

Market snapshot



| Equities - India | Close  | Chg. % | YTD.%  |
|------------------|--------|--------|--------|
| Sensex           | 29,943 | 1.0    | 12.5   |
| Nifty-50         | 9,307  | 1.0    | 13.7   |
| Nifty-M 100      | 18,062 | 0.8    | 25.9   |
| Equities-Global  | Close  | Chg. % | YTD.%  |
| S&P 500          | 2,389  | 0.6    | 6.7    |
| Nasdaq           | 6,025  | 0.7    | 11.9   |
| FTSE 100         | 7,276  | 0.2    | 1.9    |
| DAX              | 12,467 | 0.1    | 8.6    |
| Hang Seng        | 10,272 | 1.6    | 9.3    |
| Nikkei 225       | 19,079 | 1.1    | -0.2   |
| Commodities      | Close  | Chg. % | YTD.%  |
| Brent (US\$/Bbl) | 51     | 0.5    | -7.3   |
| Gold (\$/OZ)     | 1,271  | -0.1   | 9.6    |
| Cu (US\$/MT)     | 5,678  | 0.9    | 2.8    |
| Almn (US\$/MT)   | 1,955  | 0.9    | 14.7   |
| Currency         | Close  | Chg. % | YTD.%  |
| USD/INR          | 64.3   | -0.3   | -5.3   |
| USD/EUR          | 1.1    | 0.2    | 3.1    |
| USD/JPY          | 110.5  | 0.3    | -5.6   |
| YIELD (%)        | Close  | 1MChg  | YTDchg |
| 10 Yrs G-Sec     | 6.9    | 0.0    | 0.4    |
| 10 Yrs AAA Corp  | 7.9    | 0.0    | 0.3    |
| Flows (USD b)    | 25-Apr | MTD    | YTD    |
| FII              | 0.0    | -0.2   | 6.5    |
| DII              | 0.2    | 1.0    | 1.2    |
| Volumes (INRb)   | 25-Apr | MTD*   | YTD*   |
| Cash             | 333    | 298    | 280    |
| F&O              | 5,994  | 4,917  | 4,545  |

Note: YTD is calendar year, \*Avg

Quote of the day

Investing is the intersection of economics and psychology.



Today's top research idea

Mahindra Financial Services: Strong beat on operating profit driven by asset quality improvement

- MMFS' 4QFY17 net profit of INR2.34b was 16% below estimate, belying its strong operating performance. PPOP increased 7% YoY to INR7.25b (23% above estimates).
- Reported AUM increased 14% YoY (+2% QoQ) to INR468b, driven by a 23% YoY rise in value of assets financed. This is the third consecutive quarter of 14% AUM growth, up from +10-11% over prior 4-6 quarters. Management is confident of revival in growth in most geographies due to improved infra and farm sentiment.
- Cost of funds declined sharply by 70bp QoQ to 8.39%. Overall, margins expanded 325bp QoQ (seasonal phenomenon), but shrunk 25bp YoY to 10.48%. This is because of the strong recoveries witnessed in 4QFY16, which gave a boost to NIMs.



Research covered

| Cos/Sector          | Key Highlights  |
|---------------------|---|
| Wipro               | Pain points to drag performance at least till 1QFY18                                |
| UltraTech           | Results above estimates led by focus on market share gains and cost control         |
| LIC Housing         | Margins improvement and stable asset quality  |
| IDFC Bank           | Sale to ARC drives GNPL lower   |
| M&M Fin. Serv.      | Strong beat on operating profit driven by asset quality improvement                 |
| Persistent Systems  | Impressive margin beat; Upgrading to "Buy" on expectations of margin cycle reversal |
| Results Expectation | KPIT Tech   |



Piping hot news

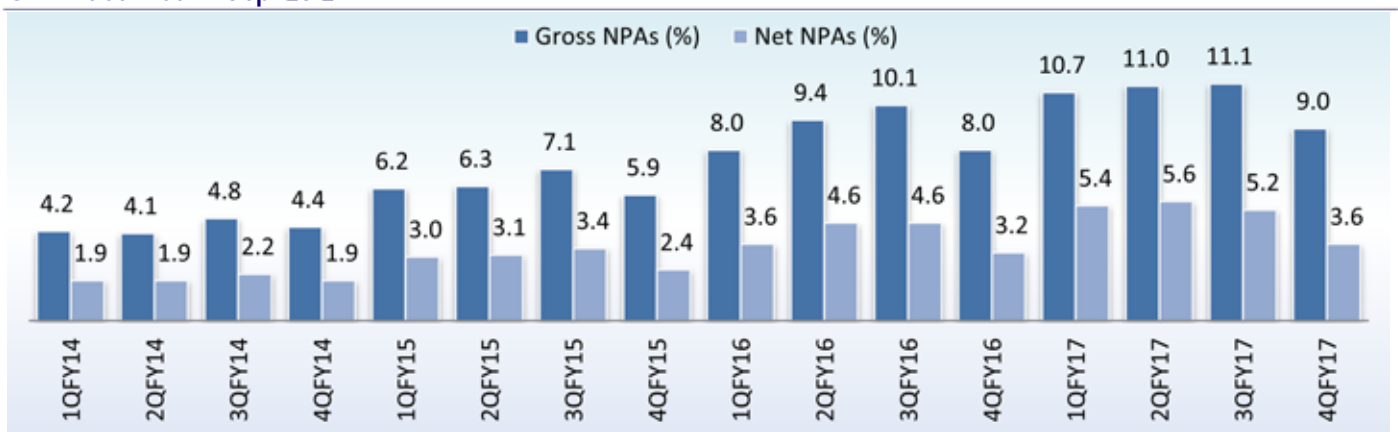
GST will not push up prices, says Adhia

- Revenue Secretary Hasmukh Adhia on Tuesday held out the assurance that prices of goods and services will not see an increase under the Goods and Services Tax (GST) regime.



Chart of the Day: MMFS - Strong beat on operating profit driven by asset quality improvement

GNPA declined 210bp QoQ



Source: Industry, MOSL

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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.



Kindly click on numbers for the detailed news link

1

**Coal India FY18 production target cut on weak demand**

In an unprecedented move, the Union government has reduced the production target for Coal India Ltd (CIL) from 660 million tonnes (mt) to 600 mt in the current year due to tepid demand for the fuel from thermal power plants...

2

**Provisioning Norms Leave Banks Worried**

The Reserve Bank of India's new guidelines on stressed sector provisioning have left banks worried. Following these would increase the cost of lending, making banks to go slow on funding some key sectors at a time when credit growth is at a six-decade low, bankers said. RBI advised banks to set aside more funds against their exposure to sectors that are sitting on massive piles of debt. Companies in the telecom, iron and steel, and power sectors, which together account for more than a third of all outstanding loans, probably face immediate risk, as lenders may be more cautious to give them loans...

3

**Coke's sale down by low single digit in Jan-March**

Beverages major Coca-Cola's sales dipped by a "low single digit" during January-March 2017 in the India and South-West Asia region. While the firm posted an 11 per cent growth rate in India during the same period last year, the last quarter's performance in the region impacted its sales in the Asia-Pacific region, the company informed the New York Stock...

4

**Urjit Patel raises flag against protectionism**

Cautioning against protectionism, the Reserve Bank of India (RBI) Governor Urjit Patel has posed the question where giant American corporations like Apple, Cisco and IBM would be if they had not sourced the best products and talent from across the world...

5

**IRB launches InvIT IPO to mop up Rs. 5,035 crore**

Road infrastructure major IRB Infrastructure Developers Ltd will raise Rs. 5,035 crore through an initial public offering of its infrastructure investment trust IRB InvIT Fund. This will be the first Indian InvIT to be listed on the exchanges...

6

**New forecast renews India's El Niño worries**

US-based International Research Institute for Climate and Society has predicted there's higher probability of El Niño occurring during the peak of monsoon season, which is not in sync with the near-normal monsoon forecast by the India Meteorological Department (IMD) earlier in April...

7

**OIL crude production up 9.06%, ONGC's rises 3.32%**

The increase in crude oil production was due to higher output from public sector undertaking, Oil India whose crude oil production was up 9.06 per cent, ONGC showed a 3.32 per cent growth in March 2017 versus March 2016...



|                       |                |
|-----------------------|----------------|
| BSE SENSEX            | S&P CNX        |
| 29,943                | 9,307          |
| Bloomberg             | WPRO IN        |
| Equity Shares (m)     | 2,432          |
| M.Cap.(INRb)/(USD\$b) | 1,202.7 / 18.7 |
| 52-Week Range (INR)   | 578 / 410      |
| 1, 6, 12 Rel. Per (%) | -5/-3/-27      |
| Avg Val, INRm         | 840            |
| Free float (%)        | 26.8           |

**CMP: INR495 TP: INR500(+1%) Neutral**

**Pain points to drag performance at least till 1QFY18**

**Financials & Valuations (INR b)**

| Y/E Mar     | 2017  | 2018E | 2019E |
|-------------|-------|-------|-------|
| Net Sales   | 550.4 | 555.7 | 606.1 |
| EBITDA      | 108.8 | 112.0 | 125.0 |
| PAT         | 83.3  | 83.9  | 92.6  |
| EPS (INR)   | 33.8  | 34.6  | 38.2  |
| Gr. (%)     | -6.3  | 2.3   | 10.3  |
| BV/Sh (INR) | 211.7 | 234.2 | 254.4 |
| RoE (%)     | 16.9  | 15.5  | 15.7  |
| RoCE (%)    | 13.6  | 12.8  | 13.8  |
| P/E (x)     | 14.6  | 14.3  | 13.0  |
| P/BV (x)    | 2.3   | 2.1   | 1.9   |

Estimate change

TP change

Rating change



- Organic revenue flattish QoQ CC:** WPRO's 4QFY17 CC revenue growth of 1.7% was in the upper half of its guided band of 1-2%, and largely in line with our estimate of 1.5%. Seven weeks of revenue from Appirio integration (-1.5% contribution) meant flattish organic revenue in CC terms. For the full year FY17, WPRO's IT Services revenue grew 7% YoY in CC (which included acquisitions), EBIT margin shrunk 260bp YoY to 17.9% and PAT declined 6% YoY to INR83b.
- Margins in line excluding one-offs:** IT Services EBIT margin was 17.6% (-70bp QoQ) in line with our estimate, adjusted for one-offs, viz., [1] gain of INR4,082m from the sale of EcoEnergy and [2] INR2,851m of impairment charges on certain intangible assets. Negative impact from full integration of Appirio (-40bp) was partly offset by operational efficiencies. Overall EBIT margin was 16.1%, implying continued losses in the Products segment. Adjusted PAT fell 8.3% QoQ to INR19.3b (in-line).
- Headwinds to Healthcare/Consumer mar guidance:** WPRO's CC revenue growth guidance of -2% to 0% for 1QFY18 reflects the weakness in the Healthcare vertical due to uncertainty around the Affordable Care Act under the new US President, continued sluggishness in Communications and uniformly witnessed spending pressure in Retail. However, it expects steady revival thereafter, reaching industry-level growth by 4QFY18, as Healthcare bottoms out and as India/ME restructuring is behind. Profitability too is expected to exhibit a similar trajectory – declining in the first quarter and then sequentially picking up over remainder of the year.
- Valuation view:** We have cut our forward revenue estimates by 2.7-3.0% and earnings estimates by 7.6-10.9%, factoring in fresh near-term concerns. Over FY17-19, we expect USD revenue CAGR of 5.5% and EPS CAGR of 6.2%, implying continued underperformance for now. While valuations at 14.3/13.0x FY18E/19E appear inexpensive, multiple re-rating will elude as long as portfolio issues continue to drag growth. Our TP of INR500 discounts FY19E earnings by 13x. **Neutral.**

**Quarterly Performance (Consolidated)**

| Y/E March                   | FY16    |         |         |         | FY17    |         |         |         | FY16    | FY17    | Est. 3QFY17 | Var. (% / bp) |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-------------|---------------|
|                             | 1Q      | 2Q      | 3Q      | 4Q      | 1Q      | 2Q      | 3Q      | 4Q      |         |         |             |               |
| IT Services Revenue (USD m) | 1,794   | 1,832   | 1,838   | 1,882   | 1,931   | 1,916   | 1,903   | 1,955   | 7,346   | 7,705   | 1,944       | 0.5           |
| QoQ (%)                     | 1.1     | 2.1     | 0.3     | 2.4     | 2.6     | -0.8    | -0.7    | 2.7     | 3.7     | 4.9     | 2.2         | 55bp          |
| Overall Revenue (INR m)     | 122,376 | 125,135 | 128,605 | 136,324 | 135,992 | 137,657 | 136,878 | 139,875 | 512,440 | 550,402 | 136,157     | 2.7           |
| QoQ (%)                     | 0.8     | 2.3     | 2.8     | 6.0     | -0.2    | 1.2     | -0.6    | 2.2     |         |         | -0.5        | 272bp         |
| YoY (%)                     | 9.9     | 7.1     | 7.2     | 12.3    | 11.1    | 10.0    | 6.4     | 2.6     | 9.1     | 7.4     | -0.1        | 273bp         |
| GPM (%)                     | 30.7    | 31.4    | 29.8    | 29.7    | 29.1    | 28.9    | 29.4    | 28.0    | 30.4    | 28.9    | 29.5        | -157bp        |
| SGA (%)                     | 12.2    | 12.4    | 12.0    | 12.3    | 13.0    | 13.2    | 13.0    | 11.9    | 12.2    | 12.8    | 13.3        | -142bp        |
| IT Serv. EBIT (%)           | 21.0    | 20.7    | 20.2    | 20.1    | 17.8    | 17.8    | 18.3    | 17.7    | 20.5    | 17.9    | 17.7        | 3bp           |
| EBIT Margin (%)             | 18.5    | 19.0    | 17.9    | 17.4    | 16.1    | 15.8    | 16.4    | 16.1    | 18.2    | 16.1    | 16.2        | -15bp         |
| Other income                | 5,286   | 5,138   | 5,715   | 5,426   | 4,848   | 4,958   | 5,120   | 5,328   | 21,565  | 20,254  | 2,493       | 113.7         |
| ETR (%)                     | 21.2    | 22.4    | 21.8    | 22.7    | 22.9    | 22.2    | 23.3    | 24.2    | 22.1    | 23.2    | 22.5        | 172bp         |
| PAT                         | 21,877  | 22,354  | 22,341  | 22,350  | 20,518  | 20,672  | 21,094  | 19,340  | 88,922  | 83,326  | 18,983      | 1.9           |
| QoQ (%)                     | -3.8    | 2.2     | -0.1    | 0.0     | -8.2    | 0.8     | 2.0     | -8.3    |         |         | -10.0       | 169bp         |
| YoY (%)                     | 4.0     | 7.2     | 1.9     | -1.8    | -6.2    | -7.5    | -5.6    | -13.5   | 2.7     | -6.3    | -15.1       | 160bp         |
| EPS (INR)                   | 8.9     | 9.1     | 9.1     | 9.1     | 8.3     | 8.5     | 8.7     | 8.0     | 36.1    | 33.8    | 7.8         |               |
| Headcount                   | 161,789 | 168,396 | 170,664 | 172,912 | 173,863 | 174,238 | 179,129 | 181,482 | 172,912 | 181,482 | 182,764     | -0.7          |
| Util excl. trainees (%)     | 81.9    | 82.3    | 78.0    | 77.5    | 79.7    | 82.8    | 81.9    | 84.8    | 74.9    | 77.4    | 81.9        | 290bp         |
| Attrition (%)               | 16.4    | 16.4    | 16.3    | 16.1    | 16.5    | 16.6    | 16.3    |         |         |         |             |               |
| Offshore rev. (%)           | 45.4    | 46.1    | 46.2    | 45.8    | 45.6    | 46.1    | 46.5    | 47.2    | 45.9    | 46.4    | 46.3        | 87bp          |
| Fixed Price (%)             | 54.5    | 53.4    | 55.9    | 56.9    | 56      | 56.4    | 57.7    |         |         |         |             |               |



# Ultratech Cement

|                       |                |
|-----------------------|----------------|
| BSE SENSEX            | S&P CNX        |
| 29,943                | 9,307          |
| Bloomberg             | UTCEM IN       |
| Equity Shares (m)     | 274.4          |
| M.Cap.(INRb)/(USDb)   | 1,161.6 / 17.4 |
| 52-Week Range (INR)   | 186 / 87       |
| 1, 6, 12 Rel. Per (%) | 8/36/76        |
| Avg Val, INRm         | 242            |
| Free float (%)        | 83.8           |

**CMP: INR4,234 TP: INR4,928 (+16%) Buy**

## Results above estimates led by focus on cost control

- Muted volume growth:** 4QFY17 revenue increased 3% YoY to INR65.95b (est. of INR63.92b). Grey cement volumes were flat YoY at 13.68mt, with capacity utilization of the group in excess of 81%.
- Margin beat led by strong cost control:** Blended realization fell 2% QoQ to INR4689/t due to weak white cement realizations. Grey cement realizations were flat QoQ due to strong price hikes in Feb/March-17. However, strong control over key costs like power & fuel (P&F) and freight helped mitigate the impact of rising input costs (unitary cost -1% QoQ to 3,780/t). Cost measures were mainly toward power, resulting in lower P&F cost. Also, freight cost rise was restricted by the ramp-up of grinding units. EBITDA thus fell 7% YoY to INR12.78b (est. of INR10.6b; reported EBITDA was much higher than estimate as it includes other operating income), translating into EBITDA/ton of INR921 (-INR42/t QoQ; -INR56/t YoY) and margin of 19.4% (-2.1pp YoY; -0.5pp QoQ).
- FY17 performance:** Grey cement volumes grew at a muted 2% YoY to 48.8mt due to weak volumes in 2HFY17. Revenues rose 1% YoY to INR238b as blended realizations were lower by 1% YoY. Blended EBITDA/t stood at INR1,004 (+6% YoY), led by cost savings (cost/t down 2% QoQ to INR3,822). Hence, EBITDA rose by 7% YoY to INR49.7b and PAT by 11% YoY to INR26.37b.
- Valuation view:** Even in tough times post demonetization, UTCEM's strong focus on market share gains and cost efficiency helped it deliver above-estimate results. We believe that UTCEM is a strong bet on the cycle upturn, and that asset creation success should ease near-term concerns for long-term investors. We factor in 6% volume CAGR and 20% EBITDA CAGR over FY17-19. We value UTCEM at INR4,928 (EV/t of USD240, incl. JPA's capacity).

