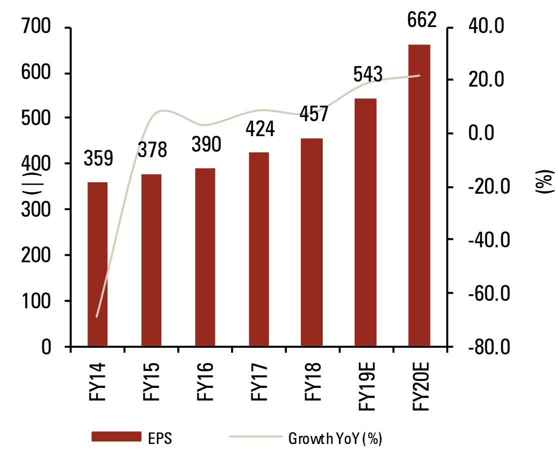
October 8, 2018

Healthy Q2; magnitude of margin reset key ahead

Trend in Nifty EPS



Bloomberg, ICICI Direct Research

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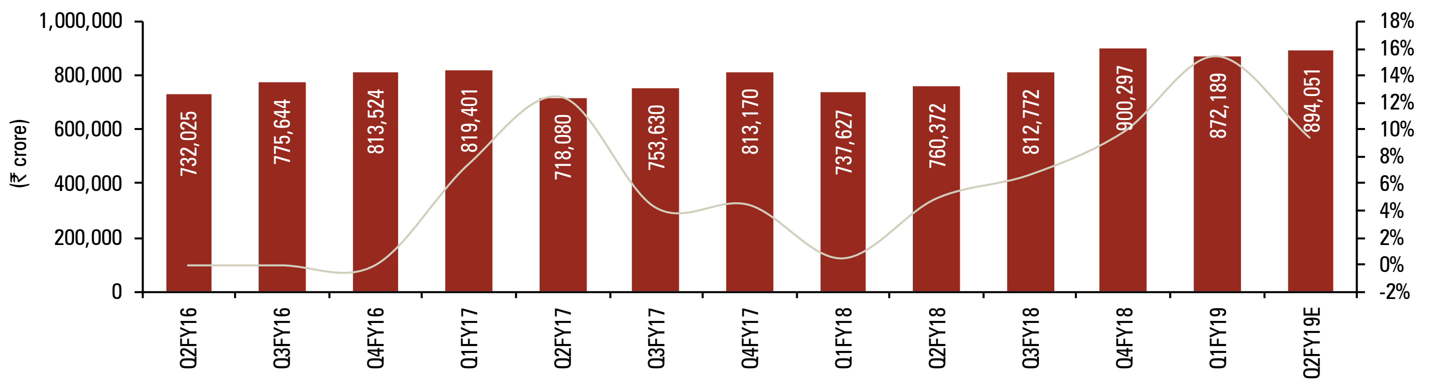
- The high base of last year due to GST implementation and delayed festive season this year are likely to have some impact on the overall revenue growth of consumption oriented sectors. However, despite the same, we believe the economy has shown some resilience, evident from the fact that revenues of Sensex companies are expected to grow ~14% YoY & ~3% QoQ. The growth is largely supported by companies in oil & gas (higher crude prices resulting in higher realisation), FMCG (led by organic volume growth) and IT space (attributable to higher share of digital segment & new deal wins). However, the same was partly offset by the subdued performance of the auto & banking space. Further, an uptick in overall economic activity has resulted in strong order wins of ₹ 34,419 crore for listed capital goods companies
- Investors' sentiment over the past fortnight has remained cautious primarily on the back of 1) rupee which has dropped to all-time low of >73.50 against the dollar; 2) Brent crude prices climbing to a four year high of $86.1/barrel on the back of supply constraints and 3) interest rates which have started to move northwards. Thus, all three factors will have a negative impact on the economy, clearly visible in the broader index, which is down ~9%. Rupee depreciation against the dollar & higher crude prices will further widen the current account deficit (CAD) & also pose a risk of higher inflation, going forward. FIIs have pulled out >₹ 18,000 crore in YTDCY18 of which >80% is in the last 15 days. Further, with rising interest rates in India, cyclical sectors with weaker balance sheets would face challenges due to an increase in financing cost. Thus, we believe there could be a downward revision in earning across sectors post the adverse movement in macro parameters. Though measures taken in the past (increasing custom duty, relaxed overseas borrowing restriction and others) has not meaningfully yielded results, we believe the government will manage its finances taking appropriate steps, going forward
- Revenues of our I-direct coverage (ex BFSI & TML) are expected to grow ~19% YoY in Q2FY19, with all sectors (ex-telecom) expected to report positive growth. EBITDA margins of our universe are expected to contract 82 bps YoY to 18.2% mainly impacted by higher input cost. Subsequently, PAT is expected to grow 11% YoY. Traversing through an economic recovery indicates strong demand prospects. However, at the same time, the magnitude of margin reset, going ahead, will be crucial in the wake of adverse input costs and other macro variables

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

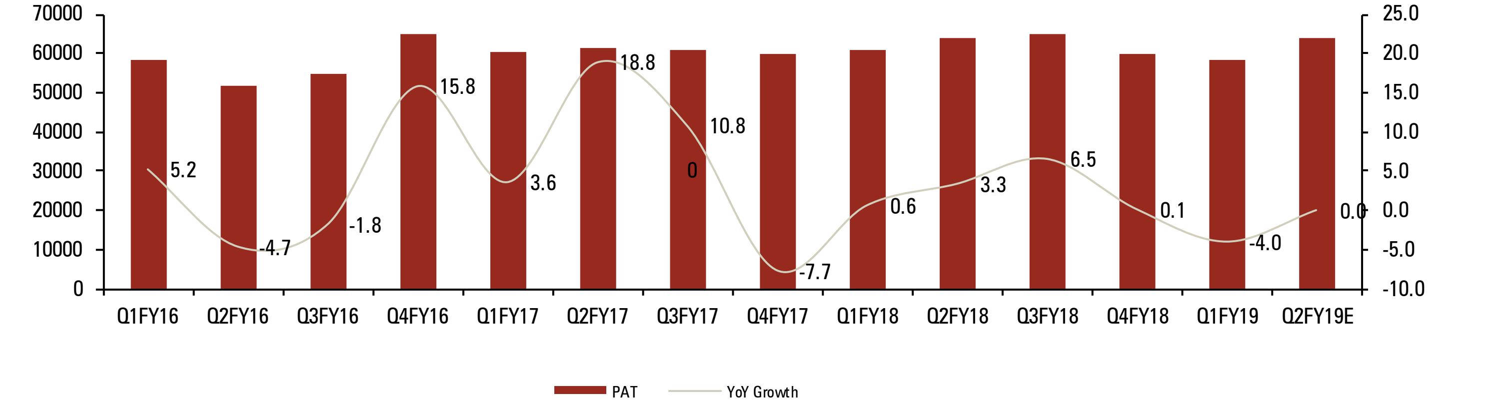


Source: Company, ICICI Direct Research

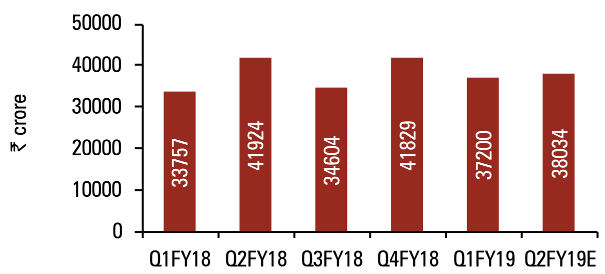
Performance of Sensex companies

- For Q2FY19E, we expect Sensex earnings (ex–BFSI & TML) to report growth of 15% YoY. Though of late, the intensity of provision has moderated, the profitability of BFSI is likely to see de-growth of 21% YoY, primarily dragged down by SBI, which is likely to report a loss for the fourth consecutive quarter. TML's earnings have also been more volatile in the past due to currency fluctuation and margin pressures. Overall growth is mainly supported by the oil & gas, FMCG and capital goods sectors, which are expected to report earnings growth of 20%, 16.2% and11.5% YoY, respectively. On the flip side, earnings growth of Sensex based auto companies (ex-TML) is expected to decline ~5% YoY, largely dragged by MSIL
- Five companies, which are among the chart topper in terms of profitability growth include Tata Steel (attributable to higher volume & realisation), ONGC (higher crude prices is resulting in higher realisation), Yes Bank (led by higher advances growth), TCS (led by deal ramp up) and ITC (higher volume growth from the cigarette segment)
- On flip side, Tata Motors (TML), SBI and Bharti Airtel are expected to report losses during the quarter. TML's performance was impacted due to de-growth in JLR volume & unfavourable currency movement while higher provisioning will have a negative effect of SBI's profitability. Bharti Airtel's performance is impacted by a weak India wireless performance on elevated competitive intensity. Further, Vedanta's profit is likely to de-grow 41% YoY, post a decline in prices of major base metals along with the ongoing shutdown of its copper smelter

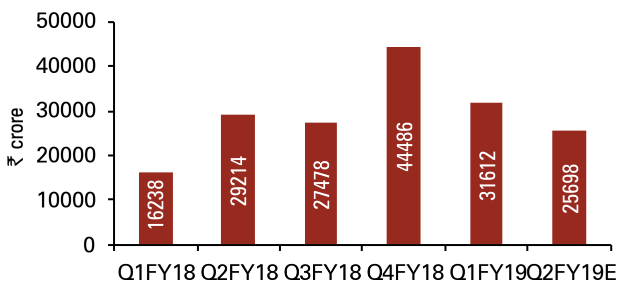
Exhibit 2: Trend in profitability of Sensex companies…



Pre provisioning profit (PPP) of banks in Sensex companies



Provisions of banks in Sensex companies



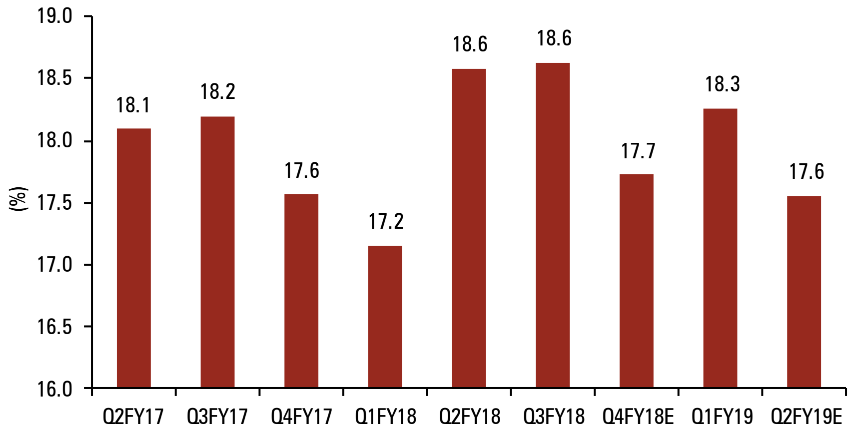
Source: Company, ICICI Direct Research

What we expect our coverage universe to report; emerging trends

- Revenues of our I-direct coverage (ex-BFSI, TML) are expected to grow ~19% YoY in Q2FY19, with all sectors (ex-telecom) expected to report positive growth. The major revenue driver is the oil & gas sector (account for 28% of revenue) is expected to see ~45% YoY growth. Among other major sectors, IT & metals are expected to report 16% YoY & 11% YoY growth, respectively. The auto sector (accounting for ~17% of our universe revenue) is likely to report moderate growth of ~6% YoY basis, primarily due to subdued volume growth of major OEMs. For capital goods companies, Q2FY19 is expected to be strong with robust order wins across companies. Our coverage capital goods companies have registered strong order inflows worth ₹ 34,419 crore led by order uptake in L&T. On the flip side, telecom is the only sector that is expected to witness revenue de-growth of 9% YoY, impacted by competitive pressure as well as interconnect usage charge cut
- For the banking sector, Q2FY19E is expected to witness healthy credit traction as latest data by RBI indicates 13.5% YoY growth. This is an improvement vs. ~12.8% YoY growth seen in Q1FY19. One of the reasons contributing to higher credit growth is the shift towards banking channel vs. debt market owing to a rise in interest rates. The deposit growth is lower at ~8.6% YoY. Improving CD ratio and relatively steady slippages estimated in Q2FY19E would lead to steady margins for banks. This is despite 5-10 bps rise in deposit rates during the quarter. Asset quality pressure, especially from the corporate book, would continue in Q2FY19E. We expect GNPA for coverage banks to increase 18% YoY to ~₹ 336800 crore in Q2FY19E, similar to traction in Q1FY19. Provisions may remain elevated for the sector owing to ageing of NPLs. For our coverage universe, we expect total provisions at ~₹ 24000 crore, similar to Q1FY19E. The commentary with regard to bank's exposure of ~₹ 50000 crore to the beleaguered IL&FS would be keenly watched. There were no major resolutions in Q2FY19E compared to two steel accounts seen in Q1FY19. Despite healthy NII traction estimated, PAT for the coverage universe seems subdued YoY owing to elevated provisioning. The QoQ traction seems higher owing to large losses (₹ 4876 crore) booked by SBI in Q1FY19. Excluding SBI, PAT growth for the coverage universe in Q2FY19 is 20.3% YoY and 3% QoQ
- The quarterly performance of the auto sector in Q2FY19 was marred by the high base of the corresponding period last year due to a sales pick-up post GST transition (July-September 2018). Volume growth was also muted across segments due to shifting of festive season by a month and one-offs primarily driven by uneven distribution of rainfall (floods in Kerala) and ownership linked to driving license (2W in West Bengal). Overall auto volume growth for the quarter was at 6.7% YoY and 3.3% QoQ. The 2W segment witnessed resilience while PV volumes remained soft during the quarter. The 3W segment, however, witnessed robust prospects amid abolition of the permit system in key states. In the CV space, the positive momentum continued amid a pick-up in infrastructure activity. Tractor volumes declined mainly due to the high base of the last year. The key raw material used in the sector was on the uptick. Steel prices were up 16.4% YoY while aluminium was up nearly 11.4%. This will limit the margin expansion at key OEMs as we believe the companies resorted to limited price hikes sensing softer demand scenario. Ex-Tata Motors, for our sectoral coverage, we expect sales & PAT to grow 11.6% & 5.8%, respectively. For Tata Motors, Q2FY19 is expected to be challenging amid a decline in sales at JLR (27% YoY, 15% QoQ) and sharp depreciation of rupee, which will impact its financial performance

- For capital goods companies, Q2FY19E is expected to be strong with robust order wins across companies. The coverage companies have registered strong order inflows worth ₹ 34,419 crore led by order uptake in L&T. BEL also won its largest ever order worth ₹ 9200 crore. Overall, the coverage universe revenue is expected to grow 11.4% owing to stable execution rates at engineering and power T&D EPC companies like L&T, ABB, BEL, KEC, Thermax & Kalpataru Power. EBITDA for the coverage universe is expected to grow 24.6% with some margin expansion whereas PAT is expected to grow 13.2%. In the bearings space, companies like SKF, Timken and NRB are likely to report strong double digit topline growth of 12-16% on account of robust volume growth of ~9%, ~32%, and ~30% in 2W, 3W and commercial vehicle, respectively. We also expect stable EBITDA margins as we believe pass through in input prices and improving utilisation will offset the forex impact, if any, during the quarter
- EBITDA margins of the coverage universe (ex-BFSI) is likely to contract 100 bps YoY to 17.6%

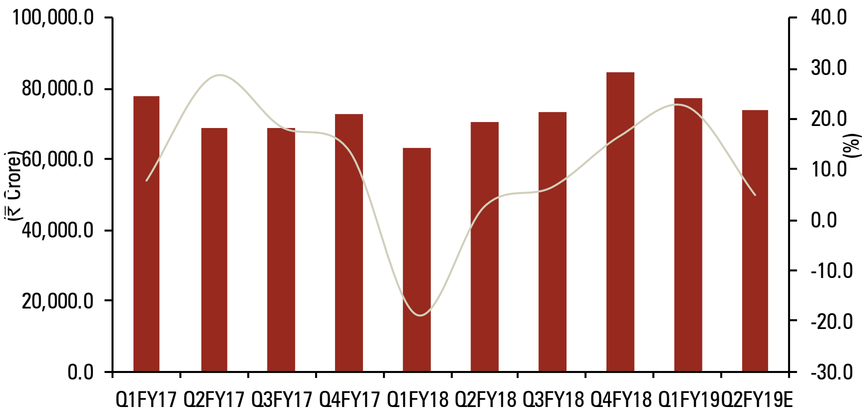
Exhibit 3: Trend in EBITDA margins of I-direct coverage universe (ex- BFSI)



Source: Company, ICICI Direct Research

- Moderate revenue growth and margin contraction YoY are likely to impact the profitability of our I-direct coverage universe, which is expected to report modest PAT growth of 5% YoY

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



Source: Company, ICICI Direct Research

Defensives: Consumption sectors - beneficiary of low base…

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

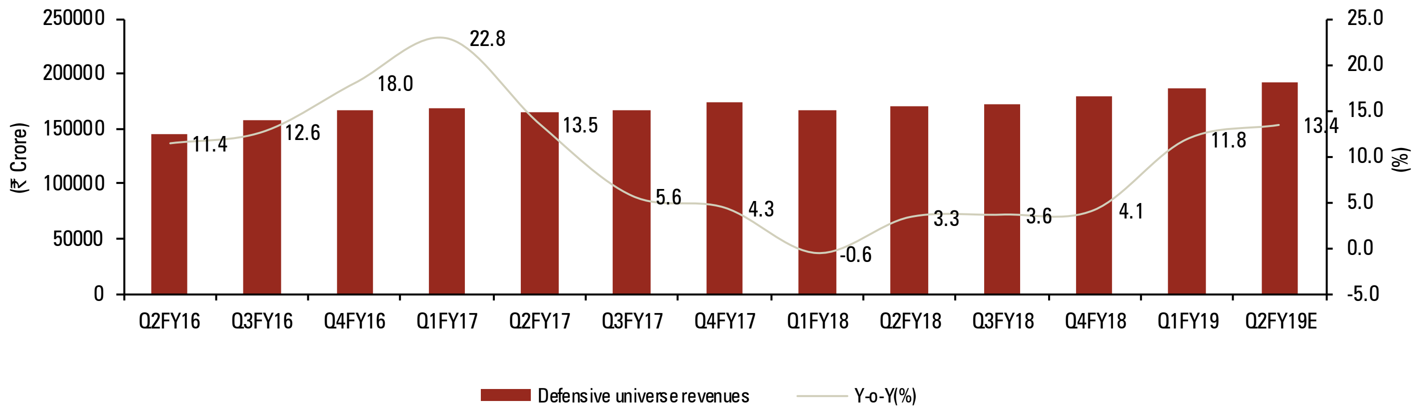
Key highlights:

There are some pre-signs of a demand revival as defensives continue to show some strength for a second consecutive quarter. Our I-direct defensive universe, for yet another quarter is likely to report double digit growth of 13.4% YoY that will be among the best in the last seven quarters. Further, the growth is largely broad based (revenue growth in the range of 8-16%) within the space. IT is the top growing sector within the space, primarily attributable to improving deal wins, higher share of digital segment and reducing pressure on legacy business. The FMCG sector is likely to report organic volume driven (6-8%) revenue growth mainly on the back of strengthening rural incomes, higher pre-election spends by the government, new launches across segments. The healthcare sector will be impacted by high base & supply constraints from China will dilute some of the currency tailwinds, thus resulting in revenue growth of ~10% YoY. Our consumer discretionary universe is expected to grow 8% YoY, mainly due to high base & early festive season last year. The EBITDA margin of our I-direct defensive universe is likely to expand 20 bps YoY to 23% supported by FMCG (due to lower cost of its key inputs) & IT sector (due to rupee depreciation)

- In the IT space, improving deal wins, higher share of digital segment and reducing pressure on legacy business are expected to be key drivers of growth in the quarter. This coupled with Q2 being a seasonally strong quarter, Tier-I IT companies are expected to report constant currency (CC) growth of 1.3-3.9% sequentially. TCS is anticipated to lead the growth led by deal ramp ups while Wipro is expected to lag taking into account impact of divestment of hosted data centre services. Among mid-tier companies, Cyient, MindTree and NIIT Tech are expected to report healthy growth driven by deal wins and digital competencies. Taking into consideration the US$ appreciation against all major currencies, cross currency could act as a headwind of 80-110 bps to reported dollar growth. However, rupee depreciation by 4.6% QoQ would overweigh these headwinds. This is expected to lead to ~70-100 bps expansion in margins across IT companies. Commentary on outlook for key verticals like BFSI, retail and communication has to be watched. Going ahead, we expect Infosys to report better growth based on accelerated rate of new deal wins (estimated US$1.5 billion in Q2FY19E vs $1.1 billion in Q1FY19) and improvement in digital wallet share
- Our FMCG coverage universe is expected to continue robust growth this quarter also whereby sales are expected to grow 12.5% mainly on the back of strengthening rural incomes, higher pre-election spend by the government, new launches across sectors and gradual shift towards premiumisation. We expect organic volume growth of 6-8% across companies. With a gradual improvement in rural income levels on the back of government measures and conclusion of normal monsoons in 2018, we expect rural growth to outpace urban growth, thereby supporting higher volume growth trajectory of our FMCG universe. Continued focus on digital advertisement should help restrict marketing spend thereby improve operating margins. However, a steep rise in crude oil prices (45% YoY), which is used for packaging, would restrict operating margins expansion to 102 bps for our FMCG universe. We estimate 15.9% YoY net profit growth for our coverage universe
- After a strong showing in Q1FY19 due to base effect and currency tailwinds, we expect some consolidation in the pharma sector's Q2 financials due to 1) higher base and 2) cost pressure, which can be

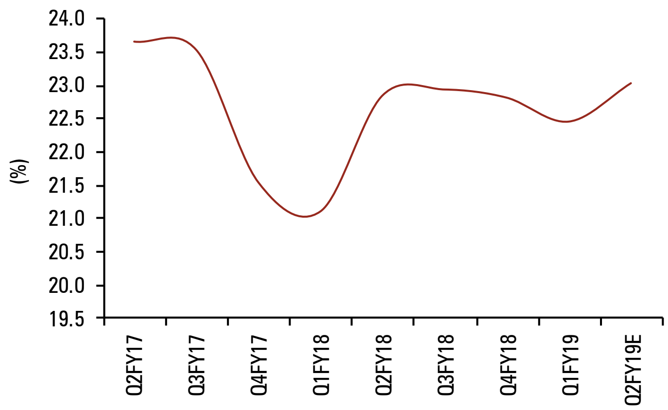
attributable to supply constrains from China and higher crude prices. These two factors are likely to dilute strong currency tailwinds. The I-direct healthcare universe is expected to register 10% YoY growth. Domestic formulations are likely to grow 5.6% YoY (select pack) due to higher base of sales, which were accounted for in Q2FY18 post GST implementation. US revenues (select pack) are expected to grow 8% YoY mainly due to currency tailwinds and volume gain in the base business that is likely to mitigate continued base business price erosion. In Q2FY19, average YoY rupee depreciation vis-à-vis US$ was 9%. EBITDA margins are likely to contract ~106 bps due to higher raw material cost due to supply constraint from China, higher promotional cost of innovative products and hedging losses that are likely to put pressure on overall margins during the quarter. Net profit is expected to decline ~4% due to a below expected operational performance, higher cost of consolidating of acquisitions and higher tax rate

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



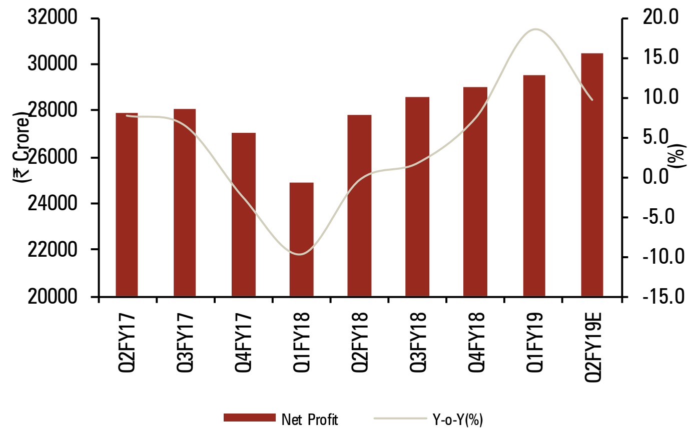
Source: Company, ICICI Direct Research

Exhibit 6: Trend in EBITDA margins



Source: Company, ICICI Direct Research

Exhibit 7: Trend in profitability



Source: Company, ICICI Direct Research

Cyclicals: Uptick in capacity utilisation driving cyclical recovery

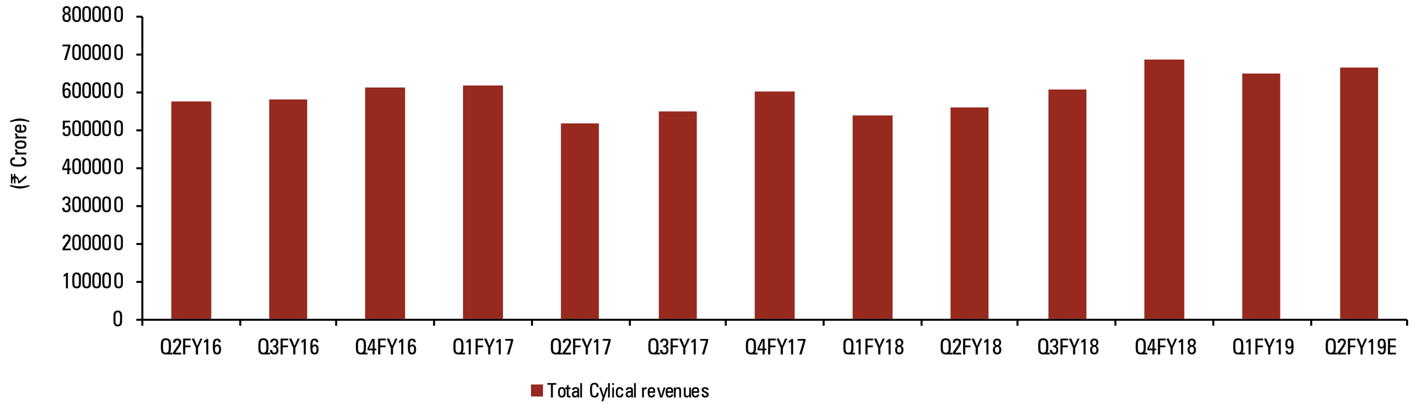
(Sector composition: auto, cement, capital goods, metals, power, infrastructure, real estate, oil & gas and telecom)

Key Highlights

- For Q2FY19, the I-direct cyclical universe is expected to register revenue growth of 19% YoY, mainly supported by the oil & gas sector, which is driven by downstream oil marketing companies (OMCs) on account of rise in product realisation due to high crude oil prices. Apart from that, all major sectors are likely to report revenue growth in the narrow range of 9-12%. The metals space is likely to report revenue growth of 11% YoY, primarily supported by the ferrous space (with names like Tata Steel & JSW steel). For capital goods companies, Q2FY19 is expected to be strong with robust order wins across companies. The auto space, one of the major sectors in cyclicals, is expected to report flat revenue growth mainly on the back of subdued volume growth from leading OEMs during the quarter. In the cement sector, volume growth under our coverage universe would look optically higher (up 13.8% YoY) mainly due to a ramp up in capacity utilisation & expansion by players. The performance of telecom players in the seasonally weak Q2 is expected to be further marred by another round of discounting by Jio on its second anniversary in September 2018 and higher diesel prices. Further, except metals, real estate & capital goods, operational profitability of other cyclicals sectors is likely to remain under pressure. We expect EBITDA margins of our I-direct cyclical universe to contract 141 bps YoY to 16.2%
- Developments like tough sanctions on Iran and lower production from countries like Venezuela have led to fears of further tightening of oil supply and led to increase in crude oil prices. However, expected subsidy burden on upstream oil companies will lead to a decline in their net realisations QoQ. Domestic gas demand and continued LNG imports from consuming sectors will lead to steady volume growth for gas utility companies on a YoY basis. However, high spot LNG prices and rupee depreciation during the quarter will have an impact on margins QoQ as well as YoY. Benchmark Singapore GRMs remained flattish during the quarter at US$6.1/bbl in Q2FY19. However, product spreads for important petroleum products for Indian refiners weakened in Q2FY19 and will impact operational GRMs. However, inventory gains would continue to provide some support to the GRMs of OMCs
- In the metals space, domestic steel consumption grew 6.5% YoY during July-August 2018 after increasing 8.9% YoY during April-June 2018. Despite a seasonally weak quarter, steel prices remained flattish QoQ, we expect steel prices to increase in H2FY19E once construction and infrastructure activities resume post monsoon resulting in demand pick up. For Q2FY19E, we expect EBITDA/tonne of domestic steel companies to decline sequentially on the back of flattish realisations and increased key raw materials prices (coking coal and iron ore). We expect the domestic operations of Tata Steel to report EBITDA/tonne of ₹ 16500/tonne (vs. ₹ 17077/tonne in Q1FY19). Similarly, JSW Steel on a standalone basis is likely to report an EBITDA/tonne of ₹ 10250/tonne (vs. ₹ 12590/tonne in Q1FY19). On the non-ferrous front, prices of all base metals remained volatile during the quarter taking cues from developments around the trade tussle between the US and China. During Q2FY19, average zinc prices were at US$2535/tonne down 14.4% YoY, 18.5% QoQ. Lead prices were down 10% YoY, 12% QoQ to US$2098/tonne. Copper prices were down 3.7% YoY, 11.1% QoQ to US$6117/tonne while aluminium prices were up 2.2% YoY, down 11.1% QoQ to US$2054/tonne

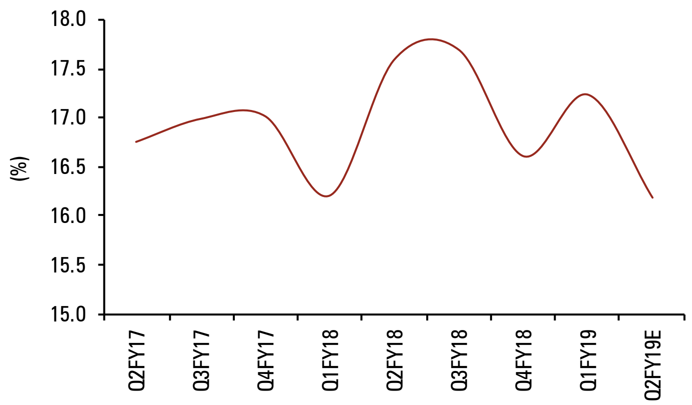
- In the cement sector, volume growth under our coverage universe would look optically higher (up 13.8% YoY) mainly due to ramp up in capacity utilisation of Jaypee (17.1 MT acquired by UltraTech) and capacity expansion in Rajasthan (3.6 MT) and Bihar (2 MT) by Shree Cement. However, on an organic basis volume growth is expected to remain in high single digits (up 7.4% YoY). The majority of this organic growth would come from infrastructure segment while demand from rural & individual house segment may remain muted due to lean season. Further, heavy monsoons in some areas in the North and South may also impact demand further during the quarter leading to weak pricing environment. In terms of regions, we expect cement prices in North & South to decline 4.8% and 5.0% YoY, respectively, while prices in Central, West and Eastern region may remain stable YoY. Overall, we expect all India prices to come down by 1% YoY and 3% QoQ respectively during the quarter. On the cost front, higher imported petcoke price (up 19% YoY) along with rupee depreciation would negatively impact EBITDA/t by 180-200/t. Hence, we expect EBITDA/t of our coverage universe to decline by 22.7% YoY to ₹ 690/t

Exhibit 8: Trend in revenue growth of cyclicals



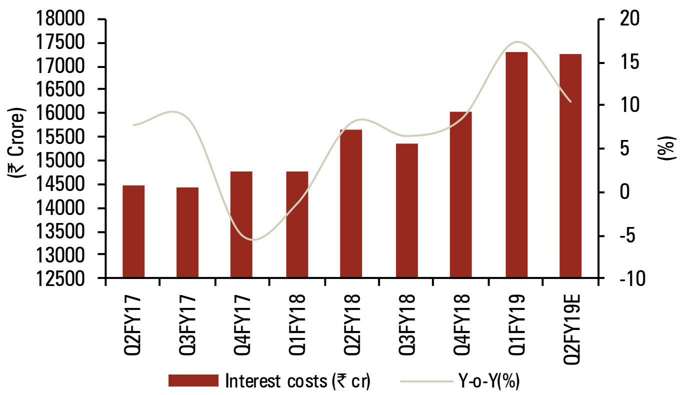
Source: Company, ICICI Direct Research

Exhibit 9: Trend in EBITDA margins



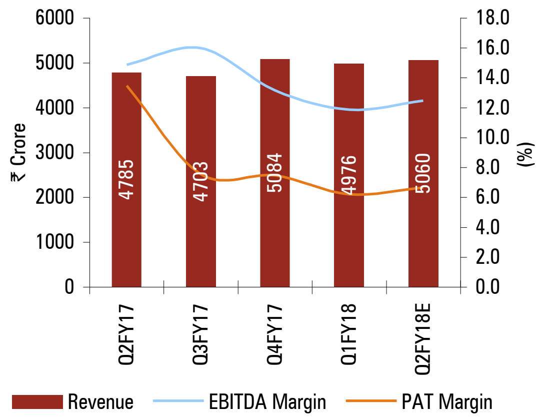
Source: Company, ICICI Direct Research

Exhibit 10: Interest costs…

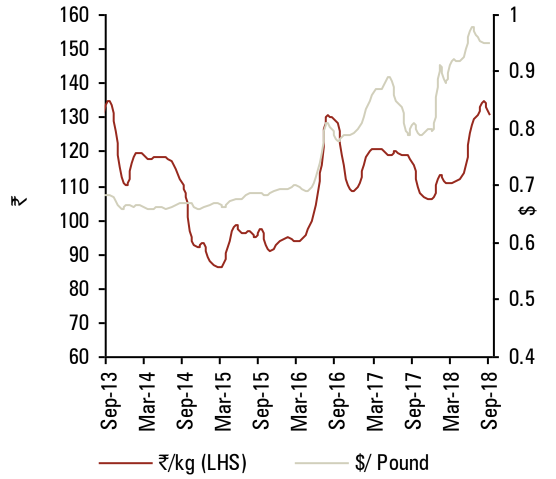


Source: Company, ICICI Direct Research

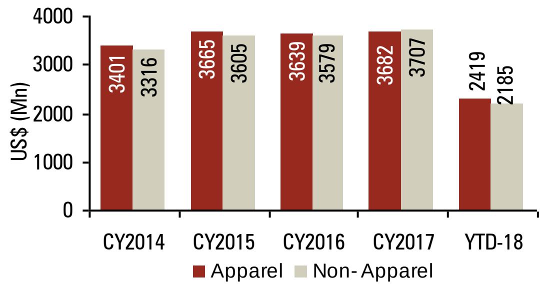
Topline & Profitability (Coverage Universe)



Cotton prices (domestic & international)



Indian textile exports to US



Apparel

Delay in festive season and weak Onam sales to impact revenues

The base quarter (July & August 2017) was impacted due to lower offtake by trade channels on account of uncertainty related to the implementation of GST. However, delay in festive season to Q3FY19 and weak onam sales (due to Kerala floods) are expected to negate the positive impact of low base effect in Q2FY19. We expect our coverage universe to report moderate revenue growth of 12% YoY in Q2FY19. We anticipate KKCL to report revenue de-growth of 4% YoY to ₹ 160.3 crore (albeit on strong base of Q2FY18). We expect Arvind's textile division to report revenue growth of 10% YoY (2% de-growth sequentially) mainly led by new garmenting facility and growth in woven segment. Arvind's Brand & Retail segment is expected to sustain its strong revenue trajectory and anticipate revenue growth of 15% YoY in Q2FY19. Page is expected to register revenue growth of 15% YoY, led by 9% volume growth and 7% increase in average selling price. With no immediate capacity coming on stream, we expect Vardhman Textiles to report revenue growth 6% YoY. We expect Rupa to report revenue growth of 11% YoY on favourable base of Q2FY18 (7% decline in revenues).

Cotton prices at its peak; may negatively impact gross margins

Average cotton prices (Shankar-6) in Q2FY19 have risen by 12% YoY to ₹ ~132/kg (up 9% sequentially). Increase in cotton prices was largely on the back of damage by pink bollworm and delayed monsoon in some states. Going forward, cotton prices are expected to remain elevated for cotton season 2018-19 on account of anticipated decline in cotton production by 5% to 35.5 million bales (1 bale= 170 kg) and sustained domestic demand. Higher yarn prices are expected to keep margin pressure for apparel players in the near term.

Over the past couple of quarters, Page has increased the proportion of outsourced products leading to lower gross margins. However, it has exhibited commendable cost rationalisation measures which have yielded better EBITDA margins. Hence, we expect Page to report margin expansion to the tune of 130 bps YoY. We anticipate margins for KKCL to decline 240 bps YoY on account of negative operating leverage. For Rupa we expect EBITDA margins to decline 100 bps YoY on account of higher advertisement spends and pressure on input cost. We expect EBITDA margins for Vardhman textiles to improve 400 bps YoY to 17% due to a deflated base (Q2FY18 had one of the lowest EBITDA margin at13.7% due to high cost cotton inventory).

Exhibit 11: Estimates for Q2Y19E: (Apparel) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Arvind Ltd	3,025.8	15.1	5.8	260.1	22.5	5.6	76.0	17.8	18.1
Kewal Kiran	160.3	-4.3	51.3	43.0	-12.0	99.8	32.0	-8.9	130.2
Page Industries	717.3	14.6	-12.0	156.0	21.5	-17.6	102.4	21.8	-17.7
Rupa & Co.	276.1	11.2	50.5	39.8	3.7	90.1	22.9	6.1	123.2
Vardhman Tex	1,618.1	6.2	-4.8	274.0	38.6	-6.2	146.8	10.2	-7.8
Total	5,797.6	11.6	2.3	772.8	23.5	0.3	380.1	12.3	2.2

Source: ICICI Direct Research

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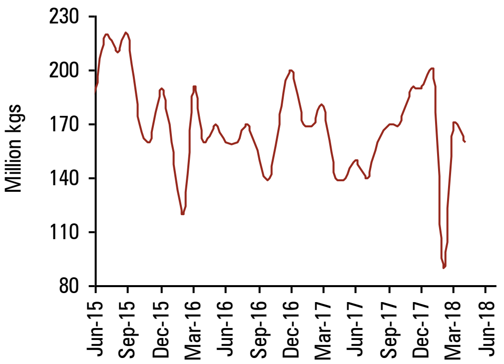
Lower export incentives result in subdued Exports for YTD-18

According to the data provided by Office of Textile and Apparel (OTEXA), India's textile exports to the US in YTD 18 (January-July) witnessed subdued growth owing to intense competition from countries like Bangladesh & Vietnam and recent cut in duty drawback rates. India's apparel exports to the US for YTD18 grew marginally by 4.0% YoY US$2419 million, while non-apparel exports remained flattish at US$2185 million.

China's cotton yarn import



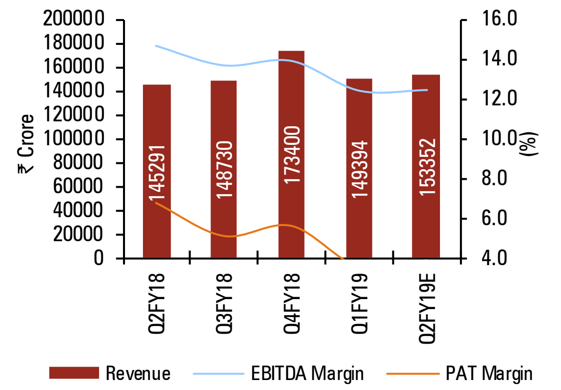
China's cotton yarn imports de-grew by 11.4% YoY in YTD-18 (Jan-July).

