BFSI to remain key driver in a muted quarter...

October 7, 2019

Overall economic slowdown in the domestic and global economies is likely to reflect on the performances of I-direct coverage universe. The universe (ex-BFSI) is likely to register revenue and PAT de-growth of 4.6% and 7.6% respectively. Sectors such as Auto, Metals, Oil & Gas and Construction are likely to register negative revenue growth. On the other hand, sectors such as Capital Goods, Healthcare, IT, FMCG are likely to report decent numbers. In case of Sensex companies, the consolidated top line is likely de-grow at 3.5% whereas the bottom line is expected to grow at 7.5%, largely aided by BFSI.

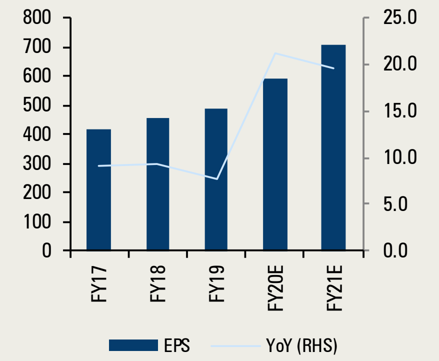
The BFSI sector is likely to continue with healthy performances driven by steady advances growth and sturdy NIMs. We expect coverage companies to deliver healthy NII growth of 17.7% YoY, with both private and public sector banks likely to deliver strong performance (NII growth of 18% and 17% respectively).

Among other positive growth drivers, the FMCG segment, despite rural slowdown, is expected to register sales growth of 7% on the back of 4-6% volume growth on a higher base and 16% PAT growth to be driven by lower raw material prices and lower taxation. In the IT space we expect sales and PAT growth of 8% and 7% respectively on the back of healthy deal pipeline. In the capital goods sector, we expect 9% and 10% sales and PAT growth, respectively on the back of accelerated execution rates at engineering and T&D companies. Similarly in Healthcare, steady domestic and US growth besides exclusivities and consolidation are likely to drive sales and PAT growth of 16% and 12%, respectively. The Consumer Discretionary sector is expected to register sales and PAT growth of 9% and 19% respectively on the back of lower base and inventory build-up at the dealers' level due to early start of festive season compared to last year.

Among draggers, Auto sector is likely to witness de-growth of 17% and 37% in sales and PAT respectively on the back of demand weakness across segments. In case of Metals, de-growth is likely to be 17% and 53% in sales and PAT respectively due to softer global metal prices besides weak demand in the domestic market.

Government's recent announcement of cut in corporate tax rate from ~34% to 25.2% is likely to provide an immediate benefit in the form of increased cash flows to Corporate India that will be either channelised into debt reduction or incremental investments in increasing capacity, going ahead. Also, taxing new production facilities (that come up by 2023) at 15% will enable attraction of global capital and spur a beleaguered investment cycle. **Post the recent cut in corporate taxation, we expect Nifty EPS to grow at a CAGR of 20.3% in FY19-21E.**

Trend in Nifty EPS



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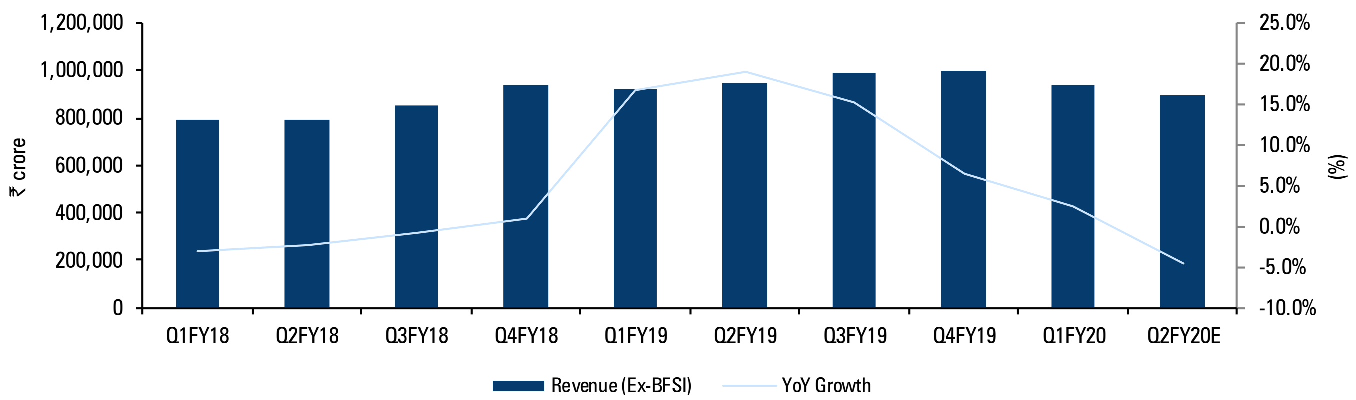
Result Preview – Q1FY20E

ICICI Securities – Retail Equity Research

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



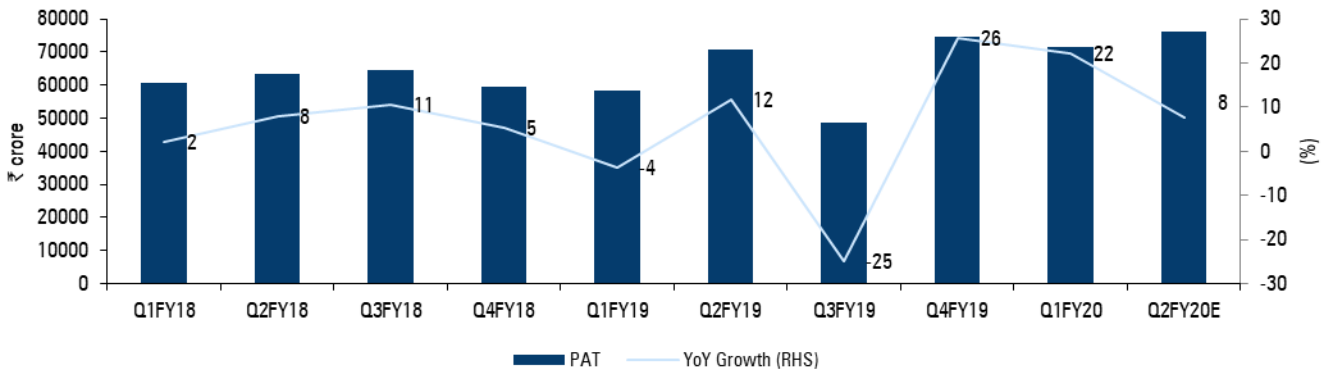
Source: ICICI Direct Research, Company

Performance of Sensex companies

For Q2FY20E, we expect Sensex companies to register YoY 3.5% de-growth in top line as strong growth by banking & financial services sector is likely to be pull down by weakness in Auto, Metals and Oil & Gas sectors. Auto sector continues to face demand challenge specifically in the domestic sales, resulting in pressure in overall sales. Metal companies in the Sensex are likely to be undone by declining global commodity pricing trend and softer demand. On the bright side, Banking will continue to arrest top line fall for Sensex companies, to be driven by steady advances growth and sturdy NIMs. Companies from IT and FMCG space are likely to register decent growth and so will be capitals goods players. Among individual players, HDFC, HDFC Bank, Kotak Mahindra Bank, SBI, L&T, Infosys are likely to be the main drivers. Conversely, Maruti, Tata Motors, Hero Honda, Tata Steel, Coal India among others are likely draggers.

Scenario at the bottom line is likely to be slightly better where the YoY growth is likely to at 7.5%. This positive delta is likely to be on the back of benign commodity prices, lower scalability and shift towards the new favourable tax regime. HDFC, HDFC Bank, SBI, Kotak Mahindra Bank, ITC, L&T, Asian Paints, HUL are likely to be the drivers. On the other hand ONGC, Tata Motors, Maruti, Tata Steel, Coal India are likely laggards.

Exhibit 1: Exhibit 2: Trend in profitability of Sensex companies…



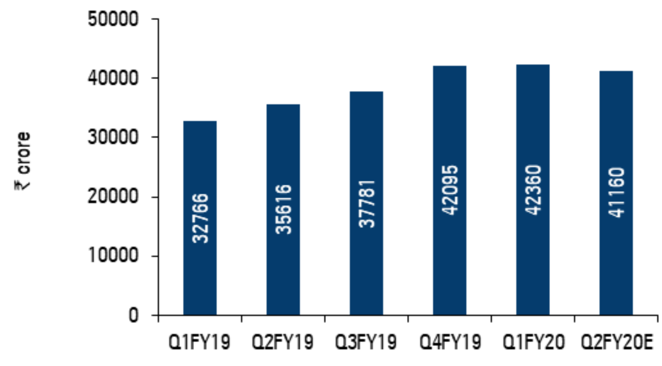
Source: Company, ICICI Direct Research

Coverage growth to be led by BFSI again

Our coverage universe (ex-BFSI) is likely to register revenue and PAT de-growth of 4.6% and 7.6% respectively. Sectors such as Auto, Metals, Oil & Gas and Construction are likely to register negative revenue growth. On the other hand, sectors such as Capital Goods, Healthcare, IT, FMCG are likely to report decent numbers. BFSI will continue to remain a key driver of overall growth of our coverage universe

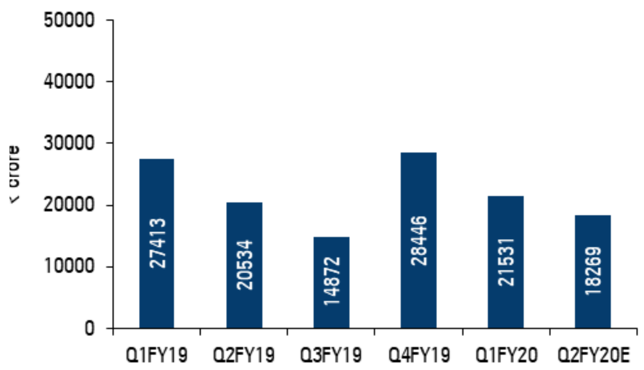
Operationally, the BFSI universe is expected to clock steady performance on the back of credit off-take and sturdy margins, while profitability is expected to surge led by recognition of tax cut. The quarter has witnessed enormous events in the banking space right from large scale consolidation of PSU banks, reduction in corporate tax rate and commencement of external benchmark linked retail loans. Slowdown in auto sector and cautious stance on unsecured lending has kept credit growth lower at 10.4% YoY as of September 13, 2019. Reduction in tax rate is seen to shore up profitability as well as provide impetus to credit revival. However, unfolding of linkage of retail loans with external benchmark and its impact needs to be seen. Delay in resolution of Essar Steel NCLT case and continued addition of corporates to the stressed list (though currently classified as standard) is seen to keep credit cost elevated. However, recognition of legacy NPAs and recovery from one large NCLT account seen to enable banks increase their PCR and report steady NPA. (YoY analysis) (bring Ex 2 Ex 3 charts below this para)

Exhibit 2: Pre provisioning profit (PPP) of banks



Source: Company, ICICI Direct Research

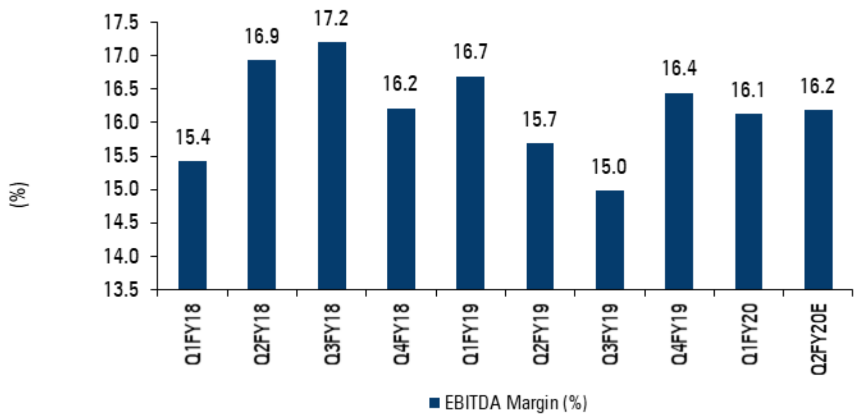
Exhibit 3: Provisions of banks



Source: Company, ICICI Direct Research

The EBITDA margins of the coverage universe (ex-BFSI) is likely to expand 50 bps YoY to 16.2%, also aided by IND AS 116 reporting and cost control measures in selected sector companies.

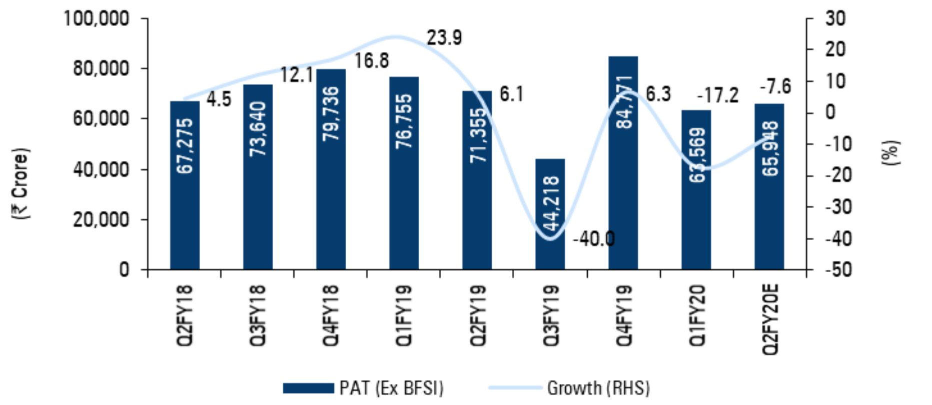
Exhibit 4: Trend in EBITDA margins of I-direct coverage universe (ex- BFSI)



Source: Company, ICICI Direct Research

Negative revenue growth is likely to impact the profitability of I-direct coverage universe, which is expected to report (ex BFSI) de-growth of 7.6% YoY. The pain has been accentuated by steep decline in earnings of Auto, and Metals, Oil& Gas. Excluding these companies, PAT for our coverage is flattish.

Exhibit 5: Trend in coverage PAT



Source: Company, ICICI Direct Research

Defensives: Steady revenue growth to provide cushion

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

Key highlights:

We expect defensives to continue to provide cushion to the universe financials in an otherwise muted quarter. I-direct defensive universe is likely to report 9.5% YoY growth. Further, growth is largely broad based (revenue growth in the range of 10-19%) within the space. Among defensives, Healthcare is likely to post ~16% which is likely to be driven certain one-offs, consolidations and steady growth in the domestic formulations and US base business. Consumer Discretionary sector is likely to grow at 9% on the back of lower base and inventory build-up at the dealers' level due to early start of festive season compared to last year. The FMCG coverage universe is expected to post sales growth of ~7% on the back of 4-6% volume growth on a higher base. Some moderation in FMCG growth is attributable to subdued rural demand.

For the IT companies, this is usually the strongest quarter. However, issues in BFSI, retail and certain client specific challenges (especially in midcap companies) are expected to taper IT companies' revenue growth. Tier-1 IT companies are expected to report revenue growth in the range of 1-6.3% QoQ in constant currency (CC) terms. HCL Tech is likely to lead the pack with 6.3% QoQ growth driven by integration of IBM acquisition though underlying organic growth is likely to be weak at 0.3%. TCS and Infosys are expected to report a steady performance while Wipro is expected to be a laggard. Cross currency could act as a headwind to the tune of 60-80 bps against reported dollar growth mainly on the back of GBP depreciation of 4.1% QoQ vis-à-vis US dollar. Among mid-tier companies, NIIT Tech would lead the dollar growth (6% QoQ) on the back of acquisition integration while the other coverage universe is likely to report muted numbers. On the margins front, margin expansion is on the cards for most companies on the back of absence of headwinds in the form of wage hikes, visa costs etc. Continuous acceleration of digital story and deal flow for many companies is encouraging. Events to be keenly watched would be the management's incremental commentary on banking, financial services (BFS) segment in US, Europe besides trend in backlog, which has been a source of weakness in the last few quarters. On YoY basis the universe is likely to grow at 8.4% on the back of healthy deal pipeline.

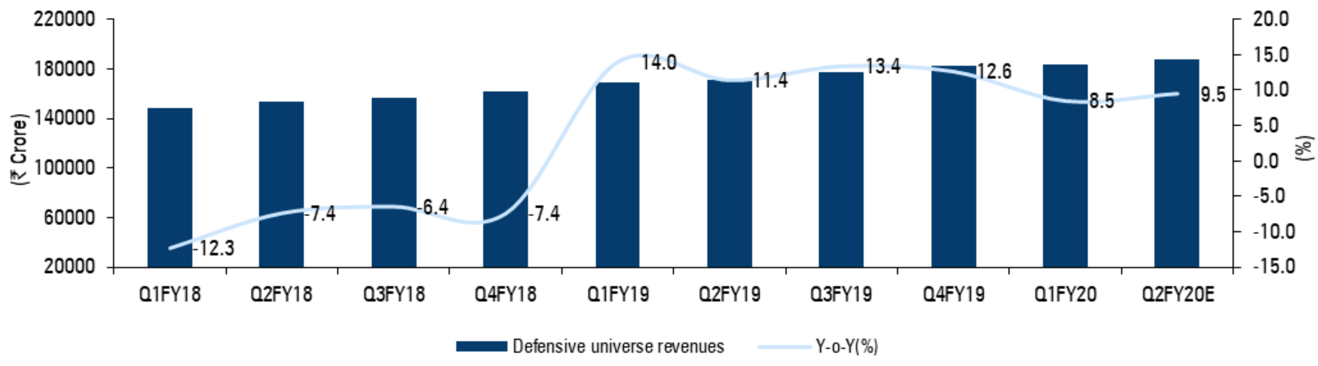
After two quarters of subdued demand, **the I-direct FMCG universe** is expected to witness further moderation in sales as rural demand is under stress on account of lower income at farmer's disposal, impacted by low food inflation. In addition to this, liquidity issues faced by wholesalers are likely to further aggravate demand situation. I-direct FMCG universe is expected to report muted organic volume growth of 4-6% YoY on a high base whereby sales are expected to grow 6.8% YoY. On the bright side, the margins scenario is likely to be better with raw material prices such as crude oil (used for packaging), palm oil, copra, Robusta declining by 18%, 8%, 14% and 20% YoY, respectively. Even sugar prices have remained flat YoY after showing some inflation last quarter. The universe margins are likely to improve 37 bps YoY due to moderation in raw material prices besides select price hikes. We estimate 16.3% YoY net profit growth for our coverage companies mainly on the back of reduction in corporate tax rates.

I-direct consumer discretionary (CD) universe would benefit from a low base and inventory build-up at the dealer level due to early start of the festive season compared to last year. In case of paint companies, while the companies from decorative segment are expected to register ~12% volume growth, the demand for industrial paints is likely to remain muted. Riding on decorative segment buoyancy, Asian Paints may report sales growth of 13% in Q2FY20 with higher realisation of ~3% YoY supported by a change in the product mix. Elsewhere, Pidilite is likely to post ~13% revenue growth led by adhesive & sealant and construction chemical segments. We believe Asian Paints and Pidilite Industries are likely to benefit from a better mix and benign raw material prices (prices of TiO2, VAM declined ~3%, 12%, respectively). Hence, both companies are likely to report an increase in EBITDA margin by 195 bps and 100 bps, respectively. The universe is likely to post strong PAT growth of 19%, driven by better margins and reduction in corporate tax rate.

I-direct retail coverage universe is likely to report moderate revenue growth of 7.8% YoY, with Trent, Bata being the outperformer. While consumer sentiments remained subdued, especially in July and August, green shoots were visible in September at the onset of the festive season. The recent taxation cut (from ~34% to 25.17%) is expected to provide some impetus to PAT growth. On the other hand, due to ~20% increase in gold prices YTD (touching an all-time high of ~₹ 40300), Titan's jewellery division (Tanishq) is expected to report a weak quarter in Q2FY20.

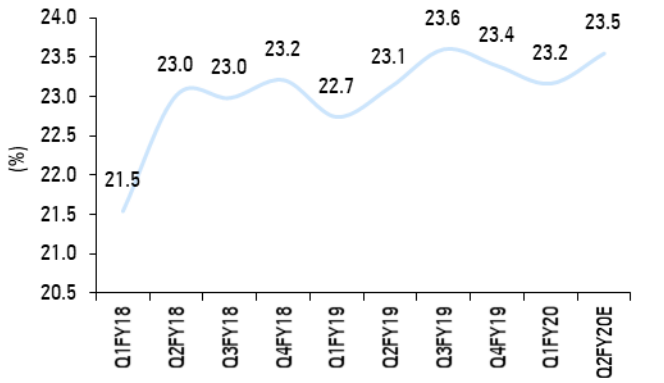
I-direct healthcare universe is expected to register 16% YoY growth to ₹ 34789 crore mainly due to 1) one-offs (Lupin- exclusivities in the US, Dr. Reddy's- sale of branded products) 2) consolidations (Sun– Pola pharma in Japan, Aurobindo- Spectrum in the US, Cadila- Craft portfolio in India wellness segment) and 3) lower base. Domestic formulations (selected pack) are expected to grow 14% YoY to ₹5634 crore mainly due to inventory adjustment and lower base in Sun pharma. Excluding the Sun base effect, the domestic formulations are expected to grow at 8.4%. US (selected pack) is expected to grow 14% YoY to ₹10278 crore 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 consolidations. On the other hand, due to high base effect, APIs segment is expected to decline 6% YoY. EBITDA margins are likely to improve 121 bps to 22.2% on the back of improved operational leverage, improvement in product mix and efficient cost control measures. Net profit is expected to be grow 12% YoY to ₹4232 crore. Strong operational performance is likely to be offset partially by higher depreciation and financial cost.

Exhibit 6: Trend in revenue growth of defensives



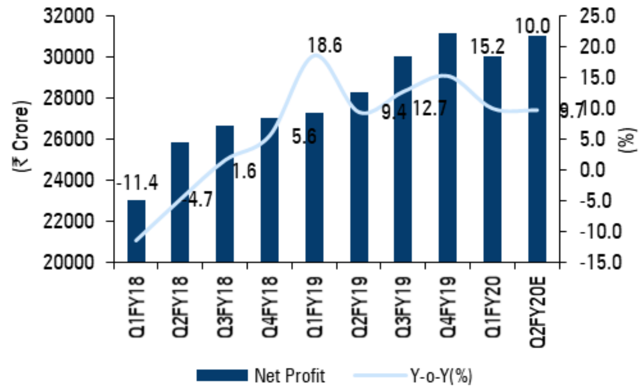
Source: Company, ICICI Direct Research

Exhibit 7: Trend in EBITDA margins



Source: Company, ICICI Direct Research

Exhibit 8: Trend in profitability



Source: Company, ICICI Direct Research

Cyclicals: Likely to feel heat due to slowdown in demand

(Sector composition: auto, capital goods, oil & gas, metals, cement, construction)

Key highlights:

For Q2FY20E, **the I-direct cyclical universe** is expected to register a negative growth of 8.2% YoY, mainly dragged by the Auto, Metals, Construction and Oil & gas sectors. The auto space, one of the major sectors in cyclicals, is expected to decline 16.7% due to demand weakness across segments. Metals sector is also likely to register 16.7% negative growth on the back of benign global metal prices and demand slowdown at home. On the positive side, Capital goods segment is likely to register 9% growth on the back of accelerated execution rates at engineering and T&D companies.

Q2FY20 provided no hiding room for the **auto space**, as pain prevailed across segments and geographies. I-direct Auto universe is expected to register ~17% YoY drop in the top line. Among OEMs, top line and bottom line de-growth is expected at 17.4% & 39.5% respectively; while in ancillary pack, top line and bottom line de-growth is expected at 6.9% & 20.7% respectively. Negative operating leverage is seen weighing on operational performance, with EBITDA margins expected to contract by 170 bps YoY to 11.1%. Retail demand failed to pick up, with the resulting bloated inventory levels (particularly on the 2-W & CV side) then impacting wholesale dispatch volumes adversely. We estimate the overall volume decline of ~22% for the domestic automobile industry in Q2FY20. PV market leader MSIL's volumes de-grew by 30.2% YoY. In the 2-W space, Bajaj posted 12.4% YoY de-growth while HMCL witnessed 20.7% YoY drop. Among CVs, Ashok Leyland de-grew by 44.3% YoY, in step with 44.9% decline at Tata Motors. On QoQ basis, however, softer metal prices are seen translating into gross margin gains for companies across the OEM & ancillary space. Resultant bottom-line for the coverage is expected to be down steeply at 37% YoY. We expect auto OEMs to lag ancillaries.

I-direct capital goods coverage universe is expected to register 9.3% revenue growth owing to accelerated execution rates at engineering and T&D companies like L&T, Kalpataru and Thermax. However, growth at the EBITDA level is likely to be lower at 5.4% YoY mainly due to expected dismal performance by bearing companies amid auto slowdown. While PAT is expected to grow at 10.3% YoY factoring in corporate tax cut benefits for majority of the coverage companies. Overall, order inflows were affected by slower pace of award and tendering in some segments while reasonable order intake came in across railways electrification, power, water & effluent business, construction, building & factories and hydrocarbon segments. L&T has announced orders ranging between 20000 crore to 36500 crore (Ex-services) and expected to report modest order inflows.

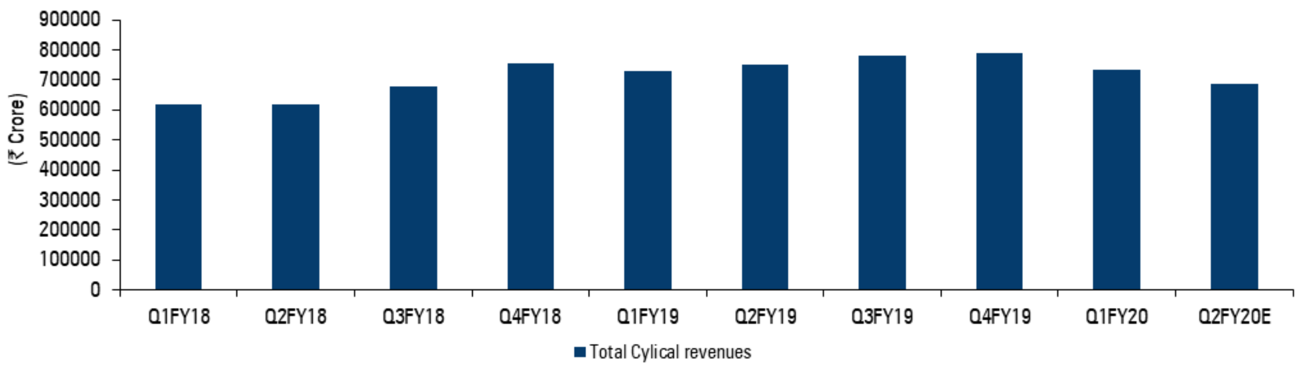
In the **Oil & Gas space**, global crude oil markets continued to witness volatility but ended the quarter on a lower note. The attacks on Saudi infrastructure on September 14 which knocked off 5.7 million barrels per day (~5% of global oil supply) led to sharp increase in crude oil prices to ~US$70/bbl for an intermittent period but declined subsequently following Saudi's ability to restore crude production quickly. Factors like trade tensions between US-China, concerns over lower global oil demand and rising US oil production continued to weigh on oil prices. As a result, the average Brent crude during the quarter declined by US$ 6.6/bbl QoQ at US$ 61.9/bbl in Q2FY20. The benchmark Singapore GRMs witnessed a sharp improvement during the quarter from multi-year lows from US$3.5/bbl in Q1FY20 to US$6.5/bbl in Q2FY20. The refineries have started to realise positive impact of the new IMO regulations to be implemented from 2020. During Q2FY20, the crack spread improvement was seen across majority of the products. City gas distribution (CGD) companies are expected to continue to report stable volume growth YoY due to sustainable conversion to CNG vehicles. Gas utilities sector volumes will be driven mainly by LNG imports which have witnessed strong growth over the past few years.

In the **metals space**, domestic steel sector has witnessed a challenging Q2FY20, wherein the monthly demand growth has slowed down notably from 6.4% in April 2019 to 1.7% in August 2019. This has put downward pressure on steel prices. On an average the domestic Hot Rolled Coil (HRC) prices have declined by ~9% in Q2FY20, as compared to Q1FY20 average. On the raw materials front, while coking coal prices have declined, as steel companies have inventories, the benefit of the same is likely to come from Q3FY20E onwards Hence on account of subdued realisations, we expect the EBITDA per tonne of domestic players to witness a declining trend on a QoQ basis. Overall in Q2FY20 most of the Non-ferrous prices remained subdued due to macroeconomic uncertainties on the back of ongoing trade tussle & slowdown in the overall market. Going forward, the outcome of US-China trade negotiations holds the key in determining the future trajectory of the global metal sector.

In an otherwise weak quarter due to seasonality aspect, **cement companies** are expected to report further weakness in the sales growth due to general economic slowdown as reflected by weak volumes. However, profitability is likely be better on the back of – 1) better pricing, 2) reduction in diesel costs (freight costs) and 3) price correction in petcoke and international coal. Accordingly, I-Direct coverage companies are expected to report a 45.5% growth in EBITDA to ~₹ 4,475 crore. EBITDA margins are expected to expand by ~565bps YoY to 21.2% and EBITDA/t is expected to cross ₹ 1,000 for a 2nd consecutive quarter to ₹ 1,076/t, thus growing 41% YoY.

