15.4 | 9.8 | NM | 10.5 | 8.1 | 12.8 | 6.7 | 11.2 | 5.2 | 11.8 | 16.6 | -1.1 | 16.0 |
| Maruti Suzuki | 9,091 | 10,850 | Buy | 274,619 | 242.9 | 275.5 | 349.4 | 37.4 | 33.0 | 26.0 | 25.8 | 21.4 | 17.0 | 26.2 | 27.4 | 29.9 | 20.3 | 20.1 | 21.8 |
| Motherson Sumi | 345 | 375 | Hold | 72,637 | 7.7 | 8.1 | 12.4 | 44.8 | 42.6 | 27.8 | 18.1 | 14.7 | 10.7 | 16.0 | 17.8 | 24.7 | 19.6 | 19.2 | 24.9 |
| Wabco | 7,992 | 7,700 | Hold | 15,159 | 112.5 | 145.9 | 180.4 | 71.0 | 54.8 | 44.3 | 42.4 | 34.8 | 28.9 | 23.6 | 24.9 | 25.2 | 16.9 | 18.3 | 18.7 |
| **Aviation** | | | | | | | | | | | | | | | | | | | |
| Jet Airways | 616 | 700 | Hold | 6,998 | 38.6 | 65.5 | 70.0 | 16.0 | 9.4 | 8.8 | 11.2 | 8.6 | 8.7 | 47.7 | 47.7 | 47.7 | NA | NA | NA |

*CMP as on Apr 6 , 2018, * UR= Under Review*

## Valuation Matrix

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Building Materials** | | | | | | | | | | | | | | | | | | |
| Century Plyboard | 352 | 350 | Buy | 7,825 | 8.4 | 8.4 | 11.0 | 42.2 | 41.9 | 31.9 | 11.0 | 9.2 | 7.6 | 21.7 | 19.3 | 22.8 | 26.2 | 22.0 | 23.7 |
| Kajaria Ceramics | 567 | 655 | Hold | 9,012 | 15.9 | 14.7 | 19.1 | 35.6 | 38.7 | 29.7 | 7.7 | 6.7 | 5.7 | 27.1 | 21.4 | 23.4 | 21.5 | 17.2 | 19.1 |
| Somany Ceramics | 680 | 700 | Hold | 2,881 | 21.7 | 15.9 | 20.9 | 31.3 | 42.7 | 32.6 | 5.5 | 4.9 | 4.3 | 20.3 | 13.7 | 15.6 | 17.7 | 11.5 | 13.1 |
| Greenply Industries | 320 | 425 | Buy | 3,924 | 11.2 | 12.1 | 12.1 | 28.6 | 26.5 | 26.4 | 5.0 | 4.3 | 3.7 | 17.6 | 13.3 | 13.1 | 17.2 | 15.8 | 13.8 |
| **Capital Goods** | | | | | | | | | | | | | | | | | | | |
| VA Tech Wabag | 495 | 670 | Buy | 2,703 | 31.1 | 35.0 | 40.1 | 15.9 | 14.1 | 12.3 | 9.5 | 7.8 | 6.9 | 25.4 | 26.1 | 25.9 | 10.2 | 16.8 | 17.0 |
| SKF Bearing | 1,811 | 2,225 | Buy | 9,298 | 46.3 | 53.0 | 61.7 | 39.2 | 34.2 | 29.4 | 27.3 | 25.0 | 20.8 | 20.7 | 23.1 | 23.8 | 13.5 | 15.1 | 15.6 |
| Timken India | 733 | 867 | Buy | 4,981 | 14.3 | 15.9 | 19.3 | 51.2 | 46.0 | 38.0 | 38.3 | 31.1 | 26.0 | 22.7 | 24.2 | 25.5 | 16.0 | 15.7 | 16.6 |
| NRB Bearing | 161 | 215 | Buy | 1,560 | 5.6 | 7.6 | 8.9 | 28.9 | 21.3 | 18.2 | 15.8 | 12.7 | 11.1 | 16.1 | 20.9 | 21.8 | 17.0 | 20.0 | 20.0 |
| Grindwell Norton | 518 | 560 | Buy | 5,730 | 10.8 | 12.5 | 14.4 | 48.0 | 41.6 | 36.0 | 27.5 | 22.5 | 19.3 | 19.5 | 21.3 | 22.4 | 13.4 | 14.2 | 15.0 |
| Thermax | 1,096 | 1,335 | Buy | 13,061 | 12.2 | 21.7 | 33.5 | 90.1 | 50.4 | 32.7 | 32.3 | 32.0 | 22.1 | 15.4 | 13.9 | 18.5 | 8.4 | 9.3 | 13.0 |
| KEC International | 411 | 450 | Buy | 10,568 | 12.8 | 17.0 | 21.0 | 32.1 | 24.2 | 19.5 | 9.3 | 7.5 | 6.4 | 17.0 | 19.3 | 20.8 | 17.4 | 19.2 | 19.6 |
| Kalpataru Power | 478 | 600 | Buy | 7,333 | 18.5 | 21.0 | 26.0 | 25.8 | 22.8 | 18.4 | 12.0 | 10.7 | 9.1 | 15.5 | 16.1 | 17.5 | 11.2 | 11.4 | 12.5 |
| Greaves Cotton | 121 | 140 | Hold | 2,955 | 7.3 | 8.3 | 8.5 | 16.5 | 14.6 | 14.3 | 11.4 | 10.8 | 9.7 | 28.7 | 28.8 | 32.0 | 21.2 | 20.4 | 22.9 |
| Larsen & Toubro | 1,313 | 1,700 | Buy | 183,999 | 33.9 | 39.9 | 45.9 | 38.7 | 32.9 | 28.6 | 31.4 | 26.9 | 0.9 | 13.9 | 15.9 | 17.5 | 11.4 | 12.7 | 13.8 |
| Bharat Heavy Electrical Limite | 87 | 105 | Hold | 31,941 | 1.2 | 2.9 | 4.8 | 70.1 | 29.8 | 18.1 | 9.7 | 9.4 | 6.8 | 2.8 | 4.6 | 6.6 | 1.3 | 3.1 | 4.9 |
| AIA Engineering | 1,437 | 1,520 | Hold | 13,555 | 43.9 | 41.7 | 47.7 | 32.7 | 34.5 | 30.1 | 23.7 | 25.6 | 20.2 | 28.3 | 22.7 | 24.7 | 22.1 | 18.4 | 18.6 |
| Bharat Electronics Ltd | 145 | 155 | Hold | 35,209 | 6.8 | 6.6 | 7.4 | 21.2 | 21.9 | 19.4 | 20.2 | 18.6 | 17.3 | 26.8 | 24.2 | 23.2 | 20.0 | 17.2 | 17.2 |
| Engineers India Ltd | 164 | 195 | Buy | 10,363 | 4.9 | 7.2 | 8.3 | 33.5 | 22.7 | 19.7 | 28.1 | 20.9 | 16.9 | 15.7 | 19.4 | 20.1 | 11.7 | 14.9 | 15.6 |
| **cement** | | | | | | | | | | | | | | | | | | | |
