

Market snapshot



Equities - India	Close	Chg. %	CYTD.%
Sensex	38,024	0.7	5.4
Nifty-50	11,427	0.7	5.2
Nifty-M 100	17,863	0.6	-0.1
Equities-Global	Close	Chg. %	CYTD.%
S&P 500	2,822	0.5	12.6
Nasdaq	7,689	0.8	15.9
FTSE 100	7,228	0.6	7.4
DAX	11,686	0.8	10.7
Hang Seng	11,508	0.5	13.7
Nikkei 225	21,451	0.8	7.2
Commodities	Close	Chg. %	CYTD.%
Brent (US\$/Bbl)	67	-0.4	25.1
Gold (\$/OZ)	1,302	0.5	1.6
Cu (US\$/MT)	6,446	0.5	8.4
Almn (US\$/MT)	1,875	-0.1	0.6
Currency	Close	Chg. %	CYTD.%
USD/INR	69.1	-0.4	-1.0
USD/EUR	1.1	0.2	-1.2
USD/JPY	111.5	-0.2	1.6
YIELD (%)	Close	1MChg	CYTDchg
10 Yrs G-Sec	7.3	-0.02	0.0
10 Yrs AAA Corp	8.7	-0.02	0.2
Flows (USD b)	15-Mar	MTD	CYTD
FII	0.62	3.06	4.51
DII	-0.31	-1.60	-1.07
Volumes (INRb)	15-Mar	MTD*	CYTD*
Cash	507	404	344
F&O	8,830	10,403	9,597

Note: \*Average

Today's top research idea



Automobiles: Auto demand in Maharashtra weak across segments...

...impacted by weak farm sentiments; inventory at record levels

- To understand the on-ground demand environment across segments in automobiles, we interacted with participants from major urban and rural markets in Maharashtra. Auto demand is weak in the key markets of Maharashtra led by negative farm sentiments due to a steep 30-40% decline in wholesale crop prices this season. The drought-like situation in key rural markets, worsened the situation.
- In 2Ws, negative farm sentiment and increased insurance cost resulted in it being the worst hit; sales declined 15-20% in FY19. PV demand trend was mixed across regions; enquiries-to-sales conversion was weak for existing models, while new product launches attracted footfalls.
- Tractor demand was weak led by adverse farm sentiments and low subsidy release by the government. With this backdrop, our top auto picks are MSIL and MSS among large caps, and EXID and ENDU among midcaps.

Research covered



Cos/Sector	Key Highlights
Auto (Ground Reality)	Demand in Maharashtra weak across segments
Hindustan Unilever	Short-term blip in demand; Investment case remains strong
Lupin	Somerset site classified as OAI, regulatory concerns rising
Automobiles	CV ecosystem preparing for regulatory/tech changes
EcoScope	Trade deficit at 17-month lowest in February 2019
Healthcare Monthly	Slight pick-up in volumes; Price growth remains the key
Cement	Price hikes taken in Feb'19 moderate in Mar'19

Piping hot news

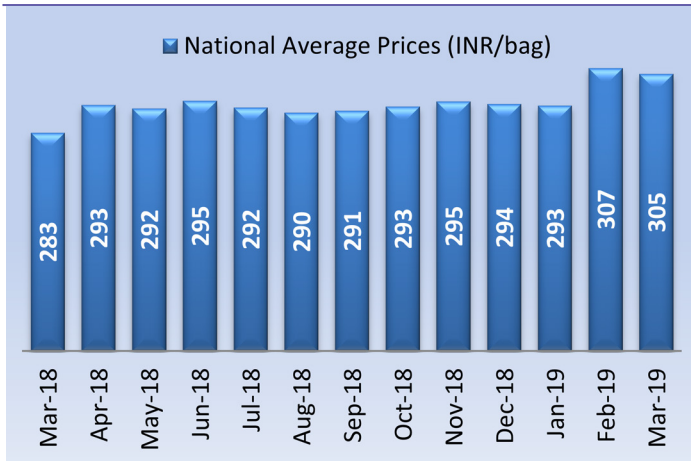


Airtel finds Dish appetising, signals interest for merger

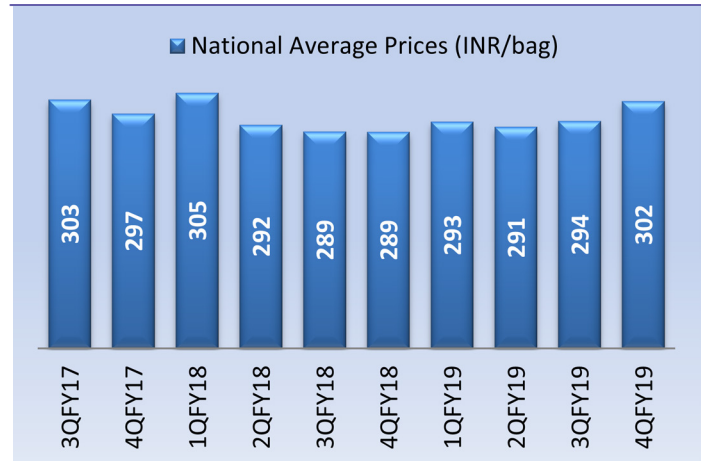
It's not just telecom, but also TV distribution space where Sunil Bharti Mittal has decided to give a tough fight to Mukesh Ambani's Reliance Jio.

Chart of the Day: Cement – Price hikes taken in Feb'19 moderate in Mar'19

All-India prices declined 1%MoM in Mar'19



All-India prices increased 3% QoQ in 4QFY19



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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

**L&T set to seal Mindtree deal with Café Coffee Day founder VG Siddhartha**

Larsen & Toubro (L&T) is planning to sign a deal with Café Coffee Day founder VG Siddhartha to buy his 21% stake in Mindtree and launch an open offer for an additional 31% stake in the IT company, probably as early as Monday evening...

2

**Blue Star defers plan to set up unit at Sri City**

Air-conditioning and refrigeration major Blue Star Ltd. has deferred its plan to set up a greenfield project in Sri City by two years due to a slump in demand in recent months, said its joint managing director B. Thiagarajan. "Last summer was bad for the industry as a whole, and also for us in terms of volume as some of the States witnessed rains. Besides, the industry also had to face issues such as increase in commodity prices, customs duty hike, foreign exchange movement and the NBFC crisis," he said...

3

**SBI moves High Court for 2.8% in UBL**

State Bank of India (SBI), one of the lead lenders to Vijay Mallya's businesses, has moved the Karnataka High Court to seek rights over a 2.8% stake, worth Rs 1,025 crore, in beer maker United Breweries Ltd (UBL) held by a court-appointed liquidator...

4

**IL&FS to receive first set of bids under asset monetization process on Monday**

Cash-strapped IL&FS Group will receive first set of bids under asset monetization process on Monday as part of resolution process, according to sources. The company's board will later consider bids for Rs 8,000 crore renewable energy business that was put on the block in November 2018...

5

**Steel makers seek ban on Iran imports**

The Indian Steel Association (ISA), which represents top local makers of the alloy, has urged New Delhi to take immediate steps to ban imports from Iran after a near five-fold increase in shipments that might be traced back to the Persian Gulf nation...

6

**Wadhawan Global sells stake in education loan arm to Warburg**

Wadhawan Global Capital (WGC) has decided to sell its entire stake of 49.04% in its education finance subsidiary, Avanse, to an affiliate of private equity firm Warburg Pincus Group, while Dewan Housing Finance Corporation Ltd., a group company, will also sell its 30.63% stake...

7

**Rupee payment for Venezuelan oil under consideration**

India is considering Venezuela's proposal to use rupee for trade payments to protect the current oil import from the South American nation facing hardening US sanctions...



# Ground Reality

## Auto demand in Maharashtra weak across segments...

...impacted by weak farm sentiments; inventory at record levels

On a visit to major urban and rural markets in Maharashtra, we interacted with key participants from the automotive eco-system to understand the on-ground demand environment across segments.

Auto demand was impacted due to a steep decline of 30-40% in wholesale prices of key crops this season, while the drought-like situation in key rural markets further worsened demand. In the present environment, we believe that an upsurge in demand will hinge on farm sentiment revival in these regions. Key takeaways:

- Auto demand was weak in the key markets of Maharashtra led by negative farm sentiments. Weak demand was not only led by steep decline of 30-40% in wholesale prices of key crops this season, but also due to the drought-like situation in key rural markets (Ahmednagar).
- 2W retail was the worst hit among auto segments, declining 15-20% in FY19. Negative farm sentiments along with increased insurance cost resulted in weak enquiries.
- Increasing preference for scooters has been noticed in the rural areas (35-40% share), led by better road infrastructure. Also, rural families who already own a motorcycle usually consider buying a scooter as their second option.
- Royal Enfield's retail continues to decline across regions, impacted by (a) postponement of purchase by customers in key rural areas, (b) significant increase in purchase cost led by mandatory insurance and regulations, and (c) competition from Jawa.
- PV demand trend remains mixed across regions with enquiries-to-sales conversion continuing to remain weak for the existing models, while new product launches attracted footfalls.
- Tractor demand was weak led by adverse farm sentiments and low subsidy release by the government.



## Negative farm sentiment due to ~30-35% drop in farm realizations and increasing cost burdens

- Auto demand was weak in the key markets of Maharashtra led by negative farm sentiment due to a steep decline of 30-40% in wholesale crop prices this season and due to a drought-like situation in key rural markets.
- Price of grapes in Nashik region's wholesale markets plummeted by ~40-45% in the domestic market to INR30/kg and by ~30-35% in the export market to INR45/kg.
- Our interaction with a farmer involved in onion farming indicates ~50% decrease in realizations, as current cost of production stands at an average INR4-4.5/kg v/s current realizable value of an average INR1.5-2/kg.
- Further, increased cost of animal fodder (imported from nearby states) is an additional financial burden.

## 2W retails worst hit with record non-festive inventory

- With negative farm sentiments prevailing, auto retail across segments is witnessing decline of 15-20% in FY19.
- The overall 2W segment is currently witnessing decline of 15-20% in sales, except for the 125cc scooters, which is an upgrade option to the existing 110cc scooters. Negative farm sentiments and increased insurance cost resulted in weak sales enquiries.
- Our interaction with leading channel partners in drought-hit regions reveal that customers will continue postponing buying decisions till the next monsoon season, but festive demand during the upcoming festival of 'Gudi Padwa' (12-15% of yearly sales) could be the only saving grace.
- Weak sales enquiries have led to record inventory across OEMs. We note that channel partners of HMCL hold the highest inventory of 9-10 weeks, while TVSL and BJAUT's inventory is in the 6-7 weeks range.
- Consequently, as a support to channel partners, HMCL would bear interest cost on the excess inventory (beyond 5-6 weeks), effective Jan'19.

### Scooterization gathers pace, while entry/executive motorcycle still preferred in rural areas

- Further, there is increasing preference for scooters in rural areas (~35-40%), led by better road infrastructure. Also, rural families who already own a motorcycle usually consider buying a scooter as their second option.
- While Activa continues to enjoy strong brand preference within rural areas, its share in urban markets is stagnating as customers are considering higher 125cc brands like Suzuki Access and TVS Ntorq.

### Aggressive financing and consumer offers helping Bajaj Auto's retails

- Amongst the mass 2W market, BJAUT offers the highest incentives like free owner damage insurance and free five-year warranty for even the top-selling models like Platina 100 ES, CT-100 alloy KS, and CT-100 alloy ES. Further, it has similar offers in Pulsar 180, Pulsar 200 NS, and Pulsar 200 NS ABS.
- Other OEMs, such as HMCL, HMSI and TVSL, are not extending any type of incentives, offers or schemes.
- In a bid to gain market share, we found BJAUT more aggressive in terms of vehicle financing (up to 90% LTV). Bajaj Finance's share of BJAUT 2W volumes has increased to 52% in 3QFY19 (v/s average of 33-35%).

### Royal Enfield's retails continue to decline across channel partners and regions

- Royal Enfield sales continued declining significantly by up to 20% across the major regions impacted by (a) postponement of purchase by customers in key rural areas, (b) significant increase in purchase cost led by mandatory insurance & regulations and c) competition from Jawa.
- Our interaction with key channel partners indicate significant decline (from peaks) of ~60% in Pune, ~30% in Nashik and ~30% in Ahmednagar regions.
- This has led to a significant increase in inventories across dealerships at 30-35 days (v/s 20-25 days earlier).

### New product launch in PVs bring back footfalls, inventory level back to higher levels

- The PV demand trend remains mixed across regions with enquiries-to-sales conversion continuing to remain weak for existing models.
- However, new product launches such as New Ertiga, New WagonR, XUV300, Marazzo and Harrier should help bring footfalls to the showrooms.
- MSIL continues to outperform peers with healthy waiting period of an average 22-24 weeks for the New Ertiga, while for the new WagonR, waiting period stands at an average of 4-6 weeks. We note that 60-65% of the WagonR booked is for higher trims and 1.2liter engine, attracting customers from Grand i10 and its own Celerio.
- Post launch of the new Ertiga, MM's Marazzo witnessed significant decline in enquiries/sales led by significant price difference of INR1-1.2L, providing better value options to attract the fleet segment.
- Perception of TTMT cars is changing rapidly among clients, reflected in a steady demand for Tiago and the compact SUV Nexon. However, the newly launched Harrier is yet to gain traction as customers are sticking to the existing premium brands such as Jeep Compass and XUV500.
- The average inventory level for MSIL stands at 30-35 days and for PVs from M&M, it remains higher at ~40-45 days.

