kotak® Institutional Equities

Strategy

INDIA

INDIA

October 04, 2019

BSE-30: 37,673

September 2019 quarter earnings preview. We expect profit before tax (PBT) for the KIE coverage universe to decline by 4.6% yoy in 2QFY20, led by a yoy decline in PBT in the following sectors: (1) automobiles (lower sales volumes and margin compression due to increase in discounts), (2) metals & mining (sluggish demand, weak realizations and volumes on a yoy basis), (3) oil, gas & consumable fuels (dragged by decline in volume growth for Coal India and lower net crude realizations for ONGC) and (4) telecommunication services (seasonal weakness). We expect strong yoy growth in PBT for several sectors: (1) banks (led by Axis Bank, ICICI Bank and SBI) (2) construction materials (yoy improvement in profitability but deterioration on a sequential basis), (3) diversified financials (steady operating performance aided by a decline in the marginal cost of funds for large players) and (4) pharmaceuticals (strong quarter for the domestic formulation segment). We expect PBT of the BSE-30 Index to decline by 1.4% yoy and that of Nifty-50 Index to decline by 4.4% yoy. We note that 2QFY20 net profit/earnings numbers are not comparable with 1QFY20 and 2QFY19 numbers given (1) lower corporate tax rate for several companies for 2QFY20/FY2020 (announced on September 20, 2019) and (2) resultant tax reversals pertaining to higher taxes paid in 1QFY20 in 2QFY20 tax numbers, which will 'inflate' 2QFY20 net profits/earnings.

We expect PBT of the KIE universe to decline 4.6% yoy in 2QFY20

Sector-wise sales, EBITDA and PBT growth of the KIE universe

	Sales growth (%)		EBITDA growth (%)		EBITDA margin (%)			PBT growth (%)	
	yoy	qoq	yoy	qoq	Sep-18	Jun-19	Sep-19E	yoy	qoq
Automobiles & Components	(12.0)	(4.0)	(22.9)	6.4	12.0	9.5	10.5	(36.6)	19.3
Banks	17.4	1.7	—	—	—	—	—	33.7	1.4
Building Products	21.5	26.0	21.2	22.9	15.0	15.3	15.0	23.7	29.7
Capital Goods	7.5	17.9	3.9	25.0	12.5	11.4	12.1	(3.0)	33.9
Commodity Chemicals	11.3	5.4	30.4	3.4	18.2	21.8	21.4	20.1	3.3
Construction Materials	7.3	(7.7)	40.1	(13.0)	16.7	23.1	21.8	67.4	(15.7)
Consumer Durables & Apparel	0.3	(4.1)	(17.5)	(10.6)	19.9	17.6	16.4	(27.7)	(9.9)
Consumer Staples	7.3	2.8	11.7	1.4	25.2	26.6	26.2	10.1	2.9
Diversified Financials	23.7	4.3	—	—	—	—	—	25.3	14.0
Electric Utilities	4.2	(0.7)	10.2	3.4	41.6	42.2	43.9	12.7	4.8
Fertilizers & Agricultural Chemicals	51.9	11.5	67.1	44.0	17.6	15.0	19.3	36.4	95.9
Gas Utilities	(7.2)	1.0	(12.2)	(3.5)	14.7	14.5	13.9	(18.0)	1.6
Health Care Services	18.6	5.7	66.4	11.0	10.7	14.3	15.0	70.9	27.2
Hotels & Restaurants	10.6	3.3	48.8	3.5	18.2	24.4	24.5	(9.9)	2.9
Internet Software & Services	15.2	1.2	18.2	0.1	28.8	29.9	29.6	17.4	4.3
IT Services	8.6	3.7	7.4	9.2	23.8	22.4	23.6	3.1	4.1
Media	(8.3)	(4.3)	1.6	(6.3)	34.8	39.4	38.5	(1.4)	(16.6)
Metals & Mining	(16.1)	(7.1)	(34.3)	(18.5)	22.5	20.0	17.6	(62.7)	(41.5)
Oil, Gas & Consumable Fuels	3.6	(1.1)	(6.0)	(9.4)	11.2	11.1	10.2	(15.7)	(11.4)
Pharmaceuticals	14.2	3.4	19.2	(2.8)	20.0	22.2	20.9	9.2	(5.2)
Real Estate	18.6	8.1	26.7	9.8	28.6	30.0	30.5	11.8	36.0
Retailing	11.7	(0.4)	18.3	3.9	11.3	11.4	11.9	9.9	(0.2)
Speciality Chemicals	7.8	2.0	20.8	0.0	19.3	22.1	21.7	21.1	(0.2)
Telecommunication Services	12.4	0.6	29.3	(2.4)	24.8	29.4	28.6	(19.7)	1.5
Transportation	10.9	2.2	12.0	2.1	40.8	41.3	41.2	6.3	3.9
KIE universe	2.0	(0.1)	(2.4)	(2.1)	16.4	16.2	15.9	(4.6)	(1.0)
KIE universe (ex-energy)	1.2	0.6	(1.0)	0.8	19.8	19.7	19.8	(1.0)	2.3
KIE universe (ex-banks)	1.3	(0.2)	(2.4)	(2.1)	16.4	16.2	15.9	(10.0)	(1.5)
KIE universe (ex enegy, ex-banks)	(0.2)	0.5	(1.0)	0.8	19.8	19.7	19.8	(7.8)	2.6

Source: Kotak Institutional Equities estimates

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Important disclosures appear at the back

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The prices in this report are based on the market close of October 4, 2019.

SECTORS-WISE EXPECTATIONS

Exhibit 1: We expect yoy decline in the PBT of several sectors - automobiles, metals & mining and oil, gas & consumable fuels

Sector-wise expectations for September 2019 quarter results

	Key points	Key points
Automobiles & Components	We expect a weak quarter for auto companies; revenue/EBITDA/PBT for companies under our coverage are likely to decline by 12%/23%/37% yoy. EBITDA margin will likely decline by 150 bps yoy due to an increase in discounts following weak retail sales and negative operating leverage.	We expect auto component companies under our coverage to report a relatively better quarter with 2% yoy revenue growth due to exposure to steady aftermarket demand (battery companies and MRF Tyres) while EBITDA will likely decline by 4% yoy in 2QFY20. We expect net profit to increase by 6% yoy in 2QFY20 mainly due to lower tax rate assumptions. Endurance Technologies will likely report a strong quarter due to an increase in content per vehicle.
Banks	We expect banks under our coverage to show volatile earnings though operating profit growth should show stable trends. A revision in the tax rate would imply that a few banks would: (1) increase provisions for bad loans or take the benefit to earnings and (2) write-down DTA (Deferred Tax Asset) for a few banks like Axis Bank, ICICI Bank and SBI. Loan growth has slowed to ~12% yoy which would put pressure on revenue growth and we expect the decelerating trends to be more visible in retail-oriented loans books like DCB Bank, HDFC Bank and IndusInd Bank. We see limited business concerns for Federal Bank and SFBs like Equitas, AU and Ujjivan which are seeing steady improvement in core performance.	We expect gross and net NPLs to show an improvement on the back of lower slippages and a few resolutions in the power sector, mostly outside the IBC process. Progress on major resolutions through the IBC process has been slow. Real estate exposure for banks is not too worrisome, while exposure to a few NBFCs is likely to be concerning though unlikely to translate into NPLs this quarter for any of the banks. SME and agriculture portfolios are likely to show marginally better trends than in 1QFY20; we expect keen interest in these segments. For retail loan dominated banks, trends on auto and unsecured loans would be key portfolios to monitor. Among banks, we maintain our positive outlook on corporate banks (ICICI Bank and SBI) given their inexpensive valuations and visibility of steady progress towards RoE normalization in FY2020/21. We expect Yes Bank to report yet another challenging quarter while there is likely to be a lot of focus on asset quality for IndusInd Bank and RBL Bank.
Capital Goods	Key themes in the industrial space are (1) continued weakness in greenfield private capex, (2) good support for capital goods companies from base orders for capacity augmentation, efficiency improvements, and specific large orders in the Hydrocarbon and Buildings and Factories segments, (3) moderating PGCIL capex, (4) weakening trends in execution for EPC companies and (5) some support to margin from operating leverage benefits and lower commodity prices. Within the EPC space, the recent uptick in the pace of execution will help L&T report ~10% yoy revenue growth for its core E&C business. KEC and KPTL will post ~11% yoy growth in revenues driven by strong order backlog and uptick in the railways and civil businesses. BHEL will likely report another quarter of yoy revenue decline in the power segment. We expect revenues of ABB and Siemens to be driven by base orders as greenfield private capex is still weak. Thermax will report a weak result based on an increasingly depleting order backlog.	Roads: 2QFY20 will see weak execution trends for companies on account of the extended monsoon during the quarter. Despite lower-than-expected order inflows, execution improvement will commence post 2QFY20 on receipt of appointed dates for road projects. Dilip Buildcon and IRB would grow construction revenues meaningfully over a low yoy base but IRB's toll revenues would get impacted by completion of Mumbai-Pune concession period. Ashoka Buildcon revenues would have adverse impact from the monsoon on key project stretches. Sadbhav Engineering revenues would see an impact of delayed appointed dates and lack of new order inflows.
Construction Materials	Cement demand remained sluggish during 2QFY20 due to erratic rains and delays in various infrastructure projects. Industry cement volumes (per DIPP) increased by 1.6% for July-August 2019 and our checks suggest similar growth in September 2019. We estimate 1-2% yoy volume growth for our coverage companies. Sluggish demand kept prices under pressure during the quarter. Pan-India trade prices were down Rs15/bag (-4% qoq). South was most impacted with prices down 6% qoq followed by West (-5% qoq), East (-4% qoq) whereas prices were relatively resilient in Central (-2% qoq) and North (-1% qoq).	Key commodity prices, driving the variable costs (power, fuel and freight costs) were muted during the quarter. Pet coke and international thermal coal prices seeing +20% correction in the past four to five months. Factoring the lag impact of high cost inventory, we estimate only a Rs20-30/ton qoq fuel cost reduction in 2QFY20 and expect a total reduction of Rs70-80/ton to reflect from 3QFY20E. With 2-3% volume growth, marginal cost reduction and 3-4% lower prices, we estimate Rs180/ton qoq reduction in EBITDA for our coverage. Factoring the regional price trends in 2QFY20, North focused companies (SRCM, JKCE, JKLC) are better placed than South and East focused (DBEL, ORCM) during the quarter.
Consumer Staples	The slowdown in consumption continued in the September quarter. We expect most companies in our coverage universe to report similar or lower yoy volume/revenue growth than in 1QFY20. Aggregate revenue growth for our coverage universe in 2QFY20 should be broadly in line with the previous quarter. We expect the urban-centric discretionary pack to continue to report better growth than the staples pack. We do note that the discretionary names under our coverage form a fairly wide spectrum and the aggregate does not mean much beyond the relative performance versus staples aggregate being a decent proxy for urban/rural trends. Reasons being offered for the 'slowdown' remain the same – sluggishness in rural demand and tight liquidity conditions.	HUVR: We model 8% revenue growth in domestic FMCG business led by 5.5% UVG and 2.5% price-led growth. On a segmental basis, we bake in 9.5% yoy revenue growth for Home Care, 5.8% yoy growth for Personal Care and 10% yoy growth for Packaged Food and refreshments. We expect 275 bps yoy expansion in EBITDA margin aided by GM expansion (150 bps), operating efficiencies (25 bps) and adoption of Ind-AS (100 bps). We model 19% ETR for 2Q, translating into 25.2% ETR for 1HFY20. On LFL basis, net profit would increase 15% yoy (adjusted for ETR reset) and EBITDA would be up 17% yoy (adjusted for Ind-AS 116). ITC: We model 2.5% yoy increase in cigarette volumes and 3.5% increase in realization (portfolio-level). We forecast 8% yoy growth in cigarette EBIT. We model 8%, 11 and 14% yoy growth in FMCG, Hotels and Agri-business. We expect 180 bps yoy and 50 bps qoq expansion in FMCG EBIT margin to 3%. The impact of Ind-AS 116 is negligible. We model 16% ETR for 2Q translating into 25.2% ETR for 1HFY20. On LFL basis, net profit would increase 8% yoy (adjusted for ETR reset).
Diversified Financials	Non-banks are showing clear divergence with select NBFCs/HFCs enjoying rally in bond markets while others (mostly smaller entities) struggling for access to funds, even at elevated costs. In this backdrop, the recent impetus by RBI/Government to improve liquidity for NBFCS has provided a breather to smaller retail players towards the end of the quarter. However, the severe slowdown in vehicle sales and moderate demand in retail housing likely led to weak disbursements for almost all players, irrespective of their access to funds. A prolonged monsoon likely affected recoveries during the quarter, fears of an acute slowdown over the next few months raise concerns on medium-term asset quality performance.	
Electric Utilities	We expect NTPC to report 5% yoy increase in PAT on account of a reduction in under-recovery of fixed costs following an improvement in the plant availability factor. Overall power demand remained weak in 2QFY20 with a 3.5% yoy decline in generation at 64 BUs despite commercialization of 2 GW capacity in the trailing 12 months. For Power Grid, we expect healthy growth in net profits (+13% yoy) on the back of asset capitalization of Rs182 bn in the trailing 12 months even though dragged down by prior period revenues and higher consultancy income in 2QFY19.	Realization for merchant capacities is expected to remain weak due to subdued demand in the short-term market. JSW Energy will benefit on account of the decline in spot prices of coal which have reduced to US$61 as of September 2019. Tata Power will likely report lower losses at Mundra due to a decline in fuel cost as well as lower generation during the quarter. Coal India with low dispatches of 122 mn tons (-11% yoy) in 2QFY20 will likely report weak earnings performance due to high employee cost in an environment of weak volumes.
Gas Utilities	We expect GAIL's EBITDA to decline sequentially, reflecting lower profitability of gas marketing and LPG segments amid adverse prices; we expect this to be partly offset by higher contribution from gas transmission and petchem segments following higher volumes. We expect PLNG to report qoq improvement in EBITDA led by higher volumes amid favorable LNG demand environment and the absence of Dabhol output during the monsoon.	CGD companies are expected to deliver robust profits led by healthy growth in volumes; we expect increase in IGL's unit margins and moderation in MGL's margins reflecting pricing changes in the recent months.
Internet Software & Services	Just Dial's revenue growth will be volume led and primarily from Tier 2 and 3 cities. This will impact realization which we expect to decline. ETR of Just Dial will reduce to 21-22% from 27% earlier. This comprises a 25% tax rate for core operations and 13-14% for treasury operations. Tax rate will be lower than normalized range since the company will write-back excess tax provision of 1QFY20 resulting from reduction in corporate tax rate by the Government.	For Info Edge, we expect healthy 19% growth in Naukri powered by healthy demand from the IT sector. Revenue growth of 99 acres will moderate following weak billings growth of 9% in 1QFY20. Net profit growth will be aided by lower corporate tax rate.

Source: Kotak Institutional Equities estimates

We expect yoy decline in the PBT of several sectors - automobiles, metals & mining and oil, gas & consumable fuels

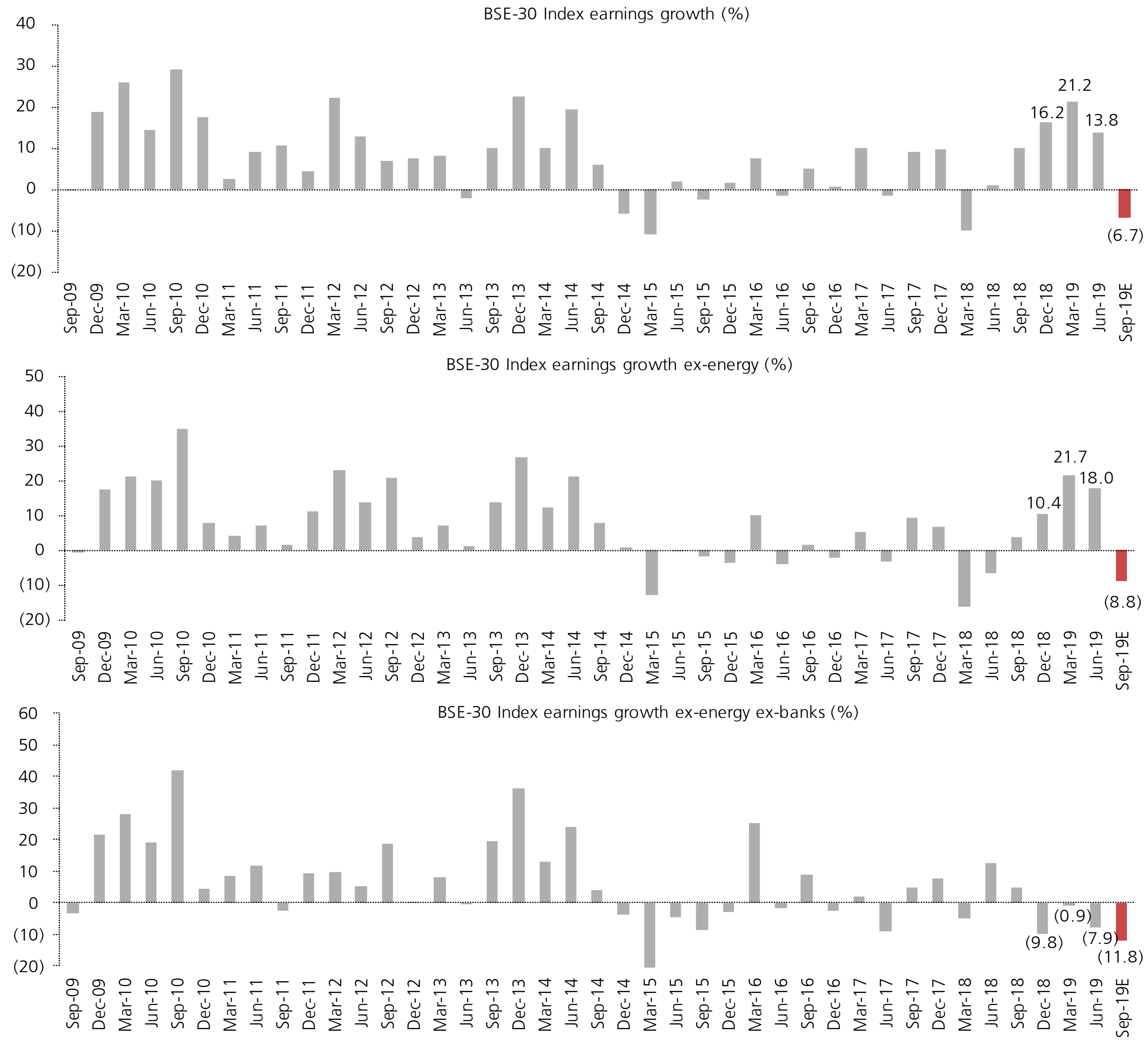
Sector-wise expectations for September 2019 quarter results

	Key points	Key points
IT Services	We expect steady revenue growth for Infosys and TCS. Strong revenue growth in Infosys will be aided by ramp-up of large deals and broad-based strength across verticals. TCS will have challenges in financial services and retail verticals. Revenue growth for HCLT will be powered by completion of acquisition of select IBM products while underlying organic growth will likely be weak due to productivity commitments in large IMS projects and a relatively high base of the previous quarter. We expect modest growth in Tech Mahindra due to weak growth in the Enterprise segment. Hexaware will lead revenue growth in mid-tier companies helped by consolidation of the Mobiquity acquisition. Weakness in key clients will lead to modest growth in LTI.	EBIT margin will likely decline for all companies (except Wipro due to a one-off payment to settle lawsuit with a client) on yoy comparison due to a few factors (1) increase in US cost structure, (2) investments to grow digital business and (3) transition costs in large deals. The demand environment continues to be healthy although the slowdown in BFS spending and client specific challenges are soft spots. We expect Infosys to raise the upper end of guidance and tighten the lower end to 9.5-10.5%. We expect HCLT to retain its guidance range Expectation of double digit growth at stable margins will be tested for TCS in the face of challenges in a couple of verticals. TM's revenue outlook will improve courtesy a large AT&T deal signed recently. Outlook on corporate tax rate in the medium term will be a focus area for investors for all companies.
Media	**Broadcasting and distribution:** We expect a weak quarter from a TV advertising standpoint for listed players (Zee and Sun) due to (1) slowdown in FMCG and auto categories, (2) significant decline in advertising revenue of FTA channels on withdrawal from DD Freedish platform, and (3) impact of the drop in reach/viewership of select channels on implementation of TRAI's tariff order. We expect yoy growth in ad revenues to stay flat for Sun and grow 3% for Zee. With regards to yoy growth in domestic subscription revenues, we expect Zee to grow 18% and Sun 25% partly due to benefits of NTO. For Dish TV, we estimate 150,000 net subscriber additions and sequentially flat ARPU of Rs116 (net of content and carriage costs as per accounting adopted post-TRAI tariff order implementation).	**Print media**: Print media ad spends were muted during the quarter due to broad-based weakness in rural consumption in key categories such as auto, real estate and government advertising. We expect DB Corp. and Jagran to both report declines of 8% as well as flat print ad revenues. Both companies would have seen strong EBITDA growth off a weak base and RM tailwinds. We note that the full benefit of lower newsprint prices will likely flow through in 2QFY20.
Metals	**Ferrous:** (1) Domestic steel prices declined by 8-10% qoq, led by a fall in global prices and sluggish domestic demand. Higher exports of flats due to weak domestic demand further impacted realizations in 2QFY20. Quarterly average prices in the domestic market for the flat segment were down by Rs3,500-4,000/ton qoq and Rs4,500/ton qoq in the long product segment. Factoring domestic price correction, high price contract volumes and higher exports, we factor a Rs3,300-3,800/ton qoq reduction in realizations for companies under our coverage. (2) On costs, we expect only a marginal respite for coking coal costs ($8-10/ton) and iron ore (Rs50-100/ton) given the inventory lag. (3) On volumes, we expect strong growth for JSP aided by ramp-up of Angul operations (+3% qoq, +15% yoy to 1.4 mn tons in 2QFY20). TATA and JSTL, were hit with weak demand in flat segment and we estimate a decline for TATA (-2% yoy) and JSTL (-9% yoy). 4) Overall, weak prices, muted volumes and flat costs to result in sharp earnings decline with EBITDA down 44% yoy and 26% qoq for ferrous coverage. We expect EBITDA/ton to decline by 15-30% qoq with TATA at Rs9,402/ton (-25% qoq), JSTL at Rs7,182/ton (-28% qoq) and JSP at Rs9,639 /ton (-14% qoq).	**Non-ferrous:** With weak commodity prices and stable costs, we expect earnings for non-ferrous companies to decline in 2QFY20. Zinc prices declined 15% qoq to US$2,343/ton, all-in aluminum prices declined 1% qoq to US$1,874/ton while alumina prices declined by 16% qoq to US$302/ton, a respite for non-integrated aluminum producers (Vedanta) but a headwind for Nalco. We expect Hindustan Zinc's EBITDA to decline by 14% qoq to Rs21 bn (-10% yoy) led by lower zinc prices and muted volumes. Vedanta's EBITDA will decline by 5% qoq to Rs49 bn (-5% yoy) led by stagnant volumes (Oil, Al, Zn) and weak commodity prices (Zn). Hindalco's standalone EBITDA (including Utkal) will increase by 1% qoq to Rs10.8 bn (-37% yoy) helped by weaker INR, flat LME Al prices and marginal cost reduction due to lower carbon costs. Nalco is likely to record a sharp EBITDA decline (-23% qoq) due to weaker alumina prices.
Oil, Gas & Consumable Fuels	**Upstream:** We expect OIL and ONGC to report sequentially lower EBITDA reflecting ~US$7/bbl decline in global crude prices and weaker volume trajectory. Downstream: We expect sharp increase in normalized EBITDA for OMCs led by (1) higher auto fuel marketing margins (+Rs0.3/liter qoq) and (2) increase in refining margins and throughput; reported profits will be partly impacted by inventory/forex-related losses.	**RIL:** We expect RIL's standalone EBITDA to increase qoq led by higher refining margins and petchem volumes, which will be partly offset by lower crude throughput and moderation in overall petchem margins; consolidated EBITDA will be further boosted by higher contribution from Jio and retail segment.
Pharmaceuticals	We expect the domestic formulations segment to see a healthy quarter with 10-12% yoy organic growth for the sector, led by a strong anti-infective season, though Cipla likely to be at the lower end at ~6%, given the challenges in the trade generics segment. Sun's domestic portfolio is likely to grow at 29% yoy on a very low base. We expect US revenues for Sun, Lupin and Cipla to decline by US$30-35 mn in the absence of one-time opportunities in the quarter, while ARBP US business is likely to remain stable qoq. We expect DRRD's US revenues to grow US$7 mn qoq driven by a scale-up in new launches. Among healthcare names, we expect a strong performance as 2Q is seasonally strong. Diagnostics companies (DLPL and METROHL) are likely to report 15-17% yoy growth. Within hospitals, mature centers are likely to grow at 11-12% yoy with a ramp-up of new facilities driving overall growth to 14-16% yoy.	We expect an EBITDA margin of 21.8% for SUNP, reflecting higher Ilumya spends, while LPC's EBITDA margin is likely to decline to 17%, given lower Ranexa sales. We expect Cipla to report lower margin of ~19% given the decline in Sensipar and muted domestic growth. DRRD's EBITDA margin will increase sequentially to 19.7% led by recovery in gross margins. We expect a stable quarter for ARBP, with EBITDA margin at 20.7%. We expect margin improvement in hospitals driven by seasonality benefits and no addition/commissioning of facilities in 2QFY20. APHS's EBITDA margin will expand to 14.7%, with NARH margins expanding to 13.8%. We expect DLPL and METROHL to post strong EBITDA margin of 28-30%
Real Estate	Our industry-level data suggests some weakness in launches for residential projects, even as vacancy rates for commercial real estate remain at historical lows (especially in cities like Bengaluru). Reduction in the corporate tax rate will result in a lower effective tax rate with credit for higher tax provision taken in 1QFY20. However, several SPVs would see a less meaningful shift as they were already enjoying a lower tax rate in cases where annual turnover was less than Rs4 bn.	DLF's dev-co will see residential sales of Rs6 bn from its completed inventory in the absence of launch of new projects. DCCDL will report revenues of Rs10.3 bn (+4% yoy) as its rental portfolio will witness stable occupancy. Oberoi Realty will likely see a drop in revenue recognition at Rs4.5 bn (-3% yoy) reflecting lower sales from completed projects. Sunteck will continue to see strong sales momentum from Naigaon as witnessed in the previous quarters.
Telecommunication Services	We expect a muted quarter for Indian wireless players. Even as like-for-like pricing continues to be stable, the usual seasonal pressure and brief disruptions in a few regions will weigh on telcos. For Vodafone Idea, this will be further exacerbated by continued subscriber losses. We believe incumbents are yet to see any benefit of consumers up-trading on the ARPU axis. Bharti Infratel could see a marginal uptick in tenancies but we expect some sequential pressure in rentals. On the other hand, Tata Communications is likely to report healthy yoy comps.	We have moved to Ind-AS 116 only for Bharti Infratel; estimates for the other three are still ex Ind-AS 116. For Bharti, we expect a 1.5% qoq decline in India wireless revenues partly due to the seasonal weakness. EBITDA for the segment will likely be down 5.5% qoq. We are building a 3.3% qoq decline in ARPU to Rs127/month. We expect a steady quarter for the Africa business with 2.5% qoq growth in revenues and marginal uptick in EBITDA margin sequentially. For Vodafone Idea, we expect a 3.5% qoq decline in revenue on the back of continued subscriber losses and seasonal weakness. We expect ARPU print of Rs108/month (flat sequentially); stability is optical due to the decline in average subs base. Net finance costs should see a sharp sequential decline. For Bharti. we expect a marginal uptick in net tenancies alongside a sequential decline in service rentals (while up 4% yoy). Its likely to be a decent quarter for Tata Communications - we expect EBITDA growth (ex Ind-AS 116) of 18.4% yoy even while it is down 1.2% qoq.
Transportation	**Ports**: Cargo tonnage growth at India's major ports will be in low single-digits in 2QFY20 yoy. We model a higher 9% growth for the portfolio of APSEZ, driven by strong growth in Dhamra ports. We factor in ~8% yoy decline for GPPV on very weak container volumes. **Logistics:** For Concor, we build in flattish yoy revenues as we maintain market shares on a qoq basis. In 3PL, Mahindra Logistics will see mid single-digit yoy decline in volumes, reflecting sharp contraction in its auto business and the loss of a key customer in the bulk business.	

Source: Kotak Institutional Equities estimates

Exhibit 2: We expect net income of the BSE-30 Index to decline 7% yoy in 2QFY20

Adjusted earnings growth of BSE-30 Index (%)



Notes:

(a) 2QFY20 net profit/earnings numbers are not comparable with 1QFY20 and 2QFY19 numbers given (1) lower corporate tax rate for several companies for 2QFY20/FY2020 (announcement made on September 20, 2019) and (2) resultant tax reversals pertaining to higher taxes paid in 1QFY20 in 2QFY20 tax numbers, which will 'inflate' 2QFY20 net profits/earnings.

Source: Kotak Institutional Equities estimates

Exhibit 3: Sector-wise net sales, EBITDA and PBT of companies in the KIE universe (₹ bn)

	Net sales			EBITDA			PBT		
Company (#)	Sep-18	Jun-19	Sep-19E	Sep-18	Jun-19	Sep-19E	Sep-18	Jun-19	Sep-19E
Automobiles & Components (23)	1,834	1,682	1,614	221	160	170	139	74	88
Banks (17)	623	719	732	—	—	—	203	267	271
Building Products (1)	6	6	8	1	1	1	1	1	1
Capital Goods (15)	605	552	651	76	63	79	64	46	62
Commodity Chemicals (2)	76	80	85	14	17	18	12	14	15
Construction Materials (9)	263	306	282	44	71	61	24	48	41
Consumer Durables & Apparel (2)	24	25	24	5	4	4	4	3	3
Consumer Staples (13)	401	418	430	101	111	113	102	109	112
Diversified Financials (11)	205	244	254	—	—	—	109	120	136
Electric Utilities (6)	401	421	418	166	177	183	85	91	96
Fertilizers & Agricultural Chemicals (6)	87	119	132	15	18	26	11	8	15
Gas Utilities (5)	324	298	301	47	43	42	46	37	38
Health Care Services (6)	55	62	65	6	9	10	1	2	2
Hotels & Restaurants (2)	10	11	11	2	3	3	1	1	1
Internet Software & Services (2)	5	6	6	1	2	2	2	2	2
IT Services (9)	1,028	1,076	1,116	245	241	263	245	242	252
Media (5)	55	52	50	19	21	19	14	16	13
Metals & Mining (8)	1,189	1,075	998	267	215	176	155	99	58
Oil, Gas & Consumable Fuels (7)	4,665	4,883	4,831	523	542	491	407	387	343
Pharmaceuticals (8)	273	301	311	55	67	65	42	48	46
Real Estate (8)	61	67	72	17	20	22	10	9	12
Retailing (1)	44	49	49	5	6	6	5	5	5
Speciality Chemicals (4)	49	52	53	9	11	11	8	10	10
Telecommunication Services (4)	355	397	399	88	117	114	(54)	(66)	(65)
Transportation (5)	55	60	61	23	25	25	18	19	19
KIE universe	12,693	12,959	12,952	1,950	1,944	1,904	1,653	1,592	1,576

Source: Kotak Institutional Equities estimates

Exhibit 4: Sector-wise net sales, EBITDA and PBT of companies in the BSE-30 Index (₹ bn)

	Net sales			EBITDA			PBT		
Company (#)	Sep-18	Jun-19	Sep-19E	Sep-18	Jun-19	Sep-19E	Sep-18	Jun-19	Sep-19E
Automobiles & Components (5)	1,244	1,098	1,063	148	92	109	87	30	51
Banks (7)	525	591	600	—	—	—	173	227	231
Capital Goods (1)	321	296	359	38	33	41	33	27	34
Commodity Chemicals (1)	46	51	53	8	12	11	7	10	10
Consumer Staples (2)	203	214	218	62	72	70	66	74	73
Diversified Financials (2)	49	60	62	—	—	—	49	58	66
Electric Utilities (2)	309	330	321	130	143	142	59	70	66
IT Services (4)	810	851	886	207	199	220	207	200	209
Metals & Mining (2)	662	573	528	141	104	89	75	36	20
Oil, Gas & Consumable Fuels (2)	1,713	1,835	1,820	369	364	361	259	234	233
Pharmaceuticals (1)	69	84	83	15	20	18	13	16	14
Telecommunication Services (1)	201	207	211	62	83	83	(20)	(16)	(15)
BSE-30 Index	6,154	6,191	6,203	1,180	1,122	1,145	1,008	967	994

Source: Companies, Kotak Institutional Equities estimates

Exhibit 5: Sector-wise net sales, EBITDA and PBT of companies in the Nifty-50 Index (₹ bn)

	Net sales			EBITDA			PBT		
Company (#)	Sep-18	Jun-19	Sep-19E	Sep-18	Jun-19	Sep-19E	Sep-18	Jun-19	Sep-19E
Automobiles & Components (6)	1,268	1,122	1,084	155	98	115	94	37	58
Banks (6)	525	591	600	—	—	—	173	227	231
Capital Goods (1)	321	296	359	38	33	41	33	27	34
Commodity Chemicals (1)	46	51	53	8	12	11	7	10	10
Construction Materials (2)	130	148	140	24	34	30	17	24	23
Consumer Staples (4)	261	271	281	74	83	83	77	84	85
Diversified Financials (4)	131	162	170	—	—	—	67	81	92
Electric Utilities (2)	309	330	321	130	143	142	59	70	66
Fertilizers & Agricultural Chemicals (1)	43	79	83	8	12	18	5	3	8
Gas Utilities (1)	190	183	179	29	23	20	29	20	19
IT Services (5)	956	999	1,036	232	229	250	231	231	240
Media (1)	20	20	21	7	7	7	6	7	6
Metals & Mining (4)	986	872	815	201	148	123	110	55	28
Oil, Gas & Consumable Fuels (5)	3,952	4,140	4,087	486	512	459	378	365	321
Pharmaceuticals (3)	148	162	167	30	36	34	24	28	26
Retailing (1)	44	49	49	5	6	6	5	5	5
Telecommunication Services (2)	238	243	248	77	97	97	(10)	(7)	(6)
Transportation (1)	26	30	31	17	19	19	13	14	15
Nifty-50 Index	9,595	9,749	9,722	1,521	1,492	1,456	1,319	1,282	1,260

Source: Companies, Kotak Institutional Equities estimates

Exhibit 6: We expect PBT of the BSE-30 Index to decline 1.4% yoy in 2QFY20
Sector-wise sales, EBITDA and PBT growth of the BSE-30 Index

	Sales growth (%)		EBITDA growth (%)		EBITDA margin (%)			PBT growth (%)	
	yoy	qoq	yoy	qoq	Sep-18	Jun-19	Sep-19E	yoy	qoq
Automobiles & Components	(14.6)	(3.2)	(26.0)	18.8	11.9	8.4	10.3	(40.9)	70.6
Banks	14.3	1.5	—	—	—	—	—	33.7	1.6
Capital Goods	11.9	21.1	8.8	23.6	11.8	11.2	11.4	4.9	29.7
Commodity Chemicals	13.8	2.9	46.4	(0.7)	16.9	22.5	21.8	34.3	(1.5)
Consumer Staples	7.2	1.6	12.8	(2.6)	30.7	33.7	32.3	11.5	(0.8)
Diversified Financials	25.7	3.2	—	—	—	—	—	33.4	12.5
Electric Utilities	3.6	(2.8)	9.9	(0.6)	41.9	43.5	44.4	11.6	(5.1)
IT Services	9.4	4.2	5.8	10.3	25.6	23.4	24.8	1.4	4.6
Metals & Mining	(20.3)	(7.9)	(36.7)	(14.1)	21.3	18.1	16.9	(72.9)	(44.3)
Oil, Gas & Consumable Fuels	6.2	(0.9)	(2.3)	(1.0)	21.5	19.8	19.8	(9.9)	(0.3)
Pharmaceuticals	19.6	(0.9)	18.2	(9.3)	22.1	23.8	21.8	9.0	(12.3)
Telecommunication Services	4.9	1.9	32.3	(0.3)	31.0	40.0	39.1	23.3	4.7
BSE-30 Index	**0.8**	**0.2**	**(3.0)**	**2.0**	**21.2**	**20.3**	**20.7**	**(1.4)**	**2.8**
BSE-30 Index (ex-energy)	**(1.3)**	**0.6**	**(3.4)**	**3.4**	**21.0**	**20.5**	**21.1**	**1.6**	**3.8**
BSE-30 Index (ex-banks)	**(0.5)**	**0.1**	**(3.0)**	**2.0**	**21.2**	**20.3**	**20.7**	**(8.6)**	**3.2**

