INDIA

January 07, 2019

BSE-30: 35,850

CPI inflation: 2.33%

US$/INR: 69.82

December 2018 quarter earnings preview. We expect 3QFY19 net income of the KIE coverage universe to be flat yoy. We expect strong growth in the net income of (1) banks (stronger loan growth and improvement in asset quality further aided by a weak base quarter), (2) capital goods (driven by base orders, uptick in pace of execution and low base quarter) and (3) consumer staples (accelerating underlying demand) sectors. We expect a weak quarter for (1) automobiles (lower sales volumes), (2) oil, gas & consumable fuels (decline in realization for upstream companies; large adventitious losses for downstream companies) and (3) telecom (revenue pressure due to intense competition). We expect net income of the BSE-30 Index to increase 16% yoy while that of Nifty-50 Index to decline 3% yoy with the difference largely being due to the presence of downstream oil companies in the Nifty-50 Index but not in the BSE-30 Index. We estimate 'EPS' of the BSE-30 Index at ₹1,562 for FY2019 and ₹2,118 for FY2020. Our 'EPS' estimates for Nifty-50 Index for FY2019 and FY2020 are ₹505 and ₹655.

We expect net income of the KIE universe to be flat yoy in 3QFY19

Sector-wise earnings of the KIE universe

	Sales growth (%)		EBITDA growth (%)		EBITDA margin (%)			PAT growth (%)	
	yoy	qoq	yoy	qoq	Dec-17	Sep-18	Dec-18E	yoy	qoq
Automobiles & Components	7.8	(0.9)	1.6	2.8	13.2	12.0	12.5	6.6	2.9
Banks	10.6	0.2	—	—	—	—	—	189.7	111.6
Building Products	15.0	(3.4)	(6.3)	(26.8)	13.9	15.0	11.4	(30.9)	(30.6)
Capital Goods	14.4	4.5	20.4	7.5	11.3	11.5	11.9	20.4	6.8
Commercial & Professional Services	20.0	6.0	13.5	13.5	4.2	3.7	3.9	19.0	12.3
Commodity Chemicals	16.7	5.0	14.5	20.1	21.3	18.2	20.9	25.2	22.1
Construction Materials	11.9	6.2	10.3	11.6	17.2	16.1	17.0	3.2	(8.6)
Consumer Durables & Apparel	14.9	1.0	24.6	2.5	12.4	13.2	13.4	24.9	0.9
Consumer Staples	11.0	(0.3)	15.1	(0.3)	24.2	25.1	25.1	15.6	(0.6)
Diversified Financials	11.6	1.4	—	—	—	—	—	(22.9)	(4.7)
Electric Utilities	12.2	(0.8)	15.6	(0.7)	40.4	41.6	41.6	15.0	(9.5)
Fertilizers & Agricultural Chemicals	10.7	(10.3)	10.4	(18.6)	16.0	17.5	15.9	15.0	(0.2)
Gas Utilities	35.3	1.5	13.3	(10.6)	15.4	14.7	12.9	6.1	(16.7)
Health Care Services	17.3	5.9	25.6	11.2	10.5	10.7	11.3	125.2	56.3
Hotels & Restaurants	13.0	6.9	75.1	13.6	12.3	18.0	19.1	4,284.4	28.0
Internet Software & Services	16.3	1.4	3.9	(6.9)	29.6	28.8	26.4	46.0	(5.4)
IT Services	18.3	2.3	24.3	5.5	23.4	23.8	24.6	19.7	3.7
Media	2.3	(3.9)	10.6	1.9	32.2	32.9	34.8	21.9	16.6
Metals & Mining	16.8	2.7	4.5	(5.3)	23.1	22.5	20.7	(5.5)	(10.6)
Oil, Gas & Consumable Fuels	18.7	(4.6)	(29.0)	(25.7)	14.6	11.2	8.7	(40.7)	(34.7)
Pharmaceuticals	10.7	4.3	9.8	9.1	21.1	20.0	20.9	16.1	(4.4)
Real Estate	23.9	6.7	17.0	5.8	30.0	28.6	28.3	(80.1)	(0.4)
Retailing	28.2	15.5	34.1	34.8	9.9	8.9	10.3	39.1	42.0
Speciality Chemicals	20.0	3.1	6.1	11.0	23.5	19.3	20.8	6.5	12.9
Telecommunication Services	(19.1)	(21.8)	(24.5)	(6.6)	31.5	24.6	29.4	NM	NM
Transportation	16.9	13.9	(31.9)	72.9	27.9	10.7	16.2	(13.7)	465.7
KIE universe	14.3	(1.2)	(2.6)	(5.6)	17.8	15.8	15.1	1.2	4.8
KIE universe (ex-energy)	12.2	0.7	8.1	1.7	19.5	18.6	18.8	16.2	17.9
KIE universe (ex-banks)	14.6	(1.3)	(2.6)	(5.6)	17.8	15.8	15.1	(10.5)	(4.8)
KIE universe (ex enegy, ex-banks)	12.4	0.8	8.1	1.7	19.5	18.6	18.8	1.3	6.4

Source: Kotak Institutional Equities estimates

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The prices in this report are based on the market close of January 7, 2019.

SECTORS-WISE EXPECTATIONS

Exhibit 1: We expect strong yoy growth in the net income of banks, capital goods and consumer staples sectors
Sector-wise expectations for the December 2018 quarter results

	Key points	Key points
Automobiles & Components	We expect a soft quarter for auto companies—revenue/EBITDA/net profit for companies under our coverage are likely to grow by 7%/1%/6% yoy. EBITDA margin will likely decline by 80 bps yoy due to increase in commodity prices and higher discounts. Suppliers will have a relatively better quarter with revenue and EBITDA growth of 11% and 6%, respectively due to exposure to the steady and more profitable aftermarket.	Commercial vehicle and two-wheeler OEMs will particularly report weak results; we expect EBITDA of Ashok Leyland/Eicher/Hero/Tata Motors standalone business to decline by 29%/5%/10%/31% due to weak volumes and lower profitability. Maruti will see a drop in earnings on a yoy basis. We expect Escorts to report a 50% yoy improvement in EBITDA in 3QFY19 led by 39% yoy revenue growth and 110 bps yoy improvement in EBITDA margin. We expect M&M to also report a decent set of numbers with 13% yoy EBITDA growth aided by 11% yoy volume growth.
Banks	The recent RBI report reconfirms our hypothesis that impaired loan ratios for corporate banks would continue to decline while retail banks would see a gradual increase in stress levels. Resolution through the IBC framework has slowed this quarter but progress continues outside through settlements/upgradation/write-offs etc. Public banks would look to use their operating profit growth as well as MTM reversals to improve provision coverage ratio. The government's recent capital infusion program would result in these banks choosing to make aggressive provisions to bring down net NPLs of a few banks to ~6% which gives them headroom to come out of PCA. Banks will recognize NPLs for their exposures to various ILFS Group companies in 3QFY19 and IndusInd Bank could be particularly hit as it may make higher provisions.	We expect banks under our coverage to show further improvement in overall trends. Loan growth has accelerated to ~15%, pricing pressure has eased, treasury contribution has turned positive and asset quality has shown further improvement led by lower slippages as well as improvement in recovery/write-off. Balance sheet improvement may be more visible compared to P&Ls, given asset quality improvement. Among banks, we continue to maintain our positive outlook on corporate banks (ICICI Bank and SBI). Retail banks such as IndusInd Bank could have a challenging quarter (IL&FS exposure) while focus on HDFC Bank would be with respect to its revenue composition. Third party fees would be lower considering lower volumes of business and revision on upfront/trail fees from mutual funds. Yes Bank would see a sharp slowdown in business growth and a related impact on earnings; the focus would be on the balance sheet.
Capital Goods	The key themes in the industrial space are (1) continued weakness in greenfield private capex, (2) good support to capital goods companies from base orders for capacity augmentation and efficiency improvements, (3) moderating PGCIL capex, (4) increasing visibility on railway ordering, mainly for electrification (both projects and products) and (5) pressure on margins of net importers/improved competitive positioning of net exporters. Within the EPC space, the recent uptick in the pace of execution and low yoy base will help L&T report ~12% yoy revenue growth for its core E&C business. KEC and KPTL will post strong double-digit growth driven by the railway and civil businesses. BHEL will likely focus on the strong executable backlog in the power segment and on diversification through new order wins in the industry segment. We expect revenues of ABB, Siemens, CG Power to be driven by base orders as greenfield private capex is still weak. Cummins will continue to struggle, in our view.	Roads: 3QFY19 will see steady overall execution growth with (1) strong order backlog being partly offset by (2) delays in commencement of construction related to new project wins. Companies with good execution track records such as Dilip Buildcon and Sadbhav Engineering are better placed on this count, in our view.
Construction Materials	All-India cement prices declined by Rs9/bag qoq in 3QFY19 (- Rs2/bag yoy)—prices declined sharply in (1) West, South regions by Rs10-12/bag qoq, (2) East region by Rs11/bag qoq, and (3) Central region by Rs5/bag qoq. Price decline in North was relatively moderate at Rs3/bag qoq. Costs of cement companies will decline led by (1) the fall in pet-coke prices (-3 to -6% qoq). We highlight that companies usually carry inventories of ~45 days and full cost savings may reflect only from 4QFY19, and (2) lower freight costs—this will be aided by lower diesel prices as well as costs savings from the increase in axle load limit. We note that 2QFY19 earnings only reflected partial/negligible savings from higher axle load limit for many companies. Overall, we expect EBITDA/ton of pan-India names to increase by 1-29% qoq largely on the back of lower costs. The sequential movement in EBITDA/ton for regional names will be a mixed bag and we expect a decline for South based names and a marginal increase in North.	Industry cement volumes (per DIPP) increased by 13.6 % yoy for October-November 2018. We expect pan-India names to report 6-12% volume growth and regional names to report 5-12% yoy volume growth. We expect EBITDA for pan-India names to increase by 6-29% yoy largely on the back of volume growth; only ACC's EBITDA growth of 29% yoy is led by a sharp increase in EBITDA/ton (+34% yoy)—courtesy high costs last year. For other Pan-India names, we estimate EBITDA/ton to change -5-+3% yoy due to subdued cement prices. Among regional names, (1) South-based companies will report a decline in EBITDA of -12% to -4% yoy due to a fall in EBITDA/ton (-19% to -11% yoy) due to lower cement prices (-3% yoy), while (2) North-based companies will report 6% to 9% yoy increase in EBITDA largely aided by volume growth—EBITDA/ton for North based companies will be flat as well (on yoy basis).
Consumer staples	We forecast aggregate revenue/EBITDA/PAT growth of 14/15/16% yoy for 3QFY19. We expect material dispersion of performance across companies. Underlying demand trend appears stable to accelerating across categories with festive season shift benefit accruing to select companies. Sharp mid-quarter crude correction will save the day on margins; strong topline growth should drive leverage-led margin expansion. The accelerating aggregate revenue growth print for 3QFY19 indicates robust demand trends as this is now off a normal base quarter comps.	**HUVR:** We model 14% revenue growth in domestic FMCG business led by 10% UVG and 4% price-led growth. On a segmental basis, we bake in 15% yoy revenue growth for Home Care and Personal Care and 10% growth for Food and refreshments. **ITC**: We model 7% yoy increase in cigarette volumes and 3% increase in realization (portfolio-level). We forecast 10.5% yoy growth in cigarette EBIT.
Diversified financials	NBFCs focused on maintaining liquidity and managing ALM during 3QFY19, on expected lines. Consequently, disbursements were weak leading to lower loan growth during the quarter. While most segments viz. housing, CVs, cars, two-wheelers, tractors slowed down, the impact was most prominent in wholesale/real estate lending. Increase in marginal cost of funding (30-100 bps for various players) led to significant compression in marginal spreads; however, the impact on weighted average spreads for the quarter was limited.	Asset quality trends seem to be broadly on track across most segments; most NBFCs shifted focus to collections given lower momentum in new business. We continue to like Chola (ADD; FV Rs1,425), LICHF (BUY, FV Rs590) and Shriram Transport Finance (BUY; FV Rs1,450). We are rolling over our FV to December 2020E on (1) Bajaj Finserv to Rs6,400 from Rs5,650 (retain ADD) as we increase Bajaj Finance's FV to Rs2,200 from Rs1,950 and (2) Mahindra Finance's FV to Rs475 from Rs450.
Electric Utilities	For Power Grid, we expect healthy growth in net profits (+11% yoy) on the back of asset capitalization of Rs223 bn in trailing twelve months. For NTPC, improved plant availability will help it recoup capacity charges, unlike in 1HFY19 where it had significant under-recovery of capacity charges (Rs8.2 bn), which will result in 15% yoy growth in net profits.	We expect improved generation for thermal assets as well as better realizations for merchant capacities. JSW Energy will see narrow spreads on merchant power sales due to (1) increase in the prices of imported coal and (2) rupee depreciation.
Gas Utilities	We expect GAIL to report sequentially lower EBITDA, driven by a sharp decline in contribution from its gas marketing segment due to unfavorable economics of US LNG volumes amid falling crude prices and higher Henry Hub gas price, which will be partly offset by higher profits on LPG production. We expect PLNG to report sequentially stable EBITDA amid steady volumes and tariffs.	CGD companies are expected to report robust profits as sequential expansion in unit EBITDA margins will more than offset slower growth in volumes amid intermittent strikes by fleet cabs.

Source: Kotak Institutional Equities estimates

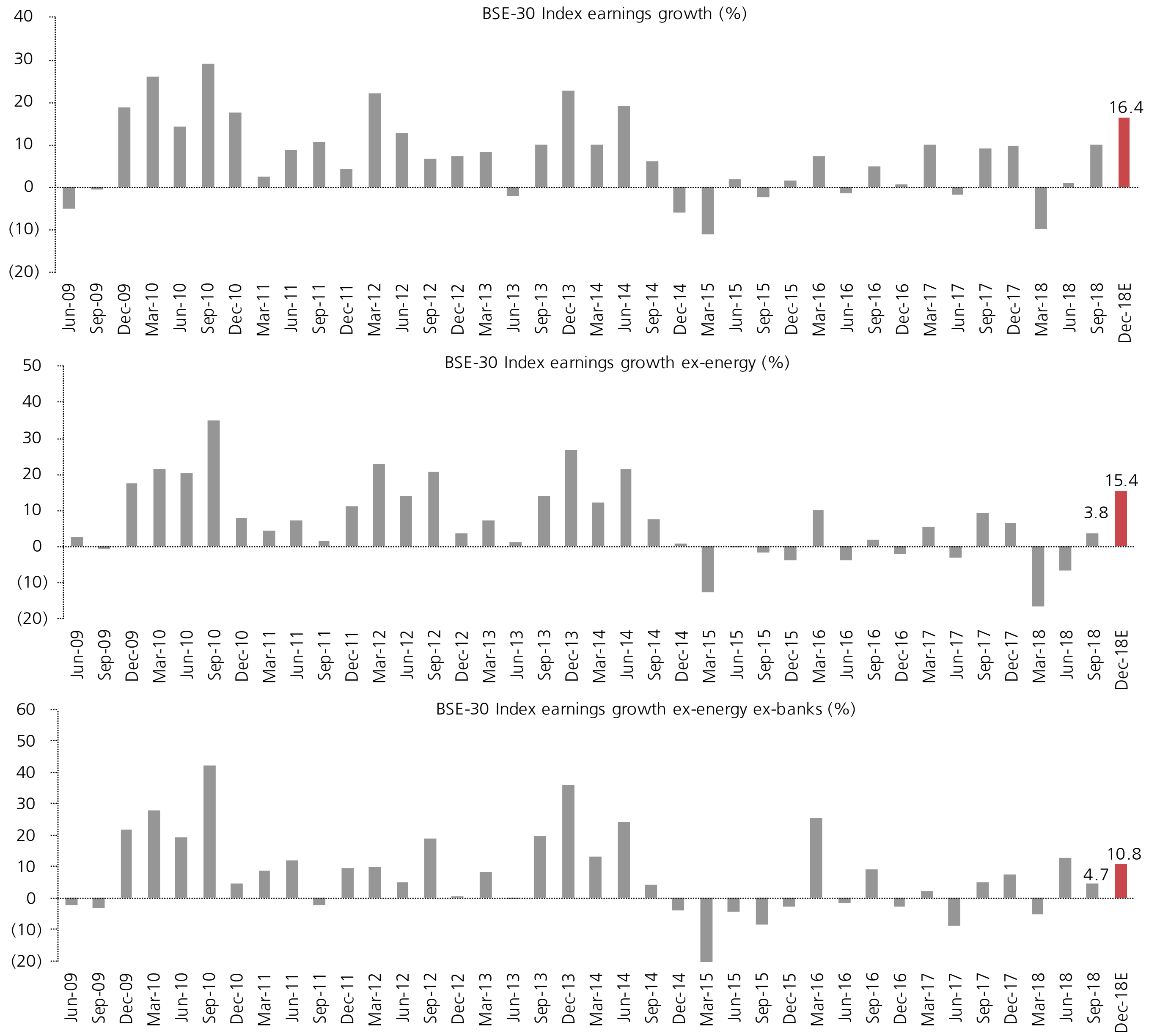
We expect strong yoy growth in the net income of banks, capital goods and consumer staples sectors

Sector-wise expectations for the December 2018 quarter results

	Key points	Key points
Internet Software & Services	We expect Just Dial's growth trajectory to revive to 15% yoy based on strong collections growth witnessed in the previous two quarters. INFOE's core Naukri segment's yoy growth will accelerate to 17% on improving hiring trends and collections growth. We expect 99acres revenue growth to come down to 25% yoy (slower than it was in the past few quarters) due to base effect. We expect both INFOE and JUST to report lower margins primarily due to higher ad-spends.	
IT Services	We expect constant currency (c/c) revenue growth rate of 1.2-4% on a sequential basis and 4.5-11.7% on yoy comparison for Tier-1 IT companies. We expect furloughs to be in line with historical trends and do not expect any unusual impact of the same for the quarter. We expect Infosys and TCS to report c/c sequential revenue growth of 1.2% and 1.8%, respectively. Wipro will report c/c growth rate of 2.2% led by the full-quarter benefit from the Alight Solutions deal. HCLT will report acceleration in sequential revenue growth aided by ramp-up of the Nokia deal and seasonal strength in the IP business; we forecast 3% organic qoq c/c revenue growth rate and 3.3% on reported basis. We expect TM to report c/c qoq growth of 2.6% led by ramp-up in telecom deals. The enterprise segment will be impacted by furloughs.	Strength of the USD against other currencies will result in modest cross-currency headwinds of 70-80 bps for Tier-1 IT companies. Mid-tier companies will report a stronger quarter than Tier-1 IT companies largely riding on the back of momentum of the past few quarters. LTI will lead the pack with 4.2% c/c sequential and 17.3% yoy growth rate. We expect the focus to shift to two key aspects for CY2019: (1) demand- a tug-of-war between a potential slowdown and increasing deal sizes and (2) margin defense in the face of likely increase in cost structure in the US.
Media	**Broadcasting and distribution**: TV industry ad spends grew at about 15%+ yoy in December 2018 quarter. We expect Zee to report 20% yoy growth in advertisement revenues. Outperformance versus industry would be largely due to share gains in the regional market and contribution from ZEE5. Sun TV will likely report weak 7% yoy growth due to market share loss in the Tamil market. For Dish TV, we expect 200,000 net subscriber additions and 2% qoq decline in ARPU partly on account of weak recharges owing to confusion around implementation of TRAI tariff order.	**Print media:** Print advertising spends continue to be subdued despite favorable base and shift of festive season (Navratra in 3Q in FY2019 as against 2Q in FY2018). We expect a divergence in the ad growth of Jagran and DB Corp. due to a base effect and varying election cycles. We expect DB Corp. to report 10% yoy growth in print advertisement revenue and Jagran to reports 4% yoy growth. Both companies would report a decline in EBITDA and net profits due to newsprint price inflation (up 30% yoy).
Metals	**Ferrous:** China steel prices (HRC export) declined by 11% qoq to US$516/ton in 3QFY19. The decline in China export prices led to a sharp fall in steel prices across regions. Indian steel prices declined mostly in December 2018, which contained the extent of price decline to 1-3% qoq (on average) for 3QFY19. Raw material costs for domestic steel producers will be higher due to 19% qoq increase in coking coal price to US$220/ton. We expect EBITDA/ton for domestic steel producers to decline by 17-19% qoq; we estimate Tata Steel's India EBITDA/ton at Rs15,650/ton (-17% qoq), JSW Steel's EBITDA/ton at Rs9,800/ton (-19% qoq) and Jindal Steel & Power's EBITDA/ton at Rs9,200/ton (-17% qoq). We estimate EBITDA for Tata Steel to decline by 21% qoq to Rs70 bn, JSW Steel by 17% qoq to Rs41 bn and Jindal Steel & Power by 11% qoq to Rs19.1 bn. We expect NMDC's EBITDA to increase by 37% qoq to Rs17.2 bn (+42% yoy) aided by 4% qoq (+24% yoy) price hike, higher seasonal volumes.	**Non-ferrous:** All-in aluminum prices declined 5% qoq to US$2,070/ton while zinc prices increased 4% qoq to US$2,630/ton in 3QFY19. While alumina prices declined 17% qoq to US$446/ton, we expect operating margins of non-integrated aluminum producers to be lower due to high cost inventories. We expect Hindustan Zinc's EBITDA to increase by 23% qoq to Rs28.7 bn aided by higher mined metal volumes (+10% qoq) and increase in zinc prices. Vedanta's EBITDA will increase 14% qoq to Rs59.1 bn largely aided by higher zinc EBITDA; we expect aluminum profitability to further decline due to lower aluminum prices and high alumina costs during the quarter. Hindalco's standalone EBITDA (including Utkal) will increase by 6% qoq to Rs18.2 bn (+16% yoy) aided by higher EBITDA from copper operations. We estimate Nalco's EBITDA to decline by 27% qoq to Rs6.2 bn due to lower alumina and aluminum realizations.
Oil, Gas & Consumable Fuels	Upstream: We expect OIL and ONGC to report a sequential decline in EBITDA driven by ~US$8/bbl reduction in crude price realizations, which will be partly offset by a weaker rupee and increase in domestic gas prices. Downstream: We expect OMCs to report negative EBIT led by accounting of large adventitious/inventory losses amid a sharp ~US$30/bbl decline in end-period crude price, which will be partly offset by (1) higher underlying refining and marketing margins and (2) forex gains versus loss in the previous quarter.	RIL: We expect RIL to report a sequential decline in standalone EBITDA led by lower refining margins at US$7/bbl (-US$2.5/bbl qoq), which will be partly offset by higher petchem margins and a weaker Rupee; standalone net income will increase marginally due to forex-related gain versus loss in the previous quarter. Consolidated results will be further aided by an increase in contribution from Jio and the retail business.
Pharmaceuticals	We expect the domestic formulations segment to see a moderate quarter, with 9-13% yoy organic growth with Torrent (Unichem acquisition) and Lupin likely to lead the pack and Cipla likely to report high single-digit growth. We expect US revenues to pick up in the quarter, with ARBP likely to benefit from ertapenem and valsartan, while Cipla's new launch momentum will continue through the quarter. We expect SUNP's US business to gradually scale up, DRRD to benefit from new launches and LPC to have a better sequential quarter given benefits of flu season as well as some contribution from Solosec. We expect healthcare services companies to have a moderate quarter with seasonality impacting the performance, which will be partially offset by improved performance at newly set-up facilities. We expect 15% yoy revenue growth for DLPL primarily led by volume growth.	We expect SUNP's EBITDA margin at 21%, while LPC's EBITDA margin would also remain under pressure at ~15%. We expect Cipla's EBITDA margin to marginally improve to ~18%. DRRD's EBITDA margin will likely expand marginally to ~20% given the benefit of cost containment efforts. We expect ARBP's EBITDA margin to remain steady at ~21%. We expect APHS's EBITDA margin to expand to 10.7% (+50 bps yoy), while HCG should benefit from continued momentum across its network. We expect DLPL's EBITDA margins at 23.5% (+200bps yoy, -380 bps qoq), given3Q is the weakest quarter seasonally.
Real estate	**Financials:** We see stable reported profits for Oberoi and Sunteck, owing to continued adoption of percentage of completion method of accounting, in addition to annuity earnings in the case of Oberoi. Brigade will see strong growth in earnings from the investment properties (+27% yoy) on the back of addition of new hotel properties as well as higher lease income. Reported profits for DLF are not comparable to 3QFY18 due to change in accounting for DCCDL as well as extra-ordinary profit accounted for on sale of stake in DCCDL.	**Operations:** Sunteck will likely report strong sales and collections due to the launch of its affordable housing project in Naigaon. Godrej Properties will likely see a reversal in sales momentum that has been subdued in 1HFY19 despite it having as many as 18 project launches slated for the current fiscal.
Telecommunication Services	We expect (1) flattish sequential consolidated revenues and EBITDA for Bharti with EBITDA uptick in Africa and India Enterprise business making up for the decline in India wireless EBITDA, (2) 4.4% sequential decline in EBITDA for BHIN as full-quarter impact of Vodafone-Idea tenancy exits reflects in financials, and (3) flattish sequential EBITDA for TCOM as uptick in traditional data EBITDA compensates for voice segment decline. On the Bharti India wireless front, expected qoq dip in revenues is largely on account of lower ICR revenues as we expect stable consumer-level revenues. Revenue decline in the postpaid segment is likely to be compensated by some uptick on the low-end prepaid front thanks to the recently-launched minimum spend construct. We do note that the full-quarter benefit of this move will likely show up only 4QFY19 onwards.	At a consolidated level, we expect Bharti to report revenues and EBITDA of Rs205 bn (flat qoq) and Rs62 bn (down 0.8% qoq), respectively. We expect a loss of Rs15.9 bn at the PBT level and a loss of Rs9.9 bn at the PAT level. Cost pressures are likely to be lower than seen in 2QFY19. For BHIN, we expect sequential EOP tenancy increase of 4.2% qoq driven by Bharti Airtel and R-Jio. We are baking in zero exits for the quarter. LTE rollouts continue to drive solid growth in loading revenues for BHIN. For TCOM, 3Q is a seasonally weak quarter on the revenues front for TCOM. We estimate a sequential revenue decline of 4% to Rs39 bn. Margins for the traditional data business are likely to be strong.
Transportation	Ports: Cargo tonnage at India's major ports grew a modest 4% yoy in October-November 2018. We model higher growth of 9-10% for the portfolio of Adani Ports, taking comfort from the return of imported coal volumes and its large share in growing transshipment volumes. For GPPV, we expect strong volume growth in containers due to new line additions and a ramp-up of existing lines as well improvement in margin. Logistics: For Concor, we expect moderation in exim volumes to 9% yoy growth and expect full impact of the realization hike to drive 16% overall revenue growth. The impact of haulage rate hike by Indian Railways will impact Concor's margin more in 4QFY19. In 3PL, Mahindra Logistics will continue to grow the non-M&M business, resulting in high growth rates as well as margin improvement.	

Source: Kotak Institutional Equities estimates

Exhibit 2: We expect net income of the BSE-30 Index to increase 16% yoy in 3QFY19
Adjusted earnings growth of BSE-30 Index (%)



Source: Kotak Institutional Equities estimates

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

	Net sales			EBITDA			PAT		
Company (#)	Dec-17	Sep-18	Dec-18E	Dec-17	Sep-18	Dec-18E	Dec-17	Sep-18	Dec-18E
Automobiles & Components (22)	1,676	1,822	1,806	222	219	225	89	92	95
Banks (33)	692	764	765	—	—	—	66	90	191
Building Products (10)	5	6	6	1	1	1	0	0	0
Capital Goods (23)	539	590	617	61	68	73	31	34	37
Commercial & Professional Service	25	28	29	1	1	1	1	1	1
Commodity Chemicals (13)	68	76	80	15	14	17	8	8	10
Construction Materials (9)	262	276	293	45	45	50	19	22	20
Construction Materials (2)	262	276	293	45	45	50	19	22	20
Consumer Durables & Apparel (6)	75	85	86	9	11	12	6	8	8
Consumer Staples (9)	382	425	424	92	107	106	64	74	74
Diversified Financials (16)	208	229	233	—	—	—	100	81	77
Electric Utilities (12)	354	401	397	143	166	165	54	68	62
Fertilizers & Agricultural Chemicals	71	88	79	11	15	13	7	8	8
Gas Utilities (9)	243	324	329	37	47	42	24	31	26
Health Care Services (4)	50	55	58	5	6	7	1	1	2
Hotels & Restaurants (7)	14	14	15	2	3	3	0	1	1
Internet Software & Services (7)	4	5	5	1	1	1	1	1	1
IT Services (7)	889	1,028	1,052	208	245	258	161	185	192
Media (7)	59	62	60	19	20	21	9	9	11
Metals & Mining (7)	1,046	1,189	1,221	242	267	253	96	101	91
Oil, Gas & Consumable Fuels (7)	3,751	4,665	4,451	547	523	388	301	274	179
Pharmaceuticals (7)	257	273	285	54	55	60	26	32	30
Real Estate (7)	53	61	65	16	17	18	45	9	9
Retailing (7)	102	113	130	10	10	13	6	6	8
Speciality Chemicals (7)	42	49	50	10	9	10	6	6	6
Telecommunication Services (7)	346	358	280	109	88	82	(1)	(47)	(4)
Transportation (7)	114	117	133	32	13	22	20	3	17
KIE universe	**11,326**	**13,103**	**12,950**	**1,892**	**1,952**	**1,842**	**1,139**	**1,099**	**1,152**
KIE universe (ex-energy)	**7,575**	**8,438**	**8,499**	**1,345**	**1,429**	**1,454**	**837**	**825**	**973**

Source: Kotak Institutional Equities estimates

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

	Net sales			EBITDA			PAT		
Company (#)	Dec-17	Sep-18	Dec-18E	Dec-17	Sep-18	Dec-18E	Dec-17	Sep-18	Dec-18E
Automobiles & Components (5)	1,186	1,244	1,266	157	148	158	57	58	63
Banks (8)	463	523	551	—	—	—	81	111	155
Capital Goods (3)	287	321	333	31	38	38	15	19	18
Commodity Chemicals (2)	43	46	51	9	8	11	6	5	7
Consumer Staples (1)	184	203	204	56	62	65	40	45	47
Diversified Financials (1)	28	26	26	—	—	—	57	25	21
Electric Utilities (3)	283	309	321	120	130	139	39	47	51
IT Services (1)	624	721	734	156	181	192	122	139	146
Metals & Mining (3)	578	662	669	125	141	129	46	46	36
Oil, Gas & Consumable Fuels (1)	1,435	1,920	1,879	338	393	406	174	209	211
Pharmaceuticals (2)	67	69	75	15	15	16	9	10	9
Telecommunication Services (2)	203	204	204	75	62	62	5	(10)	(10)
Transportation (2)	27	26	29	18	17	18	10	6	15
BSE-30 Index	**5,408**	**6,277**	**6,341**	**1,099**	**1,195**	**1,233**	**661**	**710**	**769**
BSE-30 Index (ex-energy)	**3,973**	**4,357**	**4,462**	**761**	**802**	**827**	**487**	**501**	**558**

Source: Companies, Kotak Institutional Equities estimates

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

	Net sales			EBITDA			PAT		
Company (#)	Dec-17	Sep-18	Dec-18E	Dec-17	Sep-18	Dec-18E	Dec-17	Sep-18	Dec-18E
Automobiles & Components (6)	1,209	1,268	1,288	164	155	165	62	64	68
Banks (11)	463	523	551	—	—	—	81	111	155
Capital Goods (2)	287	321	333	31	38	38	15	19	18
Commodity Chemicals (4)	43	46	51	9	8	11	6	5	7
Construction Materials (6)	120	130	137	21	24	25	9	15	11
Consumer Staples (1)	184	203	204	56	62	65	40	45	47
Diversified Financials (1)	132	145	150	—	—	—	79	57	55
Electric Utilities (1)	283	309	321	120	130	139	39	47	51
Fertilizers & Agricultural Chemicals	42	43	46	8	8	9	5	3	6
Others (1)	144	190	191	21	29	25	14	19	15
IT Services (4)	830	956	977	198	232	245	153	175	183
Media (5)	18	20	22	6	7	8	4	4	5
Metals & Mining (2)	867	986	1,007	176	201	182	65	70	55
Oil, Gas & Consumable Fuels (2)	3,723	4,627	4,416	534	507	373	294	265	169
Pharmaceuticals (2)	144	148	154	30	30	31	16	19	17
Retailing (2)	42	44	55	4	5	6	3	3	4
Telecommunication Services (2)	240	241	241	91	77	76	11	(3)	(4)
Transportation (2)	27	26	29	18	17	18	10	6	15
Nifty-50 Index	8,797	10,228	10,171	1,489	1,530	1,415	907	925	877
Nifty-50 Index (ex-energy)	5,074	5,600	5,755	955	1,022	1,041	613	660	708