### Tractor demand weak on lower subsidies from the government

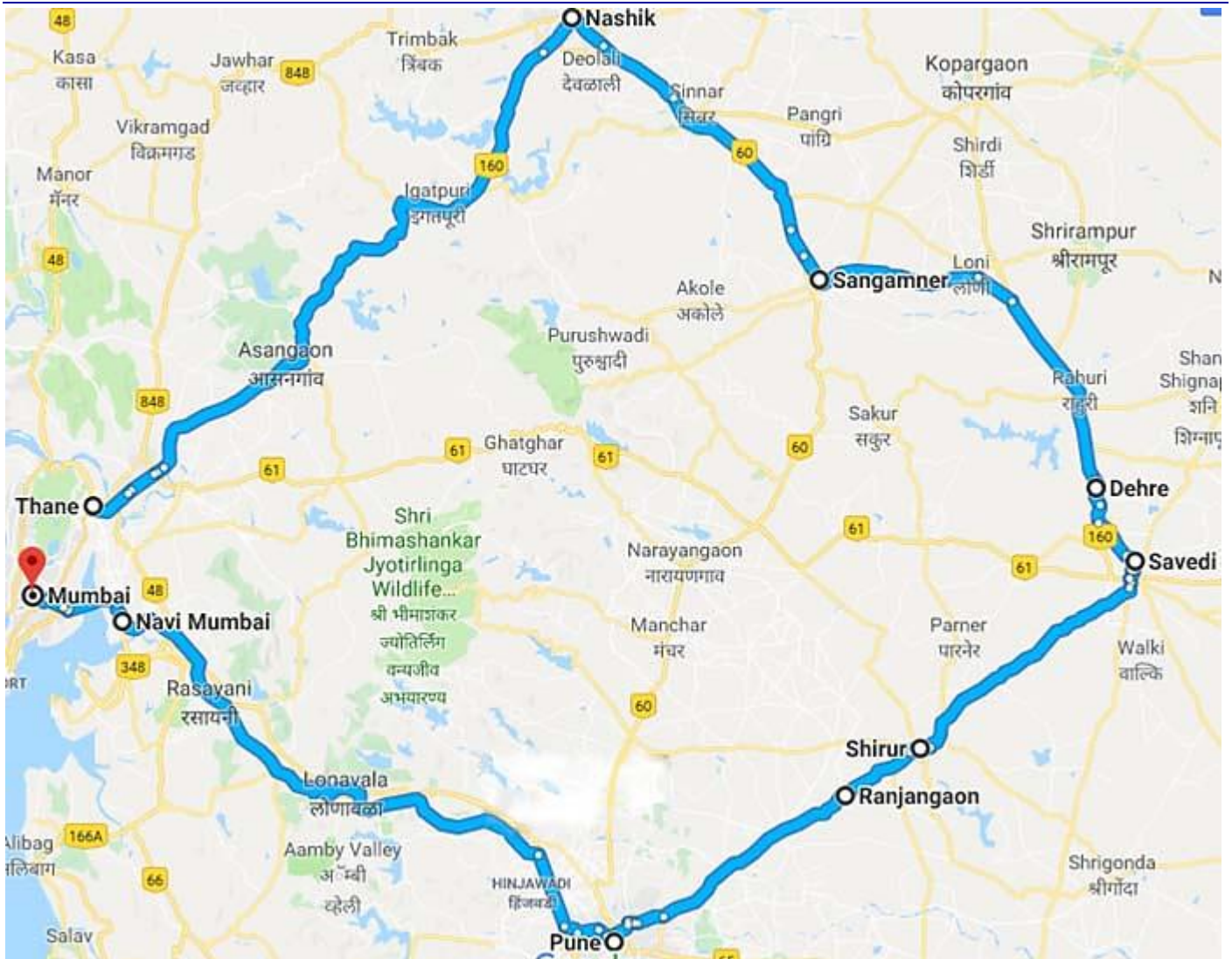
- Nashik and Ahmednagar markets are dominated by the mid-range tractor segment (35-40 HP) with 50% share; ~60-70% of the application here is related to agriculture and allied activities, while balance are used in other infrastructure activities.
- On the other hand, lower HP tractors (20-30 HP) are used for grape and orchard farming activities.
- While demand for tractors has declined by 8-10% in YTD FY19, OEMs like Escorts are gaining share from M&M, which has ~30% market share in the Nashik region (v/s 34% earlier).
- The decline in demand is partly attributed to a significantly low tractor purchase subsidy by the government (only 30-35% of applications were granted subsidy).



**Valuation and view**

- 2W demand should grow at 7.5% CAGR in FY19-21 led by pre-buying ahead of BS6 norms. Ownership costs will increase ~16-18% post BS6 norms, which will impact demand in FY21. We expect faster growth in scooters and premium motorcycle segment led by value migration and up-trading from the executive segment.
- We prefer 4Ws over 2Ws and CVs due to their stronger volume growth and stable competitive environment.
- Our top picks in autos are MSIL and MSS among large caps, and EXID and ENDU among midcaps.
- In 2Ws, we have a **Buy** rating on BJAUT and EIM, and a **Neutral** rating on HMCL and TVSL.

**Exhibit 1: Visit to major urban and rural markets in Maharashtra**



Source: MOFSL



# Hindustan Unilever

BSE SENSEX  
38,024

S&P CNX  
11,427

**CMP: INR1,699 TP: INR2,125 (+25%)**

**Buy**



Hindustan Unilever Limited

### Stock Info

Bloomberg	HUVR IN
Equity Shares (m)	2,164
M.Cap.(INRb)/(USDb)	3677 / 53.2
52-Week Range (INR)	1871 / 1282
1, 6, 12 Rel. Per (%)	-11/4/18
12M Avg Val (INR M)	2433
Free float (%)	32.8

### Financials Snapshot (INR b)

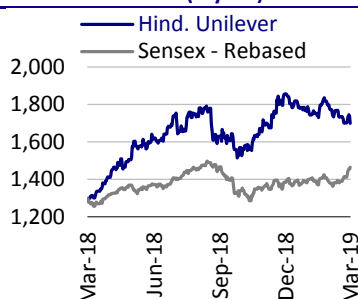
Y/E Mar	2019E	2020E	2021E
Net Sales	382.4	436.2	498.7
EBITDA	86.6	103.0	122.5
Net Profit	62.3	74.2	88.5
EPS (INR)	28.8	34.3	40.9
EPS Growth (%)	17.5	19.1	19.3
BV/Share (INR)	34.1	33.7	31.4
P/E (x)	59.0	49.6	41.6
P/BV (x)	49.8	50.5	54.0
RoE (%)	86.1	101.2	125.6
RoCE (%)	121.7	144.9	179.8

### Shareholding pattern (%)

As On	Dec-18	Sep-18	Dec-17
Promoter	67.2	67.2	67.2
DII	7.4	7.3	6.3
FII	12.0	12.1	12.9
Others	13.4	13.4	13.6

FII Includes depository receipts

### Stock Performance (1-year)



## Short-term blip in demand; Investment case remains strong

We spoke to the management of Hindustan Unilever (HUL) for an update on the overall market conditions. Key takeaways:

- A small short-term blip was seen in 4QFY19 demand. But, we had already built in 8% volume growth for 4QFY19 v/s double-digit growth of the preceding five quarters.
- Measures announced in the budget are expected to benefit demand from 1QFY20 onwards. We see no immediate threat to our FY20 forecast of 7.5% volume growth.
- We believe HUVR will continue to outperform peers over the medium term.
- Material cost outlook remains benign, ad spends & promotion intensity have not picked up erratically and cost savings continue at the targeted pace.
- Valuation & View: There is no change to our forecasts. We expect its high multiples to sustain (a) on combination of continued healthy volume growth v/s peers, (b) on better earnings growth v/s its own past earnings, (c) because of the company's best-in-breed return ratios, and (d) due to synergies from the GSKCH acquisition from FY21 (we are not building in benefit from the acquisition yet in our numbers). We maintain BUY rating on the stock with a target price of INR2,125, target multiple of 52x FY2021 EPS (which is ~15% premium to 3-year average due to significantly improving business fundamentals).

## Some moderation seen in overall pace of growth in the FMCG market

- Our conversation with the HUL management indicated that there is a bit of relative slowdown in 4QFY19 demand compared to the preceding five quarters, which had witnessed double-digit volume growth.
- Slight slowdown was witnessed across rural and urban. Rural growth remains well ahead of urban; but rural growth over urban has declined a tad, to less than 1.3x urban growth seen in the previous quarter.
- Therefore, we believe that HUVR is unlikely to report double-digit volume growth; but, we were already building in 8% volume growth for 4QFY19 in our forecasts.
- Importantly, there appears to be no concern over the medium-to long-term demand. With benefits on the demand front due to the budget coming through in FY20, we maintain our 7.5% volume growth forecasts for FY20/FY21.
- It is pertinent to note that HUL has been a huge outperformer on volumes compared to peers, despite being multiple times larger. (See exhibit no. 1)
- We expect HUVR's volumes, topline and earnings to continue outperforming its peers, as well as its own past record, led by:
  - It's rapidly improving adaptability to market requirements exemplified by its 'Winning in Many Indias' (WIMI) strategy.
  - Its recognition and strong execution on Naturals as a key sub-segment across categories.
  - Continuous strong trend towards premiumization.
  - Extensive plans to employ technology and creating further entry barriers.
  - Continued increase in efficiency levels leading to cost savings.

- The temporary blip in 4QFY19 demand may affect other relatively smaller-sized consumer companies more.
- Material cost outlook continues to remain benign, which is great for HUVR and other players from a 4QFY19 perspective, compared to the pressures witnessed in 3QFY19.
- Ad spend intensity in the sector has not changed. New launches and variants launched recently are doing well for HUVR.

#### Valuation and view

- There is no change to our forecasts. A combination of continued healthy volume growth v/s peers and better earnings growth compared to its own past record, aligned with best-in-breed return ratios, and synergies from the GSKCH acquisition from FY21 onwards (we are not building in benefit from the acquisition yet in our numbers), will lead to sustained high multiples.
- We maintain BUY rating on the stock with a target price of INR2,125, target multiple of 52x FY2021 EPS (~15% premium to 3-year average due to significantly improving business fundamentals).

**Exhibit 1: HUVR's domestic volume growth has been ahead of its relatively smaller peers in recent quarters**

Quarterly volume growth (%)	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
<b>HUVR (Domestic)</b>	<b>6.0</b>	<b>6.0</b>	<b>7.0</b>	<b>6.0</b>	<b>4.0</b>	<b>4.0</b>	<b>(1.0)</b>	<b>(4.0)</b>	<b>4.0</b>	<b>0.0</b>	<b>4.0</b>	<b>11.0</b>	<b>11.0</b>	<b>12.0</b>	<b>10.0</b>	<b>10.0</b>
Marico (Domestic)	3.0	6.0	5.5	10.5	8.4	8.0	3.0	(4.0)	10.0	(9.0)	8.0	9.4	1.0	12.4	6.0	5.0
Dabur (Domestic FMCG)	8.1	8.1	5.5	(2.5)	7.0	4.1	4.5	(5.0)	2.4	(4.4)	7.2	13.0	7.7	21.0	8.1	12.4
Emami (Domestic)	12.0	15.0	13.5	9.3	18.0	18.0	11.0	0.2	(1.5)	(18.0)	10.0	6.0	8.0	18.0	(4.0)	3.5

Source: Company, MOFSL

BSE SENSEX  
38,024S&P CNX  
11,427

CMP: INR786 TP: INR1,000 (+27%)

Buy



Bloomberg	LPC IN
Equity Shares (m)	452
M.Cap.(INRb)/(USD\$b)	355.3 / 5.1
52-Week Range (INR)	986 / 724
1, 6, 12 Rel. Per (%)	-9/-19/-12
12M Avg Val (INR M)	2150
Free float (%)	53.0

## Financials &amp; Valuations (INR b)

Y/E Mar	2019E	2020E	2021E
Net Sales	161.4	180.4	202.1
EBITDA	25.4	35.7	42.0
PAT	11.7	17.3	21.7
EPS (INR)	25.9	38.3	48.1
Gr. (%)	-18.9	47.8	25.5
BV/Sh (INR)	306.9	334.7	372.2
RoE (%)	8.5	11.9	13.6
RoCE (%)	5.2	9.0	10.3
P/E (x)	32.5	22.0	17.5
P/BV (x)	2.7	2.5	2.3

## Somerset site classified as OAI, regulatory concerns rising

- The USFDA has classified its inspection in Dec'18 at Lupin's (LPC) Somerset formulation facility as Official Action Indicated (OAI). This is the second OIA classification been issued to LPC over the past few days (Mandideep and now Somerset). Subsequently, there have been concerns about the USFDA taking further regulatory actions and withholding ANDA approvals from these sites.
- Nevertheless, we maintain our estimates for LPC, noting that the OAI status does not stop it from selling products in the US market.
- We expect earnings CAGR of 36% over FY19-21 on the back of a low base of FY19, new launches in the US market and the sustained outperformance in the domestic branded formulation/Japan markets. We have a Buy rating on the stock with a price target of INR1,000 (based on 20x 12-month forward earnings). Regulatory developments at Somerset/Mandideep and the sites under the warning letter will be the key monitorables over the near term.

**USFDA changes inspection status at Somerset/Mandideep to OAI:** The USFDA had inspected the company's Somerset facility in Dec'18 and issued form 483. Based on the observations and the subsequent CAPA (Corrective and Preventive Action), the USFDA has changed the status of the inspection to OAI. LPC is in process of sending further updates on CAPA to USFDA.

The Somerset site was part of the Gavis acquisition done in 2015. Around 40 ANDAs are pending for approval from this site (v/s 66 at the time of acquisition). Incremental sales from the Gavis acquisition were ~USD96m, which has now increased to ~USD130m (about 17% of 12M trailing US sales) led by new launches and price erosion in the base business.

LPC has also received OAI status at Mandideep (unit 1) post the USFDA inspection in Dec'18. No ANDAs are pending for approval from this site. The share from this site would be less than 5% of US sales.

For LPC, a total of 154 ANDAs are pending for approval.

**Regulatory risk increasing:** The OAI status at Somerset/Mandideep and the warning letter at Indore/Goa increase the regulatory risk for LPC.

**Valuation view:** We maintain our estimates as the change in status to OAI does not stop LPC from selling products in the US market. We expect healthy traction from new launches in the US market and sustained outperformance in the domestic formulation and Japanese markets. We value LPC at 20x 12M forward earnings and arrive at a TP of INR1,000. We maintain our **Buy** rating. Regulatory developments at Somerset/Mandideep and the sites under warning letters will be the key monitorables over the near term.



# Automobiles



## CV ecosystem preparing for regulatory/tech changes

### LCVs might be worst impacted under BS6 due to steep price increases

We attended the ET Auto CV and Logistics Conclave 2019 at Pune, where all the key stakeholders of the Indian CV industry (CV players, components suppliers, fleet operators, and financiers, among others) discussed the forthcoming opportunities and challenges for the industry. The fast-changing regulatory and technological landscape will have a strong influence on the CV industry over the next five years. While the CV industry is well prepared for BS6 transition, LCVs are staring at demand disruption post BS6 due to pressure from cost increases.

### GST, rapid infra development, ecommerce – the change agents

- Implementation of GST has shifted the focus from optimization of sales tax to optimization of logistic costs. This has been enabled by rapid development of road infrastructure, resulting in creation of new hubs.
- Ashok Leyland (AL) has become more rational about logistics, with the number of regional sales offices (RSOs) now down to 5 from 26 before GST implementation.
- Post GST, 40% of states have removed sales tax-related check-posts. The other states are slow on this but should follow suit.
- The emergence of ecommerce is bringing about paradigm changes in the logistics industry with a need of segment-specific vehicles and technology to improve efficiencies.
- The aforementioned factors are leading to segmental shifts within the M&HCV and LCV industries and improving fleet utilization. Distance travelled per day has increased by 10% post GST to 270-280km from 240km earlier. Further improvement in toll collection efficiencies and practices at RTO check-posts could increase this number to 400-450km/day (v/s 800km/day in the US and 600km/day in the EU).