### Financials & Valuations (INR b)

| Y/E Mar     | 2017  | 2018E | 2019E   |
|-------------|-------|-------|---------|
| Net Sales   | 238.9 | 266.0 | 297.9   |
| EBITDA      | 49.7  | 59.5  | 71.0    |
| PAT         | 26.4  | 33.3  | 43.6    |
| EPS (INR)   | 96.1  | 121.4 | 159.1   |
| Gr. (%)     | 11.3  | 26.3  | 31.1    |
| BV/Sh (INR) | 840.0 | 943.9 | 1,079.7 |
| RoE (%)     | 12.0  | 13.6  | 15.7    |
| RoCE (%)    | 10.4  | 11.6  | 13.4    |
| P/E (x)     | 44.0  | 34.9  | 26.6    |
| P/BV (x)    | 5.0   | 4.5   | 3.9     |

|                 |   |
|-----------------|---|
| Estimate change | ↑ |
| TP change       | ↑ |
| Rating change   | ↔ |

### Quarterly Performance (Consolidated)

| Y/E March                 | FY16   |        |        |        | FY17   |        |        |        | FY16    | FY17E   | FY18E   | FY17   | Var. (%) |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|--------|----------|
|                           | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     | 2Q     | 3Q     | 4QE    |         |         |         |        |          |
| Sales (m ton)             | 12.14  | 10.80  | 11.47  | 13.70  | 12.91  | 10.87  | 11.40  | 13.68  | 48.1    | 48.9    | 51.7    | 13.56  | 1        |
| YoY Change (%)            | 3.8    | 4.3    | 4.4    | 16.0   | 6.3    | 0.6    | -0.6   | -0.2   | 7.2     | 1.6     | 5.9     | -0.3   |          |
| Blended Realn.(INR/ton) * | 4,794  | 4,969  | 4,787  | 4,545  | 4,687  | 4,827  | 4,781  | 4,689  | 4,799   | 4,762   | 5,014   | 4,589  | 2        |
| YoY Change (%)            | 17.1   | 15.2   | 15.5   | 4.3    | -2.2   | -2.9   | -0.1   | 3.2    | -2.4    | -0.8    | 5.3     | 0.7    |          |
| QoQ Change (%)            | 10.0   | 3.7    | -3.7   | -5.1   | 3.1    | 3.0    | -0.9   | -1.9   |         |         |         | -2.1   |          |
| Net Sales                 | 59,476 | 55,270 | 56,520 | 64,023 | 61,823 | 53,966 | 56,091 | 65,953 | 237,088 | 238,914 | 266,042 | 63,927 | 3        |
| EBITDA                    | 10,939 | 9,212  | 10,366 | 13,770 | 13,723 | 10,938 | 11,135 | 12,782 | 46,266  | 49,690  | 59,827  | 10,601 | 21       |
| Margins (%)               | 18.4   | 16.7   | 18.3   | 21.5   | 22.2   | 20.3   | 19.9   | 19.4   | 19.5    | 20.8    | 22.5    | 16.6   |          |
| Depreciation              | 2,852  | 3,352  | 3,259  | 3,515  | 3,027  | 3,139  | 3,156  | 3,357  | 12,970  | 12,679  | 12,669  | 3,080  |          |
| Interest                  | 1,399  | 1,319  | 1,273  | 1,126  | 1,525  | 1,367  | 1,293  | 1,529  | 5,117   | 5,714   | 4,798   | 1,225  |          |
| Other Income              | 1,770  | 1,945  | 1,676  | 1,402  | 2,006  | 2,335  | 970    | 2,401  | 4,807   | 6,600   | 5,500   | 1,500  |          |
| PBT before EO expense     | 8,459  | 6,485  | 7,510  | 10,531 | 11,177 | 8,767  | 7,655  | 10,297 | 32,986  | 37,896  | 47,860  | 7,796  | -17      |
| Rate (%)                  | 28.6   | 29.5   | 29.7   | 25.9   | 30.7   | 31.4   | 26.4   | 32.2   | 28.1    | 30.4    | 30.0    | 26     |          |
| Adj PAT                   | 6,040  | 4,574  | 5,280  | 7,808  | 7,749  | 6,011  | 5,634  | 6,976  | 23,702  | 26,372  | 33,297  | 5,737  | 22       |
| YoY Change (%)            | -3.4   | 11.5   | 44.9   | 27.0   | 28.3   | 31.4   | 6.7    | -10.7  | 17.6    | 11.3    | 26.3    | -15.8  |          |

# LIC Housing Finance

|            |         |
|------------|---------|
| BSE SENSEX | S&P CNX |
| 29,943     | 9,307   |

**CMP: INR672**

## Financials & Valuations (INR b)

| Y/E March         | 2017  | 2018E | 2019E |
|-------------------|-------|-------|-------|
| NII               | 36.5  | 42.3  | 49.0  |
| PPP               | 32.4  | 37.7  | 43.9  |
| Adj. PAT          | 19.3  | 23.0  | 27.5  |
| Adj. EPS (INR)    | 38.2  | 45.6  | 54.6  |
| EPS Gr. (%)       | 16.3  | 19.3  | 19.5  |
| BV/Sh (INR)       | 213.2 | 249.8 | 293.5 |
| RoAA (%)          | 1.5   | 1.6   | 1.6   |
| RoE (%)           | 19.4  | 19.7  | 20.1  |
| Payout (%)        | 18.8  | 19.7  | 19.7  |
| <b>Valuations</b> |       |       |       |
| P/E (x)           | 17.6  | 14.7  | 12.3  |
| P/BV (x)          | 3.2   | 2.7   | 2.3   |
| Div. Yield (%)    | 0.9   | 1.2   | 1.4   |

- LIC Housing Finance (LICHF) reported 4QFY17 PAT of INR5.3b (+18% YoY), in line with our estimate. The quarter was characterized by stable loan growth, margins improvement and stable asset quality.
- Loan book growth was 15.5% YoY (6.8% QoQ), in line with the trend witnessed over past 5-6 quarters. Growth continues to be driven by the non-retail portfolio (60% YoY growth in LAP and builder loans). Individual home loan book grew modestly by 9.1% YoY, now comprising 84% of overall loan book. We await management commentary on trends in the loan book mix.
- Margins (calculated) continued their upward trajectory, improving 11bp QoQ to 2.97%, driven by 46bp reduction in cost of funds (calculated). Margins are the highest in past 24 quarters. We continue remaining sanguine on margins, despite sharp cuts in home loan rates, given the sharp reduction in bond market yields. LICHF borrows heavily from the markets (80-85% of total borrowings are via NCD/CPs). We believe continued and gradual refinance of maturing NCDs over next few quarters will help reduce cost of funds further. Thus, we see margins largely stable over the medium term.
- Operating expenses increased 25% YoY to INR1.97b, 6% more than our estimate, driven by higher employee as well as establishment costs.
- Other highlights:** (a) share of floating rate loans increased from 62% in 3QFY17 to 70% in 4QFY17. (b) Tier I ratio stood at 14%
- Valuation and view:** Despite being the second largest HFC, LICHF manages to grow ~15% YoY. On the margins front, the company is poised to reap significant benefits of falling GSec yields, protecting downside risk to margins. We believe LICHF should sustain ~1.8-2% incremental spreads over next few quarters. We look to revise estimates and target price post concall on 26 April.

## LICHF: Quarterly Performance

(INR Million)

| Y/E March                  | FY16         |              |              |              | FY17         |              |              |               | FY16          | FY17          |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
|                            | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q           | 4Q            |               |               |
| Interest Income            | 29,174       | 30,260       | 31,018       | 32,057       | 33,263       | 34,283       | 35,125       | 36,117        | 122,508       | 138,788       |
| Interest Expenses          | 22,585       | 23,091       | 23,549       | 23,843       | 25,018       | 25,626       | 25,972       | 25,699        | 93,068        | 102,315       |
| <b>Net Interest Income</b> | <b>6,589</b> | <b>7,169</b> | <b>7,469</b> | <b>8,214</b> | <b>8,245</b> | <b>8,657</b> | <b>9,154</b> | <b>10,417</b> | <b>29,441</b> | <b>36,473</b> |
| YoY Growth (%)             | 30.2         | 34.8         | 36.2         | 26.4         | 25.1         | 20.8         | 22.6         | 26.8          | 31.6          | 23.9          |
| Fees and other income      | 481          | 634          | 549          | 683          | 535          | 616          | 362          | 502           | 2,346         | 2,015         |
| <b>Net Income</b>          | <b>7,069</b> | <b>7,803</b> | <b>8,018</b> | <b>8,897</b> | <b>8,780</b> | <b>9,273</b> | <b>9,516</b> | <b>10,919</b> | <b>31,787</b> | <b>38,489</b> |
| YoY Growth (%)             | 24.6         | 31.3         | 30.0         | 25.3         | 24.2         | 18.8         | 18.7         | 22.7          | 27.7          | 21.1          |
| Operating Expenses         | 835          | 1,060        | 1,214        | 1,578        | 1,382        | 1,364        | 1,407        | 1,965         | 4,687         | 6,118         |
| <b>Operating Profit</b>    | <b>6,234</b> | <b>6,743</b> | <b>6,804</b> | <b>7,319</b> | <b>7,399</b> | <b>7,909</b> | <b>8,109</b> | <b>8,954</b>  | <b>27,100</b> | <b>32,371</b> |
| YoY Growth (%)             | 25.3         | 35.4         | 28.8         | 27.0         | 18.7         | 17.3         | 19.2         | 22.3          | 29.1          | 19.4          |
| Provisions and Cont.       | 443          | 301          | 344          | 376          | 1,165        | 303          | 453          | 893           | 1,465         | 2,813         |
| <b>Profit before Tax</b>   | <b>5,790</b> | <b>6,442</b> | <b>6,460</b> | <b>6,943</b> | <b>6,234</b> | <b>7,606</b> | <b>7,656</b> | <b>8,061</b>  | <b>25,636</b> | <b>29,558</b> |
| Tax Provisions             | 1,969        | 2,325        | 2,271        | 2,463        | 2,156        | 2,659        | 2,663        | 2,769         | 9,028         | 10,247        |
| <b>Net Profit</b>          | <b>3,821</b> | <b>4,117</b> | <b>4,189</b> | <b>4,480</b> | <b>4,078</b> | <b>4,948</b> | <b>4,993</b> | <b>5,292</b>  | <b>16,608</b> | <b>19,311</b> |
| YoY Growth (%)             | 18.6         | 20.6         | 21.7         | 18.5         | 6.7          | 20.2         | 19.2         | 18.1          | 19.8          | 16.3          |
| Loan Growth (%)            | 17.9         | 17.0         | 15.2         | 15.5         | 15.4         | 14.9         | 15.3         | 15.5          | 15.5          | 15.5          |
| Cost to Income Ratio (%)   | 11.8         | 13.6         | 15.1         | 17.7         | 15.7         | 14.7         | 14.8         | 18.0          | 14.7          | 15.9          |
| Tax Rate (%)               | 34.0         | 36.1         | 35.2         | 35.5         | 34.6         | 35.0         | 34.8         | 34.4          | 35.2          | 34.7          |

|            |         |
|------------|---------|
| BSE SENSEX | S&P CNX |
| 29,943     | 9,307   |

**CMP: INR63**

**Financials & Valuations (INR b)**

| Y/E March     | 2H2016E | 2017E | 2018E |
|---------------|---------|-------|-------|
| NII           | 8.5     | 20.4  | 25.0  |
| OP            | 7.4     | 19.5  | 22.4  |
| NP            | 4.7     | 10.4  | 13.4  |
| NIM (%)       |         | 2.5   | 2.3   |
| EPS (INR)     |         | 3.1   | 3.9   |
| EPS Gr. (%)   |         |       | 29.0  |
| BV/Sh. (INR)  | 40.2    | 42.5  | 45.5  |
| ABV/Sh. (INR) | 37.8    | 39.9  | 42.6  |
| RoE (%)       |         | 7.4   | 8.9   |
| RoA (%)       |         | 1.1   | 1.1   |

**Sale to ARC drives GNPL lower**

- n IDFC Bank's (IDFCBK) PAT rose 7% YoY to INR1.76b (12% beat), led by lower-than-estimated opex and provisioning.
- n Total income was largely stable YoY at INR5.6b (28% miss), driven by 21% YoY growth in NII to INR5b, offset by a 59% decline in non-interest income to INR563m. NII missed our estimate by 5% due to pressure on margins. The decline in non-interest income was on account of INR258m of trading losses, as against INR782m of trading gains in 4QFY16.
- n Operating expenses came in 20% below estimate at INR3.0b (1% YoY, -22% QoQ), driven by lower employee expenses (-30% YoY). We await management clarity on the same. C/I ratio remained largely stable YoY at 53%.
- n GNPL declined 57% QoQ to INR15.4b, resulting in GNPL ratio declining from 7% to 3%. This reduction is due to sale of INR40b NPLs to an ARC.
- n Loan book growth continues to remain sluggish. Advances grew 8% YoY and 5% QoQ to INR494b. We await clarity on loan mix.
- n Total deposits increased 49% QoQ to INR402b. CASA deposits more than doubled QoQ to INR20.9b. However, we suspect this could be on account of one-off float balances in current accounts.
- n **Other highlights:** (1) Tier-1 ratio remains healthy at 18.5%; (2) Core fee income increased significantly from INR595m in 4QFY16 to INR821m in 4QFY17 and (3) no new branch openings in the quarter.

**Valuation and view:** Earnings are likely to remain volatile in the near term due to transition cost, volatility in trading gains and portfolio acquisitions (to fulfill PSL requirements). Additionally, stress loans remain high. In the medium-to-long term, higher leverage, low cost-to-assets and higher share of infra bonds will lead to higher sustainable RoA/RoE. We will revise our earnings and TP post the concall with management on 26 April.

**Quarterly Performance**

(INR Million)

|                             | FY16   |        | FY17E  |        |        |        | 2HFY16 | FY17E  |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
|                             | 3Q     | 4Q     | 1Q     | 2Q     | 3Q     | 4Q     |        |        |
| Interest Income             | 17,891 | 18,155 | 19,755 | 20,830 | 22,509 | 22,234 | 36,046 | 85,327 |
| Interest Expense            | 14,028 | 13,987 | 14,766 | 15,874 | 17,301 | 17,213 | 28,015 | 65,154 |
| Net Interest Income         | 3,863  | 4,168  | 4,989  | 4,956  | 5,208  | 5,021  | 8,031  | 20,173 |
| % Change (Y-o-Y)            |        |        |        |        | 34.8   | 20.5   |        | NA     |
| Other Income                | 2,179  | 1,377  | 2,128  | 4,101  | 3,350  | 563    | 3,556  | 10,143 |
| Net Income                  | 6,042  | 5,545  | 7,117  | 9,057  | 8,558  | 5,584  | 11,587 | 30,316 |
| Operating Expenses          | 2,153  | 2,947  | 2,768  | 3,234  | 3,798  | 2,981  | 5,100  | 12,781 |
| Operating Profit            | 3,889  | 2,598  | 4,349  | 5,823  | 4,760  | 2,602  | 6,487  | 17,535 |
| % Change (Y-o-Y)            |        |        |        |        | 22.4   | 0.2    |        | NA     |
| Other Provisions            | 123    | 119    | 236    | 223    | 2,318  | 48     | 242    | 2,825  |
| Profit before Tax           | 3,766  | 2,479  | 4,113  | 5,600  | 2,443  | 2,555  | 6,246  | 14,710 |
| Tax Provisions              | 1,345  | 829    | 1,465  | 1,722  | 530    | 795    | 2,173  | 4,512  |
| Net Profit                  | 2,422  | 1,651  | 2,648  | 3,878  | 1,913  | 1,760  | 4,072  | 10,197 |
| % Change (Y-o-Y)            | NA     | NA     | NA     | NA     | -21.0  | 6.6    |        | NA     |
| <b>Operating Parameters</b> |        |        |        |        |        |        |        |        |
| NIM (Reported,%)            | 2.0    | 2.1    | 2.4    | 2.2    | 2.1    | 2.0    |        |        |
| NIM (Cal, %)                | 2.1    | 2.3    | 2.4    | 2.0    | 2.0    | 1.9    | 2.2    | 2.5    |



# Mahindra Financial Services

|                       |             |
|-----------------------|-------------|
| BSE SENSEX            | S&P CNX     |
| 29,943                | 9,370       |
| Bloomberg             | MMFS        |
| Equity Shares (m)     | 565.0       |
| M.Cap.(INRb)/(USD\$b) | 192.1 / 3.0 |
| 52-Week Range (INR)   | 405 / 244   |
| 1, 6, 12 Rel. Per (%) | 4/-14/-2    |
| Avg Val, INRm         | -           |
| Free float (%)        | -           |

**CMP: INR340 TP: INR400 (+18%) Buy**

## Strong beat on operating profit driven by asset quality improvement

- 4QFY17 net profit of INR2.34b missed estimate by 16%, belying its strong operating performance. PPOp increased 7% YoY to INR7.25b (23% beat). Miss on PAT is largely driven by provisions of INR1.1b, which were written back (over and above RBI requirement, and managements expected loss given default) in 1QFY17 based on expectation of losses on NPA portfolio.
- Reported AUM increased 14% YoY (+2% QoQ) to INR468b, driven by a 23% YoY rise in value of assets financed. This is the third consecutive quarter of 14% AUM growth, up from +10-11% over the prior 4-6 quarters. Management is confident of revival in growth in most geographies due to improved infra and farm sentiment.
- Cost of funds declined sharply by 70bp QoQ to 8.39%. Overall, margins expanded 325bp QoQ (seasonal phenomenon), but shrunk 25bp YoY to 10.48%. This is because of the strong recoveries witnessed in 4QFY16, which gave a boost to NIMs.
- GNPLs declined 17% QoQ to INR42b (4Q is seasonally strong). GNPL ratio stood at 9%, as against 11.1% in 3QFY17 and 8% in 4QFY16.
- PAT for FY17 declined 40% YoY to INR4b, with RoA/RoE declining from 2%/11.4% in FY16 to 1%/6.4% in FY17.
- Valuation and view:** The business environment for MMFS seems to be getting better. While reported NPLs are likely to remain high (due to rural stress and change in NPL norms), we view this as a cyclical adjustment and not a structural breakdown. The company's long-term prospects remain strong. MMFS remains highly levered to growth and asset quality. Both factors have shown a positive trend in the quarter, and management also remains upbeat on the same in the ensuing quarters. We increase FY18/19 estimates by 18%/17% to factor in better margins and AUMs. The stock trades at 2.8/2.6x FY18E/19E P/B. We use SOTP to arrive at a TP of INR400.

