

Market snapshot



Equities - India	Close	Chg. %	YTD.%
Sensex	31,627	-0.9	18.8
Nifty-50	9,873	-0.9	20.6
Nifty-M 100	18,151	-1.3	26.5
Equities-Global	Close	Chg. %	YTD.%
S&P 500	2,497	-0.2	11.5
Nasdaq	6,371	-0.9	18.3
FTSE 100	7,301	-0.1	2.2
DAX	12,595	0.0	9.7
Hang Seng	10,912	-1.8	16.2
Nikkei 225	20,398	0.5	6.7
Commodities	Close	Chg. %	YTD.%
Brent (US\$/Bbl)	59	3.9	6.2
Gold (\$/OZ)	1,311	1.0	13.8
Cu (US\$/MT)	6,404	-0.2	16.0
Almn (US\$/MT)	2,125	-0.5	24.7
Currency	Close	Chg. %	YTD.%
USD/INR	65.1	0.5	-4.1
USD/EUR	1.2	-0.9	12.6
USD/JPY	111.6	-0.4	-4.6
YIELD (%)	Close	1MChg	YTDchg
10 Yrs G-Sec	6.6	0.0	0.1
10 Yrs AAA Corp	7.5	0.0	-0.1
Flows (USD b)	25-Sep	MTD	YTD
FII	-0.2	-1.0	5.9
DII	0.2	1.8	8.3
Volumes (INRb)	25-Sep	MTD*	YTD*
Cash	343	323	293
F&O	7,766	5,762	5,336

Note: YTD is calendar year, \*Avg



Today's top research idea

Petronet LNG: Firm utilization continues; Dahej continues to lead

- ❖ Our channel checks suggest more than full utilization at Dahej and marginally increased throughput at the Kochi LNG terminal.
- ❖ We continue believing that increased domestic gas production and upcoming competition would not be a significant risk to utilization.
- ❖ PLNG is likely to continue gradual capacity addition at Dahej terminal to benefit from the evolving LNG opportunity in India. We expect its total capacity to reach 22.5mmtpa by FY20. Firm offtake contracts at Dahej terminal and ramp-up of Kochi terminal would enable PLNG to post volume CAGR of 10% over FY17-20. We do not assume any escalation in Kochi re-gas charge 2018 onward. Assured volume growth and tariff hikes would help PLNG to post 16%/17% EBITDA/PAT CAGR over FY17-20.
- ❖ With a target price of INR275, we reiterate our **Buy** rating.



Research covered

Cos/Sector	Key Highlights
Petronet LNG	Firm utilization continues
Capital Goods	PGCIL ordering declines 76% YoY in YTFY18
Metals	Steel and RM prices falling off a cliff



Piping hot news

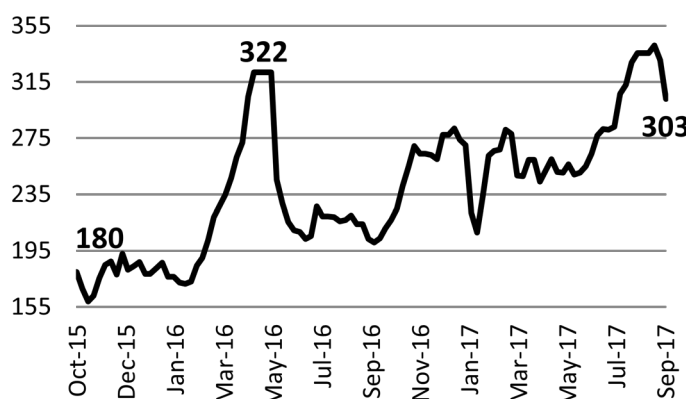
RBI revises investment, trading rules for banks

- ❖ The Reserve Bank of India (RBI) on Monday barred banks from investing in category III alternative investment funds (AIFs), specified norms for their participation in commodity derivatives clearing, and tweaked rules on investing in financial services firms.

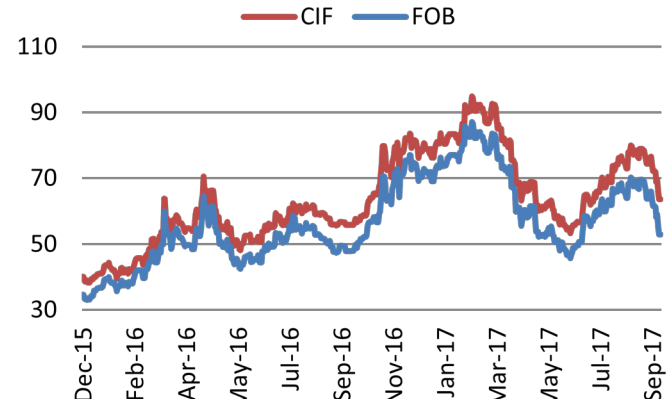


Chart of the Day: Metals Weekly – Steel and RM prices falling off a cliff

Shredded scrap prices (USD/t) fob Rotterdam



Import price of 62% grade iron-ore fines in China (USD/ton)



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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 textbox for the detailed news link

1

**Government pegs 3% drop in kharif foodgrain output at 135 MT**

The country's kharif foodgrain production is estimated to decline by close to 3% to 134.67 million tonne (MT) mainly because of patchy monsoon rains in parts of central India along with floods in parts of Rajasthan, Gujarat, Uttar Pradesh, Bihar and Assam...

2

**Rupee crashes to 65.12 on dollar demand, equity sell-off**

The rupee on Monday closed at a six-month low of 65.12 against the greenback led by dollar demand from importers, a sell-off in the equity markets and a general strengthening of the dollar against most peers. The rupee fell as low as 65.17 during the day and breached the 65 level on a closing basis for the first time since April. "The dollar has been trading strong against most of its peers. Importers were seen hedging their exposures with an expected strengthening of the greenback in coming times," said a currency dealer...

3

**PM Modi promises to light up all homes by 2018-end with Rs 16k-cr scheme**

Setting the bar for higher government spending in the infrastructure sector, Prime Minister Narendra Modi on Monday unveiled a flagship programme called "Saubhagya — Pradhan Mantri Sahaj Bijli Har Ghar Yojana" to provide power to all households in the country by December 2018...

4

**Collection efficiency in MFIs, SFBs rises to 93%: Icra**

The collection efficiency in the microfinance sector, which includes microfinance institutions and small finance banks (SFBs), has increased to 93% in July 2017 from a low of 87% in December 2016, credit ratings agency Icra said on Monday...

5

**PM Modi reconstitutes Economic Advisory Council to revive GDP growth**

Putting economic growth revival in the spotlight, Prime Minister Narendra Modi on Monday reconstituted the Economic Advisory Council under the chairmanship of NITI Aayog member Bibek Debroy. The move, which comes in the backdrop of increasing concerns over weakening GDP growth momentum, signals that the prime minister will be closely scrutinizing future economic policy...

6

**SBI lowers minimum balance to ₹3,000; pensioners, minors exempted**

The country's largest lender State Bank of India on Monday lowered the minimum average monthly balance (MAB) requirement in a savings account to ₹3,000 from ₹5,000, in addition to revising downwards penalties for non-adherence...

7

**Motilal Oswal Private Equity's realty arm raises Rs 1,000 crore**

Motilal Oswal Real Estate (MORE), the real estate arm of Motilal Oswal Private Equity (MOPE), has raised over Rs 1,000 crore for its third real estate fund and plans to invest the money in structured debt and mezzanine transactions across the six top Indian cities...



# Petronet LNG

BSE SENSEX 31,627 S&P CNX 9,873

**CMP: INR228 TP: INR275 (+20%) Buy**



### Stock Info

Bloomberg	PLNG IN
Equity Shares (m)	1,500.0
52-Week Range (INR)	242 / 163
1, 6, 12 Rel. Per (%)	1/4/23
M.Cap. (INR b)	343.5
M.Cap. (USD b)	5.3
12M Avg Val (INR M)	1081
Free float (%)	50.0

### Financials Snapshot (INR b)

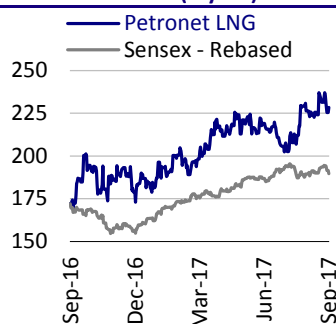
Y/E Mar	2017	2018E	2019E
Net Sales	246.2	270.8	338.1
EBITDA	25.9	31.0	39.3
PAT	17.1	21.0	26.9
EPS (INR)	11.4	14.0	17.9
Gr. (%)	102.7	23.1	28.2
BV/Sh (INR)	54.0	64.0	76.9
RoE (%)	23.2	23.7	25.5
RoCE (%)	20.2	21.0	24.0
P/E (x)	20.1	16.3	12.7
P/BV (x)	4.2	3.6	3.0

### Shareholding pattern (%)

As On	Sep-16	Jun-16	Sep-15
Promoter	50.0	50.0	50.0
DII	12.1	17.7	16.5
FII	22.3	19.4	21.3
Others	15.6	12.9	12.3

FII Includes depository receipts

### Stock Performance (1-year)



## Firm utilization continues

### Dahej continues to lead; Kochi to improve utilization

- Our channel checks suggest more than full utilization at Dahej and marginally increased throughput at the Kochi LNG terminal.
- We continue believing that increased domestic gas production and upcoming competition would not be a significant risk to utilization.
- Reiterate Buy with a target price of INR275.

### Firm utilization at Dahej

- On capacity of 15mmtpa, PLNG has firm take-or-pay utilization contracts of 15.75mmtpa.
- Our channel checks further suggest that LNG arrival at Dahej is happening at a rate of 16mmtpa, reflecting above full utilization.

### Do not see much competition

- Among the existing terminals, Dabhol would remain underutilized due to the lack of breakwater facility, the tender for which has not yet been awarded.
- GSPC/Adani's 5mmtpa Mundra LNG terminal is expected to come in early 2018, with the completion of 60km Mundra-Anjar pipeline being key to this. Additionally, capacity of the existing 170km 3mmtpa Anjar-Chotila network needs to be augmented to handle the full load. Tender for this has not yet been awarded.
- IOCL's Ennore LNG terminal would come up in 2019, and service an entirely new set of consumers without being any threat to PLNG.

### EPS CAGR of 17% over FY17-20

- PLNG is likely to continue gradual capacity addition at Dahej terminal to benefit from the evolving LNG opportunity in India. We expect its total capacity to reach 22.5mmtpa by FY20.
- Firm offtake contracts at Dahej terminal and ramp-up of Kochi terminal would enable PLNG to post volume CAGR of 10% over FY17-20. We do not assume any escalation in Kochi re-gas charge 2018 onward.
- Assured volume growth and tariff hikes would help PLNG to post 16%/17% EBITDA/PAT CAGR over FY17-20.

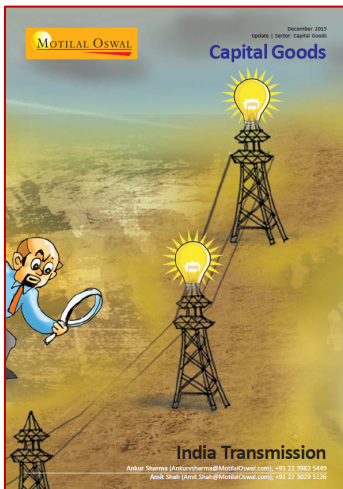
### Valuation and view

- The stock is trading at 12.7x FY19E EPS of INR18 and 8.2x FY19E EV/EBITDA. We value the stock using DCF (WACC of 11%, terminal growth of 3%). With a target price of INR275, we reiterate our **Buy** rating on the stock.
- Key triggers to watch out: (i) progress on the completion of Kochi-Mangalore pipeline, (ii) ramp-up of domestic gas production and (iii) progress of Dahej expansion from 15mmtpa to 17.5mmtpa.



