Q1 FY19 RESULT PREVIEW

12th July, 2018

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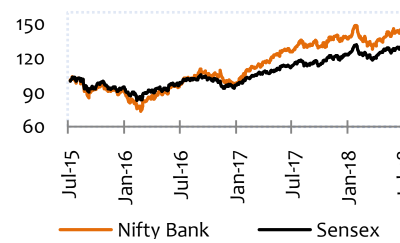
BFSI Sector

Same old

MARKET DATA

Nifty	11,046
Sensex	36,584
CNX BANK	27,027
USD / INR	68.60

SECTOR PERFORMANCE



Earnings expectation for Q1FY19 and sector outlook

Much has been said and implemented over the last several quarters with regards to mending system-wide stress, but in vain. More than a year since the announcement of NCLT list 1, subsequent resolution plans offered under the IBC and the collaborated efforts of the government, the banking industry and the legal fraternity, only 2 cases (of out 12 under NCLT list 1) have seen light of the day (Bhushan Steel and Electrolsteel). With another 38 accounts to go (10 under list 1, 28 under list 2) and given the pace of resolutions so far, we continue to prefer retail focused banks over corporate banks. Our less favourable view on corporate banks is also reinforced by our belief that resolutions beyond the steel accounts could take longer than expected.

As if the 38 NCLT cases were not enough, the massive slippages reported by corporate banks in Q4FY18 on account of RBI's February 2018 circular have only added to their plight. However, one key positive that we see in this is that these banks would now be ever more focused towards recovering/resolving these cases without being bothered about whether to classify such cases as stress or not. Commentary on Project 'Sashakt' and its attributes will need to be monitored closely to assess its effectiveness (a likely boon for the PSBs?).

The 10-year GOI bond yield has moved up 56 bps since start of Q1FY19 translating into MTM losses on investment books. However, RBI's dispensation with respect to such losses should provide some relief. Nonetheless, we expect credit costs to continue to stay elevated on account of fresh slippages and ageing provisions, besides some select banks going in for higher PCR. For the corporate banks under our coverage, we expect elevated credit costs to dent profitability while for the retail-focused banks we expect slight easing in credit costs. For our coverage universe, we expect corporate banks' average credit costs to be >2.2% while for retail, we expect it to average ~1% (60 bps if we exclude KVB). Public sector banks, owing to their MTM provision and credit losses, are likely to witness higher overall credit costs than their private peers.

On the credit growth front, we expect retail banks to continue to outpace the industry. While we have observed some green shoots in corporate capex, we believe it is still too early to call it a revival and assume a turnaround in corporate sentiment/lending. On the other hand, retail banks are expected to continue to thrive on consumptive lending and housing loans. Visible turnaround in the CV-industry, buoyant consumption sentiment, housing tailwinds and stabilizing SME sector are some of the key factors that place retail banks and NBFCs favourably in terms of growth. For our coverage universe, we expect retail banks to report 25-26% credit growth on average while we expect corporate banks to report an average credit growth of 12-13% with private corporate banks clearly outpacing their public counterparts. As per latest RBI data (as of 22nd June 2018), the banking systems has registered a growth of 12.8% yoy. Taking a slightly longer horizon – post a stagnant period of industry growth of 4-6% over November 2016 – September 2017, we have witnessed a clear and gradual build up in credit growth so far. Given the macros, we expect growth to improve further going forward.

Public sector banks – The saga continues

Given their plagued books of PSBs, we expect another quarter of distress for SBI and BOB. While resolution of Bhushan Steel and Electrosteel is expected to provide some relief, incremental slippages and high stress levels attracting high provisioning will continue to impact profitability. Further, given the upward movement in bond yields, MTM losses and provisioning thereon, are expected to add to the adversity. Credit growth may show a positive trend but is likely to lag private peers. For public sector banks (and for SBI and BOB), credit growth will be driven by retail loans – housing, unsecured personal and vehicle loans. For SBI, we expect advances to grow by 8% yoy while for BOB we expect 13% yoy growth in advances. Credit costs, though lower than Q4FY18, will continue to remain elevated resulting in loss for SBI and marginal profit for BOB. Of all, key monitorable will be commentary on stress resolution and way forward amidst private players gaining market share.

Private sector banks – Thriving on retail

Private sector retail banks are expected to continue to deliver on their growth trajectory unabated. Corporate banks such as Axis Bank and ICICI Bank are expected to see gradual build up in credit growth since turning to retail in light of muted corporate lending. Asset quality issues at corporate lenders are likely to keep profitability under pressure whereas retail focused private banks, owing to improving credit costs, are expected to deliver 13.5% yoy growth in PAT (27% if we exclude KVB). We expect NIMs to be stable with NII for the private pack growing by 18% yoy. We expect retail banks to report 21% yoy growth in NII.

NBFCs – Improving margin profile a key challenge

On back of buoyant consumptive demand, we expect Bajaj Finance to continue to report high growth in disbursements and maintain its dominant market share in consumer finance. With CV cycle looking up and SME sector stabilizing, we expect Chola to report 30% yoy growth in AUM. Despite the strong traction in credit disbursal, we remain cautious with respect to NIM profile for NBFCs in light of rising interest rates.

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BFSI Sector

State Bank Of India Ltd.

We expect 8%advances growth for the bank on back of retail thrust. Owing to persistency of asset quality pressure, NIMs are expected to remain low while credit costs should stay elevated. We are factoring in 180 bps of credit costs which should lead to increased coverage. We expect the bank to report third consecutive quarter of loss (of INR 19.3 bn) on back of lower NIMs, higher opex and elevated credit costs. Amongst the positives, successful resolution of Bhushan Steel and Electrolsteel should help in effecting recoveries and contain NPA formation on net basis.

Bank's commentary on the outlook, especially regarding resolution of NCLT cases (list 1 + 2) and containment of stress emanating from the power sector will need to be monitored closely. Margin outlook, amidst rising rates, will need to be watched too.

Bank Of Baroda Ltd.

We expect advances grow 13% yoy and NII to grow 18% on back of stable margins of ~2.4%. Credit costs are to continue to stay elevated – we are building in 240 bps versus 620 bps in Q4FY18 and 250 bps in Q1FY18. NPA formation could slow down post recognition of most of the chunky stress under RBI's February 2018 guidelines.

One of the key areas to monitor would be bank's outlook on corporate credit (quality corporate credit growth and capital optimization were outlined as key priorities for FY19). Besides this, improving risk profile, as indicated by declining RWA/corporate exposure, would need to be watched too. Commentary on NCLT resolutions in FY19, power sector stress and other stress besides the watch list will need to be monitored.

HDFC Bank Ltd.

We expect 20% yoy growth in advances along with stable NIMs. Non-interest income should be healthy, growing 21% yoy to INR 42.7 bn. We expect elevated provisioning to continue (as has been the trend since last 5 quarters). We expect the bank to reported PAT of INR 49.6 bn. Deposits are expected to continue to show strong traction.

Commentary on growth outlook for FY19, increasing competition in the retail space and consequent margin pressure will need to be monitored along with credit cost guidance.

Kotak Mahindra Bank Ltd.

The bank is expected to post robust advances growth – we expect 25% yoy growth along with stable NIMs of >4%. We expect non-interest income to grow by 20% yoy (non-interest revenue / average assets increasing since last 4 quarters). Credit costs should remain within comfortable levels at <60 bps (amongst the lowest in the industry).

Bank's commentary on accelerating corporate lending, amidst opportunities thrown up by NCLT cases, will need to be monitored besides more disclosure on the life insurance subsidiary (disclosed EV/VNB margins in Q4FY18).

Yes Bank Ltd.

We expect robust credit growth for the bank at 45% yoy (54% in Q4FY18). NII at 23.2 bn should grow 28% yoy, led by stable NIMs. Strong traction in corporate banking business should deliver healthy growth in non-interest income. We expect credit costs to improve further to <60 bps during the quarter. PAT is expected to grow 27% yoy to INR 12.3 bn.

Commentary on sustenance on high credit growth rate, CASA accretion and capital raise would need to be monitored. Exposure to sensitive sectors will need to be watched out for too.

ICICI Bank Ltd.

With Q4FY18 slippages, the drilldown list was rendered meaningless shifting the focus solely towards recoveries. Slippages from Q1FY19 onwards are expected to moderate, however the bank's outlook on incremental stress will need to be monitored. We expect advances growth to pick up to 12% amidst the bank's thrust on the retail segment. Stable NIMs should aid 11% yoy growth in NII however credit costs are to continue to remain elevated (280 bps versus 520 bps in Q4FY18) as the bank goes in for higher PCR, which will be partially helped by stake sale in ICICI Prudential.

Commentary on mitigation of risk emanating from MCLR migration, non-accrual of interest income on stressed book and reduction in base rates will need to be monitored.

Axis Bank Ltd.

We expect advances to grow 18% yoy, NII by 6% on account of slight contraction in NIMs. While retail is expected to remain robust, commentary on incremental corporate exposure would need to be monitored. NPA formation is expected to be lower on qoq basis however commentary regarding incremental stress envisaged for for full year/FY19 holds the key. Credit costs are expected to stay elevated, denting profitability. We estimate PAT of INR 4 bn. Asset quality is likely to deteriorate.

Karur Vysya Bank Ltd.

We expect the bank to report 12% yoy growth in advances, driven by strong traction in SME and retail loans. Increasing share of non-corporate book should help banks secure stability in margins, we estimate NII growth of 17% yoy. With tech/digital investments underway, costs could increase. We expect PPOP growth to be lower at 3% yoy. Credit costs are to remain elevated (building in 290 bps), given that slippages are expected to be high (50% of the watch list + INR 2 bn RSA).

Commentary on watch list, margin and slippages outlook for the year (considering most of the heavy lifting gets done in Q1FY19), digital thrust and increasing emphasis on risk management would need to be monitored.

BFSI Sector

Bajaj Finance Ltd.

We expect AUM to grow 35% yoy owing to the company's dominant position in consumer finance. We expect stable NIMs of 11.5% to aid NII growth of 29%. Reducing asset quality pressure should translate into lower credit costs, aiding PAT of INR 8.3 bn, up 37% yoy.

Cost structure will need to be monitored as the company has been undertaking investments into tech/digital (as part of BFL 2.0) and expanding branches. Further, commentary on reviving SME lending and scaling up BHFL (housing finance sub) will need to be watched out for.

Cholamandalam Investment and Finance Corporation Ltd.

Strong and favourable tailwinds in the CV sector along with stabilizing small business environment are expected to drive 30% yoy growth in AUM. Margin contraction on account of rising rates and competition is likely to be partially offset by changing product mix and deeper rural penetration. We expect NII growth of 35% yoy. Despite improvement in lending sectors, we are building in higher credit costs. We expect PAT to grow 51% yoy.

