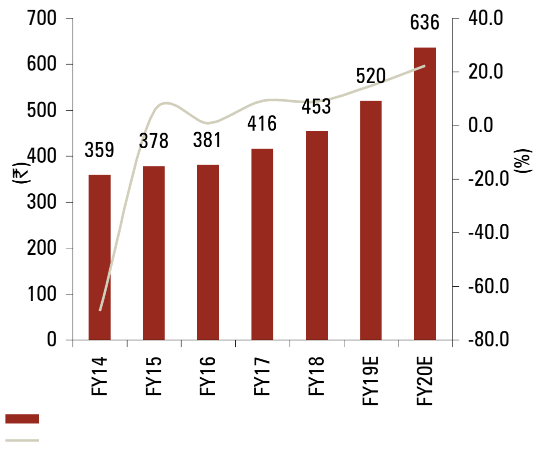
January 8, 2019

Select cyclicals, defensives to outperform…

Trend in Nifty EPS



Bloomberg, ICICI Direct Research

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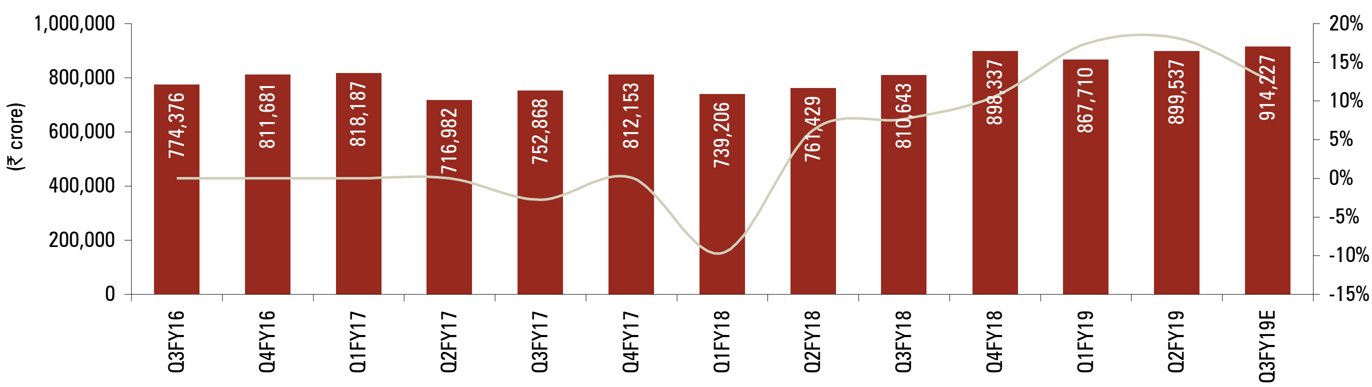
- The Q3FY19 earnings season will be interesting amid the prevailing volatile global macroeconomic conditions. Key highlights for the quarter include dwindling trade tensions between the US & China, steep correction in crude prices (high of US$86/barrel in October'18 to a low of US$53/barrel in December'18), concessions for rural population (farm loan waivers in key states) and reversal in G-sec yields (down 72 bps from 8.02% to 7.3%) due to prevailing low inflation. This will materially impact the performance of India listed companies with companies in our coverage universe expected to report healthy 12.8% topline growth. This coupled with margin erosion of 150 bps, will lead to bottomline de-growth of 3.4%. However, this is marred by muted performance in telecom (loss from Idea-Vodafone merged entity) and oil & gas space (inventory losses at OMCs). Adjusting for this, our coverage topline, bottomline growth is healthy 12.0%, 10.2%, respectively, for Q3FY19E
- On the sectoral front, for Q3FY19E, we expect select cyclicals and defensives to outperform. In the cyclicals domain, we expect a strong performance from capital goods companies, PSU banks and auto ancillary. In the defensives domain, we expect IT, FMCG & pharma to continue their double digit growth trajectory
- In our capital goods space, we expect coverage companies to deliver healthy topline and bottomline growth of 12.2% and 17.2%, respectively. In the banking space, we expect the PSU pack to outperform with pre-provisioning profit growth in double digits amid healthy NII growth of 18.7% on a YoY basis. In the auto ancillary coverage, we expect encouraging numbers on account of steady double digit replacement demand and decline in key raw material prices. On the defensive side, we expect the IT space to lead the charge with topline and EBITDA growth of 20% and 26.3% respectively, tracking large deal wins and increasing digital spends worldwide. In the FMCG pack, we expect organic volume growth to sustain at 6-8% across companies. This coupled with falling input costs price will lead to >10% bottomline growth. In the pharma space, Q3FY19E results are expected to be good on the back of acquisitions and recovery of the US base business
- Healthy double digit topline and bottomline growth in Q3FY19E is encouraging. This coupled with stable currency amidst decline in crude price, softening system interest rates (controlled inflation), resolution of stressed asset will lead to healthy 18.5% earnings CAGR over FY18-20E

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

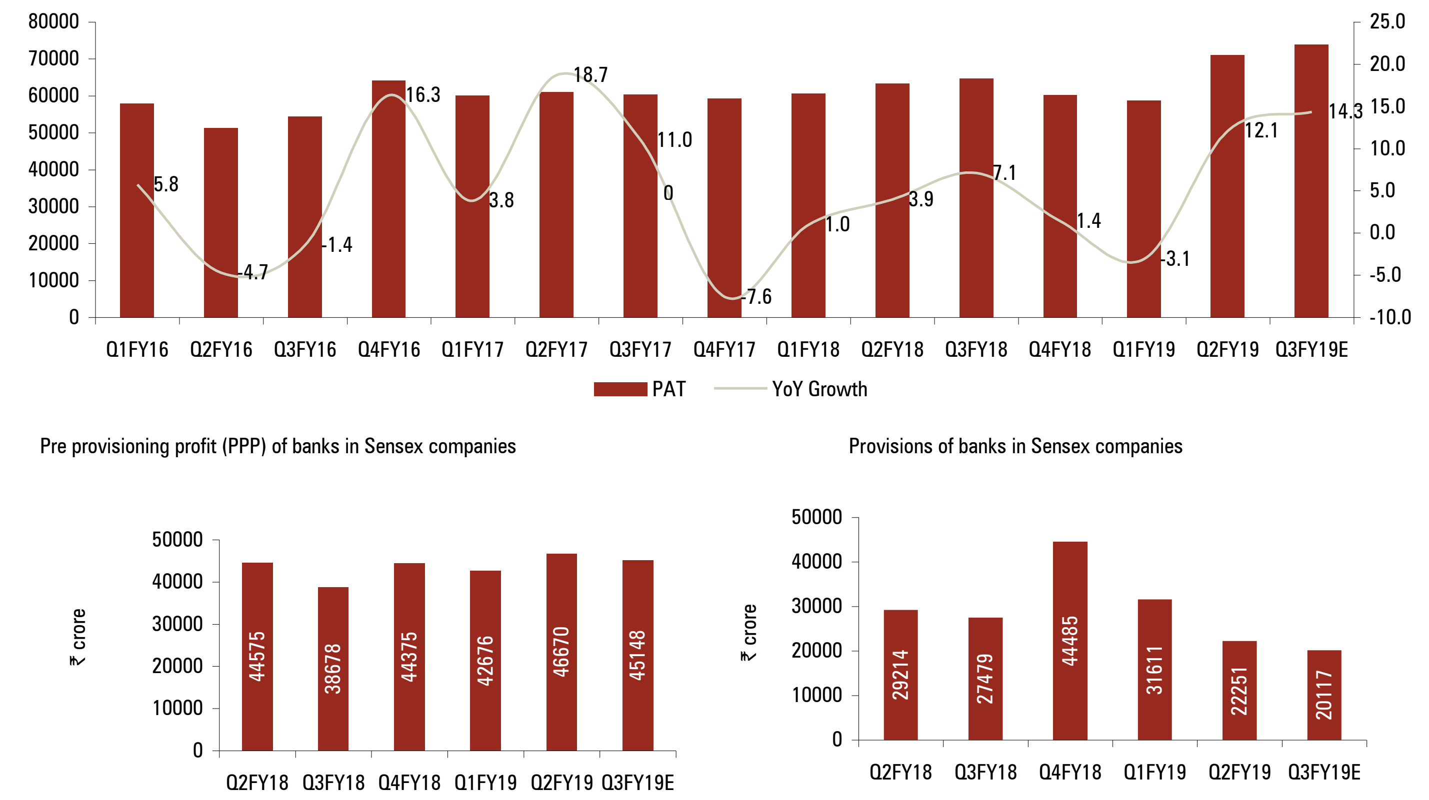


Source: Company, ICICI Direct Research

Performance of Sensex companies

- For Q3FY19E, we expect Sensex earnings to register healthy topline and bottomline growth of 16.2% and 14.3%, respectively. This is despite companies like Tata Motors that are expected to report subdued profitability (PAT decline of 60% YoY) for the quarter. Companies with 20%+ revenue growth include Infosys, TCS (led by deal ramp up), RIL, M&M, Tata Steel (attributable to higher volume), HCL Technologies (consolidation of acquisition) and Bajaj Finance. On the flip side, Bharti Airtel's revenue is likely to remain subdued (up 1.1% YoY) due to a weak India wireless performance on elevated competitive intensity. Maruti and Vedanta are also likely to report weak revenue growth of 1.2% and -14.1% respectively due to increasing channel inventory and decline in prices of major base metals along with the ongoing shutdown of its copper smelter
- On the profitability front, companies likely to deliver 20%+ growth include ONGC (higher average crude prices for the quarter on YoY basis), TCS (higher contribution from high margin segments, Tata Steel (attributable to higher realisation), Sun Pharma (low base effect) and Bajaj Finance (led by higher advances growth)

Exhibit 2: Trend in profitability of Sensex companies…



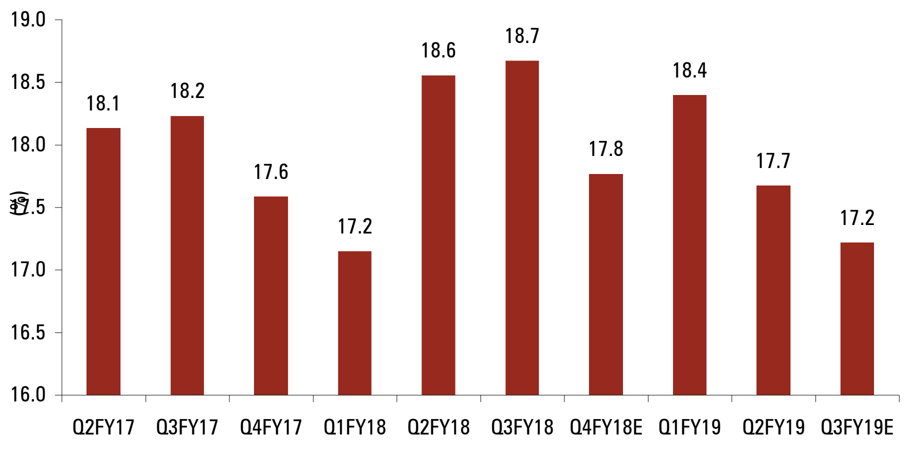
Source: Company, ICICI Direct Research

What we expect our coverage universe to report; emerging trends

- Revenues of our I-direct coverage are expected to grow 12.8% YoY in Q3FY19, with all sectors expected to report positive growth. The major revenue driver is the oil & gas sector which is expected to see ~14% YoY growth. Among other major sectors, IT and metal sector are likely to grow 20% YoY and 10.4% YoY respectively. The auto sector is likely to report moderate growth of 7% YoY basis, primarily due to subdued volume growth of major OEMs. For capital goods companies, Q3FY19 is expected to be strong with execution pick-up across companies. Our coverage capital goods companies have registered steady order inflows worth ₹ 27,578 crore led by order uptake in L&T
- For the banking sector, G-sec yields, in Q3FY19E, have declined sharply by ~72 bps from 8.02% to 7.3%. Thus, treasury gains would be positive for banks, as a whole, and PSBs, in particular, as PSU banks have provided ~₹ 20300 crore while private banks have provided ~₹ 1400 crore in H1FY19. SBI is the biggest beneficiary in our coverage universe. Also, an improving CD ratio and relatively steady slippages estimated in Q3FY19E would lead to steady margins for banks in Q3FY19E. For our coverage universe, we expect NII growth at 17.4% YoY to ₹ 56686 crore led by 18.8% YoY traction seen in NII of private banks. PSU banks are also estimated to clock double digit YoY growth. The impact of Essar Steel's account resolution is estimated to flow in Q4FY19E. Hence, with stable NII and lower provisions on declining slippages and investment MTM reversals, overall provisions are seen lower QoQ for PSU banks. Hence, they are expected to report 100% PAT growth (led by SBI)
- For Q3FY19E, the auto-OEM space is likely to witness muted wholesale volume performance (~4% volume growth) mostly due to softer consumer sentiments, bloated dealer inventory and higher ownership costs. Accordingly, retail sales were dull, despite festive season (PV down 14%, 2W down 13%, overall volumes down 11%). Thus, in our auto OEM coverage universe, topline and bottomline growth are expected at 4.9% and -13.9%, respectively
- On the flip side, our auto ancillary coverage is likely to deliver encouraging numbers on account of steady double digit replacement demand (~60-70% of total sales) and decline in key raw material prices (lead down 3.6% QoQ; rubber down 3.8% QoQ). This will lead to operating leverage benefits coupled with expansion in gross margins; eventually boosting the EBITDA margin profile. For these companies, topline, bottomline growth are expected at 15.1%, 21.8%, respectively
- For capital goods companies, Q3FY19E has been steady for order inflows due to a cautious stance ahead of general elections in 2019 and muted private capex, although, front loading of orders by capital goods companies in H1FY19 suggests better execution rate in H2FY19E. Companies like L&T, KEC, Bhel announced reasonable order wins across segments. Overall, coverage companies (Bhel, KEC, KPTL, L&T, Thermax) announced order inflows worth ₹ 27,578 crore with a sharp decline YoY (amid high base in Q3FY18), mainly led by public sector and government orders. L&T has secured orders worth ₹ 16869 crore. Overall, the coverage universe revenue is expected to grow 12.2% owing to stable execution rates at engineering, T&D, EPC and product companies like L&T, ABB, Thermax, Kalpataru Power, Engineers India and bearing companies. EBITDA for the coverage universe is expected to grow 16% with some margin expansion whereas PAT is expected to grow 17.2%. Interest expense for the coverage universe is expected to remain stable in Q3FY19E while focus on execution is likely to increase its working capital cycle

- The EBITDA margins of the coverage universe (ex-BFSI) is likely to contract 150 bps YoY to 17.2%

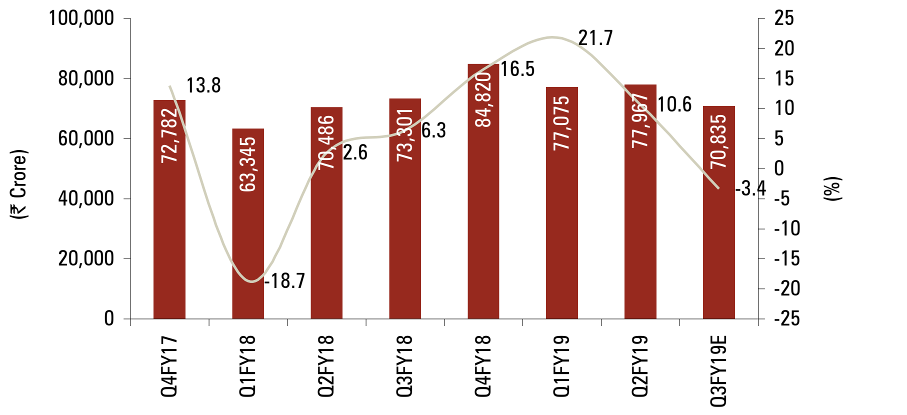
Exhibit 3: Trend in EBITDA margins of I-direct coverage universe (ex- BFSI)



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 de-growth of 3.4% YoY

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



Source: Company, ICICI Direct Research

Defensives: Consumption sectors, robust demand prospects prevail

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

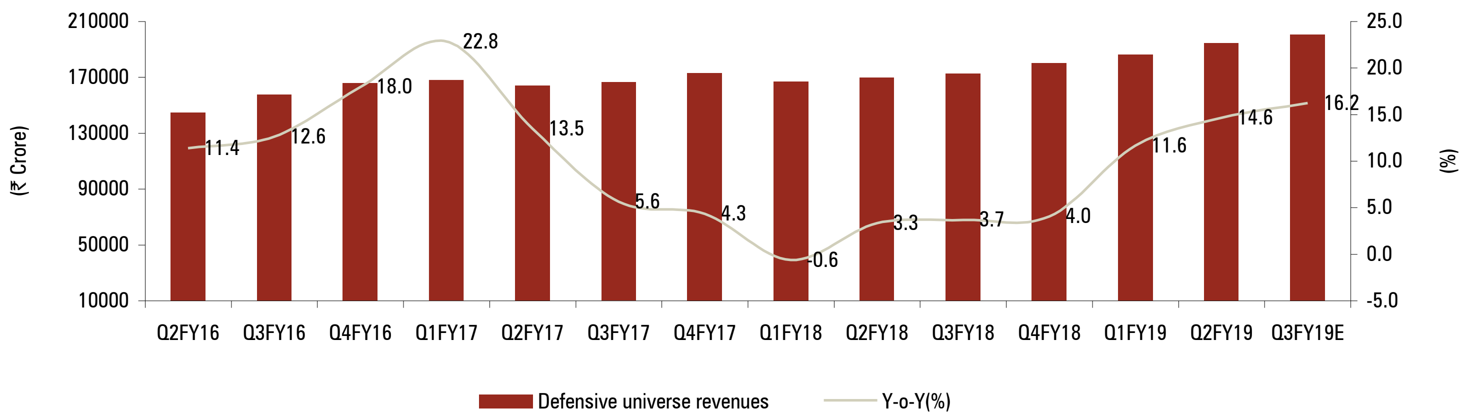
Key highlights:

We expect the demand revival for defensives to continue for a third consecutive quarter. Our I-direct defensive universe, is likely to report double digit growth of 16.2% YoY that will be among the best in the last eight quarters. Further, growth is largely broad based (revenue growth in the range of 11-20%) within the space. IT is the top growing sector within the space, primarily due 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, diluting some currency tailwinds, thus resulting in revenue growth of ~11% YoY. Our consumer discretionary universe is expected to grow 15.6% YoY, mainly volume driven and on low base effect of last year. The EBITDA margin of our I-direct defensive universe is likely to expand 40 bps YoY to 23.3% supported by FMCG (due to lower cost of its key inputs) & IT sector (due to rupee tailwinds)

- In the IT space, Q3 is expected to be seasonally weak for companies due to furloughs. However, healthy deal wins in H1FY19 and increasing contribution from the digital segment are expected to keep revenue growth steady in the quarter. Hence, Tier–I IT companies are likely to report constant currency growth of 1.7-2.7% QoQ. Among Tier-1, acquisition consolidation would aid growth in HCL Tech and Wipro while deal ramp ups would support growth in Infosys and TCS. Among mid tier, Persistent is likely to report healthy growth QoQ on the back of strong seasonality in Alliance business and low base in the last quarter. In terms of margins, IT companies are expected to report margin expansion mainly led by rupee depreciation (+80 bps) partly offset by cross currency (15-20 bps) and continuous investments in digital & onsite. IT companies have been key beneficiaries of healthy growth in US, increasing digital pipeline and large deal wins. However, taking into consideration macro uncertainty in UK over Brexit, potential slowdown in US economy, Accenture's cautious commentary on BFSI and margin trajectory in the wake of increasing cost pressures, commentary by Indian IT counterparts on the same fronts needs to be keenly watched
- Our FMCG coverage universe is expected to continue the growth momentum, whereby sales are expected to grow 12.1% mainly on the back of uptick in rural demand, shift towards naturals' space across segments, higher election spend by the government closer to general elections in May 2019, new launches across sectors and premiumisation within categories gaining significance. We expect organic volume growth of 6-8% across companies. Commodities such as milk, sugar, palm oil, Robusta prices have been benign over last few quarters. Continued focus on digital advertisement should help restrict marketing spend thereby improve operating margins. However, crude oil prices (used for packaging) have been volatile for a few months on global cues and has witnessed an increase of 12% YoY, which would restrict operating margins expansion to 81 bps for our FMCG universe. Continued focus on digital advertisement should help restrict marketing spend thereby improve operating margins. We estimate 10.1% YoY net profit growth for our coverage universe
- I-direct healthcare universe is expected to register 10.8% YoY growth to ₹ 44082 crore on the back of acquisitions and recovery of US base business besides currency tailwinds. However, on a case by case basis,

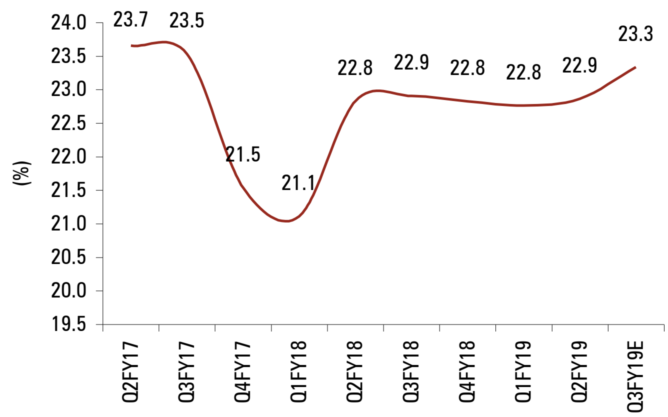
growth numbers are likely to be varied as the quarter is likely to witness a positive rub-off for some players and at the same time structural limiting factors for others. Domestic growth can be muted for some companies on the back of weaker acute season impact, which is also likely to impact their EBITDA margins. US revenues (select pack) are expected to grow 12.5% YoY mainly due to currency tailwinds and volume gain in the base business, which is likely to mitigate continued base business price erosion. In Q3FY19, average YoY rupee depreciation vis-à-vis US$ was 11.5%. On the hospitals front, growth is likely to be driven by newly commissioned hospitals. EBITDA margins are likely to contract 98 bps YoY to 20.5%. Higher raw material cost due to supply constraint from China, higher promotional cost of innovative products and lower domestic sales are likely to put pressure on overall margins during the quarter. In contrast to EBITDA, net profit is expected to increase 29.6% YoY to ₹ 5504 crore. Delta vis-à-vis EBITDA is likely to be on the back of higher base of tax rate in large companies

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



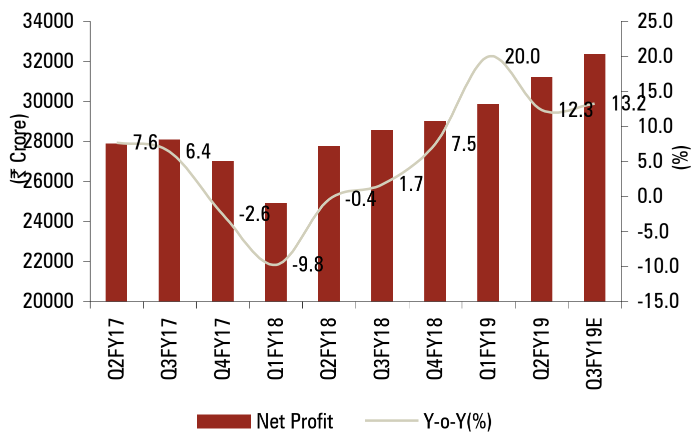
Source: Company, ICICI Direct Research

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

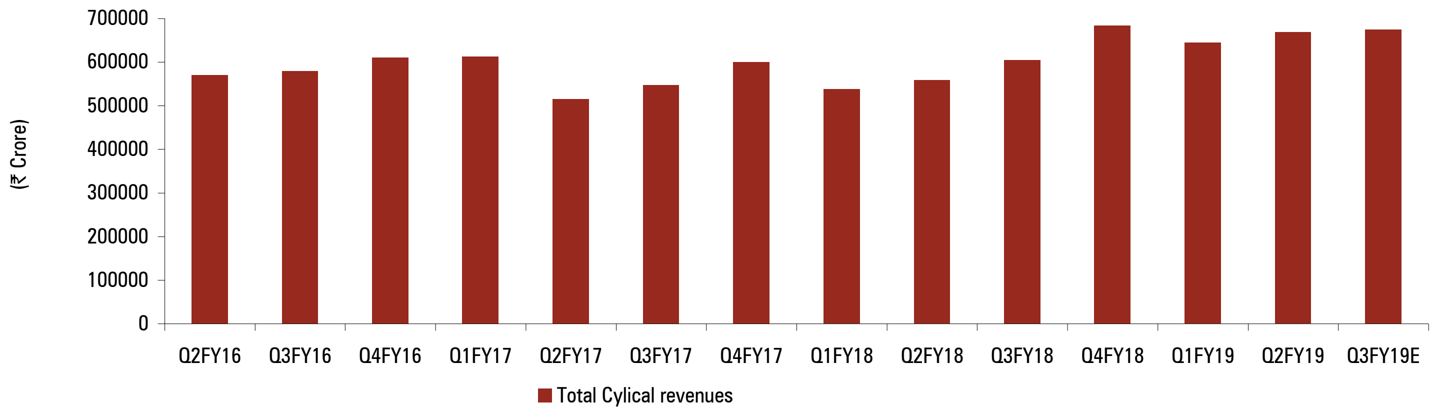
(Sector composition: auto, cement, capital goods, metals, power, infrastructure, real estate, oil & gas and telecom)

Key Highlights

- For Q3FY19E, the I-direct cyclical universe is expected to register revenue growth of 11.6% YoY, mainly supported by the oil & gas sector, which is expected to grow 14.1% YoY (higher oil prices on a YoY basis). Apart from that, all major sectors are likely to report revenue growth in the range of 7-30%. The metals space is likely to report revenue growth of 10.4% YoY, primarily supported by the ferrous space (with names like Tata Steel & JSW Steel). For capital goods companies, Q3FY19 is expected to be strong with robust execution 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 is expected at healthy 10.6% led by demand pick-up from southern region and capacity expansion by UltraTech, Shree Cement. Operating profits for cyclicals (ex-telecom, ex oil & gas) is expected to grow at 5% YoY. We expect EBITDA margins of our I-direct cyclical universe to contract 270 bps YoY to 15.5%
- In the hydrocarbons space, easing of sanctions on Iran by the US led to the beginning of a fall in crude oil prices. Fears of higher exports from Iran, increase in oil production from the US led to decline in Brent crude prices, which ended down 35.9% QoQ from US$83/bbl in Q2FY19 to US$53.2/bbl in Q3FY19 (on absolute basis). Average Brent crude declined to US$67.7/bbl in Q3FY19. Net realisations of upstream companies will decline QoQ and impact their profitability. City gas distribution (CGD) 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. The margins are also expected to improve QoQ following the price hikes taken by CGD companies and rupee appreciation. Benchmark Singapore GRMs declined during the quarter from US$6.1/bbl in Q2FY19 to US$4.3/bbl in Q2FY19. Product spreads for light distillate petroleum products like petrol, naphtha and LPG weakened significantly during Q3FY19. Also, inventory losses would lead to lower reported GRMs and profitability for OMCs during the quarter
- In the metals space, for Q3FY19, domestic steel prices have witnessed some softness on a QoQ basis. Furthermore, firm raw material costs (especially coking coal) are likely to result in a sequential decline in EBITDA/tonne of domestic steel companies. Accordingly, we expect domestic operations of Tata Steel to report an EBITDA/tonne of ₹ 16500/tonne (compared to ₹ 18856/tonne in Q2FY19). JSW Steel is expected to clock an EBITDA/tonne of ₹ 10000/tonne (compared to ₹ 12126/tonne in Q2FY19). On the non-ferrous front, the developments around the trade tussle between the US and China continued to weigh on the global trade flow, impacting global metal prices. During Q3FY19, average zinc prices were at US$2630/tonne, down 18.6% YoY but up 3.6% QoQ. Lead prices were down 21.0% YoY, 6.2% QoQ to US$1966/tonne. Aluminium prices were down 6.6% YoY, 4.3% QoQ to US$1966/tonne while copper prices were down 9.6% YoY but up 0.8% QoQ to US$6169/tonne
- In the cement sector, volume growth in our coverage universe would continue to remain in double digits mainly led by demand growth from southern region especially from AP, Telangana and Kerala region along with ramp up in capacity utilisation of Jaypee (17.1 MT acquired by

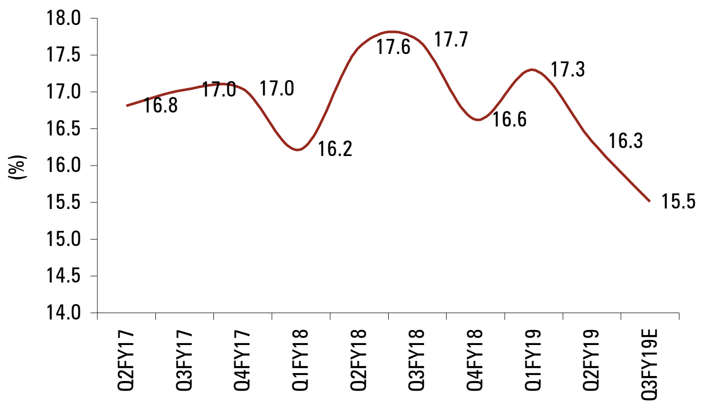
UltraTech) and capacity expansion in Rajasthan (3.6 MT) and Bihar (2 MT) by Shree Cement. However, on an organic basis, volume growth is expected to remain in single digit (up 8.7% YoY). In terms of prices, we expect cement prices in North & East to improve 1.0% and 1.3% YoY respectively, while prices in south region are expected to remain weak due to higher share of growth coming from non-trade segment. Prices in Central regions would continue to remain healthy due to balance demand supply mix while western region may see a marginal decline in prices on a QoQ basis. Overall, we expect all-India prices to improve 1.5% YoY but decline 0.7% QoQ reflecting the weak pricing environment post monsoon season. On the other hand, the recent changes in axle load norms & lower petcoke prices (down 12% YoY) will help reduce freight & power costs, respectively. Hence, we expect EBITDA/t of our coverage universe to improve by ₹ 37/tonne YoY and ₹ 122/t on a QoQ basis to ₹ 836/t

Exhibit 8: Trend in revenue growth of cyclicals



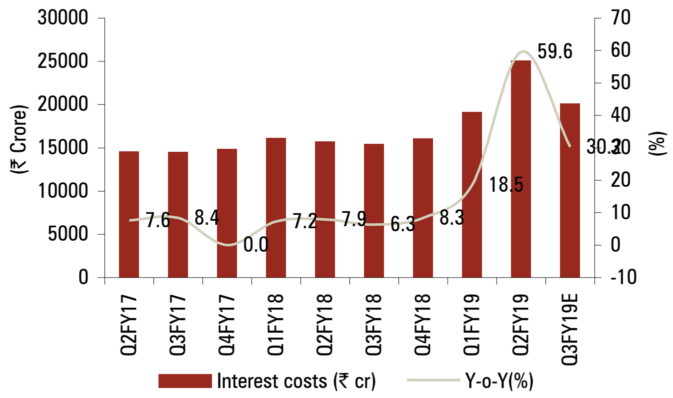
Source: Company, ICICI Direct Research

Exhibit 9: Trend in EBITDA margins



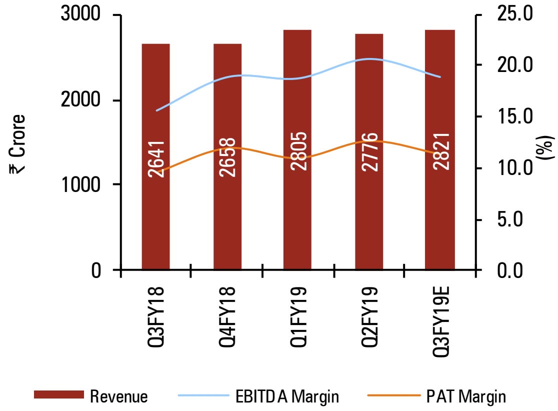
Source: Company, ICICI Direct Research

Exhibit 10: Interest costs…

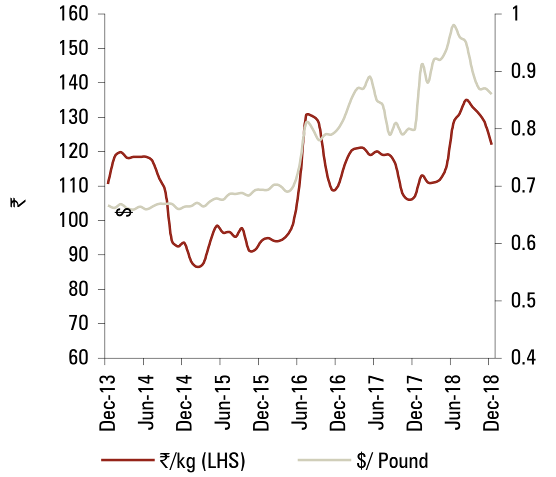


Source: Company, ICICI Direct Research

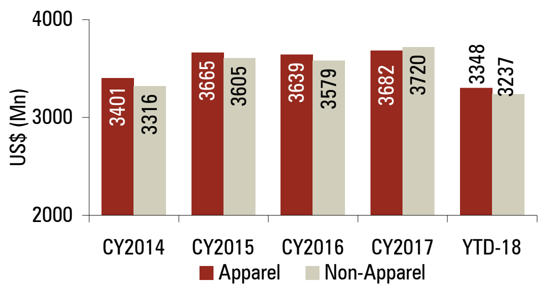
Topline & Profitability (Coverage Universe)



Cotton prices (domestic & international)



Indian textile exports to US



Apparel

Strong festive season expected to lead to sales revival for Q3FY19

Our apparel universe is expected to see an uptick in revenues due to a shift in the festive season and gradual stabilisation of trade channels post implementation of GST. We expect our coverage universe (excluding Vardhman Textiles) to report revenue growth of 13% YoY in Q3FY19.

We expect KKCL to report revenue growth of 13% YoY to ₹ 106.9 crore, mainly driven by volume growth to 10.7 lakh pieces. For Page Industries, after a disappointing quarter in Q2FY19 (flattish volume growth), we expect volume growth to rebound in Q3FY19. We anticipate Page will register revenue growth 15% YoY to ₹ 712.9 crore driven by volume and realisation growth of 10% and 5%, respectively. With new product launches, leisurewear (~30% of revenues) division has been an outperformer among other segments in H1FY19. We anticipate leisure segment will continue its healthy momentum and register revenue growth of 16% YoY in Q3FY19. Rupa & Company is expected to register steady revenue growth of 9% YoY to ₹ 302 crore, albeit on a high base of Q3FY18 (35% growth). With no immediate capacity coming on stream, we expect Vardhman Textiles to report revenue growth of 3% YoY.

Cotton prices to stay firm on lower production

With new cotton arrivals in November/December, average cotton prices (Shankar-6) have eased to a certain extent at ₹ 125/kg, after touching a peak of ₹ 135/kg in August 2018. However, on a YoY basis, prices still remain elevated (up 19% YoY). Cotton Association of India, in its latest press release, has trimmed cotton crop estimates to 34.0 million bales vs. previous estimate of 35.5 million bales (1 bale=170 kg). This now translates to a decline in cotton production by 7% for CS 18-19. Sustained domestic demand and lower crop production is expected to keep prices dearer for 2018-19.

Operating leverage to aid margin expansion

For KKCL, given the fixed cost nature of the business, a revival in revenue growth is expected to result in positive operating leverage. Hence, we expect EBITDA margins for KKCL to expand 310 bps YoY to 19.8%. 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 70 bps YoY to 21.5%. For Rupa, we expect EBITDA margins to improve marginally by 50 bps YoY to 15.4%. We expect EBITDA margins of Vardhman Textiles to improve 460 bps YoY to 18% due to a deflated base (Q3FY18 had one of the lowest EBITDA margins at13.5% due to high cost cotton inventory).

Exhibit 11: Estimates for Q3FY19E: (Apparel) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Kewal Kiran	106.9	13.2	-29.8	21.2	34.4	-55.8	14.4	38.3	-57.2
Page Industries	712.9	14.8	3.2	152.9	18.7	7.1	98.8	18.5	6.7
Rupa & Co.	303.1	9.0	22.4	46.7	13.0	-4.4	26.4	10.8	-5.9
Vardhman Tex	1,698.6	3.1	0.8	310.1	37.5	-6.3	180.9	33.5	-7.9
Total	2,821.5	6.8	1.6	530.9	29.0	-6.9	320.5	26.6	-8.6

Source: ICICI Direct Research

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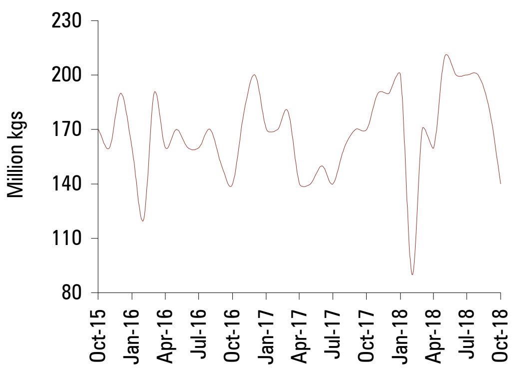
China's cotton yarn import



China's cotton yarn imports grew by 10.1% YoY in YTD-18 (Jan-Oct).

Lower export incentives result in subdued exports for YTD-18

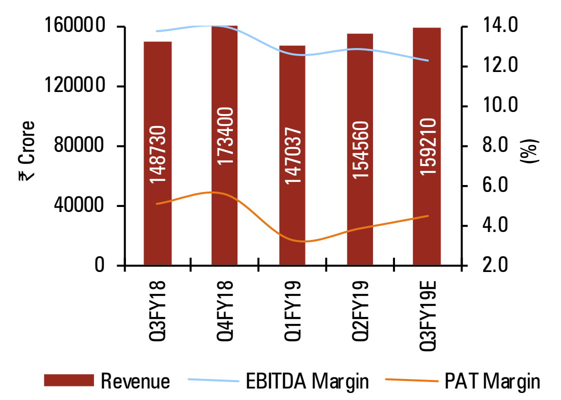
According to the data provided by Office of Textile and Apparel (OTEXA), India's textile exports to the US in YTD 18 (January-October) witnessed subdued growth owing to intense competition from countries like Bangladesh & Vietnam and recent cut in duty drawback rates. India's apparel exports to the US for YTD18 grew marginally by 4.0% YoY US$ 3348 million while non-apparel exports grew 2.7% YoY to US$3237 million.

