kotak® Institutional Equities

Strategy

INDIA

INDIA

July 05, 2018

BSE-30: 35,645

CPI inflation:4.87%

US$/INR: 68.7

June 2018 quarter earnings preview. We expect 1QFY19 net income of the KIE coverage universe to be flat yoy. We expect strong growth in the net income of (1) automobiles (strong volume growth on low base and operating leverage-led margin expansion), (2) consumers (continued volume-led sales growth and margin expansion due to operating leverage), (3) metals & mining (higher domestic realizations for ferrous although global prices of base metals were mixed) and (4) pharmaceuticals (led by domestic formulations and stabilization of US businesses) sectors. We model net loss for (1) banks under coverage (high loan-loss provisions as well as MTM losses on investment portfolio) and (2) telecom (ARPU dilution due to intense competition). We expect net income of the BSE-30 Index to increase 6% yoy and that of Nifty-50 Index to increase 12% yoy. We estimate 'EPS' of the BSE-30 Index at ₹1,755 for FY2019E and ₹2,180 for FY2020E. Our 'EPS' estimates for Nifty-50 Index for FY2019E and FY2020E are ₹545 and ₹670.

We expect net income of the KIE universe to be flat yoy in 1QFY19

Sector-wise earnings of the KIE universe

	Sales growth (%)		EBITDA growth (%)		EBITDA margin (%)			PAT growth (%)	
	yoy	qoq	yoy	qoq	Jun-17	Mar-18	Jun-18E	yoy	qoq
Automobiles	25.6	(8.0)	50.1	(8.8)	11.0	13.3	13.1	53.9	(13.0)
Banks/Financial Institutions	17.4	3.6	—	—	—	—	—	(94.3)	105.9
Cement	19.3	(4.0)	(6.3)	(8.7)	21.3	17.5	16.7	(21.8)	(17.4)
Consumer Products	14.1	6.8	21.7	8.1	21.8	22.9	23.2	23.5	7.3
Energy	33.7	10.0	47.2	(0.9)	10.2	12.5	11.2	37.3	(8.9)
Industrials	13.1	(28.6)	36.8	(46.2)	7.7	12.4	9.3	31.7	(49.8)
Infrastructure	(2.2)	(12.4)	(5.0)	(16.1)	31.9	32.3	31.0	2.8	(18.0)
Internet	13.7	6.3	31.5	28.6	24.9	23.8	28.8	9.8	346.1
Media	12.5	12.4	22.4	31.8	31.2	28.9	34.0	35.9	13.7
Metals & Mining	21.9	(9.8)	44.3	14.9	20.6	19.2	24.4	67.2	5.7
Others	13.7	6.2	(4.2)	17.1	15.4	11.7	12.9	(9.2)	18.2
Pharmaceuticals	13.1	2.5	27.0	8.0	17.3	18.5	19.5	28.5	(2.1)
Real estate	18.2	11.0	(36.3)	26.0	30.8	14.6	16.6	(14.7)	(42.4)
Technology	12.8	5.1	16.1	2.9	22.4	23.5	23.0	9.4	(0.6)
Telecom	(11.8)	0.1	(19.4)	(9.9)	31.0	31.5	28.3	NM	NM
Utilities	7.0	1.7	7.3	8.9	41.0	38.4	41.2	(0.3)	12.2
KIE universe	21.8	0.4	26.0	(0.1)	16.3	16.8	16.8	(0.5)	16.9
KIE universe (ex-energy)	15.9	(4.4)	19.8	0.2	19.7	19.2	20.4	(9.6)	30.4
KIE universe (ex-banks)	22.2	0.1	26.0	(0.1)	16.3	16.8	16.8	24.6	(6.7)

Source: Kotak Institutional Equities estimates

We expect net income of the BSE-30 Index to increase 6% yoy in 1QFY19

Sector-wise earnings of the BSE-30 Index

	Sales growth (%)		EBITDA growth (%)		EBITDA margin (%)			PAT growth (%)	
	yoy	qoq	yoy	qoq	Jun-17	Mar-18	Jun-18E	yoy	qoq
Automobiles	25.8	(10.5)	49.8	(11.7)	10.9	13.2	13.0	52.2	(16.1)
Banking	16.9	4.0	—	—	—	—	—	(44.9)	186.8
Consumers	11.1	2.5	14.6	2.3	28.2	29.1	29.0	14.8	1.8
Energy	47.1	7.1	39.4	4.8	21.9	21.2	20.7	21.8	(5.5)
Industrials	8.3	(36.6)	19.3	(54.5)	8.6	13.3	9.5	28.3	(63.9)
Infrastructure	(14.6)	(26.3)	(10.2)	(27.2)	57.1	60.7	60.0	0.6	(16.9)
Metals & Mining	18.0	(12.0)	40.4	39.1	19.0	14.3	22.6	62.2	25.8
Pharmaceuticals	14.3	1.7	38.8	(9.7)	17.6	24.1	21.4	68.7	(15.6)
Technology	11.8	5.4	13.6	3.5	24.3	25.1	24.7	10.0	2.1
Telecom	(9.4)	1.3	(15.3)	(5.2)	35.3	35.3	33.0	NM	NM
Utilities	11.3	(2.5)	15.0	3.9	41.5	40.2	42.9	4.3	9.4
BSE-30 Index	22.3	(4.2)	25.9	1.3	20.9	20.1	21.4	6.4	3.7
BSE-30 Index (ex-energy)	15.6	(7.5)	21.4	0.0	20.6	19.7	21.7	2.5	6.8
BSE-30 Index (ex-banks)	22.9	(4.9)	25.9	1.3	20.9	20.1	21.4	22.4	(4.8)

Source: Kotak Institutional Equities estimates

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Kotak Institutional Equities Research

Important disclosures appear at the back

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The prices in this report are based on the market close of July 4, 2018.

SECTORS-WISE EXPECTATIONS

Exhibit 1: We expect yoy growth in the net income of automobiles, consumer products and metals & mining sectors
Sector-wise expectations for the June 2018 quarter results

	Key points	Key points
Automobiles	We expect a strong quarter for auto companies—revenue/EBITDA/net profit are likely to improve by 26/50/56% yoy. We expect revenue growth of companies under our coverage, excluding Tata Motors, to increase by 26% yoy (aided by low base effect) and EBITDA margin to improve by 210 bps yoy as the increase in input costs will be more than offset by operating leverage benefits.	We expect Ashok Leyland, Balkrishna Industries, Mahindra & Mahindra, Maruti Suzuki and bearing companies to report a strong quarter. CEAT will likely report a weak set of numbers; we expect sequential decline in EBITDA margin due to RM cost pressures and higher other expenses.
Banks	We expect banks under our coverage to report another quarter of steep losses led by increase in loan-loss provisions, lower contribution from treasury income and higher MTM provisions. On interest rates, there were two negative developments for the quarter resulting in MTM provisions: (1) 50 bps increase across the yield curve and (2) tightening of rules in the valuation of state G-Sec instruments from fixed mark-up to market prices. We see an improvement in loan growth (~12% yoy), which coupled with increases in lending rates should aid NII recovery (14% yoy). Retail-oriented banks such as HDFC Bank, IndusInd Bank and City Union Bank are likely to report stable performance.	A few issues to grapple with: (1) Pace of recognition of NPLs to slow meaningfully as banks accelerated recognition of bad loans in 4QFY18 as per the February circular. Most of them came from SDR/S4A/restructured loans leaving negligible amounts in this bucket. (2) SMA 1-2 data shows a very low quantum of loans in stress but there would be a few cases that may have shifted to NPLs this quarter. (3) Resolution has accelerated as two large cases of Bhushan Steel and Electrosteel Steels got completed. PSU banks to benefit most. (4) Focus to shift towards resolution of cases that are in various courts and provisions, especially power.
NBFCs	NBFCs will continue to ride a strong growth trajectory in FY2019 even as 1QFY19 may be a bit subdued, in line with seasonal trends. Business momentum likely moderated in 1QFY19 post a strong 4QFY18 in segments such as CV finance, so did recovery performance especially in the rural finance. Rise in incremental borrowing costs in 2HFY18 may not reflect in NIM compression as yet, the exceptions being fiercely competitive segments such as housing and CV, wherein asset yield correction has been faster. NPLs seasonally rise in 1Q; the impact on GNPL ratio and NIM will likely be pronounced this year given the shift to 90 days NPL norms. NBFCs will make a transition to Ind-AS from the quarter; as such, reported financials may not be strictly comparable with our estimates.	
Cement	All-India cement prices increased marginally by Rs2/bag qoq in 1QFY19 with regional variations—prices were weak in North (-Rs10/bag), steady in Central, East and South (+Rs1-3/bag) and increased in the West region (+Rs13/bag). We also highlight that prices are sharply down on yoy basis (-Rs18/bag) as 1QFY18 saw a sharp price increase. We expect costs of all companies to increase due to rising pet-coke prices, freight costs and lower INR/US$ rate (4% qoq fall)—we estimate that close to 35% of the costs of cement companies are impacted due to Fx movement (pet-coke prices as well as diesel in freight costs). Pet-coke prices are up 14% over the past 6 months (+13% in 4QFY18 and +1% in 1QFY19)—we expect the full cost impact from this quarter due to lagged effect of inventories.	Industry cement volumes (per DIPP) increased 11% yoy for April-May 2018 on a low base; 2-year volume CAGR works out to 4% for these two months. We expect pan-India companies to report volume growth of 6-8% yoy while Ultratech will also benefit from ramp-up of acquired assets of Jaiprakash (+31% yoy including acquired capacities). Despite higher volumes, we expect EBITDA of pan-India names to decline by 13-27% yoy due to lower cement realizations and higher costs. We expect Ultratech's EBITDA to decline by 1% yoy despite additional contribution to earnings of the acquired assets. EBITDA of regional names will decline by 11-50% yoy—the earnings impact will be lower for South-based companies (India Cement, Dalmia Bharat) and more for North- and West-based companies.
Consumer products	We note that reported numbers for 1QFY19 are not strictly comparable yoy due to GST-led de-stocking in the base quarter (1QFY18). Nevertheless, with much of the channel now stabilized for most of the companies, we expect the positive underlying trend of the previous quarter to continue. We expect robust earnings growth for 1QFY19 driven by strong volume-led top-line growth and operating-leverage-led margin expansion. Overall, we expect aggregate revenues to grow by 13.5% yoy (staples to grow at 14% and discretionary at 13%) and EBITDA/recurring PAT to grow at 20%+ yoy. Aggregate EBITDA margin is likely to expand 142 bps yoy (higher in staples).	ITC: We expect another modest earnings print for ITC as yoy decline in cigarette volumes continues. We bake in 2.5% yoy decline with further deterioration in mix. We expect acceleration in growth in the FMCG and hotels business, partly aided by low base in both the segments. HUL: We expect the sector bellwether to report another solid quarter with 20% comparable topline growth driven by 14% UVG. We estimate a modest 210 bps expansion in EBITDA margin yoy, driven equally by mix-led GM expansion and operating leverage. We do expect A&P intensity to stay high. APNT: We estimate 14% volume growth in the domestic decoratives business aided partly by the low base (2%) of the pre-GST June 2017 quarter. Operating leverage should aid margin uptick.
Energy	**Upstream:** We expect OIL and ONGC to report sequential increase in EBITDA driven by (1) higher gas prices, (2) a weaker rupee and (3) lower operating costs, which will be partially offset by lower net crude realization based on our assumption of subsidy sharing above US$55/bbl. **Gas:** We expect GAIL's EBITDA to increase qoq led by higher contribution from gas marketing and petchem segments and steady volumes/tariffs for the gas transmission business. We expect PLNG to report modest qoq increase in profits led by steady volumes and higher Kochi tariffs. We expect IGL and MGL to report robust profits driven by (1) sequential increase in unit EBITDA margins based on price hikes undertaken during the quarter and (2) sustained strength in volumes.	**Downstream:** We expect OMCs to report weak profits reflecting (1) sharp decline in marketing margins due to curtailed auto fuel pricing and (2) lower underlying refining margins, which will be partially offset by adventitious gains. The petrochemicals segments of RIL, IOCL and GAIL will benefit from steady margins and a weaker rupee. **RIL:** We expect RIL's standalone net income to remain stable, as gains from a weaker rupee and modestly higher petchem volumes/margins will likely be offset by lower refining margins. We expect modest increase in consolidated profits driven by higher contribution from Jio.
Industrials	The key themes in industrial space are (1) continued weakness in greenfield private capex, (2) moderate support from base orders to capital goods companies for capacity augmentation and efficiency improvements, (3) moderating PGCIL capex and (4) increasing management optimism on railway ordering, mainly for electrification (both projects and products). Within the EPC space, yoy flat opening backlog for L&T will result in a weak quarter for the core E&C business with ~4% yoy growth (low single-digit growth in Infrastructure segment, ~20% growth in hydrocarbon segment due to strong backlog, weakness in power segment). For KPTL and KEC, T&D segment will post single-digit growth due to moderating PGCIL capex but will see better growth in railway and civil businesses. BHEL will likely focus on the strong executable backlog in power segment and on diversification/new order wins in the industry segment. We expect revenues of ABB, Siemens, CG Power to be driven by base orders as greenfield private capex is still weak. Cummins will continue to struggle, in our view.	**Ports:** Cargo tonnage at India's major ports grew a weak 2.5% yoy in Apr-May 2018. We thus model a low growth of 4.4% for the portfolio of Adani Ports. The expected outperformance of ADSEZ will be negated by loss of coal import volumes for Adani Power's Mundra power plants. For GPPV, we expect strong volume growth in containers due to new line additions and ramp-up of existing lines as well as recovery in non-container cargo. **Logistics:** For Concor, we expect ~13% yoy growth in both exim and domestic volumes, in line with recent volume trend for Indian Railways combined with market share gain by Concor over the past year. Declining lead distance and price hikes will lead to a net ~10% yoy revenue growth. In 3PL, Mahindra Logistics will continue to grow non-M&M business resulting in high growth rates as well as margin improvement. **Roads:** 1QFY19 will see low overall execution growth due to (1) high base of pre-GST quarter last year (1QFY18) and (2) lack of financial closure for large order inflows, especially HAM projects, received in 4QFY18. Companies with good execution track-record such as Sadbhav Engineering and Dilip Buildcon are better placed on this count, in our view.

Source: Kotak Institutional Equities estimates

We expect yoy growth in the net income of automobiles, consumer products and metals & mining sectors

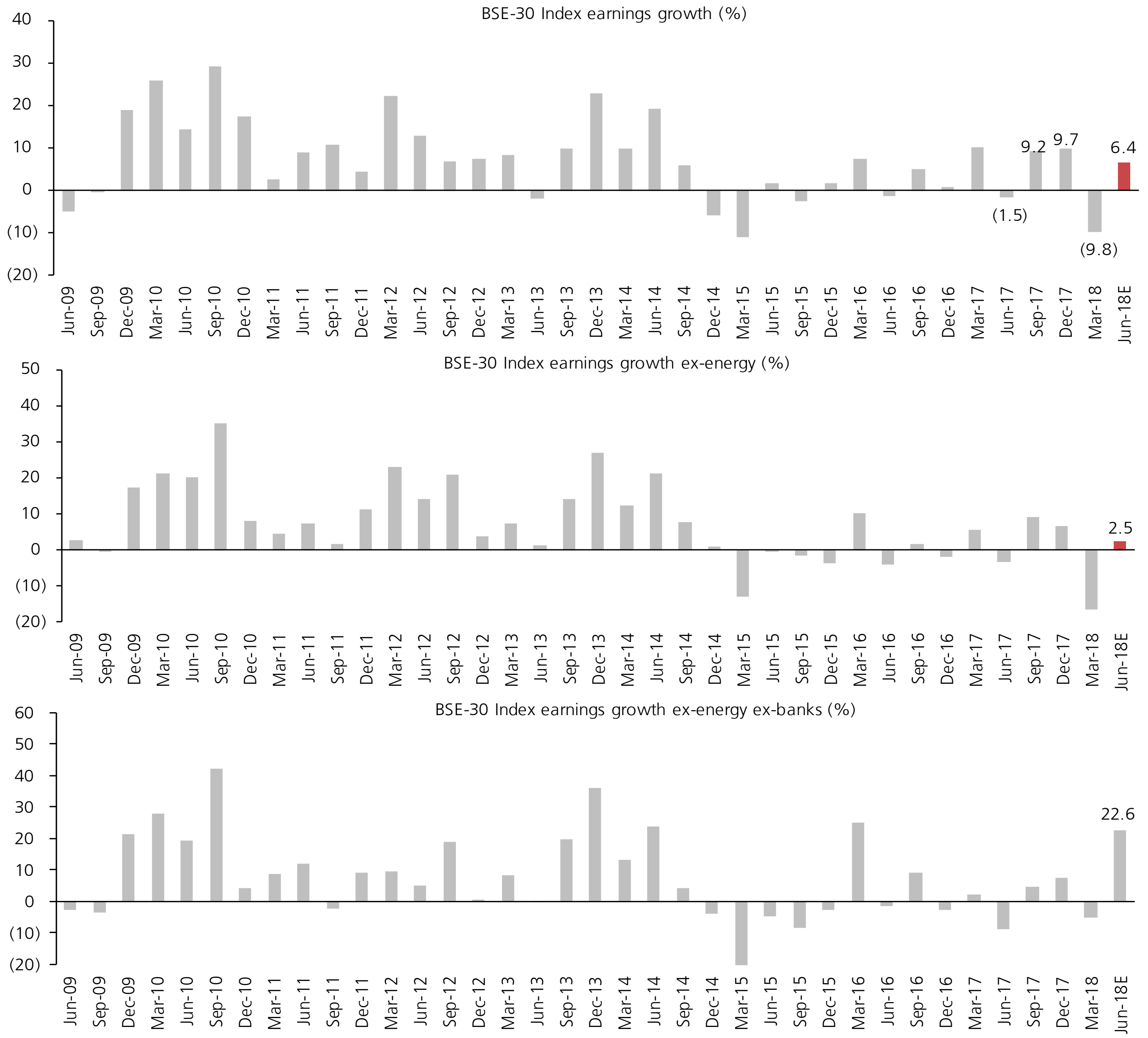
Sector-wise expectations for the June 2018 quarter results

	Key points	Key points
Internet	We expect Just Dial's growth trajectory to revive to 12% yoy based on strong collections growth witnessed in 4QFY18. INFOE's core Naukri segment will post 14% yoy revenue growth on improving hiring trends. Strong revival in secondary real estate sales advertising will drive a strong 30% yoy growth in revenues for 99acres.	
Media	**Broadcasting and distribution**: TV industry ad spends grew about 18-20% yoy in the June 2018 quarter led by robust demand from the FMCG category. Growth was higher for sports genre (IPL gained ad market share this season under Star India). As per our estimates, TV industry ad spends (excluding sports) grew about 14-15% yoy (relevant benchmark for Zee and Sun). We expect Zee to report strong 21% yoy growth in ad revenues (like-for-like) adjusted for the sale of its sports business and acquisitions. Sun TV will likely report 18% yoy growth in ad revenues on a favorable base and aided by better monetization. We expect early signs of recovery and realization of merger synergies at Dish TV; we expect 300,000 net subscriber additions to 23.3 mn and 3.5% qoq growth in ARPU to Rs208. We expect 20% qoq growth in recurring EBITDA to Rs5.5 bn.	**Print media:** Print advertising spends continue to be subdued. We expect DB Corp. and Jagran to report 6% yoy and 2% yoy growth in print advertisement revenues. **Multiplex industry:** June quarter box office performance was good, especially for the multiplex industry thanks to a few sleeper hits that scored well on multiplex circuits. We expect PVR to report modest growth in same-store footfalls and consolidated EBITDA, notwithstanding a high base ('Bahubali 2' in the base quarter).
Metals	**Ferrous:** Domestic steel prices increased by Rs1,400-1,700/ton qoq for both flat as well as long products. We also expect improvement in export realizations for domestic steel companies by 5% qoq (+Rs1,900/ton) led by (1) 1% increase in export prices to US$598/ton and (2) 4% depreciation in INR/US$ rate (on average) during the quarter. On the cost side, while coking coal prices (-15% qoq) and iron-ore prices (-2% qoq) declined during the quarter, we expect costs of companies to rise due to lagged effect of high-cost inventories. We expect India EBITDA/ton for Tata Steel to increase by 13% qoq to Rs18,000/ton and for JSP to increase by 1% qoq to Rs13,050/ton. The improvement for Tata Steel is higher as the company reported sharp increase in 'other costs' in 4QFY18, which we expect to decline sequentially. We expect JSTL's EBITDA/ton to decline by 1% qoq to Rs11,850/ton as 4QFY18 earnings included prior-period GST credits. Overall, we estimate 5-13% qoq increase in EBITDA of Tata Steel, JSP (+48% to 64% yoy) and 6% qoq decline for JSW Steel (+90% yoy).	**Non ferrous:** The movements in prices of base metals were mixed for the quarter—zinc , lead prices declined by 4-5% qoq while all-in aluminum prices increased by 4% qoq; strong aluminum premia also aided pricing. We expect Hindustan Zinc's EBITDA to decline by 13% qoq to Rs31.2 bn due to lower pricing & volumes. We also expect hedging losses of Rs900 mn for zinc, lead sold earlier in forward contracts. We expect Vedanta's EBITDA to decline by 15% qoq to Rs66.8 bn due to (1) shutdown of copper smelting and Goa iron-ore mine operations, and (2) lower operating margins in aluminum operations due to sharp increase in alumina prices. We expect Hindalco's earnings to improve 23% qoq led by higher aluminum prices, premia and lower earnings drag from low-priced hedges. We estimate Nalco's EBITDA to increase by 45% qoq to Rs7.1 bn largely led by higher alumina prices.
Pharmaceuticals	We expect the domestic formulations segment to lead revenue growth for Indian companies, led by a favorable base, with 1QFY18 impacted by GST-led de-stocking. We expect 15-20% yoy organic growth with Torrent (Unichem acquisition), Lupin and Cipla likely to lead the pack. We expect US revenues to stabilize in the quarter, with ARBP likely to have the biggest swing (US$25 mn qoq growth), benefitting from recent launches, while Cipla's new launch momentum will be largely offset by portfolio rationalization efforts. We expect SUNP's US business to gradually scale up, and expect DRRD to benefit from pre-TRO stocking of Suboxone, while LPC will struggle given the seasonality (Tamiflu, cephs) as well as erosion in prices of a few products. We expect healthcare services companies to have a mixed quarter, with DLPL likely to see strong 16% yoy growth, primarily, led by volume growth.	We expect SUNP's EBITDA margin at 21.4%, while LPC's EBITDA margin would also remain under pressure at 19.5%, though this includes US$15 mn milestone from recent Enbrel outlicensing deal with Mylan. We expect Cipla's EBITDA margin to remain steady at ~18.5%, helped by strong growth in the domestic segment, which will absorb the increased R&D spending in the quarter (8% of sales). DRRD's margins should have a favorable movement with EBITDA margin expanding to 19%, largely on the back of Suboxone channel stocking. We expect ARBP's EBITDA margin to remain steady at 21.5%. We expect APHS's EBITDA margin to expand to 9.9%, while HCG should benefit from continued momentum across its network. We expect DLPL's EBITDA margin to remain stable at 26.5%.
Real estate	**Financials:** Adoption of Ind-AS 115 will further distort reported earnings from underlying cash flows for companies under coverage. The impact of the same is hard to assess as some companies are taking the stance that registration of agreement (as opposed to receipt of Occupancy Certificate) adequately transfers risk associated with project, and accordingly revenue recognition on percentage completion method remains in order. Earnings of companies such as DLF, Prestige and to an extent Oberoi are less vulnerable owing to a large annuity portfolio as well as sales from completed projects.	**Operations:** Our coverage universe will likely see strong growth in sales and collection as the same were impacted due to introduction of RERA and GST in 1QFY18.
Technology	June is a seasonally strong quarter except for Tech Mahindra. Yet performance will be mixed across companies. TCS will report 3.7% c/c revenue growth powered by ramp-up of recently won large deals. Infosys will likely report 2.7% c/c revenue growth largely due to seasonal strength and ramp-up of deals won in 2HFY18. Customer-specific challenges and slipping execution will result in 1.2% c/c revenue decline for Wipro. HCLT will likely report 3.1% c/c growth led by consolidation of C3i acquisition; organic growth will likely be weak. Tech Mahindra's June quarter is seasonally weak due to decline in Comviva revenues; the challenge could be compounded due to high base in the enterprise segment in the March 2018 quarter.	USD has strengthened against most currencies. This will create cross-currency headwind of 100-180 bps for Tier-1 IT companies. However, rupee depreciation of 4% in the quarter more than offset this headwind. Net result is 50-100 bps kicker to EBIT margin. Historically EBIT margin dips by 200 bps sequentially for companies that announce wage increase in the June quarter. The impact will be lower this time around; further helping quarterly margin is lower H-1B visa applications by IT companies. Net result—100 bps sequential EBIT margin decline for Infosys and TCS. EBIT margin for IT companies will increase/be stable on yoy comparison due to currency depreciation.
Telecom	We expect weak 1QFY19E earnings prints for the Indian wireless names, minor revenue gains from challenger exits notwithstanding. Adoption of bundled plans remains ARPU-dilutive for now as the ARPU of the incumbents' prepaid smartphone segment remains above what the most competitive bundled plans offer. Impact of Jio's new disruptive postpaid plan is likely to be minimal on 1QFY19E financials. Uptrading (low-ARPU pay-as-you-go subs moving up to bundled plans) has started but not yet in a meaningful way to mitigate the impact of downtrading.	We expect a lower sequential decline in India wireless revenues for Bharti and Idea as compared to what we saw in 4QFY18. 1QFY19E would also see full-quarter revenue contribution from Aircel subs gained by the incumbents in 4QFY18.This should also aid improvement in sequential revenue growth (decline) trajectory. Full-quarter impact of international termination rate cuts (effective from Feb 1, 2018) is an incremental, albeit minor, drag. Overall, we expect a 2.5-3% qoq organic decline in wireless revenues for Bharti and Idea. Bharti's reported decline is likely to be lower at around 1% qoq as the company would consolidate financials of the acquired Telenor India operations for about half the quarter.
Utilities	We expect subdued growth in net profits for Power Grid (+3% yoy) owing to accounting for wage provisions despite strong revenue growth (13% yoy) on the back of asset capitalization of Rs274 bn in FY2018. We see modest growth in net profits for NTPC (+4% yoy) on the back of 4.8% yoy growth in generation.	We expect improved generation for thermal assets as well as better realizations for merchant capacities. Hydro assets have seen over 25% yoy decline in generation volumes in 1QFY19 that will impact earnings of NHPC as well as JSW Energy, although the impact will be mitigated on account of the cost-plus nature of the business. JSW Energy will also be impacted by 30% yoy increase in prices of imported coal that will narrow the spreads on merchant power sales.

Source: Kotak Institutional Equities estimates

Exhibit 2: We expect net income of the BSE-30 Index to increase 6% yoy in 1QFY19

Adjusted earnings growth of BSE-30 Index (%)



Source: Kotak Institutional Equities estimates

Exhibit 3: Sector-wise net income of companies in the KIE universe (₹ bn)

	Net sales			EBITDA			PAT		
Company (#)	Jun-17	Mar-18	Jun-18E	Jun-17	Mar-18	Jun-18E	Jun-17	Mar-18	Jun-18E
Automobiles (22)	1,426	1,945	1,790	157	258	235	67	119	103
Banks/Financial Institutions (33)	829	940	973	—	—	—	202	(194)	11
Cement (10)	239	297	285	51	52	48	27	26	21
Consumer Products (23)	501	535	571	109	123	133	71	82	88
Energy (12)	3,411	4,145	4,561	348	517	513	186	281	256
Industrials (13)	461	730	522	36	90	49	19	51	26
Infrastructure (9)	104	116	102	33	38	32	16	20	16
Internet (2)	4	4	5	1	1	1	1	0	1
Media (6)	57	57	64	18	16	22	8	9	11
Metals & Mining (9)	1,059	1,431	1,291	218	274	315	90	143	151
Others (16)	263	282	299	40	33	39	26	20	24
Pharmaceuticals (12)	263	290	297	46	54	58	22	29	29
Real estate (7)	52	55	61	16	8	10	4	6	4
Technology (9)	853	915	962	191	215	222	152	167	166
Telecom (4)	380	334	335	118	105	95	3	1	(15)
Utilities (7)	382	402	408	157	154	168	63	56	63
KIE universe	**10,283**	**12,479**	**12,526**	**1,538**	**1,940**	**1,938**	**959**	**816**	**954**
KIE universe (ex-energy)	**6,872**	**8,333**	**7,965**	**1,190**	**1,422**	**1,425**	**772**	**535**	**698**

Source: Kotak Institutional Equities estimates

Exhibit 4: Sector-wise net income of companies in the BSE-30 Index (₹ bn)

	Net sales			EBITDA			PAT		
Company (#)	Jun-17	Mar-18	Jun-18E	Jun-17	Mar-18	Jun-18E	Jun-17	Mar-18	Jun-18E
Automobiles (5)	1,003	1,410	1,262	110	186	164	45	81	68
Banking (8)	463	520	541	—	—	—	140	27	77
Consumers (3)	223	242	248	63	70	72	43	48	49
Energy (2)	1,025	1,409	1,508	224	299	313	119	154	145
Industrials (1)	238	407	258	21	54	25	9	32	11
Infrastructure (1)	27	32	23	16	19	14	8	9	8
Metals & Mining (3)	662	889	782	126	127	177	54	70	88
Pharmaceuticals (1)	62	70	71	11	17	15	5	11	9
Technology (3)	603	640	675	147	161	167	115	124	127
Telecom (1)	220	196	199	78	69	66	4	4	(4)
Utilities (2)	271	309	301	112	124	129	46	44	48
BSE-30 Index	**4,798**	**6,123**	**5,868**	**907**	**1,127**	**1,141**	**587**	**602**	**625**
BSE-30 Index (ex-energy)	**3,772**	**4,714**	**4,360**	**682**	**828**	**829**	**468**	**449**	**480**

Source: Companies, Kotak Institutional Equities estimates

Exhibit 5: Sector-wise net income of companies in the Nifty-50 Index (₹ bn)

	Net sales			EBITDA			PAT		
Company (#)	Jun-17	Mar-18	Jun-18E	Jun-17	Mar-18	Jun-18E	Jun-17	Mar-18	Jun-18E
Automobiles (6)	1,023	1,435	1,287	116	194	172	49	87	74
Banking (11)	563	651	668	—	—	—	160	51	102
Cement (2)	94	136	131	21	25	24	12	13	11
Consumers (4)	262	281	294	67	75	77	46	52	53
Energy (6)	3,296	3,998	4,409	322	488	481	171	259	238
Industrials (1)	238	407	258	21	54	25	9	32	11
Infrastructure (1)	27	32	23	16	19	14	8	9	8
Media (1)	15	17	18	5	5	6	3	4	4
Metals & Mining (4)	760	1,006	892	138	140	193	58	74	93
Others (1)	37	57	40	8	12	8	5	8	5
Pharmaceuticals (4)	169	182	187	28	35	37	14	19	19
Technology (5)	798	852	895	183	205	211	145	158	158
Telecom (2)	255	233	235	93	85	81	11	11	2
Utilities (2)	271	309	301	112	124	129	46	44	48
Nifty-50 Index	**7,809**	**9,596**	**9,640**	**1,128**	**1,463**	**1,458**	**736**	**820**	**824**
Nifty-50 Index (ex-energy)	**4,513**	**5,598**	**5,231**	**807**	**975**	**977**	**565**	**561**	**587**

Source: Companies, Kotak Institutional Equities estimates

1QFY19/2QCY18 EARNINGS PREVIEW FOR KIE UNIVERSE

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Automobiles						
Amara Raja Batteries						
Net sales	14,975	15,807	16,921	13.0	7.0	We expect revenues to increase by 13% yoy due to (1) 16-17% yoy revenue growth in the automotive segment led by double-digit volume growth and marginal price increases and (2) single-digit revenue growth in the industrial segment led by entry into the home UPS segment; revenues in the telecom segment are likely to remain under pressure in 1QFY19.
EBITDA	1,928	2,107	2,610	35.4	23.9	
EBIT	1,384	1,519	2,010	45.2	32.3	
PBT	1,507	1,743	2,180	44.6	25.1	
Reported PAT	998	1,098	1,461	46.3	33.0	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to improve by 210 bps qoq due to decline in lead prices (LME lead prices were down 3.7% qoq in 1QFY19) and operating leverage benefits. We note that lead prices have inched up meaningfully over the last one month, which could impact profitability in subsequent quarters.
Adjusted PAT	998	1,098	1,461	46.3	33.0	
EPS (Rs/share)	5.8	6.4	8.6	46.3	33.0	
EBITDA margin (%)	12.9	13.3	15.4	254 bps	209 bps	
Apollo Tyres						
Net sales	32,825	40,313	39,889	21.5	(1.1)	We expect standalone revenues to increase by 20% yoy due to (1) 19% yoy increase in tonnage volumes due to strong pickup in the MHCV segment (partly due to lower base) and continued strong growth in the PV segment and (2) slight increase in ASPs. We expect EBITDA margin to remain flattish on a sequential basis (up 590 bps yoy) as price increases will offset RM cost pressures. Standalone net profit will likely increase by 2X on a yoy basis.
EBITDA	2,753	5,152	5,287	92.0	2.6	
EBIT	1,494	3,384	3,467	132.0	2.4	
PBT	1,221	3,345	3,382	176.9	1.1	
Reported PAT	883	2,501	2,418	173.8	(3.3)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	883	2,501	2,418	173.8	(3.3)	We expect Europe revenues to grow by 23% yoy in 1QFY19 led by double-digit volume and benefit of euro appreciation versus Indian rupee. We build in EBIT margin of 2% in our estimates in 1QFY19 compared to 1.7% in 4QFY18.
EPS (Rs/share)	1.7	4.4	4.2	143.6	(3.3)	
EBITDA margin (%)	8.4	12.8	13.3	486 bps	47 bps	
Ashok Leyland						
Net sales	42,378	87,725	64,178	51.4	(26.8)	We expect revenues to increase by 51% yoy in 1QFY19 led by (1) 48% yoy growth in volumes and (2) price increases taken by the company.
EBITDA	3,061	10,327	6,470	111.4	(37.3)	
EBIT	1,740	8,864	4,995	187.2	(43.6)	
PBT	1,757	9,240	5,395	207.0	(41.6)	
Reported PAT	1,113	6,674	3,723	234.6	(44.2)	We expect EBITDA to grow by 111% yoy as we expect EBITDA margin to improve by 290 bps yoy due to operating leverage benefits despite a 160 bps yoy decline in gross margin due to increase in commodity costs.
Extraordinaries	(152)	59	—	—	—	
Adjusted PAT	1,219	6,674	3,723	205.3	(44.2)	
EPS (Rs/share)	0.4	2.3	1.3	205.3	(44.2)	
EBITDA margin (%)	7.2	11.8	10.1	285 bps	-169 bps	
Bajaj Auto						
Net sales	54,424	67,733	78,215	43.7	15.5	Volumes increased by 38% yoy led by (1) 74% yoy growth in the three-wheeler segment, (2) 39% yoy growth in domestic bike volumes partly due to low base and (3) 25% yoy growth in two-wheeler export volumes. We expect revenues to increase by 44% yoy as ASPs will increase by ~6% yoy due to a better product mix.
EBITDA	9,384	13,152	15,130	61.2	15.0	
EBIT	8,631	12,274	14,250	65.1	16.1	
PBT	13,201	15,937	18,047	36.7	13.2	
Reported PAT	9,879	10,799	12,452	26.0	15.3	
Extraordinaries	320	—	—	—	—	We expect EBITDA margin to improve by 210 bps on yoy (flat qoq) basis largely due to operating leverage benefits.
Adjusted PAT	9,239	10,799	12,452	34.8	15.3	
EPS (Rs/share)	31.9	37.3	43.0	34.8	15.3	
EBITDA margin (%)	17.2	19.4	19.3	210 bps	-8 bps	
Balkrishna Industries						
Net sales	10,620	13,068	13,189	24.2	0.9	We expect revenues to grow by 24% yoy led by (1) 17.6% yoy volume growth aided by industry growth and market share gains and (2) 5.6% yoy increase in net realizations (flattish qoq) due to price increases and higher export realizations led by euro appreciation versus Indian rupee.
EBITDA	2,842	3,766	4,003	40.8	6.3	
EBIT	2,087	2,983	3,218	54.2	7.9	
PBT	2,278	2,976	3,408	49.6	14.5	
Reported PAT	1,531	1,936	2,283	49.1	17.9	We expect 150 bps sequential improvement in EBITDA margin (up 360 bps yoy) largely due to normalization of other expenses this quarter (one-off costs of around Rs60-70 mn and bunching up of certain expenses in 4QFY18).
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,601	2,041	2,283	42.6	11.9	
EPS (Rs/share)	8.3	10.6	11.8	42.6	11.9	
EBITDA margin (%)	26.8	28.8	30.4	358 bps	153 bps	
Bharat Forge						
Net sales	18,882	21,866	22,317	18.2	2.1	We expect consolidated revenues to increase by 18% yoy, which will be driven by 22% yoy growth in standalone business and 12% yoy growth in Europe subsidiary. Revenue growth in the standalone business will be driven by (1) 24% yoy growth in exports revenues led by oil and gas and North America truck segment and (2) 19% yoy growth in domestic revenues led by strong growth in MHCVs.
EBITDA	3,839	4,825	4,787	24.7	(0.8)	
EBIT	3,839	4,825	4,787	24.7	(0.8)	
PBT	2,737	3,716	3,663	33.8	(1.4)	
Reported PAT	1,834	2,490	2,454	33.8	(1.4)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,834	2,490	2,454	33.8	(1.4)	We expect standalone EBITDA margin to remain flat on a yoy basis. We build in 9% EBITDA margin in Europe business; flat qoq but up 160 bps yoy.
EPS (Rs/share)	3.9	5.3	5.3	33.8	(1.4)	
EBITDA margin (%)	20.3	22.1	21.4	111 bps	-62 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

