MOTILAL OSWAL

16 August 2017

MORNING INDIA

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We request your ballot.

Market snapshot

Equities - India	Close	Chg .%	YTD.%
Sensex	31,449	0.8	18.1
Nifty-50	9,794	0.9	19.6
Nifty-M 100	17,854	2.8	24.4
Equities-Global	**Close**	**Chg .%**	**YTD.%**
S&P 500	2,465	0.0	10.1
Nasdaq	6,333	-0.1	17.6
FTSE 100	7,384	0.4	3.4
DAX	12,177	0.1	6.1
Hang Seng	10,738	0.3	14.3
Nikkei 225	19,753	1.1	3.3
Commodities	**Close**	**Chg .%**	**YTD.%**
Brent (US$/Bbl)	51	0.4	-8.8
Gold ($/OZ)	1,272	-0.8	10.3
Cu (US$/MT)	6,344	-0.4	14.9
Almn (US$/MT)	2,054	1.3	20.6
Currency	**Close**	**Chg .%**	**YTD.%**
USD/INR	64.1	0.0	-5.6
USD/EUR	1.2	-0.5	11.6
USD/JPY	110.5	0.9	-5.6
YIELD (%)	**Close**	**1MChg**	**YTDchg**
10 Yrs G-Sec	6.5	0.0	0.0
10 Yrs AAA Corp	7.5	0.0	0.0
Flows (USD b)	**14-Aug**	**MTD**	**YTD**
FIIs	-0.3	-0.7	8.2
DIIs	0.3	1.5	5.5
Volumes (INRb)	**14-Aug**	**MTD***	**YTD***
Cash	270	313	289
F&O	3,686	6,303	5,123

Note: YTD is calendar year, *Avg

Today's top research idea

Coal India: Dragged by operating leverage

Many concerns still remain; Maintain Buy

- Coal India's performance over the past couple of years was impacted by slow volume growth, impact of wage negotiation and grade re-adjustment at its coal mines. The headwinds are now behind, in our view.
- We expect volumes to growth to accelerate from ~2% in FY17 to a CAGR of ~7% over FY17-20E as de-stocking ends, growth in electricity demand and import substitution. The impact of wage hike is already provided, though final negotiation is pending. It appears the full impact of grade slippage is reflected in 1QFY18.
- We estimate PAT to grow at CAGR of ~13% over FY17-20E on volume growth and operating leverage gains. The valuations are attractive at 5.9x FY19E EV/EBITDA and 6.5% dividend yield. Buy.

Research covered

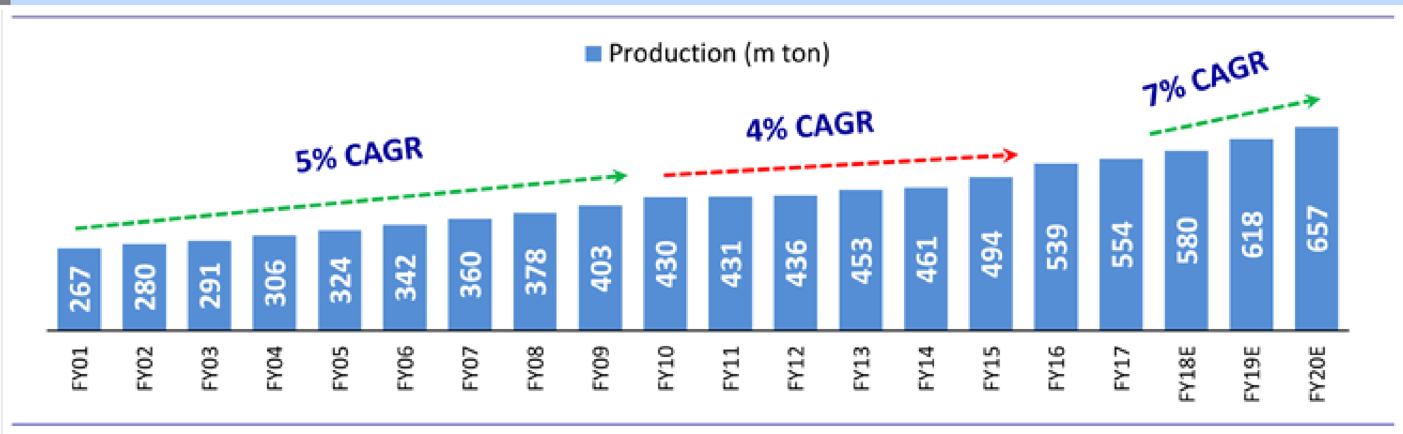
Cos/Sector	Key Highlights
West Life	Aiming to win, and not avoid losses
Telecom	IUC reduction to enable RJio to intensify competition
Ecoscope	CPI inflation surprises on the upside in July 2017
Coal India	Dragged by operating leverage
Grasim Inds	Earnings exceed estimates led by better realizations
Tata Power	Net long coal gains still some time away
P I Industries	Growth to normalize post recovery in global agchem market
S H Kelkar	Subdued performance; recovery expected in 2HFY18

Piping hot news

KG-D6 row: Govt slaps Rs 1700-cr penalty on RIL, BP

- The government has imposed a new penalty of $264 million (about Rs 1,700 crore) on Reliance Industries Ltd and its partners for producing less than the targeted natural gas from eastern offshore KG-D6 fields in 2015-16.

Chart of the Day: Coal India – Dragged by operating leverage



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In the news today

Kindly click on textbox for the detailed news link

1

FPI inflows dip to $2 billion in Q1 on global, domestic concerns

Investment by foreign investors in the Indian equity markets sharply declined to $2.12 billion in the quarter ended June 30 from $6 billion in the preceding three months on global and domestic concerns...

2

Fundraising via IPOs, QIPs poised to scale fresh peak in 2017

India's capital markets are expected to end the year with initial public offerings (IPOs) and qualified institutional placements (QIPs) adding up to Rs90,000-100,000 crore, an all-time high. On the IPO front, five mega insurance offerings are expected to collectively raise as much as Rs40,000 crore by the end of the year. State-owned General Insurance Co. of India Ltd and New India Assurance Ltd, which have both filed their draft IPO papers, are expected to raise Rs10,000 crore each. SBI Life Insurance Co. Ltd and ICICI Lombard General Insurance Co. Ltd, too, have filed their papers to raise around Rs7,000 crore and Rs5,000 crore, respectively...

3

Aurobindo Pharma, Intas in race for Teva's European assets

Aurobindo Pharma Ltd and Intas Pharmaceuticals Ltd are in the race to acquire part of the European assets of Israeli generic drugmaker Teva Pharmaceutical Industries Ltd in a deal that, if completed, could be the biggest overseas acquisition by an Indian pharma company...

4

Vodafone seeks government relief to face Jio's 4G phone freebies

Vodafone India has warned that industry revenue is set to fall further on account of free calls to be offered on Reliance Jio Infocomm's 4G feature phone, highlighting the need for concessions from the government...

5

Govt owned EESL floats tender to procure 10,000 electric cars

Energy Efficiency Services Limited (EESL) a public sector undertaking of Ministry of Power within the government has floated a tender to procure about 10,000 electric cars and 4000 chargers for coal, mines, power and new & renewable energy ministries under the FAME (faster adoption and manufacturing of electric vehicles in India) scheme introduced by Ministry of new and renewable energy...

6

Indian company wins tender to construct CASA-1000 power project

An Indian company has won the tender for construction of 1000 Electricity Transmission and Trade Project for Central Asia and South Asia (CASA). As per Tolo News, the company, which has won the tender Afghanistan's Ministry of Water and Energy (MoWE), said it will complete the construction of the project in three years...

7

Addl Rs. 6,399 bn investment needed to double farmers' income: Govt report

An additional investment of Rs6,399 billion is required from both public and private sectors to enable doubling of farmers' real income by 2022–23, a government committee said in its latest report...

Aiming to win, and not avoid losses

Putting building blocks in place in anticipation of demand revival

- **Value for money, accessibility, brand, and ideal match of food and beverages are the key propositions for Westlife Development, the McDonald's franchisee for Western and Southern India.**
- **Continued rapid growth in McCafe and delivery (Westlife is targeting INR7b annual sales put together in 3-4 years) will be the big driver of incremental sales per store and margins.**
- **The company remains confident of achieving its 2022 vision of 2.5-3x increase in sales. As recovery sets in, it expects EBITDA margin of ~15%, up from the current ~5%. The earlier peak was ~12%. With a wider and more profitable basket of offerings, EBITDA margin should cross the earlier peak.**
- **Overall, Westlife aims to evolve into a USD1b business, up from annual sales of ~USD150m currently.**
- **We do not have a rating on the stock.**

Strategy to boost sales per store

- Mr Jatia believes that until job creation in India picks up pace and incomes rise, consistent double-digit same store sales growth (SSSG), which is essential for dramatic improvement in the profitability of QSR players, might be difficult.
- Nevertheless, Westlife Development is putting all the building blocks in place to take advantage of an eventual pick-up in sentiment. The last time this happened – when frequency of eating out in Mumbai increased from 3x per month to 8x per month (still far lower than in comparable Asian cities) over 2004-2012, QSR players including McDonald's reported sustained double-digit SSSG.

Building on McDonald's right to win in India

- The key is understanding McDonald's right to win in India and executing on a strategy to build on that. Mr Jatia believes that the main reasons why customers in India will flock to McDonald's stores are: value for money, accessibility, brand, and an ideal match of food and beverages.
- Globally, McDonald's sales per store are twice as large as other QSR players. In India too, sales per store for Westlife Development are already significantly higher than other QSR/beverage peers, but the management believes that potential sales per store could be increased substantially. Since the average size of a McDonald's store is higher than peers and the proportion of door-step deliveries is much lower than the pizza players, McDonald's in India needs to boost sales per store sharply to boost profitability. In Australia, McDonald's stores have 8x the sales of an average McDonald's store in India.
- Mr Jatia maintains that while SSSG is an important parameter for QSR companies, it is also equally important to increase store base and make more products accessible. To this end, Hardcastle Restaurants is adding 25-30 stores every year. The focus is mainly on the top-6 cities in Western and Southern India, and on expanding in clusters, which enables (a) profitable growth, as supply chain partners also move, and (b) extension of domination region by region.

- The intention is to put in steps to increase sales from USD145m in FY17 to USD1b. The 2022 target is to increase sales by 2.5x-3x, which the management seems reasonably confident of achieving. The company also sees potential for 15% EBITDA margin, up from ~5% in FY17 (used to be ~12% before the slowdown). Mr Jatia believes that mid-teens EBITDA margin levels may be attained well before USD1b of sales.

Westlife Development

Mr Amit Jatia,
Vice Chairman & CEO

Mr Amit Jatia is the Vice Chairman of Westlife Development (WDL) and the Vice Chairman & CEO of Hardcastle Restaurants (HRPL). WDL is the promoter holding company of HRPL.

Mr Jatia has over 25 years of experience in the QSR industry. He was responsible for various aspects of the establishment and operation of McDonald's restaurants in Western and Southern India. He has steered Hardcastle Restaurants to a master franchisee for McDonald's in the region.

Mr Jatia has a degree in Business Administration from the Marshall School of Business at University of Southern California, Los Angeles. He has attended several sessions of the YPO/Harvard President's Program at Havard Business School.

Specific focus areas

As part of its plans to boost growth, three years ago, the management decided to focus on a few specific growth areas:

A) Expansion of McCafe: Over the last three years, Westlife has introduced and expanded the McCafe franchise in India. This has been a tremendous success area for McDonald's globally – not just to build topline growth but also to improve gross margins. This has proved to be the case in India as well. McCafé is already part of 121 out of 261 McDonald's stores in West and South India. Westlife is adding 40-50 McCafes (including 25-30 new stores) every year. Given the limited presence of beverage players in India, the headroom to grow McCafe is larger in India than in the rest of the world. (Starbucks has less than 100 stores and is only adding ~20 stores a year and Costa Coffee also has limited presence). Despite being an adjunct to its food business, McCafe's coffee sales per store are already higher than the average Café Coffee Day store. With only a minor INR2.5m per store setup costs (versus INR7.5m for the initial McCafes), sales per store as well as gross margins increase dramatically, with beverages gross margins being significantly higher. The company is also substantially widening the product portfolio under McCafe every year, further increasing the sales per store (mix of hot and cold beverages is 50:50). Introduction of McCafe is also aiding food sales, as it brings in customers wanting beverages, for whom McDonald's was not an option.

B) Renewed focus on delivery: The delivery business is now growing at a CAGR of 30-40% after renewed focus on the same around three years ago, when it was at negligible levels. Delivery is also extremely profitable, partly due to the INR25 delivery charge. Unlike Domino's, there is no minimum order size, and Westlife uses a mix of its own delivery people and an outsourced delivery model. Delivery is now available in around half of its stores.

While the management does not currently share the McCafe or delivery sales (in absolute terms or as percentage of total sales), it is targeting annual sales from these two adjuncts to be as high as INR7b in 3-4 years. To put this into perspective, Westlife's total sales in FY17 were INR9.3b. These two initiatives would thus add tremendously to same store sales and profitability, once scaled up to desired levels.

C) Restaging menu: Westlife has been very innovative in India, enabling it to move well beyond the global McDonald's menu. While product innovation will continue, the company has reduced fat and salt in its products. It has started disclosing calorie count upfront in its stores, enabling calorie-conscious customers to select meal options accordingly. Breakfast is another area where the management has high hopes; its new revamped breakfast options have been rolled out successfully in Mumbai and Pune, and will be extended to other cities. Breakfast at McDonald's is huge worldwide, and there are learnings that the company has had in what works and what does not across markets. If successful in India too, breakfast could be the third adjunct after McCafe and delivery, improving sales per store substantially.