Exhibit 12: Company specific view (Apparel)

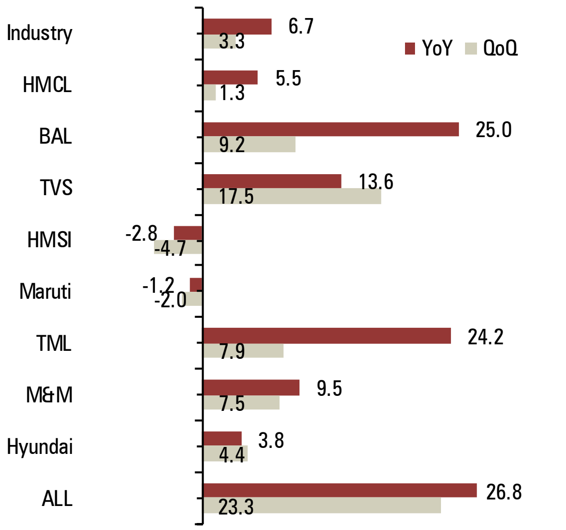
Company	Remarks
Kewal Kiran	With various e-commerce players, resorting to aggressive promotional offers, KKCL has refrained away form giving heavy discounts in order not to dilute the brand image. We expect the repercussions of the same to impact the volume growth in the quarter. We anticipate KKCL to report revenue de-growth of 4% YoY to ₹ 160.3 crore, Also, delay in festive season to Q3FY19 and weak Onam sales are expected to impact revenue growth. We expect EBITDA margins to decline 240 bps YoY to 26.8% on the back of negative operating leverage. Subsequently we expect PAT to decline 9% YoY to ₹ 32.0 crore
Page Industries	We expect Page to register healthy topline growth of 15.0% YoY to ₹ 718.1 crore, driven by volume growth of 9% to 46.4 million pieces and realisation growth of 7% YoY to ₹ 155/piece. On the segmental front, we expect revenues from women's segment to increase by 24% YoY, while men's segment is expected to grow by 16% YoY. Positive operating leverage is expected to enhance EBITDA margins by 130 bps YoY to 21.8%. Consequently, we expect PAT to grow 22.0% YoY to ₹ 102.5 crore.
Rupa & Company	We expect Rupa (standalone) to register steady revenue growth of 11% YoY to ₹ 276.1 crore owning to low base effect (7% revenue de-growth in Q2FY18). EBITDA margins are expected to decline 100 bps YoY to 14.4% on account of increase in yarn prices and higher spends on promotional expense. Consequently we expect PAT to increase 6% YoY to ₹ 23.0 crore
Vardhman Textiles	With no immediate capacity coming on stream, we expect VTL revenues to increase by 6% YoY to ₹ 1618 crore. In Q2FY18 the company had one of the lowest EBITDA margin at13.7% due to high cost cotton inventory. On a deflated base, we expect EBITDA margins to improve by 400 bps YoY to 17.0%. Higher tax rate and lower other income is expected to restrict PAT growth. Hence, we expect PAT to increase 10.2% YoY to ₹ 147 crore.
Arvind Ltd	We expect Arvind's textile division to report 10% YoY revenue growth, mainly driven by growth in garmenting and woven segment. Denim segment is expected to remain under pressure in the near term. Revenues from Brands and Retail segment is expected to increase by 15% YoY. The management indicated that there was certain loss of revenues owing to weak onam sales and delay in festive season. On a consolidated basis, we expect Arvind to report 16% revenue growth YoY to ₹ 3068 crore. EBITDA margins are likely to expand 70 bps YoY to 8.8%, with absolute EBITDA increasing 27% YoY to ₹ 269 crore.

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage universe)



Key players & industry volume Sept '18 quarter growth



Average commodity price movement

Commodity (₹/kg)	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
Steel	50	43	16.4	49	0.3
Aluminium	144	129	11.4	152	-5.1
Rubber	131	133	-1.3	124	5.9
Plastics	76	76	0.1	70	8.2
Lead	148	151	-2.2	160	-7.7

Average currency movement against rupee

Currency	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
USD / INR	70.1	64.3	9.0	67.0	4.6
EUR / INR	81.5	75.6	7.8	79.9	2.0
GBP / INR	91.3	84.1	8.5	91.1	0.2
JPY / INR	0.63	0.58	8.5	0.61	2.4

Top Picks

Ashok Leyland & Balkrishna Industries

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Auto and auto ancillary

High base, one-offs play spoilsport, CV uptick continues!

The quarterly performance of the auto sector in Q2FY19 was marred by the high base of the corresponding period last year due to sales pick-up post GST transition (July-September 2018). The volume growth was also muted across segments due to shifting of festive season by a month and one-offs primarily driven by uneven distribution of rainfall (floods in Kerala) and ownership linked to driving license (2W in West Bengal). Overall auto volume growth for the quarter was at 6.7% YoY and 3.3% QoQ. The 2W segment witnessed resilience, with volumes at major 2Ws i.e. Eicher, Hero, Bajaj growing 3.6%, 5.5%, 23%, respectively, YoY. The 3W segment, however, witnessed robust prospects amid abolition of permit system in key states with 3W sales at market leader Bajaj up nearly 39% YoY. In the PV segment, market leader MSIL reported 1.5% decline in total sales. In the CV space, the positive momentum continued amid a pick-up in infrastructure activity domestically with MHCV sales in Q2FY19 at industry leaders TML, Ashok Leyland are growing at 28% & 27%, respectively. Industry tractor sales in Q2FY19 declined marginally on a high base to ~1.8 lakh units, down 2.2% YoY. Ex-Tata Motors, for our sectoral coverage, we expect net sales and PAT to grow at 11.6% & 5.8%, respectively.

High commodity price to limit margin expansion!

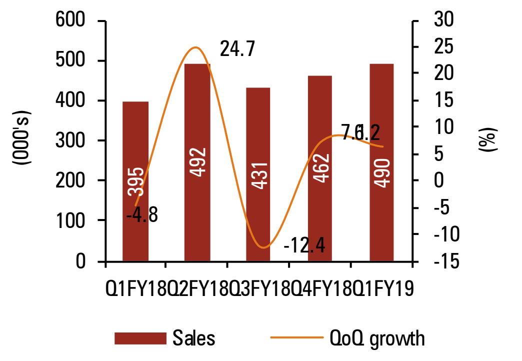
The key raw material used in the sector was on the uptick. Steel prices were up 16.4% YoY while aluminium was up nearly 11.4%. This will limit the margin expansion at key OEMs as we believe the companies resorted to limited price hikes sensing softer demand scenario. Ex-Tata Motors, for our coverage, we build in 60 bps compression in EBITDA margins to 14.8% in Q2FY19. For Tata Motors, Q2FY19 is expected to be muted amid a decline in sales volume at JLR (16% YoY, 2% QoQ) and sharp depreciation of the rupee. We expect Tata Motors to report loss to the tune of ~₹ 1,700 crore in Q2FY19. In the auto ancillary space, most companies are expected to report a margin expansion given low base in Q2FY18.

Exhibit 13: Estimates for Q2FY19E: Auto and auto ancillary (₹ Crore)

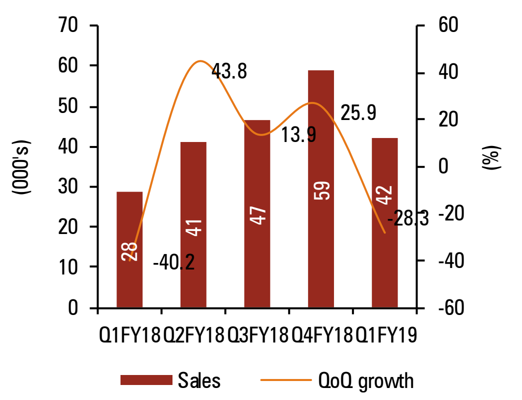
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Amara Raja	1691.1	18.5	-4.9	249.2	4.7	13.1	131.3	3.2	16.2
Apollo Tyre`	4082.6	17.4	-4.8	501.5	37.6	-5.0	207.5	48.0	-17.7
Ashok Leyland	7,746.2	28.1	23.9	882.3	44.2	36.3	537.0	60.7	45.1
Bajaj Auto'	8,110.9	23.3	9.3	1,412.6	8.8	10.2	1,172.2	5.4	5.1
Balkrishna Ind	1424.2	27.8	4.5	410.5	34.6	14.8	262.2	29.2	13.9
Bharat Forge	1558.1	23.9	5.3	457.5	23.8	6.7	252.8	24.1	7.8
Bosch India	3263.4	16.1	1.6	623.3	22.7	-0.8	436.3	23.5	1.2
Eicher Motors*	2,395.6	10.7	-5.9	761.4	10.3	-7.4	588.9	15.3	2.2
Exide	2752.0	16.1	-0.7	391.3	32.3	0.1	217.8	60.7	3.8
Hero Motocorp	8,969.1	7.3	1.8	1,367.5	-6.1	-0.7	935.6	-7.4	2.9
JK Tyre `	2373.9	15.3	-2.7	308.7	57.6	-5.1	84.0	382.0	31.0
Mahindra CIE `	1918.6	15.9	-2.8	251.0	19.5	-13.7	119.8	28.3	-11.1
Maruti Suzuki	22,180.9	1.9	-1.2	3,191.7	-13.2	-4.8	2,145.7	-13.6	8.6
Motherson`	14653.6	9.1	-0.8	1450.8	16.0	2.7	486.0	11.4	9.7
Tata Motors`	69,499.0	-0.9	3.6	6,716.3	-31.3	5.3	-1,726.2	PL	NA
Wabco India	732.6	20.1	-2.0	109.7	6.9	10.0	78.8	1.6	5.4
Total	153351.8	5.5	2.6	19085.4	-10.6	2.9	5929.7	-39.1	12.5

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

Maruti Suzuki's sales performance



Ashok Leyland's sales performance



Eicher Motor's sales performance

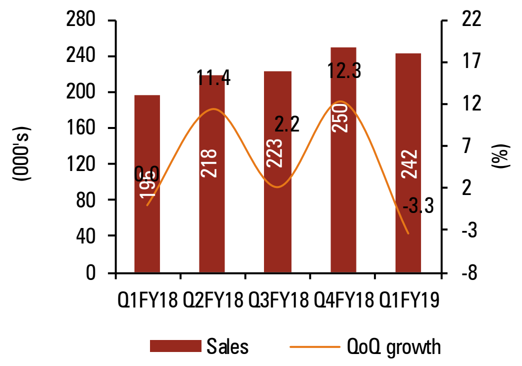
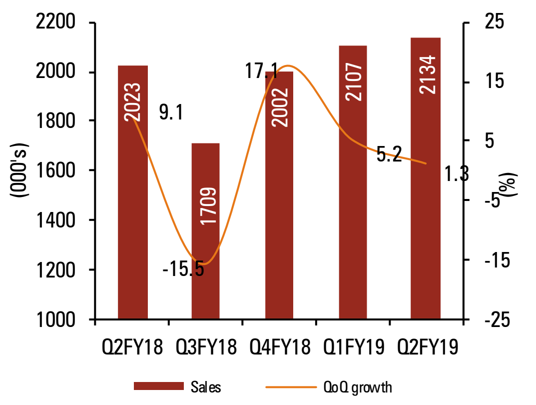


Exhibit 14: Company specific view- OEM)

Company	Remarks
Ashok Leyland	Ashok Leyland is expected to report a robust performance in Q2FY19 primarily driven by healthy 27% volume growth in the CV space. Total CV sales volume in Q2FY19 were at 51,958 units comprising LCV sales volume of 13,572 units, up 42% YoY and MHCV sales volume of 38,386 units, up 22% YoY. LCV to MHCV mix in Q2FY19 was at 26:74 vs. 23:77 in Q2FY18. Consequent net sales in Q2FY19 are expected at ₹ 7746 crore, up 28% YoY. EBITDA in Q2FY19 is expected at ₹ 882 crore (EBITDA margins at 11.4%, up 130 bps YoY). PAT in Q2FY19 is expected at ₹ 537 crore, up 60% YoY
Bajaj Auto	Bajaj Auto is expected to report a healthy Q2FY19 performance primarily driven by robust volume growth (up 25% YoY) amid a depreciating currency. Total 2W sales volume in Q2FY19 was at 11.3 lakh units, up 23% YoY while 3W sales volume were at 2.1 lakh units, up 39% YoY. Domestic volume growth was at 19% in the 2W segment & 32% in the 3W segment. In Q2FY19, on account of increasing share of entry level products, we expect domestic ASPs to decline to ₹ 59173/unit. Consequent net sales are expected at ₹ 8111 crore, up 23% YoY. EBITDA in Q2FY19 is expected at ₹ 1413 crore with consequent EBITDA margins at 17.4%, up 10 bps QoQ. PAT in Q2FY19 is expected at ₹ 1172 crore, up 5.4% YoY
Eicher Motors	Eicher Motors is expected to report a stable performance in Q2FY19. Royal Enfield (2W) sales volume in Q2FY19 was at 2.1 lakh units, up 3.6% YoY amid supply disruption at one of its key facilities (volume lost of 10,000 units). CV sales at the VECV business segment were at 18,940 up 24% YoY. Consequent net sales in Q2FY19 is expected at ₹ 2396 crore, up 11% YoY. EBITDA is expected at ₹ 761 crore with consequent EBITDA margins at 31.8%, down 10 bps YoY. PAT in Q2FY19 is expected at ₹ 589 crore, up 15.3% YoY. Consolidated PAT also includes profit from JV, which is expected at ₹ 73.1 crore
Escorts	Topline is expected to increase 24.5% YoY to ₹ 1002 crore on the back of core tractor business whose volumes were up ~27% YoY with volumes at ~14,978 units. Tractor revenues are expected to grow ~31% YoY to ~₹ 801 crore. EBITDA margins are expected to decline 54 bps QoQ to 7.8%, mainly driven by higher input cost & negative operating leverage. We expect topline at ~₹ 1002 crore & PAT at ~₹ 46 crore for Q4FY17
Hero MotoCorp	Hero MotoCorp is expected to report a steady performance in Q2FY19 amid a marginal hit on volumes due to price cut by one of its key competitor and pressure on raw material costs. Total 2W sales volume in Q2FY19 were at 21.3 lakh units, up 5.5 % YoY. It includes likely ~15% de-growth in the scoter segment and likely ~8% growth in the motorcycle segment. Consequent net sales in Q2FY19 are expected at ₹ 8969 crore, up 7.3% YoY. EBITDA in Q2FY19 is expected at ₹ 1368 crore (EBITDA margins at 15.2%, down 40 bps QoQ). PAT in Q2FY19 is expected at ₹ 936 crore, down 7.4% YoY (high margins in base quarter, 17.4% in Q2FY18)
Maruti Suzuki	We expect Maruti to report a muted performance in Q2FY19 primarily driven by marginal de-growth in sales volume, increase in raw material price as well as sharp depreciation of Indian currency vs. Yen (down 8.5% YoY). Total domestic car sales in Q2FY19 were at 4.5 lakh units, down 1.2% YoY while total sales including exports were at 4.8 lakh units, down 1.5% YoY. Consequent net sales in Q2FY19 is expected at ₹ 22181 crore, up 1.9% YoY. EBITDA in Q2FY19 is expected at ₹ 3192 crore (EBITDA margins at 14.4%, down 50 bps QoQ). PAT in Q2FY19 is expected at ₹ 2146 crore, down 13.6% YoY
Tata Motors	Tata Motors is expected to report a muted performance in Q2FY19, primarily tracking sales de-growth at JLR and sharp depreciation of the rupee (forex loss). On the domestic front, the performance was strong with total vehicle sales at 1.9 lakh units, up 24% YoY. On the JLR front, total wholesale sales are expected at 1.3 lakh units, down 16% YoY and 2% QoQ. Sequentially, with focus on cost control, we expect EBITDA margins to improve 30 bps QoQ at JLR to 6.5%. On a consolidated basis, sales in Q2FY19 are expected at ₹ 69,499 crore, down 0.9% YoY. EBITDA is expected at ₹ 6716 crore (EBITDA margins at 9.7%, up 20 bps QoQ). At the PAT level, we expect Tata Motors to report a loss of ₹ 1726 crore (includes forex loss of ₹ 1140 crore vs. ₹ 1007 crore reported in Q1FY19)

Source: Company, ICICI Direct Research

Hero MotoCorp's sales performance



Bajaj Auto's sales performance

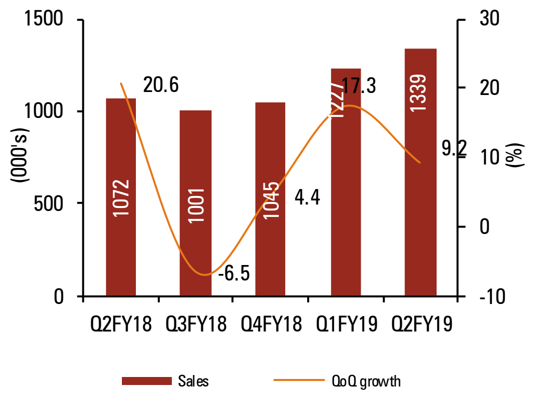
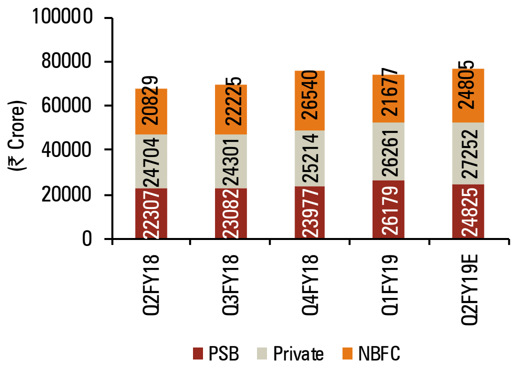


Exhibit 15: Company specific view- Ancillaries

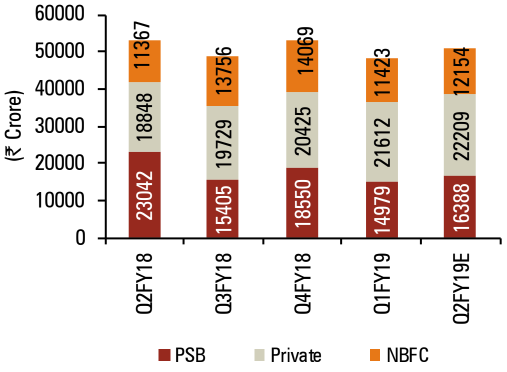
Company	Remarks
Amara Raja Batteries (ARBL)	ARBL's revenue is expected to grow 18% YoY to ₹ 1,691 crore, driven by automotive volume growth & price hike. It had reported strong EBITDA margin in Q2FY18. Hence, the margin may look soft, down 194 bps YoY. However, with average prices of lead down 2.2% YoY & 7.7% QoQ to ₹ 148/kg, the margin is likely to expand 235 bps QoQ to 14.7%. PAT is expected to grow 3% YoY to ₹ 131 crore
Apollo Tyres (APL)	APL's consolidated revenue is likely to grow 17% YoY to ₹ 4,083 crore supported by strong domestic CV demand. Average price of natural rubber declined 1.3% YoY; but increased 5.9% QoQ to ₹ 131/kg. The input cost of other crude derivatives will further create some pressure on margins on a QoQ basis. Thus, EBITDA margins are likely to expand 180 bps YoY to 12.3% (low base of Q2FY18) but may remain flat QoQ. PAT is likely to increase 48% YoY to ₹ 208 crore
Balkrishna Industries (BIL)	Revenues are expected to increase 27.8% YoY to ₹ 1,424 crore, driven by 1) volume growth of 14% YoY to 56,237 MT & 2) favourable currency movement. Despite input cost pressure, higher operating leverage & better product mix will expand its EBITDA margins by 147 bps YoY to 28.8% (within the management guidance of 28-30%). PAT is expected to increase 29.2% YoY to ₹ 262 crore
Bharat Forge	BFL's domestic revenues are expected to grow 24% YoY to ₹ 624 crore, on the back of strong M&HCV demand (account ~50% of its revenue) while exports are likely to grow 28% YoY to ₹ 903 crore driven by US class 8 truck volumes. EBITDA margins are expected to remain flat YoY at 29.4% as operating leverage benefit will largely be offset by rising input cost. PAT is likely to grow 24% YoY to ₹ 253 crore
Bosch	Bosch is likely to report highest ever quarterly revenue, which is expected to increase 16% YoY to ₹ 3,263 crore. The strong OEM production in CV will drive its revenue but the same will be partly offset by subdued volume in the PV & tractor space. Operating leverage is expected to drive its EBITDA margin that is likely to expand 100 bps YoY to 19.1%. PAT is expected to grow 23.5% YoY to ₹ 436 crore
Exide Industries (EIL)	EIL's revenue is expected to grow 16% YoY to ₹ 2752 crore driven by the automotive space. Apart from enjoying a leadership position in the OEM space, its strategy of rebuilding & capturing the unorganised players share will drive its replacement growth. Its EBITDA margin is likely to expand 12bps QoQ to 14.2%. PAT is expected to increase 34% YoY to ₹ 218 crore after EIL had exceptional expense of ₹ 42 crore in Q2FY18
JK Tyre (JKTIL)	Consolidated revenues are expected to grow 15.3% YoY to ₹ 2,374 crore driven by strong CV OEM demand & lower Chinese import in replacement market. Labour restructuring in its Mexican subsidiary will improve its performance. JKTIL reported a weak Q2FY18 operational performance mainly impacted by high input cost. Thus, YoY performance would relatively look better. EBITDA margin may expand 350 bps YoY to 13%. PAT is expected at ₹ 84 crore vs. ₹ 17 crore in Q2FY18
Mahindra CIE Automotive	Standalone business is expected to be driven by healthy production volumes of its top three clients, which account for ~60% of its revenue. Thus, its revenue is expected to grow 12% YoY to ₹ 542 crore. EBITDA margins are likely to remain flat YoY at 10% with PAT expected at ₹ 29 crore. At the consolidated level, we expect revenue & EBITDA of ₹ 1919 crore & ₹ 251 crore, respectively
Motherson Sumi	On a consolidated basis, revenues are expected to grow 9.1% YoY to ₹ 14,654 crore as it is expected to witness decent demand growth across its business. Further favourable currency movement will benefit MSSL while the change in new accounting standard may impact its SMP & standalone business. Its EBITDA margin is likely to expand 59 bps YoY to 9.9%. PAT is expected to grow 11% YoY to ₹ 486 crore
Wabco India (WIL)	WIL's revenue is expected to increase 20.1% YoY to ₹ 733 crore mainly driven by the strong domestic M&HCV production (up >25% YoY). Higher input cost & poor product mix (higher share of revenue from trading & export business) will impact EBITDA margin, which is likely to contract 180 bps YoY to 15%. Thus, PAT is expected to increase 2% YoY to ₹ 79 crore

Source: Company, ICICI Direct Research

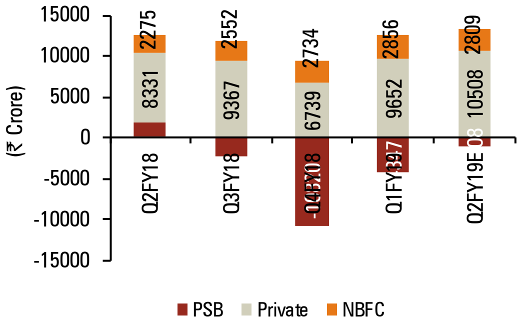
Net interest income (Coverage Universe)



PPP (Coverage Universe)



Net Profit (Coverage Universe)



** Numbers in chart excludes HDFC and Indian Bank*

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Banking and Financial Institutions

The financial sector at the end of the Q2FY19E quarter was plagued by concerns on liquidity front, asset-liability mismatch and management changes. NBFCs and within them housing finance companies were impacted the most on account of these concerns. Banks on the other hand could fare better in the rising interest rate scenario owing to better pricing power in the credit market vs. NBFCs.

Credit growth of sector improving further in Q2FY19

One of the key highlights of the sector in Q2FY19E has been the continued improvement in credit traction. As per the latest data by the RBI, advances increased 13.5% YoY to ~₹ 88 lakh crore as on September 14, 2018. This is an improvement compared to ~12.8% YoY growth seen in Q1FY19. The growth continued to be led by retail book (up ~18%) while large corporate loans remain sluggish at ~2% YoY. One of the reasons contributing to higher credit growth is the shift towards banking channel vs. debt market owing to a rise in interest rates. Deposit growth is lower at ~8.6% YoY to ₹ 115.7 lakh crore. This entails a rise in CD ratio to 76% vs. 72.8% seen last year.

NII growth to be healthy on steady NIMs & lower interest reversals

Improving CD ratio and relatively steady slippages estimated in Q2FY19E would lead to steady margins for the banks in Q2FY19E. This is despite a 5-10 bps rise in deposit rates during the quarter. For our coverage universe, we expect NII growth at 14.4% YoY to ₹ 52077 crore led by 17.3% YoY traction seen in NII of private banks. PSU banks are also estimated to clock double digit YoY growth. There were no major resolutions in Q2FY19E compared to two steel accounts seen in Q1FY19 which boosted NII in Q1FY19. The impact of Essar Steel's account resolution is estimated to flow in Q3FY19E

Credit cost to stay elevated on ageing NPLs

Asset quality pressure, especially from corporate book, would continue in Q2FY19E. Thus, slippages from this segment are estimated to be steady QoQ. We expect GNPA for coverage banks to increase 18% YoY to ~₹ 336800 crore in Q2FY19E, similar to traction in Q1FY19. Provisions would remain elevated for the sector owing to ageing of NPLs. For our coverage universe, we expect total provisions at ~₹ 24000 crore, similar to that seen in Q1FY19E. We estimate relief on the credit cost front to accrue in H2FY19E. The stay by the Supreme Court with regard to stressed assets of the power sector would slow the resolution process. Thus, the impact would be seen in Q3FY19E. Further, commentary with regard to banks exposure of ~₹ 50000 crore to the beleaguered company IL&FS would be keenly watched.

Treasury gains to stay muted though relatively better vs. Q1FY19

G-sec yields in Q2FY19E have increased at a lower rate of 10 bps to 8.02% in Q2FY19E vs. 50 bps rise seen in Q1FY19. Thus, bank's treasury gains would be relatively better (though muted) than in Q1FY19.

Earnings traction to stay muted now but rising interest rate scenario to bode well for banks going ahead

Despite healthy NII traction estimated, PAT for the coverage universe seems subdued YoY owing to elevated provisioning & lower treasury gains expected as mentioned above. The QoQ traction seems higher owing to large losses (₹ 4876 crore) booked by SBI in Q1FY19. Excluding SBI, PAT growth for the coverage universe in Q2FY19 is 20.3% YoY and 3% QoQ.

Bandhan Bank would continue to report a strong set of numbers followed by Yes Bank on the back of robust credit growth.

Earnings of retail based private banks like IndusInd Bank are expected to remain strong both on business and PAT front. Mid-size bank like City Union Bank would continue to deliver a healthy set of numbers. Federal Bank should sustain >20% YoY credit growth though earnings would increase at a lower rate owing to higher credit cost.

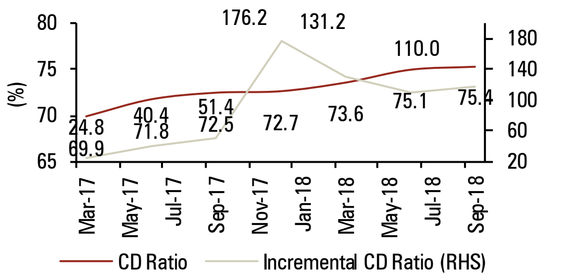
Exhibit 16: Estimates for Q2FY19E (₹ Crore)

	NII	Change (%)		PPP	Change (%)		NP	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Public Sector Banks									
Bank of Baroda	4255.9	14.4	-2.9	2984.3	-1.9	-0.7	350.7	-1.3	-33.6
SBI	20569.2	10.7	-5.6	13403.9	-33.0	11.9	-1558.4	NA	NA
Total	24825.1	11.3	-5.2	16388.3	-28.9	9.4	-1207.8	NA	NA
Private Banks									
Axis Bank	5055.1	11.4	-2.2	3892.4	3.0	-11.0	555.7	28.5	-20.7
Bandhan Bank	1068.3	54.0	3	844.6	42.0	2.9	494.4	49.3	2.6
City Union Bank	394.7	11.2	5.4	315.7	-1.4	5.4	165.0	14.0	2.2
DCB	286.3	15.4	4.9	144.0	15.7	1.8	73.5	24.9	5.8
Federal Bank	1059.1	17.8	8.1	664.1	13.8	10.2	311.0	17.7	18.4
HDFC Bank	11366.8	16.6	5.1	9342.2	19.5	8.0	4930.4	18.8	7.1
Indusind Bank	2194.4	20.5	3.4	1962.4	20.1	2.7	1091.5	24.0	5.4
J&K Bank	709.6	-1.8	2.7	329.0	-9.7	-0.2	61.4	LP	16.7
Kotak Bank	2710.4	17.2	4.9	2098.6	21.7	3.3	1193.2	20.0	16.4
Yes Bank	2407.3	27.7	8.5	2551.3	33.8	3.9	1261.7	25.8	0.1
Total	27252.2	17.3	3.8	22144.3	17.5	2.5	10137.8	21.7	5.0
Total Banks	52077.2	14.4	-0.7	38532.5	-8.0	5.3	8930.0	-13.0	68.4
NBFCs									
LIC HF	913.4	2.9	-6.8	818.6	1.6	-13.8	491.7	0.5	-13.4
Rel Cap	4884.2	-7.0	5.2	339.8	-23.4	9.5	252.9	-28.1	-7.0
Bajaj Finance	2442.4	40.2	-3.4	1499.6	38.4	-7.7	751.6	35.0	-10.1
Bajaj Finserv	9554.4	26.4	8.9	2043.2	39.1	2.7	916.4	40.5	11.0
SBI Life Insurance	7010.2	30.2	47.4	7452.3	0.0	13.8	396.8	76.0	12.0
Total	24804.7	19.1	14.4	12153.5	8.0	6.4	2809.3	23.5	-1.6

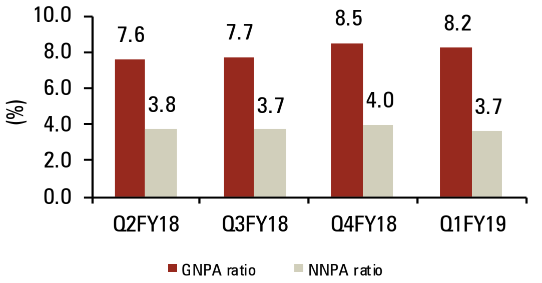
*LP denotes loss to profit, * Figures are excluding HDFC and Indian Bank*

Source: Company, ICICI Direct Research

C-D Ratio (Industry)



Asset Quality (Coverage Universe)



NPA trend (Coverage Universe)

Q2FY19E	GNPA (₹ crore)	QoQ Growth(%)	NNPA (₹ crore)	QoQ Growth(%)
PSB				
Bank of Baroda	57375	2.7	23184	3.6
SBI	218840	2.8	102236	3.0
Private Banks				
Axis Bank	31029	-5.0	14007	-6.0
City Union Bank	877	3.0	483	2.0
DCB	421	5.0	162	5.0
Federal Bank	3070	7.0	1734	7.0
Indusind Bank	1828	5.0	800	5.0
J&K Bank	6442	3.2	2882	3.6
Kotak Mahindra Banl	4055	4.0	1588	4.0
Yes Bank	3226	14.2	1439	14.0

Exhibit 17: Company specific view (Banks)

Bank of Baroda	On asset quality, surge in GNPA accretion seen in Q4FY18 is not expected to continue in Q1FY19. However, slippage from watchlist (₹ 10039 crore) could not be ruled out. Despite moderation in slippages, credit cost is seen to remain elevated at 93% of PPP, owing to ageing of stressed assets. Write-back of ₹ 208 crore from resolution of Bhushan Steel (Exposure - ₹ 1600 crore) to partially offset pressure on profitability. Credit traction is seen to continue at healthy pace of 11.5% YoY, led by continuance of robust growth in retail segment. Therefore, NII growth is expected at ~20% YoY. Rise in G-sec yield to impact treasury income and thereby non-interest income. PAT expected at ₹ 134.6 crore compared to loss in Q4FY18.
State Bank of India	SBI expected to report NII growth of 10% to ₹19326 crore as incremental slippages should be lower than Q4 and MCLR hike of 10 bps to support NIM. Also with slippages seen around ₹6000-8000 crore, provisions should also be lower QOQ. Benefit of Bhushan Steel recovery can refllect in writeback of provisions of ~₹1000-1500 crore leading to overall NPA provisions at ₹9200 crore, Investment provisions are expected to stay elevated at ₹3500 crore. WIth system credit growth at ~12% SBI should have grown around 7-8% in credit to ₹2058600 crore. Deposits growth is seen around 6% YoY. Thereby we expect marginal PAT at ₹1046 crore vs loss in Q4FY18.
Axis Bank	For Axis Bank, healthy growth in advances would continue at 17% YoY to ₹ 451012 crore. This will be led by retail & SME segments. With bulk of the stress assets recognised during Q4FY18 (slippages in Q4 were ₹ 16356 crore), incremental slippages in Q1FY18 is estimated to be lower QoQ. Accordingly, credit cost would also witness a decline in Q1FY19E but would still be on a higher side. We expect the bank to report muted earnings of ₹ 198 crore in Q1FY19E vs. loss of ₹ 2189 crore seen in Q4FY18.
City Union Bank	Consistent performance in seen on business growth as well as operational performance. Advances growth is expected steady at ~16.8% YoY to ₹ 28103 crore, led by retail and SME. On operational front, NII growth is seen at 13.8% YoY to ₹ 390 crore. Rise in G-sec yields to impact non-interest income during the quarter. Credit cost is seen to remain lower on YoY and QoQ basis at ₹ 82 crore (26% of PPP). Led by steady operational performance and marginally lower provision, PAT is seen at ₹ 263 crore; up 16% YoY. Incremental slippage to remain in 1.7-2% range, in-line with management guidance. Asset quality to remain broadly stable with GNPA at 3-3.2%.
DCB Bank	For Q1FY19, core operational performance is seen to remain healthy with NII growth of 19.1% YoY, led by stable margin above ~4% and 28% YoY growth in advances. Healthy traction in credit is to be led by growth in mortgage and SME segment. Treasury income is seen to keep non-interest income growth muted at ₹ 73.5 crore, down 14% YoY, led by higher trading income in Q1FY18. Factoring in steady run rate of net GNPA accretion at ~₹20 crore, GNPA ratio is expected to remain below 2%. With credit cost remaining steady at ₹ 36 crore (26% of PPP), PAT is expected at ₹ 67.8 crore, up 3.9% YoY, owing to higher trading income in Q1FY18

Source: Company, ICICI Direct Research

Exhibit 18: Company specific view contd. (Banks)

Jammu & Kashmir Bank	For J&K Bank, balance sheet growth is seen remaining healthy with advances increasing ~20% YoY. However, interest reversal related to rehabilitated accounts may keep earnings growth muted. Operational performance is seen remaining muted with NII growth at 2.7% YoY to ₹ 710 crore, post interest reversal of ~75 crore related to exposure to rehabilitated accounts. Cost to income ratio may stabilise at ~60%. Slippages are seen moderate but subdued PPP, ageing of assets and MTM losses on investment book may keep credit cost elevated at ~72% of PPP. PAT is seen at ₹ 61 crore, down 14% YoY. With a moderation in slippages, overall asset quality may remain steady. However, exposure to rehabilitated account at ₹ 4129 crore continues to remain under watch
Kotak Mahindra Bank	Steady performance is seen on both growth as well as asset quality. Advances growth is seen at ~22% YoY, led by retail and small business. Asset quality may remain resilient with GNPA stable at ~2.2%. Healthy traction in NII and other income may lead to PPP growth of 22% YoY. Post a rise in provision, seen in Q1FY19 led by investment book, credit cost is seen stabilising at ~14-15 bps of advances (~13% of PPP). Impact of eKYC norms to be seen on traction of customer addition, especially in '811' product. With recent stricter stance of the central bank, clarity regarding plan to reduce promoter stake is to be seen
Yes Bank	For Yes Bank, the robust traction in business is expected to continue. Deposits are expected to increase ~41% YoY to ₹ 222784 crore while ~60% YoY increase is estimated in advances to ₹ 239542 crore. Margins are seen in the range of ~3.2-3.3%. Asset quality is expected to be stable with GNPA ratio in the range of 1.3-1.4%. The earnings trajectory is expected to remain healthy at 24.6% YoY to ₹ 1250 crore, though a bit slower compared to the run rate seen in previous quarters. The management commentary and progress with regard to top management rejig and also with regard to divergence would be keenly seen
IndusInd Bank	We expect IndusInd Bank's overall consistent performance to continue in Q2FY19E. We expect growth of 27% YoY to ₹ 157056 crore led by both corporate finance & consumer finance segment. Within consumer, CV financing, credit cards & personal loans would continue with healthy growth. Margins are expected to be strong at ~3.8-3.9% range. This would lead to NII growth of 20.5% YoY to ₹ 2194 crore. PAT of ₹ 1091 crore is expected, up 24% YoY while asset quality should remain largely steady. However, the management commentary on exposure to IL&FS and progress on merger with Bharat Financial would be keenly observed
Bandhan Bank	Bandhan Bank is expected to report robust growth and asset quality performance. Growth in AUM is seen remaining ahead of 30% YoY, led by micro loans. However, non-micro loans are seen with growth >100% YoY. Margins are seen remaining steady at ~10%. Led by robust growth in advances, NII growth is seen at 54% YoY to ₹ 1068 crore. Operational performance may remain steady with PAT at ₹ 494 crore, up 49% YoY. Asset quality may remain stable with GNPA ratio at 1.35%. Restriction on branch addition will not hamper business growth. The management plans on reducing promoter stake to 40% will hold the key for future developments in the bank

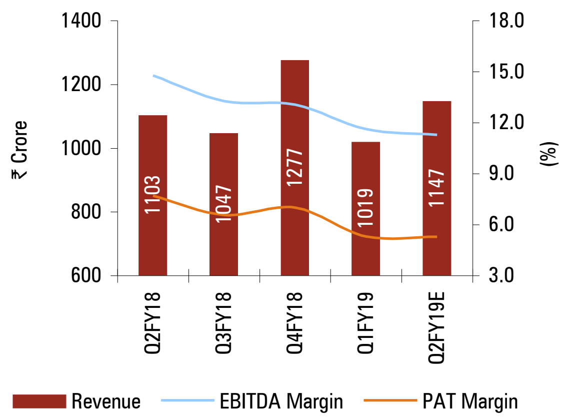
Source: Company, ICICI Direct Research

Exhibit 19: Company specific view (NBFCs)

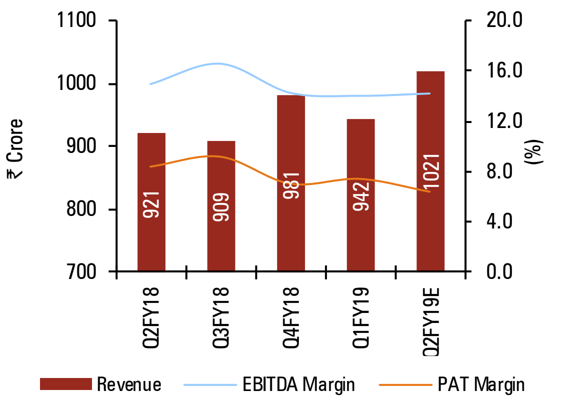
LIC Housing Finance	We expect advances growth of ~14.0% YoY to ₹ 172615 crore. Individual home loans (~95% of the portfolio) are also expected to increase ~13% YoY while developer loans traction is expected to be at higher rate YoY. Margins remain the key monitorable factor for LIC HF, which is expected at ~2.3%. We expect NPAs to be lower than ~1.2% in Q1FY19. Estimate PAT of ~₹ 492 crore, flat YoY
Reliance Capital	Reliance Capital is expected to report revenue growth of 5% QoQ to ₹ 4884 crore, not comparable YoY. MF AUM is expected to remain flat YoY led by declines in September and weak growth in July and August 2018. Life insurance and general insurance are expected to report an improvement in premium growth. Tight liquidity conditions are expected to keep growth in HFC and CF on the lower side with impact on margins. Hence, overall PAT is seen at ₹ 253 crore, a decline of 7% QoQ
Bajaj Finance	For Bajaj Finance Q2 is seasonally a weak quarter compared to Q1 and Q3. However, led by the consumer finance segment, we estimate AUM will increase 35% YoY to ₹ 97520 crore. Calculated margins of ~9.6% are expected with NII growth of 40% YoY ₹ 2442 crore. Asset quality may stay healthy while provisions are seen steady QoQ. PAT of ₹ 752 crore is expected, up 35% YoY (down 10% QoQ)
Bajaj Finserv	General insurance premium growth is expected to be robust at 35% YoY to ₹ 3342 crore. Life insurance premium growth of 22% YoY is also going to be better than Q1FY19. With the combined ratio expected to continue below 100%, general insurance earnings are expected to remain healthy at 30% YoY while life insurance profitability is seen picking up at 20% YoY. Bajaj Finance is expected to continue its AUM growth at 35% in the September quarter though liquidity lightness can impact future growth. Overall PAT growth is seen at 40% YoY to ₹ 916.4 crore
SBI Life Insurance	Net premium income is expected to grow strong at 30% YoY to ₹ 7010 crore, led by an uptick in single premium (group). Healthy growth in individual regular premium and 38% YoY growth in renewals is seen supporting topline. Owing to growth in single premium, APE is expected to grow 8% YoY to ₹ 256 crore. A sharp rise in interest rates is expected to have a marginal impact on current P&L. However, it will impact half yearly EV by 3-4% as investment valuations go lower. Accordingly, policyholder's surplus is seen higher. Healthy income from investment and ploughing back policyholders reserves, shareholders PAT is expected at ₹ 344 crore

Source: Company, ICICI Direct Research

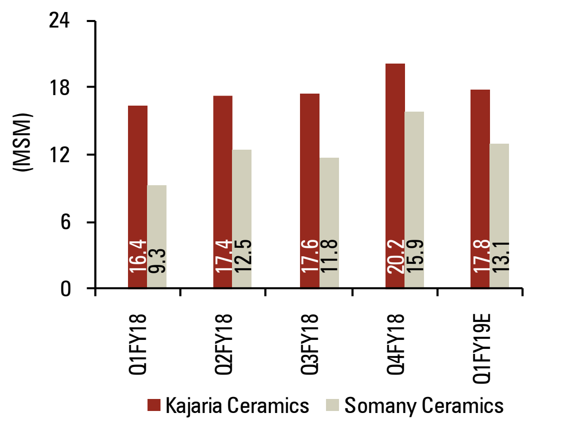
Topline & Profitability (Tiles universe)



Topline & Profitability (Plywood universe)



Sales Volume Trend (Tiles Universe)



Top pick of sector

Kajaria Ceramics

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Building materials

Oversupplied MDF segment to soften realisations; impact revenues

Previously, it was expected that MDF sales would boost the topline, bottomline of plywood manufacturers as it is a high-margin product with a huge opportunity in the Indian market. However, MDF manufacturing capacity in India has doubled to 1.2 million CBM in the past nine months, leading to oversupply of the product. This, in turn, led MDF realisations to soften in Q1FY19. In order to capture market share in such an intensely competitive MDF market, companies in our plywood coverage universe are expected to take 3-9% price cuts, leading realisations to soften even further. Also, revenues from plywood business are expected to remain stable vis-à-vis Q2FY18 numbers. Hence, we expect overall revenues of our plywood universe to grow 13.4%YoY to ₹ 1044.2 crore in Q2FY19E.