Exhibit 12: Company specific view (Apparel)

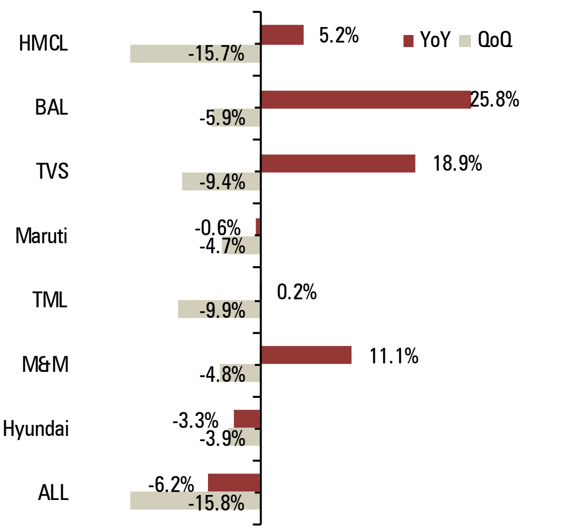
Company	Remarks
Kewal Kiran	Q2FY19 had turned out to be a tough quarter for KKCL owing to weak Onam sales and a delayed festive season. Furthermore, aggressive discounting by e-commerce players has severely impacted volume growth in the previous quarters. On a low base and shift of festive season in Q3FY19, we expect KKCL to report revenue growth of 13% YoY to ₹ 106.7 crore. Growth is mainly expected to be derived through volume growth of 13% to 10.7 lakh pieces with realisations remaining flat at ₹ 1000/ piece. With positive operating leverage kicking in, we expect EBITDA margins to expand 310 bps YoY to 19.8%. Consequently, we anticipate PAT will grow 38% YoY to ₹ 14.4 crore
Page Industries	After a subdued performance in Q2FY19 (10% revenue growth), we anticipate revenue growth will bounce back in Q3FY19. We expect topline to increase 15% YoY to ₹ 712.9 crore. For H1FY19, volume growth had tapered down to 4.6% YoY. We expect volumes to grow 10% YoY to 43.5 million pieces, with realisations improving 5% YoY to ₹ 164/piece. Leisure segment (sports) has been an outperformer among other segments in H1FY19 on account of new product launches. We anticipate leisure segment will continue its healthy momentum and register revenue growth of 16% YoY. Positive operating leverage is expected to enhance EBITDA margins by 70 bps YoY to 21.5%. Consequently, we expect PAT to grow 18.5% YoY to ₹ 98.8 crore
Rupa & Company	On a high base of Q3FY18 (35% revenue growth), we expect Rupa to register topline growth of 9% YoY to ₹ 302.3 crore. With positive operating leverage kicking in, we expect EBITDA margins to improve 50 bps YoY to 15.4% with EBITDA growth of 13% YoY to ₹ 47 crore. Higher finance expense (up 58% YoY) may impact profitability, to a certain extent. Subsequently, we expect PAT to increase 11% YoY to ₹ 26.4 crore
Vardhman Textiles	With no immediate capacity coming on stream, we expect VTL's revenues to increase 3.1% YoY to ₹ 1698.6 crore. In Q3FY18, the company had one of the lowest EBITDA margins at 13.5% due to high cost cotton inventory. On a deflated base, we expect EBITDA margins to improve 460 bps YoY to 18.2%. Higher tax rate (30% vs. 23% in Q3FY18) is expected to restrict PAT growth. Hence, we expect PAT to increase 33% YoY to ₹ 180.9 crore

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage universe)



Key players volume Dec '18 quarter growth (%)



Average Commodity price movement

Commodity (₹/kg)	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Steel	51	43	18.3	50	2.3
Aluminium	142	136	3.9	144	-1.8
Rubber	126	129	-2.5	131	-3.8
Plastics	79	73	8.3	76	3.3
Lead	143	162	-11.7	148	-3.6

Average Currency movement against INR

Currency	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
USD / INR	72.1	64.7	11.4	70.1	2.9
EUR / INR	82.2	76.2	7.8	81.5	0.8
GBP / INR	92.7	85.9	7.9	91.3	1.5
JPY / INR	0.64	0.57	12.3	0.63	1.6

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Auto and auto ancillary

High ownership costs dent demand, inventory correction under way!

The auto industry experienced a fairly muted wholesale volume performance in Q3FY19 chiefly owing to soft consumer sentiments and consequent bloated dealer inventory. Ownership costs at the consumer end came under pressure on the back of a 'perfect storm' created by front-ended insurance costs, higher fuel prices tracking similar movement in Brent crude and liquidity crunch related spike in interest rates. The increase in costs coincided with the quite essential festive season (Dussehra-Diwali) leading to low retail sales. According to the data released by FADA, retail sales were dull in the festive season (PV down 14%, 2W down 13%, overall volumes down 11%). This led to an increase in system inventory leading to low dispatches at the end of OEMs for November and December.

Volume front; 2W outshine in overall auto space!

In the 2W space, demand was still healthy given robust sales number in key states witnessing state elections. Hero, Bajaj, Eicher reported volume growth of 5.2%, 25.8%, 5.9%, respectively. In the M&HCV segment, change in axle load norms, increasing the permissible load carrying capacity of the existing fleet, played spoilsport. Ashok Leyland reported volume de-growth of 6%. In the PV segment, Maruti reported volume de-growth of 0.6%.

Auto OEM key laggards, auto-ancillary to outperform!

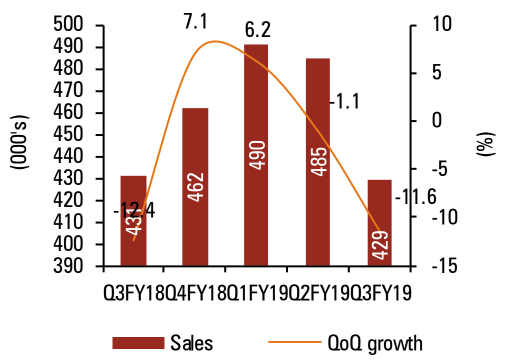
For our auto & auto ancillary coverage universe, we expect total topline to increase 7% YoY amid ~4% volume growth in the OEM space for the quarter. On the margin front, muted volumes will lead to negative operating leverage with margins contracting 140 bps YoY, 30 bps QoQ to 12.3% in Q3FY19. Consequent PAT is expected to decline 6% YoY. Within the auto & auto ancillary pack, auto OEM will be a laggard with auto ancillary the key outperformer. In the auto OEM space, topline and bottomline growth is expected at 4.9% and -13.9%, respectively. In the auto ancillary pack, topline and bottomline growth is expected at 15.1% and 21.8%, respectively.

Exhibit 13: Estimates for Q3FY19E: Auto and auto ancillary (₹ Crore)

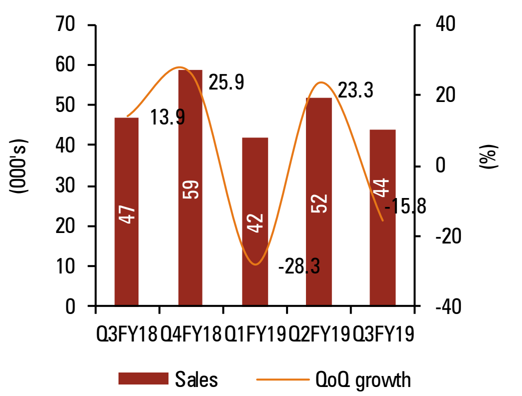
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Amara Raja	1673.8	7.7	-4.5	237.8	-1.6	0.5	125.0	-7.0	4.0
Apollo Tyre`	5004.5	23.6	17.5	684.4	37.9	46.5	311.1	26.8	113.1
Ashok Leyland	6,068.8	-14.7	-20.2	576.0	-26.9	-28.5	324.3	-27.9	-29.4
Bajaj Auto'	7,380.8	15.9	-7.6	1,212.5	-1.5	-9.7	1,034.8	8.7	-10.2
Balkrishna Ind	1333.1	20.5	0.6	373.2	28.7	12.2	246.0	29.8	10.6
Bharat Forge	1556.7	11.9	-7.3	435.3	4.6	0.2	233.4	2.3	2.6
Bosch India	3383.4	10.1	5.7	406.2	-9.3	-31.9	296.5	5.5	-29.4
Eicher Motors*	2,213.2	-2.3	0.0	672.9	-6.3	-8.6	462.4	-14.3	0.0
Escorts	1,414.7	17.4	1.2	169.8	17.1	7.8	113.4	23.3	10.4
Exide	2774.6	21.9	2.0	364.9	29.1	9.7	201.4	30.6	-25.0
Hero Motocorp	7,777.8	6.5	-14.4	1,124.2	-2.9	-18.5	765.4	-5.0	-21.6
JK Tyre `	2195.7	3.4	-12.0	276.6	29.9	5.4	72.3	559.4	58.0
Mahindra CIE `	645.7	15.0	-1.0	85.9	47.3	7.0	46.2	215.3	8.6
Maruti Suzuki	19,506.2	1.2	-13.0	2,827.7	-6.9	-17.6	1,853.6	3.0	-17.3
Motherson`	16538.4	14.9	9.5	1421.8	12.9	9.4	445.8	22.3	20.1
Tata Motors`	79,131.4	6.7	9.7	8,614.0	-9.0	10.1	486.1	-60.0	LP
Wabco India	611.0	-6.0	-17.7	80.2	-20.0	-34.9	59.5	-6.7	-37.7
Total	159209.9	7.0	3.0	19563.1	-4.0	-1.4	7077.3	-6.0	20.3

*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

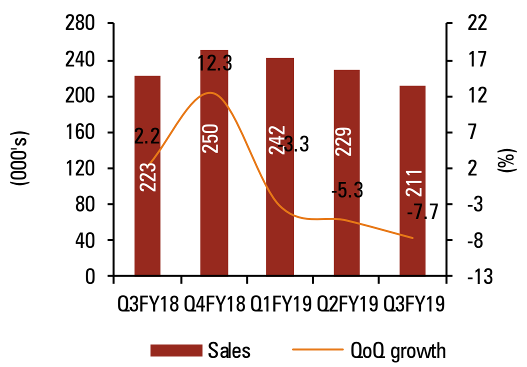
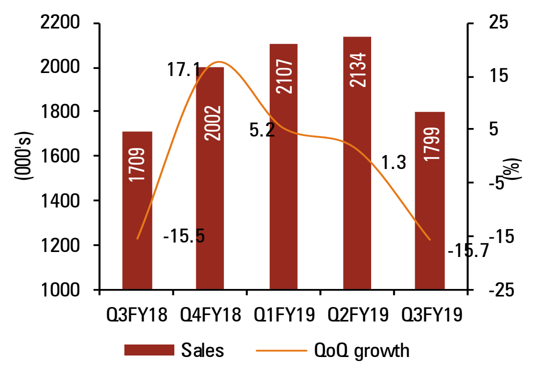


Exhibit 14: Company specific view- OEM

Company	Remarks
Ashok Leyland	Ashok Leyland is expected to report dismal performance in Q3FY19 primarily driven by de-growth in volumes and adverse product mix (higher share of LCV's). Total CV sales volume in Q3FY19 were at 43,761 units (down 6% YoY) comprising LCV sales volume of 13,953 units, up 28% YoY and MHCV sales volume of 29,808 units, down 17% YoY. LCV to MHCV mix in Q3FY19 was at 32:68 vs. 26:74 in Q2FY19. Consequent net sales in Q3FY19 are expected at ₹ 6069 crore, down 14.7% YoY. EBITDA in Q3FY19 is expected at ₹ 576 crore (EBITDA margins at 9.5%). PAT in Q3FY19 is expected at ₹ 324 crore, down 28% YoY
Bajaj Auto	Bajaj Auto is expected to report a steady Q3FY19 performance wherein volume growth will outpace the margin pressure. Total 2W sales volume in Q3FY19 stood at 10.8 lakh units, up 32% YoY while 3W sales volume were at 1.8 lakh units, down 1% YoY. Domestic volume growth was at 38% in the 2W segment & negative 17% in the 3W segment. In Q3FY19. Amidst price hike undertaken in October & decline in 3W's, we expect domestic ASPs to decline to ₹ 57,437/unit. Consequent net sales are expected at ₹ 7381 crore, up 16% YoY. EBITDA in Q3FY19 is expected at ₹ 1213 crore with consequent EBITDA margins at 16.4%, down 40 bps QoQ. PAT in Q3FY19 is expected at ₹ 1035 crore, up 9% YoY
Eicher Motors	Eicher Motors is expected to report a muted performance in Q3FY19. Royal Enfield (2W) sales volume in Q3FY19 was at 1.94 lakh units, down 5.9% YoY amidst supply disruption at one of its key facilities (volume lost of 28,000 units). CV sales at the VECV business segment were at 16,936 up 2% YoY. Consequent net sales in Q32FY19 is expected at ₹ 2202 crore, down 2.0% YoY. EBITDA is expected at ₹ 673 crore with consequent EBITDA margins at 30.4%, down 130 bps YoY. PAT in Q3FY19 is expected at ₹ 523 crore, down 3% YoY. Consolidated PAT also includes profit from JV, which is expected at ₹ 70 crore (₹ 77 crore in Q2FY18)
Escorts	Escorts is expected to report strong operational performance in Q3FY19 primarily tracking robust tractor sales volume. We expect revenue to increase by 35% YoY to ₹ 1624 crore on the back of core tractor business whose volumes were up 36% YoY with volumes at 25,743 units. Tractor revenues are expected to grow 36% YoY to ₹1289 crore. EBITDA margins are expected to benefit from operating efficiencies, expanding by 150 bps YoY to 13.5%. Consequent PAT is likely to register 54% YoY growth to ₹141 crore
Hero MotoCorp	Hero MotoCorp is expected to report a muted performance in Q3FY19 amid 5.2% YoY growth in volumes. Margins however are expected to be muted tracking launch expense of new scooter (Destini 125) & year end discounting. Total 2W sales volume in Q3FY19 were at 18.0 lakh units, up 5.2 % YoY. It includes likely 12% de-growth in the scoter segment and likely 8% growth in the motorcycle segment. Consequent net sales in Q3FY19 are expected at ₹ 7778 crore, up 6.5% YoY. EBITDA in Q3FY19 is expected at ₹ 1124 crore (EBITDA margins at 14.5%, down 70 bps QoQ). PAT in Q3FY19 is expected at ₹ 765 crore, down 5% YoY
Maruti Suzuki	We expect Maruti to report muted performance in Q3FY19 primarily driven by 0.6% decline in volumes to 4.3 lakh units. Domestic volumes in Q3FY19 stood at 4.1 lakh units (up 1.3% YoY) while export volumes stood at 23,052 units (down 24.5% YoY). Maruti is also expected to witness margin pressure due to lower sales base, lag effect in raw material procurement prices as well as currency depreciation. Consequent net sales in Q3FY19 is expected at ₹ 18,938 crore, flat YoY. EBITDA in Q3FY19 is expected at ₹ 2828 crore (EBITDA margins at 14.5%, down 80 bps QoQ, 130 bps YoY). PAT in Q3FY19 is expected at ₹ 1854 crore, up 3% YoY. PAT in Q3FY19 is supported by higher other income as well as other operating income
Tata Motors	We expect challenging times to continue at Tata Motors amidst nearly flat volumes in the domestic business (1.72 lakh units) and likely 7.4% decline in volumes at JLR (1.47 lakh units). At JLR, with focus on cost control, we expect EBITDA margins to improve 40 bps QoQ to 9.5%. On a consolidated basis, sales in Q3FY19 are expected at ₹ 78,340 crore, up 6.7% YoY. Topline growth is steady despite muted volumes primarily on account of depreciated INR vs. GBP (~11%) and increase in realisation consequent to increase in metal prices on YoY basis. EBITDA is expected at ₹ 8614 crore (EBITDA margins at 10.9%, flat QoQ). At the PAT level, we expect Tata Motors to report a profit of ₹ 486 crore (₹ 1215 crore in Q3FY18)

Source: Company, ICICI Direct Research

Hero MotoCorp's sales performance



Bajaj Auto's sales performance

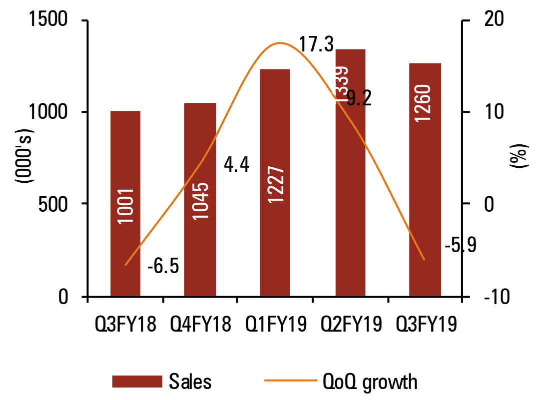
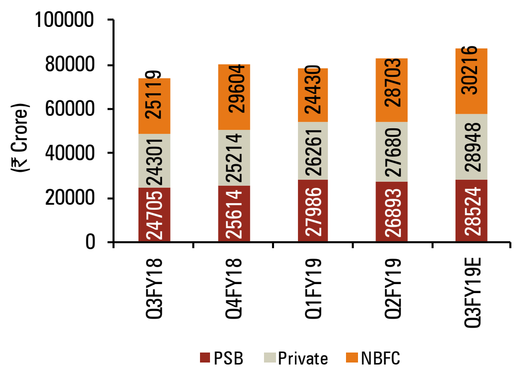


Exhibit 15: Company specific view- Ancillaries

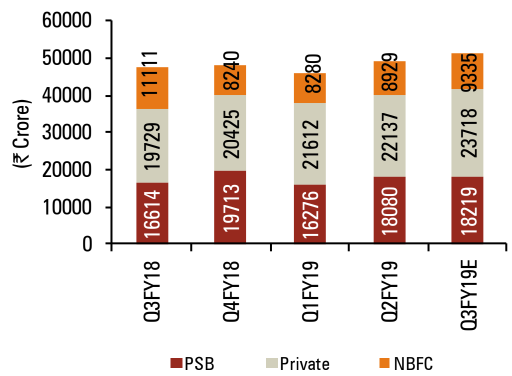
Company	Remarks
Amara Raja Batteries (ARBL)	ARBL's revenue growth is expected to moderate to 8% YoY to ₹ 1,674 crore on the back of slowdown in the OEM space amidst steady replacement demand. Its EBITDA margin is expected to improve by 70 bps QoQ to 14.2% (down 140 bps YoY), tracking the drop in average lead prices (₹ 148/kg, down 3.5% QoQ) and operating leverage benefits. PAT expected to de-grow 7% YoY to ₹ 125 crore.
Apollo Tyres (APL)	APL's consolidated revenue is likely to grow 23.6% YoY to ₹ 5,005 crore, tracking robust volume growth in the domestic business and seasonally important quarter for the overseas subsidiary. Drop in rubber as well as crude derivatives prices will aid margin recovery. Thus, EBITDA margins are likely to expand 170 bps QoQ to 13.7% at the consol level. PAT is likely to increase 27% YoY to ₹ 311 crore. We have built in assumption of exceptional loss to the tune of ₹ 40 crore (IL&FS ICD's)
Balkrishna Industries (BIL)	BIL is expected to report robust performance amidst healthy volume growth of ~6%, controlled raw material costs and depreciated INR. Net sales are expected to increase 20.5% YoY to ₹ 1,333 crore. Easing input cost pressures, higher operating leverage & better product mix will help expand its EBITDA margins by 180 bps YoY to 28% . PAT is expected to increase 29.8% YoY to ₹ 246 crore
Bharat Forge	BFL is expected to report steady performance in Q3FY19. Its domestic revenues are expected to decline by 10% YoY to ₹ 521 crore, on the back of slowdown in the M&HCV demand. BFL exports business however is expected to have benefited from strong US class 8 truck volumes and INR depreciation. EBITDA margins are expected to inch upwards by 210 bps QoQ to 28% (down 190 bps YoY). Consequent PAT is expected to grow 2% YoY to ₹ 233 crore.
Bosch	We expect Bosch to report steady performance in Q3FY19 amidst healthy tractor segment growth and nearly flat CV volumes. Net sales in Q3FY19 is expected at ₹ 3383 crore, up 10% YoY. EBITDA in Q3FY19 is expected at ₹ 406 crore with EBITDA margins at 12.0%, down 260 bps YoY (high metal prices on YoY basis). Consequent, PAT is expected to grow 5.5% YoY to ₹ 297 crore. Lower depreciation and higher other income will support PAT growth for the quarter.
Exide Industries (EIL)	We expect EIL to report robust performance in Q3FY19 driven by steady demand in the replacement market despite slowdown in the OEM space. Net sales for the quarter is expected at ₹ 2775 crore, up 21.9% YoY. EBITDA in Q3FY19 is expected at ₹ 365 crore with corresponding EBITDA margins at 13.2%, up 80 bps YoY. Consequent PAT in Q3FY19 is expected at ₹ 201 crore, up 31% YoY
JK Tyre (JKTIL)	JK Tyres consolidated revenues is expected to post 3.4% YoY growth to ₹ 2,218 crore, on the back of healthy standalone business volume growth. We expect the company to benefit from softer raw material prices (rubber and crude derivatives), which are likely to push up consolidated EBITDA margins by 260 bps YoY to 12.6%. Consolidated PAT is expected at ₹ 72 crore (₹ 15 crore in Q3FY18)
Mahindra CIE Automotive	Mahindra CIE is expected to report steady operational performance, primarily driven by healthy standalone business volumes and beneficial currency movement. Standalone business revenue is likely to grow 15% YoY to ₹ 646 crore. Standalone EBITDA margins are likely to expand by 100 bps QoQ to 13.3% tracking softer commodity prices, with consequent PAT expected at ₹ 46 crore. At the consolidated level, we expect revenue of ₹ 1922 crore, up 19% YoY. Consolidated EBITDA and PAT is expected at ₹ 290 crore and ₹ 136 crore respectively.
Motherson Sumi	We expect volume growth to moderate at Motherson Sumi tracking weak auto OEM sentiment worldwide. On a consolidated basis, revenues are expected to grow 14.9% YoY to ₹ 16,538 crore primarily benefitting from depreciated INR. We expect the company to report EBITDA of ₹ 1422 crore with corresponding EBITDA margins at 8.6%, flat QoQ. PAT is expected to grow 22% YoY to ₹ 446 crore
Wabco India (WIL)	WIL is expected to report muted performance tracking weak M&HCV dispatches in Q3FY19. WIL's revenue is expected to decline by 6.0% YoY to ₹ 574 crore. Decline in volumes is likely to result in negative operating leverage with EBITDA margin contracting by 230 bps YoY to 13.1%. Consequent PAT is expected to drop by 6.7% YoY to ₹ 60 crore. PAT in Q3FY19 will be supported by normalized other income (₹ 20 crore) vs. low other income in the base quarter (₹ 6.4 crore)

Source: Company, ICICI Direct Research

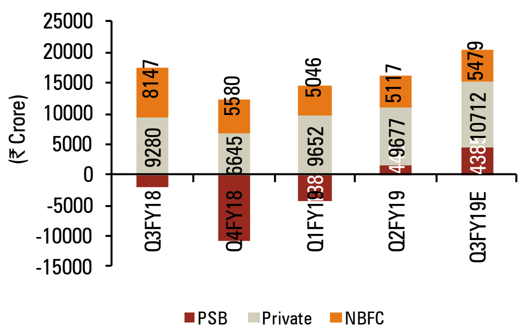
Net interest income (Coverage Universe)



PPP (Coverage Universe)



Net Profit (Coverage Universe)



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Banking and Financial Institutions

Post concerns on liquidity front, there was asset-liability mismatch and management changes during the quarter, declining yields and limited cases of major default after IL&FS provided respite to the financial peers. Expectations of a rate cut have already softened interest rates from their peak seen in last quarter. Banks are likely to fare better than non-bank financial lenders, owing to better liquidity and pricing power in the credit market. G-sec yields will act as earnings tailwind.

Treasury gains - positive surprise, saviour for last leg of provisions in power & aviation sector

G-sec yields, in Q3FY19E, have declined sharply by ~72 bps from 8.02% to 7.3%. Thus, the bank's treasury gains would be positive for banks as a whole and PSBs in particular as PSU banks have provided ~₹ 20300 crore and private banks have provided ~₹ 1400 crore in H1FY19.

Improvement in credit growth with leaders guiding for strong growth in H2FY19

As per the latest data by the RBI, advances increased 15.1% YoY to ~₹ 92.8 lakh crore as on December 21, 2018. The retail book (up ~17.2%) continued to lead growth while large corporate, still lower, witnessed a pick-up to ~4% YoY. Higher credit growth was led by a shift towards the banking channel vs. debt market owing to a rise in interest rate. Deposit growth is lower at ~9.2% YoY to ₹ 118.1 lakh crore. This entails a rise in CD ratio to 77.9% vs. 73.4% seen last year. Given the NBFC crises in the recent past and capital constraints still faced by PSU banks, private banks are seen reporting higher growth and expanding their market share.

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

Improving CD ratio and relatively steady slippages estimated in Q3FY19E would lead to steady margins for the banks in Q3FY19E. For our coverage universe, we expect NII growth at 17.4% YoY to ₹ 56686 crore led by 18.8% 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 Q3FY19E 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 Q4FY19E.

GNPA accretion continues to slow down; provision to stay higher

Asset quality pressure has been subsiding in the last two quarters. We expect the same to continue. IL&FS debt (~₹ 91,000 crore), developer loan defaults, which started due to HFC pressure, etc, which cropped up last quarter may add to NPA and provisions if special dispensation is not extended especially for IL&FS. We expect the pace of GNPA accretion to pare down further in Q3FY19E. For our coverage universe, GNPA is seen increasing 12% YoY to ~₹ 345915 crore in Q3FY19E. Provisions would remain elevated for the sector owing to ageing of large o/s NPLs. For our coverage universe, we expect total provisions at ~₹ 19268 crore, lower compared to Q2FY19. We estimate relief on the credit cost front to accrue in FY20E.

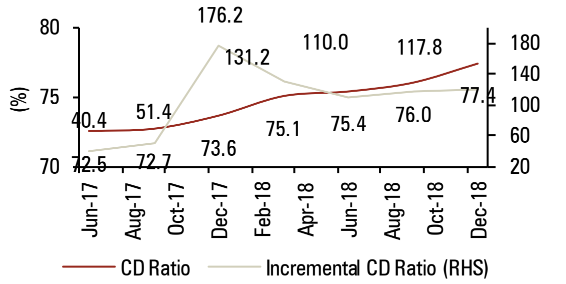
Healthy NII traction and strong treasury performance may lead to PAT growth of coverage universe seems to surge to 100% YoY and 32% QoQ. Excluding SBI, PAT growth for coverage universe in Q3FY19 is expected at 20% YoY and 14% QoQ. Led by higher operational earnings and lower provisions (led by decline in G-sec yields), SBI is expected to post better profits at ₹ 3556 crore after a subdued performance in the last four quarters. Bandhan Bank, HDFC Bank and Bajaj Finance are seen continuing the robust growth and profitability as expected.

Exhibit 16: Estimates for Q3FY19E (₹ crore)

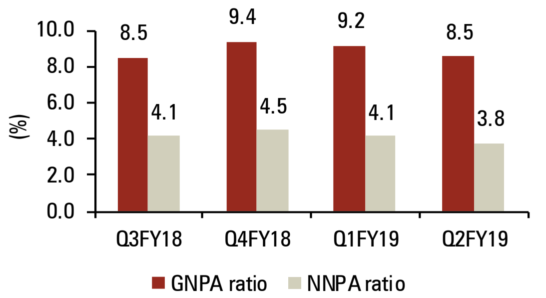
	NII	Change (%)		PPP	Change (%)		NP	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Public Sector Banks									
Bank of Baroda	4573.0	22.9	7.5	3185.9	4.7	6.8	598.7	68.5	70.7
SBI	22132.5	18.4	5.9	13701.3	16.6	-1.5	3556.2	NA	276.5
Indian Bank	1818.6	12.1	5.1	1331.3	10.1	11.8	230.3	-24.0	53.4
Total	28524.1	18.7	6.1	18218.5	13.8	0.8	4385.2	NA	203.4
Private Banks									
Axis Bank	5378.8	13.7	2.8	4297.3	11.5	5.0	830.3	14.3	5.1
Bandhan Bank	1077.6	47.3	0.0	863.3	50.3	-1.2	488.4	62.8	0.2
City Union Bank	417.2	14.3	4.8	319.3	7.7	4.8	183.5	18.5	9.2
DCB	295.7	18.0	4.8	164.3	34.1	12.3	82.3	44.4	11.8
Federal Bank	1087.0	14.4	2.6	748.5	33.3	12.7	288.0	10.8	9.6
HDFC Bank	12444.1	20.6	5.8	10226.6	21.0	7.9	5445.8	17.3	8.8
Indusind Bank	2233.5	17.9	1.4	2043.2	22.7	2.5	954.9	2.0	3.8
J&K Bank	808.4	3.6	13.9	354.0	-7.5	7.6	100.7	39.0	7.5
Kotak Bank	2806.9	17.3	3.6	2181.2	19.8	3.9	1239.3	17.7	8.6
Yes Bank	2411.4	27.7	-0.3	2417.5	20.8	2.2	1049.4	-2.5	8.8
Total	28960.7	19.2	4.0	23615.2	19.7	5.7	10662.7	14.9	7.6
Total Banks	57484.8	18.9	5.0	41833.7	17.1	3.5	15047.9	100.1	32.5
NBFCs									
HDFC	2818.7	-1.1	16.9	3514.6	-46.6	-9.7	2422.5	-57.3	-1.8
LIC HF	971.4	8.2	6.3	892.1	10.8	9.0	513.8	4.6	4.5
Rel Cap	5345.4	12.0	0.3	342.5	-13.1	-7.7	254.8	-19.1	-9.1
Bajaj Finance	2979.8	38.0	10.8	1995.0	48.0	14.1	1082.1	56.4	17.2
Bajaj Finserv	9546.6	24.5	-1.6	2333.7	32.3	28.9	924.1	23.4	31.3
SBI Life Insurance	8554.3	58.9	79.9	257.1	-9.8	-18.7	281.4	24.8	-20.6
Total	30216.3	27.3	17.1	9335.1	-16.5	4.2	5478.7	-32.7	4.9

Source: Company, ICICI Direct Research

C-D Ratio (Industry)



Asset Quality (Coverage Universe)



NPA trend (Coverage Universe)

Q3FY19E	GNPA (₹ crore)	QoQ Growth(%)	NNPA (₹ crore)	QoQ Growth(%)
PSB				
Bank of Baroda	56621	-1.3	21859	-5.7
SBI	211864	2.9	97210	2.5
Indian Bank	12834	30.6	7360	51.8
Private Banks				
Axis Bank	32485	4.7	13351	-4.7
Bandhan Bank	434	5.0	220	13.4
City Union Bank	873	-0.4	508	5.1
DCB	430	2.3	163	0.9
Federal Bank	3407	11.0	1922	10.9
HDFC Bank	10398	7.9	3138	4.4
Indusind Bank	1853	1.4	795	-0.6
J&K Bank	6268	-2.7	2589	-10.2
Kotak Mahindra Banl	4194	4.0	1561	4.0
Yes Bank	4253	31.8	2262	57.2

Exhibit 17: Company specific view (Banks)

Bank of Baroda	The operational performance continues to improve led by increase in bank's credit growth & NII growth. We expect credit growth of 15.1% for the quarter led by growth in NBFC & retail sector with NII growth of 5.4% to ₹ 4736.29 crore on a sequential basis. A fall of 65 bps in G-sec yield would lead to write back in investment provision, which would have a positive impact on PAT. GNPA is expected to moderate to 11.45% compared to 11.78% the previous quarter. The swap ratio of merger as announced will lead to 29% dilution vs. 32% dilution estimated for existing BoB equity capital. Hence, the merger seems beneficial for Bank of Baroda
State Bank of India	Loan growth is expected to pick up growing 6.3% YoY (vs 4% earlier) to ₹ 20.8 lakh crore. We expect a marginal improvement in margins due to better pricing power with large banks. As a result, we expect 18.4% YoY growth in NII to ₹ 22132 crore. Other income to remain strong YoY growing 6.7% to ₹ 8629 crore (due to lower investment losses and better trading profits on declining G-sec yields). Calculated cost-to-income ratio may remain steady at ~55%. We factor in loan loss provisions of ₹ 11221 crore and overall provisions at ₹ 8621 crore vs. ₹ 12000 crore in Q2FY19 due to MTM write-back. Hence, net profit is likely to grow to ₹ 3556 crore vs. loss in Q3FY18. We expect slippages to be
Axis Bank	For Axis Bank, strategy of new management on business growth and rejig in top portfolio will be keenly observed. Advance growth is expected at 11.5% YoY to ₹ 469329 crore, led by traction in retail and corporate portfolio. Increase in MCLR to be offset by rise in CoF, keeping margins broadly stable at ~3.5%. Fall in G-sec yields may lead to higher treasury gains and prevent provision related to investment. Though insignificant exposure to IL&FS is seen insulating from provisions, slippages from stressed pool cannot be ruled out. Accordingly, credit cost is seen to remain elevated at ₹ 3050 crore. PAT seen at ₹ 830 crore, up 14.2% YoY
City Union Bank	Led by SME & retail book, advances growth may remain strong at 19% YoY to ₹ 31043 crore. A robust operational performance is seen with NII growth at 14.3% YoY to ₹ 417.2 crore and other income growth of 12.7% YoY to ₹ 137 crore, led trading income. With steady opex (CI ratio of 42.4%) and credit cost remaining stable at 23bps, PAT is seen at ₹ 183.5 crore up 18.5% YoY. GNPA may remain steady at 2.81%
DCB Bank	For DCB, overall performance to remain healthy with robust credit growth of 25.2% YoY led by mortgage book. Margin is expected to remain stable at 3.89% while GNPA ratio is estimated at ~1.85% vs. 1.84% seen in previous quarter. Credit cost to remain stable at 16 bps. NII is expected to increase 18% YoY to ₹ 295.7 crore. We expect PAT of ₹ 82.3 crore in Q3FY19
Federal Bank	Federal Bank is poised to continue its robust operating performance with NII increasing 12.9% YoY to ₹ 1072.61 crore led by strong credit growth of 25% YoY to ₹ 106191.3 & improving margin of 3.22%. With major flood related stress subsiding we expect credit cost to remain stable at 29 bps and a gradual increase in GNPA to 3.21% compared to 3.11% the previous quarter. Expect PAT at ₹ 288 crore (up ~11% YoY)
Jammu & Kashmir Bank	For J&K Bank, credit growth is expected to grow at the system rate of 14% YoY. The operational performance is seen remaining muted with NII growth at 3.6% YoY to ₹ 808 crore, interest reversal of ~₹ 75 crore related to exposure to rehabilitated accounts. The opex is expected to increase 15% YoY with cost to income ratio 62%. Slippages are seen moderating but subdued PPP, ageing of assets may keep credit cost steady at 27 bps. PAT is seen at ₹ 97 crore, up 33.7% YoY. With a moderation in slippages, overall asset quality may remain

Source: Company, ICICI Direct Research

Exhibit 18: Company specific view contd. (Banks)

Kotak Mahindra Bank	For Kotak Bank, advance growth is seen to remain healthy at ~22% YoY, led by pick up in retail & corporate lending and portfolio buying from NBFCs. Healthy credit growth, stable margins at ~4.2% and steady CI ratio at ~46%, may keep operational performance healthy. Asset quality is seen remaining stable with GNPA at 2.1%. Post a rise in provision in H1FY19, led by investment book, credit cost is seen stabilising at ~14-15 bps of advances with downward trend in G-sec yields. Insignificant exposure to IL&FS and no major casualties in NBFC liquidity crises insulates the bank from additional provision burden. The management commentary regarding stake reduction to be seen
Yes Bank	For Yes bank, credit traction is seen continuing to remain robust at 48.1% YoY, led by retail and corporate sectors. Margins are expected to remain steady at ~3.3%. Consequently, healthy NII growth is seen continuing at 33.8% YoY. Earnings growth is seen remaining flat at -1.7% YoY to ₹ 1058 crore. Given deterioration in asset quality in previous quarter & exposure to IL&FS, credit cost is seen continuing to stay elevated at ~36 bps. Overall asset quality is expected to remain steady with gross NPA ratio at 1.67%. Selection of the new MD & CEO will be a key factor to be watched
IndusInd Bank	The bank is one of the few banks that has been able to register consistent advances growth. In Q3FY19, we expect growth of 26.6% YoY to ₹ 162707 crore led by corporate finance (CF) segment. Margins are expected to be in the 4.10-4.15% range, which would lead to NII growth of ~18% YoY to ₹ 2233.5 crore. The GNPA could slightly deteriorate to 1.14% vs. 1.09% in the previous quarter while we may see similar provisioning like last quarter for ILFS exposure that would dent PAT to ~ ₹ 955 crore, i.e. growth of 2% YoY
Bandhan Bank	For Bandhan Bank, growth trajectory in AUM and earnings is expected to remain robust. The management commentary on reducing promoter stake to 40% and exit of retail banking and MFI heads would remain in focus. Healthy customer acquisition will drive growth of micro loans (~86% of advances). Growth in non-micro loans is expected to continue to remain >100% YoY, leading to increase in overall asset mix. Healthy growth in NII at 49% YoY and control on opex may keep PPP healthy at ₹ 878 crore up 53% YoY. Exposure to IL&FS of ₹ 388 crore, is seen remaining standard but provision in lieu of the same is seen to keep credit cost a bit higher. Overall, GNPA ratio seen steady at ~1.3-1.4%. Steady asset quality and healthy PPP may lead to 68% YoY growth in PAT at ₹ 505 crore

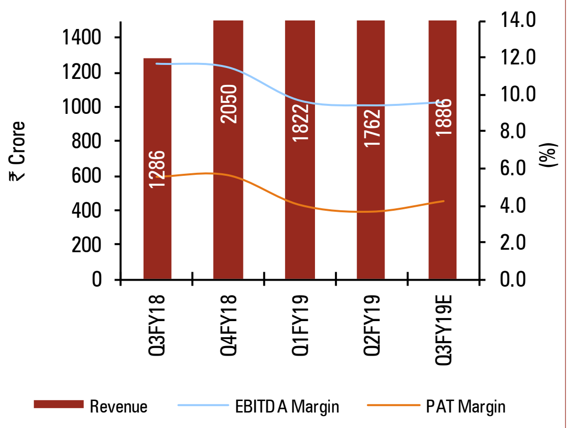
Source: Company, ICICI Direct Research

Exhibit 19: Company specific view (NBFCs)

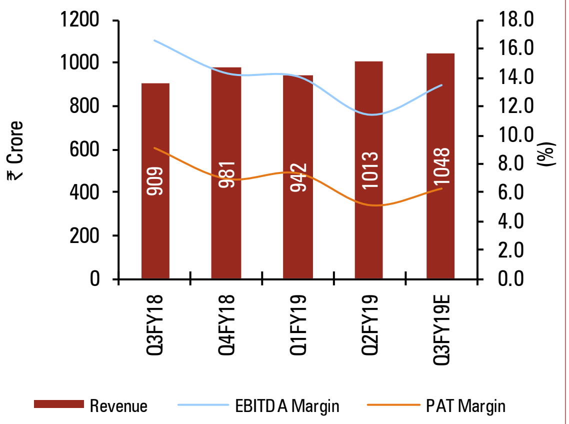
LIC Housing Finance	Given liquidity crisis faced by NBFCs, LIC HF, with strong parentage and strong fundamentals is poised to gain market share. Therefore, advances growth is seen remaining healthy at 16.5% YoY to ₹ 181944 crore. Margins are seen coming under pressure at ~2.2%, led by ~20-30 bps rise in cost of funds (CoF). Low proportion of developer loans to safeguard against deterioration in asset quality but risk of default cannot be ruled out completely. Subdued NII and higher tax outflow is seen leading to ~10% QoQ dip in PAT to ₹ 514 crore
Reliance Capital	Growth in lending businesses both commercial and housing finance is expected to be slower led by NBFC funding concerns in the quarter. Considering its debt position, cost of funds may remain high impacting NIMs. Life and general insurance premium may see strong growth to ₹ 2905 crore, as it was subdued in previous quarters. AMC revenues are moderating due to regulations and AMC AUM is expected to remain steady QoQ. Expect total revenues to grow 12% YoY to ₹ 5345 crore while PAT is seen at ₹ 255 crore. Due to Ind-As, numbers are not comparable YoY
Bajaj Finance	For Bajaj Finance, Q3 is generally the strong quarter due to the festive season. We estimate AUM growth will stay strong at 37% YoY (5% QoQ) to ₹ 104980 crore. Consumer finance growth may moderate due to slower Dussehra, however, still remains a strong segment. Housing and rural segments are also expected to continue strong growth. Margins may remain stable QoQ due to better pricing power in small ticket retail loans. Overall, asset quality to remain steady. PAT of ₹ 1082 crore is estimated maintaining its 35% YoY growth
Bajaj Finserv	For Bajaj Finserv, finance business may remain buoyant with AUM growth at 38% YoY to ₹ 105378 crore and earnings at ₹ 1682 crore; up ~42% YoY. General insurance, post paring growth in Q2FY19, is seen witnessing a pick-up in terms of premium growth at 30% YoY to ₹ 2460 crore. Combined ratio is expected to remain below 100%, keeping earnings momentum healthy. Growth in life insurance premium is seen in single digit at 8% YoY to ₹ 1878 crore, led by healthy traction in individual business. Consolidated PAT growth is seen at 23% YoY to ₹ 924 crore
SBI Life Insurance	For SBI Life Insurance, premium growth is seen remaining healthy at 26% YoY, led by continued traction in group single premium. A healthy trajectory in individual regular business may keep premium accretion at ~11% YoY, faster accretion in single premium to keep growth in APE at 13% YoY. Decline in G-sec yields may favour income from investments and lower adjustment in actuarial liability. Accordingly, policyholder's surplus is expected to increase ~19% YoY. Ploughing of policyholders reserves and healthy investment income may lead to 22% YoY growth in PAT to ₹ 281 crore

Source: Company, ICICI Direct Research

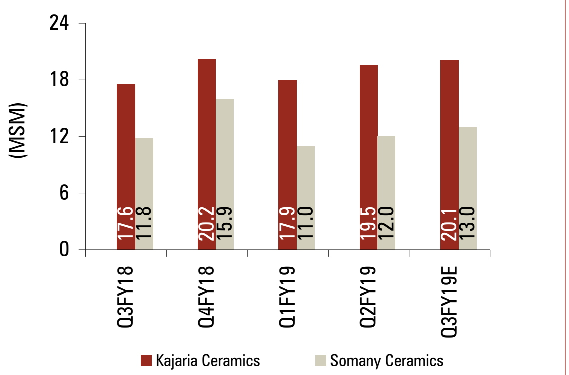
Topline & Profitability (Tiles universe)



Topline & Profitability (Plywood universe)



Sales Volume Trend (Tiles Universe)



Top pick of the sector

Somany Ceramics

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Building materials

MDF realisations to further soften…

In order to capture a higher pie in the high-margin MDF market in India, industry players have aggressively installed MDF production capacity. As a result, domestic installed MDF capacity is now at 13 lakh CBM in addition to 2.5 lakh CBM MDF imports. This has led to a supply glut in the market where domestic demand is pegged at 8 lakh CBM. Leading players like Century, Greenply and Action had taken price cuts to gain share in such a competitive market, causing their realisation to fall dramatically in H1FY19. Additionally, with Action taking further 2-3% price cuts in Q3FY19E, we expect industry realisation to soften even further. We expect EBITDA margins of MDF companies to remain under pressure. Our MDF coverage companies are expected to show 11 percentage points (pp) YoY decline in EBITDA margins in Q3FY19E.