### Regulatory/technological changes can improve efficiencies

- The CV industry has undergone several major regulatory changes over the last few years, such as mandatory ABS, BS4 compliance, mandatory AC/blower, vehicle tracking devices (for buses) and an increase in axle load.
- While BS6 transition is set for Apr'20, there are several regulatory changes under deliberation, viz., (a) mandatory scrapping of over 20 years old trucks and (b) new body building code.
- On the other hand, technology has taken center stage in the CV industry, with an increase in the use of electronics, sensors and improved connectivity. Technology is enabling remote/preventive diagnostics, fleet management, driver monitoring, fuel efficiency improvement, digital distribution of parts, etc.
- While currently only 10-15% M&HCVs are fitted with telematics, the increasing role of aggregators and ecommerce would drive faster adoption of technology in the CV industry. Adoption of technology in LCVs/SCV is slower but should improve from 2020.

- By Apr'20, regulatory and safety norms (except dynamic collusion norms) in India would be closer to EU standards.

#### **LCVs staring at substantial price increases, demand weakness post BS6...**

- Under BS6, the LCV/SCV segments would see substantial cost increases – much higher than the 10-12% increase expected in the M&HCV segment. Also, certain segments (like sub-1 ton segment) may face existential crisis, which would force OEMs to look at alternatives like CNG and electric vehicles.
- Considering the magnitude of price increase, OEMs might think of taking price hikes in a staggered manner.
- Hence, the demand environment for LCV/SCVs post BS6 may turn very challenging. AL expects the LCV industry volumes to grow from ~625k units annually now to 725-750k units in four years, with FY21 witnessing a decline of 20-30%.
- For LCVs, constrained finance (since this segment is dominated by NBFCs) and an increase in interest rates (by 1-1.5%) could also impact demand, although NBFC participants expect interest rates to moderate in a few quarters.

#### **...though long-term growth opportunity is attractive**

- LCV segment growth would be led by increased consumption and newer applications (garbage truck, tippers, tankers, etc.).
- Globally, 75% of CV volumes come from LCVs, as against ~62% in India. Based on AL's estimate, LCVs would contribute ~70% to CV industry volumes in the next four years.
- Customer centricity at OEM level is a big change in the LCV industry, leading to a shift from standard products to manufacture of products based on customer needs. The trend of 'electronification' (like seen in PVs) is also expected to accelerate in LCVs.
- Shift toward rural areas is also visible. A significant level of LCV purchases are now happening in semi-urban and rural areas.

#### **Spares & service business to witness further formalization under BS6**

- In the BS4 era, the number of trucks coming back to authorized service centers is increasing. With BS6, this trend will only grow due to the rise in electronic content and usage of complex technologies.
- A large part of dealer bottom line at service centers comes from accident-related work (80% of profits, 30% of manpower) and the balance from maintenance work.
- According to Daimler India Commercial Vehicle (DICV) estimates, aftermarket opportunities will be reduced by 40% in EVs. However, accident-related repairing revenues will not get impacted.

#### **Alternative fuel usage to go up over long term**

- DICV believes that, in the long run, LCVs will shift toward EVs, and M&HCVs toward hydrogen fuel.
- Industry has to be prepared to handle the multiple propulsion system.
- While natural gas usage will go up, it is expected to be a fringe fuel in long-distance travel. As a result, there is not adequate investment happening on the engine side for natural gas from OEMs.

### Other insights

- Driver availability is a concern, as 28% of trucks are remaining idle due to driver shortage.
- Improper loading and unloading schedule is leading to loss of ~8% of revenues for fleet operators.
- Toll is now third highest cost (~15% of total cost).
- Post recent order of 1,000 e-buses, there is another order of 2,000 e-buses in the pipeline.

### Valuation and view

- Domestic CV industry is witnessing cycles within a cycle led by regulatory changes (axle load norms), financing issues and the upcoming election. We estimate CV industry volumes to remain muted for another quarter or so, and then recover from 2QFY20. However, 1HFY21 will again witness a downcycle post BS6 implementation (longer downcycle for LCVs).
- Hence, we estimate a muted CV demand CAGR of 0.8% over FY19-21 (impacted by ~ 13% decline in FY21). However, mandatory scrappage of >20 years old trucks, if implemented from Apr'20, will more than offset any impact of pre-buy in FY21 (not factored in our estimates).
- However, valuations are also reflecting for the same at ~20% discount to the LPA. RoCEs are likely to remain stable over FY19-21.
- AL is our preferred pick in the CV segment as it is the only pure play on the CV industry. AL has shifted its focus toward expanding and creating new revenue and profit pools, which is helping it to reduce volatility in its business. We factor in revenue/EBITDA/PAT CAGR of 9%/-0.2%/-8% over FY19-21. Maintain **Buy** with a TP of INR110 (8x Mar'21 EV/EBITDA + INR13/share for NBFC).

### Comparative valuations

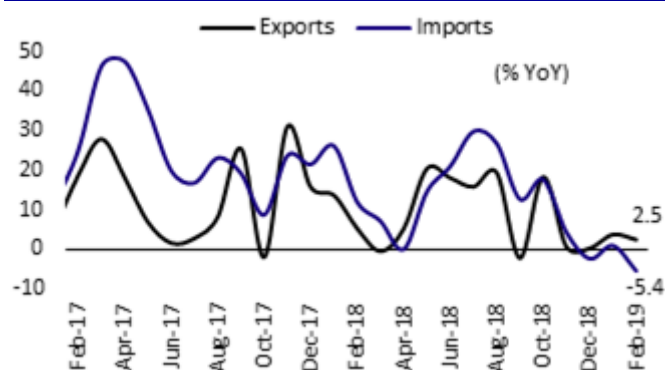
	CMP (INR)	Rating	TP (INR)	P/E (x)		EV/EBITDA (x)		RoE (%)		Div Yield (%)		EPS CAGR (%)
				FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY18-20E
<b>Auto OEM's</b>												
Bajaj Auto	3,022	Buy	3,045	19.0	17.1	13.8	11.6	22.8	22.8	2.0	2.3	8.2
Hero MotoCorp	2,739	Neutral	2,928	15.9	15.1	9.3	8.7	28.1	27.7	3.8	4.2	-1.1
TVS Motor	493	Neutral	576	32.4	22.4	16.3	12.0	23.1	27.8	0.8	1.0	25.6
M&M	693	Buy	841	16.7	14.6	12.8	10.7	14.5	14.1	1.4	1.4	7.5
Maruti Suzuki	7,092	Buy	8,131	29.0	24.3	16.0	13.7	16.3	17.4	1.4	1.8	4.6
Tata Motors	180	Neutral	166	-41.4	10.5	4.3	3.3	-1.8	8.5	0.2	0.2	-13.3
Ashok Leyland	94	Buy	110	13.3	12.8	8.6	6.7	26.7	24.1	2.7	2.8	10.9
Eicher Motors	22,632	Buy	23,960	26.5	22.6	20.8	18.4	29.5	27.7	0.5	0.5	11.8
Escorts	799	Neutral	754	14.6	13.2	11.6	10.2	20.0	18.8	0.6	0.6	23.7
<b>Auto Ancillaries</b>												
Bharat Forge	534	Buy	568	22.5	19.5	13.0	11.3	21.9	21.5	1.0	1.2	21.8
Exide Industries	229	Buy	280	25.6	21.1	13.7	11.4	12.7	14.1	1.1	1.4	15.1
Amara Raja Batteries	746	Buy	855	26.1	20.8	13.2	10.4	15.6	17.1	0.6	0.7	14.0
BOSCH	18,449	Neutral	20,147	33.9	29.2	23.1	19.6	15.9	17.9	1.0	1.2	16.0
Endurance Tech	1,151	Buy	1,476	33.1	25.7	15.0	12.0	20.7	22.8	0.5	1.0	24.1
Motherson Sumi	165	Buy	204	31.4	22.0	10.2	7.3	16.8	21.0	0.8	1.2	18.1
CEAT	1,165	Buy	1,370	18.0	14.1	9.4	8.1	9.6	11.2	0.6	0.8	13.6

Source: MOFSL

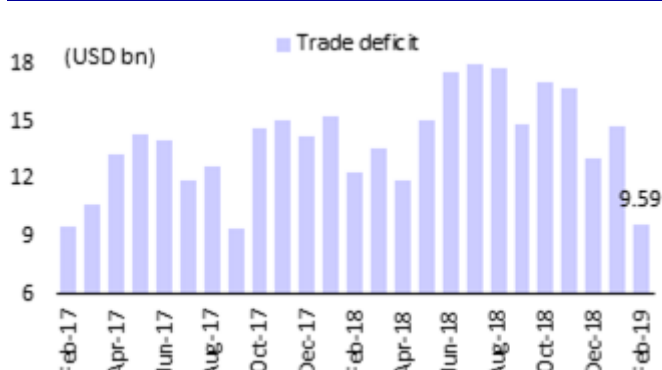
## Trade deficit at 17-month lowest in February 2019

- India's merchandise trade deficit fell to USD9.6b in Feb'19 from USD12.3b in the year ago month and an average of USD15.7b during the last six months. The number was substantially lower than both our and market expectation of USD11.4b and USD13.7b, respectively.
- India's exports rose by 2.5% YoY to USD26.7b in Feb'19 after rising by ~10% on average during Apr-Jan'19. While oil exports declined by 7.7% YoY to USD3.1b, non-oil exports rose by 4% YoY to USD23.6b in the month as against an average growth of ~7% during Apr-Jan'19. Among non-oil items, exports of engineering goods, India's top export segment, rose by 1.7% YoY to USD6.7b in Feb'19. While exports of drugs & pharmaceuticals rose 16.1% and electronic goods rose 46.1%, gems & jewellery exports fell 2.1% YoY in the month.
- India's imports, however, fell 5.4% in Feb'19 at USD36.3b and an average of ~13% during the last ten months. Oil imports fell by 8.1% YoY to USD9.4b, while gold imports fell 10.8% YoY to USD2.6b. Non-oil non gold & silver imports declined by 3.7% YoY in Feb'19 as against an average growth of ~6% seen during Apr-Jan'19. Among major non-oil non-gold items, imports of precious stones declined by 17.5%, transport equipment by ~20% and silver sharply by ~40%.
- The merchandise trade deficit stood at USD165.5b during Apr'18-Feb'19, up from USD148.6b in the year ago period. While exports rose by 8.9% YoY, imports grew 9.8% during the period.

### Imports declined, while exports grew in Feb'19...



### ...leading to 17-month lowest trade deficit







# Healthcare

## Performance of top companies: February 2019)

Company	MAT gr (%)	Feb-19 (%)
IPM	9.6	10.0
Sun Pharma	7.1	7.2
ABBOTT*	11.3	8.9
Cipla	8.9	10.7
Zydus Cadila	7.3	10.7
Mankind	10.6	12.6
Alkem	10.9	10.2
Lupin	15.5	16.6
Torrent Pharma	13.1	19.8
Pfizer	5.4	6.4
Glenmark Pharma	15.0	10.6
Sanofi	10.1	14.0
Dr Reddy Labs	9.9	6.1
GSK Pharma	5.0	7.4
Alembic Pharma	11.2	11.6
Ipca Labs	19.3	32.5
Natco	5.0	4.4
Ajanta Pharma	10.1	5.0
Merck	6.3	6.1
Biocon	17.0	9.8

## Slight pick-up in volumes; Price growth remains the key

- The Indian pharmaceutical market (IPM) witnessed a moderation in secondary sales in Feb'19. Sales increased 10% YoY as against 11.3% YoY in Jan'19. Growth was led by prices (up 4.9% YoY), volumes (up 2.7% YoY), and new launches (up 2.4% YoY).
- For the quarter ending Feb'19, IPM growth was at 10.4% YoY, supported by prices (up 4.9% YoY) and volumes (up 3% YoY). New product launches were up 2.4% YoY.
- The YoY growth on MAT basis was stable at 9.6% for 12M ending Feb'19.

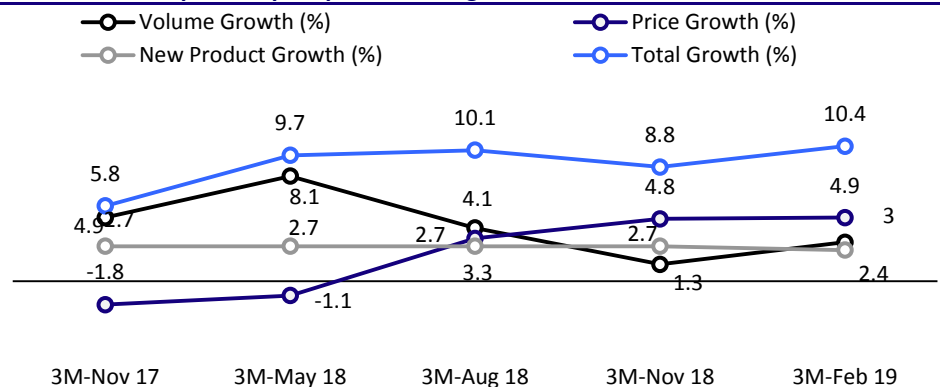
## Gradual improvement in volume growth for Non-DPCO drugs supports overall growth

- In value terms, secondary sales grew 10.4% YoY for non-DPCO products (86% of IPM) and 6.2% YoY for DPCO-listed products (10% of IPM) during the month.
- For non-DPCO products, the YoY growth for the month was spread across prices (up 5% YoY), volumes (up 2.7% YoY) and new products (up 2.7% YoY).

## Ipca, Natco and Torrent remain growth leaders for Feb'19

- Growth momentum in secondary sales continued on superior execution in Ipca with 33% YoY growth (25-60% growth in top-10 products). Anti-infectives and blood-related therapy led 22.6% YoY growth in Natco. Torrent Pharma saw an upsurge of 21% YoY in sales, led by >20% growth in Cardiac, Gastrointestinal, Pain/Analgesics, Anti-Diabetic and Derma.
- GSK (up 5.6% YoY), Sun Pharma (up 7.8% YoY) and Pfizer (up 7.9% YoY) saw subdued growth for the quarter ending Feb'19 v/s IPM growth of 10.4% YoY.
- Particularly, for Feb'19, Ajanta exhibited lower YoY growth of 5% compared to MAT growth of 10%.
- Ipca reported highest price growth (+5.7%) and volume growth (+13.8%) on MAT basis, while Natco witnessed highest new product launches (+15.7%) on MAT basis.

Exhibit 2: Volumes picked up in quarter ending Feb'19



Source: AIOCD, MOFSL

**Anti-Diabetic, Cardiac and Anti-Neoplastics lead among therapies**

- Within Chronic therapies, Anti-Diabetic reported the highest growth in the IPM (+18.6% YoY; 9.6% of IPM), followed by Cardiac (+16% YoY; 12.6% of IPM) for the quarter ending Feb'19. This can be partly attributed to the low base of past year. Anti-Neoplastics (2.2% of IPM) grew 11.6% YoY for the quarter.
- Respiratory (+3.3%; 7.5% of IPM) and Anti-infective (+5.4% YoY; 13.5% of IPM) underperformed the IPM. Vaccines continued seeing a decline in sales for the quarter ending Feb'19.

