

India Strategy & Earnings Review

A breath of fresh air

- ✓ **2QFY18 MOSL aggregates:** Broad-based earnings delivery. OMC's drag reported performance.
- ✓ **Earnings downgrade/upgrade ratio** improves significantly, but still skewed marginally in favor of downgrades
- ✓ **Nifty profit growth at seven-quarter high**



Discussion points

■ India Strategy & Earnings Review

- Aggregate performance – Earnings quality improving; Hits > Misses
- Ten key takeaways from 2QFY18 earnings season
- Ten focus stocks from 2QFY18 earning season
- Consumer – Rural recovering; Wholesale close to normalcy
- OMCs – Disappointing GRM performance dampened profitability

■ Sector: Key surprises and guidance

Sector-wise positive/negative surprises and guidance highlights

■ Sector highlights

2QFY18 review and outlook

■ Annexure

MOSL Universe: Annual performance and valuations

Ten key takeaways from 2QFY18

- The 2QFY18 earnings season was notable in that it concluded without any disruption, despite being the first quarter post GST implementation. In fact, the quarter exhibited improving internals in the broader earnings mix, with more hits than misses. Restocking post GST rollout, retention of input tax credits and the early onset of the festive season this year v/s CY16 supported a few B2C sectors, while many corporates sounded optimistic about rural consumption revival, going ahead.
- Nifty earnings grew in double-digits for the first time after six quarters. For Nifty (Ex-OMCs), earnings growth of 10.5% was the highest in 13 quarters. The miss at PAT level for both MOSL and Nifty Universe can be entirely ascribed to OMCs.
- Improving earnings quality was also corroborated by the reducing proportion of companies reporting PAT decline (at 33% of our MOSL Universe – ~12 quarter low). Within our MOSL Universe, 14/17 sectors posted EBITDA and 11/17 sectors posted PAT that was either in line or ahead of expectations. The surprise/miss ratio at 1.3x was the best in 16 quarters.
- **Global Cyclical**s drove the quarterly performance, led by Metals and Tata Motors. **Defensives** posted the fourth consecutive quarter of earnings decline, dragged by Healthcare.
- Within **Domestic Cyclical**s, Autos, Cement and Capital Goods posted better-than-expected EBITDA and PAT growth.
- In BFSI, while NBFCs maintained their consistent earnings growth trajectory (20%+ PAT growth), Banks reported a sharp decline in slippages (barring Axis Bank) and bottoming out of asset quality.
- Consumer sector posted very broad-based, healthy performance, with double-digit EBITDA and PAT growth. More importantly, commentaries by consumer companies indicated that: a) rural demand revival is in the offing and b) post-GST trade normalcy should return in 2HFY18.
- Among the beaten-down sectors, Telecom posted better-than-expected profitability, while Healthcare's performance was in-line after a while. Technology posted in-line but modest performance, with low-single-digit PAT growth.
- Operating margin for our MOSL Universe (Ex-OMCs, Financials) expanded 10bp YoY to 20.5% (v/s estimate of 20%), after two consecutive quarters of contraction.
- **Earnings downgrade/upgrade** ratio improved significantly QoQ, but remained skewed marginally in favor of downgrades – 58 companies saw earnings cut of 3%+ (81 in 1QFY18) and 49 companies saw earnings upgrades of 3%+ (38 in 1QFY18). The upgrade/downgrade ratio improved from 0.46x to 0.84x. We marginally cut Nifty EPS by 1.2% for FY18E, but raise by 1% for FY19E. We expect Nifty EPS to grow 14% to INR481 in FY18 and 26% to INR609 in FY19.

Ten focus stocks from 2QFY18 earning season

- **SBI:** SBIN is well placed, given better visibility over its core operating profitability (among PSBs), strong liability franchise (retail deposits > 95%) and a healthy PCR. In our view, asset quality problems are largely recognized, and we derive comfort from clarity on the quantum of stress on the books. As a trend, bulk of corporate slippages has occurred from the watch-list. Profitability is likely to be the highest among peers due to its policy of recognizing stress upfront.
- **ICICI Bank:** The bank's strong operating performance (on CASA, retail loan growth, cost control, etc.) has been overshadowed by the continued pressure on asset quality. However, with a successive decline in the size of watch-list, controlled slippages from core portfolio and bottoming out of NPL ratios over FY18E, we expect ICICIB's return profile to improve steadily. While near-term credit cost is likely to stay elevated due to NPL ageing and NCLT provisioning requirements, we expect it to moderate from FY19, enabling the bank to deliver ~12% RoE by FY20E.
- **ONGC:** ONGC continued its growth in gas/oil production (+ 8/2% YoY) in 2QFY18 as well. We expect gas production to increase 10-15% annually going ahead, led by completion of its development projects. Rising crude oil prices, growth in oil & gas production, and declining opex led by cost efficiencies place ONGC on a strong footing.
- **Titan:** Titan's reported revenue rose 29.6% YoY (est. of +15%) to INR34.7b. EBITDA grew 50.6% YoY to INR3.98b (est. of INR2.69b), while recurring PAT increased 64.6% YoY to INR2.78b (est. of INR 1.89b). Strong 37% YoY sales growth in Jewelry (despite a few one-offs constraining business growth) points to the sheer magnitude of value migration happening in the Indian jewelry market. We upgraded the stock to Buy post results.
- **Pidilite:** 15% volume growth in the domestic consumer and bazaar segment and 12% volume growth in the consolidated consumer and bazaar segment were extremely impressive. What stood out for us in the recent management interactions and in the post results call was the primacy placed by the company on double-digit volume growth. Despite near-term margin risks, the top-line growth story for the next few years is as strong as ever. We Upgraded the stock to Buy.
- **M&M:** Multi-year-high margins both in the automotive (10.8%) and farm equipment (21.3%) segments (led by a better product mix and price hikes) have led to an above-expected operating performance. Given MM's dependence on the rural market, it is the best bet on a rural market recovery due to good consecutive monsoon seasons and farm loan waivers across states.

Ten focus stocks from 2QFY18 earning season

- **Bharti Airtel:** Despite high competitive intensity pulling India wireless revenue down by 5% QoQ, EBITDA fell just 5%, helped by strong cost-optimization efforts. Africa too surprisingly showed healthy buoyancy in revenue growth, with a 5% ARPU improvement driving a 23% jump in EBITDA QoQ. This allowed overall EBITDA to grow 2% QoQ.
- **NTPC:** Adj. PAT increased 21% YoY to INR28.4b, driven by regulated equity growth, efficiency gains and higher PLF incentives. Highest-ever capitalization of 2.6GW drove a 21% increase in regulated equity – the key driver of PAT. Earnings are set to grow at a 15% CAGR over FY17-20E after many years of consolidation. RoE will improve as well, which will re-rate the stock.
- **Sun Pharma:** US business declined 44% YoY and 12% QoQ. Although Taro reported 5% growth sequentially, ex-Taro US sales declined 55% due to new competition and deferral of sales. US business is expected to improve from FY19, as management expected Halol resolution (expects US FDA inspection before CY17-end) and launch of key products like Tildrakuzumab and Seciera.
- **Larsen & Toubro:** With the result being largely in line (adjusted for one-offs), the key takeaway from the 2QFY18 results was the sharp cut in the order flow guidance for FY18 (flat-to-marginal growth, from earlier +12-14% growth). We were already expecting a guidance cut due to the weak ordering trends in 1HFY18; however, the magnitude is more than our expectations. The cut has been driven by a sharp fall in domestic base orders from sectors like road, rail, T&D and B&F – GST had led to a slowdown in government orders, which we expect to revive over the coming quarters..

Top themes and ideas

Cyclical recovery in Financials

- The announcement of PSU Bank recapitalization has come as a booster shot for the banking system. The quantum of recapitalization has rekindled hopes for a growth revival in corporate-oriented banks. It also provides visibility of asset quality clean-up with enhanced provisioning. Overall, we expect this to bring the focus back on growth and drive a cyclical recovery in the medium term. We expect the valuation discount of corporate lenders v/s retail lenders to narrow going forward.

Top Ideas: SBI, ICICI Bank, Shriram Transport Finance

Consumption revival on the anvil

- The performance of consumer-oriented sectors and commentaries from managements point toward a revival in consumption. We expect this trend to strengthen in 2HFY18. We also expect initial teething issues related to GST to normalize and trade channels to revert to normalcy, especially wholesale and rural supply chains. Potential of consumption stimulus in the CY18 budget (the final budget before the general elections of 2019) could also provide a consumption catalyst.

Top ideas: Pidilite, Emami, M&M, Titan

Infrastructure: Pace of recovery gets better

- In the absence of private capex, the government's focus on pump-priming the economy via increased capex in roads, rail, defence, water, T&D and affordable housing has resulted in higher orders and execution for players in this sector. We believe this is a multi-year structural improvement, which is likely to continue over the next few years.

Top ideas: L&T, KNR Construction and JK Cement

Easing competitive intensity in Telecom

- After last six quarters of massive price wars and ARPU erosion, we see semblance of stability in the pricing environment in the Telecom sector, with Reliance Jio taking a few corrective price actions. While there has been some run-up in stock prices, moderating capex intensity, coupled with easing competitive pressure, could support valuations.

Top idea: Bharti Airtel

Is the dawn around in Pharma?

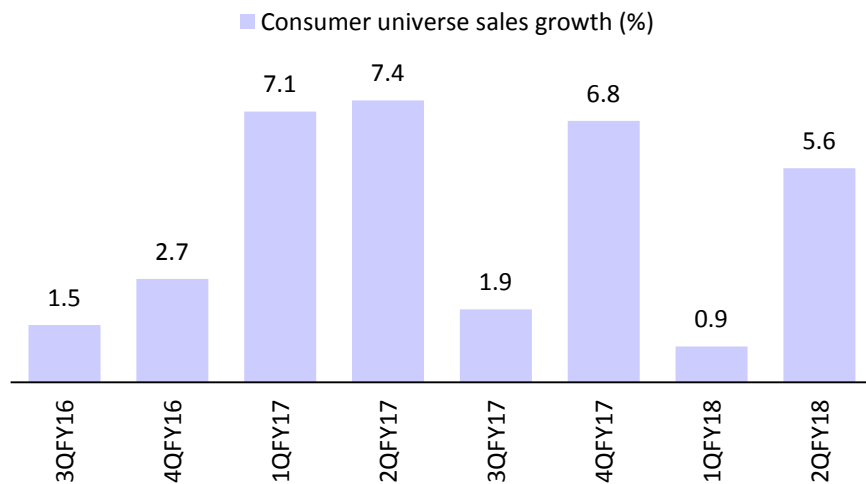
- Even as the Pharmaceuticals sector continues to go through challenges (US pricing, regulatory pressures, etc.), we expect these challenges to ease in the medium term. While news flow and numbers could take a couple of quarters to turn better, we believe price damage from here is limited. Valuations remain relatively attractive after two and half years of underperformance.

Top ideas: Sun Pharma

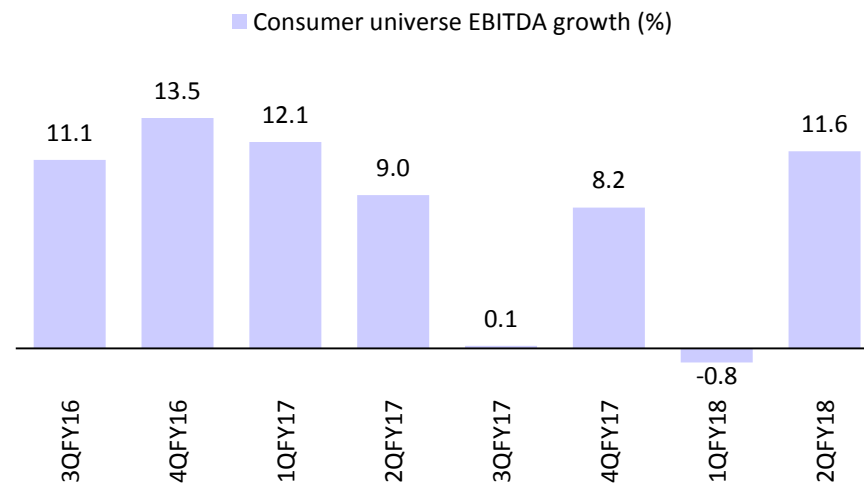
Consumer – Rural recovering; Wholesale close to normalcy

- Aggregate sales for MOSL consumer pack grew 5.6% YoY, with EBITDA/PAT growing in double-digits at 11.6%/10.4% YoY.
- Post GST, the trade channels are getting back to normal and consumer offtake has improved. Consumer companies expects the wholesales channel to return back to normal levels by the end of CY17.
- Consumer companies are seeing some pick-up in rural sales, and companies like HUL, Marico, Dabur and GCPL did mention that rural growth was higher for them than urban in 2QFY18.
- Companies remain invariably positive about rural-led growth in 2HFY18, given the weak base, normal monsoon with good distribution, government schemes, and moderate inflation levels.
- The much-vaunted earnings revival in the sector appears poised to come through, and rural dependent plays are likely to be at the vanguard.
- We have upgraded Dabur and Pidilite to Buy, and also maintained our Buy rating on HUL, Britannia, Colgate, Emami, Page and United Breweries.

Consumer universe sales growth (YoY, %)



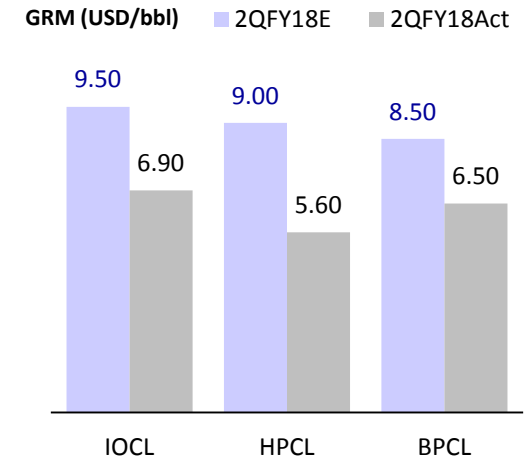
Consumer universe EBITDA growth (YoY, %)



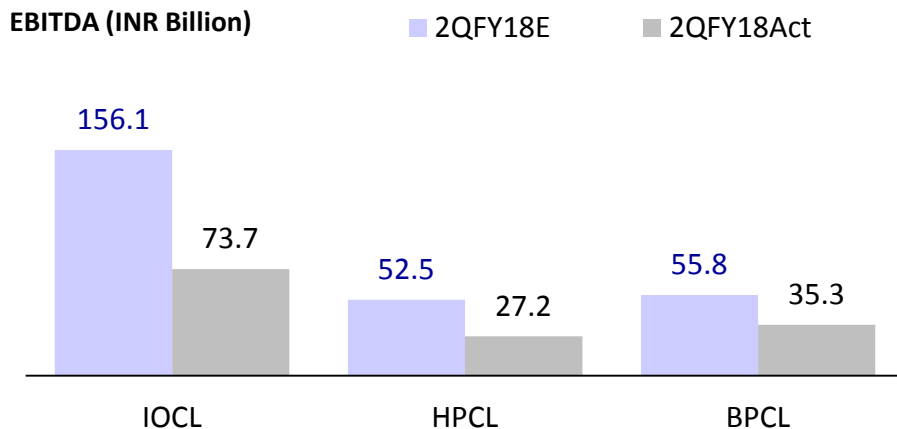
OMCs: Disappointing GRM performance dampens profitability

- While Singapore complex GRM expanded from USD6.4/bbl in 1QFY18 to USD8.3/bbl, core GRM for OMCs shrunk sequentially, impacting the refining performance.
- IOCL reported core GRM of USD6.9/bbl (CP GRM at USD9.1/bbl) in 2QFY18, down from USD7.7/bbl in 1QFY18. Inventory gain stood at USD1/bbl v/s a loss of USD3.4/bbl in 1QFY18.
- BPCL reported core GRM of USD6.5/bbl in 2QFY18, down from USD6.9/bbl in 1QFY18. Inventory gain stood at USD1.5/bbl v/s a loss of USD1.98/bbl in 1QFY18.
- HPCL reported core GRM of USD5.6/bbl in 2QFY18, down from USD8.8/bbl in 1QFY18. Inventory gain stood at USD2/bbl v/s a loss of USD3/bbl in 1QFY18.

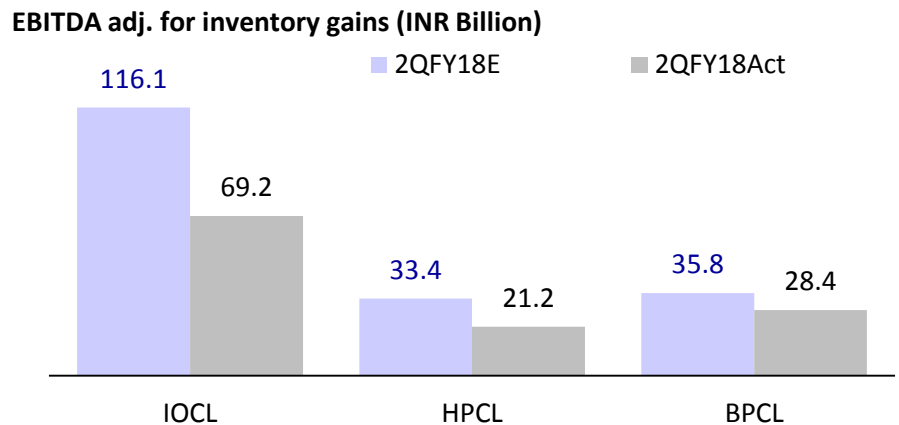
Core GRMs were significantly below estimates



OMCs' actual EBITDA was significantly below our estimate due to poor core GRM



EBITDA adjusted for inventory gains was further impacted by lower inventory gains during the quarter



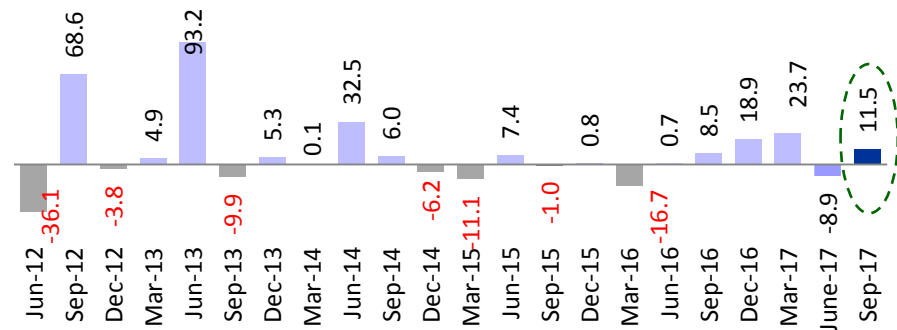
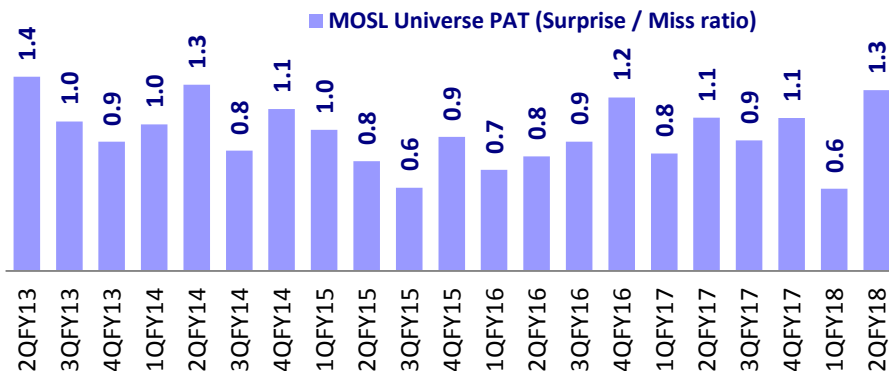
Key highlights for 2QFY18 – Nifty profit growth at 7-quarter high

Refer our Sep-17 Quarter Preview



- **MOSL Universe aggregate PAT up 12% YoY:** Aggregate sales of MOSL Universe grew 11.2% YoY (our estimate: +14.8%), EBITDA was up 14.3% YoY (our estimate: +14.6%) and PAT was up 11.5% YoY (our estimate: +23%). Performance miss for the aggregate universe was largely owing to OMCs, which posted significantly lower-than-estimated GRMs and inventory gains. MOSL Universe (ex OMCs) posted sales, EBITDA and PAT growth of 10.4%, 13.9% and 9.2% YoY, as against estimate of 10.9%, 10.9% and 11.7%, respectively. Excluding Metals, PSU Banks and OMCs, MOSL Universe's sales, EBITDA and PAT grew 8.2%, 9.5% and 4.8% YoY v/s estimate of 9.7%, 7.3% and 3.5%, respectively.
- **Nifty PAT up 13% YoY:** Nifty aggregate sales grew 11% YoY (our estimate: +16.1%), EBITDA grew 14.7% (our estimate: +17.4%) and PAT grew 13.4% (our estimate: +28.9%). Excluding OMCs, Nifty EBITDA and PAT grew 14.3% and 10.5% YoY v/s estimate of 12.6% and 14.7%, respectively.
- **Major earnings surprises** were from Tata Motors, Bharti Airtel, SBI, LT, PNB, Titan, Oil India, Petronet LNG, Sun Pharma, United Breweries, Bharat Electronics and Interglobe Aviation.
- **Major disappointments in earnings** were from Coal India, Axis Bank, IOC, M&M Financial, HPCL, Tata Steel, BPCL, ICICI Bank, Ashok Leyland and Colgate.
- **Rating and estimate downgrades/upgrades:** In our Universe, we upgraded ratings for nine stocks and downgraded for six stocks in 2QFY18. We revised our FY18E Nifty EPS marginally downward by 1% to INR481, and raised FY19E Nifty EPS by 1% to INR609. We are building in 14%/26% EPS growth for Nifty for FY18/19E. We note that 2HFY18 has the benefit of a low base on account of demonetization-related disruption in 2HFY17.

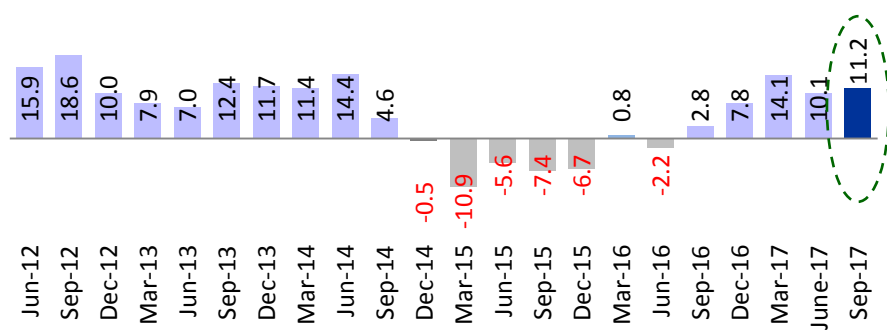
MOSL Universe surprise/miss ratio for 2QFY18 stood at 1.3x, best in 16 quarters MOSL Universe PAT growth missed estimates due to OMCs



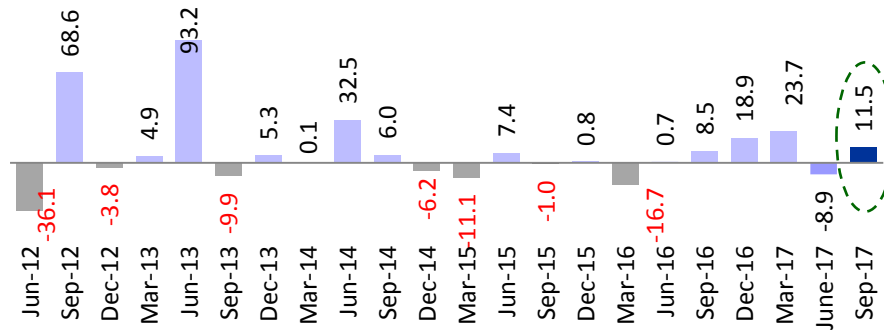
Key highlights: Earnings internals improving; Beat/Miss ratio improving

- The key attribute of the 2QFY18 results season was the improving internal trends of broader earnings. The surprise/miss ratio for 2QFY18 stood at 1.3x, the best in 16 quarters.
- 14/17 sectors reported EBITDA in line or better than expectations. Only O&G, Utilities and Logistics sectors missed EBITDA estimates. 11/17 sectors reported PAT in line or better than expectations. PSU Banks, Private Banks, Metals, O&G, Utilities and Logistics sectors missed PAT estimates.
- EBITDA margin for MOSL Universe (ex Financials and OMCs) expanded 10bp YoY to 20.5% (est. of 20%).
- 2QFY18 performance was entirely driven by Cyclical. PAT for Defensives, Domestic Cyclical and Global Cyclical expanded (4.1%), 11.4% and 33.3%, respectively.

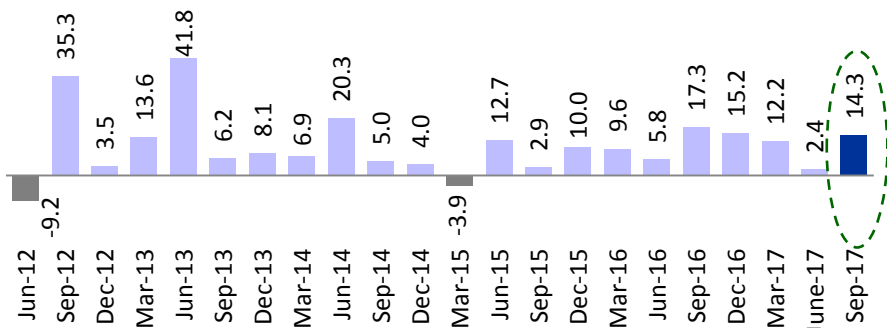
MOSL Universe sales growth at 11.2% (YoY, %)



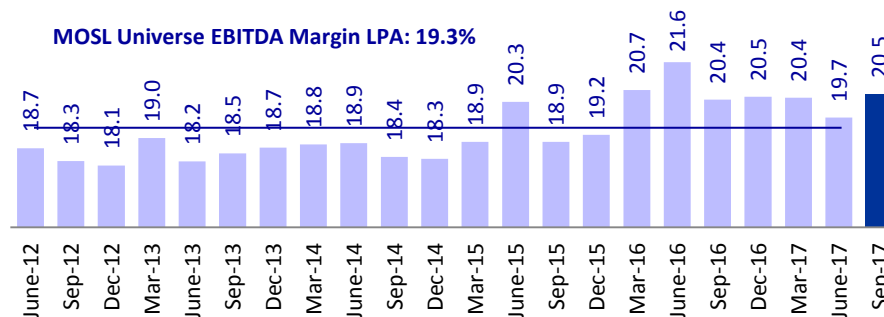
MOSL Universe PAT growth missed estimates due to OMCs



MOSL Universe EBITDA growth rebounds sharply to 14.3% YoY



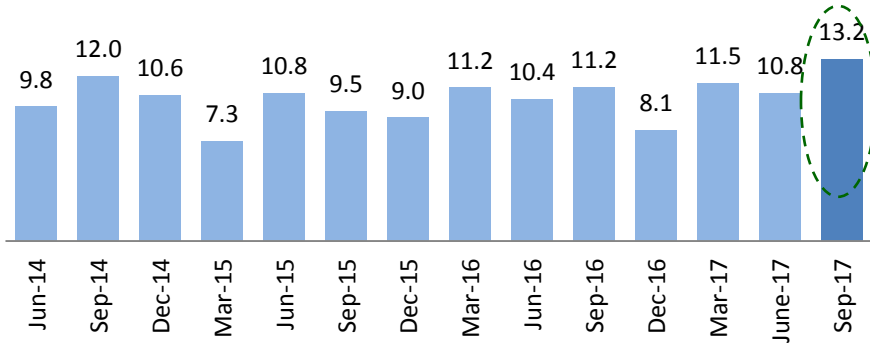
EBITDA margin (ex-Financials & OMCs) at 5-quarter high



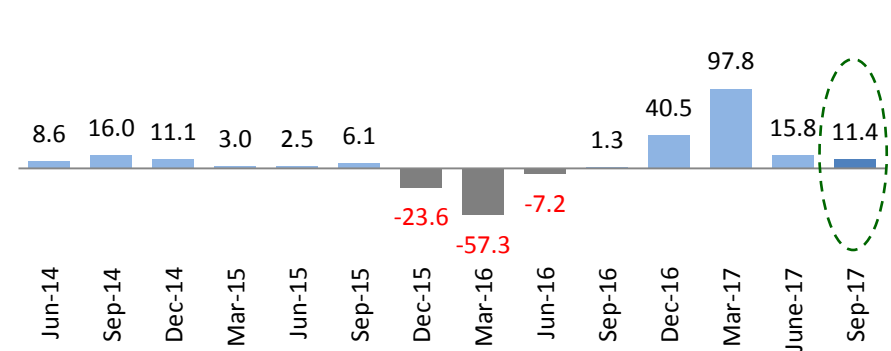
Key highlights: Domestic Cyclicals put up a strong show

- Domestic Cyclicals maintained momentum, posting 11.4% YoY PAT growth – fourth consecutive quarter of double-digit profit growth, partly aided by a low base. EBITDA growth of 19.5% is at a 22-quarter high, while sales growth of 13.2% is at a 21-quarter high.
- Automobiles, Cement and Capital Goods exceeded estimate by 13%, 10% and 16%, respectively.
- In BFSI, we saw an improvement in slippages and asset quality trends.
- Contribution of Domestic Cyclicals to MOSL Universe earnings is steady at 30-35%.

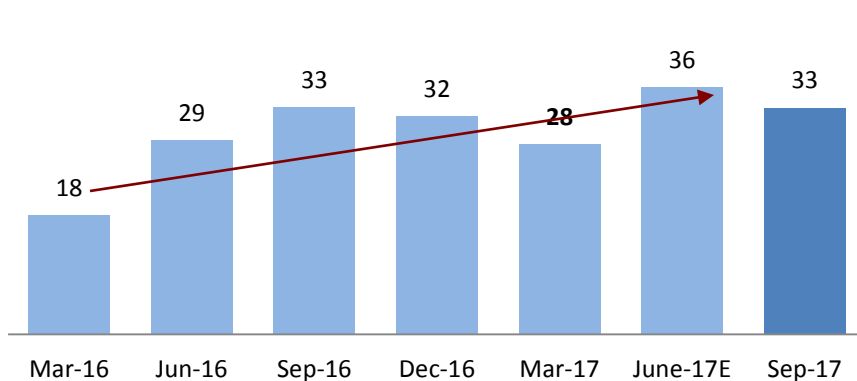
Domestic cyclicals sales growth at multi-quarter high (%)



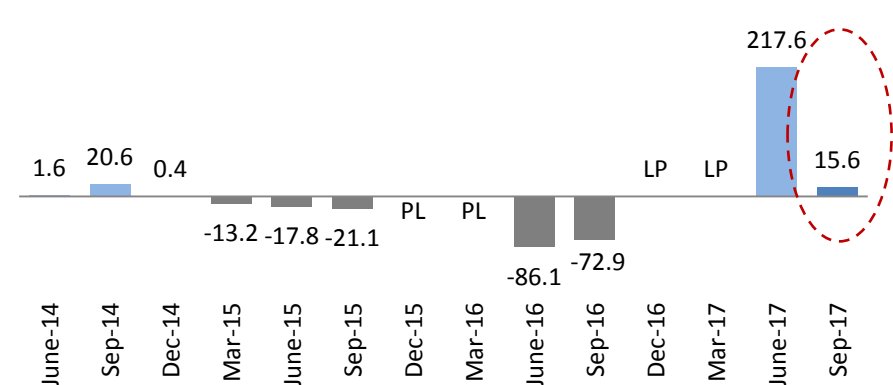
Domestic cyclicals PAT growth – fourth consecutive quarter of double-digit growth (%)



Domestic Cyclicals' PAT contribution to MOSL Universe (%)



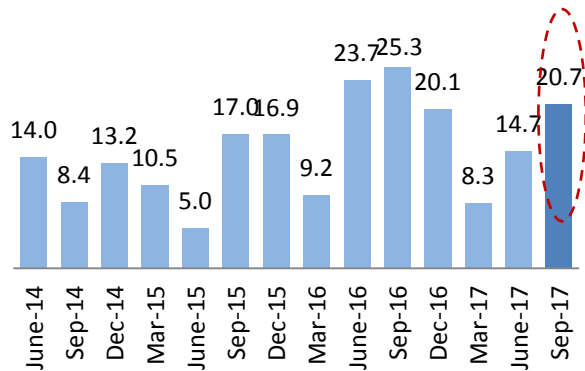
PSU Banks PAT growth YoY (%)



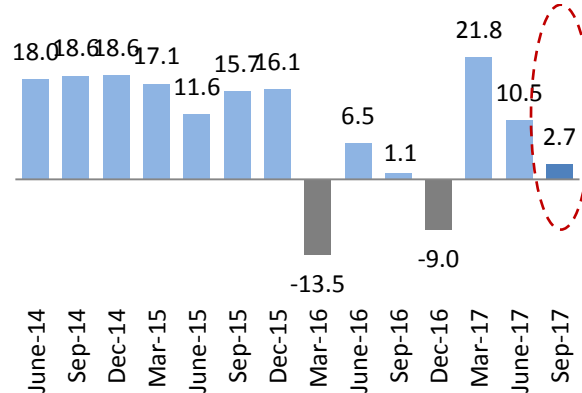
Key highlights: Autos provide support, Banks drag

- **NBFCs** witnessed another steady quarter, with PAT growth of 20.7% YoY.
- **Cement** sector PAT declined 6.1% YoY in 2QFY18 – a beat of 10%. Profit decline is due to the acquisition impact of Ultratech.
- **Auto** posted 16% PAT growth, a beat of 13%. Ex Tata Motors, the profit performance was in-line .
- **Private Banks** posted **weak** PAT growth of 2.7% YoY, below our estimate of 17.8%, dragged by corporate lenders. Excluding Axis and ICICI, profits were up 18% YoY, in-line.
- **Retail** PAT growth came in at a multi-quarter high of 71.4% YoY, with a significant beat by Titan and JUBI.