## Financials & Valuations (INR b)

| Y/E March         | 2017  | 2018E | 2019E |
|-------------------|-------|-------|-------|
| NII               | 33.2  | 37.7  | 43.6  |
| PPP               | 19.3  | 21.6  | 25.3  |
| PAT               | 4.0   | 7.3   | 9.3   |
| EPS (INR)         | 7.1   | 12.9  | 16.4  |
| BV/Sh.(INR)       | 114.6 | 122.3 | 132.0 |
| ABV/Sh (INR)      | 94.8  | 98.8  | 107.1 |
| RoA on AUM (%)    | 1.0   | 1.6   | 1.7   |
| RoE (%)           | 6.4   | 10.9  | 12.9  |
| Payout (%)        | 39.8  | 41.0  | 41.0  |
| <b>Valuations</b> |       |       |       |
| P/E (x)           | 48.0  | 26.3  | 20.7  |
| P/BV (x)          | 3.0   | 2.8   | 2.6   |
| P/ABV (x)         | 3.6   | 3.4   | 3.2   |
| Div. Yield (%)    | 0.7   | 1.3   | 1.7   |

## Quarterly Performance

| Y/E March                        | FY16          |               |               |               | FY17          |               |               |               | (INR Million) |               |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                  | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4Q            | FY16          | FY17          |
| Operating Income                 | 13,608        | 14,200        | 14,002        | 16,721        | 13,664        | 14,916        | 14,904        | 18,255        | 58,532        | 61,739        |
| Other Income                     | 76            | 183           | 85            | 176           | 93            | 241           | 130           | 173           | 519           | 636           |
| <b>Total income</b>              | <b>13,684</b> | <b>14,383</b> | <b>14,087</b> | <b>16,897</b> | <b>13,757</b> | <b>15,157</b> | <b>15,035</b> | <b>18,427</b> | <b>59,051</b> | <b>62,375</b> |
| YoY Growth (%)                   | 6.7           | 5.1           | 0.9           | 9.9           | 0.5           | 5.4           | 6.7           | 9.1           | 5.7           | 5.6           |
| Interest Expenses                | 6,445         | 6,542         | 6,696         | 6,711         | 6,910         | 7,086         | 7,441         | 7,137         | 26,393        | 28,574        |
| <b>Net Income</b>                | <b>7,239</b>  | <b>7,841</b>  | <b>7,391</b>  | <b>10,186</b> | <b>6,847</b>  | <b>8,071</b>  | <b>7,593</b>  | <b>11,290</b> | <b>32,658</b> | <b>33,801</b> |
| Operating Expenses               | 2,635         | 2,808         | 2,946         | 3,391         | 3,260         | 3,567         | 3,645         | 4,037         | 11,781        | 14,509        |
| <b>Operating Profit</b>          | <b>4,604</b>  | <b>5,033</b>  | <b>4,445</b>  | <b>6,795</b>  | <b>3,587</b>  | <b>4,504</b>  | <b>3,949</b>  | <b>7,252</b>  | <b>20,877</b> | <b>19,292</b> |
| YoY Growth (%)                   | -0.2          | 0.7           | -6.8          | 5.7           | -22.1         | -10.5         | -11.2         | 6.7           | 0.3           | -7.6          |
| Provisions                       | 3,228         | 2,772         | 3,406         | 1,089         | 2,245         | 3,042         | 4,190         | 3,614         | 10,495        | 13,091        |
| <b>Profit before Tax</b>         | <b>1,376</b>  | <b>2,261</b>  | <b>1,039</b>  | <b>5,706</b>  | <b>1,341</b>  | <b>1,462</b>  | <b>-241</b>   | <b>3,638</b>  | <b>10,383</b> | <b>6,202</b>  |
| Tax Provisions                   | 486           | 799           | 367           | 2,003         | 472           | 514           | -85           | 1,298         | 3,656         | 2,198         |
| <b>Net Profit</b>                | <b>890</b>    | <b>1,462</b>  | <b>672</b>    | <b>3,703</b>  | <b>870</b>    | <b>948</b>    | <b>-156</b>   | <b>2,341</b>  | <b>6,727</b>  | <b>4,003</b>  |
| YoY Growth (%)                   | -42.6         | -29.4         | -50.8         | 11.1          | -2.2          | -35.1         | -123.3        | -36.8         | -19.1         | -40.5         |
| Cost to Income Ratio (%)         | 36.4          | 35.8          | 39.9          | 33.3          | 47.6          | 44.2          | 48.0          | 35.8          | 36.1          | 42.9          |
| Provisions/Operating Profits (%) | 70.1          | 55.1          | 76.6          | 16.0          | 62.6          | 67.5          | 106.1         | 49.8          | 50.3          | 67.9          |
| Tax Rate (%)                     | 35.3          | 35.3          | 35.3          | 35.1          | 35.2          | 35.2          | 35.2          | 35.7          | 35.2          | 35.4          |

E: MOSL Estimates



# Indian Bank

|                       |             |
|-----------------------|-------------|
| BSE SENSEX            | S&P CNX     |
| 29,943                | 9,307       |
| Bloomberg             | INBK IN     |
| Equity Shares (m)     | 480.3       |
| M.Cap.(INR b)/(USDb)  | 149.4 / 2.3 |
| 52-Week Range (INR)   | 319 / 85    |
| 1, 6, 12 Rel. Per (%) | 17/31/194   |
| Avg. Val, INR m       | 180         |
| Free float (%)        | 17.9        |

## Financials & Valuations (INR b)

| Y/E March         | 2017 | 2018E | 2019E |
|-------------------|------|-------|-------|
| NII               | 51.5 | 55.3  | 63.9  |
| OP                | 40.0 | 42.3  | 46.1  |
| NP                | 14.1 | 16.0  | 18.3  |
| EPS (INR)         | 29.3 | 33.3  | 38.1  |
| EPS Gr. (%)       | 97.6 | 13.8  | 14.3  |
| BV/Sh. (INR)      | 301  | 327   | 356   |
| ABV/Sh (INR)      | 220  | 243   | 271   |
| RoE (%)           | 10.1 | 10.6  | 11.1  |
| RoA (%)           | 0.7  | 0.7   | 0.7   |
| Div. Payout (%)   | 23.8 | 23.2  | 23.2  |
| <b>Valuations</b> |      |       |       |
| P/E (x)           | 10.6 | 9.3   | 8.2   |
| P/ BV (x)         | 1.0  | 1.0   | 0.9   |
| P/ABV (x)         | 1.4  | 1.3   | 1.1   |
| Div. Yield (%)    | 1.9  | 2.1   | 2.4   |

**CMP: INR311 TP: INR360(+16%)**

**Buy**

## Focus resumes on Growth; NIM improves 20bp QoQ

- Indian Bank (INBK) reported PAT of INR3.2b (50% beat) v/s INR845m in 4QFY16 (subdued due to the RBI's AQR), led by strong NII of INR13.85b (+22% YoY) and controlled opex (8% YoY, 9% QoQ). Provisioning was 24% higher than estimate at INR8.07b due to high MTM provisions during the quarter (INR1.63b).
- GNPA increased just 2% QoQ in absolute numbers to INR98.6b whereas, OSRL declined 27% QoQ to INR43.2b. Bank has already recognized 20% of the private power sector exposure and 75% of steel exposure as NPA.
- Overall loan book grew 5% QoQ (-1% YoY) to INR1.28T. After a largely flat loan book of last three years, new management focus is growing the balance sheet aggressively. With the capital in place (CET 1 11.68%), management is planning to grow loans in high teens and double the loan book in next five years.
- NIM (calculated) improved 20bp QoQ, driven by lower cost of funds (5.44% v/s 5.79% in 4QFY16), higher yield on investments (7.43% v/s 6.88%) and better CD ratio (70% v/s 66%), partially offset by lower yield on advances (8.84% v/s 9.33%). We appreciate management's efforts to improve margins without taking additional risk - NIMs are highest in 15 quarters.
- FY17 - a year of improvement on most fronts:** a) Domestic CASA ratio rose from 31.9% in FY16 to 37.7% in FY17 b) NIM from 2.33% to 2.59%, PAT from INR7.2b (impacted by RBI's AQR) to INR14.1b and c) RoE from 5.5% to 10.0%.
- Valuation view:** Focus on balance sheet consolidation and core operating parameters has led to stable-to-improving earnings, despite challenging macros. Capitalization is best-in-class with CET 1 ratio of 11.7%. Bank is planning a FPO to reduce GOI shareholding to 75% from 82% currently. Improvement in loan growth is expected to drive operating leverage in the ensuing years. We expect RoAs/RoE to be the best among PSBs at 0.7%/11.1% (FY19E). Maintain **Buy** with a target price of INR360 (1x FY19E BV) based on RI model.

## Quarterly Performance

(INR Million)

|                             | FY16          |               |               |               | FY17          |               |               |               | FY16          | FY17          |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                             | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4Q            |               |               |
| Interest Income             | 41,190        | 41,412        | 39,994        | 39,842        | 40,713        | 39,944        | 39,576        | 40,165        | 162,438       | 160,397       |
| Interest Expense            | 29,986        | 30,608        | 28,886        | 28,496        | 28,350        | 27,161        | 27,110        | 26,316        | 117,976       | 108,937       |
| <b>Net Interest Income</b>  | <b>11,203</b> | <b>10,804</b> | <b>11,108</b> | <b>11,346</b> | <b>12,363</b> | <b>12,783</b> | <b>12,466</b> | <b>13,849</b> | <b>44,462</b> | <b>51,461</b> |
| % Change (Y-o-Y)            | 4.5           | -8.2          | 0.5           | 2.4           | 10.4          | 18.3          | 12.2          | 22.1          | -0.3          | 15.7          |
| Other Income                | 3,756         | 4,375         | 4,452         | 5,294         | 4,417         | 5,846         | 5,997         | 5,854         | 17,814        | 22,114        |
| <b>Net Income</b>           | <b>14,959</b> | <b>15,179</b> | <b>15,560</b> | <b>16,640</b> | <b>16,780</b> | <b>18,629</b> | <b>18,463</b> | <b>19,703</b> | <b>62,276</b> | <b>73,574</b> |
| Operating Expenses          | 7,873         | 7,824         | 7,893         | 8,366         | 7,748         | 8,567         | 8,251         | 9,001         | 31,955        | 33,567        |
| <b>Operating Profit</b>     | <b>7,086</b>  | <b>7,355</b>  | <b>7,667</b>  | <b>8,274</b>  | <b>9,032</b>  | <b>10,062</b> | <b>10,212</b> | <b>10,701</b> | <b>30,321</b> | <b>40,007</b> |
| % Change (Y-o-Y)            | 11.2          | -3.8          | -3.5          | 1.2           | 27.5          | 36.8          | 33.2          | 29.3          | 6.9           | 18.1          |
| Other Provisions            | 4,081         | 1,371         | 7,181         | 8,136         | 4,170         | 4,783         | 5,403         | 8,069         | 20,768        | 22,425        |
| <b>Profit before Tax</b>    | <b>3,006</b>  | <b>5,984</b>  | <b>487</b>    | <b>138</b>    | <b>4,862</b>  | <b>5,279</b>  | <b>4,809</b>  | <b>2,632</b>  | <b>9,553</b>  | <b>17,582</b> |
| Tax Provisions              | 853           | 2,291         | 2             | -707          | 1,788         | 1,228         | 1,074         | -565          | 2,439         | 3,526         |
| <b>Net Profit</b>           | <b>2,153</b>  | <b>3,693</b>  | <b>485</b>    | <b>845</b>    | <b>3,074</b>  | <b>4,051</b>  | <b>3,735</b>  | <b>3,197</b>  | <b>7,114</b>  | <b>14,057</b> |
| % Change (Y-o-Y)            | 3.9           | 17.5          | -82.5         | -59.0         | 42.8          | 9.7           | 670.4         | 278.4         | -29.2         | 97.6          |
| <b>Operating Parameters</b> |               |               |               |               |               |               |               |               |               |               |
| NIM (Rep, %)                | 2.4           | 2.3           | 2.3           | 2.4           | 2.5           | 2.6           | 2.5           | 2.7           | 2.3           | 2.7           |
| Deposit Growth (%)          | 12.9          | 4.7           | 8.1           | 5.4           | 1.1           | 3.2           | 5.2           | 2.4           | 5.4           | 2.4           |
| Loan Growth (%)             | 5.7           | 5.0           | 3.7           | 2.5           | 1.5           | 0.2           | -0.7          | -1.0          | 2.5           | -1.0          |
| CASA Ratio (%)              | 29.5          | 29.8          | 30.7          | 31.9          | 32.1          | 33.6          | 38.7          | 37.7          | 31.9          | 37.7          |
| <b>Asset Quality</b>        |               |               |               |               |               |               |               |               |               |               |
| OSRL (INR b)                | 101.1         | 100.6         | 88.6          | 63.7          | 62.9          | 64.1          | 59.5          | 43.2          | 63.7          | 43.2          |
| OSRL (%)                    | 8.3           | 8.2           | 7.2           | 4.9           | 5.1           | 5.2           | 4.9           | 3.4           | 4.9           | 3.4           |
| Gross NPA (INR b)           | 58.2          | 57.7          | 70.7          | 88.3          | 88.9          | 91.9          | 96.8          | 98.7          | 88.3          | 98.7          |
| Gross NPA (%)               | 4.7           | 4.6           | 5.6           | 6.7           | 7.0           | 7.3           | 7.7           | 7.5           | 6.7           | 7.5           |

E: MOSL Estimates





# Persistent Systems

|                       |            |
|-----------------------|------------|
| BSE SENSEX            | S&P CNX    |
| 29,943                | 9,307      |
| Bloomberg             | PSYS IN    |
| Equity Shares (m)     | 80         |
| M.Cap.(INRb)/(USD\$b) | 45.4 / 0.7 |
| 52-Week Range (INR)   | 758 / 501  |
| 1, 6, 12 Rel. Per (%) | -8/-22/-38 |
| Avg Val, INRm         | 66         |
| Free float (%)        | 65.0       |

## Financials & Valuations (INR b)

| Y/E Mar     | 2017  | 2018E | 2019E |
|-------------|-------|-------|-------|
| Net Sales   | 28.8  | 31.1  | 35.0  |
| EBITDA      | 4.7   | 5.2   | 6.0   |
| PAT         | 3.1   | 3.5   | 4.1   |
| EPS (INR)   | 37.7  | 43.9  | 51.4  |
| Gr. (%)     | 1.4   | 16.6  | 16.9  |
| BV/Sh (INR) | 244.5 | 254.7 | 265.3 |
| RoE (%)     | 17.0  | 18.1  | 20.3  |
| RoCE (%)    | 16.7  | 16.0  | 17.3  |
| P/E (x)     | 15.1  | 12.9  | 11.1  |
| P/BV (x)    | 2.3   | 2.2   | 2.1   |

|                 |   |
|-----------------|---|
| Estimate change | ↔ |
| TP change       | ↔ |
| Rating change   | ↑ |

**CMP: INR568 TP: INR700(+23%) Buy**

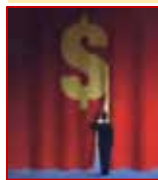
## Impressive margin beat

### Upgrading to "Buy" on expectations of margin cycle reversal

- Above-estimate margin was the key highlight of 4Q...** PSYS' 4QFY17 EBITDA margin expanded 200bp QoQ to 17.9% (ex. exceptional item), implying a 270bp beat, led by a combination of factors such as SGA optimization, bad debts recovery and some pruning in costs related to the IBM IoT deal. Revenue declined 0.9% QoQ to USD109m, marginally below our estimate of USD110.5m. Adjusted PAT grew 2.8% QoQ to INR842m, above our estimate of INR706m, led by strong EBITDA beat.
- ...capping a mixed FY17:** During the full year FY17, dollar revenue grew 22% YoY to USD429m (and ~11% organically), EBITDA rose 11.6% YoY to INR4,653m and PAT grew 5.2% YoY to INR3,129m. While revenue traction was healthy, margin contraction of 180bp YoY (albeit on expected lines post IBM IoT arrangement) and total revenues from the IBM deal were a couple of pushbacks.
- Segmental performance on expected lines:** Product Engineering Services (43.9% of revenues, includes ISVs except IBM) was down 0.9% QoQ, while Digital (~20% of revenues) drove growth (+11% QoQ). Revenues from IBM alliance (31% of business) fell 10.6% QoQ, impacted entirely by seasonality in the IoT deal (-USD3.5m QoQ).
- Valuation view – Upgrade to Buy:** We believe that margins have bottomed out and should start showing improvement YoY, ending three years of contraction (from 26% in FY14 to 16% in FY17). This, combined with 10% revenue CAGR over FY17-19E (facilitated by Digital), leads to 15% earnings CAGR during this period. The stock trades at 13x FY18E and 11x FY19E EPS. Our target price of INR700 discounts FY19E EPS by 14x, implying 24% upside. We upgrade PSYS to Buy.