Macro headwinds to put pressure on margins of BM universe...

Companies in our building materials universe faced operational disruption in Q2FY19 due to factors like trucker's strike and Kerala floods. These headwinds are expected to restrict sales volume growth of companies in Q2FY19E leading to low revenue growth YoY amid stiff competition from unorganised players. Additionally, increase in crude prices and weakening rupee have led to an increase in gas and raw material prices like phenolic glue, urea formaldehyde, etc, thus putting pressure on EBITDA margins. Consequently, we expect overall EBITDA margins of our tiles universe to contract 230 bps YoY to 12.5% in Q2FY19E.

Tiles universe revenues expected to grow 4.0% YoY...

Our tiles universe is expected to post volume growth of 6.8% YoY to 31.9 MSM due to operational disruption caused by macro factors in Q2FY19. Consequently, revenues are expected to grow 4.0% YoY to ₹ 1147 crore. We expect EBITDA margins to contract 350 bps YoY to 11.3% on account of higher gas prices. Hence, we expect the bottomline to de-grow 28.7% YoY to ₹ 53.9 crore.

Plywood universe revenues expected to grow 13.4% YoY...

We expect the topline of plywood universe to grow 13.4% YoY to ₹ 1044.2 crore mainly led by an increase in MDF sales volumes. However, with MDF realisations expected to fall further amid intensifying competition, we expect EBITDA margins to contract 110 bps YoY to 13.9%. Consequently, we expect PAT of our plywood universe to de-grow 15.6% YoY to ₹ 64.6 crore.

Exhibit 20: Estimates for Q2FY19E (Tiles) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Kajaria Ceramics	712.9	6.2	8.5	103.5	-15.2	6.9	49.6	-22.2	8.7
Somany Ceramics	434.1	0.5	19.9	25.8	-36.9	19.6	11.0	-48.2	31.3
Total	1,147.0	4.0	12.5	129.3	-20.6	9.2	60.6	-28.7	12.2

Source: Company, ICICI Direct Research

Exhibit 21: Estimates for Q2FY19E (Plywood) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Century Plyboards	580.3	22.3	8.0	84.8	14.5	-2.1	43.0	7.0	-5.3
Greenply Industries	440.3	-1.3	8.8	60.6	-5.0	31.9	21.6	-40.6	-9.2
Total	1,020.7	10.9	8.3	145.3	5.5	9.7	64.6	-15.6	-6.7

Source: Company, ICICI Direct Research

Major News during Q2FY19

Century Plywood	According to media reports, Century Plywood has said it is banking on increased prices and exports to offset the impact of costlier raw material imports and the company's exposure to dollar denominated debt amid a weakening rupee. It is considering increasing prices of certain products by 1-2%. Also, out of its $27 million -denominated debt, $17 million has already been booked at an exchange rate of ₹ 69 per US$, which leaves $10 million exposed to currency fluctuations

Exhibit 22: Company specific view (Tiles coverage universe)

Company	Remarks
Kajaria Ceramics	We expect Kajaria Ceramics to post moderate sales volume growth of 10.6% YoY to 19.3 million square metre (MSM) in Q2FY19E against management guidance of 12-15% for FY19E due to disruption in the business like the trucker's strike and Kerala floods. On the realisation front, Kajaria hiked its prices by ~1-1.5% for the ceramic portfolio in Q2FY19. Overall, we expect revenues to grow 6.2% YoY to ₹ 712.9 crore. On the EBITDA margin front, we expect it to contract 370 bps YoY due to a sharp rise in gas prices following higher crude oil and weakening rupee. Consequently, the bottomline is expected to post de-growth of 22.2% YoY to ₹ 49.6 crore
Somany Ceramics	We expect Somany to post low volume growth of 9.0% YoY to 13.6 MSM given the impact of Kerala floods (₹ 15-20 crore), trucker's strike (₹ 25-30 crore) and stricter working capital controls implemented by the company in Q1FY19. In Q2FY19, Somany also hiked its prices by 1-1.5% for its products. Overall, we expect revenues to remain flattish at ₹ 434.1 crore. Furthermore, EBITDA margins are expected to contract 350 bps YoY to 5.9% due to increasing gas prices and weakening rupee. Current gas prices are at ₹ 39/SCM against ₹ 33/SCM in Q1FY19. Consequently, we expect PAT to de-grow 48.2% YoY to ₹ 11.0 crore

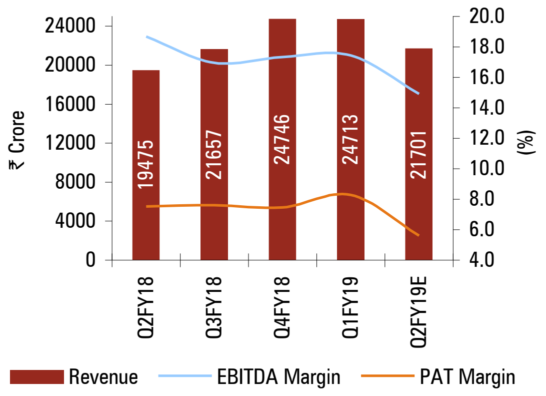
Source: Company, ICICI Direct Research

Exhibit 23: Company specific view (Plywood coverage universe)

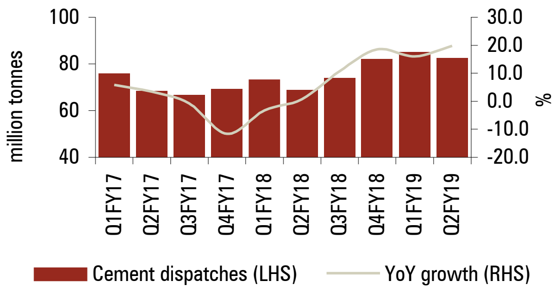
Company	Remarks
Century Plyboard	With incremental contribution from the MDF division, which commenced operations in Q3FY18, we expect the topline to grow robustly by 22.3% YoY to ₹ 580.3 crore. We expect the MDF division to operate at 70% capacity utilisation and clock revenues worth ₹ 72.4 crore. Plywood & allied division revenues are expected to grow 6.1% YoY at ₹ 324.4 crore. As MDF manufacturing capacity in India has doubled in the past few months, realisations have softened. We expect EBITDA margins to contract 100 bps YoY to 14.6% due to an increase in materials cost coupled with a fall in realisations from the MDF division. Overall, we expect the bottomline to grow 7.0% YoY to ₹ 43.0 crore mainly led by topline growth
Greenply Industries	We expect plywood revenues to contract 2.3% YoY to ₹ 307.8 crore due to a fall in YoY realisations and flattish sales volumes. MDF division revenues are expected to grow by 8.8% YoY to ₹ 132.5 crore led by strong volume growth due to capacity addition at the Andhra plant. Due to overcapacity within the MDF segment and intensifying competition, the company took 8-9% price cuts, which may cause realisations to fall in Q2FY19E. Overall, we expect topline to de-grow by 1.3% YoY to ₹ 440.3 crore. EBITDA margins are expected to contract 170 bps YoY to 12.6% due to higher material cost and fall in realisations. Consequently, we expect the bottomline to de-grow 37.1% YoY to ₹ 22.9 crore due to higher depreciation, higher interest cost, higher tax rate & fall in MDF realisations compared to Q2FY18

Source: Company, ICICI Direct Research

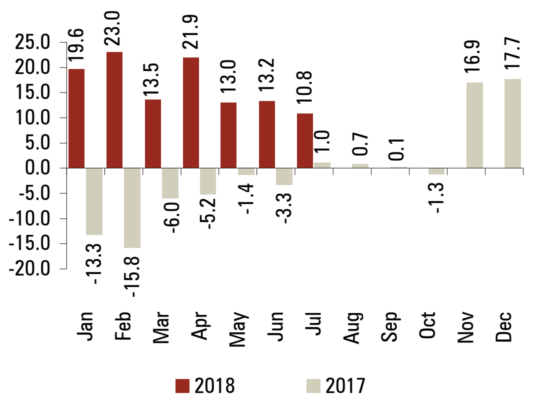
Topline & Profitability (Coverage universe)



All-India quarterly cement dispatches



Monthly production growth YoY (%) – Till July 2018



Top pick of the sector

Heidelberg Cement

Research Analyst

Rashesh Shah
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Cement

Seasonally weak quarter; non-trade segment to drive volume growth…

Although Q2FY19E is expected to remain weak seasonally due to monsoons, we expect majority of volume growth to come from non-trade segment (i.e. institutional segment) driven by government led infra projects. We expect volume growth of 7.4% YoY on a like-to-like basis. With capacity expansion by UltraTech, Shree Cement, we expect I-direct universe volume growth of 13.8% YoY during the quarter. In terms of regions, we expect South (Andhra Pradesh, Telangana), Central, Eastern regions to report better volume growth vs. other regions. Companies in AP, Telangana may report healthy double digit growth mainly driven by higher infra spending by government. Heavy floods in Kerala may negatively impact demand in Q2FY19E.

...higher non-trade share, weak retail demand to keep pricing under pressure

As per our channel checks, realisation at the pan-India level has declined 1.0% YoY, 3.0% QoQ to ₹ 307/bag. The fall in pan-India realisation was mainly due to pricing pressure in north (down 4.8% YoY) and South (5.2% YoY). Prices in the east and western region have broadly remained stable while the central region reported 1.8% increase in prices YoY due to the low base of the previous year. Consequently, we expect companies in our coverage universe to report 2.2% YoY decline in realisation to ₹ 4,685/t.

UltraTech, Shree Cement to stay ahead of curve in volume growth

Our coverage universe is expected to report 11.4% YoY increase in cement revenues led by 13.8% YoY increase in volumes. Company wise, we expect UltraTech to report volume growth of 23% YoY mainly due to acquisition of Jaiprakash Associates. Further, Shree Cement is expected to register volume growth of 16.8% YoY mainly led by capacity expansion. In addition, the low base of last year and higher demand in the central region is expected to drive Heidelberg's revenues (up 12.1% YoY) in Q2FY19E. The bottomline of our universe is expected to decline 17.1% YoY to ₹ 1,214.6 crore led by lower operating margins and higher interest expenses.

Higher input cost to dent EBITDA/t

Higher pet coke prices (up 19% YoY) and rise in diesel prices are expected to dent EBITDA/t by 180-200/t. Hence, EBITDA/t is expected to decline 22.7% YoY to ₹ 690/t.

Exhibit 1: Estimates for Q2FY19E (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY19E	YoY	QoQ	Q1FY19E	YoY	QoQ	Q1FY19E	YoY	QoQ
ACC ^	3,559.1	7.4	-4.7	423.0	-14.6	-10.6	262.8	-18.3	-1.3
Ambuja ^	2,953.6	3.3	1.1	503.8	-22.6	-7.6	283.3	-27.8	-6.2
Heidelberg	479.9	11.2	-5.3	77.5	34.8	-10.7	32.1	96.9	-10.3
India Cement *	1,377.0	-5.8	1.2	150.4	-19.0	-29.5	14.3	-46.0	-71.5
JK Cement	1,097.1	5.3	-12.2	149.1	-24.6	-28.6	43.8	-45	-55
JK Laxmi Cement	954.1	5.9	-6.6	105.2	-12.5	-19.7	21.0	-25.6	-48.0
Mangalam Cement	269.1	6.5	-7.4	9.0	-77.0	-76.1	-5.6	PL	PL
Ramco Cements	1,178.9	14.6	-2.3	261.1	-10.1	-7.2	123.1	-21.0	-12.5
Sagar Cements	271.6	4.9	-7.9	34.6	-18.6	-10.8	4.5	-54.4	-4.0
Shree Cement *	3,016.5	17.3	10.0	662.2	-7.2	-8.0	353.1	-19.8	-21.0
Star Cement	466.2	8.8	0.4	126.2	-20.6	-20.9	71.6	-33.4	-30.6
UltraTech Cem	8,752.2	32.1	-0.9	1,677.4	7.5	-4.0	691.6	-22.3	-11.8
Total	24,375.2	15.1	-1.0	4,179.4	-7.4	-10.0	1,895.6	-23.6	-17.2

Source: Company, ICICI direct Research ^ Q3CY18 result

Sales volume (Coverage Universe)

Million tonnes	Q2FY19E	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
ACC	6.4	6.0	7.5	7.1	-9.9
Ambuja	5.5	5.0	9.6	6.4	-13.7
UltraTech*	16.2	13.1	23.0	17.5	-7.6
Shree Cem	5.7	4.9	16.8	7.0	-18.5
India Cem	2.8	2.7	5.1	3.1	-7.7
JK Cement*	2.2	2.2	1.1	2.3	-2.8
JK Lakshmi	2.0	1.9	4.1	2.3	-14.0
Mangalam	0.7	0.6	7.6	0.7	0.0
Heidelberg	1.1	1.1	7.8	1.3	-9.8
Star Cement	0.6	0.4	25.6	0.8	-31.8
Ramco Cement	2.4	2.2	11.4	2.6	-8.1
Sagar Cement	0.7	0.6	16.1	0.7	-10.0
Total	46.2	40.6	13.8	51.7	-10.6

** blended sales volume (grey & white)*

Region-wise cement retail prices

₹/50 kg bag	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
North	268	282	-4.8	274	-2.0
East	248	247	0.3	250	-0.6
South	334	353	-5.2	358	-6.7
West	297	298	-0.4	321	-7.5
Central	299	294	1.8	300	-0.2
North East	398	390	2.2	402	-1.0
Average	307	311	-1.0	317	-3.1

Cement Realisations (Coverage Universe)

₹ per tonne	Q2FY19E	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
ACC	5090	5125	-0.7	5204	-2.2
Ambuja	4600	4621	-0.5	4736	-2.9
UltraTech	4825	5001	-3.5	4946	-2.4
Shree Cem	4075	4169	-2.2	4105	-0.7
India Cem ^	4380	4652	-5.8	4401	-0.5
JK Cement*	4843	4981	-2.8	4819	0.5
JK Lakshmi	4010	4110	-2.4	4038	-0.7
Mangalam	3890	3929	-1.0	3910	-0.5
Heidelberg	4120	3962	4.0	4237	-2.8
Star Cement	6228	6436	-3.2	6422	-3.0
Ramco Cement	4483	4783	-6.3	4544	-1.3
Sagar Cement	3679	4092	-10.1	3709	-0.8
Average	4685	4791	-2.2	4746	-1.3

** Blended realisations (grey cement +white cement), ^ including excise duty in Q1FY18*

EBITDA per tonne (Coverage Universe)

₹ per tonne	Q2FY19E	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
ACC	560	594	-5.7	752	-25.5
Ambuja	700	706	-0.8	977	-28.3
UltraTech*	783	1028	-23.9	928	-15.6
Shree Cem	707	1132	-37.5	763	-7.3
India Cem	486	672	-27.6	508	-4.2
JK Cement*	563	932	-39.6	650	-13.4
JK Lakshmi	385	505	-23.8	410	-6.2
Mangalam	45	453	-90.0	70	-35.3
Heidelberg	681	825	-17.4	915	-25.6
Star Cement	1442	1778	-18.9	1636	-11.9
Ramco Cement ^	857	1401	-38.9	959	-10.7
Sagar Cement	432	669	-35.5	492	-12.2
Average	690	893	-22.7	825	-16.4

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

Exhibit 2: Company specific view

Company	Remarks
ACC	Healthy demand in the eastern region led by a pick-up in IHB (accounts for 27% of ACC's capacity) and government led infra projects are expected to drive cement volumes (up 7.5% YoY) in Q2FY19. However, weak pricing environment (down 1% YoY, 3% QoQ) due to monsoon and higher power & freight costs may bring down EBITDA/t by 5.7%% YoY during the quarter
Ambuja Cement	Ambuja is expected to report higher volume growth of 9.6% YoY mainly due to last year's low base and healthy demand from infra segments in its key area of operations. With healthy volume growth, we expect EBITDA/t to broadly be maintained YoY despite a weak pricing environment and cost pressure, However, we expect net profit to decline 8.3% YoY mainly due to higher tax outgo during the current quarter
UltraTech Cement	UltraTech Cement is expected to report volume growth of 23% YoY in Q2FY19E mainly led by organic growth of 7.8% YoY and acquisition of Jaypee assets (utilisation up from 35% in Q2FY18 to 70.0% in Q2FY19E). However, EBITDA/t is expected to decline 15.6% QoQ to ₹ 783/t mainly led by higher pet coke (i.e. 60% of fuel mix) and diesel prices
Shree Cement	Capacity expansion of 3.6 MT in Rajasthan and 2 MT in Bihar is expected to result in 16.8% YoY increase in cement volumes. This, along with healthy power segment revenues, led by higher spot prices, may keep revenue growth healthy. However, the company's higher dependence on imported petcoke and weak prices in the northern region may keep margins under check during the quarter
India Cement	India Cement is expected to report healthy capacity utilisation (up from 69% in Q2FY18 to 73% in Q2FY19) mainly led by a pick-up in demand in Tamil Nadu due to better sand availability and higher infra spending in AP & Telangana regions. However, EBITDA/t is expected to decline 27.6% YoY to ₹ 486/t on account of higher input cost and pricing pressure
JK Cement	JK Cement is expected to report low single digit volume growth (up 1.1% YoY) mainly due to last year's high base impact. This, along with weak realisations, may lead to 3.0% YoY drop in grey cement revenues. On the other hand, white cement may report revenue growth of 6% YoY led by healthy demand and strong prices. Blended EBITDA/t is expected to fall 39.6% YoY mainly led by 81% YoY decline in grey cement EBITDA/t partly offset by healthy growth in white cement EBITDA/t
JK Lakshmi Cement	The company is expected to report below industry average volume growth due to reduced focus on the non-trade segment. Average realisation during the quarter may also go down 2% YoY in the northern region due to monsoons and weak demand from the trade segment. Higher power & freight cost may continue to pressurise margins. We expect EBITDA/t to decline 23.8% YoY to ₹ 385/t during the quarter
Mangalam Cement	Higher sales to the non-trade segment and ramp up in expanded capacity in Uttar Pradesh are expected to drive volumes (up 7.6% YoY) in Q2FY19E. However, higher share in the non-trade segment along with higher cost pressure may result in a sharp fall in EBITDA/t during the quarter. Further, the company is expected to report a loss at the net level mainly led by lower operating margins and higher depreciation
Heidelberg Cement	The company is expected to report topline growth of 12.1% YoY to ₹ 470.8 crore mainly led by volume growth of 7.8% YoY (driven by higher retail demand in the central region) and 4% YoY increase in realisations (due to consolidation in the industry and low base in last year). However, EBITDA/t is expected to decline 17.5% YoY mainly due to higher power & fuel costs

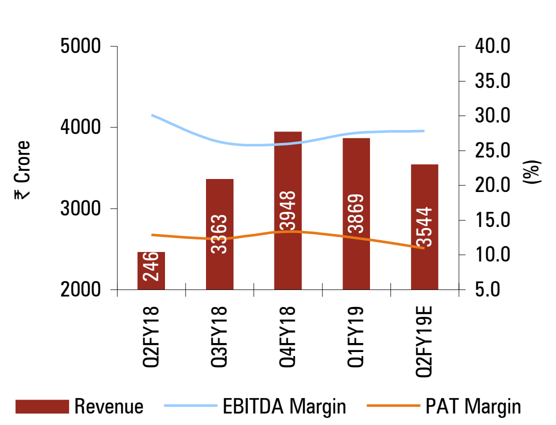
Source: Company, ICICI Direct Research

Exhibit 3: Company specific view

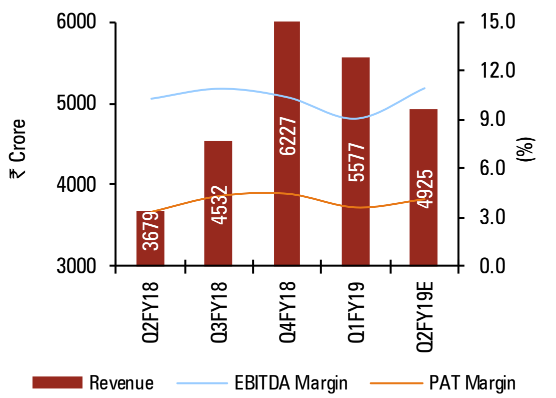
Company	Remarks
Star Cement	Improving demand in north east and low base of last year (due to floods) are expected to result in topline growth of 21.8% YoY to ₹ 342.2 crore in Q2FY19E. However, EBITDA/t is expected to decline 18.9% YoY to ₹ 1,442/t mainly led by cessation of transport subsidy. However, absolute EBITDA may improve 1.9% YoY to ₹ 79.2 crore. PAT growth may come in at 28.4% YoY to ₹ 33.1 crore
Ramco Cement	Better sand availability in Tamil Nadu and higher sales in the eastern region may drive cement volumes (up 11.4% YoY) in Q2FY19E. However, absence of low cost pet coke inventory and higher diesel prices is expected to dent EBITDA/t by 39% YoY to ₹ 857/t
Sagar Cement	Sagar Cement is expected to report volume growth of 16.1% YoY mainly led by capacity expansion and higher infra demand in AP & Telangana region. However, pricing pressure (down 10% YoY) is expected to result in topline growth of 4.4% YoY to ₹ 245.4 crore. In addition, higher pet coke prices and freight expenses are expected to result in EBITDA/t decline of 35.5% YoY to ₹ 432/t

Source: Company, ICICI Direct Research

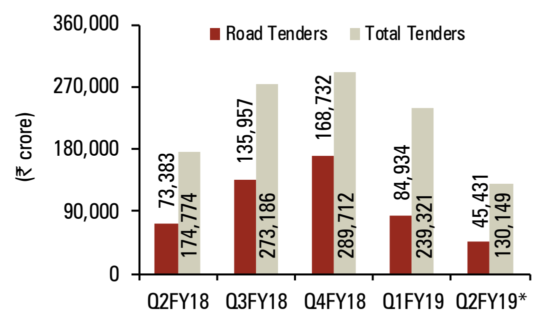
Topline & profitability (Road Coverage)



Topline & profitability (Construction Coverage)



Strong pickup in tendering activity…



**Q2FY19 includes figures only for July & August months*

Top pick of sector

PNC Infratech, NCC Ltd

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Construction & Roads

Road tendering activity improves significantly in 5MFY19…

Tendering within the road sector seems to have gathered steam with total road tenders in 5MFY19 equalling the overall tendering figures witnessed in H1FY18. A similar trend has been seen across sectors as overall tenders in 5MFY19 surpassed H1FY18 figures by 8.6% to ₹ 3.7 lakh crore. With the code of conduct set to kick in before the general elections in 2019, we expect tendering momentum to increase before December 2018. Such strong tendering activity suggests that order-inflow could remain robust, going ahead, as well, boding well for our road and construction universe companies.

Securing funding for HAM projects needs to be closely watched…

Banks & NBFCs play a pivotal role in financing infrastructure projects, especially for HAM projects. Recently, with PSU banks grappling with bad loans and with cases of defaults having emerged in a leading infra financing institution viz. IL&FS, infrastructure companies could face financing issues, especially for HAM projects. However, so far we have not seen any major constraint on funding of HAM projects within our coverage universe. Players like PNC Infratech, IRB Infra & KNR Constructions recently achieved timely financial closure for various HAM projects. Thus, we expect companies in our coverage universe to largely meet their initial guidance for FY19E in terms of execution.

Road universe revenues to grow at robust pace YoY…

We expect our road universe to report robust revenue growth of 43.9% YoY to ₹ 3543.8 crore due to 124.6% YoY growth in PNC Infratech's revenues to ₹ 603.3 crore in Q2FY19E. Further, revenues of our construction universe are expected to grow 39.1% YoY to ₹ 5117.1 crore led by 78.4% YoY growth in NCC's topline.

PAT of our road universe to grow 23.8% YoY…

Our road universe is expected to post bottomline growth of 22.1% YoY to ₹ 387.6 crore due to 256.7% YoY growth in PNC's bottomline. Our construction universe bottomline is expected to grow robustly by 64.4% YoY to ₹ 200.5 crore due to 367.1% growth in bottomline of NCC.

Exhibit 4: Estimates for Q2FY19E (Road) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Ashoka Buildcon	670.7	77.1	-1.9	83.8	65.7	3.2	53.7	64.1	-16.0
IRB Infra	1,511.5	34.6	-1.7	729.8	27.5	-2.3	234.0	-0.3	-6.4
PNC Infratech	603.3	124.6	-18.0	81.9	106.3	-36.7	59.4	256.7	-42.1
Sadbhav Eng.	758.4	9.4	-16.8	89.5	13.6	-16.4	40.6	21.1	-36.0
Total	3,543.8	43.9	-8.4	985.1	32.9	-7.5	387.6	22.1	-19.2

Source: Company, ICICI Direct Research

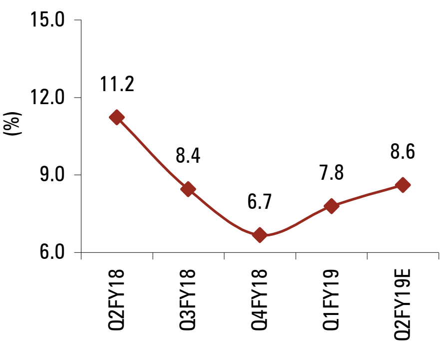
Exhibit 5: Estimates for Q2FY19E (Construction) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
NBCC	1,331.1	17.5	-18.5	117.2	39.0	86.3	78.8	6.3	16.5
NCC	2,126.5	63.6	-9.9	233.9	88.4	-12.6	79.9	297.7	-22.9
Simplex Infra	1,467.2	17.7	-7.4	163.9	-3.3	-7.4	27.9	0.3	-1.4
Total	4,924.8	33.9	-11.7	515.1	36.2	1.5	186.6	52.9	-6.5

Source: Company, ICICI Direct Research

Road Coverage Universe

Interest expense* trend



**Interest Expenses as %age of Sales*

Major news during Q2FY19

Ashoka Buildcon	Ashoka Buildcon's subsidiary has received arbitral payment worth ₹ 22.4 crore with respect to project viz. construction of 4/6 lane access controlled Chittorgarh Bypass - NH-79, in Rajasthan
IRB Infra	IRB Infra has achieved financial closure for two HAM projects - ₹ 617 crore for NH-32 Puducherry-Poondiyankuppam stretch of 38/ km; and ₹ 1209 crore for Poondiyankuppam-Sattanathpuram on the same NH-32
PNC Infratech	PNC Triveni Sangam Highways Pvt Ltd - wholly owned subsidiary of PNC Infratech, has achieved financial closure for Chakeri Allahabad section NH-2 HAM project in Uttar Pradesh
	After being declared the L1 bidder for the fourth package of Nagpur-Mumbai Six Lane Super Communication Expressway EPC project on May 31, 2018, PNC Infratech has received a letter of award from MSRDC on August 30, 2018 for the negotiated contract price of ₹ 1999.5 crore
Road Sector	NHAI has secured ₹ 25,000 crore loan from SBI in a single tranche at a bare interest rate of 7.99% The funds will be used to meet the road construction target of 45 km/day
	As per media reports, the government may ease land purchase norms to push road projects. Currently, 80% land has to be acquired before construction starts. This threshold may be lowered to 50%
	According to media reports, Road Transport and Highway Minister Nitin Gadkari has said that risk averse bankers are slowing construction of infrastructure projects in India

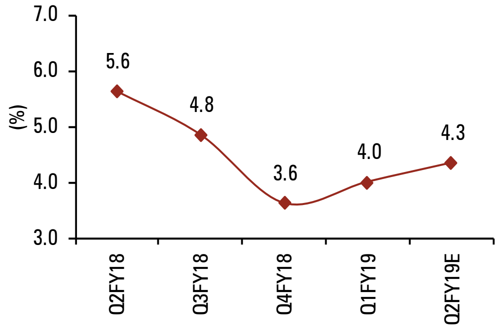
Exhibit 6: Company specific view (Road coverage universe)

Company	Remarks
Ashoka Buildcon	We expect revenue to grow by 77.1% YoY to ₹ 670.7 crore on account of low base effect and improvement in execution. Furthermore, we expect EBITDA margins to contract 90 bps YoY to 12.5% in line with management guidance band of 12.5-13%. On the profitability front, we expect PAT to grow robustly by 64.1% YoY to ₹ 53.7 crore led by strong topline growth. **Key monitorable**: Management guidance on execution ahead
IRB Infrastructure	We expect topline to grow at a robust 34.6% YoY to ₹ 1511.5 crore led by 35.2% YoY growth in construction revenues. Toll revenues are expected to grow strongly by 50.4% YoY to ₹ 537.9 due to low base effect following transfer seven BOT projects to IRB InvIT. We expect EBITDA margins to contract by 270 bps YoY to 48.3% due to higher expected cost of materials in Q2FY19E. Consequtively, the bottomline is expected to remain flattish YoY at ₹ 234.0 crore. **Key monitorable**: Management guidance on execution
PNC Infratech	Given the healthy pace of execution and receipt of appointed dates of several big ticket projects, we expect the topline to grow significantly by 124.6% YoY to ₹ 603.3 crore. EBITDA margins are expected to contract 120 bps YoY to 13.6% on account of higher raw material expenses. Overall, we expect the bottomline to grow 3.6x YoY to ₹ 59.4 crore mainly led by strong execution **Key monitorable**: Management commentary on progress on HAM projects
Sadbhav Engineering	We expect the topline to grow by 9.4% YoY to ₹ 758.4 crore led by ramp-up in execution of seven HAM projects that achieved financial closure in Q1FY19. Moreover, EBITDA margins are expected to expand 40 bps YoY at 11.8%. Consequently, we expect the bottomline to grow at a robust 21.1% YoY to ₹ 40.6 crore led by topline growth, margin expansion and higher other income **Key monitorable**: Improvement in execution

Source: Company, ICICI Direct Research

Construction Coverage Universe

De-leveraging on top of mind of construction players…



**Interest Expenses as %age of Sales*

Major News during Q2FY19

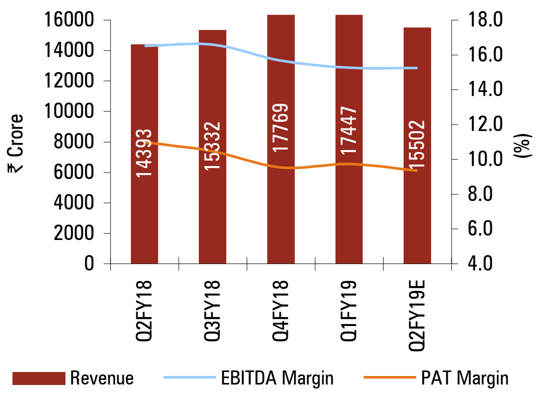
Infrastructure sector	The Maharashtra Cabinet has approved the implementation of two metro rail projects Dahisar-Mira Bhayander and Andheri- CSIM Airport collectively worth ₹ 6607 crore
NCC	NCC has received four new orders totalling ₹ 3592.5 crore (ex GST). Out of this, two orders of ₹ 671.5 crore pertain to buildings division, one order of ₹ 2850 crore pertains to roads division and another order of ₹ 70.9 crore pertains to water & environment division. The execution period of these projects is 24-30 months
	The Union Cabinet has sanctioned ₹ 1216.9 crore for construction of a new terminal at Jayaprakash Narayan International Airport in Patna. NCC has been shortlisted for the construction of the terminal building
NBCC	The Delhi High Court in its interim order on July 4, 2018, banned felling of trees city till further orders. On September 21, 2018, the Ministry of Housing and Urban Affairs informed the Delhi High Court that they redesigned their project wherein, 6997 trees will be affected instead of 20696 earlier. On October 4, 2018, the Delhi High Court asked NBCC to go ahead with redevelopment of six residential projects after applying for fresh environmental & other clearances
	NBCC has received in principle approval from Air India to monetise/redevelop its land parcel at Connaught Place & Vasant Vihar in Delhi
	On September 5, 2018, NBCC told the Supreme Court that it can complete 15 housing projects with 46,575 flats of Amrapali Group within 36 months at a construction cost of ~₹ 8500 crore. On September 14, 2018, the SC appointed NBCC to develop stalled projects of the Amrapali Group. On September 17, 2018, the central government proposed to the SC that NBCC would take over all unfinished project in Noida and Greater Noida of ~10,000 homebuyers in Three C group of companies, 30,000 in Jaypee and 5,923 in Unitech affected by non-delivery of flats

Exhibit 7: Company specific view (Construction coverage universe)

Company	Remarks
NBCC	Recently, the Delhi High Court asked NBCC to apply for fresh clearances and allowed the company to go ahead with redevelopment work in six Delhi colonies. The court's decision on only Nauroji Nagar is pending, which is expected to come in mid-October. While this will help the company ramp up its execution to meet its FY19E target, we do not expect a significant improvement in NBCC's execution in this quarter. Though the management has maintained its initial guidance of 30-35% topline growth for FY19E, we expect NBCC's PMC revenues to grow 16.8% YoY to ₹ 1171.9 crore in Q2FY19E. On EBITDA margin front, we expect NBCC's margin to improve 140 bps YoY to 8.8% as real estate margin were depressed in Q2FY18 (2% vs. 20% in Q2FY19E). In the PMC division, we expect EBIT margin of 12% (8.8% after un-allocable expenses) in Q2FY19E. Overall, the bottomline is expected to grow 6.3% YoY to ₹ 78.8 crore following higher tax rate **Key monitorable**: Tendering of contracts to third party & execution
Simplex Infrastructure	With recoveries from old debtors worth ₹ 130 crore, QIP proceeds and internal accruals, the company has reduced its debt to ₹ 3119 crore vs. ₹ 3600 crore in FY18. Furthermore, with improved leverage position and a strong order book position (3.2x TTM revenues), we expect execution to improve and expect its topline to grow 17.7% YoY to ₹ 1467.2 crore. We expect EBITDA margins to remain stable at 11.2% QoQ. Furthermore, we expect the YoY bottomline to remain flattish at ₹ 27.9 crore on account of an increase in tax rate despite reduction in interest expenses (₹ 108.6 crore vs. ₹ 117.6 crore in Q2FY18) **Key monitorable**: Management commentary on debtors recovery
NCC Ltd	We expect NCC to maintain its strong execution momentum during the quarter given its strong order book position (4.1x TTM revenues). Consequently, we expect the topline to grow at 63.6% YoY to ₹ 2126.5 crore given the low base following GST regime and improved execution. Furthermore, EBITDA margins are expected to expand 150 bps YoY at 11.0% as new orders have better margin profile. Overall, we expect bottomline to grow robustly by 4.0x YoY to ₹ 79.9 crore **Key monitorable**: Management commentary on execution

Source: Company, ICICI Direct Research

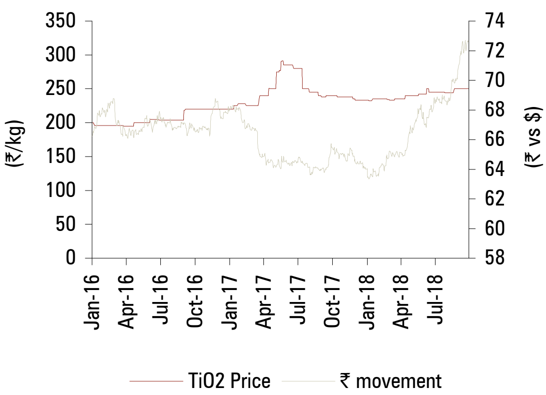
Topline & Profitability (Coverage universe)



EBITDA margin (%) movement

EBITDA margin	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Asian Paints	18.8	20.9	18.7	19.9	17.3
Kansai Nerolac	19.0	16.8	15.3	16.6	17.2
Pidilite Ind	24.6	24.0	18.4	20.8	22.7
Essel Propack	20.7	19.2	18.5	17.6	17.7
Havells	14.5	13.3	14.1	12.0	13.5
Bajaj Ele	4.6	6.1	8.4	7.0	5.6
V-Guard	12.0	9.4	5.7	7.3	11.0
Voltas	8.3	8.6	12.4	11.3	7.6
Supreme Ind	13.6	15.5	19.5	13.8	14.1
Astral Poly	14.7	13.9	18.2	16.3	13.5
Symphony	34.8	39.9	31.9	1.3	32.9
Time Techno	15.1	15.4	15.5	15.4	13.7

Titanium dioxide (₹/kg) price trend



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Consumer Discretionary

Higher base, GST rate cut to weigh on festive inventory build-up

I-direct consumer discretionary (CD) universe is likely to record sales growth of ~8% YoY on a relatively higher base of Q2FY18 (due to early Diwali and inventory build-up post GST). Paints companies are likely to record volume growth of ~7% YoY led by decorative segment while industrial paint demand may remain muted owing to lower offtake from the automotive industry. The industry also had to pass on GST rate cut (up to 10 percentage point) to customers. This would completely offset the price hike (of ~3%) taken during the period. As a result, paint companies are likely to record muted performance during the period. On the electrical goods front, V-Guard's revenue is likely grow at a lower rate of ~5% YoY due to floods in Kerala during Q2 (We believe revenue loss of ~₹ 30 crore due to flood). Further, lean period coupled with higher inventory at dealer level would continue to weigh on the performance of cooling product companies like Voltas, Symphony. However, Bajaj Electrical, Havells (including Lloyd) are likely to record CD sales growth of 19%, 10% YoY, supported by increase in dealer penetration and relatively diversified product ranges respectively. Under the plastic piping segment, Astral Poly is likely to record sales growth of ~15% YoY led by similar volume growth owing to new capacity addition.

