2QFY20 Results Preview

Institutional Equity Research

Results Preview | October 07, 2019

Challenging Quarter in the Offing

The quarter ended September 30, 2019 is marked by weak operating trends discernible slowdown in revenue growth across sectors. Whilst the quarterly earnings are not comparable with that of 2QFY19 and 1QFY20 owing to lower corporate tax rate, reported earnings will grow by 11% for our coverage universe. Aggregate operating profit growth for the quarter will remain muted. Key sectors which are likely to deliver decent results in the quarter are: Banking (ICICI Bank, Axis Bank and SBI) on low base, Building Materials, Pharmaceuticals on low base and Consumer. Whilst IT sector is likely to see good revenue traction, sectoral margin could remain under pressure. Automobiles and Infrastructure sectors will see significant decline in EBITDA.

Key Sectoral Expectations

Banking – To Witness Increased Challenges: Loan growth at 10% YoY moderated during the quarter with industry credit growth seeing a significant decline. Whilst the retail credit growth remained resilient, the growth is likely to moderate in the ensuing quarters. While there was significant improvement in slippages during the last 5 quarters, the risk of another wave of slippages from the leveraged corporates/NBFCs has increased during 1HFY20. Further, decline in interest rates will aid margin and treasury gains. Due to lower YoY base, quarterly earnings growth will be very strong albeit optically.

Our Top Sectoral Picks: ICICI Bank & HDFC Bank in large-cap space & Federal Bank & DCB Bank in mid-cap space

IT – To Deliver Decent Show: In a seasonally strong quarter, we expect the IT firms under our coverage universe to post a combined 2.9% QoQ rise in USD revenue in 2QFY20. The top-5 IT firms are likely to post 1-6% QoQ growth in USD revenue with CC revenue growth is likely to come in at 2-7% QoQ. HCL Technologies (HCLT) is likely to lead the pack with 6.8% CC revenue growth, aided by consolidation of IBM product business. Among mid-sized firms, Hexaware Technologies (HEXW) and Cyient (CYL) should outperform with 13% and 4.4% QoQ revenue growth, respectively aided by acquisitions for the former and the DLM business for the latter, while Majesco will underperform (-1.5% QoQ) owing to absence of any one-time revenue like in 1QFY20 and post end of MetLife deal implementation phase and gap between implementation-end and MCR post go-live. Though we expect margin to improve sequentially, sectoral margin will continue to remain under pressure. Management commentary on margin expansion will be critical.

Our Top Sectoral Picks: TCS and HCLT in large-cap space, Hexaware and Sonata among in mid-cap space.

Consumer – Margin to Remain Healthy despite Growth Challenges: We expect revenues to trend weak for the quarter with a mid-single digit volume growth, while benign input prices will aid margin and EBIDTA. Whilst Consumer staples as well as discretionary are likely to see weak operating trends, negative impact on discretionary will more because of higher operating leverage. Titan and Jubilant FoodWorks are likely to witness margin compression owing to slower revenue growth. Asian Paints will see margin expansion because of decent revenue growth and decline in raw material prices. .

Our Top Sectoral Picks: HUL and ITC.

Capital Goods – To remain Weak; Pricing to Aid Cement: While the quarterly order flow of the Capital Goods sector remained weak, execution pick-up is likely to aid some companies. Overall trends in the sector are likely to remain weak. Cement sector will see flat volume but the pricing trends especially in the northern part of India have remained strong, which will help EBIDTA growth. We estimate solid double-digit EBIDTA growth led by UltraTech, Shree Cement, Ambuja Cements and JKCement. Our top result picks are.

Our Top Sectoral Picks: UltraTech and JK Cement.

Pharma to Deliver Mixed Performance; Oil & Gas to Register Growth: The US business will continue to remain weak for the pharma companies, while domestic business will see decent sequential growth. For Oil & Gas sector, we expect the OMCs and CGD companies to post growth in EBITDA and net profit on the back of higher refining margin (Singapore GRM US$6.5/bbl), net marketing margin (~Rs2/lt) and lower spot LNG prices (US$4.5/mmbtu).

Our Top Sectoral Picks: Alkem and Torrent (pharmaceuticals) and Mahan agar Gas and Petronet LNG (Oil & Gas).

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2QFY20 Results Preview

Institutional Equity Research

Results Preview | October 07, 2019

Summary of Estimates (2QFY20)

	Revenue					EBITDA					PAT				
	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)
Auto & Auto Ancillaries	1,301,304	1,473,933	(11.7)	1,303,919	(0.2)	117,987	171,613	(31.2)	111,800	5.5	42,562	72,121	(41.0)	15,016	183.5
Banking & Financials	701,301	600,200	16.8	688,143	1.9	507,870	442,597	14.7	506,043	0.4	161,967	109,250	48.3	158,209	2.4
Building Material	246,584	239,174	3.1	285,397	(13.6)	42,896	35,006	22.5	64,509	(33.5)	18,729	12,725	47.2	31,818	(41.1)
Capital Goods	489,657	439,216	11.5	444,523	10.2	53,558	49,073	9.1	48,992	9.3	30,776	26,421	16.5	24,155	27.4
Consumer	437,061	408,107	7.1	435,771	0.3	110,691	99,050	11.8	113,628	(2.6)	82,413	69,293	18.9	76,618	7.6
Infrastructure	54,650	64,861	(15.7)	54,195	0.8	6,159	7,180	(14.2)	5,885	4.6	3,589	3,794	(5.4)	2,475	45.0
IT Services	1,103,275	1,016,739	8.5	1,063,211	3.8	253,131	240,303	5.3	237,216	6.7	188,187	182,250	3.3	181,305	3.8
Oil & Gas (Inc OMC)	4,284,692	4,687,817	(8.6)	4,618,668	(7.2)	474,659	464,856	2.1	453,104	4.8	270,276	255,718	5.7	228,925	18.1
Pharmaceuticals	330,997	295,515	12.0	325,290	1.8	64,556	59,405	8.7	67,883	(4.9)	35,095	21,908	60.2	37,419	(6.2)
Midcaps	33,669	32,149	4.7	29,145	15.5	6,336	5,748	10.2	5,871	7.9	3,253	2,920	11.4	3,075	5.8
Aggregate	**8,983,190**	**9,257,710**	**(3.0)**	**9,248,262**	**(2.9)**	**1,637,841**	**1,574,830**	**4.0**	**1,614,932**	**1.4**	**836,846**	**756,400**	**10.6**	**759,015**	**10.3**
OMC	**2,916,364**	**3,078,275**	**(5.3)**	**3,108,029**	**(6.2)**	**141,309**	**113,033**	**25.0**	**121,737**	**16.1**	**78,901**	**55,576**	**42.0**	**54,822**	**43.9**
Aggregate (Ex Banking)	**8,281,889**	**8,657,510**	**(4.3)**	**8,560,119**	**(3.3)**	**1,129,971**	**1,132,233**	**(0.2)**	**1,108,889**	**1.9**	**674,879**	**647,150**	**4.3**	**600,806**	**12.3**
Aggregate (Ex Bank, OMC)	**5,365,526**	**5,579,235**	**(3.8)**	**5,452,090**	**(1.6)**	**988,662**	**1,019,200**	**(3.0)**	**987,152**	**0.2**	**595,979**	**591,574**	**0.7**	**545,985**	**9.2**
Nifty*	**8,755,234**	**9,262,090**	**(5.5)**	**9,183,986**	**(4.7)**	**1,692,978**	**1,782,736**	**(5.0)**	**1,802,606**	**(6.1)**	**897,289**	**838,421**	**7.0**	**797,867**	**12.5**

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

2QFY20 Results Preview

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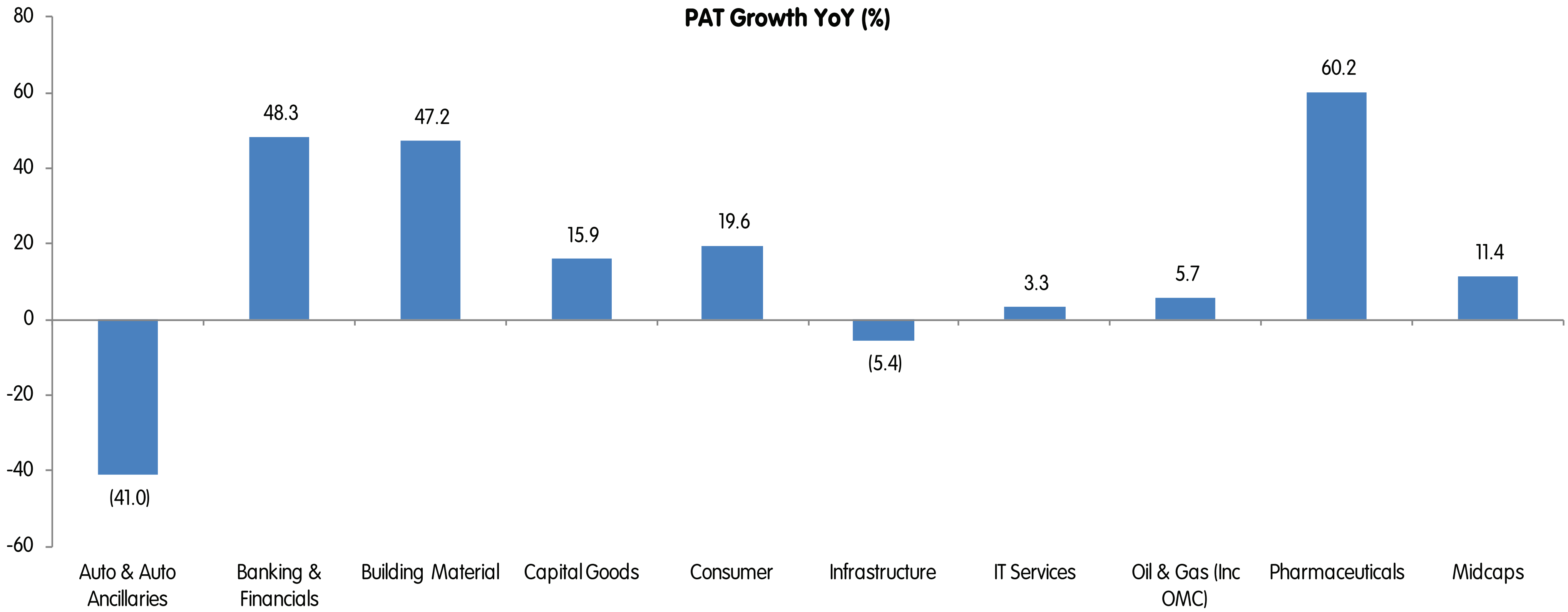
Results Preview | October 07, 2019