# Capital Goods

Refer to our report  
on India Transmission, Dec-15



## PGCIL ordering declines 76% YoY in YTFY18

### At lowest levels since FY13

Power Grid Corporation of India (PGCIL) accounts for 45-50% of the annual transmission capex in India. It is amongst the largest customers for Indian transmission equipment suppliers and contractors. We analyze the ordering trends by PGCIL in YTFY18 and implications for Indian transmission equipment suppliers.

- During April-August 2017, PGCIL placed orders worth INR37b (down 76% YoY). There has been a decline in orders across categories and large ticket orders have been virtually absent.
- Substation ordering declined 94% YoY (April-Aug17 ordering included INR58.1b order for Raigarh-Pugular HVDC line), transmission line ordering declined 37% YoY, and transformer segment ordering declined 50% YoY.
- Despite weak ordering in the April-August 2017 period, we expect PGCIL's orders to pick up in 2HFY18, with annual ordering stabilizing at INR200b-220b. In our view, states are likely to drive the growth in transmission orders/capex under the 13<sup>th</sup> Plan (2018-2022E).

### Power Grid orders at INR37b in YTFY18, down 76% YoY

- Orders placed by Power Grid Corporation of India (PGCIL) in YTFY18 stood at INR37b (down 76% YoY), the lowest since FY13, primarily due to the absence of large ticket orders. Of the total orders, transmission line orders constituted 63%, substation orders 16%, transformers 9%, and railway electrification orders 9%. PGCIL has started ordering for rail electrification projects from FY18 and has placed orders worth INR3.4b.
- Investment approvals by PGCIL in FY17 were at INR362b (+161% YoY); this drove a pickup in orders in FY17 (+68% YoY). However, YTFY18 has seen a dip in approvals by 87% and this is reflected in the fall in orders, as well. Despite the weak start, we expect PGCIL to continue to order INR200b-220b annually over the 13<sup>th</sup> plan (2018-2022E). The bigger opportunity lies with the states, where spending in the 13<sup>th</sup> plan is projected to jump to INR1.6t (INR0.6t in 12<sup>th</sup> plan).

### Substation orders down sharply; base effect at play

- Substation orders were at INR5.9b (down 94% YoY), impacted by high base effect. Substation ordering was at a record high in FY17, led by finalization of two large HVDC orders – the INR58b Raigarh-Pugular won by ABB and the INR35b Pugular-Trichur line won by Siemens. Even excluding these large size INR58b orders, substation ordering fell 84% YoY in YTFY18.
- Of the total orders of INR5.9b, 70% of the orders are for the 220/400kv substations, where Kalpataru Power is the market leader, with 56% share. 61% of the substation orders were for gas insulated substations (GIS).

### Transmission line orders at INR22b (down 37% YoY); competitive intensity stable, with top-5 players accounting for 74% of total orders

- Transmission line orders declined 37% YoY to INR22b.
- The top-5 players (Kalpataru Power, KEC International, Unitech, L&T, and Gammon India) accounted for 74% of the total orders placed (75% in April-August 2016). This is an indication of stable competitive intensity in this segment, which had seen a large number of new players in FY12-13.

### Transformer orders at INR4.2b (down 50% YoY); 765kv transformers at 75% of total

- Transformer orders stood at INR4.2b (-50% YoY), with 765kv transformers constituting 75% of total orders.
- Within 765kv transformers, GE T&D had a share of 42%, followed by Toshiba (29% share) and TBEA (28% share).

**Valuation and view:** While PGCIL ordering in YTFY18 has remained weak, we expect ordering to pick up in 2HFY18. PGCIL orders over the last few years are increasingly focused on high-end technology products like HVDC, STATCOM, SVC and FACTS. We believe that MNC players, namely GE T&D (Neutral), ABB India (Sell) and Siemens (Neutral) are best positioned to capture the upcoming opportunity.

**Exhibit 1: PGCIL ordering down 76% YoY, led by absence of finalization of large orders and weak ordering by PGCIL**

Order flow by type	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	YTDFY18
Transformer	22,900	10,294	26,192	11,292	9,280	8,486	14,826	19,251	4,163
Conductor	14,660	28,552	53,275	11,487	11,687	14,765	17,087	16,347	-
Insulator	9,288	3,277	5,372	5084	3,704	4,801	2,765	1,291	47
Transmission Lines	44,846	67,259	97,374	70,450	41,632	68,839	53,756	57,928	22,279
Substation	21,171	69,787	29,839	53,560	26,963	73,377	44,628	167,564	5,941
Rural Electrification	2,668	-	-	-	-	3,060	18,516	-	-
Railway Electrification									3,356
Others	3,127	3,945	8,125	9,454	14,391	2,826	15,534	19,012	921
<b>Total</b>	<b>118,660</b>	<b>183,114</b>	<b>220,177</b>	<b>161,325</b>	<b>107,656</b>	<b>181,083</b>	<b>167,112</b>	<b>281,393</b>	<b>36,707</b>

Source: MOSL, Company

# Metals Weekly

## Steel and RM prices falling off a cliff; base metals stable; lead jumps 9%

- **Indian steel:** Long product (TMT Mumbai) prices were unchanged WoW. Sponge iron prices were down ~3% WoW, while domestic scrap prices remained unchanged. Pellet prices were higher. Domestic HRC prices were down 2% WoW due to weak demand, but import HRC price offers were unchanged.
- **Raw materials:** Iron ore prices (China cfr) were down ~12% WoW due to concerns about winter cuts impact on demand in China. Chinese iron ore port inventories were lower. Thermal coal prices were unchanged. Coking coal prices were down ~3% WoW. China's pellet import prices were down ~4% WoW.
- **Europe:** HRC prices were up 2%. HRC product spreads have increased on lower raw material prices. CIS HRC export prices were down ~1% WoW. Rotterdam scrap prices were down ~8% WoW, following ~3% decline in the previous week.
- **China:** Local HRC and rebar prices were down ~3% WoW. Export HRC prices were unchanged.
- **Base metals:** Aluminum (cash LME) prices were up ~4% WoW. Alumina prices were up ~3% WoW. Zinc (cash LME) was up 3% WoW. Lead was up ~9% WoW. Copper was unchanged. Crude oil (Brent) prices were up ~2% WoW.

### Metal Prices

	CMP	change since						
		22-Sep	%	15-Sep	%	1-Apr	%	1-Jan
<b>STEEL</b>								
TMT- Mumbai (INR/ton)	30,500	0	30,500	-9	33,600	0	30,600	
HRC- Mumbai (INR/ton)	38,750	-2	39,500	4	37,333	1	38,222	
HRC (USD/ton) fob CIS	598	-1	605	24	483	21	495	
<b>METALLICS</b>								
Sponge iron - Raipur (INR/ton)	17,500	-3	18,000	-5	18,500	10	15,950	
Pig iron - Raipur (INR/ton)	25,800	0	25,800	8	23,850	14	22,550	
Iron ore spot (USD/ton) cfr China	66	-11	74	-12	75	-16	79	
Coking coal (USD/ton) fob Aus.	201	-3	207	-29	283	-16	240	
Shred. scrap (USD/ton) Rotterdam	303	-8	331	17	260	9	278	
<b>ALUM.</b>								
LME Spot (USD/ton)	2,154	4	2,065	12	1,930	19	1,814	
Indian prices (INR '000/ton)	139	5	133	12	124	20	116	
LME inventories ('000 ton)	1,295	-1	1,313	-29	1,818	-41	2,202	
<b>ZINC</b>								
LME Spot (USD/ton)	3,098	3	2,994	16	2,665	21	2,563	
Indian prices (INR '000/ton)	202	4	195	18	172	16	174	
LME inventories ('000 ton)	263	0	264	-28	367	-38	428	
<b>COPPER</b>								
LME Spot (USD/ton)	6,408	0	6,419	11	5,770	16	5,501	
Indian prices (INR '000/ton)	417	0	418	10	381	12	374	
LME inventories ('000 ton)	309	2	304	17	265	-1	312	
<b>OTHERS</b>								
Gold (INR/10gms)	29,551	-1	29,925	2	28,845	6	27,812	
Sliver (INR/1kg)	39,210	-3	40,360	-6	41,896	1	38,921	
Lead Spot LME (USD/ton)	2,472	9	2,267	9	2,260	25	1,985	
Brent crude (USD/bbl)	56.9	2	55.6	3	55.2	0	56.8	
<b>MISC.</b>								
INR/USD	64.9	1	64.2	1	64.3	-5	68.0	
BDI	1,502	8	1,385	23	1,223	56	961	

### Valuations: Indian companies

Company	Price (INR)	EV/EBITDA (x) FY18E	EV/EBITDA (x) FY19E	P/B (x) FY18E
<b>Steel</b>				
Tata Steel	655	6.6	6.7	1.8
JSW Steel	247	7.8	7.1	2.2
JSPL	139	9.8	6.7	0.4
SAIL	58	34.4	14.5	0.7
<b>Non-Ferrous</b>				
Hindalco	231	6.4	5.6	1.5
Nalco	76	8.4	7.6	1.4
Vedanta	308	7.5	5.0	1.8
<b>Mining</b>				
Coal India	254	6.5	6.0	6.1
HZL	293	8.2	5.7	4.3
NMDC	122	6.2	6.2	1.6

Note: Detailed table on pg 25 Source: MOSL

### Valuations: Global companies

	Price	EV/EBITDA (x) CY17	EV/EBITDA (x) CY18	P/B (x) CY17
<b>Mining</b>				
BHP	AUD 25.95	6.4	6.5	nm
FMG	AUD 5.12	4.1	4.7	nm
Rio Tinto	AUD 65.97	5.7	6.5	nm
Vale	USD 29.47	5.3	5.9	1.1
Teck Res.	USD 21.96	3.9	5.0	0.8
<b>Steel</b>				
A. Mittal	EUR 21.655	5.1	5.1	0.8
Posco	KRW 306.5	5.6	5.5	0.6
US Steel	USD 23.83	4.9	4.3	1.6
Nucor	USD 54.53	7.0	6.6	2.0
JFE	JPY 2128.5	6.8	6.4	nm
Gerdau	BRL 11.31	7.9	6.5	1.1
Angang	CNY 6.5	8.2	7.9	0.8
<b>Non Ferrous</b>				
Alcoa	USD 45.38	5.2	5.4	1.4
Hydro	NOK 57.8	7.1	6.0	1.4
Rusal	HKD 5.97	9.2	8.4	nm

Note: Detailed on pg 25 Source: Bloomberg



### **1. BSE : Will take opinion from various market participants on extension of mkt hours; Ashishkumar Chauhan, MD & CEO**

- In the last seven-eight years the world has seen unprecedented bull run in international markets. While India came late, liquidity-driven situation has fuelled the boom.
- Market situations would improve once geopolitical situation improves.
- There are arguments in favour and against extension of trading hours.
- First purpose of market is to channelize savings and second is to allow trading so that signaling and execution happens in right way.
- In India itself, commodity markets have been working till 11 pm.
- Will take opinion from various market participants on extension of market hours.
- Decision making will have to be done keeping in mind everyone's perspective, prevailing conditionality and also what international practice is.

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### **2. Maruti : India cannot grow transportation only on fossil fuels, EVS are essential; RC Bhargava, Chairman**

- Clearly believe that slowdown in GDP in the first quarter is a temporary issue. One should have a long-term view of the economy because the government is trying to restructure the way the entire economy functions which is not going to be easy.
- For decades now economy has been on a route which was totally inconsistent with sustainable rapid growth, so timely changes were necessary. Therefore, one will have to go through short-term strain and the pay the price for doing wrong things for a long time and to benefit over longer term.
- Reforms taken by the government will be positive for the long-term
- Regarding GST, many people were non-compliant with the tax laws or accounting laws and so, to comply with the tax laws behavioural changes need to take place and that is not going to be easy.

