1QFY20 Results Preview

Institutional Equity Research

Results Preview | July 08, 2019

Lacklustre Quarter in the Offing

We expect 1QFY20 is likely to be uninspiring with Nifty earnings likely to grow by just 6% YoY, primarily aided by the BFSI sector. Our coverage universe, consisting of 90 stocks, will witness 9% earnings growth, which will remain flat ex-BFSI sector. BFSI sector will be helped by low base effect and consistent improvement in operating metrics, as seen during the last 3 consecutive quarters. The automobile sector will be a major drag on the earnings growth with most stocks registering sharp decline in earnings. Oil & Gas sector will see earnings decline led by inventory losses of the OMCs and lower sectoral GRMs. Consumer sector will also see growth challenges, while the pharmaceuticals growth to be largely aided by lower base effect. Cement and infrastructure sector will report decent earnings traction for the quarter.

Key quarterly sectoral expectations are as follows:

Banking to Save the Grace: Our expectations continue to remain healthy for the banking sector with 16% YoY NII growth and 29% YoY growth in pre-provisioning profit. The domestic credit growth for the quarter is expected to be healthy at 13% YoY, while asset quality will continue to see some improvement. The private banks will continue to report healthy operating metrics, while the PSBs are likely to see stability in operating performance. Treasury gains led by 40bps decline in benchmark 10-year yield will benefit the PSBs more. Overall, we expect the banking sector to save the grace led by healthy operating metrics and steady normalisation in profit growth, as peak of the stressed asset cycle is the past. Our top result picks are: SBI, HDFC Bank and ICICI Bank.

IT to Beat NIFTY Earnings despite Macro Challenges & Margin Headwinds: We expect IT firms under our coverage universe to post combined 1.7% QoQ growth in USD revenue. The top-5 IT firms are likely to post -0.3%-2.5% QoQ growth in USD revenue with sequential CC revenue growth is seen at 0-2.8%. TCS is likely to lead the pack with 2.8% growth in CC revenue. Among mid-sized firms, Hexaware Technologies and Sonata Software are expected to outperform with 6.2% and 4% QoQ revenue growth, respectively, aided by acquisitions by the former and continued traction in its focus verticals for the latter. Cyient is expected to underperform (0.7% QoQ) owing to issues in the AERO business. EBIT margins will remain under pressure led by INR appreciation, wage hike and business investments. Margin outlook for FY20 will be the most critical. While IT sector is undergoing several challenges, the estimated earnings growth of 9% YoY is still likely to beat the NIFTY earnings by a healthy margin, which will be the key focus area. Our top result picks are: TCS (amongst the large-caps) and Sonata Software (amongst the mid-caps).

Consumer Sector to Remain Mixed Bag with Price Growth Criticality: We estimate the consumer sector to report mid-single digit growth in volume and high-single digit growth in earnings. Price growth will assume critical importance for earnings growth, as volume growth continues to taper down. Our top result picks in consumer space are: Titan, ITC, HUL & Marico.

Automobile Sector to See Washout Quarter: For automobiles, the quarterly trends have continued to remain negative with sluggish domestic volume and increased cost pressure. We estimate the sectoral earnings to decline by 29% YoY. The 2W players are likely to report positive but sluggish earnings growth. We believe the sector will take more time to witness any meaningful revival.

Building Materials, Infra & Capital Goods Sectors to See Healthy Earnings: Healthy price growth will help the cement sector to see a solid improvement in EBIDTA/tonne realisation. Infrastructure and Capital Goods sectors will also see healthy operating performance and earnings traction. Our top result picks are: UltraTech, JK Cement, NCC, KEC International and L&T.

Base Effect to Aid Pharmaceutical Sector; Oil & Gas to Witness Challenges: Pharmaceutical sector will continue to remain a mixed-bag with the companies seeing growth primarily led by weak base. For Oil & Gas sector, quarterly GRMs will decline both on YoY and QoQ basis owing to lower crude price differentials and inventory losses. Gail is likely to post lower EBIDTA led by fall in gas trading, petchem and LPG production segments. Overall the sector is expected to see 31% YoY decline in earnings.

Naveen Kulkarni
Head of Research
022 - 3303 4660
naveen.r.kulkarni@relianceada.com

Arafat Saiyed
Research Analyst
Contact : (022) 3303 4635
Email : arafat.saiyed@relianceada.com

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Summary of Estimates (4QFY19)

	Revenue					EBITDA					PAT				
	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)
Auto & Auto Ancillaries	1,290,632	1,395,215	(7.5)	1,610,144	(19.8)	125,335	154,374	(18.8)	168,027	(25.4)	34,025	48,359	(29.6)	74,833	(54.5)
Banking & Financials	697,632	599,100	16.4	663,771	5.1	537,924	416,152	29.3	523,941	2.7	164,768	37,189	343.1	97,107	69.7
Building Material	261,547	247,875	5.5	287,076	(8.9)	54,275	40,551	33.8	51,761	4.9	26,683	20,534	29.9	26,391	1.1
Capital Goods	465,301	423,945	9.8	601,523	(22.6)	49,244	44,749	10.0	71,308	(30.9)	26,937	24,297	10.9	43,942	(38.7)
Consumer	442,540	399,527	10.8	429,799	3.0	110,851	100,416	10.4	106,715	3.9	74,994	67,437	11.2	75,700	(0.9)
Infrastructure	70,750	60,219	17.5	85,176	(16.9)	7,648	6,601	15.9	10,045	(23.9)	3,813	3,407	11.9	5,537	(31.1)
IT Services	1,068,227	954,812	11.9	1,058,508	0.9	237,173	219,103	8.2	245,232	(3.3)	184,572	169,584	8.8	191,150	(3.4)
Oil & Gas (Inc OMC)	4,968,972	4,551,696	9.2	4,427,641	12.2	395,418	529,167	(25.3)	494,474	(20.0)	190,343	277,821	(31.5)	264,906	(28.1)
Pharmaceuticals	332,542	283,707	17.2	317,881	4.6	67,405	54,691	23.2	59,950	12.4	35,858	31,635	13.3	31,327	14.5
Aggregate	**9,598,143**	**8,916,095**	**7.6**	**9,481,519**	**1.2**	**1,585,272**	**1,565,804**	**1.2**	**1,731,454**	**(8.4)**	**741,994**	**680,264**	**9.1**	**810,892**	**(8.5)**
OMC	3,482,551	3,053,977	14.0	3,015,640	15.5	96,543	196,417	(50.8)	208,471	(53.7)	40,095	108,436	(63.0)	121,941	(67.1)
Aggregate (Ex Banking)	8,900,511	8,316,995	7.0	8,817,748	0.9	1,047,349	1,149,652	(8.9)	1,207,513	(13.3)	577,225	643,075	(10.2)	713,785	(19.1)
Aggregate (Ex Bank, OMC)	**5,417,961**	**5,263,018**	**2.9**	**5,802,108**	**(6.6)**	**950,805**	**953,235**	**(0.3)**	**999,042**	**(4.8)**	**537,131**	**534,639**	**0.5**	**591,844**	**(9.2)**
Nifty*	9,762,449	9,274,407	5.3	9,952,299	(1.9)	1,825,746	2,015,000	(9.4)	2,124,997	(14.1)	866,138	818,350	5.8	986,459	(12.2)