## Quarterly Performance (Consolidated)

| Y/E March<br>(Consolidated) | FY16  |       |       |       | FY17  |       |       |       | FY16   | FY17E  | (INR Million) |                    |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|---------------|--------------------|
|                             | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | 2Q    | 3Q    | 4Q    |        |        | 4QFY17        | Est. Var. (% / bp) |
| Revenue (USD m)             | 78.6  | 83.0  | 89.7  | 100.4 | 104.8 | 105.2 | 110.0 | 109.0 | 352    | 429    | 110.5         | -1.4               |
| QoQ (%)                     | -1.8  | 5.5   | 8.1   | 12.0  | 4.3   | 0.4   | 4.6   | -0.9  | 14.0   | 22.0   | 0.5           | -137bp             |
| Revenue (INR m)             | 5,004 | 5,427 | 5,921 | 6,771 | 7,018 | 7,040 | 7,455 | 7,271 | 23,123 | 28,784 | 7,362         | -1.2               |
| QoQ (%)                     | 0.6   | 8.5   | 9.1   | 14.4  | 3.6   | 0.3   | 5.9   | -2.5  |        |        | -1.3          | -121bp             |
| YoY (%)                     | 15.0  | 16.9  | 19.7  | 36.1  | 40.2  | 29.7  | 25.9  | 7.4   | 22.3   | 24.5   | 8.7           | -134bp             |
| GPM (%)                     | 39.7  | 38.9  | 38.8  | 35.7  | 34.7  | 35.5  | 36.3  | 36.1  | 38.1   | 35.7   | 35.0          | 112bp              |
| SGA (%)                     | 20.4  | 20.2  | 20.1  | 19.8  | 19.6  | 19.8  | 20.4  | 18.2  | 20.1   | 19.5   | 19.4          | -113bp             |
| EBITDA                      | 969   | 1,018 | 1,110 | 1,074 | 1,058 | 1,108 | 1,187 | 1,302 | 4,171  | 4,653  | 1,116         | 16.7               |
| EBITDA Margin (%)           | 19.4  | 18.7  | 18.8  | 15.9  | 15.1  | 15.7  | 15.9  | 17.9  | 18.0   | 16.2   | 15.2          | 275bp              |
| EBIT Margin (%)             | 14.8  | 14.4  | 14.6  | 12.1  | 10.2  | 10.5  | 10.7  | 12.5  | 13.9   | 11.0   | 9.8           | 264bp              |
| Other income                | 198   | 182   | 160   | 210   | 253   | 243   | 318   | 143   | 750    | 958    | 217           | -34.1              |
| ETR (%)                     | 28.5  | 25.5  | 24.4  | 21.4  | 24.3  | 25.3  | 26.7  | 19.9  | 24.8   | 24.1   | 25.0          |                    |
| PAT                         | 672   | 718   | 775   | 808   | 733   | 735   | 819   | 842   | 2,974  | 3,129  | 706           | 19.3               |
| QoQ (%)                     | -11.6 | 6.9   | 7.8   | 4.3   | -9.3  | 0.3   | 11.4  | 2.8   |        |        | -13.8         | nm                 |
| YoY (%)                     | -2.3  | 0.7   | 4.1   | 6.3   | 9.0   | 2.3   | 5.7   | 4.2   | 2.3    | 5.2    | -12.6         | nm                 |
| EPS (INR)                   | 8.4   | 9.0   | 9.7   | 10.1  | 9.2   | 9.2   | 10.2  | 9.1   | 37.2   | 37.7   | 8.8           |                    |
| Headcount                   | 8,454 | 8,545 | 8,966 | 9,264 | 9,389 | 9,305 | 9,229 | 9,460 | 9,264  | 9,460  | 9,271         | 2.0                |
| Util excl. trainees (%)     | 72.9  | 76.1  | 74.5  | 75.2  | 75.3  | 74.2  | 78.9  | 77.8  | 74.7   | 76.6   | 78.3          | -45bp              |
| Attrition (trn)             | 16.4  | 17.1  | 17.1  | 16.4  | 16.7  | 15.9  | 15.8  |       |        |        |               |                    |
| IP rev. proportion(%)       | 18.4  | 16.2  | 20.1  | 28.2  | 28.2  | 27.8  | 28.4  | 27.6  | 21.1   | 28.0   | 29.0          | -140bp             |



# KPIT Technologies

|                          |           |
|--------------------------|-----------|
| Bloomberg                | KPIT IN   |
| Equity Shares (m)        | 200.2     |
| M.Cap. (INR b) / (USD b) | 26.2/0.4  |
| 52-Week Range (INR)      | 197/121   |
| 1, 6, 12 Rel. Per (%)    | -7/-5/-32 |

## Financial Snapshot (INR b)

| y/e mar      | 2016 | 2017E | 2018E | 2019E |
|--------------|------|-------|-------|-------|
| Sales        | 32.2 | 32.9  | 35.2  | 38.4  |
| EBITDA       | 4.4  | 3.4   | 4.2   | 4.7   |
| PAT          | 3.0  | 2.0   | 2.8   | 3.0   |
| EPS (INR)    | 14.1 | 11.5  | 13.8  | 15.0  |
| EPS Gr. (%)  | 19.0 | -18.4 | 19.8  | 9.2   |
| BV/Sh. (INR) | 69.0 | 79.6  | 93.4  | 108.4 |
| RoE (%)      | 21.0 | 13.7  | 15.9  | 14.9  |
| RoCE (%)     | 24.3 | 15.8  | 17.8  | 17.3  |
| Payout (%)   | 10.6 | 17.4  | 14.5  | 13.3  |

## Valuations

|            |     |      |     |     |
|------------|-----|------|-----|-----|
| P/E (x)    | 9.3 | 11.4 | 9.5 | 8.7 |
| P/BV (x)   | 1.9 | 1.6  | 1.4 | 1.2 |
| EV/EBITDA  | 5.1 | 5.9  | 4.3 | 3.4 |
| DW yld (%) | 1.1 | 1.5  | 1.5 | 1.5 |

**CMP: INR130 TP: INR150 (+16%) Neutral**

- Revenue performance has been lumpy for KPIT, with guidance of a better 2H compared to 1H.
- However, the impact of seasonal weakness and pressure in ERP implementation continue weighing on overall performance.
- Expect revenue of US124m, 1.2% QoQ growth in USD terms and 0.8% QoQ CC.
- While the company's drive has been to increase profitability, excessive fresher hiring led to operational inefficiencies, negatively impacting profitability. We expect margins to be subdued till there is a sustained uptick in revenue growth momentum, which remains elusive.
- Our PAT estimate is INR451m, -5% QoQ because of the compounding of lower margins and translation losses.
- KPIT trades at 9.5x FY18E and 8.7x FY19E earnings. Maintain **Neutral**.

## Key issues to watch for

- Ø Growth in IES, Engineering Services and top client.
- Ø Margin performance and guidance.
- Ø Commentary on deal wins across segments.
- Ø Plan to recoup revenue growth and profitability.

## Quarterly Performance (Indian GAAP)

| Y/E March               | FY16   |        |        |        | FY17   |        |        |        | FY16   | FY17E  |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                         | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     | 2Q     | 3Q     | 4QE    |        |        |
| Revenue (USD m)         | 118    | 125    | 123    | 124    | 120    | 123    | 123    | 124    | 490    | 490    |
| QoQ (%)                 | -3.3   | 5.3    | -1.0   | 0.7    | -3.5   | 3.0    | -0.4   | 1.2    | 0.3    | 0.0    |
| Revenue (INR m)         | 7,583  | 8,123  | 8,130  | 8,407  | 8,032  | 8,310  | 8,307  | 8,284  | 32,243 | 32,933 |
| YoY (%)                 | 9.9    | 7.2    | 4.3    | 10.2   | 5.9    | 2.3    | 2.2    | -1.5   | 7.8    | 2.1    |
| GPM (%)                 | 28.2   | 32.1   | 32.9   | 35.3   | 28.9   | 29.5   | 29.0   | 28.9   | 32.2   | 29.1   |
| SGA (%)                 | 18.7   | 18.1   | 18.3   | 19.1   | 18.3   | 18.5   | 18.8   | 18.9   | 18.6   | 18.6   |
| EBITDA                  | 718    | 1,139  | 1,186  | 1,359  | 855    | 914    | 846    | 830    | 4,353  | 3,446  |
| EBITDA Margin (%)       | 9.5    | 14.0   | 14.6   | 16.2   | 10.7   | 11.0   | 10.2   | 10.0   | 13.5   | 10.5   |
| EBIT Margin (%)         | 7.3    | 11.9   | 12.3   | 13.6   | 8.3    | 8.6    | 7.9    | 7.6    | 11.4   | 8.1    |
| Other income            | 106    | 86     | 36     | 20     | 116    | 49     | 29     | 20     | 248    | 214    |
| Interest                | 47     | 44     | 35     | 25     | 56     | 14     | 66     | 63     | 152    | 199    |
| ETR (%)                 | 27.9   | 25.4   | 26.5   | 13.4   | 24.3   | 25.1   | 23.1   | 23.1   | 22.8   | 24.0   |
| PAT                     | 444    | 751    | 735    | 885    | 551    | 562    | 475    | 451    | 2,815  | 2,039  |
| QoQ (%)                 | -11.8  | 69.1   | -2.1   | 20.4   | -37.8  | 2.0    | -15.5  | -5.0   |        |        |
| YoY (%)                 | -12.6  | 6.3    | 12.5   | 75.7   | 24.0   | -25.2  | -35.4  | -49.0  | 18.7   | -27.6  |
| EPS (INR)               | 2.2    | 3.8    | 3.7    | 4.4    | 2.8    | 2.8    | 3.7    | 2.3    | 14.1   | 11.5   |
| Headcount               | 10,839 | 10,659 | 10,559 | 10,910 | 11,288 | 11,666 | 11,881 | 11,770 | 10,910 | 11,770 |
| Util excl. trainees (%) | 66.4   | 69.7   | 69.1   | 70.2   | 68.1   | 69.2   | 69.2   | 70.0   | 68.8   | 69.1   |
| Offshore rev. (%)       | 44.7   | 44.9   | 41.2   | 42.1   | 41.5   | 43.3   | 43.6   | 43.8   | 43.2   | 43.1   |
| Fixed Price (%)         | 26.2   | 27.1   | 29.1   | 26.4   | 28.5   | 28.0   | 33.7   |        |        |        |

E: MOSL Estimates



## 1. Cement stockists & dealers association of Bombay: strong rural demand will be key for cement demand growth; Sanjay Ladiwala, Chairman

- n If you want to ascertain any trend in cement, minimum good period has to be six months at least a quarter
- n There are some segments like basically the real estate sector which is not growing, which is not only stagnant, in some cases, in some places, it is also negative
- n The major factor is the rural demand which constitutes nearly 38-40 percent. Now that depends on the monsoon and if the monsoon is average, good, or deficit, that will show effect majorly the rural consumption
- n What is actually taking up the slack of the dearth in the growth of demand in the real sector is in infrastructure which is growing while rural is steady which is why we are seeing a positive sign in the growth of figures
- n Composition of infra – Irrigation, yes, is been one of them, power sector is the other one, and roads are a lot. So, these are the three sectors which are really moving forward and each project is huge
- n **REGIONAL** – North has really gone up substantially demand wise, may not be commensurately price wise. East has always been good, there was no correction of demand there at all. We have seen a lot of volatility in the South unfortunately but now that demand has kicked in. West is a little cause for concern, central is pretty good

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## 2. Indiabulls housing finance: Won't need capital from market for next 3 years; Ashwini Kumar Hooda, Deputy MD

- n We are big beneficiary of large transactions in affordable housing space and hence for the year we have disbursed Rs 33,500 crore of loan which has resulted in loan book growth of 33 percent to Rs 91,000 crore plus of the book
- n We have been beneficiary of huge drop in marginal cost of lending rate (MCLR) by banks, as almost 39 percent of our liability which is term loans and 11 percent of our sold down securitised home loan pool are linked to bank's MCLR and we have had unique savings on these floating rate loans
- n NPAs will come as book will grow, a certain percentage of NPAs will come but being a mortgage lender where the house is behind these NPAs, we are able to recover our entire money over a period of time
- n Capital adequacy continues to be very high at 20.9 percent, tier one is 17.25 percent but regulatory requirement is only 6 percent. These are very high capitalisation level. My leverage adjusted for cash on balance sheet is only 5.7 times. So I am the least levered housing finance company. Therefore, our sense is we will not need any capital from the market for next three years or so and would probably visit the market in 2021

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### 1. Provisions in Rera are draconian and arbitrary

- n The government has set a three-month deadline starting May 1 for all state governments to appoint a Real Estate Regulatory Authority. This is fine, having notified the new law to ensure fair trade practices in the real estate sector in its entirety. But why treat real estate developers like smugglers? The penal provisions for failure to comply with the law are draconian and arbitrary. A developer would be slapped a stiff penalty of up to 10 per cent of the estimated cost of the project if he fails to register the project. Failure to register despite orders issued by RERA will lead to imprisonment for up to three years, or an additional fine of 10 per cent of the project cost or both.

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### 2. Save steel, but not by sacrificing mining

- n A proposal is firming up in the steel ministry to regulate iron ore prices, so that the steel industry would get its key input cheap. The finance ministry, the commerce ministry and state governments that have sizeable royalties from any kind of mineral, not just iron ore, must raise their voice against this move and prevent a throwback to the time when India used to regulate mineral and metal prices. The whole point of abolishing captive mining and throwing mining rights open to the highest bidder is to allocate resources rationally and remove one major avenue of crony capitalism. It is strange that the steel ministry should be thinking of reversing the logic of such market orientation the present government has championed ever since it took office.

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### 3. State governments driving fiscal expansion in India

- n Ever since the Fiscal Responsibility and Budget Management Act (FRBM) was introduced in India, state governments have largely been conservative spenders, limiting their spending far more effectively than the Union government. This trend seems to be reversing in recent years, with the aggregate fiscal deficit of states rising at a time when the aggregate fiscal deficit of the Union government has been declining. Overturning years of fiscal conservatism, Indian states have become much more profligate than before, a Mint analysis of major state budgets show. These states, accounting for 86% of India's gross domestic product (GDP) and 76% of the country's population, have witnessed their aggregate gross fiscal deficit rising sharply to around 3.2% of India's GDP in 2016-17, significantly higher than the budget estimates of 2.8%.

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### 4. Dealing with bad debt

- n The IMF recently released a Financial Stability Report that contains a section on asset quality and capital indicators for emerging market banks. In the list of countries whose banks are most vulnerable, India joins Russia, Colombia and Saudi Arabia. The quantum of NPAs with banks in India varies depending on whom one asks but everyone agrees that there is a problem and it is gargantuan. The RBI has been doing its bit to ensure that banks report NPAs accurately. The Prudential Norms for Income Recognition and Asset Classification (IRAC) issued by the RBI have been regularly amended to ensure that they capture the correct amount of NPAs.

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## 5. Oil Market: Why listed airlines in India must adopt hedging as standard practice

- n Air turbulence creates uneasiness among passengers, especially, those sitting at the tail-end of the plane, oil turbulence can create financial troubles to managers of airline businesses and more so for those sitting on thin financials. The uncertainty in oil markets would be evident from the sticky \$50 per barrel oil prices despite the historic OPEC agreement to cut output by 1.8 million bpd in the first half of 2017. On the other hand, Asian demand has been showing an increasing trend in the last three months. Volatility, thus, is the order of the day and the stakeholders shall better remain protected. With 28 to 42% (current fuel prices) of their operational costs attributable to one of the crude derivative, namely the Aviation Turbine Fuel (ATF), Indian airline sector is no exception to it. While the good times (low oil prices) add value to the investors in the airline industry stocks, bad times (high oil prices) lead to vulnerable operators succumbing to cost pressures and exiting the markets besides leaving NPAs.

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## International

### 6. Global Economics: Why financial cycles matter

- n The first cracks appeared a decade ago. US subprime mortgage defaults began to pick up in the summer of 2007. Most policymakers saw it as a problem restricted to one part of the global financial system. What happened later is now well known. The contagion spread rapidly because of excess leverage, complex derivatives and sheer mismanagement. The North Atlantic financial crisis of September 2008 almost brought down the world economy. Much has happened since. Yet the global economy has still not recovered from the effects of the financial crisis. The latest data does show signs of a cyclical bounce, but the underlying structural problems have not disappeared. The standard view is that the world is now suffering from secular stagnation.