**Both Indian and MNCs exhibited similar YoY growth**

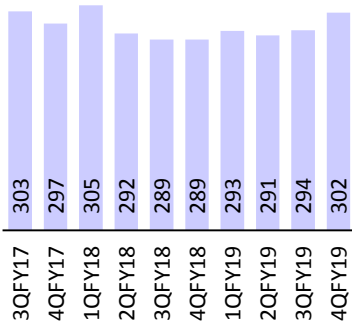
- FDC-banned drugs (~0.3% of IPM) declined ~51% during the month, while, non-FDC (~48% of IPM) and single molecules (~51% of IPM) rose ~10.6% and ~10.3%, respectively. Secondary sales for Indian companies grew 10.2% YoY, while the MNCs were almost at par with 10% YoY growth in Feb'19.



# Cement

All-India prices increased 3%QoQ in 4QFY19

■ National Average Prices (INR/bag)



## Price hikes taken in Feb'19 moderate in Mar'19

### Future hikes look difficult in the run-up to the elections

#### Only 1% QoQ price hike in the North led by rollback of declared price hikes

Prices in North India increased by INR2/bag MoM in Feb'19, but were flat in Mar'19. The Delhi-NCR region witnessed hike of INR20/bag in Feb'19 in the non-trade segment. However, hikes announced in the trade segment were not sustainable. Demand in Rajasthan declined drastically after the state elections; while INR12/bag price hike was announced in Feb'19, only INR7/bag was sustainable. Prices in Punjab and Haryana were steady as the region faced problems on availability of sand and aggregates.

#### No price improvement in the East

Prices in the eastern region increased by INR3/bag to INR285/bag in Feb'19, with a price increase in the range of INR5/bag in Kolkata and Bihar. The region witnessed limited supply from southern players during this time. The supply of clinker was also affected due to shortage of wagons. But, the eastern region witnessed a decline in prices by INR3/bag in Mar'19 led by INR10/bag decline in prices in Kolkata. This resulted in flat QoQ prices in the East during 4QFY19.

#### Healthy show in the West led by Maharashtra

Prices in Mumbai increased by INR10/bag in the trade and non-trade segment in Feb'19. Nagpur, too witnessed an increase of INR20/bag in Feb'19 in the non-trade segment. Pune saw healthy INR30/bag hike in the month. The region also witnessed reduction in dispatches from the South. As a result, prices in the West increased by INR14/bag MoM in Feb'19. Prices increased by INR5/bag in Mar'19, which was led by INR10/bag increase in Mumbai and Pune, and flat prices in Nagpur and Ahmedabad. Overall, prices in the West improved by a healthy rate of 5% QoQ.

#### The South — a show stealer in Feb'19; but hikes fail to sustain in Mar'19

In Feb'19, companies announced price hikes to the extent of INR30-50/bag in the South. While Chennai saw a sustainable INR30/bag hike, the quantum was ~INR50/bag for Hyderabad, Bangalore and Kerala.

Cement production in the region was also curtailed with companies deciding not to sell OPC cement (an ordinary portland cement with lower margins). Also, blending OPC cement with fly-ash and selling it at a lower price by unorganized players is rampant in the South. But, it is now coming under control as organized players have decided against supplying OPC cement to smaller players. Overall prices improved by INR45/bag MoM in February in the southern region.

However, these hikes couldn't sustain as March approached because of selling pressure in the month due to the year-end and the lack of demand. As a result, prices corrected to the extent of INR20/bag in Hyderabad, Kerala and Bangalore, while they remained constant in Chennai. Increase in prices in the South is 5% QoQ.

### Prices in Central India grew slow and steady

Prices in Central India increased by INR7/bag in Feb'19 led by INR10/bag hike in Lucknow and INR3/bag hike in Bhopal. The price increase in the region was INR2/bag MoM in Mar'19 led by INR3/bag hike in Bhopal and flat prices in Lucknow. Prices in the central region increased 2% QoQ in 4QFY19.

### Valuation view

While all-India prices increased 3% QoQ in 4QFY19, we believe there should not be any further price hikes in any of the regions, at least till the general elections conclude. Some of these regions are facing labor shortage issues, while liquidity crunch due to non-payment is still prevalent in various regions.

We prefer companies with higher exposure to the northern region, as the North is pegged to witness maximum improvement in capacity utilization over the next two years. Our top pick to play the North theme is **SRCM**. We also like **ACC**, which is on a growth capex mode and should witness improvement in profitability.

- **ACC:** The company is planning to add 6mt capacity at a total capex of INR30b (~USD71/t), which will come on stream over the next three years. This will be funded by internal accruals, helping the company protect its market share in the central and eastern regions. ACC's profitability gap with peers has narrowed significantly over the last few quarters, led by higher proportion of (a) premium sales, and (b) sales from its new cost-efficient units of Jamul and Sindri. The company has also done well to manage costs, driven by higher proportion of linkage coal, lower lead distance and route optimization. Besides this, ACC is trying to rationalize fixed costs. The stock trades attractively at 7x CY20 EV/EBITDA. With growth concerns being addressed, the valuation discount of over 40% to large caps on EV/ton and EV/EBITDA should narrow substantially. We value ACC at 9x CY20E EV/EBITDA to arrive at a target price of INR1,853.
- **SRCM:** SRCM's relatively low cost of production compared to peers has resulted in healthy margins and return ratios. As a result, we believe it warrants premium valuations. We expect SRCM to deliver a better-than-industry performance due to (a) capacity ramp-up over FY19-21 (company plans to increase domestic capacity by ~22% at an estimated cost of USD25/t), and (b) favorable market mix, with higher exposure to the northern markets (~70%), where prices are expected to be healthy. We value SRCM at 15x FY21 EV/EBITDA and arrive at a target price of INR21,017.

### Cement: Valuation summary

	CMP	ROE (%)			PE (x)			EV/EBITDA (x)			EV/Ton (USD)		
		FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
ACC	1,540	10.8	13.3	14.4	26.9	19.6	16.2	12.0	8.9	7.0	106	96	88
ACEM	225	6.1	6.2	6.8	24.2	22.3	19.7	13.9	12.1	10.6	123	120	123
UTCCEM	3,965	7.9	9.5	10.6	51.3	37.7	28.6	19.3	15.9	13.2	180	165	154
SRCM	17,688	14.3	15.6	17.1	46.4	37.9	30.0	20.1	15.7	12.5	207	177	161
BCORP	536	4.6	8.3	10.9	20.9	11.0	7.7	8.3	6.6	5.4	65	66	64
ICEM	87	1.1	2.8	4.1	53.0	21.2	14.2	10.0	8.1	7.2	55	54	55
JKCE	831	12.8	13.0	12.8	24.2	21.5	19.7	8.8	9.9	8.4	82	77	73
JKLC	351	4.9	8.4	12.6	56.6	31.1	18.9	12.4	9.6	7.3	60	56	51
MCEM	717	11.0	12.3	14.1	36.2	29.3	22.8	17.7	15.4	11.9	140	126	120
ORCMNT	87	-0.8	6.0	10.7	-220.4	29.1	15.1	13.1	9.4	6.7	51	46	35
PRISM	97	12.6	14.2	14.2	36.0	28.6	25.4	11.4	10.6	10.1	74	70	69
SNGI	60	2.5	3.3	3.3	32.3	24.1	23.5	13.7	13.3	8.2	46	45	45





### 1. V-MART RETAIL: WILL OPEN MORE STORES IN THE NEXT 18 DAYS; Lalit Agarwal, CMD

- Saw some softness in the market during December and January. Have started seeing early pick up due to Holi.
- Q4 same-store-sales growth should be somewhere around mid-single digit growth.
- Next year should have a good base to start from. See a lot of activities even from the government side resulting into economic upturning of people, a lot of work which has happened in the past 7-8 months and also things that will come up in coming days should add a lot of economic upswing in public consumption space.
- Company continues its store opening plan. Have already opened 37 stores in this fiscal year and yet to announce some of the stores. Company has opened 37 and have a plan to open more in the remaining 18 days also. Will target more in next year also.

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### 2. CONCOR: MAINTAIN FY19 VOLUME GROWTH OF 10-12%; V Kalyana Rama, CMD

- There is a little slowdown in export-import but for March, the forecast is that from second fortnight of March things may improve.
- Will be ending year as company has forecasted. Company gave a forecast of 10-12 percent growth.
- As far as domestic volumes are concerned, domestic business is good, there is no such worry in the domestic volumes.
- With the dedicated freight corridor, will see real benefit from FY21.

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## 1. BANKING SECTOR TO BECOME LESS LABOUR-INTENSIVE, AUTOMATION THE WAY FORWARD

- The creation of jobs has always been the focal point of debates in the country. The banking sector has been a large employer with a 1.3 million workforce in 2017-18, up from 1.1 million in 2012-13. The question is whether or not this number has been increasing at a significant pace and, if there has been any change in the composition of the same. A five-year period has been considered from 2012-13 to 2017-18. The CAGR was 4%, which is just about the industry standard given that services tend to involve more jobs. The banking business, on the other hand, has been increasing at a far higher rate than that in the stock of workforce. The graphic shows that the dominant segment has been private banks that have expanded at a sharper rate than the PSBs which had an increase of just 1.1%. The private banks' growth number is slightly on the higher side given the mergers that have taken place with other institutions. But their share has increased from around 25% to 32% during this period. The interesting part here is that the two non-officer categories have shown a distinct declining trend with there being a shrinkage in the clerks and sub-staff categories. The ratio of clerks and sub-staff to officers was still above 1 for PSBs at 1.09 while it was low at 0.09 and 0.06 respectively for private and foreign banks. But PSBs have lowered this ratio from 1.39 in 2012-13 and private banks from 0.39 the same year. This means that banks across all categories are following a similar pattern in terms of staffing.

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## 2. LOK SABHA POLLS: COMMON MINIMUM PROBLEMS OF THE OPPOSITION

- India will vote in seven phases, starting April 11 to elect the 17th Lok Sabha, which will pave the way for the formation of the next government. Votes will be counted on May 23. According to a recent CVoter opinion poll, the ruling Bharatiya Janata Party (BJP)-led National Democratic Alliance (NDA) is likely to win 264 of the 543 seats in the lower house of the Parliament. The Congress-led United Progressive Alliance (UPA) is likely to bag 141 seats. This should not be surprising as the NDA, led by Prime Minister Narendra Modi, is widely seen to be in a stronger position. This is supported by the fact that the Congress and other opposition parties, so far, have not been able to pose a formidable challenge. Though after the December 2018 assembly polls it looked like the momentum was shifting away from the BJP and towards the Opposition, public sentiment appears to have changed significantly after the Indian Air Force attacked terror base camps operated by the Jaish-e-Mohammed (JeM), deep inside Pakistan.

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### 3. THE CASE FOR A BOLD ECONOMICS

- At the end of 1933, John Maynard Keynes sent a remarkable public letter to US President Franklin Delano Roosevelt. FDR had taken office earlier that year, in the midst of an economic slump that had pushed a quarter of the labor force into unemployment. He had launched his ambitious New Deal policies, including public works programs, farm subsidies, financial regulation, and labor reforms. He had also taken the US off the gold standard to give domestic monetary policy freer rein. Keynes approved of the general direction of these policies, but also had some sharp criticism. He worried that FDR complicated the economic recovery effort by broadening his policy agenda unnecessarily. FDR was doing too little to increase aggregate demand and too much to change the rules of the economy. Keynes took particular aim at the National Industrial Recovery Act, which, among other things, greatly expanded labor rights and fostered independent unions. He fretted that the NIRA would sap business confidence and weigh on the federal bureaucracy, without making a direct contribution to recovery. He wondered whether some of the advice FDR was getting “is not crack-brained and queer.” Keynes did not think much of FDR’s economics, but at least he was a sympathetic critic.