Higher input cost to weigh on EBITDA margin

The I-direct CD universe is likely to face pressure in gross margin due to adverse currency movement (₹ depreciated ~9% YoY against US$) higher crude price (up ~51% YoY) and VAM (up ~18% YoY). This coupled with passing on GST rate cut benefit to customers, we believe the EBITDA margin of paint would be down ~200 bps YoY. Higher VAM prices would also weigh on the gross margin of Pidilite. Electronic goods companies such as Voltas, V-Guard and Symphony are likely to record a contraction in EBITDA margin in the range of ~100-200 bps YoY considering lower operating leverage.

Estimate PAT de-growth on EBITDA margin contraction

Considering the core factor such as lower sales growth coupled with contraction in EBITDA margin, we believe the I-direct coverage universe will record PAT de-growth of ~8% YoY. We believe a favourable base coupled with non-core revenue of Bajaj Electricals and Supreme Industries would lead to PAT growth of ~37% YoY and 24% YoY, respectively, in Q2FY19.

Exhibit 8: Estimates for Q2FY19E (Consumer Discretionary) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Asian Paints	4,389.9	2.9	0.0	757.4	-5.5	-13.4	486.2	-18.1	-14.9
Astral Poly Technik	596.8	14.8	25.1	80.6	5.6	3.4	38.2	-2.5	1.5
Bajaj Electricals	1,107.7	18.4	-2.8	62.2	44.8	-22.1	25.9	36.5	-36.1
Essel Propack	700.1	9.4	10.2	124.1	-6.2	11.3	47.9	-9.5	14.1
Havells	1,953.1	9.9	-24.8	263.7	2.6	-15.5	175.7	2.7	-16.5
Kansai Nerolac	1,134.2	-2.6	-18.1	195.5	-11.7	-14.8	127.8	-11.6	-14.1
Pidilite Industries	1,687.4	10.3	-8.0	382.9	1.8	0.3	257.7	1.9	7.0
Supreme Industries	1,242.4	17.8	-7.7	175.3	21.8	-5.6	87.8	24.0	-35.5
Symphony	179.7	-2.5	NM	59.1	-8.0	NM	33.9	-33.0	NM
V-Guard Industries	585.0	4.5	-7.9	64.4	-3.9	38.6	44.2	-5.0	28.5
Voltas Ltd	1,112.1	7.3	-48.2	84.7	-1.2	-65.2	81.8	-14.2	-56.3
Time Technoplast	813.5	12.2	4.1	111.4	1.9	-7.4	40.0	-4.8	-7.5
Total	15,501.9	7.7	-11.1	2,361.2	-0.7	-11.4	1,447.2	-8.3	-14.7

Source: Company, ICICI direct Research

Volume growth movement of paint companies

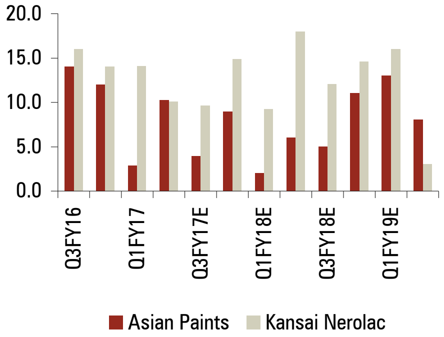


Exhibit 9: Company specific view for Q2FY19E

Asian Paints	With volume growth of ~8% YoY, Asian Paints is likely to record muted sales growth of ~3% YoY to~₹ 4390 crore in Q2FY19. We believe a decline in realisation of ~5% YoY would be largely on account of GST rate cut. We believe higher raw material cost coupled with depreciation in rupee would keep gross margin under check. As a result, the EBITDA margin is likely to decline 150 bps YoY to ~17%. As a result, adjusted PAT would decline ~8% YoY to ₹ 486 crore
Astral Poly Technik	Astral Poly is likely to record net sales growth of ~15% YoY to ₹ 597 crore. On the segment front, piping segment revenue growth of ~15% YoY to ₹ 441 crore would largely be driven by same amount of volume growth due to starting of a new production facility in Rajasthan. Revenue growth of the adhesive division may increase ~15% YoY to ~₹ 147 crore led by addition of new capacity. We believe EBITDA margins will decline ~120 bps YoY to 13.5% mainly due to higher other expenditure led by various branding activities for the adhesive business. Finally, PAT is likely to decline ~3% YoY to ~₹ 38 crore led by higher depreciation and interest outgo
Bajaj Electricals	BEL is likely to record sales growth of ~18% YoY to ~₹ 1108 crore in Q2FY19E, led by both consumer durable and E&P segment. We believe CD sales will grow ~19% YoY to ₹ 613 crore on the back of lower base (on account of GST related de-stocking) and steady growth in coverage of dealers (through Range Reach Expansion Program). We believe the E&P business will grow ~17% YoY to ₹ 494 crore owing to strong order book. The EBITDA margin may increase ~102 bps YoY to 5.6%, mainly due to a recovery in profitability from the CD segment. PAT may grow ~37% YoY ~₹ 26 crore on a slight recovery in sales and EBITDA margin
Essel Propack	EPL's revenue is likely to grow ~9% YoY to ₹ 700 crore in Q2FY19E. We believe stabilisation of plants coupled with a recovery in demand in America and EAP regions would drive sales growth by ~15% each to ~₹ 183 crore and ~₹ 148 crore, respectively. We believe sales growth in these regions was partly offset by flattish sales in AMESA regions, which would be impacted by a change in packaging norms in the pharma category. Higher raw material cost coupled with lower operating leverage would translate into an EBITDA margin decline of ~300 bps YoY to ~18% YoY. As a result, PAT is likely to decline ~10% YoY to ~₹ 48 crore
Havells India	Consolidated sales is expected to grow ~10% YoY to ₹ 1953 crore supported by growth in switchgear, cable & ECD segment by 14%, ~10% & 9% ~₹ 377 crore, ₹ 624 crore and ~₹ 646 crore, respectively. Under ECD segment, the Lloyd business (led by AC segment) may see muted growth of ~3% YoY on a comparable base due to lean season. We believe lower operating leverage coupled with higher raw material cost would weigh on overall EBITDA margin that is likely to fall ~100 bps YoY to 13.5%. As a result, PAT growth may remain flat at 3% YoY to ~₹ 176 crore
Kansai Nerolac	We expect Kansai a sales decline of ~3% YoY at ~₹ 1134 crore in Q2FY19E led by ~6% YoY decline realisation (due to GST rate cut). Largely on a high base, the volume growth at ~3% YoY would be driven by the decorative segment whereas industrial segment volume growth would remain under pressure on account of lower passenger vehicle production of its main client. Higher raw material cost coupled with rupee depreciation would weigh on gross margin. As a result, the EBITDA margin may decline ~180 bps YoY to ~17% in Q2FY19E. As a result, PAT may decline ~12% YoY to ₹ 128 crore

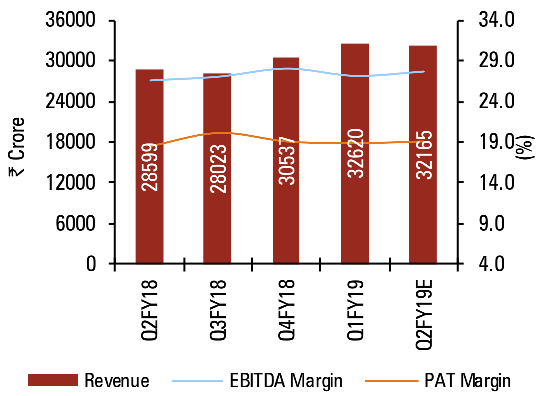
Source: Company, ICICI Direct Research

Exhibit 10: Company specific view for Q2FY19E

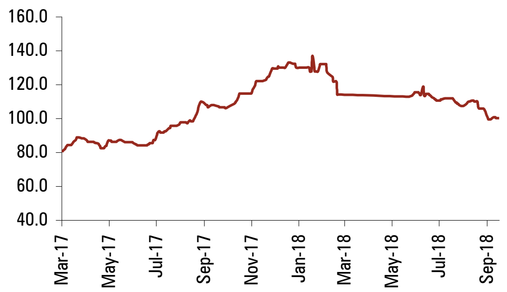
Pidilite Industries	Consolidated sales are likely to grow ~10% YoY to ~₹ 1687 crore in Q2FY19E supported by 11% and 8% YoY growth in revenue of consumer & bazaar and industrial product segment to ₹ 1459 crore and ₹ 246 crore, respectively. We believe higher raw material prices (VAM prices up ~18% YoY) would lead to a decline in EBITDA margin by ~200 bps YoY to ~23%. As a result, there would be a flattish growth of ~2% YoY in PAT to ~₹ 258 crore
Supreme Industries	SIL's plastic segment sales are likely to increase 8% YoY to ~₹ 1137 crore in Q2FY19E led by ~6% YoY growth in volume. The lower volume growth is largely attributable to high base of the same period last year. However, the company is likely to book revenue of ₹ 105 crore from the sale of its commercial property, which would result in total sales growth of ~18% YoY to ~₹ 1242 crore. We believe, EBITDA margin at 14.1% would not be comparable on a YoY basis considering the sale of commercial property during Q2FY19E. Finally, PAT is likely to increase ~24% YoY to ~₹ 88 crore
Symphony	We believe Symphony's lacklustre performance would continue in Q2FY19 due to higher base and rationalisation of inventory at dealer's level. With ~8% YoY decline in volume offtake, sales may see de-growth of ~3% YoY in Q2FY19 to ₹ 180 crore. We believe a lack of volume growth would put pressure on EBITDA margin that is likely to fall ~200 bps YoY to ~33%. A below expected operating performance coupled with a sharp fall in other income by ~43% YoY would lead to PAT de-growth of 33% YoY to ₹ 34 crore
V-Guard	Affected by the floods in Kerala (contributes ~26% of annual revenue), V-Guard is likely to record muted sales growth of ~5% YoY to ₹ 585 crore in Q2FY19E. The electronics segment was impacted by muted growth in the stabilisers business mainly due to lower AC volume offtake. Further, electricals segment sales are also likely to grow at a moderate rate of 4% YoY to ~₹ 243 crore led by pump and house wire segment. We believe lower operating leverage would impact the EBITDA margin, which is likely to decline 100 bps YoY to 11%. As a result, PAT is likely to decline ~5% YoY to ~₹ 44 crore
Voltas	Voltas is likely to record sales growth of ~7% YoY to ~₹ 1112 crore in Q2FY19E led by EMPS segment sales growth of ~10% YoY to ₹ 611 crore. We believe the UCP segment performance would be muted owing to weak season for cooling products and relatively high base of the same period previous year. We believe segment sales growth would be ~7% YoY largely led by price hike (owing to a change in rating norms). Lower volume of UCP segment coupled with unfavourable currency movement would lead to a decline in EBITDA margin by ~70 bps YoY to 7.6% in Q2FY19. Finally, PAT is likely to decline ~14% YoY at ~₹ 82 crore
Time Technoplast	Revenues are likely to grow ~12% YoY to ~₹ 814 crore supported by ~23% YoY increase in sales of value added products to ₹ 177 crore. Growth could be largely driven by composite cylinders and Mox films wherein revenue is likely to grow ~25% and 44% YoY, respectively. The established product category may grow ~10% YoY to ₹ 636 crore mainly supported by ~24% YoY increase in piping revenue (on a lower base). We believe the EBITDA margin could decline by ~140 bps YoY to 13.7% led by lower gross margin (decline by ~180 bps YoY due to higher raw material prices and depreciation in rupee value). Finally, PAT is likely to decline ~5% YoY to ~₹ 40 crore

Source: Company, ICICI Direct Research

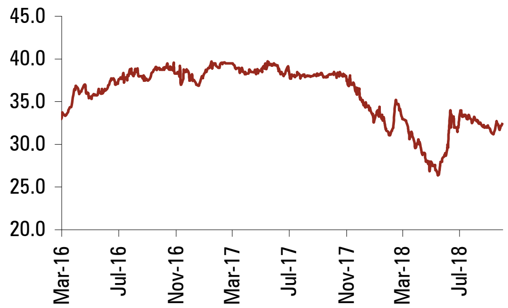
Topline & profitability (Coverage Universe)



Copra prices slowing down (₹ per kg)



Benign sugar prices (₹/kg)



Top Picks

Marico
ITC
VST Industries

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FMCG

Healthy volumes, rise in operating margins expected to continue

Witnessing a complete revival from GST, most FMCG companies posted double digit volume growth in the last two quarters. Our FMCG coverage universe is expected to continue its robust growth this quarter also, whereby sales are expected to grow 12.5% mainly on the back of strengthening rural incomes, higher pre-election spend by the government, new launches across sectors and a gradual shift towards premiumisation. We expect organic volume growth of 6-8% across companies. ITC is expected to post 9.1% sales growth, ably supported by strong growth from cigarettes, FMCG & paper segments. Cigarettes volume is expected to grow 6% on a low base. HUL, Dabur, Colgate and Jyothy Laboratories are expected to witness sales growth of 15.1%, 15%, 7.9% and 7.4%, respectively, due to robust volume growth in addition to price hikes taken to offset input cost pressures. Nestlé and Varun Beverages are expected to see 13.9% and 17.5% growth, respectively, due to new product launches/acquisition of new territories recently. Marico is expected to witness 19.2% sales growth led by ~25% increase in Parachute prices to mitigate rise in copra prices (10% YoY but 40% correction from January 2018). Prabhat Dairy is likely to post sales growth of 10.4% YoY on the back of high volume growth led by better capacity utilisation. With a gradual improvement in rural income levels on the back of government measures and conclusion of normal monsoons in 2018, we expect rural growth to outpace urban growth, thereby supporting higher volume growth trajectory of our FMCG universe.

High crude oil prices caveat to growing operating margins

Though commodity prices of milk, sugar, palm oil, Robusta have declined 10%, 14%, 18%, 21%, respectively, YoY, crude oil prices (used for packaging) witnessed a steep rise of 45% YoY, which would restrict operating margins expansion to 102 bps for our FMCG universe. Decline in sugar and cocoa prices is likely to benefit HUL, Varun Beverages and Nestlé. Milk procurement prices have been lower on account of lower SMP prices, which is likely to benefit Prabhat Dairy. Copra prices have corrected ~40% from their peak in January 2018 and 10% YoY. This would benefit Marico's operating margins. Continued focus on digital advertisement should help restrict marketing spend thereby improving operating margins. We estimate 15.9% YoY net profit growth for our coverage universe.

Exhibit 11: Estimates for Q2FY19E (FMCG) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Colgate Palmolive	1,163.1	7.9	4.3	318.6	6.0	7.5	197.6	11.3	5.9
Dabur India Ltd	2,252.4	15.0	9.9	445.3	6.1	5.4	381.6	5.2	6.8
GSK Consumer	1,212.4	8.7	13.4	244.4	-6.5	11.4	206.7	7.4	16.3
HUL	9,439.5	15.1	-1.9	2,051.7	22.0	-1.7	1,455.0	14.0	-2.6
ITC	11,152.1	9.1	2.5	4,430.3	17.8	7.5	3,093.7	17.2	6.1
Jyothy Laboratories	450.5	7.4	0.0	73.0	0.7	-8.5	40.5	-4.3	-18.8
Marico Ltd	1,831.3	19.2	-1.3	327.2	26.3	-0.1	239.9	29.7	3.0
Nestle India	2,849.2	13.9	0.2	690.9	16.0	1.2	417.4	21.7	3.5
Prabhat Dairy	425.7	10.4	4.2	38.2	20.6	11.4	15.1	65.8	21.9
Varun Beverages Ltd	1,127.3	17.5	-45.1	205.7	10.9	-61.2	39.4	16.8	-86.0
VST Industries	261.2	18.9	-2.5	96.8	38.3	18.0	63.5	44.2	18.1
Total	32,164.8	12.5	-1.4	8,922.2	16.8	0.4	6,150.3	15.9	-0.2

Source: Company, ICICI Direct Research

Crude oil prices spikes ($/barrel)

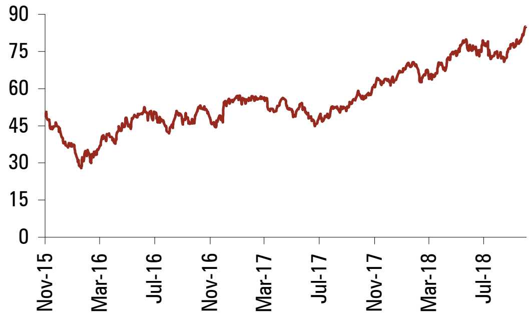


Exhibit 12: Company specific view (FMCG)

Colgate	We expect 7.2% YoY sales growth on the back of ~4% volume growth in addition to the price hike taken by the company recently. The company has started witnessing input cost inflation due to a rise in crude oil and sorbitol prices, which we expect would result in marginal contraction in operating margin by 32 bps to 27.4% YoY. CPIL has already taken a price hike of 5% in Colgate Dental Cream (CDC) in July 2018 to mitigate this impact. Net profit is likely to grow 11.3% YoY to ₹197.6 crore
Dabur	The company is expected to post 15% YoY sales growth on the back of 16.7% growth in domestic operations with volumes growing ~9%. We expect this growth to be contributed by strong demand from rural regions. However, international operations may see slower growth of 10.6% due to currency depreciation in emerging markets. Along with an increase in commodity price inflation, the company's higher advertising spend should result in EBITDA margin contraction by 166 bps to 19.8%. PAT is estimated to increase marginally by 5.2% to ₹ 381.6 crore
GSK Consumer Healthcare	GSK Consumer is expected to post sales growth of 8.7% YoY benefitting from price cuts taken by the company as GST rates were cut from 28% to 18% on malt based beverages in November 2017. We expect a 320 bps contraction in operating margins to 20.2%. This is mainly due to an increase in commodity prices such as barley and wheat on a YoY basis in addition to increase in operating costs i.e. higher employee cost & advertisement spend. Net profit is likely to grow 7.4% to ₹ 206.7 crore
HUL	The company is likely to witness 13.6% sales growth mainly led by volume growth of 7-8% on account of supply chain benefits under GST regime in addition to price hikes of ~5% taken during the quarter. The company should be able to report 149 bps expansion in operating margins to 21.7% in spite of higher raw material & advertisement costs, benefiting from a focus on premiumisation, cost cutting and market share gains. We expect net profit to grow 16.5% to ₹ 1494.6 crore
ITC	We expect ITC to post 8.1% sales growth during the quarter mainly due to robust growth from cigarettes, FMCG & paper segment. The cigarettes segment is likely to witness ~6% volume growth on a low base (6% volume de-growth in Q2FY18). FMCG segment is likely to post 16% growth in sales on the back of new launches during the quarter. The paper business is likely to post 10% growth in sales. With improving margins in the FMCG business and higher realisations in the cigarette business, net profit is likely to grow 17.2% to ₹ 3093.7 crore
Jyothy Labs	Jyothy Labs is expected to post tepid sales growth of 7.4% impacted by floods in the Kerala region, which contributes around 25-30% of the company's sales. Though Jyothy Labs has taken an average price hike of 5% across product portfolio to mitigate rising input cost pressure, we expect its operating margins to contract 109 bps to 16.2% due to higher material costs and advertising spend. We expect net profit to decline marginally by 4.3% to ₹ 40.5 crore
Marico	The company is likely to witness 19.2% sales growth, primarily led by strong growth in the domestic business on account of ~25% increase in Parachute prices. The price increase has been on account of ~15% YoY increase in copra prices. The international business is expected to increase 10.5% during the quarter. On account of a steep price hike taken in the Parachute portfolio, we expect operating margins to expand 100 bps. Net profit is expected to increase 29.7% to ₹ 239.9 crore

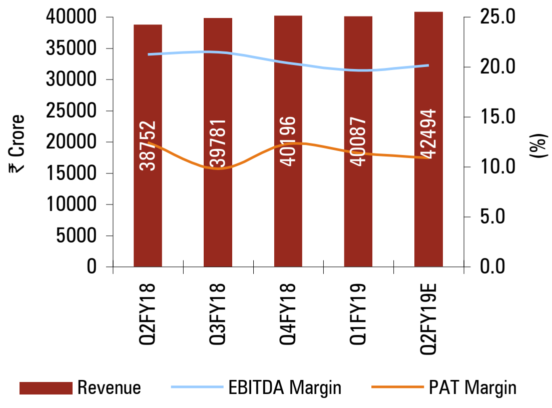
Source: Company, ICICI Direct Research

Exhibit 13: Company specific view (FMCG)

Nestlé India	We expect Nestlé India to grow 13.9% YoY to ₹ 2,849.2 crore on the back of a foray into new segments and a slew of new launches. New launches and venture into high growth segments should help drive volume growth for the quarter. Its operating margins are likely to improve 55 bps to 24.2% as its major raw materials i.e. milk, coffee and sugar prices are in a downward trajectory. We expect net profit to grow 21.7% to ₹ 417.4 crore during the quarter
Prabhat Dairy	Revenue is expected to grow 10.4% to ₹425.7 crore driven by increasing capacity utilisation of the cheese facility, which should perk up higher volumes for the company during the quarter. Milk procurement prices have been down ~10% YoY to ₹ 22. We expect operating margins of the company to improve 76 bps YoY to 9%. Net profit during the quarter is expected to grow to ₹ 15.1 crore
Varun Beverages	VBL is expected to witness 17% sales growth to ₹ 1127.3 crore on the back of acquisition of new territories over the last year and inclusion of Tropicana juices in the company's portfolio. However, Tropicana juices segment are not margin accretive currently. This may result in operating margins contraction of 100 bps to 18.2%. The company is expected to report net profit growth of 16.7% to ₹ 39.4 crore
VST Industries	The company is expected to post 18.8% sales growth during the quarter primarily led by ~6% volume growth in addition to a shift in the revenue mix towards high priced cigarettes ('Total' at ₹ 6/stick and 'Edition' at ₹ 10/stick). We expect 50% contribution from 64 mm cigarettes with the remaining 50% volume contribution from 69 mm or above category. Operating margins are expected to surge 523 bps to 37.1% on the back of robust topline growth. We expect net profit to grow 44.2% to ₹ 63.5 crore

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage universe)

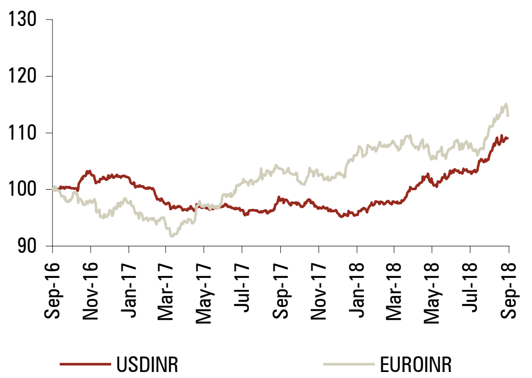


USFDA approvals for Jun-Sep 2018 (Coverage Universe)

Company	Final	Tentative
Ajanta Pharma	3	2
Aurobindo Pharma	12	2
Cadila Healthcare	14	3
Cipla	9	0
Dr. Reddy's Labs	2	1
Glenmark Pharma	2	0
Jubilant Life	0	0
Lupin	4	2
Natco	0	0
Sun Pharma	2	0

Source: USFDA, ICICI Direct Research

Currency Movement



Top picks of sector

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Healthcare

Currency tailwinds but base effect, cost pressure to the fore

After a strong showing in Q1FY19 due to base effect and currency tailwinds, we expect some consolidation in Q2 financials due to 1) higher base and 2) cost pressure, which can be attributable to supply constraints from China and higher crude prices. These two factors are likely to dilute strong currency tailwinds in Q2. I-direct healthcare universe is expected to register 9.7% YoY growth to ₹ 42494 crore. Domestic formulations are likely to grow 5.6% YoY (select pack) due to higher base of sales, which were accounted in Q2FY18 post GST implementation. US revenues (select pack) are expected to grow 8% YoY mainly due to currency tailwinds and volume gain in the base business that is likely to mitigate continued base business price erosion. In Q2FY19, average YoY rupee depreciation vis-à-vis US$ was 9%. Europe (select pack) is likely to grow 11% YoY on the back of currency tailwinds, new launches and acquisition. Growth in other emerging markets is likely to be driven by new launches. On the hospitals front, growth is likely to be driven by newly commissioned hospitals.

On the companies front, Torrent, Narayana and Jubilant Life are likely to register strong sales growth on the back of acquisitions while Natco – (windfall of gCopaxone), Biocon (Syngene and biologics tractions) and Syngene (lower base) are expected to register above 20% revenue growth. On the other hand, Ajanta Pharma, Cadila, Cipla and Indoco are likely to report negative revenue growth mainly due to high base.

EBITDA to increase ~4% YoY

EBITDA of the I-direct healthcare universe is expected to grow a mere 4% YoY to ₹ 8573 crore. EBITDA margins are likely to contract 106 bps YoY to 20%. Higher raw material cost due to supply constraint from China, higher promotional cost of innovative products and hedging losses are likely to put pressure on overall margins during the quarter.

Adjusted net profit to decline 4% YoY

Net profit is expected to decline ~4% YoY to ₹ 4627 crore, mainly due to lower operational performance, higher cost of consolidating of acquisitions and higher tax rate (23.9% vs. 22.5% in Q2FY18).

Exhibit 14: Estimates for Q2FY19E (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Ajanta Pharma	516.6	-4.4	1.1	154.2	-16.1	-2.1	110.1	-16.5	4.1
Alembic Pharma	952.3	20.7	10.4	171.4	-4.3	13.5	116.1	-4.5	28.4
Aurobindo Pharma	4,638.9	4.6	9.1	964.3	-13.7	35.6	601.9	-23.0	32.1
Biocon	1,245.4	28.6	10.8	275.5	51.2	15.8	141.6	105.9	18.2
Cadila Healthcare	2,986.6	-7.6	3.2	611.3	-28.7	-5.2	375.4	-25.4	-18.6
Divi's Lab	1,012.4	13.7	1.7	364.5	31.5	3.6	275.1	33.0	3.4
Cipla	4,042.4	-1.0	2.6	771.0	-4.1	6.1	368.9	-12.7	-16.1
Dr. Reddys	3,857.7	8.4	3.2	730.0	9.1	-5.0	361.1	18.2	-24.2
Glenmark	2,540.0	12.6	17.3	431.8	11.2	24.5	217.8	1.7	-6.5
Indoco Remedies	262.9	-7.7	20.9	38.1	-6.8	229.5	11.4	-42.5	LP
IPCA Labs	950.5	10.0	11.3	147.3	-1.1	29.2	89.4	-7.3	36.4
Jubilant Life Sc.	2,090.3	27.3	0.6	447.1	46.1	2.2	212.4	65.6	6.0
Lupin	4,032.1	2.0	4.6	616.4	-27.7	17.0	222.2	-51.2	9.6
Narayana Hrudayalaya	696.8	24.6	6.8	51.8	-13.7	9.3	5.4	-70.2	LP
Natco Pharma	560.1	31.3	4.0	248.9	104.2	14.4	185.0	118.2	1.9
Sunpharma	7,698.1	15.8	6.6	1,655.1	20.3	3.0	964.8	5.8	-2.4
Syngene International	418.2	24.8	3.0	142.2	25.3	30.2	93.9	22.1	42.2
Torrent Pharma	1,900.4	33.0	1.5	499.8	51.9	4.8	177.0	-13.2	8.6
Apollo Hospitals	2,092.4	13.0	9.5	252.0	13.9	11.2	97.4	37.4	61.9
Total	42,494.1	9.7	6.0	8,572.7	4.2	8.9	4,627.1	-4.1	1.5

Source: Company, ICICI Direct Research

Expected growth (%) in Domestic formulations

(₹ crore)	Q2FY19E	Q2FY18	Var. (%)	Q1FY19	Var. (%)
Ajanta	172.9	172.0	0.6	172.0	0.6
Alembic	363.8	346.5	5.0	294.1	23.7
Biocon	158.3	175.9	-10.0	147.0	7.7
Cadila	921.3	894.5	3.0	892.6	3.2
Glenmark	810.2	710.7	14.0	663.3	22.1
Indoco	169.4	188.2	-10.0	149.7	13.2
Ipca	446.0	424.7	5.0	400.9	11.2
Lupin	1,228.9	1,159.3	6.0	1,192.4	3.1
Cipla	1,563.7	1,646.0	-5.0	1,544.0	1.3
Dr Reddy's	700.7	637.0	10.0	607.4	15.4
Sun Pharma	2,332.1	2,221.0	5.0	2,152.0	8.4
Torrent	829.3	607.0	36.6	830.0	-0.1
Total	9,696.5	9,182.8	5.6	9,045.4	7.2

Expected growth (%) in the US

(₹ crore)	Q2FY19E	Q2FY18	Var. (%)	Q1FY19	Var. (%)
Aurobindo	2,152.5	2,098.9	2.6	1,889.6	13.9
Cadila	1,310.8	1,643.6	-20.3	1,229.6	6.6
Cipla	739.2	617.3	19.8	670.0	10.3
Glenmark	773.6	727.1	6.4	703.7	9.9
Lupin	1,244.8	1,361.1	-8.5	1,185.8	5.0
Dr Reddy's	1,565.6	1,431.8	9.3	1,590.3	-1.6
Sun Pharma	2,773.0	1,986.2	39.6	2,543.7	9.0
Torrent	338.7	255.0	32.8	334.0	1.4
Total	10,898.1	10,121.0	7.7	10,146.7	7.4

Expected growth (%) in Europe

(₹ crore)	Q2FY19E	Q2FY18	Var. (%)	Q1FY19	Var. (%)
Aurobindo	1238.2	1113.5	11.2	1199.1	3.3
Cadila	65.3	54.4	20.0	61.8	5.6
Glenmark	240.0	200.0	20.0	219.8	9.2
Dr Reddy's	218.2	242.4	-10.0	201.6	8.2
Lupin	172.8	144.0	20.0	213.0	-18.9
Torrent	256.4	221.0	16.0	251.0	2.1
Total	2190.8	1975.3	10.9	2146.3	2.1

Expected growth (%) in Latin America

Latin America					
(₹ crore)	Q2FY19E	Q2FY18	Var. (%)	Q1FY19	Var. (%)
Glenmark	110.0	104.7	5.0	97.6	12.7
Torrent	160.8	120.0	34.0	169.0	-4.9
Total	270.8	224.7	20.5	266.6	1.6

Exhibit 15: Company specific view

Ajanta Pharma	Revenues are expected to decline 4.4% YoY to ₹ 517 crore mainly due to high base of domestic formulations and shrinking African tender opportunity. EBITDA margins are expected to decline 415 bps to 29.8% YoY on account of higher fixed overheads at new facilities. Net profit is likely to decline 16.5% YoY to ₹ 110 crore mainly due to a below expected operational performance
Alembic Pharma	Revenues are expected to grow 21% YoY to ₹ 952 crore mainly due to 40% growth in international formulations led by strong growth in ex-US export business. EBITDA margins are expected to contract 470 bps to 18% on account of an adverse product mix. Net profit is expected to decline 4.5% YoY to ₹ 116 crore mainly due to lower expected EBITDA
Apollo Hospitals	Standalone sales are likely to grow ~13% YoY to ₹ 2092 crore mainly due to ~19% growth in the pharmacy business and 9% growth in the healthcare service business. The pharmacy business is expected to be largely driven by addition of new pharmacies while the hospital segment is expected to be driven by strong growth in new hospitals. EBITDA margins are likely to remain at ~12%. Net profit is expected to increase 37% YoY to ₹ 97 crore mainly due to a strong operational performance and lower tax rate (21% vs. 28% in Q2FY18)
Aurobindo Pharma	Revenues are expected to grow ~5% YoY to ₹ 4639 crore mainly due to currency tailwinds. The US business is expected to grow a mere 3% YoY on a higher base. EBITDA margins are likely to decline 440 bps to 20.8% due to a higher base and higher raw material cost owing to China supply constraints. Net profit may decline 23% YoY to ₹ 602 crore due to a below expected operational performance and higher tax rate (25% vs. 20.2% in Q2FY18)
Biocon	Revenues are likely to grow ~29% YoY to ₹ 1245 crore on the back of strong growth expectation in Syngene (due to currency tailwinds, lower base) and biologics segment. EBITDA margins may improve 330 bps to ~22%. Net profit is expected to grow 106% YoY to ₹ 142 crore mainly due to a strong operational performance and lower tax rate (22% vs. 33.8% in Q2FY18)
Cadila Healthcare	Revenues are expected to decline ~8% YoY to ₹ 2987 crore mainly due to high base in the US and India. EBITDA margins are likely to contract ~600 bps YoY to 20.5% mainly due to high base of gLialda exclusivity in the US. Subsequently, net profit is expected to decline ~25% YoY to ₹ 375 crore
Cipla	Revenues are expected to decline ~1% YoY to ₹ 4042 crore. The 5% YoY decline in domestic formulations on a higher base, are likely to be offset by ~20% growth in the US. EBITDA margins are expected decline 63 bps YoY to 19.1%. Net profit is expected to decline ~13% YoY ₹ 369 crore due to a below expected operational performance, lower other income and higher tax rate
Divi's Laboratories	Revenues are expected to grow ~14% YoY to ₹ 1012 crore due to lower base, currency tailwinds and favourable market scenarios owing to China supply constraints. EBITDA margins are expected to increase 486 bps to ~36% YoY due to a better product mix and favourable currency movement. Net profit is expected to grow 33% YoY to ₹ 275 crore mainly due to a strong operational performance
Dr Reddy's	Revenues are likely to grow ~8% YoY to ₹ 3858 crore mainly due to ~10% growth in each India and the US formulations. EBITDA margins are expected to remain at ~19%. Net profit is expected to grow ~18% YoY to ₹ 361 crore mainly due to a strong operational performance

Source: Company, ICICI Direct Research

Expected growth (%) in API

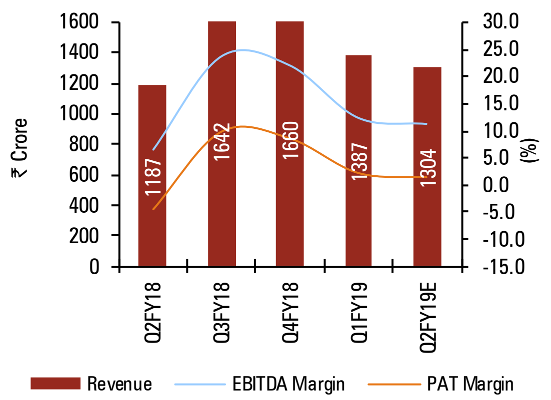
	API				
(₹ crore)	Q2FY19E	Q2FY18	Var. (%)	Q1FY19	Var. (%)
Aurobindo	787.2	771.8	2.0	748.0	5.2
Alembic	177.5	142.0	25.0	180.0	-1.4
Cadila	102.2	92.9	10.0	109.5	-6.7
Glenmark	236.6	236.6	0.0	210.1	12.6
Divi's Lab	487.3	443.0	10.0	475.3	2.5
Indoco	15.5	14.7	5.0	15.6	-1.2
Ipca Labs	213.2	193.8	10.0	217.8	-2.1
Lupin	270.3	265.0	2.0	358.1	-24.5
Cipla	201.4	212.0	-5.0	200.0	0.7
Dr Reddy's	576.7	565.4	2.0	540.9	6.6
API	68.2	58.3	17.0	67.0	1.8
Sun Pharma	434.0	413.4	5.0	416.7	4.2
Unichem	25.0	24.5	2.0	21.9	14.1
Total	3595.2	3433.5	4.7	3560.9	1.0

Exhibit 16: Company specific view

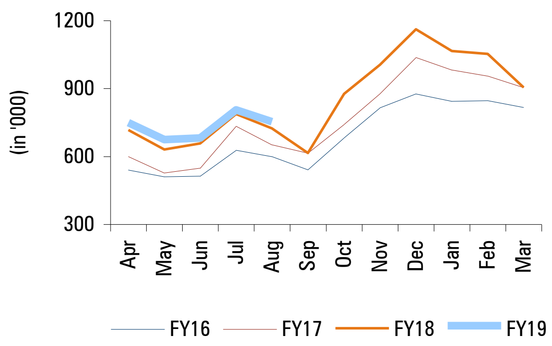
Glenmark Pharma	Revenues are expected to grow 12.6% YoY to ₹ 2540 crore mainly due to 14% growth in domestic formulations. US revenues are expected to grow 6% YoY. EBITDA margins are likely to remain at ~17%. Net profit is expected to grow mere ~2% YoY to ₹ 214 crore due to higher tax rate (27% vs. 21.6% in Q2FY18)
Indoco Remedies	Revenues are likely to decline ~8% YoY to ₹ 263 crore mainly due to 10% YoY decline in domestic sales on a higher base. EBITDA margins are likely to remain at ~14.5%. Net profit is expected to decline 42.5% YoY to ₹ 11.4 crore mainly due to a below expected operational performance and higher tax rate (21% vs -3.5% in Q2FY18)
Ipca Laboratories	Revenues are expected to grow 10% YoY to ₹ 950 crore mainly due to 20% growth in export formulations. Domestic formulations are likely to grow 5% YoY. EBITDA margins are likely to decline 174 bps to 15.5% mainly due to an adverse product mix. Net profit is expected to decline ~7% YoY to ₹ 89 crore due to a below expected operational performance and higher tax rate (21% vs. 12% in Q2FY18)
Jubilant Life Science	Revenues are expected grow ~27% YoY to ₹ 2090 crore mainly due to consolidation of Triad Pharmacy. Margins are expected to improve 275 bps to 21.4% YoY mainly due to a better segment mix. Net profit is expected to grow ~66% YoY to ₹ 212 crore due to a strong operational performance
Lupin	Revenues are expected to grow a mere ~2% YoY to ₹ 4032 crore on the back of domestic formulations, which are likely to grow 6%. US sales are likely to decline 8.5% YoY due to lack of meaningful launches. EBITDA margins are likely to decline 630 bps to 15.3% mainly due to an adverse product mix and higher sales promotional expenses. Net profit is expected to decline 51% YoY to ₹ 222 crore owing to a below expected operational performance and lower other income
Narayana Hrudalaya	Revenues are likely to grow ~25% YoY to ₹ 696 crore mainly due to strong growth in new hospitals and acquisition of remaining stake in Cayman Islands hospital. EBITDA margins are likely to decline 330 bps to 7.4% YoY mainly due to an increase in doctor payouts and expenses related to new facilities. Net profit is expected to decline ~70% YoY to ₹ 5.4 crore mainly due to a below expected operational performance, higher interest cost and depreciation
Natco Pharma	Revenues are expected to grow 31% YoY to ₹ 560 crore mainly due to complex products launches in the US (gCopaxone, gDoxil) under partnership. EBITDA margins are likely to increase to 44% from 28.6% YoY mainly due to continued gCopaxone windfall. Subsequently, net profit is expected to grow 118% YoY to ₹ 185 crore
Sun Pharma	Revenues are likely to increase ~16% YoY to ₹ 7698 crore mainly due to ~40% expected increase in US sales (ex-Taro) on the back of volume gains in existing products and new launches post Halol resolution. EBITDA margins are expected to increase 82 bps YoY to 21.5%. Net profit is expected to increase 6% YoY to ₹ 965 crore due to a strong operational performance, which is likely to be partly offset by higher tax rate (18% vs 10% in Q2FY18)
Syngene	Revenues are likely to grow ~25% YoY to ₹ 418 crore on the back of currency tailwinds and lower base of the fire incident. EBITDA margins are expected to be in the range of 32-34%. Net profit is expected to grow 22% to ₹ 94 crore mainly due to a strong operational performance
Torrent Pharma	Revenues are expected to increase ~33% YoY to ₹ 1900 mainly due to consolidation of Unichem's domestic sales. Excluding Unichem consolidation, domestic sales are expected to decline ~1% YoY due to higher base. EBITDA margins are expected to increase 327 bps YoY to 26.3% mainly due to a better product mix. Net profit is expected to decline ~13% YoY to ₹ 177 crore mainly due to additional acquisition cost of interest and amortisation

Source: Company, ICICI Direct Research

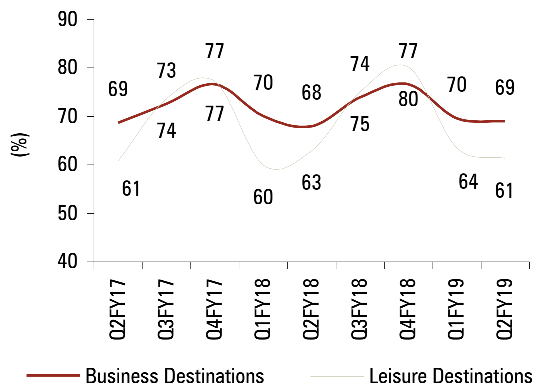
Topline & Profitability (Coverage universe)



FTAs to grow at 3.4% YoY during Q2FY19E



Trends in average occupancy levels



Top pick of sector

EIH
Taj GVK Hotels

Research Analyst

Rashesh Shah
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Hotels

The growth in foreign tourists' arrivals (FTA) to moderate further…

After witnessing healthy traction in FY18, foreign tourist arrivals (FTAs) growth slowed down to 5.0% YoY following onset of lean season and high base of last year (up 19.7% in Q1FY18). The same trend would continue in Q2FY19 as well with expected FTA growth of 3.4% YoY. However, on absolute terms, the foreign tourist arrivals will continue to remain healthy. This coupled with balanced room supply across business and leisure destination would keep occupancy levels healthy. With the demand growth outpacing supply growth, we expect average room rates to also improve by 2-3% YoY leading to over 10% revenue growth in the domestic market. **EIH** and **TajGVK** being pure domestic play would likely report healthy double digit revenue growth whereas **Indian Hotels** revenue growth would improve YoY on account of turnaround of international subsidiaries. Overall, we expect I-direct hotel coverage universe to report 9.8% YoY revenue growth during the quarter.