Source: RSec Research

2QFY20 Results Preview

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Automobiles - 2QFY20 Results Preview

Company (Rs mn)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Comments
Automobiles						
Ashok Leyland						
Revenue	41,866	76,211	(45.1)	56,839	(26.3)	▶ Overall volume declined by 44% YoY with M&HCV fall of 56% though LCV volume fell by 11% YoY. ASP broadly remains flat YoY due to price hike getting nullified by adverse product-mix. Higher discount and lower operating leverage would put significant pressure on operating margin.
EBITDA	1,659	8,290	(80.0)	5,370	(69.1)	
EBITDA Margin (%)	4.0	10.9	(692)bps	9.4	(548)bps	
PAT	21	5,414	(99.6)	2,431	(99.1)	
Bajaj Auto						
Revenue	73,324	79,868	(8.2)	77,558	(5.5)	▶ Positive impact of healthy exports coupled with favourable exchange rate would benefit on profitability, while lower contribution of 3W sales may lower the benefit to some extent. We expect margin contraction due to higher discounts in domestic 2Ws.
EBITDA	11,013	13,430	(18.0)	11,982	(8.1)	
EBITDA Margin (%)	15.0	16.8	(179)bps	15.4	(43)bps	
PAT	11,978	11,525	3.9	11,257	6.4	
Hero MotoCorp						
Revenue	74,431	90,909	(18.1)	80,303	(7.3)	▶ Highly subdued volume performance coupled with higher discounts would impact its revenues, moreover, competitive pricing pressure and negative opearing leverage due to inventory correction would impact its operating margin and profitability. PAT remains flat QoQ due to new tax rate.
EBITDA	10,266	13,787	(25.5)	11,580	(11.3)	
EBITDA Margin (%)	13.8	15.2	(137)bps	14.4	(63)bps	
PAT	7,864	9,763	(19.4)	7,861	0.0	
Maruti Suzuki						
Revenue	165,169	224,332	(26.4)	197,198	(16.2)	▶ Volume declined by 30% YoY and realisation would grow by 5.5%, which would result in revenue fall of 26% YoY. Higher discounts and industry-wide slowdown would take toll on margins, despite better product-mix.
EBITDA	15,702	34,313	(54.2)	20,458	(23.2)	
EBITDA Margin (%)	9.5	15.3	(579)bps	10.4	(87)bps	
PAT	11,530	22,404	(48.5)	14,335	(19.6)	

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2QFY20 Results Preview

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Results Preview | October 07, 2019

Automobiles - 2QFY20 Results Preview

Company (Rs mn)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Comments
Automobiles						
M&M+MVML						
Revenue	112,979	127,902	(11.7)	128,055	(11.8)	▸ 21% YoY decline in automotive segment and 8% YoY fall in tractor volume resulted in 16% YoY drop in in total volume. Better product mix with higher tractor contribution lead to 12% YoY fall in revenue. Higher tractor contribution would restrict the negative impact of operating leverage on margin.
EBITDA	15,258	18,493	(17.5)	17,936	(14.9)	
EBITDA Margin (%)	13.5	14.5	(95)bps	14.0	(50)bps	
PAT	13,180	16,412	(19.7)	9,600	37.3	
Tata Motors						
Revenue	689,307	721,121	(4.4)	614,670	12.1	▸ Standalone volume fell by 45% YoY, while JLR volume is expected to grow by 11% YoY, which will improve the Company's consolidated revenues and earnings. However, deterioration in standalone performance would impact its consolidated profit.
EBITDA	51,177	67,576	(24.3)	29,955	70.8	
EBITDA Margin (%)	7.4	9.4	(195)bps	4.9	255bps	
PAT	(5,857)	(184)	NA	(35,259)	NA	
TVS Motor						
Revenue	43,439	49,935	(13.0)	44,686	(2.8)	▸ Domestic volume declined 25% YoY, while export volume grew by 6% YoY, which resulted in 19% YoY decline in overall volume. Due to better product-mix with higher sales of premium bikes and exports, we expect ASP growth of 7% YoY. Negative operating leverage and discounts would impact its EBIDTA margin YoY and QoQ.
EBITDA	3,111	4,282	(27.3)	3,558	(12.6)	
EBITDA Margin (%)	7.2	8.6	(141)bps	8.0	(80)bps	
PAT	1,315	2,113	(37.8)	1,423	(7.6)	
Escorts						
Revenue	13,341	13,984	(4.6)	14,230	(6.2)	▸ Recorded quarterly tractor volume of 19,750 units (-6% YoY). We expect construction segment to witness 17% YoY decline, while margin would drop due to inferior product mix and higher incentives/ promotional expenses.
EBITDA	1,201	1,575	(23.7)	1,424	(15.7)	
EBITDA Margin (%)	9.0	11.3	(226)bps	10.0	(100)bps	
PAT	865	1,026	(15.8)	875	(1.2)	

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2QFY20 Results Preview

Institutional Equity Research

Results Preview | October 07, 2019

Automobile - 2QFY20 Results Preview

Company (Rs mn)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Comments
Auto Ancillary						
RK Forging						
Revenue	3,443	4,615	(25.4)	3,792	(9.2)	▶ We expect volume to fall 26% YoY due to M&HCV slowdown, while ASP would improve 1% YoY. Expect margin deterioration to the tune of 486bps YoY due to negative operating leverage.
EBITDA	563	979	(42.5)	722	(22.0)	
EBITDA Margin (%)	16.4	21.2	(486)bps	19.0	(267)bps	
PAT	29	328	(91.1)	135	(78.3)	
CEAT						
Revenue	16,494	17,546	(6.0)	17,521	(5.9)	▶ Expect significant volume decline in OEM and marginal improvement in replacement segment, which would transform into low single digit drop in revenue. Low volume is expected to impact its EBIDTA margins.
EBITDA	1,491	1,592	(6.4)	1,671	(10.8)	
EBITDA Margin (%)	9.0	9.1	(3)bps	9.5	(50)bps	
PAT	529	644	(17.8)	826	(35.9)	
Apollo Tyre						
Revenue	42,016	42,574	(1.3)	43,313	(3.0)	▶ Expect decent growth in India replacement volume, while its ongoing Europe operations improvement would continue. However, sharp fall in CV OEM segment would result in revenue decline of 1% YoY (Stand Rev is expected to fall 6% YoY). Lower volume is expected to impact its EBIDTA margins on YoY as well as QoQ basis.
EBITDA	4,255	4,672	(8.9)	4,749	(10.4)	
EBITDA Margin (%)	10.1	11.0	(85)bps	11.0	(84)bps	
PAT	1,003	1,861	(46.1)	1,416	(29.1)	
J K Tyres						
Revenue	25,496	24,938	2.2	25,754	(1.0)	▶ Expect decent growth in replacement volume with market share gain and additional capacity, while OEM sales would drop significantly. This would result in 2% revenue growth. Lower volume is expected to impact its EBIDTA margins on YoY and QoQ basis.
EBITDA	2,291	2,624	(12.7)	2,396	(4.4)	
EBITDA Margin (%)	9.0	10.5	(154)bps	9.3	(32)bps	
PAT	106	817	(87.1)	118	(10.2)	

