

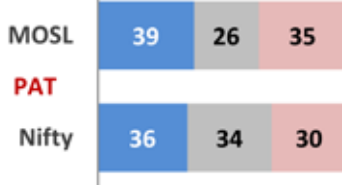
Corporate performance



4QFY17: Expectations v/s delivery

% of Companies that have Declared Results

Above Expectations In-line Below Expectations



(no of companies)	Growth (YoY, %)		
	MOSL (176)	Nifty (50)	Sensex (30)
Sales	13.9	13.5	9.6
EBIDTA	9.3	4.6	2.7
PAT	28.7	15.2	8.2

Market snapshot



Equities - India	Close	Chg. %	YTD. %
Sensex	31,138	0.0	16.9
Nifty-50	9,616	-0.1	17.5
Nifty-M 100	17,618	0.6	22.8
Equities-Global	Close	Chg. %	YTD. %
S&P 500	2,430	0.8	8.5
Nasdaq	6,247	0.8	16.0
FTSE 100	7,544	0.3	5.6
DAX	12,665	0.4	10.3
Hang Seng	10,620	0.2	13.0
Nikkei 225	19,860	-1.1	3.9
Commodities	Close	Chg. %	YTD. %
Brent (US\$/Bbl)	50	-0.8	-10.4
Gold (\$/OZ)	1,266	0.1	9.2
Cu (US\$/MT)	5,675	0.3	2.8
Almn (US\$/MT)	1,924	-0.1	12.9
Currency	Close	Chg. %	YTD. %
USD/INR	64.6	0.1	-4.9
USD/EUR	1.1	0.1	6.5
USD/JPY	111.2	0.3	-5.1
YIELD (%)	Close	1MChg	YTDchg
10 Yrs G-Sec	6.6	0.0	0.1
10 Yrs AAA Corp	7.7	0.0	0.1
Flows (USD b)	1-Jun	MTD	YTD
FII	-0.1	-0.1	7.8
DII	0.0	0.0	2.3
Volumes (INRb)	1-Jun	MTD*	YTD*
Cash	268	268	288
F&O	8,277	8,277	4,834

Note: YTD is calendar year, *Avg

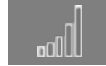
Quote of the day

People's everyday routines will keep the stock market going

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

EcoScope: Economic activity growth in Apr-17 at 5-month high

- India's economic activity index (EAI) grew 4.1% YoY in April 2017, marking its highest growth in the past five months, but still lower than in the pre-demonetization period
- Further details show that consumption activities grew strongly at 9.6% YoY in April 2017, primarily supported by ~55% YoY growth in government consumption. Investments, on the other hand, grew mildly at 1.2%, due to lower contraction in construction activities.
- Although there is no one-to-one correlation due to inherent differences, our EAI tends to move in sync with official GDP (excluding discrepancies). With private sector remaining weak and fiscal policy likely reaching limits, we would be very carefully looking at how long the government can support economic activity.



Research covered

Cos/Sector	Key Highlights
Ecoscope	Economic activity growth in April 2017 at 5-month high
Automobile	May 2017 volumes
Telecom	Increasing network capacity to support demand growth
Voltas	Voltas-BEKO JV: Targeting 10% market share in 10 years
Castrol	EBITDA above estimate; volumes flat YoY, up 7% QoQ
V-Guard	Margins to remain under pressure; Growth intact



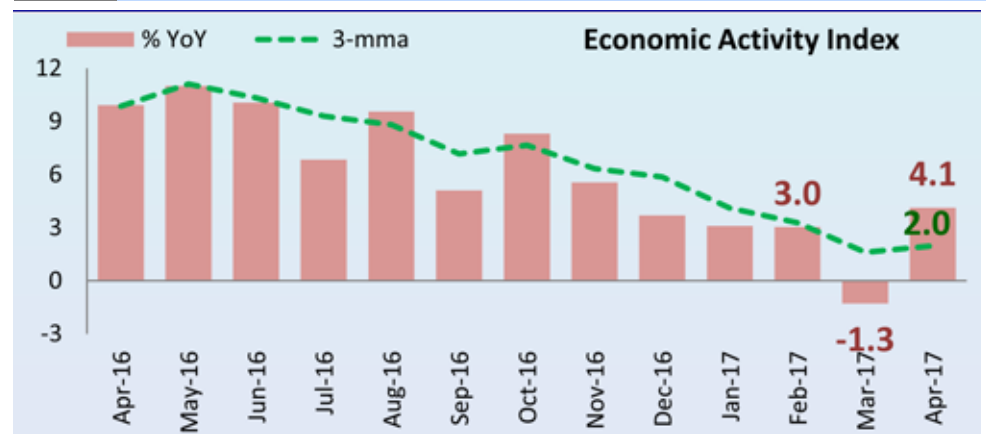
Piping hot news

Manufacturing PMI slips to 3-month low in May

- Manufacturing sector activity cooled to a three-month low in May despite an upturn in factory orders, according to a monthly survey.



Chart of the Day: EcoScope – India's economic activity growth picked up to 5-month high in April...





Kindly click on textbox for the detailed news link

1

US President Donald Trump pulls US out of Paris climate deal

US President Donald Trump on Thursday announced that the United States is withdrawing from the landmark 2015 Paris Agreement to fight climate change, spurning pleas from US allies and corporate leaders in an action that fulfilled ...

2

Sizzling summer fails to fire up sales of refrigerators, ACs

The sizzling summer across vast swathes of India has failed to stoke the primary sales of refrigerators or air-conditioners, with stockists unwilling to run the risk of losses on transition inventory ahead of the introduction of the goods and services tax (GST). Growth in the white goods industry slipped a record 20% in May, and June could be worse...

3

Banks to discuss RCom debt restructuring proposals today

Lenders to Reliance Communication Ltd (RCom) have convened a meeting on Friday to discuss restructuring proposals for the debt-ridden telecom firm, said two bankers directly involved in discussions. On Thursday, ratings agency Fitch said "some kind of default is a real possibility", while cutting RCom's debt rating to junk status...

4

Merger may be preferred route for ONGC, HPCL

The consolidation among public sector oil companies could start with a merger, rather than a takeover. Senior government officials say a merger or an amalgamation could obviate the need for an open offer to buy equity from minority shareholders...

5

N. Chandrasekaran planning merger of smaller Tata companies

Tata Sons chairman N. Chandrasekaran is planning to consolidate group firms to weed out duplication and increase efficiency, two Tata group executives said....

6

KKR, Everstone Capital in race to buy stake in Radiant Life Care

KKR, one of the largest private equity (PE) investors in the world, is competing with homegrown Everstone Capital to buy a significant minority stake in Radiant Life Care, a company that runs two hospitals in New Delhi and Mumbai and is looking at consolidating the fragmented industry through acquisitions...

7

SBI wants DoT to help protect banking sector's ₹4-lakh cr exposure to telecom

Worried about the banking sector's huge exposure to the telecom industry, State Bank of India has asked the Department of Telecom to work out a bailout package for the operators, including deferred payment for spectrum and rationalising spectrum fee...

Economic activity growth in April 2017 at 5-month high

Government consumption provides a big boost amid weak private spending

- n India's monthly economic activity index (EAI) grew 4.1% YoY in April 2017, marking its highest growth in the past five months, but still lower than in the pre-demonetization period.
- n Further details show that consumption activities grew strongly at 9.6% YoY in April 2017, primarily supported by ~55% YoY growth in government consumption. Investments, on the other hand, grew mildly at 1.2%, due to lower contraction in construction activities.
- n Although there is no one-to-one correlation due to inherent differences, our EAI tends to move in sync with official GDP (excluding discrepancies). With private sector remaining weak and [fiscal policy likely reaching limits](#), we would be very carefully looking at how long the government can support economic activity.

Preliminary estimates reveal that the Indian economy started FY18 on a better note; the pick-up in EAI is primarily attributed to consumption, as investment growth remained subdued in April

With private sector remaining weak and fiscal policy likely reaching limits, we would be very carefully looking at how long the government can support economic activity

- n **India's economic activity growth picked up to 4.1% YoY in April 2017...:** Preliminary estimates reveal that the Indian economy started FY18 on a better note. The growth in EAI picked up from its 5-year worst decline of 1.3% YoY in March 2017 to 4.1% YoY in April 2017 (*Exhibit 1*). This was the highest growth in five months. However, the economic activity growth remains considerably weaker than the growth witnessed in the pre-demonetization period. EAI growth averaged 7.7% in the year ending October 2016, but has averaged only 3% in the past six months. A look at the sub-components shows that the pick-up in EAI is primarily attributed to consumption, as investment growth remained subdued in April (*Exhibit 2*).
- n **...primarily driven by strong revival in government consumption:** Our index for consumption activity shows a very strong growth of 9.6% YoY in April 2017, as against 0.7% growth in March (*Exhibit 3*). Government spending, which grew ~55% in April after declining ~49% in March 2017, remains the key driver of consumption activities. Petrol consumption and rural wages also picked up in April, while production of consumer durable goods is expected to have weakened (see *Exhibit 7* for the heat map).
- n **Investments, however, remain weak:** On the other hand, while the government's capital spending also picked up strongly in April, private capex remained weak. Due to this, total investments grew only 1.2% YoY – the highest in five months, yet subdued (*Exhibit 4*; see *Exhibit 8* for the heat map). A much higher growth in imports than exports also dragged EAI in April 2017 (*Exhibit 5*).
- n **How long can the government support economic activity?:** Although there is no one-to-one correlation between our EAI and official GDP due to [underlying differences](#), our EAI moves in sync with real GDP (excluding discrepancies) estimates (*Exhibit 6*). With private sector remaining weak and [fiscal policy likely reaching limits](#), we would be very carefully looking at how long the government can support economic activity.

Note: Preliminary estimates of Economic Activity Index (EAI) for the month prior to the recently concluded month are released in the first 1-2 business days of every month. So, April's EAI is released today.

Automobiles

Maruti Suzuki



CMP: INR7,144

TP: INR8,060 (+13%)

Buy

Stock Info

Bloomberg	MSIL IN
Equity Shares (m)	302
M.Cap. (INR b)/(USD b)	2,025/31.6
52-Week Range (INR)	7249 / 3868
1, 6, 12 Rel. Per (%)	5/22/55

Financials Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E
Sales	680.3	806.6	937.2
EBITDA	104.7	127.9	154.5
Adj. PAT	74.2	88.9	110.2
Adj. EPS (INR)*	248.6	300.0	370.9
EPS Gr. (%)	36.6	20.6	23.6
BV/Sh. (INR)	1,197	1,390	1,634
RoE (%)	20.3	21.2	22.3
RoCE (%)	27.3	28.3	29.4
Payout (%)	37.1	34.7	32.9
Valuations			
P/E (x)	28.7	23.8	19.3
P/CE (x)	21.3	17.8	14.8
EV/EBITDA (x)	18.0	14.2	11.3
Div. Yield (%)	1.0	1.2	1.4
*Cons.			

Vol below expectation 137k units (v/s est. 150k), + 11%YoY

Domestic vols up ~16% YoY driven by UV and mini segment; Exports declined 36% YoY

- n MSIL's May-17 wholesales negatively surprised and came in at 136,962 units (v/s est 149,650 units), 11.3% YoY growth (-9.4% MoM).
- n Domestic volumes grew by ~16% YoY (-10% MoM) to 130.7k (v/s est 140k) led by growth in UV and mini segment. The miss was primarily led by normalization of Dzire Tour (Apr-17 volume – 8,606 units v/s avg of 2.9k units in FY17), Swift (Apr-17 - 23,802 units v/s avg of 14k units in FY17) and transition of new CIAZ to Nexa dealerships (inventory filling). Also new Dzire wholesale was only for part of May.
- n Retail volume grew at double digit, implying estimated inventory of under 4 weeks.
- n Mini segment recovery continued with ~18% growth – second consecutive month of growth.
- n The compact segment grew by 4% YoY led by normalization of Swift hatchback and Dzire Tour.
- n Mid-size segment led by Ciaz decreased ~9% YoY due to transition to Nexa channel. Ciaz clocked in 4,724 units.
- n UVs continued their momentum, with a ~66% YoY growth, primarily aided by incremental volumes of Viterra Brezza, which continues to enjoy a waiting period of 4-5 months.
- n Export volumes recorded ~36% YoY decline to 6,286 units (v/s est 9,600 units).
- n The stock trades at 23.8x/19.3x FY18E/19E consolidated EPS of ~INR300/371. Maintain Buy.