Margins to improve YoY mainly due to operating leverage benefit and low base of last year

Margins of the I-direct hotel universe are expected to improve 470 YoY on account of operating leverage benefit and low base of last year. During the quarter, we expect **Indian Hotels** to report margin expansion of 339bps mainly due to last years low base impact, while **EIH** to report margin expansion of over 900bps YoY on stabilization of property in Delhi which was re-opened on Jan-18. **TajGVK** to continue to report healthy traction in margins led by cost controls & improved in ARR in Hyderabad region during the quarter.

Business destinations to drive growth while select leisure destination to report weak occupancy during the quarter

Average occupancy levels continue to remain higher at business destinations compared to leisure destinations during the quarter due to ongoing lean season. However, select leisure destinations to report marginally better occupancy levels during the quarter. Among leisure destinations, Kerala and Goa to witness fall in occupancy levels due to heavy monsoon impact. In business destinations, Mumbai, Hyderabad and Chennai would register better occupancy compared to the previous year.

Exhibit 17: Estimates for Q2FY19E: (Hotels) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
EIH	323.0	18.6	-3.6	42.0	367.0	-13.1	9.5	384.7	-6.2
Indian Hotel	909.6	6.8	-7.2	89.1	63.3	-19.5	3.3	LP	-78.5
Taj GVK Hotels	71.1	12.8	-2.3	15.7	10.0	21.6	4.5	412.7	13.8
Total	1,303.7	9.8	-6.0	146.8	88.6	-14.6	17.3	LP	-41.2

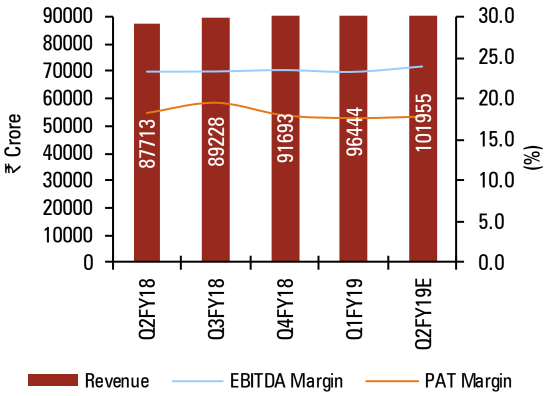
Source: ICICI Direct Research

Exhibit 18: Company specific view

Company	Remarks
Indian Hotels	On the revenue front, we expect domestic revenue growth of 9.3% YoY in line with industry growth following improved RevPAR while international segment is expected to witness growth of 3.9%. Margins are expected to improve mainly due to low base of last year and a better operating matrix in the domestic segment. Further, lower interest costs to lead to better profitability during the quarter vs loss reported last year
EIH	With the re-opening of the Delhi property, we expect EIH to report healthy revenue growth of over 18.6% YoY vs. growth of 0.2% last year. ARR is expected to increase ~2% YoY supported by healthy occupancy. Margins to improve sharply YoY on account of leverage benefit and low base of last year
Taj GVK Hotel	On the standalone front, we expect revenue growth of 12.8% YoY led by improved ARRs. OPM margins are expected to improve sharply on QoQ basis as last quarter's margins were lower due to renovation expenses.Further, better opearting performance from JV property to lead to healthy profit growth during the quarter

Source: ICICI Direct Research

Topline & profitability (Coverage universe)



Dollar growth, QoQ

IT Services	Q2FY19E	Q1FY19	Growth (%)
TCS	5,196.0	5,051.0	2.9
Infosys	2,892.8	2,831.0	2.2
Wipro ^	2,026.1	2,026.5	(0.0)
HCL Tech	2,081.1	2,055.0	1.3
Tech Mahindra	1,227.9	1,224.1	0.3
Mindtree	249.2	241.5	3.2
KPIT Technologies	152.8	150.5	1.5
Cyient	169.2	160.8	5.2
NIIT Technologies	128.2	124.3	3.2
Persistent Systems	126.9	123.6	2.7
eClerx	49.7	49.2	1.1
BPO (in ₹)			
Firstsource	897.5	919.1	(2.3)
Internet (in ₹)			
Info Edge	255.9	259.5	(1.4)

^ IT services

Top picks of the sector

Infosys
Cyient

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Information Technology

Seasonal strength, deal wins, currency: Key drivers…

Improving deal wins, higher share of digital segment and reducing pressure on legacy business is expected to be key drivers of growth in the quarter. This coupled with Q2 being a seasonally strong quarter, Tier-I IT companies are expected to report constant currency (cc) growth of 1.3-3.9% sequentially. TCS is anticipated to lead the growth led by deal ramp ups while Wipro is expected to lag taking into account impact of divestment of hosted data centre services (~US$23 mn). Among mid tier, Cyient, MindTree and NIIT Tech are expected to report healthy growth driven by deal wins and digital competencies. Taking into consideration of US$ appreciation against all major currencies, cross currency could act as a headwind of 80-110 bps to reported $ growth. However, rupee depreciation by 4.6% QoQ would overweigh these headwinds. This would lead to ~70-100 bps expansion in margins across IT companies. Although TCS is expected to report best performance on QoQ basis amongst Tier 1 players, expensive valuation (~23.3 FY20E EPS) factors in most of the positives. We prefer Infosys among tier-1 based on accelerated rate of new deal wins (estimated US$1.5 billion in Q2FY19E vs $1.1 billion in Q1FY19) and anticipated improvement in digital wallet share.

Margins to expand aided by rupee benefit…

Cross currency coupled with wage hike and hedging would act as headwind to margins. However, it would be more than offset by rupee depreciation. We expect TCS to report 150 bps QoQ expansion (no wage hike), Infosys (+70 bps), Wipro (+50 bps on adjusted basis) while HCL EBIT margins could decline by 20 bps owing to partial wage hike and weak IP seasonality.

Midcap to witness a healthy quarter…

Cyient (5.2% QoQ), Mindtree (3.2% QoQ) and NIIT Tech (3.2% QoQ) are expected to lead on the back of healthy deal pipeline and positioning in digital. While, TechM is anticipated to witness a soft quarter owing to weakness in enterprise business. On EBITDA margin front, midcap companies are expected to observe an expansion QoQ of 70-150 bps except for Persistent and KPIT who would see impact of full wage hike.

Demand trends across key verticals and deal pipeline to be watched…

Improving demand environment, healthy deal wins and rising focus on digital competencies are expected to play out in favour of FY19E. Commentary on outlook for key verticals such as BFSI, retail and communication has to be watched out for. In our view, investor interest would be demand outlook for key verticals, digital and deal pipeline.

Exhibit 19: Estimates for Q2FY19E (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Cyient	1,185.6	22.8	9.8	152.9	8.5	16.2	95.2	-14.5	15.4
Eclerx	358.3	8.3	1.8	85.3	-10.6	8.9	57.2	-35.5	-4.8
Firstsource Sol	897.5	2.8	-2.3	131.0	19.5	2.3	92.3	34.3	4.2
HCL Tech	14,580.0	17.3	5.1	3,353.4	21.5	3.9	2,351.2	7.5	-2.2
Infosys	20,266.8	15.4	6.0	5,451.8	15.9	8.7	4,057.4	8.9	12.3
InfoEdge	255.9	13.6	-1.4	85.8	-3.4	1.8	71.2	-9.4	13.0
KPIT Tech	1,070.2	16.8	5.6	118.8	31.6	-3.3	77.9	30.4	0.6
Mindtree	1,746.1	31.1	6.5	263.7	71.1	14.1	174.1	39.6	10.0
NIIT Technologies	898.5	21.9	8.9	152.7	28.4	16.9	96.1	43.2	12.0
Persistent Systems	889.1	16.8	6.6	140.2	21.1	0.1	82.7	0.1	-5.3
TCS	36,403.1	19.2	6.3	10,156.5	24.4	12.0	7,905.4	22.6	7.7
Tech Mahindra	8,602.7	13.1	3.9	1,488.3	34.6	9.7	947.3	13.3	5.5
Wipro	14,780.8	10.1	5.7	2,788.2	-1.3	0.9	2,201.4	0.5	3.8
Total	101,934.5	16.2	5.7	24,368.5	19.0	8.4	18,209.4	13.3	6.6

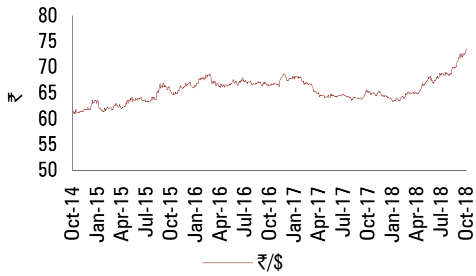
Source: Company, ICICI Direct Research

EBIT margin impact

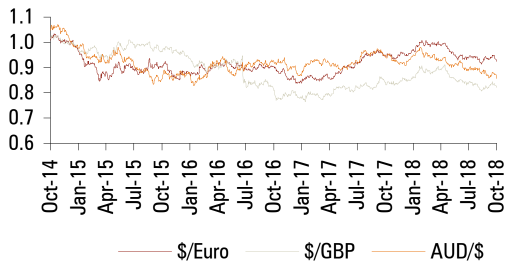
EBIT margins	Q2FY19E	Q1FY19	Change (bps)
TCS	26.5	25.0	150
Infosys	24.4	23.7	70
Wipro ^	16.1	17.5	(140)
HCL Tech	19.5	19.7	(20)
EBITDA margins			
Tech Mahindra	17.3	16.4	90
Mindtree	15.1	14.1	100
KPIT Technologies	11.1	12.1	(100)
Cyient	12.9	12.2	70
NIIT Technologies	17.0	15.8	120
Persistent Systems	15.8	16.8	(100)
eClerx	23.8	22.3	150
BPO			
Firstsource	14.6	13.9	70
Internet (in ₹)			
Info Edge	33.5	32.5	100

^ IT Services

$/₹



$ vs. global currencies



Inter-quarter, average US$ has appreciated 4.6%, 2.4%, 4.2% and 3.3% against ₹, Euro, GBP and AU$ respectively.

Exhibit 20: Company specific view

Company	Remarks
TCS	Constant currency revenues are expected to grow 3.9% QoQ while US$ revenue is expected to grow 2.9% QoQ to $5,196 million led by ramp up of deal wins in H2FY18. Rupee revenues may grow 6.3% QoQ to ₹ 36,403 crore owing to 4.6% QoQ rupee depreciation against US$. EBIT margins could expand 150 bps QoQ to 26.5% on account of operational efficiency, rupee depreciation benefit and absence of wage hike. Investor interest: Growth momentum in BFSI and retail, deal TCV and ramp up of deals, margin trajectory
Infosys	In a seasonally strong quarter for Infosys, constant currency revenues are expected to grow 3% QoQ with cross currency impact of 80 bps to dollar growth. US$ revenues are expected to grow 2.2% QoQ to $2,893 million. Rupee revenue may grow 6% to ₹ 20,267 crore. EBIT margins may expand 70 bps QoQ to 24.4% primarily owing to rupee tailwind partly offset by impact of wage hike for 15% of employees. Investor interest: outlook for BFSI, deal pipeline and attrition at key positions
Wipro	Global IT services constant currency revenues could grow 1.3% QoQ led by positives from across sectors (except healthcare) and aided by one-month consolidation of Alight acquisition amounting to $12.5 million. However, cross currency headwind and divestment of hosted data services may lead to IT services US$ revenues to remain flat QoQ to $2,026 million. Global IT services rupee revenue may grow 5.4% while consolidated revenues could grow 5.7% to ₹ 14,780 crore. Global IT services EBIT margins may expand 50 bps QoQ (on adjusted basis from 15.6%) to 16.1% mainly owing to operational efficiency and rupee benefit partly offset by two-month wage hike impact. Investor interest: Demand outlook across healthcare, communication & utilities vertical, margin enhancement levers, view for H2FY19E
HCL Tech	Dollar revenues are expected to grow 1.3% QoQ to $2,081 million mainly on the back of two-month consolidation of Actian acquisition (~$17 million) in the quarter while organic growth is expected to be soft (0.4% QoQ). Rupee revenue could increase 5.1% to ₹ 14,580 crore. EBIT margins could decline 20 bps QoQ to 19.5% on account of partial wage hike & weak IP seasonality partly countered by rupee benefit. Investor interest: Growth recovery in IMS, growth in other revenue segments and outlook on ER&D segment
Tech Mahindra	We expect US$ revenues to increase 0.3% QoQ to $1,227.9 million on account of recent deal wins in communications segment partly countered by muted performance in enterprise segment. Rupee revenues may grow 3.9% QoQ to ₹ 8,603 crore. EBITDA margins may expand 90 bps QoQ to 17.3% owing to currency benefit partly countered by a partial wage hike. Investor Interest: Glimpse on telecom vertical trajectory and 5G opportunity, deal pipeline and conversion
Info Edge	We expect revenues to grow 13.6% YoY to ₹ 256 crore led by continued growth momentum in Naukri business (13% YoY) and healthy growth in 99 acres (20% YoY). EBITDA margins may expand 100 bps QoQ to 33.5% post sharp expansion of 780 bps QoQ in Q1FY19. Investor interest: Directional path of IT hiring in Naukri segment, update on Zomato and PolicyBazaar and new investment opportunities
MindTree	We expect dollar revenues to increase 3.2% QoQ to $249 million led by deal ramp ups, expected stability at top client and improved contribution from digital segment. Rupee revenue may grow 6.5% QoQ to ₹ 1,746 crore. EBITDA margins may expand 100 bps QoQ to 15.1% mainly owing to rupee tailwind. Investor interest: Top clients trajectory, deal TCV, digital pipeline and FY19E outlook
Persistent Systems	We expect dollar revenues to grow 2.7% QoQ to $127 million mainly led by growth in digital and services business. Rupee revenues may grow 6.6% QoQ to ₹ 889 crore. EBITDA margins could decline 100 bps sequentially to 15.8% owing to wage hike impact partly evened out by rupee depreciation benefit. Investor interest: Commentary on four revenue business segments, revenue trajectory for FY19E taking into account strong seasonality in Q3, deal pipeline

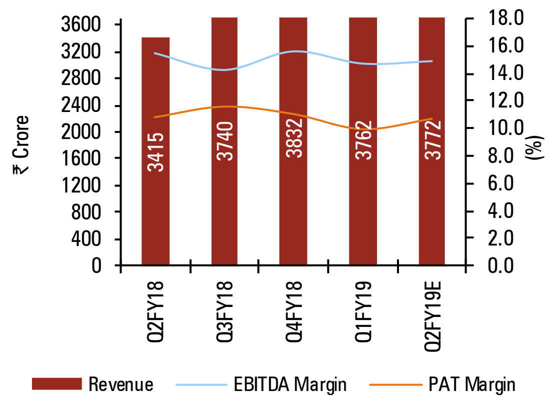
Source: Company, ICICI Direct Research

Company specific view

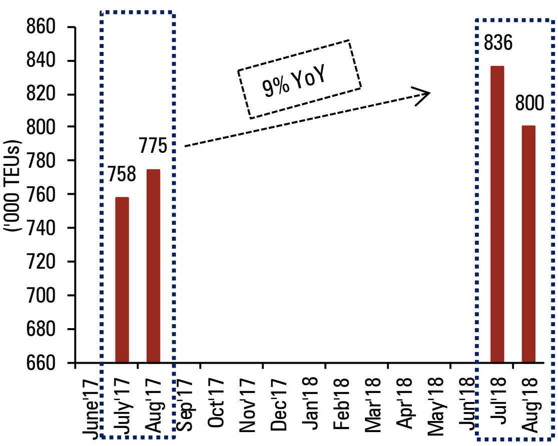
Company	Remarks
Cyient	We expect dollar revenues to grow 5.2% QoQ to $169 million mainly led by ~23% QoQ growth in seasonally strong Design Led Manufacturing (DLM) business. Rupee revenues may grow 9.8% QoQ to ₹ 1,186 crore. EBITDA margins may expand 70 bps QoQ to 12.9% owing to rupee benefit countered by partial wage hike. Investor interest: Update on business segments, especially utilities & geospatial, revenue growth outlook for FY19E and margin guidance update (given 14%) in the wake of Q1FY19 margins
eClerx	Rupee revenues may grow 1.8% sequentially to ₹ 358 crore while dollar revenues are expected to grow 1.1% QoQ to $49.7 million. EBITDA margins may expand 150 bps QoQ to 23.8% owing to absence of wage hike and currency benefit. Investor interest: Outlook for H2FY19E in light of expected deal closures, margin trajectory, top clients stability and BFSI demand update
NIIT Tech	Led by growth momentum across three major verticals (banking, insurance and travel), digital portfolio and order book conversion, dollar revenues are expected to grow 3.2% QoQ to US$128 million. Rupee revenues may grow 8.9% QoQ to ₹ 898.5 crore. EBITDA margins may expand 120 bps QoQ to 17% on account of revenue growth, currency benefit and absence of wage hike in the quarter. Investor interest: Deal TCV, demand momentum across focus verticals, update on FY19E revenue and margin outlook
KPIT Tech	Dollar revenues may grow 1.5% QoQ to $152.8 million led by digital and engineering services. Rupee revenue could grow 5.6% QoQ to ₹ 1070 crore. EBITDA margins could decline 100 bps QoQ to 11.1% mainly on account of wage hike partly offset by rupee benefit. Investor Interest: Update on merger with Birlasoft, FY19E revenue and margin guidance, outlook on engineering and automotive segment
Firstsource Solutions	We expect rupee revenues to decline 2.3% sequentially to ₹ 897.5 crore on account of weakness in top client (24.7% of revenue in Q1FY19). EBITDA margins may expand 70 bps QoQ to 14.6% owing to absence of wage hike and operational efficiency. Investor interest: Update on top client, revenue guidance update for FY19E, outlook on BFSI and healthcare business

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage universe)



Port container Volumes in an uptrend…



Top Pick

Transport Corporation of India
Container Corporation of India

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Logistics

Container volume growth continues to stay in double digits

Domestic container volume growth (up 9% on a YTD basis) has begun to complement the strong container volume for Indian Railways in the Exim segment (up 15%). Indian Railways has grown 6% to 495 MMT in overall cargo volumes while it has grown 14% to 25 MMT in container volumes. Majority of YTD growth in cargo volumes was derived from bulk commodities like coal (49% of overall tonnage), which grew 13% whereas cement and iron ore (~10% each of overall tonnage) grew -9% and 2%, respectively. In the container segment, YTD Exim volumes remained robust with growth of 15% YoY to 20 MT whereas domestic volumes grew 9% to 5 MT. Indian Railways is also a beneficiary of rising diesel prices, as cargo volumes tend to shift from road to railways during such times. However, with the pickup in import volumes along the ports in East coast, the lead distance for the Indian railways is expected to remain muted.

Surface players benefit from E-Way bill; fuel hike to be passed on

Inter-state E-Way bill (implemented from April 1, 2018) has improved the operational efficiency of major surface players and the turnaround times by 18-20% (Icra report). Companies in our coverage universe have undergone a smooth transition (with minor glitches) to the new system, with the help of their robust IT infrastructure and trained staff. Also, higher crude prices would help organised players to gain market share, as organised players (unlike unorganised players) were able to effectively pass through the higher crude prices (average price US$75.3 per barrel) to majority of their customers, with a formula driven tariff generation (revised twice each month.

Major port traffic, air freight volumes show good performance

The major port traffic data (12 ports) has shown FY19 YTD (April-August) growth of 5% to 288 MMT in overall cargo handled and 9% in container volumes to 60 MMT. Also, air freight data (domestic) has grown strongly at 12% YoY (for April-August) to 0.47 MMT. However, at the same time, the market share for coverage company (BlueDart) has de-grown to 17.5% (earlier 19.8%) to 0.08 MMT.

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

Revenues of our logistics coverage universe are expected to grow 10.5% YoY to ₹ 3772 crore (₹ 3682 crore in Q1FY19). Profitability of surface players would drive overall EBITDA and PAT growth of 6.3% and 9.3% to ₹ 564 crore and ₹ 402 crore, respectively.

Exhibit 21: Estimates for Q2FY19E: (Logistics) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Blue Dart	730.9	4.0	-0.3	58.5	-23.8	31.3	31.6	-23.6	43.2
Container Corporation	1,574.4	10.1	0.4	313.2	11.0	-2.2	271.0	21.6	7.4
GATI Ltd	446.4	10.0	-2.0	17.0	-12.4	-22.3	1.6	-92.1	-70.8
Gujarat Pipavav	163.0	7.4	-7.4	91.3	10.2	-0.1	48.0	8.6	1.9
TCI Express	244.3	20.0	-1.3	24.3	23.3	-9.8	15.7	20.6	-2.4
Transport Corp	613.3	17.9	5.5	60.1	20.1	17.1	33.9	32.7	20.2
Total	3,772.4	10.5	0.3	564.3	6.3	1.5	401.9	9.3	8.2

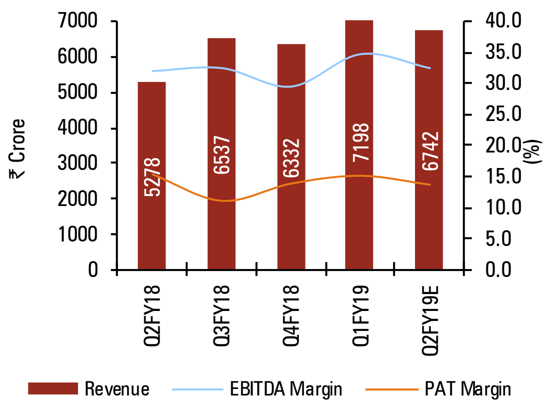
Source: Company, ICICI Direct Research

Exhibit 22: Company specific view

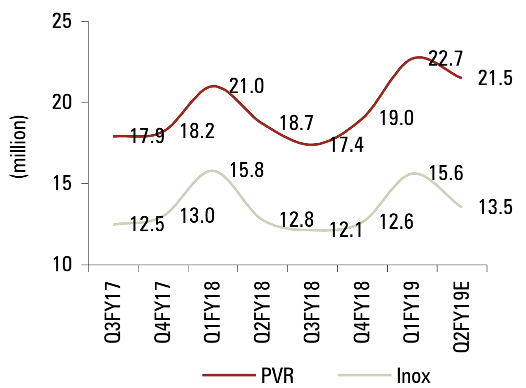
Company	Remarks
Container Corporation	Throughput container volumes are expected to grow 13% YoY to 985668 TEUs. Robust Exim volumes (up 14% YoY) will be supported by rising domestic volumes (up 8% YoY). Resultant core revenues are expected to grow 4% YoY, mainly due to expected 9% YoY decline in Exim realisation (ex-incentives) whereas domestic realisation is expected to remain flat. EBITDA margins are expected to improve due to a better operational performance (higher double stacking, lower empties etc) resulting in 137 bps YoY expansion to 21.3% with absolute EBITDA of ₹ 313 crore (up 11% YoY). Additionally, the presence of export incentives during the quarter could result in 22% growth in reported PAT
Transport Corporation of India	Freight revenues are expected to grow 10% YoY while supply chain and shipping are expected to grow 18% and 40% YoY (mainly due to addition of a ship), respectively. Hence, resultant revenues are expected to grow 18% YoY to ₹ 613 crore, aided by a smooth transitioning to E-way system. Increased contribution from high margin SCS, shipping business and effective passage of crude prices to customers (marginal impact to company), is expected to lead to improvement of 18 bps in EBITDA margin to 9.8%. Absolute EBITDA is expected to grow 20% YoY. A robust operational performance coupled with higher other income may result in robust PAT growth of 33% YoY
BlueDart	Revenues are expected to remain flat at ₹ 716 crore. However, a shift in volumes from air to surface and higher fuel prices would lead EBITDA margins to contract 292 bps YoY to 8%. Absolute EBITDA may de-grow 25% YoY to ₹ 57 crore. Subsequently, PAT is expected to de-grow 25%, mainly due to a weak operational performance (further decline in PAT arrested by lower interest costs)
Gujarat Pipavav Port	Container volumes are expected to grow 12% YoY to 179200 TEUs, post addition of a liner from parent in Q4FY18. However, bulk volumes are expected to remain rangebound. Higher competition from ports in the vicinity would keep a tab on realisations. Ancillary revenues (RoRo, liquid) would remain supportive to softness in the mainstream business. Overall revenues are expected to grow 7% YoY. EBITDA margins are expected to increase 261 bps YoY mainly due to higher operating leverage, leading to EBITDA growth of 10% YoY. PAT is expected to grow 9% YoY to ₹ 48 crore
Gati	KWE is expected to clock revenues of ₹ 298 crore, entailing YoY growth of 10%. Also, e-commerce revenues that have revived in Q1, post experiencing de-growth for five consecutive quarters, would support standalone revenues, which is expected to grow 5% YoY. Kausar revenues are expected to grow 5% YoY. Consolidated revenues are expected to grow 10% YoY to ₹ 446 crore. Operating margins may contract 96 bps to 3.8%, as the company is expected to be marginally impacted due to higher crude prices. Resultant EBITDA is expected to de-grow 12% YoY. However, PAT is expected to de-grow 92%, mainly due to the presence of an exceptional income of ₹ 25 crore in Q2FY18
TCI Express	Revenues are expected to grow 20% YoY to ₹ 244 crore, on the back of strong ongoing growth in the express cargo industry and smooth implementation of E-way bill. However, EBITDA margins are expected to expand mere 30 bps to 10%, mainly due to partial impact of hike in crude prices (80% passed on to the customers). Subsequently, EBITDA is expected to grow of 23% YoY. Resultant PAT is expected to grow 21% to ₹ 16 crore

Source: ICICI Direct Research

Topline & Profitability (Coverage universe)



PVR & Inox – Footfalls



Top pick of sector

Zee Entertainment

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Media

Strong box office collections; BMS deal termination impacts Inox

The box office performance for Q2FY19 was strong on account of healthy collections from *Sanju and Gold* as well as some unexpected boost from collections of *Stree* and *Satyamev Jayate*. Inox, however, is expected report weak numbers compared to PVR due to termination of its deal with Bookmyshow.com (BMS) effective from September 7, 2018). PVR will also consolidate SPI Cinema numbers effective from August 18, 2018. However, our estimates are ex-SPI Cinemas owing to lack of availability of key metrics. On footfalls front, we expect PVR to report strong 15% YoY growth to 21.5 million while ATP is expected to grow 3% YoY to ₹ 210. We expect EBITDA margins to be flattish YoY at 16.3%, owing to non-availability of input tax credit and higher legal and other expenses. Inox is expected to report relative growth of 6% YoY in footfalls owing to BMS impact while ATP is expected to grow 5% YoY. Given the non-allowance of input tax credit, higher legal expenses and lower convenience fee (impact by BMS exit), we expect Inox to report 200 bps YoY decline in margins at 12%.

Broadcasters to report healthy ad growth on favourable base

Broadcasters are expected to report strong advertisement revenue on a favourable base (first quarter after GST implementation in Q2FY18) and continued strong volume traction (high single digit volume growth expectations among FMCG players). Zee Entertainment is expected to report healthy overall ad revenue growth of 18% YoY, largely driven by domestic ad revenue growth of 20% YoY. Overall subscription revenue is expected at 12% YoY, driven by domestic subscription growth of ~15% YoY (boosted by some catch-up revenues). Operating leverage due to strong revenue growth will be restricted on account of digital investments, resulting in 100 bps YoY expansion in EBITDA margin at 32%, despite strong growth. The advertisement revenue for Sun TV is expected to grow 14% YoY while subscription revenues are expected to grow 15.3% YoY on account of continued digitisation drive in Tamil Nadu. EBITDA margins for the quarter are expected to be flattish at 73.5% owing to cost related to new channel launch and higher content spending. TV Today is expected to report muted 7% YoY growth to ₹ 149.2 crore on account of elevated competitive intensity in the Hindi news segment. EBITDA margins are expected to decline 300 bps YoY to 30% on account of higher marketing expenses.

Higher newsprint cost to mar print; sluggish revenue growth

Shifting of festivities may impact print companies. DB Corp is expected to post ad revenue growth of 4% YoY while circulation revenues may grow 8.2% YoY. EBITDA margins are expected to decline 660 bps YoY to 18% on elevated newsprint costs. Jagran Prakashan is expected to report ad revenue decline of 1% YoY while circulation revenues are expected to witness a subdued 3.8% YoY. EBITDA margins are expected to decline 100 bps YoY to 23.5% as the company has low cost inventory of newsprint, which partly allays the cost pressure.

ENIL/Dish to witness muted set of numbers

We expect ENIL to witness a muted Q2FY19 performance owing to shifting of festivities that will impact its non-FCT business (~30% of topline). ENIL is expected to post subdued revenue growth of 4% YoY. It is expected to report EBITDA margin of 22.6%, flattish YoY, largely due to higher pre-operative expenses for batch three stations launches. Dish TV is expected to add 250,000 net subscribers in a seasonally weak quarter. We build in 1.5% QoQ decline in ARPU to ₹ 211. We expect the company to report 70 bps QoQ expansion in EBITDA margins, on account of further integration led benefits.

Exhibit 23: Estimates for Q2FY19E (Media) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
DB Corp	589.5	3.7	-6.8	106.2	-24.1	-36.8	58.5	-25.6	-40.0
Dish TV	1,650.9	NC	-0.3	565.9	NC	1.6	30.3	NC	8.9
ENIL	130.7	4.0	7.5	29.5	4.1	4.2	9.6	56.9	2.5
Inox Leisure	346.5	11.3	-16.5	41.9	-4.2	-49.8	10.2	-12.7	NM
Jagran Prakashan	578.0	2.0	-4.1	135.8	-2.0	-17.0	64.3	-7.5	-24.7
PVR	653.1	17.6	-6.2	106.6	17.8	-22.3	31.5	25.3	-39.5
Sun TV	763.9	13.0	-31.8	561.4	13.2	-23.6	303.1	6.5	-25.9
TV Today	172.2	19.3	-5.3	51.7	8.1	-18.7	34.1	15.1	-16.8
Zee Ent.	1,856.8	17.4	4.8	594.2	21.0	5.0	390.0	19.0	14.9
Total*	5,090.8	12.4	-8.1	1,627.3	10.2	-16.3	901.3	8.2	-15.8

*Source: Company, ICICI Direct Research * excl. Dish TV*

Exhibit 24: Company specific view

Company	Remarks
DB Corp	Shifting of festive season is likely to have an impact on DB Corp's print ad growth, which is expected at 4% YoY. Circulation revenues are expected to grow 8.2% YoY to ₹ 137.7 crore. Radio is again expected to be muted with growth at 2% YoY to ₹ 35.6 crore. Margins are expected to decline 660 bps YoY to 18% owing to elevated newsprint costs and negative operating leverage due to muted growth
Jagran Prakashan	Jagran is also expected to be impacted by relatively muted ad scenario for print company along with shifting of festivities. Print ad revenues are expected to decline 1% YoY to ₹ 335 crore. Circulation revenues will also be muted at ~3.8% YoY. The radio segment is expected to witness ~7% YoY growth at ₹ 81 crore. Given higher newsprint cost (partly hedged by higher inventory), margins are expected to decline 100 bps YoY to 23.5%
Dish TV	In a seasonally weak quarter, we expect Dish TV to add 250,000 net subscribers for the quarter. We build in 1.5% QoQ decline in ARPU to ₹ 211. We expect the combined entity (Dish TV Videocon) to post consolidated revenue of ₹ 1651 crore, flattish QoQ. We expect the company to report 70 bps QoQ expansion in EBITDA margins on account of further integration led benefits. Key monitorable would guidance on net adds and ARPU
ENIL	We expect ENIL to witness a muted performance in Q2FY19 owing to shifting of festivities, which will impact its non-FCT business (~30% of the topline). Consequently, we expect ENIL to post subdued revenue growth of 4% YoY at ₹ 130.7 crore. We expect the company to report EBITDA margin of 22.6%, flattish YoY, largely due to higher pre-operative expenses for batch 3 stations launches

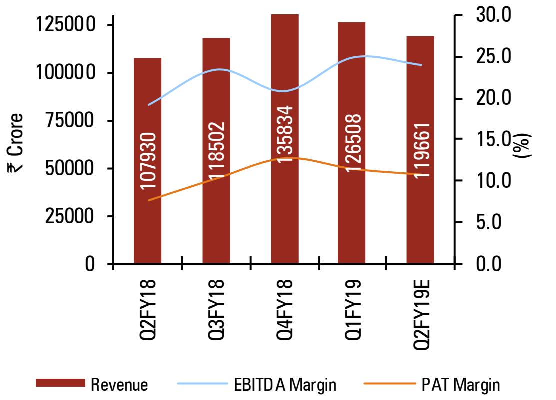
Source: Company, ICICI Direct Research

Exhibit 25: Company specific view

Company	Remarks
Inox Leisure	Key movies from the quarter included Sanju, Stree, Gold, Satyamev Jayate, etc. Despite strong industry box office collections growth for the quarter, Inox was impacted by termination of ticketing contract with BookMyShow.com, which resulted in footfall loss of ~1 mn. On a footfall basis, Inox is expected to report a 6% YoY growth on account of strong content performance. ATP is expected to grow 5% YoY. Inox is expected to report 12% YoY growth in ad revenues. Net box office collections are expected to improve ~11% YoY to ₹ 206 crore while F&B revenues are expected to witness 34% YoY growth. Given the non-allowance of input tax credit, higher legal expenses, and lower convenience fee (impact by BMS exit), we expect 200 bps YoY decline in margins at 12%
PVR	Q2FY19 was marked by a strong box office performance with expected hits like Sanju, Gold and unexpected blockbusters such as Stree, Satyamev Jayate. On the footfalls front, we expect the company to report strong 15% YoY growth to 21.5 million while ATP is expected to grow 3% YoY to ₹ 210. Net ticketing revenues are expected to post healthy growth of 17.7% YoY to ₹ 352.3 crore, driven by strong footfall growth. F&B revenues to continue its healthy traction and expected to grow by ~25% YoY to ₹ 177.6 crore. Advertising revenues are expected to grow ~7% YoY. We expect EBITDA margins to be flattish YoY at 16.3%, owing to non-availability of input tax credit and higher legal and other expenses. We highlight that our estimates are ex-SPI, which may be consolidated from this quarter
Sun TV	We expect Sun TV to continue healthy ad revenue growth momentum. Subscription revenues are expected to continue to be robust on account of Tamil Nadu digitisation drive. We expect ad revenues to grow 14% YoY to ₹ 375.7 crore while subscription revenues are expected to grow 15.3% YoY to ₹ 320.2 crore. We expect EBITDA margins to be flattish YoY at 73.5% owing to new channel launch costs and higher content spending
TV Today Network	We expect subdued broadcasting revenues growth of ~7% YoY to ₹ 149.2 crore, as stiff competition has impacted overall ad volumes. The radio business is expected to continue its momentum and is expected to post revenue of ₹ 5.8 crore, up 30% YoY. Overall revenue growth on a YoY basis is not comparable owing to consolidation of the digital business. We expect EBITDA margins at 30%, down ~300 bps YoY owing to higher marketing expenses
Zee Ent.	Zee is expected to post healthy overall ad revenue growth of 18% YoY to ₹ 1165 crore, to be largely driven by domestic ad revenue growth of 20% YoY. Overall subscription revenue is expected at 12% YoY, driven by domestic subscription growth of ~15% YoY (that would be boosted by some catch-up revenues). Incremental cost related to digital investments will restrict operating leverage resulting in 100 bps YoY expansion in EBITDA margin at 32% despite stupendous topline growth

Source: Company, ICICI Direct Research

Topline & profitability (Coverage universe)



Movement of base metal prices on LME

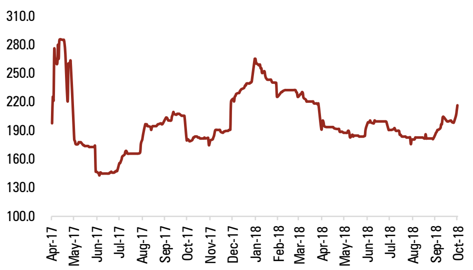
(US$/tonne)	Q2FY19	Q2FY18	YoY %	Q1FY19	QoQ %
Zinc	2,537	2,962	(14.3)	3,111	(18.4)
Lead	2,097	2,331	(10.1)	2,384	(12.1)
Aluminium	2,054	2,010	2.2	2,264	(9.3)
Copper	6,120	6,351	(3.6)	6,881	(11.1)

Source: Bloomberg, ICICI Direct Research

(₹/tonne)	Q2FY19	Q2FY18	YoY %	Q1FY19	QoQ %
Zinc	177,642	190,373	(6.7)	208,479	(14.8)
Lead	146,986	149,841	(1.9)	159,760	(8.0)
Aluminium	143,934	129,202	11.4	151,718	(5.1)
Copper	428,600	408,244	5.0	461,119	(7.1)

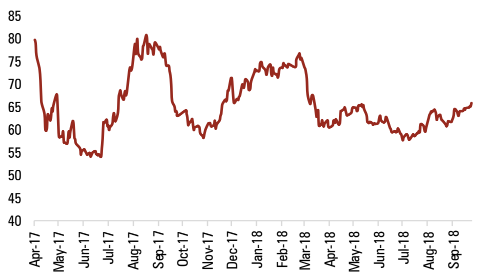
Source: Bloomberg, ICICI Direct Research

Australia Premium coking coal futures (FoB) (US$/tonne)



Source: Bloomberg, ICICI Direct Research

Iron ore spot price (62% Import Fine Ore CFR Qingdao)



Source: Bloomberg, ICICI Direct Research, Prices in US$/tonne

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Metals & Mining

Domestic steel prices flattish QoQ, likely to pick up post monsoon…

Domestic steel consumption grew 6.5% YoY in July-August 2018 after increasing 8.9% YoY during the April-June 2018 quarter. In a seasonally weak quarter, steel prices were broadly flattish QoQ. However, the same is likely to pick up post monsoons on the back of a pick-up in construction and infrastructure activities. For Q2FY19E, we expect the EBITDA/tonne of domestic steel companies to decline sequentially on the back of flattish realisations and up-tick in prices of both key raw materials viz. coking coal and iron ore. However, post the completion of monsoons, on the back of a healthy demand outlook and depreciating rupee we expect steel prices to firm up during H2FY19E, boding well for domestic steel players. Over the medium to longer term horizon, domestic steel consumption is expected to track GDP growth. This is likely to remain healthy. Hence, steel prices are expected to remain buoyant given supportive macros and healthy demand. On the global front, China is heading for winter cuts starting from October 1, 2018 to March 31, 2019; while the quantum of capacity cuts this year remain a key monitorable. During January-August 2018, Chinese steel exports have declined ~13% YoY to 47.2 MT (vs. 54.5 MT in January-August 2017). The decline in Chinese steel exports is also supportive for global steel prices.