| India cements | 151 | 190 | Buy | 4,658 | 5.4 | 3.7 | 9.2 | 27.7 | 40.3 | 16.5 | 9.1 | 10.4 | 8.2 | 7.1 | 5.9 | 7.9 | 3.3 | 2.2 | 5.2 |
| Ambuja | 238 | 315 | Buy | 47,219 | 4.7 | 6.3 | 7.0 | 50.7 | 37.8 | 33.9 | 29.8 | 25.4 | 22.0 | 9.5 | 11.3 | 14.0 | 4.9 | 6.3 | 6.8 |
| Ultratech | 3,935 | 5000 | Buy | 108,056 | 95.8 | 92.1 | 132.5 | 41.1 | 42.7 | 29.7 | 22.5 | 21.5 | 15.9 | 13.1 | 10.3 | 13.7 | 11.2 | 10.0 | 12.9 |
| Heidelberg cement | 152 | 180 | Buy | 3,446 | 3.4 | 5.2 | 8.1 | 45.2 | 29.2 | 18.8 | 17.7 | 13.8 | 10.6 | 10.8 | 14.2 | 18.9 | 7.9 | 11.4 | 15.8 |
| JK Lakshmi | 441 | 450 | Buy | 5,183 | 7.0 | 7.7 | 18.1 | 63.2 | 57.3 | 24.3 | 17.6 | 14.1 | 10.1 | 7.5 | 9.8 | 14.1 | 5.9 | 6.2 | 12.8 |
| Jk cement | 977 | 1,235 | Buy | 6,832 | 37.1 | 49.1 | 53.1 | 26.3 | 19.9 | 18.4 | 14.8 | 12.8 | 11.7 | 12.6 | 13.3 | 13.1 | 14.5 | 16.0 | 14.8 |
| Mangalam cement | 330 | 400 | Buy | 881 | 12.9 | 13.0 | 20.9 | 25.6 | 25.3 | 15.8 | 11.1 | 10.8 | 8.1 | 10.2 | 11.0 | 13.3 | 6.8 | 6.5 | 9.6 |
| Shree cement | 16,798 | 20,500 | Hold | 58,519 | 384.8 | 411.5 | 499.1 | 43.7 | 40.8 | 33.7 | 22.8 | 21.6 | 16.4 | 17.7 | 19.3 | 20.9 | 17.4 | 15.9 | 16.5 |
| ACC | 1,552 | 1,950 | Buy | 29,139 | 35.0 | 49.2 | 64.6 | 44.3 | 31.5 | 24.0 | 23.0 | 18.0 | 14.1 | 10.7 | 14.0 | 17.6 | 8.1 | 9.9 | 12.5 |
| Star Cement | 126 | 150 | Buy | 5,268 | 4.1 | 7.8 | 5.9 | 30.7 | 16.2 | 21.1 | 14.3 | 10.3 | 11.1 | 13.8 | 19.8 | 16.2 | 14.0 | 21.7 | 14.6 |
| The Ramco Cement | 792 | 822 | Buy | 18,653 | 27.3 | 24.8 | 30.2 | 29.0 | 31.9 | 26.2 | 15.5 | 16.7 | 13.7 | 12.7 | 10.3 | 11.9 | 17.4 | 14.6 | 15.8 |
| Sagar Cements | 979 | 1,025 | Buy | 1,998 | -1.3 | 13.9 | 32.3 | NM | 70.7 | 30.3 | 19.6 | 15.2 | 10.9 | 5.5 | 8.4 | 12.2 | -0.3 | 3.6 | 8.0 |
| **Construction** | | | | | | | | | | | | | | | | | | | |
| NCC Limited | 130 | 160 | Buy | 7,781 | 4.1 | 4.2 | 6.3 | 31.9 | 30.6 | 20.6 | 12.2 | 10.7 | 9.3 | 14.6 | 13.0 | 14.3 | 6.6 | 6.0 | 8.4 |
| Simplex Infrastructure | 542 | 750 | Buy | 2,681 | 24.3 | 34.3 | 41.8 | 22.3 | 15.8 | 13.0 | 8.9 | 7.8 | 7.0 | 11.8 | 12.8 | 14.1 | 7.9 | 10.0 | 10.8 |

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## Valuation Matrix

| Sector / Company | CMP | TP | Rating | M Cap | EPS (Rs) | | | P/E (x) | | | EV/EBITDA (x) | | | RoCE (%) | | | RoE (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E |
| **Consumer Discretionery** | | | | | | | | | | | | | | | | | | | |
| Havells India | 518 | 645 | Hold | 32,408 | 8.6 | 11.7 | 12.2 | 60.0 | 44.4 | 42.6 | 36.0 | 30.5 | 26.0 | 23.0 | 26.2 | 25.6 | 17.4 | 20.2 | 18.5 |
| Voltas Ltd | 628 | 675 | Buy | 20,781 | 15.7 | 18.0 | 22.5 | 40.0 | 34.9 | 27.9 | 32.7 | 27.1 | 21.8 | 21.4 | 24.1 | 25.9 | 15.7 | 18.4 | 19.7 |
| Asian Paints Ltd | 1,140 | 1,240 | Hold | 109,368 | 21.0 | 22.9 | 26.9 | 54.2 | 49.8 | 42.4 | 35.8 | 32.2 | 28.4 | 33.2 | 31.8 | 30.8 | 26.5 | 25.4 | 25.8 |
| Kansai Nerolac | 503 | 590 | Buy | 27,108 | 9.4 | 10.7 | 11.7 | 53.6 | 47.0 | 42.9 | 35.9 | 30.8 | 27.2 | 26.2 | 27.8 | 27.3 | 18.0 | 19.4 | 18.8 |
| Bajaj Electricals Ltd | 621 | 575 | Buy | 6,340 | 10.6 | 11.8 | 13.6 | 58.5 | 52.5 | 45.7 | 22.8 | 22.6 | 19.6 | 16.7 | 17.0 | 18.0 | 12.4 | 13.0 | 13.5 |
| Symphony Ltd | 1,803 | 2,110 | Buy | 12,613 | 23.7 | 28.7 | 35.4 | 76.2 | 62.9 | 50.9 | 61.1 | 49.4 | 39.7 | 48.4 | 45.9 | 53.1 | 36.1 | 34.8 | 40.2 |
| Essel Propack Ltd | 250 | 300 | Hold | 3,929 | 12.5 | 11.4 | 15.3 | 20.1 | 21.9 | 16.3 | 12.1 | 10.6 | 8.6 | 17.7 | 16.1 | 19.2 | 17.8 | 13.0 | 15.2 |
| V-Guard Ltd | 231 | 235 | Hold | 9,812 | 3.4 | 4.1 | 5.0 | 67.2 | 56.8 | 45.8 | 46.8 | 40.7 | 32.5 | 31.6 | 31.3 | 31.7 | 23.1 | 24.2 | 24.5 |
| Pidilite Industries | 976 | 900 | Hold | 49,550 | 16.8 | 17.3 | 19.3 | 57.9 | 56.5 | 50.5 | 35.0 | 32.9 | 29.3 | 33.0 | 32.5 | 32.6 | 24.9 | 23.6 | 23.5 |