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Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
<b>Automobiles</b>																
Amara Raja	Buy	746	855	15	27.6	28.6	35.9	-1.5	3.7	25.5	26.1	20.8	3.8	3.3	15.6	17.1
Ashok Ley.	Buy	94	110	17	6.0	7.0	7.3	37.1	18.3	4.0	13.3	12.8	3.3	2.9	26.7	24.1
Bajaj Auto	Buy	3022	3045	1	151.3	159.2	177.1	7.3	5.2	11.3	19.0	17.1	4.1	3.7	22.8	22.8
Bharat Forge	Buy	534	568	6	18.4	23.8	27.3	40.7	28.9	15.1	22.5	19.5	4.5	3.9	21.9	21.5
Bosch	Neutral	18449	20147	9	469.8	543.9	632.3	-0.7	15.8	16.2	33.9	29.2	5.1	5.5	15.9	17.9
CEAT	Buy	1165	1370	18	64.0	64.7	82.5	-30.3	1.1	27.5	18.0	14.1	1.7	1.5	9.6	11.2
Eicher Mot.	Buy	22632	23960	6	799.6	855	1,000	27.0	7.0	16.9	26.5	22.6	7.0	5.7	29.5	27.7
Endurance Tech.	Buy	1151	1476	28	29.1	34.7	44.8	23.8	19.5	28.9	33.1	25.7	6.4	5.4	20.7	22.8
Escorts	Neutral	799	754	-6	39.5	54.6	60.5	88.0	38.3	10.7	14.6	13.2	2.7	2.3	20.0	18.8
Exide Ind	Buy	229	280	22	8.2	8.9	10.9	0.4	9.1	21.5	25.6	21.1	3.3	3.0	12.7	14.1
Hero Moto	Neutral	2739	2928	7	185.1	171.9	181.0	9.5	-7.2	5.3	15.9	15.1	4.3	4.1	28.1	27.7
M&M	Buy	693	841	21	41.0	41.5	47.5	49.8	1.2	14.2	16.7	14.6	2.4	2.2	14.5	14.1
Maruti Suzuki	Buy	7092	8131	15	266.7	244.8	291.8	7.3	-8.2	19.2	29.0	24.3	4.7	4.3	16.3	17.4
Motherson Sumi	Buy	165	204	23	5.4	5.3	7.5	6.0	-2.4	43.0	31.4	22.0	5.0	4.3	16.8	21.0
Tata Motors	Neutral	180	166	-8	22.9	-4.4	17.2	15.7	PL	LP	NM	10.5	0.9	0.9	-1.8	8.5
TVS Motor	Neutral	493	576	17	13.9	15.2	22.0	18.7	9.0	44.7	32.4	22.4	6.9	5.7	23.1	27.8
<b>Aggregate</b>								<b>15.8</b>	<b>-21.8</b>	<b>40.7</b>	<b>26.2</b>	<b>18.6</b>	<b>3.3</b>	<b>3.0</b>	<b>12.7</b>	<b>16.2</b>
<b>Banks - Private</b>																
AU Small Finance	Buy	609	720	18	10.2	12.9	17.1	-79.5	26	32.3	47.1	35.6	5.7	4.4	13.8	13.9
Axis Bank	Buy	736	850	16	1.1	18.5	39.6	-92.8	1,568	113.5	39.7	18.6	2.8	2.4	7.2	13.9
DCB Bank	Neutral	201	175	-13	8.0	10.2	13.2	13.8	27.6	30.1	19.8	15.2	2.1	1.9	11.6	13.4
Equitas Hold.	Buy	135	150	12	0.9	6.8	9.5	-82.3	631.5	40.6	19.9	14.1	1.8	1.7	9.7	12.4
Federal Bank	Buy	91	115	26	4.8	6.1	8.9	-1.3	29.3	44.5	14.9	10.3	1.4	1.2	9.5	12.5
HDFC Bank	Buy	2252	2500	11	67.8	79.8	95.9	19.4	17.6	20.2	28.2	23.5	4.1	3.6	16.7	16.5
ICICI Bank	Buy	396	450	14	11.1	7.7	20.2	-34.3	-30.8	163.7	51.7	19.6	2.4	2.2	4.7	11.8
IndusInd	Buy	1701	1900	12	60.2	68.8	100.2	25.2	14.3	45.6	24.7	17.0	3.9	3.1	16.5	20.2
Kotak Mah. Bk	Neutral	1325	1350	2	32.5	37.9	46.1	21.3	16.4	21.7	35.0	28.7	4.4	3.8	12.1	13.3
RBL Bank	Buy	647	650	0	15.1	20.6	28.0	27.3	36.4	35.6	31.4	23.1	3.7	3.3	12.3	14.9
South Indian	Buy	16	20	29	1.9	1.7	2.7	-25.5	-10.5	61.1	9.4	5.8	0.5	0.5	5.6	8.6
Yes Bank	Buy	245	270	10	18.4	18.5	22.6	26.3	0.4	22.4	13.2	10.8	1.9	1.7	15.5	16.7
<b>Aggregate</b>								<b>-1.3</b>	<b>22.2</b>	<b>49.5</b>	<b>30.4</b>	<b>20.3</b>	<b>3.3</b>	<b>2.9</b>	<b>10.8</b>	<b>14.3</b>
<b>Banks - PSU</b>																
BOB	Buy	118	140	19	-9.8	8.9	15.7	PL	LP	77.5	13.3	7.5	0.7	0.7	5.3	8.8
BOI	Neutral	93	90	-3	-43.2	-24.4	3.7	Loss	Loss	LP	NM	25.0	0.7	0.7	-15.0	2.7
Canara	Neutral	265	278	5	-63.5	17.0	42.3	PL	LP	148.5	15.6	6.3	0.6	0.5	3.5	8.2
Indian Bk	Buy	266	300	13	26.2	15.3	30.4	-10.4	-41.7	98.8	17.4	8.8	0.7	0.7	4.6	8.6
PNB	Neutral	86	80	-7	-50.3	-14.4	8.0	PL	Loss	LP	NM	10.7	0.8	0.7	-11.0	6.6
SBI	Buy	298	340	14	-5.3	6.6	30.0	PL	LP	354.4	45.1	9.9	1.2	1.1	1.8	11.5
Union Bk	Neutral	83	80	-4	-56.5	4.5	12.8	PL	LP	185.8	18.5	6.5	0.4	0.3	2.1	5.5
<b>Aggregate</b>								<b>PL</b>	<b>LP</b>	<b>9,703.7</b>	<b>906.4</b>	<b>9.2</b>	<b>0.9</b>	<b>0.8</b>	<b>0.1</b>	<b>8.8</b>
<b>NBFCs</b>																
Aditya Birla Cap	Buy	99	145	46	3.8	4.1	5.3	NA	10.4	27.2	23.9	18.8	2.2	1.9	10.2	11.3
Bajaj Fin.	Neutral	2860	2400	-16	43.4	68.3	89.1	35.9	57.4	30.5	41.9	32.1	8.7	7.0	22.8	24.2
Cholaman. Inv.&Fn	Buy	1388	1525	10	62.3	78.1	88.4	35.5	25.4	13.2	17.8	15.7	3.5	2.9	21.8	20.4
HDFC	Buy	1977	2300	16	42.3	44.8	51.9	6.2	5.9	16.0	44.2	38.1	4.6	4.2	15.6	15.3
HDFC Life Insur.	Buy	370	475	28	5.5	6.4	7.6	23.7	16.6	18.3	57.4	48.5	4.1	3.5	18.6	19.1
ICICI Pru Life	Buy	340	430	26	11.3	8.0	8.9	-3.8	-29.0	11.0	42.5	38.3	2.2	2.0	15.7	14.9
Indiabulls Hsg	Buy	700	900	29	90.2	95.9	110.2	31.5	6.3	14.9	7.3	6.4	1.8	1.6	25.7	26.2
L&T Fin Holdings	Buy	147	185	26	6.8	11.5	13.3	29.5	69.5	15.6	12.8	11.0	2.2	1.9	18.8	18.5
LIC Hsg Fin	Buy	510	600	18	39.4	47.7	56.1	3.0	21.1	17.7	10.7	9.1	1.6	1.4	15.6	16.1
MAS Financial	Buy	567	650	15	19.2	28.4	32.6	27.5	47.9	15.1	20.0	17.4	3.7	3.2	19.8	19.6
M&M Fin.	Buy	435	518	19	17.4	21.7	27.0	146.3	24.1	24.5	20.1	16.1	2.5	2.3	13.2	14.9
Muthoot Fin	Neutral	598	500	-16	43.0	48.9	57.1	45.6	13.8	16.8	12.2	10.5	2.6	2.2	23.2	23.0





Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
PNB Housing	Buy	876	1100	26	49.6	66.0	78.0	56.9	33.0	18.2	13.3	11.2	2.0	1.8	16.1	16.8
Repco Home	Buy	454	480	6	32.9	38.8	44.4	13.1	17.7	14.4	11.7	10.2	1.9	1.6	17.2	16.8
Shriram City Union	Buy	1763	2000	13	100.8	144.2	158.0	19.5	43.1	9.6	12.2	11.2	1.9	1.6	16.3	15.5
Shriram Trans.	Buy	1267	1400	10	69.1	108.7	133.3	24.7	57.3	22.6	11.7	9.5	1.8	1.6	16.8	17.8
<b>Aggregate</b>								<b>25.1</b>	<b>21.3</b>	<b>18.8</b>	<b>25.5</b>	<b>21.5</b>	<b>3.9</b>	<b>3.4</b>	<b>15.2</b>	<b>15.9</b>
<b>Capital Goods</b>																
ABB	Sell	1304	1020	-22	10.6	12.0	17.4	-41.9	12.7	44.8	108.7	75.1	6.9	6.4	6.3	8.6
Bharat Elec.	Buy	95	110	16	5.7	7.1	7.4	-8.8	24.0	4.1	13.3	12.8	2.6	2.3	19.7	18.3
BHEL	Sell	68	47	-31	2.2	3.2	3.8	62.7	45.5	18.6	21.2	17.9	0.8	0.7	3.5	4.2
Blue Star	Neutral	665	620	-7	14.5	16.8	23.6	12.7	15.6	40.5	39.6	28.2	7.0	6.3	19.3	22.3
CG Cons. Elec.	Buy	228	270	18	5.2	6.0	7.7	14.3	16.1	28.6	38.1	29.6	14.6	11.6	42.4	43.7
Cummins	Buy	741	950	28	23.5	26.9	30.7	-11.2	14.4	13.9	27.5	24.1	4.8	4.4	18.0	19.0
Engineers India	Buy	114	145	27	6.3	6.4	7.4	14.8	1.6	17.1	17.9	15.3	3.1	2.8	16.9	18.0
GE T&D	Neutral	293	280	-4	7.5	10.1	11.1	30.8	35.2	9.4	28.9	26.4	5.6	4.9	20.4	19.7
Havells	Buy	746	820	10	11.2	13.2	16.2	17.4	17.3	22.8	56.7	46.2	11.0	9.7	19.4	20.9
K E C Intl	Neutral	299	260	-13	17.9	19.7	24.7	51.1	10.2	25.2	15.1	12.1	3.2	2.6	20.9	21.5
L&T	Buy	1397	1610	15	51.7	59.1	73.0	22.4	14.3	23.5	23.7	19.1	3.2	2.5	14.2	14.6
Siemens	Neutral	1034	1125	9	19.8	25.1	30.9	10.9	27.1	23.1	41.2	33.5	4.4	4.1	11.2	12.7
Solar Ind	Neutral	1033	1125	9	24.4	28.7	37.5	18.2	17.9	30.6	35.9	27.5	7.2	6.0	21.9	23.8
Thermax	Buy	1016	1240	22	20.5	26.3	36.3	-1.2	28.0	38.4	38.7	27.9	3.9	3.5	10.5	13.2
Va Tech Wab.	Neutral	323	300	-7	24.1	26.3	33.6	27.6	9.3	27.6	12.3	9.6	1.4	1.3	10.9	14.1
Voltas	Neutral	600	590	-2	17.3	15.4	17.5	11.9	-11.1	14.1	39.0	34.2	4.6	4.2	12.7	12.9
<b>Aggregate</b>								<b>14.5</b>	<b>16.4</b>	<b>21.1</b>	<b>27.4</b>	<b>22.6</b>	<b>3.3</b>	<b>2.8</b>	<b>12.0</b>	<b>12.4</b>
<b>Cement</b>																
Ambuja Cem.	Neutral	225	194	-14	6.1	6.3	6.8	31.6	2.3	8.5	35.9	33.1	2.1	2.1	6.1	6.3
ACC	Buy	1533	1853	21	46.9	57.3	78.4	27.7	22.1	36.9	26.8	19.6	2.7	2.5	10.8	13.3
Birla Corp.	Buy	536	590	10	18.9	25.6	48.6	-35.6	35.5	89.8	20.9	11.0	0.9	0.9	4.6	8.3
Grasim Inds.	Neutral	830	836	1	47.3	62.6	80.8	-30.2	32.4	28.9	13.2	10.3	1.2	1.1	6.0	6.1
India Cem	Neutral	98	81	-17	3.3	1.9	4.8	-42.0	-41.3	150.3	50.9	20.4	0.6	0.6	1.1	2.8
J K Cements	Buy	830	825	-1	41.0	34.3	38.7	56.2	-16.3	12.8	24.2	21.4	2.9	2.7	12.8	13.0
JK Lakshmi Ce	Buy	352	386	10	7.4	6.2	11.3	6.4	-16.4	81.8	56.9	31.3	2.7	2.5	4.9	8.4
Ramco Cem	Buy	704	680	-3	24.0	19.8	24.5	-11.9	-17.4	23.8	35.6	28.8	3.7	3.4	11.0	12.3
Orient Cem	Buy	86	82	-5	2.2	-0.4	3.0	LP	PL	LP	NM	28.8	1.8	1.7	-0.8	6.0
Prism Johnson	Buy	91	100	10	1.4	2.7	3.4	302.1	92.4	25.7	33.9	26.9	4.1	3.6	12.6	14.2
Sanghi Inds.	Buy	61	67	10	3.7	1.6	2.2	29.5	-56.0	33.9	37.2	27.8	0.9	0.9	2.5	3.3
Shree Cem	Buy	17576	21017	20	385.8	380.9	466.1	0.4	-1.3	22.4	46.1	37.7	6.3	5.5	14.3	15.6
Ultratech	Buy	3917	4368	12	85.7	77.3	105.2	-10.9	-9.8	36.1	50.7	37.2	3.9	3.1	7.9	9.5
<b>Aggregate</b>								<b>1.7</b>	<b>8.0</b>	<b>31.4</b>	<b>29.4</b>	<b>22.4</b>	<b>2.4</b>	<b>2.2</b>	<b>8.3</b>	<b>10.0</b>
<b>Consumer</b>																
Asian Paints	Neutral	1432	1500	5	21.1	23.9	28.4	1.9	13.3	18.5	59.8	50.5	15.1	14.3	26.2	29.1
Britannia	Buy	3070	3630	18	41.8	48.4	59.1	13.5	15.6	22.2	63.5	51.9	19.2	18.0	32.1	35.8
Colgate	Buy	1273	1540	21	25.2	27.9	32.1	18.6	10.8	15.1	45.6	39.7	21.5	21.4	48.4	54.1
Dabur	Neutral	425	455	7	7.8	8.4	9.6	7.2	8.5	13.7	50.4	44.4	11.4	10.3	24.2	24.4
Emami	Buy	392	520	33	12.1	12.6	14.3	-8.5	4.2	12.9	31.0	27.5	8.2	7.9	27.4	29.2
Future Consumer	Buy	45	56	25	-0.2	-0.1	0.8	Loss	Loss	LP	NM	59.7	7.6	6.7	-1.9	11.9
Godrej Cons.	Neutral	705	805	14	14.1	14.9	17.7	11.4	5.6	18.9	47.4	39.9	10.5	9.7	23.2	25.3
GSK Cons.	Neutral	7070	7785	10	166.5	206.1	223.9	6.6	23.8	8.6	34.3	31.6	8.3	7.4	24.5	24.7
HUL	Buy	1699	2125	25	24.5	28.8	34.3	24.7	17.5	19.1	59.0	49.6	49.8	50.5	86.1	101.2
ITC	Neutral	291	300	3	8.9	9.9	11.2	5.5	11.6	13.1	29.4	26.0	7.1	6.6	23.8	26.2
Jyothy Lab	Neutral	185	190	3	4.9	5.3	6.5	-12.4	8.7	22.2	34.6	28.3	5.5	5.2	16.5	18.9
Marico	Buy	339	470	38	6.4	7.5	8.9	2.0	16.9	18.7	45.3	38.2	15.0	13.7	35.4	37.5
Nestle	Neutral	10329	11800	14	140.0	178.6	197.3	13.2	27.5	10.5	57.8	52.4	27.1	26.7	48.5	51.4
Page Inds	Neutral	23615	25755	9	311.1	378.3	472.0	30.3	21.6	24.7	62.4	50.0	32.1	26.9	51.5	53.8
Parag Milk Foods	Buy	254	260	2	10.4	13.9	16.1	383.7	33.5	16.3	18.3	15.8	2.6	2.3	15.2	15.5