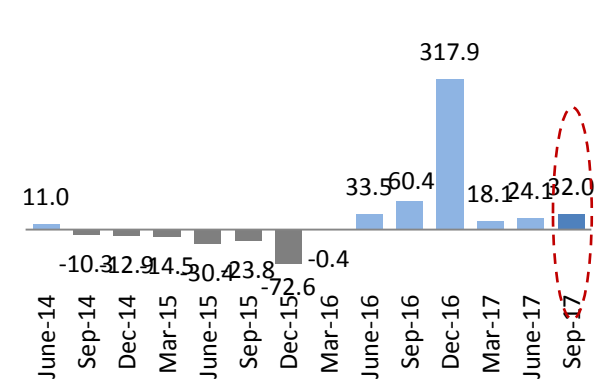
NBFCs PAT growth YoY (%)



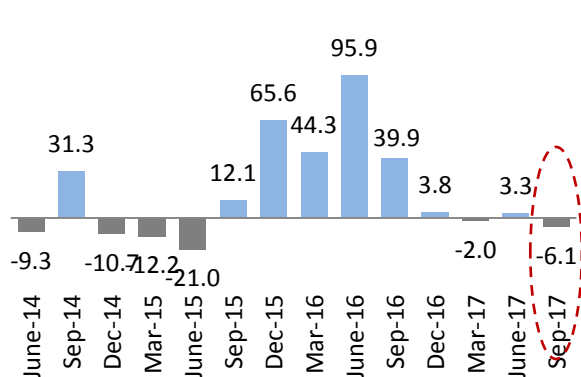
Private Banks PAT growth YoY (%)



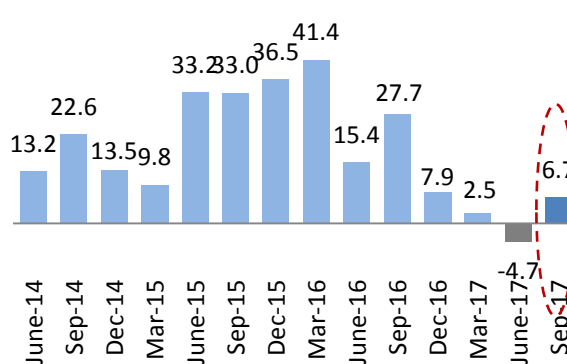
Capital Goods PAT growth YoY (%)



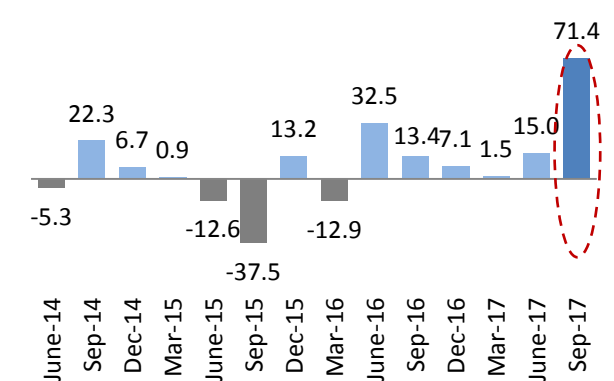
Cement PAT growth YoY (%)



Auto Ex TTMT PAT growth YoY (%)



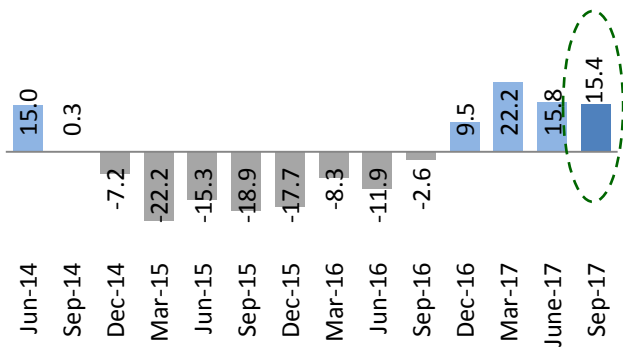
Retail PAT growth YoY (%)



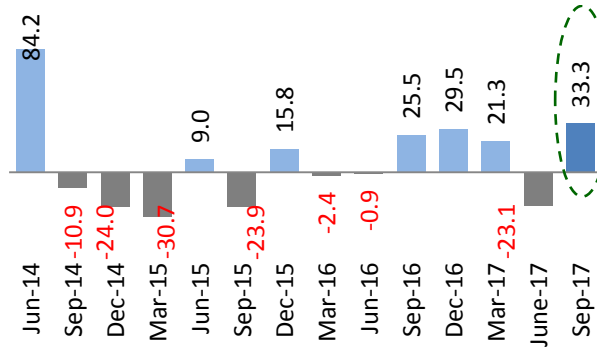
Key highlights: Global Cyclical's PAT growth at multi-quarter high

- **Global Cyclical's** posted sales growth of 15.4% YoY – the third consecutive quarter of double-digit growth, whereas earnings growth rebounded sharply to 33%, the best in 13 quarters, led by OMCs and Metals.
- **Global Cyclical's** contribution to MOSL Universe PAT increased to 33%, supported by Metals and Oil & Gas, which posted PAT growth of 19.9%, as OMCs reported strong but below-expected profit growth.
- **Metals** sector posted another solid quarter, with PAT growth of 107.9% YoY aided by a low base, but still missed our estimates.

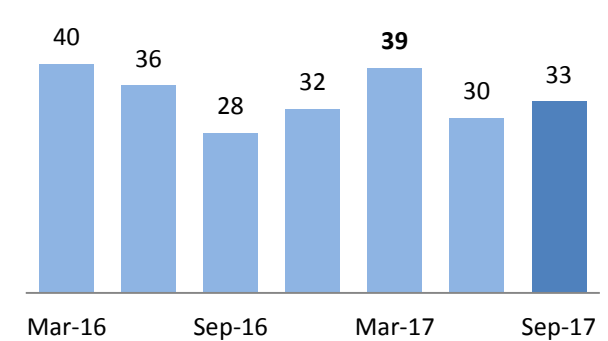
Global cyclical's sales growth (%)



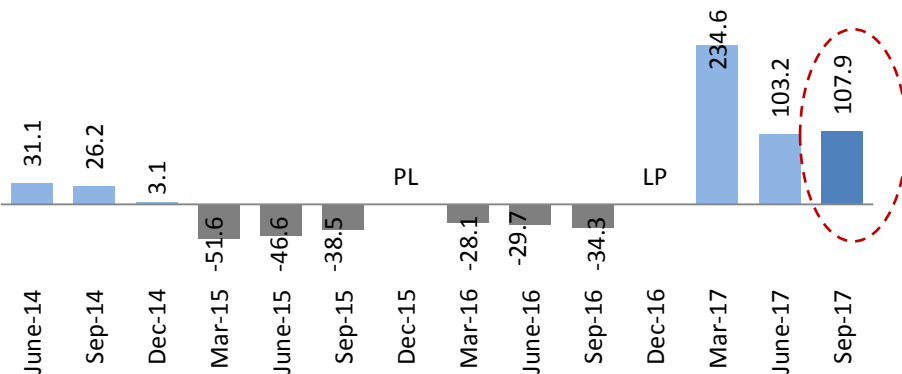
Global cyclical's PAT growth at multi-quarter high (%)



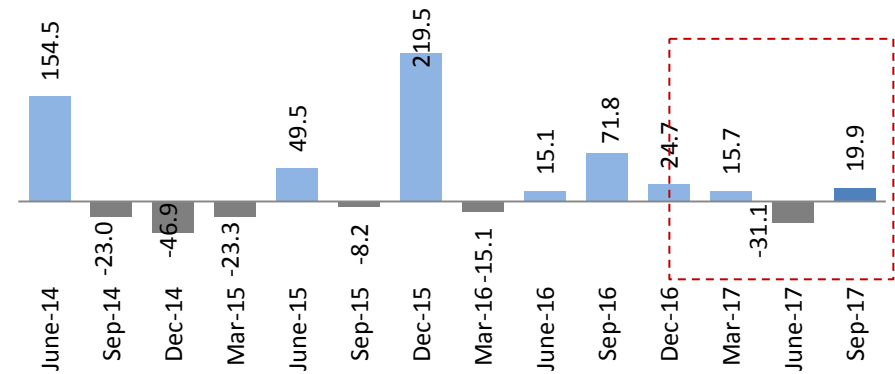
Global cyclical's PAT contribution to MOSL Universe (%)



Metals PAT growth YoY – 3rd quarter of triple-digit profit growth (%)



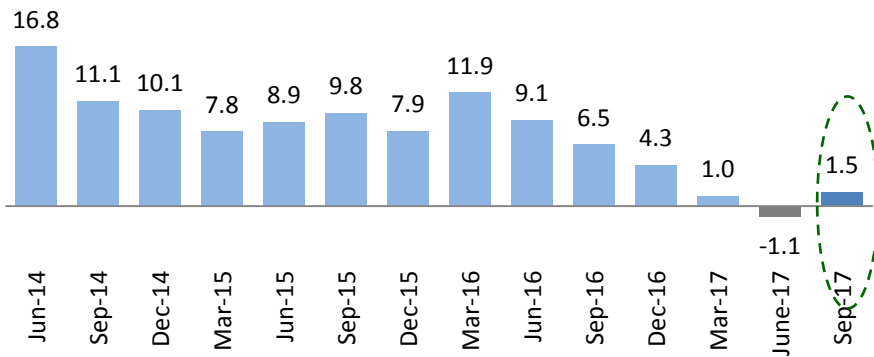
Oil & Gas PAT growth YoY – missed estimates as OMCs posted lower than estimated inventory gains (%)



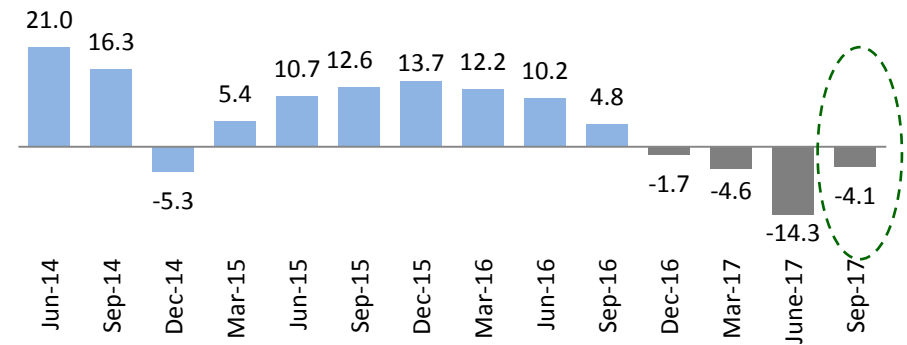
Key highlights: Defensives post fourth consecutive PAT decline

- Defensives' weakness persists, with sales growth of 1.5%, EBITDA decline of 0.9%, and PAT fall of 4.1%.
- This is the fourth consecutive quarter of PAT decline for Defensives. Performance was dragged by Healthcare, while IT and Consumer posted in-line quarter.
- Contribution of Defensives to MOSL PAT stands at 33%, down 900bp in six quarters.

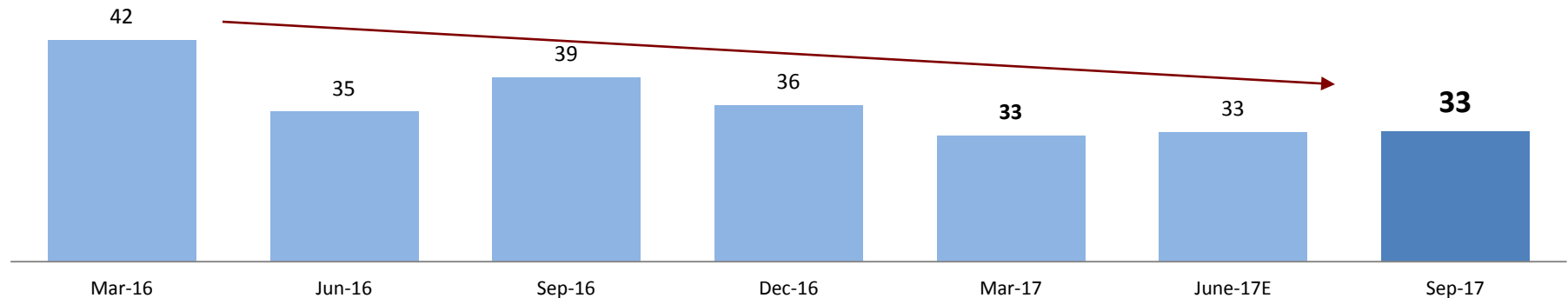
Defensive sales growth: At multi-quarter low (%)



Defensive PAT: Second consecutive quarter of YoY decline (%)



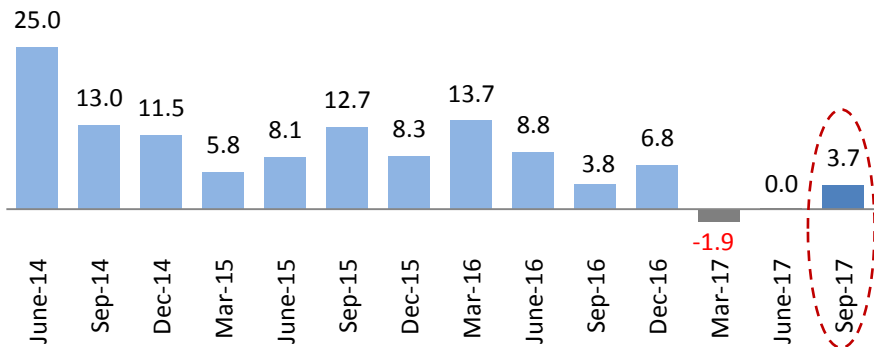
Defensives' PAT contribution to MOSL Universe dips further (%)



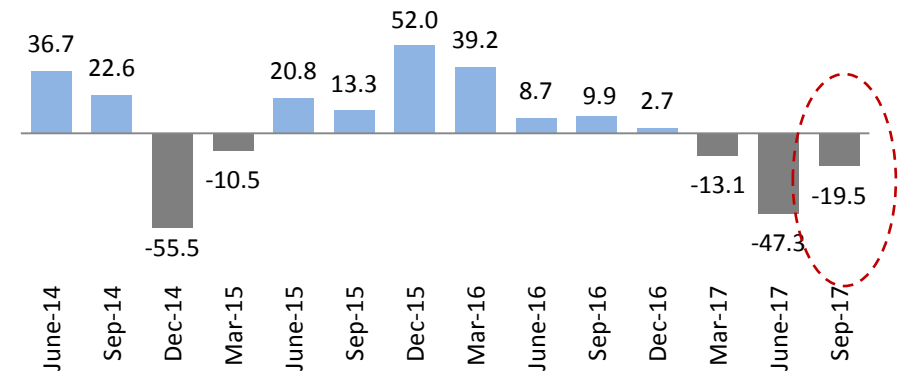
Key highlights: Consumer sector posts a broad-based performance

- **Technology** posted modest earnings growth of 3.7% YoY, ahead of our flattish estimates.
- **Healthcare** posted third consecutive quarter of PAT decline (-19.5% YoY; in-line).
- **Consumer's PAT** growth rebounded to 10.4% YoY, with GST-related hiccups abating and strong rural demand. The performance was broad-based, with only Colgate among our universe of 18 stocks missing estimates.
- **Telecom** outperformed on our modest expectations.

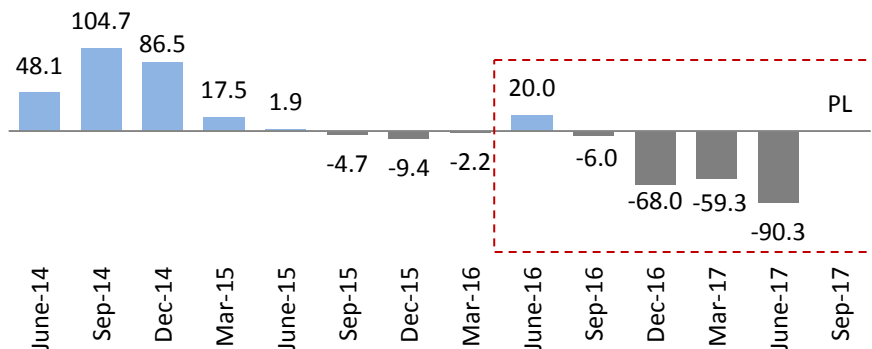
Technology posted another quarter of flattish performance (%)



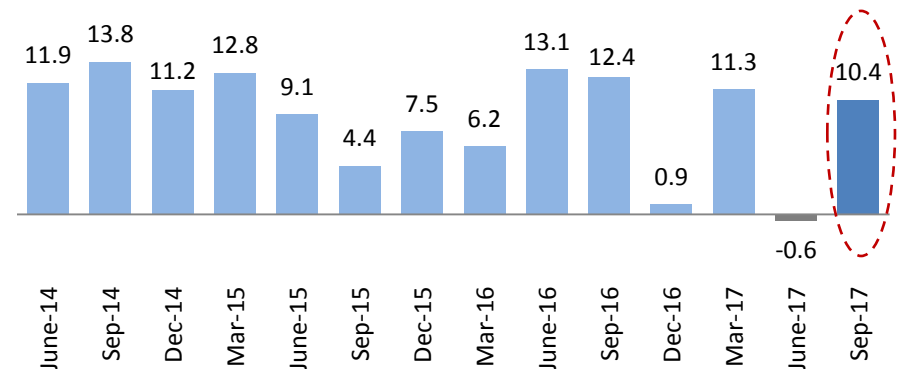
Healthcare PAT declined 20%, in-line



Telecom outperformed our modest expectations

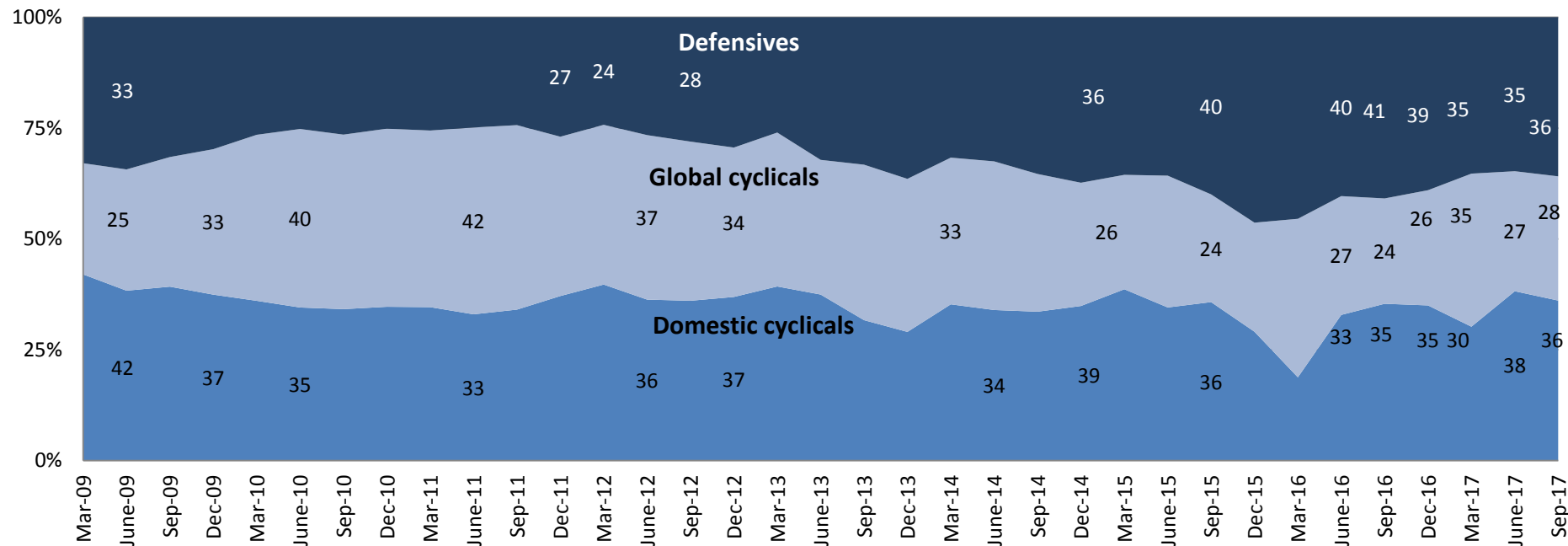


Consumer universe posted healthy broad-based growth



Share of Domestic cyclicals drops marginally

Domestic Cyclicals share recovering



Defensives include Consumer, Healthcare, Technology, Telecom and Utilities

Global Cyclicals include Metals, Oil & Gas and JLR

Domestic Cyclicals include Automobiles, Banks, Capital Goods, Cement, Media, NBFCs, Real Estate and Retail

Sep' 2017 Results Review: Earnings quality improving; Hits > Misses

Aggregate Universe PAT up 12%

- Aggregate sales of MOSL Universe grew 11.2% YoY (our estimate: +14.8%), EBITDA was up 14.3% YoY (our estimate: +14.6%) and PAT was up 11.5% YoY (our estimate: +23%). Performance miss for aggregate universe was largely owing to OMCs, which posted significantly lower-than-estimated GRMs and inventory gains. MOSL Universe (ex OMCs) posted sales, EBITDA and PAT growth of 10.4%, 13.9% and 9.2% YoY, as against estimate of 10.9%, 10.9% and 11.7%, respectively.
- Adjusting for Cyclical, excluding Metals, PSU Banks and OMCs, MOSL Universe sales, EBITDA and PAT posted growth of 8.2%, 9.5% and 4.8% YoY v/s expectations of 9.7%, 7.3% and 3.5%, respectively.
- Aggregate 2QFY18 performance was disproportionately aided by Domestic Cyclical (PSU Banks). MOSL Universe (Ex Domestic Cyclical) PAT declined 19.2% YoY.
- EBITDA margin for MOSL Universe (Ex Financials and OMCs) expanded 10bp YoY to 20.5% (est. of 20%), after two consecutive quarters of contraction. This was led by margin expansion in Autos, Capital Goods, Consumer, Retail, Media, Metals, Utilities and O&G.
- 78 companies reported PAT beat (48 in 1QFY18), 62 missed estimates (84 in 1QFY18) and 46 reported in-line PAT.

Sector performance: Metals, NBFC stand out; 14/17 sectors post PAT growth

- Sales growth was led by Retail (26%), Metals (26%), NBFCs (25%), Cement (21%), Private Banks (15%), Autos (14%) and Oil & Gas (13%). Consumer (6%), Healthcare (2%), Logistics (7%), Technology (4%), Utilities (7%) and Telecom (-11%) dragged sales.
- EBITDA growth was led by Metals (35%), NBFC (26%), PSU Bank (25%), Capital Goods (20%), Oil & Gas (19%), Autos (18%) and Midcaps(26%). Healthcare, Logistics, Media, Technology and Telecom reported EBITDA growth of (8%), 8%, 6%, 2% and (19)%, respectively.
- PAT growth was led by Metals (108%), Capital Goods (32%), NBFCs (21%), Autos (16%), Retails (71%) and Midcaps (52%). Cement reported PAT decline of 6%, Telecom reported losses, and Healthcare reported a 20% decline.
- Retails, Midcaps, Autos, Cement, Capital Goods reported 55%, 31%, 13%, 10% and 16% PAT beat, respectively.

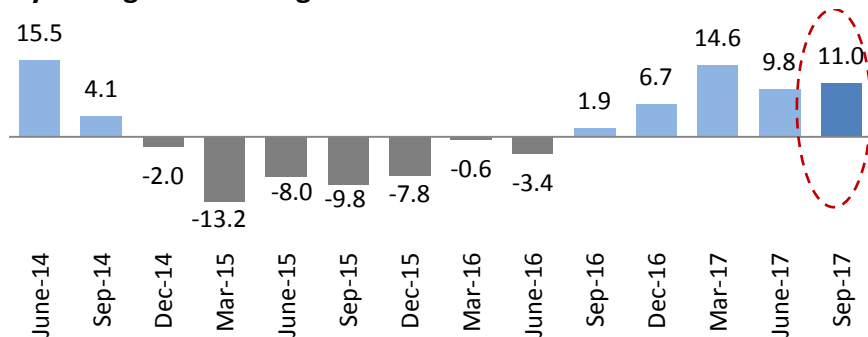
Nifty performance: 13% PAT growth; excluding OMCs, performance in-line (13-quarter high PAT growth)

- Nifty aggregate sales grew 11% YoY (our estimate: +16.1%), EBITDA grew 14.7% (our estimate: +17.4%) and PAT grew 13.4% (our estimate: +28.9%). Excluding OMCs, Nifty EBITDA and PAT posted 14.3% and 10.5% YoY growth v/s estimate of 12.6% and 14.7%, respectively.
- 12 Nifty companies reported PAT above estimates, 18 below estimates, and 20 in-line.
- Highest PAT growth companies: SBI, Tata Steel, HPCL, Hindalco, BPCL, Tata Motors, L&T and Vedanta.
- Top PAT de-growth companies: Bharti Airtel, Sun Pharma, Coal India, ICICI Bank, Lupin, Ultratech Cement, Bharti Infratel and Bosch.

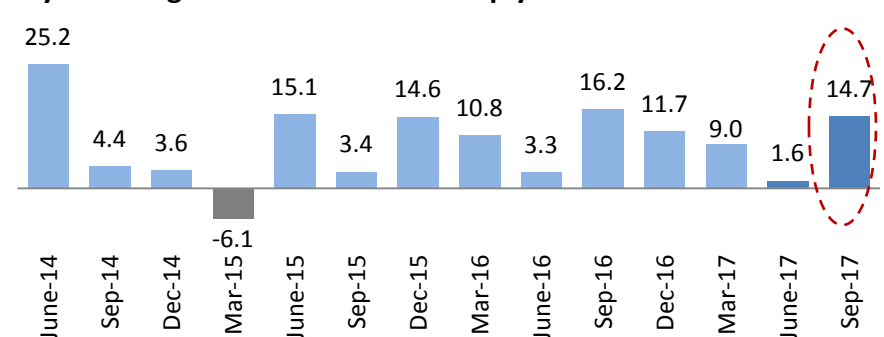
Nifty: 2QFY18 performance highlights

- Nifty sales, EBITDA and PAT grew 11%, 14.7% and 13.4% v/s our estimate of 16.1%, 17.4% and 28.9%, respectively.
- Excluding OMCs, Nifty PAT grew 10.5% (the highest in 13 quarters) v/s our expectation of +14.7% YoY.
- Nifty posted EBITDA growth of 14.7%, after muted 1.6% growth in 1QFY18.
- Nifty EBITDA margin (Ex-Financials, OMCs) of 21.7% expanded 10bp YoY, after two quarters of margin contraction.
- 64% of Nifty Universe posted in-line or higher-than-estimated PAT; 76% posted in-line or higher-than-estimated EBITDA.
- **17 of the Nifty companies saw upgrades in FY18E EPS, while 31 companies saw EPS downgrades.**

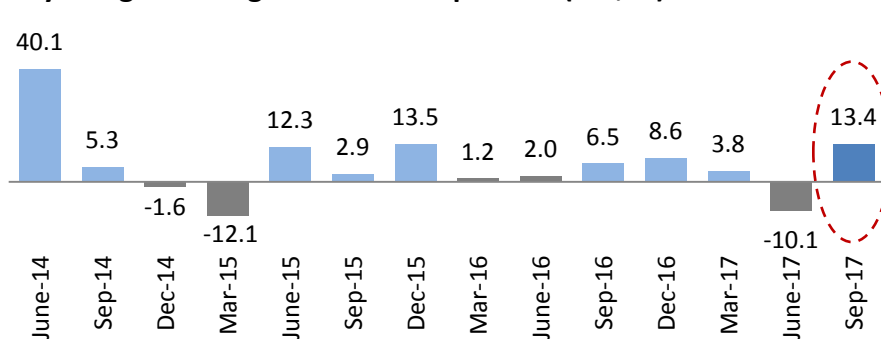
Nifty sales growth strong at 11% YoY



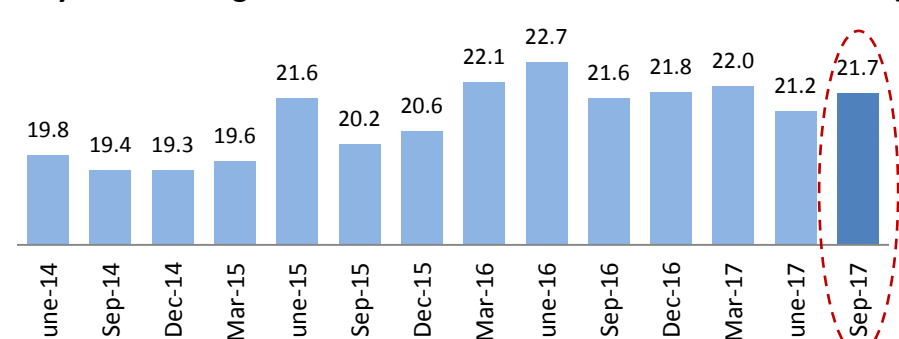
Nifty EBITDA growth rebounded sharply at 14.7% YoY



Nifty PAT growth highest in seven quarters (YoY, %)



Nifty EBITDA margin ex Financials and OMCs remains constant YoY (%)



Nifty FY18E EPS revised marginally

EPS downgrade de-construct

- We have cut our FY18E Nifty EPS by 1.2% to INR481, and marginally increased FY19E EPS by 1% to INR609.
- We now expect Nifty EPS to grow 13.8% in FY18 and 26.4% in FY19.
- **2HFY18 expected to benefit from low base of demonetization, while FY19 should be a beneficiary of normalization of provisioning costs in BFSI.**
- Bharti Airtel, Tata Motors, Ultratech Cement, Mahindra & Mahindra, ONGC, GAIL and Larsen & Turbo have seen healthy upgrades of 57%, 23%, 11%, 8%, 6%, 6% and 5%, respectively. IOC, HPCL, Dr. Reddy, Axis Bank, Bosch, Zee Entertainment, BPCL, Coal India, Tata Steel, Lupin, ICICI Bank and Hindalco have seen EPS downgrades of 23%, 21%, 17%, 16%, 15%, 14%, 13%, 11%, 11%, 9%, 6% and 5%, respectively.

Nifty stock revision since preview

| (INR) | EPS UPGRADE / DOWNGRADE (%) | | | | | | | | | (INR) | Current EPS (INR) | | | EPS UPGRADE / DOWNGRADE (%) | | EPS GROWTH (%) | | |
|-------------------|-----------------------------|-------|-------|-----------------------------|-------|----------------|--------|-------|------------|------------|-------------------|-------------|------------|-----------------------------|-------------|----------------|-------|--|
| | Current EPS (INR) | | | EPS UPGRADE / DOWNGRADE (%) | | EPS GROWTH (%) | | | FY17 | | FY18E | FY19E | FY18E | FY19E | FY17 | FY18E | FY19E | |
| | FY17 | FY18E | FY19E | FY18E | FY19E | FY17 | FY18E | FY19E | | | | | | | | | | |
| Bharti Airtel | 11.3 | 3.8 | 6.5 | 56.7 | 101.6 | -4.6 | -66.9 | 72.2 | 68.6 | 83.6 | 105.1 | -0.7 | -0.5 | 23.2 | 21.9 | 25.8 | | |
| Tata Motors | 19.8 | 24.6 | 64.8 | 22.8 | 5.6 | -48.4 | 24.2 | 163.2 | 169.1 | 183.1 | 193.9 | -1.0 | -1.6 | 6.9 | 8.3 | 5.9 | | |
| Ultratech Cement | 96.1 | 102.2 | 147.1 | 11.0 | 6.0 | 11.2 | 6.4 | 43.9 | 26.8 | 32.1 | 41.6 | -1.2 | 1.3 | 42.3 | 19.4 | 29.7 | | |
| Mah & Mah | 54.3 | 75.0 | 85.7 | 7.9 | 4.8 | 4.3 | 38.0 | 14.3 | 46.8 | 51.6 | 57.1 | -1.3 | -2.0 | 4.3 | 10.1 | 10.6 | | |
| ONGC | 16.4 | 19.0 | 22.8 | 6.4 | 19.0 | 20.8 | 15.4 | 20.5 | 612.7 | 814.7 | 1062.7 | -1.4 | -5.1 | 24.4 | 33.0 | 30.4 | | |
| GAIL | 22.6 | 28.1 | 31.9 | 6.0 | 6.2 | 71.4 | 24.5 | 13.4 | 48.1 | 60.9 | 78.6 | -1.6 | 2.3 | 18.2 | 26.7 | 29.0 | | |
| Larsen & Toubro | 42.3 | 49.0 | 57.5 | 5.4 | 1.6 | 43.0 | 15.9 | 17.3 | 8.4 | 9.1 | 10.0 | -1.8 | -2.8 | 9.4 | 8.5 | 10.2 | | |
| Wipro | 16.9 | 19.1 | 20.1 | 4.8 | 3.0 | -6.3 | 13.0 | 5.2 | 14.9 | 16.8 | 19.2 | -2.6 | -2.5 | 25.3 | 13.4 | 13.8 | | |
| Reliance Inds. | 48.3 | 56.7 | 62.1 | 3.7 | -0.9 | 14.6 | 17.3 | 9.4 | 34.1 | 42.0 | 50.8 | -2.7 | -2.8 | 107.2 | 23.4 | 21.0 | | |
| Tech Mahindra | 30.9 | 35.8 | 37.7 | 2.7 | 1.1 | -11.9 | 15.9 | 5.3 | 21.0 | 21.6 | 25.8 | -2.8 | -2.5 | 8.7 | 2.6 | 19.8 | | |
| Infosys | 62.8 | 63.8 | 67.8 | 2.5 | 2.3 | 6.4 | 1.6 | 6.3 | 14.6 | 17.8 | 23.3 | -3.5 | 1.8 | 20.8 | 22.1 | 30.9 | | |
| Maruti Suzuki | 248.6 | 288.1 | 381.0 | 0.9 | -0.2 | 36.6 | 15.8 | 32.3 | 18.9 | 16.9 | 20.0 | -3.5 | -2.9 | 35.0 | -10.5 | 18.5 | | |
| Bajaj Finance | 32.0 | 45.7 | 63.7 | 0.8 | 1.3 | 43.6 | 42.8 | 39.3 | 26.1 | 14.4 | 22.9 | -4.8 | -1.6 | 33.6 | -45.1 | 59.3 | | |
| HDFC Bank | 56.8 | 68.7 | 84.7 | 0.8 | 2.6 | 16.7 | 21.0 | 23.2 | 8.6 | 18.8 | 26.4 | -5.0 | 7.6 | -28.5 | 120.1 | 40.0 | | |
| Bajaj Auto | 132.3 | 145.2 | 175.0 | 0.6 | 0.4 | -2.6 | 9.8 | 20.6 | 15.3 | 13.6 | 17.0 | -6.0 | 2.6 | 0.6 | -11.1 | 25.2 | | |
| Vedanta | 15.1 | 25.5 | 44.4 | 0.4 | 18.6 | 40.6 | 68.2 | 74.4 | 56.6 | 37.6 | 42.7 | -9.2 | -24.1 | 12.4 | -33.6 | 13.7 | | |
| Power Grid Corp. | 14.0 | 17.4 | 20.4 | 0.2 | -0.7 | 25.1 | 24.8 | 17.0 | 37.9 | 59.4 | 65.2 | -11.3 | 2.8 | 394.2 | 56.6 | 9.7 | | |
| State Bank | 0.3 | 14.6 | 26.8 | 0.0 | 0.0 | -98.1 | 4809.5 | 83.8 | 14.9 | 17.5 | 20.7 | -11.4 | -6.2 | -34.0 | 17.3 | 18.1 | | |
| Cipla | 15.9 | 21.1 | 27.0 | 0.0 | 4.0 | -15.5 | 32.7 | 28.2 | 48.3 | 43.1 | 52.1 | -12.5 | 0.2 | 17.5 | -10.9 | 21.0 | | |
| Ambuja Cements | 4.9 | 6.9 | 8.4 | -0.1 | 1.9 | -10.6 | 42.1 | 20.8 | 12.1 | 10.5 | 16.0 | -14.0 | -10.1 | 67.0 | -13.7 | 53.0 | | |
| TCS | 133.4 | 131.8 | 151.4 | -0.2 | 3.5 | 8.3 | -1.2 | 14.9 | 473.1 | 457.8 | 603.0 | -15.3 | -13.7 | -1.8 | -3.2 | 31.7 | | |
| NTPC | 12.0 | 13.4 | 15.7 | -0.2 | 0.0 | 1.8 | 12.4 | 16.6 | 15.4 | 18.4 | 30.8 | -15.8 | -19.2 | -55.5 | 19.7 | 67.4 | | |
| HCL Technologies | 59.8 | 63.2 | 68.2 | -0.5 | -1.1 | 49.2 | 5.6 | 7.9 | 72.6 | 60.6 | 115.2 | -16.5 | -4.0 | -45.1 | -16.5 | 90.1 | | |
| Hind. Unilever | 19.6 | 22.8 | 27.6 | -0.6 | 0.9 | 1.9 | 16.2 | 21.0 | 40.7 | 36.4 | 42.8 | -20.8 | -0.3 | 66.6 | -10.6 | 17.6 | | |
| Aurobindo Pharma | 39.3 | 44.6 | 50.3 | -0.6 | 0.7 | 13.5 | 13.5 | 12.8 | 41.9 | 39.5 | 43.6 | -22.8 | -6.2 | 101.4 | -5.7 | 10.4 | | |
| Nifty (50) | | | | | | | | | 423 | 481 | 609 | -1.2 | 1.0 | 6.9 | 13.8 | 26.4 | | |