| Supreme Industries | 1,206 | 1,450 | Buy | 15,316 | 33.7 | 31.0 | 37.0 | 35.8 | 38.9 | 32.6 | 20.8 | 21.6 | 18.1 | 30.0 | 28.7 | 32.9 | 25.3 | 23.4 | 25.4 |
| Astral Poly Technik Ltd | 917 | 885 | Buy | 10,978 | 12.1 | 15.8 | 20.4 | 75.9 | 58.1 | 45.0 | 35.2 | 27.9 | 22.5 | 21.3 | 22.0 | 23.5 | 17.2 | 17.2 | 18.4 |
| Time Technoplast | 180 | 230 | Buy | 4,067 | 6.5 | 8.1 | 10.5 | 27.6 | 22.2 | 17.1 | 11.9 | 10.5 | 8.7 | 14.2 | 15.2 | 17.0 | 11.1 | 12.6 | 14.2 |
| **FMCG** | | | | | | | | | | | | | | | | | | | |
| Hindustan Unilever | 1,372 | 1,360 | Hold | 296,973 | 20.8 | 23.9 | 27.2 | 66.0 | 57.4 | 50.4 | 48.6 | 41.4 | 36.3 | 74.9 | 88.2 | 104.3 | 66.6 | 75.1 | 87.6 |
| Colgate Palmolive | 1,093 | 1,120 | Hold | 29,738 | 21.2 | 22.9 | 24.1 | 51.5 | 47.8 | 45.3 | 31.2 | 28.5 | 27.9 | 64.1 | 64.0 | 62.6 | 45.3 | 46.1 | 45.1 |
| Dabur India | 343 | 390 | Buy | 60,332 | 7.2 | 7.6 | 8.5 | 47.2 | 45.3 | 40.3 | 41.5 | 40.4 | 37.0 | 28.0 | 26.2 | 26.9 | 26.4 | 24.0 | 24.2 |
| GSK Consumer Healthcare | 6,063 | 6,740 | Buy | 25,498 | 156.1 | 166.7 | 192.8 | 38.8 | 36.4 | 31.4 | 26.4 | 24.5 | 21.0 | 30.8 | 29.6 | 30.7 | 21.0 | 20.2 | 21.3 |
| ITC | 262 | 320 | Buy | 319,100 | 8.4 | 8.7 | 9.9 | 31.1 | 30.0 | 26.5 | 22.5 | 22.4 | 19.3 | 32.9 | 29.9 | 34.3 | 22.5 | 21.0 | 23.8 |
| Jyothy Laboratories | 380 | 420 | Buy | 6,907 | 11.1 | 7.5 | 9.3 | 34.2 | 50.7 | 40.8 | 24.3 | 25.8 | 21.9 | 28.1 | 25.5 | 28.6 | 30.9 | 20.6 | 24.1 |
| Marico | 319 | 362 | Buy | 41,211 | 6.3 | 6.5 | 7.8 | 50.8 | 48.8 | 40.8 | 35.0 | 34.4 | 29.2 | 44.6 | 41.5 | 44.5 | 34.9 | 32.8 | 35.5 |
| McLeod Russel | 163 | 158 | Hold | 1,786 | 7.8 | 8.3 | 8.8 | 20.9 | 19.7 | 18.6 | 23.5 | 14.7 | 15.6 | 6.2 | 6.8 | 6.6 | 3.3 | 3.3 | 3.4 |
| Nestle India | 8,340 | 8,600 | Buy | 80,411 | 103.9 | 127.1 | 154.9 | 80.3 | 65.6 | 53.8 | 36.7 | 30.7 | 27.3 | 34.9 | 37.3 | 44.7 | 36.2 | 36.8 | 41.7 |
| VST Industries | 3,180 | 3,900 | Buy | 4,911 | 103.7 | 119.8 | 144.5 | 30.7 | 26.6 | 22.0 | 19.1 | 15.4 | 13.1 | 43.6 | 47.0 | 49.5 | 29.8 | 31.9 | 34.8 |
| Prabhat dairy | 175 | 215 | Buy | 1,704 | 4.8 | 5.7 | 8.6 | 36.3 | 30.8 | 20.4 | 15.7 | 14.6 | 12.1 | 8.0 | 9.1 | 12.5 | 5.1 | 6.1 | 9.4 |
| Varun Beverage | 647 | 840 | Buy | 11,815 | 2.6 | 11.7 | 15.4 | 245.6 | 55.1 | 42.1 | 16.6 | 16.2 | 13.3 | 14.6 | 12.8 | 14.9 | 2.5 | 10.5 | 12.7 |
| **Hospital** | | | | | | | | | | | | | | | | | | | |
| Apollo Hospital | 1,085 | 1,230 | Hold | 15,090 | 15.9 | 10.2 | 24.1 | 68.3 | 106.2 | 45.0 | 26.4 | 23.4 | 18.6 | 6.1 | 6.8 | 9.3 | 6.0 | 3.8 | 8.3 |
| Narayana Hrudalaya | 285 | 360 | Buy | 5,821 | 4.1 | 3.7 | 6.4 | 70.1 | 77.9 | 44.4 | 27.1 | 27.1 | 20.5 | 12.5 | 10.4 | 14.1 | 8.8 | 7.3 | 11.2 |
| **Hotels** | | | | | | | | | | | | | | | | | | | |
| EIH | 167 | 220 | Buy | 9,545 | 1.9 | 1.8 | 3.0 | 90.0 | 91.3 | 55.2 | 35.8 | 29.8 | 21.3 | 6.4 | 5.0 | 8.0 | 4.7 | 3.7 | 5.9 |
| Indian Hotels | 136 | 155 | Buy | 17,394 | -0.6 | 0.7 | 0.9 | NM | 198.9 | 147.8 | 25.4 | 22.2 | 19.9 | 5.4 | 6.0 | 6.6 | -3.7 | 1.7 | 2.7 |
| Taj GVK | 171 | 195 | Buy | 1,074 | 0.7 | 2.9 | 3.4 | 263.3 | 59.6 | 49.9 | 19.4 | 15.5 | 14.7 | 6.7 | 8.9 | 9.0 | 0.4 | 4.9 | 5.6 |

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## Valuation Matrix

| Sector / Company | CMP | TP | Rating | M Cap | EPS (Rs) FY17 | EPS (Rs) FY18E | EPS (Rs) FY19E | P/E (x) FY17 | P/E (x) FY18E | P/E (x) FY19E | EV/EBITDA (x) FY17 | EV/EBITDA (x) FY18E | EV/EBITDA (x) FY19E | RoCE (%) FY17 | RoCE (%) FY18E | RoCE (%) FY19E | RoE (%) FY17 | RoE (%) FY18E | RoE (%) FY19E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Insurance** | | | | | | | | | | | | | | | | | | | |
| SBI Life Insurance Company Lt | 679 | 760 | Buy | 67,880 | 9.5 | 11.1 | 14.0 | 71.1 | 60.9 | 48.4 | - | - | - | 23.0 | 20.0 | 20.6 | 18.6 | 18.6 | 20.2 |