Snapshot of volumes for May-17

Company Sales	YoY			MoM			FY18YTD	FY17YTD	FY18 estimate	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate
	May-17	May-16	YoY (%) chg	Apr-17	MoM (%) chg	(%) chg						
Maruti Suzuki	136,962	123,034	11.3	151,215	-9.4	288,177	249,603	15.5	1,776,723	13.3	12.9	148,855
LCVs	428	0		411		839	0		1,500		-55.9	66
Vans	12,593	12,164	3.5	13,938	-9.6	26,531	26,684	-0.6	164,170	8.0	9.8	13,764
Mini Segment	39,089	33,105	18.1	38,897	0.5	77,986	65,011	20.0	453,989	9.7	7.7	37,600
Compact (incl Dzire Tour)	51,234	49,109	4.3	63,584	-19.4	114,818	97,982	17.2	721,668	23.4	24.6	60,685
Mid Size - CIAZ	4,724	5,188	-8.9	7,024	-32.7	11,748	10,890	7.9	72,182	12.0	12.8	6,043
UV (Ertiga, S-Cross)	22,608	13,596	66.3	20,638	9.5	43,246	29,640	45.9	231,693	18.4	13.5	18,845
Total Domestic	130,676	113,162	15.5	144,492	-9.6	275,168	230,207	19.5	1,645,202	13.9	12.8	137,003
Export	6,286	9,872	-36.3	6,723	-6.5	13,009	19,396	-32.9	131,521	6.0	13.2	11,851



Mahindra & Mahindra

CMP: INR1,424

TP: INR1,619 (+14%)

Buy

Stock Info

Bloomberg	MM IN
Equity Shares (m)	592.6
M.Cap.(INR b)/(USD b)	794.7/12.4
52-Week Range (INR)	1509 / 1142
1, 6, 12 Rel. Per (%)	3/6/-10

Financials Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E
Sales	437.9	497.0	562.5
EBITDA	47.7	56.1	64.4
NP(incl. MVML)	37.4	42.5	48.1
Adj. EPS (INR) *	62.5	71.0	80.3
EPS Gr. (%)	12.1	13.5	13.2
Cons. EPS (INR)	54.3	69.6	81.7
BV/Sh. (INR)	432.4	477.1	529.8
RoE (%)	14.2	14.2	14.4
RoCE (%)	13.3	13.2	13.5
Payout (%)	22.7	35.9	32.0

Valuations

P/E (x)	22.8	20.1	17.7
Cons. P/E (x)	26.2	20.5	17.4
P/BV (x)	3.3	3.0	2.7

In line at 67,494 units(v/s est 67,225), up 6% YoY

Tractor growth at 11% YoY; while UV growth at 4%

- n May-17 volumes increased by 6% YoY to 67,494 units (v/s est 67,225 units), supported by 11% YoY growth in tractors and 4% growth in UV segment.
- n Tractor sales were below estimates at 25,599 units (v/s est 28,000 units), registering a ~11% YoY growth (-1.5% MoM), helped by domestic tractor sales growth of 11% YoY at 24,575 units, while exports at 1,024 units grew by 18% YoY.
- n UV (incl pick-ups) sales increased by ~3% YoY to 36,694 units (v/s est 34,750 units).
- n The momentum in pick-ups continued with a 27% YoY growth, while passenger utility vehicles increased by only 3% YoY.
- n LCV (>3.5t) and M&HCV sales declined by 7% and 13% YoY. Pre buying on the back of aggressive discount post ban on BS-III vehicle has restricted sales in M&HCV segment.
- n The 3W volumes recovering gradually with a growth of ~5% YoY to 4,057 units (v/s est 3,650 units).
- n Speaking on the monthly performance, Rajan Wadhwa, Automotive Division, M&M. said, "We are happy with our overall performance in May 2017. Given the favorable monsoon projections and the focused investment in the rural sector, we have a robust outlook for future which is expected to spur demand. The implementation of GST will be a significant game changer and we hope it benefits the auto industry. At Mahindra we look forward to a growth momentum on the back of our existing product portfolio as well as the upcoming new products".
- n Rajesh Jejurikar, President - Farm Equipment Sector, Mahindra & Mahindra Ltd. said, "We hope that the announcement of record production estimates for major crops, coupled with higher MSP will drive positive sentiments and boost tractor demand in this season."
- n The stock trades at 20.1x/17.7x FY18E/19E consolidated EPS of ~INR71/80. Maintain Buy

Snapshot of volumes for May-17

Company Sales	YoY			MoM		FY18YTD	FY17YTD	FY17YTD (%) chg	FY18 estimate	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate
	May-17	May-16	YoY (%) chg	Apr-17	MoM (%) chg							
Mahindra & Mahindra	67,494	63,674	6.0	65,358	3.3	132,852	126,923	4.7	837,771	18.4	21.4	70,492
UV (incl. pick-ups)	36,694	35,530	3.3	35,213	4.2	71,907	72,525	-0.9	472,389	8.0	9.8	40,048
LCV	1,144	1,257	-9.0	706	62.0	1,850	2,370	-21.9	15,909	10.9	17.4	1,406
Three-Wheelers	4,057	3,869	4.9	3,438	18.0	7,495	7,624	-1.7	54,921	5.0	6.1	4,743
Tractors	25,599	23,018	11.2	26,001	-1.5	51,600	44,404	16.2	294,551	12.0	11.1	24,295



Eicher Motors

CMP: INR28,756

TP: INR30,402 (+6%)

Buy

Stock Info

Bloomberg	EIM IN
Equity Shares (m)	27.2
M.Cap.(INR b)/(USD b)	644.0/9.6
52-Week Range (INR)	29983/18006
1, 6, 12 Rel. Per (%)	6/8/37

Financials Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E
Net Income	70.3	91.4	109.5
EBITDA	21.7	29.7	36.4
Net Profit	16.7	24.2	30.8
Adj. EPS (INR)	613.8	892.0	1,135.1
EPS Gr. (%)	55.7	45.3	27.3
BV/Sh. (INR)	1,769	2,484	3,416
RoE (%)	40.3	41.9	38.5
RoCE (%)	27.1	31.3	30.5
Payout (%)	0.3	0.5	0.6

Valuations

P/E (x)	41.8	30.1	24.6
P/BV (x)	14.7	10.6	7.9
Div. Yield (%)	0.5	0.6	0.7

RE (+25% YoY) in line and VECV (-21% YoY) above est.

RE growth stable; pre buying impact VECV growth

- n RE volumes increased ~25% YoY to 60,696 units (in line with est. of 60,650 units).
- n VECV's overall volumes declined ~20.5% YoY (+47% MoM) to 4,539 units (v/s est. of 4,539 units). The drop in volumes across categories was led by shortage of BS-4 components and pre-buying impact in Mar-17.
- n Domestic LMD, HD and Buses volume declined ~5%, ~54% and ~4% respectively. Consequently total domestic volume declined ~16% YoY to 3,953 units (v/s est of 3,412 units).
- n VECV exports declined ~42% to 586 units (better than est. of 500 units).
- n The stock trades at 30.1x/24.6x FY18E/FY19E EPS. Maintain Buy.

Snapshot of volumes for May-17

Company Sales	YoY			MoM		FY18YTD	FY17YTD	(% chg)	FY18 estimate	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate
	May-17	May-16	YoY (%) chg	Apr-17	MoM (%) chg							
Eicher Motors												
Royal Enfield	60,696	48,604	24.9	60,142	0.9	120,838	96,801	24.8	827,197	24.1	24.0	70,636
VECV	4,539	5,710	-20.5	3,077	47.5	7,616	11,036	-31.0	64,598	10.6	20.3	5,698
Domestic LMD	2,003	2,110	-5.1	1,178	70.0	3,181	4,191	-24.1	40,596	56.6	72.2	3,742
Domestic HD	499	1,084	-54.0	356	40.2	855	2,200	-61.1	13,628	22.7	43.4	1,277
Domestic Buses	1,451	1,511	-4.0	1,044	39.0	2,495	2,955	-15.6	13,497	10.0	18.1	1,100
Total Domestic	3,953	4,705	-16.0	2,578	53.3	6,531	9,346	-30.1	67,722	34.2	48.8	6,119
Exports	586	1,005	-41.7	499	17.4	1,085	1,690	-35.8	8,978	11.7	24.4	789

Ashok Leyland



CMP: INR91

TP: INR117 (+28%)

Buy

Stock Info

Bloomberg	AL IN
Equity Shares (m)	2,845.9
M.Cap.(INR b)/ (USD b)	254.0/3.8
52-Week Range (INR)	112 / 74
1, 6, 12 Rel. Per (%)	3/3/-29

Financials Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E
Sales	200.2	248.3	285.3
EBITDA	22.0	27.3	32.3
NP	13.4	16.1	20.6
Adj. EPS (INR)	4.6	5.5	7.1
EPS Gr. (%)	8.1	19.5	28.5
BV/Sh. (INR)	20.9	24.0	28.4
RoE (%)	23.3	24.4	26.9
RoCE (%)	21.8	21.3	24.5
Payout (%)	33.9	36.4	31.9

Valuations

P/E (x)	19.9	16.6	12.9
P/BV (x)	4.4	3.8	3.2
EV/EBITDA (x)	11.9	9.0	7.1
Div. Yield (%)	1.7	2.2	2.5

Above estimate at 9.07k (-8% YoY, v/s est ~7.8k)

MHCVs declined 17.8% while LCVs grew by 21.9% YoY

- n May-17 volume decline was lower than estimates by 8.1% YoY (+28% MoM) to 9,071 units (v/s est. 7,800 units) led by pre buying impact in Mar-17 coupled with shortage of BS-4 components also impacted supply.
- n M&HCV volumes which account for ~68% of the total volumes declined by ~18% YoY (+36% MoM) to 6,139 units (v/s est 5,150 units).
- n LCVs (Dost & Stile) at 2,932 units (v/s est 2,650 units) grew by ~22% YoY as volumes have been recovering post demonetization impact.
- n The stock trades at 16.6x/12.9x FY18E/FY19E EPS and at 9.0/7.1x EV/EBITDA. Maintain Buy.

Snapshot of volumes for May-17

Company Sales	YoY			MoM			FY18YTD	FY17YTD	FY18 estimate	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate
	May-17	May-16	YoY (%) chg	Apr-17	MoM (%) chg	(%) chg						
Ashok Leyland	9,071	9,875	-8.1	7,083	28.1	16,154	20,057	-19.5	168,804	16.4	22.1	15,265
CV (ex LCV)	6,139	7,469	-17.8	4,525	35.7	10,664	15,342	-30.5	123,938	9.4	15.6	11,327
LCV (Nissan JV)	2,932	2,406	21.9	2,558	14.6	5,490	4,715	16	44,867	41.2	45.5	3,938



Hero MotoCorp

CMP: INR3,735

TP: INR3,622 (-3%)

Neutral

Stock Info

Bloomberg	HMCL IN
Equity Shares (m)	199.7
M.Cap.(INR b)/ (USD b)	635/9.5
52-Week Range (INR)	3813 / 2844
1, 6, 12 Rel. Per (%)	9/-1/4

Financials Snapshot (INR b)

Y/E MARCH	2017	2018E	2019E
Sales	284.7	320.2	343.8
EBITDA	46.3	54.6	54.7
NP	33.8	39.6	40.2
Adj. EPS (INR)	169.1	198.1	201.2
EPS Gr. (%)	6.9	17.1	1.6
BV/Sh. (INR)	506.3	596.0	688.8
RoE (%)	35.7	35.9	31.3
RoCE (%)	34.5	34.7	30.4
Payout (%)	57.8	52.2	51.4

Valuations

P/E (x)	22.1	18.9	18.6
P/BV (x)	7.4	6.3	5.4
EV/EBITDA (x)	14.8	12.2	12.0
Div. Yield (%)	2.3	2.4	2.4

In line at ~634k (v/s est 640k); growth of 8.7% YoY

- n HMCL's May-17 volumes grew in line with our estimates at 633,884 units (+8.7% YoY, est 640,000 units) due to strong retail off-take backed by ongoing marriage season.
- n Going forward in June-17, company has indicated strong retail momentum to continue as demand will continue to remain strong on the back of normal monsoon outlook coupled with planned new launches will also contribute to growth.
- n HMCL commenced production at its Bangladesh subsidiary, HMCL Niloy Bangladesh Ltd which has an installed capacity of 150,000 units per annum.
- n HMCL trades at 18.9/18.6x FY18E/19E EPS. Maintain Neutral.

