

Corporate performance



4QFY17: Expectations v/s delivery

% of Companies that have Declared Results

Above Expectations In-line Below Expectations

MOSL	38	26	36
PAT			
Nifty	36	34	30

(no of companies)	Growth (YoY, %)		
	MOSL (175)	Nifty (50)	Sensex (30)
Sales	14.0	13.5	9.6
EBIDTA	9.3	4.6	2.7
PAT	27.7	15.2	8.2

Market snapshot



Equities - India	Close	Chg. %	YTD. %
Sensex	31,146	0.0	17.0
Nifty-50	9,621	0.0	17.5
Nifty-M 100	17,510	0.6	22.0
Equities-Global	Close	Chg. %	YTD. %
S&P 500	2,412	0.0	7.7
Nasdaq	6,199	-0.1	15.1
FTSE 100	7,520	-0.1	5.3
DAX	12,615	0.1	9.9
Hang Seng	10,603	-0.2	12.9
Nikkei 225	19,651	0.1	2.8
Commodities	Close	Chg. %	YTD. %
Brent (US\$/Bbl)	50	-2.4	-9.6
Gold (\$/OZ)	1,265	0.1	9.1
Cu (US\$/MT)	5,658	0.4	2.4
Almn (US\$/MT)	1,926	0.2	13.0
Currency	Close	Chg. %	YTD. %
USD/INR	64.5	-0.2	-4.9
USD/EUR	1.1	0.5	6.3
USD/JPY	110.8	-0.1	-5.3
YIELD (%)	Close	1MChg	YTDchg
10 Yrs G-Sec	6.7	0.0	0.1
10 Yrs AAA Corp	7.8	0.0	0.3
Flows (USD b)	31-May	MTD	YTD
FII	0.2	1.5	7.8
DII	-0.1	0.5	2.1
Volumes (INRb)	31-May	MTD*	YTD*
Cash	434	309	288
F&O	4,477	5,401	4,801

Note: YTD is calendar year, \*Avg

Quote of the day

The stock market is filled with individuals who know the price of everything, but the value of nothing

Research Team (Gautam.Duggad@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.



Today's top research theme

India Strategy: Taking stock of three years of MODified regime

As the NDA government led by Mr Narendra Modi completes three years in office, we take stock of the economy and markets. Key highlights:

- ✓ The defining feature of the Indian economy has been the achievement of macroeconomic stability.
- ✓ The government has implemented several important reforms, including formalization of the economy led by Goods & Services Tax, Direct Benefit Transfer, and relaxation of FDI limits in several sectors.
- ✓ Markets are at all-time highs, but earnings flat over past three years. Institutional capital flows totaled USD40b in last 36 months, with DII flows outpacing FII by 2.5x in last 24 months.
- ✓ Revival of private capex cycle and asset quality of PSU banks are the key triggers, going forward.



Research covered

Cos/Sector	Key Highlights
India Strategy	Taking stock of three years of MODified regime
Ecoscope	4QFY17 real GDP growth decelerates as expected
United Spirits	Volumes decline 8.2% YoY; Portfolio premiumization continues
Castrol India	EBITDA/PAT above estimates
Thermax	Operating performance beat; impairment loss hurts profitability
Bharat Electronics	Operational performance in-line
Va Tech Wabag	Operating performance in-line; plans to raise funds to meet equity
Den Networks	Operational performance exceeds expectations; Maintain EPS and TP
Eveready	Appliance and Lighting to drive growth ahead



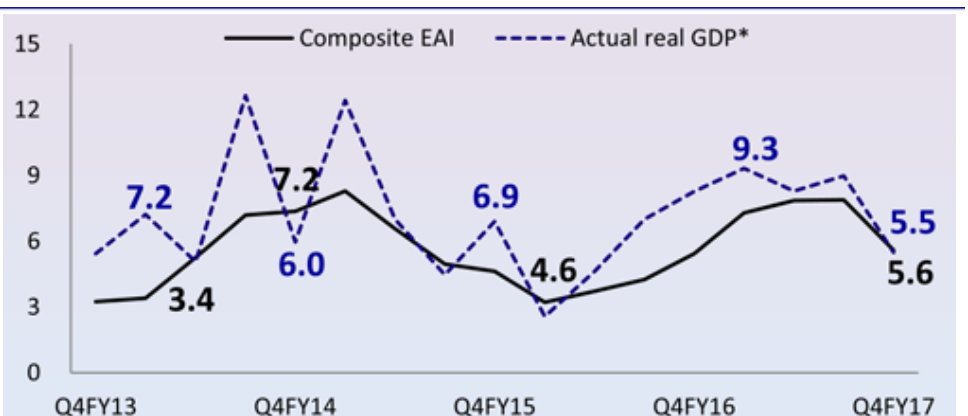
Piping hot news

Demonetisation pulls down India GDP growth rate to 6.1% in Q4 2016-17

- ✓ India's economic growth slowed for the fourth consecutive quarter in the three months ended March, mirroring the impact of demonetisation on key sectors including construction and financial services.



Chart of the Day: EcoScope – Real GDP growth was in line with what monthly indicators suggested (% YoY)





Kindly click on textbox for the detailed news link

1

**Petrol price hiked by Rs1.23 per litre, diesel by 89 paise**

Petrol price was on Wednesday hiked by Rs1.23 per litre and diesel by 89 paise a litre in sync with rising international crude oil prices. The petrol price hike, effective midnight, comes on the back of a Rs2.16 per litre cut in petrol and Rs 2.10...

2

**Banks invoke RBI's SDR norms to take control of Ballarpur Industries**

Lenders of Ballarpur Industries Ltd (BILT) will take management control of the cash-strapped company as part of strategic debt restructuring (SDR)—a Reserve Bank of India (RBI) mechanism to address bad loans. The company has also sought approval of shareholders to re-classify its authorised share capital. BILT is reported to be saddled with an estimated consolidated debt of over Rs6,000 crore...

3

**Orient Cement to acquire two units from Jaypee for Rs1,946 crore**

CK Birla Group firm Orient Cement Ltd on Wednesday said it would acquire two entities, Bhilai Jaypee Cement and Nigrie Cement Grinding Unit, from Jaypee group firms for a total consideration of Rs1,946 crore...

4

**Maharashtra farmers to go on 'strike' from Wednesday**

Over half a million farmers across Maharashtra on Wednesday said that they plan to launch an indefinite strike starting midnight after talks with Chief Minister Devendra Fadnavis on various issues, including the long-pending demand of a loan waiver, collapsed...

5

**Saddled with NPAs, worried banks looking at ways to solve RCom's loan repayment woes**

Bankers are scheduled to meet next week amid rising concern over the possibility of more than Rs 40,000 crore of Reliance Communications Ltd's loans becoming non-performing assets (NPAs) after three rating firms downgraded the company's debt following missed bond payments. ...

6

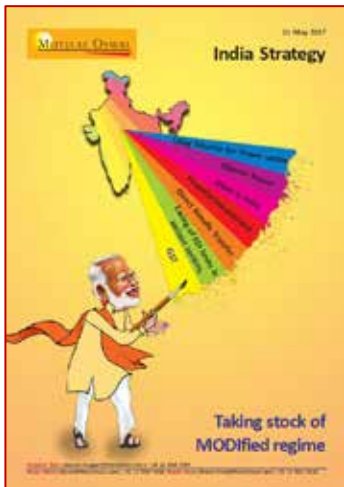
**Govt looks to rejig Air India debt to sweeten deal for buyer**

Air India will rejig its debt before going under the hammer to make itself lucrative to a potential buyer. This is the second attempt to restructure the government-owned airline's debts. Officials said state-owned banks would soon start a fresh round of discussions with Air India on reducing its debt burden....

7

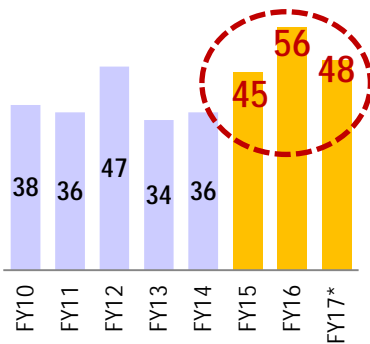
**Maruti Suzuki to bring fleet of SUVs to battlefront**

Maruti Suzuki is working on a pipeline of SUVs to be launched over the next few years, emboldened by the success of its Vitara Brezza in the quickest growing segment of the nation's passenger vehicle industry...



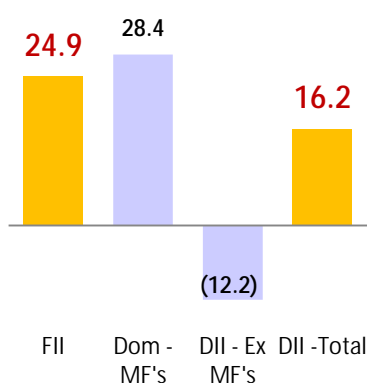
## Robust FDI flows over the last 3 years

Pick up in FDI in last 3 years



\*only till 3Q

## Flows over May'14-May'17 (USD b)



## Taking stock of three years of MODified regime

**Macroeconomic stability defining feature; earnings revival critical**

As the NDA government led by Mr. Narendra Modi completes three years in office, we step back and take a look at the key highlights of the last three years from the markets and economy perspective.

### Macroeconomic stability defining feature of first three years of NDA regime

The defining feature of the Indian economy over May 2014 - May 2017 has been the achievement of macroeconomic stability. Taming of inflation (supported by benign crude oil prices) coupled with controlled twin deficits – both fiscal as well as current account deficits – and stable currency are the key achievements of the past three years, in our view. This has provided a resilient backdrop for foreign capital inflows to the Indian economy (reflected in the highest-ever FDI inflows). The stable macroeconomic backdrop augurs well from the “growth-inflation” perspective.

### Flood of reforms in three years

In the last three years, the government has implemented / initiated several important reforms. **Goods & Services Tax (GST), easing of FDI limits in various sectors, Direct Benefit Transfer (subsidy reforms), Financial Inclusion and Digitization, Make in India, Ujjwala Yojana, and Uday Scheme for Power sector** are some of its signature initiatives, in our view. The common thread running across reforms like GST and Demonetization seems to be a thrust towards formalization of the economy and enhancement of tax base. Demonetization has also resulted in a deluge of liquidity in the system, driving interest rates lower. There has been considerable change in the fortunes of few important sectors like Oil & Gas and Power. We have highlighted various initiatives across Infrastructure, Oil & Gas and Power sectors inside the note.

### Markets at all-time highs, but earnings flat for last three years

The Nifty has appreciated at a CAGR of 9.8% and the CNX Midcap has delivered 24.8% CAGR over May 2014 - May 2017. Over May 2014 - May 2017, cumulative institutional inflows stood at USD41.1b (FII – USD24.9b, DII – USD16.2b). But over the last 24 months, domestic institutional flows have picked up significantly and outpaced foreign institutional flows (DII inflows at USD16.9b v/s FII inflows of USD6.8b). The consistent DII inflows have broadened the valuation premium of midcaps over large-caps. The one-year forward P/E stands at 18.6 for the Nifty v/s 19.4 for the CNX Midcap 100.

Meanwhile, earnings growth over the last three years has been lackluster, with flattish Nifty EPS over FY14-17. Earnings growth was hamstrung by the absence of revival in private investment cycle, two consecutive droughts (impacted consumption spending), asset quality stress at public sector (PSU) banks and corporate private sector banks, deceleration in credit growth, deflation in commodity prices in FY16 and the demonetization exercise. While we are disappointed by the lack of earnings growth, we believe the underlying change in

the economy has erased the problems of the past and created a foundation for future growth. We believe an earnings up-cycle is ahead and this would be critical for further market returns. However, we expect earnings to revive over FY17-19 and model earnings CAGR of 20% for the Nifty and 21% for our broader MOSL Universe. Earnings growth would be driven by low base and recovery in earnings of cyclicals (Metals, PSU Banks, Autos). Also, government spending in rural areas and normal monsoons could boost consumption in FY18.

**Revival of private capex cycle and asset quality of PSU banks key triggers, going ahead**

We believe broader market valuations have limited re-rating triggers in the near term, unless accompanied by earnings recovery. Going forward, broad-based earnings recovery would be a function of revival of private capex cycle as well as resolution of stressed assets at PSU banks. Re-capitalization of PSU Banks would also be keenly awaited, we believe. Our top ideas include: **Yes Bank, ICICI Bank, SBI, Tata Motors, Maruti, Petronet LNG, Coal India, ONGC, ITC, Britannia, Emami, Aurobindo Pharma, Hindalco, JSPL, L&T, Shree Cements, JK Cements, Crompton Consumer, Manpasand Beverages, and S H Kelkar.**

**Basket of top-picks**

Company	CMP (INR)	TP (INR)	EPS (INR)			EPS Gr. (%)			PE (x)			PB (x)			RoE (%)		
			FY17	FY18	FY19E	FY17	FY18	FY19E	FY17	FY18	FY19E	FY17	FY18	FY19E	FY17	FY18	FY19E
ITC	310	355	8.4	9.6	11.5	9.4	14.1	19.6	37.0	32.4	27.1	8.4	8.2	7.5	23.5	25.6	28.9
State Bank	289	375	0.3	19.7	25.9	-98.1	6426.1	31.4	954.6	14.6	11.1	1.3	1.2	1.1	-0.2	8.9	10.7
ONGC	178	229	16.4	20.6	23.9	20.8	25.6	16.1	10.9	8.6	7.5	1.0	1.0	0.9	10.4	11.7	13.0
Maruti Suzuki	7,147	8,060	248.6	300.0	370.9	36.6	20.6	23.6	28.7	23.8	19.3	6.0	5.1	4.4	20.3	21.2	22.3
ICICI Bank	321	365	16.8	16.8	19.2	0.6	0.0	14.3	19.1	19.1	16.7	2.2	2.0	1.8	10.1	9.1	9.8
Coal India	267	316	14.9	18.3	20.7	-33.9	22.5	13.1	17.9	14.6	12.9	6.8	6.7	6.7	37.8	46.2	52.1
Larsen & Toubro	1,767	2,000	63.3	68.0	78.3	43.0	7.4	15.3	27.9	26.0	22.6	3.3	3.2	2.9	12.6	12.5	13.6
Tata Motors	481	635	19.8	30.8	65.8	-48.4	55.4	113.8	24.3	15.6	7.3	2.8	2.4	1.8	9.8	16.5	27.8
Yes Bank	1,439	2,110	73.0	90.5	114.0	20.8	24.1	25.9	19.7	15.9	12.6	3.7	3.1	2.3	18.9	17.9	19.4
Shree Cement	17,941	23,316	384.4	480.7	621.0	5.4	25.0	29.2	46.7	37.3	28.9	8.9	7.3	5.9	20.2	21.5	22.6
Hindalco	203	250	16.2	22.6	25.9	35.1	39.7	14.5	12.6	9.0	7.9	1.6	1.3	1.1	14.0	15.6	15.1
Britannia	3,419	4,050	73.7	82.1	101.3	7.3	11.4	23.4	46.4	41.7	33.7	15.2	14.1	11.3	36.9	35.2	37.2
Aurobindo Pharma	580	750	39.3	44.1	50.2	13.6	12.2	13.8	14.8	13.1	11.5	3.7	2.9	2.4	28.3	24.8	22.5
Petronet LNG	437	547	22.7	25.9	35.1	102.7	13.8	35.7	19.2	16.9	12.5	4.1	3.5	2.9	23.6	22.1	25.2
Emami	1,082	1,250	26.5	29.2	34.7	4.5	10.2	18.6	40.8	37.0	31.2	14.0	11.3	9.1	35.8	33.8	32.2
CG Consumer Elect.	220	240	4.7	5.6	6.7	146.2	19.2	20.1	46.9	39.4	32.8	25.5	18.3	15.0	76.4	54.2	50.3
JSPL	123	184	-20.9	-16.0	-2.5	Loss	Loss	Loss	-5.9	-7.7	-48.8	0.4	0.4	0.4	-7.9	-5.0	-0.8
J K Cements	1,103	1,322	33.7	46.4	59.5	329.9	37.7	28.2	32.7	23.8	18.5	4.4	3.8	3.2	14.4	17.0	18.6
Manpasand Bev.	799	841	13.3	22.0	31.1	31.7	65.3	41.6	60.1	36.3	25.7	3.9	3.6	3.3	7.7	9.3	13.5
S H Kelkar	281	367	7.2	9.6	12.2	43.5	32.6	27.4	38.7	29.2	22.9	5.0	4.5	3.9	13.7	16.1	18.2

## 4QFY17 real GDP growth decelerates as expected

Without government consumption, real GDP growth was only 5.6% in FY17

- n Although real GDP growth disappointed the markets, it made complete sense to us. India's real gross domestic product (GDP) growth decelerated to 6.1% YoY in 4QFY17, much lower than market consensus of 7.1%, but in line with [our estimate of 6.2%](#). Accordingly, real GDP grew 7.1% YoY for full-year FY17 – in line with our estimate of 7.2% and lower than market consensus of ~7.7%.
- n Real GDP estimates are also in harmony with our proprietary [monthly economic activity index \(EAI\)](#), which showed growth of 6% in 4QFY17 – much lower than in previous quarters. As expected, the slowdown was broad-based. While private consumption grew at the slowest pace in five quarters, investments declined for the first time in three years.
- n Further, real gross value added (GVA) grew 5.6% YoY in 4QFY17 – the slowest pace in three years. A record decline in the construction sector and deceleration in manufacturing activities dragged real GVA growth.
- n FY17 was supported by government consumption, without which real GDP growth would have fallen to 5.6%, much lower than average growth of 7.2% for the previous four years. With [fiscal policy reaching its limits](#) and the external sector likely to deteriorate this year, we do not expect real GDP growth to pick up meaningfully in FY18.