| **IT** | | | | | | | | | | | | | | | | | | | |
| Cyient | 647 | 600 | Hold | 7,288 | 30.5 | 35.7 | 37.5 | 21.2 | 18.1 | 17.3 | 13.4 | 10.8 | 9.4 | 19.7 | 20.6 | 20.3 | 16.2 | 17.0 | 16.2 |
| eClerx Services | 1,237 | 1,220 | Sell | 4,778 | 86.4 | 71.0 | 77.3 | 14.3 | 17.4 | 16.0 | 11.6 | 14.0 | 12.8 | 34.5 | 26.8 | 26.7 | 29.1 | 21.4 | 21.2 |
| Firstsource Solutions | 56 | 50 | Buy | 3,817 | 4.1 | 4.5 | 4.7 | 13.7 | 12.3 | 11.9 | 8.4 | 7.5 | 6.3 | 11.7 | 11.8 | 12.6 | 13.8 | 13.3 | 12.1 |
| HCL Technologies | 958 | 1,000 | Hold | 133,370 | 60.0 | 61.9 | 65.7 | 16.0 | 15.5 | 14.6 | 13.7 | 12.2 | 10.4 | 29.0 | 28.9 | 28.2 | 25.3 | 25.0 | 23.3 |
| Infosys | 1,129 | 1,110 | Hold | 246,663 | 62.8 | 66.1 | 68.2 | 18.0 | 17.1 | 16.6 | 13.1 | 13.5 | 12.1 | 28.8 | 31.6 | 29.4 | 20.8 | 22.7 | 20.9 |
| KPIT Technologies | 225 | 200 | Hold | 4,449 | 10.6 | 12.1 | 13.6 | 21.2 | 18.6 | 16.5 | 11.7 | 11.0 | 9.4 | 14.5 | 15.8 | 16.4 | 15.1 | 13.6 | 13.6 |
| MindTree | 830 | 600 | Hold | 13,602 | 24.9 | 32.0 | 33.9 | 33.3 | 25.9 | 24.4 | 17.3 | 16.9 | 13.4 | 21.2 | 24.9 | 24.3 | 16.2 | 20.0 | 18.9 |
| NIIT Technologies | 906 | 775 | Hold | 5,570 | 40.8 | 44.8 | 52.2 | 22.2 | 20.2 | 17.4 | 5.2 | 4.7 | 3.7 | 29.8 | 31.5 | 36.4 | 14.8 | 14.6 | 15.0 |
| Persistent Systems | 681 | 790 | Buy | 5,444 | 37.6 | 39.5 | 47.0 | 18.1 | 17.2 | 14.5 | 10.9 | 10.6 | 8.6 | 20.8 | 19.4 | 20.4 | 15.9 | 14.8 | 15.7 |
| Tata Consultancy Services | 2,939 | 2,750 | Hold | 562,600 | 133.4 | 132.7 | 144.7 | 22.0 | 22.1 | 20.3 | 17.4 | 17.5 | 15.3 | 38.0 | 37.9 | 34.9 | 29.8 | 29.5 | 27.1 |
| Tech Mahindra | 617 | 640 | Hold | 60,459 | 31.7 | 38.6 | 40.9 | 19.5 | 16.0 | 15.1 | 13.2 | 11.5 | 9.2 | 19.4 | 20.0 | 19.1 | 17.1 | 18.1 | 16.9 |
| Wipro Technologies | 284 | 360 | Buy | 128,634 | 17.5 | 18.6 | 20.6 | 16.3 | 15.3 | 13.8 | 11.6 | 12.9 | 10.8 | 16.8 | 17.4 | 17.1 | 16.3 | 17.4 | 16.5 |
| InfoEdge | 1,229 | 1,300 | Hold | 14,965 | 16.9 | 21.6 | 25.7 | 72.9 | 56.8 | 47.9 | 66.2 | 47.3 | 38.2 | 13.4 | 18.1 | 19.6 | 10.5 | 12.1 | 13.1 |
| TeamLease Services | 2,264 | 2,660 | Buy | 3,870 | 38.8 | 42.5 | 65.4 | 58.3 | 53.2 | 34.6 | 78.1 | 53.3 | 32.9 | 15.4 | 15.4 | 18.9 | 17.4 | 16.0 | 19.8 |
| **Logistics** | | | | | | | | | | | | | | | | | | | |
| Blue Dart Express | 3,761 | 5,120 | Buy | 8,924 | 58.9 | 60.0 | 74.6 | 63.9 | 62.7 | 50.4 | 32.2 | 29.5 | 25.8 | 32.2 | 29.5 | 31.0 | 32.6 | 25.1 | 27.5 |
| Container Corporation of Indi | 1,252 | 1,560 | Buy | 30,501 | 42.5 | 38.5 | 50.1 | 29.5 | 32.5 | 25.0 | 25.9 | 22.7 | 18.9 | 12.5 | 13.2 | 15.8 | 9.4 | 9.9 | 11.9 |
| Gati Ltd | 98 | 135 | Buy | 1,060 | 3.3 | 4.9 | 3.4 | 29.3 | 20.0 | 29.2 | 14.9 | 17.3 | 13.2 | 7.7 | 9.6 | 7.2 | 5.1 | 8.4 | 5.4 |
| Gujarat Pipavav Port | 141 | 145 | Hold | 6,812 | 5.1 | 5.7 | 7.1 | 27.7 | 24.9 | 19.9 | 15.1 | 14.0 | 11.0 | 14.0 | 14.0 | 16.4 | 11.5 | 11.9 | 13.6 |
| Transport Corporation of Indi | 283 | 340 | Buy | 2,169 | 8.6 | 12.1 | 17.5 | 33.0 | 23.5 | 16.2 | 13.9 | 10.7 | 8.4 | 10.7 | 13.8 | 17.7 | 12.6 | 14.9 | 19.2 |
| Dredging Corporation of India | 625 | 600 | Sell | 1,750 | 2.7 | 3.0 | 17.0 | 235.5 | 211.8 | 36.7 | 22.5 | 24.1 | 18.2 | 1.1 | 0.8 | 2.1 | 0.5 | 0.5 | 2.9 |
| TCI Express | 490 | 660 | Buy | 1,876 | 10.6 | 14.0 | 17.4 | 46.1 | 35.1 | 28.1 | 28.1 | 22.9 | 17.0 | 33.0 | 31.4 | 33.3 | 25.5 | 26.5 | 24.9 |
| **Media** | | | | | | | | | | | | | | | | | | | |
| Sun TV Limited | 876 | 1,150 | Buy | 34,508 | 26.1 | 28.9 | 36.5 | 33.5 | 30.3 | 24.0 | 21.2 | 19.0 | 14.6 | 37.2 | 35.0 | 37.3 | 25.6 | 24.3 | 25.4 |
| DB Corp Ltd | 313 | 350 | Hold | 5,757 | 20.4 | 19.1 | 22.3 | 15.4 | 16.4 | 14.0 | 9.9 | 10.2 | 8.7 | 32.2 | 27.8 | 28.5 | 23.5 | 19.9 | 20.5 |
| Dish TV Limited | 71 | 88 | Buy | 7,552 | 1.0 | -0.2 | 0.4 | 69.1 | NM | 190.1 | 9.0 | 10.5 | 9.1 | 20.8 | 8.9 | 15.7 | 22.3 | NM | 7.9 |