Snapshot of volumes for May-17

Company Sales	YoY			MoM		FY18YTD			FY18 estimate		Residual Growth (%)	Residual Monthly Run rate
	May-17	May-16	YoY (%) chg	Apr-17	MoM (%) chg	FY18YTD	FY17YTD	(%) chg	FY18 estimate	Gr. (%)		
Hero MotoCorp	633,884	583,117	8.7	591,306	7.2	1,225,190	1,195,856	2.5	7,378,969	10.7	12.5	615,378



TVS Motor

CMP: INR 535

TP: INR581 (+9%)

Buy

Stock Info

Bloomberg	TVSL IN
Equity Shares (m)	475.1
M.Cap.(INR b)/ (USD b)	235.5/3.7
52-Week Range (INR)	549 / 280
1, 6, 12 Rel. Per (%)	4/31/69

Financials Snapshot (INR b)

Y/E MARCH	2017E	2018E	2019E
Sales	121.4	149.5	189.7
EBITDA	8.6	12.5	19.0
Adj. PAT	5.6	7.9	12.7
EPS (INR)	11.7	16.7	26.7
EPS Gr. (%)	14.1	42.4	60.0
BV/Sh (INR)	50.7	63.8	85.1
RoE (%)	25.6	29.2	35.9
RoCE (%)	22.8	28.8	38.4
Payout (%)	25.6	21.6	20.2

Valuations

P/E (x)	45.5	32.0	20.0
P/BV (x)	10.6	8.4	6.3
EV/EBITDA (x)	31.0	21.2	13.7
Div. Yield (%)	0.5	0.6	0.8

Above estimate at 282k (v/s est 265.5k), +15.7% YoY

Growth in Motorcycle and Scooters offsets fall in Mopeds

- n TVS Motor's May-17 sales were above estimate at 282,007 units (v/s est. 265,500 units), growth of 15.7% YoY (+14.5% MoM). Domestic volumes increased by 15.9% YoY while exports grew by 14.3% YoY.
- n Scooter volumes increased by 30.9% YoY (+5.2% MoM) to 85,681 units (v/s est. 83,000 units).
- n Motorcycle volumes grew sharply by 22.3% YoY (+18.1% MoM) to 118,014 units (est 105,000 units).
- n Mopeds dispatches declined for the second consecutive month in May-17 and fell by 6.1% to 71,731 units (v/s est. 71,500 units).
- n 3Ws volume grew 20.5% YoY led by strong growth in exports market. While domestic 3W volume continued to decline.
- n Total exports grew by 14.3% YoY led by growth in 2W and 3W exports.
- n The stock trades at 32x/20x FY18E/FY19E EPS. Maintain Buy.

Snapshot of volumes for May-17

Company Sales	YoY			MoM		FY18YTD	FY17YTD	FY17YTD (%) chg	FY18 estimate	Gr. (%)	Residual Growth (%)	Residual Monthly Run rate
	May-17	May-16	YoY (%) chg	Apr-17	MoM (%) chg							
TVS Motor	282,007	243,783	15.7	246,310	14.5	528,317	470,879	12.2	2,980,098	2.0	0.0	245,178
Motorcycles	118,014	96,485	22.3	99,890	18.1	217,904	186,976	16.5	1,234,151	15.1	14.8	101,625
Scooters	85,681	65,434	30.9	81,443	5.2	167,124	128,775	29.8	1,006,269	15.5	13.1	83,915
Mopeds	71,731	76,401	-6.1	59,674	20.2	131,405	144,919	-9.3	1,002,175	10.1	13.7	87,077
Three-Wheelers	6,581	5,463	20.5	5,303	24.1	11,884	10,209	16.4	66,776	17.2	17.4	5,489
Total Domestic	241,390	208,238	15.9	206,089	17.1	447,479	406,980	10.0	2,480,777	-0.7	-2.8	203,330
Total Exports	40,617	35,545	14.3	40,221	1.0	80,838	63,899	26.5	499,321	20.8	19.7	41,848



Acronyms and abbreviations used in this report

RAN: Radio Access Network
 BTS: Base Transceiver Station
 LTE: Long Term Evolution

Increasing network capacity to support demand growth

Bharti leading the race; Voda-Idea merger synergies two years out

We met a few telecom network experts and equipment vendors. Based on our discussion, we gather:

- n High data volumes have led India to move towards carrier aggregation - 4.5g has increased large operators' data throughput.
- n Single RAN has led to ~50% optimization in capex and opex across telcos.
- n 5g could be about four years away in India.
- n Tower companies' revenues are not getting impacted by single RAN, as loading charges are billed per technology (2g, 3g, 4g), and not per BTS.
- n Rjio's lower rental sites, small cell deployment, and 70% owned sites might imply lower network cost than the incumbents. However, its employee base at 3-4x the top telco's could be a drag.
- n Vodafone-Idea merger synergies may take about two years. While issues relating to multiple vendors and long-term vendor contracts can be resolved relatively fast, network synergies could take longer.

Our view: We believe improving technology and network investments are increasing network capacity in a non-linear manner, supporting demand growth. The risk of managing multiple technologies is reducing with single RAN adoption. Future technology investments may not be intensive, given the fungible network. We believe data network investment has outstripped demand, particularly for Bharti, which should allow it to be at the forefront of data-led growth in the sector, as competitive intensity reduces.

Large operators shifting from 4g to 4.5g (LTE advanced)

- n To meet the huge data demand in India, telcos are moving from 4g to 4.5g (LTE advanced) through carrier aggregation.
- n Operators with multiple blocks of spectrum in each circle are aggregating spectrum to offer LTE advanced and get higher capacity. Typically, if we assume 40mbps speed on 1 block of 4g spectrum, the capacity can double with increase of each block of spectrum.
- n Bharti and Rjio have garnered higher capacity through carrier aggregation of multiple bands.

5g is about four years away in India

- n Based on current progress with equipment manufacturers, 5g should arrive in developed countries by FY19. This would result in totally new standards. Unlike 2g and 3g, for 5g, India may not lag significantly behind the developed market.
- n 5g could arrive in India by FY20-21, depending on the recovery of the Telecom market and investments by larger telcos.

Single RAN is widely adopted

- n Single RAN has led to ~50% optimization in capex and opex.
- n Due to weak market conditions, long-term vendor contracts are getting revised.
- n For the last five years, single RAN is widely adopted across technology (3g, 4g) by all operators. Single RAN allows multiple technologies (2g, 3g, 4g) on the

same band – the same BTS can be used on two blocks of 5MHz and 1,800MHz each for 2g and 4g.

- n Going forward, the current deployment of single RAN will result in lower capex and opex/site in the 5g era.

Tower companies seeing limited impact from single RAN

- n Tower companies take tenancy and loading charges per technology and not per BTS. Therefore, even if single RAN is adopted, the telco has to pay the loading charges and the tower companies' revenues are not reduced.
- n Though single RAN lowers opex towards maintenance and other energy costs, these benefits are largely passed through.

Small cells have low deployment

- n Small cells have about 25% coverage, but the capacity is the same. Small cells currently have low deployment due to weak coverage.

RJio could have lower network cost

- n RJio's network cost could be lower than the incumbents', as it may have nearly 70% owned towers. Also, it has used a lot of low rental sites and small cells. However, RJio's large employee base at 3-4x the top telco's could be a drag.
- n RJio's high volume is likely to have an impact on the speed and quality of data experience.

Vodafone-Idea merger synergy could be two years away

- n Vodafone-Idea merger synergies may take about two years. While issues relating to multiple vendors and long-term vendor contracts can be resolved relatively fast, network synergies could take longer.
- n The merged entity would be the leader in terms of 4G spectrum.

Other takeaways

- n **Peak capex seems behind the sector:** Telecom operators have invested in spectrum, network and other infrastructure, and appear to be moving out of the build phase.
- n **2g equipment sourcing has largely stopped in India:** Most of the incumbent telcos are shifting 2g equipment from places where 4g is deployed to low coverage density locations in the rural areas.
- n **Though capex-heavy, 4g per unit economics better than 3g:** Cost of 4g/GB is significantly lower than 3g, not only due to higher throughput, but also due to lower power consumption and other O&M costs. However, capex/site for 4g could be higher than 3g sites.



Voltas

BSE SENSEX 31,146 S&P CNX 9,621

CMP: INR509 TP: INR400 (-21%) Sell



Stock Info

Bloomberg	VOLT IN
Equity Shares (m)	331
52-Week Range (INR)	512 / 287
1, 6, 12 Rel. Per (%)	20/48/36
M.Cap. (INR b)	160.9
M.Cap. (USD b)	2.5
Avg Val, INRm	570
Free float (%)	69.7

Financials Snapshot (INR b)

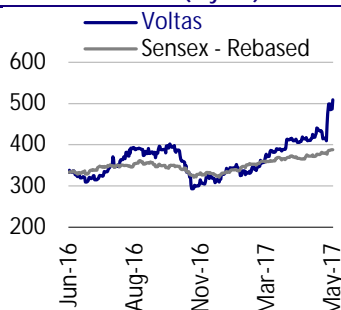
Y/E Mar	2017	2018E	2019E
Net Sales	60.3	67.4	75.5
EBITDA	5.8	5.9	6.7
PAT	5.1	5.3	6.0
EPS (INR)	15.5	16.0	18.1
Gr. (%)	30.1	3.6	13.2
BV/Sh (INR)	100.0	111.8	125.2
RoE (%)	18.0	15.1	15.3
RoCE (%)	16.5	15.0	15.1
P/E (x)	32.9	31.7	28.0
P/BV (x)	5.1	4.5	4.1

Shareholding pattern (%)

As On	Mar-17	Dec-16	Mar-16
Promoter	30.3	30.3	30.3
DII	26.5	27.1	29.2
FII	20.7	22.4	19.5
Others	22.5	20.2	21.1

FII Includes depository receipts

Stock Performance (1-year)



Voltas-BEKO JV: Targeting 10% market share in 10 years

BEKO to bring technology, european brand, product range

We interacted with the senior management team of Arcelik on its plans for the Voltas-BEKO JV in India. Our key takeaways:

10-year targets: USD1b sales, 10% market share, 11% margin

- n The Voltas-BEKO JV targets USD1b sales in 10 years, with 10-11% margin and 10% share in the Indian consumer durables market.
- n All sales would be routed through the JV – would look at introducing air conditioners as well post four years.
- n The JV would be incorporated by September-October 2017 after all approvals and start seeding the market with imported products from the BEKO manufacturing facilities globally.
- n Could do USD300-500m sales in 3-5 years, and then scale to USD1b in 10 years.

Entry to India through tie-up with the Tatas

- n Arcelik has been looking at the Indian market for the last five years and finally agreed to a JV with the Tata Group. The company had looked at greenfield expansion, but it would take a lot of time to establish a brand and distribution in India. An acquisition did not make economic sense.
- n Arcelik brings the BEKO brand, technology, product range and global sourcing, while Voltas has local knowledge, strong brand, and wide distribution network.
- n Arcelik has been focused on SE Asia. It started a refrigeration plant in Thailand in 2015 and recently entered Indonesia, Malaysia and Pakistan.