Source: Company, RSec Research

2QFY20 Results Preview

Institutional Equity Research

Results Preview | October 07, 2019

Banking - 2QFY20 Results Preview

Company (Rs mn)	Sep 19E	Jun-19	QoQ (%)	Sep-18	YoY (%)	Comments
Axis Bank						
Net Interest Income	60,413	58,437	3.4	52,321	15.5	▶ Increased focus on retail term depsoits to limit NIM expansion in the interim ▶ DTA impact to lower earnings ▶ Led by a low base, expect loan growth to remain healthy
Pre-provision profit	58,225	58,928	-1.2	40,940	42.2	
PAT	18,144	13,701	32.4	7,896	129.8	
Net Interest Margin (%)	3.43	3.40		3.36		
Bank of Baroda						
Net Interest Income	67,405	64,981	3.7	44,925	50.0	▶ Incorporated merged financials for Dena and Vijaya from Q1FY20 , YoY numbers not comparable ▶ Advances growth for the domestic book to moderate on account of integration challenges ▶ DTA impact to lower earnings
Pre-provision profit	44,369	42,762	3.8	30,819	44.0	
PAT	3,393	7,099	-52.2	4,254	-20.2	
Net Interest Margin (%)	2.65	2.62		2.61		
Canara Bank						
Net Interest Income	34,510	32,406	6.5	32,813	5.2	▶ DTA impact to lower earnings ▶ We expect ageing related provisions to continue in H1FY20, with rise in PCR ▶ Loan growth to remain muted
Pre-provision profit	24,567	24,400	0.7	23,274	5.6	
PAT	850	3,291	-74.2	2,995	-71.6	
Net Interest Margin (%)	2.40	2.29		2.57		
DCB Bank						
Net Interest Income	3,164	3,048	3.8	2,818	12.3	▶ Expect loan growth to remain muted ▶ Operating efficiencies and tax cuts to boost earnings ▶ SME asset quality will be a monitorable
Pre-provision profit	1,729	1,665	3.8	1,461	18.3	
PAT	876	811	8.1	734	19.3	
Net Interest Margin (%)	3.70	3.67		3.83		

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2QFY20 Results Preview

Institutional Equity Research

Results Preview | October 07, 2019

Banking - 2QFY20 Results Preview

Company (Rs mn)	Sep 19E	Jun-19	QoQ (%)	Sep-18	YoY (%)	Comments
Federal Bank						
Net Interest Income	12,340	11,542	6.9	10,225	20.7	▶ Margins to get a boost from increased retail orientation (higher share of PL/CV loans)
Pre-provision profit	8,108	7,828	3.6	6,976	16.2	▶ Corporate slippages to remain contained, Stability in non-corporate slippages will be an area of watch
PAT	4,387	3,842	14.2	2,660	64.9	
Net Interest Margin (%)	3.19	3.15		3.15		▶ Benefits on cost efficiencies, improving fee lines, and tax benefits to aid RoA
HDFC Bank						
Net Interest Income	1,35,650	1,32,943	2.0	1,17,634	15.3	▶ Moderation in loanbook growth likely
Pre-provision profit	1,13,365	1,11,472	1.7	94,800	19.6	▶ Margins expected to remain stable sequentially
PAT	61,460	55,682	10.4	50,057	22.8	▶ Operating efficiencies and tax cuts to boost earnings
Net Interest Margin (%)	4.30	4.30		4.30		
ICICI Bank						
Net Interest Income	78,426	77,374	1.4	64,176	22.2	▶ Led by a low base, expect loan growth to remain healthy
Pre-provision profit	62,729	62,885	-0.2	52,497	19.5	▶ Margins to continue to benefit from increasing share of retail loans
PAT	22,248	19,080	16.6	9,089	144.8	▶ DTA impact to lower earnings
Net Interest Margin (%)	3.65	3.61		3.33		
Indian Bank						
Net Interest Income	18,257	17,854	2.3	17,309	5.5	▶ DTA impact to hurt earnings
Pre-provision profit	12,734	13,742	-7.3	11,910	6.9	▶ Margins could remain under pressure owing to MCLR cuts and pressure on cost of funds
PAT	3,135	3,654	-14.2	1,501	108.8	▶ Recoveries from educational loan portfolio will be monitorable
Net Interest Margin (%)	2.85	2.87		2.97		

Continued...

2QFY20 Results Preview

Institutional Equity Research

Results Preview | October 07, 2019

Banking - 2QFY20 Results Preview

Company (Rs mn)	Sep 19E	Jun-19	QoQ (%)	Sep-18	YoY (%)	Comments
IndusInd Bank						
Net Interest Income	28,520	28,440	0.3	22,033	29.4	▶ Expect bank to use lower tax rates to improve PCR ▶ Margins to benefit from decline in wholesale deposit rates and a large fixed rate (40% of loans) portfolio in a declining inr rate environment ▶ CV growth to moderate further, even as it remains above industry average
Pre-provision profit	23,021	25,910	-11.1	19,924	15.5	
PAT	9,720	14,325	-32.1	9,201	5.6	
Net Interest Margin (%)	4.12	4.05		3.84		
Kotak Mahindra Bank						
Net Interest Income	33,010	31,730	4.0%	26,891	22.8	▶ Loan growth to remain muted in H1FY20 ▶ Asset quality expected to remain stable ▶ NIMs to remain stable at ~4.4%
Pre-provision profit	23,524	23,989	-1.9	20,950	12.3	
PAT	14,264	13,602	4.9	11,417	24.9	
Net Interest Margin (%)	4.40	4.49		4.20		
State Bank of India						
Net Interest Income	2,29,606	2,29,388	0.1	2,09,055	9.8	▶ Expect healthy treasury gains during the quarter to aid PPoP ▶ Slippages could rise owing to select large stressed exposures ▶ Credit cost decline over FY19 to be lower than factored earlier
Pre-provision profit	1,35,499	1,32,462	2.3	1,39,046	-2.6	
PAT	23,490	23,122	1.6	9,446	148.7	
Net Interest Margin (%)	2.85	2.81		2.65		

*Source: Company, RSec Research; *Merged financials from 1QFY20, YoY numbers not comparable*

2QFY20 Results Preview

Institutional Equity Research

Results Preview | October 07, 2019

Cement - 2QFY20 Results Preview

Company	3QCY19E	3QCY18	% yoy	2QCY19	% qoq	
ACC						
Volume	6.40	6.55	(2.3)	7.20	(11.1)	Tepid demand will impact volume growth
Realization (Rs/tonne)	4,840	4,756	1.8	5,210	(7.1)	Steep realisatin decline in South and East to result in dismal realisation
Net Sales	33,776	33,640	0.4	40,593	(16.8)	
EBITDA	3,552	3,734	(4.9)	6,912	(48.6)	
EBITDA margins (%)	10.5	11.1	(5.2)	17.0	(38.2)	
EBITDA/tonne (Rs)	534	553	(3.3)	934	(42.8)	Higher maintencene and soft realisation to lead to contraction in EBITDA
APAT	2,246	2,032	10.6	4,513	(50.2)	Tower tax rate to result in YoY earnings growth
Ambuja Cements						
Volume	5.35	5.49	(2.6)	5.82	(8.1)	Subdued demand to result in poor volume
Realization (Rs/tonne)	4,700	4,594	2.3	5,003	(6.1)	Steep realisation decline in Maharasthra to impact QoQ realisation
Net Sales	25,145	25,220	(0.3)	29,120	(13.7)	
EBITDA	3,597	2,662	35.1	6,321	(43.1)	
EBITDA margins (%)	14.3	10.6	35.5	21.7	(34.1)	
EBITDA/tonne (Rs)	672	485	38.6	1,086	(38.1)	
APAT	2,542	1,786	42.3	4,121	(38.3)	Lower tax rate and benign opex to resutl in higher YoY profit
Company	**2QFY20E**	**2QFY19**	**% yoy**	**1QFY20**	**% qoq**	
UltraTech Cement						
Volume	19.00	18.38	3.4	20.85	(8.9)	Volume growth is restated with century cement inclusion
Realization (Rs/tonne)	4,700	4,504	4.4	5,018	(6.3)	Share realisatin dip in East, West and South to lead to soft QoQ realisation
Net Sales	94,290	88,338	6.7	109,978	(14.3)	
EBITDA	19,126	14,066	36.0	27,618	(30.7)	
EBITDA margins (%)	20.3	15.9	27.4	25.1	(19.2)	
EBITDA/tonne (Rs)	1,007	765	31.5	1,325	(24.0)	Higher YoY pricing and cost synergies to lead to growth in YoY
APAT	7,961	4,043	96.9	12,775	(37.7)	

2QFY20 Results Preview

Institutional Equity Research

Results Preview | October 07, 2019

Cement - 2QFY20 Results Preview

Company	2QFY20E	2QFY19	% yoy	1QFY20	% qoq	
Shree Cement						
Cement Volume (mnT)	5.70	5.64	1.1	6.06	(5.9)	Dismal demand environment to impact volume
Realization (Rs/tonne)	4,440	4,268	4.0	4,703	(5.6)	Sequential drop in realisation to effect QoQ pricing
Net Sales	27,047	25,866	4.6	30,364	(10.9)	
Cement Revenue	25,308	24,071	5.1	28,487	(11.2)	
Power Revenue	1,739	1,795	(3.1)	1,877	(7.4)	
EBITDA	6,721	5,733	17.2	9,022	(25.5)	
EBITDA margins (%)	24.9	22.2		29.7		
EBITDA/tonne (Rs)	1,137	946	20.2	1,443	(21.2)	
APAT	1,984	2,022	(1.9)	3,630	(45.4)	No benefit from corporate tax reduction and higher depreciation to impact YoY profit
Ramco Cements						
Volume	2.40	2.47	(2.8)	2.70	(11.2)	Poor demand in key markets led to volume degrowth
Realization (Rs/tonne)	4,640	4,622	0.4	4,989	(7.0)	Sharp realisation decline in South and East regions dented qoq realisations
Net Sales	11,136	11,413	(2.4)	13,486	(17.4)	
EBITDA	1,972	2,049	(3.7)	3,240	(39.1)	
EBITDA margins (%)	17.7	18.0		24.0		
EBITDA/tonne (Rs)	822	830	(1.0)	1,199	(31.4)	soft realisation and higher fixed cost to impact operating performance
APAT	1,109	1,145	(3.1)	1,920	(42.2)	