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### **3. Strides Shasun : Will be vertically integrated formulation company; Shashank Sinha, MD & Group CEO**

- Wouldn't comment on Renvela Generic partner.
- As of October 1, active pharmaceutical ingredient (API) going to be a different business. Company is going to keep our captive APIs and the third party API supply is carved out into a different business. Not at liberty to talk about their business portfolio. It is a significant product. Going to be spun off into a separate company which is going to list separately.
- Company will be a vertically integrated formulation company.
- One approval pending from the National Company Law Tribunal (NCLT) for the demerger.
- Market size of Lovaza generic is USD 200-300 million.

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### 1. Going beyond the idea of fiscal stimulus

- The government of India is working on a plan to revive the economy after growth slipped to a modest rate of 5.7% in the first quarter of the current fiscal compared with 7.9% in the same quarter last year. Media reports suggest that it is mulling a fiscal stimulus to boost growth, which could increase the fiscal deficit. The idea is that in the absence of sufficient investment demand from the private sector, higher government expenditure will help boost gross domestic product (GDP) growth. It makes political sense. The Narendra Modi government will present its last full budget in February and the Bharatiya Janata Party will be facing a number of crucial assembly elections before the 2019 general election. However, there are sound economic reasons why the government should adhere to its fiscal commitments. First, the deceleration in growth is partly being explained by the lingering impact of demonetisation and destocking before the implementation of the goods and services tax (GST). The impact will peter out and output affected by these events doesn't need fiscal support. But since growth started decelerating before these shocks, policy intervention needs to go beyond fiscal stimulus. Opening the fiscal tap at the moment would mean that crucial reforms in areas such as improving the ease of doing business might get postponed.

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### 2. Making the most of the new industrial policy

- The framing of the new industrial policy should be seen as an opportunity to chart a meaningful path for industry's role in India's development. The recently released discussion paper by the department of industrial policy and promotion mentions two points that need to be examined closely to grasp the headwinds industry will have to navigate: first, industry's inadequate expenditure on research and development (R&D). And second, micro, the small and medium enterprises sector facing tough competition from cheap imports from China and other countries with which India has free trade agreements. To put the first point into context, Huawei's R&D expenditure (around \$6.5 billion) is about the same or more than that of Indian industry, while Microsoft spends (around \$12 billion) about the same as the Indian government. Regarding the second point, the consequence of the inflation-targeting framework and its impact on Indian industry via the exchange rate (resulting in cheaper imports from China) would need to be studied in greater detail.

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### 3. Why RBI must target unhedged ecbs

- Many years ago, when the rupee was constantly under threat to weaken, RBI often railed against speculators and, indeed, acted from time to time, for instance prohibiting domestic companies from rebooking cancelled forward contracts, since it was clear that some companies were—rather than managing their risk—simply speculating by buying (booking forward against imports) and selling (cancelling) dollars. Today, the shoe is on the other foot—with the rupee strong and constantly under threat to strengthen further—but RBI is surprisingly lax in its attack on on-shore speculators. To be fair, RBI did try to impose some constraints on short dollar positions back in 2014, when the rupee had also



been strengthening and there was a perceived threat that things could get better (worse?). It asked banks to increase their capital charges on rupee borrowings for companies who had unhedged net short dollar exposures. However, the impact was—and remains—relatively mild. In any event, I would argue against such a policy since different companies have different—and, sometimes, valid—reasons for keeping imports unhedged.

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#### 4. Why India's digital push timing is all wrong

- India's digital push has got its timing all wrong. Yes Bank Ltd, one of the nation's fastest-growing lenders, has cut 12% of its workforce, mostly salespeople. When Reliance Industries Ltd, controlled by billionaire Mukesh Ambani, starts a new bank soon, it won't have any branches. According to BloombergQuint, shop attendants that sell its phones will double as bankers. It makes sense, since the Jio Payments Bank will largely exist online anyway. These are just two of the many examples of a digital revolution in India that's either destroying old jobs, or not creating enough new ones.
- Mind you, it's a welcome change. If the same amount of banking services is being delivered by 50 people instead of 500, then labour productivity is 10 times higher. Trouble is, advances in digital technologies have arrived amid a crisis in job creation in more traditional industries. TeamLease Services Ltd, one of the country's biggest recruitment firms, is flagging a 30% to 40% reduction in manufacturing jobs from 2016. Larsen & Toubro Ltd, India's largest engineering group, says the private sector won't return to significant infrastructure projects for two more years.

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### International

#### 5. Pressure on China the key to North Korea

- This year's session of the UN General Assembly, the first one to be addressed by US President Donald Trump, served to highlight the inability of the world to tackle a problem like North Korea. The US president threatened to destroy the nation of 25 million people, if the US and its allies are threatened or attacked. If this raised eyebrows rather than curdled blood, a further threat to undo the Iran nuclear deal served to reinforce skepticism about the value of any American promise or assurance. The fact is that successive US administrations have had little success with their North Korea policy. President Bill Clinton managed to use diplomacy for the US-DPRK Agreed Framework to put a freeze on North Korea's plutonium programme and later enabled a moratorium on missile tests. That was in the era of Kim Jong-il, present leader Kim Jong-un's father. But since then, Washington has eschewed the path of direct diplomacy and unlike his father, Kim Jong-un does not have truck with foreign leaders. The fact is that there are no good options.

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Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			P/E (x)		P/B (x)		ROE (%)		
					FY17	FY18E	FY19E	FY17	FY18E	FY17	FY18E	FY17	FY18E	FY19E
<b>Automobiles</b>														
Amara Raja	Buy	739	986	33	28.0	28.2	37.9	26.4	26.2	4.9	4.2	20.3	17.3	19.9
Ashok Ley.	Buy	113	118	5	4.6	5.2	7.0	24.8	21.8	5.4	4.8	23.1	23.2	27.0
Bajaj Auto	Buy	3,039	3,281	8	132.3	137.2	163.6	23.0	22.2	5.2	4.7	25.3	22.2	24.0
Bharat Forge	Buy	1,223	1,353	11	26.2	36.5	50.5	46.7	33.5	6.9	6.0	16.2	19.2	22.8
Bosch	Neutral	21,149	21,994	4	473.1	547.2	705.7	44.7	38.6	7.3	6.6	15.8	18.0	20.7
CEAT	Buy	1,686	2,029	20	93.3	94.2	126.8	18.1	17.9	2.8	2.5	16.9	14.8	17.3
Eicher Mot.	Buy	30,970	35,854	16	612.7	852.9	1,092.8	50.5	36.3	15.8	11.7	37.1	37.0	35.4
Endurance Tech.	Buy	991	1,059	7	23.5	29.3	37.9	42.2	33.8	8.1	6.7	20.8	21.6	23.3
Escorts	Neutral	622	732	18	20.0	37.1	45.8	31.2	16.8	3.2	2.7	10.6	17.3	18.3
Exide Ind	Buy	208	269	29	8.1	9.2	11.0	25.6	22.6	3.6	3.2	13.9	14.1	15.0
Hero Moto	Neutral	3,756	3,818	2	169.1	189.3	199.1	22.2	19.8	7.4	6.4	35.7	34.6	31.5
M&M	Buy	1,259	1,634	30	54.3	68.5	82.4	23.2	18.4	2.9	2.6	14.2	13.9	14.9
Mahindra CIE	Not Rated	234	-		5.4	9.9	11.8	43.7	23.7	2.7	2.4	6.4	10.8	11.5
Maruti Suzuki	Buy	7,953	8,819	11	248.6	281.7	374.5	32.0	28.2	6.6	5.8	20.3	20.1	22.8
Tata Motors	Buy	408	542	33	19.8	22.4	59.8	20.6	18.2	2.4	2.1	9.8	12.3	26.6
TVS Motor	Buy	642	612	-5	11.7	14.4	23.7	54.6	44.6	12.7	10.4	25.6	25.7	33.6
<b>Aggregate</b>								<b>29.0</b>	<b>24.9</b>	<b>4.9</b>	<b>4.3</b>	<b>17.1</b>	<b>17.4</b>	<b>22.3</b>
<b>Banks - Private</b>														
Axis Bank	Neutral	501	545	9	15.4	21.8	38.1	32.6	23.0	2.2	2.1	6.9	9.3	14.7
DCB Bank	Neutral	183	192	5	7.0	8.4	10.4	26.2	21.9	2.7	2.2	10.8	11.4	11.8
Equitas Hold.	Buy	156	201	29	5.0	1.7	6.1	30.9	90.0	2.4	2.3	9.5	2.6	8.7
Federal Bank	Buy	112	139	25	4.8	5.4	6.8	23.2	20.7	2.2	1.8	9.9	10.0	10.5
HDFC Bank	Buy	1,799	2,000	11	56.8	68.2	82.1	31.7	26.4	5.4	4.6	18.3	18.8	19.6
ICICI Bank	Buy	280	366	31	15.3	14.9	17.0	18.3	18.8	2.1	1.9	10.2	8.9	9.5
IDFC Bank	Neutral	57	62	10	2.3	2.8	3.2	24.2	20.4	1.3	1.2	5.6	6.3	6.9
IndusInd	Under Review	1,698	-		47.9	61.9	76.8	35.4	27.4	5.1	4.4	15.4	17.3	18.5
J&K Bank	Neutral	75	91	21	-31.3	3.8	8.2	NM	19.6	0.7	0.7	-27.0	3.5	7.2
Kotak Mah. Bk	Buy	1,000	1,153	15	26.8	32.4	41.0	37.3	30.8	4.8	4.3	13.8	15.0	16.3
RBL Bank	Under Review	513	-		11.9	18.0	23.7	43.1	28.5	4.5	3.2	12.3	13.6	13.9
South Indian	Buy	29	34	19	2.2	2.9	3.7	13.1	10.0	1.1	1.0	9.5	10.8	12.7
Yes Bank	Buy	360	427	19	14.6	18.5	22.9	24.6	19.5	3.8	3.3	18.9	18.3	19.5
<b>Aggregate</b>								<b>30.1</b>	<b>24.2</b>	<b>3.5</b>	<b>3.0</b>	<b>11.5</b>	<b>12.5</b>	<b>14.2</b>
<b>Banks - PSU</b>														
BOB	Buy	142	198	39	6.0	9.5	20.8	23.8	14.9	0.9	0.9	4.0	6.1	12.4
BOI	Neutral	143	149	4	-14.8	-11.2	6.6	NM	NM	0.6	0.7	-6.7	-5.2	3.0
Canara	Neutral	325	360	11	18.8	30.1	47.0	17.3	10.8	0.7	0.7	4.2	6.2	9.1
IDBI Bk	Neutral	53	49	-7	1.5	6.4	8.6	34.7	8.2	0.5	0.5	1.4	5.8	7.3
Indian Bk	Buy	263	382	45	29.3	34.4	38.3	9.0	7.7	0.9	0.8	10.1	10.9	11.2
OBC	Neutral	125	150	20	-31.6	17.1	21.4	NM	7.3	0.3	0.3	-8.4	4.6	5.4
PNB	Buy	138	184	34	6.2	5.8	11.0	22.1	23.6	0.8	0.8	3.6	3.2	5.9
SBI	Buy	259	341	32	0.3	14.6	26.8	869.5	17.7	1.2	1.1	-0.2	7.0	11.4
Union Bk	Neutral	130	140	8	8.1	9.0	19.1	16.1	14.4	0.4	0.4	2.7	3.0	6.1
<b>Aggregate</b>								<b>96.4</b>	<b>17.1</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>	<b>4.6</b>	<b>8.3</b>
<b>NBFCs</b>														
Bajaj Fin.	Buy	1,795	1,800	0	33.6	47.6	62.9	53.4	37.7	10.2	8.3	21.7	24.3	25.9
Bharat Fin.	Neutral	938	820	-13	21.0	31.8	68.7	44.7	29.5	5.3	4.3	15.1	16.1	28.0
Capital First	Buy	746	925	24	24.6	33.3	44.3	30.3	22.4	3.2	2.8	12.0	13.3	15.6
Cholaman.Inv.&Fn	Buy	1,097	1,400	28	46.0	56.0	67.3	23.9	19.6	4.0	3.4	18.0	18.6	19.0
Dewan Hsg.	Buy	525	630	20	29.6	37.7	47.1	17.7	13.9	2.1	1.9	14.4	14.1	15.6
GRUH Fin.	Neutral	514	450	-12	8.1	9.9	12.1	63.1	51.7	18.9	15.5	32.5	33.0	32.8
HDFC	Buy	1,755	1,900	8	46.8	52.9	59.0	37.5	33.2	6.9	6.3	18.9	19.3	18.4
Indiabulls Hsg	Buy	1,203	1,350	12	69.0	86.3	108.4	17.4	13.9	4.2	3.7	25.5	28.2	31.3
L&T Fin Holdings	Buy	193	200	4	5.2	7.3	10.6	36.8	26.3	4.3	3.8	12.4	15.6	19.1
LIC Hsg Fin	Neutral	622	708	14	38.2	41.6	48.9	16.3	15.0	2.9	2.5	19.4	18.2	18.5

Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			P/E (x)		P/B (x)		ROE (%)		
					FY17	FY18E	FY19E	FY17	FY18E	FY17	FY18E	FY17	FY18E	FY19E
Manappuram	Not Rated	96	-		8.6	10.8	12.5	11.1	8.9	2.4	2.2	24.0	25.9	26.9
M&M Fin.	Buy	404	459	14	7.1	13.9	17.8	57.0	29.1	3.6	3.4	6.5	12.0	14.2
Muthoot Fin	Buy	474	550	16	29.5	38.2	44.2	16.1	12.4	2.9	2.5	19.4	21.5	21.2
PFC	Neutral	129	117	-9	25.7	27.2	30.2	5.0	4.7	0.9	0.8	17.9	17.0	16.8
Repco Home	Buy	613	800	30	29.1	34.5	39.3	21.1	17.8	3.4	2.9	17.4	17.5	17.0
REC	Neutral	167	134	-20	31.4	35.0	40.4	5.3	4.8	1.0	0.9	19.9	19.1	19.1
Shriram City Union	Buy	2,060	2,800	36	84.3	121.7	164.1	24.4	16.9	2.7	2.4	11.7	15.0	17.6
STF	Buy	983	1,330	35	55.6	80.0	102.4	17.7	12.3	2.0	1.8	11.7	15.0	16.9
<b>Aggregate</b>								<b>21.2</b>	<b>17.8</b>	<b>3.6</b>	<b>3.1</b>	<b>16.8</b>	<b>17.6</b>	<b>18.1</b>
<b>Capital Goods</b>														
ABB	Sell	1,429	1,200	-16	19.7	22.4	31.6	72.5	63.8	9.2	8.1	12.7	12.6	15.8
Bharat Elec.	Buy	181	215	19	6.9	7.4	8.2	26.1	24.5	5.4	4.1	20.6	17.0	16.9
BHEL	Sell	127	100	-21	2.1	4.6	4.9	59.3	27.9	1.0	0.9	1.6	3.4	3.5
Blue Star	Neutral	763	650	-15	12.9	17.5	26.1	59.2	43.5	9.6	9.0	18.0	21.4	29.6
CG Cons. Elec.	Buy	208	250	20	4.7	5.0	6.4	44.4	41.3	24.1	17.8	76.4	49.7	49.7
CG Power & Indu.	Neutral	79	80	1	4.1	2.0	2.5	19.2	38.8	1.2	1.2	6.2	3.0	3.7
Cummins	Buy	896	1,180	32	26.5	27.7	35.0	33.8	32.4	6.6	6.2	21.2	19.7	22.8
GE T&D	Neutral	391	395	1	5.7	9.3	11.3	68.1	42.0	9.7	8.5	12.4	21.5	22.7
Havells	Neutral	490	455	-7	9.6	10.9	13.8	51.3	44.8	9.4	8.4	18.2	18.6	20.7
K E C Intl	Neutral	301	295	-2	11.9	13.1	16.4	25.4	23.1	4.9	4.2	21.2	19.5	20.9
L&T	Buy	1,165	1,380	18	42.3	46.5	56.2	27.5	25.1	3.2	3.0	12.5	12.4	13.8
Pennar Eng.	Not Rated	103	-		7.1	9.1	11.2	14.6	11.4	1.5	1.3	10.2	11.6	12.6
Siemens	Neutral	1,318	1,355	3	17.8	22.7	33.0	74.0	58.0	6.9	6.0	9.3	10.3	13.7
Solar Ind	Neutral	919	900	-2	20.6	24.2	30.0	44.6	37.9	8.2	7.0	19.8	19.8	20.9
Suzlon Energy	Not Rated	16	-		0.6	0.9	1.0	25.4	18.3	-1.5	-1.6	NM	-8.8	-11.0
Thermax	Neutral	850	830	-2	30.8	30.0	33.2	27.6	28.3	3.8	3.4	14.3	12.7	12.8
Va Tech Wab.	Buy	597	800	34	29.8	34.6	39.8	20.1	17.3	3.3	2.8	16.8	17.6	17.4
Voltas	Sell	510	430	-16	15.5	16.8	19.1	33.0	30.3	5.1	4.5	18.0	15.8	16.0
<b>Aggregate</b>								<b>35.3</b>	<b>30.8</b>	<b>4.0</b>	<b>3.6</b>	<b>11.2</b>	<b>11.7</b>	<b>12.9</b>
<b>Cement</b>														
Ambuja Cem.	Buy	263	308	17	4.9	7.0	8.2	53.8	37.8	2.7	2.6	5.1	7.0	7.9
ACC	Neutral	1,632	1,622	-1	36.1	49.8	65.0	45.2	32.8	3.5	3.4	7.9	10.6	13.1
Birla Corp.	Buy	899	1,150	28	29.4	40.9	58.9	30.6	21.9	2.1	2.0	7.3	9.2	12.2
Dalmia Bharat	Buy	2,626	3,282	25	38.8	68.7	89.9	67.7	38.2	4.7	4.2	7.2	11.6	13.4
Grasim Inds.	Neutral	1,137	1,276	12	67.9	71.3	102.7	16.7	15.9	1.8	1.7	11.5	10.9	13.9
India Cem	Neutral	168	201	20	5.6	8.0	11.8	29.8	21.0	1.0	1.0	3.4	4.7	6.6
J K Cements	Buy	944	1,277	35	33.7	39.7	54.4	28.0	23.8	3.8	3.3	14.4	14.8	17.5
JK Lakshmi Ce	Buy	387	519	34	7.0	9.7	16.4	55.6	39.8	3.2	3.0	6.0	7.9	12.1
Ramco Cem	Buy	711	806	13	27.3	27.4	34.4	26.1	26.0	4.5	3.9	19.0	16.1	17.5
Orient Cem	Buy	153	185	21	-1.6	4.4	7.1	NM	34.6	3.2	2.9	-3.2	8.8	12.8
Prism Cem	Buy	106	140	32	0.3	3.5	5.6	388.7	30.5	5.6	4.8	1.4	17.0	22.9
Shree Cem	Buy	17,628	22,360	27	384.4	460.4	547.8	45.9	38.3	8.0	6.7	18.4	19.1	19.1
Ultratech	Buy	3,911	4,936	26	96.1	91.5	138.8	40.7	42.7	4.5	4.1	11.6	10.1	14.0
<b>Aggregate</b>								<b>36.6</b>	<b>31.4</b>	<b>3.5</b>	<b>3.2</b>	<b>9.6</b>	<b>10.3</b>	<b>12.7</b>
<b>Consumer</b>														
Asian Paints	Neutral	1,196	1,200	0	21.0	22.2	26.5	56.9	53.9	15.1	13.7	28.5	26.7	28.1
Britannia	Buy	4,280	4,660	9	73.7	85.3	104.6	58.1	50.2	19.0	15.7	36.9	34.3	34.5
Colgate	Buy	1,085	1,285	18	21.2	24.4	29.8	51.1	44.4	23.2	22.0	50.4	50.8	58.2
Dabur	Neutral	313	315	1	7.2	7.7	9.1	43.1	40.4	11.4	9.7	28.4	26.0	26.3
Emami	Buy	1,089	1,310	20	26.5	26.9	33.1	41.1	40.5	14.1	12.0	35.8	32.0	33.9
Godrej Cons.	Neutral	933	995	7	18.9	21.5	24.7	49.3	43.3	12.0	9.3	24.6	24.2	22.8
GSK Cons.	Sell	4,946	4,500	-9	156.1	158.1	182.1	31.7	31.3	6.7	6.5	22.2	21.1	22.6
HUL	Buy	1,246	1,400	12	19.6	22.9	27.4	63.5	54.3	41.6	41.2	66.5	76.2	87.2
ITC	Neutral	262	280	7	8.4	9.3	10.3	31.2	28.3	7.1	7.0	23.5	24.8	26.3
Jyothy Lab	Neutral	380	395	4	11.2	9.8	11.1	33.9	38.7	6.3	6.4	21.1	16.5	18.4