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Pidilite Ind.	Buy	1167	1280	10	18.9	18.2	22.4	13.2	-4.0	23.2	64.2	52.1	14.9	13.6	24.4	27.3
P&G Hygiene	Neutral	10294	9800	-5	113.9	134.4	167.0	-14.5	18.0	24.3	76.6	61.6	35.5	30.1	50.0	53.0
United Brew	Neutral	1384	1480	7	14.9	23.0	26.8	71.7	54.0	16.6	60.3	51.7	11.4	9.5	20.6	20.1
United Spirits	Buy	583	700	20	6.7	10.3	14.2	26.1	53.3	37.4	56.3	41.0	13.6	10.8	24.2	26.3
<b>Aggregate</b>								<b>10.7</b>	<b>14.7</b>	<b>16.9</b>	<b>46.7</b>	<b>40.0</b>	<b>13.7</b>	<b>12.7</b>	<b>29.3</b>	<b>31.7</b>
<b>Healthcare</b>																
Alembic Phar	Neutral	547	615	12	21.9	29.3	29.6	2.5	33.8	1.2	18.7	18.5	3.9	3.4	22.4	19.3
Alkem Lab	Buy	1750	2365	35	58.9	72.4	91.8	-21.1	22.9	26.8	24.2	19.1	3.8	3.3	16.6	18.4
Ajanta Pharma	Buy	1016	1390	37	53.0	43.7	51.9	-7.5	-17.5	18.7	23.2	19.6	3.8	3.2	17.5	17.9
Aurobindo	Buy	771	940	22	42.7	42.8	59.1	8.7	0.2	38.1	18.0	13.1	3.2	2.6	19.6	22.2
Biocon	Neutral	623	685	10	6.2	11.9	21.8	-39.2	91.4	83.5	52.4	28.6	6.4	5.6	13.0	20.9
Cadila	Buy	342	420	23	17.5	17.2	17.7	20.6	-2.0	3.3	19.9	19.3	3.5	3.1	18.8	17.1
Cipla	Neutral	532	520	-2	20.3	18.0	24.1	31.2	-11.6	34.2	29.6	22.0	2.8	2.5	9.4	11.3
Divis Lab	Neutral	1708	1570	-8	33.0	56.0	61.3	-17.3	69.5	9.4	30.5	27.9	6.4	5.4	22.9	21.1
Dr Reddy's	Neutral	2660	2540	-5	64.7	109.6	129.2	-10.9	69.4	17.9	24.3	20.6	3.2	2.8	13.7	14.4
Glenmark	Neutral	640	560	-12	28.5	28.2	34.7	-27.5	-0.9	22.8	22.7	18.5	3.0	2.6	13.2	14.1
Granules	Buy	114	140	23	5.6	8.9	10.4	-23.2	60.1	16.5	12.8	11.0	2.0	1.8	16.3	17.0
GSK Pharma	Neutral	1299	1330	2	19.7	24.0	29.1	14.4	22.1	21.4	54.1	44.6	10.4	9.7	19.2	21.7
IPCA Labs	Buy	886	970	9	19.0	35.3	42.5	18.1	86.1	20.3	25.1	20.9	3.6	3.1	15.4	16.1
Jubilant Life	Buy	872	1050	20	45.6	60.4	69.5	23.3	32.5	15.1	14.4	12.6	2.7	2.3	20.8	19.9
Lupin	Buy	785	1000	27	32.0	25.9	38.3	-43.5	-18.9	47.8	32.5	22.0	2.7	2.5	8.5	11.9
Sanofi India	Buy	5721	7000	22	141.7	165.5	197.3	9.8	16.7	19.2	34.6	29.0	5.9	5.4	17.2	18.5
Shilpa Medicare	Buy	367	480	31	12.8	15.2	23.4	-0.7	18.3	54.0	24.2	15.7	2.4	2.1	10.5	14.3
Strides Pharma	Buy	438	590	35	11.3	9.8	24.3	-65.1	-13.1	148.0	44.7	18.0	1.6	1.5	3.5	8.3
Sun Pharma	Buy	465	540	16	13.5	16.7	23.2	-48.5	24.2	38.8	27.8	20.0	2.8	2.5	10.3	13.1
Torrent Pharma	Neutral	1858	1660	-11	53.7	48.7	68.5	-2.6	-9.3	40.6	38.1	27.1	5.8	5.1	16.4	19.9
<b>Aggregate</b>								<b>-19.3</b>	<b>15.3</b>	<b>29.3</b>	<b>26.4</b>	<b>20.4</b>	<b>3.5</b>	<b>3.0</b>	<b>13.1</b>	<b>14.9</b>
<b>Infrastructure</b>																
Ashoka Buildcon	Buy	137	175	28	8.4	10.6	12.4	34.6	25.6	16.7	12.9	11.1	1.7	1.5	14.3	14.6
IRB Infra	Neutral	151	155	3	23.9	27.1	23.5	17.5	13.6	-13.4	5.6	6.4	0.8	0.7	14.8	11.5
KNR Constructions	Buy	256	260	2	19.4	14.4	14.4	61.8	-25.4	-0.4	17.7	17.8	2.7	2.3	16.2	14.0
Sadbhav Engineering	Buy	246	265	8	12.9	13.5	13.4	17.5	5.2	-1.1	18.2	18.4	2.0	1.9	11.8	10.5
<b>Aggregate</b>											<b>10.2</b>	<b>10.7</b>	<b>1.4</b>	<b>1.2</b>	<b>13.5</b>	<b>11.5</b>
<b>Logistics</b>																
Allcargo Logistics	Buy	120	142	18	7.3	8.7	10.1	-23.1	19.3	16.2	13.9	11.9	1.4	1.2	10.3	10.7
Concor	Buy	514	614	19	17.4	19.7	23.4	44.7	13.0	18.9	26.2	22.0	3.1	2.9	12.3	13.6
<b>Aggregate</b>								<b>28.4</b>	<b>13.9</b>	<b>18.5</b>	<b>24.0</b>	<b>20.3</b>	<b>2.8</b>	<b>2.6</b>	<b>11.5</b>	<b>12.6</b>
<b>Media</b>																
D B Corp	Buy	201	215	7	17.6	15.6	22.4	-13.8	-11.2	43.4	12.8	9.0	2.0	1.7	14.6	20.0
Ent.Network	Buy	531	720	36	6.8	11.0	19.0	-40.5	62.0	72.9	48.2	27.9	2.7	2.5	5.8	9.3
Jagran Prak.	Buy	112	140	26	9.6	8.7	13.3	-9.5	-9.7	53.4	12.8	8.4	1.7	1.5	13.1	19.3
Music Broadcast	Buy	63	76	22	1.8	2.3	3.0	41.1	25.5	30.6	27.5	21.0	2.9	2.5	10.4	12.7
PVR	Buy	1633	1850	13	26.7	34.5	35.9	30.4	29.2	3.9	47.3	45.6	6.2	4.9	14.0	12.2
Sun TV	Buy	618	720	17	27.7	38.0	42.0	11.6	37.1	10.5	16.2	14.7	4.8	4.3	30.8	30.9
Zee Ent.	Neutral	455	475	4	12.0	16.5	19.7	-23.2	37.3	18.8	27.5	23.1	5.0	4.2	19.4	19.7
<b>Aggregate</b>								<b>-5.3</b>	<b>19.2</b>	<b>19.3</b>	<b>20.9</b>	<b>17.5</b>	<b>3.6</b>	<b>3.1</b>	<b>17.3</b>	<b>18.0</b>
<b>Metals</b>																
Hindalco	Buy	199	302	52	18.9	26.6	29.0	120.5	40.8	8.9	7.5	6.9	1.1	0.9	15.0	14.3
Hind. Zinc	Neutral	275	273	-1	21.1	19.5	23.1	7.2	-7.7	18.5	14.1	11.9	3.4	2.9	23.5	26.5
JSPL	Buy	166	287	73	-8.5	2.3	3.8	Loss	LP	63.1	72.1	44.2	0.5	0.5	0.7	1.2
JSW Steel	Buy	288	322	12	23.4	30.6	20.7	56.9	30.7	-32.2	9.4	13.9	2.2	2.0	24.8	15.1
Nalco	Buy	55	69	27	5.1	8.9	5.1	37.0	75.1	-42.4	6.1	10.6	1.0	1.1	16.5	9.8
NMDC	Buy	115	111	-3	13.1	13.6	10.1	31.5	3.8	-26.0	8.4	11.4	1.4	1.3	17.0	11.9



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
SAIL	Neutral	52	52	1	0.3	6.3	6.1	LP	2,330	-3.1	8.2	8.5	0.5	0.5	6.8	6.2
Rain Industries	Buy	105	123	17	23.7	20.4	13.7	238.1	-14.0	-32.8	5.2	7.7	0.8	0.7	16.0	9.9
Vedanta	Sell	175	162	-8	20.4	13.8	21.5	34.6	-32.2	55.4	12.7	8.2	1.1	1.0	8.3	12.8
Tata Steel	Sell	516	370	-28	69.5	88.7	72.0	83.3	27.6	-18.9	5.8	7.2	0.9	1.1	17.3	14.1
<b>Aggregate</b>								<b>74.2</b>	<b>17.3</b>	<b>-3.0</b>	<b>9.5</b>	<b>9.8</b>	<b>1.2</b>	<b>1.2</b>	<b>12.8</b>	<b>12.0</b>
<b>Oil &amp; Gas</b>																
Aegis Logistics	Buy	204	277	36	5.9	6.6	9.7	64.5	11.1	47.3	31.0	21.1	5.0	4.2	17.0	21.7
BPCL	Buy	397	398	0	49.8	34.8	41.6	3.0	-30.0	19.5	11.4	9.5	1.9	1.7	17.8	19.2
GAIL	Neutral	359	346	-4	20.4	29.4	29.9	20.5	44.3	1.5	12.2	12.0	1.8	1.6	15.7	14.4
Gujarat Gas	Buy	150	165	10	4.2	5.9	6.4	32.7	40.3	7.7	25.2	23.4	4.8	4.1	20.4	19.0
Gujarat St. Pet.	Buy	181	209	16	11.9	15.2	14.8	34.6	28.3	-2.4	11.9	12.2	1.8	1.6	15.8	13.6
HPCL	Neutral	276	231	-16	47.4	36.6	42.5	-12.4	-22.7	16.0	7.6	6.5	1.5	1.3	20.6	21.2
IOC	Buy	157	183	17	23.9	13.8	16.3	11.0	-42.3	18.1	11.4	9.6	1.2	1.2	11.2	12.5
IGL	Buy	290	389	34	9.4	10.9	12.7	9.2	15.7	16.7	26.6	22.8	4.9	4.3	20.0	20.1
Mahanagar Gas	Buy	936	1300	39	48.4	57.1	59.8	21.5	18.1	4.7	16.4	15.6	3.8	3.4	25.0	22.9
MRPL	Buy	73	77	5	12.8	1.4	10.6	-13.6	-89.2	674.2	53.4	6.9	1.1	1.0	2.2	15.6
Oil India	Buy	179	239	34	23.6	29.3	30.7	-1.2	24.2	4.9	6.1	5.8	0.7	0.6	11.5	11.4
ONGC	Buy	156	182	17	20.2	26.9	30.3	-9.9	33.5	12.5	5.8	5.1	0.9	0.8	16.1	16.4
PLNG	Buy	236	311	32	13.9	15.0	17.4	21.8	8.6	15.4	15.7	13.6	3.3	3.0	22.1	23.3
Reliance Ind.	Buy	1323	1426	8	60.9	65.0	74.0	20.7	6.6	13.9	20.4	17.9	2.4	2.1	12.4	12.6
<b>Aggregate</b>								<b>5.5</b>	<b>-1.5</b>	<b>14.7</b>	<b>12.8</b>	<b>11.1</b>	<b>1.7</b>	<b>1.5</b>	<b>13.3</b>	<b>13.9</b>
<b>Retail</b>																
Jubilant Food	Neutral	1343	1300	-3	14.9	24.8	28.1	180.4	67.1	13.1	54.0	47.8	15.1	12.8	27.9	26.7
Titan Co.	Buy	1095	1180	8	12.6	16.4	20.8	39.9	29.5	27.1	67.0	52.7	19.0	16.4	28.5	33.4
<b>Aggregate</b>								<b>51.1</b>	<b>35.1</b>	<b>24.5</b>	<b>64.0</b>	<b>51.4</b>	<b>18.1</b>	<b>15.5</b>	<b>28.3</b>	<b>30.2</b>
<b>Technology</b>																
Cyient	Neutral	669	720	8	38.2	39.4	48.8	24.8	3.0	23.8	17.0	13.7	2.9	2.6	17.0	18.9
HCL Tech.	Neutral	1028	1105	7	62.6	74.3	83.0	4.5	18.8	11.7	13.8	12.4	3.3	3.0	25.9	25.4
Hexaware	Neutral	341	365	7	16.6	19.3	21.5	21.2	16.5	11.3	17.7	15.9	4.3	3.8	26.5	25.5
Infosys	Buy	719	865	20	32.4	36.4	39.2	3.1	12.4	7.7	19.8	18.4	5.0	5.0	25.6	27.4
L & T Infotech	Neutral	1628	1950	20	66.3	90.9	94.4	19.6	37.0	3.9	17.9	17.2	5.6	4.5	35.6	29.0
Mindtree	Buy	946	1000	6	34.4	47.3	53.0	38.0	37.7	11.9	20.0	17.9	4.9	4.2	25.5	25.1
Mphasis	Neutral	985	1050	7	44.0	58.4	62.7	13.2	32.6	7.4	16.9	15.7	5.4	4.5	24.3	31.6
NIIT Tech	Neutral	1336	1400	5	45.6	69.5	82.2	19.8	52.6	18.1	19.2	16.3	4.2	3.6	23.1	24.1
Persistent Sys	Buy	666	800	20	40.4	46.8	55.8	7.2	16.0	19.1	14.2	11.9	2.2	2.1	16.7	17.8
Tata Elxsi	Buy	979	1050	7	38.7	45.6	50.4	37.7	17.8	10.5	21.5	19.4	6.6	4.4	34.1	27.2
TCS	Neutral	2040	2000	-2	66.0	82.8	90.5	-1.0	25.4	9.3	24.6	22.5	9.1	8.6	36.6	39.3
Tech Mah	Buy	800	940	18	42.7	49.1	55.0	33.6	15.0	11.9	16.3	14.5	3.5	3.3	22.8	23.8
Wipro	Neutral	263	282	7	13.4	15.2	17.7	7.7	13.2	16.4	17.3	14.9	2.7	2.6	17.7	17.9
Zensar Tech	Buy	230	260	13	10.6	14.0	15.5	1.3	32.8	10.6	16.4	14.8	2.7	2.4	17.9	17.2
<b>Aggregate</b>								<b>5.2</b>	<b>14.8</b>	<b>8.6</b>	<b>20.5</b>	<b>18.9</b>	<b>5.5</b>	<b>5.2</b>	<b>26.7</b>	<b>27.4</b>
<b>Telecom</b>																
Bharti Airtel	Buy	337	380	13	3.5	-7.6	-5.6	-68.6	PL	Loss	NM	NM	2.3	2.4	-4.7	-3.9
Bharti Infratel	Neutral	314	290	-8	13.6	14.0	13.4	-8.1	2.5	-4.4	22.4	23.5	3.5	3.7	15.5	15.3
Vodafone Idea	Buy	34	40	18	-9.6	-18.6	-18.8	Loss	Loss	Loss	NM	NM	0.5	0.7	-37.0	-31.5
Tata Comm	Buy	609	630	4	1.2	1.3	11.2	-89.0	15.9	732.3	452.2	54.3	25.2	17.2	6.5	37.6
<b>Aggregate</b>								<b>PL</b>	<b>Loss</b>	<b>Loss</b>	<b>-15</b>	<b>-15.3</b>	<b>1.8</b>	<b>2.1</b>	<b>-12.1</b>	<b>-13.5</b>
<b>Utilities</b>																
Coal India	Buy	245	281	15	19.2	27.4	29.0	26.3	43.0	6.0	8.9	8.4	7.4	6.8	82.5	80.4
CESC	Buy	721	800	11	62.1	75.4	80.0	54.6	21.5	6.0	9.6	9.0	1.1	1.0	11.4	11.2
JSW Energy	Neutral	67	73	8	3.0	3.8	4.6	-21.2	24.5	21.8	17.9	14.7	1.0	0.9	5.5	6.5
NHPC	Buy	25	31	23	2.4	2.2	2.6	-17.3	-9.9	20.4	11.4	9.5	0.8	0.8	7.4	8.7
NTPC	Buy	158	197	25	10.7	13.3	16.6	-10.9	25.1	24.2	11.8	9.5	1.2	1.1	10.3	12.0
Power Grid	Buy	192	232	21	16.5	18.3	20.8	16.1	10.4	13.9	10.5	9.3	1.7	1.5	16.7	17.1
Tata Power	Neutral	74	69	-6	5.3	2.5	6.6	3.5	-52.8	163.4	29.2	11.1	1.2	1.1	4.3	10.3