| Entertainment Network Limite | 702 | 800 | Buy | 3,346 | 11.6 | 8.3 | 16.7 | 60.7 | 84.4 | 42.0 | 27.6 | 28.3 | 18.3 | 9.3 | 6.5 | 11.9 | 6.4 | 4.0 | 8.3 |
| HT Media Limited | 87 | 120 | Hold | 2,033 | 7.3 | 12.9 | 10.5 | 11.9 | 6.8 | 8.3 | 11.2 | 7.3 | 6.5 | 10.9 | 13.1 | 12.2 | 7.6 | 11.8 | 8.8 |
| Inox Leisure Ltd | 267 | 335 | Buy | 2,575 | 3.2 | 6.4 | 9.8 | 83.9 | 41.8 | 27.1 | 20.2 | 15.2 | 11.6 | 7.3 | 11.9 | 15.3 | 5.5 | 10.0 | 13.4 |
| Jagran Prakashan Limited | 171 | 185 | Hold | 5,320 | 10.6 | 10.3 | 11.9 | 16.1 | 16.7 | 14.3 | 8.3 | 8.9 | 7.4 | 18.9 | 19.1 | 21.5 | 16.1 | 15.9 | 16.9 |
| PVR Limited | 1,240 | 1,540 | Hold | 5,794 | 20.5 | 22.6 | 32.7 | 60.5 | 54.8 | 37.9 | 21.1 | 20.9 | 16.5 | 13.7 | 13.0 | 15.7 | 10.2 | 10.0 | 12.7 |
| Zee Entertainment Enterprise | 583 | 640 | Hold | 55,985 | 23.1 | 15.8 | 18.2 | 25.2 | 36.9 | 32.1 | 27.6 | 25.1 | 20.7 | 21.2 | 22.6 | 23.3 | 15.0 | 14.5 | 15.4 |
| TV Today Network Limited | 500 | 490 | Hold | 2,983 | 16.6 | 19.2 | 28.1 | 30.1 | 26.1 | 17.8 | 16.3 | 12.3 | 9.2 | 26.2 | 28.7 | 29.7 | 16.4 | 18.8 | 21.1 |
| Music Broadcast | 393 | 450 | Buy | 2,244 | 8.1 | 8.4 | 12.4 | 48.9 | 46.7 | 31.8 | 22.3 | 21.2 | 16.2 | 11.3 | 14.8 | 18.5 | 6.7 | 8.6 | 11.8 |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E |
| **Metals, Mining & Pipes** | | | | | | | | | | | | | | | | | | | |
| JSW Steel | 306 | 335 | Buy | 74,039 | 14.3 | 19.9 | 24.7 | 21.4 | 15.4 | 12.4 | 4.0 | 3.7 | 3.3 | 13.4 | 13.7 | 14.6 | 15.3 | 18.2 | 18.8 |
| NMDC | 119 | 145 | Hold | 37,540 | 8.2 | 12.7 | 13.4 | 14.5 | 9.3 | 8.9 | 10.4 | 6.8 | 6.3 | 18.6 | 22.2 | 22.1 | 11.5 | 15.7 | 15.0 |
| Hindalco | 214 | 295 | Buy | 47,997 | 8.4 | 18.9 | 25.8 | 25.3 | 11.3 | 8.3 | 8.3 | 7.2 | 6.0 | 6.9 | 8.7 | 10.6 | 4.1 | 8.9 | 10.4 |
| Vedanta Ltd | 285 | 375 | Buy | 106,107 | 15.1 | 25.3 | 35.9 | 18.9 | 11.3 | 7.9 | 7.2 | 6.4 | 5.1 | 12.1 | 13.9 | 16.5 | 9.3 | 13.9 | 16.9 |
| Hindustan Zinc | 313 | 350 | Buy | 132,295 | 19.7 | 21.3 | 24.6 | 15.9 | 14.7 | 12.7 | 10.5 | 8.7 | 6.4 | 26.9 | 33.0 | 31.6 | 27.0 | 24.6 | 23.9 |
| Graphite India | 723 | 1,000 | Buy | 14,117 | 3.6 | 46.7 | 55.4 | 200.4 | 15.5 | 13.0 | 305.5 | 8.7 | 7.3 | -0.3 | 60.9 | 64.5 | 3.8 | 46.6 | 45.2 |
| HEG | 2,965 | 3,200 | Buy | 11,848 | -12.5 | 198.2 | 216.5 | NM | 15.0 | 13.7 | 139.7 | 8.4 | 7.7 | 1.3 | 69.1 | 64.9 | -5.7 | 55.3 | 45.7 |
| Maharashtra Seamless | 459 | 525 | Hold | 3,076 | 17.3 | 22.7 | 31.1 | 26.6 | 20.3 | 14.8 | 16.4 | 13.9 | 9.8 | 0.2 | 7.1 | 8.9 | 4.2 | 5.3 | 6.9 |
| Coal India | 276 | 325 | Hold | 171,449 | 14.7 | 14.8 | 18.7 | 18.8 | 18.6 | 14.7 | 16.8 | 15.5 | 12.2 | 33.5 | 50.8 | 60.7 | 37.8 | 36.8 | 42.9 |
| Ratnamani Metals and Tubes | 917 | 1,100 | Buy | 4,284 | 30.9 | 31.2 | 40.8 | 29.7 | 29.4 | 22.5 | 17.5 | 16.2 | 13.4 | 17.8 | 17.2 | 19.7 | 12.2 | 11.2 | 13.0 |
| **MidCap** | | | | | | | | | | | | | | | | | | | |
| Rallis India | 230 | 300 | Buy | 4,467 | 15.3 | 8.8 | 10.7 | 15.0 | 26.2 | 21.6 | 16.2 | 15.9 | 13.1 | 19.9 | 19.8 | 22.2 | 15.6 | 14.4 | 16.1 |
| Swaraj Engines | 2,057 | 2,500 | Buy | 2,494 | 55.4 | 67.2 | 79.6 | 37.1 | 30.6 | 25.8 | 21.5 | 18.5 | 15.1 | 31.2 | 41.8 | 49.1 | 24.3 | 31.6 | 36.2 |
| VST Tillers & Tractors | 2,662 | 2,600 | Hold | 2,300 | 83.0 | 119.3 | 110.7 | 32.1 | 22.3 | 24.0 | 21.4 | 19.0 | 15.4 | 19.2 | 23.0 | 20.6 | 14.2 | 18.0 | 14.8 |
| KSB Pumps | 796 | 1,080 | Buy | 2,771 | 18.8 | 19.9 | 25.6 | 42.4 | 40.0 | 31.0 | 26.1 | 24.0 | 18.9 | 10.6 | 10.8 | 13.1 | 10.1 | 10.0 | 11.9 |
| **Oil & Gas** | | | | | | | | | | | | | | | | | | | |
| GAIL | 331 | 383 | Buy | 74,744 | 15.5 | 22.3 | 22.8 | 21.3 | 14.9 | 14.5 | 11.7 | 9.0 | 9.1 | 12.4 | 15.4 | 14.7 | 9.2 | 12.3 | 11.8 |
| Gulf Oil | 915 | 1,000 | Hold | 4,548 | 24.4 | 31.4 | 34.4 | 37.5 | 29.1 | 26.6 | 25.9 | 20.3 | 17.5 | 36.6 | 46.6 | 50.1 | 34.2 | 36.3 | 32.2 |