*Source: Company; RSec Research ; * RSec & Consensus*

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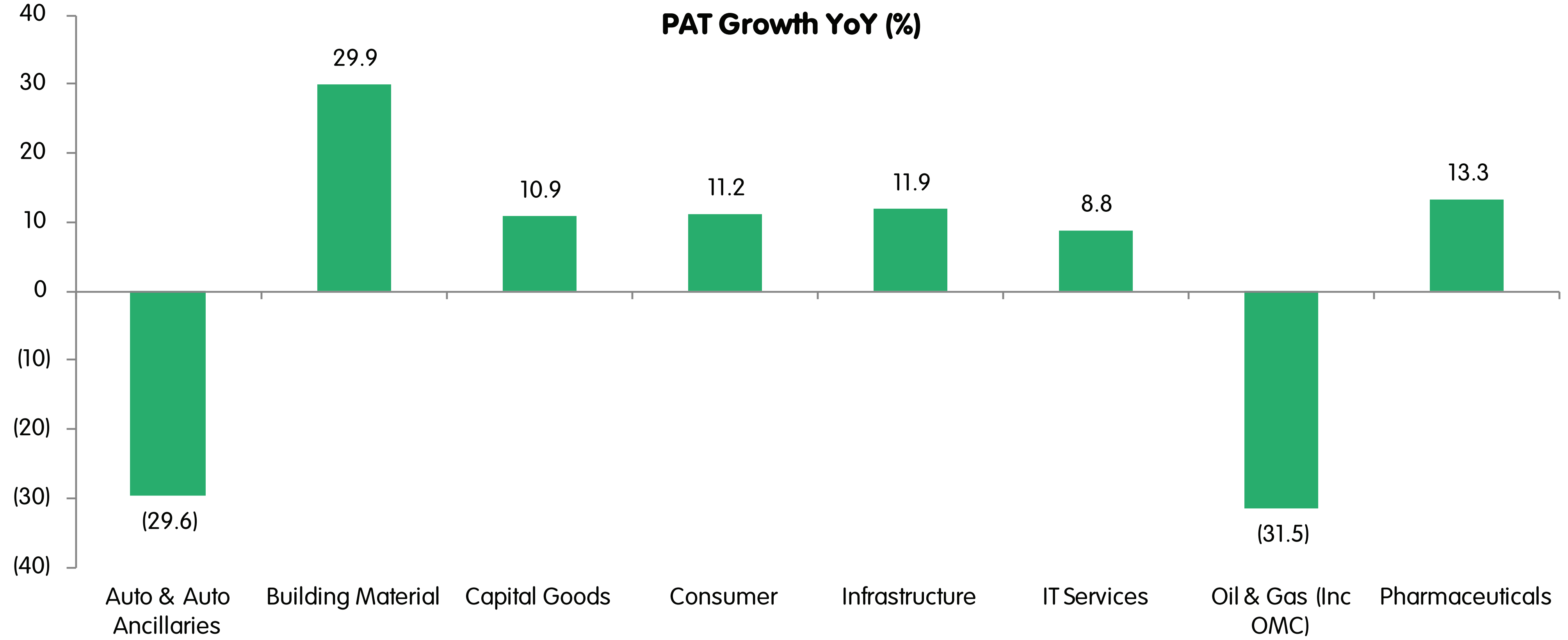

Source: RSec Research

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Exhibit 1: Automobiles - 1QFY20 Results Preview

Company (Rs mn)	Jun' 19E	Jun' 18	YoY (%)	Mar' 19	QoQ (%)	Comments
Automobiles						
Ashok Leyland						
Sales	60,013	62,501	(4.0)	88,459	(32.2)	▶ Overall volume declined by ~6% YoY with M&HCV fall of 13% though LCV volume grew by 12% YoY. ASP would marginally improve YoY despite lower MHCV contribution due to price hikes and higher spares revenues. Higher discount would put pressure on operating margins.
EBITDA	5,397	6,475	(16.7)	9,854	(45.2)	
EBITDA margin (%)	9.0	10.4	(137)bps	11.1	(215) bps	
PAT	2,838	3,849	(26.3)	6,624	(57.2)	
Bajaj Auto						
Sales	75,926	74,193	2.3	73,952	2.7	▶ Positive impact of exports growth would not be sufficient to mitigate the effect of poor product-mix and decline in 3W sales. Moreover, exports product mix is inclined towards low margin 2Ws and exchange rate doesn't remain favourable now. This would impact operating margins.
EBITDA	11,888	12,814	(7.2)	11,623	2.3	
EBITDA margin (%)	15.7	17.3	(161) bps	15.7	(6) bps	
PAT	10,984	11,152	(1.5)	10,676	2.9	
Hero MotoCorp						
Sales	81,694	88,098	(7.3)	78,850	3.6	▶ Highly subdued volume performance coupled with product-mix would impact its revenues, while competitive pricing pressure and limited pricing power would impact its operating margin and profitability on YoY basis.
EBITDA	11,142	13,773	(19.1)	10,693	4.2	
EBITDA margin (%)	13.6	15.6	(200) bps	13.6	8 bps	
PAT	7,574	9,092	(16.7)	7,303	3.7	
Maruti Suzuki						
Sales	1,94,189	2,24,594	(13.5)	2,14,594	(9.5)	▶ Volume declined by 12.5% and realisation is expected to fall by 1% due to product mix, which would pull down revenue by 13.5% YoY. Higher discounts and industry-wide slowdown would take toll on margins.
EBITDA	19,970	33,511	(40.4)	22,634	(11.8)	
EBITDA margin (%)	10.3	14.9	(464) bps	10.5	(26) bps	
PAT	10,268	19,753	(48.0)	17,956	(42.8)	

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Automobiles - 1QFY20 Results Preview

Company (Rs mn)	Jun' 19E	Jun' 18	YoY (%)	Mar' 19	QoQ (%)	Comments
Automobiles						
M&M+MVML						
Sales	1,26,953	1,33,577	(5.0)	1,38,079	(8.1)	▶ 6% YoY decline in automotive segment coupled with 14% YoY fall in tractor volume resulted in 9.5% YoY decrease in total volume and 5% YoY revenue fall as ASP would improve by 5% due to product mix. Lower Tractor volume would drag margins.
EBITDA	18,243	21,101	(13.5)	18,678	(2.3)	
EBITDA margin (%)	14.4	15.8	(143) bps	13.5	84 bps	
PAT	10,020	12,327	(18.7)	10,740	(6.7)	
Tata Motors						
Sales	5,96,245	6,67,011	(10.6)	8,64,220	(31.0)	▶ Standalone volume fell by 22% YoY, while JLR volume is expected to fall by 14% YoY, which will drag the Company's consolidated revenues and earnings. INR appreciation against the GBP will deflate reported sales and operating profit.
EBITDA	43,908	50,504	(13.1)	80,193	(45.2)	
EBITDA margin (%)	7.4	7.6	(21) bps	9.3	(192) bps	
PAT	(13,056)	(14,791)	(11.7)	15,913	(182.0)	
TVS Motor						
Sales	45,268	41,685	8.6	43,840	3.3	▶ Domestic volume declined 3% YoY, while export volume grew by 10% YoY, which resulted in 0.6% YoY fall in overall volume. Due to better product-mix with higher sales of premium bikes, we expect ASP growth of 9% YoY. Price hike would not be sufficient to benefit on EBIDTA margins due to operating leverage, higher RM cost for safety norms and competitive intensity.
EBITDA	3,189	3,212	(0.7)	3,081	3.5	
EBITDA margin (%)	7.0	7.7	(66) bps	7.0	2 bps	
PAT	1,363	1,466	(7.0)	1,338	1.9	
Escorts						
Sales	13,957	15,113	(7.6)	16,317	(14.5)	▶ Recording sharp quarterly volume decline of 14% YoY to 21,051 units. We expect construction segment to witness 7% YoY fall and margin to decline due to operating leverage. Overall volume decline would drag the margins by ~200bps YoY.
EBITDA	1,441	1,855	(22.3)	1,898	(24.1)	
EBITDA margin (%)	10.3	12.3	(195) bps	11.6	(130) bps	
PAT	911	1,196	(23.8)	1,214	(24.9)	

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Automobile - 1QFY20 Results Preview