Company	Reco	CMP	TP	% Upside	EPS (INR)			P/E (x)		P/B (x)		ROE (%)		
		(INR)	(INR)	Downside	FY17	FY18E	FY19E	FY17	FY18E	FY17	FY18E	FY17	FY18E	FY19E
Marico	Neutral	319	355	11	6.3	6.8	8.2	50.7	46.7	17.7	15.2	36.7	34.9	37.7
Nestle	Neutral	7,131	6,160	-14	118.0	115.1	133.6	60.4	62.0	22.8	21.2	39.0	35.5	38.1
Page Inds	Buy	18,450	19,600	6	238.7	294.7	398.4	77.3	62.6	30.9	24.8	40.0	39.6	43.1
Parag Milk	Neutral	231	245	6	3.6	9.1	12.5	64.1	25.4	3.0	2.6	6.0	11.0	13.3
Pidilite Ind.	Neutral	806	810	0	16.7	18.1	20.6	48.2	44.7	12.5	10.2	28.2	25.2	23.5
P&G Hygiene	Neutral	8,314	8,800	6	132.9	151.6	176.0	62.5	54.9	39.2	32.5	39.3	64.9	62.8
Prabhat Dairy	Not Rated	130	-		3.5	3.5	6.4	36.8	37.4	1.8	1.8	5.2	4.9	8.5
United Brew	Buy	859	980	14	8.7	9.9	14.0	98.9	86.8	9.7	8.9	10.2	10.7	13.6
United Spirits	Neutral	2,447	2,525	3	26.7	34.5	51.5	91.5	70.9	18.3	12.8	21.3	18.0	20.3
<b>Aggregate</b>								<b>46.7</b>	<b>42.2</b>	<b>12.9</b>	<b>11.9</b>	<b>27.5</b>	<b>28.3</b>	<b>29.3</b>
<b>Healthcare</b>														
Alembic Phar	Neutral	484	510	5	21.6	20.5	25.5	22.4	23.6	4.8	4.2	23.0	19.0	20.4
Alkem Lab	Neutral	1,832	1,830	0	75.7	73.5	91.6	24.2	24.9	5.2	4.5	23.4	19.2	20.5
Ajanta Pharma	Buy	1,190	1,606	35	58.4	52.8	64.2	20.4	22.6	6.7	5.4	37.7	26.5	25.9
Aurobindo	Buy	703	850	21	39.3	44.9	50.0	17.9	15.7	4.4	3.5	27.6	24.8	22.1
Biocon	Sell	343	330	-4	10.2	9.7	14.2	33.6	35.3	4.3	3.9	12.3	11.1	14.5
Cadila	Buy	482	555	15	14.2	17.9	24.1	33.9	26.9	7.1	5.9	23.0	23.9	26.3
Cipla	Neutral	577	520	-10	15.9	21.1	26.0	36.3	27.3	3.7	3.3	10.2	12.1	13.2
Divis Lab	Neutral	952	720	-24	39.7	33.6	40.0	24.0	28.4	5.4	4.9	23.5	18.1	19.4
Dr Reddy's	Neutral	2,418	2,400	-1	72.6	79.6	120.1	33.3	30.4	3.3	3.1	9.7	10.6	14.3
Fortis Health	Buy	147	220	50	10.3	2.2	5.6	14.2	67.2	1.5	1.3	11.3	2.1	4.9
Glenmark	Neutral	613	775	26	39.3	42.9	51.7	15.6	14.3	3.9	3.1	24.7	21.6	20.9
Granules	Buy	120	200	67	7.2	8.2	11.5	16.6	14.7	3.0	2.1	21.1	17.7	18.8
GSK Pharma	Neutral	2,427	2,500	3	34.4	46.8	54.9	70.6	51.8	10.2	11.9	14.5	23.0	30.9
IPCA Labs	Neutral	496	430	-13	16.1	16.6	26.8	30.9	29.9	2.5	2.4	8.6	8.2	12.2
Jubilant Life	Buy	653	905	39	37.0	47.1	56.7	17.7	13.9	3.0	2.5	18.1	19.5	19.6
Lupin	Buy	991	1,125	13	56.6	41.4	56.3	17.5	23.9	3.3	3.0	20.9	13.2	16.0
Sanofi India	Buy	3,994	4,820	21	129.1	133.6	160.6	30.9	29.9	5.3	4.9	17.1	16.6	18.1
Shilpa Medicare	Buy	569	805	41	14.0	21.1	30.4	40.6	27.0	5.0	4.2	14.4	17.0	20.4
Strides Shasun	Buy	907	1,300	43	32.3	47.4	74.8	28.1	19.1	3.0	2.7	10.7	14.7	20.2
Sun Pharma	Buy	506	515	2	26.1	15.1	23.3	19.4	33.6	3.3	3.4	18.5	10.0	14.7
Syngene Intl	Not Rated	483	-		13.0	16.1	18.0	37.1	29.9	7.5	6.1	22.2	22.5	20.7
Torrent Pharma	Neutral	1,233	1,350	10	55.2	53.4	67.3	22.3	23.1	4.8	4.2	23.8	19.5	21.5
<b>Aggregate</b>								<b>24.0</b>	<b>26.3</b>	<b>4.1</b>	<b>3.7</b>	<b>17.0</b>	<b>14.0</b>	<b>16.3</b>
<b>Logistics</b>														
Allcargo Logistics	Buy	172	212	24	9.8	11.2	13.3	17.5	15.3	2.6	2.3	12.6	16.0	16.8
Blue Dart	Not Rated	4,103	-		102.5	129.9	163.2	40.0	31.6	17.7	13.5	50.5	48.6	46.8
Concor	Neutral	1,281	1,214	-5	38.0	42.1	48.6	33.7	30.4	3.5	3.4	10.8	11.3	12.4
Gateway Distriparks	Buy	224	272	21	6.8	9.0	12.4	33.0	24.9	2.4	2.3	7.3	9.4	12.4
Gati	Not Rated	109	-		8.4	15.9	23.9	13.1	6.9	1.8	1.6	12.4	19.4	25.4
Transport Corp.	Not Rated	261	-		16.9	21.0	25.9	15.4	12.4	2.4	2.0	16.7	17.8	18.6
<b>Aggregate</b>								<b>30.4</b>	<b>25.5</b>	<b>3.8</b>	<b>3.5</b>	<b>12.4</b>	<b>13.8</b>	<b>15.4</b>
<b>Media</b>														
Dish TV	Buy	77	106	38	1.0	1.0	2.4	74.8	75.5	16.7	13.6	25.1	19.9	35.2
D B Corp	Buy	366	450	23	20.4	23.7	27.6	17.9	15.4	4.2	3.8	25.5	25.8	26.6
Den Net.	Neutral	85	90	6	-8.6	-2.7	0.3	NM	NM	1.6	1.7	-12.0	-5.3	0.7
Ent.Network	Neutral	810	928	15	11.4	13.4	21.7	70.9	60.6	4.5	4.2	6.7	7.2	10.7
Hind. Media	Buy	260	350	35	25.9	28.3	33.6	10.0	9.2	1.7	1.5	19.0	17.3	17.3
HT Media	Neutral	95	90	-5	7.4	7.9	8.1	12.7	11.9	0.9	0.8	7.1	6.9	6.4
Jagran Prak.	Buy	173	225	30	10.8	12.4	14.1	16.1	14.0	2.4	2.3	17.6	16.5	17.4
Music Broadcast	Buy	391	469	20	6.4	9.3	14.0	60.8	41.9	4.1	3.7	11.2	9.3	12.4
PVR	Buy	1,210	1,628	35	20.5	30.9	46.9	58.9	39.2	5.9	5.1	10.4	14.0	18.2
Siti Net.	Neutral	26	32	25	-1.8	-0.3	0.4	NM	NM	3.5	3.7	-23.5	-4.1	6.2
Sun TV	Neutral	787	860	9	24.9	28.5	35.9	31.7	27.6	7.5	6.9	23.6	25.0	28.8

Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			P/E (x)		P/B (x)		ROE (%)		
					FY17	FY18E	FY19E	FY17	FY18E	FY17	FY18E	FY17	FY18E	FY19E
Zee Ent.	Buy	527	630	19	23.1	14.7	18.9	22.8	35.8	8.7	7.5	24.7	22.6	24.5
<b>Aggregate</b>								<b>40.0</b>	<b>31.0</b>	<b>5.6</b>	<b>5.1</b>	<b>14.1</b>	<b>16.6</b>	<b>19.3</b>
<b>Metals</b>														
Hindalco	Buy	229	310	35	8.6	19.8	24.5	26.8	11.6	1.8	1.5	7.4	14.3	15.4
Hind. Zinc	Neutral	292	301	3	19.7	22.2	29.3	14.8	13.2	4.0	4.3	24.4	31.5	38.0
JSPL	Buy	134	194	45	-20.9	-15.8	2.0	NM	NM	0.4	0.4	-7.9	-4.9	0.6
JSW Steel	Buy	237	297	25	14.8	21.9	25.7	16.0	10.8	2.5	2.1	17.3	21.3	20.8
Nalco	Neutral	75	63	-15	3.7	3.5	4.2	20.3	21.5	1.4	1.4	7.2	6.5	7.7
NMDC	Buy	120	180	50	10.0	12.4	12.1	12.1	9.7	1.7	1.6	12.8	15.2	15.6
SAIL	Sell	57	30	-47	-6.2	-7.7	-4.2	NM	NM	0.6	0.7	-6.7	-9.1	-5.3
Vedanta	Buy	307	361	18	15.1	23.9	37.4	20.3	12.8	1.9	1.8	9.7	14.2	20.4
Tata Steel	Neutral	640	669	5	37.9	65.1	64.3	16.9	9.8	1.9	1.7	15.7	18.6	16.2
<b>Aggregate</b>								<b>22.3</b>	<b>14.7</b>	<b>1.7</b>	<b>1.6</b>	<b>7.6</b>	<b>11.2</b>	<b>14.0</b>
<b>Oil &amp; Gas</b>														
BPCL	Buy	487	640	31	48.3	49.1	51.6	10.1	9.9	3.1	2.6	32.4	28.4	25.1
GAIL	Sell	398	346	-13	22.6	26.5	31.3	17.6	15.0	1.8	1.6	9.6	11.3	12.4
Gujarat Gas	Sell	818	691	-16	20.4	37.2	46.1	40.2	22.0	6.8	5.5	17.8	27.6	27.4
Gujarat St. Pet.	Neutral	195	171	-12	8.8	11.1	13.3	22.2	17.5	2.4	2.2	11.6	13.2	14.2
HPCL	Buy	425	583	37	40.7	45.9	42.9	10.4	9.3	3.2	2.6	32.4	31.0	24.2
IOC	Buy	398	558	40	43.0	52.6	46.9	9.3	7.6	1.8	1.6	21.2	22.5	17.5
IGL	Neutral	1,455	1,152	-21	44.0	49.9	56.3	33.1	29.2	7.0	5.9	21.0	21.9	20.9
MRPL	Sell	123	113	-8	14.8	9.4	11.7	8.3	13.1	2.1	1.9	31.4	15.5	17.0
Oil India	Buy	331	316	-5	19.3	27.9	31.1	17.1	11.9	0.9	0.9	5.7	7.5	8.0
ONGC	Buy	164	195	19	16.4	16.5	19.7	10.0	10.0	1.0	0.9	10.1	9.4	10.9
PLNG	Buy	228	274	20	11.4	14.0	17.9	20.1	16.3	4.2	3.6	23.2	23.7	25.5
Reliance Ind.	Neutral	820	941	15	48.3	56.5	62.8	17.0	14.5	1.8	1.6	11.6	12.1	12.1
<b>Aggregate</b>								<b>12.9</b>	<b>11.6</b>	<b>1.7</b>	<b>1.6</b>	<b>13.3</b>	<b>13.4</b>	<b>13.1</b>
<b>Retail</b>														
Jubilant Food	Sell	1,381	850	-38	10.0	14.8	20.7	138.1	93.3	11.3	10.4	8.2	11.1	14.0
Titan Co.	Neutral	603	565	-6	9.0	10.6	12.6	66.7	56.7	12.6	11.5	20.6	21.3	22.2
<b>Aggregate</b>								<b>72.0</b>	<b>60.1</b>	<b>12.4</b>	<b>11.3</b>	<b>17.2</b>	<b>18.9</b>	<b>19.6</b>
<b>Technology</b>														
Cyient	Buy	508	600	18	30.6	35.4	41.9	16.6	14.3	2.7	2.4	16.2	16.6	17.3
HCL Tech.	Neutral	873	950	9	59.8	61.8	65.9	14.6	14.1	3.7	3.2	27.5	24.9	23.8
Hexaware	Neutral	265	250	-6	13.7	15.7	16.5	19.3	16.8	4.7	4.1	26.5	25.7	23.1
Infosys	Buy	897	1,050	17	62.9	62.2	67.2	14.2	14.4	3.0	2.7	22.0	19.6	19.3
KPIT Tech	Neutral	116	140	21	11.9	10.6	13.1	9.7	11.0	1.5	1.4	14.3	13.0	14.2
L&T Infotech	Buy	775	880	14	55.5	60.8	65.1	14.0	12.7	4.9	3.8	40.4	33.3	28.3
Mindtree	Neutral	465	450	-3	24.9	28.7	32.9	18.7	16.2	3.0	3.0	16.8	17.3	20.1
Mphasis	Neutral	608	610	0	38.9	40.3	43.0	15.6	15.1	2.1	2.2	13.2	14.5	16.2
NIIT Tech	Neutral	507	540	7	38.0	42.3	48.7	13.3	12.0	1.8	1.7	13.7	14.4	15.4
Persistent Sys	Buy	637	750	18	37.7	43.3	52.0	16.9	14.7	2.6	2.5	17.0	17.9	20.7
Tata Elxsi	Buy	815	996	22	28.1	33.7	39.8	29.0	24.2	9.1	7.3	37.1	33.5	32.2
TCS	Neutral	2,508	2,350	-6	133.4	133.6	147.7	18.8	18.8	5.6	6.0	32.6	31.1	33.5
Tech Mah	Buy	452	490	9	30.9	34.0	36.8	14.6	13.3	2.4	2.2	18.4	17.4	16.9
Wipro	Neutral	292	270	-7	16.9	18.1	19.1	17.2	16.1	2.8	2.7	16.9	16.1	16.1
Zensar Tech	Buy	756	950	26	52.1	51.9	70.0	14.5	14.6	2.3	2.1	17.2	15.0	17.9
<b>Aggregate</b>								<b>16.8</b>	<b>16.7</b>	<b>3.8</b>	<b>3.8</b>	<b>22.9</b>	<b>22.8</b>	<b>21.9</b>
<b>Telecom</b>														
Bharti Airtel	Buy	389	490	26	11.1	4.3	6.6	35.0	89.7	2.3	2.3	6.7	2.5	3.8
Bharti Infratel	Buy	390	480	23	14.9	17.9	20.4	26.2	21.7	4.7	4.0	16.2	19.8	19.4
Idea Cellular	Buy	76	110	44	-1.1	-10.9	-11.3	NM	NM	1.1	1.3	-1.6	-17.3	-21.7
Tata Comm	Buy	687	775	13	27.2	8.7	26.1	25.2	78.8	12.3	10.6	132.2	14.5	33.6
<b>Aggregate</b>								<b>36.9</b>	<b>204.7</b>	<b>2.6</b>	<b>2.6</b>	<b>6.9</b>	<b>1.2</b>	<b>2.8</b>
<b>Utilities</b>														

Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			P/E (x)		P/B (x)		ROE (%)		
					FY17	FY18E	FY19E	FY17	FY18E	FY17	FY18E	FY17	FY18E	FY19E
Coal India	Buy	257	305	19	14.9	19.8	22.0	17.2	13.0	6.5	6.2	37.8	47.6	50.5
CESC	Buy	990	1,360	37	51.9	88.9	99.3	19.1	11.1	1.2	1.1	6.5	10.6	10.8
JSW Energy	Sell	73	49	-33	3.8	3.4	2.7	19.0	21.6	1.2	1.1	6.3	5.3	4.2
NTPC	Buy	166	211	27	12.0	13.3	15.7	13.9	12.5	1.4	1.3	10.5	10.9	11.9
Power Grid	Buy	210	262	25	14.2	17.4	20.6	14.8	12.1	2.2	2.0	16.2	17.3	17.8
Tata Power	Sell	82	71	-13	7.4	7.3	7.3	11.0	11.3	1.9	1.7	17.1	15.8	14.2
<b>Aggregate</b>								<b>15.4</b>	<b>12.6</b>	<b>2.2</b>	<b>2.1</b>	<b>14.5</b>	<b>16.4</b>	<b>17.2</b>
<b>Others</b>														
Arvind	Neutral	366	375	2	12.4	12.9	18.6	29.6	28.3	2.7	2.5	10.3	9.1	12.0
Avenue Supermarts	Neutral	1,029	882	-14	7.7	12.7	17.6	134.1	80.9	16.7	14.6	17.9	19.3	23.0
Bata India	Under Review	710	-		13.5	15.7	19.4	52.5	45.2	6.9	6.2	13.9	14.4	15.8
BSE	Neutral	979	1,100	12	41.0	42.2	44.6	23.9	23.2	2.0	2.0	8.3	8.5	7.7
Castrol India	Buy	366	489	34	13.6	13.9	14.0	26.8	26.4	30.4	27.3	115.2	108.9	99.2
Century Ply.	Neutral	240	323	35	8.7	9.8	12.9	27.6	24.4	7.5	6.2	31.1	27.7	29.6
Coromandel Intl	Buy	420	523	24	16.6	24.1	29.0	25.3	17.4	4.2	3.7	17.5	22.5	23.4
Delta Corp	Buy	193	243	26	3.1	5.9	8.1	63.1	32.8	4.8	3.2	8.1	12.5	12.9
Dynamatic Tech	Buy	2,158	3,334	54	67.6	112.9	166.7	31.9	19.1	4.4	3.6	15.1	20.7	24.3
Eveready Inds.	Buy	298	358	20	12.9	13.6	16.3	23.2	21.9	7.5	6.1	37.7	30.8	30.1
Interglobe	Neutral	1,046	1,312	25	46.0	63.9	93.7	22.7	16.4	18.7	16.6	86.2	107.5	137.7
Indo Count	Neutral	103	129	26	13.0	8.9	10.8	7.9	11.6	2.4	1.9	34.8	18.6	18.3
Info Edge	Buy	1,009	1,130	12	15.7	21.8	24.7	64.4	46.4	6.2	5.6	10.2	12.7	13.1
Inox Leisure	Sell	222	240	8	3.3	8.0	12.0	66.5	27.6	3.9	3.4	5.9	12.5	16.2
Jain Irrigation	Under Review	96	-		5.5	7.6	10.0	17.3	12.6	1.5	1.4	8.6	11.7	14.8
Just Dial	Neutral	385	465	21	17.5	18.5	21.1	22.0	20.8	3.0	2.6	14.8	13.4	13.7
Kaveri Seed	Buy	512	738	44	19.1	34.0	41.0	26.9	15.0	3.5	3.7	13.6	23.3	27.4
Kitex Garm.	Buy	212	394	85	18.6	22.1	26.2	11.4	9.6	3.1	2.5	29.8	28.6	27.6
Manpasand	Buy	966	926	-4	12.7	20.2	30.9	76.1	47.9	4.8	4.5	7.3	8.5	13.5
MCX	Buy	1,057	1,230	16	24.8	29.4	40.7	42.6	36.0	4.0	3.8	9.9	10.7	13.9
Monsanto	Buy	2,484	3,295	33	86.2	105.1	126.7	28.8	23.6	8.1	7.3	31.6	32.5	34.5
Navneet Education	Buy	169	215	28	7.8	8.7	10.8	21.7	19.3	5.4	4.7	26.8	26.0	27.4
Qess Corp	Buy	835	990	19	10.0	19.1	27.8	83.5	43.8	11.3	4.9	19.0	15.6	15.0
PI Inds.	Buy	748	894	19	33.4	30.4	35.8	22.4	24.6	6.3	5.3	32.8	23.4	22.9
Piramal Enterp.	Buy	2,705	3,044	13	72.6	104.1	144.6	37.3	26.0	3.5	3.2	9.8	13.0	16.4
SRF	Buy	1,534	1,648	7	85.9	80.2	103.0	17.9	19.1	2.8	2.5	16.6	13.7	16.0
S H Kelkar	Buy	250	298	19	7.2	7.6	9.9	34.5	32.9	4.5	4.1	13.7	12.9	15.2
Symphony	Sell	1,347	1,288	-4	23.7	35.1	42.9	56.9	38.4	21.1	18.6	43.3	51.6	54.5
Team Lease Serv.	Buy	1,583	1,990	26	38.8	36.8	56.0	40.8	43.0	7.1	6.1	19.2	15.3	19.5
Trident	Buy	96	114	19	6.6	8.3	10.4	14.5	11.6	1.8	1.6	13.0	14.5	16.1
TTK Prestige	Neutral	6,321	5,281	-16	132.1	137.8	176.1	47.9	45.9	8.6	7.9	19.5	18.0	20.7
V-Guard	Neutral	183	167	-9	3.6	4.5	6.0	51.2	40.8	12.2	10.0	27.4	26.9	28.8
Wonderla	Buy	345	393	14	7.0	11.9	16.0	49.4	28.9	4.5	4.0	9.5	14.8	17.5



Company	1 Day (%)	1M (%)	12M (%)
<b>Automobiles</b>			
Amara Raja	-3.8	-5.0	-27.7
Ashok Ley.	-1.2	9.7	36.3
Bajaj Auto	0.0	11.1	3.8
Bharat Forge	-0.5	6.5	29.3
Bosch	-1.6	-2.4	-9.3
CEAT	-2.9	2.0	42.3
Eicher Mot.	-1.8	0.5	24.6
Endurance Tech.	-2.3	3.1	
Escorts	-2.1	1.5	63.6
Exide Ind	-0.7	2.7	7.8
Hero Moto	-0.9	-3.1	6.3
M&M	-2.1	-8.5	-10.7
Mahindra CIE	-2.2	-2.5	22.8
Maruti Suzuki	-1.5	4.6	42.0
Tata Motors	-0.7	6.3	-26.2
TVS Motor	1.2	8.2	83.2
<b>Banks - Private</b>			
Axis Bank	-0.7	-0.9	-10.1
DCB Bank	-0.8	-0.6	48.0
Equitas Hold.	0.4	-1.0	-13.9
Federal Bank	-1.9	4.6	53.1
HDFC Bank	-1.4	1.9	37.0
ICICI Bank	0.9	-6.2	13.1
IDFC Bank	-1.7	2.6	-21.3
IndusInd	-0.6	1.6	39.0
J&K Bank	-1.4	-7.5	-6.2
Kotak Mah. Bk	-2.2	2.7	25.7
RBL Bank	-0.7	0.5	69.3
South Indian	-2.4	2.9	37.4
Yes Bank	-0.3	4.5	45.9
<b>Banks - PSU</b>			
BOB	0.4	-0.4	-15.8
BOI	-1.4	-0.5	21.2
Canara	-0.2	-4.6	10.6
IDBI Bk	-1.6	-3.2	-27.7
Indian Bk	-2.9	-10.8	23.1
OBC	-2.3	0.6	-4.2
PNB	-0.1	-4.4	-1.2
SBI	-1.2	-7.8	1.7
Union Bk	0.1	-4.4	-10.4
<b>NBFCs</b>			
Bajaj Fin.	-3.5	1.9	59.3
Bharat Fin.	-0.4	6.5	10.9
Capital First	-4.0	4.7	5.3
Cholaman.Inv.&Fn	-3.6	-4.2	-1.3
Dewan Hsg.	-7.6	10.9	79.4
GRUH Fin.	-5.3	0.4	60.3
HDFC	-1.6	-0.1	23.2
Indiabulls Hsg	-3.2	-0.6	47.7
L&T Fin.Holdings	-4.8	10.2	106.8
LIC Hsg Fin	-2.5	-5.5	8.5
Manappuram	-3.5	0.5	-1.2
M&M Fin.	-1.5	-1.1	14.2
Muthoot Fin	-2.8	6.9	27.4
PFC	2.3	6.4	5.1
Repco Home	-0.5	-5.5	-26.9
REC	2.3	4.1	33.9
STF	-1.6	0.9	-17.3
Shriram City Union	-0.5	-5.7	-3.6

Company	1 Day (%)	1M (%)	12M (%)
<b>Capital Goods</b>			
ABB	0.4	5.8	23.9
Bharat Elec.	0.1	-3.6	43.4
BHEL	-1.8	0.1	-12.9
Blue Star	2.2	2.5	41.4
CG Cons. Elec.	-1.8	-3.1	32.2
CG Power & Inds Sol.	-0.2	-0.9	-1.7
Cummins	0.2	0.8	0.2
GE T&D	0.0	2.3	11.6
Havells	-0.7	0.7	20.1
K E C Intl	-1.4	1.6	137.4
L&T	-1.7	2.9	16.7
Pennar Eng.	-0.9	9.9	-40.5
Siemens	-3.4	4.3	3.5
Solar Ind	0.3	4.7	41.7
Suzlon Energy	-1.2	-1.5	1.3
Thermax	-3.1	-3.5	-1.1
Va Tech Wab.	-3.4	-2.1	8.2
Voltas	-0.9	-2.1	33.4
<b>Cement</b>			
Ambuja Cem.	-2.2	-4.5	1.5
ACC	-3.5	-8.4	0.9
Birla Corp.	-2.6	-6.0	32.7
Dalmia Bharat	-1.4	0.1	40.1
Grasim Inds.	-3.3	0.3	39.0
India Cem	-4.6	-5.6	11.6
J K Cements	-0.8	-7.3	14.6
JK Lakshmi Ce	-4.5	-6.2	-19.4
Ramco Cem	0.2	7.0	15.2
Orient Cem	-3.1	1.7	-24.3
Prism Cem	0.1	-3.1	-3.5
Shree Cem	-0.6	3.7	4.0
Ultratech	-2.1	-0.7	-1.3
<b>Consumer</b>			
Asian Paints	-1.6	5.3	0.6
Britannia	0.5	1.5	25.3
Colgate	-1.4	-0.8	10.9
Dabur	2.5	4.2	10.6
Emami	-2.6	1.4	-8.4
Godrej Cons.	1.9	1.9	17.8
GSK Cons.	-0.5	-6.4	-20.3
HUL	0.5	5.7	36.9
ITC	-2.2	-6.8	3.4
Jyothy Lab	0.1	1.1	11.0
Marico	-0.7	1.0	12.0
Nestle	-0.5	8.1	10.4
Page Inds	-3.0	7.1	23.2
Parag Milk	-3.0	-3.6	-23.7
Pidilite Ind.	-0.9	-2.6	14.6
P&G Hygiene	-0.2	3.0	20.4
Prabhat Dairy	-1.5	-1.7	14.8
United Brew	6.3	6.2	-3.4
United Spirits	-0.7	-4.7	6.5
<b>Healthcare</b>			
Alembic Phar	-1.0	-5.1	-28.6
Alkem Lab	1.8	2.8	4.2
Ajanta Pharma	-1.9	-3.5	-41.7
Aurobindo	-3.0	-4.1	-16.6
Biocon	-3.5	1.3	6.9
Cadila	-1.6	-2.7	21.9
Cipla	-1.2	0.6	-5.6