### I. GVA growth eases to three-year low...

- n **Real GVA growth slows down...:** Real GVA grew 5.6% YoY in 4QFY17, in contrast to market consensus of 7.1%, but nearly in line with [our estimate of ~6%](#). Further, due to new IIP and WPI series, real GVA for the first three quarters of FY17 was revised from previously estimated 6.7% to 7%, also in line with our expectation. Consequently, real GVA growth stood at 6.6% for FY17, lower than 7.9% in FY16.
- n **...driven by record decline in construction sector...:** In line with our expectation, [demonetization did hurt economic activity as construction activities](#) – one of the worst hit due to the cash ban, [declined 3.7% YoY last quarter, marking its record fall in a single quarter](#). Moreover, manufacturing activities grew 5.3% in 4Q, lower than 8.2% in the previous quarter.
- n **...partly offset by high fiscal spending:** Deceleration in industrial activities was partly offset by 17% YoY growth in social spending. Barring fiscal spending, services sector growth decelerated sharply in 4QFY17.

### II. ...dragging real GDP growth to lowest in nine quarters

- n **Real GDP growth decelerates to 6.1% YoY in 4QFY17...:** Slower real GVA growth permeated into weak GDP growth for 4QFY17, which eased to the lowest level in nine quarters. This was also in line with our expectation, but much lower than market consensus of 7%+ growth. It implies that real GDP growth was 7.1% in FY17, lower than 8.2% in FY16.
- n **...driven by weak private spending...:** As suggested by our proprietary [monthly economic activity index \(EAI\)](#) – the basis of our GDP estimations – [the slowdown in economic activity was broad-based](#). Real private consumption expenditure (PCE) grew at the slowest pace in five quarters of 7.3% YoY in 4QFY17, while investments fell (2.2% YoY) for the first time in three years (*Exhibit 8*).

- n **...partly offset by fiscal spending:** Although private spending weakened considerably in 4QFY17, economic activity was supported by fiscal spending and net exports. Government consumption expenditure (GCE) grew at a record 32% YoY in 4QFY17 – adding 2.4pp to real GDP growth last quarter (*Exhibit 7*).

### III. Don't expect real GDP growth to pick up significantly in FY18

- n For full-year FY17, real GDP growth eased to 7.1% from 8.2% in FY16. Interestingly, GCE – which is ~10% in GDP – contributed 2pp to real GDP growth last year. Excluding GCE, GDP growth was only 5.6%, as against average growth of 7.2% in the previous four years.
- n Our [detailed analysis](#) of 2017-18 budgets for 17 states revealed that the government's spending is budgeted to grow at the slowest pace in 12 years. As fiscal spending slows, their contribution to real GDP growth would obviously fall. This is what makes us skeptical on higher (than FY17) real GDP growth for FY18.



# United Spirits

BSE SENSEX	S&P CNX
31,146	6,621
Bloomberg	UNSP IN
Equity Shares (m)	145.3
M.Cap.(INRb)/(USDb)	303.7 / 4.7
52-Week Range (INR)	2703 / 1775
1, 6, 12 Rel. Per (%)	17/2/-25
Avg Val, (INR m)	944
Free float (%)	41.5

## Financials & Valuation (INR b)

Y/E Mar	2017	2018E	2019E
Total Income	85.5	93.4	107.8
EBITDA	9.8	11.8	14.4
PAT	3.9	5.4	7.5
EPS (INR)	26.7	37.4	51.8
EPS Gr. (%)	87.1	39.7	38.7
BV/Sh.(INR)	133.4	193.7	263.0
RoE (%)	21.3	19.3	19.7
RoCE (%)	11.8	13.8	15.7
P/E (x)	84.8	60.7	43.7
P/BV (x)	17.0	11.7	8.6

Estimate change	↔
TP change	↑
Rating change	↔

**CMP: INR2,267 TP: INR2,150 (-5%) Neutral**

## Volumes decline 8.2% YoY; Portfolio premiumization continues

- UNSP's standalone net sales for 4QFY17 fell 1.1% YoY (est. of +6.4%) to INR20.1b, with volumes down 8.2% (est. of flat volumes). Management stated that adjusted for Bihar prohibition and operating model changes, sales rose 7% YoY. Gross sales grew 9.2% YoY to INR64.7b (Ind-AS), with excise duty as % of sales up 320bp YoY to 68.9% (increased tax/excise levies in MH/West Bengal).
- Overall 4Q volumes down 8.2% YoY to 21.4m cases:** Popular volumes fell 15.1% YoY to 12.9m (sales down 16% YoY), while Prestige and above volumes rose 4.9% YoY (sales up 10% YoY) to 8.5m cases. For FY17, volumes fell 3.2% to 90.1m cases. Prestige and above volumes rose 7.6% to 36.8m cases (sales up 13% YoY), while Popular volumes fell 9.5% to 53.3m cases (sales down 9% YoY).
- Gross margin (excl. operating income) improved 330bp YoY to 43.9%.** Ad spends fell 70bp YoY to 8.2% of sales. EBITDA margin (excl. other operating income) expanded 730bp YoY to 12.6% (est. of 10.9%), mainly led by gross margin expansion. Staff costs declined by 100bp YoY, and other expenses by 230bp YoY to 17.1% of sales. EBITDA (excl. other op. income) rose 132% YoY to INR2.54b (est. of INR2.48b).
- Other operating income increased 71.9% YoY to INR110m in 4QFY17. Interest costs fell 15.5% YoY to INR853m on debt reduction/favorable rates. PBT was at INR1.52b v/s estimate of INR1.65b. Tax rates were lower than expected. Reported PAT grew 204% YoY off a low base to INR1b (est. of INR937m).
- FY17 brand-wise performance:** Signature grew volumes by 26% and sales by 29%. Royal Challenge net sales grew 16% YoY (15% volume growth). McDowell's No 1 whisky volumes grew by 7% and net sales by 8%. Scotch portfolio in premium and luxury segment grew 29% by volumes and 32% by sales, driven by Johnnie Walker, Black Dog, Black & White and VAT 69.
- Conference call highlights:** 1) There have been increases on indirect tax rates under GST on packaging and services. Management did not provide clarity on EBITDA margin impact for FY18 as they are awaiting final clarification on rates. 2) Capex for FY17 was INR2.2b and will be in INR2.2b-3b range going forward. 3) Debtor days increased as some states are witnessing financial difficulties.

## Quarterly Performance

Y/E March (Standalone)	FY16				FY17				(INR Million)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY16	FY17	FY17 4QE	Var. (%)
Volume Growth %	0.4	-2.3	1.6	-4.0	-0.2	1.0	-5.0	-8.2	-1.1	-3.1	0.0	
Net Sales	18,487	18,923	24,105	20,370	20,273	20,377	24,845	20,140	81,885	85,635	22,612	-10.9%
YoY Change (%)					9.7	7.7	3.1	-1.1		4.6	6.4	
Total Exp	16,773	16,020	21,557	19,276	18,251	18,126	22,007	17,599	73,625	75,983	20,137	
EBITDA	1,715	2,903	2,548	1,094	2,023	2,251	2,838	2,541	8,259	9,653	2,475	2.7%
Margins (%)	9.3	15.3	10.6	5.4	10.0	11.0	11.4	12.6	10.1	11.3	10.9	
EBITDA growth (%)					18.0	-22.5	11.4	132.3	23.5	16.9	35.3	
Depreciation	249	241	254	271	261	332	313	418	1,015	1,323	307	
Interest	1,284	1,100	1,077	1,009	1,030	885	922	853	4,469	3,690	917	
PBT From operations	182	1,562	1,217	-186	732	1,034	1,603	1,270	2,775	4,639	1,251	1.5%
Other income	320	293	82	958	346	389	454	253	1,653	1,441	402	
PBT	502	1,855	1,299	772	1,078	1,423	2,057	1,523	4,429	6,081	1,653	-7.9%
Tax	386	601	506	441	309	445	580	515	1,934	1,849	716	
Rate (%)	76.9	32.4	38.9	57.1	28.6	31.3	28.2	33.8	43.7	30.4	43.3	
PAT	116	1,254	793	331	769	978	1,477	1,008	2,495	4,232	937	7.6%

n **Valuation and view:** Longer-term margin growth potential remains intact, mainly led by continued mix improvements. Management reiterated target of mid-teen margins in the medium term. In our recent report on the [alcohol sector](#), we had pointed out the risks emanating from a host of factors, such as GST, highway ban and a spate of prohibition of various degrees announced by a few states over past two years. There has also been substantial delay in the planned sale of non-core assets, which management cited will now happen over a 3-4 year period. Working capital is also increasing due to weak state finances. Our DCF-based valuation indicates a target price of INR2,150. We maintain our **Neutral** rating.



# Castrol India

BSE SENSEX 28,334 S&P CNX 8,794

**CMP: INR424 TP: Under Review Buy**

We will revisit our estimates post earnings call/management interaction.

## Conference Call Details



Date: 1<sup>st</sup> June 2017

Time: 2:00 PM IST

Dial-in details:

+91-22-3938 1094

### Financials & Valuations (INR b)

Y/E Dec	2016	2017E	2018E
Net Sales	33.6	36.0	38.5
EBITDA	9.9	10.8	11.0
PAT	6.7	7.2	7.5
EPS (INR)	13.6	14.5	15.1
Gr. (%)	6.3	6.3	4.1
BV/Sh (INR)	12.0	13.5	14.9
RoE (%)	115.2	113.7	106.3
RoCE (%)	115.4	113.9	106.5
P/E (x)	31.1	29.3	28.1
P/BV (x)	35.2	31.5	28.4

### EBITDA/PAT above estimates

- Net sales grew 4% YoY and 13% QoQ to INR8.8b, higher than our estimate of INR8.5b.
- EBITDA grew 5% YoY and 22% QoQ to INR2.6b, higher than our estimate of INR2.3b. The EBITDA beat was led by higher realization on account of price hikes taken by the company.
- EBITDA margin expanded from 27.8% in 4QCY16 and 29.5% in 1QCY16 to 29.8% in 1QCY17.
- PAT grew 4% YoY and 15% QoQ to INR1.8b, beating our estimate of INR1.6b. This was despite other income declining 17% YoY and 52% QoQ to INR185m, below our estimate of INR250m.

### Valuation and view

- CSTRL's >80% payout policy, RoE/RoCE of ~100% and FCF to PAT conversion at >80% reflect its superior balance sheet and high-quality cash flows, which warrant higher valuation multiples, in our view.
- CSTRL trades at 31.5x/28x CY17/CY18E EPS of INR36/38.5. Maintain **Buy**.

### Quarterly Performance

Y/E December	(INR Million)											
	CY16				CY17E				CY16	CY17E	CY17 1QE	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	8,521	9,679	7,589	7,791	8,822	9,288	8,807	9,335	33,580	36,252	8,535	3%
YoY Change (%)	7.1	5.2	-2.8	-1.2	3.5	-4.0	16.0	19.8	2.2	8.0	0.2	
Total Expenditure	6,005	6,535	5,488	5,627	6,189	6,250	6,310	6,383	23,655	25,132	6,200	0%
EBITDA	2,516	3,144	2,101	2,164	2,633	3,038	2,497	2,952	9,925	11,120	2,335	13%
YoY Change (%)	34.3	15.2	-1.2	3.4	4.7	-3.4	18.8	36.4	12.5	12.0	-7.2	
Margins (%)	29.5	32.5	27.7	27.8	29.8	32.7	28.3	31.6	29.6	30.7	27.4	
Depreciation	86	149	107	108	123	143	145	153	450	564	125	-2%
Interest	4	7	1	3	3	4	4	4	15	15	4	-25%
Other Income	223	202	183	389	185	200	220	217	997	822	250	-26%
PBT	2,649	3,190	2,176	2,442	2,692	3,091	2,568	3,013	10,457	11,363	2,456	10%
Tax	925	1,121	778	884	902	1,082	873	1,005	3,708	3,877	859	5%
Rate (%)	35	35	36	36	34	35	34	33	35	34	35	
PAT	1,724	2,069	1,398	1,558	1,790	2,009	1,695	2,008	6,749	7,487	1,596	12%
YoY Change (%)	48.4	12.1	-2.4	10.7	3.8	-2.9	21.2	28.9	15.4	10.9	-7.4	
Margins (%)	20.2	21.4	18.4	20.0	20.3	21.6	19.2	21.5	20.1	20.7	18.7	

E: MOSL Estimates



# Thermax

BSE SENSEX	S&P CNX
31,146	9,621
Bloomberg	TMX IN
Equity Shares (m)	119
M.Cap.(INRb)/(USDb)	119.2 / 1.8
52-Week Range (INR)	1071 / 724
1, 6, 12 Rel. Per (%)	-5/4/21
Avg Val, INRm	57
Free float (%)	38.0

**CMP: INR1,000 TP: INR850(-15%) Sell**

## Operating performance beat; impairment loss hurts profitability

- Operational results ahead of estimates:** Thermax's (TMX) operating performance in 4QFY17 at standalone level was ahead of expectations. Sales grew by a muted 4% YoY to INR13.4b (est. of INR12.8b). EBITDA increased robustly by 23% YoY to INR1.5b (est. of INR1.2b) led by cost rationalization and higher share of service income, with the margin expanding 170bp YoY to 11.3% (est. of 9.6%). Adj. net profit was flat YoY at INR1.2b (est. of INR1.1b).
- Impairment loss on investments in subsidiaries:** Thermax booked an impairment loss of INR1.3b in its JV (TBW) and two subsidiaries (Chinese sub and First Energy), given the bleak business scenario. Of the INR1.3b, TMX booked impairment loss of INR1.1b in its supercritical boiler JV TBW, given the weak outlook for thermal power equipment demand globally and in the domestic market. TBW recorded revenue of INR2.9b and recurring net loss of INR0.1b. At consolidated level, TMX booked loss of INR0.6b for TBW JV for its fixed asset impairment.
- Valuation and view:** We marginally raise EPS for FY18E/19E by 8/3% to factor in margin improvement led by cost rationalization. We, however, maintain **Sell** with a revised TP of INR850 (25x FY19E EPS of INR34, based on last 10-year average P/E multiple), given the weak business outlook and rich valuations. Key risk to our rating is a sharper-than-expected pick-up in industrial and power segments.