Source: Companies, Kotak Institutional Equities estimates

3QFY19/4QCY18 EARNINGS PREVIEW FOR KIE UNIVERSE

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	Change (%) qoq	Comments
Automobiles & Components						
Amara Raja Batteries						
Net sales	15,535	17,531	17,709	14.0	1.0	We estimate revenues to increase by 14% yoy due to double-digit growth in the replacement segment, market share gains in two-wheeler OEMs as well as in industrial segments such as home UPS and e-rickshaw segments.
EBITDA	2,416	2,366	2,656	9.9	12.2	
EBIT	1,828	1,724	2,006	9.7	16.4	
PBT	1,985	1,848	2,141	7.9	15.8	
Reported PAT	1,345	1,202	1,434	6.7	19.3	We expect EBITDA margin to improve by 150 bps qoq (down 60 bps yoy) largely due to improvement in gross margin led by benefit of decline in lead prices. We note that LME lead prices declined by 8% qoq in rupee terms in 3QFY19 (assuming 1.5 month lag in prices due to inventory).
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,345	1,202	1,434	6.7	19.3	
EPS (Rs/share)	7.9	7.0	8.4	6.7	19.3	
EBITDA margin (%)	15.6	13.5	15.0	-56 bps	149 bps	
Apollo Tyres						
Net sales	40,501	42,574	47,970	18.4	12.7	We expect standalone revenues to increase by 18% yoy driven by (1) 12% yoy increase in tonnage volumes due to radialization in MHCV segment and market share gains in both MHCV and PV segments and (2) 5% yoy increase in ASPs. We expect EBITDA margin to be flattish qoq as lagged impact of increase in prices of crude derivatives such as carbon black, chemicals, etc. will be offset by price hikes taken by the company. Standalone net profit will likely decline by 10% yoy.
EBITDA	4,964	4,672	5,379	8.4	15.1	
EBIT	3,450	2,710	3,389	(1.8)	25.1	
PBT	3,504	2,372	3,139	(10.4)	32.3	
Reported PAT	2,453	1,460	2,292	(6.6)	57.0	We expect Europe revenues to grow by 19% yoy in 3QFY19 led by (1) 18% yoy revenue growth in Euro terms (27% in rupee terms) in manufacturing operations led by ramp-up of Hungary plant and (2) marginal yoy decline in Reifencom revenues (distribution business). We build in EBIT margin of 3% in our estimates in 3QFY19 compared to 4.1% in 3QFY18; yoy margin decline will be due to higher depreciation expenses led by commissioning of Hungary plant.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,453	1,756	2,292	(6.6)	30.5	
EPS (Rs/share)	4.3	3.1	4.0	(6.6)	30.5	
EBITDA margin (%)	12.3	11.0	11.2	-105 bps	23 bps	
Ashok Leyland						
Net sales	71,412	76,080	65,578	(8.2)	(13.8)	We expect revenues to decline by 8% yoy in 3QFY19 led by (1) 6% yoy decline in volumes, (2) an inferior product mix and (3) increase in discounts.
EBITDA	7,884	8,059	5,601	(29.0)	(30.5)	
EBIT	6,534	6,658	4,171	(36.2)	(37.3)	
PBT	6,578	6,765	4,279	(35.0)	(36.8)	
Reported PAT	4,497	4,596	2,995	(33.4)	(34.8)	We expect EBITDA to decline by 29% yoy. We expect EBITDA margin to decline by 250 bps yoy led by 220 bps yoy decline in gross margin. Discounts per vehicle have increased on a yoy basis.
Extraordinaries	(2)	(159)	—	(100.0)	(100.0)	
Adjusted PAT	4,498	4,708	2,995	(33.4)	(36.4)	
EPS (Rs/share)	1.5	1.6	1.0	(33.4)	(36.4)	
EBITDA margin (%)	11.0	10.6	8.5	-250 bps	-206 bps	
Bajaj Auto						
Net sales	63,693	79,868	74,370	16.8	(6.9)	Volumes increased by 26% yoy led by (1) 38% yoy growth in domestic bike volumes and (2) 23% yoy growth in export bike volumes. We expect revenues to rise by 17% yoy as ASPs will decline by ~7% yoy due to an inferior product mix.
EBITDA	12,315	13,430	12,114	(1.6)	(9.8)	
EBIT	11,568	12,714	11,399	(1.5)	(10.3)	
PBT	13,833	16,527	15,296	10.6	(7.4)	
Reported PAT	9,524	11,525	10,554	10.8	(8.4)	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to decline by 300 bps on yoy (-50 bps qoq) basis largely due to an inferior product mix and increase in discounting in economy motorcycle segment.
Adjusted PAT	9,524	11,525	10,554	10.8	(8.4)	
EPS (Rs/share)	32.9	39.8	36.5	10.8	(8.4)	
EBITDA margin (%)	19.3	16.8	16.3	-305 bps	-53 bps	
Balkrishna Industries						
Net sales	11,613	13,705	12,314	6.0	(10.1)	We expect volumes to decline by 5% yoy particularly due to weakness in agriculture tires market in Europe and ROW markets. Revenues will likely increase by 6% yoy due to 12% yoy increase in ASPs driven by price hikes and benefit of rupee depreciation.
EBITDA	3,520	3,796	3,188	(9.4)	(16.0)	
EBIT	2,721	2,968	2,348	(13.7)	(20.9)	
PBT	2,859	3,382	2,628	(8.1)	(22.3)	
Reported PAT	1,895	2,223	1,734	(8.5)	(22.0)	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to decline by 180 bps qoq (down 440 bps yoy) largely due to negative operating leverage; EBITDA per kg will likely decline by 6% qoq. We expect gross margin to be steady on qoq basis.
Adjusted PAT	1,818	2,069	1,734	(4.6)	(16.2)	
EPS (Rs/share)	9.4	10.7	9.0	(4.6)	(16.2)	
EBITDA margin (%)	30.3	27.7	25.9	-443 bps	-182 bps	
Bharat Forge						
Net sales	21,083	24,163	23,359	10.8	(3.3)	We expect consolidated revenues to increase by 11% yoy, which will be driven by (1) 12% yoy growth in standalone business and (2) 8% yoy growth in Europe subsidiary. Revenue growth in the standalone business will be driven by (1) 5% yoy growth in exports revenues and (2) 22% yoy growth in domestic revenues led by strong growth in non-auto segment.
EBITDA	4,810	4,845	4,920	2.3	1.5	
EBIT	4,810	4,845	4,920	2.3	1.5	
PBT	3,637	3,488	3,551	(2.4)	1.8	
Reported PAT	2,437	2,337	2,379	(2.4)	1.8	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,437	2,337	2,379	(2.4)	1.8	We expect standalone EBITDA margin to decline by 170 bps on a yoy basis. We build in 7.0% EBITDA margin in Europe business, down 200 bps yoy.
EPS (Rs/share)	5.2	5.0	5.1	(2.4)	1.8	
EBITDA margin (%)	22.8	20.1	21.1	-176 bps	101 bps	
Ceat						
Net sales	15,742	17,546	17,881	13.6	1.9	We expect consolidated revenues to increase by 14% yoy led largely by (1) 8% yoy volume growth in standalone business, (2) 5% increase in ASPs due to price increase taken to offset cost pressures and (3) ramp-up of production of specialty tyres (part of 100% subsidiary).
EBITDA	1,870	1,592	1,710	(8.5)	7.4	
EBIT	1,436	1,116	1,228	(14.5)	10.1	
PBT	1,230	963	1,068	(13.1)	11.0	
Reported PAT	826	632	718	(13.1)	13.7	
Extraordinaries	(10)	(20)	—	(100.0)	(100.0)	We expect EBITDA margin to improve by 50 bps qoq (down 280 bps yoy) largely due to lower marketing spend in the quarter (lumpy in nature and were higher in 1HFY19). We expect gross margin to decline by 180 bps sequentially in 3QFY19.
Adjusted PAT	833	646	718	(13.8)	11.2	
EPS (Rs/share)	20.6	16.0	17.8	(13.8)	11.2	
EBITDA margin (%)	11.9	9.1	9.6	-232 bps	49 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	Change (%) qoq	Comments
Eicher Motors						
Net sales	22,690	24,082	22,263	(1.9)	(7.6)	Royal Enfield volumes declined by 6% yoy in 3QFY19 due to weak demand. We expect standalone revenues to decline by 2% yoy as price increases will partly offset volume decline. The company has raised prices as it has introduced disc brakes instead of drum brakes in rear wheel. We expect EBITDA margin of Royal Enfield to decline by 230 bps yoy.
EBITDA	7,072	7,293	6,553	(7.3)	(10.2)	
EBIT	6,537	6,643	5,834	(10.7)	(12.2)	
PBT	7,010	7,413	6,780	(3.3)	(8.5)	
Reported PAT	5,205	5,488	5,024	(3.5)	(8.4)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	5,278	5,663	5,024	(4.8)	(11.3)	We expect consolidated adjusted net profit to decline by 5% yoy led by weak performance of both RE and VECV.
EPS (Rs/share)	193.9	208.0	184.6	(4.8)	(11.3)	
EBITDA margin (%)	31.2	30.3	29.4	-174 bps	-86 bps	
Escorts						
Net sales	12,050	13,984	16,692	38.5	19.4	We expect revenues to increase by 39% yoy in 3QFY19 led by (1) 38% yoy increase in tractor revenues aided by volume growth and (2) 35-47% yoy increase in construction and railway segment revenues.
EBITDA	1,450	1,575	2,180	50.3	38.4	
EBIT	1,271	1,360	1,960	54.2	44.1	
PBT	1,294	1,543	2,143	65.6	38.9	
Reported PAT	920	1,026	1,457	58.4	41.9	
Extraordinaries	1	—	—	—	—	
Adjusted PAT	919	1,026	1,457	58.5	41.9	We estimate EBITDA margin to improve by 110 bps yoy led by operating leverage benefits and improvement in profitability in railways segment.
EPS (Rs/share)	10.3	11.6	16.4	58.5	41.9	
EBITDA margin (%)	12.0	11.3	13.1	102 bps	179 bps	
Exide Industries						
Net sales	22,765	27,204	25,197	10.7	(7.4)	We estimate revenues to increase by 11% yoy led by (1) double-digit growth in automotive replacement segment, (2) market share gains in telecom and e-rickshaw segments and (3) high single-digit growth in inverter battery and UPS segments.
EBITDA	2,826	3,327	3,383	19.7	1.7	
EBIT	2,200	2,559	2,615	18.8	2.2	
PBT	2,302	2,662	2,725	18.4	2.4	
Reported PAT	1,543	2,684	1,826	18.4	(32.0)	We expect EBITDA margin to improve by 120 bps qoq (+100 bps yoy) largely due to improvement in gross margin led by benefit of decline in lead prices. We note that LME lead prices are down around 8% qoq in INR terms in 3QFY19 (assuming 1.5 month lag in prices due to inventory).
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,543	1,926	1,826	18.4	(5.2)	
EPS (Rs/share)	1.8	2.3	2.1	18.4	(5.2)	
EBITDA margin (%)	12.4	12.2	13.4	101 bps	119 bps	
Hero Motocorp						
Net sales	73,055	90,909	76,448	4.6	(15.9)	We expect revenues to increase by 5% yoy led largely by 5% yoy volume growth.
EBITDA	11,580	13,787	9,489	(18.1)	(31.2)	
EBIT	10,197	12,269	8,004	(21.5)	(34.8)	
PBT	11,282	14,485	9,140	(19.0)	(36.9)	
Reported PAT	8,054	9,763	6,307	(21.7)	(35.4)	We expect EBITDA margin to decline by 350 bps yoy due to increase in commodity costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	8,054	9,763	6,307	(21.7)	(35.4)	
EPS (Rs/share)	40.3	48.9	31.6	(21.7)	(35.4)	
EBITDA margin (%)	15.9	15.2	12.4	-344 bps	-276 bps	
Mahindra CIE Automotive						
Net sales	16,184	19,326	19,171	18.5	(0.8)	We expect consolidated revenues to increase by 19% yoy led by (1) 13% yoy revenue growth in Europe business (in Euro terms) aided by strong growth in Metalcastello business, (2) benefit of 9% Euro appreciation versus Indian rupee and (3) 14% yoy growth in the India business (including Bill Forge).
EBITDA	2,317	2,610	2,532	9.3	(3.0)	
EBITDA margin (%)	14.3	13.5	13.2	-111 bps	-30 bps	We expect consolidated EBITDA margin to decline by 110 bps yoy. We expect 12.5% EBITDA margin for the Europe business.
Mahindra & Mahindra						
Net sales	114,915	127,902	130,708	13.7	2.2	Overall volumes increased by 11% yoy led by 10-12% yoy growth in both auto and tractor volumes. We estimate revenues to increase by 14% yoy.
EBITDA	16,926	18,493	19,048	12.5	3.0	
EBIT	12,873	13,508	14,048	9.1	4.0	
PBT	13,450	21,606	14,898	10.8	(31.0)	
Reported PAT	13,057	17,788	10,131	(22.4)	(43.0)	We estimate EBITDA to increase by 13% yoy (margin flattish yoy) as decline in gross margin will be only partly offset by company's cost reduction initiatives. Adjusted net profit may decline by 2% yoy led by increase in tax rate and depreciation expenses.
Extraordinaries	—	1,375	—	—	—	
Adjusted PAT	10,357	17,788	10,131	(2.2)	(43.0)	
EPS (Rs/share)	9.1	15.6	8.9	(2.2)	(43.0)	
EBITDA margin (%)	14.7	14.5	14.6	-16 bps	11 bps	
Maruti Suzuki						
Net sales	192,832	224,332	198,327	2.8	(11.6)	We expect revenues to increase by 3% yoy in 3QFY19 on the back of (1) 1% yoy volume decline and (2) 4% yoy increase in ASPs due to better product mix.
EBITDA	30,378	34,313	26,162	(13.9)	(23.8)	
EBIT	23,486	27,099	18,860	(19.7)	(30.4)	
PBT	25,674	32,110	24,562	(4.3)	(23.5)	
Reported PAT	17,990	22,404	16,948	(5.8)	(24.4)	We expect EBITDA to decline by 14% yoy in 3QFY19 led by weak revenue growth, rise in commodity costs and increase in discounts.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	17,990	22,404	16,948	(5.8)	(24.4)	
EPS (Rs/share)	59.6	74.2	56.1	(5.8)	(24.4)	
EBITDA margin (%)	15.8	15.3	13.2	-257 bps	-211 bps	
Motherson Sumi Systems						
Net sales	143,979	151,050	154,605	7.4	2.4	We expect 3% yoy revenue growth for the standalone entity and flat yoy growth in Euro revenues of the SMRPBV business. Consolidated revenues will likely grow 7% yoy due to 8% INR depreciation versus euro.
EBITDA	12,595	13,001	14,129	12.2	8.7	
EBIT	8,657	8,122	9,229	6.6	13.6	
PBT	7,777	7,269	8,344	7.3	14.8	
Reported PAT	3,645	3,711	4,530	24.3	22.1	We expect consolidated EBITDA margin to increase by 40 bps yoy leading to 12% yoy growth in consolidated EBITDA mainly led by 51% yoy growth in PKC's EBITDA due to low base effect.
Extraordinaries	(21)	—	—	—	—	
Adjusted PAT	3,645	3,711	4,530	24.3	22.1	
EPS (Rs/share)	1.2	1.2	1.4	24.3	22.1	
EBITDA margin (%)	8.7	8.6	9.1	39 bps	53 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	qoq	Comments
MRF						
Net sales	37,988	39,282	41,787	10.0	6.4	We expect revenues to grow by 10% yoy led by mid-single-digit volume growth and 3-5% increase in ASPs due to price hikes taken by the company to offset cost pressures.
EBITDA	7,032	5,810	6,772	(3.7)	16.6	
EBIT	5,254	3,812	4,722	(10.1)	23.9	
PBT	5,125	3,937	4,792	(6.5)	21.7	
Reported PAT	3,405	2,630	3,187	(6.4)	21.2	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to increase by 140 bps qoq (down 230 bps yoy) as we build in normalization in other expenses (tends to be lump and were high in 1HFY19). We expect gross margin to remain largely flattish qoq.
Adjusted PAT	3,405	2,630	3,187	(6.4)	21.2	
EPS (Rs/share)	803.1	620.4	751.6	(6.4)	21.2	
EBITDA margin (%)	18.5	14.8	16.2	-231 bps	141 bps	
Schaeffler India						
Net sales	5,061	11,915	12,000	137.1	0.7	We note that numbers are not comparable on yoy basis due to the merger of LuK and INA.. We expect revenues to be largely flattish qoq as weakness in automotive OEM segment will be offset by (1) growth in aftermarket and industrial segments and (2) market share gains by the company.
EBITDA	1,013	1,997	2,024	99.7	1.4	
EBIT	834	1,625	1,649	97.7	1.5	
PBT	1,018	1,782	1,809	77.7	1.5	
Reported PAT	679	907	1,194	75.7	31.7	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	679	1,162	1,194	75.7	2.8	We expect EBITDA margin to be flattish qoq (yoy numbers are not comparable).
EPS (Rs/share)	40.9	37.2	38.2	(6.6)	2.8	
EBITDA margin (%)	20.0	16.8	16.9	-316 bps	10 bps	
SKF						
Net sales	7,005	7,660	7,775	11.0	1.5	We expect revenues to grow by 11% yoy due to (1) 18-20% growth in CV segment on the back of strong growth in industry production and market share gains and (2) double-digit growth in aftermarket and industrial segments (including railways). We expect PV segment revenues to decline by 5% yoy due to lower industry production while two-wheeler segment revenues will likely grow by 8% yoy.
EBITDA	1,230	1,227	1,233	0.3	0.5	
EBIT	1,118	1,110	1,113	(0.4)	0.3	
PBT	1,302	1,304	1,323	1.7	1.5	
Reported PAT	862	843	873	1.4	3.6	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	862	843	873	1.4	3.6	We expect EBITDA margin to be flattish qoq but decline by 170 bps yoy due to higher other expenses (base quarter had some forex gains).
EPS (Rs/share)	16.8	16.4	17.0	1.4	3.6	
EBITDA margin (%)	17.6	16.0	15.9	-170 bps	-16 bps	
Tata Motors						
Net sales	741,561	721,121	785,678	5.9	9.0	We expect standalone revenues to decline by 1% yoy due to flattish volumes and marginal decline in ASPs (lower mix of higher tonnage MHCV volumes). We build in standalone EBITDA margin of 5.6% in 3QFY19 (7.9% in 2QFY19 and 8% in 3QFY18); yoy decline is due to higher commodity prices, weaker mix and negative operative leverage.
EBITDA	85,435	67,576	91,237	6.8	35.0	
EBIT	29,727	8,164	31,237	5.1	282.6	
PBT	19,070	2,067	24,437	28.1	1,082.2	
Reported PAT	11,986	(10,488)	18,837	57.2	NM	JLR's UK P&L volumes will likely grow by 1% yoy (assuming 45,500 wholesale volumes in December 2018). ASPs will likely be flat qoq as benefit of GBP depreciation will likely be offset by inferior regional mix (lower China volumes). We expect reported EBITDA margin to improve by 180 bps yoy due to lower hedging losses and company's cost reduction efforts. We build in hedged forex loss of GBP151 mn in our estimates for 3QFY19 (GBP165 mn in 2QFY19 and GBP304 mn in 3QFY18).
Extraordinaries	1,220	(10,302)	—	(100.0)	(100.0)	
Adjusted PAT	11,132	(3,277)	18,837	69.2	NM	
EPS (Rs/share)	3.3	(1.0)	5.5	69.2	NM	
EBITDA margin (%)	11.5	9.4	11.6	9 bps	224 bps	
Timken						
Net sales	2,786	4,138	4,100	47.2	(0.9)	We expect revenues to increase by 47% yoy led by (1) acquisition of ABC Bearings and (2) 24% growth in core business led partly by low base in export segments and strong growth in aftermarket and industrial segments. We expect revenues in railway segment to grow 10% yoy in 3QFY19.
EBITDA	207	704	664	220.5	(5.7)	
EBIT	114	507	474	316.5	(6.4)	
PBT	136	533	498	265.6	(6.7)	
Reported PAT	92	346	329	258.4	(4.9)	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to decline by 80 bps qoq (up 890 bps yoy) largely due to normalization of gross margin (higher in last quarter possibly due to price increases given by customers pertaining to previous quarters).
Adjusted PAT	92	346	329	258.4	(4.9)	
EPS (Rs/share)	1.3	4.6	4.4	224.0	(4.9)	
EBITDA margin (%)	7.4	17.0	16.2	875 bps	-83 bps	
TVS Motor						
Net sales	36,850	49,935	45,394	23.2	(9.1)	Volumes grew by 20% yoy led by strong growth in both export (+25% yoy) and domestic volumes (+19% yoy). Revenues will likely grow by 17% yoy in 3QFY19. Average selling price increased by 3% yoy led by richer product mix and rupee depreciation versus USD (11% yoy).
EBITDA	2,868	4,282	3,349	16.8	(21.8)	
EBIT	2,044	3,266	2,329	14.0	(28.7)	
PBT	2,104	3,062	2,149	2.2	(29.8)	
Reported PAT	1,544	2,113	1,483	(3.9)	(29.8)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,544	2,113	1,483	(3.9)	(29.8)	We expect EBITDA margin to decline by 40 bps yoy due to 330 bps yoy decline in gross margin, which will be partly offset by operating leverage benefits.
EPS (Rs/share)	3.2	4.4	3.1	(3.9)	(29.8)	
EBITDA margin (%)	7.8	8.6	7.4	-41 bps	-120 bps	
WABCO India						
Net sales	6,499	7,428	6,721	3.4	(9.5)	We expect revenues to increase by 3% yoy led by 8% yoy growth in MHCV industry production and 6% yoy growth in exports.
EBITDA	1,003	1,231	932	(7.1)	(24.3)	
EBIT	850	1,062	762	(10.3)	(28.2)	
PBT	913	1,319	1,019	11.6	(22.7)	
Reported PAT	638	955	703	10.3	(26.4)	We expect EBITDA margin to decline by 150 bps yoy due to 130 bps yoy decline in gross margin.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	638	955	703	10.3	(26.4)	
EPS (Rs/share)	33.6	50.4	37.1	10.3	(26.4)	
EBITDA margin (%)	15.4	16.6	13.9	-158 bps	-272 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	qoq	Comments
Banks/Diversified financials						
Axis Bank						
Net interest income	47,315	52,321	53,366	12.8	2.0	We expect loan growth at 12% yoy, affected by changes in top management.
Pre-provision profit	38,538	40,940	43,804	13.7	7.0	
Fee income	22,460	23,760	25,155	12.0	5.9	We expect slippages of Rs35 bn as the remaining unrecognized stressed loans are recognized. Recovery from NCLT cases would be lower in 3QFY19 versus in 2QFY19. Movement of sub-investment grade portfolio would be the key monitorable.
Treasury income (net)	2,090	—	2,000	(4.3)	—	
Loan-loss provisions	27,540	26,810	20,108	(27.0)	(25.0)	
Adjusted PAT	7,264	7,896	14,497	99.6	83.6	
EPS (Rs/share)	3.1	3.3	6.1	99.6	83.6	
Bajaj Finance						
Net interest income	23,696	27,290	29,533	24.6	8.2	We expect Bajaj Finance's qoq loan growth to moderate to 5% (35% yoy) from 7% in 2QFY19 due to liquidity constraints.
Pre-provision profit	14,229	17,491	18,433	29.5	5.4	
Loan-loss provisions	2,468	3,146	3,500	41.8	11.3	Calculated NIM in 3QFY19 will likely expand to 11.5% from 11.1% in 2QFY19 due to higher fees; cost-to-income ratio will inch up to 38% from 37% qoq.
Adjusted PAT	7,667	9,235	9,706	26.6	5.1	
EPS (Rs/share)	14.0	16.9	17.7	26.6	5.1	
Bank of Baroda						
Net interest income	43,940	44,925	48,748	10.9	8.5	We expect 21% yoy NII growth on the back of 12-13% yoy in loan growth. Calculated NIM will increase qoq (lower one-off income, mix shift). Treasury gains will be higher qoq as will be reversal in MTM provisions.
Pre-provision profit	36,501	30,819	34,823	(4.6)	13.0	
Fee income	7,710	8,560	8,481	10.0	(0.9)	
Treasury income (net)	3,360	(5,690)	11,963	256.0	NM	We expect fresh slippages at <3% as some of the pending NPLs (IL&FS subsidiaries) will be recognized. However, GNPLs will decline due to a few resolutions. PCR will improve qoq. Progress of the merger with Dena and Vijaya will be a key focus area.
Loan-loss provisions	31,553	14,666	13,199	(58.2)	(10.0)	
Adjusted PAT	1,118	4,254	21,924	1,861.3	415.4	
EPS (Rs/share)	2.4	8.0	41.3	1,608.9	415.4	
Bharat Financial Inclusion						
Net interest income	2,817	4,550	4,400	56.2	(3.3)	We expect 8% qoq loan growth to drive 10% growth in NII.
Pre-provision profit	1,709	3,308	3,000	75.6	(9.3)	
Loan-loss provisions	86	260	200	132.5	(23.1)	
Adjusted PAT	1,623	2,298	2,184	34.6	(5.0)	Cost-to-income ratio will remain stable at 52% qoq.
EPS (Rs/share)	11.7	16.4	15.6	33.5	(5.0)	
Canara Bank						
Net interest income	36,791	32,813	34,329	(6.7)	4.6	We expect 13% yoy loan growth and ~20 bps yoy NIM improvement (lower income de-recognition), leading to 15% yoy NII growth. PPOP will decline ~20% yoy due to lower treasury gains.
Pre-provision profit	28,314	23,274	22,028	(22.2)	(5.4)	
Fee income	2,770	3,100	3,131	13.0	1.0	
Treasury income (net)	(4,680)	(3,870)	8,020	NM	NM	
Loan-loss provisions	18,000	24,410	23,190	28.8	(5.0)	We expect slippages of 3.5% of loans as some of the balance accounts get recognized as NPLs. Strong recoveries in a few large NCLT cases could help in decline in GNPL ratios.
Adjusted PAT	1,257	2,995	3,300	162.4	10.2	
EPS (Rs/share)	2.1	4.1	4.5	113.7	10.2	
Cholamandalam						
Net interest income	7,930	7,299	7,871	(0.7)	7.8	3% qoq loan growth (moderation from 5% in 2QFY19) and NIM compression will put pressure on NII growth.
Pre-provision profit	4,694	5,207	5,843	24.5	12.2	
Loan-loss provisions	902	612	700	(22.4)	14.5	
Adjusted PAT	2,492	3,047	3,394	36.2	11.4	Focus on productivity improvement will drive earnings growth.
EPS (Rs/share)	16.1	19.5	21.6	34.5	11.1	
City Union Bank						
Net interest income	3,650	3,980	4,035	10.6	1.4	We expect loan growth trends to be stable at ~17% levels. NIM may be flat or even decline driven by the increase in cost of funds.
Pre-provision profit	2,963	2,959	3,077	3.8	4.0	
Fee income	612	688	704	15.0	2.3	
Treasury income (net)	284	133	433	52.6	225.8	We expect stable trend in bad loans; we expect slippages to drop to <2% of loans.
Loan-loss provisions	695	470	564	(18.8)	20.0	
Adjusted PAT	1,547	1,680	1,819	17.6	8.3	
EPS (Rs/share)	2.3	2.3	2.5	6.6	8.3	
DCB Bank						
Net interest income	2,505	2,818	2,954	17.9	4.8	We expect revenue growth at 19% yoy on the back of 18% yoy NII growth and 25% yoy loan growth. NIM will decline qoq by 10bps to 3.7% due to pressure on loan yields and increase in cost of deposits. Performance in LAP portfolio would be the key monitorable given intense competition and pricing pressure.
Pre-provision profit	1,225	1,461	1,535	25.3	5.1	
Fee income	658	652	754	14.6	15.7	
Treasury income (net)	55	31	101	84.2	226.8	
Loan-loss provisions	308	287	373	21.1	30.0	We expect PAT to grow 38% yoy aided by strong growth in treasury income. Management's guidance of reaching/sustaining 1% RoA by 4QFY19E would be a key event to watch out for in this quarter.
Adjusted PAT	570	734	788	38.3	7.3	
EPS (Rs/share)	1.9	2.3	2.4	28.1	1.6	
Equitas Holdings						
Net interest income	2,337	2,771	3,049	30.5	10.1	AUM growth likely to recover to ~25% yoy. We expect higher NIM on the back of re-pricing of high cost borrowings. Operating expenses are likely to be flat qoq resulting in an improvement in the cost-to-income ratio.
Pre-provision profit	417	1,076	1,212	190.6	12.6	
Treasury income (net)	—	—	—	—	—	
Loan-loss provisions	869	305	300	(65.5)	(1.7)	
Adjusted PAT	(299)	497	593	NM	19.3	Asset quality should show further improvement as the MFI crisis is largely over and the non-MFI portfolio such as vehicle financing will see lower delinquencies.
EPS (Rs/share)	(0.9)	1.5	1.7	NM	19.3	
Federal Bank						
Net interest income	9,504	10,225	10,805	13.7	5.7	We expect loan growth to be solid at 24% yoy (trends similar to the previous two years) aided by strong momentum in the retail and SME businesses. We expect NIM to improve marginally qoq to 3.2%.
Pre-provision profit	5,618	6,976	7,207	28.3	3.3	
Treasury income (net)	100	(540)	1,350	1,250.0	NM	
Loan-loss provisions	1,400	1,840	2,208	57.7	20.0	We expect slippages (2% of loans) though we wait to see if there is further stress from Kerala floods. The progress in various drivers of RoA, such that RoA is closer to 1% by 4QFY19, would be a key monitorable.
Adjusted PAT	2,604	2,660	3,709	42.4	39.4	
EPS (Rs/share)	2.7	2.7	3.7	40.6	39.4	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	qoq	Comments
HDFC						
Net interest income	28,490	26,288	26,000	(8.7)	(1.1)	We expect HDFC to deliver 15% yoy loan growth, lower than 17% in 2QFY19. An increase in incremental funding cost will lead to compression in calculated NIM to 2.48% in 3QFY19 from 2.57% in 2QFY19.
Pre-provision profit	64,902	34,890	29,460	(54.6)	(15.6)	
Adjusted PAT	56,702	24,670	20,917	(63.1)	(15.2)	Lower capital gains and dividend income (Rs1.1 bn in 3QFY19 versus Rs38 bn in 3QFY18) will likely lead to decline in net profits.
EPS (Rs/share)	35.5	14.5	12.3	(65.3)	(15.2)	
HDFC Bank						
Net interest income	103,143	117,634	123,145	19.4	4.7	We expect NII growth 0f ~20% yoy to be lower than loan growth (~25% yoy). We expect NIM to be under pressure (steady capital consumption and slower CASA growth). The share of unsecured loans will increase further from current levels.
Pre-provision profit	84,513	94,800	101,356	19.9	6.9	
Fee income	28,721	32,956	33,316	16.0	1.1	
Treasury income (net)	2,594	(328)	2,500	(3.6)	NM	
Loan-loss provisions	13,514	15,725	17,739	31.3	12.8	We expect loan impairments to broadly remain flat qoq with growth in credit costs being a key monitorable. Fee income from mutual funds will slow down sharply.
Adjusted PAT	46,426	50,057	55,057	18.6	10.0	
EPS (Rs/share)	17.9	18.4	20.3	13.0	10.0	
ICICI Bank						
Net interest income	57,053	64,176	68,876	20.7	7.3	We expect steady improvement in earnings trajectory led by recovery in loan growth (~15% yoy) and strong NII growth (20% yoy). We expect slippages to be sharply lower at ~2% of loans. NIM to be flat/marginally positive qoq.
Pre-provision profit	50,578	52,497	63,466	25.5	20.9	
Fee income	26,390	29,950	30,612	16.0	2.2	
Treasury income (net)	660	(350)	2,500	278.8	NM	
Loan-loss provisions	35,696	39,943	37,946	6.3	(5.0)	We expect reduction in gross NPLs on the back of resolution as well as write-offs. At the same time, 'Watchlist' loans will decline qoq and coverage ratio will improve qoq.
Adjusted PAT	16,502	9,089	18,120	9.8	99.4	
EPS (Rs/share)	2.6	1.4	2.8	9.6	99.4	
IIFL Holdings						
Net sales	16,868	18,685	18,480	9.6	(1.1)	Wealth management income will likely remain flat due to the slowdown in inflows in equities.
Adjusted PAT	2,358	2,317	2,156	(8.6)	(6.9)	We expect the loan book to remain flat due to a rundown in the wholesale loan book; an increase in funding costs will lead to 15 bps qoq NIM compression to 5.1%.
EPS (Rs/share)	7.4	7.3	6.8	(8.6)	(6.9)	
IndusInd Bank						
Net interest income	18,948	22,033	22,654	19.6	2.8	We expect loan growth to slow down from 2QFY19 levels to ~27% yoy. Revenue growth would be lower due to pressure on NIM. We expect NIM to decline 10 bps qoq. Fee income will likely decline qoq on lower investment banking fees and third-party product sales.
Pre-provision profit	16,647	19,524	18,962	13.9	(2.9)	
Fee income	10,768	12,183	11,408	5.9	(6.4)	
Treasury income (net)	1,100	590	1,250	13.6	111.9	
Loan-loss provisions	1,870	4,750	13,300	611.2	180.0	We expect the bank to make high provisions for its IL&FS exposure, which has been impaired. We model additional provision of Rs10 bn in 3QFY19.
Adjusted PAT	9,362	9,203	3,771	(59.7)	(59.0)	
EPS (Rs/share)	15.6	15.3	6.3	(59.8)	(59.0)	
J&K Bank						
Net interest income	7,802	7,918	8,082	3.6	2.1	Loan growth within J&K will be healthy but overall loan growth will be closer to industry trends at ~13% yoy. MTM reversals and treasury gains will result in modest profits in 3QFY19 despite significantly higher loan-loss provisions.
Pre-provision profit	3,827	3,426	3,801	(0.7)	11.0	
Fee income	432	462	476	10.0	2.8	
Treasury income (net)	(81)	(585)	887	NM	NM	We expect fresh impairment ratios to increase if IL&FS exposure is reported as NPLs (slippages at 6%) but the increase in gross NPL would be lower as recoveries have been better. The movement in restructured loans (6% of loans) but would be another key monitorable.
Loan-loss provisions	2,160	1,300	4,550	110.6	250.0	
Adjusted PAT	725	937	6	(99.1)	(99.3)	
EPS (Rs/share)	1.3	1.7	0.0	(99.1)	(99.3)	
Karur Vysya Bank						
Net interest income	5,616	5,791	5,954	6.0	2.8	We expect a sharp qoq decline in net profits on the back of (1) higher provisions for bad loans and (2) investment depreciation.
Pre-provision profit	4,212	3,614	4,435	5.3	22.7	
Fee income	1,991	2,349	1,896	(4.8)	(19.3)	
Treasury income (net)	70	(340)	706	908.6	NM	
Loan-loss provisions	3,060	2,160	4,320	41.2	100.0	We expect slippages to be high at ~4% of loans (last leg of recognition) but recovery to be good as well given the completion of a few NCLT cases.
Adjusted PAT	715	837	683	(4.4)	(18.4)	
EPS (Rs/share)	5.9	6.9	5.6	(4.4)	(18.4)	
LIC Housing Finance						
Net interest income	8,976	10,123	9,717	8.3	(4.0)	We expect LICHF's loan growth to moderate to 16% yoy from 17% in 2QFY19.
Pre-provision profit	8,051	9,633	9,387	16.6	(2.6)	
Loan-loss provisions	484	2,180	2,000	312.9	(8.2)	An increase in the cost of funds will lead to 5 bps qoq compression in NIM to 2.3%.
Adjusted PAT	4,911	5,732	5,319	8.3	(7.2)	
EPS (Rs/share)	9.7	11.4	10.5	8.3	(7.2)	
Mahindra & Mahindra Financial						
Net interest income	10,711	11,666	11,427	6.7	(2.1)	We expect loan book to be flat qoq.
Pre-provision profit	7,202	7,869	7,427	3.1	(5.6)	
Loan-loss provisions	1,989	2,311	2,100	5.6	(9.1)	NIM will likely moderate 20 bps qoq, despite reduction in stage 3 loans, reflecting an increase in marginal cost of funding and higher liquid assets on balance sheet.
Adjusted PAT	3,420	3,814	3,676	7.5	(3.6)	
EPS (Rs/share)	6.1	6.8	6.5	7.5	(3.6)	
Magma Fincorp						
Net interest income	3,593	3,498	3,551	(1.2)	1.5	We expect loan book to be flat qoq as compared to 4% qoq growth in 2QFY19; NIM will likely moderate 10 bps qoq to 8.5% reflecting an increase in the marginal cost of funding.
Pre-provision profit	1,942	1,942	2,049	5.5	5.5	
Loan-loss provisions	1,018	874	900	(11.6)	3.0	