MOSL Universe: Global Cyclical drive PAT growth

Sectoral actual v/s expected - MOSL universe (INR b)

| Sector (no of companies) | Sales | | | | EBITDA | | | | PAT | | | | EBIDTA Margin | |
|---|---------------|------------|-------------|--------------------|--------------|-------------|-------------|--------------------|--------------|-------------|-------------|--------------------|---------------|-------------|
| | Sep 2017 | Chg. % QoQ | Chg. % YoY | Var. over Exp. (%) | Sep 2017 | Chg. % QoQ | Chg. % YoY | Var. over Exp. (%) | Sep 2017 | Chg. % QoQ | Chg. % YoY | Var. over Exp. (%) | Sep 2017 (%) | Chg. YoY bp |
| High growth sectors | 7,092 | 3 | 15 | -5 | 1,403 | 16 | 24 | -1 | 566 | 25 | 28 | -14 | 19.8 | 144 |
| Metals (9) | 1,292 | 11 | 26 | 4 | 239 | 12 | 35 | -4 | 75 | 14 | 108 | -7 | 18.5 | 131 |
| Retail (2) | 42 | -10 | 26 | 11 | 5 | 13 | 52 | 49 | 3 | 20 | 71 | 55 | 11.9 | 209 |
| Others (18) | 185 | -8 | 17 | -4 | 32 | -17 | 26 | 9 | 17 | -18 | 52 | 31 | 17.3 | 126 |
| Capital Goods (12) | 458 | 4 | 5 | -3 | 45 | 36 | 20 | 2 | 29 | 55 | 32 | 15 | 9.8 | 120 |
| Logistics (3) | 33 | 2 | 7 | -5 | 4 | -6 | 8 | -12 | 3 | -4 | 27 | -11 | 13.6 | 11 |
| NBFC (16) | 150 | 5 | 25 | 0 | 116 | 6 | 26 | 1 | 66 | 19 | 21 | -1 | 76.9 | 49 |
| Oil & Gas (12) | 3,133 | -6 | 13 | -11 | 410 | 0 | 19 | -13 | 246 | 30 | 20 | -25 | 13.1 | 69 |
| Automobiles (15) | 1,439 | 18 | 14 | 0 | 209 | 51 | 18 | 11 | 106 | 73 | 16 | 13 | 14.5 | 44 |
| Banks - PSU (7) | 359 | 6 | 5 | 3 | 343 | 33 | 25 | 12 | 19 | -45 | 16 | -60 | 95.7 | 1,530 |
| Med/Low growth sectors | 2,253 | 1 | 6 | 0 | 729 | 0 | 9 | -1 | 411 | 0 | 6 | -5 | 32.3 | 78 |
| Utilities (6) | 570 | -1 | 7 | 0 | 167 | -9 | 12 | -8 | 63 | -17 | 12 | -17 | 29.2 | 123 |
| Consumer (18) | 432 | 3 | 6 | 1 | 105 | 9 | 12 | 2 | 72 | 11 | 10 | 1 | 24.3 | 130 |
| Media (9) | 51 | -4 | 0 | -1 | 16 | -2 | 6 | 7 | 8 | -1 | 8 | 2 | 31.2 | 172 |
| Technology (15) | 917 | 2 | 4 | 0 | 210 | 7 | 2 | 4 | 166 | 7 | 4 | 4 | 22.9 | -32 |
| Banks - Private (11) | 283 | 3 | 15 | -1 | 231 | -2 | 12 | -2 | 102 | -6 | 3 | -13 | 81.8 | -233 |
| PAT de-growth sectors | 1,015 | 4 | 1 | 1 | 249 | 7 | -11 | 6 | 72 | 14 | -34 | 14 | 24.5 | -308 |
| Cement (10) | 246 | -1 | 21 | 7 | 47 | -13 | 14 | 18 | 21 | -27 | -6 | 10 | 19.1 | -127 |
| Healthcare (19) | 398 | 13 | 2 | -2 | 86 | 41 | -8 | 3 | 51 | 58 | -20 | 3 | 21.6 | -241 |
| Telecom (4) | 371 | -2 | -11 | -1 | 116 | -1 | -19 | 3 | 0 | PL | PL | -100 | 31.3 | -320 |
| MOSL Universe (186) | 10,360 | 2.5 | 11.2 | -3.1 | 2,381 | 9.8 | 14.3 | -0.3 | 1,048 | 13.0 | 11.5 | -9.3 | 23.0 | 62 |
| MOSL Ex Metals, Oil & PSU Bks (158) | 5,576 | 5.5 | 7.9 | -0.2 | 1,389 | 7.8 | 7.8 | 2.2 | 708 | 11.1 | 3.7 | 1.1 | 24.9 | -1 |
| MOSL Ex OMCs, Metals & PSU Bks (167) | 6,797 | 5.4 | 8.2 | -1.4 | 1,680 | 8.2 | 9.5 | 2.0 | 877 | 11.8 | 4.8 | 1.2 | 24.7 | 28 |
| Sensex (30) | 4,811 | 7.0 | 8.3 | -1.5 | 1,378 | 14.4 | 13.2 | 2.1 | 615 | 9.8 | 7.9 | -3.4 | 28.6 | 123 |
| Nifty (50) | 7,889 | 1.8 | 11.0 | -4.5 | 1,773 | 10.2 | 14.7 | -2.3 | 834 | 12.7 | 13.4 | -12.0 | 22.5 | 74 |

Sectoral quarterly PAT trend (INR b)

MOSL Universe quarterly PAT trend (INR b)

| Sector | FY14 | | | | FY15 | | | | FY16 | | | | FY17 | | | | FY18 | |
|---|------------|------------|------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|------------|--------------|
| | Jun | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | Sep |
| Auto | 53 | 74 | 84 | 82 | 93 | 78 | 78 | 61 | 100 | 69 | 84 | 118 | 89 | 91 | 55 | 105 | 60 | 105 |
| Capital Goods | 15 | 20 | 22 | 52 | 16 | 18 | 19 | 45 | 11 | 14 | 5 | 44 | 14 | 22 | 22 | 52 | 18 | 29 |
| Cement | 20 | 11 | 11 | 19 | 18 | 14 | 10 | 16 | 14 | 16 | 16 | 24 | 28 | 22 | 17 | 23 | 28 | 21 |
| Consumer | 47 | 49 | 54 | 50 | 53 | 56 | 60 | 57 | 58 | 58 | 64 | 60 | 65 | 65 | 65 | 67 | 65 | 72 |
| Financials | 194 | 169 | 175 | 208 | 213 | 198 | 195 | 217 | 207 | 201 | 116 | -11 | 154 | 166 | 184 | 122 | 193 | 185 |
| Private Banks | 70 | 72 | 80 | 85 | 82 | 85 | 95 | 100 | 91 | 98 | 106 | 83 | 94 | 94 | 97 | 102 | 102 | 98 |
| PSU Banks | 92 | 62 | 61 | 81 | 93 | 75 | 61 | 70 | 76 | 59 | -37 | -146 | 11 | 16 | 32 | -37 | 34 | 19 |
| NBFC | 33 | 35 | 34 | 42 | 37 | 37 | 39 | 47 | 39 | 44 | 45 | 51 | 49 | 55 | 54 | 55 | 56 | 66 |
| Healthcare | 34 | 42 | 83 | 45 | 47 | 51 | 35 | 39 | 55 | 56 | 54 | 55 | 59 | 61 | 55 | 48 | 32 | 48 |
| Logistics | 3 | 3 | 3 | 3 | 4 | 3 | 4 | 4 | 3 | 3 | 3 | 4 | 3 | 2 | 3 | 5 | 3 | 3 |
| Media | 6 | 5 | 6 | 5 | 5 | 6 | 8 | 5 | 7 | 7 | 8 | 6 | 7 | 7 | 8 | 8 | 8 | 8 |
| Metals | 66 | 71 | 75 | 84 | 87 | 90 | 77 | 41 | 46 | 55 | -13 | 29 | 33 | 36 | 53 | 98 | 66 | 75 |
| Oil & Gas | 63 | 169 | 109 | 315 | 160 | 130 | 58 | 242 | 239 | 119 | 184 | 204 | 275 | 205 | 229 | 237 | 189 | 246 |
| Oil & Gas Ex OMCs | 107 | 140 | 146 | 135 | 122 | 126 | 82 | 129 | 138 | 121 | 132 | 149 | 145 | 153 | 150 | 163 | 145 | 168 |
| Retail | 2 | 2 | 2 | 2 | 2 | 3 | 2 | 2 | 2 | 2 | 3 | 2 | 2 | 2 | 3 | 2 | 3 | 3 |
| Technology | 106 | 121 | 129 | 134 | 132 | 137 | 144 | 141 | 141 | 152 | 153 | 158 | 153 | 157 | 164 | 155 | 152 | 163 |
| Telecom | 15 | 13 | 15 | 24 | 23 | 27 | 28 | 29 | 23 | 26 | 26 | 28 | 28 | 24 | 8 | 11 | 3 | 0 |
| Utilities | 77 | 71 | 85 | 99 | 79 | 59 | 74 | 91 | 83 | 76 | 88 | 92 | 79 | 56 | 78 | 81 | 75 | 63 |
| Others | 8 | 5 | 6 | 5 | 9 | 6 | 6 | 5 | 9 | 5 | 6 | 7 | 11 | 8 | 7 | 7 | 10 | 8 |
| MOSL Univ | 710 | 826 | 859 | 1,130 | 940 | 875 | 798 | 997 | 997 | 858 | 796 | 820 | 998 | 924 | 949 | 1,019 | 904 | 1,027 |
| MOSL Univ Ex Metals, Oil & PSU Banks | 489 | 523 | 614 | 649 | 600 | 580 | 602 | 644 | 635 | 624 | 661 | 732 | 680 | 667 | 635 | 721 | 615 | 687 |

Note: Comparable Universe, excludes Alembic Pharma, Vedanta, Repco Home Fin, MCX, Alkem Labs, Interglobe Aviation, CG Consumer Electricals, Parag Milk Foods, Equitas Holding, IDFC Bank, RBL Bank, L&T Infotech, Manpasand, SH Kelkar, Endurance Tech and Gujarat Gas.

Sectoral quarterly PAT trend YoY (%)

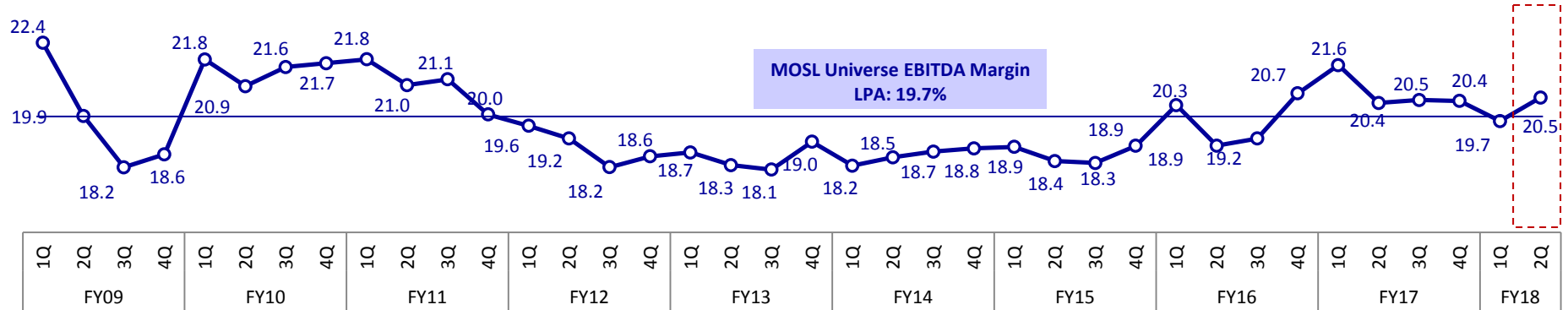
Sectoral quarterly PAT growth trend (%)

| Sector | FY14 | | | | FY15 | | | | FY16 | | | | FY17 | | | | FY18 | |
|--------------------------------------|------|-----|-----|-----|------|-----|-----|-----|------|-----|-----|-----|------|-----|-----|------|------|-----|
| | Jun | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | Sep |
| Auto | -10 | 42 | 69 | 3 | 74 | 5 | -7 | -25 | 7 | -12 | 8 | 92 | -10 | 32 | -35 | -11 | -32 | 16 |
| Capital Goods | -42 | -26 | -21 | -14 | 11 | -10 | -13 | -15 | -30 | -24 | -75 | -2 | 25 | 56 | 342 | 18 | 27 | 32 |
| Cement | -28 | -49 | -36 | -13 | -9 | 31 | -11 | -12 | -21 | 12 | 66 | 44 | 96 | 40 | 4 | -2 | 3 | -6 |
| Consumer | 14 | 15 | 13 | 13 | 12 | 14 | 11 | 13 | 9 | 4 | 7 | 6 | 13 | 12 | 2 | 11 | -1 | 10 |
| Financials | 9 | -3 | -7 | 4 | 10 | 17 | 11 | 4 | -3 | 2 | -40 | PL | -26 | -17 | 59 | LP | 26 | 11 |
| Private Banks | 29 | 26 | 20 | 20 | 18 | 19 | 19 | 17 | 10 | 14 | 12 | -16 | 3 | -3 | -9 | 22 | 9 | 4 |
| PSU Banks | -6 | -30 | -31 | -9 | 2 | 21 | 0 | -13 | -18 | -21 | PL | PL | -86 | -73 | LP | Loss | 218 | 16 |
| NBFC | 19 | 22 | 4 | 6 | 14 | 8 | 13 | 11 | 5 | 17 | 17 | 9 | 24 | 25 | 20 | 8 | 15 | 21 |
| Health Care | 48 | 38 | 174 | 45 | 37 | 23 | -57 | -13 | 16 | 8 | 54 | 39 | 8 | 10 | 2 | -13 | -46 | -21 |
| Logistics | -6 | -1 | 9 | 22 | 13 | -2 | 32 | 20 | -8 | 4 | -32 | 0 | -20 | -26 | -12 | 26 | 23 | 27 |
| Media | 24 | 12 | 15 | 8 | -6 | 4 | 27 | 4 | 20 | 23 | 2 | 6 | 2 | 1 | -2 | 36 | 14 | 8 |
| Metals | -34 | 6 | 28 | -6 | 31 | 26 | 3 | -52 | -47 | -38 | PL | -28 | -30 | -34 | LP | 235 | 103 | 108 |
| Oil & Gas | LP | -47 | -42 | -16 | 154 | -23 | -47 | -23 | 49 | -8 | 219 | -15 | 15 | 72 | 25 | 16 | -31 | 20 |
| Oil & Gas Ex OMCs | -8 | -6 | 9 | 25 | 14 | -10 | -44 | -4 | 13 | -4 | 61 | 16 | 5 | 27 | 14 | 9 | 0 | 9 |
| Retail | 15 | 3 | -12 | 12 | -5 | 22 | 7 | 1 | -13 | -37 | 13 | -13 | 33 | 13 | 7 | 1 | 15 | 71 |
| Technology | 17 | 31 | 33 | 38 | 25 | 13 | 11 | 6 | 7 | 11 | 7 | 12 | 8 | 4 | 7 | -2 | 0 | 3 |
| Telecom | 44 | 41 | 128 | 105 | 48 | 105 | 86 | 17 | 2 | -5 | -9 | -2 | 20 | -6 | -68 | -59 | -90 | PL |
| Utilities | -9 | 8 | -6 | -1 | 2 | -16 | -13 | -8 | 5 | 28 | 18 | 1 | -5 | -26 | -11 | -12 | -4 | 12 |
| Others | 38 | 3 | 9 | 3 | 15 | 19 | 3 | 9 | 8 | -7 | 6 | 31 | 17 | 48 | 13 | 3 | -11 | -3 |
| MOSL Univ | 93 | -10 | 5 | 0 | 33 | 6 | -7 | -12 | 6 | -2 | 0 | -18 | 0 | 8 | 19 | 24 | -9 | 11 |
| MOSL Univ Ex Metals, Oil & PSU Banks | 6 | 18 | 27 | 13 | 23 | 11 | -2 | -1 | 6 | 8 | 10 | 14 | 7 | 7 | -4 | -1 | -10 | -3 |

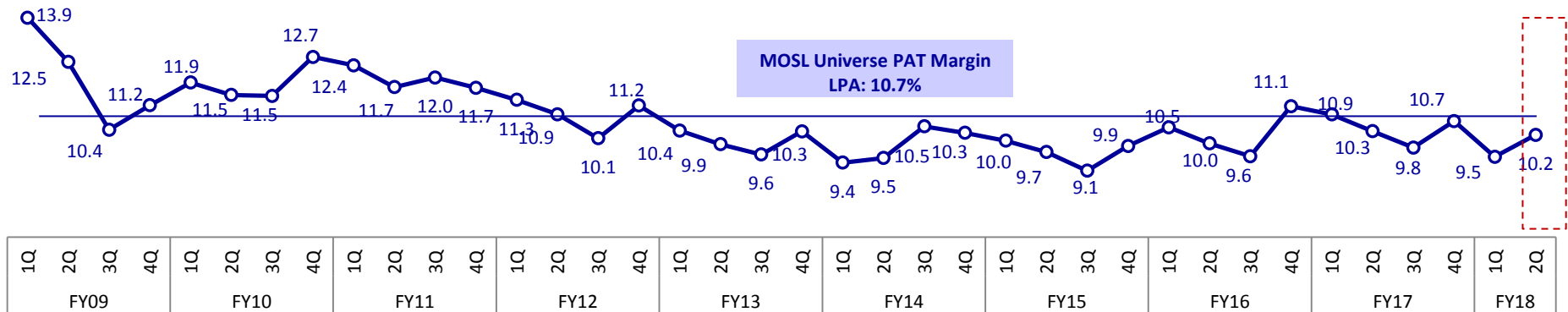
Note: Comparable Universe, excludes Alembic Pharma, Vedanta, Repco Home Fin, MCX, Alkem Labs, Interglobe Aviation, CG Consumer Electricals, Parag Milk Foods, Equitas Holding, IDFC Bank, RBL Bank, L&T Infotech, Manpasand, SH Kelkar, Endurance Tech and Gujarat Gas.

2QFY18: Margins expanded 10bp after 2 straight quarters of compression

Sep-17 EBITDA margin (ex OMCs and Financials) at 20.5% (v/s estimate of 20%)



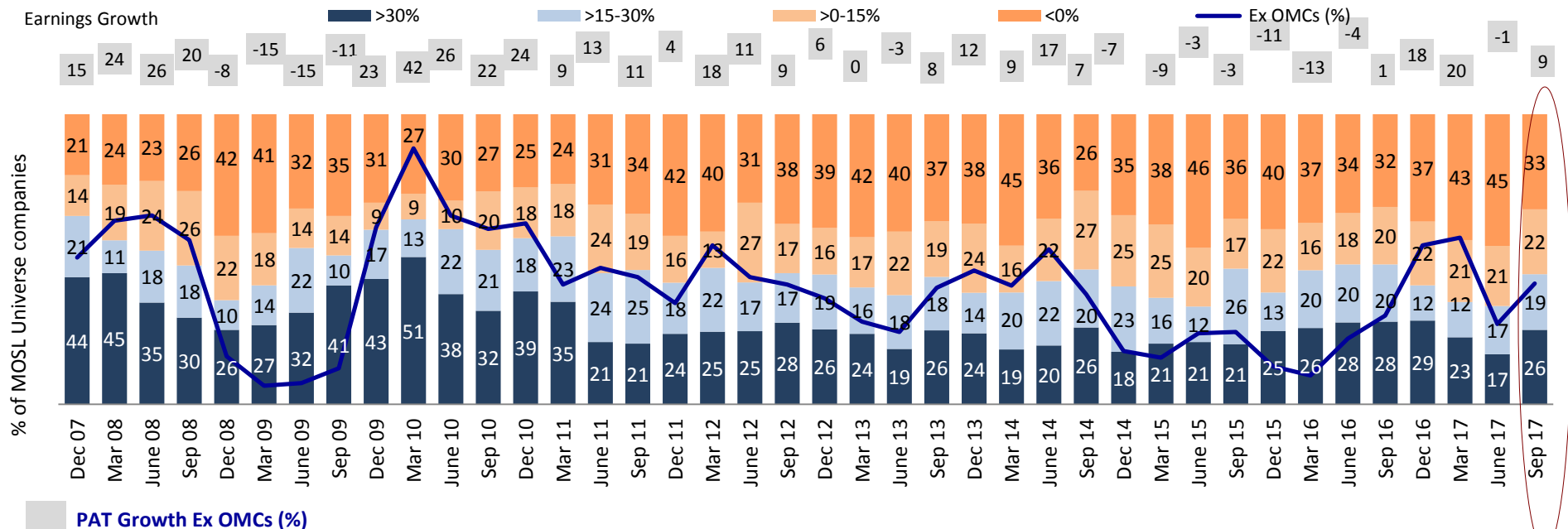
Sep-17 PAT margin (ex OMCs and Financials) down 10bp YoY at 10.2% (v/s estimate of 9.9%)



No. of companies reporting YoY PAT decline at 12-quarter low

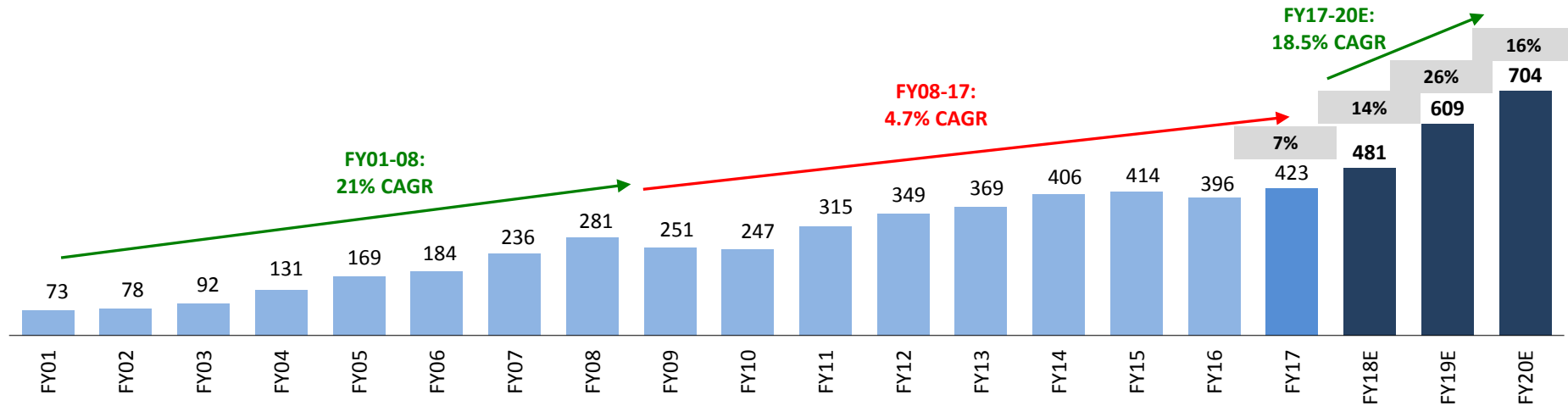
- 26% of the companies reported >30% PAT growth, sharp improvement QoQ. Companies reporting >15% and <30% growth increased to 19% from 17% in 2QFY18.
- 33% of the companies in MOSL Universe reported earnings decline, which is close to a 12 quarter-low.

Distribution of PAT growth

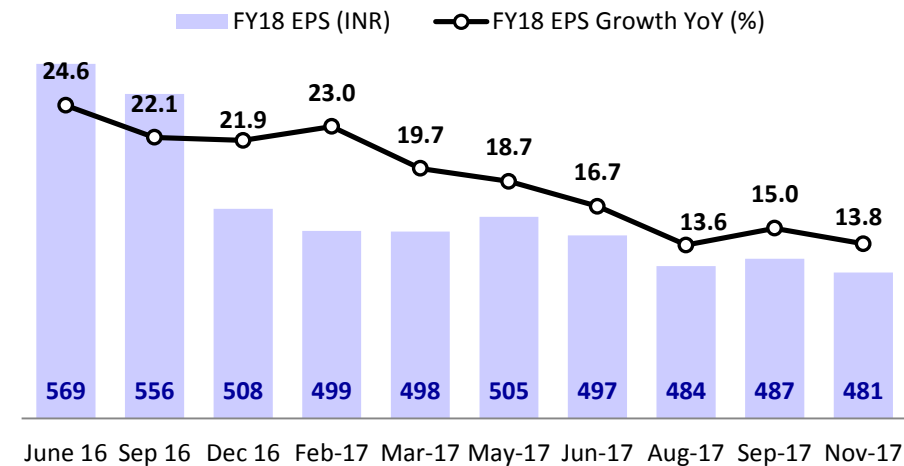


Nifty EPS estimates undergo marginal revision

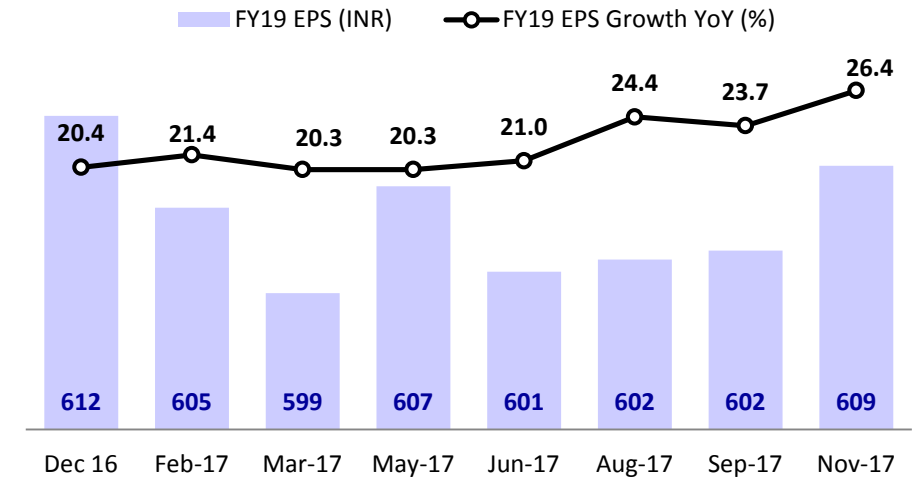
Expect Nifty profit growth to rebound in 2HFY18 and FY19



FY18E EPS estimate progression – 9% estimate cut since Feb'17



FY19E EPS progression – unchanged in 12 months



FY17-20 estimates: Expect 19% profit CAGR for MOSL Universe

| Sector | Sales Gr. / CAGR (%) | EBIDTA Margin (%) | EBIDTA CAGR (%) | PAT Gr. / CAGR (%) | | | PAT delta (INR B) | PAT delta Share (%) | |
|---------------------------------|----------------------|-------------------|-----------------|--------------------|-----------|-----------|-------------------|---------------------|------------|
| (No of Companies) | (FY17-20) | FY17 | (FY17-20) | FY18E | FY19E | FY20E | (FY17-20) | FY17-20 | |
| High PAT CAGR (>20%) | 13 | 29.6 | 16 | 38 | 44 | 21 | 34 | 1,985 | 70 |
| Financials (36) | 15 | 85.4 | 14 | 42 | 40 | 29 | 37 | 1,035 | 36 |
| PSU Banks (7) | 11 | 82.6 | 9 | 329 | 86 | 38 | 122 | 447 | 16 |
| Private Banks (13) | 18 | 90.4 | 17 | 19 | 32 | 27 | 26 | 399 | 14 |
| NBFC (16) | 21 | 82.7 | 22 | 25 | 22 | 22 | 23 | 189 | 7 |
| Metals (10) | 10 | 18.3 | 18 | 69 | 49 | 8 | 40 | 369 | 13 |
| Auto (15) | 13 | 14.2 | 18 | 18 | 56 | 14 | 28 | 352 | 12 |
| Cement (13) | 17 | 19.2 | 24 | 24 | 35 | 24 | 28 | 114 | 4 |
| Others (24) | 19 | 16.5 | 21 | 24 | 25 | 28 | 25 | 70 | 2 |
| Media (13) | 11 | 28.5 | 16 | 12 | 41 | 25 | 26 | 33 | 1 |
| Retail (2) | 22 | 9.0 | 28 | 44 | 27 | 26 | 32 | 11 | 0 |
| Medium PAT CAGR (10-20%) | 10 | 21.1 | 15 | 7 | 21 | 16 | 15 | 474 | 17 |
| Capital Goods (16) | 10 | 9.5 | 18 | 17 | 20 | 18 | 18 | 83 | 3 |
| Infrastructure (4) | 10 | 33.1 | 4 | 19 | 10 | 7 | 12 | 4 | 0 |
| Logistics (3) | 15 | 15.7 | 15 | 13 | 28 | 22 | 21 | 9 | 0 |
| Utilities (6) | 8 | 29.2 | 16 | 17 | 16 | 12 | 15 | 155 | 5 |
| Consumer (18) | 12 | 23.1 | 14 | 10 | 17 | 17 | 15 | 132 | 5 |
| Healthcare (20) | 11 | 22.4 | 13 | -15 | 35 | 21 | 12 | 90 | 3 |
| Low PAT CAGR (up to 10%) | 11 | 17.1 | 9 | 0 | 13 | 9 | 7 | 396 | 14 |
| Oil & Gas (12) | 13 | 13.3 | 12 | 8 | 15 | 7 | 10 | 314 | 11 |
| Excl. OMCs (9) | 13 | 21.1 | 15 | 17 | 15 | 7 | 13 | 271 | 9 |
| Technology (15) | 8 | 23.1 | 7 | 1 | 9 | 8 | 6 | 119 | 4 |
| Telecom (4) | 3 | 33.3 | 3 | PL | LP | 2070 | -21 | -37 | -1 |
| MOSL (211) | 12 | 22.5 | 13.8 | 15 | 28 | 16 | 19 | 2,855 | 100 |
| MOSL Excl. OMCs (208) | 12 | 25.8 | 14.3 | 17 | 29 | 17 | 21 | 2,812 | NA |
| Sensex (30) | 11 | 27.3 | 12.7 | 14 | 26 | 16 | 19 | 834 | NA |
| Nifty (50) | 11 | 23.7 | 13.4 | 14 | 26 | 16 | 19 | 1,090 | NA |

Nifty FY17-20 free float PAT CAGR at 19%; sales CAGR at 11%

| Company | Sales (INR b) | | | Sales | EBIDTA Margin (%) | | | EBITDA | PAT (INR b) | | | PAT YoY (%) | | | PAT | Contbn to |
|-------------------------------|---------------|---------------|---------------|--------------|-------------------|-----------|-----------|--------------|--------------|--------------|--------------|-------------|-----------|-----------|--------------|-----------|
| | FY18E | FY19E | FY20E | CAGR % 17-20 | FY18 | FY19 | FY20 | CAGR % 17-20 | FY18E | FY19E | FY20E | FY18 | FY19 | FY20 | CAGR % 17-20 | Delta % |
| High PAT Growth (20%+) | 10,641 | 12,341 | 13,280 | 12 | 27 | 29 | 31 | 17 | 1,070 | 1,615 | 1,936 | 47 | 51 | 20 | 39 | 61 |
| State Bank | 749 | 896 | 1,028 | 11 | 79 | 77 | 77 | 10 | 126 | 232 | 309 | 5,126 | 84 | 33 | 404 | 15 |
| Tata Motors | 2,959 | 3,622 | 3,923 | 13 | 13 | 16 | 16 | 18 | 84 | 220 | 233 | 24 | 163 | 6 | 51 | 8 |
| Hindalco | 1,124 | 1,162 | 1,158 | 5 | 12 | 13 | 13 | 6 | 42 | 59 | 60 | 120 | 40 | 2 | 46 | 2 |
| Vedanta | 858 | 1,063 | 1,119 | 16 | 29 | 36 | 34 | 22 | 95 | 165 | 172 | 68 | 74 | 4 | 45 | 6 |
| Axis Bank | 190 | 219 | 257 | 12 | 95 | 94 | 95 | 12 | 46 | 80 | 105 | 24 | 75 | 32 | 42 | 3 |
| Bajaj Finance | 77 | 105 | 138 | 36 | 67 | 70 | 72 | 40 | 26 | 37 | 50 | 43 | 39 | 37 | 40 | 2 |
| Eicher Motors | 89 | 107 | 126 | 22 | 32 | 33 | 34 | 26 | 22 | 29 | 36 | 33 | 30 | 26 | 30 | 1 |
| Ambuja Cements | 104 | 115 | 129 | 12 | 19 | 20 | 22 | 22 | 14 | 17 | 21 | 42 | 21 | 25 | 29 | 1 |
| IndusInd Bank | 75 | 95 | 121 | 26 | 89 | 90 | 90 | 26 | 36 | 47 | 60 | 27 | 29 | 28 | 28 | 2 |
| Cipla | 164 | 185 | 209 | 13 | 19 | 20 | 20 | 20 | 17 | 22 | 27 | 33 | 28 | 23 | 28 | 1 |
| Dr Reddy' s Labs | 141 | 167 | 197 | 12 | 17 | 22 | 24 | 25 | 10 | 20 | 25 | -14 | 90 | 25 | 27 | 1 |
| Yes Bank | 78 | 101 | 126 | 29 | 100 | 100 | 100 | 29 | 41 | 53 | 67 | 22 | 31 | 27 | 26 | 2 |
| Kotak Mahindra Bank | 93 | 112 | 135 | 18 | 76 | 81 | 85 | 24 | 61 | 79 | 99 | 23 | 30 | 25 | 26 | 2 |
| Tata Steel | 1,255 | 1,259 | 1,268 | 4 | 16 | 16 | 17 | 9 | 58 | 63 | 74 | 57 | 10 | 16 | 26 | 2 |
| Ultratech Cement | 298 | 378 | 427 | 21 | 22 | 23 | 24 | 27 | 28 | 40 | 51 | 6 | 44 | 25 | 24 | 1 |
| Indiabulls Housing | 53 | 66 | 81 | 32 | 106 | 108 | 110 | 25 | 35 | 45 | 56 | 22 | 26 | 25 | 24 | 1 |
| HDFC Bank | 407 | 481 | 580 | 21 | 81 | 82 | 84 | 24 | 176 | 217 | 270 | 21 | 23 | 24 | 23 | 6 |
| Maruti Suzuki | 808 | 965 | 1,112 | 18 | 16 | 17 | 17 | 21 | 87 | 115 | 135 | 16 | 32 | 18 | 22 | 3 |
| UPL | 184 | 209 | 233 | 12 | 20 | 20 | 21 | 19 | 21 | 26 | 30 | 23 | 21 | 18 | 21 | 1 |
| Mahindra & Mahindra | 935 | 1,036 | 914 | 3 | 14 | 14 | 16 | 11 | 45 | 51 | 57 | 38 | 14 | 10 | 20 | 1 |