## Financials & Valuations (INR b)

Y/E Mar	2017	2018E	2019E
Net Sales	44.8	48.0	51.4
EBITDA	4.7	5.0	5.3
PAT	3.5	3.6	3.8
EPS (INR)	30.8	32.3	34.0
Gr. (%)	23.0	4.7	5.2
BV/Sh (INR)	225.4	249.9	275.4
RoE (%)	14.3	13.6	12.9
RoCE (%)	12.9	13.8	13.0
P/E (x)	32.4	31.0	29.4
P/BV (x)	4.4	4.0	3.6

Estimate change



TP change



Rating change



## Quarterly Performance (Standalone)

(INR Million)

Y/E March	FY16				FY17				FY16	FY17E	MOSL 4Q Est	Var. Vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Sales	10,173	10,829	10,354	12,920	8,145	8,708	8,136	13,428	44,589	37,637	12,847	4.5%
Change (%)	21.2	-9.1	-9.7	-14.3	-19.9	-19.6	-21.4	3.9	-5.1	-15.6	(0.7)	
EBITDA	788	907	806	1,240	637	773	806	1,521	4,948	3,738	1,234	23.3%
Change (%)	36.5	-25.8	-38.6	-23.7	-19.1	-14.7	0.0	22.6	5.3	-24.5	4.4	
As of % Sales	7.7	8.4	7.8	9.6	7.8	8.9	9.9	11.3	11.1	9.9	9.6	
Depreciation	158	157	160	135	168	166	157	163	609	654	180	
Interest	12	12	12	11	7	7	6	17	46	36	27	
Other Income	210	195	248	488	211	289	206	321	1,140	1,027	422	
Extra-ordinary Items								-1,328				
PBT	829	933	882	1,583	673	888	850	335	5,433	4,074	1,449	-76.9%
Tax	271	315	245	422	221	292	283	502	1,252	1,298	386	
Effective Tax Rate (%)	32.7	33.8	27.7	26.6	32.8	32.8	33.3	150.0	23.0	31.8	26.7	
Reported PAT	558	618	637	1,161	452	597	566	-167	4,181	1,448	1,063	-115.7%
Change (%)	34.8	(28.2)	(16.4)	(12.3)	(19.0)	(3.5)	(11.1)	(114.4)	24.5	(65.4)	-4.5	
Adj PAT	558	617	618	1,161	452	597	566	1,161	4,181	2,777	1,063	9.3%
Change (%)	34.8	(28.3)	(19.0)	(12.3)	(19.0)	(3.3)	(8.3)	0.0	24.5	(33.6)	(4.5)	

E: MOSL Estimates



# Bharat Electronics

BSE SENSEX	S&P CNX
31,146	9,621
Bloomberg	BHE IN
Equity Shares (m)	2,234
M.Cap.(INRb)/(USD\$b)	386.4/5.9
52-Week Range (INR)	187 / 114
1, 6, 12 Rel. Per (%)	-10/3/29
Avg Val, INRm	627
Free float (%)	31.8

## Financials & Valuations (INR b)

Y/E Mar	2017	2018E	2019E
Net Sales	86.1	106.5	119.6
EBITDA	17.6	18.5	20.5
NP	15.5	16.0	18.2
EPS (INR)	6.4	7.2	8.1
EPS Gr. (%)	18.4	11.2	13.6
BV/Sh (INR)	33.6	43.5	48.6
RoE (%)	20.6	16.5	16.8
RoCE (%)	18.9	18.7	17.8
P/E (x)	23.1	24.0	21.1
P/BV (x)	4.8	4.0	3.5

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR173**

**TP: INR200 (+16%)**

**Buy**

## Operational performance in-line

- 4QFY17 operational results in line with estimates:** BHE reported revenue of INR39.9b (+24% YoY; our estimate: INR39b) and operating profit of INR9.8b (v/s INR9b in 4QFY16; our estimate: INR9.8b). Net profit rose 6% YoY to INR7.9b. For FY17, revenue increased 17% to INR88.2b, EBITDA increased 20.5% to INR17.6b and net profit increased 18% to INR15.5b. Exports during the year were USD65m.
- Key projects executed during FY17 include 3D tactical control radar, Akash weapon systems, L 70 gun upgrade, weapon locating radar, hand-held thermal imager with laser ranger finder, passive night vision device, integrated air command and control systems, etc.**
- EBITDA margin declines 350bp YoY, led by adverse product mix and wage revision impact:** Operating profit grew 8% YoY to INR9.8b despite 24% rise in revenue. EBITDA margin declined 350bp YoY to 24.6%, driven by adverse product mix and increase in employee cost (14% of sales as against 10.4% in 4QFY16), as the company took wage hike revision under the 7<sup>th</sup> Pay Commission (INR0.7b for gratuity and INR1.3b for regular wage revision). Net profit was INR7.9b v/s INR7.4b in 4QFY16. Other income declined 34% to INR0.9b from INR1.4b in 4QFY16, as the company utilized its cash reserves for buyback of its shares.
- Robust order backlog provides strong revenue visibility:** Order backlog of INR400b as on FY17 end provides strong revenue visibility of 4.6x its FY17 revenue. For FY18, management guides to sales of INR100b (+15% YoY), EBITDA margins to be in +/-100bps YoY and orders of INR130-140b.
- Maintain Buy, TP: INR200.** We maintain our EPS estimates for FY18/19 as the higher sales due to EVM/VVAPT orders of INR15b each in FY18/FY19 are offset by higher employee costs post the 7<sup>th</sup> pay commission. We retain our BUY rating and target price of INR200 (25x FY19E EPS), which is its peak historical valuation to factor in improved pace of decision making in defense sector, improved order visibility and execution.

## Quarterly Performance

Y/E March	FY16				FY17				FY16	FY17	(INR Million)	
	1Q	2Q	3Q	4Q	1QE	2Q	3QE	4QE			MOSL 4QE	Var
Sales	10997	14692	15211	32235	8714	17033	20867	39877	73279	86119	39066	2.1
Change (%)	8.6	13.5	-5.4	10.1	-20.8	15.9	37.2	23.7	7.1	17.5	21.5	
EBITDA	78	1807	2773	9061	-467	3349	4828	9796	13718	17617	9829	-0.3
Change (%)	-117	52	0	14	-699	85	74	8	20	28	-2	
As of % Sales	0.7	12.3	18.2	28.1	-5.4	19.7	23.1	24.6	18.7	20.5	25.2	
Depreciation	408	407	418	489	435	455	455	571	1722	1915	561	
Interest	0	3	1	41	0	3	106	9	45	118	-109	
Other Income	1337	1316	1335	1383	1387	1714	776	909	5371	4710	916	
Exceptional items (reported)	0	0	0	0	0	0	0	0	0	0	0	
PBT	1007	2712	3688	9914	486	4606	5043	10125	17321	20294	10293	-1.6
Tax	241	654	887	2467	125	1178	1307	2208	4248	4818	2292	
Effective Tax Rate (%)	23.9	24.1	24.0	24.9	25.7	25.6	25.9	21.8	24.5	23.7	22.3	
Reported PAT	767	2059	2802	7447	361	3427	3735	7917	13074	15476	8001	-1.0
Change (%)	199.5	40.1	3.1	3.0	-52.9	66.5	33.3	6.3	12.0	18.4	-1.1	
Adj PAT	767	2059	2802	7447	361	3427	3735	7917	13074	15476	8001	-1.0
Change (%)	199.5	40.1	3.1	3.0	-52.9	66.5	33.3	6.3	12.0	18.4	-0.2	



# Va Tech Wabag

BSE SENSEX	S&P CNX
31,146	9,621
Bloomberg	VATW.IN
Equity Shares (m)	55
M.Cap.(INRb)/(USDb)	36.3 / 0.5
52-Week Range (INR)	737/450
1, 6, 12 Rel. Per (%)	-5/14/-1
Avg Val, INRm	83
Free float (%)	141

## Financials & Valuations (INR b)

Y/E Mar	2017	2018E	2019E
Net Sales	32.1	38.7	41.4
EBITDA	3.0	3.7	4.1
PAT	1.6	1.9	2.2
EPS (INR)	28.9	34.9	39.8
Gr. (%)	77.8	20.6	14.2
BV/Sh (INR)	182.1	211.3	244.7
RoE (%)	16.3	17.7	17.5
RoCE (%)	15.9	16.3	16.2
P/E (x)	23.1	19.1	16.8
P/BV (x)	3.7	3.2	2.7

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR663**

**TP: INR800(+20%)**

**Buy**

## Operating performance in-line; plans to raise funds to meet equity requirement in upcoming Namami Gange projects

- 4QFY17 results in line with estimates at operating level:** Consolidated sales grew 33% YoY to INR11.3b, in line with our estimate of INR11.1b. The strong revenue growth can be ascribed to pick-up in execution of key orders like Petronas, Polgawela, Amas and Bahrain projects. Standalone sales rose 28% YoY to INR7b, while subsidiary sales grew 44% YoY to INR4.2b. Consolidated EBITDA stood at INR1.3b (up 17% YoY) and margin of 11.6% (-164bp YoY) was in line with our estimate of 11.7%. Consolidated profit of INR0.8b was 23% above our estimate on account of lower than estimated tax rate (29.5% v/s estimate of 46%).
- Order backlog at INR80b provides robust revenue visibility:** In 4QFY17, consolidated order intake declined 51% YoY to INR8.7b. The decline was on account of higher base in 4QFY16 (finalization of big ticket orders like Chennai waste water recycle project (INR3.5b) and Sri Lanka-based Polgawela project (INR7.2b). Key projects finalized during the quarter were: Dangote refinery order worth INR6.8b and Indonesia-based order worth INR2.1b. Order backlog as of 4QFY17 was up 10% YoY to INR80.1b.
- Guidance on sales and orders for FY18 issued; plans to raise funds to meet the equity requirement for the upcoming Namami Gange project:** The management has guided revenue of INR38b-40b (+25%) and order inflow of INR44b-45b (up 25%) for FY18. VATW plans to raise INR4b to meet the equity requirement for the Namami Gange projects (INR200b) to be awarded by the government on hybrid annuity model.
- Valuation and view:** We maintain **Buy** with a target price of INR800 (20x FY19E EPS). We believe that the company is in a sweet spot to take advantage of the pickup in domestic order inflows, driven by state-driven municipal orders, and central government schemes like Namami Gange, AMRUT, Swachh Bharat and Smart Cities.

## Quarterly Perf.(Cons.)

Y/E March	FY16				FY17				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY16	FY17E	FY17	Var.
Sales	4,548	5,924	6,102	8,488	5,794	7,771	7,130	11,317	25,083	32,079	11,146	1.5%
Change (%)	14.3	17.0	-1.3	-6.3	27.4	31.2	16.9	33.3	3.3	27.9	30.2	
EBITDA	277	465	440	1,127	266	575	741	1,317	2,330	2,966	1,306	0.8%
As of % Sales	6.1	7.9	7.2	13.3	4.6	7.4	10.4	11.6	9.3	9.2	11.7	
Depreciation	51	53	50	51	46	47	46	52	205	191	82	
Interest	68	101	100	152	110	94	124	161	457	526	165	
Other Income	7	9	5	38	8	6	53	3	79	112	112	
PBT	165	321	295	961	119	439	624	1,108	1,747	2,362	1,171	-5.4%
Tax	97	151	115	305	109	186	45	326	668	667	538	
Effective Tax Rate (%)	58.8	46.9	38.9	31.8	91.6	42.4	7.2	29.5	38.2	28.2	45.9	
Minority Int	161.0	53.9	(27.6)	3.4	3.7	16.7	21.9	24.1	191.1	116.1	(13.3)	
Adj PAT	-93	116	208	652	6	236	557	757	887	1,579	647	17.1%
Change (%)	(258.9)	(16.2)	18.3	(12.6)	(106.8)	102.8	168.2	16.2	(20.6)	77.9	211.4	
Extra-ordinary Items	4.9	-25.3	15.1	-24.2	-45.6	-4.5	604.6	0.0	-33.3	554.5	0.0	
Reported PAT	-98	142	193	676	52	240	-48	757	921	1,024	647	17.1%
Change (%)	-258.9	-16.2	18.3	-12.6	-106.7	102.1	167.2	15.8	-16.4	11.3	-2.6	

# Den Networks

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
31,146	9,621
Bloomberg	DEN IN
Equity Shares (m)	178.0
M.Cap. INR b/USD b	28.0/0.4
52-Week Range (INR)	105 / 61
1, 6, 12 Rel. Per (%)	-15/16/-23
Avg Val INRm/Vol '000	30
Free float (%)	63.2

## Financials & Valuation (INR Billion)

Y/E Mar	2017	2018E	2019E
Net Sales	11.6	13.6	15.5
EBITDA	1.8	2.7	3.4
EBITDA#	1.0	1.6	2.2
Adj. N.P	-1.6	-0.5	0.1
Adj. EPS (INR)	-8.6	-2.7	0.3
Adj. Gr. (%)	NM	NM	NM
BV/Sh (INR)	53.9	49.4	49.7
RoE (%)	-12.0	-5.3	0.7
RoCE (%)	-7.9	-1.1	1.3

## Valuation

	NM	NM	NM
P/E (x)	NM	NM	NM
EV/EBITDA(x)*	13.3	9.1	7.0
EBITDA (x)*	24.9	15.6	10.6
EV/Sub (INR)*	1,878	1,887	1,815

# (ex-activation); \*Based on attributable EBITDA and subs post minority stake

**CMP: INR87**

**TP: INR90 (+4%)**

**Neutral**

## Operational performance exceeds expectations; Maintain EPS and TP

- Operational performance exceeds expectations:** DEN's 4QFY17 EBITDA grew 12% QoQ to INR0.56b (10% higher than our estimate of INR0.51b). The beat was largely led by better-than-expected subscription and other operating income. Net losses increased to INR0.6b. Adj. for INR0.3b exceptional item, net losses stood at lower than expected (est. of -INR477m).
- Subscription and carriage revenue better than expected:** Subscription revenue grew 9% QoQ to INR1.57b (3% higher than estimate of INR1.53b) as on-ground collections continued to improve across phases. Phase I/II/III/IV collections improved by 5%/5%/9%/84% to INR117/INR85/INR62/INR46 per sub per month.
- Operating leverage aids margins; EBITDA beats expectations too:** Break-even in both broadband and TV shopping biz, coupled with higher-than-expected subscription revenue, led to consol. EBITDA growing 12% QoQ to INR565m (10% above our estimate of INR512m). EBITDA (ex-activation) remained flat QoQ. Content cost grew 5% QoQ to INR1.37b (est. of INR1.33b).
- Broadband performance in-line:** While broadband home-passes remained largely flat QoQ, DEN added 18k subscribers in 4Q, taking the broadband subscriber base to 177k (est. of 179k). The focus seems to be shifting toward increasing broadband home-pass-to-subscriber conversion. Broadband revenue grew 5% QoQ to INR226m (in-line) and the biz achieved EBITDA break-even this quarter.
- Valuation and view:** 4QFY17 performance was encouraging; however, we are re-aligning our FY18/FY19E EBITDA expectations to factor in lower-than-earlier expected uptick in on-ground collections from Phase III/IV. DEN trades at EV/recurring EBITDA of 15.6x FY18E/10.6x FY19E. Maintain **Neutral** with a DCF-based target of INR90.