D) Cost focus: As the intention is to provide value for money to the customer, price increases have been and will be restricted to 3-5% every year. Any surprisingly large cost increases (like increase in minimum wages in key states) will be gradually passed on over a period of 2-3 years. While such a strategy is likely to pay off tremendously over the long term, it puts pressure on near-term profitability. Therefore, the company is focusing on other areas to boost margins:

a) **Improving gross margins:** Introduction of a wider variety of premium products aids gross margin growth. McCafe and breakfast adjuncts also help substantially on this front. The company has also been working with its suppliers, backward integrating up to the farm level to keep material costs under control, giving it a tremendous advantage over peers. It has been working to increase acreage and yield per acreage of all its key raw materials. Long-term supply agreements also help to smoothen material cost escalation.

b) **Rental cost advantage:** Unlike peers who typically have 10-12 year lease periods, Westlife signs leases for 25-30 years. Store closures have been miniscule (10 stores closed in 21 years), and value for money perception and brand awareness is high, assuring landlords of steady income streams over a long period of time. McDonald's rental cost escalation is around 3% every year unlike 5-6% for peers, and it also avoids the sharp increase at the end of the shorter term lease agreements that peers face. Except in malls, where rent agreements include a proportion of sales, the company avoids percentage of sales deals. While this could translate to high pressure on margins in the near term, it also affords huge scope for operating leverage once sales per store scale up rapidly.

c) To increasing profitability and RoI, the company has cut capex on new stores and store operating costs by 25-30% from 2013 levels. Capex per store, which was INR30m a few years ago, is now INR22m-23m.

d) Corporate overheads have been brought down from ~9% around 3-4 years ago to 5.5%, which the company targets to maintain.

e) Royalty is 4% of sales currently, and was envisaged to go up to 8% by 2020. The management is negotiating for a delay in moving up to the targeted 8% levels.

f) As EBITDA improves gradually to the targeted 15% levels, depreciation will also reduce considerably as a proportion of EBITDA, rapidly increasing net margin levels.

Other recent improvements

- In April 2017, the company revamped its platform and developed *Happy Price Combos* to deliver value.
- It now allows customers to match their favorite burgers with their favorite beverages, and make a meal out of it – an option that was not available earlier.
- The company has also opened 'Experience of the Future stores' in Mumbai, which could be the way the business evolves over the longer term.
- 20% of advertising is already digital, catering to its key demographic base.

Please refer our report dated 23 September 2016


Telecom

IUC reduction to enable RJio to intensify competition

Cut to INR0.10/minute to impact incumbents' EBITDA by less than 4%

- **Media reports indicate that TRAI is set to reduce interconnect usage cost (IUC) from the current INR0.14/minute. Though TRAI's consultation paper released in the last fiscal year hints at 'zero' IUC, we expect the regulator to tweak it down to INR0.10-0.12/minute for now.**
- **The key argument in favor of IUC reduction is promotion of IP calling, which has significantly lower cost/minute. However, the incumbents argue against IUC reduction, citing their high operating costs (largely due to high cost of spectrum), potential deleterious impact on network expansion, and the possible tilt in competitive advantage in favor of RJio.**
- **Bharti's EBITDA is likely to be impacted by 3-4% if IUC is reduced to INR0.10/minute and by 10-12% if it is reduced to zero. The impact on Idea would be lower, given its lower market share. The impact of a ~30% cut in IUC now would be higher than the 1-1.5% revenue impact and meaningless EBITDA impact in 4QFY15, when IUC was reduced by 33% to INR0.14/minute.**

Why is the regulator looking to cut IUC?

- In its consultation paper released in the last fiscal year, TRAI had hinted that IUC could be charged on bill-and-keep (BAK) model, implying zero charge. The arguments favoring IUC reduction are promotion of (a) lower-cost VoLTE/IP-based calling, and (b) efficient network technologies.
- IUC has been reduced four times from a high of INR0.50/minute to INR0.14/minute. Globally too, IUC has been reduced by over 50% in many developed markets like Australia, UK, and other European countries.

Why are the incumbents opposed to IUC reduction?

- **High operating cost**: In their recent meetings with TRAI, incumbent operators have highlighted the need for higher IUC, given (a) higher cost of auctioned spectrum in the last 3-4 years, and (b) increased network cost – expansion of POI (point of interconnect) capacity and higher investments in media gateways for conversion of packet switch data to circuit switch data. Reduction in IUC could discourage network expansion, especially in the low-ARPU rural regions.
- **IUC is not zero anywhere in the world**: Globally, despite the prominence of IP calling and voice becoming less relevant, nowhere is IUC on BAK basis, i.e. zero.

Scenario analysis – impact likely to be significant if IUC reduced to zero

IUC reduction to INR0.10/minute

- The current gross voice ARPU is estimated at ~INR110. Our workings indicate that for an operator with 20-30% market share, a cut in IUC to INR0.10 could impact ARPU by 3-4%. After deducting the IUC outgo, the net ARPU impact could be meager. Thus, on the revenue level, the impact may not be significant for Bharti and Idea. The impact on EBITDA could be 3-4%, assuming 25-30% margin.

IUC reduction to zero/minute

- If IUC is reduced to zero, the impact on gross ARPU could be 11-14%. On net ARPU (ex IUC outflow), the impact could be 4% for Bharti and negligible for Idea. Impact on EBITDA could be 10-12%.
- This is higher than the impact seen in 4QFY15, when IUC was reduced from INR0.20/minute to INR0.14/minute. While Bharti's revenue was impacted by INR1.4b (~1% of gross revenue), Idea's revenue was impacted by INR1b (1.5% of gross revenue). The impact on EBITDA was minimal.

IUC reduction highly favorable for RJio

- Our workings indicate that RJio pays IUC of ~INR51/subscriber/month to incumbent operators. On a 100m subscriber base, this works out to ~INR5b/month and ~INR61b/year.
- Compared to incumbents' 10-11% access cost (IUC), RJio's IUC cost is 30-35%, even if we assume industry ARPU of INR150. This has forced RJio to price its plans about INR100 to recover the high IUC cost.
- Our workings indicate that if IUC is reduced to INR0.10/minute, RJio's IUC would decline to ~INR36/subscriber/month. If IUC reduces to zero, it would imply saving of ~INR51/subscriber/month, leaving the floor open for RJio to price its plans. This, we believe, could be disruptive for the industry.
- Typically, operators offer free or subsidized on-net calls to subscribers, given savings on IUC, but offer off-net calls at higher price to mitigate the risk of high IUC cost. While we estimate the on-net:off-net ratio at 40-50% for the incumbents, we believe for RJio, which is offering unlimited voice calling, off-net outgoing traffic is ~90%.

RJio to get weapon to reduce incumbents' revenues, even if it doesn't benefit

- VoLTE feature phone ARPU could reduce below INR100: Zero IUC could help RJio save over INR50/subscriber/month, which it could pass on to subscribers. Its VoLTE feature phone ARPU could reduce below INR100. The incumbents too would have to offer lower-price plans to match RJio.
- Free voice literally: Zero IUC could allow RJio to offer deeply subsidized unlimited voice price plans. While RJio may not get a significant gain from this, as 65-70% of the handsets in the market are feature phones, it may reduce the voice ARPUs of the incumbents' smartphone subscribers, significantly.
- Competitive advantage to tilt in favor of RJio: Zero IUC will tilt the competitive advantage heavily in favor of RJio and could lead to severe financial stress in the sector.

Huge financial repercussion; IUC unlikely to be reduced to zero

We believe reducing IUC to zero would have huge financial repercussions for the industry. There is no global precedent for zero IUC. We believe TRAI is more likely to tweak it down to INR0.10-0.12/minute, leaving a floor price to protect incumbents' voice revenues.

CPI inflation surprises on the upside in July 2017

Vegetable prices the main culprit

- **CPI inflation inched up to 2.4% YoY in July 2017 from 1.5% in the previous month, much higher than our estimate of 1.9% and market consensus of 2%.**
- **The surprise can largely be attributed to a sharp rise in vegetable prices, excluding which, CPI inflation was unchanged at 2.9% YoY in July v/s the preceding month. Core inflation also inched up slightly from 3.8% in June to 4.1% in July.**
- **An adverse base effect is set to kick in from August, which should push up CPI inflation in the near term. Besides, it would also need to be seen whether the surge in vegetable prices is sustainable. While we maintain that there is scope for a rate cut at this juncture, we would closely monitor the August CPI print. We believe the RBI would remain data-dependent.**

- **CPI inflation surprises on the upside...:** Retail inflation, as measured by the Consumer Price Index (CPI), rose sharply to 2.4% YoY in July 2017 from 1.5% in the preceding month *(Exhibit 1)*. This is much higher than our estimate of 1.9% (market consensus: 2%), and the first instance of a negative surprise in the last five months. CPI inflation had consistently surprised on the downside in each of the last four months.
- **...on account of a surge in vegetable prices:** Deflation in vegetables eased sharply to 3.6% YoY in July 2017 from 16.5% in the preceding month, contributing 80bp to the rise in the headline inflation number *(Exhibit 2)*. Excluding vegetables, CPI inflation actually remained unchanged at 2.9% YoY *(Exhibit 3)* compared to the previous month (also the lowest in the new CPI series). Owing to the surge in vegetable prices, deflation in the food category eased to 0.3% in July from 2.1% in the preceding month.
- **Core inflation rises in July:** Core inflation (all items excluding 'food & beverages' and 'fuel & light') rose to 4.1% in July 2017 from 3.8% in the previous month *(Exhibit 3)* on account of higher inflation in housing, health, education and household goods and services. Core-core inflation (excluding petrol/diesel from core inflation) also increased slightly by 20bp to 4.1% after declining over the last 12 months.
- **Inflation in 'core services' rises after falling for nine months:** After softening over the last nine months, inflation in 'core services' rose to 3.8% in July 2017 from 3.6% in the preceding month. This increase could possibly have been on account of GST implementation. Meanwhile, inflation in 'goods' shot up to 1.8% from 0.7% in June *(Exhibit 4)*.
- **RBI to remain data-dependent:** An adverse base effect is set to kick in from August 2017, which should push up CPI inflation in the near term. Besides, it needs to be seen whether the surge in vegetable prices is sustainable over the next few months. Although we maintain that there is room for further easing at this juncture, we believe that the RBI will remain data-dependent. We would closely watch the August CPI inflation print before taking a call on rates.

Coal India

BSE SENSEX	S&P CNX
31,449	9,794

Bloomberg	COAL IN
Equity Shares (m)	6,207.4
M.Cap.(INRb)/(USDb)	1,481.4 / 23.1
52-Week Range (INR)	350 / 234
1, 6, 12 Rel. Per (%)	-3/-36/-41
Avg Val, INRm	1186
Free float (%)	21.1

Financials & Valuations (INR b)

Y/E March	2017	2018E	2019E
Sales	755.7	808.9	854.9
EBITDA (ex-OBR)	122.6	169.1	179.6
NP	92.7	109.2	115.7
EPS (INR)	14.9	17.6	18.6
EPS Gr. (%)	-33.9	17.9	5.9
BV/Sh. (INR)	39.5	39.6	39.7
RoE (%)	37.8	44.5	47.0
RoCE (%)	33.1	44.4	46.9
P/E (x)	16.0	13.6	12.8
P/BV (x)	6.0	6.0	6.0

Estimate change
TP change
Rating change

CMP: INR239 TP: INR316(+32%) Buy

Dragged by operating leverage

Many concerns still remain; Maintain Buy

- Coal India's (COAL) 1QFY18 revenue rose 3.4% YoY to INR184b, driven by 3.6% growth in off-take. Average revenue was unchanged YoY, in line with estimates. However, there was a miss at average realization by 1% (-3% YoY) for FSA and by 7% (+1% YoY) for E-auction. It was the favorable mix of E-auction off-take (27.3mt v/s est. of 22.7mt) that protected average revenue.
- EBITDA (ex-OBR) declined 31% YoY to INR26.7, missing our estimates by 25%. COAL intentionally destocked 19mt of inventory by reducing production 5.4% YoY to 119mt. Since its fixed costs are high, negative operating leverage dragged the company's operating performance.
- Adjusted PAT declined 15% YoY to INR23.5b.