				Change (%)		
	Jun-17	Mar-18	Jun-18E	yoy	qoq	Comments
Ceat						
Net sales	14,597	16,739	16,830	15.3	0.5	
EBITDA	547	1,976	1,588	190.5	(19.6)	We expect consolidated revenues to increase by 15% yoy led largely by double-digit volume growth on yoy basis partly due to low base of last year (volumes down 7% yoy in 1QFY18).
EBIT	151	1,528	1,128	648.6	(26.2)	
PBT	28	1,359	953	3,279.8	(29.9)	
Reported PAT	16	771	691	4,139.9	(10.3)	We expect EBITDA margin to decline by 240 bps qoq (up 570 bps yoy) due to (1) 70 bps qoq decline in gross margin led by higher RM cost and increase in competitive intensity in the two-wheeler segment and (2) higher other expenses this quarter due to the company's association with the IPL tournament. We build marginal PBT loss in specialty tires business in 1QFY19.
Extraordinaries	(4)	(246)	—	(100.0)	(100.0)	
Adjusted PAT	19	943	691	3,585.9	(26.7)	
EPS (Rs/share)	0.5	23.3	17.1	3,585.9	(26.7)	
EBITDA margin (%)	3.7	11.8	9.4	569 bps	-237 bps	
Eicher Motors						
Net sales	20,006	25,280	25,092	25.4	(0.7)	
EBITDA	6,207	7,972	8,022	29.2	0.6	Royal Enfield volumes increased by 22% yoy in 1QFY19; we expect standalone revenues to grow by 25% yoy. We expect EBITDA margin of Royal Enfield to improve by 60 bps yoy due to improvement in gross margin led by a better product mix.
EBIT	5,827	7,533	7,372	26.5	(2.1)	
PBT	7,115	5,255	7,965	11.9	51.6	
Reported PAT	4,596	4,615	5,966	29.8	29.3	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	4,596	6,486	5,966	29.8	(8.0)	We expect consolidated net profit to increase by 30% yoy led by strong performance of both RE and VECV (driven by strong growth in domestic CV volumes).
EPS (Rs/share)	168.9	238.3	219.2	29.8	(8.0)	
EBITDA margin (%)	31.0	31.5	32.0	94 bps	43 bps	
Escorts						
Net sales	11,423	14,361	13,993	22.5	(2.6)	
EBITDA	976	1,738	1,685	72.7	(3.0)	We expect revenues to increase by 23% yoy in 1QFY19 led by 40% yoy increase in tractor volumes and 20% yoy increase in construction and railway segment revenues.
EBIT	798	1,549	1,497	87.6	(3.4)	
PBT	923	1,712	1,659	79.7	(3.1)	
Reported PAT	627	1,126	1,112	77.3	(1.2)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	627	1,126	1,112	77.3	(1.2)	We estimate EBITDA margin to improve by 350 bps yoy led by 100 bps yoy improvement in gross margin and 250 bps yoy increase due to operating leverage benefit.
EPS (Rs/share)	7.1	12.7	12.5	77.3	(1.2)	
EBITDA margin (%)	8.5	12.1	12.0	349 bps	-6 bps	
Exide Industries						
Net sales	21,029	24,594	25,156	19.6	2.3	We expect revenues to increase by 20% led by (1) 16-17% revenue growth in the automotive segment driven by double-digit volume growth and marginal price increases on yoy basis and (2) 25% yoy revenue growth in the industrial segment aided by market share gain in the telecom segment, the e-rickshaw segment and some growth in the UPS segment.
EBITDA	3,243	3,380	3,753	15.8	11.0	
EBIT	2,680	2,706	3,073	14.7	13.6	
PBT	2,796	2,903	3,238	15.8	11.6	
Reported PAT	1,890	1,896	2,218	17.4	17.0	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to improve by 120 bps qoq (down 50 bps yoy) due to benefit of decline in lead prices in 1QFY19 (LME lead prices down 3.7% qoq in rupee terms). We note that lead prices have again inched higher over the last one month, which would hurt profitability in subsequent quarters.
Adjusted PAT	1,890	1,896	2,218	17.4	17.0	
EPS (Rs/share)	2.2	2.2	2.6	17.4	17.0	
EBITDA margin (%)	15.4	13.7	14.9	-50 bps	117 bps	
Hero Motocorp						
Net sales	79,716	85,640	90,963	14.1	6.2	
EBITDA	12,959	13,706	14,335	10.6	4.6	We expect revenues to increase by 14% yoy led largely by volume growth.
EBIT	11,630	12,223	12,850	10.5	5.1	
PBT	12,931	13,872	14,535	12.4	4.8	
Reported PAT	9,140	9,674	10,102	10.5	4.4	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	9,140	9,674	10,102	10.5	4.4	We expect EBITDA margin to decline by 50 bps yoy due to increase in commodity costs.
EPS (Rs/share)	45.8	48.4	50.6	10.5	4.4	
EBITDA margin (%)	16.3	16.0	15.8	-50 bps	-25 bps	
Mahindra CIE Automotive						
Net sales	15,248	19,107	19,837	30.1	3.8	We expect consolidated revenues to increase by 30% yoy led by (1) 21% yoy revenue growth in Europe business aided by strong growth in Metalcastello business and (2) 22% yoy growth in the India business (including Bill Forge).
EBITDA	2,058	2,638	2,666	29.6	1.1	
EBITDA margin (%)	13.5	13.8	13.4	-6 bps	-37 bps	We expect consolidated EBITDA margin to remain flat yoy. We expect 12.5% EBITDA margin for the Europe business.
Mahindra & Mahindra						
Net sales	108,757	131,888	131,986	21.4	0.1	
EBITDA	14,338	19,950	20,342	41.9	2.0	Overall volumes increased by 20% yoy led by 19-20% yoy growth in both auto and tractor segments. We expect revenues to increase by 21% yoy led by strong volume growth.
EBIT	10,518	15,560	15,942	51.6	2.5	
PBT	11,296	16,720	16,842	49.1	0.7	
Reported PAT	7,518	11,549	11,368	51.2	(1.6)	
Extraordinaries	—	479	—	—	—	
Adjusted PAT	8,526	11,214	11,368	33.3	1.4	We expect EBITDA margin to improve by 220 bps yoy due to significant improvement in profitability of both automotive and tractor businesses.
EPS (Rs/share)	7.5	9.9	10.0	33.3	1.4	
EBITDA margin (%)	13.2	15.1	15.4	222 bps	28 bps	
Maruti Suzuki						
Net sales	175,457	211,656	225,685	28.6	6.6	
EBITDA	23,312	30,150	35,776	53.5	18.7	We expect revenues to increase by 29% yoy in 1QFY19 on the back of (1) 24% yoy volume growth and (2) 4% yoy increase in ASPs due to a better product mix.
EBIT	16,471	23,123	28,274	71.7	22.3	
PBT	22,987	26,344	33,776	46.9	28.2	
Reported PAT	15,564	18,821	23,981	54.1	27.4	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	15,564	18,821	23,981	54.1	27.4	We expect EBITDA to increase by 54% yoy in 1QFY19 led by strong revenue growth and operating leverage benefits (260 bps increase in EBITDA margin on yoy basis).
EPS (Rs/share)	51.5	62.3	79.4	54.1	27.4	
EBITDA margin (%)	13.3	14.2	15.9	256 bps	160 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Motherson Sumi Systems						
Net sales	131,286	154,079	162,645	23.9	5.6	We expect 21% yoy revenue growth for the standalone entity and 11% yoy growth in euro revenues of the SMRPBV business. Consolidated revenue growth will likely be higher at 24% yoy due to 8% rupee depreciation versus euro and (2) strong growth in the domestic business.
EBITDA	11,864	15,001	16,096	35.7	7.3	
EBIT	8,096	10,933	11,996	48.2	9.7	
PBT	6,959	10,418	11,096	59.4	6.5	
Reported PAT	2,780	5,184	5,306	90.9	2.4	
Extraordinaries	(1,502)	(207)	—	—	—	We expect consolidated EBITDA margin to increase by 90 bps yoy leading to 36% yoy growth in consolidated EBITDA.
Adjusted PAT	3,831	5,184	5,306	38.5	2.4	
EPS (Rs/share)	1.9	2.6	2.7	38.5	2.4	
EBITDA margin (%)	9.0	9.7	9.9	85 bps	16 bps	
MRF						
Net sales	35,666	38,654	41,016	15.0	6.1	We expect revenues to grow by 15% yoy led by strong double-digit volume growth across segments and 1-2% higher realizations due to price increases taken by the company. As per our channel checks, there has been a strong pickup in two-wheeler replacement segment volumes for the company.
EBITDA	2,750	6,860	7,361	167.7	7.3	
EBIT	1,082	4,993	5,441	403.1	9.0	
PBT	1,346	5,139	5,621	317.6	9.4	
Reported PAT	1,065	3,453	3,823	258.8	10.7	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to remain largely flattish on sequential basis (+1,020 bps on yoy basis) as RM cost pressures will be offset by price increases taken by the company.
Adjusted PAT	1,065	3,453	3,823	258.8	10.7	
EPS (Rs/share)	251.3	814.4	901.6	258.8	10.7	
EBITDA margin (%)	7.7	17.7	17.9	1023 bps	19 bps	
Schaeffler India						
Net sales	4,592	5,212	5,373	17.0	3.1	We expect revenues to grow by 17% yoy led largely by (1) strong double-digit growth in the automotive OEM segment (low base in MHCVs) and exports, (2) strong pickup in demand in the after-market segment off a low base and (3) steady demand in the railways and industrial segment (excluding the wind energy segment).
EBITDA	861	924	1,033	19.9	11.7	
EBIT	684	736	843	23.2	14.5	
PBT	837	981	1,042	24.4	6.2	
Reported PAT	540	660	698	29.3	5.7	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to improve by 150 bps qoq (+50 bps yoy) due to (1) normalization of gross margin as the company has taken price increases to offset RM cost pressures and (2) the company's cost-reduction efforts.
Adjusted PAT	540	660	698	29.3	5.7	
EPS (Rs/share)	32.5	39.7	42.0	29.3	5.7	
EBITDA margin (%)	18.8	17.7	19.2	46 bps	148 bps	
SKF						
Net sales	6,665	7,036	7,598	14.0	8.0	We expect revenues to grow by 14% yoy due to (1) strong double-digit growth in the auto OEM segment (particularly strong growth in CVs due to low base and market share gains) and exports and (2) strong pickup in demand in the after-market segment aided by low base and (3) steady growth in the industrial segment.
EBITDA	936	1,061	1,195	27.7	12.6	
EBIT	820	946	1,079	31.6	14.1	
PBT	992	1,117	1,264	27.5	13.2	
Reported PAT	643	716	834	29.8	16.6	We expect EBITDA margin to increase by 170 bps yoy (+60 bps qoq) largely due to a better product mix. We expect share of traded revenues to come down to around 38-39% in 1QFY19 from 41% in 1QFY18 due to (1) strong growth in the auto segment (manufactured in-house) and (2) weakness in the wind energy segment (traded goods). Sequential uptick in profitability is due to normalization of other expenses.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	643	716	834	29.8	16.6	
EPS (Rs/share)	12.5	13.9	16.3	29.8	16.6	
EBITDA margin (%)	14.0	15.1	15.7	169 bps	64 bps	
Tata Motors						
Net sales	584,934	912,791	735,368	25.7	(19.4)	We expect standalone revenues to increase by 91% yoy due to 61% yoy volume growth and higher ASPs led by a richer product mix (higher MHCV mix plus increased volumes of higher-priced launches in the PV segment). We build in standalone EBITDA margin of 7% in 1QFY19 (6.1% in 4QFY18) compared to EBITDA loss in 1QFY18; we assume flattish gross margin on qoq basis but build in some benefit from the company's cost-reduction efforts.
EBITDA	49,648	108,944	78,640	58.4	(27.8)	
EBIT	4,403	44,061	12,140	175.7	(72.4)	
PBT	(5,145)	35,922	3,140	NM	(91.3)	
Reported PAT	31,823	21,252	9,855	(69.0)	(53.6)	JLR's UK P&L volumes will likely increase by 3% yoy. We expect reported EBITDA margin to improve by 300 bps yoy to 10.3% but EBITDA margin will decline on sequential basis as 4Q is a seasonally stronger quarter for the company. We build in hedged forex loss of GBP113 mn in our estimates for 1QFY19 (GBP211 mn in 4QFY18 and GBP454 mn in 1QFY18).
Extraordinaries	42,515	(12,845)	—	—	—	
Adjusted PAT	2,062	30,244	9,855	377.9	(67.4)	
EPS (Rs/share)	0.6	8.9	2.9	377.9	(67.4)	
EBITDA margin (%)	8.5	11.9	10.7	220 bps	-125 bps	
Timken						
Net sales	2,999	3,454	3,539	18.0	2.5	We expect revenues to increase by 18% yoy due to strong double-digit growth in the domestic MHCV segment (partly due to low base) and exports.
EBITDA	424	460	557	31.5	21.0	
EBIT	312	351	445	42.7	27.0	
PBT	330	366	468	41.9	28.0	
Reported PAT	219	237	309	40.9	30.4	We expect EBITDA margin to improve by 160 bps yoy in 1QFY19 largely due to operating leverage benefits. We have built in 180 bps sequential improvement in gross margin in 1QFY19 as the company mentioned that it has taken price increases to pass on the impact of higher steel prices last quarter.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	219	237	309	40.9	30.4	
EPS (Rs/share)	3.2	3.5	4.5	40.9	30.4	
EBITDA margin (%)	14.1	13.3	15.7	161 bps	241 bps	
TVS Motor						
Net sales	33,995	39,928	43,589	28.2	9.2	Volumes grew by 16% yoy led by strong growth in export volumes (+52% yoy) and domestic volumes (+9% yoy). Revenues will likely grow by 28% yoy in 1QFY19. Average selling price increased by 11% yoy led by a richer product mix and depreciation of INR against USD (4% yoy).
EBITDA	2,114	2,807	3,127	47.9	11.4	
EBIT	1,331	1,863	2,182	64.0	17.1	
PBT	1,794	1,921	2,247	25.2	17.0	
Reported PAT	1,295	1,656	1,641	26.7	(0.9)	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to increase by 100 bps yoy due to low-base effect in 1QFY18.
Adjusted PAT	1,295	1,656	1,641	26.7	(0.9)	
EPS (Rs/share)	2.7	3.5	3.5	26.7	(0.9)	
EBITDA margin (%)	6.2	7.0	7.2	95 bps	14 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	qoq	Comments
WABCO India						
Net sales	5,256	7,849	6,635	26.2	(15.5)	We expect revenues to increase by 26% yoy led by strong growth in MHCV industry production and pickup in exports (+14% yoy). We expect OEM revenues to increase by 40% yoy in 1QFY19.
EBITDA	791	1,122	883	11.6	(21.3)	
EBIT	638	962	722	13.1	(24.9)	
PBT	743	1,150	910	22.5	(20.8)	
Reported PAT	542	772	610	12.5	(21.0)	We expect EBITDA margin to decline by 170 bps yoy due to 300 bps yoy decline in gross margin driven by rise in input costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	542	772	610	12.5	(21.0)	
EPS (Rs/share)	28.6	40.7	32.2	12.5	(21.0)	
EBITDA margin (%)	15.0	14.3	13.3	-175 bps	-100 bps	
Banks/Financial Institutions						
Axis Bank						
Net interest income	46,161	47,305	48,491	5.0	2.5	We expect loan growth to be strong at 16% yoy but NII growth to be weak at 5% yoy due to high NPLs as well as shift in the loan mix towards better-rated loans.
Pre-provision profit	42,912	36,722	41,180	(4.0)	12.1	
Fee income	20,029	24,480	22,032	10.0	(10.0)	
Treasury income (net)	7,840	3,230	500	(93.6)	(84.5)	We expect slippages of Rs40 bn as some of the balance stressed loans is recognized. Benefit from NCLT cases would be lower as the bank sold the loans previously. The movement in sub-investment grade portfolio would be the key monitorable.
Loan-loss provisions	21,830	77,320	30,928	41.7	(60.0)	
Adjusted PAT	13,056	(21,887)	170	(98.7)	NM	
EPS (Rs/share)	5.5	(9.3)	0.1	(98.7)	NM	
Bajaj Finance						
Net interest income	20,725	23,624	28,250	36.3	19.6	We expect 35% loan growth and stable NIM to drive 36% growth in NII.
Pre-provision profit	12,110	13,731	15,975	31.9	16.3	
Loan-loss provisions	2,856	2,739	3,500	22.5	27.8	Cost-income will remain stable at 44% yoy.
Adjusted PAT	6,020	7,210	8,171	35.7	13.3	
EPS (Rs/share)	11.0	13.2	14.9	35.7	13.3	
Bank of Baroda						
Net interest income	34,050	40,023	41,676	22.4	4.1	We expect 22% yoy NII growth on the back of better-than-industry loan growth (~13% yoy). Calculated NIM will improve marginally qoq to 2.6%. Treasury gains will be sharply lower qoq due to MTM losses.
Pre-provision profit	26,481	26,655	26,821	1.3	0.6	
Fee income	5,350	9,850	8,025	50.0	(18.5)	
Treasury income (net)	4,200	(1,620)	(5,350)	(227.4)	230.2	
Loan-loss provisions	21,567	70,525	52,894	145.3	(25.0)	We expect fresh slippages at 5% of loans as some of the pending NPLs are recognized while gross NPLs will decline led by a few resolutions. Provision coverage ratio at ~65% levels will be stable qoq.
Adjusted PAT	2,034	(31,023)	(22,887)	(1,225.0)	(26.2)	
EPS (Rs/share)	4.4	(58.5)	(43.2)	(1,080.2)	(26.2)	
Bank of India						
Net interest income	25,330	25,640	29,792	17.6	16.2	We expect sharp improvement over 4QFY18 performance led by NII recovery (lower income de-recognition) but partly offset by higher provisions for investments. We expect NIM to expand by 25 bps qoq.
Pre-provision profit	23,794	11,723	15,286	(35.8)	30.4	
Fee income	3,160	3,770	3,476	10.0	(7.8)	
Treasury income (net)	5,170	(3,850)	(12,000)	(332.1)	211.7	
Loan-loss provisions	21,562	66,992	33,496	55.3	(50.0)	We expect slippages of Rs40 bn at 4% of loans but there is likely to be sharp increase in recovery because of two NCLT cases being completed.
Adjusted PAT	877	(39,691)	(14,995)	(1,809.7)	(62.2)	
EPS (Rs/share)	0.8	(22.8)	(8.6)	(1,152.0)	(62.2)	
Bharat Financial Inclusion						
Net interest income	1,970	3,090	3,160	60.4	2.3	We expect 40% loan growth and 130 bps NIM expansion to 9.7% to drive 60% growth in NII.
Pre-provision profit	1,384	2,100	1,810	30.8	(13.8)	
Loan-loss provisions	1,760	10	40	(97.7)	300.0	Investment in branches will lead to 380 bps yoy increase in cost to income ratio to 55%.
Adjusted PAT	(376)	2,100	1,560	NM	(25.7)	
Canara Bank						
Net interest income	27,132	29,876	31,302	15.4	4.8	We expect 13% yoy loan growth and ~20 bps yoy NIM improvement (lower income de-recognition), leading to 15% yoy NII growth. PPOP will decline ~20% yoy due to lower treasury gains.
Pre-provision profit	24,724	17,647	19,795	(19.9)	12.2	
Fee income	3,670	2,430	3,159	(13.9)	30.0	
Treasury income (net)	7,930	(5,750)	(11,500)	(245.0)	100.0	
Loan-loss provisions	21,000	84,330	50,598	140.9	(40.0)	We expect slippages of 3.5% of loans as some of the balance accounts get recognized. Strong recoveries in a few large NCLT cases could help in some early turnaround in gross NPL ratios.
Adjusted PAT	2,516	(48,598)	(27,212)	(1,181.6)	(44.0)	
EPS (Rs/share)	4.2	(66.3)	(37.1)	(981.0)	(44.0)	
Cholamandalam						
Net interest income	6,938	8,915	8,800	26.8	(1.3)	We expect 26% loan growth to drive 27% growth in NII.
Pre-provision profit	4,162	5,125	5,251	26.2	2.5	
Loan-loss provisions	981	737	1,000	2.0	35.7	
Adjusted PAT	2,066	2,911	2,806	35.8	(3.6)	We expect cost-asset ratio to inch up 10 bps yoy to 3.3%.
EPS (Rs/share)	13.3	18.8	18.1	35.8	(3.6)	
City Union Bank						
Net interest income	3,424	3,679	3,721	8.7	1.1	We expect loan growth trends to be stable at ~17% levels. NIM may be under a bit of pressure with another quarter of decline (~10 bps qoq).
Pre-provision profit	2,970	2,943	2,919	(1.7)	(0.8)	
Fee income	697	680	767	10.0	12.8	
Treasury income (net)	218	154	17	(92.3)	(89.1)	
Loan-loss provisions	1,090	550	578	(47.0)	5.0	We expect unchanged and stable trends on bad loans; slippages are expected to drop to <2% of loans.
Adjusted PAT	1,403	1,521	1,493	6.4	(1.9)	
EPS (Rs/share)	2.3	2.3	2.2	(3.8)	(1.9)	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
DCB Bank						
Net interest income	2,332	2,637	2,689	15.3	2.0	We expect revenue growth to slow down due to NIM pressure (calculated NIM will drop 10-15 bps qoq) as there is pressure to increase loan yields while costs of deposits have started to increase. Performance in LAP would be the key monitorable given intense competition and pricing pressure.
Pre-provision profit	1,364	1,416	1,243	(8.9)	(12.2)	
Fee income	539	770	681	26.5	(11.5)	
Treasury income (net)	287	42	20	(93.0)	(52.4)	
Loan-loss provisions	320	349	353	10.2	1.0	We expect PAT to decline yoy due to high provisions for bad loans given its loan mix as well as building higher provisions for the investment portfolio.
Adjusted PAT	652	642	557	(14.6)	(13.3)	
EPS (Rs/share)	2.3	2.1	1.8	(22.0)	(13.5)	
Equitas Holdings						
Net interest income	2,158	2,477	2,719	26.0	9.8	AUM growth is likely to recover to ~25% yoy levels. NIM to pick up on the back of repricing of high-cost borrowings. Operating expenses are likely to be flat qoq resulting in an improvement in cost-income ratio.
Pre-provision profit	695	675	1,183	70.3	75.3	
Loan-loss provisions	441	139	175	(60.3)	25.8	
Adjusted PAT	156	349	655	319.4	88.0	Asset quality should show further improvement as the MFI crisis is largely behind and the non-MFI portfolio such as vehicle financing should see further improvement.
EPS (Rs/share)	0.5	1.0	1.9	316.1	88.0	
Federal Bank						
Net interest income	8,007	9,332	9,338	16.6	0.1	We expect loan growth to be solid at 22% yoy (trends similar to the previous two years) aided by strong momentum in the retail business and SME business. NIM will be flat qoq at 3.1%.
Pre-provision profit	5,579	5,886	5,170	(7.3)	(12.2)	
Treasury income (net)	1,085	(865)	(1,250)	(215.2)	44.5	
Loan-loss provisions	2,300	2,630	2,530	10.0	(3.8)	We expect slippages (2% of loans) reflecting the last leg of recognition from corporate sector loans. Cost-income ratio could likely deteriorate qoq to >55% given weak revenue growth.
Adjusted PAT	2,102	1,450	891	(57.6)	(38.6)	
EPS (Rs/share)	2.4	1.5	0.9	(63.0)	(38.8)	
HDFC						
Net interest income	24,876	30,641	28,000	12.6	(8.6)	We model 18% loan growth and 10 bps yoy NIM compression to 2.9% to drive 13% NII growth.
Pre-provision profit	23,587	35,172	31,475	33.4	(10.5)	
Adjusted PAT	15,557	28,462	22,506	44.7	(20.9)	Dividend income from HDFC Bank (Rs5.2 bn) will boost yoy earnings; this dividend was booked in 2QFY18.
EPS (Rs/share)	9.8	17.0	13.4	37.1	(20.9)	
HDFC Bank						
Net interest income	93,707	106,577	110,768	18.2	3.9	We expect NII growth to be marginally lower than loan growth of ~20% yoy. NIM will decline 10 bps qoq. Loan growth on the corporate side (NCLT cases refinancing) could be strong along with retail (mostly led by unsecured loans).
Pre-provision profit	75,199	88,357	86,160	14.6	(2.5)	
Fee income	25,781	33,297	30,164	17.0	(9.4)	
Treasury income (net)	3,314	(220)	(300)	(109.1)	36.4	
Loan-loss provisions	15,495	12,859	15,565	0.5	21.0	We expect loan impairments to be flat qoq with growth in credit costs being a key monitorable along with the pace of revenue slowdown or quality of growth of operating profits.
Adjusted PAT	38,938	47,993	46,945	20.6	(2.2)	
EPS (Rs/share)	15.1	18.5	18.1	19.6	(2.2)	
ICICI Bank						
Net interest income	55,898	60,217	58,849	5.3	(2.3)	We expect muted earnings led by higher provisions for bad loans recognized in 4QFY18 (impact of the February RBI circular, which saw an increase in NPLs in 4QFY18). Slippages will be sharply lower at ~2.5% of loans. NIM will decline 10 bps qoq.
Pre-provision profit	51,829	75,140	46,939	(9.4)	(37.5)	
Fee income	23,770	27,550	27,336	15.0	(0.8)	
Treasury income (net)	8,580	26,850	(500)	(105.8)	(101.9)	
Loan-loss provisions	26,087	66,258	46,380	77.8	(30.0)	We expect gains from 2% stake sale in ICICI Prudential Life Insurance to be offset by higher investment depreciation provision.
Adjusted PAT	20,486	10,200	396	(98.1)	(96.1)	
EPS (Rs/share)	3.2	1.6	0.1	(98.1)	(96.1)	
IDFC Bank						
Net interest income	4,375	4,310	5,000	14.3	16.0	We expect pressure on asset yields in the infrastructure book to lead to low NII growth.
Pre-provision profit	6,601	570	1,900	(71.2)	233.3	
Loan-loss provisions	(19)	2,420	500	NM	(79.3)	
Tax	2,245	(2,280)	910	(59.5)	NM	MTM losses in investment book will drag earnings.
Adjusted PAT	4,375	430	490	(88.8)	13.9	
EPS (Rs/share)	1.3	0.1	0.1	(88.8)	13.9	
IIFL Holdings						
Net sales	14,785	17,636	18,649	26.1	5.7	We expect 46% yoy and 5% qoq loan growth to drive strong (45% yoy) NII growth.
Adjusted PAT	1,981	2,483	2,515	26.9	1.3	
EPS (Rs/share)	6.2	7.8	7.9	26.9	1.3	We expect cost-income ratio to remain stable at 58% yoy.
IndusInd Bank						
Net interest income	17,741	20,076	20,727	16.8	3.2	We expect strong loan growth at ~25% yoy led by solid growth in retail business (led by all business products). Revenue growth would be slower as pressure on NIM would be quite high. We expect NIM to decline 10 bps qoq.
Pre-provision profit	15,885	17,694	17,739	11.7	0.3	
Fee income	9,743	11,135	11,630	19.4	4.4	
Treasury income (net)	1,930	950	500	(74.1)	(47.4)	
Loan-loss provisions	2,100	2,820	2,679	27.6	(5.0)	We expect limited asset-quality stress and GNPL of 1.3%, up ~10 bps qoq. Coverage ratio will be similar to the previous quarter at ~60% levels.
Adjusted PAT	8,365	9,531	9,961	19.1	4.5	
EPS (Rs/share)	14.0	15.9	16.6	18.8	4.5	
J&K Bank						
Net interest income	7,121	6,558	7,126	0.1	8.7	Loan growth within J&K will be a key monitorable where the performance has been volatile. Overall loan growth will be better than industry trends at ~15% yoy. Medium-term outlook on NIM would be a key monitorable as it fell sharply in the previous quarter.
Pre-provision profit	3,684	2,665	2,913	(20.9)	9.3	
Fee income	400	485	420	5.0	(13.4)	
Treasury income (net)	(638)	(503)	(950)	49.0	89.0	
Loan-loss provisions	4,712	3,353	2,347	(50.2)	(30.0)	We expect fresh impairment ratios to be low (slippages at 2%) but GNPL decline will be marginal as the bank had sold its bad loans that were resolved recently under the NCLT process. The movement in the restructured loan (8% of loans) portfolio would be a key monitorable.
Adjusted PAT	301	284	(334)	(210.9)	(217.5)	
EPS (Rs/share)	0.5	0.5	(0.6)	(210.9)	(217.5)	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Karur Vysya Bank						
Net interest income	5,386	6,429	5,597	3.9	(12.9)	We expect sharp drop in earnings on the back of higher provisions for bad loans and investment depreciation.
Pre-provision profit	4,494	4,797	3,981	(11.4)	(17.0)	
Fee income	1,430	1,909	1,867	30.5	(2.2)	
Treasury income (net)	470	(250)	(460)	(197.9)	84.0	
Loan-loss provisions	2,240	3,810	3,239	44.6	(15.0)	We expect slippages to be high at ~4% of loans (last leg of recognition) but recovery to be good as well given the completion of a few NCLT cases.
Adjusted PAT	1,480	506	158	(89.3)	(68.8)	
EPS (Rs/share)	12.1	4.1	1.3	(89.3)	(68.8)	
LIC Housing Finance						
Net interest income	9,125	10,036	10,150	11.2	1.1	We model 15% loan growth and 10 bps yoy NIM compression to 2.4% to drive 11% growth in NII.
Pre-provision profit	8,229	8,669	9,175	11.5	5.8	
Loan-loss provisions	1,045	281	500	(52.1)	77.7	
Adjusted PAT	4,701	5,393	5,726	21.8	6.2	We are not factoring any significant increase or decrease in NPLs.
EPS (Rs/share)	9.3	10.7	11.3	21.8	6.2	
Mahindra & Mahindra Financial						
Net interest income	8,597	13,050	10,400	21.0	(20.3)	We expect 18% loan growth and 20 bps NIM expansion to 8.2% to drive 21% growth in NII.
Pre-provision profit	4,894	8,261	6,680	36.5	(19.1)	
Loan-loss provisions	4,258	1,572	4,000	(6.1)	154.4	
Adjusted PAT	474	4,245	1,876	295.9	(55.8)	Seasonal weakness, accentuated by 90 DPD NPL norms, will lead to high slippages.
EPS (Rs/share)	0.8	7.5	3.3	295.9	(55.8)	
Magma Fincorp						
Net interest income	3,090	3,645	3,700	19.7	1.5	We see NIM expansion to 11.5% from 9.9% to drive 20% NII growth.
Pre-provision profit	1,594	1,838	1,830	14.8	(0.4)	
Loan-loss provisions	914	1,058	900	(1.6)	(14.9)	
Adjusted PAT	451	714	651	44.4	(8.8)	We expect cost-income ratio to remain stable at 52%.
EPS (Rs/share)	1.9	3.0	2.7	44.4	(8.8)	
Muthoot Finance						
Net interest income	8,432	10,728	10,050	19.2	(6.3)	Declining share of semi-annual loans will reduce NPLs and credit costs qoq.
Pre-provision profit	5,585	7,920	7,290	30.5	(8.0)	
Loan-loss provisions	66	596	500	653.1	(16.2)	We model 8% yoy loan growth and 130 bps NIM expansion to 13.6% to drive 19% NII growth.
Adjusted PAT	3,511	4,514	4,210	19.9	(6.7)	
EPS (Rs/share)	8.8	11.3	10.5	19.9	(6.7)	
PNB Housing Finance						
Net interest income	3,436	4,516	4,714	37.2	4.4	We expect 45% yoy loan growth and 20 bps NIM compression to 2.9% to drive 37% growth in NII.
Pre-provision profit	3,312	3,865	4,294	29.7	11.1	
Loan-loss provisions	481	444	500	4.0	12.5	
Tax	984	1,231	1,366	38.8	11.0	
Adjusted PAT	1,848	2,190	2,428	31.4	10.9	We expect cost-income ratio to inch up to 26% in 1QFY19 from 24% in 1QFY18.
EPS (Rs/share)	11.1	13.2	14.6	31.4	10.9	
Punjab National Bank						
Net interest income	38,551	30,634	36,258	(5.9)	18.4	We expect losses to remain high on the back of higher credit costs and MTM provisions. The balance recognition of NPLs/losses from the jewelry cases is likely to be completed in FY2019. We expect GNPLs to decline on the back of higher recoveries from NCLT cases as well as write-offs due to ageing of NPLs.
Pre-provision profit	32,173	(4,474)	23,836	(25.9)	NM	
Fee income	10,720	9,060	9,966	(7.0)	10.0	
Treasury income (net)	5,610	(4,100)	(10,875)	(293.9)	165.2	
Loan-loss provisions	22,647	143,830	71,915	217.5	(50.0)	We expect adjust PPOP to decline 25% yoy. We expect loan growth of 5% yoy and NIM to improve 30 bps qoq at 2.2%.
Adjusted PAT	3,434	(134,169)	(35,890)	(1,145.1)	(73.3)	
EPS (Rs/share)	1.6	(48.6)	(13.0)	(905.6)	(73.3)	
RBL Bank						
Net interest income	3,784	5,005	5,286	39.7	5.6	We expect solid NII growth (40% yoy) on the back of strong loan growth (35% yoy) driven by robust traction in retail assets; expect significant pickup in pace of the cards business.
Pre-provision profit	3,114	3,831	3,814	22.5	(0.5)	
Treasury income (net)	739	420	52	(92.9)	(87.5)	
Loan-loss provisions	940	740	592	(37.0)	(20.0)	We expect high operating expense growth (~40% yoy) due to investments in cards and MFI business. We expect PAT growth (35% yoy) to be strong as the tail risks of MFI provisions recede.
Adjusted PAT	1,410	1,781	1,912	35.6	7.4	
EPS (Rs/share)	3.8	4.7	5.1	35.6	7.4	
Shriram City Union Finance						
Net interest income	8,156	8,118	9,505	16.5	17.1	We expect 17% NII growth on the back of 20% loan growth and 30 bps yoy NIM compression to 13.5%.
Loan-loss provisions	1,998	4,122	2,000	0.1	(51.5)	
Adjusted PAT	1,939	471	2,347	21.0	398.4	We expect cost-income ratio to remain stable at 38%.
Shriram Transport						
Net interest income	15,852	18,076	18,562	17.1	2.7	We expect 21% loan growth and 25 bps NIM compression to 7.65% to drive 17% NII growth.
Pre-provision profit	12,691	15,599	14,812	16.7	(5.0)	
Loan-loss provisions	5,823	13,666	7,000	20.2	(48.8)	
Adjusted PAT	4,487	1,446	5,078	13.2	251.2	Cost-income ratio will likely remain stable yoy and qoq at 21%.
State Bank of India						
Net interest income	176,060	199,743	216,004	22.7	8.1	We expect loan growth at ~9% yoy and NIM to be flat qoq or see a marginal improvement at ~2.7%. We expect non-interest income to be flat due to steep decline in treasury income, which will be partly offset by higher recovery from written-off loans.
Pre-provision profit	118,750	158,829	135,312	13.9	(14.8)	
Fee income	48,700	84,300	84,300	73.1	—	
Treasury income (net)	17,700	9,410	9,410	(46.8)	—	
Loan-loss provisions	121,250	240,801	168,560	39.0	(30.0)	Slippages to decline to <2% as recognition is complete while GNPLs could decline with the resolution of two large NCLT cases of Bhushan Steel and Electrosteel Steels. Provisions would be high due to ageing of NPLs and MTM provisions.
Adjusted PAT	20,060	(77,185)	(30,253)	(250.8)	(60.8)	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	qoq	Comments
Ujjivan Financial Services						
Net interest income	1,662	2,693	2,840	71.0	5.5	We expect Ujjivan to report strong PAT growth on a low base. AUM growth is expected to be ~25% yoy driven by strong performance in MFI, housing space and SME financing.
Loan-loss provisions	1,592	347	215	(86.5)	(38.0)	
Adjusted PAT	(750)	649	719	NM	10.8	
EPS (Rs/share)	(6.3)	5.4	6.0	NM	10.8	Cost ratios are expected to be high as the transition to a bank continues. Await to see the investments that the bank is likely to make in 1QFY19/FY2019 on infrastructure expansion.
Union Bank						
Net interest income	22,426	21,931	23,807	6.2	8.6	We expect muted NII growth at 6% yoy driven by 7% yoy loan growth. We expect NIM to improve 10 bps qoq to 2%.
Pre-provision profit	21,156	7,694	983	(95.4)	(87.2)	
Fee income	6,060	11,270	6,484	7.0	(42.5)	
Treasury income (net)	7,110	(9,880)	(14,733)	(307.2)	49.1	We expect slippages to fall sharply to 3.5% of loans but recoveries would be higher on the back of resolution in a few NCLT cases. GNPL is likely to be flat or decline marginally qoq.
Loan-loss provisions	18,325	54,560	32,736	78.6	(40.0)	
Adjusted PAT	1,166	(25,834)	(25,438)	(2,282.0)	(1.5)	
EPS (Rs/share)	1.7	(22.1)	(21.8)	(1,383.6)	(1.5)	
YES Bank						
Net interest income	18,089	21,542	21,347	18.0	(0.9)	We expect loan growth to remain strong at ~50% yoy led by corporate loans (mostly led by refinancing). However, key monitorable would be revenue growth as we expect NIM to remain under pressure given the change in loan mix (higher share of refinanced loans).
Pre-provision profit	17,042	21,354	20,876	22.5	(2.2)	
Fee income	10,132	13,265	13,859	36.8	4.5	
Treasury income (net)	1,190	945	313	(73.7)	(66.9)	
Loan-loss provisions	2,842	2,946	2,976	4.7	1.0	Asset quality is likely to be stable qoq. Large contribution from fee income relating to corporate loans may raise questions on the quality of new loans.
Adjusted PAT	9,655	11,794	11,956	23.8	1.4	
Cement						
ACC						
Net sales	33,125	35,570	35,875	8.3	0.9	We factor 6% yoy growth in volumes to 7.1 mn tons (flat qoq) and expect subdued realizations (Rs4,740/ton, flat qoq). Cement prices in the company's key markets in South, North and Central were either flat sequentially or saw a marginal decline.
EBITDA	4,951	4,235	3,631	(26.7)	(14.3)	
EBIT	3,330	2,761	2,083	(37.4)	(24.5)	
PBT	4,768	3,712	3,055	(35.9)	(17.7)	
Reported PAT	3,217	2,451	2,078	(35.4)	(15.2)	
Extraordinaries	—	—	—	—	—	We estimate EBITDA/ton to decline 8% qoq to Rs510 (+5% yoy) due to increase in fuel and freight costs. We note that ACC now uses close to 70% pet-coke in its fuel mix and the pet-coke prices have risen by 14% in the past two quarters.
Adjusted PAT	3,217	2,451	2,078	(35.4)	(15.2)	
EPS (Rs/share)	17.1	13.0	11.0	(35.4)	(15.2)	
EBITDA margin (%)	14.9	11.9	10.1	-483 bps	-179 bps	
Ambuja Cements						
Net sales	28,233	28,626	29,899	5.9	4.4	We expect 6% yoy growth in volumes at 6.4 mn tons (+9% qoq) on the back of a favorable base. We expect realizations to increase marginally by 1% qoq to Rs4,660/ton aided by price increase in West region, where the company has a significant presence.
EBITDA	6,131	5,071	5,092	(16.9)	0.4	
EBIT	4,692	3,679	3,672	(21.7)	(0.2)	
PBT	5,466	3,928	4,366	(20.1)	11.1	
Reported PAT	3,922	2,718	3,056	(22.1)	12.5	
Extraordinaries	—	—	—	—	—	We expect EBITDA/ton to decline by 3% qoq to Rs794 (-21% yoy) due to increase in fuel and freight costs.
Adjusted PAT	3,922	2,718	3,056	(22.1)	12.5	
EPS (Rs/share)	2.6	1.8	2.0	(22.1)	12.5	
EBITDA margin (%)	21.7	17.7	17.0	-469 bps	-69 bps	
Dalmia Bharat						
Net sales	20,589	26,380	22,048	7.1	(16.4)	We expect 8% yoy growth in volumes to 4.3 mn tons (-17% qoq) led by (1) 7% yoy volume growth in East operations to 1.7 mn tons and (2) 8% yoy growth for South to 2.6 mn tons.
EBITDA	5,566	5,891	4,955	(11.0)	(15.9)	
EBIT	4,034	4,030	3,076	(23.8)	(23.7)	
PBT	2,617	3,146	2,214	(15.4)	(29.6)	
Reported PAT	1,639	1,837	1,272	(22.4)	(30.7)	
Extraordinaries	—	—	—	—	—	We expect blended realizations to increase by 1% qoq to Rs5,140/ton (-1% yoy) led by marginal increases in South (+Rs3/bag) and East (+Rs1/bag). We expect EBITDA/ton to increase by 1% qoq to Rs1,150/ton (-17% yoy) led by modest price hikes partially offset by higher fuel costs.
Adjusted PAT	1,639	1,837	1,272	(22.4)	(30.7)	
EPS (Rs/share)	18.5	20.7	14.3	(22.4)	(30.7)	
EBITDA margin (%)	27.0	22.3	22.5	-456 bps	14 bps	
Grasim Industries						
Net sales	27,403	46,056	45,883	67.4	(0.4)	In the chemical operations, we expect volume growth of 14% yoy to 230,000 tons. We expect volume growth at VSF to be subdued (+5% yoy) as it continues to operate at high capacity utilization levels.
EBITDA	5,553	8,447	8,358	50.5	(1.1)	
EBIT	4,451	6,594	6,486	45.7	(1.6)	
PBT	5,036	7,128	7,026	39.5	(1.4)	
Reported PAT	3,472	3,731	5,129	47.7	37.5	
Extraordinaries	—	(2,187)	—	—	—	We expect VSF EBITDA to increase 27% yoy to Rs4.4 bn (+11% qoq) aided by improved realizations. In chemicals, we expect EBITDA to increase 60% yoy to Rs3.9 bn (-5% qoq) aided by higher volumes and realizations.
Adjusted PAT	3,472	5,918	5,129	47.7	(13.3)	
EPS (Rs/share)	5.3	9.0	7.8	47.7	(13.3)	
EBITDA margin (%)	20.3	18.3	18.2	-206 bps	-13 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
India Cements						
Net sales	12,901	13,978	13,189	2.2	(5.6)	We model 8% yoy growth in volumes to 2.9 mn tons (-7% qoq). The management earlier highlighted improvement in demand in the states of Karnataka, Kerala and Tamil Nadu.
EBITDA	1,856	1,585	1,424	(23.2)	(10.2)	
EBIT	1,226	921	754	(38.5)	(18.2)	
PBT	404	242	81	(79.9)	(66.5)	
Reported PAT	264	353	54	(79.4)	(84.6)	We expect realizations to increase by 1% qoq to Rs4,600/ton (-5% yoy) led by price increases in South (+Rs3/bag). Despite improved realizations, we expect EBITDA/ton to decline by 3% qoq to Rs500/ton (-29% yoy) due to higher fuel costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	264	353	54	(79.4)	(84.6)	
EPS (Rs/share)	0.9	1.1	0.2	(79.4)	(84.6)	
EBITDA margin (%)	14.4	11.3	10.8	-359 bps	-55 bps	
J K Cement						
Net sales	10,415	13,160	10,878	4.4	(17.3)	We expect (1) grey cement volumes to grow by 12% yoy to 1.9 mn tons (-19% qoq) and white cement/wall putty volumes by 13% yoy to 0.29 mn tons (-10% qoq) and (2) grey cement realizations to decline by 2% qoq to Rs3,820/ton (-11% yoy) due to weak prices in North region (-Rs10/bag).
EBITDA	1,977	1,819	1,404	(29.0)	(22.8)	
EBIT	1,527	1,349	930	(39.1)	(31.1)	
PBT	1,033	1,321	901	(12.8)	(31.8)	
Reported PAT	793	965	693	(12.6)	(28.1)	
Extraordinaries	—	(91)	—	—	—	We estimate grey cement EBITDA/ton to decline by 14% yoy to Rs191/ton (-68% yoy) due to weak realizations and increase in fuel costs. We expect white cement EBITDA to decline to Rs955 mn (-18% qoq, +37% yoy) due to higher fuel costs.
Adjusted PAT	793	965	693	(12.6)	(28.1)	
EPS (Rs/share)	11.3	13.8	9.9	(12.6)	(28.1)	
EBITDA margin (%)	19.0	13.8	12.9	-608 bps	-92 bps	
JK Lakshmi Cement						
Net sales	9,011	8,970	9,164	1.7	2.2	We expect cement volumes to grow by 5% yoy to 2.4 mn tons (+4% qoq), an improvement from 4QFY18 growth of only 2% due to lower non-trade sales.
EBITDA	1,203	1,013	769	(36.1)	(24.1)	
EBIT	765	554	305	(60.1)	(44.9)	
PBT	374	338	81	(78.3)	(75.9)	
Reported PAT	283	338	55	(80.5)	(83.7)	We expect realizations to decline 2% qoq to Rs3,820/ton (-3% yoy) due to pricing weakness in the company's key markets in North (-Rs10/bag qoq). We expect EBITDA/ton to decline 27% qoq Rs320/ton (-39% yoy) due to weak realizations and increase in fuel and freight costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	283	338	55	(80.5)	(83.7)	
EPS (Rs/share)	2.4	2.9	0.5	(80.5)	(83.7)	
EBITDA margin (%)	13.4	11.3	8.4	-497 bps	-291 bps	
Orient Cement						
Net sales	5,682	6,197	5,608	(1.3)	(9.5)	We expect cement volumes to grow by 5% yoy to 1.47 mn tons (-12% qoq) and realizations to improve by 3% qoq to Rs3,820/ton (-6% yoy). Cement prices saw moderate increase in the company's key markets in West and South.
EBITDA	1,169	746	581	(50.3)	(22.1)	
EBIT	858	432	266	(69.0)	(38.4)	
PBT	589	182	15	(97.4)	(91.6)	
Reported PAT	389	128	11	(97.2)	(91.6)	Despite sequential improvement in realizations, increase in fuel and freight costs will hurt profitability. We expect EBITDA/ton to decline by Rs400/ton (-10% qoq,-50% yoy).
Extraordinaries	—	—	—	—	—	
Adjusted PAT	389	128	11	(97.2)	(91.6)	
EPS (Rs/share)	1.9	0.6	0.1	(97.2)	(91.6)	
EBITDA margin (%)	20.6	12.0	10.4	-1021 bps	-167 bps	
Shree Cement						
Net sales	25,363	28,111	27,672	9.1	(1.6)	We expect (1) 8% yoy growth in volumes to 6.4 mn tons (-1% qoq) and (2) cement realizations to be flat qoq at Rs4,350/ton (blended) due to subdued prices in the company's key market in North.
EBITDA	6,800	6,294	5,949	(12.5)	(5.5)	
EBIT	4,488	3,964	3,549	(20.9)	(10.5)	
PBT	5,466	4,576	4,186	(23.4)	(8.5)	
Reported PAT	4,401	3,992	3,140	(28.7)	(21.4)	We expect EBITDA/ton (blended) to decline by 4% qoq to Rs940 (-19% yoy) due to rising pet-coke and freight costs. We note that the company has a higher dependence on pet-coke than peers.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	4,401	3,992	3,140	(28.7)	(21.4)	
EPS (Rs/share)	126.3	114.6	90.1	(28.7)	(21.4)	
EBITDA margin (%)	26.8	22.4	21.5	-532 bps	-90 bps	
UltraTech Cement						
Net sales	66,265	90,025	84,857	28.1	(5.7)	We model 31% yoy volume growth to 16.4 mn tons led by close to 8% yoy volume growth in the company's extant operations and ramp-up of acquired assets of Jaiprakash. We note that 1QFY18 volumes excluded volumes of Jaiprakash's acquired assets.
EBITDA	15,601	17,028	15,455	(0.9)	(9.2)	
EBIT	12,503	12,222	10,601	(15.2)	(13.3)	
PBT	12,870	9,934	8,357	(35.1)	(15.9)	
Reported PAT	8,906	4,880	5,850	(34.3)	19.9	
Extraordinaries	—	(2,263)	—	—	—	We expect EBITDA/ton to decline by 3% qoq to Rs940 (-24% yoy) due to (1) subdued realizations (Rs5,160/ton, +1% qoq) and (2) increase in fuel and freight costs.
Adjusted PAT	8,906	7,142	5,850	(34.3)	(18.1)	
EPS (Rs/share)	32.5	26.1	21.3	(34.3)	(18.1)	
EBITDA margin (%)	23.5	18.9	18.2	-533 bps	-71 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Consumer Products						
Asian Paints						
Net sales	38,152	44,836	44,366	16.3	(1.0)	We estimate 14% volume growth in the domestic decoratives business aided partly by the low base (2%) of the pre-GST June 2017 quarter.
EBITDA	6,654	8,399	8,334	25.3	(0.8)	
EBIT	5,748	7,485	7,392	28.6	(1.2)	
PBT	6,452	7,786	8,140	26.2	4.5	
Reported PAT	4,274	4,810	5,394	26.2	12.1	EBITDA margin expansion reflects operating leverage; we estimate flattish gross margins despite the recent RM inflation as we factor in the mitigating effects of price increases and strategic sourcing.
Extraordinaries	25	—	—	—	—	
Adjusted PAT	4,249	4,810	5,394	26.9	12.1	
EPS (Rs/share)	4.4	5.0	5.6	26.9	12.1	
EBITDA margin (%)	17.4	18.7	18.8	134 bps	5 bps	
Bajaj Corp.						
Net sales	1,974	2,216	2,291	16.0	3.4	We expect 7% yoy growth in ADHO volumes partly aided by market share gains; it translates into flattish 2-year CAGR, in line with recent trends. We also expect some price-led growth; the company has taken price hikes recently. Sharp jump in other operating income (VAT refunds) yoy provides a 300 bps tailwind to yoy revenue growth.
EBITDA	606	718	718	18.3	(0.1)	
EBIT	591	700	698	18.2	(0.2)	
PBT	699	705	766	9.6	8.7	
Reported PAT	550	554	601	9.3	8.5	
Extraordinaries	—	—	—	—	—	Weak rupee and inflation in LLP price would put some sequential pressure on GM. We model 110 bps qoq decline in EBITDA margin led by qoq drop in GM and higher A&P costs pertaining to product refresh (NOMARKS cream).
Adjusted PAT	550	554	601	9.3	8.5	
EPS (Rs/share)	3.7	3.8	4.1	9.3	8.5	
EBITDA margin (%)	30.7	32.4	31.3	60 bps	-109 bps	
Britannia Industries						
Net sales	22,637	25,375	26,022	15.0	2.5	We model 13% growth in biscuit volumes and 3.5% increase in realizations (price/mix). Subsidiary performance is likely to remain a drag on consolidated performance.
EBITDA	3,285	3,971	4,157	26.6	4.7	
EBIT	2,953	3,548	3,722	26.0	4.9	
PBT	3,293	3,968	4,098	24.5	3.3	
Reported PAT	2,160	2,636	2,698	24.9	2.4	We expect EBITDA margin to expand 145 bps yoy largely aided by operating leverage (off a low base). RM trends are favorable; however, we believe a bulk of the benefits have been passed on to the consumer/trade and accordingly build in flattish GM.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,160	2,636	2,698	24.9	2.4	
EPS (Rs/share)	18.0	22.0	22.5	24.9	2.4	
EBITDA margin (%)	14.5	15.6	16.0	146 bps	32 bps	
Coffee Day Enterprises						
Net sales	8,143	11,303	9,201	13.0	(18.6)	Our revenue growth estimate for CDGL bakes in (1) 25 net café additions qoq, (2) 6% growth in retail ASPD and (3) around 20% yoy growth in vending machine count.
EBITDA	1,484	1,795	1,701	14.6	(5.3)	
EBIT	854	1,116	1,011	18.3	(9.4)	
PBT	198	230	211	6.5	(8.4)	
Reported PAT	152	252	171	12.2	(32.3)	
Extraordinaries	—	—	—	—	—	CDGL: We expect modest GM expansion on a yoy basis driven by improved product mix; higher EBITDA margin expansion reflects expected operating leverage benefits.
Adjusted PAT	152	252	171	12.2	(32.3)	
EPS (Rs/share)	0.7	1.2	0.8	9.4	(32.3)	
EBITDA margin (%)	18.2	15.9	18.5	25 bps	260 bps	
Colgate-Palmolive (India)						
Net sales	9,781	10,917	10,562	8.0	(3.2)	Our topline growth estimate of 8% yoy bakes in 4% volume and a similar realization growth. Our volume growth assumption translates into largely flattish 2-year CAGR.
EBITDA	2,218	3,075	2,601	17.2	(15.4)	
EBIT	1,845	2,670	2,186	18.4	(18.2)	
PBT	1,970	2,755	2,326	18.1	(15.6)	
Reported PAT	1,364	1,888	1,512	10.8	(19.9)	We expect 190 bps yoy expansion in EBITDA margin led by GST-related tailwinds and operating efficiencies.
Extraordinaries	78	100	—	—	—	
Adjusted PAT	1,286	1,788	1,512	17.6	(15.4)	
EPS (Rs/share)	4.7	6.6	5.6	17.6	(15.4)	
EBITDA margin (%)	22.7	28.2	24.6	194 bps	-355 bps	
Dabur India						
Net sales	17,901	20,329	20,964	17.1	3.1	We model around 18% like-for-like growth in domestic revenues on the back of 15% volume growth. We note that the base quarter was impacted by GST-led destocking.
EBITDA	3,089	4,852	4,319	39.8	(11.0)	
EBIT	2,698	4,426	3,869	43.4	(12.6)	
PBT	3,378	5,026	4,569	35.2	(9.1)	
Reported PAT	2,641	3,962	3,687	39.6	(6.9)	GST tailwinds along with GM expansion should drive a 300+ bps yoy expansion in EBITDA margins.
Extraordinaries	(96)	—	—	—	—	
Adjusted PAT	2,545	3,962	3,687	44.8	(6.9)	
EPS (Rs/share)	1.4	2.2	2.1	44.8	(6.9)	
EBITDA margin (%)	17.3	23.9	20.6	334 bps	-327 bps	
GlaxoSmithKline Consumer						
Net sales	9,853	11,796	10,749	9.1	(8.9)	Our revenue growth forecast bakes in 9% growth in domestic revenues, 20% in exports and 5% in auxiliary income. Domestic revenue growth is a combination of 8% volumes and 1% realization growth.
EBITDA	1,664	2,500	2,155	29.6	(13.8)	
EBIT	1,493	2,355	1,990	33.3	(15.5)	
PBT	2,045	3,189	2,688	31.5	(15.7)	
Reported PAT	1,322	2,118	1,747	32.2	(17.5)	We estimate 320 bps yoy expansion in EBITDA margin on low base (base quarter volumes and margins were impacted due to transition to GST).
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,322	2,118	1,747	32.2	(17.5)	
EPS (Rs/share)	31.4	50.4	41.5	32.2	(17.5)	
EBITDA margin (%)	16.9	21.2	20.1	316 bps	-115 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Godrej Consumer Products						
Net sales	21,773	25,289	24,786	13.8	(2.0)	We estimate 16.5% revenue growth for the standalone business and 11% for the subsidiaries (aggregate); we model 15%, 13% and 17% yoy growth for the HI, soaps and hair color segments, respectively.
EBITDA	3,494	5,969	4,687	34.1	(21.5)	
EBIT	3,121	5,567	4,281	37.2	(23.1)	
PBT	2,960	5,435	4,166	40.7	(23.3)	
Reported PAT	2,252	6,172	3,216	42.8	(47.9)	We expect the strong margin expansion trend to continue on the back of strategic low-cost RM stock and sharp focus on costs.
Extraordinaries	(75)	1,938	—	—	—	
Adjusted PAT	2,327	4,234	3,216	38.2	(24.0)	
EPS (Rs/share)	3.4	6.2	4.7	38.2	(24.0)	
EBITDA margin (%)	16.0	23.6	18.9	286 bps	-470 bps	
Hindustan Unilever						
Net sales	85,290	90,970	97,848	14.7	7.6	We expect the sector bellwether to report another solid quarter with 20% comparable topline growth driven by 14% UVG.
EBITDA	18,660	20,480	23,469	25.8	14.6	
EBIT	17,520	19,200	22,154	26.5	15.4	
PBT	18,590	20,160	23,424	26.0	16.2	
Reported PAT	12,830	13,510	16,397	27.8	21.4	We estimate a modest 210 bps expansion in EBITDA margin yoy, driven equally by mix-led GM expansion and operating leverage. We do expect A&P intensity to stay high.
Extraordinaries	(90)	(580)	—	—	—	
Adjusted PAT	12,920	14,090	16,397	26.9	16.4	
EPS (Rs/share)	6.0	6.5	7.6	26.9	16.4	
EBITDA margin (%)	21.9	22.5	24.0	210 bps	147 bps	
ITC						
Net sales	99,547	105,867	105,618	6.1	(0.2)	We expect another modest earnings print for ITC as yoy decline in cigarette volumes continues. We bake in 2.5% yoy decline with further deterioration in mix.
EBITDA	37,464	41,440	40,116	7.1	(3.2)	
EBIT	34,782	38,400	37,016	6.4	(3.6)	
PBT	39,446	43,333	41,994	6.5	(3.1)	
Reported PAT	25,605	29,327	27,296	6.6	(6.9)	We expect acceleration in growth in the FMCG and hotels businesses, partly aided by a low base in both the segments.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	25,605	29,327	27,296	6.6	(6.9)	
EPS (Rs/share)	2.1	2.4	2.2	6.6	(6.9)	
EBITDA margin (%)	37.6	39.1	38.0	34 bps	-117 bps	
Jubilant Foodworks						
Net sales	6,788	7,798	8,142	19.9	4.4	We model 19% SSG (aided by favorable base and Everyday Value 99 (EDV 99) offer) and 20% topline growth; we have modeled 8 store additions (net) on yoy basis, Domino's + DD combined.
EBITDA	796	1,278	1,284	61.3	0.5	
EBIT	334	899	904	170.9	0.5	
PBT	364	1,027	974	167.8	(5.2)	
Reported PAT	238	681	640	168.3	(6.0)	We expect EBITDA margin to expand 400 bps yoy despite 245 bps contraction in GM, aided by leverage, cost-saving initiatives and GST-related tailwinds. We expect marginal drop in margins on sequential basis on account of EDV 99 and higher A&SP during IPL.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	238	681	640	168.3	(6.0)	
EPS (Rs/share)	5.8	5.8	5.8	0.0	0.0	
EBITDA margin (%)	11.7	16.4	15.8	404 bps	-62 bps	
Jyothy Laboratories						
Net sales	3,680	5,168	4,580	24.5	(11.4)	We expect 30% comparable growth in underlying revenues driven by 20% volume growth. This is largely on the back of a weak base, which was impacted by GST-destocking.
EBITDA	424	884	643	51.8	(27.3)	
EBIT	346	803	558	61.3	(30.5)	
PBT	267	700	468	75.5	(33.2)	
Reported PAT	259	778	368	42.3	(52.7)	Estimated EBITDA margin expansion of 250 bps yoy is largely on the back of cost-rationalization efforts along with operating leverage benefits.
Extraordinaries	(2)	259	—	—	—	
Adjusted PAT	260	520	368	41.2	(29.2)	
EPS (Rs/share)	3.2	3.2	3.2	0.0	0.0	
EBITDA margin (%)	11.5	17.1	14.0	252 bps	-308 bps	
Manpasand Beverages						
Net sales	2,948	3,737	4,186	42.0	12.0	We model 42% yoy growth in revenues, largely volume-led on the back of capacity addition.
EBITDA	563	782	815	44.7	4.3	
EBIT	327	469	540	65.3	15.2	
PBT	421	494	630	49.7	27.5	
Reported PAT	359	426	535	49.1	25.8	EBITDA margin expansion driven by leverage benefits.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	359	426	535	49.1	25.8	
EPS (Rs/share)	3.1	3.7	4.7	49.1	25.8	
EBITDA margin (%)	19.1	20.9	19.5	35 bps	-145 bps	
Marico						
Net sales	16,815	14,801	20,024	19.1	35.3	We model 19.5% growth in the standalone business, led by 10% volume growth (off a low base) in the domestic consumer business. We model double-digit volume growth for Parachute and VAHO; expect Saffola performance to be weak despite a favorable base.
EBITDA	3,243	2,523	3,637	12.2	44.2	
EBIT	3,032	2,292	3,412	12.6	48.9	
PBT	3,226	2,468	3,752	16.3	52.0	
Reported PAT	2,320	1,806	2,710	16.8	50.1	Gross margins likely to remain under pressure on account of sustained copra inflation. EBITDA margin decline likely to be lower on account of operating leverage.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,320	1,806	2,710	16.8	50.1	
EPS (Rs/share)	1.8	1.4	2.1	16.8	50.1	
EBITDA margin (%)	19.3	17.0	18.2	-113 bps	111 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Nestle India						
Net sales	24,022	27,572	27,116	12.9	(1.7)	We model 13% growth in net domestic revenues aided by robust growth in both Maggi and non-Maggi portfolios.
EBITDA	4,586	7,119	6,364	38.8	(10.6)	
EBIT	3,732	6,294	5,514	47.8	(12.4)	
PBT	3,915	6,547	5,765	47.3	(11.9)	
Reported PAT	2,634	4,240	3,772	43.2	(11.0)	We model 440 bps expansion in EBITDA margin driven by GST tailwinds and operating leverage benefits.
Extraordinaries	31	(151)	(50)	(263.9)	(66.8)	
Adjusted PAT	2,604	4,391	3,822	46.8	(12.9)	
EPS (Rs/share)	27.3	44.0	39.1	43.2	(11.0)	
EBITDA margin (%)	19.1	25.8	23.5	437 bps	-236 bps	
Page Industries						
Net sales	6,962	6,084	8,277	18.9	36.0	We expect 19% revenue growth aided by 10% volume growth and 9% price/mix-led growth. We model broadly flat GM and 150 bps yoy expansion in EBITDA margin aided by operating leverage.
EBITDA	1,365	1,468	1,751	28.3	19.2	
EBIT	1,299	1,393	1,673	28.8	20.1	
PBT	1,294	1,421	1,688	30.4	18.8	
Reported PAT	853	942	1,114	30.6	18.2	We model broadly flat GM and 150 yoy bps expansion in EBITDA margin aided by operating leverage.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	853	942	1,114	30.6	18.2	
EPS (Rs/share)	76.5	84.5	99.9	30.6	18.2	
EBITDA margin (%)	19.6	24.1	21.2	154 bps	-298 bps	
Pidilite Industries						
Net sales	15,203	14,853	18,178	19.6	22.4	We model 20% yoy growth in underlying volume as well as similar revenue growth for the consumer bazaar (CBP) business partly aided by low base. Reported standalone revenue growth would be lower around 19% on account of GST-related accounting changes (comparable at about 21%).
EBITDA	3,210	2,739	3,843	19.7	40.3	
EBIT	2,897	2,442	3,528	21.8	44.5	
PBT	3,292	2,924	3,836	16.5	31.2	
Reported PAT	2,265	2,441	2,596	14.6	6.3	
Extraordinaries	—	465	—	—	—	We model flat EBITDA margin (yoy basis) for the quarter as impact of RM inflation and rupee depreciation on standalone performance (VAM, a key RM, is up substantially) will be offset by improving profitability of subsidiaries.
Adjusted PAT	2,265	1,976	2,596	14.6	31.3	
EPS (Rs/share)	4.4	3.9	5.1	15.7	32.6	
EBITDA margin (%)	21.1	18.4	21.1	2 bps	269 bps	
S H Kelkar and Company						
Net sales	2,350	2,851	2,675	13.8	(6.2)	We estimate 13.8% growth in consolidated revenues aided by low base and the general uptick in aggregate FMCG demand. Service revenue decline will be a drag.
EBITDA	427	271	346	(19.0)	27.8	
EBIT	368	206	281	(23.8)	36.5	
PBT	401	344	303	(24.4)	(12.0)	
Reported PAT	268	213	204	(23.8)	(4.4)	RM challenges will continue to put pressure on margins; we expect 520 bps yoy decline in GM. That said, the supply situation is easing gradually and our GM forecast builds 350 bps improvement on qoq basis.
Extraordinaries	—	(28)	—	—	—	
Adjusted PAT	268	241	204	(23.8)	(15.4)	
EPS (Rs/share)	1.9	1.7	1.4	(23.8)	(15.4)	
EBITDA margin (%)	18.2	9.5	12.9	-525 bps	343 bps	
Tata Global Beverages						
Net sales	17,044	16,884	18,067	6.0	7.0	We model 6% growth in consolidated revenues aided by about 8% growth in domestic tea business partially negated by subdued growth in the international business.
EBITDA	2,442	1,457	3,257	33.4	123.5	
EBIT	2,151	1,172	2,970	38.1	153.3	
PBT	2,184	1,294	3,090	41.5	138.8	
Reported PAT	1,244	594	1,978	58.9	232.6	We model 370 bps yoy expansion in EBITDA margin aided by robust margin expansion in the domestic tea business and cost-saving initiatives. Higher PAT growth is aided by lower ETR.
Extraordinaries	51	(17)	—	—	—	
Adjusted PAT	1,193	611	1,978	65.7	223.7	
EPS (Rs/share)	1.9	1.0	3.1	65.7	223.7	
EBITDA margin (%)	14.3	8.6	18.0	370 bps	939 bps	
Titan Company						
Net sales	39,099	39,168	46,080	17.9	17.6	We model 18%, 7.5% and 10% yoy growth in jewelry, watches and eyewear revenues, respectively.
EBITDA	3,888	4,554	5,264	35.4	15.6	
EBIT	3,640	4,253	4,949	36.0	16.4	
PBT	3,810	4,329	5,089	33.6	17.6	
Reported PAT	2,669	2,821	3,689	38.2	30.8	We expect jewelry EBIT margins to expand 150 bps yoy, driven by SSG-led leverage and ongoing A&P rationalization.
Extraordinaries	(103)	(541)	—	—	—	
Adjusted PAT	2,772	3,362	3,689	33.1	9.7	
EPS (Rs/share)	3.1	3.8	4.2	33.1	9.7	
EBITDA margin (%)	9.9	11.6	11.4	147 bps	-21 bps	
United Breweries						
Net sales	16,742	14,693	20,574	22.9	40.0	We expect 23% yoy growth in revenues aided by 16% growth in volume. Price hikes in key states should also help top-line growth.
EBITDA	3,184	2,082	4,609	44.8	121.3	
EBIT	2,535	1,435	3,959	56.2	175.9	
PBT	2,456	1,368	3,924	59.8	186.8	
Reported PAT	1,619	909	2,550	57.5	180.6	We model a sharp 340 bps yoy expansion in operating margins aided by operating leverage and cost-savings initiatives.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,619	909	2,550	57.5	180.6	
EPS (Rs/share)	6.1	3.4	9.6	57.5	180.6	
EBITDA margin (%)	19.0	14.2	22.4	338 bps	822 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
United Spirits						
Net sales	17,818	21,737	20,338	14.1	(6.4)	We model 14% net revenue growth led by 9.3% growth in underlying volumes off a low base. On a reported basis, we expect a lower volume growth of 8.2% yoy on account of low-end franchising impact.
EBITDA	1,574	2,741	2,710	72.2	(1.1)	
EBIT	1,253	2,374	2,340	86.8	(1.4)	
PBT	859	2,993	2,121	146.9	(29.1)	
Reported PAT	629	2,110	2,421	284.9	14.7	We model 245 bps yoy expansion in gross margin on account of RM softness. At an EBITDA level, we expect the expansion to be higher at 450 bps yoy driven by leverage benefits and cost-rationalization measures.
Extraordinaries	(8)	243	1,000	NM	311.7	
Adjusted PAT	637	1,867	1,421	123.0	(23.9)	
EPS (Rs/share)	4.4	12.8	9.8	123.0	(23.9)	
EBITDA margin (%)	8.8	12.6	13.3	449 bps	71 bps	
Varun Beverages						
Net sales	16,334	10,948	20,792	27.3	89.9	We expect 27% net revenue growth driven by 22% volume growth (low base and kicker from consolidation of acquired territories; organic volume growth would be about 10% at consolidated level and 12% for India business) and 4% price-led growth.
EBITDA	4,805	1,727	6,030	25.5	249.2	
EBIT	3,898	816	5,078	30.3	522.1	
PBT	3,431	299	4,559	32.9	1,425.9	
Reported PAT	2,456	186	3,270	33.1	1,654.9	
Extraordinaries	—	—	—	—	—	We model 40 bps yoy drop in EBITDA margin largely due to lower profitability of acquired territories and distribution rights for Tropicana and Quaker oat drinks.
Adjusted PAT	2,456	186	3,270	33.1	1,654.9	
EPS (Rs/share)	13.5	1.0	17.9	33.1	1,654.9	
EBITDA margin (%)	29.4	15.8	29.0	-42 bps	1322 bps	
Energy						
BPCL						
Net sales	571,258	652,393	728,023	27.4	11.6	We expect sharp qoq decline in EBITDA led by (1) 19% decline in marketing margins to Rs4,293/ton due to weak auto fuel marketing margins arising from curtailed auto fuel pricing and (2) lower underlying refining margins, which will be partially offset by adventitious gains and turnaround at Kochi refinery.
EBITDA	12,250	37,216	29,650	142.0	(20.3)	
EBIT	6,358	29,803	22,287	250.5	(25.2)	
PBT	11,136	35,939	27,250	144.7	(24.2)	
Reported PAT	7,446	26,736	18,530	148.9	(30.7)	
Extraordinaries	—	—	—	—	—	We assume (1) higher crude throughput at 8 mn tons versus 7.5 mn tons in 4QFY18, (2) 5% yoy growth in sales volumes to 10.5 mn tons and (3) steady normalized refining margins at US$5.5/bbl (-US$0.1/bbl qoq).
Adjusted PAT	7,446	26,736	18,530	148.9	(30.7)	
EPS (Rs/share)	3.8	13.6	9.4	148.9	(30.7)	
EBITDA margin (%)	2.1	5.7	4.1	192 bps	-164 bps	
Castrol India						
Net sales	8,704	9,271	10,281	18.1	10.9	We expect Castrol to deliver strong growth in profits from a low base of 2QCY17, which was impacted due to channel de-stocking before GST implementation.
EBITDA	2,095	2,743	2,898	38.3	5.6	
EBIT	1,977	2,600	2,758	39.5	6.1	
PBT	2,131	2,821	2,936	37.8	4.1	
Reported PAT	1,379	1,818	1,908	38.4	5.0	We assume (1) 10% yoy growth in volumes to 56 mn liters from a low base and (2) 140 bps qoq moderation in EBITDA margins due to higher base oil prices.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,379	1,818	1,908	38.4	5.0	
EPS (Rs/share)	1.4	1.8	1.9	38.4	5.0	
EBITDA margin (%)	24.1	29.6	28.2	411 bps	-140 bps	
GAIL (India)						
Net sales	138,158	155,111	153,621	11.2	(1.0)	We expect qoq increase in EBITDA led by higher contribution from gas marketing and petchem segments and steady contribution from the gas transmission segment.
EBITDA	17,002	16,953	18,562	9.2	9.5	
EBIT	13,485	13,344	14,929	10.7	11.9	
PBT	13,676	15,767	15,649	14.4	(0.8)	
Reported PAT	9,026	10,209	10,234	13.4	0.2	We assume modest sequential increase in gas transmission volumes to 107.2 mcm/d in 1QFY19 from 106.1 mcm/d in 4QFY18 and 99.9 mcm/d in 1QFY18.
Extraordinaries	—	277	—	—	—	
Adjusted PAT	9,026	9,932	10,234	13.4	3.0	
EPS (Rs/share)	4.0	4.4	4.5	13.4	3.0	
EBITDA margin (%)	12.3	10.9	12.1	-23 bps	115 bps	
GSPL						
Net sales	2,963	3,504	3,693	24.6	5.4	Sequential increase in EBITDA reflects higher transmission volumes and normalization of operating expenses.
EBITDA	2,760	2,892	3,195	15.8	10.5	
EBIT	2,330	2,452	2,739	17.5	11.7	
PBT	2,389	2,520	2,207	(7.6)	(12.4)	
Reported PAT	1,525	1,574	1,434	(6.0)	(8.9)	We assume (1) modest 1% qoq increase in gas transmission volumes to 34.5 mcm/d and (2) stable tariffs at Rs1.13/scm.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,525	1,574	1,434	(6.0)	(8.9)	
EPS (Rs/share)	2.7	2.8	2.5	(6.0)	(8.9)	
EBITDA margin (%)	93.1	82.5	86.5	-662 bps	397 bps	
HPCL						
Net sales	534,685	608,101	687,876	28.7	13.1	We expect sharp qoq decline in EBITDA led by (1) 19% decline in marketing margins to Rs4,730/ton due to weak marketing margins on auto fuels amid curtailed auto fuel pricing and (2) lower underlying refining margins, which will be partially offset by adventitious gains.
EBITDA	16,280	29,226	25,711	57.9	(12.0)	
EBIT	9,609	21,973	18,453	92.0	(16.0)	
PBT	13,883	23,624	20,647	48.7	(12.6)	
Reported PAT	9,247	17,479	13,730	48.5	(21.4)	
Extraordinaries	—	—	—	—	—	We assume (1) modestly lower crude throughput at 4.5 mn tons versus 4.6 mn tons in 4QFY18, (2) 5% yoy growth in sales volumes to 9.7 mn tons and (3) lower normalized refining margins at US$5.6/bbl (-US$1/bbl qoq).
Adjusted PAT	9,247	17,479	13,730	48.5	(21.4)	
EPS (Rs/share)	6.1	11.5	9.0	48.5	(21.4)	
EBITDA margin (%)	3.0	4.8	3.7	69 bps	-107 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Indraprastha Gas						
Net sales	10,492	12,169	13,121	25.1	7.8	
EBITDA	2,873	2,754	3,074	7.0	11.6	We expect IGL's EBITDA to increase by 7% yoy despite a robust 11% growth in volumes, which will be partly offset by higher operating costs.
EBIT	2,434	2,283	2,594	6.6	13.6	
PBT	2,609	2,545	2,834	8.6	11.4	
Reported PAT	1,775	1,900	2,022	13.9	6.4	
Extraordinaries	(100)	160	—	—	—	
Adjusted PAT	1,839	1,797	2,022	10.0	12.5	We assume (1) volumes at 5.5 mcm/d versus 4.9 mcm/d in 1QFY18 and (2) unit EBITDA at Rs6.2/scm versus Rs5.7/scm in 4QFY18 and Rs6.4/scm in 1QFY18.
EPS (Rs/share)	2.6	2.6	2.9	10.0	12.5	
EBITDA margin (%)	27.4	22.6	23.4	-396 bps	79 bps	
IOCL						
Net sales	1,026,262	1,173,685	1,331,210	29.7	13.4	
EBITDA	51,915	106,542	94,416	81.9	(11.4)	We expect sharp qoq decline in EBITDA led by (1) lower marketing margins due to low marketing margins on auto fuels amid curtailed auto fuel pricing and (2) lower underlying refining margins, which will be partially offset by adventitious gains.
EBIT	34,702	87,206	75,534	117.7	(13.4)	
PBT	39,798	79,516	75,906	90.7	(4.5)	
Reported PAT	45,485	52,181	50,098	10.1	(4.0)	
Extraordinaries	28,081	813	—	—	—	
Adjusted PAT	26,668	51,653	50,098	87.9	(3.0)	We assume (1) higher crude throughput at 17.8 mn tons versus 17.2 mn tons in 4QFY18, (2) 5% yoy growth in sales volumes to 21.8 mn tons and (3) lower underlying refining margins at US$5/bbl (-US$1.1/bbl qoq)
EPS (Rs/share)	2.8	5.4	5.3	87.9	(3.0)	
EBITDA margin (%)	5.1	9.1	7.1	203 bps	-199 bps	
Mahanagar Gas						
Net sales	5,309	5,870	6,222	17.2	6.0	
EBITDA	2,033	1,762	2,016	(0.8)	14.5	We expect modest 1-2% yoy decline in EBITDA and net income despite 7% growth in volumes, which will likely be offset by sharply higher operating costs.
EBIT	1,786	1,422	1,695	(5.1)	19.2	
PBT	1,904	1,595	1,859	(2.4)	16.6	
Reported PAT	1,243	1,048	1,216	(2.2)	16.1	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,243	1,048	1,216	(2.2)	16.1	We assume (1) volumes at 2.8 mcm/d and (2) sequentially higher unit EBITDA at Rs8.1/scm as compared to Rs7/scm 4QFY18 based on price hikes undertaken during the quarter.
EPS (Rs/share)	12.6	10.6	12.3	(2.2)	16.1	
EBITDA margin (%)	38.3	30.0	32.4	-588 bps	239 bps	
ONGC						
Net sales	190,735	239,698	233,497	22.4	(2.6)	
EBITDA	98,807	113,822	125,103	26.6	9.9	We expect qoq increase in EBITDA driven by (1) higher gas prices, (2) weaker rupee and (3) lower operating costs, which will be partially offset by lower net crude realization at US$55/bbl assuming subsidy of Rs44.6 bn.
EBIT	53,603	51,009	75,060	40.0	47.2	
PBT	59,378	82,405	76,458	28.8	(7.2)	
Reported PAT	38,847	59,151	50,003	28.7	(15.5)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	38,847	59,151	50,003	28.7	(15.5)	We model 3% yoy decline in crude oil sales volumes to 5.9 mn tons and 3% growth in natural gas sales volumes to 4.9 bcm, both reflecting movement in production from nominated fields.
EPS (Rs/share)	3.0	4.6	3.9	28.7	(15.5)	
EBITDA margin (%)	51.8	47.5	53.6	177 bps	609 bps	
Oil India						
Net sales	23,317	29,984	27,886	19.6	(7.0)	
EBITDA	9,217	10,598	12,026	30.5	13.5	We expect qoq increase in EBITDA driven by (1) higher gas prices, (2) a weaker rupee and (3) lower operating costs, which will be partially offset by lower net crude realization at US$55/bbl assuming subsidy of Rs7.3 bn.
EBIT	5,838	6,907	8,315	42.4	20.4	
PBT	6,379	13,695	9,651	51.3	(29.5)	
Reported PAT	4,502	8,665	6,312	40.2	(27.2)	
Extraordinaries	—	(1,900)	—	—	—	
Adjusted PAT	4,502	10,061	6,312	40.2	(37.3)	We model 2% yoy increase in crude oil sales volumes to 0.84 mn tons and 5% yoy decline in natural gas sales volumes to 0.57 bcm, reflecting production trends in recent months.
EPS (Rs/share)	3.7	8.4	5.2	40.2	(37.3)	
EBITDA margin (%)	39.5	35.3	43.1	359 bps	778 bps	
Petronet LNG						
Net sales	64,351	86,362	90,235	40.2	4.5	
EBITDA	7,512	8,221	8,354	11.2	1.6	We expect 2% qoq increase in EBITDA and net income driven by stable volumes and modest increase in blended tariff due to 5% escalation in Kochi tariff.
EBIT	6,485	7,208	7,304	12.6	1.3	
PBT	6,728	7,908	8,103	20.4	2.5	
Reported PAT	4,376	5,227	5,348	22.2	2.3	
Extraordinaries	(70)	—	—	—	—	
Adjusted PAT	4,446	5,227	5,348	20.3	2.3	We model sequentially higher LNG re-gasification volumes at 213 tn BTUs as compared to 192 tn BTUs in 4QFY18.
EPS (Rs/share)	3.0	3.5	3.6	20.3	2.3	
EBITDA margin (%)	11.7	9.5	9.3	-242 bps	-27 bps	
Reliance Industries						
Net sales	834,710	1,169,150	1,274,855	52.7	9.0	
EBITDA	125,540	184,690	187,743	49.5	1.7	We expect standalone net income to remain stable, as gains from a weaker rupee and modestly higher petchem volumes/margins will likely be offset by lower refining margins at US$10.5/bbl (-US$0.5/bbl qoq).
EBIT	95,170	136,170	137,879	44.9	1.3	
PBT	105,220	132,540	131,732	25.2	(0.6)	
Reported PAT	91,080	94,350	95,010	4.3	0.7	
Extraordinaries	10,870	—	—	—	—	
Adjusted PAT	80,210	94,350	95,010	18.5	0.7	We expect modest increase in consolidated profits driven by higher contribution from Jio; we estimate Jio's reported profits to increase to Rs6 bn in 1QFY19 from Rs5.1 bn in 4QFY18.
EPS (Rs/share)	13.5	15.9	16	18.5	0.7	
EBITDA margin (%)	15.0	15.8	14.7	-32 bps	-108 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Industrials						
ABB						
Net sales	22,237	25,255	28,081	26.3	11.2	Given the strong performance of Robotics & Motion in 1QCY18, we model a similar double-digit segmental growth in 2QCY18. Electrification products will remain subdued while process automation will likely see some support from the cement sector as the sector is under pressure from rising costs and falling prices despite strong volume growth and may thus undertake efficiency improvements. For power grids segment, we assume a low 6% growth in base execution and factor *pro rata* execution for the large HVDC order.
EBITDA	1,473	1,890	2,196	49.1	16.2	
EBIT	1,090	1,533	1,840	68.8	20.0	
PBT	1,185	1,571	1,827	54.1	16.3	
Reported PAT	751	1,025	1,185	57.9	15.7	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to remain broadly flat qoq as the key factors of (1) higher project revenue share due to HVDC order execution, (2) forex impact on imported components and (3) commodity price uptick that affected margin in the previous quarter persisted in 2QCY18 as well.
Adjusted PAT	751	1,025	1,185	57.9	15.7	
EPS (Rs/share)	3.5	4.8	5.6	57.9	15.7	
EBITDA margin (%)	6.6	7.5	7.8	119 bps	33 bps	
BHEL						
Net sales	55,056	101,470	64,991	18.0	(36.0)	Out of the total executable backlog of Rs990 bn as of end-FY2018, we build in 23% bill-to-book ratio in the power segment on executable backlog of Rs890 bn (revenues up +15%) and 45% bill-to-book ratio for the industry segment on executable backlog of Rs100 bn (revenues down 5% yoy).
EBITDA	(883)	12,316	2,411	NM	(80.4)	
EBIT	(2,884)	10,145	58	NM	(99.4)	
PBT	1,080	11,399	1,251	15.8	(89.0)	
Reported PAT	808	4,572	938	16.1	(79.5)	We expect RM costs to be higher than 4QFY18 although we build in some benefits from old RM inventory and value engineering. We thus assume RM cost at ~55% of sales, higher employee cost post wage revision and sequentially lower other expenses as % of sales assuming lower write-offs. EBITDA margin will thus be weak, low single digit in 1QFY19.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	808	4,572	938	16.1	(79.5)	
EPS (Rs/share)	0.2	1.2	0.3	16.1	(79.5)	
EBITDA margin (%)	(1.6)	12.1	3.7	531 bps	-843 bps	
Carborundum Universal						
Net sales	5,195	6,495	6,026	16.0	(7.2)	We model abrasives growth at ~9% as the growth will be driven by base orders amid weak greenfield capex. We model higher 20% growth in ceramics in line with the growth shown in previous two quarters and on expectation of push to new products such as Z450. For EMD, we expect the ramp-up in relocated capacities to continue.
EBITDA	724	1,158	1,124	55.4	(2.9)	
EBIT	467	882	818	75.3	(7.2)	
PBT	552	904	797	44.5	(11.8)	
Reported PAT	402	658	529	31.7	(19.6)	For abrasives, we model sequentially flat margin as the company is facing customer resistance to price increases. Cost savings on Z450 will provide sequentially better margin in ceramics. For electrominerals, while we keep margin sequentially flat for now, the upcoming 12 MW captive power plant at VAW will improve this segment's margins in the coming quarters. Overall EBITDA margin will be up ~80 bps sequentially.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	402	658	529	31.7	(19.6)	
EPS (Rs/share)	2.1	3.5	2.8	31.7	(19.6)	
EBITDA margin (%)	13.9	17.8	18.7	473 bps	83 bps	
CG Power and Industrial						
Net sales	13,226	17,924	14,561	10.1	(18.8)	In standalone power systems, order backlog reduced substantially in FY2018. Due to the weak opening backlog, we model yoy flat segment revenues while for industrial systems, we model a strong 20% growth, higher than the growth trends of 15% seen in previous two quarters, as the management commentary has been optimistic on railway ordering and execution. Due to short-cycle manufacturing, order backlog is not a relevant metric to consider for this segment. For consolidated business, we model 4% growth in power systems based on 11-12% growth in Indonesia business that accounts for ~30% of the consolidated segment revenues. Overseas industrial systems business is small in scale.
EBITDA	492	1,435	1,186	141.1	(17.3)	
EBIT	149	1,051	789	430.4	(24.9)	
PBT	(271)	531	263	NM	(50.4)	
Reported PAT	(424)	(3,873)	135	NM	NM	
Extraordinaries	—	(4,148)	(70)	—	(98.3)	
Adjusted PAT	(424)	275	205	NM	(25.4)	We assume sequentially flat EBIT margin for both standalone and consolidated operations. Management commentary supports our assumption that the margin uptick shown by the company through FY2018 is sustainable.
EPS (Rs/share)	(0.7)	0.4	0.3	NM	(25.4)	
EBITDA margin (%)	3.7	8.0	8.1	442 bps	14 bps	
Crompton Greaves Consumer						
Net sales	10,555	11,263	12,612	19.5	12.0	We expect revenues to grow by 19% yoy led by 18-20% yoy growth in both lighting and consumer durables segments. We note that the growth is on a low base, as revenues declined by 4% yoy due to GST-led disruptions on channel inventory. On a two-year, basis, our assumptions imply 7% revenue CAGR.
EBITDA	1,294	1,645	1,749	35.1	6.3	
EBIT	1,263	1,614	1,717	36.0	6.4	
PBT	1,198	1,562	1,677	40.0	7.3	
Reported PAT	803	1,032	1,123	40.0	8.8	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	803	1,032	1,123	40.0	8.8	We expect EBITDA margin to increase by 160 bps yoy (down 70 bps qoq) due to operating leverage benefits and the company's cost-reduction efforts.
EPS (Rs/share)	1.3	1.6	1.8	40.0	8.8	
EBITDA margin (%)	12.3	14.6	13.9	160 bps	-74 bps	
Cummins India						
Net sales	13,408	12,332	14,255	6.3	15.6	We expect modest 4-5% growth across most export categories while assuming LHP exports flat yoy. On the domestic side, we model subdued 3% yoy growth in domestic powergen and a higher 14% growth in industrial revenues (construction +10%, railways +20%, compressors and marine flat yoy). Overall revenue growth will thus be modest at ~6%.
EBITDA	1,953	1,731	2,103	7.7	21.5	
EBIT	1,744	1,458	1,842	5.6	26.3	
PBT	2,286	2,088	2,365	3.5	13.3	
Reported PAT	2,222	1,613	1,821	(18.0)	12.9	We expect RM costs to remain steady as % of sales and moderate operating leverage benefits to drive modest sequential recovery in EBITDA margin. We model a higher effective tax rate as weak exports will reduce the tax benefit accruing from the Phaltan SEZ facility.
Extraordinaries	438	(20)	—	—	—	
Adjusted PAT	1,784	1,633	1,821	2.1	11.5	
EPS (Rs/share)	6.4	5.9	6.6	2.1	11.5	
EBITDA margin (%)	14.6	14.0	14.8	18 bps	71 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

