BFSI to drive earnings growth again...

July 8, 2019

The Q1FY20E earnings is expected to be a mixed bag with BFSI, pharma witnessing strong growth, on the one hand, while auto and commodity based sectors such as oil & gas and metals are witnessing earnings pressure. Topline and bottomline growth in Sensex companies is expected at 4.5% and 20.8%, respectively. Key earnings driver for the quarter would be the banking sector performance (Sensex BFSI earnings likely to be up 1.9x YoY) aided by a pick-up in advances, decline in slippages (both YoY, QoQ) as well as benefits of G-sec yield correction. Furthermore, the pharma sector is also likely to outperform with ~19% and ~20% in topline and bottomline growth, respectively. In the defensives domain, IT, FMCG and consumer discretionary are expected to deliver steady growth of 10-13% YoY. Capital goods is likely to outperform with continued strong execution (~11% YoY growth). On the other hand, sectors like auto, oil & gas and metals are likely to underperform with a weak topline and decline in bottomline.

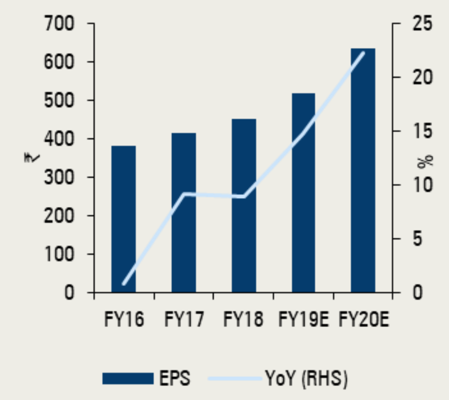
In the banking space, we expect coverage companies to deliver healthy NII growth of 14.8% YoY, with private sector banks likely to deliver a strong performance (NII growth of 23.4% YoY vs. PSUs' NII growth of 6.8% YoY). Large banks like SBI and Axis Bank are likely report strong numbers on a weak base. SBI is likely to post ₹ 5935 crore profit vs. loss of ₹ 4876 crore YoY. Axis Bank is also likely to post profit of ₹ 1725 crore vs. ₹ 701 crore. Similarly, for pharma sector, a strong topline and bottomline show is largely expected to be led by strong US growth.

In the capital goods sector, Q1FY20E has been a muted quarter for the in terms of order inflows due to slower pace of order awards owing to general election coupled with muted private capex. However, the coverage universe revenue is expected to grow 10.0% owing to stable execution rates at engineering and T&D companies. In the FMCG pack, 5-6% YoY growth is expected across companies on a very high base whereby sales may grow 9.8% YoY.

Among underperforming sectors, auto and oil & gas revenues are expected to fall 8.1% (demand weakness) and 4.3% YoY (lower crude prices YoY), respectively. These two sectors are expected to witness steep earnings decline of ~19% and 40%, respectively.

Going ahead, factors such as stable currency and crude price, softening system interest rates (controlled inflation) and stressed asset resolution are expected to lead to healthy 23.7% earnings CAGR in FY19-21E.

Trend in Nifty EPS



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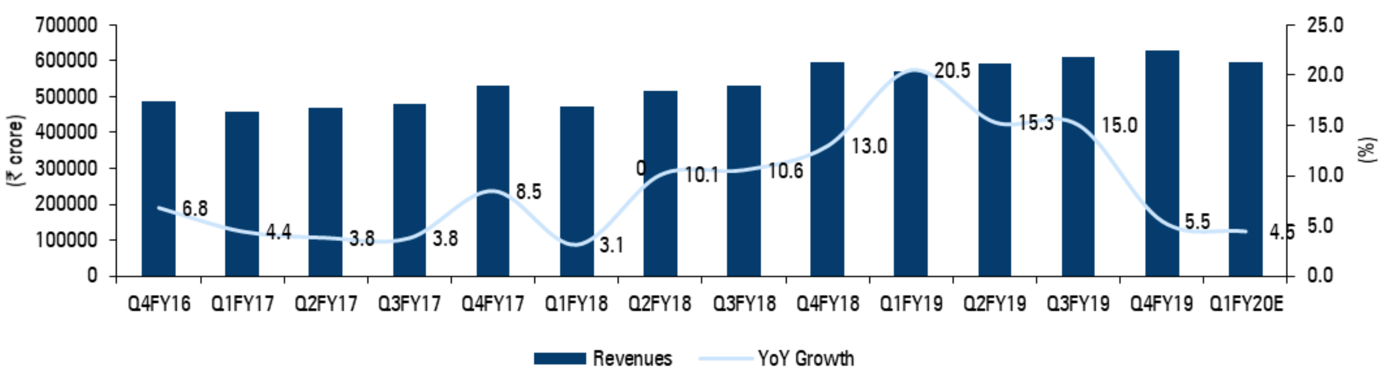
Result Preview – Q1FY20E

ICICI Securities – Retail Equity Research

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

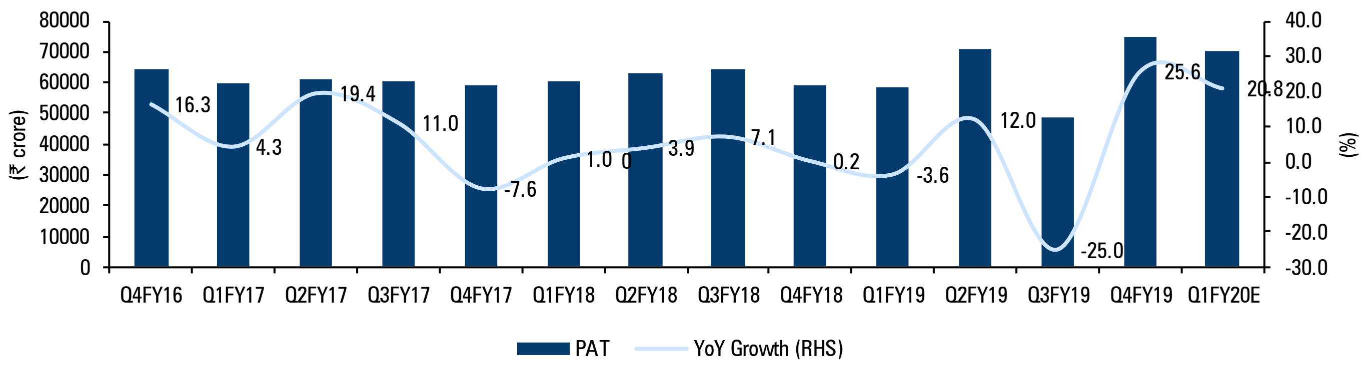


Source: ICICI Direct Research, Company

Performance of Sensex companies

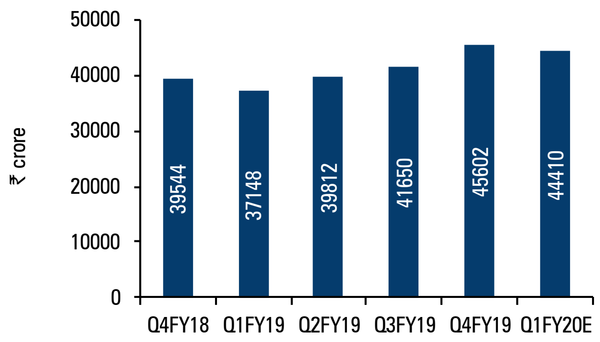
- For Q1FY20E, we expect Sensex companies to register topline and bottomline growth of 4.5% and 20.8%, respectively. The major drag in topline as well as bottomline has been the auto sector, which is facing demand challenges, specifically in their domestic sales, resulting in pressure at sales and profitability levels. Banking, on the other hand, will be the key driver of earnings as well as topline at Sensex levels driven the steady/lower provisions. Consequently, companies with 20%+ revenue growth were from BFSI sectors such as HDFC, HDFC Bank and Bajaj Finance. On the flip side, the auto pack with companies such as Maruti, Tata Motors, Hero MotoCorp and Mahindra & Mahindra are expected to witness a topline decline in the range of 4-17%
- On the profitability front, companies likely to deliver 20%+ growth include Axis Bank (on a low base), Bajaj Finance (led by higher advances growth), HDFC and HDFC Bank. Similarly, auto OEMS, metals & mining and oil & gas companies may see a decline in profitability in Q1FY20E

Exhibit 1: Trend in profitability of Sensex companies…



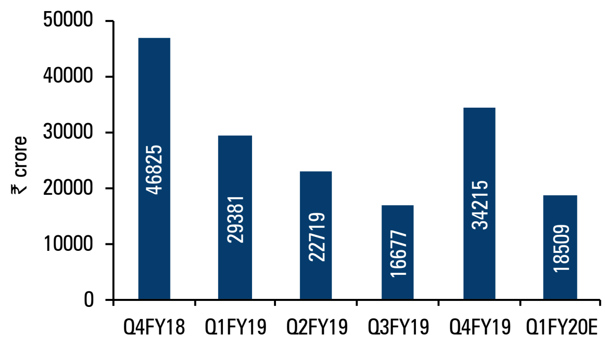
Source: Company, ICICI Direct Research

Exhibit 2: Pre provisioning profit (PPP) of banks



Source: Company, ICICI Direct Research

Exhibit 3: Provisions of banks



Source: Company, ICICI Direct Research

Coverage universe expectations and emerging trends

- Revenues of our I-direct coverage (ex BFSI) are expected to witness muted growth of 1.3% YoY in Q1FY20E, with auto and oil & gas dragging down growth. Excluding auto and oil & gas, the same is expected to witness 8.8% topline growth. Ex-BFSI, major revenue driver is the pharma sector, which is expected to see ~19% YoY growth, albeit on a benign base. Among other major sectors, the IT sector is expected to witness decent 11.5% YoY revenue growth. On the consumption side, FMCG and consumer durables are expected to witness revenue growth of 8% and 12.9%, respectively. For capital goods companies, Q1FY20E is expected to be stable with execution pick-up across companies, resulting in 10% YoY revenue growth. The cement coverage universe is expected to witness ~9% YoY growth revenues, largely driven by strong realisations amid relatively muted volume growth. The auto sector is likely to report a steep decline of 8.1% YoY in revenues as volumes de-growth continue to weigh on OEMs financials. For the oil & gas sector, topline is expected to decline 4.3% YoY, given weak crude prices (~US$68.5/barrel vs. ~US$74 in Q1FY19)

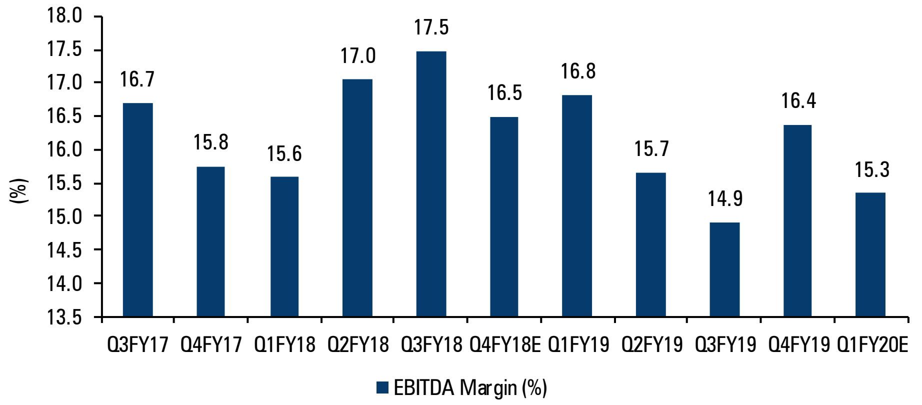
- For the banking sector, a sharp decline in G-sec yields remained the highlight of the quarter, which will support the earnings trajectory of the banking industry, as a whole, and PSBs, in particular. With the recent development in Essar Steel resolution, the banking industry is expected to witness a recovery in its headline NPA numbers in Q2FY20. The earnings trajectory of banks is likely to remain steady led by healthy momentum in credit offtake and moderation in slippages though the profitability of selective peers could remain under pressure. A slowdown in auto volumes and conservative approach by a couple of large lenders on unsecured lending has led to a moderation in the retail portfolio while the industry segment is on a continued recovery path. In our coverage, we expect private banks, on the back of a steady operational performance, to report healthy traction in earnings at ~18% YoY. On the back of lower provisions & robust treasury gains, PSU banks are seen posting profits in Q1FY20E compared to a loss in Q1FY19

- Q1FY20 was a second consecutive painful quarter for the auto space. Demand weakness was pervasive across segments leading to high channel inventory and consequent low dispatches at the OEM level. The overall demand sentiment remains lacklustre despite high competitive intensity on the pricing front, weighed by a general reluctance in discretionary spending and tight system liquidity. Most key OEMs reported dismal volumes for the quarter. At PV market leader MSIL, volumes de-grew 17.9% YoY. In the 2-W space, Bajaj outperformed by posting 1.7% YoY growth while HMCL witnessed 12.5% YoY drop, dragged by the scooter division. In the CV space, Ashok Leyland de-grew slower (down 6% YoY) against 22.2% decline at TML. Lagged pass through of softer raw material prices (Q3-Q4FY19) would selectively benefit some of our coverage stocks. For our coverage universe, we expect total topline to de-grow 8.1% YoY tracking the ~12.5% volume decline in the OEM space for the quarter. PAT of our coverage universe is expected to drop sharply by 19% YoY, with operating margins expected to moderate 30 bps QoQ to 11.1% on account of negative operating leverage in terms of high employee as well as other fixed costs. We expect auto OEMs to lag ancillaries

- For capital goods companies, Q1FY20E has been a muted quarter for the capital goods universe in terms of order inflows due to slower pace of order awards owing to general election coupled with muted private capex. L&T, Bhel received reasonable order inflows while KEC, Kalpataru Power received moderate order inflows. Thermax' order inflow continues to be sluggish. Overall, the coverage universe revenue is expected to grow 10.0% owing to stable execution rates at engineering and T&D companies. Ex-BEL and Bhel, we expect EBITDA to grow 12.4% YoY amid accelerated execution by companies like L&T and Kalpataru

- The EBITDA margins of the coverage universe (ex-BFSI) are likely to contract 70 bps YoY to 15.8%

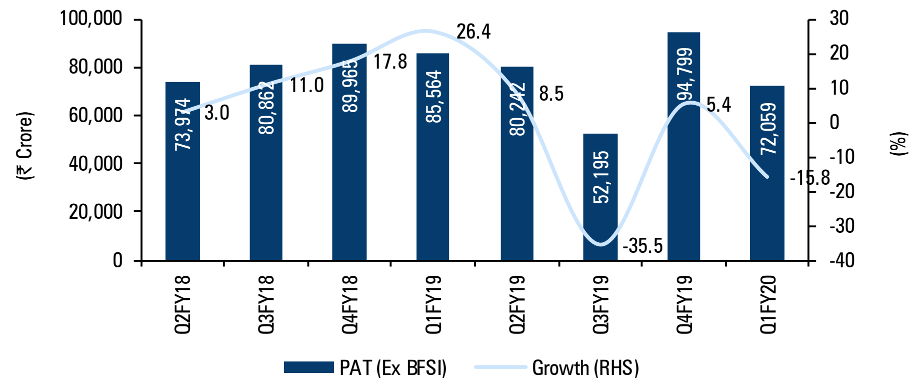
Exhibit 4: Trend in EBITDA margins of I-direct coverage universe (ex- BFSI)



Source: Company, ICICI Direct Research

- Modest revenue growth and margin contraction YoY are likely to impact the profitability of our I-direct coverage universe, which is expected to report PAT (ex BFSI) de-growth of 15.8% YoY. The pain has been accentuated by a steep decline in earnings of auto, oil & gas and metals & mining. Excluding these companies, PAT of our coverage is flattish

Exhibit 5: Trend in coverage PAT



Source: Company, ICICI Direct Research

Defensives: Robust demand prospects for consumption

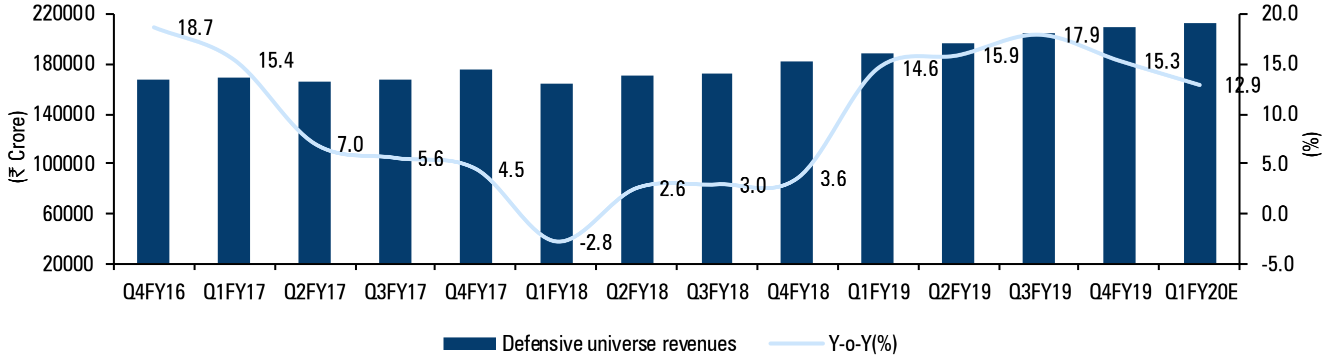
(Sector composition: consumer discretionary, IT, FMCG, healthcare)

Key highlights:

- We expect defensives to continue to drive the overall growth. Our I-direct defensive universe is likely to report healthy double digit growth of 12.9% YoY. Further, growth is largely broad based (revenue growth in the range of 10-19%) within the space. Pharma is the top growing sector within the space, primarily due to ~21% growth in the US (selected pack). The I-direct consumer discretionary (CD) universe is likely to record sales growth of 13% YoY, led by a strong recovery in sales of the cooling product category. The FMCG coverage universe is expected to post organic volume growth of 5-6% YoY across companies on a very high base whereby sales is expected to grow 9.8% YoY. The EBITDA margin of our I-direct defensive universe is likely to remain stable YoY with modest decline of 20 bps at to 22.2% supported by pharma (YoY margins expansion of 170 bps)
- In the IT space, Tier-1 IT companies are expected to report revenue growth of -0.1-3.5% QoQ in constant currency (CC) terms. We expect CC growth to be led by TCS (3.5% QoQ) and Infosys (2.6%QoQ) on the back of healthy digital growth and deal pipeline while organic growth in HCL Tech is expected to be muted. In addition, cross currency would act as a headwind of 25-30 bps to reported dollar growth. Among mid-tier, Persistent would lead the dollar growth (2.3% QoQ) on the back of growth in the IP led business. From a margin perspective, cross currency headwinds coupled with wage hikes, visa costs, higher sub-contracting costs (in some), and rupee appreciation could create margin headwinds in Q1. We remain positive on the digital growth story of Indian IT companies. Further, we need to watch i) demand outlook in banking & financial services post Accenture's commentary on improving sentiments in capital markets segment, ii) measures to propel digital and large deal wins, iii) course of client decision making in the wake of specific macro challenges and iv) margin trajectory amid increasing cost pressures and attrition
- We expect FMCG sales moderation to continue this quarter as well as rural demand continues to be under stress due to low crop prices resulting in lower farmer income levels. We expect our FMCG coverage universe to post organic volume growth of 5-6% YoY across companies on a very high base whereby sales is expected to grow 9.8% YoY. Among raw material prices, barley, milk, sugar and cocoa prices have been on an upward trajectory, increasing 23%, 20%, 10% and 5%, respectively. Crude oil prices (used for packaging) continue to be volatile, which should result in operating margin contraction of 66 bps for our FMCG universe. Some of our FMCG universe companies would witness higher marketing spend towards new launches, which would impact their operating margins. We estimate 10.2% YoY net profit growth for our coverage universe
- I-direct healthcare universe is expected to register 19% YoY growth to mainly on the back of ~21% growth in the US (selected pack) led by 1) growth in base business due to waning price erosion and lower base, 2) opportunities created by high profile exits and 3) new launches (including limited competition launches) besides consolidation. Domestic formulations (select pack) and Europe are expected to grow ~12% and ~21%, respectively. On the hospitals front, growth is likely to be driven by newly commissioned hospitals. EBITDA margins are likely improve 170 bps to 21.4% on the back of improved operational leverage, improvement in product mix and efficient cost control

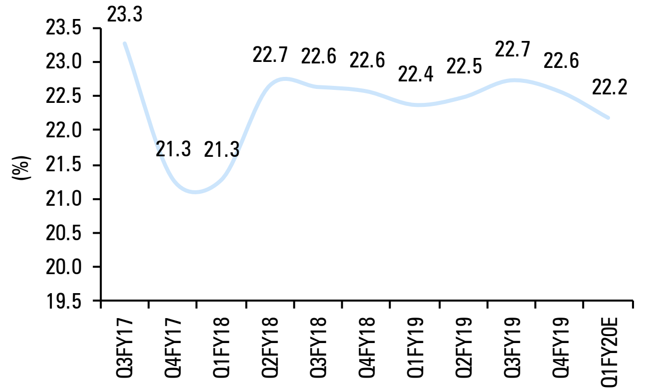
measures, thus mitigating higher raw material cost due to raw material supply constraints from China and higher promotional cost of innovative products. Net profit growth is expected to grow 20% YoY to ₹ 5506 crore. Delta vis-à-vis EBITDA is likely to be on the back of lower other income

Exhibit 6: Trend in revenue growth of defensives



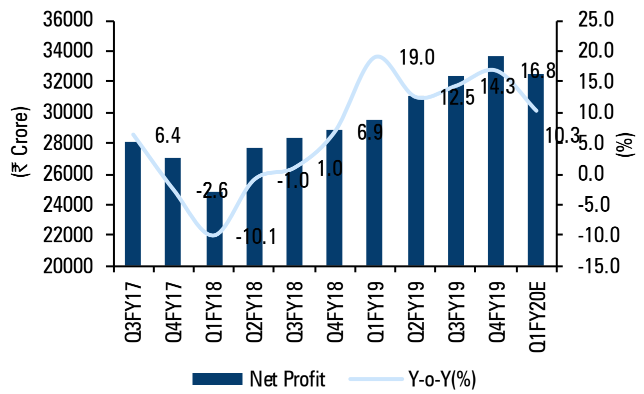
Source: Company, ICICI Direct Research

Exhibit 7: Trend in EBITDA margins



Source: Company, ICICI Direct Research

Exhibit 8: Trend in profitability



Source: Company, ICICI Direct Research

Cyclicals: Uptick in capacity utilisation driving cyclical recovery

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

Key highlights:

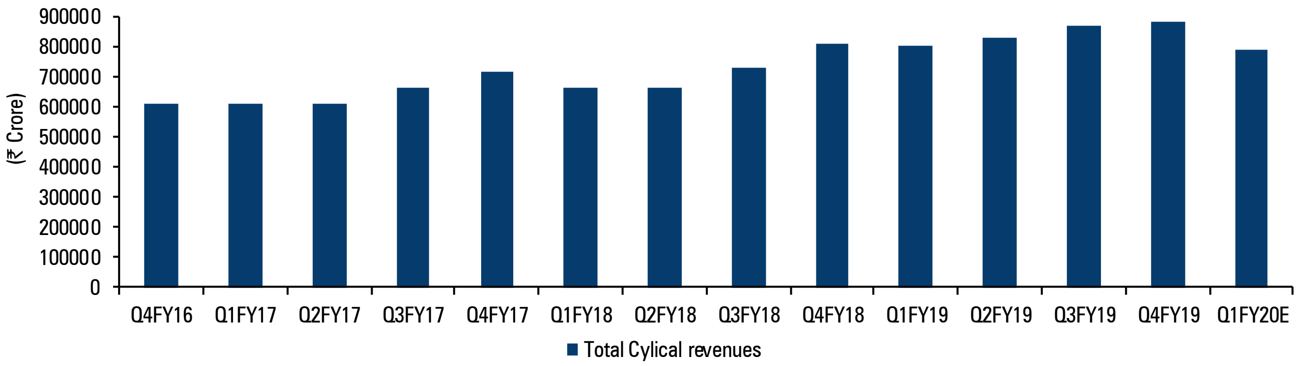
- For Q1FY20E, the I-direct cyclical universe is expected to register a muted revenue performance with decline of 1.7% YoY, mainly dragged by the auto and oil & gas sector that is expected to decline 8.1%(demand weakness) and 4.3% YoY (lower crude prices YoY), respectively. Infra and capital goods sectors are expected to report 21.8% and 10% YoY revenues growth, respectively. The auto space, one of the major sectors in cyclicals, is expected to be a key dragger given the demand weakness across segments. In the cement sector, volume growth under our coverage universe is expected at 2.9% volume growth for the quarter, Ex-UltraTech, however, the coverage universe is expected to witness a 2.2% volume decline. The revenues growth, therefore, for cement sector, is a function of realisation in Q1FY20E. Operating profits for cyclicals are expected to decline 13.8% YoY largely owing to a steep decline of 30.8%, 18.6% and 17% decline for oil & gas, auto and metals & mining sector, respectively. We expect EBITDA margins of our I-direct cyclical universe to contract 190 bps YoY to 13.7%

- In the oil & gas space, continued trade tensions between US-China and refinery shutdowns led to a decline in petroleum products and oil demand, which led to some decline in closing Brent crude oil prices for the quarter. As a result, Brent crude prices closed down marginally by US$3.1/bbl from US$67.5/bbl in Q4FY19 to US$64.4/bbl in Q1FY20. However, average Brent crude during the quarter was higher by US$5.4/bbl QoQ at US$68.5/bbl in Q1FY20. On the OMCs front, results are expected to be weak as benchmark Singapore GRMs continued to remain subdued during the quarter near multi-year lows from US$3.2/bbl in Q4FY19 (US$3.5/bbl in Q1FY20). Also, core marketing margins are expected to decline QoQ as companies had reported super-normal profits in Q4FY19. City gas distribution (CGD) companies are expected to continue to report good volume growth YoY due to sustainable conversion to CNG vehicles and rising concerns with respect to current pollution issues. The CGD company's margins/unit are also expected to improve QoQ due to a decline in spot LNG prices and price hikes

- In the metals space, domestic steel consumption grew ~6.5% YoY in the first couple of months of the current fiscal year (April-May 2019). On the realisations front, sequentially, when compared with Q4FY19 average, steel prices domestically witnessed a muted trend in Q1FY20 wherein domestic HRC prices declined ~1% QoQ and long product prices witnessed a decline of ~5% QoQ. Hence, for Q4FY19, we expect domestic operations of Tata Steel to report an EBITDA/tonne of ₹ 11750/tonne (vs. adjusted EBITDA/tonne of ₹ 13619/tonne in Q4FY19). JSW Steel may clock an EBITDA/tonne of ₹ 8250/tonne (vs. ₹ 10119/tonne in Q4FY19). On the base metal front, in Q1FY19, majority of non-ferrous prices witnessed a subdued trend wherein their prices were lower both QoQ as well as YoY (except zinc). During the quarter, the average price of zinc was US$2759/tonne, down 11.3% YoY but up 1.9% QoQ. Average price of copper was US$6111/tonne, down 11.2% YoY, 1.8% QoQ. Average aluminium prices were at US$1794/tonne, down 20.8% YoY, 3.7% QoQ while average lead prices were at US$1883/tonne, down 21% YoY, 7.4% QoQ. Going forward, the outcome of US-China trade negotiations holds the key in determining the future trajectory of the global metal sector

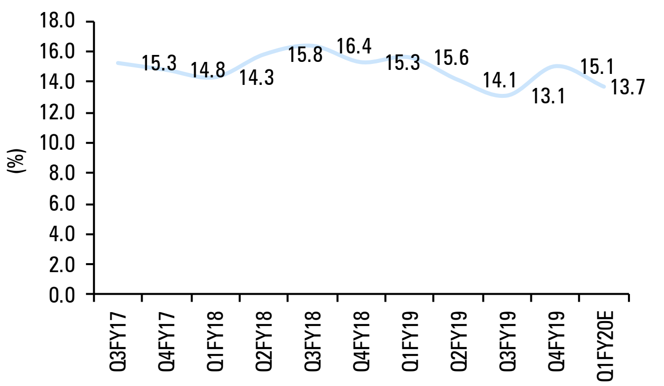
- In the cement sector, production data released by the government hints at a weak quarter for the cement industry with growth rates of 2.3% and 2.8% for April and May 2019, respectively. We believe elections have had an impact on the volume offtake on the back of lower government spending aided by labour issues. Our coverage universe is expected to report 2.9% volume growth for the quarter, ex-Ultratech. However, the coverage universe is expected to witness 2.2% volume decline. Realisations are expected to be a saviour for companies with a strong pricing scenario seen at the pan-India level during the quarter. Pan-India prices have improved 9.2% sequentially and 13.2% YoY to ₹ 370/bag. Strongest realisations growth is expected in companies operating in the north, where prices have grown ~20% YoY. East and south region are also witnessing double digit price growth YoY. Though we forecast a revenue growth of ~9%, strong realisations lead us to expect ~32% growth in EBITDA led by 360 bps margin expansion for the coverage universe. Realisations are expected to grow 5.6% YoY while EBITDA/t is expected to improve 28% YoY to 1046/t.

Exhibit 9: Trend in growth of cyclicals



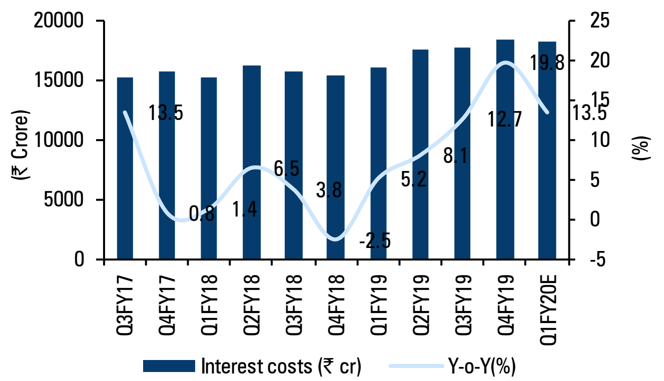
Source: Company, ICICI Direct Research

Exhibit 10: Trend in EBITDA margins



Source: Company, ICICI Direct Research

Exhibit 11: Interest cost trend…



Source: Company, ICICI Direct Research

Apparel

Challenging environment to impact revenue growth….

We expect our apparel coverage universe to report subdued topline growth in Q1FY20 on the back of soft consumer demand and liquidity issues faced by dealers, multi branded outlets (MBOs). Volume growth for Page Industries had tapered in the last couple of quarters on the back of a slowdown in consumer demand and de-stocking by retailers (20-40% across certain regions). Even though the company had built up high inventory in anticipation of recovery, the management in its previous conference call highlighted that liquidity headwinds continued to impact demand from retailers in Q1FY20. Hence, we expect Page to report moderate volume, realisation growth of 3%, 2%, respectively, with overall revenues increasing 5% YoY. For Kewal Kiran Clothing (KKCL) , though it has a strong branded portfolio, revenue growth has remained sluggish owing to the onslaught of discounting by e-commerce players. To revive its sluggish volume growth, KKCL had resorted to various promotional activities such as providing higher commission to the dealers and introducing lower priced products as brand extensions rather than diluting the original brand. Hence, we expect KKCL to report volume growth of 11% YoY, with realisations declining 3% YoY. With no immediate capacity coming on stream, we expect Vardhman Textiles to report revenue growth of 3.0% YoY.

Cotton prices to remain elevated…

Average cotton prices (Shankar-6) for cotton season 2018-19 (October-September) have remained elevated on concerns of a significant decline in crop production for the season. For Q1FY20, prices have risen 6% YoY to ₹ 129/kg. Cotton Association of India has further trimmed its cotton crop estimates to 31.5 million bales (eight year low) vs. previous estimate of 32.8 million bales (1 bale=170 kg). The new estimates translate to a decline in cotton production by 14% for CS 18-19. Sustained domestic demand and lower estimated closing stock is expected to keep prices dearer till the end of the cotton season.

Negative operating leverage to keep margins under pressure…

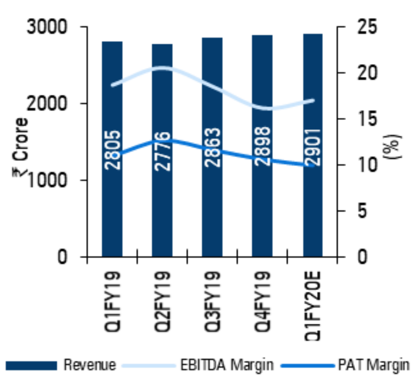
Furthermore, moderate topline growth is expected to result in negative operating leverage and dent EBITDA margins. We expect EBITDA margins of all companies in the I-direct apparel universe to decline between 80 and 200 bps YoY. Overall EBITDA margin for the I-direct apparel universe is expected to decline YoY by 166 bps to 17%. On account of higher selling expenses, we expect EBITDA margins of KKCL to decline 210 bps YoY to 18.2%. For Page Industries, we expect EBITDA margins to contract 170 bps YoY to 21.5% owing to negative operating leverage. We expect EBITDA margins of Rupa, Vardhman Textiles to decline 80 bps, 180 bps, YoY, respectively.

Exhibit 12: Estimates for Q1FY20E: (Apparel) (₹ Crore)

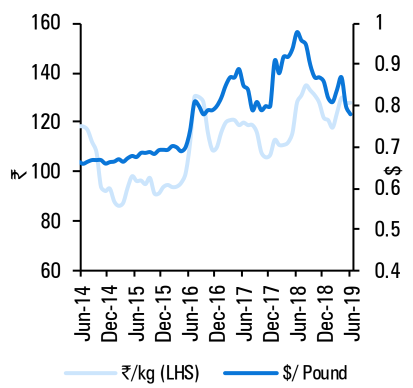
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Kewal Kiran	114.0	7.7	-14.3	20.8	-3.5	-24.5	15.4	10.4	-23.7
Page Industries	856.5	5.1	40.9	184.1	-2.7	53.9	119.5	-4.0	59.3
Rupa & Co.	188.6	2.8	-52.1	20.0	-4.4	-65.5	8.8	-13.9	-72.7
Vardhman Tex	1,742.3	2.5	-1.2	268.8	-8.0	2.0	144.8	-9.0	-19.3
Total	**2,901.4**	**3.5**	**0.1**	**493.7**	**-5.8**	**5.4**	**288.5**	**-6.3**	**-6.0**

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



Cotton prices (domestic & international)



Indian textile exports to US

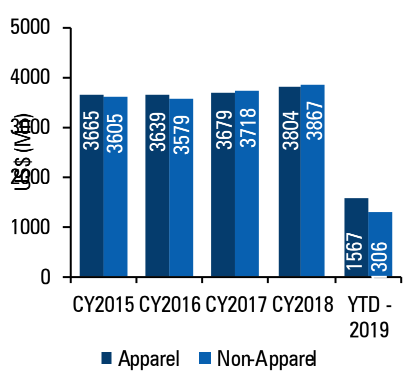


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Exhibit 13: Company Specific Views (Apparel)

Company	Remarks
Kewal Kiran	In order to revive its sluggish volume growth, KKCL had resorted to various promotional activities such as providing higher commission to sellers and reducing MRP on certain product categories. This translated to steady volume growth but at the cost of EBITDA margins in Q4FY19. We expect the trend to sustain in Q1FY20 as well. Hence, we expect KKCL to report volume growth of 11% YoY to 11.4 lakh pieces, with realisations declining 3% YoY to ₹ 1000/piece. Overall revenues are expected to increase 7.7% YoY to ₹ 114.0 crore. We expect EBITDA margins to decline 210 bps YoY to 18.2% on account of significant increase in selling expenses. Higher other income and lower taxation rate (33% vs. 37% in Q1FY19) are expected to aid PAT. Hence, we expect PAT to increase 10.4% YoY to ₹ 15.4 crore
Page Industries	FY19 was a challenging year for Page, with the company reporting one of its lowest ever volume growth of ~5%. The management in its previous conference call had highlighted that liquidity headwinds continued to impact demand from retailers in Q1FY20. Accordingly, we factor in subdued volume growth for Q1FY20E. We expect Page to register volume and realisation growth of 3% and 2%, respectively, with overall revenues increasing 5% YoY to ₹ 856.5 crore. On account of negative operating leverage, we expect EBITDA margin to decline 170 bps YoY to 21.5% in Q1FY20. We expect PAT to de-
Rupa & Company	Higher incentives offered by the competitors (Van Heusen for ABFRL and CK in Arvind), negatively impacted the offtake from dealers for Rupa. The management has been unable to scale up its business due to intense competitive scenario. Hence, we expect Rupa to report muted revenue growth of 2.8% YoY to ₹ 188.6 crore. We expect EBITDA margins to decline 80 bps YoY 10.6%. Higher finance cost is further expected to impact PAT negatively. Subsequently, we expect PAT to decline by 14% YoY to ₹ 8.8 crore
Vardhman Textiles	We expect revenues to increase 3% YoY to ₹ 1742 crore. The textile division is expected to register YoY growth of 3.3% to 1633 crore while the acrylic division is expected to grow 10% YoY to ₹ 109 crore. On a YoY basis, average cotton price have risen 6% to ₹ 129/kg, which is expected to negatively impact EBITDA margins. We expect EBITDA margins to decline 180 bps YoY to 15.4% with EBITDA declining 8% YoY to ₹ 269 crore. Consequently, we expect PAT to decline 9% YoY to ₹ 145 crore

Source: Company, ICICI Direct Research

Auto and auto ancillary

Complete washout, volume decline to weigh on profitability!

Q1FY20 represented another painful quarter for the auto space. Demand weakness was pervasive across segments leading to high channel inventory and consequent low dispatches at the OEM level. OEMs resorted to production cuts, which also impacted wholesale volumes. Overall demand sentiment remains lacklustre despite high competitive intensity on the pricing front, weighed by a general reluctance in discretionary spending and tight system liquidity. The only solace was a robust response to new model launches in UV space, which helped the segment post flat volumes.

Muted commodity prices to selectively benefit coverage stocks

Most key OEMs reported dismal volumes in Q1FY20. At PV market leader MSIL, volumes de-grew 17.9% YoY. In the 2-W space, Bajaj Auto outperformed posting 1.7% YoY growth while HMCL witnessed 12.5% YoY drop, dragged by the scooter division. Niche motorcycle maker Eicher Motors reported a steep 18.5% YoY drop in volume. In the CV space, Ashok Leyland de-grew slower (down 6% YoY) vs. 22.2% decline at TML. Trends in input prices were varied with metal prices (steel, lead) declining on yearly as well as sequential basis while rubber prices rose, hurting margin profile at tyre players. Lagged pass through of softer raw material prices (Q3-Q4FY19) would selectively benefit some of our coverage stocks.

Skidding volumes to hurt OEMs; ancillaries better placed!

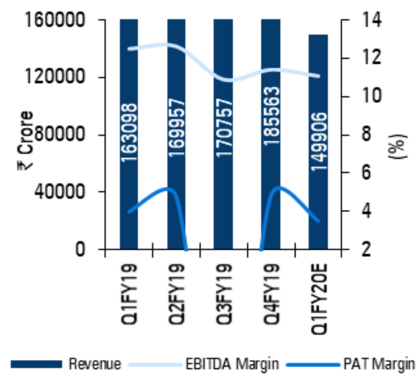
For our coverage universe, we expect the total topline to de-grow 8.1% YoY tracking the ~12.5% volume decline in the OEM space for the quarter. PAT of our coverage universe is expected to drop sharply by 19% YoY. Operating margins of our universe are expected to moderate by 30 bps QoQ to 11.1% on account of negative operating leverage in terms of high employee as well as other fixed costs. Ex-Tata Motors, our coverage universe is expected to post 4.8% YoY topline decline with EBITDA margins of 12.1% and bottomline decline of 20.3% YoY. We expect auto OEMs to lag ancillaries. Among OEMs, topline and bottomline growth are expected at -10.9% & -20.0%, respectively, while in the ancillary pack, topline and bottomline growth are expected at 2.8% & -18.1%, respectively.