Many concerns still remain; Maintain Buy

- Volume growth has suffered due to slower growth in energy demand, productivity gains in electricity generation, improvements in the quality of coal and partial substitution by petcoke. We expect volume growth to pick up gradually on import substitution and higher energy demand.
- Wage bill increased 10% YoY in 1QFY18, but the negotiations with labor unions are still pending. It appears that the full impact of grade slippages is reflected in 1QFY18. COAL is auctioning linkages frequently, which may cannibalize the more profitable E-auction volumes. We will review our estimates after the analyst meet.
- COAL has seen significant de-rating due to uncertainties regarding the impact of wage hike, grade correction and volume growth. The stock trades at EV/EBITDA 5.9x FY19E (v/s historical average of 7.5x). Maintain **Buy.**

Quarterly performance **INR million**

Y/E March	FY17				FY18				FY17	FY18E	FY18	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Sales	**177,961**	**156,450**	**197,045**	**224,239**	**184,043**	**172,253**	**212,505**	**239,851**	**755,694**	**808,949**	**184,533**	(0)
Change (%)	-6.1	-7.7	3.9	8.0	3.4	10.1	7.8	7.0	-0.1	7.0	3.7	
EBITDA (OBR adj.)	**38,621**	**3,176**	**39,571**	**41,242**	**26,578**	**18,268**	**53,126**	**69,632**	**122,609**	**167,900**	**35,594**	(25)
As of % Sales	21.7	2.0	20.1	18.4	14.4	10.6	25.0	29.0	16.2	20.8	19.3	
Depreciation	6,672	6,921	7,011	8,498	6,699	6,987	7,078	8,616	29,101	29,380	6,736	(1)
OBR	2,331	1,425	8,124	14,843	-1,069	2,285	11,321	25,221	26,722	37,758	3,441	
Interest	890	970	1,107	1,151	1,209	842	961	563	4,117	3,575	773	56
Other Income	17,564	19,800	18,268	26,034	19,640	16,500	14,500	11,600	81,667	62,239	16,000	23
PBT	**46,293**	**13,661**	**41,598**	**42,784**	**39,378**	**24,654**	**48,266**	**46,831**	**144,337**	**159,426**	**40,645**	(3)
Tax	15,641	7,660	12,754	15,606	15,860	7,889	15,445	12,193	51,660	51,387	13,006	22
Tax Rate (%)	33.8	56.1	30.7	36.5	40.3	32.0	32.0	26.0	35.8	32.2	32.0	
Reported PAT	**30,653**	**6,001**	**28,845**	**27,179**	**23,518**	**16,765**	**32,821**	**34,638**	**92,677**	**108,039**	**27,639**	(15)
Adjusted PAT	**30,653**	**6,001**	**28,845**	**27,179**	**23,518**	**16,765**	**32,821**	**34,638**	**92,677**	**108,039**	**27,639**	(15)
Change (%)	-19.1	-76.2	-21.7	-35.9	-23.3	179.4	13.8	27.4	-34.9	16.6	-9.8	

E: MOSL estimates

Grasim Industries

BSE SENSEX	S&P CNX
31,449	9,794

Bloomberg	GRASIM IN
Equity Shares (m)	657.0
M.Cap.(INRb)/(USDb)	729 / 11.0
52-Week Range (INR)	1150 / 652
1, 6, 12 Rel. Per (%)	6/21/34
Avg Val, INRm	1448
Free float (%)	68.7

Financials & Valuations (INR b)

Y/E Mar	2017	2018E	2019E
Net Sales	360.7	450.5	540.0
EBITDA	73.9	90.9	116.7
PAT	31.7	33.3	48.0
EPS (INR)	67.9	71.3	102.7
Gr. (%)	28.3	5.1	44.0
BV/Sh (INR)	622.0	688.4	786.1
RoE (%)	11.5	10.9	13.9
RoCE (%)	11.8	11.2	12.8
P/E (x)	16.3	15.5	10.8

Estimate change
TP change
Rating change

CMP: INR1,109 TP: INR1,079(-3%) Neutral

Earnings exceed estimates led by better realizations

- **Strong realization drives profits:** Standalone 1QFY18 EBITDA rose 9% YoY (+6% QoQ) to INR5.55b, translating into a margin of 20.3% (+2pp QoQ, -0.93pp YoY), led by realization improvement in the VSF segment. Revenue grew 14.4% YoY to INR27.4b, while PAT rose 8% YoY to INR3.47b, driven by lower interest and depreciation expense.
- **VSF – Realization uptick drives profits:** VFS revenue grew 11% YoY to INR18.36b (est. of INR17.7b) on realization boost of 11% YoY, despite flat volume growth led by destocking on account of GST, translating into a margin of 19% (v/s 19.5% in 1QFY17). Realization improvement was partially offset by higher pulp and caustic cost.
- **Chemical segment:** Chemical revenues stood at INR10.84b (+20% YoY) due to higher caustic realizations. ECU realizations increased 2% YoY, with higher caustic prices offset by negative chlorine realization. Volumes increased 4% YoY in 1QFY18, while margins stood at 22.5% (+2.75pp QoQ).
- **Valuation and view:** We believe GRASIM post proposed restructuring exercise with Aditya Birla Nuvo will be the holding company for multiple diversified lines of business, including cement, finance, chemical and retail. This is likely to attract higher discount than earlier. We thus value its stake in Ultratech Cement and ABCL at 45% discount, and VSF business at 5.5x FY19E EV/EBITDA, arriving at a TP of INR1,079 (downside of 3%.) Maintain **Neutral**.

Quarterly Performance **(INR Million)**

Y/E March	FY17				FY18				FY17	FY18E	FY18	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
VSF Volume (ton)	121,000	123,994	122,000	133,000	121,000	151,250	134,200	98,544	499,994	504,994	121,000	0
YoY Change (%)	17.8	9.0	1.1	2.31	0.00	21.98	10.00	-25.91	6.8	1.0	0.0	
VSF Realization (INR/ton)	128,039	130,713	137,438	139,960	142,124	141,124	139,124	133,466	135,837	139,337	137,002	4
YoY Change (%)	13.0	12.0	9.0	11.0	11.0	8.0	1.2	-4.6	11.6	2.6	7.0	
QoQ Change (%)	1.5	2.1	5.1	1.8	1.5	-0.7	-1.4	-4.1			-2.1	
Net Sales	**23,959**	**24,887**	**25,260**	**28,761**	**27,403**	**30,807**	**27,698**	**18,650**	**103,457**	**104,558**	**26,196**	5
YoY Change (%)	23.8	17.4	9.7	13.1	14.4	23.8	9.7	-35.2	15.3	1.1	9.3	
EBITDA	**5,078**	**5,301**	**5,428**	**5,254**	**5,553**	**6,489**	**6,070**	**7,040**	**21,548**	**25,152**	**4,879**	14
Margins (%)	21.2	21.3	21.5	18.3	20.3	21.1	21.9	37.7	20.8	24.1	18.6	
Depreciation	1,104	1,119	1,106	1,133	1,103	1,160	1,160	1,289	4,461	4,711	1,160	
Interest	231	156	107	83	73	45	45	15	576	179	45	
Other Income	781	3,587	553	304	658	3,500	450	392	4,739	5,000	250	
PBT before EO Items	**4,525**	**7,612**	**4,769**	**4,343**	**5,036**	**8,784**	**5,315**	**6,127**	**21,249**	**25,262**	**3,924**	28
Extraordinary Inc/(Exp)	0	0	0	0	0	0	0	0	0	0	0	
PBT after EO Items	**4,525**	**7,612**	**4,769**	**4,343**	**5,036**	**8,784**	**5,315**	**6,127**	**21,249**	**25,262**	**3,924**	28
Tax	1,317	1,690	1,455	1,188	1,564	2,635	1,594	1,785	5,649	7,579	1,177	
Rate (%)	29.1	22.2	30.5	27.4	31.1	30.0	30.0	29.1	26.6	30.0	30.0	
Reported PAT	**3,209**	**5,923**	**3,314**	**3,155**	**3,472**	**6,149**	**3,720**	**4,342**	**15,600**	**17,683**	**2,747**	26
Adj. PAT	**3,209**	**5,923**	**3,314**	**3,155**	**3,472**	**6,149**	**3,720**	**4,342**	**15,600**	**17,683**	**2,747**	26
Margins (%)	13.4	23.8	13.1	11.0	12.7	20.0	13.4	23.3	15.1	16.9	10.5	
YoY Change (%)	251.6	55.2	21.9	72.7	8.2	3.8	12.3	37.6	57.0	13.4	-14.4	

Tata Power

BSE SENSEX	S&P CNX
31,449	9,794

Bloomberg	TPWR IN
Equity Shares (m)	2,705
M.Cap.(INRb)/(USDb)	215.0 / 3.2
52-Week Range (INR)	91 / 67
1, 6, 12 Rel. Per (%)	-2/-16/-6
Avg Val, INRm	394
Free float (%)	67.0

Financials & Valuations (INR b)

Y/E Mar	2017	2018E	2019E
Net Sales	279.0	341.6	358.0
EBITDA	58.5	67.1	68.8
PAT	14.0	17.2	18.1
EPS (INR)	5.2	6.4	6.7
Gr. (%)	21.1	23.4	5.1
BV/Sh (INR)	43.5	48.4	62.0
RoE (%)	11.2	13.9	12.1
RoCE (%)	6.6	6.6	6.4
P/E (x)	15.4	12.5	11.9
P/BV (x)	1.8	1.6	1.3

Estimate change ⟷
TP change ⟷
Rating change ⟷

CMP: INR79 **TP: INR68(-14%)** **Sell**

Net long coal gains still some time away

Lack of RoE-accretive growth opportunities; Sell

Tata Power's (TPWR) consolidated PAT grew 126% YoY, off a low base, to INR1.64b, led by Welspun acquisition (completed in 3QFY17) and FX benefits at Mundra. The gain from higher coal prices in JVs was more than offset by higher under-recoveries at Mundra. PAT came in below estimate of INR4.1b, led by higher losses at Mundra due to low availability, lower other income and a higher effective tax rate. Consolidated net debt increased INR5.7b QoQ to INR473b.

Mundra and Coal JVs: Mundra's EBITDA declined ~INR3b YoY to a loss of INR770m, led by higher coal prices (from USD42/t to USD59/t) and a lag in benefit of fuel price escalation by CERC. However, PAT of coal companies (mining, infra and logistics) increased by INR2.3b YoY to INR3.7b. Had it received full benefit of fuel price escalation, Mundra's EBITDA would have been higher by ~INR1.2b. Under-recoveries increased by INR0.06/kWh QoQ to INR0.93/kWh.

Renewables: EBITDA (ex-standalone) increased from INR0.8b YoY to INR4.9b on capacity addition and acquisition of Welspun.

Other regulated businesses: Maithon PAT grew 12% YoY to INR760m on lower interest cost. Delhi distribution PAT was unchanged YoY at INR840m, and regulated equity was down 3% YoY to INR43.2b.

Lack of RoE-accretive growth opportunities and high leverage; Sell

TPWR is struggling for RoE-accretive growth opportunities. The regulated business is facing challenges and lacks material growth. RE is a potential driver, but the market is very competitive. Coal prices are boosting earnings, but are volatile and drive cost of equity higher. Sale of investments can be used to deleverage balance sheet, but is moving very slow. For RoE of ~11-12% and limited growth opportunities, the stock is expensive at 1.3x FY19E P/BV. We remain **Sell** based on FY19E P/BV of 1.1x, with TP of INR68/share.

Quarterly Performance (Consolidated) – INR million

Y/E March	FY17				FY18				FY17	FY18E	FY18	vs Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	68,383	72,089	66,837	71,668	69,686	71,080	72,502	128,298	278,977	341,566	81,122	-14
Rate regulated activity	-2,721	-3,064	1,523	-1,832	-2,438	0	0	2,438	-6,095	0	0	
EBITDA	13,634	11,552	15,551	11,635	15,874	18,886	19,324	14,541	52,372	67,121	16,035	-1
Margins (%)	19.9	16.0	23.3	16.2	22.8	26.6	26.7	11.3	18.8	19.7	19.8	
Depreciation	4,393	4,476	5,318	5,698	5,857	5,974	6,093	3,438	19,886	21,363	5,074	15
Interest	7,915	7,243	7,010	8,973	9,286	9,472	9,661	11,546	31,140	39,965	9,492	-2
Other Income	-477	1,029	-792	2,262	313	319	325	3,438	2,022	4,395	1,044	-70
PBT before EO expense	849	862	2,432	-775	1,044	3,760	3,895	2,994	3,369	10,188	2,513	-58
Extra-Ord expense	0	0	0	-6,515	0	0	0	0	-6,515	0	0	
PBT	849	862	2,432	-7,289	1,044	3,760	3,895	2,994	-3,145	10,188	2,513	-58
Tax	1,449	-1,117	706	-1,496	2,630	1,501	1,501	372	-458	6,004	1,501	
Rate (%)	170.6	-129.6	29.0	20.5	252.0	39.9	38.5	12.4	14.6	58.9	59.7	
Minority Interest & Profit/Loss of Asso.	1,324	1,383	4,356	3,169	3,224	3,289	3,354	3,187	10,142	13,054	3,100	
Reported PAT	725	3,362	6,082	-2,625	1,638	5,547	5,748	5,810	7,455	17,238	4,112	-60
Adj PAT	725	3,362	6,082	3,890	1,638	5,547	5,748	5,810	13,969	17,238	4,112	

PI Industries

BSE SENSEX	S&P CNX
31,449	9,794

Bloomberg	PI IN
Equity Shares (m)	138
M.Cap.(INRb)/(USDb)	94.8 / 1.5
52-Week Range (INR)	950 / 674
1, 6, 12 Rel. Per (%)	-8/-31/-23
Avg. Val, INRm	136
Free float (%)	48.5

Financials & Valuations (INR b)

Y/E Mar	2017	2018E	2019E
Net Sales	23.8	25.3	28.6
EBITDA	5.5	5.7	6.7
PAT	4.6	4.2	4.9
EPS (INR)	33.4	30.4	35.8
Gr. (%)	46.4	-8.9	17.6
BV/Sh (INR)	118.3	142.0	169.8
RoE (%)	32.8	23.4	22.9
RoCE (%)	31.0	23.0	22.9
P/E (x)	21.4	23.4	19.9
P/BV (x)	6.0	5.0	4.2

Estimate change
TP change
Rating change

CMP: INR713 TP: INR894(+25%) Buy

Growth to normalize post recovery in global agchem market

- **GST transition disrupts growth:** PI's overall revenue fell 14.4% YoY to INR5,848m (est. of INR7,517m) in 1QFY18. EBITDA margin shrunk 190bp YoY to 22.3% (est. of 25%), led by higher other expenses (+300bp YoY) and employee cost (+210bp). EBITDA declined 21% YoY to INR1,304m. Consequently, adj. PAT fell 21% YoY to INR1,001m (est. of INR1,283m).
- **Soft product uptake; demand to normalize in 2HFY18:** 1QFY18 witnessed deferment in product uptake, despite better monsoon and higher major crop acreages, on account of GST transition. Domestic revenue declined 17% YoY to INR2,848m, while exports fell 12% YoY to INR3,000m. PI, however, expects the global companies to pump up their inventory in 2HFY18 as the global agchem market recovers, normalizing exports. The company continues investing in R&D capabilities to drive new product introductions, keeping itself ready for any normalization in growth momentum.
- **Product pipeline stands strong:** PI is well on track with its new products, as witnessed by the launch of 'ELITE', a maize herbicide, in partnership with BASF. The company also introduced two rice fungicides – 'HEADER' and 'FENDER' – and is expected to launch two more products in FY18. PI is set to leverage its collaborations and JVs to further strengthen its product pipeline, allowing better execution of its order book (stands at USD1b) to garner more share in the market.
- **Valuation and view:** We believe PI is well placed to leverage the turnaround in the global agchem scenario on the back of continued investment in R&D and a strong product pipeline. However, with global demand picking up only in 2HFY18, we cut our earnings estimates by 9%/5% for FY18/FY19. We maintain our **Buy** rating with a TP of INR894, 25x FY19E EPS.