				Change (%)		
	Jun-17	Mar-18	Jun-18E	yoy	qoq	Comments
Havells India						
Net sales	18,605	25,349	24,973	34.2	(1.5)	We expect 34% yoy revenue growth led by (1) 16% yoy growth in ex-Lloyd revenues; we build in 8% yoy growth in switchgear segment on a low base and expect double-digit growth in other segments and (2) 18% due to Lloyd's acquisition (the company was acquired in May 2017); we note that 1Q is a seasonally strong quarter for AC business.
EBITDA	1,724	3,577	3,506	103.3	(2.0)	
EBIT	1,389	3,230	3,156	127.3	(2.3)	
PBT	1,703	3,404	3,396	99.5	(0.2)	
Reported PAT	1,214	2,258	2,344	93.1	3.8	
Extraordinaries	—	(91)	—	—	—	We expect EBITDA margin to be flattish qoq (up significantly on yoy basis due to low base) as the company has largely taken price increases to offset cost pressures. We build in EBITDA margin of ex-Lloyd business at around 14.4% (marginally down qoq); for Lloyd, we build in 13% EBITDA margin in the quarter (12.4% in 4QFY18).
Adjusted PAT	1,214	2,319	2,344	93.1	1.0	
EPS (Rs/share)	1.9	3.7	3.8	93.1	1.0	
EBITDA margin (%)	9.3	14.1	14.0	477 bps	-8 bps	
Kalpataru Power Transmission						
Net sales	11,696	19,314	14,389	23.0	(25.5)	We expect T&D segment to post low single-digit revenue growth; railways and pipeline segments will drive growth for KPTL.
EBITDA	1,372	2,092	1,582	15.3	(24.4)	
EBIT	1,184	1,900	1,377	16.3	(27.5)	
PBT	1,078	1,699	1,225	13.7	(27.9)	
Reported PAT	704	1,048	797	13.1	(24.0)	We expect gradual convergence between T&D and non-T&D margins to keep EBITDA margin in line with FY2018 margin of ~11%.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	704	1,048	797	13.1	(24.0)	
EPS (Rs/share)	4.6	6.8	5.2	13.1	(24.0)	
EBITDA margin (%)	11.7	10.8	11.0	-74 bps	16 bps	
KEC International						
Net sales	18,568	36,642	21,334	14.9	(41.8)	We expect a steady 15% revenue growth in 1QFY19 based on strong backlog with decade-high revenue visibility of 1.7 years as of end-FY2018. Historically first quarter has contributed a lower share of KEC's quarterly execution, which ramps up sequentially through the year.
EBITDA	1,763	3,699	2,026	14.9	(45.2)	
EBIT	1,491	3,424	1,724	15.6	(49.6)	
PBT	958	2,894	1,137	18.6	(60.7)	
Reported PAT	630	1,963	740	17.5	(62.3)	
Extraordinaries	—	—	—	—	—	We model yoy flat EBITDA margin as KEC will feel the impact of higher commodity prices that had kept margin under pressure in the previous quarter as well.
Adjusted PAT	630	1,963	740	17.5	(62.3)	
EPS (Rs/share)	2.4	7.6	2.9	17.5	(62.3)	
EBITDA margin (%)	9.5	10.1	9.5	0 bps	-60 bps	
L&T						
Net sales	238,109	406,781	257,822	8.3	(36.6)	For the core E&C segment, we expect a modest 4% yoy growth in revenues based on (1) high base for infrastructure segment (uptick in execution pre-GST) and (2) sharp decline in order backlog for the power segment. We expect overall revenue growth to be higher at 8% due to contribution from Hyderabad metro (started in November) and service businesses (technology, finance).
EBITDA	20,567	53,905	24,531	19.3	(54.5)	
EBIT	15,055	48,981	19,444	29.2	(60.3)	
PBT	15,253	49,128	18,796	23.2	(61.7)	
Reported PAT	8,925	31,675	11,448	28.3	(63.9)	We expect core E&C EBITDA margin of 7.9%, up over 80 bps yoy as 1QFY18 had been impacted by one-offs (poor job mix in power, write-down in shipbuilding due to Vardah cyclone) and better mix of execution (lower share of power segment). We expect strong EBITDA growth coupled with yoy lower depreciation (one-off impairment in 1QFY18) to drive a stronger PAT growth.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	8,925	31,675	11,448	28.3	(63.9)	
EPS (Rs/share)	6.4	22.6	8.2	28.3	(63.9)	
EBITDA margin (%)	8.6	13.3	9.5	87 bps	-374 bps	
Siemens						
Net sales	26,508	32,834	31,356	18.3	(4.5)	Given the absence of large projects pipeline, order inflow will remain weak, led only by base orders and backlog will likely deteriorate further as was seen in the previous quarter. Nonetheless, the existing backlog will support revenue growth this quarter. We thus expect the energy management segment to continue stellar yoy growth of 25% (25-26% in previous two quarters as well as in FY2017), which will still be marginally lower on qoq basis and thus achievable, in our view. We also expect Digital Factory to report the third consecutive quarter of 20%+ growth given Siemens' push to its MindShpere platform. For other segments, we model only modest growth (10% each in building technologies and process industries and drives, flat yoy for power & gas) given persistently weak private capex and powergen markets.
EBITDA	2,266	3,228	3,088	36.3	(4.3)	
EBIT	1,786	2,738	2,580	44.5	(5.8)	
PBT	2,492	3,366	3,232	29.7	(4.0)	
Reported PAT	1,629	2,197	2,103	29.1	(4.3)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,629	2,197	2,103	29.1	(4.3)	We expect margin to be range-bound due to eroding backlog and absence of large projects. Previous quarter had exhibited this with qoq margin decline in key segments of Energy Management and Digital Factory. Power & Gas margin also normalized to 12% in previous quarter from an unsustainably high 18% reported in Dec-end quarter. With this background, we model sequentially flat EBIT margin across all the segments for Jun 2018 quarter.
EPS (Rs/share)	4.6	6.2	5.9	29.1	(4.3)	
EBITDA margin (%)	8.5	9.8	9.8	130 bps	1 bps	
Thermax						
Net sales	8,718	14,430	9,903	13.6	(31.4)	We estimate revenues for energy segment based on ~60% bill-to-book ratio on the opening segmental backlog (excluding Dangote order), expected execution from large Dangote order, historically observed quarterly execution pattern (22%) and Rs2 bn of additional revenues that could not be booked in the previous quarter due to timing issues. The energy segment will thus report ~15% yoy revenue growth. We estimate environment segment revenues similarly by applying 70% bill-to-book ratio to opening backlog of Rs7 bn and 22% execution pattern leading to 14% yoy segmental revenue growth. For the chemical segment (resins), we expect 10% sequential growth as the resins facility is ramping up.
EBITDA	721	1,382	1,023	41.7	(26.0)	
EBIT	532	1,143	783	47.1	(31.4)	
PBT	757	1,555	1,017	34.4	(34.6)	
Reported PAT	406	757	595	46.6	(21.3)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	406	757	595	46.6	(21.3)	We model a marginal improvement in EBIT margin over FY2018 across all segments as the company has guided for margin recovery based on the existing backlog quality. The company has also demonstrated margin uptick across all segments in 3QFY18 and 4QFY18. Overall EBITDA margin will thus likely cross 10%.
EPS (Rs/share)	3.6	6.7	5.3	46.6	(21.3)	
EBITDA margin (%)	8.3	9.6	10.3	205 bps	75 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Voltas						
Net sales	19,389	20,213	21,210	9.4	4.9	We assume weak growth of 5% in UCP segment as peer commentary suggests weather had been unfavorable in the peak sales months of April and May. Further, the market is witnessing a shift towards inverter ACs where Voltas has a lower market share. For Electromechanical projects, we consider opening order book of Rs50bn, assume yoy flat order inflow of Rs12 bn and bill-to-book ratio of 55% (historical range of 50-60%) to arrive at segmental revenues, an implied segmental growth of 18% yoy. Overall topline is thus expected to grow a modest 9% yoy in 1QFY19.
EBITDA	2,066	2,261	2,098	1.6	(7.2)	
EBIT	2,004	2,200	2,033	1.5	(7.6)	
PBT	2,576	2,865	2,575	(0.0)	(10.1)	
Reported PAT	1,856	1,927	1,759	(5.2)	(8.7)	
Extraordinaries	20	(14)	—	—	—	Weak summer, commodity prices and keen competition would keep pressure on UCP margin and we thus model a 50 bps yoy decline to 13.5%. For the EMP segment, we assume 6.5% EBIT margin (same as full year FY2018) as the management has consistently demonstrated bidding discipline and profitability focus in the past few quarters.
Adjusted PAT	1,850	1,966	1,828	(1.2)	(7.0)	
EPS (Rs/share)	5.6	5.9	5.5	(1.2)	(7.0)	
EBITDA margin (%)	10.7	11.2	9.9	-77 bps	-130 bps	
Infrastructure						
Adani Ports and SEZ						
Net sales	27,451	31,829	23,445	(14.6)	(26.3)	Cargo tonnage growth at India's major ports has been weak at 2.5% in Apr-May 2018. We thus model a low growth of 4.4% for Adani Ports' portfolio. Strong container market growth and outperformance by Adani Ports portfolio will get negated by loss of volumes from Mundra power plant.
EBITDA	15,666	19,314	14,067	(10.2)	(27.2)	
EBIT	12,709	16,325	10,781	(15.2)	(34.0)	
PBT	11,554	16,073	10,277	(11.1)	(36.1)	
Reported PAT	8,239	12,089	7,700	(6.5)	(36.3)	We estimate EBITDA margin of 61%, lower versus FY2018 reported margin as we expect limited support from SEZ income in the quarter. The yoy drop in margin is optical and driven by low SEZ revenues compared to the large Rs7 bn SEZ income booked in 1QFY18.
Extraordinaries	(22)	(23)	(8)	(62.4)	(64.7)	
Adjusted PAT	7,656	9,268	7,700	0.6	(16.9)	
EPS (Rs/share)	3.7	4.5	3.7	0.6	(16.9)	
EBITDA margin (%)	57.1	60.7	60.0	293 bps	-69 bps	
Ashoka Buildcon						
Net sales	7,228	7,023	7,118	(1.5)	1.4	We expect flattish yoy revenues given high base of pre-GST quarter.
EBITDA	975	808	854	(12.4)	5.8	
EBIT	862	663	698	(19.0)	5.2	
PBT	825	1,163	727	(11.8)	(37.4)	
Reported PAT	620	1,054	567	(8.4)	(46.2)	We expect steady margin considering static mix of EPC and captive projects in revenues.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	620	1,054	567	(8.4)	(46.2)	
EPS (Rs/share)	3.3	5.6	3.0	(8.4)	(46.2)	
EBITDA margin (%)	13.5	11.5	12.0	-150 bps	50 bps	
Container Corp.						
Net sales	14,168	15,587	15,632	10.3	0.3	We expect ~13% yoy volume in both exim and domestic volumes, in line with recent trend in volumes for Indian Railways combined with share gain by Concor over the past year. We expect declining lead distance to lead to a lower 10% yoy revenue growth. This incorporates half-quarter impact of higher realization due to price hike taken for the exim segment.
EBITDA	2,867	3,466	3,314	15.6	(4.4)	
EBIT	1,914	2,455	2,202	15.0	(10.3)	
PBT	2,851	2,864	3,035	6.5	6.0	
Reported PAT	2,434	2,936	2,276	(6.5)	(22.5)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,434	2,936	2,276	(6.5)	(22.5)	We expect EBITDA margin to improve by 100 bps yoy based on price hike/realization increase.
EPS (Rs/share)	5.0	6.0	4.7	(6.5)	(22.5)	
EBITDA margin (%)	20.2	22.2	21.2	96 bps	-104 bps	
Dilip Buildcon						
Net sales	16,641	25,579	18,930	13.8	(26.0)	We expect a modest single-digit growth in road and bridges segment revenues given high base in the pre-GST quarter.
EBITDA	3,002	4,726	3,389	12.9	(28.3)	
EBIT	2,352	4,000	2,590	10.2	(35.2)	
PBT	1,272	2,782	1,499	17.9	(46.1)	
Reported PAT	1,226	2,174	1,305	6.4	(40.0)	We assume steady EBITDA margin. The benefits of financial deleveraging get negated by partial normalization of tax rate, leading to a flattish yoy PAT.
Extraordinaries	—	(152)	105	—	NM	
Adjusted PAT	1,226	2,326	1,199	(2.2)	(48.4)	
EPS (Rs/share)	9.0	17.0	8.8	(2.2)	(48.4)	
EBITDA margin (%)	18.0	18.5	17.9	-15 bps	-58 bps	
Gateway Distriparks						
Net sales	988	1,022	1,047	6.0	2.5	Taking cues from Indian Railways data and port-level data, we assume ~modest 6% yoy growth in CFS revenues. We assume 11% growth in ICD business in 1QFY19, in line with Indian Railways EXIM NTKM growth.
EBITDA	198	214	209	6.0	(2.1)	
EBIT	126	130	129	2.5	(0.4)	
PBT	132	146	132	(0.0)	(10.1)	
Reported PAT	134	322	127	(4.8)	(60.5)	We expect pressure on margins to continue due to increasing DPD volumes in CFS business and repair work by Indian Railways affecting speed/efficiency of cargo movement.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	134	322	127	(4.8)	(60.5)	
EPS (Rs/share)	1.2	3.0	1.2	(4.8)	(60.5)	
EBITDA margin (%)	20.0	20.9	20.0	0 bps	-93 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Gujarat Pipavav Port						
Net sales	1,691	1,655	1,749	3.5	5.7	We model marginal sequential increase in the key container segment and a stronger uptick in other cargo classes. Container volumes will grow sequentially based on new line additions and ramp-up of Ocean Network Express alliance. LPG and bulk volumes will normalize from low 4QFY18 levels.
EBITDA	1,037	930	1,018	(1.8)	9.5	
EBIT	772	663	757	(1.9)	14.3	
PBT	864	744	873	1.1	17.4	
Reported PAT	557	486	568	2.0	17.0	
Extraordinaries	—	—	—	—	—	We model ~200 bps sequential recovery in EBITDA margin to 58% primarily on smaller one-time maintenance dredging expense of ~Rs40 mn to be booked in this quarter (versus ~Rs70 mn booked in previous quarter).
Adjusted PAT	557	486	568	2.0	17.0	
EPS (Rs/share)	1.2	1.0	1.2	2.0	17.0	
EBITDA margin (%)	61.3	56.2	58.2	-313 bps	200 bps	
IRB Infrastructure						
Net sales	18,169	13,822	14,980	(17.6)	8.4	We expect steady execution of backlog adjusted for recent orders pending financial closures (33% of backlog). We expect a material yoy decline in construction revenues on large yoy base (pre-GST quarter). We expect steady growth in toll revenues.
EBITDA	8,178	6,588	7,306	(10.7)	10.9	
EBIT	6,362	5,436	6,009	(5.6)	10.5	
PBT	4,044	3,845	4,353	7.7	13.2	
Reported PAT	1,911	1,941	2,832	48.2	45.9	
Extraordinaries	(467)	(457)	—	—	—	
Adjusted PAT	2,379	2,398	2,832	19.1	18.1	We expect steady margin for both construction (28%) and BOT (84%) segments.
EPS (Rs/share)	6.8	6.8	8.1	19.1	18.1	
EBITDA margin (%)	45.0	47.7	48.8	375 bps	110 bps	
Mahindra Logistics						
Net sales	8,525	8,927	10,209	19.8	14.4	We model continued ramp-up in non-M&M SCM revenues with 30% yoy growth and M&M SCM revenues in line with the parent's expected growth rate at 15%. We model PTS segment to continue steady growth of 10%.
EBITDA	265	377	406	52.9	7.7	
EBIT	224	324	349	56.2	7.8	
PBT	235	324	369	57.3	13.9	We expect 40 bps yoy margin uptick in SCM led by the management's push to improve pricing received from parent as well as sustained improvement in non-M&M margin. The company has exhibited non-M&M margin uptick throughout FY2018 on the back of operational efficiency improvements, despite the lower-than-expected business uptick from GST and delayed implementation of e-way bill. We expect further improvement now that the e-way bill system is in place and GST ecosystem is stabilizing.
Reported PAT	148	205	237	60.0	15.8	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	148	205	237	60.0	15.8	
EBITDA margin (%)	3.1	4.2	4.0	86 bps	-25 bps	
Sadbhav Engineering						
Net sales	9,443	11,045	8,932	(5.4)	(19.1)	We expect yoy decline in revenues based on limited executable backlog and high pace of execution in yoy base (pre-GST quarter).
EBITDA	1,067	1,240	1,025	(4.0)	(17.3)	
EBIT	822	1,004	768	(6.6)	(23.5)	
PBT	540	698	640	18.6	(8.4)	
Reported PAT	555	698	640	15.3	(8.4)	We expect steady EBITDA margin based on part pass-through of escalation from SIPL for HAM projects.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	555	698	640	15.3	(8.4)	
EPS (Rs/share)	3.2	4.1	3.7	15.3	(8.4)	
EBITDA margin (%)	11.3	11.2	11.5	17 bps	24 bps	
Internet						
Info Edge						
Net sales	2,225	2,407	2,580	16.0	7.2	We expect Naukri to report revenue growth of 14% yoy driven by strong collections trend in 4QFY18 and 99acres to report revenue growth of 30% yoy driven by revival in advertising from secondary market.
EBITDA	703	593	842	19.7	41.9	
EBIT	649	538	781	20.4	45.3	
PBT	913	763	1,025	12.3	34.3	
Reported PAT	642	(138)	717	11.7	NM	We expect Naukri to report strong EBITDA margin of 55% and assume 99acres and others to post sequentially lower losses.
Extraordinaries	—	(703)	—	—	—	
Adjusted PAT	642	(138)	717	11.7	NM	
EPS (Rs/share)	5.3	(1.1)	5.9	10.9	NM	
EBITDA margin (%)	31.6	24.7	32.6	101 bps	797 bps	
Just Dial						
Net sales	1,900	2,005	2,109	11.0	5.2	We expect improvement in revenue growth trajectory to 11% compared to 9% in FY2018 on account of higher campaign addition and higher pricing.
EBITDA	325	458	510	57.0	11.4	
EBIT	229	374	420	83.8	12.4	
PBT	495	540	573	15.8	6.2	
Reported PAT	382	390	407	6.6	4.4	Lower advertising spends on account of no TV advertising will lead to 130 bps of sequential EBITDA margin improvement.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	382	390	407	6.6	4.4	
EPS (Rs/share)	5.5	5.8	6.0	10.0	4.4	
EBITDA margin (%)	17.1	22.8	24.2	707 bps	133 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Media						
DB Corp.						
Net sales	5,943	5,673	6,381	7.4	12.5	We expect DB Corp. to report 6% yoy growth in print advertisement revenues. We expect 10% yoy growth in circulation revenues largely on account of growth in copies driven by ongoing circulation expansion drive.
EBITDA	1,864	979	1,639	(12.1)	67.3	
EBIT	1,644	737	1,394	(15.2)	89.2	
PBT	1,698	789	1,454	(14.4)	84.3	
Reported PAT	1,101	571	959	(12.9)	68.0	We expect EBITDA margin to decline by 570 bps yoy to 25.7% due to impact of newsprint price inflation and investments in circulation expansion. We expect 20% yoy increase in RM costs led by newsprint price inflation and increase in number of copies. EBITDA and earnings will be decline 12% and 13% yoy.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,101	571	959	(12.9)	68.0	
EPS (Rs/share)	6.0	3.1	5.2	(12.9)	68.0	
EBITDA margin (%)	31.4	17.3	25.7	-569 bps	841 bps	
DishTV						
Net sales	15,115	15,324	16,014	5.9	4.5	We expect early signs of recovery/turnaround in Dish TV's 1QFY19 print. We estimate 300K net subscriber additions (versus 200K in March 2018 quarter) to 23.3 mn subscribers and 3.5% qoq growth in ARPU to Rs208.
EBITDA	4,497	4,007	5,500	22.3	37.3	
EBIT	882	536	2,000	126.8	273.1	
PBT	(284)	(666)	875	NM	NM	We estimate EBITDA margin to improve 820 bps qoq to 34.3% led by (1) cost synergies and revenue growth recovery, (2) non-recurrence of merger expenses that impacted EBITDA margin by 300 bps (or Rs600 mn at EBITDA level). Key investor focus will be on progress on integration of the two companies and update on synergies. We note that we have not built any impact of potential change in accounting to align revenue recognition of Videocon d2h with that of Dish TV. June 2017 financials are combined historical financials of Dish TV and Videocon d2h and thus, yoy comparison is not strictly on a like-for-like basis.
Reported PAT	(127)	1,182	700	NM	(40.8)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	(127)	1,182	700	NM	(40.8)	
EPS (Rs/share)	(0.1)	0.6	0.4	NM	(40.8)	
EBITDA margin (%)	29.8	26.1	34.3	459 bps	819 bps	
Jagran Prakashan						
Net sales	5,913	5,481	6,112	3.4	11.5	We expect modest 2% yoy growth in print advertisement revenues due to weakness in local retail advertising and government/political ad spends.
EBITDA	1,613	1,204	1,580	(2.0)	31.2	
EBIT	1,285	853	1,230	(4.3)	44.1	Circulation revenue growth would be muted due to pressure on copy price in UP and Bihar given the rise in competitive intensity; this trend is reversing though. We estimate 12% yoy growth in radio revenues. We expect EBITDA margin to decline by 140 bps yoy to 25.8% on account of weak print advertisement revenue. EBITDA and earnings will decline on yoy basis due to 15%+ inflation in newsprint prices (we expect 6% yoy increase in RM costs in 1QFY19 due to benefit of low-cost inventory; this trajectory will trend up starting 2QFY19).
PBT	1,333	918	1,315	(1.4)	43.3	
Reported PAT	887	627	874	(1.4)	39.5	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	887	627	874	(1.4)	39.5	
EPS (Rs/share)	2.8	2.0	2.8	(1.4)	39.5	
EBITDA margin (%)	27.3	22.0	25.8	-143 bps	388 bps	
PVR						
Net sales	6,507	5,888	6,821	4.8	15.8	We expect PVR to report a good quarter and same-store footfall growth on high base ('Bahubali 2' in 1Q last year) thanks to robust and broad-based box office collection. Key movies were 'Baaghi 2', 'Avengers: Infinity war', 'Race 3' and 'Raazi'.
EBITDA	1,261	983	1,300	3.1	32.2	
EBIT	885	589	880	(0.5)	49.3	
PBT	700	415	695	(0.7)	67.4	We estimate (1) 7% yoy growth in footfalls to 22.4 mn (comparable properties' footfalls to grow 2% yoy), (2) modest 1% yoy growth (on high base) in average ticket price to Rs216, (3) 8% yoy growth in F&B spends per head to Rs94 and (4) muted ad growth at 3% yoy on high base. We expect EBITDA margin to be broadly flat yoy. Given many moving parts pertaining to GST, a yoy comparison of operating margin may not be strictly valid. PVR will continue with conservative accounting pending certain clarifications related to GST.
Reported PAT	445	262	460	3.4	75.5	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	445	262	460	3.4	75.5	
EPS (Rs/share)	9.5	5.6	9.8	3.4	75.5	
EBITDA margin (%)	19.4	16.7	19.1	-32 bps	236 bps	
Sun TV Network						
Net sales	7,863	7,170	10,344	31.5	44.3	We expect Sun to report 18% yoy growth in advertisement revenues partly aided by low base (4% decline in the base quarter). We expect 21%/30% yoy growth in domestic DTH/cable subscription revenues translating into 24% yoy growth in domestic subscription revenues; strong growth is on account of ongoing digitization in the Tamil Nadu market.
EBITDA	3,624	4,204	5,882	62.3	39.9	
EBIT	3,449	4,034	5,712	65.6	41.6	
PBT	3,819	4,393	6,107	59.9	39.0	
Reported PAT	2,516	2,898	4,031	60.2	39.1	We expect EBITDA of Rs1.24 bn from the IPL franchise as against operating loss of Rs227 mn in 1QFY18. Consequently EBIT margin will improve by about 11.5 percent points and earnings would grow 60% yoy; ex-IPL margin expansion would be about 150 bps yoy and earnings growth would be 29% yoy. Investor will focus on rising competition in the Tamil market (loss of viewership share for Sun TV) and progress on digitization in TN.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,516	2,898	4,031	60.2	39.1	
EPS (Rs/share)	6.4	7.4	10.2	60.2	39.1	
EBITDA margin (%)	46.1	58.6	56.9	1077 bps	-178 bps	
Zee Entertainment Enterprises						
Net sales	15,403	17,253	18,149	17.8	5.2	TV industry advertisement spends grew about 18-20% yoy in June 2018 quarter as per industry estimates (growth was higher for sports genre as IPL gained ad market share under Star India; industry ad growth ex-sports was 14-16%). We expect Zee to report 21% yoy growth in advertisement revenues (like-for-like: adjusted for sale of sports business and IWPL acquisitions). Outperformance would be entirely driven by market share gains. We expect domestic subscription revenues to grow 13% yoy.
EBITDA	4,844	5,062	5,769	19.1	14.0	
EBIT	4,533	4,468	5,194	14.6	16.3	
PBT	4,864	5,106	5,674	16.7	11.1	
Reported PAT	2,514	2,310	3,464	37.8	50.0	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	3,107	3,938	3,754	20.9	(4.7)	We expect EBITDA margin to be up by 30 bps yoy notwithstanding higher investments in content and operating costs pertaining to digital platform. Adjusted PAT/EPS is excluding RPS impact.
EPS (Rs/share)	3.2	4.1	3.9	20.9	(4.7)	
EBITDA margin (%)	31.4	29.3	31.8	34 bps	244 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