2QFY20 Results Preview

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Cement - 2QFY20 Results Preview

Company	2QFY20E	2QFY19	% yoy	1QFY20	% qoq	
India Cements						
Volume	2.78	3.08	(9.7)	3.04	(8.6)	Slowdown in infra projects in South to impact volume
Realization (Rs/tonne)	4,340	4,358	(0.4)	4,685	(7.4)	Steep realisation decline in AP/Telangana to result in dismal realisation
Net Sales	12,535	13,871	(9.6)	14,688	(14.7)	
EBITDA	1,438	1,548	(7.1)	2,420	(40.6)	Realisation dip to lead to dip in EBITDA
EBITDA margins (%)	11.5	11.2		16.5		
EBITDA/tonne (Rs)	517	503	2.9	795	(35.0)	
PAT	98	14	586.7	722	(86.4)	
J.K. Cement						
Volume- Grey Cement	1.90	1.87	1.9	1.97	(3.6)	Soft demand environment to lead to moderate volume growth
Realization (Rs/tonne)	4,360	4,012	8.7	4,670	(6.6)	Stronger realisation recovery in North to aid pricing
Net Sales	11,771	10,881	8.2	13,280	(11.4)	
EBITDA	2,057	1,572	30.9	3,035	(32.2)	
EBITDA margins (%)	17.5	14.4		22.9		
EBITDA/tonne (Rs)	925	729	26.8	1,315	(29.7)	Better pricing to result in improvement in healthy operating performance
PAT	866	647	33.8	1,538	(43.7)	
JK Lakshmi Cement						
Volume	2.10	2.13	(1.3)	2.33	(9.9)	Soft demand to lead to soft sales volume
Realization (Rs/tonne)	4,170	4,003	4.2	4,472	(6.7)	Low clinker sales and steady North realisation to aid YoY pricing
Net Sales	8,757	8,514	2.8	10,419	(16.0)	
EBITDA	1,105	916	20.6	1,698	(34.9)	Firm 1QFY20 realisation and cost benefits to lead to strong YoY operating profit
EBITDA margins (%)	12.6	10.8		16.3		
EBITDA/tonne (Rs)	526	431	22.1	729	(27.8)	
APAT	258	78	230.6	590	(56.3)	

2QFY20 Results Preview

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Cement - 2QFY20 Results Preview

Company	2QFY20E	2QFY19	% yoy	1QFY20	% qoq	
Mangalam Cement						
Volume	0.63	0.73	(14.0)	0.71	(11.3)	Dismal demand scenario across key markets to impact volume
Realization (Rs/tonne)	4,400	3,960	11.1	4,726	(6.9)	Strong YoY realisation is led by higher volume in new markets and low discounts
Net Sales	2,750	2,879	(4.5)	3,332	(17.5)	
EBITDA	425	161	164.3	680	(37.5)	
EBITDA margins (%)	15.5	5.6		20.4		
EBITDA/tonne (Rs)	680	126	440.3	964	(29.5)	Better YoY pricing and cost synergies to lead to healthy unitary EBITDA
APAT	191	(14)		332		
HeidelbergCement India						
Volume	1.15	1.13	2.2	1.26	(8.6)	Subdued demand in key markets to result in soft volume growth
Realization (Rs/tonne)	4,430	4,262	3.9	4,630	(4.3)	Firm realisation trend in Central region to lead to higher realisation in YoY
Net Sales	5,095	4,795	6.2	5,824	(12.5)	
EBITDA	1,152	1,102	4.5	1,509	(23.6)	
EBITDA margins (%)	22.6	23.0		25.9		
EBITDA/tonne (Rs)	1,002	980	2.2	1,199	(16.5)	
APAT	649	501	29.5	790	(17.9)	
Sagar Cements						
Volume	0.71	0.72	(0.9)	0.82	(13.4)	Sharp volume dip in Sept'19 led to volume de-growth
Realization (Rs/tonne)	3,800	3,563	6.6	4,193	(9.4)	Sharp deterioration in Southern realisation to result in steep realisation decline
Net Sales	2,714	2,577	5.3	3,442	(21.1)	
EBITDA	403	211	91.1	786	(48.8)	
EBITDA margins (%)	14.8	8.2		22.8		
EBITDA/tonne (Rs)	567	294	92.8	959	(40.9)	YoY realisatin recovery and cost synergies to aid unitary EBITDA
PAT	58	(80)	(172.7)	295	(80.3)	

Source: Company, RSec Research

2QFY20 Results Preview

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Tiles - 2QFY20 Results Preview

Company	2QFY20E	2QFY19	% YoY	1QFY20	% QoQ	
Kajaria Ceramics						
Volume (MSM)	21.00	19.54	7.5	19.65	6.9	Market leadership to drive sales volume growth despite challanging environment
Realisation (Rs/SM)	334	349	-4.3	335	-0.4	
Revenue	7,464	7,253	2.9	7,000	6.6	
EBITDA	1,104	1,089	1.4	1,060	4.2	Soft realisations to lead to muted growth in EBITDA
EBITDA Margin (%)	14.8	15.0		15.1		
PAT	636	506	25.6	504	26.3	Lower tax rate to result in strong earnings growth
Somany Ceramics						
Volume (MSM)	12.60	12.00	5.0	11.88	6.1	Dimal market to result in moderate growth in volume
Realisation (Rs/SM)	290	287	1.2	288	0.6	
Revenue	4,104	3,928	4.5	3,872	6.0	
EBITDA	244	164	48.5	209	16.7	Soft fuel prices and favourable product mix to result in strong operational performance
EBITDA Margin (%)	5.9	4.2		5.4		
PAT	131	46	185.5	87	49.6	Storng operating profit and low tax to lead to higher earnings growth

Source: Company, RSec Research

2QFY20 Results Preview

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Capital Goods - 2QFY20 Results Preview

Company (Rs mn)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Comments
ABB India						
Revenue	17,674	14,916	18.5	17,258	2.4	▶ We expect revenue (ex-Power Grid) to grow by 19% YoY to Rs17.7bn in 3QCY19 led by better performance by Robotics & Motion and industrial automation divisions. While PAT (ex-PG) is expected to rise by 68% YoY to Rs604bn, operating margin is likely to improve on the back of continuous focus on cost saving, positive volume growth, increased localisation and cost optimisation.
EBITDA	875	654	33.8	1,239	(29.4)	
EBITDA Margin (%)	4.9	4.4	57 bps	7.2	(223) bps	
PAT	604	360	67.9	697	(13.3)	
PAT (Inc Power Grid)	1,399	1,083	29.1	1,304	7.3	
Crompton Greaves Consumer						
Revenue	11,766	10,378	13.4	13,468	(12.6)	▶ Revenue is expected to grow by 13% YoY to Rs11.8bn led by higher volume in ECD segment owing to strong focus on B2C business. However, revenue of lighting segment is expected to decline owing to lower volume. Margin is likely to expand led by improvement in ECD business.
EBITDA	1,412	1,239	13.9	1,919	(26.4)	
EBITDA Margin (%)	12.0	11.9	6 bps	14.2	(225) bps	
PAT	1,040	770	35.1	1,224	(15.1)	
Kalpataru Power Transmission						
Revenue	17,630	15,741	12.0	16,550	6.5	▶ Revenue is expected to increase by 12% YoY to Rs17.6bn led by strong execution in T&D, Railway and Pipeline business. While JMC Project's PAT is expected to grow significantly driven by margin expansion and higher other income, Shree Shubham Logistics' (SSL) revenue is likely to rise led by higher utilisation.
EBITDA	1,886	1,709	10.4	1,920	(1.7)	
EBITDA Margin (%)	10.7	10.9	(16) bps	11.6	(90) bps	
PAT	1,166	914	27.6	920	26.7	
KEC International						
Revenue	27,492	24,085	14.1	24,125	14.0	▶ Revenue is expected to grow by 14% YoY to Rs27.5bn led by strong growth in Railway, Civil and Solar business. PAT is expected to surge by 28% YoY to Rs1bn led by strong execution and lower taxes. We expect EBITDA margin to decline by 40bps YoY to 10.1% owing to higher input cost and other expenses.
EBITDA	2,777	2,532	9.7	2,513	10.5	
EBITDA Margin (%)	10.1	10.5	(41) bps	10.4	(32) bps	
PAT	1,232	963	27.9	886	39.1	

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2QFY20 Results Preview

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Capital Goods - 2QFY20 Results Preview