Nifty FY17-20 free float PAT CAGR at 19%; sales CAGR at 11%

| Company | Sales (INR b) | | | Sales | EBIDTA Margin (%) | | | EBITDA | PAT (INR b) | | | PAT YoY (%) | | | PAT | Contbn to |
|-----------------------------------|---------------|---------------|---------------|--------------|-------------------|-----------|-----------|--------------|--------------|--------------|--------------|-------------|-----------|-----------|--------------|------------|
| | FY18E | FY19E | FY20E | CAGR % 17-20 | FY18 | FY19 | FY20 | CAGR % 17-20 | FY18E | FY19E | FY20E | FY18 | FY19 | FY20 | CAGR % 17-20 | Delta % |
| Medium PAT Growth (10-20%) | 10,792 | 12,377 | 13,185 | 12 | 27 | 27 | 28 | 14 | 1,545 | 1,788 | 1,998 | 13 | 16 | 12 | 13 | 32 |
| Hind. Unilever | 343 | 391 | 446 | 12 | 20 | 21 | 22 | 17 | 49 | 60 | 70 | 16 | 21 | 17 | 18 | 1 |
| Coal India | 829 | 887 | 945 | 7 | 18 | 21 | 23 | 22 | 109 | 128 | 153 | 17 | 18 | 19 | 18 | 3 |
| Larsen & Toubro | 1,189 | 1,302 | 1,409 | 9 | 11 | 12 | 12 | 15 | 69 | 80 | 96 | 16 | 17 | 19 | 17 | 2 |
| Bajaj Auto | 245 | 279 | 319 | 14 | 19 | 21 | 21 | 15 | 42 | 51 | 59 | 10 | 21 | 16 | 15 | 1 |
| Bosch | 114 | 130 | 148 | 12 | 18 | 21 | 22 | 18 | 14 | 18 | 22 | -3 | 32 | 21 | 15 | 0 |
| Power Grid Corp. | 308 | 355 | 385 | 14 | 88 | 89 | 89 | 15 | 91 | 107 | 112 | 25 | 17 | 5 | 15 | 2 |
| Zee Entertainment | 65 | 75 | 85 | 10 | 32 | 33 | 33 | 14 | 11 | 16 | 20 | -11 | 44 | 19 | 15 | 0 |
| GAIL | 534 | 604 | 647 | 10 | 15 | 15 | 14 | 14 | 48 | 54 | 57 | 24 | 13 | 5 | 14 | 1 |
| NTPC | 849 | 966 | 1,069 | 10 | 28 | 32 | 34 | 19 | 111 | 129 | 147 | 12 | 17 | 13 | 14 | 2 |
| Asian Paints | 174 | 204 | 239 | 16 | 18 | 19 | 19 | 15 | 21 | 25 | 30 | 3 | 20 | 20 | 14 | 0 |
| HDFC | 113 | 130 | 150 | 15 | 94 | 94 | 94 | 14 | 82 | 93 | 107 | 10 | 13 | 16 | 13 | 2 |
| Reliance Inds. | 3,224 | 3,882 | 3,932 | 18 | 17 | 15 | 15 | 11 | 369 | 403 | 449 | 17 | 9 | 11 | 13 | 7 |
| ICICI Bank | 238 | 262 | 303 | 12 | 96 | 97 | 98 | 4 | 87 | 109 | 140 | -11 | 25 | 28 | 13 | 2 |
| Bharti Infratel | 146 | 157 | 170 | 8 | 45 | 44 | 44 | 8 | 31 | 35 | 39 | 13 | 14 | 10 | 12 | 1 |
| Aurobindo Pharma | 167 | 186 | 208 | 11 | 24 | 24 | 24 | 12 | 26 | 29 | 32 | 14 | 13 | 10 | 12 | 0 |
| Tech Mahindra | 309 | 347 | 382 | 9 | 14 | 15 | 15 | 11 | 32 | 34 | 38 | 16 | 5 | 14 | 12 | 1 |
| ONGC | 1,529 | 1,759 | 1,828 | 9 | 42 | 42 | 43 | 19 | 243 | 293 | 289 | 15 | 20 | -1 | 11 | 4 |
| ITC | 416 | 462 | 517 | 9 | 37 | 37 | 38 | 10 | 111 | 122 | 138 | 8 | 10 | 13 | 11 | 2 |
| Low PAT Growth (<10%) | 13,508 | 15,095 | 16,192 | 10 | 13 | 14 | 14 | 6 | 1,041 | 1,178 | 1,286 | -8 | 13 | 9 | 4 | 8 |
| Hero MotoCorp | 317 | 343 | 375 | 10 | 16 | 16 | 16 | 8 | 37 | 39 | 43 | 8 | 6 | 10 | 8 | 0 |
| Wipro | 551 | 599 | 644 | 5 | 21 | 22 | 22 | 9 | 86 | 91 | 100 | 3 | 5 | 10 | 6 | 1 |
| Adani Ports | 102 | 112 | 127 | 15 | 64 | 65 | 64 | 13 | 35 | 41 | 47 | -10 | 18 | 12 | 6 | 0 |
| HCL Technologies | 506 | 562 | 605 | 9 | 22 | 22 | 21 | 8 | 89 | 95 | 99 | 5 | 7 | 4 | 5 | 1 |
| TCS | 1,235 | 1,377 | 1,481 | 8 | 27 | 27 | 26 | 6 | 258 | 290 | 303 | -2 | 12 | 5 | 5 | 2 |
| BPCL | 2,395 | 2,652 | 2,735 | 11 | 6 | 6 | 6 | 8 | 85 | 102 | 109 | -11 | 21 | 7 | 5 | 1 |
| Infosys | 704 | 771 | 847 | 7 | 26 | 26 | 26 | 6 | 143 | 148 | 165 | -1 | 3 | 12 | 5 | 1 |
| HPCL | 2,185 | 2,433 | 2,504 | 10 | 5 | 5 | 5 | 8 | 55 | 65 | 70 | -11 | 18 | 7 | 4 | 0 |
| IOC | 4,209 | 4,809 | 5,258 | 14 | 8 | 8 | 8 | 6 | 187 | 207 | 220 | -6 | 10 | 7 | 4 | 1 |
| Sun Pharma | 268 | 310 | 357 | 6 | 20 | 24 | 27 | 3 | 35 | 55 | 67 | -45 | 59 | 23 | 2 | 0 |
| Lupin | 160 | 182 | 211 | 6 | 22 | 21 | 23 | 2 | 17 | 19 | 26 | -34 | 14 | 34 | 0 | 0 |
| Bharti Airtel | 876 | 946 | 1,047 | 3 | 36 | 37 | 38 | 4 | 15 | 26 | 38 | -67 | 72 | 47 | -6 | 0 |
| Nifty (PAT free float) | 34,942 | 39,813 | 42,657 | 11 | 22 | 23 | 23 | 13 | 1,854 | 2,343 | 2,711 | 14 | 26 | 16 | 19 | 100 |

Rating downgrades/upgrades

- In our universe, we upgraded our rating for nine stocks and downgraded rating for six stocks in 2QFY18

| Company | Mkt Cap (USDb) | RECO | | EPS (INR) | | | % revision since preview | | EPS Growth YoY (%) | | |
|----------------------------|----------------|------------|-------------|-----------|-------|-------|--------------------------|-------|--------------------|-------|-------|
| | | Pre-2QFY18 | Post-2QFY18 | FY18E | FY19E | FY20E | FY18E | FY19E | FY18E | FY19E | FY20E |
| UPGRADE IN RATING | | | | | | | | | | | |
| Reliance Inds. | 87.7 | Neutral | Buy | 56.7 | 62.1 | 69.1 | 3.7 | -0.9 | 17.3 | 9.4 | 11.3 |
| Axis Bank | 19.9 | Neutral | Buy | 18.4 | 30.8 | 40.2 | -15.8 | -19.2 | 19.7 | 67.4 | 30.6 |
| Titan Company | 10.5 | Neutral | Buy | 12.5 | 15.9 | 19.9 | 19.6 | 26.6 | 38.5 | 27.0 | 25.0 |
| Dabur | 9.0 | Neutral | Buy | 7.7 | 9.3 | 10.9 | 0.1 | 1.5 | 6.8 | 20.0 | 17.1 |
| Pidilite Inds. | 6.4 | Neutral | Buy | 17.2 | 20.8 | 24.0 | -4.7 | 0.9 | 2.9 | 20.7 | 15.5 |
| Sun TV | 5.0 | Neutral | Buy | 28.1 | 35.7 | 41.8 | -2.3 | -3.4 | 13.0 | 27.0 | 17.3 |
| GSK Consumer | 3.9 | Sell | Neutral | 160.8 | 182.3 | 206.5 | 1.7 | 0.1 | 3.0 | 13.4 | 13.2 |
| Biocon | 3.6 | Sell | Neutral | 6.1 | 10.5 | 15.9 | -37.2 | -25.7 | -40.2 | 72.8 | 50.8 |
| Voltas | 3.0 | Sell | Neutral | 17.5 | 19.6 | 22.4 | 4.4 | 2.7 | 13.4 | 12.0 | 13.8 |
| DOWNGRADE IN RATING | | | | | | | | | | | |
| Bharti Infratel | 11.0 | Buy | Neutral | 16.8 | 19.2 | 21.1 | -2.6 | -2.5 | 13.4 | 13.8 | 10.1 |
| Avenue Supermarts | 10.5 | Neutral | Sell | 12.0 | 17.5 | 24.1 | -5.8 | -1.1 | 56.2 | 45.6 | 38.0 |
| Ambuja Cements | 8.4 | Buy | Neutral | 6.9 | 8.4 | 10.5 | -0.1 | 1.9 | 42.1 | 20.8 | 25.1 |
| TVS Motor | 5.1 | Buy | Neutral | 14.9 | 25.8 | 34.9 | -1.1 | 5.4 | 27.0 | 73.1 | 35.0 |
| Muthoot Finance | 2.6 | Buy | Neutral | 42.6 | 42.0 | 48.1 | 10.2 | -5.3 | 44.4 | -1.4 | 14.5 |
| Escorts | 1.3 | Neutral | Sell | 35.8 | 45.9 | 57.6 | -3.3 | 0.2 | 79.5 | 28.0 | 25.6 |

Sep 2017 quarter results: The best & the worst (>USD3b market cap)

TOP POSITIVE SURPRISES

| Company | EBIDTA | | | | | PAT | | | | |
|----------------------|----------------|-------------|------------------|-------------|--------------------|----------------|-------------|------------------|-------------|--------------------|
| | Actual (INR b) | QoQ Chg (%) | Est. YoY Chg (%) | YoY Chg (%) | Var. Over Exp. (%) | Actual (INR b) | QoQ Chg (%) | Est. YoY Chg (%) | YoY Chg (%) | Var. Over Exp. (%) |
| United Breweries | 2.2 | -30 | -6 | 83 | 95 | 0.9 | -42 | 10 | 247 | 216 |
| Interglobe Aviation | 15.6 | -20 | 23 | 61 | 31 | 5.5 | -32 | 57 | 294 | 151 |
| Bharti Airtel | 79.2 | 2 | -21 | -16 | 6 | 4.4 | 12 | -86 | -70 | 109 |
| Tata Motors | 89.4 | 80 | -2 | 20 | 23 | 24.4 | 700 | -17 | 65 | 98 |
| Bharat Electronics | 6.0 | 264 | -25 | 76 | 135 | 4.1 | 229 | -36 | 19 | 86 |
| Titan Company | 4.0 | 9 | 2 | 51 | 48 | 2.8 | 12 | 12 | 65 | 47 |
| Punjab National Bank | 32.8 | 2 | -10 | -1 | 10 | 5.6 | 63 | -24 | 2 | 35 |
| Larsen & Toubro | 29.6 | 44 | 16 | 28 | 10 | 16.8 | 89 | 29 | 63 | 26 |
| Nestle | 5.8 | 30 | -5 | 19 | 25 | 3.5 | 40 | -6 | 18 | 25 |
| Oil India | 10.1 | 16 | -9 | 21 | 33 | 6.5 | 43 | -7 | 11 | 20 |
| Petronet LNG | 9.0 | 21 | 7 | 24 | 15 | 5.9 | 35 | 7 | 28 | 19 |
| Sun Pharma | 13.2 | 25 | -53 | -51 | 5 | 9.1 | 74 | -63 | -59 | 10 |

TOP NEGATIVE SURPRISES

| Company | EBIDTA | | | | | PAT | | | | |
|-----------------|----------------|-------------|------------------|-------------|--------------------|----------------|-------------|------------------|-------------|--------------------|
| | Actual (INR b) | QoQ Chg (%) | Est. YoY Chg (%) | YoY Chg (%) | Var. Over Exp. (%) | Actual (INR b) | QoQ Chg (%) | Est. YoY Chg (%) | YoY Chg (%) | Var. Over Exp. (%) |
| Coal India | 12.9 | -62 | 215 | 46 | -54 | 3.7 | -84 | 244 | -39 | -82 |
| Axis Bank | 37.8 | -12 | 3 | -8 | -10 | 4.3 | -67 | 309 | 36 | -67 |
| IOC | 69.2 | -25 | 87 | 11 | -40 | 37.0 | 38 | 195 | 18 | -60 |
| M & M Financial | 5.6 | 15 | 27 | 25 | -2 | 0.8 | 65 | 53 | -18 | -46 |
| HPCL | 21.2 | -34 | 79 | 14 | -36 | 17.3 | 88 | 354 | 147 | -46 |
| Tata Steel | 47.2 | -5 | 79 | 59 | -11 | 10.2 | -34 | LP | LP | -41 |
| BPCL | 28.4 | 45 | 107 | 64 | -21 | 23.6 | 217 | 200 | 81 | -40 |
| ICICI Bank | 49.7 | -4 | 8 | 0 | -7 | 20.6 | 0 | -18 | -34 | -19 |
| Ashok Leyland | 6.1 | 100 | 21 | 14 | -6 | 3.3 | 179 | 29 | 14 | -12 |
| Colgate | 3.0 | 36 | 17 | 9 | -7 | 1.8 | 30 | 11 | -2 | -12 |

Note: LP: Loss to Profit; PL: Profit to Loss

Sep 2017 quarter results: The best & the worst (<USD3b market cap)

TOP POSITIVE SURPRISES

| Company | EBIDTA | | | | | PAT | | | | |
|--------------------|-------------------|----------------|---------------------|----------------|-----------------------|-------------------|----------------|---------------------|----------------|-----------------------|
| | Actual (INR b) | QoQ Chg (%) | Est. YoY Chg (%) | YoY Chg (%) | Var. Over Exp. (%) | Actual (INR b) | QoQ Chg (%) | Est. YoY Chg (%) | YoY Chg (%) | Var. Over Exp. (%) |
| Equitas Holdings | 0.4 | -36 | -64 | -50 | 40 | 0.1 | -30 | -87 | -76 | 88 |
| Parag Milk Foods | 0.5 | 70 | 23 | 48 | 20 | 0.2 | 137 | 48 | 95 | 31 |
| IPCA Labs. | 1.5 | 593 | 11 | 16 | 5 | 1.0 | LP | 61 | 105 | 27 |
| Nalco | 3.4 | 47 | 87 | 95 | 4 | 2.2 | 73 | 45 | 84 | 27 |
| Muthoot Finance | 8.7 | 56 | 23 | 81 | 47 | 4.5 | 29 | 26 | 53 | 21 |
| Team Lease Serv. | 0.2 | 16 | 60 | 76 | 10 | 0.2 | 7 | 61 | 94 | 21 |
| CG Consumer Elect. | 1.2 | -7 | -2 | 19 | 22 | 0.7 | -12 | 3 | 22 | 19 |
| Amara Raja Batt. | 2.4 | 23 | -13 | 4 | 19 | 1.3 | 27 | -19 | -7 | 15 |

TOP NEGATIVE SURPRISES

| Company | EBIDTA | | | | | PAT | | | | |
|--------------------|-------------------|----------------|---------------------|----------------|-----------------------|-------------------|----------------|---------------------|----------------|-----------------------|
| | Actual (INR b) | QoQ Chg (%) | Est. YoY Chg (%) | YoY Chg (%) | Var. Over Exp. (%) | Actual (INR b) | QoQ Chg (%) | Est. YoY Chg (%) | YoY Chg (%) | Var. Over Exp. (%) |
| Birla Corporation | 1.8 | -26 | 33 | 37 | 3 | 0.0 | -97 | -67 | -98 | -93 |
| Strides Shasun | 1.3 | 50 | -9 | -9 | 1 | 0.3 | 267 | -41 | -66 | -42 |
| Exide Inds. | 3.0 | -9 | 13 | 2 | -10 | 1.6 | -14 | 11 | -10 | -19 |
| CEAT | 1.7 | 220 | -1 | -6 | -5 | 0.8 | 7,268 | -13 | -27 | -15 |
| Shriram City Union | 5.4 | 9 | 16 | 20 | 3 | 2.0 | 2 | 13 | -3 | -14 |

Note: LP: Loss to Profit; PL: Profit to Loss

Highest earnings upgrade /downgrade (>USD3b market cap)

TOP EARNINGS UPGRADES

| Company | EPS - Post-2QFY18 (INR) | | | EPS Growth (%) | | | % Upgrade | | |
|----------------------|-------------------------|-------|-------|----------------|-------|-------|-----------|-------|-------|
| | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E |
| United Breweries | 14.7 | 18.0 | 22.3 | 68.9 | 22.4 | 24.2 | 48.2 | 28.2 | 21.2 |
| Punjab National Bank | 8.5 | 13.5 | 16.0 | 37.0 | 58.5 | 18.5 | 46.0 | 22.7 | 18.5 |
| Tata Motors | 24.6 | 64.8 | 68.6 | 24.2 | 163.2 | 5.9 | 22.8 | 5.6 | 8.7 |
| Titan Company | 12.5 | 15.9 | 19.9 | 38.5 | 27.0 | 25.0 | 19.6 | 26.6 | 34.0 |
| Interglobe Aviation | 63.2 | 75.4 | 109.1 | 46.1 | 19.3 | 44.7 | 14.4 | -7.6 | -7.1 |
| Nestle | 128.4 | 149.0 | 180.1 | 3.8 | 16.0 | 20.9 | 11.6 | 11.5 | 12.1 |
| Ultratech Cement | 102.2 | 147.1 | 184.0 | 6.4 | 43.9 | 25.1 | 11.0 | 6.0 | 4.1 |
| PNB Housing | 52.5 | 66.5 | 88.8 | 66.2 | 26.6 | 33.6 | 9.2 | 2.1 | 1.9 |
| Mahindra & Mahindra | 75.0 | 85.7 | 94.6 | 38.0 | 14.3 | 10.4 | 7.9 | 4.8 | 3.0 |
| ONGC | 19.0 | 22.8 | 22.5 | 15.4 | 20.5 | -1.3 | 6.4 | 19.0 | 23.8 |

TOP EARNINGS DOWNGRADES

| Company | EPS - Post-2QFY18 (INR) | | | EPS Growth (%) | | | % Upgrade | | |
|------------------|-------------------------|-------|-------|----------------|-------|-------|-----------|-------|-------|
| | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E |
| IOC | 39.5 | 43.6 | 46.5 | -5.7 | 10.4 | 6.7 | -22.8 | -6.2 | -5.8 |
| HPCL | 36.4 | 42.8 | 45.6 | -10.6 | 17.6 | 6.5 | -20.8 | -0.3 | -0.2 |
| Dr Reddy' s Labs | 60.6 | 115.2 | 144.0 | -16.5 | 90.1 | 25.0 | -16.5 | -4.0 | -2.4 |
| Ashok Leyland | 4.5 | 6.2 | 8.2 | -1.5 | 38.7 | 31.9 | -15.9 | -11.4 | -10.8 |
| Axis Bank | 18.4 | 30.8 | 40.2 | 19.7 | 67.4 | 30.6 | -15.8 | -19.2 | -20.2 |
| Coal India | 17.5 | 20.7 | 24.6 | 17.3 | 18.1 | 19.0 | -11.4 | -6.2 | -1.8 |
| Tata Steel | 59.4 | 65.2 | 75.8 | 56.6 | 9.7 | 16.3 | -11.3 | 2.8 | -0.7 |
| Lupin | 37.6 | 42.7 | 57.1 | -33.6 | 13.7 | 33.6 | -9.2 | -24.1 | -22.9 |
| JSW Steel | 20.3 | 24.9 | 22.9 | 37.0 | 22.8 | -8.2 | -8.9 | -3.3 | -4.1 |
| Cummins India | 25.3 | 35.0 | 39.6 | -4.4 | 38.1 | 13.1 | -8.4 | 0.0 | -2.1 |

Note: LP: Loss to Profit; PL: Profit to Loss

Highest earnings upgrade /downgrade (<USD3b market cap)

TOP EARNINGS UPGRADES

| Company | EPS - Post-2QFY18 (INR) | | | EPS Growth (%) | | | % Upgrade | | |
|--------------------|-------------------------|-------|-------|----------------|-------|-------|-----------|-------|-------|
| | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E |
| Qess Corp | 27.7 | 29.1 | 39.6 | 177.2 | 4.8 | 36.1 | 45.3 | 4.6 | 1.0 |
| Jubilant Foodworks | 21.4 | 27.4 | 36.2 | 114.2 | 28.0 | 31.8 | 44.7 | 32.3 | 32.6 |
| J K Cements | 47.8 | 61.8 | 79.1 | 41.7 | 29.5 | 27.8 | 20.2 | 13.7 | 10.8 |
| Team Lease Serv. | 43.0 | 66.4 | 88.7 | 10.9 | 54.3 | 33.6 | 16.9 | 18.5 | 13.3 |
| Amara Raja Batt. | 28.3 | 34.2 | 41.9 | 0.9 | 20.8 | 22.7 | 10.6 | 3.7 | -2.4 |
| KPIT Tech. | 11.9 | 14.1 | 17.1 | -0.5 | 18.6 | 21.5 | 9.5 | 3.4 | 3.1 |
| Info Edge | 23.6 | 26.2 | 30.5 | 50.9 | 10.9 | 16.2 | 8.7 | 6.3 | 7.4 |
| Repc Home Fin | 36.0 | 41.9 | 50.0 | 23.5 | 16.5 | 19.3 | 6.7 | 9.2 | 11.4 |

TOP EARNINGS DOWNGRADES

| Company | EPS - Post-2QFY18 (INR) | | | EPS Growth (%) | | | % Upgrade | | |
|-------------------|-------------------------|-------|-------|----------------|-------|-------|-----------|-------|-------|
| | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E |
| Union Bank | -13.5 | 6.0 | 19.5 | PL | LP | 227.3 | -249.3 | -68.8 | -40.0 |
| India Cements | 5.8 | 10.5 | 12.1 | 3.9 | 80.4 | 14.9 | -22.3 | -2.7 | -18.5 |
| Birla Corporation | 32.2 | 56.7 | 61.6 | 12.8 | 76.1 | 8.6 | -21.4 | -3.8 | -9.0 |
| JSPL | -15.1 | 0.5 | 4.1 | Loss | LP | 797.6 | Loss | -77.4 | -26.4 |
| S H Kelkar | 6.6 | 9.7 | 11.8 | -8.8 | 46.8 | 22.2 | -13.1 | -2.2 | -2.5 |
| Exide Inds. | 7.9 | 9.7 | 11.7 | -2.6 | 22.2 | 20.7 | -11.5 | -10.1 | -10.3 |
| MCX | 26.5 | 43.4 | 53.7 | 6.6 | 64.2 | 23.5 | -9.9 | 6.8 | 12.8 |
| Endurance Tech. | 27.6 | 36.7 | 48.5 | 17.5 | 33.0 | 32.3 | -6.9 | -6.6 | -1.3 |

Note: LP: Loss to Profit; PL: Profit to Loss

MOSL Universe EPS upgrade / downgrade

| Company | EPS (INR) | | | % Revision | | EPS Growth (%) | | |
|----------------------|-----------|--------|--------|------------|-------------|----------------|-------------|-------------|
| | FY18E | FY19E | FY20E | FY18E | FY19E | FY18E | FY19E | FY20E |
| AUTOMOBILES | | | | 3.6 | 1.0 | 17.8 | 55.7 | 13.9 |
| Amara Raja Batt. | 28.3 | 34.2 | 41.9 | 10.6 | 3.7 | 0.9 | 20.8 | 22.7 |
| Ashok Leyland | 4.5 | 6.2 | 8.2 | -15.9 | -11.4 | -1.5 | 38.7 | 31.9 |
| Bajaj Auto | 145.2 | 175.0 | 203.7 | 0.6 | 0.4 | 9.8 | 20.6 | 16.4 |
| Bharat Forge | 19.1 | 26.0 | 33.7 | 4.6 | 2.2 | 46.3 | 35.9 | 29.7 |
| Bosch | 457.8 | 603.0 | 727.9 | -15.3 | -13.7 | -3.2 | 31.7 | 20.7 |
| CEAT | 82.5 | 116.9 | 140.6 | -12.5 | -7.8 | -11.6 | 41.7 | 20.3 |
| Eicher Motors | 814.7 | 1062.7 | 1334.6 | -1.4 | -5.1 | 33.0 | 30.4 | 25.6 |
| Endurance Tech. | 27.6 | 36.7 | 48.5 | -6.9 | -6.6 | 17.5 | 33.0 | 32.3 |
| Escorts | 35.8 | 45.9 | 57.6 | -3.3 | 0.2 | 79.5 | 28.0 | 25.6 |
| Exide Inds. | 7.9 | 9.7 | 11.7 | -11.5 | -10.1 | -2.6 | 22.2 | 20.7 |
| Hero Motocorp | 183.1 | 193.9 | 213.3 | -1.0 | -1.6 | 8.3 | 5.9 | 10.0 |
| Mahindra & Mahindra | 75.0 | 85.7 | 94.6 | 7.9 | 4.8 | 38.0 | 14.3 | 10.4 |
| Maruti Suzuki | 288.1 | 381.0 | 447.8 | 0.9 | -0.2 | 15.8 | 32.3 | 17.5 |
| Tata Motors | 24.6 | 64.8 | 68.6 | 22.8 | 5.6 | 24.2 | 163.2 | 5.9 |
| TVS Motor | 14.9 | 25.8 | 34.9 | -1.1 | 5.4 | 27.0 | 73.1 | 35.0 |
| CAPITAL GOODS | | | | 3.5 | -0.4 | 16.5 | 18.1 | 18.4 |
| ABB | 20.2 | 28.7 | 34.7 | -9.7 | -9.3 | 2.8 | 41.6 | 21.1 |
| Bharat Electronics | 7.1 | 8.0 | 8.6 | 5.5 | 8.0 | 12.7 | 13.3 | 6.9 |
| BHEL | 2.9 | 3.0 | 3.9 | 7.9 | -20.2 | 119.0 | 2.4 | 30.6 |
| Blue Star | 16.5 | 24.4 | 31.0 | -3.4 | -4.3 | 28.0 | 48.3 | 26.7 |
| CG Consumer Elect. | 5.2 | 6.5 | 7.9 | 3.1 | 2.6 | 10.9 | 24.7 | 21.9 |
| CG Power & Indl. | 1.4 | 2.3 | 3.0 | -29.1 | -10.7 | -64.9 | 57.4 | 31.9 |
| Cummins India | 25.3 | 35.0 | 39.6 | -8.4 | 0.0 | -4.4 | 38.1 | 13.1 |
| GE T&D India | 9.4 | 11.2 | 14.0 | 1.4 | -0.4 | 64.4 | 19.4 | 24.5 |
| Havells India | 11.5 | 14.3 | 16.8 | 7.2 | 2.4 | 20.5 | 23.9 | 17.7 |
| Larsen & Toubro | 49.0 | 57.5 | 68.6 | 5.4 | 1.6 | 15.9 | 17.3 | 19.3 |
| Thermax | 29.9 | 34.4 | 37.3 | -0.9 | 2.9 | -3.2 | 15.2 | 8.5 |
| Voltas | 17.5 | 19.6 | 22.4 | 4.4 | 2.7 | 13.4 | 12.0 | 13.8 |
| CEMENT | | | | 5.6 | 5.5 | 21.2 | 34.6 | 23.5 |
| ACC | 52.2 | 70.9 | 82.4 | 2.3 | 6.0 | 44.5 | 35.8 | 16.3 |
| Ambuja Cements | 6.9 | 8.4 | 10.5 | -0.1 | 1.9 | 42.1 | 20.8 | 25.1 |
| Birla Corporation | 32.2 | 56.7 | 61.6 | -21.4 | -3.8 | 12.8 | 76.1 | 8.6 |
| Dalmia Bharat | 60.8 | 83.7 | 111.7 | -3.4 | -5.2 | 56.8 | 37.6 | 33.5 |
| Grasim Industries | 81.9 | 116.8 | 133.5 | 16.1 | 15.3 | 20.8 | 42.5 | 14.3 |

| Company | EPS (INR) | | | % Revision | | EPS Growth (%) | | |
|------------------------------|-----------|-------|-------|-------------|-------------|----------------|-------------|-------------|
| | FY18E | FY19E | FY20E | FY18E | FY19E | FY18E | FY19E | FY20E |
| CEMENT | | | | 5.6 | 5.5 | 21.2 | 34.6 | 23.5 |
| India Cements | 5.8 | 10.5 | 12.1 | -22.3 | -2.7 | 3.9 | 80.4 | 14.9 |
| J K Cements | 47.8 | 61.8 | 79.1 | 20.2 | 13.7 | 41.7 | 29.5 | 27.8 |
| Ramco Cements | 27.1 | 35.1 | 44.7 | -0.9 | 2.2 | -0.5 | 29.3 | 27.4 |
| Shree Cement | 486.2 | 499.3 | 751.1 | -4.1 | -8.9 | 26.5 | 2.7 | 50.4 |
| Ultratech Cement | 102.2 | 147.1 | 184.0 | 11.0 | 6.0 | 6.4 | 43.9 | 25.1 |
| CONSUMER | | | | -0.6 | -0.3 | 9.8 | 17.1 | 17.1 |
| Asian Paints | 21.6 | 25.8 | 31.1 | -2.8 | -2.5 | 2.6 | 19.8 | 20.5 |
| Britannia | 84.5 | 106.9 | 133.8 | -0.9 | 2.2 | 14.7 | 26.4 | 25.2 |
| Colgate | 23.4 | 28.6 | 34.5 | -4.3 | -4.1 | 10.2 | 22.1 | 20.9 |
| Dabur | 7.7 | 9.3 | 10.9 | 0.1 | 1.5 | 6.8 | 20.0 | 17.1 |
| Emami | 26.6 | 33.2 | 38.6 | -1.2 | 0.3 | 0.2 | 25.0 | 16.1 |
| Godrej Consumer | 21.2 | 24.5 | 27.4 | -1.8 | -0.7 | 11.9 | 15.8 | 12.0 |
| GSK Consumer | 160.8 | 182.3 | 206.5 | 1.7 | 0.1 | 3.0 | 13.4 | 13.2 |
| Hind. Unilever | 22.8 | 27.6 | 32.4 | -0.6 | 0.9 | 16.2 | 21.0 | 17.3 |
| ITC | 9.1 | 10.0 | 11.4 | -1.8 | -2.8 | 8.5 | 10.2 | 13.3 |
| Jyothy Labs | 9.2 | 10.9 | 13.1 | -6.6 | -1.9 | -18.3 | 18.9 | 20.1 |
| Marico | 6.5 | 7.9 | 9.4 | -4.6 | -3.8 | 3.5 | 21.8 | 18.3 |
| Nestle | 128.4 | 149.0 | 180.1 | 11.6 | 11.5 | 3.8 | 16.0 | 20.9 |
| P&G Hygiene | 151.5 | 176.7 | 209.4 | 0.0 | 0.4 | 14.0 | 16.6 | 18.5 |
| Page Industries | 296.6 | 413.1 | 544.5 | 0.7 | 3.7 | 24.3 | 39.3 | 31.8 |
| Parag Milk Foods | 8.9 | 12.4 | 16.8 | -2.0 | -0.7 | 147.7 | 38.7 | 35.6 |
| Pidilite Inds. | 17.2 | 20.8 | 24.0 | -4.7 | 0.9 | 2.9 | 20.7 | 15.5 |
| United Breweries | 14.7 | 18.0 | 22.3 | 48.2 | 28.2 | 68.9 | 22.4 | 24.2 |
| United Spirits | 34.9 | 53.7 | 73.6 | 1.2 | 4.2 | 30.6 | 53.8 | 37.2 |
| FINANCIALS: PVT BANKS | | | | -2.9 | -0.1 | 13.9 | 30.9 | 26.5 |
| Axis Bank | 18.4 | 30.8 | 40.2 | -15.8 | -19.2 | 19.7 | 67.4 | 30.6 |
| DCB Bank | 8.5 | 10.5 | 12.8 | 1.6 | 0.8 | 21.5 | 23.2 | 21.7 |
| Equitas Holdings | 1.7 | 5.7 | 9.9 | 1.9 | -5.3 | -65.7 | 231.4 | 72.1 |
| Federal Bank | 5.5 | 6.6 | 8.2 | 3.1 | -2.7 | 15.1 | 19.9 | 23.9 |
| HDFC Bank | 68.7 | 84.7 | 105.4 | 0.8 | 2.6 | 21.0 | 23.2 | 24.5 |
| ICICI Bank | 13.6 | 17.0 | 21.8 | -6.0 | 2.6 | -11.1 | 25.2 | 28.0 |
| IDFC Bank | 2.8 | 3.2 | 3.4 | 0.0 | 0.0 | -7.4 | 16.3 | 3.8 |
| IndusInd Bank | 60.9 | 78.6 | 100.8 | -1.6 | 2.3 | 26.7 | 29.0 | 28.3 |
| Kotak Mahindra Bank | 32.1 | 41.6 | 51.9 | -1.2 | 1.3 | 19.4 | 29.7 | 25.0 |