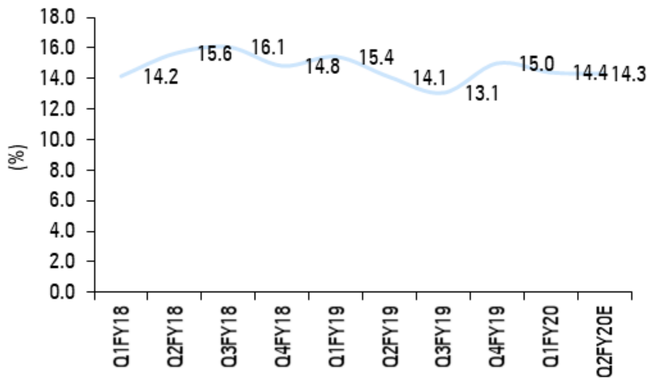
I-direct road & construction universe is expected to de-grow 10.9% YoY to ₹ 4,316.3 crore mainly on account of subdued execution following heavy monsoon and AP related issues impacting one of leading EPC player (NCC) in our universe. In terms of road awarding, only 600 kms are awarded YTD due to land acquisition related issues and bank aversion to fund HAM projects.

Exhibit 9: Trend in growth of cyclical



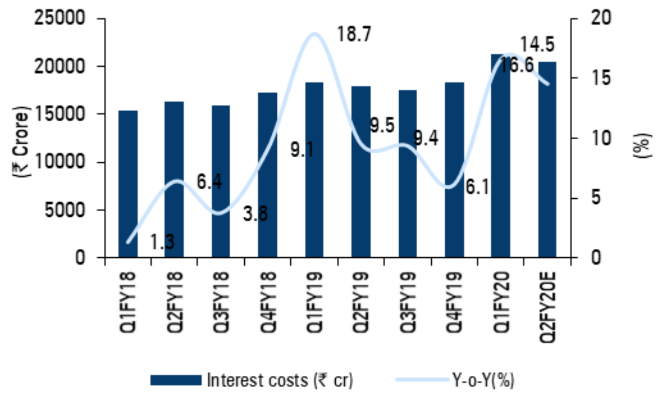
Source: Company, ICICI Direct Research

Exhibit 10: Trend in EBITDA Margins



Source: Company, ICICI Direct Research

Exhibit 11: Interest cost..



Source: Company, ICICI Direct Research

Auto and auto ancillary

Poor quarter in the offing…

Q2FY20 provided no hiding room for the auto space, as pain prevailed across segments and geographies. Retail demand failed to pick up, with the resulting bloated inventory levels (particularly on the 2-W & CV side) then impacting wholesale dispatch volumes adversely. This manifested into double trouble for auto companies with wide ranging production cuts at various OEMs (as also further down the supply chain) accompanied by particularly high discounting levels. Intense competition and a subdued demand scenario have shifted the focus to costs and enhanced the importance of the ongoing festive season.

Volume debacle continues; commodity prices to lend support!

Key OEMs continued to report sharp drops in wholesale volumes for the quarter. PV market leader MSIL's volumes de-grew 30.2% YoY. In the 2-W space, Bajaj outperformed by posting 12.4% overall YoY de-growth while HMCL witnessed 20.7% YoY drop, dragged by the scooter division. Niche motorcycle maker Eicher Motors also reported 20.7% YoY drop in volumes. Among CVs, Ashok Leyland de-grew 44.3% YoY, in step with a 44.9% decline at Tata Motors. On the commodity front, metal prices (steel in particular) provided some welcome relief, declining sharply on a yearly as well as sequential basis. Rubber prices rose QoQ, thus adversely impacting the margin profile of tyre players. Lagged pass through of softer lead prices from Q1FY20, however, are seen benefiting battery makers.

Coverage universe left reeling; ancillaries to fare better!

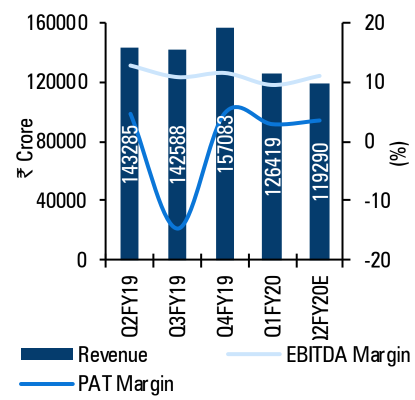
We expect a poor quarter for our coverage universe, with topline declining 16.7% YoY to ₹ 1.19 lakh crore on the back of a steep ~22% decline in overall auto industry volumes for the quarter. Negative operating leverage is seen weighing on operational performance, with EBITDA margins expected to contract 170 bps YoY to 11.1%. On a QoQ basis, however, softer metal prices are seen translating into gross margin gains for companies across the OEM & ancillary space. Ex-Tata Motors, our coverage universe is expected to post 20.1% YoY topline decline with EBITDA margins of 12.7% and PAT drop of 34.1% YoY. We expect auto OEMs to lag ancillaries. Among OEMs, topline and bottomline de-growth are expected at 17.4% and 39.5%, respectively. In the ancillary pack, topline and bottomline de-growth are expected at 6.9% and 20.7%, respectively. At the PAT level, we build in favourable tax rates (25.2% for FY20E) after the recent corporate tax announcement. However, uncertainty currently prevails on accounting treatment being followed by companies adjusting to this new tax rate.

Exhibit 12: Estimates for Q2FY20E (₹ crore)

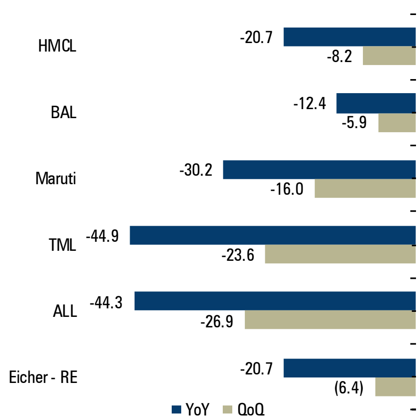
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
Apollo Tyre	4,194.5	-1.5	-3.2	426.4	-8.7	-10.2	103.8	-28.9	-26.7
Ashok Leyland	3,493.6	-54.1	-38.5	262.9	-67.4	-51.0	87.5	-81.0	-62.0
Bajaj Auto	7,506.5	-6.0	-3.2	1,200.6	-10.6	0.2	1,227.3	6.5	9.0
Bharat Forge	1,252.7	-25.4	-7.0	319.1	-26.5	-8.7	172.0	-24.4	-1.2
Eicher Motors	2,112.7	-12.3	-11.3	531.7	-27.1	-13.5	452.5	-17.5	0.2
Exide	2,614.6	-3.9	-5.9	370.9	11.5	-9.0	233.0	-13.2	3.9
Hero Motocorp	7,443.7	-18.1	-7.3	1,045.7	-24.2	-9.7	832.1	-14.8	-33.8
M & M	11,260.3	-13.3	-12.9	1,362.6	-15.1	-16.0	781.1	-52.6	-66.2
Maruti Suzuki	16,944.3	-24.5	-14.1	1,687.0	-50.8	-17.6	1,166.4	-47.9	-18.7
Tata Motors	62,466.8	-13.4	1.6	6,065.9	-22.5	60.1	-843.5	NA	NA
Total	**119,289.5**	**-16.7**	**-5.6**	**13,272.7**	**-27.7**	**8.8**	**4,212.2**	**-36.7**	**14.6**

Source: Company, ICICI Direct Research;

Topline & Profitability (Coverage Universe)



Key players volume growth for Q2FY20 (%)



Average commodity price movement (₹/kg)

Commodity	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)
Steel	42	50	-16.2	46	-9.4
Aluminium	143	142	0.8	143	0.0
Rubber	142	131	8.7	138	2.8
Plastics	73	76	-4.1	80	-8.4
Lead	141	148	-5.0	132	7.0

Average currency movement against INR

	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)
USD/INR	70.4	70.2	0.3	69.6	1.1
EUR/INR	78.3	81.6	-4.0	80.0	-2.1
GBP/INR	86.8	91.4	-5.0	91.7	-5.3
JPY/INR	0.7	0.6	6.7	0.6	6.7

Top Picks

Exide

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Exhibit 13: Company Specific view - OEMs

Company	Remarks
Ashok Leyland	During Q2FY20E, Ashok Leyland clocked total volumes of 28,938 units (down 44% YoY). M&HCV volumes were at 16,815 units (down 56.2% YoY) while LCV volumes were at 12,123 units (down 10.7% YoY). Resultant M&HCV: LCV mix at 58:42 was significantly worse than Q2FY19 (74:26) and Q1FY20 (68:32). Given the steep drop off in truck segment and high prevailing discount levels, we estimate total sales at ₹ 3,494 crore, with average ASPs at 12.1 lakh/unit, down 16% QoQ. EBITDA margins are seen declining 190 bps QoQ to 7.4% on the back of negative operating leverage. We estimate Q2FY20E PAT at ₹ 88 crore vs. ₹ 460 crore YoY
Bajaj Auto	For Q2FY20E, total volumes were at 11.7 lakh units, down 12.7% YoY. While 2-W volumes at 9.8 lakh units were down 13% YoY, 3-W volumes at 1.9 lakh were down 11% YoY. We expect net sales for the quarter at ₹ 7,507 crore, a dip of 6% YoY. The company is expected to have benefited from softer raw material prices, which is seen propping up EBITDA margins by 60 bps QoQ to 16.0%. PAT in Q2FY20E is expected at ₹ 1,228 crore, up 6.5% YoY
Eicher Motors	In case of Eicher Motors, Royal Enfield volumes dropped 21% YoY to 1.66 lakh units. At VECV level, volumes came off by 39.2% YoY to 11,371 units. We expect the company to clock net sales of ₹ 2,113 crore, down 12% YoY. Softer input prices are expected to have helped support gross margins. However, a sharp decline in volumes is seen adversely impacting other operating expenses, thus reducing overall EBITDA margins by 60 bps QoQ to 25.2%. Including ₹ 9.6 crore profit share from VECV business, consequent consolidated PAT is seen at ₹ 453 crore, down 18% YoY
Hero MotoCorp	The 2-W market leader Hero MotoCorp is expected to have ceded further market share to competitors in Q2FY20E, courtesy a sharp total volume decline of 20.7% YoY to 16.9 lakh units. We estimate net sales at Hero to have declined 18.1% YoY to ₹ 7,444 crore as the product mix evolved in favour of motorcycles as against scooters. The company is expected to have seen negative operating leverage more than offset input price gains, with resulting EBITDA margins declining 40 bps QoQ to 14.0%. Consequent PAT for the quarter is expected at ₹ 832 crore, down 14.8% YoY
M&M	M&M is expected to report a disappointing quarterly performance in Q2FY20E on the back of 13% YoY decline in standalone net sales to ₹ 11,260 crore. The company's automotive segment (PV, CV, 3-W) volumes came off by 20.6% YoY to 1.2 lakh units while farm equipment segment (tractor) volumes fell 8% YoY to 71,820 units. Standalone EBITDA for the quarter is expected at ₹ 1,363 crore with corresponding EBITDA margins of 12.1%, down 50 bps QoQ. Ensuing PAT is expected at ₹ 781 crore vs. ₹ 1,650 crore in the base quarter
Maruti Suzuki	Maruti is expected to witness a particularly tough Q2FY20E, with a decline in total volumes at 30.2% YoY to 3.4 lakh units, resulting in 23% YoY drop in total operating revenues to ₹ 16,944 crore for the quarter. Sales drops lag the volume decline on account of lower ASP segment (mini & compact) having contracted to a greater degree than UV portfolio. Maruti is expected to have realised input cost benefits. However, a sharp volume drop is seen impacting operating leverage negatively, thus dragging EBITDA margins by 40 bps QoQ to 10.0%. Consequent PAT is expected at ₹ 1,166 crore, down 48% YoY
Tata Motors	Q2FY20E is expected to be a challenging one for Tata Motors as tough business conditions prevailed in all key geographies and market segments. The company is seen reporting 13% decline in net sales to ₹ 62,467 crore on the back of 45% drop in standalone volumes to 1.05 lakh units, flat YoY JLR volumes at 1.3 lakh units and unfavourable currency movement. We build in cost savings taking into account swift progress being made under Project Charge and expect EBITDA margins to have improved 350 bps QoQ to 9.7%. Consolidated loss at the PAT level is seen at ₹ 843 crore. Progress on the company's cost savings programme as well as FCF generation at JLR remains a key monitorable for Tata Motors

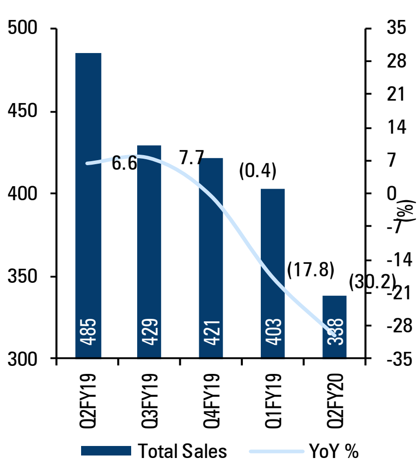
Source: Company, ICICI Direct Research

Exhibit 14: Company Specific views – Ancillaries

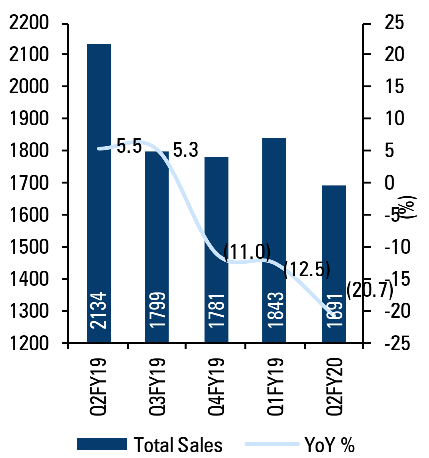
Company	Remarks
Apollo Tyres (APL)	We expect consolidated revenues to dip 1.5% YoY to ₹ 4,195 crore, weighed by a sharp drop in domestic OEM space during Q2FY20. Rise in rubber prices during the quarter is seen keeping gross margins in check, with muted volume performance impacting EBITDA margins. Consolidated EBITDA margins are expected to contract 80 bps QoQ to 10.2%, with a ramp up in European operations providing some help. Consequent consolidated PAT is expected at ₹ 104 crore vs. ₹ 146 crore in the base quarter
Bharat Forge (BFL)	Total operating income is expected to drop 25% YoY to ₹ 1,253 crore on the back of continued weakness in domestic CV business, global CV business and oil & gas segment on the industrial side. Revenues from India are seen declining 30% YoY to ₹ 487 crore while revenues from outside India are expected to drop 22% YoY to ₹ 736 crore. Despite a significant cool off in steel and aluminium prices, the effect of negative operating leverage is seen offsetting softer input prices, with EBITDA margin contracting by 50 bps QoQ to 25.5%. Consequent PAT is expected to fall 24% YoY to ₹ 172 crore
Exide Industries (EIL)	Topline is seen declining 4% YoY to ₹ 2,615 crore on the back of substantial pain in the underlying auto OEM demand, to which the company has significant exposure. Gross margins are seen benefiting from the lagged pass through of ~7% softening in prices of key raw material i.e. lead during Q1FY20. However, we expect a 50 bps QoQ fall in EBITDA margins to 14.2% on account of negative operating leverage. Consequent PAT in Q2FY20 is expected at ₹ 233 crore, down 13% YoY

Source: Company, ICICI Direct Research

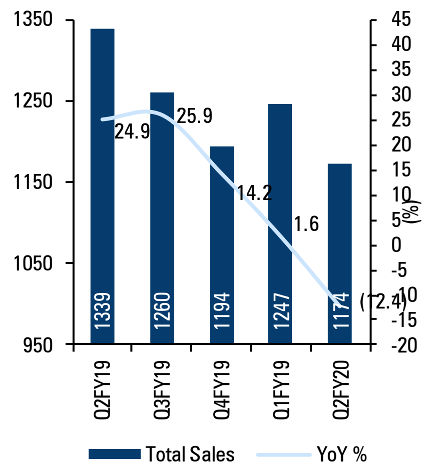
Maruti Suzuki's sales performance ('000 units)



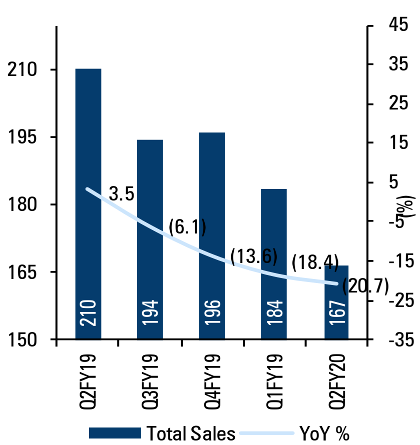
Hero MotoCorp's sales performance ('000 units)



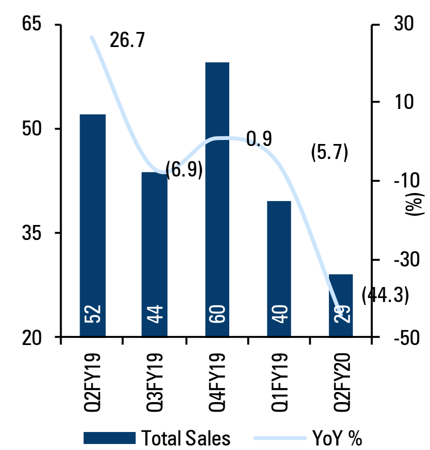
Bajaj Auto's sales performance ('000 units)



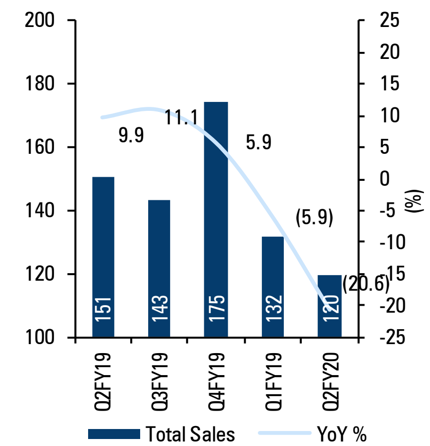
Eicher Motors' sales performance ('000 units)



Ashok Leyland's sales performance ('000 units)



M&M's sales performance ('000 units)



Banking & Financial Services (BFSI)

Recent quarter has witnessed enormous events in the banking space right from large scale consolidation of PSU banks, reduction in corporate tax rate and announcement of external benchmark linked retail loans which will change the banking sphere ahead. Reduction in tax rate cut will shore up profitability as well provide impetus to credit growth for banking industry as a whole and private banks in particular. However, unfolding of linkage of retail loans with external benchmark and its impact needs to be seen. Delay in resolution of Essar Steel case and recent addition of corporate to stressed list (though currently standard in banks books) remains a cause of concern.

Credit growth remains uneven and patchy

As per latest data by the RBI, advances growth has been patchy and low on steam. Credit off-take is reported at ~10.4% YoY to ₹ 97 lakh crore as on September 13, 2019; slower compared to ~11-12% run rate earlier. Though, traction in large corporate loans have revived at 5.1% YoY; slowdown in MSME segment has impacted overall growth. Slowdown in auto sector and cautious stance on unsecured lending (credit card) has led to ~15.6% YoY growth in August 2019; slower than recent run rate of 17-18%. Restrictive lending to NBFCs by banks has impacted overall growth. Credit growth of coverage universe ex Bank of Baroda & Indusind Bank is seen at ~14% YoY led by HDFC Bank (19.5% YoY) & SBI (11% YoY).

Headline NPA number to improve; provision to remain steady

For asset quality, recent quarter has been a mixed one with resolution of one large NCLT account (Bhushan Power & Steel) coupled with uncovering of a slew of stressed exposure which makes substantial size on aggregate basis. With stressed exposure classified as standard, resolution of one large account is seen to pare down headline GNPA numbers. However, delay in resolution of Essar Steel (with an exposure of ~₹ 54000 crore) to forbid anticipated substantial improvement. For our coverage universe, we expect absolute GNPA to decline marginally to ~₹ 289077 crore in Q2FY20E. Concerns over recently recognised stressed companies & rating downgrade is seen to keep provision elevated. Therefore, benefit of resolution of NCLT large account is not seen to percolate in bottom-line.

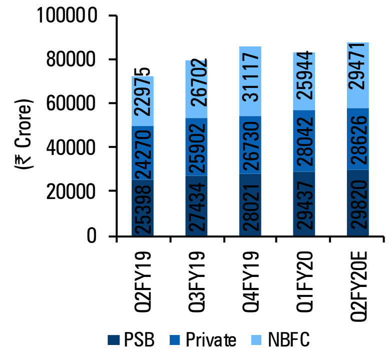
Reduction in tax rate to shore up profitability

Operationally, we expect banking sector to clock steady operational performance on the back of credit off-take and sturdy margins. With continued addition of new stressed accounts, outlook remain cautious. Recovery from one large account is to be utilized by banks to increase coverage ratio (PCR), thereby limiting substantial benefits. However, reduction in tax rate will selectively lead to surge in profitability. Consequently, private banks are seen to report healthy traction in earnings at ~45% YoY. Within PSU banks, SBI is expected to witness surge in profitability aided by one-off gains from stake sale in SBI Life Insurance.

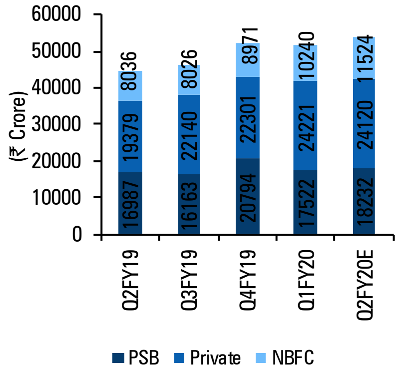
Amidst NBFCs, Bajaj finance & HDFC Ltd are poised to post strong earnings in Q2FY20E. HDFC Ltd earnings to include a one-off due to sale in Gruh Finance.

Factoring recently announced cut in corporate tax rate, profitability of banking sector, especially private banks is expected to surge compared to previous period. Banks with retail centric business, strong distribution strength and lower or manageable exposure to recently cropped up stressed names including HDFC Bank, Kotak Bank and Axis Bank are seen to report better performance. PSU banks with elevated level of DTA (deferred tax asset) might not be able to garner benefit of tax cut. Numbers of Bank of Baroda and IndusInd Bank will not be fully comparable owing to recent merger. In NBFC space, Bajaj Finance, with robust business model and strong distribution is seen to continue strong performance. Apart from

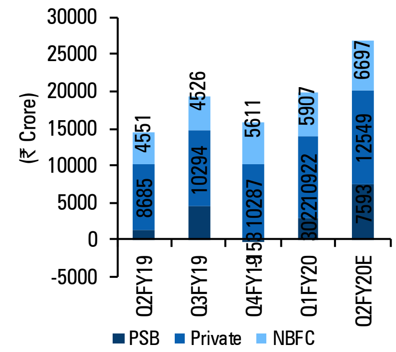
NII



PPP



PAT



Top Picks

Axis Bank

SBI

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operational performance, succession plan of HDFC Bank & Indusind bank will be keenly watched.

Exhibit 15: Estimate for Q2FY20E (₹ crore)

	NII	Change (%)		PPP	Change (%)		NP	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
Public Sector Banks									
Bank of Baroda	6787.0	51.1	4.4	4455.0	44.6	4.2	933.0	NA	31.4
SBI	23033.4	10.2	0.4	13776.5	-0.9	4.0	6660.1	605.2	188.1
	29820.4	17.4	1.3	18231.5	7.3	4.0	7593.1	NA	151.3
Private Banks									
Axis Bank	6052.4	15.7	3.6	5588.6	36.5	-5.2	1706.0	116.1	24.5
Bandhan Bank	1440.8	33.7	2.2	1253.1	43.4	3.8	720.0	47.7	2.7
DCB	314.6	11.5	3.2	173.3	18.4	4.1	101.6	37.9	25.3
Federal Bank	1193.5	16.7	3.4	825.5	18.3	5.5	419.8	57.8	9.3
HDFC Bank	13463.8	14.5	1.3	11202.7	18.2	0.5	6496.2	29.8	16.7
Indusind Bank	2969.9	34.8	4.4	2660.6	33.5	2.7	1529.3	66.2	6.8
Kotak Bank	3191.3	18.7	0.6	2415.9	15.3	0.7	1576.1	38.1	15.9
Total	28626.3	18.0	2.1	24119.8	24.5	-0.3	12549.0	44.5	15.2
Total Banks	**58446.8**	**17.7**	**1.7**	**42351.4**	**16.5**	**1.5**	**20142.1**	**100**	**44.7**
NBFCs									
HDFC	2808.2	16.5	1.2	5839.0	50.1	19.8	3628.1	47.1	13.3
Bajaj Finance	3946.0	46.8	7.0	2584.8	47.8	7.6	1462.0	58.3	22.3
Bajaj Finserv	12893.1	32.9	5.1	2413.6	33.3	7.0	1021.9	45.2	20.9
SBI Life Insurance	9267.8	21.0	39.3	254.5	-12.0	-8.5	263.5	5.2	-29.2
HDFC AMC	555.4	7.8	0.5	432.1	45.4	0.5	321.9	56.3	10.3
Total	**29470.5**	**28.3**	**13.6**	**11523.9**	**43.4**	**12.5**	**6697.4**	**47.2**	**13.4**

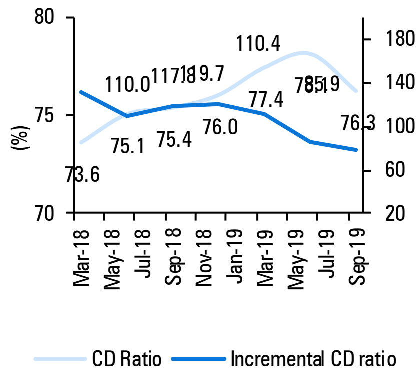
Source: Company, ICICI Direct Research

Company Specific Views (BFSI)

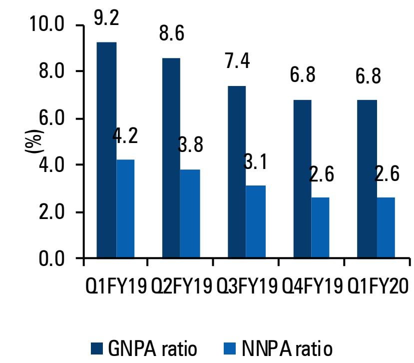
Banks	
Bank of Baroda	We expect Bank of Baroda's loan growth to remain muted at 1.6% QoQ to ₹ 643343 crore, as the merger integration process continues. Margins are expected to remain steady QoQ. Consequently, NII is seen at ₹ 6787 crore. Exposure to stressed asset is seen keeping slippages elevated. However, recoveries from Bhushan Power, GMR Chattisgarh etc. to aid in reducing asset quality ratios. PAT is seen at ₹ 933 crore, with no impact of higher recoveries seen as impact of higher recoveries from NCLT resolution could be utilised for building higher provisions for other stressed account. Going ahead, an update on succession of incumbent MD & CEO, Mr. P S Jayakumar
State Bank of India	Expect loan growth of 11% YoY to ₹ 22.8 lakh crore, deposit growth at 7.4% YoY to ₹ 30.1 lakh crore. NII growth is seen higher at 10% YoY due to subdued Q2FY18 quarter. On asset quality, slippages are expected to stay elevated at ~₹ 10000-₹12000 crore, however, resolution of Bhushan Power to lead in reduction in GNPA. NPA overall provisions are seen moderating to ₹ 9000 crore from previous highs. Investment gains if booked may add to profit. Sale of SBI Life stake may add ₹ 3000-₹3500 crore extra ordinary gains in the quarter. Expect strong profit growth both QoQ and YoY to ₹ 6659
Axis Bank	The bank's advances traction is expected at 15% YoY to ₹ 524540 crore largely led by retail & MSME segment. Margins are estimated at 3.44% levels, which would lead to NII growth of 15.7% YoY to ₹ 6052 crore. With adequate contingent provision provided for stressed account in previous quarter, credit cost for quarter is seen lower at 58 bps vs. 77 bps & 64 bps in Q1FY20 & Q2FY19 respectively. Accordingly PAT is seen at ₹ 1706 crore, up 116% YoY. Going ahead, moderation in slippages to keep asset quality stable with GNPA ratio expected at ~2.04%. However, we remain cautious on the stressed asset cropped up recently & delay or failure for resolution in near term could endure higher provisions in coming quarter.
DCB Bank	DCB bank's business traction is seen healthy at with advances growth expected at 15% YoY to ₹ 25379 crore while deposit growth at 16% YoY to ₹ 30356 crore led by 16% growth in CASA. With focus towards high yield products such as LAP & retail, margin are expected to improve marginally to 3.7%. Accordingly NII is seen at ₹ 315 crore, up ~12% YoY. On back of controlled expenses, lower provisions coupled with benefits of recent corporate tax cut, banks earnings is expected to surge sharply to ~₹ 102 crore, up 38% YoY. Given high proportion of retail loans & negligible exposure towards recent stressed account, bank's GNPA is expected to stable at 1.93% vs. 1.96% in Q1FY20. Going ahead, information about acquisition of select asset & liability
HDFC Bank	HDFC Bank's credit growth to report robust growth in advances at 19.5% YoY to ₹ 8.97 lakh crore, led by gain in market share in auto segment and continued focus on corporate lending. Thus, corporate segment is seen to contribute higher proportion of incremental credit growth. Higher traction in term deposit is seen to put pressure on margins seen at 4.3%. Consequently, earnings trajectory is seen to moderate compared to previous run rate with PBT at ₹ 11202 crore up 18% YoY. However, profitability is seen to surge by 29.8% YoY to ₹ 6496 crore, led by reduction in corporate tax. Asset quality to remain steady with GNPA at 1.4%, however, exposure to recently added housing finance company to be watched.
Federal Bank	We expect the bank's credit traction to remain healthy at ~20% YoY to ₹ 119817 crore led by traction in SME & retail. Stable margins of 3.15% & controlled expense to keep operating profit trajectory robust at 48% YoY to ~₹ 826 crore. Improving recoveries & moderation in slippages to keep GNPA ratio at 2.95%, improvement of 4 bps QoQ. We expect PAT growth of 58% YoY to ₹ 420 crore on the back of a lower credit cost of 15 bps vs. 29 bps in Q2FY19. Going ahead management commentary on slippages due to recent flood & impact on margin due to floating rates to be keenly watched.
Kotak Mahindra Bank	For Kotak Bank, slowdown in auto sales seen to impact credit off-take, though focus on selective MSME segment augurs well for growth. Consequently, overall credit off-take is seen healthy at 16% YoY to ₹ 2.14 lakh crore. Easing of CD ratio, reduction in MCLR to keep margins under marginal pressure at ~4.4%. Other income and operational cost being steady, PPP is expected at 24159 crore; up 15.3% YoY. Credit cost to remain steady at ~14 bps of advances, however, reduction in corporate tax to boost PAT to ₹ 1576 crore; up 38% YoY. Broad asset quality numbers to remain constant with GNPA at 2.22%. Commentary on auto and MSME segment is key

Source: Company, ICICI Direct Research

C-D ratio (Industry)



Asset Quality (Coverage Universe)



NPA trend (Coverage Universe)

Q2FY20E (₹ crore)	GNPA	QoQ Growt	NNPA	QoQ Growt
PSB				
Bank of Baroda	66714	-15.2	24530	-31.6
SBI	168894	0.2	66344	1.1
Private Banks				
Axis Bank	27053	-8.0	10706	-3.0
Bandhan Bank	928	9.0	255	10.0
DCB	491	4.3	200	22.5
Federal Bank	3564	4.1	1782	2.9
HDFC Bank	12269	4.2	3867	8.4
Indusind Bank	4413	5.1	2448	2.8
Kotak Mahindra	4752	3.0	1585	4.0

IndusInd Bank	IndusInd Bank's advances growth is seen at 24.2% YoY to ₹ 2.02 lakh crore, though numbers are not comparable YoY owing to merger of Bharat Financial Inclusion Ltd. Auto segment is expected to witness pressure given slowdown in sales volumes. Further, cautious approach in unsecured retail lending to impact growth to be offset by uptick in micro-finance loans. On operational front, overall performance is seen to remain broadly steady with marginal pressure of ~5 bps on NIM to 4%, owing to cut in MCLR. With exposure to recently cropped stressed assets being classified as standard, GNPA ratio is seen steady at 2.18% and credit cost at 30 bps of advances. Further, reduction in corporate tax is seen to propel PAT growth at 66% YoY to ₹ 1529
Bandhan Bank	Bandhan Banks superior earnings & AUM growth is expected to continue. AUM growth is seen at 46% YoY to ₹ 46328 crore led by growth in micro & non micro segment of 44% YoY & 58% YoY respectively. Improving CASA flows & stable yields on asset to keep margins healthy at 10.5%. Accordingly NII is seen at ~₹ 1441 crore, up ~34% YoY. Asset quality to broadly remain stable with GNPA ratio at 2% vs.2.02% in Q1FY20. With severe floods witnessed in eastern India, bank may marginally increase credit cost to 35 bps vs. 28 bps in Q1FY20 as cautious approach. Despite higher provisions, PAT growth is expected to be ~48% YoY at ₹ 721 crore. The bank has received all regulatory approval for its merger with Gruh Finance & swap ratio is awaited. Going ahead, management's commentary on elevated ticket size for micro finance loan & impact of flood on asset quality to be seen.