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| Company                | Reco         | CMP (INR) | TP (INR) | % Upside<br>Downside | EPS (INR) |       |         | P/E (x)     |             | P/B (x)    |            | ROE (%)     |             |             |
|------------------------|--------------|-----------|----------|----------------------|-----------|-------|---------|-------------|-------------|------------|------------|-------------|-------------|-------------|
|                        |              |           |          |                      | FY17E     | FY18E | FY19E   | FY17E       | FY18E       | FY17E      | FY18E      | FY17E       | FY18E       | FY19E       |
| <b>Automobiles</b>     |              |           |          |                      |           |       |         |             |             |            |            |             |             |             |
| Amara Raja             | Buy          | 878       | 1,084    | 23                   | 29.3      | 37.3  | 43.4    | 30.0        | 23.6        | 6.0        | 4.9        | 21.7        | 22.9        | 22.0        |
| Ashok Ley.             | Buy          | 88        | 98       | 11                   | 4.2       | 5.2   | 6.6     | 20.8        | 17.1        | 4.0        | 3.6        | 20.6        | 22.3        | 24.9        |
| Bajaj Auto             | Buy          | 2,896     | 3,282    | 13                   | 133.7     | 154.8 | 174.0   | 21.7        | 18.7        | 6.0        | 5.3        | 29.5        | 30.2        | 30.0        |
| Bharat Forge           | Buy          | 1,135     | 1,266    | 12                   | 25.3      | 37.2  | 50.6    | 44.9        | 30.5        | 6.7        | 5.8        | 15.7        | 20.5        | 23.7        |
| Bosch                  | Neutral      | 22,590    | 22,924   | 1                    | 472.3     | 667.8 | 764.1   | 47.8        | 33.8        | 9.1        | 7.6        | 18.2        | 24.5        | 23.4        |
| CEAT                   | Buy          | 1,461     | 1,406    | -4                   | 89.9      | 107.6 | 140.6   | 16.3        | 13.6        | 2.5        | 2.1        | 16.4        | 16.9        | 18.9        |
| Eicher Mot.            | Buy          | 26,090    | 28,811   | 10                   | 615.4     | 854.5 | 1,047.6 | 42.4        | 30.5        | 14.9       | 10.7       | 40.7        | 40.9        | 36.7        |
| Endurance Tech.        | Buy          | 833       | 841      | 1                    | 22.3      | 29.4  | 37.4    | 37.4        | 28.3        | 6.7        | 5.6        | 19.6        | 21.6        | 22.9        |
| Escorts                | Buy          | 551       | 608      | 10                   | 23.2      | 34.1  | 43.4    | 23.7        | 16.2        | 2.8        | 2.4        | 12.1        | 15.9        | 17.5        |
| Exide Ind              | Buy          | 235       | 270      | 15                   | 8.4       | 9.8   | 11.9    | 28.0        | 24.0        | 4.1        | 3.6        | 14.5        | 15.0        | 16.0        |
| Hero Moto              | Neutral      | 3,306     | 3,390    | 3                    | 172.2     | 185.1 | 188.3   | 19.2        | 17.9        | 7.0        | 6.0        | 39.5        | 36.2        | 31.9        |
| M&M                    | Buy          | 1,308     | 1,573    | 20                   | 61.7      | 75.4  | 89.5    | 21.2        | 17.3        | 3.2        | 2.9        | 14.5        | 13.9        | 14.7        |
| Mahindra CIE           | Not Rated    | 224       | -        |                      | 5.4       | 9.9   | 11.8    | 41.8        | 22.7        | 2.6        | 2.3        | 6.4         | 10.8        | 11.5        |
| Maruti Suzuki          | Buy          | 6,342     | 7,299    | 15                   | 253.2     | 307.6 | 374.1   | 25.0        | 20.6        | 5.9        | 4.8        | 22.4        | 23.0        | 23.1        |
| Tata Motors            | Buy          | 446       | 609      | 37                   | 11.5      | 29.4  | 62.0    | 38.7        | 15.1        | 1.8        | 1.6        | 4.7         | 11.2        | 20.4        |
| TVS Motor              | Buy          | 489       | 500      | 2                    | 11.2      | 15.2  | 21.6    | 43.6        | 32.3        | 10.0       | 8.1        | 25.1        | 27.8        | 31.4        |
| <b>Aggregate</b>       |              |           |          |                      |           |       |         | <b>27.8</b> | <b>19.8</b> | <b>4.1</b> | <b>3.6</b> | <b>14.7</b> | <b>18.0</b> | <b>21.2</b> |
| <b>Banks - Private</b> |              |           |          |                      |           |       |         |             |             |            |            |             |             |             |
| Axis Bank              | Neutral      | 515       | 510      | -1                   | 13.8      | 23.9  | 42.2    | 37.3        | 21.6        | 2.2        | 2.1        | 6.2         | 9.9         | 15.7        |
| DCB Bank               | Neutral      | 183       | 170      | -7                   | 7.0       | 8.8   | 11.2    | 26.2        | 20.8        | 2.7        | 2.5        | 10.9        | 12.4        | 14.0        |
| Equitas Hold.          | Buy          | 169       | 220      | 30                   | 5.7       | 6.2   | 7.4     | 29.7        | 27.2        | 2.5        | 2.3        | 10.7        | 8.9         | 9.6         |
| Federal Bank           | Buy          | 94        | 108      | 15                   | 4.4       | 5.2   | 6.7     | 21.3        | 17.9        | 1.9        | 1.7        | 9.0         | 10.0        | 11.7        |
| HDFC Bank              | Buy          | 1,536     | 1,790    | 17                   | 56.8      | 67.1  | 79.4    | 27.1        | 22.9        | 4.4        | 4.0        | 17.9        | 18.2        | 19.0        |
| ICICI Bank             | Buy          | 273       | 350      | 28                   | 17.3      | 17.8  | 20.5    | 15.7        | 15.3        | 1.9        | 1.7        | 10.5        | 9.8         | 10.5        |
| IDFC Bank              | Neutral      | 59        | 63       | 6                    | 3.0       | 3.8   | 4.8     | 20.1        | 15.5        | 1.4        | 1.3        | 7.1         | 8.7         | 10.1        |
| IndusInd               | Buy          | 1,452     | 1,700    | 17                   | 50.1      | 59.4  | 72.0    | 29.0        | 24.4        | 4.3        | 3.8        | 16.0        | 16.5        | 17.3        |
| J&K Bank               | Neutral      | 79        | 75       | -5                   | -25.2     | 13.0  | 15.4    | NM          | 6.1         | 0.7        | 0.7        | -21.1       | 11.6        | 12.5        |
| Kotak Mah. Bk          | Buy          | 898       | 1,017    | 13                   | 26.3      | 32.3  | 41.6    | 34.2        | 27.8        | 4.3        | 3.8        | 13.5        | 14.5        | 16.0        |
| RBL Bank               | Under Review | 568       | -        |                      | 12.7      | 18.5  | 24.3    | 44.6        | 30.7        | 5.0        | 4.4        | 12.9        | 15.2        | 17.4        |
| South Indian           | Neutral      | 25        | 21       | -16                  | 2.8       | 3.1   | 3.8     | 9.0         | 8.1         | 0.8        | 0.8        | 9.7         | 10.0        | 11.3        |
| Yes Bank               | Buy          | 1,557     | 2,110    | 36                   | 73.2      | 92.2  | 116.2   | 21.3        | 16.9        | 3.2        | 2.9        | 18.6        | 18.0        | 19.7        |
| <b>Aggregate</b>       |              |           |          |                      |           |       |         | <b>25.7</b> | <b>20.4</b> | <b>3.0</b> | <b>2.7</b> | <b>11.5</b> | <b>13.3</b> | <b>14.8</b> |
| <b>Banks - PSU</b>     |              |           |          |                      |           |       |         |             |             |            |            |             |             |             |
| BOB                    | Buy          | 182       | 224      | 23                   | 7.5       | 19.0  | 26.1    | 24.2        | 9.6         | 1.2        | 1.1        | 5.0         | 11.9        | 14.8        |
| BOI                    | Neutral      | 159       | 129      | -19                  | -5.7      | 14.5  | 23.7    | NM          | 11.0        | 0.7        | 0.6        | -2.5        | 6.0         | 9.2         |
| Canara                 | Neutral      | 332       | 310      | -7                   | 25.2      | 35.9  | 57.6    | 13.2        | 9.2         | 0.7        | 0.6        | 5.2         | 7.0         | 10.5        |
| IDBI Bk                | Neutral      | 74        | 49       | -33                  | 1.5       | 6.4   | 8.6     | 48.4        | 11.5        | 0.7        | 0.7        | 1.4         | 5.8         | 7.3         |
| Indian Bk              | Buy          | 311       | 331      | 6                    | 27.1      | 30.1  | 35.9    | 11.5        | 10.3        | 1.0        | 1.0        | 9.3         | 9.6         | 10.6        |
| OBC                    | Neutral      | 156       | 138      | -11                  | 0.3       | 21.0  | 26.0    | 619.8       | 7.4         | 0.4        | 0.4        | 0.1         | 5.2         | 6.1         |
| PNB                    | Buy          | 161       | 186      | 15                   | 5.3       | 12.4  | 16.6    | 30.5        | 12.9        | 0.9        | 0.8        | 3.0         | 6.7         | 8.3         |
| SBI                    | Buy          | 286       | 340      | 19                   | 8.7       | 16.9  | 23.3    | 32.9        | 16.9        | 1.2        | 1.2        | 3.9         | 7.3         | 9.3         |
| Union Bk               | Neutral      | 163       | 174      | 7                    | 8.5       | 30.5  | 45.3    | 19.3        | 5.3         | 0.5        | 0.5        | 2.8         | 9.7         | 13.0        |
| <b>Aggregate</b>       |              |           |          |                      |           |       |         | <b>29.1</b> | <b>12.5</b> | <b>0.9</b> | <b>0.9</b> | <b>3.2</b>  | <b>7.0</b>  | <b>9.2</b>  |
| <b>NBFCs</b>           |              |           |          |                      |           |       |         |             |             |            |            |             |             |             |
| Bajaj Fin.             | Buy          | 1,342     | 1,448    | 8                    | 34.4      | 47.5  | 64.0    | 39.0        | 28.3        | 8.1        | 6.5        | 22.7        | 25.5        | 27.3        |
| Bharat Fin.            | Neutral      | 804       | 859      | 7                    | 44.6      | 42.8  | 55.1    | 18.0        | 18.8        | 4.0        | 3.3        | 29.6        | 19.3        | 20.4        |
| Dewan Hsg.             | Buy          | 431       | 500      | 16                   | 29.6      | 36.7  | 42.7    | 14.6        | 11.7        | 1.7        | 1.5        | 14.4        | 13.9        | 14.5        |
| GRUH Fin.              | Neutral      | 394       | 421      | 7                    | 8.1       | 10.3  | 12.5    | 48.4        | 38.3        | 12.9       | 10.7       | 30.4        | 30.6        | 30.9        |
| HDFC                   | Buy          | 1,548     | 1,752    | 13                   | 46.7      | 51.7  | 57.3    | 33.1        | 29.9        | 6.2        | 5.6        | 19.1        | 18.1        | 17.1        |
| Indiabulls Hsg         | Buy          | 1,014     | 1,227    | 21                   | 69.0      | 82.2  | 101.6   | 14.7        | 12.3        | 3.5        | 3.2        | 25.5        | 27.0        | 29.6        |
| LIC Hsg Fin            | Buy          | 673       | 723      | 7                    | 38.3      | 46.9  | 55.3    | 17.6        | 14.4        | 3.2        | 2.7        | 19.5        | 20.3        | 20.3        |
| Manappuram             | Not Rated    | 94        | -        |                      | 8.2       | 11.1  | 14.0    | 11.4        | 8.4         | 2.6        | 2.3        | 23.9        | 29.0        | 32.2        |
| M&M Fin.               | Buy          | 340       | 380      | 12                   | 7.9       | 10.9  | 14.1    | 43.1        | 31.1        | 3.1        | 2.9        | 7.2         | 9.6         | 11.6        |
| Muthoot Fin            | Buy          | 394       | 465      | 18                   | 29.7      | 34.5  | 40.0    | 13.3        | 11.4        | 2.5        | 2.2        | 19.7        | 20.2        | 20.6        |

| Company              | Reco      | CMP (INR) | TP (INR) | % Upside<br>Downside | EPS (INR) |       |       | P/E (x)     |             | P/B (x)    |            | ROE (%)     |             |             |
|----------------------|-----------|-----------|----------|----------------------|-----------|-------|-------|-------------|-------------|------------|------------|-------------|-------------|-------------|
|                      |           |           |          |                      | FY17E     | FY18E | FY19E | FY17E       | FY18E       | FY17E      | FY18E      | FY17E       | FY18E       | FY19E       |
| PFC                  | Neutral   | 161       | 117      | -27                  | 25.7      | 27.2  | 30.2  | 6.3         | 5.9         | 1.1        | 0.9        | 17.9        | 17.0        | 16.8        |
| Repco Home           | Buy       | 766       | 831      | 8                    | 28.6      | 34.0  | 40.2  | 26.8        | 22.5        | 4.3        | 3.6        | 17.3        | 17.5        | 17.6        |
| REC                  | Neutral   | 207       | 134      | -35                  | 31.4      | 35.0  | 40.4  | 6.6         | 5.9         | 1.2        | 1.1        | 19.9        | 19.1        | 19.1        |
| Shriram Union        | City Buy  | 2,291     | 2,689    | 17                   | 91.8      | 134.5 | 164.6 | 25.0        | 17.0        | 3.0        | 2.6        | 12.7        | 16.5        | 17.5        |
| STF                  | Buy       | 1,089     | 1,289    | 18                   | 55.3      | 81.9  | 100.5 | 19.7        | 13.3        | 2.2        | 2.0        | 11.7        | 15.5        | 16.7        |
| <b>Aggregate</b>     |           |           |          |                      |           |       |       | <b>17.7</b> | <b>15.2</b> | <b>3.1</b> | <b>2.7</b> | <b>17.6</b> | <b>18.0</b> | <b>18.1</b> |
| <b>Capital Goods</b> |           |           |          |                      |           |       |       |             |             |            |            |             |             |             |
| ABB                  | Neutral   | 1,413     | 1,190    | -16                  | 18.4      | 26.1  | 32.6  | 76.7        | 54.2        | 9.1        | 7.8        | 11.9        | 14.4        | 15.9        |
| Bharat Elec.         | Buy       | 180       | 180      | 0                    | 6.5       | 7.3   | 8.5   | 27.9        | 24.7        | 5.3        | 4.7        | 20.4        | 18.8        | 19.1        |
| BHEL                 | Sell      | 178       | 115      | -35                  | 5.5       | 5.7   | 5.8   | 32.1        | 31.1        | 1.3        | 1.2        | 4.0         | 4.0         | 4.0         |
| Blue Star            | Neutral   | 677       | 680      | 0                    | 14.1      | 20.3  | 29.5  | 48.0        | 33.4        | 9.1        | 7.9        | 20.2        | 25.3        | 31.2        |
| CG Cons. Elec.       | Buy       | 221       | 221      | 0                    | 4.6       | 5.5   | 6.7   | 48.5        | 40.5        | 36.7       | 25.0       | 94.3        | 73.3        | 66.1        |
| CG Power & Indu.     | Sell      | 80        | 45       | -43                  | 3.6       | 3.9   | 4.5   | 21.8        | 20.4        | 1.2        | 1.1        | 5.4         | 5.5         | 6.0         |
| Cummins              | Neutral   | 970       | 990      | 2                    | 26.6      | 30.5  | 36.5  | 36.4        | 31.8        | 7.8        | 7.1        | 22.6        | 23.2        | 25.3        |
| GE T&D               | Neutral   | 344       | 340      | -1                   | 6.0       | 11.0  | 11.4  | 57.1        | 31.1        | 6.8        | 6.1        | 11.7        | 20.7        | 19.2        |
| Havells              | Neutral   | 485       | 425      | -12                  | 8.9       | 12.1  | 14.1  | 54.3        | 40.2        | 11.0       | 9.9        | 20.3        | 24.6        | 25.1        |
| Inox Wind            | Neutral   | 197       | 175      | -11                  | 17.5      | 16.6  | 17.7  | 11.3        | 11.9        | 2.0        | 1.7        | 19.2        | 15.7        | 14.6        |
| K E C Intl           | Buy       | 218       | 175      | -20                  | 10.5      | 12.3  | 13.5  | 20.8        | 17.8        | 3.2        | 2.8        | 16.6        | 16.8        | 16.2        |
| L&T                  | Buy       | 1,746     | 1,750    | 0                    | 53.6      | 63.6  | 74.4  | 32.6        | 27.5        | 3.4        | 3.1        | 10.9        | 11.9        | 12.7        |
| Pennar Eng.          | Not Rated | 144       | -        | -                    | 5.8       | 7.5   | 10.0  | 24.7        | 19.2        | 2.1        | 1.9        | 8.6         | 10.0        | 11.8        |
| Siemens              | Neutral   | 1,342     | 1,340    | 0                    | 17.0      | 25.7  | 33.5  | 78.9        | 52.2        | 7.3        | 6.2        | 9.2         | 11.9        | 14.2        |
| Solar Ind            | Neutral   | 813       | 800      | -2                   | 19.0      | 22.3  | 26.5  | 42.8        | 36.4        | 7.3        | 6.3        | 18.4        | 18.6        | 19.0        |
| Suzlon Energy        | Not Rated | 21        | -        | -                    | 0.6       | 0.9   | 1.0   | 32.8        | 23.6        | -1.9       | -2.1       | NM          | -8.8        | -11.0       |
| Thermax              | Sell      | 1,056     | 781      | -26                  | 23.5      | 28.4  | 31.5  | 44.9        | 37.2        | 5.0        | 4.6        | 11.6        | 12.9        | 13.2        |
| Va Tech Wab.         | Buy       | 695       | 760      | 9                    | 26.5      | 34.5  | 40.3  | 26.3        | 20.1        | 3.6        | 3.2        | 8.9         | 16.7        | 17.3        |
| Voltas               | Sell      | 417       | 370      | -11                  | 13.6      | 14.9  | 16.9  | 30.7        | 27.9        | 5.1        | 4.5        | 17.6        | 17.1        | 17.1        |
| <b>Aggregate</b>     |           |           |          |                      |           |       |       | <b>35.5</b> | <b>30.0</b> | <b>4.0</b> | <b>3.6</b> | <b>11.2</b> | <b>12.1</b> | <b>12.8</b> |
| <b>Cement</b>        |           |           |          |                      |           |       |       |             |             |            |            |             |             |             |
| Ambuja Cem.          | Buy       | 246       | 277      | 12                   | 4.9       | 6.7   | 7.2   | 50.4        | 36.7        | 2.5        | 2.4        | 5.0         | 6.8         | 7.1         |
| ACC                  | Neutral   | 1,608     | 1,521    | -5                   | 33.7      | 49.2  | 63.6  | 47.6        | 32.7        | 3.6        | 3.6        | 7.5         | 11.0        | 14.2        |
| Birla Corp.          | Buy       | 770       | 869      | 13                   | 21.5      | 41.2  | 54.4  | 35.7        | 18.7        | 2.1        | 2.0        | 6.0         | 10.9        | 13.2        |
| Dalmia Bharat        | Buy       | 2,087     | 2,392    | 15                   | 30.7      | 47.5  | 70.1  | 68.1        | 43.9        | 4.5        | 4.1        | 6.8         | 9.8         | 12.9        |
| Grasim Inds.         | Neutral   | 1,180     | 1,067    | -10                  | 68.7      | 86.6  | 111.1 | 17.2        | 13.6        | 1.9        | 1.7        | 11.7        | 13.2        | 14.8        |
| India Cem            | Neutral   | 202       | 152      | -25                  | 5.1       | 8.7   | 11.9  | 39.7        | 23.2        | 1.7        | 1.6        | 4.0         | 6.2         | 7.7         |
| J K Cements          | Buy       | 978       | 1,103    | 13                   | 32.6      | 37.2  | 49.3  | 30.0        | 26.3        | 3.8        | 3.4        | 13.3        | 13.6        | 16.0        |
| JK Lakshmi Ce        | Buy       | 485       | 526      | 9                    | 5.9       | 12.2  | 17.8  | 81.8        | 39.6        | 4.2        | 4.1        | 5.2         | 10.5        | 14.7        |
| Ramco Cem            | Buy       | 697       | 815      | 17                   | 27.8      | 30.1  | 36.2  | 25.1        | 23.2        | 4.5        | 3.9        | 19.6        | 18.0        | 18.5        |
| Orient Cem           | Buy       | 164       | 167      | 2                    | -1.8      | 3.2   | 5.8   | NM          | 51.8        | 3.5        | 3.3        | -3.7        | 6.6         | 11.3        |
| Prism Cem            | Buy       | 113       | 118      | 4                    | -0.6      | 2.6   | 4.8   | NM          | 43.1        | 6.0        | 5.4        | -3.1        | 13.1        | 20.8        |
| Shree Cem            | Buy       | 19,082    | 20,072   | 5                    | 363.2     | 480.6 | 642.3 | 52.5        | 39.7        | 9.5        | 7.8        | 19.2        | 21.7        | 23.5        |
| Ultratech            | Buy       | 4,235     | 4,735    | 12                   | 96.1      | 120.9 | 150.9 | 44.1        | 35.0        | 5.0        | 4.5        | 12.0        | 13.6        | 15.0        |
| <b>Aggregate</b>     |           |           |          |                      |           |       |       | <b>35.8</b> | <b>26.8</b> | <b>3.5</b> | <b>3.2</b> | <b>9.8</b>  | <b>11.9</b> | <b>13.6</b> |
| <b>Consumer</b>      |           |           |          |                      |           |       |       |             |             |            |            |             |             |             |
| Asian Paints         | Neutral   | 1,097     | 1,145    | 4                    | 20.5      | 22.6  | 26.7  | 53.5        | 48.6        | 16.5       | 14.5       | 32.8        | 31.8        | 32.4        |
| Britannia            | Buy       | 3,477     | 4,065    | 17                   | 72.2      | 83.3  | 101.7 | 48.2        | 41.7        | 18.5       | 14.6       | 43.1        | 39.2        | 38.0        |
| Colgate              | Buy       | 1,037     | 1,200    | 16                   | 21.7      | 25.8  | 31.6  | 47.8        | 40.2        | 25.0       | 23.4       | 54.9        | 60.1        | 68.5        |
| Dabur                | Neutral   | 294       | 310      | 6                    | 7.3       | 8.3   | 9.7   | 40.2        | 35.5        | 10.5       | 8.9        | 28.3        | 27.2        | 27.1        |
| Emami                | Buy       | 1,020     | 1,295    | 27                   | 24.5      | 29.8  | 36.0  | 41.7        | 34.2        | 12.3       | 10.4       | 33.8        | 33.0        | 33.2        |
| Godrej Cons.         | Neutral   | 1,750     | 1,740    | -1                   | 37.1      | 42.9  | 49.8  | 47.1        | 40.8        | 9.9        | 8.4        | 22.5        | 22.2        | 21.9        |
| GSK Cons.            | Neutral   | 5,223     | 5,410    | 4                    | 153.9     | 173.1 | 190.8 | 33.9        | 30.2        | 7.8        | 6.8        | 24.6        | 24.0        | 23.1        |
| HUL                  | Neutral   | 924       | 945      | 2                    | 19.3      | 21.5  | 24.8  | 48.0        | 43.0        | 33.0       | 34.4       | 67.6        | 78.4        | 92.5        |
| ITC                  | Buy       | 281       | 320      | 14                   | 8.4       | 9.3   | 11.0  | 33.6        | 30.1        | 8.9        | 7.8        | 28.4        | 27.6        | 28.7        |
| Jyothy Lab           | Neutral   | 398       | 380      | -4                   | 8.0       | 9.0   | 10.5  | 49.9        | 44.3        | 7.9        | 7.3        | 16.4        | 17.1        | 18.1        |
| Marico               | Buy       | 311       | 340      | 9                    | 6.1       | 7.0   | 8.4   | 51.1        | 44.4        | 15.4       | 13.3       | 33.3        | 32.1        | 34.6        |