Source: Companies, Kotak Institutional Equities estimates

Exhibit 7: We expect PBT of the Nifty-50 Index to decline 4.4% yoy in 2QFY20
Sector-wise sales, EBITDA and PBT growth of the Nifty-50 Index

	Sales growth (%)		EBITDA growth (%)		EBITDA margin (%)			PBT growth (%)	
	yoy	qoq	yoy	qoq	Sep-18	Jun-19	Sep-19E	yoy	qoq
Automobiles & Components	(14.5)	(3.3)	(26.1)	16.8	12.2	8.7	10.6	(38.8)	55.2
Banks	14.3	1.5	—	—	—	—	—	33.7	1.6
Capital Goods	11.9	21.1	8.8	23.6	11.8	11.2	11.4	4.9	29.7
Commodity Chemicals	13.8	2.9	46.4	(0.7)	16.9	22.5	21.8	34.3	(1.5)
Construction Materials	8.2	(5.1)	29.0	(10.2)	18.2	22.9	21.7	35.4	(6.7)
Consumer Staples	7.5	3.5	11.7	(0.3)	28.4	30.7	29.5	10.5	0.8
Diversified Financials	29.6	4.6	—	—	—	—	—	36.0	13.2
Electric Utilities	3.6	(2.8)	9.9	(0.6)	41.9	43.5	44.4	11.6	(5.1)
Fertilizers & Agricultural Chemicals	94.6	4.8	112.3	42.9	19.7	15.8	21.5	73.3	160.5
Gas Utilities	(5.9)	(2.1)	(31.0)	(11.4)	15.2	12.3	11.2	(33.8)	(4.0)
IT Services	8.3	3.6	7.6	9.1	24.3	22.9	24.1	3.9	3.8
Media	5.7	4.0	(1.9)	0.5	34.2	32.9	31.8	(6.2)	(18.0)
Metals & Mining	(17.4)	(6.5)	(38.8)	(17.0)	20.4	17.0	15.1	(74.5)	(48.9)
Oil, Gas & Consumable Fuels	3.4	(1.3)	(5.5)	(10.3)	12.3	12.4	11.2	(15.2)	(12.1)
Pharmaceuticals	13.1	3.0	14.7	(5.4)	20.3	22.4	20.6	6.0	(8.2)
Retailing	11.7	(0.4)	18.3	3.9	11.3	11.4	11.9	9.9	(0.2)
Telecommunication Services	4.0	2.1	25.6	0.2	32.5	39.9	39.2	42.2	16.2
Transportation	17.7	3.2	12.2	2.0	65.3	63.0	62.3	10.8	4.5
Nifty-50 Index	**1.3**	**(0.3)**	**(4.3)**	**(2.4)**	**17.0**	**16.6**	**16.3**	**(4.4)**	**(1.7)**
Nifty-50 Index (ex-energy)	**(0.1)**	**0.5**	**(3.7)**	**1.7**	**20.7**	**20.2**	**20.5**	**(0.1)**	**2.4**
Nifty-50 Index (ex-banks)	**0.6**	**(0.4)**	**(4.3)**	**(2.4)**	**17.0**	**16.6**	**16.3**	**(10.2)**	**(2.4)**