				Change (%)		
	Jun-17	Mar-18	Jun-18E	yoy	qoq	Comments
Metals & Mining						
Coal India						
Net sales	184,043	251,087	224,498	22.0	(10.6)	We expect 11.6% yoy volume growth with dispatches of 153 mn tons in 1QFY19.
EBITDA	27,646	(16,050)	36,644	32.5	NM	
EBIT	20,947	(25,358)	27,329	30.5	NM	
PBT	39,377	11,521	45,139	14.6	291.8	
Reported PAT	23,512	12,942	30,243	28.6	133.7	Blended realizations improve to Rs1,462/ton in 1QFY19 compared to Rs1,340/ton in 1QFY18 on the back of increase in notified prices of coal as well as better e-auction realizations. Earnings are not comparable to 4QFY18 due to a one-time gratuity provision of Rs74 bn in 4QFY18.
Extraordinaries	(5)	—	—	—	—	
Adjusted PAT	23,517	12,942	30,243	28.6	133.7	
EPS (Rs/share)	3.8	2.1	4.9	28.6	133.7	
EBITDA margin (%)	15.0	(6.4)	16.3	130 bps	2271 bps	
Hindalco Industries						
Net sales	97,700	116,811	110,439	13.0	(5.5)	We model aluminum deliveries of 322,500 tons (flat qoq, +8% yoy) and aluminum EBITDA of Rs12.3 bn (+41% yoy, +34% qoq). The sequential improvement in aluminum profits is led by higher aluminum prices, premia and lower earnings drag from low-priced hedges. We expect EBITDA from Utkal Alumina to increase 10% qoq to Rs3.8 bn.
EBITDA	11,477	12,576	15,533	35.3	23.5	
EBIT	7,686	7,978	10,912	42.0	36.8	
PBT	5,371	5,563	8,552	59.2	53.7	
Reported PAT	2,896	3,770	5,644	94.9	49.7	
Extraordinaries	(1,044)	—	—	—	—	We estimate copper EBITDA to decline 3% qoq to Rs3.2 bn (-1% yoy) due to lower volumes. We expect copper volumes to decline to 86,000 tons (-18% yoy) due to shutdown.
Adjusted PAT	3,940	3,770	5,644	43.3	49.7	
EPS (Rs/share)	1.8	1.7	2.5	43.3	49.7	
EBITDA margin (%)	11.7	10.8	14.1	231 bps	329 bps	
Hindustan Zinc						
Net sales	45,760	62,770	56,618	23.7	(9.8)	We expect (1) refined zinc metal volumes of 187,000 tons (-4% yoy, -9% qoq), (2) lead production of 37,800 tons (+8% yoy, -27% qoq) and (3) silver volumes of 140 tons (+22% yoy, -18% qoq).
EBITDA	23,840	36,200	31,238	31.0	(13.7)	
EBIT	20,240	31,610	26,602	31.4	(15.8)	
PBT	24,170	36,020	31,317	29.6	(13.1)	
Reported PAT	18,760	25,050	22,705	21.0	(9.4)	
Extraordinaries	—	(510)	—	—	—	1QFY19 earnings will be impacted by losses due to metal hedged earlier. We estimate hedging losses of Rs900 mn for 70,000 tons of zinc and 15,000 tons of lead hedged earlier at lower metal prices.
Adjusted PAT	18,760	25,443	22,705	21.0	(10.8)	
EPS (Rs/share)	4.4	6.0	5.4	21.0	(10.8)	
EBITDA margin (%)	52.1	57.7	55.2	307 bps	-250 bps	
Jindal Steel and Power						
Net sales	59,364	86,923	90,228	52.0	3.8	JSP's steel deliveries increased 46% yoy to 1.18 mn tons (flat qoq) led by ramp-up of Angul steel plant. We expect steel EBITDA/ton to increase 1% qoq to Rs13,050 led by higher steel prices partially offset by raw-material cost increase.
EBITDA	13,527	21,365	22,307	64.9	4.4	
EBIT	3,905	11,766	12,612	223.0	7.2	
PBT	(5,101)	1,057	1,952	NM	84.6	
Reported PAT	(3,871)	(3,081)	423	NM	NM	We expect Jindal Power's EBITDA to increase 22% qoq to Rs3.2 bn (-31% yoy) led by higher generation.
Extraordinaries	—	(4,376)	—	—	—	
Adjusted PAT	(3,871)	(18)	423	NM	NM	
EPS (Rs/share)	(4.2)	(0.0)	0.5	NM	NM	
EBITDA margin (%)	22.8	24.6	24.7	193 bps	14 bps	
JSW Steel						
Net sales	146,990	208,170	200,334	36.3	(3.8)	We expect blended realization to increase by Rs1,250/ton qoq led by increase in (1) domestic prices and (2) export realizations on the back of fall in INR/USD rate.
EBITDA	26,170	52,900	49,816	90.4	(5.8)	
EBIT	17,980	44,250	41,126	128.7	(7.1)	
PBT	8,940	35,870	32,821	267.1	(8.5)	
Reported PAT	6,260	29,960	21,483	243.2	(28.3)	We expect model increase in raw material costs due to lagged inventory effect on coking coal and iron ore. We expect EBITDA/ton to decline 1% qoq to Rs11,850 as 4QFY18 net profits included prior-period GST credits.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	6,260	29,960	21,483	243.2	(28.3)	
EPS (Rs/share)	2.6	12.4	8.9	243.2	(28.3)	
EBITDA margin (%)	17.8	25.4	24.9	706 bps	-55 bps	
National Aluminium Co.						
Net sales	18,027	28,632	26,499	47.0	(7.4)	We model alumina shipments of 270,000 tons (+4% yoy) and aluminum volumes of 110,000 tons (+24% yoy).
EBITDA	2,275	4,897	7,105	212.3	45.1	
EBIT	1,105	3,629	5,824	427.0	60.5	
PBT	1,960	4,197	6,585	236.1	56.9	
Reported PAT	1,289	2,571	4,307	234.0	67.5	
Extraordinaries	—	64	—	—	—	The improvement in profitability is largely led by increase in alumina prices. We factor alumina realizations at US$480/ton (+27% qoq) assuming a few consignments were sold at old rates.
Adjusted PAT	1,289	2,571	4,307	234.0	67.5	
EPS (Rs/share)	0.7	1.3	2.2	234.0	67.5	
EBITDA margin (%)	12.6	17.1	26.8	1419 bps	970 bps	
NMDC						
Net sales	28,415	38,830	24,746	(12.9)	(36.3)	We expect iron ore sales to decline by 24% yoy to 7 mn tons (-34% qoq) due to lower off-take by large steel companies including JSTL (who instead imported). We expect iron ore sales from Karnataka to decline 70% yoy to 1 mn tons only.
EBITDA	14,949	19,010	11,955	(20.0)	(37.1)	
EBIT	14,482	18,308	11,249	(22.3)	(38.6)	
PBT	15,687	19,933	12,883	(17.9)	(35.4)	
Reported PAT	9,693	11,060	8,425	(13.1)	(23.8)	
Extraordinaries	—	(6)	—	—	—	We expect EBITDA/ton to decline 5% qoq to Rs1,710 (+5% yoy). We expect the company's blended realizations to decline by 4% qoq to Rs3,540/ton.
Adjusted PAT	9,693	11,064	8,425	(13.1)	(23.9)	
EPS (Rs/share)	3.1	3.5	2.7	(13.1)	(23.9)	
EBITDA margin (%)	52.6	49.0	48.3	-430 bps	-65 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Tata Steel						
Net sales	295,568	361,323	363,388	22.9	0.6	We expect blended India steel realizations to increase by Rs1,000/ton qoq and India EBITDA/ton to increase Rs2,100/ton qoq to Rs18,000 (+67% yoy). We expect lower employee and other costs after a sharp increase seen in 4QFY18.
EBITDA	49,740	64,989	73,649	48.1	13.3	
EBIT	34,729	49,868	58,451	68.3	17.2	
PBT	22,846	37,808	47,059	106.0	24.5	
Reported PAT	9,184	101,872	32,330	252.0	(68.3)	
Extraordinaries	(6,168)	113,761	—	—	—	European steel spreads increased in 1QFY19 and we expect Europe EBITDA/ton to increase to US$80/ton (US$70/ton EBITDA in 4QFY18). We model higher coking coal costs in Europe due to lagged impact of high-cost inventory.
Adjusted PAT	15,352	32,633	32,430	111.2	(0.6)	
EPS (Rs/share)	13.4	28.5	26.9	101.0	(5.4)	
EBITDA margin (%)	16.8	18.0	20.3	343 bps	228 bps	
Vedanta						
Net sales	182,850	276,300	194,148	6.2	(29.7)	The sequential decline in EBITDA is due to (1) shutdown of copper smelting and Goa iron-ore operations, (2) lower aluminum EBITDA (Rs8.5 bn, -35% qoq) due to higher alumina prices and (3) lower zinc EBITDA (Rs31 bn, -14% qoq) on the back of lower zinc volumes and prices.
EBITDA	48,740	78,370	66,831	37.1	(14.7)	
EBIT	34,880	61,540	49,917	43.1	(18.9)	
PBT	29,510	57,230	45,337	53.6	(20.8)	
Reported PAT	15,250	32,660	25,100	64.6	(23.1)	
Extraordinaries	—	8,190	—	—	—	We expect EBITDA from oil & gas operations to increase 33% qoq to Rs20 bn led by higher crude prices (+12% qoq) and volumes.
Adjusted PAT	15,250	24,200	25,100	64.6	3.7	
EPS (Rs/share)	4.1	6.5	6.8	64.6	3.7	
EBITDA margin (%)	26.7	28.4	34.4	776 bps	605 bps	
Others						
Astral Poly Technik						
Net sales	4,073	6,506	5,218	28.1	(19.8)	We model strong yoy growth in revenues and EBITDA driven by (1) robust 20% yoy growth in pipes volumes from a low base of pre-GST quarter and (2) 15% yoy growth in adhesives business.
EBITDA	485	1,183	851	75.5	(28.1)	
EBIT	349	1,031	689	97.7	(33.2)	
PBT	336	1,012	672	99.8	(33.6)	
Reported PAT	254	664	470	85.2	(29.1)	
Extraordinaries	(8.6)	(48.7)	—	—	—	We expect 190 bps sequential moderation in EBITDA margins to 16.3% reflecting seasonality and higher RM costs.
Adjusted PAT	254	664	470	85.2	(29.1)	
EPS (Rs/share)	2.1	5.5	3.9	85.2	(29.1)	
EBITDA margin (%)	11.9	18.2	16.3	440 bps	-188 bps	
Avenue Supermarts						
Net sales	35,981	38,100	44,154	22.7	15.9	We expect yoy revenue growth of 23%, lower than our full-year estimate of 31%, on account of base effect (1QFY18 was pre-GST).
EBITDA	3,032	2,945	4,239	39.8	43.9	
EBIT	2,695	2,480	3,733	38.5	50.6	
PBT	2,680	2,497	3,764	40.5	50.8	
Reported PAT	1,748	1,671	2,447	40.0	46.4	
Extraordinaries	—	—	—	—	—	We expect yoy gross margin expansion of 75 bps on account of GST in the base quarter, resulting in strong EBITDA growth of 40% yoy.
Adjusted PAT	1,748	1,671	2,447	40.0	46.4	
EPS (Rs/share)	2.8	2.7	3.9	40.0	46.4	
EBITDA margin (%)	8.4	7.7	9.6	117 bps	187 bps	
Bayer Cropscience						
Net sales	6,980	3,002	7,678	10.0	155.8	We expect Bayer's performance to remain muted with moderate 10% yoy growth in revenues despite a lower base of 1QFY18, which was impacted due to reduction in channel inventory before the implementation of GST.
EBITDA	1,156	(163)	1,275	10.3	NM	
EBIT	1,076	(251)	1,187	10.3	NM	
PBT	1,222	(210)	1,322	8.2	NM	
Reported PAT	1,117	(129)	1,057	(5.3)	NM	
Extraordinaries	—	—	—	—	—	We assume EBITDA margin to remain subdued at 16.6% due to (1) rising input cost pressure and (2) high channel inventories.
Adjusted PAT	1,117	(129)	1,057	(5.3)	NM	
EPS (Rs/share)	32.6	(3.8)	30.8	(5.3)	NM	
EBITDA margin (%)	16.6	(5.4)	16.6	3 bps	2203 bps	
Dhanuka Agritech						
Net sales	2,080	1,851	2,392	15.0	29.2	We expect strong 15% yoy growth in revenues driven by (1) increasing off-take of new product launched during FY2017-18 and (2) demand recovery in the domestic ag-chem market.
EBITDA	245	314	335	36.5	6.4	
EBIT	211	279	299	41.6	7.2	
PBT	228	345	327	43.1	(5.3)	
Reported PAT	161	286	229	42.0	(20.2)	
Extraordinaries	—	—	—	—	—	We expect EBITDA margins to remain weak at 14% due to (1) continued rise in the cost of raw material imported from China and (2) limited increase in prices amid high channel inventories.
Adjusted PAT	161	286	229	42.0	(20.2)	
EPS (Rs/share)	3.2	5.7	4.6	42.0	(20.2)	
EBITDA margin (%)	11.8	17.0	14.0	220 bps	-301 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Godrej Agrovet						
Net sales	13,441	11,947	14,928	11.1	24.9	We expect 11% yoy growth in revenues driven by recovery in animal feed volumes, recovery in the domestic ag-chem business and higher oil palm volumes.
EBITDA	1,258	742	1,506	19.7	103.1	
EBIT	1,042	524	1,286	23.4	145.3	
PBT	991	554	1,281	29.3	131.1	
Reported PAT	738	251	798	8.1	218.6	We expect 70 bps yoy improvement in EBITDA margins driven by (1) improvement in the animal feed business mix, (2) gains from operating leverage and (3) recovery in dairy business margins due to lower milk prices and cost-reduction initiatives.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	761	320	868	14.1	171.0	
EPS (Rs/share)	4.1	1.7	4.5	10.0	171.0	
EBITDA margin (%)	9.4	6.2	10.1	72 bps	388 bps	
InterGlobe Aviation						
Net sales	57,529	57,991	65,680	14.2	13.3	We expect revenue growth of 14% yoy driven by 22% increase in RPKs and 6.5% decline in yields.
EBITDA	10,970	1,298	2,947	(73.1)	126.9	
EBIT	9,987	12	1,596	(84.0)	13,123.0	
PBT	11,243	1,662	3,289	(70.7)	97.9	
Reported PAT	8,111	1,176	2,335	(71.2)	98.5	We expect sharp yoy margin compression on account of lower yields and 28% yoy increase in ATF prices.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	8,111	1,176	2,335	(71.2)	98.5	
EPS (Rs/share)	22.5	3.1	6.1	(72.9)	98.5	
EBITDA margin (%)	19.1	2.2	4.5	-1459 bps	224 bps	
Kaveri Seed						
Net sales	5,906	416	6,024	2.0	1,347.8	We expect modest 2% yoy increase in revenues reflecting negative impact from likely decline in cotton acreages and lower regulated cotton seed prices, which will be partially offset by moderate growth for other crop seeds.
EBITDA	2,069	(133)	2,103	1.6	NM	
EBIT	2,006	(186)	2,040	1.7	NM	
PBT	2,046	(172)	2,079	1.6	NM	
Reported PAT	2,024	(184)	2,037	0.7	NM	
Extraordinaries	—	—	—	—	—	We expect yoy stable EBITDA margin as lower profitability of cotton seeds will likely be offset by lower write-offs.
Adjusted PAT	2,024	(184)	2,037	0.7	NM	
EPS (Rs/share)	29.3	(2.8)	30.8	5.2	NM	
EBITDA margin (%)	35.0	(32.1)	34.9	-13 bps	6696 bps	
PI Industries						
Net sales	5,532	6,251	6,763	22.3	8.2	We expect 22% yoy growth in revenues led by (1) healthy growth in domestic business from a low GST-impacted base and (2) pickup in exports due to spillover from the previous quarter.
EBITDA	1,304	1,347	1,574	20.7	16.9	
EBIT	1,107	1,135	1,359	22.7	19.8	
PBT	1,219	1,307	1,461	19.8	11.8	
Reported PAT	1,001	1,054	1,096	9.4	3.9	We expect ~30 bps yoy moderation in EBITDA margin despite operating leverage, due to rising input costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,001	1,054	1,096	9.4	3.9	
EPS (Rs/share)	7.3	7.7	8.0	9.4	3.9	
EBITDA margin (%)	23.6	21.5	23.3	-31 bps	172 bps	
Rallis India						
Net sales	4,418	3,711	4,948	12.0	33.4	We expect robust 12% yoy growth in revenues driven by (1) healthy growth in domestic business from a low GST-impacted base and (2) higher export revenues due to recovery in Latin America market.
EBITDA	694	336	879	26.6	161.4	
EBIT	580	236	759	31.0	221.6	
PBT	613	252	788	28.5	212.8	
Reported PAT	454	198	569	25.5	187.9	
Extraordinaries	—	—	—	—	—	We expect 200 bps improvement in EBITDA margin to 17.8% due to gains from low-cost inventory accumulated during 4QFY18 by the company in anticipation of rising input costs.
Adjusted PAT	454	198	569	25.5	187.9	
EPS (Rs/share)	2.3	1.0	2.9	25.5	187.9	
EBITDA margin (%)	15.7	9.1	17.8	205 bps	870 bps	
SIS						
Net sales	12,435	15,922	15,573	25.2	(2.2)	We expect strong 37% yoy EBITDA growth to be aided by 12% increase in India security business EBITDA, doubling of FM business EBITDA and positive contribution from new Australian acquisition.
EBITDA	670	866	917	36.8	6.0	
EBIT	559	683	772	38.0	13.0	
PBT	366	455	628	71.9	38.0	
Reported PAT	219	369	534	144.0	44.9	
Extraordinaries	—	—	—	—	—	We expect sequential reduction in depreciation and interest costs as 4QFY18 included purchase price accounting related costs.
Adjusted PAT	219	369	534	144.0	44.9	
EPS (Rs/share)	3.2	5.0	7.3	129.2	44.9	
EBITDA margin (%)	5.4	5.4	5.9	49 bps	45 bps	
SRF						
Net sales	12,926	16,123	14,297	10.6	(11.3)	We expect 11% yoy growth in revenues driven by (1) incremental contribution from expansion project in packaging business and (2) gradual recovery in specialty chemicals business, which will be partially offset by slower growth in technical textiles segment.
EBITDA	2,091	2,790	2,545	21.7	(8.8)	
EBIT	1,333	1,929	1,645	23.4	(14.7)	
PBT	1,266	1,634	1,350	6.7	(17.4)	
Reported PAT	1,038	1,239	1,013	(2.4)	(18.3)	
Extraordinaries	—	—	—	—	—	We expect EBITDA margins to increase by ~50 bps qoq primarily led by modestly higher gross margins and lower operating expenses.
Adjusted PAT	1,038	1,239	1,013	(2.4)	(18.3)	
EPS (Rs/share)	18.1	21.6	17.6	(2.4)	(18.3)	
EBITDA margin (%)	16.2	17.3	17.8	162 bps	49 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Tata Chemicals						
Net sales	25,724	25,551	26,573	3.3	4.0	We expect 4% qoq growth in revenues largely driven by a weaker rupee against US dollar.
EBITDA	4,498	5,124	5,399	20.0	5.4	
EBIT	3,181	3,785	4,049	27.3	7.0	
PBT	2,453	3,668	3,806	55.2	3.8	
Reported PAT	1,395	3,095	2,693	93.0	(13.0)	We expect adjusted net income to decline 13% qoq due to lower other income and higher tax rate; reported net income will include Rs3.75 bn of proceeds from sale of assets.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,395	3,095	2,693	93.0	(13.0)	
EPS (Rs/share)	5	12	11	93.0	(13.0)	
EBITDA margin (%)	17.5	20.1	20.3	282 bps	26 bps	
Teamlease Services						
Net sales	8,530	9,775	10,126	18.7	3.6	We expect an acceleration in sequential associate employee headcount addition to 6,000 and steady commissions.
EBITDA	130	227	245	88.4	7.9	
EBIT	110	200	217	97.3	8.8	
PBT	166	200	245	47.8	22.4	
Reported PAT	164	215	245	49.7	14.0	We expect sustained increase in apprentice headcount (higher-margin business), and increase in margin in core staffing business to drive 90% yoy increase in EBITDA.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	164	215	245	49.7	14.0	
EPS (Rs/share)	10	13	14	49.7	14.0	
EBITDA margin (%)	1.5	2.3	2.4	89 bps	9 bps	
UPL						
Net sales	37,230	56,910	40,449	8.6	(28.9)	We expect 9% growth in revenues driven by (1) 7% growth in volumes amid muted growth in North America due to weak commodity prices, (2) 1% increase in price and (3) 1% gains from cross-currency movement.
EBITDA	7,500	12,180	8,350	11.3	(31.4)	
EBIT	5,920	10,340	6,450	8.9	(37.6)	
PBT	5,040	11,710	5,775	14.6	(50.7)	
Reported PAT	4,730	7,360	4,708	(0.5)	(36.0)	
Extraordinaries	310	(2,320)	—	—	—	We expect modest ~50 bps yoy improvement in EBITDA margin to 20.6% primarily led by higher prices and favorable cross-currency movements.
Adjusted PAT	5,010	7,650	4,708	(6.0)	(38.5)	
EPS (Rs/share)	9.9	15.1	9.3	(6.0)	(38.5)	
EBITDA margin (%)	20.1	21.4	20.6	49 bps	-76 bps	
Vardhman Textiles						
Net sales	15,620	15,096	16,401	5.0	8.6	We expect robust increase in EBITDA driven by recovery in margins to 19% reflecting higher yarn prices and gains from low-cost inventory from the last harvesting season.
EBITDA	2,205	2,592	3,112	41.1	20.0	
EBIT	1,608	1,965	2,482	54.3	26.3	
PBT	1,810	2,226	2,632	45.4	18.2	
Reported PAT	1,488	1,637	1,925	29.3	17.6	We expect 18% qoq improvement in net income driven by (1) 5% increase in volumes and (2) 180 bps qoq increase in EBITDA margin.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,488	1,637	1,925	29.3	17.6	
EPS (Rs/share)	24.7	27.2	32.0	29.3	17.6	
EBITDA margin (%)	14.1	17.2	19.0	485 bps	180 bps	
Whirlpool						
Net sales	14,640	12,577	17,861	22.0	42.0	We expect revenues to increase by 22% yoy led by (1) strong growth in the overall consumer durable industry, (2) market share gains by the company led by portfolio expansion and (3) aggressive expansion into new categories such as air conditioner, water purifiers, kitchen products, etc.
EBITDA	2,108	1,406	2,443	15.9	73.7	
EBIT	1,830	1,173	2,153	17.7	83.6	
PBT	2,029	1,406	2,413	18.9	71.6	
Reported PAT	1,327	914	1,617	21.8	76.9	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to decline by 70 bps yoy as higher RM cost (build in 160 bps yoy decline in gross margin) will more than offset the operating leverage benefits.
Adjusted PAT	1,327	914	1,617	21.8	76.9	
EPS (Rs/share)	10.5	7.2	12.7	21.8	76.9	
EBITDA margin (%)	14.4	11.2	13.7	-72 bps	249 bps	
Pharmaceuticals						
Apollo Hospitals						
Net sales	19,031	21,110	22,371	17.6	6.0	We expect revenue growth of 18% yoy driven by 11% growth in healthcare business and 20% yoy growth in pharmacy business. Within healthcare, we expect existing centers to grow in high single digit with new centers' contribution driving incremental growth. We expect 20% growth in standalone pharmacy business driven by aggressive expansion of store network. Revenues are not strictly comparable yoy due to accounting changes in revenue reporting for healthcare and AHLL division.
EBITDA	1,649	1,864	2,222	34.7	19.2	
EBIT	809	1,100	1,422	75.7	29.2	
Reported PAT	9	357	550	6,011.1	54.1	
Adjusted PAT	9	357	550	6,011.1	54.1	We expect consolidated EBITDA margin to increase 110 bps qoq to 9.9%. We expect 17.3% margin in healthcare business, 4.5% margin in pharmacy business and steady Rs250 mn EBITDA loss in AHLL business.
EBITDA margin (%)	8.7	8.8	9.9	126 bps	110 bps	
Aurobindo Pharma						
Net sales	36,788	40,491	41,190	12.0	1.7	We expect the US business to grow by US$25 mn qoq, reflecting the recent launches, particularly, ertapenem and atazanavir. We expect the RoW business to grow by 15% yoy, and EU business to grow by 10% yoy, and do not factor in any recovery in ARV sales.
EBITDA	8,416	8,040	8,842	5.1	10.0	
EBIT	7,104	6,474	7,252	2.1	12.0	
PBT	7,156	6,665	7,332	2.5	10.0	
Reported PAT	5,185	5,444	5,573	7.5	2.4	
Extraordinaries	(77)	—	—	—	—	We expect EBITDA margin to expand 160 bps qoq to 22% in the quarter. We expect EPS to grow by 8% yoy.
Adjusted PAT	5,185	5,444	5,573	7.5	2.4	
EPS (Rs/share)	8.9	9.3	9.5	7.5	2.4	
EBITDA margin (%)	22.9	19.9	21.5	-142 bps	160 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