| HPCL | 352 | 420 | Hold | 53,677 | 40.7 | 39.7 | 37.5 | 8.7 | 8.9 | 9.4 | 7.6 | 8.2 | 8.1 | 20.1 | 17.8 | 16.3 | 30.5 | 27.8 | 24.9 |
| IGL | 296 | 315 | Hold | 20,699 | 8.2 | 9.2 | 9.9 | 36.2 | 32.1 | 29.9 | 20.8 | 18.4 | 16.4 | 24.0 | 23.9 | 22.3 | 17.3 | 16.1 | 15.7 |
| MRPL | 114 | 140 | Buy | 19,910 | 20.8 | 13.0 | 12.1 | 5.5 | 8.7 | 9.4 | 5.8 | 5.0 | 5.2 | 31.7 | 20.2 | 18.2 | 20.3 | 19.8 | 16.6 |
| ONGC | 177 | 205 | Hold | 227,469 | 13.9 | 15.7 | 20.0 | 12.7 | 11.3 | 8.9 | 6.9 | 5.4 | 4.5 | 12.7 | 14.4 | 17.0 | 9.6 | 10.5 | 12.6 |
| Petronet LNG | 233 | 310 | Buy | 34,988 | 11.4 | 13.8 | 15.5 | 20.5 | 16.9 | 15.0 | 14.8 | 11.1 | 9.8 | 23.1 | 28.9 | 33.6 | 16.8 | 20.2 | 21.0 |
| Castrol | 207 | 200 | Hold | 20,418 | 6.8 | 7.0 | 7.5 | 30.3 | 29.6 | 27.5 | 17.6 | 17.3 | 16.1 | 198.1 | 250.1 | 337.8 | 113.3 | 139.6 | 183.1 |
| GSPL | 191 | 200 | Buy | 10,795 | 8.8 | 12.2 | 11.7 | 21.7 | 15.7 | 16.4 | 11.1 | 10.9 | 9.4 | 14.2 | 11.5 | 12.9 | 9.1 | 12.1 | 10.0 |
| Gujarat Gas | 860 | 1,000 | Buy | 11,840 | 16.2 | 23.1 | 36.2 | 53.1 | 37.2 | 23.8 | 18.7 | 15.1 | 11.6 | 10.4 | 13.3 | 17.6 | 12.0 | 15.3 | 20.4 |
| BPCL | 431 | 500 | Hold | 93,547 | 40.9 | 38.5 | 44.5 | 10.6 | 11.2 | 9.7 | 11.5 | 10.5 | 10.5 | 20.5 | 20.4 | 19.5 | 27.1 | 25.2 | 28.9 |
| Mahanagar Gas Ltd | 1,018 | 1,200 | Buy | 10,056 | 39.8 | 50.0 | 51.7 | 25.6 | 20.4 | 19.7 | 15.5 | 12.1 | 11.5 | 30.4 | 33.6 | 31.3 | 18.5 | 21.1 | 19.1 |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E |
| **Others** | | | | | | | | | | | | | | | | | | | |
| Cox and Kings | 238 | 225 | Hold | 4,208 | 3.8 | 18.5 | 15.8 | 63.3 | 12.9 | 15.0 | 8.9 | 6.4 | 5.9 | 8.1 | 10.6 | 12.0 | 2.7 | 11.6 | 8.8 |
| Solar Industries India Ltd | 1,075 | 1,080 | Hold | 9,728 | 20.6 | 23.7 | 27.9 | 52.1 | 45.3 | 38.6 | 30.3 | 24.4 | 21.0 | 20.4 | 22.6 | 24.1 | 20.1 | 20.8 | 21.8 |
| United Spirits | 3,292 | 3,751 | Buy | 47,843 | 6.4 | 31.1 | 47.1 | 514.4 | 105.8 | 69.8 | 51.3 | 48.1 | 37.4 | 16.6 | 32.4 | 34.2 | 5.2 | 22.6 | 26.4 |
| United Breweries | 1,012 | 1,250 | Buy | 26,766 | 8.7 | 12.6 | 16.3 | 116.7 | 80.2 | 62.3 | 45.6 | 36.7 | 30.4 | 15.8 | 19.5 | 21.9 | 9.8 | 12.8 | 14.4 |
| Wonderla Holidays | 366 | 440 | Buy | 2,069 | 5.8 | 7.8 | 13.7 | 63.6 | 47.0 | 26.8 | 30.1 | 22.0 | 14.6 | 10.7 | 12.3 | 19.0 | 7.5 | 9.4 | 14.4 |
| Navneet Education Ltd. | 146 | 185 | Buy | 3,420 | 7.3 | 7.7 | 9.2 | 20.0 | 18.9 | 15.9 | 13.4 | 12.3 | 10.3 | 31.4 | 30.6 | 31.5 | 24.6 | 23.6 | 23.7 |
| **Pharma** | | | | | | | | | | | | | | | | | | | |
| Sun Pharma | 514 | 530 | Hold | 123,226 | 29.0 | 7.3 | 16.6 | 17.7 | 70.0 | 31.0 | 11.4 | 21.2 | 17.4 | 20.3 | 10.0 | 11.4 | 19.0 | 7.1 | 9.6 |
| Ajanta Pharma | 1,398 | 1,515 | Hold | 12,301 | 57.4 | 56.7 | 62.3 | 24.4 | 24.7 | 22.4 | 18.3 | 18.3 | 16.3 | 42.3 | 34.4 | 31.1 | 33.7 | 26.6 | 24.0 |
| Lupin | 820 | 850 | Hold | 37,066 | 56.7 | 30.5 | 35.5 | 14.5 | 26.9 | 23.1 | 8.9 | 12.5 | 11.1 | 16.6 | 10.0 | 11.0 | 19.0 | 9.4 | 10.0 |
| Aurobindo Pharma | 615 | 665 | Hold | 36,054 | 39.4 | 42.8 | 37.4 | 15.6 | 14.4 | 16.4 | 11.5 | 10.1 | 11.0 | 24.4 | 23.6 | 18.2 | 24.2 | 21.4 | 15.9 |
| Biocon | 608 | 680 | Buy | 36,450 | 10.2 | 8.4 | 12.1 | 59.5 | 72.1 | 50.3 | 44.3 | 38.1 | 29.0 | 9.6 | 10.4 | 14.1 | 10.5 | 9.7 | 12.5 |
| Cadila Healthcare | 392 | 405 | Hold | 40,177 | 14.5 | 16.4 | 19.4 | 27.0 | 23.9 | 20.2 | 23.2 | 16.0 | 14.6 | 13.1 | 17.4 | 17.8 | 21.4 | 20.5 | 20.5 |
| Cipla | 562 | 640 | Hold | 45,232 | 12.5 | 19.1 | 26.6 | 44.8 | 29.5 | 21.1 | 20.4 | 16.8 | 13.5 | 7.7 | 10.3 | 14.5 | 8.0 | 11.1 | 13.8 |
| Dr Reddy's Lab | 2,128 | 2,520 | Hold | 35,297 | 78.0 | 62.7 | 94.8 | 27.3 | 34.0 | 22.5 | 15.6 | 15.2 | 12.4 | 7.3 | 7.1 | 9.6 | 10.5 | 7.9 | 10.9 |