Source: Companies, Kotak Institutional Equities estimates

2QFY20/3QCY19 EARNINGS PREVIEW FOR KIE UNIVERSE

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

				Change (%)		
	Sep-18	Jun-19	Sep-19E	yoy	qoq	Comments
Automobiles						
Amara Raja Batteries						
Net sales	17,531	18,150	17,180	(2.0)	(5.3)	We expect revenues to decline by 2% yoy in 2QFY20 led by (1) 20% yoy volume decline in the auto OEM segment due to decline in industry production, (2) 5% decline in revenues in the overall industrial segment and (3) 10% yoy volume growth in the automotive replacement segment.
EBITDA	2,366	2,792	2,594	9.6	(7.1)	
EBIT	1,724	2,059	1,864	8.1	(9.5)	
PBT	1,848	2,132	1,994	7.9	(6.5)	
Reported PAT	1,202	1,409	1,661	38.1	17.8	We expect EBITDA margin to decline by 30 bps qoq in 2QFY20 to 15.1% (up 160 bps yoy) due to negative operating leverage. LME lead prices have remained flattish on a qoq basis in rupee terms (assuming 1.5-month lag in prices due to inventory). Hence, we expect gross margin to remain stable on a qoq basis in 2QFY20.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,202	1,409	1,661	38.1	17.8	
EPS (Rs/share)	7.0	8.2	9.7	38.1	17.8	
EBITDA margin (%)	13.5	15.4	15.1	159 bps	-29 bps	
Apollo Tyres						
Net sales	42,574	43,313	44,562	4.7	2.9	We expect standalone revenues to remain flattish yoy in 2QFY20, driven largely by some price increases taken during the year. Volumes will likely decline by 3% yoy as growth in the replacement market due to market share gain (~10% yoy) will be offset by around 18-20% yoy volume decline in the OEM segment volumes. We expect standalone EBITDA margin to deteriorate by 20 bps qoq (down 60 bps yoy) led by the lagged impact of higher RM costs.
EBITDA	4,672	4,749	4,729	1.2	(0.4)	
EBIT	2,710	2,076	2,054	(24.2)	(1.1)	
PBT	2,372	1,767	1,798	(24.2)	1.7	
Reported PAT	1,460	1,415	1,384	(5.2)	(2.2)	We expect Europe revenues to decline by 2% yoy in 2QFY20 led by (1) 1% yoy revenue growth in euro terms in manufacturing operations led by ramp-up of Hungary plant, (2) marginal yoy decline in Reifencom revenues (distribution business) and (3) the negative impact of rupee appreciation versus euro. We build in negative EBIT margin of 2.2% in our estimates for 2QFY20 (negative EBIT margin of 2.4% in 1QFY20 and EBIT margin of 1.8% in 2QFY19); we note that this is a seasonally weak quarter for the company and overall manufacturing revenues will likely decline on a qoq basis.
Extraordinaries	(400)	—	—	—	—	
Adjusted PAT	1,756	1,416	1,384	(21.2)	(2.2)	
EPS (Rs/share)	3.1	2.5	2.4	(21.2)	(2.2)	
EBITDA margin (%)	11.0	11.0	10.6	-37 bps	-36 bps	
Ashok Leyland						
Net sales	76,211	56,839	40,696	(46.6)	(28.4)	We expect revenues to decline by 47% yoy in 2QFY20 led by 44% yoy decline in volumes.
EBITDA	8,290	5,370	1,549	(81.3)	(71.2)	
EBIT	6,809	3,723	(97)	(101.4)	(102.6)	
PBT	6,881	3,809	(12)	(100.2)	(100.3)	
Reported PAT	5,258	2,302	(12)	(100.2)	(100.5)	We expect EBITDA to decline by 81% yoy as we expect EBITDA margin to decline by 700 bps yoy led by negative operating leverage.
Extraordinaries	(193)	(201)	—	—	—	
Adjusted PAT	5,399	2,443	(12)	(100.2)	(100.5)	
EPS (Rs/share)	1.8	0.8	(0.0)	(100.2)	(100.5)	
EBITDA margin (%)	10.9	9.4	3.8	-708 bps	-565 bps	
Bajaj Auto						
Net sales	79,868	77,558	75,620	(5.3)	(2.5)	Volumes declined by 12% yoy led by (1) 25% yoy decline in domestic bike volumes, (2) 4% yoy decline in the domestic three-wheeler market and (3) 19% yoy decline in the export three-wheeler market, offset by 7% yoy increase in export two-wheeler volumes. We expect revenues to decline by 5% yoy led by 12% yoy volume decline, partially offset by 5% increase in ASPs due to price increase taken by the company in select models.
EBITDA	13,430	11,982	12,067	(10.1)	0.7	
EBIT	12,714	11,381	11,466	(9.8)	0.7	
PBT	16,527	15,788	16,061	(2.8)	1.7	
Reported PAT	11,525	11,257	12,439	7.9	10.5	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	11,525	11,257	12,439	7.9	10.5	We expect EBITDA margin to decline by 90 bps on a yoy basis in 2QFY20 largely led by negative operating leverage and increase in discounting in the economy motorcycle segment.
EPS (Rs/share)	39.8	38.9	43.0	7.9	10.5	
EBITDA margin (%)	16.8	15.4	16.0	-86 bps	50 bps	
Balkrishna Industries						
Net sales	13,705	12,175	12,638	(7.8)	3.8	We expect volumes to decline by 5% yoy in 2QFY20 due to weakness in demand across markets, particularly in the agriculture segment. Revenues will likely decline by 8% yoy due to pricing pressures (increase in discounts) in the market.
EBITDA	3,796	2,958	3,022	(20.4)	2.1	
EBIT	2,968	2,117	2,172	(26.8)	2.6	
PBT	3,382	2,536	2,552	(24.5)	0.7	
Reported PAT	2,223	1,760	2,059	(7.4)	17.0	We expect EBITDA margin to decline by 40 bps qoq (down 380 bps yoy) due to marginal deterioration in gross margin qoq owing to the lagged impact of higher commodity prices and negative operating leverage. Decline in margin on a yoy basis will be due to pricing pressures globally. We expect EBITDA per kg to decline by 17% yoy.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,069	1,662	1,954	(5.6)	17.6	
EPS (Rs/share)	10.7	8.6	10.1	(5.6)	17.6	
EBITDA margin (%)	27.7	24.3	23.9	-379 bps	-39 bps	
Bharat Forge						
Net sales	24,163	21,573	21,614	(10.5)	0.2	We expect consolidated revenues to decline by 11% yoy, which will be driven by (1) 13% yoy decline in the standalone business and (2) 5% yoy decline in the Europe subsidiary. Revenue decline in the standalone business will be driven by (1) 16% yoy decline in exports revenues and (2) 9% yoy decline in domestic revenues led by steep decline in domestic PV and CV production volumes.
EBITDA	4,845	3,921	4,253	(12.2)	8.5	
EBIT	4,845	3,921	4,253	(12.2)	8.5	
PBT	3,488	2,542	2,978	(14.6)	17.1	
Reported PAT	2,337	1,703	2,420	3.6	42.1	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,337	1,703	2,420	3.6	42.1	We expect consolidated EBITDA margin to deteriorate by 40 bps yoy led negative operating leverage impact.
EPS (Rs/share)	5.0	3.7	5.2	3.6	42.1	
EBITDA margin (%)	20.1	18.2	19.7	-38 bps	149 bps	
Ceat						
Net sales	17,546	17,521	17,708	0.9	1.1	We expect consolidated revenues to increase by 1% yoy led by (1) 2% yoy volume decline in the standalone business due to volume decline in the OEM segment and lack of meaningful growth in the replacement market and (2) 3% yoy increase in ASPs due to price increases taken during the quarter.
EBITDA	1,592	1,671	1,657	4.1	(0.8)	
EBIT	1,116	1,027	1,007	(9.7)	(1.9)	
PBT	963	798	779	(19.1)	(2.4)	
Reported PAT	632	826	634	0.4	(23.2)	
Extraordinaries	(20)	(6)	—	—	—	
Adjusted PAT	646	830	634	(1.8)	(23.6)	We expect EBITDA margin to marginally decline qoq in 2QFY20 due to higher marketing spend in the quarter. We expect gross margin to slightly deteriorate on a qoq basis in 2QFY20.
EPS (Rs/share)	16.0	20.5	15.7	(1.8)	(23.6)	
EBITDA margin (%)	9.1	9.5	9.4	28 bps	-19 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	qoq	Comments
Eicher Motors						
Net sales	24,082	23,819	21,497	(10.7)	(9.7)	
EBITDA	7,293	6,145	5,342	(26.7)	(13.1)	Royal Enfield volumes declined by 21% yoy in 2QFY20 due to weak demand and high ownership cost; we expect standalone revenues to decline by 11% yoy led by 21% yoy decline in volumes, offset by 12% yoy increase in ASPs due to price increase led by introduction of ABS in all the models. We expect EBITDA margin of Royal Enfield to decline by 570 bps yoy due to negative operating leverage (-230 bps yoy) and decline in gross margin (-340 bps yoy).
EBIT	6,643	5,225	4,474	(32.7)	(14.4)	
PBT	7,413	7,079	6,328	(14.6)	(10.6)	
Reported PAT	5,488	4,518	4,910	(10.5)	8.7	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	5,663	4,518	4,910	(13.3)	8.7	We expect consolidated adjusted net profit to decline by 13% yoy led by weak performance of both RE and VECV.
EPS (Rs/share)	208.0	166.0	180.4	(13.3)	8.7	
EBITDA margin (%)	30.3	25.8	24.9	-544 bps	-95 bps	
Endurance Technologies						
Net sales	19,367	19,092	18,369	(5.2)	(3.8)	We expect consolidated revenues to decline by 5% yoy in 2QFY20 led by (1) 6% yoy decline in standalone revenues due to decline in Bajaj Auto's and other two-wheeler production volumes, offset by increase in content per vehicle owing to new product introductions and Rs250 mn of government incentives and (2) 2% yoy revenue decline in the European subsidiary (in INR terms) due to decline in production volumes in Europe and adverse currency impact, offset by some market share gains by the company.
EBITDA	2,798	3,414	3,163	13.1	(7.3)	
EBIT	1,876	2,486	2,223	18.5	(10.6)	
PBT	1,902	2,496	2,238	17.7	(10.4)	
Reported PAT	1,252	1,656	1,820	45.4	9.9	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,252	1,656	1,820	45.4	9.9	We expect consolidated EBTIDA margin to decline by 70 bps qoq in 2QFY20 due to negative operating leverage and some pass-through of commodity price benefits to OEMs in the current weak economic scenario.
EPS (Rs/share)	8.9	11.8	12.9	45.4	9.9	
EBITDA margin (%)	14.4	17.9	17.2	277 bps	-66 bps	
Escorts						
Net sales	13,984	14,230	13,156	(5.9)	(7.5)	
EBITDA	1,575	1,424	1,275	(19.0)	(10.5)	We expect revenues to decline by 6% yoy in 2QFY20 led by (1) 6% yoy decline in tractor volumes and (2) 20% yoy decline in construction equipment revenues, partially offset by 20% yoy increase in railway revenues.
EBIT	1,360	1,183	1,034	(24.0)	(12.6)	
PBT	1,543	1,292	1,154	(25.2)	(10.7)	
Reported PAT	1,026	875	932	(9.2)	6.5	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,026	875	932	(9.2)	6.5	We expect EBITDA margin to decline by 160 bps yoy in 2QFY20 led by decline in gross margin and negative operating leverage.
EPS (Rs/share)	11.6	9.8	10.5	(9.2)	6.5	
EBITDA margin (%)	11.3	10.0	9.7	-158 bps	-32 bps	
Exide Industries						
Net sales	27,204	27,793	26,508	(2.6)	(4.6)	We expect revenues to decline by 3% in 2QFY20 led by steady 10% yoy growth in the automotive replacement segment, which will be offset by (1) double-digit volume decline in the auto OEM segment and (2) demand weakness in the industrial segment.
EBITDA	3,327	4,077	3,838	15.4	(5.9)	
EBIT	2,559	3,213	2,963	15.8	(7.8)	
PBT	2,662	3,359	3,093	16.2	(7.9)	
Reported PAT	2,684	2,243	2,523	(6.0)	12.5	We expect EBITDA margin to decline by 20 bps qoq in 2QFY20 to 14.5% due to negative operating leverage. We expect EBITDA margin to improve by 230 bps yoy due to normalization of warranty expenses. LME lead prices have remained flattish on a qoq basis in rupee terms (assuming 1.5-month lag in prices due to inventory). Hence, we expect gross margin to remain stable on a qoq basis in 2QFY20.
Extraordinaries	1,083	—	—	—	—	
Adjusted PAT	1,926	2,243	2,523	31.0	12.5	
EPS (Rs/share)	2.3	2.6	3.0	31.0	12.5	
EBITDA margin (%)	12.2	14.7	14.5	224 bps	-20 bps	
Hero Motocorp						
Net sales	90,909	80,303	73,701	(18.9)	(8.2)	
EBITDA	13,787	11,580	10,258	(25.6)	(11.4)	We expect revenues to decline by 19% yoy in 2QFY20 led largely by 21% yoy decline in total volumes.
EBIT	12,269	9,219	7,897	(35.6)	(14.3)	
PBT	14,485	11,364	10,042	(30.7)	(11.6)	
Reported PAT	9,763	12,573	8,839	(9.5)	(29.7)	
Extraordinaries	—	7,375	—	—	—	
Adjusted PAT	9,763	7,411	8,839	(9.5)	19.3	We expect EBITDA margin to decline by 130 bps yoy due to negative operating leverage and higher discounting owing to a weak demand scenario.
EPS (Rs/share)	48.9	37.1	44.3	(9.5)	19.3	
EBITDA margin (%)	15.2	14.4	13.9	-125 bps	-51 bps	
Mahindra CIE Automotive						
Net sales	19,326	20,495	23,167	19.9	13.0	We expect consolidated revenues to increase by 20% yoy led by (1) consolidation of Aurangabad Electrical (10% of the consolidated revenues), (2) 1% yoy revenue growth in the Europe business (in INR terms) aided by strong growth in the Metalcastello business and further ramp-up of the Lithuania plant, offset by decline in automotive sales in Europe, (3) 15% yoy revenue decline in the India business due to decline in domestic automotive industry production across segments and (4) ramp-up in Bill Forge revenues.
EBITDA	2,610	2,694	3,026	15.9	12.3	
EBITDA margin (%)	13.5	13.1	13.1	-45 bps	-9 bps	We expect consolidated EBITDA margin to decline by 40 bps yoy (flat qoq) due to 280 bps yoy decline in EBITDA margin for the India business owing to negative operating leverage.
Mahindra & Mahindra						
Net sales	127,902	128,055	113,457	(11.3)	(11.4)	
EBITDA	18,493	17,936	15,038	(18.7)	(16.2)	Overall volumes declined by 16% yoy led by 8% yoy decline in tractor volumes and 21% yoy decline in auto volumes. We expect revenues to decline by 11% yoy in 2QFY20.
EBIT	13,508	12,097	9,188	(32.0)	(24.0)	
PBT	21,606	13,714	16,888	(21.8)	23.1	
Reported PAT	17,788	22,597	12,564	(29.4)	(44.4)	
Extraordinaries	1,375	13,671	—	—	—	
Adjusted PAT	16,825	8,927	12,564	(25.3)	40.7	We expect EBITDA margin to decline by 120 bps yoy in 2QFY20 due to negative operating leverage.
EPS (Rs/share)	14.8	7.8	11.0	(25.3)	40.7	
EBITDA margin (%)	14.5	14.0	13.3	-121 bps	-76 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	Change (%) qoq	Comments
Maruti Suzuki						
Net sales	224,332	197,198	169,892	(24.3)	(13.8)	We expect revenues to decline by 24% yoy in 2QFY20 on the back of 30% yoy volume decline, which will be partially offset by 4% yoy increase in ASPs as a result of increase in costs due to new safety regulations.
EBITDA	34,313	20,478	14,137	(58.8)	(31.0)	
EBIT	27,099	11,290	5,135	(81.0)	(54.5)	
PBT	32,110	19,109	11,937	(62.8)	(37.5)	
Reported PAT	22,404	14,355	8,881	(60.4)	(38.1)	We expect EBITDA to decline by 59% yoy in 2QFY20 led by (1) increase in discounts, (2) negative operating leverage and (3) high fixed costs in the Gujarat plant due to low volumes.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	22,404	14,355	8,881	(60.4)	(38.1)	
EPS (Rs/share)	74.2	47.5	29.4	(60.4)	(38.1)	
EBITDA margin (%)	15.3	10.4	8.3	-698 bps	-207 bps	
Motherson Sumi Systems						
Net sales	151,050	167,925	156,677	3.7	(6.7)	We expect 17% yoy revenue decline in 2QFY20 for the standalone entity as we build in steep cut in passenger vehicle industry production volumes. Standalone EBITDA margin will likely decline by 170 bps yoy due to negative operating leverage.
EBITDA	13,001	12,550	11,041	(15.1)	(12.0)	
EBIT	8,122	6,185	4,641	(42.9)	(25.0)	
PBT	7,269	5,173	3,591	(50.6)	(30.6)	
Reported PAT	3,711	3,315	2,521	(32.1)	(24.0)	We expect consolidated revenue to grow by 4% yoy led by (1) 13% yoy growth in euro revenues of the SMRPBV business due to addition of revenues of the SMRC business and (2) 10% growth (in euro terms) in the PKC business, which will be partially offset by 17% decline in revenues for the standalone business.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	3,711	3,315	2,521	(32.1)	(24.0)	
EPS (Rs/share)	1.2	1.0	0.8	(32.1)	(24.0)	
EBITDA margin (%)	8.6	7.5	7.0	-157 bps	-43 bps	
MRF						
Net sales	39,282	44,095	41,638	6.0	(5.6)	We expect revenues to grow by 6% yoy in 2QFY20 led by 2-3% increase in ASPs due to price increases taken during the year and double-digit volume growth in the replacement market. Volumes will likely increase by 2-3% yoy due to stable replacement market demand, offset by weakness in the OEM segment; we note that MRF has lower exposure to the OEM segment compared to peers, which should benefit this quarter given sharp volume decline in the OEM segment.
EBITDA	5,810	6,028	5,616	(3.3)	(6.8)	
EBIT	3,812	3,748	3,316	(13.0)	(11.5)	
PBT	3,937	4,115	3,665	(6.9)	(10.9)	
Reported PAT	2,630	2,685	3,061	16.4	14.0	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to decline by 130 bps yoy in 2QFY20 due to marginal deterioration in gross margins owing to the lagged impact of higher commodity prices. We note that rubber prices have corrected this quarter, which will benefit the company in the coming quarters.
Adjusted PAT	2,630	2,685	3,061	16.4	14.0	
EPS (Rs/share)	620.4	633.3	721.9	16.4	14.0	
EBITDA margin (%)	14.8	13.7	13.5	-131 bps	-19 bps	
Schaeffler India						
Net sales	11,915	11,167	11,796	(1.0)	5.6	We expect revenues to decline by 1% yoy in 3QCY19 led by 20% decline in automotive OEM revenues due to slowdown in automotive industry production and lower diesel mix in the passenger vehicle segment (lower engine and transmission content in petrol vehicles compared to diesel vehicles), offset by double-digit revenue growth in automotive replacement and industrial segments and exports (higher focus on exports due to slowdown in the domestic market).
EBITDA	1,997	1,594	1,711	(14.3)	7.4	
EBIT	1,625	1,209	1,326	(18.4)	9.7	
PBT	1,782	1,326	1,443	(19.0)	8.9	
Reported PAT	907	825	1,280	41.2	55.2	
Extraordinaries	(391)	—	—	—	—	We expect EBITDA margin to improve by 20 bps qoq (-230 bps yoy) in 3QCY19 as we build in the benefit of recent softness in commodity prices and price increases from certain customers, which were under negotiations.
Adjusted PAT	1,162	825	1,280	10.2	55.2	
EPS (Rs/share)	37.2	26.4	40.9	10.2	55.2	
EBITDA margin (%)	16.8	14.3	14.5	-226 bps	23 bps	
SKF						
Net sales	7,660	7,768	7,737	1.0	(0.4)	We expect revenues to increase by 1% yoy in 2QFY20 led by 10-12% yoy increase in automotive replacement and overall industrial segments (~65% of revenues) aided partly by market share gain, offset by (1) 20% yoy decline in the automotive OEM segment due to decline in domestic automotive industry production and (2) 5% decline in exports due to weakness in global markets.
EBITDA	1,227	1,200	1,194	(2.7)	(0.5)	
EBIT	1,110	1,062	1,054	(5.1)	(0.7)	
PBT	1,304	1,207	1,234	(5.4)	2.2	
Reported PAT	843	779	1,046	24.0	34.2	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to decline by 60 bps on a yoy basis in 2QFY20 (flattish qoq) largely due to the adverse impact of a weaker product mix (auto segment is more profitable for the company) on the company's gross margins, partly offset by the company's cost-reduction efforts.
Adjusted PAT	843	779	1,046	24.0	34.2	
EPS (Rs/share)	16.4	15.8	21.2	28.7	34.2	
EBITDA margin (%)	16.0	15.4	15.4	-59 bps	-3 bps	
Tata Motors						
Net sales	721,121	614,670	629,873	(12.7)	2.5	We expect standalone revenues to decline by 43% yoy led by 45% yoy decline in volumes across segments while ASPs increase by 4% yoy due to cost push related to regulatory costs. We build in standalone EBITDA margin of 1.5% in 2QFY20 (5.5% in 1QFY20 and 7.9% in 2QFY19); the yoy decline is due to increase in discount levels and negative operative leverage.
EBITDA	67,576	29,955	57,675	(14.7)	92.5	
EBIT	8,164	(21,162)	5,516	(32.4)	NM	
PBT	2,067	(29,918)	(3,640)	(276.1)	(87.8)	
Reported PAT	(10,488)	(36,983)	(5,640)	(46.2)	(84.8)	JLR's UK P&L volumes increased by 1% yoy. ASPs will likely increase by 2% yoy due to GBP depreciation versus USD. We expect reported EBITDA margin to improve by 160 bps yoy due to the company's cost-reduction efforts and currency benefits. We build in hedged forex loss of GBP150 mn in our estimates for 2QFY20.
Extraordinaries	(10,302)	(2,464)	—	—	—	
Adjusted PAT	(3,277)	(35,136)	(5,640)	72.1	(83.9)	
EPS (Rs/share)	(1.0)	(10.3)	(1.7)	72.1	(83.9)	
EBITDA margin (%)	9.4	4.9	9.2	-22 bps	428 bps	
Timken						
Net sales	4,138	4,378	4,345	5.0	(0.7)	We expect revenues to increase by 5% yoy led by (1) strong double-digit growth in industrial, aftermarket and export segments (growth in exports will be driven by ramp-up of exports from ABC's plants and execution of new order wins from non-US markets) and (2) 25% yoy revenue decline in the CV segment due to decline in industry production (~30-33% of overall revenues).
EBITDA	704	951	939	33.3	(1.3)	
EBIT	507	743	729	43.8	(2.0)	
PBT	533	782	786	47.3	0.5	
Reported PAT	346	505	662	91.4	31.0	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to remain flattish qoq at 21.6% in 2QFY20 but still improve by 460 bps yoy due to price increases from customers, recent decline in commodity prices and the benefit of backward integration.
Adjusted PAT	346	505	662	91.4	31.0	
EPS (Rs/share)	4.6	6.7	8.8	91.4	31.0	
EBITDA margin (%)	17.0	21.7	21.6	458 bps	-13 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	Change (%) qoq	Comments
TVS Motor						
Net sales	49,935	44,686	43,293	(13.3)	(3.1)	Volumes declined by 19% yoy possibly led by (1) 24% yoy decline in domestic markets and (2) 5% growth in exports. We expect revenues to decline by 13% yoy in 2QFY20 largely led by 19% yoy decline in volumes, offset by 6-7% increase in ASPs yoy.
EBITDA	4,282	3,558	3,362	(21.5)	(5.5)	
EBIT	3,266	2,364	2,168	(33.6)	(8.3)	
PBT	3,062	2,085	1,889	(38.3)	(9.4)	
Reported PAT	2,113	1,423	1,534	(27.4)	7.8	We expect EBITDA to decline by 22% yoy led by (1) revenue decline and (2) negative operating leverage. We expect net profit to decline by 27% yoy in 2QFY20.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,113	1,423	1,534	(27.4)	7.8	
EPS (Rs/share)	4.4	3.0	3.2	(27.4)	7.8	
EBITDA margin (%)	8.6	8.0	7.8	-81 bps	-20 bps	
Varroc Engineering						
Net sales	30,011	28,981	28,881	(3.8)	(0.3)	We expect consolidated revenues to decline by 4% yoy in 2QFY20 led by (1) 15% yoy decline in India business revenues due to 10% yoy decline in Bajaj Auto production volumes (accounts for 50-55% of India revenues) and >15% decline in production of other two-wheeler OEMs and (2) flattish yoy euro revenue growth in VLS driven by new business wins, particularly from the VW Group, offset by subdued global industry volumes and currency headwinds.
EBITDA	3,038	2,970	2,780	(8.5)	(6.4)	
EBIT	1,396	1,324	1,130	(19.0)	(14.7)	
PBT	1,371	1,023	980	(28.5)	(4.2)	
Reported PAT	1,009	875	824	(18.3)	(5.8)	
Extraordinaries	—	—	—	—	—	We expect consolidated EBITDA margin to deteriorate by 50 bps in 2QFY20 due to 210 bps yoy margin decline in the India business owing to negative operating leverage and flattish margin in the VLS business.
Adjusted PAT	1,009	875	824	(18.3)	(5.8)	
EBITDA margin (%)	10.1	10.2	9.6	-50 bps	-63 bps	
Banks						
AU Small Finance Bank						
Net interest income	3,210	3,956	4,368	36.1	10.4	We expect AUM growth to remain strong at ~35% yoy as the focus has shifted to financing of used vehicles. We expect to see NIM improvement qoq as wholesale deposit rates have eased and we expect loan book yield to remain flat qoq.
Pre-provision profit	1,752	2,908	2,156	23.1	(25.9)	
Loan-loss provisions	140	210	263	87.5	25.0	We expect the cost-income ratio to remain high at ~63% (qoq deterioration on account of lower treasury income). The liability side should see further improvement on deposit contribution but the mix would be a bit more skewed towards wholesale. Gross NPL ratios should see a marginal increase qoq, especially in the auto loan portfolio.
PBT	1,402	2,593	1,762	25.7	(32.0)	
Adjusted PAT	914	1,903	1,311	43.4	(31.1)	
EPS (Rs/share)	3.1	6.5	4.5	43.5	(31.1)	
Axis Bank						
Net interest income	52,321	58,437	59,747	14.2	2.2	We expect loan growth at 13% yoy with greater focus on retail. NIM would be unchanged at 3.5% (unchanged qoq as benefit of capital raising would be visible in 2HFY20). Higher DTA will impact earnings.
Pre-provision profit	40,940	58,928	53,905	31.7	(8.5)	
Fee income	23,760	26,630	28,037	18.0	5.3	
Treasury income	1,360	8,320	3,500	157.4	(57.9)	
Loan-loss provisions	26,810	38,840	18,643	(30.5)	(52.0)	We expect slippages of ~Rs30 bn (2.5% of loans) mostly from 'below investment grade book'. We expect an unchanged gross and below investment grade loan portfolio.
PBT	11,666	20,782	34,070	192.0	63.9	
Adjusted PAT	7,896	13,701	106	(98.7)	(99.2)	
EPS (Rs/share)	3.3	5.8	0.0	(98.7)	(99.2)	
Bandhan Bank						
Net interest income	10,775	14,104	14,956	38.8	6.0	We expect loan growth at ~40% yoy resulting in strong revenue growth of ~35% yoy. NIM will be flat qoq at ~9.5% of AUM. PAT growth will be higher on account of lower tax rate.
Pre-provision profit	8,740	12,076	12,132	38.8	0.5	
Fee income	1,648	2,205	2,016	22.4	(8.6)	
Loan-loss provisions	868	1,340	1,474	69.8	10.0	We expect stable trends on asset quality. Commentary on loan growth and borrower indebtedness in key markets would be the key monitorable.
PBT	7,498	10,822	10,525	40.4	(2.7)	
Adjusted PAT	4,877	7,011	8,871	81.9	26.5	
EPS (Rs/share)	4.1	5.9	5.5	34.8	(6.2)	
NIM (%)	9.4	9.2	9.1	-31 bps	-10 bps	
Bank of Baroda						
Net interest income	44,925	64,981	65,649	46.1	1.0	We expect a loss of Rs21 bn due to the impact of DTA (provided full impact this quarter). Operationally, we expect the bank to report a stable performance.
Pre-provision profit	30,819	42,762	42,948	39.4	0.4	
Fee income	8,560	10,700	11,128	30.0	4.0	
Treasury income	870	3,380	3,298	279.1	(2.4)	
Loan-loss provisions	14,666	31,684	25,347	72.8	(20.0)	We expect fresh slippages at ~2.5% primarily on account of a few corporate exposures. The bank has a high exposure to NBFCs, which needs to be monitored. Progress of the merger would be discussed.
PBT	6,524	9,913	16,498	152.9	66.4	
Adjusted PAT	4,254	7,099	(8,862)	(308.3)	(224.8)	
EPS (Rs/share)	8.0	9.2	(11.5)	(243.4)	(224.8)	
City Union Bank						
Net interest income	3,980	4,169	4,368	9.7	4.8	We expect loan growth at ~13% yoy for the quarter. NII growth will be marginally lower than loan growth at 10% yoy although we see lower pressure on NIM this quarter (unchanged qoq at ~4.2%).
Pre-provision profit	2,959	3,514	3,260	10.2	(7.2)	
Fee income	688	796	798	16.0	0.3	
Treasury income	213	446	231	8.6	(48.1)	
Loan-loss provisions	470	1,440	720	53.2	(50.0)	We expect gross NPLs at ~3%; slippages at ~2.2% of loans, mostly from small-ticket loans. The impact of slowdown on the SME portfolio is likely to be a key discussion area.
PBT	2,280	2,356	2,450	7.5	4.0	
Adjusted PAT	1,680	1,856	1,823	8.5	(1.8)	
EPS (Rs/share)	2.3	2.5	2.5	8.1	(1.8)	
DCB Bank						
Net interest income	2,818	3,048	3,188	13.1	4.6	We expect revenue growth at 16% yoy on the back of 13% yoy NII growth and 13% yoy loan growth. NIM would be unchanged qoq but there is some easing of pressure (portfolio level) on product segments, which compete with NBFCs. Cost of deposits will decline qoq. Performance in LAP would be the key monitorable given rising NPLs at the sector level.
Pre-provision profit	1,461	1,665	1,763	20.7	5.9	
Fee income	652	654	727	11.5	11.2	
Treasury income	31	159	134	332.6	(15.7)	
Loan-loss provisions	287	390	406	41.3	4.0	
PBT	1,142	1,259	1,341	17.4	6.5	We expect PAT growth at ~19% yoy due to the marginal impact of DTA. RoE progression for FY2020 would be the key monitorable as the progress in FY2019 has been impressive.
Adjusted PAT	734	811	877	19.4	8.2	
EPS (Rs/share)	2.3	2.6	2.8	21.2	8.1	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	qoq	Comments
Equitas Holdings						
Net interest income	2,771	3,444	3,750	35.3	8.9	We expect AUM growth of ~35% yoy led by SME and auto loans. NIM will be unchanged qoq at 9%. Operating expenses are likely to grow in line with AUM growth (qoq) resulting in an improvement in the cost-income ratio to ~66%. The progress on deposits, especially on wholesale and retail term deposits, would be a key monitorable.
Pre-provision profit	1,076	1,262	1,483	37.7	17.5	
Loan-loss provisions	305	306	327	7.2	7.0	
PBT	771	956	1,156	49.8	20.9	We expect impairment ratios to rise marginally but NPLs in CV would be a key monitorable given the weakness in freight demand and SMEs due to the weak economic environment. Progress on listing would be discussed as there is a change in approach.
Adjusted PAT	497	619	978	96.7	57.9	
EPS (Rs/share)	1.5	1.8	2.9	96.2	57.9	
Federal Bank						
Net interest income	10,225	11,542	12,173	19.1	5.5	We expect loan growth to be slower than past few quarters at ~16% yoy although retail and SME businesses should see solid traction. NIM would be flat to marginally positive.
Pre-provision profit	6,976	7,828	8,283	18.7	5.8	
Fee income	2,000	2,260	2,373	18.7	5.0	
Treasury income	510	910	425	(16.7)	(53.3)	
Loan-loss provisions	1,840	1,770	3,540	92.4	100.0	We expect slippages at ~1.6% of loans. The bank is likely to use the benefit of lower tax rate to increase its provisions on certain NBFC exposures, which are currently under stress. Expect an unchanged guidance on overall metrics for FY2020.
PBT	4,088	5,907	4,589	12.3	(22.3)	
Adjusted PAT	2,660	3,842	3,968	49.1	3.3	
EPS (Rs/share)	2.7	3.9	4.0	48.8	3.3	
HDFC Bank						
Net interest income	117,634	132,943	140,388	19.3	5.6	We expect loan growth to slow down to ~16% yoy resulting in slower NII growth at ~19% yoy. The retail loan growth slowdown is on account of weak volume growth in auto and a more cautious approach towards unsecured loans. Fee income growth from MFs will be slower yoy due to changes in regulations even as asset and payment fees will grow at a slower rate.
Pre-provision profit	94,800	111,472	115,823	22.2	3.9	
Fee income	32,956	35,516	37,570	14.0	5.8	
Treasury income	(328)	2,120	3,125	NM	47.4	
Loan-loss provisions	15,725	26,137	40,501	157.6	55.0	We expect gross NPL ratio at 1.5% of loans, which is a marginal increase qoq. Growth in credit costs, especially from rural loans, would be a key monitorable. The bank is likely to make higher contingent provisions as there is a positive impact of the lower tax rate.
PBT	76,600	85,336	75,322	(1.7)	(11.7)	
Adjusted PAT	50,057	55,682	63,739	27.3	14.5	
EPS (Rs/share)	18.4	20.4	23.3	26.6	14.5	
ICICI Bank						
Net interest income	64,176	77,374	79,497	23.9	2.7	We expect a solid PPoP growth of ~28% yoy led by healthy loan growth (~15% yoy) and better NII growth (24% yoy). NIM will remain stable qoq.
Pre-provision profit	52,497	62,885	67,256	28.1	7.0	
Fee income	29,950	30,390	32,945	10.0	8.4	
Treasury income	(350)	1,790	2,600	NM	45.3	
Loan-loss provisions	39,943	34,957	26,218	(34.4)	(25.0)	We expect reduction in gross NPLs on the back of write-offs and slippages at ~2% levels. Credit costs will decline qoq. Below investment grade portfolio will remain stable. Higher DTA would impact reported earnings.
PBT	12,554	27,927	41,038	226.9	46.9	
Adjusted PAT	9,089	19,080	2,452	(73.0)	(87.1)	
EPS (Rs/share)	1.4	3.0	0.4	(73.1)	(87.1)	
IndusInd Bank						
Net interest income	22,033	28,440	28,958	31.4	1.8	We expect a stable performance on operating metrics. Loan growth will be ~28% yoy (BHAFIN acquisition) while NIM is likely to be flat with the benefit of lower cost of funds (BHAFIN pending borrowings and lower wholesale cost of funds), offset by pressure on lending yields.
Pre-provision profit	19,524	25,910	24,207	24.0	(6.6)	
Fee income	12,183	14,220	14,137	16.0	(0.6)	
Treasury income	990	2,410	1,101	11.2	(54.3)	
Loan-loss provisions	4,750	3,040	6,080	28.0	100.0	We expect the bank to make higher provisions, especially with the benefit of a lower tax rate. Asset quality on CV portfolio would be a key monitorable. We would look at their guidance on credit costs given the exposures they have to select companies that are currently under stress.
PBT	14,022	21,603	17,138	22.2	(20.7)	
Adjusted PAT	9,203	14,325	14,396	56.4	0.5	
EPS (Rs/share)	15.3	20.7	20.8	35.7	0.5	
J&K Bank						
Net interest income	7,918	9,022	9,386	18.5	4.0	We expect loan growth within J&K to slow down resulting in subdued overall loan growth at ~10% yoy. NIM will be unchanged qoq at 3.9%.
Pre-provision profit	3,426	4,109	3,907	14.0	(4.9)	
Fee income	462	448	416	(10.0)	(7.0)	
Treasury income	(259)	430	100	NM	(76.7)	
Loan-loss provisions	1,300	1,144	2,289	76.1	100.0	We expect muted performance as J&K as the state has been under a period of lockdown. While the current restructured book is likely to remain unchanged, commentary is expected to be weak as further restructuring is likely, given the current economic situation.
PBT	1,702	1,176	389	(77.2)	(67.0)	
Adjusted PAT	937	219	289	(69.1)	32.2	
EPS (Rs/share)	1.7	0.4	0.5	(69.1)	32.2	
Karur Vysya Bank						
Net interest income	5,791	5,840	5,790	(0.0)	(0.8)	We expect muted earnings growth as provisions are likely to remain high while revenue growth is likely to remain muted as seen in recent quarters. Loan growth will remain sluggish at 3% yoy.
Pre-provision profit	3,614	4,451	3,772	4.4	(15.3)	
Fee income	2,349	2,035	1,938	(17.5)	(4.7)	
Treasury income	(210)	670	90	NM	(86.6)	
Loan-loss provisions	2,160	3,200	3,520	63.0	10.0	We expect slippages to be higher at ~3% of loans, mostly coming from the SME exposure, which was guided by the bank in 3QFY19. Expect the benefit of lower tax rate to result in higher provisions as the bank would look to improve its coverage ratio.
PBT	1,483	1,152	439	(70.4)	(61.9)	
Adjusted PAT	837	729	455	(45.7)	(37.6)	
EPS (Rs/share)	6.9	6.0	3.7	(45.7)	(37.6)	
RBL Bank						
Net interest income	5,930	8,173	8,165	37.7	(0.1)	We expect greater focus on the outcome of stressed loans (~Rs10 bn guided in 1QFY20). Expect a few slippages from this and a few additions to this list.
Pre-provision profit	4,491	6,188	6,417	42.9	3.7	
Fee income	748	781	776	3.8	(0.7)	
Treasury income	81	722	450	454.9	(37.7)	
Loan-loss provisions	1,193	2,010	5,427	355.0	170.0	We expect retail (cards) and MFI businesses to do well but slower corporate loan growth would lead to overall loan growth at <30% this quarter.
PBT	3,094	4,056	990	(68.0)	(75.6)	
Adjusted PAT	2,045	2,671	817	(60.1)	(69.4)	
EPS (Rs/share)	5.5	7.1	2.2	(60.1)	(69.4)	
State Bank of India						
Net interest income	209,057	229,388	230,274	10.1	0.4	We expect loan growth at ~11% yoy and NIM unchanged qoq at ~2.9%. The impact of NIM under the new lending rate regime is likely to get attention from a discussion perspective.
Pre-provision profit	139,049	132,462	142,316	2.4	7.4	
Fee income	50,150	51,770	53,661	7.0	3.7	
Treasury income	13,280	4,850	11,250	(15.3)	132.0	
Loan-loss provisions	101,850	116,485	102,188	0.3	(12.3)	We expect slippages at 2.5% of loans led by a couple of large-ticket loans. Provisions would be high due to ageing of NPLs. The DTA impact (Rs30 bn) will weigh on reported profits.
PBT	18,127	40,632	43,324	139.0	6.6	
Adjusted PAT	9,449	23,122	5,952	(37.0)	(74.3)	
EPS (Rs/share)	1.1	2.6	0.7	(37.0)	(74.3)	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	qoq	Comments
YES Bank						
Net interest income	24,176	22,809	18,087	(25.2)	(20.7)	We expect outstanding loans to decline ~7% yoy and -6% qoq. Deposits will decline 7% yoy and there is likely to be an increase in pressure on NIM. Revenue pressure will also remain high due to weak fee income (sharp decline).
Pre-provision profit	23,665	19,591	11,776	(50.2)	(39.9)	
Fee income	13,915	8,227	9,004	(35.3)	9.5	
Treasury income	820	4,500	617	(24.8)	(86.3)	
Loan-loss provisions	5,367	6,000	24,000	NM	NM	We expect asset quality ratios to see further deterioration (lumpy corporate exposure). Commentary from the management on capital raising, progress of 'below investment grade' and deposit profile would be key monitorables.
PBT	14,265	1,750	(13,172)	(192.3)	NM	
Adjusted PAT	9,647	1,138	(12,624)	(230.9)	NM	
EPS (Rs/share)	4.2	0.5	(5.5)	(230.2)	NM	
Diversified Financials						
Bajaj Finance						
Net interest income	23,199	29,879	31,200	34.5	4.4	We expect Bajaj's expansion efforts to drive 37% yoy loan growth (41% in 1QFY20).
Pre-provision profit	17,491	24,021	24,170	38.2	0.6	
Loan-loss provisions	3,146	5,507	5,400	71.7	(2.0)	NIM will likely contract by 40 bps qoq to 9.4%, in line with seasonal trends; the cost-to-income ratio will broadly remain stable.
PBT	14,345	18,514	18,770	30.8	1.4	
Core PBT	17,086	23,951	24,150	41.3	0.8	
Adjusted PAT	9,235	11,952	13,330	44.3	11.5	
EPS (Rs/share)	16.9	21.9	24.4	44.3	11.5	
NIM (%)	9.6	9.8	9.4	-18 bps	-38 bps	
Cholamandalam						
Net interest income	7,396	8,240	8,751	18.3	6.2	We expect loan growth to moderate to 3% qoq in 2QFY20 from 6% qoq in 1QFY20, reflecting weak vehicle sales.
Pre-provision profit	5,285	5,925	6,158	16.5	3.9	
Loan-loss provisions	690	1,095	700	1.5	(36.1)	
PBT	4,599	4,830	5,458	18.7	13.0	Decline in incremental funding costs will drive 10 bps qoq NIM expansion. Strong recoveries in home equity will support credit costs.
Core PBT	5,284	5,453	5,808	9.9	6.5	
Adjusted PAT	3,047	3,142	3,029	(0.6)	(3.6)	
EPS (Rs/share)	3.9	4.0	3.9	(0.4)	(3.6)	
NIM (%)	6.5	6.1	6.2	-32 bps	8 bps	
HDFC						
Net interest income	26,288	30,418	31,000	17.9	1.9	We expect HDFC to deliver 15% growth in loans under management on the back of 17% growth in the retail business (17% in 1QFY20).
Pre-provision profit	38,904	48,751	54,790	40.8	12.4	
Loan-loss provisions	4,013	8,900	7,896	96.8	(11.3)	
PBT	34,891	39,851	46,894	34.4	17.7	
Core PBT	34,760	45,586	41,140	18.4	(9.8)	Decline in marginal cost of funds will drive 10 bps qoq expansion in calculated NIM. Dividend from HDFC Bank (Rs8.7 bn), capital gains from stake sale in Gruh Finance (Rs16.3 bn), MTM loss of investment in RBL (Rs2.7 bn) and DTA impairment (Rs2.75 bn) are one-offs for the quarter.
Adjusted PAT	24,671	32,031	38,032	54.2	18.7	
EPS (Rs/share)	14.5	18.6	22.0	51.6	18.7	
NIM (%)	2.8	3.0	2.9	14 bps	-3 bps	
IIFL Finance						
Net interest income		5,414	5,410		(0.1)	We expect 3% qoq compression in loan book as liquidity pressure continues.
Pre-provision profit		1,516	1,600		5.5	
Loan-loss provisions		(1,043)	(550)		(47.3)	We expect core NIM to expand marginally qoq. Income from loan assignment will partially offset net provisions.
PBT		2,570	2,150		(16.3)	
Core PBT		1,330	1,410		6.0	
Adjusted PAT		1,743	902		(48.2)	
EPS (Rs/share)		5.5	2.8		(48.5)	
NIM (%)		8.1	8.6		48 bps	
LIC Housing Finance						
Net interest income	10,493	11,819	12,280	17.0	3.9	We expect loan growth to remain moderate at 16% yoy (16% in 1QFY20) on the back of 15% growth in individual loans.
Pre-provision profit	9,647	10,983	11,400	18.2	3.8	
Loan-loss provisions	2,194	2,573	2,000	(8.8)	(22.3)	
PBT	7,454	8,407	9,400	26.1	11.8	Decline in funding costs will drive NIM to 2.45% from 2.4% qoq. Forecasting provisions remains a challenge; we are building in credit costs at 0.4% of loans, in line with its average for past four quarters.
Core PBT	9,585	10,964	11,380	18.7	3.8	
Adjusted PAT	5,732	6,108	5,180	(9.6)	(15.2)	
EPS (Rs/share)	11.4	12.1	10.3	(9.6)	(15.2)	
NIM (%)	2.4	2.4	2.4	1 bps	3 bps	
Mahindra & Mahindra Financial						
Net interest income	11,554	12,383	13,238	14.6	6.9	Weakness in vehicle sales will lead to muted loan growth (2% qoq, down from 6% qoq in1QFY20).
Pre-provision profit	7,869	7,243	8,038	2.1	11.0	
Loan-loss provisions	2,311	6,196	3,000	29.8	(51.6)	
PBT	5,558	1,047	5,038	(9.4)	381.2	Higher write-offs will drive credit costs (1.7% of loans) even as provisions are lower qoq. Decline in funding costs will drive 30 bps qoq NIM expansion to 8.3%.
Core PBT	7,507	6,967	7,748	3.2	11.2	
Adjusted PAT	3,814	684	3,341	(12.4)	388.3	
EPS (Rs/share)	6.8	1.2	5.9	(12.4)	388.3	
NIM (%)	8.6	8.0	8.3	-32 bps	30 bps	
Magma Fincorp						
Net interest income		2,723	2,705		(0.7)	We expect loan book to remain flat qoq due to slowdown in vehicle sales.
Pre-provision profit		1,456	1,430		(1.8)	
Loan-loss provisions		1,287	700		(45.6)	
PBT		170	730		329.8	Rise in borrowings cost since 3QFY19 coupled with declining rates on CV loans will put pressure on NIM.
Core PBT		1,236	1,230		(0.4)	
Adjusted PAT		106	127		19.4	
EPS (Rs/share)		0.4	0.5		19.4	
NIM (%)		6.9	6.7		-14 bps	
Muthoot Finance						
Net interest income	10,962	11,858	12,460	13.7	5.1	We expect Muthoot's loan growth to moderate to 3% qoq from 5% qoq in 1QFY20 due to pressure on the business in Kerala.
Pre-provision profit	7,478	8,199	8,550	14.3	4.3	
Loan-loss provisions	25	33	50	97.1	51.7	
PBT	7,452	8,166	8,500	14.1	4.1	
Core PBT	7,473	8,180	8,550	14.4	4.5	
Adjusted PAT	4,838	5,300	6,846	41.5	29.2	NIM will likely expand by 20 bps qoq as funding pressure eases.
EPS (Rs/share)	12.1	13.3	17.1	41.5	29.2	
NIM (%)	13.9	13.5	13.7	-15 bps	16 bps	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Sep-18	Jun-19	Sep-19E	yoy	qoq	Comments
Shriram City Union Finance						
Net interest income	9,684	9,187	9,250	(4.5)	0.7	We expect SCUF to deliver 2% qoq decline in loan book (3% growth in 1QFY20) as funding pressures sustain.
Pre-provision profit	6,129	5,774	5,850	(4.5)	1.3	
Loan-loss provisions	2,392	1,933	1,700	(28.9)	(12.1)	
PBT	3,750	3,841	4,150	10.7	8.0	We expect NIM to remain broadly stable qoq at 12.3% due to elevated funding costs. Collections will likely remain strong leading to 30 bps qoq decline in credit cost/assets ratio to 2.3%.
Core PBT	6,055	5,726	5,850	(3.4)	2.2	
Adjusted PAT	2,493	2,532	3,172	27.3	25.3	
EPS (Rs/share)	37.8	38.4	48.1	27.4	25.3	
NIM (%)	13.1	12.3	12.3	-84 bps	5 bps	
Shriram Transport						
Net interest income	20,636	19,436	19,925	(3.4)	2.5	We expect STFC's loan growth to remain muted at 2% qoq (2% qoq in 1QFY20) on the back of a weak CV business.
Pre-provision profit	16,226	15,428	15,725	(3.1)	1.9	
Loan-loss provisions	6,836	5,612	6,250	(8.6)	11.4	
PBT	9,390	9,816	9,475	0.9	(3.5)	NIM (stable qoq) remains under pressure due to elevated funding costs. Prolonged monsoons will lead to lower collection efficiency translating into 20 bps qoq rise in credit costs to 2.3%.
Core PBT	16,129	15,350	15,575	(3.4)	1.5	
Adjusted PAT	6,096	6,343	7,528	23.5	18.7	
EPS (Rs/share)	26.9	28.0	33.2	23.5	18.7	
NIM (%)	8.1	7.5	7.6	-50 bps	3 bps	
Building products						
Astral Poly Technik						
Net sales	6,292	6,066	7,644	21.5	26.0	We expect 22% yoy growth in revenues led by higher volumes for the pipes segment and likely recovery in the adhesives business.
EBITDA	944	931	1,145	21.2	22.9	
EBIT	752	687	887	18.0	29.0	
PBT	726	692	898	23.7	29.7	
Reported PAT	530	490	718	35.5	46.5	We expect EBITDA margins to moderate by ~40 bps qoq to 15% impacted by an increase in RM cost amid higher PVC prices and increase in operating costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	530	490	718	35.5	46.5	
EPS (Rs/share)	4.4	4.1	6.0	35.5	46.5	
EBITDA margin (%)	15.0	15.3	15.0	-3 bps	-38 bps	
Capital Goods						
ABB						
Net sales	14,916	17,258	16,587	11.2	(3.9)	We expect ~11% yoy growth on like-for-like basis in 3QCY19 led by double-digit yoy growth across all the segments of continuing business, on the back of a healthy order book as well as short-cycle nature of these segments.
EBITDA	654	1,239	1,376	110.4	11.0	
EBIT	418	1,019	1,127	169.7	10.6	
PBT	549	1,127	1,266	130.4	12.3	
Reported PAT	1,083	1,304	1,553	43.4	19.1	We expect a 70 bps yoy improvement in overall margin prior to unallocable expenses. This would be driven by robotics & motion and electrification products segments as the INR appreciation versus USD would have helped control cost of imported components. Overall EBIT margin is modeled to grow meaningfully on a yoy basis and also on a qoq basis (impacted by a weak base on low service revenue share).
Extraordinaries	723	607	471	(34.9)	(22.3)	
Adjusted PAT	1,083	1,304	1,553	43.4	19.1	
EPS (Rs/share)	5.1	6.2	7.3	43.4	19.1	
EBITDA margin (%)	4.4	7.2	8.3	391 bps	111 bps	
Ashoka Buildcon						
Net sales	7,644	8,768	8,010	4.8	(8.6)	Our revenue growth estimates for 2QFY20 factor in the impact of extended monsoons and expect the growth to accelerate through the year once the company receives appointed dates for the remaining HAM projects. Our estimates for standalone revenues in FY2020 are at the lower end of the management guidance.
EBITDA	1,037	1,095	1,001	(3.4)	(8.5)	
EBIT	871	828	745	(14.5)	(10.1)	
PBT	899	957	890	(1.0)	(7.0)	
Reported PAT	621	647	662	6.6	2.4	
Extraordinaries	—	—	—	—	—	The yoy decline in margins is driven by higher share of HAM projects and T&D projects in the revenue mix. Improvement in order inflows, appointed dates for HAM projects and progress on asset monetization would be important monitorables for the company.
Adjusted PAT	621	647	662	6.6	2.4	
EPS (Rs/share)	2.2	2.3	2.4	6.6	2.4	
EBITDA margin (%)	13.6	12.5	12.5	-107 bps	1 bps	
Bharat Electronics						
Net sales	33,814	21,015	30,175	(10.8)	43.6	We expect modest yoy decline in revenues in absence of specific orders supporting execution last year (electronic voting machine & WPAT). On an adjusted basis, we expect the pick-up in the LRSAM order to drive modest revenue growth.
EBITDA	8,544	3,481	6,445	(24.6)	85.2	
EBIT	7,801	2,653	5,566	(28.7)	109.8	
PBT	7,944	2,904	5,744	(27.7)	97.8	
Tax	2,230	857	1,357	(39.1)	58.5	
Reported PAT	5,713	2,047	4,387	(23.2)	114.3	We model EBITDA margin of 21% in 2QFY20, much lower than 25% reported in 2QFY19, which was driven by a better product mix and delivery of indigenous products such as VVPAT. Such mix advantage will be absent in FY2020. Also, the start of execution of projects like LRSAM will lead to a margin impact due to higher import content in the initial stages of execution.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	5,713	2,047	4,387	(23.2)	114.3	
EPS (Rs/share)	2.3	0.8	1.8	(23.2)	114.3	
EBITDA margin (%)	25.3	16.6	21.4	-391 bps	479 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	Change (%) qoq	Comments
BHEL						
Net sales	67,799	45,317	67,161	(0.9)	48.2	We expect flattish yoy revenue growth in 2QFY20 based on limited order backlog and note downside risks from the stuck power projects in Telangana and Tamil Nadu (had not revived as per the latest July 2019 CEA report). Industry sector orders may have, however, been executed at a normalized pace as these are short-cycle and mostly product-supply orders with less dependence on government clearances for execution.
EBITDA	2,408	(2,667)	3,198	32.8	NM	
EBIT	1,887	(3,815)	1,973	4.6	NM	
PBT	2,715	(3,439)	2,383	(12.2)	NM	
Reported PAT	1,852	(2,162)	1,552	(16.2)	NM	
Extraordinaries	—	—	—	—	—	Margin remains a function of execution stage. We expect ~120 bps yoy improvement in EBITDA margin over a low base of gross margin, partly supported by declining employee count and related employee cost. We do not account for the large one-time loss on the deferred tax assets in the current quarter.
Adjusted PAT	1,852	(2,162)	1,552	(16.2)	NM	
EPS (Rs/share)	0.5	(0.6)	0.4	(16.2)	NM	
EBITDA margin (%)	3.6	(5.9)	4.8	120 bps	1064 bps	
Carborundum Universal						
Net sales	6,596	6,714	7,085	7.4	5.5	We expect another weak quarter for revenues of abrasives (+4% yoy) as industrial activity (IIP up 4.3% in July) and weakness in the automobile sector point at persistent weakness in manufacturing activity. Ceramics and EMD segments will likely grow at double digits given their B2B and annual contract nature of business. Overall consolidated sales growth is thus expected to be ~7% in 2QFY20, similar to our full-year estimate.
EBITDA	1,083	952	1,072	(1.1)	12.5	
EBIT	810	934	796	(1.6)	(14.7)	
PBT	876	922	843	(3.8)	(8.5)	
Reported PAT	648	619	715	10.3	15.5	
Extraordinaries	—	—	—	—	—	We model ~90 bps qoq improvement in EBITDA margin, primarily on normalization in abrasives and electrominerals segments from low 1QFY20 levels. We expect meaningful decline on a yoy basis in abrasives as the volumes are unlikely to have picked up materially to support any price hikes.
Adjusted PAT	648	619	715	10.3	15.5	
EPS (Rs/share)	3.5	3.3	3.8	10.3	15.5	
EBITDA margin (%)	16.4	14.2	15.1	-130 bps	94 bps	
Cochin Shipyard						
Net sales	7,994	7,354	7,848	(1.8)	6.7	Based on opening shipbuilding order book of Rs82 bn at the start of year and seasonality, we expect shipbuilding revenues of over Rs6.2 bn in 2QFY20, up 35% yoy. Ship repair is expected to see a yoy dip due to completion of INS Vikramaditya refit order. Overall, we expect flattish yoy revenues in 2QFY20.
EBITDA	1,880	1,417	1,482	(21.2)	4.6	
EBIT	1,796	1,296	1,373	(23.6)	5.9	
PBT	2,323	1,865	1,958	(15.7)	5.0	
Reported PAT	1,476	1,203	1,641	11.2	36.5	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin of 19% for the quarter, in line with that reported in 1QFY20 and stable margin guided for FY2020. However, we note the risk of quarterly volatility in margin due to execution stage of specific projects even though annual numbers may come out as per the guidance.
Adjusted PAT	1,476	1,203	1,641	11.2	36.5	
EPS (Rs/share)	11.2	9.1	12.5	11.2	36.5	
EBITDA margin (%)	23.5	19.3	18.9	-464 bps	-39 bps	
Cummins India						
Net sales	14,869	13,430	15,566	4.7	15.9	We model ~10% growth in domestic revenues, and 7% yoy decline in exports on a yoy basis in 2QFY20. We expect domestic growth to moderate based on a weak pace of construction activity and high yoy base of powergen segment revenues. This yields a modest single-digit yoy growth in overall revenues in 2QFY20.
EBITDA	2,509	1,514	2,157	(14.0)	42.5	
EBIT	2,235	1,223	2,157	(3.5)	76.3	
PBT	2,980	1,940	2,717	(8.8)	40.0	
Reported PAT	2,116	1,415	2,050	(3.1)	44.9	
Extraordinaries	—	—	—	—	—	We build in 300 bps yoy decline in margin based on (1) high yoy base in terms of exports share of revenues, (2) weak pricing power in the domestic business and (3) negative impact of operating leverage amid weak volume growth. We build in improvement in margin on a qoq basis on an improving revenue mix.
Adjusted PAT	2,116	1,415	2,050	(3.1)	44.9	
EPS (Rs/share)	7.6	5.1	7.4	(3.1)	44.9	
EBITDA margin (%)	16.9	11.3	13.9	-302 bps	258 bps	
Dilip Buildcon						
Net sales	16,237	22,880	18,242	12.3	(20.3)	Improvement in revenues is expected to be led by receipt of appointed dates while being impacted by extended monsoons in 2QFY20. Segments beyond roads and bridges will form ~13% share of revenues.
EBITDA	2,815	4,121	3,284	16.6	(20.3)	
EBIT	2,042	3,074	2,242	9.8	(27.1)	
PBT	954	1,607	977	2.4	(39.2)	
Reported PAT	832	1,256	782	(6.1)	(37.8)	
Extraordinaries	—	4	—	—	—	We model 18% EBITDA margin for the quarter largely in line with full-year assumption. We expect the company to avail benefits of accumulated MAT credit before shifting to a lower tax regime.