				Change (%)		
	Jun-17	Mar-18	Jun-18E	yoy	qoq	Comments
Biocon						
Net sales	9,337	11,695	11,620	24.4	(0.6)	We expect revenue growth to at 24% driven by biologics (30% yoy), research services (18% yoy) and domestic formulations (17% yoy).
EBITDA	1,921	2,330	2,540	32.2	9.0	
EBIT	931	1,373	1,561	67.6	13.7	
PBT	1,310	1,879	2,086	59.2	11.0	
Reported PAT	813	1,304	1,389	70.8	6.5	
Extraordinaries	—	—	—	—	—	We expect 22% EBITDA margin in the quarter based on 5% R&D spend as percentage of sales.
Adjusted PAT	813	1,304	1,389	70.8	6.5	
EPS (Rs/share)	1.4	2.2	2.3	70.8	6.4	
EBITDA margin (%)	20.6	19.9	21.9	128 bps	193 bps	
Cipla						
Net sales	35,251	36,980	38,591	9.5	4.4	We expect domestic formulations growth to lead with 20% yoy growth, benefitting from a favorable base, given the impact of GST-led de-stocking in 1QFY18, although the qoq growth is more modest at 4% off a seasonally weak quarter. We expect RoW and API to have steady performance. We expect exports formulations to grow by 4% yoy. We expect US to report sales of US$108 mn in the quarter, as we expect product portfolio rationalization to offset new product contributions. We expect 12% yoy growth in South Africa, and expect Africa (including global access) and RoW to decline by 3% on a combined basis.
EBITDA	6,465	5,569	6,982	8.0	25.4	
EBIT	4,330	2,721	4,107	(5.1)	51.0	
PBT	5,566	1,993	4,457	(19.9)	123.6	
Reported PAT	4,088	1,531	3,218	(21.3)	110.1	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	4,088	1,531	3,218	(21.3)	110.1	
EPS (Rs/share)	5.1	1.9	4.0	(21.3)	110.1	We expect steady profitability with EBITDA margin at 18.1%, as we expect R&D to increase to 8% of sales.
EBITDA margin (%)	18.3	15.1	18.1	-25 bps	303 bps	
Dr Lal Pathlabs						
Net sales	2,493	2,668	2,892	16.0	8.4	We expect revenues to grow 16% yoy, primarily led by volume growth. We expect realizations to remain steady qoq and decline modestly yoy as bundled tests continue to grow in overall mix.
EBITDA	655	640	767	17.0	19.8	
EBIT	586	533	667	13.7	25.1	
PBT	661	620	755	14.2	21.7	
Reported PAT	442	401	501	13.3	24.9	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to increase to 26.5% (+250 bps qoq, +20 bps yoy) led by higher revenue growth.
Adjusted PAT	442	401	501	13.3	24.9	
EPS (Rs/share)	5.3	4.8	6.0	13.3	24.9	
EBITDA margin (%)	26.3	24.0	26.5	23 bps	251 bps	
Dr Reddy's Laboratories						
Net sales	33,159	35,349	36,388	9.7	2.9	We expect US business to expand US$15 mn qoq, given pre-TRO stocking for Suboxone, and partially reflect a relatively stable base in the quarter. We forecast 15% yoy growth for India while we expect Russia/CIS to grow by ~10% yoy. We expect proprietary products to continue with sluggish trends seen in the past few quarters with only 5% qoq growth.
EBITDA	3,058	5,510	6,919	126.3	25.6	
EBIT	259	2,480	3,672	1,317.7	48.1	
PBT	674	3,679	3,977	490.0	8.1	
Reported PAT	591	3,022	3,083	421.7	2.0	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to expand 340 bps qoq to 19%, as we expect gross margins to improve to ~55% in the quarter, given potential stocking benefits from Suboxone. We expect 2% qoq EPS growth.
Adjusted PAT	591	3,022	3,083	421.7	2.0	
EPS (Rs/share)	3.6	18.2	18.6	421.7	2.0	
EBITDA margin (%)	9.2	15.6	19.0	979 bps	342 bps	
HCG						
Net sales	1,911	2,223	2,303	20.5	3.6	We expect revenues to increase by 20% yoy led by 11% yoy growth in mature centers along with ramp-up of newly set-up facilities
EBITDA	295	322	330	11.9	2.5	
EBIT	143	109	117	(17.8)	7.4	
PBT	97	(10)	(3)	(103.4)	(68.0)	
Reported PAT	47	26	7	(85.8)	(74.1)	We expect EBITDA margin to remain steady qoq at 14.3% as losses from the newly commissioned facility will be offset by decline in losses from Borivali and Nagpur centers.
Extraordinaries	—	44	—	—	—	
Adjusted PAT	47	26	7	(85.8)	(74.1)	
EPS (Rs/share)	0.6	0.3	0.1	(85.8)	(74.1)	
EBITDA margin (%)	15.4	14.5	14.3	-112 bps	-16 bps	
Laurus Labs						
Net sales	4,912	5,602	5,036	2.5	(10.1)	We expect ARV API revenues to grow 7% yoy, while Hep-C revenues will decline 51% yoy and 4% qoq, reflecting continued erosion in pricing of the portfolio. We expect ingredients and synthesis to grow strongly at 101% and 61% yoy, respectively (11% and 18% qoq, respectively). We expect US formulations to have only a modest contribution in the quarter (Rs50 mn).
EBITDA	965	1,169	942	(2.4)	(19.4)	
EBIT	667	823	587	(12.0)	(28.6)	
PBT	552	641	423	(23.4)	(34.0)	
Reported PAT	389	451	313	(19.6)	(30.6)	
Extraordinaries	—	—	—	—	—	We expect gross margins to remain steady at 48.5% helped by product mix and expect EBITDA margin to decline 210 bps to 18.7% given sustained losses in the formulations segment.
Adjusted PAT	389	451	313	(19.6)	(30.6)	
EPS (Rs/share)	3.7	4.3	3.0	(19.6)	(30.6)	
EBITDA margin (%)	19.6	20.9	18.7	-94 bps	-215 bps	
Lupin						
Net sales	38,696	40,338	41,042	6.1	1.7	We expect US business to decline by US$4 mn qoq, as 4QFY18 benefitted from Tamiflu suspension and memantine launches. We expect a strong quarter for the domestic business, given 1QFY18 had negative impact from GST, and India is likely to have another strong quarter with 22% yoy growth. We expect South Africa to grow by 12% yoy, and expect 12% growth in RoW. We also include US$15 mn milestone income from Mylan for biosimilar Enbrel in our forecasts.
EBITDA	7,684	7,088	7,999	4.1	12.9	
EBIT	5,079	4,359	5,399	6.3	23.9	
PBT	4,959	5,223	4,849	(2.2)	(7.2)	
Reported PAT	3,581	(7,835)	3,475	(2.9)	NM	
Extraordinaries	—	(14,644)	—	—	—	
Adjusted PAT	3,581	3,991	3,475	(2.9)	(12.9)	We expect EBITDA margin to expand by 190 bps qoq to 19.5%, although adjusting for licensing income, we expect flat margins, despite a stronger quarter formulations, partly due to upfront costs of Solosec launch. We expect EPS to decline by 3% yoy.
EPS (Rs/share)	8.0	8.9	7.7	(2.9)	(12.9)	
EBITDA margin (%)	19.9	17.6	19.5	-37 bps	192 bps	