| Divi's Lab | 1,107 | 1,070 | Hold | 29,391 | 39.9 | 32.9 | 41.1 | 27.7 | 33.6 | 26.9 | 18.1 | 21.0 | 17.1 | 25.3 | 19.4 | 21.4 | 19.8 | 14.8 | 16.3 |
| Glenmark | 559 | 535 | Hold | 15,786 | 39.4 | 30.8 | 43.8 | 14.2 | 18.2 | 12.8 | 9.2 | 10.7 | 8.2 | 19.5 | 15.2 | 18.4 | 26.5 | 16.4 | 19.1 |
| Indoco | 228 | 280 | Hold | 2,097 | 8.4 | 4.1 | 12.1 | 27.2 | 55.8 | 18.8 | 17.6 | 22.6 | 13.2 | 8.7 | 4.8 | 11.1 | 11.8 | 5.5 | 14.5 |
| Ipca Lab | 671 | 715 | Buy | 8,471 | 15.4 | 20.4 | 37.8 | 43.5 | 32.9 | 17.8 | 19.0 | 17.9 | 11.4 | 8.7 | 9.2 | 15.6 | 7.9 | 9.6 | 15.6 |
| Jubilant Life | 819 | 1,090 | Buy | 13,046 | 36.1 | 45.9 | 65.7 | 22.7 | 17.8 | 12.5 | 13.9 | 12.2 | 9.5 | 13.8 | 14.5 | 17.9 | 16.8 | 17.8 | 20.5 |
| Natco | 775 | 910 | Hold | 14,298 | 26.3 | 37.7 | 41.5 | 29.4 | 20.6 | 18.7 | 22.8 | 15.5 | 13.8 | 33.6 | 28.5 | 27.7 | 29.5 | 22.8 | 21.6 |
| Torrent Pharma | 1,307 | 1,373 | Hold | 22,117 | 55.2 | 39.5 | 50.4 | 23.7 | 33.1 | 25.9 | 18.2 | 19.1 | 14.0 | 18.9 | 12.7 | 14.1 | 21.5 | 13.8 | 15.5 |
| Alembic Pharma | 544 | 570 | Hold | 10,246 | 21.2 | 23.8 | 23.0 | 25.7 | 22.8 | 23.7 | 16.7 | 16.2 | 15.5 | 25.3 | 19.8 | 17.6 | 21.0 | 20.0 | 16.8 |
| Syngene International | 594 | 680 | Buy | 11,879 | 14.4 | 15.0 | 20.3 | 41.3 | 39.5 | 29.3 | 29.7 | 26.4 | 21.0 | 16.8 | 17.7 | 21.4 | 20.3 | 17.9 | 19.6 |
| **Power** | | | | | | | | | | | | | | | | | | | |
| Power Grid Corporation | 196 | 235 | Buy | 102,539 | 14.4 | 17.4 | 20.8 | 13.6 | 11.3 | 9.4 | 10.6 | 9.6 | 8.7 | 8.8 | 9.2 | 9.6 | 15.3 | 16.0 | 16.5 |
| CESC | 998 | 1,200 | Buy | 13,235 | 73.1 | 77.9 | 82.2 | 13.7 | 12.8 | 12.1 | 6.2 | 5.8 | 5.1 | 15.8 | 15.9 | 16.4 | 11.2 | 9.7 | 9.2 |
| NTPC | 168 | 175 | Hold | 138,112 | 12.8 | 13.9 | 14.5 | 13.1 | 12.1 | 11.5 | 10.5 | 10.6 | 10.5 | 8.8 | 8.7 | 8.3 | 11.0 | 11.1 | 10.7 |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E |
| **Real Estate** | | | | | | | | | | | | | | | | | | | |
| Oberoi Realty | 505 | 490 | Hold | 17,145 | 11.2 | 12.6 | 27.7 | 45.3 | 40.1 | 18.2 | 26.9 | 23.5 | 10.4 | 8.6 | 8.4 | 17.4 | 6.6 | 7.0 | 13.7 |
| Mahindra Lifespace | 452 | 570 | Buy | 2,368 | 24.9 | 13.7 | 21.5 | 18.2 | 33.1 | 21.0 | 48.9 | 35.9 | 23.4 | 4.7 | 4.9 | 6.0 | 6.0 | 3.5 | 5.2 |
| Sobha Ltd | 551 | 610 | Hold | 5,223 | 16.7 | 22.7 | 27.7 | 33.0 | 24.3 | 19.9 | 18.0 | 14.2 | 12.5 | 7.7 | 9.5 | 10.8 | 6.1 | 7.8 | 9.0 |
| Sunteck Realty Ltd | 409 | 440 | Buy | 5,978 | 14.8 | 16.9 | 22.7 | 27.5 | 24.2 | 18.0 | 12.3 | 9.2 | 6.8 | 12.9 | 12.3 | 16.1 | 11.6 | 8.9 | 10.9 |
| **Retail** | | | | | | | | | | | | | | | | | | | |
| TTK Prestige | 6,343 | 7,265 | Hold | 7,327 | 129.3 | 216.6 | 169.6 | 49.0 | 29.3 | 37.4 | 33.5 | 28.3 | 23.5 | 18.5 | 20.2 | 22.8 | 17.6 | 24.8 | 17.3 |
| Shopper Stop | 554 | 650 | Buy | 4,871 | -2.4 | 1.1 | 11.4 | NM | 513.7 | 48.6 | 26.6 | 21.1 | 16.1 | 5.6 | 10.0 | 14.5 | -2.6 | 1.0 | 9.7 |
| Titan Industries | 917 | 990 | Buy | 81,379 | 7.9 | 13.0 | 17.0 | 116.4 | 70.4 | 54.1 | 69.2 | 49.6 | 38.6 | 32.5 | 37.5 | 39.4 | 16.8 | 23.3 | 25.3 |
| Bata India | 770 | 860 | Buy | 9,897 | 12.4 | 17.4 | 21.7 | 62.3 | 44.4 | 35.4 | 33.1 | 27.4 | 21.9 | 29.5 | 39.0 | 42.3 | 12.0 | 15.1 | 16.8 |
| Trent Ltd. | 359 | 365 | Buy | 11,933 | 1.8 | 4.8 | 6.7 | 203.4 | 74.4 | 53.8 | 87.5 | 48.7 | 39.9 | 7.4 | 11.7 | 13.9 | 3.8 | 10.3 | 13.4 |
| Aditya Birla Fashion & Retail | 149 | 195 | Buy | 11,487 | 0.7 | 0.9 | 2.4 | 214.4 | 167.6 | 60.8 | 31.4 | 26.5 | 21.3 | 7.5 | 9.5 | 12.6 | 5.6 | 6.7 | 15.5 |
| **Road** | | | | | | | | | | | | | | | | | | | |
| IRB Infrastructure | 239 | 245 | Hold | 8,401 | 21.5 | 28.0 | 22.6 | 11.1 | 8.5 | 10.6 | 7.4 | 6.1 | 4.5 | 6.2 | 6.7 | 7.1 | 13.6 | 15.4 | 11.3 |
| Ashoka Buildcon | 261 | 250 | Buy | 4,893 | -0.5 | -2.7 | 2.6 | NM | NM | 101.3 | 9.5 | 9.3 | 8.0 | 8.2 | 8.0 | 9.4 | -0.6 | -3.1 | 2.9 |