| Company             | Reco      | CMP (INR) | TP (INR) | % Upside<br>Downside | EPS (INR) |       |       | P/E (x)     |             | P/B (x)     |             | ROE (%)     |             |             |
|---------------------|-----------|-----------|----------|----------------------|-----------|-------|-------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                     |           |           |          |                      | FY17E     | FY18E | FY19E | FY17E       | FY18E       | FY17E       | FY18E       | FY17E       | FY18E       | FY19E       |
| Nestle              | Neutral   | 6,325     | 6,665    | 5                    | 118.0     | 139.2 | 163.3 | 53.6        | 45.4        | 20.2        | 17.6        | 39.0        | 41.4        | 41.9        |
| Page Inds           | Buy       | 14,156    | 17,480   | 23                   | 235.6     | 305.1 | 388.4 | 60.1        | 46.4        | 24.8        | 19.6        | 41.3        | 42.2        | 43.2        |
| Parag Milk          | Neutral   | 247       | 250      | 1                    | 0.8       | 6.9   | 12.5  | 304.4       | 35.5        | 3.0         | 2.8         | 1.3         | 8.2         | 13.2        |
| Pidilite Ind.       | Neutral   | 727       | 740      | 2                    | 16.6      | 18.3  | 20.5  | 43.8        | 39.8        | 11.3        | 9.2         | 27.9        | 25.4        | 23.4        |
| P&G Hygiene         | Buy       | 7,343     | 8,790    | 20                   | 145.7     | 167.7 | 198.8 | 50.4        | 43.8        | 13.6        | 11.8        | 29.0        | 28.8        | 29.5        |
| United Brew         | Buy       | 757       | 1,030    | 36                   | 10.7      | 14.3  | 18.4  | 71.0        | 52.9        | 8.5         | 7.5         | 12.6        | 15.0        | 16.8        |
| United Spirits      | Neutral   | 1,924     | 2,025    | 5                    | 28.6      | 42.2  | 58.7  | 67.2        | 45.6        | 12.7        | 10.1        | 20.8        | 22.1        | 23.8        |
| <b>Aggregate</b>    |           |           |          |                      |           |       |       | <b>42.0</b> | <b>36.8</b> | <b>12.4</b> | <b>10.9</b> | <b>29.6</b> | <b>29.5</b> | <b>30.4</b> |
| <b>Healthcare</b>   |           |           |          |                      |           |       |       |             |             |             |             |             |             |             |
| Alembic Phar        | Neutral   | 611       | 630      | 3                    | 21.6      | 28.5  | 35.8  | 28.2        | 21.5        | 6.1         | 5.0         | 23.3        | 25.5        | 26.0        |
| Alkem Lab           | Neutral   | 1,985     | 1,850    | -7                   | 79.3      | 85.7  | 100.0 | 25.0        | 23.1        | 5.6         | 4.7         | 24.4        | 22.0        | 21.7        |
| Ajanta Pharma       | Buy       | 1,655     | 2,028    | 23                   | 56.0      | 63.8  | 79.6  | 29.5        | 26.0        | 9.2         | 7.1         | 35.9        | 30.9        | 29.9        |
| Aurobindo           | Buy       | 624       | 915      | 47                   | 40.1      | 47.0  | 54.6  | 15.5        | 13.3        | 3.9         | 3.1         | 28.8        | 26.0        | 23.9        |
| Biocon              | Sell      | 1,166     | 800      | -31                  | 32.2      | 34.1  | 42.7  | 36.2        | 34.2        | 5.2         | 4.7         | 14.3        | 13.6        | 15.3        |
| Cadila              | Buy       | 457       | 510      | 12                   | 12.0      | 17.7  | 23.0  | 38.1        | 25.9        | 7.6         | 6.2         | 21.4        | 26.5        | 27.9        |
| Cipla               | Neutral   | 553       | 550      | -1                   | 17.9      | 22.0  | 28.5  | 31.0        | 25.2        | 3.4         | 3.1         | 11.0        | 12.2        | 13.8        |
| Divis Lab           | Neutral   | 647       | 600      | -7                   | 43.0      | 32.9  | 38.6  | 15.0        | 19.7        | 3.7         | 3.3         | 25.4        | 17.7        | 18.8        |
| Dr Reddy's          | Neutral   | 2,646     | 3,050    | 15                   | 76.1      | 110.9 | 147.2 | 34.8        | 23.9        | 3.3         | 2.9         | 9.8         | 12.9        | 15.2        |
| Fortis Health       | Buy       | 216       | 250      | 16                   | 2.3       | 2.9   | 6.5   | 92.2        | 73.4        | 2.4         | 2.1         | 2.7         | 3.1         | 6.1         |
| Glenmark            | Neutral   | 900       | 990      | 10                   | 40.6      | 49.2  | 60.5  | 22.1        | 18.3        | 4.5         | 3.5         | 20.1        | 19.0        | 19.1        |
| Granules            | Buy       | 151       | 160      | 6                    | 6.8       | 7.7   | 11.3  | 22.1        | 19.6        | 3.5         | 2.6         | 18.8        | 15.8        | 18.3        |
| GSK Pharma          | Neutral   | 2,567     | 2,700    | 5                    | 34.5      | 55.5  | 64.4  | 74.4        | 46.2        | 16.6        | 19.9        | 22.4        | 43.0        | 56.9        |
| IPCA Labs           | Neutral   | 594       | 540      | -9                   | 15.8      | 27.9  | 37.3  | 37.6        | 21.3        | 3.1         | 2.7         | 8.4         | 13.5        | 15.9        |
| Lupin               | Buy       | 1,377     | 1,850    | 34                   | 61.4      | 78.6  | 88.8  | 22.4        | 17.5        | 4.7         | 3.8         | 22.8        | 23.8        | 22.1        |
| Sanofi India        | Buy       | 4,259     | 5,000    | 17                   | 129.0     | 157.8 | 189.9 | 33.0        | 27.0        | 5.3         | 4.9         | 16.2        | 18.1        | 19.4        |
| Sun Pharma          | Buy       | 643       | 850      | 32                   | 27.1      | 32.5  | 38.7  | 23.7        | 19.7        | 4.5         | 3.8         | 19.8        | 20.9        | 21.0        |
| Syngene Intl        | Not Rated | 547       | -        |                      | 13.0      | 16.1  | 18.0  | 42.0        | 33.9        | 8.5         | 6.9         | 22.2        | 22.5        | 20.7        |
| Torrent Pharma      | Buy       | 1,449     | 1,700    | 17                   | 56.6      | 76.3  | 93.4  | 25.6        | 19.0        | 6.1         | 5.1         | 25.9        | 29.3        | 29.6        |
| <b>Aggregate</b>    |           |           |          |                      |           |       |       | <b>26.1</b> | <b>21.3</b> | <b>4.6</b>  | <b>3.9</b>  | <b>17.6</b> | <b>18.3</b> | <b>18.9</b> |
| <b>Logistics</b>    |           |           |          |                      |           |       |       |             |             |             |             |             |             |             |
| Allcargo Logistics  | Buy       | 180       | 203      | 13                   | 9.0       | 10.9  | 12.3  | 19.9        | 16.5        | 2.6         | 2.3         | 11.5        | 14.8        | 14.8        |
| Blue Dart           | Not Rated | 4,896     | -        |                      | 102.5     | 129.9 | 163.2 | 47.7        | 37.7        | 21.2        | 16.1        | 50.5        | 48.6        | 46.8        |
| Concor              | Neutral   | 1,215     | 1,042    | -14                  | 29.7      | 39.9  | 44.9  | 40.9        | 30.4        | 3.5         | 3.3         | 8.8         | 11.2        | 11.8        |
| Gateway Distriparks | Buy       | 271       | 314      | 16                   | 8.3       | 15.7  | 20.1  | 32.6        | 17.3        | 2.3         | 2.2         | 7.2         | 12.9        | 15.3        |
| Gati                | Not Rated | 138       | -        |                      | 8.4       | 15.9  | 23.9  | 16.5        | 8.7         | 2.3         | 2.0         | 12.4        | 19.4        | 25.4        |
| Transport Corp.     | Not Rated | 236       | -        |                      | 16.9      | 21.0  | 25.9  | 13.9        | 11.2        | 2.2         | 1.8         | 16.7        | 17.8        | 18.6        |
| <b>Aggregate</b>    |           |           |          |                      |           |       |       | <b>34.2</b> | <b>25.0</b> | <b>3.8</b>  | <b>3.4</b>  | <b>11.0</b> | <b>13.7</b> | <b>14.9</b> |
| <b>Media</b>        |           |           |          |                      |           |       |       |             |             |             |             |             |             |             |
| Dish TV             | Buy       | 95        | 115      | 21                   | 1.4       | 2.7   | 4.3   | 66.1        | 35.8        | 19.0        | 12.4        | 33.6        | 42.0        | 43.9        |
| D B Corp            | Buy       | 383       | 450      | 18                   | 20.4      | 23.0  | 26.5  | 18.7        | 16.6        | 4.6         | 4.1         | 26.2        | 26.2        | 26.8        |
| Den Net.            | Neutral   | 97        | 90       | -7                   | -3.6      | 2.2   | 8.5   | NM          | 44.1        | 1.1         | 1.1         | -4.1        | 2.5         | 8.8         |
| Hind. Media         | Buy       | 293       | 360      | 23                   | 25.2      | 27.4  | 30.3  | 11.6        | 10.7        | 2.0         | 1.7         | 18.5        | 16.8        | 15.8        |
| HT Media            | Neutral   | 83        | 90       | 8                    | 8.0       | 8.2   | 8.7   | 10.3        | 10.2        | 0.8         | 0.7         | 7.7         | 7.1         | 7.0         |
| Jagran Prak.        | Buy       | 194       | 225      | 16                   | 10.8      | 12.2  | 13.9  | 18.0        | 15.8        | 3.5         | 3.0         | 20.7        | 20.6        | 20.4        |
| PVR                 | Buy       | 1,599     | 1,667    | 4                    | 20.8      | 35.7  | 56.8  | 77.0        | 44.8        | 7.8         | 6.8         | 10.6        | 16.3        | 22.0        |
| Siti Net.           | Neutral   | 37        | 40       | 8                    | -1.8      | 0.0   | 1.2   | NM          | NM          | 4.4         | 3.7         | -21.7       | 0.0         | 11.1        |
| Sun TV              | Neutral   | 928       | 860      | -7                   | 25.1      | 29.7  | 34.5  | 37.0        | 31.2        | 9.3         | 8.5         | 25.1        | 27.3        | 29.0        |
| Zee Ent.            | Buy       | 528       | 610      | 16                   | 11.4      | 17.3  | 20.6  | 46.4        | 30.5        | 10.3        | 8.4         | 29.1        | 30.3        | 29.4        |
| <b>Aggregate</b>    |           |           |          |                      |           |       |       | <b>40.7</b> | <b>29.5</b> | <b>6.6</b>  | <b>5.8</b>  | <b>16.3</b> | <b>19.6</b> | <b>21.6</b> |
| <b>Metals</b>       |           |           |          |                      |           |       |       |             |             |             |             |             |             |             |
| Hindalco            | Buy       | 192       | 235      | 23                   | 16.9      | 22.6  | 25.4  | 11.3        | 8.5         | 1.6         | 1.4         | 15.4        | 17.5        | 16.8        |
| Hind. Zinc          | Sell      | 273       | 235      | -14                  | 19.7      | 21.5  | 23.7  | 13.8        | 12.7        | 3.8         | 3.2         | 24.4        | 27.2        | 25.4        |
| JSPL                | Buy       | 113       | 181      | 60                   | -22.3     | -17.5 | -2.2  | NM          | NM          | 0.3         | 0.3         | -7.5        | -4.5        | -0.6        |
| JSW Steel           | Buy       | 195       | 222      | 14                   | 13.6      | 18.3  | 20.5  | 14.3        | 10.7        | 2.2         | 1.8         | 16.2        | 18.7        | 17.9        |



| Company              | Reco    | CMP (INR) | TP (INR) | % Upside<br>Downside | EPS (INR) |       |       | P/E (x)     |              | P/B (x)    |            | ROE (%)     |             |             |
|----------------------|---------|-----------|----------|----------------------|-----------|-------|-------|-------------|--------------|------------|------------|-------------|-------------|-------------|
|                      |         |           |          |                      | FY17E     | FY18E | FY19E | FY17E       | FY18E        | FY17E      | FY18E      | FY17E       | FY18E       | FY19E       |
| Nalco                | Buy     | 67        | 83       | 24                   | 3.9       | 5.3   | 5.8   | 17.3        | 12.6         | 1.2        | 1.2        | 7.5         | 9.6         | 9.9         |
| NMDC                 | Buy     | 131       | 178      | 36                   | 12.1      | 12.3  | 13.0  | 10.8        | 10.7         | 1.7        | 1.6        | 13.4        | 15.5        | 15.1        |
| SAIL                 | Sell    | 61        | 30       | -50                  | -7.4      | -12.6 | 0.4   | NM          | NM           | 0.7        | 0.8        | -8.1        | -15.4       | 0.5         |
| Vedanta              | Neutral | 235       | 250      | 6                    | 17.7      | 24.7  | 27.7  | 13.3        | 9.5          | 1.5        | 1.4        | 11.4        | 15.0        | 15.6        |
| Tata Steel           | Sell    | 454       | 440      | -3                   | 18.9      | 39.4  | 45.7  | 24.1        | 11.5         | 3.6        | 2.9        | 13.6        | 28.2        | 26.5        |
| <b>Aggregate</b>     |         |           |          |                      |           |       |       | <b>18.0</b> | <b>14.1</b>  | <b>1.4</b> | <b>1.3</b> | <b>7.9</b>  | <b>9.6</b>  | <b>12.0</b> |
| <b>Oil &amp; Gas</b> |         |           |          |                      |           |       |       |             |              |            |            |             |             |             |
| BPCL                 | Buy     | 739       | 763      | 3                    | 55.9      | 53.7  | 58.4  | 13.2        | 13.8         | 3.4        | 2.9        | 27.1        | 22.7        | 21.4        |
| GAIL                 | Neutral | 412       | 349      | -15                  | 21.7      | 28.9  | 32.5  | 19.0        | 14.2         | 2.1        | 1.9        | 13.0        | 14.0        | 14.4        |
| Gujarat Gas          | Sell    | 842       | 735      | -13                  | 17.5      | 40.0  | 49.0  | 48.2        | 21.0         | 5.0        | 4.2        | 10.7        | 21.5        | 22.0        |
| Gujarat St. Pet.     | Neutral | 197       | 162      | -18                  | 8.9       | 11.0  | 13.2  | 22.1        | 17.8         | 2.5        | 2.3        | 12.0        | 13.5        | 14.5        |
| HPCL                 | Buy     | 561       | 604      | 8                    | 53.5      | 44.9  | 45.8  | 10.5        | 12.5         | 2.8        | 2.4        | 27.8        | 20.7        | 18.6        |
| IOC                  | Buy     | 436       | 441      | 1                    | 43.7      | 39.4  | 41.0  | 10.0        | 11.1         | 2.4        | 2.1        | 26.0        | 20.4        | 18.8        |
| IGL                  | Neutral | 1,059     | 1,023    | -3                   | 43.3      | 43.8  | 49.4  | 24.5        | 24.2         | 5.2        | 4.4        | 22.3        | 19.7        | 19.2        |
| MRPL                 | Neutral | 128       | 114      | -11                  | 12.2      | 11.4  | 12.8  | 10.5        | 11.2         | 2.8        | 2.3        | 29.6        | 22.7        | 21.4        |
| Oil India            | Buy     | 328       | 382      | 17                   | 28.6      | 33.1  | 37.8  | 11.5        | 9.9          | 1.1        | 1.0        | 9.8         | 10.8        | 11.6        |
| ONGC                 | Neutral | 182       | 172      | -5                   | 12.2      | 16.1  | 17.3  | 14.9        | 11.2         | 1.3        | 1.2        | 8.4         | 11.1        | 11.7        |
| PLNG                 | Buy     | 429       | 454      | 6                    | 22.2      | 26.5  | 36.2  | 19.3        | 16.2         | 4.2        | 3.6        | 23.9        | 24.0        | 27.2        |
| Reliance Ind.        | Neutral | 1,433     | 1,264    | -12                  | 106.6     | 121.7 | 127.8 | 13.4        | 11.8         | 1.5        | 1.3        | 11.9        | 11.8        | 11.2        |
| <b>Aggregate</b>     |         |           |          |                      |           |       |       | <b>13.3</b> | <b>12.2</b>  | <b>1.8</b> | <b>1.6</b> | <b>13.3</b> | <b>13.4</b> | <b>13.2</b> |
| <b>Retail</b>        |         |           |          |                      |           |       |       |             |              |            |            |             |             |             |
| Jubilant Food        | Neutral | 1,064     | 1,110    | 4                    | 12.3      | 21.7  | 29.1  | 86.3        | 48.9         | 8.7        | 9.5        | 10.1        | 19.5        | 24.9        |
| Titan Co.            | Neutral | 483       | 485      | 0                    | 9.4       | 10.4  | 11.8  | 51.3        | 46.3         | 10.3       | 8.9        | 21.5        | 20.6        | 20.3        |
| <b>Aggregate</b>     |         |           |          |                      |           |       |       | <b>53.8</b> | <b>46.2</b>  | <b>9.9</b> | <b>8.9</b> | <b>18.4</b> | <b>19.3</b> | <b>19.7</b> |
| <b>Technology</b>    |         |           |          |                      |           |       |       |             |              |            |            |             |             |             |
| Cyient               | Buy     | 536       | 620      | 16                   | 30.6      | 37.8  | 44.1  | 17.5        | 14.2         | 2.8        | 2.5        | 16.2        | 17.6        | 17.9        |
| HCL Tech.            | Buy     | 819       | 1,000    | 22                   | 57.2      | 64.3  | 70.3  | 14.3        | 12.7         | 3.6        | 3.5        | 27.0        | 27.8        | 28.1        |
| Hexaware             | Neutral | 224       | 235      | 5                    | 13.7      | 15.4  | 16.7  | 16.4        | 14.6         | 4.0        | 3.5        | 26.5        | 25.3        | 23.5        |
| Infosys              | Buy     | 929       | 1,200    | 29                   | 62.9      | 64.7  | 71.1  | 14.8        | 14.4         | 3.1        | 2.8        | 23.3        | 21.4        | 21.2        |
| KPIT Tech            | Neutral | 131       | 150      | 14                   | 11.5      | 13.8  | 15.0  | 11.4        | 9.5          | 1.6        | 1.4        | 13.7        | 15.9        | 14.9        |
| L&T Infotech         | Buy     | 721       | 800      | 11                   | 53.6      | 58.0  | 60.8  | 13.4        | 12.4         | 5.0        | 4.2        | 41.4        | 36.6        | 32.1        |
| Mindtree             | Neutral | 470       | 475      | 1                    | 24.9      | 30.5  | 36.5  | 18.9        | 15.4         | 3.1        | 2.8        | 16.8        | 18.9        | 20.5        |
| Mphasis              | Neutral | 532       | 550      | 3                    | 42.7      | 43.0  | 44.9  | 12.5        | 12.4         | 1.9        | 1.8        | 14.1        | 14.9        | 14.7        |
| NIIT Tech            | Neutral | 436       | 470      | 8                    | 36.2      | 46.8  | 52.9  | 12.1        | 9.3          | 1.6        | 1.4        | 13.5        | 15.9        | 16.0        |
| Persistent Sys       | Neutral | 568       | 730      | 29                   | 37.4      | 43.4  | 50.5  | 15.2        | 13.1         | 2.3        | 2.2        | 16.9        | 17.9        | 20.1        |
| Tata Elxsi           | Buy     | 1,587     | 1,780    | 12                   | 59.3      | 72.1  | 89.0  | 26.8        | 22.0         | 10.2       | 8.2        | 42.5        | 41.3        | 40.8        |
| TCS                  | Neutral | 2,311     | 2,400    | 4                    | 133.4     | 139.7 | 149.6 | 17.3        | 16.5         | 5.4        | 5.6        | 33.5        | 32.4        | 32.3        |
| Tech Mah             | Buy     | 438       | 550      | 26                   | 32.5      | 35.7  | 40.2  | 13.5        | 12.3         | 2.5        | 2.2        | 20.1        | 19.5        | 19.2        |
| Wipro                | Neutral | 495       | 540      | 9                    | 33.0      | 37.5  | 42.9  | 15.0        | 13.2         | 2.4        | 2.2        | 16.8        | 17.2        | 17.8        |
| Zensar Tech          | Buy     | 917       | 1,200    | 31                   | 65.3      | 81.4  | 92.0  | 14.0        | 11.3         | 2.5        | 2.1        | 19.1        | 20.4        | 19.7        |
| <b>Aggregate</b>     |         |           |          |                      |           |       |       | <b>15.7</b> | <b>14.9</b>  | <b>3.7</b> | <b>3.5</b> | <b>23.6</b> | <b>23.4</b> | <b>22.7</b> |
| <b>Telecom</b>       |         |           |          |                      |           |       |       |             |              |            |            |             |             |             |
| Bharti Airtel        | Buy     | 354       | 410      | 16                   | 11.0      | 5.1   | 9.4   | 32.1        | 69.5         | 2.0        | 2.0        | 6.5         | 2.9         | 5.2         |
| Bharti Infratel      | Buy     | 375       | 435      | 16                   | 15.5      | 16.7  | 19.9  | 24.2        | 22.4         | 3.9        | 3.5        | 15.7        | 15.9        | 16.7        |
| Idea Cellular        | Buy     | 85        | 120      | 41                   | -3.0      | -15.4 | -16.9 | NM          | NM           | 1.2        | 1.6        | -4.2        | -25.3       | -37.1       |
| Tata Comm            | Buy     | 713       | 811      | 14                   | 6.2       | 25.6  | 44.1  | 115.1       | 27.9         | -71.2      | 45.8       | -50.2       | 924.0       | 117.3       |
| <b>Aggregate</b>     |         |           |          |                      |           |       |       | <b>39.8</b> | <b>828.0</b> | <b>2.3</b> | <b>2.3</b> | <b>5.7</b>  | <b>0.3</b>  | <b>2.3</b>  |
| <b>Utilities</b>     |         |           |          |                      |           |       |       |             |              |            |            |             |             |             |
| Coal India           | Buy     | 278       | 335      | 20                   | 16.7      | 20.1  | 22.1  | 16.7        | 13.9         | 6.8        | 6.8        | 40.6        | 48.8        | 53.5        |
| CESC                 | Buy     | 928       | 970      | 4                    | 50.4      | 74.7  | 82.2  | 18.4        | 12.4         | 2.1        | 1.8        | 11.1        | 15.8        | 15.2        |
| JSW Energy           | Buy     | 64        | 73       | 14                   | 3.9       | 2.3   | 0.8   | 16.6        | 28.0         | 1.2        | 1.2        | 7.3         | 4.3         | 1.4         |
| NTPC                 | Buy     | 166       | 199      | 20                   | 11.9      | 14.3  | 17.3  | 14.0        | 11.6         | 1.4        | 1.3        | 10.6        | 11.9        | 13.3        |
| Power Grid           | Buy     | 208       | 243      | 17                   | 15.3      | 17.7  | 20.7  | 13.6        | 11.7         | 2.2        | 1.9        | 17.3        | 17.5        | 17.7        |
| <b>Aggregate</b>     |         |           |          |                      |           |       |       | <b>15.0</b> | <b>12.6</b>  | <b>2.4</b> | <b>2.2</b> | <b>15.9</b> | <b>17.4</b> | <b>18.3</b> |
| <b>Others</b>        |         |           |          |                      |           |       |       |             |              |            |            |             |             |             |