Adjusted PAT	650	795	782	20.2	(1.7)	Cost-to-income ratio will likely decline to 45% from 47% in 2QFY19 due to focus on expense reduction during the quarter.
EPS (Rs/share)	2.7	3.4	3.3	20.2	(1.7)	
Muthoot Finance						
Net interest income	10,538	10,962	10,935	3.8	(0.2)	We expect Muthoot Finance to report 2% qoq loan growth, down from 4% in 2QFY19 as the company slowed down business in the first half of the quarter.
Pre-provision profit	7,767	7,478	7,535	(3.0)	0.8	
Loan-loss provisions	565	25	50	(91.2)	97.1	
Adjusted PAT	4,637	4,838	4,865	4.9	0.6	Cost-to-assets ratio will likely decline 25 bps qoq to 4.4% given the strong focus on expense management by the company.
EPS (Rs/share)	11.6	12.1	12.2	4.9	0.6	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	qoq	Comments
PNB Housing Finance						
Net interest income	4,110	3,832	3,879	(5.6)	1.2	We expect PNBHF to deliver 6% qoq growth in 3QFY19 (35% yoy) versus 7% qoq in 2QFY19.
Pre-provision profit	3,899	4,372	4,199	7.7	(4.0)	
Loan-loss provisions	561	647	700	24.9	8.2	
Tax	1,164	1,195	1,120	(3.8)	(6.3)	We build in 10 bps qoq NIM compression to 2.05% to reflect increase in incremental funding costs; expenses-to-assets ratio will likely decline 20 bps qoq to 0.6%.
Adjusted PAT	2,175	2,530	2,379	9.4	(6.0)	
EPS (Rs/share)	13.1	15.2	14.3	9.4	(6.0)	
Punjab National Bank						
Net interest income	39,887	39,741	43,251	8.4	8.8	We expect losses, albeit lower versus the large loss figure in 2QFY19, due to reversal in MTM provisions and decline in credit costs. Gross NPLs will decline on the back of higher recoveries from NCLT cases as well as write-offs due to ageing of NPLs.
Pre-provision profit	42,452	28,395	31,262	(26.4)	10.1	
Fee income	8,620	8,530	8,615	(0.1)	1.0	
Treasury income (net)	4,620	(10,780)	22,338	383.5	NM	
Loan-loss provisions	31,554	77,330	69,597	120.6	(10.0)	We expect PPOP to decline 25% yoy (base quarter had stake sale of PNB Housing Finance). We expect loan growth of 4% yoy and NIM to be stable qoq at 2.4%.
Adjusted PAT	2,301	(45,324)	(13,967)	(707.0)	(69.2)	
EPS (Rs/share)	0.9	(14.7)	(4.5)	(579.0)	(69.2)	
RBL Bank						
Net interest income	4,673	5,930	6,128	31.1	3.3	We expect solid NII growth (30% yoy) on the back of healthy loan growth (30% yoy) driven by robust traction in cards and MFI business.
Pre-provision profit	3,334	4,491	4,464	33.9	(0.6)	
Treasury income (net)	282	81	200	(29.1)	146.6	
Loan-loss provisions	680	1,193	918	35.1	(23.0)	We expect high operating expense growth (~35% yoy) due to asset side origination costs. We expect PAT growth (35% yoy) to be strong as the tail risk of MFI provisions recede.
Adjusted PAT	1,653	2,045	2,226	34.7	8.8	
EPS (Rs/share)	4.4	5.5	5.9	34.7	8.8	
Shriram City Union Finance						
Net interest income	9,157	10,200	10,082	10.1	(1.2)	We expect SCUF's loan book to be flat qoq, constrained by funding challenges.
Loan-loss provisions	2,046	2,500	2,700	32.0	8.0	
Adjusted PAT	2,256	2,490	2,318	2.8	(6.9)	NIM will likely compress 30 bps qoq to 13.5% reflecting the increase in cost of borrowing and higher liquid assets on balance sheet.
EPS (Rs/share)	34.2	37.8	35.2	2.8	(6.9)	
Shriram Transport						
Net interest income	17,094	20,612	20,194	18.1	(2.0)	We expect Shriram Transport Finance to report a flat loan book qoq (up 17% yoy); NIM will likely compress 30 bps qoq to reflect higher cost of funding.
Pre-provision profit	13,486	16,226	15,569	15.4	(4.1)	
Loan-loss provisions	5,854	6,836	6,500	11.0	(4.9)	
Adjusted PAT	4,956	6,096	5,895	18.9	(3.3)	We expect cost-to-assets ratio to inch up to 1.83% from 1.78% in 2QFY19.
EPS (Rs/share)	21.8	26.9	26.0	18.9	(3.3)	
State Bank of India						
Net interest income	186,875	209,057	221,450	18.5	5.9	We expect loan growth at ~14% yoy and NIM to increase 10 bps qoq to ~2.8%. Non-interest income will see very strong growth due to higher treasury income.
Pre-provision profit	117,546	139,049	149,822	27.5	7.7	
Fee income	49,790	50,150	57,259	15.0	14.2	
Treasury income (net)	(30,180)	(4,210)	20,833	NM	NM	Slippages to decline to <2.5% as recognition of bad loans is largely complete while gross NPLs could decline with (1) further resolution in power and steel exposures and (2) write-off of bad loans. However, provisions would be high due to ageing of NPLs.
Loan-loss provisions	177,597	101,850	96,758	(45.5)	(5.0)	
Adjusted PAT	(24,164)	9,449	41,391	NM	338.1	
EPS (Rs/share)	(2.8)	1.1	4.6	NM	338.1	
Ujjivan Financial Services						
Net interest income	1,958	2,393	2,565	31.0	7.2	We expect Ujjivan to report strong PAT growth on a low base. AUM growth is expected to be ~25% yoy driven by strong performance in MFI, housing space and SME financing.
Loan-loss provisions	882	62	64	(92.7)	3.6	
Adjusted PAT	(120)	443	381	NM	(14.0)	Cost ratios are expected to be high due to additional costs (bank branches, employees) associated with conversion to a bank. We await investments to be made by bank in 3QFY19/FY2019 on infrastructure expansion.
EPS (Rs/share)	(1.0)	3.7	3.2	NM	(14.0)	
Union Bank						
Net interest income	25,483	24,931	26,895	5.5	7.9	We expect NII growth at 6% yoy driven by 4% yoy loan growth. We expect NIM to increase 10 bps qoq to 2.3%.
Pre-provision profit	9,546	16,259	21,999	130.5	35.3	
Fee income	5,970	6,410	6,388	7.0	(0.3)	
Treasury income (net)	(6,940)	(640)	3,731	NM	NM	
Loan-loss provisions	25,200	14,810	16,291	(35.4)	10.0	We expect slippages to fall to <3% of loans but recoveries would be higher on the back of resolution and write-off of bad loans. GNPL will decline qoq.
Adjusted PAT	(12,499)	1,391	4,241	NM	205.0	
EPS (Rs/share)	(14.6)	1.2	3.6	NM	205.0	
YES Bank						
Net interest income	18,888	24,176	22,306	18.1	(7.7)	We expect loan growth to decelerate to ~30% from ~60% as the bank is in a stage of transition. However, the key monitorable would be the funding profile and progress in deposits mobilization. We expect continued pressure on NIM.
Pre-provision profit	20,018	23,665	21,573	7.8	(8.8)	
Fee income	13,223	12,269	12,734	(3.7)	3.8	
Treasury income (net)	1,000	2,466	1,250	25.0	(49.3)	
Loan-loss provisions	4,213	5,367	6,977	65.6	30.0	Asset quality ratios could see marginal deterioration. We expect sharp slowdown in fee income given the weak growth in new business.
Adjusted PAT	10,769	9,647	10,378	(3.6)	7.6	
EPS (Rs/share)	23.6	21.1	22.7	(3.6)	7.6	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Dec-17	Sep-18	Dec-18E	yoy	qoq	Comments
Building products						
Astral Poly Technik						
Net sales	5,285	6,292	6,078	15.0	(3.4)	We expect 15% yoy growth in revenues driven by modest growth in pipes volumes, higher realizations and robust growth in adhesives business.
EBITDA	737	944	691	(6.3)	(26.8)	
EBIT	595	752	509	(14.5)	(32.3)	
PBT	613	726	489	(20.2)	(32.6)	
Reported PAT	467	466	323	(30.9)	(30.6)	We expect EBITDA margins to moderate by ~360 bps qoq to 11.4% due to accounting of inventory loss pertaining to pipes segment.
Extraordinaries	34.6	(64.4)	—	(100.0)	(100.0)	
Adjusted PAT	467	466	323	(30.9)	(30.6)	
EPS (Rs/share)	3.9	3.9	2.7	(30.9)	(30.6)	
EBITDA margin (%)	13.9	15.0	11.4	-258 bps	-364 bps	
Capital Goods						
ABB						
Net sales	27,794	25,154	31,806	14.4	26.4	We model CY2018E segmental estimates in line with actual performance reported in 9MCY18. Power Grids segment will likely see a sharp slowdown as the large HVDC order is nearly complete and ABB does not have any other compensating large order in the backlog of orders.
EBITDA	2,937	1,940	3,585	22.1	84.8	
EBIT	2,505	1,569	3,071	22.6	95.7	
PBT	2,515	1,653	3,872	54.0	134.3	
Reported PAT	1,715	1,083	2,701	57.5	149.3	We expect decline in margin across all segments except Power Grids due to rupee depreciation. ABB is a net forex spender due to component imports as well as royalty payments to the parent at the corporate level. Power Grids, a projects business with domestic exposure, will also see margin compression due to impact of operating leverage as revenues from the large HVDC order recede.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,715	1,083	2,701	57.5	149.3	
EPS (Rs/share)	8.1	5.1	12.7	57.5	149.3	
EBITDA margin (%)	10.6	7.7	11.3	70 bps	356 bps	
Ashoka Buildcon						
Net sales	6,589	7,644	8,858	34.4	15.9	We expect growth momentum to sustain in 3QFY19 on the back of start of execution of recent order wins.
EBITDA	746	1,037	1,063	42.6	2.5	
EBIT	602	871	891	48.1	2.3	
PBT	640	899	968	51.4	7.7	
Reported PAT	470	621	658	40.1	6.0	We expect steady margin considering static mix of EPC and captive projects in revenues.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	470	621	658	40.1	6.0	
EPS (Rs/share)	1.7	2.2	2.3	40.1	6.0	
EBITDA margin (%)	11.3	13.6	12.0	68 bps	-157 bps	
BHEL						
Net sales	67,052	67,799	69,290	3.3	2.2	We estimate 4% yoy growth in overall revenues in 3QFY19 with a modest 1.5% growth in power segment (sequentially flat opening backlog and commencement of execution in Panki project worth Rs44 bn) and a higher 16% growth in industry segment (driven by higher opening backlog on both yoy and qoq basis).
EBITDA	3,021	2,408	3,039	0.6	26.2	
EBIT	1,201	1,887	1,714	42.8	(9.2)	
PBT	1,898	2,715	2,965	56.2	9.2	
Reported PAT	1,532	1,852	2,032	32.6	9.7	We model raw material costs/sales at 58% in 3QFY19 similar to 1HFY19's. There could be some upside to this estimate as more projects may have moved beyond the margin recognition threshold. Overall, we expect EBITDA margin of 4.4% in 3QFY19 (versus 4.2% reported in 1HFY19).
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,532	1,852	2,032	32.6	9.7	
EPS (Rs/share)	0.4	0.5	0.6	32.6	9.7	
EBITDA margin (%)	4.5	3.6	4.4	-12 bps	83 bps	
Carborundum Universal						
Net sales	6,116	6,596	6,867	12.3	4.1	We model moderation in growth in abrasives and ceramics segment for 3QFY19, in line with management's guidance of Rs27 bn revenues for the full year. We expect the abovementioned segments to grow 10% and 16% respectively (versus 15% and 25% reported in 1HFY19). We expect EMD segment to continue showing 15% yoy growth in line with 1HFY19 number driven by ramp-up of relocated capacities.
EBITDA	1,047	1,083	1,234	17.9	13.9	
EBIT	778	810	946	21.6	16.8	
PBT	793	876	1,007	27.1	15.0	
Tax	268	311	353	31.7	13.3	
Reported PAT	543	648	692	27.5	6.8	
Extraordinaries	—	—	—	—	—	We expect modest uptick in margins of ceramics and electrominerals segments in 3QFY19 led by improving product mix as well as absence of exceptional events—(1) Kerala floods and (2) losses in Foscor Zirconia.
Adjusted PAT	543	648	692	27.5	6.8	
EPS (Rs/share)	2.9	3.5	3.7	27.5	6.8	
EBITDA margin (%)	17.1	16.4	18.0	84 bps	153 bps	
CG Power and Industrial						
Net sales	15,161	16,500	17,002	12.1	3.0	We model low single-digit growth in domestic power systems in 3QFY19. PGCIL's ordering over Oct-Nov has declined 9% yoy while some support may be expected from SEB investments. We model 25% growth in domestic industrial systems on the back of (1) increasing formalization in motors segment led by GST, (2) demand from mandatory move to IE2 standard motors, (3) the company's distribution reach in tier 2/3 towns compared to competitors with foreign parentage and (4) increasing scope for value addition in railways due to thrust on electrification. In international markets, Indonesia power systems will be the key growth driver; we estimate 9-10% yoy growth in overseas power systems business.
EBITDA	1,271	1,624	1,611	26.7	(0.8)	
EBIT	888	1,245	1,219	37.2	(2.1)	
PBT	332	715	716	115.6	0.1	
Reported PAT	867	370	388	(55.2)	5.1	
Extraordinaries	—	—	—	—	—	We expect EBIT margin before unallocable expenses to be flat qoq. Power systems margin is likely to stay in 7-8% range for domestic business and marginally higher for Indonesia business. Industrial systems segment margin has already reached 12% as of 2QFY19 and is unlikely to improve beyond this level.
Adjusted PAT	867	455	458	(47.2)	0.6	
EPS (Rs/share)	1.4	0.7	0.7	(47.2)	0.6	
EBITDA margin (%)	8.4	9.8	9.5	108 bps	-37 bps	
Cummins India						
Net sales	13,547	14,869	14,692	8.5	(1.2)	The sustainability of 1HFY19 growth will be key and management guidance for the year indicates a slowdown in 2HFY19. We model 10% growth in domestic powergen in 3QFY19 driven by uptick in LHP and MHP sub-segments whereas HHP may have some support from government's infrastructure investments. We expect 8% growth in industrial segment led by construction and railways; compressors and mining sales will remain weak after >70% yoy decline in 1HFY19. In exports, we model a growth of 7% in 3QFY19 versus double digit growth in 1HFY19, driven by LHP and Mid-range. HHP exports to Middle East will be affected by weaker oil prices.
EBITDA	1,967	2,509	2,355	19.8	(6.1)	
EBIT	1,730	2,235	2,056	18.8	(8.0)	
PBT	2,197	2,980	2,616	19.1	(12.2)	
Reported PAT	1,722	2,116	1,857	7.8	(12.2)	
Extraordinaries	—	—	—	—	—	We expect a 70 bps qoq decline in gross margin due to normalization of forex benefit in 2QFY19 and EBITDA margin of 16%, down 90 bps yoy in 3QFY19. For the full year, we believe that management's guidance of 100-150 bps margin improvement is achievable mainly due to strong performance already shown in 2QFY19.
Adjusted PAT	1,722	2,116	1,857	7.8	(12.2)	
EPS (Rs/share)	6.2	7.6	6.7	7.8	(12.2)	
EBITDA margin (%)	14.5	16.9	16.0	151 bps	-85 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	qoq	Comments
Dilip Buildcon						
Net sales	19,421	16,237	22,327	15.0	37.5	
EBITDA	3,447	2,815	3,974	15.3	41.2	We expect a modest 15% growth in road and bridges segment revenues given that a large part of order backlog is yet to start execution.
EBIT	2,749	2,042	3,184	15.8	55.9	
PBT	1,638	954	1,967	20.1	106.2	
Reported PAT	1,647	832	1,679	2.0	101.8	
Extraordinaries	—	—	105	NM	NM	We assume qoq improvement in EBITDA margin on account of early competition bonus. The benefits of financial deleveraging will yield 30%+ yoy growth in PBT. Normalization of tax rate would lead to a lower PAT growth.
Adjusted PAT	1,647	832	1,574	(4.4)	89.1	
EPS (Rs/share)	12.0	6.1	11.5	(4.4)	89.1	
EBITDA margin (%)	17.7	17.3	17.8	5 bps	46 bps	
IRB Infrastructure						
Net sales	12,962	14,323	15,959	23.1	11.4	
EBITDA	6,303	6,701	8,008	27.1	19.5	We expect strong 24% yoy growth in construction revenues on back of similar yoy growth in orders under execution. We expect a 22% yoy growth in toll revenues based on recent start of toll collection of select projects and ~11% growth in yoy comparable projects.
EBIT	5,091	5,329	6,624	30.1	24.3	
PBT	3,179	3,141	4,314	35.7	37.3	
Reported PAT	1,539	1,368	2,706	75.9	97.7	
Extraordinaries	(535)	(361)	—	(100.0)	(100.0)	
Adjusted PAT	2,073	1,730	2,706	30.5	56.4	
EPS (Rs/share)	5.9	4.9	7.7	30.5	56.4	We expect stable margins for both construction (24%) and BOT (88%) segments.
EBITDA margin (%)	48.6	46.8	50.2	155 bps	339 bps	
Kalpataru Power Transmission						
Net sales	14,174	15,741	17,229	21.6	9.5	We expect strong revenue growth of 21% yoy in 3QFY19 driven by a strong opening backlog that is up 47% yoy and offers two years of visibility on revenues. The management has guided for 15-20% revenue growth in FY2019. With slowdown in PGCIL ordering, opening backlog in T&D is up 11% and we expect a similar 10-12% yoy growth in execution of this segment. The key growth driver will be the Infrastructure segment. This segment's revenues nearly doubled yoy in 1HFY19 and the opening backlog for 3QFY19 is up 150% yoy.
EBITDA	1,520	1,709	1,947	28.1	14.0	
EBIT	1,323	1,510	1,744	31.8	15.5	
PBT	1,151	1,402	1,571	36.5	12.1	
Reported PAT	752	914	1,022	35.9	11.9	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	752	914	1,022	35.9	11.9	
EPS (Rs/share)	4.9	6.0	6.7	35.9	11.9	We model EBITDA margin at 11.3% in 3QFY19, which has been stable in the 10.5-11.3% range since 1QFY18; the management had guided 11% margin for FY2019.
EBITDA margin (%)	10.7	10.9	11.3	58 bps	44 bps	
KEC International						
Net sales	24,049	24,085	28,992	20.6	20.4	We expect 20% yoy revenue growth for KEC in 3QFY19E, higher than 13% growth reported in 1HFY19 as the strong opening order book, up 54% yoy, will support execution. T&D business may grow in line with industry at 10-12%. Key growth driver will be railways where opening order backlog has tripled yoy to Rs42 bn. The management had earlier guided for 15% overall revenue growth for FY2019.
EBITDA	2,441	2,532	3,131	28.3	23.7	
EBIT	2,170	2,228	2,815	29.8	26.4	
PBT	1,686	1,477	2,110	25.1	42.8	
Reported PAT	1,118	978	1,372	22.8	40.3	Higher order book and execution in Railways segment may lead to margin uptick as the company has already built manpower and equipment capacities, which will benefit from operating leverage. Railways segment currently has 7-8% margin, lower than the benchmark T&D margin of 10-11% and is expected to close this gap as the execution ramps up. We model 30-40 bps sequential improvement in overall EBITDA margin.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,118	963	1,372	22.8	42.5	
EPS (Rs/share)	4.3	3.7	5.3	22.8	42.5	
EBITDA margin (%)	10.2	10.5	10.8	64 bps	28 bps	
L&T						
Net sales	287,475	320,808	333,038	15.8	3.8	We expect 11% yoy growth in core E&C revenues and 16% growth in consolidated revenues driven by IT and Financial Services. In Infrastructure segment, we expect a strong 18% yoy revenue growth in 3QFY19 driven by opening segmental order backlog of Rs2.2 tn, which was up 15% yoy. We expect persistent weakness and yoy revenue decline in Heavy Engineering and Power due to yoy lower opening order book. Hydrocarbon may be able to report mid single-digit growth on the strength of existing order book. This segment received one large order from ONGC in a consortium to develop a field in KG basin, which may start contributing to revenues from next quarter onwards.
EBITDA	31,430	37,705	38,064	21.1	1.0	
EBIT	26,885	32,550	32,005	19.0	(1.7)	
PBT	25,399	32,810	31,531	24.1	(3.9)	
Reported PAT	14,900	22,305	18,291	22.8	(18.0)	
Extraordinaries	(138)	—	—	(100.0)	—	Margin would be a function of project execution stage and job mix. Considering 1HFY19 performance so far and management's assertion of 25 bps margin improvement for the whole year, we deduce higher core E&C EBITDA margin of 10% for 3QFY19. Overall consolidated EBITDA margin of 11.4% would increase 50 bps yoy.
Adjusted PAT	15,037	19,357	18,291	21.6	(5.5)	
EPS (Rs/share)	10.7	13.8	13.1	21.6	(5.5)	
EBITDA margin (%)	10.9	11.8	11.4	49 bps	-33 bps	
Siemens						
Net sales	24,295	39,392	28,113	15.7	(28.6)	Based on management comments, power and gas is expected to remain subdued for a few more quarters. We model mid-single-digit growth for the segment in 1QFY19E (vs. 11% in FY2018). Energy management grew 21% in FY2018 but will gradually settle to lower growth due to (1) declining PGCIL capex and (2) absence of large orders such as HVDC that propelled growth in FY2018. We model a lower 17% yoy growth in the quarter. Persistently weak private capex will affect growth in Process Industries and Drives segment. In PID segment, 1QFY18 had seen 23% decline. On this low base, we model 5% growth for 1QFY19. Digital Factory will continue to grow at > 20% rate due to the company's focus on digitalization solutions.
EBITDA	2,724	4,186	3,031	11.3	(27.6)	
EBIT	2,254	3,679	2,525	12.0	(31.4)	
PBT	2,942	4,392	3,205	8.9	(27.0)	
Tax	1,037	1,600	1,118	7.9	(30.1)	
Reported PAT	1,905	2,792	2,086	9.5	(25.3)	Notwithstanding segmental margin volatility, a hallmark of Siemens, we expect overall EBITDA margin to be sequentially flat. Margin was affected in previous quarter due to gross margin deterioration contributed by execution of low-margin large orders, which will likely be the case in this quarter as well. As these large orders get completed, we may gradually see margin improvement through the rest of the year.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,905	2,792	2,086	9.5	(25.3)	
EPS (Rs/share)	5.3	7.8	5.9	9.5	(25.3)	
EBITDA margin (%)	11.2	10.6	10.8	-44 bps	15 bps	
Thermax						
Net sales	11,170	14,276	12,706	13.8	(11.0)	We estimate revenues for Energy segment based on ~60% bill-to-book ratio on the opening segmental backlog and quarterly execution pattern of 28% and add B&W revenues (now consolidated). Energy segment will thus report 13% yoy revenue growth. Environment segment revenues have been estimated by assuming linear execution of opening segmental backlog over three quarters, leading to ~7% yoy segmental revenue growth. For chemical segment (resins), we expect ~17% sequential growth as the resins facility is ramping up. The facility was 60% utilized in the last quarter. For this quarter, we assume 70% utilization. Overall topline growth is thus expected to be a steady 14%.
EBITDA	955	1,100	1,032	8.1	(6.2)	
EBIT	747	866	786	5.2	(9.2)	
PBT	961	1,183	1,102	14.7	(6.8)	
Tax	378	434	386	2.2	(11.1)	
Reported PAT	586	745	717	22.3	(3.8)	
Extraordinaries	—	—	—	—	—	The management has stated inability to improve margin to double-digit levels due to competitive intensity and commodity price pressures, and has suggested a lower 'new normal'. We model small qoq improvement in EBIT margin for the energy segment to normalize impact of recognition of up-front costs booked in 2QFY19 related to the Dangote order; we build qoq flat margin for the other two segments.
Adjusted PAT	586	745	717	22.3	(3.8)	
EPS (Rs/share)	5.2	6.6	6.4	22.3	(3.8)	
EBITDA margin (%)	8.5	7.7	8.1	-43 bps	41 bps	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Dec-17	Sep-18	Dec-18E	yoy	qoq	Comments
Commercial & Professional Services						
SIS						
Net sales	15,377	16,902	17,482	13.7	3.4	
EBITDA	843	782	888	5.4	13.6	We expect 14% yoy revenue growth aided by healthy growth in India security and FM segments.
EBIT	718	622	749	4.3	20.3	
PBT	555	488	592	6.6	21.2	
Reported PAT	465	438	496	6.5	13.2	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	465	438	496	6.5	13.2	We expect tepid 5% yoy growth in EBITDA due to margin moderation in the India security segment.
EPS (Rs/share)	6.4	6.0	6.8	6.5	13.2	
EBITDA margin (%)	5.5	4.6	5.1	-41 bps	45 bps	
Teamlease Services						
Net sales	9,181	10,907	11,998	30.7	10.0	
EBITDA	179	240	272	51.8	13.0	We expect sequential associate employee headcount addition of 7,000 (similar to addition in 2Q) and steady commissions.
EBIT	155	211	244	57.3	15.2	
PBT	189	238	277	46.6	16.6	
Reported PAT	184	250	277	50.4	10.8	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	184	250	277	50.4	10.8	We expect (1) sustained increase in apprentice headcount (higher-margin business) and (2) increase in margin in core staffing business to drive 52% yoy increase in EBITDA.
EPS (Rs/share)	11	15	16	50.4	10.8	
EBITDA margin (%)	1.9	2.2	2.3	31 bps	5 bps	
Commodity Chemicals						
Asian Paints						
Net sales	42,605	46,391	51,216	20.2	10.4	
EBITDA	8,912	7,842	10,695	20.0	36.4	We model 22% yoy growth in domestic sales led by 18% volume growth and 4% price/mix-led growth. Strong volume growth is partly attributable to shift in festive season this year.
EBIT	8,016	6,894	9,725	21.3	41.1	
PBT	8,420	7,406	10,281	22.1	38.8	
Reported PAT	5,546	4,928	6,944	25.2	40.9	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	5,546	4,928	6,944	25.2	40.9	We expect EBITDA margin to be broadly flat on yoy basis as RM headwinds would be largely offset by tight cost control and operating leverage.
EPS (Rs/share)	5.8	5.1	7.2	25.2	40.9	
EBITDA margin (%)	20.9	16.9	20.9	-4 bps	397 bps	
Tata Chemicals						
Net sales	25,739	29,607	28,570	11.0	(3.5)	
EBITDA	5,626	6,020	5,950	5.8	(1.2)	We expect 11% yoy growth in revenues driven by modest growth in soda ash volumes, a weaker rupee and robust growth in consumer segment.
EBIT	4,340	4,603	4,565	5.2	(0.8)	
PBT	3,618	4,916	4,815	33.1	(2.0)	
Reported PAT	2,393	3,217	2,998	25.3	(6.8)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,393	3,217	2,998	25.3	(6.8)	We expect 50 bps qoq improvement in EBITDA margins to 20.8% led by likely higher margins on basic chemistry business.
EPS (Rs/share)	9	13	12	24.8	(7.2)	
EBITDA margin (%)	21.9	20.3	20.8	-103 bps	49 bps	
Construction Materials						
ACC						
Net sales	34,171	33,640	37,281	9.1	10.8	
EBITDA	3,656	3,734	4,710	28.8	26.2	We model 7% yoy growth in volumes to 7.4 mn tons (+13% qoq). We estimate realizations to decline by 2% qoq to Rs5,040/ton (+2% yoy) due to 2-3% qoq decline in cement prices in company's key markets in South, Central and East regions.
EBIT	2,078	2,235	3,204	54.2	43.4	
PBT	2,975	3,040	4,020	35.1	32.2	
Reported PAT	2,045	2,056	2,653	29.7	29.1	
Extraordinaries	—	—	—	—	—	ACC's net profits will be aided by lower energy, freight costs beside operating leverage gains. We estimate EBITDA/ton to increase 18% qoq to Rs640/ton (+34% yoy) aided by lower costs.
Adjusted PAT	2,045	2,056	2,653	29.7	29.1	
EPS (Rs/share)	10.9	10.9	14.1	29.7	29.1	
EBITDA margin (%)	10.7	11.1	12.6	193 bps	153 bps	
Ambuja Cements						
Net sales	26,796	26,139	29,071	8.5	11.2	We expect volume growth of 6% yoy to 6.2 mn tons (+14% qoq). We estimate realization to decline by 2% qoq to Rs4,670/ton (+2% yoy) due to 1-3% qoq decline in cement prices in the company's key markets in North (40%), South/West (40%) and East (20%).
EBITDA	5,076	3,582	5,263	3.7	47.0	
EBIT	3,649	2,222	3,897	6.8	75.4	
PBT	3,912	2,512	4,198	7.3	67.1	
Reported PAT	3,384	1,786	2,938	(13.2)	64.5	
Extraordinaries	—	—	—	—	—	We estimate EBITDA/ton to increase 29% qoq to Rs845/ton (-2% yoy) aided by lower fuel and freight costs; earnings will also be aided by operating leverage gains led by higher volumes.
Adjusted PAT	2,812	1,786	2,938	4.5	64.5	
EPS (Rs/share)	1.8	1.2	1.9	4.5	64.5	
EBITDA margin (%)	18.9	13.7	18.1	-84 bps	440 bps	
Dalmia Bharat						
Net sales	20,905	21,580	22,967	9.9	6.4	
EBITDA	4,546	3,890	4,348	(4.4)	11.8	We expect 8% yoy growth in volumes to 4.5 mn tons (+9% qoq). We estimate realizations to decline by 2% qoq to Rs5,125/ton (+2% yoy) due to 2-3% qoq decline in cement prices in South, East region.
EBIT	2,770	860	1,303	(53.0)	51.5	
PBT	1,858	(650)	303	(83.7)	NM	
Reported PAT	1,181	20	209	(82.3)	944.3	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,181	20	209	(82.3)	944.3	We estimate EBITDA/ton to increase 3% qoq to Rs970/ton (-11% yoy) aided by lower fuel and freight costs.
EPS (Rs/share)	13.3	0.1	1.1	(91.8)	944.3	
EBITDA margin (%)	21.7	18.0	18.9	-282 bps	90 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	qoq	Comments
Grasim Industries						
Net sales	44,283	51,185	49,404	11.6	(3.5)	We model volumes to increase (1) in chemicals operations by 15% yoy to 258,800 tons (flat qoq) and (2) in VSF operations by 8% yoy to 149,000 tons (1% qoq).
EBITDA	8,735	10,705	9,864	12.9	(7.9)	
EBIT	7,077	8,831	7,980	12.8	(9.6)	
PBT	7,245	11,127	8,685	19.9	(21.9)	
Reported PAT	4,739	(11,867)	6,080	28.3	NM	We estimate VSF EBITDA to increase 21% yoy to Rs5.6 bn (-3% qoq) and chemicals EBITDA to increase by 19% yoy to Rs4.3 bn (-6% yoy) aided by higher volumes, realizations. The sequential decline in net profits reflects some softening in prices.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	4,739	10,967	6,080	28.3	(44.6)	
EPS (Rs/share)	7.2	16.7	9.3	28.3	(44.6)	
EBITDA margin (%)	19.7	20.9	20.0	24 bps	-95 bps	
India Cements						
Net sales	12,131	13,871	13,455	10.9	(3.0)	We expect 12% yoy growth in volumes to 3.1 mn tons (flat qoq). We estimate realizations to decline by 2% qoq due to fall in cement prices in South region.
EBITDA	1,673	1,548	1,512	(9.6)	(2.3)	
EBIT	1,039	930	892	(14.2)	(4.2)	
PBT	152	14	44	(71.4)	204.7	
Reported PAT	152	14	30	(80.0)	113.3	We estimate EBITDA/ton to decline by 2% qoq to Rs495/ton (-19% yoy) due to weak realization. The profitability in South region has declined over the past four quarters due to subdued prices and high costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	152	14	30	(80.0)	113.3	
EPS (Rs/share)	0.5	0.0	0.1	(80.0)	113.3	
EBITDA margin (%)	13.8	11.2	11.2	-256 bps	7 bps	
J K Cement						
Net sales	11,261	11,006	12,133	7.7	10.2	We expect (1) grey cement volumes to grow by 5% yoy to 2.1 mn tons (+14% qoq) and, (2) white cement/wall putty volumes by 7% yoy to 0.32 mn tons (+10% qoq). We estimate grey cement realizations to decline by 1% qoq to Rs3,950/ton (+3% yoy) led by decline in prices in North, South regions.
EBITDA	1,702	1,698	1,864	9.5	9.8	
EBIT	1,252	1,211	1,375	9.8	13.5	
PBT	923	808	966	4.7	19.5	
Reported PAT	729	647	744	2.0	15.0	
Extraordinaries	(1)	—	—	(100.0)	—	We estimate grey cement EBITDA/ton to increase by 3% qoq to Rs375/ton (flat yoy) aided by lower fuel, freight costs. We expect white cement EBITDA to increase 13% yoy to Rs1.1 bn (+4% qoq).
Adjusted PAT	729	647	744	2.0	15.0	
EPS (Rs/share)	10.4	9.3	10.6	2.0	15.0	
EBITDA margin (%)	15.1	15.4	15.4	24 bps	-7 bps	
JK Lakshmi Cement						
Net sales	8,374	8,514	8,969	7.1	5.3	We expect (1) cement volumes to grow by 8% yoy to 2.3 mn tons (+7% qoq), and (2) realizations to decline by 1% qoq due to 1-2% qoq decline in cement prices in North, East region.
EBITDA	943	916	1,002	6.2	9.3	
EBIT	495	465	546	10.1	17.4	
PBT	127	121	205	60.9	69.3	
Reported PAT	86	78	135	57.3	73.0	We estimate EBITDA/ton to increase marginally by 2% qoq to Rs440/ton (flat yoy) due to savings in fuel, freight costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	86	78	135	57.3	73.0	
EPS (Rs/share)	0.7	0.7	1.1	57.3	73.0	
EBITDA margin (%)	11.3	10.8	11.2	-10 bps	40 bps	
Orient Cement						
Net sales	5,115	5,608	5,491	7.3	(2.1)	We expect cement volumes to grow by 8% yoy to 1.5 mn tons (+1% qoq). We estimate company's realizations to decline by 2% qoq due to lower cement prices in the company's key markets in West, South.
EBITDA	391	358	342	(12.6)	(4.4)	
EBIT	72	29	13	(82.1)	(55.1)	
PBT	(248)	(257)	(273)	10.1	6.2	
Reported PAT	(177)	(167)	(180)	1.8	7.5	We estimate EBITDA/ton to decline to Rs230/ton (-5% qoq, -19% yoy). EBITDA/ton will fall despite savings in fuel and freight costs due to sharp fall in realizations.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	(177)	(167)	(180)	1.8	7.5	
EPS (Rs/share)	(0.9)	(0.8)	(0.9)	1.8	7.5	
EBITDA margin (%)	7.6	6.4	6.2	-143 bps	-16 bps	
Shree Cement						
Net sales	22,962	25,866	27,008	17.6	4.4	We expect volume growth of 12% yoy to 6 mn tons (+6% qoq). We expect blended realizations to decline by 1% qoq to Rs4,530/ton (+5% yoy) due to fall in cement prices in North, East and South regions.
EBITDA	5,696	5,197	6,072	6.6	16.8	
EBIT	3,596	1,903	2,744	(23.7)	44.2	
PBT	4,262	1,798	3,019	(29.2)	67.9	
Reported PAT	3,333	493	2,264	(32.1)	359.0	We estimate EBITDA/ton (blended) to increase 10% qoq to Rs1,020/ton (-5% yoy) aided by lower fuel costs. We note that 2QFY19 earnings were aided by rebate from railways, which will not be available in this quarter.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	3,333	2,275	2,264	(32.1)	(0.5)	