Source: Company, ICICI Direct Research

NBFC	
HDFC Ltd	Led by higher other income of ₹ 3421 crore, largely due to gain of ₹ 1632 crore from stake sale in Gruh Finance & ₹ 1074 crore dividend from subsidiary, HDFC Ltd is expected to report strong growth in PAT of 47% YoY to ~₹ 3628 crore. Ongoing slowdown within real estate sector to impact credit growth with credit growth expected at 11.5% YoY to ₹ 422687 crore, compared to normal trajectory of 16-17% YoY. Cut in lending & borrowing rate to keep margin stable at 2.36%. Consequently, NII is seen at ₹ 2808 crore, up 16.5% YoY. Asset quality to remain largely stable with GNPA ratio at 1.33%. Going ahead, outlook on developer loan portfolio, revival of real estate sector demand & resolution of Jet airways to be keenly watched.
HDFC AMC	For HDFC AMC, growth in AUM is seen to remain healthy at ~22% YoY to ₹ 3.58 lakh crore, led by continued strong SIP flow and traction in non-equity book. However, weakness in market indices is expected to partially offset incremental growth. Operationally, performance is to remain steady with yield on MF AUM at ~57 bps to ₹ 507 crore. Continued focus on operational efficiency is seen to support profitability with PBT at ₹ 432 crore or ~41 bps of AAUM. Further, reduction in corporate tax is seen to boost PAT at ₹ 322 crore; up 56% YoY
Bajaj Finance	Advances growth is maintained at higher levels at 35% YoY to ₹ 135500 crore as reported at exchanges. Growth in HFC at higher levels to support overall growth. Though growth is coming off in consumer segments, it still remains reasonably higher than peers. Expect NII growth of 47% YoY to ₹ 3946 crore. PAT growth seen at 58% YoY to ₹ 1462 crore led by both tax rate cut and strong topline. Asset quality is expected to remain largely stable
Bajaj Finserv	For Bajaj Finserv, traction in consolidated revenue to remain healthy at 33% YoY, led by all the business segment - lending, life and general insurance. In lending business, AUM growth is seen 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 ~12% YoY growth in life insurance premium. On the profitability front, finance business PBT is seen remaining robust at ~33% YoY to ₹ 2413 crore, with lending business remaining the main contributor. Recently announced cut in corporate tax to benefit lending and general insurance business. Consequently, consolidated PAT seen to surge 45% YoY to ₹ 1022 crore.
SBI Life Insurance	New business growth is seen remaining healthy at 21% YoY to ₹ 4243 crore while renewal premium accretion is seen to remain strong at 30% YoY to ₹ 5449 crore. Consequently, total premium trajectory is expected at 21% YoY to ₹ 9268 crore. Such new business growth is seen to accrue from focus on individual and protection segment. Management expenses is expected to remain steady at 10.8% of premium to ₹ 1001 crore. Healthy premium accretion is to be offset by higher actuarial liability, leading to accretion in policyholder surplus at ₹ 254 crore. However, higher investment income in shareholers account is seen to yield 5% YoY growth in PAT at ₹ 263 crore

Source: Company, ICICI Direct Research

Cement

Seasonally weak quarter; growth to remain low

Owing to a slowdown in construction activity due to monsoons, generally Q2 is the weakest quarter for the cement industry. Further, aided by weakness in the general economy, cement companies are expected to report another quarter of weak volumes. According to our channel checks, price cuts of different degrees have been undertaken across the spectrum, thus pushing the average pan-India prices in Q2FY20E below Q1FY20 average price levels. However, they continue to remain higher YoY. In the cement space, our coverage companies are expected to report 6.7% growth in revenues to ~₹ 21,108 crore for Q2FY20E.

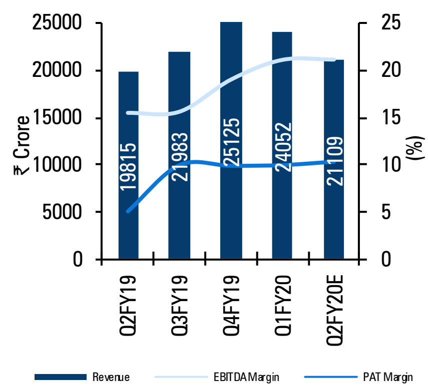
Volume growth to remain weak; realisations taper sequentially

Cement production data suggests that muted growth would continue for the cement industry in Q2FY20. This comes on the back of a high base of Q2FY19 combined with heavy monsoons, which caused flooding in several states. While production growth of cement was at 7.9% YoY for July 2019, August 2019 witnessed de-growth of 4.9% YoY. Furthermore, while prices remained firm in Q1FY20, with the onset of monsoons, they witnessed a significant correction sequentially. Channel checks suggest that average prices in the west were down ~5.4% whereas the east and southern regions witnessed price cuts in excess of 7% over Q1FY20. Price cuts in the remaining regions were not significant, with north witnessing average prices being down 1.8% while central and north-east saw ~1% price correction sequentially. Accordingly, pan-India prices corrected 4.4% over Q1FY20. Notably, despite these price corrections, average prices continue to remain higher YoY. Companies with significant exposure to the north are expected to outperform owing to strong pricing seen in these regions. We expect our coverage companies to report 2.5% growth in volumes. Realisations are expected to grow ~3.9% for the coverage universe. Highest growth in realisations is expected in JK Cement (10.2% YoY) followed by Sagar Cement and JK Lakshmi Cement.

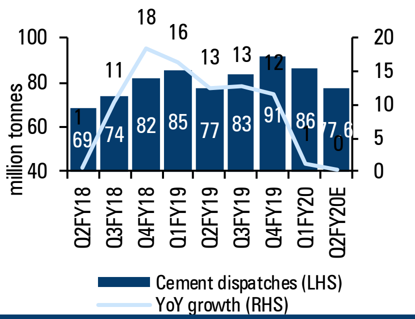
Margins to expand led by higher pricing, benign input costs

While volume growth of 2.5% is expected to restrict revenue growth, higher realisations are expected to provide a cushion to the slowdown in topline growth. Despite weak volumes during the quarter, cement companies are expected to showcase strong profitability backed by several factors – better pricing, reduction in diesel costs (freight costs) and price correction in petcoke and international coal. Accordingly, our coverage companies are expected to report ~45% growth in EBITDA to ~₹ 4,468 crore. EBITDA margins are expected to expand ~565 bps YoY to 21.2% and EBITDA/t is expected to cross ₹ 1,000 for a second consecutive quarter to ₹ 1,076/t, growing 41% YoY.

Top line & Profitability (Coverage Universe)



All-India quarterly cement dispatches



Monthly production growth YoY(%)- Till May19

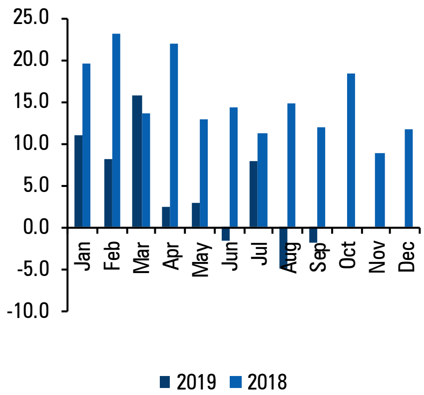


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Exhibit 16: Estimates for Q2FY20E: (Cement) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
ACC ^	3,489.6	3.7	-10.7	487.1	30.1	-18.5	339.0	62.1	-7.3
Ambuja ^	2,738.8	4.8	-13.5	560.4	56.5	-14.2	368.9	106.5	-10.6
JK Cement	1,229.2	11.7	-8.9	271.4	59.9	-1.6	144.4	123.3	14.8
JK Laxmi Cement	877.4	3.0	-7.4	186.7	103.8	9.3	83.3	966.4	21.6
Ramco Cements	1,249.6	5.6	-10.4	273.8	10.8	-18.0	158.2	38.2	-5.4
Sagar Cements	312.3	21.2	-4.7	55.6	163.8	-13.6	22.0	LP	10.9
UltraTech Cem	8,474.5	7.9	-15.5	1,928.5	49.1	-12.0	846.6	116.7	-11.2
Total	**21,143.9**	**6.7**	**-12.1**	**4,474.5**	**45.5**	**-12.0**	**2,189.3**	**117.4**	**-8.8**

Source: Company, ICICI Direct Research ^Q3CY19E

Company specific view

Company	Remarks
ACC	ACC is expected to report flattish volumes for Q2FY20E at 6.5MT. Thus, revenue growth of 3.7% to ₹ 3490 crore is expected to be led by realisations growth, which is expected to be 4.3% higher YoY at ₹ 5,354/t. With softening of input costs and better realisations, ACC is expected to report 31.1% growth in EBITDA/t to ~₹ 750/t
Ambuja Cement	Ambuja Cement is expected to post 3.1% YoY growth in realisations (dragged by correction in cement prices in the west). Volumes are expected to grow 1.6% for the company to 5.5 MT leading to 4.8% growth in revenues to ₹ 2,739 crore. Higher realisations are expected to aid margins. We expect EBITDA/t to jump 54% YoY to ~₹ 1000/t. PAT for Q2FY20E is expected to grow 107% YoY to ₹ 369 crore
UltraTech Cement	UltraTech is expected to report volume growth of 5.5% YoY for Q2FY20E contributed by additional volumes from Binani Cement acquisition. Consequently, we expect volumes to grow to 15.9 MT. While we expect realisations to grow marginally by ~1%. EBITDA/t is expected to grow 36.7% YoY to ₹ 1,170/t on the back of lead distance synergies and also reduction in P&F costs. On an absolute basis, EBITDA is expected to grow ~44% YoY to ₹ 1,864 crore with PAT growing 2x to ~₹ 800 crore
JK Cement	With cement prices in the north remaining significantly higher YoY, JK Cement with higher exposure in this region along with higher white cement volumes is expected to report 10.2% growth in realisations YoY while its volumes are expected to grow a meagre 1.3% to 2.2 MT (grey and white combined). Thus, revenues for Q2FY20E are expected to grow 11.7% YoY to ₹ 1,229 crore with EBITDA estimated to grow 60% YoY to ₹ 271 crore. PAT is expected to increase 123% YoY to ₹ 144.4 crore
Ramco Cement	With a presence both in the southern and eastern region, Ramco Cements is expected to report flattish realisations YoY. Led by ramping up of additional capacity, the company is expected to report 5.5% YoY growth in volumes to 2.6 MT. Revenues of the company are expected to grow 5.6% YoY to ~₹ 1,250 crore. EBITDA is expected to grow 10.8% YoY to ~₹ 274 crore whereas PAT is expected to grow 38% YoY to ₹ 158 crore
JK Lakshmi Cement	We expect JK Cement to post 3.6% decline in volumes to 2.1 MT while realisations are expected to grow 6.9% YoY. Consequently, revenues are expected to grow 3% YoY to ₹ 877 crore. While EBITDA is expected to double YoY to ₹ 186 crore, PAT is expected to grow multi-fold to ₹ 83 crore. EBITDA/t for the company is expected to grow 81% YoY to ~₹ 780/t
Sagar Cement	Sagar Cements is expected to report a minor drop in volumes by ~0.8% to 0.71 MT for Q2FY20E. Despite a sequential correction in prices in its operating markets, realisations are expected to be 8.5% higher YoY. We expect the company to report 7.6% growth in revenue to ₹ 277 crore. EBITDA margins are expected to expand 960 bps to 17.8% owing to low base and better realisations. EBITDA for Q2FY20E is estimated at ₹ 49.4 crore while PAT is expected at ~₹ 16 crore

Source: Company, ICICI Direct Research

Sales Volume (Coverage Universe)

In MT	Q2-20E	Q2-19	YoY (%)	Q1-20	QoQ (%)
ACC	6.5	6.6	-0.5	7.2	-10.0
Ambuja	5.5	5.5	1.6	5.8	-4.7
UltraTech*	15.9	15.1	5.5	17.9	-10.8
JK Cement*	2.2	2.2	1.3	2.3	-5.2
JK Lakshmi	2.1	2.1	-3.6	2.3	-12.0
Ramco Cem	2.6	2.5	5.5	2.7	-3.6
Sagar Cem	0.7	0.7	-0.8	0.8	-13.4
Total	41.2	40.2	2.5	45.1	-8.6

** blended sales volume (grey & white)*

Region-wise cement retail prices

₹/50 kg bag	Q2-20E	Q2-19	YoY(%)	Q1-20	QoQ(%)
North	348	301	15.4	354	-1.8
East	368	353	4.4	397	-7.3
South	350	335	4.7	380	-7.8
West	335	316	6.1	354	-5.4
Central	363	340	7.0	368	-1.2
North East	404	398	1.4	407	-0.8
Pan India	355	332	7.1	373	-4.8

Cement Realizations (Coverage Universe)

₹/tonne	Q2-20E	Q2-19	YoY (%)	Q1-20	QoQ (%)
ACC	5354	5136	4.3	5607	-4.5
Ambuja	4938	4787	3.1	5117	-3.5
UltraTech	5320	5203	2.2	5484	-3.0
JK Cement*	5618	5096	10.2	5754	-2.4
JK Lakshmi	4280	4003	6.9	4472	-4.3
Ramco Cem	4640	4622	0.4	4989	-7.0
Sagar Cem	3904	3599	8.5	4198	-7.0
Average	5061	4871	3.9	5260	-3.8

** Blended (grey cement +white cement)*

EBITDA per tonne (Coverage Universe)

₹ per tonne	Q2-20E	Q2-19	YoY (%)	Q1-20	QoQ (%)
ACC	749	572	31.1	956	-21.7
Ambuja	1010	656	54.0	1200	-15.8
UltraTech*	1211	856	41.4	1428	-15.2
JK Cement*	1241	786	57.8	1315	-5.6
JK Lakshmi	778	431	80.7	729	6.8
Ramco Cem^	1051	1001	5.0	1329	-20.9
Sagar Cem	695	294	136	959	-27.5
Average	1077	764	40.9	1271	-15.2

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

Capital Goods and Power

Capital Goods

Decent execution rate expected in capital goods universe

Q2FY20E has been a reasonable quarter for the capital goods universe in terms of order inflows led by L&T. However, muted private capex is yet to recover as expected. L&T, Bharat Electronics (BEL), Kalpataru received reasonable order inflows while, KEC, Thermax received moderate order inflows. Overall, coverage companies (BEL, KEC, KPTL, Thermax) ex-L&T, announced order inflows worth ₹ 8711 crore, halving YoY owing to high base in corresponding quarter and less-than-expected public sector and government orders. L&T has announced orders ranging between ₹ 20000 crore and ₹ 36500 crore (ex-services) and is expected to report modest order inflows. L&T has secured more than ₹ 2500 crore in hydrocarbon, more than ₹ 4000 crore in power, more than ₹ 11000 crore in construction business. Order inflows in power T&D EPC space (KEC, Kalpataru) were at ₹ 2883 crore, collectively. Thermax' order inflows continue to remain sluggish at ₹ 471 crore. Overall, order inflows were impacted by slower pace of award and tendering in some segments while reasonable order intake came in across railways electrification, power, water & effluent business, construction, building & factories and hydrocarbon segments.

Revenue likely to grow 9.3% with PAT set to grow 10.3%

Overall, the coverage universe revenue is expected to grow 9.3% owing to accelerated execution rates at engineering and T&D companies like L&T, Kalpataru and Thermax. We expect EBITDA to grow 5.4% YoY mainly due to expected dismal performance by bearing companies amid auto slowdown. PAT is expected to grow 10.3% YoY factoring in corporate tax cut benefits for majority of the coverage companies.

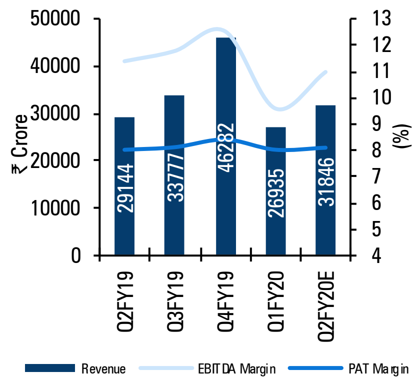
Reasonable performance expected among EPC companies

Power T&D EPC companies are expected to report strong revenue growth with KEC, Kalpataru are expected to report 12.8% collectively. EBITDA is expected to grow 11.6% while PAT is expected to grow 22.6% YoY led by decent order execution rate and benefit of corporate tax rate cut. L&T (standalone, ex-E&A) is likely to report a strong performance. Revenue is expected to grow 10.0% YoY, EBITDA margin expected to improve marginally by 20 bps to 8.5% and adjusted PAT expected at ₹ 1349.0 crore with YoY growth of 15.0% amid low base and benefit of corporate tax rate cut. Thermax is expected to see reasonable order execution with revenue, EBITDA expected to grow 20.4%, 19.8%, respectively. On the defence front, Bharat Electronics is expected to report topline growth of 5.7% while PAT is expected to grow 1.3% to ₹ 578.5 crore YoY.

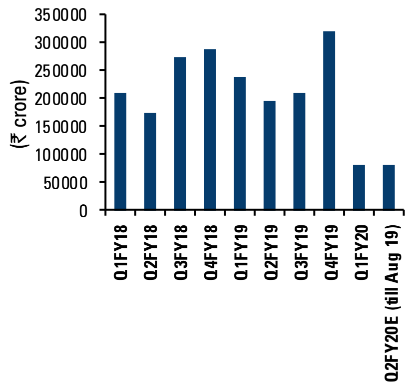
Product companies likely to post dismal performance

In the bearing space, companies are likely to get impacted by the abysmal performance of the auto sector. NRB's revenue is expected to decline 21% YoY due to its high exposure (67% of topline) to the auto segment followed by SKF (38% of topline) while Timken India is expected to report 3% YoY revenue decline. EBIDTA margins for bearing companies are expected to contract further. We expect overall decline in PAT to get curtailed by the corporate tax rate cut benefit. Greaves Cotton is expected to report revenue growth of 1.2% while EBITDA is expected to decline 4.9%, owing to sluggish 3-W volume growth. However, companies like AIA Engineering are expected to report revenue, EBITDA growth of 3.7%, 14.9%, respectively, owing to supported tax benefit. Elgi Equipment is expected to report revenue, EBITDA growth of 13.9%, 13.8%, respectively, driven by solid demand growth in its international markets.

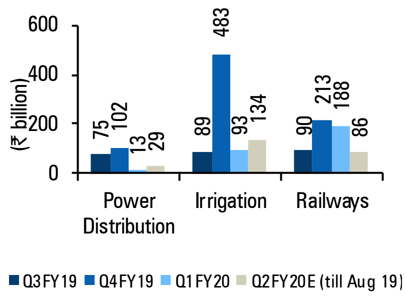
Topline & Profitability (Capital Goods Universe)



Trend in quarterly tenders (both govt. & private)



Trend in segment wise tenders



Top Picks

L&T
Kalpataru Power
Elgi Equipments

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Exhibit 17: Estimates for Q2FY20E: (Capital Goods) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
AIA Engineering	768.0	3.7	4.7	169.7	14.9	0.6	135.5	12.0	-8.5
Bharat Electronics	3,573.9	5.7	70.1	812.6	-4.9	133.4	578.5	1.3	182.6
Greaves Cotton	501.2	1.2	5.1	69.7	-4.9	13.7	52.1	5.6	36.6
Elgi Equipments	514.5	13.9	10.3	49.4	13.8	20.0	26.7	4.8	57.1
Kalpataru Power	1,792.7	13.9	8.3	193.6	13.3	0.8	111.5	22.0	21.2
KEC Internnational	2,700.0	12.1	11.9	279.6	10.5	11.3	118.6	23.1	33.8
L&T	19,225.5	10.0	16.5	1,634.2	12.4	34.3	1,349.0	15.0	-3.1
NRB Bearings	199.4	-20.5	-4.1	25.3	-45.1	-0.5	11.7	-59.9	34.5
SKF India	739.1	-3.5	-4.9	97.1	-20.9	-19.1	76.7	-9.0	-1.6
Thermax Ltd	1,430.4	20.4	22.5	100.1	19.8	40.6	86.5	24.8	73.4
Timken India	400.8	-3.1	-8.4	67.3	-4.4	-29.2	39.3	13.8	-22.1
Total	**31,845.6**	**9.3**	**18.2**	**3,498.7**	**5.4**	**35.0**	**2,586.2**	**10.3**	**19.3**

Source: Company, ICICI Direct Research

Exhibit 18: Estimates for Q2FY20E: (Power Universe)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
CESC	2,340.0	5.4	-0.8	555.8	8.8	25.7	313.3	15.6	44.4
NTPC	20,977.7	-5.8	-13.3	5,454.4	-2.5	-15.5	2,320.6	-4.3	-10.8
Power Grid Corp	9,102.7	9.9	3.4	7,964.9	14.2	0.9	2,611.8	13.1	7.6
Total	**32,420.4**	**-1.0**	**-8.3**	**13,975.1**	**6.9**	**-5.5**	**5,245.7**	**4.8**	**0.0**

Source: Company, ICICI Direct Research

Topline & Profitability (Power Universe)

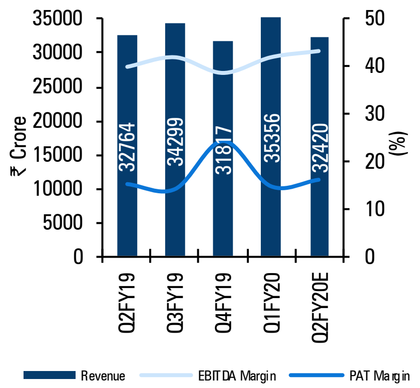


Exhibit 19: Company Specific Views (Capital Goods)

Company	Remarks
AIA Engineering	In Q2FY20E, we expect AIA Engineering to report volume numbers at 66072 MT with 7.1% YoY growth. However, the mining segment is expected to deliver volume growth of around 4.8%. We expect realisation to moderate at ₹ 112.5 per kg with 2.7% on account of a change in the product mix and foreign exchange benefits. Revenue is expected to grow 3.7% to ₹ 768.0 crore. EBITDA margin is expected to improve marginally to ~ 22.1% owing to input cost moderation. PAT is expected to grow 12.0% at ₹ 135.5 crore, after considering the impact of corporate tax rate cut
Bharat Electronics	We expect BEL to report steady growth of 5.7% YoY to ₹ 3573.9 crore on the back of continued order execution. EBITDA margins are expected to decline slightly at 22.7% vs. 25.3% YoY resulting in absolute EBITDA to decline 4.9% YoY. Accordingly, we expect PAT to grow 1.3% YoY to ₹ 578.5 crore factoring in the corporate tax cut benefit. BEL received orders worth ₹ 5357 crore as on date for the quarter. Overall, a strong order backlog is likely to augur well for BEL in the near to medium term
Greaves Cotton	For Q2FY20E, we expect Greaves Cotton to report muted volumes at 74165 units in 3-W (passenger, goods) while 4-W volumes are expected around 10750 units. Non-auto segment is likely to support growth. Revenues are expected to grow 1.2% YoY to ₹ 501.2 crore impacted by auto slowdown across the 3-W segment. Consequently, EBITDA is expected to decline 4.9% to ₹ 69.7 crore with margins of 13.9%. PAT is expected to grow 5.6% YoY to ₹ 52.1 crore with PAT margin of 10.4% backed by corporate tax cut benefit
Elgi Equipments	Elgi Equipments is expected to report a healthy performance in Q2FY20E partly driven by solid demand in international space for air compressors. Consolidated revenues are expected to grow 13.9% YoY to ₹ 514.5 crore while EBITDA margins are expected to remain stable at 9.6% YoY due to improved operational efficiencies. Accordingly, EBITDA is expected to grow 13.8% YoY while PAT is expected to grow 4.8%. We expect absolute PAT of ₹ 26.7 crore for the quarter
Kalpataru Power	KPTL has announced orders worth ₹ 2038 crore as on date for Q2FY20E, which includes T&D orders from clients in Europe and South America, EPC order for oil & gas from IOCL, railway electrification order from RVNL. KPTL's revenues are expected to grow 13.9% to ₹ 1792.7 crore driven by strong order book and execution rate in railway infrastructure, pipeline and T&D segment. EBITDA margin is expected at 10.8% with EBITDA growth of 13.3%. PAT is expected grow 22.0% to ₹ 111.5 crore with PAT margin of 6.2%, aided by corporate tax cut benefit
KEC International	KEC did register one order win worth ₹ 845 crore as on date for the quarter, in railway infrastructure segment. For Q2FY20E, we expect revenues to grow 12.1% to ₹ 2700.0 crore owing to improved order execution in key segments. EBITDA is expected to grow 10.5% to ₹ 279.6 crore with EBITDA margin expected to remain stable at 10.5% YoY. PAT is expected to grow 23.1% to ₹ 118.6 crore with PAT margin at 4.4%, boosted by corporate tax cut benefit.
L&T	During Q2FY20E, L&T has received order inflows within the range of ₹ 20000 crore to ₹ 36500 crore (as on date, ex-services segment), which includes more than ₹ 2500 crore in hydrocarbon, more than ₹ 4000 crore in power, more than ₹ 11000 crore in construction business namely Navi Mumbai Airport, residential project from Cidco, Hotel in Oman. L&T's order backlog suggests better execution rate in domestic market in Q2FY20E and FY20E. Consequently, we expect L&T's adjusted standalone revenue (excluding E&A discontinued operations) to grow 10.0% to ₹ 19225.5 crore. EBITDA is expected to grow 12.4% to ₹ 1634.2 crore with margin expected to improve 20 bps to 8.5% and adjusted PAT expected to grow 15% at ₹ 1349 crore, adjusting for exceptional items and aided by corporate tax rate cut benefit

Source: ICICI Direct Research, Company

Exhibit 20: Company Specific Views (Capital Goods) Continued...