Company (Rs mn)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Comments
Havells India						
Revenue	24,227	21,910	10.6	27,120	(10.7)	▶ We expect Havells' revenue to grow by 11% YoY to Rs24.2bn driven by 20% YoY growth in ECD business and 10% growth in switchgear segment. EBITDA margin is expected decline by 50bps to 10.5% YoY. PAT is expected to increase by 17% YoY to Rs2.1bn.
EBITDA	2,795	2,625	6.5	2,757	1.4	
EBITDA Margin (%)	11.5	12.0	(44) bps	10.2	137 bps	
PAT	2,082	1,786	16.6	1,739	19.7	
Engineers India						
Revenue	7,828	6,814	14.9	7,349	6.5	▶ Revenue is expected to grow by 15% YoY to Rs7.8bn led by strong pick-up in consultancy segment on low base. Consultancy revenue is expected to grow by 20%. EBITDA margin is expected to improve to 14.6% (+120bps YoY) led by higher margin in Consultancy segment. PAT is likely to improve by 34% YoY to Rs1.3bn.
EBITDA	1,142	915	24.8	1,395	(18.1)	
EBITDA Margin (%)	14.6	13.4	117 bps	19.0	(439) bps	
PAT	1,313	978	34.3	1,241	5.8	
Blue Star						
Revenue	11,652	10,350	12.6	15,755	(26.0)	▶ We expect Blue Star to report revenue of Rs11.6bn, up 13% YoY led by strong growth of unitary products segment. EBITDA margin is seen at 6.4% up 50bps YoY led by higher margin in Unitary Products segment. We expect the company to report PAT of Rs307mn, up 38% YoY.
EBITDA	742	609	22.0	1,149	(35.4)	
EBITDA Margin (%)	6.4	5.9	49 bps	7.3	(92) bps	
PAT	307	223	37.6	768	(60.1)	

Continued…

2QFY20 Results Preview

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Capital Goods - 2QFY20 Results Preview

Company (Rs mn)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Comments
Voltas						
Revenue	15,737	14,214	10.7	26,540	(40.7)	▶ The demand for room AC continued to remain strong in 2QFY20, which is expected to positively impact the quarterly revenue for the UCP segment. We expect Voltas to report revenue of Rs15.7 bn, up 11% YoY led by 25% YoY growth in UCP segment, while EMPS and Engineering products segments are expected to grow by 5% each. Margin of the EMPS segment is expected to decline to 8% from 8.4% in YoY on high YoY base. UCP margin is expected to increase by 20bps to 6.5%. We expect Voltas to report PAT growth of 12% YoY to Rs1.2bn.
EBITDA	1,187	1,085	9.4	2,912	(59.2)	
EBITDA Margin (%)	7.5	7.6	(9) bps	11.0	(343) bps	
PAT	1,202	1,070	12.4	1,952	(38.4)	
Larsen & Toubro						
Revenue	3,55,652	3,20,808	10.9	2,96,360	20.0	▶ We expect L&T to report revenue of Rs356bn, up 11% YoY led by core infra segment. From operating performance perspective, we expect margin at 11.4%, down 40bps YoY and thus PAT at Rs21.7bn, up 12% YoY. L&T's announced order inflow jumped in 2QFY20 led by few large orders including the Navi Mumbai International Airport (Rs50-70bn) and Hydrocarbon project in Saudi (>Rs70bn). L&T's announced order inflow stood at Rs365bn in 2QFY20 (vs. Rs250bn in 2QFY19).
EBITDA	40,544	37,705	7.5	33,189	22.2	
EBITDA Margin (%)	11.4	11.8	(35) bps	11.2	20 bps	
PAT	21,681	19,357	12.0	14,726	47.2	

Source: Company, RSec Research

2QFY20 Results Preview

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Consumer - 2QFY20 Results Preview

Company (Rs mn)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Result expectations
Britannia Industries						
Revenue	30,546	28,548	7.0	27,004	13.1	We estimate 5% volume and 2% price growth.
EBITDA	4,832	4,544	6.3	3,947	22.4	Operating profits expected to be under pressure due to higher raw material prices.
EBITDA Margin (%)	15.8	15.9	(10)	14.6	120	Lower employee cost and other expenses to result improved margins sequentially.
PAT	3,691	3,031	21.8	2,642.2	39.7	Tax benefits to lead higher net profit growth.
Colgate Palmolive India						
Revenue	12,303	11,606	6.0	10,760	14.3	We estimate 4% volume growth and 2% pricing / premiumization growth.
EBITDA	3,383	3,222	5.0	2,909	16.3	Better product mix likely to offset by lower operating leverage
EBITDA Margin (%)	27.5	27.8	(26)	27.0	46	Lower staff and advertising cost to result seqential improvement in operating margins.
PAT	2,301	1,964	17.2	1,691.1	36.1	Tax benefits to result higher net earnings growth.
Dabur India						
Revenue	23,192	21,250	9.1	22,733	2.0	We estimate 7% volume and 2% price growth
EBITDA	5,531	4,508	22.7	4,576	20.9	Benign raw material cost and operating leverage to result robust EBITDA growth
EBITDA Margin (%)	23.8	21.2	263	20.1	372	Lower other expenses to lead healthy EBITDA margin expansion
PAT	4,399	3,773	16.6	3,834.9	14.7	Earnings growth to remain robust despite higher taxes.
HUL						
Revenue	95,986	91,380	5.0	99,840	(3.9)	We estimate 4% volume growth and 1% price growth.
EBITDA	23,326	20,190	15.5	26,470	(11.9)	Operating leverage led EBIDTA growth.
EBITDA Margin (%)	24.3	22.1	221	26.5	(221)	Cost savings measure to lead EBITDA margin expansion.
PAT	16,872	15,220	10.9	17,550	(3.9)	Earnings growth to remain robust.

Continued...

2QFY20 Results Preview

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Results Preview | October 07, 2019

Consumer - 2QFY20 Results Preview

Company (Rs mn)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Result expectations
ITC						
Revenue	117,254	108,912	7.7	113,614	3.2	We estimate 3% volume growth and 3% price growth in Cigarettes
EBITDA	46,034	42,060	9.4	45,657	0.8	Benign raw material cost to keep EBITDA growth healthy.
EBITDA Margin (%)	39.3	38.6	64	40.2	-93	Operating leverage to result in EBITDA margin expansion
PAT	36,274	29,547	22.8	31,739.4	14.3	Robust earnings growth led by lower taxes.
Jubilant FoodWorks						
Revenue	9,747	8,814	10.6	9,401	3.7	We estimate SSSG of 6% with embedded implied pricing growth of 1-2%.
EBITDA	1,561	1,472	6.0	1,475	5.8	Higher raw material cost and higher discounting to lead muted operating performance
EBITDA Margin (%)	16.0	16.7	(69)	15.7	32	Lower operating leverage YoY. Price hike to improve margins sequentially.
PAT	981	836	17.3	776.8	26.3	Tax benefits to result higher net earnings growth.
Marico Industries						
Revenue	18,634	17,918	4.0	21,889	(14.9)	Weaker demand to result 4% volume growth.
EBITDA	2,795	2,831	(1.3)	4,416	(36.7)	Unfavourable product mix and higher raw material prices to impact gross profits
EBITDA Margin (%)	15.0	15.8	(80)	20.2	(517)	Lower operating leverage to result sharp detoriation in margins
PAT	2,047	2,134	(4.1)	3,157.8	(35.2)	Weak earnings growth.
Nestle India						
Revenue	32,269	29,220	10.4	29,828	8.2	Domestic business to report 12% YoY revenue growth
EBITDA	8,122	7,420	9.5	7,073	14.8	Higher cost to raw material to keep EBITDA growth under check
EBITDA Margin (%)	25.2	25.4	(22)	23.7	146	Lower operting expenses to keep EBITDA margin flat YoY.
PAT	5,715	4,461	28.1	4,378.4	30.5	Lower tax to result robust earnings growth

Continued...