## Quarterly Performance (Consolidated)

Y/E March	FY15				FY16				FY16				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY16	FY17
Sales	2,988	2,917	2,688	2,703	2,656	2,713	3,522	2,768	2,689	2,724	2,988	3,172	12,586	11,611
YoY Change (%)	11.2	7.3	-2.0	-10.5									11.4	-7.7
Operating expenses	2,417	2,508	2,685	2,763	2,703	2,826	3,092	2,702	2,257	2,437	2,485	2,607	11,322	9,782
<b>EBITDA</b>	<b>571</b>	<b>409</b>	<b>3</b>	<b>-60</b>	<b>-47</b>	<b>-113</b>	<b>430</b>	<b>66</b>	<b>433</b>	<b>288</b>	<b>503</b>	<b>565</b>	<b>1,264</b>	<b>1,829</b>
YoY Change (%)	-29.4	-52.9	-99.6	-108.7	-108.2	-128	15,254	-211	#DIV/0!	-716	-547	31	36.8	44.7
<b>EBITDA margin (%)</b>	<b>19.1</b>	<b>14.0</b>	<b>0.1</b>	<b>-2.2</b>	<b>-1.8</b>	<b>-4.2</b>	<b>12.2</b>	<b>2.4</b>	<b>16.1</b>	<b>10.6</b>	<b>16.8</b>	<b>17.8</b>	<b>10.0</b>	<b>15.8</b>
Depreciation	433	470	482	474	501	525	560	721	661	680	692	742	2,307	2,775
Interest	198	227	234	164	183	213	197	256	225	129	204	93	849	652
Other Income	187	225	238	229	267	186	117	97	96	75	123	115	667	409
Exceptional Item												307		307
<b>PBT</b>	<b>127</b>	<b>-63</b>	<b>-475</b>	<b>-469</b>	<b>-463</b>	<b>-664</b>	<b>-211</b>	<b>-814</b>	<b>-357</b>	<b>-447</b>	<b>-271</b>	<b>-155</b>	<b>-1,225</b>	<b>-1,495</b>
Tax	43	69	82	142	35	52	124	216	85	-11	84	173	426	330
Effective Tax Rate (%)	33.8	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	(35)	(22)
<b>Adjusted net profit</b>	<b>84</b>	<b>-132</b>	<b>-557</b>	<b>-612</b>	<b>-498</b>	<b>-716</b>	<b>-335</b>	<b>-1,030</b>	<b>-442</b>	<b>-435</b>	<b>-355</b>	<b>-635</b>	<b>-2,301</b>	<b>-1,825</b>
YoY Change (%)	-73	-148	-331	-596	-693	441	-40	68	-11	-13	-50	NM		NA
Minority interest	73	72	69	9	21				80			-29		71
<b>Reported PAT</b>	<b>11</b>	<b>-205</b>	<b>-626</b>	<b>-621</b>	<b>-519</b>	<b>-716</b>	<b>-335</b>	<b>-1,030</b>	<b>-521</b>	<b>-435</b>	<b>-355</b>	<b>-606</b>	<b>-1,960</b>	<b>-1,896</b>

**Den: Consolidated quarterly performance (INR m)**

	4QFY16	3QFY17	4QFY17	YoY (%)	QoQ (%)	4QFY17E	vs est (%)
<b>Revenue</b>	<b>2,768</b>	<b>2,988</b>	<b>3,172</b>	<b>15</b>	<b>6</b>	<b>3,063</b>	<b>4</b>
-Cable subscription	1,180	1,440	1,570	33	9	1,526	3
-Carriage and Placement	810	890	890	10	0	890	0
-Activation	160	170	230	44	35	220.5	4
-Broadband	150	215	226	51	5	226	0
-Others	468	273	256	-45	-6	200	28
<b>Operating costs</b>	<b>2,702</b>	<b>2,485</b>	<b>2,607</b>	<b>-4</b>	<b>5</b>	<b>2,551</b>	<b>2</b>
-Pay channel cost	1,140	1,311	1,371	20	5	1,335	3
-Employee cost	373	330	321	-14	-3	330	-3
-Other costs	1,190	844	915	-23	8	887	3
<b>EBITDA</b>	<b>66</b>	<b>503</b>	<b>565</b>	<b>753</b>	<b>12</b>	<b>512</b>	<b>10</b>
<b>EBITDA ex-activation</b>	<b>-94</b>	<b>333</b>	<b>335</b>	<b>-457</b>	<b>0</b>	<b>291</b>	<b>15</b>
<b>EBITDA margin (%)</b>	<b>2.4</b>	<b>16.8</b>	<b>17.8</b>	<b>1541bps</b>	<b>96bps</b>	<b>16.7</b>	<b>1095bps</b>
<b>EBITDA margin ex-activation (%)</b>	<b>-3.4</b>	<b>11.2</b>	<b>10.5</b>	<b>1394bps</b>	<b>-61bps</b>	<b>9.5</b>	<b>1043bps</b>
Depreciation and amortization	721	692	742	NA	NA	692	7
Other income	97	123	115	19	-6	100	15
Finance cost	256	204	93	-64	-54	200	-53
Forex loss (gain)	0	0	0	NA	NA	0	NA
Exceptional items	650	0		NA	NA	0	NA
<b>PBT</b>	<b>-1,464</b>	<b>-271</b>	<b>-155</b>	<b>-89</b>	<b>-43</b>	<b>-281</b>	<b>-45</b>
Tax	216	84	173	-20	105	100	72.6
<b>PAT</b>	<b>-1,680</b>	<b>-355</b>	<b>-328</b>	<b>-80</b>	<b>-8</b>	<b>-381</b>	<b>-14</b>
Minority Interest	102	96	-29	-129	-130	96	-130
<b>PAT after Minority Interest</b>	<b>-1,781</b>	<b>-451</b>	<b>-299</b>	<b>-83</b>	<b>-34</b>	<b>-477</b>	<b>-37</b>
<b>Subscriber metrics</b>							
Cable universe (m)	13	13	13	0	0	13	0.0
Digital subs (m)	9.4	10.2	10.5	11	3	10.5	0.3
Broadband subs (000s)	95	159	177	NA	11	179	-1.1

Source: Company, MOSL

# Eveready Industries

BSE SENSEX	S&P CNX
31,146	9,621
Bloomberg	EVRIIN IN
Equity Shares (m)	73
M.Cap.(INRb)/(USDb)	17.5 / 0.3
52-Week Range (INR)	335 / 190
1, 6, 12 Rel. Per (%)	0/30/19
Avg Val, INRm	47
Free float (%)	56.0

**CMP: INR319**      **TP: INR368(+15%)**      **Buy**

## Appliance and Lighting to drive growth ahead

**Revenue in-line, PAT beats estimates:** EVRIN reported overall revenue of INR3,046m in 4QFY17 (est. of INR2,946m) v/s INR2,834m in 4QFY16, marking an increase of 7.5%, mainly due to significant turnover growth in lighting and appliances segments. Lighting grew robustly by 26% in 4QFY17. EBITDA rose 24% YoY to INR177m (est. of INR162m), with the margin expanding 80bp to 5.8% (est. of 5.5%). Adj. PAT thus grew from INR93m to INR105m (est. INR68m), marking YoY growth of 12.3%. For FY17, EBITDA margin stood at 10% (+60bp YoY) and PAT at INR935m (+35% YoY).

**Significant opportunity in appliance:** Revenue from appliance segment stood at INR400m in FY17 – the first year of operations. EVRIN plans to achieve revenue of INR1b in FY18 from appliance (making the segment EBITDA breakeven) and then ~INR2,500m by FY20. The size of fan & appliance market stands at INR150b, with average industry growth at 10-15%. We believe EVRIN has significant opportunity to grow this business, with access to 6,000 retail outlets (200 distributors). It plans to increase outlets to 10,000 by FY18. The business can generate asset turnover of 5x.

**JV with McLeod to develop packet tea business:** EVRIN will initiate discussions with McLeod for a JV to develop its packet tea business. Management cited McLeod will invest required capital for marketing of tea business and will bring in its expertise/sourcing capabilities. EVRIN has access to 1m outlets, allowing it to aggressively grow the business.


**Valuation and view:** We believe that appliances and LED businesses will drive growth for Eveready, leveraging upon its strong brand and distribution network. We thus maintain our earnings estimates. We expect revenue CAGR of 11% and PAT CAGR of 17% over FY17-19E. We value the stock at 21x FY19E, and maintain **Buy** with a target price of INR368.

## Financials & Valuations (INR b)

Y/E Mar	2017	2018E	2019E
Net Sales	13.6	15.3	16.8
EBITDA	1.3	1.6	1.8
PAT	0.9	1.0	1.3
EPS (INR)	12.9	14.4	17.5
Gr. (%)	35.5	12.1	21.4
BV/Sh (INR)	39.8	49.6	61.2
RoE (%)	37.7	32.3	31.6
RoCE (%)	27.5	25.1	26.9
P/E (x)	24.8	22.1	18.2
P/BV (x)	8.0	6.4	5.2

Estimate change 

TP change 

Rating change 

## Quarterly Performance (Standalone)

Y/E March	(INR Million)											
	FY16				FY17				FY16	FY17	FY17	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QE	%	
Net Sales	3,482	3,678	3,241	2,834	3,544	3,666	3,294	3,046	13,237	13,572	2,946	3
YoY Change (%)	7.6	3.7	-0.4	3.0	1.8	-0.3	1.6	7.5	3.5	2.5	4.0	
Total Expenditure	3,109	3,351	2,866	2,692	3,167	3,240	2,942	2,869	12,011	12,235	2,784	
EBITDA	373	327	376	142	376	426	352	177	1,226	1,337	162	9
Margins (%)	10.7	8.9	11.6	5.0	10.6	11.6	10.7	5.8	9.3	9.9	5.5	
Depreciation	36	35	35	34	34	36	38	42	139	149	40	
Interest	80	77	76	67	60	59	51	62	308	238	50	
Other Income	14	20	18	28	20	20	22	36	78	96	24	
PBT before EO expense	271	235	283	69	301	351	286	109	856	1,046	96	14
Extra-Ord expense	46	0	0	0	0	0	-83	0	0	0	0	
PBT	226	235	283	69	301	351	369	109	856	1,046	96	14
Tax	67	52	70	-24	78	95	17	5	166	111	14	
Rate (%)	29.5	22.2	24.7	-34.3	25.8	27.0	4.6	4.3	19.4	10.6	15.0	
Reported PAT	159	183	213	93	224	256	352	105	690	935	82	
Adj PAT	191	183	213	93	224	256	272	105	690	935	68	53
YoY Change (%)	34.0	-13.4	14.0	-5.6	17.0	40.3	27.7	12.3	9.1	35.5	37.9	
Margins (%)	5.5	5.0	6.6	3.3	6.3	7.0	8.3	3.4	5.2	6.9	2.3	

E: MOSL Estimates



### 1. Will take price hikes in AA & AAA batteries: Eveready; Amritanshu Khaitan, MD

- n Battery and flashlight category is a seasonally weak category
- n Would be taking certain price hikes in AA and AAA categories to mitigate the cost pressure which has impacted margins in Q4
- n To initiate discussions with McLeod Russel for participating in a JV for development of packet tea business through a separate entity.

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### 2. Kolte-Patil planning 4 new launches in Bengaluru & Pune in FY18; Gopal Sarada, CEO-Mumbai & Group President

- n Planning four new launches in Bengaluru and Pune in FY18
- n Maintaining pre-sales number on a sequential basis.
- n Demand has picked up substantially in March, said Sarada.

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### 3. Will be impacted positively by implementation of GST: Asian Granito India; Himanshu Shah, Head-Finance

- n Expects 10% to 15% growth in Q1 of FY18.
- n Targeting high value focused products particularly in the glaze vitrified tiles and double charge vitrified tiles
- n Expects improvement in EBITDA margins in the coming quarters.
- n Despite the GST rate, expects to have positive impact on on the organised players

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### 4. Expect orders worth Rs 3,000 crore from hybrid annuity model: Welspun Enterprises; Sandeep Garg, MD

- n Company won a hybrid annuity project for Delhi-Meerut Expressway.
- n Not averse to looking at any sector but at this point in time, there is no decision in terms of which sector it will enter into.
- n Expects orders worth Rs 3,000 crore from hybrid annuity model by the end of the year.
- n Four blocks out of five have already stuck oil and gas and Garg expects first block to be commercialised in next two years.

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### 5. Looking to export 20 million kg of tea in FY18: Mcleod Russel; Kamal Baheti, CFO

- n North based tea plantation company will have a loss in the Q4 because of seasonal nature of the business. Q2 and Q3 are seasonally strong quarters.
- n Excessive production in Kenya impacted prices last year.
- n In the current season, India opened with good prices
- n Mcleod Russel is looking to export 20 million kilogram of tea in FY18

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## 1. We must worry about state finances

n The Reserve Bank of India's annual study of the State budgets (which is the primary source for disaggregated State-wise fiscal data) released earlier this month has highlighted three important factors which will guide the finances of the State governments in the medium term. These are Goods and Services taxes (GST), greater devolution of resources through statutory transfers from the Centre, and adherence to rule-based fiscal policy. The undertone of the RBI study reflects cautious optimism with a focus on GST, which has been termed as a 'game changer' for India. The RBI study presents the accounts data for 2014-15, revised estimates data for 2015-16 and budget estimates data for 2016-17. An important development is that a preliminary analysis of State finances for 2017-18 has also been covered. This is a welcome step.

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## 2. UIDAI is not india's data watchman

n Depending on whom you're speaking with, Aadhaar is either the single-most transformative reform measure taken by the Indian government or the very embodiment of an ultra-intrusive state, spying on every action of its citizens. The future reality could simultaneously be both, either or neither. By providing millions of disenfranchised and invisible Indians with an identity, Aadhaar may be tremendously empowering; equally, if not implemented carefully, it has the potential to alienate, empowering the state at the cost of the citizen. The direction the Aadhaar project takes rests on a critical reform—a comprehensive law on personal data protection. In this context, especially at a time when public emotion regarding Aadhaar is running high, a few facts may be appropriate. The Aadhaar Act, 2016 contains an entire chapter dedicated to protection of information, becoming the first modern-day statute in India to explicitly do so.

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## 3. The Reserve Bank of India is changing again

n Time was when the Reserve Bank of India (RBI) resembled more a Soviet rationing officer than a conventional central bank. Mercifully, 1991 and economic reforms ended all that; the RBI got down to conventional central banking, which included moving the economy slowly out of administered interest rates, ending automatic monetization of government debt and shrinking its autarchic footprint. After a 26-year hiatus, there are misgivings that RBI could be lapsing into some of its old habits. In the now defunct central banking format practised by RBI, all credit over Rs1 crore was rationed. Under a scheme called Credit Authorization Scheme, the RBI vetted all large loan proposals. Even though the floor was raised gradually over time, RBI continued to have a say in how much banks could lend to whom, and at what rate.

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#### 4. How SEBI is piercing its plan to impose penalties on pnotes

- n For years, participatory notes (PNs) have been seen as a way for dodgy money to come into Indian capital markets—often enough, it is believed this money belongs to Indians who send it overseas through the hawala route and then bring it back through the stock markets and make it white money. Which is why, in its third report, the Special Investigation Team (SIT) on black money had red-flagged this. Of the Rs 2.7 lakh crore of PNotes outstanding in February 2015, the SIT found 31% came from the Cayman Islands. In the case of PNotes issued from the Cayman Islands, SIT said, it was impossible that a nation with 55,000 people could possibly invest Rs 85,000 crore in India. While PNotes were difficult to stop at a time when a lot of foreign investment came in through this route, as more FPIs registered with Sebi, it became easier to tackle such inflows.

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#### 5. Ease of doing business

- n India is intent on improving its Ease of Doing Business rankings where it has been languishing between 130 and 139. India's desire to break into the top 50 rank-holders is understandable. Given the knowledge asymmetries, this index has become a yardstick to judge a country's safety from viewpoint of capital investment by any agency or business enterprise. One way to do this is to learn from one's peers, those who have raced ahead in the rankings, in the shortest time. One such example is Georgia. It has leap-frogged from a lowly position of 112 in 2005, to 16 in 2012. This is owed undoubtedly to the many reforms undertaken by its young leaders post the Rose Revolution in 2003. However, if one delves deeper within the 10 sectors which make up the Ease of Doing Business Index, it is seen that in three sectors of Registering Property, dealing with construction permits, and starting a business, Georgia has done even better than its overall rank in the Index.

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### International

#### 6. Donald Trump and the surrendering of us leadership

- n Donald Trump has been the American president for just over four months. It is still impossible to predict what his presidency will mean. But it is already a transformative event: Mr Trump has revolutionised our ideas of what the US stands for. We live in the world the US made. Now it is unmaking it. We cannot ignore that grim reality. Mr Trump's domestic programme is in accord with the agenda of the Republican party. Its aim is to cut taxes on the rich by lowering spending on the poor. The Congressional Budget Office's analysis of the American Health Care Act, recently passed by the House of Representatives and the replacement of Barack Obama's Affordable Care Act, is startling. Over the 2017-26 period, the act would reduce tax revenues by \$992bn, paid for by a \$1.1tn reduction in expenditures on Medicaid and other subsidies. According to the CBO, the number of uninsured might have increased by 23m by 2026.