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	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Narayana Hrudayalaya						
Net sales	5,211	6,468	6,795	30.4	5.1	We expect revenues to increase by 30% yoy driven by (1) 16% yoy growth in existing hospitals business and (2) full quarter contribution of Cayman entity (consolidated from January 2018). We expect revenues of mature facilities to grow 12% yoy.
EBITDA	504	523	545	8.0	4.1	
EBIT	286	262	284	(0.7)	8.2	
PBT	235	100	121	(48.4)	21.0	
Reported PAT	109	98	79	(27.9)	(19.7)	
Extraordinaries	—	17	—	—	—	We expect EBITDA margin to decline modestly by 10 bps qoq to 8% (-170 bps yoy) as losses from Gurugram facility (commissioned in 1QFY19) will impact EBITDA.
Adjusted PAT	109	98	79	(27.9)	(19.7)	
EPS (Rs/share)	0.5	0.5	0.4	(27.9)	(19.7)	
EBITDA margin (%)	9.7	8.1	8.0	-166 bps	-8 bps	
Sun Pharmaceuticals						
Net sales	62,088	69,771	70,963	14.3	1.7	We expect Taro revenues to remain largely flat in 1QFY19. We expect SUNP's ex-Taro US revenues to jump by US$22 mn qoq, partly reflecting Welchol AG launch. We expect continued improvement in the domestic business with 20% yoy growth, with 1QFY18 being impacted due to GST-led de-stocking. We expect RoW sales to grow by 7% yoy while EMs will likely grow at 10% yoy.
EBITDA	10,957	16,835	15,206	38.8	(9.7)	
EBIT	7,490	12,283	10,606	41.6	(13.6)	
PBT	7,916	13,756	11,606	46.6	(15.6)	
Reported PAT	(4,249)	13,323	8,869	NM	(33.4)	
Extraordinaries	(9,505)	—	—	—	—	We expect EBITDA margin to decline to 21.4% with Ilumya and Yonsa launch costs partially contributing to costs. We expect base Taro EBITDA margin to decline 50 bps in the quarter and expect ex-Taro EBITDA margin at 18%.
Adjusted PAT	5,256	10,504	8,869	68.7	(15.6)	
EPS (Rs/share)	2.2	4.4	3.7	68.7	(15.6)	
EBITDA margin (%)	17.6	24.1	21.4	378 bps	-271 bps	
Torrent Pharmaceuticals						
Net sales	13,740	17,220	17,891	30.2	3.9	Yoy comps will be strictly not comparable in the quarter, given the impact of GST-led de-stocking in 1QFY19, which had a significant impact on the domestic formulations segment. We expect TRP to report 30% yoy growth (9% qoq growth), largely driven by the domestic business, where we expect sharp 69% growth, helped by continued market growth and full quarter consolidation of the Unichem business (Rs2.3 bn revenues). We expect LatAm revenues to decline by 10% due to de-stocking and expect other branded markets to grow by 10%. We expect Europe revenues to grow 12% yoy, and expect US to remain flat qoq.
EBITDA	2,970	3,640	4,527	52.4	24.4	
EBIT	2,170	2,130	2,977	37.2	39.8	
PBT	2,660	1,340	2,327	(12.5)	73.6	
Reported PAT	1,880	2,280	1,722	(8.4)	(24.5)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,880	2,280	1,722	(8.4)	(24.5)	We expect EBITDA margin to expand to 25.3% from 21.1% in 4QFY18 (290 bps one-off impact from M&A costs) due to operating leverage, and continued focus on Unichem synergies. We expect EPS to decline 8% yoy due to amortization of goodwill arising from acquisition of Unichem.
EPS (Rs/share)	11.1	13.5	10.2	(8.4)	(24.5)	
EBITDA margin (%)	21.6	21.1	25.3	368 bps	416 bps	
Real Estate						
Brigade Enterprises						
Net sales	5,550	4,335	4,881	(12.1)	12.6	New acquisition, capex to reflect in increase in debt.
EBITDA	1,263	1,348	1,100	(12.9)	(18.4)	
EBIT	945	976	718	(24.1)	(26.4)	
PBT	435	371	232	(46.6)	(37.4)	
Reported PAT	280	244	124	(55.7)	(49.1)	Unsold area in completed projects and sales schemes could reflect in better sales than in previous quarters.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	283	248	124	(56.1)	(49.8)	
EBITDA margin (%)	22.8	31.1	22.5	-21 bps	-855 bps	
DLF						
Net sales	20,477	13,777	26,044	27.2	89.0	DCCDL, previously a material subsidiary of DLF, has shifted to equity method of accounting from 3QFY18. Earnings for the quarter are accordingly not comparable to those of 1QFY18.
EBITDA	9,031	(138)	2,413	(73.3)	NM	
EBIT	7,582	(761)	1,785	(76.5)	NM	
PBT	1,391	(1,248)	(2,062)	(248.2)	65.3	
Tax	179	334	250	39.7	(25.2)	
Reported PAT	1,107	517	(112)	(110.1)	(121.7)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,085	393	(112)	(110.3)	(128.6)	
EPS (Rs/share)	0.6	0.2	—	(100.0)	(100.0)	
EBITDA margin (%)	44.1	(1.0)	9.3	-3484 bps	1027 bps	
Godrej Properties						
Net sales	2,487	5,212	5,160	107.5	(1.0)	New launches during 4QFY18 could continue strong pre-sales momentum.
EBITDA	(183)	(1,074)	242	NM	NM	
EBIT	(219)	(1,118)	200	NM	NM	
PBT	430	1,750	807	87.5	(53.9)	
Reported PAT	234	1,415	540	131.3	(61.8)	Sales at BKC to drive absolute debt.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	233	1,389	540	132.1	(61.1)	
EBITDA margin (%)	(7.4)	(20.6)	4.7	1203 bps	2529 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Oberoi Realty						
Net sales	2,607	3,450	3,500	34.2	1.5	We expect marginally better sales at completed projects during the quarter.
EBITDA	1,355	1,834	1,790	32.1	(2.4)	
EBIT	1,232	1,716	1,670	35.6	(2.7)	
PBT	1,312	1,776	1,690	28.8	(4.8)	
Reported PAT	906	1,419	1,149	26.8	(19.0)	Release of larger units at Three Sixty West could reflect in a transaction or two.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	914	1,429	1,149	25.8	(19.6)	
EBITDA margin (%)	52.0	53.1	51.1	-84 bps	-201 bps	
Prestige Estates Projects						
Net sales	12,796	18,846	12,310	(3.8)	(34.7)	We expect debt to increase on account of partial stake acquisitions, capex.
EBITDA	2,642	3,702	2,199	(16.8)	(40.6)	
EBIT	2,266	3,315	1,749	(22.8)	(47.3)	
PBT	1,668	2,179	948	(43.2)	(56.5)	
Reported PAT	812	1,447	595	(26.7)	(58.9)	Sales could be better than last few quarters average on account of higher discounts.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	812	1,447	595	(26.7)	(58.9)	
EBITDA margin (%)	20.6	19.6	17.9	-279 bps	-179 bps	
Sobha						
Net sales	6,789	7,696	7,327	7.9	(4.8)	We expect sales to be better than in the previous quarters.
EBITDA	1,215	1,364	1,326	9.2	(2.8)	
EBIT	1,080	1,229	1,182	9.4	(3.8)	
PBT	728	907	767	5.3	(15.4)	
Reported PAT	477	654	522	9.3	(20.3)	Positive OCF to continue with marginal debt reduction, provided it makes no payments for new land purchases.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	470	654	522	11.0	(20.3)	
EBITDA margin (%)	17.9	17.7	18.1	20 bps	37 bps	
Sunteck Realty						
Net sales	1,334	2,067	2,268	70.0	9.7	Collections from sales done at BKC to remain strong.
EBITDA	707	1,074	1,143	61.6	6.4	
EBIT	704	1,069	1,138	61.7	6.4	
PBT	622	1,021	1,085	74.5	6.3	
Reported PAT	342	676	722	110.9	6.8	Slower construction and sales in Goregaon, will reflect in drop in recognition.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	352	586	722	105.0	23.2	
EPS (Rs/share)	2.5	4.2	5.1	105.0	23.2	
EBITDA margin (%)	53.0	52.0	50.4	-265 bps	-157 bps	
Technology						
HCL Technologies						
Net sales	121,490	131,790	138,835	14.3	5.3	Decomposition of revenue growth is as follows: (1) organic constant-currency revenue growth rate of 1.1%, (2) contribution from C3i acquisition of US$40 mn or 2% and (3) cross-currency headwind of 180 bps. EBIT margin to be largely stable. Benefit of rupee depreciation against non-USD currencies to be offset by lower margin profile of acquisitions and weak growth.
EBITDA	26,801	30,363	31,122	16.1	2.5	
EBIT	24,437	25,830	27,195	11.3	5.3	
PBT	27,128	28,630	29,059	7.1	1.5	
Reported PAT	21,709	22,267	22,347	2.9	0.4	We expect the company to maintain 9.5-11.5% c/c revenue growth guidance. Expect investor focus on (1) progress on deal closures in IMS, areas which have witnessed slowdown, (2) capital allocation in light of aggressive M&A targets of the company, (3) synergy benefits and performance of inorganic initiatives and (4) investments and strategy to catch up with competition in digital.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	21,709	22,267	22,347	2.9	0.4	
EPS (Rs/share)	15.4	15.8	15.8	2.9	0.4	
EBITDA margin (%)	22.1	23.0	22.4	35 bps	-63 bps	
Hexaware Technologies						
Net sales	9,836	10,490	11,422	16.1	8.9	We expect c/c revenue growth of 5.4% led by seasonal strength and continued ramp-up of large deals. EBIT margin will increase due to higher utilization rate and rupee depreciation. The Street will closely monitor the performance of large accounts after hiccups in the past two quarters.
EBITDA	1,598	1,626	1,875	17.4	15.3	
EBIT	1,441	1,475	1,705	18.3	15.6	
PBT	1,587	1,679	1,819	14.6	8.3	
Reported PAT	1,224	1,343	1,452	18.7	8.2	
Extraordinaries	—	—	—	—	—	Expect investor focus on (1) momentum in professional services and enterprise solutions business, (2) momentum in TCVs of net new business, and (3) deal wins and progress in IMS and BPO practices.
Adjusted PAT	1,224	1,343	1,452	18.7	8.2	
EPS (Rs/share)	4.1	4.5	4.8	18.7	8.2	
EBITDA margin (%)	16.2	15.5	16.4	17 bps	91 bps	
Infosys						
Net sales	170,780	180,830	191,588	12.2	5.9	We expect constant-currency revenue growth of 2.7% and cross-currency headwind of 100 bps. 1Q is a seasonally strong quarter due to higher billing days and allocation of budgets to programs. Expect EBIT margin decline of 100 bps due to wage revision and higher visa costs. This will be offset to some extent by rupee depreciation.
EBITDA	45,610	49,300	49,939	9.5	1.3	
EBIT	41,110	44,720	45,329	10.3	1.4	
PBT	49,250	50,060	51,127	3.8	2.1	
Reported PAT	34,830	36,900	37,069	6.4	0.5	Expect Infosys to maintain c/c revenue growth guidance of 6-8% and EBIT margin guidance band of 22-24%. We expect investor focus on (1) growth from financial services vertical, (2) TCV of deal wins that has been rather weak, (3) leadership attrition that seems to have reached worrying levels, (4) account mining metrics and (5) pricing outlook and progress on automation.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	34,830	36,900	37,069	6.4	0.5	
EPS (Rs/share)	15.2	17.0	17.0	12.0	0.5	
EBITDA margin (%)	26.7	27.3	26.1	-65 bps	-120 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

				Change (%)		
	Jun-17	Mar-18	Jun-18E	yoy	qoq	Comments
L&T Infotech						
Net sales	16,707	20,012	21,076	26.1	5.3	We expect c/c revenue growth of 2.9% and cross-currency headwind of 130 bps. Depreciation of rupee, South African rand, AUD and other currencies against USD will lead to high cross-currency headwind. June quarter is seasonally weak for the company; hence the growth may not be as strong as in the March 2018 quarter. We expect EBITDA margin to increase 100 bps over adjusted EBITDA margin of March 2018 quarter. The increase will be led by (1) rupee depreciation and (2) lower pass-through revenues.
EBITDA	2,798	2,920	3,809	36.1	30.4	
EBIT	2,405	2,560	3,399	41.3	32.8	
PBT	3,489	3,678	4,064	16.5	10.5	
Reported PAT	2,672	2,895	3,048	14.1	5.3	
Extraordinaries	—	—	—	—	—	We expect Fx gain to decline sharply to Rs412 mn from Rs910 mn in the previous quarter. LTI hedges cash flows through forward contracts; gains on these contracts will reduce after the recent rupee depreciation. We expect investor focus on (1) demand outlook, especially in the top-10 accounts, (2) growth in digital services, (3) capital allocation, (4) M&A strategy and (5) hedging gains carried forward in OCI in light of rupee depreciation.
Adjusted PAT	2,672	2,895	3,048	14.1	5.3	
EPS (Rs/share)	15.3	16.5	17.4	13.8	5.3	
EBITDA margin (%)	16.7	14.6	18.1	132 bps	348 bps	
Mindtree						
Net sales	12,895	14,640	15,632	21.2	6.8	We expect revenue growth of 3.5% in constant-currency terms. Growth will likely be broad-based, a sharp contrast to the past where top client drove most of the incremental revenues. We expect cross-currency headwind of 62 bps.
EBITDA	1,435	2,355	2,214	54.3	(6.0)	
EBIT	976	1,972	1,808	85.2	(8.3)	
PBT	1,590	2,505	2,008	26.3	(19.8)	
Reported PAT	1,217	1,822	1,466	20.4	(19.6)	We expect 190 bps sequential decline in EBIT margin due to wage revision and visa costs. This will be offset by rupee depreciation. We expect investor focus on (1) deal wins and pipeline, (2) composition of growth, especially given the heavy reliance on top client for growth and (3) performance of acquired entities (Bluefin and Magnet 360).
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,217	1,822	1,466	20.4	(19.6)	
EPS (Rs/share)	7.2	11.1	8.9	23.2	(19.6)	
EBITDA margin (%)	11.1	16.1	14.2	303 bps	-193 bps	
Mphasis						
Net sales	15,360	17,444	18,374	19.6	5.3	Expect strong growth led by DxC and Blackstone portfolio of companies. Aggressive hedging implies that the company may not gain much from rupee depreciation in the quarter.
EBITDA	2,295	3,094	3,179	38.5	2.7	
EBIT	2,114	2,922	3,007	42.2	2.9	
PBT	2,562	3,302	3,389	32.3	2.6	
Reported PAT	1,872	2,376	2,509	34.0	5.6	Investor focus will remain on (1) deal wins in direct channel and confidence on sustenance of growth in direct core and DXC channel, (2) outlook for Digital Risk, (3) deal progress from Blackstone portfolio companies, (4) sustainability of hedging gains and its impact on margins in FY2019 and (5) dividend policy and cash-utilization strategy.
Extraordinaries	—	(131)	—	—	—	
Adjusted PAT	1,872	2,507	2,509	34.0	0.1	
EPS (Rs/share)	9.7	13.0	13.0	34.0	0.1	
EBITDA margin (%)	14.9	17.7	17.3	235 bps	-44 bps	
TCS						
Net sales	295,840	320,750	341,828	15.5	6.6	We expect constant-currency (c/c) revenue growth of 3.7% and cross-currency headwind of 120 bps. Growth will be led by seasonal strength and ramp-up of large deals won in 2HFY18. All verticals, barring banking, will report healthy growth.
EBITDA	74,120	86,520	89,076	20.2	3.0	
EBIT	69,140	81,470	83,739	21.1	2.8	
PBT	78,460	91,290	92,804	18.3	1.7	
Reported PAT	59,450	69,040	69,525	16.9	0.7	Impact of wage revision will be 200 bps, which will be partly offset by depreciation of rupee. EBIT margin will increase on yoy comparison aided by rupee depreciation. We expect investor focus on (1) demand outlook, especially in BFS vertical, (2) ramp-up timeframe of recently-won large deals, (3) EBIT margin outlook in light of ramp-up of recently won large deals and (4) increase in digital deal sizes.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	59,450	69,040	69,525	16.9	0.7	
EPS (Rs/share)	15.5	18.0	18.2	16.9	0.7	
EBITDA margin (%)	25.1	27.0	26.1	100 bps	-92 bps	
Tech Mahindra						
Net sales	73,361	80,545	81,917	11.7	1.7	We expect c/c revenue decline of 1% and cross-currency headwind of 100 bps. The telecom vertical will continue to be weak and decline due to seasonal weakness in Comviva portfolio. Enterprise segment will be largely flattish. We forecast forex gain of US$7 mn, down from US$27 mn in 4QFY18.
EBITDA	9,347	14,119	12,891	37.9	(8.7)	
EBIT	6,879	11,133	10,103	46.9	(9.2)	
PBT	10,615	15,119	11,403	7.4	(24.6)	EBIT margin will decline 150 qoq due to (1) wage revision, (2) additional visa costs and (3) seasonal weakness in Comviva business that drags down margins. The impact of these three factors will be offset to some extent due to rupee depreciation. We expect investors to focus on (1) demand outlook, especially for telecom vertical in light of continued weakness from the top account, (2) growth outlook in light of weak start to the year, (3) deal pipeline and wins in telecom vertical, (4) 5G opportunity and (5) M&A strategy and capital allocation.
Reported PAT	7,985	12,221	8,660	8.5	(29.1)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	7,985	12,221	8,660	8.5	(29.1)	
EPS (Rs/share)	8.2	12.4	8.8	7.6	(29.2)	
EBITDA margin (%)	12.7	17.5	15.7	299 bps	-180 bps	
Wipro						
Net sales	136,614	138,243	141,097	3.3	2.1	Expect constant-currency revenue decline of 1.2% and cross-currency headwind of 120 bps resulting in 2.5% revenue decline in USD terms. Reasons for weak quarter are (1) further ramp-down in HPS business, (2) full impact of insolvency of two large clients and (3) delay in ramp-up of large deals.
EBITDA	26,890	25,074	27,494	2.2	9.6	
EBIT	22,093	19,385	22,417	1.5	15.6	
PBT	26,819	22,623	25,835	(3.7)	14.2	
Reported PAT	20,765	18,027	19,965	(3.9)	10.8	We expect adjusted EBIT margin to increase largely due to depreciation of rupee against non-USD currencies. We expect Wipro to guide for 0-2% revenue growth for Sep 2018 quarter in c/c basis. We expect investor focus on (1) future growth strategy after a disappointing 1QFY19, (2) state of demand from weak utilities, healthcare and communications verticals, (3) measures taken to defend share in core areas of competence, i.e. IMS, ERD and BPO and (4) drivers of margin.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	20,765	18,027	19,965	(3.9)	10.8	
EPS (Rs/share)	4.3	4.0	4.4	3.5	10.8	
EBITDA margin (%)	19.7	18.1	19.5	-20 bps	134 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	Change (%) qoq	Comments
Telecom						
Bharti Airtel						
Net sales	219,581	196,343	198,920	(9.4)	1.3	Downtrading to the most competitive bundled plans continues to hurt despite moderating pace. For India wireless, we expect a 8% qoq dip in ARPU (lower organic decline; Telenor India consolidation is ARPU-dilutive) to Rs107 and a 8.5% qoq and 39% yoy decline in EBITDA to Rs26.9 bn.
EBITDA	77,584	69,299	65,693	(15.3)	(5.2)	
EBIT	29,392	20,308	15,443	(47.5)	(24.0)	
PBT	11,961	2,580	(5,607)	(146.9)	(317.3)	
Reported PAT	3,673	829	(4,484)	(222.1)	(640.9)	
Extraordinaries	(402)	(3,247)	—	—	—	For Africa wireless, we are building in a c/c topline growth of around 2% qoq and a 100 bps sequential dip in EBITDA margin. INR depreciation is likely to aid reported numbers.
Adjusted PAT	4,075	4,076	(4,484)	(210.0)	(210.0)	
EPS (Rs/share)	1.0	1.0	(1.1)	(210.0)	(210.0)	
EBITDA margin (%)	35.3	35.3	33.0	-231 bps	-228 bps	
Bharti Infratel						
Net sales	35,239	36,622	35,891	1.8	(2.0)	BHIN's quarterly print is likely to be soft on account of loss of tenancies from Telenor and seasonal dip in energy spread.
EBITDA	15,750	15,923	15,476	(1.7)	(2.8)	
EBIT	9,845	10,202	9,711	(1.4)	(4.8)	
PBT	10,946	11,029	10,331	(5.6)	(6.3)	
Reported PAT	6,639	6,060	6,197	(6.7)	2.3	Muted tenancy gains from the incumbents as well as Jio will also continue to the negative impact. We expect a 3% qoq and 2% yoy decline in EBITDA to Rs15.5 bn.
Extraordinaries	—	(500)	—	—	—	
Adjusted PAT	6,639	6,560	6,197	(6.7)	(5.5)	
EPS (Rs/share)	3.6	3.5	3.3	(6.7)	(5.5)	
EBITDA margin (%)	44.7	43.5	43.1	-158 bps	-36 bps	
IDEA						
Net sales	81,665	61,373	59,760	(26.8)	(2.6)	Downtrading to the most competitive bundled plans continue to hurt industry revenues despite moderating pace.
EBITDA	18,754	14,471	8,169	(56.4)	(43.6)	
EBIT	(1,925)	(6,383)	(13,331)	592.5	108.9	
PBT	(13,464)	(16,125)	(25,331)	88.1	57.1	
Reported PAT	(8,149)	(9,622)	(16,483)	102.3	71.3	Idea's revenues will also get impacted by sale of owned towers to ATC. We expect EBITDA print of Rs8.2 bn, a decline of 44% qoq and 56% yoy on a reported and 19% qoq on an adjusted basis.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	(8,149)	(9,622)	(16,483)	102.3	71.3	
EPS (Rs/share)	(2.3)	(2.7)	(4.6)	102.3	71.3	
EBITDA margin (%)	23.0	23.6	13.7	-930 bps	-991 bps	
Tata Communications						
Net sales	43,100	40,086	40,110	(6.9)	0.1	Losses in growth and innovation services are likely to remain high.
EBITDA	5,586	5,555	5,531	(1.0)	(0.4)	
EBIT	1,140	503	446	(60.8)	(11.3)	
PBT	822	1,922	(154)	(118.7)	(108.0)	
Reported PAT	322	(1,210)	(434)	(234.5)	(64.1)	Voice segment EBITDA continues to decline while growth in traditional services will mitigate these negative impacts. We expect TCOM's EBITDA to be flat both qoq and yoy.
Extraordinaries	—	(1,621)	—	—	—	
Adjusted PAT	322	411	(434)	(234.5)	(205.4)	
EPS (Rs/share)	1.1	1.4	(1.5)	(234.5)	(205.4)	
EBITDA margin (%)	13.0	13.9	13.8	82 bps	-7 bps	
Utilities						
CESC						
Net sales	19,900	20,810	21,963	10.4	5.5	Subdued quarter in the absence of growth in unit sales at 2,890 MU (+1% yoy, +21% qoq) will curtail overall return profile.
EBITDA	4,130	5,510	4,706	13.9	(14.6)	
EBIT	3,080	4,400	3,596	16.7	(18.3)	
PBT	2,270	3,720	2,828	24.6	(24.0)	
Reported PAT	1,780	2,920	2,177	22.3	(25.4)	Earning performance still does not reflect tariff increase in the absence of regulatory order.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,780	2,920	2,177	22.3	(25.4)	
EPS (Rs/share)	14.2	23.4	17.4	22.3	(25.4)	
EBITDA margin (%)	20.8	26.5	21.4	67 bps	-506 bps	
JSW Energy						
Net sales	22,316	17,751	21,258	(4.7)	19.8	Drop in generation to 6.3 BU (-8% yoy, -13% qoq) from 6.9 BU in 1QFY18 primarily attributable to lower generation at Karcham Wangtoo.
EBITDA	8,688	4,215	5,896	(32.1)	39.9	
EBIT	6,261	1,838	3,444	(45.0)	87.4	
PBT	3,323	(358)	1,396	(58.0)	NM	
Reported PAT	2,172	(4,801)	977	(55.0)	NM	The steep increase in prices of imported coal to US$100/ton (+30% yoy) in 4QFY18 from US$77/ton in 1QFY18 will impact profitability of thermal power plants.
Extraordinaries	(37)	(4,424)	—	—	—	
Adjusted PAT	2,209	(376)	977	(55.8)	NM	
EPS (Rs/share)	1.3	(0.2)	0.6	(55.8)	NM	
EBITDA margin (%)	38.9	23.7	27.7	-1120 bps	399 bps	

Source: Companies, Kotak Institutional Equities estimates

Company-wise earnings of the KIE universe (₹ mn)