2QFY20 Results Preview

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Consumer - 2QFY20 Results Preview

Company (Rs mn)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Result expectations
Asian Paints						
Revenue	52,561	46,391	13.3	51,306	2.4	We estimate 10% volume and 3% price growth
EBITDA	10,501	7,841	33.9	11,563	(9.2)	Benign raw material cost and operating leverage to result robust EBITDA growth
EBITDA Margin (%)	20.0	16.9	308	22.5	(256)	Lower other expenses to lead EBITDA margin expansion.
PAT	6,692	4,979	34.4	6,720.9	(0.4)	Earnings growth to remain robust
Titan Company						
Revenue	44,568	44,068	1.1	49,397	(9.8)	Jewellery sales impacted due to higher gold prices and adverse impact of hedges
EBITDA	4,605	4,961	(7.2)	5,543	(16.9)	High cost of raw material to impact gross profits
EBITDA Margin (%)	10.3	11.3	(92)	11.2	(89)	Lower operating leverage to result in margin contraction
PAT	3,442	3,348	2.8	4,127.0	(16.6)	Earnings growth in line with revenue growth

Source: RSec Research

2QFY20 Results Preview

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Infrastructure - 2QFY20 Results Preview

Company (Rs mn)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Result expectations
H.G. Infra Engineering						
Revenue	4,700	4,291	9.5	5,261	(10.7)	Strong order book and traction in new projects to drive YoY revenue growth
EBITDA	729	623	16.9	795	(8.4)	
EBITDA Margin (%)	15.5	14.5	98	15.1	39	Margins are expected to be under guidance range of the company
PAT	341	246	38.7	344.0	(0.9)	Healthy margins and low tax to result in YoY earnings growth
NBCC India						
Revenue	13,800	15,821	(12.8)	12,566	9.8	Persistent delay in key redevelopment projects to impact revenue booking
EBITDA	621	591	5.1	19	3,214.3	
EBITDA Margin (%)	4.5	3.7	76	0.1	435	Margins improvement in RE and PMC to result in better margins
PAT	940	859	9.4	253	271.6	Better margins to aid profit growth
NCC						
Revenue	21,000	31,048	(32.4)	21,877	(4.0)	Order cancellation and soft execution scenarion in AP/Telangana projects to impact revenue
EBITDA	2,415	3,651	(33.9)	2,666	(9.4)	
EBITDA Margin (%)	11.5	11.8	(26)	12.2	(69)	Margins is considered as per the guidance of management
PAT	819	1,573	(47.9)	813.2	0.8	Dismal revenue to lead to subdued earnings
KNR Constructions						
Revenue	5,050	4,163	21.3	4,646	8.7	Commencement of HAM projects to aid revenue
EBITDA	884	831	6.3	900	(1.8)	
EBITDA Margin (%)	17.5	20.0	(247)	19.4	(188)	Margins are considered as per the guidance of the Management
PAT	811	450	80.2	477.2	70.0	Claim received worth Rs520mn to aid profits
						Continued

2QFY20 Results Preview

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Infrastructure - 2QFY20 Results Preview

Company (Rs mn)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Result expectations
Ahluwalia Contracts						
Revenue	3,900	4,392	(11.2)	3,168	23.1	Persistent delay in key projects to impact revenue growth
EBITDA	488	574	(15.1)	392	24.4	
EBITDA Margin (%)	12.5	13.1	(58)	12.4	13	Margin is expected to remain in guided range of management at 12.5%-13.5%
PAT	286	312	(8.1)	178.3	60.5	
J.Kumar Infraprojects						
Revenue	6,200	5,147	20.5	6,677	(7.1)	Execution pickup in key projects to lead to YoY growth
EBITDA	1,023	910	12.5	1,113	(8.1)	
EBITDA Margin (%)	16.5	17.7	(117)	16.7	(17)	margin is expected on guided range
PAT	391	354	10.6	409.2	(4.4)	

2QFY20 Results Preview

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IT - 2QFY20 Results Preview

Company	2QFY20E	1QFY20	QoQ %	2QFY19	YoY %	Comments
Tata Consultancy Services						
Revenue (US$ mn)	5,595	5,485	2.0	5,215	7.3	USD revenue growth is expected to come in at 2% QoQ, with CC growth pegged at 2.9% QoQ, USD strength to lead to 88bps adverse impact on reported USD numbers; margin is expected to rise on INR depreciation, lower visa cost. **Key Factors to Watch Out For:** FY20 outlook, BFSI, Retail growth, IT budget trends for CY19, margin outlook in light of cost headwinds, and order wins.
Revenue (INR bn)	393.5	381.7	3.1	368.5	6.8	
EBIT (INR bn)	97.6	92.2	5.9	97.7	(0.1)	
EBIT margin (%)	24.8	24.2	66bps	26.5	(170bps)	
EPS (INR)	21.9	21.7	0.9	20.7	5.8	
Infosys						
Revenue (US$ mn)	3,225	3,131	3.0	2,921	10.4	USD revenue is expected to rise by 3% QoQ, while CC revenue growth is pegged at 3.5% QoQ; margins to rise on INR depreciation, lower visa and wage cost. **Key Factors to Watch Out For:** increase in FY20E guidance, BFSI and Retail growth outlook, and order wins.
Revenue (INR bn)	226.8	218.0	4.0	206.1	10.1	
EBIT (INR bn)	48.2	44.7	7.8	48.9	(1.5)	
EBIT margin (%)	21.2	20.5	74bps	23.7	(250bps)	
EPS (INR)	9.3	8.8	5.3	4.7	96.9	
Wipro*						
Revenue (US$ mn)	2,062	2,039	1.1	2,010	2.6	USD revenue is expected to rise by 1.1% QoQ, while CC revenue is likely to rise by 1.8% QoQ; IT EBIT margin is expected to trend lower on wage hikes. **Key Factors to Watch Out For:** Financial Services outlook, 3QFY20 revenue growth guidance and IT budget commentary.
Revenue (INR bn)	149.3	147.2	1.5	145.4	2.7	
EBIT (INR bn)	22.9	23.8	(3.8)	19.1	19.7	
EBIT margin (%)	15.3	16.2	(84bps)	13.2	219bps	
EPS (INR)	3.8	4.0	(4.7)	3.1	20.5	
HCL Technologies						
Revenue (US$ mn)	2,508	2,364	6.1	2,099	19.5	USD revenue growth is pegged at 6.1% QoQ (6.8% QoQ in CC terms), aided by IBM product consolidation; margin is likely to rise on lack of one-time investments made in 1QFY20, INR weakness. **Key Factors to Watch Out For:** Reiteration of FY20 guidance (organic and including IBM products), digital growth, margin outlook, and amortisation impact on financials.
Revenue (INR bn)	176.4	164.3	7.4	148.6	18.7	
EBIT (INR bn)	33.3	28.1	18.9	29.7	12.4	
EBIT margin (%)	18.9	17.1	183bps	20.0	(105bps)	
EPS (INR)	19.4	16.1	20.2	18.5	5.1	

Continued...

2QFY20 Results Preview

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Results Preview | October 07, 2019

IT - 2QFY20 Results Preview

Company	2QFY20E	1QFY20	QoQ %	2QFY19	YoY %	Comments
Tech Mahindra						
Revenue (US$ mn)	1,274	1,247	2.2	1,218	4.6	USD revenue is likely to rise by 2.2% QoQ (2.9% QoQ in CC terms) in a seasonally strong quarter for COMM, while margin is likely to rise on INR depreciation, lower visa and wage cost.
Revenue (INR bn)	89.6	86.5	3.6	86.3	3.9	
EBIT (INR bn)	11.4	9.9	14.8	13.2	(13.9)	**Key Factors to Watch Out For:** AT&T deal updates, transition cost impact on FY20 margin, Enterprise outlook and CY19 IT budget outlook
EBIT margin (%)	12.7	11.5	125bps	15.3	(263bps)	
EPS (INR)	11.2	10.9	2.9	11.9	(6.1)	
Mindtree						
Revenue (US$ mn)	272	264	3.0	246	10.5	USD revenue is expected to rise by 3% QoQ, CC growth likely at 3.5% QoQ aided by renewed traction, all-time high pipeline; margin is expected to rise on INR depreciation, lack of one-time wage cost, and operating efficiency.
Revenue (INR bn)	19.1	18.3	4.4	17.6	9.1	
EBIT (INR bn)	1.9	1.2	58.7	2.3	(19.0)	
EBIT margin (%)	9.7	6.4	332bps	13.1	(337bps)	**Key Factors to Watch Out For:** Steady-state margin outlook, attrition, outlook for BFSI vertical, and TCV deal wins.
EPS (INR)	8.5	5.6	50.0	12.6	(32.6)	
Cyient						
Revenue (US$ mn)	164	157	4.4	169	(3.2)	USD revenue is expected to rise by 4.4% QoQ (5.2% in CC terms) on seasonal strength in DLM, improving organic growth; margins to rise on INR depreciation, cost saving initiatives.
Revenue (INR mn)	11.5	10.9	5.6	11.9	(3.1)	
EBIT (INR mn)	1.2	1.0	19.4	1.3	(10.3)	**Key Factors to Watch Out For:** AERO business outlook in light of recent issues, FY20 growth and margin outlook, and order book trend.
EBIT margin (%)	10.4	9.2	121bps	11.3	(84bps)	
EPS (INR)	8.7	8.0	8.4	11.3	(22.8)	

Continued...

2QFY20 Results Preview

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IT - 2QFY20 Results Preview

Company	2QFY20E	1QFY20	QoQ %	2QFY19	YoY %	Comments
Hexaware Technologies**						
Revenue (US$ mn)	213	189	13.0	171	24.6	USD revenue is likely to rise by 13% QoQ, while expected 13.5% QoQ growth in CC revenue will be aided by acquisition of Mobiquity, adjusted margin to rise by130bps QoQ on lack of one-time transaction cost for Mobiquity. **Key Factors to Watch Out For:** Maintenance of CY20 growth and margin outlook, BFSI outlook, and client specific issue updates.
Revenue (INR bn)	15.0	13.1	14.5	12.1	23.9	
EBIT (INR bn)	2.2	1.9	14.0	1.9	17.0	
EBIT margin (%)	14.6	14.6	(6bps)	15.4	(85bps)	
EPS (INR)	6.1	5.0	22.5	5.7	7.7	
Persistent Systems						
Revenue (US$ mn)	124	120	3.9	118	5.2	USD revenue is expected to grow by 3.9% QoQ aided by IP business, margin is expected to fall on wage hike, partly offset by INR depreciation, operational efficiency. **Key Factors to Watch Out For:** FY20 outlook, new CEO growth strategy in relation to IBM partnership and Enterprise business.
Revenue (INR bn)	8.7	8.3	5.1	8.4	4.6	
EBIT (INR bn)	0.8	0.8	2.2	1.0	(19.6)	
EBIT margin (%)	9.5	9.8	(27bps)	12.4	(288bps)	
EPS (INR)	9.8	10.8	(9.0)	11.0	(10.9)	
eClerx Services						
Revenue (US$ mn)	52	51	2.0	50	3.8	USD revenue is likely to grow by 2% QoQ, while margin is expected to rise on INR depreciation. **Key Factors to Watch Out For:** Growth and margin recovery.
Revenue (INR bn)	3.7	3.5	2.9	3.6	2.6	
EBIT (INR bn)	0.5	0.5	14.4	0.7	(25.3)	
EBIT margin (%)	14.9	13.4	149bps	20.5	(557bps)	
EPS (INR)	12.1	10.6	14.1	18.4	(34.3)	

Continued...