Tiles universe expected to post good sales volume growth...

With operational disruptions like trucker's strike & Kerala floods behind us, we expect companies in our tiles universe to report healthy volume growth in Q3FY19E. Also, with our universe taking 2-3% price hikes for GVT tiles, we expect better revenue growth in Q3FY19E. However, with international crude rallying till October, 2018, our tiles universe will bear the brunt of high gas prices in Q3FY19E, putting pressure on their margins. Hence, we expect 120 bps YoY EBITDA margin contraction to 12.1%. Post Q3FY19E, our tiles universe should benefit from lower gas prices due to a sharp plunge in crude oil prices in the past two months.

Tiles universe revenues expected to grow 3.5% YoY...

Our tiles universe is expected to post volume growth of 12.5% YoY to 33.0 MSM with operational disruptions caused in Q2FY19 now behind for companies. Consequently, revenues are expected to grow 3.5% YoY to ₹ 1191.5 crore. Furthermore, we expect EBITDA margins to contract 120 bps YoY to 12.1% on account of higher gas prices. Nonetheless, we expect the bottomline to grow 5.2% YoY to ₹ 72.2 crore on account of topline growth.

Plywood universe revenues expected to grow 14.2% YoY...

We expect the topline of plywood universe to grow 14.2% YoY to ₹ 1038.1 crore mainly led by increase in MDF sales volumes. However, with MDF realisations expected to fall further amid intensifying competition, we expect EBITDA margins to contract 290 bps YoY to 13.6%. Consequently, we expect PAT of our plywood universe to de-grow 20.3% YoY to ₹ 65.9 crore.

Exhibit 20: Estimates for Q3FY19E (Tiles) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Kajaria Ceramics	755.1	14.2	4.1	117.1	6.5	7.5	60.9	12.2	21.4
Shankara Building	696.4	11.5	8.2	33.8	-17.3	8.4	10.8	-38.5	18.8
Somany Ceramics	434.1	0.0	10.6	30.6	0.0	15.6	8.5	0.0	54.7
Total	1,885.6	46.7	7.0	181.5	20.4	9.0	80.3	11.6	23.9

*Source: Company, ICICI Direct Research *Somany numbers reported on consolidated basis, Q3FY18 Not available*

Exhibit 21: Estimates for Q3FY19E (Plywood) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Century Plyboards	578.7	13.5	2.5	83.7	-4.5	12.8	44.6	-4.3	18.0
Greenply Industries	469.4	17.6	4.7	57.5	-8.3	38.1	21.3	-41.0	49.3
Total	1,048.1	15.3	3.5	141.2	-6.1	21.9	65.9	-20.3	26.6

Source: Company, ICICI Direct Research

Major News during Q3FY19	
Plywood	
	As per media reports, the Uttarakhand High Court has ordered a stay on issuance of new licences for saw mills and plywood factories. The court further directed that in case such a licence has been issued since November 15, 2018, the same should be withdrawn. This could restrict new capacity addition in the state and bodes well for existing players in the region
Tiles Sector	As per media reports, Gujarat Gas has relaxed norms for gas sales agreements with ceramics manufacturing units for natural gas. The company has decided to calculate excess gas supply on a monthly basis against the current practice of daily calculation (ceramics units have to pay higher prices for gas consumed over the contracted limit). Secondly, Gujarat Gas has also reduced interest on delayed payments from 24% to 18% and reduced the notice period from 30 days to seven days, for closing manufacturing plant for maintenance

Exhibit 22: Company specific view (Tiles coverage universe)

Company	Remarks
Kajaria Ceramics	We expect Kajaria Ceramics to post better sales volume growth of 14.3% YoY to 20.1 million square metre (MSM) in Q3FY19E, in line with management guidance of 14-15% for H2FY19E. On the realisation front, Kajaria has hiked its GVT prices by 2-3% in October, 2018. Overall, we expect revenues to grow 14.2% YoY to ₹ 755.1 crore. On the EBITDA margin front, we expect it to contract 110 bps YoY to 15.5% due to the impact of higher gas prices. Overall, the bottomline is expected to post growth of 12.2% YoY to ₹ 60.9 crore due to healthy topline growth
Somany Ceramics	With the company on a recovery path from the operational disruptions it faced in FY18 & H1FY19 vis-à-vis becoming structurally strong with adequate credit control measures, we expect Somany to post volume growth of 8.3% QoQ to 13.0 MSM. The company also took price hikes across its product portfolio to the tune of 2.0-2.5% for tiles and 5-6% for sanitaryware & faucets in Q3FY19E. Hence, we expect revenues to grow 10.6% QoQ to ₹ 434.1 crore. Furthermore, with an improvement in realisations, EBITDA margins are expected to expand 30 bps QoQ to 7.0% (gas prices: ₹ 40-41/SCM in Q3FY19 v/s ₹ 39/SCM in Q2FY19). Consequently, we expect PAT to grow 54.7% YoY to ₹ 85.7 crore
Shankara Building Products	We expect the topline to grow 11.5% YoY to ₹ 696.4 crore led by robust growth of 20.6% YoY to ₹ 360.5 crore in its retail division. On the other hand, we expect channel and enterprise division revenues to grow at a lower rate of 3.1 YoY at ₹ 335.9 crore. With the company aiming to consolidate its position & gain market share by being the best price store in retail category, it may impact realisations in the interim. Hence, we expect EBITDA margins to decline 160 bps YoY to 4.9%. Overall, we expect its bottomline to de-grow 38.5% YoY to ₹ 10.8 crore led by EBITDA margin contraction and higher interest costs

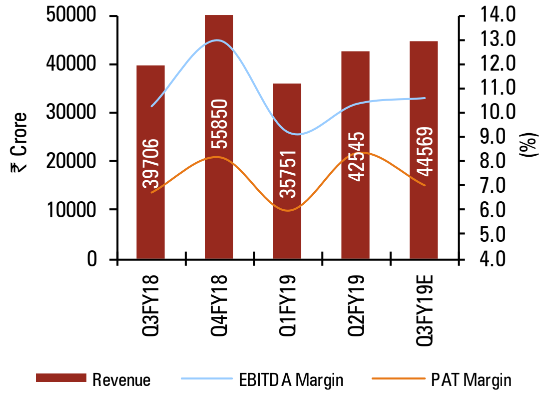
Source: Company, ICICI Direct Research

Exhibit 23: Company specific view (Plywood coverage universe)

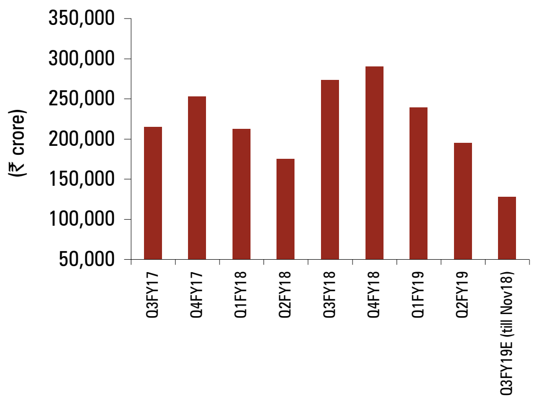
Century Plyboard	We expect Century Plyboard's topline to grow at 13.5% YoY to ₹ 578.7 crore due to additional revenues from MDF division which started contibuting to overall revenues from Q4FY18. We expect the MDF division to operate at 75% capacity utilisation and clock revenues worth ₹ 74.9 crore in Q3FY19E. Plywood & allied division revenues are expected to grow 5.2% YoY at ₹ 337.0 crore. With MDF realizations fallen across industry in the H1FY19 and prices of resins & binders increased due to increase in international crude prices, we expect EBITDA margins to contract 270 bps YoY to 14.5%. Overall, we expect the bottomline to de-grow 4.3% YoY to ₹ 44.6 crore on account of margin contraction and higher tax rate (30.0% in Q3FY19E vs 21.5% in Q3FY18)
Greenply Industries	We expect plywood division sales volumes to grow 17.9% YoY to 14.7 MSM, leading to plywood revenues growth at 20.1% to ₹ 357.1 crore in Q3FY19E. On the other hand, MDF division sales volumes are expected to grow by 35.6% YoY to 59,400 CBM due to additional output from the Andhra Pradesh plant which was commissioned in Q2FY19, rendering revenue growth of 15.5% YoY to ₹ 132.3 crore. Overall, we expect topline to grow by 15.1% YoY to ₹ 459.4 crore. With MDF realizations fallen across industry and higher cost of raw materials, EBITDA margins are expected to contract 320 bps YoY to 12.5% due to higher material cost and fall in realisations. Henceforth, we expect the bottomline to de-grow 41.0% YoY to ₹ 21.3 crore due to EBITDA margin contraction, higher depreciation, higher interest cost & higher tax rate

Source: Company, ICICI Direct Research

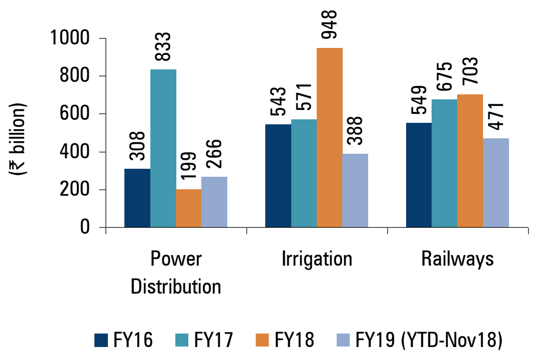
Topline & Profitability (Capital Goods universe)



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



Trend in segment wise tenders



Top pick of the sector

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L&T
Grindwell Norton

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Capital Goods

L&T, Bhel lead moderate order inflows in Q3FY19E

Q3FY19E has been muted for capital goods universe order inflows due to cautious stance ahead of general elections in 2019 and muted private capex, although, front loading of orders by capital goods companies suggests better execution rate. Companies like L&T, KEC, Bhel announced reasonable order wins across segments. Overall, coverage companies (Bhel, KEC, KPTL, L&T, Thermax) announced order inflows worth ₹ 27578 crore with a sharp decline YoY (amid high base in Q3FY18), mainly led by public sector and government orders. L&T has secured orders worth ₹ 16869 crore, including orders worth ₹ 6512 crore in power T&D business, ₹ 5021 crore in water & effluent business, ₹ 1050 crore in heavy engineering business, ₹ 2760 crore in buildings & factories business and remaining in various segment across construction business. Order inflows in power T&D EPC space continued their strong momentum with KEC, Kalpataru and L&T winning significant orders worth ₹ 10587 crore, collectively. However, order inflow for Thermax remained muted. Overall, order inflows remained reasonable across railways infra, power, irrigation, water & effluent segments.

Revenue to grow 12.2% with PAT to grow 17.2%

Overall, the coverage universe revenue is expected to grow 12.2% owing to stable execution rates at engineering, T&D, EPC and product companies like L&T, ABB, Thermax, Kalpataru Power, Engineers India and bearing companies. EBITDA for the coverage universe is expected to grow 16% with some margin expansion whereas PAT is expected to grow 17.2%.

EPC companies likely to continue strong growth momentum

Power T&D EPC companies are expected to report strong revenue growth. KEC, Kalpataru are expected to report 14.8% collectively. EBITDA is expected to grow 16.2% with adjusted PAT expected to register growth of 17.9% led by pick-up in order executions rate. In terms of individual performance, L&T is likely to report a strong performance with revenue expected to grow 13.6%, EBITDA margin expected to improve to 9.9% and PAT at ₹ 1377.5 crore with YoY growth of 16.9%. Thermax is expected to continue its better performance with revenue, EBITDA, PAT expected to grow 18.6%, 13.2%, 20.8% respectively. Bhel's revenue is expected to grow 6.1% and EBITDA expected at ₹ 339.6 crore amid low base YoY owing to some improvement in operating performance. Companies like Bharat Electronics and Cochin Shipyard are likely to report topline growth of 9-13% 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 19-23%. Niche engineering companies like ABB are expected to report muted topline growth of 4.6% YoY, primarily due to high base effect of Q4CY17.

Product companies to post healthy performance

Bearings companies like SKF, Timken and NRB are likely to report healthy topline growth of 10-25% on account of a growth pick-up in industrial segment and exports. We also expect stable EBITDA margins on account of improving utilisation and pass through in input prices. Companies like AIA Engineering are expected to report strong revenue, EBITDA growth of 32.4%, 25.4%, respectively, led by expected strong growth in sales volume in mining segment. Greaves Cotton is expected to report revenue, EBITDA growth of 10.0%, 13.7%, respectively, backed by expected improvement in 3W volume growth and better growth in the non-auto segment.

Interest expense for the coverage universe is expected to remain stable in Q3FY19E, while focus on execution is likely to increase working capital cycle.

Exhibit 1: Estimates for Q3FY19E (Capital Goods) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
AIA Engineering	757.5	32.4	2.3	158.3	25.4	7.2	123.9	8.4	2.4
Bharat Electronics	2,839.3	13.0	-16.0	540.9	21.5	-36.7	340.7	12.5	-40.4
ABB India	2,906.3	4.6	15.5	310.3	5.7	60.0	184.4	7.5	70.2
BHEL	7,030.7	6.1	3.7	339.6	15.0	41.0	258.6	65.9	39.7
Cochin Shipyard Ltd	671.5	9.2	-16.0	125.6	-8.5	-33.2	105.5	-7.3	-28.6
Engineers India Ltd	556.2	17.5	-18.4	126.8	-5.9	38.6	112.5	3.8	15.0
Greaves Cotton	492.1	10.0	-0.6	70.8	13.7	-3.4	51.0	27.5	3.3
Elgi Equipments	486.0	17.0	7.6	52.0	9.5	19.8	31.6	12.6	24.0
Grindwell Norton	415.6	13.7	-0.3	73.5	14.1	3.9	45.7	14.7	13.3
Kalpataru Power	1,672.9	18.0	6.3	180.7	18.9	5.7	93.8	24.7	2.7
KEC Internnational	2,715.9	12.9	12.8	279.7	14.6	10.5	126.7	13.3	31.6
KSB Pumps	380.9	16.1	35.9	53.3	26.0	66.1	29.7	8.5	84.3
L&T	20,116.4	13.6	7.9	1,981.5	18.4	19.4	1,377.5	16.9	-21.5
NRB Bearings	242.4	16.6	-3.4	47.2	16.4	2.3	24.3	14.2	-16.5
SKF India	774.0	10.5	1.0	136.2	10.7	11.0	95.5	10.9	13.3
Thermax Ltd	1,162.9	18.6	-2.1	104.7	13.2	25.2	76.4	20.8	10.1
Timken India	349.2	25.4	-15.6	53.8	159.5	-23.6	23.8	159.2	-31.2
Va Tech Wabag	999.2	15.6	32.9	88.9	14.4	41.5	34.4	14.4	-4.0
Total	44,569.2	12.2	4.8	4,723.7	16.0	7.2	3,136.1	17.2	-11.8

Source: Company, ICICI Direct Research

Exhibit 2: Company specific view: Capital Goods

Company	Remarks
AIA Engineering	In Q3FY19E, we expect AIA Engineering to report volume growth of 25.4% to 64430 tonnes on a YoY basis, owing to the expected ramp up in the mining segment. We expect realization of ₹ 114000 per tonne with YoY growth of 5.3% on account of favorable exchange rate. As a result, revenues are expected to grow 32.4% to ₹ 757.5 crore. The EBITDA margin is expected to improve sequentially to 20.9%. Consequently, PAT is expected to at ₹ 123.9 crore with a lower tax rate in Q3FY18 resulting in 8.4% PAT growth on a YoY basis
Bharat Electronics	We expect BEL to report topline growth of 13% YoY to ₹ 2839.3 crore on the back of continued execution of orders like weapon locating radar, electronic warfare system, electronic voting machines, voter verifiable paper audit trail, integrated air command and control system, etc. Absolute EBITDA is likely to increase 21.5% YoY (lower execution in Q3FY18). We expect EBITDA margins of 19% vs. 17.7% YoY. Other income is expected to decline ~60% YoY as cash balances have depleted on account of increase in working capital and buybacks). Accordingly, we expect PAT to grow 12.5% YoY to ₹ 340.7 crore
ABB	For Q4CY18, we expect ABB to report muted topline growth of 4.6% YoY to ₹ 2906.3 crore, primarily on account of high base effect of Q4CY17. Revenues from power grids segment are included in our estimates for this quarter. EBITDA margins are expected to be strong at 10% on the back of a pick-up in execution in electrification, industrial automation and robotics & motion segment. Absolute PAT is expected at ₹ 184.4 crore, up 7.5% YoY
Bhel	In Q3FY19E, Bhel received orders worth ₹ 6400 crore including orders for emission control equipment (FGD) and order for setting up of 660 MW thermal power plant in West Bengal. During the quarter, Bhel commissioned 120 MW Hydro power plant for TSGENCO. Revenues are expected to grow 6.1% to ₹ 7030.7 crore on a low base. EBITDA margin is expected to improve to 4.8%. However, structural changes in power segment will continue to pose challenges for Bhel. PAT is expected at ₹ 258.6 crore with PAT margin of 3.7%
Cochin Shipyard	We expect CSL to report revenue of ₹ 671.5 crore, up 9.2% YoY on the back of continued execution of orders like IAC (Phase II), passenger cum cargo vessels, technology demonstrator vessel, etc. We expect EBITDA margins of 18.7% vs. 22.3% YoY on account of higher proportion of ship building revenues during the quarter (Q3FY18 witnessed higher contribution from the higher margin ship repair segment). Accordingly, EBITDA is likely to decline 8.5% YoY to ₹ 125.6 crore. Thus, PAT is also expected to decline 7.3% YoY to ₹ 105.5 crore
Engineers India	We expect EIL to report topline growth of 17.5% YoY to ₹ 556.3 crore on the back of higher execution in the turnkey segment. EBITDA margins are expected at 22.8% vs. 28.5% YoY. Q3FY18 witnessed strong EBITDA margins due to higher proportion of consultancy revenues. Accordingly, we expect absolute EBITDA to decline 5.9% YoY to ₹ 126.8 crore. Other income is likely to increase 22.1% YoY. Thus, PAT is expected to grow at 3.8% YoY to ₹ 112.5 crore
Greaves Cotton	For Q3FY19E, we expect Greaves Cotton to report reasonable volumes at 77516 in 3W (passenger, goods) with 4W volumes expected to be in the range of 9405 units and non-auto segment likely to post strong growth. Revenues are expected to grow 10.0% on YoY to ₹ 492.1 crore. EBITDA margins are expected at 14.4% with a marginal improvement on a YoY basis. Adjusted PAT is expected to grow 27.5% YoY to ₹ 51.0 crore with PAT margin of 10.4%
Elgi Equipments	Elgi Equipments is expected to report a robust performance in Q3FY19 on continued domestic and international demand for air compressors. Consolidated revenues are expected to grow 17.0% YoY to ₹ 486 crore while EBITDA margins are expected at 10.7% vs.11.4% YoY due to higher employee expenses and other expenses impacting margins. Accordingly, EBITDA is expected to grow 9.5% YoY while PAT growth is expected to grow 12.6%. We expect absolute PAT of ₹ 31.6 crore for the quarter

Source: Company, ICICI Direct Research

Exhibit 3: Company specific view: Capital Goods

Grindwell Norton	GNL is expected to report topline growth of 13.7% YoY to ₹ 415.6 crore on the back of ~11% growth in abrasives segment, ~16% growth in ceramics segment and ~22% growth in new initiatives segment. EBITDA margins are expected at 17.7% vs. 17.6% YoY due to improving utilisations in the ceramic and new initiative segment of the business. Accordingly, EBITDA and PAT are expected to grow 14.1% YoY and 14.7% YoY, respectively. We expect absolute PAT of ₹ 45.7 crore for the quarter
Kalpataru Power	KPTL has received orders worth ₹ 1322 crore during Q3FY19E, which includes T&D orders worth ₹ 943 crore in India, Bangladesh, Abu Dhabi and Peru, ₹ 379 crore from RVNL for railway infrastructure. KPTL is expected to report strong Q3FY19E performance with revenues likely to grow 18.0% to ₹ 1672.9 crore driven by strong order book and execution rate in railway infrastructure and T&D segment. EBITDA margin expected to improve marginally at 10.8%. PAT is expected to grow by 24.7% to ₹ 93.8 crore with PAT margin of 5.6%
KEC International	During Q3FY19E, KEC announced orders worth ₹ 2987 crore, which includes turnkey order of ₹ 2753 crore in the T&D business, ₹ 120 crore in cable business and ₹ 114 crore in Railways. We expect revenues to grow 12.9% to ₹ 2715.9 crore owing to a healthy order book and improved order execution in key segments. EBITDA is expected to grow 14.6% to ₹ 279.7 crore with the EBITDA margin expected to improve marginally at 10.3%. PAT is expected to grow by 13.3% to ₹ 126.7 crore with stable PAT margin at 4.7%. Actions to contain current debt level will be key moniterable for this quarter.
KSB Pumps	KSB Pumps is expected to report robust topline growth of 16.1% YoY in Q4CY18. PAT, however, may be impacted by higher other income in the base quarter (Q4CY17). Pump segment sales are expected at ₹ 320 crore (up 16% YoY) while valves segment sales are expected at ₹ 61 crore (up 18% YoY). At the EBITDA level, we expect margins to improve 110 bps to 14.0% for the quarter. For Q4CY18, EBITDA is expected at ₹ 53 crore (up 26% YoY) while PAT is expected at ₹ 30 crore, up 10% YoY
L&T	During Q3FY19E, L&T has announced order inflows worth ₹ 16869 crore, which includes ₹ 6512 crore in power T&D, ₹ 5021 crore in water & effluent treatment segment, ₹ 2760 crore in building & factories segment and remaining orders across construction business. Front loading of orders by L&T suggests better execution rate in domestic market in Q3FY19E before upcoming general elections. Consequently, we expect L&T's revenues to grow 13.6% on a YoY basis to ₹ 20116.4 crore on a standalone basis. EBITDA margin is expected to improve 50 bps to 9.9% with adjusted PAT to grow 16.9% at ₹ 1377.5 crore with margin of 6.8%
NRB Bearings	We expect NRB to report healthy topline growth of 16.6% YoY to ₹ 242.4 crore, on the back of stable volume growth of ~5%, and ~4% in 2W and overall auto segment, respectively. EBITDA margins are expected to be healthy 19.5% due to pass through in input prices and stable utilisations during the quarter. EBITDA and PAT are expected to grow 16.4% YoY and 14.2% YoY, respectively. We expect absolute PAT of ₹ 24.3 crore for the quarter
SKF India	SKF is expected to deliver revenue growth of 10.5% YoY to ₹ 774 crore, on the back of stable volume growth of ~2% and ~4% in passenger vehicle and overall auto segment, respectively. Higher utilisation in the industrial segment is likely to help SKF post healthy EBITDA margins of 17.6% for the quarter. Absolute EBITDA and PAT are likely to grow 10.7% YoY and 10.9% YoY, respectively. We expect PAT of ₹ 95.5 crore for the quarter
Thermax	For Q3FY19E, Thermax' order inflow remains muted. We expect revenue to grow 18.6% to ₹ 1162.9 crore owing to low base on YoY basis. We expect EBITDA margins to improve 9% on a YoY basis owing to a stable execution rate. PAT is expected to grow 20.8% to ₹ 76.4 crore with PAT margin of 6.6%

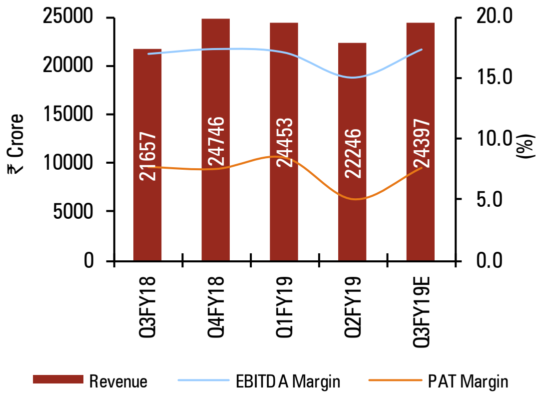
Source: Company, ICICI Direct Research

Exhibit 4: Company specific view: Capital Goods

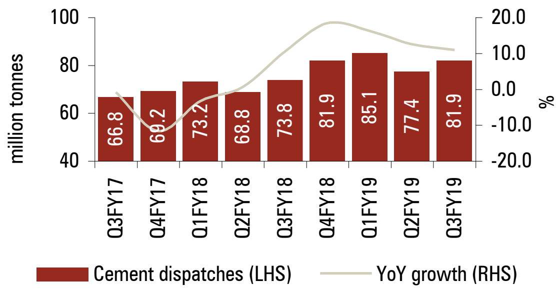
Timken India	Timken India reported dismal numbers in Q3FY18 due to a change in product mix (lower revenues) and high input prices (lower margins) during the quarter. Accordingly, with normalisation of operations, we expect Timken to report revenue growth of 25.4% YoY to ₹ 349.2 crore and pick-up in exports segment of the business. For this quarter, EBITDA margins are expected stable at 15.4% vs. 7.4% YoY. Accordingly, absolute EBITDA is likely to spike ~1.5x to ₹ 53.8 crore. PAT is also expected to increase 159.2% YoY to ₹ 23.8 crore
VA Tech Wabag	Wabag is expected to report topline growth of 15.6% YoY to ₹ 999.2 crore on the back of continued execution in both domestic and overseas orders. Key monitorable for Wabag will be receivable days' position and progress on payments from Genco Projects. Wabag is likely to report EBITDA margins of 8.9%. Absolute EBITDA is likely to grow 14.4% YoY to ₹ 88.9 crore. We expect absolute PAT of ₹ 34.4 crore for the quarter (up 14.4% YoY)

Source: Company, ICICI Direct Research

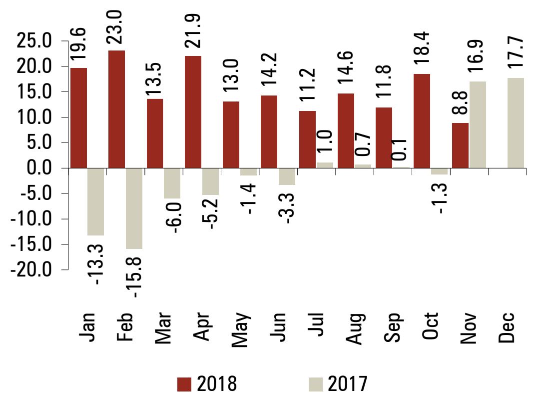
Topline & Profitability (Coverage universe)



All-India quarterly cement dispatches



Monthly production growth YoY (%) – Till November 2018



Top pick of the sector

Heidelberg Cement
ACC

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Cement

South region to dominate in terms of volume growth during Q3FY19E…

South based companies are slated to report healthy double digit growth during the quarter compared to other regions. Better sand availability in Tamil Nadu, stabilisation in the Kerala market post floods in Q2FY19 and higher infra spend in AP & Telangana markets are some key drivers that would lead to healthy volume growth of over 18% YoY in these regions. lower retail demand in north and capacity constraint faced by select companies would limit the volume growth to 6.5% YoY in north during the quarter. Demand in West, Central & East regions is expected to remain stable during the quarter. With the capacity expansion by UltraTech, Shree Cement, we expect the I-direct universe volume growth of 10.6% YoY during the quarter.

…but pricing environment to remain weak in south compared to other regions due to higher non-trade sales

As per our channel checks, realisations in south have declined 2.1% QoQ mainly due to higher volume push by cement companies in the non-trade segment. The western region also witnessed a price drop of 1.9% on a QoQ basis although it improved marginally on a YoY basis. Prices in West, East and Northern regions have broadly remained stable to positive compared to last year, prices in central regions has remain healthy with growth of 6.2% YoY due to the low base of last year and a balanced demand-supply environment. Overall, prices at the all-India level have increased 1.5% YoY to ₹ 338/bag but declined 0.7% on a QoQ basis. Consequently, we expect companies in our coverage universe to report 1.9% YoY decline in realisation to ₹ 4,815/t.

Ramco, India Cement, Sagar Cement to report healthy volume growth in Q3FY19E; Heidelberg & ACC to report better profitability

Our coverage universe is expected to report 12.7% YoY increase in cement revenues led by 10.6% YoY increase in volumes. Company wise, we expect south bases companies like Ramco, India Cement and Sagar Cement to report average volume growth of 18% YoY while Heidelberg and ACC may report healthy growth in EBITDA/tonne led by better pricing, reduced cost pressure and low base impact YoY.

EBITDA per tonne to improve YoY mainly due to easing cost pressure

The recent changes in axle load norms may provide additional loading capacity, thereby reducing freight costs by ~30-35/tonne during Q3FY19. Further, lower petcoke prices (down ~12% YoY) will further aid in margin expansion of companies.

Exhibit 1: Estimates for Q3FY19E (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
ACC ^	3,750.4	9.8	11.5	517.6	41.5	38.3	327.5	59.2	56.6
Ambuja ^	2,925.0	7.7	11.9	551.4	2.0	53.9	329.7	-2.6	84.6
Heidelberg	539.8	11.6	12.6	110.5	46.5	0.2	53.9	63.7	7.6
India Cement *	1,400.1	15.4	0.9	153.7	-8.1	-0.7	3.9	-74.5	172.1
JK Cement	1,211.5	7.6	10.1	194.3	14.2	14.5	79.9	10	24
JK Laxmi Cement	933.9	11.5	9.7	126.1	33.6	37.6	37.4	335.6	379.1
Mangalam Cement	306.0	4.8	6.3	21.5	163.8	33.7	2.4	-25.3	-19.2
Ramco Cements	1,241.5	17.5	4.9	258.8	10.0	4.7	121.4	-1.1	6.0
Sagar Cements	320.4	28.5	24.3	39.3	24.4	86.4	6.6	130.9	LP
Shree Cement *	2,720.9	18.2	5.2	602.5	5.8	15.9	232.4	-30.3	371.2
Star Cement	458.3	22.5	26.5	118.7	-16.2	71.1	62.5	-30.2	71.7
UltraTech Cem	8,589.5	13.2	10.5	1,524.9	20.2	26.3	579.0	37.4	48.2
Total	24,397.3	12.7	9.7	4,219.2	15.0	26.3	1,836.6	11.5	67.3

Source: Company, ICICI Direct Research ^ Q4CY18 result

Sales volume (Coverage Universe)

Million tonnes	Q3FY19E	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
ACC	7.4	6.9	6.9	6.6	13.0
Ambuja	6.2	5.9	6.1	5.5	14.1
UltraTech*	17.1	15.1	13.1	15.8	8.3
Shree Cem	6.0	5.3	12.1	5.6	5.8
India Cem	3.1	2.7	15.5	3.1	2.3
JK Cement*	2.4	2.3	5.4	2.2	13.4
JK Lakshmi	2.2	2.1	4.3	2.1	3.0
Mangalam	0.8	0.7	4.2	0.7	5.5
Heidelberg	1.3	1.2	4.4	1.1	12.9
Star Cement	0.7	0.6	12.0	0.6	24.9
Ramco Cement	2.6	2.3	16.5	2.5	7.3
Sagar Cement	0.9	0.7	31.6	0.7	24.5
Total	50.7	45.9	10.6	46.4	9.4

** blended sales volume (grey & white)*

Region-wise cement retail prices

₹/50 kg bag	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
North	300	297	1.0	301	-0.3
East	353	349	1.3	351	0.6
South	328	337	-2.8	335	-2.1
West	310	309	0.2	316	-1.9
Central	340	320	6.2	340	0.1
North East	398	383	3.9	398	-0.1
Average	338	333	1.7	340	-0.6

Cement Realisations (Coverage Universe)

₹ per tonne	Q3FY19E	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
ACC	5068	4938	2.6	5136	-1.3
Ambuja	4695	4624	1.5	4787	-1.9
UltraTech	5029	5026	0.0	4929	2.0
Shree Cem	4293	4120	4.2	4268	0.6
India Cem ^	4416	4417	0.0	4506	-2.0
JK Cement*	4992	4848	3.0	5096	-2.0
JK Lakshmi	4083	3983	2.5	4003	2.0
Mangalam	3974	3951	0.6	3944	0.8
Heidelberg	4250	3976	6.9	4262	-0.3
Star Cement	6609	6040	9.4	6527	1.3
Ramco Cement	4653	4606	1.0	4622	0.7
Sagar Cement	3580	3667	-2.4	3584	-0.1
Average	4815	4723	1.9	4779	0.7

** Blended realisations (grey cement + white cement)*

EBITDA per tonne (Coverage Universe)

₹ per tonne	Q3FY19E	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
ACC	699	529	32.3	572	22.4
Ambuja	885	921	-3.9	656	34.9
UltraTech*	893	840	6.2	766	16.6
Shree Cem	978	1067	-8.4	851	15.0
India Cem	488	614	-20.5	503	-2.9
JK Cement*	792	733	8.0	786	0.7
JK Lakshmi	534	449	19.0	431	23.9
Mangalam	279	110	153.2	194	44.2
Heidelberg	870	620	40.4	980	-11.2
Star Cement	1709	2284	-25.1	1248	37.0
Ramco Cement ^	1020	1035	-1.5	1001	1.8
Sagar Cement	439	465	-5.5	293	49.7
Average	836	799	4.7	714	17.1

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

Exhibit 2: Company specific view

Company	Remarks
ACC	Capacity constraint to restrict the volume growth of ACC to 7% YoY despite healthy demand from IHB segment in the eastern region (accounts for 27% of ACC's capacity) in Q3FY19E. Pricing environment may remain stable due to balanced demand supply matrix. On the cost front, the recent changes in axle load norms & lower petcoke prices will help in reducing freight & power costs, respectively
Ambuja Cement	Ambuja is expected to report volume growth of 6.1% YoY mainly due to last year's high base coupled with capacity constraint. We expect average capacity utilisation of 80% for Q3FY19 against 75% reported last year. Pricing environment may remain weak QoQ despite start of the construction season. However, with lower petcoke prices and hike in axle load norms, we expect margins to improve sequentially during the quarter
UltraTech Cement	Ramp-up in the capacity utilisation of acquired assets of Jaypee (17 MT) to help the company register volume growth of 13.1% YoY. The impact on sales volume from Binani (6.25 MT) would be visible only from the next quarter onwards. EBITDA/t is expected to improve 16.6% QoQ to ₹ 893/t mainly led by lower petcoke and freight costs
Shree Cement	Capacity expansion of 3.6 MT in Rajasthan and 2 MT in Bihar is expected to result in 12.1% YoY increase in cement volumes. This, along with healthy power segment revenues, led by higher spot prices, may keep revenue growth healthy. However, weak prices in the northern region may keep margins under check during the quarter on YoY basis. Sequentially, margins would improve due to easing cost pressure
India Cement	Better sand availability in Tamil Nadu, higher infra spending in AP & Telangana and stabilisation in Kerala market post floods to drive healthy sales volume growth during the quarter. We expect capacity utilisation to cross 80% during Q3FY19E. However, a weak pricing environment due to lower retail sales along with volume push in infra segment to keep margins under pressure during the quarter. EBITDA/t is expected to decline 20.5% YoY to ₹488/t
JK Cement	JK Cement is expected to report low single digit volume growth (up 5.4% YoY) mainly due to last year's high base impact and lower retail demand in the Northern region. On the other hand, white cement may report revenue growth of 6.8% YoY led by healthy demand and strong prices. Blended EBITDA/t is expected to improve 9.5% YoY mainly led by reduced cost pressure and 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. However, this will lead to positive impact on the realisations. We expect realisations growth of 2.5% YoY due to low base of last year. This along with benign cost environment will lead to 19% YoY growth in EBITDA per tonne
Mangalam Cement	Due to strong presence in the Northern region, this quarter's volume growth is expected to remain subdued due to lower demand from retail segment. On the positive side, firm pricing environment and reduced cost pressure would lead to sharp jump in EBITDA/t on YoY basis during the quarter
Heidelberg Cement	The volume growth during the quarter is expected to remain in low single digits YoY mainly on account of capacity constraint. We expect capacity utilisation to cross 94% during quarter. However, with healthy realisation in the central region along with the benefit of lower freight and power cost (led by sharp decline in Brent crude prices), we expect the company to maintain healthy growth in EBITDA per tonne

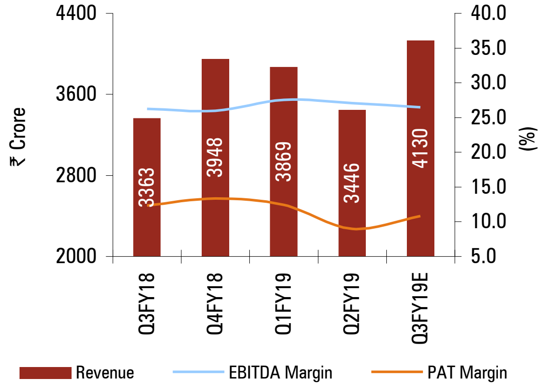
Source: Company, ICICIdirect Research

Exhibit 3: Company specific view

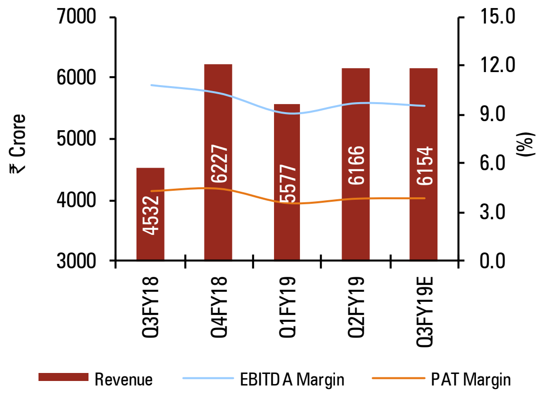
Company	Remarks
Star Cement	Stable demand in North-East and better pricing would result in topline growth of over 22% YoY to ₹458.3 crore in Q3FY19E. However, EBITDA/t is expected to decline 25.1% YoY to ₹1,709/t mainly led by cessation of transport subsidy.This would result into PAT de-growth of 30.2% YoY to ₹62.5 crore
Ramco Cement	Better sand availability in Tamilnadu, higher infra spending in AP & Telangana, stabilisation in Kerala market post floods and higher sales in the eastern region may drive cement volumes (up 16.5% YoY) in Q3FY19E. However, EBITDA/t would decline marginally mainly due to usage of high cost petcoke investory and weak pricing in the South region. Hike in the axle load norms would lower the transportation cost by ~₹35/tonne during the quarter
Sagar Cement	Sagar Cement to report robust volume growth of 31.6% YoY mainly led by capacity expansion and higher infra demand in AP & Telangana region. However, pricing pressure (down 2.4% YoY) is expected to result in topline growth of 28.5% YoY to ₹ 320.4 crore. However, with lower petcoke prices and hike in axle load norms we expect margins to improve sequentially during the quarter

Source: Company, ICICIdirect Research

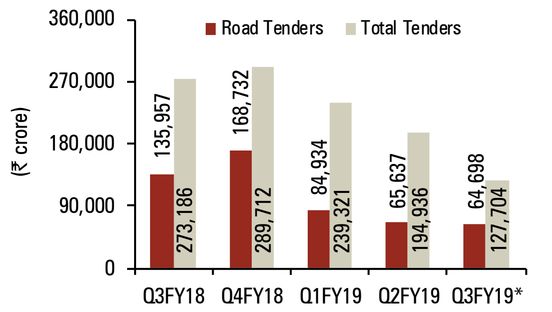
Topline & profitability (Road Coverage)



Topline & profitability (Construction Coverage)



Strong pickup in tendering activity…



**Q3FY19 includes figures only for October & November months*

Top pick of the sector

NCC Ltd, PNC Infratech

Research Analyst

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Construction & Roads

- **Road tendering activity seen strong in 8MFY19…**

  Overall tendering has been strong with ₹ 5,61,962 crore worth tenders floated in 8MFY19. Also, tendering within the road sector has been robust at ₹ 2,15,720 crore during this period. A significant rise in power distribution tenders was seen in 8MFY19, with total tender value more than doubling YoY to ₹ 26,607 crore for the segment, while railway tendering growth was flat YoY at ₹ 47,100 crore.