Voltas-BEKO JV to price products in line with the Koreans

- n The JV plans to start local production of refrigerators by the end of CY18, with an investment of USD85m for local manufacturing, and scale this up to USD155m in 10 years.
- n It intends to price products in line with the Korean brands, LG and Samsung. The products would be positioned in the popular category.
- n With the Koreans/Japanese already present in India, competition would be intense – not looking at price cuts/entry level strategy to take share.
- n The Koreans/Japanese brands have a lower cost base. BEKO intends to leverage its premium European brand image, international experience, technology and product range, while using the Voltas brand and trust to gain market share in India.
- n In Europe, BEKO has taken share due to its association with football, and would like to step up advertising in India, as well.

Manufacturing facility / capex of USD155m over 10 years

- n The Voltas-BEKO JV plans to invest USD85m over CY17-18 to establish the refrigeration unit. Most of the money would go into buying land and setting up the factory.
- n The JV is currently not looking at local manufacturing of compressors – will source from Turkey and also from nearby countries.
- n Over the next 10 years, the JV plans to invest USD155m (INR9.9b), of which USD85m would be invested in the next two years. The target is to produce 3m units in 10 years.
- n With local production starting from the end of CY18, sales should ramp up.

Proforma P/L of the Voltas BEKO JV in FY22

Voltas BEKO targeted sales by FY22	USD500
Sales in INR	32,000
EBITDA	3,200
Margin (%)	10
Depreciation on \$100m of capex	325
PBT	2,875
Voltas - BEKO JV PAT in FY22	2,013
Voltas share in JV PAT (49%)	986
Incremental EPS from the JV to Voltas in FY22	3.0
Voltas FY19 EPS	18.1
Voltas FY22 EPS (assuming a 15% CAGR over FY19-22)	28
Incremental EPS	11%

Source: MOSL

Valuation and view

Maintain Sell, with a target price of INR400: Our cautious view on VOLT is driven by: (a) threat to margins from increasing competition in the AC segment, (b) industry convergence to inverter ACs, where VOLT is weak, and (c) inventory destocking prior to GST implementation and BEE rating changes in January 2018.



Castrol India

BSE SENSEX	S&P CNX
31,146	9,621
Bloomberg	CSTRL IN
Equity Shares (m)	495
M.Cap.(INRb)/(USDb)	213.2 / 3.2
52-Week Range (INR)	493 / 352
1, 6, 12 Rel. Per (%)	-7/-10/-3
Avg Val, INRm	592
Free float (%)	49.0

Financials & Valuations (INR b)

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	14.6	15.2
Gr. (%)	6.3	6.7	4.2
BV/Sh (INR)	12.0	13.5	14.9
RoE (%)	115.2	114.1	106.8
RoCE (%)	115.4	114.3	107.0
P/E (x)	31.0	29.1	27.9
P/BV (x)	35.1	31.4	28.3

Estimate change



TP change



Rating change



CMP: INR424

TP: INR531(+25%)

Buy

EBITDA above estimate; volumes flat YoY, up 7% QoQ

- CSTRL's 1QCY17 revenue grew 4% YoY and 13% QoQ to INR8.8b, marginally beating our estimate of INR8.5b, led by (a) YoY flat volumes, and (b) higher realizations on account of price hikes. Volumes were flat YoY but grew 7% QoQ to 50.2m liters. Implied realizations were higher at INR176/liter (+4% YoY, +6% QoQ) due to price hikes taken in December 2016.
- EBITDA of INR2.6b (+5% YoY, +22% QoQ) was above our estimate of INR2.3b due to higher realizations. EBITDA margin expanded to 29.8% in 1QCY17 v/s 27.8% in 4QCY16 and 29.5% in 1QCY16.
- PAT of INR1.8b (+4% YoY, +15% QoQ) beat our estimate of INR1.6b, despite lower other income at INR185m (-17% YoY, -52% QoQ; our estimate was INR250m). Effective tax rate was 33.5% (v/s 36.2% in 4QCY16 and 34.9% in 1QCY16; our estimate was 35%).
- Volumes flat YoY/up 7% QoQ:** CSTRL's volumes were flat YoY due to (a) 5% YoY volume growth in PCMO category (~40% volume share), (b) decline in volume growth for CVO category (~44% volume share) – demonetization impact, and (c) double-digit volume growth in industrial segment (~16% volume share).

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.
- The stock is trading at 28x (~10% discount to 3-year average) CY18E EPS of INR15.2. Our fair value stands at INR531 (35x CY18E EPS), implying 25% upside. Maintain **Buy**.

Quarterly Performance

Y/E December	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	9,048	33,580	35,964	8,535	3%
YoY Change (%)	7.1	5.2	-2.8	-1.2	3.5	-4.0	16.0	16.1	2.2	7.1	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	2,665	9,925	10,832	2,335	13%
YoY Change (%)	34.3	15.2	-1.2	3.4	4.7	-3.4	18.8	23.1	12.5	9.1	-7.2	
Margins (%)	29.5	32.5	27.7	27.8	29.8	32.7	28.3	29.5	29.6	30.1	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	2,725	10,457	11,076	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	37	35	35	35	
PAT	1,724	2,069	1,398	1,558	1,790	2,009	1,695	1,721	6,749	7,199	1,596	12%
YoY Change (%)	48.4	12.1	-2.4	10.7	3.8	-2.9	21.2	10.4	15.4	6.7	-7.4	
Margins (%)	20.2	21.4	18.4	20.0	20.3	21.6	19.2	19.0	20.1	20.0	18.7	

E: MOSL Estimates



V-Guard Industries

BSE SENSEX	S&P CNX
31,138	9,616
Bloomberg	VGRD.IN
Equity Shares (m)	302
M.Cap.(INRb)/(USDb)	78.1 / 1.2
52-Week Range (INR)	221 / 91
1, 6, 12 Rel. Per (%)	-8/33/74
Avg Val, INRm	128
Free float (%)	34.8

CMP: INR184

TP: INR167(-9%)

Neutral

Financials & Valuations (INR b)

Y/E Mar	2017	2018E	2019E
Net Sales	21.5	24.7	28.9
EBITDA	2.2	2.6	3.4
PAT	1.5	1.9	2.5
EPS (INR)	3.6	4.5	6.0
Gr. (%)	34.8	25.3	32.9
BV/Sh (INR)	15.0	18.4	23.0
RoE (%)	27.4	26.9	28.8
RoCE (%)	27.0	26.8	28.8
P/E (x)	51.5	41.1	30.9
P/BV (x)	12.3	10.0	8.0

Estimate change



TP change



Rating change



Margins to face near term pressure; Growth intact

- EBITDA and PAT below estimates:** VGRD reported revenue of INR6.23b (est. INR5.64b) in 4QFY17 as against INR5.13b in 4QFY16 marking a YoY growth of 21.4% led by strong growth in products like Pumps (up 28%), stabilizers (up 18%) and fans (up 17%) on the onset of a strong summer season. Non-south markets grew robustly by 30.8% YoY while south grew by 17%. EBITDA margins declined 290bp in 4QFY17 to 9.5%, whereas EBITDA stood at INR594m (est. 695m) in 4QFY17 vs INR634m in 4QFY16. Sharp rise in raw material prices impacted margins. Consequently adj. PAT stood at INR415m (est. INR451m) in 4QFY17 vs INR420m in 4QFY16. For FY17, revenue grew 15.5% to INR21.5b, EBITDA margins increased 40bp to 10% and adj. PAT grew 34% to INR1.5b.
- Higher GST rate to put pressure on margins:** EBITDA margins in 4QFY17 declined 290bp to 9.5% majorly because of high raw material costs. However, the upcoming implementation of GST rates would put incremental tax burden of ~6-7% (current effective indirect rate tax stands at ~17% which would rise to ~24%) which would gradually have to be passed on to the market, hence the expansion in margins would be challenging.
- Improvement in working capital days:** The working capital cycle stood at 68 days in 4QFY17 vs 70 days in 4QFY16, led by 12 day YoY improvement in creditor days to 54 days. With growing presence in non-South regions, VGRD's pricing power in non-South markets is also increasing as a result of which debtor days are expected to improve further. VGRD expanded its dealer network to 445 nos in FY17 vs 408 in FY16 in non-South region. The management has also hinted at reducing cash conversion cycle through other initiatives as well.
- Valuation and view:** Margins were impacted by higher raw material cost in 4QFY17 and we believe that higher GST rate will continue to put pressure on margins. We although believe that new product launches and expansion on the back of asset light model will help VGRD to optimize their capex and working capital requirements. We expect revenue CAGR of 16% and PAT CAGR of 29% over FY17-19E. We thus maintain **Neutral** with a TP of INR167 (28x FY19E EPS).

Quarterly Performance

Y/E March	FY16				FY17				FY16	FY17	FY17	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	4,993	4,334	4,163	5,133	5,727	4,951	4,596	6,233	18,623	21,506	5,646	10
YoY Change (%)	4.5	0.5	5.3	16.2	14.7	14.2	10.4	21.4	6.7	15.5	10.0	
Total Expenditure	4,558	3,969	3,817	4,499	5,089	4,418	4,210	5,639	16,843	19,356	4,952	
EBITDA	435	365	346	634	638	533	386	594	1,780	2,150	695	-15
Margins (%)	8.7	8.4	8.3	12.4	11.1	10.8	8.4	9.5	9.6	10.0	12.3	
Depreciation	39	38	38	38	39	40	42	42	154	162	46	
Interest	40	22	15	12	6	5	5	5	89	21	7	
Other Income	16	17	18	21	31	38	33	32	72	135	32	
PBT	372	321	311	605	625	526	372	579	1,610	2,102	674	-14
Tax	121	90	97	185	197	134	93	160	493	604	222	
Rate (%)	32.4	28.2	31.0	30.6	31.5	25.4	24.9	27.7	30.6	28.7	33.0	
Reported PAT	252	231	215	420	428	392	280	419	1,117	1,498	451	-7
Adj PAT	252	231	215	420	428	392	280	419	1,117	1,498	451	-7
YoY Change (%)	13.1	20.3	132.7	109.1	70.0	70.0	30.2	-0.3	57.5	34.1	7.5	
Margins (%)	5.0	5.3	5.2	8.2	7.5	7.9	6.1	6.7	6.0	7.0	8.0	



1. Expect crude to remain in the range of USD50-55/bbl: Castrol India, Omer Dormen, MD

- n Goods and services tax (GST) at 18%, should aid in larger demand in the market place
- n Will pass the tax benefit to our consumers
- n Despite the market growth, expects company to be ahead of the market growth.
- n Expects the crude prices to remain around USD 50-55 per barrel.

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2. Power generation target for fy18 is 23m units: NLC India, SK Acharya, Chairman

- n Production efficiency led to Q4 earnings performance.
- n Current performance is sustainable.
- n Target for FY18 electricity generation is at 23 million units and lignite production will be around 273 million tonne.
- n Expects lignite capacity to go up to 56 million tonne by 2020.
- n Not signed any new power purchase agreement (PPA) yet

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3. Shriram Transport Finance expects formal economy to benefit from GST, Umesh Revankar, MD

- n Good pick-up in the rural economy on back of a good monsoon.
- n Expects pick-up in demand from 2HFY18 in the rural economy.
- n On business front, is seeing fastest growth in construction equipment segment.

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4. Expect 20% growth in revenue in fy18, says time Technoplast, Anil Jain, CMD

- n Added few value-added products in the last two or three years which are growing
- n Expects 20% growth in revenue in FY18.
- n Sees sales CAGR of 40% from value-added businesses.

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1. A new global trade order

- n Global Trade is experiencing a fundamental shift. The director general of WTO, Roberto Azevêdo, reported that in 2016 world trade grew at 1.3%. This was the slowest pace since the financial crisis. In 2016, world merchandise exports were valued at \$15.46 trillion, down 3.3% from the previous year. All regions recorded declines in exports, with the smallest drop registered by Europe (-0.3%) and the largest reported by the Commonwealth of Independent States (-16.2%). On the import side, Europe saw a small increase of 0.2%, while all other regions recorded declines. Global merchandise trade is expected to rebound, with WTO forecasting a growth of 2.4% in 2017 compared to 1.3% in 2016. Further, it is likely for global merchandise trade to pick up slightly in 2018 and grow 2.1-4%.