Ground level reality for VF and turnaround, if any, in the LAP segment would need to be monitored closely.

Quarterly result expectation for companies under coverage

INR Mn	Q1FY18	Q4FY18	Q1FY19E	QoQ	YoY
State Bank Of India Ltd.					
NII	1,76,060	1,99,743	1,98,758	0%	13%
PPOP	1,18,741	1,58,832	1,11,765	-30%	-6%
PAT	20,055	-77,182	-19,248	-75%	-196%
Bank Of Baroda Ltd.					
NII	34,050	40,023	40,271	1%	18%
PPOP	26,481	26,655	27,702	4%	5%
PAT	2,034	-30,052	1,483	-105%	-27%
HDFC Bank Ltd.					
NII	93,707	1,06,577	1,12,654	6%	20%
PPOP	75,199	88,357	90,887	3%	21%
PAT	38,938	47,993	49,624	3%	27%
Kotak Mahindra Bank Ltd.					
NII	22,456	25,798	26,842	4%	20%
PPOP	15,954	20,180	20,283	1%	27%
PAT	9,127	11,241	11,744	4%	29%
Yes Bank Ltd.					
NII	18,089	21,542	23,231	8%	28%
PPOP	17,042	21,354	22,030	3%	29%
PAT	9,655	11,794	12,256	4%	27%
ICICI Bank Ltd.					
NII	55,898	60,217	62,312	3%	11%
PPOP	51,833	75,140	60,123	-20%	16%
PAT	20,490	10,200	18,992	86%	-7%
Axis Bank Ltd.					
NII	46,161	47,005	49,064	4%	6%
PPOP	42,912	36,422	38,579	6%	-10%
PAT	13,056	-22,187	3,997	-118%	-69%
Karur Vysya Bank Ltd.					
NII	5,386	6,429	6,285	-2%	17%
PPOP	4,494	4,797	4,609	-4%	3%
PAT	1,480	506	885	75%	-40%
Bajaj Finance Ltd.					
NII	20,725	23,651	26,735	13%	29%
PPOP	11,970	13,731	15,640	14%	31%
PAT	6,020	7,210	8,255	15%	37%
Cholamandalam Investment & Finance Corp Ltd.					
NII	6,938	8,915	9,339	5%	35%
PPOP	4,162	5,125	5,463	7%	31%
PAT	2,066	2,911	3,109	7%	51%

BFSI Sector

COVERAGE UNIVERSE

	Rating	Current MCAP (INR Bn)	CMP (INR)	TP (INR)	Upside (%)	EPS (INR)			ABVPS (INR)			ROA (%)			ROE (%)			P/E (x)			P/ABV (x)		
						FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Public Sector Banks																							
State Bank Of India	BUY	2,347	263	363	38.0%	-7.3	7.8	25.1	121.3	131.5	185.4	-0.2%	0.2%	0.6%	-3.0%	3.1%	9.6%	-	33.8	10.5	2.2	2.0	1.4
Bank Of Baroda	BUY	315	119	168	41.1%	3.3	16.9	23.0	109.7	129.9	150.6	0.1%	0.6%	0.7%	2.0%	9.3%	11.6%	35.6	7.0	5.2	1.1	0.9	0.8
Private Sector Banks																							
IndusInd Bank	HOLD	1,167	1,944	2,033	4.6%	60.1	75.1	95.1	384.5	451.8	531.5	1.8%	1.8%	1.9%	16.2%	17.5%	18.8%	32.4	25.9	20.4	5.1	4.3	3.7
HDFC Bank	ACCUMULATE	5,644	2,175	2,346	7.9%	67.4	84.5	101.8	399.6	533.2	608.9	1.8%	2.0%	2.1%	17.9%	18.1%	17.4%	32.3	25.7	21.4	5.4	4.1	3.6
Kotak Mahindra Bank	HOLD	2,647	1,389	1,402	1.0%	21.4	29.1	36.4	188.0	215.5	249.8	1.7%	1.9%	1.9%	12.5%	13.8%	15.0%	64.8	47.7	38.2	7.4	6.4	5.6
Yes Bank	ACCUMULATE	880	382	409	7.0%	18.3	26.0	32.3	106.1	127.8	171.5	1.6%	1.7%	1.8%	17.7%	21.2%	21.3%	20.8	14.7	11.8	3.6	3.0	2.2
ICICI Bank	BUY	1,736	270	393	45.5%	10.5	14.6	21.9	120.2	138.4	162.0	0.8%	1.0%	1.3%	6.6%	8.6%	11.8%	25.6	18.5	12.3	2.2	2.0	1.7
Axis Bank	BUY	1,386	540	691	28.0%	1.1	13.5	33.2	182.6	193.0	221.2	0.0%	0.5%	1.0%	0.5%	5.3%	12.2%	502.5	40.0	16.3	3.0	2.8	2.4
Karur Vysya Bank	BUY	73	101	145	43.2%	4.0	10.8	14.1	64.7	72.3	86.2	0.4%	1.1%	1.3%	5.0%	12.4%	14.7%	25.5	9.4	7.2	1.6	1.4	1.2
NBFCs																							
Bajaj Finance	BUY	1,360	2,353	2,379	1.1%	46.3	69.4	93.9	286.3	348.5	432.5	3.6%	4.0%	4.1%	20.5%	21.9%	24.0%	50.9	33.9	25.1	8.2	6.8	5.4
Cholamandalam Inv. & Fin. Corp.	BUY	244	1,562	1,942	24.4%	62.3	81.8	102.7	281.8	350.3	431.6	2.8%	2.9%	3.0%	20.6%	22.4%	23.0%	22.8%	19.1	15.2	5.5	4.5	3.6
	Rating		CMP (INR)	TP (INR)	Upside (%)	EPS (INR)			EVPS (INR)			ROEV (%)			ROE (%)			P/E (x)			P/EV (x)		
						FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Life Insurance companies																							
ICICI Prudential Life	BUY	521	363	514	41.8%	11.3	12.3	13.5	130.9	147.9	171.3	22.7%	17.1%	19.0%	24.4%	24.1%	23.0%	32.1	29.4	26.9	2.8	2.5	2.1

FMCG Sector

Sector- Gaining Momentum

MARKET DATA

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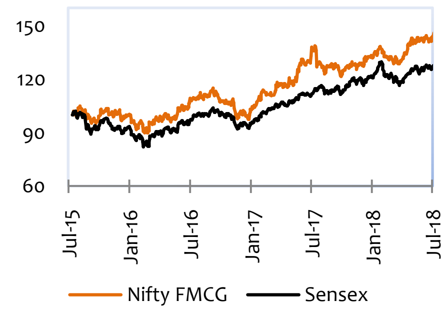
SECTOR PERFORMANCE



Earnings expectation for Q1FY19

During the quarter we expect moderate growth in the FMCG category, the purchases of consumer products have recorded its fastest growth in nearly five years, better monsoon and improving consumer sentiments were the key driving factors for the growth in FMCG sector. Demand for FMCG products like home and personal care products have witnessed good volume pick-up during the quarter. We expect mid double digit growth for food FMCG products and low single digit growth for non-food FMCG products. The consumer durables category is expected to perform well due to the summer season. While pressure on margins still remains our concern due rising crude prices, an increase in argi based raw material prices due to the introduction of MSP of 1.5x of cost of production. However, we expect that companies under our coverage will manage to maintain their margins mainly due to their operational efficiencies, economies of scale, better product mix, improvement in average realization and several cost saving strategies adopted the companies.

For Q1FY19, we expect average revenue growth of the FMCG universe to be in the range of 10-11% YoY we expect average EBITDA growth to be in the range of 17-18% on YoY basis. We have divided the FMCG universe into three major categories, namely 1) Consumer Staple which includes stocks like Britannia, ITC, HUL, Nestle, Colgate and GCPL, 2) Consumer Durables (White Goods) which includes stocks like Blue Star, Symphony and Whirlpool, and 3) Dairy which includes stocks like Hatsun Agro, Heritage Foods, Prabhat Dairy, and Parag Milks. The revenue of Consumer Staples category is expected to grow in the range of 9-10% during this quarter, we expect growth in the category as consumer demands is picking up gradually. However, on the other hand, we expect that the summer season will give boost to the top line growth of Consumer Durables and White Goods category in the range of 12-13% YoY. The Dairy sector is expected to grow in the range of 11-12% during this quarter.

Outlook: We remain positive on Britannia industries Ltd, Heritage foods Ltd, HUL, Nestle, GCPL, Whirlpool, Symphony and Blue Star while on the other hand we remain concerned on Colgate, Hatsun Agro Ltd, etc. We believe that Q1FY19 will be a moderate quarter for FMCG sector as we have seen mixed sentiments from the past 2-3 quarter. Furthermore, we believe that GST has been positive on most of the segment like dairy, soaps, personal care, etc. While some segment like hotels and restaurants, detergents, chocolates, etc. will be facing higher GST rates than before. Our analysis say's that consumer space has a bright future for expansion.

Key Parameter to watch in for Q1FY19 and onwards:

•Increase in companies spends on Advertisements & promotional activities.

•Consumer spending on discretionary and non-discretionary goods.