Non-ferrous prices continue to remain volatile, decline QoQ...

Developments around the trade tussle between the US and China continued to weigh on global trade flows, impacting global metal prices. During Q2FY19, average zinc prices were at US$2535/tonne, down 14.4% YoY, 18.5% QoQ. Lead prices were down 10% YoY, 12% QoQ to US$2098/tonne. Copper prices were down 3.7% YoY, 11.1% QoQ to US$6117/tonne while aluminium prices were up 2.2% YoY, down 11.1% QoQ to US$2054/tonne.

EBITDA margins to increase YoY, decline QoQ...

We expect the aggregate topline of coverage companies to increase 10.9% YoY, a decline of 5.4% QoQ. Aggregate EBITDA margins are likely to come in at 23.4% (vs. 19.1% in Q1FY18 and 24.9% in Q1FY19). We expect domestic operations of Tata Steel to report an EBITDA/tonne of ₹ 16500/tonne with JSW Steel clocking an EBITDA/tonne of ₹ 10250/tonne. The EBITDA/tonne of domestic miners like Coal India is likely to come in at ₹ 300/tonne with NMDC at ~₹ 2300/tonne. We expect Novelis (Hindalco's subsidiary) to clock EBITDA/tonne of US$400/tonne.

Exhibit 26: Estimates for Q2FY19E: (Metals & Mining) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Coal India	21,247.1	17.1	-12.4	4,804.9	290.3	-16.2	3,470.9	840.9	-8.3
Graphite India	1,798.1	289.3	1.2	1,122.4	764.0	-13.7	771.0	757.6	-10.1
HEG	1,589.3	288.1	0.1	1,017.0	436.1	-14.4	665.7	485.5	-13.6
Hindalco	9,312.2	-9.7	-12.1	1,130.4	-18.7	-14.7	279.4	-28.9	-32.4
Hindustan Zinc	4,649.0	-12.4	-12.4	2,261.1	-25.2	-16.7	1,601.1	-37.1	-16.5
JSW Steel	20,346.6	21.0	-0.8	4,280.7	41.0	-16.1	1,782.3	113.2	-23.8
NMDC	2,669.8	10.3	10.2	1,608.5	33.7	13.0	1,112.4	31.8	14.1
Vedanta Ltd	18,805.1	-12.9	-15.3	5,695.9	0.5	-9.4	1,219.3	-41.7	-20.5
Tata Steel	39,243.7	20.9	3.7	6,808.6	44.2	5.3	2,021.7	93.9	4.5
Total	119,660.9	10.9	-5.4	28,729.4	39.5	-8.9	12,923.8	55.3	-11.0

Source: Company, ICICI Direct Research, Hindalco numbers are excluding Novelis & Utkal Alumina

Hindustan Zinc: Sales volume trend

		FY18				FY19
Sales	Unit	Q2	Q3	Q4	Q1	Q2E
Zinc	Tonne	193000	200000	210000	170000	165000
Lead	Tonne	40000	46000	50000	42000	49950
Silver	Kg	146000	135000	167000	141000	154101

JSW Steel: EBITDA/tonne & sales

	FY18				FY19
	Q2	Q3	Q4	Q1	Q2E
Sales Volume	3.9	4.0	4.2	3.8	3.9
EBITDA/tonne	7,467	9,000	11,950	12,590	10,250

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

Tata Steel: EBITDA/tonne & sales

	FY18				FY19
Sales Volume	Q2	Q3	Q4	Q1	Q2E
Tata Steel India	3.1	3.3	3.0	3.0	3.2
Tata Steel Europe	2.6	2.4	2.6	2.5	2.6
Tata Steel Group	6.5	6.6	6.7	6.6	6.5
EBITDA/tonne					
Tata Steel India	10,959	14,025	15,872	17,077	16,500
Tata Steel Europe	45	40	70	102	75

Sales volume in million tonne
Tata Steel India EBITDA/tonne denoted in ₹/tonne
Tata Steel Europe EBITDA/tonne denoted in US$/tonne

Exhibit 27: Company specific view

Company	Remarks
Coal India	For the seasonally weak quarter of Q2FY19, the company reported coal offtake of 137.3 million tonne (MT), up 4.4% YoY, down 10.5% QoQ. We expect the topline to increase 17.1% YoY decline 12.4% QoQ. The EBITDA is likely to increase 234.6% YoY, down 28.2% QoQ. The EBITDA margin is likely to come in at 19.4% (vs. 23.6% in Q1FY19 and 6.8% in Q2FY18). We expect the company to clock an EBITDA/tonne of ₹ 300/tonne (vs. ₹ 373/tonne in Q1FY19 and ₹ 94/tonne in Q2FY18)
Graphite India	On the back of healthy graphite electrode prices, the standalone performance is likely to remain healthy. Capacity utilisation levels are expected to remain elevated at ~95%. The topline is expected to increase 289.3% YoY and 1.2% QoQ to ₹1798 crore. The impact of higher price needle coke is likely to come in from the current quarter moderating the EBITDA margin to 62.4% (vs.73.2% in Q1FY19 and 28.1% in Q2FY18). The EBITDA is likely to come in at ₹ 1122 crore while PAT is expected to come in at ₹ 771 crore. On a consolidated basis, we expect the company to report a topline of ₹ 1990 crore, EBITDA of ₹ 1249 crore and PAT of ₹ 857 crore
HEG	We expect the company to continue to report a healthy performance for Q2FY19, on the back of healthy graphite electrode realisations. Capacity utilisation levels are expected to remain flattish QoQ at ~82%. The topline is expected to increase 288% YoY and remain flattish QoQ at ₹ 1598 crore. We expect the higher price needle coke to impact the raw material cost. Thus, the EBITDA is likely to come in at ₹ 1017 crore, implying an EBITDA margin of 64% (vs. 74.8% in Q1FY19 and 46.3% in Q2FY18). We expect the company to report a PAT of ₹ 665.7 crore
Hindustan Zinc	The decline in non-ferrous prices, both zinc and lead, is likely to have a negative rub-off on the Q2FY19 performance. LME zinc prices during the quarter were down 14.4% YoY, 18.5% QoQ, while lead prices declined 10% YoY, 12% QoQ. We expect zinc sales of ~165000 tonne, lead sales of ~50000 tonne and silver sales of ~154000 kg. The topline is likely to decline ~12.4% both YoY and QoQ. EBITDA is likely to decline 25.2% YoY and 16.7% QoQ. We expect the EBITDA margin to come in at 48.6% (vs. 57% in Q2FY18 and 51.1% in Q1FY19)
JSW Steel	For Q2FY19, EBITDA/tonne is likely to moderate sequentially due to increased raw material prices (iron ore and coking coal). We expect the standalone operations to report an EBITDA/tonne of ₹ 10250/tonne (vs. ₹ 12590/tonne in Q1FY19). The sales volume of domestic operations is likely to come in at 3.9 million tonne (MT). We expect the consolidated topline to increase 21% YoY, 0.8% QoQ while consolidated EBITDA is likely to increase 41% YoY, decline 16% QoQ. The consolidated EBITDA margin is likely to come in at 21% (vs. 18.1% in Q2FY18 and 24.9% in Q1FY19)
Hindalco	For Q2FY19, we expect Hindalco's EBITDA margin to remain flattish sequentially. The decline in the aluminium and copper prices is likely to weigh on the overall performance of the company during the quarter. We expect the domestic operations to report aluminium sales of ~330000 tonne. Copper sales are likely to come in at ~75000 tonne (lower due to smelter shutdown for maintenance). We expect the topline to decline 9.7% YoY, 12.1 QoQ. The EBITDA is likely to decline 18.7% YoY, 14.7% QoQ. The EBITDA margin is likely to remain flattish at 12.1% (vs. 13.5 in Q2FY18 and 12.5% in Q1FY19). Hindalco has a captive supply of alumina and, hence, is insulated from the volatility in alumina prices. Novelis for Q2FY19 is expected to report FRP shipments of ~844 KT and clock EBITDA/tonne of US$400/tonne. We expect the EBITDA of Hindalco's standalone +Utkal to come in at ₹ 1630 crore

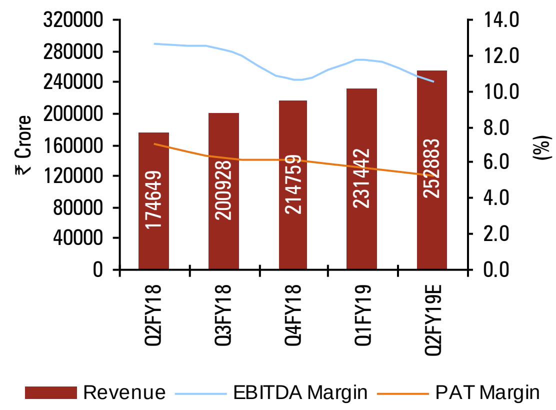
Source: ICICI Direct Research

Exhibit 28: Company specific view

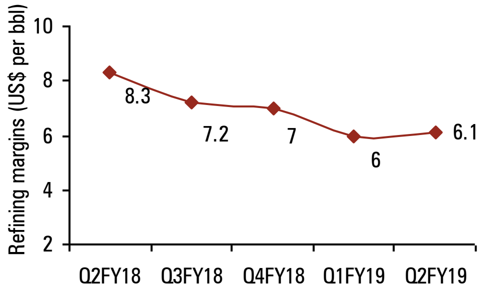
NMDC	On the back of sharp price hikes since July-2018, we expect the company to report a healthy performance. Cumulatively, since July 2018, iron ore lump prices have increased by ₹ 800/tonne. Prices of iron ore fines have increased by ₹ 650/tonne, the benefit of which is likely to flow down positively to EBITDA. We expect iron ore sales volume at 7 million tonne (MT). The topline is expected to increase ~10% both YoY and QoQ. While EBITDA is likely to increase 34% YoY and 13% QoQ, the corresponding EBITDA margin is likely to come in at ~60.2% (vs. 49.7% in Q2FY18 and 58.8% in Q1FY19). The subsequent EBITDA/tonne is expected to come in at ~₹ 2300/tonne
Vedanta	The decline in prices of major base metals is likely to weigh on the Q2FY19 performance. However, increased crude oil prices and a weaker rupee are likely to aid the overall performance. We expect the topline to decline 12.9% YoY, 15.3% QoQ while EBITDA is expected to remain flattish YoY, down 9.4% QoQ. The EBITDA margin is likely to come in at 30.3%
Tata Steel	For Q2FY19, on the back of flattish realisations, we expect domestic operations to report a healthy EBITDA/tonne of ₹ 16500/tonne (vs. ₹ 17077/tonne in Q1FY19). The EBITDA/tonne is likely to moderate QoQ due to increased raw material prices (iron ore and coking coal). Indian operations are expected to report steel sale of 3.2 million tonne (MT) while European operations steel sales are likely to come in at 2.6 MT. We expect European operations to report EBITDA/tonne of US$75/tonne. On a consolidated basis, the topline is expected to increase 20.9% YoY, 3.7% QoQ. EBITDA is expected to increase 44.2% YoY. Consolidated EBITDA margins are likely to come in at 17.3% (vs. 17.1% in Q1FY19 and 14.5% in Q2FY18)

Source: ICICI Direct Research

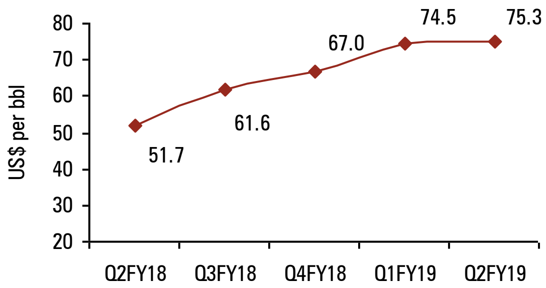
Topline & profitability (Coverage universe)



Singapore gross refining margins (GRMs)



Average Brent crude oil prices



Top picks of sector

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GAIL

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Oil and gas

Stable volume growth for gas sector; margins to decline on high costs

Domestic gas demand and continued LNG imports from consuming sectors has led to steady volume growth for gas utility companies on a YoY basis. City gas distribution companies are expected to continue to report good volume growth due to sustainable conversion to CNG vehicles and rising concerns with respect to current pollution issues. However, high spot LNG prices and rupee depreciation during the quarter will have an impact on margins QoQ as well as YoY.

Crude oil prices rise QoQ mainly on the back of Iran supply uncertainty

This quarter witnessed various events supporting the upward trajectory in crude oil prices. Developments like tough sanctions on Iran and lower production from countries like Venezuela have led to fears of further tightening of oil supply. Also, a limited increase in production from other Opec countries led to an increase in crude oil prices. As a result, Brent crude prices ended up 7.7% QoQ from US$77/bbl in Q1FY19 to US$83/bbl in Q2FY19. Average Brent crude increased marginally to US$75.3/bbl in Q2FY19. We expect upstream oil companies to bear subsidy burden, which will lead to a decline in their net realisations QoQ. We estimate gross crude oil under-recoveries at ₹ 12446 crore with respective shares of government and upstream sector at ₹ 10812.2 crore and ₹ 1633.9 crore, respectively.

Weak spreads QoQ for important products to pull GRMs in Q2FY19

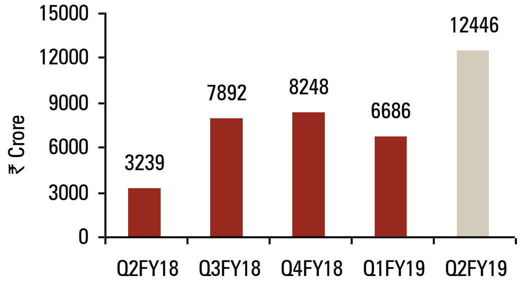
Benchmark Singapore GRMs remained flattish during the quarter at US$6.1/bbl in Q2FY19. However, product spreads for important petroleum products for Indian refiners weakened in Q2FY19. Crack spreads for gasoline (petrol) declined by US$0.2/bbl QoQ to US$13.2/bbl, spreads for gas oil (diesel major product for Indian refiners) declined by US$0.3/bbl. Thus, this had an impact on operational GRMs of OMCs. However, inventory gains would continue to provide some support to GRMs of OMCs. Marketing margins of OMCs were stable QoQ. We assume an average growth rate of ~5% YoY for marketing volumes of major petroleum products.

Exhibit 29: Estimates for Q2FY19E: (Oil and Gas) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Bharat Petroleum	90,786.7	41.6	10.1	3,596.6	2.0	-7.2	2,106.8	-10.6	-8.1
Castrol India Ltd	932.7	8.3	-8.3	226.3	-10.8	-10.1	151.1	-15.2	-8.0
Gail India	18,803.4	51.5	8.7	2,215.6	7.1	-1.2	1,423.9	8.7	13.1
Gujarat Gas	1,898.3	36.4	7.5	230.2	13.6	-7.4	83.5	36.8	-31.2
GSPL	377.3	12.7	-3.6	325.3	13.9	-5.4	174.7	-1.3	20.9
Gulf Oil	382.2	18.4	-2.1	61.3	-1.0	-5.0	38.3	-5.3	-4.6
HPCL	82,179.2	51.2	12.2	2,875.0	-1.1	-9.9	1,557.6	-10.2	-9.4
Indraprastha Gas Ltd	1,399.5	24.3	8.7	281.1	-0.2	-4.7	170.0	0.7	-3.3
Mahanagar Gas Ltd	710.2	20.8	5.0	209.7	4.7	-0.6	128.0	2.6	-0.3
MRPL	18,393.7	48.1	10.9	835.1	-8.0	2.7	384.6	-19.5	6.3
ONGC	27,073.4	42.8	-0.5	14,799.6	41.4	0.5	6,562.8	27.9	6.8
Petronet LNG	9,945.9	28.0	8.5	847.6	-5.7	-9.3	524.6	-10.9	-10.6
Total	252,882.7	44.8	9.3	26,503.3	20.1	-2.6	13,305.9	7.7	1.3

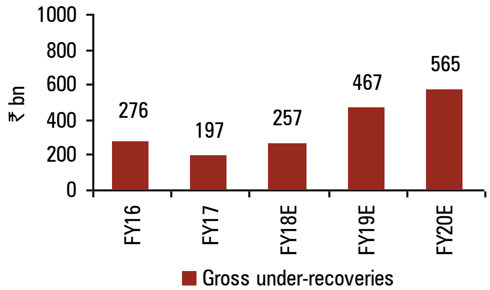
Source: Company, ICICI Direct Research

Gross under-recoveries of petroleum products (QoQ)



** Under-recoveries includes Cash Subsidy under DBTL*

Gross under-recoveries of petroleum products (YoY)



Sharing of crude oil under-recoveries (₹ Crore)

	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Upstream	0	0	0	0	1634
Downstream	0	0	0	0	0
Government	3239	7892	8248	6686	10812
Total	3239	7892	8248	6686	12446

Sharing of crude oil under-recoveries (%)

	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Upstream	0.0	0.0	0.0	0.0	13.1
Downstream	0.0	0.0	0.0	0.0	0.0
Government	100.0	100.0	100.0	100.0	86.9
Total	100.0	100.0	100.0	100.0	100.0

Singapore benchmark product spreads (US$/bbl)

Product Spreads	Q1FY19	Q2FY19	Chg YoY	Chg QoQ
Gasoline	13.4	13.2	-4.3	-0.2
Naphtha	-1.6	-1.2	-0.8	0.4
Jet Kerosene	15.4	14.7	1.8	-0.7
Gas Oil	13.2	12.9	0.9	-0.3
Fuel Oil	-7.7	-4.9	-1.6	2.8
LPG	-23.8	-17.6	-9.8	6.2

Source: Bloomberg, Reuters

Exhibit 30: Company specific view

Company	Remarks
BPCL	Revenues are expected to increase 10.1% QoQ to ₹ 90786.7 crore on account of a rise in product realisations due to high crude oil prices. Crude throughput is expected to remain stable at 7.8 MMT vs. 7.7 MMT in Q1FY19. GRMs are expected to decline QoQ to \$7/bbl vs. \$7.5/bbl in Q1FY19 mainly on account of weak product spreads and lower inventory gains. Subsequently, PAT is expected to decline 8.1% QoQ to ₹ 2106.8 crore
Castrol India	We expect revenues to increase 8.3% YoY mainly on account of higher volumes and realisations. Volume growth is expected to be 3.7% YoY mainly due to higher auto volumes. However, due to a rise in base oil (raw material) prices, gross margins are expected to decline 7.1% YoY to ₹ 88.5/litre with EBITDA/litre at ₹ 44.4/litre. Subsequently, on the profitability front, we expect PAT to decline 15.2% YoY to ₹ 151.1 crore
Gail	Profitability is expected to improve 8.7% YoY supported by a stable performance in majority of the business segments. On the LPG liquid hydrocarbon front, EBIT is expected to increase 51% YoY to ₹ 692.9 crore due to increase in realisations. Gas transmission volumes are expected to increase 3.2% YoY to 109 mmscmd with its EBIT at ₹ 654.7 crore. EBIT of gas transmission will be down YoY as the segment had exceptionally lower costs in Q2FY18. EBIT of the petchem segment is expected at ₹ 141 crore supported by better realisations due to a rise in crude oil prices
GSPL	GSPL's gas transmission volumes are expected at 35 mmscmd in Q2FY19 vs. 36.5 mmscmd QoQ due to marginal lower volumes from the industrial sector. With transmission tariffs remaining flat at ₹ 1.14/scm, we expect revenues at ₹ 377.3 crore vs ₹ 391.2 crore in Q1FY19. Higher other income (due to Gujarat Gas dividend) will lead to increase in PAT by 20.9% QoQ to ₹ 174.7 crore
Gujarat Gas	We expect revenues to increase 36.4% YoY on account of higher realisations coupled with volume growth of 14.3% YoY at 6.6 mmscmd. We expect gross margins to remain flattish YoY at ₹ 6.7/scm. However, on a QoQ basis, due to an increase in LNG prices and rupee depreciation, gross margins are expected to decline (Q1FY19: ₹ 7.1/scm). We expect profitability at ₹ 83.5 crore, up 36.8% YoY. However, on a QoQ basis, PAT is expected to decline 31.2% YoY mainly on account of lower other income (down 81.2%) of ₹ 11 crore vs. ₹ 58.4 crore
Gulf Oil Lubricants	Revenues are expected to increase 18.4% YoY mainly on account of higher volumes and realisations. We expect strong volume growth of 13% YoY. However, due to a rise in base oil (raw material) prices, EBITDA per litre is expected to decline to ₹ 23.6/litre vs. ₹ 27/litre in Q2FY18. PAT is expected to decline 5.3% YoY to ₹ 38.3 crore
Hindustan Petroleum	We expect revenues to increase 12.2% QoQ to ₹ 82179.2 crore mainly due to higher product prices. Crude throughput is expected to increase QoQ to 4.7 MMT vs. 4.5 MMT in Q1FY19. We expect a decline in refining margins to \$6.6/bbl vs. \$7.2/bbl in Q1FY19 mainly on account of weak product spreads and lower inventory gains. Subsequently, PAT is expected to decline 9.4% QoQ to ₹ 1557.6 crore
Indraprastha Gas	With encouraging CNG vehicle conversions and Delhi's pollution issues, IGL's volumes are expected to grow 9.3% YoY. Total volumes are expected at ~5.5 mmscmd (CNG: 4.3 mmscmd, PNG: 1.4 mmscmd). We expect gross margins to decline YoY at ₹ 10.7 per scm, down ₹ 0.4 per scm due to increase in gas costs and rupee depreciation. Also, on a QoQ basis, we may witness decline in gross margins. Hence, EBITDA per scm is expected to decline at ₹ 5.4 per scm with PAT growth flattish YoY

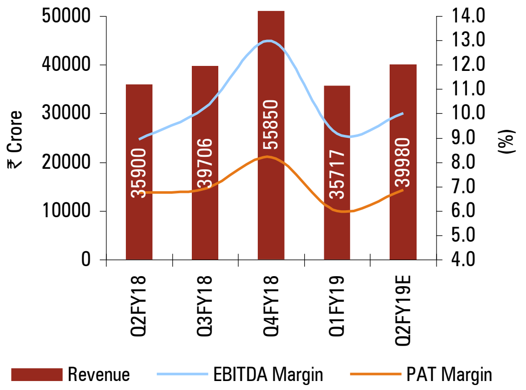
Source: ICICI Direct Research

Exhibit 31: Company specific view

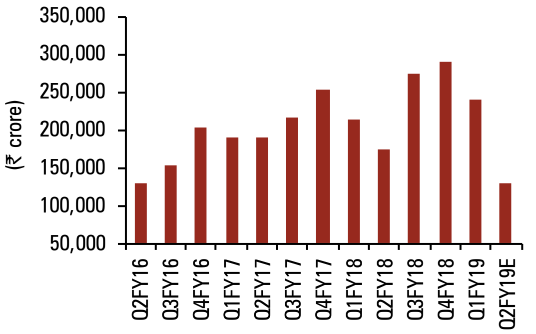
Mahanagar Gas	We expect MGL's growth momentum to remain steady with volume growth of 6.3% YoY supported by robust conversion rate of CNG vehicles. Volumes are expected at 2.9 mmscmd (CNG: 2.1 mmscmd, PNG: 0.8 mmscmd). Gross margins are expected to decline QoQ to ₹ 12.3 per scm in Q2FY19 (stable YoY) vs. ₹ 12.5 per scm in Q1FY19. Higher other expenses YoY will have an impact, which will lead to only marginal increase of 2.6% YoY in PAT to ₹ 128 crore
MRPL	Reported GRMs are expected at $8.6/bbl vs. $8.3/bbl in Q4FY18. Although there was QoQ improvement in reported GRMs, core operational GRMs are expected to remain weak at $5.4/bbl in Q4FY18 mainly on account of weak product spreads. Inventory gains for the quarter are expected at $3.2/bbl vs. $3.5/bbl in Q1FY19. Throughput in Q2FY19 is expected at 3.7 MMT vs. 3.9 MMT in Q1FY19. PAT is expected to increase 6.3% QoQ to ₹ 384.6 crore owing to a marginal lower tax rate
ONGC	Oil & gas production is expected to witness QoQ growth of 0.5% and 4.5%, respectively. While oil production is estimated at 6.3 MMT, gas output is expected at 6.5 MMT in Q2FY19. We expect gross realisations to improve 0.8% QoQ at $74.8/bbl due to rise in crude oil prices. However, net realisation is expected to decline 7% QoQ to $69/bbl due to subsidy burden of $5.8/bbl (₹ 1430 crore). PAT is expected to increase 6.8% QoQ to ₹ 6562.8 crore mainly on higher other income
Petronet LNG	We expect the topline to increase 28% YoY to ₹ 9945.9 crore on account of higher LNG realisation. Total volumes are expected to remain flattish YoY as well as QoQ to 221.5 trillion British thermal units (tbtu) (~4.2 MMT). Blended margins are expected to decline 1.6% YoY to ₹ 46/mmbtu mainly due to lower margins on relatively costlier spot LNG. PAT is expected to decline 10.9% YoY to ₹ 524.6 crore also due to higher other expenses

Source: ICICI Direct Research

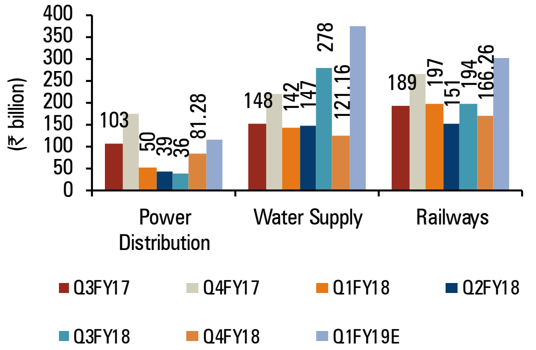
Topline & Profitability (Capital Goods universe)



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



Trend in segment wise tenders



Top pick of the sector

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Capital Goods and Power

L&T leads strong order inflows in Q2FY19E

Q2FY19E has been a strong quarter for L&T and KEC International in the capital goods universe with robust order wins across segments. Coverage companies (Bhel, KEC, KPTL, L&T, Thermax) registered strong order inflows worth ₹ 34419 crore with YoY growth of 40% led by order uptake in L&T. L&T has secured orders worth ₹ 30758 crore, including orders worth ₹ 5842 crore in the water and effluent business, ₹ 7489 crore in the heavy civil infrastructure business, ₹ 5836 crore in the power T&D business, ₹ 3320 crore in buildings & factories business and the rest in various segments across the construction business. However, order inflows in power T&D EPC space continued their pace with KEC, Kalpataru bagging orders worth ₹ 2516 crore and ₹ 1145 crore, respectively. However, the order inflow remained subdued for Thermax and Bhel. The order inflows remained strong across railways electrification and infra, power, irrigation, water & effluent business and hydrocarbon segments.

Revenue to grow 11.4% with PAT to grow 13.2%

Overall, the coverage universe revenue is expected to grow 11.4% owing to stable execution rates at engineering and power T&D EPC companies like L&T, ABB, BEL, KEC, Thermax and Kalpataru Power. EBITDA for coverage universe is expected to grow 24.6% with some margin expansion whereas PAT is expected to grow 13.2%.

EPC companies likely to continue strong growth momentum

Power T&D EPC companies are expected to report strong revenue growth with KEC, Kalpataru, Thermax expected to report 16.3% collectively, EBITDA expected to grow 18.2% and adjusted PAT expected to register growth of 17.6% led by a pick-up in order executions rate. In terms of individual performance, L&T is likely to report a modest performance with revenue expected to grow 8.3% and EBITDA margin expected to improve marginally to 8.7% and PAT at ₹ 1100.4 crore. Thermax is expected to continue its better performance with revenue, PAT expected to grow 14.9%, 22.7%, respectively. Bhel's revenue is expected to grow 8.2% with PAT expected at ₹ 281.3 crore amid a low base YoY owing to some improvement in operating performance.

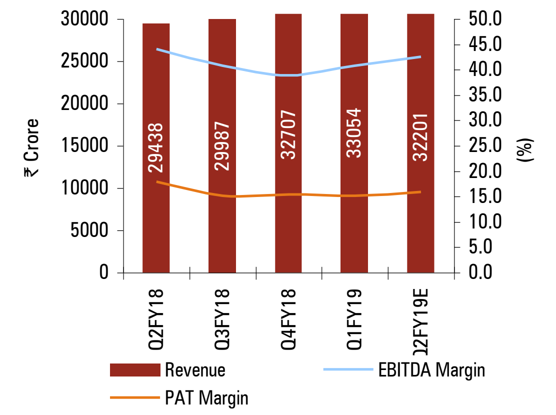
Companies like Bharat Electronics, Cochin Shipyard and Engineers India are likely to report topline growth of 11-19% for the quarter. EBITDA margins are also likely to remain healthy on the back of continued execution of all-time high order backlogs. We expect margins in the range of 18-27%. Niche engineering companies like ABB are expected to report strong topline growth of 22.7% YoY on the back of a continued pick-up in segments like industrial automation, robotics & motion and renewables. We also expect stable EBITDA margins (~7%) for the company.

Product companies to post robust performance

Bearings companies like SKF, Timken and NRB are likely to report strong double digit topline growth of 12-16% on account of robust volume growth of ~9%, ~32%, and ~30% in 2W, 3W and commercial vehicle, respectively in Q2FY19. We also expect stable EBITDA margins as we believe a pass through in input prices and improving utilisation will offset the forex impact, if any, during the quarter. Companies like AIA Engineering are expected to report strong revenue, PAT growth of 28.9%, 23.7%, respectively, led by expected strong growth in sales volume growth and net realisation in mining segment. Greaves Cotton is expected to report revenue, PAT growth of 13.2%, 9.6%, respectively,

backed by volume growth amid a low base pickup in 3-W segment with OEM customers and better growth in the non-auto segment.
The interest expense for the coverage universe is expected to decline 8.2% in Q2FY19E. Interest rates are expected to harden in coming quarters as rising input cost and focus on execution are likely to increase working capital cycle.

Topline & Profitability (Power universe)



The I-direct power sector universe is expected to report a mixed bag performance. The revenue and EBITDA of the sector is expected to grow 9.4% and 5.6% YoY. From an individual company perspective, NTPC has added capacity to the tune of 800 MW in Q2FY19E vs. yearly addition guidance of 4500 MW of capacity commercialisation. Maintenance and lower coal stock have adversely impacted gross generation growth of 1.9% YoY in Q2FY19E. We expect revenues to grow 6.9%, YoY on back of rise in tariff, whereas EBITDA is expected to remain muted. Power Grid, on the other hand, is expected to report capitalisation in the range of ₹ 6000-7000 crore whereas overall revenues and PAT are expected to grow 14.9% and 13.1% YoY. CESC is backed by strong generation growth in subsidiaries is likely to report strong energy sold growth of ~12% YoY. Hence, we expect revenues and PAT of CESC to grow 13.4% and 9.7% YoY.

Exhibit 32: Estimates for Q2FY19E (Capital Goods) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
AIA Engineering	720.8	28.9	0.8	151.4	34.7	-2.3	107.1	23.6	0.6
Bharat Electronics	2,742.8	10.8	30.5	543.2	-8.7	74.9	355.4	-13.8	97.7
ABB India	2,350.0	22.7	-13.4	164.0	22.2	-16.3	98.7	18.4	-3.3
BHEL	6,929.7	8.2	16.8	342.8	LP	19.3	281.3	114.0	80.8
Cochin Shipyard Ltd	693.4	18.9	5.3	124.8	32.2	8.2	115.0	14.8	8.0
Engineers India Ltd	497.3	15.9	-13.3	144.2	3.8	67.0	123.8	3.9	42.9
Greaves Cotton	512.2	13.2	11.8	72.7	7.2	19.4	49.3	9.8	23.7
Elgi Equipments	440.0	18.0	6.4	48.8	9.1	24.0	26.0	-1.7	40.8
Grindwell Norton	395.5	14.9	3.8	67.0	15.7	-3.3	41.4	15.9	-5.0
Kalpataru Power	1,493.9	22.2	12.8	162.8	22.5	3.7	81.2	13.6	0.2
KEC International	2,420.3	13.5	15.0	251.7	16.6	16.4	105.1	17.7	21.1
KSB Pumps	235.6	17.5	-7.1	27.1	28.3	-5.2	14.0	20.5	-34.6
L&T	17,180.9	8.3	13.2	1,494.7	14.2	20.7	1,100.4	11.5	20.7
NRB Bearings	240.4	15.5	2.8	44.3	15.8	-0.2	24.0	13.6	-30.9
SKF India	769.1	13.1	1.9	121.5	9.4	4.7	81.6	10.3	0.8
Thermax Ltd	993.0	15.0	16.9	99.3	15.3	69.3	69.7	22.6	55.2
Timken India	354.6	14.3	-7.5	59.2	10.1	-0.1	33.5	-10.0	6.0
Va Tech Wabag	1,010.3	14.0	46.9	82.8	6.9	101.3	40.5	9.7	221.4
Total	39,979.9	11.4	11.9	4,002.5	24.6	22.0	2,748.2	13.3	28.1

Source: Company, ICICI Direct Research

Exhibit 33: Estimates for Q2FY19E (Power) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
CESC	2,367.8	13.4	9.7	542.2	7.4	9.5	270.8	9.7	48.8
NTPC	21,385.9	6.9	-6.1	5,870.2	-0.6	-2.8	2,409.7	-16.7	-6.2
Power Grid Corp	8,447.3	14.9	3.9	7,306.9	11.1	5.5	2,433.8	13.1	8.6
Total	32,201.0	9.4	-2.6	13,719.4	5.6	1.9	5,114.3	-3.4	2.5

Source: Company, ICICI Direct Research

Exhibit 34: Company specific view: Capital Goods

Company	Remarks
AIA Engineering	In Q2FY19E, we expect AIA Engineering to report volume growth of 19% to 64938 tonnes on a YoY basis, mainly led by a ramp up in the mining segment. We expect realisation per tonne to improve 8.2% YoY to ₹ 107605 per tonne during the quarter on account of a change in product mix and favourable exchange rate gains. As a result, revenues are expected to grow 28.9% to ₹ 720.8 crore. EBITDA margin is expected to improve marginally YoY at 21%. Consequently, PAT is expected to grow 23.7% to ₹ 107.1 crore. EBITDA per tonne is expected at ₹ 23308.4
Bharat Electronics	We expect BEL to report topline growth of 10.8% YoY to ₹ 2742.8 crore on the back of continued execution of orders like electronic voting machines, voter verifiable paper audit trail, integrated air command and control system, L70 gun upgrade, etc. However, absolute EBITDA is likely to decline 8.7% YoY, as Q2FY18 witnessed strong execution during the quarter. We expect EBITDA margins of 19.8% vs. 24% YoY. PAT is also likely to decline 13.8% YoY to ₹ 355.4 crore due to declining other income (~40% YoY) of the company
ABB	We expect ABB to report strong topline growth of 22.7% YoY to ₹ 2350 crore, on the back of a continued pick-up in industrial automation, robotics & motion and renewables segment. EBITDA margins are also expected to remain strong at 7% YoY. Absolute PAT is expected at ₹ 98.7 crore, up 18.4% YoY
Bhel	In Q2FY19E, Bhel's order inflow remained muted. However, Bhel was able to sign technology collaboration agreement with Babcock Power, US for competitive air pollution control systems for De-NOx application. Revenues are expected to grow 8.2% to ₹ 6929.7 crore amid low base. EBITDA margin is expected at 4.9%. However, structural changes in the power segment will continue to pose challenges for Bhel. PAT is expected at ₹ 281.3 crore with PAT margin of 4.1%
Cochin Shipyard	We expect CSL to report revenue of ₹ 693.4 crore, up 18.9% YoY on the back of continued execution of orders like IAC (Phase II), passenger cum cargo vessels, technology demonstrator vessel, etc. We also expect healthy EBITDA margins of 18% vs. 16.2% YoY on account of higher proportion of ship repair revenues during the quarter. Thus, EBITDA is likely to grow strong at 32.2% YoY. Other income is likely to decline 16.3% YoY. Thus, PAT is expected to grow 14.8% YoY to ₹ 115 crore
Engineers India	We expect EIL to report topline growth of 15.9% YoY to ₹ 497.3 crore on the back of continued execution in the both consultancy and turnkey segment. EBITDA margins are also expected to remain strong at 29% for the quarter. However, EBITDA is likely to grow only 3.8% YoY to high base effect (EBITDA margins of 32% in Q2FY18E). PAT is expected to grow 3.9% YoY to ₹ 123.8 crore
Greaves Cotton	For Q2FY19E, we expect Greaves Cotton to report reasonable volumes 77443 in 3W (passenger, goods) while 4W volumes are expected to be in the range of 9960 unit owning to the expected improved performance by its OEM customers in 3W (passenger and goods segment) while non-auto segment is likely to post strong growth. Revenues are expected to grow 13.2% YoY to ₹ 512.2 crore. EBITDA margins are expected at 14.2%. Adjusted PAT is expected to grow 9.6% YoY to ₹ 49.3 crore with PAT margin of 9.8%
Elgi Equipments	Elgi Equipments is expected to report topline growth of 18.0% YoY to ₹ 440 crore on the back of expected growth of 13% in domestic air compressor segment and a 26% growth in the international air compressor segment. EBITDA margins are expected at 11.1% vs. 12.0% YoY due to higher employee expenses and raw material cost impacting margins. Accordingly, EBITDA is expected to grow at 9.1% YoY while PAT growth is expected to remain broadly flat. We expect absolute PAT of ₹ 26.0 crore for the quarter.

Source: Company, ICICI Direct Research

Exhibit 35: Company specific view: Capital Goods

Grindwell Norton	GNL is expected to report topline growth of 14.9% YoY to ₹ 395.5 crore on the back of expected growth of 11% growth in abrasives segment, 15% growth in ceramics segment and 20% growth in new initiatives segment. EBITDA margins are expected at 16.9% vs. 16.8% YoY due to improving utilisation in the ceramic and new initiative segment of the business. Accordingly, EBITDA and PAT are expected to grow 15.7% YoY and 15.9% YoY, respectively. We expect absolute PAT of ₹ 41.4 crore for the
Kalpataru Power	KPTL received orders worth ₹ 1145 crore during Q2FY19E, which includes ₹ 644 crore worth order in T&D in CIS and Africa, ₹ 502 crore from RVNL for railway infrastructure and electrification. KPTL is expected to report strong Q2FY19E performance with revenues likely to grow 22.2% to ₹ 1493.9 crore driven by strong order inflows and execution in railway infrastructure and T&D segment. EBITDA margins are expected to remain stable at 10.9%. PAT is expected at ₹ 81.2 crore with PAT margin of 5.4%
KEC International	During Q2FY19E, KEC received orders worth ₹ 2516 crore, which includes ₹ 1293 crore in T&D business and ₹ 123 crore in cable business. We expect revenues to grow 13.5% to ₹ 2420 crore owing to a healthy order book and improved order execution in key segments. EBITDA is expected to grow 16.6% to ₹ 251.7 crore with EBITDA margin expected at 10.4%. PAT is expected to grow 17.7% to ₹ 105.1 crore with PAT margin of 4.3%, an improvement of 10 bps on a YoY basis
KSB Pumps	KSB Pumps is expected to continue its robust performance in Q3CY18 amid positive farm sentiment following a double digit increase in MSPs and commissioning of new capacity in the past year (CY17 end). Pump segment sales are expected at ₹ 194.8 crore (up 22.3% YoY) while valves segment sales are expected at ₹ 40.7 crore (down 1.2% YoY). At the EBITDA level, we expect margins to improve 100 bps to 11.5% for the quarter. For Q3CY18, EBITDA is expected at ₹ 27.1 crore (up 28.3% YoY) while PAT is expected at ₹ 14.0 crore, up 20.5% YoY
L&T	L&T has announced healthy order inflows of ₹ 30758 crore during Q2FY19E. L&T order inflows have been front loaded, considering more than 50% of expected order inflows already received in H1FY19 suggesting better execution rate in coming year. We expect revenues to grow 8.3% YoY to ₹ 17180.9 crore on a standalone basis owing to better execution rate. EBITDA margin is expected to improve to 8.7%. Consequently, we expect adjusted PAT to grow 11.5% at 1100.4 crore with margin of 6.4%. However, L&T can report one off gains arising from profitability on sale of stake in its IT subsidiary companies
NRB Bearings	NRB is expected to report robust topline growth of 15.5% YoY to ₹ 240.4 crore, on the back of strong volume growth of ~9%, ~32% and ~30% in 2W, 3W and commercial vehicle segment, respectively. EBITDA margins are expected stable at 18.4% as we believe pass through in input prices and improving utilisations will offset the forex impact during the quarter. Accordingly, EBITDA and PAT are expected to grow 15.8% YoY and 13.6% YoY, respectively. We expect absolute PAT of ₹ 24 crore for the quarter
SKF India	SKF is expected to deliver robust revenue growth of 13.1% YoY to ₹ 769.1 crore, on the back of strong overall volume growth of 10% in the auto segment. We expect the other major segment i.e. industrial segment (45% of sales) to report subdued numbers due to higher proportion of import content and consequent forex impact on the same. Accordingly, we expect overall EBITDA margins at 15.8% vs. 16.3% YoY. Thus, EBITDA and PAT are likely to grow 9.4% YoY and 10.3% YoY, respectively. We expect PAT of ₹ 81.6 crore for the quarter
Thermax	For Q2FY19E, Thermax' order inflow remains muted. However, it completed the acquisition process of Babcock & Wilcox Energy. In terms of financial performance, we expect revenue to grow 15.0% to ₹ 993 crore. We expect EBITDA margins to remain stable at 10% YoY owing to a stable execution rate. PAT margin is also expected to improve 40 bps to 7.0%. PAT is expected at ₹ 69.7 crore.