- **Healthy orderbook to keep execution momentum strong in FY20E…**

  So far, awarding has been strong with ₹ 245,700 worth projects awarded in 8MFY19. However, this could be front-loaded given the code of conduct kicking in post Q4FY19E. On the flip side, highway awarding, which is a major component in roadway construction, has been slow with 2930 km projects awarded in 8MFY19. Nonetheless, from our interaction with companies, tenders for highway projects worth ~₹ 100,000 crore have been floated while awarding could pick up before the code of conduct in March, 2019. We highlight that given the humongous scale of awarding expected in Q4FY19E, there could be some slippages and spillover to FY20E. With tendering expected to slow down, healthy orderbook position will keep execution strong. In our coverage universe, PNC, IRB and Ashoka Buildcon have a good order book position (3-4x TTM revenues) and have achieved timely financial closure for various HAM projects. Hence, we expect our coverage universe to meet their FY19E & FY20E execution targets.

- **Road universe revenues to grow at robust pace YoY…**

  Our road universe is expected to post strong revenue growth of 22.8% YoY to ₹ 4129.7 crore led by 44.8% YoY growth in PNC Infratech's revenues to ₹ 684.4 crore in Q3FY19E. The revenues of our construction universe are expected to grow 35.8% YoY to ₹ 6154.3 crore led by 48.7% YoY growth in NCC's topline to ₹ 2751.6 crore.

- **PAT of our construction universe to grow 22.7% YoY…**

  The bottomline of our construction universe is expected to post growth of 22.7% YoY to ₹ 237.2 crore led by 37.0% YoY growth in NBCC's bottomline to ₹ 84.7 crore. Our road universe bottomline is expected to grow 7.4% YoY to ₹ 445.3 crore.

Exhibit 4: Estimates for Q3FY19E (Road) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Ashoka Buildcon	871.4	32.3	14.0	109.1	37.2	5.2	63.8	22.7	2.7
IRB Infra	1,604.2	23.8	12.0	769.8	22.1	14.9	264.8	27.6	53.1
PNC Infratech	684.4	44.8	22.5	92.4	39.4	23.8	50.0	-46.2	42.5
Sadbhav Eng.	969.7	3.7	40.4	122.2	15.7	46.6	66.6	7.8	73.8
Total	4,129.7	22.8	19.8	1,093.5	24.0	17.4	445.3	7.4	44.3

Source: Company, ICICI Direct Research

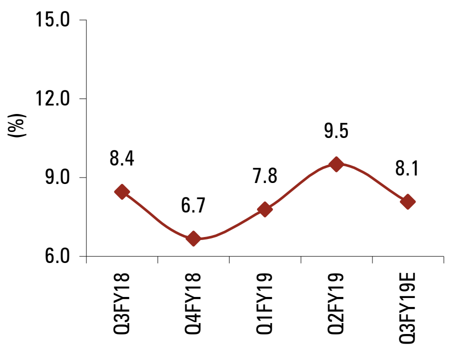
Exhibit 5: Estimates for Q3FY19E (Construction) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
NBCC	1,764.3	33.5	11.5	80.8	17.7	36.7	84.7	37.0	-1.4
NCC	2,751.6	48.7	-11.4	315.5	23.7	-13.6	122.1	21.6	-2.8
Simplex Infra	1,638.4	20.5	10.8	192.8	14.5	9.5	30.4	-2.4	24.2
Total	6,154.3	35.8	-0.2	589.1	19.7	-1.9	237.2	22.7	0.5

Source: Company, ICICI Direct Research

Road Coverage Universe

Interest expense* trend



Interest Expenses as %age of Sales

Major news during Q3FY19

Ashoka Buildcon	Ashoka Buildcon (ABL) has received an investment commitment for ₹ 150 crore into its city gas distribution (CGD) business Unison Enviro Pvt Ltd (UEPL) by Morgan Stanley India Infrastructure (MSIL)
IRB Infra	IRB Infra has achieved financial closure for its third project based on hybrid annuity model (HAM) through its SPV, VK1 Expressway Pvt. Ltd, for eight laning of 23.40 km of Vadodara-Mumbai Expressway. The construction period for the project is 730 days while operation period is 15 years
Sadbhav Engineering	As per media reports, Sadbhav Engineering (SEL) is expecting to sell a chunk of its roads portfolio in its subsidiary Sadbhav Infrastructure Project (SIPL). A due diligence with respect to traffic growth is in advanced stages for 12 of its toll road projects. The enterprise value is more than ₹ 10,000 crore
PNC Infratech	PNC Infratech has received October 10, 2018 as the appointed date for two contiguous EPC packages of Lucknow - Ghazipur Six Lane Access Controlled Purvanchal Expressway Project in Uttar Pradesh state on EPC basis from Uttar Pradesh Expressways Industrial Development Authority. The total contract price of the projects is ₹ 2520 crore
	As per media reports, Sadbhav Engineering (SEL) is expecting to sell a chunk of its roads portfolio in its subsidiary Sadbhav Infrastructure Project (SIPL). A due diligence with respect to traffic growth is in advanced stages for 12 of its toll road projects. The enterprise value is more than ₹ 10,000 crore

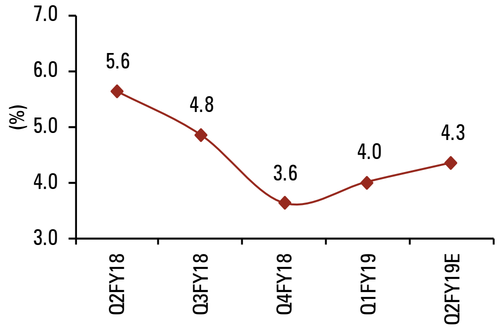
Exhibit 6: Company specific view (Road coverage universe)

Ashoka Buildcon	We expect Ashoka Buildcon's revenue to grow strongly by 32.3% YoY to ₹ 871.4 crore on account of good execution pick-up in Q3FY19E. EBITDA margins are expected to expand 40 bps YoY to 12.5% in line with management guidance band of 12.5-13%. On the profitability front, we expect PAT to grow 22.7% YoY to ₹ 53.7 crore led by strong topline growth. **Key monitorable**: Status on recently won HAM projects & its execution ahead
IRB Infrastructure	We expect topline to grow strongly at 23.8% YoY to ₹ 1604.2 crore on account of a better operational performance on all fronts. Toll revenues are expected to grow at a strong 28.8% YoY to ₹ 562.5 due to additional revenue contribution from Chittorgarh-Gulabpura, Kishangarh-Gulabpura and Solapur Yedeshi projects. Construction revenues are expected to grow 28.7% YoY to ₹ 1041.7 crore due to better execution during the quarter. We expect EBITDA margins to contract 60 bps YoY to 48.0% on expectation of higher contribution from construction business in Q2FY19E. The bottomline is expected to grow 27.6% YoY to ₹ 264.8 crore due to strong topline growth. **Key monitorable**: Guidance on execution of HAM projects and toll performance
PNC Infratech	PNC Infratech's topline is expected to grow robustly by 44.8% YoY to ₹ 684.4 crore, led by significant ramp-up in recently won big ticket projects such as Jhansi-Khajuraho Package - I & II. EBITDA margins are expected to contract 50 bps YoY to 13.5% on account of higher raw material expenses. While PNC's bottomline is expected to de-grow 46.2% YoY to ₹ 50.0 crore, we highlight that the company received a one-time ₹ 47.2 crore tax rebate in Q3FY18, which caused an optical de-growth at PAT level in Q3FY19E. On the PBT front, the company is expected to grow strongly by 36.3% YoY to ₹ 62.5 crore **Key monitorable**: Progress on HAM projects
Sadbhav Engineering	With ramp up on execution on big ticket HAM projects awaited, we expect the topline to grow only 3.7% YoY to ₹ 969.7 crore. Moreover, EBITDA margins are expected to expand 130 bps YoY at 12.6% on account of lower raw material costs. Consequently, we expect the bottomline to grow 7.8% YoY to ₹ 66.6 crore **Key monitorable**: Improvement in execution & status on financial closure & execution on various HAM projects

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

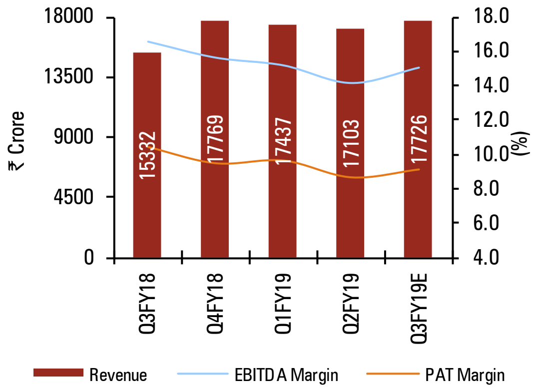
Infrastructure sector	The Maharashtra Cabinet has approved the implementation of two metro rail projects Dahisar-Mira Bhayander and Andheri- CSIM Airport collectively worth ₹ 6607 crore
NCC	NCC has received four new orders totalling ₹ 3592.5 crore (ex GST). Out of this, two orders of ₹ 671.5 crore pertain 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

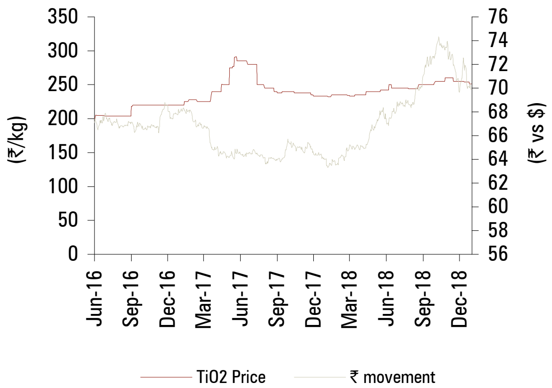
Topline & Profitability (Coverage universe)



EBITDA margin (%) movement

EBITDA margin	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Asian Paints	20.9	18.7	19.9	16.9	19.1
Kansai Nerolac	16.8	15.3	16.0	15.1	15.0
Pidilite Ind	24.0	18.4	20.8	20.8	21.4
Essel Propack	19.2	18.5	17.6	18.2	18.3
Havells	13.3	14.1	12.0	12.0	12.5
Bajaj Ele	6.1	8.4	7.0	5.0	5.1
V-Guard	9.4	5.7	7.3	8.3	8.6
Voltas	8.6	12.4	11.3	7.6	7.7
Supreme Ind	15.5	19.5	13.8	16.1	15.2
Astral Poly	13.9	18.2	16.3	15.0	15.2
Symphony	39.9	31.9	1.3	30.4	35.0
Time Techno	15.4	15.5	15.4	13.0	14.4

Titanium dioxide (₹/kg) price trend



Top Pick

Astral Poly

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Consumer Discretionary

Strong festive demand to drive topline

The I-direct consumer discretionary (CD) universe is likely to record strong sales growth (excluding cooling product majors Voltas and Symphony) of ~17% YoY in Q3FY19E led by volume growth of ~11-12%. Strong demand of decorative paints (up ~13% YoY) during the festive season would help drive revenue growth of Asian Paints by ~16% YoY. However, tepid industrial paint demand from automotive players is likely to restrict Kansai's topline growth at ~10% YoY. Besides, piping majors such as Supreme Industries and Astral Poly are likely to clock revenue growth of 16% and 26% YoY owing to volume growth of ~11% and 23% YoY, respectively. Pent up demand from dealers coupled with capacity addition in the form of acquisition are major drivers of piping segment volume growth in Q3FY19. Besides, electrical goods companies like Havells India, Bajaj Electrical and V-Guard are likely to record sales growth of ~18%, ~35% and ~11% YoY, respectively, supported by strong sales growth in the home/kitchen appliances categories.

Change in product mix, high cost inventory to weigh on margin

Despite sharp volume growth, we believe the EBITDA margin of our coverage universe (dominated by paint companies and Pidilite) would decline ~150 bps YoY to 15.6% mainly due to high raw material prices (titanium dioxide, PVC prices were up 8%, 9% YoY, respectively), adverse currency movement (rupee depreciated ~11% YoY) and change in product mix. We believe EBITDA margin of Asian paints, Kansai Nerolac and Pidilite are likely to decline 180-250 bps YoY. Further, a weak season coupled with rationalisation of inventory at dealer's level would weigh on EBITDA margin of cooling product companies such as Voltas and Symphony.

Lower EBITDA margin to drag PAT growth

Despite strong revenue growth, we believe the coverage universe will record muted PAT growth owing to a decline in EBITDA margin. Paint companies are likely to record muted PAT growth during the period while piping companies such as Astral Poly and Supreme Industries likely to record PAT growth of ~14% YoY each. We believe the impact of price hike (in the paint and adhesive segment) coupled with a decline in raw material prices would start flowing from Q4FY19E onwards, which would help drive PAT.

Exhibit 8: Estimates for Q3FY19E (Consumer Discretionary) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Asian Paints	4,931.3	15.7	6.3	943.1	5.8	20.3	596.3	5.1	17.8
Astral Poly Technik	663.6	25.6	5.5	100.5	36.5	6.5	53.0	14.4	15.6
Bajaj Electricals	1,541.3	34.6	-3.6	78.2	11.3	-2.2	33.1	-10.2	-3.0
Essel Propack	656.6	10.3	-3.9	120.2	5.1	-3.7	44.6	9.5	-17.0
Havells	2,316.9	17.9	5.7	289.6	10.4	10.3	195.5	0.6	9.4
Kansai Nerolac	1,253.4	9.5	-3.1	188.1	-2.1	-3.5	122.6	-2.0	0.4
Pidilite Industries	1,747.4	13.3	-0.6	374.5	1.2	2.7	239.3	0.1	3.5
Supreme Industries	1,476.0	15.5	12.1	224.3	13.4	5.6	118.5	14.3	10.7
Symphony	193.6	-11.0	NM	67.7	-22.0	NM	54.9	-17.2	NM
V-Guard Industries	579.4	10.7	-3.0	49.8	0.9	0.0	36.1	0.9	-5.5
Voltas Ltd	1,527.1	11.1	7.4	117.8	-0.7	8.6	88.3	-12.1	-17.5
Time Technoplast	839.6	11.3	1.5	120.9	4.0	12.4	42.1	-10.0	31.7
Total	17,726.3	15.6	3.6	2,674.8	5.2	10.1	1,624.3	1.4	9.0

Source: Company, ICICI Direct Research

Volume growth movement of paint companies

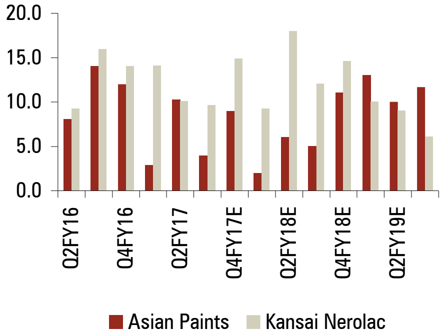


Exhibit 9: Company specific view for Q3FY19E

Company	Remarks
Asian Paints	Asian Paints is likely to record sales growth of ~16% YoY to~₹ 4931 crore in Q3FY19E led by volume growth (includes industrial paint) of ~12% YoY. We believe that despite a price hike gross margin would remain under pressure owing to use of high cost inventory. As a result, EBITDA margin is likely to decline 180 bps YoY to ~19%. Adjusted PAT would grow marginally by ~5% YoY to ₹ 596 crore
Astral Poly Technik	Astral Poly is likely to record net sales growth of ~26% YoY to ₹ 664 crore. On the segment front, piping segment revenue growth of ~27% YoY to ₹ 497 crore led by volume growth ~23% YoY is mainly due to acquisition of Rex. Revenue growth of the adhesive division would be ~20% YoY to ~₹ 161 crore led by increase in plant utilisation and dealer addition. We believe EBITDA margins will increase ~120 bps YoY to ~15% supported by higher operating leverage. PAT is likely to increase ~14% YoY to ~₹ 53 crore
Bajaj Electricals	BEL is likely to record sales growth of ~35% YoY to ~₹ 1541 crore in Q3FY19E, led by both consumer durable and E&P segment. We believe CD sales will grow ~19% YoY to ₹ 716 crore on the back of lower base and steady growth in coverage of dealers (through Range Reach Expansion Programme). We believe strong order execution would lead to a sharp increase in revenue of E&P business by 52% YoY to ₹ 825 crore. However, cost escalation in the E&P business would drag overall EBITDA margin down ~100 bps YoY to 5%. As a result, PAT is likely to decline ~10% YoY ~₹ 33 crore
Essel Propack	We believe a slight recovery in sales of EPL's AMESA regions led by recovery in sales from India (that contributes ~30% to the consolidated topline). Consolidated revenue is likely to increase ~10% YoY to ₹ 657 crore in Q3FY19E. We believe sales from AMESA & EAP regions would grow ~11% each while America and Europe regions would grow ~9% and 10% YoY, respectively. On the margin front, higher employee cost and other expenses (associated with the start of new units in Assam) would translate to ~90 bps YoY contraction in EBITDA margin to 18.3% YoY. Adjusted PAT is likely to remain flat at ~₹ 45 crore (10% YoY increase if not adjusted)
Havells India	Havells is likely to record consolidated sales growth of ~18% YoY to ₹ 2317 crore supported by growth in switchgear, cable & ECD segment by ~20%, ~19% & 20% ~₹ 411 crore, ₹ 745 crore and ~₹ 851 crore, respectively. Under the ECD segment, revenue growth is largely driven by new launches while Lloyd business (led by AC segment) may see flattish sales on a comparable base due to lean season. We believe lower operating leverage (in the Lloyd business) would weigh on overall EBITDA margin that is likely to fall ~85 bps YoY to 12.5%. Adjusted PAT would rise 9% YoY to ~₹ 195 crore
Kansai Nerolac	Kansai is expected to record revenue growth of ~10% YoY to ₹ 1253 crore led by volume growth of ~6% YoY in Q3FY19E. The tepid volume growth would be due to muted industrial paint demand from automotive segment. We believe the gross margin would remain under pressure as the positive impact of price hike and lower raw material prices would be visible from Q4 onwards. As a result, the EBITDA margin may decline ~180 bps YoY to ~15% in Q3FY19E. Pressure from EBITDA margin would result in lower PAT during Q3FY19 (down 2% YoY to ~₹ 123 crore)

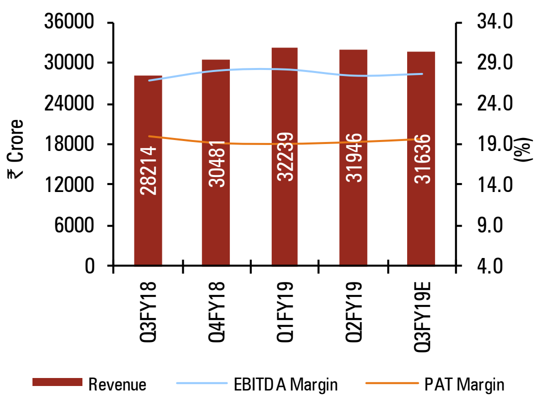
Source: Company, ICICI Direct Research

Exhibit 10: Company specific view for Q3FY19E

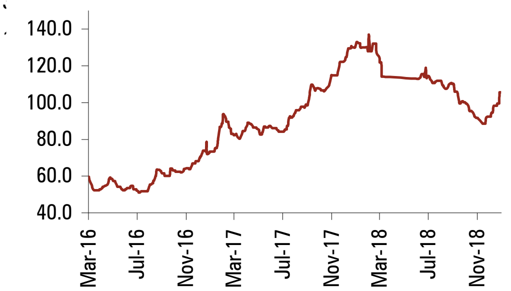
Pidilite Industries	Consolidated sales are likely to grow ~13% YoY to ~₹ 1747 crore in Q3FY19E supported by 15% and 4% YoY growth in revenue of consumer & bazaar and industrial product segment to ₹ 1509 crore and ₹ 257 crore, respectively. Though the VAM prices strated cooling off from its peak in Q2FY19, it is still higher by ~3% YoY in Q3FY19. we believe use of high cost inventory would lead to a decline in EBITDA margin by ~260 bps YoY to ~21%. As a result, PAT would remain flat on a YoY basis at ~₹ 239 crore
Supreme Industries	SIL's plastic segment sales are likely to increase ~16% YoY to ~₹ 1476 crore in Q3FY19E led by ~11% YoY growth in volume. Despite higher base the piping segment volume growth at ~11% YoY would result in piping segment revenue growth of 13% YoY to ₹ 756 crore. The packaging and industrial product category to record sales growth of 13% and 26% YoY respectively. EBITDA margin likely to remain flat at ~15% as increase in realisation would largely help in offsetting higher raw material prices. Finally, PAT is likely to increase ~14% YoY to ~₹ 119 crore
Symphony	We believe Symphony's lacklustre performance would continue in Q3FY19E due to higher base and rationalisation of inventory at dealer's level. Sales may see de-growth of ~11% YoY to ₹ 194 crore in Q3FY19 led by ~15% YoY decline in volume. We believe a lack of volume growth would put pressure on EBITDA margin that is likely to fall ~500 bps YoY to ~35%. A below expected operating performance would lead to PAT de-growth of 17% YoY to ₹ 55 crore
V-Guard	V-Guard is likely to record sales growth of ~11% YoY to ₹ 579 crore in Q3FY19E led by recovery in sales after flood in Kerala. The sales growth would be largely be driven by electricals and consumer durable segments wherein segment sales likely to increase by 11% and 13% YoY to ~₹ 272 crore and ₹ 168 crore respectively. However, electronic segment likely to grow albiet at slow pace of ~8% YoY led by digital UPS segment. However, performance of stabilisers segment likely to remain muted owing to lean season of AC business. We believe lower operating leverage would impact the EBITDA margin, which is likely to decline 85 bps YoY to 8.6%. As a result, PAT is likely to remain flat at ~₹ 36 crore
Voltas	Voltas is likely to record sales growth of ~11% YoY to ~₹ 1527 crore in Q3FY19E led by EMPS segment sales growth of ~14% YoY to ₹ 858 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 ~8% YoY largely led by mix of volume and price. EBITDA margin likely to decline by ~80 bps YoY to 7.7% in Q3FY19 led by lower operating leverage in the UCP segment. This coupled with higher tax provision may drag PAT down by ~12% YoY at ~₹ 88 crore
Time Technoplast	Revenues are likely to grow ~11% YoY to ~₹ 840 crore supported by ~22% YoY increase in sales of value added products to ₹ 176 crore. Growth could be largely driven by, DWC pipe, composite cylinders and Mox films. The established product category likely to grow albiet slow pace of ~9% YoY to ₹ 664 crore due to slowdown in overseas demand of industrial packaging products during Q3FY19. We believe the EBITDA margin may decline by ~100 bps YoY to 14.4% led by lower gross margin. Finally, PAT is likely to decline ~10% YoY to ~₹ 42 crore

Source: Company, ICICI Direct Research

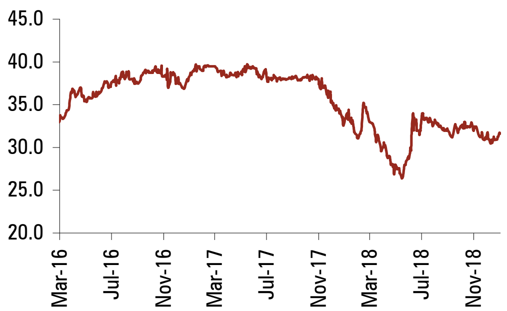
Topline & profitability (Coverage Universe)



Copra price trend (₹ per kg)



Benign sugar prices (₹/kg)



Top Picks

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FMCG

Robust volume growth, stabilisation of operating margins

Falling input cost prices and rising demand have panned out well for FMCG companies in the last few quarters. Our FMCG coverage universe is expected to continue the growth momentum, whereby sales are expected to grow 12.1% mainly on the back of an uptick in rural demand, shift towards naturals space across segments, higher election spend by the government closer to general elections in May 2019, new launches across sectors and premiumisation within categories gaining significance. We expect organic volume growth of 6-8% across companies. ITC is expected to post 11.4% sales growth, ably supported by strong growth from cigarettes & FMCG segments. Cigarettes volume is expected to grow 4% on a low base. HUL, Dabur, Colgate, Jyothy Laboratories are expected to see robust sales growth of 11.6%, 13.6%, 9.5%, 10.6%, respectively, primarily backed by healthy volume growth in addition to price hikes taken to offset input cost pressures. Nestlé and Varun Beverages are expected to see 12.9%, 13.8% growth, respectively, driven by new product/category launches and inorganic expansion. Marico is expected to witness 16% sales growth led by ~15% increase in Parachute prices to mitigate rise in copra prices (though prices have corrected by 27% from January 2018 peaks) and pick-up in international business. Prabhat Dairy is likely to post sales growth of 10.3% YoY on the back of high volume growth led by better capacity utilisation.

Crude oil volatility remains concern to growing operating margins

Commodities such as milk, sugar, palm oil, Robusta prices have been benign over last few quarters and have declined by 10%, 13%, 26%, 14%, respectively, on a YoY basis. However, crude oil prices (used for packaging) have been volatile for a few months on global cues and witnessed an increase of 12% YoY, which would restrict operating margins expansion to 81 bps for our FMCG universe. A 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. Lower milk and sugar prices should benefit GSK Consumer also. Continued focus on digital advertisement should help restrict marketing spend thereby improve operating margins. We estimate 10.1% YoY net profit growth for our coverage universe.

Exhibit 11: Estimates for Q3FY19E (FMCG) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Colgate Palmolive	1,131.7	9.5	-3.1	311.7	10.4	-5.4	189.7	11.2	-3.4
Dabur India Ltd	2,234.4	13.6	5.2	460.2	14.1	2.1	381.5	14.6	1.1
GSK Consumer	1,166.7	12.4	-8.3	238.3	14.8	-32.6	217.1	32.7	-21.2
HUL	9,585.1	11.6	3.8	2,074.3	23.5	2.7	1,487.0	12.1	-2.5
ITC	10,885.0	11.4	-1.7	4,372.4	12.4	4.0	3,195.9	3.4	8.2
Jyothy Laboratories	462.8	10.6	8.2	78.4	11.0	7.2	47.2	26.5	4.0
Marico Ltd	1,884.5	16.0	2.6	335.0	10.9	13.9	246.1	10.2	12.7
Nestle India	2,937.7	12.9	-0.1	727.5	16.9	0.3	438.9	40.7	-1.6
Prabhat Dairy	445.3	10.3	6.4	41.9	11.7	6.4	18.7	24.6	51.0
Varun Beverages Ltd	600.1	13.8	-48.5	35.2	56.7	-83.3	-64.9	NA	PL
VST Industries	303.1	26.8	4.4	99.4	24.5	10.2	62.4	25.4	9.2
Total	31,636.3	12.1	-1.0	8,774.3	15.5	-0.2	6,219.6	10.1	1.1

Source: Company, ICICI Direct Research

Crude oil prices soften ($/barrel)

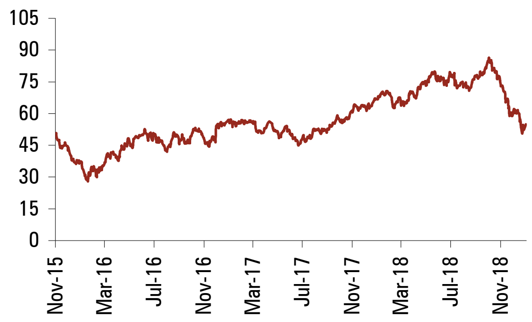


Exhibit 12: Company specific view (FMCG)

Colgate	Colgate is expected to post 9.5% YoY sales growth driven by ~5% volume growth in addition to market share gains. The company had taken a price hike of 5% in Colgate Dental Cream (CDC) in July 2018 to mitigate input cost inflation in crude oil and sorbitol prices. We expect the company to maintain elevated operating margins with slight margin expansion of 21 bps to 27.5% YoY. Net profit is likely to grow 11.2% YoY to ₹189.7 crore
Dabur	The company is expected to post healthy revenue growth of 13.6% YoY driven by domestic sales growth of 12.7% (volume growth of ~8%). We expect this growth to be to be broad based, well supported by strong demand from rural regions. International operations may see better growth of 16.2% on a favourable base (Q3FY18 saw de-growth of 9.1%). We expect EBITDA margins to remain flat at 20.6% YoY due to increase in commodity price inflation. PAT is estimated to increase 14.6% YoY to ₹ 381.5 crore
GSK Consumer Healthcare	GSK Consumer is expected to post sales growth of 12.4% YoY on the back of broad based growth across categories and addition of export regions. We expect expansion in gross and operating margins supported by lower input prices, especially milk prices. However, an increase in barley prices should restrict operating margin expansion to 44 bps to 20.4% on a YoY basis. Net profit is likely to grow 32.7% YoY to ₹ 217.1 crore
HUL	We expect 11.6% YoY sales growth mainly led by volume growth of 8% on account of volume growth across categories along with improved rural demand in addition to price hikes taken in detergents and skin care categories during Q2FY19. The company should witness operating margin expansion of 208 bps expansion to 21.6% in spite of higher raw material costs, benefiting from a focus on premiumisation, cost cutting and market share gains. We expect net profit to grow 12.1% YoY to ₹ 1487 crore
ITC	ITC is expected to post 11.4% YoY sales growth during the quarter on the back of robust growth from the cigarettes & FMCG segments. The cigarettes segment is likely to witness ~4% volume growth on a low base (4% volume de-growth in Q3FY18). Driven by new launches & premiumisation across categories within the space during the quarter should perk up FMCG segment growth of 18% growth during the quarter. With improving margins in the FMCG business and higher realisations in the cigarette business, net profit (adjusted for one-offs in base quarter) is likely to grow by 13.8% YoY to ₹ 3195.9 crore
Jyothy Labs	The company is expected to post sales growth of 10.6% YoY driven by 6-7% volume growth along with average price hike of 5% taken by the company across product portfolio to mitigate rising input cost pressure. We expect operating margins to remain flat at 17% YoY (slight expansion of 6 bps YoY) due to higher material costs and advertising spend to support new launches We expect net profit to increase 26.5% YoY to ₹ 47.2 crore
Marico	We expect the company to post 16% YoY sales growth on the back of healthy growth of 15.2% in the domestic business on account of ~15% increase in Parachute prices. The price increase has been on account of a steep increase in copra prices over the last year. We expect the international business to pick up with YoY sales growth of 19% during the quarter. Due to rapid increase in copra prices, we expect an 82 bps contraction in operating margins to 17.8%. Net profit is expected to increase 10.2% YoY to ₹ 246.1 crore

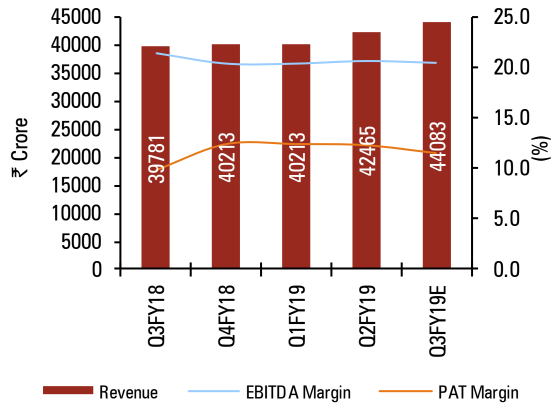
Source: Company, ICICI Direct Research

Exhibit 13: Company specific view (FMCG)

Nestlé India	Nestlé India is expected to grow by 12.9% YoY to ₹ 2,937.7 crore driven by market share gains and robust growth across categories. Company's focus on new launches and and penetration through its cluster-based approach should perk up volume growth for the quarter. Its operating margins is likely to see further improvement of 84 bps to 24.8% YoY supported by benign milk, coffee and sugar prices. We expect net profit (adjusted for one-offs in base quarter) to grow By 27.6% YoY to ₹ 438.9 crore during the quarter
Prabhat Dairy	Prabhat Dairy is expected to grow by 10.3% YoY to ₹445.3 crore driven by higher volumes from value added segments. Milk procurement prices have been down by ~10% YoY to ₹ 22. Robust B2C sales in addition to lower milk prices should help operating margins to improve further by 12 bps YoY to 9.4%. Net profit during the quarter is expected to grow to ₹ 18.7 crore
Varun Beverages	VBL is expected to witness 13.8% YoY sales growth to ₹ 600.1 crore led by inorganic growth (addition of new geographies and inclusion of Tropicana juices in company's portfolio) However, Tropicana juices segment would become margin accretive from Mar 2019. December quarter is an off-season for beverage companies as it contributes only 10-12% of the annual revenues. We expect operating margin expansion of 161 bps to 5.9% YoY and reduction in net loss to ₹ 64.9 crore from loss of ₹ 72.2 crore in the corresponding quarter last year
VST Industries	VST is expected to post 26.8% YoY sales growth during the quarter primarily led by ~8% volume growth (base quarter volume growth of 2%) in addition to change in product mix towards premium priced cigarettes ('Total' at ₹ 6/stick and 'Edition' at ₹ 10/stick). We expect 40-45% contribution from 64 mm cigarettes with the remaining 55-60% volume contribution from 69 mm or above category. Operating margins are expected to contract marginally by 64 bps to 32.8% on a higher base. We expect net profit to grow by 25.4% to ₹ 62.4 crore

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage universe)

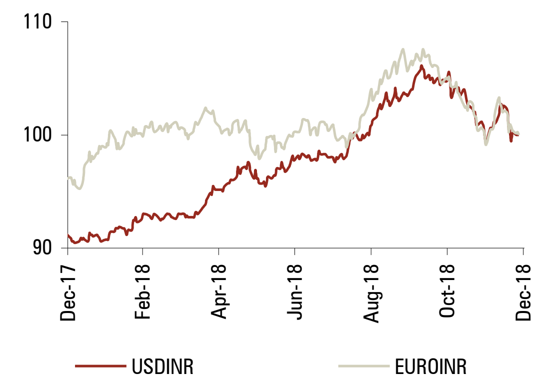


USFDA approvals for Oct-Dec 2018 (Coverage Universe)

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

Divi's Lab
Biocon

Research Analyst

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Healthcare

Broader revenue growth decent at ~11% but likely to be skewed…

The I-direct healthcare universe is expected to register 10.8% YoY revenue growth to ₹ 44082 crore on the back of acquisitions and a recovery of the US base business besides currency tailwinds. However, on a case by case basis, growth numbers may be varied as the quarter is likely to witness a positive rub-off for some players and at the same time structural limiting factors for others. Domestic growth can be muted for some companies on the back of a weaker acute season impact. This is also likely to impact their EBITDA margins. Domestic formulations are likely to grow 8% YoY (select pack and adjusting for acquisition). US revenues (select pack) are expected to grow 12.5% YoY mainly due to currency tailwinds and volume gain in the base business, which is likely to mitigate continued base business price erosion. In Q3FY19, average YoY rupee depreciation vis-à-vis US$ was 11.5%. 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. Torrent (on acquisitions), Biocon (biologics traction), Divi's (API opportunities) and Narayana (consolidation of Cayman and new hospitals ramp up) and are likely to register above 25% growth in revenues. On the other hand, Ajanta Pharma, Cadila and Indoco are likely to report negative revenue growth mainly due to slow growth in domestic formulations and a high base.

EBITDA to grow 6% as domestic slowdown, cost pressure to weigh

The EBITDA of the I-direct healthcare universe is expected to grow 6% YoY to ₹ 9032 crore. EBITDA margins are likely to contract 98 bps YoY to 20.5%. Higher raw material cost due to supply constraints from China, higher promotional cost of innovative products and lower domestic sales are likely to put pressure on overall margins

Adjusted net profit to increase 30% YoY pushed by high tax base

Net profit is expected to increase 29.6% YoY to ₹ 5504 crore. The delta vis-à-vis EBITDA is likely to be on the back of the higher base of tax rate in large companies such as Sun, Lupin, Dr Reddy's and Torrent Pharma.