Q1FY19 Earnings Outlook of companies under coverage:

Britannia Industries Ltd remains one of the largest FMCG players with its major presence in premium biscuits segment. During Q1FY19, It focused on growing its portfolio with new innovative products and also re-furnishing current products in the premium segment, capturing new markets and geography, increasing reach in the distribution channel, focus to increase penetration in rural areas, untapped opportunities in the domestic and international market. With a revival in consumer demand we expect Britannia to post revenue of INR 25.2 Bn with growth of 11.3% YoY. EBITDA and PAT margins to be around 16.4% and 10.8% respectively. **At CMP INR 6,400 we maintain our target price of INR 6,576.**

Colgate Ltd has been a market leader in both toothbrush and toothpaste category with the highest volume market share of around 55% and 47%. Market share of Colgate has been reduced from many years due to stiff competition from unlisted players. Demand for Colgate products has picked up since last quarter and expect the trend to continue, with implementation of GST it is positive for the company as the tax rate will be 18% for both the categories. We expect revenue of INR 10.7 Bn with growth of 9.7% YoY. We expect EBITDA and PAT margin around 21.8% and 13.1% respectively. **At CMP INR 1,151, we maintain our target price of INR 1,321.**

HUL remains one of the largest consumer company which has a presence across personal care, household, food and refreshment, etc. With GST company had faced slowdown in last few quarters and had grown in single digit, however, it witnessed good volume growth during Q3FY18 & Q4FY18. We expect that demand for its product would improve in both rural and urban areas with strategies like investing in its brands, focusing on core business with innovative products, managing cost which will help in improving margins. We expect revenue to be around INR 92.8 Bn with growth of 8.9% YoY. With companies' effort for cost saving we expect improvement in EBITDA and PAT margins, Its margins should be around 22.1% and 15.3%. **At CMP INR 1,737, we maintain our target price of INR 1,761.**

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FMCG Sector

ITC Ltd has many diversified businesses and its revenue is majorly dependent on its cigarette business. The management has shifted its focus from cigarettes business to grow its FMCG business and its target is to become the largest player in the segment. Also, we expect improvement in its other business like Hotel, Paper and Agri which is growing at a slow pace. We expect overall revenue to be around INR 105 Bn with growth of 5.6% YoY. In Q1FY19, we expect EBITDA and PAT margins to be around 37.5% and 25%, respectively. **At CMP INR 277, we maintain our target price of INR 303.**

GCPL During Q1FY19, we expect GCPL to record revenue of INR 24 Bn, a 10.3% YoY growth. Post GST the consumer demand in India has started picking up gradually. While there is not much improvement in HI business due to slack season, its Soap and Hair care category is doing well and expected to post a good set of numbers in Q1FY19. The Africa business is expected to normalize post elections being held in Kenya. While the Indonesia business is expected to improve, but still it remains the major concern for GCPL because of low consumer demand and intense competition in the region. We expect the revenue of GCPL on a consolidated basis to grow at mid to high single digit growth rate. **We have achieved our target price of INR 1,245, however, we will revise the target price post detailed analysis of the result.**

Nestle India Ltd is expected to post revenue of INR 27.3 Bn with growth of 9.7% YoY due to recovery in market share of its noodles segment and also of its presences in other segments like Ketchup, Coffee, milk Powder, Chocolates, etc. In CY18 companies focus is to aggressively launch new products. With products in different segments we expect GST tax would be majorly around 18%, except for chocolates which is taxed at 28%. The sales of KitKat boosted during the quarter due to challenges faced by Cadbury from its distribution channel. We expect EBITDA & PAT margin for Q4CY17 to be at 20.6% and 12.5% respectively **We have achieved our target price of INR 10,007, however, we will revise the target price post detailed analysis of the result.**

Hatsun Agro remains one of the largest and strongest south based dairy company. Its major business contribution is out of milk and milk products and have recently started generating renewable energy. For Q1FY19, we remain optimistic about the growth of the company as we foresee expansion in industry as well as India is a largest producer and Consumer of Dairy, also rise in demand for different value added products, increase in disposable income, shift of unorganized to organized sector will bring in the progress of the dairy sector in India. GST tax remained positive for the dairy companies. We expect revenue to be around INR 12.9 Bn with growth of 11% YoY. For Q1FY19, we expect EBITDA and PAT margins will be around 8.7% and 2.9%, respectively. **At CMP INR 631, we maintain our target price of INR 752.**

Heritage Foods Ltd remains one of the strong players in the south and remains focus to grow its core category – dairy. Revenue of dairy is contributed in ratio 75% to 25% among the milk and value added products. With the acquisition and expansion in its dairy segment and value added products we expect improvement in revenue and as well as margins in the future. With GST tax would vary for different products from 0% to 18%. We expect revenue to be around INR 7 Bn with growth of 15.1% YoY. EBITDA and PAT margins will be around 7% and 3.6%, respectively. **At CMP INR 622, we maintain our target price of INR 795.**

Parag milk foods Ltd is a private and organized dairy player which has its major presence in west India. Its major business revenue is derived from value added products and increase in milk price has led to decrease in margins. For Q1FY19 we expect a recovery in both revenue and margins. Its revenue to be around INR 4.6 Bn which is a growth of 12.2% YoY. We expect EBITDA and PAT margin to be around 7.2% and 3.4% respectively. **At CMP INR 300, we maintain our target price of INR 412.**

Prabhat dairy Ltd is a dairy player in the west and is transforming its business model to B2C segment. Its focus and Strategy is to enter a new category and innovative products, add more value added products, improve its direct procurement channel, etc. We expect its revenue to be around INR 3.9 Bn with growth of 8.5% YoY. We expect its EBITDA and PAT margins to be around 8.1% and 2%. **At CMP INR 145, we maintain our target price of INR 220.**

Symphony Ltd: During Q1FY19, we expect Symphony to record revenue of INR 1.5 Bn, with 15.7% YoY growth. The USP of Symphony is its focus on single product business. Unlike Symphony, other players have an air cooler as one of its products amongst many others. A successful business model has turned Symphony into an asset-light, zero-debt company; which has enabled the business to generate very high RoE and RoCE. Lower penetration of Industrial and Centralized Air coolers in India as well as Asset light and 100% advance business model are the key drivers. However, the company is facing some challenges due to intense competition and roll out of its new products at introductory price level which has impacted the margins adversely. The company is likely to increase the price of its new products during this quarter, which will improve its top line as well as the bottom line. **At CMP INR 1,388, we maintain our target price of INR 1,710.**

Blue Star Ltd: During Q1FY19, we expect Blue Star to record revenue of INR 15.4 Bn, a 5.9% YoY growth. Blue Star provides new and innovative cooling solution products to its customers. Despite the economic slowdown in the past few years, the cooling product segment has always outperformed the market; this segment is expected to grow at 18.2% CAGR during FY18E-FY19E. We expect the top line growth to be driven by the Unitary Products segment and Electro-Mechanical Projects & Packaged AC because of a surge in the order book and better execution of these orders, also increase in disposable income, shift in consumption pattern and standard of living, the higher growth coming from Unitary products, Professional Electronics and industrial systems and growing order book is likely increase the top line and bottom line as well. **At CMP INR 684, we maintain our target price of INR 775.**

Whirlpool of India Ltd: During Q1FY19, we expect Whirlpool to record revenue of INR 17.1 Bn with growth of 16.8% YoY. The growth in top line during Q1FY19 would be mainly due to higher demand of white goods during summer season. We expect to increase in price of white goods in coming quarters as tax under the GST on white goods will be higher, this shall improve the top line and the average realization of the company but it may impact the bottom line. Whirlpool continues to remain debt free, cash rich and fundamentally strong. The company has expanded its product portfolio by including kitchen appliances, water purifier and air treatment. **At CMP INR 1,514, we maintain our target price of INR 1,850.**

FMCG Sector

Quarterly result expectation for companies under coverage

INR Million	Q1FY18	Q4FY18	Q1FY19E	Y-o-Y	Q-o-Q	Remarks
Britannia Industries Ltd						
Sales	22,637	25,375	25,195	11.3%	-0.7%	During Q1FY19, we expect Britannia to post revenue of around INR 25.2 Bn with 11.3% growth on YoY basis. EBITDA during the quarter is expected to be around INR 4 Bn with 25.4% growth on YoY and 3.7% on QoQ basis. We expect the EBIDTA margins to increase by 184 bps YoY due increase in prices and better realization. PAT during the period is expected to be around INR 2.7 Bn with a growth of 26% YoY and 3.2% QoQ. PAT margin is expected to improve by 127 bps on YoY basis.
EBITDA	3,285	3,971	4,119	25.4%	3.7%	
Net Profit	2,160	2,638	2,723	26.1%	3.2%	
OPM (%)	14.5%	15.6%	16.4%	184 bps	70 bps	
NPM (%)	9.5%	10.4%	10.8%	127 bps	41 bps	
Colgate India Ltd						
Sales	9,781	10,917	10,733	9.7%	-1.7%	During Q1FY19, we expect Colgate to post revenue of around INR 10.7 Bn with 9.7% growth on YoY basis. EBITDA during the quarter is expected to be around INR 2.3 Bn with 5.6% growth on YoY basis. We expect the EBIDTA margins may decline by 85 bps YoY. PAT during the period is expected to be around INR 1.4 Bn with a growth of 2.9% YoY.
EBITDA	2,218	3,075	2,343	5.6%	-23.8%	
Net Profit	1,364	2,004	1,403	2.9%	-30.0%	
OPM (%)	22.7%	28.2%	21.8%	-85 bps	-634 bps	
NPM (%)	13.9%	18.4%	13.1%	-87 bps	-529 bps	
HUL Ltd						
Sales	85,290	90,970	92,881	8.9%	2.1%	During Q1FY19, we expect HUL to post revenue of around INR 92.8 Bn with 8.9% growth on YoY. EBITDA during the quarter is expected to be around INR 20.5 Bn with 9.9% growth on YoY basis. We expect the EBIDTA margins to improve by 20 bps YoY. PAT during the period is expected to be around INR 14.2 Bn with a growth of 9.8% YoY. PAT margin is expected to improve by 12 bps YoY.
EBITDA	18,660	20,480	20,508	9.9%	0.1%	
Net Profit	12,960	14,150	14,226	9.8%	0.5%	
OPM (%)	21.9%	22.5%	22.1%	20 bps	-43 bps	
NPM (%)	15.2%	15.6%	15.3%	12 bps	-24 bps	
ITC Ltd						
Sales	99,547	105,867	105,121	5.6%	-0.7%	During Q1FY19, we expect ITC to post revenue of around INR 105 Bn with growth of 5.6% YoY basis. EBITDA during the quarter is expected to be around INR 39.4 Bn with growth of 5.3% YoY. We expect the EBIDTA margins to decline by 12 bps YoY. PAT during the period is expected to be around INR 26.3 Bn with a growth of 2.8% YoY. PAT margin is expected to decline by 68 bps YoY.
EBITDA	37,464	41,440	39,431	5.3%	-4.8%	
Net Profit	25,605	29,327	26,320	2.8%	-10.3%	
OPM (%)	37.6%	39.1%	37.5%	-12 bps	-163 bps	
NPM (%)	25.7%	27.7%	25.0%	-68 bps	-266 bps	
GCPL						
Sales	21,773	25,289	24,021	10.3%	-5.0%	During Q1FY19, we expect GCPL to post revenue of around INR 24 Bn with growth of 10.3% YoY. EBITDA during the quarter is expected to be around INR 4.1 Bn with growth of 17.5% YoY. We expect the EBIDTA margins to increase by 104 bps YoY. PAT during the period is expected to be around INR 2.8 Bn and PAT margin is expected to improve by 74 bps YoY.
EBITDA	3,494	5,969	4,104	17.5%	-31.2%	
Net Profit	2,402	2,296	2,827	17.7%	-23.2%	
OPM (%)	16.0%	23.6%	17.1%	104 bps	-652 bps	
NPM (%)	11.0%	9.1%	11.8%	74 bps	269 bps	
Nestle	**Q2CY17**	**Q1CY17**	**Q2CY18E**	**Y-o-Y**	**Q-o-Q**	
Sales	24,847	27,572	27,269	9.7%	-1.1%	During Q2CY18, we expect Nestle to post revenue of around INR 27.2 Bn with 9.7% growth on YoY basis. EBITDA during the quarter is expected to be around INR 5.6 Bn with growth of 26.3% YoY. We expect the EBIDTA margins to improve by 270 bps YoY. PAT during the period is expected to be around INR 3.4 Bn with a growth of 38.8% YoY. PAT margin is expected to increase by 262 bps YoY.
EBITDA	4,441	6,969	5,611	26.3%	-19.5%	
Net Profit	2,459	4,240	3,413	38.8%	-19.5%	
OPM (%)	17.9%	25.3%	20.6%	270 bps	-470 bps	
NPM (%)	9.9%	15.4%	12.5%	262 bps	-286 bps	
Hatsun Agro Ltd						
Sales	11,663	10,516	12,946	11.0%	23.1%	During Q1FY19, we expect Hatsun Agro to post revenue of around INR 12.9 Bn with 11% YoY. EBITDA during the quarter is expected to be around INR 1.1 Bn with 12% growth YoY. We expect EBIDTA margins to improve by around 8 bps and 154 bps on YoY and QoQ basis respectively. PAT during the period is expected to be around INR 372 Mn with a growth of 13.4% on YoY. PAT margin is expected to improve by 6 bps YoY.
EBITDA	1,009	756	1,130	12.0%	49.5%	
Net Profit	328	25	372	13.4%	- to +	
OPM (%)	8.7%	7.2%	8.7%	8 bps	154 bps	
NPM (%)	2.8%	0.2%	2.9%	6 bps	264 bps	