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Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			P/E (x)		P/B (x)		ROE (%)		
					FY17E	FY18E	FY19E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY19E
<b>Automobiles</b>														
Amara Raja	Buy	874	1,044	19	28.0	34.5	41.8	31.2	25.4	5.8	4.9	20.3	20.8	21.2
Ashok Ley.	Buy	95	117	24	4.6	5.5	7.1	20.8	17.2	4.5	3.9	23.1	24.4	26.9
Bajaj Auto	Buy	2,844	3,422	20	132.3	150.4	178.2	21.5	18.9	4.8	4.3	25.3	24.1	25.6
Bharat Forge	Buy	1,168	1,242	6	26.2	37.7	49.7	44.6	31.0	6.6	5.8	16.2	19.9	22.5
Bosch	Neutral	23,302	23,287	0	473.1	650.7	776.2	49.3	35.8	8.1	7.1	15.8	21.2	22.2
CEAT	Buy	1,683	1,741	3	93.3	104.9	133.9	18.0	16.0	2.8	2.4	16.9	16.3	17.9
Eicher Mot.	Buy	28,431	30,402	7	613.8	892.0	1,135.1	46.3	31.9	16.1	11.4	40.3	41.9	38.5
Endurance Tech.	Buy	841	948	13	23.5	30.8	37.9	35.8	27.3	6.8	5.6	20.8	22.6	23.1
Escorts	Neutral	693	711	3	23.2	35.9	44.4	29.9	19.3	3.5	3.0	12.3	16.8	17.9
Exide Ind	Buy	230	274	19	8.2	9.5	11.8	28.2	24.3	3.9	3.5	14.0	14.5	15.8
Hero Moto	Neutral	3,743	3,622	-3	169.1	198.1	201.2	22.1	18.9	7.4	6.3	35.7	35.9	31.3
M&M	Buy	1,416	1,603	13	54.3	69.6	81.7	26.1	20.4	3.3	3.0	14.2	14.2	14.4
Mahindra CIE	Not Rated	242	-		5.4	9.9	11.8	45.3	24.6	2.8	2.5	6.4	10.8	11.5
Maruti Suzuki	Buy	7,215	8,060	12	248.6	300.0	370.9	29.0	24.1	6.0	5.2	20.3	21.2	22.3
Tata Motors	Buy	476	635	33	19.8	30.8	65.8	24.0	15.5	2.8	2.3	9.8	16.5	27.8
TVS Motor	Buy	538	581	8	11.7	16.7	26.7	45.8	32.2	10.6	8.4	25.6	29.2	35.9
<b>Aggregate</b>								<b>28.3</b>	<b>21.6</b>	<b>4.8</b>	<b>4.2</b>	<b>17.1</b>	<b>19.3</b>	<b>22.8</b>
<b>Banks - Private</b>														
Axis Bank	Neutral	514	525	2	15.4	23.4	41.2	33.5	21.9	2.3	2.1	6.9	9.9	15.7
DCB Bank	Neutral	191	170	-11	7.0	8.8	11.2	27.3	21.7	2.9	2.6	10.9	12.4	14.0
Equitas Hold.	Buy	156	210	34	4.7	4.8	7.5	33.1	32.3	2.4	2.2	8.9	7.1	10.1
Federal Bank	Buy	111	125	12	4.8	5.8	7.3	23.1	19.3	2.2	2.0	9.9	10.9	12.5
HDFC Bank	Buy	1,633	1,790	10	56.8	67.1	79.4	28.8	24.3	4.9	4.2	17.9	18.2	19.0
ICICI Bank	Buy	326	365	12	16.8	16.8	19.2	19.4	19.4	2.2	2.0	10.1	9.1	9.8
IDFC Bank	Neutral	58	62	8	3.0	3.3	4.3	19.2	17.4	1.3	1.3	7.2	7.4	9.0
IndusInd	Buy	1,480	1,700	15	50.1	59.4	72.0	29.5	24.9	4.4	3.8	16.0	16.5	17.3
J&K Bank	Neutral	81	89	10	-31.3	4.4	8.0	NM	18.4	0.7	0.7	-27.0	4.0	7.0
Kotak Mah. Bk	Buy	965	1,050	9	26.8	32.3	40.5	35.9	29.9	4.7	4.0	13.8	14.5	15.7
RBL Bank	Under Review	526	-		11.9	17.6	23.8	44.2	29.8	4.6	4.1	12.3	14.6	17.3
South Indian	Buy	28	31	10	2.2	2.9	3.6	12.9	9.8	1.1	1.0	9.4	10.6	12.2
Yes Bank	Buy	1,432	2,110	47	73.0	90.5	114.0	19.6	15.8	3.7	3.1	18.9	17.9	19.4
<b>Aggregate</b>								<b>27.9</b>	<b>22.5</b>	<b>3.2</b>	<b>2.9</b>	<b>11.4</b>	<b>12.9</b>	<b>14.5</b>
<b>Banks - PSU</b>														
BOB	Buy	178	217	22	6.0	19.0	24.9	29.7	9.3	1.2	1.1	4.1	12.3	14.5
BOI	Neutral	142	147	4	-14.8	13.7	22.0	NM	10.3	0.6	0.6	-6.7	6.1	9.0
Canara	Neutral	351	380	8	18.8	33.0	48.9	18.7	10.6	0.7	0.7	4.2	6.8	9.4
IDBI Bk	Neutral	60	49	-18	1.5	6.4	8.6	39.1	9.3	0.6	0.5	1.4	5.8	7.3
Indian Bk	Buy	316	360	14	29.3	33.3	38.1	10.8	9.5	1.0	1.0	10.1	10.6	11.1
OBC	Neutral	149	150	1	-31.6	17.1	21.4	NM	8.7	0.4	0.4	-8.4	4.6	5.4
PNB	Buy	150	184	23	6.2	10.3	14.5	24.1	14.6	0.8	0.8	3.6	5.6	7.5
SBI	Buy	289	375	30	0.3	19.7	25.9	953.8	14.6	1.3	1.2	-0.2	8.9	10.7
Union Bk	Neutral	156	174	12	7.6	24.6	34.5	20.3	6.3	0.5	0.5	2.7	8.1	10.5
<b>Aggregate</b>								<b>102.4</b>	<b>12.2</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>	<b>7.4</b>	<b>9.3</b>
<b>NBFCs</b>														
Bajaj Fin.	Buy	1,325	1,550	17	33.6	47.0	63.6	39.5	28.2	7.5	6.1	21.7	24.0	26.2
Bharat Fin.	Neutral	734	769	5	21.0	32.4	45.3	34.9	22.7	4.1	3.5	15.1	16.7	19.5
Dewan Hsg.	Buy	417	559	34	29.6	38.6	45.5	14.1	10.8	1.7	1.5	14.4	14.5	15.2
GRUH Fin.	Neutral	395	421	7	8.1	10.3	12.5	48.6	38.5	12.9	10.8	30.4	30.6	30.9
HDFC	Buy	1,570	1,797	14	46.8	50.7	55.9	33.5	31.0	6.2	5.6	19.3	18.3	17.4
Indiabulls Hsg	Buy	1,160	1,227	6	69.0	82.2	101.6	16.8	14.1	4.0	3.6	25.5	27.0	29.6
LIC Hsg Fin	Neutral	733	723	-1	38.2	44.6	51.2	19.2	16.4	3.4	2.9	19.4	19.3	19.0
Manappuram	Not Rated	89	-		8.2	11.1	14.0	10.9	8.0	2.5	2.2	23.9	29.0	32.2
M&M Fin.	Buy	359	400	11	7.1	12.9	16.4	50.7	27.8	3.1	2.9	6.4	10.9	12.9
Muthoot Fin	Buy	413	465	13	29.7	34.5	40.0	13.9	12.0	2.6	2.3	19.7	20.2	20.6



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			P/E (x)		P/B (x)		ROE (%)		
					FY17E	FY18E	FY19E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY19E
PFC	Neutral	134	117	-12	25.7	27.2	30.2	5.2	4.9	0.9	0.8	17.9	17.0	16.8
Repco Home	Buy	782	900	15	29.1	36.0	43.3	26.9	21.7	4.3	3.6	17.4	18.2	18.5
REC	Neutral	193	134	-31	31.4	35.0	40.4	6.2	5.5	1.1	1.0	19.9	19.1	19.1
Shriram City Union	Buy	2,264	2,689	19	84.3	130.4	164.7	26.8	17.4	3.0	2.6	11.8	16.2	17.8
STF	Buy	1,021	1,269	24	55.6	77.4	98.6	18.4	13.2	2.1	1.8	11.7	14.5	16.3
<b>Aggregate</b>								<b>18.3</b>	<b>15.7</b>	<b>3.2</b>	<b>2.8</b>	<b>17.2</b>	<b>17.7</b>	<b>17.9</b>
<b>Capital Goods</b>														
ABB	Sell	1,460	1,200	-18	19.7	25.1	32.2	74.1	58.2	9.4	8.1	12.7	13.9	15.8
Bharat Elec.	Buy	173	200	16	6.5	7.7	9.1	26.7	22.4	5.1	4.4	20.4	19.8	20.3
BHEL	Sell	139	100	-28	2.0	4.4	5.0	68.4	31.7	1.0	1.0	1.5	3.3	3.6
Blue Star	Neutral	633	650	3	12.9	19.0	28.0	49.1	33.3	8.0	7.5	18.0	23.2	31.6
CG Cons. Elec.	Buy	223	240	8	4.7	5.6	6.7	47.7	40.0	26.0	18.7	76.4	54.2	50.3
CG Power & Indu.	Sell	83	65	-21	4.1	2.3	4.5	20.1	36.1	1.2	1.2	6.2	3.4	4.2
Cummins	Neutral	937	950	1	26.5	29.3	35.2	35.3	31.9	6.9	6.4	21.2	20.8	23.0
GE T&D	Neutral	359	320	-11	5.7	8.9	10.6	62.6	40.1	8.9	7.8	12.4	20.7	21.5
Havells	Neutral	488	480	-2	9.6	12.1	14.5	51.1	40.4	9.3	8.2	18.2	20.4	21.4
Inox Wind	Under Review	136	-		12.8	-3.2	15.5	10.6	NM	1.4	1.4	14.9	-3.3	15.1
K E C Intl	Neutral	260	250	-4	11.9	13.6	16.8	21.9	19.1	4.2	3.6	21.2	20.3	21.2
L&T	Buy	1,760	2,000	14	63.3	68.0	78.3	27.8	25.9	3.3	3.2	12.6	12.5	13.6
Pennar Eng.	Not Rated	135	-		5.8	7.5	10.0	23.2	18.0	2.0	1.8	8.6	10.0	11.8
Siemens	Neutral	1,374	1,355	-1	17.8	24.3	33.3	77.1	56.6	7.2	6.2	9.3	11.0	13.7
Solar Ind	Neutral	831	825	-1	20.6	22.0	27.5	40.3	37.8	7.4	6.4	19.8	18.1	19.5
Suzlon Energy	Not Rated	19	-		0.6	0.9	1.0	30.4	21.9	-1.8	-1.9	NM	-8.8	-11.0
Thermax	Sell	1,010	780	-23	23.5	29.5	32.2	42.9	34.2	4.7	4.3	11.6	13.1	13.0
Va Tech Wab.	Buy	663	760	15	26.5	34.5	40.3	25.1	19.2	3.4	3.0	8.9	16.7	17.3
Voltas	Sell	486	400	-18	15.5	16.0	18.1	31.5	30.4	4.9	4.4	18.0	15.1	15.3
<b>Aggregate</b>								<b>35.0</b>	<b>30.7</b>	<b>3.9</b>	<b>3.7</b>	<b>11.1</b>	<b>11.9</b>	<b>13.2</b>
<b>Cement</b>														
Ambuja Cem.	Buy	241	283	17	4.9	6.6	7.2	49.3	36.4	2.5	2.4	5.0	6.7	7.1
ACC	Neutral	1,636	1,521	-7	33.7	49.2	63.6	48.5	33.3	3.6	3.7	7.5	11.0	14.2
Birla Corp.	Buy	849	998	18	29.4	40.9	58.9	28.9	20.7	2.0	1.9	7.5	9.2	12.2
Dalmia Bharat	Buy	2,439	3,162	30	38.8	66.7	87.1	62.9	36.6	4.4	3.9	7.2	11.3	13.1
Grasim Inds.	Neutral	1,157	1,234	7	67.9	86.9	114.5	17.1	13.3	1.9	1.6	11.5	13.1	15.1
India Cem	Neutral	205	210	3	5.6	9.3	12.9	36.4	21.9	1.2	1.2	3.4	5.5	7.2
J K Cements	Buy	1,109	1,322	19	33.7	46.4	59.5	32.9	23.9	4.4	3.8	14.4	17.0	18.6
JK Lakshmi Ce	Buy	491	550	12	7.0	11.4	20.5	70.6	43.1	4.1	3.8	6.0	9.2	14.7
Ramco Cem	Buy	721	823	14	27.3	31.1	37.5	26.5	23.2	4.7	4.0	19.2	18.6	19.1
Orient Cem	Buy	145	185	28	-1.6	4.5	6.8	NM	32.1	3.0	2.8	-3.2	9.0	12.3
Prism Cem	Buy	114	138	21	0.3	3.7	5.8	329.0	30.9	5.7	5.0	1.8	17.2	22.6
Shree Cem	Buy	18,001	23,316	30	384.4	480.7	621.0	46.8	37.5	8.9	7.3	20.2	21.5	22.6
Ultratech	Buy	4,197	4,928	17	96.1	121.4	159.1	43.7	34.6	5.0	4.4	12.0	13.6	15.7
<b>Aggregate</b>								<b>36.3</b>	<b>27.2</b>	<b>3.5</b>	<b>3.2</b>	<b>9.7</b>	<b>11.8</b>	<b>13.7</b>
<b>Consumer</b>														
Asian Paints	Neutral	1,153	1,210	5	21.0	23.1	27.4	54.8	49.8	14.5	13.9	28.5	28.6	30.6
Britannia	Buy	3,533	4,050	15	73.7	82.1	101.3	47.9	43.1	15.7	14.6	36.9	35.2	37.2
Colgate	Buy	1,012	1,180	17	21.2	25.7	31.1	47.7	39.5	21.6	20.4	50.4	53.2	60.3
Dabur	Neutral	280	295	6	7.2	7.7	9.1	38.6	36.2	10.2	8.7	28.4	26.0	26.3
Emami	Buy	1,084	1,250	15	26.5	29.2	34.7	40.8	37.1	14.0	11.3	35.8	33.8	32.2
Godrej Cons.	Neutral	1,811	1,950	8	37.8	43.6	50.0	47.9	41.5	11.6	9.0	24.6	24.5	23.0
GSK Cons.	Sell	5,282	4,380	-17	156.1	169.7	185.5	33.8	31.1	7.1	7.0	22.2	22.6	23.0
HUL	Buy	1,067	1,165	9	19.6	22.4	25.9	54.3	47.5	34.6	33.9	65.6	72.1	81.4
ITC	Buy	312	355	14	8.4	9.6	11.5	37.1	32.6	8.4	8.3	23.5	25.6	28.9
Jyothy Lab	Neutral	367	390	6	11.2	8.9	11.0	32.6	41.0	6.1	6.3	21.1	15.1	18.4
Marico	Neutral	314	335	7	6.3	6.9	8.4	50.0	45.2	17.4	14.9	36.7	35.5	38.1