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
<b>Aggregate</b>								<b>7.2</b>	<b>24.4</b>	<b>13.7</b>	<b>10.2</b>	<b>9.0</b>	<b>1.7</b>	<b>1.6</b>	<b>17.1</b>	<b>18.1</b>
<b>Others</b>																
Avenue Supermarts	Sell	1478	1400	-5	12.9	15.5	21.4	68.4	19.7	38.6	95.6	69.0	16.4	13.2	18.7	21.2
Brigade Enterpr.	Buy	228	283	24	10.8	16.7	16.5	-4.0	54.2	-0.9	13.7	13.8	1.3	1.2	9.5	8.8
BSE	Buy	616	750	22	43.5	34.7	40.1	6.0	-20.2	15.6	17.8	15.4	0.9	0.9	4.9	5.6
Castrol India	Buy	164	215	31	7.0	7.2	7.2	2.9	2.4	1.0	22.9	22.7	13.9	12.6	64.8	58.5
Coromandel Intl	Buy	480	571	19	22.7	23.9	28.5	38.8	5.4	19.0	20.1	16.9	3.9	3.4	20.9	21.6
Delta Corp	Buy	246	312	27	5.8	7.0	9.0	89.4	21.2	29.0	35.1	27.2	3.8	3.3	11.0	12.9
Indian Hotels	Buy	149	189	27	0.7	2.4	3.1	LP	270.2	26.8	60.9	48.0	4.0	3.7	6.8	8.0
Interglobe	Neutral	1297	1041	-20	58.3	-5.7	54.5	35.1	PL	LP	NM	23.8	7.3	6.9	-3.2	29.8
Info Edge	Neutral	1870	1670	-11	14.9	24.4	30.9	-3.3	64.0	26.7	76.6	60.5	9.9	8.8	14.3	15.5
Kaveri Seed	Buy	439	582	33	32.0	32.9	36.9	67.8	2.7	12.2	13.3	11.9	2.6	2.4	20.6	21.2
MCX	Buy	785	900	15	21.2	23.1	30.1	-14.6	8.9	30.2	34.0	26.1	3.3	3.1	9.0	12.1
Navneet Education	Buy	109	159	46	5.5	8.3	9.8	-25.4	53.0	17.7	13.0	11.1	3.2	2.8	24.8	26.7
Oberoi Realty	Buy	487	560	15	12.6	22.2	34.5	21.2	75.9	55.6	21.9	14.1	2.2	2.0	11.5	14.8
Phoenix Mills	Buy	677	708	5	15.8	16.9	21.8	44.2	6.5	29.3	40.2	31.1	3.0	2.8	8.2	9.4
Qess Corp	Neutral	794	730	-8	21.8	17.8	32.0	115.7	-18.4	79.8	44.6	24.8	3.3	2.8	10.0	15.8
PI Inds.	Buy	1010	1023	1	26.7	28.5	35.4	-20.2	6.8	24.4	35.5	28.5	6.3	5.4	19.0	20.4
Piramal Enterpr.	Buy	2643	2775	5	77.8	78.0	126.1	7.2	0.2	61.7	33.9	21.0	1.9	1.8	5.8	8.9
SRF	Buy	2412	2636	9	77.9	106.6	134.4	-11.5	36.8	26.0	22.6	17.9	3.5	3.0	16.4	18.0
S H Kelkar	Buy	151	207	38	7.1	6.4	7.6	-2.2	-10.3	19.5	23.7	19.8	2.4	2.2	10.3	11.4
Tata Chemicals	Buy	584	771	32	48.2	41.2	47.3	39.7	-14.5	14.7	14.2	12.4	1.3	1.2	9.2	9.8
Team Lease Serv.	Buy	2787	3400	22	43.0	61.0	89.9	28.0	41.8	47.3	45.7	31.0	8.5	6.7	20.6	24.2
Trident	Buy	68	94	38	5.3	8.5	9.7	-21.8	60.9	13.7	8.0	7.1	1.1	1.0	13.8	14.4
UPL	Buy	922	1035	12	43.8	45.2	47.8	4.8	3.3	5.7	20.4	19.3	4.3	3.6	23.1	20.6



Company	1 Day (%)	1M (%)	12M (%)
<b>Automobiles</b>			
Amara Raja	-0.2	0.9	-6.0
Ashok Ley.	0.1	17.2	-37.7
Bajaj Auto	0.4	7.2	2.5
Bharat Forge	0.8	14.1	-27.9
Bosch	-0.8	1.8	2.3
CEAT	1.2	9.3	-27.4
Eicher Mot.	0.0	12.0	-21.0
Endurance Tech.	-0.1	-7.6	-8.0
Escorts	-0.2	25.3	-5.6
Exide Ind	0.0	11.1	5.5
Hero Moto	-0.6	1.4	-24.8
M&M	1.1	10.4	-5.7
Maruti Suzuki	0.1	2.4	-19.7
Motherson Sumi	1.2	26.5	-21.1
Tata Motors	0.3	11.9	-49.0
TVS Motor	0.2	2.8	-23.4
<b>Banks - Private</b>			
AU Small Fin. Bank	3.9	6.0	2.3
Axis Bank	-0.6	7.2	39.1
DCB Bank	0.6	16.7	22.5
Equitas Hold.	-0.5	18.2	-7.2
Federal Bank	1.3	13.8	-2.6
HDFC Bank	1.3	7.2	19.8
ICICI Bank	2.0	15.7	31.3
IndusInd	1.1	12.6	-2.4
Kotak Mah. Bk	4.3	3.2	21.9
RBL Bank	1.6	18.1	35.9
South Indian	2.8	20.2	-39.1
Yes Bank	-1.9	12.0	-21.6
<b>Banks - PSU</b>			
BOB	1.2	16.8	-17.9
BOI	0.6	16.0	-10.2
Canara	1.0	23.0	0.2
Indian Bk	-0.3	25.4	-12.5
PNB	1.8	22.8	-12.8
SBI	2.2	13.2	17.2
Union Bk	0.2	20.9	-18.1
<b>NBFCs</b>			
Aditya Birla Cap	3.2	23.8	-34.2
Bajaj Fin.	1.8	11.8	65.7
Cholaman.Inv.&Fn	1.9	16.9	-6.2
HDFC	1.0	5.4	8.0
HDFC Life Insur.	0.9	3.3	-17.4
Indiabulls Hsg	-0.3	9.6	-43.4
L&T Fin.Holdings	2.3	16.7	-9.5
LIC Hsg Fin	-0.4	15.8	-2.5
M&M Fin.	1.9	14.8	-0.2
Muthoot Fin	0.4	15.4	50.5
MAS Financial Serv.	5.6	8.4	-1.4
ICICI Pru Life	1.1	12.4	-11.1
PNB Housing	-1.5	-2.2	-21.3
Repco Home	0.2	33.9	-21.1
Shriram City Union	0.8	15.2	-15.6
Shriram Trans.	1.7	26.3	-13.1
<b>Capital Goods</b>			
ABB	-0.3	4.7	-5.1
Bharat Elec.	1.8	25.8	-37.5

Company	1 Day (%)	1M (%)	12M (%)
BHEL	0.5	11.1	-22.1
Blue Star	-1.4	14.4	-16.9
CG Cons. Elec.	0.4	12.9	2.4
Cummins	-0.1	8.1	-5.7
Engineers India	-0.3	5.0	-31.4
GE T&D	-1.6	3.1	-24.2
Havells	-0.2	8.3	43.3
K E C Intl	1.2	22.1	-23.8
L&T	1.3	12.4	7.9
Siemens	-0.3	7.6	-8.8
Solar Ind	0.0	7.8	3.2
Thermax	-1.4	1.7	-13.7
Va Tech Wab.	-1.1	12.3	-36.3
Voltas	-0.5	14.8	-6.4
<b>Cement</b>			
Ambuja Cem.	0.3	10.0	-6.9
ACC	-0.5	13.3	-4.4
Birla Corp.	0.1	18.9	-32.7
Grasim Inds.	-0.4	17.4	-25.2
India Cem	-3.9	16.2	-35.2
J K Cements	-0.1	15.7	-20.2
JK Lakshmi Ce	0.5	14.3	-19.8
Ramco Cem	-1.7	15.6	-5.7
Orient Cem	-0.9	28.0	-40.0
Prism Johnson	-5.9	30.5	-21.4
Sanghi Inds.	1.1	15.0	-51.2
Shree Cem	-0.6	12.5	4.6
Ultratech	-1.2	13.8	-6.1
<b>Consumer</b>			
Asian Paints	-0.1	2.7	23.4
Britannia	-2.5	7.3	26.5
Colgate	-0.6	3.2	22.0
Dabur	-3.1	-2.2	30.9
Emami	-1.7	8.7	-25.1
Future Consumer	-2.7	5.3	-24.8
Godrej Cons.	-1.5	6.3	-1.3
GSK Cons.	-1.6	-4.8	8.3
HUL	-2.2	-4.2	30.9
ITC	-1.5	4.1	9.6
Jyothy Lab	-1.3	4.4	3.2
Marico	-2.0	0.1	12.7
Nestle	-3.8	-2.4	33.8
Page Inds	-0.3	7.4	11.5
Parag Milk	-0.5	25.6	-8.7
Pidilite Ind.	-0.3	6.7	28.2
P&G Hygiene	0.1	2.8	8.2
United Brew	0.4	3.3	35.0
United Spirits	-0.6	14.7	-8.7
<b>Healthcare</b>			
Alembic Phar	-0.3	1.5	1.0
Alkem Lab	1.9	-3.0	-20.1
Ajanta Pharma	-1.2	4.3	-26.3
Aurobindo	-0.9	6.7	34.6
Biocon	0.7	1.2	3.9
Cadila	3.6	8.9	-11.2
Cipla	-0.3	-1.6	-6.9
Divis Lab	0.8	5.6	57.3
Dr Reddy's	0.2	4.0	21.8



Company	1 Day (%)	1M (%)	12M (%)
Glenmark	1.5	12.3	16.2
Granules	1.2	31.9	1.3
GSK Pharma	-0.9	-5.4	13.4
IPCA Labs	-1.3	14.3	32.1
Jubilant Life	1.5	19.5	2.4
Lupin	2.4	1.2	1.1
Sanofi India	-0.1	-8.0	11.8
Shilpa Medicare	0.2	5.2	-20.6
Strides Pharma	-2.5	8.8	-36.5
Sun Pharma	-0.5	9.7	-10.1
Torrent Pharma	1.2	4.6	45.2
<b>Infrastructure</b>			
Ashoka Buildcon	-1.3	21.9	-10.2
IRB Infra.Devl.	-0.6	24.8	-30.8
KNR Construct.	-0.6	23.5	-13.3
Sadbhav Engg.	-4.1	50.7	-35.3
<b>Logistics</b>			
Allcargo Logistics	-0.9	16.8	-25.8
Concor	1.4	5.0	3.6
<b>Media</b>			
D B Corp	-0.8	11.8	-39.0
Ent.Network	0.2	1.0	-25.8
Jagran Prak.	-1.2	19.5	-31.7
Music Broadcast	1.7	13.4	-16.0
PVR	0.0	9.6	24.4
Sun TV	0.7	12.8	-32.8
Zee Ent.	0.9	5.8	-20.3
<b>Metals</b>			
Hindalco	-1.1	6.7	-11.5
Hind. Zinc	0.2	10.9	-13.7
JSPL	0.5	19.8	-28.1
JSW Steel	0.5	7.9	-2.4
Nalco	3.6	11.9	-17.2
NMDC	0.1	24.8	-8.0
Rain Industries	-4.6	15.6	-73.0
SAIL	-2.2	14.9	-31.5
Vedanta	0.9	18.9	-44.6
Tata Steel	-0.4	10.3	-15.7
<b>Oil &amp; Gas</b>			
Aegis Logistics	-0.5	15.6	-17.1
BPCL	1.6	21.2	-14.3
GAIL	1.2	12.8	6.2
Gujarat Gas	-3.4	25.5	-11.5
Gujarat St. Pet.	0.4	13.2	-5.0
HPCL	3.4	27.5	-25.6
IOC	3.5	24.9	-18.4
IGL	-0.4	2.9	-2.8
Mahanagar Gas	0.8	8.6	-9.4
MRPL	0.0	15.5	-37.7
Oil India	0.1	3.9	-20.5
ONGC	2.8	15.2	-14.2
PLNG	-0.5	10.1	-0.3
Reliance Ind.	-1.4	6.4	45.0
<b>Retail</b>			
Jubilant Food	0.9	3.3	25.2
Titan Co.	1.0	5.4	25.6