Company (Rs mn)	Jun' 19E	Jun' 18	YoY (%)	Mar' 19	QoQ (%)	Comments
Auto Ancillary						
RK Forging						
Sales	3,906	4,105	(4.9)	4,433	(11.9)	▶ We expect volume decline of 14% YoY due to slowdown in MHCV segment, while we expect ASP to grow by 10.5% YoY due to rise in input prices. Expect margin contraction due to negative operating leverage..
EBITDA	754	865	(12.8)	893	(15.5)	
EBITDA margin (%)	19.3	21.1	(176) bps	20.2	(84) bps	
PAT	165	277	(40.5)	249	(33.8)	
CEAT						
Sales	18,136	17,063	6.3	17,605	3.0	▶ Expect decent growth in replacement volume, while OEM sales would decline YoY, which would result in lower revenue growth. Low volume is expected to impact its EBIDTA margins on YoY basis, while it would improve QoQ due to better volume in replacement segment.
EBITDA	1,751	1,758	(0.4)	1,623	7.9	
EBITDA margin (%)	9.7	10.3	(65) bps	9.2	43 bps	
PAT	721	734	(1.8)	906	(20.4)	
Apollo Tyre						
Sales	45,856	42,881	6.9	42,737	7.3	▶ Expect decent growth in replacement volume, while OEM sales would decline due to higher fall in CV sales, which would result in lower revenue growth. Lower volume is expected to impact its EBIDTA margins on YoY basis, while it would improve QoQ due to better volumes.
EBITDA	4,806	5,281	(9.0)	4,246	13.2	
EBITDA margin (%)	10.5	12.3	(184) bps	9.9	54 bps	
PAT	1,804	2,518	(28.4)	1,555	16.0	
J K Tyres						
Sales	28,490	24,395	16.8	27,059	5.3	▶ Expect decent growth in replacement volume, while OEM sales would decline. However, incremental volume from Cavndis plant would help recording healthy double digit revenue growth. Subdued performance of overseas business and margin pressure for standalone business would impact its EBIDTA margins on YoY basis.
EBITDA	2,847	3,224	(11.7)	2,610	9.1	
EBITDA margin (%)	10.0	13.2	(322) bps	9.6	35 bps	
PAT	433	784	(44.8)	359	20.8	

Source: Company, RSec Research

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Banking - 1QFY20 Results Preview

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Comments
Axis Bank						
NII	60,413	51,668	16.9	57,056	5.9	▶ Fee income to gain traction, margins to remain stable ▶ Increased focus on retail term depsoits to limit NIM expansion in the interim ▶ Credit costs to moderate sequentially
Pre-provision profit	54,004	43,720	23.5	50,144	7.7	
Net Interest Margin (%)	89.4	84.6	477	87.9	150	
PAT	17,168	7,011	144.9	15,051.0	14.1	
Bank of Baroda						
NII	60,679	43,811	38.5	50,670	19.8	▶ Incorporated merged financials for Dena and Vijaya in Q1FY20 , YoY/QoQ numbers not comparable ▶ Advances growth for the domestic book to moderate on account of integration challenges ▶ Intergration related issues (IT, HR) to be a monitorable ▶ Credit costs to moderate sequentially as PCR remains high
Pre-provision profit	42,091	30,056	40.0	38,608	9.0	
Net Interest Margin (%)	69.4	68.6	76	76.2	(683)	
PAT	10,119	5,283	91.5	(9,914)	(202.1)	
Canara Bank						
NII	37,245	38,829	(4.1)	35,002	6.4	▶ Higher treasury gains to aid PPoP ▶ Jet exposure (Rs6bn) to be recognized as NPA, decline in slippages and high write-offs to continue to aid overall GNPAs ▶ We expect ageing related provisions to continue in H1FY20, with rise in PCR
Pre-provision profit	27,923	29,328	(4.8)	29,735	(6.1)	
Net Interest Margin (%)	75.0	75.5	(56)	85.0	(998)	
PAT	3,315	2,815	17.8	(5,515.3)	(160.1)	
DCB Bank						
NII	3,193	2,730	17.0	3,009	6.1	▶ Expect a stable set of numbers with healthy loan growth with gain in market share from NBFCs ▶ Cost/Income ratio to moderate further ▶ RoA to inch up marginally
Pre-provision profit	2,001	1,414	41.5	1,853	8.0	
Net Interest Margin (%)	62.7	51.8	1,086	61.6	108	
PAT	1,042	695	50.0	963.2	8.2	

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Banking - 1QFY20 Results Preview

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Comments
Federal Bank						
NII	11,576	9,801	18.1	10,965	5.6	▶ Margins to get a boost of increased retail orientation (higher share of PL/CV loans)
Pre-provision profit	7,462	6,029	23.8	7,548	(1.1)	▶ Corporate slippages to remain contained, Stability in non-corporate slippages will be an area of watch
Net Interest Margin (%)	64.5	61.5	295	68.8	(436)	
PAT	3,572	2,627	36.0	3,815.1	(6.4)	▶ Benefits on cost efficiencies and improving fee lines to aid RoA
HDFC Bank						
NII	128,773	108,136	19.1	130,895	(1.6)	▶ Loanbook growth expected to remain healthy even as some moderation in auto portfolio is expected
Pre-provision profit	112,119	86,478	29.7	108,436	3.4	
Net Interest Margin (%)	87.1	80.0	710	82.8	423	▶ Expect elevated slippages in the argi portfolio
PAT	58,764	46,014	27.7	58,850.8	(0.1)	▶ Margins expected to remain stable sequentially
ICICI Bank						
NII	71,256	61,019	16.8	76,201	(6.5)	▶ Market share gains to continue to aid growth in the corporate portfolio
Pre-provision profit	62,647	46,984	33.3	62,334	0.5	▶ Led by increasing share of retail, margins are expected to increase
Net Interest Margin (%)	87.9	77.0	1,092	81.8	612	▶ Sharp decline in credit costs to support higher RoAs
PAT	16,496	(1,196)	(1,479.9)	9,690.6	70.2	
Indian Bank						
NII	19,271	18,070	6.6	17,635	9.3	▶ Loan book growth expected to be above industry average
Pre-provision profit	13,807	12,976	6.4	12,454	10.9	▶ Credit costs to remain elevated
Net Interest Margin (%)	71.6	71.8	(16)	70.6	102	▶ Recoveries from educational loan portfolio will be monitorable
PAT	2,133	2,093	1.9	(1,897.7)	(212.4)	

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Banking - 1QFY20 Results Preview

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Comments
IndusInd Bank						
NII	28,520	21,224	34.4	22,324	27.8	▶ Incorporated merged financials for BHAFIN in Q1FY20 , YoY/QoQ numbers not comparable ▶ Credit costs likely to remain elevated, guidance on the same remains critical
Pre-provision profit	25,300	19,111	32.4	20,677	22.4	
Net Interest Margin (%)	88.7	90.0	(133)	92.6	(391)	
PAT	9,720	10,356	(6.1)	3,601.0	169.9	
Kotak Mahindra Bank						
NII	31,336	25,829	21.3	30,479	2.8	▶ Uptick in business banking portfolio expected ▶ Loan growth to remain strong led by market share gain from NBFCs ▶ NIMs to remain stable sequentially
Pre-provision profit	23,241	20,325	14.3	22,823	1.8	
Net Interest Margin (%)	74.2	78.7	(452)	74.9	(71)	
PAT	12,879	10,249	25.7	14,078.0	(8.5)	
State Bank of India						
NII	245,369	217,984	12.6	229,538	6.9	▶ High share of AFS book and high duration of AFS to support treasury gains ▶ Operating effciency to aid profits ▶ Credit costs to decline sharply, aiding profitability
Pre-provision profit	167,328	119,731	39.8	169,331	(1.2)	
Net Interest Margin (%)	68.2	54.9	1,327	73.8	(558)	
PAT	29,561	(48,759)	(160.6)	8,384.0	252.6	

Source: Company, RSec Research

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Building Material - 1QFY20 Results Preview