Exhibit 14: Estimates for Q1FY20E (₹ Crore)

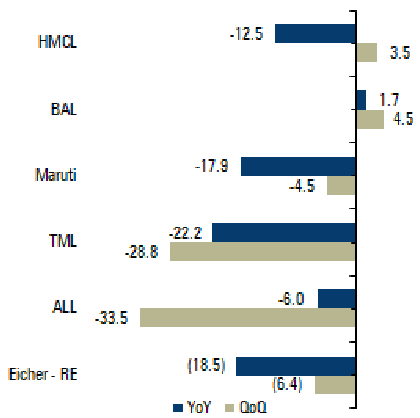
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Amara Raja	1,658.0	-6.8	5.8	255.4	15.9	5.5	127.1	12.5	6.5
Apollo Tyre	4,350.9	1.5	1.8	443.5	-16.0	4.4	136.8	-45.8	62.9
Ashok Leyland	5,783.2	-7.5	-34.6	521.6	-19.4	-47.1	265.5	-28.3	-59.3
Bajaj Auto	7,623.2	2.7	3.1	1,237.1	-3.5	6.4	1,146.3	2.8	-12.2
Balkrishna Ind	1,403.7	3.0	3.9	322.8	-9.7	0.9	180.1	-21.8	-2.5
Bharat Forge	1,545.2	4.9	-7.4	454.9	7.7	-12.1	252.5	10.7	-15.7
Bosch India	2,873.8	-10.5	4.5	546.0	-13.1	5.7	403.2	-6.4	-2.1
Eicher Motors	2,375.6	-6.8	-5.0	665.7	-17.8	-2.8	512.2	-11.1	-6.0
Escorts	1,397.9	-7.5	-14.3	146.8	-20.9	-22.7	94.6	-21.7	-22.1
Exide	2,523.8	-9.0	-2.9	344.4	-11.9	-7.7	180.3	-14.1	-14.4
Hero Motocorp	8,213.1	-6.8	4.2	1,153.7	-16.2	7.9	792.8	-12.8	8.6
JK Tyre	2,719.3	11.5	0.5	227.5	-30.1	-12.8	20.8	-67.6	-38.1
Mahindra CIE	624.0	-4.0	-2.9	74.9	-8.2	-4.8	42.5	-3.2	-9.5
M & M	12,929.9	-4.4	-7.9	1,497.2	-20.0	-9.0	848.4	-30.5	-0.1
Maruti Suzuki	18,622.2	-17.1	-13.2	1,952.2	-41.7	-13.7	1,302.4	-34.1	-27.5
Motherson	16,024.7	8.5	-6.7	1,113.0	-21.2	-10.4	299.8	-32.3	-26.9
Tata Motors	58,525.8	-12.8	-32.3	5,535.2	-13.3	-39.1	-1,420.2	NA	PL
Wabco India	711.2	-4.8	7.3	100.6	0.9	17.9	68.5	-8.4	31.4
Total	**149,905.7**	**-8.1**	**-19.2**	**16,592.6**	**-18.6**	**-21.6**	**5,253.5**	**-19.4**	**-41.4**

Source: Company, ICICI Direct Research;

Topline & Profitability (Coverage Universe)



Key players volume growth for Q1FY20 (%)



Average commodity price movement (₹/kg)

Commodity	Q1FY20	Q1FY19	YoY (%)	Q4FY19	QoQ (%)
Steel	46	49	-6.3	48	-3.9
Aluminium	146	151	-3.6	137	6.2
Rubber	138	124	11.4	126	9.6
Plastics	80	70	13.9	77	3.5
Lead	132	160	-17.5	144	-8.3

Average currency movement against INR

	Q1FY20	Q1FY19	YoY (%)	Q4FY19	QoQ (%)
USD/INR	69.6	67.0	3.9	70.5	-1.3
EUR/INR	78.1	79.9	-2.3	80.0	-2.4
GBP/INR	89.3	90.9	-1.8	91.8	-2.7
JPY/INR	0.6	0.6	0.0	0.6	0.0

Top Picks

Bharat Forge

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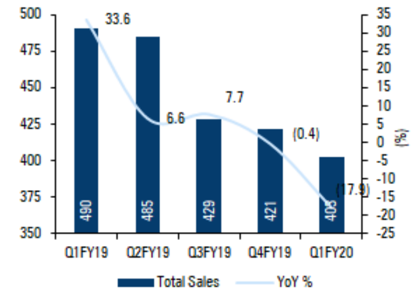
Exhibit 15: Company Specific view - OEMs

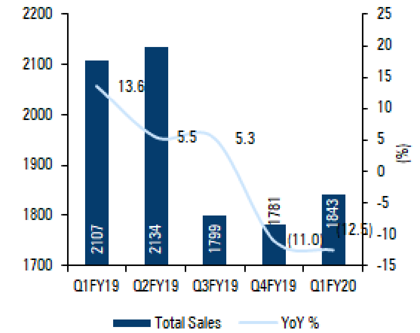
Company	Remarks
Ashok Leyland	In Q1FY20E, Ashok Leyland's volume decline was limtied to 6% vs.~9-18% de-growth for its competitors. Total volumes of the quarter were at 39,608 units. The product mix worsened with LCV to M&HCV ratio in Q1FY20E at 33:67 vs. 26:74 in Q4FY19 and 27:73 in Q1FY19. Consequently, we expect realisations to drop 2% QoQ to ₹ 14.6 lakh/unit. Net sales in Q1FY20E is expected at ₹ 5,783 crore, down 7.5% YoY. EBITDA in Q1FY20E is expected at ₹ 522 crore (EBITDA margins at 9.0%). PAT in Q1FY20 is expected at ₹ 266 crore, down 28% YoY
Bajaj Auto	For Q1FY20E, Baja Auto is expected to report the best quarterly performance among auto OEMs with steady 2% increase in total volumes (12.5 lakh units), muted commodity prices and operating leverage benefits. Total 2-W sales volume for the quarter were at 11 lakh units, up 5% YoY while 3-W sales volume were at 1.6 lakh units, down 16% YoY. Consequent net sales in Q1FY20E is expected at ₹ 7623 crore, up 2.7% YoY. EBITDA for the quarter is expected at ₹ 1237 crore with corresponding EBITDA margins at 16.2% (up 50 bps QoQ). PAT in Q1FY20E is expected at ₹ 1146 crore, up 2.8% YoY
Eicher Motors	P&L pain is likely to get further aggravated for Eicher Motors with 18.5% decline in motorcycle (RE) volumes in Q1FY20E (1.84 lakh units). VECV segment also reported volume decline of 18% YoY to 13,331 units. Consequent net sales for the quarter is expected at ₹ 2,376 crore, down 6.8% YoY. EBITDA in Q1FY20E is expected at ₹ 666 crore with corresponding EBITDA margins at 28.0%, up 60 bps QoQ. Ensuing PAT is expected at ₹ 512 crore, down 11% YoY. PAT for the quarter also includes profit from VECV JV amounting to ₹ 48 crore. At RE level, pure play standalone PAT is expected at ₹ 463 crore, down 9.4% YoY
Escorts	Escorts is expected to report a muted performance in Q1FY20E primarily tracking 14% de-growth in tractor sales volume (21,051 units) and steady prospects in the railway & construction equipment space. We expect the company to report sales of ₹ 1398 crore down 7.5% YoY. EBITDA for the quarter is expected at ₹ 147 crore with corresponding EBITDA margins at 10.5%, down 110 bps QoQ and 180 bps YoY. Marginal raw material costs benefit will be negated by higher employee costs base. Consequent PAT is expected at ₹ 95 crore, down 22% YoY
Hero MotoCorp	Muted performance trend is expected to continue at Hero MotoCorp in Q1FY20E, amid 12.5% decline in 2-W volumes to 18.4 lakh units. Scooter volumes are expected to decline sharply by ~37% to 1.2 lakh units while motorcycle volumes are expected to decline ~10% YoY to 17.2 lakh units. Consequent net sales are expected at ₹ 8,213 crore, down 7% YoY. EBITDA in Q1FY20E is seen at ₹ 1,154 crore with corresponding EBITDA margins at 14.0%, up 40 bps QoQ. We expect the company to benefit from muted commodity prices amid a high fixed costs base. Consequent PAT is expected to decline 13% to ₹ 793 crore
M&M	M&M is expected to report a muted quarterly performance amid 6% decline in sales volume in the automotive segment (PC,CV,3-W, 1.3 lakh units) and 14.3% decline in sales volume in the farm equipment space (tractors, 0.86 lakh units). On a standalone basis, net sales is expected at ₹ 12,930 crore, down 4.4% YoY. EBITDA for the quarter is expected at ₹ 1,497 crore with corresponding EBITDA margins of 11.6%, down 10 bps QoQ and 220 bps YoY. Ensuing PAT is expected at ₹ 848 crore, down 31% YoY
Maruti Suzuki	Q1FY20E is expected to be a complete washout quarter for Maruti amid 18% decline in total volumes to 4.0 lakh units and high EBITDA margins in the base quarter (14.9% in Q1FY19) vs. expectation of 10.5% in Q1FY20E. Consequent PAT de-growth is expected at 34% YoY. Net sales is expected at ₹ 18,622 crore, down 17.1% YoY. EBITDA for the quarter is expected at ₹ 1,952 crore with corresponding EBITDA margins of 10.5%, flat QoQ. Ensuing PAT is expected at ₹ 1302 crore, down 34% YoY. Product mix is also adverse for the quarter with share of UVs going down from 15.2% in Q4FY19 to 14.6% in Q1FY20
Tata Motors	Tata Motors is expected to report a muted performance in Q1FY20E amid a decline in volumes in standalone operations (1.37 lakh units, down 22% YoY) and continuous pressure on volumes on the JLR front (1.1 lakh units, down 16% YoY). Negative operating leverage will weigh on overall profitability with the company expected to report loss at the PAT level to the tune of ₹ 1,420 crore. On a consolidated basis, net sales is expected at ₹ 58,526 crore, down 12.8% YoY. EBITDA for the quarter is expected at ₹ 5,535 crore with corresponding EBITDA margins at 9.5%, down 100 bps QoQ

Source: Company, ICICI Direct Research

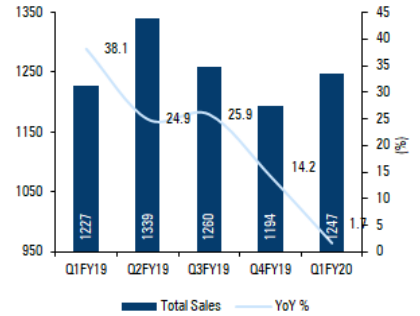
Maruti Suzuki's sales performance ('000 units)



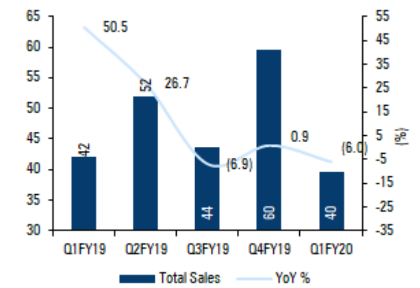
Hero MotoCorp's sales performance ('000 units)



Bajaj Auto's sales performance ('000 units)



Ashok Leyland's sales performance ('000 units)



Royal Enfield's sales performance ('000 units)

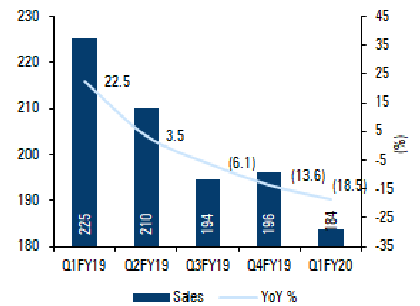


Exhibit 16: Company Specific views – Ancillaries

Company	Remarks
Amara Raja Batteries (ARBL)	Topline at ARBL is expected to decline 7% YoY to ₹ 1,658 crore on the back of broad based weakness in 2-W and PV OEM segments during the quarter. The EBITDA margin is expected to remain largely flattish QoQ at 15.4% (up 300 bps YoY) tracking raw material benefits due to muted lead prices, partly negated by negative operating leverage. Average lead prices for Q1FY20 were at ₹ 132/kg (down 8.3% QoQ, 17.5% YoY). Consequent PAT is expected to grow 12.5% YoY to ₹ 127 crore
Apollo Tyres (APL)	We expect consolidated revenue to inch up 1.5% YoY to ₹ 4,351 crore, dragged by weakness in domestic market where OEM segment demand was sluggish in Q1FY20. While rubber prices have been on the uptrend after Q2FY19, EBITDA margins are expected to expand 30 bps QoQ to 10.2% at the consolidated level largely due to savings in other expenses and reviving profitability at overseas operations. Consequent consolidated PAT is expected at ₹ 137 crore vs. ₹ 252 crore in the base quarter
Balkrishna Industries (BIL)	BIL is expected to report a modest 3% YoY topline growth with rupee depreciation during the period acting as a tailwind. Revenue for Q1FY20 is expected at ₹ 1,404 crore. EBITDA margins are expected to contract 70 bps QoQ to 23.0% on the back of continued demand challenge and input cost pressures. Consequent PAT is expected to drop 21.8% YoY to ₹ 180 crore
Bharat Forge (BFL)	BFL is expected to report single digit topline growth of 5% YoY in Q1FY20 to ₹ 1,545 crore. Its domestic revenues are expected to decline 5% YoY to ₹ 570 crore on the back of weakness in the domestic M&HCV and PV space. Revenues from outside India are expected to increase 11% YoY to ₹ 937 crore. Relief from cooling input prices is expected to be offset by negative operating leverage on the employee cost front with the company expected to clock EBITDA of ₹ 455 crore amid a margin decline of 160 bps QoQ to 29.4%. Consequent PAT is expected to increase 11% YoY to ₹ 253 crore
Bosch	We expect the Q1FY20 performance to be muted in tune with the dismal volume growth situation at OEMs during the quarter. Net sales are expected at ₹ 2,874 crore, down 10.5% YoY tracking the ~12.5% YoY drop in total industry volumes. On the other hand, with the company already having experienced a significant margin improvement sequentially in Q4FY19, scope for further gains is seen being limited to 20 bps QoQ with margins at 19%. Consequent PAT is expected at ₹ 403 crore, down 6.4% YoY
Exide Industries (EIL)	Weak OEM volumes for Q1FY20 are expected to have hurt EIL due to its higher exposure to this segment against the replacement segment. Net sales for the quarter are expected at ₹ 2524 crore, down 9% YoY. EBITDA for the quarter is expected at ₹ 344 crore with corresponding EBITDA margins at 13.6%, down 80 bps QoQ on lack of operating leverage. Consequent PAT in Q1FY20 is expected at ₹ 180 crore, down 14% YoY
JK Tyre (JKTIL)	Consolidated revenue is expected to grow healthily by 11.5% YoY growth to ₹ 2,719 crore, largely on account of a ramp up at key subsidiaries Cavendish and Tornel although the domestic business is seen being impacted by weakness in the CV space. With a rise in raw material prices (mainly natural rubber), consolidated EBITDA margins are expected to decline 120 bps QoQ to 8.4%. Consequent consolidated PAT is expected at ₹ 21 crore
Mahindra CIE Automotive	Operational performance is expected to have been weighed by sluggish automotive demand across geographies. On a standalone basis, in Q2CY19, we expect sales at ₹ 624 crore, down 4% YoY. EBITDA for the quarter is expected at ₹ 75 crore with EBITDA margins at 12.0%, down marginally by 20 bps QoQ despite softer raw material prices on account of absence of operating leverage benefits. Standalone PAT is estimated at ₹ 43 crore, down 3% YoY. On a consolidated basis, topline and EBITDA is expected at ₹ 2122 crore and ₹ 307 crore, respectively. Our consolidated estimates incorporate financials of recent acquisition Aurangabad Electricals
Motherson Sumi	Motherson Sumi is expected to outperform its OEM clients by posting single digit topline growth vs. de-growth in volumes at key OEMs, with the growth being led by ramp up of production at overseas subsidiaries. On a consolidated basis, we expect the company to report sales of ₹ 16,025 crore, up 8.5% YoY. EBITDA for the quarter is expected at ₹ 1,113 crore with corresponding EBITDA margins at 6.9%, down 30 bps QoQ, on account of continued plant set up costs at SMP. Ensuing consolidated PAT is expected at ₹ 300 crore, down 32.3% YoY
Wabco India (WIL)	Weak M&HCV volumes at OEM level during Q1FY20 is expected to have impacted WIL heavily, with revenue expected to de-grow 4.8% YoY to ₹ 711 crore. Decline in steel prices is expected to act as a tailwind at the operational level and lift margins by 120 bps QoQ to 14.1% (up 80 bps YoY). Consequent PAT is expected to decline 8.4% YoY to ₹ 69 crore

Source: Company, ICICI Direct Research

Banking & Financial Services (BFSI)

A sharp decline in G-sec yields remained the highlight of the quarter. This is seen supporting the earnings trajectory of the banking industry, as a whole, and PSBs, in particular. With the recent development in Essar Steel resolution, the banking industry is expected to witness a recovery in their headline NPA numbers ahead. The earnings trajectory of banks may stay steady led by healthy momentum in credit offtake and moderation in slippages though profitability of selective peers may remain under pressure.

Gains from treasury to shine

Amid a strong decline in G-sec yield of ~47 bps, banks are poised to report higher investment gains that will support the overall earnings trajectory. PSU banks being more sensitive to a change in yield vs. private banks, will remain major beneficiaries of the decline. A 50 bps cut in G-sec yield is expected to add 8-10 bps to RoA of PSU banks.

Credit growth steady –retail witnesses marginal slowdown

As per latest data by the RBI, advances increased 11.4% YoY to ~₹ 84.5 lakh crore as on May 31, 2019 propelled by growth in retail (~up 16.9% YoY). Growth in large corporates has revived with healthy traction at 6.4% YoY, compared to the previous year. Retail sector grew ~16.9% YoY in May 2019 but witnessed a marginal slowdown compared to ~18.6% in May 2018. A slowdown in the auto sector and unsecured lending (credit card) were responsible for a moderation in retail growth. A couple of large lenders have gone conservative on unsecured lending impacting growth.

Asset quality to improve ahead; provision to remain steady

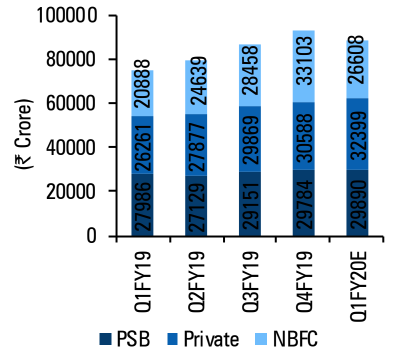
Asset quality of banking sector has been improving in the last two quarters despite absence of any major resolution under IBC. Recent development in Essar Steel resolution (₹ 42000 crore) & heightened expectation of recovery in other NCLT cases, is seen lowering GNPA at an accelerated pace ahead. Moderation in fresh slippages may further pare pace of GNPA accretion in Q1FY20E. GNPA ratio at 9.3% in Q4FY19 is expected to stay stable in Q1FY20E, before getting pared on the back of Essar Steel resolution. For our coverage universe, we expect absolute GNPA to stay stable at ~₹ 335299 crore in Q1FY20E. However, DHFL default, ADAG group rating downgrade may lead to higher provision wherein exposure of banks is estimated at DHFL-₹ 38000 crore, ADAG- ₹ 36000 crore.

Robust earning traction to persist; treasury income to aid PAT

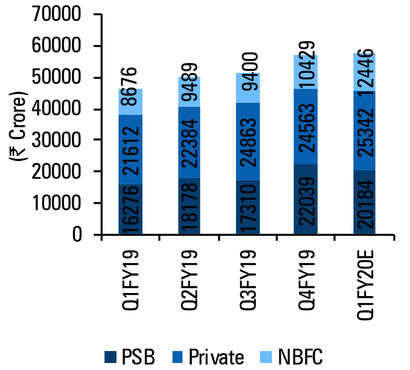
We expect the banking sector to clock a strong operational performance led by treasury gains on back of ~47 bps decline in G-sec yield. Healthy credit offtake, led by slowdown of NBFCs to result in stable NII traction. With a majority of legacy stress provided for, moderation in fresh slippages and resolution of NCLT cases is expected to aid profitability. In our coverage, private banks, on the back of a steady operational performance, is seen reporting healthy earnings traction at ~21% YoY. PSU banks, on the back of lower provisions & robust gains in trading income, are seen posting profits in Q1FY20E compared to loss in Q1FY19. Within PSU banks, SBI is expected to post a profit of ~₹ 5935 crore compared to loss of ~₹ 4876 crore in Q1FY19, largely aided by higher trading income. IndusInd Bank & Yes Bank may witness higher provision on back of its exposure towards ADAG group, where ratings have been recently downgraded to default.

Amid NBFCs, Bajaj Finance, HDFC Ltd are poised to post strong result in Q1FY20E. HDFC's earnings will include a one-off due to sale in Gruh Finance.

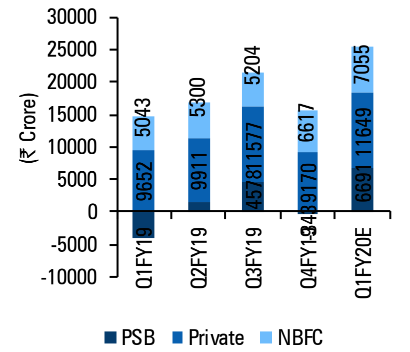
NII



PPP



PAT



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Large retail centric banks (HDFC Bank, SBI, Axis Bank) are expected to continue their healthy growth while mid-size banks (Federal Bank, DCB) are expected to report robust growth in profitability. IndusInd Bank and Yes Bank's earnings are seen remaining under pressure amid asset quality concerns and higher credit cost. In the NBFC space, Bajaj Finance, with a strong parentage and robust business model, are seen continuing their strong performance. Apart from operational performance, succession plan of HDFC Bank & IndusInd bank will be keenly watched.

Exhibit 17: Estimate for Q1FY20 (₹ crore)

	NII	Change (%)		PPP	Change (%)		NP	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Public Sector Banks									
Bank of Baroda	5770.0	31.7	13.9	5967.0	98.5	54.6	554.0	4.9	NA
SBI	22312.4	2.4	-2.8	12905.1	7.8	-23.8	5934.5	NA	607.9
Indian Bank	1807.8	0.0	2.5	1312.1	1.1	5.4	202.1	-3.4	NA
	29890.2	6.8	0.4	20184.2	24.0	-8.4	6690.7	NA	NA
Private Banks									
Axis Bank	5909.2	14.4	3.6	4908.1	12.3	-2.1	1725.1	146.1	14.6
Bandhan Bank	1378.6	32.9	9.6	1141.2	39.1	-1.0	657.0	36.4	0.9
City Union Bank	427.9	14.2	1.7	325.1	8.6	1.7	184.2	14.0	5.2
DCB	322.4	18.1	7.2	200.8	42.0	8.4	105.5	51.8	9.5
Federal Bank	1185.8	21.0	8.1	791.1	31.2	4.8	394.7	50.3	3.5
HDFC Bank	13235.3	22.4	1.1	10880.2	25.8	0.3	5678.2	23.4	-3.5
Indusind Bank	3253.6	53.3	45.7	2698.9	41.2	30.5	1145.1	10.6	218.0
J&K Bank	939.8	36.0	0.9	451.9	37.0	-24.8	105.0	99.7	-51.1
Kotak Bank	3120.2	20.8	2.4	2354.7	15.9	3.2	1427.5	39.3	1.4
Yes Bank	2626.4	18.4	4.8	1589.5	-35.2	20.1	227.0	-82.0	-115.1
Total	32399.3	23.4	5.9	25341.5	17.3	3.2	11649.4	20.7	27.0
Total Banks	**62289.5**	**14.8**	**3.2**	**45525.7**	**20.2**	**-2.3**	**18340.0**	**233**	**107.8**
NBFCs									
HDFC	2988.8	16.4	5.0	4924.3	59.4	20.4	3257.5	48.7	13.8
LIC HF	1241.0	23.8	1.5	1132.0	19.3	3.7	684.1	20.5	-1.7
Bajaj Finance	3725.7	44.8	9.7	2487.4	53.2	12.0	1302.1	55.8	10.8
Bajaj Finserv	11147.0	27.1	-14.2	2774.9	39.4	30.3	1082.2	31.1	29.0
SBI Life Insurance	6250.5	31.5	-44.8	354.2	11.9	204.5	383.0	8.1	-16.3
M&M Fin Serv	1255.3	16.5	-4.2	772.8	9.5	-1.0	346.3	28.7	-41.1
Total	**26608.3**	**28.3**	**-19.6**	**12445.6**	**43.5**	**19.3**	**7055.3**	**39.9**	**6.6**

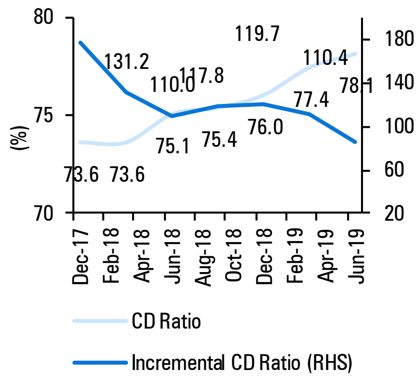
Source: Company, ICICI Direct Research

Exhibit 18: Company Specific Views (BFSI)

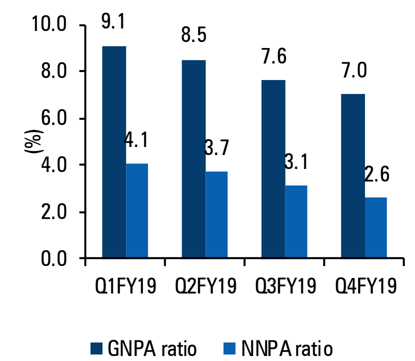
Banks	
Bank of Baroda	Post merger with Vijaya Bank & Dena Bank, BoB may report numbers of merged entity for the first time. Hence, numbers are not comparable to standalone numbers of earlier period. Advances as of Q1FY20 are expected at ₹ 683767 crore. The bank is expected to clock operating profit of ₹ 5967 crore led by higher trading income as it is one of the beneficiaries of ~46 bps decline in G-sec yield. The management has guided for restructuring of overlapping branches, which is set to aid in lowering of cost to income ratios. PAT is seen at ~₹ 554 crore as the management is confident that no substantial increase in provision due to merger
State Bank of India	Decline in G-sec yield by 47 bps in Q1FY20 to boost earnings. Expect loan growth of 12% YoY to ₹ 2229300 crore and deposit growth at 7.5% YoY. Overall NII growth seen lower at 2.5% YoY as Q1 remain slower quarter. IT refund may come as a surprise. As slippages are expected to moderate of ~₹ 6000 crore, NPA overall provisions seen moderating to ₹ 9000 crore from previous highs. Investment provisions writeback can lead to overall provisions down to ₹ 4990 crore. Expect strong profit growth both QoQ, YoY to ₹ 5935 crore
Axis Bank	Traction in advances is seen improving 15% YoY to ~₹ 507236 crore led by focus on high yielding retail & MSME loans. A 20 bps cut in MCLR is negative but focus on high yielding retail & SME loans is expected to mitigate impact of MCLR cut keeping margin stable at 3.4% QoQ. Decline in G-Sec yield is expected to aid trading income leading to positive impact on PAT. With no material exposure towards IL&FS, ADAG group, DHFL, etc. slippages are seen lower leading to lower credit cost of 46 bps. Asset quality is expected to largely remain stable with GNPA ratio at 5.2%. PAT is seen at ₹ 1725 crore on the back of a stable operational performance & lower provisions
City Union Bank	City Union Bank is seen being a beneficiary of NBFC slowdown in credit disbursement. Therefore, we expect credit growth to remain healthy at ~17.5% YoY to ₹ 33163 crore. A delayed rainfall and scarcity in water availability in Tamil Nadu can have a bearing on SME segment & thereby asset quality of the bank. Therefore, GNPA is seen inching up ~10 bps QoQ to 3.1%. However, a steady operational performance is seen keeping the earnings trajectory broadly stable at 14% YoY to ₹ 184 crore
DCB Bank	DCB Bank's operational performance is expected to remain healthy with NII growth of 18.1% YoY, led by stable margin of 3.8% & advance growth of 21% YoY. Credit growth is expected to remain healthy led by growth in mortgage & MSME. Furthermore, a crisis in the NBFC sector is expected to benefit bank. Asset quality is expected to remain steady with GNPA ratio at 1.83%. Led by controlled operational expense & stable provisioning of ~₹ 36 crore (credit cost of 14 bps), earnings growth is expected to remain robust at ~52% YoY to ₹ 105.5 crore
HDFC Bank	For HDFC Bank, advances run rate is expected to slow down at ~17% YoY to ₹ 829500 crore. Retail segment, which has been the growth engine in recent quarters, is seen remaining behind led by cautious approach in unsecured lending products and slowdown in auto sales. Corporate segment growth may remain healthy as the bank continues to remain a beneficiary of NBFC slowdown, as seen last quarter. A slowdown in high yielding auto segment is seen pare margins by ~20-30 bps at 4.1-4.3%. Consequently, the earnings trajectory is seen slowing down compared to the previous run rate at 17.9% YoY to ₹ 5425 crore. Asset quality is expected to remain steady with GNPA at 1.3-1.4%. Agri portfolio may remain under watch
Federal Bank	On the back of lower competition from NBFCs in retail & SME lending, it is poised to benefit as it will enable it to garner market share. Credit growth is expected to continue its healthy trend of ~22% YoY to ₹ 114921 crore. A 5 bps cut in MCLR is negative but focus on high yielding retail & SME loans is expected to mitigate impact of a cut in MCLR keeping margin stable. Robust NII growth of 21% YoY at ~₹ 1186 crore & other income growth of 35% YoY at ~₹ 366 crore is expected to help it to reduce its cost to income ratio to 49% for Q1FY20. On the back of stable credit cost, PAT is expected to grow at a strong 50.3% YoY to ~₹ 395 crore. However, recognition of IL&FS exposure (₹ 245 crore) as NPA & provisions for it could impact profitability

Source: Company, ICICI Direct Research

C-D ratio (Industry)



Asset Quality (Coverage Universe)



NPA trend (Coverage Universe)

Q1FY20E (₹ crore)	GNPA	QoQ Growth	NNPA	QoQ Growth
PSB				
Bank of Baroda	78681	63.1	35886	129.9
SBI	173250	0.3	66295	0.6
Indian Bank	13453	0.7	6854	0.9
Private Banks				
Axis Bank	28300	-5.0	11309	0.3
Bandhan Bank	861	5.0	240	5.0
City Union Bank	1026	5.0	621	5.0
DCB	470	7.0	163	6.0
Federal Bank	3424	5.0	1732	6.5
HDFC Bank	11724	4.5	3335	3.7
Indusind Bank	4540	15.0	2473	10.0
J&K Bank	6252	0.5	3382	4.4
Kotak Mahindra	4647	4.0	1606	4.0
Yes Bank	8671	10.0	4799	7.0

Exhibit 19: Company Specific Views (BFSI)

Jammu & Kashmir Bank	J&K Bank's credit growth is expected to remain healthy at 16.1% YoY to ~₹ 69453 crore led by growth in J&K's book (largely retail book). The operational performance is expected to remain healthy led by strong NII growth of 36% YoY to ~₹ 940 crore & other income growth of ~33% YoY to ₹ 152 crore largely aided by growth in fee income & trading income on back of decline in yield. Exposure to ILFS (₹ 1350 crore, ₹ 1000 classified as NPA) & other tainted names such as ADAG (₹ 550 crore) & Essel (₹ 80 crore) to keep credit cost steady at 40 bps. Accordingly, PAT is seen at ₹ 105 crore. With a moderation in slippages, asset quality is expected to remain steady with GNPA ratio at 9%. However, the recent development of corruption allegation over ex MD & CEO Parvez Ahmed, if proved, could impact asset quality adversely
Kotak Mahindra Bank	The business performance is expected to remain steady with a cautious approach on lending to certain segments. Healthy growth is seen in advances at ~21% YoY to ₹ 2.14 lakh crore, led by traction in small business and select retail products. A cautious approach towards the auto & financial sector is expected to continue. A steady MCLR is expected to keep margins at 4.3-4.4%. Healthy business growth is expected to result in NII growth at 20.8% YoY to ₹ 3120 crore while PPP is seen at ₹ 2355 crore; up 16% YoY. With no substantial exposure to stressed corporates, GNPA is seen staying stable at ~2% with provision seen at ₹ 214 crore; ~10 bps of advances. The resultant earnings trajectory continues to remain healthy at 39% YoY to ₹ 1428 crore
Yes Bank	Yes Bank's operational performance is expected to remain muted on the back of slow credit growth of 18% YoY to ₹ 253092 crore coupled with a contraction in margin of 15 bps to 2.95%, largely led by higher slippages. Accordingly, the operating profit is expected to decline 40% YoY to ₹ 1469 crore. Exposure to tainted names & higher exposure towards real estate developer coupled with other stressed pool of ~₹10000 crore is expected to keep provisions higher at ~₹ 1208 crore (credit cost of 48 bps) compared to earlier run rate that is expected to keep pressure on earnings. Hence, PAT is expected to witness de-growth of 85% YoY to ₹ 188 crore. Overall, with pressure on asset quality expected to persist due to continuance in recognition of stressed asset, GNPA ratio is expected to increase ~67 bps to 3.89%
IndusInd Bank	Post approval of merger of Bharat Financial Inclusion (BFL), IndusInd Bank may report numbers of the merged entity for the first time. Therefore, numbers are not comparable with standalone numbers of earlier period. Advances of the merged entity are expected at ₹ 2.1 lakh crore as of Q1FY20E. The merger is expected to yield synergy benefit in the form of higher NII and better capital conservation. NII is expected at ₹ 3254 crore, with benefit of lower cost of funds surpassing negative carry of maintaining regulatory reserves. With IL&FS being recognised as NPA and payment of other stressed corporate not overdue, slippages are seen moderating. However, credit cost is seen remaining elevated at ₹ 1008 crore (~0.5% of advances). Consequently, higher credit cost is seen putting pressure on earnings with the trajectory remaining subdued at 11% YoY to ₹ 1145 crore
Indian Bank	Led by a focus on retail & MSME, Indian Bank's advances growth is expected to remain healthy at 17% YoY to ~₹ 184933 crore. With a moderation in slippages, margins are expected to remain steady at 2.95%. However, a focus on high yielding MSME is expected to mitigate the effect of MCLR cut on margins. A ~46 bps fall in G-sec yield is expected to aid trading income, which will have a positive impact on PAT (~8-14 bps to RoA). However, lower coverage towards IL&FS (₹1715 crore) & exposure towards DHFL (₹ 1600 crore) is expected to keep provisions higher at ~₹ 1053 crore (credit cost of 57 bps). Accordingly, PAT is expected at ~₹ 202 crore, down 3% YoY. Asset quality may broadly remain stable with GNPA & NNPA ratios at 7.15% & 3.71%, respectively
Bandhan Bank	Bandhan Bank, post IL&FS debacle, is expected to focus on disbursing higher proportion of micro loans and limit exposure to corporates. Higher accretion in micro loans may limit advance growth at ~36% YoY. However, increasing reliance on high yield product is seen keeping margins buoyant at ~10.2-10.5%. Topline growth (NII, non-interest income) is estimated at ~34% YoY to ₹ 1673 crore but led by seasonality, sequentially traction may remain flat. Post a surge in NPA led by IL&FS, granular exposure is seen to keep asset quality steady with GNPA at ~2.1%. Likewise, provision is seen remaining aligned to normal run rate at ₹ 145 crore (~1.4% annualised). Consequently, PAT is expected at ₹ 657 crore; up 36.4% YoY, while flat QoQ may be led by the seasonality factor

Source: Company, ICICI Direct Research

Exhibit 20: Company Specific Views (BFSI)

LIC Housing Finance	Given the tough liquidity situation in the market, LIC HF due to its strong parentage is comfortably poised to gain market share from small & other NBFCs helping the company maintain its advance growth trajectory of 16% YoY (₹ 195636 crore) led by higher growth to retail individual segment. Furthermore, growth in developer to remain high on the back of a lower base. Transmission of incremental cost to customers is expected to keep margins steady at 2.57%. However, a recent surge in slippages of Individual loans book is expected to keep provisions higher QoQ at ~ ₹ 155 crore. Accordingly, PAT is seen at ~₹ 684 crore. Asset quality is expected to remain largely stable with GNPA ratio at 1.56% vs. 1.53% in Q4FY19. However, any stress in developer loans (7% of advances) could lead to marginal deterioration in asset quality. To comply with new capital adequacy norms by NHB, LICHF would need to raise additional tier 2 capital
HDFC Ltd	Led by higher other income of ₹ 2301 crore, largely one-time gain of ₹ 1895 crore from stake sale in Gruh Finance, HDFC Ltd is expected to report strong growth in PAT of 49% YoY to ~₹ 3258 crore. Credit growth is expected to remain healthy at 16% YoY to ~₹ 431506 crore on back of gain in market share from weaker HFCs. The recent acquisition Apollo Health at ₹ 1347 crore is seen as positive. The company has exposure worth ~₹ 400 crore (media sources) towards Jet Airways, which is facing insolvency proceeding. However, the loan is secured against office property. Considering the
Bajaj Finance	Advances growth are seen maintained at higher levels at 35% YoY to ₹ 121817 crore. Growth in HFC is higher at 172% YoY (on a lower base) to ₹ 19754 crore. This quarter, they may be a beneficiary of current NBFC business slowdown but bank's participation is gradually rising. Expect NII growth of 45% YoY to ₹ 3728 crore and PAT growth of 56% YoY to ₹ 1302 crore. Asset quality is expected to remain largely stable
Bajaj Finserv	Bajaj Finserv's consolidated revenue is seen growing at a healthy pace of 27% YoY, led by continued healthy traction in lending AUM at ~35% YoY. General insurance premium growth is expected to remain healthy at 19% YoY, led by traction in health insurance. Healthy traction in both group single and individual new business may lead to ~11% YoY growth in life insurance premium. On the profitability front, finance business PBT is seen remaining robust at ~54% YoY to ₹ 2035 crore. Seasonality and combined ratio below 100% is seen keeping general insurance earnings trajectory at 10% YoY to ₹ 520 crore. Life insurance profitability is seen healthy at ₹ 257 crore, led by seasonality and rise in individual business. Consolidated PAT run rate is seen remaining healthy at 31% YoY to ₹ 1082 crore
SBI Life Insurance	New business growth is seen remaining robust at 57.4% YoY to ₹ 3269 crore while renewal premium accretion is seen staying healthy at 23% YoY to ₹ 3308 crore. Consequently, total premium trajectory is expected at 31.5% YoY to ₹ 6250 crore. Growth in single premium, led by group business, is seen robust at 72% YoY, while regular business is expected to increase ~47% YoY, led by individual policies. Healthy premium accretion is to be offset by higher actuarial liability, leading to accretion in policyholder surplus at ₹ 354 crore; up 12% YoY. Consequently, PAT is seen growing at 8% YoY to ₹ 383 crore
Mahindra & Mahindra Finance	M&M Finance business growth is expected to be slower compared to previous quarters. Decline in average selling price and de-growth in auto volume may keep advances growth at ~12% YoY to ₹ 62037 crore. Liquidity crises, post IL&FS default, may continue to have a marginal impact on margins seen at 8.1%. Operational expenses, which increased in the previous quarter, are expected to align with normal run rate at ₹ 496 crore, up ~29% YoY. Slow onset of monsoon could impact asset quality with marginal increase in GNPA ratio. Therefore, credit cost is seen at ~1.5-1.6% (annualised) of advances or ₹ 248 crore. Overall, PAT is seen at ₹ 346 crore, up 29% YoY, though lower QoQ as there was a provision write-back in Q4FY19. Development on monsoon forecast and management commentary on rural business will be watched

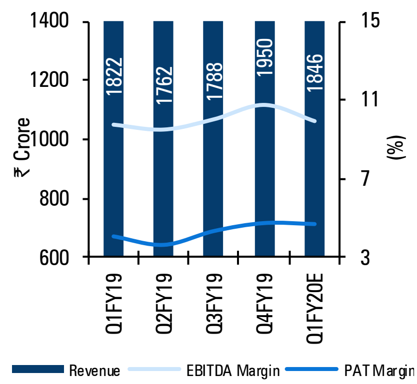
Source: Company, ICICI Direct Research

Building Materials

Operational environment remains challenging for tile players

The National Green Tribunal's (NGT) ban on coal-based gasifiers in the Morbi region impacted business operations of ~450 out of 850 Morbi based ceramics players. Out of ~450 players, ~150 switched to gas-based plants while 250-260 units shut down. Post this, Morbi players faced short-term headwinds due to low gas pressure from the supplier end due to inadequate gas availability following sudden high demand, which was resolved shortly. This led these players to face additional cost pressures forcing them to take 5-8% price hikes for wall tiles. These factors are expected to act as strong tailwinds for leading organised players like Somany & Kajaria. Overall, though the operational environment still remains challenging, our universe is expected to report 14.6% YoY volume growth to 33.1 MSM in Q1FY20E.