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			P/E (x)		P/B (x)		ROE (%)		
					FY17E	FY18E	FY19E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY19E
Nestle	Sell	6,657	5,715	-14	118.0	118.6	139.5	56.4	56.1	21.3	19.6	39.0	36.4	39.0
Page Inds	Buy	14,352	18,000	25	238.7	313.9	400.0	60.1	45.7	24.0	19.0	40.0	41.6	42.8
Parag Milk	Neutral	238	245	3	3.6	7.4	12.3	66.0	32.0	3.0	2.8	5.9	9.1	13.4
Pidilite Ind.	Neutral	768	762	-1	16.7	18.4	21.2	45.9	41.6	11.9	9.7	28.2	25.6	24.0
P&G Hygiene	Buy	7,450	8,760	18	144.9	155.8	181.6	51.4	47.8	42.5	33.9	45.3	78.9	74.0
United Brew	Neutral	801	830	4	8.7	9.7	14.7	92.1	82.5	9.2	8.4	10.4	10.7	14.6
United Spirits	Neutral	2,267	2,025	-11	26.7	38.3	51.5	84.8	59.2	14.9	12.1	19.4	20.5	21.8
<b>Aggregate</b>								<b>45.5</b>	<b>40.4</b>	<b>12.6</b>	<b>11.8</b>	<b>27.7</b>	<b>29.1</b>	<b>30.7</b>
<b>Healthcare</b>														
Alembic Phar	Neutral	538	640	19	21.6	26.0	32.1	24.9	20.7	5.4	4.5	23.1	23.6	24.1
Alkem Lab	Neutral	1,923	1,900	-1	75.7	80.0	94.9	25.4	24.0	5.4	4.6	23.4	20.8	21.0
Ajanta Pharma	Buy	1,569	2,028	29	58.4	66.4	79.9	26.9	23.6	8.9	6.7	37.7	32.3	30.0
Aurobindo	Buy	574	750	31	39.3	44.1	50.2	14.6	13.0	3.6	2.9	28.3	24.8	22.5
Biocon	Sell	949	900	-5	30.6	33.1	44.9	31.0	28.7	4.2	3.8	13.6	13.3	16.1
Cadila	Buy	465	510	10	14.2	18.1	23.2	32.7	25.6	7.4	6.1	24.8	26.1	27.1
Cipla	Neutral	515	500	-3	15.9	20.0	25.0	32.4	25.8	3.3	3.0	10.2	11.5	12.8
Divis Lab	Neutral	583	600	3	39.7	35.8	39.8	14.7	16.3	3.3	3.0	23.5	19.2	19.2
Dr Reddy's	Neutral	2,518	2,625	4	72.6	107.1	144.5	34.7	23.5	3.4	2.8	9.6	13.3	15.1
Fortis Health	Buy	196	240	23	10.3	2.1	6.1	18.9	92.7	2.0	1.8	11.3	2.0	5.3
Glenmark	Neutral	637	800	26	39.3	45.0	53.5	16.2	14.1	4.0	3.2	24.7	22.4	21.3
Granules	Buy	138	200	45	7.3	8.1	11.4	19.1	17.0	3.2	2.3	20.0	16.4	17.6
GSK Pharma	Neutral	2,427	2,700	11	34.4	51.9	60.1	70.6	46.7	15.2	18.5	21.5	39.7	54.4
IPCA Labs	Neutral	491	480	-2	16.1	22.4	29.9	30.6	21.9	2.5	2.3	8.6	11.0	13.2
Lupin	Buy	1,161	1,475	27	59.2	60.2	73.7	19.6	19.3	4.0	3.4	22.0	18.9	19.7
Sanofi India	Buy	4,060	4,850	19	129.1	131.0	173.4	31.4	31.0	5.4	5.0	17.1	16.3	19.3
Sun Pharma	Buy	501	650	30	26.1	25.4	30.8	19.2	19.7	3.5	3.1	19.2	16.8	17.9
Syngene Intl	Not Rated	477	-		13.0	16.1	18.0	36.6	29.6	7.4	6.0	22.2	22.5	20.7
Torrent Pharma	Buy	1,224	1,450	18	55.2	59.8	73.2	22.2	20.5	5.2	4.5	25.3	23.5	24.6
<b>Aggregate</b>								<b>23.0</b>	<b>21.2</b>	<b>4.1</b>	<b>3.5</b>	<b>17.9</b>	<b>16.6</b>	<b>17.6</b>
<b>Logistics</b>														
Allcargo Logistics	Buy	174	228	31	9.8	12.2	14.3	17.7	14.3	2.6	2.3	12.6	17.2	17.8
Blue Dart	Not Rated	4,420	-		102.5	129.9	163.2	43.1	34.0	19.1	14.6	50.5	48.6	46.8
Concor	Neutral	1,163	1,162	0	38.0	41.2	45.8	30.6	28.2	3.2	3.1	10.8	11.1	11.7
Gateway Distriparks	Buy	249	310	25	6.8	11.6	14.3	36.6	21.4	2.2	2.1	5.9	9.9	11.7
Gati	Not Rated	125	-		8.4	15.9	23.9	14.9	7.9	2.0	1.8	12.4	19.4	25.4
Transport Corp.	Not Rated	297	-		16.9	21.0	25.9	17.5	14.1	2.7	2.3	16.7	17.8	18.6
<b>Aggregate</b>								<b>28.9</b>	<b>23.9</b>	<b>3.5</b>	<b>3.3</b>	<b>12.2</b>	<b>13.7</b>	<b>15.0</b>
<b>Media</b>														
Dish TV	Buy	84	106	26	1.0	2.1	3.8	85.6	41.1	18.3	12.7	24.1	36.5	44.1
D B Corp	Buy	377	460	22	20.4	24.1	28.7	18.5	15.6	4.3	3.9	25.5	26.2	27.6
Den Net.	Neutral	86	90	5	-3.6	2.2	8.5	NM	39.0	1.0	0.9	-4.1	2.5	8.8
Hind. Media	Buy	277	360	30	26.4	27.1	29.9	10.5	10.2	1.9	1.6	19.3	16.6	15.6
HT Media	Neutral	83	85	3	7.4	7.9	8.3	11.2	10.5	0.8	0.7	7.1	6.9	6.6
Jagran Prak.	Buy	180	225	25	10.8	12.2	14.0	16.7	14.8	2.4	2.4	17.6	16.3	17.3
PVR	Buy	1,452	1,666	15	20.5	36.1	54.7	70.7	40.3	7.0	6.0	10.4	16.1	20.5
Siti Net.	Neutral	30	36	21	-1.8	-0.5	0.1	NM	NM	4.1	4.5	-23.5	-7.8	1.5
Sun TV	Neutral	800	860	7	24.9	29.5	38.4	32.2	27.1	8.0	7.4	25.0	27.3	31.9
Zee Ent.	Buy	515	600	17	23.1	16.4	19.5	22.3	31.5	8.2	6.9	23.7	23.8	23.8
<b>Aggregate</b>								<b>39.8</b>	<b>28.6</b>	<b>5.7</b>	<b>5.2</b>	<b>14.4</b>	<b>18.1</b>	<b>20.6</b>
<b>Metals</b>														
Hindalco	Buy	201	250	25	16.2	22.6	25.9	12.4	8.9	1.5	1.3	14.0	15.6	15.1
Hind. Zinc	Sell	240	235	-2	19.7	21.5	23.7	12.2	11.1	3.3	2.8	24.4	27.2	25.4
JSPL	Buy	122	184	51	-20.9	-16.0	-2.5	NM	NM	0.4	0.4	-7.9	-5.0	-0.8
JSW Steel	Buy	194	241	24	14.8	20.1	22.6	13.1	9.6	2.1	1.8	17.3	19.7	18.8



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			P/E (x)		P/B (x)		ROE (%)		
					FY17E	FY18E	FY19E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY19E
Nalco	Neutral	67	65	-4	3.7	3.6	4.0	18.3	18.9	1.3	1.2	7.2	6.7	7.3
NMDC	Under Review	111	-		10.0	12.0	12.7	11.2	9.2	1.6	1.5	12.4	14.9	15.7
SAIL	Sell	57	30	-48	-6.2	-12.6	0.4	NM	NM	0.6	0.7	-6.7	-15.2	0.5
Vedanta	Neutral	239	225	-6	15.1	24.5	27.4	15.8	9.7	1.5	1.4	9.7	14.8	15.3
Tata Steel	Sell	505	451	-11	37.0	39.5	45.7	13.6	12.8	1.5	1.4	15.4	11.4	12.1
<b>Aggregate</b>								<b>17.3</b>	<b>14.0</b>	<b>1.4</b>	<b>1.3</b>	<b>8.0</b>	<b>9.4</b>	<b>11.8</b>
<b>Oil &amp; Gas</b>														
BPCL	Neutral	742	779	5	72.5	64.5	70.3	10.2	11.5	3.2	2.7	32.4	25.1	23.3
GAIL	Neutral	416	358	-14	22.6	28.7	32.7	18.4	14.5	1.8	1.7	10.2	12.2	12.9
Gujarat Gas	Sell	762	699	-8	20.4	38.5	46.6	37.3	19.8	6.4	5.1	17.8	28.5	27.5
Gujarat St. Pet.	Neutral	170	171	0	8.8	11.2	13.4	19.3	15.2	2.2	2.0	11.9	13.7	14.6
HPCL	Buy	550	632	15	61.0	45.6	45.8	9.0	12.1	2.7	2.4	32.4	21.2	18.7
IOC	Neutral	432	457	6	41.0	41.9	43.3	10.5	10.3	2.1	2.1	22.3	20.2	19.9
IGL	Neutral	1,071	1,067	0	43.1	46.7	51.8	24.8	22.9	5.1	4.4	21.0	20.6	19.5
MRPL	Neutral	131	124	-5	11.7	12.8	13.3	11.2	10.3	2.3	2.0	24.8	20.5	18.4
Oil India	Buy	307	363	18	19.3	34.7	37.4	15.9	8.9	0.8	0.8	5.7	9.3	9.6
ONGC	Buy	177	229	29	16.4	20.6	23.9	10.8	8.6	1.0	1.0	10.4	11.7	13.0
PLNG	Buy	440	547	24	22.7	25.9	35.1	19.3	17.0	4.1	3.5	23.6	22.1	25.2
Reliance Ind.	Neutral	1,341	1,264	-6	106.6	121.7	127.8	12.6	11.0	1.4	1.2	11.9	11.8	11.2
<b>Aggregate</b>								<b>12.1</b>	<b>11.1</b>	<b>1.6</b>	<b>1.5</b>	<b>13.2</b>	<b>13.4</b>	<b>13.4</b>
<b>Retail</b>														
Jubilant Food	Sell	914	680	-26	10.0	12.2	17.9	91.3	75.1	7.5	7.0	8.2	9.3	12.6
Titan Co.	Neutral	475	505	6	9.0	10.3	12.1	52.6	46.2	10.0	8.8	20.6	20.2	20.9
<b>Aggregate</b>								<b>54.9</b>	<b>48.0</b>	<b>9.5</b>	<b>8.4</b>	<b>17.2</b>	<b>17.6</b>	<b>18.5</b>
<b>Technology</b>														
Cyient	Buy	482	620	29	30.6	38.3	44.2	15.7	12.6	2.6	2.2	16.2	17.8	17.9
HCL Tech.	Buy	865	960	11	59.8	61.9	67.6	14.5	14.0	3.6	3.6	27.5	25.4	26.0
Hexaware	Neutral	235	235	0	13.7	15.4	16.7	17.2	15.3	4.2	3.6	26.5	25.3	23.5
Infosys	Buy	977	1,200	23	62.9	64.7	71.1	15.5	15.1	3.2	2.9	23.3	21.4	21.2
KPIT Tech	Neutral	115	150	30	11.9	13.4	15.2	9.7	8.6	1.5	1.2	14.3	15.6	15.2
L&T Infotech	Buy	798	850	7	55.5	59.7	65.0	14.4	13.4	5.0	3.9	40.4	32.8	28.3
Mindtree	Neutral	545	475	-13	24.9	30.5	36.5	21.9	17.9	3.6	3.2	16.8	18.9	20.5
Mphasis	Neutral	610	600	-2	38.9	41.7	45.0	15.7	14.6	2.1	2.4	13.2	14.0	15.7
NIIT Tech	Neutral	521	470	-10	42.8	42.5	46.1	12.2	12.3	1.9	1.7	16.1	14.8	14.7
Persistent Sys	Buy	607	700	15	37.7	43.9	51.4	16.1	13.8	2.5	2.4	17.0	18.1	20.3
Tata Elxsi	Buy	1,335	1,607	20	56.3	68.0	80.4	23.7	19.6	7.4	6.0	37.1	33.7	32.3
TCS	Neutral	2,544	2,400	-6	133.4	139.7	149.6	19.1	18.2	6.0	6.1	33.5	32.4	32.3
Tech Mah	Buy	390	500	28	30.9	32.3	36.9	12.6	12.1	2.1	1.9	18.4	16.7	17.0
Wipro	Neutral	537	500	-7	33.8	34.6	38.2	15.9	15.5	2.5	2.3	16.9	15.5	15.7
Zensar Tech	Buy	864	1,020	18	54.9	67.6	78.4	15.7	12.8	2.4	2.1	16.3	17.7	17.8
<b>Aggregate</b>								<b>16.9</b>	<b>16.5</b>	<b>3.9</b>	<b>3.7</b>	<b>23.2</b>	<b>22.7</b>	<b>22.0</b>
<b>Telecom</b>														
Bharti Airtel	Buy	372	430	16	11.1	6.3	11.5	33.5	59.2	2.2	2.1	6.7	3.7	6.4
Bharti Infratel	Buy	368	435	18	14.9	17.5	19.9	24.8	21.0	4.5	3.9	16.2	19.4	19.1
Idea Cellular	Buy	80	110	37	-1.1	-12.9	-13.6	NM	NM	1.2	1.4	-1.6	-20.8	-27.4
Tata Comm	Buy	723	811	12	26.0	18.1	36.0	27.8	39.9	12.9	9.8	126.2	27.9	39.1
<b>Aggregate</b>								<b>35.4</b>	<b>165.6</b>	<b>2.4</b>	<b>2.4</b>	<b>6.9</b>	<b>1.5</b>	<b>3.9</b>
<b>Utilities</b>														
Coal India	Buy	263	316	20	14.9	18.3	20.7	17.6	14.4	6.7	6.7	37.8	46.2	52.1
CESC	Buy	918	1,040	13	51.9	73.4	80.6	17.7	12.5	2.1	1.8	11.4	15.5	15.0
JSW Energy	Buy	63	88	40	3.9	2.1	1.8	16.3	29.7	1.0	1.0	6.7	3.3	2.8
NTPC	Buy	160	198	24	13.0	13.4	16.2	12.3	12.0	1.3	1.3	11.5	10.9	12.3
Power Grid	Buy	208	242	16	14.2	17.6	20.5	14.6	11.8	2.2	1.9	16.2	17.5	17.8
Tata Power	Sell	81	67	-17	5.2	6.7	7.0	15.7	12.0	1.9	1.7	11.2	14.6	13.6
<b>Aggregate</b>								<b>14.9</b>	<b>13.0</b>	<b>2.3</b>	<b>2.1</b>	<b>15.3</b>	<b>16.3</b>	<b>17.4</b>



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			P/E (x)		P/B (x)		ROE (%)		
					FY17E	FY18E	FY19E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY19E
<b>Others</b>														
Arvind	Neutral	378	382	1	12.4	16.6	23.6	30.5	22.7	2.7	2.5	10.3	11.5	14.7
Bata India	Under Review	545	-		13.5	15.6	19.3	40.5	34.9	5.4	4.8	13.9	14.5	15.9
Castrol India	Buy	424	532	25	13.6	14.9	15.2	31.1	28.5	32.7	29.4	110.9	108.6	100.4
Century Ply.	Buy	265	274	3	7.7	8.6	11.4	34.3	30.7	9.0	7.4	28.9	26.5	28.6
Coromandel Intl	Under Review	412	-		16.0	18.3	23.6	25.8	22.5	4.5	4.0	18.2	18.9	21.7
Delta Corp	Buy	156	229	47	3.3	6.9	7.6	47.7	22.7	4.1	3.1	9.0	15.7	17.0
Dynamic Tech	Buy	2,598	3,334	28	67.6	112.9	166.7	38.4	23.0	5.3	4.3	15.1	20.7	24.3
Eveready Inds.	Buy	319	287	-10	11.4	13.9	16.9	28.0	23.0	8.5	6.8	34.7	33.0	32.4
Interglobe	Neutral	1,106	1,234	12	46.0	65.6	88.2	24.0	16.9	19.8	17.5	86.2	110.2	129.8
Indo Count	Buy	173	229	32	13.0	14.6	17.6	13.3	11.9	4.0	3.0	34.8	28.8	25.9
Info Edge	Buy	911	1,050	15	15.7	20.3	22.9	58.1	45.0	5.6	5.1	10.2	11.9	12.3
Inox Leisure	Sell	290	240	-17	3.3	8.0	12.0	86.8	36.1	5.0	4.4	5.9	12.5	16.2
Jain Irrigation	Under Review	101	-		5.5	7.6	10.0	18.2	13.3	1.5	1.5	8.6	11.7	14.8
Just Dial	Neutral	448	465	4	17.5	18.5	21.1	25.6	24.3	3.4	3.1	14.8	13.4	13.7
Kaveri Seed	Buy	590	653	11	19.1	29.5	36.3	30.9	20.0	4.0	4.4	13.6	20.5	25.4
Kitex Garm.	Buy	374	551	47	26.0	31.0	36.7	14.4	12.1	3.9	3.1	29.9	28.7	27.7
Manpasand	Buy	800	841	5	13.3	22.0	31.1	60.2	36.4	3.9	3.6	7.7	9.3	13.5
MCX	Buy	1,004	1,325	32	24.8	30.5	42.9	40.4	32.9	3.8	3.6	9.9	11.1	14.6
Monsanto	Buy	2,850	2,841	0	72.9	89.3	109.3	39.1	31.9	11.9	11.1	30.4	35.9	39.6
Navneet Education	Buy	185	226	22	7.8	9.4	11.3	23.9	19.6	6.0	5.0	26.8	27.8	28.2
PI Inds.	Buy	816	952	17	33.4	33.4	38.1	24.4	24.4	6.9	5.6	32.8	25.4	23.8
Piramal Enterp.	Buy	2,734	3,044	11	72.6	104.1	144.6	37.7	26.3	3.6	3.3	9.8	13.0	16.4
SRF	Buy	1,632	1,816	11	85.9	89.0	111.5	19.0	18.3	3.0	2.7	16.6	15.1	17.0
S H Kelkar	Buy	283	367	30	7.2	9.6	12.2	39.1	29.5	5.0	4.5	13.7	16.1	18.2
Symphony	Sell	1,309	1,288	-2	27.0	35.1	42.9	48.4	37.3	26.4	22.4	56.8	65.0	66.3
TTK Prestige	Neutral	6,511	5,281	-19	106.9	137.7	176.0	60.9	47.3	9.7	8.7	16.5	19.4	22.2
V-Guard	Neutral	182	140	-23	3.7	4.6	5.4	49.1	39.7	13.0	10.4	29.4	29.1	27.6
Wonderla	Buy	371	393	6	7.0	11.9	16.0	53.1	31.1	4.9	4.3	9.5	14.8	17.5