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	
ACC						
Revenue	37,060	37,679	(1.6)	38,496	(3.7)	Tepid demand will impact volume growth
EBITDA	5,690	5,435	4.7	4,615	23.3	Sharp realisation uptick in across the regions to result in strong realisations
EBITDA Margin (%)	15.4	14.4	93	12.0	337	Higher realisation and benign cost scenario to bolster operation performance
PAT	3,841	3,255	18.0	3,383.8	13.5	
Ambuja Cements						
Revenue	28,560	29,270	(2.4)	28,470	0.3	Industry's demand degrowth to impact sales volume
EBITDA	5,110	5,324	(4.0)	3,826	33.5	A substantial price increase in North and West to lead to higher realisation
EBITDA Margin (%)	17.9	18.2	(30)	13.4	445	Stronger realisation to result in better unitary EBITDA
PAT	3,752	4,993	(24.9)	3,929.0	(4.5)	
UltraTech Cement						
Revenue	94,910	83,540	13.6	105,003	(9.6)	Contribution from Nathwada and new capacity to aid YoY volume despite tepid demand scenario
EBITDA	22,465	14,440	55.6	22,133	1.5	Substantial price recovery across the regions to aid realisation growth
EBITDA Margin (%)	23.7	17.3	638	21.1	259	Higher realisation and cost savings to lead to superior operational performance
PAT	10,244	5,984	71.2	10,175	0.7	
Shree Cement						
Revenue	29,652	30,699	(3.4)	32,849	(9.7)	Subdued demand scenario to take a toll on volume growth
EBITDA	8,270	6,452	28.2	8,478	(2.5)	Healthy spike in Northern realisation to aid realisation
EBITDA Margin (%)	27.9	21.0	687	25.8	208	Higher realisation to result in superior EBITDA/tonne
PAT	3,176	3,257	(2.5)	3,210	(1.0)	

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Building Material - 1QFY20 Results Preview

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	
Ramco Cements						
Revenue	12,960	11,860	9.3	15,265	(15.1)	Soft demand scenario to impact volume growth
EBITDA	3,184	2,164	47.1	3,192	(0.3)	Strong realisation recovery in key markets to aid pricing
EBITDA Margin (%)	24.6	18.2	632	20.9	366	Firm realisation to result in strong operational performance
PAT	1,671	1,250	33.7	1,652.7	1.1	
India Cements						
Revenue	14,196	13,607	4.3	15,640	(9.2)	Volume de-growth led by sudued demand environment
EBITDA	2,095	1,561	34.2	1,922	9.0	Strong realisation recovery aided pricing
EBITDA Margin (%)	14.8	11.5	329	12.3	247	
PAT	715	210	240.1	438.5	63.1	Robust operating performance to lead to robust earnings
J.K. Cement						
Revenue	12,346	11,156	10.7	14,707	(16.1)	Sound demand in Northern markets to aid volume growth
EBITDA	2,568	1,504	70.8	2,583	(0.6)	Strong realisation uptick in Southern and Western region to drive pricing
EBITDA Margin (%)	20.8	13.5	732	17.6	324	Better pricing to result in improvement in operating performance
PAT	1,236	493	150.7	1,499.7	(17.6)	
JK Lakshmi Cement						
Revenue	9,591	9,234	3.9	11,725	(18.2)	Strong demand scenario in North and East markets to drive sales volume
EBITDA	1,361	939	45.0	1,312	3.7	No clinker sale and moderate realisation recovery in Northern to drive pricing
EBITDA Margin (%)	14.2	10.2	403	11.2	300	Better pricing and fuel led cost savings to drive operational performance
PAT	451	137	227.8	432.5	4.2	

Continued...

1QFY20 Results Preview

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Building Material - 1QFY20 Results Preview

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	
Mangalam Cement						
Revenue	2,965	2,542	16.6	3,181	(6.8)	Clinker shortage for the company to result in soft volume
EBITDA	317	45	599.0	197	60.9	Moderate improvement in Northern and Central realisations to drive pricing
EBITDA Margin (%)	10.7	1.8	890	6.2	450	Better pricing and fuel led cost savings to lead to improvement
PAT	32	(153)	(120.9)	16.7	91.2	
HeidelbergCement India						
Revenue	5,233	5,369	(2.5)	5,347	(2.1)	Dismal demand to result in lacklusture volume
EBITDA	1,221	1,160	5.3	1,162	5.1	Firm realisation trend in Central region to lead to higher realisation
EBITDA Margin (%)	23.3	21.6	173	21.7	161	Steady pricing and cost savings to result in strong earnings
PAT	651	511	27.5	609.0	7.0	
Sagar Cements						
Revenue	3,342	2,749	21.6	3,658	(8.6)	Capacity expansion results in YoY volume growth amid demand slowdown
EBITDA	658	364	80.5	618	6.5	Strong realisation in Southern and Western to drive pricing growth
EBITDA Margin (%)	19.7	13.3	642	16.9	280	Healthy pricing and cost savings measures to drive strong EBITDA/tonne
PAT	210	58	260.2	187.5	11.8	

Continued...

1QFY20 Results Preview

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Building Material - 1QFY20 Results Preview

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	
Kajaria Ceramics						
Revenue	6,884	6,570	4.8	7,586	(9.2)	Slowdown in ecoomy to result in moderate volume growth
EBITDA	982	968	1.4	1,208	(18.8)	Soft realisation and low utilisation to result in muted growth
EBITDA Margin (%)	14.3	14.7	(48)	15.9	(167)	
PAT	518	454	14.1	658.9	(21.4)	Lower tax compared to last year to aid YoY profit growth
Somany Ceramics						
Revenue	3,849	3,602	6.9	5,150	(25.3)	Consumption slowdown to result in moderate growth
EBITDA	355	196	81.2	515	(31.1)	Strong YoY improvement is led by better margins and change in product mix
EBITDA Margin (%)	9.2	5.4	378	10.0	(79)	
PAT	186	84	121.9	197.7	(5.9)	

Source: Company, RSec Research

1QFY20 Results Preview

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Capital Goods - 1QFY20 Results Preview

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Comments
ABB India						
Revenue	19,092	27,127	(29.6)	18,503	3.2	▶ We expected Revenue (ex Power grid) to grow by 17% YoY to Rs19.1 bn in 2Q CY19 led by better performance by Robotics & Motion divisions and industrial automation. While PAT is expected to rise by 11.8% YoY to Rs1.14bn, operating margin is likely to improve on the back of continuous focus on cost savings, positive volume growth increased localisation and cost optimisation.
EBITDA	1,366	1,959	(30.3)	1,455	(6.1)	
EBITDA Margin (%)	7.2	7.2	(7)	7.9	-71	
PAT	840	1,022	(17.8)	890	(5.7)	
Crompton Greaves Consumer						
Revenue	13,669	12,039	13.5	12,069	13.3	▶ Revenue is expected to grow by 13% YoY to Rs13.7bn led by higher volume in ECD segment driven by strong focus on B2C business. However, revenue of lighting segment is expected to decline owing to lower volume. Margin is likely to expand led by improved margin in both Electrical Consumer Durable and Lighting Products business.
EBITDA	1,965	1,673	17.5	1,685	16.6	
EBITDA Margin (%)	14.4	13.9	49	14.0	41	
PAT	1,233	1,043	18.3	1,132	9.0	
Kalpataru Power Transmission						
Revenue	15,488	13,249	16.9	24,914	(37.8)	▶ Revenue is expected to increase by 17% YoY to Rs15.5bn led by strong execution in T&D, Railway and Pipeline business. While JMC Project's PAT is expected to grow significantly driven by margin expansion and higher other income, Shree Shubham Logistics' (SSL) revenue is likely to rise led by higher utilisation.
EBITDA	1,781	1,571	13.4	2,664	(33.1)	
EBITDA Margin (%)	11.5	11.9	(35)	10.7	81	
PAT	944	810	16.5	1,369	(31.1)	
KEC International						
Revenue	23,884	21,043	13.5	26,466	(9.8)	▶ Revenue is expected to grow by 14% YoY to Rs23.9 bn led by strong growth in Railway, Civil and Solar business. PAT is expected to surge by 17% YoY to Rs1bn led by strong execution and lower depreciation. We expect EBITDA margin to decline by 20bps YoY to 10.1% owing to higher input cost and other expenses.
EBITDA	2,412	2,163	11.5	2,814	(14.3)	
EBITDA Margin (%)	10.1	10.3	(18)	10.6	-53	
PAT	1,000	853	17.3	1,109	(9.8)	