Exhibit 14: Estimates for Q3FY19E

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Ajanta Pharma	522.6	-11.0	-3.9	132.7	-32.8	-20.1	95.8	-35.1	-23.6
Alembic Pharma	1,019.5	21.4	-9.5	203.9	8.7	-32.6	140.6	7.7	-29.7
Aurobindo Pharma	5,022.3	15.8	5.7	1,055.5	2.9	7.0	669.1	13.8	4.8
Biocon	1,382.4	30.7	4.6	362.1	63.3	6.6	188.7	105.4	13.8
Cadila Healthcare	3,222.2	-1.1	8.8	750.7	-10.8	9.1	473.7	-12.8	13.5
Divi's Lab	1,308.2	26.1	1.8	510.2	56.4	-0.8	409.6	82.3	3.0
Cipla	4,081.6	4.3	1.7	693.9	-15.2	-1.2	290.1	-27.6	-18.7
Dr. Reddys	4,015.2	4.7	5.2	750.8	-5.3	-1.1	416.9	37.7	-19.6
Glenmark	2,521.0	14.4	-2.3	438.1	35.8	-0.5	232.0	121.5	-6.0
Indoco Remedies	239.0	-14.1	1.4	17.2	-60.1	45.9	-3.8	PL	NA
IPCA Labs	939.1	9.3	-7.3	166.3	3.2	-11.8	107.2	1.5	-20.9
Jubilant Life Sc.	2,436.5	17.8	7.4	482.5	15.8	7.2	241.8	13.8	15.3
Lupin	3,991.0	0.4	1.0	598.6	-13.0	8.9	267.1	20.7	0.4
Narayana	713.3	28.8	0.3	71.8	39.5	-1.7	15.2	7.6	11.8
Natco Pharma	534.7	-4.9	-1.6	189.2	-33.9	-14.2	151.7	-30.3	-16.9
Sunpharma	7,609.0	14.4	9.7	1,712.0	17.8	11.8	1,017.1	178.4	2.2
Syngene International	431.1	11.2	3.0	138.2	9.5	9.1	83.3	1.5	6.3
Torrent Pharma	1,948.3	31.9	2.9	487.1	35.7	3.0	164.5	183.6	-8.1
Apollo Hospitals	2,145.8	13.2	2.7	271.0	22.5	5.1	93.3	38.4	18.2
Total	44,082.8	10.8	3.8	9,032.0	5.7	2.9	5,053.8	29.6	-2.8

Source: Company, ICICI Direct Research

Expected growth (%) in Domestic formulations

(₹ crore)	Q3FY19E	Q3FY18	Var. (%)	Q2FY19	Var. (%)
Ajanta	171.1	155.0	10.4	172.0	-0.5
Alembic	354.9	314.1	13.0	342.7	3.6
Biocon	156.1	156.1	0.0	164.0	-4.8
Cadila	861.8	916.8	-6.0	893.2	-3.5
Glenmark	694.2	578.5	20.0	778.4	-10.8
Indoco	155.9	155.9	0.0	159.0	-1.9
Ipca	428.8	382.9	12.0	468.6	-8.5
Lupin	1,197.1	1,068.8	12.0	1,203.2	-0.5
Cipla	1,681.1	1,601.0	5.0	1,644.0	2.3
Dr Reddy's	673.9	612.6	10.0	686.4	-1.8
Sun Pharma	2,293.5	2,085.0	10.0	1,860.0	23.3
Torrent	827.9	586.0	41.3	816.0	1.5
Total	9,496.2	8,612.7	10.3	9,187.4	3.4

Expected growth (%) in the US

(₹ crore)	Q3FY19E	Q3FY18	Var. (%)	Q2FY19	Var. (%)
Aurobindo	2,530.5	1,909.6	32.5	2,226.8	13.6
Cadila	1,563.4	1,583.8	-1.3	1,320.4	18.4
Cipla	781.2	650.0	20.2	758.0	3.1
Glenmark	847.9	735.9	15.2	810.2	4.7
Lupin	1,261.3	1,432.1	-11.9	1,248.7	1.0
Dr Reddy's	1,599.9	1,607.3	-0.5	1,426.5	12.2
Sun Pharma	2,609.5	2,124.2	22.8	2,394.0	9.0
Torrent	400.1	266.0	50.4	394.0	1.6
Total	11,593.9	10,308.8	12.5	10,578.6	9.6

Expected growth (%) in Europe

(₹ crore)	Q3FY19E	Q3FY18	Var. (%)	Q2FY19	Var. (%)
Aurobindo	1178.2	1171.6	0.6	1156.5	1.9
Cadila	61.7	64.9	-5.0	52.0	18.6
Glenmark	269.7	224.8	20.0	260.8	3.4
Dr Reddy's	196.6	200.6	-2.0	191.5	2.7
Lupin	166.4	151.3	10.0	153.7	8.3
Torrent	253.1	241.0	5.0	251.0	0.8
Total	2125.7	2054.2	3.5	2065.5	2.9

Expected growth (%) in Latin America

Latin America					
(₹ crore)	Q3FY19E	Q3FY18	Var. (%)	Q2FY19	Var. (%)
Glenmark	103.3	89.8	15.0	98.5	4.9
Torrent	155.2	194.0	-20.0	147.0	5.6
Total	258.5	283.8	-8.9	245.5	5.3

Exhibit 15: Company specific view

Company	Remarks
Ajanta Pharma	Revenues are expected to decline ~11% YoY to ₹ 523 crore mainly due to high base of Asian branded business and shrinking African tender opportunity. EBITDA margins are expected to decline 824 bps to 25.4% YoY on account of higher fixed overheads at new facilities and negative operational leverage. Net profit is likely to decline 35% YoY to ~₹ 96 crore mainly due to a below expected operational performance
Alembic Pharma	Revenues are expected to grow ~21% YoY to ₹ 1020 crore mainly due to 40% growth in international formulations led by strong growth in ex-US export business. EBITDA margins are expected to contract 232 bps to 20% on account of an adverse product mix. Net profit is expected to increase 7.7% YoY to ₹ 141 crore
Apollo Hospitals	Standalone sales are likely to grow ~13% YoY to ₹ 2146 crore mainly due to ~17% 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 expected to improve 96 bps to 12.6% mainly due to margin improvement in new hospitals. Net profit is expected to grow 38% YoY to ₹ 93 crore mainly due to a strong operational performance
Aurobindo Pharma	Revenues are expected to grow ~16% YoY to ₹ 5022 crore mainly due to 33% growth in the US led by new launches and currency tailwinds. Strong growth in the US could be partly offset by an expected 30% decline in the ARV business. EBITDA margins are likely to decline 263 bps to 21% due to a change in the product mix. Net profit may grow ~14% YoY to ₹ 669 crore due to a lower tax rate (25% vs. 34% in Q3FY18)
Biocon	Revenues are likely to grow ~31% YoY to ₹ 1382 crore on the back of robust growth in the biologics segment. EBITDA margins may improve 524 bps to ~26% mainly due to a better product mix. Net profit is expected to grow 105% YoY to ₹ 187 crore mainly due to a strong operational performance
Cadila Healthcare	Revenues are likely to remain flat at ~₹ 3222 crore mainly due to the high base in the US and India. EBITDA margins are likely to contract ~251 bps YoY to 23.3% mainly due to high base of gLialda exclusivity in the US. Subsequently, net profit is expected to decline ~13% YoY to ₹ 473 crore
Cipla	Revenues are expected to increase ~4% YoY to ₹ 4082 crore. Domestic business is expected to grow 5% YoY to ₹ 1681 crore. On the exports front, 20% YoY growth in the US is likely to get offset by a decline in the Europe and tender businesses. EBITDA margins are expected to decline 392 bps YoY to 17% mainly due to a change in the business mix and negative operating leverage. Net profit is expected to fall ~28% YoY ₹ 290 crore due to a lower expected operational performance, higher interest cost and higher tax rate
Divi's Laboratories	Revenues are expected to grow ~26% YoY to ₹ 1308 crore due to currency tailwinds and a favourable market scenario owing to China supply constraints. EBITDA margins are expected to improve 758 bps to ~39% YoY due to a better product mix and favourable currency movement. Net profit is expected to grow 82% YoY to ₹ 410 crore mainly due to a strong operational performance
Dr Reddy's	Revenues are likely to grow ~5% YoY to ₹ 4015 crore mainly due to ~10% growth in India and 25% growth in Russia & CIS. The US growth is expected to remain flat at ~₹ 1600 crore. EBITDA margins are expected to decline ~200 bps to 19% mainly due to an adverse product mix. Net profit is expected to grow ~37% YoY to ₹ 417 crore mainly due to lower tax rate (20% vs. 46.2% in Q3FY18)

Source: Company, ICICI Direct Research

Expected growth (%) in API

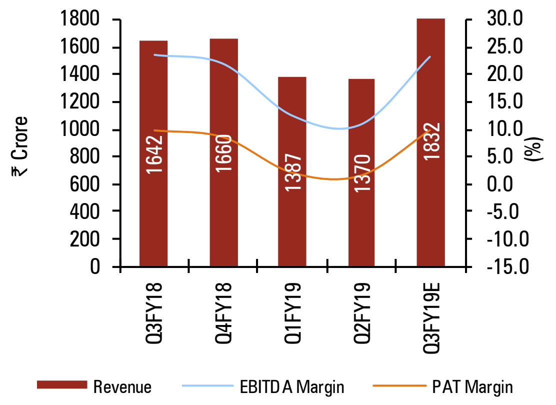
API					
(₹ crore)	Q2FY19E	Q2FY18	Var. (%)	Q1FY19	Var. (%)
Aurobindo	787.2	771.8	2.0	748.0	5.2
Alembic	177.5	142.0	25.0	180.0	-1.4
Cadila	102.2	92.9	10.0	109.5	-6.7
Glenmark	236.6	236.6	0.0	210.1	12.6
Divi's Lab	487.3	443.0	10.0	475.3	2.5
Indoco	15.5	14.7	5.0	15.6	-1.2
Ipca Labs	213.2	193.8	10.0	217.8	-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

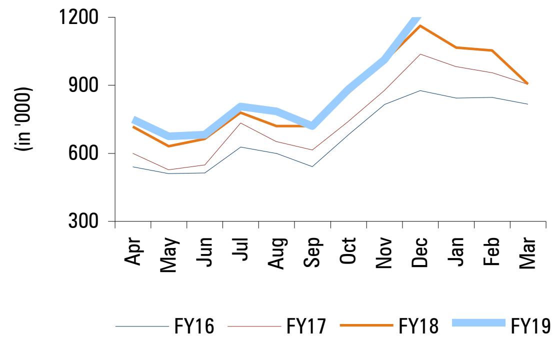
Glenmark Pharma	Revenues are expected to grow 14.4% YoY to ₹ 2521 crore mainly due to 20% growth in domestic formulations and 15% growth in the US. EBITDA margins are likely to remain in the range of 17-18%. Net profit is expected to grow 121% YoY to ₹ 232 crore due to expected strong operational performance and lower tax rate (27% vs. 31.8% in Q3FY18)
Indoco Remedies	Revenues are likely to decline ~14% YoY to ₹239 crore mainly due to 45% YoY decline in export sales. Domestic sales are expected to remain flat at ~₹156 crore. EBITDA margins are likely to contract 832 bps to ~7% mainly due to adverse product mix and negative operating leverage. Net loss is expected to be ~₹ 4 crore against net profit of ₹ 22.7 crore in Q3FY18 mainly due to lower expected operational performance
Ipca Laboratories	Revenues are expected to grow ~9% YoY to ₹ 939 crore mainly due to 12% growth in domestic formulations to ₹ 429 crore. Export formulations are likely to remain flat. EBITDA margins are likely to decline 107 bps to 17.7% due to adverse product mix. Net profit is expected to grow ~2% YoY to ₹ 105 crore due to a lower expected operational performance
Jubilant Life Science	Revenues are expected grow ~18% YoY to ₹ 2437 crore mainly due to consolidation of Triad Pharmacy and strong growth in pharma specialty segment. Margins are expected to remain ~20%. Net profit is expected to grow ~14% YoY to ₹ 242 crore
Lupin	Revenues are expected to remain muted at ~₹ 3990 crore. 12% growth in domestic formulation is likely to get offset by 12% decline in US sales. EBITDA margins are likely to decline 231 bps to 15% mainly due to an adverse product mix and higher sales promotional expenses. Net profit is expected to grow 21% YoY to ₹ 267 crore owing to lower tax rate (26% vs. 42% in Q3FY18)
Narayana Hrudalaya	Revenues are likely to grow ~29% YoY to ₹ 713 crore mainly due to strong growth in new hospitals and acquisition of remaining stake in Cayman Islands hospital. EBITDA margins are likely to remain muted in 9-10% range 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 higher interest cost and depreciation
Natco Pharma	Revenues are expected to decline ~5% YoY to ₹ 535 crore mainly due higher discount in key products (gCopaxone, gDoxil and gTamiflu) by competitors in the US. Subsequently, EBITDA margins are likely to contracted to 35% from 51% in Q3FY18. net profit is expected to decline 30% YoY to ₹ 152 crore
Sun Pharma	Revenues are likely to increase 14.4% YoY to ₹ 7609 crore mainly due to ~22% expected increase in US sales on the back of volume gains in existing products and new launches post Halol resolution. EBITDA margins are expected to increase 65 bps YoY to 22.5%. Net profit is expected to increase 178% YoY to ₹ 1017 crore mainly due to lower tax rate (18% vs 65.2% in Q3FY18)
Syngene	Revenues are likely to grow ~11% YoY to ₹ 431 crore on the back of currency tailwinds and growth across segments. EBITDA margins are expected to be in the range of 30-32%. Net profit is expected to grow ~2% to ₹ 83 crore as decent operational performance is likely to get offset by higher interest cost and tax rate
Torrent Pharma	Revenues are expected to increase ~32% YoY to ₹ 1948 crore mainly due to consolidation of Unichem's business in India and Bio-Pharm in the US. Excluding Unichem consolidation, domestic sales are expected to grow ~8% YoY. EBITDA margins are expected to increase ~69 bps YoY to 25% mainly due to a better product mix. Net profit is expected to increase 184% to ₹ 165 crore mainly better expected operational performance and lower tax rate (25% vs. 77.6% in Q3FY18)

Source: Company, ICICI Direct Research

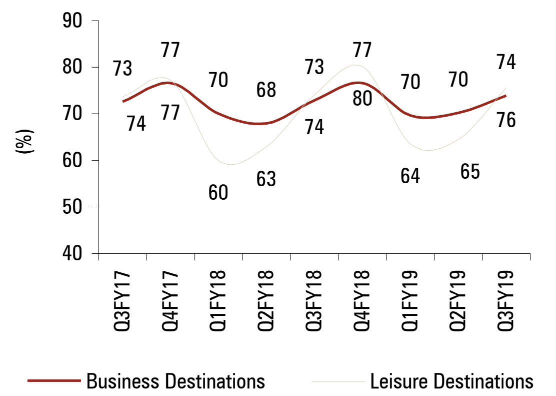
Topline & Profitability (Coverage universe)



FTAs growth (up 2.3% YoY) moderates on higher base



Trends in average occupancy levels



Top pick of sector

EIH
Taj GVK Hotels

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Hotels

Growth in foreign tourists' arrivals to moderate further on high base…

After witnessing healthy traction in FY18, foreign tourist arrivals (FTAs) growth slowed down to ~4.3% YoY in H1FY19 following the high base of last year (up 15.1% in H2FY18). The same trend is expected to continue in Q3FY19 as well with expected FTA growth of sub 3% YoY. However, in absolute terms, FTA will continue to remain healthy. This coupled with balanced room supply across business and leisure destination would keep occupancy levels healthy. With demand growth outpacing supply growth, we expect average room rates to also improve 4-5% YoY leading to over 12% 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 due to a turnaround of international subsidiaries. Overall, we expect I-direct hotel coverage universe to report 11.6% YoY revenue growth during the quarter.

Healthy ARRs to boost margins of I-direct universe during Q3FY19

Margins of the I-direct hotel universe are expected to improve 20% YoY, 1300 bps QoQ on account of operating leverage benefit and healthy ARRs. During the quarter, we expect **EIH** to report margin expansion of 80 bps mainly due to stabilisation of new property in Delhi, which was reopened in January 2018 while **Indian Hotels** may report margin expansion of 40 bps mainly led by better performance of international subsidiaries. **TajGVK** may continue to report healthy traction in margins led by cost controls & improved ARR in the Hyderabad region during the quarter.

Leisure destination to see healthy traction in ARRs, occupancy due to onset of peak season; business destination performance stable

Average occupancy levels continue to remain higher at leisure destinations compared to business destinations during the quarter due to the onset of peak season. Barring Kochi, occupancy & ARRs of all major tourist destinations are expected to witness a sharp rebound due to healthy traction in domestic tourist growth. In business destinations, Mumbai, Hyderabad and Chennai are expected to register better occupancy compared to the previous year.

Exhibit 17: Estimates for Q3FY19E: (Hotels) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
EIH	436.8	20.7	31.0	93.9	13.3	156.9	50.3	18.0	90.2
Indian Hotel	1,302.1	8.8	35.0	305.1	8.8	207.5	116.5	8.0	LP
Taj GVK Hotels	93.1	12.4	29.9	27.8	11.0	139.2	12.6	27.8	1,331.7
Total	1,832.1	11.6	33.8	426.9	9.9	189.6	179.4	11.9	711.0

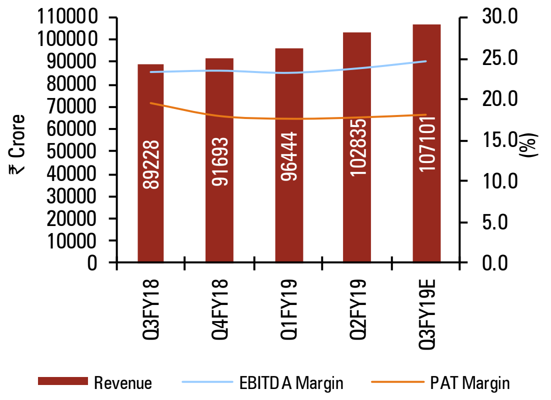
Source: Company, ICICI Direct Research

Exhibit 18: Company specific view

Company	Remarks
Indian Hotels	On the revenue front, we expect domestic revenue growth of 12.4% YoY in line with industry growth following improved RevPAR while international segment is expected to witness growth of 3.0%. Margins are expected to improve mainly due to healthy ARR growth in the domestic segment coupled with a turnaround of international subsidiaries. Further, lower interest costs are expected to lead to better profitability during the quarter vs. loss reported last year
EIH	With the reopening of the Delhi property, we expect EIH to report healthy revenue growth of over 20% YoY vs. growth of 0.2% last year. ARR is expected to increase ~5% YoY supported by healthy occupancy levels. Margins may improve 80 bps YoY on account of leverage benefit and low base of last year
Taj GVK Hotel	On the standalone front, we expect revenue growth of 12.4% YoY led by improved ARRs. OPM margins are expected to improve sharply on QoQ basis due to onset of peak season. Further, a better operating performance from the JV property and lower interest cost may lead to healthy profit growth during the quarter

Source: ICICI Direct Research

Topline & profitability (Coverage universe)



Dollar growth, QoQ

IT Services	Q3FY19E	Q2FY19	Growth (%)
TCS	5,328.4	5,215.0	2.2
Infosys	2,969.4	2,921.0	1.7
Wipro ^	2,067.7	2,041.2	1.3
HCL Tech	2,143.1	2,099.0	2.1
Tech Mahindra	1,248.2	1,218.2	2.5
Mindtree	251.4	246.4	2.0
KPIT Technologies	151.6	152.5	(0.6)
Cyient	167.5	168.9	(0.8)
NIIT Technologies	133.5	130.9	2.0
Persistent Systems	127.9	118.2	8.2
eClerx	51.0	50.0	2.0
BPO (in ₹)			
Firstsource	994.5	954.7	4.2
Internet (in ₹)			
Info Edge	267.2	265.0	0.8

^ IT services

Top picks of the sector

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Tech Mahindra

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Information Technology

Steady quarter despite Q3 seasonality

Q3 is seasonally weak for IT companies due to furloughs. However, healthy deal wins in H1FY19 and increasing contribution from the digital segment are expected to keep revenue growth steady in the quarter (Tier–I IT companies are likely to report constant currency growth of 1.7-2.7% sequentially). Among Tier-1, acquisition consolidation would aid growth in HCL Tech and Wipro while deal ramp ups would support growth in Infosys and TCS. Among mid-tier, Persistent is likely to report healthy growth QoQ on the back of strong seasonality in the Alliance business and low base of the last quarter. In light of US$ appreciation against all major currencies, cross currency could act as a headwind of 50-70 bps to reported dollar growth. However, rupee depreciation by 2.8% QoQ is expected to overweigh these headwinds.

Rupee movement to ease margin pressure

Despite headwinds to margins in the form of cross currency (-15-20 bps) and continuous investments in digital & onsite, we expect margins of Tier-1 IT companies to stay range bound (+10-50 bps QoQ) mainly led by 2.8% rupee depreciation (~+80 bps). The margin expansion of Wipro looks optically higher (+390 bps QoQ) due to one offs in previous quarter. Adjusting for this, margins would expand 30 bps QoQ. Infosys' margins are expected to expand marginally by 10 bps QoQ mainly due to increased investment in SG&A and transition cost of large deal wins.

Midcaps to report healthy quarter; Persistent to lead

In our midcap universe, we expect major companies to report QoQ revenue growth of 2-2.5% in $ terms led by order book, digital portfolio. Persistent may see healthy QoQ growth of 8.2% on the back of strong seasonality in Alliance business & low base in last quarter (due to project ramp down in Q2FY19). On EBITDA margin front, midcap companies are expected to see a 30-70 bps QoQ expansion of besides KPIT that may see 100 bps QoQ expansion on waning impact of full wage hike in Q2FY19 and substantially lower merger demerger expenses.

Commentary on macro factors, deal pipeline to be keenly watched

IT companies have been key beneficiaries of healthy growth in the US and increasing digital pipeline and large deal wins. However, taking into consideration, macro uncertainty in UK over Brexit, potential slowdown in US economy, Accenture's cautious commentary on BFSI and margin trajectory in the wake of increasing cost pressures, commentary by Indian IT counterparts on the same fronts needs to be keenly watched.

Exhibit 19: Estimates for Q3FY19E (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Cyient	1,207.0	22.7	1.7	170.2	18.9	4.6	120.6	10.8	-5.1
Eclerx	370.5	9.0	4.1	88.9	-1.7	7.0	64.6	11.3	-7.5
Firstsource Sol	994.5	12.1	4.2	145.2	25.0	9.3	101.4	1.9	9.3
HCL Tech	15,445.2	20.6	3.9	3,676.0	24.0	5.1	2,583.7	17.8	1.7
Infosys	21,400.7	20.3	3.8	5,564.2	15.5	3.9	4,252.9	-17.1	3.5
InfoEdge	267.2	17.6	0.8	83.7	6.1	1.4	70.4	32.0	-9.8
KPIT Tech	1,092.6	19.7	1.3	159.5	61.3	8.8	92.2	49.5	12.4
Mindtree	1,812.2	31.5	3.2	284.5	37.2	5.4	195.8	38.4	-5.1
NIIT Technologies	962.4	27.2	6.1	176.1	35.9	7.8	111.9	47.9	0.1
Persistent Systems	921.8	16.4	10.3	163.2	18.6	13.6	101.1	10.2	14.7
TCS	38,401.8	24.3	4.2	10,906.1	31.6	6.1	8,213.5	25.8	4.0
Tech Mahindra	8,995.8	15.7	4.2	1,718.2	36.0	6.2	1,121.5	19.0	5.4
Wipro	15,228.8	11.4	4.7	3,187.0	27.2	27.5	2,432.5	25.6	28.8
Total	107,100.5	20.0	4.1	26,322.7	26.3	7.7	19,462.2	11.7	6.0

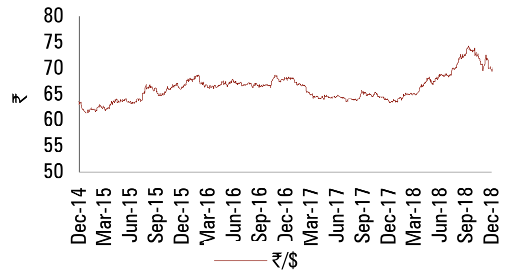
Source: Company, ICICI Direct Research

EBIT margin impact

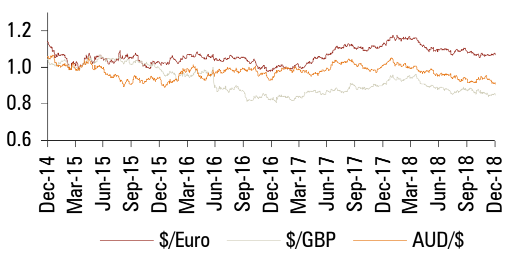
EBIT margins	Q3FY19E	Q2FY19	Change (bps)
TCS	27.0	26.5	50
Infosys	23.8	23.7	10
Wipro ^	18.3	14.4	390
HCL Tech	20.2	20.0	20
EBITDA margins			
Tech Mahindra	19.1	18.8	30
Mindtree	15.7	15.4	30
KPIT Technologies	14.6	13.6	100
Cyient	14.1	13.7	40
NIIT Technologies	18.3	18.0	30
Persistent Systems	17.7	17.2	50
eClerx	24.0	23.3	70
BPO			
Firstsource	14.6	13.9	70
Internet (in ₹)			
Info Edge	31.3	31.1	20

^ IT Services

$/₹



$ vs. global currencies



Inter-quarter, average US$ has appreciated 2.8%, 1.9%, 1.3% and 2.0% against ₹, Euro, GBP and AU$ respectively.

Exhibit 20: Company specific view

Company	Remarks
TCS	In a seasonally weak quarter, constant currency revenues are expected to grow 2.7% QoQ led by deal ramp ups. Cross currency would impact US$ revenue by ~50 bps leading to 2.2% QoQ growth to $5,328 million in dollar terms. Owing to 2.8% QoQ average rupee depreciation against US$, rupee revenues may grow 4.2% QoQ to ₹ 38,401 crore. EBIT margins could expand 50 bps QoQ to 27% on account of rupee depreciation benefit and operational efficiency. Investor interest: Demand momentum in BFSI and retail, growth trajectory in Europe, deal TCV, margin trajectory
Infosys	Constant currency revenues are expected to grow 2.2% QoQ with cross currency impact of 50 bps to dollar growth. US$ revenues are expected to grow 1.7% QoQ to $2,969 million led by healthy deal wins in H1FY19 and contribution from Fluido acquisition ($6.3 million). Rupee revenue may grow 3.8% to ₹ 21,400 crore. EBIT margins may expand 10 bps QoQ to 23.8% primarily owing to rupee tailwind partly offset by investments. Investor interest: Retail & BFSI trajectory, deal pipeline & conversion and steps to counter attrition at key positions
Wipro	Global IT services constant currency revenues could grow 1.7% QoQ mainly led by two-month consolidation of Alight acquisition (~$25 million). Owing to cross currency headwind, IT services US$ revenues may grow 1.3% QoQ to $2,067 million. Consolidated revenues could grow 4.7% to ₹ 15,228 crore. Global IT services EBIT margins may expand 30 bps QoQ (on adjusted basis from 18%) to 18.3% mainly owing to rupee benefit and operational efficiency. Investor interest: Growth outlook across healthcare and communication vertical, margin trajectory, view of FY20E from growth perspective
HCL Tech	Dollar revenues are expected to grow 2.1% QoQ to $2,143 million on the back of consolidation of H&D acquisition (~$21 million), strong seasonality in products & platforms and IP business. Rupee revenues may increase 3.9% QoQ to ₹ 15,445 crore. EBIT margins could expand 20 bps QoQ to 20.2% owing to IP seasonality & rupee benefit partly countered by partial wage hike (~-70 bps). Investor interest: Sustainability of growth in IMS, outlook on ER&D segment, update on IP partnerships and deal pipeline
Tech Mahindra	We expect US$ revenues to increase 2.5% QoQ to $1,248 million mainly led by 4% QoQ growth in the communications segment. Rupee revenues may grow 4.2% QoQ to ₹ 8,995 crore. Owing to currency benefit and absence of wage hike in Q2FY19, EBITDA margins may expand 30 bps QoQ to 19.1%. Investor Interest: Outlook for FY20E in light of healthy deal wins, growth trajectory especially of telecom vertical amid 5G opportunity and margin sustainability
Info Edge	Rupee revenues are expected to grow 17.6% YoY to ₹ 267 crore led by continued growth momentum in Naukri business (15% YoY) and healthy growth in 99 acres (33% YoY). EBITDA margins may expand 20 bps QoQ to 31.3% owing to improved demand environment in Naukri partially countered by ad expenses especially in 99 acres & Jeevansathi. Investor interest: Outlook on IT hiring in Naukri segment, demand in 99 acres and update on Zomato post funding rounds
MindTree	Post disappointing growth in the last quarter, dollar revenue is expected to increase 2.0% QoQ to $251 million led by growth in digital segment and deal ramp ups. Rupee revenue may grow 3.2% QoQ to ₹ 1,812 crore. EBITDA margins may expand 30 bps QoQ to 15.7% mainly owing to rupee tailwind. Investor interest: Top 2-5 clients trajectory in the wake of expected challenges in one account, digital pipeline, deal TCV and update on news regarding stake sale
Persistent Systems	We expect dollar revenues to grow 8.2% QoQ to $128 million mainly led by seasonal strength in alliance business and lower base. Rupee revenues may grow 10.3% QoQ to ₹ 922 crore. Led by strong IP seasonality and rupee depreciation benefit, EBITDA margins could expand 50 bps sequentially to 17.7%. Investor interest: Commentary on four revenue business segments especially on digital taking into account weakness in last two quarters, deal pipeline, hiring plans and sales restructuring

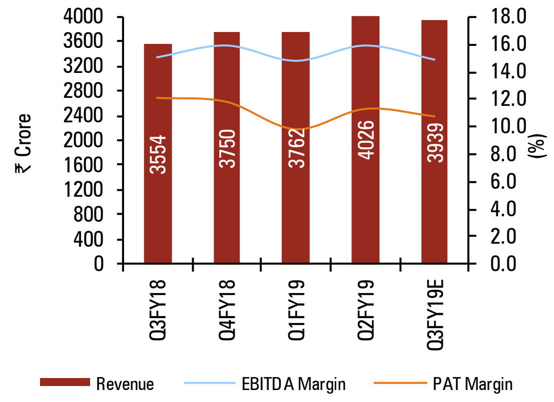
Source: Company, ICICI Direct Research

Company specific view

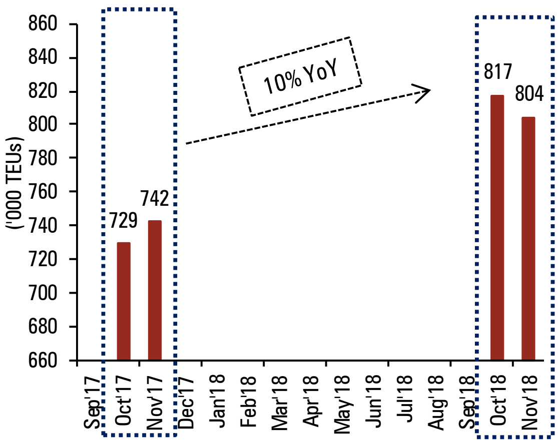
Company	Remarks
Cyient	Owing to seasonal weakness in Design Led Manufacturing (DLM) business (expect decline of 20% QoQ), we expect dollar revenues to decline 0.8% QoQ to $167.5 million. Rupee revenues may grow 1.7% QoQ to ₹ 1,207 crore. EBITDA margins may expand 40 bps QoQ to 14.1% owing to rupee benefit and absence of wage hike in the last quarter. Investor interest: Update on services business post softness in H1FY19, incremental commentary for verticals and margin levers to meet guidance of 14.5% in FY19E
eClerx	Rupee revenues may grow 4.1% sequentially to ₹ 370 crore while dollar revenues are expected to grow 2% QoQ to $51 million. EBITDA margins may expand 70 bps QoQ to 24% mainly owing to currency benefit. Investor interest: momentum in emerging clients, legacy business outlook (50% of revenues) and margin trajectory
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 2.0% QoQ to US$133.5 million. Rupee revenues may grow 6.1% QoQ to ₹ 962 crore. On account of increasing contribution from digital segments and currency tailwind, EBITDA margins may expand 30 bps QoQ to 18.3%. Investor interest: demand momentum across focus verticals, digital trajectory, order book conversion and margin outlook
KPIT Tech	Dollar revenues could decline 0.6% QoQ to $151.6 million due to soft growth in manufacturing and engineering business. Rupee revenue could grow 1.3% QoQ to ₹ 1092 crore. Owing to absence of wage hike (done in Q2) and rupee benefit, EBITDA margins could expand 100 bps QoQ to 14.6%. Investor Interest: FY19E revenue and margin guidance, update on merger with Birlasoft, outlook on engineering, automotive and manufacturing segment
Firstsource Solutions	We expect rupee revenues to increase 4.2% sequentially to ₹ 994.5 crore on the back of improving growth in top client (23.8% of revenue in Q2FY19) supported by momentum in BFSI. EBITDA margins may expand 70 bps QoQ to 14.6% owing to rupee benefit and operational efficiency. Investor interest: Update on top client trajectory, Outlook on BFSI & payer business and margin course

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage universe)



Port container Volumes in an uptrend…



Top Pick

TCI Express

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Logistics

Gains seen for roadways vs railways in container segment

Q3 seems to defy the general trend seen in the container freight segment (considering October and November), with roads seeming to have gained market share at the expense of rail although crude remained at elevated levels in October but fell in later months (Brent crude price: $67.7/barrel in Q3FY19 vs. $75.3/barrel in Q2FY19). Higher crude oil prices generally favour rail share. Exim segment (up 9%) saw a relatively muted growth vs. earlier quarters, which saw double digit volume growth although container volumes at ports showed no signs of slowing down (up 10.2% YoY), indicating gains for the road sector. However, the domestic segment (up 9%) continued its strong run-up like previous quarters.

Surface players to benefit from festive season

The quarter is expected to witness higher volumes for our coverage companies operating both in the B2C and B2B category, owing to the presence of festivals. The express segment is expected to be a prime beneficiary of higher volumes and is expected to show double digit volume growth (SME segment continued to stay strong). On the 3PL segment, some impact of slowdown in auto sales is expected to impact the product mix of companies catering to the segment. Freight segment (FTL and LTL) is expected to stay strong on the back of an improved axle load norms. Companies in our coverage universe have undergone smooth transition (with minor glitches) to the new E-Way bill system, with the help of their robust IT infrastructure and trained staff. Overall, most organised players (unlike unorganised players) were able to effectively pass through higher crude prices to majority of their customers, with a formula driven tariff generation (revised twice each month.

Major port traffic, air freight volumes show good performance

Major port traffic data (12 ports) has shown FY19 YTD (April-November) growth of 5% to 461 MMT in overall cargo handled and 9% in container volumes to 96 MMT. Also, air freight data (domestic) has grown strong at 11% YoY (for April-November) to 0.49 MMT.

TCI Express to outperform; overall profitability to remain muted

Revenues of our logistics coverage universe are expected to grow 11% YoY to ₹ 3939 crore (₹ 4026 crore in Q2FY19). On the profitability front, we expect overall EBITDA growth of 10% to ₹ 585 crore. However, PAT is expected to report de-growth of 2% to ₹ 425 crore mainly due to higher incentives provided by Government of India to Container corporation in previous year (₹ 93 crore in Q3FY19E vs ₹186 crore in Q3FY18)

Exhibit 21: Estimates for Q3FY19E: (Logistics)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Blue Dart	775.0	10.0	-2.9	46.5	-42.2	15.6	23.8	-47.6	11.8
Container Corporation	1,589.9	9.4	-7.7	335.5	29.2	-17.0	299.0	3.4	-11.0
GATI Ltd	493.4	10.0	5.5	25.2	4.5	12.4	6.1	27.0	133.5
Gujarat Pipavav	168.1	3.3	-1.7	95.0	0.3	-2.5	52.4	4.9	-5.2
TCI Express	267.9	17.0	8.4	28.2	22.2	7.4	17.3	19.7	13.6
Transport Corp	645.1	16.2	4.0	54.8	4.2	3.3	26.5	-5.2	2.3
Total	3,939.4	10.9	-2.2	585.1	9.5	-9.1	425.1	-1.5	-6.9

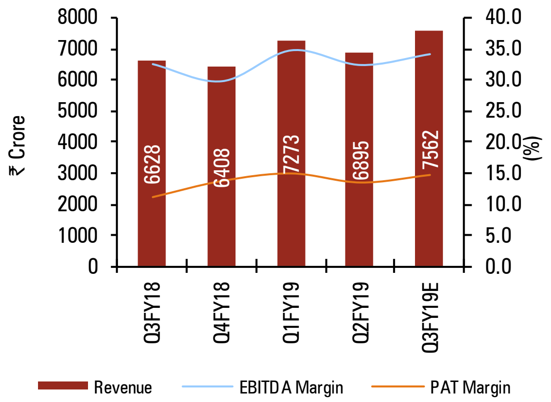
Source: Company, ICICI Direct Research

Exhibit 22: Company specific view

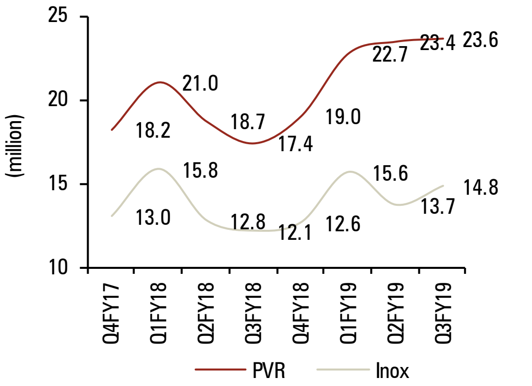
Company	Remarks
Container Corporation	Overall, container volumes are expected to grow 6% YoY to 923291 TEUs. Exim volumes (up 6% YoY, down 8% QoQ) are likely to be impacted QoQ due to a shift in the container market share towards roadways, mainly due to an increase to the tune of ~2500/TEU (realisation up 10% YoY, up 4% QoQ) taken by the management on the Exim front in H1FY19. However, domestic volumes continue to stay strong (up 9% YoY, flat QoQ). Resultant core revenues are expected to grow 9% YoY. EBITDA margins are expected to improve due to a better operational performance (Exim realisation hike, higher double stacking, lower empties, etc) resulting in 320 bps YoY expansion to 21.1% with absolute EBITDA of ₹ 336 crore (up 29% YoY). However, PAT, adjusted for the presence of export incentives, is expected to grow mere 3% mainly due to higher incentives in Q3FY18.
Transport Corporation of India	Freight revenues are expected to grow 15% YoY while supply chain and shipping are expected to grow 10% (due to impacted auto sales) and 35% YoY (mainly due to addition of a ship), respectively. Hence, resultant revenues are expected to grow 16% YoY to ₹ 645 crore. However, absolute EBITDA is expected to grow mere 4%, mainly due to an expected 100 bps contraction in EBITDA margin to 8.5%, led by an unfavourable product mix and partial passage of elevated crude prices to customers. Subsequently, PAT is expected to de-grow 5% YoY as a weak operational performance is further exacerbated by higher depreciation and interest expense
BlueDart	Revenues are expected to increase 10% YoY to ₹ 775 crore, mainly due to a favourable festive season and effective passage of higher crude oil prices to customers. However, EBITDA margins may contract 540 bps YoY to 6% due to costs associated with continued network expansion (higher employee and other expense) and higher competitive intensity in the B2C segment. Absolute EBITDA may de-grow 42% YoY to ₹ 47 crore. Subsequently, PAT is expected to de-grow 48%, 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 30% YoY to 224900 TEUs, due to continued growth in transhipment volumes. However, bulk volumes are expected to remain rangebound. Higher competition from ports in the vicinity and higher transhipment volumes is expected to negatively impact realisation. Overall revenues are expected to grow 3% YoY. EBITDA margins are expected to decline 171 bps YoY to 56.5%, mainly due to an unfavourable product mix, leading to flat EBITDA growth. PAT is expected to grow 5% YoY to ₹ 52 crore, mainly due to higher other income
Gati	Consolidated revenues are expected to grow 10% YoY to ₹ 493 crore, mainly led by strong e-commerce revenues that have revived in Q1, post experiencing de-growth for five consecutive quarters. Operating margins may contract 30 bps to 5.1%, as the company is expected to be marginally impacted due to higher crude prices. Resultant EBITDA is expected to grow 4% YoY. However, PAT is expected to grow 27%, mainly due to lower interest expense and higher other income YoY
TCI Express	Revenues are expected to grow 17% YoY to ₹ 268 crore, on the back of a strong ongoing growth in the express cargo industry, festive season and a smooth implementation of E-way bill. However, EBITDA margins are expected to expand mere 40 bps to 10.5%, mainly due to partial impact of hike in crude prices (80% passed on to the customers). Subsequently, EBITDA is expected to grow of 22% YoY. Resultant PAT is expected to grow 20% to ₹ 17 crore

Source: ICICI Direct Research

Topline & Profitability (Coverage universe)



PVR & Inox – Footfalls



Top pick of sector

Inox Leisure

Research Analysts

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Media

Healthy Box-office performance; GST benefits to be seen from Q4FY19

The box office performance for the quarter was healthy despite a heavy base, aided by strong collections from *2.0* (Hindi) and *Badhaai Ho*. We expect footfalls for Inox to grow 22% YoY to 14.8 mn while ATP is expected to grow 3.0% YoY to ₹ 205. PVR's numbers are not comparable YoY and QoQ on full consolidation of SPI this quarter. On a reported basis, we expect ATP for PVR-SPI to decline 2.5% YoY to ₹ 206.7 (lower ATP for SPI Cinemas vs. PVR) with footfalls growing 36% YoY to 23.6 mn. Net box office collections for Inox, PVR are expected to grow 25.5% 29.6% YoY to ₹ 235.9 crore, ₹ 380.2 crore, respectively. We expect Inox' ad revenues to grow 30% YoY to ₹ 52.4 crore while PVR is expected to post 25% YoY growth in ad revenues. Though F&B revenues will grow stronger for Inox & PVR at 39.9%YoY and 35.6% YoY, dynamic pricing will bring in some moderation on QoQ. The strong traction in ad & F&B would aid EBITDA margin expansion, (Inox and PVR to report 380 bps YoY & 150 bps YoY expansion to 18% and 19.5%, respectively). During Q3FY19, the GST council decided to reduce GST on ticket prices, effective from January 1, 2019. The indirect benefits in terms of uptick in footfalls would be visible from Q4FY19 onwards.