Company	Remarks
NRB Bearings	We expect NRB to report topline at ₹ 199 crore, down ~20.5% YoY mainly due to abysmal performance by domestic auto sector which contributes ~67% to NRB's topline. EBIDTA margins are expected to contract by 570 bps YoY to 12.7% on the back of volume de-growth leading to negative operating leverage during the quarter. EBIDTA and PAT are expected to de-grow 45.1% YoY and 59.9% YoY, respectively. We expect absolute PAT of ₹ 11.7 crore for the quarter.
SKF India	For Q2FY20E, SKF is expected to report ~3.5% YoY decline in topline to ₹ 739.1 crore. We expect growth in Industrial & export segment to get negated by overall degrowth in the auto segment. Higher share of industrial segment in the revenue mix is expected to translate into higher share of traded goods thereby impacting margins. We expect EBIDTA margins to contract by 290 bps YoY to 13.1%. Absolute EBIDTA and PAT are likely to de-grow 20.9% YoY and 9% YoY respectively. De-growth in PAT is likely to be restricted by corporate tax rat cut benefit. We expect PAT of ₹ 76.7 crore for the quarter.
Thermax	For Q2FY20E, Thermax received order worth ₹ 471 crore for FGD systems, as on date. In terms of financial performance, we expect revenues to grow 20.4% to ₹ 1430.4 crore owing to reasonable execution rate while muted order backlog remains a key concern. We expect EBITDA to grow 19.8% to ₹ 100.1 crore with EBITDA margins expected to remain stable at 7.0% YoY. PAT is expected to grow 24.8% to ₹ 86.5 crore with PAT margin of 6.0% also aided by corporate tax rate cut benefit.
Timken India	We expect Timken India to report a topline of ₹ 400.8 crore, with a decline of 3.1% on YoY basis largely due to major de-growth in mobility segment negating growth in other segments. EBIDTA margin is expected to contract by 20bps YoY to 16.8%. Overall, we expect EBIDTA to decline by 4.4% YoY and an increase in PAT by 13.8% YoY mainly on account corporate tax rate cut benefit. We expect absolute PAT of ₹ 39.3 crore for the quarter.

Source: Company, ICICI Direct Research

Exhibit 21: Company Specific Views: (Power)

Company	Remarks
NTPC	NTPC has commissioned capacity to the tune of 1320 MW in Q2FY20E whereas capacity to the tune of 1460 MW was put into commercial operation. The company has pegged commissioning target of 5000 MW of capacity in FY20E. In terms of operational performance, we expect NTPC to post a YoY decline in gross generation to the tune of 5.2% at 62.56 billion units while energy sold is likely to decline 5.4% to the tune of 5.83 billion units (BUs). Tariff/kWHR for Q2FY20E is expected at ₹ 3.6/kWHR. Hence, revenues and PAT are expected at ₹ 20977.7 crore (down 5.8% YoY) and ₹ 2320.6 crore, respectively
Power Grid	We expect capitalisation to be weak in the range of ₹ 2000-3000 crore for Q2FY20E given majority of the capitalisation would be back ended and that too dependent on a single project. In terms of operational performance, we expect overall revenues to grow 9.9% YoY to ₹ 9102.7 crore. In terms of segmental performance, transmission revenues are expected to grow 8% YoY while telecom and consultancy segment is likely to post marginal growth. We expect EBIDTA to grow 14.2% YoY on the back of lower other expenses. Hence, we expect PAT at ₹ 2611.8 crore
CESC	CESC is expected to report relatively good Q2FY20E results. Given strong PLFs at Budge Budge station, we expect gross generation in its standalone operations to grow 4.3% at 182 crore units. However, energy sold is likely to grow 5.3% YoY at 312 crore units. We build in tariff of ₹ 7.5/kWHR. Standalone revenues are expected to grow 5.4% YoY to ₹ 2340 crore. PAT is expected at ₹ 313.3 crore on the back of decent operational performance

Source: Company, ICICI Direct Research

Road & Construction

Tendering activity picks up in August, 2019

Overall tendering has been muted with total ₹ 1,62,504 crore worth tenders floated in 5MFY20 vs. ₹ 3,69,471 crore YoY. We highlight that overall tendering seems muted in 5MFY20 due to lower average monthly tendering at ~₹ 27,000 crore during April-July, 2019 due to impact of central elections. Nonetheless, it has now started picking up as tenders floated grew 109% MoM to ₹ 54,686 crore in August, 2019. We believe this will further pick up as the government could step up tendering activity to meet its ambitious infrastructure investment target of ₹ 100 lakh crore over the next five years.

Road awarding activity expected to pick up soon

Total road tendering in 5MFY20 was at just ₹ 48,324 crore vs. ₹ 1,30,366 crore YoY. Also, only ₹ 4,951 crore worth road projects were awarded in 5MFY20 vs. ₹ 43,527 crore YoY. Slower awarding has been on account of central government elections, change in land acquisition policy and bank aversion to fund HAM projects. Nonetheless, with land related issues getting addressed for ~10,000 km out of 34,800 km under Bharatmala Phase-I, the government seems to be making positive efforts to sort out concerns related to land acquisitions. With this, we expect awarding activity to pick up soon. NHAI has so far awarded 600 km and another 1,100 km are expected to be awarded very soon. Thus, NHAI is looking to award 1,500 km in Q3FY20E and 2,000 km in Q4FY20E. Majority of these orders are expected to be awarded on EPC mode (60%), followed by HAM (30%) and BOT (10%).

Universe revenues to show strong PAT growth in Q2FY20E

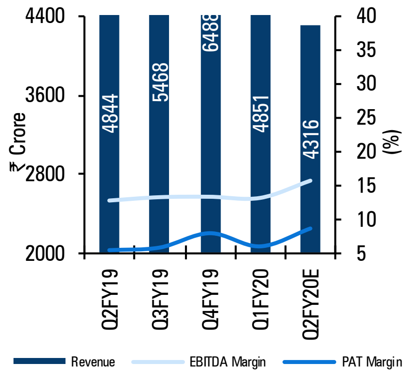
Our road & construction universe is expected to post revenue de-growth by 10.9% YoY to ₹ 4,316.3 crore on account of 36.3% YoY de-growth in NCC's revenues to ₹ 1,976.8 crore in Q2FY20E. EBITDA margins of our universe are expected to expand 280 bps YoY to 15.8% in Q2FY20E. Overall, we expect our universe to show strong 37.6% YoY PAT growth to ₹ 368.5 crore in Q2FY20E led by strong growth in PNC Infratech's PAT growth by ~4x YoY to ₹ 174.9 crore on account of ₹ 145 crore arbitration claims to be received in Q2FY20E and 59.2% YoY growth in KNR's PAT to ₹ 71.6 crore.

Exhibit 22: Estimates for Q2FY20E: (Roads & Construction) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
Ashoka Buildcon	788.6	3.2	-10.1	98.6	-5.0	-10.0	49.2	-20.8	-23.9
PNC Infratech	1,084.3	94.1	-18.0	240.7	222.7	34.0	174.9	398.1	74.6
NCC	1,976.8	-36.3	-9.6	237.2	-35.0	-11.0	72.8	-42.1	-10.5
KNR Construction	466.7	12.1	0.5	104.8	26.0	16.4	71.6	59.1	50.0
Total	**4,316.3**	**-10.9**	**-11.0**	**681.3**	**8.7**	**5.5**	**368.5**	**37.5**	**25.4**

Source: Company, ICICI Direct Research

Topline & Profitability



Top Picks

PNC Infratech, KNR Constructions

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Exhibit 23: Exhibit 2: Company Specific Views (Roads & Construction)

Company	Remarks
Ashoka Buildcon	ABL's execution on three under construction HAM projects (~23% of orderbook) should offset the impact of heavy monsoon on execution. Hence, we expect ABL's revenue to grow 3.2% YoY to ₹ 786.6 crore in Q2FY20E. EBITDA margins are expected to contract 110 bps YoY to 12.5%, in line with management guidance margin band of 12.5-13.0%. On the profitability front, we expect PAT to de-grow 20.8% YoY to ₹ 49.2 crore on account of higher depreciation and interest cost expected in Q2FY20E. **Key monitorable**: Status on appointed date of balance HAM projects & execution ahead
NCC Ltd	NCC's performance in Q2FY20E is expected to face the double whammy of standstill projects in Andhra Pradesh and slow pace of overall execution due to heavy monsoons. Hence, we expect the topline to de-grow 36.3% YoY to ₹ 1,976.8 crore with bottomline falling 42.1% YoY to ₹ 72.8 crore. On the order inflows front, the company received orders worth ~₹ 2,500 crore (including L-1 orders) in H1FY20, which is lower than its annual guidance of ₹ 14,000 crore. It expects better opportunities in H2FY20E on account of better awarding in road and metro segment. **Key monitorable**: Management commentary on order inflows, execution, commentary on corporate tax cut benefits, status on Andhra Pradesh orders, receivables and net debt
PNC Infratech	PNC is executing six out of seven HAM projects in full swing. Also, it received arbitration award worth ₹ 145 crore for Garh Mukteshwar to Moradabad project, which would be accounted in Q2FY20. Hence, we expect the topline to grow strongly by 94.1% YoY to ₹ 1,084.3 crore (74.6% YoY growth to ₹ 975.3 crore excluding claim amount) in Q2FY20E. EBITDA margins are expected to optically expand 885 bps YoY to 22.2% on account of claim receipts. Excluding these receipts, EBITDA margins are expected to expand 15 bps YoY to 13.5% in Q2FY20E. Overall, the bottomline is expected to grow 1.6x YoY to ₹ 93.2 crore in Q2FY20E. **Key monitorable**: Progress on HAM projects, clarity over potential benefits from recently cut corporate tax rate
KNR Constructions	We expect revenues to grow moderately by 12.1% YoY to ₹ 466.7 crore due to heavy monsoon but expect it to pick up significantly in H2FY20E on account of execution of three HAM projects and two big ticket irrigation projects. There were claims receipt worth ₹ 53 crore associated with irrigation projects that are to be accounted for in Q2FY20. With this, we expect its EBITDA margin at 22.5% (adjusted EBITDA margin: 17.5%) and expect its bottomline to grow 59.2% YoY to ₹ 71.6 crore. **Key monitorable**: Land acquisition status on balance HAM projects, progress on monetisation of Kerala BOT project

Source: Company, ICICI Direct Research

Consumer Discretionary

Low base, festive demand may drive volume

The I-direct consumer discretionary (CD) universe would benefit from a low base and inventory build-up at the dealer level on early start of the festive season compared to last year. We believe paint companies would witness ~12% volume growth in the decorative paint segment while demand for industrial paints is likely to remain muted. Hence, under our coverage, Asian Paints may report sales growth of 13% in Q2FY20 with higher realisation of ~3% YoY supported by a change in the product mix. Being a strong quarter for Pidilite, the company is likely to post ~13% revenue growth led by adhesive & sealant and construction chemical segments. On the other hand, Voltas is likely to record strong volume growth of ~19% YoY on a low base and minimal inventory at the dealer level. Besides, the piping segment in our coverage universe is likely to see volume growth of ~9% YoY on a low base and consolidation of new business (Astral Poly).

Operating leverage, better product mix to improve margin

We believe Asian Paints and Pidilite Industries are likely to benefit from a better mix and benign raw material prices (prices of TiO2, VAM declined ~3%, 12%, respectively). Hence, both companies are likely to report an increase in EBITDA margin by 195 bps and 100 bps, respectively. Further, a recovery in prices of PVC (up 6%) would be partly offset by a decline in other polymer prices (prices of HDPE, LDPE witnessed a sharp fall of 21%, 10%, respectively). This may result in flattish margin for Supreme Industries. On the other hand, the EBITDA margin of Astral Poly is likely to remain flattish due to consolidation of low margin business (of Rex) and change in distribution strategy in the adhesive segments. Voltas, on the other hand, is likely to benefit from strong volume growth, which would help drive EBITDA margin up 137 bps YoY. However, we believe EBITDA margin of Havells are likely to remain muted on account of the subdued performance of its industrial product categories. Hence, the EBITDA margin of our coverage universe is likely to expand ~65 bps at 16% in Q2FY20.

Better margin, corporate tax cut to help in PAT growth

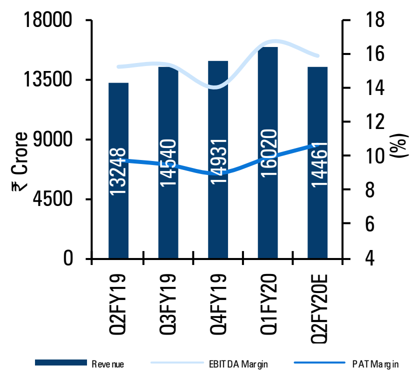
Our coverage universe is likely to post bottomline growth of 19% YoY led by an increase in EBITDA margin and the recent cut in corporate tax rate (tax reduced from ~33% to ~25%). We believe the major benefit would flow to Asian Paints and Pidilite Industries wherein the bottomline of these companies is likely to increase 27% and 33% YoY, respectively.

Exhibit 24: Estimates for Q2FY20E: (Consumer Discretionary) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
Asian Paints	5,247.8	13.1	2.3	989.4	26.2	-14.4	644.2	27.3	-4.2
Astral Poly Technik	700.5	11.3	15.5	107.9	14.3	15.9	56.5	23.3	18.2
Havells	2,371.6	8.2	-12.6	268.0	2.1	-2.8	190.7	6.8	9.6
Kansai Nerolac	1,345.7	4.0	-8.0	201.5	3.3	-19.1	140.5	15.1	-5.0
Pidilite Industries	1,979.1	12.6	-1.9	430.9	18.1	-2.9	307.9	33.2	4.6
Supreme Industries	1,346.6	2.3	-6.3	169.9	-20.0	1.5	84.4	-21.2	-3.1
Voltas Ltd	1,469.8	3.4	-44.6	132.4	22.0	-54.5	120.3	12.5	-27.7
Total	**14,461.1**	**9.2**	**-9.7**	**2,300.1**	**13.8**	**-14.1**	**1,544.5**	**19.0**	**-2.8**

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



EBITDA Margin (%) movement

EBITDA margin	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20
Asian Paints	16.9	19.7	17.6	22.5	18.9
Kansai Nerolac	15.1	13.1	13.0	17.0	15.0
Pidilite Ind	20.8	18.2	17.0	22.0	21.8
Havells	12.0	11.7	11.7	10.2	11.3
Voltas	7.6	7.8	7.0	11.0	9.0
Supreme Ind	16.1	12.7	13.2	11.6	12.6
Astral Poly	15.0	14.8	15.4	15.3	15.4

Volume growth movement of paint companies

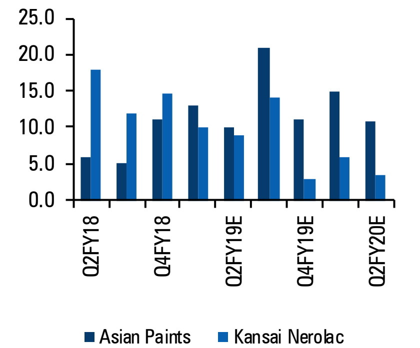


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Exhibit 25: Company Specific Views (Consumer Discretionary)

Company	Remarks
Asian Paints	Asian Paints is likely to record sales growth of ~13% YoY to~₹ 5248 crore in Q2FY20E on the back of volume growth of ~10% YoY led by ~12% YoY growth in the decorative paint segment. We believe gross margin will improve ~200 bps YoY supported by a change in product mix coupled with benign raw material prices. This would result in higher EBITDA margin (up ~200 bps YoY) at 19%. We believe despite higher depreciation charges, the company is likely to record strong growth in PAT by 27% YoY at ₹ 644 crore in Q2FY20E led by higher margin and corporate tax rate cut
Astral Poly	Astral Poly is likely to record net sales growth of ~11% YoY to ~₹ 700 crore. On the segment front, the piping segment is likely to grow ~14% YoY to ₹ 530 crore, led by volume growth of ~15% YoY. Revenue growth of the adhesive division is likely to remain muted at 3% YoY to ~₹ 171 crore mainly due to a change in distribution strategy. Consolidation of low margin business (of Rex) coupled with higher other expenses would result in flattish EBITDA margin at 15.4% on a YoY basis. PAT is likely to grow 23% YoY to ~₹ 57 crore supported by a reduction in corporate tax rate
Havells India	Havells is likely to record consolidated sales growth of ~8% YoY at ₹ 2372 crore in Q2FY20E supported by 13% YoY growth in revenue of the electrical consumer durable segment to ₹ 517 crore. We believe low government capex may lead to moderate revenue growth of 7% in both cable and switchgear segment to ₹ 820 crore and ₹ 454 crore, respectively. Lloyd business is likely to record muted sales growth at 5% YoY at ₹ 271 crore due to muted TV sales. We believe there would be marginal pressure in the EBITDA margin, which is likely to decline 70 bps YoY at 11.3% mainly due to lower operating leverage. PAT is likely to grow ~7% YoY to ₹ 191 crore supported by a reduction in corporate tax rate
Kansai Nerolac	Kansai is likely to record muted sales growth of ~4% YoY at ₹ 1346 crore mainly supported by the decorative business wherein volume growth is likely to remain high at ~12% YoY. However, with volume de-growth of ~7% YoY, the industrial category is likely to remain subdued due to a slowdown in the automotive industry. As a result, the EBITDA margin is likely to remain flat 15% in Q2FY20E. Higher depreciation charges (up 25% YoY) and muted sales growth would be partly offset by a reduction in the corporate tax rate, which would lead to PAT growth of 18% YoY at ₹ 144 crore during Q2FY20E
Pidilite Industries	Consolidated sales are likely to grow ~13% YoY to ~₹ 1979 crore in Q2FY20E supported by 14% YoY growth in revenue of the consumer & bazaar segment to ₹ 1726 crore. The industrial category is likely to grow, albeit at a slow pace of 7% YoY at ₹ 271 crore. We believe benign VAM prices will benefit the company in terms of higher gross margin (up 250 bps YoY), which would result in an increase in EBITDA margin by 100 bps YoY to ~22%. Increase in EBITDA margin coupled with tax rate cut benefit (of ~950 bps YoY) would drive PAT growth at 33% YoY at ₹ 308 crore
Supreme Industries	SIL is likely to record revenue growth of ~2% YoY (~9% YoY excluding sale of property in the base period) to ~₹ 1347 crore in Q2FY20E led by same amount of volume growth. We believe the piping segment will record revenue growth of 12% YoY at ₹ 764 crore led by volume growth of ~10%. Industrial segment performance is likely to remain muted on a high base and slowdown in automotive demand. Further, we believe a recovery in PVC prices (6% YoY) would be partly offset by a decline in other polymer prices (~10% YoY). This is likely to result in flattish plastic segment EBITDA margin at 12.5%. The company is likely to record PAT of ₹ 84 crore in Q2FY20E against ₹ 107 crore in Q2FY19 (includes onetime profits from sales of assets)
Voltas	In a lean season, Voltas is likely to record sales growth of ~3% YoY at ~₹ 1470 crore in Q2FY20E. Muted growth can be attributed to ~5% YoY decline in revenue of EMPS revenue to ₹ 854 crore. However, unitary cooling product (UCP) segment performance is likely to remain strong with sales growth of 20% at ₹ 529 crore mainly on the back of low base of same period last year. Better operating leverage in UCP business would help drive EBITDA margin up by 140 bps YoY at 9%. Despite losses from JV/associated, the company is likely to record PAT growth of 12% YoY at ₹ 120 crore supported by the recent tax rate cut

Source: Company, ICICI Direct Research

FMCG

Growth to remain subdued amid rural slowdown, high base

After two quarters of subdued demand, we expect our FMCG coverage companies' to witness further moderation in sales as rural demand is under stress on account of lower farmer's income impacted by low food inflation in addition to liquidity issues faced by wholesalers further impacting demand. Our coverage companies are expected to report muted organic volume growth of 4-6% YoY on a high base whereby sales is expected to grow 6.8% YoY. HUL and Dabur are expected to witness slower YoY revenue growth of 6.7% and 4.4%, respectively, as rural sales contribute a sizeable portion of its overall sales. Marico, too, is expected to witness muted domestic growth whereas its international business is expected to see strong pick-up resulting in YoY sales growth of 7.2%. On the positive side, Nestlé is expected to witness strong YoY sales growth of 9% driven by new product launches and due to lower salience of rural sales. ITC is expected to post 4% YoY volume growth in cigarettes mainly driven by stable tax environment. On the back of good growth from cigarettes & FMCG segments, ITC is expected to post 6.6% YoY sales growth.

Moderation in some key commodities to aid margins

Raw material prices have started inching downwards after recent uptick seen in last few quarters. Crude oil prices (used for packaging), palm oil, copra, robusta have declined 18%, 8%, 14% and 20% YoY, respectively. Even sugar prices have remained flat YoY after showing some inflation last quarter. However, commodities like barley, milk, wheat and cocoa prices have been on an upward trajectory, increasing 15%, 10%, 5% and 5%, respectively. Our coverage companies have taken a few price hikes to mitigate higher input cost prices that should help in operating margin expansion of 37 bps. Reduction in palm oil and crude oil should benefit HUL whereas benign copra prices should continue to aid Marico's margins. However, increase in milk and cocoa prices is likely to impact Nestlé. We believe companies will use the benefit from lower/stable input cost prices along with benefit derived from reduction in corporate tax rates, to pass on some benefits to consumers and resort to higher A&P spend. HUL has already passed on reduction in palm oil prices benefit to consumers by taking price cuts in soaps. This would help propel volume growth in future. We estimate 16.3% YoY net profit growth for our coverage companies.

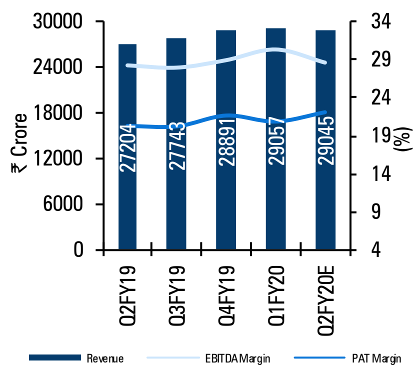
While rural regions have seen a tapering off leading to a demand slowdown, we expect the situation to improve for our FMCG universe in H2FY20 on the back of above normal monsoons and encouraging government policies to lift rural incomes. Given the lower penetration rates in many FMCG categories, we believe the headroom for growth is tremendous.

Exhibit 26: Estimates for Q2FY20E: (FMCG) (₹ Crore)

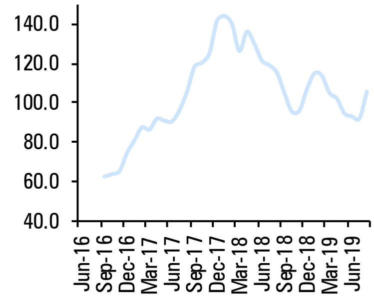
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
Dabur India Ltd	2,218.9	4.4	-2.4	444.0	-1.5	-3.0	380.8	0.9	4.7
HUL	9,856.4	6.7	-2.5	2,229.6	10.4	-15.8	1,687.2	10.6	-3.9
ITC	11,797.0	6.6	2.6	4,528.3	7.7	-0.8	3,538.0	19.7	11.5
Marico Ltd	1,968.7	7.2	-9.1	353.4	20.2	-23.3	252.7	15.8	-24.4
Nestle India	3,204.2	9.0	6.8	766.7	5.7	9.9	560.4	25.6	28.0
Total	**29,045.1**	**6.8**	**0.0**	**8,322.0**	**8.1**	**-5.7**	**6,419.1**	**16.3**	**5.8**

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



Copra price trend (₹/kg)



Benign palm oil prices (₹/kg)

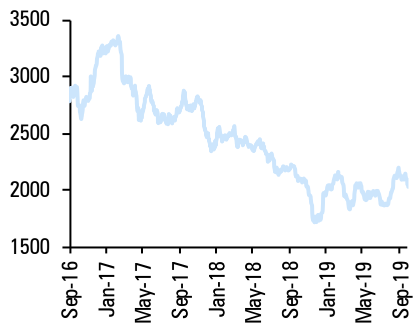


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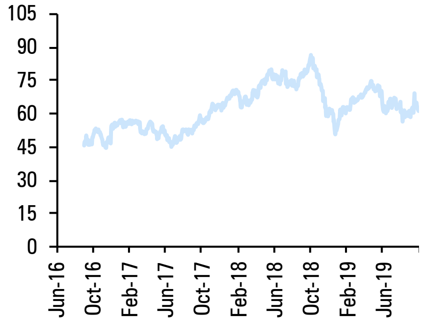
Exhibit 27: Company Specific Views (FMCG)

Company	Remarks
Dabur	Dabur is expected to post 4.4% YoY revenue growth led by 3% volume growth on a base of 8.1% and 1.4% price hike taken in the previous quarter. We expect volume growth to taper off from erstwhile quarters on account of moderation in rural demand (company derives almost half of its revenues from rural regions). International operations are expected to witness better sales growth of 6% YoY on account of a revival in Turkey and MENA regions. We expect EBITDA margins to contract 121 bps to 20% due to higher operational costs. PAT is expected to remain flat at ₹ 380.8 crore as it would not benefit much from a reduction in corporate tax rates
HUL	We expect HUL to post 6.7% YoY sales growth mainly driven by 5% volume growth on the back of strong growth in home care segment benefiting from premiumisation trend and from foods & refreshment segment, as new launches are supporting growth. We expect HUL to witness operating margin expansion of 76 bps to 22.6% due to Ind-AS accounting adjustment. We expect net profit to grow 10.6% YoY to ₹ 1687.2 crore driven by a reduction in tax rates.
ITC	The company is expected to witness sales growth of 6.6% YoY driven by good growth from the cigarettes & FMCG segment. Cigarette segment sales growth would be driven by volume growth of 4% and price hikes of 1-2% taken in the segment recently. Backed by new launches & premiumisation across categories, FMCG segment should witness 8% sales growth. With select price hikes in cigarettes segment, rapid improvement in FMCG operating margins and reduction in corporate tax rates, we expect net profit to show strong growth of 19.7% to ₹ 3538 crore
Marico	Marico is expected to post 7.2% YoY sales growth as domestic business environment would be weaker as compared to previous quarters. We expect volume growth of 5% coupled with product mix improvement of 2-3%. The international business is also expected to witness sales growth in a similar trajectory driven by strong growth from Bangladesh and South East Asia regions; however, MENA region is expected to witness some softness. Due to a decline in copra prices of ~15% YoY, we expect 194 bps expansion in operating margins to 18%. Net profit is expected to increase 15.8% YoY to ₹ 252.7 crore
Nestlé India	Led by broad based volume growth across categories, new launches and higher advertising spend, we expect Nestlé to post 9% YoY sales growth to ₹ 3,204 crore. We expect operating margins to contract 75 bps to 23.9% YoY on an elevated base of 24.7% operating margin in Q2FY19 on account of increase in commodity costs, especially milk and wheat prices, and increase in A&P expenditure. We expect a sharp increase in net profit by 25.6% YoY to ₹ 560.4 crore during the quarter mainly led by reduction in tax rates

Source: Company, ICICI Direct Research

Crude oil prices trend ($/barrel)



Hotels

Absolute FTA remains healthy but growth to moderate further on higher base

Growth in foreign tourist arrivals (FTAs) slowed down to ~3.4% YoY in FY19 following the high base of last year. It reported healthy double digit growth of 11.7% and 12.1% YoY during FY17 and FY18, respectively. During Q2FY20E, we expect FTA growth to moderate further to 2.4% YoY. However, in absolute terms, FTA is still expected to continue 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 ~3.0% YoY leading to over 6% revenue growth in the domestic hotel market while at the company level, growth is likely to remain lower than industry growth due to company specific challenges. We expect EIH's revenue growth to moderate in the quarter due to lower revenue from flight catering business whereas Indian Hotels' profitability may improve YoY due to a turnaround of international subsidiaries. Overall, we expect I-direct hotel universe to report 2.2% YoY revenue growth in the quarter.

Improved RevPAR to boost margins during Q2FY20E

Margins of the I-direct hotel universe are expected to improve 272 bps YoY on account of operating leverage benefit and healthy ARRs. During the quarter, we expect Indian Hotels to report margin expansion of 370 bps mainly due to improved business of international segment (healthy RevPAR in US) while EIH may report broadly flattish margins YoY due to lower income from high margin flight catering business. On a QoQ basis, margins of the I-direct universe are expected to remain lower by 172 bps mainly on account of a lean season impact.