EPS (Rs/share)	95.7	65.3	65.0	(32.1)	(0.5)	
EBITDA margin (%)	24.8	20.1	22.5	-233 bps	238 bps	
UltraTech Cement						
Net sales	75,899	78,567	87,302	15.0	11.1	We model 12% yoy growth in volumes to 17.8 mn tons (+13% qoq). This volume excludes volumes of Binani Cement (acquired from November 20, 2018) which is a wholly-owned subsidiary; this asset is operating at 50% utilization only currently.
EBITDA	12,691	12,931	14,769	16.4	14.2	
EBIT	7,947	7,793	9,606	20.9	23.3	
PBT	6,031	5,710	7,147	18.5	25.2	
Reported PAT	4,215	3,908	4,860	15.3	24.4	We expect realizations to decline by 2% qoq to Rs4,920/ton (+3% yoy) due to 1-3% qoq fall in cement prices across regions. We estimate EBITDA/ton to increase 1% qoq to Rs830/ton (+4% yoy) aided by lower fuel and freight costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	4,215	3,908	4,860	15.3	24.4	
EPS (Rs/share)	15.3	14.2	17.7	15.3	24.4	
EBITDA margin (%)	16.7	16.5	16.9	19 bps	45 bps	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Dec-17	Sep-18	Dec-18E	yoy	qoq	Comments
Consumer Durables & Apparel						
Crompton Greaves Consumer						
Net sales	9,382	10,378	10,400	10.9	0.2	We expect revenues to grow by 11% yoy led by 16% yoy growth in electrical consumer durables segment and flattish revenues in lighting segment due to decline in EESL revenues.
EBITDA	1,165	1,239	1,340	15.0	8.1	
EBIT	1,133	1,207	1,308	15.5	8.4	
PBT	1,040	1,155	1,268	21.8	9.8	
Reported PAT	695	769	849	22.2	10.4	We expect EBITDA margin to improve by 100 bps qoq (+50 bps yoy) led by improvement in profitability in lighting segment on qoq basis. We build in segmental EBIT margin of 10% in lighting segment (6.3% in 2QFY19) due to price increases in the industry and benefit of company's cost reduction efforts. For ECD segment, we build in 19% EBIT margin in 3QFY19 (flattish qoq) and up 80 bps on yoy basis.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	695	769	849	22.2	10.4	
EPS (Rs/share)	1.1	1.2	1.4	22.2	10.4	
EBITDA margin (%)	12.4	11.9	12.9	46 bps	94 bps	
Havells India						
Net sales	19,658	21,910	22,500	14.5	2.7	We expect 15% yoy revenue growth led by (1) 22-23% yoy growth in switchgear and cables & wires segments partly due to low base (3-4% yoy growth in 3QFY18), (2) 8% yoy revenue growth in lighting segment due to slowdown in EESL revenues, (3) 17% yoy growth in electrical consumer durables segment due to strong category growth and expansion of company's product portfolio and (4) 10% yoy decline in Lloyds revenues due to weak demand environment for ACs and subdued festive season.
EBITDA	2,622	2,625	2,873	9.6	9.4	
EBIT	2,259	2,234	2,478	9.7	10.9	
PBT	2,482	2,540	2,788	12.3	9.8	
Reported PAT	1,944	1,786	1,924	(1.0)	7.7	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to improve by 80 bps qoq (down 40 bps yoy) largely due to the benefit of recent softness in commodity prices and normalization of profitability in cables and wires segment. For Lloyds business, we build in marginal decline in contribution margin on yoy basis and 250 bps decline on sequential basis.
Adjusted PAT	1,792	1,786	1,924	7.3	7.7	
EPS (Rs/share)	2.9	2.9	3.1	7.3	7.7	
EBITDA margin (%)	13.3	12.0	12.8	-58 bps	78 bps	
Page Industries						
Net sales	6,210	6,908	7,357	18.5	6.5	We expect 19% revenue growth aided by 9% volume growth and 10% price/mix-led growth.
EBITDA	1,289	1,428	1,555	20.7	8.9	
EBIT	1,219	1,352	1,475	21.0	9.1	
PBT	1,231	1,420	1,503	22.1	5.9	
Reported PAT	834	926	1,012	21.3	9.2	We model only 40 bps expansion in EBITDA margin driven by a modest expansion in GM.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	834	926	1,012	21.3	9.2	
EPS (Rs/share)	74.8	83.0	90.7	21.3	9.2	
EBITDA margin (%)	20.8	20.7	21.1	38 bps	46 bps	
TCNS Clothing Co.						
Net sales	—	3,205	3,038	—	(5.2)	We expect 5% sequential revenue decline due to lack of EOSS in 3QFY19.
EBITDA	—	570	525	—	(8.0)	
EBIT	—	517	469	—	(9.3)	
PBT	—	536	482	—	(10.1)	
Reported PAT	—	412	361	—	(12.4)	We expect sequential EBITDA margin decline as GM improvement due to higher full price sales will be offset by higher ad-spends and other expenses.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	—	412	361	—	(12.4)	
EPS (Rs/share)	—	6.4	5.6	—	(12.4)	
EBITDA margin (%)	—	17.8	17.3	—	-52 bps	
Vardhman Textiles						
Net sales	16,480	16,851	17,633	7.0	4.6	We expect 7% yoy growth in revenues, lower versus past two quarters given a relatively higher base of 3QFY18.
EBITDA	2,256	3,310	3,142	39.3	(5.1)	
EBIT	1,650	2,690	2,510	52.2	(6.7)	
PBT	1,744	2,818	2,562	47.0	(9.1)	
Reported PAT	1,355	1,964	1,791	32.1	(8.8)	We expect EBITDA margins to moderate 180 bps qoq led by lower yarn-cotton spreads amid rising cotton prices.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,355	1,964	1,791	32.1	(8.8)	
EPS (Rs/share)	24.0	34.8	31.7	32.1	(8.8)	
EBITDA margin (%)	13.7	19.6	17.8	412 bps	-183 bps	
Voltas						
Net sales	13,650	14,147	14,147	3.6	0.0	We expect 15% yoy decline in revenues in UCP segment due to (1) weak industry demand scenario (festive season was weak), (2) higher channel inventory levels and (3) higher base effect due to pre-buying in 3QFY18 ahead of change in energy efficiency norms. Overall revenues will likely increase by 5% yoy due to 20% yoy growth in the projects business (EMP segment)
EBITDA	1,045	1,019	1,019	(2.5)	0.0	
EBIT	984	959	959	(2.5)	0.0	
PBT	1,277	1,423	1,423	11.4	0.0	
Reported PAT	995	1,035	1,035	4.0	0.0	
Extraordinaries	—	—	—	—	—	For the UCP segment, we expect EBIT margin to decline by 500 bps yoy to 8% due to weak demand scenario (limited price increase), higher incentives offered to liquidate inventory and cost pressures due to rupee depreciation. For EMP segment, we build in 7% EBIT margin; largely flat on yoy basis.
Adjusted PAT	995	1,035	1,035	4.0	0.0	
EPS (Rs/share)	3.0	3.1	3.1	4.0	0.0	
EBITDA margin (%)	7.7	7.2	7.2	-46 bps	0 bps	
Whirlpool						
Net sales	9,580	11,815	11,017	15.0	(6.8)	We expect revenues to increase by 15% yoy led by shift in festive season this year (compared to last year) and aggressive expansion into new categories such as air conditioners, water purifiers, kitchen products, etc.
EBITDA	891	1,078	1,097	23.0	1.8	
EBIT	643	808	827	28.6	2.3	
PBT	834	1,204	1,177	41.2	(2.3)	
Reported PAT	531	786	777	46.1	(1.1)	We expect EBITDA margin to improve by 90 bps qoq (+70 bps yoy) as we build in some benefit of recent moderation in commodity prices.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	531	786	777	46.1	(1.1)	
EPS (Rs/share)	4.2	6.2	6.1	46.1	(1.1)	
EBITDA margin (%)	9.3	9.1	10.0	64 bps	83 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	Change (%) qoq	Comments
Consumer Staples						
Bajaj Consumer Care						
Net sales	2,081	2,127	2,275	9.4	7.0	
EBITDA	678	606	658	(3.0)	8.6	We expect 7% yoy growth in ADHO volumes partly aided by market share gains; it translates into flattish 2-year CAGR, in line with recent trends. We also expect some price-led growth; the company has taken price hikes recently. Sharp jump in other operating income (VAT refunds) yoy is a 300 bps tailwind to yoy revenue growth.
EBIT	659	589	639	(3.1)	8.4	
PBT	701	658	727	3.6	10.4	
Reported PAT	552	517	570	3.4	10.4	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	552	517	570	3.4	10.4	Weak rupee and inflation in LLP price (partly offset by covers) would put some pressure on GM. We model 370 bps decline in EBITDA margin led by 150 bps drop in GM, higher employee costs and higher A&SP costs pertaining to product refresh (NOMARKS cream).
EPS (Rs/share)	3.7	3.5	3.9	3.4	10.4	
EBITDA margin (%)	32.6	28.5	28.9	-370 bps	44 bps	
Britannia Industries						
Net sales	25,675	28,696	28,906	12.6	0.7	
EBITDA	3,984	4,544	4,774	19.8	5.1	Our standalone operating revenue estimate bakes in (1) 10% volume growth in the biscuits segment and (2) 2.5% increase in realizations (price/mix).
EBIT	3,655	4,174	4,386	20.0	5.1	
PBT	3,989	4,590	4,785	20.0	4.3	
Reported PAT	2,636	3,030	3,160	19.9	4.3	
Extraordinaries	—	—	—	—	—	We expect consolidated EBITDA margin to expand 100 bps yoy aided by 105 bps expansion in GM partly offset by a tad higher other expenses (including A&SP spends).
Adjusted PAT	2,636	3,030	3,160	19.9	4.3	
EPS (Rs/share)	11.0	12.6	13.2	19.9	4.3	
EBITDA margin (%)	15.5	15.8	16.5	100 bps	68 bps	
Colgate-Palmolive (India)						
Net sales	10,333	11,680	11,158	8.0	(4.5)	
EBITDA	2,824	3,296	3,091	9.4	(6.2)	We bake in volume growth of 5% and realization increase of 3%. Our volume growth assumption translates into a strong 2-year CAGR of around 8%.
EBIT	2,429	2,897	2,686	10.6	(7.3)	
PBT	2,519	2,984	2,791	10.8	(6.5)	
Reported PAT	1,707	1,964	1,814	6.3	(7.6)	
Extraordinaries	71	—	—	—	—	
Adjusted PAT	1,635	1,964	1,814	10.9	(7.6)	We model 40 bps yoy expansion in EBITDA margin aided by higher gross margin partly offset by 15% yoy increase in A&SP expenses.
EPS (Rs/share)	6.0	7.2	6.7	10.9	(7.6)	
EBITDA margin (%)	27.3	28.2	27.7	36 bps	-52 bps	
Dabur India						
Net sales	19,664	21,250	21,911	11.4	3.1	We model around 12% yoy growth in domestic revenues, a combination of 10% volume growth and 2% realization improvement. Growth will be driven by HPC segment. International business revenue growth would be modest 6-7% in c/c terms partly due to continued weakness in the GCC region.
EBITDA	4,035	4,508	4,459	10.5	(1.1)	
EBIT	3,630	4,077	4,019	10.7	(1.4)	
PBT	4,162	4,734	4,672	12.3	(1.3)	
Reported PAT	3,321	3,766	3,707	11.6	(1.6)	
Extraordinaries	—	—	—	—	—	We expect modest yoy decline in consolidated EBITDA margin led by higher A&SP spends and ESOP expenses and some margin pressure in the international business. We expect consolidated gross margin to be broadly flat as headwinds from high-cost RM inventory would be largely offset by price increase.
Adjusted PAT	3,321	3,766	3,707	11.6	(1.6)	
EPS (Rs/share)	1.9	2.1	2.1	11.6	(1.6)	
EBITDA margin (%)	20.5	21.2	20.4	-17 bps	-87 bps	
GlaxoSmithKline Consumer						
Net sales	10,382	12,720	11,116	7.1	(12.6)	
EBITDA	2,075	3,537	2,310	11.3	(34.7)	We model 5% yoy growth in domestic revenues on a healthy base (22% in base quarter) led by 3% growth in volume growth and 2% improvement in realization. We model 25% revenue growth in exports on a low base.
EBIT	1,924	3,386	2,155	12.0	(36.3)	
PBT	2,529	4,274	2,825	11.7	(33.9)	
Reported PAT	1,637	2,755	1,828	11.7	(33.6)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,637	2,755	1,828	11.7	(33.6)	We estimate 80 bps yoy expansion in EBITDA margin entirely driven by GM expansion.
EPS (Rs/share)	38.9	65.5	43.5	11.7	(33.6)	
EBITDA margin (%)	20.0	27.8	20.8	79 bps	-703 bps	
Godrej Consumer Products						
Net sales	26,303	26,592	27,905	6.1	4.9	We model 9% yoy growth in domestic revenues led by (1) 6% growth in HI, (2) 8% growth in soaps segment (partly muted due to price reduction and healthy base) and (3) 4% growth in hair colors on a healthy base. We expect International business growth to be muted at 2.4% yoy due to divestment of UK business; adjusted for the same, we model 11% growth led by Indonesia and recovery in Africa and US.
EBITDA	5,890	5,385	6,372	8.2	18.3	
EBIT	5,494	4,960	5,937	8.1	19.7	
PBT	5,467	4,607	5,980	9.4	29.8	
Reported PAT	4,299	5,777	4,701	9.4	(18.6)	On profitability front, we expect EBITDA margin of domestic business to expand as pressure on gross margin (crude inflation + rupee depreciation + price reduction in soaps to pass on palm oil deflation) would be more than offset by lower employee costs. Profitability of international business would be under pressure due to weakness in LATAM and higher A&SP in Indonesia. At consolidated level, we expect modest expansion in margin.
Extraordinaries	(23)	—	—	(100.0)	—	
Adjusted PAT	4,322	3,580	4,701	8.8	31.3	
EPS (Rs/share)	4.2	3.5	4.6	8.7	31.3	
EBITDA margin (%)	22.4	20.3	22.8	44 bps	258 bps	
Hindustan Unilever						
Net sales	85,900	92,340	98,022	14.1	6.2	
EBITDA	16,800	20,190	21,548	28.3	6.7	We model 14% revenue growth in domestic FMCG business led by 10% UVG and 4% price-led growth. On a segmental basis, we bake in 15% yoy revenue growth for Home Care and Personal Care and 10% growth for Food and refreshments.
EBIT	15,590	18,890	20,223	29.7	7.1	
PBT	17,060	21,870	22,453	31.6	2.7	
Reported PAT	13,260	15,250	15,627	17.9	2.5	
Extraordinaries	1,280	30	—	(100.0)	(100.0)	
Adjusted PAT	11,980	15,220	15,627	30.4	2.7	We expect EBITDA margin to expand 240 bps yoy aided by operating cost efficiencies (including A&SP spends); expect gross margin to be flat yoy.
EPS (Rs/share)	5.5	7.0	7.2	30.4	2.7	
EBITDA margin (%)	19.6	21.9	22.0	242 bps	11 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	Change (%) qoq	Comments
ITC						
Net sales	97,720	110,689	105,591	8.1	(4.6)	We model 7% yoy increase in cigarette volumes and 3% increase in realization (portfolio-level). We forecast 10.5% yoy growth in cigarette EBIT.
EBITDA	39,045	42,060	43,044	10.2	2.3	
EBIT	36,138	38,785	39,744	10.0	2.5	
PBT	42,167	43,691	46,666	10.7	6.8	
Reported PAT	30,902	29,547	31,033	0.4	5.0	We model 12%, 13%, 10% and 10% yoy growth in FMCG, Hotels, Paperboards and Agri segments. We expect 10% yoy growth in consolidated EBIT.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	28,202	29,547	31,033	10.0	5.0	
EPS (Rs/share)	2.3	2.4	2.5	10.2	5.0	
EBITDA margin (%)	40.0	38.0	40.8	80 bps	276 bps	
Jyothy Laboratories-Standalone						
Net sales	4,184	4,277	4,602	10.0	7.6	We expect modest 10% yoy growth in standalone revenues led by steady momentum in dish wash and fabric care categories. We expect a muted quarter for HI.
EBITDA	707	732	774	9.4	5.8	
EBIT	566	593	627	10.8	5.7	
PBT	482	569	587	21.6	3.1	
Reported PAT	373	453	440	18.1	(2.9)	We estimate EBITDA margin to be broadly flat on yoy basis as RM headwinds in select categories would be partly offset by pricing and operating efficiencies.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	373	453	440	18.1	(2.9)	
EPS (Rs/share)	1.0	1.2	1.2	18.1	(2.9)	
EBITDA margin (%)	16.9	17.1	16.8	-9 bps	-30 bps	
Marico						
Net sales	16,243	18,368	18,650	14.8	1.5	We model 15% sales growth in the domestic business driven by 7.5% volume growth and similar realization improvement. We bake in volume growth of 8%, 5% and 9% in Parachute rigid, Saffola and VAHO, respectively.
EBITDA	3,021	2,941	3,528	16.8	20.0	
EBIT	2,807	2,717	3,296	17.4	21.3	
PBT	2,943	2,952	3,456	17.4	17.1	
Reported PAT	2,205	2,142	2,521	14.3	17.7	We expect EBITDA margin to increase marginally aided by easing of copra prices and improvement in realizations.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,205	2,142	2,521	14.3	17.7	
EPS (Rs/share)	1.7	1.7	2.0	14.4	17.7	
EBITDA margin (%)	18.6	16.0	18.9	31 bps	290 bps	
Nestle India						
Net sales	26,015	29,394	28,917	11.2	(1.6)	We model 11% growth in net domestic revenues, broad-based across segments.
EBITDA	6,449	7,420	7,245	12.3	(2.4)	
EBIT	5,612	6,490	6,289	12.1	(3.1)	
PBT	5,889	6,886	6,589	11.9	(4.3)	
Reported PAT	3,118	4,461	3,833	22.9	(14.1)	We model a modest 20 bps yoy expansion in EBITDA margin despite a 60 bps yoy increase in gross margins. Increase in gross margins should be partly offset by higher operating costs.
Extraordinaries	(1,114)	(168)	(793)	(28.8)	371.5	
Adjusted PAT	4,233	4,629	4,626	9.3	(0.1)	
EPS (Rs/share)	32.3	46.3	39.8	22.9	(14.1)	
EBITDA margin (%)	24.8	25.2	25.1	26 bps	-20 bps	
Tata Global Beverages						
Net sales	17,304	17,609	18,515	7.0	5.1	We model 7% yoy growth in consolidated revenues led by (1) 7.5% revenue growth in the domestic tea business driven by 9% volume growth and (2) 6% growth in the international business in INR terms partly aided by rupee depreciation.
EBITDA	2,351	1,667	2,254	(4.1)	35.3	
EBIT	2,060	1,362	1,959	(4.9)	43.9	
PBT	2,181	1,955	2,074	(4.9)	6.1	
Reported PAT	1,679	1,697	1,270	(24.4)	(25.2)	We model 260 bps decline in standalone EBITDA margin due to RM inflation and higher A&SP in the domestic tea business. We expect consolidated EBITDA margin to decline 140 bps yoy.
Extraordinaries	406	(67)	—	(100.0)	(100.0)	
Adjusted PAT	1,273	1,765	1,270	(0.2)	(28.0)	
EPS (Rs/share)	2.0	2.8	2.0	(0.2)	(28.0)	
EBITDA margin (%)	13.6	9.5	12.2	-141 bps	271 bps	
United Breweries						
Net sales	11,971	15,260	14,013	17.1	(8.2)	We model 17% revenue growth aided by volume growth of 13% and 4% increase in net realization.
EBITDA	1,526	3,182	1,974	29.3	(38.0)	
EBIT	877	2,526	1,326	51.3	(47.5)	
PBT	791	2,523	1,346	70.2	(46.6)	
Reported PAT	474	1,638	848	79.0	(48.2)	We model strong 130 bps expansion in EBITDA margins aided by increase in gross margins, continued cost saving initiatives and operating leverage benefits.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	474	1,638	848	79.0	(48.2)	
EPS (Rs/share)	1.8	6.2	3.2	79.0	(48.2)	
EBITDA margin (%)	12.7	20.9	14.1	133 bps	-677 bps	
United Spirits						
Net sales	22,633	22,281	25,995	14.9	16.7	We model 15% net revenue growth led by 8.7% underlying volume growth. For this quarter, reported and underlying volume growth should be broadly similar given much of the low-end franchising impact is now in the base.
EBITDA	2,723	4,324	4,008	47.2	(7.3)	
EBIT	2,386	3,974	3,648	52.9	(8.2)	
PBT	1,964	3,808	3,510	78.7	(7.8)	
Reported PAT	1,347	2,587	3,116	131.4	20.5	RM softness and better mix should help gross margin expansion. This along with cost saving initiatives should drive strong EBITDA margin expansion. Lower interest expenses on account of deleveraging efforts to also help earnings growth.
Extraordinaries	(126)	—	800	NM	—	
Adjusted PAT	1,473	2,587	2,316	57.3	(10.5)	
EPS (Rs/share)	10.1	17.8	15.9	57.3	(10.5)	
EBITDA margin (%)	12.0	19.4	15.4	338 bps	-399 bps	
Varun Beverages						
Net sales	5,274	11,657	6,036	14.5	(48.2)	We expect 14.5% net revenue growth driven by 22% volume growth; reported revenue growth to be lower on account of high other operating income in the base quarter.
EBITDA	225	2,112	195	(13.0)	(90.7)	
EBIT	(655)	1,113	(832)	26.9	(174.7)	
PBT	(1,165)	648	(1,321)	13.4	(304.0)	
Reported PAT	(728)	423	(927)	27.3	(319.3)	With Dec-quarter being the seasonally weakest quarter for VBL, margins can be volatile. We model 100 bps yoy contraction in EBITDA margin due to higher acquisition-led operating costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	(728)	423	(927)	27.3	(319.3)	
EPS (Rs/share)	(4.0)	2.3	(5.1)	27.3	(319.3)	
EBITDA margin (%)	4.3	18.1	3.2	-103 bps	-1489 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	Change (%) qoq	Comments
Electric Utilities						
CESC						
Net sales	17,760	22,570	18,311	3.1	(18.9)	
EBITDA	3,840	5,480	3,980	3.6	(27.4)	We expect a subdued quarter as low growth in unit sales at 2,425 MU (+3.4% yoy, -18% qoq) will curtail overall return profile.
EBIT	2,750	4,370	2,827	2.8	(35.3)	
PBT	1,970	3,450	2,090	6.1	(39.4)	
Reported PAT	1,540	2,710	1,630	5.8	(39.9)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,540	2,710	1,630	5.8	(39.9)	Earning performance still does not reflect tariff increase in the absence of regulatory order.
EPS (Rs/share)	11.6	20.4	12.3	5.8	(39.9)	
EBITDA margin (%)	21.6	24.3	21.7	11 bps	-255 bps	
JSW Energy						
Net sales	19,932	24,308	22,256	11.7	(8.4)	
EBITDA	5,853	8,613	5,897	0.7	(31.5)	Sequential decline in generation to 5.2 BU (+6% yoy, -22% qoq) primarily attributable to lower generation from hydro capacities.
EBIT	3,446	5,681	2,962	(14.1)	(47.9)	
PBT	920	3,967	943	2.5	(76.2)	
Reported PAT	505	3,021	660	30.6	(78.1)	
Extraordinaries	(217)	178	—	(100.0)	(100.0)	
Adjusted PAT	722	2,843	660	(8.6)	(76.8)	Prices of imported coal are now up 3% yoy at US$97/ton, though we highlight that earnings in the base quarter did not see the full impact of spot prices of imported coal. Fuel cost will also be impacted by the 11% yoy depreciation of the rupee against the US Dollar.
EPS (Rs/share)	0.4	1.7	0.4	(8.6)	(76.8)	
EBITDA margin (%)	29.4	35.4	26.5	-287 bps	-894 bps	
NHPC						
Net sales	14,979	24,950	15,837	5.7	(36.5)	
EBITDA	7,843	15,966	8,531	8.8	(46.6)	Strong generation growth (+22% yoy) will aid earnings for the quarter through higher incentive income compared to 3QFY18.
EBIT	4,374	11,922	4,485	2.5	(62.4)	
PBT	9,492	14,930	6,896	(27.4)	(53.8)	
Reported PAT	6,879	12,185	5,034	(26.8)	(58.7)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	6,879	12,185	5,034	(26.8)	(58.7)	Yoy decline in net profits should be seen in the context of interim dividend of Rs2.7 bn from NHDC as well as a late payment surcharge of Rs2 bn in 3QFY18.
EPS (Rs/share)	0.6	1.1	0.5	(26.8)	(58.7)	
EBITDA margin (%)	52.4	64.0	53.9	151 bps	-1013 bps	
NTPC						
Net sales	207,744	222,611	232,404	11.9	4.4	
EBITDA	52,770	55,924	63,102	19.6	12.8	Generation growth of 3.4% yoy to 70 BU reflects (1) asset commercialization of 1.9 GW in trailing twelve months and (2) improved demand during the quarter.
EBIT	33,956	37,039	43,171	27.1	16.6	
PBT	25,848	30,038	35,856	38.7	19.4	
Reported PAT	23,608	24,252	27,251	15.4	12.4	
Extraordinaries	5,630	—	—	(100.0)	—	
Adjusted PAT	17,978	24,252	27,251	51.6	12.4	Improved plant availability likely to address fixed charge under-recovery of Rs8.2 bn in 1HFY19.
EPS (Rs/share)	2.2	2.9	3.3	51.6	12.4	
EBITDA margin (%)	25.4	25.1	27.2	175 bps	203 bps	
Power Grid						
Net sales	75,070	86,880	88,298	17.6	1.6	
EBITDA	67,383	73,774	75,765	12.4	2.7	Revenue growth (17.6% yoy) aided by aggressive capitalization of Rs223 bn in trailing 12 months.
EBIT	44,197	48,291	49,427	11.8	2.4	
PBT	27,424	29,265	30,109	9.8	2.9	
Reported PAT	21,428	23,095	23,787	11.0	3.0	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	21,428	23,095	23,787	11.0	3.0	We factor asset capitalization of Rs55 bn in 3QFY19 compared to Rs47 bn of asset capitalization in 2QFY19 and Rs60 bn of asset capitalization in 3QFY18.
EPS (Rs/share)	4.1	4.4	4.5	11.0	3.0	
EBITDA margin (%)	89.8	84.9	85.8	-396 bps	89 bps	
Tata Power						
Net sales	18,418	19,218	20,097	9.1	4.6	
EBITDA	5,322	6,668	8,027	50.8	20.4	Decline in standalone PAT should be seen in the context of deferred tax asset of Rs2.8 bn created in 3QFY18.
EBIT	3,703	5,090	6,416	73.3	26.1	
PBT	2,791	3,192	4,610	65.2	44.4	
Reported PAT	5,243	2,654	3,227	(38.5)	21.6	
Extraordinaries	220	(329)	—	(100.0)	(100.0)	
Adjusted PAT	5,023	2,983	3,227	(35.8)	8.2	Losses at Mundra will likely reduce sequentially due to implementation of six-monthly tariff review that will take cognizance of increased fuel cost.
EPS (Rs/share)	1.9	1.1	1.2	(35.8)	8.2	
EBITDA margin (%)	28.9	34.7	39.9	1104 bps	524 bps	
Fertilizers & Agricultural Chemicals						
Bayer Cropscience						
Net sales	4,797	11,041	5,373	12.0	(51.3)	
EBITDA	226	2,186	105	(53.7)	(95.2)	We expect 12% yoy growth in revenues from a low-inventory base of the previous quarter.
EBIT	142	2,102	14	(90.2)	(99.3)	
PBT	119	2,164	85	(28.5)	(96.1)	
Reported PAT	107	1,427	55	(48.3)	(96.1)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	107	1,427	55	(48.3)	(96.1)	We assume EBITDA margins at 1.9% in a seasonally weak quarter.
EPS (Rs/share)	3.1	41.6	1.6	(48.3)	(96.1)	
EBITDA margin (%)	4.7	19.8	1.9	-277 bps	-1786 bps	
Dhanuka Agritech						
Net sales	2,215	3,834	2,381	7.5	(37.9)	
EBITDA	353	756	362	2.4	(52.2)	We expect slower 7.5% yoy growth in revenues due to likely weaker off-take of volumes in a subdued Rabi season.
EBIT	317	724	330	4.1	(54.5)	
PBT	361	746	353	(2.1)	(52.7)	
Reported PAT	286	550	258	(9.9)	(53.2)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	286	550	258	(9.9)	(53.2)	We expect EBITDA margins to decline by ~70 bps yoy to 15.2% due to higher RM costs and weaker rupee.
EPS (Rs/share)	5.8	11.2	5.2	(9.9)	(53.2)	
EBITDA margin (%)	15.9	19.7	15.2	-75 bps	-454 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	Change (%) qoq	Comments
Godrej Agrovet						
Net sales	12,207	15,884	13,631	11.7	(14.2)	
EBITDA	969	1,407	1,158	19.5	(17.7)	We expect revenues to grow by 12% yoy driven by strength across animal feeds, vegetable oil and crop protection segments.
EBIT	754	1,170	917	21.6	(21.6)	
PBT	698	1,124	882	26.3	(21.5)	
Reported PAT	496	942	597	20.3	(36.7)	
Extraordinaries	113	299	—	(100.0)	(100.0)	
Adjusted PAT	382	712	598	56.3	(16.1)	We expect 70 bps qoq moderation in EBIT margins to 6.7% in a seasonally-lean quarter for crop protection segment.
EPS (Rs/share)	2.0	3.7	3.1	56.3	(16.1)	
EBITDA margin (%)	7.9	8.9	8.5	55 bps	-37 bps	
Kaveri Seed						
Net sales	706	752	770	9.0	2.4	
EBITDA	97	79	110	12.9	39.6	We expect moderate 9% yoy growth in revenues in a seasonally weak quarter.
EBIT	40	32	60	50.3	89.1	
PBT	56	162	180	223.2	10.9	
Reported PAT	54	119	154	183.8	29.2	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	54	119	154	183.8	29.2	We expect EBITDA margins to expand by 50 bps yoy to 14.3% given rising share of high-margin fruits and vegetables seeds.
EPS (Rs/share)	0.8	1.9	2.3	183.8	23.4	
EBITDA margin (%)	13.8	10.5	14.3	49 bps	380 bps	
PI Industries						
Net sales	5,377	7,230	6,184	15.0	(14.5)	
EBITDA	1,048	1,346	1,181	12.7	(12.2)	We expect robust 15% yoy growth in revenues driven by expected recovery in CSM business.
EBIT	836	1,118	951	13.7	(14.9)	
PBT	983	1,228	1,056	7.4	(14.0)	
Reported PAT	806	944	824	2.2	(12.7)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	806	944	824	2.2	(12.7)	We expect ~50 bps qoq expansion in EBITDA margins to 19.1% led by higher share of exports.
EPS (Rs/share)	5.9	6.9	6.0	2.2	(12.7)	
EBITDA margin (%)	19.5	18.6	19.1	-39 bps	48 bps	
Rallis India						
Net sales	3,902	6,538	4,292	10.0	(34.4)	
EBITDA	375	1,234	395	5.5	(67.9)	We expect 10% yoy growth in revenues in a subdued Rabi season.
EBIT	255	1,114	275	7.9	(75.3)	
PBT	280	1,194	320	14.4	(73.2)	
Reported PAT	251	852	258	3.0	(69.7)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	251	852	258	3.0	(69.7)	We expect 40 bps yoy moderation in EBITDA margins to 9.2% in a seasonally weak quarter.
EPS (Rs/share)	1.3	4.4	1.3	3.0	(69.7)	
EBITDA margin (%)	9.6	18.9	9.2	-40 bps	-966 bps	
UPL						
Net sales	41,940	42,570	46,134	10.0	8.4	
EBITDA	8,290	8,390	9,227	11.3	10.0	We expect slower 10% yoy growth in revenues as strength in Latin America market may be offset by likely weakness in other key markets.
EBIT	6,600	6,580	7,402	12.1	12.5	
PBT	4,930	4,570	6,552	32.9	43.4	
Reported PAT	5,740	2,700	6,192	7.9	129.3	
Extraordinaries	980	(570)	750	(23.5)	NM	
Adjusted PAT	4,808	3,105	5,551	15.4	78.8	We expect EBITDA margins to remain healthy at 20%, notwithstanding volatility in forex movement.
EPS (Rs/share)	9.5	6.1	10.9	15.4	78.8	
EBITDA margin (%)	19.8	19.7	20.0	23 bps	29 bps	
Gas Utilities						
GAIL (India)						
Net sales	144,143	190,423	191,097	32.6	0.4	
EBITDA	21,362	29,026	24,559	15.0	(15.4)	We expect GAIL to report a sharp sequential decline in EBITDA led by lower contribution from gas marketing segment, which is in turn, due to adverse economics of US LNG volumes.
EBIT	17,695	25,520	20,732	17.2	(18.8)	
PBT	20,243	28,722	22,843	12.8	(20.5)	
Reported PAT	12,622	19,630	15,305	21.3	(22.0)	
Extraordinaries	(1,664)	250	—	(100)	(100)	We assume (1) steady gas transmission and marketing volumes at 106 mcm/d and 96 mcm/d and (2) modestly lower petchem volumes at 174K tons due to a planned shutdown.
Adjusted PAT	14,286	19,460	15,305	7.1	(21.4)	
EPS (Rs/share)	6.3	8.6	6.8	7.1	(21.4)	
EBITDA margin (%)	14.8	15.2	12.9	-197 bps	-240 bps	
GSPL						
Net sales	3,502	4,875	4,783	36.6	(1.9)	
EBITDA	2,971	4,054	4,034	35.8	(0.5)	We expect sequentially stable EBITDA as lower contribution from wind power segment will be offset by moderation in employee costs.
EBIT	2,529	3,618	3,583	41.7	(1.0)	
PBT	2,595	3,445	3,125	20.4	(9.3)	
Reported PAT	1,816	3,233	2,031	11.9	(37.2)	
Extraordinaries	—	1,108	—	NM	—	
Adjusted PAT	1,816	2,446	2,031	11.9	(17.0)	We assume (1) steady gas transmission volumes at 35 mcm/d and (2) stable regulated tariffs at Rs1.47/scm.
EPS (Rs/share)	3.2	4.3	3.6	11.9	(17.0)	
EBITDA margin (%)	84.8	83.2	84.3	-50 bps	117 bps	
Indraprastha Gas						
Net sales	11,839	14,215	14,552	22.9	2.4	
EBITDA	2,631	3,080	3,062	16.4	(0.6)	We expect IGL's EBITDA to increase by 16% yoy led by 8% growth in volumes and sharp expansion in gross margins.
EBIT	2,177	2,577	2,556	17.4	(0.8)	
PBT	2,499	2,903	2,897	15.9	(0.2)	
Reported PAT	1,812	2,084	1,892	4.4	(9.2)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,812	2,084	1,892	4.4	(9.2)	We assume (1) volumes at 5.7 mcm/d versus 5.3 mcm/d in 3QFY18 and (2) unit EBITDA at Rs5.8/scm versus Rs5.7/scm in 2QFY19 and Rs5.4/scm in 3QFY18.
EPS (Rs/share)	2.6	3.0	2.7	4.4	(9.2)	
EBITDA margin (%)	22.2	21.7	21.0	-118 bps	-63 bps	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Dec-17	Sep-18	Dec-18E	yoy	qoq	Comments
Mahanagar Gas						
Net sales	5,814	6,965	7,452	28.2	7.0	
EBITDA	2,009	2,269	2,289	13.9	0.9	We expect MGL to report 14% yoy growth in EBITDA led by 7% growth in volumes and expansion in gross margins based on favorable pricing action.
EBIT	1,741	1,961	1,977	13.5	0.8	
PBT	1,883	2,141	2,164	15.0	1.1	
Reported PAT	1,240	1,363	1,418	14.3	4.0	
Extraordinaries	—	(54)	—	—	(100.0)	We assume (1) overall volumes at 2.9 mcm/d versus 2.7 mcm/d in 3QFY18 and (2) unit EBITDA at Rs8.5/scm as compared to Rs8.3/scm in 2QFY19 and Rs8 in 3QFY18.
Adjusted PAT	1,240	1,398	1,418	14.3	1.4	
EPS (Rs/share)	12.6	14.2	14.4	14.3	1.4	
EBITDA margin (%)	34.6	32.6	30.7	-384 bps	-187 bps	
Petronet LNG						
Net sales	77,571	107,453	110,787	42.8	3.1	
EBITDA	8,474	9,047	8,477	0.0	(6.3)	We expect steady EBITDA and net income on a yoy basis as 5% yoy decline in volumes will be offset by escalation in blended tariffs.
EBIT	7,435	8,010	7,427	(0.1)	(7.3)	
PBT	7,482	8,876	8,152	9.0	(8.2)	
Reported PAT	5,288	5,629	5,299	0.2	(5.9)	
Extraordinaries	—	(210—)	—	NM	—	We assume LNG re-gasification volumes at 212.2 tn BTUs as compared to 217 tn BTUs in 2QFY19 and 223 tn BTUs in 3QFY18.
Adjusted PAT	5,288	5,766	5,299	0.2	(8.1)	
EPS (Rs/share)	3.5	3.8	3.5	0.2	(8.1)	
EBITDA margin (%)	10.9	8.4	7.7	-328 bps	-77 bps	
Health Care Services						
Apollo Hospitals						
Net sales	21,393	24,006	24,586	14.9	2.4	We expect revenue growth of 15% yoy driven by 9% growth in healthcare business and 21% yoy growth in pharmacy business. Within healthcare, we expect existing centers to grow in high single digits with new centers' contribution driving incremental growth. We expect 21% growth in standalone pharmacy business driven by aggressive expansion of store network. Revenues are not strictly comparable yoy due to accounting changes in revenue reporting for healthcare and AHLL division.
EBITDA	2,172	2,718	2,626	20.9	(3.4)	
EBIT	1,284	1,784	1,692	31.8	(5.1)	
Reported PAT	438	619	550	25.6	(11.1)	