Strong numbers for broadcasters; elections to benefit TV Today

Festival related tailwinds, strong volume growth (albeit lower on a QoQ basis) from FMCG will provide strong traction for broadcasters. Zee Entertainment is expected to post ad revenue growth of 19% YoY to ₹ 1430.3 crore, to be largely driven by domestic ad revenue growth of 20% YoY. It is expected to report EBITDA margin expansion of 190 bps YoY on moderation of movies related costs and non-recurring cost (25-year celebration) in the base. We expect Sun TV to report 10% YoY growth in advertisement revenues to ₹ 371.8 crore, on high base (21.6% YoY growth) on festival related tailwinds. Overall revenues will also benefit from strong box office collections for its movie *Sarkar*. EBITDA margins for the quarter are expected to be improve 500 bps YoY on operating leverage. TV Today is expected to report strong TV ad revenue growth of 15% YoY to ₹ 189.2 crore on election related tailwinds. We expect operating leverage to play out. Accordingly, we expect 240 bps YoY EBITDA margin expansion to 33% for the quarter.

Radio to report robust numbers on festivities

Radio players are expected to report robust ad revenue numbers on festival related benefits and tailwind from real estate revival. Music broadcast is expected to report 13% YoY revenue growth to ₹ 86.1 crore while we expect EBITDA margins to improve 140 bps YoY. ENIL is expected to report 26.8% YoY revenue growth on base effect as well as traction from non-FCT business. However, margins are expected to decline 150 bps YoY owing to higher costs attached to concerts.

Mixed performance for print players, DB to benefit from elections

We expect a mixed performance for print players since DB Corp is expected to benefit from state elections in its key markets and report print ad revenues of 9.5% YoY while radio performance is also expected to be stronger at 15% YoY growth. EBITDA margins are expected to decline ~400 bps YoY to 19.5% on continued newsprint pain. We expect Jagran to report 3% YoY print ad growth while circulation growth is anticipated to be muted for the quarter at 0.8% YoY. Only silver lining could be radio, which is expected to grow 13% YoY. On account of a weak topline and elevated newsprint prices, we expect the company to report ~450 bps YoY EBITDA margin contraction to 22.7%.

Exhibit 23: Estimates for Q3FY19E- Media

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
DB Corp	639.8	6.9	9.9	124.5	-10.8	34.8	67.3	-13.9	45.7
Dish TV	1,635.1	NC	2.6	562.1	NC	4.0	44.3	LP	73.7
ENIL	188.2	26.8	53.6	42.3	18.9	54.9	16.5	25.7	82.7
Inox Leisure	418.6	28.4	14.6	75.5	63.0	68.5	32.0	142.6	167.0
Jagran Prakashan	612.3	2.4	10.6	138.7	-14.8	39.3	64.9	-23.4	54.2
Music Broadcast Ltd	86.1	13.0	7.5	27.6	18.2	3.8	15.4	29.6	15.0
PVR	765.3	37.3	8.0	149.5	49.0	20.5	47.3	63.9	43.3
Sun TV	866.6	26.8	15.6	658.6	33.8	18.9	346.7	29.9	-1.3
TV Today	212.0	13.0	29.8	70.0	16.0	56.8	44.3	14.5	50.2
Zee Ent.	2,137.8	16.3	8.2	731.1	23.0	8.2	459.7	22.8	18.9
Total	7,561.8	14.1	9.7	2,579.8	19.8	15.7	1,123.0	52.9	20.1

Source: Company, ICICI Direct Research

Exhibit 24: Company specific view

Company	Remarks
DB Corp	DB Corp is expected to benefit from state elections in its key markets and strong growth in radio segment. DB Corp is expected to report 9.5% YoY growth in print ad revenues to ₹ 413.4 crore while radio advertisement is expected to witness 15% YoY growth to ₹ 38.6 crore. Circulation revenues are expected to be muted at 1.1% YoY growth to ₹ 133.4 crore. EBITDA margins may decline ~400 bps YoY to 19.5% on continued newsprint pain. **Key monitorable**: Newsprint cost outlook
Jagran Prakashan	Jagran Prakashan's ad revenue performance for the quarter is expected to be muted since local advertising is yet to pick up from after-effects of regulations like GST and RERA. We expect the company to report 3% YoY print advertisement growth to ₹ 366.7 crore while circulation growth will also be muted at 0.8% YoY to ₹ 111.2 crore on volume rationalisation owing to elevated newsprint costs. Radio is expected to grow 13% YoY. On account of weak topline growth and elevated newsprint costs, we expect the company to report ~450 bps YoY EBITDA margin contraction to 22.7%. **Key monitorable**: Election related tailwinds on print ad, newsprint outlook
Dish TV	On account of festivities related tailwinds and some tailwinds from sports, we expect a healthy performance for Dish TV. We expect the company to report net additions of 0.3 mn subscribers while ARPU is expected to improve 2.0% QoQ to ₹ 211. Total revenues are expected to grow 2.6% QoQ to ₹ 1635.1 crore. We expect Dish TV to report 4% QoQ growth in EBITDA at ₹ 562.1 crore while EBITDA margin is expected to improve 50 bps sequentially to 34.4%. **Key Monitorable**: Trai tariff order implementation and subscriber/ARPU outlook
ENIL	We expect ENIL to witness strong growth on a low base and robust traction in non-FCT business including a new foray into international concerts. ENIL is expected to report 26.8% YoY revenue growth to ₹ 190.2 crore. On account of costs related to international concerts and costs reversals benefits in the base quarter, EBITDA growth would be restricted to 18.9% YoY to ₹ 42.3 crore while EBITDA margins are expected to shrink 150 bps YoY to 22.5%. PAT is expected at ₹ 16.5 crore for the quarter. **Key Monitorable**: Outlook on non-FCT and general election related tailwinds
Music Broadcast	We expect healthy revenue numbers for MBL on account of festivities and also on account of base effect (growth of 5% YoY in the base quarter). MBL is expected to post revenue growth of 13% YoY to ₹ 86.1 crore aided by a strong performance from real estate, auto and government. The performance of legacy stations will be aided by both volumes and price (equally) while the performance of new stations would be boosted by volume uptick. MBL is expected to report 18% YoY improvement in EBITDA to ₹ 27.6 crore while EBITDA margins are expected to improve 140 bps on a YoY basis. We expect MBL to report PAT of ₹ 15.4 crore for the quarter. **Key Monitorable**: Commentary on outlook & national election related tailwinds

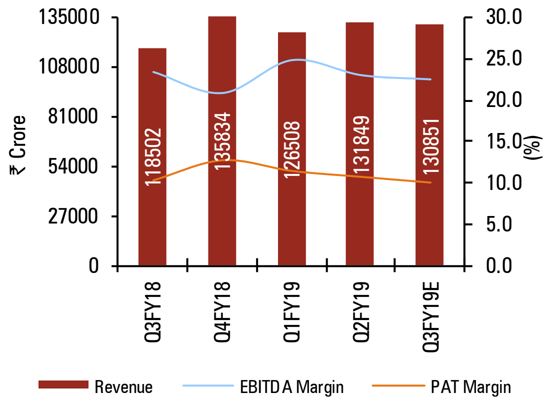
Source: Company, ICICI Direct Research

Exhibit 25: Company specific view

Company	Remarks
Inox Leisure	Despite the high base of Q3FY18 (Tiger Zinda Hai, Golmaal Again), the box office performance for the quarter was healthy, aided by superior Hindi collections for 2.0 and surprisingly strong collections for Badhaai Ho. We expect footfalls for Inox to grow 22% YoY to 14.8 mn while we expect ATP to grow 3% YoY to ₹ 205. Net box office collections are expected to grow 25.5% YoY to ₹ 235.9 crore. We expect F&B income to grow 39.9% YoY to ₹ 102.3 crore while ad revenues are expected to grow 30% YoY to ₹ 52.4 crore. F&B growth on a QoQ basis will be impacted by some moderation in F&B prices. We expect Inox to post 380 bps YoY EBITDA margin expansion to 18%. **Key Monitorable**: Deployment strategy for recent fund raising from promoters, expansion strategy to tackle low cost brand intent from competition
PVR	This quarter is expected to see full consolidation of SPI Cinema's numbers. Hence, numbers are not comparable YoY and QoQ. The box office performance for the quarter was healthy (despite strong base of Q3FY18) on account of superior collections from 2.0 (Hindi) and Badhaai Ho. We expect footfalls to grow 36% YoY on a consolidated basis (like-to-like footfall growth of ~20%). However, we expect ATP to decline 2.5% YoY to ₹ 206.7 on SPI consolidation. Net box office collections are expected to grow 29.8% YoY to ₹ 380.2 crore. F&B revenues are expected to grow 36.8% YoY while advertisement revenues are expected to grow 25% YoY. We expect PVR to post 150 bps YoY EBITDA margin improvement to 19.5%. **Key Monitorable**: Deployment strategy of recent fund raising announcement, low cost brand growth strategy
Sun TV	We expect Sun TV to report 10% YoY growth in advertisement revenues to ₹ 371.8 crore on a strong base quarter (21.6% YoY advertisement growth) led by festival related tailwinds. Subscription revenues are expected to continue their strong growth momentum on account of Tamil Nadu digitisation drive. We expect subscription revenues to grow 22.5% YoY to ₹ 345.3 crore. We expect overall revenue growth of ~27% YoY to ₹ 906.6 crore, also aided by strong collections (net box office of ~₹ 145 crore) of their movie Sarkar during the quarter. We expect Sun TV to post 34% YoY growth in EBITDA and EBITDA margin improvement of 400 bps YoY to 76%. Net profit is expected to grow 30% YoY to ₹ 346.7 crore, albeit lower on account of movie depreciation impact. **Key Monitorable**: Timeline of regional channel launches, OTT strategy and movie business scale up
TV Today Network	We expect a strong quarter for TV Today on account of election related tailwinds. We expect TV broadcasting to grow 15% YoY to ₹ 189.2 crore while we expect steady radio revenue of ₹ 5.6 crore for the quarter. On an overall basis, we expect revenues to grow 16% YoY ₹ 212 crore, to be also aided by digital revenues for the quarter. We expect operating leverage to play out and, accordingly, 240 bps YoY EBITDA margin expansion to 33% for the quarter. **Key Monitorable**: General election related tailwinds
Zee Entertainment	Ad revenue growth for the quarter will be aided by continued market share gain for the network as well some tailwind from digital revenues. Zee is expected to post strong overall ad revenue growth of 19% YoY to ₹ 1430.3 crore, to be largely driven by domestic ad revenue growth of 20% YoY. We expect overall subscription growth of 15.1% YoY to ₹ 577.5 crore, largely driven by domestic subscription. We expect the company to report EBITDA margin expansion of 190 bps YoY for the quarter on moderation of few movie related costs and non-recurring cost related to 25 year celebration in the base. **Key Monitorable**: Development on promoter stake sale, OTT traction

Source: Company, ICICI Direct Research

Topline & profitability (Coverage universe)



Movement of base metal prices on LME

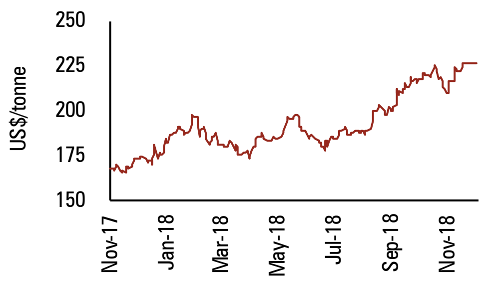
(US$/tonne)	Q3FY19	Q3FY18	YoY %	Q2FY19	QoQ %
Zinc	2,630	3,232	(18.6)	2,537	3.6
Lead	1,966	2,489	(21.0)	2,097	(6.2)
Aluminium	1,966	2,104	(6.6)	2,054	(4.3)
Copper	6,169	6,822	(9.6)	6,120	0.8

Source: Bloomberg, ICICI Direct Research

(₹/tonne)	Q2FY19	Q2FY18	YoY %	Q1FY19	QoQ %
Zinc	189,761	209,259	(9.3)	177,728	6.8
Lead	141,818	161,162	(12.0)	146,872	(3.4)
Aluminium	141,894	136,254	4.1	143,973	(1.4)
Copper	445,091	441,722	0.8	428,874	3.8

Source: Bloomberg, ICICI Direct Research

Coking Coal prices (US$/tonne)



Source: Bloomberg, ICICI Direct Research

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Metals & Mining

Sequentially higher operating costs to exert pressure on EBITDA/tonne

Domestic steel consumption grew 8.4% YoY during April-November 2018 on the back of healthy demand from key user industries. However, over the last couple of months, there has been ~10-12% drop in Chinese steel prices. Hence, for Q3FY18, domestic steel prices are likely to be flat to marginally lower on a QoQ basis. Furthermore, firm raw material costs (especially coking coal) is likely to result in a decline in EBITDA/tonne of domestic steel companies. For Q3FY19, we expect domestic operations of Tata Steel to see an EBITDA/tonne of ₹ 16500/tonne (vs. ₹ 18856/tonne in Q2FY19). JSW Steel may clock an EBITDA/tonne of ₹ 10000/tonne (vs. ₹12126/tonne in Q2FY19). Going forward, the outcome of China-US trade negotiations holds key in determining the future trajectory of the global metal sector. Both the US and China agreed not to further escalate trade tensions while immediately initiating negotiations. In this context, the 90 day's period agreed by both parties would remain a key monitorable.

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

Developments around the trade tussle between the US and China continued to weigh on the global trade flow, impacting global metal prices. During Q3FY19, average zinc prices were at US$2630/tonne, down 18.6% YoY. However, they were up 3.6% QoQ. Lead prices were down 21.0% YoY, 6.2% QoQ to US$1966/tonne. Aluminium prices were down 6.6% YoY, 4.3% QoQ to US$1966/tonne while copper prices were down 9.6% YoY but up 0.8% QoQ to US$6169/tonne.

EBITDA margins of coverage universe to decline QoQ & YoY...

We expect the aggregate topline of coverage companies to increase 10.4% YoY, decline 0.8% QoQ. The aggregate EBITDA margin is expected to decline 90 bps QoQ and 50 bps YoY to 22.4% (vs. 23.4% in Q3FY18 and 23.0% in Q2FY19). The EBITDA/tonne of domestic miners like Coal India is likely to come in at ₹ 300/tonne with NMDC expected to report the same at ~₹ 2100/tonne. We expect Novelis (Hindalco's subsidiary) to clock an EBITDA/tonne of US$375/tonne.

Exhibit 26: Estimates for Q3FY19E: (Metals & Mining) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Coal India	24,545.7	13.4	10.6	4,612.9	-0.1	17.8	3,426.3	14.0	11.0
Graphite India	1,605.2	72.0	-20.1	982.6	89.5	-28.1	678.8	99.4	-25.6
HEG	1,630.8	93.5	-9.1	1,021.5	83.2	-25.4	681.7	99.3	-23.3
Hindalco	10,849.5	-1.6	0.2	1,179.3	-10.1	8.1	355.0	-5.0	15.0
Hindustan Zinc	5,304.5	-10.4	11.0	2,751.6	-15.2	17.9	1,949.8	-12.6	7.4
JSW Steel	21,087.9	18.1	-2.2	4,131.2	7.3	-15.8	1,486.0	-16.2	-28.9
NMDC	3,177.9	28.7	30.4	1,720.6	42.2	36.6	1,064.3	20.1	67.2
Vedanta Ltd	20,917.7	-14.1	-7.9	5,789.1	-14.4	11.2	1,133.2	-47.9	-15.6
Tata Steel	41,731.7	24.8	-4.2	7,253.2	27.3	-18.7	2,410.5	112.2	-22.6
Total	130,850.9	10.4	-0.8	29,442.1	6.0	-3.0	13,185.6	7.5	-7.1

Source: Company, ICICI Direct Research, Hindalco and Graphite India numbers are on standalone basis

Hindustan Zinc: Sales Volume Trend

		FY18		FY19		
Sales	Unit	Q3	Q4	Q1	Q2	Q3E
Zinc	Tonne	200000	210000	170000	162000	180031
Lead	Tonne	46000	50000	42000	49000	54575
Silver	Kg	135000	167000	141000	161000	169183

JSW Steel: EBITDA/tonne & Sales

	FY18		FY19		
	Q3	Q4	Q1	Q2	Q3E
Sales Volume	4.0	4.2	3.8	3.9	4.0
EBITDA/tonne	9,000	11,950	12,590	10,250	10,000

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

Tata Steel: EBITDA/tonne & Sales

	FY18		FY19		
Sales Volume	Q3	Q4	Q1	Q2	Q3E
Tata Steel India	3.3	3.0	3.0	3.2	3.3
Tata Steel Europe	2.4	2.6	2.5	2.3	2.3
Tata Steel Group	6.6	6.7	6.6	7.3	7.3
EBITDA/tonne					
Tata Steel India	14,025	15,872	17,077	18,856	16,500
Tata Steel Europe	40	70	102	70	40

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

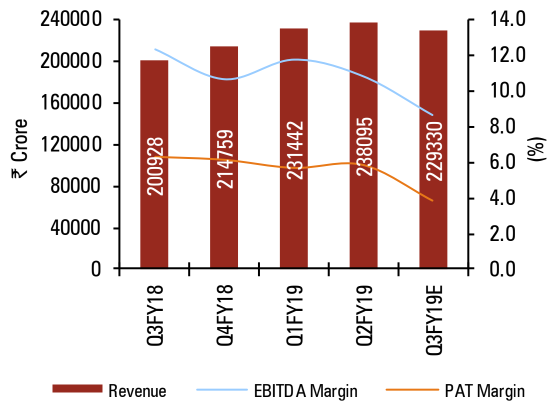
Company	Remarks
Coal India	For Q3FY19, Coal India reported coal offtake of 153.8 million tonne (MT), up 1.0% YoY and 12.0% QoQ. We expect the topline to increase 13.4% YoY and 10.6% QoQ while EBITDA is likely to increase 17.8% QoQ and stay flattish YoY. The EBITDA margin is likely to come in at 18.8% (vs. 17.6% in Q2FY19 and 21.3% in Q3FY18). We expect the company to clock an EBITDA/tonne of ₹ 300/tonne (vs. ₹ 285/tonne in Q2FY19 and ₹ 304/tonne in Q3FY18)
Graphite India	For Q3FY19, we expect standalone operations to report capacity utilisation of 90% (95% in Q3FY18 and 102% in Q2FY19). The topline is expected to come in at ₹1605.2 crore, up 72.0% YoY, but down 20.1% QoQ. We expect the higher price needle coke to impact the raw material cost. EBITDA is, thus, likely to come in at ₹ 982.6 crore, implying EBITDA margin of 61.2% (vs. 68.1% in Q2FY19 and 55.6% in Q3FY18). We expect the company to report a PAT of ₹ 678.8 crore. On a consolidated basis, we expect the company to report capacity utilisation of 85%, topline of ₹ 1926.1 crore, EBITDA of ₹ 1192.8 crore and PAT of ₹ 821.6 crore
HEG	For Q3FY19, we expect HEG to report capacity utilisation of 85% (84% in Q3FY18 and 85% in Q2FY19). Topline is expected to come in at ₹ 1630.8 crore up 93.5% YoY but down 9.1% QoQ. We expect the higher price needle coke to impact raw material costs. Thus, EBITDA is likely to come in at ₹ 1021.5 crore, implying an EBITDA margin of 62.6% (vs. 76.3% in Q2FY19 and 66.2% in Q3FY18). We expect the company to report a PAT of ₹ 681.7 crore
Hindustan Zinc	The decline is non-ferrous prices, both zinc and lead, is likely to have a negative rub off on Hindustan Zinc's Q3FY19 performance. LME zinc prices during the quarter were down 18.6% YoY while lead prices declined 21% YoY. However, the depreciating rupee (down ~11% YoY), is likely to provide marginal relief. We expect zinc sales of ~180000 tonne, lead sales of ~54500 tonne and silver sales of ~169000 kg. The topline is likely to decline 10.4% YoY. EBITDA is likely to decline 15.2% YoY. We expect the EBITDA margin to come in at 51.9% (vs. 54.8% in Q3FY18 and 48.9% in Q2FY19)
JSW Steel	For Q3FY19, EBITDA/tonne is likely to moderate sequentially due to increased raw material prices (especially coking coal) and decline in steel prices on a QoQ basis. We expect standalone operations to report an EBITDA/tonne of ₹ 10000/tonne (vs. ₹ 12126/tonne in Q2FY19 and ₹ 9000/tonne in Q3FY18). The sales volume of the domestic operations is likely to come in at 4.0 million tonne (MT). We expect the consolidated topline to increase 20.4% YoY but decline 2.2% QoQ. The consolidated EBITDA is likely to increase 7.3% YoY but decline 15.8% QoQ. The consolidated EBITDA margin is likely to come in at 19.6% (vs. 21.6% in Q3FY18 and 22.8% in Q2FY19)
Hindalco	For Q3FY19, we expect the decline in aluminium and copper prices to weigh on the overall performance of the company on a YoY basis. We expect domestic operations to report aluminium sales of ~326000 tonne. Copper sales are likely to come in at 100000 tonne. We expect the topline to decline 1.6% YoY but remain flattish QoQ. EBITDA is likely to decline 10.1% YoY but increase 8.1% QoQ. The EBITDA margin is likely to come in at 10.9% (vs. 11.9% in Q3FY18 and 10.1% in Q2FY19). Novelis for Q2FY19 is expected to report FRP shipments of ~775 KT and clock EBITDA/tonne of US$375/tonne. We expect the EBITDA of Hindalco's standalone +Utkal to come in at ₹ 1629 crore

Exhibit 28: Company specific view

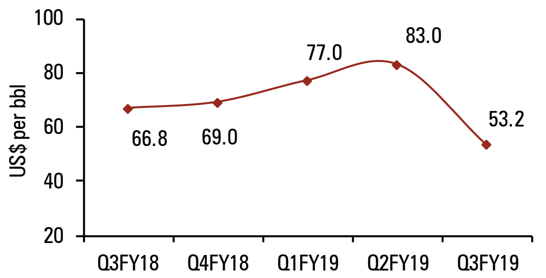
NMDC	We expect NMDC to report sales volume of 8.1 MT for Q3FY18, flattish QoQ and higher by 20.5% YoY. Topline is expected to come in at ₹ 3177.9 crore, up 28.7% YoY and 30.4% QoQ. EBITDA is expected to come in at 1720.6 crore, up 42.2% YoY, 36.6% QoQ, The subsequent EBITDA/tonne is expected to come in at ~₹ 2100/tonne
Vedanta	The decline in prices of major base metals is likely to weigh on Vedanta's Q3FY19 performance. However, on a YoY basis, the weakness in rupee is likely to provide marginal relief. We expect Vedanta's topline to decline 14.1% YoY while EBITDA is expected to decline 14.4% YoY. The EBITDA margin is likely to remain flattish YoY (27.7% in Q3FY19 vs. 27.8% in Q3FY18)
Tata Steel	For Q3FY19, EBITDA/tonne is likely to moderate sequentially due to increased coking coal prices and decline in steel prices QoQ. We expect the standalone operations to report an EBITDA/tonne of ₹ 16500/tonne (vs. ₹18856/tonne in Q2FY19 and ₹14025/tonne in Q3FY18). Indian operations (standalone) are expected to report steel sale of 3.3 million tonne (MT) while European operations steel sales are likely to come in at 2.3 MT. Additionally, Bhushan Steel is expected to report a sales volume of 1.25 MT (1.14 MT in Q2FY19). We expect European operations to report EBITDA/tonne of US$40/tonne. On a consolidated basis, the topline is expected to increase 24.8% YoY but decline 4.2% QoQ. EBITDA is expected to increase 27.3% YoY but decline 18.7% QoQ. Consolidated EBITDA margins are likely to come in at 17.4% (vs. 20.5% inQ2FY19 and 17.0% in Q3FY18)

Source: ICICI Direct Research

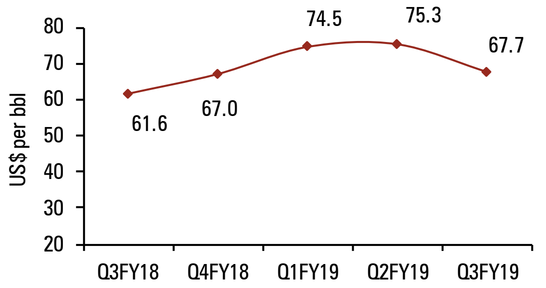
Topline & profitability (Coverage universe)



Closing Brent crude oil prices



Average Brent crude oil prices



Top pick of sector

Petronet LNG

Research Analyst

Mayur Matani
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Oil and gas

Crude oil prices decline sharply QoQ

The current quarter started on an optimistic for oil prices following fears of stringent restrictions on Iran from November 4. However, easing of US sanctions on Iran led to the beginning of a fall in crude oil prices. Higher exports from Iran and increase in oil production from the US will keep global oil markets under surplus in 2019. As a result, Brent crude prices ended down 35.9% QoQ from US$83/bbl in Q2FY19 to US$53.2/bbl in Q3FY19. Average Brent crude declined to US$67.7/bbl in Q3FY19. We do not expect upstream oil companies to bear any subsidy burden, following a sharp decline in oil prices. Net realisations of upstream companies will decline QoQ and impact their profitability.

Stable volumes for gas sector; margins to improve QoQ

Domestic gas demand and continued LNG imports from consuming sectors has led to steady volumes for gas utility companies on a YoY basis. City gas distribution (CGD) 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. Margins are also expected to improve QoQ following the price hikes taken by the CGD companies and rupee appreciation.

Weak spreads QoQ, inventory losses to pull GRMs in Q3FY19

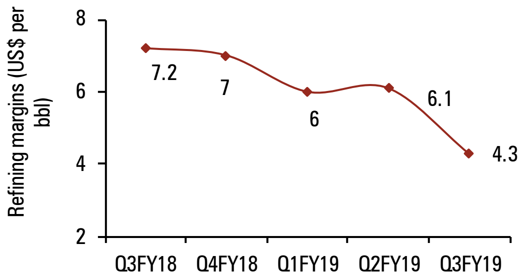
Benchmark Singapore GRMs declined during the quarter from US$6.1/bbl in Q2FY19 to US$4.3/bbl in Q2FY19. Product spreads for light distillate petroleum products like petrol, naphtha and LPG weakened significantly in Q3FY19. Crack spreads for gasoline (petrol) declined by US$5.8/bbl QoQ to US$7.4/bbl at multi-year lows. The spread for gas oil (diesel major product for Indian refiners) increased by US$1.4/bbl to US$14.3/bbl, thus providing respite on core GRMs of OMCs. However, inventory losses would lead to lower reported GRMs during the quarter. Core marketing margins of OMCs were stable on a QoQ basis (due to decline in oil prices) even after the sharp fall witnessed during the beginning of the quarter.

Exhibit 29: Estimates for Q3FY19E: (Oil and Gas) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Bharat Petroleum	78,384.0	11.7	-5.4	1,044.6	-67.2	-56.8	388.9	-81.9	-68.1
Castrol India Ltd	1,039.5	7.1	12.1	257.2	-16.1	13.1	171.1	-13.0	13.7
Gail India	18,993.1	31.8	-1.5	2,227.6	13.1	-23.9	1,377.1	9.1	-29.8
Gujarat Gas	2,183.3	38.9	11.1	268.4	34.2	67.0	108.7	81.2	164.7
GSPL	470.6	34.4	-21.4	417.9	40.7	-19.1	211.5	16.5	-34.6
Gulf Oil	404.1	13.6	-3.1	68.6	11.5	-4.0	42.6	0.6	5.7
HPCL	71,736.3	13.7	-2.2	1,039.6	-67.1	-51.0	354.7	-81.8	-67.5
Indraprastha Gas Ltd	1,489.9	25.8	4.8	311.1	18.3	1.0	189.8	14.4	1.4
Mahanagar Gas Ltd	802.0	25.7	5.1	220.6	9.8	-0.4	136.4	10.1	0.1
MRPL	16,686.0	-4.2	-5.9	-1,073.7	PL	PL	-872.4	PL	NA
ONGC	26,304.9	14.4	-6.0	14,284.1	14.0	-9.5	6,244.0	24.5	-24.4
Petronet LNG	10,836.0	39.7	0.8	832.6	-1.7	-5.8	508.1	-3.9	-9.8
Total	229,329.7	14.1	-3.7	19,898.6	-19.7	-22.8	8,860.6	-29.9	-36.2

Source: Company, ICICI Direct Research

Singapore gross refining margins (GRMs)

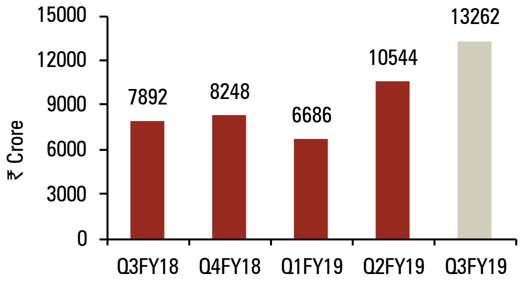


Singapore benchmark product spreads (US$/bbl)

Product Spreads	Q2FY19	Q3FY19	Chg YoY	Chg QoQ
Gasoline	13.2	7.4	-8.7	-5.8
Naphtha	-1.2	-5.3	-8.4	-4.1
Jet Kerosene	14.7	16.7	3.2	2.0
Gas Oil	12.9	14.3	2.4	1.4
Fuel Oil	-4.9	0.1	4.8	5.0
LPG	-17.6	-21.1	-13.8	-3.5

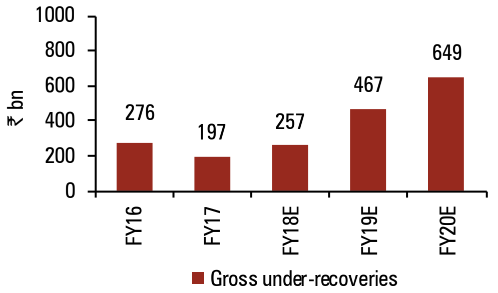
Source: Bloomberg, Reuters

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)

	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Upstream	0	0	0	0	0
Downstream	0	0	0	0	0
Government	7892	8248	6686	10544	13262
Total	7892	8248	6686	10544	13262

Sharing of crude oil under-recoveries (%)

	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19
Upstream	0.0	0.0	0.0	0.0	0.0
Downstream	0.0	0.0	0.0	0.0	0.0
Government	100.0	100.0	100.0	100.0	100.0
Total	100.0	100.0	100.0	100.0	100.0

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

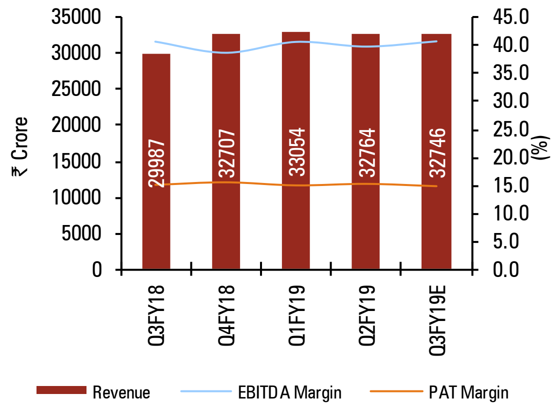
Source: ICICI Direct Research

Exhibit 31: Company specific view

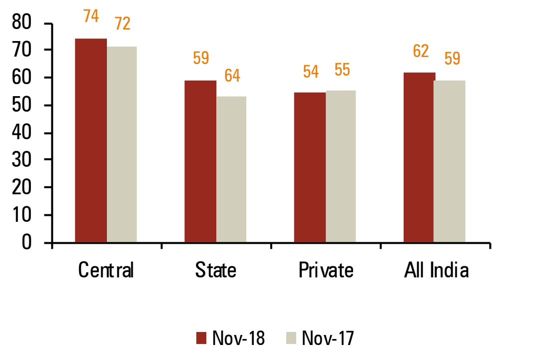
Mahanagar Gas	We expect MGL's growth momentum to remain steady with volume growth of 6.3% YoY supported by robust conversion rate of CNG vehicles. Volumes are expected at 2.9 mmscmd (CNG: 2.1 mmscmd, PNG: 0.8 mmscmd). Gross margins are expected to increase QoQ as well as YoY to ₹ 13.2 per scm in Q3FY19 (₹ 12.5 per scm in Q2FY19). However, higher other expenses by 23.3% YoY will lead to lower PAT increase of 10.1% YoY in PAT to ₹ 136.4 crore
MRPL	Reported GRMs are expected at negative $3.1/bbl vs. positive $4.4/bbl in Q2FY19. Core operational GRMs are expected at $4.6/bbl in Q3FY19 and inventory losses for the quarter are expected at $7.7/bbl vs. gains of $2.1/bbl in Q2FY19. Throughput in Q3FY19 is expected at 4.2 MMT vs. 3.9 MMT in Q2FY19. Subsequently, loss of ₹ 872.4 crore is expected in Q3FY19
ONGC	Oil & gas production is expected to witness QoQ growth of 0.4% and 2.1%, respectively. While oil production is estimated at 6.1 MMT, gas output is expected at 6.5 MMT in Q3FY19. We expect realisations to decline 11% QoQ at $65/bbl due to lower crude oil prices. We do not expect any subsidy during the quarter. PAT is expected to decrease 24.4% QoQ to ₹ 6244 crore on decline in realisations as well as lower other income
Petronet LNG	We expect the topline to increase 39.7% YoY to ₹ 10836 crore on account of higher LNG realisation. Total volumes are expected to decline marginally by 2.4% YoY to 217.7 trillion British thermal units (tbtu) (~4.2 MMT). Blended margins are expected to remain flattish YoY to ₹ 45.2/mmbtu mainly due to lower margins on relatively costlier spot LNG. PAT is expected to decline 3.9% YoY to ₹ 508.1 crore

Source: ICICI Direct Research

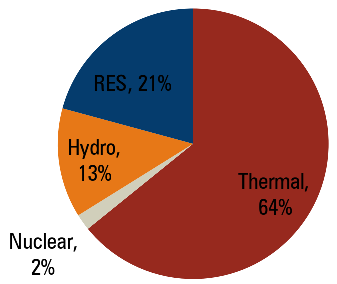
Topline & Profitability (Coverage universe)



Trend in all India sectoral PLF



Segment wise break up of total installed capacity



Data as on November 2018

Top pick of sector

Power Grid
CESC

Research Analyst

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Power

Sector witnesses muted capacity addition in April-November 2018

The capacity addition trend has been lacklustre across the power sector as only capacity to the tune of 1470 MW was added in YTDFY19 vs. 4765 MW in YTDFY18, implying a decline of 69% YoY. The current installed capacity as of November 2018 was at 346619 MW out of which thermal capacity was at 222427 MW. The share of renewables in the overall base was at 20.8% (72013 MW), way above the hydro capacity, which was at 45399 MW. The share of the private sector was at 45.9% or 159095 MW in the overall installed base. Going ahead, the government has further upped the ante on renewable capacity addition and expects to add 40000 MW capacity per annum till 2028 and take the share of the same to 55% of the overall installed base by 2028. For Q3FY19E, NTPC has not commercialised any capacity while Power Grid is expected to add assets to the tune of ₹ 8000-9000 crore.

Power generation up ~5%in YTDFY19

Overall power generation in April-November 2018 was up ~5% YoY while in November 2018 the same was up 4.6% YoY. On a segmental (YTD) basis, thermal generation was up 5% YoY whereas the hydro segment recorded growth of 4.2% YoY. The renewable segment witnessed 28.5% YoY growth in generation on a YTD basis, mainly on the back of strong capacity addition in FY16-18.

CERC lists drafts power tariff from 2019-24: No negative surprise

CERC draft power tariff regulations aim to promote efficiencies like a reduction in regulated equity of conventional power sector in India, with the proposed return on equity higher-than-expected at 15.5%. Proposed draft regulations are positive for conventional thermal players like NTPC in bringing efficiency improvement and providing relief on the under recovery front. However, some suggested changes may face implementation challenges like formation of operating & maintenance expense escalation being below long term inflation and tightening of working capital by way of a reduction in receivable days despite payment delays from discoms.

Performance of coverage companies set to be mixed

On an overall basis, Q3FY19E is expected to pan out reasonably for companies under coverage. We expect the coverage universe to report revenue growth of 9.2% YoY while PAT growth is expected at 8.1% YoY. NTPC may post generation growth at 5% whereas revenues are expected to grow 7.3% YoY (on the back of higher realisations YoY). Power Grid may continue its reasonable asset capitalisation trend of ₹ 8000-9000 crore for Q3FY19E. Similarly, revenues and PAT are expected to grow 14.8% and 23.2% YoY, respectively, in Q3FY19E. CESC may report energy sold (volume from base business plus power purchase from subsidiary) growth of 3.6%. EBITDA is expected to decline marginally on account of higher cost of power purchase (rise in coal prices). We expect PAT growth to be muted at 1.4%.