	Jun-17	Mar-18	Jun-18E	Change (%) yoy	qoq	Comments
NHPC						
Net sales	23,275	11,369	21,001	(9.8)	84.7	
EBITDA	13,863	3,576	11,451	(17.4)	220.2	Sharp decline in generation at 7 BU (-19% yoy) will impact earnings in a seasonally strong quarter.
EBIT	10,327	27	7,813	(24.4)	29,051.2	
PBT	10,980	2,877	9,820	(10.6)	241.4	
Reported PAT	8,627	1,894	7,169	(16.9)	278.5	
Extraordinaries	—	—	—	—	—	Earnings performance would have been weaker but for lower other income in 1QFY18.
Adjusted PAT	8,627	1,894	7,169	(16.9)	278.5	
EPS (Rs/share)	0.8	0.2	0.6	(16.9)	278.5	
EBITDA margin (%)	59.6	31.5	54.5	-504 bps	2307 bps	
NTPC						
Net sales	198,793	231,003	219,844	10.6	(4.8)	
EBITDA	50,401	59,100	58,755	16.6	(0.6)	Generation growth of 4.8% yoy to 68 BU owing to (1) asset commercialization of 3.9 GW in trailing 12 months and (2) improved demand during the quarter.
EBIT	34,701	39,752	39,241	13.1	(1.3)	
PBT	34,654	36,883	36,640	5.7	(0.7)	
Reported PAT	26,182	29,256	27,480	5.0	(6.1)	
Extraordinaries	—	3,883	—	—	—	Improved plant availability likely to address fixed charge under-recovery seen in 4QFY18.
Adjusted PAT	26,182	25,373	27,480	5.0	8.3	
EPS (Rs/share)	3.2	3.1	3.3	5.0	8.3	
EBITDA margin (%)	25.4	25.6	26.7	137 bps	114 bps	
Power Grid						
Net sales	71,814	78,113	81,455	13.4	4.3	
EBITDA	62,004	65,241	70,473	13.7	8.0	Revenue growth (13.4% yoy) aided by aggressive capitalization of Rs274 bn in trailing 12 months.
EBIT	40,692	41,176	45,808	12.6	11.2	
PBT	25,153	23,997	25,617	1.8	6.8	
Reported PAT	19,829	18,461	20,493	3.4	11.0	
Extraordinaries	—	—	—	—	—	We factor asset capitalization of Rs34 bn in 1QFY19, similar to Rs35 bn of asset capitalization done in 1QFY18.
Adjusted PAT	19,829	18,461	20,493	3.4	11.0	
EPS (Rs/share)	3.8	3.5	3.9	3.4	11.0	
EBITDA margin (%)	86.3	83.5	86.5	17 bps	299 bps	
Reliance Power						
Net sales	26,352	24,278	23,255	(11.8)	(4.2)	
EBITDA	11,639	10,838	10,813	(7.1)	(0.2)	Weak generation at Butibori (68% PLF) and Rosa (57% PLF) during the quarter will be offset by higher generation at Sasan (93% PLF).
EBIT	9,758	8,895	8,832	(9.5)	(0.7)	
PBT	3,269	1,724	2,839	(13.2)	64.7	
Reported PAT	2,309	2,505	2,214	(4.1)	(11.6)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,309	2,505	2,214	(4.1)	(11.6)	Cost-plus tariffs at Rosa and Butibori will ensure earnings stability.
EPS (Rs/share)	0.8	0.9	0.8	(4.1)	(11.6)	
EBITDA margin (%)	44.2	44.6	46.5	232 bps	185 bps	
Tata Power						
Net sales	19,156	18,356	19,555	2.1	6.5	
EBITDA	5,920	5,866	5,957	0.6	1.6	Modest growth in sales in Mumbai circle (+4% yoy) at 3.5 BU.
EBIT	4,288	3,979	4,085	(4.7)	2.7	
PBT	2,773	3,364	2,997	8.1	(10.9)	
Reported PAT	1,882	(39,391)	2,098	11.4	NM	
Extraordinaries	—	(44,433)	—	—	—	Sequential decline in PAT on account of deferred tax asset of Rs6.5 bn accounted for in 4QFY18.
Adjusted PAT	1,882	5,041	2,098	11.4	(58.4)	
EBITDA margin (%)	30.9	32.0	30.5	-44 bps	-150 bps	

Source: Companies, Kotak Institutional Equities estimates

Exhibit 6: Kotak Institutional Equities: Valuation summary of KIE universe stocks

Company	Rating	Price (Rs)	Target price	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
		4-Jul-18	(Rs)	(%)	(Rs bn)	(US$ bn)	(mn)	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	(US$ mn)
Automobiles																													
Amara Raja Batteries	REDUCE	777	780	0.4	133	1.9	171	28	33	39	(1.6)	21.2	15.5	28.2	23.2	20.1	15.0	12.4	10.6	4.5	3.9	3.4	17.0	18.0	18.0	0.5	0.6	0.7	5.9
Apollo Tyres	BUY	253	340	34.2	145	2.1	541	13	20	25	(38.0)	48.6	24.7	18.9	12.7	10.2	10.4	7.5	6.2	1.4	1.4	1.2	8.5	11.1	12.5	1.3	1.2	1.2	11.0
Ashok Leyland	ADD	128	160	25.1	375	5.5	2,926	5.4	6.2	8.9	8.0	15.3	43.2	23.8	20.6	14.4	13.7	10.6	7.7	5.2	4.5	3.7	23.7	23.4	28.4	1.9	1.5	2.1	35.8
Bajaj Auto	SELL	2,979	2,800	(6.0)	862	12.5	289	140	160	176	6.0	14.0	10.0	21.2	18.6	16.9	14.7	13.3	11.7	4.5	4.0	3.6	22.9	22.8	22.3	2.0	2.1	2.4	18.2
Balkrishna Industries	BUY	1,139	1,260	10.7	220	3.2	193	37	51	63	4.8	35.4	24.6	30.4	22.5	18.0	16.1	12.3	9.8	5.4	4.4	3.6	19.0	21.6	22.1	0.4	0.4	0.4	8.6
Bharat Forge	SELL	637	650	2.1	296	4.3	466	16	22	27	10.1	38.0	19.4	39.3	28.5	23.9	18.9	16.0	13.5	6.4	5.5	4.7	17.2	20.7	21.1	0.7	0.8	0.9	11.0
CEAT	ADD	1,270	1,600	26.0	51	0.7	40	65	101	113	(29.5)	55.4	12.6	19.6	12.6	11.2	9.6	8.1	6.9	2.0	1.7	1.5	10.4	14.6	14.4	0.9	0.8	0.8	14.5
Eicher Motors	SELL	28,238	26,000	(7.9)	770	11.2	27	792	995	1,200	29.3	25.5	20.6	35.6	28.4	23.5	25.7	20.7	16.8	14.3	10.3	7.7	46.4	42.3	37.5	0.1	0.1	0.1	17.5
Escorts	BUY	880	1,170	33.0	75	1.6	89	39	56	69	71.3	43.6	23.6	22.7	15.8	12.8	12.9	9.6	7.5	3.1	2.6	2.3	13.5	16.8	17.7	0.5	0.9	1.2	17.7
Exide Industries	SELL	262	225	(14.2)	223	3.2	850	8	10	11	0.6	23.7	11.1	32.0	25.8	23.3	17.9	15.0	13.3	4.1	3.8	3.4	13.5	15.2	15.3	0.9	1.1	1.3	8.2
Hero Motocorp	SELL	3,459	3,500	1.2	691	10.1	200	185	206	227	9.5	11.1	10.1	18.7	16.8	15.3	11.6	10.4	9.3	5.9	5.2	4.5	33.8	32.6	31.6	2.5	3.0	3.3	17.6
Mahindra CIE Automotive	ADD	256	275	7.2	97	1.4	378	10	13	15	107.0	35.8	12.9	26.7	19.7	17.4	13.1	9.9	8.6	2.6	2.3	2.0	10.4	12.5	12.4	—	—	—	3.0
Mahindra & Mahindra	BUY	900	1,015	12.8	1,119	16.3	1,138	38	44	50	22.0	15.6	14.8	23.7	20.5	17.9	15.6	13.3	11.5	3.4	3.0	2.7	15.1	15.4	15.7	0.8	1.0	1.1	32.8
Maruti Suzuki	ADD	9,221	9,700	5.2	2,785	40.5	302	256	330	395	5.1	29.2	19.6	36.1	27.9	23.3	20.2	15.8	12.7	6.7	5.7	4.9	19.8	22.0	22.6	0.7	0.9	1.1	59.5
Motherson Sumi Systems	SELL	296	265	(10.3)	622	9.1	2,105	8	11	14	6.1	37.7	21.7	36.1	26.2	21.6	13.6	10.5	8.7	6.3	5.4	4.6	19.0	22.1	22.9	0.8	0.9	1.1	14.2
MRF	REDUCE	76,000	76,000	-	322	4.7	4	2,669	3,896	4,447	(23.9)	46.0	14.1	28.5	19.5	17.1	12.9	9.5	8.2	3.3	2.8	2.4	12.3	15.7	15.4	0.1	0.1	0.1	8.1
Schaeffler India	BUY	5,525	6,000	8.6	92	1.3	17	143	171	207	22.0	19.4	21.1	38.6	32.3	26.7	22.8	19.6	15.9	5.4	4.8	4.2	15.0	15.8	16.9	0.3	0.6	0.7	0.7
SKF	REDUCE	1,723	1,700	(1.3)	88	1.3	51	58	70	81	24.6	20.8	16.4	29.9	24.7	21.3	18.5	15.9	13.3	4.8	4.2	3.7	16.1	17.0	17.2	0.7	0.8	1.0	0.4
Tata Motors	BUY	267	445	66.6	907	12.4	3,396	20	24	38	(28.0)	18.0	63.0	13.4	11.3	7.0	3.9	3.6	2.9	1.0	0.9	0.8	8.8	8.0	11.9	—	—	—	64.0
Timken	SELL	746	660	(11.6)	51	0.7	68	14	19	25	(5.3)	42.3	27.5	55.2	38.8	30.4	30.7	21.4	17.1	7.2	6.2	5.2	13.9	17.1	18.5	0.1	0.1	0.1	0.3
TVS Motor	SELL	581	410	(29.5)	276	4.0	475	14	17	21	18.7	23.0	22.0	41.7	33.9	27.8	25.4	19.8	16.5	9.6	8.1	6.8	25.1	26.0	26.7	0.6	0.9	1.1	11.6
WABCO India	SELL	7,040	6,350	(9.8)	134	1.9	19	144	169	223	27.8	17.4	32.2	48.9	41.7	31.5	31.8	27.1	20.5	8.8	7.3	6.0	19.5	19.1	21.0	0.1	0.1	0.2	0.5
Automobiles	**Neutral**				**10,335**	**150**					**(0.9)**	**23.2**	**25.5**	**26.5**	**21.5**	**17.1**	**11.7**	**9.8**	**8.0**	**3.8**	**3.3**	**2.9**	**14.2**	**15.5**	**16.9**	**0.8**	**1.0**	**1.1**	**361.2**
Banks																													
Axis Bank	ADD	515	600	16.6	1,322	19.2	2,567	1	20	39	(92.6)	1,735.5	100.1	479.2	26.1	13.1	—	—	—	2.5	2.2	1.9	0.5	7.7	13.8	1.0	0.6	1.1	65.4
Bank of Baroda	NR	113	—	—	299	4.4	2,652	(9)	20	23	(253.2)	323.2	10.5	(12.3)	5.5	5.0	—	—	—	1.3	1.0	0.7	(5.8)	12.6	12.3	—	—	—	30.0
Bank of India	ADD	86	120	39.7	150	2.2	1,744	(35)	(6)	16	(134.7)	82.2	366.7	(2.5)	(13.9)	5.2	—	—	—	1.3	1.6	1.0	(21.3)	(3.6)	9.5	—	(1.4)	3.8	12.7
Canara Bank	ADD	245	300	22.6	179	2.6	733	(58)	(2)	60	(406.6)	97.3	4,031.4	(4.3)	(159.3)	4.1	—	—	—	1.5	1.5	0.9	(11.9)	(0.3)	11.8	—	—	—	31.1
City Union Bank	ADD	188	190	1.1	125	1.8	665	9	10	12	6.4	16.2	13.0	21.1	18.2	16.1	—	—	—	3.2	2.8	2.5	15.3	15.5	15.5	0.2	1.0	1.1	2.0
DCB Bank	ADD	168	210	25.1	52	0.8	308	8	11	13	13.8	32.2	20.5	21.1	15.9	13.2	—	—	—	2.1	1.9	1.7	10.9	12.0	12.9	—	0.6	0.7	5.9
Equitas Holdings	BUY	139	190	37.2	47	0.7	340	0.9	4.4	8.3	(80.4)	374.7	88.2	149.7	31.5	16.8	—	—	—	2.1	2.0	1.8	1.4	6.4	11.0	—	—	—	4.4
Federal Bank	BUY	84	130	55.7	165	2.4	1,972	4.5	5.8	7.8	(7.5)	29.5	34.9	18.7	14.5	10.7	—	—	—	1.5	1.4	1.2	8.0	9.0	11.2	1.2	1.4	1.8	18.0
HDFC Bank	REDUCE	2,104	1,900	(9.7)	5,478	79.7	2,595	67	77	93	18.7	14.7	20.0	31.2	27.2	22.7	—	—	—	5.2	4.0	3.5	17.9	16.6	16.2	0.6	0.7	0.9	73.7
ICICI Bank	BUY	273	400	46.4	1,757	25.6	6,429	11	15	25	(31.1)	46.5	64.1	25.9	17.7	10.8	—	—	—	2.1	1.8	1.6	6.6	9.1	13.7	0.5	1.1	1.9	95.5
IDFC Bank	NR	39	—	—	134	2.0	3,404	2.5	1.6	3.3	(16.0)	(38.5)	109.8	15.6	25.4	12.1	—	—	—	0.9	0.9	0.8	5.7	3.4	6.9	1.3	0.8	1.7	9.0
IndusInd Bank	REDUCE	1,976	1,800	(8.9)	1,187	17.3	600	60	73	88	25.3	20.7	21.6	32.9	27.2	22.4	—	—	—	5.2	4.2	3.6	17.1	18.1	17.1	—	0.4	0.5	29.1
J&K Bank	BUY	50	105	109.0	28	0.4	557	4	8	11	111.6	116.7	44.4	13.8	6.4	4.4	—	—	—	0.6	0.5	0.5	3.4	6.9	9.4	—	3.1	4.5	0.4
Karur Vysya Bank	ADD	101	120	18.5	74	1.1	727	5	4	14	(52.2)	(22.8)	274.8	21.3	27.6	7.4	—	—	—	1.5	1.4	1.2	6.1	4.2	14.7	0.6	0.9	3.4	1.8
Punjab National Bank	ADD	76	90	18.3	210	3.1	2,761	(44)	(39)	9	(814.7)	13.4	124.1	(1.7)	(2.0)	8.2	—	—	—	4.5	(3.4)	(13.0)	(32.4)	(31.3)	8.2	—	(11.0)	2.6	32.5
RBL Bank	SELL	570	450	(21.1)	240	3.5	420	15	20	25	27.3	32.9	21.8	37.7	28.4	23.3	—	—	—	3.7	3.4	3.1	11.5	12.0	13.2	0.4	0.5	0.6	9.5
State Bank of India	BUY	257	370	43.7	2,298	33.4	8,925	(7)	18	37	(155.8)	NM	106.1	NM	14.3	6.9	—	—	—	2.0	1.6	1.2	(3.2)	7.1	13.2	-	0.1	0.2	78.8
Ujjivan Financial Services	REDUCE	378	420	11.3	46	0.7	121	1	22	29	(96.5)	3,564.0	30.0	625.5	17.1	13.1	—	—	—	2.7	2.3	2.0	0.4	14.2	16.1	0.0	0.6	0.8	7.7
Union Bank	ADD	80	130	63.0	93	1.4	1,169	(45)	1	24	(655.5)	101.4	3,896.2	(1.8)	130.3	3.3	—	—	—	1.3	1.2	0.7	(23.6)	0.3	11.8	—	0.1	4.6	10.6
YES Bank	SELL	336	325	(3.1)	774	11.3	2,303	18	19	21	25.7	4.6	11.0	18.3	17.5	15.8	—	—	—	3.1	2.7	2.4	17.7	16.0	15.7	0.7	0.9	1.1	61.7
Banks	**Attractive**				**14,657**	**213**					**(101.2)**	**9,987.5**	**103.0**	**(2,412.8)**	**24.4**	**12.0**				**1.9**	**1.7**	**1.5**	**(0.1)**	**6.9**	**12.6**	**0.5**	**0.4**	**1.0**	**579.8**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

		Price (Rs)	Target price	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
Company	Rating	4-Jul-18	(Rs)	(%)	(Rs bn)	(US$ bn)	(mn)	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	(US$ mn)
NBFCs																													
Bajaj Finance	REDUCE	2,332	1,850	(20.7)	1,348	19.6	575	46	63	82	38.5	34.9	30.0	50.2	37.2	28.6	—	—	—	8.1	6.8	5.6	20.5	19.9	21.5	0.2	0.3	0.3	42.3
Bajaj Finserv	ADD	6,033	5,900	(2.2)	960	14.0	159	174	206	266	13.5	18.7	28.8	34.7	29.2	22.7	—	—	—	4.7	3.8	3.3	15.3	14.5	15.6	0.2	0.2	0.2	14.0
Bharat Financial Inclusion	NA	1,194	—	—	167	2.4	139	33	43	54	55.5	31.1	27.2	36.5	27.9	21.9	—	—	—	5.5	4.5	3.7	16.7	17.9	18.5	—	—	—	10.9
Cholamandalam	REDUCE	1,502	1,510	0.5	235	3.4	156	62	76	92	35.5	22.3	20.8	24.1	19.7	16.3	—	—	—	4.8	4.0	3.3	20.6	21.0	21.2	0.4	0.6	0.7	7.2
HDFC	ADD	1,923	2,075	7.9	3,237	47.1	1,676	75	58	67	52.1	(23.1)	15.2	25.5	33.2	28.8	—	—	—	5.1	4.4	4.0	23.9	14.3	14.5	1.0	1.1	1.2	70.3
HDFC Standard Life Insurance	SELL	460	405	(12.0)	926	13.5	2,007	6	6	7	24.4	14.8	10.9	83.2	72.4	65.3	—	—	—	21.5	19.2	17.1	27.3	28.0	27.7	0.3	0.3	0.4	14.6
ICICI Lombard	SELL	719	600	(16.6)	327	4.8	454	19	26	30	22.0	36.4	17.0	37.9	27.8	23.7	—	—	—	7.2	6.1	5.1	20.8	23.7	23.5	0.6	0.9	1.1	2.0
ICICI Prudential Life	BUY	370	500	35.1	531	7.7	1,436	11	12	13	(3.7)	3.8	7.6	32.8	31.6	29.4	—	—	—	8.1	6.7	5.7	25.0	23.2	20.9	1.5	0.5	0.6	12.1
IIFL Holdings	SELL	653	625	(4.3)	208	3.0	319	29	34	41	32.4	17.3	21.4	22.9	19.5	16.1	—	—	—	4.1	3.6	3.0	19.0	19.3	20.0	0.9	1.1	1.3	1.6
L&T Finance Holdings	REDUCE	147	185	25.6	294	4.3	1,996	7	10	12	23.7	34.6	24.1	20.1	14.9	12.0	—	—	—	2.3	2.1	1.8	14.2	14.7	16.1	1.2	1.4	1.4	10.1
LIC Housing Finance	ADD	463	605	30.7	234	3.4	505	44	50	58	3.2	13.8	17.5	10.6	9.3	7.9	—	—	—	1.8	1.5	1.3	14.5	14.3	14.4	1.5	1.7	2.0	12.4
Magma Fincorp	BUY	167	200	19.9	45	0.7	237	10	12	15	1,014.5	24.6	25.8	17.2	13.8	11.0	—	—	—	1.7	1.6	1.5	10.2	12.9	14.1	0.5	1.1	1.4	3.1
Mahindra & Mahindra Financial	REDUCE	462	475	2.8	285	4.2	614	15	22	26	105.0	53.5	16.6	31.8	20.7	17.8	—	—	—	3.3	2.9	2.7	11.3	14.0	14.8	0.9	1.3	1.5	11.6
Max Financial Services	BUY	408	650	59.3	110	1.6	268	5	6	6	(20.4)	36.9	1.8	89.0	65.0	63.9	—	—	—	—	—	—	6.5	8.3	8.0	—	0.5	0.5	4.8
Muthoot Finance	ADD	397	480	20.8	159	2.3	400	43	38	40	45.6	(10.8)	4.0	9.2	10.4	10.0	—	—	—	2.0	1.8	1.6	24.1	18.4	16.9	2.5	2.2	2.3	4.4
PNB Housing Finance	REDUCE	1,122	1,375	22.6	188	2.7	167	50	61	77	57.8	23.0	25.3	22.5	18.3	14.6	—	—	—	3.0	2.7	2.4	14.0	15.2	16.8	0.8	0.3	0.3	9.9
SBI Life Insurance	ADD	665	815	22.6	665	9.7	1,000	12	15	18	20.8	26.0	22.9	57.6	45.7	37.2	—	—	—	10.3	8.7	7.3	19.4	20.6	21.3	0.3	0.3	0.4	5.7
Shriram City Union Finance	ADD	2,042	2,550	24.9	135	2.0	66	101	140	174	19.6	39.4	23.8	20.3	14.5	11.7	—	—	—	2.6	2.3	2.0	12.5	15.5	16.7	0.9	0.9	1.1	0.9
Shriram Transport	REDUCE	1,145	1,600	39.7	260	3.8	227	69	105	125	24.7	52.1	18.7	16.6	10.9	9.2	—	—	—	2.2	1.9	1.6	13.1	17.6	18.0	1.0	1.3	1.5	17.8
NBFCs	**Neutral**				**10,312**	**150**					**38.0**	**7.0**	**19.3**	**30.0**	**28.0**	**23.5**				**5.0**	**4.3**	**3.8**	**16.8**	**15.4**	**16.1**	**0.7**	**0.7**	**0.8**	**579.8**
Cement																													
ACC	SELL	1,351	1,205	(10.8)	254	3.7	188	49	54	66	32.7	10.6	23.0	27.7	25.1	20.4	14.6	13.6	10.9	2.7	2.5	2.3	10.1	10.5	11.9	1.3	1.3	1.3	10.2
Ambuja Cements	REDUCE	201	215	7.0	399	5.8	1,986	8	7	9	29.7	(1.3)	27.0	26.7	27.1	21.3	8.7	8.6	7.0	1.9	1.9	1.8	7.4	7.0	8.6	1.8	1.8	1.8	8.9
Dalmia Bharat	ADD	2,251	2,900	28.8	201	2.9	89	60	98	128	55.4	62.6	30.3	37.3	22.9	17.6	11.8	8.9	7.2	3.3	2.9	2.5	9.7	13.4	15.2	0.1	0.1	0.1	5.2
Grasim Industries	BUY	965	1,275	32.1	635	9.2	657	47	52	69	(30.1)	9.1	32.8	20.4	18.7	14.1	11.8	7.2	6.6	1.1	1.1	1.0	7.0	5.8	7.2	0.6	0.6	0.6	13.5
India Cements	REDUCE	105	135	28.8	32	0.5	308	3	5	9	(42.5)	56.2	84.4	32.1	20.5	11.1	9.2	7.9	6.2	0.6	0.6	0.6	2.0	3.0	5.3	1.0	1.0	1.0	6.5
J K Cement	REDUCE	860	1,000	16.3	60	0.9	70	43	51	83	25.1	17.0	65.0	19.9	17.0	10.3	10.3	10.9	8.8	3.0	2.7	2.2	16.2	16.7	23.2	0.9	0.9	0.9	0.6
JK Lakshmi Cement	ADD	318	425	33.7	37	0.5	118	4	18	33	(35.7)	311.2	79.6	71.1	17.3	9.6	13.3	8.0	5.7	2.6	2.3	1.9	3.7	14.1	21.5	0.6	0.6	0.6	0.5
Orient Cement	ADD	110	165	50.1	23	0.3	205	2	8	12	237.8	250.7	64.8	50.9	14.5	8.8	11.4	7.2	5.3	2.2	2.0	1.7	4.4	14.3	20.6	0.7	1.4	1.8	0.2
Shree Cement	SELL	16,000	12,700	(20.6)	557	8.1	35	397	486	662	3.4	22.3	36.2	40.3	32.9	24.2	21.6	16.3	12.7	6.3	5.4	4.5	16.7	17.6	20.2	0.3	0.3	0.3	4.6
UltraTech Cement	SELL	3,791	3,000	(20.9)	1,041	15.2	275	89	119	153	(7.0)	33.1	28.9	42.4	31.8	24.7	19.7	15.5	12.9	4.0	3.6	3.2	9.9	12.0	13.7	0.3	0.3	0.3	16.9
Cement	**Cautious**				**3,239**	**47**					**6.1**	**21.2**	**33.4**	**31.1**	**25.7**	**19.3**	**14.0**	**10.2**	**8.6**	**2.3**	**2.2**	**2.0**	**7.5**	**8.5**	**10.3**	**0.6**	**0.6**	**0.6**	**66.9**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

Company	Rating	Price (Rs) 4-Jul-18	Target price (Rs)	Upside (%)	Mkt cap. (Rs bn)	Mkt cap. (US$ bn)	O/S shares (mn)	EPS (Rs) 2018	EPS (Rs) 2019E	EPS (Rs) 2020E	EPS growth (%) 2018	EPS growth (%) 2019E	EPS growth (%) 2020E	P/E (X) 2018	P/E (X) 2019E	P/E (X) 2020E	EV/EBITDA (X) 2018	EV/EBITDA (X) 2019E	EV/EBITDA (X) 2020E	P/B (X) 2018	P/B (X) 2019E	P/B (X) 2020E	RoE (%) 2018	RoE (%) 2019E	RoE (%) 2020E	Dividend yield (%) 2018	Dividend yield (%) 2019E	Dividend yield (%) 2020E	ADVT 3mo (US$ mn)
Consumer products																													
Asian Paints	REDUCE	1,290	1,100	(14.7)	1,237	18.0	959	21	24	28	2.9	18.7	14.7	62.8	52.9	46.2	38.4	33.0	28.7	14.7	13.0	11.6	24.6	26.1	26.6	0.7	0.8	1.0	16.2
Bajaj Corp.	ADD	409	520	27.2	60	0.9	148	14	17	19	(10.5)	18.7	10.5	28.9	24.3	22.0	22.8	19.6	16.7	12.2	11.8	11.3	42.3	49.4	52.4	2.9	3.2	3.4	0.3
Britannia Industries	ADD	6,300	6,000	(4.8)	756	11.0	120	84	104	126	13.5	24.4	21.5	75.3	60.5	49.8	49.8	39.1	32.2	22.2	17.6	14.3	32.9	32.4	31.6	0.4	0.6	0.7	9.1
Coffee Day Enterprises	REDUCE	259	340	31.0	55	0.8	211	3	8	13	49.1	149.7	59.4	77.6	31.1	19.5	13.3	—	—	2.3	2.1	1.9	3.1	7.2	10.4	—	—	—	1.2
Colgate-Palmolive (India)	ADD	1,166	1,300	11.5	317	4.6	272	24	27	32	15.2	14.6	16.9	49.1	42.8	36.6	28.1	24.6	21.1	20.8	21.0	17.8	46.2	48.8	52.6	2.1	1.4	1.6	7.6
Dabur India	REDUCE	380	350	(7.8)	671	9.8	1,762	8	9	10	7.2	16.1	11.7	48.9	42.1	37.7	41.4	35.8	31.4	11.7	11.8	10.3	25.9	27.9	29.1	2.0	1.0	1.2	8.1
GlaxoSmithKline Consumer	ADD	6,427	6,750	5.0	270	3.9	42	166	189	211	6.6	13.3	11.9	38.6	34.1	30.4	26.5	22.8	19.6	7.8	7.1	6.5	21.2	21.7	22.2	1.2	1.4	1.6	2.3
Godrej Consumer Products	REDUCE	1,264	1,020	(19.3)	861	12.5	681	21	25	28	11.5	17.6	13.3	59.2	50.3	44.4	41.9	35.7	31.1	13.8	11.9	10.3	25.2	25.4	24.9	0.6	0.7	0.8	8.9
Hindustan Unilever	REDUCE	1,676	1,430	(14.7)	3,628	52.8	2,160	25	28	32	25.0	14.9	13.0	68.3	59.5	52.7	49.0	41.4	36.3	51.2	45.9	40.1	78.1	81.4	81.3	1.2	1.3	1.4	27.1
ITC	ADD	264	315	19.1	3,226	47.0	12,275	9	10	11	7.8	7.8	12.4	29.6	27.5	24.5	19.3	17.7	15.6	6.3	5.9	5.6	19.4	20.3	22.2	1.9	2.2	2.5	39.6
Jubilant Foodworks	BUY	1,429	1,500	5.0	189	2.7	132	15	24	33	191.7	64.1	39.2	98.2	59.8	43.0	42.0	29.0	21.8	19.5	14.2	10.9	21.7	27.5	28.8	0.1	0.1	0.2	38.6
Jyothy Laboratories	ADD	241	220	(8.9)	88	1.3	364	4	6	6	35.1	25.4	17.2	54.8	43.7	37.3	33.5	27.7	24.0	7.7	6.6	5.8	14.3	16.3	16.6	0.2	0.4	0.6	1.5
Manpasand Beverages	BUY	172	450—	—	20	0.3	114	9	12	17	36.9	32.5	44.0	19.8	14.9	10.4	9.0	6.2	4.3	1.6	1.4	1.3	8.3	10.1	13.1	0.3	0.4	0.9	3.3
Marico	ADD	343	345	0.6	443	6.4	1,291	6	7	8	7.4	16.7	13.7	54.7	46.9	41.2	38.6	32.4	28.2	17.4	16.1	14.9	33.2	35.7	37.5	1.2	1.4	1.6	8.1
Nestle India	ADD	9,863	9,500	(3.7)	951	13.8	96	127	168	191	21.1	32.5	13.4	77.6	58.6	51.7	42.6	33.2	29.2	27.8	25.6	23.5	36.6	45.5	47.3	0.9	1.2	1.3	9.1
Page Industries	SELL	28,028	18,200	(35.1)	313	4.5	11	311	392	482	32.5	26.1	22.9	90.1	71.4	58.1	57.4	45.4	37.3	36.9	28.8	23.0	45.9	45.3	44.0	0.5	0.6	0.7	7.6
Pidilite Industries	REDUCE	1,068	1,050	(1.7)	543	7.9	508	18	22	26	7.5	20.4	20.4	59.2	49.2	40.9	39.6	32.9	27.1	15.2	12.8	10.7	26.0	28.2	28.5	0.6	0.7	0.8	14.2
S H Kelkar and Company	BUY	222	315	41.6	32	0.5	145	7	9	11	2.1	18.2	25.9	30.0	25.4	20.2	20.9	16.6	13.2	3.8	3.4	3.0	12.8	14.0	15.7	0.8	0.8	0.9	0.3
Tata Global Beverages	REDUCE	278	285	2.4	176	2.6	631	7	10	11	20.7	29.4	19.1	37.9	29.3	24.6	20.0	16.9	14.5	2.5	2.4	2.2	7.0	8.3	9.4	0.9	1.1	1.3	13.8
Titan Company	SELL	887	800	(9.8)	787	11.5	888	13	16	20	43.3	26.7	20.6	69.3	54.7	45.4	47.5	36.2	29.0	15.5	13.0	10.9	24.3	25.8	26.2	0.4	0.5	0.6	36.0
United Breweries	SELL	1,178	1,000	(15.1)	312	4.5	264	15	19	24	71.6	29.7	23.4	78.9	60.9	49.3	34.8	28.9	25.1	11.6	9.9	8.5	15.7	17.6	18.6	0.2	0.2	0.3	9.4
United Spirits	SELL	667	560	(16.1)	485	7.1	727	8	11	14	39.1	40.5	27.4	87.7	62.4	49.0	50.2	37.0	30.7	19.4	13.2	9.7	24.9	25.1	22.8	—	—	0.3	19.2
Varun Beverages	ADD	767	750	(2.2)	140	2.0	183	12	17	22	377.8	45.4	29.8	66.6	45.8	35.3	20.2	16.3	14.0	7.9	6.8	5.8	12.1	16.0	17.7	—	—	0.1	1.2
Consumer products	**Cautious**				**15,559**	**226**					**15.0**	**16.4**	**15.3**	**51.4**	**44.1**	**38.3**	**33.4**	**28.4**	**24.5**	**12.6**	**11.4**	**10.2**	**24.5**	**25.8**	**26.6**	**1.1**	**1.2**	**1.4**	**282.8**
Energy																													
BPCL	REDUCE	368	390	6.0	798	11.6	1,967	40	39	41	(1.5)	(3.6)	5.3	9.1	9.5	9.0	7.4	7.0	6.5	2.1	1.9	1.7	24.8	21.1	20.0	5.7	4.2	4.4	38.2
Castrol India	ADD	161	215	33.7	159	2.3	989	7	8	9	3.3	13.6	10.9	23.4	20.6	18.6	14.6	12.9	11.6	15.6	14.8	14.4	67.9	73.6	78.6	3.0	3.7	4.4	4.1
GAIL (India)	BUY	348	410	17.7	786	11.4	2,255	20	25	27	21.8	23.2	8.3	17.1	13.8	12.8	10.7	8.9	8.2	1.9	1.8	1.7	11.7	13.5	13.5	2.1	2.4	2.6	20.2
GSPL	SELL	179	170	(5.1)	101	1.5	564	12	11	11	34.5	(7.0)	(4.6)	15.1	16.3	17.0	7.6	6.3	6.3	2.0	1.8	1.7	14.0	11.7	10.2	1.0	0.9	0.9	1.6
HPCL	REDUCE	252	320	26.8	384	5.6	1,524	42	32	33	(3.2)	(23.4)	3.4	6.0	7.9	7.6	5.5	7.2	7.3	1.6	1.5	1.3	28.7	19.3	18.2	6.7	5.2	5.3	31.6
Indraprastha Gas	SELL	257	240	(6.6)	180	2.6	700	10	12	13	19.0	16.5	12.0	24.9	21.4	19.1	15.7	13.6	11.9	5.1	4.4	3.8	22.4	22.2	21.5	0.8	1.0	1.2	10.5
IOCL	REDUCE	155	160	3.1	1,508	21.9	9,479	21	17	18	(24.8)	(17.9)	7.4	7.6	9.2	8.6	4.4	5.1	4.7	1.3	1.2	1.2	18.5	14.0	14.0	7.4	4.3	4.7	28.1
Mahanagar Gas	ADD	813	850	4.5	80	1.2	99	48	52	54	21.5	6.5	5.3	16.8	15.8	15.0	10.2	9.1	8.5	3.8	3.4	3.0	24.3	22.8	21.4	2.3	2.5	2.7	8.5
ONGC	ADD	156	200	28.2	2,001	29.1	12,833	17	21	21	3.1	19.6	(1.3)	9.0	7.5	7.6	4.9	3.8	3.7	0.9	0.8	0.8	9.9	11.5	10.7	4.2	4.5	4.5	17.4
Oil India	SELL	208	220	5.6	236	3.4	1,135	25	24	24	22.6	(1.3)	(0.7)	8.4	8.5	8.6	6.5	5.9	5.9	0.8	0.8	0.8	9.8	9.7	9.2	5.0	5.3	5.2	3.7
Petronet LNG	BUY	220	280	27.3	330	4.8	1,500	14	16	18	22.1	17.3	13.2	15.8	13.5	11.9	10.5	9.1	7.6	3.4	3.0	2.6	23.3	23.4	23.3	2.0	2.6	3.4	11.7
Reliance Industries	REDUCE	990	930	(6.1)	5,859	85.3	5,922	59	68	77	16.9	14.9	13.9	16.8	14.6	12.8	12.8	10.3	8.7	2.0	1.8	1.6	11.6	11.9	12.1	0.6	0.6	0.7	98.4
Energy	**Attractive**				**12,423**	**181**					**1.0**	**5.8**	**7.3**	**12.1**	**11.4**	**10.6**	**8.0**	**7.1**	**6.4**	**1.6**	**1.5**	**1.3**	**13.3**	**12.8**	**12.6**	**2.7**	**2.4**	**2.5**	**273.8**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