Adjusted PAT	438	619	550	25.6	(11.1)	We expect consolidated EBITDA margins to decline 60 bps qoq to 10.7% as 3Q is a seasonally weak quarter. We expect 18.1% margins in healthcare business, 4.8% margin in pharmacy business and Rs180 mn EBITDA loss in AHLL business.
EBITDA margin (%)	10.2	11.3	10.7	52 bps	-65 bps	
Aster DM Healthcare						
Net sales	18,143	18,369	21,358	17.7	16.3	We expect revenues to grow by 18% yoy driven by 9% organic growth and rest led by INR depreciation.
EBITDA	1,715	1,255	2,250	31.2	79.3	
EBIT	1,031	496	1,492	44.7	200.5	
PBT	718	263	1,242	72.9	371.3	
Tax	—	102	120	—	18.1	We expect EBITDA to grow by 30% yoy as 3QFY18 was impacted by losses from commissioning of Sharjah and Doha facilities. We forecast 80% qoq growth in EBITDA as 3Q is a seasonally strong quarter for Aster and accounts for 25-27% of annual EBITDA.
Reported PAT	718	110	1,077	49.9	875.4	
Extraordinaries	—	(15)	—	—	(100.0)	
Adjusted PAT	—	110	1,077	—	875.4	
EPS (Rs/share)	—	0.2	—	—	(100.0)	
EBITDA margin (%)	9.5	6.8	10.5	107 bps	370 bps	
Dr Lal Pathlabs						
Net sales	2,627	3,175	3,021	15.0	(4.8)	
EBITDA	566	868	711	25.6	(18.1)	We expect revenues to grow at 15% yoy, primarily led by volume growth. We expect realizations to remain steady qoq and decline modestly yoy as bundled tests continue to grow in overall mix.
EBIT	486	774	617	26.9	(20.3)	
PBT	555	881	730	31.5	(17.2)	
Reported PAT	360	570	478	32.7	(16.2)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	360	570	478	32.7	(16.2)	We expect EBITDA margins to increase 200 bps yoy to 23.5%, though margins are likely to decline qoq by 380 bps as 3Q is a seasonally weak quarter.
EPS (Rs/share)	4.3	6.8	5.7	32.7	(16.2)	
EBITDA margin (%)	21.5	27.3	23.5	198 bps	-381 bps	
HCG						
Net sales	2,063	2,453	2,409	16.8	(1.8)	
EBITDA	261	335	318	21.8	(5.2)	We expect revenues to increase by 17% yoy led by 9% yoy growth in mature centers along with ramp-up of newly set up facilities.
EBIT	78	129	111	42.2	(13.5)	
PBT	33	(87)	(56)	(268.1)	(36.3)	
Reported PAT	12	(65)	(51)	(522.1)	(21.7)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	12	(65)	(51)	(522.1)	(21.7)	We expect EBITDA margin to contract 40 bps qoq to 13.2% as 3Q is a seasonally weak quarter. Losses from new centers are likely to remain steady qoq at Rs30 mn.
EPS (Rs/share)	0.1	(0.8)	(0.6)	(522.1)	(21.7)	
EBITDA margin (%)	12.6	13.7	13.2	54 bps	-48 bps	
Narayana Hrudayalaya						
Net sales	5,538	7,113	7,005	26.5	(1.5)	
EBITDA	515	730	665	29.2	(8.9)	We expect revenues to increase by 26% yoy driven by (1) 12% yoy growth in existing hospitals business and (2) contribution from Cayman entity (acquired January 2018), which was not a part of NH in the base quarter. We expect mature facilities to grow at 10% yoy.
EBIT	280	390	325	16.3	(16.6)	
PBT	234	238	165	(29.6)	(30.5)	
Reported PAT	141	136	88	(37.6)	(35.2)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	141	136	88	(37.6)	(35.2)	We expect EBITDA margins to decline by 80 bps qoq to 9.5% (+20 bps qoq) as 3Q is a seasonally weak quarter. We expect losses from new centers to decline modestly by Rs15-20 mn qoq.
EPS (Rs/share)	0.7	0.7	0.4	(37.6)	(35.2)	
EBITDA margin (%)	9.3	10.3	9.5	20 bps	-77 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	qoq	Comments
Hotels & Restaurants						
Coffee Day Enterprises (coffee business only)						
Net sales	4,350	4,295	4,836	11.2	12.6	
EBITDA	715	756	832	16.5	10.1	Our revenue growth estimate bakes in (1) 30 net café additions qoq, (2) 3% increase in retail ASPD and (3) around 16% yoy growth in vending machine count.
EBIT	281	319	357	27.3	12.1	
PBT	160	140	277	73.8	98.6	
Reported PAT	101	81	186	84.9	128.1	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	101	81	186	84.9	128.1	We model 80 bps yoy expansion in EBITDA margin aided by better operating leverage (in CDGL).
EPS (Rs/share)	0.5	0.4	1.0	84.9	128.1	
EBITDA margin (%)	16.4	17.6	17.2	78 bps	-40 bps	
Jubilant Foodworks						
Net sales	7,952	8,814	9,179	15.4	4.1	
EBITDA	1,369	1,475	1,687	23.2	14.3	We model 12.5% SSG as the base starts getting tough; however, Everyday Value 99 offer should continue to help. We build in 20 Dominos store additions and 2 store additions in DD (net).
EBIT	976	1,091	1,292	32.4	18.4	
PBT	1,009	1,199	1,412	39.9	17.7	
Reported PAT	660	777	923	39.8	18.9	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	660	777	923	39.8	18.9	We expect EBITDA margin to expand 120 bps yoy, despite flat gross margins, aided by better leverage and cost saving initiatives.
EPS (Rs/share)	5.8	5.8	5.8	0.0	0.0	
EBITDA margin (%)	17.2	16.7	18.4	116 bps	163 bps	
Lemon Tree Hotels						
Net sales	1,324	1,287	1,376	3.9	6.9	
EBITDA	(402)	360	424	NM	17.9	
EBIT	(531)	228	285	NM	24.9	We factor ARR of Rs4,057/day (+3% qoq) and occupancy of 76%.
PBT	(711)	89	86	NM	(3.2)	
Reported PAT	(734)	57	61	NM	8.4	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	(734)	57	61	NM	8.4	Addition of 91 key property during the quarter will likely weigh on margins.
EPS (Rs/share)	(0.9)	0.1	0.1	NM	8.4	
EBITDA margin (%)	(30.4)	28.0	30.9	6124 bps	287 bps	
Internet Software & Services						
Info Edge						
Net sales	2,272	2,650	2,677	17.8	1.0	
EBITDA	788	825	782	(0.8)	(5.2)	We expect Naukri to report healthy revenue growth of 17% yoy driven by strong collections trend in 1HFY19; 99acres revenue growth will taper to ~25% on account of base effect.
EBIT	736	773	726	(1.3)	(6.1)	
PBT	956	1,048	993	3.9	(5.2)	
Reported PAT	533	781	745	39.6	(4.6)	
Extraordinaries	(169)	—	—	(100.0)	—	
Adjusted PAT	533	781	745	39.6	(4.6)	We expect EBITDA margins to decline sequentially due to higher employee expenses (salary hikes in 3QFY19) as well as higher advertisements spends across segments.
EPS (Rs/share)	4.4	6.4	6.1	39.6	(4.6)	
EBITDA margin (%)	34.7	31.1	29.2	-548 bps	-191 bps	
Just Dial						
Net sales	1,968	2,210	2,253	14.5	1.9	
EBITDA	466	575	521	11.9	(9.4)	Strong collections reported in 1HFY19 should drive an improvement in revenue growth trajectory to 14.5% yoy compared to 13.7% in 2QFY19.
EBIT	375	490	434	15.6	(11.5)	
PBT	401	674	634	58.0	(6.0)	
Reported PAT	286	484	451	57.8	(6.7)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	286	484	451	57.8	(6.7)	We expect EBITDA margins to decline sequentially on account of higher advertisement spends on commencement of TV advertising.
EPS (Rs/share)	4.2	7.2	6.7	57.8	(6.7)	
EBITDA margin (%)	23.7	26.0	23.1	-55 bps	-290 bps	
IT Services						
HCL Technologies						
Net sales	128,080	148,610	154,467	20.6	3.9	Decomposition of revenue growth is as follows: (1) organic constant currency revenue growth rate of 3%, (2) contribution from H&D International of US$21 mn or 1% and (3) cross-currency headwind of 70 bps. Growth will be led by—(1) large deal contribution in IMS business (+3.5% qoq) and (2) seasonal strength in IP business. We expect EBIT margin to increase 40 bps sequentially led by revenue uptick and sharp sequential growth from higher margin IP business.
EBITDA	29,636	34,873	36,899	24.5	5.8	
EBIT	25,089	29,561	31,420	25.2	6.3	
PBT	27,726	32,039	32,989	19.0	3.0	
Reported PAT	21,931	25,256	25,567	16.6	1.2	
Extraordinaries	—	—	—	—	—	Expect company to maintain 9.5-11.5% c/c revenue growth guidance. Organic revenue growth for FY2019 will be higher than the earlier expected 5.25%. Expect investor focus on (1) products business strategy in light of aggressive acquisitions, (2) synergies in services business from product acquisitions, (3) deal momentum in IMS and (4) measures to turn around underperforming applications business.
Adjusted PAT	21,931	25,256	25,567	16.6	1.2	
EPS (Rs/share)	15.5	17.9	18.1	16.6	1.2	
EBITDA margin (%)	23.1	23.5	23.9	74 bps	42 bps	
Hexaware Technologies						
Net sales	10,048	12,096	12,448	23.9	2.9	We expect c/c revenue growth of 2.6% sequentially. Growth will be led by ramp-up of deal wins that missed execution in the previous quarter. We expect 70 bps decline in EBIT margin- 50 bps from wage hike and rest from large deal transition costs and measures to boost onsite talent supply partially offset by operational efficiencies.
EBITDA	1,599	2,023	2,039	27.5	0.8	
EBIT	1,440	1,864	1,830	27.1	(1.8)	
PBT	1,572	2,128	1,888	20.1	(11.3)	
Reported PAT	1,211	1,721	1,520	25.5	(11.7)	We expect the company to guide for 11-13% revenue growth in c/c for CY2019E. Expect investor focus on ((1) demand fulfillment challenges onsite. Hexaware had called out talent supply shortage onsite in the last quarter, (2) ramp-up of large deals that were delayed in the last quarter due to unseasonal furloughs and talent shortage, (3) momentum in TCVs of net new business and (4) macro outlook and demand environment for CY2019.
Extraordinaries	—	(1)	—	—	(100.0)	
Adjusted PAT	1,211	1,722	1,520	25.5	(11.7)	
EPS (Rs/share)	4.0	5.7	5.1	25.5	(11.7)	
EBITDA margin (%)	15.9	16.7	16.4	46 bps	-35 bps	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Dec-17	Sep-18	Dec-18E	yoy	qoq	Comments
Infosys						
Net sales	177,940	206,090	209,239	17.6	1.5	We expect constant currency revenue growth of 1.2% and cross-currency headwind of 70 bps. 3Q is a seasonally weak quarter. We do not model revenue flow from a large deal signed in September 2018 quarter. We expect EBIT margin to decline marginally as measures to curb attrition through retention bonuses and investments in sales and digital competencies pick pace. Expect Infosys to tighten c/c revenue growth guidance to 7-8% from 6-8% band but maintain margin band of 22-24%. Net profit growth is muted on yoy comparison due to lower treasury income after company completed buyback of shares in December 2017 quarter.
EBITDA	48,170	53,570	54,198	12.5	1.2	
EBIT	43,190	48,940	49,383	14.3	0.9	
PBT	52,810	56,330	55,438	5.0	(1.6)	
Reported PAT	51,290	41,100	40,331	(21.4)	(1.9)	Progress on catch-up with competition on digital competencies will be keenly tracked. The company has made solid progress in large deal signings and seems to be taking steps in turning around consulting business through high profile hires from competition. We expect investor focus on (1) TCV of deal wins that has started looking up, (2) progress on curbing attrition that seems to have reached worrying levels, (3) progress in service line like BPO and IMS, where the company trails competition and (4) pricing outlook especially in light of fears that the company has focused on 'growth-at-any-cost' approach.
Extraordinaries	14,320	—	—	(100.0)	—	
Adjusted PAT	36,970	41,100	40,331	9.1	(1.9)	
EPS (Rs/share)	8.1	9.4	9.3	14.8	(1.9)	
EBITDA margin (%)	27.1	26.0	25.9	-117 bps	-10 bps	
L&T Infotech						
Net sales	18,838	23,312	24,276	28.9	4.1	We expect c/c revenue growth of 4.2% and cross-currency headwind of 50 bps. Revenue growth will be led by financial services, CPG and pharma clients. We expect 70 bps decline in EBIT margin as the company reinvests the currency gains in localization and competency development.
EBITDA	3,216	4,790	4,840	50.5	1.0	
EBIT	2,813	4,422	4,442	57.9	0.4	
PBT	3,695	5,391	4,692	27.0	(13.0)	
Reported PAT	2,827	4,028	3,519	24.5	(12.6)	Translation losses will offset by hedging gains in the quarter. As a result, we do not expect any FX gains in the quarter. December 2017 and September 2018 quarter had forex gains of Rs772 mn and Rs711 mn respectively. Expect investor focus on (1) demand outlook, (2) large deal momentum, (3) capital allocation, (4) M&A strategy and (5) status of the hedge book after the recent rupee appreciation.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,827	4,028	3,519	24.5	(12.6)	
EPS (Rs/share)	16.2	22.6	19.7	22.2	(12.6)	
EBITDA margin (%)	17.1	20.5	19.9	286 bps	-62 bps	
Mindtree						
Net sales	13,777	17,554	17,866	29.7	1.8	We expect revenue growth of 2.3% in constant currency. Expect cross-currency headwind of 50 bps. Growth will be impacted by usual year-end furloughs. We expect EBITDA margin increase of 50 bps sequentially even as the company has guided for stable margin. Note that previous quarter margin was impacted by investments in hiring of senior level resources. We do not expect the pace of this investment to continue.
EBITDA	2,074	2,699	2,847	37.3	5.5	
EBIT	1,655	2,296	2,414	45.9	5.1	
PBT	1,668	2,819	2,385	43.0	(15.4)	
Reported PAT	1,415	2,063	1,760	24.4	(14.7)	
Extraordinaries	—	—	—	—	—	We expect deal momentum to continue and forecast solid TCVs. We expect investor focus on (1) deal wins and pipeline and (2) composition of growth especially given the heavy reliance on top client for growth.
Adjusted PAT	1,415	2,063	1,760	24.4	(14.7)	
EPS (Rs/share)	8.6	12.6	10.7	24.4	(14.7)	
EBITDA margin (%)	15.1	15.4	15.9	88 bps	55 bps	
Mphasis						
Net sales	16,607	19,149	20,226	21.8	5.6	We expect c/c revenue growth of 3.4%. We expect EBIT margin decline of 60-70 bps due to wage hike that is spread over the next quarter, normalization of G&A expenses and impact from large deal transition costs partially offset by operational efficiencies.
EBITDA	2,713	3,329	3,378	24.5	1.5	
EBIT	2,537	3,145	3,191	25.8	1.4	
PBT	2,862	3,586	3,605	25.9	0.5	
Reported PAT	2,121	2,710	2,668	25.8	(1.5)	
Extraordinaries	—	—	—	—	—	Investor focus will remain on (1) deal wins in direct channel and confidence on sustenance of growth in direct core and DXC channel, (2) outlook for Digital Risk, (3) qualitative outlook on deal wins from Blackstone portfolio companies, (4) commentary on hedges and its impact on margins in FY2019 and (5) macro outlook.
Adjusted PAT	2,121	2,710	2,668	25.8	(1.5)	
EPS (Rs/share)	11.0	14.0	13.8	25.8	(1.5)	
EBITDA margin (%)	16.3	17.4	16.7	36 bps	-69 bps	
TCS						
Net sales	309,040	368,540	375,476	21.5	1.9	We expect constant currency (c/c) revenue growth of 1.8% and cross-currency headwind of 70 bps. Most verticals are performing well; growth will be led by general demand buoyancy. Expect EBIT margin expansion of 40 bps led by operational efficiencies. Net profit growth is an impressive 25% led by acceleration in growth and currency tailwind.
EBITDA	82,880	102,780	106,488	28.5	3.6	
EBIT	77,810	97,710	100,988	29.8	3.4	
PBT	86,450	103,640	109,595	26.8	5.7	
Reported PAT	65,310	79,010	82,237	25.9	4.1	
Extraordinaries	—	—	—	—	—	We expect investor focus on (1) impact of volatile macro on CY2019 demand and budgeting cycle (2) pipeline of large deals, (3) whether the company can deliver double-digit growth without the support of mega deals and (4) EBIT margin outlook and reinvestment plans of the recent currency windfall.
Adjusted PAT	65,310	79,010	82,237	25.9	4.1	
EPS (Rs/share)	17.1	20.6	21.7	27.4	5.3	
EBITDA margin (%)	26.8	27.9	28.4	154 bps	47 bps	
Tech Mahindra						
Net sales	77,760	86,299	88,456	13.8	2.5	Expect c/c revenue growth of 2.6% and cross-currency headwind of 75 bps. Telecom vertical will report c/c revenue growth of 4.5%, while enterprise segment growth will be marginal at 1%, impacted by furloughs. EBIT margin will increase 20 bps sequentially led largely by operational tightening. We forecast marginal forex loss as compared to gain of US$7.5 mn in the previous quarter.
EBITDA	12,647	16,187	16,749	32.4	3.5	
EBIT	9,905	13,243	13,720	38.5	3.6	
PBT	11,815	14,606	14,595	23.5	(0.1)	
Reported PAT	9,432	10,643	10,886	15.4	2.3	We expect TCV of deal wins to move back to US$300 mn range, down from US$500 mn in the previous quarter. We expect investors to focus on (1) demand outlook especially for telecom vertical in light of recently announced large deals, (2) health of enterprise business, (3) deal pipeline, (4) 5G opportunity and (5) M&A strategy and capital allocation.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	9,432	10,643	10,886	15.4	2.3	
EPS (Rs/share)	9.6	10.8	11.1	14.9	2.3	
EBITDA margin (%)	16.3	18.8	18.9	267 bps	17 bps	
Wipro						
Net sales	136,815	146,627	149,227	9.1	1.8	Wipro reorganized India business and moved out of India PSU & Government business, which contributed US$34 mn, from IT Services segment. Adjusted for this, we expect c/c revenue growth of 2.2% and cross-currency headwind of 70 bps. Revenue growth will be led by US$25 mn in incremental revenues from the Alight deal and among sectors by the financial services vertical. However, energy, healthcare and manufacturing verticals will drag growth. EBIT margin in September 2018 quarter was impacted by one-time settlement with National Grid; adjusted EBIT margin was 18%. EBIT margin of December 2017 quarter had one-time impact of customer insolvency; adjusted margin for this period was 17.2%.
EBITDA	25,064	24,673	31,026	23.8	25.8	
EBIT	19,775	20,347	26,435	33.7	29.9	
PBT	24,704	24,182	30,745	24.5	27.1	
Reported PAT	19,371	18,855	23,722	22.5	25.8	
Extraordinaries	—	—	—	—	—	We expect 20 bps qoq increase in margin led by full quarter benefit of cost rationalization initiatives of the previous quarter. Expect Wipro to guide to 1-3% revenue growth for March 2019 quarter. March is a seasonally strong quarter for the company. We expect investor focus on (1) sustainability of growth demonstrated in September 2018 quarter, (2) sustainability of margin especially after cost rationalization undertaken at acquired entities, (3) state of demand from weak utilities, healthcare and communications vertical, (4) impact of recent oil price correction on E&U demand and (5) performance of acquired entities.
Adjusted PAT	19,371	18,855	23,722	22.5	25.8	
EPS (Rs/share)	4.0	4.2	5.3	30.7	25.8	
EBITDA margin (%)	18.3	16.8	20.8	247 bps	396 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	Change (%) qoq	Comments
Media						
DB Corp.						
Net sales	5,986	5,821	6,502	8.6	11.7	We forecast 10% yoy growth in print advertisement revenues, much lower than our beginning-of-the-quarter expectations of mid-to-high teen growth. Benefits of weak base (ad revenues declined 6% in the base quarter), state elections in key markets (Chhattisgarh, MP and Rajasthan) and late festive season (Navratra in 3Q this year as against 2Q last year) were partly offset by underlying weakness in the print media ad market.
EBITDA	1,396	923	1,352	(3.1)	46.5	
EBIT	1,163	672	1,102	(5.2)	63.9	
PBT	1,191	696	1,157	(2.8)	66.4	
Reported PAT	781	462	764	(2.2)	65.4	
Extraordinaries	—	—	—	—	—	We expect decline in EBITDA margin, EBITDA and net profit on yoy basis due to impact of newsprint price inflation and investments in circulation expansion. We expect 40% yoy increase in RM costs led by newsprint price inflation and increase in copies. We note that newsprint prices have moderated a bit and we expect reduction in RM costs in a couple of quarters.
Adjusted PAT	781	462	764	(2.2)	65.4	
EPS (Rs/share)	4.3	2.6	4.4	2.6	65.4	
EBITDA margin (%)	23.3	15.9	20.8	-252 bps	493 bps	
DishTV						
Net sales	7,408	15,943	15,800	113.3	(0.9)	We expect Dish TV to report a weak quarter with marginal decline in revenues on qoq basis. We forecast muted net subscriber addition of 200K and ARPU decline of ~2% qoq partly due to confusion around implementation of TRAI tariff order.
EBITDA	2,006	5,406	5,300	164.3	(2.0)	
EBIT	158	1,731	1,650	941.7	(4.7)	
PBT	(185)	286	210	NM	(26.6)	
Reported PAT	(34)	197	120	NM	(39.2)	We expect EBITDA margin to decline 40 bps qoq to 33.5% largely due to revenue decline. Yoy financials are not comparable due to merger of Dish TV and Videocon d2h.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	(34)	197	120	NM	(39.2)	
EPS (Rs/share)	(0.0)	0.1	0.1	NM	(39.2)	
EBITDA margin (%)	27.1	33.9	33.5	647 bps	-37 bps	
Jagran Prakashan						
Net sales	5,981	5,535	6,280	5.0	13.5	We expect 4% yoy growth in print advertisement revenues, weak when viewed in context of late festive season (Navratra in 3Q this year as against 2Q last year). We model 12% yoy growth in radio revenues.
EBITDA	1,629	996	1,545	(5.1)	55.1	
EBIT	1,286	685	1,220	(5.1)	78.0	
PBT	1,318	703	1,237	(6.2)	75.9	
Reported PAT	848	421	781	(7.8)	85.6	We expect Jagran to restrict RM costs increase to 15% (versus about 30% yoy increase in newsprint price) due to proactive cuts in pagination and excess circulation. Nonetheless, EBITDA and net profit will decline on yoy basis due to weak growth in advertisement revenues and flattish circulation revenues.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	848	421	781	(7.8)	85.6	
EPS (Rs/share)	2.7	1.4	2.6	(3.1)	85.6	
EBITDA margin (%)	27.2	18.0	24.6	-263 bps	660 bps	
Sun TV Network						
Net sales	6,833	7,496	8,697	27.3	16.0	We forecast 7% yoy growth in advertisement revenues (including slot sales), significant underperformance versus industry led by share loss in Tamil. We expect 20%/20% yoy growth in domestic DTH/cable subscription revenues aided by ongoing digitization in the Tamil Nadu market. We model Rs925 mn revenues from the movie production business (nil in the base quarter) aided by success of Sun's Tamil movie, Sarkar.
EBITDA	3,954	4,891	4,749	20.1	(2.9)	
EBIT	3,776	4,721	4,579	21.3	(3.0)	
PBT	4,066	5,348	5,084	25.0	(4.9)	
Reported PAT	2,670	3,525	3,355	25.7	(4.8)	We model 18% EBITDA margin (or EBITDA of Rs175 mn) in the movie production business as we expect the entire cost of production of 'Sarkar' to be amortized/expensed in 3QFY19 along with Sun's share in theatrical collection. Monetization benefit from satellite and digital telecast will accrue over time. The yoy decline in EBITDA margin reflects margin dilution pertaining to movie production business (not present in the base quarter). Adjusted for the same, we expect 100 bps expansion in the underlying EBITDA margin led by healthy growth in domestic subscription revenues.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,670	3,525	3,355	25.7	(4.8)	
EPS (Rs/share)	6.8	8.9	8.5	25.7	(4.8)	
EBITDA margin (%)	57.9	65.2	54.6	-326 bps	-1065 bps	
Zee Entertainment Enterprises						
Net sales	18,381	19,759	21,771	18.4	10.2	We expect 20% yoy growth in advertisement revenues. The outperformance versus industry would be largely due to share gains in regional markets and contribution from ZEE5. We expect domestic subscription revenues to grow 20% yoy aided by catch-up revenues and phase-III monetization.
EBITDA	5,944	6,757	7,550	27.0	11.7	
EBIT	5,440	6,169	6,960	27.9	12.8	
PBT	5,477	6,483	7,410	35.3	14.3	
Reported PAT	3,743	3,861	4,892	30.7	26.7	We expect 230 bps yoy expansion in EBITDA margin notwithstanding higher investments in content and operating costs pertaining to digital platform. Adjusted PAT/EPS is excluding RPS impact. Investor focus will be on (1) progress of ZEE5 on operating metrics such as MAUs, DAUs and engagement time and (2) incremental commentary around promoter stake sale.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	4,222	4,081	5,132	21.6	25.8	
EPS (Rs/share)	4.4	4.2	5.3	21.6	25.8	
EBITDA margin (%)	32.3	34.2	34.7	233 bps	47 bps	
Metals & Mining						
Hindalco Industries						
Net sales	110,228	108,330	125,219	13.6	15.6	We estimate India EBITDA (including Utkal Alumina) to increase by 6% qoq to Rs18.2 bn (+16% yoy) led by increase in copper EBITDA to Rs5.3 bn (+38% qoq, +27% yoy) aided by higher volumes (106,000 tons, +34% qoq). We note that 2QFY19 volumes were lower due to plant shutdown.
EBITDA	13,117	10,907	11,408	(13.0)	4.6	
EBIT	9,295	6,906	7,387	(20.5)	7.0	
PBT	7,460	4,677	5,117	(31.4)	9.4	
Reported PAT	3,755	3,086	3,377	(10.1)	9.4	
Extraordinaries	(1,153)	—	—	(100.0)	—	We estimate aluminum EBITDA (including Utkal) to decline by 6% qoq to Rs12.8 bn (+8% yoy) due to 3% qoq decline in aluminum prices. We expect aluminum costs to marginally decline during the quarter.
Adjusted PAT	4,514	3,086	3,377	(25.2)	9.4	
EPS (Rs/share)	2.0	1.4	1.5	(25.2)	9.4	
EBITDA margin (%)	11.9	10.1	9.1	-279 bps	-96 bps	
Hindustan Zinc						
Net sales	59,220	47,770	56,328	(4.9)	17.9	We expect zinc production to increase 15% qoq to 187,000 tons (-7% yoy) from ramp-up of underground mining projects. We expect lead production to increase 14% qoq to 56,000 tons (+22% yoy) and silver production to increase 5% qoq to 180 tons (+37% yoy).
EBITDA	32,440	23,340	28,683	(11.6)	22.9	
EBIT	27,630	18,800	24,120	(12.7)	28.3	
PBT	30,440	22,740	27,158	(10.8)	19.4	
Reported PAT	22,300	18,150	20,640	(7.4)	13.7	
Extraordinaries	—	—	—	—	—	The increase in lead, silver production will be aided by ramp-up of ore production from SK mines. Net profits will be aided by (1) higher LME zinc prices (+4% qoq), and (2) relatively lower increase in costs.
Adjusted PAT	22,300	18,150	20,640	(7.4)	13.7	
EPS (Rs/share)	5.3	4.3	4.9	(7.4)	13.7	
EBITDA margin (%)	54.8	48.9	50.9	-386 bps	206 bps	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Dec-17	Sep-18	Dec-18E	yoy	qoq	Comments
Jindal Steel and Power						
Net sales	71,048	99,955	100,244	41.1	0.3	
EBITDA	16,065	21,469	19,152	19.2	(10.8)	We estimate JSP's steel EBITDA/ton to decline by 17% qoq to Rs9,200/ton (-6% yoy) due to (1) 2% qoq decline in steel realizations, and (2) increase in coking coal and iron ore costs. We model India steel deliveries of 1.33 mn tons (+4% qoq, +41% yoy).
EBIT	6,433	11,155	8,786	36.6	(21.2)	
PBT	(3,227)	911	(1,401)	(56.6)	(253.8)	
Reported PAT	(2,660)	3,437	(695)	(73.9)	(120.2)	
Extraordinaries	—	2,555	—	—	(100.0)	
Adjusted PAT	(2,660)	1,649	(695)	(73.9)	(142.1)	Jindal Power's generation increased 8% qoq to 2.6 bn units (-12% yoy) in 3QFY19. We estimate Jindal Power's EBITDA to increase 6% qoq to Rs3.2 bn (-10% yoy).
EPS (Rs/share)	(2.9)	1.8	(0.8)	(73.9)	(142.1)	
EBITDA margin (%)	22.6	21.5	19.1	-351 bps	-238 bps	
JSW Steel						
Net sales	178,610	215,520	212,878	19.2	(1.2)	
EBITDA	38,510	49,060	40,957	6.4	(16.5)	We estimate 3% qoq decline in steel realizations due to fall in steel prices. The impact on realizations will be higher on export sales due to fall in global steel prices (-9% qoq) compared to a moderate decline in domestic prices (2-3% qoq).
EBIT	29,990	39,320	31,169	3.9	(20.7)	
PBT	21,180	30,250	22,075	4.2	(27.0)	
Reported PAT	17,530	21,260	15,667	(10.6)	(26.3)	
Extraordinaries	3,080	—	—	(100.0)	—	Raw material costs will increase due to higher coking coal prices (+18% qoq). We estimate (1) EBITDA/ton to decline 19% qoq to Rs9,800/ton (+9% yoy) and (2) steel volumes to increase 2% qoq to 4 mn tons (+1% yoy).
Adjusted PAT	14,450	21,260	15,667	8.4	(26.3)	
EPS (Rs/share)	6.0	8.8	6.5	8.4	(26.3)	
EBITDA margin (%)	21.6	22.8	19.2	-233 bps	-353 bps	
National Aluminum Co.						
Net sales	23,888	30,409	25,436	6.5	(16.4)	
EBITDA	5,198	8,509	6,216	19.6	(27.0)	We expect net profits to decline due to fall in alumina (-17% qoq) and aluminum realizations (-3% qoq). We model alumina sales of 290,000 tons (-10% qoq, +13% yoy) and aluminum volumes of 108,000 tons (-6% qoq, -4% yoy).
EBIT	3,954	7,350	5,045	27.6	(31.4)	
PBT	4,715	8,246	5,950	26.2	(27.8)	
Reported PAT	7,218	5,100	3,891	(46.1)	(23.7)	
Extraordinaries	6,254	—	—	(100.0)	—	
Adjusted PAT	3,090	5,100	3,891	25.9	(23.7)	We expect marginal decline in cost aided by lower fuel oil prices, carbon costs and some improvement in availability of coal during the quarter.
EPS (Rs/share)	1.6	2.6	2.0	25.9	(23.7)	
EBITDA margin (%)	21.8	28.0	24.4	267 bps	-355 bps	
NMDC						
Net sales	24,690	24,379	32,285	30.8	32.4	
EBITDA	12,099	12,594	17,226	42.4	36.8	We expect iron ore sales to increase to 8.5 mn tons (+6% yoy, +27% qoq) led by higher volumes from Chhattisgarh mines. Karnataka iron ore volumes will decline due to closure of Donimalai mines from November 2018 onwards.
EBIT	11,327	11,919	16,544	46.1	38.8	
PBT	12,327	13,132	17,772	44.2	35.3	
Reported PAT	8,866	6,189	11,730	32.3	89.5	
Extraordinaries	1,449	—	—	(100.0)	—	We estimate blended realization to increase 4% qoq to Rs3,790/ton (+24% yoy) led by higher prices at Chhattisgarh mines. We estimate EBITDA/ton to increase 8% qoq to Rs2,020/ton (+35% yoy) led by higher realizations.
Adjusted PAT	7,910	6,365	11,730	48.3	84.3	
EPS (Rs/share)	2.5	2.0	3.7	48.3	84.3	
EBITDA margin (%)	49.0	51.7	53.4	435 bps	169 bps	
Tata Steel						
Net sales	334,466	435,441	434,007	29.8	(0.3)	
EBITDA	56,969	89,195	70,097	23.0	(21.4)	We estimate India steel realizations to decline by 2% qoq due to fall in global and domestic steel prices. We estimate India EBITDA/ton to decline by 17% qoq to Rs15,650/ton (+12% yoy) due to lower realizations and increase in coking coal costs.
EBIT	42,219	70,116	50,922	20.6	(27.4)	
PBT	31,205	52,130	32,846	5.3	(37.0)	
Reported PAT	12,944	36,042	22,234	71.8	(38.3)	
Extraordinaries	(11,156)	1,638	—	(100.0)	(100.0)	
Adjusted PAT	24,100	34,404	22,234	(7.7)	(35.4)	We estimate Europe EBITDA/ton to decline to US$50/ton (US$70/ton in 2QFY19) due to lower steel spreads. We estimate EBITDA of Bhushan Steel to decline by 12% qoq to Rs10.4 bn due to lower spreads.
EPS (Rs/share)	21.0	30.0	19.4	(7.7)	(35.4)	
EBITDA margin (%)	17.0	20.5	16.2	-89 bps	-434 bps	
Vedanta						
Net sales	243,610	227,050	234,738	(3.6)	3.4	We expect sequential increase in EBITDA due to (1) higher EBITDA at HZ (Rs28.7 bn, +23% qoq) aided by higher volumes, zinc prices and (2) increase in Zinc International EBITDA to Rs2 bn (Rs160 mn in 2QFY19) from higher volumes from existing mines and ramp-up of Gamsberg mine.
EBITDA	67,630	52,080	59,132	(12.6)	13.5	
EBIT	52,140	32,770	39,725	(23.8)	21.2	
PBT	44,810	22,980	29,264	(34.7)	27.3	
Reported PAT	20,530	13,430	13,744	(33.1)	2.3	
Extraordinaries	(1,580)	3,200	—	(100.0)	(100.0)	We expect (1) iron ore EBITDA to increase to Rs1.2 bn (Rs980 mn in 2QFY19) on higher Karnataka volumes post monsoons. We estimate EBITDA to decline for (1) oil & gas operations (Rs18.9 bn, -7% qoq), and (2) aluminum operations (Rs2.5 bn, -38% qoq) due to lower aluminum prices.
Adjusted PAT	22,110	11,350	13,744	(37.8)	21.1	
EPS (Rs/share)	5.9	3.1	3.7	(37.8)	21.1	
EBITDA margin (%)	27.8	22.9	25.2	-258 bps	225 bps	
Oil, Gas & Consumable Fuels						
BPCL						
Net sales	606,164	722,918	690,369	13.9	(4.5)	
EBITDA	31,882	24,194	388	(98.8)	(98.4)	We expect BPCL to report dismal EBITDA despite strength in underlying margins and forex gains of Rs6.8 bn, which will be offset by large adventitious/inventory loss of Rs37 bn.
EBIT	25,108	16,623	(7,124)	(128.4)	(142.9)	
PBT	30,380	18,727	(4,730)	(115.6)	(125.3)	
Reported PAT	21,437	12,187	(3,122)	(114.6)	(125.6)	
Extraordinaries	—	—	—	—	—	We assume (1) stable crude throughput at 7.7 mn tons, (2) flat yoy sales volumes at 10.7 mn tons and (3) higher normalized refining margins at US$4.5/bbl (+US$1.2/bbl qoq).
Adjusted PAT	21,437	12,187	(3,122)	(114.6)	(125.6)	
EPS (Rs/share)	10.9	6.2	(1.6)	(114.6)	(125.6)	
EBITDA margin (%)	5.3	3.3	0.1	-521 bps	-330 bps	
Coal India						
Net sales	207,085	207,127	217,950	5.2	5.2	
EBITDA	36,830	24,289	35,143	(4.6)	44.7	We expect 1% yoy volume growth with dispatches of 154 mn tons in 3QFY19.
EBIT	29,320	16,220	27,056	(7.7)	66.8	
PBT	46,102	51,178	56,110	21.7	9.6	
Reported PAT	30,050	30,861	37,593	25.1	21.8	