Company	1 Day (%)	1M (%)	12M (%)
<b>Automobiles</b>			
Amara Raja	1.1	-1.6	4.0
Ashok Ley.	1.1	10.6	-13.2
Bajaj Auto	-0.1	-0.9	8.6
Bharat Forge	2.1	2.1	54.4
Bosch	-0.7	1.6	4.3
CEAT	0.6	10.3	82.2
Eicher Mot.	0.3	9.3	53.5
Endurance Tech.	3.6	3.9	
Escorts	3.7	26.7	295.3
Exide Ind	1.0	-0.2	40.5
Hero Moto	0.1	13.1	20.8
M&M	4.0	6.1	6.9
Mahindra CIE	2.7	-0.9	14.1
Maruti Suzuki	1.0	10.6	73.1
Tata Motors	-1.1	4.0	3.9
TVS Motor	-0.4	8.6	88.3
<b>Banks - Private</b>			
Axis Bank	0.3	0.9	-0.3
DCB Bank	0.4	4.3	102.8
Equitas Hold.	1.5	-6.0	-3.3
Federal Bank	1.0	3.6	112.6
HDFC Bank	0.3	5.9	38.3
ICICI Bank	1.8	17.2	33.1
IDFC Bank	-0.5	-12.4	19.5
IndusInd	0.3	2.4	34.1
J&K Bank	-3.9	-0.9	40.3
Kotak Mah. Bk	0.3	7.0	29.2
RBL Bank	3.2	-6.8	
South Indian	1.8	9.5	63.3
Yes Bank	-0.5	-12.2	38.8
<b>Banks - PSU</b>			
BOB	-0.2	-5.1	24.7
BOI	-3.6	-24.0	63.6
Canara	-1.3	-1.1	75.4
IDBI Bk	-1.6	-23.2	-11.8
Indian Bk	0.0	-0.8	245.7
OBC	-0.7	-12.2	76.1
PNB	2.4	-11.1	89.8
SBI	-0.1	-0.3	40.9
Union Bk	-0.2	-9.0	31.7
<b>NBFCs</b>			
Bajaj Fin.	0.3	3.8	74.9
Bharat Fin.	0.7	-8.8	13.0
Dewan Hsg.	1.3	-2.4	110.0
GRUH Fin.	1.1	-0.4	40.2
HDFC	-0.7	2.2	26.7
Indiabulls Hsg	4.2	14.1	61.1
LIC Hsg Fin	2.9	9.6	56.1
Manappuram	2.2	-4.6	66.0
M&M Fin.	8.2	6.4	11.4
Muthoot Fin	4.8	5.0	77.7
PFC	-2.4	-16.3	63.0
Repco Home	2.7	2.2	16.1
REC	-6.1	-4.6	140.8
STF	1.7	-1.5	-13.5
Shriram City Union	3.8	1.8	37.1

Company	1 Day (%)	1M (%)	12M (%)
<b>Capital Goods</b>			
ABB	0.4	3.5	18.5
Bharat Elec.	1.4	-5.5	46.1
BHEL	-1.1	-21.2	14.7
Blue Star	0.4	-9.0	52.0
CG Cons. Elec.	1.7	1.4	68.9
CG Power & Inds Sol.	0.0	5.2	24.7
Cummins	0.6	-6.0	17.1
GE T&D	3.8	4.6	7.9
Havells	3.7	1.0	34.0
Inox Wind	1.5	-30.8	-38.1
K E C Intl	3.9	18.9	88.0
L&T	-0.4	0.7	19.4
Pennar Eng.	-2.8	-6.2	-10.0
Siemens	0.7	4.7	13.8
Solar Ind	-0.2	3.4	31.6
Suzlon Energy	0.8	-6.5	21.0
Thermax	0.7	-0.8	37.8
Va Tech Wab.	-0.8	-1.1	15.3
Voltas	0.0	18.5	44.8
<b>Cement</b>			
Ambuja Cem.	-0.6	-1.9	5.5
ACC	-0.1	0.7	6.8
Birla Corp.	0.1	10.5	103.7
Dalmia Bharat	0.9	12.4	170.3
Grasim Inds.	2.5	0.3	32.8
India Cem	-0.2	-5.4	117.0
JK Cements	0.5	14.7	91.3
JK Lakshmi Ce	-1.0	6.1	44.6
Ramco Cem	4.9	5.8	46.6
Orient Cem	-1.7	-15.1	-10.1
Prism Cem	0.0	-6.2	25.9
Shree Cem	0.3	-6.5	36.4
Ultratech	2.9	-1.0	30.0
<b>Consumer</b>			
Asian Paints	-0.5	2.9	17.1
Britannia	3.3	-2.6	30.6
Colgate	0.1	-2.5	17.9
Dabur	0.5	-2.4	-3.6
Emami	0.1	2.4	5.9
Godrej Cons.	-2.5	3.9	21.8
GSK Cons.	-0.8	3.0	-8.0
HUL	-0.4	14.1	25.5
ITC	0.5	12.0	33.1
Jyothy Lab	0.0	-8.3	29.8
Marico	-0.3	-0.3	26.0
Nestle	0.8	-0.7	9.2
Page Inds	0.9	-0.7	3.9
Parag Milk	-0.3	-2.5	-7.0
Pidilite Ind.	0.5	7.1	8.8
P&G Hygiene	-0.1	1.1	20.2
United Brew	1.5	4.3	10.0
United Spirits	8.5	20.9	-8.1
<b>Healthcare</b>			
Alembic Phar	-0.1	-12.0	0.5
Alkem Lab	2.8	-2.1	52.5
Ajanta Pharma	1.4	-4.8	3.5
Aurobindo	-1.0	-5.3	-26.9



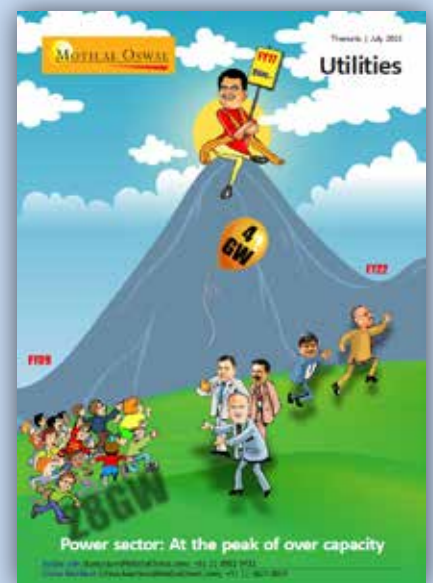
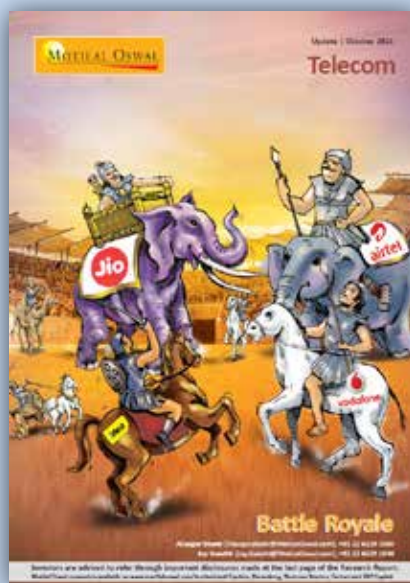
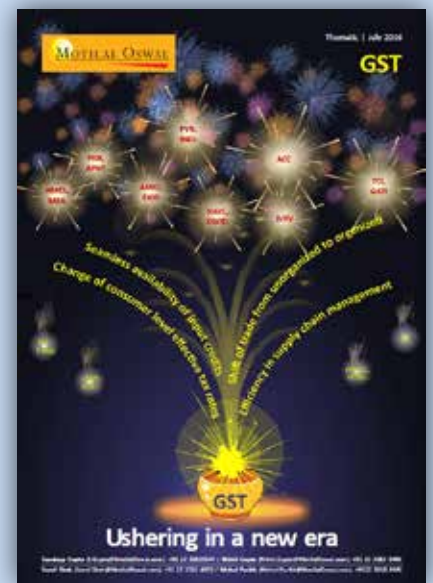
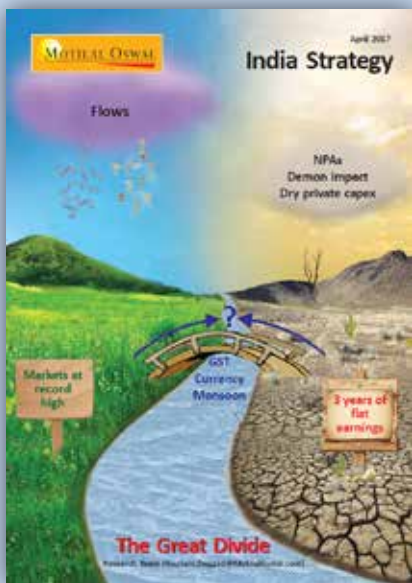


Company	1 Day (%)	1M (%)	12M (%)
Biocon	0.3	-14.2	32.4
Cadila	-1.2	5.6	38.2
Cipla	0.7	-7.6	8.9
Divis Lab	-0.6	-7.1	-47.1
Dr Reddy's	1.5	-3.1	-20.9
Fortis Health	-1.3	-11.2	20.9
Glenmark	1.9	-28.7	-25.4
Granules	1.4	-9.1	0.9
GSK Pharma	2.1	-2.9	-31.6
IPCA Labs	0.4	-17.9	14.0
Lupin	2.8	-13.2	-21.2
Sanofi India	0.8	-3.4	-3.2
Sun Pharma	-1.4	-22.0	-34.3
Syngene Intl	4.1	-7.5	22.6
Torrent Pharma	-0.9	-13.6	-8.8
<b>Logistics</b>			
Allcargo Logistics	-1.3	-8.1	7.9
Blue Dart	0.3	-9.2	-18.9
Concor	-0.4	-4.6	1.1
Gateway Distriparks	3.8	-7.0	-14.4
Gati	1.2	-8.3	-5.4
Transport Corp.	12.6	22.4	72.5
<b>Media</b>			
Dish TV	-0.6	-11.0	-4.4
D B Corp	3.2	-0.9	0.8
Den Net.	-1.9	-10.6	-5.9
Hind. Media	0.4	-4.0	5.1
HT Media	1.2	0.5	2.2
Jagran Prak.	0.7	-7.9	6.4
PVR	0.4	-10.1	65.3
Siti Net.	-5.4	-16.0	-21.2
Sun TV	0.2	-13.2	113.7
Zee Ent.	-1.6	-2.1	16.0
<b>Metals</b>			
Hindalco	-1.3	0.7	90.7
Hind. Zinc	-1.3	-10.7	40.5
JSPL	-1.1	6.7	92.4
JSW Steel	-0.5	-2.5	39.5
Nalco	1.5	-1.7	57.4
NMDC	-0.8	-12.5	25.9
SAIL	-2.2	-5.4	33.8
Vedanta	-2.4	-1.9	120.7
Tata Steel	-1.1	12.5	51.0
<b>Oil &amp; Gas</b>			
BPCL	0.6	3.2	51.2
GAIL	2.6	-1.9	49.4
Gujarat Gas	-0.3	-9.6	46.2
Gujarat St. Pet.	-0.1	-5.8	28.1
HPCL	-0.9	2.7	82.0
IOC	2.8	-1.8	107.7
IGL	0.8	1.0	91.4
MRPL	1.4	-1.6	93.9
Oil India	-2.1	-6.1	16.9
ONGC	-0.7	-5.0	25.8
PLNG	0.5	3.9	60.4
Reliance Ind.	-1.3	-3.9	39.8
<b>Retail</b>			
Jubilant Food	0.6	-12.0	-11.5

Company	1 Day (%)	1M (%)	12M (%)
Titan Co.	1.1	0.7	32.2
<b>Technology</b>			
Cyient	-4.0	-11.9	0.7
HCL Tech.	-0.2	6.5	16.9
Hexaware	-0.7	2.0	8.2
Infosys	-2.0	6.3	-21.8
KPIT Tech	1.5	-10.0	-36.2
L&T Infotech	3.8	12.8	
Mindtree	1.4	12.1	-17.7
Mphasis	4.0	14.0	17.2
NIIT Tech	-0.6	14.1	7.3
Persistent Sys	1.4	3.4	-17.5
Tata Elxsi	1.8	-11.7	-26.0
TCS	-0.3	12.0	-1.2
Tech Mah	0.5	-6.5	-27.6
Wipro	0.3	8.7	-1.7
Zensar Tech	-1.0	0.1	-9.5
<b>Telecom</b>			
Bharti Airtel	0.6	4.9	5.7
Bharti Infratel	-1.3	3.7	-2.1
Idea Cellular	1.5	-6.5	-30.2
Tata Comm	3.1	0.2	58.2
<b>Utilities</b>			
Coal India	-1.4	-4.9	-9.7
CESC	2.7	-2.8	68.5
JSW Energy	1.4	-6.1	-11.6
NTPC	-0.8	-2.6	11.7
Power Grid	1.9	0.1	38.5
Tata Power	-1.6	-3.7	9.7
<b>Others</b>			
Arvind	0.0	-5.4	18.4
Bata India	0.6	-6.4	-4.6
Castrol India	0.2	-3.0	13.4
Century Ply.	3.7	3.2	63.4
Coromandel Intl	5.1	18.1	78.4
Delta Corp	3.3	-2.4	87.8
Dynamatic Tech	0.0	-3.6	4.2
Eveready Inds.	-0.5	4.2	35.5
Interglobe	4.3	0.0	4.3
Indo Count	2.9	-15.5	-8.1
Info Edge	0.0	9.3	12.8
Inox Leisure	0.1	-3.0	43.7
Jain Irrigation	2.6	-9.9	56.3
Just Dial	-1.0	-11.0	-33.9
Kaveri Seed	0.9	4.5	34.9
Kitex Garm.	-3.3	-25.3	-17.6
Manpasand	0.2	13.5	49.1
MCX	3.0	-17.4	4.8
Monsanto	2.8	11.2	27.3
Navneet Educat.	6.6	9.7	112.2
PI Inds.	0.9	-6.1	21.1
Piramal Enterp.	0.6	9.4	89.6
SRF	0.1	-8.3	26.0
S H Kelkar	1.0	-12.6	30.3
Symphony	-0.5	-8.7	8.1
TTK Prestige	0.5	4.0	40.7
V-Guard	2.4	-4.8	100.1
Wonderla	-1.4	-4.5	-1.6

## NOTES

# THEMATIC/STRATEGY RESEARCH GALLERY



# REPORT GALLERY

## RECENT INITIATING COVERAGE REPORTS

**MOTILAL OSWAL** Initiating Coverage | 19 April 2017  
Sector: Oil and Gas  
**Gujarat Gas**

**Long road ahead**

Sauravendu Bhutani (Sauravendu.Bhutani@MotilalOswal.com) +91 22 3929 1529  
Akshay Dabwale (Akshay.Dabwale@MotilalOswal.com) +91 22 3929 1566

Investors are advised to refer through important disclosures made at the last page of the Research Report. Motilal Oswal research is available on [www.motilal.com/ResearchandEquity](http://www.motilal.com/ResearchandEquity), Bloomberg, Thomson Reuters, Factset and I&P Capital.