Company	Rating	Price (Rs) 4-Jul-18	Target price (Rs)	Upside (%)	Mkt cap. (Rs bn)	Mkt cap. (US$ bn)	O/S shares (mn)	EPS (Rs) 2018	EPS (Rs) 2019E	EPS (Rs) 2020E	EPS growth (%) 2018	EPS growth (%) 2019E	EPS growth (%) 2020E	P/E (X) 2018	P/E (X) 2019E	P/E (X) 2020E	EV/EBITDA (X) 2018	EV/EBITDA (X) 2019E	EV/EBITDA (X) 2020E	P/B (X) 2018	P/B (X) 2019E	P/B (X) 2020E	RoE (%) 2018	RoE (%) 2019E	RoE (%) 2020E	Dividend yield (%) 2018	Dividend yield (%) 2019E	Dividend yield (%) 2020E	ADVT 3mo (US$ mn)
Industrials																													
ABB	SELL	1,174	1,100	(6.3)	249	3.6	212	20	26	34	12.1	31.2	31.7	59.3	45.2	34.3	32.6	27.8	21.1	6.9	6.3	5.6	12.2	14.6	17.3	0.3	0.8	0.8	1.6
BHEL	SELL	69	81	17.1	254	3.7	3,671	2.2	2.6	5.4	62.7	19.4	106.9	31.5	26.4	12.7	7.3	6.7	3.4	0.8	0.8	0.8	2.5	3.0	6.1	2.6	3.1	6.5	9.0
Carborundum Universal	SELL	321	310	(3.4)	61	0.9	189	11	14	17	22.8	25.4	20.2	28.1	22.4	18.7	15.2	11.3	9.7	3.9	3.5	3.1	14.6	16.4	17.6	0.7	1.3	1.6	0.3
CG Power and Industrial	BUY	58	65	12.4	36	0.5	627	0.8	3.1	4.3	(72.2)	275.7	40.5	70.9	18.9	13.4	10.6	8.0	6.5	1.3	1.4	1.4	1.5	7.3	10.4	—	—	—	5.7
Crompton Greaves Consumer	SELL	227	210	(7.3)	142	2.1	627	5.2	6.2	7.5	13.3	20.0	20.9	43.9	36.6	30.2	26.9	22.8	19.2	18.0	12.5	9.6	49.5	40.5	35.9	0.7	0.9	1.1	2.9
Cummins India	REDUCE	651	680	4.5	180	2.6	277	24	28	32	(7.8)	16.1	13.9	26.9	23.1	20.3	23.6	20.3	16.8	4.5	4.2	3.9	17.4	18.9	20.1	2.3	2.2	2.6	4.8
Havells India	SELL	547	460	(16.0)	342	5.0	625	11	14	17	16.6	26.2	19.6	49.4	39.2	32.7	31.4	24.9	20.3	9.2	8.1	7.1	19.8	21.9	23.0	0.6	0.9	1.1	10.3
Kalpataru Power Transmission	BUY	389	530	36.4	60	0.9	153	19	24	34	36.5	24.3	39.8	20.0	16.1	11.5	8.5	7.0	5.6	2.2	2.0	1.7	11.7	13.1	16.1	0.6	0.6	0.6	0.7
KEC International	BUY	334	430	28.8	86	1.2	257	18	22	29	51.1	22.0	34.4	18.6	15.3	11.4	10.1	8.4	6.6	4.3	3.5	2.8	25.7	25.2	27.1	0.7	0.9	1.2	3.5
L&T	BUY	1,260	1,560	23.9	1,765	25.7	1,401	52	62	76	22.4	19.4	23.0	24.4	20.4	16.6	20.3	16.8	14.9	3.5	3.2	2.9	15.0	16.5	18.2	1.3	1.8	2.2	40.7
Siemens	SELL	971	975	0.4	346	5.0	356	24	30	37	22.5	23.0	23.2	40.1	32.6	26.5	22.6	18.1	14.5	4.2	4.0	3.7	10.9	12.6	14.5	1.0	1.3	1.5	3.6
Thermax	REDUCE	1,028	1,065	3.6	122	1.8	113	21	30	42	(3.6)	44.2	42.8	49.9	34.6	24.2	30.4	21.5	15.2	4.3	3.9	3.5	8.8	11.8	15.3	0.6	0.8	0.9	0.9
Voltas	SELL	526	525	(0.1)	174	2.5	331	17	19	22	12.6	8.3	15.6	30.4	28.1	24.3	25.3	21.4	17.8	4.4	4.0	3.6	15.9	15.0	15.5	0.8	0.8	1.0	15.2
Industrials	**Neutral**				**3,817**	**56**					**19.8**	**21.6**	**28.9**	**29.7**	**24.4**	**19.0**	**19.6**	**16.3**	**13.4**	**3.2**	**3.0**	**2.8**	**10.8**	**12.3**	**14.6**	**1.2**	**1.5**	**2.0**	**99.2**
Infrastructure																													
Adani Ports and SEZ	BUY	360	470	30.5	746	10.9	2,071	20	20	23	6.1	(0.2)	14.7	18.0	18.0	15.7	12.9	12.5	10.9	3.5	3.0	2.6	21.5	18.1	17.9	0.6	0.7	0.9	26.7
Ashoka Buildcon	BUY	228	310	36.0	43	0.6	188	13	13	13	34.6	0.5	5.2	18.1	18.0	17.1	14.5	12.3	10.9	2.2	1.9	1.7	13.0	11.4	10.7	0.7	1.1	0.7	1.1
Container Corp.	SELL	648	635	(2.0)	316	4.6	487	18	21	26	7.3	20.0	21.4	36.7	30.6	25.2	24.2	18.9	14.9	3.4	3.1	2.9	9.4	10.6	11.9	2.6	1.4	1.7	8.7
Dilip Buildcon	BUY	690	1,220	76.9	94	1.4	137	46	54	69	76.5	16.1	28.0	14.8	12.8	10.0	8.6	6.2	5.1	3.8	2.9	2.3	29.5	25.9	25.4	—	—	—	8.7
Gateway Distriparks	BUY	174	250	43.8	19	0.3	109	8	8	9	12.1	(1.2)	17.5	22.7	23.0	19.6	21.7	10.7	9.0	1.9	3.6	3.3	8.2	10.8	17.6	4.0	—	1.7	0.8
Gujarat Pipavav Port	BUY	107	170	58.8	52	0.8	483	4.1	5.9	7.2	(20.6)	43.7	22.5	26.1	18.1	14.8	12.7	10.5	8.3	2.6	2.5	2.5	9.8	14.0	16.8	3.2	4.5	5.5	0.8
IRB Infrastructure	BUY	210	330	57.1	74	1.1	351	23	31	33	10.8	36.8	7.1	9.3	6.8	6.4	7.1	6.8	7.2	1.3	1.1	1.0	14.5	17.6	16.3	1.1	1.5	1.9	11.6
Mahindra Logistics	BUY	574	540	(5.9)	41	0.6	71	10	14	18	16.2	42.8	31.2	58.5	41.0	31.2	33.8	22.6	17.2	9.7	8.1	6.7	18.2	21.6	23.5	—	—	—	0.9
Sadbhav Engineering	BUY	277	440	58.6	48	0.7	172	13	18	18	17.4	38.4	2.2	21.6	15.6	15.2	15.0	12.0	9.3	2.5	2.2	2.0	12.5	15.2	13.7	—	—	—	0.8
Infrastructure	**Attractive**				**1,432**	**21**					**10.9**	**10.5**	**15.5**	**19.8**	**17.9**	**15.5**	**12.7**	**11.2**	**9.8**	**3.1**	**2.7**	**2.4**	**15.8**	**15.4**	**15.5**	**1.1**	**0.9**	**1.2**	**60.0**
Internet																													
Info Edge	REDUCE	1,164	1,290	10.9	142	2.1	122	23	26	33	33.3	14.6	27.8	51.7	45.1	35.3	42.5	32.6	24.8	6.7	5.4	4.9	13.4	13.3	14.6	0.5	0.7	0.7	1.5
Just Dial	BUY	577	550	(4.6)	39	0.6	67	21	25	28	21.7	16.7	12.9	27.1	23.2	20.6	16.3	13.6	11.4	4.0	3.5	3.0	15.2	15.9	15.6	—	0.4	0.5	44.0
Internet	**Cautious**				**181**	**3**					**28.0**	**15.4**	**22.6**	**43.4**	**37.6**	**30.6**	**33.1**	**26.3**	**20.8**	**5.9**	**4.8**	**4.3**	**13.5**	**12.9**	**14.1**	**0.4**	**0.6**	**0.7**	**45.5**
Media																													
DB Corp.	REDUCE	264	295	11.8	49	0.7	184	18	20	24	(14.1)	13.2	18.8	15.0	13.2	11.1	8.0	7.0	5.9	2.9	2.8	2.7	19.9	21.5	24.5	4.9	6.1	7.6	0.5
DishTV	ADD	72	84	16.8	132	1.9	1,925	(0.4)	1.7	3.0	(143.0)	482.0	76.2	NM	42.7	24.2	11.7	6.4	5.2	2.1	2.0	1.8	(2.3)	4.7	7.8	—	—	—	9.7
Jagran Prakashan	REDUCE	138	168	22.1	43	0.6	311	10	12	14	(6.0)	21.7	15.3	13.8	11.3	9.8	6.3	5.6	4.9	2.1	2.1	2.0	14.8	18.1	20.9	2.2	3.6	6.5	0.8
PVR	REDUCE	1,376	1,425	3.5	64	0.9	47	27	38	50	25.5	39.8	33.2	51.3	36.7	27.5	17.2	14.2	11.7	6.0	5.2	4.5	12.3	15.2	17.5	0.1	0.3	0.4	6.1
Sun TV Network	REDUCE	793	925	16.7	312	4.5	394	29	35	39	10.2	20.7	10.9	27.5	22.8	20.6	18.4	15.5	13.5	6.8	6.1	5.5	26.3	28.1	27.9	1.3	2.2	2.5	22.8
Zee Entertainment Enterprises	ADD	542	625	15.3	521	7.6	960	15	17	20	7.8	13.8	16.8	36.1	31.7	27.2	23.5	20.2	17.0	6.9	6.1	5.3	20.3	20.3	20.9	0.5	0.8	1.0	14.6
Media	**Attractive**				**1,121**	**16**					**(1.5)**	**30.3**	**20.1**	**34.5**	**26.5**	**22.0**	**16.6**	**12.8**	**10.9**	**4.7**	**4.4**	**3.9**	**13.7**	**16.5**	**17.9**	**0.9**	**1.4**	**1.8**	**54.5**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

Company	Rating	Price (Rs) 4-Jul-18	Target price (Rs)	Upside (%)	Mkt cap. (Rs bn)	Mkt cap. (US$ bn)	O/S shares (mn)	EPS (Rs) 2018	EPS (Rs) 2019E	EPS (Rs) 2020E	EPS growth (%) 2018	EPS growth (%) 2019E	EPS growth (%) 2020E	P/E (X) 2018	P/E (X) 2019E	P/E (X) 2020E	EV/EBITDA (X) 2018	EV/EBITDA (X) 2019E	EV/EBITDA (X) 2020E	P/B (X) 2018	P/B (X) 2019E	P/B (X) 2020E	RoE (%) 2018	RoE (%) 2019E	RoE (%) 2020E	Dividend yield (%) 2018	Dividend yield (%) 2019E	Dividend yield (%) 2020E	ADVT 3mo (US$ mn)
Metals & Mining																													
Coal India	ADD	264	326	23.4	1,640	23.9	6,207	11	27	28	(24.2)	138.2	3.0	23.4	9.8	9.5	17.3	6.2	5.9	6.8	6.2	6.4	26.7	66.1	66.4	6.2	7.6	9.5	13.1
Hindalco Industries	BUY	224	315	40.6	503	7.3	2,229	22	27	31	155.4	23.5	14.3	10.2	8.3	7.3	6.4	5.5	4.7	0.9	0.8	0.7	9.7	10.4	10.8	0.5	0.5	0.5	42.5
Hindustan Zinc	REDUCE	280	325	16.1	1,183	17.2	4,225	22	24	28	9.3	13.6	13.8	13.0	11.5	10.1	8.0	6.6	5.4	3.3	2.8	2.4	27.2	26.4	25.6	2.9	2.9	3.0	9.3
Jindal Steel and Power	REDUCE	216	255	17.8	210	3.0	968	(8)	8	18	59.3	194.2	129.1	(25.5)	27.1	11.8	9.7	7.0	6.0	0.7	0.7	0.7	(2.7)	2.6	5.7	—	—	—	28.6
JSW Steel	ADD	312	345	10.5	755	11.0	2,417	27	27	25	83.9	(0.7)	(5.7)	11.6	11.7	12.4	7.7	7.1	7.6	2.6	2.2	1.9	24.8	20.4	16.5	1.1	1.1	1.1	19.5
National Aluminium Co.	ADD	62	85	36.9	120	1.7	1,933	4	7	7	12.7	63.0	11.1	15.0	9.2	8.3	6.1	4.1	3.7	1.1	1.1	1.1	7.7	12.4	13.6	9.2	8.9	8.9	13.3
NMDC	REDUCE	104	125	20.3	329	4.8	3,164	12	10	10	43.3	(16.5)	3.6	8.9	10.6	10.3	4.8	6.5	6.2	1.4	1.3	1.2	15.8	12.5	12.4	5.3	5.3	5.3	4.1
Tata Steel	ADD	571	700	22.6	654	9.5	1,205	67	69	82	62.6	3.1	18.4	8.5	8	7.0	6.3	6.2	6.3	1.2	1.0	0.9	17.2	13.1	13.9	1.7	1.8	1.8	70.2
Vedanta	BUY	228	415	82.0	848	12.3	3,717	22	37	43	9.6	71.9	16.9	10.6	6.1	5.3	5.7	4.2	3.5	1.3	1.2	1.1	12.9	20.6	21.4	3.5	4.9	5.7	58.8
Metals & Mining	**Attractive**				**6,241**	**91**					**32.3**	**41.4**	**11.3**	**13.2**	**9.3**	**8.4**	**7.4**	**5.8**	**5.3**	**1.9**	**1.7**	**1.5**	**14.3**	**18.0**	**18.4**	**3.5**	**4.0**	**4.6**	**259.5**
Pharmaceutical																													
Apollo Hospitals	ADD	1,082	1,090	0.7	151	2.2	139	8	19	26	(46.9)	124.3	38.0	128.2	57.1	41.4	22.9	19.6	16.5	4.6	4.4	4.1	3.4	7.9	10.2	0.2	0.4	0.6	6.4
Aurobindo Pharma	ADD	625	640	2.3	366	5.3	584	42	43	46	6.0	2.3	7.9	15.0	14.6	13.6	10.4	10.0	9.1	3.1	2.6	2.3	23.2	19.5	16.6	0.7	0.8	1.0	20.7
Biocon	SELL	628	300	(52.2)	377	5.5	601	6	8	15	(39.2)	27.1	84.9	101.4	79.8	43.2	45.5	33.5	22.0	6.7	6.3	5.6	6.9	8.1	13.7	0.3	0.4	0.8	23.7
Cipla	BUY	629	650	3.4	506	7.4	805	18	26	34	40.2	48.7	30.8	35.9	24.1	18.5	18.6	13.7	10.9	3.5	3.1	2.8	10.2	13.6	15.9	0.6	0.9	1.1	23.6
Dr Lal Pathlabs	REDUCE	922	865	(6.1)	77	1.1	83	20	25	29	7.0	20.8	18.5	45.1	37.3	31.5	27.4	23.0	19.2	9.7	8.1	6.8	23.5	23.7	23.4	0.5	0.5	0.6	1.3
Dr Reddy's Laboratories	REDUCE	2,317	2,250	(2.9)	384	5.6	166	59	100	134	(18.5)	69.8	33.3	39.2	23.1	17.3	18.1	11.5	8.5	3.0	2.7	2.4	7.8	12.5	13.9	1.0	0.7	0.9	29.1
HCG	REDUCE	289	305	5.7	25	0.4	85	2	3	5	(40.0)	120.9	57.3	184.5	83.5	53.1	24.2	18.9	16.1	4.8	4.5	4.2	2.8	5.5	8.1	—	—	—	0.2
Laurus Labs	ADD	485	540	11.3	51	0.7	106	16	22	34	(11.9)	37.3	54.4	30.6	22.3	14.4	14.8	12.1	8.9	3.5	3.0	2.5	11.9	14.4	18.8	—	—	—	0.9
Lupin	REDUCE	934	800	(14.4)	422	6.1	450	38	35	45	(32.9)	(7.7)	28.6	24.5	26.5	20.6	14.9	13.3	10.9	3.1	2.8	2.5	12.6	11.1	12.9	0.5	0.6	0.7	30.2
Narayana Hrudayalaya	ADD	233	275	18.0	48	0.7	204	3	4	7	(38.1)	52.2	76.9	92.6	60.8	34.4	25.7	19.4	14.2	4.6	4.3	3.8	5.1	7.3	11.7	—	—	—	0.4
Sun Pharmaceuticals	REDUCE	579	500	(13.7)	1,390	20.2	2,406	15	17	24	(47.5)	12.0	42.0	38.2	34.1	24.0	22.6	18.5	13.7	3.7	3.3	3.0	9.8	10.2	13.1	0.3	0.6	0.8	50.1
Torrent Pharmaceuticals	NR	1,425	—	—	241	3.5	169	40	46	61	(27.4)	15.1	32.9	35.6	30.9	23.3	19.9	14.2	11.9	5.2	4.6	4.0	15.1	14.9	17.2	1.1	0.7	1.0	5.2
Pharmaceuticals	**Neutral**				**4,039**	**59**					**(27.6)**	**18.9**	**32.6**	**34.3**	**28.9**	**21.8**	**19.0**	**15.3**	**12.1**	**3.7**	**3.4**	**3.0**	**10.9**	**11.7**	**13.7**	**0.5**	**0.6**	**0.8**	**191.9**
Real Estate																													
Brigade Enterprises	BUY	215	340	57.8	29	0.4	136	11	9	9	(17.7)	(15.1)	(1.6)	19.4	22.9	23.3	11.4	11.6	11.4	1.3	1.2	1.2	7.6	5.5	5.2	1.2	1.2	1.2	0.4
DLF	RS	185	—	—	331	4.8	1,784	19.6	6.5	3.9	403.9	(66.9)	(39.6)	9.5	28.6	47.3	28.3	12.3	12.2	0.9	0.9	0.9	11.7	3.2	1.9	1.1	1.1	1.1	18.5
Godrej Properties	SELL	714	400	(44.0)	164	2.4	216	11.6	16.8	19.2	21.9	43.9	14.9	61.3	42.6	37.1	153.3	109.1	77.5	6.9	5.9	5.1	11.8	14.9	14.7	—	—	—	2.7
Oberoi Realty	REDUCE	472	520	10.2	172	2.5	340	13	66	46	14.0	418.8	(30.8)	37.1	7.2	10.3	27.8	10.2	13.4	2.6	1.9	1.6	7.3	31.2	17.3	0.4	0.4	0.4	3.4
Prestige Estates Projects	ADD	281	315	12.0	105	1.5	375	13	10	10	24.3	(24.2)	8.4	22.4	29.6	27.3	15.3	15.8	15.9	2.2	2.1	2.0	10.3	7.3	7.5	0.5	0.5	0.5	1.0
Sobha	REDUCE	469	510	8.6	45	0.6	95	22	20	23	30.9	(7.5)	14.8	21.5	23.2	20.2	13.0	13.2	12.4	1.6	1.5	1.5	7.6	6.8	7.4	1.5	1.5	1.5	2.0
Sunteck Realty	REDUCE	373	330	(11.6)	55	0.8	140	15	18	20	4.8	20.2	6.9	24.5	20.3	19.0	15.8	17.4	16.2	2.0	1.8	1.7	9.7	9.4	9.2	0.3	0.3	0.3	1.8
Real Estate	**Neutral**				**900**	**13**					**140.1**	**(10.1)**	**(21.7)**	**17.2**	**19.2**	**24.5**	**24.0**	**14.5**	**15.0**	**1.6**	**1.5**	**1.4**	**9.3**	**7.8**	**5.8**	**0.7**	**0.7**	**0.7**	**29.7**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

Company	Rating	Price (Rs)	Target price	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
		4-Jul-18	(Rs)	(%)	(Rs bn)	(US$ bn)	(mn)	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	(US$ mn)
Technology																													
HCL Technologies	REDUCE	925	1,010	9.1	1,289	18.8	1,409	62	68	71	5.3	9.0	5.0	14.9	13.6	13.0	10.4	8.8	8.0	3.6	3.0	2.7	24.8	23.8	21.9	0.9	3.1	3.3	32.4
Hexaware Technologies	SELL	462	420	(9.0)	137	2.0	304	16	20	22	19.8	20.5	12.5	28.1	23.3	20.8	20.1	16.9	14.4	7.0	6.1	5.2	26.6	27.8	27.0	0.9	1.7	1.7	12.2
Infosys	ADD	1,345	1,350	0.4	2,938	42.8	2,175	65	70	76	3.0	8.1	9.5	20.8	19.3	17.6	14.4	13.2	11.9	4.5	4.3	3.9	21.8	22.7	23.1	2.1	3.2	2.9	76.0
L&T Infotech	ADD	1,647	1,650	0.2	283	4.1	175	64	73	84	13.9	14.5	15.7	25.9	22.6	19.6	22.6	16.9	14.1	7.5	6.2	5.2	31.8	30.0	29.0	1.0	1.5	1.6	4.6
Mindtree	ADD	1,008	1,015	0.7	165	2.4	165	35	43	52	37.8	23.2	23.2	29.2	23.7	19.2	21.2	14.9	12.1	6.1	5.2	4.4	21.4	23.6	24.9	1.1	1.3	1.6	30.4
Mphasis	SELL	1,090	760	(30.3)	211	3.1	193	44	52	56	14.4	18.3	8.2	24.9	21.0	19.4	17.9	14.5	12.9	3.8	3.5	3.2	14.6	17.4	17.1	1.8	1.8	1.8	11.5
TCS	REDUCE	1,866	1,650	(11.6)	7,145	104.0	3,829	67	78	84	1.1	15.0	8.8	27.7	24.1	22.1	20.5	17.5	15.9	8.2	7.6	7.1	29.4	32.7	33.1	1.3	2.7	2.9	107.7
Tech Mahindra	ADD	655	775	18.4	578	8.4	891	43	45	53	33.1	6.6	15.8	15.3	14.4	12.4	11.2	8.7	7.1	3.1	2.7	2.3	21.5	19.9	19.7	2.2	1.4	1.6	35.2
Wipro	REDUCE	262	295	12.6	1,185	17.2	4,507	17	19	21	(3.1)	11.1	13.7	15.5	13.9	12.2	9.7	8.2	7.1	2.4	2.1	2.0	16.0	16.3	16.6	0.4	0.6	3.8	11.3
Technology	**Cautious**				**13,931**	**203**					**1.6**	**9.9**	**9.8**	**21.8**	**19.8**	**18.0**	**15.8**	**13.5**	**12.1**	**5.2**	**4.7**	**4.2**	**23.7**	**23.5**	**23.5**	**1.4**	**2.5**	**2.9**	**321.3**
Telecom																													
Bharti Airtel	ADD	366	470	28.3	1,465	21.3	3,997	5	(4)	0	(42.9)	(187.4)	104.6	77.4	(88.5)	1,939.4	8.1	9.3	7.4	2.1	2.2	2.2	2.8	(2.4)	0.1	1.5	0.3	0.0	36.7
Bharti Infratel	REDUCE	300	285	(5.1)	555	8.1	1,850	14	13	11	(7.4)	(8.7)	(9.0)	21.8	23.9	26.3	7.9	8.7	9.2	3.3	3.4	3.5	15.7	14.0	13.1	4.8	3.4	3.1	15.0
IDEA	REDUCE	55	75	36.0	240	3.5	4,359	(10)	(15)	(14)	(656.8)	(54.9)	6.4	(5.8)	(3.7)	(4.0)	12.4	22.6	16.8	0.9	1.2	1.6	(16.0)	(26.9)	(34.0)	—	—	—	16.9
Tata Communications	ADD	588	725	23.3	168	2.4	285	2	4	8	(84.3)	121.9	117.7	357	161.0	74.0	10.7	9.6	8.4	33.6	27.1	19.6	4.5	18.6	30.7	1.1	1.1	1.3	4.7
Telecom	**Cautious**				**2,428**	**35**					**(94.7)**	**(1,906.6)**	**36.2**	**772.1**	**(42.7)**	**(66.9)**	**8.8**	**10.4**	**8.7**	**2.1**	**2.3**	**2.5**	**0.3**	**(5.5)**	**(3.7)**	**2.0**	**0.9**	**0.7**	**73.3**
Utilities																													
CESC	ADD	879	1,180	34.2	117	1.7	133	87	102	118	67.1	16.8	15.5	10.1	8.6	7.5	7.5	5.4	4.8	0.8	0.7	0.7	7.9	8.8	9.4	1.4	1.1	1.2	6.0
JSW Energy	REDUCE	66	80	20.5	109	1.6	1,640	3.1	5.9	8.2	(19.2)	92.2	38.7	21.7	11.3	8.1	6.9	5.4	4.4	1.0	0.9	0.9	4.7	8.5	11.0	3.0	3.0	3.0	2.1
NHPC	ADD	23	30	30.7	235	3.4	10,260	2.4	3.1	3.2	(17.3)	26.9	1.8	9.4	7.4	7.3	8.9	7.0	6.8	0.8	0.8	0.7	8.5	10.4	10.2	6.1	7.6	7.7	2.1
NTPC	BUY	153	190	24.3	1,261	18.3	8,245	11	15	16	(7.6)	30.9	4.4	13.4	10.3	9.8	11.0	8.5	7.9	1.2	1.1	1.1	9.5	11.6	11.3	3.7	2.9	3.1	12.9
Power Grid	BUY	183	250	36.6	957	13.9	5,232	16	19	21	9.6	19.3	13.6	11.6	9.7	8.6	8.4	7.1	6.5	1.8	1.6	1.4	15.8	17.1	17.5	2.9	3.4	3.9	30.4
Reliance Power	SELL	31	43	39.6	86	1.3	2,805	3.5	5.1	5.2	(16.4)	45.6	2.7	8.8	6.1	5.9	7.7	6.6	6.4	0.4	0.4	0.3	4.5	6.1	5.9	—	—	—	4.8
Tata Power	ADD	72	97	34.7	195	2.8	2,705	5.3	7.8	8.7	(9.6)	46.1	11.2	13.5	9.2	8.3	10.3	9.4	8.6	1.3	1.1	1.0	10.7	12.9	12.7	—	—	—	6.0
Utilities	**Attractive**				**2,960**	**43**					**(2.4)**	**28.6**	**9.0**	**12.2**	**9.5**	**8.7**	**9.2**	**7.6**	**7.0**	**1.2**	**1.1**	**1.0**	**9.7**	**11.5**	**11.6**	**3.1**	**3.1**	**3.3**	**64.3**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

Company	Rating	Price (Rs)	Target price	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
		4-Jul-18	(Rs)	(%)	(Rs bn)	(US$ bn)	(mn)	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	(US$ mn)
Others																													
Astral Poly Technik	SELL	977	625	(36.0)	117	1.7	120	15	19	23	20.8	28.0	23.0	66.6	52.1	42.3	37.5	29.1	23.6	11.5	9.5	7.8	18.8	20.0	20.3	0.1	0.1	0.1	1.2
Avenue Supermarts	SELL	1,538	860	(44.1)	960	14.0	624	13	16	20	47.9	28.6	26.4	122.3	95.2	75.3	71.7	54.9	43.1	20.7	17.0	13.9	18.5	19.6	20.3	—	—	—	—
Bayer Cropscience	REDUCE	4,562	4,000	(12.3)	180	2.6	34	86	105	124	4.4	22.7	17.5	53.1	43.3	36.9	43.0	33.6	26.9	8.8	7.6	6.6	15.4	18.8	19.2	0.4	0.5	0.5	0.5
Dhanuka Agritech	REDUCE	545	690	26.6	27	0.4	49	26	28	32	7.7	8.9	15.4	21.2	19.5	16.9	15.5	13.4	11.2	4.2	3.6	3.1	21.9	20.1	20.0	1.0	1.1	1.3	0.1
Godrej Agrovet	ADD	611	650	6.5	117	1.7	189	12	16	20	6.9	39.8	24.6	53.0	37.9	30.4	27.3	21.0	17.0	6.9	5.9	5.0	14.7	16.9	17.9	0.3	0.4	0.5	2.5
Godrej Industries	RS	612	—	—	206	3.0	336	15	16	20	6.8	8.9	24.2	42.0	38.6	31.1	37.3	31.6	34.4	5.7	5.0	4.4	14.4	13.9	15.1	0.3	0.3	0.3	5.2
InterGlobe Aviation	BUY	1,082	1,430	32.2	416	6.1	383	59	71	98	27.2	21.8	37.5	18.5	15.2	11.0	10.5	8.5	5.8	5.8	4.4	3.2	41.3	33.0	33.8	0.6	0.7	0.9	27.2
Kaveri Seed	SELL	555	470	(15.3)	37	0.5	66	32	31	33	18.4	(3.7)	6.1	17.3	18.0	17.0	14.6	15.1	13.6	4.7	4.0	3.5	23.6	24.0	21.9	1.1	1.4	1.8	5.0
PI Industries	BUY	792	900	13.6	109	1.6	138	27	33	41	(20.0)	25.0	23.2	29.8	23.8	19.3	21.9	17.2	13.7	5.7	4.7	3.9	20.7	21.7	22.1	0.4	0.5	0.6	1.7
Rallis India	ADD	187	235	25.4	36	0.5	195	9	11	13	(1.5)	26.4	19.7	21.8	17.2	14.4	13.8	11.4	9.6	3.1	2.8	2.5	14.6	16.9	18.1	1.8	1.9	2.1	0.8
SIS	REDUCE	1,143	1,250	9.4	84	1.2	73	23	36	43	44.0	58.5	20.6	50.7	32.0	26.5	27.2	20.6	17.0	8.1	6.8	5.6	20.2	23.4	23.3	0.3	0.5	0.6	0.5
SRF	BUY	1,651	2,110	27.8	95	1.4	57	80	92	123	(10.4)	14.4	33.6	20.5	17.9	13.4	12.6	10.0	8.1	2.7	2.4	2.1	13.7	14.0	16.4	0.7	0.8	0.9	9.9
Tata Chemicals	ADD	693	760	9.6	177	2.6	255	51	46	52	6.5	(11.2)	13.6	13.5	15.2	13.4	7.4	6.4	5.3	1.6	1.5	1.4	13.8	10.0	10.5	3.2	2.2	2.5	9.5
TeamLease Services	SELL	2,977	1,750	(41.2)	51	0.7	17	43	59	75	28.0	37.4	27.2	69.1	50.3	39.5	72.0	51.1	39.5	11.5	9.4	7.6	18.2	20.6	21.2	—	—	—	2.4
UPL	ADD	624	850	36.2	318	4.6	507	43	73	82	20.9	71.2	11.9	14.5	8.5	7.6	10.1	8.8	7.4	3.5	2.9	2.4	26.4	23.6	22.4	1.3	1.5	1.7	14.3
Vardhman Textiles	ADD	1,214	1,400	15.3	70	1.0	56	103	130	140	(8.0)	26.4	7.4	11.8	9.3	8.7	9.9	7.4	6.6	1.4	1.3	1.1	12.7	14.3	13.8	1.2	1.6	2.5	1.0
Whirlpool	SELL	1,511	1,240	(17.9)	192	2.8	127	28	37	45	13.0	33.9	22.5	54.7	40.8	33.3	32.2	24.8	20.0	10.7	8.9	7.4	21.4	23.7	24.1	0.3	0.4	0.6	1.0
Others					**3,190**	**46**					**15.0**	**15.9**	**22.8**	**31.2**	**27.0**	**22.0**	**20.1**	**16.6**	**13.5**	**5.7**	**4.8**	**4.1**	**18.1**	**17.8**	**18.6**	**0.6**	**0.6**	**0.7**	**82.9**
KIE universe					**106,765**	**1,554**					**(6.2)**	**29.8**	**25.0**	**26.5**	**20.4**	**16.3**	**12.3**	**10.4**	**9.2**	**2.9**	**2.6**	**2.4**	**11.0**	**12.9**	**14.6**	**1.3**	**1.5**	**1.8**	
KIE universe (ex-energy)					**94,342**	**1,373**					**(8.4)**	**38.0**	**29.7**	**31.4**	**22.8**	**17.6**	**13.9**	**11.6**	**10.1**	**3.3**	**2.9**	**2.7**	**10.4**	**12.9**	**15.2**	**1.2**	**1.4**	**1.7**	

Notes:
(a) We have used adjusted book values for banking companies.
(b) 2018 means calendar year 2017, similarly for 2019 and 2020 for these particular companies.
(c) Exchange rate (Rs/US$)= 68.71

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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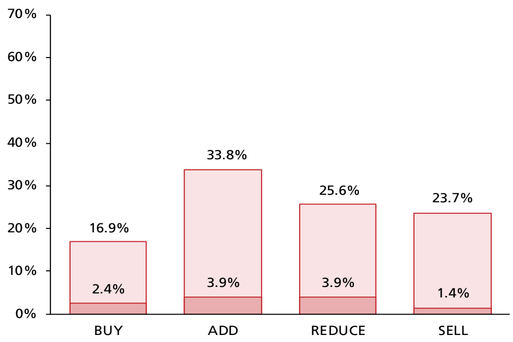

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Source: Kotak Institutional Equities

As of March 31, 2018

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