Extraordinaries	—	—	—	—	—	Blended realizations will improve to Rs1,415/ton in 3QFY19 compared to Rs1,358/ton in 3QFY18 on the back of increase in notified prices of coal as well as higher e-auction realizations.
Adjusted PAT	30,050	30,861	37,593	25.1	21.8	
EPS (Rs/share)	4.8	5.0	6.1	25.1	21.8	
EBITDA margin (%)	17.8	11.7	16.1	-167 bps	439 bps	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Dec-17	Sep-18	Dec-18E	yoy	qoq	Comments
HPCL						
Net sales	574,743	675,180	654,183	13.8	(3.1)	We expect HPCL to report dismal EBITDA despite strength in underlying margins and forex gains of Rs6.5 bn, which will be offset by large adventitious/inventory loss of Rs29 bn.
EBITDA	31,585	21,220	3,116	(90.1)	(85.3)	
EBIT	24,786	13,835	(4,237)	(117.1)	(130.6)	
PBT	28,631	15,962	(2,320)	(108.1)	(114.5)	
Reported PAT	19,497	10,920	(1,543)	(107.9)	(114.1)	We assume (1) qoq steady crude throughput to 4.7 mn tons, (2) flat yoy sales volumes at 9.2 mn tons and (3) higher normalized refining margins at US$4.2/bbl (+US$1.5/bbl qoq).
Extraordinaries	—	—	—	—	—	
Adjusted PAT	19,497	10,920	(1,543)	(107.9)	(114.1)	
EPS (Rs/share)	12.8	7.2	(1.0)	(107.9)	(114.1)	
EBITDA margin (%)	5.5	3.1	0.5	-502 bps	-267 bps	
IOCL						
Net sales	1,106,669	1,308,797	1,192,299	7.7	(8.9)	We expect IOCL to report negative EBITDA despite strength in underlying margins and forex gains of Rs19 bn, which will be offset by large adventitious/inventory loss at Rs127 bn across refining and marketing segments.
EBITDA	132,687	68,735	(36,081)	(127.2)	(152.5)	
EBIT	115,537	50,644	(53,932)	(146.7)	(206.5)	
PBT	122,522	49,172	(55,601)	(145.4)	(213.1)	
Reported PAT	78,832	32,469	(37,253)	(147.3)	(214.7)	We assume (1) 6% qoq increase in crude throughput to 18.8 mn tons, (2) flat yoy sales volumes at 20.9 mn tons and (3) higher underlying refining margins at US$4.5/bbl (+US$1/bbl qoq).
Extraordinaries	—	(1,115)	—	—	(100.0)	
Adjusted PAT	78,832	33,223	(37,253)	(147.3)	(212.1)	
EPS (Rs/share)	8.3	3.5	(3.9)	(147.3)	(212.1)	
EBITDA margin (%)	12.0	5.3	(3.0)	-1502 bps	-828 bps	
ONGC						
Net sales	229,959	279,892	272,550	18.5	(2.6)	We expect stable EBITDA qoq as lower crude realization at US$65/bbl (-US$8/bbl) will be offset by (1) weaker rupee, (2) higher domestic gas price and (3) higher LPG prices.
EBITDA	125,247	157,887	157,403	25.7	(0.3)	
EBIT	66,633	109,399	105,962	59.0	(3.1)	
PBT	74,800	127,050	118,351	58.2	(6.8)	
Reported PAT	50,147	82,646	76,940	53.4	(6.9)	We model 8% yoy decline in crude oil sales volumes to 4.54 mn tons and 6% growth in natural gas sales volumes to 5.05 bcm from own fields, based on production in recent months.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	50,147	82,646	76,940	53.4	(6.9)	
EPS (Rs/share)	3.9	6.4	6.0	53.4	(6.9)	
EBITDA margin (%)	54.5	56.4	57.8	328 bps	134 bps	
Oil India						
Net sales	28,526	37,436	34,890	22.3	(6.8)	We expect qoq stable EBITDA as lower crude realization at US$65.5/bbl (-US$8/bbl qoq), will be offset by a weaker rupee, higher gas price and forex gains; net profits will be boosted by dividends from IOCL.
EBITDA	12,745	15,178	15,060	18.2	(0.8)	
EBIT	8,684	11,090	10,422	20.0	(6.0)	
PBT	9,788	12,712	14,072	43.8	10.7	
Reported PAT	7,052	8,620	9,878	40.1	14.6	We model 1% yoy decline in crude oil sales volumes to 0.82 mn tons and 7% yoy growth in natural gas sales volumes to 0.65 bcm, based on production in recent months.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	7,052	8,620	9,878	40.1	14.6	
EPS (Rs/share)	5.9	7.2	8.2	40.1	14.6	
EBITDA margin (%)	44.7	40.5	43.2	-152 bps	261 bps	
Reliance Industries						
Net sales	998,100	1,433,230	1,388,907	39.2	(3.1)	We expect qoq decline in standalone EBITDA, as gains from a weaker rupee and higher petchem margins will be offset by sharp decline in refining margins to US$7/bbl (-US$2.5/bbl qoq); however, we expect modest increase in net profits due to favorable forex movement.
EBITDA	175,880	211,080	213,194	21.2	1.0	
EBIT	130,580	158,790	159,376	22.1	0.4	
PBT	131,810	131,970	135,964	3.2	3.0	
Reported PAT	94,230	95,160	96,270	2.2	1.2	We expect marginal increase in consolidated profits driven by higher contribution from Jio and retail; we estimate Jio's reported profits to increase to Rs9.5 bn in 3QFY19 from Rs6.8 bn in 2QFY19 supported by further increase in subscriber base to 286 mn (+34 mn).
Extraordinaries	—	—	—	—	—	
Adjusted PAT	94,230	95,160	96,270	2.2	1.2	
EPS (Rs/share)	15.9	16.1	16	2.1	1.2	
EBITDA margin (%)	17.6	14.7	15.3	-228 bps	62 bps	
Pharmaceuticals						
Aurobindo Pharma						
Net sales	43,361	47,514	49,581	14.3	4.4	We expect the US business to grow by US$5 mn qoq, reflecting scale-up in ertapenem, continued benefits in valsartan benefit, as well as volume growth in the base business. We expect the RoW business to grow by 14% yoy, and EU business to grow by 10% yoy, and do not factor in any recovery in ARV sales.
EBITDA	10,256	10,260	10,872	6.0	6.0	
EBIT	8,875	8,623	9,217	3.9	6.9	
PBT	8,944	8,266	9,167	2.5	10.9	
Reported PAT	5,950	6,114	7,150	20.2	16.9	
Extraordinaries	73	(397)	—	(100.0)	(100.0)	We expect EBITDA margins to expand 33 bps qoq to ~22% in the quarter, though, there is a potential for Rs200-250 mn hit on account of valsartan recall-related one-off charges. We expect EPS to grow 17% qoq and 20% yoy.
Adjusted PAT	5,950	6,114	7,150	20.2	16.9	
EPS (Rs/share)	10.2	10.5	12.2	20.2	16.9	
EBITDA margin (%)	23.7	21.6	21.9	-173 bps	33 bps	
Biocon						
Net sales	10,580	13,210	13,236	25.1	0.2	We expect revenue growth at 25% yoy driven by biologics (~85% yoy; -8% qoq) given the benefits of recent US (Fulphila) and EU launches (Semglee and Hulio). We expect small molecules and research services to have steady growth (~15% for both) and expect domestic formulations to grow 10% yoy.
EBITDA	2,218	3,396	2,946	32.8	(13.2)	
EBIT	1,240	2,270	1,782	43.7	(21.5)	
PBT	1,432	2,626	2,132	48.9	(18.8)	
Reported PAT	919	3,547	1,299	41.4	(63.4)	
Extraordinaries	—	1,707	—	—	(100.0)	We expect 22.3% EBITDA margin in the quarter (-340 bps qoq) given qoq decline in Fulphila profit share, which had a benefit of stocking in 2QFY19. We expect EPS to grow 41% yoy and decline 29% qoq.
Adjusted PAT	919	1,840	1,299	41.4	(29.4)	
EPS (Rs/share)	1.5	3.1	2.2	41.2	(29.4)	
EBITDA margin (%)	21.0	25.7	22.3	129 bps	-345 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	Change (%) qoq	Comments
Cipla						
Net sales	39,138	40,119	40,010	2.2	(0.3)	We expect domestic formulations growth to be muted with 7% yoy growth, given the late onset of respiratory season. We expect US to grow US$7 mn to US$115 mn in the quarter, as we expect the DTM business to benefit from scale-up in key existing products including diclofenac gel, and also benefit from newer launches such as albendazole. We expect South Africa, Global access and RoW to remain under pressure, declining 10%, 29% and 15% yoy, due to lower tender revenues, as well as impact on Iran sales due to sanctions.
EBITDA	8,187	7,022	7,147	(12.7)	1.8	
EBIT	2,963	4,203	4,297	45.0	2.2	
PBT	3,401	5,085	4,897	44.0	(3.7)	
Reported PAT	4,005	3,771	3,635	(9.2)	(3.6)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	4,005	3,771	3,635	(9.2)	(3.6)	We expect EBITDA margins to expand 35 bps qoq to 17.9% (-300 bps yoy) and R&D expenses are likely to remain at 7.7% of sales.
EPS (Rs/share)	5.0	4.7	4.5	(9.2)	(3.6)	
EBITDA margin (%)	20.9	17.5	17.9	-306 bps	35 bps	
Dr Reddy's Laboratories						
Net sales	38,060	38,175	38,980	2.4	2.1	We expect US business to grow US$8 mn qoq, given seasonally stronger quarter for injectables stocking, and some benefits of propofol launch, offset by continued erosion in metoprolol sales. We forecast 12% yoy growth for India, while we expect Russia/CIS to grow 19% yoy with CIS benefitting from a favorable base effect as well. We expect proprietary products to continue with the sluggish trends with only 6% qoq growth off a low base.
EBITDA	7,667	7,600	7,887	2.9	3.8	
EBIT	4,696	4,602	4,807	2.4	4.5	
PBT	5,860	5,868	5,357	(8.6)	(8.7)	
Reported PAT	3,344	5,235	4,093	22.4	(21.8)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	3,344	5,235	4,093	22.4	(21.8)	We expect gross margins likely to remain stable at ~55.3% in the quarter. We expect EBITDA margins to expand to 20.2%, benefitting from cost control in SG&A (flat qoq), offset by higher R&D spend. We expect EPS to grow 22% yoy but decline 22% qoq due to one-time facility and product divestiture gains as well as lower tax rate in 2QFY19.
EPS (Rs/share)	20.1	31.5	24.7	22.4	(21.8)	
EBITDA margin (%)	20.1	19.9	20.2	8 bps	32 bps	
Laurus Labs						
Net sales	4,789	5,883	5,955	24.3	1.2	We expect ARV API's to grow at 16% yoy (-4% qoq), while Hep-C should be relatively stable. We expect ingredients and synthesis to grow strongly at 12% and 38% yoy respectively. We expect US formulations to have only a modest contribution in the quarter (Rs70 mn).
EBITDA	873	757	989	13.2	30.6	
EBIT	564	359	594	5.3	65.4	
PBT	486	218	414	(14.8)	89.9	
Reported PAT	349	162	310	(11.0)	91.5	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	349	383	531	52.2	38.8	We expect gross margins to improve to 47% (+50 bps qoq) helped by product mix, with partial benefits of shift in intermediate source (full benefit likely in 4QFY19), and expect EBITDA margins to expand 370 bps qoq to 16.6%.
EPS (Rs/share)	3.3	3.6	5.0	52.2	38.8	
EBITDA margin (%)	18.2	12.9	16.6	-164 bps	373 bps	
Lupin						
Net sales	39,756	39,511	41,756	5.0	5.7	We expect US business to grow US$15 mn qoq, given a stable base business, and seasonal improvements in the cephs portfolio as well as Tamiflu sales. Our estimates also include US$3 mn qoq growth in Solosec. We expect the domestic business to grow 13% yoy, South Africa and Europe to grow 10% yoy, and Japan to grow 7% given currency benefits. Our estimates also include recognition of US$30 mn milestone from AbbVie on recent out-licensing of MALT1 program.
EBITDA	6,883	5,496	8,139	18.2	48.1	
EBIT	4,080	2,842	5,464	33.9	92.3	
PBT	3,824	4,415	6,214	62.5	40.7	
Reported PAT	2,222	2,686	2,110	(5.1)	(21.5)	
Extraordinaries	—	—	(3,200)	—	—	We expect core EBITDA margins to expand by 130 bps qoq to 15.2%, as benefits of US scale-up and cost control will be partly offset by upfront costs of Solosec launch. We expect EPS to decline 5% yoy, and 21% qoq, as we also include an exceptional loss of €40 mn on perindopril litigation in the EU. Adjusting for the milestone income and perindopril-related charges, we expect core EPS to grow 30% yoy and decline 6% qoq.
Adjusted PAT	2,222	2,686	2,110	(5.1)	(21.5)	
EPS (Rs/share)	4.9	6.0	4.7	(5.1)	(21.5)	
EBITDA margin (%)	17.3	13.9	19.5	217 bps	558 bps	
Sun Pharmaceuticals						
Net sales	66,532	69,376	75,082	12.9	8.2	We expect Taro revenues to grow US$4 mn qoq. We expect SUNP's ex-Taro US revenues to jump by US$10 mn qoq, factoring in some base business recovery, with minimal contribution from Ilumya. We expect domestic business to grow at 11% yoy. We expect RoW sales to grow by 9% yoy.
EBITDA	14,534	15,312	16,154	11.1	5.5	
EBIT	11,141	11,047	11,754	5.5	6.4	
PBT	11,479	13,263	12,754	11.1	(3.8)	
Reported PAT	3,654	(2,188)	9,446	158.5	NM	We expect EBITDA margins to decline 60 bps qoq to 21.5%, reflecting the launch costs for Ilumya, as well as higher R&D spend (7.3% of sales). We expect base Taro EBITDA margins to decline 50 bps in the quarter and expect ex-Taro EBITDA margin at 17.8%. We expect EPS to grow 8% yoy, and decline 5% qoq (adjusted for exceptional in 2QFY19).
Extraordinaries	—	(12,144)	—	—	(100.0)	
Adjusted PAT	8,784	9,956	9,446	7.5	(5.1)	
EPS (Rs/share)	3.7	4.1	3.9	7.5	(5.1)	
EBITDA margin (%)	21.8	22.1	21.5	-33 bps	-56 bps	
Torrent Pharmaceuticals						
Net sales	14,770	18,940	19,957	35.1	5.4	Yoy comparisons will be strictly not valid, given the benefit of Unichem acquisition. We expect TRP to report 35% yoy growth (5% qoq growth), largely driven by the domestic business, where we expect sharp 43% growth, helped by continued market growth and full quarter consolidation of the Unichem business (~Rs2.3 bn revenues). We expect LatAm to decline 20% yoy, and expect other branded markets to grow by 20%. We expect Europe to be grow at 12% yoy, and expect US to grow by US$2 mn qoq.
EBITDA	3,590	4,730	5,400	50.4	14.2	
EBIT	2,650	3,210	3,850	45.3	19.9	
PBT	2,590	2,050	2,850	10.0	39.0	
Reported PAT	580	1,790	2,109	263.6	17.8	
Extraordinaries	1,560	—	—	—	—	We expect EBITDA margins to expand 200 bps qoq to 27.1% due to continued focus on Unichem synergies with EBITDA growing by 50%. Adjusting for tax and acquisition related one-off charges in 3QFY18, we expect EPS to decline modestly by 1.5% yoy due to high Unichem related amortization charges from 4QFY18 (~Rs1.05 bn quarterly).
Adjusted PAT	2,140	1,790	2,109	(1.5)	17.8	
EPS (Rs/share)	12.7	10.6	12.5	(1.5)	17.8	
EBITDA margin (%)	24.3	25.0	27.1	274 bps	208 bps	
Real Estate						
Brigade Enterprises						
Net sales	4,239	8,259	8,477	100.0	2.6	
EBITDA	1,593	2,188	2,236	40.4	2.2	We estimate revenue recognition of Rs6.9 bn at 26% EBITDA margin, though revenue is not comparable with the same period last year.
EBIT	1,226	1,849	1,897	54.7	2.6	
PBT	688	1,329	1,313	90.9	(1.2)	
Reported PAT	423	683	842	98.8	23.2	
Extraordinaries	—	—	—	—	—	We estimate strong growth in hospitality and leasing segment with revenues of Rs1.6 bn (+27% yoy) on the back of stabilization of new hotel properties as well as incremental lease revenues.
Adjusted PAT	427	686	842	97.0	22.8	
EPS (Rs/share)	3.1	5.0	6.5	106.5	29.1	
EBITDA margin (%)	37.6	26.5	26.4	-1119 bps	-11 bps	
DLF						
Net sales	16,937	21,390	22,313	31.7	4.3	
EBITDA	7,013	6,593	6,955	(0.8)	5.5	Numbers are not comparable on a yoy basis owing to (1) low residential sales in the development business, (2) line-by-line accounting for earnings from DCCDL and (3) extraordinary profits accounted towards the end of the quarter owing to sale of stake in DCCDL.
EBIT	5,233	6,040	6,573	25.6	8.8	
PBT	(1,717)	2,735	3,091	NM	13.0	
Tax	42,876	1,393	927	(97.8)	(33.4)	
Reported PAT	40,874	3,732	4,827	(88.2)	29.3	
Extraordinaries	85,693	—	—	(100.0)	—	
Adjusted PAT	41,003	3,743	4,827	(88.2)	29.0	We factor earnings contribution of Rs2.6 bn from DCCDL on overall rental revenues of Rs10 bn.
EPS (Rs/share)	23.0	2.1	2.7	(88.3)	28.7	
EBITDA margin (%)	41.4	30.8	31.2	-1024 bps	34 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	Change (%) qoq	Comments
Godrej Properties						
Net sales	6,270	3,933	5,816	(7.2)	47.9	New launch activity to propel sales as only six out 18 planned projects launched in 1HFY19.
EBITDA	462	(116)	649	40.4	NM	
EBIT	420	(151)	602	43.5	NM	
PBT	515	172	371	(28.0)	115.9	
Reported PAT	259	206	260	0.1	26.2	Earnings not comparable to prior periods due to change in accounting to project completion method.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	259	204	260	0.4	27.1	
EPS (Rs/share)	1.2	0.9	1.1	(7.9)	23.5	
EBITDA margin (%)	7.4	(3.0)	11.2	378 bps	1411 bps	
Oberoi Realty						
Net sales	3,562	5,921	6,077	70.6	2.6	Residential revenues of Rs5 bn (+100% yoy) due to revenue recognition of projects in Mulund and Borivali.
EBITDA	1,926	2,958	2,973	54.3	0.5	
EBIT	1,804	2,849	2,863	58.7	0.5	
PBT	1,828	3,067	2,913	59.4	(5.0)	
Reported PAT	1,192	2,127	2,039	71.0	(4.1)	Investment properties (hotel and commercial) will yield revenues of Rs1 bn (+6.4% yoy) with incremental contribution on account of improved occupancy at Commerz II.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,202	2,138	2,051	70.7	(4.1)	
EPS (Rs/share)	3.5	6.3	6.0	69.5	(4.7)	
EBITDA margin (%)	54.1	50.0	48.9	-516 bps	-105 bps	
Prestige Estates Projects						
Net sales	12,723	13,225	13,320	4.7	0.7	We estimate residential project completion of Rs11.4 bn, though the same is not comparable with previous year's figure due to change in accounting methodology.
EBITDA	2,543	3,660	3,120	22.7	(14.8)	
EBIT	2,138	2,901	2,358	10.3	(18.7)	
PBT	1,450	1,434	794	(45.3)	(44.6)	
Reported PAT	1,006	1,046	492	(51.1)	(53.0)	Investment properties to yield rental income of Rs1.8 bn (+12% yoy).
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,006	1,046	492	(51.1)	(53.0)	
EPS (Rs/share)	0.3	0.3	0.1	(62.7)	(64.1)	
EBITDA margin (%)	20.0	27.7	23.4	343 bps	-426 bps	
Sobha						
Net sales	6,919	6,587	7,200	4.1	9.3	We estimate residential sales completion of Rs4.8 bn for the quarter on delivery of 0.9 mn sq. ft.
EBITDA	1,375	1,402	1,692	23.1	20.7	
EBIT	1,238	1,248	1,406	13.5	12.6	
PBT	825	891	925	12.1	3.8	
Reported PAT	534	614	648	21.3	5.5	We factor sales of Rs2.4 bn from EPC business with EBITDA margin at 14%.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	534	602	648	21.3	7.6	
EPS (Rs/share)	5.6	6.4	6.8	20.7	7.1	
EBITDA margin (%)	19.9	21.3	23.5	362 bps	221 bps	
Sunteck Realty						
Net sales	2,015	1,803	2,037	1.1	13.0	Stable earnings profile with flat revenues of Rs2 bn, dependent on sales at completed project in Bandra Kurla Complex as well as incremental recognition at Sunteck City.
EBITDA	891	780	857	(3.8)	9.8	
EBIT	885	775	851	(3.9)	9.7	
PBT	822	844	790	(3.9)	(6.4)	
Reported PAT	535	509	498	(6.9)	(2.1)	Sales and collection will likely gather momentum on account of the launch of the project in Naigaon.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	602	587	498	(17.3)	(15.2)	
EPS (Rs/share)	4.3	4.2	3.5	(17.3)	(15.2)	
EBITDA margin (%)	44.2	43.3	42.1	-214 bps	-121 bps	
Retailing						
Aditya Birla Fashion and Retail						
Net sales	18,550	20,073	21,220	14.4	5.7	Expect 14% yoy revenue growth driven by a healthy 14% yoy growth in Pantaloons,12% growth in Madura and faster growth in innerwear and luxury categories.
EBITDA	1,380	1,428	1,920	39.2	34.5	
EBIT	710	737	1,206	69.8	63.5	
PBT	350	427	820	134.4	92.0	
Reported PAT	350	427	820	134.4	92.0	Expect yoy increase in EBITDA margins on account of 100 bps margin expansion in Pantaloons and 180 bps margin expansion in Madura.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	350	427	820	134.4	92.0	
EPS (Rs/share)	0.5	0.6	1.1	134.4	92.0	
EBITDA margin (%)	7.4	7.1	9.1	161 bps	193 bps	
Avenue Supermarts						
Net sales	40,948	48,725	54,561	33.2	12.0	We expect yoy revenue growth of 33% driven by steady SSSG and ramp-up of revenues from new stores.
EBITDA	4,217	3,896	5,101	21.0	30.9	
EBIT	3,824	3,453	4,614	20.6	33.6	
PBT	3,851	3,491	4,626	20.1	32.5	
Reported PAT	2,518	2,257	3,007	19.4	33.2	Strong sequential EBITDA margin expansion on account of seasonality; expect yoy margin compression on account of lower GMs
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,518	2,257	3,007	19.4	33.2	
EPS (Rs/share)	4.0	3.6	4.8	19.4	33.2	
EBITDA margin (%)	10.3	8.0	9.4	-95 bps	135 bps	
Titan Company						
Net sales	42,248	44,068	54,629	29.3	24.0	We model (1) 32% yoy growth in jewelry segment revenues partly aided by shift in festive season this year, (2) 13% yoy growth in the watches segment revenues, driven by share gains and (3) 19% growth in eyewear.
EBITDA	4,447	4,671	6,448	45.0	38.0	
EBIT	4,153	4,296	6,060	45.9	41.0	
PBT	4,233	4,459	6,177	45.9	38.5	
Reported PAT	3,082	3,144	4,447	44.3	41.5	We expect EBITDA margin to expand 130 bps yoy to 11.8% on account of lower impact of discounting and aggressive exchange schemes in the jewelry segment.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	3,082	3,144	4,447	44.3	41.5	
EPS (Rs/share)	3.5	3.5	5.0	44.3	41.5	
EBITDA margin (%)	10.5	10.6	11.8	127 bps	120 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Dec-17	Sep-18	Dec-18E	Change (%) yoy	Change (%) qoq	Comments
Speciality Chemicals						
Castrol India						
Net sales	9,703	9,269	10,240	5.5	10.5	
EBITDA	3,066	2,274	2,800	(8.7)	23.1	We expect Castrol to report 9% yoy decline in EBITDA, as modest 2% growth in volumes will be offset by sharp moderation in margins due to increase in RM costs.
EBIT	2,963	2,139	2,674	(9.7)	25.0	
PBT	3,121	2,327	2,882	(7.7)	23.9	
Reported PAT	1,967	1,504	1,872	(4.8)	24.5	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,967	1,504	1,872	(4.8)	24.5	We assume (1) 2% yoy growth in volumes to 55.5 mn liters and (2) ~430 bps yoy moderation in EBITDA margins to 27.3% amid higher base oil prices and a weaker INR.
EPS (Rs/share)	2.0	1.5	1.9	(4.8)	24.5	
EBITDA margin (%)	31.6	24.5	27.3	-426 bps	280 bps	
Pidilite Industries						
Net sales	15,429	17,574	17,835	15.6	1.5	
EBITDA	3,703	3,648	3,778	2.0	3.5	We model 10% volume growth and 13% revenue growth for the consumer bazaar (CBP) business on a high base (CBP volumes grew 23% in the base quarter). PIDI has taken two price increases of aggregating to 3-4% (blended) over the previous two quarters. We expect strong momentum in water proofing business to continue.
EBIT	3,410	3,333	3,443	1.0	3.3	
PBT	3,564	3,549	3,848	8.0	8.4	
Reported PAT	2,398	2,316	2,602	8.5	12.3	
Extraordinaries	—	—	—	—	—	We model 280 bps yoy decline in consolidated EBITDA margin impacted by high-cost inventory (RM inflation + rupee depreciation). We note that prices of key raw materials (VAM, TiO2 and crude derivatives) have started to decline and rupee has appreciated a bit as well; expect recovery in margins in 4QFY19.
Adjusted PAT	2,398	2,316	2,602	8.5	12.3	
EPS (Rs/share)	4.7	4.6	5.1	9.5	12.3	
EBITDA margin (%)	24.0	20.8	21.2	-282 bps	42 bps	
S H Kelkar and Company						
Net sales	2,831	2,835	3,115	10.0	9.9	
EBITDA	576	367	484	(15.9)	31.9	We estimate 10% yoy revenue growth in consolidated revenues partly aided by price hikes taken by the company to pass on RM cost pressure.
EBIT	518	291	404	(21.9)	38.7	
PBT	517	333	434	(16.0)	30.4	
Reported PAT	272	287	300	10.3	4.3	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	339	287	300	(11.6)	4.3	Gross margin pressure should continue this quarter as well, translating to a sharp 480 bps yoy contraction in EBITDA margins.
EPS (Rs/share)	2.3	2.0	2.1	(11.6)	4.3	
EBITDA margin (%)	20.3	13.0	15.5	-480 bps	259 bps	
SRF						
Net sales	13,971	19,154	19,140	37.0	(0.1)	
EBITDA	2,527	3,148	3,412	35.0	8.4	We expect strong 37% yoy jump in revenues driven by robust growth across all segments reflecting higher volume off-take, increase in realizations and a weaker INR.
EBIT	1,757	2,268	2,512	43.0	10.8	
PBT	1,727	1,914	2,097	21.4	9.6	
Reported PAT	1,252	1,512	1,573	25.6	4.0	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,252	1,512	1,573	25.6	4.0	We expect ~140 bps qoq expansion in overall EBITDA margins to 17.8% reflecting improvement in margins for chemicals and polymers segment.
EPS (Rs/share)	21.8	26.3	—	(100.0)	(100.0)	
EBITDA margin (%)	18.1	16.4	17.8	-26 bps	139 bps	
Telecom						
Bharti Airtel						
Net sales	203,186	204,225	204,473	0.6	0.1	
EBITDA	74,688	62,435	61,959	(17.0)	(0.8)	On the India wireless front, we expect a modest 1% qoq and 5.6% yoy decline in revenues to Rs102 bn. Revenue decline in the postpaid segment is likely to be compensated by the low-end prepaid segment on the back of the recently-launched minimum spend construct.
EBIT	26,313	10,069	8,909	(66.1)	(11.5)	
PBT	6,127	(20,169)	(15,891)	(359.4)	(21.2)	
Reported PAT	3,060	1,187	(9,865)	(422.4)	(931.1)	
Extraordinaries	(2,395)	10,838	—	(100.0)	(100.0)	
Adjusted PAT	5,455	(9,651)	(9,865)	(280.8)	2.2	We expect 1-2% sequential improvement in revenues and EBITDA for Africa wireless, sharp sequential dip in EBITDA for the Homes business and decent quarters for the India Enterprise and DTH businesses.
EPS (Rs/share)	1.4	(2.4)	(2.5)	(280.8)	2.2	
EBITDA margin (%)	36.8	30.6	30.3	-646 bps	-27 bps	
Bharti Infratel						
Net sales	36,553	36,683	36,491	(0.2)	(0.5)	
EBITDA	15,982	14,864	14,217	(11.0)	(4.4)	For BHIN, we expect sequential EOP tenancy increase of 4.2% qoq driven by Bharti Airtel and R-Jio. We are baking in zero exits for the quarter.
EBIT	10,087	9,239	8,799	(12.8)	(4.8)	
PBT	10,072	10,238	9,872	(2.0)	(3.6)	
Reported PAT	5,854	5,998	6,015	2.7	0.3	
Extraordinaries	—	(357)	—	—	(100.0)	
Adjusted PAT	5,854	6,355	6,015	2.7	(5.4)	LTE rollouts continue to drive solid growth in loading revenues for BHIN. This quarter will see the full impact of Vodafone Idea exits.
EPS (Rs/share)	3.2	3.4	3.3	2.7	(5.4)	
EBITDA margin (%)	43.7	40.5	39.0	-477 bps	-156 bps	
Tata Communications						
Net sales	41,146	40,682	38,990	(5.2)	(4.2)	
EBITDA	6,128	6,302	6,188	1.0	(1.8)	3Q is a seasonally weak quarter on the revenues front for TCOM. We expect flattish EBITDA at around Rs6.2 bn, however, on the back of improved margins in the traditional data business.
EBIT	1,400	1,296	1,088	(22.3)	(16.1)	
PBT	1,244	404	236	(81.1)	(41.7)	
Reported PAT	101	16	(198)	(296.1)	(1,303.0)	
Extraordinaries	—	16	—	—	(100.0)	
Adjusted PAT	101	1	(198)	(296.1)	(24,911.6)	On the growth services front, upfront costs on a couple of large deals is likely to reflect in some sequential deterioration in EBITDA.
EPS (Rs/share)	0.4	0.0	(0.7)	(296.1)	(24,911.6)	
EBITDA margin (%)	14.9	15.5	15.9	97 bps	37 bps	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Dec-17	Sep-18	Dec-18E	yoy	qoq	Comments
Transportation						
Adani Ports and SEZ						
Net sales	26,889	26,080	28,720	6.8	10.1	Cargo tonnage growth at India's major ports has been modest at 4% in Oct-Nov 2018. We model a higher 8% growth for ADSEZ's portfolio. Our optimism is based on strong container market growth (uptick in transshipment volumes, outperformance by Adani Ports portfolio) and improvement in imported volumes.
EBITDA	17,842	17,035	17,898	0.3	5.1	
EBIT	14,906	13,515	14,187	(4.8)	5.0	
PBT	14,233	13,180	13,641	(4.2)	3.5	
Reported PAT	9,785	11,240	10,882	11.2	(3.2)	We estimate EBITDA margin of 63% versus 65% reported in 2QFY19 reflecting a higher share of income from non-port operations and transshipment volumes within container volumes. We build in a Rs4.5 bn forex gain for the Rs4 move in US$/INR exchange rate versus Rs5.5 bn loss booked in 2QFY19.
Extraordinaries	(69)	(87)	—	(100.0)	(100.0)	
Adjusted PAT	9,941	6,055	15,206	53.0	151.1	
EPS (Rs/share)	4.8	2.9	7.3	53.0	151.1	
EBITDA margin (%)	66.4	65.3	62.3	-404 bps	-300 bps	
Container Corp.						
Net sales	14,536	17,223	16,240	11.7	(5.7)	We expect ~6% yoy volume growth in exim volumes, in line with recent trend in Indian Railways (up 5% yoy) combined with share gain by Concor over the past year. We expect full impact of recent hike to drive a strong 12% yoy growth in overall revenues, net of declining lead distance.
EBITDA	2,596	4,042	3,930	51.4	(2.8)	
EBIT	1,601	2,994	2,871	79.3	(4.1)	
PBT	2,328	3,686	3,539	52.0	(4.0)	
Reported PAT	2,891	3,252	3,191	10.4	(1.9)	We expect EBITDA margin to improve by 70 bps qoq based on price hike/realization increase, which would offset a weaker revenue mix. The yoy increase in EBITDA margin would be more than 600 bps yoy, more reflective of low base (arrears in employee cost booked) than of increased benefits of double stacking.
Extraordinaries	1,302	651	643	(50.6)	(1.3)	
Adjusted PAT	1,589	2,601	2,548	60.4	(2.0)	
EPS (Rs/share)	3.3	5.3	5.2	60.4	(2.0)	
EBITDA margin (%)	17.9	23.5	24.2	634 bps	73 bps	
Gateway Distriparks						
Net sales	970	1,046	1,019	5.0	(2.6)	Taking cues from port-level data/rail data, we assume ~5/5% qoq growth in CFS/rail volumes. Realization increase in rail business would partly nullify the qoq volume decline.
EBITDA	220	191	194	(12.1)	1.4	
EBIT	145	108	109	(24.5)	0.8	
PBT	143	103	120	(15.6)	16.8	
Reported PAT	191	174	202	5.9	16.4	We expect pressure on margins to continue due to increasing DPD volumes in CFS business. We expect margin to sustain qoq for the rail business given recent increase in GRFL's rates concomitant to the increase in rail haulage cost.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	191	174	202	5.9	16.4	
EPS (Rs/share)	1.8	1.6	1.9	5.9	16.4	
EBITDA margin (%)	22.7	18.3	19.0	-369 bps	73 bps	
Gujarat Pipavav Port						
Net sales	1,627	1,711	1,859	14.2	8.6	We model sequentially higher container volumes based on new line additions and ramp-up of Ocean Network Express alliance and improving trends in for the sector (gateway and transshipment volumes). LPG and roro volumes will normalize from low 1QFY19 levels and bulk volumes would report a decline on a sequential basis on back of lower fertilizer volumes for the sector.
EBITDA	947	975	1,078	13.9	10.5	
EBIT	696	702	807	16.1	15.0	
PBT	769	851	929	20.8	9.2	
Reported PAT	500	553	604	20.8	9.2	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	500	553	604	20.8	9.2	We model ~100 bps qoq recovery in EBITDA margin to 58% primarily on normalization in container/non-container revenue mix.
EPS (Rs/share)	1.0	1.1	1.2	20.8	9.2	
EBITDA margin (%)	58.2	57.0	58.0	-20 bps	100 bps	
InterGlobe Aviation						
Net sales	61,779	61,853	75,931	22.9	22.8	We expect a 26% yoy growth in passenger volumes and 4% yoy decrease in yields to drive overall revenue growth of 23% yoy.
EBITDA	9,915	(10,050)	(1,845)	(118.6)	(81.6)	
EBIT	8,841	(11,869)	(3,701)	(141.9)	(68.8)	
PBT	10,716	(9,881)	(1,544)	(114.4)	(84.4)	
Reported PAT	7,620	(6,521)	(1,544)	(120.3)	(76.3)	We expect Indigo's EBITDA loss to decline sequentially on account of higher yields. We do not model forex gains/losses.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	7,620	(6,521)	(1,544)	(120.3)	(76.3)	
EPS (Rs/share)	19.9	(17.0)	(4.0)	(120.3)	(76.3)	
EBITDA margin (%)	16.0	(16.2)	(2.4)	-1848 bps	1381 bps	
Mahindra Logistics						
Net sales	8,351	9,274	9,698	16.1	4.6	We model strong 20% yoy growth in non-M&M SCM revenues on back of Diwali impact (absent in base). We model M&M SCM revenues in line with the parent's expected growth rate at 12%. We model PTS segment to report steady growth of 10%.
EBITDA	295	340	416	41.0	22.5	
EBIT	242	288	362	50.0	25.7	
PBT	245	293	381	55.3	29.8	
Reported PAT	148	189	243	63.8	28.3	We expect a marked improvement on sequential basis on higher share of warehousing in the revenue mix and normalization from low 2QFY19 levels (pass-through of sharp increase in diesel price may happen in 3QFY19). We expect benefits of input tax credit to be passed on to the end customer.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	148	189	243	63.8	28.3	
EBITDA margin (%)	3.5	3.7	4.3	75 bps	62 bps	
Sadbhav Engineering						
Net sales	9,351	6,906	10,134	8.4	46.7	We expect a modest 8% growth in revenues based on deferment of appointed date of recent project wins to the end of 3QFY19 or into 4QFY19.
EBITDA	1,056	833	1,204	14.0	44.5	
EBIT	810	589	946	16.9	60.7	
PBT	598	383	703	17.5	83.7	
Reported PAT	618	383	668	8.1	74.4	We expect steady qoq EBITDA margin based on part pass-through of escalation from SIPL for HAM projects.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	618	383	668	8.1	74.4	
EPS (Rs/share)	3.6	2.2	3.9	8.1	74.4	
EBITDA margin (%)	11.3	12.1	11.9	58 bps	-19 bps	