Adjusted PAT	832	1,252	782	(6.1)	(37.6)	
EPS (Rs/share)	6.1	9.2	5.7	(6.1)	(37.6)	
EBITDA margin (%)	17.3	18.0	18.0	66 bps	-2 bps	
IRB Infrastructure						
Net sales	14,323	17,730	15,823	10.5	(10.8)	BOT toll revenues during the quarter would have an impact of the Mumbai-Pune project getting over. EPC revenue growth is expected to be led by ramp-up of construction.
EBITDA	6,701	8,554	6,598	(1.5)	(22.9)	
EBIT	5,329	7,019	5,168	(3.0)	(26.4)	
PBT	3,141	3,872	2,111	(32.8)	(45.5)	
Reported PAT	1,368	2,067	1,520	11.1	(26.5)	
Extraordinaries	(361)	—	—	—	—	We model 2QFY20 margin of 23% in the construction segment (22% for the full year) and 88% in the BOT segment. We highlight here that the construction segment margin varies from quarter to quarter depending on the execution stage and job mix.
Adjusted PAT	1,730	2,067	1,520	(12.1)	(26.5)	
EPS (Rs/share)	4.9	5.9	4.3	(12.1)	(26.5)	
EBITDA margin (%)	46.8	48.2	41.7	-509 bps	-655 bps	
Kalpataru Power Transmission						
Net sales	15,741	16,550	17,422	10.7	5.3	A strong order backlog will help in sustaining 11% yoy growth in revenues despite weaker-than-expected order inflows with continued focus on cash flows and working capital management.
EBITDA	1,709	1,920	1,882	10.1	(2.0)	
EBIT	1,510	1,660	1,630	8.0	(1.8)	
PBT	1,402	1,420	1,397	(0.3)	(1.6)	
Reported PAT	914	920	1,040	13.8	13.0	
Extraordinaries	—	—	—	—	—	Margins at 10.8% and a lower effective tax rate are expected to result in 13% yoy growth in net profits. The key monitorable will be order inflows, T&D project stake-sale payments and working capital cycle.
Adjusted PAT	914	920	1,040	13.8	13.0	
EPS (Rs/share)	6.0	6.0	6.8	13.8	13.0	
EBITDA margin (%)	10.9	11.6	10.8	-6 bps	-81 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	Change (%) qoq	Comments
KEC International						
Net sales	24,085	24,125	26,689	10.8	10.6	We model 11% yoy growth in revenues for the quarter on a strong order backlog despite lower-than-expected order inflow in 2QFY20. Order inflow in the T&D segment was muted during the quarter with weak ordering from PGCIL, state and international projects. Railways and civil segments are expected to witness improved ordering domestically. The T&D segment is expected to witness traction from international geographies.
EBITDA	2,532	2,513	2,776	9.6	10.4	
EBIT	2,228	2,147	2,423	8.8	12.8	
PBT	1,477	1,379	1,590	7.7	15.3	
Reported PAT	978	886	1,129	15.4	27.4	
Extraordinaries	15	—	—	—	—	We expect flat qoq EBITDA margin of 10.4%, in line with full-year estimates. Lower commodity prices are expected to support margins despite higher sales from railways and civil segments. Key monitorables would be working capital improvement, borrowings and average interest cost.
Adjusted PAT	963	886	1,129	17.2	27.4	
EPS (Rs/share)	3.7	3.4	4.4	17.2	27.4	
EBITDA margin (%)	10.5	10.4	10.4	-12 bps	-2 bps	
L&T						
Net sales	320,808	296,360	358,938	11.9	21.1	Treatment of the E&A business as discontinuing business and Mindtree consolidation obviate yoy comparison. We expect 10% growth in core EPC revenues in 2QFY20 for continuing operations. The infrastructure segment will report a modest ~8% revenue growth, better than opening backlog (up 4% yoy) as slow-moving orders were taken out in the previous quarter. The biggest growth driver is expected to be the hydrocarbon segment, growing 25% yoy in the quarter on the back of strong order inflows. Among other segments, heavy engineering will likely report a sharp scale-up in revenues and power segment will see another quarter of decline based on our analysis of order book.
EBITDA	37,705	33,189	41,025	8.8	23.6	
EBIT	32,550	28,575	35,139	8.0	23.0	
PBT	32,810	26,552	34,432	4.9	29.7	
Reported PAT	22,305	13,605	17,434	(21.8)	28.1	
Extraordinaries	2,948	(936)	—	—	—	We expect core E&C business to report EBITDA margin of 8.7% in 2QFY20, down 20 bps yoy on a comparable basis. The decline in margin would happen despite improvement in the infrastructure segment margin (up 60 bps yoy) on the back of high yoy base for select segments (defense, hydrocarbons). We expect the key infrastructure segment to report improved margin of 7.4% as we factor in the receding impact of overhang of commodity prices and loss-making transportation projects and an improving business mix to reflect in 2QFY20 and coming quarters.
Adjusted PAT	19,357	14,541	17,434	(9.9)	19.9	
EPS (Rs/share)	13.8	10.4	12.4	(9.9)	19.9	
EBITDA margin (%)	11.8	11.2	11.4	-33 bps	23 bps	
Siemens						
Net sales	39,392	31,984	42,613	8.2	33.2	Even though Siemens may exhaust through some of the large orders won last year, the base order inflow remains robust. We thus model a steady 8-9% revenue growth in 4QFY19 for Siemens. Growth will be driven by the mobility segment.
EBITDA	4,186	3,537	4,576	9.3	29.4	
EBIT	3,679	3,025	3,955	7.5	30.8	
PBT	4,392	3,848	4,506	2.6	17.1	
Tax	1,600	1,367	1,021	(36.2)	(25.3)	
Reported PAT	2,792	2,481	3,485	24.8	40.5	We expect EBITDA margin of 10.7%, flat yoy and down 30 bps on a qoq basis as we build in normalization of supports from non-recurring items (export incentives, forex).
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,792	2,481	3,485	24.8	40.5	
EPS (Rs/share)	7.8	7.0	9.8	24.8	40.5	
EBITDA margin (%)	10.6	11.1	10.7	11 bps	-33 bps	
Sadbhav Engineering						
Net sales	6,906	8,377	6,567	(4.9)	(21.6)	We expect 5% yoy decline in revenues in 2QFY20 on account of delays in appointed dates for projects. A weak order inflow poses a risk to our FY2020 revenue estimates.
EBITDA	833	1,046	808	(3.1)	(22.8)	
EBIT	589	766	515	(12.5)	(32.7)	
PBT	383	534	300	(21.5)	(43.8)	
Reported PAT	383	395	223	(41.6)	(43.4)	We expect sequentially flat EBITDA margin of 12% in the quarter. Key monitorables would be appointed dates, traffic improvement, progress on deal approvals and payments.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	383	395	223	(41.6)	(43.4)	
EPS (Rs/share)	2.2	2.3	1.3	(41.6)	(43.4)	
EBITDA margin (%)	12.1	12.5	12.3	23 bps	-19 bps	
Thermax						
Net sales	14,276	13,925	12,007	(15.9)	(13.8)	We expect a meaningful ~16% yoy decline in consolidated revenues in 2QFY20 driven by 22% decline in the energy segment on the back of very weak backlog, impacted by strong execution and weak order inflows over past two quarters. We expect a strong growth of 17%+ yoy in the chemical segment due to continuous ramp-up in capacity utilization.
EBITDA	1,100	991	977	(11.2)	(1.4)	
EBIT	866	729	717	(17.2)	(1.6)	
PBT	1,183	901	1,019	(13.9)	13.1	
Tax	434	273	452	4.0	65.5	Segmental margins in Thermax have shown a lot of volatility from quarter to quarter in the past. We model segmental margins in line with reported numbers for full-year FY2019 adjusted for seasonality, implying a yoy margin improvement. We thus arrive at 2QFY20 EBITDA margin of 8.1% versus 7.7% reported in 2QFY19. Write-down of deferred tax liability on account of change in rates will yield in a marked reduction in reported PAT.
Reported PAT	745	628	566	(24.0)	(9.8)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	745	628	566	(24.0)	(9.8)	
EPS (Rs/share)	6.6	5.6	5.0	(24.0)	(9.8)	
EBITDA margin (%)	7.7	7.1	8.1	43 bps	102 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	qoq	Comments
Commodity Chemicals						
Asian Paints						
Net sales	46,391	51,306	52,776	13.8	2.9	We expect continued resilience in decorative paints volume growth partly aided by unorganized-to-organized shift, post July 2018 GST rate cut, especially in the low-value products. We model 14% yoy growth in domestic sales led by 12% volume growth and 2% price/mix-led growth.
EBITDA	7,842	11,563	11,479	46.4	(0.7)	
EBIT	6,894	9,636	9,504	37.9	(1.4)	
PBT	7,406	10,104	9,949	34.3	(1.5)	We expect further sequential improvement in gross margin aided by favorable RM trends. We forecast 485 bps yoy increase (360 bps LFL adjusted for Ind-AS 116) in EBITDA margin led by 415 bps increase in GM, operating leverage partly offset by higher SG&A and other expenses pertaining to new facilities (Vizag and Mysuru). We expect 37% yoy growth in EBITDA on LFL basis (adjusted for Ind-AS 116). We estimate 34% yoy growth in PBT. Net profit growth would be much higher owing to ETR cut and associated reversal of 1QFY20 taxes; we model 16.3% ETR in the India business (standalone) for 2QFY20 translating into about 25.2% ETR for 1HFY20.
Reported PAT	4,928	6,554	8,201	66.4	25.1	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	4,928	6,554	8,201	66.4	25.1	
EPS (Rs/share)	5.1	6.8	8.5	66.4	25.1	
EBITDA margin (%)	16.9	22.5	21.8	484 bps	-79 bps	
Tata Chemicals						
Net sales	29,607	28,969	31,827	7.5	9.9	We expect 7.5% yoy growth in revenues driven by (1) recovery in domestic soda ash volumes and (2) sustained growth in the consumer segment.
EBITDA	6,020	5,924	6,596	9.6	11.4	
EBIT	4,603	4,289	4,896	6.4	14.2	
PBT	4,916	4,223	4,846	(1.4)	14.8	
Reported PAT	3,217	2,166	3,374	4.9	55.8	We expect modest ~30 bps qoq improvement in EBITDA margins to 20.7% amid steady margins for soda ash and modestly higher margins in the consumer business.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	3,217	2,166	3,374	4.9	55.8	
EPS (Rs/share)	13	8	13	4.5	55.8	
EBITDA margin (%)	20.3	20.4	20.7	39 bps	27 bps	
Construction Materials						
ACC						
Net sales	34,332	41,497	35,871	4.5	(13.6)	We expect a 1% volume decline led by growth in July and September, partly offset by weak August volumes. We expect blended realizations to decline by 3.9% qoq led by sharp price declines in East and South markets versus North.
EBITDA	4,426	7,817	5,747	29.9	(26.5)	
EBIT	2,927	6,357	4,287	46.5	(32.6)	
PBT	3,040	6,677	4,402	44.8	(34.1)	
Reported PAT	2,056	4,513	3,730	81.4	(17.4)	Fuel costs should decline due to lower pet coke and coal prices but the majority of benefit to come in 4QCY20. We estimate cement EBITDA/ton to decline to Rs886/ton (-18% qoq, +31% yoy) with weak realizations partly offset by lower costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,056	4,513	3,730	81.4	(17.4)	
EPS (Rs/share)	10.9	24.0	19.8	81.4	(17.4)	
EBITDA margin (%)	12.9	18.8	16.0	313 bps	-282 bps	
Ambuja Cements						
Net sales	26,139	29,783	26,726	2.2	(10.3)	We expect a 1% volume decline led by growth in July and September, partly offset by weak August volumes. We expect blended realizations to decline by 3% qoq led by price declines in Central and West markets.
EBITDA	3,582	6,984	5,527	54.3	(20.9)	
EBIT	2,222	5,675	4,219	89.9	(25.7)	
PBT	2,512	6,047	4,517	79.8	(25.3)	
Reported PAT	1,786	4,121	3,739	109.4	(9.3)	Fuel costs should decline due to lower pet coke and coal prices but the majority of benefit to come in 4QCY20. We estimate cement EBITDA/ton to decline to Rs1,023/ton (-15% qoq, +56% yoy) with weak realizations partly offset by lower costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,786	4,121	3,739	109.4	(9.3)	
EPS (Rs/share)	1.2	2.1	1.9	61.8	(9.3)	
EBITDA margin (%)	13.7	23.4	20.7	697 bps	-277 bps	
Dalmia Bharat						
Net sales	21,580	25,370	22,509	4.3	(11.3)	We expect a 2% volume growth led by growth in July and September, partly offset by weak August volumes. We expect blended realizations to decline by 4.2% qoq led by sharp price declines in East and South versus North.
EBITDA	3,890	6,660	5,165	32.8	(22.4)	
EBIT	860	3,240	1,745	102.9	(46.1)	
PBT	(650)	2,490	995	NM	(60.0)	
Reported PAT	20	1,470	796	NM	(45.8)	Fuel costs should decline due to lower pet coke and coal prices but the majority of benefit to accrue in 3QFY20. We estimate cement EBITDA/ton to decline to Rs1,226/ton (-16% qoq, +30% yoy) with weak realizations partly offset by lower costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	20	1,470	796	NM	(45.8)	
EPS (Rs/share)	0.1	7.7	4.1	NM	(45.8)	
EBITDA margin (%)	18.0	26.3	22.9	NM	-331 bps	
Grasim Industries						
Net sales	51,185	50,006	50,324	(1.7)	0.6	We model volumes to increase in VSF operations by 2% yoy to 150,960 tons (flat qoq) and remain flat yoy in chemicals operations at 258,000 tons (+8% qoq).
EBITDA	10,705	8,437	9,193	(14.1)	9.0	
EBIT	8,831	6,405	7,161	(18.9)	11.8	
PBT	11,127	6,471	9,198	(17.3)	42.1	
Reported PAT	(11,867)	2,017	6,247	NM	209.7	We expect a sequential decline in operating margins due to lower VSF prices. We estimate (1) VSF EBITDA of Rs3.8 bn (-13% qoq, -33% yoy) and (2) chemicals EBITDA of Rs4.4 bn (flat qoq, -3% yoy) due to lower realizations and higher costs.
Extraordinaries	(22,834)	(2,378)	—	—	—	
Adjusted PAT	10,967	4,395	6,247	(43.0)	42.1	
EPS (Rs/share)	16.7	6.7	9.5	(43.0)	42.1	
EBITDA margin (%)	20.9	16.9	18.3	-265 bps	139 bps	
J K Cement						
Net sales	11,186	13,280	12,267	9.7	(7.6)	We expect a 2% volume growth led by growth in July and September, partly offset by weak August volumes. We expect blended realizations to decline by 2.7% qoq led by sharp price declines in South markets, compensated by a milder price decline in North markets during the quarter.
EBITDA	1,878	3,035	2,529	34.7	(16.7)	
EBIT	1,391	2,541	2,035	46.3	(19.9)	
PBT	988	2,179	1,661	68.0	(23.8)	
Reported PAT	827	1,538	1,172	41.8	(23.8)	Fuel costs should decline due to lower pet coke and coal prices but the majority of benefit to come in 3QFY20. We estimate cement EBITDA/ton to decline to Rs1,154/ton (-12% qoq, +33% yoy) with weak realizations partly offset by lower costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	647	1,538	1,172	81.2	(23.8)	
EPS (Rs/share)	9.3	22.0	16.8	81.2	(23.8)	
EBITDA margin (%)	16.8	22.9	20.6	383 bps	-224 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	Change (%) qoq	Comments
JK Lakshmi Cement						
Net sales	8,514	10,419	9,393	10.3	(9.8)	We expect a 2% volume growth led by growth in July and September, partly offset by weak August volumes. We expect blended realizations to decline by 3.2% qoq led by sharp price declines in East during the quarter.
EBITDA	916	1,698	1,282	39.9	(24.5)	
EBIT	465	1,245	829	78.4	(33.4)	
PBT	121	905	554	358.3	(38.8)	
Reported PAT	78	394	371	375.3	(5.8)	Fuel costs should decline due to lower pet coke and coal prices but the majority of benefit to come in 3QFY20. We estimate cement EBITDA/ton to decline to Rs591/ton (-19% qoq, +38% yoy) with weak realizations partly offset by lower costs.
Extraordinaries	-	(302)	—	—	—	
Adjusted PAT	78	394	371	375.3	(5.8)	
EPS (Rs/share)	0.7	3.3	3.2	375.3	(5.8)	
EBITDA margin (%)	10.8	16.3	13.6	288 bps	-266 bps	
Orient Cement						
Net sales	5,608	6,878	6,437	14.8	(6.4)	We expect a 2% volume growth led by growth in July and September, partly offset by weak August volumes. We expect blended realizations to decline by 5.8% qoq led by sharp price declines in West and South markets during the quarter.
EBITDA	358	1,496	1,121	213.4	(25.1)	
EBIT	29	1,143	768	2,576.1	(32.8)	
PBT	(257)	866	491	NM	(43.3)	
Reported PAT	(167)	559	329	NM	(41.1)	Fuel costs should decline due to lower pet coke and coal prices but the majority of benefit to come in 3QFY20. We estimate cement EBITDA/ton to decline to Rs747/ton (-25% qoq, +207% yoy) with weak realizations partly offset by lower costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	(167)	559	329	NM	(41.1)	
EPS (Rs/share)	(0.8)	2.7	1.6	NM	(41.1)	
EBITDA margin (%)	6.4	21.7	17.4	1103 bps	-434 bps	
Shree Cement						
Net sales	25,866	30,364	28,520	10.3	(6.1)	We expect a 3% volume growth led by growth in July and September, partly offset by weak August volumes. We expect blended realizations to decline by 2.4% qoq led by sharp price declines in East and South versus North.
EBITDA	5,197	9,022	9,615	85.0	6.6	
EBIT	1,903	4,995	5,588	193.7	11.9	
PBT	1,798	4,826	5,415	201.1	12.2	
Reported PAT	493	3,630	4,073	725.7	12.2	Fuel costs should decline due to lower pet coke and coal prices but the majority of benefit to come in 3QFY20. We estimate cement EBITDA/ton to decline to Rs1,320/ton (-16% qoq, +30% yoy) with weak realizations partly offset by lower costs.
Extraordinaries	1,781	—	—	—	—	
Adjusted PAT	2,275	3,630	4,073	79.1	12.2	
EPS (Rs/share)	65.3	104.2	116.9	79.1	12.2	
EBITDA margin (%)	20.1	29.7	33.7	1361 bps	399 bps	
UltraTech Cement						
Net sales	78,567	97,948	90,101	14.7	(8.0)	We expect a 2.5% volume growth led by growth in July and September, partly offset by weak August volumes. We expect blended realizations to decline by 3.5% qoq led by sharp price declines in East and South during the quarter.
EBITDA	12,931	25,499	21,285	64.6	(16.5)	
EBIT	7,793	20,130	15,916	104.2	(20.9)	
PBT	5,710	17,963	13,592	138.0	(24.3)	
Reported PAT	3,908	11,988	9,071	132.1	(24.3)	Fuel costs should decline due to lower pet coke and coal prices but the majority of benefit to come in 3QFY20. We estimate cement EBITDA/ton to decline to Rs1,320/ton (-12% qoq, +61% yoy) with weak realizations partly offset by lower costs.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	3,908	11,988	9,071	132.1	(24.3)	
EPS (Rs/share)	14.2	43.7	33.0	132.1	(24.3)	
EBITDA margin (%)	16.5	26.0	23.6	716 bps	-241 bps	
Consumer Durables & Apparel						
Page Industries						
Net sales	6,908	8,350	7,481	8.3	(10.4)	We expect 5% volume growth on the back of a weak base and tactical promotions in early parts of the September quarter. We model realization growth of a little over 3%.
EBITDA	1,428	1,866	1,609	12.7	(13.8)	
EBIT	1,352	1,726	1,461	8.1	(15.4)	
PBT	1,420	1,699	1,507	6.1	(11.3)	
Reported PAT	926	1,107	1,281	38.3	15.7	Higher incentives could weigh on gross margins this quarter (we bake in a 30 bps yoy decline). EBITDA margin expansion of 85 bps is led by 100 bps benefit from Ind-AS 116. We expect 7.5% yoy growth in EBITDA on LFL basis (adjusted for Ind-AS 116). We estimate 6% yoy growth in PBT. Net profit growth would be much higher owing to ETR cut and associated reversal of 1Q taxes; we model 15% ETR for 2Q translating into 25.2% ETR for 1HFY20.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	926	1,107	1,281	38.3	15.7	
EPS (Rs/share)	83.0	99.2	114.8	38.3	15.7	
EBITDA margin (%)	20.7	22.4	21.5	83 bps	-85 bps	
Vardhman Textiles						
Net sales	16,851	16,504	16,345	(3.0)	(1.0)	We expect 3% yoy decline in revenues due to weak demand in end-markets impacted by the economic slowdown.
EBITDA	3,310	2,506	2,300	(30.5)	(8.2)	
EBIT	2,690	1,746	1,513	(43.7)	(13.3)	
PBT	2,818	1,700	1,556	(44.8)	(8.5)	
Reported PAT	1,964	1,161	1,267	(35.5)	9.1	We expect EBITDA margin to moderate by ~110 bps qoq led by lower yarn-cotton spreads amid weak yarn prices.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,964	1,161	1,267	(35.5)	9.1	
EPS (Rs/share)	34.8	20.6	22.4	(35.5)	9.1	
EBITDA margin (%)	19.6	15.2	14.1	-558 bps	-112 bps	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Sep-18	Jun-19	Sep-19E	yoy	qoq	Comments
Consumer Staples						
Bajaj Consumer Care						
Net sales	2,127	2,402	2,320	9.1	(3.4)	We expect 5% yoy growth in volumes and 3.5% yoy improvement in realizations for ADHO. We note that the domestic performance in June 2019 quarter was impacted by zero volumes from the CSD channel pending fresh registration given the company's name change.
EBITDA	606	705	663	9.5	(5.9)	
EBIT	589	692	646	9.7	(6.6)	
PBT	658	748	684	3.9	(8.5)	We model 65 bps yoy expansion in GM led by a benign RM environment and smart RM procurement at dips. We expect cost savings on shelving of diversification initiatives and non-core portfolio in view of recent change in strategy. Expect EBITDA margin to be broadly flat. We estimate 4% yoy growth in PBT. Net profit growth would be much higher owing to ETR cut and associated reversal of 1QFY20 taxes; we model 16.5% ETR for 2Q translating into 19% ETR for 1HFY20. BAJAJCON is a MAT paying company; we model reduction in ETR to 19% from 21.5% for FY2020.
Reported PAT	517	587	571	10.5	(2.7)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	517	587	571	10.5	(2.7)	
EPS (Rs/share)	3.5	4.0	3.9	10.5	(2.7)	
EBITDA margin (%)	28.5	29.3	28.6	11 bps	-75 bps	
Britannia Industries						
Net sales	28,696	27,004	30,648	6.8	13.5	
EBITDA	4,544	3,947	4,640	2.1	17.6	We expect another subdued quarter with 7% topline growth in the standalone business, 3% volume growth and 4% price+mix.
EBIT	4,174	3,499	4,198	0.6	20.0	
PBT	4,590	4,072	4,568	(0.5)	12.2	
Reported PAT	3,030	2,510	3,851	27.1	53.4	We expect margin to stay under pressure on account of negative operating leverage. Ind-AS 116 would have a negligible impact. Agri commodities trends are not as supportive as oil commodities and gross margins of the F&B players would not see expansion unlike HPC players. For BRIT, we expect flattish GM and 70 bps EBITDA margin decline. PAT growth reflects a low ETR to bring 1HFY20 ETR to the new marginal tax rate. LFL PAT would have been flat yoy.
Extraordinaries	—	(109)	—	—	—	
Adjusted PAT	3,030	2,619	3,851	27.1	47.0	
EPS (Rs/share)	12.6	10.9	16.0	27.1	47.0	
EBITDA margin (%)	15.8	14.6	15.1	-70 bps	52 bps	
Colgate-Palmolive (India)						
Net sales	11,680	10,849	12,319	5.5	13.6	We bake in volume growth of 4% and realization increase of 1.5%. Promotional intensity in the category continues to be high, especially in (1) multi-packs in MT and e-com, and (2) the low-unit-price packs.
EBITDA	3,296	2,998	3,665	11.2	22.2	
EBIT	2,897	2,500	3,155	8.9	26.2	
PBT	2,984	2,628	3,207	7.5	22.0	
Reported PAT	1,964	1,691	2,662	35.6	57.4	We expect 150 bps yoy expansion in EBITDA margin led by GM expansion (50 bps), operating efficiencies (20 bps) and adoption of Ind-AS 116 (80 bps). We expect 8% yoy growth in EBITDA on LFL basis (adjusted for Ind-AS 116). We estimate 7.5% yoy growth in PBT. Net profit growth would be much higher owing to ETR cut and associated reversal of 1QFY20 taxes; we model 17% ETR for 2QFY20 translating into 25.2% ETR for 1HFY20.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,964	1,691	2,662	35.6	57.4	
EPS (Rs/share)	7.2	6.2	9.8	35.6	57.4	
EBITDA margin (%)	28.2	27.6	29.7	153 bps	211 bps	
Dabur India						
Net sales	21,250	22,733	22,814	7.4	0.4	We model around 7.5% yoy growth in domestic revenues, a combination of 6.5% volume growth and 1% realization improvement. We expect continued weakness in a few categories, especially in juices perhaps due to some shift in on-the-go consumption to dairy-based beverages. We expect the healthcare category to do well. International business revenue growth would be 7% led by GCC/MENA region and partly offset by weakness in Nepal and Bangladesh.
EBITDA	4,508	4,576	4,901	8.7	7.1	
EBIT	4,077	4,049	4,361	7.0	7.7	
PBT	4,734	4,629	5,061	6.9	9.3	
Reported PAT	3,766	3,631	4,085	8.5	12.5	
Extraordinaries	—	(160)	—	—	—	We expect consolidated EBITDA margin to be broadly flat on LFL basis (adjusted for Ind-AS 116) despite subdued sales growth on account of a benign RM environment. We note that Dabur would not benefit from an ETR cut.
Adjusted PAT	3,766	3,791	4,085	8.5	7.8	
EPS (Rs/share)	2.1	2.2	2.3	8.5	7.8	
EBITDA margin (%)	21.2	20.1	21.5	26 bps	135 bps	
Godrej Consumer Products						
Net sales	26,592	23,488	28,023	5.4	19.3	We model 6% yoy growth in net domestic revenues led by (1) 10% growth in HI, (2) 3% growth in the soaps segment (partly muted due to price reduction and rise in competitive intensity led by HUVR), (3) 6% growth in hair colors (high base), and (4) partly offset by higher promotions (netted off from revenues under Ind-AS). We expect international business revenues to grow 6% yoy (11% adjusted for divestment of the UK business) largely led by Indonesia.
EBITDA	5,385	4,556	6,212	15.4	36.4	
EBIT	4,960	4,083	5,735	15.6	40.5	
PBT	4,607	3,746	5,400	17.2	44.2	
Reported PAT	5,777	4,076	4,456	(22.9)	9.3	We forecast marginal 40 bps GM expansion in the India business and 430 bps expansion in the international business off a low base. We expect 190 bps yoy improvement in consolidated EBITDA margin mostly driven by GM-led margin expansion in the international business. We model 17% ETR in the India business (standalone) for 2QFY20 translating into about 18% ETR for 1HFY20. On LFL basis, net profit would increase 19% yoy (adjusted for ETR reset). Impact of adoption of Ind-AS 116 is negligible on EBITDA and EBITDA margin.
Extraordinaries	2,197	1,113	—	—	—	
Adjusted PAT	3,580	2,963	4,456	24.5	50.4	
EPS (Rs/share)	3.5	2.9	4.4	24.5	50.4	
EBITDA margin (%)	20.3	19.4	22.2	191 bps	277 bps	
Hindustan Unilever						
Net sales	92,340	101,140	99,754	8.0	(1.4)	We model 8% revenue growth in the domestic FMCG business led by 5.5% UVG and 2.5% price-led growth. On a segmental basis, we bake in 9.5% yoy revenue growth for home care, 5.8% yoy growth for personal care and 10% yoy growth for packaged food and refreshments.
EBITDA	20,190	26,470	24,511	21.4	(7.4)	
EBIT	18,890	24,330	22,336	18.2	(8.2)	
PBT	21,870	25,560	25,583	17.0	0.1	
Reported PAT	15,250	17,550	20,723	35.9	18.1	We expect 270 bps yoy expansion in EBITDA margin aided by GM expansion (150 bps), operating efficiencies (20 bps) and adoption of Ind-AS (100 bps). We expect 16% yoy growth in EBITDA on LFL basis (adjusted for Ind-AS 116). We estimate 17% yoy growth in PBT. Net profit growth would be much higher owing to ETR cut and associated reversal of 1QFY20 taxes; we model 19% ETR for 2QFY20 translating into 25.2% ETR for 1HFY20.
Extraordinaries	30	40	—	—	—	
Adjusted PAT	15,220	17,510	20,723	36.2	18.3	
EPS (Rs/share)	7.0	8.1	9.6	36.2	18.3	
EBITDA margin (%)	21.9	26.2	24.6	270 bps	-161 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%)		Comments
				yoy	qoq	
ITC						
Net sales	110,689	113,014	117,842	6.5	4.3	We model 2.5% yoy increase in cigarette volumes and 3.5% increase in realization (portfolio-level). We forecast 8% yoy growth in cigarette EBIT.
EBITDA	42,060	45,657	45,729	8.7	0.2	
EBIT	38,785	42,068	42,129	8.6	0.1	
PBT	43,691	48,117	47,519	8.8	(1.2)	
Reported PAT	29,547	31,739	39,678	34.3	25.0	We model 8%, 11% and 14% yoy growth in FMCG, hotels and agri-business. We expect 180 bps yoy and 50 bps qoq expansion in FMCG EBIT margin to 3%. The impact of Ind-AS 116 is negligible. We estimate 9% yoy growth in PBT. Net profit growth would be much higher owing to ETR cut and associated reversal of 1QFY20 taxes; we model 16% ETR for 2QFY20 translating into 25.2% ETR for 1HFY20.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	29,547	31,739	39,678	34.3	25.0	
EPS (Rs/share)	2.4	2.6	3.2	34.2	25.0	
EBITDA margin (%)	38.0	40.4	38.8	80 bps	-160 bps	
Jyothy Laboratories						
Net sales	4,277	4,116	4,555	6.5	10.7	We expect modest 6.5% growth in revenues led by weakness in HI and soft growth in other categories.
EBITDA	732	655	759	3.8	15.8	
EBIT	593	471	569	(4.0)	20.8	
PBT	569	458	559	(1.8)	22.0	
Reported PAT	453	359	453	(0.1)	26.2	We expect 45 bps yoy decline in EBITDA margin as gross margin stays broadly flat (yoy).
Extraordinaries	—	(25)	—	—	—	
Adjusted PAT	453	384	453	(0.1)	18.0	
EBITDA margin (%)	17.1	15.9	16.7	-45 bps	74 bps	
Marico						
Net sales	18,368	21,660	19,698	7.2	(9.1)	We model 5.8% growth in standalone revenues led by 4% volume growth in the India Consumer Products business. We expect around 4% volume growth in each of the three core categories - Parachute CNO, VAHO and Saffola.
EBITDA	2,941	4,610	3,606	22.6	(21.8)	
EBIT	2,717	4,260	3,256	19.8	(23.6)	
PBT	2,952	4,420	3,458	17.1	(21.8)	
Reported PAT	2,142	3,080	2,511	17.2	(18.5)	We bake in a 400 bps+ expansion in gross margins, reflecting the deflationary copra cycle as well as tailwinds in packaging material costs. Higher A&P investments will keep EBITDA margin expansion down to just under 230 bps. Adoption of Ind-AS 116 would aid EBITDA margin by about 55 bps; we expect 19% yoy growth in EBITDA on LFL basis (adjusted for Ind-AS 116). Marico sees no impact of the recent reduction in corporate tax rates.
Extraordinaries	—	(143)	—	—	—	
Adjusted PAT	2,142	3,223	2,511	17.2	(22.1)	
EPS (Rs/share)	1.7	2.5	1.9	17.2	(22.1)	
EBITDA margin (%)	16.0	21.3	18.3	229 bps	-298 bps	
Nestle India						
Net sales	29,394	30,009	32,373	10.1	7.9	We model 11% growth in net domestic revenues, broad-based across segments. For exports, we are building a 5% decline.
EBITDA	7,420	7,073	7,990	7.7	13.0	
EBIT	6,490	6,264	7,170	10.5	14.5	
PBT	6,886	6,691	7,440	8.1	11.2	
Reported PAT	4,461	4,378	5,911	32.5	35.0	We model some contraction in gross margins (-78 bps yoy) due to RM pressure and a slightly lower decline in EBITDA margins as well. We estimate 8% yoy growth in PBT. Net profit growth would be much higher owing to ETR cut and associated reversal of 1Q taxes; we model 18.5% ETR for 2QFY20 translating into about 25.2% ETR for April-September 2019.
Extraordinaries	(168)	(100)	(188)	11.7	88.6	
Adjusted PAT	4,629	4,478	6,098	31.7	36.2	
EPS (Rs/share)	46.3	45.4	61.3	32.5	35.0	
EBITDA margin (%)	25.2	23.6	24.7	-57 bps	111 bps	
Tata Global Beverages						
Net sales	17,609	18,971	18,665	6.0	(1.6)	We model 6% yoy growth in consolidated revenues led by (1) 8.5% revenue growth (including 150 bps from consolidation of Dhunseri tea acquisition) in the domestic tea business driven by 9% volume growth and (2) 4% growth in the international business.
EBITDA	1,667	2,648	2,080	24.8	(21.5)	
EBIT	1,362	2,188	1,620	18.9	(26.0)	
PBT	1,955	2,311	2,140	9.4	(7.4)	(1) India tea business (standalone): We expect modest 20 bps expansion in GM to 38.8%, 120 bps yoy expansion in EBITDA margin to 12.8% (50 bps expansion adjusted for Ind-AS 116), 20% EBITDA growth (13% LFL) and 11% yoy growth in net profit (6% decline adjusted for ETR reset). (2) Consolidated: We expect 170 bps expansion in EBITDA margin led by expansion in standalone EBITDA margin and expansion on subsidiary EBITDA margin led by Tata Coffee. A decline in consolidated net profit despite lower ETR is attributable to higher net income in the base quarter due to creation of DTA of Rs370 mn.
Reported PAT	1,697	1,253	1,704	0.4	35.9	
Extraordinaries	(67)	(81)	—	—	—	
Adjusted PAT	1,765	1,334	1,704	(3.4)	27.7	
EPS (Rs/share)	2.8	2.1	2.7	(3.4)	27.7	
EBITDA margin (%)	9.5	14.0	11.1	167 bps	-282 bps	
United Breweries						
Net sales	15,260	20,485	16,684	9.3	(18.6)	We model 9.3% revenue growth led by 4% growth in volume and 5% increase in price/mix. Overall, the demand environment is muted partly due to impact of price increases in a few states. Among key states, Karnataka is witnessing gradual recovery in volumes, Maharashtra continues to decline and West Bengal is growing at a robust pace aided by price cuts.
EBITDA	3,182	3,289	2,917	(8.3)	(11.3)	
EBIT	2,526	2,597	2,217	(12.2)	(14.6)	
PBT	2,523	2,552	2,192	(13.1)	(14.1)	
Reported PAT	1,638	1,645	1,864	13.8	13.3	RM prices have stabilized. We expect sequential improvement in GM aided by price increases. Expect EBITDA margin to be down 340 bps yoy largely due to yoy drop in gross margin. The impact of Ind-AS 116 is negligible. We estimate 13% yoy decline in PBT. Net profit growth would be led by ETR cut and associated reversal of 1QFY20 taxes; we model 16% ETR for 2QFY20 translating into about 26% ETR for 1HFY20.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,638	1,645	1,864	13.8	13.3	
EPS (Rs/share)	6.2	6.2	7.0	13.8	13.3	
EBITDA margin (%)	20.9	16.1	17.5	-337 bps	142 bps	
United Spirits						
Net sales	22,281	22,184	24,145	8.4	8.8	We model 8.4% net revenue growth led by 5% volume growth (10% growth in P&A and flat volumes in popular), pricing and mix benefits.
EBITDA	4,324	3,951	4,986	15.3	26.2	
EBIT	3,974	3,451	4,476	12.6	29.7	We expect GM to contract 170 bps yoy on account of increase in ENA and glass bottle prices. On a sequential basis, LFL gross margin would expand 80 bps partly aided by price increases; we note that adjusted for bulk sale, 1QFY20 GM was 46.6%. We expect EBITDA margin to expand 124 bps yoy on the back of the company's aggressive cost-control initiatives and also aided by adoption of Ind-AS 116 (EBITDA margin tailwind of 50 bps). We expect 12% yoy growth in EBITDA on LFL basis (adjusted for Ind-AS 116). We estimate 13% yoy growth in PBT. Net profit growth would be much higher owing to ETR cut and associated reversal of 1QFY20 taxes; we model 18.3% ETR for standalone financials for 2QFY20 translating into 25.2% ETR for 1HFY20.
PBT	3,808	3,032	4,313	13.3	42.2	
Reported PAT	2,587	1,974	3,523	36.2	78.5	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,587	1,974	3,523	36.2	78.5	
EPS (Rs/share)	17.8	13.6	24.2	36.2	78.5	
EBITDA margin (%)	19.4	17.8	20.7	124 bps	284 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	Change (%) qoq	Comments
Electric Utilities						
CESC						
Net sales	22,570	24,110	24,979	10.7	3.6	
EBITDA	5,480	5,040	5,952	8.6	18.1	Modest growth in unit sales at 3,122 MU (5% yoy) will partially aid earnings.
EBIT	4,370	3,950	4,834	10.6	22.4	
PBT	3,450	2,880	3,794	10.0	31.7	
Reported PAT	2,710	2,270	2,960	9.2	30.4	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,710	2,270	2,960	9.2	30.4	Earnings performance still does not reflect tariff increase in the absence of regulatory order.
EPS (Rs/share)	20.4	17.1	22.3	9.2	30.4	
EBITDA margin (%)	24.3	20.9	23.8	-46 bps	292 bps	
JSW Energy						
Net sales	24,308	24,122	25,571	5.2	6.0	
EBITDA	8,613	8,093	10,286	19.4	27.1	Growth in generation to 7 BU (+5% yoy, +35% qoq) from 6.7 BU in 2QFY19 is primarily attributable to improved generation from hydro capacities.
EBIT	5,681	5,180	7,349	29.4	41.9	
PBT	3,967	3,000	5,523	39.2	84.1	
Reported PAT	3,021	2,373	4,109	36.0	73.2	
Extraordinaries	178	256	—	—	—	
Adjusted PAT	2,843	2,117	4,109	44.5	94.1	Prices of imported coal are now down 40% yoy at US$60/ton, though we highlight that a lagged earnings benefit will see the full impact of spot prices of imported coal.
EPS (Rs/share)	1.7	1.3	2.5	44.5	94.1	
EBITDA margin (%)	35.4	33.5	40.2	479 bps	667 bps	
NHPC						
Net sales	24,950	24,213	25,680	2.9	6.1	
EBITDA	15,966	15,040	16,410	2.8	9.1	Absence of generation growth (+1.3% yoy) at 9.5 BU will yield an unexciting earnings profile.
EBIT	11,922	11,174	12,367	3.7	10.7	
PBT	14,930	11,668	15,803	5.8	35.4	
Reported PAT	12,185	8,811	12,326	1.2	39.9	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	12,185	8,811	12,326	1.2	39.9	Earnings not comparable on a sequential basis due to a seasonally strong quarter for hydro generation as well as dividend income from NHDC.
EPS (Rs/share)	1.1	0.8	1.1	1.2	39.9	
EBITDA margin (%)	64.0	62.1	63.9	-9 bps	178 bps	
NTPC						
Net sales	222,611	241,926	231,586	4.0	(4.3)	
EBITDA	55,924	64,524	62,747	12.2	(2.8)	Drop in generation (3.5% yoy) at 64 BU due to weak power demand is despite commercialization of 2 GW in trailing 12 months.
EBIT	37,039	44,014	41,549	12.2	(5.6)	
PBT	30,038	36,730	33,540	11.7	(8.7)	
Reported PAT	24,252	26,028	25,490	5.1	(2.1)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	24,252	26,028	25,490	5.1	(2.1)	Lara (800 MW) declared commercial towards the end of the quarter, while 1,320 MW of units commissioned.
EPS (Rs/share)	2.5	2.6	2.6	5.1	(2.1)	
EBITDA margin (%)	25.1	26.7	27.1	197 bps	42 bps	
Power Grid						
Net sales	86,880	87,978	89,123	2.6	1.3	
EBITDA	73,774	78,901	79,748	8.1	1.1	Revenue growth (2.6% yoy) aided by capitalization of Rs182 bn in trailing 12 months, although dragged down by prior-period revenues and higher consultancy income in 2QFY19.
EBIT	48,291	52,311	52,711	9.2	0.8	
PBT	29,265	32,962	32,629	11.5	(1.0)	
Reported PAT	23,095	24,279	26,103	13.0	7.5	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	23,095	24,279	26,103	13.0	7.5	We factor asset capitalization of Rs32 bn in 2QFY20 compared to Rs14.7 bn of asset capitalization in 1QFY20.
EPS (Rs/share)	4.4	4.6	5.0	13.0	7.5	
EBITDA margin (%)	84.9	89.7	89.5	456 bps	-21 bps	
Tata Power						
Net sales	19,218	18,189	20,620	7.3	13.4	
EBITDA	6,668	5,742	8,312	24.7	44.8	Sequential drop in standalone earnings should be seen in the context of lower effective tax rate (11%) in 1QFY20.
EBIT	5,090	4,112	6,678	31.2	62.4	
PBT	3,192	3,983	4,350	36.3	9.2	
Reported PAT	2,654	2,965	3,219	21.3	8.6	
Extraordinaries	(329)	(1,131)	—	—	—	
Adjusted PAT	2,983	4,096	3,219	7.9	(21.4)	EBITDA losses at Mundra will likely reduce due to decline in fuel cost as well as lower generation during the quarter.
EPS (Rs/share)	1.1	1.5	1.2	7.9	(21.4)	
EBITDA margin (%)	34.7	31.6	40.3	561 bps	874 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	Change (%) qoq	Comments
Fertilizers & Agricultural Chemicals						
Bayer Cropscience						
Net sales	11,041	6,636	12,145	10.0	83.0	
EBITDA	2,186	1,239	2,439	11.6	96.8	We expect 10% yoy growth in revenues driven by a likely recovery in demand due to delayed sowing, in line with the pick-up in monsoons.
EBIT	2,102	1,130	2,329	10.8	106.1	
PBT	2,164	1,174	2,398	10.8	104.3	
Reported PAT	1,427	848	2,878	101.7	239.4	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,427	848	2,878	101.7	239.4	We assume EBITDA margin to increase by ~140 bps to 20.1% led by gains from operating leverage, which will be partly offset by elevated RM costs.
EPS (Rs/share)	41.6	24.7	83.9	101.7	239.4	
EBITDA margin (%)	19.8	18.7	20.1	28 bps	140 bps	
Dhanuka Agritech						
Net sales	3,834	2,190	4,313	12.5	97.0	
EBITDA	756	199	832	10.1	319.3	We expect 12.5% yoy growth in revenues driven by a likely recovery in demand due to delayed sowing, in line with the pick-up in monsoons.
EBIT	724	172	795	9.8	363.3	
PBT	746	207	833	11.7	302.1	
Reported PAT	550	147	625	13.6	325.9	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	550	147	625	13.6	325.9	We assume modest ~40 bps moderation in EBITDA margins to 19.3% amid elevated RM costs
EPS (Rs/share)	11.6	3.1	13.1	13.6	325.9	
EBITDA margin (%)	19.7	9.1	19.3	-43 bps	1023 bps	
Godrej Agrovet						
Net sales	15,884	17,026	17,290	8.9	1.6	
EBITDA	1,407	1,419	1,650	17.3	16.3	We expect 9% growth in revenues driven by sustained growth in animal feeds and likely recovery in the crop-protection segment.
EBIT	1,170	1,067	1,286	10.0	20.6	
PBT	1,124	1,067	1,282	14.1	20.1	
Reported PAT	942	759	999	6.1	31.6	
Extraordinaries	299	—	—	—	—	
Adjusted PAT	712	760	1,000	40.5	31.6	We expect ~120 bps qoq rise in EBITDA margin to 9.5% led by higher margins for animal feeds business and likely improvement in vegetable oils from a low base in 1QFY20.
EPS (Rs/share)	3.7	4.0	5.2	40.5	31.6	
EBITDA margin (%)	8.9	8.3	9.5	68 bps	121 bps	
PI Industries						
Net sales	7,230	7,541	8,531	18.0	13.1	
EBITDA	1,346	1,514	1,751	30.1	15.7	We expect 18% yoy growth in revenues led by (1) sustained growth in exports and (2) recovery in the domestic business amid the delayed pick-up in monsoons.
EBIT	1,118	1,220	1,446	29.4	18.6	
PBT	1,228	1,317	1,576	28.3	19.7	
Reported PAT	944	1,008	1,213	28.5	20.4	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	944	1,008	1,213	28.5	20.4	We expect modest ~40 bps qoq expansion in EBITDA margins at 20.5% amid benefits from operating leverage, which will be partly offset by higher RM costs.
EPS (Rs/share)	6.9	7.4	8.9	28.5	20.4	
EBITDA margin (%)	18.6	20.1	20.5	190 bps	44 bps	
Rallis India						
Net sales	6,538	6,232	7,192	10.0	15.4	
EBITDA	1,234	948	1,115	(9.6)	17.6	We expect 10% yoy growth in revenues driven by a likely recovery in demand due to delayed sowing, in line with the pick-up in monsoons.
EBIT	1,114	805	973	(12.6)	20.9	
PBT	1,194	869	1,029	(13.8)	18.4	
Reported PAT	852	678	803	(5.8)	18.5	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	852	678	803	(5.8)	18.5	We expect EBITDA margin to increase by a modest ~30 bps qoq to 15.5% led by operating leverage, which will be partly offset by elevated RM costs.
EPS (Rs/share)	4.4	3.5	4.1	(5.8)	18.5	
EBITDA margin (%)	18.9	15.2	15.5	-337 bps	29 bps	
UPL						
Net sales	42,570	79,060	82,836	94.6	4.8	
EBITDA	8,390	12,460	17,810	112.3	42.9	We expect modest sequential increase in revenues amid likely slower offtake in key geographies excluding India; yoy numbers are not comparable due to the acquisition of Arysta.
EBIT	6,580	6,690	11,786	79.1	76.2	
PBT	4,570	3,040	7,919	73.3	160.5	
Reported PAT	2,700	1,780	5,835	116.1	227.8	
Extraordinaries	(570)	(720)	—	—	—	
Adjusted PAT	3,105	2,463	5,835	87.9	136.9	We expect PPA-adjusted EBITDA adjusted margins to improve by ~50 bps qoq to 21.5%, including modest gains from synergy.
EPS (Rs/share)	4.1	3.2	7.7	87.9	136.9	
EBITDA margin (%)	19.7	15.8	21.5	179 bps	573 bps	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Sep-18	Jun-19	Sep-19E	yoy	qoq	Comments
Gas Utilities						
GAIL (India)						
Net sales	190,423	183,106	179,244	(5.9)	(2.1)	
EBITDA	29,026	22,590	20,025	(31.0)	(11.4)	Sequential decline in EBITDA reflects lower profitability of gas marketing and LPG segments amid adverse prices, which will be partly offset by higher contribution from gas transmission and petchem segments amid higher volumes.
EBIT	25,520	18,533	15,821	(38.0)	(14.6)	
PBT	28,722	19,805	19,016	(33.8)	(4.0)	
Reported PAT	19,630	12,875	15,403	(21.5)	19.6	
Extraordinaries	250	—	—	—	—	We assume (1) 2-4% qoq increase in gas marketing and transmission volumes to 98.5 mcm/d and 109.5 mcm/d and (2) 39% qoq jump in petchem volumes to 188 ktons post the shutdown in the previous quarter.
Adjusted PAT	19,460	12,875	15,403	(20.8)	19.6	
EPS (Rs/share)	4.3	2.9	3.4	(20.8)	19.6	
EBITDA margin (%)	15.2	12.3	11.2	-408 bps	-117 bps	
GSPL						
Net sales	4,875	5,125	5,327	9.3	3.9	
EBITDA	4,054	4,020	4,130	1.9	2.7	We expect GSPL's EBITDA to increase 3% qoq led by increase in gas transmission volumes to 39.3 mcm/d from 38.2 mcm/d in 1QFY20.
EBIT	3,618	3,532	3,631	0.4	2.8	
PBT	3,445	3,129	3,599	4.5	15.0	
Reported PAT	3,233	2,061	2,911	(10.0)	41.2	
Extraordinaries	1,108	—	—	—	—	
Adjusted PAT	2,446	2,061	2,911	19.0	41.2	Sharp 15% qoq jump in PBT is further boosted by receipt of dividend income from Gujarat Gas.
EPS (Rs/share)	4.3	3.7	5.2	19.0	41.2	
EBITDA margin (%)	83.2	78.4	77.5	-565 bps	-93 bps	
Indraprastha Gas						
Net sales	14,215	15,761	17,181	20.9	9.0	
EBITDA	3,080	3,585	3,972	28.9	10.8	We expect sharp jump in IGL's EBITDA led by 12% growth in volumes and higher gross margins for CNG segment, which will be partly offset by higher operating costs.
EBIT	2,577	2,980	3,339	29.6	12.1	
PBT	2,903	3,318	3,719	28.1	12.1	
Reported PAT	2,084	2,486	3,266	56.7	31.4	
Extraordinaries	—	—	—	—	—	We assume increase in (1) overall volumes to 6.6 mcm/d from 6.3 mcm/d in 1QFY20 and (2) unit EBITDA to Rs6.5/scm from Rs6.3/scm in 1QFY20.
Adjusted PAT	2,084	2,486	3,266	56.7	31.4	
EPS (Rs/share)	3.0	3.6	4.7	56.7	31.4	
EBITDA margin (%)	21.7	22.7	23.1	144 bps	37 bps	
Mahanagar Gas						
Net sales	6,965	7,575	7,927	13.8	4.6	
EBITDA	2,269	2,768	2,789	22.9	0.7	We expect sequentially stable EBITDA, as 4% qoq rise in volumes will be offset by moderation in unit margins and higher operating expenses.
EBIT	1,961	2,396	2,392	22.0	(0.2)	
PBT	2,141	2,586	2,593	21.1	0.3	
Reported PAT	1,363	1,702	2,101	54.1	23.4	
Extraordinaries	(54)	—	—	—	—	
Adjusted PAT	1,398	1,702	2,101	50.2	23.4	We assume (1) 4.5% yoy growth in overall volumes to 3.1 mcm/d and (2) reduction in unit EBITDA to Rs9.8/scm from Rs10.3/scm in 1QFY20.
EPS (Rs/share)	14.2	17.2	21.3	50.2	23.4	
EBITDA margin (%)	32.6	36.5	35.2	260 bps	-137 bps	
Petronet LNG						
Net sales	107,453	86,134	90,930	(15.4)	5.6	
EBITDA	9,047	10,239	10,767	19.0	5.2	Sequentially higher EBITDA reflects higher volumes amid a favorable LNG demand environment and absence of Dabhol terminal during monsoons.
EBIT	8,010	8,340	8,836	10.3	5.9	
PBT	8,876	8,379	8,877	0.0	5.9	
Reported PAT	5,629	5,603	7,101	26.1	26.7	
Extraordinaries	(210)	—	—	—	—	
Adjusted PAT	5,766	5,603	7,101	23.2	26.7	We assume LNG re-gasification volumes at 237 tn BTUs as compared to 226 tn BTUs in 1QFY20 and 217 tn BTUs in 2QFY19.
EPS (Rs/share)	3.8	3.7	4.7	23.2	26.7	
EBITDA margin (%)	8.4	11.9	11.8	342 bps	-5 bps	
Health Care Services						
Apollo Hospitals						
Net sales	24,006	25,719	27,871	16.1	8.4	We expect revenue growth of 16% yoy, driven by 14% growth in the healthcare business and 18% yoy growth in the pharmacy business. Within healthcare, we expect existing centers to grow at 12% yoy with new centers' contribution driving incremental growth. We expect 18% growth in the standalone pharmacy business driven by aggressive expansion of the store network.
EBITDA	2,718	3,637	4,098	50.8	12.7	
EBIT	1,784	2,197	2,648	48.5	20.5	
Reported PAT	619	492	1,309	111.5	166.3	We expect consolidated EBITDA margin to expand 60 bps qoq at 14.7% led by seasonality benefits and improvement in performance across new centers. We expect 19.3% margin in the healthcare business, 9.5% margin in the pharmacy business and Rs180 mn EBITDA in the AHLL business. Yoy numbers are not comparable due to Ind-AS 116 impact.
Adjusted PAT	619	492	1,309	111.5	166.3	
EBITDA margin (%)	11.3	14.1	14.7	338 bps	56 bps	
Aster DM Healthcare						
Net sales	18,369	20,286	20,640	12.4	1.7	
EBITDA	1,255	2,237	2,307	83.9	3.1	We expect revenues to grow by 12% yoy, driven by 14% yoy growth in GCC hospitals, 21% growth in India hospitals and pharmacies and clinics growing in single digits. AED-INR has largely remained steady yoy.
EBIT	496	977	1,032	107.9	5.7	
PBT	263	132	172	(34.6)	30.7	
Tax	102	22	24	(76.0)	9.1	
Reported PAT	110	33	48	(56.6)	47.0	2Q is a weak quarter for Aster, with this quarter accounting for only 15-16% of annual EBITDA. We expect EBITDA margin at 11.2% (8.3% pre Ind-AS, +150 bps yoy LFL) led by continued scale-up of hospitals at Qusais, Sharjah and Doha, which will be partially offset by losses from the newly set-up Bangalore facility.
Extraordinaries	(15)	—	—	—	—	
Adjusted PAT	110	33	48	(56.6)	47.0	
EBITDA margin (%)	6.8	11.0	11.2	434 bps	15 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	qoq	Comments
Dr Lal Pathlabs						
Net sales	3,175	3,352	3,645	14.8	8.7	We expect revenues to grow at 15% yoy, primarily led by volume growth. We expect realizations to remain steady yoy and decline by 3% qoq as 2Q is a seasonally strong quarter and has higher contribution of routine tests.
EBITDA	868	951	1,100	26.8	15.7	
EBIT	774	788	937	21.1	19.0	
PBT	881	894	1,047	18.9	17.2	
Reported PAT	570	588	848	48.8	44.2	We expect EBITDA margin to increase 180 bps qoq to 30.2% as 2Q is the strongest quarter seasonally with operating leverage benefit driving margin increase. Yoy EBIDTA numbers are not comparable due to Ind-AS 116 impact. We expect PBT to grow at 19% yoy (EPS growing by 49% led by lower tax rate in the quarter).
Extraordinaries	—	—	—	—	—	
Adjusted PAT	570	588	848	48.8	44.2	
EPS (Rs/share)	6.8	7.0	10.2	48.8	44.2	
EBITDA margin (%)	27.3	28.4	30.2	285 bps	181 bps	
HCG						
Net sales	2,453	2,689	2,890	17.8	7.5	We expect revenues to increase by 18% yoy, led by 12% yoy growth in mature centers along with ramp-up of newly set-up facilities.
EBITDA	335	449	509	51.9	13.5	
EBIT	129	107	164	27.4	52.8	
PBT	(87)	(192)	(136)	55.6	(29.0)	
Reported PAT	(65)	(180)	(96)	48.4	(46.7)	We expect EBITDA margin to increase 90 bps qoq to 17.6% as aided by seasonality benefits driving improvement in existing centers and lower losses from new centers. Yoy EBITDA and margin are not comparable due to Ind-AS 116 impact.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	(65)	(180)	(96)	48.4	(46.7)	
EPS (Rs/share)	(0.8)	(2.1)	(1.1)	48.4	(46.7)	
EBITDA margin (%)	13.7	16.7	17.6	395 bps	93 bps	
Metropolis Healthcare						
Net sales		2,033	2,225		9.4	We expect 9% qoq jump in revenues as 2Q is a seasonally strong quarter for the healthcare industry. 2QFY19 numbers are not available for comparison. We expect realizations/patient to decline 3% qoq driven by higher contribution of routine tests.
EBITDA		550	686		24.7	
EBIT		467	603		29.0	
PBT		465	606		30.1	
Reported PAT		268	450		68.1	We expect healthy EBITDA margin of 30.8% (28.8% adjusted for Ind-AS) led by operating leverage benefits.
Extraordinaries		(69)	—		—	
Adjusted PAT		355	450		26.9	
EPS (Rs/share)		7.1	9.0		26.9	
EBITDA margin (%)		27.1	30.8		376 bps	
Narayana Hrudayalaya						
Net sales	7,113	7,774	8,122	14.2	4.5	We expect revenues to increase by 14% yoy, driven by (1) 11% yoy growth in mature hospitals, (2) higher contribution from new hospitals at Mumbai, Gurugram and Dharmshila and (3) Cayman revenues growing by 24% yoy on a low base.
EBITDA	730	1,028	1,123	53.9	9.3	
EBIT	390	614	703	80.5	14.6	
PBT	238	440	523	120.3	18.9	
Reported PAT	136	303	398	192.8	31.5	Given 2Q is a strong quarter seasonally, we expect EBITDA margin to improve 60 bps qoq to 13.8% led by strong performance at mature centers and Rs25 mn decline in losses from new centers. Yoy EBITDA numbers are not comparable due to Ind-AS 116 related impact.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	136	303	398	192.8	31.5	
EPS (Rs/share)	0.7	1.5	1.9	192.8	31.5	
EBITDA margin (%)	10.3	13.2	13.8	356 bps	60 bps	
Hotels & Restaurants						
Jubilant Foodworks						
Net sales	8,814	9,401	9,650	9.5	2.6	We model 2.5% SSSG, 18 net store additions in Domino's and no store additions in DD (net).
EBITDA	1,475	2,191	2,226	50.8	1.6	
EBIT	1,091	1,383	1,391	27.5	0.6	
PBT	1,199	1,141	1,115	(7.0)	(2.2)	
Reported PAT	777	748	938	20.7	25.4	Sharp EBITDA expansion essentially reflects Ind-AS 116 accounting impact. At a PBT level (we estimate 7% yoy decline in PBT), the impact is negative. PAT growth estimate of 21% yoy is the on the back of low ETR; we have modeled 15.9% ETR for 2QFY20 to factor in a 25.2% ETR for 1HFY20.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	777	748	938	20.7	25.4	
EPS (Rs/share)	5.8	5.8	5.8	0.0	0.0	
EBITDA margin (%)	16.7	23.3	23.1	632 bps	-24 bps	
Lemon Tree Hotels						
Net sales	1,287	1,409	1,518	17.9	7.7	We factor ARR of Rs4,122/day (+5% yoy) and occupancy of 76% for 2QFY20.
EBITDA	360	448	506	40.5	13.0	