Standalone - Quarterly Earning Model (INR Million)

Y/E March	FY17				FY18				FY17	FY18E	FY18	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	6,834	5,440	5,003	6,273	5,848	6,256	5,824	7,233	23,550	25,161	7,517	-22
YoY Change (%)	15.4	14.1	-4.5	3.7	-14.4	15.0	16.4	15.3	7.2	6.8	10.0	
Total Expenditure	5,178	4,719	3,970	4,736	4,544	5,165	4,428	5,316	18,603	19,454	5,638	
EBITDA	1,656	722	1,034	1,537	1,304	1,091	1,395	1,916	4,948	5,707	1,879	-31
Margins (%)	24.2	13.3	20.7	24.5	22.3	17.4	24.0	26.5	21.0	22.7	25.0	
Depreciation	178	181	183	185	197	210	167	220	727	794	195	
Interest	16	13	12	31	14	9	3	5	72	31	12	
Other Income	113	134	133	-21	126	107	99	112	358	444	85	
PBT before EO expense	1,575	661	973	1,299	1,219	979	1,324	1,803	4,507	5,326	1,757	-31
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	1,575	661	973	1,299	1,219	979	1,324	1,803	4,507	5,326	1,757	-31
Tax	306	205	33	-53	218	220	298	406	491	1,142	474	
Rate (%)	19.4	31.0	3.4	-4.0	17.9	22.5	22.5	22.5	10.9	21.4	27.0	
Reported PAT	1,269	456	940	1,352	1,001	759	1,026	1,398	4,016	4,184	1,283	-22
Adj PAT	1,269	456	940	1,352	1,001	759	1,026	1,398	4,016	4,184	1,283	-22
YoY Change (%)	47.7	-20.0	32.7	40.8	-21.1	66.4	9.2	3.4	29.7	4.2	1.1	
Margins (%)	18.6	8.4	18.8	21.5	17.1	12.1	17.6	19.3	17.1	16.6	17.1	

E: MOSL Estimates

S H Kelkar and Co.

BSE SENSEX	S&P CNX
31,449	9,794

Bloomberg	SHKL IN
Equity Shares (m)	145
M.Cap.(INRb)/(USDb)	36.4 / 0.6
52-Week Range (INR)	362 / 245
1, 6, 12 Rel. Per (%)	0/-29/-12
Avg. Val, INRm	60
Free float (%)	42.6

Financials & Valuations (INR b)

Y/E Mar	2017	2018E	2019E
Net Sales	10.6	11.2	13.2
EBITDA	1.7	1.7	2.2
PAT	1.0	1.1	1.4
EPS (INR)	7.2	7.6	9.9
Gr. (%)	43.5	4.9	30.5
BV/Sh (INR)	56.1	61.5	68.6
RoE (%)	13.7	12.9	15.2
RoCE (%)	19.0	18.9	22.8
P/E (x)	35.7	34.1	26.1
P/BV (x)	4.6	4.2	3.8

Estimate change ↓
TP change ↓
Rating change ↔

CMP: INR259 TP: INR298 (+15%) Buy

Subdued performance; recovery expected in 2HFY18

GST-led cautiousness halts growth: SHKL's overall revenue declined 8.6% YoY to INR2,529m (est. of INR2,629m) in 1QFY18, driven by de-growth in the Fragrance business (-8.6% YoY to INR2,187m). EBTDA margin contracted marginally by 20bp YoY to 16.9% (est. of 17.5%), as expansion in gross margin (+290bp YoY to 51.7%) was partly offset by higher other expenses (+190bp). EBITDA declined 10% YoY to INR427m (est. of INR460m). Consequently, adj. PAT fell marginally by 2.5% to INR268m (est. of INR263m).

Fragrance division to recover post subdued performance: Fragrance business, which contributed 87% of total revenues, reported de-growth of 8.6% YoY (on account of lower offtake in the FMCG sector due to GST rollout), leading to a decline of 12% YoY in domestic revenues. 1QFY18 also witnessed a decline of ~45% YoY in service income to INR88m. However, the industry is expected to witness recovery in consumer demand, the impact of which is expected to be seen from 3QFY18. The recovery in domestic demand, coupled with steady growth in the overseas market, is expected to augur well for the business.

Cost-saving measures to boost profitability: 1QFY18 witnessed a sharp increase of 290bp YoY in gross margin on account of the company's continuous efforts to optimize cost. The company is further expected to invest INR500-600m to evaluate and improve current processes, which is expected to yield cost savings of ~EUR2m. In view of optimizing costs, the company is expected to continue optimizing operations in Netherlands, while simultaneously evaluating a shift to a lower-cost site over the next 12-15 months.

Valuation and view: We believe the company will revive from the transitional effect of GST and get back on the growth track. However, the impact of cost-cutting measures and recovery post GST will not be witnessed before 2HFY18. Hence, we cut our earnings estimates by 8%/4% for FY18/FY19, and expect SHK to post revenue and PAT CAGR of 12% and 17%, respectively, over FY17-19E. We maintain **Buy** with a target price of INR298 (30x FY19E EPS).

Consolidated - Quarterly Earning Model (INR Million)

Y/E March	FY17				FY18				FY17	FY18E	FY18	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	2,768	2,636	2,319	2,698	2,529	2,900	2,667	3,102	10,421	11,198	2,629	-4
YoY Change (%)	25.2	18.0	-5.3	-6.5	-8.6	10.0	15.0	15.0	6.6	7.5	2.8	
Total Expenditure	2,294	2,220	2,101	2,328	2,102	2,387	2,349	2,625	8,766	8,620	2,169	
EBITDA	474	416	218	370	427	513	317	478	1,655	2,578	460	-7
Margins (%)	17.1	15.8	9.4	13.7	16.9	17.7	11.9	15.4	15.9	23.0	17.5	
Depreciation	44	49	48	53	58	50	51	60	194	219	65	
Interest	17	22	2	10	6	6	3	6	51	21	11	
Other Income	32	29	19	40	38	33	25	44	119	140	37	
PBT before EO expense	444	375	186	346	401	490	288	456	1,529	2,477	421	-5
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	444	375	186	346	401	490	288	456	1,529	2,477	421	-5
Tax	169	132	110	71	133	164	97	150	482	544	158	
Rate (%)	38.1	35.1	59.0	20.7	33.1	33.4	33.6	33.0	31.5	21.9	37.6	
Minority Interest & Profit/Loss of Asso.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	275	243	76	274	268	327	191	305	1,047	1,934	263	2
Adj PAT	275	243	76	274	268	327	191	305	1,047	1,934	263	2
YoY Change (%)	41.0	246.0	-65.0	12.5	-2.5	34.4	150.6	11.3	43.9	84.8	-4.6	
Margins (%)	9.9	9.2	3.3	10.2	10.6	11.3	7.2	9.8	10.0	17.3	10.0	

E: MOSL Estimates

1. Cautiously optimistic on automotives, should see decent growth: Bosch; Soumitra Bhattacharya, MD

- Automotive industry went through a big change in the previous quarter due to transitioning from BS-III to BS-IV.
- Company is a big provider to the automotive industry and OEMs. Had to get into the path fast. Company had a higher trading mix and also did a lot of air freight.
- One-off events hit the quarterly results.
- Believe that growth will come back. Expect and hope to continue having a good monsoon. Should look for decent growth if Diwali picks up.
- Cautiously optimistic in the automotive area. Should see decent growth subject to good monsoon.

Read More

2. Expect robust gross refining margins in Q3 & Q4: BPCL; K Sivakumar, Director – Finance

- Major expansion going on in Kochi currently.
- Kochi expansion will start yielding results soon.
- Expect robust gross refining margins in Q3 and Q4.
- No indication from government on consolidation with any other companies.

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3. Expect stability in NIMS by September: Bank of Baroda; PS Jayakumar, MD & CEO

- Had the disadvantage of couple of very large corporate accounts slipping through which added Rs. 1800 crore of slippage.
- Management still sticking with FY18 guidance number of increase in net NPAs not exceeding Rs. 4000 crore.
- Still optimistic of staying to guidance as provided in last annual meet.
- Increased in restructured book in Q1 due to one large telecom account.
- Had a flow of about Rs. 1900 crore on the corporate accounts dominated largely by two accounts. Also had a flow of about Rs. 1400 crores on the SME, Rs. 300 crore on retail and about Rs. 600-700 crore on the agricultural sector.
- Bank has exposure to 10 accounts of 12 referred under IBC worth Rs. 7,300 crores.
- Expect FY18 net slippages at Rs. 4000 crore and credit slippages at Rs. 12,000 – 13,000 crore.
- NIM decline very marginal. Expect a fair amount of stability in NIMs by September.
- Bank focusing on accounts under Rs. 500 crore.
- Referred about 4 customers to the IBC. One heading towards resolution by end of year. Going with 26 other cases which are being referred to NCLT.

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1. Timely payments for MSMES are crucial

- It is a well-known fact that the economic success of developed economies is driven significantly by micro, small and medium enterprises (MSMEs). MSME development, especially access to finance, has been a focus area in India too. However, despite being a prime policy focus, MSME access to finance remains a vexed challenge. In fact, credit extended to MSMEs actually declined by approximately 3% over the last two years. As per Reserve Bank of India (RBI) analysis, against an estimated total finance demand of Rs32.5 trillion (Rs26 trillion in debt and Rs6.5 trillion in equity), the total loan disbursement as of March 2016 was only Rs11.1 trillion.

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2. On a slow descent, here comes the air India of banking

- When Gadfly suggested last year that Indian banks, hobbled by bad loans, should stop lending to preserve depleted capital, we didn't expect the country's largest lender to fall for the joke. It has. On Friday, State Bank of India (SBI), which just became bigger after a merger with some smaller associated lenders, reported a meagre 1.5% increase in loans outstanding at the end of the June quarter from a year earlier, practically hitting stall speed. To the extent that credit growth at SBI is a barometer of animal spirits in the country, the message to investors is a sombre one. At a price-to-equity ratio of 23, the benchmark Nifty index is expensive; and given that SBI just earned a return on assets of 0.25%, bank shares look particularly frothy.

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3. Talks of jobless growth and premature industrialisation lack substance; here's why

- If chief economic advisor Arvind Subramanian's talk of India's premature deindustrialisation wasn't enough, an additional fear is that of robots being another reason why India cannot create anywhere near the kind of jobs it needs to in manufacturing. Not surprisingly, this came up in the panel discussion at the launch of former RBI deputy governor Rakesh Mohan's new book. Mohan was quick to dismiss the fear-mongering, however, and with good reason. In line with other countries who are reaching their peak industrialisation faster compared to the early industrialisers, Subramanian pointed out—in the 2014-15 Economic Survey—that India's manufacturing had peaked as early as 2008 when the share of registered manufacturing in the country's value added was a mere 10.7%.

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4. Light ahead, but at the end of a tunnel: economic survey is sanguine and cautious

- Volume II of the Economic Survey holds out bright light at the end of a pretty dark tunnel: medium-term prospects are bright, but short-term ones are dim. Growth would be lower than 7.5% in the current fiscal, inflation would stay below 4%, state governments would find it difficult to spend on capital formation after using up their fiscal space to take on the debt of bankrupt power utilities and distressed farmers. The Centre is doing its best to prop up the flagging investment ratio, but is constrained to meet its fiscal deficit target in a year of low nominal GDP growth and promised spending on higher civil service pay. To help things along, the RBI must slash its policy rates aggressively and the ongoing process of tackling the twin balance-sheet (TBS) problem must continue apace. And the government must boost farm incomes by removing constraints on farm prices such as export bans, stocking limits and marketing restrictions.

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International

5. Finishing the post-financial crisis job

- The 10th anniversary of the decision by the French bank BNP Paribas to freeze some $2.2 billion worth of money-market funds fell on 9 August. Those of us who were active in financial markets at the time remember that event as the beginning of the worst global financial crisis since the Great Depression. Many economists and financial observers argue that we are still living with the consequences of that crisis, and with the forces that incited it. This is partly true. Many developed economies still have in place unconventional monetary policies such as quantitative easing, and both productivity and real (inflation-adjusted) wage growth appear to be mostly stagnant.