Source: Companies, Kotak Institutional Equities estimates

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

Company	Rating	Price (Rs) 7-Jan-19	Fair Value (Rs)	Upside (%)	Mkt cap. (Rs bn)	Mkt cap. (US$ bn)	O/S shares (mn)	EPS (Rs) 2019E	EPS (Rs) 2020E	EPS (Rs) 2021E	EPS growth (%) 2019E	EPS growth (%) 2020E	EPS growth (%) 2021E	P/E (X) 2019E	P/E (X) 2020E	P/E (X) 2021E	EV/EBITDA (X) 2019E	EV/EBITDA (X) 2020E	EV/EBITDA (X) 2021E	P/B (X) 2019E	P/B (X) 2020E	P/B (X) 2021E	RoE (%) 2019E	RoE (%) 2020E	RoE (%) 2021E	Dividend yield (%) 2019E	Dividend yield (%) 2020E	Dividend yield (%) 2021E	ADVT 3mo (US$ mn)
Automobiles & Components																													
Amara Raja Batteries	REDUCE	736	740	1	126	1.8	171	31	36	42	11.2	19	15	24	20	17.5	12	10.5	9.0	3.7	3.2	2.8	16.6	17.2	17.2	0.6	0.7	0.9	5.2
Apollo Tyres	BUY	230	315	37	132	1.9	541	17	22	26	25	33	18	13.8	10.4	8.8	8.0	6.7	5.5	1.3	1.1	1.0	9.4	11.5	12.3	1.3	1.3	1.3	10.3
Ashok Leyland	BUY	93	170	82	274	3.9	2,926	6.8	9.6	10.1	26	42	5.1	13.8	9.7	9.2	6.8	5.0	4.7	3.3	2.7	2.3	26	30	27	2.2	3.1	3.2	36
Bajaj Auto	REDUCE	2,659	2,500	(6)	769	11.0	289	149	169	178	6.0	13.8	5.0	17.9	15.7	15.0	12	10.3	9.5	3.6	3.2	2.9	21	22	20	2.2	2.5	2.7	17.5
Balkrishna Industries	BUY	884	1,030	17	171	2.4	193	44	54	60	18	22	12.0	20	16.5	14.7	10.6	9.1	7.8	3.5	3.0	2.5	19.1	19.6	18.6	0.6	0.7	0.7	13.0
Bharat Forge	SELL	480	445	(7)	223	3.2	466	21	23	25	31	7.5	9.0	23	21	19.3	13	11.9	10.8	4.2	3.7	3.2	19.8	18.5	17.8	1.0	1.1	1.3	12.6
CEAT	ADD	1,285	1,280	(0)	52	0.7	40	79	97	101	23	22	4.3	16.2	13.2	12.7	9.3	8.2	7.5	1.8	1.6	1.4	11.7	12.8	12.0	0.7	0.7	0.8	11.8
Eicher Motors	SELL	19,830	18,500	(7)	541	7.7	27	841	966	1,043	6.1	14.8	8.0	24	21	19.0	16	14	13	7.6	6.0	4.8	37	33	28	0.2	0.2	0.0	39
Escorts	BUY	729	1,050	44	62	1.3	89	57	67	75	47	17	11.9	12.8	10.9	9.8	7.4	6.3	5.2	2.2	1.9	1.6	17.1	17.2	16.6	1.2	1.4	1.5	19.7
Exide Industries	SELL	262	235	(10)	223	3.2	850	9.3	10.8	12.0	13.6	15	11.8	28	24	22	15	14	12	3.7	3.4	3.1	13.9	14.6	14.9	1.1	1.3	1.5	6.5
Hero Motocorp	SELL	2,958	2,600	(12)	591	8.5	200	173	181	195	(6.4)	4.7	7.5	17.1	16.3	15.2	10.0	9.4	8.5	4.5	4.0	3.7	28	26	25	2.9	3.1	3.3	25
Mahindra CIE Automotive	ADD	243	280	15	92	1.3	378	13.9	16	17	44	12.1	9.0	17.6	15.7	14.4	8.9	7.9	7.1	2.2	1.9	1.7	13.2	13.0	12.4	—	—	—	1.3
Mahindra & Mahindra	BUY	730	1,000	37	907	13.0	1,138	42	50	53	11.3	18	7.3	17.3	14.7	13.7	11.5	9.6	8.7	2.4	2.2	1.9	14.9	15.5	14.8	1.2	1.4	1.5	43
Maruti Suzuki	BUY	7,362	8,300	13	2,224	31.9	302	268	346	387	4.9	29	11.8	27	21	19.0	15	11.2	9.6	4.7	4.1	3.5	18.2	20	19.9	0.9	1.2	1.3	96
Motherson Sumi Systems	SELL	157	150	(5)	496	7.1	3,158	6.6	8.0	9.2	21	21	15	24	19.6	17.1	9.8	8.1	6.9	4.4	3.8	3.2	19.7	21	20	1.1	1.2	1.3	18.8
MRF	REDUCE	66,979	62,000	(7)	284	4.1	4	3,048	3,702	4,089	14.2	21	10.4	22	18.1	16.4	9.7	8.2	7.1	2.6	2.3	2.0	12.5	13.3	13.0	0.1	0.1	0.1	6.6
Schaeffler India	BUY	5,695	5,700	0	95	1.4	17	148	192	237	3.6	30	23	38	30	24	11.0	8.3	6.5	6.5	5.4	4.5	21	19.9	20	0.2	0.2	0.2	0.6
SKF	ADD	1,915	1,900	(1)	98	1.4	51	68	82	97	18	20	18	28	23	19.8	18	15	12	4.6	4.0	3.5	16.5	17.2	17.5	0.6	0.7	0.9	0.8
Tata Motors	BUY	175	300	71	595	7.9	3,396	1.0	21	31	(95)	1,935	47	169	8.3	5.7	4.0	3.0	2.5	0.6	0.6	0.5	0.4	7.2	9.7	—	—	—	49
Timken	SELL	587	550	(6)	44	0.6	68	19	22	25	39	16	15.0	31	27	23	19	16	14	4.8	4.0	3.4	16.6	16.2	15.7	0.2	0.2	0.2	0.2
TVS Motor	SELL	535	350	(35)	254	3.6	475	14.8	17	20	6.2	15	14.7	36	31	27	18	16	14	7.6	6.6	5.7	23	23	22	0.8	1.0	1.1	12.6
Varroc Engineering	BUY	728	1,050	44	98	1.4	135	37	46	69	9.5	26	51	19.9	15.8	10.5	10.2	8.0	5.7	2.9	2.5	2.0	14.8	15.7	19.1	—	—	—	0.0
WABCO India	SELL	6,475	6,100	(6)	123	1.8	19	183	222	230	27	22	3.6	35	29	28	24	19	18	6.6	5.5	4.6	21	21	17.9	0.2	0.2	0.2	0.4
Automobiles & Components	**Neutral**				**8,475**	**121.2**					**(7.3)**	**39**	**15**	**23**	**16.7**	**14.4**	**9.3**	**7.4**	**6.4**	**2.8**	**2.5**	**2.2**	**12.0**	**14.9**	**15.2**	**1.1**	**1.2**	**1.3**	**426**
Banks																													
Axis Bank	REDUCE	637	635	(0)	1,638	23.5	2,567	18	42	47	1,579	130	12.5	35	15.4	13.7	—	—	—	2.7	2.3	1.9	7.1	14.6	14.5	0.4	1.0	1.1	98
Bank of Baroda	ADD	123	130	6	325	4.6	2,652	17	25	28	286	46	13.3	7.2	4.9	4.4	—	—	—	1.0	0.8	0.6	10.6	15.2	13.3	—	—	—	33
Canara Bank	ADD	278	280	1	204	2.9	733	1.3	54	68	102	3,946	26	208	5.1	4.1	—	—	—	1.4	1.0	0.7	0.3	10.6	11.9	—	—	—	25
City Union Bank	ADD	190	185	(3)	139	2.0	732	9.4	10.5	12.2	5.5	11.9	16	20	18.1	15.6	—	—	—	3.1	2.8	2.4	15.5	15.3	15.7	0.9	1.0	1.1	2.4
DCB Bank	BUY	174	185	6	54	0.8	308	10.0	12.3	17	25	23	39	17.4	14.1	10.2	—	—	—	2.0	1.8	1.6	11.4	12.6	15.4	0.5	0.7	0.9	3.7
Equitas Holdings	BUY	120	160	33	41	0.6	340	4.6	8.4	11.4	398	83	36	26	14.3	10.5	—	—	—	1.7	1.6	1.4	6.7	11.1	13.4	—	—	—	8.4
Federal Bank	BUY	95	105	11	188	2.7	1,972	6.0	8.0	9.7	35	32	22	15.7	11.8	9.7	—	—	—	1.6	1.4	1.3	9.4	11.5	12.8	1.4	1.9	2.3	17.0
HDFC Bank	ADD	2,121	2,200	4	5,767	82.6	2,595	78	96	113	16	24	18	27	22	18.7	—	—	—	4.0	3.5	3.1	16.7	16.7	17.2	0.7	0.9	1.0	98
ICICI Bank	BUY	368	410	12	2,368	33.9	7,072	8.2	27	32	(14.1)	223	20	45	13.8	11.5	—	—	—	2.5	2.1	1.8	4.9	14.8	15.8	0.4	1.4	1.7	112
IDFC Bank	NR	46	—	—	157	2.3	3,404	0.9	2.9	4.2	(64)	215	45	50	15.9	11.0	—	—	—	1.0	1.0	0.9	2.0	6.2	8.5	0.4	1.3	1.8	7.0
IndusInd Bank	BUY	1,559	1,750	12	939	13.4	600	47	84	100	(22)	80	19	33	18.6	15.7	—	—	—	3.5	3.0	2.6	12.0	16.9	17.3	0.3	0.6	0.7	57
J&K Bank	BUY	38	90	140	21	0.3	557	5.4	7.6	16	49	41	109	6.9	4.9	2.4	—	—	—	0.4	0.4	0.4	4.8	6.5	12.6	2.9	4.1	8.5	0.4
Karur Vysya Bank	ADD	92	110	20	74	1.1	799	3.2	13.4	14.3	(33)	318	7.0	29	6.9	6.4	—	—	—	1.4	1.2	1.0	3.7	14.4	13.9	0.9	3.6	4.0	1.6
Punjab National Bank	ADD	81	85	6	299	4.3	2,761	(18)	12.9	14.0	59	170	8.8	NM	6.3	5.7	—	—	—	1.8	1.0	0.8	NM	11.4	11.0	—	—	—	26
RBL Bank	SELL	574	500	(13)	244	3.5	420	21	29	34	40	34	20	27	20	16.8	—	—	—	3.4	3.0	2.7	12.7	15.1	16.0	0.6	0.7	0.9	13.6
State Bank of India	BUY	296	370	25	2,644	37.9	8,925	7.5	39	52	202	424	33	39	7.5	5.7	—	—	—	1.9	1.4	1.1	3.0	14.5	16.5	0.1	0.1	0.2	95
Ujjivan Financial Services	BUY	283	350	24	34	0.5	121	16	25	31	2,648	54	24	17.2	11.2	9.0	—	—	—	1.8	1.6	1.4	10.7	14.7	16.0	0.5	0.9	1.2	9.7
Union Bank	ADD	91	90	(1)	106	1.5	1,169	7.9	31	43	118	294	39	11.4	2.9	2.1	—	—	—	1.2	0.8	0.5	4.0	14.4	17.5	1.3	5.2	7.2	12.5
YES Bank	SELL	187	190	2	433	6.2	2,303	18	19	24	(2.8)	6.5	25	10.5	9.8	7.9	—	—	—	1.5	1.4	1.2	15.0	14.2	15.7	1.6	1.7	2.1	166
Banks	**Attractive**				**15,675**	**224.5**					**788**	**164**	**23**	**32**	**12.3**	**10.0**				**1.9**	**1.6**	**1.4**	**5.8**	**13.4**	**14.4**	**0.5**	**0.9**	**1.0**	**787**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

		Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
Company	Rating	7-Jan-19	(Rs)	(%)	(Rs bn)	(US$ bn)	(mn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	(US$ mn)
Building Products																													
Astral Poly Technik	SELL	1,137	640	(44)	136	2.0	120	18	22	26	20	25	17	65	52	44	34	28	24	11	8.9	7.5	18.3	18.7	18.3	0.1	0.1	0.1	1.0
Building Products	**Cautious**				**136**	**2.0**					**20**	**25**	**17**	**64**	**51**	**44**	**34**	**28**	**24**	**11**	**8.8**	**7.4**	**16.4**	**17.2**	**16.9**	**0.1**	**0.1**	**0.1**	**1.0**
Capital goods																													
ABB	SELL	1,302	1,040	(20)	276	4.0	212	28	31	38	39	12.5	22	47	42	35	28	26	22	6.8	6.0	5.3	15.2	15.2	16.3	0.4	0.5	0.6	6.3
Ashoka Buildcon	BUY	127	200	57	36	0.5	282	9.6	10.4	10.5	13.6	8.3	1.1	13.3	12.3	12.1	8.9	8.0	7.3	1.6	1.4	1.3	12.9	12.2	11.2	1.4	1.0	1.0	0.6
BHEL	REDUCE	72	—	6	265	3.8	3,482	3.0	5.0	6.7	28	70	34	24	14.4	10.7	12	7.3	5.3	0.8	0.8	0.8	3.2	5.6	7.3	2.5	4.3	5.8	14.6
Carborundum Universal	SELL	374	315	(16)	71	1.0	189	14.3	17	20	26	21	14.5	26	22	18.9	15	11.8	10.1	4.1	3.6	3.2	16.4	17.8	18.2	1.2	1.4	1.6	0.3
CG Power and Industrial	BUY	45	67	49	28	0.4	627	3.0	4.8	7.0	273	59	45	14.7	9.2	6.3	6.4	4.5	3.4	1.1	1.0	0.9	7.1	11.1	14.8	—	—	—	3.9
Cummins India	REDUCE	842	700	(17)	233	3.3	277	27	33	37	12.3	21	14.2	31	26	23	25	21	18	5.5	5.1	4.8	18.3	21	22	1.7	2.1	2.4	7.1
Dilip Buildcon	BUY	411	855	108	56	0.8	137	52	57	69	11.5	9.2	23	7.9	7.3	5.9	4.7	4.2	3.4	1.8	1.4	1.1	25	22	21	0.3	0.3	0.4	2.8
IRB Infrastructure	BUY	158	260	64	56	0.8	351	30	32	20	32	6.8	-36.3	5.3	5.0	7.8	6.4	7.0	8.5	0.8	0.7	0.7	17.0	15.7	9.1	1.9	2.4	2.6	4.7
Kalpataru Power Transmission	BUY	378	540	43	58	0.8	153	30	36	42	55	18	19	12.6	10.6	8.9	6.8	5.5	4.7	1.9	1.6	1.4	16.0	16.3	16.7	0.4	0.4	0.4	0.5
KEC International	BUY	292	380	30	75	1.1	257	20	26	32	13.7	28	23	14.3	11.2	9.1	8.4	6.9	5.7	3.1	2.5	2.0	24	24	24	0.8	1.0	1.2	1.6
L&T	BUY	1,384	1,530	11	1,940	27.8	1,401	67	66	74	30	-2.1	13.1	21	21	18.6	17	17	16	3.5	3.2	2.9	17.8	15.7	16.1	1.6	1.6	1.8	46
Sadbhav Engineering	BUY	220	340	54	38	0.5	172	14.7	18	19	13.9	26	3.1	15.0	11.9	11.6	11.0	8.6	7.4	1.8	1.6	1.4	12.7	14.1	12.8	—	—	—	0.6
Siemens	SELL	1,062	920	(13)	378	5.4	356	28	33	39	13.1	17	18	37	32	27	22	19	16	4.2	3.9	3.5	11.7	12.6	13.7	0.7	0.9	1.0	11.5
Thermax	REDUCE	1,145	970	(15)	136	2.0	113	28	38	43	38	33	13.6	40	30	27	28	21	19	28	21	19	11.3	13.9	14.3	0.7	0.9	1.0	1.0
Capital goods	**Neutral**				**3,646**	**52.2**					**28**	**9.8**	**13.9**	**22**	**19.7**	**17.3**				**2.8**	**2.5**	**2.3**	**12.8**	**12.9**	**13.5**	**1.4**	**1.5**	**1.8**	**787**
Commercial & Professional Services																													
SIS	REDUCE	750	855	14	55	0.8	73	28	34	41	26	21	19	27	22	18.3	16	13	10.9	4.6	3.9	3.3	18.8	19.2	19.3	0.3	0.4	0.5	0.5
TeamLease Services	SELL	2,884	1,925	(33)	49	0.7	17	59	76	99	37	29	30	49	38	29	50	38	29	9.1	7.3	5.9	20	21	22	—	—	—	0.5
Commercial & Professional Services	**Cautious**				**104**	**1.5**					**32**	**24**	**23**	**33**	**27**	**22**	**23**	**19**	**15**	**5.9**	**4.9**	**4.1**	**17.7**	**18.2**	**18.5**	**0.2**	**0.2**	**0.3**	**1.0**
Commodity Chemicals																													
Asian Paints	REDUCE	1,396	1,140	(18)	1,339	19.2	959	24	30	35	17	24	18	58	47	40	37	29	25	14	12	11	26	28	29	0.8	1.0	1.2	30
Tata Chemicals	ADD	700	760	9	178	2.6	256	42	50	57	(19)	19	12.9	16.6	13.9	12.3	7.3	5.9	5.1	1.5	1.4	1.3	9.3	10.3	10.9	2.1	2.4	2.4	5.9
Commodity Chemicals	**Neutral**				**1,517**	**21.7**					**(5.4)**	**23**	**16**	**45**	**37**	**32**	**26**	**21**	**18**	**7.0**	**6.4**	**5.9**	**15.6**	**17.5**	**18.5**	**0.9**	**1.2**	**1.3**	**36**
Conglomerate																													
Godrej Industries	RS	536	—	—	180	2.6	336	16	20	0.0	8.9	24		34	27		29	31		4.4	3.9		13.9	15.1		0.3	0.3		3.9
Conglomerate	**Neutral**				**180**	**2.6**					**8.9**	**24**		**34**	**27**		**29**	**31**		**4.4**	**3.9**		**13.1**	**14.2**		**0.3**	**0.3**		**3.9**
Construction Materials																													
ACC	SELL	1,478	1,250	(15)	278	4.0	188	58	67	78	19	16	16	26	22	19.0	13	11.5	9.7	2.8	2.5	2.3	11.2	12.0	12.7	1.2	1.2	1.2	15.3
Ambuja Cements	REDUCE	218	195	(11)	433	6.2	1,986	7.7	9.7	11.3	1.8	26	17	28	23	19.3	9.2	7.5	6.3	2.0	1.9	1.8	7.2	8.8	9.7	1.7	1.7	1.7	13.2
Dalmia Bharat	ADD	—	2,335	-	—	0.0	192	15.0	36	48	0.8	140	33	NM	NM	NM	1.7	1.4	1.0	0.0	0.0	0.0	2.7	6.3	7.9	-	-	-	2.7
Grasim Industries	ADD	821	1,030	26	540	7.7	657	77	85	96	63	9.9	13.1	10.6	9.7	8.5	6.8	6.6	6.0	0.9	0.8	0.8	8.7	8.9	9.3	0.7	0.7	0.7	18.2
India Cements	REDUCE	92	102	11	28	0.4	308	3.8	7.0	9.1	16	85	29	24	13.0	10.1	8.0	6.6	6.0	0.5	0.5	0.5	2.2	4.0	5.0	1.1	1.1	1.1	8.3
J K Cement	ADD	714	800	12	55	0.8	70	45	70	69	4.1	55	(1.0)	15.9	10.2	10.3	10.3	9.2	7.5	2.2	1.9	1.6	15.0	20	16.9	1.1	1.1	1.1	0.5
JK Lakshmi Cement	ADD	315	320	1	37	0.5	118	4.6	23	31	3.5	386	39	68	14.0	10.1	11.3	7.0	5.7	2.5	2.2	1.8	3.7	16.7	19.6	0.6	0.6	0.6	0.4
Orient Cement	ADD	83	110	33	17	0.2	205	2.0	7.6	11.7	(7.8)	283	53	42	10.9	7.1	9.8	5.9	4.4	1.7	1.5	1.3	4.0	14.5	19.5	1.8	2.4	2.4	0.1
Shree Cement	SELL	16,900	11,750	(30)	589	8.4	35	331	515	645	(17)	56	25	51	33	26	21	15	12	6.1	5.2	4.4	12.4	17.1	18.3	0.3	0.3	0.3	6.6
UltraTech Cement	SELL	3,927	2,760	(30)	1,078	15.4	275	103	148	187	17	43	27	38	27	21	18	14	11.5	3.8	3.4	2.9	10.4	13.4	14.9	0.3	0.3	0.3	18.1
Construction Materials	**Cautious**				**3,055**	**43.8**					**23**	**32**	**20**	**24**	**18.6**	**15.5**	**10.3**	**8.7**	**7.5**	**2.0**	**1.9**	**1.7**	**8.3**	**10.0**	**10.9**	**0.7**	**0.7**	**0.7**	**83**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