Business, select leisure destinations to drive growth in quarter

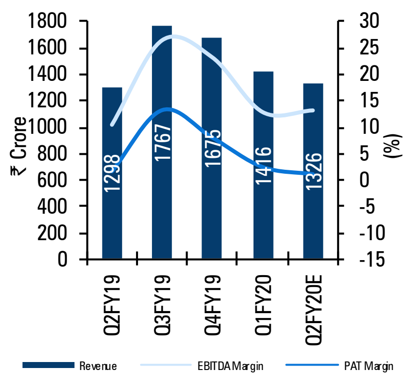
Average occupancy levels continued to remain higher at business destinations compared to leisure destinations during the quarter on account of the onset of lean season. However, select leisure destinations are expected to report marginally better occupancy levels during the quarter. Among leisure destinations,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

Exhibit 28: Estimates for Q2FY20E: (Hotels) (₹ Crore)

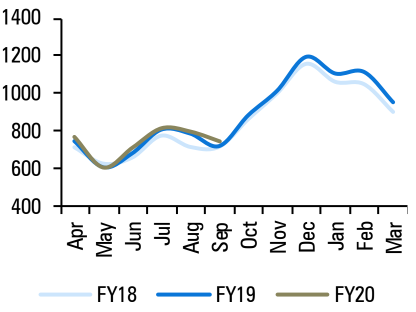
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
EIH	302.7	-9.2	4.5	31.5	-13.9	46.1	4.2	-84.2	LP
Indian Hotel	1,023.4	6.1	0.3	143.3	44.4	-17.4	10.3	LP	81.7
Total	**1,326.0**	**2.2**	**1.3**	**174.7**	**28.7**	**-10.4**	**14.5**	**-31.7**	**LP**

Source: Company, ICICI Direct Research

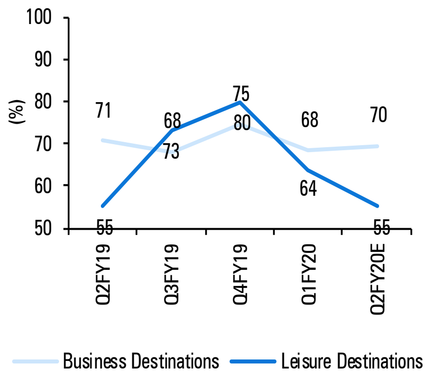
Topline & Profitability (Coverage Universe)



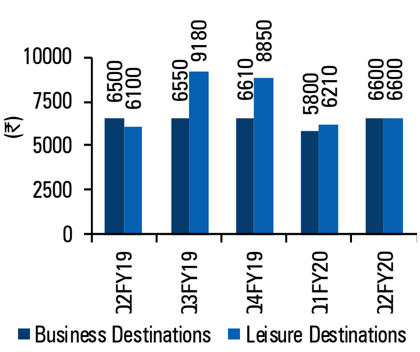
FTAs growth to moderate on higher base



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 5.5% YoY in line with industry growth vs. 8.2% YoY growth reported last year. The lower growth was mainly attributed to extended monsoons and weak consumer sentiments during the quarter. The international segment is expected to witness growth of 9%. Margins are expected to remain flat QoQ despite challenges in the domestic segment, which are expected to be offset by a turnaround of international subsidiaries. Reduced losses from associates are expected to help improve profitability during the quarter on a QoQ basis
EIH	Earnings of EIH are expected to continue to get impacted due to lower revenues from catering business during the quarter. On the other hand, stabilisation of the Delhi property, which reopened in January 2018, would help stabilise revenues QoQ. With lower-than-expected revenue from the catering business, we expect revenue to decline 9.2% YoY and improve 4.5% QoQ. Margins are expected to improve 300 bps QoQ on a low base

Source: Company, ICICI Direct Research

Information Technology

Mixed quarter on revenue front

This is usually the strongest quarter for IT companies. However, issues in BFSI, retail and certain client specific challenges (especially in midcap companies) are expected to taper IT companies' revenue growth. Tier-1 IT companies are expected to report revenue growth in the range of 1-6.3% QoQ in constant currency (CC) terms. Optically, HCL Tech leads the pack with 6.3% QoQ growth driven by integration of IBM acquisition though underlying organic growth is likely to be weak at 0.3%. TCS and Infosys are expected to report a steady performance while Wipro is expected to be a laggard. Cross currency would act as a headwind of average 60-80 bps to reported dollar growth mainly on the back of GBP depreciating 4.1% QoQ vs. US dollar. Among mid-tier, NIIT Tech would lead the dollar growth (6% QoQ) on the back of an acquisition integration while the other coverage universe is likely to report a muted show. On the margin front, margin expansion is on the cards for most companies with absence of wage hike, visa costs. We prefer Infosys and HCL Tech among tier-1 and NIIT Tech among midcap.

Margins to get comfort from absence of visa costs & wage hike

Absence of visa costs and wage hike (in most companies) along with rupee depreciation would lead to expansion of margins in the quarter. This could be partly offset by cross currency impact. We estimate EBIT margins to increase 80-140 bps sequentially for Tier-1 companies barring Wipro wherein two month wage hike impact would play out.

Midcap: Modest revenue growth, healthy margins

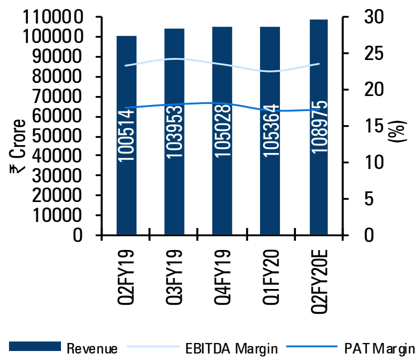
Among our midcap universe, we expect NIIT Tech to lead the dollar growth (6% QoQ) on the back of an acquisition integration while the remaining coverage universe is likely to report a muted show. On the EBITDA margin front, L&T Infotech is likely to witness the impact of a wage hike while other midcap is expected to see margin expansion. The point to note is that margins look optically higher in NIIT Tech and MindTree on account of one-offs (related to one-time charges in Q1FY20) in both companies. On an adjusted basis, we expect EBITDA margins to expand 110 bps and 40 bps QoQ for respective companies.

Exhibit 29: Estimates for Q2FY20E (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
HCL Tech	17,567.0	18.2	7.0	3,988.0	14.0	17.3	2,515.0	-0.9	13.3
Infosys	22,608.9	9.7	3.7	5,516.6	3.0	7.1	4,105.9	-0.1	8.0
InfoEdge	310.8	17.3	-0.6	101.2	22.6	0.2	84.7	8.5	27.0
L&T Infotech	2,521.6	8.2	1.5	453.9	-5.2	-0.9	325.8	-18.6	-8.4
Mindtree	1,887.3	7.5	2.9	245.4	-9.1	33.3	140.1	-32.1	51.1
NIIT Technologies	1,033.4	13.9	7.3	186.0	13.8	33.9	119.0	6.4	35.7
TCS	39,259.7	6.5	2.8	10,874.9	5.8	8.3	8,196.7	3.7	0.8
Tech Mahindra	8,843.8	2.5	2.2	1,450.0	-10.4	10.4	997.1	-6.3	3.9
Wipro	14,942.9	4.5	1.5	2,955.4	30.8	-2.6	2,336.0	41.6	-2.2
Total	**108,975.4**	**8.4**	**3.4**	**25,771.4**	**9.5**	**8.2**	**18,820.3**	**6.6**	**4.0**

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



Dollar growth, QoQ

IT Services	Q2FY20E	Q1FY20	Growth (%)
TCS	5,578.2	5,485.0	1.7
Infosys	3,212.4	3,131.0	2.6
Wipro ^	2,047.0	2,038.8	0.4
HCL Tech	2,496.0	2,364.0	5.6
Tech M	1,256.6	1,247.1	0.8
LTI	358.3	356.5	0.5
Mindtree	268.2	264.2	1.5
NIIT Tech	146.8	138.5	6.0
Internet (in ₹)			
Info Edge	310.8	312.8	(0.6)

^ IT services

Top Picks

Infosys, HCL Tech
NIIT Tech

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Keen watch on BFS (in US & Europe) and margin trajectory

Continuous acceleration of digital story and deal flow for many companies is encouraging. However, what needs to be keenly watched is the management's incremental commentary on banking, financial services (BFS) segment in US, Europe and trend in backlog which has been a source of weakness in the last few quarters. Further, measures to propel digital play and margin trajectory would be an area of increased focus.

Exhibit 30: Company Specific view

Company	Remarks
TCS	In a seasonally strong quarter otherwise, constant currency revenues are expected to grow 2.5% sequentially (vs. 3.7% QoQ in Q2FY19) mainly due to weak commentary in segments of capital markets & retail along with some client specific concerns. Cross currency would act as a headwind of 80 bps leading to US$ revenue growth of 1.7% QoQ to $5,578 million. However, rupee revenue growth is expected to grow 2.8% QoQ (to ₹ 39,260 crore) mainly due to rupee depreciation. EBIT margins could expand 140 bps QoQ to 25.6% mainly due to absence of visa costs, waning of wage hike impact aided by marginal positive from rupee depreciation. Investor interest: Demand outlook specifically for banking, financial insurance and retail segment, momentum in deal TCV post QoQ dip in Q1FY20 and margin trajectory
Infosys	Healthy deal intake along with partial contribution of Stater acquisition is expected to lead to 3.3% QoQ growth in revenues in constant currency terms. US$ revenue may increase 2.6% QoQ to $3,212 million while dollar appreciation would lead to rupee revenue growth of 3.7% QoQ at ₹ 22,609 crore. EBIT margins may expand 80 bps QoQ to 21.3% primarily owing to absence of visa costs, rupee tailwind, operational efficiency offset by partial wage hike and deal transition costs. Investor interest: Update of FY20E revenue and margin guidance, demand commentary on BFSI (especially capital markets) & European auto verticals and order book trajectory
Wipro	We expect global IT services revenues to grow 1% QoQ in constant currency well in the guided range of 0-2%. With cross currency headwind of 0.6%, US$ revenues in IT services segment to grow 0.4% QoQ to US$2047 million. In rupee terms, revenues could grow 1.5% QoQ to ₹ 14,943 crore. Global IT services EBIT margins is expected to dip 70 bps QoQ to 17.3% due to two month wage hike impact, partly countered by currency tailwind. Investor interest: Q3FY20E guidance, deal ramp ups, demand outlook across various operating segments and margin momentum
HCL Tech	Full quarter consolidation of IBM products acquisition would lead to boost in overall revenue growth and optically the highest revenue growth among Tier-I IT pack. We expect dollar revenues to grow 5.6% QoQ to $2,496 million mainly driven by 5.3% QoQ contribution from the IBM acquisition. Accompanied by rupee depreciation benefit, rupee revenues are expected to grow 7.0% QoQ to ₹ 17,567 crore. EBIT margins could increase 100 bps QoQ to 18.1% owing to gain from integration of high margin IBM business, absence of visa cost partly neutralised by partial wage hike (spread across Q2 & Q3). Investor interest: Outlook on organic growth momentum, magnitude of investments in acquisition led strategy and deal pipeline
Tech Mahindra	We expect US$ revenues to grow a mere 0.8% QoQ to $1257 million on the back of weakness in enterprise segment driven mainly by auto, banking and healthcare segments. Rupee revenues may grow 2.2% QoQ to ₹ 8,844 crore. EBITDA margins could expand 120 bps QoQ to 16.4% led by absence of wage hike & visa costs, rupee benefit partly offset by cross currency impact. Investor interest: Timelines and quantifiable impact of large deal won of AT&T in September 2019, large deal pipeline, recovery in portfolio companies post poor show in Q1FY20 and growth stance mainly in enterprise
Larsen & Toubro Infotech	US$ revenues is expected to witness modest growth of 0.5% QoQ to $358 million on account of multiple client specific headwinds. Rupee revenues may grow marginally by 1.5% QoQ to ₹ 2,522 crore. EBITDA margins may dip 40 bps QoQ to 18.0% mainly due to wage hike partially countered by waning of visa cost & one-time sales impact in the prior quarter. Investor Interest: Growth outlook for H2FY20E amid client specific headwinds, margin trajectory and deal pipeline trajectory

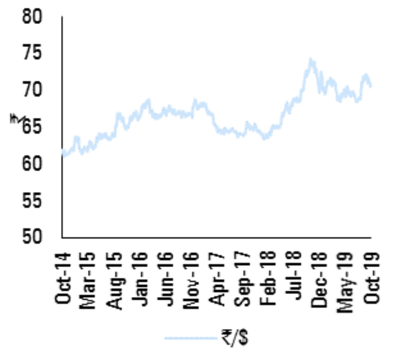
Source: Company, ICICI Direct Research

EBIT margin impact

EBIT margins	Q2FY20E	Q1FY20	Change (bps)
TCS	25.6	24.2	140
Infosys	21.3	20.5	80
Wipro ^	17.3	18.0	(70)
HCL Tech	18.1	17.1	100
EBITDA margins			
Tech M	16.4	15.2	120
LTI	18.0	18.4	(40)
Mindtree	13.0	10.0	300
NIIT Tech	18.0	14.4	360
Internet (in ₹)			
Info Edge	32.5	32.3	20

^ IT services

$/₹



$ vs. global currencies

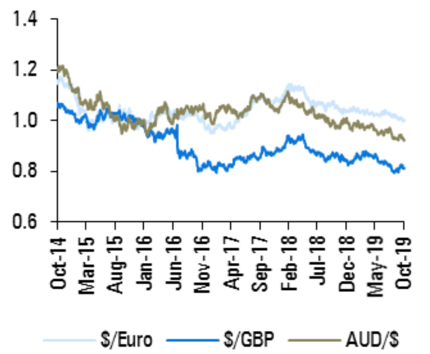


Exhibit 31: Company Specific views

Company	Remarks
Info Edge	Rupee revenues are expected to grow 17.3% YoY to ₹ 311 crore led by continued growth momentum in Naukri business (18% YoY) and 99 acres (19% YoY). EBITDA margins may increase ~20 bps QoQ a 32.5% owing to operating leverage & efficiency countered by cash burn at Jeevansathi and continuity in ad expenses in Naukri business. Investor interest: Growth trajectory in operating business segments, viewpoint of 99 acres segment, investments in advertisements in Naukri & Jeevansathi, update on Zomato & PolicyBazaar and any new investments
MindTree	We expect dollar revenues to grow 1.5% QoQ to $268 million led by order intake while rupee revenue may grow 2.9% QoQ to ₹ 1,887 crore. From the low base and onetime expenses in Q1FY20, EBITDA margins may expand sharply by 300 bps QoQ to 13% in the quarter. Investor interest: New management strategy, margin course post sharp dip in the last quarter, measures to curb rising attrition, client mining opportunity and order pipeline
NIIT Tech	On account of integration of Whishworks acquisition (5.6% contribution to quarter growth), dollar revenue is expected to increase 6% QoQ to US$147 million. Following that, rupee revenues may witness growth of 7.3% QoQ to ₹ 1033 crore. EBITDA margins may see an expansion of 110 bps to 18.0% (from adjusted margin of 16.9% in Q1FY20) due to reversal of wage hike and visa cost impact in Q1. Optically, EBITDA margins would look 360 bps higher QoQ from reported margins in the previous quarter. Investor interest: Commentary on top five clients amid softness in banking financial space, order book conversion, margin course and traction in digital segments

Source: Company, ICICI Direct Research

Logistics

Exim, domestic rail container volumes remain flattish

Q2 has seen a flattish trend in rail container volumes (considering July, August data). Volume growth has to be viewed in the backdrop of ~7% growth in Q1FY20 and 1% decline for Concor. The general slowdown in the economy appears to have impacted volumes across industries leading to subdued volume growth. Major container ports like JNPT saw 5% growth in Q2FY20. Lower level of domestic economic activity has led the domestic rail segment to remain subdued with flattish volume growth. On competitiveness vs. road players, despite crude oil prices declining ~10% QoQ to $62 per barrel, the indexed average freight rate rose from 92 to 93 QoQ (fell 12 points YoY), indicating a marginal improvement in profitability.

Slowdown in auto sector continues to impact surface players

Surface players in the business of supply chain (TCI supply chain division and Mahindra Logistics) are expected to report lower growth due to continued volume decline in the auto sector. Almost all automobile OEMs had planned production cuts during the quarter. This is expected to impact all three legs of SCM (inbound, outbound and infactory logistics). The freight and express segment are expected to show moderation in growth due to a general slowdown in economic activity.

Major ports traffic slows down further

The YTD growth in major port traffic (12 ports) has tapered down from ~2% in April-August 2019 to 294 MMT in overall cargo handled led by slower growth in thermal coal, raw fertilisers and other miscellaneous cargo. However, iron ore and finished fertiliser segment showed the strongest growth during the same quarter (at 33% and 8% respectively).

Financial performance expected to remain flat

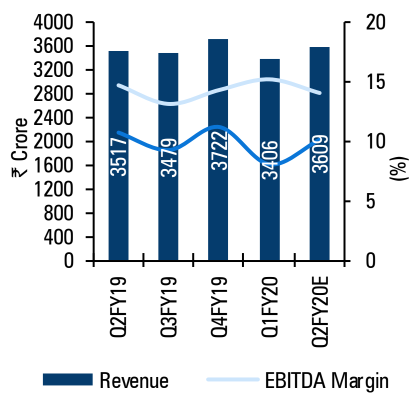
Revenues of our logistics coverage universe are expected to grow 3% YoY to ₹ 3609 crore. On the profitability front, we expect overall EBITDA and PAT growth to remain flat to ₹ 510 crore and ₹ 391 crore, respectively. Incentives provided by the Government of India to Container Corporation are expected to grow 2% to ₹ 102 crore in Q2FY20E.

Exhibit 32: Estimates for Q2FY20E: (Logistics) (₹ crore)

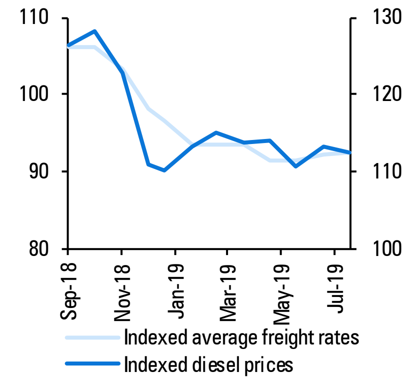
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
Container Corporation	1,736.1	0.8	5.9	381.9	-5.5	-5.3	313.4	-6.8	37.5
Mahindra Logistics	938.1	1.2	4.3	36.6	7.7	24.6	24.0	26.9	20.8
TCI Express	267.0	8.0	4.2	31.2	14.5	5.6	22.8	39.9	23.6
Transport Corp	668.1	7.7	9.1	60.1	13.2	7.0	30.5	17.9	2.6
Total	**3,609.2**	**2.6**	**6.0**	**509.9**	**-1.7**	**-1.6**	**366.6**	**-3.1**	**32.8**

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)

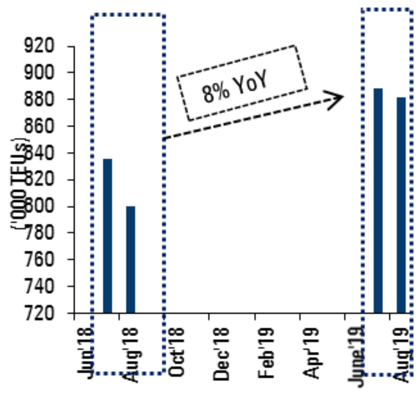


Average road freight rates vs diesel prices



Source: CRISIL, ICICI Direct Research

Indian Major Ports Container data



Source: IPA, ICICI Direct Research

Top Picks

Mahindra Logistics

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Exhibit 33: Company Specific Views (Logistics)

Company	Remarks
Container Corporation	Core revenues are expected to grow marginally by 1% YoY to ₹ 1736 crore due to 6% YoY growth in Exim volumes and 2% growth in domestic volumes. EBITDA margins are expected to decline 150 bps YoY to 22%. Absolute EBITDA is expected to decline 6% YoY to ₹ 382 crore. However, PAT is expected to decline 10% YoY to ₹ 304 crore (inclusive of exceptional income of ₹ 101 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 8% YoY in Q2FY20 (Q1FY20 growth was 7%) due to lower growth in the manufacturing sector. July and August have been weak for the industry with a marginal uptick seen in September. Supply chain segment revenues continued to be impacted by a slowdown in the auto Industry. However, shipping segment revenues are expected to grow 15% YoY due to improved fleet utilisation. Hence, resultant revenues are expected to grow 8% YoY to ₹ 668 crore. EBITDA is expected to grow 13% YoY to ₹ 60 crore, mainly due to an expected 40 bps increase in EBITDA margin to 9%. In spite of lower tax rate (for freight & supply chain division), higher interest and depreciation expenses are expected to restrict PAT growth to 18% YoY to ₹ 30.5 crore
TCI Express	Revenue growth is expected to remain muted with 8% YoY growth to ₹ 267 crore amid a slowdown in overall industrial growth (Q2FY19 growth of 16%). The continued slowdown in the auto sector is impacting the growth of auto ancillary sector, to which the company has decent exposure. EBITDA margins are expected to remain steady at 11.7%. Subsequently, EBITDA is expected to grow 15% YoY to ₹ 31 crore. However, PAT is expected to grow 41% YoY to ₹ 23 crore owing to benefit of lower corporate tax rate announced by the government recently (effective tax rate reduced from 35% to 25.2%)
Mahindra Logistics	Revenue is expected to remain muted with 1% YoY growth amid a continued slowdown in the auto sector (~65% exposure). EBITDA margins are expected to remain rangebound at 3.8-4%. Subsequently, EBITDA is expected to grow 8% YoY to ₹ 37 crore. However, PAT is expected to grow 26% YoY to ₹ 24 crore owing to benefit of lower corporate tax rate announced by the government recently (effective tax rate reduced from 35% to 25.2%)

Source: Company, ICICI Direct Research

Media

Strong box office collection to lift performance

The strong performance of movies like *Mission Mangal, The Lion King, Saaho, Super 30, Chhichhore, Dream Girl,* etc. led to robust box office collections. We note that the quarter witnessed a stupendous performance content wise with six movies collecting ₹ 100 crore+. We expect footfalls for Inox to grow 30% YoY, given the strong content and also aided by the benign base of Q2FY19 owing to BMS boycott while we expect gross ATP decline to be flattish leading to 37.6% YoY growth in box office revenues. A weak macroeconomic environment is likely to impact ad revenues, which is expected to witness muted 2% YoY growth. We expect EBITDA margins (ex-Ind-AS) for Inox to expand 660 bps YoY to 18.8%. PVR is expected to report 20% YoY growth in footfalls while ATP is expected to decline 205% YoY to ₹ 201. Box office collections are expected to grow 25% while F&B income is expected to grow 35% YoY. We expect PVR to report 150 bps YoY expansion in EBITDA margins to 19%.

Macroeconomic challenges hurt ad growth for broadcasters

Advertisement revenue of GEC channels is expected to be impacted by an overall weak macroeconomic set-up. Subscription revenue, however, is expected to be boosted YoY by NTO benefits. Zee Entertainment may report 24% YoY domestic subscription growth while overall subscription is expected to grow 17.6% YoY. Domestic advertisement growth is expected to be muted at 3% YoY. We anticipate Zee will see EBITDA margins at 32.5%, a 170 bps decline YoY owing to higher content costs and OTT ramp up. Sun TV is expected to report flattish ad revenues (while subscription revenues are expected to grow 18% YoY). We build in 790 bps YoY EBITDA margin decline to 65.6% for the quarter largely due to higher content costs, new channel costs and OTT spends. TV Today is likely to report 5% YoY revenue growth in TV broadcasting, with digital revenues also expected to grow 5% YoY. TV Today is expected to report 10% YoY EBITDA growth while EBITDA margin is expected t 27.3%.

Radio players to witness steep impact of ad slowdown

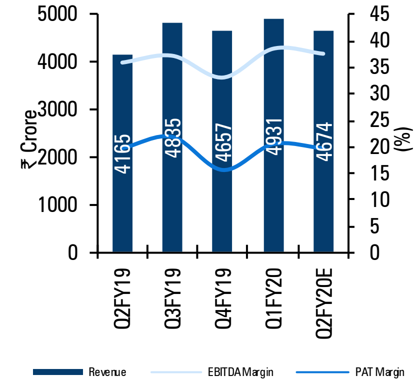
Revenue for radio players is expected to be hit by the weak overall ad environment. We expect ENIL to post topline growth of 5%, largely driven by non-FCT business. We expect EBITDA margins to be flattish YoY. MBL is expected to report revenue decline of 10% while the company is expected to report EBITDA margin decline of 80 bps YoY of 32.3%. We expect the company to post PAT of ₹ 11.2 crore for the quarter, with lower tax rate restricting the earnings decline.

Exhibit 34: Estimates for Q2FY20E: (Media) (₹ Crore)

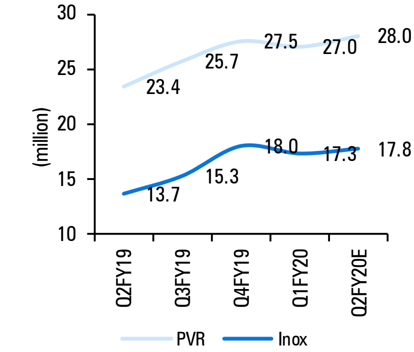
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
ENIL	128.7	5.0	-2.8	28.7	5.0	-13.2	2.0	-78.3	-49.0
Inox Leisure	484.0	32.5	-1.8	148.7	232.1	-0.9	26.0	117.4	-3.6
Music Broadcast Ltd	72.2	-9.9	3.5	23.3	-12.2	4.2	11.2	-16.7	32.3
PVR	908.8	28.3	3.2	298.5	140.7	7.2	30.1	-8.9	86.3
Sun TV	797.0	6.3	-27.6	526.0	-5.0	-23.0	350.1	-0.3	-8.3
TV Today	180.3	10.4	-26.7	49.3	10.4	-33.8	35.9	21.6	-29.7
Zee Ent.	2,103.2	6.4	4.7	683.6	1.2	3.6	477.1	23.4	-10.1
Total	**4,674.2**	**12.2**	**-5.2**	**1,758.1**	**17.4**	**-7.5**	**921.2**	**12.1**	**-8.8**

*Source: Company, ICICI Direct Research * EBITA estimates in the table are after incorporating IND AS and therefore not comparable YoY*

Topline & Profitability (Coverage Universe)



Multiplex Footfalls trends



Top Picks

Inox Leisure

Research Analysts

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Exhibit 35: Company Specific view - Media

Company	Remarks
ENIL	The core radio segment is likely to continue its struggle given the tepid macroeconomic set-up. Growth, therefore, is expected to be largely driven by the non-FCT segment. We expect ENIL to post topline growth of 5% YoY to ₹ 128.7 crore, largely driven by the non-radio business. We expect EBITDA margins to remain flattish YoY at 22.3%. **Key monitorable**: Advertisement revenue outlook
Music Broadcast	A weak macroeconomic environment is likely to have a steep impact on the radio Industry ad growth during the quarter. MBL is expected to report a revenue decline of 10% YoY to ₹ 72.2 crore. On account of negative operating leverage, EBITDA is expected to decline 12% YoY to ₹ 23.3 crore while the company is expected to report an EBITDA margin decline of 80 bps YoY of 32.3%. We expect the company to post PAT of ₹ 11.2 crore for the quarter, with lower tax rate restricting the earnings decline. **Key monitorable**: Growth outlook & progress on MIB approval of Big FM acquisition
Inox Leisure	The quarter witnessed a stupendous performance content wise with six movies collecting ₹ 100 crore+. We expect footfalls of Inox to grow 30% YoY to 17.8 million, aided by the strong content performance and relatively benign base quarter owing to BMS boycott in Q2FY19. We expect net box office collections to grow 37.6% YoY. We estimate 10% YoY improvement in SPH to ₹ 80 while F&B revenues are expected to grow 40.6% YoY to ₹ 133.5 crore. A weak macroeconomic environment is likely to impact ad revenues, which is expected to witness muted 2% YoY growth at ₹ 39 crore. EBITDA margins (ex-Ind-AS) are expected to increase 660 bps YoY to 18.8%. **Key monitorable** : Commentary on screen addition and ad growth outlook
PVR	A strong performance from movies such as Mission Mangal, The Lion King, Saaho, Super 30, Chhichhore, Dream Girl, etc. led to robust box office collection. We expect PVR to report 20% YoY growth in Footfalls to 28 million while gross ATP is expected to decline 2.5% QoQ to ₹ 201. Box office collections are expected to grow 25% YoY to ₹ 468.2 crore. F&B income is expected to grow 35% YoY to ₹ 263.7 crore. We expect ad revenues to grow 12% YoY (~9% like to like) to ₹ 91 crore. We expect PVR to report 150 bps YoY expansion in EBITDA margins to 19%. **Key monitorable**: Commentary onscreen addition and ad growth outlook
Sun TV	We expect Sun TV to witness the impact of a weak ad environment while strong monetisation post NTO implementation will keep subscription revenue traction buoyant. Sun TV is expected to report flattish advertisement revenues at ₹ 342 crore. Subscription revenues are expected to grow 18% YoY to ₹ 402 crore, driven by superior realisations post NTO implementation. We build in 790 bps YoY EBITDA margin decline to 65.6% for the quarter largely due to higher content costs, new channel costs and OTT spends. **Key monitorable**: Ad growth outlook, OTT progress
TV Today Network	The company is expected to report TV broadcasting revenue growth of 5% YoY to ₹ 147 crore. We expect radio business to decline 20% YoY to ~₹ 4.7 crore while digital revenues are expected to grow 5% YoY to ₹ 23 crore. We expect the company to report 10% YoY EBITDA growth to ₹ 49.3 crore while we estimate EBITDA margin of 27.3% for the quarter. **Key monitorable**: TV broadcasting revenue outlook ahead
Zee Ent.	Subscription growth for the quarter is expected to be strong again given the positive impact of NTO implementation. However, advertisement growth will be muted given the overall weak ad environment. We expect Zee Entertainment to report 24% YoY domestic subscription growth to ₹ 631 crore while overall subscription is expected to grow 17.6% YoY to ₹ 715 crore. Domestic advertisement is expected to be muted at 3% YoY growth to ₹ 1187 crore. We expect EBITDA margins to decline 170 bps at 32.5%, given the OTT ramp up and higher overall content spending. **Key monitorable**: Ad growth outlook

Source: Company, ICICI Direct Research

Metals and Mining

EBITDA/tonne of steel majors to decline QoQ

The domestic steel sector witnessed a challenging Q2FY20. Monthly demand growth has slowed down notably from 6.4% in April 2019 to 1.7% in August 2019. This put downward pressure on steel prices. On an average, domestic hot rolled coil (HRC) prices declined ~9% in Q2FY20 vs. the Q1FY20 average. On the raw materials front, while coking coal prices have declined, as steel companies have inventories, the benefit of the same is likely to come from Q3FY20E onwards. Subsequently, on account of subdued realisations, we expect the EBITDA/tonne of domestic players to witness a declining trend QoQ. The EBITDA/tonne of Tata Steel (standalone operations) is expected come in at ₹ 10500/tonne (₹13158/tonne in Q1FY20) while domestic operations of JSW Steel are likely to report an EBITDA/tonne of ₹ 7250/tonne (₹ 9936/tonne in Q1FY20). Going forward, the outcome of US-China trade negotiations holds the key in determining the future trajectory of the global metal sector.