MOSL Universe EPS upgrade / downgrade

| Company | EPS (INR) | | | % Revision | | EPS Growth (%) | | |
|------------------------------|-----------|-------|-------|-------------|-------------|----------------|-------------|-------------|
| | FY18E | FY19E | FY20E | FY18E | FY19E | FY18E | FY19E | FY20E |
| FINANCIALS: PVT BANKS | | | | -2.9 | -0.1 | 13.9 | 30.9 | 26.5 |
| RBL Bank | 16.4 | 23.0 | 30.8 | -5.0 | 2.5 | 37.6 | 40.8 | 33.7 |
| Yes Bank | 17.8 | 23.3 | 29.5 | -3.5 | 1.8 | 22.1 | 30.9 | 26.6 |
| FINANCIALS: PSU BANKS | | | | 1.4 | -3.9 | 329.3 | 85.5 | 38.0 |
| Bank of India | 3.2 | 9.2 | 17.7 | LP | 39.1 | LP | 189.1 | 92.5 |
| Canara Bank | 16.1 | 30.3 | 62.1 | -46.4 | -35.5 | -14.1 | 87.9 | 104.9 |
| Indian Bank | 36.7 | 44.0 | 50.8 | 6.7 | 14.9 | 25.4 | 19.9 | 15.5 |
| Punjab National Bank | 8.5 | 13.5 | 16.0 | 46.0 | 22.7 | 37.0 | 58.5 | 18.5 |
| State Bank | 14.6 | 26.8 | 35.8 | 0.0 | 0.0 | 4809.5 | 83.8 | 33.3 |
| Union Bank | -13.5 | 6.0 | 19.5 | -249.3 | -68.8 | PL | LP | 227.3 |
| FINANCIALS: NBFC | | | | 0.8 | -0.7 | 25.4 | 22.4 | 22.2 |
| Bajaj Finance | 45.7 | 63.7 | 87.0 | 0.8 | 1.3 | 42.8 | 39.3 | 36.6 |
| Bharat Financial | 30.3 | 47.2 | 64.6 | 1.3 | -14.1 | 44.3 | 55.9 | 36.8 |
| Capital First | 32.8 | 43.7 | 56.5 | -0.1 | 3.3 | 33.1 | 33.4 | 29.2 |
| Chola. Inv & Fin. | 59.2 | 70.4 | 85.9 | 5.7 | 3.5 | 28.8 | 19.0 | 21.9 |
| Dewan Housing | 37.6 | 46.0 | 56.0 | -0.2 | -2.4 | 27.1 | 22.1 | 21.8 |
| GRUH Finance | 9.9 | 12.0 | 15.1 | -0.7 | 3.4 | 21.4 | 22.0 | 25.2 |
| HDFC | 51.6 | 57.1 | 66.0 | -1.3 | -2.0 | 10.1 | 10.6 | 15.6 |
| Indiabulls Housing | 83.6 | 105.1 | 131.1 | -0.7 | -0.5 | 21.9 | 25.8 | 24.7 |
| L&T Fin.Holdings | 6.9 | 10.4 | 12.9 | 1.5 | 2.8 | 32.7 | 49.9 | 23.5 |
| LIC Housing Fin | 41.0 | 46.5 | 54.5 | -1.4 | -4.9 | 7.2 | 13.5 | 17.1 |
| M & M Financial | 14.2 | 19.1 | 24.0 | 2.1 | 7.6 | 99.9 | 34.9 | 25.9 |
| Muthoot Finance | 42.6 | 42.0 | 48.1 | 10.2 | -5.3 | 44.4 | -1.4 | 14.5 |
| PNB Housing | 52.5 | 66.5 | 88.8 | 9.2 | 2.1 | 66.2 | 26.6 | 33.6 |
| Repco Home Fin | 36.0 | 41.9 | 50.0 | 6.7 | 9.2 | 23.5 | 16.5 | 19.3 |
| Shriram City Union | 115.6 | 145.3 | 173.7 | -2.3 | -6.5 | 37.1 | 25.6 | 19.6 |
| Shriram Transport Fin. | 80.6 | 106.2 | 124.8 | 0.7 | 3.6 | 44.9 | 31.8 | 17.6 |
| HEALTHCARE | | | | -5.1 | -4.5 | -13.9 | 34.9 | 20.9 |
| Alembic Pharma | 21.6 | 24.9 | 29.7 | 9.4 | -2.3 | 0.3 | 15.1 | 19.1 |
| Alkem Lab | 68.8 | 90.7 | 105.2 | -5.0 | -2.7 | -7.7 | 31.8 | 15.9 |
| Ajanta Pharma | 52.7 | 64.1 | 79.2 | -0.2 | -0.2 | -8.1 | 21.7 | 23.6 |
| Aurobindo Pharma | 44.6 | 50.3 | 55.3 | -0.6 | 0.7 | 13.5 | 12.8 | 9.9 |
| Biocon | 6.1 | 10.5 | 15.9 | -37.2 | -25.7 | -40.2 | 72.8 | 50.8 |
| Cadila Health | 17.5 | 23.7 | 26.4 | -0.2 | 0.7 | 23.0 | 35.8 | 11.3 |

| Company | EPS (INR) | | | % Revision | | EPS Growth (%) | | |
|---------------------|-----------|-------|-------|-------------|-------------|----------------|-------------|-------------|
| | FY18E | FY19E | FY20E | FY18E | FY19E | FY18E | FY19E | FY20E |
| HEALTHCARE | | | | -5.1 | -4.5 | -13.9 | 34.9 | 20.9 |
| Cipla | 21.1 | 27.0 | 33.3 | 0.0 | 4.0 | 32.7 | 28.2 | 23.1 |
| Divis Labs | 32.4 | 43.7 | 52.4 | -4.3 | 8.3 | -18.9 | 35.0 | 19.7 |
| Dr Reddy' s Labs | 60.6 | 115.2 | 144.0 | -16.5 | -4.0 | -16.5 | 90.1 | 25.0 |
| Glenmark Pharma | 37.9 | 42.8 | 50.5 | -4.4 | -12.8 | -3.4 | 12.9 | 18.0 |
| GSK Pharma | 44.2 | 54.9 | 60.6 | -5.6 | 0.0 | 28.6 | 24.3 | 10.4 |
| IPCA Labs. | 18.6 | 26.5 | 32.6 | 11.9 | -1.1 | 15.5 | 43.1 | 22.7 |
| Jubilant Life | 44.2 | 55.0 | 64.4 | -6.0 | -2.9 | 19.7 | 24.4 | 17.0 |
| Lupin | 37.6 | 42.7 | 57.1 | -9.2 | -24.1 | -33.6 | 13.7 | 33.6 |
| Sanofi India | 139.0 | 156.2 | 179.0 | 4.0 | -2.8 | 7.6 | 12.4 | 14.6 |
| Shilpa Medicare | 18.1 | 29.9 | 37.8 | -14.2 | -1.5 | 29.3 | 65.1 | 26.2 |
| Strides Shasun | 41.7 | 68.3 | 83.8 | -12.0 | -8.8 | 29.2 | 63.7 | 22.7 |
| Sun Pharma | 14.4 | 22.9 | 28.0 | -4.8 | -1.6 | -45.1 | 59.3 | 22.6 |
| Torrent Pharma | 50.0 | 61.4 | 78.5 | -6.4 | -8.8 | -9.3 | 22.8 | 27.9 |
| LOGISTICS | | | | 1.6 | 10.1 | 13.1 | 28.1 | 21.6 |
| Allcargo Logistics | 10.9 | 13.3 | 15.3 | 5.8 | 3.0 | 10.7 | 22.0 | 15.5 |
| Concor | 42.7 | 55.2 | 68.1 | 0.8 | 13.6 | 12.4 | 29.3 | 23.2 |
| Gateway Distriparks | 8.8 | 11.6 | 14.0 | -0.1 | -4.4 | 29.0 | 32.6 | 20.4 |
| MEDIA | | | | -6.1 | -4.2 | 7.5 | 35.2 | 20.5 |
| D B Corp | 21.7 | 25.4 | 29.6 | -8.4 | -9.3 | 8.6 | 16.8 | 16.5 |
| Ent.Network | 11.6 | 20.1 | 31.8 | -5.1 | -2.7 | 1.2 | 73.8 | 58.5 |
| HT Media | 10.4 | 11.9 | 13.6 | 41.4 | 52.1 | 40.3 | 14.9 | 14.0 |
| Jagran Prakashan | 11.3 | 13.4 | 16.2 | -7.4 | 0.4 | 5.7 | 18.9 | 20.3 |
| Music Broadcast | 9.0 | 14.2 | 17.9 | -3.2 | 1.4 | 40.4 | 57.2 | 26.2 |
| PVR | 27.1 | 43.0 | 57.3 | 2.2 | -1.4 | 31.9 | 58.6 | 33.5 |
| Siti Networks | -0.8 | 0.1 | 0.6 | 82.5 | -66.6 | Loss | LP | 411.6 |
| Sun TV | 28.1 | 35.7 | 41.8 | -2.3 | -3.4 | 13.0 | 27.0 | 17.3 |
| Zee Entertainment | 10.5 | 16.0 | 19.5 | -14.0 | -10.1 | -13.7 | 53.0 | 21.9 |
| METALS | | | | -1.0 | 9.5 | 67.8 | 49.2 | 8.3 |
| Hindalco | 18.8 | 26.4 | 26.9 | -5.0 | 7.6 | 120.1 | 40.0 | 1.7 |
| Hindustan Zinc | 22.7 | 33.5 | 32.1 | 1.5 | 14.4 | 15.5 | 47.3 | -4.2 |
| JSPL | -15.1 | 0.5 | 4.1 | Loss | -77.4 | Loss | LP | 797.6 |
| JSW Steel | 20.3 | 24.9 | 22.9 | -8.9 | -3.3 | 37.0 | 22.8 | -8.2 |
| Nalco | 4.7 | 5.8 | 5.9 | 4.3 | 0.0 | 25.5 | 23.3 | 2.3 |
| NMDC | 13.3 | 12.7 | 13.4 | 2.1 | -1.1 | 33.8 | -4.3 | 5.1 |

MOSL Universe EPS upgrade / downgrade

| Company | EPS (INR) | | | % Revision | | EPS Growth (%) | | |
|------------------------|-----------|-------|-------|-------------|-------------|----------------|-------------|-------------|
| | FY18E | FY19E | FY20E | FY18E | FY19E | FY18E | FY19E | FY20E |
| METALS | | | | -1.0 | 9.5 | 67.8 | 49.2 | 8.3 |
| SAIL | -6.4 | -4.3 | 3.1 | Loss | 2.1 | Loss | Loss | LP |
| Tata Steel | 59.4 | 65.2 | 75.8 | -11.3 | 2.8 | 56.6 | 9.7 | 16.3 |
| Vedanta | 25.5 | 44.4 | 46.3 | 0.4 | 18.6 | 68.2 | 74.4 | 4.2 |
| OIL & GAS | | | | -4.7 | 3.0 | 7.7 | 14.7 | 6.6 |
| BPCL | 43.1 | 52.1 | 55.6 | -12.5 | 0.2 | -10.9 | 21.0 | 6.6 |
| GAIL | 28.1 | 31.9 | 33.6 | 6.0 | 6.2 | 24.5 | 13.4 | 5.5 |
| Gujarat Gas | 29.7 | 44.1 | 52.1 | -5.9 | 0.3 | 85.1 | 48.4 | 18.1 |
| Gujarat State Petronet | 12.1 | 13.2 | 15.2 | 0.6 | -0.6 | 37.9 | 8.7 | 14.8 |
| HPCL | 36.4 | 42.8 | 45.6 | -20.8 | -0.3 | -10.6 | 17.6 | 6.5 |
| IOC | 39.5 | 43.6 | 46.5 | -22.8 | -6.2 | -5.7 | 10.4 | 6.7 |
| Indraprastha Gas | 9.9 | 11.0 | 12.5 | 0.0 | 0.0 | 12.7 | 10.5 | 14.4 |
| MRPL | 9.2 | 11.5 | 12.3 | -13.4 | -0.7 | -37.6 | 24.4 | 7.2 |
| Oil India | 29.8 | 40.5 | 42.4 | 2.4 | 18.8 | 54.4 | 35.8 | 4.7 |
| ONGC | 19.0 | 22.8 | 22.5 | 6.4 | 19.0 | 15.4 | 20.5 | -1.3 |
| Petronet LNG | 15.0 | 16.7 | 20.3 | 6.0 | -7.0 | 31.7 | 11.8 | 21.4 |
| Reliance Inds. | 56.7 | 62.1 | 69.1 | 3.7 | -0.9 | 17.3 | 9.4 | 11.3 |
| RETAIL | | | | 22.0 | 27.2 | 44.3 | 27.1 | 25.8 |
| Jubilant Foodworks | 21.4 | 27.4 | 36.2 | 44.7 | 32.3 | 114.2 | 28.0 | 31.8 |
| Titan Company | 12.5 | 15.9 | 19.9 | 19.6 | 26.6 | 38.5 | 27.0 | 25.0 |
| TECHNOLOGY | | | | 0.5 | -0.1 | 1.3 | 8.5 | 7.7 |
| Cyient | 36.0 | 41.9 | 45.9 | 0.9 | -1.1 | 17.6 | 16.2 | 9.7 |
| HCL Technologies | 63.2 | 68.2 | 70.6 | -0.5 | -1.1 | 5.6 | 7.9 | 3.6 |
| Hexaware Tech. | 16.3 | 17.0 | 19.2 | 4.5 | 3.6 | 19.2 | 4.5 | 12.8 |
| Infosys | 63.8 | 67.8 | 75.7 | 2.5 | 2.3 | 1.6 | 6.3 | 11.5 |
| KPIT Tech. | 11.9 | 14.1 | 17.1 | 9.5 | 3.4 | -0.5 | 18.6 | 21.5 |
| L&T Infotech | 61.6 | 66.0 | 71.3 | 1.1 | 1.1 | 11.0 | 7.2 | 8.0 |
| Mindtree | 28.5 | 33.6 | 40.7 | 0.5 | 2.2 | 14.7 | 17.6 | 21.2 |
| Mphasis | 42.0 | 46.0 | 50.6 | 4.6 | 7.0 | 8.0 | 9.5 | 10.0 |
| NIIT Tech. | 43.7 | 50.3 | 56.1 | 1.1 | -1.0 | 15.0 | 15.1 | 11.5 |
| Persistent Systems | 43.3 | 52.4 | 60.8 | 0.9 | 1.0 | 14.8 | 21.2 | 16.0 |
| TCS | 131.8 | 151.4 | 158.4 | -0.2 | 3.5 | -1.2 | 14.9 | 4.6 |
| Tech Mahindra | 35.8 | 37.7 | 43.1 | 2.7 | 1.1 | 15.9 | 5.3 | 14.4 |
| Wipro | 19.1 | 20.1 | 22.1 | 4.8 | 3.0 | 13.0 | 5.2 | 10.0 |
| Zensar Tech | 52.8 | 72.7 | 80.9 | 2.4 | 3.8 | 1.3 | 37.8 | 11.3 |

| Company | EPS (INR) | | | % Revision | | EPS Growth (%) | | |
|---------------------|-----------|-------|-------|--------------|--------------|----------------|-------------|---------------|
| | FY18E | FY19E | FY20E | FY18E | FY19E | FY18E | FY19E | FY20E |
| TELECOM | | | | -14.1 | -43.6 | PL | LP | 2069.8 |
| Bharti Airtel | 3.8 | 6.5 | 9.5 | 56.7 | 101.6 | -66.9 | 72.2 | 47.3 |
| Bharti Infratel | 16.8 | 19.2 | 21.1 | -2.6 | -2.5 | 13.4 | 13.8 | 10.1 |
| Idea Cellular | -16.1 | -18.0 | -14.3 | 3.7 | 21.1 | Loss | Loss | Loss |
| Tata Comm | 5.4 | 18.2 | 32.8 | -34.4 | -28.5 | -45.6 | 235.1 | 80.4 |
| UTILITIES | | | | -3.6 | -1.9 | 17.2 | 15.6 | 12.2 |
| CESC | 88.9 | 99.3 | 108.1 | 0.0 | 0.0 | 71.4 | 11.7 | 8.8 |
| Coal India | 17.5 | 20.7 | 24.6 | -11.4 | -6.2 | 17.3 | 18.1 | 19.0 |
| JSW Energy | 4.0 | 3.3 | 3.6 | 20.5 | 21.8 | 5.1 | -18.7 | 10.8 |
| NTPC | 13.4 | 15.7 | 17.8 | -0.2 | 0.0 | 12.4 | 16.6 | 13.4 |
| Power Grid Corp. | 17.4 | 20.4 | 21.3 | 0.2 | -0.7 | 24.8 | 17.0 | 4.5 |
| Tata Power | 7.3 | 7.5 | 7.8 | 0.5 | 2.4 | -1.8 | 3.3 | 4.1 |
| OTHERS | | | | 4.1 | -2.3 | 22.5 | 25.2 | 31.1 |
| Arvind | 10.5 | 16.5 | 23.2 | -18.5 | -11.2 | -15.0 | 56.5 | 40.9 |
| Avenue Supermarts | 12.0 | 17.5 | 24.1 | -5.8 | -1.1 | 56.2 | 45.6 | 38.0 |
| BSE | 45.3 | 46.1 | 54.5 | 7.5 | 3.3 | 10.6 | 1.7 | 18.2 |
| Castrol India | 12.6 | 13.3 | 13.8 | 0.0 | 0.0 | -7.0 | 5.5 | 3.6 |
| Delta Corp | 5.7 | 8.0 | 10.3 | 1.4 | 3.8 | 85.4 | 42.1 | 28.5 |
| Indo Count Inds. | 8.0 | 10.7 | 12.4 | -9.5 | -0.7 | -38.2 | 32.9 | 15.8 |
| Info Edge | 23.6 | 26.2 | 30.5 | 8.7 | 6.3 | 50.9 | 10.9 | 16.2 |
| Interglobe Aviation | 63.2 | 75.4 | 109.1 | 14.4 | -7.6 | 46.1 | 19.3 | 44.7 |
| Kaveri Seed | 34.1 | 41.0 | 48.1 | 0.2 | 0.0 | 78.9 | 20.2 | 17.4 |
| MCX | 26.5 | 43.4 | 53.7 | -9.9 | 6.8 | 6.6 | 64.2 | 23.5 |
| Manpasand Beverages | 9.9 | 15.4 | 20.5 | 2.0 | 0.8 | 56.4 | 54.8 | 33.1 |
| P I Industries | 29.9 | 35.6 | 40.3 | -1.6 | -0.4 | -10.4 | 19.0 | 13.2 |
| Quess Corp | 27.7 | 29.1 | 39.6 | 45.3 | 4.6 | 177.2 | 4.8 | 36.1 |
| SRF | 76.7 | 104.9 | 132.7 | -4.4 | 1.8 | -10.7 | 36.7 | 26.6 |
| S H Kelkar | 6.6 | 9.7 | 11.8 | -13.1 | -2.2 | -8.8 | 46.8 | 22.2 |
| Team Lease Serv. | 43.0 | 66.4 | 88.7 | 16.9 | 18.5 | 10.9 | 54.3 | 33.6 |

Sector: Key surprises and guidance

Sector-wise positive/negative surprises and guidance highlights

AUTO

Positive/negative surprises

- ✓ **MSIL:** Above est.; EBITDA margin near all-time high at 16.9%, supported by low discounts, a better mix, stable RM cost and operating leverage.
- ✓ **MM:** Above est.; multi-year-high margins in both Autos and FES segments, led by product mix and price hikes.
- ✓ **Tata Motors:** Above est.; JLR – lower fx hedge loss, lower other expenses, and op. leverage drive EBITDA margin of 11.8% (est. 10.7%). Better mix and cost-reduction drove standalone performance, with an EBITDA margin of 7% (est. 4.5%).
- ✓ **TVS Motors:** In-line; decadal-high EBITDA margin at 8.6% (in-line), led by operating leverage and cost-control initiatives.
- ✓ **Hero MotoCorp:** In-line; GST leads to accounting changes; lower other expenses dilute impact of higher RM, driving margin beat.
- ✓ **Bajaj Auto:** Better mix, lower staff cost drive above est. operating performance. EBITDA margin recovers to 19.7%.
- ✓ **Eicher Motors:** In-line; RE margin at 31.9 (est. 31.7%). VECV's EBITDA margin of 9.2% (est. 8.5%) is a surprise, led by cost-control benefits.
- ✓ **Amara Raja:** Above est.; Favourable mix, price hikes and manufacturing efficiencies drive EBITDA margin of 16.7% (est. 13%).
- ✓ **Bharat Forge:** Above est.; strong growth in non-autos drives EBITDA margin of 29.4% (est. 28.6%).
- ✓ **Endurance Tech:** Above est.; Ramp-up with HMSI, RE and Yamaha drives S/A growth, while better mix drives European business profitability.
- ✗ **Ashok Leyland:** RM inflation, lower Pantnagar incentives and discounts led to below-estimate EBITDA margins of 10.1% (est. 10.6%).

Guidance highlights

- **MSIL:** Management aiming for double-digit growth in FY18. Guides for producible capacity for FY18 at 1.7m units, including Gujarat plant.
- **MM:** Expects tractors industry to grow 12-14% in FY18. PVs – 10%+ and M&HCV flat. EVs – MM would participate in full range from 3Ws to buses. Rural market volumes for the auto segment grew 24% in 2QFY18.
- **Tata Motor:** Maintains 10% retail growth guidance for FY18 (implied residual growth of 17%), despite a weak outlook in key developed markets. EBIT margin target of 8-10% in medium term factors in lower margins of EVs and higher variable marketing spend.
- **TVS Motors:** Maintains double-digit margin target by 4QFY18. New launch in m/c and scooter segments in 2HFY18 (incl. electric scooter).
- **Hero MotoCorp:** Commodity price inflation to reflect in 2HFY18. Indicated healthy volume growth in urban and rural markets.
- **Bharat Forge:** Outlook remains robust in non-auto segment, led by new programs and presence in fast-growing shale oil.
- **Bajaj Auto:** Expects domestic motorcycle industry growth at 8-8.5% in FY18. BJAUT to grow +20% in 2HFY18, led by new launch and low base.
- **Eicher Motors:** Waiting period stable at ~1.5-2 months for Classic 350. Producible capacity at ~825k for FY18 and ~960k for FY19.
- **Bajaj Auto:** Maintained motorcycle industry growth outlook at 7% in FY18; BJAUT to outgrow industry. Guided FY18 exports at 1.6m units.
- **Ashok Leyland:** CV industry to grow 5-10% in FY18. AL to grow in line with industry.
- **Amara Raja:** Expects lead acid battery industry CAGR of 8-10% over 2-3 years (steady state), with AMRJ growing at 13-15% CAGR.
- **Bharat Forge:** US class 8 truck build to grow 10-12% (v/s current run-rate of 270-275k). Setting up Light Weighting Technology facility in AP.
- **Endurance Tech:** Guided 8-10% revenue growth over next 2-3 years. Setting up initial capacity of 0.5m per annum for ABS products.

Sector-wise positive/negative surprises and guidance highlights

CAPITAL GOODS

Positive/negative surprises

- **ABB:** Below-expectation numbers on revenue and operating profit front, mainly on account of GST-led disruption in executing the projects. Revenue miss on our estimate was 17%; operating profit miss of 47%
- **BHEL:** Miss on the profitability front. Higher provisioning on account of wage revision (INR2.5b) and contractual obligation (INR3.0b) – this led to operational loss of INR954m, as against expectation of INR3.8b profit.
- **Crompton:** Beat at the operating profit level by 22%, led by better by premiumization initiatives taken by the company and zero ad spend; margin improved 100bp on YoY basis to 12.6%
- **Cummins:** Miss on revenue as well as profitability front. Revenue miss of 18% was on account of slump in exports and GST transition issues impacting domestic sales. EBIDTA miss of 25% was more on negative operating leverage.
- **Havells:** EBIDTA beat of 19% led by better-than-expected margins (14.5% v/s estimate of 11.4%). Margin beat primarily on account of lower ad spend, withdrawal of dealer schemes and price hike taken in cables & wires category.
- **Bharat Electronics:** Revenue beat of 24%, led by better-than-estimated execution of projects in hand; operating profit beat of 135% was on account of better revenue mix and better operating leverage
- **Voltas:** Positive surprise in the UCP segment. Room aircon growth of 15% was ahead of industry growth (flat YoY), driven by market share gain (23% in 2QFY18 v/s 22.2% in 1QFY18). Room aircon sales were driven by channel restocking.
- **Infrastructure**
- **Ashoka Buildcon:** Revenue miss of 21% and PAT miss of 10%. Revenue miss on account of GST implementation leading to contract renegotiation with vendors and project-specific issues. INR2.0b sales impacted on account of this. PAT miss was on account of negative operating leverage.
- **KNR :** Strong beat on the margin front (21% against estimate of 14%). Margin beat was led by provision reversal in two of the projects executed by the company during the quarter.

Guidance highlights

- **L&T** has cut its order inflow guidance from 12-14% YoY growth earlier to 0% to marginal positive. It has maintained its guidance for 12% growth in revenue and 25bp margin expansion for FY18.
- **KKC** scaled down its export revenue growth guidance from zero to -5-10%.
- **BHEL** has signed MoU target of revenue of INR315b for FY18 to achieve *excellent* rating which it mentioned will be dependent on smooth execution of Yedadri, Ennore and Manuguru projects.

Sector-wise positive/negative surprises and guidance highlights

CEMENT

Positive/Negative surprises

- ✓ **Dalmia Cement:** Volume growth of 6% YoY largely led by eastern units. EBITDA/t declined 15% QoQ due to lower realisation and also cost push in form of higher RM cost due to increase in slag prices.
- ✓ **Ultratech:** Strong volume growth of 18% YoY on account of acquisitions of JPA assets. Realizations remained stable QoQ, despite seasonally weak quarter. EBITDA per ton declined INR154/t QoQ due to higher power & fuel cost on an increase in petcoke prices.
- ✗ **India Cement:** Volume declined 2% YoY due to demand weakness in underlying markets of south, particularly Tamil Nadu. EBITDA/t remained flat QoQ due to lower unitary costing led by other expenses.
- ✓ **Shree Cement:** Volume growth of 7% YoY impacted due to sand mining ban in Bihar. Volume growth led by higher demand from north markets. EBITDA/t declined 7% QoQ due to an increase in power & fuel cost/t and freight cost/t, partially offset by lower other expenses.
- ✓ **Ramco Cements:** Volume growth of 6% YoY due to ramp-up of Vizag unit, while south volumes were affected by sand mining ban. Margins remained stable despite cost push due to better-than-estimated realization.
- ✓ **JKCE:** Volume growth of 16% YoY due to clinker sales and also stabilization of units in south. White cement profitability recovered sharply in 2QFY18 on QoQ basis, led by white cement business.
- ✓ **ACC:** ACC reported strong volume growth of 18% YoY, led by ramp-up of its newly commissioned in east. EBITDA/t increased 34% YoY to INR592/t.
- ✗ **Ambuja Cement:** Ambuja Cement volume growth of 9.6% YoY, led by favourable base. Reported EBITDA/t declined QoQ by INR366/tonne due to GST impact.
- ✓ **Birla Corporation:** Volume growth of 10% YoY to 2.65mt, led by ramp-up of Reliance assets. EBITDA/t declined 10% QoQ to INR667/t.

Guidance highlights

- Companies expect demand revival to begin from 2HFY18, led by a pick-up in rural demand on the back of good monsoon.
- With no capacity additions coming up for the next 18-24 months in north, utilizations levels are expected to improve, leading to better prices and hence better realizations.
- The recent increase in petcoke prices is likely to impact cost curve of cement companies in 2HFY18. Additionally, increase in diesel prices and busy season surcharge in rail would further increase freight cost.

Sector-wise positive/negative surprises and guidance highlights

CONSUMER

Positive /Negative surprises

- ✓ **HUVR's** net sales rose 5.9% YoY to INR83.1b. Domestic consumer business grew 10% YoY, with 4% underlying volume growth. EBITDA increased 19.5% YoY to INR16.8b (est. of INR15.6b) and PAT (bei) by 14.2% YoY to INR12.4b (est. of INR11.9b). EBIT margin expanded by 390bp YoY for Home care, 130bp for Personal care, 110bp by Foods and 280bp for Refreshment. Maintain **Buy**.
- ✗ **ITC's** net revenue grew 1.1% YoY (est. of +2.5%) to INR97.6b. Cigarette volumes declined ~6% YoY, slightly higher than our estimate of a 2% decline. Cigarette EBIT growth of 2.3% YoY was the second weakest in 10 quarters. Maintain **Neutral**.
- ✓ **APNT** reported consol. sales growth of 15% YoY to INR42.7b, with volume growth of ~9% (est. +15%) in the domestic decorative paints business. Gross margin shrunk sharply by 310bp and EBITDA margin contracted 20bp YoY. Maintain **Neutral**.
- ✗ **BRIT's** consolidated sales grew 7.4% YoY in 2QFY18. We expect base business volume growth to have come in at ~5%, as against our estimate of 6%. Consol. gross/EBITDA margin expanded 70bp/130bp YoY. Maintain **Buy**.
- ✗ **Colgate** reported a decline of 0.9% in domestic toothpaste volumes (est. 7%), leading to sales growth of 2.7%. Market share in toothpaste shrunk 170bp YoY (-30bp QoQ) to 54%, while that in toothbrush contracted 110bp YoY (+50bp QoQ) to 45.5%. Gross/EBITDA margin expanded 50bp/170bp YoY. Maintain **Buy**.
- ✓ **Dabur** consol. sales declined 1.1% YoY to INR19.6b. Domestic FMCG business sales grew 10.7% YoY, led by volume growth of 7.2% (est. of +10%). Gross margin shrunk 110bp, while EBITDA margins up 80bp YoY. Upgrade to **Buy**.
- ✓ **PAGE** posted strong sales growth of 17.1%, with 7.9% volume growth. Men's innerwear, women's innerwear and sportswear segments posted volume growth of 4%, 14% and 15%, respectively. Gross margin shrunk 200bp, while EBITDA margin was up 40bp YoY. Maintain **Buy**.
- ✓ **Emami's** consolidated sales grew 9.7% YoY to INR6.3b. Domestic revenue rose 14% YoY, with 10% volume growth. Gross margin shrunk 40bp, while EBITDA margin rose up 150bp YoY. Maintain **Buy**.
- ✓ **PIDI's** performance was above expectations, with 12% volume growth in the Consumer Bazaar segment. Gross margins shrunk 50bp, while EBITDA margins were up 190bp YoY. Consumer Bazaar segment EBIT margins were up 530bp YoY. Upgrade to **Buy**.
- ✓ **United Breweries'** net sales rose 23.1% YoY to INR12.8b. Volumes grew 11% YoY v/s 5% growth for the industry. While gross margin shrunk 10bp YoY, EBITDA margin was up sharply by 570bp YoY. Adj. PAT grew 246.9% YoY to INR938m. Maintain **Buy**.
- ✗ **Marico** consol. net sales grew 6.7% YoY to INR16.8b. Domestic volumes grew by 8% YoY (est. of -3%) and revenues by 12% YoY. Parachute/Saffola/VAHO volumes grew 12%/3%/12% YoY. Consol. gross/EBITDA margin shrunk 570bp/70bp YoY. Maintain **Neutral**.

Sector-wise positive/negative surprises and guidance highlights

CONSUMER (Continued...)

Positive /Negative surprises

- ✓ **UNSP's** standalone revenues fell 3.7% YoY to INR19.5b with volumes down 15.9% YoY. Reported Prestige & Above volumes rose 2.2% YoY (sales up 10%), while Popular volumes declined 28.2% YoY (sales down 22%). Gross margin/Adj. EBITDA margin expanded 560bp/260bp YoY. Maintain **Neutral**.
- ✗ **GCPL's** consolidated net sales grew 3% YoY to INR25b. India branded business volume grew 10% YoY. Household Insecticides/Soaps/Hair color comparable sales grew 4%/26%/4% YoY. Consol. Gross/EBITDA margin expanded 100bp/160bp YoY. Maintain **Neutral**.
- ✓ **Nestlé's** operating performance was way above expectations. Net sales grew only 7.9%, led by volumes across products. Gross margins shrunk 100bp, while EBITDA margin expanded 220bp YoY. Maintain **Neutral**.
- ✗ **Jyothy Labs'** consolidated net sales grew 4.3%. Reported power brand sales grew just 0.8% YoY. Gross margin shrunk 90bp YoY, while EBITDA expanded by 100bp YoY. Maintain **Neutral**.
- ✓ **GSK Consumer** sales grew 3.2% YoY to INR11.2b. Like-to-like GST-adjusted sales grew 4.8% YoY. Like-to-like domestic sales grew 6% YoY, while exports declined 26% YoY. Domestic volumes grew 2.5% YoY (on base of 3% decline in 2QFY17) and price increase was around 4%. Gross/EBITDA margin shrunk 550bp/470bp YoY. Upgrade to **Neutral**.
- ✓ **Parag Milk Foods** reported net sales growth of 6.7% YoY to INR5b. While gross margin contracted 30bp YoY, EBITDA margin expanded 280bp YoY. Milk products, Fresh milk, SMP and Others witnessed sales growth of 5.5%, 3.9%, 22.3% and 3.6%, respectively. Maintain **Neutral**.