Continued…

1QFY20 Results Preview

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Capital Goods - 1QFY20 Results Preview

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Comments
Havells India						
Revenue	30,998	25,349	22.3	27,519	12.6	▶ We expect Havells to report revenue growth of 19% YoY to Rs31bn driven by 25% growth electrical consumer durable business and 18% growth in Lighting & fixtures segment. EBITDA margin to remain flat YoY at 12.0%. PAT is expected to increase by 21% YoY to Rs2.5bn.
EBITDA	3,722	3,577	4.0	3,228	15.3	
EBITDA Margin (%)	12.0	14.1	(211)	11.7	27	
PAT	2,542	2,348	8.2	2,068	22.9	
Engineers India						
Revenue	6,809	5,733	18.8	6,126	11.1	▶ Revenue is expected to grow by 19% YoY at Rs6.8bn led by strong pick up in turnkey segment on low base. Consultancy revenue is expected to grow by 10%. EBITDA margin is expected to improve to 15.4% up 30bps YoY led by higher margin in Consultancy segment. PAT is likely to improve by 21% YoY at Rs1.45 bn.
EBITDA	1,047	864	21.3	933	12.2	
EBITDA Margin (%)	15.4	15.1	32	15.2	15	
PAT	1,045	866	20.6	949	10.1	
Blue Star						
Revenue	17,125	15,089	13.5	15,958	7.3	▶ We expect Blue Star to report revenue of Rs17.2 bn, up 14% YoY led by strong growth of unitary products segment. EBITDA margin is expected to remain at 9.3% up 20 bps YoY led by higher margin in Unitary predicts segment. We expect the company to report PAT of Rs933 mn up 22% y-y.
EBITDA	1,594	1,377	15.7	1,094	45.6	
EBITDA Margin (%)	9.3	9.1	18	6.9	245	
PAT	933	764	22.1	825	13.2	

Continued…

1QFY20 Results Preview

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Capital Goods - 1QFY20 Results Preview

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Comments
Voltas						
Revenue	25,064	21,481	16.7	20,628	21.5	▶ The demand for room AC market was strong in 1Q FY20 led by favourable weather conditions which is expected to positively impact the revenue in Q1FY20 for UCP segment. We expect Voltas to report revenue of Rs25.1 bn, up 17% YoY led by 15% growth in EMPS segment, and 20% growth in UCP segmen. Margins for the EMPS segment to decline to 7.4% from 10.2% in YoY due to high base. UCP margin to increase by 30bps to 12.8%. We expect Voltas to report muted PAT growth of 7% at Rs2 bn led by muted performance of EMPS segment.
EBITDA	2,473	2,432	1.7	1,443	71.4	
EBITDA Margin (%)	9.9	11.3	(145)	7.0	287	
PAT	1,933	1,871	3.3	1,417	36.4	
Larsen & Toubro						
Revenue	313,173	282,835	10.7	449,340	(30.3)	▶ We expect L&T to report revenue of Rs313 bn, up 11% YoY led by strong growth in core infra segment. Services businesses are expected to grow healthy at 15%. On the operating performance, we expect margin at 10.5%, up 20 bps y-y and thus PAT at Rs16.5 bn, up 12% y-y. L&T's announce order inflow during 1Q FY20 has decline by 10% YoY to Rs258 bn.
EBITDA	32,883	29,133	12.9	55,991	(41.3)	
EBITDA Margin (%)	10.5	10.3	20	12.5	-196	
PAT	16,467	14,720	11.9	34,182	(51.8)	

Source: Company, RSec Research

1QFY20 Results Preview

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Consumer - 1QFY20 Preview Table

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Result expectations
Britannia Industries						
Revenue	27,863	25,272	10.3	27,640	0.8	We estimate 5% volume and 5% price growth
EBITDA	4,014	3,894	3.1	4,366	(8.1)	Gross margins to expand to be offset by higher operating expenses.
EBITDA Margin (%)	14.4	15.4	(100)	15.8	(139)	Margins to compress due to higher expenses.
PAT	2,780	2,581	7.7	2,948.7	(5.7)	Earnings growth to be muted.
Colgate Palmolive India						
Revenue	11,071	10,336	7.1	11,466	(3.4)	We estimate 4% volume growth and 3% pricing growth.
EBITDA	2,909	2,816	3.3	3,104	(6.3)	Muted EBITDA growth
EBITDA Margin (%)	26.3	27.2	(97)	27.1	(80)	Higher input cost to result margins compression
PAT	1,765	1,666	5.9	2,000.1	(11.7)	Earnings growth in line with revenue growth.
Dabur India						
Revenue	22,072	20,807	6.1	21,282	3.7	We estimate 4% volume and 2% price growth
EBITDA	4,268	3,861	10.5	4,572	(6.7)	Operating leverage and cost controls to result strong EBITDA growth
EBITDA Margin (%)	19.3	18.6	78	21.5	(215)	Margins likley to expand yoy
PAT	3,431	3,300	4.0	3,715.5	(7.7)	Lower other income and higher tax rate to result lower earnings growth
HUL						
Revenue	103,537	94,870	9.1	99,440	4.1	We estimate 6% volume growth and 3% price growth.
EBITDA	25,352	22,510	12.6	23,200	9.3	Operating leverage led EBIDTA growth.
EBITDA Margin (%)	24.5	23.7	76	23.3	116	Cost savings measure to lead EBITDA margins expansions.
PAT	17,457	15,290	14.2	15,370	13.6	Earnings growth remains robust.

Continued...

1QFY20 Results Preview

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Consumer - 1QFY20 Preview Table

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Result expectations
ITC						
Revenue	113,774	105,547	7.8	118,502	(4.0)	We estimate 4% volume growth and 5% price growth for the cigarettes business.
EBITDA	46,085	42,021	9.7	45,717	0.8	Healthy EBIDTA growth helped by cigarettes and FMCG business
EBITDA Margin (%)	40.5	39.8	69	38.6	193	Controlled expenditure to result margins expansions.
PAT	31,423	28,187	11.5	34,819.0	(9.8)	Operating leverage to result higher growth in earnings.
Jubilant FoodWorks						
Revenue	9,469	8,551	10.7	8,652	9.4	We estimate SSSG of 6% for the quarter on higher base
EBITDA	1,574	1,421	10.8	1,476	6.6	EBITDA growth in line with revenue.
EBITDA Margin (%)	16.6	16.6	1	17.1	(44)	Gross margins gains are likely to offset by higher other expenses.
PAT	836	747	12.0	818.9	2.1	Earnings growth in line with revenue & EBITDA growth
Marico Industries						
Revenue	21,889	20,268	8.0	16,090	36.0	We estimate volume growth of 8% despite higher base.
EBITDA	4,416	3,549	24.4	2,830	56.0	Lower input prices to result gross profits growth
EBITDA Margin (%)	20.2	17.5	266	17.6	258	Operating leverage to result EBITDA margins expansion
PAT	3,158	2,599	21.5	2,180.0	44.9	Healthy earnings growth yoy
Nestle India						
Revenue	29,396	26,786	9.7	29,824	(1.4)	Higher single digit revenue growth led by domestic business
EBITDA	6,977	6,648	5.0	7,495	(6.9)	Higher cost of raw material to result muted EBITDA growth
EBITDA Margin (%)	23.7	24.8	(108)	25.1	(139)	EBIDTA margins to compress
PAT	4,352	3,978	9.4	4,632.8	(6.1)	Earnings growth in line with revenue growth.

Continued...