EBIT	228	276	319	39.8	15.6	
PBT	89	(12)	46	(48.6)	NM	
Reported PAT	57	(17)	39	(31.7)	NM	Addition of 303 keys Lemon Tree Premier in Andheri towards the end of 1QFY20 will aid earnings during the quarter.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	57	(17)	39	(31.7)	NM	
EPS (Rs/share)	0.1	(0.0)	0.0	(31.7)	NM	
EBITDA margin (%)	28.0	31.8	33.3	534 bps	157 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	Change (%) qoq	Comments
Internet Software & Services						
Info Edge						
Net sales	2,650	3,128	3,165	19.4	1.2	We expect healthy 19% growth in Naukri powered by healthy demand from the IT sector. Revenue growth of 99 acres will moderate following weak billings growth of 9% in 1QFY20.
EBITDA	825	1,010	1,018	23.3	0.8	
EBIT	773	911	920	19.0	0.9	
PBT	1,048	1,139	1,221	16.6	7.3	
Reported PAT	781	667	909	16.4	36.2	Net profit growth will be aided by lower corporate tax rate.
Extraordinaries	—	(82)	—	—	—	
Adjusted PAT	781	667	909	16.4	36.2	
EPS (Rs/share)	6.4	5.5	7.4	16.0	35.7	
EBITDA margin (%)	31.1	32.3	32.1	101 bps	-14 bps	
Just Dial						
Net sales	2,210	2,402	2,432	10.0	1.3	Revenue growth will be volume-led and primarily from Tier 2 and 3 cities. This will impact realization, which we expect to decline.
EBITDA	575	642	637	10.8	(0.9)	
EBIT	490	506	500	2.0	(1.2)	
PBT	674	799	800	18.6	0.1	
Reported PAT	484	573	672	38.9	17.3	ETR of Just Dial will reduce to 21-22% from 27% earlier. This comprises 25% tax rate for core operations and 13-14% for treasury operations. Tax rate will be lower than the normalized range since the company will write back excess tax provision of 1QFY20 resulting from reduction in corporate tax rate by the government.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	484	573	672	38.9	17.3	
EPS (Rs/share)	7.2	8.8	10.4	44.5	17.3	
EBITDA margin (%)	26.0	26.7	26.2	18 bps	-57 bps	
IT Services						
HCL Technologies						
Net sales	148,610	164,247	175,128	17.8	6.6	We expect constant-currency revenue growth rate of 5.7% of which 0.7% will be organic with the balance contribution from completion of acquisition of select IBM products. We expect muted organic revenue growth factoring in productivity adjustment for select clients in IMS and high base of earlier quarters due to transformation revenues booked from large IMS deals. We expect EBIT margin to move back to the 18.5-19.5% range. We note that EBIT margin at 17.1% in the June 2019 quarter was impacted by costs associated with infrastructure creation for consummation of select products acquired from IBM.
EBITDA	34,873	34,012	40,715	16.7	19.7	
EBIT	29,561	28,062	33,158	12.2	18.2	
PBT	32,039	29,332	33,021	3.1	12.6	
Reported PAT	25,256	22,214	25,018	(0.9)	12.6	We expect the company to retain 14-16% revenue growth guidance. We expect the company to also retain organic revenue growth guidance of 8-10% and EBIT margin guidance of 18.5-19.5%. We expect investor focus on (1) revenue growth from digital, which has shown promising signs in the past three quarters, (2) method of return of excess cash, (3) M&A strategy given that the company has forayed into digital acquisitions, (4) EBIT margin direction in light of the recent reset, (5) deflationary impact from renewal of legacy IMS deals, (6) outlook for the products business, especially the recent one of select products of IBM and (7) the impact of reduction in corporate tax rate by the Indian government.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	25,256	22,214	25,018	(0.9)	12.6	
EPS (Rs/share)	17.9	15.7	17.7	(0.9)	12.6	
EBITDA margin (%)	23.5	20.7	23.2	-22 bps	254 bps	
Hexaware Technologies						
Net sales	12,096	13,083	15,055	24.5	15.1	We expect c/c revenue growth of 12.9% sequentially and a cross-currency headwind of 40 bps. We expect organic revenue growth of 5%. The Mobiquity acquisition will likely contribute US$15 mn to revenues upon full quarter consolidation. We expect decline in organic revenues in banking and financial services due to weak spending in a large client. Other verticals barring travel & transportation will have strong growth.
EBITDA	2,023	1,947	2,502	23.7	28.5	
EBIT	1,864	1,742	2,198	17.9	26.2	
PBT	2,128	1,841	2,215	4.1	20.3	We expect EBIT margin of 14.6%, an increase of 130 bps qoq and decline of 80 bps yoy. 2QCY19 had one-off margin headwinds from visa costs and US$2.4 mn transaction cost for Mobiquity acquisition. We factor in mild benefit from rupee depreciation and integration of slightly lower margin business of Mobiquity in our margin assumption. We expect some moderation in utilization rates, which are at high levels. We note that EBIT margins for Hexaware has not yet benefited from Ind-AS 116 adoption due to calendar year-end. Mild increase in yoy net profit is due to our expectation of muted hedge gains in the quarter compared to hedge gain of Rs264 mn in September 2018 quarter. We expect investor focus on (1) progress on integration of Mobiquity and synergy benefits from the acquisition, (2) TCV of net new deal wins and (3) BFS vertical outlook for CY2020.
Reported PAT	1,721	1,513	1,802	4.7	19.1	
Extraordinaries	(1)	1	—	—	—	
Adjusted PAT	1,722	1,512	1,802	4.7	19.2	
EPS (Rs/share)	5.7	5.0	6.0	4.7	19.2	
EBITDA margin (%)	16.7	14.9	16.6	-11 bps	173 bps	
Infosys						
Net sales	206,090	218,030	227,418	10.3	4.3	We expect constant-currency revenue growth of 3.5% and cross-currency headwind of 60 bps on a qoq basis. We expect full quarter consolidation of Stater to add 60 bps to revenue growth. Revenue growth will be broad-based in our view. We expect sequential EBIT margin improvement of 80 bps and yoy decline of 245 bps. Sequential improvement will be led by (1) lower visa cost tailwind of 80 bps and (2) marginal benefit of rupee depreciation. This benefit will be partly offset by the wage revision impact of 40 bps; we note that Infosys deferred wage revision for select employee bands in 1QFY20 to defend margins.
EBITDA	53,570	51,520	55,247	3.1	7.2	
EBIT	48,940	44,710	48,436	(1.0)	8.3	
PBT	56,330	51,670	53,620	(4.8)	3.8	
Reported PAT	41,100	37,980	39,411	(4.1)	3.8	We expect decline in net profit due to margin contraction and use of cash proceeds for buyback. We expect EPS decline of 2% on yoy comparison. We expect Infosys to increase revenue growth guidance to 9.5-10.5% from 8.5-10% earlier. Strong large deal momentum and market share gains will power revenue growth. We expect investor focus on (1) ability to sustain large deal momentum noting high base of earlier quarters, (2) attrition rate that has remained high and sticky despite multiple interventions made by the management, (3) levers to defend margin, (4) margin impact from localization drive in other geos and (5) benefit from cut in the Indian corporate tax rate.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	41,100	37,980	39,411	(4.1)	3.8	
EPS (Rs/share)	9.4	8.8	9.3	(2.0)	4.9	
EBITDA margin (%)	26.0	23.6	24.3	-171 bps	66 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	qoq	Comments
L&T Infotech						
Net sales	23,312	24,849	25,446	9.2	2.4	We expect marginal improvement in organic revenue growth and forecast the same at 1.5% on a sequential basis. While an improvement, revenue growth is still weighed down by weakness in financial services accounts. We expect weakness in top two clients to continue. Further ramp-down from another client will weigh on growth. We expect EBIT margin decline of 70 bps. On a sequential basis, LTI had 200 bps tailwind from lower visa costs and seasonal impact from customer event. This tailwind will be offset by wage revision. In addition, decline in onsite and offshore utilization rate will also impact margins.
EBITDA	4,790	4,579	4,492	(6.2)	(1.9)	
EBIT	4,422	3,968	3,902	(11.8)	(1.7)	
PBT	5,391	4,782	4,669	(13.4)	(2.4)	
Reported PAT	4,028	3,558	3,478	(13.6)	(2.2)	
Extraordinaries	—	—	—	—	—	We forecast forex gains of Rs573 mn, down from Rs680 mn in June 2019 quarter. We expect investor focus on (1) implications for LTI from acquisition of Mindtree by the parent, (2) large deal momentum, (3) reasons for margin slippage and measures undertaken to increase margin, (4) growth outlook from the top client, (5) status of the hedge book after the recent rupee appreciation and (6) benefit from the corporate tax rate cut.
Adjusted PAT	4,028	3,558	3,478	(13.6)	(2.2)	
EPS (Rs/share)	22.6	20.3	19.8	(12.4)	(2.2)	
EBITDA margin (%)	20.5	18.4	17.7	-290 bps	-78 bps	
Mindtree						
Net sales	17,554	18,342	18,963	8.0	3.4	We expect constant-currency revenue growth of 2.2%. Revenue growth will be broad-based across verticals. Revenues from largest client will also grow. June 2019 quarter EBIT margin was abnormally low and impacted by one-time bonus paid to employees that impacted EBIT margin by 260 bps. In addition, visa costs also impacted margin by 30 bps. We expect EBIT margin to increase by 300 bps largely on rupee depreciation and absence of one-off items. Another salary revision will eat into some of the margin levers.
EBITDA	2,699	1,841	2,449	(9.3)	33.0	
EBIT	2,296	1,172	1,791	(22.0)	52.8	
PBT	2,819	1,262	1,867	(33.8)	47.9	
Reported PAT	2,063	927	1,375	(33.3)	48.4	TCV of deal wins will improve after being muted in the earlier quarters. Deals were held up in earlier quarters due to lack of clarity on ownership structure, something which has been resolved and will reflect in higher deal closures. We expect investor focus on (1) management changes following L&T's acquisition of Mindtree, (2) attrition rate and talent retention strategies, (3) growth outlook of the top client, (4) margin outlook given that it will be an important focus for the parent and (5) duration of independent charter for Mindtree before it is folded into LTI.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,063	927	1,375	(33.3)	48.4	
EPS (Rs/share)	12.6	5.6	8.3	(33.6)	48.4	
EBITDA margin (%)	15.4	10.0	12.9	-247 bps	287 bps	
Mphasis						
Net sales	19,149	20,626	21,285	11.2	3.2	We expect c/c revenue growth of 3% sequentially and a cross-currency headwind of 30 bps. We expect growth to be led by strategic accounts in the core business with incremental contribution to growth from the Blackstone portfolio of companies. We expect 100 bps increase in EBIT margin sequentially and flattish margins yoy. EBIT margins faced headwinds of 40-50 bps in the previous quarter from visa costs and provisioning for receivables, which will be recouped in 2QFY20. EBIT margins also faced headwinds of 60 bps from investment in people resources, which can recover gradually through the course of year.
EBITDA	3,329	3,743	3,980	19.6	6.3	
EBIT	3,145	3,193	3,507	11.5	9.8	
PBT	3,586	3,535	3,767	5.0	6.6	
Reported PAT	2,710	2,648	2,807	3.6	6.0	
Extraordinaries	—	—	—	—	—	We expect benefits from better hedge rates to be offset by rupee depreciation in the quarter. We expect investors to focus on (1) growth outlook of strategic clients in core business, (2) TCV of deal wins in Direct International, (3) revenue contribution from the Blackstone portfolio companies and new client acquisition channel, (4) relationship with largest client following leadership change in DXC and (5) impact of reduction of corporate tax by the Indian government.
Adjusted PAT	2,710	2,648	2,807	3.6	6.0	
EPS (Rs/share)	14.0	14.2	15.1	7.3	6.0	
EBITDA margin (%)	17.4	18.1	18.7	131 bps	55 bps	
TCS						
Net sales	368,540	381,720	394,537	7.1	3.4	We expect constant-currency revenue growth of 2.6% and cross-currency headwind of 75 bps on a qoq basis. High base of 2QFY19 will likely result in a decline in deceleration in yoy c/c growth to single digit. We expect moderation in growth from the financial services vertical. Client-specific challenges can also impact the retail vertical. We expect healthy revenue growth in other verticals. EBIT margin will likely expand 150 bps qoq but decline 80 bps yoy. We expect a sequential increase on account of marginal rupee depreciation, absorption of wage revisions and higher billing days. We attribute yoy decline in margins largely to increase in the US cost structure.
EBITDA	102,780	100,370	109,693	6.7	9.3	
EBIT	97,710	92,200	101,443	3.8	10.0	
PBT	103,640	106,380	110,570	6.7	3.9	
Reported PAT	79,010	81,310	83,966	6.3	3.3	
Extraordinaries	—	—	—	—	—	Net profit growth appears modest due to completion of buyback of equity. EPS growth stands at 8.4% yoy. We expect investor focus on (1) demand from the financial services vertical, especially the capital markets segment, (2) order bookings and whether it will be sufficient to hit double-digit growth, (3) impact of talent crunch in the US on margins ands effort to reduce subcontracting costs and (4) progress in nascent but the fast-growing products and platforms business.
Adjusted PAT	79,010	81,310	83,966	6.3	3.3	
EPS (Rs/share)	20.6	21.7	22.4	8.4	3.3	
EBITDA margin (%)	27.9	26.3	27.8	-9 bps	150 bps	
Tech Mahindra						
Net sales	86,299	86,530	88,822	2.9	2.6	We forecast sequential constant-currency revenue growth of 1.7% and a cross-currency headwind of 80 bps. We expect revenue growth to be led entirely by communications practice. Growth in the enterprise segment will be muted due to further ramp-down from automotive customers. We expect transition costs of large deals with AT&T and enterprise customers to weigh on EBIT margin. We expect a sequential increase in EBIT margin to be restricted to just 50 bps despite seasonal increase in margin of portfolio companies and lower visa costs. We expect robust new deal signings with good spread across enterprise and telecom segments, excluding the AT&T deal. We expect TCV of new deals to be close to US$1.4-1.5 bn.
EBITDA	16,187	13,141	13,846	(14.5)	5.4	
EBIT	13,243	9,928	10,643	(19.6)	7.2	
PBT	14,606	12,887	12,287	(15.9)	(4.7)	
Reported PAT	10,643	9,593	9,166	(13.9)	(4.4)	
Extraordinaries	—	—	—	—	—	We expect robust new deal signings with good spread across enterprise and telecom segments, excluding the AT&T deal. We expect TCV of new deals to be close to US$1.4-1.5 bn. We expect investors to focus on (1) margin implications of the large deal signed with AT&T recently, (2) margin forecast for FY2021 noting that FY2020 will be a wash out courtesy large deal transition costs, (3) path to recovery in growth in the enterprise segment, especially the under-pressure manufacturing vertical, (4) a large deal pipeline and (5) M&A strategy and capital allocation, especially the potential for increasing the payout ratio.
Adjusted PAT	10,643	9,593	9,166	(13.9)	(4.4)	
EPS (Rs/share)	10.8	9.8	9.4	(13.2)	(4.4)	
EBITDA margin (%)	18.8	15.2	15.6	-317 bps	40 bps	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Sep-18	Jun-19	Sep-19E	yoy	qoq	Comments
Wipro						
Net sales	146,627	148,718	149,615	2.0	0.6	We expect constant-currency revenue growth of 1.2% and cross-currency headwind of 70 bps on a qoq basis. We expect weak growth from the financial services vertical and steady growth in others. We note that Wipro had guided for 0-2% revenue growth for September 2019 quarter. We expect decline in EBIT margin due to the full quarter impact of wage revision. We note that Wipro's wage revision cycle is effected from June 1 of every year. Reported EBIT margin will likely increase by 324 bps on yoy comparison. This is largely on account of 360 bps impact from the settlement of lawsuit with National Grid.
EBITDA	24,673	29,734	30,150	22.2	1.4	
EBIT	20,347	25,373	25,352	24.6	(0.1)	
PBT	24,182	30,735	30,386	25.7	(1.1)	
Reported PAT	18,888	23,873	23,380	23.8	(2.1)	
Extraordinaries	—	—	—	—	—	Completion of buyback in September will likely impact treasury income. We note that the company has extinguished 5.5% of the equity as part of the buyback program. We expect Wipro to guide 0-2% revenue growth for December 2019 quarter. We expect growth to be impacted by cautious spending of Europe banking and capital market clients. We expect investor focus on (1) outlook for the key growth driver of FY2019, viz. financial services vertical, (2) sustainability of margin in light of muted growth and (3) benefit from cut in corporate tax rate by the Indian government.
Adjusted PAT	18,888	23,873	23,380	23.8	(2.1)	
EPS (Rs/share)	3.1	4.0	3.9	23.7	(2.1)	
EBITDA margin (%)	16.8	20.0	20.2	332 bps	15 bps	
Media						
DB Corp.						
Net sales	5,821	6,070	5,494	(5.6)	(9.5)	We forecast 8% yoy decline in print advertisement revenues due to weakness in key categories such as auto, slowdown in rural consumption, heavy monsoon/floods in a few states and post-elections lull in government/political ad spends. Circulation revenue would be broadly flat yoy (flat volumes as well as flat pricing).
EBITDA	923	1,755	1,154	25.0	(34.2)	
EBIT	672	1,451	844	25.5	(41.8)	
PBT	696	1,439	844	21.4	(41.4)	
Reported PAT	462	937	701	51.8	(25.2)	We expect strong yoy expansion in EBITDA margin and strong EBITDA growth off a weak base aided by lower RM costs (down 17% yoy). We estimate 21% yoy growth in PBT. Net profit growth would be much higher owing to ETR cut and associated reversal of 1Q taxes; we model 17% ETR for 2Q translating into 26% ETR for 1HFY20.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	462	937	701	51.8	(25.2)	
EPS (Rs/share)	2.6	5.4	4.0	51.8	(25.2)	
EBITDA margin (%)	15.9	28.9	21.0	514 bps	-791 bps	
DishTV						
Net sales	15,943	9,263	9,350	(41.4)	0.9	We estimate 150K net subscriber additions and sequentially flat ARPU of Rs116 (post-NTO accounting); we note that Dish TV is losing subscriber and revenue market share to competition. Yoy revenue and costs are not comparable as revenues are reported net of content costs starting 1QFY20 owing to implementation of NTO.
EBITDA	5,406	5,361	5,425	0.3	1.2	
EBIT	1,731	1,732	1,775	2.5	2.5	
PBT	286	310	325	13.6	4.8	
Reported PAT	197	(354)	408	106.9	NM	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	197	(354)	408	106.9	NM	
EPS (Rs/share)	0.1	(0.2)	—	—	—	We expect modest sequential and yoy increase in EBITDA due to subdued revenue growth.
EBITDA margin (%)	33.9	57.9	58.0	NM	14 bps	
Jagran Prakashan						
Net sales	5,535	5,843	5,591	1.0	(4.3)	We expect flat print advertisement revenues despite a weak base (-9%) due to broad-based slowdown across categories, weakness in the rural economy and heavy monsoon/floods in a few markets. We model 7% yoy growth in radio revenues and flat circulation revenues.
EBITDA	996	1,411	1,166	17.0	(17.4)	
EBIT	685	1,056	811	18.3	(23.2)	
PBT	703	1,004	781	11.0	(22.2)	
Reported PAT	421	644	638	51.5	(0.9)	Newsprint costs have declined 30%+ from peak and benefit will reflect starting 2QFY20, driving strong yoy expansion in margin from trough. We estimate 11% yoy growth in PBT. Net profit growth would be much higher owing to ETR cut and associated reversal of 1QFY20 taxes; we model 17% ETR for 2QFY20 translating into 26% ETR for 1HFY20.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	421	644	638	51.5	(0.9)	
EPS (Rs/share)	1.4	2.2	2.2	51.5	(0.9)	
EBITDA margin (%)	18.0	24.1	20.8	285 bps	-331 bps	
Sun TV Network						
Net sales	7,496	11,014	8,705	16.1	(21.0)	We forecast flat advertisement revenues (including slot sales) given a weak ad spend environment and viewership share. We estimate 25% yoy growth in domestic subscription revenues aided by ongoing digitization in TN and upside from NTO.
EBITDA	4,891	5,455	4,905	0.3	(10.1)	
EBIT	4,721	5,245	4,705	(0.3)	(10.3)	
PBT	5,336	5,791	5,285	(1.0)	(8.7)	
Reported PAT	3,513	3,819	4,386	24.9	14.9	
Extraordinaries	—	—	—	—	—	We forecast broadly flat EBITDA as strong growth in subscription revenues would be offset by higher content costs and losses in Sun Bangla. We estimate PBT growth to be flat yoy. Strong growth in earnings is driven by ETR cut and associated reversal of 1QFY20 taxes; we model 17% ETR translating into 25.6% ETR for 1HFY20.
Adjusted PAT	3,513	3,819	4,386	24.9	14.9	
EPS (Rs/share)	8.9	9.7	11.1	24.9	14.9	
EBITDA margin (%)	65.2	49.5	56.3	-891 bps	682 bps	
Zee Entertainment Enterprises						
Net sales	19,759	20,081	20,879	5.7	4.0	We expect modest 3% yoy growth in advertisement revenues largely due to a weak ad environment, impact of withdrawal of FTA channels from DD Freedish and slight weakness in viewership of the flagship channel Zee TV. We model 18% yoy growth in domestic subscription revenues.
EBITDA	6,757	6,598	6,631	(1.9)	0.5	
EBIT	6,169	5,908	5,931	(3.8)	0.4	
PBT	6,483	7,420	6,081	(6.2)	(18.0)	
Reported PAT	3,861	5,306	4,896	26.8	(7.7)	We expect 240 bps yoy decline in EBITDA margin partly due to weakness in revenue growth and higher movie amortization expenses. Adjusted PAT/EPS is excluding RPS impact. We estimate flat earnings on LFL basis (adjusted for ETR cut); we model 20% ETR for 2QFY20 translating into about 25% ETR for 1HFY20. Investor focus will be on (1) utilization of cash and cash generation in 1HFY20 and (2) progress on promoter stake sale.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	4,081	4,627	4,896	20.0	5.8	
EPS (Rs/share)	4.2	4.8	5.1	20.0	5.8	
EBITDA margin (%)	34.2	32.9	31.8	-244 bps	-110 bps	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Sep-18	Jun-19	Sep-19E	yoy	qoq	Comments
Metals & Mining						
Hindalco Industries						
Net sales	108,330	100,547	100,583	(7.2)	0.0	
EBITDA	10,907	7,174	7,571	(30.6)	5.5	We expect India EBITDA (including Utkal Alumina) to increase 1% qoq to Rs10.8 bn (-37% yoy) led by lower LME aluminum prices and weak copper earnings.
EBIT	6,906	2,994	3,391	(50.9)	13.3	
PBT	4,677	564	961	(79.4)	70.3	
Reported PAT	3,086	226	747	(75.8)	231.4	
Extraordinaries	—	(218)	—	—	—	We expect aluminum EBITDA (including Utkal) to increase 4% qoq to Rs8.41 bn (-37% yoy)—favorable hedges and a weak INR will partially offset the impact of lower aluminum prices on earnings. We expect copper EBITDA of Rs2.4 bn (-38% yoy, -10% qoq) impacted by lower spot TcRc and muted volumes.
Adjusted PAT	3,086	226	747	(75.8)	231.4	
EPS (Rs/share)	1.4	0.1	0.3	(75.8)	231.4	
EBITDA margin (%)	10.1	7.1	7.5	-255 bps	39 bps	
Hindustan Zinc						
Net sales	47,770	49,870	44,729	(6.4)	(10.3)	
EBITDA	23,340	24,520	20,248	(13.2)	(17.4)	The company's (1) zinc production remained flat qoq at 172,000 tons (+6% yoy) and (2) lead production declined 2% qoq to 47,040 tons (-4% yoy) resulting in lower silver production at 159 tons (-8% yoy).
EBIT	18,800	19,180	14,908	(20.7)	(22.3)	
PBT	22,740	23,180	19,239	(15.4)	(17.0)	
Reported PAT	18,150	17,400	14,442	(20.4)	(17.0)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	18,150	17,650	14,442	(20.4)	(18.2)	Lower zinc prices and stable costs result in 14% qoq decline in EBITDA to Rs21 bn (-10% yoy).
EPS (Rs/share)	4.3	4.2	3.4	(20.4)	(18.2)	
EBITDA margin (%)	48.9	49.2	45.3	-360 bps	-390 bps	
Jindal Steel and Power						
Net sales	99,955	99,456	94,376	(5.6)	(5.1)	
EBITDA	21,469	21,731	19,253	(10.3)	(11.4)	We expect JSP's steel EBITDA/ton to decline by 14% qoq to Rs9,640/ton (-13% yoy) due to (1) 7% qoq decline in steel realizations, partially offset by (2) lower raw material costs and lower fixed costs due to operational leverage. We model India steel deliveries of 1.47 mn tons (+3% qoq, +15% yoy) led by ramp-up of the Angul plant.
EBIT	11,155	11,195	8,924	(20.0)	(20.3)	
PBT	911	113	(2,158)	(336.9)	(2,016.3)	
Reported PAT	3,437	94	(751)	(121.8)	(896.9)	
Extraordinaries	2,555	—	—	—	—	
Adjusted PAT	1,649	94	(751)	(145.5)	(896.9)	Jindal Power's generation is expected to increase by 8% yoy at 2.6 bn units (-12% qoq) in 2QFY20E. We estimate Jindal Power's EBITDA to increase by 5% yoy (-12% qoq), in line with volume growth.
EPS (Rs/share)	1.8	0.1	(0.8)	(145.5)	(896.9)	
EBITDA margin (%)	21.5	21.8	20.4	-108 bps	-145 bps	
JSW Steel						
Net sales	215,520	198,120	186,239	(13.6)	(6.0)	We expect JSTL to witness volume decline (-9% yoy, -4% qoq) led by weak domestic demand. We factor a 7% qoq (12% yoy) decline in realization driven by weak domestic prices and higher export sales in 2QFY20E.
EBITDA	49,060	37,160	26,169	(46.7)	(29.6)	
EBIT	39,320	26,900	15,887	(59.6)	(40.9)	
PBT	30,250	17,890	6,773	(77.6)	(62.1)	
Reported PAT	21,260	10,280	3,159	(85.1)	(69.3)	
Extraordinaries	—	—	—	—	—	We expect raw material cost to decline marginally with fall in coking coal and iron ore prices but would be offset by higher other costs on account of lower volumes. We expect EBITDA/ton to decline 28% qoq primarily due to lower realizations (-41% yoy) to Rs7,200/ton.
Adjusted PAT	21,260	10,280	3,159	(85.1)	(69.3)	
EPS (Rs/share)	8.9	4.3	1.3	(85.1)	(69.3)	
EBITDA margin (%)	22.8	18.8	14.1	-872 bps	-471 bps	
National Aluminium Co.						
Net sales	30,409	20,841	22,112	(27.3)	6.1	
EBITDA	8,509	2,144	1,661	(80.5)	(22.5)	Earnings decline is due to fall in (1) alumina prices by 16% qoq to US$302/ton (-46% yoy), (2) LME aluminum prices by 1% qoq to US$1,766/ton (-14% yoy), versus (3) stable costs.
EBIT	7,350	880	397	(94.6)	(54.8)	
PBT	8,246	1,477	995	(87.9)	(32.7)	
Reported PAT	5,100	978	861	(83.1)	(11.9)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	5,100	978	861	(83.1)	(11.9)	We built in (1) +23% qoq increase in alumina sales to 307,800 tons (-5% yoy) aided by sales of inventories and (2) +6% qoq increase in aluminum sales to 109,250 tons (-5% yoy).
EPS (Rs/share)	2.6	0.5	0.4	(83.1)	(11.9)	
EBITDA margin (%)	28.0	10.3	7.5	-2047 bps	-278 bps	
NMDC						
Net sales	24,379	32,637	21,698	(11.0)	(33.5)	
EBITDA	12,594	18,668	11,189	(11.2)	(40.1)	NMDC's iron-ore sales will decline 13% yoy to 5.8 mn tons (-33% qoq) in 2QFY20E due to poor demand led by lower steel production. We expect blended iron-ore realizations to decline by -1 % qoq (+2.7% yoy) at Rs3,735/ton led by price cuts during the quarter.
EBIT	11,919	18,021	10,542	(11.6)	(41.5)	
PBT	13,132	19,132	11,677	(11.1)	(39.0)	
Reported PAT	6,189	12,239	10,683	72.6	(12.7)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	6,365	11,794	10,683	67.8	(9.4)	We expect EBITDA/ton to decline to Rs1,926/ton (-11% qoq, +2.5% yoy) led by lower realization and impact of operating leverage.
EPS (Rs/share)	2.0	3.7	3.4	67.8	(9.4)	
EBITDA margin (%)	51.7	57.2	51.6	-9 bps	-563 bps	
Tata Steel						
Net sales	435,441	359,471	336,908	(22.6)	(6.3)	We expect India steel realizations to decline sharply (-6% qoq, -11% yoy) led by weak global prices and higher exports. We expect volumes to decline by 2% yoy (+4% qoq) at 3.1 mn tons due to weak domestic demand. India EBITDA/ton will decline by 25% qoq to Rs9,402/ton (-50% yoy) with negative operating leverage and marginal decline in coal costs.
EBITDA	89,195	52,049	39,797	(55.4)	(23.5)	
EBIT	70,116	31,221	20,751	(70.4)	(33.5)	
PBT	52,130	15,667	1,878	(96.4)	(88.0)	
Reported PAT	36,042	6,931	2,584	(92.8)	(62.7)	
Extraordinaries	1,638	1,880	—	—	—	We estimate Europe EBITDA/ton at US$0/ton (US$4/ton in 1QFY20) due to lower steel spreads. We expect EBITDA at Bhushan Steel to decline 36% qoq to Rs4.9 bn due to weak steel prices and headwinds in the auto sector. We expect volumes to decline to 0.84 mn tons, (-2% qoq, -26% yoy), with EBITDA/ton declining to Rs5,923/ton (-34% qoq, -42% yoy).
Adjusted PAT	34,404	5,051	2,584	(92.5)	(48.8)	
EPS (Rs/share)	30.0	4.4	2.3	(92.5)	(48.8)	
EBITDA margin (%)	20.5	14.5	11.8	-868 bps	-267 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	Change (%) qoq	Comments
Vedanta						
Net sales	227,050	213,740	191,256	(15.8)	(10.5)	The sequential decline in EBITDA is mainly led by lower EBITDA at HZ (Rs21.1 bn,-13% qoq) impacted by lower zinc prices. Aluminum division EBITDA of Rs3.1 bn is +74% qoq (-75% yoy) with lower prices more than offset by cost reduction in coal and alumina. Zinc International EBITDA of Rs1.4 bn is +11% qoq, +67% yoy led by ramp-up of Gamsberg volumes.
EBITDA	52,080	51,980	49,613	(4.7)	(4.6)	
EBIT	32,770	30,430	28,063	(14.4)	(7.8)	
PBT	22,980	20,820	18,453	(19.7)	(11.4)	
Reported PAT	13,430	13,510	9,021	(32.8)	(33.2)	We expect the oil and gas division to report EBITDA of Rs17.7 bn, flat qoq, with lower crude prices to offset volume increase. Steel EBITDA of Rs1.52 bn (-23% qoq) is led by 13% qoq decline in long steel prices. We expect stable to moderated sequential earnings from iron ore and power businesses whereas the copper division remains shut.
Extraordinaries	3,200	—	—	—	—	
Adjusted PAT	11,350	13,510	9,021	(20.5)	(33.2)	
EPS (Rs/share)	3.1	3.6	2.4	(20.5)	(33.2)	
EBITDA margin (%)	22.9	24.3	25.9	300 bps	162 bps	
Oil, Gas & Consumable Fuels						
BPCL						
Net sales	722,918	763,179	744,150	2.9	(2.5)	Sharp qoq increase in EBITDA reflects (1) higher auto fuel marketing margins (+Rs0.3/liter qoq) and (2) increase in refining margins and throughput, which will be partly offset by higher inventory/forex loss of Rs9.9 bn.
EBITDA	24,194	21,799	26,190	8.3	20.1	
EBIT	16,623	12,658	16,858	1.4	33.2	
PBT	18,727	13,518	18,138	(3.1)	34.2	
Reported PAT	12,187	10,751	14,510	19.1	35.0	We assume (1) higher crude throughput at 7.7 mn tons versus 7.5 mn tons in 1QFY20, (2) higher normalized refining margins at US$6.3/bbl (+US$2.6/bbl qoq) and (3) 3.5% growth in domestic sales volumes.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	12,187	10,751	14,510	19.1	35.0	
EPS (Rs/share)	6.2	5.5	7.4	19.1	35.0	
EBITDA margin (%)	3.3	2.9	3.5	17 bps	66 bps	
Coal India						
Net sales	207,127	232,230	181,387	(12.4)	(21.9)	Absence of volume growth with dispatches of 122 mn tons (-11% yoy) in 2QFY20 will likely lead to weak earnings performance as high employee cost will weigh in on an environment of weak volumes.
EBITDA	24,289	48,964	10,686	(56.0)	(78.2)	
EBIT	16,220	41,621	3,188	(80.3)	(92.3)	
PBT	51,178	70,118	35,460	(30.7)	(49.4)	
Reported PAT	30,861	46,306	26,382	(14.5)	(43.0)	Blended realizations will decline 1.8% yoy at Rs1,481/ton in 2QFY20 primarily driven by lower e-auction volumes, even as the benefit of increase in notified prices of coal is already in the base realizations of 2QFY19.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	30,861	46,306	26,382	(14.5)	(43.0)	
EPS (Rs/share)	5.0	7.5	4.3	(14.5)	(43.0)	
EBITDA margin (%)	11.7	21.1	5.9	-584 bps	-1520 bps	
HPCL						
Net sales	675,180	709,889	711,652	5.4	0.2	Sharp qoq rise in EBITDA reflects (1) higher auto fuel marketing margins (+Rs0.3/liter qoq) and (2) increase in refining margins and throughput, which will be partly offset by higher inventory/forex loss of Rs11.2 bn.
EBITDA	21,220	16,439	20,242	(4.6)	23.1	
EBIT	13,835	8,288	11,982	(13.4)	44.6	
PBT	15,962	12,390	14,015	(12.2)	13.1	
Reported PAT	10,920	8,109	11,492	5.2	41.7	We assume (1) higher crude throughput at 4.8 mn tons versus 3.9 mn tons in 1QFY20, (2) higher normalized refining margins at US$6.6/bbl (+US$3.3/bbl qoq) and (3) 3.5% growth in domestic sales volumes.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	10,920	8,109	11,492	5.2	41.7	
EPS (Rs/share)	7.2	5.3	7.5	5.2	41.7	
EBITDA margin (%)	3.1	2.3	2.8	-30 bps	52 bps	
IOCL						
Net sales	1,308,797	1,308,856	1,341,674	2.5	2.5	Sequential decline in EBITDA despite higher refining and marketing margins reflects high cumulative inventory/forex loss of Rs32.8 bn as compared to gains of Rs13.2 bn in 1QFY20.
EBITDA	68,735	77,231	61,728	(10.2)	(20.1)	
EBIT	50,644	56,303	40,273	(20.5)	(28.5)	
PBT	49,172	47,526	33,811	(31.2)	(28.9)	
Reported PAT	32,469	35,961	28,740	(11.5)	(20.1)	We assume (1) 6% qoq increase in crude throughput to 18.3 mn tons, (2) higher normalized refining margins at US$6.3/bbl (+US$2.7/bbl qoq) and (3) 2.5% growth in domestic sales volumes.
Extraordinaries	(1,115)	6,268	-	(100.0)	(100.0)	
Adjusted PAT	33,223	31,771	28,740	(13.5)	(9.5)	
EPS (Rs/share)	3.5	3.4	3.0	(13.5)	(9.5)	
EBITDA margin (%)	5.3	5.9	4.6	-66 bps	-130 bps	
ONGC						
Net sales	279,892	265,547	247,043	(11.7)	(7.0)	We expect 12% qoq decline in EBITDA led by (1) lower net crude realization at US$61.7/bbl (-US$6.7/bbl qoq) and (2) lower price of value-added products including LPG.
EBITDA	157,887	151,120	133,534	(15.4)	(11.6)	
EBIT	109,399	89,558	72,431	(33.8)	(19.1)	
PBT	127,050	90,572	84,189	(33.7)	(7.0)	
Reported PAT	82,646	59,043	66,509	(19.5)	12.6	We model (1) overall crude oil sales volumes to remain steady qoq at 5.3 mn tons and (2) modest 1% qoq decline in natural gas sales volumes to 5 bcm.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	82,646	59,043	66,509	(19.5)	12.6	
EPS (Rs/share)	6.4	4.6	5.2	(19.5)	12.6	
EBITDA margin (%)	56.4	56.9	54.1	-236 bps	-286 bps	
Oil India						
Net sales	37,436	33,734	32,060	(14.4)	(5.0)	We expect qoq decline in EBITDA led by (1) lower net crude realization at US$60.3/bbl (-US$6/bbl qoq) and (2) increase in operating costs.
EBITDA	15,178	13,521	11,629	(23.4)	(14.0)	
EBIT	11,090	9,538	7,090	(36.1)	(25.7)	
PBT	12,712	9,530	8,238	(35.2)	(13.6)	
Reported PAT	8,620	6,248	6,508	(24.5)	4.2	We model (1) 3% yoy decline in crude oil sales volumes to 0.8 mn tons and (2) 1% yoy decline in natural gas sales volumes to 0.64 bcm, reflecting lower production in recent months.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	8,620	6,248	6,508	(24.5)	4.2	
EPS (Rs/share)	7.2	5.2	5.4	(24.5)	4.2	
EBITDA margin (%)	40.5	40.1	36.3	-428 bps	-381 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%)		
				yoy	qoq	Comments
Reliance Industries						
Net sales	1,433,230	1,569,760	1,572,640	9.7	0.2	
EBITDA	211,080	213,150	227,109	7.6	6.5	We expect standalone EBITDA to increase qoq led by higher refining margins at US$9.5/bbl (+US$1.4/bbl qoq) and petchem volumes, which will be partly offset by lower crude throughput amid shutdown and moderation in overall petchem margins.
EBIT	158,790	163,040	173,276	9.1	6.3	
PBT	131,970	143,410	149,189	13.0	4.0	
Reported PAT	95,160	101,040	110,100	15.7	9.0	
Extraordinaries	—	—	—	—	—	Consolidated EBITDA will be further boosted by higher contribution from (1) Jio (+Rs4.6 bn qoq) amid rising subscriber base and steady ARPUs and (2) retail segment (+Rs1.1 bn qoq) amid sustained, albeit a tad slower, growth in revenues.
Adjusted PAT	95,160	101,040	110,100	15.7	9.0	
EPS (Rs/share)	16.1	17.1	19	15.7	9.0	
EBITDA margin (%)	14.7	13.6	14.4	-29 bps	86 bps	
Pharmaceuticals						
Aurobindo Pharma						
Net sales	47,514	54,446	56,583	19.1	3.9	
EBITDA	10,260	11,464	11,712	14.2	2.2	We expect the US business to stabilize at US$380 mn (-US$7 mn qoq), reflecting stable ertapenem sales. We expect the RoW business to grow by 25% yoy and EU business to grow by 22% yoy, reflecting Apotex acquisition. We expect ARV sales to grow 33% yoy off a low base.
EBIT	8,623	9,055	9,212	6.8	1.7	
PBT	8,266	8,667	8,812	6.6	1.7	
Reported PAT	6,114	6,485	6,686	9.3	3.1	
Extraordinaries	(397)	48	50	NM	4.6	
Adjusted PAT	6,114	6,485	6,686	9.3	3.1	We expect EBITDA margin to decline 40 bps to 20.7%. We expect EPS to grow 9% yoy and 3% qoq.
EPS (Rs/share)	10.5	11.1	11.4	9.3	3.1	
EBITDA margin (%)	21.6	21.1	20.7	-90 bps	-36 bps	
Biocon						
Net sales	13,210	14,659	15,863	20.1	8.2	
EBITDA	3,396	4,375	4,807	41.5	9.9	We expect 20% yoy revenue growth, driven by biologics (+37% yoy; +3% qoq) given the continuing benefits of US (Fulphila) and EU launches (Semglee and Hulio), as well as increasing contribution from RoW exports. We expect small molecules and research services to have steady growth (~12% and ~20%, respectively) and expect domestic formulations to decline 5% yoy.
EBIT	2,270	3,129	3,528	55.4	12.8	
PBT	2,626	3,204	3,628	38.2	13.2	
Reported PAT	3,547	2,063	2,653	(25.2)	28.6	
Extraordinaries	1,707	(166)	—	—	—	
Adjusted PAT	1,840	2,229	2,653	44.2	19.0	We expect 30.3% EBITDA margin in the quarter (+45 bps qoq). We expect EPS to grow 44% yoy and 19% qoq.
EPS (Rs/share)	1.5	1.9	2.2	44.2	19.0	
EBITDA margin (%)	25.7	29.8	30.3	459 bps	45 bps	
Cipla						
Net sales	40,119	39,890	43,298	7.9	8.5	
EBITDA	7,022	9,046	8,214	17.0	(9.2)	We expect trade generics business to decline 10% yoy, while domestic prescription business will likely grow at 7%, also benefitting from Rs600 mn deferral from 1QFY20. We expect the US to decline US$30 mn to US$130 mn in the quarter, given erosion in cinacalcet. We expect South Africa, Global Access and RoW to grow at 6%, 6% and 9% yoy, respectively, benefitting from base effect, as well as Rs1 bn sales deferral from 1QFY20.
EBIT	4,203	6,366	5,464	30.0	(14.2)	
PBT	5,085	6,629	5,714	12.4	(13.8)	
Reported PAT	3,771	4,782	4,189	11.1	(12.4)	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	3,771	4,782	4,189	11.1	(12.4)	
EPS (Rs/share)	4.7	5.9	5.2	10.9	(12.4)	We expect EBITDA margin to contract 19%, with R&D likely at 7.5% of sales.
EBITDA margin (%)	17.5	22.7	19.0	146 bps	-371 bps	
Dr Reddy's Laboratories						
Net sales	38,175	38,435	40,699	6.6	5.9	
EBITDA	7,600	7,267	8,014	5.4	10.3	We expect US business to grow US$7 mn qoq, given scale-up in recent launches. We forecast 15% yoy growth for India, given a strong acute season, while we expect Russia/CIS to grow 18% yoy. We expect RoW to grow at 20% yoy.
EBIT	4,602	4,185	4,784	3.9	14.3	
PBT	5,868	4,877	5,509	(6.1)	13.0	
Reported PAT	5,235	6,628	8,169	56.0	23.2	
Extraordinaries	—	3,460	4,900	—	41.6	We expect gross margin likely to bounce back to ~53% in the quarter. We expect EBITDA margin at 19.7%, given the qoq gross margin expansion. We expect reported EPS to grow 56% yoy and 23% qoq, this is largely due to a one-time US$70 mn out-licensing income from Upsher Smith. Excluding the licensing income, we expect EPS to decline 16% yoy and grow 12% qoq.
Adjusted PAT	5,235	3,930	4,396	(16.0)	11.8	
EPS (Rs/share)	31.5	23.7	26.5	(16.0)	11.8	
EBITDA margin (%)	19.9	18.9	19.7	-22 bps	78 bps	
Laurus Labs						
Net sales	5,883	5,506	6,312	7.3	14.6	
EBITDA	757	833	1,116	47.4	34.1	We expect ARV APIs to decline 20% yoy. We expect oncology and ingredients business to grow 12% yoy each, and expect APIs to grow 10% yoy. We expect synthesis business to remain flat qoq, and expect formulations to further grow 18% qoq.
EBIT	359	374	646	80.0	72.7	
PBT	218	194	466	113.9	140.4	
Reported PAT	162	151	364	124.3	140.9	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	383	371	584	52.7	57.3	We expect gross margin to decline to 49% (-100 bps qoq) given higher ARV API contribution and expect EBITDA margin to expand 260 bps qoq to 17.7%.
EPS (Rs/share)	3.6	3.5	5.5	52.7	57.3	
EBITDA margin (%)	12.9	15.1	17.7	481 bps	256 bps	
Lupin						
Net sales	39,511	44,184	45,111	14.2	2.1	
EBITDA	5,496	8,602	7,658	39.3	(11.0)	We expect US business to decline to US$190 mn qoq, reflecting erosion in Ranexa, and a largely stable base. We expect the domestic business to grow 11% yoy and South Africa, Japan and Europe to grow 5% yoy.
EBIT	2,842	5,431	4,408	55.1	(18.8)	
PBT	4,415	5,297	4,258	(3.6)	(19.6)	
Reported PAT	2,686	3,031	2,568	(4.4)	(15.3)	
Extraordinaries	—	—	—	—	—	We expect core EBITDA margin at 14.3%, given the unwinding of Ranexa opportunity, and a seasonally weak quarter. However, we expect reported EBITDA margin to decline 250 bps qoq at 17%, given US$20 mn income recognition from Boehringer licensing deal. We expect EPS to decline 4% yoy and 15% qoq.
Adjusted PAT	2,686	3,031	2,568	(4.4)	(15.3)	
EPS (Rs/share)	6.0	6.7	5.7	(4.4)	(15.3)	
EBITDA margin (%)	13.9	19.5	17.0	306 bps	-250 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	Change (%) qoq	Comments
Sun Pharmaceuticals						
Net sales	69,376	83,744	82,995	19.6	(0.9)	We expect Taro revenues to grow US$5 mn qoq. We expect SUNP's ex-Taro US revenues to decline US$35 mn qoq, given the loss of one-time supply contract in the US. We expect the domestic business to grow 29% yoy given a low base, though, this translates into 4% qoq growth. We expect RoW to grow 57% yoy reflecting Polapharma consolidation, and EMs to grow 5% yoy.
EBITDA	15,312	19,956	18,101	18.2	(9.3)	
EBIT	11,047	15,385	13,451	21.8	(12.6)	
PBT	13,263	16,474	14,451	9.0	(12.3)	
Reported PAT	(2,188)	13,922	11,770	NM	(15.5)	
Extraordinaries	(12,144)	—	—	—	—	We expect EBITDA margin at 21.8%, reflecting the promotional costs for Ilumya, and lower R&D spend (5.5% of sales). We expect base Taro EBITDA margin to remain stable in the quarter and expect ex-Taro EBITDA margin at ~18%. We expect EPS to decline 15% qoq and grow 18% yoy, when adjusted for Provigil provision in 2QFY19.
Adjusted PAT	9,956	13,875	11,770	18.2	(15.2)	
EPS (Rs/share)	4.1	5.8	4.9	18.2	(15.2)	
EBITDA margin (%)	22.1	23.8	21.8	-27 bps	-203 bps	
Torrent Pharmaceuticals						
Net sales	18,940	20,220	20,480	8.1	1.3	We expect domestic segment to grow 10% yoy. We expect LatAm to grow 5% yoy and expect other branded markets to grow 20% yoy. We expect Europe to grow 5% yoy and expect the US to decline US$5 mn qoq.
EBITDA	4,730	5,410	5,430	14.8	0.4	
EBIT	3,210	3,810	3,810	18.7	(0.0)	
PBT	2,050	2,790	2,810	37.1	0.7	
Reported PAT	1,790	2,160	2,164	20.9	0.2	
Extraordinaries	—	—	—	—	—	We expect EBITDA margin to decline 25 bps qoq to 26.5%. We expect EPS to grow 21% yoy (flat qoq).
Adjusted PAT	1,790	2,160	2,164	20.9	0.2	
EPS (Rs/share)	10.6	12.8	12.8	20.9	0.2	
EBITDA margin (%)	25.0	26.8	26.5	153 bps	-25 bps	
Real Estate						
Brigade Enterprises						
Net sales	8,259	7,087	7,966	(3.6)	12.4	We estimate revenue recognition of Rs6.5 bn (-5% yoy) at 38% gross profit margin for the real estate business.
EBITDA	2,188	1,823	1,866	(14.7)	2.4	
EBIT	1,849	1,440	1,475	(20.2)	2.5	
PBT	1,329	727	756	(43.1)	4.0	
Reported PAT	683	412	552	(19.1)	34.0	We estimate negative PBT contribution of Rs152 mn in 2QFY20 from the hospitality business on account of seasonal weakness.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	686	407	552	(19.4)	35.7	
EPS (Rs/share)	5.0	3.0	4.1	(19.4)	35.7	
EBITDA margin (%)	26.5	25.7	23.4	-307 bps	-230 bps	
DLF						
Net sales	21,390	13,312	18,592	(13.1)	39.7	DCCDL, which shifted to equity method of accounting from 3QFY18, is likely to report 8% yoy increase in revenues at Rs10.5 bn.
EBITDA	6,593	2,397	4,555	(30.9)	90.1	
EBIT	6,040	1,886	4,082	(32.4)	116.4	
PBT	2,735	(1,377)	780	(71.5)	NM	
Tax	1,393	100	273	(80.4)	173.7	
Reported PAT	3,732	4,139	3,154	(15.5)	(23.8)	Sales momentum is likely to continue with estimated sales of Rs6 bn for the quarter.
Extraordinaries	—	2,965	—	—	—	
Adjusted PAT	3,743	4,139	3,154	(15.7)	(23.8)	
EBITDA margin (%)	30.8	18.0	24.5	-633 bps	649 bps	
Embassy Office Parks REIT						
Net sales		5,351	5,744		7.3	Sequential improvement in net income is largely driven by reduction in interest cost post repayment of debt.
EBITDA		4,179	4,290		2.7	
EBIT		2,788	2,890		3.7	
PBT		2,145	2,690		25.4	
Reported PAT		2,220	2,860		28.8	NOI margins is of 82% for 2QFY20 compared to 84% for FY2019.
Extraordinaries		—	—		—	
Adjusted PAT		2,220	2,860		28.8	
EBITDA margin (%)		78.1	74.7		-341 bps	
Oberoi Realty						
Net sales	5,921	6,033	5,848	(1.2)	(3.1)	Revenues would be at Rs4.5 bn (-3% yoy) for the real estate business, reflecting lower sales from completed projects.
EBITDA	2,958	2,352	2,381	(19.5)	1.2	
EBIT	2,849	2,241	2,288	(19.7)	2.1	
PBT	3,067	2,151	2,501	(18.4)	16.3	
Reported PAT	2,127	1,509	1,951	(8.3)	29.3	Investment properties (hotel+commercial) will yield revenues of Rs1.1 bn (+3% yoy) with incremental contribution on account of improved occupancy at Commerz II.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,138	1,521	1,963	(8.2)	29.1	
EPS (Rs/share)	6.3	4.5	5.8	(8.2)	29.1	
EBITDA margin (%)	50.0	39.0	40.7	-926 bps	172 bps	
Prestige Estates Projects						
Net sales	13,225	15,387	15,181	14.8	(1.3)	We expect collections to improve 9% yoy to Rs9 bn in 2QFY20 on account of new launches as well as delivery of projects.
EBITDA	3,660	5,277	5,189	41.8	(1.7)	
EBIT	2,901	3,645	3,562	22.8	(2.3)	
PBT	1,434	1,525	1,468	2.4	(3.7)	
Reported PAT	1,046	842	1,080	3.3	28.3	Debt level in 2QFY20 is expected to remain flat as collections from sold units will be used to pay debt along with funding of construction spend for commercial and residential launches.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,046	842	1,080	3.3	28.3	
EPS (Rs/share)	0.3	0.2	0.3	3.3	28.3	
EBITDA margin (%)	27.7	34.3	34.2	650 bps	-12 bps	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Sep-18	Jun-19	Sep-19E	yoy	qoq	Comments
Sobha						
Net sales	6,587	11,767	10,560	60.3	(10.3)	We estimate blended gross profit margin of 40% for 2QFY20.
EBITDA	1,402	2,275	1,840	31.2	(19.1)	
EBIT	1,248	2,100	1,651	32.3	(21.4)	
PBT	891	1,424	1,011	13.5	(29.0)	
Reported PAT	614	906	789	28.5	(12.9)	Collections as well as pre-sales are likely to remain lower in 2QFY20 on account of weak launch activity.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	602	906	789	31.0	(12.9)	
EPS (Rs/share)	6.4	9.6	8.3	31.0	(12.9)	
EBITDA margin (%)	21.3	19.3	17.4	-387 bps	-191 bps	
Sunteck Realty						
Net sales	1,803	1,746	1,878	4.2	7.6	Lower sales at BKC will likely keep margins in check at 35%. Construction spend is likely to increase due to under-construction commercial properties at ODC and residential projects in Naigaon and Goregaon.
EBITDA	780	609	666	(14.6)	9.5	
EBIT	775	601	657	(15.2)	9.3	
PBT	844	556	792	(6.2)	42.5	
Reported PAT	509	332	569	11.8	71.4	Collections at Naigaon are likely to pick up with completion of construction at seven ongoing towers.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	587	332	569	(3.1)	71.3	
EPS (Rs/share)	4.2	2.4	4.1	(3.1)	71.3	
EBITDA margin (%)	43.3	34.9	35.5	-780 bps	62 bps	
Retailing						
Titan Company						
Net sales	44,068	49,397	49,221	11.7	(0.4)	We model (1) 11% yoy growth in jewelry segment revenues partly factoring weak July and some recovery thereafter partly aided by promotions. Our growth forecast implies about 10% yoy decline in volumes and 21% increase in realizations (gold price+mix), (2) 14% yoy growth in the watches segment revenues partly aided by residual sales from one-time institutional order from TCS, and (3) 18% growth in eyewear.
EBITDA	4,961	5,653	5,871	18.3	3.9	
EBIT	4,586	4,972	5,181	13.0	4.2	
PBT	4,749	5,229	5,219	9.9	(0.2)	We expect EBITDA margin to expand 65 bps yoy to 11.9% aided by Ind-AS 116 adoption; on LFL basis, EBITDA margin would be down 35 bps (Ind-AS 116 aided EBITDA margin by 100 bps). Weak margin is largely attributable to higher discounting and aggressive exchange schemes in the jewelry segment. We model 21% ETR for 2Q translating into about 25.2% ETR for 1HFY20. On LFL basis, net profit would increase 11% yoy (adjusted for ETR reset) and EBITDA would be up 8% yoy (adjusted for Ind-AS 116). Separately, we note that 2QFY19 EBITDA margin was impacted by provisions (Rs290 mn) pertaining to IL&FS and one-time franchise compensation expense (Rs150 mn).
Reported PAT	3,144	3,707	4,123	31.1	11.2	
Extraordinaries	(191.4)	—	—	—	—	
Adjusted PAT	3,335	3,707	4,123	23.6	11.2	
EPS (Rs/share)	3.8	4.2	4.6	23.6	11.2	
EBITDA margin (%)	11.3	11.4	11.9	66 bps	48 bps	
Speciality Chemicals						
Castrol India						
Net sales	9,269	10,396	9,357	1.0	(10.0)	We expect Castrol to deliver 15% yoy increase in EBITDA despite lower volumes reflecting robust improvement in margins.
EBITDA	2,274	2,843	2,605	14.6	(8.4)	
EBIT	2,139	2,677	2,433	13.7	(9.1)	
PBT	2,327	2,833	2,604	11.9	(8.1)	
Reported PAT	1,504	1,827	2,143	42.5	17.3	We assume (1) 3% yoy decline in volumes to 49.6 mn liters and (2) ~330 bps yoy and ~50 bps qoq increase in EBITDA margin to 27.8%.
Extraordinaries	—	—	—	—	—	
Adjusted PAT	1,504	1,827	2,143	42.5	17.3	
EPS (Rs/share)	1.5	1.8	2.2	42.5	17.3	
EBITDA margin (%)	24.5	27.3	27.8	331 bps	49 bps	
Pidilite Industries						
Net sales	17,574	20,168	19,013	8.2	(5.7)	We model 6% volume growth and 9% revenue growth for the consumer bazaar (CBP) business. We expect industrial products segment to report 8% revenue growth; we have not modeled continuity of higher sales of pigments akin 1QFY20.
EBITDA	3,648	4,437	4,260	16.8	(4.0)	
EBIT	3,333	4,060	3,870	16.1	(4.7)	
PBT	3,549	4,385	4,250	19.8	(3.1)	We expect further expansion in consolidated GM (+65 bps qoq; +265 bps yoy) led by easing of prices of key raw materials (VAM and crude derivatives) partly offset by higher promotions. We model 165 bps yoy improvement in consolidated EBITDA margin to 22.4%, led by GM expansion and partly offset by higher employee expenses; impact of Ind-AS 116 is negligible. We estimate 20% yoy growth in PBT. Net profit growth would be much higher owing to ETR cut and associated reversal of 1Q taxes; we model 18% ETR for standalone financials for 2Q translating into 25.2% ETR for 1HFY20.
Reported PAT	2,316	2,929	3,478	50.2	18.8	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	2,316	2,929	3,478	50.2	18.8	
EPS (Rs/share)	4.6	5.8	6.9	50.2	18.8	
EBITDA margin (%)	20.8	22.0	22.4	164 bps	40 bps	
S H Kelkar and Company						
Net sales	2,835	2,744	2,986	5.3	8.8	We expect 5% revenue growth on a high base (+27% yoy).
EBITDA	367	464	499	35.8	7.5	
EBIT	291	342	374	28.2	9.1	We model 375 bps expansion in EBITDA margin, driven by (1) 80 bps expansion in gross margin led by some stability in RM costs, (2) non-recurrence of one-time employee rationalization costs that impacted margin by 140 bps in the base quarter, (3) 140 bps upside from adoption of Ind-AS 116, and (4) operating leverage benefits. Underlying EBITDA growth adjusted for Ind-AS 116 would be 24%. Higher interest expenses will weigh on PBT growth. We estimate 8% yoy growth in PBT. We note that flat PAT despite benefit of ETR cut is due to lower-than-usual ETR in the base quarter.
PBT	333	286	359	7.7	25.3	
Reported PAT	288	185	286	(0.9)	54.7	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	288	185	286	(0.9)	54.7	
EPS (Rs/share)	2.0	1.3	2.0	(0.9)	54.7	
EBITDA margin (%)	13.0	16.9	16.7	374 bps	-21 bps	