Company	1 Day (%)	1M (%)	12M (%)
Divis Lab	-1.7	41.5	-28.6
Dr Reddy's	-1.6	15.8	-24.0
Fortis Health	-2.6	-3.3	-16.1
Glenmark	-2.3	-0.7	-35.1
Granules	-2.3	-7.8	-1.2
GSK Pharma	-0.1	1.7	-13.4
IPCA Labs	-5.1	19.7	-17.1
Jubilant Life	-1.1	-9.7	2.8
Lupin	-2.2	0.0	-33.4
Sanofi India	-0.5	-0.3	-6.7
Shilpa Medicare	-2.2	0.8	4.7
Strides Shasun	-4.5	-3.2	-12.2
Sun Pharma	-1.4	4.7	-35.1
Syngene Intl	-1.1	8.7	-2.6
Torrent Pharma	-2.4	0.4	-24.8
<b>Logistics</b>			
Allcargo Logistics	-0.6	4.4	-11.1
Blue Dart	-2.1	-0.3	-24.1
Concor	-1.9	1.0	20.1
Gateway Distriparks	-1.1	-3.9	-13.5
Gati	-2.6	-3.7	-21.6
Transport Corp.	-4.4	-5.0	33.4
<b>Media</b>			
Dish TV	2.3	-3.7	-22.6
D B Corp	-1.1	-2.0	-8.6
Den Net.	-4.2	-8.6	4.9
Ent.Network	-2.5	-4.9	-0.9
Hind. Media	-2.4	-5.0	-9.1
HT Media	-4.0	3.2	14.5
Jagran Prak.	-3.3	-0.5	-8.0
Music Broadcast	0.6	4.8	
PVR	-0.8	-4.3	-3.1
Siti Net.	1.2	3.2	-25.9
Sun TV	-3.8	10.4	58.4
Zee Ent.	1.0	2.8	0.4
<b>Metals</b>			
Hindalco	-0.9	-1.4	48.8
Hind. Zinc	-0.2	2.6	28.8
JSPL	-3.7	-0.7	63.3
JSW Steel	-4.0	-3.7	34.7
Nalco	-2.0	7.1	62.2
NMDC	-1.5	-1.5	14.4
SAIL	-2.1	-6.8	16.2
Vedanta	-0.5	2.7	80.3
Tata Steel	-2.2	0.2	72.1
<b>Oil &amp; Gas</b>			
BPCL	-0.9	-4.1	21.4
GAIL	0.1	3.8	37.2
Gujarat Gas	-1.8	3.7	34.5
Gujarat St. Pet.	-0.5	1.5	30.6
HPCL	-3.0	-8.7	52.5
IOC	-2.5	-6.9	36.5
IGL	1.2	16.2	90.7
MRPL	-3.2	-1.2	39.8
Oil India	0.7	16.9	9.3
ONGC	0.0	3.2	-5.3
PLNG	1.4	0.9	32.8
Reliance Ind.	0.4	4.7	48.8
<b>Retail</b>			
Jubilant Food	0.4	-0.7	39.0
Titan Co.	0.1	-0.8	47.2

Company	1 Day (%)	1M (%)	12M (%)
<b>Technology</b>			
Cyient	-0.6	-4.3	5.7
HCL Tech.	-1.4	0.6	9.4
Hexaware	-1.4	-3.6	34.9
Infosys	-0.2	-1.7	-14.0
KPIT Tech	-2.3	1.3	-11.0
L&T Infotech	-0.6	5.0	21.7
Mindtree	0.2	-0.6	-8.1
Mphasis	-1.1	0.5	12.6
NIIT Tech	-2.4	2.0	17.4
Persistent Sys	-0.6	3.4	6.8
Tata Elxsi	-3.7	-0.4	6.3
TCS	0.2	0.5	4.6
Tech Mah	-1.5	5.5	-0.6
Wipro	-0.8	0.7	21.4
Zensar Tech	0.7	-3.4	-26.0
<b>Telecom</b>			
Bharti Airtel	-1.4	-10.0	18.9
Bharti Infratel	0.1	1.6	5.2
Idea Cellular	-2.6	-15.4	-7.6
Tata Comm	0.8	6.9	29.0
<b>Utilities</b>			
Coal India	1.2	6.5	-21.8
CESC	-2.3	3.5	53.4
JSW Energy	-0.4	14.4	-7.5
NTPC	-0.1	-1.8	5.8
Power Grid	0.2	-4.5	19.5
Tata Power	1.8	3.4	8.4
<b>Others</b>			
Arvind	-3.5	0.7	7.5
Avenue Super.	-0.8	3.5	
Bata India	-2.1	6.2	40.1
BSE	-2.1	-1.9	
Castrol India	-2.5	-6.3	-22.4
Century Ply.	-3.1	-7.9	-5.2
Coromandel Intl	-3.6	-2.0	71.0
Delta Corp	-2.0	5.9	15.1
Dynamatic Tech	-0.3	1.0	-27.8
Eveready Inds.	-0.1	0.8	10.6
Interglobe	-5.9	-11.9	13.4
Indo Count	-4.0	-6.3	-34.7
Info Edge	-4.8	8.0	17.9
Inox Leisure	-4.1	-4.8	-17.8
Jain Irrigation	-3.7	0.6	-0.5
Just Dial	-0.4	6.3	-17.0
Kaveri Seed	-3.7	-5.4	38.7
Kitex Garm.	-2.8	-6.6	-35.1
Manpasand	-0.4	16.7	30.4
MCX	-2.4	3.4	1.1
Monsanto	0.3	1.5	2.5
Navneet Educat.	0.2	7.7	66.2
PI Inds.	-1.5	2.7	-11.6
Piramal Enterp.	-1.5	1.3	41.8
Quess Corp	0.7	0.7	47.2
SRF	-0.4	5.8	-14.3
S H Kelkar	-2.9	1.2	-16.9
Symphony	-3.2	6.9	15.0
Team Lease Serv.	1.5	8.5	46.6
Trident	-1.3	10.7	76.3
TTK Prestige	0.2	-1.0	31.3
V-Guard	-2.9	0.5	37.0
Wonderla	-1.9	2.6	-11.0



# THEMATIC/STRATEGY RESEARCH GALLERY

**MOTILAL OSWAL** Thematic | July 2017  
**Radio**

Strong phase III impetus  
Healthy listenership  
Asset monetization

**Well tuned to flourish**

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**MOTILAL OSWAL** India Strategy 28 July 2017  
BSE Sensex: 32,382 S&P CNX: 10,021

**Nifty hits 10k mark after a stirring 22-year journey**  
Taking a dip down the memory lane – 10k: Then and Now

**A Backlash – 1995 to 2017**

- For the first time in its history, the Nifty has crossed and closed above the psychological 10K mark. With this, the Nifty has now become the second oldest benchmark index to trade in five digits.
- The Indian markets remain buoyant by continued liquidity inflows and a strong macro backdrop. Domestic NP inflows in Q1'17 stood at USD7B, matching inflows recorded in the entire last calendar year. Even more notable are FY flows of USD8.6B, higher than those recorded in Q1'15 and Q1'16. We note that the macro backdrop remains best in recent times, with inflation under control, low deficits in check, stable currency, and policy momentum intact (evident from the smooth and timely GST implementation). Only missing link is an otherwise positive set-up in earnings recovery, in our view. Nifty earnings have remained flat for the last five years (4% CAGR over FY13-17) and hold the key for further re-rating, in our view.
- In markets, one always looks at the future. Today, we make a small detour to the trend and look back at the past. In this note, we will also share some interesting tidbits of the Nifty's journey from 1,000 in 1995 to 10K today.

**Nifty up 10k in ~22 years, market cap expands 48x**

- While traversing its journey from 1K to 10K, the Nifty has delivered 11% CAGR returns. Meanwhile, the market capitalization of the index has expanded 48x from INR1.5k to INR70.6k, implying a CAGR of 20%.
- The journey of Nifty from 1K to 10K was most exciting, which took a total 2,282 trading days (almost nine years). The move from 1K to 10K also took some time (1,589 trading days, 6.5 years), with the markets being stranded in a long phase of correction in the aftermath of the Global Financial Crisis (GFC) in 2008. From 26 June 2009, the index shifted its computation to free-float methodology.

**NP of index constituents unchanged over 22 years**

- Out of the 50 stocks in Nifty, 15 have been part of the index since its inception – JI, HDFC BANK, HDFC, ITC, TATA MOTORS, HERO MOTORS, TATA STEEL, WINDOLCO, ACC, AMBUJA, I.C.F. CORP. and TATA POWER.
- The compound market cap of these 15 stocks increased at 13% CAGR since inception. These 15 stocks weigh 4% in Nifty today (vs 0% at inception).
- Best performers (incl. cap multiple since Nifty inception, % CAGR): HDFC Bank (103x+ 34%), Hero Motors (126x+ 26%), HDFC (88x+ 22%), ITC (68x+ 22%), Dr. Reddy's Lab (56x+ 22%) and Ambuja (46x+ 22%).

**Sectoral and Sector: Some sectors acquire prominence, others fade**

- Over the years, the sectoral representation in the Nifty has undergone a sea change, in consonance with the changes in the underlying economy – new sectors have evolved, while some of the erstwhile dominant sectors of the economy have lost relative importance in the new India.

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**MOTILAL OSWAL** Thematic | July 2017  
**Capital Goods**

**Diesel Gensets | Firing up**

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**MOTILAL OSWAL** Thematic | July 2017  
**The Big Leap to a formal economy**  
Volume 2.2

**Volume 1** Ground Reality  
**Jewelry**

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**MOTILAL OSWAL** Thematic | April 2017  
**The Big Leap to a formal economy**  
Volume 2.1

**Volume 1** Ground Reality  
**Tiles**

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**MOTILAL OSWAL** February 2017  
**Thematic**

**The Big Leap to a formal economy**

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**MOTILAL OSWAL** July 2017  
**India Strategy**

**Still in the works**

Research Team / Research.Team@MotilalOswal.com

**MOTILAL OSWAL** Thematic | June 2017  
**Sustainability**  
NEW MANTRA OF INTEGRATED INVESTING

**Expanding horizons**

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**MOTILAL OSWAL** Thematic | June 2017  
**Contrarian Investing**

**It pays to be different**

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# REPORT GALLERY

## RECENT INITIATING COVERAGE REPORTS

MOTILAL OSWAL

Initiating Coverage | 23 August 2017  
Sector: Textile

### Trident

It's growing here in textile market  
Client adoption  
Increased innovation in existing design

TRIDENT is a three-pronged weapon, which, among other things, represents three energy sources that combine to create a positive outlook.