Source: Company, ICICI Direct Research

Exhibit 36: Company specific view: Capital Goods

Timken India	We expect Timken to report revenue growth of 14.3% YoY to ₹ 354.6 crore on the back of strong volume growth of ~30% in commercial vehicle segment. Exports segment (~35% of topline) is also likely to witness stable performance. EBITDA margins are expected at 16.7% vs. 17.3% YoY. Absolute EBITDA is likely to grow at 10.1% YoY. PAT is expected to decline 10% YoY to ₹ 33.5 crore, due to one-time other income in Q2FY18.
VA Tech Wabag	Wabag is expected to report topline growth of 14% YoY to ₹ 1010.3 crore on the back of continued execution in both domestic and overseas orders. Key monitorable for Wabag will be receivable days position. Wabag is likely to report lower EBITDA margins of 8.2%, due to currency headwinds during the quarter. Absolute EBITDA is likely to grow 6.9% YoY to ₹ 82.8 crore. We expect PAT to grow 9.7% to ₹ 40.5 crore for the quarter

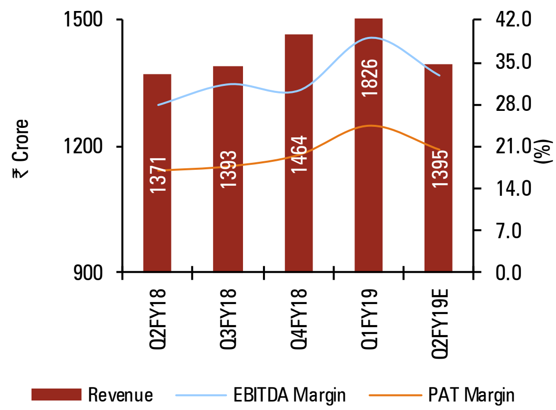
Source: Company, ICICI Direct Research

Exhibit 37: Company specific view: Power

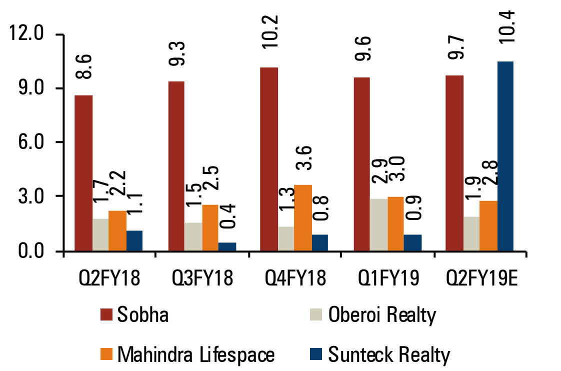
Company	
NTPC	The company has commissioned 800 MW in Q2FY19E. During the quarter, the company is expected to report muted generation growth on account lower coal stock and maintenance at some plants. The generation is expected to grow by 1.9% YoY to 66.3 billion units. The energy sold will grow by 2.5% YoY at 61.9 billion units. The revenues are expected to grow by 6.9% to ₹21385.9 crore. We have built in tariff of ₹3.45/unit. Consequently, PAT is expected to be at ₹2409.7 crore, down 16.7% YoY on account of one off's in Q2FY18.
Power Grid	We expect the company to capitalise transmission assets to the tune of ₹ 7000-8000 crore in Q2FY19E. Strong capitalisation in the past two to three years, we expect transmission revenues to grow 15% YoY to ₹8122.9 crore whereas segments like telecom and consultancy are expected to grow 10% and 15% YoY, respectively. EBITDA is expected to grow 11.1% YoY whereas finance costs are expected to go up 18.9% YoY. Consequently, profitability is expected to grow 13.1% YoY to ₹ 2433.8 crore
CESC	CESC is expected to report muted gross generation growth in its standalone operations of 0.4% YoY. However energy sold is likely to report growth of 12.9% YoY at 311.6 crore units. The subsidiaries at HEL and DIL have reported strong generation growth in Q2FY19E. Revenues are expected to grow 13.4% YoY to ₹2367.8 crore. PAT is expected to grow by 9.7% YoY at ₹270.8 crore. The key monitorable will be the outlook on the PPA signing at the Chandrapur plant and performance of the retail subsidiary.

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage universe)



Sales Volume Trend (Coverage Universe)



Top pick of sector

Sunteck Realty, Oberoi Realty

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Real Estate

Rise in sales volumes & launches hint at improving RE sentiment…

Home buyer sentiment seems to have improved with residential real estate sales volumes rising 3.0% YoY in H1 2018 (as per Knight Frank report) after slumping consequently for the past two years. The recent sharp depreciation (~13% YTD) in the rupee could act as a strong tailwind for NRI demand. Even on the project launches front, there was an improvement in H1 2018. As per the report, residential launches in top eight cities in H1 2018 grew 46% YoY to 126000 units, led by Mumbai market, which accounted for 40% of these launches. In terms of commercial real estate market, it recorded 24 million sq ft (msf) space absorption in H1 2018. All these data are indicating early signs of a recovery in demand environment in the overall Indian real estate market.

Sunteck shines in Naigaon; sales volumes of RE universe to improve…

We expect sales volumes of our universe to post robust growth of 86.7% to 25.5 lakh sq ft (lsf) in Q2FY19E led by 857.8% growth in sales volumes of Sunteck Realty to 10.44 lakh sq ft on account of robust sales at its Naigaon project. Sobha reported strong sales volume of 10.31 lsf in Q2FY19. Furthermore, we expect Mahindra Lifespace to report stable sales volume growth of 27.3% YoY to 2.8 lsf. Overall, with a gradual improvement in consumer sentiments, we expect stable sales volumes in the real estate sector largely led by the affordable housing segment, going forward.

Bottomline of real estate coverage universe to grow 23.1% YoY…

Real estate universe revenues are expected to grow 1.8% YoY to ₹ 1394.8 crore. However, EBITDA margins of the universe are expected to grow 490 bps to 32.7%. Consequently, we expect our universe PAT to grow robustly by 23.1% YoY to ₹ 285.1 crore.

Exhibit 38: Estimates for Q2FY19E (Real Estate) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Oberoi Realty	403.7	33.9	-54.3	208.9	27.6	-54.3	136.9	31.2	-55.1
Mahindra Lifespace	107.3	41.7	-19.3	-6.1	NA	PL	14.1	10.4	-7.2
Sobha Dev.	681.4	5.4	14.0	146.7	17.6	12.3	63.1	25.4	19.9
Sunteck Realty	202.4	-41.6	-4.1	107.0	7.8	-4.1	71.0	10.5	-4.0
Total	1,394.8	1.8	-23.6	456.6	19.9	-35.9	285.1	23.1	-36.2

Source: Company, ICICI Direct Research

Major News during Q2FY19

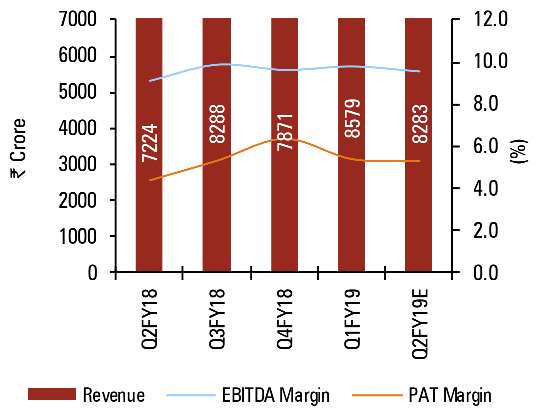
Real Estate Sector	Media reports indicate the government has set a target for constructing one crore houses under the Pradhan Mantri Awas Yojana-Gramin (PMAY-G) by 2019
	As per media reports, cost of construction for a residential apartment in a mid-rise building in Mumbai is the highest among top urban centres in India with an average construction cost at ₹ 3125 per sq. ft. (psf). This is followed by Delhi & Pune at ₹ 2750 psf, Chennai & Bengaluru at ₹ 2500 psf and Hyderabad at ₹ 2375 psf
	As per media sources, the Supreme Court had imposed a ban on all construction activities in Maharashtra, Madhya Pradesh, Uttarakhand & Chandigarh. However, after a few days, the apex court lifted the ban in Maharshtra & Uttarakhand states till the next hearing on October 10, 2018.
Mahindra Lifespace	Mahindra World City, Chennai (MWCC)-a subsidiary of Mahindra Lifespace Developers, has launched its premium residential project Lakewoods. This is the fifth residential project in MWCC. Lakewoods comprises nine 14-storied towers with 747 apartments in 2 BHK and 3 BHK configuration spread across 9.33 acres. Tamil Nadu RERA approval has been obtained for the first phase of the project, consisting of 249 units across three towers
	Mahindra Lifespace Developers is looking to acquire distrssed real estate assets across key property markets, especially in the Delhi-NCR region. As a part of its next phase of growth, the company wants to strengthen its footprint in key geographies in India, with primary focus on Mumbai, Pune & Bengaluru markets and secondary focus on Hyderabad & Gurgaon markets
Oberoi Realty	Media reports indicate that Inox has leased out 1 lakh sq ft in Oberoi's upcoming Borivali mall.
Sobha Ltd	Media reports indicate that Sobha Limited has sought shareholder's approval to raise ~₹ 700 crore via non convertible debentures to fund execution of its real estate projects.

Exhibit 39: Company specific view (Real Estate coverage universe)

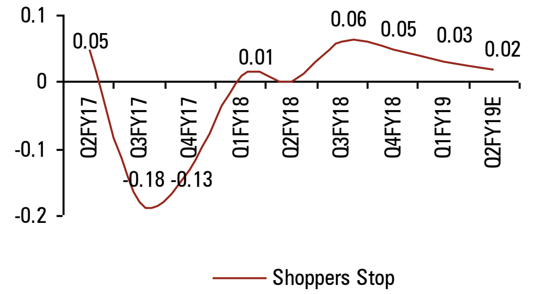
Company	Remarks
Oberoi Realty	With a gradual improvement in the demand environment, we expect Oberoi to post sales volumes of 1.75 lakh sq ft. Further, on the financial front, we expect the topline to grow at a robust 33.9% YoY to ₹ 403.7 crore with incremental revenues from SkyCity project & higher sales from completed project. Furthermore, EBITDA margins are expected to contract 250 bps YoY to 51.7%. With strong topline growth, we expect bottomline to grow 31.2% YoY to ₹ 136.9 crore
Sobha Ltd	Sobha reported strong sales volume growth of 19.7% YoY to 10.31 lakh sq ft led by strong performance in the Bengaluru market (7.02 lakh sq ft). On the financial front, we expect the topline to grow moderately by 5.4% YoY to ₹ 681.4 crore. Further, we expect EBITDA margins to grow 220 bps YoY at 21.5%. Consequently, we expect the bottomline to grow robustly by 25.4% YoY to ₹ 63.9 crore led by EBITDA margin expansion
Mahindra Lifespace	We expect MLD to post stable sales volumes of 2.8 lakh sq ft in Q2FY19E. On the financial front, we expect MLDL's topline to grow robustly by 41.7% YoY to ₹ 107.3 crore on account of 43.5% YoY growth in residential revenue recognition to ~₹ 101.6 crore. Furthermore, we expect the bottomline to grow 10.4% YoY to ₹ 10.4 crore due to lower interest costs
Sunteck Realty	Sunteck launched Phase-I of Naigaon affordable housing project in Q2FY19 comprising ~2500 units with an average ticket size of ~₹ 50 lakhs/unit. Out of these, the company has been able to sell ~800-1000 units, which will lead to stellar sales volume growth of 857.8% YoY to 10.44 lakh sq mt in Q2FY19E. On the financial front, we expect topline to de-grow 41.6% YoY to ₹ 202.4.4 crore on account of high base effect. However, we expect the company's bottomline to grow 10.5% YoY to ₹ 71.0 crore

Source: Company, ICICI Direct Research

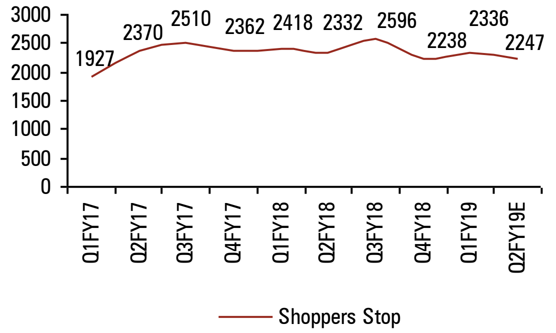
Topline & Profitability (Coverage Universe)



Space addition – million square feet (QoQ)



Revenue per sq. ft.



Top picks of the sector

Aditya Birla Fashion & Retail
Trent

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Retail

End of season sale to support revenue growth for quarter

We expect our retail coverage universe (excluding Titan) to report steady revenue growth of 10% in Q2FY19. End of season sale (EOSS) in July-August and favourable base effect (Q2FY18 was a challenging quarter owing to GST transition) are expected to provide growth impetus in Q2FY19. However, due to a delay in festive season by 17-18 days (Dussehra was in September last year), we expect certain spillover of revenues to Q3FY19.

Titan, Trent expected to be outperformers this quarter

For Shoppers Stop, Q2FY18 had turned out to be a tough quarter (12% revenue de-growth) on account of supply side issues as vendors faced challenges related to GST transition. Hence, on a favourable base, we expect SSL to report steady SSSG of 4% YoY in Q2FY19. We expect Aditya Birla Fashion and Retail (ABFRL) to report topline growth of 9% YoY, led by growth in lifestyle and Pantaloons segment to the tune of 9% and 6%, respectively. We expect Trent to sustain its healthy trajectory and expect revenues to grow 17% YoY to ₹ 612.4 crore. Also, inclusion of Zudio (value fashion business) is expected to enhance revenue growth for Trent. Among speciality retail, we expect Titan's jewellery division to report 20% revenue growth driven by new collection launches and extended diamond studded activation. For Bata, we expect revenues to increase 10% YoY to ₹ 645.9 crore on the back of new launches.

Positive operating leverage to assist margin expansion

Due to stock clearance sale in July and August, higher discounting days are expected to impact gross margins, to a certain extent. However, with cost rationalisation measures coupled with operating leverage, we expect EBITDA margins of our coverage universe to increase marginally by ~50 bps YoY. We expect EBITDA margins of Bata and Trent to improve 100 bps and 30 bps, respectively. ABFRL had incurred a one-time expense due to GST impact (₹ 26 crore) in Q2FY18. Hence, on a favourable base, we expect margins of ABFRL to expand 140 bps YoY. For Titan, the company had reported one of its highest ever EBITDA margins in Q2FY18 (11.5%). Hence, we expect limited scope of margin expansion in Q2FY19.

Exhibit 40: Estimates for Q2FY19E: (Retail) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Aditya Birla Fashion &	1961.1	8.7	2.5	129.4	39.2	13.7	14.6	LP	161.34
Bata India	645.9	10.1	-19.0	77.5	20.1	-41.2	50.3	17.2	-39.0
Shopper Stop	903.5	7.9	9.3	51.5	1.7	24.2	13.3	LP	35.8
Titan Company	4,160.2	19.8	-6.5	472.2	18.6	-2.2	328.1	18.2	-0.2
Trent Ltd	612.4	17.3	3.7	60.3	22.1	-15.0	35.9	23.8	-6.4
Total	8,283.1	14.7	-3.4	790.9	20.6	-6.0	442.3	39.2	-4.9

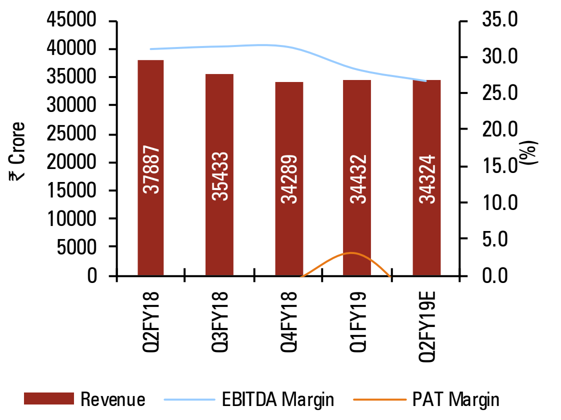
Source: ICICI Direct Research

Exhibit 41: Company specific view (Retail)

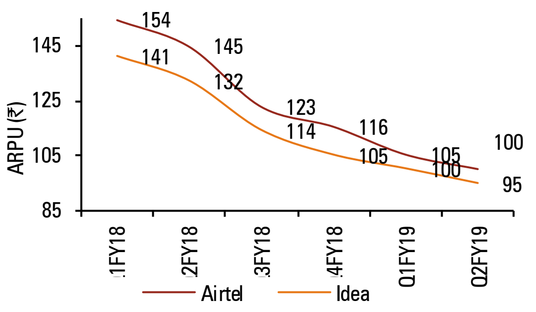
Company	Remarks
Bata India	We expect Bata to register steady topline growth of 10.1% YoY to ₹ 645.9 crore. Bata's latest collection 'Red Label', has gained healthy traction and is expected to provide additional growth impetus this quarter. Controlled operational cost structure and efforts towards premiumisation of products are expected to enhance EBITDA margins by 100 bps YoY to 12.0%. Consequently, we expect PAT to increase 17% YoY to ₹ 50.3 crore
Shoppers Stop	Q2FY18 had turned out to be a tough quarter for SSL (12% revenue de-growth) on account of supply side issues as vendors faced challenges related to GST transition. Hence, on a favourable base, we expect SSL to report steady SSSG of 4% YoY in Q2FY19. On account of implementation of Ind-As 115, revenues are not exactly comparable to the previous year. We expect EBITDA margins to decline marginally by 30 bps YoY to 5.7% on the back of higher discounting days owing to EOSS and higher employee expense. A decline in interest expense is expected to aid PAT. We expect SSL to report PAT of ₹ 13.3 crore vs. net loss of ₹ 21.8 crore in Q2FY18 (SSL had reported exceptional expense worth ₹ 34 crore in Q2FY18)
Titan Company	We expect Titan's jewellery division to report 20% revenue growth YoY, driven by a favourable base in July (as per the management, the company reported 41% revenue growth) and reasonably good August driven by activation of studded jewellery. We expect the watches division to report revenue growth by 10% YoY. Overall revenues are expected to increase 20% YoY to ₹ 4160.2 crore. In Q2FY18, Titan had reported one of its highest ever EBITDA margins. Hence, we expect limited scope of margin expansion in Q2FY19. EBITDA margins are expected to remain flattish at 11.4% YoY. PAT is expected to improve 18% YoY to ₹ 328.1 crore
Trent Ltd	We expect Trent to sustain its healthy revenue trajectory with revenues expected to grow 17% YoY to ₹ 612.4 crore on the back of healthy store additions and inclusion of Zudio (value fashion format) with effect from Q3FY18. Q2 generally witnesses lower EBITDA margins mainly on account of high discount offering impacting gross margins negatively. On a YoY basis, we expect EBITDA margins to improve 30 bps YoY to 9.8% (Q1FY19: 12.0%). PAT is expected to increase 24% YoY to ₹ 35.9 crore
ABFRL	We expect ABFRL to report steady topline growth of 9% YoY to ₹ 1961 crore albeit on a favourable base of Q2FY18 (July and August were impacted due to GST implementation in Q2FY8). However, a delay in festive season by 17-18 days may witness a spillover effect in Q3FY18. On the segmental front, we expect lifestyle brands and Pantaloons to report revenue growth of 9% and 6%, respectively. Rationalisation of unprofitable stores (F21 Stores) is expected to improve EBITDA margins by 140 bps YoY to 6.6%. Also, ABFRL had incurred one time GST impact of ₹ 26 crore in Q2FY18, which had deflated EBITDA, to a certain extent. Consequently we expect ABFRL to report PAT of ₹ 14.6 crore vs. loss of ₹ 10.0 crore in Q2FY18

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



ARPU trend



Top pick of sector

Sterlite Tech

Research Analysts

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Telecom

Seasonality to impact amid structural pricing pressure

The performance of telcos in the seasonally weak Q2 may be further marred by another round of discounting by Jio on its second anniversary in September 2018 and higher diesel prices. For Airtel, we expect some benefit from Africa in terms of rupee depreciation. However, this benefit will be offset by continued weak India wireless performance on elevated competitive intensity. Bharti's Africa revenues are expected at ₹ 5474 crore, up 3.6% QoQ, while Indian wireless revenues are expected to decline 2% QoQ to ₹ 10,270 crore (ARPU decline of ~6%). For Idea (ex-Vodafone consolidation), we expect ~5.4% QoQ decline in ARPU to ₹ 95. Consequent revenue is expected to decline 5.9% to ₹ 5640.9 crore.

Margins to witness steep decline; both operators to report losses

The weakness in topline as well as increase in network operating costs and higher fuel expenses will have an impact on margins as negative operating leverage will play out. Consolidated EBITDA margins for Airtel are expected to decline 170 bps to 31.8%. Bharti India business, which continues to be impacted by competitive intensity, is expected to post 340 bps sequential EBITDA margin decline to 28.6%. Margins of the Africa business are expected to be robust at 36.3%. We expect Bharti to post a consolidated loss of ₹ 532 crore for Q2FY19 as EBITDA pain will get accentuated by higher interest cost (currency depreciation impact). We expect Idea (ex-Vodafone consolidation) to report 8.4% EBITDA margin in Q2FY19, a 280 bps sequential decline due to negative leverage due to topline decline. Idea is expected to report consolidated loss of ₹ 1936 crore for the quarter.

Infratel to bear brunt of Vodafone-Idea tenancy exits

Infratel received exit notices of around ~27,400 tenancies during the quarter on account of completion of the Vodafone-Idea merger. Though the impact for Q2FY19 is limited to ₹ 60-65 crore for a month (as indicated by the Infratel management), the full impact will be recognised in the next quarter. We expect Infratel to post a revenue decline of 1.8% QoQ to ₹ 3608.2 crore, impacted by 5.1% decline in rental revenues. We expect an EBITDA margin decline of 240 bps QoQ to 39% despite some benefit coming in higher diesel prices aiding energy margins.

Sterlite Tech to report robust numbers; Tata Communications' data segment to boost performance

Sterlite Technologies' revenues (reported growth of ~24%; like to like 15% YoY) are expected to continue their strong traction aided by exports growth and newly acquired Metallurgica. We expect margins to expand ~410 bps YoY to 26%, resulting in ~72% YoY growth in earnings. Tata Communication is expected to report 8% YoY growth in the data segment, primarily driven by growth in the services segment. The margins are expected to expand 110 bps YoY to 14.5%, driven by superior data segment margins.

Exhibit 42: Estimates for Q2FY19E (Telecom) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Bharti Airtel	20,202.3	-7.2	0.6	6,415.7	-18.7	-4.6	-532.2	PL	PL
Bharti Infratel	3,608.2	-1.1	-1.8	1,408.5	-12.8	-7.3	566.0	-11.3	-11.3
Idea Cellular	5,540.9	-25.8	-5.9	464.9	-69.0	-29.5	-1,935.7	NA	PL
Sterlite Technologies	962.8	23.6	9.8	250.5	47.1	2.3	122.4	71.8	1.4
Tata Comm	4,010.1	-4.9	2.5	579.9	2.7	4.4	18.4	LP	LP
Total	34,324.2	-9.4	-0.3	9,119.4	-22.3	-6.0	-1,761.0	NA	PL

Source: Company, ICICI Direct Research

Exhibit 43: Company specific view (Telecom)

Company	Remarks
Bharti Airtel	Bharti's India wireless business is expected to feel the pressure from another round of discounting by Jio in September 2018 coupled with seasonality effect. In contrast, revenue pressure may be mitigated, to some extent, by strong revenue growth from the Africa business, aided by rupee depreciation. India wireless revenues are expected to decline 2% QoQ at ₹ 10,270 crore. Given the higher network operating costs (further accentuated by higher fuel costs) and weak topline, we expect ~340 bps sequential decline in India EBITDA margins at 28.6%. Africa revenues are expected grow 5.9% QoQ to ₹ 5593 crore aided by a depreciating rupee. Africa margins are expected to be robust at 36.3%. The consequent consolidated margins are seen at 31.8%, down 170 bps QoQ, mainly impacted by weak India margins
Bharti Infratel	Bharti Infratel's performance for the quarter was marred by exit notices received for ~27,000 tenancies (one-month impact) of Vodafone-Idea combine. We expect gross additions of ~1000 tenancies for the quarter. Due to exit notices received in the quarter, we factor in net tenancy exits of ~26,000. We expect 5.1% QoQ fall in rental revenues at ₹ 2085.9 crore. Energy revenues may also grow 3.2% QoQ (largely on higher diesel prices) at ₹ 1522 crore. Overall margins are expected at 39% (down 230 bps QoQ) owing to tenancy exits
Idea Cellular	With another round of discounting by Jio in September 2018 and weakness due to seasonality, we expect the performance of Idea (ex-Vodafone) to deteriorate further. We expect ARPU erosion of ~5.4% QoQ to ₹ 95 resulting in revenue (ex-Vodafone) decline of 5.9% QoQ to ₹ 5540.9 crore (also owing to full impact of divestment of owned towers). On account of negative operating leverage due to topline decline, we expect Idea to report EBITDA margin of 8.4% (down 280 bps QoQ). The company is expected to post a net loss of ₹ 1935 crore. We note that we have not incorporated Vodafone consolidation (for a month) in our estimates owing to lack of metric at the point of merger effective date
Sterlite Technologies	Sterlite Tech would consolidate recently acquired Metallurgica numbers for the quarter (two months). Hence, the reported topline growth is expected to be 24% YoY to ₹ 962.5 crore. The like-to-like growth in topline is expected at 15% YoY in Q2FY19, driven by continued strong momentum from the product segment, especially on the exports front. Consolidated EBITDA is expected to witness strong growth of 47% YoY to ₹ 250.5 crore on operating leverage benefit. EBITDA margins for the quarter are expected to improve 410 bps YoY to 26%. However, margins on a QoQ basis are expected to decline 190 bps due to consolidation of lower margin (compared to Sterlite) business of Metallurgica. PAT is expected to grow ~72% YoY to ₹ 122.4 crore
Tata Comm	Tata Communication is expected to report relatively better numbers for the quarter due to rupee depreciation and strong traction from data services. Overall revenue is expected to fall 4.9% YoY to ₹ 4010 crore, impacted by continued pressure in the voice business. Revenue for the voice business is expected to decline ~30% YoY to ₹ 1003 crore. On the other hand, the data business is expected to post 8% YoY growth in topline to ₹ 3007 crore. The growth in data is expected to be driven by stronger traction in growth services. Overall margins are expected at 14.5% (up 110 bps YoY) aided by superior data margins

Source: Company, ICICI Direct Research

Others

Exhibit 44: Estimates for Q2FY19E (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ	Q2FY19E	YoY	QoQ
Cox & Kings	774.9	16.0	-5.2	340.8	-2.0	14.4	70.8	-38.6	-26.6
DRECOR	143.0	-5.0	2.2	31.5	-22.7	-3.5	1.0	-94.8	-66.3
HIMCHE	598.5	27.9	-1.0	135.3	31.9	-0.4	77.8	52.1	1.5
Mah. Seamless	654.9	35.3	7.8	138.9	131.4	-3.3	100.0	194.0	-0.4
Navneet Publications	231.1	26.0	-65.5	39.1	39.0	-80.2	23.9	43.9	-81.0
Rallis India	645.3	9.8	12.6	124.3	1.4	49.6	82.1	6.2	50.4
Ratnamani Metals &	655.6	106.4	7.6	97.0	89.5	7.2	62.5	133.1	8.3
Solar Industries	496.3	21.5	-19.3	92.3	5.8	-28.0	47.5	3.8	-31.7
Swaraj Engines	193.3	-7.4	-17.6	29.0	-17.4	-20.8	18.6	-20.8	-19.5
TTK Prestige	538.2	4.6	28.5	71.3	8.3	28.6	45.2	8.0	26.0
TeamLease Services	1,030.2	17.7	0.9	20.3	34.2	0.7	22.2	27.7	2.0
United Spirits	2,156.8	10.5	7.2	269.6	-15.1	40.2	133.5	-12.3	64.2
United Breweries	1,348.9	5.7	-27.7	197.8	-10.9	-50.6	82.0	-12.7	-63.1
VST Tillers & Tractors	171.2	-2.5	17.6	22.3	-8.5	20.5	12.8	-31.6	-11.1
Wonderla Holidays	51.1	3.4	-50.8	11.2	1.3	-80.5	1.9	-17.0	-94.1
Total	9,689.3	13.8	-7.8	1,620.6	1.4	-16.2	781.9	-0.3	-26.0

Source: Company, ICICI Direct Research

Exhibit 45: Company specific view (Others)

Cox & Kings	Q2 is a seasonally strong quarter for Cox and Kings vs Q3 & Q4. The company's revenue growth (up 9.3% YoY) to mainly come from Meininger (up 25.0% YoY led by bed additions) and leisure India revenues (up 15.0% YoY). However, on the margin front, we expect EBITDA margin to decline from 52% to 44% in Q2FY19E mainly led by adverse movement of currencies in European region. As a result, we expect PAT to decline by 38.6% YoY to ₹70.8 crore.
Dredging Corporation of India	Revenues for the quarter are expected to de-grow 5% YoY on the back of lower fleet utilisation amidst Government stake sale in the company to major ports. Higher crude would further impact the operational performance (EBITDA), which is expected to de-grow 23%. PAT is expected to decline by 95% YoY to ₹ 1 crore (exceptional income of ₹ 10 crore in Q2FY18)
Himadri Speciality Chemicals	Himadri Speciality Chemicals is expected to maintain its positive momentum amidst robust product demand and higher realisations (also supported by rupee depreciation). Total carbon sales volume is expected at 100,767 tonne, up 7% YoY. Total Net sales is expected at ₹ 598.5 crore, up 28% YoY. Topline growth is also supported by ~20% increase in blended realisations at ~₹ 60,000/tonne. EBITDA for the quarter is expected at ₹ 135.3 crore with corresponding EBITDA margins at 22.6% and EBITDA/tonne at ₹ 13424/ tonne. PAT in Q2FY19 is expected at ₹ 77.8 crore vs. ₹ 51.2 crore in Q2FY18

Source: Company, ICICI Direct Research

Exhibit 46: Company specific view (Others)

Maharashtra Seamless	For Q2FY19, we expect Maharashtra Seamless to report a decent performance on the back of stable realisations. Total pipes sales are likely to come in at ~86500 tonne. Sales of seamless pipes are expected to come in at ~70000 tonne (up 1.2% YoY, 7.5% QoQ), while ERW pipes volume is likely to be ~16500 tonne (up 10.5% YoY, 2.8% QoQ). On the back of increased realisations, we expect the topline to increase 35.3% YoY, 7.8% QoQ. The EBITDA is likely to increase 131.4% YoY and decline 3.4% sequentially primarily due to increased steel prices. The company is expected to report an EBITDA margin of 21.2% (vs. Q2FY18: 12.4% and Q1FY19: 23.7%)
Navneet Education	For Navneet's publication segment, the revenue season has traditionally been the first quarter of every financial year, in which it derives ~55% of its total publication revenues. However revenues from the publication segment in Q1FY19 witnessed marginal decline owing to delay in release of Navneet's supplementary books. Hence we expect the spillover of revenues to aid revenue growth in Q2FY19. We expect Navneet to register a revenue growth of 26% YoY to ₹ 231 crore, driven by robust growth in publication segment to the tune of 27% and 18% revenue growth in the stationery segment. EBITDA margins are expected to expand by 158 bps YoY to 17% on account of positive operating leverage. Consequently we expect PAT to grow 44% YoY to ₹ 23.9 crore.
Rallis India	We expect, Rallis India to report steady performance in Q2FY19 amidst positive farm sentiment following double digit increase in MSP's, uneven distribution of rainfall (monsoon at -9% of LPA) and higher sales in the preceding quarter. In Q2FY19, in the agro-chemical segment, we expect sales to grow by 9.7% YoY to ₹ 601.8 crore. While on the Metahelix front, we expect a 10.4% YoY growth in sales to ₹ 43.4 crore. On the consolidated level, we expect sales to grow 9.8% YoY to ₹ 645.3 crore. EBITDA margins are expected at 19.3% down 150 bps YoY primarily factoring in pressure on raw material prices. Consequent EBITDA & PAT is expected nearly flat at ₹ 124.3 crore & ₹ 82.1 crore respectively.
Swaraj Engines	Swaraj Engines is expected to report muted performance in Q2FY19 on the back of higher base of tractor sales in base quarter and market share loss by Swaraj Brand of Tractors domestically. Engine sales volume in Q2FY19 are expected at 22,236 down 11% YoY vs. tractor sales de-growth of 4.5% at its Parent. Consequent net sales is expected at ₹ 193.3 crore, down 7.4% YoY. EBITDA margins are expected at 15.0%, down 180 bps. EBITDA & PAT for the quarter is expected at ₹ 29.0 crore and ₹ 18.6 crore (down 21% YoY) respectively
Solar Industries	Solar Industries is expected to post revenue growth of 21.5% YoY to ₹ 496.3 crore driven by continued strong performance in the overseas segment (~40% of topline). We expect this segment to grow 30% YoY. We expect the bulk and cartidge segment to grow at 8% and 14% respectively. Lira (turkey), Naira (Nigeria), Kwacha (Zambia) and Rand (South Africa) have witnessed depreciation of 5-20% over the last few months. Accordingly, we expect muted EBITDA margins of 18.6% vs. 21.4% due to forex losses during the quarter. PAT is also likely to show muted growth of 3.8% YoY to ₹ 31.7 crore.

Source: Company, ICICI Direct Research

Exhibit 47: Company specific view (Others)

TTK Prestige	We expect TTK Prestige (standalone) to report subdued topline growth of 5% YoY to ₹ 538.2 crore on account of weak onam sales and shift in certain festive season in Q3FY19. On the segmental front, we expect Cookers and appliances segment to report revenue growth of 5% and 4% respectively. TTK had to incur one time expense of ₹ 10.5 crore towards GST impact which deflated the margins in Q2FY18. Hence, we expect margins to improve by 50 bps YoY to 13.3% in absence of such exceptional expense. We expect PAT to increase by 8% YoY to ₹ 45.2 crore.
United Spirits	Overall volumes are expected to grow by 4% YoY to 19.2 million cases, on the back of 11% growth in the Prestige and Above segment. Premiumisation and price hikes in FY18 would drive the revenue per case resulting in net revenue growth of 11% YoY. Although, the changes in the operating model would cushion gross margins, however, higher promotional expenses may result in 380 bps contraction in EBITDA margins with an absolute EBITDA de-growth of 15%. Subsequently, lower operational performance YoY is expected to result in 13% de-growth in PAT
United Breweries	Volumes are expected to grow 5% to 38.6 million cases and similarly, net revenues are expected to grow 6% YoY. EBITDA margins are expected to contract ~270 bps to 14.7% (due to rising barley prices) with an absolute EBITDA de-growth of 11%. Subsequently, PAT is expected to de-grow 13% YoY
VST Tillers & Tractors	We expect the difficult times for VST Tillers and Tractors to persist in Q2FY19 primarily tracking muted sales volume numbers amidst delay in subsidy schemes in key states. In Q2FY19, power tillers sales volume came in at 5396 units (down 8.4% YoY) while tractor sales volume were at 2087 units (down 33.3% YoY). Consequent sales is expected at ₹ 171.2 crore, down 2% YoY and partly compensated due to increase in steel price and hence realisations. EBITDA margins are expected to taper down by 90 bps to 13.0% with consequent EBITDA at ₹ 22.3 (down 8.6% YoY) crore. PAT for the quarter is expected at ₹ 12.8 crore, down 31.8% YoY. PAT drop is substantial in Q2FY19 as we expect VST to witness MTM losses on its equity investment book
Wonderla Holidays	We expect Wonderla to register muted growth of 3.4% YoY mainly led by decline in footfalls whcih we expect to fall by 2.1% YoY (due to monsoon & floods in Kerala). However, in terms of margins, we expect EBITDA margins to decline 50bps YoY to 22% mainly due to better pricing. At PAT level, we expect net profit to decline by 17% YoY.
TeamLease Financials	TeamLease is expected to report rupee revenue growth of 17.7% YoY to ₹ 1030.2 crore owing to revenue growth in general staffing (12.6% YoY) and increasing contribution from IT staffing. EBITDA margins could remain flat QoQ to 2.0% owing to expectation of hike of minimum wage hike while PAT is expected to increase by 27.7% to ₹ 22.2 crore on account of operating performance and 80 JJAA tax benefits
Ratnamani Metals & Tubes	We expect Ratnamani Metals to report a steady state performance for Q2FY19 on a QoQ basis. The capacity utilisation levels of both the segment are likely to track the orderbook execution. We expect the capacity utilisation of stainless steel segment to come in at ~60%, and that of carbon steel segment at ~85%. Subsequently, the stainless steel segment is expected to report volumes of ~4200 tonne and carbon steel segment of ~74375 tonne. Ratnamani's topline is likely to increase 106.4% YoY and 7.6% QoQ. While the EBITDA is likely to increase 90% QoQ and 7.2% YoY, we expect the EBITDA margin to remain flattish QoQ at ~14.8% (14.9% in Q1FY19). PAT is likely to increase by 133.4% YoY and 8.3% QoQ.