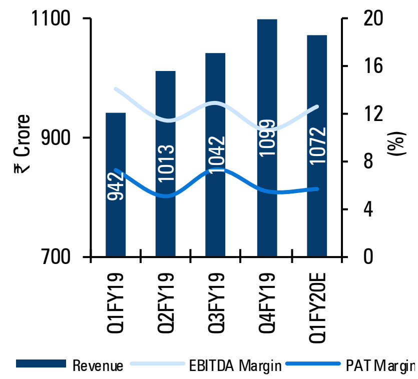
Topline & Profitability (Tiles Universe)



Still time for MDF market to stabilise…

MDF industry size is pegged at 20 lakh CBM in volume terms. Due to supply glut in the domestic market, average MDF realisation has fallen across geographies in India, with comparatively higher fall in MDF prices in South India. Landed MDF prices in North India is ₹ 20,000/CBM while that in South India is ₹ 14,000-15,000/CBM. Lower prices in the South Indian market are on account of higher imports of lower-priced MDF products on account of proximity to ports. Overall, while the South Indian MDF market is expected to remain intensively competitive for some time, the North Indian MDF market could stabilise faster. Nonetheless, the overall MDF market could still take time to stabilise amid intense competition due to supply glut.

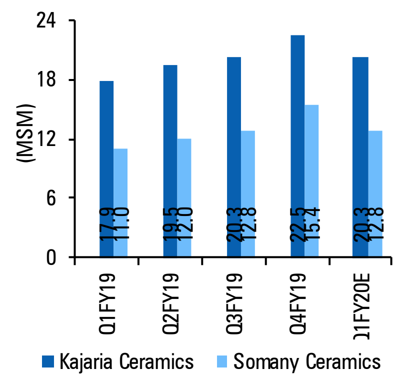
Topline & Profitability (Plywood Universe)



Tiles universe revenues expected to grow 14.6% YoY

Our tiles universe is expected to post volume growth of 14.6% YoY to 33.1 MSM despite operational environment remaining challenging. Consequently, revenues are expected to grow 14.8% YoY to ₹ 1,190.7 crore. Furthermore, we expect EBITDA margins to expand 110 bps YoY to 13.5%. Overall, we expect the bottomline to grow 43.8% YoY to ₹ 78.0 crore in Q1FY20E.

Volume growth



Plywood universe revenues expected to grow 13.8% YoY

Led by increase in MDF sales volumes, we expect the topline of plywood universe to grow 13.8% YoY to ₹ 1,071.9 crore. However, with MDF realisations expected to fall further, we expect EBITDA margins of the universe to contract 150 bps YoY to 12.6%. Overall, we expect PAT of our plywood universe to de-grow 10.9% YoY to ₹ 61.7 crore.

Exhibit 21: Estimates for Q1FY20E: (Tiles) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Kajaria Ceramics	766.7	16.7	-6.0	117.4	21.3	-4.5	63.0	38.3	-4.5
Shankara Building Pro	654.9	-16.6	5.7	22.3	-54.3	35.8	7.9	-59.5	389.5
Somany Ceramics	424.0	11.6	-17.6	43.0	37.3	-38.9	15.0	72.7	-37.7
Total	**1,845.6**	**1.3**	**-5.3**	**182.8**	**3.3**	**-12.9**	**85.9**	**16.5**	**-6.3**

Source: Company, ICICI Direct Research

Exhibit 22: Estimates for Q1FY20E: (Plywood) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Century Plyboards	587.7	9.4	0.8	80.8	-6.6	26.9	43.5	-4.3	27.2
Greenply Industries	484.2	19.6	-6.2	54.2	18.0	1.6	18.2	-23.6	-32.6
Total	**1,071.9**	**13.8**	**-2.5**	**135.0**	**1.9**	**15.4**	**61.7**	**-10.9**	**0.8**

Source: Company, ICICI Direct Research

Top Picks

Somany Ceramics
Kajaria Ceramics

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Exhibit 23: Company Specific Views (Tiles)

Kajaria Ceramics	With the overall competitive environment in the ceramics industry remaining intense, we expect Kajaria Ceramics to post sales volume growth of 13.2% YoY to 20.3 million square metre (MSM) in Q1FY20E. On the revenue front, we expect it to grow 16.7% YoY to ₹ 766.7 crore mainly led by volume growth. Additionally, with gas prices expected to remain broadly stable in Q1FY20E, we expect EBITDA margins to expand moderately by 60 bps YoY to 15.3%. Consequently, we expect the bottomline to post growth of 38.3% YoY to ₹ 63.0 crore
Somany Ceramics	Post credit control measures taken by the company in FY19, we expect Somany's sales volume to grow 16.7% YoY to 12.8 MSM. On the financial front, we expect overall revenues to grow 11.6% YoY to ₹ 424.0 crore due to lower YoY revenue growth expected in bathware division. Furthermore, with new GVT plant commencing operations from Q4FY19, we expect share of GVT in the product portfolio, which should lead to improvement in EBITDA margins. Thus, we expect EBITDA margins to expand 180 bps YoY to 10.0% in Q1FY20E. Consequently, we expect PAT to grow strongly by 72.7% YoY to ₹ 15.0 crore
Shankara Building Products	Shankara is currently in the process of consolidating its operations to focus on its core retail business with the company proposing partial sales of its processing unit for ₹ 69.1 crore to APL Apollo Tubes. Overall, we expect the topline to de-grow 16.6% YoY to ₹ 654.9 crore in Q1FY20E led by robust growth of 20.6% YoY FY20E. Its retail business is expected to report revenue de-growth by 3.7% to ₹ 387.1 crore. On the other hand, we expect channel & enterprise division revenues to de-grow 30.1% YoY to ₹ 267.8 crore. On the margin front, we expect EBITDA margins to contract 280 bps YoY to 3.4% in Q1FY20E. Overall, we expect its bottomline to de-grow 59.5% YoY to ₹ 7.2 crore

Source: Company, ICICI Direct Research

Exhibit 24: Exhibit 2: Company Specific Views (Plywood)

Century Plyboard	Century Ply's topline is expected to grow 9.4% YoY to ₹ 587.7 crore due to lower revenue growth of 5.8% to ₹ 336.3 crore expected in plywood division. On the MDF front, we expect the MDF division to operate at 80% capacity utilisation and clock revenues growth by 21.4% YoY to ₹ 84.8 crore in Q1FY20E. With the company increasing its focus on low-margin mid-segment plywood products and MDF realisations falling across the industry in FY19, we expect EBITDA margins to contract 240 bps YoY to 13.8%. Overall, we expect the bottomline to de-grow 4.3% YoY to ₹ 43.5 crore on account of contraction in EBITDA margins
Greenply Industries	We expect Greenply's plywood division sales volumes to grow 17.7% YoY to 16.2 MSM, leading to plywood revenues growth at 16.3% to ₹ 355.9 crore in Q1FY20E. On the other hand, MDF division sales volumes are expected to grow 90.1% YoY to 67,500 CBM due to additional output from the Andhra Pradesh plant that was commissioned in Q2FY19, leading to MDF revenue growth of 40.7% YoY to ₹ 128.3 crore. Overall, we expect topline to grow 19.6% YoY to ₹ 484.2 crore. EBITDA margins are expected to contract marginally by 10 bps YoY to 11.2%. Overall, we expect the bottomline to de-grow 23.6% YoY to ₹ 18.2 crore due to higher depreciation and higher finance costs

Source: Company, ICICI Direct Research

Cement

Weak performance expected on back of elections

The cement industry is expected to witness a bleak start to FY20E with the first quarter expected to witness a moderate increase in cement volumes. This comes on the back of low demand in the wake of general elections aided by a higher base effect. However, stability of prices post hikes taken over multiple phases during Q4FY19 and April 2019, are consequently expected to result in average realisation growth of 5.6% YoY during Q1FY20E for our coverage universe. With strong prices combined with weak volume growth, we expect our cement coverage universe to post a topline of ₹ 26,670 crore implying 9.1% YoY growth and a 5% QoQ decline.

Volumes ebb but better realisations to support margins

Channel checks suggest prices over the quarter have remained firm albeit with some correction at the exit. Despite price corrections in June, pan-India prices remained 13.5% higher YoY at ~₹ 370/bag. The strongest realisation growth was witnessed by the northern region where prices were 19.8% higher YoY and 14% higher QoQ, followed by the south where the average pricing improved 16.2% YoY. Price hikes were seen on a pan-India level except the north eastern region where they remained flat. Prices in the east and western region also improved ~10% sequentially. However, the quarter also witnessed weak demand, which, we believe, was on account of short-term headwinds led by general elections leading to lower government spends combined with labour issues. Consequently, cement production growth snapped its double digit growth streak from April 2019, with production growth moderating to 2.3% and 2.8% YoY in the first two months of FY20. Accordingly, we expect our cement coverage universe to report 2.9% YoY growth in volumes for Q1FY20E. Best volume growth of 13.4% is expected to be reported by industry leader, UltraTech Cement, followed by Sagar Cements and Ramco Cements, which are expected to report high single digit volume growth.

Strong realisations, stable costs to improve margins

Though volumes during the quarter have been on the weaker side, a strong pricing environment is expected to provide a boost to operating profits of cement companies. Our coverage universe is expected to report 32.3% growth in EBITDA mainly attributable to better realisations. EBITDA margins are expected to expand ~360 bps to 20.7% while EBITDA/t is expected to cross ₹ 1,000/t for the first time since Q1FY18.

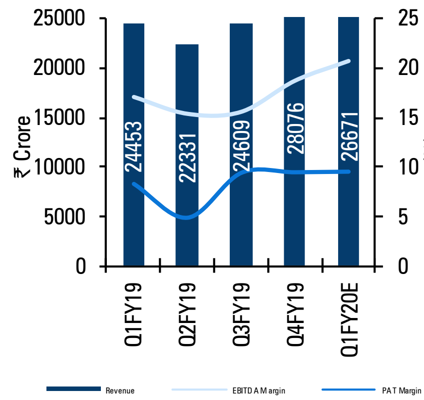
Exhibit 25: Estimates for Q1FY20E: (Cement) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
ACC ^	3,907.2	3.7	1.5	597.7	9.8	29.3	365.6	11.2	5.6
Ambuja ^	3,167.5	5.0	8.2	652.9	4.9	40.9	412.7	-17.3	-3.3
Heidelberg	510.4	-4.9	-4.5	96.8	-16.5	-16.7	44.4	-13.1	-27.0
India Cement	1,325.1	-2.6	-15.3	179.9	15.3	-6.4	32.8	54.4	-25.1
JK Cement	1,348.8	20.9	-9.6	275.8	83.4	-1.3	125.8	155.1	-16.1
JK Laxmi Cement	947.8	2.6	-19.2	170.8	82.0	30.2	68.5	398.0	58.3
Mangalam Cement	276.3	8.7	-13.2	26.7	487.6	35.3	2.0	LP	20.2
Ramco Cements	1,394.6	14.3	-9.0	334.0	33.4	2.7	167.3	33.9	1.2
Sagar Cements	327.6	19.2	-10.5	64.3	76.6	4.2	19.8	241.0	5.9
Shree Cement	2,933.6	-4.4	-10.7	796.5	38.5	-6.1	288.0	3.1	-10.3
Star Cement	507.6	-2.0	-5.0	124.4	-5.8	-4.6	85.9	-4.9	-4.3
UltraTech Cem	10,024.5	19.4	-4.5	2,191.3	47.6	-1.0	953.8	59.4	-6.3
Total	**26,671.0**	**9.1**	**-5.0**	**5,511.1**	**32.3**	**5.1**	**2,566.7**	**25.4**	**-4.4**

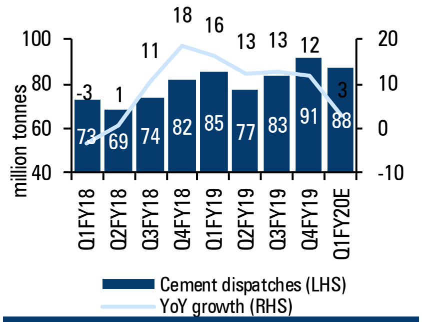
^Q2CY19E

Source: Company, ICICI Direct Research

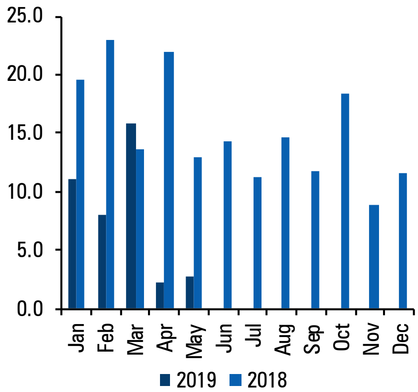
Top line & Profitability (Coverage Universe)



All-India quarterly cement dispatches



Monthly production growth YoY(%)- Till May19



Top Picks

UltraTech Cement
JK Cement

Research Analysts

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Company specific view

Company	Remarks
ACC	ACC is expected to report a flattish topline growth on a sequential basis to ₹ 3907 crore. This would be contributed by a realisations growth of 4.8% QoQ. Weak demand added by volume constraints are expected to keep the volumes flat at 7.3 MT. With input costs stabilized and better realisations, the company is expected to report a 9.2% growth in EBITDA/t to ~₹ 820/t.
Ambuja Cement	Led by the company's higher exposure to the north and western region, Ambuja cement's is expected to post a 3.5% YoY growth in realizations and a 1.5% YoY growth in volumes rolling down to a 5% growth in its operating revenues to ₹ 3,167 crore. Again higher realisations are expected to aid margins which are expected to improve by ~480bps QoQ to 20.6%. Margins would remain flattish YoY due to inventory adjustments in Q2CY18.
UltraTech Cement	Ultratech is expected to report highest volume growth in the industry for Q1FY20E contributed by additional volumes from Binani Cement acquisition. Consequently, we expect a volume growth of 13.4% YoY to 19.1 MT. Strong realizations are expected to aid the company to report another quarter of topline crossing ₹ 10,000 crore. Aided by realisations improvement, EBITDA/t is expected to improve 30% YoY to ₹ 1150/t with EBITDA growing 47.6% YoY to ₹ 2,191 crore.
Shree Cement	Northern region during the quarter witnessed weak demand attributable to general elections. Accordingly, Shree Cements is expected to register a 12% YoY decline in volumes to 6.2 MT. However, prices remained elevated in the region partially offsetting the impact of the volume de-growth. Led by a 9.1% growth in realisations, the topline is expected to decline by 4.4% on a YoY basis and 10.7% on a QoQ basis to ₹ 2,934 crore. Despite weak sales numbers, with better realisations and lower costing, EBITDA for the company is expected to grow 38.5% YoY to ₹ 796 crore, with margins improving by 840bps YoY to 27.1%. Consequently Shree is expected to report a PAT of ₹ 288 crore.
India Cement	Strong pricing environment in the southern markets is expected to push its realisation up 7% YoY to ~₹ 4,700/t. Owing to a high base of the previous year, the company is expected to report a ~9% correction in volumes to 2.8 MT. We expect the company to clock a topline of ₹ 1325 crore, a 2.6% YoY decline. However with the EBITDA/t improving by 26.6% YoY to ₹ 643/t, the company is expected to report a 15.3% and 54% YoY growth in EBITDA and PAT to ~₹ 180 crore and ~₹ 33 crore respectively.
JK Cement	Supported by geographical as well as product diversification, JK cement is expected to be less affected by weak demand of the north. Thereby we expect JK Cement to report a 7.2% growth in volumes (~14% sequential decline) and 12.8% YoY growth in realisations, leading to a 20.9% YoY growth in revenues to ₹ 1,349 crore. The strong realisations can be attributable to both strong pricing in its operaing markets along with a low base effect. EBITDA growth of 83.4% is expected for JK Cement for Q1FY20E again owing to weak pricing in the corresponding quarter of the previous year. EBITDA and PAT are envisaged at ₹ 276 crore and ₹ 126 crore respectively.
JK Lakshmi Cement	For Q1FY20E, with a forecasted realisations growth of 7.1% combined with 4.2% volume decline, JK Lakshmi Cement is expected to witness a growth of 2.6% YoY in revenues to ₹ 948 crore. Realisations growth is expected to be lower, with the company being a price taker. EBITDA/t for the company is expected to grow 90% YoY to ₹ 780/t owing to low base.
Mangalam Cement	We model flattish volume growth for the company at 0.7 MT owing to the demand scenrio in its operating region. Topline growth is forecasted at 8.7% to ₹ 276 crore entirely contributed by realizations growth. Stable costs are expected to result in margins expanding ~785bps YoY and ~350bps QoQ to 9.6%. Attributing to a low base, the companys' operating profits are expected to grow ~5x to ₹ 26.7 crore. For the quarter, the company is expected to report a marginal PAT of ₹ 2 crore vs a loss of ₹ 15 crore in Q1FY19.
Heidelberg Cement	Owing to capacity constraints and low offtake, volumes are expected to decline ~10% YoY to 1.1 MT. With a strong presence on the retail side, the company's realisations are ecxpected to remain strong growing 5.6% YoY to ₹ 4472/t. However, with production costs rising by 9.1% YOY, the company's EBITDA margins are expected to contract by ~260bps YoY to 19%. Consequently EBITDA and PAT are forecasted at ~₹ 97 crore and ~₹ 44 crore declining 16.5% and 13.1% respectively

Source: Company, ICICI Direct Research

Sales Volume (Coverage Universe)

In MT	Q1-E	LY	YoY(%)	LQ	QoQ(%)
ACC	7.3	7.2	0.3	7.5	-3.2
Ambuja	6.5	6.4	1.5	6.4	1.5
UltraTech*	19.1	16.8	13.4	20.5	-6.9
Shree Cem	6.2	7.0	-12.0	7.3	-15.7
India Cem	2.8	3.1	-8.9	3.3	-15.9
JK Cement*	2.5	2.3	7.2	2.9	-13.8
JK Lakshmi	2.2	2.3	-4.2	2.9	-25.6
Mangalam	0.7	0.7	0.0	0.8	-15.1
Heidelberg	1.1	1.3	-9.9	1.2	-5.8
Star Cem	0.8	0.8	-2.6	0.8	-6.4
Ramco Cem	2.9	2.6	9.8	3.3	-13.0
Sagar Cem	0.8	0.7	8.6	0.9	-14.7
Total	52.7	51.2	2.9	57.8	-9.0

** blended sales volume (grey & white)*

Region-wise cement retail prices

₹/50 kg bag	Q1-20E	Q1-19	YoY(%)	Q4-19	QoQ(%)
North	351	293	19.8	308	14.0
East	393	350	12.1	358	9.8
South	378	326	16.2	353	7.2
West	350	320	9.4	319	9.8
Central	365	333	9.6	340	7.2
North East	404	402	0.4	404	0.0
Pan India	370	327	13.2	339	9.2

Cement Realizations (Coverage Universe)

₹/tonne	Q1-E	LY	YoY(%)	LQ	QoQ(%)
ACC	5380	5204	3.4	5133	4.8
Ambuja	4900	4736	3.5	4596	6.6
UltraTech	5260	4997	5.3	5131	2.5
Shree Cem	4477	4105	9.1	4227	5.9
India Cem	4704	4401	6.9	4564	3.1
JK Cement*	5437	4819	12.8	5182	4.9
JK Lakshmi	4324	4038	7.1	3980	8.7
Mangalam	4250	3910	8.7	4153	2.3
Heidelberg	4472	4237	5.6	4415	1.3
Star Cem	6477	6422	0.9	6403	1.2
Ramco Cem	4814	4544	5.9	4634	3.9
Sagar Cem	4069	3709	9.7	3875	5.0
Average	5027	4762	5.6	4811	4.5

** Blended (grey cement +white cement)*

EBITDA per tonne (Coverage Universe)

₹ per tonne	Q1-E	LY	YoY(%)	LQ	QoQ(%)
ACC	821	752	9.2	616	33.2
Ambuja	1010	977	3.4	727	38.9
UltraTech*	1150	884	30.1	1082	6.3
Shree Cem^	1295	823	57.4	1119	15.8
India Cem	643	508	26.6	577	11.3
JK Cement*	1112	650	71.2	971	14.5
JK Lakshmi	779	410	89.9	445	75.0
Mangalam	410	70	487.6	257	59.5
Heidelberg	848	915	-7.3	959	-11.6
Star Cem	1582	1636	-3.3	1551	2.0
Ramco Cem'	1165	959	21.5	987	18.1
Sagar Cem	799	492	62.5	654	22.2
Average	1046	814	28.5	901	16.1

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

Company specific view

Company	Remarks
Star Cement	Sluggish demand in the north east region is expected to lead to a 2.6% YoY decline in volumes for Star Cement. Additionally, prices in the region have remained flattish. We thereby model a 2% decline in revenues for the company to ~₹ 508 crore. EBITDA for Q1FY20E is expected at ~₹ 124 crore and EBITDA margins are expected at 24.4%. PAT for the quarter is expected at ~₹ 86 crore.
Ramco Cement	With prices in the southern region holding strong during the quarter, Ramco is expected to report a ~10% YoY growth in volumes and 5.9% growth in realizations. Volumes are expected at 2.9 MT. Led by strong growth in both volumes and realizations, the company is expected to report a 14.3% YoY growth in revenues to ₹ 1395 crore. We expect EBITDA margins to expand by ~340bps YoY to ~24%. On the back of strong operating performance EBITDA and PAT are thereby expected to grow 33% and 34% YoY to ₹ 334 crore and ₹ 167 crore respectively.
Sagar Cement	Entry into new markets and ramping up of the additional capacities are expected to push the volumes of Sagar Cements 8.6% higher YoY to 0.8 MT. Stability of prices at the elevated levels are expected to boost the company's realizations by 9.7% YoY. We thereby model revenues for Q1FY20E at ~₹ 328 crore. Led by operating margin expansion by ~640bps to 19.6% and also partly attributing to a low base, the company is slated to report a 76.6% growth in EBITDA to ₹ 64.3 crore and PAT is expected at ~₹ 20 crore.

Source: Company, ICICI Direct Research

Capital Goods and Power

Capital Goods

Frontloaded orders to ensure reasonable execution led by L&T

Q1FY20E has been a muted quarter for the capital goods universe in terms of order inflows due to slower pace of order awards owing to general election coupled with muted private capex. L&T, Bhel received reasonable order inflows while KEC received no order inflows. Thermax' order inflow continues to be sluggish. Overall, coverage companies (Bhel, KEC, KPTL, Thermax) ex-L&T, announced order inflows worth ₹ 3575 crore with a sharp decline YoY, mainly led by sluggishness in public sector and government orders while L&T announced orders ranging between ₹ 13000 crore and ₹ 21500 crore and is expected to report modest order inflows. L&T has secured orders of more than ₹ 2500 crore in hydrocarbon, more than ₹ 7000 crore in power, more than ₹ 3500 crore in water & effluent treatment segment. Order inflows in power T&D EPC space remained muted with Kalpataru winning orders worth ₹ 975 crore, collectively, a significant decline YoY. Bhel reported order inflows worth ₹ 2600 crore while Thermax' did not register any order wins. Order intake mainly came in across railways electrification, power, water & effluent business and hydrocarbon segments.

Revenue to grow 10% with PAT growing 6%

Overall, the coverage universe revenue is expected to grow 10.0% owing to stable execution rates at engineering and T&D companies. Overall, we expect EBITDA to grow 12.4% YoY amid accelerated execution by companies like L&T and Kalpataru.

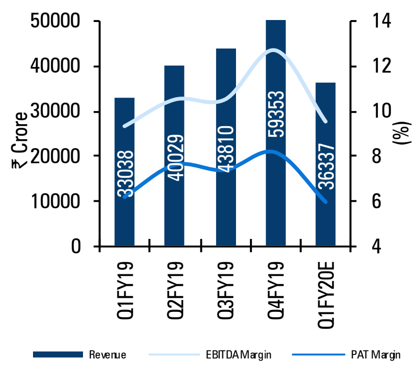
EPC companies to continue their stable execution momentum

Power T&D EPC companies are expected to report strong revenue growth with KEC to report revenue, EBITDA growth of around 12.2%, 11.0% YoY, respectively & Kalpataru is likely to report revenue, EBITDA growth of around 14.5%, 14.0% YoY, respectively, led by a modest order execution rate. L&T is likely to report a strong performance with revenue expected to grow 10.2% and EBITDA margin expected to improve marginally by 20 bps to 8.4% and PAT expected at ₹ 944.5 crore with YoY growth of 3.8% impacted by tax rate. Execution rate of Thermax is expected to moderate due to muted order inflows with revenue, EBITDA expected to grow 8.1%, 17.4%, respectively. Bhel's revenue, EBITDA is expected to grow 7.4% 14% YoY, respectively, amid a low base, while PAT expected at ₹ 153.6 crore with a decline of 1.2% YoY. On the defence front, Bharat Electronics and Cochin Shipyard are expected to report healthy topline growth of 13.5% and 19.1%, respectively, due to robust order backlog and execution rate. Companies like Engineers India are likely to report revenue, EBITDA growth of around 10%, 10.9% YoY, respectively, led by higher execution in the turnkey segment. VA Tech Wabag's revenue, PAT are expected to grow 6.6%, 4.7%, YoY, respectively.

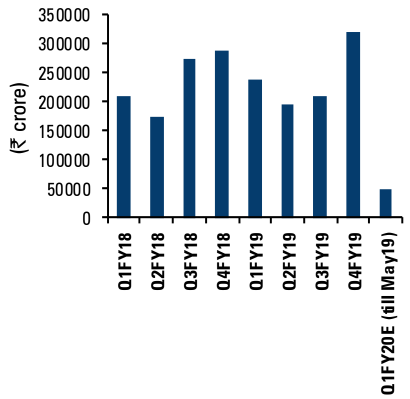
Product companies likely to report mixed performance

In the bearings space, Timken is likely to remain an outperformer with topline growth expected at 12.5% on account of a pick-up in railway segment & exports. EBITDA margins are expected to improve further. SKF, NRB are expected to report a weak operating performance due to de-growth in automotive segment during the quarter. Greaves Cotton is expected to report revenue, EBITDA growth of 6.0%, 6.9%, respectively, due to muted 3-W volumes growth. However, AIA Engineering is expected to report revenue, EBITDA growth of 12.0%, 12.2% YoY, respectively while Elgi Equipments is expected to grow its topline, EBITDA 17%, 24.1% YoY respectively, driven by solid demand growth in its user industries.

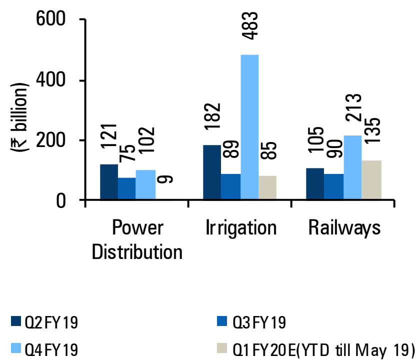
Topline & Profitability (Capital Goods Universe)



Trend in quarterly tenders (both govt. & private)



Trend in segment wise tenders



Top Picks

L&T
Kalpataru Power
Tinken India
Elgi Equipments

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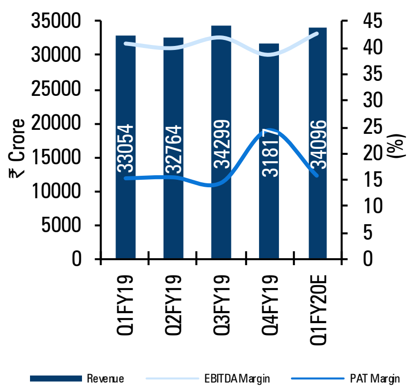
Power

Overall generation increases 5% in April–May 2019

Overall generation in the Indian power sector grew 5.1% over April-May 2019. The key reason for the growth was a solid rebound in hydro and nuclear generation growth at 37.9% and 6.9%, respectively, in the same period while thermal segment growth was muted at 1.8%. In terms of capacity, all installed capacity was at 356817 MW. During April-May, there was no capacity addition in the sector. The share of thermal and renewable capacity was at 63.4% and 22%, respectively.

Topline & Profitability (Power Universe)



Sector abuzz with developments in Q1FY20

The power ministry has come up with proposed five year vision document for power sector. It has proposed that no new regulatory assets be created going forward, to scale up the grid integration of renewable energy by adjusting thermal power operations, reducing T&D losses to under 10% in urban areas and under 15% in rural areas, covering 200 high population urban areas with advanced smart grids, smart and prepaid meter penetration to enable energy audit. All these measures, once implemented could bring long term structural changes in power sector.

Muted Q1FY20 for coverage in terms of financial performance

Overall, the coverage universe revenue is expected to grow 3.2% while PAT is expected to grow 6.6% YoY. In terms of individual performance, NTPC is likely to report a muted Q1FY20E as it has commissioned capacity to the tune of 800 MW coupled with flattish generation growth YoY. Power Grid is expected to report a muted capitalisation in the range of ₹ 3000-4000 crore given that from FY20E the pace of asset capitalisation will moderate considerably. However, strong addition of past will help Power Grid post revenue, PAT growth of 15.3%, 13.8% YoY, respectively. CESC is expected to report muted generation growth at standalone and subsidiary levels, which will lead to PAT decline of 1.4% YoY.

Exhibit 26: Estimates for Q1FY20E (Capital Goods) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
AIA Engineering	801.2	12.0	-9.7	173.9	12.2	-9.1	123.8	16.2	-20.6
Bharat Electroni	2,386.5	13.5	-38.6	358.2	15.4	-61.4	208.8	16.1	-68.8
BHEL	6,376.1	7.4	-38.1	327.4	14.0	-76.5	153.6	-1.2	-77.5
Cochin Shipyarc	784.6	19.1	-0.4	135.7	17.6	23.4	117.3	10.1	20.3
Engineers India	631.4	10.1	3.1	95.8	10.9	2.6	95.3	10.0	0.4
Greaves Cotton	485.8	6.0	-8.0	65.1	6.9	-7.0	45.2	13.6	-2.5
Elgi Equipments	483.8	17.0	-8.4	48.9	24.1	-20.6	23.2	25.2	-35.0
Grindwell Norto	414.4	8.7	2.2	72.3	4.4	6.8	45.2	3.7	6.6
Kalpataru Powe	1,517.4	14.5	-39.1	179.1	14.0	-32.8	91.4	12.8	-33.2
KEC Internatior	2,361.3	12.2	-38.5	240.1	11.0	-39.8	93.3	7.4	-53.1
KSB Pumps	280.0	10.4	-3.2	31.6	10.6	-0.5	18.1	-15.6	15.1
L&T	16,716.2	10.2	-45.8	1,405.0	13.5	-59.4	944.5	3.8	-60.3
NRB Bearings	215.2	-8.0	1.2	36.6	-17.7	40.2	18.7	-46.1	68.0
SKF India	762.2	1.0	1.8	105.2	-9.3	-5.2	73.1	-9.7	-11.1
Thermax Ltd	918.2	8.1	-51.4	68.9	17.4	-60.8	53.7	19.6	-57.3
Timken India	470.2	12.5	5.0	85.1	35.7	-15.9	43.5	42.8	-24.0
Va Tech Wabag	733.0	6.6	7.9	41.0	-0.4	0.3	13.2	4.7	-61.1
Total	**36,337.4**	**10.0**	**-38.8**	**3,469.8**	**12.4**	**-53.9**	**2,161.8**	**6.0**	**-55.5**

Source: Company, ICICI Direct Research

Exhibit 27: Estimates for Q1FY20E: (Power)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
CESC	2,135.2	-1.1	28.5	471.2	-4.8	214.1	179.5	-1.4	-41.9
NTPC	22,590.1	-0.8	6.4	6,059.1	0.3	30.5	2,590.5	0.8	-40.5
Power Grid Corp	9,370.9	15.3	4.9	7,984.0	15.3	6.3	2,550.2	13.8	-16.5
Total	**34,096.2**	**3.2**	**7.2**	**14,514.3**	**7.8**	**18.0**	**5,320.2**	**6.6**	**-31.0**

Source: Company, ICICI Direct Research

Exhibit 28: Company Specific Views (Capital Goods)

Company	Remarks
AIA Engineering	In Q1FY20E, we expect AIA Engineering to report reasonable volume numbers at 70105 MT with 9.2% YoY growth. However, the mining segment likely to deliver modest volume growth of around 13%. We expect realisation at 110.5 per kg with 2.7% YoY growth on account of a change in the product mix and foreign exchange. Revenues are expected to grow 12.0% to ₹ 801.2 crore. EBITDA margin is expected to remain stable at ~ 21.7%. Consequently, PAT is expected to grow 16.2% at ₹ 123.8 crore, partly owing to tax rate
Bharat Electronics	We expect BEL to report steady growth of 13.5% YoY to ₹ 2386.5 crore on the back of continued order execution. EBITDA margins are expected to improve slightly at 15.0% vs. 14.8% YoY resulting in absolute EBITDA to grow 15.4% YoY. Accordingly, we expect PAT to grow 16.1% YoY to ₹ 208.8 crore. Overall, a strong order backlog is likely to augur well for BEL in the near-medium term
Bhel	In Q1FY20E, Bhel's order inflow as on date was at around ₹ 2600 crore including orders for 135 MW and 200 MW solar PV plant, FGD, order from NPCIL for Kudankulam unit 3&4, regenerative electric locomotives. During the quarter, Bhel commissioned two more units of Kaleshwaram lift irrigation package (2*116 MW), unit-1 of 4*84 MW Chhukha (Bhutan) hydroelectric plant. Revenues are expected to grow 7.4% to ₹ 6376.1 crore. EBITDA margin is expected at 5.1% with improvement of 30 bps YoY while EBITDA is expected to grow 14% to ₹ 327.4 crore. PAT is expected at ₹ 153.6 crore with a marginal decline owing to higher effective tax rate in this quarter.
Cochin Shipyard	We expect CSL to report robust revenue growth of 19.1% YoY to ₹ 784.6 crore on the back of better execution under the shipbuilding segment, which is expected to grow ~36% YoY. The ship-repair segment is expected to de-grow 18% YoY due to a strong quarter (servicing INS Vikrant) last year. We expect EBITDA margins to slightly decline at 17.3% vs. 17.5% YoY due to higher share of shipbuilding revenue. Thus, absolute EBITDA is likely to increase 17.6% YoY to ₹ 135.7 crore. PAT is expected to increase 10.1% YoY partly impacted by higher depreciation expenses to ₹ 117.3 crore in Q1FY20E
Engineers India	We expect EIL to report topline growth of 10.1% YoY to ₹ 631.4 crore led by higher execution in the turnkey segment. We expect ~55% contribution from the turnkey segment in Q1FY20E. EBITDA margins are expected at 15.2% vs. 15.1% YoY. Absolute EBITDA may increase 10.9% YoY to ₹ 95.8 crore. Other income is likely to increase 3.5% YoY to ₹ 54 crore. Thus, PAT is expected to grow 10.0% YoY to ₹ 95.3 crore
Greaves Cotton	For Q1FY20E, we expect Greaves Cotton to report muted volumes at 67500 in 3W (passenger, goods) while 4W volumes are expected to be around 9500 units. Non-auto segment is likely to post reasonable growth. Revenues are expected to grow 6.0% YoY to ₹ 485.8 crore. EBITDA is expected to grow 6.9% to ₹ 65.1 crore with margins of 13.4%. Adjusted PAT is expected to grow 13.6% YoY to ₹ 45.2 crore with PAT margin of 9.3%
Elgi Equipments	Elgi Equipments is expected to report healthy performance in Q1FY20E partly driven by solid demand in international space for air compressors. Consolidated revenues are expected to grow 17.0% YoY to ₹ 483.8 crore while EBITDA margins are expected at 10.1% vs. 9.5% YoY due to improved operational efficiencies. Accordingly, EBITDA is expected to grow 24.1% YoY while PAT growth is expected to grow 25.2%. We expect absolute PAT of ₹ 23.2 crore for the quarter
Grindwell Norton	GNL is expected to report topline growth of 9.4% YoY to ₹ 414.4 crore on the back of ~8% growth in the abrasives segment, 10.1% growth in the ceramics segment & plastic segment. EBITDA margins are expected at 17.4% vs. 18.2% YoY due to higher input costs during the quarter. Accordingly, EBITDA and PAT are expected to grow 4.4% YoY and 3.7% YoY, respectively. We expect absolute PAT of ₹ 45.2 crore for the quarter
Kalpataru Power	KPTL has announced orders worth ₹ 975 crore as on date for Q1FY20E, which includes EPC order for pipeline laying in India, two orders for railway electrification, T&D project in Europe. KPTL's revenues are expected to grow 14.5% to ₹ 1517.4 crore driven by strong order book and execution rate in railway infrastructure, pipeline and T&D segment. EBITDA margin is expected at 11.8% with EBITDA growth of 14% while PAT is expected grow 12.8% to ₹ 91.4 crore with PAT margin of 6.0%

Source: ICICI Direct Research, Company

Exhibit 29: Company Specific Views (Capital Goods) Continued...