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2. Don't choke the hospitality sector

- n Generating over \$200 billion in revenues and employing over 40 million people in 2016, the travel and tourism industry contributed almost 10 per cent to India's GDP. Prime Minister Modi has repeatedly spoken about tourism being an intrinsic part of his vision. 'Make in India' and the provision for e-visas were steps in the right direction. One almost began to believe that the travel and tourism had finally begun to receive the attention it deserved. But recent events, such as liquor ban on highways and some provisions in the GST suggest the hospitality business has been extended a second-fiddle treatment.

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3. Assessing the new rules to solve the NPA problem

- n The government has empowered the Reserve Bank of India (RBI) to help resolve the issue of non-performing assets (NPAs). The RBI has also since directed the banks that the joint lenders' forums (JLFs) should implement the corrective action plans (CAPs) within the prescribed timelines. So the big question is—will the bad loans now get resolved more efficiently than was the case until a few weeks ago? Let us look at the issue closely. As per the RBI directive, banks will now have to agree to a common approach for restructuring or recovery of each non-performing loan (NPL). The common approach will be the one adopted by the lead bank, along with a few more banks so as to meet the thresholds of 60% of lenders by value and 50% by number. The desirability of this approach assumes that the interests of all banks need to be aligned with or subsumed within the interest of the lead bank.

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4. Drug costs: Patent delinkage no panacea


- n The cost of medicines is on the agenda this week at the World Health Organisation's annual policy meeting, the World Health Assembly, in Geneva. NGOs and certain middle-income countries continue to argue that market-based drug development—reliant on intellectual property rights (IPRs) as its primary incentive—makes medicines too expensive. It fails, they say, to provide cures for those most in need but who can't pay, such as people in developing countries. The premise that patents jack up drug prices is particularly relevant for a country like India. National Sample Survey Office survey points out that 86% of the rural population and 82% of the urban population are yet to be covered by any health insurance scheme (public or private).

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International

5. The Brexit election that leaves Britain the loser

- n Time to get this straight. Britain is set on leaving the world's richest single market in order to re-apply for access on much less favourable terms to the very same market? Well, yes. Forget it; it will not happen. You Brits may hanker for the past, but you are not that dumb. The further you travel from Europe, the wider the enduring gulf of incomprehension about Britain's decision to leave the EU. In Washington, you still find the odd diehard in Donald Trump's administration who thinks it a good idea. The president, though, has dropped talk about the break-up of the EU. As for a quick trade deal with post-Brexit Britain, Mr Trump has one of two more pressing items on his agenda.