Non-ferrous remained muted….

Most non-ferrous prices remained subdued during Q2FY20. During the quarter, the average price of zinc was US$2353/tonne, down 7.3% YoY & 14.7% QoQ. Average price of copper was at US$5808/tonne, down 5.1% YoY, 5.0% QoQ. Average aluminium prices were at US$1765/tonne, down 14.1% YoY, 1.6% QoQ. Lead was an exception in metals as it reported average prices at US$2029/tonne, a 7.8% QoQ increase and 3.2% YoY decline in prices. Overall, in Q2FY20, most non-ferrous prices remained subdued due to macroeconomic uncertainties on the back of the ongoing trade tussle along with the slowdown in the overall market.

Muted metal prices to impact aggregate operating margin

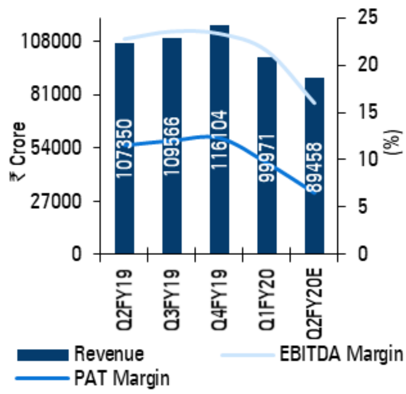
We expect the aggregate topline of coverage companies to decline 16.7% YoY and 10.5% QoQ. On the back of a weakness in metal prices, in general, the aggregate EBITDA margin is expected to decline 550 bps QoQ and 680 bps YoY to 16.0%. The EBITDA/tonne of domestic miners like Coal India is likely to come in at ₹ 265/tonne with NMDC expected to report the same at ₹ 1850/tonne. We expect Novelis (Hindalco's subsidiary) to clock an EBITDA/tonne of US$425/tonne.

Exhibit 36: Estimates for Q2FY20E: (Metals) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
Coal India	18,783.0	-15.4	-24.7	3,240.1	NA	-51.0	2,505.8	NA	-45.9
Graphite India	939.9	-53.2	-2.8	245.5	-82.0	-16.8	193.3	-78.8	-12.1
Hindalco	9,991.3	-7.8	-0.6	1,151.8	-33.7	0.9	185.0	-74.5	10.8
Hindustan Zinc	4,192.0	-12.2	-15.9	1,922.4	-17.6	-22.4	1,414.1	-22.1	-19.9
JSW Steel	18,244.7	-15.3	-7.9	2,694.6	-45.1	-27.5	479.0	-77.1	-52.5
NMDC	2,135.0	-12.4	-34.6	1,086.0	-13.8	-41.8	758.0	19.1	-35.7
Tata Steel	35,172.5	-19.2	-2.2	3,972.7	-55.5	-26.1	288.4	-90.7	-58.9
Total	**89,458.4**	**-16.7**	**-10.5**	**14,313.1**	**-41.4**	**-33.4**	**5,823.6**	**-53.0**	**-39.8**

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

Topline & Profitability (Coverage Universe)



Movement of base metal prices on LME

US$/t	Q2FY20	Q2FY19	YoY %	Q1FY20	QoQ %
Zinc	2,353	2,537	(7.3)	2,759	(14.7)
Lead	2,029	2,097	(3.2)	1,883	7.8
Alum.	1,765	2,054	(14.1)	1,794	(1.6)
Copper	5,808	6,120	(5.1)	6,111	(5.0)

Source: Bloomberg, ICICI Direct Research,

Research Analysts

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Exhibit 37: Company Specific view – Metals and Mining

Company	Remarks
Coal India	For Q2FY20, Coal India reported offtake of 122.5 million tonne (MT), down 10.8% YoY. Production for the quarter was impacted by heavy rainfall in its mines. Hence, for Q2FY20, we expect the topline to decrease 15.4% YoY to ₹ 18783 crore. The ensuing EBITDA margin is expected to come in at 17.3% (26.5% in Q1FY20, 17.6% in Q2FY19). We expect the company to clock an EBITDA/tonne of ₹ 265/tonne (compared to ₹ 285.1/tonne in Q2FY19)
Graphite India	For Q2FY20, 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 Q2FY20, we expect Graphite India to report consolidated capacity utilisation of ~75% (93% in Q2FY19 and 75% in Q1FY20). The topline is expected to come in at ₹ 939 crore, down 2.8% QoQ, 60% YoY. We expect the higher price needle coke to increase raw material costs. Thus, EBITDA is likely to come in at ₹ 245.5 crore, implying an EBITDA margin of 26.1% (vs. 69.9% in Q2FY19, 30.5% in Q1FY20). We expect the company to report a PAT of ₹ 193.3 crore
Hindustan Zinc	We expect Hindustan Zinc to report a muted Q2FY20 performance on the back of subdued base metal prices. LME zinc prices during the quarter were down 7.3% YoY while lead prices were down 3.2% YoY. We expect zinc sales of ~162093 tonne (up 0.1% YoY), lead sales of ~42148 tonne (down 14% YoY) and silver sales of ~130481 kg (down 19.0% YoY). The topline is likely to decline 12.2% YoY, 15.9% QoQ to ₹ 4192 crore while EBITDA is likely to decline 17.6% YoY, 22.4% QoQ to ₹ 1922.4 crore. We expect EBITDA margins to come in at 45.9% (vs. 48.9% in Q2FY19 and 49.7% in Q1FY20)
Hindalco	For Q2FY20, we expect the overall market slowdown and a decline in aluminium prices to weigh on the overall performance of the company on a YoY basis. We expect domestic operations to report aluminium sales of ~324506 tonne (vs. 320,000 tonne Q1FY20). Copper sales are likely to come in at 100000 tonne (vs. 82000 tonne Q1FY20). We expect the topline to decline 7.8% YoY, 0.6% QoQ to ₹ 9991.3 crore. The EBITDA (Hindalco standalone + Utkal) is likely to decline to 33.7% YoY to ₹ 1151.8 crore. Novelis for Q2FY20 is expected to report FRP shipments of ~825 KT and clock EBITDA/tonne of US$425/tonne
JSW Steel	For Q2FY20, EBITDA/tonne is likely to moderate due to declining steel prices. Thus, we expect standalone operations to report an EBITDA/tonne of ₹ 7250/tonne (vs. ₹ 12126/tonne in Q2FY19 and ₹ 9936/tonne in Q1FY20). The sales volume of domestic operations is likely to come in at 3.65 million tonne (MT). We expect the consolidated topline to decline 15.3% YoY, 7.9% QoQ to ₹ 18244.7 crore. The consolidated EBITDA is likely to decline 27.5% QoQ to ₹ 2694.6 crore. The consolidated EBITDA margin is likely to come in at 14.8% (vs. 22.8% in Q2FY19 and 18.8% in Q1FY20)
NMDC	NMDC reported subdued sales volume of 5.9 MT for Q2FY20 (down 12.4% YoY) on account of a decline in demand. The topline is expected to come in at ₹ 2135 crore, down 12.4% YoY. EBITDA is expected to come in at ₹ 1086 crore, down 13.7% YoY. Subsequent EBITDA/tonne is expected to come in at ~₹ 1850/tonne (vs. 2146/tonne Q1FY20)
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 ₹ 10500/tonne (vs. EBITDA/tonne of ₹ 13518/tonne in Q1FY20). 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 1.0 MT. We expect European operations to report EBITDA/tonne of US -$5/tonne. On a consolidated basis, the topline is expected to decline 2.2% QoQ and 19.2% YoY to ₹ 35172.5 crore. EBITDA is expected to decline 26.1% QoQ, and 55.5% YoY to ₹ 3972.7 crore. Consolidated EBITDA margins are likely to come in at 11.3% (vs. 15.0% in Q1FY20 and 20.5% in Q2FY19)

Source: Company, ICICI Direct Research

Hindustan Zinc Sales volume trend

Sales	unit	Q2FY20	Q2FY19	Q1FY20
Zinc	Tonne	162093	162000	167500
Lead	Tonne	42148	49000	50000
Silver	Kg	130481	161000	155000

Source: Company, ICICI Direct Research,

JSW Steel: Sales Volume; EBITDA/tonne….

	Q2FY20	Q2FY19	YoY	Q1FY20	QoQ
Sales Vol.	3.65	4.0	-9%	3.8	-4%
EBITDA/t	7250	12126	-40%	9936	-27%

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

Tata Steel: Sales Volume; EBITDA/tonne….

	Q2FY20	Q2FY19	YoY	Q2FY19	QoQ
Sales Vol.					
India	3.2	3.0	7%	3.2	0%
Europe	2.5	2.3	9%	2.3	9%
Bhushan	1	1.2	-17%	1.25	-20%
EBITDA/t					
India	10500	18856	-44%	13158	-20%
Europe	-5	70	-107%	4	-225%
Bhushan	7000	10291	-32%	7500	-7%

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

Oil & Gas

GRMs at six-quarter highs, improve from multi-year lows

Benchmark Singapore GRMs witnessed a sharp improvement during the quarter from multi-year lows from US$3.5/bbl in Q1FY20 to US$6.5/bbl in Q2FY20. Refineries have started to realise the positive impact of the new IMO regulations to be implemented from 2020. During Q2FY20, the crack spread improvement was seen across a majority of the products. The spread for gas oil (diesel major product for Indian refiners) improved by US$2.8/bbl to US$14.4/bbl, thus benefiting GRMs QoQ. The product spreads for petrol witnessed a sharp increase of US$4.1/bbl QoQ to US$13.7/bbl. Only product spreads for LPG (small weight for refiners) declined marginally QoQ. Marginal inventory losses of ~US$0.5/bbl would have a marginal impact on reported GRMs during the quarter. The marketing segment volumes are expected to improve 4-5% YoY while marketing margins are expected to remain stable QoQ.

Crude oil prices decline QoQ

The global crude oil markets continued to witness volatility but ended the quarter on a lower note. The attacks on Saudi infrastructure on September 14, which knocked off 5.7 million barrels per day (~5% of global oil supply) led to a sharp increase in crude oil prices to ~US$70/bbl for an intermittent period but declined subsequently following Saudi's ability to restore crude production quickly. Factors like trade tensions between the US and China, concerns over lower global oil demand and rising US oil production continued to weigh on oil prices. As a result, average Brent crude during the quarter declined by US$6.6/bbl QoQ at US$61.9/bbl in Q2FY20. Brent crude prices also closed down by US$4.3/bbl from US$64.4/bbl in Q1FY20 to US$60.1/bbl in Q2FY20. We do not expect upstream as well as downstream oil companies to bear any subsidy burden. The net realisations of upstream companies are expected to see a decline QoQ as well as YoY.

City gas distribution to report stable growth

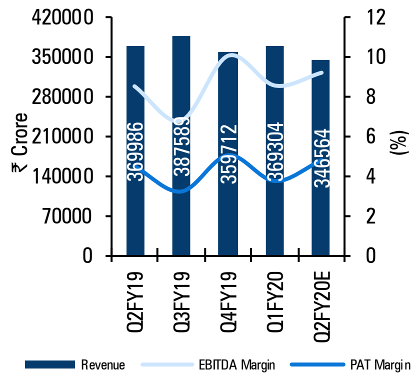
City gas distribution (CGD) companies are expected to continue to report stable volume growth YoY due to sustainable conversion to CNG vehicles and rising concerns with respect to current pollution issues. Margins per unit of CGD companies are expected to decline marginally QoQ as last quarter they had very high margins. However, YoY, margins per unit are expected to remain higher. Gas utility sector volumes will be driven mainly by LNG imports, which has seen strong growth over the past few years.

Exhibit 38: Estimates for Q2FY20E: (Oil & Gas) (₹ Crore)

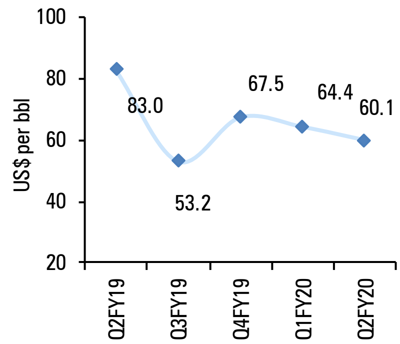
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
Bharat Petroleum	76,980.3	-7.1	-10.3	3,358.7	38.8	54.1	1,922.3	57.7	78.8
Gail India	18,650.1	-3.2	1.9	2,008.8	-31.4	-11.1	1,395.4	-28.9	8.4
Gujarat Gas	2,436.5	24.0	-6.8	332.4	106.8	-28.7	172.3	319.5	-26.3
HPCL	71,374.9	-2.7	-4.6	2,596.9	22.4	58.0	1,480.4	35.6	82.6
IOC	140,844.2	-7.1	-6.2	8,977.2	32.8	7.5	4,760.5	46.6	32.4
Indraprastha Gas Ltd	1,676.4	17.9	6.4	369.6	20.0	3.1	262.6	40.2	20.3
Mahanagar Gas Ltd	851.4	11.6	2.4	255.8	15.5	-7.6	175.5	28.8	3.1
ONGC	24,382.6	-12.9	-8.2	13,049.8	-17.3	-13.6	5,925.7	-28.3	0.4
Petronet LNG	9,367.6	-12.8	8.8	1,048.8	18.7	2.4	637.9	13.3	13.9
Total	**346,564.1**	**-6.3**	**-6.2**	**31,998.0**	**1.3**	**1.0**	**16,732.6**	**0.1**	**20.8**

Source: Company, ICICI Direct Research

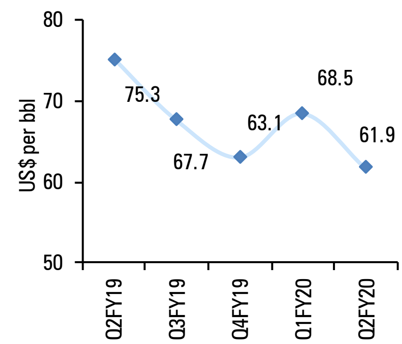
Topline & Profitability (Coverage Universe)



Closing Brent crude oil prices



Average Brent crude oil prices



Top Picks

Mahanagar Gas
Petronet LNG

Research Analysts

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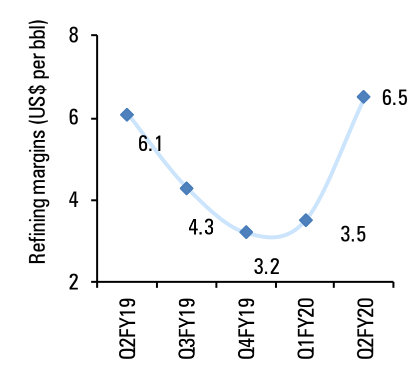
Exhibit 39: Company Specific Views (Oil & Gas)

Company	Remarks
BPCL	Crude throughput is expected at 8.1 MMT, a marginal increase of 1.2% QoQ. Marketing segment volumes are expected to increase 4.5% YoY with stable margins QoQ. Core GRMs are expected to improve sharply from near multi-year lows due to improvement product spreads. GRMs are expected at $6/bbl vs. $2.8/bbl in Q1FY20. Also, lower taxes are expected to lead to 78.8% QoQ increase in PAT to ₹ 1922.3 crore
Gail	The operational performance is expected to remain weak mainly on account of subdued profits from petrochemicals and LPG business segments. On the LPG liquid hydrocarbon front, EBIT is expected to decline ~55% YoY to ₹ 348.2 crore on account of lower realisations. Similarly, we expect the petchem segment to only breakeven on the EBIT front. On the gas business front, gas transmission volumes are expected to increase 2.9% YoY at 109 mmscmd with its EBIT at ₹ 813 crore. We expect lower profits from the gas trading business segment as profits are expected to normalise from higher levels and its EBIT is expected at ₹ 694 crore
Gujarat Gas	We expect revenues to increase 24% YoY on account of higher volumes. Volumes are expected to be show stellar growth of 35.3% YoY to 9 mmscmd mainly due to higher volumes from Morbi. We expect gross margins to increase by ₹ 1/scm YoY at ₹ 6.3/scm. However, on a QoQ basis, margins are expected to be lower as the company has reduced gas selling prices to customers. Subsequently, we expect profitability at ₹ 172.3 crore, up 41.1% YoY and down 26.3% QoQ
Hindustan Petroleum	Crude throughput is expected at 4.7 MMT, an increase of 19.9% QoQ. Marketing segment volumes are expected to increase 5% YoY with stable margins QoQ. Core GRMs are expected to improve sharply from near multi-year lows due to improvement product spreads. GRMs are expected at $5.7/bbl vs. $0.8/bbl in Q1FY20. Also, lower taxes will lead to 82.6% QoQ increase in PAT to ₹ 1480.4 crore
Indian Oil	Crude throughput is expected at 18.4 MMT, an increase of 6.5% QoQ. Marketing segment volumes are expected to increase 3.7% YoY with stable margins QoQ. Core GRMs are expected to improve sharply from near multi-year lows due to improvement product spreads. GRMs are expected at $5.8/bbl vs. $4.7/bbl in Q1FY20. Also, lower taxes are expected to lead to 32.4% QoQ increase in PAT to ₹ 4760.5 crore
Indraprastha Gas	With encouraging CNG vehicle conversions and Delhi's pollution issues, IGL's volumes are expected to grow 10.1% YoY. Total volumes are expected at ~6.5 mmscmd (CNG: 4.9 mmscmd, PNG: 1.6 mmscmd). We expect gross margins to increase by ₹ 1/scm YoY to ₹ 11.6 per scm. On a QoQ basis, gross margins are expected to remain flattish. EBITDA per scm is expected at ₹ 6.2 per scm with PAT up 40.2% YoY to ₹ 262.6 crore (also includes tax benefit)
Mahanagar Gas	We expect MGL's growth momentum to continue with stable volume growth of 5.5% YoY supported by continuous 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 YoY by ₹ 1.3 per scm to ₹ 13.8 per scm in Q2FY20. However, on a QoQ basis, gross margins are expected to be lower by ₹ 1.4 per scm as Q1FY20 had exceptionally high margins
ONGC	Oil production is expected to increase 1% QoQ while it is expected to decline 2.4% YoY. Gas production is expected to remain flattish YoY and QoQ. Oil production is estimated at 5.9 MMT, with gas output expected at 6.4 MMT in Q2FY20. We expect realisations to increase 10% QoQ to $59.7/bbl due to decline in average crude oil prices. We do not expect any subsidy during the quarter. Despite lower operational profits, PAT is expected to remain flattish QoQ at ₹ 5925.7 crore on account of lower taxes
Petronet LNG	We expect the topline to decline 12.8% YoY to ₹ 9367.6 crore on account of lower LNG realisations. Total volumes are expected to increase 7.5% YoY and 3.2% QoQ to 233.2 trillion British thermal units (tbtu) (~4.4 MMT). Blended margins are expected to increase 9.9% YoY to ₹ 53.2/mmbtu on account of a revision in gasification charges. On a QoQ basis, blended margins are expected to remain flattish

Source: Company, ICICI Direct Research

Singapore gross refining margins (GRMs)



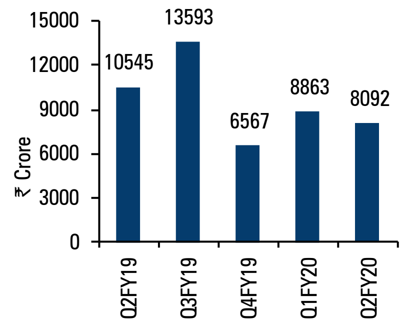
Source: Reuters

Singapore benchmark product spreads ($/bbl)

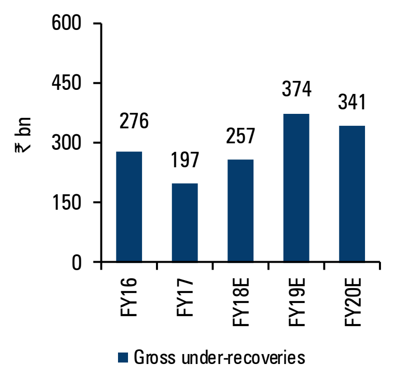
Product Spreads	Q1FY19	Q1FY20	Q2FY20
Gasoline	13.2	9.6	13.7
Naphtha	-1.2	-8.5	-7.4
Jet Kerosene	14.7	12.9	16.2
Gas Oil	12.9	11.6	14.4
Fuel Oil	-4.9	-4.9	-0.7
LPG	-17.6	-24.9	-25.9

Source: Reuters

Gross under-recoveries of petroleum products



Gross under-recoveries of petroleum products



Sharing of oil under-recoveries (₹ crore)

	Q2FY19	Q1FY20	Q2FY20
Upstream	0	0	0
Downstream	0	0	0
Government	10545	8863	8092
Total	**10545**	**8863**	**8092**

Healthcare

One-offs, consolidation, base effect to drive Q2 numbers

The I-direct healthcare universe is expected to register 16% YoY growth to ₹ 34789 crore mainly due to one-offs (Lupin exclusivities in US, Dr Reddy's - sale of branded products) consolidations (Sun – Pola Pharma, Aurobindo-Spectrum business, Cadila- Craft portfolio in wellness segment) and lower base. Domestic formulations (select pack) are expected to grow 14% YoY to ₹ 5634 crore mainly due to inventory adjustment and lower base in Sun Pharma. Excluding the Sun base effect, domestic formulations are expected to grow 8.4%. US (select pack) is expected to grow 14% YoY to ₹ 10278 crore 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. Europe is expected to grow 17% YoY. Growth in other emerging markets is likely to be driven by new launches. On the other hand, due to the high base effect, the API segment is expected to decline 6% YoY. For Q2FY20, average YoY rupee depreciation vis-à-vis US$ was mere 0.4%. In case of Apollo Hospitals, growth is likely to be driven by newly commissioned hospitals and pharmacy additions.

On the companies front, eight out of 10 companies are likely to report double digit growth. Among key outliers, Dr Reddy's Labs (income from sale of branded portfolio), Biocon (biologics traction) and Cadila (consolidation of craft portfolio in wellness) are likely to register above 20% revenue growth.

EBITDA to grow 22% YoY; margins likely to expand 121 bps

EBITDA of the I-direct healthcare universe is expected to grow 22.6% YoY to ₹ 7706 crore. EBITDA margins are likely to improve 121 bps to 22.2% 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 specialty products.

Net profit to grow 12% due to strong operational performance

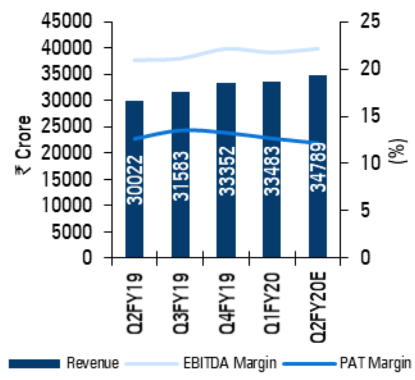
Net profit growth is expected to grow 12% YoY to ₹ 4232 crore. Strong operational performance is likely to be offset partly by higher depreciation and financial cost.