FMCG Sector

INR Million	Q1FY18	Q4FY18	Q1FY19E	Y-o-Y	Q-o-Q	Remarks
Heritage foods Ltd						
Sales	6,165	5,616	7,097	15.1%	26.4%	During Q1FY19, we expect Heritage Foods to post revenue of around INR 7 Bn with 15.1% YoY. EBITDA during the quarter is expected to be around INR 499 Mn with38.9% growth on YoY basis. We expect the EBIDTA margins to improve by 120 YoY. PAT during the period is expected to be around INR 254 Mn with a growth of 66.8% YoY. PAT margin is expected to improve by 111 bps YoY basis.
EBITDA	359	443	499	38.9%	12.5%	
Net Profit	153	206	254	66.8%	23.4%	
OPM (%)	5.8%	7.9%	7.0%	120 bps	-87 bps	
NPM (%)	2.5%	3.7%	3.6%	111 bps	-9 bps	
Parag Foods Ltd						
Sales	4,129	5,178	4,632	12.2%	-10.5%	During Q1FY19, we expect Parag Foods to post revenue of around INR 4.6 Bn with 12.2% growth on YoY basis. EBITDA during the quarter is expected to be around INR 334 Mn with 13.5% growth on YoY basis. We expect the EBIDTA margins to improve by 8 bps YoY. PAT during the period is expected to be around INR 157 Mn. PAT margin is expected to improve by 83 bps YoY.
EBITDA	294	551	334	13.5%	39.5%	
Net Profit	105	261	157	48.8%	40.1%	
OPM (%)	7.1%	10.6%	7.2%	8 bps	-344 bps	
NPM (%)	2.5%	5.0%	3.4%	83 bps	-167 bps	
Prabhat Dairy Ltd						
Sales	3,596	4,049	3,902	8.5%	-3.6%	During Q1FY19, we expect Prabhat Dairy to post revenue of around INR 3.9 Bn with 8.5% growth YoY. EBITDA during the quarter is expected to be around INR 316 Mn with 11.7% growth onYoY basis. We expect the EBIDTA margins to improve by 23 bps YoY. PAT during the period is expected to be around INR 79 Mn with a growth of 35% YoY. PAT margin is expected to improve by 40 bps on YoY basis.
EBITDA	283	402	316	11.7%	-21.5%	
Net Profit	58	222	79	35.1%	-64.5%	
OPM (%)	7.9%	9.9%	8.1%	23 bps	-184 bps	
NPM (%)	1.6%	5.5%	2.0%	40 bps	-347 bps	
Symphony Ltd						
Sales	1,298	1,554	1,501	15.7%	-3.4%	During Q1FY19, we expect Symphony Ltd. to post revenue of around INR 1.5 Bn with 15.7% growth YoY. EBITDA during the quarter is expected to be around INR 227 Mn with 16.6% growth on YoY basis. We expect the EBIDTA margins to improve by 12 bps YoY. PAT during the period is expected to be around INR 284 Mn with a growth of 18.2% YoY. PAT margin is expected to increase by 41 bps YoY.
EBITDA	194	495	227	16.6%	54.3%	
Net Profit	240	419	284	18.2%	32.2%	
OPM (%)	15.0%	31.9%	15.1%	12 bps	-1678 bps	
NPM (%)	18.5%	27.0%	18.9%	41 bps	-805 bps	
Blue Star Ltd						
Sales	14,561	14,759	15,420	5.9%	4.5%	During Q1FY19, we expect Blue Star Ltd. to post revenue of around INR 15.4 Bn with 5.9% growth YoY. EBITDA during the quarter is expected to be around INR 1 Bn with 22.9% growth on YoY basis. We expect the EBIDTA margins to improve by 94 bps YoY. PAT during the period is expected to be around INR 810 Mn with a growth of 39% YoY. PAT margin is expected to improve by 126 bps QoQ.
EBITDA	853	902	1,049	22.9%	16.2%	
Net Profit	582	470	810	39.2%	72.5%	
OPM (%)	5.9%	6.1%	6.8%	94 bps	69 bps	
NPM (%)	4.0%	3.2%	5.3%	126 bps	207 bps	
Whirlpool Ltd						
Sales	14,640	12,577	17,100	16.8%	36.0%	During Q1FY19, we expect Whirlpool to post revenue of around INR 17.1 Bn with 16.8% YoY. EBITDA during the quarter is expected to be around INR 2.5 Bn with 17.6% growth on YoY basis. We expect the EBIDTA margins to improve by 10 bps YoY. PAT during the period is expected to be around INR 1.5 Bn with a growth of 18.1% YoY. PAT margin is expected to improve by 10 bps YoY.
EBITDA	2,108	1,406	2,479	17.6%	76.3%	
Net Profit	1,327	914	1,568	18.1%	71.6%	
OPM (%)	14.4%	11.2%	14.5%	10 bps	332 bps	
NPM (%)	9.1%	7.3%	9.2%	10 bps	190 bps	

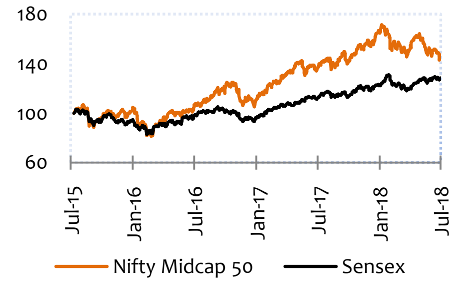
Midcap Sector

Earnings growth to sustain backed by favourable base

MARKET DATA

Nifty	11,046
Sensex	36,584
Nifty Midcap	4,931
USD / INR	68.60

SECTOR PERFORMANCE



Earnings expectation for Q1FY19

We have fourteen companies under our midcap coverage namely UPL, Apcotex, Suzlon, Inox Wind, Jain Irrigation, VA Tech Wabag, ABB India, GE T&D, Schneider Electric, Himadri Specialty Chemicals, Alkyl Amines Chemicals, Aarti industries, IG Petrochemicals and Solar Industries. We expect quarterly performance for the said companies excluding wind to be higher by 12.9% YoY primarily owing to low base prior to roll out of GST. Concurrently, governments focus on improving farmers' income through increasing MSP, impetus focus to aid coverage for e-NAM along with expectation of normal monsoon could aid agrochemicals, fertilizers growth for the coming quarters. In terms of cap goods/infra, according to CMIE data, new projects worth INR 2.09 trillion have been initiated during the quarter. Stalled projects have been reduced to INR 0.30 trillion during June quarter as against INR 3.41 trillion during March quarter indicating active implementation and execution of projects. Likewise, we expect, reduction in stalled projects could lead to better financial performance for companies under cap good /infra sector. In terms of speciality chemicals, tightening pollution control norms in China leading to plant shutdowns has resulted in structural shift globally with India emerging as one of the favourable manufacturers of various chemicals. Subsequently, almost all companies have laid out capacity expansion plans. For companies under our coverage, including Aarti industries, Himadri Speciality Chemical Ltd, IGPL are expanding their capacities on the back of increased demand from end user segments. Additionally, surge in the crude prices (+45% YoY) has led to a rise in input costs for downstream chemicals that form building blocks for many chemical companies. This could potentially hurt gross margins. On the other side, depreciation of Indian rupee could prove to benefit companies in terms higher export realizations giving boost to the top line. However, we believe, a combination of these factors could offset each other resulting into marginal increase in profitability. In terms of renewable energy, we believe, execution could remain steady as witnessed in Q4FY18, while commissioning could be subdued largely on account of transmission related issues for SECI I orders. In terms of the overall economic developments, we expect post implementation of e-way bill in Apr'18, the government is expected to receive INR 1 trillion every month as tax revenue. Hence, cascading impact of increase in tax revenue can be visible through awardance of large orders into the sectors such as irrigation, logistics, port, roads to name a few in the coming quarters. This could in turn improve growth outlook for the entire market.

Favourable base effect to pose better top-line growth:

We expect the sales under our midcap coverage companies (incl. wind) to increase by 5.1% YoY to INR 156.2bn. We believe the growth will primarily driven by chemical, agriculture focused sectors and cap goods owing to favourable macro scenario. However, we expect that the companies under renewable energy coverage could witness setback owing to teething issues in terms of transmission connectivity.

Margins to compress marginally:

Over the last 3-6 months, commodities prices have risen on account of rising crude oil prices combined with depreciation of Indian Rupee. Factoring increase in input costs for major domestic commodity players, we anticipate cost effect to be greater than volume effect thereby reducing margins. Consequently, we expect OPM to contract marginally by 52 bps YoY to 13.8% with EBITDA growth to be flattish (+1.3% YoY).