Company	1 Day (%)	1M (%)	12M (%)
<b>Technology</b>			
Cyient	-0.8	12.0	6.3
HCL Tech.	2.1	-2.8	7.4
Hexaware	1.3	-5.0	-10.4
Infosys	1.5	-3.1	21.6
L&T Infotech	-1.4	-8.0	22.1
Mindtree	-0.5	5.8	12.2
Mphasis	2.8	-6.5	11.8
NIIT Tech	1.2	5.6	35.2
Persistent Sys	-1.5	2.5	-20.9
Tata Elxsi	3.1	13.8	-5.8
TCS	2.6	0.5	42.2
Tech Mah	1.4	-0.1	26.5
Wipro	2.3	-6.7	19.4
Zensar Tech	6.5	8.2	24.2
<b>Telecom</b>			
Bharti Airtel	-1.7	10.7	-19.9
Bharti Infratel	-0.1	2.2	-7.2
Idea Cellular	0.3	12.6	-57.7
Tata Comm	0.1	22.7	-4.6
<b>Utilities</b>			
Coal India	0.5	11.7	-17.2
CESC	-0.7	6.3	-3.8
JSW Energy	0.2	3.7	-14.5
NHPC Ltd	1.4	5.7	-6.2
NTPC	2.5	15.7	-7.2
Power Grid	2.6	6.0	-1.2
Tata Power	1.0	6.5	-8.0
<b>Others</b>			
Avenue Super.	0.7	0.7	8.9
Brigade Enterpr.	-0.7	16.7	-17.0
BSE	-0.2	9.7	-21.2
Castrol India	-1.5	11.3	-20.1
Coromandel Intl	-0.1	7.9	-9.1
Delta Corp	-1.8	10.8	-20.5
Indian Hotels	-0.8	8.9	11.7
Interglobe	-0.2	13.0	2.6
Info Edge	-1.3	10.6	48.2
Kaveri Seed	0.2	-8.8	-11.2
MCX	0.6	17.6	-4.8
Navneet Educat.	-1.3	4.6	-21.3
Oberoi Realty	1.5	4.3	-10.2
Phoenix Mills	2.8	13.1	9.0
PI Inds.	-0.1	13.2	17.5
Piramal Enterp.	-0.4	22.3	7.8
Qess Corp	1.8	23.3	-21.9
SRF	2.4	9.7	28.4
S H Kelkar	0.0	-2.8	-43.6
Tata Chemicals	1.3	5.4	-14.4
Team Lease Serv.	-3.1	-2.8	34.0
Trident	-3.5	11.7	-0.9
UPL	2.0	12.9	27.7



# THEMATIC/STRATEGY RESEARCH GALLERY

**MOTILAL OSWAL** Thematic | April 2018  
**Economy**

Private investment Fiscal spending Private consumption

**Fiscal policy has reached limits**

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**MOTILAL OSWAL** Thematic | 30 January 2018  
**Economy**

Consumption Income GDP

**Employment: Broken Link Or...?**

Employment

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**MOTILAL OSWAL** Thematic Research | April 2017  
**Economy**

**Is fiscal policy reaching limits?**

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**MOTILAL OSWAL** Thematic | August 2018  
**Oil & Gas**

**IMO 2020: Busting the myth!**

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**MOTILAL OSWAL** Thematic | June 2018  
**Utilities**

2021-22 Balanced Market

2009 Peak of Deficit

2014 Peak of over supply

2013 Balanced Market

**Power oversupply has started shrinking**

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**MOTILAL OSWAL** Thematic | 20 March 2018  
**Automobiles**

**Batteries: Huge opportunities, but challenges too**

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**MOTILAL OSWAL** January 2019  
**India Strategy**

**New Year, New Forces**

Research Team (Gautam.Duggad@MotilalOswal.com)

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**MOTILAL OSWAL** October 2018  
**India Strategy**

Oil price shocks

Nifty-50

Nifty Smallcap-100

Nifty Midcap-100

**Correction everywhere**

Research Team (Gautam.Duggad@MotilalOswal.com)

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**MOTILAL OSWAL** June 2018  
**India Strategy**

**'Recovery' ball starts rolling**

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# REPORT GALLERY

## RECENT INITIATING COVERAGE REPORTS

**MOTILAL OSWAL** Initiating Coverage | 24 December 2018  
Sector: Real Estate  
**Brigade Enterprises**



**Tactical Shift**

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**MOTILAL OSWAL** Initiating Coverage | 21 November 2018  
Sector: Hospitality  
**Indian Hotels**



**Check-in now**

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**MOTILAL OSWAL** Initiating Coverage | 21 June 2018  
Sector: Financials  
**ICICI Prudential Life Insurance**




**Moving up the profitability curve**

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**MOTILAL OSWAL** Initiating Coverage | 18 April 2018  
Sector: Real Estate  
**Phoenix Mills**



**The Specialist**

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**MOTILAL OSWAL** Initiating Coverage | 2 April 2018  
Sector: Chemicals  
**Tata Chemicals**




**Flight of rebirth**

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**MOTILAL OSWAL** Initiating Coverage | 22 March 2018  
Sector: Consumer  
**Future Consumer**



**Company of the "Future"**

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**MOTILAL OSWAL** Initiating Coverage | 7 March 2017  
Sector: Logistics  
**Aegis Logistics**



**The Giant Kelp**

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**MOTILAL OSWAL** Initiating Coverage | 23 February 2018  
Sector: Agrochemicals  
**UPL**



**Reaping growth**

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**MOTILAL OSWAL** Initiating Coverage | 30 January 2018  
Sector: Healthcare  
**Laurus Labs**



**Angling for growth**

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# DIFFERENTIATED PRODUCT GALLERY

## MOTILAL OSWAL

26 November 2018

### Annual Report Threadbare

#### ARVIND FY18

Arvind Limited's (ARVIND) FY18 annual report indicated a weak operating performance with EBITDA remaining muted at INR 200.27 crore. ARVIND's EBITDA margin declined by 13.4% to 10%, primarily on account of declining margins in the fast-fashion business (15% vs 16% in FY17) and rising revenue share of lower margin branded apparel business (16% vs 13% in FY17). Increasing capex over the years has led to rising capital intensity while earnings growth has remained muted, leading to ROCE declining to 7.7% (FY18: 12.7%). Our segmental analysis reveals asset turns for 'branded apparel' improved for 1.2x (FY18: 1.2x) and declined to 1x (FY18: 1.2x) for branded apparel. Cash flow generation remained weak with earnings to cash flow conversion declining to 58% (FY17: 70%) due to rise in balance with government authorities for input tax credit. Free cash flow has been negative for the last few years with the cumulative free cash flow at INR -1063.38. Borrowing rose to INR 40.30 crores with 0% at risk, although finance cost has been declining and stood at 4% (FY18: 12%).

Revenue grew 27% to INR 200.27 crore (FY17: INR 157.26 crore) led by a high growth of 21% in branded apparel. A change in ownership structure led to INR 20.76 crore being consolidated as subsidiaries. After adjusting for this, the revenue growth stood at 11% to INR 179.51 crore. However, EBITDA margin continued to decline to 10% from 15% in FY17, primarily due to a rise in the share of lower margin branded apparel (16% vs 13% in FY17) and softening margins in fast-fashion over the last two years (margins at 15% vs 16% in FY17).

- Revenue grew 27% to INR 200.27 crore (FY17: INR 157.26 crore) led by a high growth of 21% in branded apparel. A change in ownership structure led to INR 20.76 crore being consolidated as subsidiaries. After adjusting for this, the revenue growth stood at 11% to INR 179.51 crore. However, EBITDA margin continued to decline to 10% from 15% in FY17, primarily due to a rise in the share of lower margin branded apparel (16% vs 13% in FY17) and softening margins in fast-fashion over the last two years (margins at 15% vs 16% in FY17).
- Rising capital intensity pulls down return ratios: Increasing capex over the past few years has led to rising capital intensity, resulting in a decline in return ratios. While capital employed has been increasing (CAGR of 7% over FY14-18 to INR 74.56 crore), earnings have remained muted (CAGR of INR 19.28 vs INR 36.30 in FY18), thereby pulling down the return ratios (ROCE down from 15% in FY14 to 8% in FY18). Also, declining profitability (ROE margin at 3% vs 6% in FY18) has led to a decline in ROE to 3% (FY18: 15%).
- Earnings to cash flow generation remains weak: Rising investment in working capital has led to earnings to cash flow conversion remaining subdued and declining to 58% (FY17: 70%). Operating cash flow declined 22% to INR 116.30 due to a significant rise in balance deposited with authorities for input tax credit. This was despite the improvement in cash conversion cycle from 105 days to 85 days.
- FCF remains negative, debt rises further: High capex over the past few years has led to free cash flow (FCF) remaining negative and a rise in borrowings. In FY18, capex stood at INR 40.30 (FY17: INR 36.30), while FCF deteriorated further to INR 27.76 (FY17: INR 74) and cumulative FCF over the last five years stood at INR 113.38. This led to debt increasing by INR 39.30 to INR 152.26 with D/E standing at 0.2. Finance cost however has been declining and stood at 4% (FY18: 12%).

**The ART of annual report analysis**

- Adjusted for change in ownership structure, revenue grew at 11% vs INR 179.51 vs reported 27% to INR 200.27.
- Continued rise in working capital intensity keeps cash conversion low at 58% (FY17: 70%).
- High capex over the years has led to free cash flow negative and pulled down ROCE to 8% (FY18: 15%).

**Stock Info**

Reporting	ARVIND IN
Chair (Mn)	208
Equity (Mn)	208
M.Cap (INR)(USD)	82 / 1.2
52 Week Range (IN)	476 / 289
1 Yr. Hi/Low (IN)	41-56-30
2018 Avg Yr (IN)	376
Free Res (IN)	17.8

**Shareholding pattern (%)**

	Step 18	Jun-18	Sept-17
Promoters	43.0	42.8	42.8
QFI	18.7	18.6	18.4
FI	21.8	21.8	19.8
Others	18.7	18.6	18.6



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## MOTILAL OSWAL

## VOICES



### VOICES India Inc on Call

VOICES, a quarterly product from Motilal Oswal Research, provides a ready reference for all the post results earnings 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 files of the respective conference calls.

This quarterly report contains:

- Key takeaways from the post results management commentary for 132 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

### The Corner Office

Interactions with the CEO



Mr. Sander Genesal  
MD

**Structural growth opportunity remains high.** But, channel issues could lead to moderate near-term volumes

We met Mr. Sander Genesal (MD), Mr. Vaidh Tybur (COO) and Mr. Chandanbhar (COO) of Page Industries (PAGI), Key takeaways:

**Structural opportunity remains extremely strong.**

- Industry data suggests that 1.30m adults in India can afford jockey products (DEC A+, SEC A and part B). Considering the company's current volume and assuming five pieces per person annually, then of 1.30m people currently only 20% men and 4% women are wearing jockey products. The target market of 1.30m adults and the company's volume are growing in tandem (double-digit). Therefore, despite the pace of growth, the market remains as attractive as before. Page is adding distributors, Exclusive Brand Outlets (EBOs) and improving on design, thus sustaining competitive advantages.
- Management expects margins to be consistent around 21% as plans are set to reinvest operating leverage benefits through lower pricing, which would further boost growth prospects.

**What has changed for the better recently?**

- Initial reaction to this year was good. Extending the date point of huge structural opportunity further, we see a high potential of converting 1.30m children of the 1.30m adults into customers, especially through EBOs which facilitate cross-selling. EBOs should double to 1,000 in two years and sales are expected to increase from the current 10% to over 20%.
- The company is consulting a business transformation project with Deloitte encompassing design to operations, and marketing and sales. Working Capital has already reduced sharply and is likely to decline further. Auto replenishment is likely to be introduced shortly, and reduction is expected on all components of working capital.
- Last year, online sales grew 140%. However, it has grown faster this year despite no discounting and is already 13% of sales. Page is among the top-3 apparel brands in the country with 70% share in the innerwear segment.

**What about near-term risks?**

- Volumes should completely get back on track in a couple of quarters. Partial recovery is expected from Q3 onwards.
- Our channel checks indicate that post Q3, apparel retailers who had 'bearish' (understocked) businesses are now under stocks. Many retailers in apparel had 4-6 weeks reporting and paying taxes on only 1-2 entities. Most retailers are from the urban or semi-urban areas (where inventory levels are higher) and are facing questions from authorities on their 5x-6x increase in revenues. The situation is now stabilizing, but has been slow over the past year. Some loss emerged due to a temporary supply chain glitch in March/April, but there were no quality issues due to a sharp increase in outsourcing.

**Circle of issues where Mr. Genesal was non-committal**

- Dividend: Stated dividend payout policy is 50%. With massive cash flows due to growth, outsourcing (lower incremental investment in capex) and working capital improvement, it was imperative that payout was increased. It is notable that the company gave INR 110 special dividend along with HFY18 results, and if the

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## MOTILAL OSWAL

### EcoKnowledge

Dividing Into Trending Themes

**How sustainable is the leverage of Indian households?**

Household debt market is only 20-30% of its potential size

Between FY12 and FY18, non-food credit (NFC) of scheduled commercial banks (SCBs) grew at a CAGR of 11.5%, while personal/retail loans grew at a CAGR of 14.2%. In the subsequent three years (up to FY21), while NFC growth eased to 8.6%, personal loans grew faster at 17.8%. Consequently, the latter has become the key driving force of bank loans, and thus, almost all banks are now pushing personal loans. Personal loans now account for 75% of NFC, as against 18% in FY12. This trend has obviously raised doubts over the sustainability of such a high growth in personal loans, and, hence, reliance of banks on them.

In the first two parts of our BI-part series, we discussed in detail the balance sheet of Indian households and how it compares with its foreign counterparts. We explained in Part I that personal loans are only a part of the total household debt in India, which has risen to an all-time high of 48.3% of its income in FY18. In Part II, we confirmed that notwithstanding the recent growth, India's household debt is still much lower compared to its counterparts in other developing economies. In this final Part-III, we present two arguments debating the ongoing rise in household/personal debt that could continue for many more years to come.

One, for the first time in the past two decades, the growth in household debt (and personal loans also) is driven by credit-creating (number of accounts), rather than 'credit deepening' (loan amount). Such trends are beneficial to all - the lenders, the borrowers and the economy - and make the growth sustainable.

Two, an estimate of the potential size of the household debt in the country and the potential base of creditworthy borrowers confirm that the current market and the loan base also is only 20-30% of its potential size. It implies that there is a large room for the lenders (banks or other lending institutions) to grow its personal/household debt for at least a few years, which would also continue to support economic growth.

In this final and Part-III of our series on Indian households, we discuss in detail the sustainability of household debt in India, which has been a key driver for banking loans in the economy. As we explained in Part I of our series, personal loans are only a portion of the total household loans in the banking system. Roughly, personal loans represent about half of the household loans. Since FY16, while total loans have grown at a CAGR of 3%, household loans have increased at a CAGR of ~15% (Exhibit 2).

Since FY16, while total loans have grown at a CAGR of 3%, household loans have increased at a CAGR of ~15%.



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**BULLS & BEARS**  
INDIA VALUATION'S HANDBOOK

Highlights of November edition

- Nifty bounces back in Nov'18 to close at 10,877, delivering a return of 4.7% MoM
- Top performers are Private Financials, Cement, and Capital Goods
- Mid-caps underperform large-caps
- FII's buying after three months of consecutive selling

**FUND FOLIO**  
Indian Mutual Fund Tracker

SIP contribution up by ~29% in last one year and 2x in last two years

SIP contribution (INR k)

Equity AUM rises for fifth consecutive year (+9.5% in CY18) INRR: 4t

INR1,288b Net inflows in equities down by 15% in CY18

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December 2018

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<b>Investment Rating</b>	<b>Expected return (over 12-month)</b>
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\* In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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