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Company	Reco	CMP	TP	% Upside	EPS (INR)			P/E (x)		P/B (x)		ROE (%)		
		(INR)	(INR)	Downside	FY17	FY18E	FY19E	FY17	FY18E	FY17	FY18E	FY17	FY18E	FY19E
Automobiles														
Amara Raja	Buy	811	986	22	28.0	28.2	37.9	28.9	28.7	5.3	4.6	20.3	17.3	19.9
Ashok Ley.	Buy	105	118	13	4.6	5.2	7.0	23.0	20.3	5.0	4.4	23.1	23.2	27.0
Bajaj Auto	Buy	2,833	3,281	16	132.3	137.2	163.6	21.4	20.7	4.8	4.4	25.3	22.2	24.0
Bharat Forge	Buy	1,182	1,353	14	26.2	36.5	50.5	45.2	32.4	6.7	5.8	16.2	19.2	22.8
Bosch	Neutral	22,144	21,994	-1	473.1	547.2	705.7	46.8	40.5	7.7	6.9	15.8	18.0	20.7
CEAT	Buy	1,700	2,029	19	93.3	94.2	126.8	18.2	18.0	2.8	2.5	16.9	14.8	17.3
Eicher Mot.	Buy	30,402	35,854	18	612.7	852.9	1,092.8	49.6	35.6	15.5	11.5	37.1	37.0	35.4
Endurance Tech.	Buy	1,001	1,059	6	23.5	29.3	37.9	42.6	34.2	8.1	6.8	20.8	21.6	23.3
Escorts	Neutral	611	732	20	20.0	37.1	45.8	30.6	16.5	3.1	2.6	10.6	17.3	18.3
Exide Ind	Buy	208	269	30	8.1	9.2	11.0	25.6	22.6	3.6	3.2	13.9	14.1	15.0
Hero Moto	Neutral	3,954	3,818	-3	169.1	189.3	199.1	23.4	20.9	7.8	6.7	35.7	34.6	31.5
M&M	Buy	1,356	1,618	19	54.3	68.5	82.4	25.0	19.8	3.1	2.9	14.2	13.9	14.9
Mahindra CIE	Not Rated	238	-		5.4	9.9	11.8	44.5	24.2	2.8	2.5	6.4	10.8	11.5
Maruti Suzuki	Buy	7,617	8,863	16	248.6	281.0	375.3	30.6	27.1	6.4	5.6	20.3	20.1	22.8
Tata Motors	Buy	376	542	44	19.8	22.4	59.8	19.0	16.7	2.2	1.9	9.8	12.3	26.6
TVS Motor	Buy	554	612	11	11.7	14.4	23.7	47.1	38.4	10.9	9.0	25.6	25.7	33.6
Aggregate								**27.5**	**23.7**	**4.7**	**4.1**	**17.1**	**17.4**	**22.3**
Banks - Private														
Axis Bank	Neutral	491	545	11	15.4	21.8	38.1	32.0	22.5	2.2	2.0	6.9	9.3	14.7
DCB Bank	Neutral	181	192	6	7.0	8.4	10.4	25.9	21.7	2.7	2.2	10.8	11.4	11.8
Equitas Hold.	Buy	156	201	29	5.0	1.7	6.1	30.9	90.0	2.4	2.3	9.5	2.6	8.7
Federal Bank	Buy	109	139	28	4.8	5.4	6.8	22.6	20.2	2.1	1.7	9.9	10.0	10.5
HDFC Bank	Buy	1,758	2,000	14	56.8	68.2	82.1	31.0	25.8	5.2	4.5	18.3	18.8	19.6
ICICI Bank	Buy	292	366	25	15.3	14.9	17.0	19.1	19.6	2.2	2.0	10.2	8.9	9.5
IDFC Bank	Neutral	55	62	14	2.3	2.8	3.2	23.3	19.6	1.3	1.2	5.6	6.3	6.9
IndusInd	Buy	1,623	1,800	11	47.9	61.9	76.8	33.9	26.2	4.9	4.2	15.4	17.3	18.5
J&K Bank	Neutral	75	91	21	-31.3	3.8	8.2	NM	19.6	0.7	0.7	-27.0	3.5	7.2
Kotak Mah. Bk	Buy	982	1,153	17	26.8	32.4	41.0	36.6	30.3	4.7	4.2	13.8	15.0	16.3
RBL Bank	Under Review	497	-		11.9	18.0	23.7	41.8	27.6	4.4	3.1	12.3	13.6	13.9
South Indian	Buy	27	34	25	2.2	2.9	3.7	12.5	9.5	1.1	1.0	9.5	10.8	12.7
Yes Bank	Buy	1,779	2,133	20	73.0	92.3	114.5	24.4	19.3	3.8	3.3	18.9	18.3	19.5
Aggregate								**29.2**	**23.6**	**3.4**	**3.0**	**11.5**	**12.5**	**14.2**
Banks - PSU														
BOB	Buy	142	198	39	6.0	9.5	20.8	23.8	14.9	0.9	0.9	4.0	6.1	12.4
BOI	Neutral	145	149	3	-14.8	-11.2	6.6	NM	NM	0.6	0.7	-6.7	-5.2	3.0
Canara	Neutral	331	360	9	18.8	30.1	47.0	17.6	11.0	0.7	0.7	4.2	6.2	9.1
IDBI Bk	Neutral	52	49	-5	1.5	6.4	8.6	34.1	8.1	0.5	0.5	1.4	5.8	7.3
Indian Bk	Buy	294	382	30	29.3	34.4	38.3	10.0	8.5	1.0	0.9	10.1	10.9	11.2
OBC	Neutral	118	150	27	-31.6	17.1	21.4	NM	6.9	0.3	0.3	-8.4	4.6	5.4
PNB	Buy	143	184	29	6.2	5.8	11.0	23.0	24.5	0.8	0.8	3.6	3.2	5.9
SBI	Buy	278	341	23	0.3	14.6	26.8	934.8	19.0	1.3	1.2	-0.2	7.0	11.4
Union Bk	Neutral	128	140	9	8.1	9.0	19.1	15.9	14.2	0.4	0.4	2.7	3.0	6.1
Aggregate								**100.8**	**17.9**	**0.9**	**0.8**	**0.9**	**4.6**	**8.3**
NBFCs														
Bajaj Fin.	Buy	1,710	1,800	5	33.6	47.6	62.9	50.9	35.9	9.7	7.9	21.7	24.3	25.9
Bharat Fin.	Neutral	803	820	2	21.0	31.8	68.7	38.2	25.2	4.5	3.7	15.1	16.1	28.0
Capital First	Buy	731	925	27	24.6	33.3	44.3	29.7	22.0	3.1	2.8	12.0	13.3	15.6
Cholaman.Inv.&Fn	Buy	1,150	1,400	22	46.0	56.0	67.3	25.0	20.5	4.2	3.5	18.0	18.6	19.0
Dewan Hsg.	Buy	439	630	44	29.6	37.7	47.1	14.8	11.6	1.7	1.6	14.4	14.1	15.6
GRUH Fin.	Neutral	465	450	-3	8.1	9.9	12.1	57.1	46.7	17.1	14.0	32.5	33.0	32.8
HDFC	Buy	1,714	1,900	11	46.8	52.9	59.0	36.6	32.4	6.8	6.1	18.9	19.3	18.4
Indiabulls Hsg	Buy	1,175	1,350	15	69.0	86.3	108.4	17.0	13.6	4.1	3.6	25.5	28.2	31.3

Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR) FY17	EPS (INR) FY18E	EPS (INR) FY19E	P/E (x) FY17	P/E (x) FY18E	P/B (x) FY17	P/B (x) FY18E	ROE (%) FY17	ROE (%) FY18E	ROE (%) FY19E
L&T Fin Holdings	Buy	172	200	16	5.2	7.3	10.6	32.9	23.5	3.9	3.4	12.4	15.6	19.1
LIC Hsg Fin	Neutral	657	708	8	38.2	41.6	48.9	17.2	15.8	3.1	2.7	19.4	18.2	18.5
Manappuram	Not Rated	89	-		8.6	10.8	12.5	10.3	8.3	2.3	2.0	24.0	25.9	26.9
M&M Fin.	Buy	425	459	8	7.1	13.9	17.8	59.9	30.6	3.8	3.5	6.5	12.0	14.2
Muthoot Fin	Buy	453	550	22	29.5	38.2	44.2	15.3	11.9	2.8	2.4	19.4	21.5	21.2
PFC	Neutral	119	117	-2	25.7	27.2	30.2	4.6	4.4	0.8	0.7	17.9	17.0	16.8
Repco Home	Buy	667	800	20	29.1	34.5	39.3	22.9	19.3	3.7	3.1	17.4	17.5	17.0
REC	Neutral	167	134	-20	31.4	35.0	40.4	5.3	4.8	1.0	0.9	19.9	19.1	19.1
Shriram City Union	Buy	2,110	2,800	33	84.3	121.7	164.1	25.0	17.3	2.8	2.4	11.7	15.0	17.6
STF	Buy	974	1,330	37	55.6	80.0	102.4	17.5	12.2	2.0	1.7	11.7	15.0	16.9
Aggregate								**19.8**	**16.7**	**3.3**	**2.9**	**16.8**	**17.6**	**18.1**
Capital Goods														
ABB	Sell	1,347	1,200	-11	19.7	22.4	31.6	68.4	60.1	8.7	7.6	12.7	12.6	15.8
Bharat Elec.	Buy	176	210	19	6.9	7.4	8.3	25.4	23.7	5.2	4.0	20.6	17.0	16.9
BHEL	Sell	126	100	-21	2.1	4.6	4.9	58.9	27.7	1.0	0.9	1.6	3.4	3.5
Blue Star	Neutral	700	650	-7	12.9	17.5	26.1	54.3	39.9	8.8	8.3	18.0	21.4	29.6
CG Cons. Elec.	Buy	225	240	7	4.7	5.0	6.4	48.0	44.6	26.1	19.3	76.4	49.7	49.7
CG Power & Indu.	Neutral	81	80	-1	4.1	2.0	2.5	19.7	39.8	1.2	1.2	6.2	3.0	3.7
Cummins	Buy	887	1,170	32	26.5	27.7	35.0	33.5	32.1	6.6	6.1	21.2	19.7	22.8
GE T&D	Neutral	386	395	2	5.7	9.3	11.3	67.3	41.5	9.6	8.4	12.4	21.5	22.7
Havells	Neutral	476	455	-4	9.6	10.9	13.8	49.8	43.5	9.1	8.1	18.2	18.6	20.7
K E C Intl	Neutral	286	295	3	11.9	13.1	16.4	24.1	21.9	4.6	4.0	21.2	19.5	20.9
L&T	Buy	1,147	1,345	17	42.3	44.8	51.7	27.1	25.6	3.2	3.0	12.2	12.1	12.9
Pennar Eng.	Not Rated	99	-		7.1	9.1	11.2	14.0	10.9	1.4	1.3	10.2	11.6	12.6
Siemens	Neutral	1,289	1,355	5	17.8	22.7	33.0	72.3	56.8	6.7	5.8	9.3	10.3	13.7
Solar Ind	Neutral	872	900	3	20.6	24.2	30.0	42.3	36.0	7.8	6.6	19.8	19.8	20.9
Suzlon Energy	Not Rated	17	-		0.6	0.9	1.0	27.4	19.7	-1.6	-1.7	NM	-8.8	-11.0
Thermax	Neutral	886	830	-6	30.8	30.0	33.2	28.7	29.5	3.9	3.6	14.3	12.7	12.8
Va Tech Wab.	Buy	623	800	28	29.8	34.6	39.8	20.9	18.0	3.4	3.0	16.8	17.6	17.4
Voltas	Sell	553	430	-22	15.5	16.8	19.1	35.8	32.9	5.5	4.9	18.0	15.8	16.0
Aggregate								**33.8**	**29.9**	**3.8**	**3.5**	**11.2**	**11.6**	**12.6**
Cement														
Ambuja Cem.	Buy	266	308	16	4.9	7.0	8.2	54.3	38.2	2.8	2.6	5.1	7.0	7.9
ACC	Neutral	1,783	1,622	-9	36.1	49.8	65.0	49.4	35.8	3.9	3.7	7.9	10.6	13.1
Birla Corp.	Buy	946	1,150	22	29.4	40.9	58.9	32.2	23.1	2.2	2.1	7.3	9.2	12.2
Dalmia Bharat	Buy	2,554	3,282	29	38.8	68.7	89.9	65.9	37.2	4.6	4.1	7.2	11.6	13.4
Grasim Inds.	Neutral	1,109	1,384	25	67.9	71.2	102.6	16.3	15.6	1.8	1.6	11.5	10.9	13.9
India Cem	Neutral	185	201	9	5.6	8.0	11.8	32.8	23.1	1.1	1.1	3.4	4.7	6.6
J K Cements	Buy	1,039	1,287	24	33.7	40.4	53.5	30.8	25.7	4.1	3.6	14.4	15.0	17.2
JK Lakshmi Ce	Buy	420	519	24	7.0	9.7	16.4	60.4	43.2	3.5	3.3	6.0	7.9	12.1
Ramco Cem	Buy	679	806	19	27.3	27.4	34.4	24.9	24.8	4.3	3.7	19.0	16.1	17.5
Orient Cem	Buy	154	185	20	-1.6	4.4	7.1	NM	34.9	3.2	3.0	-3.2	8.8	12.8
Prism Cem	Buy	112	140	25	0.3	3.5	5.6	410.8	32.2	5.9	5.1	1.4	17.0	22.9
Shree Cem	Buy	17,559	22,360	27	384.4	460.4	547.8	45.7	38.1	7.9	6.7	18.4	19.1	19.1
Ultratech	Buy	3,970	4,936	24	96.1	91.5	138.8	41.3	43.4	4.6	4.2	11.6	10.1	14.0
Aggregate								**35.7**	**30.6**	**3.4**	**3.2**	**9.6**	**10.3**	**12.7**
Consumer														
Asian Paints	Neutral	1,154	1,200	4	21.0	22.2	26.5	54.9	52.0	14.6	13.3	28.5	26.7	28.1
Britannia	Buy	4,173	4,660	12	73.7	85.3	104.6	56.6	48.9	18.6	15.3	36.9	34.3	34.5
Colgate	Buy	1,046	1,285	23	21.2	24.4	29.8	49.3	42.8	22.3	21.2	50.4	50.8	58.2
Dabur	Neutral	307	315	3	7.2	7.7	9.1	42.4	39.7	11.2	9.6	28.4	26.0	26.3
Emami	Buy	1,114	1,310	18	26.5	26.9	33.1	42.0	41.4	14.4	12.3	35.8	32.0	33.9
Godrej Cons.	Neutral	916	995	9	18.9	21.5	24.7	48.5	42.5	11.8	9.2	24.6	24.2	22.8
GSK Cons.	Sell	5,351	4,500	-16	156.1	158.1	182.1	34.3	33.8	7.2	7.1	22.2	21.1	22.6

Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR) FY17	FY18E	FY19E	P/E (x) FY17	FY18E	P/B (x) FY17	FY18E	ROE (%) FY17	FY18E	FY19E
HUL	Buy	1,152	1,285	12	19.6	22.9	27.3	58.7	50.2	37.4	36.1	65.6	73.1	82.8
ITC	Neutral	271	280	3	8.4	9.3	10.3	32.3	29.3	7.3	7.2	23.5	24.8	26.3
Jyothy Lab	Neutral	382	395	3	11.2	8.9	11.0	34.0	42.8	6.4	6.5	21.1	15.1	18.6
Marico	Neutral	318	355	12	6.3	6.8	8.2	50.6	46.6	17.6	15.1	36.7	34.9	37.7
Nestle	Sell	6,643	5,740	-14	118.0	115.1	133.6	56.3	57.7	21.3	19.8	39.0	35.5	38.1
Page Inds	Buy	16,692	19,600	17	238.7	294.7	398.4	69.9	56.6	28.0	22.4	40.0	39.6	43.1
Parag Milk	Neutral	239	245	3	3.6	9.1	12.5	66.2	26.2	3.1	2.7	6.0	11.0	13.3
Pidilite Ind.	Neutral	814	810	-1	16.7	18.1	20.6	48.7	45.1	12.6	10.3	28.2	25.2	23.5
P&G Hygiene	Buy	8,122	9,082	12	144.9	155.8	181.6	56.1	52.1	46.3	36.9	45.3	78.9	74.0
Prabhat Dairy	Not Rated	131	-		3.5	3.5	6.4	37.1	37.7	1.9	1.8	5.2	4.9	8.5
United Brew	Neutral	794	875	10	8.7	10.1	15.0	91.3	78.8	9.1	8.3	10.4	11.0	14.7
United Spirits	Neutral	2,473	2,525	2	26.7	34.5	51.5	92.5	71.7	18.5	12.9	21.3	18.0	20.3
Aggregate								**45.2**	**40.9**	**12.5**	**11.5**	**27.6**	**28.2**	**29.3**
Healthcare														
Alembic Phar	Neutral	519	510	-2	21.6	20.5	25.5	24.1	25.4	5.2	4.5	23.0	19.0	20.4
Alkem Lab	Neutral	1,745	1,830	5	75.7	73.5	91.6	23.1	23.7	4.9	4.3	23.4	19.2	20.5
Ajanta Pharma	Buy	1,235	1,606	30	58.4	52.8	64.2	21.1	23.4	7.0	5.6	37.7	26.5	25.9
Aurobindo	Buy	715	850	19	39.3	44.9	50.0	18.2	15.9	4.5	3.5	27.6	24.8	22.1
Biocon	Sell	349	330	-6	10.2	9.7	14.2	34.2	35.9	4.3	4.0	12.3	11.1	14.5
Cadila	Buy	485	555	14	14.2	17.9	24.1	34.2	27.1	7.1	5.9	23.0	23.9	26.3
Cipla	Neutral	570	520	-9	15.9	21.1	26.0	35.9	27.0	3.7	3.3	10.2	12.1	13.2
Divis Lab	Neutral	639	680	6	39.7	33.6	40.0	16.1	19.0	3.6	3.3	23.5	18.1	19.4
Dr Reddy's	Neutral	2,002	2,500	25	72.6	85.1	125.2	27.6	23.5	2.7	2.5	9.6	11.3	14.8
Fortis Health	Buy	150	220	47	10.3	2.2	5.6	14.5	68.6	1.5	1.3	11.3	2.1	4.9
Glenmark	Neutral	630	775	23	39.3	42.9	51.7	16.0	14.7	4.0	3.2	24.7	21.6	20.9
Granules	Buy	116	200	72	7.2	8.2	11.5	16.1	14.2	2.9	2.0	21.1	17.7	18.8
GSK Pharma	Neutral	2,398	2,500	4	34.4	46.8	54.9	69.8	51.2	10.1	11.8	14.5	23.0	30.9
IPCA Labs	Neutral	415	430	4	16.1	16.6	26.8	25.8	25.0	2.1	2.0	8.6	8.2	12.2
Jubilant Life	Buy	681	905	33	37.0	47.1	56.7	18.4	14.5	3.1	2.6	18.1	19.5	19.6
Lupin	Buy	968	1,125	16	55.8	41.4	56.3	17.3	23.4	3.2	2.9	20.6	13.2	16.0
Sanofi India	Buy	4,140	4,820	16	129.1	133.6	160.6	32.1	31.0	5.5	5.1	17.1	16.6	18.1
Shilpa Medicare	Buy	579	805	39	14.0	21.1	30.4	41.3	27.4	5.1	4.3	14.4	17.0	20.4
Strides Shasun	Buy	910	1,300	43	32.3	47.4	74.8	28.2	19.2	3.0	2.7	10.7	14.7	20.2
Sun Pharma	Buy	473	515	9	26.1	15.1	23.3	18.1	31.3	3.1	3.2	18.5	10.0	14.7
Syngene Intl	Not Rated	453	-		13.0	16.1	18.0	34.8	28.1	7.0	5.7	22.2	22.5	20.7
Torrent Pharma	Neutral	1,218	1,350	11	55.2	53.4	67.3	22.1	22.8	4.7	4.2	23.8	19.5	21.5
Aggregate								**22.0**	**24.1**	**3.7**	**3.4**	**16.9**	**14.1**	**16.3**
Logistics														
Allcargo Logistics	Buy	166	212	28	9.8	11.2	13.3	16.8	14.7	2.5	2.2	12.6	16.0	16.8
Blue Dart	Not Rated	3,937	-		102.5	129.9	163.2	38.4	30.3	17.0	13.0	50.5	48.6	46.8
Concor	Neutral	1,170	1,214	4	38.0	42.1	48.6	30.8	27.8	3.2	3.1	10.8	11.3	12.4
Gateway Distriparks	Buy	248	313	26	6.8	10.9	13.8	36.4	22.8	2.1	2.1	5.9	9.2	11.2
Gati	Not Rated	109	-		8.4	15.9	23.9	13.1	6.9	1.8	1.6	12.4	19.4	25.4
Transport Corp.	Not Rated	282	-		16.9	21.0	25.9	16.7	13.4	2.6	2.2	16.7	17.8	18.6
Aggregate								**27.9**	**23.1**	**3.4**	**3.2**	**12.2**	**13.7**	**15.2**
Media														
Dish TV	Buy	73	105	43	1.0	1.4	4.0	74.3	51.6	15.9	12.2	24.1	26.8	327.5
D B Corp	Buy	371	450	21	20.4	23.7	27.6	18.2	15.6	4.3	3.8	25.5	25.8	26.6
Den Net.	Neutral	82	90	10	-8.6	-2.7	0.3	NM	NM	1.5	1.7	-12.0	-5.3	0.7
Ent.Network	Neutral	804	928	15	11.4	13.4	21.7	70.3	60.1	4.5	4.2	6.7	7.2	10.7
Hind. Media	Buy	273	350	28	25.9	28.3	33.6	10.5	9.6	1.8	1.5	19.0	17.3	17.3
HT Media	Neutral	87	90	4	7.4	7.9	8.1	11.7	10.9	0.8	0.7	7.1	6.9	6.4
Jagran Prak.	Buy	170	225	33	10.8	12.4	14.1	15.8	13.7	2.3	2.3	17.6	16.5	17.4
Music Broadcast	Buy	365	469	28	6.4	9.3	14.0	56.8	39.2	3.8	3.5	11.2	9.3	12.4

Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR) FY17	FY18E	FY19E	P/E (x) FY17	FY18E	P/B (x) FY17	FY18E	ROE (%) FY17	FY18E	FY19E
PVR	Buy	1,285	1,628	27	20.5	30.9	46.9	62.6	41.6	6.2	5.5	10.4	14.0	18.2
Siti Net.	Neutral	26	32	25	-1.8	-0.3	0.4	NM	NM	3.6	3.7	-23.5	-4.1	6.2
Sun TV	Neutral	750	860	15	24.9	28.5	35.9	30.2	26.3	7.1	6.6	23.6	25.0	28.8
Zee Ent.	Buy	516	630	22	23.1	14.7	18.9	22.3	35.0	8.5	7.4	24.7	22.6	24.5
Aggregate								**37.8**	**28.9**	**5.3**	**4.8**	**14.0**	**16.8**	**22.0**
Metals														
Hindalco	Buy	229	309	35	16.2	22.0	26.3	14.2	10.4	1.8	1.4	14.0	15.3	15.4
Hind. Zinc	Sell	281	246	-12	19.7	22.6	26.9	14.3	12.4	3.9	4.1	24.4	32.0	35.1
JSPL	Buy	137	194	42	-20.9	-15.8	2.0	NM	NM	0.4	0.4	-7.9	-4.9	0.6
JSW Steel	Buy	233	297	28	14.8	21.9	25.7	15.7	10.6	2.5	2.1	17.3	21.3	20.8
Nalco	Neutral	66	63	-5	3.7	3.5	4.2	18.0	19.1	1.3	1.2	7.2	6.5	7.7
NMDC	Buy	121	180	49	10.0	12.4	12.1	12.1	9.7	1.7	1.6	12.8	15.2	15.6
SAIL	Sell	58	30	-48	-6.2	-7.7	-4.2	NM	NM	0.7	0.7	-6.7	-9.1	-5.3
Vedanta	Buy	289	316	9	15.1	24.8	33.1	19.1	11.7	1.8	1.7	9.7	14.8	18.4
Tata Steel	Neutral	621	591	-5	37.9	65.1	64.3	16.4	9.5	1.9	1.7	15.7	18.6	16.2
Aggregate								**19.1**	**13.2**	**1.6**	**1.5**	**8.2**	**11.4**	**13.3**
Oil & Gas														
BPCL	Neutral	479	515	8	48.3	34.3	41.3	9.9	14.0	3.1	2.7	32.4	20.4	21.4
GAIL	Sell	372	346	-7	22.6	26.5	31.3	16.5	14.0	1.6	1.5	9.6	11.3	12.4
Gujarat Gas	Sell	765	691	-10	20.4	37.2	46.1	37.6	20.6	6.4	5.1	17.8	27.6	27.4
Gujarat St. Pet.	Neutral	184	171	-7	8.8	11.1	13.3	20.8	16.5	2.3	2.1	11.6	13.2	14.2
HPCL	Buy	438	510	16	40.7	34.1	36.3	10.8	12.9	3.3	2.8	32.4	23.6	21.7
IOC	Buy	419	458	9	43.0	36.7	40.4	9.7	11.4	1.9	1.7	21.2	16.0	15.8
IGL	Neutral	1,296	1,152	-11	44.0	49.9	56.3	29.5	26.0	6.2	5.2	21.0	21.9	20.9
MRPL	Sell	121	113	-7	14.8	9.4	11.7	8.2	12.9	2.1	1.9	31.4	15.5	17.0
Oil India	Buy	280	316	13	19.3	27.9	31.1	14.5	10.0	0.8	0.7	5.7	7.5	8.0
ONGC	Buy	162	195	21	16.4	16.5	19.7	9.8	9.8	0.9	0.9	10.1	9.4	10.9
PLNG	Buy	218	274	26	11.4	14.0	17.9	19.1	15.5	4.0	3.4	23.2	23.7	25.5
Reliance Ind.	Neutral	1,573	1,499	-5	96.7	115.5	128.1	16.3	13.6	1.6	1.5	11.6	12.3	12.3
Aggregate								**12.3**	**12.4**	**1.6**	**1.5**	**13.3**	**12.2**	**12.7**
Retail														
Jubilant Food	Sell	1,364	850	-38	10.0	14.8	20.7	136.3	92.1	11.2	10.3	8.2	11.1	14.0
Titan Co.	Neutral	630	565	-10	9.0	10.6	12.6	69.8	59.4	13.2	12.1	20.6	21.3	22.2
Aggregate								**72.0**	**60.0**	**12.4**	**11.3**	**17.2**	**18.9**	**19.6**
Technology														
Cyient	Buy	492	600	22	30.6	35.4	41.9	16.1	13.9	2.6	2.3	16.2	16.6	17.3
HCL Tech.	Neutral	860	950	11	59.8	61.8	65.9	14.4	13.9	3.6	3.2	27.5	24.9	23.8
Hexaware	Neutral	264	250	-5	13.7	15.7	16.5	19.3	16.8	4.7	4.1	26.5	25.7	23.1
Infosys	Buy	979	1,200	23	62.9	63.7	69.5	15.6	15.4	3.2	2.9	22.0	20.0	19.8
KPIT Tech	Neutral	112	140	25	11.9	10.6	13.1	9.4	10.6	1.4	1.3	14.3	13.0	14.2
L&T Infotech	Buy	734	880	20	55.5	60.2	68.0	13.2	12.2	4.6	3.6	40.4	33.0	29.4
Mindtree	Sell	467	450	-4	24.9	28.7	32.9	18.8	16.3	3.1	3.0	16.8	17.3	20.1
Mphasis	Neutral	595	610	3	38.9	40.3	43.0	15.3	14.8	2.0	2.2	13.2	14.5	16.2
NIIT Tech	Neutral	485	540	11	38.0	42.3	48.7	12.8	11.5	1.7	1.6	13.7	14.4	15.4
Persistent Sys	Buy	612	750	23	37.7	43.3	52.0	16.2	14.1	2.5	2.4	17.0	17.9	20.7
Tata Elxsi	Buy	1,642	1,848	13	56.3	68.0	80.4	29.2	24.2	9.1	7.3	37.1	33.7	32.3
TCS	Neutral	2,469	2,350	-5	133.4	133.6	147.7	18.5	18.5	5.5	5.9	32.6	31.1	33.5
Tech Mah	Buy	400	490	22	30.9	34.0	36.8	13.0	11.8	2.1	1.9	18.4	17.4	16.9
Wipro	Neutral	289	270	-7	16.9	18.1	19.1	17.1	16.0	2.7	2.6	16.9	16.1	16.1
Zensar Tech	Buy	787	950	21	52.1	51.9	70.0	15.1	15.2	2.4	2.2	17.2	15.0	17.9
Aggregate								**16.9**	**16.7**	**3.9**	**3.8**	**22.9**	**22.8**	**22.1**
Telecom														
Bharti Airtel	Buy	409	490	20	11.1	4.3	6.6	36.8	94.1	2.4	2.4	6.7	2.5	3.8
Bharti Infratel	Buy	379	480	27	14.9	17.9	20.4	25.5	21.1	4.5	3.9	16.2	19.8	19.4
Idea Cellular	Buy	86	110	27	-1.1	-10.9	-11.3	NM	NM	1.3	1.5	-1.6	-17.3	-21.7

Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR) FY17	FY18E	FY19E	P/E (x) FY17	FY18E	P/B (x) FY17	FY18E	ROE (%) FY17	FY18E	FY19E
Tata Comm	Buy	629	775	23	27.2	8.7	26.1	23.1	72.2	11.3	9.7	132.2	14.5	33.6
Aggregate								**37.8**	**209.4**	**2.6**	**2.6**	**6.9**	**1.2**	**2.8**
Utiltites														
Coal India	Buy	239	315	32	14.9	17.6	18.6	16.0	13.6	6.0	6.0	37.8	44.5	47.0
CESC	Buy	942	1,360	44	51.9	88.9	99.3	18.2	10.6	1.2	1.1	6.5	10.6	10.8
JSW Energy	Sell	64	49	-24	3.8	3.4	2.7	16.7	19.0	1.0	1.0	6.3	5.3	4.2
NTPC	Buy	172	198	15	13.0	13.4	16.2	13.2	12.8	1.4	1.4	11.5	10.9	12.3
Power Grid	Buy	222	262	18	14.2	17.4	20.6	15.6	12.8	2.4	2.1	16.2	17.3	17.8
Tata Power	Sell	80	68	-14	5.2	6.4	6.7	15.4	12.5	1.8	1.6	11.2	13.9	12.1
Aggregate								**14.7**	**12.9**	**2.2**	**2.0**	**14.9**	**15.8**	**16.6**
Others														
Arvind	Neutral	371	375	1	12.4	12.9	18.6	29.9	28.7	2.7	2.5	10.3	9.1	12.0
Avenue Supermarts	Neutral	903	882	-2	7.7	12.7	17.6	117.7	71.0	14.7	12.8	17.9	19.3	23.0
Bata India	Under Review	660	-		13.5	15.7	19.4	48.8	42.0	6.4	5.7	13.9	14.4	15.8
Castrol India	Buy	379	527	39	13.6	14.4	15.0	27.8	26.2	31.4	28.2	115.2	113.3	106.1
Century Ply.	Neutral	261	323	24	8.7	9.8	12.9	30.1	26.6	8.1	6.7	31.1	27.7	29.6
Coromandel Intl	Buy	426	523	23	16.6	24.1	29.0	25.6	17.6	4.3	3.7	17.5	22.5	23.4
Delta Corp	Buy	168	237	41	3.1	5.8	7.9	55.1	29.1	4.2	2.8	8.1	12.3	12.6
Dynamatic Tech	Buy	2,150	3,334	55	67.6	112.9	166.7	31.8	19.0	4.4	3.6	15.1	20.7	24.3
Eveready Inds.	Buy	306	358	17	12.9	13.6	16.3	23.8	22.4	7.7	6.3	37.7	30.8	30.1
Interglobe	Neutral	1,280	1,312	2	46.0	63.9	93.7	27.8	20.0	22.9	20.3	86.2	107.5	137.7
Indo Count	Neutral	113	129	15	13.0	8.9	10.8	8.7	12.7	2.6	2.1	34.8	18.6	18.3
Info Edge	Buy	976	1,130	16	15.7	21.8	24.7	62.2	44.8	6.0	5.4	10.2	12.7	13.1
Inox Leisure	Sell	246	240	-2	3.3	8.0	12.0	73.8	30.6	4.3	3.8	5.9	12.5	16.2
Jain Irrigation	Under Review	95	-		5.5	7.6	10.0	17.2	12.5	1.5	1.4	8.6	11.7	14.8
Just Dial	Neutral	347	465	34	17.5	18.5	21.1	19.9	18.8	2.7	2.4	14.8	13.4	13.7
Kaveri Seed	Buy	535	738	38	19.1	34.0	41.0	28.1	15.7	3.6	3.8	13.6	23.3	27.4
Kitex Garm.	Buy	232	394	70	18.6	22.1	26.2	12.5	10.5	3.4	2.7	29.8	28.6	27.6
Manpasand	Buy	803	927	15	12.7	20.3	30.9	63.2	39.6	4.0	3.7	7.3	8.5	13.5
MCX	Buy	1,059	1,300	23	24.8	28.0	42.2	42.7	37.8	4.0	3.8	10.2	10.2	14.5
Monsanto	Buy	2,484	3,295	33	86.2	105.1	126.7	28.8	23.6	8.1	7.3	31.6	32.5	34.5
Navneet Education	Buy	154	226	47	7.8	9.4	11.3	19.9	16.4	5.0	4.2	26.8	27.8	28.2
PI Inds.	Buy	713	952	33	33.4	33.4	38.1	21.4	21.3	6.0	4.9	32.8	25.4	23.8
Piramal Enterp.	Buy	2,762	3,044	10	72.6	104.1	144.6	38.1	26.5	3.6	3.3	9.8	13.0	16.4
SRF	Buy	1,466	1,648	12	85.9	80.2	103.0	17.1	18.3	2.7	2.4	16.6	13.7	16.0
S H Kelkar	Buy	259	287	11	7.2	8.6	10.3	35.8	30.2	4.6	4.2	13.7	14.5	15.6
Symphony	Sell	1,234	1,288	4	23.7	35.1	42.9	52.2	35.1	19.4	17.0	43.3	51.6	54.5
TTK Prestige	Neutral	6,274	5,281	-16	132.1	137.8	176.1	47.5	45.5	8.6	7.8	19.5	18.0	20.7
V-Guard	Neutral	181	167	-8	3.6	4.5	6.0	50.7	40.5	12.1	9.9	27.4	26.9	28.8
Wonderla	Buy	338	393	16	7.0	11.9	16.0	48.4	28.3	4.4	4.0	9.5	14.8	17.5

Company	1 Day (%)	1M (%)	12M (%)
Automobiles			
Amara Raja	1.2	-4.0	-11.0
Ashok Ley.	2.1	-0.6	20.5
Bajaj Auto	1.6	0.8	-1.2
Bharat Forge	1.7	5.5	43.5
Bosch	-2.1	-9.1	-9.7
CEAT	0.3	-9.4	93.7
Eicher Mot.	2.7	9.0	36.6
Endurance Tech.	3.2	14.0	
Escorts	3.0	-9.7	103.9
Exide Ind	2.3	-6.8	20.2
Hero Moto	2.8	5.4	19.3
M&M	0.7	-1.6	-6.6
Mahindra CIE	3.1	-0.5	33.1
Maruti Suzuki	2.2	0.8	55.6
Tata Motors	0.3	-16.9	-27.1
TVS Motor	3.2	-2.7	85.6
Banks - Private			
Axis Bank	0.3	-4.3	-16.8
DCB Bank	4.1	-10.3	60.4
Equitas Hold.	0.0	-8.0	-10.4
Federal Bank	3.0	-6.1	70.8
HDFC Bank	0.4	4.6	43.1
ICICI Bank	1.6	-2.1	30.5
IDFC Bank	2.3	-13.1	3.0
IndusInd	-0.1	3.1	38.4
J&K Bank	3.6	-11.0	11.4
Kotak Mah. Bk	-0.9	0.6	28.9
RBL Bank	1.3	-8.2	
South Indian	3.6	-4.7	40.7
Yes Bank	2.2	13.7	37.8
Banks - PSU			
BOB	-0.2	-13.7	-4.8
BOI	1.3	-1.4	27.0
Canara	1.8	-10.0	32.9
IDBI Bk	-0.6	-8.4	-23.7
Indian Bk	5.4	-7.1	43.7
OBC	0.4	-20.6	4.0
PNB	2.1	-6.8	16.5
SBI	-0.9	-4.6	14.3
Union Bk	0.6	-17.3	-0.9
NBFCs			
Bajaj Fin.	0.7	14.0	68.7
Bharat Fin.	2.2	1.2	-1.1
Capital First	3.5	-2.3	7.7
Cholaman.Inv.&Fn	0.4	-0.2	4.9
Dewan Hsg.	5.2	-1.1	65.5
GRUH Fin.	-0.3	-7.5	49.9
HDFC	1.2	4.0	24.4
Indiabulls Hsg	2.2	4.7	47.3
L&T Fin.Holdings	5.1	15.1	90.7
LIC Hsg Fin	1.0	-11.2	18.8
Manappuram	3.4	-12.2	3.1
M&M Fin.	3.1	14.1	30.3
Muthoot Fin	2.2	-4.1	22.9
PFC	0.9	-4.0	7.4
Repco Home	5.2	-15.8	-18.8
REC	1.0	-9.1	47.4
STF	2.2	-5.5	-24.9
Shriram City Union	1.2	-7.2	-3.0

Company	1 Day (%)	1M (%)	12M (%)
Capital Goods			
ABB	0.8	-8.2	13.1
Bharat Elec.	2.8	1.7	43.4
BHEL	1.0	-10.1	-8.6
Blue Star	4.3	7.7	45.7
CG Cons. Elec.	0.4	4.1	30.4
CG Power & Inds Sol.	7.3	-3.7	-2.8
Cummins	-0.4	-4.8	-1.7
GE T&D	-0.4	17.0	15.6
Havells	3.7	0.0	19.2
K E C Intl	1.8	-2.6	105.9
L&T	1.2	-2.2	15.6
Pennar Eng.	-8.3	-20.8	-45.0
Siemens	0.9	-3.5	-0.5
Solar Ind	0.1	2.8	40.7
Suzlon Energy	13.7	-7.9	5.1
Thermax	2.4	-2.7	2.3
Va Tech Wab.	0.8	-8.4	6.6
Voltas	7.1	14.5	52.0
Cement			
Ambuja Cem.	0.9	1.4	0.7
ACC	1.3	1.7	7.9
Birla Corp.	2.2	2.1	49.2
Dalmia Bharat	2.2	-6.8	72.5
Grasim Inds.	5.0	4.4	45.6
India Cem	4.5	-11.7	52.2
J K Cements	1.8	7.9	38.1
JK Lakshmi Ce	0.1	-9.0	-1.6
Ramco Cem	2.7	-4.2	26.4
Orient Cem	1.5	-1.2	-4.5
Prism Cem	0.0	-7.5	8.3
Shree Cem	0.5	-5.5	3.6
Ultratech	1.1	-5.9	6.9
Consumer			
Asian Paints	0.8	3.2	1.4
Britannia	1.8	12.2	26.8
Colgate	-0.2	-2.3	9.4
Dabur	1.5	1.1	3.9
Emami	3.8	3.7	-1.7
Godrej Cons.	1.5	-6.4	18.4
GSK Cons.	0.4	-1.9	-17.1
HUL	0.0	1.1	23.8
ITC	-0.1	-19.6	6.9
Jyothy Lab	1.7	5.4	33.8
Marico	-0.6	-2.9	7.0
Nestle	1.6	-2.4	-3.2
Page Inds	4.7	-1.6	18.5
Parag Milk	1.3	1.0	-26.2
Pidilite Ind.	3.2	0.9	14.6
P&G Hygiene	2.4	1.2	19.3
Prabhat Dairy	0.6	-6.7	54.5
United Brew	0.9	-2.0	0.6
United Spirits	2.3	-7.4	8.9
Healthcare			
Alembic Phar	1.5	-3.7	-19.7
Alkem Lab	2.2	-2.4	11.7
Ajanta Pharma	0.9	-17.2	-35.0
Aurobindo	1.5	-4.1	-4.2
Biocon	2.6	-12.5	23.8
Cadila	0.4	-8.5	31.4
Cipla	5.0	4.1	10.3