Source: Company, ICICI Direct Research

ICICI Direct Research Coverage Universe

Valuation Matrix

Sector / Company	CMP	TP	Rating	M Cap	EPS (Rs)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Apparels																			
Kewal Kiran Clothing Ltd	1,263	1,550	Hold	1,556	59.4	69.7	77.5	21.2	18.1	16.3	17.8	15.9	14.6	25.9	27.4	27.0	18.3	19.7	20.2
Vardhman Textiles Ltd	975	1,200	Hold	5,601	103.1	114.8	133.3	9.5	8.5	7.3	8.8	7.2	6.4	9.2	10.3	10.9	11.7	11.9	12.5
Page Industries	27,800	28,800	Hold	31,008	311.1	410.8	526.0	89.4	67.7	52.8	67.2	52.6	41.6	58.8	63.2	66.0	41.0	44.2	45.8
Arvind Limited	296	500	Buy	7,664	12.1	15.3	20.1	24.4	19.3	14.8	13.9	11.7	10.0	9.5	11.0	12.4	8.2	9.5	11.2
Rupa	261	470	Buy	2,073	10.8	12.5	15.9	24.1	20.8	16.4	19.6	17.0	13.8	19.5	20.9	24.2	17.3	18.0	20.3
Auto																			
Amara Raja Batteries	725	875	Hold	12,384	27.6	32.8	41.6	26.3	22.1	17.4	15.9	13.3	10.7	23.3	23.5	25.3	16.0	16.3	17.5
Apollo Tyres	203	325	Buy	11,584	12.7	19.5	25.0	16.0	10.4	8.1	11.5	8.4	7.2	7.8	10.7	12.6	7.4	10.4	12.0
Ashok Leyland	106	135	Buy	31,234	5.3	6.6	8.2	19.9	16.1	13.0	10.2	8.8	6.8	28.5	31.2	33.0	21.9	23.4	24.2
Bajaj Auto	2,550	2,550	Hold	73,789	140.6	142.3	161.7	18.1	17.9	15.8	14.9	14.0	12.2	29.6	27.7	28.5	21.5	19.6	20.1
Bharat Forge	561	720	Buy	26,118	16.2	24.1	28.1	34.6	23.3	20.0	17.4	14.2	12.0	23.0	27.0	26.1	17.5	23.8	21.7
Mahindra CIE	242	280	Buy	9,170	9.5	13.4	16.5	25.6	18.1	14.7	13.0	10.1	8.2	11.2	13.9	16.1	9.8	12.0	13.0
Eicher Motors	21,676	32,900	Buy	59,105	725.5	989.1	1,214.6	29.9	21.9	17.8	26.5	20.6	16.4	39.1	37.0	35.1	29.9	28.7	27.1
Hero Motocorp	2,834	3,700	Buy	56,606	185.1	195.7	231.3	15.3	14.5	12.3	10.6	9.5	7.8	43.7	42.7	43.8	32.1	30.0	30.7
Tata Motors	209	290	Hold	66,030	26.8	17.1	31.8	7.8	12.2	6.6	2.7	3.0	2.6	10.5	8.6	10.5	10.3	9.1	11.8
Balkrishna Industries	970	1,250	Hold	18,752	38.2	50.2	59.2	25.4	19.3	16.4	21.0	14.8	12.1	22.4	25.8	25.9	18.1	19.4	19.2
Bosch	18,280	20,000	Hold	55,792	449.1	585.3	645.5	40.7	31.2	28.3	26.8	21.9	19.1	21.4	24.2	23.9	14.4	16.2	16.0
Exide Industries	246	300	Buy	20,923	7.9	10.1	12.3	31.1	24.4	20.0	18.3	14.7	12.2	19.1	20.7	22.2	13.0	14.2	15.4
JK Tyre & Industries	90	120	Hold	2,041	2.9	15.7	22.1	30.9	5.7	4.1	10.5	6.0	4.9	7.8	13.2	15.3	3.7	16.6	18.8
Maruti Suzuki	6,817	9,875	Hold	205,926	255.6	317.8	379.8	26.7	21.4	17.9	23.4	19.3	16.2	25.9	27.1	27.6	18.5	19.9	20.4
Motherson Sumi	231	335	Hold	48,628	7.6	11.2	14.4	30.5	20.6	16.0	13.9	10.6	8.5	16.3	22.5	27.0	17.4	23.0	24.8
Wabco	6,190	7,200	Hold	11,741	143.8	175.3	205.8	43.0	35.3	30.1	30.6	26.3	21.6	25.1	25.8	24.9	17.9	18.3	17.9
Building Materials																			
Century Plyboard	155	250	Hold	3,438	7.1	9.3	12.0	21.9	16.6	12.9	4.1	3.5	2.9	18.2	22.5	23.4	18.7	20.8	22.3
Kajaria Ceramics	331	475	Hold	5,256	14.8	15.4	19.8	22.3	21.5	16.7	3.9	3.4	2.9	22.7	21.0	23.9	17.4	15.9	17.7
Somany Ceramics	342	520	Hold	1,449	18.3	18.3	24.6	18.7	18.7	13.9	2.5	2.2	2.0	12.8	12.1	14.6	13.3	12.1	14.3
Greenply Industries	137	220	Hold	1,676	11.2	10.5	13.5	12.2	13.0	10.1	1.8	1.6	1.4	11.9	12.2	14.7	14.8	12.3	13.7

*CMP as on Oct 8, 2018, * UR= Under Review*

Valuation Matrix

Sector / Company	CMP	TP	Rating	M Cap	EPS (Rs)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Capital Goods																			
VA Tech Wabag	252	385	Hold	1,378	26.4	33.8	44.3	9.5	7.5	5.7	1.2	1.0	0.9	21.4	21.9	25.2	11.5	12.5	14.5
SKF Bearing	1,651	2,070	Buy	8,476	57.6	62.9	68.6	28.6	26.3	24.1	4.6	4.1	3.6	23.7	23.1	22.6	16.1	15.5	15.0
Timken India	550	835	Hold	4,137	13.5	16.1	18.8	40.6	34.2	29.3	29.7	23.4	20.2	18.9	19.8	20.4	13.1	13.7	14.0
NRB Bearing	160	215	Buy	1,551	9.4	10.2	11.5	17.1	15.7	13.9	11.1	10.3	9.1	26.7	24.5	24.2	24.0	21.7	20.6
Grindwell Norton	485	580	Buy	5,370	13.5	15.4	17.5	35.9	31.5	27.7	22.0	19.4	16.9	22.2	23.0	23.4	15.1	15.6	15.9
Thermax	890	1,317	Buy	10,606	19.4	29.4	39.2	45.8	30.2	22.7	32.3	23.7	17.2	14.2	17.1	19.3	9.0	11.7	13.5
KEC International	256	400	Buy	6,593	18.5	16.9	22.6	13.9	15.2	11.4	8.9	8.4	6.8	17.1	15.6	17.9	23.3	16.8	18.7
Kalpataru Power	301	520	Buy	4,623	20.6	24.2	29.0	14.6	12.5	10.4	9.8	8.7	7.4	16.3	16.6	17.3	11.2	11.8	12.5
Greaves Cotton	120	180	Buy	2,918	8.5	8.6	8.8	14.1	14.0	13.5	12.9	11.0	10.7	28.2	32.5	32.0	19.8	22.9	22.7
Larsen & Toubro	1,210	1,530	Buy	169,601	39.2	47.6	53.5	30.9	25.4	22.6	25.2	21.8	19.2	15.7	17.2	18.0	12.5	14.2	14.8
Bharat Heavy Electrical Limited	69	75	Hold	25,186	2.0	3.9	4.7	33.7	17.7	14.6	4.8	4.8	5.5	5.2	6.3	7.2	2.2	4.1	4.8
AIA Engineering	1,591	1,910	Buy	15,004	46.7	50.2	63.7	34.1	31.7	25.0	29.4	24.8	19.3	24.2	25.9	28.0	20.2	19.2	20.8
Bharat Electronics Ltd	77	105	Buy	18,689	5.9	6.3	7.8	13.0	12.2	9.8	11.4	10.1	9.3	23.5	23.4	28.6	17.0	16.4	19.1
Engineers India Ltd	106	135	Buy	6,667	6.0	6.4	-	17.6	16.6		13.4	12.4	11.7	22.7	23.4	22.1	16.7	17.2	-
Cochin Shipyard	369	580	Buy	5,021	29.2	34.5	36.5	12.7	10.7	10.1	5.6	5.4	5.5	13.4	14.0	13.2	12.2	13.4	13.3
Elgi Equipments	247	350	Buy	3,914	6.0	7.5	10.0	41.1	33.0	24.8	22.2	18.8	14.5	14.3	16.8	19.7	14.1	15.5	17.5
ABB India Ltd	1,369	1,400	Buy	29,002	19.8	22.8	29.2	69.1	60.1	46.8	34.3	30.0	23.4	23.2	23.9	25.6	11.6	12.2	14.0
cement																			
India cements	89	140	Buy	2,766	3.3	4.3	7.5	27.4	20.9	12.0	8.7	8.6	6.8	5.1	5.1	6.7	1.9	2.5	4.2
Ambuja	204	245	Hold	40,418	6.3	6.6	8.3	32.3	30.6	24.4	19.5	18.5	14.5	11.3	12.9	16.6	6.3	6.5	7.9
Ultratech	3,743	4800	Buy	102,792	81.3	93.8	160.2	46.0	39.9	23.4	21.7	19.5	13.7	10.0	10.5	15.0	9.5	9.2	13.7
Heidelberg cement	138	180	Buy	3,118	5.9	7.2	9.3	23.3	19.1	14.8	11.1	9.7	8.5	14.8	17.9	21.3	12.8	14.5	16.8
JK Lakshmi	273	375	Buy	3,217	7.1	8.3	15.2	38.3	33.1	18.0	13.0	12.0	9.2	8.8	9.4	12.8	5.8	6.3	10.5
Jk cement	693	830	Hold	4,844	48.9	45.1	56.3	14.2	15.3	12.3	8.9	10.0	9.0	14.6	11.9	12.8	16.7	13.3	14.6
Mangalam cement	205	250	Hold	547	4.3	-6.9	1.3	48.1	NM	160.7	11.1	19.9	13.5	7.2	3.3	6.0	2.2	-3.7	0.7
Shree cement	16,001	18,500	Hold	55,743	397.8	354.3	530.9	40.2	45.2	30.1	24.7	23.4	18.2	15.3	13.1	17.2	15.6	12.5	16.2
ACC	1,447	1,800	Buy	27,177	49.2	49.8	69.4	29.4	29.1	20.9	16.5	15.5	11.7	14.0	14.3	18.5	9.9	9.7	12.9
Star Cement	102	125	Hold	4,264	7.9	5.5	6.2	12.9	18.4	16.5	9.8	11.7	10.1	21.6	16.1	18.0	22.4	14.0	13.9
The Ramco Cement	612	844	Buy	14,427	23.5	24.8	33.5	26.1	24.7	18.3	14.6	14.3	10.6	10.4	9.7	12.0	13.7	13.3	15.8
Sagar Cements	654	900	Buy	1,333	12.9	19.5	28.1	50.8	33.5	23.3	13.5	11.7	9.9	8.1	9.3	10.8	3.4	4.9	6.6

Sector / Company	CMP	TP	Rating	M Cap	EPS (Rs)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Construction																			
NBCC	53	95	Buy	9,504	1.9	2.2	3.2	28.5	24.0	16.4	26.4	21.7	13.4	26.5	28.6	36.7	18.3	19.6	25.1

*CMP as on Oct 8, 2018, * UR= Under Review*

Valuation Matrix

Sector / Company	CMP	TP	Rating	M Cap	EPS (Rs)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Construction																			
NBCC	53	95	Buy	9,504	1.9	2.2	3.2	28.5	24.0	16.4	26.4	21.7	13.4	26.5	28.6	36.7	18.3	19.6	25.1
NCC Limited	69	140	Buy	4,138	4.8	6.5	8.2	14.4	10.6	8.4	8.0	7.2	6.2	15.9	15.3	16.8	6.8	8.4	9.8
Simplex Infrastructure	225	480	Hold	1,269	19.9	21.0	35.5	11.3	10.7	6.3	8.7	7.5	6.4	11.6	11.5	13.1	7.2	5.6	8.3
Consumer Discretionery																			
Havells India	569	690	Buy	35,564	11.4	14.0	17.1	49.8	40.6	33.2	39.8	31.1	25.0	25.2	29.0	29.4	18.8	21.7	21.8
Voltas Ltd	480	650	Hold	15,873	17.5	19.8	22.9	27.5	24.3	20.9	30.0	24.5	20.2	19.8	23.5	24.0	14.8	17.9	18.1
Asian Paints Ltd	1,235	1,575	Hold	118,490	21.9	24.7	31.5	56.5	50.1	39.2	42.7	36.8	29.8	31.6	30.0	31.0	24.9	24.1	25.5
Kansai Nerolac	391	515	Hold	21,093	9.6	10.5	12.6	40.8	37.3	31.1	36.8	33.0	27.2	24.5	25.0	26.1	16.5	17.1	18.0
Bajaj Electricals Ltd	476	650	Hold	4,869	8.2	20.3	22.3	58.1	23.4	21.3	22.1	16.5	14.2	18.1	17.9	18.1	13.7	19.8	18.4
Symphony Ltd	840	1,350	Buy	5,875	27.5	23.1	33.1	30.5	36.3	25.4	34.4	38.1	25.2	41.3	29.9	39.1	31.5	26.4	33.8
Essel Propack Ltd	96	115	Hold	3,021	5.5	5.9	7.7	17.3	16.4	12.5	8.4	8.1	6.8	18.0	19.0	21.2	15.2	14.8	17.5
V-Guard Ltd	162	220	Hold	6,916	3.1	4.2	5.5	51.8	38.9	29.5	48.0	36.6	27.6	23.7	28.8	30.9	17.7	21.8	23.5
Pidilite Industries	956	1,200	Hold	48,560	18.8	19.5	24.4	50.7	49.0	39.2	42.4	36.9	30.5	33.6	30.9	33.6	27.0	22.6	24.4
Supreme Industries	956	1,320	Hold	12,143	33.9	40.8	44.8	28.2	23.4	21.4	19.2	17.3	14.7	27.9	28.5	29.7	22.7	22.9	23.0
Astral Poly Technik Ltd	820	1,180	Hold	9,823	14.7	20.1	26.6	55.9	40.8	30.9	41.6	30.3	24.1	22.9	25.0	26.6	17.2	18.2	19.6
Time Technoplast	122	175	Buy	2,749	8.0	10.0	12.5	15.2	12.1	9.7	8.5	7.2	6.1	14.9	16.5	18.0	12.2	13.7	14.7
FMCG																			
Hindustan Unilever	1,554	1,800	Hold	336,354	24.2	30.3	36.0	64.1	51.2	43.2	49.5	40.0	33.7	79.9	102.5	119.4	74.7	86.9	99.5
Colgate Palmolive	1,050	1,150	Hold	28,557	24.8	26.8	30.3	42.4	39.2	34.7	25.9	24.7	21.4	62.9	58.5	59.0	44.7	41.4	41.6
Dabur India	406	475	Buy	71,666	7.7	8.7	10.4	52.6	46.7	39.0	47.0	41.9	35.2	26.2	26.9	29.5	23.8	24.1	26.0
GSK Consumer Healthcare	6,510	7,700	Buy	27,376	166.5	197.2	217.5	39.1	33.0	29.9	27.8	23.9	21.3	29.8	31.4	31.6	20.1	21.6	21.6
ITC	270	365	Buy	330,800	9.2	10.3	11.5	29.3	26.2	23.5	23.3	20.2	18.2	30.9	34.0	36.2	21.3	23.6	25.0
Jyothy Laboratories	190	250	Buy	6,905	8.8	4.9	6.2	21.5	38.4	30.5	28.0	25.6	22.8	35.1	33.8	37.3	23.5	25.3	29.6
Marico	306	400	Buy	39,500	6.4	8.0	9.6	47.7	38.5	31.8	39.6	32.2	26.3	38.9	44.2	45.9	32.5	36.3	37.3
Nestle India	9,359	12,000	Buy	90,237	127.1	158.2	194.4	73.6	59.2	48.2	46.1	41.0	34.0	34.9	45.3	47.7	37.6	42.2	42.7
VST Industries	2,641	4,000	Buy	4,079	117.8	158.4	175.4	22.4	16.7	15.1	14.7	11.4	10.4	46.9	54.4	51.5	31.3	36.3	34.7
Prabhat dairy	117	185	Buy	1,143	4.8	6.3	9.2	24.2	18.6	12.7	11.7	11.8	9.5	9.6	11.3	14.1	7.0	8.2	11.2
Varun Beverage	740	860	Buy	13,516	11.7	15.7	22.5	63.1	47.3	32.9	18.9	15.1	12.5	12.7	15.6	19.0	12.1	14.7	19.1
Hospital																			
Apollo Hospital	1,071	1,190	Buy	14,896	10.8	24.2	38.3	99.6	44.3	28.0	22.9	17.9	13.8	6.3	8.5	11.2	4.0	8.4	12.0
Narayana Hrudalaya	230	280	Buy	4,700	2.5	1.7	5.5	91.6	135.5	42.1	27.9	24.8	17.0	6.3	5.9	10.6	4.9	3.2	9.4
Hotels																			
EIH	142	205	Buy	8,125	3.1	4.0	4.5	45.3	35.3	31.8	33.7	23.5	21.0	8.7	11.2	11.6	6.6	8.0	8.4
Indian Hotels	121	155	Buy	14,390	0.8	1.4	1.6	142.7	89.2	74.7	25.8	23.2	21.7	5.5	6.3	6.7	2.2	3.8	4.4
Taj GVK	158	270	Buy	990	3.3	5.2	7.4	48.6	30.2	21.4	21.6	20.1	16.5	9.0	9.6	11.9	5.5	8.4	10.8
Insurance																			
SBI Life Insurance Company Ltd	543	870	Buy	54,300	9.5	11.5	14.2	56.9	47.2	38.4	-	-	-	23.0	17.9	18.9	18.6	19.1	20.2

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Valuation Matrix

Sector / Company	CMP	TP	Rating	M Cap	EPS (Rs)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
IT																			
Cyient	718	760	Hold	8,114	36.0	39.3	47.6	19.9	18.3	15.1	14.9	11.6	10.6	21.4	20.2	21.5	17.3	17.0	18.1
eClerx Services	1,031	1,120	Hold	3,989	72.9	71.1	80.2	14.1	14.5	12.9	10.0	9.5	7.8	23.2	23.3	24.5	19.3	16.8	17.6
Firstsource Solutions	54	87	Buy	3,750	4.8	5.1	6.1	11.4	10.6	8.9	12.9	11.1	9.2	13.0	16.4	17.5	13.9	13.7	14.9
HCL Technologies	1,069	1,050	Hold	148,812	62.6	68.1	75.1	17.1	15.7	14.2	13.1	10.4	8.9	27.4	27.9	27.6	23.8	22.6	22.0
Infosys	710	705	Hold	310,046	32.3	35.6	39.2	22.0	19.9	18.1	15.6	13.9	12.5	30.9	30.4	30.9	22.5	21.8	22.1
KPIT Technologies	190	300	Hold	3,752	12.9	17.9	21.3	14.8	10.6	8.9	15.8	11.5	9.5	15.9	19.8	20.6	14.2	17.0	17.2
MindTree	981	1,245	Hold	16,103	34.3	43.8	56.5	28.6	22.4	17.3	25.3	17.0	13.1	24.9	29.7	33.3	20.8	23.4	26.0
NIIT Technologies	1,107	1,250	Buy	6,816	45.6	57.9	68.7	24.3	19.1	16.1	15.1	12.4	10.1	19.4	21.5	21.9	15.8	17.3	17.6
Persistent Systems	714	925	Buy	5,712	40.5	47.0	54.6	17.6	15.2	13.1	14.0	11.1	9.2	19.9	20.7	21.3	15.2	15.7	16.2
Tata Consultancy Services	2,068	2,060	Hold	791,654	135.4	80.8	89.6	15.3	25.6	23.1	22.8	18.8	16.5	37.6	43.9	39.8	29.6	34.2	30.9
Tech Mahindra	693	770	Buy	67,989	42.7	44.7	51.3	16.2	15.5	13.5	14.9	11.2	9.3	21.5	20.3	20.1	20.2	18.3	17.7
Wipro Technologies	315	325	Buy	142,462	16.9	18.8	21.6	18.7	16.7	14.6	12.5	11.3	9.7	16.9	15.9	16.2	16.6	15.3	15.4
InfoEdge	1,395	1,520	Buy	17,007	15.0	25.0	31.5	93.2	55.8	44.3	56.0	46.6	37.9	17.7	20.0	21.4	8.7	13.3	15.0
TeamLease Services	2,255	2,900	Hold	3,855	42.8	60.4	79.6	52.7	37.3	28.3	64.9	46.3	35.2	15.4	17.7	19.1	16.3	18.5	20.0
Logistics																			
Blue Dart Express	2,900	3,850	Buy	6,881	60.9	68.5	83.7	47.6	42.3	34.7	25.1	22.8	19.2	29.3	30.4	33.6	27.2	27.4	29.6
Container Corporation of India	597	780	Buy	29,095	20.7	23.2	29.2	28.8	25.7	20.5	19.8	17.6	14.3	13.9	14.6	16.6	10.8	11.1	12.6
Gati Ltd	71	115	Buy	770	3.2	2.2	3.8	22.4	31.6	18.8	19.3	14.2	10.3	10.5	6.5	9.3	9.5	3.8	6.0
Gujarat Pipavav Port	102	120	Hold	4,934	4.1	5.1	5.7	24.9	19.9	17.8	13.7	12.4	10.6	12.1	12.2	13.9	9.2	10.8	11.5
Transport Corporation of India	266	400	Buy	2,041	13.2	20.4	24.3	20.1	13.1	11.0	12.6	9.0	7.8	13.4	15.9	16.0	16.3	19.4	18.8
Dredging Corporation of India	302	450	Sell	845	6.1	13.5	22.6	49.3	22.3	13.4	14.0	12.7	10.8	1.5	2.1	2.8	1.1	2.3	3.8
TCI Express	574	660	Buy	2,200	15.3	19.4	24.3	37.5	29.5	23.6	27.6	21.1	16.8	35.5	35.4	34.9	28.3	26.5	24.9
Media																			
Sun TV Limited	607	920	Buy	23,911	28.8	35.6	41.8	21.1	17.1	14.5	14.5	11.6	9.3	35.5	36.6	36.0	24.2	24.9	24.2
DB Corp Ltd	196	235	Hold	3,602	17.1	16.0	19.6	11.4	12.2	10.0	6.7	7.5	5.9	23.1	23.8	26.8	16.3	17.0	18.9
Dish TV Limited	52	80	Hold	9,501	-0.4	1.1	2.5	NM	45.9	21.0	12.0	7.2	6.2	3.1	9.1	11.1	0.1	3.1	6.4
Entertainment Network Limited	626	780	Hold	2,986	7.5	14.3	24.2	83.8	43.8	25.9	29.7	20.9	14.8	6.2	10.6	16.1	3.5	7.2	10.9
Inox Leisure Ltd	198	275	Buy	1,910	11.9	8.8	12.1	16.6	22.4	16.3	12.2	11.1	8.8	13.2	13.3	15.4	10.6	11.3	13.4
Jagran Prakashan Limited	109	185	Hold	3,223	10.3	11.9	13.5	10.6	9.1	8.1	8.9	7.4	6.3	19.1	21.5	23.1	15.9	16.9	17.3
PVR Limited	1,171	1,390	Hold	5,474	26.4	37.2	47.3	44.4	31.4	24.7	17.3	14.0	11.9	14.7	16.8	18.9	11.5	14.0	15.2
Zee Entertainment Enterprises Ltd	413	600	Buy	39,634	15.4	16.4	20.0	26.8	25.1	20.6	22.4	18.7	15.4	25.6	24.5	25.5	15.3	15.3	15.9
TV Today Network Limited	388	450	Hold	2,315	19.9	27.1	30.0	19.5	14.3	12.9	11.7	8.8	7.3	30.4	31.6	29.6	19.3	20.3	18.9

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Valuation Matrix

Sector / Company	CMP	TP	Rating	M Cap	EPS (Rs)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Metals, Mining & Pipes																			
Tata Steel	549	675	Buy	62,593	71.3	83.3	85.5	7.7	6.6	6.4	6.0	6.1	5.4	10.0	9.8	10.2	13.4	13.3	12.1
JSW Steel	366	375	Buy	88,410	25.3	29.0	31.8	14.5	12.6	11.5	3.0	2.6	2.7	16.7	18.3	17.1	21.8	23.2	20.7
NMDC	105	140	Buy	33,363	12.0	13.7	13.8	8.8	7.7	7.6	5.7	5.3	5.6	23.8	23.7	22.6	15.6	16.2	15.5
Hindalco	216	245	Buy	48,589	19.9	23.4	26.6	10.9	9.3	8.1	6.4	6.3	5.7	9.4	9.9	10.3	8.1	9.1	9.3
Vedanta Ltd	201	235	Hold	74,790	20.0	25.8	31.9	10.0	7.8	6.3	4.3	4.8	4.1	17.6	14.3	16.9	11.7	13.7	15.3
Hindustan Zinc	265	285	Hold	112,034	22.0	19.4	24.2	12.1	13.7	11.0	7.3	7.9	5.9	34.0	26.4	28.7	25.8	19.8	21.2
Graphite India	766	1,400	Buy	14,957	52.8	138.0	140.0	14.5	5.5	5.5	12.2	4.4	4.0	47.8	99.6	75.9	37.8	70.4	51.8
HEG	3,134	5,000	Buy	12,524	270.6	485.1	500.0	11.6	6.5	6.3	9.4	5.3	5.0	74.7	90.9	66.8	59.8	63.2	45.8
Maharashtra Seamless	412	570	Buy	2,761	29.9	46.7	53.1	13.8	8.8	7.8	12.0	8.2	7.0	7.8	11.8	12.5	6.8	9.8	10.1
Coal India	264	300	Hold	163,751	11.1	23.0	23.5	23.7	11.5	11.2	21.4	9.6	10.2	51.3	78.8	91.3	35.4	52.6	61.2
Ratnamani Metals and Tubes	811	1,050	Buy	3,790	32.5	42.1	49.7	25.0	19.2	16.3	15.7	12.6	10.6	17.1	19.1	19.0	11.6	13.4	13.9
MidCap																			
Rallis India	173	225	Buy	3,371	8.6	9.4	11.2	20.2	18.5	15.5	13.7	12.3	10.2	19.1	19.2	20.8	14.0	14.0	15.2
Swaraj Engines	1,370	1,900	Hold	1,661	66.1	74.0	82.8	20.7	18.5	16.5	16.1	13.9	12.2	45.9	50.2	52.1	35.1	36.6	37.8
VST Tillers & Tractors	1,590	2,000	Hold	1,374	129.6	103.0	125.0	12.3	15.4	12.7	13.8	13.8	11.2	24.0	19.5	20.4	18.8	14.2	15.1
KSB Pumps	677	1,000	Buy	2,358	20.4	23.8	28.5	33.3	28.5	23.7	24.2	19.8	16.1	10.6	11.7	13.4	10.0	10.8	11.8
Himadri Speciality	112	170	Buy	4,669	1.9	5.8	7.4	57.5	19.2	15.1	12.8	11.1	8.7	18.2	19.5	21.6	16.7	17.6	18.6
Oil & Gas																			
GAIL	341	450	Buy	76,932	20.5	23.9	26.4	16.7	14.3	12.9	11.3	10.0	9.2	15.4	16.0	16.1	11.5	12.4	12.7
Gulf Oil	723	910	Hold	3,599	31.9	34.7	41.6	22.7	20.8	17.4	18.3	15.4	13.0	35.1	39.1	39.0	33.9	30.3	29.7
HPCL	177	205	Hold	27,040	41.7	34.2	22.0	4.3	5.2	8.1	5.0	5.5	8.3	19.0	15.6	9.8	26.5	21.2	14.4
IGL	216	295	Hold	15,145	9.6	10.1	11.1	22.6	21.5	19.5	17.7	16.8	14.9	24.1	22.2	21.5	16.2	15.1	14.7
MRPL	64	95	Buy	11,208	12.8	9.9	11.0	5.0	6.5	5.8	4.2	5.4	4.9	23.1	16.9	17.6	20.4	14.8	15.0
ONGC	147	180	Hold	188,969	15.5	19.2	18.3	9.5	7.7	8.1	5.4	4.2	4.4	12.4	15.7	13.7	10.3	12.0	10.8
Petronet LNG	212	285	Buy	31,800	13.9	14.9	17.9	15.3	14.2	11.9	10.6	9.3	7.5	26.2	27.7	28.4	18.1	17.0	18.3
Castrol	138	155	Hold	13,630	7.0	6.8	7.4	19.7	20.2	18.6	15.2	15.8	14.7	111.0	348.2	684.9	67.8	189.4	331.2
GSPL	170	200	Hold	9,578	11.9	11.6	12.9	14.3	14.7	13.2	12.1	9.7	9.1	11.8	13.6	13.8	11.7	10.8	10.6
Gujarat Gas	608	940	Buy	8,372	21.2	32.1	37.6	28.7	18.9	16.2	14.5	12.1	10.3	12.9	16.5	17.7	13.8	16.4	18.8
BPCL	267	285	Hold	57,864	40.3	37.5	29.5	6.6	7.1	9.0	7.8	7.0	6.6	19.3	17.8	16.5	23.2	20.6	15.7
Mahanagar Gas Ltd	777	995	Hold	7,674	48.4	50.7	54.9	16.1	15.3	14.2	12.1	11.1	10.0	32.0	30.3	29.4	20.1	18.7	18.0
Others																			
Cox and Kings	168	225	Hold	2,957	20.8	12.3	17.0	8.1	13.6	9.8	5.8	6.5	5.3	11.5	10.2	12.1	11.6	6.3	8.0
Solar Industries India Ltd	1,011	1,150	Hold	9,149	24.4	27.4	34.2	41.5	36.8	29.5	28.0	25.0	19.5	22.5	23.4	26.9	20.3	21.0	23.3
United Spirits	465	680	Buy	33,789	9.0	8.7	12.9	51.8	53.8	36.1	37.4	35.9	26.2	22.3	27.2	33.2	26.2	20.7	23.6
United Breweries	1,108	1,410	Buy	29,287	14.9	19.1	24.3	74.2	58.0	45.6	41.5	35.5	28.8	22.5	24.2	26.2	14.7	16.3	17.5
Wonderla Holidays	271	415	Buy	1,532	6.8	9.7	11.7	39.8	27.9	23.1	21.0	16.9	14.8	7.2	8.7	9.7	5.0	6.8	7.7
Navneet Education Ltd.	110	160	Buy	2,573	5.5	7.4	8.9	20.2	14.8	12.3	14.6	11.7	9.8	22.4	26.0	28.4	16.9	20.3	21.2

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Valuation Matrix

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					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Pharma																			
Sun Pharma	600	690	Buy	143,992	9.0	16.5	24.9	66.6	36.3	24.1	25.1	20.9	15.8	9.8	11.6	15.0	8.1	9.5	12.8
Ajanta Pharma	986	1,205	Hold	8,679	53.0	47.4	60.0	18.6	20.8	16.4	14.9	16.1	12.8	30.0	22.2	23.2	23.0	17.0	18.4
Lupin	841	760	Hold	38,023	5.6	27.0	38.8	151.3	31.1	21.7	13.5	14.6	11.0	10.4	9.8	12.5	6.9	8.4	10.9
Aurobindo Pharma	731	915	Buy	42,853	41.4	42.6	49.5	17.7	17.2	14.8	12.6	12.3	10.4	20.0	18.1	15.7	20.7	17.8	17.3
Biocon	586	740	Buy	35,133	6.2	9.3	13.3	94.3	63.2	44.0	42.7	31.0	23.8	8.1	11.5	14.2	7.2	9.8	12.5
Cadila Healthcare	375	365	Hold	38,339	17.5	16.9	19.6	21.4	22.2	19.2	13.5	14.4	12.1	16.7	14.7	15.7	20.5	17.1	17.2
Cipla	635	620	Hold	51,132	17.5	20.1	26.0	36.2	31.7	24.4	18.7	16.6	13.3	9.6	12.3	15.3	10.4	10.4	12.2
Dr Reddy's Lab	2,338	2,170	Hold	38,813	57.0	95.3	125.1	41.0	24.5	18.7	18.7	14.2	12.2	6.1	9.0	11.1	7.2	11.0	12.8
Divi's Lab	1,259	1,375	Buy	33,417	33.3	45.9	53.1	37.8	27.4	23.7	23.4	18.3	15.8	20.0	23.1	23.2	14.9	17.8	17.8
Glenmark	590	555	Hold	16,648	28.5	32.1	33.9	20.7	18.4	17.4	12.3	12.0	10.4	14.2	14.9	14.1	15.4	14.9	13.7
Indoco	155	190	Hold	1,428	4.5	3.7	12.2	34.7	42.1	12.7	15.2	14.4	8.9	5.7	5.9	12.5	6.0	4.8	14.2
Ipca Lab	613	845	Buy	7,747	19.0	29.1	42.3	32.3	21.1	14.5	21.4	16.4	11.5	9.1	13.0	17.3	8.9	12.3	15.5
Jubilant Life	672	930	Buy	10,704	41.3	64.3	85.8	16.3	10.5	7.8	10.0	7.4	5.8	14.9	20.2	23.3	16.0	20.1	21.4
Natco	662	860	Hold	12,231	37.7	43.9	26.7	17.6	15.1	24.8	16.1	14.0	22.1	27.3	27.7	15.6	22.6	22.0	12.2
Torrent Pharma	1,563	1,675	Hold	26,448	40.1	44.4	69.7	39.0	35.2	22.4	23.2	14.9	12.0	11.2	14.3	18.9	14.7	14.5	19.4
Alembic Pharma	576	525	Hold	10,855	21.9	22.3	28.4	26.3	25.9	20.3	17.2	17.8	14.1	18.0	14.7	17.8	18.6	16.4	18.0
Syngene International	574	685	Buy	11,471	15.3	17.6	19.6	37.6	32.6	29.3	23.9	21.5	17.7	15.9	17.0	17.4	17.7	17.1	16.1
Power																			
Power Grid Corporation	184	235	Buy	96,366	17.4	20.8	22.5	10.6	8.9	8.2	9.6	8.7	8.1	9.2	9.6	9.7	16.0	16.5	15.5
CESC	805	1,200	Buy	10,677	96.3	107.0	113.8	8.4	7.5	7.1	7.0	7.3	6.5	10.7	12.1	12.6	10.0	10.0	10.7
NTPC	161	175	Hold	132,834	11.9	12.4	13.4	13.6	13.0	12.0	11.2	11.6	11.4	7.9	7.6	7.4	9.9	9.8	10.1
Real Estate																			
Oberoi Realty	374	530	Hold	13,606	12.6	27.1	25.5	29.7	13.8	14.7	22.5	10.1	10.3	8.5	14.4	12.5	7.5	11.0	9.2
Mahindra Lifespace	402	600	Buy	2,105	19.7	22.8	30.3	20.4	17.6	13.3	30.2	22.6	14.4	5.5	6.2	7.7	4.9	5.5	6.9
Sobha Ltd	396	570	Hold	3,756	22.9	26.1	30.6	17.3	15.2	12.9	12.5	10.8	9.3	9.7	10.4	11.6	7.8	8.4	9.2
Sunteck Realty Ltd	344	525	Buy	5,038	15.2	18.1	26.0	22.6	19.0	13.3	18.8	16.3	11.6	12.0	12.9	16.5	8.1	8.9	11.6
Retail																			
TTK Prestige	5,910	6,610	Buy	6,827	228.1	161.7	188.8	25.9	36.6	31.3	31.1	25.9	22.2	19.8	21.7	23.3	25.8	16.4	17.1
Shopper Stop	478	630	Buy	4,202	1.3	10.1	12.8	362.1	47.3	37.3	26.6	22.6	18.7	10.5	12.1	14.6	1.2	8.6	10.1
Titan Industries	797	1,090	Buy	70,757	12.4	16.2	20.4	64.1	49.3	39.1	45.6	35.6	28.5	34.9	38.3	40.0	22.2	23.5	24.8
Bata India	872	1,000	Buy	11,209	17.4	23.5	28.4	50.1	37.1	30.7	35.7	28.7	23.5	38.7	42.8	48.1	15.1	17.8	18.7
Trent Ltd.	329	410	Buy	10,925	2.6	5.1	7.2	125.5	64.1	45.6	62.9	44.8	35.3	10.0	12.7	15.4	5.5	10.0	13.0
Aditya Birla Fashion & Retail	177	205	Buy	13,652	1.5	2.5	3.1	115.9	71.2	56.4	33.7	26.6	21.7	8.5	10.8	12.2	10.8	14.9	15.8

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					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Road																			
IRB Infrastructure	122	230	Hold	4,282	27.7	23.0	27.2	4.4	5.3	4.5	5.8	5.2	3.3	6.6	6.9	7.9	15.2	11.5	12.2
Ashoka Buildcon	98	195	Buy	2,748	-4.2	0.9	3.0	NM	113.7	33.0	7.4	6.5	5.6	16.8	20.8	25.3	-36.9	7.1	19.7
PNC Infratech	129	215	Buy	3,309	9.8	7.2	10.4	13.2	17.8	12.4	12.4	12.8	9.3	13.4	11.3	14.3	13.9	9.4	12.0
Sadbhav Engineering	204	350	Buy	3,508	12.9	16.3	17.4	15.9	12.6	11.8	14.7	12.0	10.3	9.9	11.5	12.3	11.8	13.2	12.5
Telecom																			
Bharti Airtel	294	425	Buy	117,564	2.5	1.4	4.8	116.1	216.8	61.8	8.1	9.0	7.7	5.7	4.5	6.3	2.6	1.4	3.0
Bharti Infratel	264	290	Hold	48,820	13.5	11.9	12.6	19.6	22.2	20.9	7.3	8.4	8.6	21.1	18.8	19.9	14.7	14.0	15.9
Idea Cellular	33	50	Hold	28,826	-9.6	-9.8	-12.9	NM	NM	NM	12.6	25.4	16.0	-2.3	-5.9	-4.6	-15.3	-40.1	-41.8
Tata Communications	473	610	Hold	13,466	-11.5	3.4	15.1	NM	138.9	31.2	10.2	10.0	8.2	5.9	5.2	8.7	9.4	26.9	77.5
Sterlite Technologies Ltd.	279	400	Buy	11,203	8.3	12.2	15.9	33.4	22.8	17.5	18.2	13.3	10.8	30.5	28.5	29.4	29.6	31.9	30.6

Sector / Company	CMP	TP	Rating	M Cap	EPS (Rs)			P/E (x)			P/BV (x)			RoA (%)			RoE (%)		
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Banks																			
IndusInd Bank	1,585	2,150	Buy	95,333	47.9	60.1	81.5	33.1	26.4	19.5	4.7	4.1	4.1	1.8	1.8	2.0	15.0	16.2	18.8
Yes Bank	216	UR	Ur	49,776	14.9	18.3	19.2	14.5	11.8	11.3	2.5	2.1	1.9	1.8	1.6	1.3	19.0	17.6	15.8
Bank of Baroda	96	135	Buy	25,370	6.0	-9.2	10.0	16.0	NM	9.6	0.6	0.6	0.6	0.2	-0.3	0.4	3.4	-5.8	6.1
State Bank of India	260	340	Buy	232,084	-2.2	-7.3	6.6	NM	NM	39.3	1.0	1.1	1.0	-0.1	-0.2	0.3	-0.9	-3.0	4.5
City Union Bank	167	200	Buy	12,248	8.4	8.9	8.5	20.0	18.8	19.6	4.0	3.4	3.0	1.5	1.6	1.5	15.4	15.6	14.5
Axis Bank	549	725	Buy	141,112	15.4	1.1	22.2	35.8	511.5	24.7	2.7	2.5	2.2	0.6	0.0	0.8	0.5	8.6	13.2
DCB Bank	145	170	Hold	4,469	7.0	7.9	10.2	20.7	18.4	14.1	2.5	2.0	1.6	0.9	0.9	1.0	11.1	10.9	11.7
Federal Bank	69	105	Buy	13,746	4.8	4.5	6.2	14.4	15.5	11.3	1.7	1.5	1.1	0.8	0.7	0.8	9.6	8.2	9.3
Jammu & Kashmir Bank	39	58	Hold	2,188	-31.3	3.6	5.0	NM	10.8	7.9	0.3	0.4	0.4	-2.0	0.2	0.3	-27.0	3.4	4.4
Kotak Mahindra Bank	1,093	1,490	Buy	208,436	18.5	21.4	26.5	59.0	51.0	41.2	7.5	7.5	5.6	1.7	1.7	1.7	13.2	12.5	12.8
LIC Housing Finance	396	560	Hold	20,007	38.2	39.4	44.0	10.4	10.1	9.0	2.2	1.8	1.6	1.4	1.2	1.2	19.1	16.7	15.6
Reliance Capital	225	525	Hold	5,680	41.4	68.6	83.3	5.4	3.3	2.7	0.4	0.3	0.3	1.5	1.5	1.4	8.7	10.0	12.5
Bajaj Finserv Limited	5,260	7,750	Buy	83,705	142.2	172.3	226.8	37.0	30.5	23.2	6.3	5.3	4.0	1.9	1.9	2.0	15.5	15.0	16.0
Bajaj Finance Limited	1,927	3,050	Buy	111,356	33.9	44.5	59.2	56.8	43.3	32.5	15.0	11.6	7.0	3.3	3.3	3.4	21.6	19.6	19.0
Bandhan Bank	469	650	Buy	55,925	11.3	16.9	21.9	41.6	27.7	21.4	5.0	4.1	3.3	3.6	4.0	4.0	19.5	19.6	21.1

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