Guidance highlights

- **HUVR** management maintains its expectation of gradual recovery in rural demand.
- **APNT**: Management stated that APNT did not lose market share to competitors in the states where it has presence. There is some regional variance in terms of paints category growth.
- **Dabur**: With benefits of near-normal monsoon, government schemes, and weak base going forward, rural growth prospects appear to be buoyant.
- **Emami** Expects 16-17% growth for the remaining year in the domestic business, with 13-14% volume growth.
- **PAGE** expects sales trajectory to continue in rest of the year.
- **UNSP**: Medium-term objective is for double-digits sales growth and mid-to-high-teens margins. Management now expects the effect of GST on margins in FY18 to be moderate, unlike fears of a sharp contraction.
- **GCPL**: By end-3QFY18, management expects wholesale to be completely back on track.
- **JYL**: Management expects close to double-digit volume growth in 2HFY18, with ~15% sales growth and a 16% EBITDA margin.
- **GSKC**: Management is working towards attaining double-digit revenue growth.
- **PARAG**: Growth guidance of 14% CAGR over next three years maintained.

Sector-wise positive/negative surprises and guidance highlights

Financials - Banks

Positive surprises

- ✦ **HDFCB:** PAT grew 20% YoY (4% beat) to INR41.5b, led by 30% YoY PPOp growth (3% beat). The bank delivered robust loan growth, strong cost control, margin improvement and best-in-class asset quality. Incremental growth in 2QFY18 was driven by retail loans, mainly business banking/personal loans (45%/36% YoY). Asset quality performance remains impeccable with NSL at 50bp.
- ✦ **ICICIB:** Core PPOp growth of 13.5% YoY was aided by 9% YoY growth in core income and controlled opex. Key highlights: (a) Business growth picked up, with the advances portfolio growing 4% QoQ, (b) Asset quality held largely stable, with GNPLs rising 3% QoQ, but net NPLs declining 4.6% QoQ (c) Slippages from the watchlist stood at INR2.59b which coupled with repayments and adjusted for fresh downgrades resulted in slight decline in watch-list size to INR195.9b (4.1% of loans).
- ✦ **KMB:** PAT grew 22% YoY to INR9.94b. Operating profit increased 20% YoY, led by healthy NII growth (+16% YoY, even as NIM shrunk 17bp QoQ to 4.33%), steady fee income growth (+29% YoY) and controlled operating expenses. Asset quality remains healthy, with the GNPL ratio declining by 11bp QoQ to 2.47% and the coverage ratio by 260bp QoQ to 49.7%.
- ✦ **IIB:** IndusInd Bank's (IIB) 2QFY18 PAT grew 25% YoY (in-line) to INR8.8b. Strong loan growth of 24% YoY (+26% YoY in corporate loans) and a steady NIM of 4% helped keep NII growth steady at 25% YoY. GNPA/NNPAs increased 6% sequentially; however NPA ratios remained stable. IIB mentioned that it has provided INR360m toward six accounts that appear on the second list from the RBI, and now carries ~65% provision on these accounts
- ✦ **FB:** Federal Bank (FB) recorded robust PPOp growth of 5%/23% QoQ/YoY (INR5.8b, 8% beat), led by 12%/24% QoQ/YoY NII growth, and controlled opex growth (+5%/+18% QoQ/YoY; 7% beat). Loan growth of 6%/25% QoQ/YoY was broad-based, with strong growth across segments. Asset quality was stable, as total slippages declined to INR2.8b with the slippage ratio down to 1.8% v/s 2.9% in 1QFY18

Negative surprises

- ✦ **YES:** Yes Bank (YES) reported robust PPOp growth of 38% YoY/12% QoQ to INR19.1b (10% beat) led by strong 34% y-y growth in total revenues and controlled opex. However asset quality deteriorated sharply, adversely impacted by high divergence of INR63.55b. Business growth stood robust with advances growing 35% YoY while cost-income ratio declined to ~39%.
- ✦ **AXSB:** AXSB reported weak numbers, with net profit plummeting to INR4.32b (-67% QoQ), dragged by higher provisions and weak revenue growth. NII came in flat on a YoY basis (~4% miss), impacted by moderation in yields (33bp) and interest reversals on slipped accounts (~6bp). NIM thus shrunk to 3.45% from 3.63% in 1QFY18. The funded watch-list declined to INR60.52b – 64% in power (INR79.41b in 1QFY18), while other stressed assets fell to INR40.35b. AXSB increased its credit cost guidance to 220-260bp (from 175-225bp earlier).

Sector-wise positive/negative surprises and guidance highlights

Financials - NBFC

Positive surprises

- ✓ **SHTF:** SHTF had an excellent 2Q. Strong disbursement growth of 14% QoQ/26% YoY led to a 14% YoY increase in AUM for the quarter. Management is confident that AUM growth for FY18 will be at the upper end of its 12-15% guidance range. To capitalize on the growth opportunity, the company opened 73 more branches in 2QFY18 – the highest-ever new branch opening in the history of the company. Bulk of these branches were opened in rural areas (defined as areas with less than 0.1m population). NIM on AUM (calculated) expanded 80bp YoY to 7.9% due to a decline in cost of funds by 100bp YoY to 9.4%.
- ✓ **CIFC:** Cholamandalam Investment and Finance's (CIFC) 2QFY18 PAT grew 33% YoY to INR2.27b, beating our estimate by 7%, largely driven by stronger-than-expected AUM growth and lower credit costs. AUM grew 4% QoQ and 14% YoY to INR365b, driven by 24% YoY disbursement growth. Vehicle finance had a good quarter, with disbursements up a third to INR43b and AUM up 20% to INR257b. LAP disbursements, too, have been recovering from 4QFY17 lows (up 52% since then). We expect overall AUM growth to pick up to 16% by end-FY18 and 18-19% over FY19-20. GNPL ratio moderated 25bp QoQ to 4.46% (seasonal effect), driven by moderation in both vehicle finance and LAP.
- ✓ **GRHF:** Gruh Finance (GRHF) reported PAT of INR778m (4% above our estimate) for 2QFY18, largely driven by lower-than-expected operating expenses. Opex growth slowed down to 11% YoY, resulting in 300bp YoY reduction in C/I ratio to 17.6%. Loan growth was in line with trend at 18% YoY, driven by retail home loans. However, disbursement growth was robust at 28% YoY. While management expects ~30% disbursement growth in FY18 due to improving traction in affordable housing, we believe GRHF will achieve ~40% disbursement growth. Interestingly, GRHF was able to sustain yields at 11.8%, despite a very competitive environment. Driven by lower cost of funds, margins improved 13bp QoQ and 45bp YoY. We believe there is scope for further 20-30bp reduction in cost of funds over the next few quarters.

Negative surprises

- ✓ **LICHF:** LIC Housing Finance (LICHF) reported a weak set of numbers for 2QFY18. PAT declined 1% YoY to INR4.9b (8% below our estimates). Loan book growth was in line with the past trends at ~15-16% YoY, with retail loan book growth muted at 9-10% YoY. There was a slight shift in mix toward non-core loans. Loan book growth in LAP and builder loans continues to be in excess of 50% YoY. The biggest negative in the quarter was that calculated cost of funds did not decline. CoF was sequentially stable at 8.43% (but down 50bp YoY). This is quite high compared to the 2QFY18 CoF of peers like HDFC (7.55%) and IHFL (7.9%). With continued downward re-pricing of home loans, NIM shrunk 2bp QoQ and 50bp YoY (note that the YoY comparison is off a high base). Consequently, NII declined 4% YoY to INR8.9b.

Sector-wise positive/negative surprises and guidance highlights

HEALTHCARE

Positive/negative surprises

- ✓ **Cadila's** 2QFY18 revenue increased significantly by ~37% YoY to 32.3b (9.4% beat) primarily led by launch of gLialda. Gross margin improved to ~66% (+180bp YoY, ~400bp QoQ). EBITDA increased by ~66% YoY to INR8.6b (18% beat) with margin at ~26.5% v/s 21.9% in 2QFY17 and 12.6% in 1QFY18. Significant improvement in margin and revenue is attributed to strong growth in the US and recovery in domestic business sales. PAT rose 49% YoY to INR5b (5% beat).
- ✓ **Alkem's** revenue increased ~14% YoY to INR18.6b (8% beat). EBITDA rose 48% YoY to INR4.6b (48% beat), with the margin at ~24.7% (+570bp YoY and 1740bp QoQ), as other expense declined ~500bp YoY (as % of sales). PAT increased ~13% YoY to INR3.2b (29% beat).
- ✓ **Aurobindo Pharma's** 2QFY18 sales posted robust growth of 17.5% YoY to INR44.4b (~3% beat), led by strong growth in the US business, which grew by 25% YoY and 24% QoQ to USD327m on the back of Renvela ramp-up (USD50-55m), growth in injectables business (up USD11m) on the back of launches and benefits from shortage of few drugs. EBITDA increased by ~20% YoY to INR11.2b (~1% beat).
- ✗ **Biocon's** revenue increased marginally by ~2% YoY to INR9.6b (11.5% miss), primarily due to disruption at the Bangalore facility, pricing pressure in the US and delays in tenders in the emerging market. EBITDA declined 24.1% YoY (-5% QoQ) to INR1.8b (31% miss). EBITDA margin came in at ~19% (-630bp YoY and -176bp QoQ). PAT declined ~53% YoY to INR687m (~50% miss), primarily due to an increase in depreciation and interest expense relating to the Malaysian facility.

Guidance highlights

- **Torrent Pharma** guided for US business quarterly run-rate of USD35-40m; stabilize at annual USD250m in medium term. Company plans to launch products with market size of USD50-100m. It also guided for 3-4 submissions in 1QFY19 from external partners in dosage where the company was not previously present. Company also plans 3-4 submission in derma by FY18-end.
- **Cadila** expects base erosion of ~10% YoY in FY18 and 8-10% YoY in FY19. Plans to launch 15 ANDAs and 40 ANDAs in 2HFY18E and FY19E, respectively.
- **Alembic** expects its recent acquisition of Orit Labs to be EPS-accretive in the first year. It expects EBITDA margin to be ~20% in FY18. Company guided that peak borrowing by 1HFY19 will be ~INR6-7b. Derma filings will start from 2HFY18.
- **Glenmark** reduced its FY18 revenue guidance to 8% from 8-10% previously, but maintained its EBITDA margin guidance (flat YoY). Company also plans to reduce its debt by INR2.5-3b by FY18 end. GNP expects cash tax to come down in FY18 (less than 40%).

Sector-wise positive/negative surprises and guidance highlights

MEDIA

Positive/negative surprises

Lingering effects of demonetization, GST implementation and RERA had put pressure on both ad and subscription revenue. However, with the onset of festive season, some recovery was witnessed across Broadcasters, Print Media and Distribution Platforms. In terms of ad revenue, FMCG, auto and BFSI were the major contributors.

- ZEE delivered 3% YoY ad growth to INR9.9b (in-line). Subscription of INR5b (-14% YoY) was 5% above our expectations. Domestic subscription declined 14% YoY to INR9.3b. EBITDA was flat YoY at INR4.9b (4.2% above estimate of INR4.7b). Opex levers ensured marginal beat on the margin front (31% v/s our estimate of 29.9%).
- SUNTV's revenues stood at INR 6.8b, up 8% YoY (in-line). EBITDA was 6% higher on YoY basis at INR5b (4% beat), and margins came in at 73.4% (-120bp YoY).
- GST implementation was a pain point for Print – DBCL outperformed peers in terms of ad growth (6% v/s Jagran's 1%, HT Media's -8%, and HMVL's -8%). All print companies used opex levers (lower pagination) to save margins.

Guidance highlights

- Notwithstanding the short-term impact, **ZEE** management believes ad spending to recover fast to normal levels. Margins could surge above 30%. **&TV channel is expected to breakeven by 4QFY18**. On regional side, Zee plans to enter Kerala and Punjab through greenfield organic expansion.
- Print ad revenue outlook for 2HFY18 could be better given the lower base due to demonetization in 2HFY17. However, November-December 2017 would be the decisive period – performance post the festive season would help ascertain whether ad growth is sustainable.

Sector-wise positive/negative surprises and guidance highlights

METALS

Positive/negative surprises

- ✓ **Tata Steel:** EBITDA miss of 11% of lower margins in EU and India. EU margins are expected to improve from 4Q.
- ✓ **JSW Steel:** Performance was broadly in-line as India margins improved QoQ on lower cost.
- ✓ **Hindalco:** Positive surprise by Novelis on higher volumes and margins. India business was in line with strength in copper.
- ✓ **Vedanta:** Aluminum suffered on cost inflation and ramp-up issues. Copper and zinc were strong.
- ✓ **Nalco:** In-line performance. Volume and pricing benefit was partly offset by cost inflation.
- ✓ **NMDC:** Sharp pricing gains and volume growth drive strong performance.

Guidance highlights

- **Tata Steel:** Steel prices increased by ~INR1,000/t QoQ. India business volumes of ~12.5mt in FY18. KPO expansion likely to be soon.
- **JSW Steel:** Volume growth guidance maintained at 5% in FY18. Iron ore captive mine case resolution likely soon.
- **Hindalco:** Novelis EBITDA guidance raised to USD1.15-1.20b. Volume outlook has improved. Hindalco FY19: only 20% of Aluminum volumes hedged.
- **SAIL:** Volume guidance of 15.5mt. Realizations are up by ~INR1,000/t. Employee count would gradually decline to 65000 by FY20.
- **Vedanta:** Aluminum: 1.5-1.6mt volume guidance in FY18. HZL: Refined zinc and lead production expected at ~950kt. Silver is expected at ~500t in FY18. Cairn: Rajasthan production is expected at 165kboepd, with upside potential from growth projects. Zinc international: Gamsberg project of 250kt is progressing well; on target for mid-2018 production start.
- **Nalco:** Aluminum production of 440kt in FY18.

Sector-wise positive/negative surprises and guidance highlights

OIL & GAS

Positive/negative surprises

- Poor core GRMs: Against expectations, OMCs disappointed on GRM performance during the quarter. While Singapore GRM stood sequentially higher at USD8.3/bbl in 2QFY18, core GRM for all the OMCs decline sequentially. IOCL reported core GRM of USD6.9/bbl, HPCL reported a core GRM of USD5.6/bbl and BPCL reported a core GRM of USD6.5/bbl. We expect refining performance to improve in coming quarters.
- RIL reports increase in GRM: RIL continues to improve its refining performance this quarter as well. RIL improved its GRM to USD12/bbl on account of better yield/crude optimization and risk management. RIL being an integrated player is able to improve its volume and margin during the quarter.
- Moderate LNG prices and firm contracts at Dahej helped the company in increasing its utilization at Dahej from 97% in 1QFY18 to 111% in 2QFY18. Kochi terminal's utilization also improved from 12% in 1QFY18 to 15% in 2QFY18 due to ramp-up at Kochi refinery.
- GAIL's transmission volume was increased to 106mmcmd led by increased offtake from power plants due to coal shortage. Trading volume was also up at 85mmcmd. Petrochem utilization was sequentially higher at 75% in 2QFY18, currently operating at 100% utilization. Due to increased domestic competition, petchem realization impacted during the quarter.
- Despite high base, IGL showed strong 14% YoY growth in its total volume. EBITDA/scm stood at INR5.9/scm v/s INR6/scm in the previous quarter.
- ONGC showed 2% YoY growth in oil production and 8% YoY growth in gas production. ONGC's production growth is likely to sustain going forward. Oil India reported 5% YoY increase in oil production 3% YoY in gas production.

Key actionable

- Rising crude oil prices would benefit upstream companies like ONGC and Oil India. Also, it would help GAIL's petchem and LPG/Liquid HC segment.
- In the near term, refining and marketing companies would benefit from strong benchmark refining margins, along with high possible inventory gains.
- Low LNG prices would also ensure high utilization of Petronet's terminals. Dahej is further expanding to 17.5mmtpa in two years, which would boost volume growth further.
- RIL would also witness good GRM in near term. RJio has surprised with positive EBIT in the first quarter itself – this would remain key to stock performance.

Sector-wise positive/negative surprises and guidance highlights

RETAIL

Positive/negative surprises

- ✓ **Titan's** revenue rose 29.6% YoY to IN34.7b. Jewelry sales were up 37% YoY to INR27.5b, while segment margin expanded 230bp YoY to 12.7%. Tanishq LTL sales grew 18% YoY, with jewellery grammage growing 49%. Gross margin contracted 530bp, while EBITDA margin expanded 160bp YoY. Upgrade to **Buy**.
- ✓ **Jubilant Foodwork's** sales grew by 9.2% YoY with 5.5% SSSG. Gross margin shrunk 70bp, while EBITDA margin expanded sharply by 440bp. Maintain **Sell**.

Guidance highlights

- **Titan:** Jewellery business growth guidance of 25% maintained in FY18.
- **JUBI:** Management clarified that it is unlikely to take any price increase this year, as cost inflation is under control anyway. 3) Will open 30-40 stores this year v/s earlier guidance of 40-50 stores.

TELECOM

Positive/negative surprises

- **EBITDA growth still in red:** Gross revenues of Bharti/Idea were down 1%/9% QoQ. Consol. EBITDA for Bharti of INR79.2b was up 2% QoQ (6% beat) with boost from Africa EBITDA, which surged 23% QoQ to INR16.8b on a leaner cost structure. However, Idea's EBITDA declined 20% QoQ, 2% below estimate.
- **Continued fall in blended ARPU:** Down-trading of subscribers to lower price plans has impacted ARPU. Subsequently, blended ARPUs declined 6.3% and 6.4% QoQ for Bharti and Idea, respectively.
- **Data volume growth, the only silver line:** Post the launch of competitive data packages by incumbent, the data traffic for Bharti/Idea surged 66%/74% on a QoQ basis.
- **Top-pick:** Post IUC and Jiophone launch impact in 2HFY18, we believe ARPUs should improve from FY19. We expect competitive intensity to decline over the next 3-4 quarters, resulting in healthy growth potential. We prefer Bharti, given its strong competitive position and surge in Africa business. Idea is likely to conclude the merger much ahead of the earlier expectation i.e. by the end of FY18, which will improve its competitive standing.

Sector-wise positive/negative surprises and guidance highlights

TECHNOLOGY

Guidance highlights

- For **TCS**, overall growth has been bogged down by relative weakness in the verticals of BFSI and Retail. In BFS, it is difficult to say when the situation will start to look upward. TCS will assess visibility in the next quarter by when spending is likely to revive.
- **CTSH** raised the lower end of its full-year revenue growth guidance, revising the band to 9.6-10%. This followed a beat in 3Q revenue compared to earlier guidance, and hence the lower ask rate.
- **INFO** cut its FY18 revenue growth outlook to 5.5-6.5% from 6.5-8.5% (implies 1% CQGR at the midpoint for 2H). We read this as a function of: [1] lower 2Q growth than that seen historically, even in subdued years and [2] conservatism that has characterized the founders' approach in the past.
- **WPRO** guided for revenue of USD2,014-2,054m, implying CC growth of 0-2%. On YoY CC basis, this implies growth of 2.3-4.4% for 3Q, which at its midpoint is not materially higher than +2.9% YoY CC in 2Q.
- **HCLT** maintained its guided revenue growth range of 10.5-12.5%, but now expects growth at the lower end of the band. The guidance implies, in our view, organic growth of 5.5-7.5%, a marked slowdown compared to what was delivered in FY17. Its operating margin guidance stands at 19.5-20.5%, assuming INR/USD at 65.5, and other currencies at FY17 average exchange rates.

UTILITIES

Positive/negative surprises

- **Power Grid's** capitalization was higher than expected. Telecom and consultancy will continue to grow at strong pace.
- **NTPC** : strong growth in adj. PAT of 21% YoY on regulated equity growth, incentives and efficiencies.
- **CESC**: Standalone PAT growth was in-line. Spencer sales under-performed, but EBITDA was strong on cost savings.
- **JSW Energy**: EBITDA as expected was weak, but PAT was boosted by higher other income.

Guidance highlights

- **PowerGrid**: Maintains full-year capitalization guidance of ~INR300b for FY18 (incl. TBCB).
- **NTPC**: Targets commercialization of ~4GW in FY18 and ~5GW in FY19.

Sector highlights

AUTO: Rural demand coming back led by positive rural sentiment



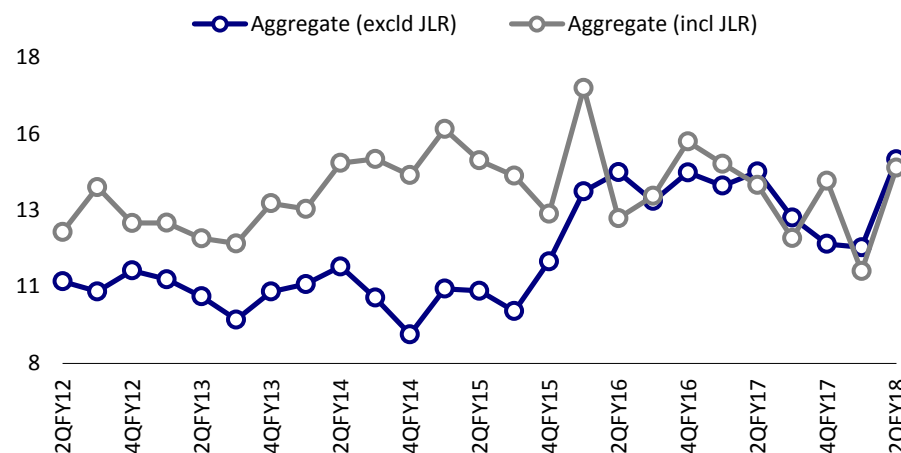
Summary

- Rural demand, festive push drive volumes:** 2QFY18 witnessed increase in volume growth (post moderation in 1QFY18 on advancement and postponement of purchases by customers due to GST), led by recovery in rural demand and healthy festive growth. Across categories, growth pace increased with 2W, UVs and CV growing 12.4%, 14.5% and 13%, respectively. While topline was broadly in line, EBITDA margins came in lower than estimates, led by raw material cost inflation.
- EBITDA margin expansion of our auto universe after three quarter of decline (ex JLR):** In 2QFY18, EBITDA margin expanded 40bp YoY to 14.7% for our Auto Universe (ex JLR), as the impact of higher RM was offset by operating leverage and low other expense. All auto OEMs (except AL and BJAUT) witnessed margin expansion, with a steep increase for TTMT S/A (+3.7pp) and MM (+1.9pp). On the other hand, AL and BJAUT margins shrunk by 1.5pp and 1.7pp, respectively. On a QoQ basis, EBITDA margin expanded +3.9pp (ex JLR).
- Price hikes to mitigate RM inflation:** RM cost (as % of sales) expanded 140bp YoY (+10bp QoQ). All companies under our coverage witnessed RM/sales expansion. While most of the OEMs indicated partial pass-through of higher RM, further price hikes are likely to follow in 3QFY18 to cover incremental RM costs.
- EPS estimates upgraded for MM, TTMT unchanged for MSIL, BJAUT:** We lower AL, Bosch and EXID's FY18 and FY19 EPS by 10-15%, while TTMT (cons) saw highest upgrade of 23% in FY18 EPS, followed by MM and AMRJ (8% and 11%, respectively). BJAUT, HMCL and MSIL's earnings have largely remained unchanged.
- Top picks:** We prefer TTMT (JLR performance to improve, driven by volume recovery, mix improvement, operating leverage and favorable Fx), MSIL (strong earnings growth on industry demand recovery, new launches and strong margins), and MM (best proxy play on rural market recovery). Within midcaps, we prefer AMRJ (play on demand recovery and beneficiary of shift from unorganized to organized segment, driven by GST).

Trend in key operating indicators

| | Volumes ('000 units) | | | EBITDA margins (%) | | | Adj PAT (INR M) | | |
|----------------------|----------------------|-------------|-------------|--------------------|-----------|------------|-----------------|-------------|-------------|
| | 2QFY18 | YoY (%) | QoQ (%) | 2QFY18 | YoY (bp) | QoQ (bp) | 2QFY18 | YoY (%) | QoQ (%) |
| BJAUT | 1072 | 3.8 | 20.6 | 19.1 | -240 | 180 | 11,189 | -0.3 | 18.2 |
| HMCL | 2023 | 10.9 | 9.4 | 17.4 | -10 | 120 | 10,105 | 0.6 | 10.6 |
| TVS Motor | 949 | 16.3 | 18.3 | 8.6 | 60 | 240 | 2,132 | 20.2 | 64.6 |
| MSIL | 492 | 17.6 | 24.7 | 16.9 | -10 | 360 | 24,843 | 3.3 | 59.6 |
| MM | 218 | 16.3 | 8.4 | 16.0 | 190 | 290 | 14,109 | 22.0 | 83.6 |
| TTMT (S/A) | 153 | 14.1 | 39.8 | 7.0 | 370 | 700 | -2,953 | NM | 36.8 |
| TTMT (JLR) * | 153 | 10.0 | 10.6 | 11.8 | 90 | 390 | 308 | -25.7 | 147.1 |
| TTMT (Cons) | | | | 12.6 | 100 | 420 | 24,366 | 64.8 | 700 |
| Ashok Leyland | 41 | 22.6 | 43.9 | 10.1 | -150 | 290 | 3,342 | 13.5 | 178.6 |
| Eicher (RE) | 203 | 21.5 | 10.3 | 31.9 | 60 | 50 | 4,864 | 22.8 | -1.6 |
| Eicher (VECV) | 15 | 12.0 | 29.6 | 9.2 | 190 | 90 | 1,190 | 80.3 | 83.0 |
| Eicher (Consol) | | | | 31.9 | 60 | 50 | 5,180 | 25.4 | 12.7 |
| Agg. (ex JLR) | 5166 | 11.7 | 15.6 | 14.6 | 30 | 280 | 67,947 | 13.4 | 53.5 |

EBITDA margin (ex JLR) expands post three consecutive quarters of decline





CAPITAL GOODS: Performance broadly in line with expectations at operating level

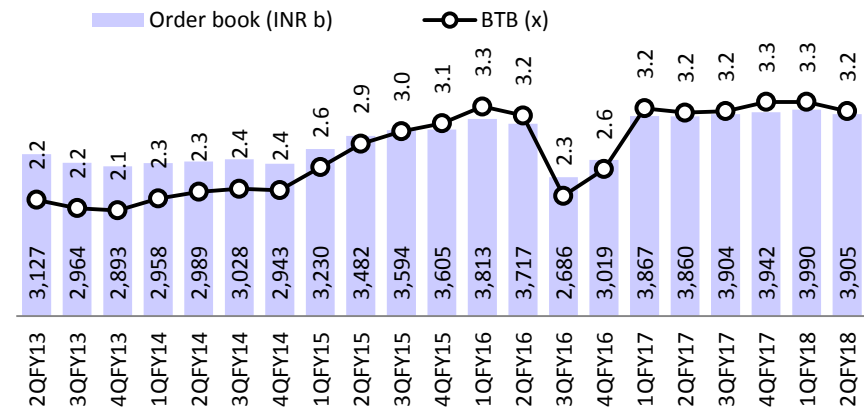
Summary

- Performance broadly in line with expectations:** For 2QFY18, performance of the Capital Goods sector was broadly in line at the operating level. At the net profit level, performance was above expectation, led by above-estimate performance from Bharat Electronics, Crompton, GE T&D, Voltas and LT.
- Order inflow declines; Commentary remains cautious given delay in finalization of orders due to GST implementation:** Order inflows declined 5% YoY, led by weak ordering by L&T and BHEL. Order inflow for L&T was INR288b in 2QFY18 v/s INR313b in 2QFY17. Order inflow for BHEL declined 9% YoY to INR18.7b. Management commentary in terms of ordering outlook has been cautious, with L&T cutting its annual guidance from 12-14% growth to flat-to-marginally positive. This is primarily driven by weak ordering activity given GST implementation.
- GST impacts revenue:** Majority of the project companies under our coverage universe cited that GST transition impacted revenue booking during the quarter. Companies like ABB, GE T&D and Larsen could not execute projects smoothly due to GST implementation. For room AC companies, sales during the quarter showed moderate signs of pick-up, given restocking resorted by dealers prior to GST rollout.
- Top picks – L&T, Cummins, Bharat electronics, Crompton Consumer:** Our top pick in the sector is L&T, given expected pick-up in execution in domestic as well as international orders and margin improvement displayed by the company during the quarter. Despite a sharp cut in order inflow guidance, we have not cut our estimates for FY19, given availability of strong order book for execution. We have a Buy rating on the stock, with an SOTP-based target price of INR1,450, valuing the E&C business at 25x Sep-19E EPS.
- We also like Crompton Consumer, given its premiumization strategy, focus on increasing distribution network, and focus on profit over sales. We have a Buy rating on the stock, with a target price of INR260 (33x FY20E EPS).
- We have Buy rating on Bharat electronics, with a TP of INR210 (25x DEC19E EPS), given strong execution pick-up and business opportunity available in defense electronics segment.

2QFY18 performance snapshot

| INR Million | Sales | | EBIDTA | | PAT | |
|----------------------|----------------|-------------|---------------|-------------|---------------|-------------|
| | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) |
| ABB | 19,154 | -6.8 | 1,042 | -11.9 | 534 | -24.3 |
| Bharat Electronics | 24,762 | 45.4 | 5,950 | 75.8 | 4,124 | 19.1 |
| BHEL | 62,971 | -5.5 | -954 | PL | 1,154 | 5.9 |
| Blue Star | 8,390 | -5.8 | 492 | 16.6 | 208 | 4.0 |
| CG Consumer Elect. | 9,597 | 9.8 | 1,207 | 19.3 | 708 | 22.3 |
| CG Power & Indl. | 12,085 | 11.4 | 771 | -8.8 | 581 | -34.1 |
| Cummins India | 11,539 | -9.8 | 1,675 | -15.8 | 1,529 | -22.3 |
| GE T&D India | 8,700 | 4.2 | 805 | 130.6 | 475 | 131.6 |
| Havells India | 17,774 | 22.4 | 2,569 | 26.3 | 1,710 | 17.3 |
| Larsen & Toubro | 264,468 | 6.4 | 29,604 | 27.9 | 16,831 | 63.1 |
| Thermax | 8,639 | 2.2 | 861 | 11.3 | 568 | -4.7 |
| Voltas | 10,367 | 7.2 | 857 | 24.8 | 954 | 22.0 |
| Capital Goods | 458,444 | 5.4 | 44,879 | 20.1 | 29,377 | 32.0 |

Order inflow remains constrained; book-to-bill ratio stands at 3.2x



CEMENT: Higher-than-estimated realizations, partially offset by cost push



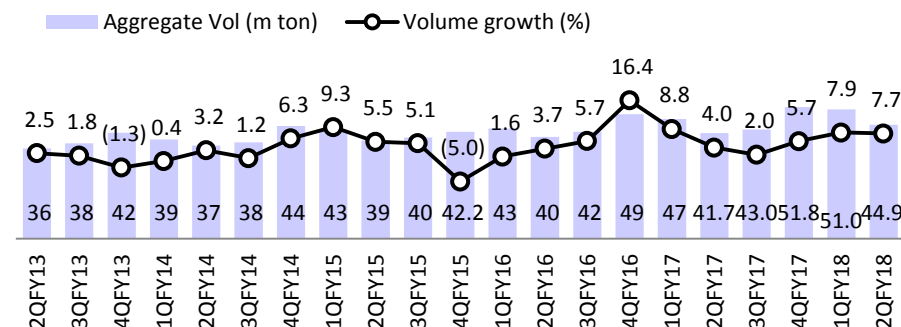
Summary

- Improved realizations offset by cost push:** MOSL Cement Universe reported volume growth of 8% YoY adjusted for mergers and acquisitions. EBITDA increased 10% YoY and -21% QoQ, as the increase in realization was offset by cost push. PAT declined 7.5% YoY v/s our estimate of -14% YoY.
- Healthy volume growth:** MOSL Cement Universe reported healthy volume growth of 8% YoY, led by volume growth in the East and North markets. South-based companies faced pressure due to ongoing sand crisis and political instability in Tamil Nadu. East continued to grow at a healthy rate.
- EBITDA maintained at aggregate level:** Cement companies reported aggregate sales of INR230b (+15% YoY), led by higher-than-expected realizations. However EBITDA increased 10% YoY to INR41b due to cost push in the form of P&F and freight costs.
- Pricing and cost both increase QoQ:** Pan-India cement realizations increased 4% YoY (flat QoQ) in 2QFY18. However, the benefit of YoY realization increase was completely offset by cost pressures. Hence, EBITDA/tonne was flat YoY, while it declined by INR143 QoQ.
- Top picks: JK Cement/Shree Cement:** Best placed for recovery in cement prices in North India, as utilization improvement will be the highest in the North; JK Cement will also benefit from structural improvement in white cement profitability.
- Dalmia Cement:** Strong EBITDA growth, led by margin improvement and volume growth in eastern operations.
- Birla Corporation:** Strong performance by acquired subsidiary likely to drive earnings outperformance.
- Ramco Cement:** Cost-efficient player in south with strong volume growth in FY20, led by capacity expansions in eastern market.