Company	Rating	Price (Rs) 7-Jan-19	Fair Value (Rs)	Upside (%)	Mkt cap. (Rs bn)	Mkt cap. (US$ bn)	O/S shares (mn)	EPS (Rs) 2019E	EPS (Rs) 2020E	EPS (Rs) 2021E	EPS growth (%) 2019E	EPS growth (%) 2020E	EPS growth (%) 2021E	P/E (X) 2019E	P/E (X) 2020E	P/E (X) 2021E	EV/EBITDA (X) 2019E	EV/EBITDA (X) 2020E	EV/EBITDA (X) 2021E	P/B (X) 2019E	P/B (X) 2020E	P/B (X) 2021E	RoE (%) 2019E	RoE (%) 2020E	RoE (%) 2021E	Dividend yield (%) 2019E	Dividend yield (%) 2020E	Dividend yield (%) 2021E	ADVT 3mo (US$ mn)
Consumer Durables & Apparel																													
Crompton Greaves Consumer	SELL	227	190	(16)	142	2.0	627	6.0	7.2	8.5	16	21	17	38	31	27	24	20	17	13	9.8	7.5	39	35	32	0.9	1.1	—	1.8
Havells India	SELL	694	490	(29)	434	6.2	625	13.3	17	19	20	25	18	52	42	36	34	27	22	10	9.0	7.9	21	23	24	0.7	0.8	1.0	12.3
Page Industries	SELL	21,908	22,300	2	244	3.5	11	410	501	599	32	22	20	53	44	37	34	28	23	22	18	14	47	45	43	0.8	1.0	1.2	16.2
TCNS Clothing Co.	BUY	693	740	7	42	0.6	64	20	22	27	31	10.6	20	35	31	26	21	16	13	7.6	5.9	4.7	25	21	20	—	—	—	0.0
Vardhman Textiles	ADD	1,096	1,300	19	63	0.9	56	119	130	141	(6.1)	9.1	8.5	9.2	8.4	7.8	7.0	6.5	5.7	1.1	1.0	0.9	12.9	12.8	12.6	1.8	2.7	2.7	0.3
Voltas	SELL	542	490	(10)	179	2.6	331	17	19	22	(3.7)	11.5	20	33	29	24	25	21	18	4.1	3.7	3.4	13.4	13.5	14.5	0.6	0.7	0.8	10.8
Whirlpool	SELL	1,429	1,220	(15)	181	2.6	127	35	41	49	26	19	17	41	34	29	26	21	18	8.4	7.1	6.1	22	22	22	0.4	0.6	1.0	1.0
Consumer Durables & Apparel	**Cautious**				**1,286**	**18.4**					**11.6**	**18**		**37**	**32**	**27**	**24**	**20**	**17**	**6.8**	**5.9**		**18.2**	**18.7**	**19.0**	**0.7**	**0.9**		**42**
Consumer Staples																													
Bajaj Corp.	ADD	385	405	5	57	0.8	148	15	17	18	6.3	9.7	9.7	25	23	21	20	17	15	12	12	12	46	51	56	3.4	3.6	3.9	0.3
Britannia Industries	ADD	3,144	3,063	(3)	756	10.8	240	51	63	75	21	24	20	62	50	42	41	33	28	18	14	12	32	32	31	0.6	0.7	0.9	14.4
Colgate-Palmolive (India)	ADD	1,303	1,185	(9)	354	5.1	272	27	32	37	16	15	16	47	41	35	28	24	21	21	18	16	46	47	47	1.2	1.5	1.8	9.2
Dabur India	REDUCE	420	345	(18)	743	10.6	1,762	8.7	10.0	11.5	11.8	15	14.8	48	42	37	40	35	30	13	12	10	27	29	29	0.9	1.1	1.3	20.0
GlaxoSmithKline Consumer	RS	7,488	—	—	315	4.5	42	212	235	260	27	10.8	10.5	35	32	29	25	22	19	8.0	7.2	6.5	24	24	24	1.2	1.4	1.7	4.2
Godrej Consumer Products	REDUCE	801	645	(19)	818	11.7	1,022	16	18	21	11.4	14.8	15	50	44	38	36	31	26	11	9.3	8.2	23	23	23	0.7	0.8	0.9	11.6
Hindustan Unilever	REDUCE	1,785	1,530	(14)	3,864	55.3	2,160	29	34	38	19	16	13.0	61	53	47	43	37	33	48	40	34	83	83	79	1.2	1.3	1.5	40
ITC	ADD	282	330	17	3,449	49.4	12,275	9.8	11.1	12.4	9.9	12.8	12.5	29	25	23	19	16	14	6.3	5.9	5.5	21	22	24	2.0	2.4	2.7	43
Jyothy Laboratories	ADD	206	210	2	75	1.1	364	5.6	6.4	7.4	27	13.8	16	37	32	28	25	22	19	5.6	4.9	4.3	16.5	16.4	16.7	0.5	0.7	1.0	0.8
Marico	ADD	387	350	(10)	499	7.2	1,291	7.0	8.7	10.2	11.8	24	17	55	44	38	39	31	26	18	17	15	34	40	42	1.2	1.4	1.6	10.4
Nestle India	ADD	10,786	10,600	(2)	1,040	14.9	96	171	200	230	35	17	15	63	54	47	36	31	27	28	26	23	46	49	52	1.1	1.3	1.5	12.7
Tata Global Beverages	ADD	215	230	7	136	1.9	631	7.7	9.0	10.1	4.7	17	13.1	28	24	21	16	14	12	1.9	1.8	1.7	6.8	7.6	8.3	1.4	1.6	1.9	6.9
United Breweries	REDUCE	1,390	1,260	(9)	367	5.3	264	22	29	36	51	29	24	62	48	39	31	26	22	11	9.5	7.9	20	22	22	0.3	0.4	0.5	12.6
United Spirits	REDUCE	608	540	(11)	442	6.3	727	10.9	13.9	17	43	28	25	56	44	35	33	27	22	13	8.8	6.2	27	24	21	—	0.3	0.4	15.3
Varun Beverages	REDUCE	812	700	(14)	148	2.1	183	14.9	20	25	29	32	25	55	41	33	18	15	13	7.5	6.4	5.5	14.5	16.7	18.0	0.3	0.1	0.2	0.9
Consumer Staples	**Cautious**				**13,063**	**187.1**					**16**	**16**	**14.4**	**44**	**38**	**33**	**29**	**25**	**22**	**12**	**11**	**9.5**	**27**	**28**	**28**	**1.2**	**1.5**	**1.7**	**203**
Diversified Financials																													
Bajaj Finance	REDUCE	2,554	2,200	(14)	1,476	21.1	575	66	88	114	52	33	29	39	29	22	—	—	—	7.7	6.2	5.0	22	24	25	0.3	0.3	0.4	89
Bajaj Finserv	ADD	6,407	6,400	(0)	1,020	14.6	159	240	303	375	37	26	24	27	21	17.1	—	—	—	4.2	3.5	2.9	17.4	18.0	18.7	0.2	0.2	0.2	22
Bharat Financial Inclusion	NA	992	—	—	139	2.0	139	53	63	77	63	19	22	18.6	15.7	12.8	—	—	—	3.6	2.9	2.3	22	20	20	—	—	—	15.5
Cholamandalam	ADD	1,198	1,425	19	187	2.7	156	83	101	126	42	21	24	14.4	11.9	9.5	—	—	—	3.2	2.6	2.1	23	23	23	0.8	1.0	1.3	6.7
HDFC	ADD	1,973	2,150	9	3,392	48.6	1,676	53	62	73	(30)	17	19	37	32	27	—	—	—	4.5	4.2	3.8	13.1	13.6	14.8	1.0	1.2	1.4	83
IIFL Holdings	REDUCE	494	470	(5)	158	2.3	319	30	34	39	4.3	12.9	17	16.6	14.7	12.6	—	—	—	2.4	2.2	1.9	16.8	16.1	16.6	1.3	1.5	1.7	1.8
L&T Finance Holdings	ADD	146	145	(0)	291	4.2	1,996	12.0	13.6	15	63	13.4	13.7	12.2	10.7	9.4	—	—	—	2.1	1.8	1.6	18.1	18.4	18.0	1.4	1.7	1.6	19.7
LIC Housing Finance	BUY	479	590	23	242	3.5	505	42	52	66	(3.5)	23	27	11.4	9.3	7.3	—	—	—	1.6	1.4	1.2	15.0	15.6	17.3	1.4	1.7	2.1	13.9
Magma Fincorp	BUY	109	145	33	29	0.4	237	12.2	17	20	25	39	20	8.9	6.4	5.4	—	—	—	1.1	0.9	0.8	13.0	15.7	16.4	1.7	2.3	2.8	0.2
Mahindra & Mahindra Financial	ADD	467	475	2	288	4.1	614	24	27	33	36	14.0	20	19.6	17.2	14.3	—	—	—	2.9	2.6	2.4	14.7	14.9	16.0	1.2	1.3	1.6	12.8
Muthoot Finance	ADD	513	510	(1)	206	2.9	400	43	43	48	0.3	0.6	10.2	11.9	11.8	10.7	—	—	—	2.3	2.0	1.8	21	18.0	17.4	1.9	1.9	2.1	9.6
PNB Housing Finance	REDUCE	913	975	7	153	2.2	167	58	68	81	(9.7)	17	20	15.8	13.5	11.2	—	—	—	2.1	1.9	1.7	14.2	14.4	15.4	0.4	0.4	0.4	4.6
Shriram City Union Finance	ADD	1,578	1,875	19	104	1.5	66	142	158	189	41	11.8	19	11.1	10.0	8.4	—	—	—	1.8	1.6	1.4	15.8	15.6	16.2	1.1	1.3	1.5	0.4
Shriram Transport	BUY	1,176	1,450	23	267	3.8	227	107	124	143	55	16	16	11.0	9.5	8.2	—	—	—	1.8	1.6	1.4	16.7	16.8	16.9	1.3	1.5	1.8	24
Diversified Financials	**Neutral**				**7,952**	**113.9**					**7.7**	**19**	**21**	**25**	**21**	**17.2**				**3.7**	**3.2**	**2.8**	**14.8**	**15.5**	**16.3**	**0.8**	**1.0**	**1.1**	**303**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
		7-Jan-19	(Rs)	(%)	(Rs bn)	(US$ bn)	(mn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	(US$ mn)
Electric Utilities																													
CESC	BUY	653	790	21	87	1.2	133	89	106	114	1.6	19	8.4	7.4	6.2	5.7	6.6	5.8	5.3	0.7	0.6	0.6	8.6	10.7	10.7	2.0	2.0	2.0	8.7
JSW Energy	REDUCE	70	66	(6)	115	1.6	1,640	4.8	5.8	6.6	58	20	13.4	14.5	12.1	10.7	6.0	5.0	4.4	1.0	0.9	0.8	6.9	7.7	8.1	—	—	—	0.9
NHPC	ADD	26	30	16	266	3.8	10,260	2.8	2.9	3.7	16	4.3	26	9.2	8.8	7.0	7.8	7.6	6.6	0.9	0.8	0.8	9.5	9.6	11.5	6.1	5.8	7.6	1.8
NTPC	BUY	149	190	28	1,225	17.6	8,245	14.3	16	19	14.1	12.1	16	10.4	9.3	8.0	9.0	7.9	6.7	1.1	1.0	1.0	11.2	11.6	12.4	2.9	3.2	3.7	20
Power Grid	BUY	198	250	26	1,038	14.9	5,232	19	22	25	22	16	11.0	10.3	8.9	8.0	7.4	6.8	6.3	1.7	1.5	1.4	17.5	18.1	18.0	3.2	3.7	4.1	12.6
Tata Power	BUY	75	90	20	202	2.9	2,705	6.3	6.9	9.7	17	10.6	40	11.9	10.8	7.7	9.7	9.8	9.2	1.2	1.1	0.9	10.5	10.5	13.0	—	—	—	8.6
Electric Utilities	**Attractive**				**2,933**	**42.0**					**17**	**13.0**	**16**	**10.3**	**9.1**	**7.9**				**1.2**	**1.1**	**1.0**	**11.7**	**12.2**	**13.0**	**3.0**	**3.3**	**3.8**	**53**
Fertilizers & Agricultural Chemicals																													
Bayer Cropscience	SELL	4,261	3,550	(17)	146	2.1	34	94	114	135	7.4	21	19	45	37	32	28	23	19	7.2	6.3	5.5	17.0	18.0	18.6	0.4	0.5	0.6	0.5
Dhanuka Agritech	ADD	418	500	20	21	0.3	49	25	28	31	(0.9)	9.1	10.5	16.4	15.0	13.6	12.0	10.2	8.8	2.8	2.5	2.2	18.4	17.6	17.1	1.3	1.4	1.6	0.2
Godrej Agrovet	ADD	497	580	17	96	1.4	189	13.0	18	22	12.9	35	0.0	38	28	23	21	16	13	5.0	4.3	0.0	13.9	16.3	17.4	0.4	0.5	0.7	0.6
Kaveri Seed	SELL	546	515	(6)	36	0.5	66	34	34	37	7.3	0.1	8.3	15.9	15.9	14.7	13	12	11.0	3.8	3.3	2.9	26	22	21	1.5	1.8	1.8	4.4
PI Industries	BUY	864	850	(2)	119	1.7	138	30	38	46	11.5	30	19	29	22	18.8	21	16	13	5.3	4.4	3.7	19.6	21	21	0.5	0.7	0.8	1.2
Rallis India	ADD	170	220	29	33	0.5	195	10.0	12.1	13.2	17	20	9.7	16.9	14.1	12.9	11.2	9.4	8.3	2.5	2.3	2.1	15.7	17.1	16.9	2.1	2.3	2.6	0.8
UPL	ADD	764	650	(15)	389	5.6	507	47	54	60	9.5	14.7	11.4	16.2	14.2	12.7	10.7	9.1	7.9	3.5	3.0	2.5	24	23	21	1.2	1.4	1.6	22
Fertilizers & Agricultural Chemicals	**Attractive**				**840**	**12.0**					**9.7**	**17**	**13.6**	**21**	**18.2**	**16.1**	**14**	**11.7**	**10.0**	**4.2**	**3.5**	**3.0**	**19.6**	**19.5**	**18.9**	**0.9**	**1.1**	**1.3**	**29**
Gas Utilities																													
GAIL (India)	BUY	357	455	27	805	11.5	2,255	32	33	35	55	3.5	8.0	11.3	10.9	10.1	7.1	6.8	6.2	1.8	1.7	1.5	16.8	15.8	15.6	3.1	3.2	3.5	28
GSPL	SELL	175	180	3	99	1.4	564	17	14.4	13.6	39	(12.9)	(5.7)	10.6	12.2	12.9	4.5	4.7	4.6	1.7	1.5	1.4	17.1	13.2	11.2	1.4	1.2	1.2	1.1
Indraprastha Gas	SELL	274	240	(12)	191	2.7	700	12.0	13.7	15	16	14.0	11.5	23	20	17.9	14	12	10.9	4.7	4.1	3.7	22	22	22	1.0	1.4	1.8	7.9
Mahanagar Gas	ADD	906	930	3	89	1.3	99	56	60	64	16	7.7	5.4	16.2	15.0	14.2	9.4	8.5	7.9	3.8	3.4	3.1	25	24	23	2.4	3.0	3.5	3.9
Petronet LNG	BUY	217	280	29	326	4.7	1,500	16	18	21	15	14.3	12.9	13.6	11.9	10.5	9.0	7.6	6.5	3.1	2.8	2.5	23	24	25	3.7	4.2	5.2	9.6
Gas Utilities	**Attractive**				**1,511**	**21.6**					**38**	**5.4**	**8.3**	**12.8**	**12.1**	**11.2**	**7.8**	**7.3**	**6.6**	**2.2**	**2.0**	**1.9**	**17.6**	**16.8**	**16.6**	**2.8**	**3.1**	**3.5**	**50**
Health Care Services																													
Apollo Hospitals	ADD	1,282	1,230	(4)	178	2.6	139	24	29	35	190	17	23	52	45	36	20	18	16	5.1	4.7	4.3	10.1	10.9	12.4	0.5	0.6	0.7	11.0
Aster DM Healthcare	BUY	164	240	47	83	1.2	505	4.9	8.0	11.9	77	63	49	33	21	13.8	13	9.7	7.6	2.7	2.4	2.1	8.4	12.5	16.3	—	—	—	0.3
Dr Lal Pathlabs	REDUCE	948	910	(4)	79	1.1	83	24	28	34	17	18	22	40	34	28	24	20	16	8.4	7.0	5.9	23	23	23	0.5	0.6	0.7	1.5
HCG	BUY	183	270	47	16	0.2	85	(1.2)	1.0	3.7	(178)	179	281	NM	189	50	16	13	10.3	3.1	3.0	2.9	NM	1.6	5.9	—	—	—	0.3
Narayana Hrudayalaya	ADD	196	265	35	40	0.6	204	2.7	5.9	8.5	7.1	119	44	73	33	23	19	13	10.6	3.7	3.3	2.9	5.2	10.5	13.4	—	—	—	0.2
Health Care Services	**Attractive**				**396**	**5.7**					**69**	**40**	**36**	**48**	**34**	**25**	**18**	**15**	**12**	**4.4**	**3.9**	**3.5**	**9.2**	**11.6**	**13.9**	**0.3**	**0.4**	**0.5**	**13.2**
Hotels & Restaurants																													
Coffee Day Enterprises	NR	270	—	—	57	0.8	211	7.6	10.1	12.5	127	34	24	36	27	22	11.9	10.3	9.5	2.2	2.1	0.0	6.5	8.1	9.2	—	—	—	0.6
Jubilant Foodworks	BUY	1,217	1,370	13	161	2.3	132	24	33	43	67	37	30	50	37	28	25	19	15	12	9.3	7.1	28	29	29	0.2	0.2	0.3	37
Lemon Tree Hotels	ADD	70	80	14	55	0.8	786	0.4	1.2	2.0	147	175	67	157	57	34	35	21	16	6.5	5.8	5.4	4.2	10.7	16.4	—	—	1.3	0.0
Hotels & Restaurants	**Attractive**				**273**	**3.9**					**87**	**46**	**33**	**53**	**36**	**27**	**20**	**15**	**13**	**5.8**	**5.0**	**4.3**	**11.0**	**13.8**	**15.9**	**0.1**	**0.1**	**0.5**	**37**
Insurance																													
HDFC Standard Life Insurance	ADD	393	380	(3)	793	11.4	2,007	6.5	8.1	9.8	18	24	21	60	49	40	—	—	—	15	13	12	26	29	31	0.4	0.5	0.6	5.9
ICICI Lombard	SELL	866	650	(25)	393	5.6	454	26	31	37	35	23	16	34	28	24	—	—	—	7.3	6.1	5.1	23	24	24	0.7	0.8	1.0	6.5
ICICI Prudential Life	BUY	320	450	41	459	6.6	1,436	8.9	10.3	12.3	(21)	16	20	36	31	26	—	—	—	6.0	5.2	4.5	18.1	18.1	18.7	0.5	0.5	0.6	5.9
Max Financial Services	BUY	436	510	17	117	1.7	268	6.3	6.4	6.5	37	1.8	1.8	69	68	67	—	—	—				8.3	8.0	7.8	0.5	0.5	0.5	4.8
SBI Life Insurance	BUY	602	715	19	602	8.6	1,000	12.7	14.3	16	10.8	12.4	12.1	47	42	38	—	—	—	7.9	6.8	5.9	18.0	17.5	17.0	0.3	0.4	0.4	3.0
Insurance	**Attractive**				**2,365**	**33.9**					**6.9**	**18**	**17**	**46**	**39**	**33**				**8.5**	**7.4**	**6.4**	**18.6**	**19.1**	**19.4**	**0.3**	**0.4**	**0.4**	**26**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

		Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
Company	Rating	7-Jan-19	(Rs)	(%)	(Rs bn)	(US$ bn)	(mn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	(US$ mn)
Internet Software & Services																													
Info Edge	ADD	1,622	1,660	2	198	2.8	121.6	26	33	40	16	28	21	62	49	40	47	36	29	7.4	6.7	6.0	13.4	14.5	15.8	0.5	0.5	0.6	4.2
Just Dial	ADD	489	610	25	33	0.5	67.4	28	30	32	33	5.1	8.2	17.3	16.4	15.2	9.9	8.6	7.4	3.4	2.9	2.5	19.3	19.1	17.6	0.6	0.6	0.7	17.4
Internet Software & Services	**Attractive**				**231**	**3.3**					**20**	**19**	**17**	**46**	**39**	**33**	**34**	**27**	**23**	**6.5**	**5.7**	**5.1**	**14.0**	**14.9**	**15.3**	**0.5**	**0.5**	**0.6**	**22**
IT Services																													
HCL Technologies	ADD	940	1,100	17	1,309	18.7	1,409	74	78	81	18	5.6	4.5	12.8	12.1	11.6	8.3	7.5	6.8	2.9	2.5	2.2	25	22	20	0.9	3.3	3.5	31
Hexaware Technologies	REDUCE	332	360	9	99	1.4	302	20	23	25	20	13.6	12.3	16.6	14.7	13.1	12	9.7	8.5	4.3	3.7	3.2	28	27	26	2.4	2.4	3.0	7.9
Infosys	ADD	672	780	16	2,934	42.0	4,350	37	41	45	13.5	12.3	10.4	18.3	16.3	14.8	13	11.0	9.8	4.1	3.7	3.4	24	24	24	3.2	2.9	3.1	85
L&T Infotech	ADD	1,710	2,000	17	296	4.2	175	83	95	110	31	14.0	16	21	18.1	15.6	15	13	10.6	6.3	5.1	4.2	34	31	30	1.4	1.5	1.8	5.7
Mindtree	ADD	835	1,080	29	137	2.0	165	45	55	63	30	23	14.0	18.6	15.1	13.2	11.8	9.2	7.9	4.3	3.6	3.1	25	26	25	1.6	2.0	2.3	18.8
Mphasis	SELL	925	900	(3)	179	2.6	193	55	63	65	26	13.4	2.7	16.7	14.7	14.3	11.5	10.4	9.6	2.9	3.0	2.8	18.5	19.8	20	2.2	2.7	3.2	7.1
TCS	REDUCE	1,898	1,950	3	7,122	102.0	3,829	85	95	103	26	11.6	8.9	22	20	18.4	16	14	13	7.0	6.6	6.2	34	34	35	1.8	3.5	3.8	82
Tech Mahindra	ADD	688	865	26	607	8.7	891	48	56	64	11.9	18	14.1	14.4	12.2	10.7	8.4	6.8	5.7	2.8	2.4	2.0	21	21	20	1.3	1.5	1.6	32
Wipro	REDUCE	324	325	0	1,467	21.0	4,507	19	23	25	11.7	21	7.9	17.1	14.1	13.1	11.0	9.2	8.3	2.6	2.4	2.2	16.4	17.7	17.6	0.5	3.1	3.4	18.6
IT Services	**Cautious**				**14,150**	**202.7**					**17**	**12.1**	**9.0**	**18.9**	**16.9**	**15.5**	**13**	**11.3**	**10.3**	**4.5**	**4.1**	**3.8**	**24**	**24**	**24**	**1.9**	**3.1**	**3.4**	**287**
Media																													
DB Corp.	ADD	168	210	25	31	0.4	184	16	20	23	(6.4)	24	14.9	10.2	8.2	7.2	5.6	4.4	3.8	1.6	1.5	1.4	15.5	19.1	20	2.4	6.0	7.4	0.3
DishTV	ADD	42	51	23	77	1.1	1,925	1.0	2.4	3.2	329	140	32	41	17.2	13.1	4.1	3.4	2.8	15	11	7.9	40	75	71	—	—	—	4.4
Jagran Prakashan	REDUCE	115	110	(5)	34	0.5	311	10.0	11.1	12.7	3.5	10.8	15	11.6	10.4	9.1	5.0	4.5	3.9	1.8	1.8	1.7	15.0	17.2	19.3	4.3	7.8	7.8	0.2
PVR	RS	1,583	NA	-	74	1.1	47	37	51	65	38	37	28	43	31	24	16	12	10.3	6.2	5.3	4.4	15.5	18.3	19.8	0.2	0.3	0.4	7.8
Sun TV Network	REDUCE	595	670	13	235	3.4	394	35	37	41	22	6.8	10.5	17.0	15.9	14.4	11.3	10.5	9.1	4.7	4.3	4.0	29	28	29	3.4	3.8	4.2	15.6
Zee Entertainment Enterprises	REDUCE	463	430	(7)	445	6.4	960	17	20	22	11.4	17	12.6	28	24	21	16	14	13	5.2	4.6	4.0	19.9	21	20	1.0	1.2	1.5	27
Media	**Attractive**				**895**	**12.8**					**22**	**21**	**14.9**	**23**	**18.8**	**16.4**	**10.3**	**9.1**	**8.0**	**4.7**	**4.2**	**3.8**	**21**	**22**	**23**	**1.6**	**2.1**	**2.4**	**55**
Metals & Mining																													
Hindalco Industries	BUY	209	330	58	468	6.7	2,229	29	32	34	33	10.4	6.8	7.2	6.5	6.1	4.9	4.3	3.8	0.8	0.7	0.6	11.2	11.1	10.7	0.6	0.6	0.6	31
Hindustan Zinc	REDUCE	275	265	(3)	1,160	16.6	4,225	20	21	24	(6.5)	4.6	13.3	13.7	13.1	11.5	8.2	7.4	6.3	3.4	3.1	2.8	24	25	25	7.3	3.8	4.3	5.2
Jindal Steel and Power	REDUCE	152	165	8	147	2.1	968	5.3	7.4	15	163	39	106	29	21	10.0	6.4	6.3	5.4	0.5	0.5	0.5	1.7	2.3	4.7	—	—	—	29
JSW Steel	SELL	290	285	(2)	701	10.0	2,406	31	23	27	14.6	(25)	18	9.4	12.5	10.6	6.5	7.8	6.9	2.1	1.9	1.6	25	16.0	16.5	1.1	1.1	1.1	26
National Aluminium Co.	BUY	64	87	36	123	1.8	1,933	9.7	8.3	8.6	233	(14.5)	3.6	6.6	7.7	7.5	2.9	3.5	3.3	1.1	1.1	1.1	17.3	14.3	14.5	9.4	9.4	9.4	7.4
NMDC	REDUCE	95	115	21	300	4.3	3,164	12.3	10.1	10.6	5.2	(19)	5.1	7.7	9.4	9.0	4.6	5.6	5.3	1.1	1.1	0.0	15.5	11.9	12.0	5.8	5.8	5.8	5.1
Tata Steel	ADD	486	610	26	553	7.9	1,205	90	81	93	34	(10.2)	15	5.4	6.0	5.2	5.3	5.9	5.6	0.9	0.8	0.7	17.3	14.2	14.9	2.1	2.1	2.1	64
Vedanta	BUY	193	330	71	719	10.3	3,717	23	33	34	4.3	47	3.9	8.6	5.8	5.6	5.1	4.0	3.6	1.1	1.0	0.9	12.9	17.5	16.5	4.1	5.1	5.3	43
Metals & Mining	**Attractive**				**4,172**	**59.8**					**20**	**2.6**	**11.6**	**8.7**	**8.5**	**7.6**	**5.6**	**5.5**	**5.0**	**1.3**	**1.2**	**1.1**	**14.5**	**13.7**	**13.9**	**4.0**	**3.2**	**3.4**	**26**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

		Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
Company	Rating	7-Jan-19	(Rs)	(%)	(Rs bn)	(US$ bn)	(mn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	(US$ mn)
Oil, Gas & Consumable Fuels																													
BPCL	REDUCE	356	275	(23)	771	11.0	1,967	30	33	36	(25)	10.0	8.1	11.8	10.7	9.9	8.6	7.7	7.0	1.9	1.7	1.6	16.6	16.8	16.6	3.4	3.7	4.0	36
Coal India	ADD	235	290	24	1,456	20.8	6,207	23	24	25	107	3.8	1.6	10.0	9.6	9.5	7.3	6.5	6.2	6.0	6.9	7.9	60	66	78	8.5	10.7	10.7	25
HPCL	SELL	250	185	(26)	381	5.5	1,524	28	27	29	(33)	(3.7)	7.6	8.9	9.3	8.6	7.9	8.4	8.2	1.5	1.3	1.2	17.1	15.1	15.1	4.6	4.4	4.7	38
IOCL	SELL	133	120	(10)	1,296	18.6	9,479	15	15	17	(25)	(2.1)	12.8	8.7	8.9	7.9	5.2	5.0	4.5	1.1	1.0	0.9	12.8	11.8	12.5	4.6	4.5	5.1	35
Oil India	BUY	175	200	15	198	2.8	1,135	22	26	26	(9.6)	15	1.2	7.8	6.8	6.7	5.2	4.5	4.5	0.7	0.6	0.6	8.9	9.8	9.4	5.1	5.9	6.0	4.2
ONGC	BUY	148	190	29	1,897	27.2	3,752	19	22	21	11.3	12.1	-3.4	7.6	6.8	7.0	3.8	3.4	3.3	0.8	0.7	0.7	10.7	11.3	10.3	4.6	5.1	5.1	26
Reliance Industries	SELL	1,105	1,070	(3)	6,538	93.6	5,922	67	78	88	13.9	17	12.7	16.4	14.1	12.5	11.3	9.5	8.0	2.0	1.8	1.6	11.8	12.3	12.3	0.6	0.6	0.7	163
Oil, Gas & Consumable Fuels	**Attractive**				**12,537**	**179.6**					**5.7**	**10.0**	**6.7**	**11.8**	**10.7**	**10.0**	**7.5**	**6.7**	**6.1**	**1.6**	**1.4**	**1.3**	**13.3**	**13.5**	**13.3**	**2.9**	**3.2**	**3.3**	**328**
Pharmaceuticals																													
Aurobindo Pharma	ADD	725	785	8	425	6.1	584	41	59	67	-0.8	43	12.6	17.5	12.2	10.8	11.7	8.4	7.4	3.1	2.5	2.1	19.0	21	19.2	0.7	0.9	1.0	32
Biocon	SELL	621	345	(44)	372	5.3	601	9.5	15	19	53	61	21	65	41	33	32	21	18	6.0	5.4	4.8	9.6	13.9	14.3	0.5	0.9	1.0	19.4
Cipla	BUY	514	600	17	414	5.9	805	20	26	35	14.7	28	37	26	20.0	14.5	14	11.3	8.5	2.6	2.4	2.1	10.6	12.5	14.5	0.8	1.0	1.4	22
Dr Reddy's Laboratories	REDUCE	2,559	2,400	(6)	425	6.1	166	109	134	160	85	23	20	23	19.1	16.0	13	9.5	7.6	3.0	2.6	2.3	13.5	13.9	14.5	0.7	0.8	1.0	34
Laurus Labs	BUY	379	460	21	40	0.6	106	14.9	28	33	(6.1)	85	21	25	13.8	11.4	12	8.1	6.9	2.5	2.1	1.8	10.1	16.5	15.6	—	—	—	0.3
Lupin	REDUCE	820	830	1	371	5.3	450	27	37	48	(30)	39	30	31	22	17.2	16	10.6	8.3	2.5	2.3	2.1	8.5	10.8	12.0	0.5	0.7	0.9	25
Sun Pharmaceuticals	SELL	431	475	10	1,034	14.8	2,406	16	23	27	2.8	45	22	28	19.1	15.7	15	10.3	8.5	2.5	2.3	2.1	9.5	12.6	13.3	0.5	1.0	1.3	80
Torrent Pharmaceuticals	NR	1,820	—	—	308	4.4	169	46	61	78	14.3	32	28	40	30	23	17	14	12	6.0	5.2	4.5	15.0	17.4	19.3	0.7	1.0	1.2	5.4
Pharmaceuticals	**Neutral**				**3,389**	**48.5**					**7.8**	**39**	**23**	**28**	**19.8**	**16.2**	**15**	**10.8**	**8.9**	**3.0**	**2.7**	**2.4**	**10.9**	**13.5**	**14.7**	**0.6**	**0.9**	**1.1**	**218**
Real Estate																													
Brigade Enterprises	BUY	212	290	37	29	0.4	136	22	27	34	99	25	24	9.6	7.7	6.2	8.7	7.0	5.4	1.1	1.0	0.9	12.4	13.8	15.0	1.2	1.2	1.2	0.3
DLF	RS	180	—	—	320	4.6	1,784	7.5	6.9	14.3	(70)	-8.4	107	24	26	12.5	24	29	13	0.9	0.9	0.8	3.8	3.4	6.7	1.1	1.1	1.1	17.6
Godrej Properties	SELL	714	400	(44)	164	2.3	216	7.1	23	24	(35)	231	4.2	101	30	29	168	28	27	4.8	4.2	3.6	5.8	14.6	13.3	—	—	—	2.6
Oberoi Realty	BUY	458	460	1	166	2.4	340	46	34	57	265	(27)	66	9.9	13.4	8.1	10.9	16	5.8	1.8	1.6	1.3	21	12.5	18.0	0.4	0.4	0.4	2.8
Prestige Estates Projects	ADD	229	270	18	86	1.2	375	6.4	7.5	8.1	(35)	17	7.5	36	31	28	11.5	12.0	12	1.8	1.7	1.6	5.0	5.6	5.8	0.7	0.7	0.7	0.8
Sobha	REDUCE	452	474	5	43	0.6	95	23	36	24	2.4	52	(33)	19.3	12.7	18.8	11.0	8.4	10.4	2.0	1.8	1.7	9.0	14.8	9.1	1.5	1.5	1.5	1.1
Sunteck Realty	REDUCE	351	360	3	51	0.7	140	17	17	38	8.9	3.6	123	21	20	9.1	16	15	6.0	1.7	1.6	1.4	8.5	8.2	16.2	0.3	0.3	0.3	1.3
Real Estate	**Neutral**				**859**	**12.3**					**(33)**	**1.9**	**58**	**21**	**21**	**13.0**	**17**	**17**	**10.3**	**1.4**	**1.3**	**1.2**	**6.7**	**6.5**	**9.4**	**0.7**	**0.7**	**0.7**	**26**
Retailing																													
Aditya Birla Fashion and Retail	BUY	207	230	11	160	2.3	773	2.3	3.7	5.6	51	59	53	90	57	37	26	20	17	13	10	8.1	15.0	20	24	—	—	—	3.1
Avenue Supermarts	SELL	1,571	890	(43)	981	14.0	624	16	20	26	30	27	28	98	77	60	57	44	35	17	14	11	19.4	20	21	—	—	—	0.0
Titan Company	REDUCE	944	800	(15)	838	12.0	888	16	20	25	28	25	20	58	46	38	38	30	24	14	12	9.6	26	27	27	0.5	0.6	0.7	41
Retailing	**Cautious**				**1,979**	**28.3**					**30**	**28**	**26**	**75**	**59**	**47**	**43**	**34**	**27**	**15**	**13**	**10**	**20**	**21**	**22**	**0.2**	**0.2**	**0.3**	**44**
Speciality Chemicals																													
Castrol India	SELL	151	140	(7)	149	2.1	989	6.9	7.4	8.1	0.6	7.3	8.9	22	20	18.6	14	13	11.5	14	14	14	66	70	77	3.7	4.2	4.5	2.6
Pidilite Industries	REDUCE	1,103	915	(17)	560	8.0	508	20	24	28	6.2	22	18	56	46	39	36	31	26	14	12	9.8	26	27	27	0.6	0.7	0.9	9.2
S H Kelkar and Company	BUY	171	240	40	25	0.4	145	7.2	9.5	11.4	(3.4)	32	20	24	18.0	15.0	17	13	11.2	2.7	2.4	2.2	11.6	14.0	15.1	1.0	1.2	1.6	0.5
SRF	BUY	1,998	2,200	10	115	1.6	57	100	132	150	24	32	14.1	20	15.2	13.3	11.6	9.2	7.8	2.8	2.4	2.1	15.0	17.3	17.0	0.7	0.7	0.8	13.2
Speciality Chemicals	**Neutral**				**849**	**12.2**					**7.7**	**21**	**14.8**	**36**	**30**	**26**	**22**	**18**	**16**	**8.3**	**7.3**	**6.4**	**23**	**24**	**24**	**1.2**	**1.4**	**1.5**	**25**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

		Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
Company	Rating	7-Jan-19	(Rs)	(%)	(Rs bn)	(US$ bn)	(mn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	(US$ mn)
Telecommunication Services																													
Bharti Airtel	ADD	325	360	11	1,299	18.6	3,997	(8.5)	(9.2)	(4.2)	NM	NM	NM	NM	NM	NM	9.7	8.7	7.3	2.2	2.5	2.7	NM	NM	NM	1.8	1.8	1.8	35
Bharti Infratel	REDUCE	295	270	(8)	545	7.8	1,850	13.2	12.8	14.3	(4.1)	(2.7)	11.6	22	23	21	8.5	8.6	7.9	3.4	3.3	3.3	14.7	14.6	16.0	3.6	3.6	4.0	9.3
Vodafone Idea	NR	37	-	(100)	320	4.6	4,359	(10.7)	(2.4)	(6.9)	NM	NM	NM	NM	NM	NM	33	12.0	10.4	0.5	0.7	0.8	NM	NM	NM	—	—	—	13.4
Tata Communications	ADD	529	580	10	151	2.2	285	(3.8)	2.9	5.0	NM	176	74	NM	183	105	10.1	9.1	8.4	NM	NM	956	NM	NM	NM	1.2	1.4	1.4	2.9
Telecommunication Services	Cautious				2,315	33.2					NM	12.1	24	NM	NM	NM	12	9.5	8.2	1.6	1.5	1.6	NM	NM	NM	1.9	1.9	2.0	61
Transportation																													
Adani Ports and SEZ	BUY	382	390	2	790	11.3	2,071	20	23	29	10.2	10.9	27	18.7	16.9	13.3	14	11.6	10.4	3.3	2.8	2.4	18.7	18.0	19.4	0.3	0.5	0.4	21
Container Corp.	SELL	681	590	(13)	332	4.8	487	20	25	29	12.0	21	16	33	28	24	20	16	14	3.3	3.1	2.9	10.2	11.5	12.5	1.5	1.8	1.7	8.4
Gateway Distriparks	BUY	121	195	61	13	0.2	109	7.4	5.8	8.5	(3.0)	(21)	46	16.4	21	14.2	20	7.7	6.5	1.2	2.1	1.8	7.6	7.4	13.8	—	2.5	2.5	0.3
Gujarat Pipavav Port	BUY	95	140	47	46	0.7	483	5.3	6.5	7.8	29	24	19	18.0	14.6	12.3	9.4	7.6	6.3	2.2	2.2	2.1	12.6	15.3	17.7	4.7	5.7	6.7	0.3
InterGlobe Aviation	BUY	1,114	1,220	10	428	6.1	383	(21)	36	82	(136)	271	124	NM	31	13.7	NM	18	7.1	6.8	5.6	4.1	NM	20	35	—	0.2	0.7	20
Mahindra Logistics	REDUCE	505	510	1	36	0.5	71	13.0	19	24	33	45	30	39	27	21	22	15	11.4	7.2	5.9	4.8	20	24	26	—	—	—	0.5
Transportation	Attractive				1,646	23.6					(34)	61	43	34	21	14.8	21	13	9.7	3.7	3.3	2.8	11.0	15.7	18.9	0.6	0.8	0.9	51
KIE universe					106,429	1524.2					17	31	16	22	16.9	14.6	10.9	9.5	8.4	2.7	2.4	2.2	12.0	14.1	14.8	1.4	1.8	2.0	
KIE universe (ex-Oil, Gas & Consumable Fuels)					93,892	1344.7					20	37	18	25	18.3	15.5	12	10.5	9.2	2.9	2.6	2.4	11.6	14.3	15.2	1.2	1.6	1.8	

Notes:
(a) We have used adjusted book values for banking companies.
(b) 2019 means calendar year 2018, similarly for 2020 and 2021 for these particular companies.
(c) Exchange rate (Rs/US$)= 69.82

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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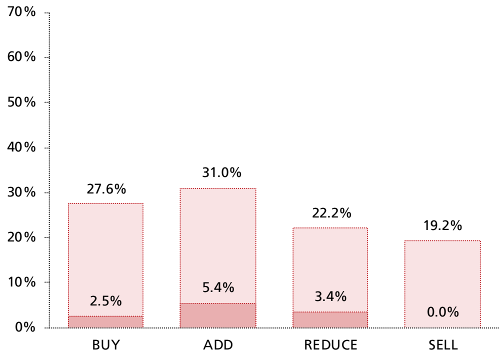

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Source: Kotak Institutional Equities

As of September 30, 2018

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