Exhibit 32: Estimates for Q3FY19E: (Power) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
CESC	1,825.5	7.0	-17.8	348.7	11.0	-31.8	156.2	1.4	-42.4
NTPC	22,299.5	7.3	0.2	5,607.1	6.3	0.3	2,253.7	-4.5	-7.1
Power Grid Corp	8,621.1	14.8	4.1	7,414.1	11.7	6.3	2,504.3	23.2	8.4
Total	32,746.0	9.2	-0.1	13,369.9	9.3	2.2	4,914.1	8.1	-1.8

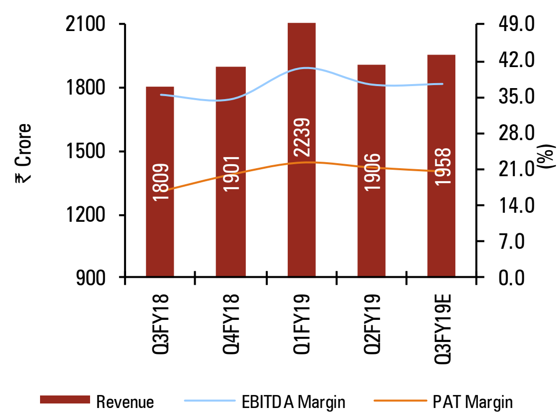
Source: Company, ICICI Direct Research

Exhibit 33: Company specific view

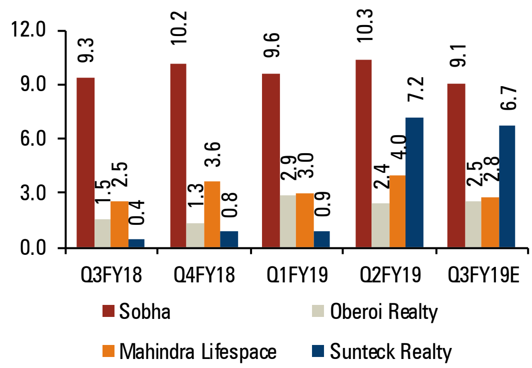
Company	
NTPC	On an organic basis, the company has not commissioned any capacity in Q3FY19E. On the other hand, it has acquired the 720 MW Barauni power station from Bihar SEB. On the financial performance side, NTPC is expected to report 5% YoY growth each in gross generation and energy sold at 71.2 billion units and 66.5 BUs, respectively. We build in realisation of ₹ 3.35/kWHR, up 1.3% YoY. Hence, revenues are expected to grow 7.2% YoY to ₹ 22299.5 crore. Consequently, we expect EBITDA and PAT to come in at ₹ 5607.1 crore and ₹ 2253.7 crore, respectively
Power Grid	We expect the company to capitalise transmission assets to the tune of ₹ 8000-9000 crore in Q3FY19E. With strong capitalisation in the past two to three years, we expect transmission revenues to grow 13% YoY to ₹ 8274.6 crore whereas segments like telecom and consultancy are expected to grow 5% and 14% YoY, respectively. EBITDA is expected to grow 12% YoY whereas finance costs are expected to go up 21% YoY. Consequently, profitability is expected to grow 23% YoY to ₹ 2504.3 crore
CESC	CESC is expected to report muted gross generation growth in its standalone operations on account of a seasonally weak quarter (winter season). The gross generation is expected to fall 3.4% YoY at 131.1 crore units. However, energy sold is likely to report marginal growth of 3.6% YoY at 145 crore units. Subsidiaries at DIL may report strong generation growth in Q3FY19E. Revenues are expected to grow 7% YoY to ₹ 1822.5 crore. PAT is expected to be flattish at YoY at ₹ 156.2 crore. The key monitorable will be the outlook on the PPA signing at the Chandrapur plant

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage universe)



Sales Volume Trend (Coverage Universe)



Top pick of the sector

The Phoenix Mills, Oberoi Realty

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Real Estate

Commercial segment emerges as sweet spot in real estate space…

The Indian office space continues to witness positive momentum, which is evident from the recent marquee office leases by Google, Netflix, etc. India's office space annual absorption of ~46 msf is likely to exceed anticipated average annual supply of 41.2 msf in FY19E-21E. Additionally, with vacancies in quality & well-located office spaces expected to decline in top cities, we expect lease rentals to go up. With this, commercial office space has emerged as the most favourable asset class for institutional investors. The commercial & retail space contributed 48% out of total institutional investment of $20 billion during 2014-18 vs. 18% out of total institutional investment of $10 billion during 2009-13. In our coverage, Phoenix Mills will be the key beneficiary of this trend.

Affordable, mid-segment housing to lead in residential theme…

Investment in residential real estate had slowed down in the past couple of years due to high inventory levels following low demand. However, demand and supply have shown signs of a revival lately with inventory levels down 17% YoY vis-à-vis 46% YoY growth in unit launches in H1CY18. However, new launches have been led by the affordable and mid-segment housing with launches within the affordable segment jumped by 100% QoQ in Q2CY18. With a gradual improvement in consumer sentiment, we expect stable sales volumes in the real estate sector largely led by the affordable and mid-housing segment, going forward. Furthermore, with the government mulling a couple of options on cutting GST for under-construction property, (either 5% GST without input credit, or 8% GST with input credit), we could see a demand revival ahead.

Sunteck to lead robust performance of our real estate universe…

While we expect a steady recovery in residential RE market, sales momentum is turning positive for organised players as visible in our coverage. Our RE universe is expected to post robust sales volume growth of 61.4% YoY to 22.2 lakh sq ft (lsf) in Q3FY19E as Sunteck is expected to clock 16.8x YoY sales volume growth to 6.7 lsf led by robust sales at its affordable housing project in Naigaon. While Sobha reported sales volume de-growth by 2.8% YoY to 2.8 lsf, Oberoi & Mahindra Lifespace could report strong sales volume growth of 66.7% and 12.0% YoY to 2.5 lsf and 10.2 lsf, respectively.

Real estate universe expected to grow 11.9% YoY...

Real estate universe revenues are expected to grow 8.2% YoY to ₹ 1957.8 crore. Also, EBITDA margins are expected grow 210 bps to 37.5%. Consequently, we expect our universe PAT to grow robustly by 11.9% YoY to ₹ 434.9 crore.

Exhibit 1: Estimates for Q3FY19E (Real Estate) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Oberoi Realty	557.2	57.1	-5.6	278.8	44.7	-5.8	198.4	65.0	-7.2
Mahindra Lifespace	79.2	-45.3	10.6	9.1	-43.7	771.9	14.7	11.3	-33.6
Sobha Dev.	692.4	0.1	5.1	147.4	7.2	5.1	65.5	22.6	6.6
Sunteck Realty	180.3	-10.5	0.0	78.0	-12.4	0.0	54.7	-6.5	0.0
The Phoenix Mills	448.6	7.7	10.8	221.9	7.3	12.0	71.4	21.4	27.0
Total	1,957.8	8.2	2.7	735.1	14.5	3.1	404.6	33.0	-0.9

Source: Company, ICICI Direct Research

Major news during Q3FY19

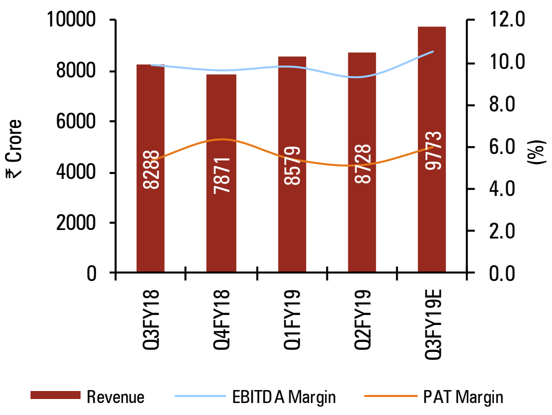
Real Estate Sector	As per JLL report, residential sales across top cities in India have risen 40% YoY in 9MCY18. Sales in Hyderabad and Kolkata grew 277% and 230%, respectively, followed by Chennai (77%), NCR (53%), Pune (19%) and Bangalore (12%)
	As per media reports, real estate developers' body Credai has written to PM Narendra Modi seeking the government's intervention to ease the credit freeze in realty sector amid lack of availability of funds to complete their projects
	As per media reports, NRI inflows in the Indian real estate sector have touched more than $ 10 billion (₹ 730 billion) so far in FY19E (vs. $ 8.9 billion in FY18 for the same period). Until last year, NRIs were mostly interested in Delhi and NCR region. Pune and Bengaluru have since emerged as preferred destinations for investment
Mahindra Lifespace	Mahindra Lifespace Developers has begun handing over homes in Phase-I of its maiden premium residential project 'Windchimes' in Bengaluru
Oberoi Realty	As per media reports, Oberoi Realty is in talks to buy Blue Star's nine acre Thane land parcel. The land parcel is located adjacent to the 60 acre GlaxoSmithKline Pharma land parcel that Oberoi acquired last year for ₹ 550 crore. The deal value could be somewhere at ₹ 120-150 crore, given the benchmark rates of recent transactions in the vicinity
Sunteck Realty	Sunteck Realty has completed sales of more than 2000 units worth ~₹ 600 crore out of an inventory of 2476 units in Phase-I of Sunteck West World project in Naigaon, Mumbai

Exhibit 2: Company specific view (Real Estate coverage universe)

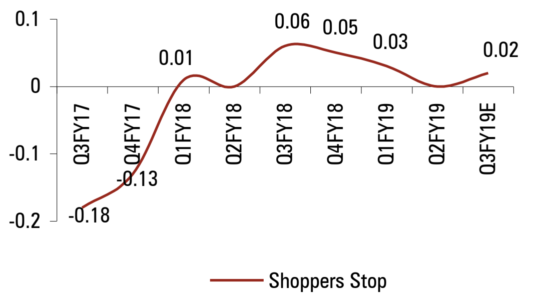
Company	Remarks
Oberoi Realty	We expect Oberoi to maintain its sales momentum and post sales volumes of 2.53 lakh sq ft (67% YoY) on account of an improvement in the demand scenario following subvention schemes. Further, on the financial front, we expect the topline to grow robustly by 57.1% YoY to ₹ 557.2 crore with incremental revenues from Exquisite & Oasis projects. Furthermore, EBITDA margins are expected to contract 410 bps YoY to 50.0% on account of higher operating costs. With strong topline growth, we expect bottomline to grow 65.0% YoY to ₹ 198.4 crore
The Phoenix Mills	Phoenix Mills' retail portfolio enjoys 90-98% leased occupancy and is expected to clock revenue growth of 8.4% YoY to ₹ 295.6 crore on account of a steady performance across its mall assets. On the commercial front, we expect revenue growth to remain flattish YoY at ₹ 17.4 crore while the residential segment is expected to clock 13.0% YoY revenue growth to ₹ 35.1 crore in Q3FY19E. Overall, we expect the topline to grow 7.7% YoY to ₹ 448.6 crore in Q3FY19E. EBITDA margins are expected to remain flattish YoY at 49.5% while the bottomline is expected to grow 21.4% YoY to ₹ 71.4 crore in Q3FY19E
Sobha Ltd	Sobha reported slight sales volume de-growth by 2.8% YoY to 9.1 lakh sq ft in Q3FY19. In Q3FY19, Sobha launched 'Sobha Isle' in Kochi, which helped the company clock robust sales volume in the Kochi market at 1.2 lsf. It also launched ~0.5 msf in GIFT City (Gujarat). The company further plans to launch an affordable housing project in north Bangalore for which all approvals have been received. Steady launches augur well for the company's sales volumes growth, going ahead. While the Q3FY19 sales volume shows a decline sequentially as well as YoY and has been a slightly below our expectations, with robust launches planned ahead in affordable housing segment, we beleive that sales could improve, going ahead. On the financial front, we expect the topline to remain flattish YoY at ₹ 692.4 crore. Further, we expect EBITDA margins to grow 140 bps YoY at 21.3%. Consequently, we expect the bottomline to grow strongly by 22.6% YoY to ₹ 65.5 crore led by EBITDA margin expansion
Mahindra Lifespace	We expect MLD to post stable sales volumes of 2.8 lakh sq ft in Q3FY19E. On the financial front, we expect MLDL's topline to de-grow 45.3% YoY to ₹ 79.2 crore on account of 46.2% YoY de-growth in residential revenue recognition to ₹ 75.6 crore. However, on a positive note, EBITDA margins are expected to expand 30 bps to 11.4% Consequently, we expect the bottomline to grow 11.4% YoY to ₹ 14.7 crore due to margin expansion, lower interest costs and lower tax rate
Sunteck Realty	Sunteck's sales momentum is expected to remain intact with strong sales clocked from Phase-I of Naigaon affordable housing project. So far, it recorded sales of more than 2000 apartments (out of 2476 units launched) since its launch in Q2FY19 (1015 units in Q2FY19). With the sales performance expected to spill over in Q3FY19E, we expect sales volumes at 6.7 lakh sq ft in Q3FY19E. On the financial front, we expect topline to grow 9.5% YoY to ₹ 220.6 crore while bottomline is expected to grow 13.1% YoY to ₹ 71.0 crore

Source: Company, ICICI Direct Research

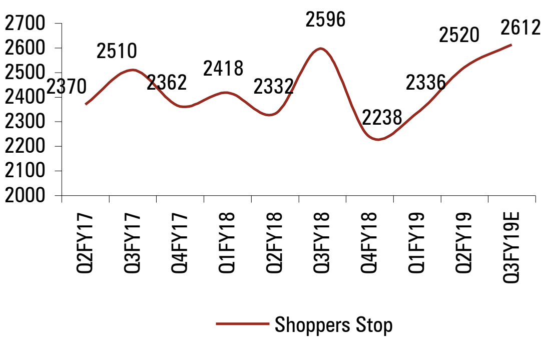
Topline & Profitability (Coverage Universe)



Space addition – million square feet (QoQ)



Revenue per sq. ft.



Top pick of sector

Aditya Birla Fashion & Retail
Trent

Research Analyst

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Retail

Healthy festive season to spur revenue growth for retail sector

With the major festive season skewed towards Q3FY19, we expect our retail coverage universe to report healthy revenue growth. Also, the management commentary of most retail players has been positive with double digit revenue growth witnessed during the festive season. We expect our retail coverage universe to report healthy revenue growth of 18% in Q3FY19. Furthermore, various retailers (excluding Westside) have advanced their end of season sales (EOSS) a week before Christmas, which has seen strong growth in footfalls.

Strong revenue growth anticipated for ABFRL, Titan, Trent

For Shoppers Stop, the management highlighted that the departmental store had registered early double digit revenue growth in the first four weeks of Diwali. We expect SSL to report strong SSSG of 7% YoY in Q3FY19 (highest in the last five quarters). We expect ABFRL to report overall topline growth of 16% YoY to ₹ 2147 crore with healthy growth across key segments (Pantaloons: 16% and Lifestyle brands: 12% YoY). We anticipate Trent will 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. For Titan's jewellery division, the management highlighted that festive demand has been strong with 29% growth in the first 40 days of Q3FY19. Also, demand for wedding jewellery was encouraging in Q3FY19. In the backdrop of the same, we factor in 23% revenue growth in the jewellery segment for Titan. For Bata, we expect revenues to increase 7% YoY to ₹ 721 crore on the back of new launches.

Better product mix, cost rationalisation to improve EBITDA margin

With cost rationalisation measures and positive operating leverage, we anticipate EBITDA margins for our coverage universe will increase ~60 bps YoY to 10.5%. Bata and Shoppers Stop had reported one of its highest ever EBITDA margins in Q3FY18. Hence, on a strong base, we anticipate a limited scope of margin expansion in Q3FY19. For ABFRL, we expect EBITDA margins to improve 60 bps YoY on the back of a better product mix & controlled operational cost structure for Pantaloons division along with rationalisation & closure of unprofitable stores for Forever 21 (fast fashion segment). We expect EBITDA margins of Titan to improve 90 bps YoY to 10.8%.

Exhibit 3: Estimates for Q3FY19E: (Retail) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Aditya Birla Fashion &	2147.5	15.8	7.0	171.8	24.5	20.3	55.0	57.2	28.7821
Bata India	722.9	7.3	7.4	118.6	6.3	35.7	74.5	9.4	33.7
Shopper Stop	1,050.3	9.0	21.5	90.3	13.8	67.1	35.0	114.2	165.1
Titan Company	5,239.4	22.6	14.7	565.5	33.9	20.6	377.4	33.8	24.6
Trent Ltd	612.6	17.5	-0.5	83.9	22.3	41.8	45.9	21.1	39.6
Total	9,772.7	17.9	12.0	1,030.1	25.6	26.8	587.9	33.8	31.4

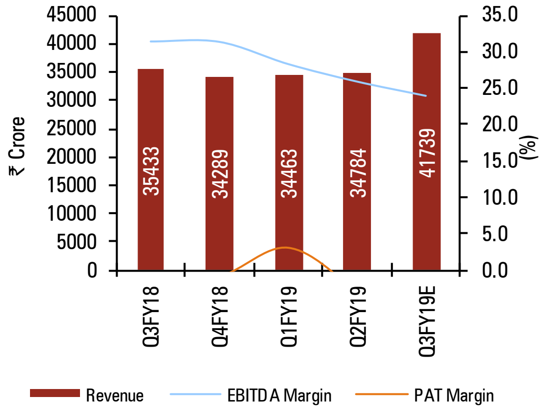
Source: ICICI Direct Research

Exhibit 4: Company specific view (Retail)

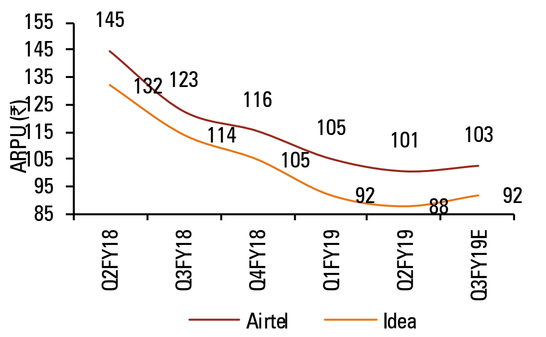
Company	Remarks
Bata India	We expect Bata to register steady topline growth of 7% YoY to ₹ 721 crore. Bata's latest collection 'Red Label', has gained healthy traction and is expected to provide additional growth impetus this quarter. Bata had reported one of its highest ever EBITDA margins in Q3FY18. Hence, on a high base, we expect EBITDA margins to remain flattish at 16.4% YoY. We expect PAT to increase 9.4% YoY to ₹ 74.5 crore
Shoppers Stop	Owing to a strong festive season (first four weeks of Diwali witnessing double digit SSSG), we expect SSL to report strong SSSG of 7% YoY in Q3FY19 (highest in last five quarters). On account of implementation of Ind-As 115, revenues are not exactly comparable to the previous year. We expect EBITDA margins to improve marginally by 40 bps YoY to 8.6% on account of high base effect (SSL had reported one of its highest ever EBITDA margin in Q3FY18). Decline in interest expense is expected to aid PAT. We expect SSL to report PAT of ₹ 35.0 crore vs. ₹ 16.3 crore in Q3FY18 (SSL had reported exceptional expense worth ₹ 17 crore in Q3FY18)
Titan Company	With strong demand for wedding jewellery and festive season, the management highlighted that the jewellery division had witnessed growth of ~29% YoY in the first 40 days of Q3FY19. In the backdrop of the same, we factor in 23% revenue growth for the jewellery division for Q3FY19. For the watches division, we anticipate growth momentum will moderate to 8% YoY in Q3FY19 (vs. H1FY19 growth of 16%). We expect overall topline to increase 23% YoY to ₹ 5239 crore. EBITDA margins are expected to improve 90 bps YoY to 10.8%. Consequently, we anticipate PAT will increase 34% YoY to ₹ 377.4 crore
Trent Ltd	We expect Trent to sustain its healthy revenue trajectory with the topline expected to grow 17.5% YoY to ₹ 613 crore on the back of a strong festive season and its new value fashion format, 'Zudio' gaining traction. We expect EBITDA margins to expand marginally by 50 bps YoY to 13.7%. PAT is expected to increase 21% YoY to ₹ 46.0 crore
ABFRL	Healthy store additions, coupled with a strong festive season are expected to spur revenue growth for ABFRL in Q3FY19. We expect overall topline to grow 16% YoY to ₹ 2147 crore owing to healthy growth across all segments. We expect Pantaloons division to report robust revenue growth of 16% YoY (vs. H1FY19 growth of 9%). For lifestyle brands, we expect the growth momentum to sustain and register revenue growth of 12% YoY. With positive operating leverage kicking in, we expect EBITDA margins to expand 60 bps YoY to 8.0%. Consequently, we expect PAT to grow 57% YoY to ₹ 55 crore

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



ARPU trend



Top pick of sector

Sterlite Tech

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Telecom

Incumbents line up fund raising to face competition led cash burn

One of the key highlights for the quarter was the announcement by both incumbents on raising equity. Vodafone Idea has laid out equity capital raising plans up to ₹ 25,000 crore, with promoter shareholders indicating support up to ₹ 18,250 crore (Vodafone - ₹ 11,000 crore and Idea - ₹ 7250 crore). Airtel has also formed and authorised a Special Committee of Directors for Fund Raising to evaluate various options of fund-raising to strengthen its capital structure and balance sheet. We believe both incumbents, through this fund raising, are bidding for time by which pricing could normalise as Jio may expand its market share by then.

Minimum recharge packs by incumbents to optically drive ARPUs

During Q3FY19, both incumbents launched minimum recharge to drive revenues from the incoming only/secondary sim inactive base. We note that this move would lead to subscriber churn (we bake in ~14 mn, 10 mn subscriber loss for Vodafone, Airtel, respectively, in Q3FY19) but optical ARPU would be driven up. We build in ~2%, 4.5% QoQ ARPU growth for Airtel, Vodafone Idea, respectively. Other continued factors such as pain on the operating profit fronts led by muted topline and higher interest & depreciation are likely to result in losses for both Airtel and Vodafone Idea during Q3FY19.

Infratel to witness full impact of Vodafone Idea tenancy exit

During Q3FY19, Infratel is likely to witness the full impact of tenancy exits by Vodafone Idea in September, 2018. We expect Infratel to post a revenue decline of ~3% QoQ to ₹ 3567 crore, impacted by 5.7% QoQ decline in rental revenues. We expect an EBITDA margin decline of 250 bps QoQ to 38% owing to tenancy exit impacting core margins (down 230 bps QoQ at 62.6%) and lower energy margins.

Sterlite Tech strong show to continue, Tata Comm to be muted

Sterlite Technologies, with reported revenue growth of ~38%; like to like growth of ~25% YoY, is expected to continue its strong traction aided by exports growth and full quarter consolidation of newly acquired Metallurgica. We expect margins to expand ~90 bps YoY to 25%, resulting in ~56% YoY growth in earnings. Tata Communication is expected to report muted set of numbers. Data revenue growth is expected at ~10% YoY, primarily driven by the growth services segment while voice revenues would continue to decline sharply. Margins are expected at 15.4% (up 50 bps YoY) aided by superior data margins (traditional services to witness margin expansion while growth services would report loss owing to upfront costs) and partly offset by lower voice margins.

Exhibit 5: Estimates for Q3FY19E (Telecom) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Bharti Airtel	20,543.3	1.1	0.6	6,276.8	-16.0	2.3	-475.5	PL	PL
Bharti Infratel	3,567.4	-2.4	-2.8	1,354.5	-15.3	-8.9	534.4	-8.7	-10.9
Vodafone Idea	12,356.2	NA	NA	1,422.9	NA	NA	-5,405.4	NA	NA
Sterlite Technologies	1,155.3	38.3	6.5	288.8	43.2	5.7	140.5	55.9	7.0
Tata Comm	4,117.0	0.1	1.2	632.0	3.1	0.3	27.8	174.4	1,582.9
Total*	29,382.9	1.6	0.5	8,552.0	-13.5	0.3	227.1	-77.1	-73.3

*Source: Company, ICICI Direct Research * excl. Vodafone Idea which is not comparable*

Exhibit 6: Company specific view (Telecom)

Company	Remarks
Bharti Airtel	Bharti's Indian wireless business is expected to witness a subscriber churn (of ~10 mn) on account of introduction of minimum recharge conditions. Moreover, revenues will be impacted by lower ICR revenues. Reported ARPU is likely to witness optical growth of ~2% QoQ to ₹ 103, aided by exits of low/no revenues customer exits. Indian wireless revenues are expected to decline 1% QoQ to ₹ 10,153 crore. In contrast, Africa is likely to witness healthy revenue growth traction, with growth of 3.8% QoQ to ₹ 5863 crore. Consolidated revenues are expected to be muted at ₹ 20, 543 crore, up 0.6% QoQ. Given the higher network operating costs and muted topline, we expect ~100 bps sequential decline in India EBITDA margins at 26.3%. Africa margins are expected to be robust at 37.1%. Consequent consolidated margins are seen at 30.6%, up 60 bps QoQ. **Key monitorable**: clarity on fund raising plans; commentary on competitive intensity
Bharti Infratel	For Bharti Infratel, Q3FY19 will mark the full revenue impact of ~27,000 tenancies exit by Vodafone Idea (in September, 2018). For the quarter, we bake in net tenancy additions of ~7400, largely led by additions from Airtel & Jio. We expect 5.7% QoQ fall in rental revenues at ₹ 2000 crore. Energy revenues would be flattish QoQ at ₹ 1567 crore. Overall margins are expected at 38% (down 250 bps QoQ) owing to tenancy exits impact on core margins (likely to decline from 64.9% to 62.6%). **Key monitorable**: Progress on Indus-Infratel merger, commentary on further tenancies exit by Vodafone Idea and future growth plans
Vodafone Idea	With first full quarter of consolidated numbers for the Vodafone Idea combine, the numbers will not be comparable QoQ or YoY. We also note that minimum recharge and consolidation led churn is likely to result in ~14 mn customer exit on a QoQ basis. However, boosted by minimum recharge and loss of low/virtually zero paying customers, reported ARPU is expected to grow ~4.5% QoQ to ₹ 92 resulting in revenue growth of ~2.8% QoQ (on a like-to-like basis) to ₹ 12,356 crore. On account of lower networking costs due to tenancy exits and operating leverage, we expect Idea to report EBITDA margin of 11.5% (up 350 bps QoQ on a like to like basis). The company is expected to post a net loss of ₹ 5448 crore. **Key monitorable**: Fund raising plans progress; fructification of synergy gains
Sterlite Technologies	Sterlite Tech is likely to witness another strong quarter, further aided by full quarter consolidation of recently acquired Metallurgica. Hence, the reported topline growth is expected to be 38% YoY to ₹ 1155 crore, with like-to-like growth of ~25%, driven by continued strong momentum from the product segment, especially on the exports front. Consolidated EBITDA is expected to witness strong growth of 43% YoY to ₹ 289 crore on operating leverage benefit. EBITDA margins for the quarter are expected to improve 90 bps YoY to 25%. PAT is expected to grow ~56% YoY to ₹ 140.5 crore. **Key monitorable**: Commentary on global fibre market and capacity expansion progress
Tata Comm	Tata Communications is expected to report muted revenues as decent growth of the data segment will be offset by continued weakness in the voice business. Overall revenue is expected to be flattish YoY at ₹ 4117 crore, also dragged down by seasonal weakness. Revenue for the voice business is expected to decline ~23% YoY to ₹ 946 crore. On the other hand, the data business is expected to post 10% YoY growth in topline at ₹ 3172 crore. Revenues growth in data is expected to be driven by stronger traction in growth services. Overall margins are expected at 15.4% (up 50 bps YoY) aided by superior data margins (traditional services to witness margin expansion while growth services would report loss owing to upfront costs). **Key monitorable**: Commentary on Tata Teleservices acquisition; land demerger

Source: Company, ICICI Direct Research

Others

Exhibit 7: Estimates for Q3FY19E (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ	Q3FY19E	YoY	QoQ
Cox & Kings	557.0	12.9	-26.1	171.8	2.4	-39.2	29.9	-59.3	-63.2
DRECOR	132.8	9.9	-33.9	-0.9	NA	NA	-28.2	NA	NA
HIMCHE	565.9	13.2	-6.0	123.4	-0.1	-4.9	69.1	-1.5	-6.8
Mah. Seamless	766.0	35.9	9.0	147.5	141.6	15.2	104.2	168.6	17.7
Navneet Publications	200.9	15.2	-23.7	25.3	23.7	-45.4	15.2	28.4	-47.3
Rallis India	422.3	8.2	-35.4	44.8	19.5	-63.7	29.4	17.9	-65.5
Ratnamani Metals &	711.5	32.8	-2.6	112.1	33.2	-3.4	67.7	47.9	-2.3
Solar Industries	550.0	18.1	5.6	122.6	17.6	14.3	67.8	17.5	23.3
Swaraj Engines	211.6	15.4	-14.4	32.2	25.0	-19.8	20.2	16.7	-20.5
TTK Prestige	549.9	20.1	-0.4	79.7	20.0	-1.5	52.4	20.1	-2.5
TeamLease Services	1,145.4	24.8	5.0	24.6	12.6	2.6	24.5	9.4	-1.7
United Spirits	2,376.6	5.0	6.7	404.0	48.4	-6.6	227.8	69.1	-11.9
United Breweries	1,345.9	12.4	-11.8	181.7	19.0	-42.9	75.8	59.9	-53.7
VST Tillers & Tractors	129.1	-22.1	-10.7	12.9	-55.4	361.1	8.7	-72.4	-5.4
Wonderla Holidays	71.2	11.5	72.3	21.9	15.1	141.8	9.3	41.6	884.9
Total	9,736.2	14.6	-5.1	1,503.6	22.1	-15.9	773.6	22.3	-17.1

Source: Company, ICICI Direct Research

Exhibit 8: Company specific view (Others)

Cox & Kings	Q3 is a seasonally weak quarter for Cox and Kings vs Q1 & Q2. The company's revenue growth (up 12.9% YoY) to mainly come from Meininger (up 25.0% YoY led by bed additions) and leisure India revenues (up 14.0% YoY). However, on the margin front, we expect EBITDA margin to decline from 34% to 30.8% in Q3FY19E mainly led by adverse movement of currencies in European region. As a result, we expect PAT to decline by 10.4% YoY to ₹65.8 crore.
CARE	On a YoY basis, the traction in CARE's rating revenue is expected at 11% to ₹ 90 crore, which is on the lower side compared to traction witnessed in earlier years during Q2. This is due to a slowdown in the growth of bank loans and SME rating segment. However, Q2 being a strong quarter in terms of surveillance fee income, the QoQ traction in rating income looks strong at 47%. EBITDA margin is expected at >70% while a PAT of ~₹ 50 crore is estimated (up 40% QoQ, and 15% YoY).
Dredging Corporation of India	Revenues for the quarter are expected to grow 10% YoY on the back of better fleet utilisation and a low base effect. Higher crude and employee expense would impact the operational performance (EBITDA) and PAT, which is expected to report a loss of ₹1 crore and ₹ 30 crore respectively during the quarter

Source: Company, ICICI Direct Research

Exhibit 9: Company specific view (Others)

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
Maharashtra Seamless	We expect Maharashtra Seamless to report a healthy performance for Q3FY19. Total pipes sales are likely to come in at 102500 tonne. Sales of seamless pipes are expected to come in at 85000 tonne (up 3.9% YoY, 11.8% QoQ), while ERW pipes volume is likely to be 17500 tonne (up 21.9% YoY, however lower by 7.9% QoQ). We expect topline to increase by 35.9% YoY and 9.0% QoQ to ₹766 crore, while EBITDA is likely to increase by 141.6% YoY and 15.2% QoQ to ₹147.5 crore. The company is expected to report an EBITDA margin of 19.3% (vs. Q3FY18: 10.8% and Q2FY19: 18.2%)
McLeod Russel	Mcleod russel is expected to witness a sales growth of 8.7% YoY to ₹ 473.5 crore mainly due to increase in tea prices in Assam. We estimate flat volume growth of 25 million kg with the average realisation of ₹ 189 per kg. We estimate 10% YoY increase in domestic tea prices to ₹ 166.5 per kg and 17 million kg sales volumes. Exports realisation are expected to grow by 5% YoY to ₹ 240 per kg. With the increase in tea prices operating profit is expected to grow by 51% to ₹ 251.7 crore and net profit is expected to grow by 33.1% to ₹ 175.8 crore
Navneet Education	We expect Navneet to register revenue growth of 15% YoY to ₹ 200 crore, driven by growth in publication segment to the tune of 17% and 14% revenue growth in the stationery segment. EBITDA margins are expected to expand by 140 bps YoY to 12.6% on account of positive operating leverage. Consequently we expect PAT to grow 28% YoY to ₹ 15.2 crore.
Rallis India	Rallis India is expected to report steady performance in a seasonally important quarter for its base agro-chemical business amidst near normal monsoon 2017 (-5% of LPA). In Q2FY18E, in the agro-chemical segment we expect sales to grow by modest 7.8% YoY to ₹ 542.7 crore. While on the Metahelix front, we expect a modest 6% YoY growth in sales to ₹ 48.0 crore. On the consolidated level, we expect sales to grow 7.6% YoY to ₹ 590.7 crore while EBITDA margins are expected at 19.6% up 60 bps YoY. Consequent EBITDA & PAT in Q2FY18E is expected at ₹ 115.9 crore & ₹ 75.2 crore respectively.
Swaraj Engines	Swaraj Engines is expected to report healthy performance in Q3FY19 on the back of steady tractor sales at its parent. Engine sales volume in Q3FY19 are expected at 24,635 up 12.1% YoY vs. tractor sales of 13.3% at its Parent. The engine volume growth is expected to lag the tractor growth given higher inventory accumulation by its parent company in Q2FY19. Consequent net sales is expected at ₹ 212 crore, up 15.4% YoY. EBITDA margins are expected at 15.2%, up 120 bps YoY. EBITDA & PAT for the quarter is expected at ₹ 32.2 crore and ₹ 20.2 crore (up 17% YoY) respectively
Solar Industries	Solar Industries is expected to post strong revenue growth of 18.1% YoY to ₹ 550 crore, on the back of ~30% growth in 'exports and overseas' segment.. Other segments like bulk and cartridge explosives are likely to witness mixed volume and realization growth during the quarter. Overall, we expect the industrial explosives segment to grow 9.5% YoY. Revenues from defence segment are estimated at ~₹ 50 crore. EBITDA margins are likely to remain stable at 22.3%. PAT is likely to increase by 17.5% YoY to ₹ 67.8 crore.

Source: Company, ICICI Direct Research

Exhibit 10: Company specific view (Others)

TTK Prestige	With shift of festive season in Q3FY19, we expect TTK to report healthy revenue growth of 20.2% YoY to ₹ 550 crore. Also, loss of sales in previous quarter due to Kerala floods, is expected to be recouped as rebuilding activity is expected to gain momentum. On the segmental front we expect cookers segment to sustain its healthy momentum driven by increased penetration in Rural areas owing to government initiatives like Ujjwala Yojana scheme. Higher employee expense (up 28% YoY) may negate the positive impact of decline in raw material prices. Hence, we expect EBITDA margins to remain flattish YoY at 14.5%. We expect PAT to grow 20% YoY to ₹ 52.4 crore.
United Spirits	Overall volumes are expected to grow by 2% YoY to 21.5 million cases, on the back of 10% 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 5% YoY. Changes in the operating model and favourable product mix would cushion gross margins and may result in ~500 bps expansion in EBITDA margins (supported by a low base of highway ban, internal restructuring) with an absolute EBITDA growth of 48%. Subsequently, higher operational performance YoY is expected to result in 69% growth in PAT
United Breweries	Volumes are expected to grow 10% to 37.4 million cases and similarly, net revenues are expected to grow 12% YoY. EBITDA margins are expected to improve by ~75 bps to 13.5% (due to favourable product mix) with an absolute EBITDA growth of 19%. Subsequently, PAT is expected to grow 60% YoY
VST Tillers & Tractors	VST Tillers and Tractors is expected to report steady performance in Q2FY18E primarily tracking higher sales volume in the tractor segment and relatively soft performance in the power tiller segment. In Q2FY18E, tractor sales volume came in at 3129 units (up 24.8% YoY) while power tillers sales volume came in at 5888 units (down 8.1% YoY). Consequent net sales is expected at ₹ 192.7 crore (up 10.3%), EBITDA margins at 15.2% (up 30 bps YoY) and consequent PAT at ₹ 17.8 crore, up 1.7% YoY. PAT growth lags the top line growth on account of lower other income both YoY & QoQ basis
Wonderla Holidays	We expect Wonderla to register revenue growth of 11.5% YoY mainly led by improved footfalls in Bengaluru & Hyderabad which was impacted last year due to steep price hikes. In terms of margins, we expect EBITDA margins to improve 100bps YoY to 30.8% mainly due to stabilisation in the footfall growth. At PAT level, we expect net profit to grow by 41.6% YoY due to better margins and low base impact of last year.
Ratnamani Metals & Tubes	We expect Ratnamani Metals to report a steady state performance for Q3FY19, wherein 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 ~78%, and that of carbon steel segment at ~85%. Subsequently, the stainless steel segment is expected to report volumes of 5425 tonne and carbon steel segment of 74375 tonne. Ratnamani's topline is likely to increase 32.8% YoY, while the EBITDA is likely to increase 33.1% % YoY. We expect the EBITDA margin to remain flattish QoQ at ~15.8% (15.9% in Q2FY19), while the ensuing PAT is likely to increase by 47.8% YoY .
TeamLease Financials	For Q3FY19, TeamLease is expected to report rupee revenue growth of 24.8% YoY to ₹ 1145 crore owing to revenue growth in general staffing (21.2% YoY) and increasing contribution from IT staffing and HR services. EBITDA margins could remain flat QoQ to 2.2% while PAT is expected to increase by 9.4% YoY to ₹ 24.5 crore on account of continuation of 80 JJAA tax benefits

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	1,210	1,140	Hold	1,492	59.4	67.4	71.2	20.7	18.3	17.3	15.3	13.4	12.9	25.9	25.8	24.5	18.3	19.2	19.0
Vardhman Textiles Ltd	1,096	1,220	Buy	6,297	103.1	120.7	135.3	10.3	8.8	7.8	8.8	6.9	6.3	9.2	10.9	11.1	11.7	12.6	12.8
Page Industries	21,908	27,200	Hold	24,435	311.1	400.7	495.1	77.1	59.9	48.5	49.5	39.9	32.6	58.8	62.0	63.1	41.0	43.3	43.8
Rupa	344	370	Buy	2,736	10.8	12.5	14.2	29.1	25.3	22.1	16.8	14.8	13.0	19.5	19.5	20.7	17.3	17.9	18.4
Auto																			
Amara Raja Batteries	736	835	Hold	12,564	27.6	30.2	39.8	28.0	25.6	19.4	14.8	13.1	10.2	23.3	22.0	24.7	16.0	15.2	17.1
Apollo Tyres	230	260	Buy	13,166	12.7	16.2	21.6	17.7	13.8	10.4	9.3	7.5	6.4	7.8	9.3	11.1	7.4	9.1	10.7
Ashok Leyland	93	115	Hold	27,433	5.3	6.9	8.6	20.2	15.7	12.5	10.2	8.5	6.4	28.1	31.4	34.1	21.9	24.5	25.8
Bajaj Auto	2,659	2,410	Hold	76,930	140.6	153.3	169.5	17.6	16.2	14.6	11.8	10.4	8.9	22.9	22.4	22.3	21.5	20.7	20.4
Bharat Forge	480	700	Buy	22,331	16.2	23.3	28.0	37.5	26.0	21.7	17.6	14.5	12.2	18.2	22.9	25.7	17.3	23.3	23.9
Mahindra CIE	243	290	Buy	9,221	9.5	14.5	17.7	27.7	18.1	14.8	13.5	9.9	8.2	11.2	15.0	17.1	9.8	12.9	13.7
Eicher Motors	19,830	25,500	Buy	54,087	718.9	926.0	1,162.1	30.6	23.8	18.9	20.0	17.0	13.2	39.1	35.9	35.0	29.9	27.9	26.9
Hero Motocorp	2,958	3,350	Buy	59,076	185.1	186.6	209.6	15.4	15.3	13.6	9.5	9.2	7.9	42.4	41.0	41.3	31.4	29.0	29.1
Tata Motors	175	200	Hold	55,404	26.8	2.3	17.0	6.9	79.0	10.9	2.7	3.2	2.6	9.1	6.1	8.2	10.3	4.3	8.5
Escorts	729	735	Hold	8,939	28.1	38.1	46.0	24.0	17.7	14.7	14.3	10.7	8.6	21.0	23.1	23.2	13.8	15.5	16.0
Balkrishna Industries	884	1,025	Hold	17,085	38.2	50.6	59.7	24.5	18.6	15.7	16.5	12.0	10.0	22.4	26.1	26.2	18.1	19.6	19.3
Bosch	19,496	20,500	Hold	59,504	449.1	593.7	661.5	43.3	32.8	29.4	27.0	21.9	19.2	21.4	24.4	24.3	14.4	16.4	16.3
Exide Industries	262	285	Buy	22,300	7.9	10.2	11.5	31.4	24.5	21.6	16.8	14.6	11.8	19.1	18.9	21.2	13.0	13.2	14.7
JK Tyre & Industries	104	100	Hold	2,359	2.9	12.9	21.9	35.7	8.0	4.8	9.8	6.0	4.6	7.7	12.6	15.4	3.6	15.0	18.6
Maruti Suzuki	7,362	7,250	Hold	222,393	255.6	291.0	329.7	26.0	22.9	20.2	13.8	12.2	10.3	21.1	21.1	21.1	18.5	18.6	18.6
Motherson Sumi	157	165	Hold	49,607	5.1	6.2	9.0	30.5	24.8	17.1	10.8	9.0	6.7	16.3	19.6	26.1	17.4	19.4	23.5
Wabco	6,475	7,200	Hold	12,281	143.8	192.0	211.9	46.5	34.8	31.5	30.1	24.7	21.1	25.1	27.6	25.4	17.9	19.7	18.0
Building Materials																			
Century Plyboard	173	195	Hold	3,838	7.1	8.1	9.7	25.4	22.2	18.4	4.7	4.1	3.5	20.3	24.1	23.6	18.7	18.4	19.0
Kajaria Ceramics	514	450	Buy	8,177	14.8	15.1	18.5	26.4	25.8	21.1	4.6	4.0	3.5	22.7	21.1	22.6	17.4	15.7	16.7
Somany Ceramics	368	410	Buy	1,558	18.3	9.4	20.5	17.7	34.5	15.8	2.4	2.2	2.0	12.2	7.6	12.0	13.3	6.5	12.7
Greenply Industries	139	140	Hold	1,703	11.2	7.0	10.2	12.0	19.2	13.2	1.8	1.6	1.5	12.1	7.4	12.3	14.8	8.5	11.1
Shankara Building Products	530	650	Hold	1,210	32.3	20.9	20.0	19.4	30.0	31.4	3.1	2.8	2.6	22.7	15.9	14.7	16.2	9.5	8.3