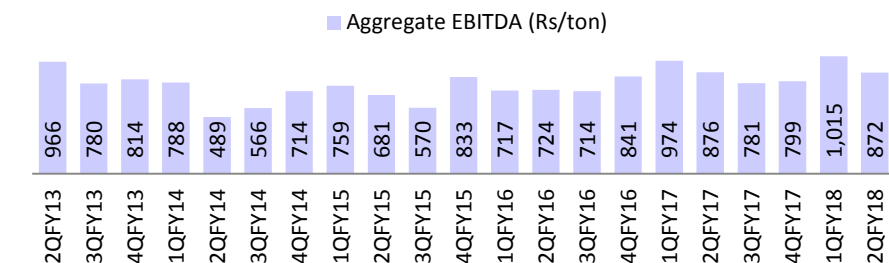
Trend in key operating parameters

| | Volume (m ton) | | | Realization (INR/ton) | | | EBITDA (INR/ton) | | |
|--------------------|----------------|----------|-------------|-----------------------|------------|-----------|------------------|------------|--------------|
| | 2QFY18 | YoY (%) | QoQ (%) | 2QFY18 | YoY (INR) | QoQ (INR) | 2QFY18 | YoY (INR) | QoQ (INR) |
| ACC | 6.0 | 17.6 | -11.6 | 4645.2 | 274.0 | 135.8 | 592.3 | 149.0 | -142.2 |
| Ambuja Cement | 5.0 | 9.6 | -17.3 | 4620.8 | 221.6 | -91.0 | 706.0 | 33.4 | -366.6 |
| UltraTech | 9.9 | -9.4 | -23.6 | 5001.0 | 174.0 | -24.4 | 1028.4 | 50.1 | -154.7 |
| Birla Corp | 2.7 | 11.1 | -19.2 | 4662.2 | 907.2 | 213.4 | 667.2 | 207.5 | -66.0 |
| India Cement | 2.7 | -2.1 | 1.7 | 4695.5 | -563.4 | -161.7 | 671.7 | -240.6 | -27.0 |
| Shree Cement | 4.9 | 6.8 | -17.1 | 4169.6 | 105.6 | -35.7 | 1132.7 | -265.9 | -81.2 |
| Dalmia Bharat | 3.6 | 6.4 | -8.8 | 5037.5 | 27.5 | -91.7 | 1212.6 | -17.6 | -182.5 |
| JK Cements | 2.2 | 15.8 | 4.7 | 4980.9 | 180.6 | 78.8 | 931.8 | 113.1 | 1.2 |
| JK Lakshmi Cem. | 1.9 | 10.0 | -17.3 | 4109.3 | 293.4 | 165.5 | 504.9 | -40.4 | -21.7 |
| Madras Cement | 2.2 | 6.3 | 0.1 | 4783.1 | -6.7 | 176.0 | 1214.8 | -317.8 | 23.2 |
| Orient Cement | 1.3 | 11.5 | -6.4 | 3996.0 | 718.4 | -67.0 | 570.0 | 428.7 | -266.1 |
| Prism Cement | 1.1 | -3.4 | -24.2 | 3939.0 | -474.2 | -680.8 | 449.8 | -1.0 | -309.3 |
| Sector Agg. | 45 | 8 | (12) | 4,681 | 157 | 3 | 872 | (4) | (143) |

Volume growth of 13% YoY for MOSL Cement Universe



Profitability declined QoQ due to cost push



CONSUMER: Trade attaining normalcy; Rural grew ahead of urban



Summary

- Sales in-line for the coverage universe:** Our Consumer Universe reported 5.6% YoY revenue growth (v/s estimate of +4.5% YoY), 11.6% YoY EBITDA growth (v/s estimate of -9% YoY) and 10.4% YoY adjusted PAT growth (v/s estimate of +9.6%). GCPL and Pidilite surprised positively on the volume growth front, while CLGT, ITC, APNT and GSKC were below expectation. 17 out of 18 companies in our Universe posted EBITDA in-line/above our estimates. Coverage companies' aggregate EBITDA grew 11.6% YoY. Adjusted PAT grew 10.4% YoY.
- Prospects improving:** Post GST, the trade channels are getting back to normal, and consumer offtakes has improved. Consumer companies expect the wholesales channel to return back to normal levels by end of CY17. Companies like HUL, Marico, Dabur and GCPL did mention that rural growth was higher than urban in 2QFY18.
- Top picks: HUL, BRIT, CLGT, DABUR, PAG and PIDI**
 - HUL** - Hindustan Unilever will be a key beneficiary of the confluence of positive factors, rural volumes and the strong premiumization trend.
 - BRIT** - Given (a) continuing investment in R&D and own manufacturing facilities, and (b) leveraging of its enviable and consistently improving distribution, Britannia will keep finding additional growth levers.
 - CLGT** - With its higher rural market share, Colgate will be a key beneficiary of revival in rural consumption. Declining incremental impact of Patanjali and utilization of capacity will aid earnings growth.
 - DABUR** - Rural outlook appears buoyant. Worries on both wholesale channel and rural sales are actually receding faster than expected.
 - PAG** - Page offers a compelling, capital-efficient long-term lifestyle play on the growing and premiumizing innerwear category.
 - PIDI** - A revival of volume growth and a strong potential shift from unorganized players over the next 2-3 years outweigh near-term margin worries, in our view.

2QFY18 performance snapshot

| INR Million | Sales | | EBIDTA | | PAT | |
|------------------|----------------|-------------|----------------|-------------|---------------|-------------|
| | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) |
| Asian Paints | 42,652 | 15.0 | 8,011 | 13.6 | 5,262 | 7.5 |
| Britannia | 25,365 | 7.4 | 3,689 | 17.8 | 2,609 | 11.5 |
| Colgate | 10,849 | 2.7 | 3,006 | 9.4 | 1,776 | (2.1) |
| Dabur | 19,589 | (1.1) | 4,199 | 2.7 | 3,619 | 1.3 |
| Emami | 6,281 | 9.7 | 2,013 | 14.9 | 1,590 | 19.0 |
| Godrej Consumer | 24,969 | 6.0 | 5,330 | 14.7 | 3,664 | 13.8 |
| GSK Consumer | 11,153 | 3.2 | 2,614 | 6.6 | 1,924 | 4.7 |
| Hind. Unilever | 83,090 | 5.9 | 16,820 | 19.7 | 12,360 | 14.2 |
| ITC | 97,639 | 1.1 | 37,615 | 3.6 | 26,398 | 5.6 |
| Jyothy Labs | 4,299 | 4.3 | 709 | 11.3 | 476 | 48.5 |
| Marico | 15,363 | 6.7 | 2,591 | 2.4 | 1,850 | 2.5 |
| Nestle | 25,007 | 7.5 | 5,773 | 19.2 | 3,498 | 17.8 |
| P&G Hygiene | 6,576 | 9.5 | 1,875 | 24.0 | 1,156 | 10.6 |
| Page Industries | 6,257 | 17.1 | 1,284 | 19.5 | 841 | 22.4 |
| Parag Milk Foods | 5,045 | 6.7 | 500 | 47.9 | 249 | 94.5 |
| Pidilite Inds. | 15,299 | 7.9 | 3,761 | 17.0 | 2,518 | 9.6 |
| United Breweries | 12,764 | 23.1 | 2,219 | 83.1 | 938 | 246.9 |
| United Spirits | 19,513 | (3.7) | 2,727 | 18.5 | 1,366 | 39.6 |
| Consumer | 431,711 | 5.6 | 104,736 | 11.6 | 72,093 | 10.4 |

Volume growth trends

| Quarterly volume growth (%) | 2Q16 | 3Q16 | 4Q16 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|-------------------------------------|--------|-------|------|-------|-------|--------|-------|--------|-------|
| Asian Paints (Domestic decorative)* | 7.0 | 15.0 | 13.0 | 11.0 | 12.0 | 2.0 | 10.0 | 4.0 | 9.0 |
| Britannia (Base business) | 12.0 | 11.0 | 10.0 | 8.0 | 10.0 | 2.0 | 2.0 | 2.0 | 5.0 |
| Colgate (Toothpaste) | 3.0 | 1.0 | 3.0 | 5.0 | 4.0 | (12.0) | (3.0) | (5.0) | 9.0 |
| Dabur (Domestic FMCG) | 5.5 | (2.5) | 7.0 | 4.1 | 4.5 | (5.0) | 2.4 | (4.4) | 7.2 |
| Emami (Domestic) | 13.5 | 9.3 | 18.0 | 18.0 | 11.0 | 0.2 | (1.5) | (18.0) | 10.0 |
| Godrej Consumer (Soaps)* | MSD | MSD | MSD | LDD | (MSD) | (8.0) | 5.0 | (8.0) | 10.0 |
| GSK Consumer (MFD) | 0.0 | 0.0 | 0.0 | (6.0) | (3.0) | (17.0) | (1.0) | 0.0 | 2.5 |
| Hindustan Unilever (Domestic) | 7.0 | 6.0 | 4.0 | 4.0 | (1.0) | (4.0) | 4.0 | 0.0 | 4.0 |
| ITC (cigarette)* | (14.0) | (5.0) | 0.0 | 3.0 | 4.0 | (1.0) | 0.0 | 1.0 | (6.0) |
| Marico | | | | | | | | | |
| Domestic | 5.5 | 10.5 | 8.4 | 8.0 | 3.0 | (4.0) | 10.0 | (9.0) | 8.0 |
| Parachute | 11.0 | 4.0 | 7.0 | 7.0 | (6.0) | (1.0) | 15.0 | (9.0) | 12.0 |
| VAHO | 8.0 | 21.0 | 15.0 | 9.0 | 11.0 | (12.0) | 10.0 | (8.0) | 3.0 |
| Saffola | 4.0 | 17.0 | 10.0 | 11.0 | 8.0 | 6.0 | 6.0 | (9.0) | 12.0 |
| Pidilite (Consumer bazaar) | 3.0 | 6.0 | 6.0 | 9.0 | 7.8 | (1.5) | 7.0 | 0.0 | 15.0 |

*Our estimate

FINANCIALS: Incremental asset quality stress addition moderates



Summary

Loan growth continued to pick up gradually in 2Q, led by healthy retail loan growth across private and PSU banks. Several private sector banks (HDFCB, KMB, YES, IIB) registered healthy growth in this challenging environment. Overall liability franchise remained strong, as evident from average CASA ratio. Margins were largely stable for private banks, and improved for PSU banks as interest reversals moderated. Slippages declined in 2QFY18; retail lenders continued to outperform corporate lenders.

- Private Banks (PBs) – mixed asset quality:** Asset quality performance was mixed, with AXSB disclosing a higher quantum of stressed assets and YES Bank declaring FY17 divergence details which came as a negative surprise. KMB and IIB maintained pristine asset quality. Banks with strong balance sheet quality and diversified fee income stream continued to find growth levers to increase core operating income and maintain margins.
- Public Sector Banks – incremental stress addition moderates:** Overall NSL (NNPA + OSRL) of coverage companies declined to INR3.3t (8.8% of loans), but was still at elevated levels. Stress additions moderated from the highs of 1Q. Balance sheet clean-up continued across the board for corporate banks. Elevated credit costs continued to mar profitability. Recapitalization by GOI is expected to alleviate growth capital and provide additional provision buffer for PSU banks. Overall, we expect PSU Banks' credit costs to remain elevated in FY18, while core PPOp performance is expected to improve marginally with growth slowly picking up.
- View:** In the near term, retail lenders are better placed than corporate lenders due to moderate economic growth environment. With adequate capital and strong branch expansion, PBs are best placed to leverage on the improving macroeconomic environment. Resolutions will remain a key trigger for the sector, especially PSBs. Reforms and capitalization are the need of the hour for PSBs that suffer from weak capital position and high stress loans. **Top picks: PBs –RBL, ICICIBC, Equitas and HDFCB; PSBs – SBIN; NBFCs – DHFL, STFC and Chola.**

| 2QFY18 | NII Growth (%) | | PPP Growth (%) | | PAT Growth (%) | |
|-------------|----------------|-----|----------------|------|----------------|-------|
| | QoQ | YoY | QoQ | YoY | QoQ | YoY |
| PSBs | | | | | | |
| SBIN | 6 | 3 | 68 | 43 | (21) | (383) |
| PNB | 2 | 1 | (3) | (6) | 34 | (16) |
| CBK | 3 | 14 | 0 | 16 | 3 | (27) |
| BOB | 9 | 9 | 15 | 13 | 75 | (36) |
| BOI | 15 | 7 | (6) | (10) | NA | NA |
| UNBK | 3 | 2 | (6) | 7 | NA | NA |
| INBK | 6 | 21 | 6 | 21 | 21 | 11 |
| PBs | | | | | | |
| AXSB | (2) | 1 | (12) | (8) | (67) | 36 |
| FB | 12 | 24 | 5 | 23 | 25 | 31 |
| HDFCB | 4 | 22 | 4 | 30 | 7 | 20 |
| ICICIBC | 2 | 9 | 35 | (34) | 0 | (34) |
| IIB | 3 | 25 | 3 | 27 | 5 | 25 |
| KMB | 3 | 16 | 8 | 20 | 9 | 22 |
| YES | 4 | 33 | 12 | 38 | 4 | 25 |

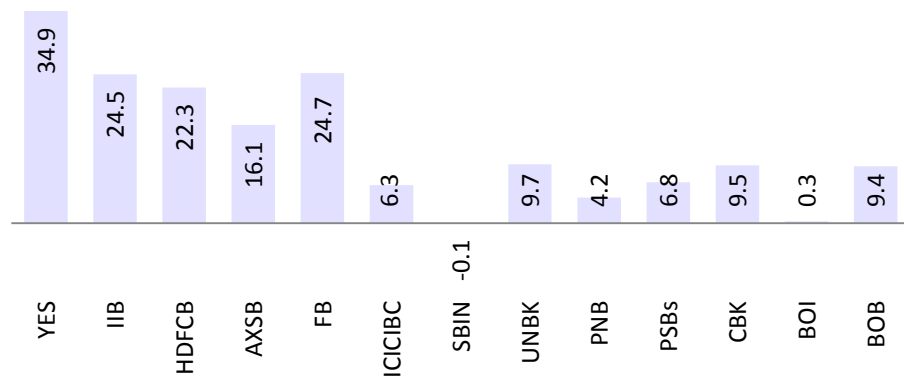
| | NIM (%) | | Loan Growth (%) | | Net Stress Loans (%)* | |
|---------|---------|--------|-----------------|-----|-----------------------|--------|
| | 2QFY18 | 1QFY18 | QoQ | YoY | 2QFY18 | 1QFY18 |
| SBIN | 2.6 | 2.5 | 0 | 0 | 7.3 | 8.2 |
| PNB | 2.4 | 2.3 | -2 | 4 | 11.4 | 11.4 |
| CBK | 2.3 | 2.3 | -6 | 10 | 10.0 | 9.3 |
| BOB | 2.3 | 2.1 | -6 | 9 | 8.8 | 8.3 |
| BOI | 2.2 | 2.0 | 0 | 0 | 9.7 | 9.9 |
| UNBK | 2.1 | 2.1 | -5 | 10 | 9.3 | 8.9 |
| INBK | 2.8 | 2.7 | -5 | 13 | 7.4 | 7.4 |
| AXSB | 3.4 | 3.5 | -8 | 16 | 6.1 | 3.9 |
| FB | 3.3 | 3.1 | -15 | 25 | 3.7 | 3.1 |
| HDFCB | 4.3 | 4.4 | -15 | 22 | 0.5 | 0.4 |
| ICICIBC | 3.3 | 3.3 | -2 | 6 | 5.8 | 6.0 |
| IIB | 4.0 | 4.0 | -15 | 24 | 0.7 | 0.6 |
| KMB | 4.3 | 4.5 | -11 | 21 | 1.6 | 1.3 |
| YES | 3.7 | 3.7 | -21 | 35 | 1.5 | 0.6 |

*Nets Stress loans = outstanding standard restructured loan (OSRL) + Net NPA

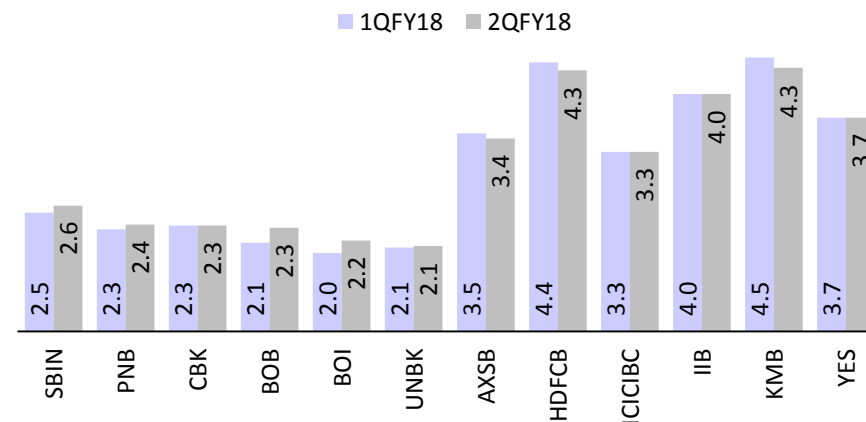
FINANCIALS: Operating performance improves



PSBs consolidate, while PBs continue to gain market share (loans; % YoY)



Margins improved for most corporate lenders as interest reversals moderated



Slippage ratio moderated sequentially

| | FY16 | | | | FY17 | | | | FY18 | |
|----------------|------------|------------|------------|-------------|------------|------------|------------|-----|------|-----|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q |
| SBIN | 1.5 | 1.4 | 6.4 | 8.8 | 2.5 | 3.1 | 2.4 | 2.2 | 1.1 | 0.4 |
| PNB | 1.2 | 1.7 | 12.3 | 24.1 | 3.4 | 1.5 | 1.7 | 2.3 | 4.0 | 2.2 |
| CBK | 1.8 | 2.1 | 6.6 | 16.8 | 2.5 | 2.3 | 2.3 | 2.9 | 5.7 | 3.2 |
| BOB | 1.1 | 6.8 | 15.7 | 2.6 | 3.5 | 0.2 | 1.5 | 1.7 | 4.0 | 3.5 |
| BOI | 5.1 | 3.8 | 7.4 | 13.4 | 3.1 | 1.3 | 0.8 | 4.5 | 1.3 | 1.1 |
| UNBK | 2.1 | 2.7 | 5.2 | 8.8 | 4.9 | 4.3 | 4.5 | 2.9 | 5.8 | 3.0 |
| INBK | 1.1 | 1.1 | 5.2 | 6.0 | 1.6 | 2.3 | 2.5 | 1.9 | 1.1 | 0.4 |
| Overall | 2.0 | 2.5 | 8.4 | 11.0 | 3.2 | 2.4 | 2.4 | | | |

Overall NSL ratio declined but stayed elevated for PSBs

| % of loans | GNPA | | NNPA | | OSRL | |
|------------|--------|--------|--------|--------|--------|--------|
| | 1QFY18 | 2QFY18 | 1QFY18 | 2QFY18 | 1QFY18 | 2QFY18 |
| SBIN* | 10.0 | 9.8 | 6.0 | 5.4 | 2.2 | 1.9 |
| PNB | 13.7 | 13.3 | 8.7 | 8.4 | 2.8 | 2.5 |
| CBK | 10.6 | 10.5 | 7.1 | 7.0 | 2.3 | 2.1 |
| BOB | 11.4 | 11.2 | 5.2 | 5.1 | 4.3 | 3.0 |
| BOI | 13.1 | 12.6 | 6.7 | 6.5 | 3.0 | 3.2 |
| UNBK | 12.6 | 12.4 | 7.5 | 6.7 | 1.3 | 1.8 |
| INBK | 7.2 | 6.7 | 4.1 | 3.4 | 3.4 | 3.1 |

HEALTHCARE: Muted quarter; strong recovery in margin sequentially



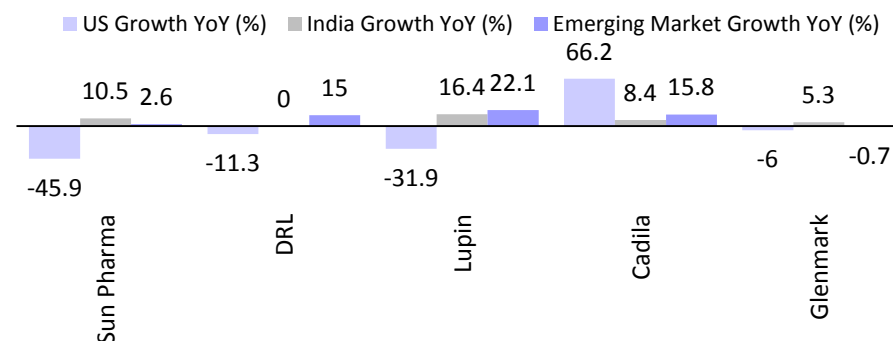
Summary

- Improvement in operating performance:** Majority of the MOSL universe companies reported increase in sales. Post GST implementation, most of the companies have reported low-to-mid double-digit growth in the domestic business, as they witnessed uptick in channel re-filling. Price erosion and channel consolidation continued to drag the US business. While EBITDA for MOSL universe declined ~8% YoY, it improved significantly sequentially by 41%, as margins were impacted in 1QFY18 due to implementation of GST. Apart from Biocon, Divi's, Dr. Reddy's, Glenmark and Lupin, all the companies posted an increase in PAT (majority of the companies had reported decline in PAT in 1QFY17).
- Big margin disappointments:** Biocon.
- Expect improvement in US business in 2H:** As price erosion and channel consolidation continues, companies expect US business to improve as intensity of price erosion comes down. Price erosion is expected to come down from high-double-digit to low-double-digit, while some companies are expecting price erosion to bottom out during the quarter.
- GST:** Majority of the companies reported strong growth in the domestic business as inventories days increased to 30-32 from ~17. Companies expect further improvement in inventory days in coming months.
- Top picks:** Aurobindo, Sun Pharma and Granules.

2QFY18 performance snapshot

| INR Million | Sales | | EBIDTA | | PAT | |
|-------------------|----------------|-------------|---------------|-------------|---------------|--------------|
| | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) |
| Ajanta Pharma | 5,404 | 4.8 | 1,837 | 6.1 | 1,319 | 0.9 |
| Alembic Pharma | 7,893 | -9.4 | 1,792 | 1.2 | 1,216 | 2.4 |
| Alkem Lab | 18,649 | 13.8 | 4,605 | 48.3 | 3,207 | 13.4 |
| Aurobindo Pharma | 44,359 | 17.5 | 11,173 | 20.2 | 7,802 | 32.0 |
| Biocon | 9,686 | 1.5 | 1,822 | -24.1 | 687 | -53.2 |
| Cadila Health | 32,340 | 37.4 | 8,571 | 66.1 | 5,033 | 49.1 |
| Cipla | 40,824 | 8.8 | 8,044 | 18.2 | 4,226 | 19.3 |
| Divis Labs | 8,902 | -10.2 | 2,772 | -24.7 | 2,068 | -31.8 |
| Dr Reddy's Labs | 35,460 | -1.1 | 6,634 | 10.1 | 2,849 | -12.2 |
| Glenmark Pharma | 22,234 | 2.3 | 3,552 | -10.7 | 2,141 | -2.4 |
| GSK Pharma | 8,363 | 6.8 | 1,921 | 54.3 | 1,252 | 26.8 |
| IPCA Labs. | 8,643 | -0.9 | 1,490 | 16.4 | 966 | 104.9 |
| Jubilant Life | 16,420 | 18.5 | 3,060 | -10.1 | 1,254 | -13.4 |
| Lupin | 39,520 | -7.9 | 8,531 | -17.0 | 4,550 | -31.3 |
| Sanofi India | 6,675 | 6.9 | 1,837 | 27.0 | 1,163 | 44.3 |
| Shilpa Medicare | 2,040 | -3.4 | 567 | 15.8 | 336 | -12.2 |
| Strides Shasun | 9,956 | 4.4 | 1,312 | -8.5 | 253 | -65.8 |
| Sun Pharma | 65,901 | -15.1 | 13,153 | -50.7 | 9,121 | -59.2 |
| Torrent Pharma | 14,290 | 1.6 | 3,290 | -0.3 | 2,040 | -1.4 |
| Healthcare | 397,558 | 2.2 | 85,962 | -8.1 | 51,482 | -19.5 |

Domestic business shows signs of revival post GST



*Sun Pharma numbers include Ranbaxy, hence not comparable



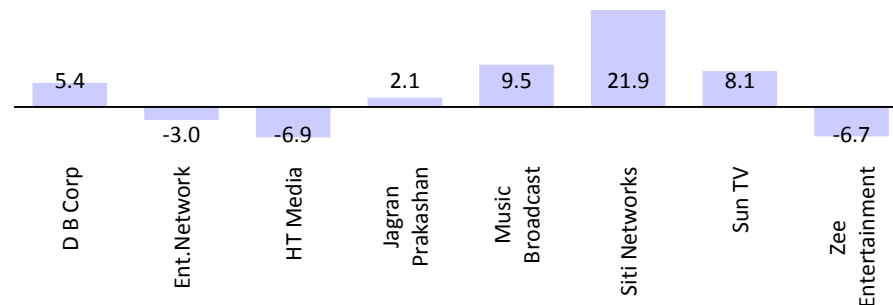
MEDIA: Sees festive boost; still remains impacted by GST

Summary

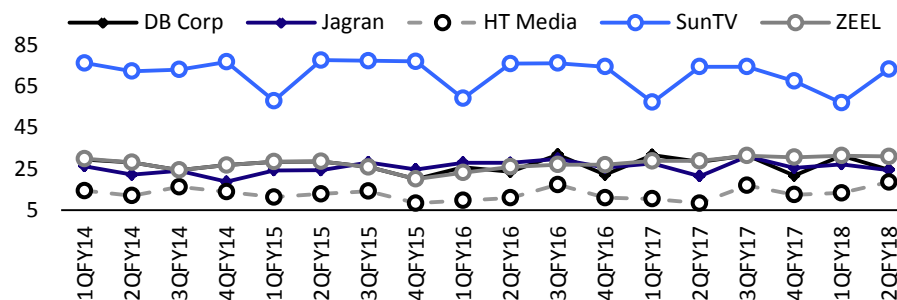
- **Media sector revenue flat YoY:** For our Media Universe, aggregate revenue was flat YoY (1.2% below estimate) and EBITDA increased 6% YoY (7% above estimate). Adjusted PAT rose 8% YoY (2% beat).
- **Ex-Zee, ENIL and HT Media's margins remained under pressure:** The entire Media universe used opex levers to reduce the pain due to GST. However, ex-Zee, the entire universe saw a decline in margins. Zee's margin improved 220bp YoY to 31%, while Sun TV's margin shrank 120bp YoY to 73.4%.
- **Ad growth outlook:**
 1. Outlook for 2HFY18 could be better given the lower base due to demonetization in 2HFY17. However, November-December 2017 would be the decisive period – performance post the festive season would help ascertain whether ad growth is sustainable.
 2. Despite persistent monetization/addressability issues, digitization remains a strong theme. Phase-III monetization will be a key monitorable.
- **Top picks:** Zee Entertainment

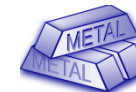
2QFY18: Actual v/s estimates

| INR Million | Sales | | EBITDA | | PAT | |
|-------------------|---------------|-------------|---------------|-------------|--------------|-------------|
| | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) |
| D B Corp | 5,683 | 5.4 | 1,399 | -7.1 | 749 | -8.3 |
| Ent.Network | 1,257 | -3.0 | 284 | 22.8 | 60 | -24.5 |
| HT Media | 5,606 | -6.9 | 1,045 | 107.2 | 638 | 106.3 |
| Jagran Prakashan | 5,665 | 2.1 | 1,386 | -9.4 | 695 | -18.5 |
| Music Broadcast | 758 | 9.5 | 242 | -16.2 | 127 | 9.9 |
| PVR | 5,554 | 2.1 | 905 | 12.6 | 255 | -12.3 |
| Siti Networks | 3,523 | 21.9 | 672 | 41.9 | -608 | Loss |
| Sun TV | 6,759 | 8.1 | 4,961 | 6.4 | 2,847 | 5.3 |
| Zee Entertainment | 15,821 | -6.7 | 4,912 | 0.4 | 2,876 | 20.7 |
| Media | 50,627 | 0.3 | 15,806 | 6.1 | 7,638 | 7.8 |



EBITDA margin trend (%)





Summary

- The metals pack exhibited a robust performance, with EBITDA growing 11% QoQ (34% YoY) to ~INR208b, led by higher steel volumes and lower cost. Underlying indicators remain positive on supply-side measures in China and unexpected surge in demand.
- **Strong volume growth, aided by de-stocking:** Volumes for steel companies increased 13% QoQ to 11.4mt, led by capacity expansion and exports. Aluminum volumes grew 16% QoQ to 818kt on ramp-up at Vedanta and NALCO and de-stocking at HNDL. Copper was weak amid shutdown at Hindalco. Strong volume growth was led partly by re-stocking post the GST impact in 1Q and higher exports.
- **Steel prices under pressure from imports, Base metal realization higher:** Steel companies' realization was down 2% QoQ due to pressure from imports and weak domestic demand. 2Q is also a seasonally weak quarter due to monsoon. Base metal realization was stronger. Aluminum was up 5% QoQ, Zinc 14% and lead 7%. For steel companies, while realization was weak, margins improved across the board on lower raw material cost, primarily coking coal.

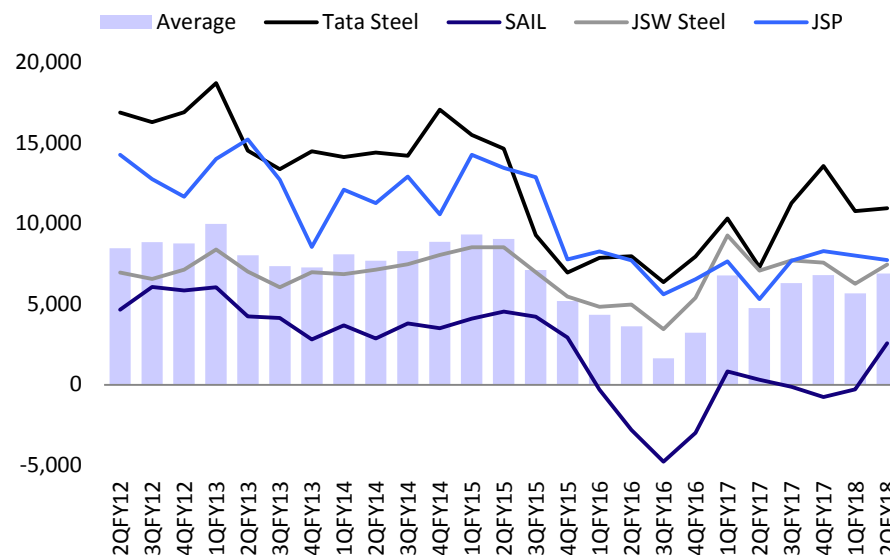
Top Pick

- **Hindalco:** Strong performance at Novelis; EBITDA guidance is raised and volume outlook has improved. India smelting operations suffered due to unfavorable hedges, but the modest cost increase highlights the strength of the business. Coal cost was under control due to efficient blend of captive and linkage coal, and good planning. Alumina cost was under control due to high grade mines.

2QFY18 performance snapshot

| INR Million | Sales | | EBIDTA | | PAT | |
|----------------|------------------|-------------|----------------|-------------|---------------|--------------|
| | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) |
| Hindalco | 282,808 | 16.8 | 35,481 | 16.2 | 10,228 | 108.9 |
| Hindustan Zinc | 53,090 | 50.6 | 30,240 | 45.6 | 22,540 | 18.5 |
| JSPL | 62,393 | 28.4 | 13,734 | 61.9 | -2,982 | Loss |
| JSW Steel | 168,180 | 27.1 | 30,360 | 2.6 | 8,390 | 15.5 |
| Nalco | 24,548 | 33.0 | 3,355 | 94.7 | 2,227 | 83.7 |
| NMDC | 24,213 | 39.2 | 12,852 | 55.6 | 8,944 | 42.1 |
| SAIL | 136,174 | 21.3 | 9,143 | 720.5 | -3,224 | Loss |
| Tata Steel | 324,641 | 23.1 | 47,207 | 58.9 | 10,205 | LP |
| Vedanta | 215,900 | 36.1 | 56,690 | 21.5 | 19,050 | 52.1 |
| Metals | 1,291,947 | 25.6 | 239,061 | 35.2 | 75,378 | 107.9 |

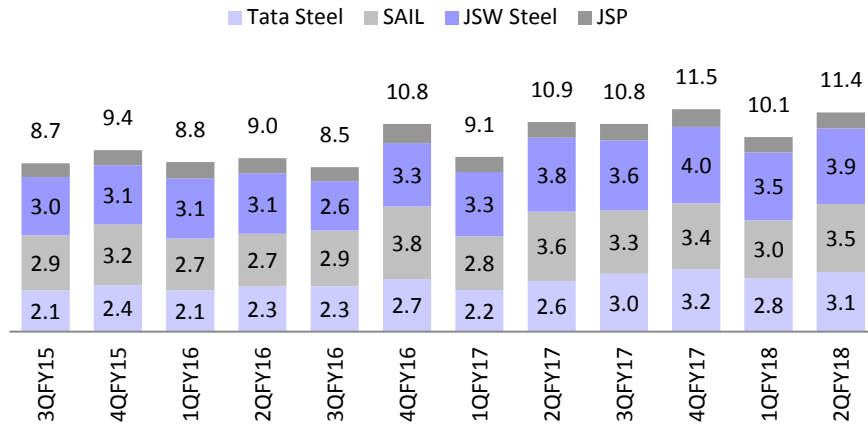
Steel EBITDA (INR/ton)



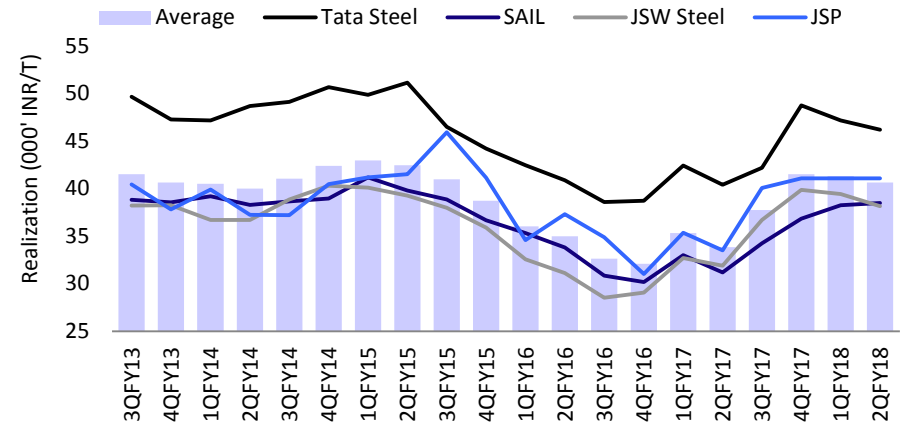
METALS: Strong volume growth on re-stocking and exports



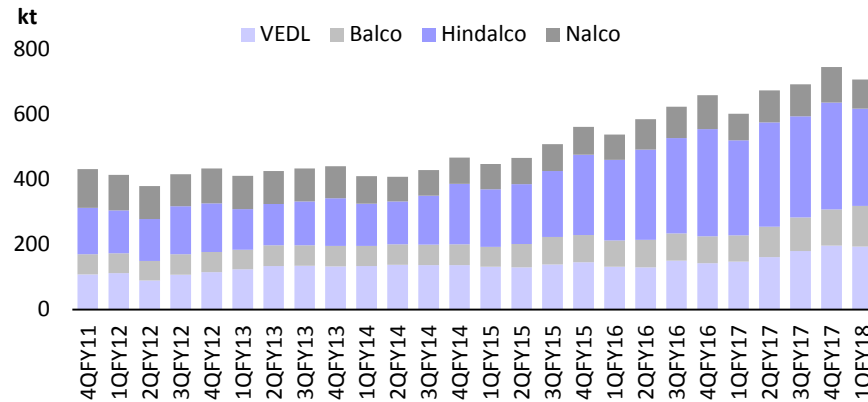
Steel sales (mt)



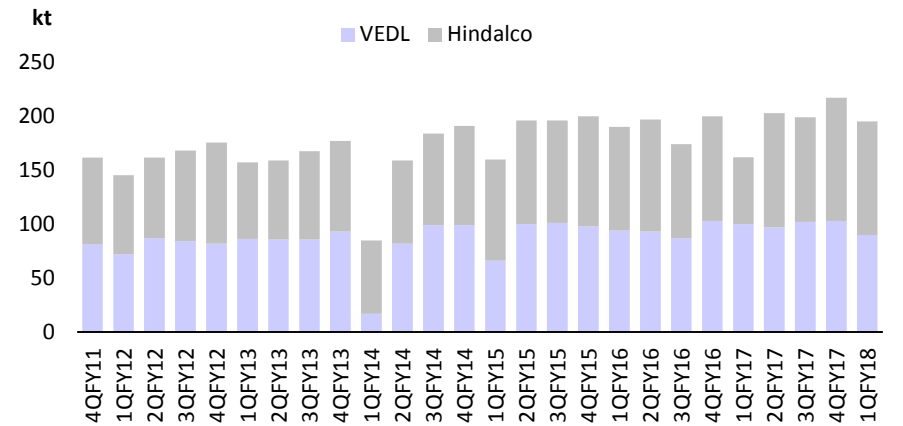
Steel realization (INR/T)



Aluminum sales (kt)



Copper sales (kt)



OIL & GAS: OMCs disappoint on GRMs; volume growth continues for gas companies

Summary

- **OMCs disappoint on GRMs:** While Singapore benchmark GRM was at USD8.3/bbl, OMC's refining performance was disappointing due to poor core GRM in 2QFY18. IOCL reported a core GRM of USD6.9/bbl, HPCL reported a core GRM of USD5.6/bbl and BPCL reported a core GRM of USD6.5/bbl. We expect refining performance to improve in coming quarters.
- **RIL reports expansion in GRM:** RIL continue to improve its refining performance this quarter as well. RIL improved its GRM to USD12/bbl on account of better yield/crude optimization and risk management. RIL being an integrated player is able to improve its volume and margin during the quarter.
- **PLNG reports higher utilization:** Moderate LNG prices and firm contracts at Dahej helped the company to increase its utilization at Dahej from 97% in 1QFY18 to 111% in 2QFY18. Kochi terminal's utilization also improved from 12% in 1QFY18 to 15% in 2QFY18 due to ramp-up at Kochi refinery.
- **Strong CGD volume growth at NCR:** Despite high base, IGL showed strong 14% YoY growth in its total volume. EBITDA/scm stood at INR5.9 v/s INR6 in the previous quarter.