Company	1 Day (%)	1M (%)	12M (%)
Divis Lab	1.9	-13.0	-46.3
Dr Reddy's	-0.5	-26.0	-33.4
Fortis Health	-1.2	-8.0	-22.4
Glenmark	2.2	-7.8	-25.5
Granules	6.5	-17.1	-13.4
GSK Pharma	1.3	-6.0	-22.7
IPCA Labs	0.8	-13.3	-22.0
Jubilant Life	-0.4	-5.3	75.4
Lupin	2.7	-15.0	-38.7
Sanofi India	0.9	-1.0	-4.8
Shilpa Medicare	2.2	-16.3	4.5
Strides Shasun	3.9	-12.8	-19.9
Sun Pharma	4.7	-17.2	-41.1
Syngene Intl	0.8	-9.1	9.2
Torrent Pharma	0.3	-6.3	-17.8
Logistics			
Allcargo Logistics	2.9	-3.6	-12.1
Blue Dart	0.2	-16.3	-28.1
Concor	1.0	-0.5	4.8
Gateway Distriparks	-0.1	-7.9	-7.3
Gati	3.1	-13.3	-24.2
Transport Corp.	2.1	-13.1	37.5
Media			
Dish TV	2.9	-7.3	-17.0
D B Corp	1.5	-1.9	-7.8
Den Net.	6.7	0.7	-5.5
Ent.Network	1.6	-12.7	15.9
Hind. Media	3.7	-4.7	0.7
HT Media	2.9	4.8	12.3
Jagran Prak.	-1.5	-3.2	-8.5
Music Broadcast	5.6	1.6	
PVR	0.3	-8.6	6.8
Siti Net.	1.4	-1.0	-32.1
Sun TV	6.0	-9.7	63.8
Zee Ent.	1.9	0.3	2.0
Metals			
Hindalco	3.8	11.5	56.7
Hind. Zinc	3.8	2.6	28.4
JSPL	7.2	-0.4	69.1
JSW Steel	4.0	8.4	34.8
Nalco	5.7	-5.4	39.0
NMDC	2.8	0.8	19.5
SAIL	2.6	-5.8	26.6
Vedanta	3.8	10.2	74.2
Tata Steel	4.2	11.0	65.8
Oil & Gas			
BPCL	-1.2	3.7	23.8
GAIL	0.7	-4.5	32.9
Gujarat Gas	-1.1	3.2	24.1
Gujarat St. Pet.	1.8	10.3	31.2
HPCL	2.3	13.0	64.7
IOC	1.7	12.4	55.8
IGL	6.6	15.5	92.1
MRPL	2.4	-3.4	62.1
Oil India	0.3	4.1	1.0
ONGC	1.0	2.0	4.1
PLNG	2.6	3.2	38.8
Reliance Ind.	1.7	2.7	52.0
Retail			
Jubilant Food	5.2	17.0	15.1
Titan Co.	3.8	18.1	56.7

Company	1 Day (%)	1M (%)	12M (%)
Technology			
Cyient	-0.2	-3.5	-1.1
HCL Tech.	-1.5	1.0	5.8
Hexaware	4.0	9.0	22.8
Infosys	-0.8	0.8	-7.9
KPIT Tech	2.2	-17.4	-12.4
L&T Infotech	-0.2	-6.0	7.3
Mindtree	2.4	-9.2	-19.3
Mphasis	4.0	3.0	10.9
NIIT Tech	1.3	-14.0	18.2
Persistent Sys	0.2	-6.1	-9.5
Tata Elxsi	2.2	-4.0	-0.7
TCS	-1.0	2.9	-9.6
Tech Mah	-0.6	3.3	-18.7
Wipro	-0.3	11.4	6.3
Zensar Tech	-0.3	-1.3	-26.9
Telecom			
Bharti Airtel	-1.5	0.7	17.5
Bharti Infratel	-0.9	-9.5	3.4
Idea Cellular	0.1	-2.6	-8.0
Tata Comm	7.9	-6.0	31.4
Utiltites			
Coal India	1.2	-4.7	-29.4
CESC	2.4	4.1	47.3
JSW Energy	0.4	1.2	-19.6
NTPC	1.7	2.9	7.3
Power Grid	1.7	3.5	25.0
Tata Power	3.7	-4.2	6.1
Others			
Arvind	1.5	-2.1	21.4
Avenue Super.	1.5	1.2	
Bata India	3.6	18.1	23.5
Castrol India	1.0	-6.6	-6.9
Century Ply.	2.7	-7.9	24.2
Coromandel Intl	4.5	1.6	64.6
Delta Corp	2.5	3.9	32.1
Dynamatic Tech	0.5	-12.4	-12.3
Eveready Inds.	2.0	-10.3	17.2
Interglobe	2.9	0.2	59.9
Indo Count	-2.3	-31.4	-35.9
Info Edge	2.1	-3.2	15.6
Inox Leisure	6.5	-8.0	-2.9
Jain Irrigation	3.8	-9.9	28.6
Just Dial	1.7	-3.1	-27.1
Kaveri Seed	2.0	-17.2	40.3
Kitex Garm.	1.2	-15.4	-28.8
Manpasand	1.5	4.0	18.0
MCX	1.7	-3.4	5.9
Monsanto	-0.4	-9.3	2.5
Navneet Educat.	1.7	-12.7	57.2
PI Inds.	2.7	-10.0	-11.1
Piramal Enterp.	1.8	-5.0	64.8
SRF	-1.2	-5.6	-7.3
S H Kelkar	3.9	-1.5	-0.5
Symphony	1.5	-6.9	8.5
TTK Prestige	0.4	-1.4	26.3
V-Guard	4.6	-0.1	49.1
Wonderla	0.1	-5.8	-15.5

NOTES

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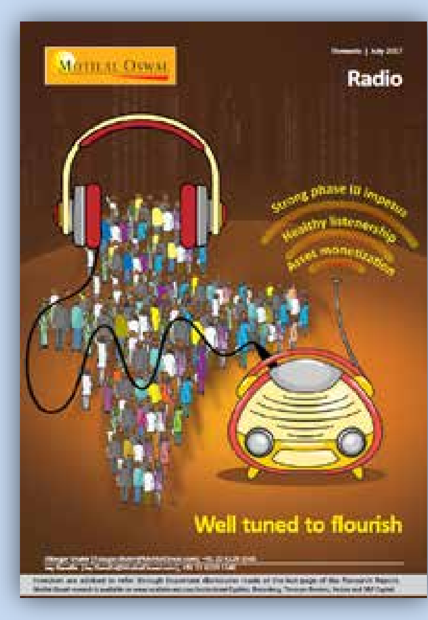

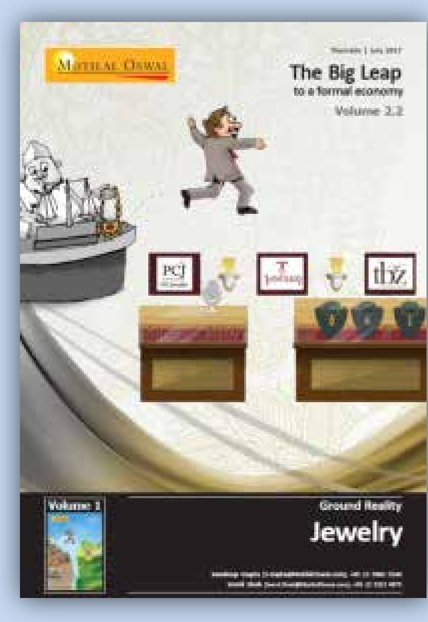

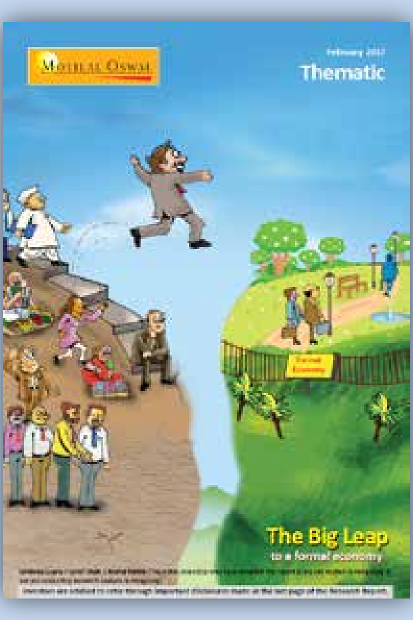

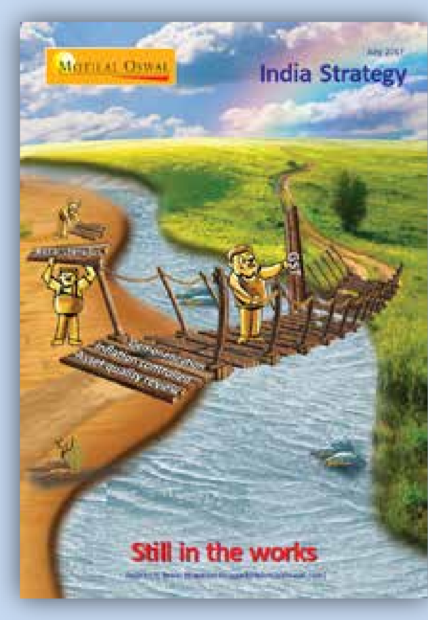

REPORT GALLERY

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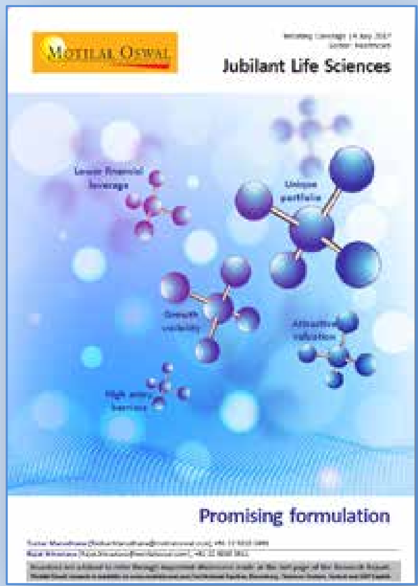
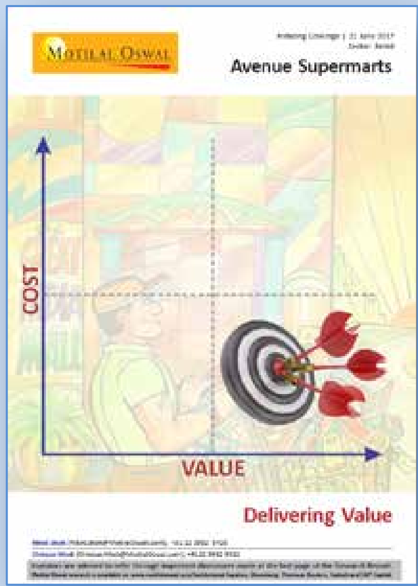
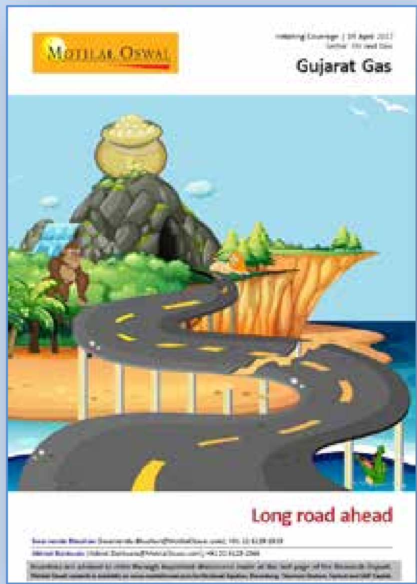
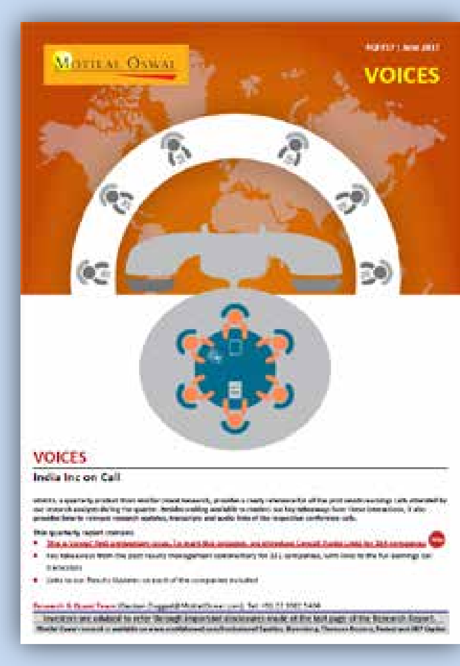
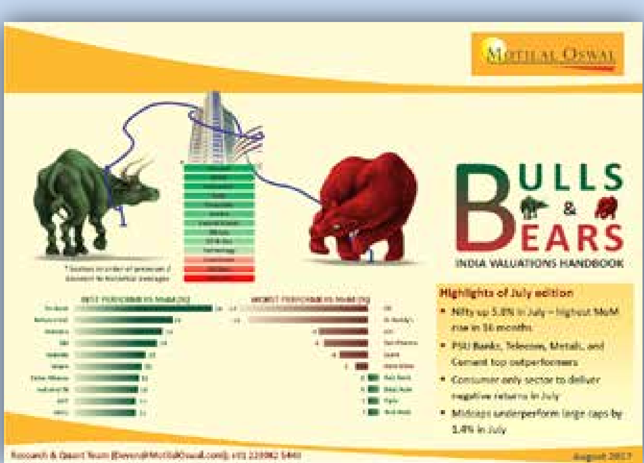






DIFFERENTIATED PRODUCT GALLERY





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