1QFY20 Results Preview

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Consumer - 1QFY20 Preview Table

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Result expectations
Asian Paints						
Revenue	49,742	43,903	13.3	50,182	(0.9)	We estimate 10% volume and 3% price growth
EBITDA	8,770	8,744	0.3	8,230	6.6	Gross margins to decline on higher input costs & deterioting product mix.
EBITDA Margin (%)	17.6	19.9	(229)	16.4	123	Higher staff and other expenditure to impact margins.
PAT	5,256	5,599	(6.1)	4,874.5	7.8	Higher depriciation cost to impact earnings.
Titan Company						
Revenue	53,727	43,189	24.4	46,721	15.0	Strong growth in Jewellery and Watch divisions
EBITDA	6,486	4,953	31.0	5,726	13.3	Inventory gains to result gross margins expansions
EBITDA Margin (%)	12.1	11.5	60	12.3	(18)	Operating leverage to result EBITDA margins gains
PAT	4,536	3,492	29.9	4,340.4	4.5	Earnings growth in line with EBIDTA growth

Source: RSec Research

1QFY20 Results Preview

Institutional Equity Research

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Infrastructure - 1QFY20 Preview Table

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Result expectations
H.G. Infra Engineering						
Revenue	5,350	4,502	18.8	5,800	(7.8)	Strong order book and sustained execution to drive revenue growth
EBITDA	803	671	19.6	932	(13.9)	
EBITDA Margin (%)	15.0	14.9	10	16.1	-107	Margins are expected to be under guidance range of the company
PAT	312	270	15.5	367.4	(15.1)	Strong revenue booking and healthy margins to result in YoY earnings growth
NBCC India						
Revenue	19,500	16,335	19.4	23,776	(18.0)	Robust order book to drive YoY revenue growth despite slowdown in Delhi redevelopment projects
EBITDA	897	629	42.6	1,788	(49.8)	
EBITDA Margin (%)	4.6	3.9	75	7.5	(292)	Better margins from PMC to drive YoY margins improvement
PAT	863	677	27.5	1,528	(43.5)	Healthy revenue and margins to resulted in decent yoy profit growth
NCC						
Revenue	27,800	23,596	17.8	33,889	(18.0)	Robust order book to drive strong YoY revenue growth
EBITDA	3,197	2,678	19.4	3,977	(19.6)	
EBITDA Margin (%)	11.5	11.3	15	11.7	(23)	Margins is considered as per the guidance of management
PAT	1,285	1,037	24.0	1,820.0	(29.4)	Strong revenue booking to drive yearly earnings growth
KNR Constructions						
Revenue	6,100	5,564	9.6	7,157	(14.8)	Commencement of HAM projects to aid revenue
EBITDA	1,007	1,099	(8.4)	1,441	(30.2)	
EBITDA Margin (%)	16.5	19.7	(325)	20.1	(363)	Margins are considered as per the guidance of the Management
PAT	575	740	(22.3)	938.3	(38.8)	Lower margins to result in earnings de-growth
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1QFY20 Results Preview

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Infrastructure- 1QFY20 Preview Table

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Result expectations
Ahluwalia Contracts						
Revenue	4,600	4,039	13.9	4,874	(5.6)	Execution ramp up from key projects viz- Delhi re-deveopment projects to aid revenue
EBITDA	598	526	13.8	567	5.5	
EBITDA Margin (%)	13.0	13.0	(1)	11.6	137	Margin is expected to remain in guided range of management at 13%-13.5%
PAT	335	282	19.0	309.9	8.2	Healthy revenue to drive earnings growth
J.Kumar Infraprojects						
Revenue	7,400	6,184	19.7	9,680	(23.6)	Consistent traction in metro projects execution to drive yoy growth
EBITDA	1,147	1,000	14.8	1,341	(14.4)	margins should improve qoq led by high margin contribution of works
EBITDA Margin (%)	15.5	16.2	(66)	13.8	165	
PAT	443	402	10.3	573.2	(22.6)	

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IT - 1QFY20 Results Preview

Company	1QFY20E	4QFY19	QoQ %	1QFY19	YoY %	Comments
IT Coverage Universe						
Tata Consultancy Services						
Revenue (US$ mn)	5,532	5,397	2.5	5,051	9.5	USD revenue growth to come in at 2.5% QoQ, with CC growth likely at 2.8% QoQ, USD strength to lead to 33 bps adversde impact on reported USD numbers, margins to decline on INR appreciation, wage hikes, visa cost and investments in the business **Key factors to watch –** FY20 outlook, BFSI, Retail growth, IT budget trends for CY19, margin outlook in light of cost headwinds, order wins.
Revenue (INR bn)	384.8	380.1	1.2	342.6	12.3	
EBIT (INR bn)	92.0	95.4	(3.5)	85.8	7.3	
EBIT margin (%)	23.9	25.1	(118bps)	25.0	(113bps)	
EPS (INR)	21.1	21.7	(2.7)	19.2	9.9	
Infosys						
Revenue (US$ mn)	3,121	3,060	2.0	2,831	10.3	USD revenue to rise 2% QoQ, CC revenue growth likely at 2.3% QoQ; margins to decline on INR appreciation, wage hikes and investments **Key factors to watch –** maintenance of guidance for FY20E, BFSI and Retail growth outlook, order wins.
Revenue (INR bn)	217.1	215.4	0.8	191.3	13.5	
EBIT (INR bn)	43.9	46.2	(4.9)	45.4	(3.2)	
EBIT margin (%)	20.2	21.4	(122bps)	23.7	(350bps)	
EPS (INR)	9.0	9.4	(3.3)	8.3	9.0	
Wipro*						
Revenue (US$ mn)	2,073	2,076	(0.1)	1,989	4.3	USD revenue to decline marignally, CC revenue to rise 0.1% QoQ; IT EBIT margin to trend flat-to-lower **Key factors to watch –** Financial Services outlook, 2QFY20 rev growth guidance, IT budget commentary.
Revenue (INR bn)	149.4	150.1	(0.5)	139.8	6.9	
EBIT (INR bn)	24.7	25.5	(3.2)	20.0	23.2	
EBIT margin (%)	16.5	17.0	(46bps)	14.3	219bps	
EPS (INR)	4.1	4.1	(1.1)	3.5	17.3	
HCL Technologies						
Revenue (US$ mn)	2,323	2,278	2.0	2,055	13.1	USD revenue growth is pegged at 2% QoQ (2.4% QoQ in CC terms), margin is likely to trend lower on currency, investments and one-time costs. **Key factors to watch -** Reiteration of FY20 guidance (organic and including IBM products), digital growth, margin outlook, amortisation costs for products.
Revenue (INR bn)	161.6	159.9	1.1	138.8	16.5	
EBIT (INR bn)	28.1	30.4	(7.5)	27.3	3.0	
EBIT margin (%)	17.4	19.0	(161bps)	19.7	(228bps)	
EPS (INR)	17.2	18.7	(7.7)	17.5	(1.4)	

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1QFY20 Results Preview

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IT - 1QFY20 Results Preview

Company	1QFY20E	4QFY19	QoQ %	1QFY19	YoY %	Comments
IT Coverage Universe						
Tech Mahindra						
Revenue (US$ mn)	1,264	1,268	(0.3)	1,224	3.3	USD revenue is likely to decline 0.3% QoQ (0% QoQ in CC terms) in a seasonally weak quarter, while margin is likely to fall on INR appreciation, wage hikes and visa cost.
Revenue (INR bn)	87.9	88.9	(1.1)	82.8	6.2	
EBIT (INR bn)	12.0	13.7	(12.1)	10.8	11.8	**Key factors to watch -** Telecom growth, any comments on 5G-related developments, Enterprise outlook and CY19 IT budget outlook.
EBIT margin (%)	13.7	15.4	(171bps)	13.0	68bps	
EPS (INR)	11.2	12.6	(11.2)	10.1	10.9	
Mindtree						
Revenue (US$ mn)	265	262	1.3	242	9.9	USD rev to rise 1.3% QoQ, CC growth likely at 1.4% QoQ; margins to decline on INR appreciation, wage hikes, business investments
Revenue (INR bn)	18.5	18.4	0.3	16.4	12.6	
EBIT (INR bn)	2.0	2.4	(13.9)	1.9	7.1	**Key factors to watch –** new promoter L&T's plans to grow the business and prevent attrition, outlook for BFSI vertical, TCV deal wins.
EBIT margin (%)	11.1	12.9	(183bps)	11.6	(57bps)	
EPS (INR)	10.5	12.1	(13.1)	9.6	8.8	
Cyient						
Revenue (US$ mn)	166	165	0.7	161	3.4	USD rev to rise 0.7% QoQ (1.2% in CC terms) on slow growth and issues in AERO business, lower DLM revenue; margins to decline on INR appreciation, wage hikes
Revenue (INR mn)	11.6	11.6	(0.5)	10.8	7.1	
EBIT (INR mn)	1.4	1.5	(9.2)	1.0	31.2	**Key factors to watch -** AERO business outlook in light of recent issues, FY20 growth and margin outlook, order book trend.
EBIT margin (%)	11.7	12.8	(112bps)	9.5	215bps	
EPS (INR)	11.0	15.7	(29.6)	7.3	50.8	