2QFY20 Results Preview

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IT - 2QFY20 Results Preview

Company	2QFY20E	1QFY20	QoQ %	2QFY19	YoY %	Comments
Majesco Limited						
Revenue (US$ mn)	37	37	(1.5)	34	7.9	USD revenue is likely to decline by 1.5% QoQ on lack of one-time revenue in 1QFY20 and post end of the MetLife deal implementation phase, gap between implementation-end phase and MCR post go-live; margin is expected to decline on lower revenue. **Key Factors to Watch Out For:** Order wins, new client growth and progress on IBM sell-with strategy.
Revenue (INR bn)	2.6	2.6	(0.2)	2.4	6.5	
EBIT (INR bn)	0.2	0.2	(5.2)	0.2	(23.7)	
EBIT margin (%)	6.8	7.2	(36bps)	9.5	(270bps)	
EPS (INR)	3.3	3.0	12.3	6.8	(50.7)	
Sonata Software						
IITS Revenue (US$ mn)	46	44	3.1	39	16.8	USD revenue is pegged at 3.1% QoQ in the IITS business aided by traction in key verticals, IITS margin to slightly rise aided by INR depreciation, consolidated margin is expected to rise led by higher IITS revenue share owing to weak DPS seasonality. **Key Factors to Watch Out For:** FY20 revenue, margin outlook, key client growth, and OPD vertical growth recovery.
Cons. Revenue (INR bn)	7.1	8.7	(18.9)	5.9	19.6	
Cons. EBIT (INR bn)	0.8	0.8	2.0	0.7	15.7	
EBIT margin (%)	11.6	9.2	238bps	12.0	(39bps)	
EPS (INR)	6.4	6.4	1.0	5.9	8.9	

** Revenue in USD terms refers to combined IT service revenue, while in INR terms it refers to consolidated revenue*

*** Hexaware has a December-ending FY; thus, 2QFY20E=3QCY19E*

Others						
Central Depository Services (India)						
Cons. Revenue (INR bn)	0.6	0.6	0.1	0.5	10.0	Expect 10% YoY revenue growth, margins to be impacted by slow revenue growth, high fixed cost structure; key factors to watch: growth outlook given volatile market conditions, progress on new business initiatives like academic repository given that the company can charge post Sep'19.
Cons. EBIT (INR bn)	0.3	0.2	46.5	0.3	(4.6)	
EBIT margin (%)	50.0	34.2	1,583bps	57.6	(765bps)	
EPS (INR)	3.2	2.6	20.3	2.9	10.0	

2QFY20 Results Preview

Results Preview | October 07, 2019

MID-CAP - 2QFY20 Results Preview

Company	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Comments
Aarti Ind						
Revenue	13,314	12,995	2.5	10,861	22.6	▶ We expect a constant RM sales growth of 8% YoY in specialty chemicals business and a growth of 25% YoY in pharmaceuticals business. Adjusted for HPC segment, the overall revenue is expected to grow by 8.1% YoY. ▶ Benzene price has declined by 24% YoY during the quarter which is expected to put pressure on specialty chemicals revenue. ▶ However, lower RM cost is expected to result in gross margin expansion of 350bp.
EBITDA	2,713	2,421	12.1	2,369	14.5	
EBITDA Margin (%)	20.4	18.6	175 bps	21.8	-143 bps	
PAT	1,426	1,229	16.0	1,374	3.8	
SRF						
Revenue	20,355	19,154	6.3	18,284	11.3	▶ We expect a de-growth of 5% YoY in technical textiles business led by automotive slowdown. The price of caprolactam is down by 26% YoY in 2QFY20 which is expected to result in inventory loss in technical textiles. Consequently, we expect margin contraction of 140bp in the segment. ▶ The packaging films business is expected to grow by 5% YoY, entirely driven by realisation growth. The margins in the segment are expected to expand by 30bp. ▶ We expect chemicals business to post a revenue growth of 18% YoY. The segment is expected to recover from the negative play on operating leverage due to closure of Dahej plant in 1QFY20 and post a margin expansion of 100bp YoY.
EBITDA	3,623	3,327	8.9	3,502	3.5	
EBITDA Margin (%)	17.8	17.4	43 bps	19.2	-135 bps	
PAT	1,827	1,691	8.0	1,701	7.4	

2QFY20 Results Preview

Results Preview | October 07, 2019

Oil & Gas - 2QFY20 Results Preview

Company (Rs mn)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Result expectations
IGL						
Revenue	15,980	14,215	12.4	15,761	1.4	Total Sales volume growth of 8% YoY/3% QoQ.
EBITDA	3,689	3,080	19.8	3,585	2.9	Fall in crude linked LNG prices to improve EBITDA to ~ Rs6/scm
EBITDA Margin (%)	23.1	21.7	141	22.7	34	We factored in 16.4% tax rate for 2QFY20
PAT	2,874	1,873	53.5	2,184	31.6	
GUJGA						
Revenue	23,582	19,643	20.0	26,146	(9.8)	Consumption slowdown due to industry shutdown and switch of few PNG industrial consumer to Propane
EBITDA	3,464	1,607	115.5	4,665	(25.7)	We expect volume ~ 9.0mmscmd and fall in gross margins QoQ basis
EBITDA Margin (%)	14.7	8.2	651	17.8	-315	We factored in 16.3% tax rate for 2QFY20
PAT	2,042	411	397.3	2,337	(12.6)	
Mahanagar Gas						
Revenue	7,663	6,965	10.0	7,575	1.2	We expect 1.2%/2% YoY/QoQ growth in total sales volume mainly due to 2 day supply disruptions from ONGC Uran plants and LPG mixture issue
EBITDA	2,643	2,215	19.3	2,768	(4.5)	EBITDA improvement would be aided by lower gas cost (spot LNG prices).
EBITDA Margin (%)	34.5	31.8	269	36.5	(206)	We have factored lower tax rate for 2QFY20
PAT	2,028	1,363	48.8	1,702	19.1	
GAIL						
Revenue	165,866	192,753	(13.9)	183,115	(9.4)	GAIL likely to post fall in EBITDA on YoY/QoQ respectively, lead by fall in margins across the sub segments except Gas transmission
EBITDA	20,916	29,276	(28.6)	22,590	(7.4)	We have factored in lower tax rate in 2QFY20
EBITDA Margin (%)	12.6	15.2	(258)	12.3	27	
PAT	16,249	19,630	(17.2)	12,875	26.2	

Continued...

2QFY20 Results Preview

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Oil & Gas - 2QFY20 Results Preview

Company (Rs mn)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Result expectations
Petronet LNG						
Revenue	77,985	107,453	(27.4)	86,134	(9.5)	Lower gas prices and long-term gas consumption are expected to drag its total sales
EBITDA	9,825	8,837	11.2	10,239	(4.0)	Total volume at Dahej rise by 2% YoY
EBITDA Margin (%)	12.6	8.2	437	11.9	71	The new Ind As-116 standard is expected to lower employee cost and other expense along with this higher volume, 5% rise in regasification tariff is likely to support its EBITDA
PAT	6,301	5,629	11.9	5,602.7	12.5	
BPCL						
Revenue	800,541	828,848	(3.4)	858,596	(6.8)	Growth in EBITDA will be backed by improved GRM, net marketing margins
EBITDA	35,594	24,194	47.1	21,799	63.3	Improved Singapore GRM to boost overall refining margins, we expect BPCL to report GRM of $6.2/bbl including the inventory losses of $0.6/bbl in 2QFY20.
EBITDA Margin (%)	4.4	2.9	153	2.5	191	Net marketing margins on auto fuels were super normal (Diesel Rs2.2/lt and Petrol Rs0.2/lt) which will improve BPCL's marketing EBITDA
PAT	19,841	12,187	62.8	10,751	84.5	
IOCL						
Revenue	1,302,681	1,515,666	(14.1)	1,501,352	(13.2)	Growth in EBITDA will be backed by improved GRM, net marketing margins and higher crude throughput
EBITDA	81,427	67,620	20.4	83,500	(2.5)	Improved Singapore GRM to boost overall refining margins, we expect IOCL to report GRM of $6.5/bbl including the inventory losses of $1.2/bbl in 2QFY20.
EBITDA Margin (%)	6.3	4.5	179	5.6	69	Net marketing margins on auto fuels were super normal (Diesel Rs2.2/lt and Petrol Rs0.2/lt) which will improve IOCL's marketing EBITDA
PAT	43,681	32,469	34.5	35,961	21.5	