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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
Automobiles														
Amara Raja	Buy	867	1,044	20	28.0	34.5	41.8	30.9	25.1	5.7	4.8	20.3	20.8	21.2
Ashok Ley.	Buy	91	117	28	4.6	5.5	7.1	20.0	16.6	4.4	3.8	23.1	24.4	26.9
Bajaj Auto	Buy	2,841	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	1,206	1,242	3	26.2	37.7	49.7	46.1	32.0	6.8	6.0	16.2	19.9	22.5
Bosch	Neutral	23,777	23,287	-2	473.1	650.7	776.2	50.3	36.5	8.2	7.3	15.8	21.2	22.2
CEAT	Buy	1,786	1,741	-3	93.3	104.9	133.9	19.1	17.0	3.0	2.6	16.9	16.3	17.9
Eicher Mot.	Buy	28,756	30,402	6	613.8	892.0	1,135.1	46.8	32.2	16.3	11.6	40.3	41.9	38.5
Endurance Tech.	Buy	839	948	13	23.5	30.8	37.9	35.7	27.3	6.8	5.6	20.8	22.6	23.1
Escorts	Neutral	692	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	228	274	20	8.2	9.5	11.8	28.0	24.1	3.9	3.5	14.0	14.5	15.8
Hero Moto	Neutral	3,735	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	1,424	1,603	13	54.3	69.6	81.7	26.2	20.5	3.3	3.0	14.2	14.2	14.4
Mahindra CIE	Not Rated	247	-		5.4	9.9	11.8	46.1	25.0	2.9	2.6	6.4	10.8	11.5
Maruti Suzuki	Buy	7,144	8,060	13	248.6	300.0	370.9	28.7	23.8	6.0	5.1	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	535	581	9	11.7	16.7	26.7	45.5	32.0	10.6	8.4	25.6	29.2	35.9
Aggregate								28.5	21.7	4.9	4.2	17.1	19.3	22.8
Banks - Private														
Axis Bank	Neutral	510	525	3	15.4	23.4	41.2	33.2	21.7	2.2	2.1	6.9	9.9	15.7
DCB Bank	Neutral	200	170	-15	7.0	8.8	11.2	28.6	22.8	3.0	2.7	10.9	12.4	14.0
Equitas Hold.	Buy	157	210	34	4.7	4.8	7.5	33.2	32.3	2.4	2.2	8.9	7.1	10.1
Federal Bank	Buy	116	125	8	4.8	5.8	7.3	24.1	20.1	2.3	2.1	9.9	10.9	12.5
HDFC Bank	Buy	1,627	1,790	10	56.8	67.1	79.4	28.7	24.2	4.9	4.2	17.9	18.2	19.0
ICICI Bank	Buy	320	365	14	16.8	16.8	19.2	19.0	19.0	2.1	2.0	10.1	9.1	9.8
IDFC Bank	Neutral	58	62	7	3.0	3.3	4.3	19.3	17.5	1.3	1.3	7.2	7.4	9.0
IndusInd	Buy	1,483	1,700	15	50.1	59.4	72.0	29.6	24.9	4.4	3.8	16.0	16.5	17.3
J&K Bank	Neutral	84	89	6	-31.3	4.4	8.0	NM	19.2	0.8	0.8	-27.0	4.0	7.0
Kotak Mah. Bk	Buy	963	1,050	9	26.8	32.3	40.5	35.9	29.8	4.6	4.0	13.8	14.5	15.7
RBL Bank	Under Review	549	-		11.9	17.6	23.8	46.2	31.1	4.8	4.3	12.3	14.6	17.3
South Indian	Buy	28	31	9	2.2	2.9	3.6	13.0	9.9	1.1	1.0	9.4	10.6	12.2
Yes Bank	Buy	1,444	2,110	46	73.0	90.5	114.0	19.8	16.0	3.7	3.1	18.9	17.9	19.4
Aggregate								28.0	22.6	3.2	2.9	11.4	12.9	14.5
Banks - PSU														
BOB	Buy	179	217	21	6.0	19.0	24.9	29.9	9.4	1.2	1.1	4.1	12.3	14.5
BOI	Neutral	144	147	2	-14.8	13.7	22.0	NM	10.5	0.7	0.6	-6.7	6.1	9.0
Canara	Neutral	353	380	8	18.8	33.0	48.9	18.8	10.7	0.8	0.7	4.2	6.8	9.4
IDBI Bk	Neutral	61	49	-18	1.5	6.4	8.6	39.6	9.4	0.6	0.5	1.4	5.8	7.3
Indian Bk	Buy	323	360	12	29.3	33.3	38.1	11.0	9.7	1.1	1.0	10.1	10.6	11.1
OBC	Neutral	151	150	-1	-31.6	17.1	21.4	NM	8.9	0.4	0.4	-8.4	4.6	5.4
PNB	Buy	151	184	21	6.2	10.3	14.5	24.3	14.8	0.8	0.8	3.6	5.6	7.5
SBI	Buy	287	375	31	0.3	19.7	25.9	949.8	14.6	1.3	1.2	-0.2	8.9	10.7
Union Bk	Neutral	158	174	10	7.6	24.6	34.5	20.6	6.4	0.5	0.5	2.7	8.1	10.5
Aggregate								102.2	12.2	1.0	0.9	0.9	7.4	9.3
NBFCs														
Bajaj Fin.	Buy	1,327	1,550	17	33.6	47.0	63.6	39.5	28.2	7.6	6.2	21.7	24.0	26.2
Bharat Fin.	Neutral	735	769	5	21.0	32.4	45.3	35.0	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	393	421	7	8.1	10.3	12.5	48.3	38.3	12.9	10.7	30.4	30.6	30.9
HDFC	Buy	1,583	1,797	14	46.8	50.7	55.9	33.8	31.2	6.3	5.7	19.3	18.3	17.4
Indiabulls Hsg	Buy	1,141	1,227	8	69.0	82.2	101.6	16.5	13.9	4.0	3.5	25.5	27.0	29.6
LIC Hsg Fin	Neutral	737	723	-2	38.2	44.6	51.2	19.3	16.5	3.5	3.0	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	362	400	11	7.1	12.9	16.4	51.0	27.9	3.2	3.0	6.4	10.9	12.9
Muthoot Fin	Buy	409	465	14	29.7	34.5	40.0	13.8	11.9	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	131	117	-10	25.7	27.2	30.2	5.1	4.8	0.9	0.8	17.9	17.0	16.8
Repco Home	Buy	784	900	15	29.1	36.0	43.3	26.9	21.8	4.3	3.7	17.4	18.2	18.5
REC	Neutral	189	134	-29	31.4	35.0	40.4	6.0	5.4	1.1	1.0	19.9	19.1	19.1
Shriram Union	City Buy	2,285	2,689	18	84.3	130.4	164.7	27.1	17.5	3.0	2.7	11.8	16.2	17.8
STF	Buy	1,028	1,269	23	55.6	77.4	98.6	18.5	13.3	2.1	1.8	11.7	14.5	16.3
Aggregate								18.4	15.8	3.2	2.8	17.2	17.7	17.9
Capital Goods														
ABB	Sell	1,445	1,200	-17	19.7	25.1	32.2	73.3	57.7	9.3	8.0	12.7	13.9	15.8
Bharat Elec.	Buy	173	200	16	6.9	7.2	8.1	24.9	24.1	5.1	4.0	20.6	16.5	16.8
BHEL	Sell	139	100	-28	2.0	4.4	5.0	68.4	31.7	1.1	1.0	1.5	3.3	3.6
Blue Star	Neutral	637	650	2	12.9	19.0	28.0	49.4	33.5	8.0	7.5	18.0	23.2	31.6
CG Cons. Elec.	Buy	231	240	4	4.7	5.6	6.7	49.4	41.5	26.9	19.3	76.4	54.2	50.3
CG Power & Indu.	Sell	83	65	-22	4.1	2.3	4.5	20.3	36.4	1.2	1.2	6.2	3.4	4.2
Cummins	Neutral	924	950	3	26.5	29.3	35.2	34.9	31.5	6.8	6.3	21.2	20.8	23.0
GE T&D	Neutral	354	320	-10	5.7	8.9	10.6	61.8	39.7	8.8	7.7	12.4	20.7	21.5
Havells	Neutral	485	480	-1	9.6	12.1	14.5	50.8	40.2	9.3	8.2	18.2	20.4	21.4
Inox Wind	Under Review	140	-		12.8	-3.2	15.5	10.9	NM	1.4	1.5	14.9	-3.3	15.1
K E C Intl	Neutral	267	250	-6	11.9	13.6	16.8	22.5	19.6	4.3	3.7	21.2	20.3	21.2
L&T	Buy	1,792	2,000	12	63.3	68.0	78.3	28.3	26.4	3.3	3.2	12.6	12.5	13.6
Pennar Eng.	Not Rated	129	-		5.8	7.5	10.0	22.2	17.2	1.9	1.7	8.6	10.0	11.8
Siemens	Neutral	1,364	1,355	-1	17.8	24.3	33.3	76.6	56.2	7.1	6.2	9.3	11.0	13.7
Solar Ind	Neutral	830	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	20	-		0.6	0.9	1.0	30.8	22.1	-1.8	-1.9	NM	-8.8	-11.0
Thermax	Sell	984	850	-14	30.8	32.3	34.0	31.9	30.5	4.4	3.9	14.3	13.6	12.9
Va Tech Wab.	Buy	665	800	20	28.9	34.9	39.8	23.0	19.0	3.7	3.1	16.3	17.7	17.5
Voltas	Sell	509	400	-21	15.5	16.0	18.1	32.9	31.8	5.1	4.6	18.0	15.1	15.3
Aggregate								34.9	31.1	3.9	3.6	11.2	11.7	12.9
Cement														
Ambuja Cem.	Buy	240	283	18	4.9	6.6	7.2	49.2	36.3	2.5	2.4	5.0	6.7	7.1
ACC	Neutral	1,652	1,521	-8	33.7	49.2	63.6	49.0	33.6	3.7	3.7	7.5	11.0	14.2
Birla Corp.	Buy	889	998	12	29.4	40.9	58.9	30.3	21.7	2.1	1.9	7.5	9.2	12.2
Dalmia Bharat	Buy	2,419	3,162	31	38.8	66.7	87.1	62.4	36.3	4.3	3.9	7.2	11.3	13.1
Grasim Inds.	Neutral	1,143	1,234	8	67.9	86.9	114.5	16.8	13.2	1.8	1.6	11.5	13.1	15.1
India Cem	Neutral	209	210	0	5.6	9.3	12.9	37.2	22.4	1.3	1.2	3.4	5.5	7.2
J K Cements	Buy	1,104	1,322	20	33.7	46.4	59.5	32.8	23.8	4.4	3.8	14.4	17.0	18.6
JK Lakshmi Ce	Buy	485	550	13	7.0	11.4	20.5	69.8	42.6	4.1	3.7	6.0	9.2	14.7
Ramco Cem	Buy	722	823	14	27.3	31.1	37.5	26.5	23.3	4.7	4.0	19.2	18.6	19.1
Orient Cem	Buy	150	185	23	-1.6	4.5	6.8	NM	33.3	3.1	2.9	-3.2	9.0	12.3
Prism Cem	Buy	118	138	17	0.3	3.7	5.8	339.6	31.9	5.9	5.1	1.8	17.2	22.6
Shree Cem	Buy	17,686	23,316	32	384.4	480.7	621.0	46.0	36.8	8.7	7.2	20.2	21.5	22.6
Ultratech	Buy	4,195	4,928	17	96.1	121.4	159.1	43.6	34.6	5.0	4.4	12.0	13.6	15.7
Aggregate								36.8	27.6	3.6	3.3	9.7	11.8	13.7
Consumer														
Asian Paints	Neutral	1,159	1,210	4	21.0	23.1	27.4	55.1	50.1	14.6	14.0	28.5	28.6	30.6
Britannia	Buy	3,604	4,050	12	73.7	82.1	101.3	48.9	43.9	16.0	14.9	36.9	35.2	37.2
Colgate	Buy	1,038	1,180	14	21.2	25.7	31.1	48.9	40.5	22.2	20.9	50.4	53.2	60.3
Dabur	Neutral	285	295	4	7.2	7.7	9.1	39.3	36.9	10.4	8.9	28.4	26.0	26.3
Emami	Buy	1,118	1,250	12	26.5	29.2	34.7	42.1	38.2	14.5	11.6	35.8	33.8	32.2
Godrej Cons.	Neutral	1,817	1,950	7	37.8	43.6	50.0	48.1	41.7	11.7	9.1	24.6	24.5	23.0
GSK Cons.	Sell	5,311	4,380	-18	156.1	169.7	185.5	34.0	31.3	7.2	7.0	22.2	22.6	23.0
HUL	Buy	1,095	1,165	6	19.6	22.4	25.9	55.8	48.8	35.6	34.8	65.6	72.1	81.4
ITC	Buy	315	355	13	8.4	9.6	11.5	37.5	32.8	8.5	8.4	23.5	25.6	28.9
Jyothy Lab	Neutral	367	390	6	11.2	8.9	11.0	32.7	41.1	6.1	6.3	21.1	15.1	18.4
Marico	Neutral	317	335	6	6.3	6.9	8.4	50.5	45.7	17.6	15.0	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	6,600	5,715	-13	118.0	118.6	139.5	55.9	55.6	21.1	19.4	39.0	36.4	39.0
Page Inds	Buy	14,208	18,000	27	238.7	313.9	400.0	59.5	45.3	23.8	18.8	40.0	41.6	42.8
Parag Milk	Neutral	237	245	3	3.6	7.4	12.3	65.7	31.8	3.0	2.8	5.9	9.1	13.4
Pidilite Ind.	Neutral	764	762	0	16.7	18.4	21.2	45.7	41.4	11.9	9.6	28.2	25.6	24.0
P&G Hygiene	Buy	7,551	8,760	16	144.9	155.8	181.6	52.1	48.5	43.1	34.3	45.3	78.9	74.0
United Brew	Neutral	805	830	3	8.7	9.7	14.7	92.6	83.0	9.2	8.5	10.4	10.7	14.6
United Spirits	Neutral	2,312	2,150	-7	26.7	37.4	51.8	86.5	61.9	17.3	11.9	21.3	19.3	19.7
Aggregate								45.7	40.5	12.7	11.8	27.7	29.1	30.6
Healthcare														
Alembic Phar	Neutral	532	640	20	21.6	26.0	32.1	24.7	20.4	5.3	4.4	23.1	23.6	24.1
Alkem Lab	Neutral	1,937	1,900	-2	75.7	80.0	94.9	25.6	24.2	5.5	4.7	23.4	20.8	21.0
Ajanta Pharma	Buy	1,603	2,028	27	58.4	66.4	79.9	27.4	24.2	9.0	6.9	37.7	32.3	30.0
Aurobindo	Buy	580	750	29	39.3	44.1	50.2	14.7	13.1	3.7	2.9	28.3	24.8	22.5
Biocon	Sell	957	900	-6	30.6	33.1	44.9	31.3	28.9	4.3	3.9	13.6	13.3	16.1
Cadila	Buy	471	510	8	14.2	18.1	23.2	33.2	26.0	7.5	6.2	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	602	600	0	39.7	35.8	39.8	15.2	16.8	3.4	3.1	23.5	19.2	19.2
Dr Reddy's	Neutral	2,520	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	198	240	21	10.3	2.1	6.1	19.2	94.0	2.1	1.8	11.3	2.0	5.3
Glenmark	Neutral	658	800	22	39.3	45.0	53.5	16.7	14.6	4.1	3.3	24.7	22.4	21.3
Granules	Buy	141	200	42	7.3	8.1	11.4	19.4	17.3	3.2	2.3	20.0	16.4	17.6
GSK Pharma	Neutral	2,460	2,700	10	34.4	51.9	60.1	71.6	47.4	15.4	18.8	21.5	39.7	54.4
IPCA Labs	Neutral	510	480	-6	16.1	22.4	29.9	31.7	22.8	2.6	2.4	8.6	11.0	13.2
Lupin	Buy	1,150	1,475	28	59.2	60.2	73.7	19.4	19.1	3.9	3.4	22.0	18.9	19.7
Sanofi India	Buy	4,111	4,850	18	129.1	131.0	173.4	31.8	31.4	5.4	5.1	17.1	16.3	19.3
Sun Pharma	Buy	509	650	28	26.1	25.4	30.8	19.5	20.0	3.6	3.2	19.2	16.8	17.9
Syngene Intl	Not Rated	486	-		13.0	16.1	18.0	37.3	30.1	7.5	6.2	22.2	22.5	20.7
Torrent Pharma	Buy	1,207	1,450	20	55.2	59.8	73.2	21.9	20.2	5.1	4.4	25.3	23.5	24.6
Aggregate								23.0	21.3	4.1	3.5	17.9	16.6	17.6
Logistics														
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	4,430	-		102.5	129.9	163.2	43.2	34.1	19.2	14.6	50.5	48.6	46.8
Concor	Neutral	1,156	1,162	0	38.0	41.2	45.8	30.4	28.1	3.2	3.0	10.8	11.1	11.7
Gateway Distriparks	Buy	250	310	24	6.8	11.6	14.3	36.8	21.5	2.2	2.1	5.9	9.9	11.7
Gati	Not Rated	125	-		8.4	15.9	23.9	15.0	7.9	2.1	1.8	12.4	19.4	25.4
Transport Corp.	Not Rated	319	-		16.9	21.0	25.9	18.8	15.1	2.9	2.5	16.7	17.8	18.6
Aggregate								29.0	24.0	3.5	3.3	12.2	13.7	15.0
Media														
Dish TV	Buy	83	106	27	1.0	2.1	3.8	84.4	40.6	18.1	12.5	24.1	36.5	44.1
D B Corp	Buy	376	460	22	20.4	24.1	28.7	18.4	15.6	4.3	3.9	25.5	26.2	27.6
Den Net.	Neutral	87	90	3	-8.6	-2.7	0.3	NM	NM	1.6	1.8	-12.0	-5.3	0.7
Hind. Media	Buy	274	360	32	26.4	27.1	29.9	10.4	10.1	1.8	1.5	19.3	16.6	15.6
HT Media	Neutral	82	85	4	7.4	7.9	8.3	11.1	10.4	0.7	0.7	7.1	6.9	6.6
Jagran Prak.	Buy	179	225	26	10.8	12.2	14.0	16.6	14.7	2.4	2.4	17.6	16.3	17.3
PVR	Buy	1,456	1,666	14	20.5	36.1	54.7	70.9	40.4	7.1	6.0	10.4	16.1	20.5
Siti Net.	Neutral	28	36	29	-1.8	-0.5	0.1	NM	NM	3.9	4.2	-23.5	-7.8	1.5
Sun TV	Neutral	803	860	7	24.9	29.5	38.4	32.3	27.2	8.1	7.4	25.0	27.3	31.9
Zee Ent.	Buy	522	600	15	23.1	16.4	19.5	22.6	31.9	8.3	7.0	23.7	23.8	23.8
Aggregate								40.8	29.0	5.8	5.3	14.3	18.1	20.6
Metals														
Hindalco	Buy	197	250	27	16.2	22.6	25.9	12.2	8.7	1.5	1.2	14.0	15.6	15.1
Hind. Zinc	Sell	238	235	-1	19.7	21.5	23.7	12.1	11.1	3.3	2.8	24.4	27.2	25.4
JSPL	Buy	120	184	53	-20.9	-16.0	-2.5	NM	NM	0.4	0.4	-7.9	-5.0	-0.8
JSW Steel	Buy	195	241	24	14.8	20.1	22.6	13.2	9.7	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	-2	3.7	3.6	4.0	18.1	18.6	1.3	1.2	7.2	6.7	7.3
NMDC	Under Review	113	-		10.0	12.0	12.7	11.3	9.4	1.6	1.5	12.4	14.9	15.7
SAIL	Sell	57	30	-47	-6.2	-12.6	0.4	NM	NM	0.6	0.7	-6.7	-15.2	0.5
Vedanta	Neutral	231	225	-3	15.1	24.5	27.4	15.3	9.4	1.4	1.3	9.7	14.8	15.3
Tata Steel	Sell	498	451	-9	37.0	39.5	45.7	13.5	12.6	1.5	1.4	15.4	11.4	12.1
Aggregate								17.0	13.8	1.4	1.3	8.0	9.4	11.8
Oil & Gas														
BPCL	Neutral	736	779	6	72.5	64.5	70.3	10.1	11.4	3.1	2.6	32.4	25.1	23.3
GAIL	Neutral	408	358	-12	22.6	28.7	32.7	18.1	14.2	1.8	1.7	10.2	12.2	12.9
Gujarat Gas	Sell	760	699	-8	20.4	38.5	46.6	37.2	19.8	6.4	5.0	17.8	28.5	27.5
Gujarat St. Pet.	Neutral	177	171	-4	8.8	11.2	13.4	20.1	15.9	2.3	2.1	11.9	13.7	14.6
HPCL	Buy	541	632	17	61.0	45.6	45.8	8.9	11.9	2.7	2.4	32.4	21.2	18.7
IOC	Neutral	414	457	10	41.0	41.9	43.3	10.1	9.9	2.0	2.0	22.3	20.2	19.9
IGL	Neutral	1,062	1,067	0	43.1	46.7	51.8	24.6	22.8	5.1	4.3	21.0	20.6	19.5
MRPL	Neutral	135	124	-8	11.7	12.8	13.3	11.5	10.6	2.3	2.0	24.8	20.5	18.4
Oil India	Buy	304	363	19	19.3	34.7	37.4	15.7	8.8	0.8	0.8	5.7	9.3	9.6
ONGC	Buy	174	229	32	16.4	20.6	23.9	10.6	8.4	1.0	1.0	10.4	11.7	13.0
PLNG	Buy	443	547	23	22.7	25.9	35.1	19.5	17.1	4.1	3.5	23.6	22.1	25.2
Reliance Ind.	Neutral	1,329	1,264	-5	106.6	121.7	127.8	12.5	10.9	1.4	1.2	11.9	11.8	11.2
Aggregate								12.1	11.1	1.6	1.5	13.2	13.4	13.4
Retail														
Jubilant Food	Sell	912	680	-25	10.0	12.2	17.9	91.2	75.0	7.5	7.0	8.2	9.3	12.6
Titan Co.	Neutral	471	505	7	9.0	10.3	12.1	52.1	45.8	9.9	8.7	20.6	20.2	20.9
Aggregate								55.5	48.5	9.6	8.5	17.2	17.6	18.5
Technology														
Cyient	Buy	495	620	25	30.6	38.3	44.2	16.2	12.9	2.6	2.3	16.2	17.8	17.9
HCL Tech.	Buy	862	960	11	59.8	61.9	67.6	14.4	13.9	3.6	3.6	27.5	25.4	26.0
Hexaware	Neutral	242	235	-3	13.7	15.4	16.7	17.6	15.7	4.3	3.7	26.5	25.3	23.5
Infosys	Buy	971	1,200	24	62.9	64.7	71.1	15.4	15.0	3.2	2.9	23.3	21.4	21.2
KPIT Tech	Neutral	117	150	28	11.9	13.4	15.2	9.8	8.7	1.5	1.3	14.3	15.6	15.2
L&T Infotech	Buy	794	850	7	55.5	59.7	65.0	14.3	13.3	5.0	3.9	40.4	32.8	28.3
Mindtree	Neutral	538	475	-12	24.9	30.5	36.5	21.6	17.7	3.5	3.2	16.8	18.9	20.5
Mphasis	Neutral	606	600	-1	38.9	41.7	45.0	15.6	14.5	2.1	2.4	13.2	14.0	15.7
NIIT Tech	Neutral	536	470	-12	42.8	42.5	46.1	12.5	12.6	2.0	1.8	16.1	14.8	14.7
Persistent Sys	Buy	608	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	1,371	1,607	17	56.3	68.0	80.4	24.4	20.2	7.6	6.1	37.1	33.7	32.3
TCS	Neutral	2,551	2,400	-6	133.4	139.7	149.6	19.1	18.3	6.0	6.2	33.5	32.4	32.3
Tech Mah	Buy	397	500	26	30.9	32.3	36.9	12.9	12.3	2.1	1.9	18.4	16.7	17.0
Wipro	Neutral	542	500	-8	33.8	34.6	38.2	16.0	15.6	2.6	2.3	16.9	15.5	15.7
Zensar Tech	Buy	865	1,020	18	54.9	67.6	78.4	15.8	12.8	2.4	2.1	16.3	17.7	17.8
Aggregate								16.8	16.4	3.9	3.7	23.2	22.7	22.0
Telecom														
Bharti Airtel	Buy	367	430	17	11.1	6.3	11.5	33.0	58.4	2.2	2.1	6.7	3.7	6.4
Bharti Infratel	Buy	376	435	16	14.9	17.5	19.9	25.3	21.5	4.6	4.0	16.2	19.4	19.1
Idea Cellular	Buy	80	110	38	-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
Aggregate								35.6	166.2	2.5	2.4	6.9	1.5	3.9
Utilities														
Coal India	Buy	265	316	19	14.9	18.3	20.7	17.8	14.5	6.7	6.7	37.8	46.2	52.1
CESC	Buy	908	1,040	14	51.9	73.4	80.6	17.5	12.4	2.1	1.8	11.4	15.5	15.0
JSW Energy	Buy	63	88	39	3.9	2.1	1.8	16.3	29.8	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	1.4	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	15.6	11.9	1.8	1.7	11.2	14.6	13.6
Aggregate								14.8	13.0	2.3	2.1	15.3	16.3	17.4