Company	Remarks
KEC International	During Q1FY20E, KEC did not register any order win as on date. We expect revenues to grow 12.2% to ₹ 2361.3 crore owing to improved order execution in key segments. EBITDA is expected to grow 11% to ₹ 240.1 crore with EBITDA margin expected to remain flat at 10.3% YoY. PAT is expected to grow 7.4% to ₹ 93.3 crore with PAT margin at 4.0%
KSB Pumps	KSB Ltd is expected to report moderate topline growth of 10.4% YoY in Q2CY19E on the back of healthy execution of their existing order book. Pump segment sales are expected at ₹ 240 crore (up 10.3% YoY) while valves segment sales are expected at ₹ 40 crore (up 10.3% YoY). At the EBITDA level, we expect margins to be steady at 11.3% for the quarter. For Q2CY19E, EBITDA is expected at ₹ 31.6 crore (up 10.6% YoY). PAT is expected at ₹ 18.1 crore, down 15.6% YoY impacted by lower other income and higher tax outgo
L&T	During Q1FY20E, L&T has received order inflows in the range of ₹ 13000 crore to ₹ 21500 crore, which includes more than ₹ 2500 crore in hydrocarbon, more than ₹ 7000 crore in power, more than ₹ 3500 crore in water & effluent treatment segment. Order intake during the quarter was impacted by slower pace of order awarding during general elections. L&T's order backlog suggests better execution rate in domestic market in Q1FY20E and FY20. Consequently, we expect L&T's standalone revenue to grow 10.2% to ₹ 16716.2 crore. EBITDA is expected to grow 13.5% to ₹ 1405 crore with margin expected to improve 20 bps to 8.4% and adjusted PAT expected to grow 3.8% at ₹ 944.5 crore impacted by tax rate
NRB Bearings	We expect NRB to report topline at ₹ 215.2 crore, down 8.0% on the back of decline in sales volume of ~11.5%, and ~12.5% in 2-W and overall auto segment, respectively. EBITDA margins are expected to contract 200 bps to 17% due to volume de-growth leading to negative operating leverage during the quarter. EBITDA and PAT are expected to de-grow 17.7% YoY and 46.1% YoY, respectively. We expect absolute PAT of ₹ 18.7 crore for the quarter
SKF India	SKF is expected to deliver flattish revenue growth of 1.0% YoY to ₹ 762.2 crore supported by 12% YoY growth in industrial segment. However, the automotive segment is expected decline 12.5% YoY due to sluggish automotive sales. Exports segment are expected to report flattish growth. Higher share of industrials segment in the revenue mix is expected to translate into higher share of traded goods thereby impacting margins. Overall, EBITDA margins are expected at 13.8% YoY. Absolute EBITDA and PAT are likely to de-grow 9.3% YoY and 9.7% YoY, respectively. We expect PAT of ₹ 73.1 crore for the quarter
Thermax	For Q1FY20E, Thermax' order inflow remains muted. In terms of financial performance, we expect revenues to grow 8.1% to ₹ 918.2 crore owing to modest execution rate and muted order backlog. We expect EBITDA to grow 17.4% to ₹ 68.9 crore with EBITDA margins improving 60 bps to 7.5% YoY. PAT is expected to grow 19.6% to ₹ 53.7 crore with PAT margin of 5.8%
Timken India	We expect Timken India to report robust topline growth of 12.5% YoY to ₹ 470.2 crore on the back of healthy execution in exports and railway segment of the business. EBITDA margins are expected to improve to 18.1% vs. 15% YoY. Margins are likely to improve due to increased share of railways segment and integration of higher margin business of ABC Bearings. On the whole, absolute EBITDA and PAT are likely to grow 35.7% YoY and 42.8% YoY, respectively. We expect absolute PAT of ₹ 43.5 crore
VA Tech Wabag	VA Tech is expected to report revenues of ₹ 733 crore (+6.6% YoY). The growth will be led by Wabag India segment. EBITDA margins are anticipated to remain at 5.6%, resulting in EBITDA to remain at ₹ 41 crore (-0.4% YoY). We expect PAT to be flat at ₹ 13.2 crore during the quarter. The company has already announced orders to the tune of ₹ 1477 crore in Q1FY20E. Key thing to watch is EBITDA margins of standalone and subsidiaries business along with bad debt provision on receivables in other expenses

Source: Company, ICICI Direct Research

Exhibit 30: Company Specific Views (Power)

Company	Remarks
NTPC	NTPC has commissioned capacity to the tune of 800 MW in Q1FY20. The company has pegged commissioning target of 5000 MW of capacity in FY20E. In terms of operational performance, we expect NTPC to post a flat generation YoY to the tune of 68.2 billion units and energy sold to the tune of 63.6 billion units. Tariff/kwhr for H1FY20E is expected at ₹ 3.55/kwhr. Hence, revenues and PAT are expected at ₹ 22509.1 crore (down 0.8% YoY) and ₹ 2590.5 crore, respectively
Power Grid	FY20 will be the year of moderation in terms of asset capitalisation for the company. Similarly, capitalisation in Q1FY20 will be in the range of ₹ 3000-4000 crore. However, strong capitalisation of previous years will keep revenue growth at 15.3% at ₹ 9370.9 crore in Q1FY20E. The transmission segment revenues are expected to grow 14% at ₹ 9015 crore. Depreciation and interest costs are expected to go up 6.1% and 12.1% for the quarter, respectively. Consequently, PAT is expected at ₹ 2550.2 crore, up 13.8% YoY
CESC	CESC is expected to report decline in gross generation in its standalone operations. Gross generation is expected to fall 7.8% YoY at 157.6 crore units. However, energy sold is likely to remain flattish YoY at 284.7 crore units. Dhariwal Infrastructure and Haldia Energy (subsidiaries) are also likely to report decline in generation in Q1FY20E. Standalone revenues are expected to decline 1.1% YoY to ₹ 2135.2 crore. PAT is expected to decline 1.4% YoY at ₹ 179.5 crore on the back of muted revenues

Source: Company, ICICI Direct Research

Road & Construction

Proposed infrastructure spending to boost tendering activity

Overall tendering has been muted with ₹ 50,691 crore worth tenders floated in April & May, 2019 vs. ₹ 1,84,121 crore YoY. This was mainly on account of the Model Code of Conduct kicking in from March, 2019 due to Lok Sabha elections. Nonetheless, with the previous government retaining power, tendering activity is expected to pick up soon. Also, in its election manifesto, the government had proposed infrastructure investment to the tune of ₹ 100 lakh crore by 2022, implying an annual investment of ₹ 20 lakh crore. To meet this, over the next five years, we believe the government will have to significantly step up tendering & awarding activity from ₹ 9.6 lakh crore & ₹ 3.3 lakh crore, respectively, in FY19.

Road projects tendering expected to pick up soon

Road tendering & awarding was muted in Q1FY20 on account of Model Code of Conduct kicking in from March, 2019. Total road tendering in April & May, 2019 was at just ₹ 15,481 crore vs. ₹ 57,596 crore YoY. Also, only ₹ 672 crore worth road projects were awarded in these two months vs. ₹ 16,593 YoY. Of the government's proposed ₹ 100 lakh crore infrastructure investment plan by 2024, highways construction is a key focus area, for which the government has proposed ₹ 15 lakh crore spending. Secondly, NHAI, which has awarded 7,000 km out of 24,800 km in Bharatmala Phase-1, has further invited bids for 3,000 km out of 6,000 km annual awarding target. Overall, we expect road tendering & awarding to pick up, which will further boost the order book of our coverage universe.

Road universe revenues to grow robustly in Q1FY20E

Our road universe is expected to post strong revenue growth of 25.6% YoY to ₹ 4,858.6 crore led by 61.7% YoY growth in Ashoka Buildcon's revenues to ₹ 1,105.5 crore in Q1FY20E. The revenues of our construction universe are expected to grow 19.3% YoY to ₹ 6,916.4 crore led by 37.2% YoY growth in NBCC's topline to ₹ 2,544.1 crore.

Construction universe PAT to grow 14.7% YoY to ₹ 235.3 crore

The bottomline of our construction universe is expected to post growth of 14.7% YoY to ₹ 235.3 crore on account of muted PAT growth for NBCC. However, NCC and Simplex are expected to keep overall PAT growth buoyant. Our road universe bottomline is expected to de-grow by 12.7% YoY to ₹ 418.9 crore.

Exhibit 31: Estimates for Q1FY20E: (Roads) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Ashoka Buildcon	1,105.5	61.7	-15.4	143.7	76.8	-20.7	72.0	12.7	-31.4
IRB Infra	1,813.4	17.9	-6.9	753.2	0.9	-0.9	223.2	-10.8	7.3
PNC Infratech	1,029.0	39.9	-4.3	141.5	9.3	-6.4	74.4	-27.4	-46.8
Sadbhav Eng.	910.7	-0.1	-10.9	110.2	3.0	-13.1	49.3	-22.3	70.3
Total	**4,858.6**	**25.6**	**-9.2**	**1,148.7**	**7.9**	**-5.8**	**418.9**	**-12.7**	**-13.1**

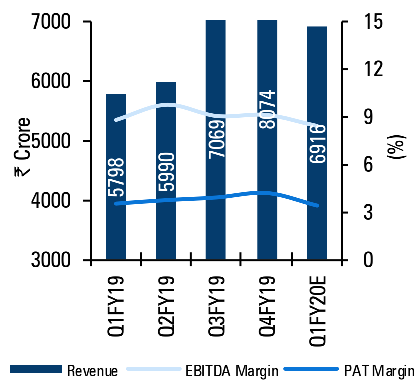
Source: Company, ICICI Direct Research

Exhibit 32: Estimates for Q1FY20E: (Construction) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
NBCC	2,544.1	37.2	-18.9	76.6	13.3	-51.4	75.5	3.1	-44.8
NCC	2,765.1	17.2	-18.4	323.5	20.8	-18.6	128.2	23.7	-26.5
Simplex Infra	1,607.2	1.5	3.8	184.8	4.4	0.8	31.6	11.9	-5.9
Total	**6,916.4**	**19.3**	**-14.3**	**585.0**	**14.2**	**-20.8**	**235.3**	**14.7**	**-31.7**

Source: Company, ICICI Direct Research

Topline & Profitability (Construction Universe)



Topline & Profitability (Road Universe)

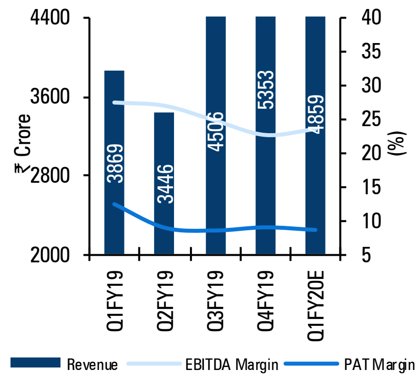


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Exhibit 33: Company Specific Views (Construction)

NCC Ltd	Post action by the newly elected state government in Andhra Pradesh, NCC's ₹ 6,100 crore worth orders pertaining to Andhra Pradesh got cancelled in Q1FY20E, which could take NCC's standalone order book to a strong ₹ 33,115 crore (vs. ₹ 39,215 crore as of Q4FY19), 2.7x FY19 revenues, giving strong revenue visibility ahead. While we expect revenues to grow at 5.6% CAGR to ₹ 13,478.9 crore in FY19-21E, on the quarterly front, we expect topline to grow 17.2% YoY to ₹ 2,765.1 crore, while its EBITDA margins are expected to expand 40 bps YoY to 11.7% in Q1FY20E. Overall, we expect bottomline to grow 23.7% YoY to ₹ 128.2 crore in Q1FY20E. **Key monitorable** Management commentary on order inflows, execution, revenue growth and receivables & net debt
Simplex Infrastructure	Simplex Infrastructure (SIL) has a strong order book worth ₹ 16,020 crore (2.7x FY19revenues). Lower debtors recovery of just ₹ 375 crore in FY19 against target recovery of ₹ 800 crore led to SIL's debt increasing to ₹ 3,651 crore as of FY19. With SIL currently focusing on improving internal operations & recovery of old debtors, its execution could remain muted in FY20E. Thus, we expect the company to clock muted revenue growth of 1.5% YoY to ₹ 1,607.2 crore in Q1FY20E. On margin front, we expect EBITDA margins to expand 30 bps YoY to 11.5%. Overall, we expect the bottomline to expand 11.9% YoY to ₹ 31.6 crore in Q1FY20E. The debtors' recovery and consequent debt reduction holds key for re-rating in simplex performance. **Key monitorable**: Management commentary on debtor's recovery & debt reduction
NBCC	NBCC has a very comfortable order book position at ₹ 75,000-80,000 crore, 7.6-8.1x FY19 consolidated revenues. On the execution front, ₹ 30,000-32,000 crore worth orders are currently under execution and NBCC is looking to further award more than ~₹ 15,000 crore projects in FY20E. As per the management, all issues related to court cases have been settled at Netaji Nagar and Sarojini Nagar redevelopment projects. With this, the management is highly confident of clocking 25-30% YoY revenue growth in FY20E. Hence, we expect NBCC's PMC revenues to grow 53.3% YoY to ₹ 2,361.5 crore in Q1FY20E. Overall, we expect NBCC's revenues to grow strongly by 36.0% YoY to ₹ 2,508.3 crore in Q1FY20E on account of consolidation of financials of HSCC and HSCL. On the EBITDA margin front, we expect NBCC's consolidated EBITDA margins to contract 30 bps YoY to 3.0%. Overall, NBCC's bottomline is expected to grow 3.1% YoY to ₹ 75.5 crore in Q1FY20E. **Key monitorable**: Tendering of big ticket redevelopment contracts to third party & its execution, consistency on PMC division margin profile

Source: Company, ICICI Direct Research

Exhibit 34: Company Specific Views (Roads)

Company	Remarks
Ashoka Buildcon	Ashoka Buildcon (ABL) has achieved financial closure for all of its HAM projects. While execution was strong in Q4FY19, it received appointed date for Khairatunda Barwa Adda Road HAM project in Q4FY19, which should lead to a further pick-up in execution momentum in Q1FY20E. Hence, we expect ABL's revenue to grow strongly by 61.2% YoY to ₹ 1,105.5 crore in Q1FY20E. EBITDA margins are expected to expand 110 bps YoY to 13.0% as we factor in management's guidance for FY20E. On the profitability front, we expect PAT to grow only by 12.7% YoY to ₹ 72.0 crore due to higher other income in Q1FY19 as ABL had received settlement award worth ₹ 22.5 crore from NHAI for Chittorgarh bypass project in Q1FY19. **Key monitorable**: Status on appointed date of balance HAM projects & execution ahead
IRB Infrastructure	We expect the topline to grow strongly at 17.9% YoY to ₹ 1,813.4 crore on account of a better operational performance in its construction business in Q1FY20E. Toll revenue growth is expected to remain flattish YoY to ₹ 557.2 crore as it continues to face traffic issues at several toll projects. Construction revenues are expected to grow robustly by 25.2% YoY to ₹ 1,271.3 crore due to better execution during the quarter. We expect EBITDA margins to contract 700 bps YoY to 41.5% on account of higher contribution from construction business in Q1FY20E. The bottomline is expected to de-grow 10.8% YoY to ₹ 223.2 crore on account of higher interest costs expected in Q1FY20E. **Key monitorable**: Guidance on execution of HAM projects and toll performance; Mumbai-Pune project update
PNC Infratech	PNC received appointed date for two HAM projects in Q4FY19 – Chakeri Allahabad project (TPC: ₹ 2,018 crore) & Aligarh-Kanpur project (TPC: ₹ 1,104 crore) in Q4FY19. With this, execution on six out of seven HAM projects is in full swing. Hence, we expect topline to grow strongly by 39.9% YoY to ₹ 1,029.0 crore. EBITDA margins are expected to optically contract 385 bps YoY to 13.8% on account of bonus receipts worth ~₹ 25 crore in Q1FY19. Overall, while bottomline is expected to post optical de-growth of 27.4% YoY to ₹ 74.4 crore, adjusting for bonus receipts in Q1FY19, PAT is expected to de-grow 3.7% YoY on account of higher tax rate expected in Q1FY20E. Nonetheless, adjusting for the bonus receipts in Q1FY19, we expect the PBT to grow 15.0% YoY to ₹ 106.3 crore in Q1FY20E. **Key monitorable**: Progress on HAM projects
Sadbhav Engineering	With the recently announced deal between SIPL, a subsidiary of Sadbhav Engineering (SEL), and IndInfravit Trust, SEL would receive ₹ 650 crore for loans & advances given to SIPL and ₹ 100 crore for sale of stake in Mysore-Bellary project post completion of the deal. With this, SEL's net debt is expected to reduce significantly from ₹ 1,490 crore (D/E: 0.7x) to ~₹ 750 crore (0.4x), which could lead SEL's execution trajectory to pick up from H2FY20E onwards. On the execution front, SEL's management had guided for ramp up in execution on several big ticket HAM projects post Q1FY20E. With execution on these projects yet to start, we expect flattish topline growth at ₹ 910.7 crore in Q1FY20E. Moreover, EBITDA margins are expected to expand 40 bps YoY at 12.1% on account of higher contribution from HAM projects. Overall, we expect the bottomline to de-grow 22.3% YoY to ₹ 49.3 crore in Q1FY20E on account of higher tax rate (28.0% expected in Q1FY20E vs. 6.8% rate in Q1FY19). **Key monitorable**: Improvement in execution & status on execution on various HAM projects

Source: Company, ICICI Direct Research

Consumer Discretionary

Strong recovery in cooling product categories

The I-direct consumer discretionary (CD) universe is likely to record sales growth of 13% YoY, led by a strong recovery in sales of the cooling product category. The inventory level has normalised while most dealers in select regions witnessed a stock out situation due to a sudden rise in demand in April-May 2019. We believe Voltas, Symphony and Havells India will record cooling product segment sales growth of 18%, 26% and 15%, respectively, largely driven by volume growth. Under the paint category, while industrial paint segment likely to underperform (decline of ~5% YoY owing to low demand from automotive segments), the decorative paint segment expected to record double digit volume growth (up 12%) led by economic product categories. Besides, Pidilite Industries performance would largely be driven by consumer & bazaar segment which is likely to grow 15% YoY led by adhesive & sealant and construction & paint chemical business. Piping segment in our coverage universe is likely to see volume growth of ~15% YoY on a low base and consolidation of new business (in Astral Poly).

Universe EBITDA margin to remain flat YoY

Prices of major raw materials such as HDPE and VAM were down ~18% and ~22% YoY, respectively, in the last six months while TiO2 prices remained flat YoY. Despite benign raw material prices, the EBITDA margin of the universe is likely to remain flat YoY due to a change in product mix and higher discounts. Lower HDPE price would lead to inventory losses for Time Technoplast with gross margin declining 100 bps YoY in Q1FY20E. We see a strong recovery in the margin of Symphony on a lower base. Despite strong volume growth, Voltas' profitability would be hit by higher discounts. On the paint front, EBITDA margins are expected to be impacted by a change in product mix and higher fixed cost. On the other hand, a decline in VAM prices would benefit Pidilite Industries while a recovery in PVC prices (up ~7% YoY in the last six months) would result in a reversal of inventory losses for Supreme Industries that occurred in Q4FY19. Further, V-Guard Industries is also likely to record ~100 bps increase in EBITDA margin on the back of a recovery in sales of the stabiliser business (relatively high margin business) and lower advertisement expenses.

Selective pockets drive PAT

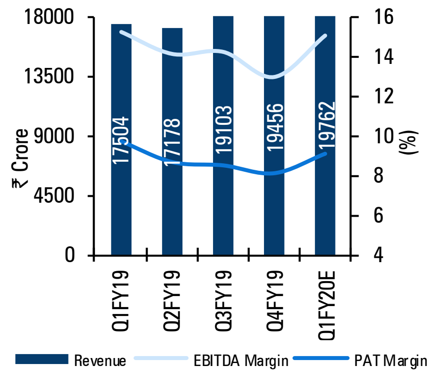
Our coverage universe is likely to record single digit PAT growth (up 8% YoY) mainly due to flat to negative growth in paint companies. However, excluding paint companies, the universe PAT may grow 14% YoY led by companies like Pidilite, V-Guard, Supreme Industries and Symphony.

Exhibit 35: Estimates for Q1FY20E: (Consumer Discretionary) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Asian Paints	4,966.0	13.1	-1.0	943.0	7.8	14.6	579.0	1.3	18.6
Astral Poly Technik	566.3	18.7	-26.9	87.8	12.7	-26.2	43.1	14.4	-31.0
Bajaj Electricals	1,310.9	15.0	-26.1	84.4	5.8	21.8	35.9	-11.4	26.0
Essel Propack	691.2	8.8	-0.4	127.0	13.8	-3.5	48.3	15.1	-9.4
Havells	2,907.5	12.0	5.7	354.7	13.6	9.8	239.5	13.9	15.8
Kansai Nerolac	1,446.4	5.2	25.2	202.8	-7.5	33.9	123.7	-10.8	30.8
Pidilite Industries	2,102.5	14.6	28.3	459.7	20.4	64.9	287.6	19.4	21.4
Supreme Industries	1,532.8	13.9	0.1	226.3	21.9	12.0	118.4	19.7	-4.6
Symphony	185.3	26.9	NM	33.4	96.5	NM	23.8	19.0	NM
V-Guard Industries	718.2	13.1	-2.9	60.2	29.6	-22.9	43.6	26.7	-26.4
Voltas Ltd	2,449.8	14.0	18.8	268.1	10.3	85.8	202.7	8.4	43.1
Time Technoplast	885.1	13.3	-18.2	130.6	8.5	-23.0	49.8	15.3	-32.4
Total	**19,762.0**	**12.9**	**1.6**	**2,978.1**	**11.6**	**18.2**	**1,795.4**	**7.8**	**14.2**

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



EBITDA Margin (%) movement

EBITDA margin	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Asian Paints	19.9	16.9	19.7	16.4	19.0
Kansai Nerola	16.0	15.1	13.1	13.1	14.0
Pidilite Ind	20.8	20.8	18.2	17.0	21.9
Essel Propack	17.6	18.2	18.9	19.0	18.4
Havells	12.0	12.0	11.7	11.7	12.2
Bajaj Ele	7.0	5.0	6.4	3.9	6.4
V-Guard	7.3	8.3	7.6	10.6	8.4
Voltas	11.3	7.6	7.8	7.0	10.9
Supreme Ind	13.8	16.1	12.7	13.2	14.8
Astral Poly	16.3	15.0	14.8	15.4	15.5
Symphony	11.6	19.3	17.9	12.3	18.0
Time Techno	15.4	13.0	14.4	15.7	14.8
Overall	15.3	14.1	14.2	12.9	15.1

Volume growth movement of paint companies

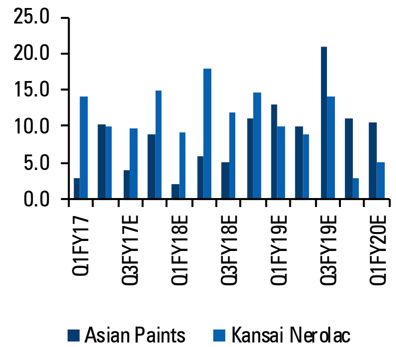


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Exhibit 36: Company Specific Views (Consumer Discretionary)

Company	Remarks
Asian Paints	Asian Paints is likely to record sales growth of ~13% YoY to~₹ 4966 crore in Q1FY20E led by volume growth of ~11% YoY. We believe gross margin will remain flat as an increase in realisation by ~2% YoY in various product categories is likely to be offset by a change in product mix. In addition to this, start of new capacities would result in higher employee cost and other expenses (up ~13% and 20%, respectively). This would lead to a decline in EBITDA margin by ~100 bps YoY to 19%. This, along with higher depreciation charges are likely to result in flattish PAT at ₹ 579 crore in Q1FY20E
Astral Poly Technik	Astral Poly is likely to record net sales growth of ~19% YoY to ₹ 566 crore. On the segment front, piping segment revenue growth of ~20% YoY to ₹ 397 crore, led by volume growth of ~20% YoY, would mainly be due to consolidation of Rex. Revenue growth of the adhesive division would be ~14% YoY to ~₹ 161 crore led by an increase in plant utilisation and dealer addition. Consolidation of low margin business coupled with higher other expenses would keep EBITDA margin under check as the same may decline 80 bps YoY at 15.5%. PAT is likely to grow 14% YoY to ~₹ 43 crore
Bajaj Electricals	BEL's revenue is likely to grow ~15% YoY to ~₹ 1311 crore in Q1FY20E. We believe despite a high base consumer durable category likely to grow 15% YoY to ₹ 684 crore mainly due to an increase in touch points through Range, reach expansion programme. Besides, fast execution of existing orders would lead to ~15% YoY growth in revenue of EPC segment to ₹ 627 crore. EBITDA margin may decline ~60 bps YoY to 6.4% due to a decline in profitability of EPC. Higher interest outgo (likely to be up 53% YoY) would likely result in de-growth in bottomline by 11% YoY at ₹ 36 crore
Essel Propack	EPL's consolidated revenue is likely to grow ~9% YoY to ₹ 691 crore in Q1FY20E supported by a slight recovery in sales from Amesa and EAP regions. Both regions are likely to grow ~7% each in Q1FY20. Besides, America and Europe regions are likely to grow ~11% and ~12% YoY to ₹ 147 crore and ₹ 146 crore, respectively, mainly due to an increase in plant utilisation. Better plant utilisation in the Amesa region would help drive EBITDA margin up 80 bps YoY at 18.4% YoY. As a result, PAT is likely to grow 15% YoY at ₹ 48 crore
Havells India	Havells is likely to record consolidated sales growth of ~12% YoY at ₹ 2908 crore in Q1FY20E. We believe low government capex in Q1FY20E (due to general elections) may lead to moderate revenue growth of 9% in both cable and switchgear segment to ₹ 816 crore and ₹ 440 crore, respectively. ECD and Lloyd business are likely to grow 13% and 15% YoY at ₹ 539 crore and ₹ 817 crore, respectively, led by strong growth in cooling product. We believe EBITDA margin will remain flat at ~12% supported by higher advertisement and employee expenses. PAT is likely to grow ~14% YoY at ₹ 240 crore
Kansai Nerolac	Kansai is likely to record subdued revenue growth of ~5% YoY at ₹ 1446 crore mainly due to muted volume growth of ~5% YoY. We believe decorative paint volume growth will be strong at 12% while industrial paint volume is likely to decline 5% YoY. As a result, the EBITDA margin may decline ~200 bps YoY to ~14% in Q1FY20E. Pressure from EBITDA margin would result in lower PAT during Q1FY20 (down ~11% YoY to ~₹ 124 crore)
Pidilite Industries	Consolidated sales are likely to grow ~15% YoY to ~₹ 2102 crore in Q1FY20E supported by 15% and 10% YoY growth in revenue of consumer & bazaar and industrial product segment to ₹ 1838 crore and ₹ 285 crore, respectively. We believe benign VAM prices will benefit the company in terms of higher gross margin (up 100 bps YoY), which would result in an increase in EBITDA margin by 110 bps YoY ~22%. As a result, PAT may grow 19% YoY at ~₹ 288 crore

Source: Company, ICICI Direct Research

Exhibit 37: Exhibit 2: Company Specific Views (Consumer Discretionary)

Supreme Industries	SIL is likely to record sales growth of ~14% YoY to ~₹ 1533 crore in Q1FY20E led by same quantum of volume growth. We believe the piping segment will record revenue growth of 15% YoY at ₹ 856 crore led by volume growth of ~15%. The packaging industrial and consumer product categories may record sales growth of 15%, 10% and 16% YoY, to ₹ 298 crore, ₹ 251 crore and ₹ 116 crore, respectively. We believe EBITDA margin will improve ~100 bps YoY to 14.8% on account of a recovery in PVC prices from lower level. Finally, adjusted PAT is likely to increase ~20% YoY to ~₹ 118 crore
Symphony	Symphony is likely to record consolidated sales growth of 27% YoY at ₹ 185 crore in Q1FY20E led by a recovery in the domestic business and consolidation of Climate Technologies. Domestic business (standalone business) is likely to record revenue growth of 26% YoY at ₹ 100 crore led strong volume growth of 25% YoY. A recovery in the domestic business is expected to drive up consolidated EBITDA margin by 640 bps YoY at 18%. As a result, consolidated PAT is likely to grow 19% YoY to ₹ 24 crore
V-Guard	V-Guard is likely to record sales growth of ~13% YoY at ₹ 718 crore led by 15% and 14% growth in consumer durable (CD) and electronic segment, respectively. While CD sales growth is largely attributable to low base, the electronic segment sales would be attributable to ~16% YoY revenue growth in the stabilisers business (backed by strong AC sales). The electrical segment is likely to increase 11% YoY at ₹ 291 crore led by strong demand of pump business. Strong growth in the high margin business (of stabilisers) coupled with low advertisement expenses would help drive EBITDA margins up 100 bps YoY at 8.4%. As a result, PAT is expected grow 27% YoY at ₹ 44 crore
Voltas	Voltas is likely to record sales growth of ~14% YoY to ~₹ 2450 crore in Q1FY20E led by strong performance of the company's unitary cooling product (UCP) segment. A strong summer coupled with a low base is expected to result in 18% YoY growth in UCP segment sales to ₹ 1410 crore. On the other hand, execution of domestic orders would help drive EMPS segment revenue growth at 9% YoY to ₹ 943 crore. We believe UCP segment gross margin would remain under pressure owing to absence of price hike. Hence, higher discounts and advertisement expenses would result in flattish EBITDA margin for Voltas at 11% in Q1FY20E. PAT is expected to grow 8% YoY at ₹ 203 crore
Time Technoplast	Revenues are likely to grow ~13% YoY to ~₹ 885 crore supported by ~24% YoY increase in sales of value added products to ₹ 197 crore. Growth would be largely driven by composite cylinders. The established product category is likely to grow ~11% YoY to ₹ 688 crore led by 12% YoY growth in piping revenue. A sharp decline in raw material prices (HDPE price down ~13% YoY) may lead to inventory loss, thus lowering gross margin during Q1FY20E. Hence, we model ~65 bps YoY decline in EBITDA margin to 14.8%. With marginal increase in interest cost & depreciation provisioning, PAT is expected to grow by 15% YoY.

Source: Company, ICICI Direct Research

FMCG

Moderation in rural sales, unfavourable base to impact growth

After five quarters of strong volume growth, our FMCG universe witnessed subdued volume growth last quarter due to rural slowdown and extended winter/delayed summer. Though seasonal factors have subsided, we expect this sales moderation to continue this quarter as well given rural demand continues to be under stress due to lower farmer's income impacted by low food inflation. We expect our FMCG coverage universe to post muted organic volume growth of 5-6% YoY across companies on a very high base whereby sales is expected to grow 9.8% YoY. We expect this sales moderation to be reflected in volume growth of HUL, Dabur, Colgate and Jyothy Laboratories as faster growing rural sales in last one year has tapered down considerably. HUL, Dabur, Colgate and Jyothy Laboratories are expected to witness YoY sales growth of 9.7%, 3.7%, 7.8% and 7.1%, respectively. On the positive side, ITC is expected to post 6% YoY volume growth in cigarettes on a low base. On the back of strong growth from cigarettes & FMCG segments, ITC is expected to post 8.5% YoY sales growth. Nestlé, Varun Beverages are expected to see 10.4%, 28.5% growth, respectively, YoY, driven by new product/category launches and inorganic expansion. Marico is expected to see 8.9% YoY sales growth on the back of ~7% domestic volume growth and strong pick up in international business. GSK Consumer is expected to post 9.2% YoY sales growth mainly driven by 6% volume growth.

High input costs, elevated base to result in margin contraction

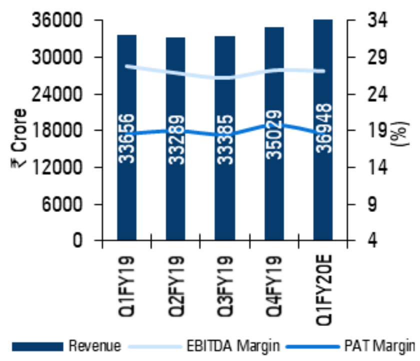
Barley, milk, sugar and cocoa prices have been on an upward trajectory, increasing 23%, 20%, 10% and 5%, respectively. Crude oil prices (used for packaging) continue to be volatile. However, select price hikes taken by our FMCG universe to mitigate higher input cost prices should restrict operating margin contraction to 66 bps. However, on the positive side, palm oil, Robusta prices have been down YoY (palm oil down 17%, Robusta down 20%). Increase in sugar and cocoa prices is likely to impact HUL, Varun Beverages and Nestlé. Decline in copra prices by 25% YoY should benefit Marico. Some of our FMCG universe companies would witness higher marketing spend towards new launches, which would impact their operating margins. We estimate 10.2% YoY net profit growth for our coverage universe.

Exhibit 38: Estimates for Q1FY20E: (FMCG) (₹ Crore)

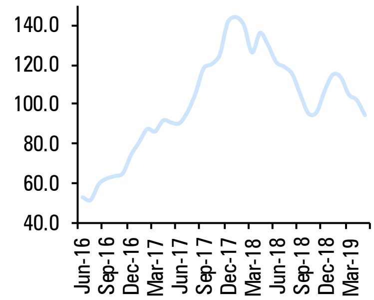
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Colgate Palmoli	1,122.3	7.8	-2.7	304.3	8.1	-2.0	185.4	-2.1	-6.2
Dabur India Ltd	2,157.6	3.7	1.4	396.3	2.6	-13.3	333.3	1.0	-10.3
GSK Consumer	1,208.5	9.2	-6.0	260.8	13.3	-18.1	231.8	15.6	-18.9
HUL	10,410.1	9.7	4.7	2,388.8	6.1	2.9	1,642.2	7.4	6.8
ITC	11,612.0	8.5	-3.2	4,459.4	6.1	-2.5	3,179.7	12.8	-8.7
Jyothy Laborato	431.2	7.1	-14.5	64.9	11.3	-21.5	40.5	25.1	-39.6
Marico Ltd	2,207.0	8.9	37.2	399.0	12.4	41.0	294.5	13.2	-27.3
Nestle India	2,977.7	10.4	-0.8	690.8	6.4	-6.4	421.2	6.6	-9.1
Tata Global Bev	1,906.8	5.8	7.4	263.4	5.9	51.1	156.0	21.7	333.3
Varun Beverage	2,646.5	28.5	94.7	707.4	23.1	223.9	351.0	14.4	777.5
VST Industries	268.6	10.5	-1.5	102.7	6.1	26.6	65.8	7.4	24.1
Total	**36,948.4**	**9.8**	**5.5**	**10,037.8**	**7.2**	**5.0**	**6,901.5**	**10.2**	**-0.5**

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



Copra price trend (₹/kg)



Sugar prices (₹/kg)

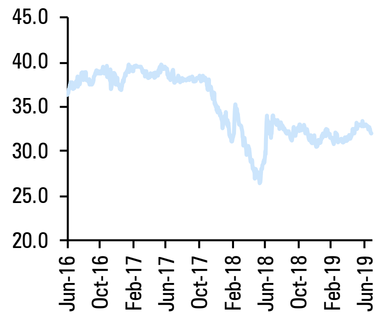


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Exhibit 39: Company Specific Views (FMCG)

Company	Remarks
Colgate	Colgate is expected to post 7.8% YoY sales growth driven by ~5% volume growth and ~3% realisation growth. The company has managed to maintain its market share in the last two quarters, which should help steady volume growth on the back of slowing competition intensity in the industry. The company had taken price hikes to mitigate rising input costs, which should help maintain its operating margins at 27.1% YoY. Net profit adjusted for one-offs in the base quarter is likely to grow 11.1% YoY to ₹ 185.4 crore
Dabur	We expect Dabur to post 3.7% YoY revenue growth fully led by 3% volume growth on a high base (Q1FY19 volume growth of 21%). Also, as 45-50% of its revenues are from rural regions, moderation in rural demand from erstwhile quarters would have an impact on its sales growth. International operations would witness slower growth of 2.3% YoY on account of underperformance of MENA region and currency fluctuation impact. We expect EBITDA margins to contract marginally by 19 bps to 18.4% on a low base. PAT is expected to remain flat at ₹ 333.3 crore
GSK Consumer Healthcare	The company is expected to witness sales growth of 9.2% YoY on the back of 6% volume growth of 8% and 3% realisation growth. Sachets, which contribute 10% of overall revenues should lead to steady volume growth. GSK Consumer should be able to improve its operating margins aided by cost efficiencies. However, increase in milk and barley prices should restrict operating margin expansion to 78 bps to 21.6% YoY. Net profit is likely to grow 15.6% YoY to ₹ 231.8 crore
HUL	We expect HUL to post 9.7% YoY sales growth mainly driven by 6% volume growth across categories as its shift towards natural products and increasing premiumisation trend is yielding results, helping it to maintain the growth trajectory. We expect HUL to witness operating margin contraction of 78 bps to 22.9% due to higher marketing spend towards new launches. We expect net profit to marginally grow 7.4% YoY to ₹ 1642.4 crore. Adjusting for one-offs in the base quarter, net profit should grow 4.6% YoY
ITC	ITC is expected to witness sales growth of 8.5% YoY mainly driven by robust growth from cigarettes & FMCG segment. The cigarettes segment is likely to witness ~6% volume growth on a low base (1.5% volume growth in Q1FY19). We expect the growth momentum to continue for the FMCG segment and expect 13.9% sales growth on the back of new launches & premiumisation across categories. With select price hikes in cigarettes segment and rapid improvement in FMCG operating margins, we expect net profit to grow 12.8% to ₹ 3179.7 crore
Jyothy Labs	Jyothy Laboratories is expected to witness slower revenue growth of 7.1% YoY as its well performing detergent segment should see moderation in growth owing to water crises in southern India. In addition to this, volume growth should be a tad slower at 4% on a high base (18.5% volume growth in Q1FY19). However, recent price hikes and operational efficiencies should help its operating margins to see marginal expansion of 50 bps YoY to 15% YoY during the quarter. We expect net profit to grow by 25.1% YoY to ₹ 40.5 crore
Marico	The company is expected to post 8.9% YoY sales growth led by robust growth in Parachute segment. We expect volume growth of 7% and product mix improvement of 2%. The domestic business is expected to grow 8.5% YoY. We expect the international business to post 10.7% YoY sales growth on the back of strong growth from Bangladesh and Vietnam regions. Due to decline in copra prices of ~25% YoY, we expect 57 bps expansion in operating margins to 18.1%. Net profit is expected to increase 13.2% YoY to ₹ 294.5 crore

Source: Company, ICICI Direct Research

Crude oil prices trend ($/barrel)

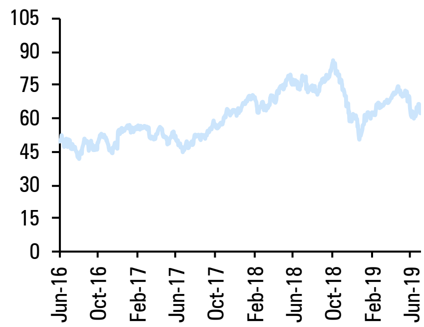


Exhibit 40: Company Specific Views (FMCG)

Company	Remarks
Nestlé India	We expect Nestlé to post 10.4% YoY sales growth to ₹ 2,977.7 crore on the back of broad based volume growth across categories, led by new launches and higher advertising spend. With an increase in media spend and rising input costs, we expect operating margins to contract 86 bps to 23.2% YoY on an elevated base of 24.1% operating margin in Q1FY19. We expect marginal increase in net profit by 6.6% YoY to ₹ 421.2 crore during the quarter
Tata Global Beverages	The company is expected to post 5.8% sales to ₹ 1906.8 crore as its coffee segment should witness slower growth of 3.5% growth amid competition and muted coffee sales growth in its Australia region on account of renegotiation with a new vendor. However, tea segment and non-branded segment should see steady growth of 6% and 11%, respectively. We expect Tata Global to maintain its operating margins at 13.8%. Adjusted net profit is expected to increase 12% to ₹ 156 crore
Varun Beverages	Varun Beverages is expected to witness 28.5% YoY sales growth to ₹ 2646.5 crore mainly driven by addition of 25 million cases on the back of acquisition of new territories in this quarter. We expect organic volume growth of 10% with 5% improvement in product mix. Operating margins are expected to contract 119 bps YoY to 26.7% due to lower utilisation from newly acquired territories. Net profit is expected to grow 13.3% YoY to ₹ 351 crore
VST Industries	Led by volume growth of ~5% and increased contribution from high priced cigarettes in the portfolio, VST Industries is expected to post 10.5% YoY sales. We expect 40-45% contribution from 64 mm cigarettes with the remaining 55-60% volume contribution from 69 mm or above category. High input cost inflation would result in operating margin contraction by 156 bps to 38.2%. We expect net profit to grow 7.4% to ₹ 65.8 crore

Source: Company, ICICI Direct Research

Hotels

Absolute FTA remains healthy but growth moderates on higher base

Growth in foreign tourist arrivals (FTAs) slowed down to ~3.4% YoY in FY19 following the high base of last year, which reported healthy double digit growth of 11.7% and 12.1% YoY during FY17 and FY18, respectively. During Q1FY20E, we expect FTA growth of 3.2% YoY. However, in absolute terms, FTA still continues to remain healthy. This, coupled with balanced room supply across business and leisure destinations, would have a positive impact on occupancy levels. With demand growth outpacing supply growth, we expect average room rates to also improve ~3.5% YoY leading to over 8% revenue growth in the domestic market. Taj GVK being a pure domestic play would likely report 8.1% YoY revenue growth whereas Indian Hotels' revenues would improve YoY due to a turnaround of international subsidiaries. We expect EIH's revenue growth to moderate during the quarter due to lower revenue from flight catering business. Overall, we expect I-direct hotel universe to report 7.7% YoY revenue growth during the quarter.