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2QFY20 Results Preview

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OIL & Gas - 2QFY20 Results Preview

Company (Rs mn)	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Result expectations
HPCL						
Revenue	813,142	733,761	10.8	748,081	8.7	Growth in EBITDA will be backed by improved GRM, net marketing margins
EBITDA	24,289	21,220	14.5	16,439	47.7	Improved Singapore GRM to boost overall refining margins, we expect HPCL to report GRM of $6.1/bbl including the inventory losses of $0.6/bbl in 2QFY20.
EBITDA Margin (%)	3.0	2.9	10	2.2	79	Net marketing margins on auto fuels were super normal (Diesel Rs2.2/lt and Petrol Rs0.2/lt) which will improve HPCL's marketing EBITDA
PAT	15,379	10,920	40.8	8,110	89.6	
ONGC						
Revenue	248,397	279,892	(11.3)	265,547	(6.5)	18% YoY/10% QoQ decline in Brent oil prices will result in lower realisation of ONGC
EBITDA	137,537	157,887	(12.9)	151,120	(9.0)	Oil Production fall of 3% YoY
EBITDA Margin (%)	55.4	56.4	(104)	56.9	(154)	Gas production expected to fall by 1% QoQ
PAT	69,259	82,646	(16.2)	59,043	17.3	

Source: RSec Research

2QFY20 Results Preview

Results Preview | October 07, 2019

Pharmaceuticals - 2QFY20 Results Preview

	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Comments	Factors to watch out
Ajanta Pharma							
Revenue	6,105	5,441	12.2	6,119	(0.2)	▶ Flattish performance expected on sequential business. India business is expected to show 9% growth on YoY basis (flat on QoQ basis). African business is likely to decline due to weak institutional anti-malarial sales. EBITDA margin is likely to be at 28% vs. 27.5% in 1QFY20.	▶ **Key Factors to Watch Out For:** Outlook on India and African business and EBITDA margin.
EBITDA	1,709	1,662	2.8	1,684	1.5		
EBITDA Margin (%)	28.0	30.5	-256 bps	27.5	48 bps		
PAT	1,160	1,254	-7.5	1,146	1.2		
Alkem Labs							
Revenue	21,800	19,189	13.6	18,495	17.9	▶ We expect sales to grow by 14% YoY and 18% QoQ led by strong 19% QoQ and 10% YoY growth in India business (recovery in acute business due to favourable season) and stable US business (US$68mn vs. US$67mn in 2QFY19 and US$69mn in 1QFY20). EBITDA margin is seen at 16% (vs. 14.3% in 1QFY20) led by improvement in domestic business.	▶ **Key Factors to Watch Out For:** Outlook on India and US business and EBITDA margin.
EBITDA	3,488	3,642	-4.2	2,645	31.9		
EBITDA Margin (%)	16.0	19.0	-298 bps	14.3	170 bps		
PAT	2,180	2,545	-14.3	1,855	17.5		
Aurobindo							
Revenue	55,415	47,514	16.6	54,446	1.8	▶ Revenue is expected grow by a strong 17% YoY led by growth in Europe/ US business. US business (+21% YoY to US$385mn and flat QoQ) led by ramp-up in existing products (including injectables), new launches and integration of Spectrum business. EBITDA margin is expected to stabilise at ~21% owing to healthy US business. We expect performance to remain sequentially flattish.	▶ **Key Factors to Watch Out For:** Outlook on the US business and new launches; update on debt repayment; and pending several US FDA issues.
EBITDA	11,419	10,260	11.3	11,466	(0.4)		
EBITDA Margin (%)	20.6	21.6	-99 bps	21.1	-45 bps		
PAT	6,610	6,780	-2.5	6,436	2.7		

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2QFY20 Results Preview

Institutional Equity Research

Results Preview | October 07, 2019

Pharmaceuticals - 2QFY20 Results Preview

	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Comments	Factors to watch out
Cadila HC							
Revenue	34,337	29,612	16.0	34,963	(1.8)	▶ We expect overall performance to remain weak in 2QFY20. While US business is seen at US$192mn (+2% YoY and -2% QoQ), India business is expected to grow by 8% YoY and 2% QoQ. EBITDA margin is likely to decline by 500bps YoY to 18% due to weak growth in US business.	▶ **Key Factors to Watch Out For:** Outlook on the US business and new launches; update on Moraiya plant (pending Form 483 with OAI status); and outlook on India business and margin.
EBITDA	6,259	6,878	-9.0	6,320	(1.0)		
EBITDA Margin (%)	18.2	23.2	-500 bps	18.1	15 bps		
PAT	3,047	4,175	-27.0	3,036	0.4		
Cipla							
Revenue	42,618	40,119	6.2	39,890	6.8	▶ We expect US business at US$135mn in 2QFY20 (vs. US$161mn in 1QFY20 and US$108mn in 2QFY19). YoY growth is attributable to contribution from gSensipar, while sequential decline is led by higher competition. Domestic business is expected to grow by 7% QoQ due to favourable seasonality. EBITDA margin is likely to contract by 215bps to 20.5% due to weak performance in India business.	▶ **Key Factors to Watch Out For:** Outlook on the US/India businesses and update on USFDA related issues (Form 483 at Goa).
EBITDA	8,756	7,023	24.7	9,055	(3.3)		
EBITDA Margin (%)	20.5	17.5	304 bps	22.7	-215 bps		
PAT	4,151	3,772	10.1	4,791	(13.4)		
Glenmark							
Revenue	26,669	25,813	3.3	23,229	14.8	▶ We expect sequential improvement during the quarter. Weak performance of US business is due to lack of meaningful launches. Domestic business is expected to grow by 11% YoY led by new launches. EBITDA is likely to remain flat at 14.5%.	▶ **Key Factors to Watch Out For:** Outlook on the US and India business; update on debt repayment as well as USFDA related issues (Warning Letter at Baddi facility).
EBITDA	3,877	4,401	-11.9	3,419	13.4		
EBITDA Margin (%)	14.5	17.0	-251 bps	14.7	-18 bps		
PAT	1,496	1,629	-8.2	1,093	36.9		
Lupin							
Revenue	43,084	39,510	9.0	44,184	(2.5)	▶ Weak QoQ performance expected during the quarter. US business is expected to remain weak (-6% QoQ to US$205mn) led by loss of gRanexa exclusivity and lack of any meaningful launches. India business is likely to report muted growth QoQ. EBITDA margin is expected to decline by 300bps QoQ to 16.4%.	▶ **Key Factors to Watch Out For:** Outlook on new launches in the US market; outlook on India/US and Japan business; update on US FDA pending issues; and ramp-up in specialty product i.e. Solosec.
EBITDA	7,077	5,496	28.8	8,602	(17.7)		
EBITDA Margin (%)	16.4	13.9	252 bps	19.5	-304 bps		
PAT	2,878	2,659	8.2	3,028	(5.0)		

Source: Company, RSec Research

2QFY20 Results Preview

Institutional Equity Research

Results Preview | October 07, 2019

Pharmaceuticals - 2QFY20 Results Preview

	Sep-19E	Sep-18	YoY (%)	Jun-19	QoQ (%)	Comments	Factors to watch out
Sun Pharma							
Revenue	80,531	69,376	16.1	83,744	(3.8)	▶ Sequentially weak performance is due to US business. We expect US business at US$380mn vs. US$424mn in 1QFY20, QoQ decline in US sales due to high base (one-time supply opportunity in 4QFY19 and 1QFY20). We expect domestic business to grow by 3% QoQ and 27% YoY (low YoY base) . EBITDA is seen at ~21% (vs. 23% in 1QFY20).	▶ **Key Factors to Watch Out For:** Outlook on US/India business; update on ramp-up in recently launched specialty products; and competitive landscape for Taro products in the US.
EBITDA	16,555	15,312	8.1	19,282	(14.1)		
EBITDA Margin (%)	20.6	22.1	-151 bps	23.0	-247 bps		
PAT	10,975	(2,696)	-507.1	13,875	(20.9)		
Torrent Pharma							
Revenue	20,440	18,940	7.9	20,220	1.1	▶ We expect flattish QoQ growth in sales and EBITDA, while EBITDA margin is likely to remain stable at ~26.5% QoQ. We expect US business at US$53mn vs. US$56mn in 2QFY19 vs. US$54mn in 1QFY20. India business is likely to grow by 12% YoY.	▶ **Key Factors to Watch Out For:** Outlook on India and US business and EBITDA margin. Update on pending USFDA issues at Indrad and Dahej facility (OAI pending).
EBITDA	5,417	4,730	14.5	5,410	0.1		
EBITDA Margin (%)	26.5	25.0	153 bps	26.8	-26 bps		
PAT	2,599	1,790	45.2	2,160	20.3		

Source: Company, RSec Research

2QFY20 Results Preview

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Results Preview | October 07, 2019

Rating Guides

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

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