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
Others														
Arvind	Neutral	380	382	0	12.4	16.6	23.6	30.7	22.8	2.8	2.5	10.3	11.5	14.7
Bata India	Under Review	547	-		13.5	15.6	19.3	40.6	35.0	5.4	4.8	13.9	14.5	15.9
Castrol India	Buy	423	531	25	13.6	14.6	15.2	31.0	29.1	35.1	31.4	115.2	114.1	106.8
Century Ply.	Buy	273	274	0	7.7	8.6	11.4	35.3	31.6	9.2	7.6	28.9	26.5	28.6
Coromandel Intl	Under Review	422	-		16.0	18.3	23.6	26.4	23.0	4.6	4.1	18.2	18.9	21.7
Delta Corp	Buy	157	229	46	4.2	5.3	7.1	37.3	29.8	4.0	2.7	11.1	11.3	11.5
Dynamic Tech	Buy	2,574	3,334	30	67.6	112.9	166.7	38.1	22.8	5.3	4.3	15.1	20.7	24.3
Eveready Inds.	Buy	318	368	16	12.9	14.4	17.5	24.7	22.1	8.0	6.4	37.7	32.3	31.6
Interglobe	Neutral	1,129	1,234	9	46.0	65.6	88.2	24.5	17.2	20.2	17.9	86.2	110.2	129.8
Indo Count	Buy	175	229	31	13.0	14.6	17.6	13.5	12.0	4.1	3.0	34.8	28.8	25.9
Info Edge	Buy	905	1,050	16	15.7	20.3	22.9	57.8	44.7	5.6	5.1	10.2	11.9	12.3
Inox Leisure	Sell	290	240	-17	3.3	8.0	12.0	87.0	36.1	5.0	4.5	5.9	12.5	16.2
Jain Irrigation	Under Review	102	-		5.5	7.6	10.0	18.3	13.4	1.6	1.5	8.6	11.7	14.8
Just Dial	Neutral	441	465	6	17.5	18.5	21.1	25.2	23.9	3.4	3.0	14.8	13.4	13.7
Kaveri Seed	Buy	623	653	5	19.1	29.5	36.3	32.7	21.1	4.2	4.6	13.6	20.5	25.4
Kitex Garm.	Buy	375	551	47	26.0	31.0	36.7	14.4	12.1	3.9	3.1	29.9	28.7	27.7
Manpasand	Buy	798	841	5	13.3	22.0	31.1	60.0	36.3	3.9	3.6	7.7	9.3	13.5
MCX	Buy	1,005	1,325	32	24.8	30.5	42.9	40.5	32.9	3.8	3.6	9.9	11.1	14.6
Monsanto	Buy	2,862	2,841	-1	72.9	89.3	109.3	39.2	32.1	11.9	11.1	30.4	35.9	39.6
Navneet Education	Buy	180	226	25	7.8	9.4	11.3	23.3	19.1	5.8	4.9	26.8	27.8	28.2
PI Inds.	Buy	810	952	17	33.4	33.4	38.1	24.3	24.2	6.9	5.6	32.8	25.4	23.8
Piramal Enterp.	Buy	2,815	3,044	8	72.6	104.1	144.6	38.8	27.0	3.7	3.4	9.8	13.0	16.4
SRF	Buy	1,627	1,816	12	85.9	89.0	111.5	18.9	18.3	3.0	2.7	16.6	15.1	17.0
S H Kelkar	Buy	287	367	28	7.2	9.6	12.2	39.6	29.8	5.1	4.6	13.7	16.1	18.2
Symphony	Sell	1,330	1,288	-3	27.0	35.1	42.9	49.2	37.9	26.8	22.8	56.8	65.0	66.3
TTK Prestige	Neutral	6,618	5,281	-20	106.9	137.7	176.0	61.9	48.0	9.8	8.9	16.5	19.4	22.2
V-Guard	Neutral	184	140	-24	3.7	4.6	5.4	49.6	40.1	13.1	10.5	29.4	29.1	27.6
Wonderla	Buy	373	393	5	7.0	11.9	16.0	53.4	31.2	4.9	4.4	9.5	14.8	17.5



Company	1 Day (%)	1M (%)	12M (%)
Automobiles			
Amara Raja	-0.9	-2.5	2.5
Ashok Ley.	-3.4	6.8	-12.8
Bajaj Auto	-0.1	-1.0	9.1
Bharat Forge	3.2	5.4	58.5
Bosch	2.0	3.7	6.9
CEAT	6.4	17.4	97.4
Eicher Mot.	1.1	10.5	53.8
Endurance Tech.	-0.2	3.7	
Escorts	0.0	26.7	296.8
Exide Ind	-0.7	-0.8	43.6
Hero Moto	-0.2	12.8	21.0
M&M	0.6	6.7	6.8
Mahindra CIE	1.8	0.9	19.9
Maruti Suzuki	-1.0	9.5	71.7
Tata Motors	0.0	4.1	6.1
TVS Motor	-0.6	7.9	85.4
Banks - Private			
Axis Bank	-0.9	0.0	-0.7
DCB Bank	4.8	9.2	113.8
Equitas Hold.	0.2	-5.8	-5.2
Federal Bank	4.1	7.9	127.5
HDFC Bank	-0.4	5.5	38.5
ICICI Bank	-1.9	14.9	33.3
IDFC Bank	0.3	-12.1	20.4
IndusInd	0.2	2.6	34.4
J&K Bank	4.3	3.4	47.1
Kotak Mah. Bk	-0.1	6.8	29.2
RBL Bank	4.3	-2.8	
South Indian	0.9	10.5	67.4
Yes Bank	0.8	-11.5	42.0
Banks - PSU			
BOB	0.5	-4.6	29.0
BOI	1.6	-22.8	67.2
Canara	0.5	-0.6	83.7
IDBI Bk	1.2	-22.3	-8.1
Indian Bk	2.2	1.4	255.2
OBC	1.5	-10.9	84.1
PNB	0.9	-10.3	97.3
SBI	-0.4	-0.7	45.2
Union Bk	1.4	-7.7	38.6
NBFCs			
Bajaj Fin.	0.2	4.0	73.6
Bharat Fin.	0.1	-8.7	11.9
Dewan Hsg.	0.0	-2.5	111.6
GRUH Fin.	-0.5	-0.8	40.1
HDFC	0.8	3.0	27.5
Indiabulls Hsg	-1.6	12.2	57.4
LIC Hsg Fin	0.5	10.2	57.8
Manappuram	-0.4	-5.0	63.9
M&M Fin.	0.7	7.2	11.4
Muthoot Fin	-0.9	4.0	67.8
PFC	-2.2	-18.1	58.9
Repco Home	0.3	2.5	16.4
REC	-2.1	-6.6	129.5
STF	0.7	-0.9	-11.8
Shriram City Union	0.3	2.1	39.1