Q1FY19 Earnings Outlook of companies under coverage:

UPL Ltd.:

We expect UPL to report revenue growth of 10.3% YoY to INR 41.06bn. The growth will be largely led by North America and India markets. We expect LATAM market to post flat growth largely on account of rupee appreciation against BRL. OPM could fell by 29bps YoY to 19.9%, which could lead the EBITDA to grow by 8.7% YoY to INR 8.15bn. We expect the company to post PAT at INR 5.5bn (+11.7% YoY). Key thing to watch out for will be the increase in prices once the inventory dries out. **At CMP of INR 583, we have 'BUY' rating on the stock.**

Apcotex Industries Ltd.:

We expect strong momentum to continue in terms of garnering domestic market share and hence, we expect revenue for the company to grow at 28.5% YoY to INR 1.54bn largely owing to NBR. Despite increase in the butadiene price, we expect company is poised to maintain its OPM between 15-16% resulting into EBITDA to increase by 180.1% YoY to INR 240mn. PAT to remain at INR 127mn (+143.4% YoY). **At CMP of INR 523, we have 'BUY' rating on the stock.**

Suzlon Energy Ltd.:

The company has order backlog of around 1200MW. We expect Suzlon to do wind execution of 200MW, while commissioning of 50MW in Q1FY19. This could translate into revenue to stand at INR 16.05bn (-40% YoY). OPM to remain at 13.9% resulting into EBITDA to remain at INR 2.23bn (-48.4% YoY). We expect WTG OPM to remain between 10-11%, while O&M OPM can remain at around 21%. PAT is expected to remain in loss of INR 1.48bn due to higher finance cost. **At CMP of INR 7.50, we have 'BUY' rating on the stock.**

Midcap Sector

Inox wind Ltd.:

We expect Inox to execute 70MW worth of contracts under SECI 1 in Q1FY19, while it can commission around 20MW. This could translate into revenue of INR 3.7bn (+250.6% YoY). However, unsbsorption of fixed overheads could drag operational performance. EBITDA to remain in profit of INR 151mn against a loss of INR 133mn in Q1FY18. PAT could remain in loss of INR 274mn due to higher finance cost. **At CMP of INR 83, we have 'BUY' rating on the stock.**

Jain Irrigation Systems Ltd.:

The revenue could grow by 16.9% YoY to INR 19.65bn largely led by domestic agro processing busienss. We expect retail MIS business to report subdued growth, however project and export MIS business to report steady growth. OPM could largely remain at same level of 13.2% resulting into EBITDA to remain at INR 2.59bn (+10.7% YoY). PAT to increase by 12.9% YoY to INR 501mn. **At CMP of INR 83, we have 'BUY' rating on the stock.**

ABB India Ltd.:

We expect ABB to report revenue growth of 19.7% YoY to INR 26.6bn. We expect the growth will be supported by decent order execution from HVDC projects (Raigarh-Pugalur HVDC link). OPM could expand by 138bps YoY to 8% resulting into EBITDA to go up by 44.6% YoY to INR 2.13bn while PAT is expected to remain at INR 1.17bn (+56.1 YoY). **At CMP of INR 1224, we have 'BUY' rating on the stock.**

VA Tech Wabag Ltd.:

We expect the growth could be driven by wabag overseas busienss, while the same could remain muted for wabag india. The revenue is expected to grow by 13.3% YoY to INR 7.58bn. EBITDA to increase by 17.8% YoY to INR 493mn, while PAT to remain at INR 92mn (+9.8% YoY). Key thing to watch out for will be order inflows, working capital requirements and recoveries from APGENCO receivables. **At CMP of INR 376, we have 'BUY' rating on the stock with a target price of INR 722.**

Schneider Electric Infrastructure Ltd.:

We expect revenue to grow at 1.8% YoY to INR 2.94bn. Reduction in provision for bed debts to improve operational performance. EBITDA is expected to remain in loss of INR 62mn as against a loss of INR 86mn in Q1FY18. PAT to remain in loss of INR 183mn against a loss of INR 235mn. **At CMP of INR 89, we have 'BUY' rating on the stock.**

GE T&D Ltd.:

Q4FY18 revenue for the company was remained sluggish, however we expect better execution during Q1FY19. We expect revenue to remain at INR 10.2bn (-15.7% YoY), whille EBTIDA & PAT to stand at INR 256mn (-75.7% YoY) & INR 376mn (-39% YoY) respectively. **At CMP of INR 295, we have 'BUY' rating on the stock.**

Himadri Speciality Chemical Ltd.:

On the back of growth in aluminium production giving rise to Coal Tar Pitch demand coupled with bolstering demand for carbon black and company's plants operating at maximum utilizations, we expect HSCL's volumes to witness growth of 5% YoY and 2% QoQ. Likewise, we expect the top line to increase by 27% YoY and 4% QoQ led by surge in Carbon black realizations. Further, we expect EBITDA/tonne to remain range bound and estimate the same to stand at INR ~12,800/tonne. **We currently have a "BUY" rating on the stock with a target price of INR 230/share.**

Alkyl Amines Chemicals Ltd.:

Post commencement of methylamines plant during March end combined with steady demand scenario for Company's products from end user industries like pharmaceuticals and agrochemicals, we expect the topline for the company to grow by 18% YoY and 8% QoQ. However, key thing to watch out for is the upswing in most of the raw material prices (viz. methanol, acetic acid, ethyl alcohol, isopropanol). Likewise, we expect EBITDA/EBITDA margin to decline on sequential basis by 3%/243 bps while increasing by 68%/619 bps YoY. Consequently, we estimate the bottom line to increase by 77% YoY but falling by 4% QoQ with PAT margins at 12%. **We currently have a "BUY" rating on the stock with a target price of INR 762.**

I G Petrochemicals Ltd.:

We estimate IGPL to report net sales growth of 12% YoY and 6% QoQ led by higher realizations of PAN owing to steady demand from end user segments. We factor an increase in the raw material prices on account of increase in crude prices (~45% YoY) and consequently estimate Gross Profit/EBITDA to witness a growth of 9%/7% YoY. Further, we expect PAT to increase by 5%YoY and 23% QoQ. **We currently have a "BUY" rating on the stock with a target price of INR931.**

Aarti Industries Ltd.:

We expect AIL to report a steady quarter with topline to grow at 35% YoY and 4% QoQ aided by consistent volume growth and revised contracts. On raw material front, we anticipate costs to remain on a higher side on account of volatility in benzene prices during the quarter. Consequently, we expect the EBITDA margins to remain buoyed at 17% with absolute EBITDA to observe growth of 35% YoY and 3% QoQ. Further, we estimate PAT margins to be flattish at 8% due to higher depreciation on account of ongoing capex plans. **We currently have a "ACCUMULATE" rating on the stock with a target price of INR 1429.**

Solar Industries India Ltd.:

We expect the company to report a steady quarter with revenue growth of 12% YoY primarily due to consistent growth from housing & infrastructure segment combined with robust performance from export and overseas businesses. Likewise, we expect EBITDA to observe growth of 11% YoY with operating margins at 21.5% up 97 bps QoQ; down 14 bps YoY. Further, we estimate PAT growth of 10% YoY but degrowth of 8% qoQ with PAT margin to remain flattish at 11.5%. **We currently have a "BUY" rating on the stock with a target price of INR 1353.**

Midcap Sector

Quarterly result expectation for companies under coverage

INR Million	Q1FY18	Q4FY18	Q1FY19E	Q-o-Q	Y-o-Y	Remarks
UPL						
Net Sales	37,230	56,910	41,058	-27.9%	10.3%	We expect UPL to report revenue growth of 10.3% YoY to INR 41.06bn. The growth will be largely led by North America and India markets. We expect LATAM market to post flat growth largely on account of rupee appreciation against BRL. OPM could fell by 29bps YoY to 19.9%, which could lead the EBITDA to grow by 8.7% YoY to INR 8.15bn. We expect the company to post PAT at INR 5.5bn (+11.7% YoY). Key thing to watch out for will be the increase in prices once the inventory dries out.
EBIDTA	7,500	12,180	8,152	-33.1%	8.7%	
Net Profit	4,920	7,420	5,494	-26.0%	11.7%	
OPM (%)	20.1%	21.4%	19.9%	-155	-29	
NPM (%)	13.2%	13.0%	13.4%	34	17	
Apcotex						
Net Sales	1,201	1,392	1,543	10.8%	28.5%	We expect strong momentum to continue in terms of garnering domestic market share and hence, we expect revenue for the company to grow at 28.5% YoY to INR 1.54bn largely owing to NBR. Despite increase in the butadiene price, we expect company is poised to maintain its OPM between 15-16% resulting into EBITDA to increase by 180.1% YoY to INR 240mn. PAT to remain at INR 127mn (+143.4% YoY).
EBIDTA	86	228	240	5.3%	180.1%	
Net Profit	52	121	127	5.7%	143.4%	
OPM (%)	7.1%	16.4%	15.6%	-82	841	
NPM (%)	4.4%	8.7%	8.3%	-41	390	
Suzlon						
Net Sales	26,762	22,445	16,050	-28.5%	-40.0%	The company has order backlog of around 1200MW. We expect Suzlon to do wind execution of 200MW, while commissioning of 50MW in Q1FY19. This could translate into revenue to stand at INR 16.05bn (-40% YoY). OPM to remain at 13.9% resulting into EBITDA to remain at INR 2.23bn (-48.4% YoY). We expect WTG OPM to remain between 10-11%, while O&M OPM can remain at around 21%. PAT is expected to remain in loss of INR 1.48bn due to higher finance cost.
EBIDTA	4,328	2,183	2,231	2.2%	-48.4%	
Net Profit	491	-4,662	-1,479	-68.3%	-401.3%	
OPM (%)	16.2%	9.7%	13.9%	417	-227	
NPM (%)	1.8%	-20.8%	-9.2%	1156	-1105	
Inox Wind						
Net Sales	1,060	2,034	3,717	82.7%	250.6%	We expect Inox to execute 70MW worth of contracts under SECI 1 in Q1FY19, while it can commission around 20MW. This could translate into revenue of INR 3.7bn (+250.6% YoY). However, unsbsorption of fixed overheads could drag operational performance. EBITDA to remain in profit of INR 151mn against a loss of INR 133mn in Q1FY18. PAT could remain in loss of INR 274mn due to higher finance cost.
EBIDTA	-133	-298	151	-150.7%	-213.3%	
Net Profit	-390	-556	-274	-50.7%	-29.8%	
OPM (%)	-12.6%	-14.6%	4.1%	1869	1663	
NPM (%)	-36.8%	-27.4%	-7.4%	1998	2944	
Jain Irrigation						
Net Sales	16,812	27,777	19,649	-29.3%	16.9%	The revenue could grow by 16.9% YoY to INR 19.65bn largely led by domestic agro processing busienss. We expect retail MIS business to report subdued growth, however project and export MIS business to report steady growth. OPM could largely remain at same level of 13.2% resulting into EBITDA to remain at INR 2.59bn (+10.7% YoY). PAT to increase by 12.9% YoY to INR 501mn.
EBIDTA	2,343	4,002	2,594	-35.2%	10.7%	
Net Profit	443	927	501	-46.0%	12.9%	
OPM (%)	13.9%	14.4%	13.2%	-121	-73	
NPM (%)	2.6%	3.3%	2.5%	-79	-9	
ABB India						
Net Sales	22,237	25,255	26,611	5.4%	19.7%	We expect ABB to report revenue growth of 19.7% YoY to INR 26.6bn. We expect the growth will be supported by decent order execution from HVDC projects (Raigarh-Pugalur HVDC link). OPM could expand by 138bps YoY to 8% resulting into EBITDA to go up by 44.6% YoY to INR 2.13bn while PAT is expected to remain at INR 1.17bn (+56.1 YoY).
EBIDTA	1,473	1,890	2,130	12.7%	44.6%	
Net Profit	751	1025	1,172	14.3%	56.1%	
OPM (%)	6.6%	7.5%	8.0%	52	138	
NPM (%)	3.4%	4.1%	4.4%	34	103	
Va Tech						
Net Sales	6,686	10,375	7,577	-27.0%	13.3%	We expect the growth could be driven by wabag overseas busienss, while the same could remain muted for wabag india. The revenue is expected to grow by 13.3% YoY to INR 7.58bn. EBITDA to increase by 17.8% YoY to INR 493mn, while PAT to remain at INR 92mn (+9.8% YoY). Key thing to watch out for will be order inflows, working capital requirements and recoveries from APGENCO receivables.
EBIDTA	418	948	493	-48.0%	17.8%	
Net Profit	84	596	92	-84.6%	9.8%	
OPM (%)	6.3%	9.1%	6.5%	-264	24	
NPM (%)	1.3%	5.7%	1.2%	-454	-4	