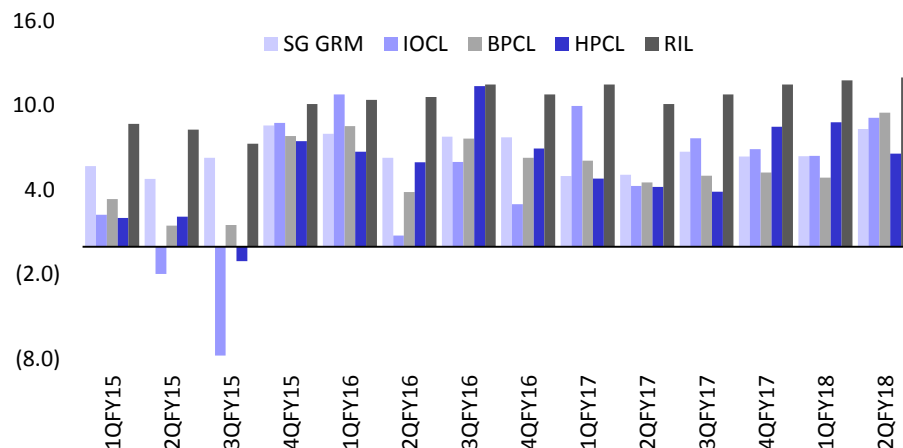
Valuation and view

- Rising crude oil prices, growth in oil and gas production and declining opex put ONGC on strong footing.
- Petronet remains our top pick. It would benefit from the large latent demand in the country and increasing pipeline infrastructure.
- RIL's near-term future will be contingent on Telecom business ramp-up.
- Remain positive on OMCs; expect GRMs to improve in coming quarter. Prefer IOC among three.

2QFY18: Earnings snapshot and Actual v/s Estimate

| INR Million | EBIDTA | | | | PAT | | | |
|---|---------|-------------|-------------|---------|--------|-------------|-------------|---------|
| | Sep-17 | QoQ Chg (%) | YoY Chg (%) | Var (%) | Sep-17 | QoQ Chg (%) | YoY Chg (%) | Var (%) |
| Strong GRM for RIL, production growth continues for ONGC | | | | | | | | |
| Reliance Inds. | 129,830 | 12.0 | 23.0 | 2.7 | 82,650 | 0.8 | 7.3 | -6.3 |
| ONGC | 104,692 | 6.0 | 9.8 | 0.5 | 51,307 | 32.1 | 3.1 | 18.0 |
| Oil India | 10,122 | 15.8 | 21.0 | 33.4 | 6,460 | 43.5 | 11.3 | 19.9 |
| OMCs: Poor GRM performance impacts profitability | | | | | | | | |
| IOC | 69,172 | -25.1 | 11.5 | -40.4 | 36,963 | 38.1 | 18.4 | -59.9 |
| BPCL | 28,436 | 45.3 | 64.4 | -20.5 | 23,576 | 216.6 | 80.6 | -39.8 |
| HPCL | 21,190 | -34.1 | 14.0 | -36.5 | 17,347 | 87.6 | 147.4 | -45.6 |
| Gas: Strong volume growth and lower gas cost benefited gas companies | | | | | | | | |
| GAIL | 20,694 | 9.0 | 36.5 | 0.5 | 13,096 | 27.7 | 41.6 | 7.3 |
| Petronet LNG | 8,987 | 20.8 | 23.7 | 15.3 | 5,888 | 34.6 | 28.1 | 19.4 |
| Gujarat State Petronet | 2,855 | 3.5 | 27.2 | -8.7 | 1,770 | 16.0 | 36.3 | -1.3 |
| Indraprastha Gas | 2,816 | 1.5 | 9.4 | -1.1 | 1,689 | 4.7 | 8.8 | -2.7 |
| Pure Refiners: Refinery maintenance shutdown impacts operating performance | | | | | | | | |
| MRPL | 9,082 | 55.9 | 15.6 | -33.1 | 4,959 | 111.9 | 19.2 | -32.4 |

2QFY18: Singapore GRM at USD8.3/bbl (USD/bbl)





Summary

- Headline numbers above our estimates:** Our Retail Universe sales grew 25.5% YoY (v/s our estimate of +12.7%), EBITDA increased 52.3% YoY (v/s our estimate of +2.5%) and adjusted PAT grew 71.4% YoY (v/s our estimate of +10.5%).
- TTAN continues to do well on SSS :** JUBI's SSS grew 5.5% (our estimate: 6%), while Tanishq's SSS grew by 18%, led by good festive period. If not for PMLA, growth would have been even better, despite a high base of 50% sales growth in the festive season last year.
- 2QFY18 sees operating margin expansion; store additions muted:** Operating margin expanded sharply by 440bp YoY for JUBI, while it was up 160bp YoY for TTAN. TTAN added three World of Titan stores in 2QFY18. Around 22 GoldPlus stores were converted into Tanishq stores in 2QFY18. JUBI's net additions remained flat in 2QFY18. Store addition target changed to 30-40 Dominos stores.
- We turn positive on TTAN and maintain Sell on JUBI**
 - TTAN -** Regulations governing the segment (including identity proofs for all transactions over INR 200,000, GST implementation and crackdown on black money) have tilted trade decisively in favor of organized players, among which TTAN is a dominant player in terms of scale and trust. Recent aggression to capitalize on the massive opportunity is also heartening. Earnings CAGR is likely to be a massive 36% over FY17-20. The sheer scale of top-line opportunity demands premium valuations. Upgrade to Buy.

2QFY18 performance snapshot

| INR Million | Sales | | EBIDTA | | PAT | |
|--------------------|---------------|-------------|--------------|-------------|--------------|-------------|
| | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) |
| Jubilant Foodworks | 7,266 | 9.2 | 1,022 | 59.0 | 485 | 124.8 |
| Titan Company | 34,731 | 29.6 | 3,981 | 50.6 | 2,783 | 64.6 |
| Retail | 41,997 | 25.5 | 5,003 | 52.3 | 3,268 | 71.4 |

SSSG for coverage companies

| LTL Growth (%) | 2Q16 | 3Q16 | 4Q16 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|--------------------|--------|------|-------|-------|------|-------|-------|------|------|
| Jubilant Foodworks | 3.2 | 2.0 | 2.9 | (3.2) | 4.2 | (3.3) | (7.5) | 6.5 | 5.5 |
| Tanishq | (40.0) | 30.0 | (5.0) | 3.0 | 4.0 | 15.0 | 52.0 | 51.0 | 18.0 |

Margins contracted for our Retail universe

| Company | Expansion/Contraction in (bp) | |
|--------------------|-------------------------------|---------------|
| | Gross Margin | EBITDA Margin |
| Jubilant Foodworks | (70) | 440 |
| Titan Industries | (530) | 160 |

Store network for Retail universe

| Company | 2Q16 | 3Q16 | 4Q16 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|-------------------------|------|------|-------|-------|-------|-------|-------|-------|-------|
| Jubilant Foodworks | 950 | 990 | 1,026 | 1,049 | 1,081 | 1,107 | 1,117 | 1,125 | 1,125 |
| Titan Industries | | | | | | | | | |
| World of Titan | 434 | 446 | 452 | 458 | 467 | 470 | 474 | 482 | 485 |
| Tanishq | 181 | 186 | 193 | 197 | 198 | 202 | 208 | 219 | 229 |



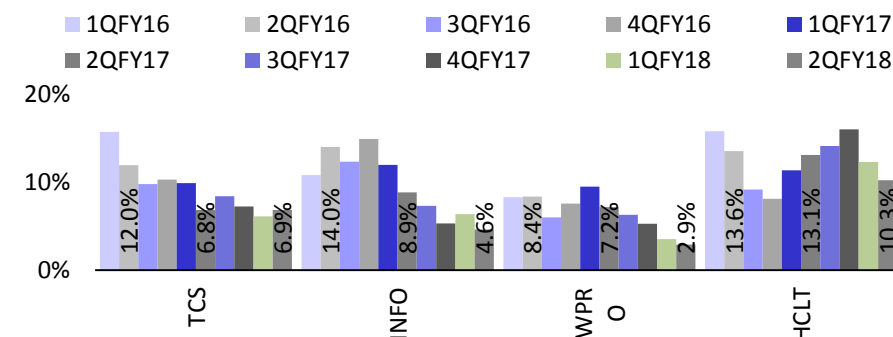
Summary

- In-line on low expectations:** While there was little to complain about from growth perspective for technology vendors in 2QFY18 (as most results were in-line on the constant currency revenue parameter), this was on a set of expectations that was already too bogged down and failed to reflect any seasonal strength.
- Sustained decline in growth:** We note that on YoY basis, stripping the numbers off for any cross-currency movement and incremental revenue from acquisitions, growth deceleration continued into FY18. Aggregate revenue (TCS, CTSH, INFO, WPRO and HCLT) on an organic constant currency basis, in our view, has come off from 12.4% in 1HFY16 to 8.2% in 1HFY17, and now to 5.6% in 1HFY18.
- No additional dollars in BFSI just yet:** Hopes around BFSI recovery formed a critical part of assumptions around growth for FY18, and were also equally responsible for those estimates coming off. Growth here has been below company average for all Tier-I vendors with higher scale in the vertical: TCS; 4.7% YoY CC in BFSI versus 6.9% for company | CTSH; 3.8% YoY in BFSI versus 9.1% for company | INFO; 3.9% YoY in BFS versus 5.5% for company.
- Margin surprise across the board:** An average 80bp margin beat was seen across Tier-I earnings this quarter. Although the INR was flat sequentially against the USD, its 6% depreciation against the EUR and 2% depreciation against the GBP provided for support to the extent of exposure, in addition to further squeezing of operational levers.
- Prefer INFO, TECHM:** We continue to remain selective in terms of our picks, balancing between valuation comfort and performance visibility. Both INFO and TECHM are at the lower end of the valuation bracket. Emerging stability in INFO and the margin thesis playing out in TECHM should bode well going forward. We prefer CYL and PSYS in tier-II.

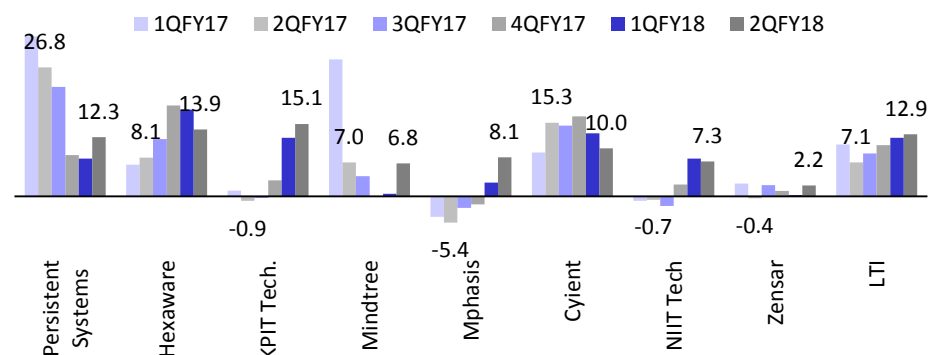
2QFY18 performance snapshot

| | USD revenue - m | | | EBIT margin (%) | | | PAT - INR b | | |
|----------|-----------------|-------|--------|-----------------|------|---------|-------------|------|--------|
| | Act. | Est. | % beat | Act. | Est. | bp beat | Act. | Est. | % beat |
| TCS | 4,739 | 4,739 | 0.0 | 25.1 | 24.2 | 90 | 64.5 | 63.6 | 1.4 |
| Infosys | 2,728 | 2,732 | (0.2) | 24.2 | 23.3 | 90 | 37.3 | 35.5 | 4.9 |
| Wipro | 2,014 | 2,013 | 0.0 | 17.3 | 16.2 | 110 | 21.9 | 19.5 | 12.1 |
| HCL Tech | 1,928 | 1,944 | (0.8) | 19.7 | 19.4 | 30 | 21.9 | 20.1 | (0.8) |
| TECHM | 1,179 | 1,175 | 0.3 | 11.0 | 10.4 | 60 | 8.4 | 7.8 | 7.6 |

Growth ex-acquisitions coming off across the board (CC revenue gr. YoY, %)



YoY revenue growth improvement seen across most tier-II players



TELECOM: Upward revision in Rjio's price plans signals ARPU accretion



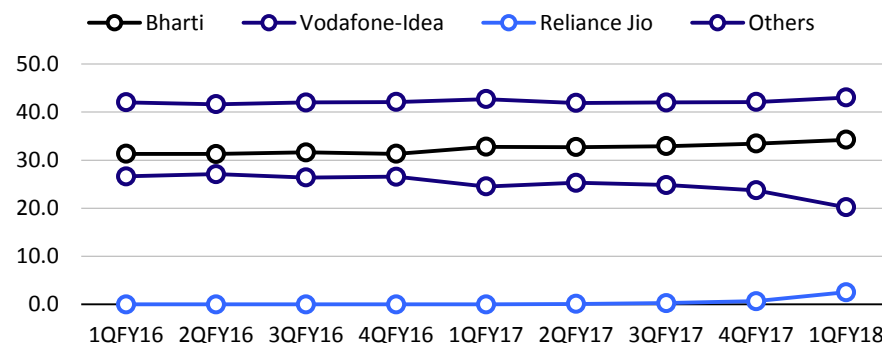
Summary

- EBITDA still under pressure:** Bharti's India wireless revenues fell 5% QoQ (in-line). However, Africa surprised with a 7% QoQ revenue jump (-2% YoY) to INR52b, backed by a 5% dollar ARPU rise. Bharti's consolidated EBITDA was up by 2% QoQ (6% beat), led by 23% QoQ surge in Africa EBITDA to INR16.8b on a leaner cost structure. Idea's EBITDA declined 20%QoQ, 2% below estimate.
- Blended ARPU declined:** Down-trading of subscribers to lower price plans has impacted ARPU. Subsequently, blended ARPUs declined 6.3% to INR145 for Bharti and 6.4% to INR132 QoQ for Idea.
- Data volume growth the only silver lining:** After the launch of competitive data packages by incumbents, data traffic shifted back. This led to doubling of volumes QoQ for both Bharti and Idea.
- Fall in ARPU to get arrested:** Upward revision in Jio's price plans (since turning paid) signalled ARPU accretion, which has been hostage to competition.
- Top picks:** Post IUC and Jiophone launch impact in 2HFY18, we believe ARPUs should improve from FY19. We prefer Bharti, given its strong competitive position and surge in Africa business. Idea is likely to conclude the merger much ahead of the earlier expectation i.e. by the end of FY18, which will improve its competitive standing.

2QFY18: Actual v/s estimates

| INR Million | Sales | | EBIDTA | | PAT | |
|-----------------|----------------|--------------|----------------|--------------|------------|-------------|
| | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) |
| Bharti Airtel | 217,769 | -11.7 | 79,220 | -16.1 | 4,364 | -70.2 |
| Bharti Infratel | 36,482 | 10.8 | 16,146 | 11.4 | 6,384 | -17.5 |
| Idea Cellular | 74,655 | -19.7 | 15,016 | -47.1 | -11,066 | PL |
| Tata Comm | 42,176 | -6.5 | 5,645 | -14.8 | 291 | -66.0 |
| Telecom | 371,082 | -11.1 | 116,027 | -19.4 | -27 | PL |

Operator-wise gross revenue market share (%)





Summary

Spot electricity prices increased in 2Q on seasonally stronger demand and shortage of coal. However, as coal supplies improve, we expect the prices to return to historical averages. JSW Energy, with highest merchant capacity exposure in our coverage universe, saw higher realization but it was offset by increase in imported coal prices. NTPC posted strong underlying performance, as adj. PAT grew ~21% YoY on back of regulated equity growth, higher incentives and efficiency gains. Power Grid PAT growth was relatively low at ~14% YoY, but is expected to improve in 2H. Tata Power's PAT grew 134% QoQ to 3.8b on higher coal prices and better availability at Mundra. CESC's underlying performance was strong (PAT +3% YoY), given the tariff petition is pending approval, delaying cost and capex recovery.

Major highlights

- **NTPC:** After lagging for last few years, capitalization momentum will pick up pace. NTPC is guiding for ~4GW of coal-based capacity commercialization in FY18, of which ~3.3GW is already capitalized. The momentum would continue in FY19 as ~4GW+ is guided to get capitalized.
- **CESC:** The demerger process remains on track. It has received approval from exchanges and SEBI. NCLT directed shareholder meeting is scheduled for December 15th. The listing remains on track for March/April 2018.

2QFY18 performance snapshot

| INR Million | Sales | | EBIDTA | | PAT | |
|------------------|----------------|-------------|----------------|-------------|---------------|-------------|
| | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) | Sep-17 | YoY Chg (%) |
| CESC | 20,880 | 3.6 | 5,050 | -14.6 | 2,470 | 2.1 |
| Coal India | 181,483 | 11.9 | 12,888 | 45.6 | 3,689 | -38.5 |
| JSW Energy | 20,490 | 0.1 | 8,824 | -8.3 | 2,969 | 36.6 |
| NTPC | 198,518 | 2.3 | 55,933 | 3.7 | 28,387 | 21.3 |
| Power Grid Corp. | 72,528 | 16.4 | 65,560 | 17.5 | 21,410 | 14.1 |
| Tata Power | 76,573 | 6.2 | 18,498 | 26.6 | 3,830 | 13.9 |
| Utilities | 570,473 | 7.4 | 166,752 | 12.1 | 62,754 | 11.8 |

MOSL Universe: Annual performance (INR b)

| SECTOR | Sales (INR B) | | | Change YoY (%) | | | EBIDTA (INR B) | | | Change YoY (%) | | | PAT (INR B) | | | Change YoY (%) | | | EARN. CAGR (FY17-FY20) |
|---------------------------|---------------|---------------|---------------|----------------|-------------|------------|----------------|---------------|---------------|----------------|-------------|-------------|--------------|--------------|--------------|----------------|-------------|-------------|------------------------|
| | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E | |
| Auto (15) | 6,268 | 7,419 | 8,010 | 12.5 | 18.4 | 8.0 | 870 | 1,178 | 1,288 | 9.9 | 35.4 | 9.3 | 381 | 593 | 676 | 17.8 | 55.7 | 13.9 | 27.8 |
| Capital Goods (16) | 2,393 | 2,677 | 2,948 | 9.5 | 11.9 | 10.1 | 251 | 299 | 339 | 20.6 | 19.0 | 13.2 | 148 | 178 | 210 | 16.9 | 19.9 | 18.3 | 18.4 |
| Cement (13) | 1,481 | 1,763 | 1,980 | 20.6 | 19.0 | 12.3 | 297 | 379 | 448 | 25.8 | 27.6 | 18.1 | 130 | 177 | 219 | 24.4 | 35.4 | 24.2 | 27.9 |
| Consumer (18) | 1,774 | 2,038 | 2,341 | 7.2 | 14.9 | 14.9 | 419 | 486 | 566 | 9.5 | 16.0 | 16.4 | 287 | 336 | 394 | 9.8 | 17.1 | 17.1 | 14.6 |
| Financials (36) | 3,269 | 3,825 | 4,487 | 11.6 | 17.0 | 17.3 | 2,683 | 3,128 | 3,712 | 7.3 | 16.6 | 18.7 | 945 | 1,323 | 1,702 | 41.8 | 40.0 | 28.7 | 36.7 |
| Private Banks (13) | 1,226 | 1,443 | 1,729 | 16.7 | 17.6 | 19.8 | 1,045 | 1,242 | 1,509 | 10.0 | 18.9 | 21.5 | 482 | 635 | 805 | 18.8 | 31.8 | 26.8 | 25.6 |
| PSU Banks (7) | 1,447 | 1,674 | 1,907 | 3.6 | 15.7 | 13.9 | 1,144 | 1,291 | 1,481 | -0.8 | 12.8 | 14.7 | 192 | 356 | 492 | 329.3 | 85.5 | 38.0 | 122.4 |
| NBFC (16) | 596 | 708 | 851 | 23.6 | 18.9 | 20.1 | 494 | 594 | 722 | 23.9 | 20.3 | 21.5 | 271 | 331 | 405 | 25.4 | 22.4 | 22.2 | 23.3 |
| Healthcare (20) | 1,630 | 1,891 | 2,169 | 3.1 | 16.0 | 14.7 | 332 | 420 | 504 | -6.2 | 26.6 | 20.0 | 193 | 262 | 318 | -15.3 | 35.5 | 21.3 | 11.7 |
| Infrastructure (4) | 149 | 168 | 184 | 8.8 | 12.8 | 9.3 | 46 | 51 | 50 | 0.7 | 10.8 | -0.3 | 13 | 14 | 15 | 18.7 | 10.3 | 7.5 | 12.0 |
| Logistics (3) | 141 | 161 | 185 | 14.4 | 14.2 | 15.0 | 19 | 25 | 30 | 0.4 | 26.3 | 21.3 | 14 | 18 | 22 | 13.1 | 28.1 | 21.6 | 20.8 |
| Media (13) | 293 | 332 | 373 | 7.1 | 13.2 | 12.4 | 88 | 105 | 122 | 12.4 | 19.5 | 16.4 | 37 | 53 | 66 | 12.5 | 40.9 | 24.8 | 25.5 |
| Metals (10) | 5,161 | 5,691 | 5,938 | 16.2 | 10.3 | 4.3 | 1,025 | 1,293 | 1,352 | 25.8 | 26.2 | 4.5 | 359 | 536 | 581 | 69.3 | 49.3 | 8.4 | 39.9 |
| Oil & Gas (12) | 14,987 | 17,169 | 18,015 | 18.7 | 14.6 | 4.9 | 1,946 | 2,244 | 2,353 | 16.1 | 15.3 | 4.9 | 1,067 | 1,224 | 1,305 | 7.7 | 14.7 | 6.6 | 9.6 |
| Excl. OMCs (9) | 6,199 | 7,276 | 7,518 | 19.4 | 17.4 | 3.3 | 1,391 | 1,578 | 1,648 | 27.0 | 13.5 | 4.4 | 740 | 849 | 906 | 16.5 | 14.8 | 6.6 | 12.6 |
| Retail (2) | 191 | 232 | 283 | 22.8 | 21.3 | 22.0 | 19 | 24 | 29 | 36.2 | 25.2 | 22.7 | 13 | 16 | 20 | 44.3 | 27.1 | 25.8 | 32.1 |
| Technology (15) | 3,717 | 4,119 | 4,472 | 4.5 | 10.8 | 8.6 | 845 | 949 | 1,015 | 2.8 | 12.2 | 7.0 | 653 | 708 | 763 | 1.3 | 8.5 | 7.7 | 5.8 |
| Telecom (4) | 1,489 | 1,596 | 1,763 | -8.1 | 7.2 | 10.4 | 464 | 513 | 598 | -14.0 | 10.7 | 16.5 | -10 | 2 | 35 | -114.6 | -115.4 | 2,070 | -21.3 |
| Utilities (6) | 2,534 | 2,779 | 3,002 | 7.7 | 9.7 | 8.0 | 800 | 950 | 1,070 | 16.4 | 18.7 | 12.7 | 349 | 403 | 452 | 17.2 | 15.6 | 12.2 | 15.0 |
| Others (24) | 1,051 | 1,267 | 1,496 | 18.6 | 20.5 | 18.1 | 174 | 210 | 261 | 19.5 | 20.2 | 24.3 | 89 | 111 | 142 | 23.7 | 24.9 | 27.6 | 25.4 |
| MOSL (211) | 46,530 | 53,127 | 57,647 | 12.6 | 14.2 | 8.5 | 10,278 | 12,252 | 13,737 | 10.3 | 19.2 | 12.1 | 4,668 | 5,954 | 6,920 | 14.9 | 27.5 | 16.2 | 19.4 |
| MOSL Ex OMCs (208) | 37,741 | 43,234 | 47,150 | 11.4 | 14.6 | 9.1 | 9,723 | 11,587 | 13,032 | 11.3 | 19.2 | 12.5 | 4,341 | 5,579 | 6,520 | 17.0 | 28.5 | 16.9 | 20.7 |
| Sensex (30) | 11,246 | 12,867 | 13,803 | 11.0 | 14.4 | 7.3 | 2,995 | 3,527 | 3,953 | 8.4 | 17.8 | 12.1 | 1,423 | 1,793 | 2,087 | 13.6 | 26.0 | 16.4 | 18.5 |
| Nifty (50) | 16,624 | 18,932 | 20,262 | 12.6 | 13.9 | 7.0 | 3,820 | 4,554 | 5,093 | 9.3 | 19.2 | 11.8 | 1,854 | 2,343 | 2,711 | 14.3 | 26.4 | 15.7 | 18.7 |

Note: For Banks : Sales = Net Interest Income, EBIDTA = Operating Profits; Note: Sensex & Nifty Numbers are Free Float.

MOSL Universe: Valuations

| Sector | PE (x) | | | EV / EBIDTA (x) | | | P/BV (x) | | | ROE (%) | | | Div Yield (%) | EARN. CAGR |
|------------------------------|-------------|-------------|-------------|-----------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|---------------|-------------|
| | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E | FY18E | FY19E | FY20E | FY17 | (FY17-FY20) |
| Auto (15) | 24.7 | 15.9 | 14.0 | 10.2 | 7.3 | 6.4 | 4.4 | 3.6 | 3.0 | 17.9 | 22.9 | 21.8 | 1.0 | 27.8 |
| Capital Goods (16) | 31.0 | 25.8 | 21.8 | 19.8 | 16.5 | 14.3 | 3.4 | 3.1 | 2.9 | 11.0 | 12.1 | 13.1 | 1.2 | 18.4 |
| Cement (13) | 30.9 | 22.8 | 18.4 | 13.9 | 10.6 | 8.6 | 3.3 | 2.9 | 2.6 | 10.7 | 12.9 | 14.2 | 0.6 | 27.9 |
| Consumer (18) | 43.2 | 36.9 | 31.5 | 29.0 | 24.8 | 21.2 | 12.3 | 10.9 | 9.7 | 28.4 | 29.6 | 30.6 | 1.4 | 14.6 |
| Financials (36) | 24.4 | 17.4 | 13.5 | N.M | N.M | N.M | 2.4 | 2.1 | 1.9 | 9.7 | 12.2 | 13.9 | 0.9 | 36.7 |
| Private Banks (13) | 25.3 | 19.2 | 15.1 | N.M | N.M | N.M | 3.0 | 2.7 | 2.3 | 11.9 | 13.9 | 15.4 | 0.9 | 25.6 |
| PSU Banks (7) | 22.4 | 12.1 | 8.8 | N.M | N.M | N.M | 1.1 | 1.0 | 0.9 | 4.7 | 8.0 | 10.1 | 0.9 | 122.4 |
| NBFC (16) | 24.2 | 19.8 | 16.2 | N.M | N.M | N.M | 4.1 | 3.5 | 3.0 | 17.0 | 17.7 | 18.6 | 0.9 | 23.3 |
| Healthcare (20) | 27.4 | 20.2 | 16.7 | 16.2 | 12.4 | 10.0 | 3.5 | 3.1 | 2.7 | 12.9 | 15.3 | 16.2 | 0.5 | 11.7 |
| Infrastructure (4) | 16.4 | 14.9 | 13.8 | 7.4 | 7.3 | 7.9 | 1.9 | 1.7 | 1.5 | 11.7 | 11.6 | 11.2 | 1.0 | 12.0 |
| Logistics (3) | 28.0 | 21.8 | 18.0 | 18.9 | 14.8 | 12.0 | 3.2 | 3.0 | 2.8 | 11.4 | 13.6 | 15.4 | 1.7 | 20.8 |
| Media (13) | 34.1 | 24.2 | 19.4 | 13.8 | 11.2 | 9.2 | 4.8 | 4.3 | 3.7 | 14.1 | 17.6 | 19.1 | 0.6 | 25.5 |
| Metals (10) | 14.8 | 9.9 | 9.1 | 7.7 | 5.8 | 5.3 | 1.7 | 1.5 | 1.4 | 11.4 | 15.3 | 14.9 | 4.0 | 39.9 |
| Oil & Gas (12) | 12.7 | 11.1 | 10.4 | 6.6 | 5.4 | 5.1 | 1.6 | 1.5 | 1.4 | 12.9 | 13.5 | 13.1 | 3.0 | 9.6 |
| Excl. OMCs (9) | 13.6 | 11.9 | 11.1 | 6.5 | 5.3 | 5.0 | 1.5 | 1.4 | 1.3 | 11.3 | 12.0 | 11.8 | 2.0 | 12.6 |
| Retail (2) | 63.6 | 50.1 | 39.8 | 41.2 | 32.7 | 26.4 | 13.1 | 12.0 | 11.2 | 20.5 | 23.9 | 28.0 | 0.7 | 32.1 |
| Technology (15) | 17.5 | 16.1 | 15.0 | 12.4 | 10.8 | 9.8 | 4.3 | 3.7 | 3.4 | 24.4 | 23.2 | 22.5 | 2.0 | 5.8 |
| Telecom (4) | -306.7 | 1985.7 | 91.5 | 9.8 | 8.7 | 7.2 | 3.1 | 3.2 | 3.2 | -1.0 | 0.2 | 3.5 | 1.4 | -21.3 |
| Utilities (6) | 13.5 | 11.6 | 10.4 | 9.5 | 8.1 | 7.2 | 2.1 | 1.9 | 1.8 | 15.7 | 16.6 | 17.1 | 3.7 | 15.0 |
| Others (24) | 31.5 | 25.3 | 19.8 | 15.3 | 12.4 | 9.7 | 6.0 | 5.3 | 4.7 | 19.1 | 21.1 | 23.6 | 1.2 | 25.4 |
| MOSL (211) | 22.0 | 17.2 | 14.8 | N.M | N.M | N.M | 2.9 | 2.6 | 2.3 | 13.2 | 15.1 | 15.8 | 1.6 | 19.4 |
| MOSL Excl. OMCs (208) | 22.8 | 17.8 | 15.2 | N.M | N.M | N.M | 3.0 | 2.7 | 2.4 | 12.9 | 14.9 | 15.7 | 1.5 | 20.7 |
| Sensex (30) | 21.9 | 17.4 | 15.0 | N.M | N.M | N.M | 3.0 | 2.6 | 2.4 | 13.6 | 15.2 | 15.7 | 1.4 | 18.5 |
| Nifty (50) | 21.0 | 16.6 | 14.4 | N.M | N.M | N.M | 3.0 | 2.6 | 2.3 | 14.1 | 15.8 | 16.2 | 1.4 | 18.7 |

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Motilal Oswal Securities Limited
MEMBER OF BSE AND NSE
Motilal Oswal Tower, Sayani Road, Prabhadevi, Mumbai 400 025, INDIA
BOARD: +91 22 3982 5500 | WEBSITE: www.motilaloswal.com

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India Strategy

Macro Pick-up
Demand uptick

Demonetization
GST
RERA
IBC

Turbulence behind; clear skies ahead!

Research Team (Gautam.Duggal@MotilalOswal.com)

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Thematic | 24 August 2017
Sector: Technology
Indian Exchanges

MCX
BSE
NSE

The confluence of growth drivers

Ashish Chopra (Ashish.Chopra@MotilalOswal.com), +91 22 3982 5424
Sagar Laha (Sagar.Laha@MotilalOswal.com), +91 22 3982 5385

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Thematic | September 2017
Staffing

Well placed!

Sagar Laha - Research Analyst (Sagar.Laha@MotilalOswal.com), +91 22 3982 5385
Ashish Chopra - Research Analyst (Ashish.Chopra@MotilalOswal.com), +91 22 3982 5424

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Thematic | October 2017
Infrastructure

Time to speed up

Amrit Shah - Research Analyst (Amrit.Shah@MotilalOswal.com), +91 22 3982 5326
Ankur Sharma - Research Analyst (Ankur.Sharma@MotilalOswal.com), +91 22 3982 5447

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Thematic | June 2017
Contrarian Investing

It pays to be different

Gautam Duggal (Gautam.Duggal@MotilalOswal.com), +91 22 6129 1522
Bharat Anura (Bharat.Anura@MotilalOswal.com), +91 22 3982 5410

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Thematic | January 2017
Value Migration

Picking winners in disruptive times

Gautam Duggal (Gautam.Duggal@MotilalOswal.com)

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Thematic | July 2017
Radio

Strong phase III impetus
Healthy listenership
Asset monetization

Well tuned to flourish

Abhiram Shukla (Abhiram.Shukla@MotilalOswal.com), +91 22 6129 1505
Ajay Gumber (Ajay.Gumber@MotilalOswal.com), +91 22 6129 1540

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Thematic Research | April 2017
Economy

Is fiscal policy reaching limits?

Nikhil Gupta (Nikhil.Gupta@MotilalOswal.com), +91 22 3982 5405
Madhurma Chowdhury (Madhurma.Chowdhury@MotilalOswal.com), +91 22 3982 5449