*CMP as on Jan 7, 2019, * UR= Under Review*

Valuation Matrix

Sector / Company	CMP	Target Pric	Rating	Market Ca	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	268	300	Hold	1,463	26.4	30.6	36.0	10.9	9.4	8.0	5.2	4.3	3.5	21.4	21.2	22.3	11.5	11.4	12.1
SKF Bearing	1,915	2,050	Buy	9,832	57.6	62.9	68.3	33.5	30.7	28.2	21.9	19.2	16.9	23.7	23.1	22.5	16.1	15.5	14.9
Timken India	587	640	Buy	4,415	13.5	18.6	21.4	38.4	28.0	24.3	21.6	12.4	11.0	18.9	15.6	16.5	13.1	11.1	11.4
NRB Bearing	201	215	Buy	1,953	9.4	10.2	11.4	20.3	18.7	16.7	11.8	11.0	9.8	26.7	24.5	23.4	24.0	21.7	20.4
Grindwell Norton	557	625	Buy	6,167	13.5	16.0	18.4	40.3	34.0	29.6	23.3	19.6	17.1	22.2	24.0	24.8	15.1	16.1	16.6
Thermax	1,145	1,315	Buy	13,645	20.0	30.1	39.1	50.9	33.8	26.1	32.7	25.0	18.6	15.3	18.8	21.3	9.9	13.1	15.0
KEC International	292	370	Buy	7,499	17.9	20.1	24.5	16.7	14.9	12.2	7.1	6.1	5.2	24.9	25.0	25.8	23.1	21.1	20.6
Kalpataru Power	378	465	Buy	5,799	21.0	24.9	28.4	17.2	14.5	12.7	8.7	7.3	6.6	17.0	16.8	17.2	11.6	11.6	11.7
Greaves Cotton	119	160	Buy	2,895	8.3	8.0	8.9	14.5	15.1	13.5	9.4	8.3	7.3	25.3	26.7	28.3	17.7	18.8	20.2
Larsen & Toubro	1,384	1,655	Buy	194,002	38.8	48.4	55.9	33.5	26.9	23.3	25.3	21.4	18.4	13.8	15.9	16.7	10.3	12.5	13.2
Bharat Heavy Electrical Lim	72	66	Hold	26,526	3.3	3.0	4.4	20.0	21.7	14.9	4.4	7.9	5.2	5.6	5.4	7.2	2.5	3.4	4.7
AIA Engineering	1,659	1,910	Buy	15,644	47.0	53.9	63.7	36.7	32.0	27.1	28.1	22.2	17.6	18.4	20.2	21.0	14.7	14.7	15.5
Bharat Electronics Ltd	91	105	Buy	22,270	5.7	6.2	7.0	15.1	13.9	12.5	10.3	8.5	7.5	24.9	24.9	25.4	18.0	17.6	17.7
Engineers India Ltd	126	110	Hold	7,943	6.0	5.8	6.6	19.9	20.4	17.9	12.2	13.0	9.9	22.7	20.9	21.5	16.7	15.7	17.3
Cochin Shipyard	366	520	Buy	4,969	29.2	31.7	32.3	13.4	12.3	12.1	4.1	5.9	6.5	13.4	13.2	11.8	12.2	12.4	11.9
Elgi Equipments	250	350	Buy	3,955	6.0	7.0	9.9	43.2	37.0	26.2	24.0	21.7	15.8	14.3	15.6	19.8	14.1	14.7	17.6
ABB India Ltd	1,302	1,460	Buy	27,586	19.8	22.8	29.2	64.6	56.2	43.8	34.8	30.5	23.8	23.2	23.9	25.6	11.6	12.2	14.0
cement																			
India cements	92	120	Buy	2,833	3.3	1.5	3.7	29.8	64.7	26.6	8.8	9.3	9.0	5.1	4.6	4.9	1.9	0.9	2.1
Ambuja	218	231	Buy	43,287	6.3	6.4	8.1	35.8	34.9	27.6	21.3	20.8	16.1	11.3	12.8	16.4	6.3	6.3	7.7
Ultratech	3,927	4,400	Buy	107,843	81.3	108.9	160.1	49.6	37.0	25.2	21.3	17.8	13.2	10.0	11.7	15.4	9.5	10.5	13.5
Heidelberg cement	150	165	Buy	3,400	5.9	9.3	10.9	26.9	17.1	14.6	12.5	9.1	7.9	14.8	21.5	24.6	12.8	18.0	18.4
JK Lakshmi	315	315	Buy	3,712	7.1	7.4	14.9	40.1	38.5	19.2	11.8	11.2	8.4	8.8	9.1	12.7	5.8	5.7	10.4
Jk cement	714	759	Hold	5,515	48.9	42.2	56.1	15.4	17.8	13.4	9.2	10.4	9.4	14.6	11.3	12.8	16.7	12.5	14.7
Mangalam cement	227	239	Hold	606	4.3	-0.0	7.2	53.8	NM	32.0	11.0	14.0	10.0	7.2	4.8	7.7	2.2	-0.0	3.6
Shree cement	16,900	16,900	Hold	58,875	397.8	263.9	532.8	44.0	66.3	32.8	25.2	25.6	18.5	15.3	11.4	17.6	15.6	11.1	16.7
ACC	1,478	1,750	Buy	27,754	49.2	59.4	68.5	31.2	25.9	22.4	16.8	13.8	12.0	14.0	16.4	18.0	9.9	11.4	12.6
Star Cement	103	110	Hold	4,316	7.9	6.4	7.4	13.3	16.3	14.1	8.9	9.9	8.0	21.6	17.7	20.5	22.4	15.9	15.9
The Ramco Cement	629	760	Buy	14,808	23.5	24.3	34.6	26.6	25.8	18.1	14.4	14.1	10.2	10.4	9.5	12.3	13.7	13.0	16.3
Sagar Cements	653	750	Buy	1,332	12.9	20.0	28.8	55.2	35.4	24.7	12.3	10.6	9.0	8.1	9.4	10.9	3.4	5.0	6.7

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Valuation Matrix

Sector / Company	CMP	Target Pric	Rating	Market Ca	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	61	80	Buy	10,989	1.9	1.9	2.5	31.8	31.2	23.5	22.3	22.2	15.2	26.5	24.8	29.8	18.3	17.1	20.4
NCC Limited	88	120	Buy	5,283	4.8	8.1	9.5	18.2	10.7	9.1	7.6	5.7	5.3	15.9	18.8	18.7	6.8	10.4	11.1
Simplex Infrastructure	191	230	Hold	1,082	19.9	25.0	29.4	10.9	8.6	7.3	7.0	5.3	5.0	11.8	13.1	13.0	7.2	6.6	6.9
Consumer Discretionery																			
Havells India	694	650	Buy	43,380	11.4	13.3	17.1				34.7	29.4	22.7	25.2	28.6	30.7	18.8	21.3	22.7
Voltas Ltd	542	560	Hold	17,926	17.5	17.3	21.8	32.3	32.7	25.9	27.2	25.6	20.3	19.8	21.9	23.6	14.8	16.0	17.7
Asian Paints Ltd	1,396	1,180	Hold	133,904	21.9	22.8	28.1	52.1	50.1	40.5	33.9	31.4	25.7	31.6	30.0	32.2	24.4	23.5	25.0
Kansai Nerolac	467	390	Hold	25,165	9.6	10.1	11.1	37.6	35.7	32.4	24.5	22.9	18.7	24.5	24.4	26.1	16.5	16.6	16.3
Bajaj Electricals Ltd	494	545	Hold	5,058	8.2	16.0	20.9	62.2	31.9	24.4	20.1	18.0	13.5	18.1	15.0	17.9	13.7	16.2	18.0
Symphony Ltd	1,147	830	Buy	8,022	27.5	20.5	27.6	42.1	56.5	42.0	35.9	45.3	31.6	41.3	27.3	35.2	31.5	24.2	30.7
Essel Propack Ltd	107	95	Hold	3,373	5.5	6.1	7.2	15.7	14.2	12.1	7.0	6.5	5.5	18.0	17.6	19.7	15.2	15.4	16.6
V-Guard Ltd	209	168	Hold	8,908	3.1	3.7	4.8	56.2	48.0	36.8	39.6	33.9	26.0	23.7	26.0	28.4	17.7	19.7	21.6
Pidilite Industries	1,103	1,096	Buy	56,010	18.8	19.6	24.3	51.2	49.3	39.6	36.0	31.3	25.8	33.6	31.0	33.6	27.0	22.6	24.3
Supreme Industries	1,060	1,075	Hold	13,465	33.9	38.9	43.0	28.6	25.0	22.6	15.9	14.7	12.6	27.9	28.0	29.0	22.7	22.0	22.5
Astral Poly Technik Ltd	1,137	1,250	Buy	13,618	14.7	17.7	23.0	73.3	60.6	46.6	40.9	32.2	25.3	22.9	23.4	25.1	17.2	16.4	17.7
Time Technoplast	102	125	Hold	2,297	8.0	8.0	11.1	14.4	14.5	10.4	6.8	6.7	5.4	14.9	13.7	16.2	12.2	11.2	13.6
FMCG																			
Hindustan Unilever	1,785	1,855	Hold	386,379	24.2	28.9	35.3	75.3	63.2	51.7	53.7	45.6	38.2	79.9	94.4	120.0	74.7	90.0	103.8
Colgate Palmolive	1,303	1,200	Hold	35,440	24.8	28.1	31.3	45.0	39.7	35.7	26.7	24.5	21.3	62.9	67.7	59.2	44.7	47.8	41.6
Dabur India	420	475	Buy	74,263	7.7	8.7	10.4	49.9	44.2	37.2	42.1	37.3	31.1	26.2	32.8	29.3	23.8	30.0	26.0
GSK Consumer Healthcare	7,488	8,145	Hold	31,490	166.5	199.5	223.8	45.3	37.8	33.7	31.8	26.0	23.1	29.8	31.9	32.3	20.1	21.8	22.0
ITC	282	365	Buy	344,895	9.2	10.5	11.3	30.6	27.0	25.1	22.0	19.3	17.3	30.9	36.2	35.6	21.3	25.3	24.6
Jyothy Laboratories	206	240	Buy	7,546	8.8	5.1	5.7	45.1	38.7	34.9	24.5	22.5	20.0	35.1	34.2	37.2	23.5	25.3	27.6
Marico	387	400	Buy	49,931	6.4	8.0	9.6	52.2	42.1	34.8	37.9	30.8	25.4	38.9	41.0	45.7	32.5	33.7	37.3
Nestle India	10,786	12,000	Buy	103,995	127.1	175.2	198.9	76.3	55.4	48.8	41.0	33.3	29.3	34.9	43.4	42.5	37.6	45.5	41.7
VST Industries	3,227	4,000	Buy	4,984	117.8	159.7	173.0	27.0	19.9	18.4	16.4	12.5	11.5	46.9	54.7	50.9	31.3	36.5	34.3
Prabhat dairy	92	140	Buy	903	4.8	5.7	7.5	21.7	18.4	14.1	8.2	8.1	7.0	9.2	10.6	12.4	6.5	7.5	9.2
Varun Beverage	812	860	Buy	14,825	11.7	16.0	20.9	64.8	47.5	36.4	18.9	14.9	13.0	12.7	15.6	18.4	12.1	13.9	17.8

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Valuation Matrix

Sector / Company	CMP	Target Pric	Rating	Market Ca	EPS (Rs) FY18	EPS (Rs) FY19E	EPS (Rs) FY20E	P/E (x) FY18	P/E (x) FY19E	P/E (x) FY20E	EV/EBITDA (x) FY18	EV/EBITDA (x) FY19E	EV/EBITDA (x) FY20E	RoCE (%) FY18	RoCE (%) FY19E	RoCE (%) FY20E	RoE (%) FY18	RoE (%) FY19E	RoE (%) FY20E
Hospital																			
Apollo Hospital	1,282	1,440	Buy	17,837	8.5	23.4	43.9	149.3	54.0	28.7	25.6	19.5	14.6	6.3	9.4	13.7	3.6	9.3	15.3
Narayana Hrudalaya	196	270	Buy	4,012	2.5	2.1	6.5	95.7	112.8	37.2	26.9	21.2	14.7	6.3	6.8	11.9	4.9	4.1	11.0
Hotels																			
EIH	186	205	Buy	10,628	3.1	4.3	4.5	61.9	45.1	43.5	37.7	26.3	23.6	8.7	11.8	11.6	6.6	8.5	8.3
Indian Hotels	145	160	Buy	17,238	0.8	1.5	1.7	171.5	96.7	84.0	28.5	24.3	23.3	5.5	6.9	6.9	2.2	4.7	4.7
Taj GVK	175	220	Buy	1,096	3.3	4.9	7.5	52.4	34.7	22.7	16.9	15.9	12.7	9.0	9.5	12.1	5.5	7.9	10.9
Insurance																			
SBI Life Insurance Compan	602	745	Buy	60,245	9.5	11.5	14.2	59.7	49.5	40.3	-	-	-	23.0	17.9	18.9	19.1	20.2	19.6
IT																			
Cyient	609	720	Hold	6,884	36.0	42.7	46.5	17.2	14.5	13.3	11.1	8.7	7.9	21.4	21.6	20.9	17.3	18.2	17.6
eClerx Services	1,063	1,010	Hold	4,113	72.9	71.1	78.0	14.9	15.3	13.9	10.6	10.7	9.1	28.2	27.9	28.1	24.1	20.5	20.6
Firstsource Solutions	47	75	Buy	3,223	4.8	5.2	5.8	10.3	9.5	8.5	8.7	7.3	6.4	13.0	14.9	16.5	13.9	13.7	14.1
HCL Technologies	940	1,045	Hold	130,865	62.6	74.7	80.5	15.3	12.8	11.9	11.5	9.1	7.9	27.4	32.0	31.0	23.8	26.5	24.8
Infosys	672	800	Buy	293,442	32.3	38.2	44.2	20.1	17.0	14.7	13.5	11.4	9.9	30.9	31.6	33.2	22.5	23.1	24.5
KPIT Technologies	208	230	Hold	4,107	12.9	17.7	18.4	17.4	12.7	12.2	10.9	6.9	6.3	15.5	19.5	18.5	13.9	16.4	15.1
MindTree	835	880	Hold	13,718	34.3	44.6	51.9	24.8	19.1	16.4	18.3	12.2	10.4	24.9	29.5	30.5	20.8	23.3	23.8
NIIT Technologies	1,141	1,365	Buy	7,034	45.6	67.1	75.9	24.5	16.6	14.7	12.0	9.1	7.4	19.4	24.5	24.5	15.8	20.3	20.1
Persistent Systems	570	605	Hold	4,562	40.5	45.5	48.7	15.1	13.5	12.6	8.7	6.6	5.9	19.8	20.8	20.0	15.2	15.3	14.7
Tata Consultancy Services	1,898	1,880	Hold	712,165	67.6	85.8	95.3	28.2	22.2	20.0	20.7	16.1	14.1	37.6	45.1	40.4	29.6	35.1	31.3
Tech Mahindra	688	820	Buy	67,461	42.7	48.5	54.4	16.3	14.4	12.8	13.5	9.3	7.8	21.5	22.1	21.2	20.2	19.7	18.3
Wipro Technologies	324	360	Buy	146,724	16.9	20.2	23.8	19.2	16.0	13.6	12.3	10.1	8.4	16.9	16.9	17.5	16.6	16.2	16.6
InfoEdge	1,622	1,640	Hold	19,807	15.0	23.3	29.4	105.9	68.1	53.9	60.3	52.9	43.1	17.7	18.8	20.3	8.7	12.4	14.2
TeamLease Services	2,884	2,830	Hold	4,931	42.8	62.5	76.5	60.7	41.6	34.0	62.9	42.9	35.0	15.4	18.2	18.4	16.3	19.1	19.3

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Valuation Matrix

Sector / Company	CMP	Target Price	Rating	Market 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
Logistics																			
Blue Dart Express	3,320	2,950	Buy	7,878	60.9	26.4	53.2	51.1	117.7	58.5	21.3	33.7	23.1	29.3	15.5	27.8	27.2	11.3	20.9
Container Corporation of India	681	780	Buy	33,202	20.7	24.5	30.3	30.7	25.9	20.9	19.3	16.4	13.6	13.9	15.3	17.1	10.8	11.7	13.0
Gati Ltd	85	90	Hold	918	3.2	1.6	3.1	26.3	51.6	26.7	15.3	11.9	8.6	10.7	6.6	9.4	7.9	2.4	4.4
Gujarat Pipavav Port	95	110	Hold	4,607	4.1	4.4	5.0	24.6	23.0	20.1	11.9	11.2	10.5	12.1	12.3	13.0	9.2	9.7	11.0
Transport Corporation of India	287	360	Buy	2,200	13.2	18.9	23.8	20.4	14.3	11.3	11.0	8.4	7.0	13.4	15.1	15.8	16.3	18.4	18.7
Dredging Corporation of India	459	350	Hold	1,284	6.1	-17.6	13.9	59.6	NM	26.3	12.0	10.1	9.2	1.5	2.3	2.5	1.1	-3.2	2.5
TCI Express	631	780	Buy	2,418	15.2	19.3	24.3	40.3	31.9	25.3	26.2	19.8	15.8	35.5	35.6	35.2	28.2	26.3	24.9
Media																			
Sun TV Limited	595	675	Hold	23,462	28.8	35.8	37.5	21.8	17.6	16.8	11.4	9.2	8.1	35.5	36.8	33.2	24.2	25.1	22.3
DB Corp Ltd	168	190	Buy	3,093	17.1	14.9	17.3	9.7	11.2	9.6	5.1	6.2	5.0	23.1	22.4	24.4	16.3	16.1	17.2
Dish TV Limited	42	42	Hold	7,660	-0.4	0.9	2.0	NM	47.5	21.1	7.8	4.8	4.2	3.1	9.0	10.4	0.1	2.5	5.4
Entertainment Network Limited	620	690	Hold	2,956	7.5	11.7	21.9	84.3	53.9	28.8	25.2	20.8	13.6	6.2	8.7	14.9	3.5	5.9	10.1
HT Media Limited	39	NA	Unrated	915	13.2	8.3	9.8	6.7	10.7	9.0	5.8	5.8	4.5	12.7	10.7	11.6	12.0	7.1	7.8
Inox Leisure Ltd	257	260	Buy	2,639	11.9	7.8	11.4	20.5	31.5	21.3	12.5	12.2	9.5	13.2	11.9	14.8	10.6	10.0	12.9
Jagran Prakashan Limited	115	112	Hold	3,422	9.6	8.5	9.4	11.4	12.9	11.7	5.7	6.1	5.2	18.6	17.0	19.2	14.7	12.5	13.1
PVR Limited	1,583	1,385	Hold	7,399	26.4	35.7	43.6	58.0	42.9	35.1	19.8	15.7	13.0	14.7	13.2	15.5	11.5	13.5	14.3
Zee Entertainment Enterprises	463	500	Buy	44,465	15.4	15.7	20.0	28.4	27.9	21.9	18.8	15.5	12.8	25.6	24.5	25.5	15.3	14.7	16.0
TV Today Network Limited	370	450	Buy	2,209	19.9	26.0	30.0	18.9	14.5	12.6	9.9	7.8	6.0	30.4	30.4	29.9	19.3	19.6	19.0
Music Broadcast	307	395	Buy	1,749	9.1	10.4	14.4	34.2	29.9	21.5	16.3	14.1	11.1	14.3	14.3	19.5	8.6	9.0	12.6

*CMP as on Jan 7, 2019, * UR= Under Review*

Valuation Matrix

Sector / Company	CMP	Target Price	Rating	Market Cap	EPS (Rs) FY18	EPS (Rs) FY19E	EPS (Rs) FY20E	P/E (x) FY18	P/E (x) FY19E	P/E (x) FY20E	EV/EBITDA (x) FY18	EV/EBITDA (x) FY19E	EV/EBITDA (x) FY20E	RoCE (%) FY18	RoCE (%) FY19E	RoCE (%) FY20E	RoE (%) FY18	RoE (%) FY19E	RoE (%) FY20E
Metals, Mining & Pipes																			
Tata Steel	486	700	Buy	55,261	71.3	89.6	83.0	8.0	6.4	6.9	6.0	5.1	5.0	10.0	11.4	10.7	13.4	14.5	12.1
JSW Steel	290	400	Buy	70,063	25.3	35.5	36.3	12.3	8.8	8.6	8.8	7.0	7.0	16.7	20.0	17.8	21.8	27.0	22.1
NMDC	95	115	Hold	30,041	12.0	11.5	10.4	9.0	9.3	10.4	5.0	5.0	6.2	23.8	22.2	18.1	15.6	13.6	11.8
Hindalco	209	275	Buy	46,830	19.9	27.6	28.6	12.1	8.7	8.4	6.4	5.7	5.3	9.4	11.1	11.0	8.1	10.6	9.8
Vedanta Ltd	193	220	Hold	71,909	20.0	23.3	29.9	10.9	9.4	7.3	4.9	4.9	4.2	15.4	14.5	16.8	11.7	13.4	15.4
Hindustan Zinc	275	270	Hold	116,006	22.0	20.4	23.8	12.6	13.6	11.6	7.7	8.4	6.7	34.0	33.4	33.1	25.8	24.9	24.5
Graphite India	723	1,400	Buy	14,118	52.8	180.0	140.0	18.9	5.5	7.1	12.8	3.5	4.1	47.8	117.3	70.3	37.8	82.4	47.8
HEG	3,675	5,750	Buy	14,685	270.6	750.1	575.0	16.2	5.8	7.6	10.3	3.7	4.9	74.7	117.7	64.4	59.8	79.8	43.8
Maharashtra Seamless	495	570	Buy	3,316	29.9	49.6	53.1	16.6	10.0	9.3	12.1	7.7	7.0	7.8	12.4	12.5	6.8	10.3	10.1
Coal India	235	285	Hold	145,564	11.1	22.3	22.4	23.8	11.9	11.9	21.4	9.9	10.8	51.3	77.8	91.1	35.4	51.9	61.1
Ratnamani Metals and Tub	909	1,075	Buy	4,249	32.5	51.9	53.5	27.0	16.9	16.4	15.7	10.8	10.3	17.1	22.7	20.1	11.6	16.0	14.4
MidCap																			
Rallis India	170	200	Buy	3,310	8.6	9.7	11.2	20.4	18.0	15.7	12.5	11.1	9.3	19.1	19.7	21.1	14.0	14.4	15.0
Swaraj Engines	1,480	1,450	Hold	1,795	66.1	72.4	80.4	21.2	19.3	17.4	12.4	10.7	9.5	45.9	49.4	51.4	35.1	36.1	37.4
VST Tillers & Tractors	1,594	1,425	Sell	1,377	129.6	69.5	89.1	12.3	23.0	18.0	10.2	16.6	11.9	24.0	14.3	16.4	18.8	10.0	11.7
KSB Pumps	758	1,000	Buy	2,638	20.4	24.2	29.5	39.3	33.1	27.2	25.1	20.0	16.1	10.6	12.2	14.2	10.0	10.9	12.1
Himadri Speciality	130	160	Buy	5,454	5.8	7.0	8.8	23.8	19.7	15.6	13.5	12.0	9.9	18.2	18.7	19.8	16.7	16.8	17.6

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Valuation Matrix

Sector / Company	CMP	Target Price	Rating	Market 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
Oil & Gas																			
GAIL	357	450	Buy	80,529	20.5	26.5	27.3	18.1	14.0	13.6	10.9	8.8	8.5	15.4	17.5	16.5	11.5	13.6	12.9
Gulf Oil	839	810	Hold	4,175	31.9	33.7	37.2	23.5	22.3	20.2	15.4	13.1	12.4	35.1	39.4	36.4	33.9	29.6	27.7
HPCL	250	215	Hold	38,065	41.7	27.0	21.4	5.5	8.5	10.7	5.2	7.0	8.5	19.0	12.6	9.4	26.5	17.0	13.2
IGL	274	295	Hold	19,149	9.6	10.5	11.4	29.3	26.6	24.7	17.2	15.5	14.1	24.1	23.2	21.9	16.2	15.5	14.8
MRPL	72	90	Buy	12,601	12.8	-1.3	10.6	6.3	NM	7.7	4.2	27.4	5.2	23.1	1.0	18.9	20.4	-2.1	17.1
ONGC	148	170	Hold	189,739	15.5	21.2	17.8	10.2	7.5	8.9	5.1	3.6	4.0	12.3	16.9	13.7	10.2	12.9	10.3
Petronet LNG	217	275	Buy	32,558	13.9	14.7	17.2	16.1	15.2	13.0	10.3	9.5	7.8	26.2	28.9	30.9	18.1	18.2	19.4
Castrol	151	150	Hold	14,885	7.0	6.7	7.1	20.9	21.6	20.5	13.2	13.4	12.8	111.0	117.8	141.2	67.8	71.4	84.9
GSPL	175	200	Hold	9,872	11.9	15.8	14.1	15.4	11.6	13.0	11.6	7.4	7.9	11.8	16.8	14.4	11.7	14.5	11.2
Gujarat Gas	657	750	Buy	9,045	21.2	27.3	34.1	30.1	23.4	18.7	12.1	11.2	9.1	12.9	14.8	16.7	13.8	13.3	17.6
BPCL	356	275	Hold	77,126	40.3	27.0	28.7	6.7	10.0	9.4	7.0	6.6	8.0	19.3	18.7	12.6	23.2	15.7	16.3
Mahanagar Gas Ltd	906	955	Buy	8,947	48.4	54.3	55.6	17.3	15.4	15.0	10.5	8.9	8.4	32.0	32.1	29.4	20.1	19.8	17.9
Others																			
Cox and Kings	167	225	Hold	2,953	20.6	10.4	16.2	9.2	18.3	11.7	5.5	6.7	5.1	11.4	9.4	11.8	11.5	5.9	7.7
Solar Industries India Ltd	1,036	1,030	Hold	9,370	24.4	27.4	34.4	39.8	35.4	28.2	22.2	19.8	15.3	22.0	22.9	26.6	20.3	21.0	23.4
United Spirits	608	700	Buy	44,151	9.0	11.4	14.2	68.7	54.0	43.4	39.6	31.7	26.1	22.3	34.4	34.8	26.2	25.7	24.2
United Breweries	1,390	1,490	Buy	36,747	14.9	22.8	25.5	87.8	57.3	51.4	38.6	28.5	25.8	22.5	27.8	26.2	14.7	18.5	17.3
Wonderla Holidays	266	330	Buy	1,503	6.8	8.9	11.1	41.4	31.6	25.5	17.5	15.1	13.1	7.2	8.1	9.3	5.0	6.3	7.3
Navneet Education Ltd.	109	150	Buy	2,548	5.5	8.2	9.4	19.3	12.8	11.2	12.0	8.6	7.4	22.4	27.5	29.4	16.9	21.7	21.5

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Sector / Company	CMP	Target Pric	Rating	Market Ca	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
Pharma																			
Sun Pharma	431	460	Hold	103,360	9.0	11.1	21.1	46.6	37.9	19.9	17.2	14.7	11.9	9.8	11.0	13.1	8.2	9.6	11.4
Ajanta Pharma	1,177	1,225	Buy	10,364	53.0	47.9	61.5	21.2	23.5	18.3	14.7	16.0	12.5	30.0	22.8	24.5	23.0	17.2	18.7
Lupin	820	870	Hold	37,118	5.6	25.6	38.4	153.2	33.2	22.2	14.0	17.1	11.5	10.4	9.8	12.3	6.9	8.0	10.9
Aurobindo Pharma	725	915	Buy	42,464	41.4	42.4	53.1	18.8	18.4	14.7	12.9	12.7	10.2	20.0	18.0	16.6	20.7	17.9	18.4
Biocon	621	740	Buy	37,239	6.2	14.3	15.3	101.1	43.9	40.9	45.4	28.3	20.2	8.1	13.3	16.1	7.2	11.9	13.6
Cadila Healthcare	349	415	Buy	35,718	17.5	17.3	20.8	20.6	20.9	17.4	14.3	14.6	11.8	16.7	14.8	14.1	20.5	17.5	18.1
Cipla	514	510	Hold	41,415	17.5	16.8	23.0	30.9	32.2	23.5	16.1	16.0	12.0	9.6	10.6	13.9	10.4	8.8	11.0
Dr Reddy's Lab	2,559	2,700	Buy	42,475	57.0	103.8	136.8	42.1	23.2	17.6	18.2	13.7	10.9	6.1	9.1	12.0	7.2	11.9	13.8
Divi's Lab	1,486	1,700	Buy	39,449	33.3	55.8	65.5	44.6	26.6	22.7	29.5	19.3	15.8	20.0	27.1	26.3	14.9	20.9	20.4
Glenmark	654	660	Hold	18,444	28.5	39.9	37.8	23.0	16.5	17.4	13.4	12.8	10.5	14.6	16.3	15.5	15.6	15.4	14.7
Indoco	217	165	Hold	2,000	4.8	-2.7	6.5	34.1	NM	25.4	12.6	28.3	10.3	6.5	-0.6	8.3	6.6	-3.8	8.4
Ipca Lab	784	845	Buy	9,907	19.0	32.7	42.5	39.7	23.0	17.7	21.8	15.3	11.3	9.1	13.8	17.1	8.9	13.6	15.4
Jubilant Life	710	920	Buy	11,316	41.3	63.5	79.1	15.8	10.3	8.2	8.7	6.5	5.4	14.9	19.6	21.8	15.7	19.7	19.9
Natco	699	860	Buy	12,908	37.7	37.5	23.1	20.2	20.4	33.1	15.1	16.7	22.9	27.4	24.4	14.1	22.7	19.4	11.0
Torrent Pharma	1,820	1,850	Buy	30,798	40.1	40.8	62.7	40.5	39.8	25.9	24.1	16.5	13.2	11.2	12.7	17.0	14.7	13.4	17.8
Alembic Pharma	579	560	Hold	10,915	21.9	28.7	31.5	26.5	20.2	18.5	18.0	14.2	13.0	18.0	19.0	19.5	18.6	20.5	19.0
Syngene International	551	675	Buy	11,017	15.3	16.1	18.9	36.6	34.7	29.5	23.0	21.2	16.4	15.9	16.6	17.6	17.7	15.9	15.8
Power																			
Power Grid Corporation	198	215	Buy	103,821	17.4	20.8	22.5	10.7	8.9	8.3	8.9	8.1	7.5	9.2	9.6	9.7	16.0	16.5	15.5
CESC	653	765	Buy	8,659	96.3	107.0	113.8	7.1	6.4	6.0	7.0	7.3	6.5	10.7	12.1	12.6	10.0	10.0	10.7
NTPC	149	160	Hold	122,528	11.9	12.4	13.4	13.0	12.4	11.5	10.5	11.0	10.8	7.9	7.6	7.4	9.9	9.8	10.1
Real Estate																			
Oberoi Realty	458	500	Buy	16,637	12.6	25.9	27.1	33.3	16.2	15.5	20.3	9.4	8.8	9.3	14.6	13.7	7.5	10.7	9.8
Mahindra Lifespace	394	450	Hold	2,061	19.7	21.8	33.7	20.8	18.8	12.2	34.7	45.5	18.3	5.5	4.8	7.4	4.9	5.2	7.6
Sobha Ltd	452	490	Hold	4,289	22.9	24.5	33.0	19.6	18.3	13.6	12.7	12.3	9.4	9.7	9.7	12.1	7.8	8.0	10.1
Sunteck Realty Ltd	351	440	Buy	5,134	15.2	18.6	24.7	23.7	19.3	14.6	14.7	12.7	9.6	11.9	12.7	15.2	8.1	9.2	11.1
The Phoenix Mills Ltd	588	775	Buy	9,012	15.8	16.5	21.1	39.3	37.8	29.5	16.5	16.0	14.1	8.6	7.8	8.5	8.5	7.0	8.2

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Sector / Company	CMP	Target Price	Rating	Market 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
Retail																			
TTK Prestige	7,525	6,830	Buy	8,692	228.1	165.4	196.4	31.1	42.9	36.1	32.5	26.7	22.6	19.8	22.3	24.1	25.8	16.8	17.7
Shopper Stop	520	535	Hold	4,571	1.3	9.5	11.3	375.3	52.2	43.9	21.0	18.3	15.5	10.5	11.4	12.9	1.2	8.1	9.0
Titan Industries	944	1,000	Buy	83,811	12.4	16.1	20.8	72.3	55.9	43.2	48.3	37.5	29.7	34.9	38.4	40.5	22.2	23.2	25.2
Bata India	1,125	1,160	Buy	14,461	17.4	23.5	28.5	61.2	45.4	37.4	37.0	29.7	24.3	38.7	42.8	48.2	15.1	17.8	19.0
Trent Ltd.	351	410	Buy	11,664	2.6	4.8	6.8	124.1	68.3	47.9	55.8	42.0	33.1	10.0	11.9	14.5	5.5	9.4	12.4
Aditya Birla Fashion & Reta	207	250	Buy	15,987	1.5	2.2	3.4	133.0	94.4	60.0	34.9	27.9	22.8	8.5	11.4	13.5	10.8	13.2	17.2
Road																			
IRB Infrastructure	158	155	Hold	5,562	27.7	25.6	26.6	5.1	5.5	5.3	6.1	6.4	6.9	6.7	7.1	7.1	16.2	13.3	12.4
Ashoka Buildcon	127	150	Buy	3,567	-4.2	1.0	1.8	NM	118.2	65.0	7.0	6.0	5.4	11.5	13.6	15.2	-37.6	8.3	13.1
PNC Infratech	149	190	Buy	3,829	9.8	7.3	10.3	15.5	20.9	14.8	12.2	11.9	8.8	13.7	11.5	14.2	13.9	9.4	11.9
Sadbhav Engineering	220	280	Buy	3,776	12.9	15.7	17.3	16.9	13.8	12.6	12.6	11.0	9.2	9.9	10.6	12.2	11.8	12.8	12.5
Telecom																			
Bharti Airtel	325	380	Buy	129,896	2.7	-2.8	-4.8	117.1	-114.9	-67.7	7.6	9.5	8.2	5.6	2.2	3.7	2.7	-1.0	-3.2
Bharti Infratel	295	285	Hold	54,517	13.5	12.0	12.5	19.7	22.1	21.3	6.9	7.8	8.0	21.1	19.1	19.6	14.7	14.1	15.7
Vodafone Idea	37	40	Hold	32,015	-9.6	-10.1	-12.6	-4.3	-4.1	-3.3	14.3	30.7	13.6	-2.3	-3.6	-3.1	-15.3	-21.3	-28.9
Tata Communications	529	540	Hold	15,072	-11.5	0.2	8.6	-42.7	2,327	57.2	9.4	8.9	7.9	5.9	4.3	6.4	9.4	2.2	87.8
Sterlite Technologies Ltd.	285	400	Buy	11,465	8.3	13.3	16.0	38.7	24.2	20.2	18.5	13.0	11.1	29.7	27.0	27.0	28.7	33.1	29.5

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					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Banks																			
IndusInd Bank	1,559	1,900	Buy	93,874	47.9	60.1	73.9	32.1	25.6	20.8	4.5	3.9	3.3	1.8	1.8	1.8	16.2	17.2	19.6
Yes Bank	187	190	Hold	43,275	14.9	18.3	13.7	13.8	11.2	14.9	2.1	1.8	1.6	1.8	1.6	0.9	17.6	11.6	9.0
Bank of Baroda	123	140	Buy	32,460	6.0	-9.2	9.1	20.2	NM	13.3	0.7	0.7	0.7	0.2	-0.3	0.3	-5.8	5.5	9.8
State Bank of India	296	340	Buy	264,436	-2.2	-7.3	3.3	NM	NM	86.1	1.1	-	-	-0.1	-0.2	0.1	-3.0	1.3	5.8
City Union Bank	190	225	Buy	13,913	8.4	8.9	8.9	19.8	18.6	18.7	2.8	2.6	2.6	1.5	1.6	1.5	15.5	14.7	15.2
Indian Bank	247	190	Hold	11,861	29.3	26.2	20.8	7.0	7.8	9.8	0.6	0.6	0.5	0.7	0.5	0.4	7.1	5.4	-
Axis Bank	637	725	Buy	163,819	15.4	-1.0	18.4	40.9	NM	34.3	2.7	2.5	2.3	0.6	-0.0	0.6	-0.4	7.2	13.1
DCB Bank	174	170	Hold	5,386	7.0	7.9	10.2	22.6	20.1	15.5	2.3	1.9	1.7	0.9	0.9	1.0	10.9	11.7	14.0
Federal Bank	95	110	Buy	18,768	4.8	4.5	6.3	16.9	18.2	12.8	1.6	1.3	1.2	0.8	0.7	0.8	8.2	9.6	-
HDFC Limited	1,973	2,050	Buy	339,233	46.8	72.6	58.2	39.1	25.2	31.5	7.9	5.3	4.9	2.4	3.3	2.3	21.0	25.8	16.3
Jammu & Kashmir Bank	38	58	Buy	2,091	-31.3	3.6	6.2	NM	10.8	6.4	0.4	0.4	0.3	-2.0	0.2	0.4	3.4	5.5	8.3
Kotak Mahindra Bank	1,247	1,400	Buy	237,769	18.5	21.4	25.3	65.7	56.8	48.1	8.1	6.2	5.6	1.7	1.7	1.7	12.5	12.3	14.3
LIC Housing Finance	479	450	Hold	24,191	38.2	39.9	44.6	12.0	11.5	10.3	2.1	1.8	1.5	1.4	1.2	1.2	16.9	15.8	15.5
Reliance Capital	218	233	Hold	5,503	41.4	68.6	82.7	5.9	3.5	2.9	0.5	0.5	1.3	1.5	1.5	1.4	10.0	14.6	26.8
HDFC Bank	2,121	2,300	Buy	576,711	56.8	67.4	76.4	36.7	30.9	27.3	6.0	5.2	3.9	1.8	1.8	1.8	18.1	16.8	16.3
Bajaj Finserv Limited	6,407	6,280	Buy	101,961	142.2	164.0	215.1	40.4	35.0	26.7	5.8	4.4	3.8	1.9	1.8	1.9	14.3	15.3	17.0
Bajaj Finance Limited	2,554	2,600	Buy	147,580	33.9	44.5	63.6	69.5	53.0	37.1	13.4	8.5	6.7	3.3	3.3	3.6	19.6	20.3	21.8
Bandhan Bank	498	575	Buy	57,880	11.3	16.9	20.5	44.3	29.6	24.4	6.4	5.3	4.4	3.6	4.0	3.8	19.5	19.6	19.9

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