Improved RevPAR to boost margins during Q1FY20E

Margins of the I-direct hotel universe are expected to improve 110 bps YoY on account of operating leverage benefit and healthy ARRs. During the quarter, we expect Indian Hotels to report margin expansion of 100 bps mainly due to improved business of international segment (healthy RevPAR in US, Cricket World Cup in England) while EIH may report broadly flat margins YoY due to lower income from high margin flight catering business. On the other hand, TajGVK's margins may fall slightly on the back of higher other expenses led by ongoing renovations of rooms of its properties in Hyderabad during the quarter.

Business, select leisure destinations to drive growth in quarter

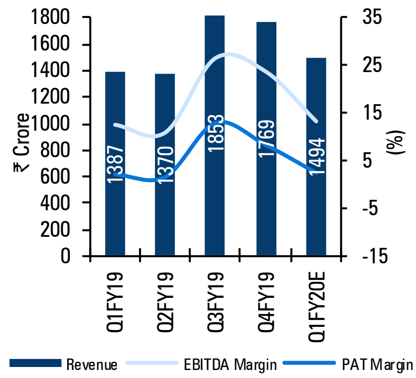
Average occupancy levels continued to remain higher at business destinations compared to leisure destinations during the quarter due to the onset of lean season. However, select leisure destinations are expected to report marginally better occupancy levels during the quarter. Among leisure destinations Kerala and Goa would report healthy improvement in occupancy levels during the quarter. In business destinations, Mumbai, Hyderabad and Chennai would register better occupancy compared to the previous year.

Exhibit 41: Estimates for Q1FY20E: (Hotels) (₹ Crore)

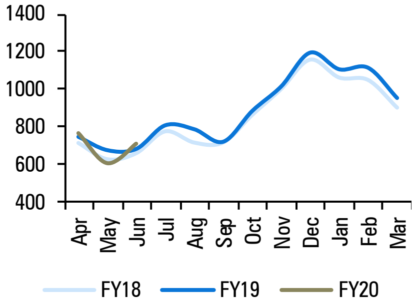
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
EIH	349.7	4.4	-18.8	51.1	5.7	-51.3	11.9	17.1	2.7
Indian Hotel	1,065.9	8.8	-14.3	131.1	18.4	-53.9	22.9	49.4	-81.3
Taj GVK Hotels	78.7	8.1	-15.9	13.8	6.5	-51.7	2.1	-45.2	-83.0
Total	**1,494.3**	**7.7**	**-15.5**	**195.9**	**14.0**	**-53.1**	**36.9**	**25.6**	**-74.8**

Source: Company, ICICI Direct Research

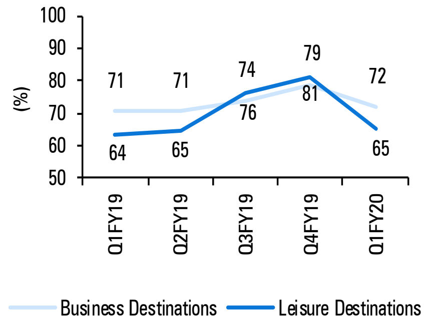
Topline & Profitability (Coverage Universe)



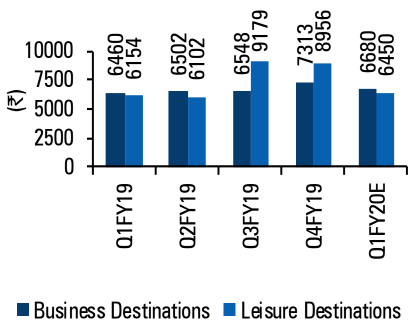
FTAs growth (up 3.2% YoY) to moderate on higher base during Q1FY20E



Trend in average occupancy level (%)



Trend in average room rates (In ₹)



Top Picks

Indian Hotels

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Company specific view

Company	Remarks
Indian Hotels	On the revenue front, we expect domestic revenue growth of 8% YoY in line with industry growth following improved RevPAR. The international segment is expected to witness growth of 9%. Margins are expected to improve mainly due to healthy ARR growth in the domestic segment coupled with a turnaround of international subsidiaries. Further, lower interest cost would lead to better profitability during the quarter vs. loss reported last year. On a QoQ basis, we expect drop in profitability due to seasonality
EIH	Earnings of EIH are expected to normalise during Q1FY20 with the stabilisation of Delhi property, which was reopened in January 2018. With lower-than-expected revenue from catering business, we expect single digit revenue growth of over 4.4% YoY. ARR is expected to increase ~4% YoY supported by healthy occupancy levels. Margins may continue to remain healthy at over 14.6% vs. 14.4% reported last year
Taj GVK Hotel	On the standalone front, we expect revenue growth of 8.1% YoY led by improved ARRs. However, higher other costs led by room renovations of its property in Hyderabad would keep margins under check during the quarter. On the other hand, better operating performance from the JV property (likely profit of ₹ 1.3 crore vs. loss of ₹ 60 lakh last year) and lower interest cost may provide some breather during the quarter

Source: Company, ICICI Direct Research

Information Technology

Healthy pipeline, digital to drive revenue

Tier-1 IT companies are expected to report revenue growth of -0.1-3.5% QoQ in constant currency (CC) terms. We expect CC growth to be led by TCS (3.5% QoQ) and Infosys (2.6%QoQ) on the back of healthy digital growth and deal pipeline while organic growth in HCL Tech is expected to be muted. In addition, cross currency would act as a headwind of 25-30 bps to reported dollar growth. Among mid-tier, Persistent would lead the dollar growth (2.3% QoQ) on the back of growth in the IP led business. On the margin front, wage hikes, visa cost and net currency impact are expected to keep margins under pressure. Although TCS is expected to report better revenue performance QoQ among Tier 1 players, expensive valuation (~22.7x FY21E EPS) factors in most positives. We prefer Infosys among tier-1 based on accelerated rate of new deal wins (up 2x to US$6.3 billion) and anticipated improvement in digital wallet share.

Wage hikes to keep margins under pressure

Cross currency headwinds coupled with wage hikes, visa costs, higher sub-contracting costs (in some), and rupee appreciation could create margin headwinds in Q1FY20E. We estimate EBIT margins will decline 100-130 bps sequentially for Tier-1 companies. In case of Wipro, adjusting for one offs in last quarter the decline in margins in Q1FY20E is to the tune of 130 bps mainly led by partial wage hike and rupee appreciation.

Midcap to report margin decline in range of 80-230 bps

Among our midcap universe, we expect dollar revenue growth to be decent in the range of 1.3-2.3% with growth led by Persistent on account of growth in IP led business. Client specific concerns in LTI, Cyient and eClerx would curtail their growth ability. On the EBITDA margin front, most midcap companies are expected to witness a decline resulting from a wage hike and visa costs in the quarter.

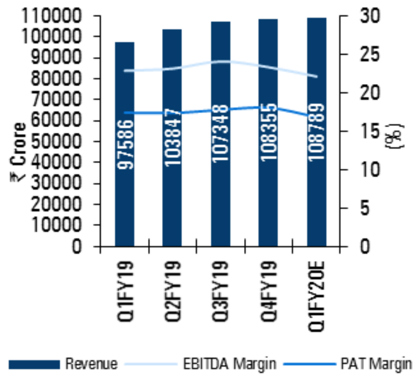
In Persistent, margins look optically higher by 130 bps. However, on an adjusted basis, the company's margin will decline by 90 bps in Q1FY20E. L&T Infotech is expected to report 80 bps QoQ decline mainly due to higher SG&A cost. Tech Mahindra is expected to report a dip of 230 bps mainly due to Comviva seasonality, wage hike and rupee appreciation.

Exhibit 42: Estimates for Q1FY20E: (IT) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Cyient	1,163.6	7.7	0.1	162.9	23.8	-7.0	113.8	37.9	-39.5
Eclerx	364.9	3.7	0.0	73.4	-6.3	-9.1	56.7	-5.8	-4.0
Firstsource Sol	977.8	6.4	1.1	136.9	6.9	-1.1	94.7	6.9	-3.6
HCL Tech	16,029.0	15.5	0.2	3,446.2	6.8	-4.2	2,379.0	-1.0	-7.4
Infosys	21,743.2	13.7	0.9	4,990.1	0.3	-3.1	3,884.4	7.5	-4.7
InfoEdge	308.4	18.8	5.4	95.3	13.0	4.3	85.6	35.9	29.1
L&T Infotech	2,500.6	16.0	0.6	460.1	9.8	-3.4	344.6	-4.6	-9.0
NIIT Technologies	941.6	14.1	-3.2	145.9	11.7	-14.5	91.4	6.5	-13.4
Persistent Systems	841.2	0.8	1.1	138.8	-0.9	9.6	91.8	5.1	8.6
TCS	38,689.0	12.9	1.8	9,826.9	8.3	-2.4	7,789.1	6.1	-4.1
Mindtree	1,849.0	12.8	0.5	266.3	15.3	-5.0	175.4	10.9	-11.6
Tech Mahindra	8,725.0	5.4	-1.9	1,405.0	3.5	-14.3	926.1	3.1	-18.2
Wipro	14,655.6	4.8	-2.3	2,923.5	5.7	-11.2	2,315.0	9.2	-6.8
Total	**108,788.9**	**11.5**	**0.4**	**24,071.2**	**7.9**	**-4.8**	**18,347.6**	**7.9**	**-6.2**

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



Dollar growth, QoQ

IT Services	Q1FY20E	Q4FY19	Growth (%)
TCS	5,564.3	5,397.0	3.1
Infosys	3,127.2	3,060.0	2.2
Wipro ^	2,065.1	2,075.5	(0.5)
HCL Tech	2,305.3	2,278.0	1.2
Tech M	1,254.8	1,267.5	(1.0)
LTI	359.6	353.8	1.7
Mindtree	265.9	262.0	1.5
Cyient	167.4	165.2	1.3
NIIT Tech	135.4	138.0	(1.8)
Persistent Sys	121.0	118.3	2.3
eClerx	52.0	51.2	1.5
BPO (in ₹)			
Firstsource	977.8	967.2	1.1
Internet (in ₹)			
Info Edge	308.4	292.7	5.4

^ IT services

Top Picks

Infosys
Info Edge

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Outlook in BFSI, digital, margin trajectory key monitorable

We remain positive on digital growth story of Indian IT companies. Further, we need to watch i) demand outlook in banking & financial services post Accenture's commentary on improving sentiments in capital markets segment, ii) measures to propel digital and large deal wins, iii) course of client decision making in the wake of specific macro challenges and iv) margin trajectory amid increasing cost pressures and attrition.

Exhibit 43: Company Specific view

Company	Remarks
TCS	Healthy order TCV and accelerating digital growth are expected to result in constant currency revenue growth of 3.5% QoQ. Cross currency would act as a headwind of 40 bps leading to US$ revenue growth of 3.1% QoQ to $5,564 million. However, rupee revenue growth is expected to be curtailed at 1.8% QoQ (to ₹ 38,689 crore) mainly due to currency appreciation. EBIT margins could decline 110 bps QoQ to 24% mainly on account of full quarter wage hike, visa cost and currency impact. Investor interest: Demand outlook specifically for banking, financial & insurance segment, order book, margin trajectory and commentary on macro environment
Infosys	We expect constant currency revenues to grow 2.6% sequentially in Q1FY20E while US$ revenue may increase 2.2% QoQ to $3,127 million (this includes Stater acquisition). Rupee revenue may grow ~1% QoQ at ₹ 21,743 crore. EBIT margins may decline 110 bps QoQ to 20.4% primarily owing to rupee headwind, partial wage hike and transition costs. Investor interest: Update on FY20E revenue guidance and margin trajectory, deal pipeline, demand commentary on operating verticals
Wipro	Global IT services constant currency revenues could de-grow 0.1% QoQ mainly led by completion of some large projects and slower than expected ramp up in certain projects. This coupled with 0.4% cross currency headwind will lead to 0.5% QoQ decline in US$ revenues of IT services segment. In rupee terms, IT revenues could decline 1.6% to ₹ 14,358 crore. Global IT services EBIT margins on an adjusted basis may dip 130 bps QoQ to 17.4% due to one month wage hike impact and currency headwind. Investor interest: Q2FY20E guidance, order pipeline, margin outlook
HCL Tech	We expect dollar revenues to grow 1.2% QoQ to $2,305 million supported by 0.5% contribution from Strong Bridge acquisition. However, rupee revenue growth is expected to be modest at 0.2% QoQ mainly on account of rupee appreciation. EBIT margins could dip 100 bps QoQ to 18% owing to costs related to IBM acquisition and rupee headwind. Investor interest: Outlook on organic growth, sustainability of growth in IMS and update of contribution from IP led partnerships
Tech Mahindra	We expect US$ revenues to decline 1% QoQ to $1,255 million on the back of a delay in deal ramp up in enterprise and Comviva seasonality. Rupee revenues may de-grow 1.9% QoQ to ₹ 8,725 crore. Owing to wage hike, visa cost, Comviva seasonality and currency headwind, EBITDA margins may drag down 230 bps QoQ to 16.1%. Investor interest: Update on enterprise growth trajectory, execution of deal pipeline, impact of Huawei ban and margin trajectory
Larsen & Toubro Infotech	US$ revenues is expected to increase 1.7% QoQ to $359.6 million supported by acquisition (contribution of ~0.7% to quarter growth) partly offset by potential slowdown in top client. Rupee revenues may grow marginally by 0.6% QoQ to ₹ 2,500 crore. EBITDA margins may decline 80 bps QoQ to 18.4% mainly owing to higher SG&A and visa cost. Investor Interest: Update of growth outlook for top client, commentary on demand in business verticals, margin trajectory and H2FY20E outlook
Info Edge	Rupee revenues are expected to grow 18.8% YoY to ₹ 308 crore led by continued growth momentum in Naukri business (20% YoY) and 99 acres (25% YoY). EBITDA margins may drag 30 bps QoQ to 30.9% owing to cash burn at Jeevansathi and continuity in ad expenses in Naukri business. Investor interest: Update on acquisition of IIM jobs, trajectory of ad spending mainly in Naukri and Jeevansathi, traction in investee companies mainly Zomato & PolicyBazaar and any new investments
Persistent Systems	We expect dollar revenues to increase 2.3% sequentially to $121 million on account of 5% growth in IP led business and 1.5% in services business. Rupee revenues may grow 1.1% QoQ to ₹ 841 crore. EBITDA margins could see a decline of 90 bps sequentially to 16.5% (from adjusted margins of 17.4% in Q4FY19) on account of investments in sales & marketing and currency headwind. Investor interest: Revenue/margin outlook, update on restructuring & sales alignment progress, stance on top client IP led business trajectory

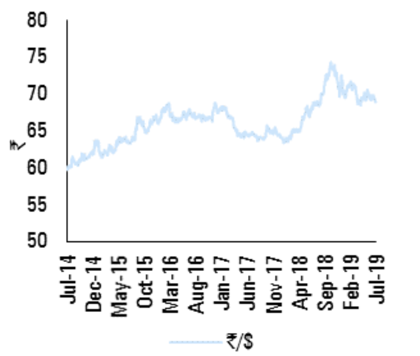
Source: Company, ICICI Direct Research

EBIT margin impact

EBIT margins	Q1FY20E	Q4FY19	Change (bps)
TCS	24.0	25.1	(110)
Infosys	20.4	21.4	(110)
Wipro ^	17.4	18.2	(80)
HCL Tech	18.0	19.0	(100)
EBITDA margins			
Tech M	16.1	18.4	(230)
LTI	18.4	19.2	(80)
Mindtree	14.4	15.2	(80)
Cyient	14.0	15.1	(110)
NIIT Tech	15.5	17.6	(210)
Persistent Sys	16.5	15.2	130
eClerx	20.1	22.1	(200)
BPO			
Firstsource	14.0	14.3	(30)
Internet (in ₹)			
Info Edge	30.9	31.2	(30)

^ IT services

$/₹



$ vs. global currencies

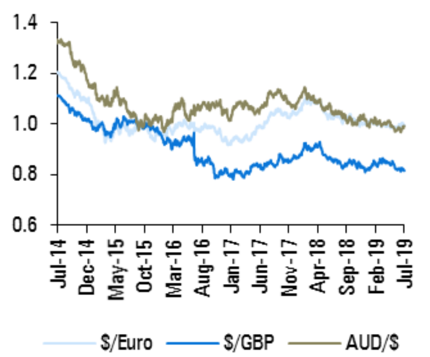


Exhibit 44: Company Specific views

Company	Remarks
MindTree	Dollar revenues are anticipated to grow 1.5% QoQ to $266 million while rupee revenue may grow 0.5% QoQ to ₹ 1,849 crore. EBITDA margins may dip 80 bps QoQ to 14.4% mainly owing to partial wage hike and rupee headwind. Investor interest: Improvement in IBM business, client mining opportunity and margin trajectory
Cyient	We expect dollar revenues to grow 1.3% QoQ to $167 million led by 13.9% sequential growth in Design Led Manufacturing (DLM) business. However, services business is expected to register de-growth of 0.2% QoQ mainly led by client specific issues. Rupee revenues may remain flat at ₹ 1,164 crore. EBITDA margins may dip 110 bps QoQ to 14.0% owing to a partial wage hike, rupee appreciation and softness in services business. Investor interest: Update on revenue growth trajectory post Q1FY20E taking into account receding of client specific issues and order book visibility for DLM
eClerx	We expect dollar to increase 1.5% QoQ to $52 million on the back of subsiding impact of client ramp down. However, rupee revenues could remain flat at ₹ 365 crore. EBITDA margins may decline 200 bps QoQ to 20.1% mainly due to wage hike, currency partially offset by a decline in depreciation and rent cost. Investor interest: Revenue and margin trajectory for FY20E, momentum in emerging clients, legacy business outlook (50% of revenues)
NIIT Tech	Dollar revenue is expected to decline 1.8% QoQ to US$135 million on account of divestment of GIS business (~4% of overall revenues) partially countered by Wishworks acquisition (0.4%). Rupee revenues may de-grow 3.2% QoQ to ₹ 942 crore. EBITDA margins may see a sharp decline of 260 bps to 15.5% (from adjusted margin of 18.1% in Q4FY19) due to divestment of high margin GIS business, full quarter wage hike impact and currency headwind. Investor interest: Order book conversion, margin course taking into account GIS impact, revenue and margin trajectory of Wishworks acquisition as it is expected to negate impact of GIS business and traction in digital segments
Firstsource Solutions	We expect rupee revenues to grow 1.1% sequentially to ₹ 978 crore mainly on the back of expected deal closure in April end. EBITDA margins may decline 30 bps QoQ to 14% owing to currency headwind. Investor interest: Update on digital revenue trajectory, top client growth outlook, outlook on mortgage and payer business, margin course and M&A strategy

Source: Company, ICICI Direct Research

Logistics

Exim rail container volumes strengthen QoQ

Q1 has seen a positive push in exim rail container volumes (considering April, May data). The growth (~8% YoY) has to be seen in the backdrop of ~6% growth and mere 2.5% for Concor in Q4FY19 despite the fact that Q4 is usually seen as a strong quarter for the rail container segment mainly due to a strong pick-up in the general economy. Major container ports such as JNPT saw 4-5% growth in Q1 (with a resurgence in volumes at terminal IV of JNPT) while Adani Mundra Port grew 22% during the same April-May period (on MMT basis). Domestic rail segment showed signs of weakness (1.6% decline), signalling a downtick in the general economic activity. On competitiveness with road players, in spite of crude oil prices strengthening ~9% QoQ to $68.5 per barrel, the indexed average freight rate fell from 93 to 91 QoQ (fell 12 points YoY), indicating willingness on part of road players to maintain market share by absorbing the increased costs.

Surface players remain impacted by auto slowdown

Surface players in the business of supply chain (TCI supply chain division) are expected to report lower growth due to a slowdown in auto sales seen during the quarter. Planned production cuts along with the expected extended slowdown in sales in the auto sector sales are expected to impact all three legs of SCM (inbound, outbound and infactory logistics). The freight and the express segment is expected to show moderation in growth due to general slowdown in economic activity.

Traffic in major ports slows down

The growth in the major port traffic (12 ports) has tapered to mere 2.5%-119 MMT in overall cargo handled led by slower growth in fertilisers and other miscellaneous cargo. However, iron ore, coking coal and container segment showed strongest growth during the same quarter (at 11%, 15%m 10% respectively).

Overall profitability expected to remain muted

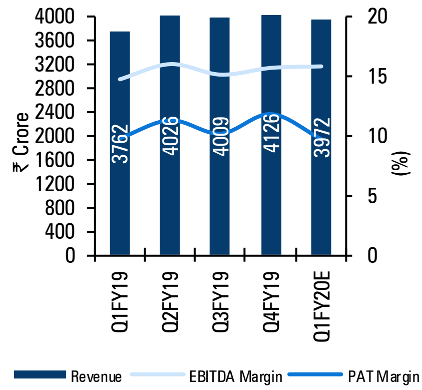
Revenues of our logistics coverage universe are expected to grow 6% YoY to ₹ 3972 crore. On the profitability front, we expect overall EBITDA and PAT growth to increase 13% and 5% to ₹ 629 crore and ₹ 390 crore, respectively. Incentives provided by Government of India to Container Corporation are expected to grow 37% to ₹ 96 crore in Q1FY20E.

Exhibit 1: Estimates for Q1FY20E: (Logistics) (₹ crore)

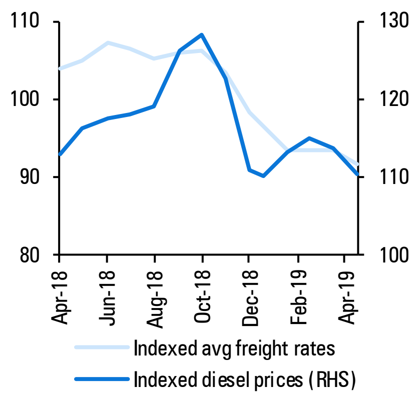
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Blue Dart	798.7	9.0	2.5	43.9	-1.4	53.4	21.6	-2.2	67.9
Container Corporation	1,665.4	6.2	-4.8	366.4	14.4	-4.3	255.4	1.2	-27.5
GATI Ltd	399.9	-12.3	-13.0	26.2	19.9	0.0	7.8	39.0	-5.8
Gujarat Pipavav	177.4	0.8	-1.5	98.5	7.8	-1.1	53.4	13.4	4.9
TCI Express	264.9	7.0	-0.3	30.5	13.0	-9.8	19.0	17.8	-12.6
Transport Corp	665.5	14.4	-3.8	63.2	23.2	-18.0	32.4	14.8	-25.8
Total	**3,971.8**	**5.6**	**-3.7**	**628.6**	**13.0**	**-3.0**	**389.6**	**4.9**	**-20.4**

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)

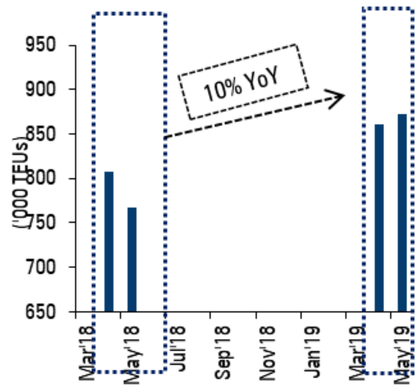


Average road freight rates vs diesel prices



Source: CRISIL, ICICI Direct Research

Indian Major Ports Container data



Source: IPA, ICICI Direct Research

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Exhibit 2: Company Specific Views (Logistics)

Company	Remarks
Container Corporation	Core revenues are expected to increase 11% YoY, due to 8% YoY growth in the Exim volumes and 5% growth in domestic volumes. EBITDA margins are expected to increase 60 bps YoY to 22%. Absolute EBITDA is expected to increase 14% YoY to ₹ 366 crore. However, PAT is expected to remain flat at ₹ 255 crore (inclusive of exceptional income of ₹ 92 crore) owing to lower other income (reduced cash balance due to advance paid to railways for future freight expense)
Transport Corporation of India	Freight segment, which witnessed strong growth in FY19 (17% revenue growth), is expected to grow at a slower pace of 10% YoY in Q1FY20 due to lower growth in the manufacturing sector. Supply chain segment revenues continue to be impacted by a slowdown in the auto Industry. However, shipping segment revenues are expected to continue their strong momentum and grow 40% (mainly due to addition of a ship). Hence, resultant revenues are expected to grow 14% YoY to ₹ 665 crore. EBITDA is expected to grow 23% YoY to ₹ 63 crore, mainly due to an expected 70 bps increase in EBITDA margin to 9.5%. Higher interest and depreciation expenses are expected to restrict PAT growth to 15% YoY to ₹ 32.4 crore
BlueDart	An intense competitive scenario in the B2C segment and a gradual revenue pick-up on expanded assets (greater pin code reach) are expected to keep revenue growth moderate with 9% YoY increase in revenues to ₹ 799 crore. EBITDA margins may contract 60 bps YoY to 5.5% due to costs associated with continued network expansion. Absolute EBITDA may de-grow marginally by 1% YoY to ₹ 44 crore. Subsequently, PAT is expected to de-grow 2% YoY to ₹ 21.6 crore, mainly due to a subdued operational performance
Gujarat Pipavav Port	As per Gujarat Maritime Board, volume growth for Gujarat Pipavav Port has remained flattish for April-May 2019. Container volumes are expected to grow 1% YoY to 198900 TEUs. Bulk volumes are also expected to remain flattish with 2% growth. Higher competition from ports in the vicinity and higher transhipment volumes are expected to keep growth in realisation rangebound. Overall revenues are expected to grow 1% YoY. EBITDA margins are expected at 55.5% (limited scope of margin expansion due to no change in product mix), leading to 8% EBITDA growth. Subsequently, PAT is expected to grow 13% YoY to ₹ 53 crore
Gati	Consolidated revenues are expected to grow 5% YoY to ₹ 476 crore, mainly led by 10% YoY growth in standalone revenues (driven by strong growth in e-commerce revenue) and steady performance of the express distribution and supply chain division. Operating margins are expected to improve 70 bps YoY to 5.5%, Resultant EBITDA is expected to grow 20% YoY to ₹ 26.2 crore. PAT is expected to grow 54% YoY to ₹ 7.8 crore
TCI Express	Revenues are expected to grow mere 7% YoY to ₹ 265 crore, mainly due to impact of high base (22% growth in Q1FY19) and a slowdown in auto sector (transports spare parts to auto companies). EBITDA margins are expected to remain steady at 11.5%. Subsequently, EBITDA and PAT are expected to grow 13% and 18% YoY, respectively

Source: Company, ICICI Direct Research

Media

Better box office collections in relatively weak quarter

Avengers: Endgame, Bharat and Kabir Singh were saviours in the relatively weak quarter as box office collections were in mid to higher single digits on a YoY basis. We expect footfalls of Inox to grow 9.9% YoY (decline of ~7% on a same screen basis), to be largely aided by strong screen additions on weak content while we expect ATP to decline 1% YoY. World cup cricket is expected to impact ad revenue growth. We bake in 15% YoY in ad revenues. We expect EBITDA margins of Inox to decline 190 bps on account of incremental rental expenses as well as employee expenses (annual increments). PVR (consolidated) is expected to report 18.4% YoY growth in footfalls while ATP is expected to decline 7.2% YoY to ₹ 201. Box office collections are expected to grow 19.6% while F&B income is expected to grow 15.3% YoY. We expect some dent in ad revenues, on account of Cricket World Cup. Hence, consolidated ad revenues are expected to grow 25% YoY, (mid teen growth on a like-to-like basis).

CWC impacts GEC ad revenue; elections to benefit TV Today

Advertisement revenue of GEC channels is expected to be impacted by Cricket World Cup (CWC) (ad inventory shifted to sports channels). Subscription revenue growth will be mixed across broadcasters wherein Zee is expected to post strong numbers while numbers for Sun TV will be relatively muted. News channels are expected to report strong numbers on election related tailwinds. Zee Entertainment is expected to report 23.5% YoY domestic subscription growth while overall subscription is expected to grow 20% YoY. Domestic advertisement is expected to be muted at 5% YoY growth. We expect Zee to report flattish EBITDA margins at 30.7%. Sequentially, margins are expected to improve on major film releases. Sun TV is expected to report 5% YoY growth in ad revenues (19.8% YoY) while subscription revenues are expected to grow 10% YoY. We build in 4% YoY growth in topline while EBITDA will be flattish YoY. TV Today is expected to report 16% YoY revenue growth in TV broadcasting while digital revenues are expected to grow 16% YoY. TV Today is expected to report 12.5% YoY EBITDA growth while EBITDA margin is expected to be at 34%.

Radio players to report muted numbers

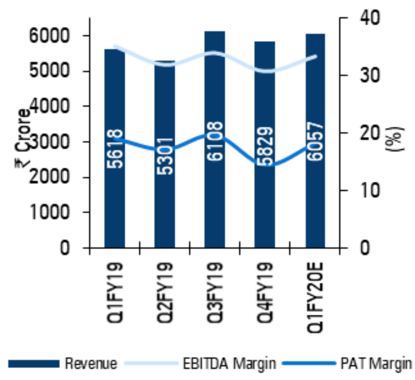
Revenues of radio players are expected to be muted on subdued advertising from key categories including political ads. We expect ENIL to post topline growth of 9.7%, largely driven by the non-radio business. We expect an EBITDA margin decline of 200 bps on a YoY basis, a reflection of higher contribution of low margin non-radio business. Music Broadcast (MBL) is expected to report muted revenue growth of 1.0% while the company is expected to report EBITDA margin decline of 140 bps YoY of 33.0%. We expect the company to post PAT of ₹ 14.4 crore for the quarter.

Exhibit 3: Estimates for Q1FY20E: (Media) (₹ Crore)

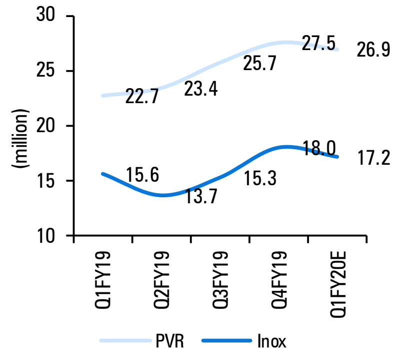
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
DB Corp	618.2	-2.2	5.0	154.3	-8.2	48.1	85.7	-12.2	57.4
ENIL	133.4	9.7	-24.1	28.4	0.2	-34.1	10.2	9.7	-47.1
Inox Leisure	493.7	19.0	3.1	89.8	7.6	-7.0	41.1	11.2	-14.4
Jagran Prakashan	601.5	-0.2	1.5	160.7	-1.8	16.4	77.7	-9.0	17.0
Music Broadcast Ltd	76.5	1.1	-6.5	25.3	-3.1	-21.0	14.4	6.8	-21.4
PVR	850.9	22.2	1.6	154.3	12.4	-4.1	39.9	-23.5	-14.0
Sun TV	1,136.9	1.5	27.9	741.0	0.9	21.8	417.5	2.0	47.5
TV Today	210.4	15.7	27.0	71.5	12.5	129.8	48.4	18.0	139.3
Zee Ent.	1,935.4	9.2	-4.2	594.2	5.0	2.9	383.3	13.0	25.2
Total	**6,057.0**	**7.8**	**3.9**	**2,019.4**	**2.5**	**12.7**	**1,103.9**	**3.1**	**30.8**

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



Multiplex Footfalls trends



Top Picks

Inox Leisure

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Subdued revenue growth for print players

Weakness across key categories such as auto, education as well as subdued political advertising are expected to impact revenues of print players. While newsprint prices have softened, high cost inventory is expected to restrict meaningful gains. Jagran Prakashan is expected to post print ad revenue growth of 2% YoY while circulation revenues are expected to be flat YoY. Margins are expected to decline 40 bps YoY to 26.7%. DB Corp's print ad revenues are expected to decline 4% YoY while circulation revenues are expected to decline 2.5% YoY. Margins are expected to decline 160 bps YoY to 25%.

Exhibit 4: Company Specific view - Media

Company	Remarks
DB Corp	The quarter is expected to be sluggish on account of muted advertising from key sectors such as political ad, auto and education. Print ad revenues for the quarter are expected to decline 4% YoY to ₹ 394.6 crore while circulation revenues are expected to decline 2.5% YoY to ₹ 131.2 crore. We bake in 10% YoY growth in radio advertisement for the quarter. We estimate 160 bps YoY EBITDA margin decline despite newsprint price correction largely on account of mix being skewed towards high cost newsprint inventory. **Key monitorable**: commentary on print ad growth expectations
Jagran Prakashan	Jagran Prakashan's print advertisement performance for the quarter is expected to be muted on subdued political advertisement, which could not offset the loss of government advertising (code of conduct) in the quarter. Print ad revenue is expected to grow 2% YoY to ₹ 368.2 crore. Circulation revenues continued to be weak and are expected to be flattish YoY at ₹ 109.8 crore. The radio business is expected to post 6.5% YoY growth to ₹ 80.6 crore. We build in 40 bps YoY decline in EBITDA margin despite newsprint moderation as the high cost inventory will restrict margin benefit. **Key monitorable**: commentary on print ad growth expectations
ENIL	Revenue growth for the company is expected to be driven by non-radio business while we expect radio advertisement growth to be muted on lower political advertisement during the quarter. We expect ENIL to post topline growth of 9.7% YoY to ₹ 138.4 crore, largely driven by non-radio business. We expect EBITDA margin decline of 200 bps YoY to 21.3%, a reflection of higher contribution of low margin non-radio business. **Key monitorable**: advertisement revenue outlook
Music Broadcast	Radio advertisement during the quarter is expected to sluggish, impacted by weak advertisement environment across categories including political advertisement. MBL is expected to report marginal revenue growth of 1.0% YoY to ₹ 76.5 crore. On account of negative operating leverage, EBITDA is expected to decline 3% YoY to ₹ 25.3 crore while the company is expected to report EBITDA margin decline of 140 bps YoY of 33.0%. We expect the company to post PAT of ₹ 14.4 crore for the quarter. **Key monitorable**: progress on MIB approval of Big FM acquisition

Source: Company, ICICI Direct Research

Exhibit 5: Company Specific views – Media

Company	Remarks
Inox Leisure	We expect footfalls for Inox to grow 9.9% YoY to 17.2 million (mn), largely aided by screen additions (decline of 6-7% on organic basis). ATP is expected to decline 1% YoY to ₹ 197. We expect net box office collections to grow 16.3% YoY. We estimate 8.4% YoY improvement in SPH to ₹ 82.4 while F&B revenue are expected to grow 20.6% YoY to ₹ 134.3 crore. The Cricket World Cup is expected to dent ad revenues, which is expected to grow lower at 15% YoY to ₹ 46 crore. Overall revenues are expected to grow 19% YoY to ₹ 493.7 crore. EBITDA margins are expected to decline 190 bps YoY, impacted by incremental rental expenses and employee expenses (annual increments). *We do not incorporate Ind-AS accounting impact on lease rentals on lack of clarity*. **Key Monitorable**: commentary on growth plans
PVR	Strong performance from *Avengers*, *Bharat* and *Kabir Singh* were saviours in a relatively muted quarter for the film industry. We expect PVR (consolidated) to report 18.4% YoY growth in footfalls to 26.9 mn while ATP is expected to decline 7.2% YoY to ₹ 201. Box office collections are expected to grow 19.6% YoY to ₹ 460.2 crore. F&B income is expected to grow 15.3% YoY to ₹ 233.8 crore. We expect ad revenues to grow 25% YoY to ₹ 89.7 crore (mid teen growth on like to like basis). We expect PVR to report 160 bps YoY decline in EBITDA margins to 18.1%. *We do not incorporate Ind-AS accounting impact on lease rentals on lack of clarity*. **Key Monitorable**: commentary on print ad growth expectations
Sun TV	Sun TV's performance for the quarter is expected to be impacted by after-effects of NTO related issues as well as dent on ad revenues due to Cricket World Cup. We expect Sun TV to report 5% YoY growth in advertisement revenues to ₹ 380.5 crore on a large base (19.8% YoY advertisement growth in base quarter). Subscription revenues are expected to grow 10% YoY to ₹ 343.1 crore. We also build in meaningful revenues from IPL and movie business. We build in 40 bps YoY EBITDA margin decline to 65.6% for the quarter. **Key Monitorable**: ad growth outlook, OTT strategy
TV Today Network	We expect TV broadcasting as well as digital revenues for the quarter to be benefited from election related tailwinds. The company is expected to report TV broadcasting revenues growth of 16% YoY to ₹ 184.6 crore. We expect radio business to be flattish YoY to ~₹ 5.8 crore while digital revenues are expected to grow 16% YoY to ₹ 20 crore. We expect the company to report 12.5% YoY EBITDA growth to ₹ 71.5 crore while we estimate EBITDA margin of 34% for the quarter. **Key Monitorable**: TV broadcasting revenue outlook for FY20
Zee Ent.	Subscription growth for the quarter is expected to be strong on low base as well as benign impact of NTO implementation. However, advertisement growth will be impacted by the Cricket World cup. We expect Zee Entertainment to report 23.5% YoY domestic subscription growth to ₹ 525.1 crore. Overall subscription is expected to grow 20% YoY to ₹ 622.3 crore. Domestic advertisement is expected to be muted at 5% YoY growth to ₹ 1141.5 crore. We expect flattish EBITDA margins at 30.7%, given the incremental EBITDA being spent for OTT ramp up. **Key Monitorable**: promoter stake sale deal closure

Source: Company, ICICI Direct Research

Metals and Mining

EBITDA/tonne of steel majors to decline QoQ

Domestic steel consumption grew ~6.5% YoY in the first couple of months of the current fiscal year (April-May 2019). During the aforesaid period, both imports and exports saw a declining trend. During April-May 2019, exports were down 29.8% at 0.72 million tonnes (MT) while imports of finished steel in April-May 2019 were at 1.1 MT, down 8% YoY. Sequentially, when compared with Q4FY19 average, steel prices domestically witnessed a muted trend in Q1FY20 wherein domestic HRC prices declined ~1% QoQ and long product prices witnessed a decline of ~5% QoQ. On the raw material front, international iron ore prices witnessed a steep rally globally, which kept domestic iron ore prices firm in Q1FY20. On the other hand, coking coal prices remained flattish QoQ. Hence, for Q1FY20 we expect domestic operations of Tata Steel to report an EBITDA/tonne of ₹ 11750/tonne (vs. adjusted EBITDA/tonne of ₹ 13619/tonne in Q4FY19). JSW Steel may clock an EBITDA/tonne of ₹ 8250/tonne (vs. ₹ 10119/tonne in Q4FY19). Going forward, the outcome of US-China trade negotiations holds the key in determining the future trajectory of the global metal sector.