Midcap Sector

INR Million	Q1FY18	Q4FY18	Q1FY19E	Q-o-Q	Y-o-Y	Remarks
Schneider Electric						
Net Sales	2,888	2,850	2,939	3.1%	1.8%	We expect revenue to grow at 1.8% YoY to INR 2.94bn. Reduction in provision for bed debts to improve operational performance. EBITDA is expected to remain in loss of INR 62mn as against a loss of INR 86mn in Q1FY18. PAT to remain in loss of INR 183mn against a loss of INR 235mn.
EBIDTA	-86	-115	-62	-45.9%	-27.8%	
Net Profit	-235	-230	-183	-20.3%	-22.1%	
OPM (%)	-3.0%	-4.0%	-2.1%	191	NM	
NPM (%)	-8.1%	-8.1%	-6.2%	183	NM	
GE T&D						
Net Sales	12,093	8,139	10,200	25.3%	-15.7%	Q4FY18 revenue for the company was remained sluggish, however we expect better execution during Q1FY19. We expect revenue to remain at INR 10.2bn (-15.7% YoY), whille EBTIDA & PAT to stand at INR 256mn (-75.7% YoY) & INR 376mn (-39% YoY) respectively.
EBIDTA	1055	119	256	115.5%	-75.7%	
Net Profit	617	278	376	35.3%	-39.0%	
OPM (%)	8.7%	1.5%	2.5%	105	-621	
NPM (%)	5.1%	3.4%	3.7%	27	-141	
Himadri Specialty Chemical Ltd						
Net Sales	4,523	5,508	5,733	4.1%	26.7%	On the back of growth in aluminium production giving rise to Coal Tar Pitch demand coupled with bolstering demand for carbon black and company's plants operating at maximum utilizations, we expect HSCL's volumes to witness growth of 5% YoY and 2% QoQ. Likewise, we expect the top line to increase by 27% YoY and 4% QoQ led by surge in Carbon black realizations. Further, we expect EBITDA/tonne to remain range bound and estimate the same to stand at INR ~12,800/tonne.
EBIDTA	1,004	1,265	1,272	0.6%	26.7%	
Net Profit	500	713	732	2.7%	46.3%	
OPM (%)	22.2%	23.0%	22.2%	-77 bps	0 bps	
NPM (%)	11.1%	12.9%	12.8%	-17 bps	171 bps	
Alkyl Amines Chemicals Ltd.						
Net Sales	1,595	1,741	1,880	8.0%	17.8%	Post commencement of methylamines plant during March end combined with steady demand scenario for Company's products from end user industries like pharmaceuticals and agrochemicals, we expect the topline for the company to grow by 18% YoY and 8% QoQ. However, key thing to watch out for is the upswing in most of the raw material prices (viz. methanol, acetic acid, ethyl alcohol, isopropanol). Likewise, we expect EBITDA/EBITDA margin to decline on sequential basis by 3%/243 bps while increasing by 68%/619 bps YoY. Consequently, we estimate the bottom line to increase by 77% YoY but falling by 4% QoQ with PAT margins at 12%.
EBIDTA	233	404	391	-3.3%	67.9%	
Net Profit	126	232	223	-3.7%	77.5%	
OPM (%)	14.6%	23.2%	20.8%	-243	619	
NPM (%)	7.9%	13.3%	11.9%	-144	399	
I G Petrochemicals Ltd						
Net Sales	2,959	3,128	3,320	6.1%	12.2%	We estimate IGPL to report net sales growth of 12% YoY and 6% QoQ led by higher realizations of PAN owing to steady demand from end user segments. We factor an increase in the raw material prices on account of increase in crude prices (~45% YoY) and consequently estimate Gross Profit/EBITDA to witness a growth of 9%/7% YoY. Further, we expect PAT to increase by 5%YoY and 23% QoQ.
EBIDTA	696	637	743	16.7%	6.8%	
Net Profit	391	334	410	22.8%	4.9%	
OPM (%)	23.5%	20.4%	22.4%	203	-112	
NPM (%)	13.2%	10.7%	12.4%	168	-86	
Aarti Industries Ltd						
Net Sales	7,918	10,294	10,706	4.0%	35.2%	We expect AIL to report a steady quarter with topline to grow at 35% YoY and 4% QoQ aided by consistent volume growth and revised contracts. On raw material front, we anticipate costs to remain on a higher side on account of volatility in benzene prices during the quarter. Consequently, we expect the EBITDA margins to remain buoyed at 17% with absolute EBITDA to observe growth of 5% YoY and 3% QoQ. Further, we estimate PAT margins to be flattish at 8% due to higher depreciation on account of ongoing capex plans.
EBIDTA	1,384	1,803	1,866	3.5%	34.8%	
Net Profit	631	847	873	3.1%	38.4%	
OPM (%)	17.5%	17.5%	17.4%	-8	-5	
NPM (%)	8.0%	8.2%	8.2%	-7	19	
Solar Industries Ltd						
Net Sales	4,667	5,753	5,226	-9.2%	12.0%	We expect the company to report a steady quarter with revenue growth of 12% YoY primarily due to consistent growth from housing & infrastructure segment combined with robust performance from export and overseas businesses. Likewise, we expect EBITDA to observe growth of 11% YoY with operating margins at 21.5% up 97 bps QoQ; down 14 bps YoY. Further, we estimate PAT growth of 10% YoY but de-growth of 8% qoQ with PAT margin to remain flattish at 11.5%.
EBIDTA	1,010	1,181	1,124	-4.9%	11.3%	
Net Profit	548	659	601	-8.8%	9.7%	
OPM (%)	21.6%	20.5%	21.5%	97	-14	
NPM (%)	11.7%	11.5%	11.5%	5	-24	

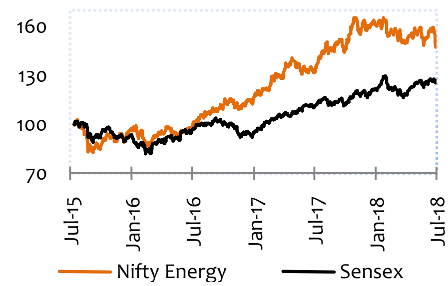
OIL & GAS Sector

E&P firms to prosper; OMCs margins could be hit

MARKET DATA

Nifty	11,046
Sensex	36,584
Nifty Energy	14,166
USD / INR	68.60

SECTOR PERFORMANCE



Earnings expectation for Q1FY19

The upwards trend in crude prices along with increased oil and gas production is expected to benefit the upstream companies – ONGC and OIL. Brent crude rose 13% QoQ to $74.1/barrel and Dubai Fateh was up by 12.1% to $71.7/bbl on the back of various geopolitical concerns such as the US sanction on Iran and production cuts by OPEC. Such trajectory along with rupee depreciation (3.57% QoQ) has helped with improved realizations for ONGC and Oil India. We also expect an increased gas production from ONGC.

The Singapore GRM stood at $6/bbl as against $7/bbl in Q4FY18 and $6.7/bbl in Q1FY18 on account of lower crack spreads in nearly almost all products (except for diesel). We expect OMCs to report an average performance, with the GRMs expected to weaken on account of lower crack spreads. Moreover, insufficient hike in the prices of petrol and diesel (relative to the trend in global crude prices) has also put pressure on their marketing margins. This could be only partially offset by potential inventory gains resulting from increased crude prices. Relative to the Dubai Fateh crude, gasoline cracks are down 10.4% to USD 8.6/bbl QoQ while Diesel cracks are up 3.4% QoQ to $15.1/bbl. Arab L-H differential curve stood at $3.1/barrel as compared to $2.9/barrel.

We expect Petronet LNG to report a steady performance in terms of revenues arising from higher volumes given the huge demand-supply gap in India, increased tariffs for its Kochi terminal along with increased utilization. However, its profit margins could be moderately hit due to higher spot LNG prices for the quarter. PLNG's efforts for capacity expansion at its Dahej terminal along with progress on the Kochi-Mangalore pipeline can be expected to be visible by FY20.

The City Gas Distribution companies are expected to deliver strong performance on the back of robust volume growth primarily from higher demand as a result of the rising concerns to curb pollution and the govt's initiatives to adopt the cleaner fuel resulting in conversion to CNG vehicles. IGL will clearly see its margins improving on account of the recent hike in its retail prices. We expect the profitability of these companies to grow on a sustainable basis. We expect the demand for CNG and PNG to grow faster than both oil-based and coal-based energy with sustainable growth in the future. We expect IGL and MGL to report a strong volume growth of 5.8% and 5.9% YoY respectively. With more government initiatives (Smart cities, CNG for 2 wheelers) and thrust on cleaner fuel, we expect the share of gas in the energy mix in India to increase in the coming years, thus benefiting CGD companies – Indraprastha Gas Ltd and Mahanagar Gas Ltd. We expect GAIL to report a robust performance on account of higher petchem prices and stable gas transmission and trading volumes.