Exhibit 40: Estimates for Q2FY20E (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
Aurobindo Pharma	5,588.4	17.6	2.6	1,168.3	18.5	1.5	683.0	7.0	5.3
Biocon	1,618.3	22.5	10.4	446.1	31.4	2.0	208.0	25.4	0.8
Cadila Healthcare	3,579.8	20.9	2.4	784.0	14.0	24.0	420.7	0.8	38.5
Divi's Lab	1,351.4	5.2	16.2	487.9	-5.1	26.0	350.4	-11.9	28.6
Dr. Reddys	4,587.1	20.2	18.9	1,222.0	60.9	61.2	790.0	52.4	14.1
IPCA Labs	1,122.4	10.7	11.0	235.7	25.0	20.8	172.8	27.5	30.9
Lupin	4,410.9	11.6	-0.2	816.0	48.5	-5.2	314.0	18.0	3.6
Sunpharma	8,072.0	16	-3.6	1,655.8	8	-17.0	988.9	-1	-28.7
Torrent Pharma	2,035.1	7.5	0.6	527.1	11.4	-2.6	201.6	12.6	-6.7
Apollo Hospitals	2,423.4	15.9	8.7	362.9	40.7	11.4	102.9	30.3	29.7
Total	**34,788.6**	**15.9**	**3.9**	**7,705.7**	**22.6**	**5.8**	**4,232.4**	**11.6**	**-0.2**

Source: Company, ICICI Direct Research

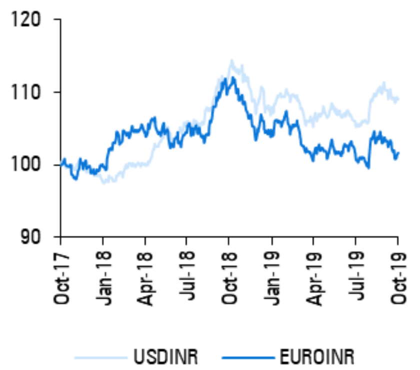
Topline & Profitability (Coverage Universe)



US approvals for Q2FY20 (Select pack)

Company	Final	Tentative
Aurobindo Pharma	6	0
Cadila Healthcare	0	3
Dr. Reddy's Labs	2	1
Lupin	3	2
Sun Pharma	1	2

Currency Movement



Source: Bloomberg

Top Picks

Biocon
Apollo Hospitals

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Exhibit 41: Company Specific view

Company	Remarks
Apollo Hospitals	Standalone sales are likely to grow ~16% YoY to ₹ 2423 crore on the back of 14% growth in healthcare service business and 18% 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 at new hospitals. EBITDA margins are likely to improve 264 bps YoY to15.0% mainly due to an improvement in new hospital margins and impact of Ind-As 116. Net profit is expected to increase 30% YoY to ~₹ 103 crore mainly due to better operational performance, which could be partly offset by impact of Ind-As 116
Aurobindo Pharma	Revenues are expected to grow ~18% YoY to ₹ 5588 crore mainly due to 22% growth in the US led by strong growth in injectables and consolidation of Spectrum business. EBITDA margins are likely to stay flat at ~21%. Net profit is expected to increase ~7% YoY ~₹ 683 crore. Delta vis-à-vis operational growth is mainly due to higher depreciation and taxation
Biocon	Revenues are likely to grow 22.5% YoY ₹ 1618 crore on the back of strong growth in the biologics segment. EBITDA margins are expected to improve 186 bps YoY to 27.6% mainly due to improvement in the product mix. Subsequently, net profit is expected to grow ~25% YoY to ₹ 208 crore on the back of a healthy operational performance
Cadila Healthcare	Revenues are expected to grow 21% YoY to ₹ 3580 crore mainly due to consolidation of Craft portfolio in the wellness segment. Excluding acquisition, growth is expected to be ~7% YoY. EBITDA margins are likely to decline 133 bps YoY to ~22% mainly due to a change in product mix. Net profit is expected to grow mere 1% YoY to ₹ 421 crore mainly due to higher financial cost and depreciation pertaining to Craft acquisition
Divi's Lab	Revenues are expected to grow 5% YoY to ₹ 1351 crore, slow growth would be attributable to base effect. EBITDA margins are expected to decline 391 bps to ~36% YoY due to negative operational leverage. Subsequently, net profit is expected to decline ~12% YoY to ₹ 350 crore on the back of a below expected operational performance
Dr Reddy's	Revenues are likely to grow ~20% YoY to ₹ 4587 crore mainly due to sale of branded products worth ~US$70 million. EBITDA margins are likely to improve 675 bps YoY to 26.6%. Net profit may grow ~52% YoY to ₹ 790 crore mainly due to sale of branded products
Ipca Lab	Revenues are expected to grow 11% YoY to ₹ 1122 crore. Domestic formulations are expected to grow 14% YoY to ₹ 534 crore. Export formulations are expected to grow 9% to ₹ 315 crore mainly due to strong growth in institutional and branded formulations that is likely to be offset partly by a decline in generic business (albeit on higher base). EBITDA margins are likely to grow 240 bps YoY to 21.0% mainly due to operational leverage, reduction in remedial cost and improvement in product mix. Subsequently, net profit is expected to increase 27.5% YoY to ₹ 173 crore mainly due to a strong operational performance
Lupin	Revenues are expected to grow ~12% YoY to ₹ 4411 crore on the back of 12% growth in the US led by gRanexa exclusivity and launch of gLevothyroxine. EBITDA margins are likely to expand 459 bps to 18.5% mainly due to better product mix. Net profit is expected to increase 18% YoY to ₹ 314 crore mainly due to a better operational performance
Sun Pharma	Revenues are likely to grow 16% YoY to ₹ 8072 crore mainly due to strong growth in domestic formulations (albeit on a lower base) and consolidation of Pola Pharma. Taro's sales are expected to grow ~5% YoY to ₹ 1173 crore. EBITDA margins are expected to decline to 156 bps YoY to 20.5% mainly due to incremental cost of specialty products launched in the US. Subsequently, net profit is expected to decline ~1% due to ₹ 989 crore
Torrent Pharma	Revenues are expected to grow ~8% YoY to ₹ 2035 crore. Domestic formulations are expected to grow at just ~6% mainly due to offloading of certain brands. EBITDA margins are expected to improve 93 bps to ~26%. Net profit is expected to increase 12.6% YoY to ₹ 202 crore, in line with operational performance

Source: Company, ICICI Direct Research

Expected growth in Domestic formulations

(₹ cr)	Q2FY20E	Q2FY19	%	Q1FY20	%
Biocon	139	164	-15.0	133	4.8
Cadila	956	893	7.0	948	0.9
Ipca	534	469	14.0	453	18.0
Lupin	1,348	1,203	12.0	1,308	3.0
Dr Reddy	789	686	15.0	696	13.4
Sun Pha	2,351	1,860	26.4	2,314	1.6
Torrent	864	816	5.9	907	-4.7
Total	5634	4888	15.3	9381	-39.9

Expected growth in US formulations

(₹ cr)	Q2FY20E	Q2FY19	%	Q1FY20	%
Aurobind	2,721	2,227	22.2	2,688	1.2
Cadila	1,432	1,320	8.5	1,367	4.8
Lupin	1,464	1,249	17.2	1,541	-5.0
Dr Reddy	1,673	1,427	17.3	1,632	2.5
Sun Pha	2,615	2,401	8.9	2,947	-11.3
Torrent	372	394	-5.6	376	-1.1
Total	10278	9017	14.0	10552	-2.6

Expected growth in Europe formulations

(₹ cr)	Q2FY20E	Q2FY19	%	Q1FY20	%
Aurobind	1,397	1,157	20.8	1,392	0.4
Cadila	49	52	-5.0	47	4.2
Dr Reddy	239	192	25.0	240	-0.4
Lupin	146	154	-5.0	140	4.0
Torrent	276	251	10.0	262	5.4
Total	2108	1805	16.8	2082	1.2

Expected growth in API segment

(₹ cr)	Q2FY20E	Q2FY19	%	Q1FY20	%
Aurobind	735	817	-10.0	732	0.4
Cadila	76	89	-15.0	69	9.3
Divi's La	669	637	5.0	580	15.2
Ipca Lab	256	225	13.9	298	-14.1
Lupin	351	335	5.0	349	0.7
Dr Reddy	470	603	-22.0	454	3.6
Sun Pha	447	426	5.0	491	-8.8
Total	2336	2494	-6.4	2393	-2.39

Real Estate

Commercial real estate shows strong activity in 9MCY19

Bucking overall sentiments in the real estate market, the commercial segment of real estate has remained upbeat with strong leasing activity witnessed in 9MCY19. As per a JLL report, commercial real estate has continued to show robust demand in 9MCY19 pushing the pan-India net absorption by 40% to over 33 million sq ft (msf), surpassing the performance of entire year of 2017 (28.7 msf) and 2018 (33.2 msf). In Q3CY19, net absorption rose 105% YoY to 11 msf. The Phoenix Mills & Brigade Enterprises could be key beneficiaries of this trend.

Affordable housing resilient amid slowdown in sector

Residential real estate activity seems to have taken a back seat in Q3CY19. As per an Anarock report, sales volumes in these seven cities declined 20% QoQ (18% YoY decline) to 55,080 units during the quarter on account of withdrawal subvention schemes and deferral in sales due to inauspicious days in Q3CY19. The only silver lining in the residential market in Q3CY19 was a decline in unsold inventory by 1% QoQ to 6,55,710 units. On the pricing front, average base selling price remained broadly stable in key residential markets across India. On the segmental front, affordable housing continues to lead the residential theme with this segment accounting for 41% of total supply in Q3CY19 vs. 34% in Q2CY19. While the liquidity crunch coupled with the ban on subvention schemes could continue bothering the residential sector, we expect prudent developers with affordable and mid-income housing projects in their portfolio to sail through these tough times and find support in terms of sales volumes ahead.

Sales volumes expected to grow 12.4% YoY

In tandem with the broader dynamics in the real estate market, our real estate universe is expected to report sales volume de-growth of 11.5% QoQ to 11.7 lakh sq ft (lsf) in Q2FY20E. On a positive note, sales volumes are expected to grow 12.4% YoY as Brigade Enterprises is expected to clock 24.4% YoY sales volumes growth to 10.0 lsf in Q2FY20E. On the flip side, Oberoi Realty is expected to show 27.9% YoY decline in sales volumes to 1.7 lsf in Q2FY20E on account of higher exposure to high end real estate market in the MMR region.

Real estate PAT expected to grow 2.2% YoY in Q2FY20E…

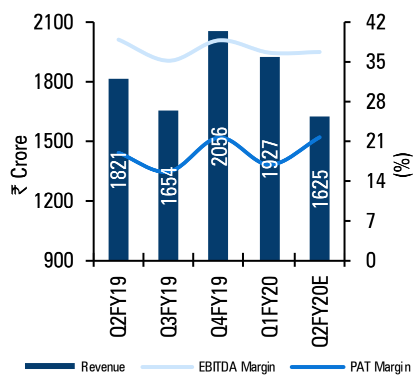
Our real estate universe revenue growth is expected to decline 10.8% YoY to ₹ 1,625.1 crore. EBITDA margins are expected contract 220 bps to 37.0%. Overall, we expect our universe PAT to grow by 2.2% YoY to ₹ 351.7 crore.

Exhibit 42: Estimates for Q2FY20E: (Real Estate) (₹ Crore)

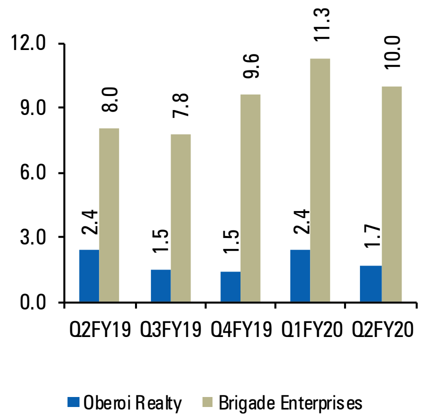
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
Oberoi Realty	506.1	-14.3	-16.1	202.5	-31.6	-13.9	244.0	14.1	60.5
Brigade Enterprises	671.1	-18.7	-5.3	174.5	-20.2	-4.3	36.7	-46.3	-10.9
The Phoenix Mills	447.9	10.7	-27.2	224.0	13.0	-23.5	70.9	14.3	-45.6
Total	**1,625.1**	**-10.8**	**-15.7**	**601.0**	**-15.7**	**-15.4**	**351.6**	**2.2**	**8.6**

Source: Company, ICICI Direct Research

Topline & Profitability (Real Estate Universe)



Sales volumes



Top Picks

The Phoenix Mills, Brigade Enterprises

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Exhibit 43: Company Specific Views (Real Estate)

Company	Remarks
Oberoi Realty	We anticipate Oberoi' (ORL) sales volumes to de-grow 27.9% YoY to 1.72 lakh sq ft given its exposure to high end residential market in MMR region. On the financial front, Oberoi Three Sixty West project in Worli could hit revenue recognition, which could contribute incrementally ~₹ 108 crore as share of profit from associates (ORL stake: 50%) in the bottomline. Overall, we expect net income to grow 14.1% YoY to ₹ 244.0 crore in Q2FY20E. **Key Monitorable**: Progress on new launches such as Thane & Exquisite-III in Goregaon, progress on annuity portfolio, clarity over any benefit from recently cut corporate tax rate
The Phoenix Mills	We expect The Phoenix Mills' (Phoenix) revenues to grow 10.7% YoY to ₹ 447.9 crore on account of steady growth in its retail income (9.3% YoY to ₹ 310.3 crore). In the residential segmental, with new projects getting completed in Q2FY20E, revenues are expected at ~₹ 35.0 crore vs. ₹ 207.1 crore in Q1FY20E. The EBITDA margin is expected to improve 100 bps at 50% in Q2FY20E. Stable operating performance coupled with lower tax rate should lead to 14.3% YoY growth in net profit to ₹70.9 crore. **Key Monitorable**: Progress on under construction mall assets, commentary on corporate tax cut benefits
Brigade Enterprises	We anticipate Brigade sales momentum will continue to remain strong on the back of recently launched big ticket projects such as Brigade Utopia and El Dorado. Hence, we expect its sales volume to grow 25.0% YoY to 1.0 mn sq ft in Q2FY20E despite a challenging environment. On the financial front, its financial performance is expected to remain subdued due to heavy monsoon, higher depreciation & interest expenses on account of completion new leasing properties. We expect net income to decline 46.2% YoY to ₹ 36.7 crore. **Key Monitorable**: Pre-leasing and construction progress on Brigade Tech Garden and WTC, Chennai

Source: Company, ICICI Direct Research

Retail

Moderate revenue growth amid early onset of festive season

Q2FY20 is expected to be a mixed quarter for the retail coverage as revenue growth is expected to moderate whereas recent taxation cut (from ~34% to 25.17%) is expected to provide certain impetus to PAT growth. While consumer sentiments remained muted, especially in July and August, green shoots were visible in September at the onset of the festive season. The growth in September can also be attributed to a shift of certain festivals from October to September. We expect our coverage universe to report revenue growth of 7.8% YoY, with Trent, Bata being outperformers. Trent is one of the few companies that has consistently reported a robust performance with healthy same stores sales growth, coupled with aggressive store addition trends. For Bata, we expect the healthy revenue trajectory to sustain driven by constant premiumisation of product portfolio, refurbishment of existing stores and aggressive store expansion strategy.

Trent to continue outperformance in spite of weak demand…

With ~20% increase in gold prices YTD (touching an all-time high of ~₹ 40300), Titan's jewellery division (Tanishq) is expected to report a weak quarter in Q2FY20. The management had indicated that the performance in July was particularly weak (seeing revenue de-growth). While green shoots were visible in August, September, we expect the jewellery division to report muted topline growth of 4% YoY in Q2FY20. Elevated gold prices, generally hinder consumer demand for jewellery, as they defer their purchases. Trent was one of the few companies that had not preponed its end of season sale (EOSS) from August to June. Despite that, its Westside format had reported healthy SSSG of 12% in Q1FY20. We expect the growth momentum to sustain and expect standalone revenues (Westside + Zudio) to grow 23% YoY driven by robust store expansion plans and steady SSSG (6% for Westside format). We expect ABFRL to report topline growth of 7.8% YoY, mainly driven by 8% growth in the Pantaloons division while Bata is expected to report double digit topline growth of 11.6% YoY.

Store addition pace to pick up from H2FY20 onwards

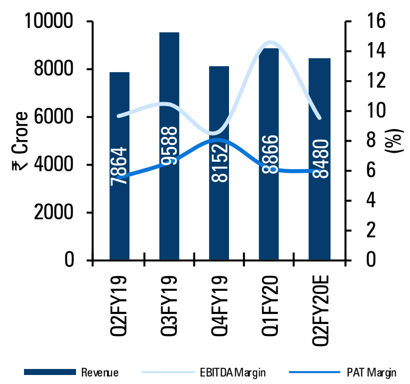
In Q1FY20, ABFRL added six Pantaloons stores taking the total store count to 314 stores. We expect the company to add another six Pantaloons stores in Q2FY20 (32 store addition YoY) with square feet addition of 60,000 sq ft QoQ (272000 sq ft YoY). At the start of FY20, Titan had charted out aggressive store expansion plans of opening ~70 Tanishq stores. The company added 12 stores in Q1FY20 while we expect the company to have added another ~15 stores in Q2FY20 (27 stores in H1FY20). Despite slower pace of addition in H1FY20, the management is confident of accelerating the store addition pace in H2FY20 to achieve the aforesaid target. Trent has affirmed its aggressive store opening plans of 40 additional Westside store in FY20 (added five stores in H1FY20).

Exhibit 44: Estimates for Q2FY20E: (Retail) (₹ crore)

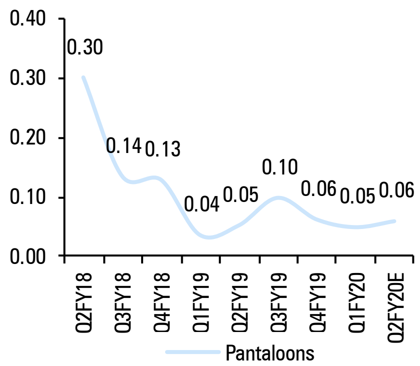
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
Aditya Birla Fas	2,163.1	7.8	4.7	153.6	7.5	-51.1	49.8	16.6	131.1
Bata India	751.0	11.6	-14.9	104.8	20.0	-56.8	77.6	39.1	-22.9
Titan Company	4,808.6	5.3	-6.6	478.9	2.1	-16.5	337.6	12.1	-7.4
Trent Ltd	757.6	23.0	-1.3	69.7	17.7	-57.5	38.9	18.2	-32.9
Total	**8,480.4**	**7.8**	**-4.3**	**807.1**	**6.4**	**-37.6**	**503.9**	**16.5**	**-7.5**

Source: Company, ICICI Direct Research. We have not incorporated impact of IND-AS 116 accounting, hence QoQ variance are not comparable.

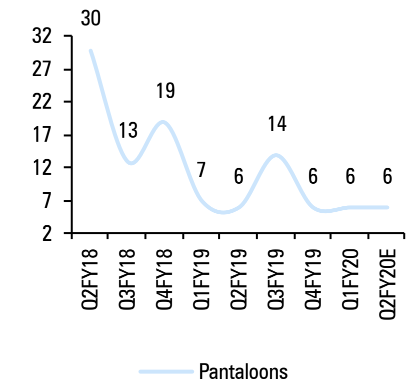
Topline & Profitability (Coverage Universe)



Space addition- million sq. ft. (QoQ)



Store addition –(QoQ) Pantaloons (ABFRL)



Top Picks

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Exhibit 45: Company Specific Views (Retail)

Company	Remarks
Bata India	We expect the revenue and profitability trajectory for Bata to sustain driven by constant premiumisation of product portfolio, refurbishment of existing stores and healthy store expansion strategy. Revenues are expected to increase 11.6% YoY to ₹ 751.0 crore. With positive operating leverage kicking in, we expect EBITDA margins (excluding Ind-AS 116 impact) to improve 100 bps YoY to 14.0%, with absolute EBITDA increasing 20% YoY to ₹ 104.8 crore. Reduction in tax rate (from 35% to 25.2%) is further expected to boost PAT growth. Subsequently, we expect PAT to increase 39% YoY to ₹ 77.6 crore
Titan Company	With ~20% increase in gold prices YTD (touching an all-time high of ₹ 40000), the jewellery division is expected to report a weak quarter in Q2FY20. The management had indicated that the performance in July was particularly weak (seeing revenue de-growth) while green shoots were visible in August and September. We expect jewellery division to report muted topline growth of 4% YoY in Q2FY20. Owing to tough market environment and preponing of activation in June, we expect the watches division to report revenue growth of 7% YoY. Overall revenues are expected to increase 5.3% YoY to ₹ 4763.1 crore. In a bid to revive topline growth, we believe the management may have reduced its making charges on certain jewellery lines. Subsequently, we expect gross margins to decline ~180 bps YoY to 26.6%. In Q2FY19, the company had reported various one-off expenses such as provision for IL&FS exposure (₹ 29.0 crore) and franchise compensation cost of ₹ 15 crore, which negatively impacted the profitability at the EBITDA level. Even on a low base, we expect EBITDA margins to decline 30 bps YoY to 10.0%. Reduction in taxation rate (25.2% vs. 31.3% in Q2FY19) is expected to assist PAT growth, to a certain extent. Subsequently, PAT is expected to grow 11.5% YoY to ₹ 337.6 crore
Trent Ltd	Trent is one of the few companies that has consistently reported a robust performance with healthy same stores sales growth coupled with aggressive store addition trends. We expect standalone revenues (Westside + Zudio) to report healthy topline growth of 23% YoY to ₹ 757.6 crore. We expect Westside format (~90% of revenues) to report revenue growth of 15% YoY driven by SSSG of 6%. EOSS that began in August, is expected to support revenue growth. Trent's value fashion business, Zudio has witnessed exceptional ramp up with the company adding 33 stores in FY19. For FY20, the management has guided at adding ~100 Zudio stores. We expect revenue from Zudio (~9% of sales) to grow ~2x in Q2FY20, albeit on small base. We expect gross margins to decline 140 bps YoY to 49.4% owing to an increase in share of revenue from Zudio format. However, with positive operating leverage kicking in, we expect EBITDA margins (excluding Ind-AS 116 impact) to decline 40 bps YoY to 9.2%. Positive impact of lower tax rate (25.2% vs. 35.0% in Q2FY19) may be negated by higher finance cost. Hence, we expect PAT to increase 18% YoY to ₹ 38.9 crore
ABFRL	We expect ABFRL to report mid-single digit topline growth owing to subdued consumer sentiments, especially in July. Pantaloons derives majority of the revenues from the eastern region. Hence, a shift in the Pujo festival from October 10 last year to September 29 this year may provide revenue growth impetus, to a certain extent. We expect overall revenues to increase 7.8% YoY to ₹ 2163.1 crore, driven by 8% growth in the Pantaloons division. We expect revenue from lifestyle brand to report moderate growth of 3% YoY. Over the last few quarters, the company has been spending heavily on marketing & promotional spends. Hence, we expect EBITDA margins to remain constant YoY at 7.1% (excluding impact of Ind-AS 116). EBITDA is expected to increase 7.5% YoY to ₹ 153.6 crore

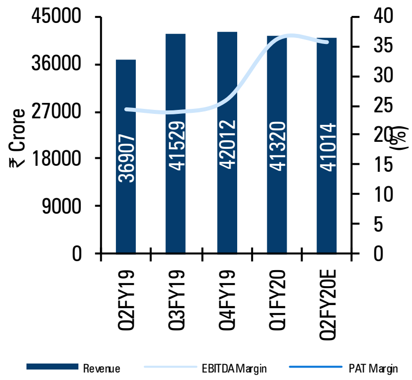
Source: Company, ICICI Direct Research

Telecom

Seasonality, subscriber churn to impact revenues

We expect Vodafone to again face subscriber churn pressure (~10 million net sub loss) amid integration challenges while for Bharti consolidation of Tata Tele will largely drive net sub addition of ~10 million (mn). In a seasonally weak quarter, we expect ARPU of Vodafone Idea to remain flattish QoQ at ₹ 108 while for Bharti Airtel India, wireless ARPU is expected to decline 2% QoQ to ₹ 127. For Vodafone Idea, we expect overall revenues to decline 3.2% QoQ at ₹ 10,906 crore while we build in sequentially flattish revenue (down ~0.2% QoQ) at ₹ 10,844 crore for Airtel. Bharti Africa is likely to witness revenue growth of 1.1% QoQ to ₹ 5605 crore, resulting in 0.9% QoQ growth for consolidated revenues at ₹ 20,930 crore. This was also aided by stable non-wireless revenues.

Topline & Profitability (Coverage Universe)



EBITDA to be muted, bottomline to remain in red

For Airtel, on ex-Ind-AS basis, we expect ~20 bps sequential decline in India EBITDA margins at 31% (39% on reported basis). Africa margins are expected to be robust at 43.5%. Consequent consolidated margins (ex-Ind-AS) are seen at 33.7%, flattish QoQ. Reported EBIDA margins are expected at 39.7%, flattish QoQ. For Airtel, we expect net loss of ₹ 1321 crore. For Vodafone Idea, we expect margins of 9%, down 200 bps QoQ. Reported margins are expected at 31.5%. At the bottomline level, the company is expected to post a net loss of ₹ 4601 crore.

Infratel to face tenancy exit impact

For Infratel, we expect net tenancy exit of ~700, largely from Vodafone Idea. We expect 3% QoQ fall in rental revenues at ₹ 2194 crore, largely due to full impact of exits during previous quarters. Overall margins are expected at 50% (down 110 bps QoQ) owing to negative operating leverage while bottomline is expected to be partly salvaged by lower tax rate.

Sterlite to report weak earnings; TCom data segment a solace

Sterlite Tech's stupendous topline growth traction is likely to slow down as overall demand challenges are expected to result in unutilised new capacity dragging bottomline. We expect 21% topline growth but higher depreciation and interest on new capacity to result in 16% YoY decline in PBT. Tata Communication's (TCom) performance is largely expected to be led by healthy growth of the data segment. Overall revenue is expected to grow 1.7% QoQ (4.2% YoY) at ₹ 4239 crore largely led by 3% QoQ (~10% YoY) growth in data segment topline at ₹ 3366 crore while voice business is expected to decline ~2% QoQ to ₹ 872 crore. Overall margins are expected at 18.6% (down 120 bps QoQ) owing to normalisation of traditional data segment margins.

Exhibit 46: Estimates for Q2FY20E: (Telecom) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
Bharti Airtel	20,930.2	2.5	0.9	8,316.1	35.5	0.9	-1,321.3	PL	NA
Bharti Infratel	3,620.0	-1.3	-2.5	1,811.2	21.9	-4.4	760.4	26.8	-14.3
Vodafone Idea	10,906.0	NA	NA	3,437.5	NA	NA	-4,601.3	NA	NA
Sterlite Technologies	1,318.9	21.6	-7.9	277.0	1.3	-14.3	127.2	-3.1	-10.1
Tata Comm	4,239.0	4.2	1.7	790.1	25.4	-4.3	67.2	NM	-12.3
Total*	**30,108.2**	**3.0**	**0.2**	**11,194.5**	**31.3**	**-0.8**	**-366.6**	**PL**	**NA**

*Source: Company, ICICI Direct Research *excl. Vodafone Idea which is not comparable on YoY basis * EBITA estimates in the table are after incorporating IND AS and therefore not comparable YoY*

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Exhibit 47: Company Specific view - Telecom

Company	Remarks
Bharti Airtel	Net subscriber addition of Bharti's Indian wireless segment is expected at ~10 mn, largely on account of Tata Tele consolidation. Reported ARPU is likely to witness ~2% QoQ decline to ₹ 127, in a seasonally weak quarter. Indian wireless revenues are expected to remain flattish (down ~0.2% QoQ) at ₹ 10,844 crore. Africa is likely to witness revenue growth of 1.1% QoQ to ₹ 5605 crore. Consolidated revenues are expected to be up 0.9% QoQ at ₹ 20,930 crore, further aided by stable non-wireless revenues traction. On ex-Ind-AS basis, we expect ~20 bps sequential decline in India EBITDA margins at 31% (39% on reported basis). Africa margins are expected to be stable at 43.5%. Consequent consolidated margins (ex-Ind-AS) are seen at 33.7%, flattish QoQ. Reported EBIDA margins are expected at 39.7%, flattish QoQ. Expected loss at the bottomline level is ~₹ 1321 crore. **Key monitorable**: Commentary on competitive intensity
Bharti Infratel	For Bharti Infratel, we bake in net tenancy exit of ~700, largely from Vodafone Idea. We expect 3% QoQ fall in rental revenues at ₹ 2194 crore, largely due to full impact of exits during previous quarters. Energy revenues are expected to be down 1.7% QoQ at ₹ 1426 crore. Overall margins are expected at 50% (down 110 bps QoQ) owing to negative operating leverage. **Key monitorable**: future outlook and growth plans
Vodafone Idea	We expect churn for Vodafone Idea to continue amid integration led challenges and consequently bake in ~10 million customer exit on a QoQ basis. With flattish ARPU at ₹ 108, we expect overall revenues to decline 3.2% QoQ at ₹ 10,906 crore. On ex-Ind-AS basis, we expect margins of 9%, down 200 bps QoQ. Reported margins are expected at 31.5%. The company is expected to post a net loss of ₹ 4601 crore. **Key monitorable** wireless broadband sub addition and integration progress
Sterlite Tech	Sterlite Tech's stupendous topline growth traction is likely to slow down as overall demand challenges have started to show up. Nevertheless, reported topline growth is expected to be up 21.6% YoY to ₹ 1319 crore. Consolidated EBITDA is expected to be largely flat (up 1% YoY) at ₹ 277 crore while EBITDA margins for the quarter are expected to decline 420 bps YoY to 21%, given the increased proportion of services revenues, which have lower margins as well as price moderation in product segment. PBT is expected to decline ~16% YoY to ₹ 172 crore given the incremental depreciation and interest of new capacity. **Key monitorable**: Management commentary on overall demand
Tata Comm	Revenue for the voice business is expected to decline ~2% QoQ to ₹ 872 crore. The data business, however, is expected to post 3% QoQ (~10% YoY) growth in topline at ₹ 3366 crore. Revenue growth continues to be driven by stronger traction in growth services (expected to be up~20% YoY) while traditional data segment is likely to witness ~5% YoY growth, with stabilisation of operator consolidation. The overall revenue, therefore, is expected to grow 1.7% QoQ (4.2% YoY) at ₹ 4239 crore. Overall margins are expected at 18.6% (down 120 bps QoQ) owing to normalisation of traditional data segment margins. The overall data segment margins are expected at 21.5% (down 100 bps QoQ). **Key monitorable**: Growth outlook commentary

Source: Company, ICICI Direct Research

Others

Exhibit 48: Estimates for Q2FY20E: (Others) (₹ Crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ	Q2FY20E	YoY	QoQ
Kajaria Ceramics	764.5	5.4	9.2	114.7	5.3	8.2	63.6	26.7	24.7
Page Industries	723.6	4.8	-13.3	144.7	1.3	-22.5	102.6	0.0	0.0
TTK Prestige	597.2	8.1	37.7	87.8	8.4	56.0	65.3	21.4	78.9
TeamLease Services	1,325.5	21.5	5.9	26.7	11.1	15.1	21.5	-13.8	14.4
United Spirits	2,423.9	8.8	9.3	351.5	-18.7	-11.0	206.4	-20.2	4.5
United Breweries	1,681.7	10.2	-17.9	256.6	-19.4	-22.0	139.0	-15.1	-15.5
Total	**7,516.5**	**10.3**	**0.4**	**982.0**	**-11.3**	**-10.4**	**598.3**	**-8.5**	**4.8**

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)