| PNC Infratech | 184 | 215 | Buy | 4,719 | 8.2 | 5.9 | 8.5 | 22.5 | 31.1 | 21.5 | 18.6 | 17.0 | 12.3 | 14.2 | 10.1 | 13.8 | 9.8 | 9.0 | 11.6 |
| Sadbhav Engineering | 400 | 450 | Buy | 6,863 | 10.9 | 14.1 | 14.7 | 36.5 | 28.4 | 27.2 | 23.0 | 18.6 | 15.6 | 10.8 | 11.6 | 12.2 | 11.3 | 12.9 | 12.0 |
| **Telecom** | | | | | | | | | | | | | | | | | | | |
| Bharti Airtel | 386 | 600 | Buy | 154,140 | 9.5 | 3.4 | 7.0 | 40.6 | 114.2 | 54.9 | 7.8 | 9.2 | 8.5 | 8.4 | 6.1 | 6.8 | 7.4 | 2.7 | 4.2 |
| Bharti Infratel | 338 | 360 | Hold | 62,480 | 14.9 | 14.1 | 14.9 | 22.7 | 23.9 | 22.7 | 10.4 | 9.7 | 10.1 | 20.1 | 24.4 | 24.4 | 17.7 | 18.7 | 21.4 |
| Idea Cellular | 75 | 85 | Hold | 32,869 | -1.1 | -11.7 | -11.3 | NM | NM | NM | 8.4 | 15.2 | 14.3 | 3.3 | -3.2 | -3.2 | -1.6 | -19.6 | -23.5 |
| Tata Communications | 654 | 720 | Buy | 18,635 | 43.3 | -6.1 | 12.5 | 15.1 | -107.6 | 52.4 | 10.7 | 11.1 | 9.8 | 6.1 | 4.8 | 8.1 | 17.2 | 3.4 | 27.3 |
| Sterlite Technologies Ltd. | 333 | 440 | Buy | 13,353 | 5.1 | 7.5 | 10.3 | 65.9 | 44.1 | 32.2 | 31.5 | 22.6 | 18.0 | 16.1 | 20.8 | 22.9 | 22.9 | 27.2 | 28.8 |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E | FY17 | FY18E | FY19E |
| **Banks** | | | | | | | | | | | | | | | | | | | |
| IndusInd Bank | 1,819 | 1,920 | Buy | 109,181 | 48.0 | 60.2 | 75.3 | 37.9 | 30.2 | 24.1 | 6.2 | 5.4 | 4.7 | 1.8 | 1.8 | 1.9 | 15.1 | 16.5 | 17.8 |
| Yes Bank | 314 | 375 | Hold | 72,221 | 14.9 | 18.3 | 23.9 | 21.1 | 17.1 | 13.1 | 5.2 | 3.3 | 2.8 | 1.8 | 1.7 | 1.8 | 19.0 | 17.5 | 19.3 |
| Bank of Baroda | 147 | 185 | Buy | 33,952 | 6.0 | 3.8 | 7.7 | 24.6 | 38.9 | 19.0 | 0.8 | 0.8 | 0.8 | 0.2 | 0.1 | 0.3 | 3.4 | 2.4 | 4.6 |
| State Bank of India | 258 | 340 | Buy | 222,707 | -2.2 | 3.5 | 9.0 | NM | 73.3 | 28.8 | 1.5 | 1.1 | 0.9 | -0.1 | 0.1 | 0.2 | -0.8 | 1.4 | 3.2 |
| City Union Bank | 176 | 180 | Buy | 11,722 | 7.6 | 8.9 | 10.8 | 23.2 | 19.8 | 16.3 | 3.8 | 3.3 | 2.9 | 1.5 | 1.6 | 1.7 | 15.3 | 15.5 | 16.4 |
| Axis Bank | 499 | 690 | Buy | 128,070 | 15.4 | 14.9 | 32.9 | 32.5 | 33.5 | 15.2 | 2.4 | 2.3 | 1.9 | 0.6 | 0.6 | 1.2 | 6.8 | 6.2 | 11.8 |
| DCB Bank | 171 | 200 | Hold | 5,257 | 7.0 | 7.8 | 10.4 | 24.4 | 21.7 | 16.5 | 2.9 | 2.4 | 1.8 | 0.9 | 0.9 | 1.0 | 11.1 | 10.9 | 11.8 |
| Federal Bank | 93 | 140 | Buy | 18,342 | 4.8 | 5.9 | 7.8 | 19.2 | 15.7 | 11.9 | 2.2 | 2.1 | 1.5 | 0.8 | 0.9 | 1.0 | 9.6 | 10.8 | 11.7 |
| HDFC Limited | 1,836 | 2,250 | Buy | 307,623 | 46.8 | 70.9 | 60.8 | 39.2 | 25.9 | 30.2 | 9.0 | 8.3 | 5.5 | 2.4 | 3.1 | 2.3 | 21.0 | 24.9 | 17.0 |
| Jammu & Kashmir Bank | 58 | 90 | Buy | 3,244 | -31.3 | 4.5 | 9.4 | NM | 13.0 | 6.2 | 0.5 | 0.6 | 0.5 | -2.0 | 0.3 | 0.6 | -27.0 | 4.2 | 8.0 |
| Kotak Mahindra Bank | 1,110 | 1,200 | Buy | 211,498 | 18.5 | 22.3 | 28.7 | 59.9 | 49.7 | 38.6 | 8.8 | 7.7 | 6.7 | 1.7 | 1.8 | 1.9 | 13.2 | 13.9 | 15.8 |
| LIC Housing Finance | 558 | 650 | Buy | 28,145 | 38.2 | 38.9 | 48.6 | 14.6 | 14.3 | 11.5 | 3.1 | 2.5 | 2.2 | 1.4 | 1.2 | 1.3 | 19.1 | 16.4 | 17.4 |
| Reliance Capital | 446 | 660 | Buy | 11,272 | 41.4 | 67.2 | 80.4 | 10.8 | 6.6 | 5.5 | 0.7 | 0.7 | 0.6 | 1.5 | 1.5 | 1.4 | 8.7 | 9.4 | 9.2 |
| CARE | 1,283 | 1,750 | Buy | 3,780 | 51.8 | 55.0 | 63.1 | 24.8 | 23.3 | 20.3 | 7.6 | 6.6 | 5.9 | 36.4 | 35.5 | 36.6 | 30.5 | 28.4 | 29.1 |
| HDFC Bank | 1,916 | 2,300 | Buy | 497,219 | 56.8 | 65.1 | 83.0 | 33.7 | 29.4 | 23.1 | 6.8 | 5.6 | 3.9 | 1.8 | 1.9 | 2.1 | 17.9 | 16.1 | 16.4 |
| Bajaj Finserv Limited | 5,480 | 6,000 | Buy | 87,206 | 142.2 | 176.2 | 228.1 | 38.6 | 31.1 | 24.0 | 6.5 | 5.5 | 4.7 | 1.9 | 1.9 | 2.0 | 15.5 | 16.3 | 17.8 |
| Bajaj Finance Limited | 1,930 | 2,050 | Buy | 111,555 | 33.9 | 45.1 | 58.4 | 56.9 | 42.8 | 33.1 | 15.0 | 11.6 | 6.8 | 3.3 | 3.3 | 3.3 | 21.6 | 19.5 | 18.7 |

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