Q1 FY19 Earnings Outlook of companies under coverage:

Reliance Industries Ltd (RIL)

As for the refining segment, we expect a GRM of $10.1/bbl as against $11/bbl in Q4FY18 due to increased crude prices which could affect the refining segment margins. Crude throughput is expected at 17.2 MMT as against 16.7 MMT in Q4FY18. We expect the petchem segment to perform well owing to improved margins supported by a strong volume growth in production at 9.1 MMT (up 40% YoY, 3.4% QoQ). The petchem segment is likely to benefit from the ramp up of the recently commissioned ROGC project. The telecom segment is expected to post strong revenues from increase in the recently announced subscriber base of 215 mn. We expect the PAT to stand at INR 94.6 bn with a PAT margin of 7.4% (8.1% in Q4FY18). **At a CMP of INR 1,090, we have a "BUY" rating on the stock with a target price of INR 1,442.**

Oil and Natural Gas Corp. (ONGC)

We expect the company to post a top-line growth of 48.6% YoY and 18.3% QoQ on the back of improved crude and gas price realisations as well as increase in the gas production. We estimate the crude production to increase by 4% QoQ (6.45 MMT) while the gas production to increase by 2% QoQ (6.2 BCM). We expect the net realisations to stand at $74.07/bbl, up 23.4% QoQ. EBITDA margins are expected to improve QoQ to 38.4% (34.8% in Q4FY18). PAT is expected to increase to INR 74.2 bn backed by higher realizations resulting in a PAT margin of 26.2%. **At a CMP of INR 160, we have a "BUY" rating on the stock with a target price of INR 190.**

Oil India Ltd (OIL)

We expect revenues at INR 33.6 bn (+44.5% YoY, +12.4% QoQ) on account of increased realizations for crude oil coupled with increased production. We estimate oil and gas production to be up 1.9% and 3.9% YoY respectively to 0.864 MMT and 0.752 BCM while crude realization is expected to be at $74/bbl. The EBITDA is expected to be at INR 12.6 bn with an EBITDA margin of 37.6%. A potential higher income is expected to contribute to a PAT of INR 8.5 bn (+89.7% YoY, -1.4% QoQ). **At a CMP of INR 210, we have an "BUY" rating on the stock with a target price of INR 305.**

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OIL & GAS Sector

Gas Authority of India Ltd (GAIL)

We expect a strong performance for the quarter with revenues increased by 36.2% YoY to INR 155.4 bn boosted by robust gas transmission volumes and better petchem product prices. Gas transmission volumes are expected to increase to 112 mmscmd, up 12.1% YoY and 5.5% QoQ supported by increased transmission rates. On the petchem front, increased crude prices and volume growth is expected to boost margins. We expect the PAT to be INR 12.5 bn, up 22.5% YoY with a PAT margin of 8.1%. **At a CMP of INR 360, we have a "BUY" rating on the stock with a target price of INR 421.**

Indian Oil Corporation Ltd (IOCL)

A higher throughput and increased marketing sales is expected to improve revenues to INR 1,373.2 bn (+30.3% YoY, 17% QoQ). On the refining front, we expect a GRM of USD 8.5/bbl as against $9.12 in Q4FY18 due to lower product cracks. However, there could be potential inventory gains from rise in crude prices. We expect throughput at 17.5 MMT, up 2% sequentially due to increasing contribution from the Paradip refinery. However, higher crude prices are expected to negatively impact margins with an EBITDA estimated at INR 108.1 bn. We estimate a PAT of INR 56.04 bn (+23.2% YoY, +7.2% QoQ) with a PAT margin of 4.1%. **At a CMP of INR 158, we have a "BUY" rating on the stock with a target price of INR 203.**

Bharat Petroleum Corporation Ltd (BPCL)

We expect BPCL to report revenues at INR 673.9 bn (up 18% YoY) on account of higher throughput and higher market sales from increased crude prices. The crude throughput is expected to advance to 8.2 MMT (+27.7% YoY) while marketing sales is expected to be around 10.9 MMT (+8.6% YoY). We estimate the GRM to be at $6.8/bbl. Higher crude prices could negatively impact the profit margins. We estimate PAT to be at INR 23.2 bn and PAT margin of 3.4% (4.1% in Q4FY18). **At a CMP of INR 380, we have a "BUY" rating on the stock with a target price of INR 490.**

Hindustan Petroleum Corporation Ltd (HPCL)

We expect revenues to be at INR 658.7 bn (+23.2% YoY) backed by higher crude prices leading to increased sales. Crude throughput is expected to increase to 4.61 MMT (up 2.7% YoY). On the refining front, we expect the GRM to be at $6.8/bbl vs $7.07/bbl in Q4FY18 due to lower product cracks. EBITDA is expected to be at INR 30.1 bn with a lower EBITDA margin of 2.7% (vs 2.9% YoY) due to rise in crude oil prices. **At a CMP of INR 274, we have a "BUY" rating on the stock with a target price of INR 428.**

Mangalore Refinery Petroleum Corporation (MRPL)

Revenues expected for the quarter are INR 151.9 bn (+48% YoY, +1.3% QoQ). The throughput is expected to advance to 4.7 MMT, up 9% QoQ. We expect a GRM of $7.7/bbl with potential inventory gains arising from increase in crude oil prices. In terms of profitability, higher crude prices could hit profit margins with PAT margin at 2.5% (vs 2.9% in Q4FY18). PAT is expected to be at INR 4.82 bn. **At a CMP of INR 81, we have a "BUY" rating on the stock with a target price of INR 107.**

Chennai Petro Corp Ltd (CPCL)

We expect CPCL to post revenues at INR 98.5 bn (+47.2% YoY, +0.7% QoQ). The EBITDA is expected to be reported at INR 4.76 bn, up 10.1% QoQ. We expect the company to report a GRM at USD 6.8/bbl. There can be potential inventory gains due to increase in the crude prices. On the profitability front, we expect the company to report at PAT of INR 1.83 bn with a PAT margin of 1.9%. **At a CMP of INR 292, we have a "BUY" rating on the stock with a target price of INR 456.**

Gujarat State Petronet Ltd (GSPL)

We expect the gas transmission volumes to increase to 34.3 mmscmd (+0.7% QoQ, +27.6% YoY) with increased demand coming in from the industrial consumers. The expected revenues are INR 3.67 bn up 4.9% QoQ and 24.1% YoY with the average realization at INR 1.19/scm. In terms of profitability, we expect the PAT to be at INR 1.66 bn (+9.4% YoY, +6% QoQ). **At a CMP on INR 181, we have a "ACCUMULATE" rating on the stock with a target price of INR 196.**

Petronet LNG Ltd (PLNG)

We expect the combined throughput for both the terminals to be at 216 TBTU (+12.5% YoY). The throughput at the Dahej terminal can be estimated to be 210 TBTU, an increase of 14% on a YoY basis. We expect the revenues to stand at INR 97.03 bn, up 12.5% on a sequential basis backed by higher regasification price at the Kochi terminal. PAT is expected to be reported at INR 5.76 bn, (+31.8% YoY, +10.3% QoQ with a PAT margin of 5.9%. **At a CMP on INR 218, we have a "BUY" rating on the stock with a target price of INR 285.**

Indraprastha Gas Ltd (IGL)

Revenues are expected at INR 13.20 bn (+25.9% YoY) on account of volume growth as well as recent increase in gas prices. We expect a robust sales growth of 13% for CNG and 12% for PNG YoY backed by the Delhi govt's push to use the cleaner fuel leading to effective and higher conversions of CNG vehicles. Total sales volumes expected are 5.4 mmscmd - 4.0 mmscmd for CNG and 1.4 mmscmd for PNG. Stability in the domestic gas prices support the EBITDA margin at 21% with EBITDA at INR 3.04 bn. We expect the PAT to be at INR 1.78 bn (+10.2% YoY, 12.2% QoQ). **At a CMP of INR 263, we have a "BUY" rating on the stock with a target price of INR 387.**

Mahanagar Gas Ltd (MGL)

MGL is expected to post revenues if INR 6.13 bn up 15.6% YoY and 4.5% QoQ supported by strong conversion of CNG vehicles. We estimate the CNG/PNG volume growth at 10.8%/12.8% on a YoY basis. The sales volumes expected are 2.9 mmscmd - 2.1 mmscmd for CNG and 0.8 mmscmd for PNG. We expect the company to post a PAT of INR 1.14 bn with a PAT margin of 18.6% (vs 17.6% in Q4FY18). **At a CMP of INR 821, we have a "ACCUMULATE" rating on the stock with a target price of INR 940.**