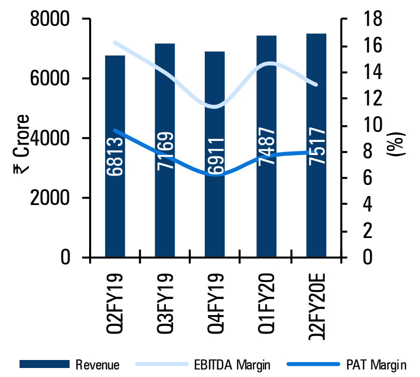

Exhibit 49: Company views

Company	Remarks
Page Industries	The previous few quarters have been challenging for Page Industries owing to subdued consumer sentiments and liquidity headwinds impacting the distributor offtake. We expect Page to register 3.0% volume growth, albeit on a low base of Q2FY19 (0.1% de-growth). Realisations are expected to remain flattish sequentially (up 2% YoY) to ₹ 166/piece. Overall revenues are expected to increase by 5% YoY to ₹ 723.6 crore. Positive impact of decline in raw material expense is expected to be offset by negative operating leverage. Hence, we expect EBITDA margins to decline by 70 bps YoY to 20.0%. Reduction in taxation rate (25.2% vs. 35.0% in Q2FY19) is expected to assist PAT growth. Subsequently, we expect PAT to increase by 10.8% YoY to ₹ 102.6 crore.
TTK Prestige	We anticipate TTK Prestige's revenue growth to revive to 9% YoY ₹ 597 crore post a sub 5% growth in Q1FY20. The growth is expected to be driven by improved sales for cooker segment in the rural region. Though August month sales were negatively impacted due to floods in Kerala, but we expect the company's revenues to have better traction in the month September driven by pre-festive buying. Cookers and appliance segment are likely to grow at 8% each respectively. We expect EBITDA margins to remain flattish at 14.7%, which would lead to an 8% YoY growth in EBITDA to ₹ 88 crore. However, we expect PAT to increase by 21 % YoY to ₹ 65.3 crore owing to reduction in tax rate from 33% to 25.2%.
TeamLease Financials	For Q2FY20E, reveneus are expected to grow 5.9% sequentially to ₹ 1326 crore driven by 5.6% QoQ growth in general staffing, 7.6% QoQ growth in specialised staffing and 17.6% QoQ growth on low base in other HR services. Further, we expect EBITDA margins to improve ~20 bps QoQ to 2.1% mainly led by improvement in margin in general staffing & allied services. PAT is expected to increase by 18.4% QoQ to ₹ 22.2 crore on account of continuation of 80 JJAA tax benefits and improvement at operating level.
United Spirits	Overall volumes are expected to grow by 7% YoY to 21.8 million cases, on the back of 10% YoY growth in the Prestige and Above segment, while the popular segment volumes are expected to grow at 3% YoY. We expect 9% growth in the net revenues to ₹ 2424 crore. Higher inflation in the raw material (ENA) may lead to 110 bps reduction in gross margin to 47%, thereby,absolute EBITDA is expected to decline 19% YoY. Subsequently PAT is expected to decline 20% to ₹ 206 crore.
United Breweries	Volumes are expected to grow 7% to 46 million cases while net revenues are expected to grow 10% YoY to ₹ 1682 crore. EBITDA margins are expected to decline by 560 bps to 15.3% due to higher input cost (Barley & Glass) with absolute EBITDA likely to decline 19% YoY to ₹ 257 crore. Subsequently, PAT is expected to de-grow 15% YoY to ₹ 139 crore (tax rate expected at 25.2%)
Kajaria Ceramics	With overall subdued & competitive demand enviroment and operational disruption due to flooding across different parts of country, we anticipate Kajaria's sales volume to grow single digit (8.6% YoY) to 21.2 MSM. On the revenues front, we expect it to grow 5.4% YoY to ₹ 764.5 crore mainly led by volume growth. Additionally, with gas prices expected to remain broadly stable at ₹36-37/SCM in Q2FY20E, we expect EBITDA margin to remain flat YoY & QoQ at 15.0%. Consequently, we expect the bottomline to post growth of 38.3% YoY to ₹ 63.0 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																			
Page Industries	21,180	23,490	Hold	23,623	353.2	423.4	491.4	60.0	50.0	43.1	39.2	36.7	31.9	72.4	63.4	60.7	50.8	49.1	46.5
Asset Management Company																			
HDFC AMC	2,703	2,800	Hold	57,462	43.9	56.0	64.7	61.6	48.3	41.8	18.7	16.2	14.0	-	-	-	30.3	33.5	33.5
Auto																			
Apollo Tyres	165	200	Hold	9,416	11.9	14.8	16.6	13.8	11.1	9.9	7.8	7.9	7.4	8.0	7.7	8.2	8.3	7.9	8.4
Ashok Leyland	64	75	Hold	18,817	6.8	5.8	6.2	9.5	11.0	10.4	5.8	6.3	5.8	26.9	22.7	22.2	24.3	18.8	18.1
Bajaj Auto	2,893	3,000	Hold	83,714	161.6	172.5	181.8	17.9	16.8	15.9	13.7	12.9	11.8	21.0	19.0	24.9	19.9	20.2	19.0
Eicher Motors	17,979	18,175	Hold	49,062	808.1	907.0	1,029.4	22.2	19.8	17.5	13.4	12.6	10.9	32.5	27.3	25.2	24.8	22.5	21.1
Hero Motocorp	2,673	3,330	Buy	53,377	169.5	209.0	196.0	15.8	12.8	13.6	10.7	10.6	9.5	37.1	31.1	30.2	26.3	24.8	23.4
Tata Motors	117	125	Hold	36,479	-84.6	9.3	21.4	NM	12.6	5.5	3.5	3.3	2.8	5.4	9.1	11.3	7.1	9.8	15.4
Exide Industries	187	230	Buy	15,921	9.9	12.3	14.1	18.9	15.2	13.2	10.6	8.5	7.5	18.4	20.8	20.5	12.9	15.5	15.7
Maruti	6,635	5,700	Sell	200,435	248.3	226.8	259.2	26.7	29.3	25.6	15.9	17.5	15.0	16.3	11.9	12.9	16.3	13.7	14.3
Bharat Forge	427	515	Buy	19,882	22.2	23.5	24.9	19.3	18.1	17.1	11.5	11.5	10.8	17.9	16.0	16.3	19.1	17.6	16.9
Mahindra & Mahindra	553	660	Buy	68,798	38.6	44.0	34.2	14.3	12.6	16.2	9.8	9.2	9.2	17.3	14.7	13.2	14.1	11.6	10.3
Building Materials																			
Kajaria Ceramics	555	625	Hold	8,822	14.2	18.5	23.2	38.9	29.9	23.9	20.3	18.4	15.2	20.5	20.3	22.4	14.4	16.4	17.8

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																			
SKF Bearing	2,115	1,565	Reduce	10,858	65.4	62.6	65.3	32.3	33.8	32.4	19.4	19.9	18.0	29.4	24.9	23.4	19.8	16.6	15.4
Timken India	766	940	Buy	5,762	19.8	24.9	28.9	38.8	30.7	26.5	16.4	13.7	11.3	15.7	17.5	17.9	11.1	12.4	12.7
NRB Bearing	93	85	Hold	897	11.2	6.1	7.1	8.3	15.2	13.0	5.6	8.3	7.4	21.0	13.8	15.2	19.5	11.9	13.2
Thermax	1,119	1,245	Hold	13,331	23.1	32.0	38.5	48.4	35.0	29.1	32.4	29.4	24.3	18.0	16.7	17.9	11.2	12.5	13.5
KEC International	265	345	Buy	6,813	19.2	25.0	30.4	13.8	10.6	8.7	6.1	5.3	4.5	24.8	24.5	25.0	20.1	21.7	21.7
Kalpataru Power	445	600	Buy	6,830	26.1	35.4	41.7	17.0	12.6	10.7	9.8	8.4	7.0	19.6	19.1	19.5	12.7	14.4	14.6
Greaves Cotton	135	145	Buy	3,304	6.9	8.6	9.5	19.5	15.7	14.2	8.8	8.2	7.3	27.4	27.0	28.4	18.7	20.3	21.4
Larsen & Toubro	1,405	1,740	Buy	197,143	46.7	59.1	64.5	30.1	23.8	21.8	24.6	22.4	19.7	16.3	15.5	16.3	11.7	12.6	13.4
AIA Engineering	1,682	1,785	Hold	15,861	54.4	61.9	69.4	30.9	27.2	24.2	22.4	20.5	17.7	18.8	18.1	18.4	14.6	14.7	14.8
Bharat Electronics Ltd	105	135	Buy	25,487	7.9	7.9	9.0	13.2	13.2	11.6	9.1	9.2	7.8	30.0	26.0	26.6	21.4	19.4	19.8
Elgi Equipments	279	300	Buy	4,415	6.5	7.9	11.4	42.8	35.2	24.5	19.9	17.3	12.7	13.8	14.8	18.4	13.4	14.7	17.9
cement																			
Ambuja	187	220	Hold	37,122	7.5	7.8	8.3	25.0	24.0	22.7	18.2	15.6	14.8	11.4	14.7	15.4	7.7	7.1	7.3
Ultratech	3,889	5,500	Buy	106,798	89.5	154.1	189.0	43.5	25.2	20.6	18.9	13.4	10.9	9.7	13.3	15.3	8.8	13.3	14.2
JK Lakshmi	288	425	Buy	3,391	6.8	21.9	33.1	42.6	13.2	8.7	12.2	7.0	5.9	9.3	16.8	18.7	5.2	16.3	18.2
Jk cement	1,043	1,260	Buy	8,059	42.0	63.5	68.7	24.8	16.4	15.2	10.3	8.7	7.4	12.5	13.4	14.1	11.2	14.9	14.3
ACC	1,441	1,910	Buy	27,069	80.9	78.1	83.8	17.8	18.5	17.2	13.6	11.0	10.0	14.7	18.2	18.0	14.9	13.6	13.6
The Ramco Cement	700	1,020	Buy	16,499	21.5	29.8	34.5	32.6	23.5	20.3	17.2	13.1	10.7	8.1	10.1	11.3	11.7	14.6	15.0
Sagar Cements	569	860	Buy	1,249	6.7	30.9	54.7	85.4	18.4	10.4	10.7	7.9	7.3	6.4	9.7	9.9	1.6	6.4	9.4
Construction																			
NCC Limited	48	90	Buy	2,862	9.4	8.0	10.4	5.1	6.0	4.6	4.1	5.2	4.4	21.2	16.0	17.7	11.9	9.4	11.1
KNR Constructions	216	300	Buy	3,034	18.7	17.0	19.0	11.5	12.7	11.4	8.2	7.5	6.1	19.0	16.2	17.8	18.6	14.5	14.0

Source: Company, ICICI Direct Research, Bloomberg

ICICI Direct Research Coverage Universe

Sector / Company	CMP	TP	Rating	MCap	EPS (Rs) FY19	EPS (Rs) FY20E	EPS (Rs) FY21E	P/E (x) FY19	P/E (x) FY20E	P/E (x) FY21E	EV/EBITDA (x) FY19	EV/EBITDA (x) FY20E	EV/EBITDA (x) FY21E	RoCE (%) FY19	RoCE (%) FY20E	RoCE (%) FY21E	RoE (%) FY19	RoE (%) FY20E	RoE (%) FY21E
Consumer Discretionery																			
Havells India	662	720	Hold	41,431	12.7	15.4	20.0	52.2	42.9	33.1	34.3	30.8	23.6	25.3	26.9	29.0	18.7	21.5	23.2
Voltas Ltd	663	700	Hold	21,931	15.5	18.5	23.5	42.7	35.7	28.2	31.6	23.7	19.2	17.3	21.5	23.6	12.7	16.1	17.7
Asian Paints Ltd	1,722	1,950	Buy	165,174	23.0	28.9	37.1	74.8	59.5	46.5	42.3	37.2	29.9	30.4	30.8	33.3	23.2	26.0	28.1
Kansai Nerolac	496	555	Buy	26,717	8.7	10.0	12.5	57.2	49.4	39.7	35.0	33.2	26.6	20.2	19.9	21.8	13.6	15.1	16.6
Pidilite Industries	1,367	1,625	Buy	69,436	18.1	25.7	31.2	75.5	53.1	43.8	51.8	39.0	32.3	29.6	33.6	34.5	22.7	26.9	27.3
Supreme Industries	1,190	1,345	Buy	15,116	35.3	37.0	47.3	33.7	32.2	25.2	19.7	19.3	15.3	25.0	24.2	27.4	18.7	20.5	22.7
Astral Poly Technik Ltd	1,190	1,275	Hold	17,929	16.5	16.3	24.3	72.2	73.2	49.0	36.7	30.3	22.3	20.7	21.7	26.2	15.4	16.3	19.9
FMCG																			
Hindustan Unilever	1,945	2,000	Hold	421,088	27.9	34.6	39.6	69.6	56.2	49.1	48.8	42.9	37.8	85.3	100.1	108.8	80.9	89.6	96.7
Dabur India	431	520	Buy	76,195	8.2	9.3	10.3	52.7	46.5	41.9	44.9	40.7	36.6	29.6	29.9	30.0	25.7	26.8	26.7
ITC	253	320	Buy	310,778	10.3	12.6	14.1	24.7	20.0	17.9	16.5	14.7	13.2	30.8	31.9	31.7	21.5	24.3	24.1
Marico	379	440	Buy	48,940	8.8	8.9	10.0	43.1	42.7	37.9	37.8	31.2	27.7	38.0	42.3	44.4	31.6	35.2	36.8
Nestle India	13,638	14,575	Hold	131,490	166.7	223.9	267.9	81.8	60.9	50.9	46.4	41.5	34.7	42.9	43.0	44.6	45.6	48.8	47.7
Hospital																			
Apollo Hospital	1,413	1,500	Hold	19,659	17.0	25.7	39.1	83.3	55.0	36.1	21.3	13.9	11.4	8.8	11.1	14.0	7.1	9.9	13.4

Source: Company, Bloomberg, ICICI Direct Research

ICICI Direct Research Coverage Universe

Sector / Company	CMP	TP	Rating	MCap	EPS (Rs) FY19	EPS (Rs) FY20E	EPS (Rs) FY21E	P/E (x) FY19	P/E (x) FY20E	P/E (x) FY21E	EV/EBITDA (x) FY19	EV/EBITDA (x) FY20E	EV/EBITDA (x) FY21E	RoCE (%) FY19	RoCE (%) FY20E	RoCE (%) FY21E	RoE (%) FY19	RoE (%) FY20E	RoE (%) FY21E
Hospital																			
Apollo Hospital	1,413	1,500	Hold	19,659	17.0	25.7	39.1	83.3	55.0	36.1	21.3	13.9	11.4	8.8	11.1	14.0	7.1	9.9	13.4
Hotels																			
EIH	168	225	Buy	9,620	2.6	3.3	4.5	65.3	50.3	37.6	24.6	26.7	21.5	9.2	8.3	10.4	6.4	6.2	7.8
Indian Hotels	156	165	Buy	18,552	2.5	2.6	3.3	62.9	59.6	46.6	24.2	20.6	15.9	8.0	8.9	11.3	6.7	7.2	8.6
Insurance																			
SBI Life Insurance Company Ltd	832	920	Buy	83,155	13.4	15.2	17.5	62.0	54.8	47.6	11.2	9.6	8.3	17.8	17.8	18.0	19.2	18.9	18.7
IT																			
HCL Technologies	1,078	1,150	Hold	146,155	74.7	73.7	82.1	14.4	14.6	13.1	9.8	8.8	7.8	26.5	25.7	26.0	24.5	21.7	21.7
Infosys	791	845	Hold	345,192	35.4	39.4	44.5	22.3	20.1	17.8	14.8	13.0	11.4	32.9	32.8	34.2	23.7	24.3	25.3
Larsen & Toubro Infotech Ltd	1,490	1,710	Hold	25,890	87.5	84.2	97.0	17.0	17.7	15.4	12.8	12.1	10.1	40.4	33.0	32.2	31.0	25.1	24.4
Mindtree Ltd	723	635	Reduce	11,898	45.9	37.7	48.8	21.1	15.8	19.2	9.7	10.0	7.8	29.8	24.4	27.8	22.8	17.0	19.5
NIIT Technologies	1,386	1,345	Hold	8,652	65.7	74.3	83.9	21.1	18.7	16.5	11.1	9.3	7.9	24.2	23.5	23.8	19.9	19.8	19.7
Tata Consultancy Services	2,061	2,080	Hold	773,385	84.1	89.0	99.2	24.5	23.2	20.8	18.9	17.2	15.3	43.8	43.2	44.7	34.4	33.9	35.1
Tech Mahindra	704	720	Buy	67,909	47.7	45.8	51.7	14.8	15.4	13.6	7.6	7.6	6.5	23.6	21.1	21.2	21.2	17.9	17.8

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
Logistics																			
Container Corporation of India	573	650	Buy	34,894	19.3	19.3	27.1	29.7	29.7	21.2	13.9	11.4	9.2	15.4	13.8	17.1	11.4	10.5	13.3
Transport Corporation of India	279	330	Buy	2,143	15.8	17.9	24.6	17.7	15.6	11.3	9.5	8.2	6.4	14.2	14.2	16.7	16.3	15.8	17.4
TCI Express	694	750	Buy	2,663	19.0	25.7	32.1	36.5	27.0	21.6	21.3	17.9	14.3	41.9	35.6	34.9	27.3	28.1	26.9
Mahindra Logistics	356	475	Buy	2,545	12.0	15.3	18.5	29.7	23.3	19.3	17.4	15.3	12.2	25.8	24.2	24.8	17.2	18.5	18.8
Media																			
Sun TV Limited	460	490	Hold	18,112	36.4	35.6	37.7	12.6	12.9	12.2	5.7	5.8	4.9	38.5	33.1	31.0	25.9	22.1	20.5
Entertainment Network Limited	305	445	Hold	1,455	11.3	11.1	14.5	27.0	27.6	21.1	12.2	8.5	6.9	9.0	8.6	10.3	5.8	5.6	6.8
Inox Leisure Ltd	323	400	Buy	3,319	13.0	12.0	17.7	24.8	27.0	18.2	11.0	9.4	7.9	19.6	11.1	13.0	14.2	16.5	19.7
PVR Limited	1,784	2,080	Buy	8,346	39.2	25.4	41.7	45.5	70.4	42.8	16.2	11.3	9.8	13.8	10.2	12.0	14.8	14.4	19.3
Zee Entertainment Enterprises Ltd	251	380	Hold	24,094	16.1	18.9	21.2	15.6	13.3	11.8	12.2	10.8	9.2	25.7	24.8	24.0	15.7	15.7	15.3
TV Today Network Limited	303	385	Buy	1,809	22.0	29.3	35.0	13.8	10.4	8.7	7.8	5.8	4.4	26.4	26.3	25.3	16.9	18.7	18.7
Music Broadcast	37	53	Hold	1,025	2.2	2.0	2.4	21.1	23.0	19.6	9.4	8.8	7.8	16.5	14.7	16.8	10.2	8.5	10.0
Metals, Mining & Pipes																			
Tata Steel	326	450	Buy	37,032	78.6	42.7	59.0	4.2	7.6	5.5	4.8	6.2	5.2	12.7	8.1	9.3	13.0	7.5	9.5
JSW Steel	210	250	Hold	50,713	31.5	18.2	22.8	6.7	11.5	9.2	6.2	8.8	8.1	15.8	10.4	11.1	21.7	13.3	14.9
NMDC	92	95	Hold	28,276	14.7	11.1	9.0	6.3	8.3	10.2	3.5	4.7	5.7	26.7	18.6	14.3	17.9	12.3	9.3
Hindalco	183	185	Hold	41,190	24.7	18.4	21.3	7.4	10.0	8.6	4.8	5.6	5.1	10.3	8.3	8.8	9.6	6.6	7.1
Hindustan Zinc	205	250	Hold	86,640	18.8	19.0	21.6	10.9	10.8	9.5	7.4	6.6	5.2	29.2	27.0	26.6	23.7	20.5	20.2
Graphite India	275	275	Reduce	5,372	173.8	41.9	45.9	1.6	6.6	6.0	0.6	3.0	2.5	88.8	23.9	23.5	63.5	16.2	15.9
Coal India	186	225	Hold	114,473	27.6	27.2	28.1	6.7	6.8	6.6	8.2	9.4	9.0	94.5	73.3	63.9	66.2	52.5	44.7

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
Oil & Gas																			
GAIL	131	135	Hold	59,083	13.4	12.0	12.5	9.8	10.9	10.5	6.5	7.8	8.4	17.8	13.4	11.6	13.8	11.5	11.3
HPCL	307	265	Hold	46,842	39.5	33.1	34.6	7.8	9.3	8.9	5.4	7.2	6.7	17.5	11.8	10.9	22.1	17.1	16.5
IGL	351	345	Hold	24,542	11.2	14.2	15.1	31.2	24.7	23.3	18.6	15.6	14.7	24.3	23.8	21.3	15.5	16.7	15.0
ONGC	127	125	Hold	160,084	21.2	19.3	20.2	6.0	6.6	6.3	3.2	3.4	3.3	16.6	13.3	12.9	13.0	11.0	10.8
Petronet LNG	257	235	Hold	38,543	14.4	17.6	20.8	17.9	14.6	12.3	12.4	9.9	8.4	27.7	25.2	27.3	16.8	20.3	22.5
Gujarat Gas	175	225	Buy	12,012	6.3	11.8	12.9	27.6	14.8	13.6	14.0	8.4	7.7	15.4	22.8	21.2	14.7	25.5	22.2
BPCL	489	355	Hold	106,150	36.3	35.5	42.7	13.5	13.8	11.5	9.1	9.7	9.7	17.6	14.8	12.7	19.3	17.3	18.8
Mahanagar Gas Ltd	890	1,065	Buy	8,791	55.3	72.2	76.1	16.1	12.3	11.7	9.3	7.4	6.8	32.2	32.4	28.6	19.4	21.8	19.6
Indian Oil Corporation	149	150	Hold	139,941	18.4	19.1	21.1	8.1	7.8	7.0	6.0	5.4	5.0	14.1	14.4	14.5	15.0	14.4	14.9
Others																			
United Spirits	618	720	Buy	44,932	9.4	12.5	16.2	65.5	49.6	38.1	35.7	32.5	26.3	21.0	22.1	24.5	22.3	22.8	22.9
United Breweries	1,261	1,500	Buy	33,335	21.3	30.6	37.7	59.2	41.2	33.5	31.6	26.2	22.3	27.8	27.1	26.9	17.7	20.4	20.2
Pharma																			
Sun Pharma	380	470	Hold	91,196	10.8	18.6	22.8	35.2	20.5	16.6	16.7	14.6	12.0	10.3	11.0	12.3	9.2	9.8	10.9
Lupin	665	780	Hold	30,089	13.5	27.3	43.3	49.3	24.3	15.4	14.2	11.1	8.8	9.4	11.1	13.0	5.4	8.4	11.9
Aurobindo Pharma	469	725	Buy	27,451	40.6	51.7	60.3	11.5	9.1	7.8	10.0	8.5	7.2	15.9	15.0	16.1	17.7	18.1	17.6
Biocon	229	330	Buy	27,480	7.5	7.8	9.4	30.4	29.2	24.4	21.4	15.1	12.0	10.9	13.9	15.9	12.2	13.5	14.2
Cadila Healthcare	229	260	Hold	23,474	18.1	14.9	18.4	12.7	15.4	12.4	10.3	10.2	8.5	13.0	11.4	13.0	17.8	13.2	14.5
Dr Reddy's Lab	2,612	2,840	Hold	43,374	114.8	156.1	148.5	22.8	16.7	17.6	13.9	11.0	9.8	11.1	15.6	15.0	13.6	16.0	13.5
Divi's Lab	1,648	1,640	Hold	43,736	51.0	50.3	63.1	32.3	32.7	26.1	22.3	22.2	18.0	25.5	21.7	23.3	19.4	16.8	17.9
Ipca Lab	876	1,195	Buy	11,062	35.1	49.3	60.1	25.0	17.8	14.6	17.4	13.3	10.6	15.0	18.9	20.7	14.2	17.2	17.9
Torrent Pharma	1,606	1,750	Buy	27,177	31.8	51.4	73.0	50.4	31.2	22.0	15.9	14.8	12.1	14.2	15.5	19.3	17.5	16.2	19.6

Source: Company, Bloomberg, ICICI Direct Research

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Power																			
Power Grid Corporation	197	210	Hold	103,115	20.8	21.7	23.7	9.5	9.1	8.3	8.1	7.6	7.2	9.6	9.5	9.4	16.5	15.1	14.4
CESC	736	845	Hold	9,755	89.9	92.8	97.7	8.2	7.9	7.5	7.8	6.8	6.1	9.1	10.0	10.5	11.8	11.1	10.7
NTPC	116	122	Hold	115,123	14.5	11.8	12.9	8.0	9.9	9.0	8.8	8.5	8.1	7.8	8.1	8.2	10.1	10.3	10.7
Real Estate																			
Oberoi Realty	486	590	Hold	17,686	22.5	21.1	27.6	21.6	23.0	17.6	15.8	15.8	15.1	12.4	11.1	10.7	10.1	8.2	7.6
The Phoenix Mills Ltd	717	825	Buy	10,992	27.5	27.3	29.8	26.1	26.3	24.0	15.1	13.7	13.0	8.8	8.9	8.7	9.8	9.8	9.6
Brigade Enterprises	196	245	Buy	4,004	11.7	12.1	5.5	16.7	16.2	35.4	9.9	10.3	9.9	11.8	10.8	8.5	11.1	10.7	4.7
Retail																			
TTK Prestige	6,048	7,350	Buy	8,383	138.7	179.9	210.5	43.6	33.6	28.7	23.7	20.4	17.4	23.5	25.0	26.4	16.5	18.9	19.4
Titan Industries	1,260	1,480	Buy	111,883	15.7	20.9	25.4	80.4	60.3	49.7	51.9	43.9	35.9	43.1	40.0	40.9	23.2	25.3	25.2
Bata India	1,677	1,870	Buy	21,554	25.7	34.3	41.5	65.4	48.9	40.4	43.6	35.7	29.3	53.1	58.7	66.1	18.9	21.3	22.5
Trent Ltd.	484	500	Buy	17,204	2.9	4.9	6.9	169.5	97.9	70.6	63.9	48.1	37.9	10.1	9.4	11.5	5.8	6.5	8.6
Aditya Birla Fashion & Retail	208	240	Buy	16,066	4.2	2.9	4.4	50.0	71.1	47.4	31.3	24.8	20.1	10.7	14.0	16.7	22.5	13.7	17.0

Source: Company, Bloomberg, ICICI Direct Research

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					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
Road																			
Ashoka Buildcon	98	150	Buy	2,737	-1.4	-1.7	0.7	NM	NM	142.8	6.5	5.9	5.2	14.1	14.8	16.6	7.2	-20.8	4.5
PNC Infratech	178	255	Buy	4,556	11.9	12.4	13.6	14.9	14.3	13.0	11.6	9.4	8.4	15.6	17.5	17.5	14.4	13.3	12.8
Telecom																			
Tata Communications	365	260	Hold	10,397	-2.9	10.0	12.8	NM	36.6	28.6	6.1	5.1	4.8	5.4	8.0	8.5	127.7	-196.3	309.3
Bharti Infratel	247	275	Hold	45,611	13.5	15.4	14.2	18.3	16.0	17.4	8.1	6.6	6.6	21.2	20.9	22.9	17.2	22.2	22.2
Vodafone Idea	5	6	Reduce	14,741	-16.7	-5.9	-5.0	-0.4	-1.1	-1.3	34.0	17.6	14.6	-5.0	-5.3	-4.2	-25.9	-19.0	-20.3
Sterlite Technologies Ltd.	142	180	Reduce	5,742	14.0	14.7	15.0	13.8	13.2	12.9	8.5	7.7	6.7	27.8	26.9	29.6	33.1	27.5	23.4
Bharti Airtel	344	400	Buy	176,745	1.0	-10.7	-2.1	344.6	-32.9	-168.3	11.5	8.5	7.6	2.1	3.2	4.6	-3.5	-4.9	-1.3
Banks											P/BV			ROA					
IndusInd Bank	1,237	1,605	Hold	85,739	60.9	98.4	127.0	20.3	12.6	9.7	3.0	2.3	1.9	1.6	2.2	2.4	14.5	19.6	20.4
Bank of Baroda	86	140	Buy	33,120	1.8	12.2	23.1	48.2	7.0	3.7	15.0	10.5	9.0	0.1	0.3	0.6	0.9	5.6	9.4
State Bank of India	249	400	Buy	222,312	1.0	26.7	35.9	259.4	9.3	6.9	5.8	5.1	4.5	0.0	0.7	0.8	0.5	12.1	13.8
Axis Bank	665	865	Buy	187,534	22.2	31.7	49.6	30.0	21.0	13.4	4.7	3.6	3.2	0.8	1.0	1.4	8.7	10.9	13.5
DCB Bank	177	260	Buy	5,481	10.5	14.1	18.1	16.8	12.5	9.8	13.4	11.6	9.9	1.0	1.1	1.2	12.1	14.4	15.8
Federal Bank	85	125	Buy	16,863	6.3	8.7	10.2	13.5	9.7	8.3	18.5	16.8	15.1	0.8	1.0	1.0	9.8	12.4	13.1
HDFC Limited	1,985	2,050	Hold	342,695	57.5	75.2	77.3	34.5	26.4	25.7	3.4	3.1	2.8	2.3	2.6	2.4	16.4	19.6	18.4
Kotak Mahindra Bank	1,571	1,575	Hold	300,051	25.5	34.1	41.4	61.6	46.0	38.0	5.5	4.8	4.1	1.7	1.9	1.9	12.1	14.2	14.9
HDFC Bank	1,202	1,400	Buy	657,832	38.7	53.3	63.6	31.1	22.6	18.9	4.5	3.9	3.4	1.8	2.2	2.2	16.5	18.1	18.6
Bajaj Finserv Limited	8,252	8,800	Buy	131,320	196.9	286.2	370.0	41.9	28.8	22.3	0.8	0.7	0.6	1.6	1.9	2.0	14.1	17.5	18.8
Bajaj Finance Limited	3,914	4,350	Buy	226,941	69.3	95.0	126.3	56.5	41.2	31.0	3.8	2.2	1.9	3.6	3.9	4.0	22.4	21.6	20.8
Bandhan Bank	480	650	Buy	57,317	16.4	25.2	33.4	29.4	19.1	14.4	13.2	10.6	8.3	3.9	4.6	4.5	19.0	23.9	25.1

Source: Company, Bloomberg, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -5% to -15%;

Sell: <-15%

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