| Company           | Reco         | CMP<br>(INR) | TP<br>(INR) | % Upside<br>Downside | EPS (INR) |       |       | P/E (x) |       | P/B (x) |       | ROE (%) |       |       |
|-------------------|--------------|--------------|-------------|----------------------|-----------|-------|-------|---------|-------|---------|-------|---------|-------|-------|
|                   |              |              |             |                      | FY17E     | FY18E | FY19E | FY17E   | FY18E | FY17E   | FY18E | FY17E   | FY18E | FY19E |
| Arvind            | Buy          | 408          | 430         | 5                    | 13.5      | 21.8  | 28.6  | 30.2    | 18.8  | 2.8     | 2.5   | 10.4    | 14.0  | 16.3  |
| Bata India        | Under Review | 580          | -           |                      | 10.9      | 14.2  | 17.7  | 53.3    | 40.8  | 5.8     | 5.2   | 11.3    | 13.4  | 15.0  |
| Castrol India     | Buy          | 443          | 532         | 20                   | 13.6      | 14.9  | 15.2  | 32.4    | 29.8  | 34.1    | 30.7  | 110.9   | 108.6 | 100.4 |
| Century Ply.      | Buy          | 267          | 274         | 3                    | 7.7       | 8.6   | 11.4  | 34.6    | 30.9  | 9.1     | 7.5   | 28.9    | 26.5  | 28.6  |
| Coromandel Intl   | Under Review | 367          | -           |                      | 15.9      | 19.6  | 25.1  | 23.0    | 18.7  | 4.0     | 3.6   | 18.2    | 20.1  | 22.7  |
| Delta Corp        | Buy          | 177          | 229         | 30                   | 3.3       | 6.9   | 7.6   | 54.2    | 25.8  | 4.7     | 3.5   | 9.0     | 15.7  | 17.0  |
| Dynamatic Tech    | Buy          | 2,788        | 3,334       | 20                   | 67.6      | 112.9 | 166.7 | 41.2    | 24.7  | 5.7     | 4.6   | 15.1    | 20.7  | 24.3  |
| Eveready Inds.    | Buy          | 304          | 287         | -5                   | 11.4      | 13.9  | 16.9  | 26.6    | 21.9  | 8.1     | 6.5   | 34.7    | 33.0  | 32.4  |
| Interglobe        | Neutral      | 1,109        | 1,092       | -2                   | 39.0      | 64.7  | 78.0  | 28.5    | 17.2  | 19.4    | 16.5  | 72.2    | 104.1 | 106.3 |
| Indo Count        | Buy          | 194          | 232         | 19                   | 13.7      | 17.5  | 21.1  | 14.2    | 11.1  | 4.1     | 2.9   | 33.8    | 30.8  | 27.3  |
| Info Edge         | Buy          | 812          | 1,000       | 23                   | 16.9      | 17.9  | 21.0  | 48.1    | 45.3  | 5.1     | 4.8   | 11.1    | 10.9  | 11.9  |
| Inox Leisure      | Sell         | 297          | 230         | -23                  | 2.5       | 8.2   | 11.5  | 118.8   | 36.4  | 4.7     | 4.1   | 3.8     | 11.5  | 14.3  |
| Jain Irrigation   | Under Review | 116          | -           |                      | 5.5       | 7.6   | 10.0  | 21.0    | 15.3  | 1.8     | 1.7   | 8.6     | 11.7  | 14.8  |
| Just Dial         | Under Review | 522          | -           |                      | 17.2      | 18.5  | 22.1  | 30.4    | 28.3  | 4.7     | 4.1   | 16.5    | 15.5  | 16.2  |
| Kaveri Seed       | Buy          | 577          | 649         | 12                   | 23.4      | 28.6  | 36.1  | 24.6    | 20.2  | 4.1     | 3.9   | 17.3    | 19.8  | 22.9  |
| Kitex Garm.       | Buy          | 522          | 551         | 6                    | 26.0      | 31.0  | 36.7  | 20.1    | 16.9  | 5.4     | 4.4   | 29.9    | 28.7  | 27.7  |
| Manpasand         | Buy          | 712          | 843         | 18                   | 14.9      | 23.1  | 38.3  | 47.7    | 30.8  | 3.5     | 3.2   | 8.6     | 9.6   | 16.3  |
| MCX               | Buy          | 1,164        | 1,400       | 20                   | 26.3      | 30.0  | 42.5  | 44.2    | 38.8  | 4.5     | 4.3   | 10.6    | 11.3  | 15.0  |
| Monsanto          | Buy          | 2,580        | 2,841       | 10                   | 72.9      | 89.3  | 109.3 | 35.4    | 28.9  | 10.7    | 10.0  | 30.4    | 35.9  | 39.6  |
| Navneet Education | Buy          | 169          | 210         | 25                   | 6.6       | 8.6   | 10.5  | 25.4    | 19.6  | 6.4     | 5.4   | 26.0    | 30.0  | 30.9  |
| PI Inds.          | Buy          | 879          | 1,046       | 19                   | 30.4      | 34.8  | 43.6  | 28.9    | 25.3  | 7.9     | 6.3   | 30.9    | 27.9  | 27.8  |
| Piramal Enterp.   | Buy          | 2,518        | 2,200       | -13                  | 74.5      | 127.1 | 164.7 | 33.8    | 19.8  | 3.3     | 3.0   | 10.0    | 15.7  | 18.2  |
| SRF               | Buy          | 1,732        | 1,825       | 5                    | 82.4      | 99.9  | 125.1 | 21.0    | 17.3  | 3.3     | 2.9   | 16.5    | 17.4  | 19.1  |
| S H Kelkar        | Buy          | 324          | 371         | 14                   | 7.7       | 10.3  | 13.3  | 42.2    | 31.5  | 5.6     | 5.0   | 13.9    | 16.8  | 19.1  |
| Symphony          | Sell         | 1,452        | 1,288       | -11                  | 27.0      | 35.1  | 42.9  | 53.7    | 41.3  | 29.2    | 24.9  | 56.8    | 65.0  | 66.3  |
| TTK Prestige      | Neutral      | 6,561        | 5,281       | -20                  | 106.9     | 137.7 | 176.0 | 61.4    | 47.6  | 9.7     | 8.8   | 16.5    | 19.4  | 22.2  |
| V-Guard           | Neutral      | 189          | 140         | -26                  | 3.7       | 4.6   | 5.4   | 51.0    | 41.3  | 13.5    | 10.8  | 29.4    | 29.1  | 27.6  |
| Wonderla          | Buy          | 392          | 393         | 0                    | 7.0       | 11.9  | 16.0  | 56.1    | 32.8  | 5.1     | 4.6   | 9.5     | 14.8  | 17.5  |



| Company                | 1 Day (%) | 1M (%) | 12M (%) |
|------------------------|-----------|--------|---------|
| <b>Automobiles</b>     |           |        |         |
| Amara Raja             | 0.4       | 0.1    | -5.4    |
| Ashok Ley.             | 1.0       | 0.9    | -16.8   |
| Bajaj Auto             | 1.3       | 1.8    | 13.9    |
| Bharat Forge           | 0.4       | 11.8   | 42.5    |
| Bosch                  | 0.5       | -1.5   | 13.9    |
| CEAT                   | 0.5       | 10.8   | 27.2    |
| Eicher Mot.            | 0.0       | 7.1    | 30.8    |
| Endurance Tech.        | -0.5      | 13.9   |         |
| Escorts                | 0.2       | 4.4    | 231.2   |
| Exide Ind              | -0.2      | 9.4    | 63.5    |
| Hero Moto              | 3.2       | -2.1   | 11.4    |
| M&M                    | 3.4       | 2.5    | -1.5    |
| Mahindra CIE           | 2.4       | 12.1   | 9.5     |
| Maruti Suzuki          | 0.4       | 5.6    | 69.8    |
| Tata Motors            | 0.1       | -5.3   | 8.3     |
| TVS Motor              | 0.7       | 14.3   | 51.3    |
| <b>Banks - Private</b> |           |        |         |
| Axis Bank              | 3.4       | 5.3    | 9.6     |
| DCB Bank               | 0.8       | 10.3   | 92.6    |
| Equitas Hold.          | -0.3      | 6.4    | 24.0    |
| Federal Bank           | 1.1       | 4.7    | 95.1    |
| HDFC Bank              | 0.2       | 7.8    | 40.7    |
| ICICI Bank             | 1.4       | -0.8   | 7.7     |
| IDFC Bank              | 1.0       | -2.5   | 14.5    |
| IndusInd               | 1.3       | 4.5    | 47.8    |
| J&K Bank               | 0.1       | 5.8    | 13.8    |
| Kotak Mah. Bk          | 0.6       | 2.2    | 32.1    |
| RBL Bank               | 0.7       | 15.2   |         |
| South Indian           | 0.0       | 22.4   | 52.0    |
| Yes Bank               | 0.1       | 1.8    | 77.2    |
| <b>Banks - PSU</b>     |           |        |         |
| BOB                    | 1.7       | 7.6    | 15.2    |
| BOI                    | 3.8       | 19.5   | 64.5    |
| Canara                 | 1.1       | 13.0   | 64.8    |
| IDBI Bk                | 0.3       | -2.0   | 4.2     |
| Indian Bk              | 9.0       | 18.4   | 211.0   |
| OBC                    | -0.3      | 7.8    | 62.4    |
| PNB                    | 3.6       | 14.0   | 80.7    |
| SBI                    | 0.2       | 3.6    | 45.0    |
| Union Bk               | 2.0       | 5.9    | 25.0    |
| <b>NBFCs</b>           |           |        |         |
| Bajaj Fin.             | 5.6       | 13.8   | 95.9    |
| Bharat Fin.            | 2.3       | -4.6   | 38.4    |
| Dewan Hsg.             | 3.1       | 19.0   | 115.5   |
| GRUH Fin.              | 1.8       | 4.8    | 59.4    |
| HDFC                   | 1.1       | 5.9    | 39.3    |
| Indiabulls Hsg         | 0.8       | 6.0    | 51.2    |
| LIC Hsg Fin            | 2.3       | 12.3   | 47.4    |
| Manappuram             | -1.0      | -3.3   | 136.2   |
| M&M Fin.               | -0.6      | 6.2    | 14.4    |
| Muthoot Fin            | -0.3      | 12.7   | 101.2   |
| PFC                    | 1.7       | 10.7   | 85.0    |
| Repco Home             | 0.2       | 14.4   | 16.8    |
| REC                    | 0.6       | 19.0   | 139.7   |
| STF                    | 3.3       | 5.7    | 11.3    |
| Shriram City Union     | -0.5      | 10.2   | 42.6    |