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1QFY20 Results Preview

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IT - 1QFY20 Results Preview

Company	1QFY20E	4QFY19	QoQ %	1QFY19	YoY %	Comments
IT Coverage Universe						
Hexaware Technologies**						
Revenue (US$ mn)	191	180	6.2	168	13.5	USD revenue likely to rise 6.2% QoQ, CC revenue 6.4% QoQ aided by acquisition of Mobiquity (15 days), margins to see dip on INR appreciation **Key factors to watch –** revised CY20 growth and margin outlook post acquisition, key vertical outlook, client specific issue updates.
Revenue (INR bn)	13.3	12.6	5.2	11.4	16.9	
EBIT (INR bn)	1.7	1.7	(0.0)	1.6	9.2	
EBIT margin (%)	13.1	13.8	(68bps)	14.0	(92bps)	
EPS (INR)	4.9	4.6	6.2	5.1	(4.5)	
Persistent Systems						
Revenue (US$ mn)	120	118	1.8	124	(2.6)	USD rev to grow 1.8% QoQ, margins to rise on low base despite INR appreciation, investments **Key factors to watch -** FY20 outlook, new CEO growth strategy in relation to IBM partnership and Enterprise business.
Revenue (INR bn)	8.4	8.3	0.7	8.3	0.4	
EBIT (INR bn)	1.0	0.9	17.9	1.0	4.8	
EBIT margin (%)	12.5	10.7	182bps	12.0	53bps	
EPS (INR)	11.1	10.7	3.9	10.9	1.6	
eClerx Services						
Revenue (US$ mn)	52	51	2.0	49	6.1	USD revenue likely to grow 2% QoQ, margins to decline on INR appreciation **Key factors to watch –** growth recovery time frame, margin outlook.
Revenue (INR bn)	3.6	3.7	(0.5)	3.5	3.2	
EBIT (INR bn)	0.6	0.7	(4.5)	0.7	(4.0)	
EBIT margin (%)	17.9	18.6	(75bps)	19.2	(134bps)	
EPS (INR)	15.7	15.6	0.8	15.7	0.2	

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1QFY20 Results Preview

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IT - 1QFY20 Results Preview

Company	1QFY20E	4QFY19	QoQ %	1QFY19	YoY %	Comments
IT Coverage Universe						
Majesco Limited						
Revenue (US$ mn)	38	37	2.7	34	12.8	USD revenue is likely to grow by 2.7% QoQ led by Cloud **Key factors to watch -** FY20 outlook, order book, new client growth and progress on IBM sell-with strategy.
Revenue (INR bn)	2.6	2.6	0.7	2.3	14.8	
EBIT (INR bn)	0.2	0.1	25.1	0.2	5.7	
EBIT margin (%)	6.2	5.0	120bps	6.7	(53bps)	
EPS (INR)	3.9	3.0	27.8	4.1	(5.1)	
Sonata Software						
IITS Revenue (US$ mn)	45	44	4.0	38	19.7	USD revenue growth likely at 4% QoQ in the IITS business aided by traction in key verticals and full consolidation of acquisitions, IITS margin to see flattish trend on investments, INR appreciation **Key factors to watch –** FY20 revenue, margin outlook, key client growth, OPD vertical growth recovery.
Cons. Revenue (INR bn)	8.3	8.4	(0.2)	6.9	21.2	
Cons. EBIT (INR bn)	0.8	0.8	0.6	0.7	20.6	
EBIT margin (%)	10.2	10.1	8bps	10.2	(5bps)	
EPS (INR)	6.2	6.2	(0.4)	5.5	12.9	
** Revenue in USD terms refers to combined IT service revenue, while in INR terms it refers to consolidated revenue, ** Hexaware has a December-ending FY; thus, 4QFY19E=1QCY19E*						
Others						
Central Depository Services (India)						
Cons. Revenue (INR bn)	0.5	0.5	(1.4)	0.5	10.0	Expect 10% YoY revenue growth, margins to be impacted by slow revenue growth, high fixed cost structure **Key factors to watch -** Growth outlook given volatile market conditions, progress on new business initiatives like commodity and academic repository.
Cons. EBIT (INR bn)	0.2	0.3	(2.1)	0.2	7.3	
EBIT margin (%)	50.0	50.3	(34bps)	51.3	(126bps)	
EPS (INR)	2.4	3.2	(25.0)	2.1	15.0	

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Oil & Gas - 1QFY20 Results Preview

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Comments
Petronet LNG						
Revenue	91,344	91,692	(0.4)	83,832	9.0	▶ **Net Sales- YoY basis**: Fall in net sales mainly due to 1)Total reagsification volume estimated to be 215Tbtu (down 3% YoY), 2) Lower crude linked gas prices and 3) Rise in tariffs 5%. **QoQ basis:** 5% up in regasification volume
EBITDA	9,043	9,344	(3.2)	6,272	44.2	▶ **EBITDA- YoY basis:** Higher employee cost and higher other expense to drag the EBITDA. **QoQ basis:** we do not expect any inventory losses as spot prices are near to $4.4/mmbtu at end of 1QFY20
EBITDA Margin (%)	9.9	10.2	(29)	7.5	242	
PAT	5,815	5,870	(0.9)	4,402.0	32.1	▶ **Profit- YoY basis:** Despite fall in EBITDA higher other income & lower finance cost have arrested fall in net profit
GAIL						
Revenue	175,237	172,986	1.3	187,639	(6.6)	▶ **Net Sales- YoY basis:** Higher natural gas transmission and gas trading volume 109/ 98mmscmd to support revenue growth. While LPG & Petchem plant utilisation to improve but revenue would be impacted by lower LPG & Petchem prices
EBITDA	19,873	22,436	(11.4)	16,841	18.0	
EBITDA Margin (%)	11.3	13.0	(163)	9.0	237	▶ **EBITDA- YoY basis:** Petchem, LPG production and NG trading to lead fall in EBITDA as PE margins were under pressure, LPG pricses were lower while source gas price increased and in lower spot LNG price enviorment we expect a pressure on gas trading margins
PAT	10,908	12,593	(13.4)	11,222	(2.8)	
BPCL						
Revenue	868,446	824,309	5.4	839,417	3.5	▶ **EBITDA-YoY basis:** We expect lower GRM of $3.0/bbl (incl inventory loss) but Net marketing margins on petrol & Diesel are improved to Rs0.2/2.20 per litre overall EBITDA would be lower. **QoQ basis** BPCL reported Super normal marketing margins in 4QFY19 (Rs4.0/lt) on auto fuel, we expect muted GRM and lower marketing margins to drag EBITDA
EBITDA	21,643	38,752	(44.1)	48,050	(55.0)	
EBITDA Margin (%)	2.5	4.7	(221)	5.7	(323)	▶ **Profit- YoY basis:** Higher depreciation on full commissioing of Kochi refinery and rise in interest cost on account of delay in receivables (fuel subsidy). On **QoQ basis** BPCL received dividend income in 4QFY19 (higher other income), lower other income to drag profit.
PAT	9,681	22,933	(57.8)	31,249	(69.0)	
Mahanagar Gas						
Revenue	7,610	6,193	22.9	7,225	5.3	▶ **Net Sales -YoY basis:** Price hike in CNG & PNG likley to incrase in net sales and we expect 4% volume growth. **QoQ basis** we expect 1% volume growth price hike during Apr'19 to improve net sales
EBITDA	2,194	2,109	4.0	2,140	2.5	
EBITDA Margin (%)	28.8	34.1	(522)	29.6	(79)	▶ **EBITDA- YoY & QoQ basis**: As guided by company on rise in cost (employee + other expense) to impact on EBITDA
PAT	1,336	1,283	4.1	1,335	0.1	▶ **Profit YoY basis:** Slightly higher depreciation amount on commissioning of new CNG stations during the quarter