Company	1 Day (%)	1M (%)	12M (%)
Capital Goods			
ABB	-1.0	2.4	17.5
Bharat Elec.	0.0	-5.5	49.2
BHEL	0.0	-21.1	17.2
Blue Star	0.6	-8.4	49.6
CG Cons. Elec.	3.6	5.0	72.0
CG Power & Inds Sol.	0.8	6.1	22.2
Cummins	-1.3	-7.2	18.9
GE T&D	-1.2	3.4	6.7
Havells	-0.6	0.4	36.1
Inox Wind	2.9	-28.8	-36.2
K E C Intl	2.5	21.9	94.7
L&T	1.8	2.5	22.2
Pennar Eng.	-4.4	-10.3	-13.9
Siemens	-0.7	4.0	12.3
Solar Ind	-0.1	3.3	31.3
Suzlon Energy	1.0	-5.6	29.1
Thermax	-2.6	-3.4	30.8
Va Tech Wab.	0.2	-0.9	12.0
Voltas	4.6	24.0	53.0
Cement			
Ambuja Cem.	-0.3	-2.3	4.1
ACC	1.0	1.7	6.7
Birla Corp.	4.7	15.6	113.8
Dalmia Bharat	-0.8	11.5	163.7
Grasim Inds.	-1.2	-0.9	31.2
India Cem	2.3	-3.1	120.5
J K Cements	-0.5	14.2	89.7
JK Lakshmi Ce	-1.1	4.9	41.1
Ramco Cem	0.1	5.9	48.2
Orient Cem	3.9	-11.8	-6.9
Prism Cem	3.2	-3.2	27.8
Shree Cem	-1.8	-8.2	32.8
Ultratech	-0.1	-1.0	29.6
Consumer			
Asian Paints	0.6	3.5	13.7
Britannia	2.0	-0.6	30.4
Colgate	2.5	0.0	22.2
Dabur	1.9	-0.5	-1.8
Emami	3.2	5.7	7.9
Godrej Cons.	0.3	4.2	22.5
GSK Cons.	0.6	3.6	-8.0
HUL	2.7	17.2	28.1
ITC	0.9	12.9	30.8
Jyothy Lab	0.3	-8.1	31.3
Marico	1.0	0.7	26.1
Nestle	-0.9	-1.5	3.9
Page Inds	-1.0	-1.7	-0.5
Parag Milk	-0.4	-2.8	-4.5
Pidilite Ind.	-0.5	6.5	6.5
P&G Hygiene	1.4	2.4	21.4
United Brew	0.6	4.9	9.1
United Spirits	2.0	23.3	-5.8
Healthcare			
Alembic Phar	-1.0	-12.9	-2.1
Alkem Lab	0.7	-1.4	50.7
Ajanta Pharma	2.1	-2.7	4.6
Aurobindo	1.0	-4.3	-26.5

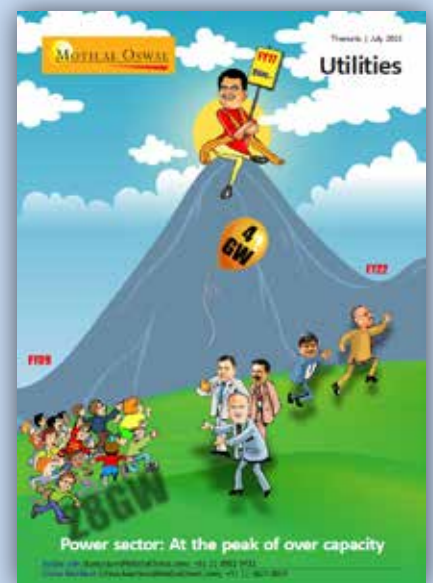
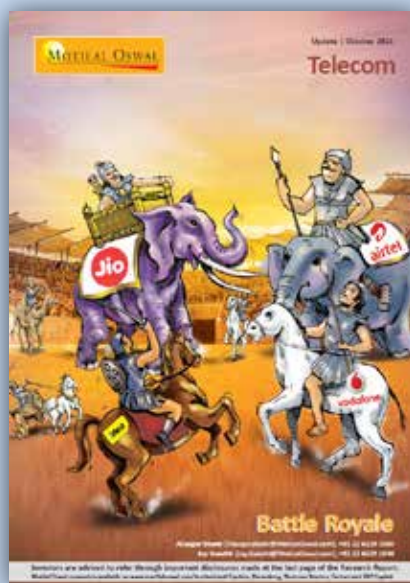
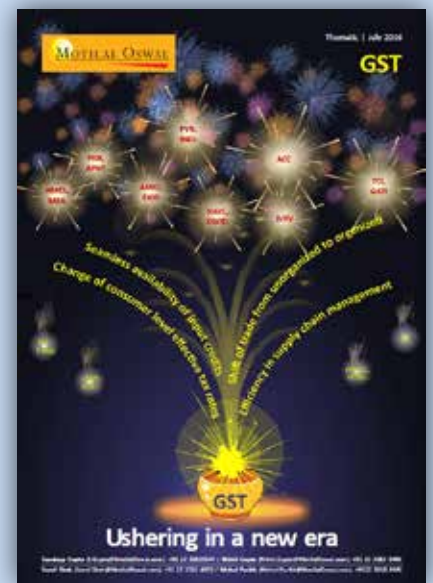
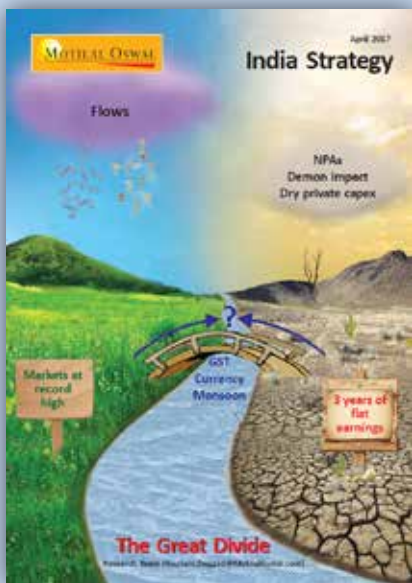


Company	1 Day (%)	1M (%)	12M (%)
Biocon	0.8	-13.5	33.8
Cadila	1.4	7.1	41.2
Cipla	0.1	-7.5	10.7
Divis Lab	3.1	-4.2	-46.7
Dr Reddy's	0.1	-3.0	-20.8
Fortis Health	1.4	-10.0	21.9
Glenmark	3.3	-26.3	-22.7
Granules	1.9	-7.4	4.0
GSK Pharma	1.4	-1.6	-30.0
IPCA Labs	3.9	-14.7	20.5
Lupin	-1.0	-14.0	-22.8
Sanofi India	1.2	-2.2	-2.9
Sun Pharma	1.4	-20.9	-32.7
Syngene Intl	1.9	-5.7	25.6
Torrent Pharma	-1.4	-14.7	-11.2
Logistics			
Allcargo Logistics	0.0	-8.0	6.2
Blue Dart	0.2	-9.0	-21.5
Concor	-0.6	-5.1	2.5
Gateway Distriparks	0.5	-6.5	-13.5
Gati	0.6	-7.7	-6.2
Transport Corp.	7.4	31.5	82.9
Media			
Dish TV	-1.3	-12.2	-6.2
D B Corp	-0.3	-1.2	1.0
Den Net.	1.8	-8.9	-4.6
Hind. Media	-1.2	-5.1	2.7
HT Media	-0.8	-0.2	-0.4
Jagran Prak.	-0.4	-8.3	5.1
PVR	0.3	-9.8	61.2
Siti Net.	-6.2	-21.2	-25.5
Sun TV	0.4	-12.8	120.5
Zee Ent.	1.4	-0.8	16.2
Metals			
Hindalco	-1.6	-1.0	91.4
Hind. Zinc	-0.8	-11.4	41.2
JSPL	-1.4	5.2	93.5
JSW Steel	0.5	-2.0	41.9
Nalco	-1.3	-2.9	59.1
NMDC	1.5	-11.2	30.4
SAIL	-0.9	-6.2	35.4
Vedanta	-3.2	-5.1	120.1
Tata Steel	-1.4	10.9	49.9
Oil & Gas			
BPCL	-0.9	2.3	49.0
GAIL	-1.8	-3.6	46.5
Gujarat Gas	-0.3	-9.8	46.7
Gujarat St. Pet.	4.2	-1.8	32.8
HPCL	-1.6	1.0	79.3
IOC	-4.1	-5.9	96.9
IGL	-0.8	0.3	89.1
MRPL	2.8	1.1	98.8
Oil India	-1.1	-7.1	15.3
ONGC	-1.8	-6.7	24.0
PLNG	0.8	4.7	62.7
Reliance Ind.	-0.9	-4.8	39.4
Retail			
Jubilant Food	-0.2	-12.2	-9.8

Company	1 Day (%)	1M (%)	12M (%)
Titan Co.	-0.8	-0.1	31.4
Technology			
Cyient	2.8	-9.4	4.1
HCL Tech.	-0.4	6.1	17.4
Hexaware	2.9	4.9	13.5
Infosys	-0.6	5.6	-22.7
KPIT Tech	1.5	-8.7	-34.6
L&T Infotech	-0.5	12.2	
Mindtree	-1.3	10.6	-18.0
Mphasis	-0.7	13.2	12.9
NIIT Tech	2.8	17.2	7.7
Persistent Sys	0.1	3.6	-17.5
Tata Elxsi	2.7	-9.3	-23.2
TCS	0.3	12.3	-3.1
Tech Mah	1.8	-4.8	-26.4
Wipro	0.9	9.6	-2.1
Zensar Tech	0.2	0.3	-8.6
Telecom			
Bharti Airtel	-1.3	3.5	1.2
Bharti Infratel	2.2	5.9	-2.3
Idea Cellular	-0.4	-6.9	-32.1
Tata Comm	0.0	0.1	62.0
Utilities			
Coal India	0.7	-4.2	-10.7
CESC	-1.0	-3.8	67.2
JSW Energy	0.2	-5.9	-10.4
NTPC	0.1	-2.6	10.8
Power Grid	0.0	0.1	39.5
Tata Power	-0.6	-4.3	10.6
Others			
Arvind	0.7	-4.8	20.7
Bata India	0.3	-6.2	-3.9
Castrol India	-0.3	-3.3	13.2
Century Ply.	2.9	6.2	61.8
Coromandel Intl	2.4	21.0	80.9
Delta Corp	1.2	-1.3	83.8
Dynamatic Tech	-0.9	-4.5	3.1
Eveready Inds.	-0.2	4.0	33.9
Interglobe	2.1	2.1	10.6
Indo Count	1.4	-14.3	-6.5
Info Edge	-0.6	8.6	13.9
Inox Leisure	0.1	-2.9	40.6
Jain Irrigation	0.8	-9.2	58.2
Just Dial	-1.6	-12.4	-36.5
Kaveri Seed	5.6	10.4	40.6
Kitex Garm.	0.1	-25.2	-20.0
Manpasand	-0.4	13.1	46.6
MCX	0.1	-17.3	0.7
Monsanto	0.4	11.6	20.8
Navneet Educat.	-2.5	7.0	108.4
PI Inds.	-0.7	-6.8	17.2
Piramal Enterp.	3.0	12.7	98.7
SRF	-0.3	-8.6	26.8
S H Kelkar	1.2	-11.5	32.4
Symphony	1.7	-7.2	10.2
TTK Prestige	1.6	5.7	43.7
V-Guard	1.1	-3.7	90.6
Wonderla	0.4	-4.1	-2.2

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

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

Steadfast; growth gaining momentum

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

Favorable odds

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

Promising growth trajectory

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

Winner's Edge

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

Well balanced

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

Adding flavor to fragrance

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

Gaining ground

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

Proficient miner

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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 INR2.5b.
- ▶ Cash flow of INR18.4b significantly higher than tax expense recognized in P&L of INR1.5b.
- ▶ OCF post interest increases to INR44.7b (FY17: INR32.7b) 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)	1.000/17.8

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	24.8	28.4	23.8
Other	3.0	0.0	3.7

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 (8.1% 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 INR0.5b (FY17: INR0.4b), including INR1.2b additional liability towards USDPHCO (dead).
- 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 P25-26) and Sun Pharmaceutical Laboratories (SPL). On a consolidated basis, contingent liabilities increased steeply from INR33.3b in FY17 to INR41.2b (1.8% 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 INR1.5b.
- 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 INR2.3b) 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 INR13.3b. 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 treasure trove of annual reports - valuations, average size structures, we believe ART's wide coverage - from accounting and auditing basis to corporate governance and compliance to government matters - will continue to be a core pillar of our stock investment workflow.

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MOTILAL OSWAL

VOICES

30FY17 | February 2017

VOICES
India Inc on Call

VOICEL, 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

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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.

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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 bank 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, card, POS, wallet, 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 deployment 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 NPA?

- ▶ 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
Chairman

Mr. 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.

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MOTILAL OSWAL

BULLS & BEARS

INDIA VALUATIONS 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 Infotech	11
Adani Ports	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 & Natural Gas	-1
ONGC	-1
Bank Small Cap	-1
DRIL	-1
Axis Bank	-1
GAU	-1
Infosys	-1
HDFC Bank	-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

Highlights:

- ▶ Average AUM up 35% YoY (INR4.8t) in FY17
- ▶ INR18.3t
- ▶ INR603b
- ▶ Net inflows in FY17 down 11% YoY

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April 2017

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