**MOTILAL OSWAL** Initiating Coverage | 29 March 2017  
Sector: Publishing  
**Navneet Education**

**Steadfast; growth gaining momentum**

Nitesh Shah (Nitesh.Shah@MotilalOswal.com) +91 22 3962 4426  
Chetan Modi (Chetan.Modi@MotilalOswal.com) +91 22 3962 5422

Investors are advised to refer through important disclosures made at the last page of the Research Report. Motilal Oswal research is available on [www.motilal.com/ResearchandEquity](http://www.motilal.com/ResearchandEquity), Bloomberg, Thomson Reuters, Factset and I&P Capital.

**MOTILAL OSWAL** Initiating Coverage | 23 March 2017  
Sector: Entertainment  
**Delta Corp**

**Favorable odds**

Chetan Modi (Chetan.Modi@MotilalOswal.com) +91 22 3962 5422  
Nitesh Shah (Nitesh.Shah@MotilalOswal.com) +91 22 3962 5426

Investors are advised to refer through important disclosures made at the last page of the Research Report. Motilal Oswal research is available on [www.motilal.com/ResearchandEquity](http://www.motilal.com/ResearchandEquity), Bloomberg, Thomson Reuters, Factset and I&P Capital.

**MOTILAL OSWAL** Initiating Coverage | 17 March 2017  
Sector: Healthcare  
**Ajanta Pharma**

**Promising growth trajectory**

Tushar Manohare (Tushar.Manohare@motilal.com) +91 22 3950 2496  
Sonal Bhavsra Desai (Sonal.Desai@motilal.com) +91 22 3952 1938

Investors are advised to refer through important disclosures made at the last page of the Research Report. Motilal Oswal research is available on [www.motilal.com/ResearchandEquity](http://www.motilal.com/ResearchandEquity), Bloomberg, Thomson Reuters, Factset and I&P Capital.

**MOTILAL OSWAL** Initiating Coverage | 17 February 2017  
Sector: Financials - Pharmaceuticals  
**Piramal Enterprises**

**Winner's Edge**

Ashish Mittal (Ashish.Mittal@MotilalOswal.com) +91 22 3962 5417 / Anish Jain (Anish.Jain@MotilalOswal.com) +91 22 3962 5426  
Ajay Chugh (Ajay.Chugh@MotilalOswal.com) +91 22 3962 5427 / Praveen Kumar (Praveen.Kumar@MotilalOswal.com) +91 22 3962 5428

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**MOTILAL OSWAL** Initiating Coverage | 16 February 2017  
Sector: Automobiles  
**CEAT**

**Well balanced**

Nitesh Shah (Nitesh.Shah@motilal.com) +91 22 3962 5426  
Chetan Modi (Chetan.Modi@MotilalOswal.com) +91 22 3962 5422

Investors are advised to refer through important disclosures made at the last page of the Research Report. Motilal Oswal research is available on [www.motilal.com/ResearchandEquity](http://www.motilal.com/ResearchandEquity), Bloomberg, Thomson Reuters, Factset and I&P Capital.

**MOTILAL OSWAL** Initiating Coverage | 20 December 2016  
Sector: Consumer Product  
**SH Kelkar**

**Adding flavor to fragrance**

Chetan Modi (Chetan.Modi@MotilalOswal.com) +91 22 3962 5422  
Nitesh Shah (Nitesh.Shah@MotilalOswal.com) +91 22 3962 5426, Chirvik Dasa (Chirvik.Dasa@MotilalOswal.com) +91 22 3920 2423

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**MOTILAL OSWAL** Initiating Coverage | 16 December 2016  
Sector: Automobile  
**Endurance Technologies**

**Gaining ground**

Nitesh Shah (Nitesh.Shah@MotilalOswal.com) +91 22 3929 1534  
Sanku Gadhvi (Sanku.Gadhvi@MotilalOswal.com) +91 22 3929 1534 / Aditya Vora (Aditya.Vora@MotilalOswal.com)

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**MOTILAL OSWAL** Initiating Coverage | 14 December 2016  
Sector: Technology  
**L&T Infotech**

**Proficient miner**

Sagar Laha (Sagar.Laha@MotilalOswal.com) +91 22 3962 5396  
Ashish Chugh (Ashish.Chugh@MotilalOswal.com) +91 22 3962 5424

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# DIFFERENTIATED PRODUCT GALLERY

## MOTILAL OSWAL

### SUN PHARMACEUTICAL

**ART ANNUAL REPORT THREADBARE**  
27 September 2018

The ART of annual report analysis

WHAT'S NEW IN FY18

- ▶ Tax rates remained low at 13.8%, contingent liabilities for tax dispute rise to INR2.1B.
- ▶ Cash flow of INR18.4b significantly higher than tax expenses recognized in P&L of INR2.1b.
- ▶ OCF post interest increases to INR44.7b (FY17: INR22.7b) on decline in other assets to INR24.7b partially offset by INR18.1b increase in receivables.

**Stock Info**

Exchange	BSE/NSE
CAP (INR)	771
Face Value (INR)	2,000.0
52-Week Range (INR)	954/106
52-Week High (INR)	119.42
52-Week Low (INR)	1,000.07

**Shareholding pattern (%)**

As on	Jun-18	Mar-18	Jun-17
Promoter	33.0	33.0	34.7
MF	39.2	39.0	3.8
FI	24.0	24.4	23.0
Other	3.8	3.6	33.5

**Auditor's name**  
Deloitte Haskins & Sells LLP

**Key highlights:**

- Operating performance muted: Revenue grew just 3.2% to INR23.8b. EBITDA margin expanded 70bp to 29.4%, led by gross margin expansion, partially compensated by higher (a) legal and consultancy cost at INR1.5b (6.1% of revenue, FY17: INR1.5b), (b) revenue R&D expenses at INR2.9b (12.6% of revenue, FY17: INR1.8b), and (c) miscellaneous expenses (after regrouping) at INR0.1b (FY17: INR0.4b), including INR0.1b additional liability towards USDPHCO dues.
- Tax rates remain less: contingent liabilities on tax dispute rise: Tax rates remained low at 13.8%, primarily on account of low tax rates in certain subsidiaries (Sun Pharma Global P2C-IN) and Sun Pharmaceutical Laboratories (SPL). On a consolidated basis, contingent liabilities increased steeply from INR33.3b in FY17 to INR21.1b (1% of net worth). The increase in overall tax dispute liabilities was driven by tax dispute liabilities for the standalone entity increasing from INR1.1b in FY17 to INR1.8b.
- Cash tax significantly exceeds tax expense recognized: The cash tax paid (cash flow, at INR23.8b) continued to be higher than the tax expense recognized in the P&L (of INR2.1b) on account of deferred tax assets (DTA) recognized, tax paid under protest and advance income tax paid. The cumulative tax paid under protest as at the end of FY18 was INR13.1b. Details on such amount paid in FY18 or cumulative amount paid in FY18 are not available.
- High capex and rising receivables debt: FCY: P&L post interest declined 21% YoY to INR20.5b on rising capex and acquisition of brands. Operating cash flow were primarily supported by decline in other current assets by INR2.5b, which was partially offset by increase in receivables by INR2.1b.

**ART will present a detailed picture of annual reports - valuation, average size structure, we believe ART will assist: from accounting and auditing basis to corporate governance and compliance to government matters - will create a career path for the stock investment workflow.**

Leadship Gupta (g.gupta@motilaloswal.com), +91 22 2862 5444  
Sonal Shah (Sonal.Shah@motilaloswal.com), +91 22 2862 4975 / Motilal Parikh (Motilal.Parikh@motilaloswal.com), +9122 2862 2482

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## MOTILAL OSWAL

### VOICES

30FY17 | February 2017

**VOICES**  
India Inc on Call

VOICES, a quarterly product from Motilal Oswal Research, provides a ready reference for all the post results earnings calls attended by our research analysts during the quarter. Besides making available to readers our key takeaways from these interactions, it also provides links to relevant research updates and to the transcripts of the respective conference calls.

This quarterly report contains:

- ▶ Key takeaways from the post results management commentary for 123 companies, with links to the full earnings call transcripts
- ▶ Links to our Results Updates on each of the companies included

**Research & Quant Team** (Bhavani.Duggal@MotilalOswal.com), Tel: +91 22 2862 5404

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## MOTILAL OSWAL

### EcoKnowLedge

Diving into Trending Themes

23 November 2018  
Economy

**Monthly data confirm 6.5% growth is for real in India**  
Creating monthly economic activity index (EAI) since 1998

- ▶ Based on monthly macroeconomic indicators, we create India's economic activity index (EAI), which shows that the economic growth averaged 6.4% YoY in the first nine months of 2018 as against ~3% growth over the previous five years (2011-2015). Motilal Oswal's leading indicators (MOI) suggest that consumption continues to grow strong however, investment is witnessing one of the worst phases in the past two decades.
- ▶ We find, however, that the growth in economic activity eased towards 5% YoY in 2QFY17 as against 7.5% in the previous two quarters. A sharp contraction in investments, along with some deceleration in consumption, has contributed to a slowdown in our composite EAI in the recent quarter.
- ▶ It is important to note that while our composite EAI is a reliable indicator to gauge economic activity, it should not be compared with the official GDP statistics because the latter includes an estimate for the unorganized sector also. Our leading indicators are based on monthly data covering the formal sector of society.

**"EcoKnowLedge"** is Motilal Oswal's new product in which we deep-dive into trending macro-economic themes. This new product complements our existing "Economic" product, which is renowned for regular updates on macro-economics.

Since the release of new GDP series (in 2013-12 base), its credibility has been in question. The key reason for the disagreement is a widely-held belief that GDP data is not in sync with high-frequency monthly indicators. Weakness in bank credit growth and IP (Index of industrial production) are often quoted to support this criticism. Further, very high contribution of 'discrepancies' has also shaken confidence in the official statistics. To bridge this gap, we introduce Motilal Oswal's leading indicators (MOI) for consumption, investment and external trade. Based on our econometric analysis, we have combined five monthly macroeconomic data series to create MOI for consumption, eight monthly data points to create MOI for investment, and five data points to create MOI for external trade (of goods & services).

Further, our leading indicators are available for almost two decades, providing a great source of information on Indian economic activity since late 1990s. We also find that MOI confirm consumption to be the key driver of economic growth, while investments lag markedly.

**Exhibit 1: Strong correlation between our composite EAI and real GDP growth**

Source: CFC, several national sources, Motilal Oswal

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## MOTILAL OSWAL

### CornerOffice

Interaction with the CEO

23 December 2018

#### Demonetization: A mammoth task for India's largest bank

CASA to get strong push, SME NPA too early to take a call

We met with Mr. Anandhan Bhattacharya, Chairman of State Bank of India (SBI), to discuss on demonetization, and evaluate its impact on growth, asset quality and profitability of the bank. Incremental cost of funds has declined marginally (less than 4% read) over last one month, and excess liquidity is parked in reserve repo and MSF operations (earning spread of ~1%). Operating expenses are likely to increase in the near term, which should be more than offset by trading gains, in our view. We largely maintain our optimistic and reiterate our preference for SBI among peers with its SCRR-based target price of INR335.

**Excess liquidity: A profit drag or one-off gain?**

- ▶ Since demonetization, SBI has collected deposits of ~INR4 and disbursed (via withdrawal) ~INR1, leading to net addition of ~INR3. The bank also aggressively cut its bank deposits (leading to higher repayment rates), which led to significantly lower net accretion over the past month.
- ▶ Of the net accretion, three-fourths were savings deposits, 15% were current account deposits and the rest were retail term deposits.
- ▶ Standard cost of these deposits is less than 4%, and excess liquidity is parked in reverse repo, MSF and bond markets (considering muted loan growth) at a yield of ~1%. Hence, on excess liquidity, the spread is 2% currently, as against blended spread of ~1.4% at 3QFY17.
- ▶ Significant liquidity addition in the system has led to a sharp fall in yield, which has helped banks to monetize the bond portfolio. We expect trading gains to be strong in 2QFY17.

**Digitalization efforts to yield noteworthy results over long term**

- ▶ The Government of India (GoI) and the banking sector are working together to move toward a less-cash economy. The bank has all channels available (e.g. UPI, cards, POS, wallets, internet banking and mobile banking) to push toward digitalization.
- ▶ Over the past month, cashless transactions increased significantly: (a) debit card spends are up 1x on MoM, (b) POS terminal activation has increased from 64k/month to 16k, 46k terminal orders in hand, (c) 7m new debit cards are activated and (d) SBI Buddy (wallet) transactions are up 1x on MoM.

**Asset quality: Will demonetization lead to higher NPAs?**

- ▶ Asset monitoring and recovery teams have performed their respective functions as usual (barring the first three days of demonetization). The bank clearly stated that there is no discussion of bandwidth for key departments due to demonetization.
- ▶ SBI has seen recoveries in small-value accounts and agri gold loans.
- ▶ SME portfolio performance will depend upon how soon the things will normalize. It is too early to take a call right now.

**State Bank of India**

Mr. Anandhan Bhattacharya is the first woman chairman of SBI, she joined the bank 18 years ago as a probationary officer. She has worked in various functions like finance, retail, treasury, HR and IT.

Ms. Bhattacharya was involved in launching various new business initiatives like general insurance, customer service and infrastructure fund.

Apneet Mehta (apneet.mehta@motilaloswal.com), +9122 2862 5413  
Sahil Nair (sahil.nair@motilaloswal.com), +91 22 2862 5005

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## MOTILAL OSWAL

### BULLS & BEARS

INDIA VALUATION'S HANDBOOK

Highlights of March edition

- ▶ Nifty ends at record high - up 19% in FY17
- ▶ Metals, PSU Banks, Media, Oil and NBFCs top outperformers for FY17
- ▶ Technology and Telecom only sectors to deliver negative return
- ▶ Mid-caps outperform Nifty by 16% in FY17

**BEST PERFORMERS MoM (%)**

Indiabulls	11
Bliss Infra	11
Asian Paints	10
HFCL	10
Tata Power	10
Bank Mid-Cap	9
WIPAC	9
IL&T	7
Indraprastha Gas	7
ITC	7

**WORST PERFORMERS MoM (%)**

Coal India	-1
Two Wheelers	-1
Oil India	-1
ONGC	-1
Bank Small	-1
SAIL	-1
Axis Bank	-1
GAU	-1
Infosys	-1
HDFC	-1

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April 2017

## MOTILAL OSWAL

### FUND FOLIO

Indian Mutual Fund Tracker

Equity AUM up 40% in FY17 and 25% in five years

Average AUM up 35% YoY (INR4.8t) in FY17

INR18.3t

INR603b

Net inflows in FY17 down 11% YoY

Equity AUM (INR t) - Nifty Index

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April 2017

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In respect of any matter arising from or in connection with the research you could contact the following representatives of Motilal Oswal Capital Markets Singapore Pte Limited:

Varun Kumar

[Varun.kumar@motilaloswal.com](mailto:Varun.kumar@motilaloswal.com)

Contact : (+65) 68189232

Office Address: 21 (Suite 31), 16 Collyer Quay, Singapore 04931



## Motilal Oswal Securities Ltd

Motilal Oswal Tower, Level 9, Sayani Road, Prabhadevi, Mumbai 400 025

Phone: +91 22 3982 5500 E-mail: [reports@motilaloswal.com](mailto:reports@motilaloswal.com)