Source: Companies, Kotak Institutional Equities estimates

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

				Change (%)		
	Sep-18	Jun-19	Sep-19E	yoy	qoq	Comments
SRF						
Net sales	19,154	18,284	21,269	11.0	16.3	
EBITDA	3,148	3,653	4,034	28.1	10.4	We expect 11% yoy increase in revenues amid recovery in the chemicals business underpinned by the ramp-up in utilization at Dahej plant.
EBIT	2,268	2,712	3,034	33.8	11.9	
PBT	1,914	2,346	2,621	37.0	11.7	
Reported PAT	1,512	1,851	2,071	36.9	11.8	
Extraordinaries	—	—	—	—	—	We expect ~100 bps qoq moderation in EBITDA margins to 19% led by (1) higher operating costs and (2) lower margins in the packaging business
Adjusted PAT	1,512	1,851	2,071	36.9	11.8	
EPS (Rs/share)	26.3	32.2	36.1	36.9	11.8	
EBITDA margin (%)	16.4	20.0	19.0	252 bps	-102 bps	
Telecom						
Bharti Airtel						
Net sales	201,477	207,379	211,282	4.9	1.9	We expect a 1.5% qoq decline in India wireless revenues partly due to the seasonal weakness. EBITDA for the segment will likely be down 5.5% qoq. We are building a 3.3% qoq decline in ARPU to Rs127/month.
EBITDA	62,435	82,888	82,628	32.3	(0.3)	
EBIT	10,069	15,301	13,428	33.4	(12.2)	
PBT	(20,169)	(16,229)	(15,472)	(23.3)	(4.7)	
Reported PAT	1,187	(28,660)	(13,293)	NM	(53.6)	We expect a steady quarter for the Africa business with 2.5% qoq growth in revenues and marginal uptick in EBITDA margin sequentially. Among the other businesses, we expect (1) double digit qoq growth in revenues and EBITDA for the enterprise segment, (2) healthy sequential performance for the India DTH business, and (3) marginal uptick in the home broadband segment.
Extraordinaries	(1,449)	(14,694)	—	—	—	
Adjusted PAT	2,636	(13,966)	(13,293)	NM	(4.8)	
EPS (Rs/share)	0.7	(3.5)	(3.3)	NM	(4.8)	
EBITDA margin (%)	31.0	40.0	39.1	NM	-87 bps	
Bharti Infratel						
Net sales	36,683	35,300	36,482	(0.5)	3.3	
EBITDA	14,864	14,002	14,445	(2.8)	3.2	We expect a marginal uptick in net tenancies but a sequential decline in service rentals (still up 4% yoy).
EBIT	9,239	8,612	8,909	(3.6)	3.5	
PBT	10,238	9,381	9,735	(4.9)	3.8	
Reported PAT	5,998	8,432	8,296	38.3	(1.6)	
Extraordinaries	(357)	2,434	659	NM	(72.9)	We are building a sharp expansion in energy spread, which should offset weak service revenues, driving a 3.2% qoq increase in EBITDA.
Adjusted PAT	6,355	5,998	7,637	20.2	27.3	
EPS (Rs/share)	3.4	3.2	4.1	20.2	27.3	
EBITDA margin (%)	40.5	39.7	39.6	-93 bps	-7 bps	
Tata Communications						
Net sales	40,682	41,686	42,924	5.5	3.0	
EBITDA	6,302	7,556	7,463	18.4	(1.2)	A decent quarter is likely for TCOM - we expect EBITDA growth (ex Ind-AS 116) of 18.4% yoy but down 1.2% qoq.
EBIT	1,296	2,564	2,263	74.6	(11.8)	
PBT	404	1,608	1,338	231.4	(16.8)	
Reported PAT	16	708	148	NM	(79.1)	
Extraordinaries	16	(65)	—	—	—	We expect some margin moderation in the traditional services business, partly offset by stronger earnings profile of the growth and innovation business (lower losses).
Adjusted PAT	1	773	148	NM	(80.9)	
EPS (Rs/share)	0.0	2.7	0.5	NM	(80.9)	
EBITDA margin (%)	15.5	18.1	17.4	189 bps	-75 bps	
Vodafone Idea						
Net sales	76,635	112,699	108,738		(3.5)	
EBITDA	4,614	12,400	9,507		(23.3)	We expect a 3.5% qoq decline in revenue on the back of continued subscriber loss and seasonal weakness.
EBIT	(25,445)	(33,808)	(37,451)		10.8	
PBT	(44,956)	(60,949)	(60,802)		(0.2)	
Tax	(453)	(18,499)	(21,281)		15.0	
Reported PAT	(49,738)	(49,939)	(44,522)		(10.8)	
Extraordinaries	(5,658)	(8,070)	(5,000)		(38.0)	We expect ARPU print of Rs108/month (flat sequentially); stability is optical due to the decline in average subs base. Net finance costs should see a sharp sequential decline.
Adjusted PAT	(44,080)	(41,869)	(39,522)		(5.6)	
EBITDA margin (%)	6.0	11.0	8.7		-226 bps	