Non-ferrous prices remain muted…

During Q1FY20, most non-ferrous prices were lower both QoQ, YoY (except zinc). During the quarter, the average price of zinc was US$2759/tonne, down 11.3% YoY but up 1.9% QoQ. Average price of copper was US$6111/tonne, down 11.2% YoY, 1.8% QoQ. Average aluminium prices were at US$1794/tonne, down 20.8% YoY, 3.7% QoQ while average lead prices were at US$1883/tonne, down 21% YoY, 7.4% QoQ.

Muted base metal prices to impact aggregate operating margin

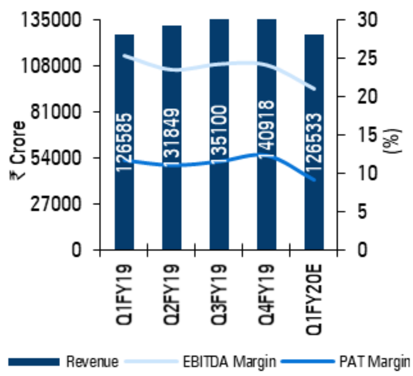
We expect the aggregate topline of coverage companies to be flattish YoY but decline 10.2% QoQ. On the back of weakness in non-ferrous prices, the aggregate EBITDA margin is expected to decline 310 bps QoQ and 430 bps YoY to 21.0%. The EBITDA/tonne of domestic miners like Coal India is likely to come in at ₹ 395/tonne with NMDC expected to report the same at ₹ 2009/tonne. We expect Novelis (Hindalco's subsidiary) to clock an EBITDA/tonne of US$400/tonne.

Exhibit 6: Estimates for Q1FY20E: (Metals) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Coal India	25,587.2	5.5	-10.4	6,051.6	NA	-26.3	4,395.2	NA	-27.1
Graphite India	1,286.0	-27.6	-24.0	439.0	-66.2	-49.2	310.7	-63.8	-44.7
HEG	1,104.8	-30.4	-18.0	368.0	-69.0	-53.3	258.9	-66.4	-50.6
Hindalco	10,573.1	-0.9	-11.4	1,307.6	-29.9	-3.7	413.5	-43.7	-18.3
Hindustan Zinc	4,714.8	-11.2	-14.1	2,237.7	-17.5	-19.8	1,657.3	-13.6	-17.6
JSW Steel	19,983.7	-2.6	-10.7	3,687.9	-27.8	-16.9	1,029.4	-56.0	-31.1
NMDC	3,250.6	34.2	-10.8	1,822.8	28.0	-12.9	1,220.1	25.1	-16.1
Vedanta Ltd	22,135.0	-0.3	-5.7	5,341.0	-15.0	-12.9	1,229.0	-19.8	-53.0
Tata Steel	37,897.7	0.2	-10.7	5,373.0	-16.9	-26.5	1,096.8	-43.3	-50.8
Total	**126,532.9**	**0.0**	**-10.2**	**26,628.6**	**-17.0**	**-21.7**	**11,610.9**	**-21.8**	**-33.4**

Source: Company, ICICI Direct Research, Hindalco results are Hindalco Standalone + Utkal

Topline & Profitability (Coverage Universe)



Movement of base metal prices on LME

US$/t	Q1FY20	Q1FY19	YoY %	Q4FY19	QoQ %
Zinc	2,759	3,111	(11.3)	2,707	1.9
Lead	1,883	2,384	(21.0)	2,034	(7.4)
Alum.	1,794	2,264	(20.8)	1,862	(3.7)
Copper	6,111	6,881	(11.2)	6,221	(1.8)

Source: Bloomberg, ICICI Direct Research,

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Exhibit 7: Company Specific view – Metals and Mining

Company	
Coal India	For Q1FY20, Coal India reported coal offtake of 153.3 million tonne (MT), flattish YoY, down 6.2% QoQ. We expect the topline to increase 5.5% YoY to ₹ 25587.2 crore. The EBITDA margin is likely to come in at 23.7% (against 23.6% in Q1FY19, 28.8% in Q4FY19). We expect the company to clock an EBITDA/tonne of ₹ 395/tonne (compared to ₹ 374/tonne in Q1FY19)
Graphite India	For Q1FY20, we expect blended realisations to decline QoQ on the back of the fall in graphite electrodes prices for both UHP grade electrodes as well as HP grade electrodes. For Q1FY20, we expect Graphite India to report consolidated capacity utilisation of ~78% (85% in Q1FY19 and 80% in Q4FY19). Topline is expected to come in at ₹ 1286 crore, down 30.7% QoQ, 24.0% YoY. We expect the higher price needle coke to increase raw material costs. Thus, EBITDA is likely to come in at ₹ 439 crore, implying an EBITDA margin of 34.1% (vs. 51% in Q1FY19, 58.4% in Q4FY19). We expect the company to report a PAT of ₹ 310.7 crore
HEG	For Q1FY20, we expect blended realisations to decline QoQ on the back of the fall in graphite electrodes prices for both UHP grade electrodes as well as HP grade electrodes. For Q1FY20, we expect Graphite India to report consolidated capacity utilisation of ~80% (82% in Q1FY19 and 80% in Q4FY19). Topline is expected to come in at ₹ 1160.8 crore, down 18.0% QoQ, 30.4% YoY. We expect the higher price needle coke to increase raw material costs. Thus, EBITDA is likely to come in at ₹ 368 crore, implying an EBITDA margin of 33.3% (vs. 74.8% in Q1FY19 and 58.5% in Q4FY19). We expect the company to report a PAT of ₹ 259 crore
Hindustan Zinc	We expect Hindustan Zinc to report a muted Q1FY20 performance on the back of subdued base metal prices. LME zinc prices during the quarter were down 11.3% YoY while lead prices were down 21% YoY. We expect zinc sales of ~165000 tonne (down 3% YoY), lead sales of ~50000 tonne (up 19% YoY) and silver sales of ~154000 kg (up 9.5% YoY). The topline is likely to decline 11.2% YoY, 14.1% QoQ to ₹ 4714.8 crore while EBITDA is likely to decline 17.5% YoY, 19.8% QoQ to ₹ 2237.7 crore. We expect the EBITDA margin to come in at 47.5% (vs. 51.1% in Q1FY19 and 50.8% in Q4FY19)
Hindalco	For Q1FY20, we expect the decline in aluminium prices to weigh on the overall performance of the company both QoQ and YoY. We expect domestic operations to report aluminium sales of ~325000 tonne. Copper sales are likely to come in at 100000 tonne. We expect the topline to decline 11.4% QoQ to ₹10573.1 crore. The EBITDA (Hindalco standalone + Utkal) is likely to decline 3.7% QoQ to ₹ 1307.6 crore. Novelis for Q4FY19 is expected to report FRP shipments of ~800 KT and clock EBITDA/tonne of US$400/tonne
JSW Steel	For Q1FY20, EBITDA/tonne is likely to moderate sequentially due to a decline in steel prices on a QoQ basis. We expect standalone operations to report an EBITDA/tonne of ₹ 8250/tonne (vs. ₹ 10119/tonne in Q4FY19 and ₹ 12590/tonne in Q1FY19). The sales volume of the domestic operations is likely to come in at 4.0 million tonne (MT). We expect the consolidated topline to decline 2.6% YoY, 10.7% QoQ to ₹ 19983.7 crore. The consolidated EBITDA is likely to decline 16.9% QoQ to ₹ 3687.9 crore. The consolidated EBITDA margin is likely to come in at 18.5% (vs. 24.9% in Q1FY19 and 19.8% in Q4FY19)
NMDC	We expect NMDC to report sales volume of 9.1 MT for Q1FY20, down 11.0% QoQ. The topline is expected to come in at ₹ 3251 crore, down 10.8% QoQ. EBITDA is expected to come in at ₹ 1823 crore, down 12.9% QoQ. Subsequent EBITDA/tonne is expected to come in at ~₹ 2009/tonne
Vedanta	The decline in prices of major base metals is likely to weigh on Vedanta's Q1FY20 performance. We expect topline to decline 5.7% QoQ to ₹ 22135 crore while EBITDA is expected to decline 12.9% QoQ to ₹ 5341 crore. The ensuing PAT is expected to decline 50.8% QoQ to ₹ 1229 crore
Tata Steel	For Q1FY20, EBITDA/tonne is likely to moderate sequentially due to a decline in steel prices QoQ. We expect standalone operations to report an EBITDA/tonne of ₹ 11750/tonne (vs. adjusted EBITDA/tonne of ₹ 13619/tonne in Q4FY19 and ₹ 17077/tonne in Q1FY19). Indian operations (standalone) are expected to report steel sale of 3.2 million tonne (MT) while European operation steel sales are likely to come in at 2.5 MT. Additionally, Bhushan Steel is expected to report a sales volume of 1.25 MT). We expect European operations to report EBITDA/tonne of US$40/tonne. On a consolidated basis, the topline is expected to decline 10.7% QoQ to ₹ 37897.7 crore. EBITDA is expected to decline 26.5% QoQ, 16.9% YoY to ₹ 5373 crore. Consolidated EBITDA margins are likely to come in at 14.0% (vs. 17.2% in Q4FY19 and 17.1% in Q1FY19)

Source: Company, ICICI Direct Research

Hindustan Zinc Sales volume trend

Sales	unit	Q1FY20	Q1FY19	Q4FY19
Zinc	Tonne	164937	170000	177000
Lead	Tonne	49982	42000	52000
Silver	Kg	154386	141000	199000

Source: Company, ICICI Direct Research,

JSW Steel : Sales Volume ; EBITDA/tonne….

	Q1FY20	Q1FY19	YoY	Q4FY19	QoQ
Sales Vol.	4.0	3.8	5%	4.3	-7%
EBITDA/t	8250	12590	-34%	10119	-18%

Source: Company, ICICI Direct Research, Sales volume in MT, EBITDA/tonne in ₹/tonne.

Tata Steel : Sales Volume ; EBITDA/tonne….

	Q1FY20	Q1FY19	YoY	Q4FY19	QoQ
Sales Vol.					
India	3.2	3.0	7%	3.6	-11%
Europe	2.5	2.5	0%	2.6	-4%
Bhushan	1.25	NA	NA	1.14	10%
EBITDA/t					
India	11750	17077	-31%	13619	-14%
Europe	40	102	-61%	67	-40%
Bhushan	7500	NA	NA	6911	9%

*Source: Company, ICICI Direct Research, Sales volume in MT, Indian and Bhushan EBITDA/tonne in ₹/tonne, *- Europe EBITDA/tonne in US$ /tonne..*

Oil & Gas

City gas distribution continues strong growth within gas utilities

City gas distribution (CGD) companies are expected to continue to report good volume growth YoY due to sustainable conversion to CNG vehicles and rising concerns with respect to current pollution issues. The CGD company's margins per unit are also expected to improve QoQ due to a decline in spot LNG prices and price hikes. Gas utilities sector volumes are expected to be driven mainly by LNG imports, which witnessed strong growth over the past few years.

Average crude oil prices increase QoQ

Crude oil prices closed on an optimistic note last quarter following Opec+ decision to maintain strict compliance to lower oil production by 1.2 million barrels per day along with oil production disruption from Venezuela. However, continued trade tensions between US-China and refinery shutdowns led to a decline in petroleum products and oil demand that led to some decline in closing Brent crude oil prices for the quarter. As a result, Brent crude prices closed down marginally by US$3.1/bbl from US$67.5/bbl in Q4FY19 to US$ 64.4/bbl in Q1FY20. However, average Brent crude during the quarter was higher by US$5.4/bbl QoQ at US$68.5/bbl in Q1FY20. We do not expect upstream as well as downstream oil companies to bear any subsidy burden. Net realisations of upstream companies are expected see an improvement QoQ.

GRMs improve marginally QoQ but near multi-year lows

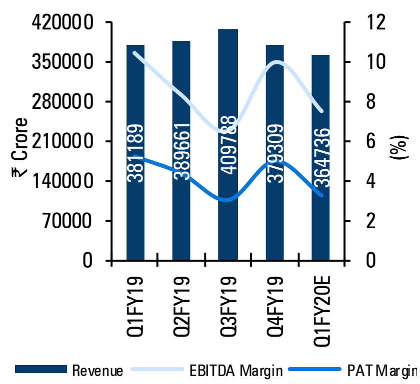
Benchmark Singapore GRMs continued to remain subdued during the quarter but improved marginally from multi-year lows from US$3.2/bbl in Q4FY19 to US$3.5/bbl in Q1FY20. Product spreads for petrol improved from recent troughs and increased by US$4.5/bbl QoQ to US$9.6/bbl. This provided some respite to Singapore GRMs. However, product spreads for heavy distillate petroleum products like fuel oil along with naphtha and LPG continued to decline QoQ. The spread for gas oil (diesel major product for Indian refiners) remained stable and increased marginally by US$0.2/bbl to US$12.9/bbl, thus providing some respite to core GRMs QoQ. However, marginal inventory losses would have some impact on reported GRMs during the quarter. Core marketing margins are expected to decline QoQ as companies had reported super-normal profits in Q4FY19.

Exhibit 8: Estimates for Q1FY20E: (Oil & Gas) (₹ Crore)

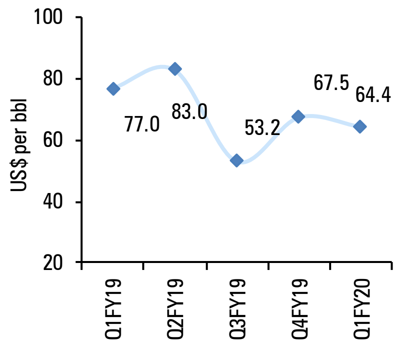
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Bharat Petroleum	79,859.8	-3.1	-4.9	1,887.1	-51.3	-60.7	924.9	-59.7	-70.4
Castrol India Ltd	1,104.0	8.5	13.1	313.6	24.6	10.8	206.1	25.5	11.4
Gail India	18,558.9	7.3	-1.1	2,124.8	-5.3	26.2	1,281.6	1.8	14.2
Gujarat Gas	2,473.0	40.1	29.6	345.0	38.8	35.8	161.8	33.3	38.9
GSPL	442.4	13.1	2.0	352.0	2.4	6.9	172.8	19.6	12.7
Gulf Oil	449.3	15.1	3.0	74.0	14.7	-0.3	48.5	20.9	2.0
HPCL	70,643.5	-3.5	-3.4	1,744.5	-45.3	-66.2	754.9	-56.1	-74.6
IOC	141,995.6	-5.2	-1.7	5,029.8	-60.0	-53.8	1,703.7	-75.1	-72.1
Indraprastha Gas Ltd	1,611.8	25.2	4.5	350.3	18.7	5.8	222.4	26.5	-1.4
Mahanagar Gas Ltd	835.5	23.6	5.3	246.2	16.7	15.1	152.3	18.7	14.1
MRPL	11,405.4	-31.2	-35.7	35.5	-95.6	-95.7	-148.0	PL	PL
ONGC	26,246.3	-3.6	-1.9	14,033.1	-4.7	13.4	5,921.5	-3.6	46.4
Petronet LNG	9,110.3	-0.6	8.7	1,002.6	7.3	59.8	634.6	8.1	44.2
Total	**364,736.0**	**-4.3**	**-4**	**27,538.5**	**-30.8**	**-27.2**	**12,037.2**	**-39.7**	**-36.6**

Source: Company, ICICI Direct Research

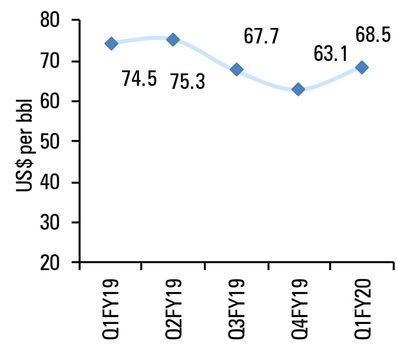
Topline & Profitability (Coverage Universe)



Closing Brent crude oil prices



Average Brent crude oil prices



Top Picks

Gujarat Gas

Analysts

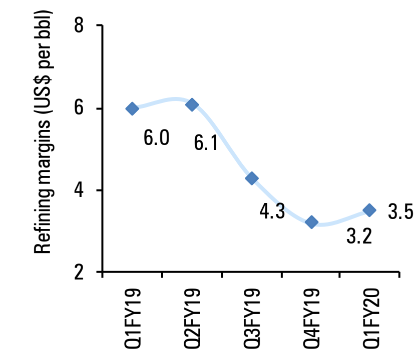
Mayur Matani
Mayur.matani@icicisecurities.com

Exhibit 9: Company Specific Views (Oil & Gas)

Company	Remarks
BPCL	Crude throughput is expected to remain stable at 8.1 MMT, a marginal decline of 1.3% QoQ. Marketing margins are expected to decline QoQ as companies had reported super-normal profits in Q4FY19. Core GRMs are expected to remain subdued near multi-year lows due to weak product spreads. However, on QoQ basis, GRMs are expected to increase to \$3.9/bbl vs. \$2.7/bbl in Q4FY19. PAT is expected to decline 70.4% QoQ to ₹ 924.9 crore as Q4FY19 results had huge inventory gains as well as marketing margins
Castrol India	We expect revenues to increase 8.5% YoY on account of higher realisations. Volume is expected to decline 0.8% YoY to 56.6 mn litre mainly due to lower volumes in automotive segment. Due to better pricing power, gross margins are expected to increase 13.8% YoY to ₹ 100/litre with EBITDA/litre at ₹ 55.4/litre (up 25.5% YoY). Subsequently, on the profitability front, we expect PAT to increase 25.5% YoY to ₹ 206.1 crore
Gail	Profitability is expected to remain flattish YoY at ₹ 1281.6 crore on account of mixed performance from different segments. We expect improved segment in the gas trading business segment where EBIT is expected to increase 23.8% YoY to ₹ 682.5 crore. Gas transmission volumes are expected to increase 3.5% YoY at 110.7 mmscmd with its EBIT at ₹ 809.3 crore, up ~15% YoY. On the LPG liquid hydrocarbon front, EBIT is expected flattish at ₹ 573.9 crore. EBIT of the petchem segment is expected to decline 94% YoY to ₹ 11.6 crore led by lower realisations
GSPL	GSPL's gas transmission volumes are expected at 32.7 mmscmd in Q1FY20 vs. 32.4 mmscmd QoQ due to marginal higher volumes from the industrial sector. Transmission tariffs at ₹ 1.5/scm, flattish QoQ and higher by 28.8% YoY. Lower other expenses by ~₹ 10 crore QoQ are expected to lead to an increase in PAT by 12.7% QoQ to ₹ 172.8 crore
Gujarat Gas	We expect revenues to increase 40.1% YoY largely on account of higher volumes. Volumes are expected to be show stellar growth of 30.4% YoY to 8.4 mmscmd mainly due to higher volumes from Morbi. We expect gross margins to increase marginally by ₹ 0.2/scm YoY at ₹ 7.3/scm as the company had passed on higher costs to customers and due to a decline in spot LNG prices. Subsequently, we expect profitability at ₹ 161.8 crore, up 33.3% YoY
Gulf Oil Lubricants	Revenues are expected to increase 15.1% YoY mainly on account of higher volumes as well as realisations. We expect volume growth to slow down to 10% YoY from ~19% core volume growth witnessed in FY19. Increase in realisation and better pricing power will lead to increase in EBITDA per litre to ₹ 24.5/litre vs. ₹ 23.5/litre in Q1FY19. Hence, PAT is expected to increase 20.9% YoY at ₹ 48.5 crore
Hindustan Petroleum	Crude throughput is expected at 3.9 MMT, a decline of 15.2% QoQ. Marketing margins are expected to decline QoQ as companies had reported super-normal profit in Q4FY19. Core GRMs are expected to remain subdued near multi-year lows due to weak product spreads. GRMs are expected at \$3.4/bbl vs. \$4.5/bbl in Q4FY19. PAT is expected to decline 74.6% QoQ to ₹ 754.9 crore as Q4FY19 results had huge inventory gains as well as marketing margins
Indian Oil	Crude throughput is expected at 17.3 MMT, flattish QoQ. Marketing margins are expected to decline QoQ as companies had reported super-normal profits in Q4FY19. Core GRMs are expected to remain subdued near multi-year lows due to weak product spreads. GRMs are expected at \$3.2/bbl vs. \$4.1/bbl in Q4FY19. PAT is expected to decline 72.1% QoQ to ₹ 1703.7 crore as Q4FY19 results had huge inventory gains as well as marketing margins
Indraprastha Gas	With encouraging CNG vehicle conversions and Delhi's pollution issues, IGL's volumes are expected to grow 14.5% YoY. Total volumes are expected at ~6.3 mmscmd (CNG: 4.6 mmscmd, PNG: 1.7 mmscmd). We expect gross margins to increase marginally QoQ as well as YoY at ₹ 11.5 per scm on account of a decline in spot LNG prices. EBITDA per scm is expected at ₹ 6.1 per scm with PAT up 26.5% YoY to ₹ 222.4 crore
Mahanagar Gas	We expect MGL's growth momentum to remain strong with volume growth of 7.1% YoY supported by robust conversion rate of CNG vehicles. Volumes are expected at 3.1 mmscmd (CNG: 2.3 mmscmd, PNG: 0.8 mmscmd). Gross margins are expected to increase QoQ as well as YoY to ₹ 13.8 per scm in Q1FY20 (₹ 13.2 per scm in Q4FY19) as the company has passed on higher expenses to customers and also due to a decline in spot LNG prices

Source: Company, ICICI Direct Research

Singapore gross refining margins (GRMs)



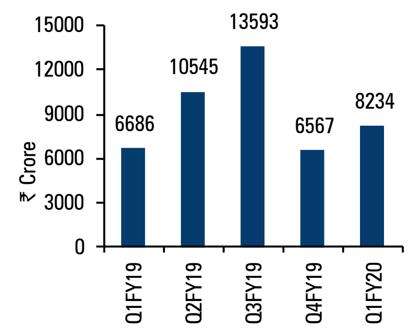
Source: Reuters

Singapore benchmark product spreads (\$/bbl)

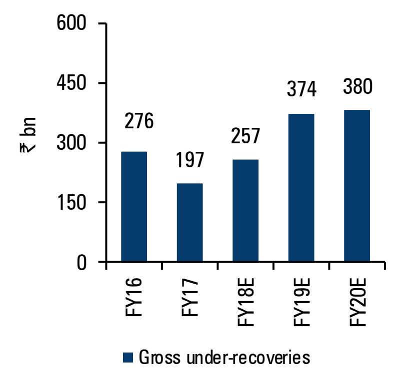
Product Spreads	Q1FY19	Q4FY19	Q1FY20
Gasoline	13.4	5.1	9.6
Naphtha	-1.6	-7.8	-8.5
Jet Kerosene	15.4	12.7	12.9
Gas Oil	13.2	11.4	11.6
Fuel Oil	-7.7	-1.7	-4.9
LPG	-23.8	-21.1	-24.9

Source: Reuters

Gross under-recoveries of petroleum products



Gross under-recoveries of petroleum products



Sharing of oil under-recoveries (₹ crore)

	Q1FY19	Q4FY19	Q1FY20
Upstream	0	0	0
Downstream	0	0	0
Government	6686	6567	8234
Total	**6686**	**6567**	**8234**

Exhibit 10: Company Specific Views (Oil & Gas)

MRPL	Reported GRMs are expected at $2.5/bbl vs. $5/bbl in Q4FY19. Core operational GRMs are expected at $3/bbl in Q1FY20 while inventory losses for the quarter are expected at $0.5/bbl vs. gains of $1.8/bbl in Q4FY19. Throughput in Q1FY20 is expected at 2.8 MMT vs. 4.3 MMT in Q4FY19 due to partial shutdown of refinery on account of water shortage. Subsequently, we expect loss of ₹ 148 crore in Q1FY20
ONGC	Oil & gas production is expected to witness a QoQ increase of 0.7% and 0.5%, respectively. On a YoY basis, gas production is expected to increase 6.4% while oil production is expected to decline 4.4%. Oil production is estimated at 5.9 MMT, with gas output expected at 6.6 MMT in Q1FY20. We expect realisations to increase 8.2% QoQ to $67/bbl due to increase in average crude oil prices. We do not expect any subsidy during the quarter. PAT is expected to increase 46.4% QoQ to ₹ 5791.4 crore on increase in realisations as well as lower depreciation & amortisation expenses
Petronet LNG	We expect the topline to remain flattish at ₹ 9110.3 crore as a marginal increase in volumes will be negated by lower realisations. Total volumes are expected to increase 1% YoY and 8.5% QoQ to 222.5 trillion British thermal units (tbtu) (~4.3 MMT). Blended margins are expected to increase 5.6% YoY to ₹ 52/mmbtu on account of a revision in gasification charges. On a QoQ basis, we may witness a sharp increase in blended margins and profits as Q4FY19 included inventory losses on spot LNG

Source: Company, ICICI Direct Research

Healthcare

US growth, consolidation to drive Q1 numbers

The I-direct healthcare universe is expected to register 19% YoY growth to ₹ 47045 crore mainly on the back of ~21% growth in the US (select pack) led by 1) growth in the base business due to waning price erosion and lower base, 2) opportunities created by high profile exits and 3) new launches (including limited competition launches) besides consolidation. Domestic formulations (select pack) and Europe are expected to grow ~12% and ~21%, respectively. APIs and CRAMs businesses are likely to grow strong mainly due to direct advantage of Chinese capacity constraints and strong order book. For Q1FY20, average YoY rupee depreciation vis-à-vis US$ was 3.9%. Growth in other emerging markets is likely to be driven by new launches. On the hospitals front, growth is likely to be driven by newly commissioned hospitals.

On the companies front, almost all companies are likely to report double digit growth. Among key outliers, Aurobindo (US injectable traction and acquisition), Biocon (biologics traction) and Divi's (API opportunities) are likely to register above 30% growth in revenues.

EBITDA to grow 29% YoY; margins likely to expand 170 bps

EBITDA of the I-direct healthcare universe is expected to grow 28.8% YoY to ₹ 10142 crore. EBITDA margins are likely improve 170 bps to 21.4% on the back of improved operational leverage, improvement in product mix and efficient cost control measures, thus mitigating higher raw material cost due to raw material supply constraints from China and higher promotional cost of innovative products.

Net profit to grow 19% due to strong operational performance

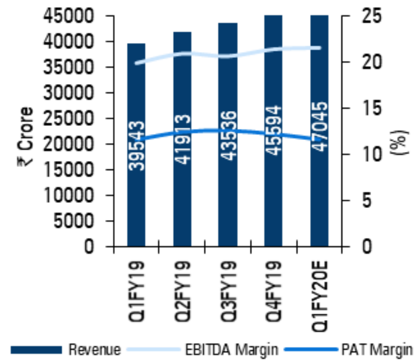
Net profit growth is expected to be grow 19.3% YoY to ₹ 5476 crore. Delta vis-à-vis EBITDA is likely to be on the back of lower other income.

Exhibit 11: Estimates for Q1FY20E: (Healthcare) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Ajanta Pharma	565.7	10.7	9.8	158.4	1	24.6	109.5	3.5	23.2
Alembic Pharma	980.0	13.6	5.7	186.2	23.3	4.6	119.3	32.0	-8.6
Aurobindo Phar	5,735.3	34.9	8.4	1,134.8	59.6	7.4	682.1	49.7	9.7
Biocon	1,573.3	40.0	2.9	415.6	74.7	3.1	203.0	69.5	-5.0
Cadila Healthca	3,557.6	22.9	-4.7	759.3	17.7	-5.1	391.8	-15.0	-14.8
Divi's Lab	1,318.4	32.5	4.9	484.5	37.7	17.9	350.2	31.6	21.0
Cipla	4,330.1	9.9	-1.7	909.3	25.2	-5.4	484.1	10.0	26.3
Dr. Reddys	4,359.1	16.7	8.2	1,019.7	32.6	24.5	640.1	34.4	40.6
Glenmark	2,386.1	10.2	-6.9	417.6	20.4	14.7	207.1	-11.1	28.1
IPCA Labs	1,013.3	18.7	21.5	228.0	100.0	30.5	154.0	135.1	40.7
Jubilant Life Sc	2,409.7	15.9	1.0	437.6	0.0	22.2	201.0	0.0	48.4
Lupin	4,864.3	26.2	10.4	1,070.1	103.1	22.5	439.8	116.9	52.5
Natco Pharma	608.2	12.9	33.5	263.5	21.1	77.7	195.4	7.6	61.7
Hikal Ltd.	368.4	13.2	-19.5	68.1	12.3	-18.9	18.5	15.9	-44.6
Sunpharma	8,161.6	13	-1.1	1,632.3	1.6	-22.3	891.5	-9.8	-47.6
Syngene Interna	523.7	29.0	-1.9	155.8	42.6	-2.4	97.6	47.8	-2.2
Torrent Pharma	2,055.0	9.8	10.7	524.0	9.9	10.8	205.7	26.2	-2.0
Apollo Hospitals	2,234.8	17.0	3.1	277.4	22.4	4.4	85.5	42.1	11.5
Total	**47,044.6**	**19.0**	**3.2**	**10,142.3**	**28.8**	**3.9**	**5,476.2**	**19.3**	**-1.8**

Source: Company, ICICI Direct Research

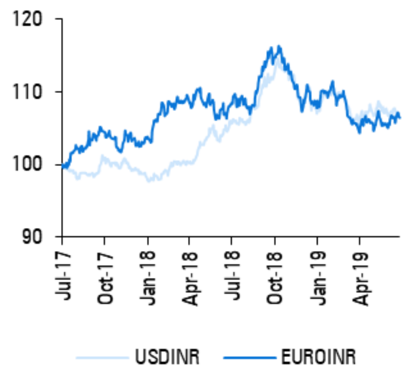
Topline & Profitability (Coverage Universe)



US approvals for Q1FY20 (Select pack)

Company	Final	Tentative
Ajanta Pharma	3	0
Alembic Pharma	6	0
Aurobindo Pharma	7	1
Cadila Healthcare	11	2
Cipla	1	0
Dr. Reddy's Labs	3	1
Glenmark Pharma	3	2
Jubilant Life	0	0
Lupin	9	0
Natco	1	0
Sun Pharma	7	2

Currency Movement



Source: Bloomberg

Top Picks

Divi's Lab
Biocon

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Exhibit 12: Company Specific view

Company	Remarks
Ajanta Pharma	Revenues are expected to grow ~11% YoY to ₹ 566 crore on the back of ~13% growth in domestic formulations and ~9% growth in export formulations. EBITDA margins are expected to decline 282 bps YoY to 28% mainly due to higher operating cost pertaining to commercialisation of new plants. Subsequently, PAT is expected to grow a mere 3.5% YoY to ~₹ 110 crore
Alembic Pharma	Revenues are expected to grow ~14% YoY to ₹ 980 crore on the back of 35% growth in US formulations to ₹ 317 crore and 13% growth in domestic branded formulations to ₹ 374 crore. EBITDA margins are expected to improve 150 bps to 19.0% on account of a better product mix. Net profit is expected to grow 32% YoY to ₹ 119 crore due to a better operational performance and lower tax rate (22% vs. 25.9% in Q1FY19)
Apollo Hospitals	Standalone sales are likely to grow ~17% YoY to ₹ 2235 crore mainly due to 15% growth in healthcare service business and 20% growth in pharmacy business. The pharmacy business is expected to be largely driven by addition of new pharmacies while the hospital segment is expected to be driven by strong growth in new hospitals. EBITDA margins are likely to improve 55 bps YoY to at 12.4% mainly due to improvement in new hospitals margins. Net profit is expected to increase 42% YoY to ~₹ 86 crore mainly due to better operational performance and lower tax rate (35% vs. 36.2% in Q1FY19
Aurobindo Pharma	Revenues are expected to grow ~35% YoY to ₹ 5735 crore mainly due to 42% growth in the US led by strong growth in injectable and consolidation of spectrum business. EBITDA margins are likely to improve 306 bps to ~19.8%. Net profit is expected to increase ~50% YoY ~₹ 649 crore mainly due to a strong operational performance
Biocon	Revenues are likely to grow 40% YoY ₹ 1573 crore on the back of strong growth in the biologics segment and Syngene. EBITDA margins are expected to improve 525 bps YoY to ~26% mainly due to an improvement in the product mix. Subsequently, net profit is expected to grow ~70% YoY to ₹ 203 crore
Cadila Healthcare	Revenues are expected to grow 23% YoY ₹ 3558 crore mainly due consolidation of Craft portfolio in wellness segment and strong growth in the US (albeit on a lower base). EBITDA margins are likely to decline 95 bps YoY to 21.3% mainly due to a change in the product mix. Subsequently, net profit is expected to decline ~15% YoY mainly due to higher financial cost and depreciation pertaining to Craft acquisition
Cipla	Revenues are expected to grow ~10% YoY to ₹ 4330 crore on the back strong growth in the US to be driven by gSensipar launch (at-risk) and 12% growth in the domestic formulations. On the other hand, softness can be seen in the African tender business, API and RoW revenues due to higher base. EBITDA margins are expected to improve 256 bps YoY to 21% mainly due to improvement in gross margins. Net profit is likely to grow 10% YoY to ~₹ 484 crore. Delta vis-à-vis EBITDA is expected mainly due to higher interest cost and depreciation
Divi's Lab	Revenues are expected to increase 32% YoY to ₹ 1318 crore due to 1) capacity addition and 2) advantage of supply constraints from China. EBITDA margins are expected to improve 140 bps to ~37% YoY due to change in product mix, higher realisation and operating leverage. Net profit is expected to increase ~32% YoY to ₹ 350 crore on the back of a strong operational performance
Dr Reddy's	Revenues are likely to grow ~17% YoY to ₹ 4359 crore mainly due to sale of branded products worth ~US$70 million. EBITDA margins are likely to improve 283 bps YoY to 23.4%. Net profit is expected to grow 34.4% YoY to ₹ 640 crore mainly due to sale of branded products
Glenmark Pharma	Revenues are expected to grow ~10% YoY to ₹ 2386 crore on the back of 10% growth in domestic formulations. US business is expected to grow 6%. EBITDA margins are likely to improve 148 bps to 17.5% mainly due to operational leverage. Net profit is expected to decline 11% YoY to ₹207 crore. Delta vis-à-vis EBITDA is mainly due to lower other income
Hikal	Revenues are expected to increase ~13% YoY to ₹ 368 crore mainly due to strong growth in generics segment. EBITDA margins are likely to remain in the range of 18-19%. Net profit is expected to grow ~16% YoY to ~₹ 18.5 crore mainly due to a better operational performance
Ipca Lab	Revenues are expected to grow ~19% YoY to ₹ 1013 crore mainly due to 35% growth in exports (on a lower base) and 12% growth in domestic formulations. EBITDA margins are likely to grow 915 bps YoY to 22.5% mainly due to operational leverage, reduction in remedial cost and improvement in product mix. Subsequently, net profit is expected to increase 135% YoY to ₹ 154 crore mainly due to a strong operational performance

Source: Company, ICICI Direct Research

Expected growth in Domestic formulations

(₹ cr)	Q1FY20E	Q1FY19	%	Q4FY19	%
Ajanta	188	172	9.2	144	30.8
Alembic	332	294	13.0	309	7.5
Biocon	140	147	-5.0	133	5.0
Cadila	919	893	3.0	902	1.9
Glenmar	730	663	10.0	668	9.3
Ipca	449	401	12.0	356	26.2
Lupin	1,335	1,192	12.0	1,053	26.9
Cipla	1,729	1,544	12.0	1,500	15.3
Dr Redd	656	607	8.0	651	0.8
Sun Pha	2,585	2,152	20.1	1,101	##
Torrent	880	830	6.0	754	16.7
Total	**9,943**	**8,896**	**11.8**	**7,570**	**31.4**

Expected growth in US formulations

(₹ cr)	Q1FY20E	Q1FY19	%	Q4FY19	%
Aurobinc	2,677	1,890	41.7	2,481	7.9
Cadila	1,533	1,230	24.7	1,795	-14.6
Cipla	985	670	47.0	1,143	-13.9
Glenmar	746	704	6.0	770	-3.1
Lupin	1,886	1,186	59.1	1,741	8.4
Dr Redd	1,487	1,590	-6.5	1,496	-0.6
Sun Pha	2,578	2,544	1.3	3,123	-17.5
Torrent	353	334	5.7	372	-5.1
Total	**12,245**	**10,147**	**20.7**	**12,921**	**-5.2**

Expected growth in Europe formulations

(₹ cr)	Q1FY20E	Q1FY19	%	Q4FY19	%
Aurobinc	1,516	1,199	26.4	1,312	15.6
Cadila	59	62	-5.0	54	9.7
Glenmar	264	220	20.0	318	-17.2
Dr Redd	222	202	10.0	191	16.0
Lupin	151	138	10.0	169	-10.2
Torrent	289	251	15.0	239	20.8
Total	**2,500**	**2,071**	**20.7**	**2,283**	**9.5**

Expected growth in LatAm formulations

(₹ cr)	Q1FY20E	Q1FY19	%	Q4FY19	%
Glenmar	102	98	5.0	120	-14.9
Torrent	179	169	6.0	205	-12.6
Total	**282**	**267**	**5.6**	**325**	**-13.5**

Expected growth in API segment

(₹ cr)	Q1FY20E	Q1FY19	%	Q4FY19	%
Aurobinc	860	748	15.0	917	-6.2
Alembic	207	180	15.0	230	-10.0
Cadila	115	110	5.0	96	19.8
Glenmar	227	210	8.0	249	-8.8
Divi's La	665	475	40.0	647	2.8
Ipca Lat	247	218	13.6	212	16.9
Lupin	376	358	5.0	291	29.1
Cipla	170	200	-15.0	174	-2.3
Dr Redd	568	541	5.0	677	-16.0
Natco	70	67	5.0	70	0.5
Sun Pha	437	417	5.0	484	-9.6
Total	**3,944**	**3,523**	**11.9**	**4,046**	**-2.5**

Exhibit 13: Company Specific views

Company	Remarks
Jubilant Life Science	Revenues are expected to grow ~16% YoY to ₹2410 crore to be driven by 25% growth in pharma business. On the other hand, muted growth is expected in LSI segment. EBITDA margins are expected to decline 289 bps to ~18% mainly due to one-off expenses in speciality pharma segment and lower margins in LSI segment. Net profit is expected to remain flat at ~₹ 200 crore
Lupin	Revenues are expected to grow 26.2% YoY to ₹ 4864 crore on the back of 59% growth in the US led by gRanexa launch under exclusivity and lower base. EBITDA margins are likely to expand 833 bps to 22% mainly due to exclusivity. Net profit is expected to increase ~117% YoY to ₹ 439 crore mainly due to a strong operational performance
Natco Pharma	Revenues are expected increase ~13% YoY to ₹ 608 crore mainly due to market share gained by the partner (Mylan) in gCopaxone. EBITDA margins are likely to improve 293 bps to 43.3% due to better product mix. Subsequently, net profit is expected to increase 8% YoY to ₹ 195 crore. Delta vis-à-vis EBITDA growth is due to lower other income
Sun Pharma	Revenues are likely to increase 13% YoY to ₹ 8162 crore mainly due to inventory adjustment of Q4FY19 and consolidation of Pola Pharma. Taro's sales are expected to grow ~20% YoY to ₹ 1247 crore. EBITDA margins are expected to decline to 224 bps YoY to ~20% mainly due to incremental cost of innovative products launched in the US. Subsequently, net profit is expected to decline 10% due to ₹ 892 crore
Syngene	Revenues are likely to grow 29% YoY to ₹ 524 crore on the back of strong performances in both discovery services and development services. EBITDA margins are expected to be ~30%. Net profit is expected to grow ~48% to ₹ 98 crore due to a strong operational performance
Torrent Pharma	Revenues are expected to grow ~10% YoY to ₹ 2055 crore on the back of 12% growth in domestic formulations. US business is expected to grow 6%. EBITDA margins are expected to remain at 25.5%. Net profit is expected to increase 26.2% YoY to ₹ 206 crore. Delta vis-à-vis EBITDA is due to lower tax rate (22% vs. 29.7% in Q1FY19)

Source: Company, ICICI Direct Research

Real Estate

Commercial real estate demand expected to remain strong

Gross leasing of commercial space in India was clocked at 47.4 msf (5.3% YoY growth) in CY18. The pace of leasing has further continued to remain strong in FY19, with 10% rise in gross leasing in Q2CY19 to 13.2 msf in top cities in India. Amid strong demand for Grade-A office space, vacancy levels that had fallen ~810 bps from ~23.1% in 2012 to ~15.0% in 2017, are expected to further decline to 12.0% in CY19E. Higher absorption rates, coupled with declining vacancy rates could drive up rental rates for Grade-A office spaces, going ahead. Phoenix Mills & Brigade Enterprises could be key beneficiaries of this trend.