OIL & GAS Sector

Quarterly result expectation for companies under coverage

INR Million	Q1FY18	Q4FY18	Q1FY19E	YoY	QoQ	Remarks
Reliance Industries (RIL)						
Sales	8,34,710	11,69,150	12,77,448	53.0%	9.3%	As for the refining segment, we expect a GRM of $10.1/bbl as against $11/bbl in Q4FY18 due to increased crude prices which could affect the refining segment margins. Crude throughput is expected at 17.2 MMT as against 16.7 MMT in Q4FY18. We expect the petchem segment to perform well owing to improved margins supported by a strong volume growth in production at 9.1 MMT (up 40% YoY, 3.4% QoQ). The petchem segment is likely to benefit from the ramp up of the recently commissioned ROGC project. The telecom segment is expected to post strong revenues from increase in the recently announced subscriber base of 215 mn. We expect the PAT to stand at INR 94.6 bn with a PAT margin of 7.4% (8.1% in Q4FY18).
EBIDTA	1,25,540	1,84,690	1,76,447	40.6%	-4.5%	
Net Profit	90,650	94,670	94,617	4.4%	-0.1%	
OPM (%)	15.0%	15.8%	13.8%	(123) bps	(198) bps	
NPM (%)	10.9%	8.1%	7.4%	(345) bps	(69) bps	
Oil and Natural Gas Corp. (ONGC)						
Sales	1,90,735	2,39,698	2,83,488	48.6%	18.3%	We expect the company to post a top-line growth of 48.6% YoY and 18.3% QoQ on the back of improved crude and gas price realisations as well as increase in the gas production. We estimate the crude production to increase by 4% QoQ (6.45 MMT) while the gas production to increase by 2% QoQ (6.2 BCM). We expect the net realisations to stand at $74.07/bbl, up 23.4% QoQ. EBITDA margins are expected to improve QoQ to 38.4% (34.8% in Q4FY18). PAT is expected to increase to INR 74.2 bn backed by higher realizations resulting in a PAT margin of 26.2%.
EBIDTA	88,234	83,464	1,08,924	23.4%	30.5%	
Net Profit	38,847	59,151	74,202	91.0%	25.4%	
OPM (%)	46.3%	34.8%	38.4%	(784) bps	360 bps	
NPM (%)	20.4%	24.7%	26.2%	581 bps	150 bps	
Oil India (OIL)						
Sales	23,317	29,984	33,699	44.5%	12.4%	We expect revenues at INR 33.6 bn (+44.5% YoY, +12.4% QoQ) on account of increased realizations for crude oil coupled with increased production. We estimate oil and gas production to be up 1.9% and 3.9% YoY respectively to 0.864 MMT and 0.752 BCM while crude realization is expected to be at $74/bbl. The EBITDA is expected to be at INR 12.6 bn with an EBITDA margin of 37.6%. A potential higher income is expected to contribute to a PAT of INR 8.5 bn (+89.7% YoY, -1.4% QoQ).
EBIDTA	8,741	8,006	12,661	44.8%	58.2%	
Net Profit	4,502	8,665	8,542	89.7%	-1.4%	
OPM (%)	37.5%	26.7%	37.6%	8 bps	1087 bps	
NPM (%)	19.3%	28.9%	25.3%	604 bps	(355) bps	
Gas Authority of India Ltd (GAIL)						
Sales	1,14,069	1,54,307	1,55,412	36.2%	0.7%	We expect a strong performance for the quarter with revenues increased by 36.2% YoY to INR 155.4 bn boosted by robust gas transmission volumes and better petchem product prices. Gas transmission volumes are expected to increase to 112 mmscmd, up 12.1% YoY and 5.5% QoQ supported by increased transmission rates. On the petchem front, increased crude prices and volume growth is expected to boost margins. We expect the PAT to be INR 12.5 bn, up 22.5% YoY with a PAT margin of 8.1%.
EBIDTA	18,994	16,953	22,697	19.5%	33.9%	
Net Profit	10,257	9,933	12,563	22.5%	26.5%	
OPM (%)	16.7%	11.0%	14.6%	(205) bps	362 bps	
NPM (%)	9.0%	6.4%	8.1%	(91) bps	165 bps	
Indian Oil Corporation Ltd (IOCL)						
Sales	10,54,342	11,73,685	13,73,295	30.3%	17.0%	A higher throughput and increased marketing sales is expected to improve revenues to INR 1,373.2 bn (+30.3% YoY, 17% QoQ). On the refining front, we expect a GRM of USD 8.5/bbl as against $9.12 in Q4FY18 due to lower product cracks. However, there could be potential inventory gains from rise in crude prices. We expect throughput at 17.5 MMT, up 2% sequentially due to increasing contribution from the Paradip refinery. However, higher crude prices are expected to negatively impact margins with an EBITDA estimated at INR 108.1 bn. We estimate a PAT of INR 56.04 bn (+23.2% YoY, +7.2% QoQ) with a PAT margin of 4.1%.
EBIDTA	79,996	1,10,292	1,08,159	35.2%	-1.9%	
Net Profit	45,485	52,261	56,048	23.2%	7.2%	
OPM (%)	7.6%	9.4%	7.9%	29 bps	(152) bps	
NPM (%)	4.3%	4.5%	4.1%	(23) bps	(37) bps	
Bharat Petroleum Corporation Ltd (BPCL)						
Sales	5,71,258	6,52,393	6,73,912	18.0%	3.3%	We expect BPCL to report revenues at INR 673.9 bn (up 18% YoY) on account of higher throughput and higher market sales from increased crude prices. The crude throughput is expected to advance to 8.2 MMT (+27.7% YoY) while marketing sales is expected to be around 10.9 MMT (+8.6% YoY). We estimate the GRM to be at $6.8/bbl. Higher crude prices could negatively impact the profit margins. We estimate PAT to be at INR 23.2 bn and PAT margin of 3.4% (4.1% in Q4FY18).
EBIDTA	12,250	37,473	37,933	209.6%	1.2%	
Net Profit	7,446	26,737	23,224	211.9%	-13.1%	
OPM (%)	2.1%	5.7%	5.6%	348 bps	(12) bps	
NPM (%)	1.3%	4.1%	3.4%	214 bps	(65) bps	

OIL & GAS Sector

INR Million	Q1FY18	Q4FY18	Q1FY19E	YoY	QoQ	Remarks
Hindustan Petroleum Corporation Ltd (HPCL)						
Sales	5,34,685	6,08,101	6,58,705	23.2%	8.3%	We expect revenues to be at INR 658.7 bn (+23.2% YoY) backed by higher crude prices leading to increased sales. Crude throughput is expected to increase to 4.61 MMT (up 2.7% YoY). On the refining front, we expect the GRM to be at $6.8/bbl vs $7.07/bbl in Q4FY18 due to lower product cracks. EBITDA is expected to be at INR 30.1 bn with a lower EBITDA margin of 2.7% (vs 2.9% YoY) due to rise in crude oil prices.
EBIDTA	16,280	29,226	30,106	84.9%	3.0%	
Net Profit	9,247	17,479	17,504	89.3%	0.1%	
OPM (%)	3.0%	4.8%	4.6%	153 bps	(24) bps	
NPM (%)	1.7%	2.9%	2.7%	93 bps	(22) bps	
Mangalore Refinery Petroleum Corporation (MRPL)						
Sales	1,02,624	1,49,907	1,51,907	48.0%	1.3%	Revenues expected for the quarter are INR 151.9 bn (+48% YoY, +1.3% QoQ). The throughput is expected to advance to 4.7 MMT, up 9% QoQ. We expect a GRM of $7.7/bbl with potential inventory gains arising from increase in crude oil prices. In terms of profitability, higher crude prices could hit profit margins with PAT margin at 2.5% (vs 2.9% in Q4FY18). PAT is expected to be at INR 4.82 bn.
EBIDTA	5,512	11,914	11,445	107.6%	-3.9%	
Net Profit	2,340	5,421	4,824	106.1%	-11.0%	
OPM (%)	5.4%	7.9%	7.5%	216 bps	(41) bps	
NPM (%)	2.3%	3.6%	3.2%	90 bps	(44) bps	
Chennai Petroleum Corp Ltd (CPCL)						
Sales	66,941	97,881	98,543	47.2%	0.7%	We expect CPCL to post revenues at INR 98.5 bn (+47.2% YoY, +0.7% QoQ). The EBITDA is expected to be reported at INR 4.76 bn, up 10.1% QoQ. We expect the company to report a GRM at USD 6.8/bbl. There can be potential inventory gains due to increase in the crude prices. On the profitability front, we expect the company to report at PAT of INR 1.83 bn with a PAT margin of 1.9%.
EBIDTA	1,953	4,325	4,761	143.8%	10.1%	
Net Profit	336	1,784	1,835	445.8%	2.9%	
OPM (%)	2.9%	4.4%	4.8%	191 bps	41 bps	
NPM (%)	0.5%	1.8%	1.9%	136 bps	4 bps	
Gujarat State Petronet Ltd (GSPL)						
Sales	2,963	3,504	3,677	24.1%	4.9%	We expect the gas transmission volumes to increase to 34.3 mmscmd (+0.7% QoQ, +27.6% YoY) with increased demand coming in from the industrial consumers. The expected revenues are INR 3.67 bn up 4.9% QoQ and 24.1% YoY with the average realization at INR 1.19/scm. In terms of profitability, we expect the PAT to be at INR 1.66 bn (+9.4% YoY, +6% QoQ).
EBIDTA	2,760	2,892	3,035	10.0%	4.9%	
Net Profit	1,525	1,574	1,669	9.4%	6.0%	
OPM (%)	93.1%	82.5%	82.5%	(1059) bps	-	
NPM (%)	51.5%	44.9%	45.4%	(609) bps	46 bps	
Petronet LNG (PLNG)						
Sales	64,351	86,362	97,032	50.8%	12.4%	We expect the combined throughput for both the terminals to be at 216 TBTU (+12.5% YoY). The throughput at the Dahej terminal can be estimated to be 210 TBTU, an increase of 14% on a YoY basis. We expect the revenues to stand at INR 97.03 bn, up 12.5% on a sequential basis backed by higher regasification price at the Kochi terminal. PAT is expected to be reported at INR 5.76 bn, (+31.8% YoY, +10.3% QoQ with a PAT margin of 5.9%.
EBIDTA	7,442	8,221	9,236	24.1%	12.4%	
Net Profit	4,376	5,227	5,767	31.8%	10.3%	
OPM (%)	11.6%	9.5%	9.5%	(205) bps	0	
NPM (%)	6.8%	6.1%	5.9%	(86) bps	(11) bps	
Indraprastha Gas Ltd (IGL)						
Sales	10,492	12,329	13,206	25.9%	7.1%	Revenues are expected at INR 13.20 bn (+25.9% YoY) on account of volume growth as well as recent increase in gas prices. We expect a robust sales growth of 13% for CNG and 12% for PNG YoY backed by the Delhi govt's push to use the cleaner fuel leading to effective and higher conversions of CNG vehicles. Total sales volumes expected are 5.4 mmscmd - 4.0 mmscmd for CNG and 1.4 mmscmd for PNG. Stability in the domestic gas prices support the EBITDA margin at 21% with EBITDA at INR 3.04 bn. We expect the PAT to be at INR 1.78 bn (+10.2% YoY, 12.2% QoQ).
EBIDTA	2,773	2,754	3,048	9.9%	10.7%	
Net Profit	1,616	1,587	1,780	10.2%	12.2%	
OPM (%)	26.4%	22.3%	23.1%	(335) bps	74 bps	
NPM (%)	15.4%	12.9%	13.5%	(192) bps	61 bps	
Mahanagar Gas Ltd (MGL)						
Sales	5,309	5,870	6,134	15.6%	4.5%	MGL is expected to post revenues if INR 6.13 bn up 15.6% YoY and 4.5% QoQ supported by strong conversion of CNG vehicles. We estimate the CNG/PNG volume growth at 10.8%/12.8% on a YoY basis. The sales volumes expected are 2.9 mmscmd - 2.1 mmscmd for CNG and 0.8 mmscmd for PNG. We expect the company to post a PAT of INR 1.14 bn with a PAT margin of 18.6% (vs 17.6% in Q4FY18).
EBIDTA	2,033	1,762	1,937	-4.7%	10.0%	
Net Profit	1,243	1,048	1,142	-8.1%	9.0%	
OPM (%)	38.3%	30.0%	31.6%	(671) bps	157 bps	
NPM (%)	23.4%	17.8%	18.6%	(480) bps	77 bps	

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