Source: Companies, Kotak Institutional Equities estimates

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

	Sep-18	Jun-19	Sep-19E	Change (%) yoy	Change (%) qoq	Comments
Transportation						
Adani Ports and SEZ						
Net sales	26,080	29,741	30,685	17.7	3.2	
EBITDA	17,035	18,725	19,106	12.2	2.0	We model a 9% growth for the portfolio, driven by strong growth in Dhamra port. This would be much ahead of the 4-5% growth expected for the overall cargo volumes at ports at a country model, driven by share gains in south and east clusters; west coast portfolio would likely have stable performance. Overall revenue growth is boosted by our expectation of uptick in non-port income after a very weak 1QFY20.
EBIT	13,515	14,750	15,042	11.3	2.0	
PBT	13,180	13,980	14,603	10.8	4.5	
Reported PAT	11,240	11,076	11,501	2.3	3.8	
Extraordinaries	(87)	(108)	(32)	(63.0)	(70.2)	
Adjusted PAT	6,055	11,076	11,501	89.9	3.8	We model sequentially lower EBITDA margin of ~62% for Adani Ports in 2QFY20 as we factor in build-up in non-port income. We expect port-level EBITDA margin to be steady at 70%.
EPS (Rs/share)	2.9	5.3	5.6	89.9	3.8	
EBITDA margin (%)	65.3	63.0	62.3	-306 bps	-70 bps	
Container Corp.						
Net sales	17,223	16,389	17,168	(0.3)	4.7	
EBITDA	4,042	4,033	4,185	3.5	3.8	The EXIM container handling tonnage for Indian Railways has grown 8% yoy in July-August 2019. We build in a 4% decline in Concor's EXIM handling volumes in 2QFY20 to maintain market share on a sequential basis. With the price increases taken in FY2019, we expect a lower 2% decline in EXIM revenues in the quarter. We also expect some growth support from domestic volumes. Overall, we expect flattish revenues in 2QFY20.
EBIT	2,994	2,779	2,842	(5.1)	2.2	
PBT	3,686	3,250	3,428	(7.0)	5.5	
Reported PAT	3,361	2,278	777	(76.9)	(65.9)	
Extraordinaries	651	—	(1,913)	(393.9)	—	
Adjusted PAT	2,710	2,278	2,690	(0.7)	18.1	We expect flattish qoq EBITDA margin of 24% for 2QFY20. It would be interesting to see whether Concor cedes on margin to arrest and reverse market share losses that have sustained over the past few quarters.
EPS (Rs/share)	4.4	3.7	4.4	(0.7)	18.1	
EBITDA margin (%)	23.5	24.6	24.4	90 bps	-24 bps	
Gateway Distriparks						
Net sales	1,046	3,141	3,235	209.5	3.0	Financials are not comparable yoy as rail subsidiary financials will now get consolidated line-by-line after the recent buyout of the Blackstone stake. On a comparable basis, we expect a flattish yoy revenue print for the CFS revenues for the quarter and ~8% yoy growth in the rail business. Rail volumes had shown good growth in 1QFY20 (grew faster than market) and we expect the growth momentum to sustain. We expect GDL's rail business to marginally outperform.
EBITDA	191	595	652	241.3	9.6	
EBIT	108	364	392	262.9	7.9	
PBT	103	177	200	94.4	13.1	
Reported PAT	194	665	149	(23.1)	(77.6)	
Extraordinaries	20	499	—	—	—	We expect 120 bps yoy improvement in EBITDA margin (adjusted for large SEIS income of Rs550 mn booked in 1QFY20) primarily driven by recent price increase taken in the rail segment. We expect ~20% EBITDA margin for the quarter, similar to our FY2020 estimate.
Adjusted PAT	179	163	149	(16.8)	(8.8)	
EPS (Rs/share)	1.6	1.5	1.4	(16.8)	(8.8)	
EBITDA margin (%)	18.3	18.9	20.1	188 bps	120 bps	
Gujarat Pipavav Port						
Net sales	1,711	1,776	1,714	0.1	(3.5)	
EBITDA	975	1,024	966	(0.9)	(5.6)	We expect a weak container volume print (down 10% yoy growth) driving an 8% yoy decline on an overall basis. We expect improving realization per ton on a yoy basis (recent price increase in container). Yoy realization will still decline on high base (favorable currency) and increase in share of transshipment volumes yoy. Revenue growth will thus remain subdued for the quarter.
EBIT	702	708	658	(6.3)	(7.1)	
PBT	851	853	768	(9.7)	(9.9)	
Reported PAT	553	564	633	14.4	12.2	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	553	564	633	14.4	12.2	We model 130 bps qoq decline in EBITDA margin on account of negative operating leverage. Yoy increase in margin is driven by recent price increase effective from April 7, 2019.
EPS (Rs/share)	1.1	1.2	1.3	14.4	12.2	
EBITDA margin (%)	57.0	57.7	56.4	-59 bps	-127 bps	
Mahindra Logistics						
Net sales	9,274	8,990	8,541	(7.9)	(5.0)	We expect a meaningful 13% yoy decline in M&M-SCM revenues, net of very weak auto volumes and some growth support from tractor volumes. On the non-M&M SCM front, we build in a 5% yoy decline in revenue driven by the loss of large customer in the bulk segment. New client additions in FY2019 should support revenue growth (warehousing, followed by distribution transportation) from 2HFY20.
EBITDA	340	401	385	13.3	(3.9)	
EBIT	288	252	259	(10.3)	2.7	
PBT	293	286	262	(10.5)	(8.5)	
Tax	102	100	58	(43.1)	(41.6)	We expect EBITDA margin of 4.5% in 2QFY20, flat qoq, as we build in the benefits of a better product mix (lower share of transportation) to get negated by negative operating leverage. New client additions in FY2019 have been in other high-potential areas such as automotive, power equipment and aviation parts for not only transportation but also warehousing and line-feed activities. As MLL ramps up work for these clients, it will have a positive impact on non-M&M SCM margin.
Reported PAT	189	186	202	6.7	8.4	
Extraordinaries	—	—	—	—	—	
Adjusted PAT	189	186	202	6.7	8.4	
EBITDA margin (%)	3.7	4.5	4.5	84 bps	5 bps	

Source: Companies, Kotak Institutional Equities estimates

Exhibit 8: Kotak Institutional Equities: Valuation summary of KIE universe stocks

Company	Rating	Price (Rs) 4-Oct-19	Fair Value (Rs)	Upside (%)	Mkt cap. (Rs bn)	Mkt cap. (US$ bn)	O/S shares (mn)	EPS (Rs) 2020E	EPS (Rs) 2021E	EPS (Rs) 2022E	EPS growth (%) 2020E	EPS growth (%) 2021E	EPS growth (%) 2022E	P/E (X) 2020E	P/E (X) 2021E	P/E (X) 2022E	EV/EBITDA (X) 2020E	EV/EBITDA (X) 2021E	EV/EBITDA (X) 2022E	P/B (X) 2020E	P/B (X) 2021E	P/B (X) 2022E	RoE (%) 2020E	RoE (%) 2021E	RoE (%) 2022E	Dividend yield (%) 2020E	Dividend yield (%) 2021E	Dividend yield (%) 2022E	ADVT 3mo (US$ mn)
Automobiles & Components																													
Amara Raja Batteries	ADD	689	700	2	118	1.7	171	37	41	46	30.7	10.8	11.3	19	16.8	15.1	10.4	9.3	8.2	3.1	2.8	2.4	17.8	17.4	17.2	1.3	1.5	1.7	6.1
Apollo Tyres	ADD	169	190	13	97	1.4	572	12.6	14.6	18.2	(11.9)	15.3	24.7	13.4	11.6	9.3	7.2	6.3	5.1	0.9	0.9	0.8	7.0	7.7	9.0	1.8	1.8	1.8	7.2
Ashok Leyland	BUY	68	120	76	200	2.8	2,936	4.8	5.2	7.9	(30.4)	8.0	50.2	14.1	13.0	8.7	8.5	7.6	5.3	2.2	2.0	1.7	16.2	15.8	21	2.1	2.3	3.5	37
Bajaj Auto	SELL	2,864	2,670	(7)	829	12	289	158	160	193	2.9	1.7	20.6	18.2	17.9	14.8	13.8	13.3	10.3	3.4	3.1	2.8	19.9	18.3	20.0	2.2	2.2	2.7	22
Balkrishna Industries	BUY	745	875	18	144	2.0	193	41	49	55	3.5	18.6	13.9	18.1	15.3	13.4	10.6	8.7	7.1	2.7	2.4	2.1	16.0	16.8	16.8	1.2	1.3	1.4	5.5
Bharat Forge	SELL	425	365	(14)	198	2.8	466	19	20	27	(15.9)	6.5	36.5	22.8	21.4	15.7	13.1	12.3	9.7	3.3	3.0	2.7	15.4	14.8	18.1	1.3	1.4	1.4	9.1
CEAT	REDUCE	948	900	(5)	38	0.5	40	69	66	71	11.9	(3.5)	7.0	13.8	14.3	13.3	8.5	7.9	7.2	1.3	1.2	1.1	9.7	8.7	8.7	1.3	1.3	1.3	2.6
Eicher Motors	SELL	17,999	15,000	(17)	491	6.9	27	710	674	911	(12.9)	(5.2)	35.2	25.3	26.7	19.8	18.0	18.8	14.6	5.7	4.9	4.1	25	19.7	23	0.2	0.0	—	43
Endurance Technologies	SELL	975	835	(14)	137	1.9	141	45	49	61	24.7	8.8	24.3	22	19.9	16.0	10.3	9.2	7.4	4.4	3.7	3.1	21	18.9	19.6	0.8	0.9	1.1	0.9
Escorts	BUY	598	1,000	67	53	1.0	89	56	67	76	2.0	20.8	13.6	10.8	8.9	7.8	7.6	5.7	4.6	1.6	1.4	1.2	14.4	15.2	15.1	1.4	1.7	1.9	26
Exide Industries	SELL	190	200	5	162	2.3	850	11.2	12.2	13.2	23.9	9.0	8.5	17.0	15.6	14.4	9.8	8.9	7.9	2.5	2.2	2.0	15.1	15.0	14.9	1.8	2.1	2.1	5.0
Hero Motocorp	SELL	2,668	2,250	(16)	533	7.5	200	155	134	183	(8.5)	(13.8)	36.7	17.2	20.0	14.6	10.4	12.1	8.6	3.7	3.4	3.1	23	17.7	22	2.9	2.5	3.4	42
Mahindra CIE Automotive	ADD	157	190	21	60	0.8	378	12.9	14.2	16.4	(11.3)	10.4	15.7	12.2	11.1	9.6	6.8	5.9	4.9	1.2	1.1	1.0	10.7	10.7	11.1	—	—	—	0.4
Mahindra & Mahindra	BUY	564	770	36	701	9.9	1,138	41	43	49	(14.0)	3.8	15.2	13.8	13.3	11.5	9.6	8.9	7.6	1.6	1.5	1.3	12.4	11.6	12.2	1.5	1.5	1.7	31
Maruti Suzuki	REDUCE	6,650	5,500	(17)	2,009	28.3	302	182	245	311	(26.7)	34.6	26.9	37	27	21	19.2	14.0	10.4	4.0	3.6	3.3	11.4	14.1	16.1	0.7	0.9	1.2	132
Motherson Sumi Systems	SELL	97	95	(3)	308	4.3	3,158	5.0	6.5	8.2	(1.7)	30.1	26.0	19.4	14.9	11.8	7.1	5.3	4.1	2.6	2.3	2.0	13.8	16.2	18.1	1.5	1.7	2.0	13.9
MRF	SELL	60,831	54,000	(11)	258	3.6	4	3,079	3,316	4,021	15.5	7.7	21.3	20	18.3	15.1	9.4	8.3	6.6	2.1	1.9	1.7	11.4	11.0	11.9	0.1	0.1	0.1	5.2
Schaeffler India	REDUCE	4,209	4,260	1	132	1.9	31	127	162	196	(11.6)	27.4	20.7	33	26	22	17.3	14.6	11.9	4.3	3.7	3.2	13.8	15.3	16.0	—	—	—	0.7
SKF	REDUCE	2,074	2,000	(4)	106	1.5	49	75	86	100	15.3	13.9	16.3	27	24	21	20.6	17.9	14.9	5.2	4.4	3.8	18.8	18.3	18.3	0.7	0.8	0.9	0.6
Tata Motors	BUY	120	190	59	406	5.2	3,396	(2.7)	7.0	20.4	49.4	356.8	191.4	NM	17.0	5.8	4.1	3.5	2.8	0.7	0.7	0.6	NM	3.9	10.7	—	—	—	82
Timken	SELL	778	670	(14)	59	0.8	75	25	29	35	27.8	13.3	21.2	31	27	22	17.7	15.4	12.6	3.8	3.4	3.0	13.3	13.2	14.1	0.1	0.1	0.2	0.3
TVS Motor	SELL	396	330	(17)	188	2.7	475	15.0	13.7	22.7	6.4	(8.8)	65.8	26	29	17	13.3	13.5	9.4	5.0	4.5	3.8	20.0	16.2	24	1.1	1.0	1.7	12.7
Varroc Engineering	BUY	442	675	53	60	0.8	135	33	45	54	(0.9)	35.6	20.0	13.4	9.9	8.2	6.8	5.3	4.2	1.7	1.5	1.3	12.8	15.0	15.5	—	—	—	0.4
Automobiles & Components	**Neutral**				**7,285**	**102.5**					**(7.4)**	**21.2**	**35.6**	**23.4**	**19.3**	**14.2**	**9.4**	**8.0**	**6.2**	**2.5**	**2.3**	**2.1**	**10.7**	**11.9**	**14.4**	**1.1**	**1.2**	**1.5**	**486**
Banks																													
AU Small Finance Bank	SELL	645	525	(19)	189	2.7	302	21.7	26.6	34.2	66.0	22.7	28.7	30	24	19	—	—	—	4.5	3.8	3.1	17.1	16.3	17.7	0.0	—	—	3.4
Axis Bank	REDUCE	656	715	9	1,850	26.1	2,806	31.7	57	66	74.5	79.2	16.1	21	11.5	9.9	—	—	—	2.2	1.9	1.6	11.4	16.6	16.8	0.5	1.3	1.5	121
Bandhan Bank	REDUCE	484	525	8	578	8.1	1,610	22.0	27.2	34.9	34.5	23.8	28.2	22.0	17.8	13.9	—	—	—	4.7	3.7	2.9	25.1	23	23	—	—	—	5.4
Bank of Baroda	ADD	89	130	47	341	4.8	3,853	13.1	24.2	27	704.2	84.4	13.0	7	3.7	3.2	—	—	—	0.7	0.6	0.5	9.2	13.8	13.9	3.0	5.5	6.2	42
City Union Bank	ADD	218	215	(1)	160	2.3	735	11.1	12.6	15.0	19.0	14.2	18.5	20	17.3	14.6	—	—	—	3.2	2.8	2.4	15.7	15.9	16.5	0.9	1.0	1.2	2.4
DCB Bank	BUY	180	250	39	56	0.8	310	13.1	16.9	20.7	24.8	28.7	22.8	13.7	10.6	8.7	—	—	—	1.8	1.6	1.3	13.3	15.1	16.1	0.7	0.9	1.1	4.2
Equitas Holdings	BUY	100	180	81	34	0.5	342	10.4	13.5	17.6	65.0	29.0	30.6	9.5	7.4	5.7	—	—	—	1.3	1.1	0.9	13.3	14.9	16.6	—	—	—	6.8
Federal Bank	BUY	86	130	52	170	2.4	1,985	8.9	11.3	14.0	42.2	26.4	24.4	9.6	7.6	6.1	—	—	—	1.3	1.1	1.0	12.7	14.5	16.1	2.3	2.9	3.7	16.9
HDFC Bank	ADD	1,190	1,275	7	6,509	91.7	5,447	47	56	68	21.1	19.7	20.8	25	21	18	—	—	—	3.9	3.4	3.0	16.0	16.9	17.8	0.8	0.9	1.1	140
ICICI Bank	BUY	414	515	24	2,673	37.7	6,447	19.9	31	38	320.1	57.0	21.4	21	13.2	10.9	—	—	—	2.4	2.1	1.9	11.3	16.0	17.1	1.0	1.5	1.8	130
IndusInd Bank	ADD	1,265	1,750	38	877	12.4	723	80	107	125	49.1	33.5	17.1	16	11.8	10.1	—	—	—	2.5	2.1	1.8	17.9	18.6	18.6	0.9	1.2	1.4	110
J&K Bank	NR	32	—	—	18	0.3	557	6.7	12.0	14.9	(19.6)	78.9	24.4	4.8	2.7	2.2	—	—	—	0.3	0.3	0.2	5.5	9.3	10.7	4.2	7.5	9.3	0.7
Karur Vysya Bank	BUY	59	80	36	47	0.7	799	4.0	8.1	14.3	51.0	102.8	76.8	15	7.3	4.1	—	—	—	0.9	0.8	0.7	4.9	9.4	15.2	1.7	3.6	6.3	0.8
Punjab National Bank	NR	58	NR	—	267	3.8	7,067	6	8.0	9.5	129.2	25.9	19.6	9.2	7.3	6.1	—	—	—	0.9	0.8	0.6	8.7	10.4	9.9	—	—	—	27
RBL Bank	ADD	303	400	32	130	1.8	427	15	32	43	(26.2)	110.4	37.2	20.2	9.6	7.0	—	—	—	1.8	1.5	1.3	8.2	15.6	18.5	0.7	1.4	1.9	59
State Bank of India	BUY	250	390	56	2,231	31.4	8,925	29.5	50	54	2,954.7	68.4	9.3	8	5.0	4.6	—	—	—	1.2	1.0	0.8	11.3	16.5	15.4	0.1	0.1	0.1	137
Union Bank	NR	50	NR	—	89	1.3	3,756	2.0	8.5	10.7	112.2	315.8	25.8	24.6	5.9	4.7	—	—	—	0.7	0.5	0.4	2.5	11.0	10.3	0.6	2.5	3.2	10.0
YES Bank	SELL	42	55	30	107	1.5	2,315	(14.1)	(2.6)	15.9	(289.4)	81.3	705.0	NM	NM	2.7	—	—	—	0.5	0.5	0.4	NM	NM	14.4	(8.7)	(1.6)	9.9	209
Banks	**Attractive**				**16,499**	**232.5**					**234.8**	**61.5**	**20.7**	**17**	**10.4**	**8.6**				**1.7**	**1.4**	**1.2**	**10.1**	**13.5**	**14.3**	**0.6**	**1.1**	**1.3**	**1,062**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

Company	Rating	Price (Rs) 4-Oct-19	Fair Value (Rs)	Upside (%)	Mkt cap. (Rs bn)	Mkt cap. (US$ bn)	O/S shares (mn)	EPS (Rs) 2020E	EPS (Rs) 2021E	EPS (Rs) 2022E	EPS growth (%) 2020E	EPS growth (%) 2021E	EPS growth (%) 2022E	P/E (X) 2020E	P/E (X) 2021E	P/E (X) 2022E	EV/EBITDA (X) 2020E	EV/EBITDA (X) 2021E	EV/EBITDA (X) 2022E	P/B (X) 2020E	P/B (X) 2021E	P/B (X) 2022E	RoE (%) 2020E	RoE (%) 2021E	RoE (%) 2022E	Dividend yield (%) 2020E	Dividend yield (%) 2021E	Dividend yield (%) 2022E	ADVT 3mo (US$ mn)
Building Products																													
Astral Poly Technik	SELL	1,174	720	(39)	177	2.5	120	20.9	25	29	28.0	19.0	15.8	56	47	41	35.6	30.6	26.5	9.3	7.8	6.6	18.0	18.0	17.6	0.1	0.1	0.1	3.4
Building Products	**Cautious**				**177**	**2.5**					**28.0**	**19.0**	**15.8**	**71**	**59**	**51**	**35.6**	**30.6**	**26.5**	**11.7**	**9.8**	**8.3**	**16.5**	**16.6**	**16.3**	**0.1**	**0.1**	**0.1**	**3.4**
Capital goods																													
ABB	SELL	1,460	1,277	(13)	309	4.4	212	29	36	43	22.2	21.8	20.6	50	41	34	44.2	34.9	28.0	6.9	6.1	5.3	14.7	15.8	16.8	0.4	0.4	0.5	2.5
Ashoka Buildcon	BUY	97	210	115	27	0.4	281	12.1	12.7	14.2	2.0	4.9	NA	8.1	7.7	NA	6.1	5.7	NA	1.1	1.0	NA	14.5	13.5	NA	1.9	2.0	2.3	0.6
Bharat Electronics	BUY	105	132	26	256	3.6	2,437	7.5	7.9	5.6	(3.6)	6.1	(29.8)	14.1	13.3	18.9	9.2	8.2	8.8	2.5	2.3	2.3	18.9	18.3	12.6	3.1	3.3	1.9	18.7
BHEL	REDUCE	46	56	21	160	2.3	3,482	1.8	2.9	4.9	(48.5)	59.8	71.4	26	16.0	9.3	7.9	5.6	3.8	0.5	0.5	0.5	2.0	3.1	5.3	1.9	2.8	4.3	10.4
Carborundum Universal	ADD	295	335	13	56	0.8	189	16.0	18.5	20.9	22.4	15.3	13.2	18.4	16.0	14.1	11.0	9.2	7.9	2.9	2.6	2.3	16.7	17.3	17.5	1.6	1.9	2.1	0.3
Cochin Shipyard	BUY	333	600	80	44	0.6	132	44	48	38	21.1	7.9	(19.8)	7.5	7.0	8.7	2.4	4.0	3.8	1.2	1.0	1.0	16.5	15.9	11.6	3.3	3.6	4.0	0.3
Cummins India	REDUCE	551	635	15	153	2.2	277	27	30	34	2.6	12.3	12.5	20	18.1	16.1	18.3	15.9	13.9	3.5	3.3	3.1	17.6	18.6	19.7	2.6	2.9	3.3	4.5
Dilip Buildcon	BUY	386	665	73	53	0.7	137	46	53	63	(17.6)	15.2	18.9	8.4	7.3	6.1	4.5	4.2	3.4	1.4	1.2	1.0	17.9	17.3	17.2	0.2	0.2	0.3	2.2
IRB Infrastructure	BUY	70	205	194	24	0.3	351	22	20	15	(9.4)	(8.7)	(23.6)	3.2	3.5	4.6	5.4	5.3	5.0	0.4	0.3	0.3	11.6	9.7	6.9	4.0	3.8	3.2	1.5
Kalpataru Power Transmission	BUY	454	615	35	70	1.0	153	36	41	48	19.4	11.9	18.8	12.5	11.2	9.4	5.9	4.8	4.1	1.9	1.7	1.5	16.6	16.1	16.5	0.9	0.9	1.1	1.6
KEC International	BUY	265	369	39	68	1.0	257	25.4	30	37	34.4	19.9	20.1	10.4	8.7	7.2	6.5	5.2	4.4	2.3	1.8	1.5	24	23	23	1.0	1.2	1.5	1.3
L&T	BUY	1,425	1,650	16	1,999	28.2	1,403	73	82	100	19.3	12.0	21.4	19.5	17.4	14.3	17.5	15.2	13.5	2.8	2.5	2.3	16.2	15.4	16.8	1.4	1.8	2.2	69
Sadbhav Engineering	BUY	131	190	45	22	0.3	172	12.1	14.2	16.8	11.4	17.5	18.6	10.8	9.2	7.8	6.6	5.9	5.2	1.0	0.9	0.8	9.7	10.5	11.3	—	—	—	0.7
Siemens	SELL	1,533	1,175	(23)	546	7.7	356	37	43	NA	19.1	16.1	NA	42	36	NA	28.5	24.5	NA	5.5	5.0	NA	13.9	14.7	NA	0.7	0.8	0.9	10.0
Thermax	ADD	1,131	1,224	8	135	1.9	113	37	47	55	0.9	26.6	16.7	30	24	21	24.3	19.6	16.9	24.3	19.6	16.9	13.2	15.0	15.7	0.7	0.9	1.0	1.2
Capital goods	**Neutral**				**3,922**	**55.3**					**8.6**	**13.3**	**15.2**	**19.7**	**17.4**	**15.1**				**2.4**	**2.2**	**2.0**	**12.2**	**12.7**	**13.3**	**1.4**	**1.7**	**1.9**	**1,062**
Commercial & Professional Services																													
SIS	REDUCE	860	870	1	63	0.9	75	37	41	48	27.5	11.9	16.0	23	21	18.0	12.7	10.8	9.2	4.3	3.6	3.1	19.9	18.8	18.5	0.4	0.4	0.5	0.4
TeamLease Services	SELL	2,985	2,300	(23)	51	0.7	17	68	89	112	18.6	29.8	26.9	44	34	27	38.5	29.2	22.4	7.8	6.3	5.1	19.5	21	21	—	—	—	0.5
Commercial & Professional Services	**Cautious**				**114**	**1.6**					**24.7**	**17.3**	**19.6**	**29**	**25**	**21**	**17.9**	**14.9**	**12.3**	**5.3**	**4.4**	**3.7**	**18.2**	**17.8**	**17.8**	**0.2**	**0.2**	**0.3**	**0.9**
Commodity Chemicals																													
Asian Paints	REDUCE	1,724	1,600	(7)	1,654	23.3	959	31.8	37.8	44.8	41.2	18.8	18.7	54	46	38	34.4	29.5	25.3	15.3	13.5	12.0	30	31	33	0.9	1.1	1.4	35
Tata Chemicals	BUY	577	675	17	147	2.1	255	45.5	50.1	53.6	6.0	10.2	6.8	12.7	11.5	10.8	5.4	4.8	4.3	1.1	1.1	1.0	9.1	9.4	9.5	2.2	2.4	2.6	5.3
Commodity Chemicals	**Neutral**				**1,801**	**25.4**					**29.3**	**16.5**	**15.6**	**43**	**37**	**32**	**24.7**	**21.6**	**18.9**	**7.5**	**6.9**	**6.3**	**17.6**	**18.7**	**19.8**	**1.0**	**1.2**	**1.5**	**40**
Construction Materials																													
ACC	REDUCE	1,488	1,453	(2)	279	3.9	188	86.2	83.7	93.3	62.0	(2.9)	11.5	17.3	17.8	16.0	10.0	10.3	9.1	2.4	2.2	2.0	14.6	12.9	13.1	1.4	1.4	1.6	19.8
Ambuja Cements	REDUCE	190	196	3	377	5.3	1,986	11.9	12.8	14.2	63.9	7.3	11.1	15.9	14.8	13.3	6.0	5.7	4.8	1.5	1.4	1.3	10.1	10.0	10.2	0.8	0.8	0.8	9.7
Dalmia Bharat	ADD	1,078	1,225	54	153	2.2	192	33.7	43.4	58.6	134.7	28.7	35.1	24	18.3	13.6	7.4	6.6	5.4	1.4	1.3	1.2	5.9	7.2	9.0	—	—	—	1.8
Grasim Industries	ADD	654	984	50	430	6.1	657	92.6	113.9	125.7	48.0	23.0	10.4	7.1	5.7	5.2	5.0	3.9	3.1	0.7	0.6	0.6	10.4	11.5	11.4	1.1	1.1	1.1	19.8
J K Cement	ADD	1,027	1,152	12	79	1.1	77	81.9	99.7	128.8	140.1	21.7	29.2	12.5	10.3	8.0	9.1	7.3	5.6	2.5	2.0	1.6	21	22	23	1.0	1.0	1.0	0.8
JK Lakshmi Cement	ADD	299	357	19	35	0.5	118	25.4	33.3	39.0	528.7	30.8	17.2	11.8	9.0	7.7	6.0	4.8	4.3	2.0	1.7	1.4	18.5	20	19.7	0.7	0.7	0.7	0.4
Orient Cement	ADD	88	112	28	18	0.3	205	9.0	12.1	14.1	286.6	35.1	16.4	9.8	7.2	6.2	6.0	5.1	4.8	1.5	1.3	1.1	16.4	19.3	19.2	2.3	2.3	2.3	0.3
Shree Cement	SELL	18,151	14,400	(21)	632	8.9	35	452.5	603.9	750.8	39.9	33.5	24.3	40	30	24	17.5	14.1	11.6	5.8	4.9	4.2	15.4	17.8	18.7	0.3	0.3	0.3	8.1
UltraTech Cement	SELL	3,980	3,355	(16)	1,093	15.4	275	167.4	195.8	228.9	89.1	17.0	16.9	24	20	17.4	12.4	11.1	9.8	3.4	2.9	2.5	15.1	15.3	15.5	0.3	0.3	0.3	34
Construction Materials	**Cautious**				**3,098**	**43.6**					**67.5**	**18.4**	**15.4**	**17.2**	**14.5**	**12.6**	**8.2**	**6.9**	**5.9**	**2.0**	**1.7**	**1.5**	**11.4**	**12.0**	**12.3**	**0.6**	**0.6**	**0.6**	**95**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

Company	Rating	Price (Rs) 4-Oct-19	Fair Value (Rs)	Upside (%)	Mkt cap. (Rs bn)	Mkt cap. (US$ bn)	O/S shares (mn)	EPS (Rs) 2020E	EPS (Rs) 2021E	EPS (Rs) 2022E	EPS growth (%) 2020E	EPS growth (%) 2021E	EPS growth (%) 2022E	P/E (X) 2020E	P/E (X) 2021E	P/E (X) 2022E	EV/EBITDA (X) 2020E	EV/EBITDA (X) 2021E	EV/EBITDA (X) 2022E	P/B (X) 2020E	P/B (X) 2021E	P/B (X) 2022E	RoE (%) 2020E	RoE (%) 2021E	RoE (%) 2022E	Dividend yield (%) 2020E	Dividend yield (%) 2021E	Dividend yield (%) 2022E	ADVT 3mo (US$ mn)
Consumer Durables & Apparel																													
Crompton Greaves Consumer	SELL	244	210	(14)	153	2.2	627	7.1	8.4	9.5	19.1	18.3	13.6	34	29	26	22	18	16	10.8	8.6	6.9	35	33	30	1.0	1.0	0.0	2.8
Havells India	SELL	679	520	(23)	425	6.0	625	13.2	17.1	20.4	4.8	29.4	19.8	52	40	33	32	25	21	9.0	8.0	7.0	18.5	21	22	0.7	0.9	1.1	15.3
Page Industries	REDUCE	20,950	21,300	2	234	3.3	11	450	542	645	27.5	20.2	19.1	47	39	32	32	27	23	24.3	18.7	14.9	58	55	51	0.9	1.2	1.5	8.4
Polycab	BUY	667	700	5	99	1.4	149	37	44	49	9.0	19.1	11.3	18.2	15.3	13.7	10	8	7	2.7	2.3	2.0	16.6	16.3	15.7	0.5	0.7	0.7	1.0
TCNS Clothing Co.	ADD	721	770	7	44	0.6	66	18	22	27	(13.3)	23.7	21.5	40	33	27	15	12	10.0	6.6	5.8	5.0	17.5	19.0	20	1.2	1.7	1.7	0.1
Vardhman Textiles	ADD	911	1,230	35	52	0.7	56	119	136	143	(8.4)	15.0	4.6	7.7	6.7	6.4	5.9	4.9	4.3	0.8	0.8	0.7	11.5	12.1	11.6	3.3	3.3	3.3	0.3
Voltas	SELL	656	500	(24)	217	3.1	331	17.0	21.0	24.0	6.3	23.5	14.3	39	31	27	29	25	21	4.8	4.3	3.8	13.0	14.0	15.0	0.5	0.6	0.8	11.6
Whirlpool	SELL	1,929	1,260	(35)	245	3.4	127	38	44	52	17.9	16.8	18.6	51	44	37	31	27	23	9.8	8.5	7.6	21	21	22	0.4	0.7	1.1	1.6
Consumer Durables & Apparel	**Cautious**				**1,470**	**20.7**					**8.5**	**20.9**		**35**	**29**	**25**	**22**	**18**	**16**	**6.0**	**5.3**		**16.8**	**17.9**	**18.1**	**0.8**	**1.0**		**41**
Consumer Staples																													
Bajaj Consumer Care	BUY	243	390	61	36	0.5	148	16.2	18.2	19.9	8.2	11.9	9.3	14.9	13.4	12.2	11.3	10.0	9.0	7.8	8.1	8.3	52	60	67	5.8	6.6	7.0	0.3
Britannia Industries	REDUCE	2,845	2,775	(2)	684	9.6	240	58	67	82	19.9	16.5	21.4	49	42	35	36	31	26	15.2	12.4	10.1	32	32	32	0.7	0.9	1.1	23
Colgate-Palmolive (India)	ADD	1,446	1,500	4	393	5.5	272	33	39	45	25.2	16.5	14.2	43	37	32	27.8	24.0	21.0	25.4	23.7	21.9	61	66	70	1.8	2.1	2.4	10.6
Dabur India	REDUCE	426	390	(8)	752	10.6	1,766	9.3	10.7	12.2	14.8	14.4	14.3	46	40	35	37	32	28	11.7	10.5	9.5	27	28	29	1.1	1.3	1.5	13.9
GlaxoSmithKline Consumer	RS	8,336	—	—	351	4.9	42	296	333	374	27	12.4	12.5	28	25	22	23	20	17	7.4	6.4	5.5	28	27	27	1.4	1.6	1.7	2.1
Godrej Consumer Products	REDUCE	669	660	(1)	683	9.6	1,022	16.5	19.3	22.1	14.0	17.1	14.4	41	35	30	29	25	22	8.1	7.2	6.3	21	22	22	0.9	1.1	1.2	10.2
Hindustan Unilever	REDUCE	1,944	1,850	(5)	4,209	59.3	2,160	36	42	48	29.1	15.2	14.7	54	46	41	38	33	29	43.7	34.6	27.6	91	83	76	1.2	1.4	1.5	41
ITC	BUY	257	320	24	3,160	44.5	12,300	12.3	13.7	15.1	21.2	11.2	10.2	21	18.8	17.0	15.0	13.3	12.0	5.0	4.6	4.2	22	23	25	2.5	2.9	3.3	51
Jyothy Laboratories	ADD	165	200	21	61	0.9	367	6.1	7.1	8.1	9.7	15.1	15.2	27	23	20	18.7	16.5	14.2	4.3	4.0	3.7	16.5	17.8	19.0	2.1	2.4	2.7	0.5
Marico	ADD	379	410	8	489	6.9	1,290	8.4	9.8	11.3	16.4	16.9	15.7	45	39	33	31	26	23	15.1	13.9	12.5	35	37	39	1.5	1.6	1.8	10.5
Nestle India	REDUCE	13,455	12,200	(9)	1,297	18.3	96	215	244	287	29.1	13.5	17.6	63	55	47	42	37	32	67.2	55.0	45.5	74	110	106	2.4	1.2	1.5	16.4
Tata Global Beverages	ADD	266	290	9	168	2.4	631	8.7	10.0	10.9	24.5	15.1	8.5	31	27	24	18	16	14	2.2	2.1	2.0	7.3	8.1	8.4	1.1	1.3	1.6	9.4
United Breweries	ADD	1,270	1,500	18	336	4.7	264	25.5	34.0	41.9	19.5	33.4	23.3	50	37	30	28	22	19	8.9	7.3	6.1	19.3	22	22	0.3	0.4	0.6	7.4
United Spirits	REDUCE	617	660	7	448	6.3	727	14.7	18.4	22.1	55.5	25.3	20.2	42	34	28	27	23	19	9.9	6.7	5.3	28	24	21	0.3	0.4	0.5	15.5
Consumer Staples	**Cautious**				**13,246**	**186.6**					**23.3**	**14.4**	**13.9**	**37**	**32**	**28**	**26**	**23**	**20**	**10.7**	**9.4**	**8.3**	**29**	**29**	**30**	**1.6**	**1.7**	**1.9**	**213**
Diversified Financials																													
Bajaj Finance	REDUCE	3,903	3,500	(10)	2,263	31.9	577	104	133	167	50	28	25	38	29	23	—	—	—	9.0	7.1	5.6	27	27	27	0.3	0.3	0.4	119
Bajaj Finserv	BUY	8,301	9,000	8	1,321	18.6	159	302	384	479	50	27	25	27	22	17.3	—	—	—	4.7	3.9	3.2	18.5	19.6	20	0.2	0.2	0.2	47
Cholamandalam	ADD	288	340	18	225	3.2	782	19.7	23.3	28.1	30	17.8	20.6	14.6	12.4	10.3	—	—	—	3.0	2.5	2.1	23	22	22	0.8	0.9	1.1	6.0
HDFC	ADD	1,978	2,375	20	3,415	48.1	1,721	70	69	80	22.5	(2)	17.0	28	29	25	—	—	—	4.0	3.7	3.4	14.8	13.5	14.6	1.3	1.3	1.5	130
IIFL Finance	ADD	124	135	9	40	0.6	320	17.1	18.2	21.5	(12)	6.7	18.2	7.3	6.8	5.8	—	—	—	1.0	0.9	0.8	16.6	16.1	17.2	4.5	4.0	3.8	0.2
L&T Finance Holdings	REDUCE	81	120	49	161	2.3	1,999	12.8	14.0	16.5	14	10.0	17.5	6.3	5.7	4.9	—	—	—	1.0	0.9	0.8	17.5	16.6	16.8	1.6	1.8	2.0	16.8
LIC Housing Finance	ADD	373	525	41	188	2.6	505	53	64	74	14.6	21.6	15	7.1	5.8	5.1	—	—	—	1.2	1.0	NA	15.3	16.4	16.4	2.3	2.8	3.3	25
Magma Fincorp	BUY	50	125	149	14	0.2	269	9.9	12.4	16.3	(12.0)	25.4	31	5.1	4.0	3.1	—	—	—	0.5	0.4	0.4	9.3	10.7	12.6	1.0	2.5	3.2	0.2
Mahindra & Mahindra Financial	ADD	324	410	26	200	2.8	615	29	35	43	14	21.2	23.3	11.2	9.3	7.5	—	—	—	1.8	1.6	1.4	15.4	16.7	18.2	2.3	2.8	3.4	12.5
Muthoot Finance	ADD	665	710	7	267	3.8	401	62	72	81	26.0	15.5	12.6	10.7	9.3	8.3	—	—	—	2.3	2.0	1.7	23	23	22	2.2	2.6	2.9	8.8
Shriram City Union Finance	BUY	1,315	1,900	44	87	1.2	66	169	195	240	13	15.4	23.1	7.8	6.8	5.5	—	—	—	1.3	1.1	1.0	16.2	16.3	17.3	1.6	1.9	2.3	0.3
Shriram Transport	BUY	1,014	1,525	50	230	3.2	227	139	151	173	22.6	9.2	14.4	7.3	6.7	5.9	—	—	—	1.3	1.1	1.0	18.3	17.3	17.1	1.9	2.2	2.6	23
Diversified Financials	**Neutral**				**8,619**	**121.4**					**25.4**	**13.7**	**19.8**	**21**	**18.9**	**15.8**				**2.6**	**2.3**	**2.0**	**12.1**	**12.2**	**12.9**	**1.0**	**1.0**	**1.2**	**392**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