Affordable & mid-segment housing to lead residential recovery

Sales volumes in the top seven cities rose for a fifth consecutively quarter and grew 57.7% YoY to 78,520 units in Q1CY19. While we anticipate steady recovery in the residential market, the ongoing stress in the NBFC sector could trouble the real estate sector for some time. However, this stress could lead to a shakeout of stressed & incompetent developers, which should result in leading players with healthy balance sheets benefiting significantly in the long run. Nonetheless, in the current scenario of liquidity crunch, we expect strong players with strong cash flows to be least affected. Also, it is interesting to note that developers have aligned their project launches more towards affordable & mid income category (up to ₹ 80 lakh average ticket size). This has led to an improvement in sales momentum, with the category contributing more than 75% of total new launches across top seven cities. Going ahead, we expect affordable and mid-segment housing to lead the residential recovery theme.

Sales volumes to continue to remain strong…

Our real estate universe is expected to report strong sales volume growth of 23.3% YoY to 25.4 lakh sq ft (lsf) in Q1FY20E as Sunteck and Brigade Enterprises are expected to clock 152.9% and 68.6% YoY sales volumes growth, respectively, to 2.2 lsf and 7.2 lsf. Sobha reported good sales volume growth of 10.8% YoY to 10.6 lsf in Q1FY20. Furthermore, we expect Oberoi's sales volume growth to remain flattish at 1.45 lsf QoQ, while Mahindra Lifespace could report stable 11.7% YoY sales volume growth to 3.4 lsf in Q1FY20E.

Real estate revenues growth expected to remain flattish….

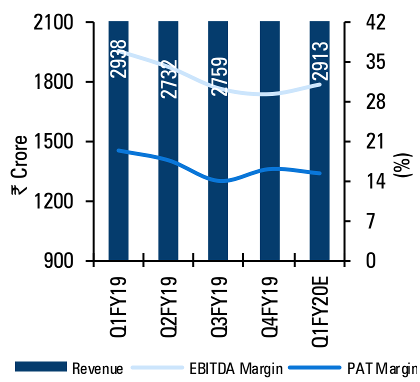
Our real estate universe revenue growth is expected to remain flattish YoY at ₹ 2,913.4 crore. Also, EBITDA margins are expected contract 600 bps to 31.0%. Overall, we expect our universe PAT to de-grow 21.3% YoY to ₹ 448.6 crore.

Exhibit 14: Estimates for Q1FY20E: (Real Estate) (₹ crore)

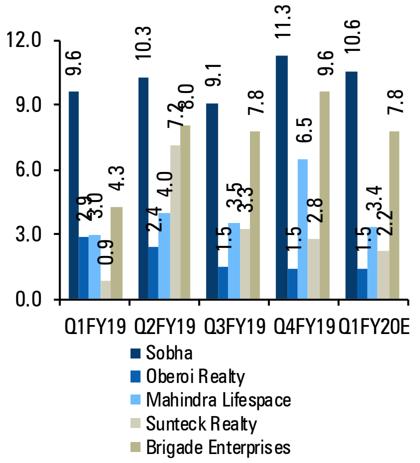
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Oberoi Realty	572.6	-35.2	0.0	211.9	-53.7	1.0	164.9	-46.0	5.9
Mahindra Lifespace	133.0	0.0	-16.9	12.6	-3.8	703.5	15.4	1.1	162.1
Sobha Dev.	776.4	29.9	-44.5	152.1	16.5	-37.5	53.0	0.8	-53.2
Sunteck Realty	158.5	-24.9	-41.2	58.0	-48.0	-34.7	62.1	-16.1	-2.4
Brigade Enterprises	756.9	8.3	-0.4	213.5	18.9	-0.9	64.7	2.6	8.5
The Phoenix Mills	516.0	24.9	-28.7	254.4	30.2	-32.6	88.4	48.0	-61.3
Total	**2,913.4**	**-0.8**	**-25.0**	**902.5**	**-17.0**	**-20.6**	**448.6**	**-21.3**	**-28.4**

Source: Company, ICICI Direct Research

Topline & Profitability (Real Estate Universe)



Sales volumes



Top Picks

Phoenix Mills, Brigade Enterprises

Research Analysts

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Exhibit 15: Company Specific Views (Real Estate)

Oberoi Realty	We anticipate Oberoi's sales volumes growth will remain flattish YoY at 1.45 lakh sq ft in Q1FY20E. On the financial front, we expect the topline to de-grow 42.9% YoY to ₹ 439.4 crore due to higher base on account of first time revenue recognition in Sky City project and higher revenue recognition in Esquire project in Q1FY19. Furthermore, EBITDA margins are expected to decline 14.7 percentage points YoY to 37.0% on account of higher sales expected from low-margin Borivali projects, front-loading of the entire Borivali land cost in the first phase of project launches and lower expected sales of high-margin Goregaon projects. Overall, we expect bottomline to de-grow 46.0% YoY to ₹ 164.9 crore
The Phoenix Mills	Phoenix Mills is expected to clock retail revenue growth of 8.2% YoY to ₹ 314.4 crore on account of good performance expected at its key mall assets, while commercial segment revenues are expected to grow strongly by 62.7% YoY to ₹ 24.2 crore. Overall, we expect the topline to grow 24.9% YoY to ₹ 516.0 crore in Q1FY20E. EBITDA margin is expected to expand 200 bps YoY to 49.3% in Q1FY20E. Consequently, the bottomline is expected to grow strongly by 48.0% YoY to ₹ 88.4 crore in Q1FY20E
Brigade Enterprises	We anticipate Brigade will post sales volumes growth of 81.3% YoY to 0.78 msf in Q1FY20E, supported by strong launches in Q3FY19 and Q4FY19E like Brigade Utopia. Overall, we expect the company to clock revenue growth by 8.3% YoY to ₹ 756.9 crore, while EBITDA margins are expected to expand 250 bps YoY to 28.2% in Q4FY19E. Overall, we expect PAT to grow 2.6% to ₹ 64.7 crore in Q1FY20E on account of higher interest expenses
Sobha Ltd	Sobha achieved sales volume growth of 10.8% to 1.06 million sq ft (msf) in Q1FY20. It launched two projects with total saleable area of 0.61 msf in Q1FY20 - Sobha Nesara, a super luxury apartment project in Pune with saleable area of 0.51 msf and Sobha Verdure, an exclusively designed row houses project in Coimbatore, with saleable area of 0.10 msf. It achieved total pre-sales worth ₹ 660.6 crore at an average realisation of ₹ 7,312/sq ft in Q1FY20. On the financial front, we expect the topline to grow 29.9% YoY to ₹ 776.4 crore while EBITDA margin is expected to contract 230 bps YoY to 19.6% in Q1FY20E. Overall, we expect flattish bottomline growth at ₹ 53.0 crore on account of higher interest expenses
Mahindra Lifespace	We expect MLD's sales volumes to grow 11.8 % YoY to 3.35 lakh sq ft in Q1FY20E, on the back of good set of launches in FY19. On the financial front, we expect flattish topline growth YoY at ₹ 133.0 crore. Secondly, EBITDA margins are expected to contact 40 bps YoY to 9.5%. Overall, we expect the bottomline to remain flattish YoY at ₹ 15.4 crore
Sunteck Realty	Sunteck's sales volume is expected to grow strongly by 152.9% YoY to 2.2 lakh sq ft in Q1FY20E on account of activation schemes at several projects and healthy sales momentum at its Goregaon and Naigaon projects. On the financial front, we expect topline to de-grow 24.9% YoY to ₹ 158.5 crore while bottomline is expected to de-grow 16.1% YoY to ₹ 62.1 crore

Source: Company, ICICI Direct Research

Exhibit 16: Key News in Q1FY20 (Real Estate)

Company/Sector	News
Real Estate sector	The GST Council has approved a transition plan on the new tax structure implementation for the residentail real estate sector, applicable from April 1, 2019. As per this, the under construction projects will have an option to shift to new GST rate regime (1% GST for affordable housing and 5% GST for other types of housing projects) without input tax credit (ITC) benefits. It also held that 80% procurement of materials should be from registered dealers
	As per the latest Knight Frank report, residential housing launches grew at a robust 76% YoY to 1,82,207 units in CY 2018 vis-à-vis decline in unsold inventory by 11% YoY to 4,68,372 units. Furthermore, housing unit sales grew 6% YoY to 2,42,328 units in CY 2018. This was the first time that sales have increased YoY in any year during this decade. The highest sales growth was witnessed in Bengaluru market at 27% YoY.
Mahindra Lifespace Developers	Mahindra Lifespace Developers Ltd (MLDL) has executed an agreement to acquire approximately seven acres of land in Pune. The company plans to develop a mid-segment residential project with development potential of approximately 0.7 million square feet. The project falls within Pimpri Chinchwad Municipal Corporation jurisdiction
Brigade Enterprises	Brigade Enterprises plans to invest ₹ 4,000 crore to develop commercial properties in South India by 2020. On this front, it has chalked out plans to launch incremental 8.2 million sq ft (msf) of office and retail space over the next three years. The company has already established an indicative investment platform of ₹ 1,500 crore with GIC. The platform has concluded two land deals in Bengaluru and one in Chennai.

Source: Company, ICICI Direct Research

Retail

Advancement of end of season sales to aid revenue growth

Various fashion retailers (except Trent), advanced their end of season sale (EOSS) in June, with some players offering as much as 50% discount on various categories. For Q1FY20, we expect our coverage universe to report revenue growth of 13% YoY, with outperformers being Trent and Titan. Trent is one of the few companies that does not prepone its stock clearance sale (Westside EOSS generally starts in July). Over the years, Westside has proven to be a successful fashion retailer, delivering steady same store sales growth (SSSG) coupled with healthy store additions. We expect the trend to sustain in Q1FY20 as well.

Titan, Trent to continue aggressive store expansion; spike in gold prices to impact growth for Titan, to an extent

We expect Shoppers Stop to report moderate topline growth (SSSG: 3%) on account of soft store addition pace in Q1FY20 (added one departmental store). While the management had guided on opening six to seven stores in FY20 (three in Q1FY20), we expect store addition pace to pick up from Q2 onwards. We expect ABFRL to report revenue growth of 8% YoY, driven by 6% revenue growth in the Pantaloons division and 7% growth in lifestyle brands. We anticipate ABFRL will add ~ 5 Pantaloons stores taking the total store count to 313. For Trent, we believe aggressive store expansion pace for Westside and traction in its latest value fashion business, 'Zudio', are key triggers for healthy topline growth of 18% YoY in Q1FY20E. Titan added highest number of Tanishq stores in a single year (net addition 34 stores) taking the total store count to 287 in FY19. The company is likely to add 65-70 Tanishq stores in FY20. Gold prices in the quarter touched an all-time high (~₹ 35000/10 gram). Elevated gold prices generally hinder consumer demand for jewellery, as they defer their purchases. Given the challenging scenario, we expect Titan's jewellery division to report revenue growth of 16% in Q1FY20, albeit on a low base (revenues in Q1FY19 grew only 6%). Q1 generally tends to be a strong quarter for Bata mainly on account of strong demand in the school shoes segment. Furthermore, Bata's latest casual wear collection is expected to provide additional growth impetus this quarter (we expect 10.1% revenue growth in Q1FY20).

Limited scope for EBITDA margin expansion….

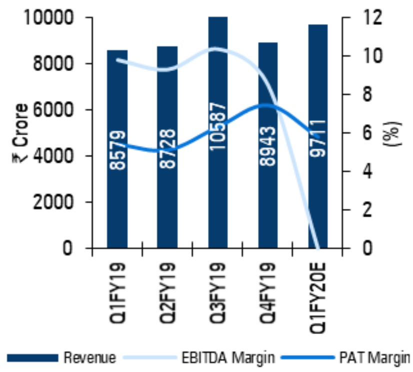
Except for Bata, we expect limited scope of EBITDA margin expansion for our coverage universe owing to moderate revenue growth. We expect EBITDA margins of our retail coverage universe to improve marginally by 40 bps YoY. We expect EBITDA margins of Titan, Trent and ABFRL to improve marginally by 20 bps, 18 bps and 55 bps, respectively. For Bata, we expect sustained improvement in product portfolio (premiumisation) and positive operating leverage to enable healthy EBITDA margin expansion of 116 bps YoY in Q1FY20E.

Exhibit 17: Estimates for Q1FY20E: (Retail) (₹ Crore)

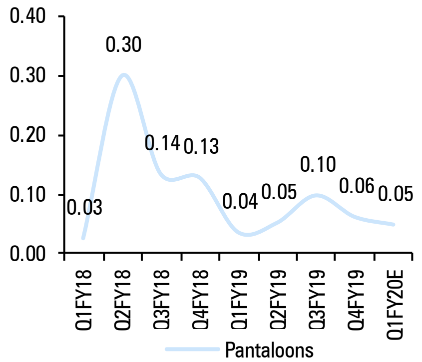
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Aditya Birla Fas	2,060.7	7.7	7.6	133.9	17.7	7.6	19.3	245.4	-90.5
Bata India	878.1	10.1	29.3	155.4	17.9	64.4	99.1	20.0	12.2
Shopper Stop	860.7	4.1	8.8	43.0	3.8	-27.2	10.0	2.9	-12.2
Titan Company	5,214.2	17.1	6.7	572.2	18.5	27.6	390.0	18.7	12.0
Trent Ltd	696.9	18.0	4.2	85.0	19.8	151.9	45.5	18.7	185.6
Total	**9,710.7**	**13.2**	**9**	**989.6**	**17.7**	**30.2**	**564.1**	**21.3**	**-15.4**

Source: Company, ICICI Direct Research

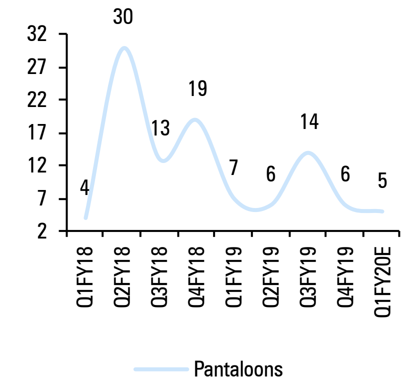
Topline & Profitability (Coverage Universe)



Space addition- million sq. ft. (QoQ)



Store addition –(QoQ) Pantaloons (ABFRL)



Top Picks

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Trent

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Exhibit 18: Company Specific Views (Retail)

Company	Remarks
Bata India	Q1 is a critical quarter for Bata, since majority of revenues are derived from it, driven by strong demand from school shoes. Furthermore, Bata's latest collection in casual wear is expected to provide an additional growth impetus this quarter. We expect Bata to register healthy revenue growth of 10.1% YoY to ₹ 878.1 crore. Higher proportion of premiumised products (we built in 70 bps GM expansion) and with positive operating leverage kicking in, we expect EBITDA margins to improve significantly by 116 bps YoY to 17.7%. Consequently we expect PAT to increase 20.0% YoY to ₹ 99.1 crore
Shoppers Stop	We expect revenue growth to remain soft owing to moderate like to like sales growth (LTL) and delay in store addition in Q1FY20 (added just one departmental store). We model in 3% LTL growth for Q1FY20. We anticipate revenues will increase 4.1% YoY to ₹ 860.7 crore. We expect EBITDA margins to remain constant at 5.0% YoY, with absolute EBITDA increasing 4% YoY to ₹ 43.0 crore. Subsequently, we expect PAT to increase 3% YoY to ₹ 10.0 crore
Titan Company	Gold prices witnessed a sharp appreciation in the quarter with international prices surging to a six year high. Domestic gold prices have been on an upward trend, reaching an all-time high of ~₹ 35000/10 gram (up ~10% QoQ). Spike in gold prices generally hampers the consumer demand for jewellery, as they defer their purchases. For Q1FY20, we expect Titan's jewellery division to report 16% YoY growth, albeit on a low base of Q1FY19 (Tanishq had reported 6% revenue growth). Furthermore, the management in the previous commentary had highlighted that the company witnessed strong Akshay Tritiya sales and achieved ~19% revenue growth in first 40 days of Q1FY20. We expect watches division to report 10% revenue growth in Q1FY20. Overall revenues are expected to increase 17% YoY to ₹ 5214 crore. We anticipate EBITDA margins will improve marginally by 20 bps YoY to 11.0%. Subsequently, PAT is expected to increase 18.7% YoY to ₹ 390.0 crore
Trent Ltd	The management has accelerated pace of store addition by opening ~ 25 Westside stores and 33 Zudio stores in FY19 (had added 18 in FY18). Driven by healthy store addition and mid-single digit LTL growth, we expect Trent to report healthy revenue growth of 18% YoY to ₹ 696.9 crore in Q1FY20. On account of absorption of fixed cost on new store additions, we expect limited scope of margin expansion in Q1FY20. Hence, we expect EBITDA margins to improve marginally by 20 bps YoY to 12.2%. We expect PAT to increase 18.7% YoY to ₹ 45.5 crore
ABFRL	We anticipate ABFRL will register revenue growth of 8% YoY to ₹ 2060.7 crore, driven by 6% revenue growth in 'Pantaloons' division and 7% revenue growth of 'lifestyle brands'. We expect healthy revenue trajectory for 'other' segment to sustain (60% YoY to ₹ 113.6 crore) driven by rapid scale up in innerwear business Pantaloons added 33 stores in FY19 (~0.3 mn sq. ft.). We expect the division to add ~5 stores in Q1FY20, taking total store count to 313 stores. EBITDA margins are expected to improve 60 bps YoY to 6.5%, with absolute EBITDA increasing 18% YoY to ₹ 133.9 crore

Source: Company, ICICI Direct Research

Telecom

Incumbent telcos complete fundraising

Q1FY20 provided a much needed breather to Indian incumbents telcos as both Vodafone Idea and Bharti Airtel completed equity capital raising of ~₹ 25,000 crore each, through a rights issue. We note that while this capital support is expected to provide much needed cushion for their near term capex needs, industry repair remains a key trigger for sustainable improvement of long term prospects. Another noticeable trend was intent of some pricing improvement, especially from Bharti Airtel, which raised the ARPU for some of its post-paid packs.

Residual impact of minimum recharge to drive ARPU growth

We expect the residual impact of minimum recharge to impact net sub add (subscriber churn) as well as boost ARPU. We believe the impact of the same would continue during the quarter. Accordingly, we bake in ~5 million churn for Vodafone Idea, while we expect meagre 1.1 mn net sub add for Airtel. We expect ARPU for Vodafone Idea to improve 5% QoQ to ₹ 109, while for India wireless Airtel ARPU is expected to improve 1.5% QoQ to ₹ 125. For Vodafone Idea, we expect flattish revenues at ₹ 11,763 crore while we build in 1.7% sequential revenue growth at ₹ 10,810 crore for Airtel. Bharti Africa is likely to witness revenue growth of 2.1% QoQ to ₹ 5628 crore, resulting in 2% QoQ growth for consolidated revenues at ₹ 21,100 crore.

EBITDA trend mixed, bottomline to remain in the red

We have not incorporated Ind-AS 116, which could optically increase EBITDA but also lead to higher interest and depreciation cost. For Airtel, given certain one-offs in Q4FY19, we expect ~100 bps sequential decline in India EBITDA margins at 28%. Africa margins are expected to be robust at 39.2%. Consequent consolidated margins are seen at 31.7%, down 50 bps QoQ with expected loss at the bottomline level at ~₹ 1009 crore. Vodafone Idea's synergy led benefits will lead to 100 bps sequential improvement in margins to 16.2%. At the bottomline level, the company is expected to post a net loss of ₹ 4540 crore.

Healthy show for Sterlite, Tata Com; Infratel to be muted

Sterlite Tech is expected to witness another robust quarter wherein reported topline is expected to grow 63% YoY (~50% ex-Metallurgica) to ₹ 1429 crore and strong bottomline growth of 25% YoY at ₹ 151 crore. Tata Communication's (TCom) performance is expected to be largely led by healthy growth of the data segment but partly offset by persistent weakness in the voice business. Overall revenue is expected to grow 8.8% YoY largely led by 17% YoY growth in data segment, with overall margins expected at 16.2% (up 130 bps YoY), aided by superior data margins (likely to expand 90 bps YoY at 18.6%). Bharti Infratel (Infratel) is expected to witness a muted performance given continued tenancy exits (albeit at lower intensity) resulting in 2.1% QoQ fall in rental revenues. The weakness in topline is expected to result in 140 bps QoQ decline in overall margins at 40%.

Exhibit 19: Estimates for Q1FY20E: (Telecom) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
Bharti Airtel	21,039.7	4.8	2.1	6,677.0	-0.7	0.8	-1,009.3	PL	PL
Bharti Infratel	3,598.3	-3.6	-1.2	1,423.7	-6.3	-4.5	579.9	-9.1	-4.6
Vodafone Idea	11,763.2	NA	NA	1,906.0	NA	NA	-3,785.9	PL	NA
Sterlite Technologies	1,428.5	62.9	-20.2	278.6	13.7	-11.6	151.2	25.3	-9.8
Tata Comm	4,292.0	8.8	1.1	697.9	18.9	1.8	31.3	LP	LP
Total*	**30,358.5**	**6.0**	**0.3**	**9,077.1**	**0.0**	**-0.4**	**-246.9**	**PL**	**PL**

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

Topline & Profitability (Coverage Universe)

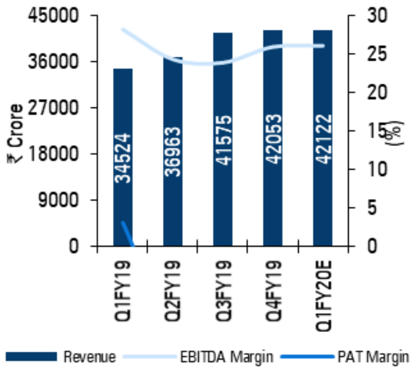

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Exhibit 20: Company Specific view - Telecom

Company	Remarks
Bharti Airtel	Bharti's Indian wireless business is expected to witness a muted net sub add of 1.1 mn given the weakness in wireless broadband sub addition. Reported ARPU is likely to witness optical growth of ~1.5% QoQ to ₹ 125, aided by residual impact of exits of low/no revenues customer. Indian wireless revenues are expected to grow 1.7% QoQ to ₹ 10,810 crore. Africa is likely to witness revenue growth of 2.1% QoQ to ₹ 5628 crore. Consolidated revenues are expected to be up 2% QoQ at ₹ 21,100 crore. Given certain one-offs in Q4FY19, we expect ~100 bps sequential decline in India EBITDA margins at 28%. Africa margins are expected to be robust at 39.2%. Consequent consolidated margins are seen at 31.7%, down 50 bps QoQ. Expected loss at bottomline level is ~₹ 1009 crore. **Key monitorable**: commentary on competitive intensity
Bharti Infratel	For Bharti Infratel, we bake in net tenancy exit of ~1750, largely from Vodafone Idea. We expect 2.1% QoQ fall in rental revenues at ₹ 2065 crore. Energy revenues would be flattish QoQ at ₹ 1493 crore. Overall margins are expected at 40% (down 140 bps QoQ) owing to lower energy margins (baking in 6% margins vs. 11% reported last quarter). **Key monitorable**: future outlook and growth plans
Vodafone Idea	We expect some residual impact of minimum recharge led churn. We bake in ~5 million customer exit on a QoQ basis. However, boosted by minimum recharge and data sub addition, reported ARPU is expected to grow ~5% QoQ to ₹ 109, resulting in flattish revenue QoQ at ₹ 11,763 crore. Furthermore, with some synergy led benefits, we expect Vodafone Idea to report EBITDA margin of 16.2% (up 100 bps QoQ). The company is expected to post a net loss of ₹ 3786 crore. **Key monitorable**: wireless broadband sub addition and integration progress
Sterlite Tech	Sterlite Tech is likely to continue its healthy traction in topline aided by robust product and services segment performance. The reported topline growth is expected to be 63% YoY to ₹ 1429 crore, with like-to-like growth of ~50% (ex-Metallurgica). Consolidated EBITDA is expected to witness growth of ~14% YoY to ₹ 279 crore while EBITDA margins for the quarter are expected to decline 840 bps YoY to 19.5%, given the increased proportion of services revenues, which have lower margins as well as some price moderation in product segment. PAT is expected to grow ~25% YoY to ₹ 151 crore. **Key monitorable**: management commentary on pricing of OF/OFC
Tata Comm	Tata Communications' Q1FY20 performance will largely by driven by healthy growth of the data segment, albeit partly offset by persistent weakness in the voice business. Overall revenue is expected to grow 8.8% YoY at ₹ 4292 crore. Revenue for the voice business is expected to decline ~14% YoY to ₹ 882 crore. The data business, however, is expected to post ~17% YoY growth in topline at ₹ 3410 crore. Revenue growth continues to be driven by stronger traction in growth services (expected to be up 30+% YoY) while traditional data segment is likely to witness ~9% YoY growth, with stabilisation of operator consolidation. Overall margins are expected at 16.2% (up 130 bps YoY) aided by superior data margins (likely to expand by 90 bps YoY at 18.6%). **Key monitorable**: commentary on TTSL acquisition; update on land demerger

Source: Company, ICICI Direct Research

Others

Exhibit 21: Estimates for Q1FY20E: (Others)									(₹ Crore)
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ	Q1FY20E	YoY	QoQ
DRECOR	153.8	10.0	-26.1	36.1	10.8	14.0	7.4	160.0	-93.3
HIMCHE	609.9	0.9	4.5	132.7	-2.3	7.6	74.0	-3.5	2.5
Mah. Seamless	786.3	29.4	-18.5	164.9	14.8	-29.8	110.5	10.1	LP
Navneet Publica	771.7	15.2	214.3	231.5	17.3	720.7	147.0	16.4	899.2
Rallis India	621.5	8.4	83.0	87.1	4.8	1,180.9	55.6	1.8	3,871.4
Ratnamani Met	625.1	2.6	-9.0	92.2	1.9	-7.0	57.9	0.4	-8.4
Solar Industries	690.5	12.3	2.6	145.0	13.1	1.9	81.5	11.7	8.3
TTK Prestige	450.1	7.4	1.2	62.1	12.0	-3.2	40.8	13.6	-7.0
TeamLease Ser	1,232.3	20.7	5.9	28.1	39.3	9.2	28.8	32.0	10.7
United Spirits	2,174.8	8.1	-3.3	293.6	52.7	3.5	143.2	76.2	13.5
United Brewerie	1,998.4	7.1	22.6	289.6	-27.7	69.1	144.0	-35.1	111.9
VST Tillers & Tr	127.6	-12.4	-28.6	12.8	-30.8	13.3	11.6	-19.4	-6.5
Wonderla Holida	118.3	13.9	95.3	64.0	11.4	259.9	37.1	12.4	436.3
Total	**10,565.0**	**9.8**	**9.8**	**1,671.3**	**5.0**	**31.8**	**958.1**	**3.8**	**54.9**

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)

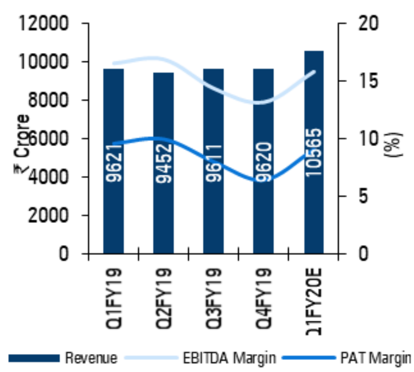

Exhibit 22: Company views

Company	Remarks
Cox & Kings	Q4 is a seasonally weak quarter for Cox and Kings vs Q1 & Q2. The company's revenue is likely to decline by 14% YoY mainly due to sale of education business which reported revenue of ₹116 crore last year. On like to like basis, we expect revenue growth of 10% YoY that would mainly come from Meininger (up 12.0% YoY led by bed additions) and leisure India revenues (up 10.0% YoY). We expect 110bps YoY improvement in margins led by cost efficiencies that will add in profitability growth during the quarter
Dredging Corporation of India	Revenues for the quarter are expected to grow 10% YoY on the back of better fleet utilisation . EBITDA margin is expected to marginally improve by 20 bps YoY to 23.5%. EBITDA is expected to grow by 11% YoY to ₹ 36 crore. However, PAT is expected to increase from ₹ 2.85 crore in Q1FY19 to ₹ 7.4 crore in Q1FY20 on account of lower depreciation and interest expense.
Himadri Speciality Chemicals	Absence of commissioning of new projects amidst muted demand scenario of its key product profile (carbon black & coal tar pitch) will lead to largely flat performance for the company in Q1FY20E. Total carbon sales in Q1FY20E is expected at ~90,000 units, down 10% YoY. Consequent net sales for the quarter is expected at ₹ 610 crore, up 1% YoY. EBITDA in Q1FY20E is expected at ₹ 133 crore with corresponding EBITDA margins at 21.8%. Ensuing PAT is expected at ₹ 74 crore, down 3.5% YoY
Maharashtra Seamless	We expect Maharashtra Seamless to report steady performance for Q1FY20. Total pipes sales are likely to come in at ~100000 tonne. Sales of seamless pipes are expected to come in at ~82500 tonne (up 27% YoY), while ERW pipes volume is likely to be ~17500 tonne (up 9% YoY). We expect topline to increase by 29.5% YoY to ₹786.3 crore, while EBITDA is likely to increase by 14.8% YoY to ₹164.9 crore. The company is expected to report an EBITDA margin of 21.0% (vs. Q1FY19: 23.7% and Q4FY19: 24.4%)
McLeod Russel	McLeod Russel is expected to witness sales de-growth of 12.9% due to sale of 12 tea estates in the recent months. The company sells low quality / left over tea in Q4 as it is off-season for tea industry. We expect the company to post a loss of ₹110 crore against ₹ 142.1 crore in the corresponding quarter
Navneet Education	We expect Navneet to register healthy topline growth of 15.2% YoY to ₹ 771.7 crore, driven by 16% growth in the publication segment and 14% growth in the stationery division. For publication segment, syllabus change in Gujarat (across all standards) and low base (revenue from publication segment had declined 1.5% YoY in Q1FY19) are the key factors for strong revenue growth. Growth in stationery division is mainly on the back of strong demand from the exports market. EBITDA margins are expected to improve 50 bps YoY to 30.0% on account of positive operating leverage. We expect PAT to increase by 16.4% YoY to ₹ 147.0 crore.
Rallis India	We expect standalone business revenues to grow at 10.6% YoY to ₹ 389.6 crore. The growth could be lower due to slow monsoon progress in June along with high base in Q1FY19. The standalone revenues in Q1FY19 was driven by price growth. Further, Metahalix is expected to post 5% YoY revenue growth to ₹ 231.8 crore. EBITDA margins is expected to remain at 14% resulting into consolidated EBITDA to remain at ₹ 87.1 crore (+4.8% YoY). PAT is expected to stand at ₹ 55.6 crore against ₹ 54.6 crore in Q1FY19.

Source: Company, ICICI Direct Research

Exhibit 23: Company View

Company	Remarks
Ratnamani Metals & Tubes	We expect Ratnamani Metals to report a steady state performance for Q1FY20 wherein capacity utilisation levels of both segments are likely to track the orderbook execution. We expect the capacity utilisation of the stainless steel segment to come in at ~75% with that of the carbon steel segment at ~83%. Subsequently, the stainless steel segment is expected to report volumes of 5250 tonne and carbon steel segment of 72188 tonne. Ratnamani's topline is likely to increase 2.6% YoY to ₹ 625.1 crore while EBITDA is likely to increase 1.9% % YoY to ₹ 92.2 crore. We expect the EBITDA margin to remain flattish YoY at ~14.8% (14.9% in Q1FY19) while ensuing PAT is likely to come in at ₹ 57.9 crore
Swaraj Engines	Swaraj Engines is expected to report a subdued performance in Q1FY20E on the back of a slowdown in demand leading to lower tractor sales at its parent. Engine sales volume in Q1FY20E is expected at 24,335 down 9.0% YoY vs. tractor sales de-growth of 14.8% at its parent. On the whole, the engine volume growth is expected to outperform tractor growth at its parent company. Consequent net sales is expected at ₹ 204.6 crore, down 12.7% YoY. EBITDA margins are expected at 15.4%, down 20 bps YoY. EBITDA & PAT for the quarter is expected at ₹ 31.5 crore and ₹ 18.7 crore (down 19.0% YoY) respectively
TTK Prestige	We expect TTK Prestige to report moderate revenue growth of 7% YoY to ₹ 450.1 crore on account of a challenging demand environment in rural areas. Weak online sales due to change in FDI policy may also impact topline growth. Cookers and appliance segment are likely to grow 8% and 7%, respectively. We expect EBITDA margins to improve 60 bps YoY to 13.8%, which would lead to 12% YoY growth in EBITDA to ₹ 62.1 crore. We expect PAT to increase 13.6% YoY to ₹ 40.8 crore
TeamLease Financials	Revenues are expected to grow 5.9% sequentially to ₹ 1232 crore driven by 4.3% QoQ growth in general staffing, 22.1% QoQ growth in specialised staffing (supported by eCentric acquisition) and 23.1% QoQ growth in other HR services. Further, we expect EBITDA margins to improve ~10 bps QoQ to 2.3% mainly led by improvement in margin at other HR services (mainly due to reversal of ₹ 1-1.5 crore). PAT is expected to increase 10.6% QoQ to ₹ 28.8 crore on account of continuance of 80 JJAA tax benefits and improvement at operating level
United Spirits	Overall volumes are expected to grow 6% YoY to 19.3 million cases, on the back of 10% YoY growth in the Prestige and Above segment while popular segment volumes are expected to grow 2% YoY. We expect 8% growth in net revenues to ₹ 2174 crore. Increased inflation in the raw material (ENA) may lead to 110 bps reduction in gross margin to 48%. However, EBITDA is expected to grow 52% YoY owing to low base as Q1FY19 EBITDA was negatively impacted by higher employee expense (additional restructuring cost of ₹ 36 crore due to shutdown of four manufacturing plants). Subsequently, PAT is expected to grow 76% to ₹ 143 crore
United Breweries	Volumes are expected to grow 5% to 58 million cases while net revenues are expected to grow 7% YoY to ₹ 1998 crore. EBITDA margins are expected to decline 700 bps to 14.5% due to higher input cost (barley & glass) with absolute EBITDA likely to decline 28% YoY to ₹ 290 crore. Subsequently, PAT is expected to de-grow 35% YoY to ₹ 144 crore
VST Tillers & Tractors	We expect another muted performance amid de-growth in sales volume across segments. In Q1FY20E, power tillers sales volume is expected at 4,294 units (down 20% YoY) while tractor sales volume is expected at 1,831 units (down 5% YoY). Consequent sales is expected at ₹ 128 crore, down 12% YoY. EBITDA margins are expected to rebound to 10% (6.3% in Q4FY19) with consequent EBITDA at ₹ 13 crore. PAT in Q1FY20E is expected at ₹ 12 crore, down 20% YoY
Wonderla Holidays	We expect Wonderla to register revenue growth of ~14% YoY mainly led by stable footfall in Bengaluru & Kochi Park and a double digit growth in the Hyderabad park. All three parks are expected to register double digit revenue growth. We expect a slight moderation in margins by 120 bps to 54.1%, thereby leading to 11.4% growth in EBITDA. PAT for Q1FY20E is expected to grow 12% to ₹ 37 crore

Source: Company, ICICI Direct Research

ICICI Direct Research Coverage Universe

Sector / Company	CMP	TP	Rating	Mcap	EPS (Rs)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Apparels																			
Kewal Kiran Clothing Ltd	1,132	1,500	Buy	1,395	65.2	70.8	82.0	17.4	16.0	13.8	13.6	12.4	10.9	22.2	22.9	24.3	18.7	19.0	20.2
Vardhman Textiles Ltd	1,036	1,230	Hold	5,959	129.4	130.0	154.1	8.0	8.0	6.7	6.7	6.0	5.1	11.6	11.6	13.2	13.1	12.0	12.7
Page Industries	20,233	19,000	Hold	22,567	353.2	386.7	463.8	57.3	52.3	43.6	36.9	33.4	28.8	72.4	66.6	64.9	50.8	45.6	45.0
Rupa	230	265	Reduce	1,829	9.3	9.9	10.8	24.7	23.3	21.4	14.8	14.2	13.3	14.4	13.2	13.3	13.6	13.2	13.2
Auto																			
Amara Raja Batteries	637	590	Reduce	10,874	28.3	30.0	32.7	22.5	21.2	19.4	11.0	10.2	9.1	21.2	20.2	20.0	14.5	13.9	13.7
Apollo Tyres	188	180	Hold	10,746	11.9	15.3	17.9	15.8	12.3	10.5	7.5	7.3	6.4	8.2	8.0	8.9	8.3	8.2	9.0
Ashok Leyland	84	100	Hold	24,673	6.8	6.4	6.7	12.4	13.1	12.5	8.1	7.9	7.3	27.5	25.9	25.0	24.4	20.7	19.7
Bajaj Auto	2,765	2,800	Reduce	80,022	161.6	165.6	174.2	17.1	16.7	15.9	14.3	13.0	12.0	21.0	20.0	26.2	19.9	19.7	18.7
Mahindra CIE	223	275	Buy	8,432	13.2	15.1	17.4	16.9	14.7	12.8	8.9	7.6	6.5	13.2	13.9	14.9	12.4	11.8	12.0
Eicher Motors	19,000	19,000	Hold	51,847	808.1	912.5	1,041.3	23.5	20.8	18.2	16.6	14.3	11.9	32.5	29.6	28.6	24.8	22.8	21.5
Hero Motocorp	2,396	2,700	Hold	47,861	169.5	171.2	193.9	14.1	14.0	12.4	9.2	8.7	7.4	37.1	34.2	35.2	26.3	24.1	24.7
Tata Motors	155	185	Hold	48,430	-84.6	14.5	23.6	NM	10.7	6.5	4.0	3.2	2.8	5.6	10.2	12.1	7.1	13.5	16.4
Escorts	519	600	Hold	6,365							10.1	8.4	7.3	21.7	22.1	21.7	15.6	15.0	14.6
Balkrishna Industries	724	740	Hold	13,990	40.5	40.3	45.9	17.9	18.0	15.8	11.8	10.6	9.0	20.4	18.8	19.5	16.7	14.8	14.9
Bosch	15,920	15,550	Reduce	46,954	523.6	538.7	576.2	30.4	29.6	27.6	23.3	21.9	20.3	25.8	23.6	22.4	17.5	15.9	15.0
Exide Industries	201	200	Reduce	17,047	9.9	10.1	11.1	20.2	19.8	18.1	12.7	11.2	10.1	18.4	18.7	18.4	12.9	12.9	12.7
JK Tyre & Industries	77	100	Buy	1,885	7.8	8.2	12.9	9.8	9.4	5.9	6.3	6.2	5.1	10.9	10.7	12.5	10.3	9.8	13.2
Maruti Suzuki	6,000	5,815	Sell	181,260	248.3	256.3	290.7	24.2	23.4	20.6	15.8	14.4	12.4	16.3	15.9	16.5	16.3	15.2	15.6
Motherson Sumi	118	125	Hold	37,213	5.1	5.1	6.5	23.1	22.9	18.0	8.5	8.4	6.6	13.5	12.5	16.0	14.7	13.5	15.5
Wabco	6,152	6,510	Hold	11,670	148.8	168.7	186.0	41.3	36.5	33.1	26.6	22.8	20.4	23.0	22.6	21.5	15.9	15.4	14.7
Building Materials																			
Century Plyboard	163	170	Hold	3,621	7.1	8.6	9.4	22.8	18.9	17.3	3.8	3.3	2.9	18.0	18.7	18.2	16.6	17.4	16.7
Kajaria Ceramics	561	680	Buy	8,916	14.2	19.5	23.5	39.4	28.8	23.9	5.7	4.9	4.3	20.5	23.3	24.8	14.4	17.1	17.9
Somany Ceramics	429	475	Buy	1,816	10.9	17.0	21.7	39.2	25.2	19.8	3.0	2.7	2.4	9.7	11.3	12.7	7.6	10.7	12.3
Greenply Industries	166	175	Hold	2,032	8.4	9.1	13.7	19.8	18.2	12.1	2.0	1.8	1.6	8.2	10.8	14.0	10.0	9.9	13.1