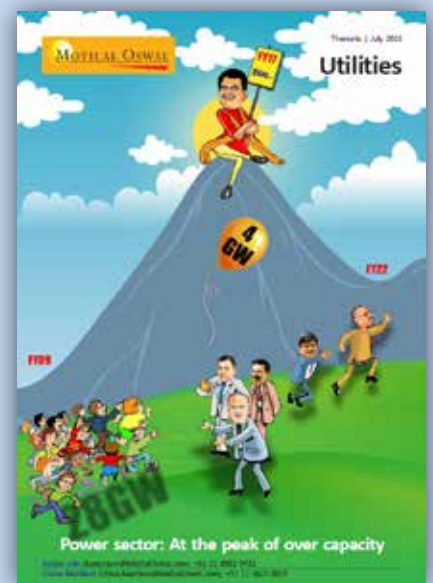
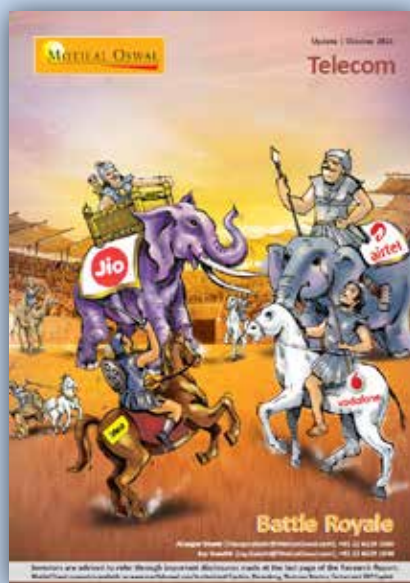
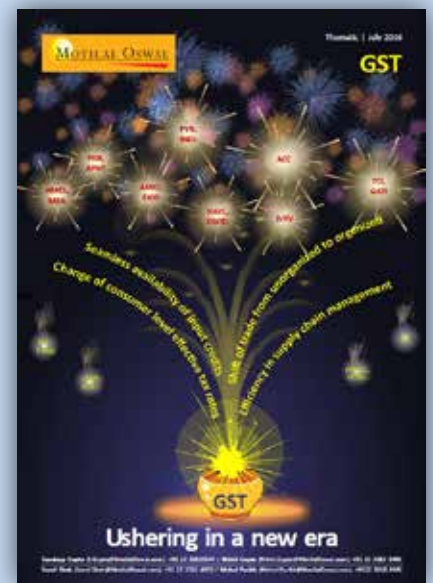
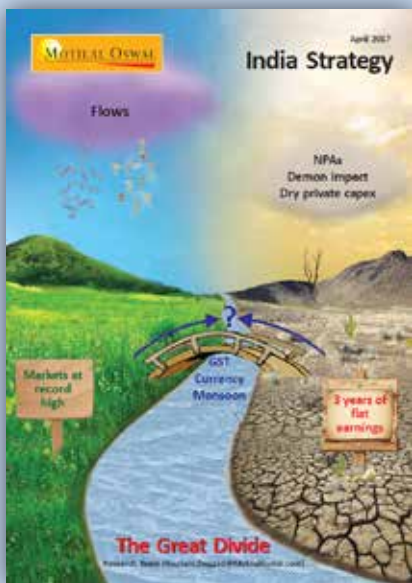
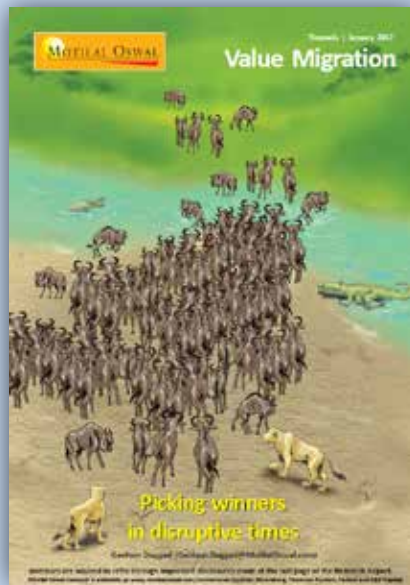
| Company              | 1 Day (%) | 1M (%) | 12M (%) |
|----------------------|-----------|--------|---------|
| <b>Capital Goods</b> |           |        |         |
| ABB                  | 1.1       | 18.4   | 5.0     |
| Bharat Elec.         | -0.9      | 15.9   | 53.9    |
| BHEL                 | 0.9       | 6.4    | 41.4    |
| Blue Star            | -1.1      | 11.0   | 56.6    |
| CG Cons. Elec.       | 2.2       | 11.5   |         |
| CG Power & Inds Sol. | -0.4      | 3.0    | 34.2    |
| Cummins              | 0.0       | 5.0    | 11.8    |
| GE T&D               | 1.8       | 9.8    | -11.6   |
| Havells              | 0.2       | 8.6    | 41.6    |
| Inox Wind            | -0.7      | 13.8   | -27.0   |
| K E C Intl           | -1.4      | 4.7    | 72.4    |
| L&T                  | 0.9       | 12.5   | 38.0    |
| Pennar Eng.          | -2.3      | 13.4   | -1.1    |
| Siemens              | 1.7       | 7.9    | 16.1    |
| Solar Ind            | 0.9       | 10.2   | 18.2    |
| Suzlon Energy        | 4.0       | 9.8    | 42.3    |
| Thermax              | 0.5       | 16.1   | 37.0    |
| Va Tech Wab.         | 0.6       | 3.8    | 21.2    |
| Voltas               | 0.6       | 7.3    | 42.3    |
| <b>Cement</b>        |           |        |         |
| Ambuja Cem.          | -0.3      | 6.9    | 10.0    |
| ACC                  | 0.0       | 15.2   | 13.0    |
| Birla Corp.          | 2.7       | 11.3   | 97.4    |
| Dalmia Bharat        | -1.0      | 9.9    | 140.1   |
| Grasim Inds.         | 0.2       | 11.2   | 46.0    |
| India Cem            | 0.6       | 28.1   | 127.9   |
| JK Cements           | 1.8       | 10.7   | 60.5    |
| JK Lakshmi Ce        | -0.6      | 12.0   | 33.1    |
| Ramco Cem            | 0.7       | 8.0    | 58.0    |
| Orient Cem           | -2.4      | 27.9   | 7.7     |
| Prism Cem            | 1.3       | 15.3   | 30.7    |
| Shree Cem            | 2.7       | 17.4   | 51.1    |
| Ultratech            | 2.2       | 6.6    | 29.2    |
| <b>Consumer</b>      |           |        |         |
| Asian Paints         | 2.7       | 2.9    | 27.2    |
| Britannia            | 2.8       | 5.4    | 23.5    |
| Colgate              | 0.1       | 5.9    | 23.1    |
| Dabur                | 0.3       | 4.3    | 10.0    |
| Emami                | 1.3       | -0.8   | 0.6     |
| Godrej Cons.         | 5.3       | 5.1    | 28.2    |
| GSK Cons.            | 0.1       | 0.3    | -13.1   |
| HUL                  | 2.1       | 2.7    | 4.6     |
| ITC                  | 1.8       | 0.1    | 31.4    |
| Jyothy Lab           | 1.5       | 12.6   | 32.5    |
| Marico               | 3.2       | 6.9    | 22.4    |
| Nestle               | 0.6       | -0.2   | 7.4     |
| Page Inds            | 2.0       | -3.4   | 11.0    |
| Parag Milk           | 0.0       | 9.7    |         |
| Pidilite Ind.        | 1.7       | 5.5    | 20.5    |
| P&G Hygiene          | 0.4       | 5.6    | 15.4    |
| United Brew          | -0.7      | -2.1   | -1.9    |
| United Spirits       | -0.4      | -13.6  | -21.1   |
| <b>Healthcare</b>    |           |        |         |
| Alembic Phar         | 1.0       | 1.5    | -0.8    |
| Alkem Lab            | -2.1      | -10.3  | 62.1    |
| Ajanta Pharma        | 0.8       | -9.4   | 11.5    |
| Aurobindo            | -0.7      | -9.3   | -18.5   |



| Company              | 1 Day (%) | 1M (%) | 12M (%) |
|----------------------|-----------|--------|---------|
| Biocon               | 9.4       | 2.0    | 108.9   |
| Cadila               | 1.4       | 2.5    | 38.1    |
| Cipla                | -0.6      | -6.8   | 5.1     |
| Divis Lab            | 1.9       | 3.8    | -39.0   |
| Dr Reddy's           | 1.4       | 0.9    | -15.2   |
| Fortis Health        | 2.6       | 22.3   | 21.3    |
| Glenmark             | 1.9       | 1.4    | 8.2     |
| Granules             | 2.6       | 9.8    | 14.9    |
| GSK Pharma           | -0.4      | -6.8   | -29.7   |
| IPCA Labs            | 0.1       | 1.3    | 19.6    |
| Lupin                | 1.1       | -7.2   | -10.7   |
| Sanofi India         | -3.0      | -8.4   | 2.7     |
| Sun Pharma           | 0.0       | -8.6   | -20.6   |
| Syngene Intl         | 3.6       | 4.8    | 47.4    |
| Torrent Pharma       | -1.3      | 2.7    | 1.6     |
| <b>Logistics</b>     |           |        |         |
| Allcargo Logistics   | 2.0       | 8.3    | 14.2    |
| Blue Dart            | 0.3       | -2.8   | -17.1   |
| Concor               | 1.1       | 21.3   | 13.4    |
| Gateway Distriparks  | 1.6       | 6.6    | -6.5    |
| Gati                 | -0.5      | -1.6   | 15.8    |
| Transport Corp.      | 0.5       | 7.9    | 43.7    |
| <b>Media</b>         |           |        |         |
| Dish TV              | 2.0       | -10.8  | 5.2     |
| D B Corp             | 0.5       | 0.9    | 14.7    |
| Den Net.             | -1.3      | 19.7   | 7.4     |
| Hind. Media          | 0.8       | 2.9    | 8.4     |
| HT Media             | 0.5       | 2.1    | -5.2    |
| Jagran Prak.         | 0.7       | 10.7   | 15.6    |
| PVR                  | 1.6       | 12.1   | 96.3    |
| Siti Net.            | -1.1      | -2.4   | 5.9     |
| Sun TV               | -0.1      | 22.9   | 160.7   |
| Zee Ent.             | 0.7       | 1.9    | 31.8    |
| <b>Metals</b>        |           |        |         |
| Hindalco             | 0.5       | -1.4   | 95.0    |
| Hind. Zinc           | -1.0      | -15.6  | 60.8    |
| JSPL                 | -0.7      | -5.5   | 55.5    |
| JSW Steel            | 1.1       | 4.1    | 44.6    |
| Nalco                | -0.2      | -10.3  | 53.5    |
| NMDC                 | 0.2       | -4.5   | 32.8    |
| SAIL                 | 0.4       | -2.9   | 33.7    |
| Vedanta              | 1.6       | -11.8  | 130.7   |
| Tata Steel           | 0.7       | -8.0   | 30.6    |
| <b>Oil &amp; Gas</b> |           |        |         |
| BPCL                 | 3.4       | 13.8   | 51.7    |
| GAIL                 | -0.4      | 8.0    | 52.1    |
| Gujarat Gas          | 1.8       | 14.6   | 59.1    |
| Gujarat St. Pet.     | -0.7      | 23.7   | 39.2    |
| HPCL                 | 0.9       | 8.4    | 95.8    |
| IOC                  | 3.4       | 17.1   | 103.9   |
| IGL                  | 0.3       | 5.3    | 86.9    |
| MRPL                 | 0.9       | 25.9   | 82.9    |
| Oil India            | 1.4       | -1.6   | 37.8    |
| ONGC                 | 0.0       | -5.5   | 28.3    |
| PLNG                 | -1.3      | 8.2    | 62.9    |
| Reliance Ind.        | 1.1       | 11.4   | 41.0    |
| <b>Retail</b>        |           |        |         |
| Jubilant Food        | 1.7       | -1.6   | -17.1   |

| Company           | 1 Day (%) | 1M (%) | 12M (%) |
|-------------------|-----------|--------|---------|
| Titan Co.         | 0.2       | 7.8    | 29.3    |
| <b>Technology</b> |           |        |         |
| Cyient            | -1.1      | 13.3   | 16.6    |
| HCL Tech.         | 0.2       | -6.0   | -3.0    |
| Hexaware          | 2.4       | 1.6    | -8.7    |
| Infosys           | 0.3       | -10.0  | -23.7   |
| KPIT Tech         | 0.1       | -0.8   | -13.4   |
| L&T Infotech      | -0.3      | 4.7    |         |
| Mindtree          | 4.5       | 0.2    | -32.8   |
| Mphasis           | 0.7       | -11.8  | 8.3     |
| NIIT Tech         | 1.6       | 3.7    | -11.8   |
| Persistent Sys    | 0.7       | -5.8   | -20.9   |
| Tata Elxsi        | 0.4       | 5.8    | -18.2   |
| TCS               | -0.8      | -4.8   | -5.6    |
| Tech Mah          | 1.9       | -7.7   | -7.2    |
| Wipro             | 0.6       | -3.5   | -10.5   |
| Zensar Tech       | 0.7       | 0.0    | -3.1    |
| <b>Telecom</b>    |           |        |         |
| Bharti Airtel     | 3.2       | 4.0    | -1.3    |
| Bharti Infratel   | 4.7       | 21.0   | 2.4     |
| Idea Cellular     | 0.2       | -6.3   | -28.0   |
| Tata Comm         | 1.0       | -2.3   | 71.3    |
| <b>Utilities</b>  |           |        |         |
| Coal India        | 0.3       | -6.6   | -3.3    |
| CESC              | 1.6       | 12.1   | 69.6    |
| JSW Energy        | 0.9       | 3.6    | -6.1    |
| NTPC              | -0.3      | 0.9    | 18.3    |
| Power Grid        | 1.4       | 7.4    | 44.9    |
| <b>Others</b>     |           |        |         |
| Arvind            | 1.4       | 4.4    | 46.1    |
| Bata India        | -0.3      | 7.5    | 3.7     |
| Castrol India     | -0.9      | 5.7    | 11.9    |
| Century Ply.      | 0.8       | 7.8    | 49.5    |
| Coromandel Intl   | 0.1       | 16.0   | 67.2    |
| Delta Corp        | 5.9       | -0.1   | 99.2    |
| Dynamatic Tech    | 0.0       | -2.6   | 23.5    |
| Eveready Inds.    | 0.3       | 21.9   | 18.8    |
| Interglobe        | -0.9      | 8.7    | 9.4     |
| Indo Count        | 0.8       | -4.3   | -6.0    |
| Info Edge         | -1.7      | -1.3   | 1.9     |
| Inox Leisure      | -1.5      | 18.8   | 42.3    |
| Jain Irrigation   | 4.8       | 22.2   | 84.3    |
| Just Dial         | -1.1      | -8.9   | -40.8   |
| Kaveri Seed       | 1.0       | 3.1    | 42.6    |
| Kitex Garm.       | 2.0       | 23.9   | 14.0    |
| Manpasand         | 0.0       | -0.8   | 32.5    |
| MCX               | 0.1       | -4.2   | 31.9    |
| Monsanto          | 0.3       | 3.2    | 51.0    |
| Navneet Educat.   | 1.3       | 21.6   | 90.1    |
| PI Inds.          | -1.1      | 2.9    | 41.3    |
| Piramal Enterp.   | 2.8       | 35.4   | 129.0   |
| SRF               | 0.9       | 8.7    | 28.3    |
| S H Kelkar        | 1.2       | 6.3    | 35.8    |
| Symphony          | -0.2      | -4.4   | 18.3    |
| TTK Prestige      | -0.4      | 13.0   | 44.8    |
| V-Guard           | 0.6       | 11.7   | 171.4   |
| Wonderla          | 1.3       | 2.6    | 1.4     |

# 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**

Domestic: Aggressive launches, improving MR productivity  
USA: Healthy pipeline, manufacturing capacity, front end

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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**

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

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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 INR23.5b.
- ▶ Cash flow of INR18.4b significantly higher than tax expense recognized in P&L of INR15.8b.
- ▶ 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    |
| 52.52 Vol. (INR Cr) | 1,19,12,42 |
| Market Cap (INR Cr) | 1,000.078  |

**Shareholding pattern (%)**

| As on    | Jun-18 | Mar-18 | Jun-15 |
|----------|--------|--------|--------|
| Promoter | 33.0   | 33.0   | 34.7   |
| MF       | 39.2   | 39.0   | 3.8    |
| FI       | 24.0   | 24.0   | 23.0   |
| Other    | 3.8    | 3.8    | 33.5   |

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

**Key highlights:**

- Operating performance muted: Revenue grew just 3.2% to INR235b. EBITDA margin expanded 70bp to 29.4%, led by gross margin expansion. Contingent liabilities on tax disputes increased to INR23.5b (FY17: INR15.8b); cash tax paid (at INR18.4b) was significantly higher than expense (at INR15.8b), operating cash flow post interest increased from INR15.2b to INR18.4b on decline in other assets to INR24.7b (partially representing USD100m receivables for financing Proteus liability); however, this was partially offset by INR13.1b increase in receivables. FY18 deteriorated to INR23.5b (FY17: INR15.8b) on higher capex and acquisition of brands, goodwill and intangibles rose to INR87.8b (24% of net worth), cash and investments stood at INR161.6b (54% of net worth), with 21% drop, representing FY18 financials (in FY18 annual report) received prior year financials incorporated.
- Operating performance muted: Revenue grew just 3.2% to INR235b. EBITDA margin expanded 70bp to 29.4%, led by gross margin expansion, partially compensated by higher (a) legal and consultancy cost at INR15b (8.1% of revenue, FY17: INR16.5b), (b) revenue R&D expenses at INR23b (7.9% of revenue, FY17: INR18b), and (c) miscellaneous expenses (after regrouping) at INR0.5b (FY17: INR0.4b), including INR1b additional liability towards USD100m debt.
- Tax rates remain less contingent liabilities on tax dispute rise: Tax rates remained low at 13.8%, primarily on account of low tax rates in certain subsidiaries (Sun Pharma Global P2C-IN) and Sun Pharmaceutical Laboratories (SPL). On a consolidated basis, contingent liabilities increased steeply from INR13.1b in FY17 to INR23.5b (13% 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 INR1.9b.
- Cash tax significantly exceeds tax expense recognized: The cash tax paid (cash flow, at INR18.4b) continued to be higher than the tax expense recognized in the P&L (at INR15.8b) on account of deferred tax assets (DTA) recognized, tax paid under protest and advance income tax paid. The cumulative tax paid under protest as at the end of FY18 was INR13.1b. Details on such amount paid in FY18 or cumulative amount paid in FY18 are not available.
- High capex and rising receivables debt: FCY: P&L post interest declined 21% YoY to INR20.5b on rising capex and acquisition of brands. Operating cash flow were primarily supported by decline in other current assets by INR23b, which was partially offset by increase in receivables by INR23.1b.

**ART will present a complete picture of annual reports - valuation, average size structure, we believe ART will create: more accurate and cutting-edge on reporting performance to investors - we will create point a career path for the stock investment workflow.**

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## MOTILAL OSWAL

### CornerOffice

Interaction with the CEO

#### 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. Anandharaman Bharathiraja, Chairman of State Bank of India (SBI), to discuss on demonetization, and evaluate its impact on growth, asset quality and profitability of the bank. The demonetization, SBI has collected deposits of "NRAs and disbursed (via withdrawal) "NRIs", leading to net addition of "NRIs". The bank also aggressively cut its bank deposits (leading to higher repayment rates), which led to significantly lower net accretion over the past month.

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 SCOR-based target price of INR335.

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

- Since demonetization, SBI has collected deposits of "NRAs and disbursed (via withdrawal) "NRIs", leading to net addition of "NRIs". 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 guarantees (considering muted loan growth) at a yield of "1%". Hence, on excess liquidity, the spread is 2% currently, as against blended spread of "2.4% at of Q2FY17."
- 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 Q3FY17.

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

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

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

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

**State Bank of India**

Mr. Anandharaman Bharathiraja  
Chairman

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

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## MOTILAL OSWAL

### VOICES

30FY17 | February 2017

**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

#### 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 2016 as against "3% growth over the previous five years (2011-2015). Motilal Oswal's leading indicators (MOI) suggest that consumption continues to run 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 Q3FY17 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 "Earnings" product, which is renowned for regular updates on macro-economics.**

Since the release of new GDP series (in 2015-12 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 "discrepancy" 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

### BULLS & BEARS

INDIA VALUATION'S HANDBOOK

Highlights of March edition

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

**BEST PERFORMERS MoM (%)**

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

**WORST PERFORMERS MoM (%)**

|                   |    |
|-------------------|----|
| Coal India        | -1 |
| Two Wheelers      | -1 |
| Oil & Natural Gas | -1 |
| ONGC              | -1 |
| Bank Small Cap    | -1 |
| DRIL              | -1 |
| Axis Bank         | -1 |
| GAU               | -1 |
| Infosys           | -1 |
| HARP              | -1 |

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## MOTILAL OSWAL

### FUND FOLIO

Indian Mutual Fund Tracker

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

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

Net inflows in FY17 down 11% YoY

Equity AUM (INR t) - Nifty Index

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