Utilization: 0 40 50 100

#### An attractive utilization play

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MOTILAL OSWAL

Initiating Coverage | 7 August 2017  
Sector: Healthcare

### Strides Shasun

Diversified presence  
Integrated manufacturing  
Automated R&D lab  
Consistent compliance  
New products pipeline  
Regulatory compliance in place

#### Making great strides

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MOTILAL OSWAL

Initiating Coverage | 22 July 2017  
Sector: Healthcare

### Shilpa Medicare

Manufacturing capacity  
Healthy product pipeline  
Regulatory compliance in place  
Forward integration

#### Injecting Growth

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MOTILAL OSWAL

Initiating Coverage | 28 July 2017  
Sector: Financials

### Capital First

30%+ PAT CAGR  
17% RoE  
Focused Underwriting  
New Products

#### Capitalizing on multiple opportunities

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MOTILAL OSWAL

Initiating Coverage | 19 July 2017  
Sector: Financials

### L&T Finance Holdings

10% RoE  
15% RoE  
20% RoE

Retail Finance  
Housing Finance  
Wholesale Finance

#### Focused approach

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MOTILAL OSWAL

Initiating Coverage | 16 July 2017  
Sector: Healthcare

### Jubilant Life Sciences

Lower financial leverage  
Unique portfolio  
Growth visibility  
Attractive valuation  
High entry barriers

#### Promising formulation

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MOTILAL OSWAL

Initiating Coverage | 23 June 2017  
Sector: Retail

### Avenue Supermarts

COST  
VALUE

#### Delivering Value

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MOTILAL OSWAL

Initiating Coverage | 13 June 2017  
Sector: Financials - NBFC

### Cholamandalam Finance

Strategic  
Productivity Improvement  
Cost rationalization  
Profitability focus  
Branch expansion  
Technology  
Asset growth

#### Prepared, Equipped and Armed

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MOTILAL OSWAL

Initiating Coverage | 28 April 2017  
Sector: Utilities

### Tata Power

Mundra  
SED

#### Struggling for RoE

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# DIFFERENTIATED PRODUCT GALLERY

**MOTILAL OSWAL** 4 July 2017

## Annual Report Threadbare

**ZEE ENTERTAINMENT FY17**

Zee's FY17 Annual Report highlights weak earnings to cash flow conversion of 10% with increase in cash conversion cycle to 267 days (FY16: 214 days), this is primarily due to (i) increase in inventory (primarily movie rights), which increased from INR 3.3b in FY16 to INR 6.1b, and (ii) higher advances of INR 6.8b, 11% of net worth (FY16: INR 6.0b). Zee's aggressive accounting on amortisation of media content continued. We believe aggressive investment in movie rights acquisition will assist in higher first-reading of profits. Non-core assets stood at INR 4.7b (60% of net worth), yielding returns of 4.8%, which dragged ROE to 34.7% (vs. high ROE of 46.8%).

- Revenue growth driven by merger fleet: Revenue grew 11% to INR 64.5b, with (a) advertisement revenue growing 5% (FY16: 26%) due to industry slowdown and subscription revenue rising 11%. EBITDA margin increased 230bp to 23.3%, but PAT margin (adjusted for gain on sports business) remained flat at 16.5% due to fair valuation loss on financial instruments of 2002.7%.
- Tax rates may remain high: Adjusted for profit on the sale of the sports business, the effective tax rate increased to 40.5% (FY16: 29.3%). This is primarily on account of fair valuation loss on preference shares, which is non-tax deductible. We believe Zee's tax rates may remain higher than the marginal tax rate unless these preference shares are not redeemed.
- Higher amortisation period for media content continued: Zee amortises the cost of film rights equally over 80 months, while its competitors amortise rights over 60 months, which shows and sports shows (which are expensed on release) over three financial years depending on management estimates of future revenue potential. We believe a higher amortisation period leads to front-loading of profits, as significant revenue is realised in initial tranches. Zee has made high investment in programming rights (primarily movie rights) during FY17.
- Earnings to cash conversion deteriorated: Sharp increase in cash conversion cycle to 267 days (FY16: 214 days) led to a decline in the earnings to cash flow conversion to 10% (FY16: 50.8%). This was primarily due to increase in inventory days to 287 (FY16: 176 days) and advances days to 36 (FY16: 30 days).
- High capital allocation to non-core assets dragged ROE: As at FY17, non-core assets stood at INR 6.1b, 62% of net worth (including proceeds of INR 1.4b on the sale of sports business), generating a yield of 4.8%. Of this, 30% was invested in Preference Opportunities Fund, INR 1.4b in Marquee Media Fund, and INR 1.3b in 17% NCCF of SSO. INR 2.5b was held as cash. High investment in non-core assets dragged ROE, which was maintained at 34.7%.

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**MOTILAL OSWAL** 17 March 2017

## EcoKnowledge

Diving into Trending Themes

**Only two states implement 7th Pay Commission in FY18**

1722 revised deficit, however, much higher than budgeted

- Of the 15 major states that have presented their 2017-18 budget by now, only two (Madhya Pradesh and Rajasthan) have made provisions for the 7th Pay Commission (PC) in FY18. Six states have already implemented the 7th PC in 2016-17, while the rest are yet to do so.
- Net savings on an aggregate basis, based on salary & wage (S&W) is budgeted to grow slower in FY18 (1.2%) than in FY17 (1.3%). Furthermore, budgeted spending growth is not very high from average growth over past three years (S&W) and much lower than 20% 20% growth during the 5th and 6th PC.
- Furthermore, we find that the 5th and 6th PC boosted physical savings, not consumption. This time, however, with limited arrears and generally lower increase in salaries, a boost to (physical) savings is doubtful, let alone consumption.
- Finally, since many states have implemented the 7th PC in the current year, the fiscal deficit for FY18 as per the revised estimate (RE) is much higher than the budget estimate (BE). Nevertheless, with only two states making provisions for the 7th PC next year, the FY18 fiscal deficit for the states is likely to be in cost.

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

About a year ago, there was too much excitement about the Pay Commission award. Not only was the central government expected to implement 7th Central PC in 2016-17, but also most of the states were likely to follow suit in the following years. The central government employs about 7 million people (including defence forces), while the state governments combined have a workforce of about 10 million people. PC awards, therefore, are not only important for the government employees, but also for the economy due to the expected consumption pick-up. As expected, the Center implemented the 7th PC in 2016-17 and the arrears were disbursed with the August 2016 salary. However, what went almost unnoticed was that several states also implemented the PC in 2016-17 and revised the salaries of the state government employees. A look at the 2017-18 budget of the 15 major states (accounting for 65% of total state budgets) reveals that total S&W spending of these states grew 12% YoY in FY17 (as per revised estimate (RE)) and is budgeted to grow 12% YoY in FY18.

(As per budget estimate (BE)) versus growth of 9.6% in the previous three years (Exhibit 2). It is also important to note that this increase is much lower than 22.5% growth during the 5th PC in late 1990s and 24% during the 6th PC. Paycom growth in the previous two PCs of the states was broadly in line with that in the Center's PC.

**Exhibit 1: S&W Bill for states\* over the past decade**

(% YoY) 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

11 23 11 17 12 10 9 7 13 13

\*As per major states, excluding "Other" (non-core) wage. Source: State Budget documents, Reserve Bank of India (RBI), RBI.

**Total S&W spending of 15 states grew 73% YoY in FY17 (as per revised estimate (RE)) and budgeted to grow 22% YoY in FY18 (as per budget estimate (BE)) vs. a growth of 10.2% in the previous 3 years.**

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**MOTILAL OSWAL** 11 July 2017

## The CornerOffice

Interaction with the CEO

### Focus on double-digit volume growth

All-time high returns emerge a near-term risk

- Pidilite Industries (PID) is cautious on near-term performance, given IoT implementation. While it might take a month or so to assess the impact of IoT, PID perceives it as a positive return for the adhesives industry.
- Underlying demand remains healthy, and during our meeting, Mr. Puri reiterated time and again PID's long-term target of delivering double-digit volume growth. He also reiterated that current margins are unsustainable, prioritising volume over margins.
- While he highlighted the attractive long-term opportunity in a variety of categories, PID does not intend to enter Patisa unless it gets a disruptive proposition. The company has a strategy of deriving 50% of growth from "new" and "higher" categories and the remaining 50% from "core" categories. It will continue to expand reach and make significant investments in R&D to build a strong foundation for multiple years of growth.
- Our view: In track record of consistent delivery on volume and profits drives our preference for PID. We prefer PID to Asian Paints (both neutral-rated stocks), as return ratios have converged - Asian Paints' ROCE has come off from 40-45% to 20% in the years while its volumes have expanded. Even fixed space terms are similar now. Asian Paints' growth moderation over the last 3-4 years also makes it relatively unattractive.

**Prioritising volumes over margins**

PID is prioritising volume growth over margins. During our meeting, Mr. Puri emphasised the company's overarching focus on growth, with margins at risk at current high levels. "When we have 22 months of economy without any disruption, we should go to double-digit volume growth." In Q1'18, PID had expected record volume growth and had planned accordingly, but demotivation played spoilsport. Mr. Puri recognised about the good old days when the Consumer sector grew at 2x (GDP + inflation), and now growth has to be 1.5x (GDP + inflation), and that to the current 1x (GDP + inflation). Yet, PID is confident of double-digit volume growth in the medium term.

**Placing premiums vs. a vs. cost-optimized players is a challenge**

PID has qualified stated that its current margins are unsustainable. The company currently enjoys 35% premium over unorganized players, in Adhesives, its margins are at all-time high. PID sees this premium narrowing to 15-20%. Hence, price increases by the company have been modest. In Q1'18, the gap between volume growth and value growth was 2%. PID intends to pass on only 75% of the cost inflation to customers and has already been passing on the benefits of declines in raw material costs in the form of discounts.

**VAM prices have shot up due to unusual shutdowns and maintenance problems at suppliers** and prices went up from USD750/MT (recent low when crude prices converged to USD600/MT) and are now stabilising at USD800/MT. A large part of this price rise is due to supply disruptions rather than demand improvement.

**GST - lot of flux will take another month or so to figure out actual impact** in the run-up to GST, the wholesale channel was impacted the most in June. In July, sales are returning to normal, but are also boosted because of re-stocking post the de-stocking in June. PID will need another 30-45 days to see how sustainable the sales growth is and this will also be a function of tertiary consumer demand.

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**MOTILAL OSWAL** 4 July 2017

## VOICES

India Inc on Call

VOICES, a quarterly product from Motilal Oswal Research, provided 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, transcripts and audio links of the respective conference calls.

This quarterly report contains:

- Key takeaways from the post results management commentary for 131 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**

## BULLS & BEARS

INDIA VALUATIONS HANDBOOK

Highlights of July edition

- Nifty up 5.8% in July - highest MoM rise in 16 months
- PSU Banks, Telecom, Metals, and Cement top performers
- Consumer only sector to deliver negative returns in July
- Midcaps underperform large caps by 1.4% in July

**BEST PERFORMERS MoM (%)**

Stock	MoM (%)
Nifty	5.8
Reliance Ind.	5.7
Oil India	5.6
SBI	5.4
Wipro	5.2
Infosys	5.1
Bharat Heavy	5.0
Indus Ind.	4.9
ACC	4.8
ONGC	4.7

**WORST PERFORMERS MoM (%)**

Stock	MoM (%)
ICICI	-0.2
Dr Reddy's	-0.1
Bank of India	-0.1
Axis Bank	-0.1
State Bank	-0.1
Radix Asia	-0.1
Capita	-0.1
Bank of Baroda	-0.1

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**MOTILAL OSWAL**

## FUND FOLIO

Indian Mutual Fund Tracker

Gross inflows up by 27% in last five years

ALUM (+6.7% QoQ) up for 15th consecutive quarter in 20QCY17

INR19.6t

INR26b Net inflows toward equity in June down 24% MoM

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