Company	Rating	Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
		4-Oct-19	(Rs)	(%)	(Rs bn)	(US$ bn)	(mn)	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	(US$ mn)
Electric Utilities																													
CESC	BUY	732	840	15	97	1.4	133	87	104	114	(3)	18.4	9.9	8.4	7.1	6.4	5.3	4.8	4.3	0.7	0.7	0.6	9.2	10.1	10.3	2.0	2.1	2.1	4.8
JSW Energy	REDUCE	59	65	10	97	1.4	1,640	6.2	5.8	5.3	49	(7)	(8.4)	9.5	10.2	11.2	4.4	3.8	3.1	0.8	0.7	0.7	8.3	7.1	6.1	—	—	—	0.7
NHPC	ADD	23	27	19	227	3.2	10,045	3.1	3.2	3.5	21.6	5	7.3	7.3	7.0	6.5	6.3	6.2	5.7	0.7	0.7	0.7	9.9	10.0	10.3	7.5	7.9	8.5	0.8
NTPC	BUY	117	160	36	1,162	16.4	9,895	11.7	13.1	15.1	4.2	12.4	14.9	10.0	8.9	7.8	9.3	7.7	6.5	1.0	0.9	0.9	10.4	10.9	11.7	3.0	3.4	3.9	26
Power Grid	BUY	197	235	20	1,028	14.5	5,232	20.6	23	25	8	11.2	11.2	9.5	8.6	7.7	7.3	6.8	6.3	1.6	1.4	1.3	17.3	17.4	17.4	3.7	4.1	4.5	21
Tata Power	BUY	58	77	33	157	2.2	2,705	4.5	5.1	6.5	115	13	26.0	12.8	11.3	9.0	8.3	8.1	7.5	0.9	0.8	0.7	7.1	7.4	8.6	—	—	—	9.0
Electric Utilities	**Attractive**				**2,768**	**39.0**					**10.6**	**10.7**	**12.3**	**9.6**	**8.7**	**7.7**				**1.1**	**1.0**	**0.9**	**11.3**	**11.6**	**12.0**	**3.3**	**3.6**	**4.1**	**62**
Fertilizers & Agricultural Chemicals																													
Bayer Cropscience	SELL	3,300	2,700	(18)	113	1.6	34	82.9	100.0	114.4	19.6	20.7	14.4	40	33	29	24	20	17	5.4	4.8	4.3	14.3	15.5	15.7	0.5	0.6	0.7	0.4
Dhanuka Agritech	ADD	315	420	33	15	0.2	48	22.8	26.2	29.2	(3.7)	15.1	11.4	13.8	12.0	10.8	8.7	7.2	6.1	2.1	1.8	1.6	15.9	16.2	15.9	1.4	1.7	1.9	0.1
Godrej Agrovet	ADD	470	485	3	90	1.3	192	13.4	17.0	20.5	17.3	26.2	21	35	28	23	17	14	12	4.0	3.6	3.1	12.0	13.5	14.6	0.7	0.9	1.1	0.4
PI Industries	ADD	1,271	1,150	(10)	175	2.5	138	37.7	45.9	53.8	27.2	22	17	34	28	24	24	19	16	6.5	5.4	4.5	21	21	21	0.4	0.5	0.6	2.9
Rallis India	ADD	165	170	3	32	0.5	195	9.6	10.7	11.8	14.3	11.1	10.5	17.1	15.4	13.9	11.7	10.3	9.2	2.3	2.1	1.9	13.9	14.1	14.2	1.7	1.8	2.0	0.4
UPL	SELL	583	520	(11)	445	6.3	761	29.0	40.0	65.0	16.8	38.0	62.6	20	14.6	9.0	10.2	8.0	7.4	2.8	2.4	1.4	14.5	17.9	17.0	1.2	1.9	3.2	38
Fertilizers & Agricultural Chemicals	**Attractive**				**871**	**12.3**					**17.6**	**31.3**	**11.1**	**24**	**19**	**16.7**	**12.4**	**9.9**	**9.0**	**3.5**	**3.0**	**2.7**	**14.2**	**16.4**	**16.0**	**0.9**	**1.4**	**1.5**	**42**
Gas Utilities																													
GAIL (India)	BUY	132	200	51	596	8.4	4,510	15.2	16.2	17.2	9.3	6.1	6.4	8.7	8.2	7.7	6.1	5.6	5.1	1.2	1.1	1.0	14.9	14.5	14.2	3.8	4.2	4.5	18.1
GSPL	SELL	206	200	(3)	116	1.6	564	16.7	15.4	14.3	18.4	(7.7)	(7.0)	12.4	13.4	14.4	5.6	5.7	5.8	1.8	1.6	1.5	15.4	12.6	10.7	1.2	1.1	1.4	1.7
Indraprastha Gas	SELL	348	310	(11)	244	3.4	700	15.6	17.8	20.2	30.0	13.6	14.0	22.3	19.6	17.2	15.7	13.6	11.7	5.0	4.3	3.8	24	24	23	1.0	1.2	1.5	8.9
Mahanagar Gas	ADD	878	1,025	17	87	1.2	99	73.0	75.7	78.4	30.1	3.7	3.5	12.0	11.6	11.2	7.5	7.1	6.7	3.1	2.8	2.5	28	25	24	3.3	3.9	4.5	8.4
Petronet LNG	BUY	256	320	25	384	5.4	1,500	18.4	21.1	23.3	22.5	14.8	10.3	13.9	12.1	11.0	7.8	6.8	6.1	3.4	3.0	2.8	26	27	27	3.2	4.1	5.0	13.5
Gas Utilities	**Attractive**				**1,426**	**20.1**					**16.5**	**7.5**	**7.0**	**11.5**	**10.7**	**10.0**	**7.3**	**6.7**	**6.1**	**1.9**	**1.8**	**1.6**	**16.8**	**16.4**	**16.1**	**2.9**	**3.4**	**3.9**	**51**
Health Care Services																													
Apollo Hospitals	ADD	1,400	1,525	9	195	2.7	139	26.8	35	46	58	31	31	52.3	39.8	30.3	14.5	14.3	12.3	5.5	5.1	4.6	10.8	13.2	16.0	0.7	0.9	1.2	15.3
Aster DM Healthcare	BUY	120	240	100	61	0.9	505	6.9	10.1	12.2	4	45.7	21	17.4	11.9	9.9	6.6	5.4	4.5	2.2	1.9	1.6	13.4	17.0	17.6	—	—	—	0.3
Dr Lal Pathlabs	SELL	1,351	1,060	(22)	113	1.6	83	31.5	36.9	42.7	32.1	17.2	15.6	42.9	36.6	31.6	28.1	23.5	20.1	10.0	8.4	7.0	25	25	24	0.6	0.7	0.8	1.6
HCG	BUY	106	225	113	9	0.1	85	(5.6)	(3.1)	(2.2)	(60)	44	31	NM	NM	NM	8.0	6.4	5.3	1.7	1.8	1.9	NM	NM	NM	—	—	—	0.1
Metropolis Healthcare	SELL	1,230	1,100	(11)	62	0.9	50	31.7	38.6	44.5	32.6	21.6	15	38.7	31.9	27.6	23.3	19.3	16.7	11.5	9.0	7.2	34	32	29	0.5	0.6	0.7	0.6
Narayana Hrudayalaya	BUY	235	300	28	48	0.7	204	5.2	7.9	10.1	78.6	52	28	45.4	29.8	23.2	14.2	11.4	9.6	4.0	3.6	3.1	9.3	12.7	14.2	—	—	—	0.4
Health Care Services	**Attractive**				**487**	**6.9**					**31**	**36**	**24**	**40.5**	**29.8**	**24.0**	**13.4**	**11.8**	**10.2**	**5.0**	**4.5**	**3.9**	**12.4**	**14.9**	**16.3**	**0.5**	**0.6**	**0.7**	**18.3**
Hotels & Restaurants																													
Jubilant Foodworks	BUY	1,288	1,600	24	170	2.4	132	30	41	54	23	37.3	33	43.6	31.7	23.9	16.4	13.1	10.4	13.3	10.0	7.6	31	36	36	0.5	0.9	1.3	21
Lemon Tree Hotels	BUY	56	70	25	44	0.6	789	1.1	2.0	2.5	71	70	25	48.9	28.7	22.9	18.9	13.9	10.4	4.6	4.2	3.8	9.8	15.3	17.4	—	1.2	1.6	2.2
Hotels & Restaurants	**Attractive**				**214**	**3.0**					**30**	**44**	**31**	**44.5**	**30.9**	**23.5**	**17.0**	**13.3**	**10.4**	**9.5**	**7.8**	**6.3**	**21**	**25**	**27**	**0.4**	**0.9**	**1.4**	**23**
Insurance																													
HDFC Life Insurance	ADD	584	525	(10)	1,179	16.6	2,009	7.4	8.5	9.4	16.0	14.6	11.6	79.2	69.1	62	—	—	—	18.8	16.9	15.2	25	26	26	0.3	0.4	0.4	54
ICICI Lombard	SELL	1,180	800	(32)	536	7.6	454	28.1	33.6	81.2	21	20	142	42.0	35.1	14.5	—	—	—	8.6	7.2	3.1	22	22	46	0.5	0.6	1.5	20.0
ICICI Prudential Life	BUY	454	520	15	651	9.2	1,436	8.9	9.3	10.5	10	4.5	12.8	50.7	48.5	43	—	—	—	8.2	7.3	6.4	17.4	15.9	15.8	0.3	0.3	0.4	15.9
Max Financial Services	BUY	405	550	36	109	1.5	417	5.5	7.2	9.8	202	31	35	73.2	55.9	41	—	—	—				11.1	13.5	16.6	0.5	0.6	0.9	5.4
SBI Life Insurance	BUY	824	900	9	824	11.6	1,000	15.5	17.8	21.0	16.7	14.8	18.1	53.2	46.4	39	—	—	—	9.4	8.0	6.9	19.1	18.7	18.9	0.3	0.3	0.4	13.9
Insurance	**Attractive**				**3,300**	**46.5**					**19.6**	**14.3**	**44.5**	**56.7**	**49.6**	**34**				**10.5**	**9.2**	**6.6**	**18.6**	**18.5**	**19.2**	**0.3**	**0.3**	**0.3**	**109**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

		Price (Rs)	Fair Value	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
Company	Rating	4-Oct-19	(Rs)	(%)	(Rs bn)	(US$ bn)	(mn)	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	(US$ mn)
Internet Software & Services																													
Info Edge	SELL	2,270	1,910	(16)	278	3.9	122.0	30.4	36.4	43.5	17.5	20.0	19.5	74.8	62.3	52.1	56.3	46.3	38.4	10.7	9.6	8.5	15.1	16.2	17.3	0.3	0.4	0.5	6.1
Just Dial	SELL	613	615	0	40	0.6	64.8	31.4	33.3	36.5	(1.5)	6.0	9.6	19.5	18.4	16.8	9.9	8.8	7.4	3.4	2.9	2.5	18.7	17.0	16.1	0.5	0.5	0.6	25
Internet Software & Services	**Attractive**				**317**	**4.5**					**10.0**	**15.1**	**16.3**	**55.3**	**48.1**	**41.3**	**39.8**	**34.3**	**29.3**	**8.4**	**7.4**	**6.6**	**15.3**	**15.5**	**15.9**	**0.4**	**0.4**	**0.5**	**31**
IT Services																													
HCL Technologies	ADD	1,079	1,230	14	1,464	20.6	1,349	75.4	83.0	92.9	3.0	10.1	11.8	14.3	13.0	11.6	8.5	7.7	6.8	3.0	2.6	2.3	22	22	21	2.9	3.1	3.1	28
Hexaware Technologies	REDUCE	364	375	3	109	1.5	302	21.4	25.2	28.1	10.8	17.6	11.6	17.0	14.5	13.0	12.2	10.4	8.8	4.1	3.6	3.1	26	26	26	2.7	2.7	2.7	5.3
Infosys	ADD	793	850	7	3,464	48.8	4,260	38.2	42.3	47.0	7.9	10.8	11.2	20.8	18.8	16.9	14.5	12.8	11.5	5.4	5.0	4.7	26	28	29	2.8	3.3	3.8	92
L&T Infotech	ADD	1,507	1,750	16	262	3.7	176	84.1	99.2	117.7	(3)	17.9	18.7	17.9	15.2	12.8	12.2	10.1	8.3	4.6	3.9	3.3	28	28	28	2.0	2.2	2.5	3.1
Mindtree	REDUCE	712	725	2	117	1.7	165	36.5	48.6	56.5	(20)	33	16	19.5	14.6	12.6	9.8	7.5	6.2	3.2	2.8	2.4	17.2	20	21	1.5	2.0	2.4	14.1
Mphasis	REDUCE	939	950	1	175	2.5	186	61.1	66.2	69.5	9	8.4	5.0	15.4	14.2	13.5	9.7	8.6	7.9	3.1	2.8	2.6	21	21	20	3.2	3.6	3.8	2.6
TCS	REDUCE	2,079	2,050	(1)	7,803	109.9	3,752	92.6	100.8	109.4	12	8.9	8.5	22.5	20.6	19.0	16.1	14.6	13.2	7.7	7.1	6.6	36	36	36	2.7	3.2	3.4	84
Tech Mahindra	ADD	708	840	19	628	8.9	880	43.6	53.2	61.0	(8.6)	22.1	14.5	16.2	13.3	11.6	9.4	7.6	6.4	2.8	2.5	2.2	18.0	19.7	20.0	2.3	2.6	2.9	30
Wipro	REDUCE	238	265	11	1,358	19.1	5,801	16.9	18.5	20.2	12.9	9.3	9.6	14.1	12.9	11.8	8.6	7.5	7.0	2.5	2.1	2.0	17.5	17.6	17.0	0.6	0.8	4.6	17.7
IT Services	**Cautious**				**15,378**	**216.7**					**5.6**	**10.4**	**9.9**	**19.5**	**17.7**	**16.1**	**13.1**	**11.7**	**10.5**	**5.0**	**4.5**	**4.1**	**26**	**25**	**26**	**2.5**	**2.9**	**3.5**	**277**
Media																													
DB Corp.	REDUCE	141	155	10	25	0.3	175	19.1	20.7	20.9	21.9	8.4	0.8	7.4	6.8	6.8	3.8	3.5	3.5	1.3	1.3	1.3	17.9	18.8	18.7	8.9	10.6	12.1	0.2
DishTV	REDUCE	17	30	76	31	0.4	1,925	0.6	1.1	1.6	(79)	75	45	26.7	15.2	10.5	2.2	1.9	1.4		3.2	2.3	19.8	25	26	—	—	—	12.9
Jagran Prakashan	REDUCE	62	77	24	18	0.3	296	10.3	11.4	12.2	10.9	11	NA	6.0	5.5	NA	2.5	2.2	NA	1.0	1.0	NA	16.5	18.2	19.4	14.5	14.5	14.5	0.2
Sun TV Network	REDUCE	463	510	10	183	2.6	394	39.4	41.7	43.6	8	5.9	4.4	11.8	11.1	10.6	8.3	7.6	6.9	3.0	2.7	2.5	27	26	24	3.8	4.3	4.7	12.4
Zee Entertainment Enterprises	BUY	237	365	54	227	3.2	960	20.2	21.7	24.5	22.2	7.5	13.1	11.7	10.9	9.7	7.4	6.7	5.9	2.3	2.0	1.7	20	19.5	19.3	1.9	2.3	2.3	59
Media	**Attractive**				**567**	**8.0**					**3.5**	**10.2**	**3.2**	**12.6**	**11.5**	**11.1**	**6.3**	**5.7**	**4.6**	**2.6**	**2.3**	**2.2**	**21**	**20**	**19.8**	**2.9**	**3.3**	**3.5**	**98**
Metals & Mining																													
Hindalco Industries	BUY	182	235	29	409	5.8	2,224	20.7	24.9	28.1	(16.1)	19.9	13	8.8	7.3	6.5	5.3	4.6	3.9	0.7	0.6	0.6	7.7	8.6	8.9	0.7	0.7	0.7	19.6
Hindustan Zinc	REDUCE	208	211	2	878	12.4	4,225	18.7	18.9	22.0	(0.4)	0.8	16.4	11.1	11.0	9.4	6.7	6.6	5.7	2.8	3.0	3.1	24	26	32	9.6	9.6	9.6	3.3
Jindal Steel and Power	REDUCE	94	105	12	95	1.3	1,016	0.1	4.5	8.4	107	3,383	88	733.0	21.0	11.2	6.0	5.4	4.8	0.3	0.3	0.3	0.0	1.4	2.6	—	—	—	34
JSW Steel	REDUCE	215	215	0	519	7.3	2,402	17.4	26.0	32.1	(45.2)	49	23.3	12.3	8.2	6.7	7.5	6.3	5.0	1.4	1.2	1.0	11.5	15.5	16.7	2.0	2.0	2.0	26
National Aluminium Co.	REDUCE	43	37	(14)	81	1.1	1,866	2.5	2.3	2.5	(73)	(8)	5.7	17.1	18.5	17.5	5.5	6.1	6.2	0.8	0.8	0.8	4.5	4.2	4.5	5.8	5.4	5.7	5.0
NMDC	REDUCE	96	106	11	292	4.1	3,062	18.0	14.2	13.6	21.9	(20.7)	(5)	5.3	6.7	7.0	3.4	4.3	4.5	1.0	0.9	0.9	20	14.6	12.9	7.5	6.0	5.7	9.2
Tata Steel	BUY	333	575	73	378	5.3	1,146	51.2	74.7	96.8	(43)	46	30	6.5	4.5	3.4	5.4	4.5	3.7	0.5	0.5	0.4	8.5	11.9	13.5	3.0	3.0	3.0	68
Vedanta	BUY	143	202	41	533	7.5	3,717	22.9	24.9	26.2	49	9	5.1	6.3	5.8	5.5	4.7	4.7	4.3	0.9	0.8	0.8	13.7	14.8	15.3	14.0	14.0	14.0	26
Metals & Mining	**Attractive**				**3,185**	**44.9**					**(14.2)**	**17.1**	**15.9**	**8.6**	**7.3**	**6.3**	**5.6**	**5.2**	**4.4**	**0.9**	**0.9**	**0.8**	**11.0**	**12.1**	**13.1**	**6.6**	**6.4**	**6.4**	**46**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

Company	Rating	Price (Rs) 4-Oct-19	Fair Value (Rs)	Upside (%)	Mkt cap. (Rs bn)	Mkt cap. (US$ bn)	O/S shares (mn)	EPS (Rs) 2020E	EPS (Rs) 2021E	EPS (Rs) 2022E	EPS growth (%) 2020E	EPS growth (%) 2021E	EPS growth (%) 2022E	P/E (X) 2020E	P/E (X) 2021E	P/E (X) 2022E	EV/EBITDA (X) 2020E	EV/EBITDA (X) 2021E	EV/EBITDA (X) 2022E	P/B (X) 2020E	P/B (X) 2021E	P/B (X) 2022E	RoE (%) 2020E	RoE (%) 2021E	RoE (%) 2022E	Dividend yield (%) 2020E	Dividend yield (%) 2021E	Dividend yield (%) 2022E	ADVT 3mo (US$ mn)
Oil, Gas & Consumable Fuels																													
BPCL	SELL	516	385	(25)	1,118	15.8	1,967	34	37	38	(5.7)	7.2	4.7	15.1	14.1	13.4	11.1	10.3	9.7	2.5	2.4	2.2	17.6	17.4	16.8	3.0	3.2	3.4	51.5
Coal India	BUY	186	285	53	1,145	16.1	6,163	31	32	33	10	2.0	5.2	6.0	5.9	5.6	5.2	4.9	4.3	4.2	3.9	3.6	70.8	69.0	67.8	13.5	13.5	13.5	29.1
HPCL	SELL	321	275	(14)	489	6.9	1,524	31	32	32	(20.7)	1.0	(0.5)	10.2	10.1	10.1	9.4	9.4	9.0	1.6	1.5	1.4	16.3	15.2	14.0	3.9	4.0	4.0	25.0
IOCL	SELL	151	135	(11)	1,422	20.0	9,181	16.9	17.0	17.3	(6.1)	0.5	1.9	8.9	8.9	8.7	6.0	6.0	5.9	1.2	1.1	1.1	13.9	13.2	12.8	5.7	5.6	5.6	33.9
Oil India	BUY	144	210	46	156	2.2	1,084	30	30	30	0	(1.1)	(0.0)	4.7	4.8	4.8	2.9	2.7	2.6	0.5	0.5	0.5	11.6	10.9	10.4	9.5	9.4	9.4	3.6
ONGC	BUY	130	190	47	1,630	23.0	12,580	24	24	24	(0)	(0.1)	1.3	5.4	5.4	5.3	3.1	2.9	2.7	0.6	0.6	0.5	12.2	11.4	10.7	5.8	6.0	6.2	25.0
Reliance Industries	BUY	1,308	1,425	9	7,753	109.2	5,927	76	86	93	14.5	14.3	7.2	17.3	15.1	14.1	10.8	9.2	8.3	1.8	1.6	1.5	11.0	11.4	11.0	0.5	0.6	0.6	172.1
Oil, Gas & Consumable Fuels	**Attractive**				**13,713**	**193.2**					**3.5**	**5.9**	**4.3**	**11.0**	**10.4**	**10.0**	**7.2**	**6.6**	**6.1**	**1.5**	**1.4**	**1.3**	**13.5**	**13.1**	**12.6**	**3.2**	**3.2**	**3.3**	**340.3**
Pharmaceuticals																													
Aurobindo Pharma	ADD	568	680	20	333	4.7	584	52	57	59	27.7	10	2.5	11.0	9.9	9.7	8.2	7.0	6.4	2.0	1.7	1.5	18.2	17.1	15.3	1.1	1.3	1.6	22.4
Biocon	SELL	231	185	(20)	277	3.9	1,202	7.7	9.0	10.3	26	18	14.4	30	26	22	15.3	13.3	11.7	3.8	3.4	3.0	13.1	13.2	13.5	1.2	1.4	1.6	14.0
Cipla	BUY	418	570	36	337	4.8	806	23.2	32	34	22.5	37	7	18	13.1	12.3	9.7	7.5	6.5	2.0	1.8	1.6	11.7	13.7	13.1	1.1	1.6	1.7	15.0
Dr Reddy's Laboratories	REDUCE	2,618	2,450	(6)	435	6.1	166	146	141	185	29	(3)	30.6	18	18.5	14.2	12.9	9.0	6.8	2.7	2.4	2.1	11.2	13.0	14.9	0.8	0.9	1.2	23.8
Laurus Labs	BUY	351	400	14	37	0.5	106	18.2	26.6	33	66.3	46	22	19	13.2	10.8	10.2	7.9	6.6	2.1	1.8	1.6	11.6	13.8	14.5	—	—	—	0.2
Lupin	ADD	687	840	22	311	4.4	450	28	39	60	31.1	43	51	25	17	11.5	10.3	7.7	5.6	2.1	1.9	1.6	8.7	10.9	14.3	0.7	0.9	1.3	14.8
Sun Pharmaceuticals	ADD	386	460	19	926	13.1	2,406	19.6	23.8	26	21.2	22	9	20	16	14.9	10.5	8.4	6.9	2.0	1.8	1.6	10.8	11.3	11.7	1.0	1.2	1.3	48.3
Torrent Pharmaceuticals	BUY	1,630	1,840	13	276	3.9	169	54	70	86	110.0	30	22	30	23	19	13.2	11.2	9.8	5.3	4.6	3.9	17.5	19.8	20.7	1.4	1.6	1.7	7.5
Pharmaceuticals	**Neutral**				**2,932**	**41.3**					**25.9**	**25**	**16**	**20**	**16**	**13.8**	**10.8**	**8.5**	**7.1**	**2.4**	**2.1**	**1.9**	**11.8**	**13.1**	**13.5**	**1.0**	**1.2**	**1.4**	**145.9**
Real Estate																													
Brigade Enterprises	BUY	206	235	14	42	0.6	204	13.1	15	16	11	12	9	15.8	14.1	12.8	10.3	6.4	5.2	1.8	1.6	1.5	11.7	12.0	11.9	1.2	1.2	1.2	0.5
DLF	ADD	147	200	36	365	5.1	2,475	7.7	12.6	15.2	29	64	21	19	11.7	9.7	20.8	16.9	12.7	1.0	0.9	0.9	5.4	8.1	9.1	1.4	1.4	1.4	29.5
Embassy Office Parks REIT	ADD	419	380	(9)	323	4.6	772	12.6	14.8	17.2	7,799	18	16	33	28	24	21.4	18.9	16.9	1.4	1.5	1.6	4.3	5.2	6.3	5.5	6.2	7.1	2.6
Godrej Properties	SELL	1,002	700	(30)	252	3.6	252	15.8	16.0	13.9	43.3	1	(13.1)	63	63	72	53.6	69.7	254.6	5.1	4.7	4.4	10.7	7.8	6.3	—	—	—	5.1
Oberoi Realty	ADD	488	570	17	178	2.5	364	24	44	67	7.8	80.6	52	20.1	11.2	7.3	14.2	8.9	4.9	2.0	1.7	1.4	10.5	16.6	21.0	0.4	0.4	0.4	4.6
Prestige Estates Projects	ADD	271	320	18	102	1.4	375	13.8	21.2	25	59.1	53	19	20	13	10.8	10.7	8.5	7.6	2.2	1.9	1.6	11.7	15.7	16.1	0.6	0.6	0.6	1.1
Sobha	ADD	447	565	26	42	0.6	95	35	32	36	12	(7.3)	9.4	12.8	13.8	12.6	8.8	9.0	8.5	1.7	1.6	1.4	14.1	11.8	11.8	1.6	1.6	1.6	1.6
Sunteck Realty	REDUCE	403	428	6	59	0.8	140	26.7	33.3	36	64.7	25	8	15	12.1	11.2	10.2	7.1	6.7	1.8	1.6	1.4	12.4	13.7	13.0	0.2	0.2	0.2	1.2
Real Estate	**Neutral**				**1,363**	**19.2**					**47.1**	**43.7**	**22.8**	**24**	**17**	**13.7**	**17.2**	**13.8**	**11.1**	**1.6**	**1.5**	**1.4**	**6.6**	**8.9**	**10.2**	**1.9**	**2.0**	**2.2**	**46.2**
Retailing																													
Aditya Birla Fashion and Retail	BUY	208	230	11	161	2.3	773	1.8	2.8	4.6	(57.5)	58.0	65.7	118	75	45	13.8	12.0	10.5	10.3	9.0	7.5	9.1	12.9	18.2	—	—	—	1.4
Avenue Supermarts	SELL	1,895	1,010	(47)	1,182	16.7	624	19.8	26	33	36.9	28.8	28.7	96	74	58	52	40	32	17.3	14.1	11.3	19.9	20.9	21.7	—	—	—	15.9
Titan Company	REDUCE	1,251	1,175	(6)	1,111	15.6	888	20.9	27	34	24.3	30.2	24.6	60	46	37	40	32	26	15.2	12.4	10.1	27.8	29.9	30.3	0.5	0.6	0.7	49.3
Retailing	**Cautious**				**2,454**	**34.6**					**18.8**	**30.9**	**28.2**	**76**	**58**	**45**	**39**	**31**	**25**	**15.6**	**12.8**	**10.4**	**20.6**	**22.1**	**23.0**	**0.2**	**0.3**	**0.3**	**66.6**
Speciality Chemicals																													
Castrol India	SELL	132	130	(2)	131	1.8	989	8.0	8.4	8.8	11.6	5.5	4.6	16.5	15.7	15.0	11.2	10.9	10.3	10.3	9.4	8.6	64.9	62.6	59.9	4.3	4.5	4.7	2.5
Pidilite Industries	REDUCE	1,368	1,250	(9)	695	9.8	508	25.6	30	35	44.4	17.0	17.3	53	46	39	39	33	29	14.0	11.8	9.9	28.6	28.1	27.7	0.6	0.7	0.8	10.9
S H Kelkar and Company	BUY	128	160	25	18	0.3	141	7.0	8.3	9.6	14.2	18.7	16.2	18.3	15.4	13.2	11.6	9.8	8.6	2.1	1.9	1.8	11.4	13.0	13.9	1.6	2.2	2.7	0.1
SRF	BUY	2,668	3,400	27	153	2.2	57	144	181	205	29.2	25.3	13.5	18.5	14.7	13.0	11.0	9.0	7.8	3.2	2.6	2.2	18.4	19.5	18.7	0.5	0.6	0.7	15.0
Speciality Chemicals	**Neutral**				**997**	**14.0**					**29.1**	**16.3**	**13.1**	**33**	**28**	**25.1**	**21.3**	**18.5**	**16.3**	**8.3**	**7.1**	**6.1**	**25.3**	**25.1**	**24.3**	**1.1**	**1.2**	**1.4**	**28.6**

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE universe stocks

Company	Rating	Price (Rs) 4-Oct-19	Fair Value (Rs)	Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US$ mn)
					(Rs bn)	(US$ bn)		2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	
Telecommunication Services																													
Bharti Airtel	ADD	340	370	9	1,742	24.5	5,131	(8.3)	(2.6)	3.2	NM	NM	NM	NM	NM	104.6	7.7	6.4	5.4	2.0	2.1	2.2	NM	NM	2.1	1.8	1.8	1.8	39.3
Bharti Infratel	REDUCE	246	270	10	454	6.4	1,850	13.2	14.9	18.2	0.3	13.0	22.4	18.7	16.5	13.5	7.7	6.9	6.1	3.3	3.2	3.0	17.3	19.8	22.9	4.2	4.9	6.1	9.7
Vodafone Idea	ADD	5	8	58	145	2.0	28,736	(1.4)	(4.9)	(4.4)	NM	NM	NM	NM	NM	NM	17.0	12.1	10.2	0.2	0.2	0.3	NM	NM	NM	—	—	—	13.7
Tata Communications	ADD	366	380	4	104	1.5	285	1.3	6.9	14.3	274.1	413.0	109.1	274.1	53.4	25.6	6.8	6.2	5.5	NM	298.4	24.4	NM	NM	176.2	2.0	2.0	2.0	1.7
Telecommunication Services	**Cautious**				**2,446**	**34.5**					**NM**	**26.7**	**40.4**	**NM**	**NM**	**NM**	**8.8**	**7.4**	**6.3**	**1.4**	**1.5**	**1.7**	**NM**	**NM**	**NM**	**2.0**	**2.2**	**2.4**	**64.3**
Transportation																													
Adani Ports and SEZ	BUY	395	440	11	817	11.5	2,071	22.3	24.2	28.6	13.8	8.5	18.2	17.7	16.3	13.8	13.2	11.8	10.1	3.0	2.6	2.3	17.7	17.1	17.8	1.5	1.4	1.6	15.3
Container Corp.	SELL	615	510	(17)	375	5.3	609	17.4	21.3	27.8	6.7	22.4	30.6	35	29	22	20.5	17.1	13.3	3.6	3.4	3.1	10.2	12.0	14.7	0.2	1.5	1.9	9.9
Gateway Distriparks	BUY	99	175	76	11	0.2	109	5.8	7.9	11.8	(14.9)	37.3	48.8	17.3	12.6	8.5	6.7	5.6	4.5	0.8	0.7	0.7	4.6	5.8	8.2	3.0	3.0	3.0	0.2
Gujarat Pipavav Port	BUY	81	119	46	39	0.6	483	5.3	6.4	7.4	24.8	20.5	15.1	15.3	12.7	11.1	8.0	6.8	5.8	1.9	1.9	1.9	12.7	15.2	17.3	5.7	6.9	7.9	0.2
InterGlobe Aviation	REDUCE	1,810	1,535	(15)	696	9.8	383	70.0	97.8	115.1	1,615.5	39.8	17.7	26	19	15.7	7.0	5.2	4.2	7.1	5.3	4.1	32.1	32.8	29.4	—	0.5	0.6	49
Mahindra Logistics	ADD	355	405	14	25	0.4	71	13.5	15.2	18.5	7.4	12.7	22.1	26	23	19	14.9	12.4	10.1	4.4	3.9	3.3	18.0	17.7	18.7	—	—	—	0.5
Transportation	**Attractive**				**1,964**	**27.7**					**57.3**	**20.3**	**19.7**	**22**	**19**	**15.5**	**11.0**	**9.0**	**7.5**	**3.8**	**3.3**	**2.9**	**16.9**	**17.8**	**18.4**	**0.9**	**1.2**	**1.4**	**75**
KIE universe					**110,613**	**1558.4**					**23.4**	**22.5**	**16.2**	**19**	**15.9**	**13.6**	**10.3**	**9.1**	**8.0**	**2.4**	**2.2**	**2.0**	**12.5**	**13.7**	**14.4**	**1.7**	**1.9**	**2.2**	

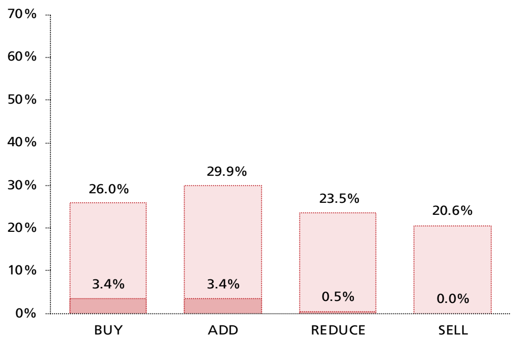
Notes:
(a) We have used adjusted book values for banking companies.
(b) 2020 means calendar year 2019, similarly for 2021 and 2022 for these particular companies.
(c) Exchange rate (Rs/US$)= 70.97

Source: Company, Bloomberg, Kotak Institutional Equities estimates

"Each of the analysts named below hereby certifies that, with respect to each subject company and its securities for which the analyst is responsible in this report, (1) all of the views expressed in this report accurately reflect his or her personal views about the subject companies and securities, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report: Sanjeev Prasad, Sunita Baldawa, Anindya Bhowmik."

Kotak Institutional Equities Research coverage universe

Distribution of ratings/investment banking relationships



Percentage of companies covered by Kotak Institutional Equities, within the specified category.

Percentage of companies within each category for which Kotak Institutional Equities and or its affiliates has provided investment banking services within the previous 12 months.

* The above categories are defined as follows: Buy = We expect this stock to deliver more than 15% returns over the next 12 months; Add = We expect this stock to deliver 5-15% returns over the next 12 months; Reduce = We expect this stock to deliver -5-+5% returns over the next 12 months; Sell = We expect this stock to deliver less than -5% returns over the next 12 months. Our target prices are also on a 12-month horizon basis. These ratings are used illustratively to comply with applicable regulations. As of 30/06/2019 Kotak Institutional Equities Investment Research had investment ratings on 204 equity securities.

Source: Kotak Institutional Equities

As of June 30, 2019

Ratings and other definitions/identifiers

Definitions of ratings

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5-+5% returns over the next 12 months.

SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

Our Ratings System does not take into account short-term volatility in stock prices related to movements in the market. Hence, a particular Rating may not strictly be in accordance with the Rating System at all times.

Other definitions

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Other ratings/identifiers

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