Source: Company, ICICI Direct Research, Bloomberg

ICICI Direct Research Coverage Universe

Sector / Company	CMP	TP	Rating	Mcap	EPS (Rs)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Capital Goods																			
VA Tech Wabag	309	270	Hold	1,690	15.7	19.5	26.5	19.7	15.8	11.7	8.3	6.2	4.9	14.4	17.5	20.1	9.7	8.9	10.5
SKF Bearing	1,966	1,845	Hold	10,094	65.4	69.4	76.8	30.1	28.3	25.6	18.4	17.4	14.9	29.4	27.1	26.3	19.8	18.1	17.3
Timken India	690	830	Buy	5,193	19.8	24.1	27.7	34.9	28.6	24.9	16.2	13.9	11.6	15.7	17.0	17.3	11.1	12.0	12.3
NRB Bearing	153	185	Hold	1,479	11.2	10.1	12.2	13.7	15.1	12.5	10.1	9.3	7.9	21.0	20.0	21.3	19.5	18.3	19.3
Grindwell Norton	578	680	Buy	6,399	15.1	16.8	19.5	38.3	34.4	29.7	23.0	20.2	17.4	23.3	23.5	25.0	15.2	15.6	16.6
Thermax	1,021	1,170	Buy	12,162	23.1	29.3	34.2	44.2	34.8	29.8	28.3	25.1	21.0	17.3	17.1	18.0	11.1	11.5	12.2
KEC International	317	315	Hold	8,152	19.2	23.4	27.3	16.5	13.6	11.6	6.0	5.2	4.6	25.7	25.6	25.6	20.6	20.7	20.2
Kalpataru Power	496	550	Buy	7,604	26.1	31.5	37.0	18.9	15.7	13.4	10.1	8.6	7.3	18.3	19.0	19.9	12.6	13.0	13.4
Greaves Cotton	139	150	Hold	3,383	6.9	8.4	9.3	20.0	16.5	14.9	11.0	9.9	8.7	26.2	28.2	30.1	18.2	19.7	21.1
Larsen & Toubro	1,493	1,680	Buy	209,398	48.1	53.4	61.2	31.0	28.0	24.4	21.8	18.9	17.0	16.4	16.2	16.9	11.9	12.9	13.6
Bharat Heavy Electrical Limited	67	75	Hold	23,243	3.5	4.1	4.5	19.1	16.2	14.7	7.7	7.5	7.0	6.9	7.5	7.9	3.9	4.5	4.9
AIA Engineering	1,810	2,050	Buy	17,072	54.4	59.6	68.2	33.3	30.4	26.5	22.9	19.9	17.3	18.9	19.9	20.3	14.6	14.7	15.1
Bharat Electronics Ltd	102	135	Buy	24,853	7.9	7.8	8.4	12.9	13.0	12.2	9.3	8.8	7.8	30.0	27.6	27.4	21.4	19.1	18.6
Engineers India Ltd	108	120	Hold	6,815	5.9	6.6	7.8	18.4	16.2	13.8	12.2	10.1	7.4	21.3	23.3	24.2	16.3	18.0	20.1
Cochin Shipyard	377	455	Buy	4,964	16.5	20.9	27.9	22.9	18.0	13.5	36.4	29.1	22.8	20.7	22.7	26.0	15.4	16.6	18.3
Elgi Equipments	260	350	Buy	4,124	6.5	8.6	10.8	40.0	30.3	24.0	23.4	18.1	14.8	13.8	18.0	19.9	13.4	15.8	17.0
cement																			
India cements	97	115	Hold	3,004	2.3	3.6	4.8	43.1	27.3	20.2	11.0	9.7	8.9	4.5	5.2	5.8	1.3	2.1	2.7
Ambuja	206	245	Hold	40,805	7.5	7.6	8.2	27.4	27.2	25.2	23.2	19.3	17.3	11.4	14.5	16.6	7.7	7.0	7.3
Ultratech	4,396	5,300	Buy	120,736	89.5	116.3	159.6	49.1	37.8	27.5	22.8	17.0	13.9	9.7	12.6	15.0	8.8	10.4	12.6
Heidelberg cement	190	220	Hold	4,303	9.7	10.9	12.5	19.5	17.4	15.1	11.5	10.1	9.2	21.8	24.0	24.6	20.5	20.1	20.2
JK Lakshmi	330	485	Buy	3,882	6.8	17.1	21.9	48.8	19.3	15.1	13.8	9.7	8.2	9.7	15.1	16.8	5.2	11.8	13.2
Jk cement	989	1,150	Buy	7,643	42.0	56.1	63.7	23.6	17.6	15.5	11.0	9.9	8.6	12.5	13.0	13.4	11.2	13.4	13.6
Mangalam cement	239	215	Reduce	637	-3.7	13.1	16.6	NM	18.3	14.3	23.8	12.7	11.2	3.2	10.6	11.2	-2.0	6.5	7.7
Shree cement	20,990	22,040	Hold	73,124	273.3	520.9	615.0	76.8	40.3	34.1	29.5	21.2	18.4	11.5	18.3	19.2	11.5	16.3	16.5
ACC	1,521	1,800	Hold	28,556	80.9	62.6	81.4	18.8	24.3	18.7	17.0	15.3	12.2	14.7	16.6	19.5	14.9	11.2	13.6
Star Cement	115	120	Hold	4,809	7.1	7.9	8.9	16.1	14.4	12.9	10.7	9.7	8.5	18.9	18.0	18.1	17.3	16.6	16.0
The Ramco Cement	760	950	Buy	17,893	20.6	29.3	32.8	36.9	25.9	23.1	20.1	15.1	12.6	8.0	9.9	10.9	11.2	14.3	14.4
Sagar Cements	657	800	Buy	1,340	6.7	23.2	31.0	98.6	28.3	21.2	12.4	9.5	8.6	6.4	9.5	10.5	1.6	5.3	6.7
Construction																			
NBCC	54	77	Buy	9,693	2.1	2.3	3.3	25.8	23.3	16.1	18.8	18.8	10.4	21.8	21.3	25.2	16.0	15.1	17.9
NCC Limited	93	140	Buy	5,571	9.3	9.6	11.1	10.0	9.7	8.4	5.4	5.6	5.0	21.0	19.3	19.9	11.7	11.1	11.6
Simplex Infrastructure	111	130	Reduce	632	20.8	19.8	28.9	5.3	5.6	3.8	6.2	5.8	5.4	11.3	11.3	12.2	6.1	5.3	6.9

Source: Company, ICICI Direct Research, Bloomberg

ICICI Direct Research Coverage Universe

Sector / Company	CMP	TP	Rating	Mcap	EPS (Rs)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Consumer Discretionery																			
Havells India	755	800	Hold	47,211	12.7	15.7	19.9	59.5	48.1	37.8	36.9	29.8	23.5	25.3	30.0	32.0	18.7	21.7	23.1
Voltas Ltd	605	645	Hold	20,017	15.5	18.3	21.9	38.9	33.1	27.6	28.8	22.7	18.9	17.3	19.9	21.7	12.7	15.1	16.7
Asian Paints Ltd	1,336	1,525	Buy	128,101	23.1	28.3	31.9	57.9	47.1	41.8	36.0	29.0	25.2	30.0	33.2	32.3	23.2	25.6	24.5
Kansai Nerolac	417	455	Hold	22,476	8.7	9.7	11.3	48.1	43.1	36.9	29.5	25.7	22.0	20.2	21.8	22.9	13.6	14.6	15.4
Bajaj Electricals Ltd	508	470	Hold	5,202	16.3	19.5	23.4	31.1	26.0	21.7	19.6	15.6	13.6	14.5	16.7	18.5	15.5	17.2	17.6
Symphony Ltd	1,195	1,110	Hold	8,360	13.0	23.2	31.6	91.9	51.4	37.8	60.5	33.7	27.5	18.7	30.4	34.7	16.2	27.0	30.3
Essel Propack Ltd	130	136	Hold	4,107	6.2	6.7	7.9	21.0	19.4	16.4	9.3	8.3	7.2	16.9	17.4	19.3	13.9	13.7	15.0
V-Guard Ltd	239	235	Hold	10,192	3.9	4.6	5.8	61.2	51.6	41.0	44.2	36.0	28.4	23.7	27.3	28.6	18.4	20.8	21.9
Pidilite Industries	1,198	1,335	Buy	60,833	18.1	22.8	27.5	66.1	52.6	43.5	42.6	34.3	28.4	29.6	32.3	34.0	22.7	24.5	25.6
Supreme Industries	1,086	1,165	Buy	13,800	35.3	39.3	44.8	30.8	27.6	24.3	16.6	14.0	12.4	25.0	28.6	28.6	18.7	21.5	21.5
Astral Poly Technik Ltd	1,298	1,250	Hold	15,551	16.5	20.9	27.9	78.8	62.0	46.5	36.4	29.1	22.8	20.7	22.7	26.0	15.4	16.6	18.3
Time Technoplast	91	101	Hold	2,047	9.0	10.6	12.5	10.1	8.5	7.2	5.7	5.2	4.5	15.0	15.8	16.7	12.1	12.9	13.3
FMCG																			
Hindustan Unilever	1,756	1,900	Hold	380,204	27.9	32.9	37.8	62.8	53.4	46.5	45.8	40.3	35.5	85.3	105.8	119.5	80.9	90.1	102.1
Colgate Palmolive	1,171	1,250	Hold	31,855	28.5	30.9	33.8	41.1	37.9	34.7	25.6	23.2	21.5	70.7	71.6	71.0	52.2	50.7	50.1
Dabur India	405	450	Buy	71,473	8.2	9.2	10.2	49.4	44.2	39.8	38.4	33.9	30.4	29.6	28.1	28.4	25.7	24.0	24.3
GSK Consumer Healthcare	7,700	8,340	Buy	32,383	233.7	244.1		33.0	31.5		22.7	21.5		36.1	33.4		24.0	22.8	
ITC	279	340	Buy	342,408	10.3	11.3	12.6	27.2	24.8	22.2	20.1	18.0	16.3	30.8	32.7	33.3	21.5	22.2	22.6
Jyothy Laboratories	163	220	Buy	5,980	5.3	5.9	6.7	30.7	27.5	24.3	20.2	17.4	15.6	28.6	30.1	31.7	22.6	22.5	23.7
Marico	374	425	Buy	48,240	8.8	8.7	9.8	42.5	43.1	38.3	36.2	30.8	27.2	38.0	42.6	41.7	31.6	35.8	34.6
Nestle India	11,800	12,000	Buy	113,771	166.7	199.7	238.9	70.8	59.1	49.4	35.8	32.0	26.8	42.9	44.5	47.6	45.6	45.9	47.0
VST Industries	3,270	3,900	Buy	5,050	146.9	164.4	178.8	22.3	19.9	18.3	14.9	13.2	12.3	51.4	51.1	50.3	34.2	34.4	33.9
Varun Beverage	958	1,040	Hold	17,499	16.4	18.6	24.5	58.4	51.5	39.2	19.7	15.0	12.9	14.2	13.3	15.9	15.0	11.0	12.9
Tata Global Beverages	264	250	Buy	16,674	7.2	7.9	8.7	36.5	33.5	d	15.6	14.8	13.4	8.4	9.1	9.5	6.5	7.2	7.6
Hospital																			
Apollo Hospital	1,309	1,450	Buy	18,211	17.7	35.3	48.1	74.0	37.0	27.2	19.3	15.0	11.9	8.8	12.1	15.7	7.4	13.2	15.7
Hotels																			
EIH	178	210	Buy	10,174	2.6	3.7	4.1	69.1	48.2	43.3	26.0	23.8	21.7	9.2	10.3	11.1	6.4	6.8	7.2
Indian Hotels	149	175	Buy	17,738	2.5	2.7	3.5	58.6	54.3	42.4	24.5	20.4	17.2	8.0	9.7	11.5	6.9	7.1	8.5
Taj GVK	187	220	Buy	1,173	4.3	5.6	6.4	43.2	33.2	29.2	19.1	17.2	15.5	9.7	10.6	11.2	6.9	8.9	9.4

Source: Company, Bloomberg, ICICI Direct Research

ICICI Direct Research Coverage Universe

Sector / Company	CMP	TP	Rating	Mcap	EPS (Rs)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Insurance																			
SBI Life Insurance Company Ltd	746	800	Buy	74,600	13.5	14.5	-23.9	55.3	51.3	NM	15.8	13.4	11.4	18.6	19.1	17.9	19.3	18.1	-31.0
IT																			
Cyient	528	620	Hold	5,869	42.4	46.6	51.5	12.5	11.3	10.3	9.1	7.5	7.0	21.4	20.7	20.7	18.7	18.1	17.9
eClerx Services	705	860	Reduce	2,730	60.0	63.1	65.9	11.8	11.2	10.7	9.1	9.2	8.4	21.5	24.8	24.1	16.5	18.9	18.2
Firstsource Solutions	49	60	Buy	3,425	5.5	6.0	6.7	9.0	8.3	7.4	7.2	6.2	5.3	14.0	15.7	16.1	13.9	13.8	13.9
HCL Technologies	1,040	1,190	Hold	140,985	74.7	76.7	85.3	13.9	13.6	12.2	10.1	9.1	8.2	26.5	26.0	25.9	24.5	22.5	22.3
Infosys	716	805	Buy	312,429	35.4	39.5	45.1	20.2	18.1	15.9	13.8	12.3	10.8	32.9	32.9	34.6	23.7	24.4	25.6
Larsen & Toubro Infotech Ltd	1,622	1,940	Buy	28,138	87.5	94.8	107.5	18.5	17.1	15.1	14.7	12.6	10.8	40.4	36.4	34.5	31.0	27.8	26.2
Mindtree Ltd	773	930	Hold	12,698	45.9	50.7	56.2	16.8	15.3	13.7	13.6	11.3	10.1	29.8	30.1	29.4	22.8	22.0	21.5
NIIT Technologies	1,311	1,395	Hold	8,096	65.7	76.1	87.2	20.0	17.2	15.0	10.4	8.9	7.5	24.2	24.3	24.5	19.9	20.2	20.3
Persistent Systems	615	650	Hold	4,897	44.0	48.7	53.3	14.0	12.6	11.5	7.1	6.4	5.5	20.5	20.5	20.1	15.0	14.9	14.6
Tata Consultancy Services	2,175	2,065	Hold	816,031	84.1	88.8	98.6	25.9	24.5	22.1	18.6	16.8	15.1	43.8	43.1	42.8	34.4	34.0	33.6
Tech Mahindra	681	845	Hold	67,073	47.7	51.2	57.7	14.3	13.3	11.8	9.5	8.3	7.0	23.6	23.2	23.0	21.2	19.7	19.4
Wipro Technologies	267	315	Buy	161,114	15.0	17.4	19.5	17.8	15.3	13.7	12.0	10.2	8.9	17.8	18.1	18.4	15.8	16.7	17.0
InfoEdge	2,174	2,080	Hold	26,546	23.1	29.1	34.4	94.0	74.7	63.2	71.9	60.4	50.7	18.6	19.0	20.2	12.1	13.8	14.7
TeamLease Services	3,000	3,200	Hold	5,128	57.1	73.3	93.8	52.5	40.9	32.0	53.1	40.3	32.2	18.6	18.5	19.4	18.3	19.2	20.1
Logistics																			
Blue Dart Express	2,638	3,650	Buy	6,259	37.8	48.5	78.5	69.8	54.3	33.6	23.4	20.2	14.9	16.9	20.1	29.1	15.5	18.5	26.7
Container Corporation of India	559	625	Buy	34,066	19.3	18.8	27.8	29.0	29.8	20.1	13.9	10.9	8.8	15.4	13.8	18.1	11.4	10.3	13.7
Gati Ltd	67	75	Hold	722	1.7	2.7	4.2	39.3	24.6	15.7	12.2	10.5	8.0	7.2	8.1	10.6	2.5	3.9	5.8
Gujarat Pipavav Port	81	110	Hold	3,918	4.3	4.9	5.7	19.1	16.6	14.2	9.3	8.4	7.1	12.2	13.6	15.9	9.4	10.6	12.3
Transport Corporation of India	291	360	Buy	2,231	15.8	19.7	26.1	18.5	14.7	11.2	10.7	8.7	6.9	14.2	15.2	17.3	16.3	16.9	18.0
Dredging Corporation of India	393	380	Hold	1,101	15.9	18.5	25.1	24.7	21.2	15.6	11.0	7.8	6.4	1.4	3.4	4.3	2.8	3.2	4.2
TCI Express	638	780	Buy	2,444	19.0	23.7	29.6	33.5	26.9	21.6	21.0	17.3	13.9	41.9	37.2	37.2	27.3	26.5	25.7
Media																			
Sun TV Limited	476	580	Hold	18,747	36.4	37.1	38.7	13.1	12.8	12.3	7.3	7.1	6.2	38.5	34.0	31.2	25.9	22.8	20.8
DB Corp Ltd	191	210	Hold	3,341	15.7	20.1	21.0	12.2	9.5	9.1	6.5	5.2	4.5	21.0	26.2	24.6	15.0	18.6	17.3
Entertainment Network Limited	421	545	Hold	2,007	11.3	15.2	21.3	37.2	27.6	19.8	15.4	12.1	8.6	9.0	11.1	14.0	5.8	7.3	9.3
Inox Leisure Ltd	313	385	Buy	3,215	13.0	14.6	18.4	24.0	21.4	17.0	10.6	9.5	7.6	19.6	18.5	20.4	14.2	13.5	14.5
Jagran Prakashan Limited	106	108	Hold	3,152	8.8	9.9	12.1	12.1	10.8	8.8	5.6	4.8	3.9	16.7	19.2	21.7	13.9	15.4	17.2
PVR Limited	1,675	1,910	Hold	7,828	39.2	45.1	60.5	42.7	37.1	27.7	16.0	13.9	11.5	13.8	14.5	16.5	14.8	14.7	16.5
Zee Entertainment Enterprises Ltd	334	365	Hold	32,061	16.3	17.7	20.3	20.5	18.9	16.5	12.7	11.5	9.8	25.7	23.8	23.7	15.8	14.8	14.8
TV Today Network Limited	268	340	Buy	1,600	22.0	25.9	28.3	12.2	10.4	9.5	6.7	5.0	4.0	26.2	26.2	25.2	16.9	16.8	16.0
Music Broadcast	58	68	Buy	1,596	2.2	2.8	3.2	25.9	20.6	18.0	12.3	10.2	8.8	16.5	17.3	19.3	10.2	11.3	12.5

Source: Company, Bloomberg, ICICI Direct Research

ICICI Direct Research Coverage Universe

Sector / Company	CMP	TP	Rating	Mcap	EPS (Rs)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
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Metals, Mining & Pipes																			
Tata Steel	473	475	Hold	53,688	78.6	55.9	61.1	6.0	8.5	8.3	4.8	5.3	4.9	12.7	10.3	10.3	13.0	9.4	9.5
JSW Steel	264	300	Hold	63,694	31.5	19.1	24.6	8.4	13.8	11.0	6.7	8.9	7.9	15.8	11.4	12.4	21.7	13.9	15.8
NMDC	107	115	Hold	32,670	14.7	12.1	10.9	7.3	8.8	9.8	4.3	5.0	5.5	26.7	19.3	16.4	17.9	12.7	10.8
Hindalco	199	200	Hold	44,586	24.7	22.1	23.1	8.0	9.0	8.6	5.2	5.3	5.1	10.3	9.3	9.2	9.6	7.8	7.5
Vedanta Ltd	162	145	Reduce	60,237	18.1	21.3	24.9	8.9	7.6	6.5	4.7	4.3	3.7	11.9	13.4	15.0	10.8	11.7	12.6
Hindustan Zinc	230	275	Hold	97,119	18.8	19.1	22.8	12.2	12.0	10.1	9.2	8.3	6.4	29.2	27.0	27.8	23.7	20.6	21.2
Graphite India	310	400	Hold	6,063	173.8	70.9	66.7	1.8	4.4	4.6	1.1	2.9	2.9	88.8	37.6	30.6	63.5	25.5	20.8
HEG	1,303	1,700	Reduce	5,027	790.2	280.5	283.3	1.6	4.6	4.6	1.4	3.9	3.7	104.1	34.6	32.3	82.0	24.7	21.7
Maharashtra Seamless	421	500	Hold	2,819	30.1	54.0	67.2	14.0	7.8	6.3	5.7	6.7	5.3	14.9	11.8	13.7	6.6	10.7	11.9
Coal India	233	275	Hold	143,407	27.6	28.2	29.2	8.4	8.2	8.0	8.2	9.0	8.7	94.5	76.3	68.9	66.2	54.6	48.3
Ratnamani Metals and Tubes	984	1,100	Buy	4,596	54.1	58.7	66.5	18.2	16.7	14.8	10.7	10.2	8.8	24.3	23.1	23.0	16.6	15.7	15.5
MidCap																			
Rallis India	152	145	Hold	2,951	8.0	8.6	10.4	19.1	17.6	14.7	11.8	9.8	8.3	16.6	17.2	18.9	12.0	12.1	13.3
VST Tillers & Tractors	1,275	1,250	Sell	1,101		80.7			15.8			11.7			15.5			10.8	
KSB Pumps	707	810	Buy	2,462	20.6	28.2	33.1	34.4	25.1	21.4	18.2	14.7	12.7	11.1	13.5	14.9	9.4	11.8	12.5
Himadri Speciality	101	125	Buy	4,211	7.3	7.8	9.7	13.7	12.9	10.3	8.5	8.3	6.7	22.7	20.6	22.6	18.3	16.4	17.0
Oil & Gas																			
GAIL	303	360	Hold	68,284	26.7	24.6	26.0	11.3	12.3	11.6	7.8	8.4	8.2	17.6	14.9	14.2	13.6	11.7	11.5
Gulf Oil	870	900	Hold	4,333	35.8	41.2	45.1	24.3	21.1	19.3	14.1	12.4	11.0	39.9	38.5	36.0	30.7	29.2	26.5
HPCL	282	300	Hold	43,040	39.5	29.3	36.0	7.1	9.6	7.8	5.6	7.4	6.4	17.5	11.5	12.3	22.1	15.5	17.4
IGL	298	350	Hold	20,881	11.2	12.5	13.1	26.5	23.9	22.7	18.4	16.3	15.0	24.3	23.4	21.7	15.5	14.5	13.3
MRPL	59	70	Hold	10,253	1.8	3.8	7.2	32.0	15.4	8.2	9.5	7.5	5.2	6.1	8.1	12.4	3.1	5.8	10.3
ONGC	152	180	Hold	191,786	21.2	20.1	22.6	7.2	7.6	6.7	4.0	4.0	3.6	16.6	15.3	16.1	13.0	11.4	11.9
Petronet LNG	248	245	Hold	37,178	14.4	16.9	18.9	17.2	14.7	13.1	10.1	8.1	7.0	27.7	32.6	34.0	16.8	20.1	21.3
Castrol	126	140	Reduce	12,413	7.2	7.5	-	17.5	16.7		13.4	12.4	12.5	100.4	101.0	103.8	61.6	62.0	63.4
GSPL	183	180	Hold	10,341	14.1	12.7	13.1	13.0	14.5	14.0	7.9	8.5	8.7	15.4	13.4	13.3	12.8	10.0	9.3
Gujarat Gas	161	190	Buy	11,083	6.3	8.9	9.5	25.5	18.1	17.0	13.2	9.3	9.2	15.4	19.6	19.1	14.7	20.3	17.9
BPCL	360	375	Hold	78,146	36.3	32.0	41.0	9.9	11.2	8.8	8.6	9.3	9.5	17.6	15.1	13.9	19.3	16.0	18.8
Mahanagar Gas Ltd	796	1,050	Buy	7,858	55.3	61.9	65.6	14.4	12.8	12.1	9.4	8.2	7.3	32.2	31.4	29.3	19.4	18.9	17.6
Indian Oil Corporation	144	170	Hold	135,940	18.4	15.8	21.1	7.8	9.1	6.9	6.7	6.6	5.1	14.1	13.5	16.2	15.0	12.3	15.2
Others																			
Solar Industries India Ltd	1,173	1,075	Hold	10,614	29.6	33.6	38.4	39.7	34.9	30.5	19.8	16.5	14.7	23.8	29.0	29.2	21.6	24.5	25.9
United Spirits	576	615	Buy	41,854	9.4	11.6	15.3	61.1	49.5	37.7	31.6	28.7	23.0	21.0	22.3	25.1	22.3	21.6	22.1
United Breweries	1,380	1,490	Buy	36,477	21.3	26.6	32.4	64.8	51.9	42.6	33.5	27.9	23.8	27.8	27.8	28.0	17.7	18.2	18.3
Wonderla Holidays	274	380	Buy	1,551	9.8	11.6	13.4	28.0	23.7	20.5	14.1	12.6	11.5	9.5	10.8	11.1	6.8	7.5	8.2
Navneet Education Ltd.	106	130	Buy	2,434	6.7	8.2	9.6	15.9	13.0	11.1	10.5	8.9	8.9	22.7	24.2	24.2	19.3	20.8	20.8
Swaraj Engines	1,380	1,450	Hold	1,674	68.0	76.7	84.4	20.3	18.0	16.4	11.8	10.0	9.0	47.1	50.2	50.4	34.6	36.0	36.5

Source: Company, Bloomberg, ICICI Direct Research

ICICI Direct Research Coverage Universe

Sector / Company	CMP	TP	Rating	Mcap	EPS (Rs)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Pharma																			
Sun Pharma	418	460	Hold	100,397	10.8	15.6	23.3	38.8	26.8	18.0	15.8	13.5	11.0	11.1	13.4	15.5	9.2	8.4	11.2
Ajanta Pharma	937	1,060	Hold	8,278	43.5	47.5	60.2	21.5	19.7	15.6	14.7	13.3	10.8	25.1	22.0	25.1	17.1	16.4	18.0
Lupin	746	810	Hold	33,736	13.5	30.7	40.5	55.3	24.3	18.4	14.4	10.3	8.8	9.0	13.9	16.1	5.4	9.3	11.1
Aurobindo Pharma	1,245	1,450	Buy	17,321	17.7	35.3	48.1	70.4	35.2	25.9	19.3	15.0	11.8	10.0	13.2	17.1	7.4	13.2	15.7
Biocon	603	715	Buy	35,095	40.6	48.6	55.1	14.8	12.4	10.9	10.4	9.1	7.7	18.5	16.3	17.1	17.7	17.1	16.5
Cadila Healthcare	263	330	Buy	31,560	7.5	7.8	10.4	34.9	33.8	25.4	23.1	17.4	13.0	17.3	20.5	23.0	12.2	13.5	15.4
Cipla	248	272	Hold	25,413	18.1	15.8	18.2	13.7	15.7	13.7	10.9	10.1	8.8	13.0	11.4	12.6	17.8	13.9	14.2
Dr Reddy's Lab	553	580	Hold	44,404	18.8	24.7	29.0	29.4	22.4	19.1	14.8	12.2	10.2	10.3	14.1	16.7	10.1	12.0	12.5
Divi's Lab	2,621	2,770	Hold	43,438	114.8	152.8	165.8	22.8	17.2	15.8	14.1	10.6	9.3	18.8	24.6	27.0	13.6	15.7	14.9
Glenmark	1,557	1,760	Hold	41,330	51.0	54.1	67.7	30.6	28.8	23.0	20.8	19.4	15.7	40.0	50.5	40.7	19.4	17.8	18.8
Ipca Lab	461	565	Hold	12,982	32.8	36.7	40.0	14.0	12.5	11.5	10.4	8.2	7.1	22.2	22.1	21.6	13.5	15.7	14.8
Jubilant Life	935	1,130	Buy	11,799	35.1	52.7	57.5	26.7	17.7	16.3	17.1	11.7	10.6	16.7	25.4	26.3	14.2	18.2	17.1
Natco	570	710	Buy	8,881	37.0	57.5	70.7	15.4	9.9	8.1	7.0	6.5	5.3	16.4	16.1	17.9	16.9	15.8	16.5
Torrent Pharma	524	595	Hold	9,674	34.9	36.8	27.2	15.0	14.3	19.3	12.1	10.4	13.6	24.7	23.1	14.9	18.5	16.5	10.9
Alembic Pharma	1,590	1,940	Buy	26,909	31.8	54.9	75.8	49.9	29.0	21.0	15.2	13.9	11.3	16.4	17.9	22.8	17.5	17.1	20.1
Syngene International	315	358	Hold	12,596	8.3	9.5	10.2	38.1	33.2	30.7	24.0	20.0	16.8	16.2	15.8	15.0	16.8	16.2	15.0
Hikal	163	205	Buy	2,015	8.4	9.7	13.7	19.5	16.8	12.0	9.1	8.2	6.5	15.0	15.2	18.2	13.6	14.1	17.1
Power																			
Power Grid Corporation	201	200	Hold	105,338	20.8	21.7	23.7	9.7	9.3	8.5	8.1	7.6	7.2	9.6	9.5	9.4	16.5	15.1	14.4
CESC	763	845	Buy	10,109	89.9	92.8	97.7	8.5	8.2	7.8	7.1	6.2	5.5	9.1	10.0	10.5	11.8	11.1	10.7
NTPC	131	123	Hold	129,173	14.5	12.4	13.6	9.0	10.6	9.6	9.2	8.8	8.4	7.8	8.1	8.2	10.1	10.8	11.1
Real Estate																			
Oberoi Realty	552	600	Buy	20,080	22.5	24.6	29.2	24.6	22.5	18.9	13.9	12.7	13.2	13.4	11.3	10.3	10.1	8.0	7.1
Mahindra Lifespace	395	410	Hold	2,069	23.3	27.5	28.3	16.9	14.4	14.0	63.1	56.8	33.1	3.4	3.8	4.9	5.6	6.3	6.2
Sobha Ltd	553	620	Buy	5,245	31.3	35.3	43.0	17.6	15.7	12.9	11.2	10.3	8.5	14.7	15.6	17.9	13.3	13.7	15.1
Sunteck Realty Ltd	438	520	Hold	6,411	16.2	21.3	26.4	27.1	20.6	16.6	18.2	14.1	11.4	13.1	13.5	15.8	8.0	9.7	10.9
The Phoenix Mills Ltd	611	765	Buy	9,369	27.5	23.1	25.6	22.2	26.5	23.9	13.5	12.6	12.0	8.8	8.7	8.6	9.8	8.4	8.5
Brigade Enterprises	272	330	Buy	3,704	17.6	18.0	10.0	15.4	15.1	27.1	8.2	8.6	8.7	11.5	10.4	8.8	10.3	9.9	5.3
Retail																			
TTK Prestige	6,556	6,900	Hold	9,088	138.7	167.6	197.1	47.3	39.1	33.3	27.1	22.6	19.2	23.5	25.6	27.2	16.5	17.7	18.4
Shopper Stop	490	510	Hold	4,310	9.0	11.9	13.9	54.7	41.1	35.2	16.9	14.7	12.8	13.5	16.0	17.8	8.1	9.8	10.4
Titan Industries	1,260	1,290	Buy	111,817	15.7	21.4	26.3	80.4	59.0	47.9	52.7	41.4	33.4	43.1	44.5	45.1	23.1	25.6	25.8
Bata India	1,419	1,430	Hold	18,235	25.7	30.3	35.8	55.3	46.8	39.6	36.7	30.2	25.5	53.1	58.1	64.9	18.9	19.2	20.0
Trent Ltd.	429	500	Buy	14,253	2.9	4.9	6.9	150.2	86.8	62.6	65.4	49.2	38.7	10.1	9.4	11.5	5.8	6.5	8.6
Aditya Birla Fashion & Retail	203	240	Buy	15,663	4.2	3.1	4.6	48.8	64.5	43.7	32.8	26.1	21.3	10.7	12.6	14.7	22.5	14.5	17.6

Source: Company, Bloomberg, ICICI Direct Research

ICICI Direct Research Coverage Universe

Sector / Company	CMP	TP	Rating	Mcap	EPS (Rs)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Road																			
IRB Infrastructure	93	140	Hold	3,253	25.6	23.3	18.7	3.6	4.0	4.9	6.0	5.7	6.7	7.5	7.2	6.6	13.3	11.0	8.3
Ashoka Buildcon	132	175	Buy	3,692	-1.4	-1.4	2.3	NM	NM	56.7	6.7	6.0	5.3	14.1	14.9	17.0	7.2	-16.3	13.4
PNC Infratech	200	235	Buy	5,124	11.9	12.4	13.6	16.8	16.1	14.7	10.7	8.7	7.8	15.6	17.5	17.5	14.4	13.3	12.8
Sadbhav Engineering	200	290	Buy	3,437	10.9	11.4	14.5	18.4	17.5	13.8	13.3	12.4	10.7	10.5	10.4	12.0	9.2	8.9	10.3
Telecom																			
Vodafone Idea	12	12	Reduce	33,189	-16.7	-6.4	-5.3	NM	NM	NM	39.2	15.9	13.1	-5.0	-3.9	-2.7	-25.9	-21.9	-22.0
Tata Communications	458	540	Hold	13,064	-2.9	7.1	12.8	NM	64.5	35.9	9.0	8.8	7.8	5.4	5.8	7.5	127.7	-255.5	197.2
Sterlite Technologies Ltd.	161	180	Reduce	6,492	14.0	14.7	15.0	11.5	11.0	10.7	8.5	7.7	6.7	27.8	26.9	29.6	33.1	27.5	23.4
Bharti Airtel	359	400	Hold	184,331	1.0	-1.1	2.8	350.7	NM	128.1	11.5	9.2	8.2	2.1	3.4	4.6	-3.5	-0.6	1.6
Banks											P/BV(x)			RoA (%)					
IndusInd Bank	1,496	1,860	Buy	90,233	55.0	92.3	115.8	27.2	16.2	12.9	5.1	4.4	3.8	1.3	1.8	1.8	13.1	19.0	20.1
Yes Bank	93	180	Hold	21,640	8.4	13.3	18.2	11.1	7.0	5.1	1.6	47.4	47.0	0.6	0.9	1.1	14.1	10.9	12.4
Bank of Baroda	124	170	Buy	47,680	7.7	18.5	26.9	16.2	6.7	4.6	1.2	1.2	1.1	0.3	0.6	0.7	4.7	11.1	12.4
State Bank of India	356	400	Buy	317,359	1.0	27.2	33.7	370.3	13.1	10.6	2.2	1.5	1.4	0.0	0.7	0.8	0.5	12.3	13.0
City Union Bank	201	240	Buy	14,789	9.3	10.3	11.9	21.7	19.5	16.9	4.8	4.1	3.6	1.6	1.6	1.6	15.3	14.7	14.7
Indian Bank	246	300	Buy	12,082	6.7	25.2	44.8	36.7	9.7	5.5	0.7	0.7	0.7	0.1	0.4	0.6	1.7	6.1	10.2
Axis Bank	786	880	Buy	205,739	22.2	37.5	47.9	35.5	20.9	16.4	3.9	3.7	3.2	0.8	1.1	1.3	8.7	13.4	14.8
DCB Bank	224	250	Buy	6,950	10.5	13.5	16.9	21.3	16.6	13.2	3.9	3.2	2.4	1.0	1.1	1.1	12.1	13.8	14.9
Federal Bank	105	125	Buy	20,847	6.3	7.7	9.4	16.8	13.6	11.2	2.5	2.3	1.7	0.8	0.9	0.9	9.8	11.0	12.2
HDFC Limited	2,264	2,195	Hold	390,044	57.5	61.2	67.7	39.4	37.0	33.4	11.4	10.6	6.9	2.3	2.1	2.1	16.4	16.1	16.6
Jammu & Kashmir Bank	39	53	Hold	2,188	8.3	14.7	18.4	4.7	2.7	2.1	0.3	0.4	0.4	0.5	0.7	0.8	7.3	11.8	13.4
Kotak Mahindra Bank	1,480	1,500	Hold	282,456	25.5	30.4	36.8	58.0	48.7	40.2	10.2	10.2	7.5	1.7	1.7	1.7	12.1	12.7	13.5
LIC Housing Finance	557	540	Hold	28,084	46.2	53.6	62.0	12.0	10.4	9.0	3.1	2.5	2.2	1.3	1.3	1.3	16.3	15.8	15.8
HDFC Bank	2,419	2,700	Buy	660,148	77.4	97.9	118.8	31.3	24.7	20.4	9.1	7.4	6.2	1.8	2.0	2.1	16.5	16.7	17.6
Bajaj Finserv Limited	7,769	8,500	Hold	123,633	196.9	267.1	348.8	39.5	29.1	22.3	9.2	7.8	6.0	1.6	1.8	1.9	14.1	16.4	18.0
Bajaj Finance Limited	3,399	3,300	Reduce	197,119	69.3	88.6	119.3	49.1	38.4	28.5	26.5	20.5	12.3	3.5	3.5	3.7	22.4	21.3	21.6
Bandhan Bank	535	725	Buy	63,854	11.3	16.4	22.0	47.4	32.7	24.4	14.6	6.9	5.8	3.6	3.9	4.0	28.6	28.6	28.6
Mahindra & Mahindra Financial S	391	500	Buy	24,170	25.3	29.9	34.8	15.4	13.1	11.2	2.2	1.9	1.5	2.6	2.6	2.6	15.2	15.6	15.4

Source: Company, Bloomberg, ICICI Direct Research

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Buy: >15%;

Hold: -5% to 15%;

Reduce: -5% to -15%;

Sell: <-15%

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