Source: Company, RSec Research

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Pharma - 1QFY20 Results Preview

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Comments
Sun Pharma						
Revenue	82,719	72,242	14.5	71,639	15.5	▶ Sales growth of 14% YoY due to growth in US business (low base in 1QFY19; 13% YoY). Flattish QoQ growth in Taro sales. We expect domestic business to grow by 3% YoY on high base and slowdown in overall market. EBITDA is expected to be at 21% (vs. 22% in 1QFY19)
EBITDA	17,343	16,063	8.0	10,668	62.6	
EBITDA Margin (%)	21.0	22.2	-127 bps	14.9	607 bps	▶ **Key Factors to Watch Out For:** Outlook on US/India business, update on ramp-up in recently launched specialty products, and competitive landscape for Taro products in the US.
PAT	10,116	9,822	3.0	6,359	59.1	
Lupin						
Revenue	45,787	38,559	18.7	44,063	3.9	▶ Expect strong performance (YoY) in 1QFY19 on account of low base in 1QFY19. US business (+40% YoY to US$235mn) led by niche launches and ramp-up in its branded drug Solosec. India business is expected to report healthy growth of 11%. EBITDA margin is expected to expand by 468bps YoY to 18.4% on low base.
EBITDA	8,402	5,270	59.4	8,723	(3.7)	
EBITDA Margin (%)	18.4	13.7	468 bps	19.8	-145 bps	▶ **Key Factors to Watch Out For:** Outlook on new launches in the US market, outlook on India/US and Japan business. Update USFDA pending issues and ramp-up in specialty product Solosec
PAT	2,982	2,028	47.1	2,873	3.8	
Cipla						
Revenue	45,056	39,390	14.4	44,040	2.3	▶ We expect healthy growth on YoY basis while muted performance on QoQ basis. Expect US business at US$160mn in 1QFY19 (vs US$163mn in 4QFY19 and US$100mn in 1QFY19) due to contribution from gSensipar. Domestic business is expected to grow by 9% YoY. EBITDA margin is likely to expand by 344bps YoY to 21.9% due to contribution from high margin gSensipar.
EBITDA	9,859	7,264	35.7	9,610	2.6	
EBITDA Margin (%)	21.9	18.4	344 bps	21.8	6 bps	▶ **Key Factors to Watch Out For:** Outlook on the US/India businesses.
PAT	4,845	3,666	32.2	5,108	(5.2)	

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Pharma - 1QFY20 Results Preview

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Comments
Cadila Healthcare						
Revenue	38,865	28,937	34.3	37,328	4.1	▶ Strong sales and EBITDA growth is expected in 1QFY20 due to revenue contribution from consumer business (Heinz acquisition). US business to report growth of 42% YoY due to low base in 1QFY19 while 2% QoQ. India business is expected to grow at 9% YoY. EBITDA margin is likely to be stable at 21%. ▶ **Key Factors to Watch Out For:** Outlook on the US business and new launches, Update on Moraiya plant (pending Form 483), outlook on India business, and outlook on margin.
EBITDA	8,223	6,450	27.5	8,004	2.7	
EBITDA Margin (%)	21.2	22.3	-113 bps	21.4	-29 bps	
PAT	5,058	4,605	9.8	4,601	9.9	
Aurobindo Pharma						
Revenue	52,220	42,503	22.9	52,922	(1.3)	▶ Strong revenue growth is expected at 23% YoY led by Europe business (integration of Apotex acquisition) and US business (+32% YoY) led by ramp-up in existing products (including injectables) and low base in 1QFY19 (gRenvela). EBITDA margin is seen to stabilise at ~20% owing to healthy US business. ▶ **Key Factors to Watch Out For:** Outlook on the US business and new launches, update on debt repayment and pending USFDA issues.
EBITDA	10,502	7,792	34.8	10,603	(1.0)	
EBITDA Margin (%)	20.1	18.3	178 bps	20.0	7 bps	
PAT	5,901	5,238	12.6	6,240	(5.4)	
Glenmark Pharmaceuticals						
Revenue	24,659	21,656	13.9	25,635	(3.8)	▶ We expect sales growth of 14% YoY on account of low base YoY. US sales flat on QoQ (+5% YoY). Domestic business is expected to report 9% growth YoY (8% QoQ). EBITDA is likely to be flat at ~15%. ▶ **Key Factors to Watch Out For:** Outlook on the US and India business, update on progress of NCE/NBE pipeline/ out-licensing opportunity and update on debt repayment.
EBITDA	3,782	3,469	9.0	3,991	(5.3)	
EBITDA Margin (%)	15.3	16.0	-68 bps	15.6	-23 bps	
PAT	1,689	2,228	-24.2	1,533	10.1	

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Pharma - 1QFY20 Results Preview

Company (Rs mn)	Jun-19E	Jun-18	YoY (%)	Mar-19	QoQ (%)	Comments
Ajanta Pharma						
Revenue	5,383	5,110	5.3	5,152	4.5	▶ Weak sales performance is expected owing to decline in African institutional sales. India business is expected to show muted growth on YoY basis while 13% QoQ growth due to weak number in 4QFY19. African business is likely to decline due to weak institutional anti-malarial sales. EBITDA margin is likely to improve by 129bps QoQ.
EBITDA	1,397	1,575	-11.3	1,271	10.0	
EBITDA Margin (%)	26.0	30.8	-486 bps	24.7	129 bps	
PAT	926	1,058	-12.5	889	4.2	▶ **Key Factors to Watch Out For:** Outlook on India and US business and outlook on EBITDA margin.
Torrent Pharma						
Revenue	19,543	18,720	4.4	18,560	5.3	▶ We expect muted sales and EBITDA growth while EBITDA margin to remain stable at ~25% YoY. We expect US business is seen at US$50mn vs. US$50mn in 1QFY19. India business is likely to grow by 13% QoQ weak number in 4QFY19.
EBITDA	4,972	4,770	4.2	4,730	5.1	
EBITDA Margin (%)	25.4	25.5	-4 bps	25.5	-4 bps	▶ **Key Factors to Watch Out For:** Outlook on India and US business and outlook on EBITDA margin.
PAT	2,298	1,630	41.0	2,050	12.1	
Alkem Laboratories						
Revenue	18,312	16,590	10.4	18,542	(1.2)	▶ We expect sales growth of 10% YoY. US sales at US$65mn (vs US$68mn in 4QFY19). India business expected to grow by 12% YoY while flattish QoQ. EBITDA margin is seen at 16% (vs. 13% in 4QFY19 and 12% in 1QFY19) led by improvement in India business.
EBITDA	2,926	2,038	43.6	2,350	24.5	
EBITDA Margin (%)	16.0	12.3	369 bps	12.7	330 bps	▶ **Key Factors to Watch Out For:** Outlook on India and US business and outlook on EBITDA margin.
PAT	2,045	1,362	50.2	1,673	22.2	

Source: Company, RSec Research

1QFY20 Results Preview

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NAVEEN KULKARNI

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Rating Guides

Rating	Expected absolute returns (%) over 12 months
BUY	>10%
HOLD	-5% to 10%
REDUCE	>-5%

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