

Market snapshot



Today's top research idea

Reliance Inds: Better throughput offsets poor GRMs

- ❖ In line with decline in benchmark refining margins, RIL reported a GRM of USD8.1/bbl vs USD10.5/bbl previous year. However, lower production of PX & MEG, both of which recorded sharp decline in margins QoQ, resulted in higher profitability of the petrochem segment.
- ❖ We expect benchmark refining and petrochem margins to remain under pressure in 2019. The company continues to invest heavily in Telecom with INR85b of capex in the quarter. Retail continues to do well with sharp rise YoY to INR20b of EBITDA. Valuing core segments of refining and petrochem at 7.5x FY21 EBITDA and adding the valuation of telecom and retail segments, we arrive at Target price of INR1400. Reiterate Neutral.

Motilal Oswal values your support in the Asiamoney Brokers Poll 2019 for India Research, Sales and Trading team. We request your ballot.



Equities - India	Close	Chg .%	CYTD.%
Sensex	38,337	-1.4	6.3
Nifty-50	11,419	-1.5	5.1
Nifty-M 100	16,430	-2.1	-8.1
Equities-Global	Close	Chg .%	CYTD.%
S&P 500	2,977	-0.6	18.7
Nasdaq	8,146	-0.7	22.8
FTSE 100	7,509	0.2	11.6
DAX	12,260	0.3	16.1
Hang Seng	10,909	1.2	7.7
Nikkei 225	21,467	2.0	7.3
Commodities	Close	Chg .%	CYTD.%
Brent (US\$/Bbl)	62	0.4	17.2
Gold (\$/OZ)	1,425	-1.4	11.1
Cu (US\$/MT)	6,055	1.4	1.8
Almn (US\$/MT)	1,824	-0.7	-2.1
Currency	Close	Chg .%	CYTD.%
USD/INR	68.8	-0.2	-1.4
USD/EUR	1.1	-0.5	-2.1
USD/JPY	107.7	0.4	-1.8
YIELD (%)	Close	1MChg	CYTDchg
10 Yrs G-Sec	6.4	-0.02	-1.0
10 Yrs AAA Corp	7.6	-0.02	-0.9
Flows (USD b)	19-Jul	MTD	CYTD
FII	-0.14	-0.97	10.50
DII	0.11	0.96	-0.27
Volumes (INRb)	19-Jul	MTD*	CYTD*
Cash	407	342	358
F&O	11,259	11,723	11,161

Note: *Average

Research covered

Cos/Sector	Key Highlights
Reliance Inds.	Better throughput offsets poor GRMs
EcoScope	Quality of India's employment improves
Hero Motocorp	Expect industry growth of 5-7% in FY20
HDFC Bank	In-line performance
Hindustan Zinc	In-line performance despite production challenges
Dabur	Beat on estimates; Cautious commentary going ahead
InterGlobe Aviation	Improved load factor/RASK; yield in-line
L & T Infotech	Spending weakness transcends beyond just the top customer
RBL Bank	Earnings momentum to take a breather
L&T Fin. Holdings	In-line; Healthy growth in focused segments
Amara Raja Batt.	Margins powered by volumes growth
Future Lifestyle	EBITDA up 13% YoY (in-line) on pre-Ind-AS 116 basis

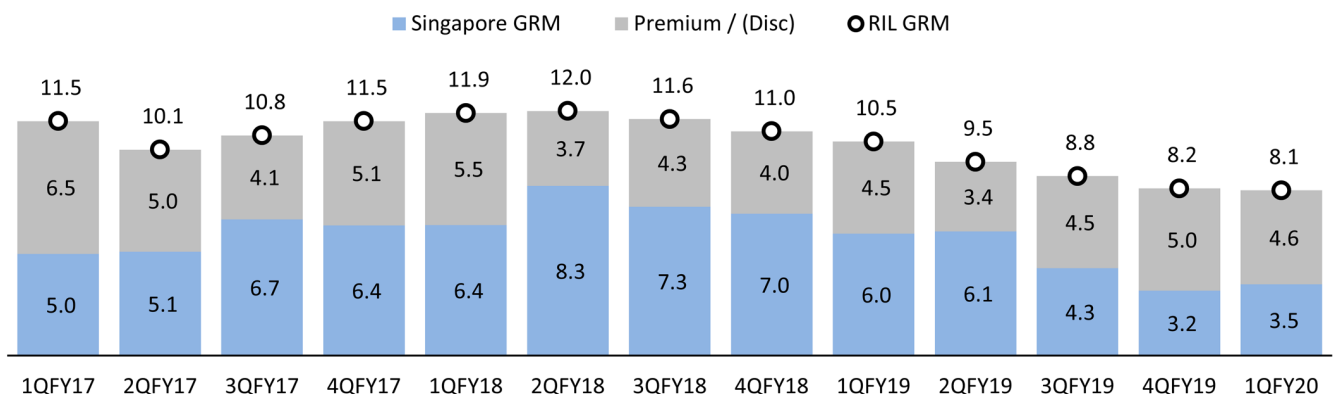
Piping hot news

LIC offers Rs 1.25 lakh crore line of credit by 2024 to fund highway projects

As part of innovative modes of financing to meet India's huge infrastructure appetite, insurance giant LIC has agreed to offer Rs 1.25 lakh crore line of credit by 2024, to fund highway projects, Union Minister Nitin Gadkari said.

Chart of the Day: Reliance Inds (Better throughput offsets poor GRMs)

1QFY20 GRM at USD8.1/bbl; premium of USD4.6/bbl



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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

Suzlon gets a bad loan tag from Union Bank

State-run Union Bank of India has tagged Suzlon Energy Ltd as a bad loan and more banks are expected to follow suit as the stressed wind turbine maker has struggled to repay its lenders, two people aware of the development said...

2

Airtel to seek shareholders' nod for waiver of recovery of excess pay to Sunil Bharti Mittal

Bharti Airtel will seek shareholders' approval for a waiver of recovery of excess remuneration paid to company chairman Sunil Bharti Mittal and CEO Gopal Vittal in 2018-19, the telecom company said Sunday. According to the regulatory filing, Mittal's remuneration in 2018-19 was Rs 21.19 crore more than the ceiling of 11 per cent of the company's net profit...

3

Tatas in talks with GIC to sell roads business

Tata Realty and Infrastructure (TRIL), a wholly-owned unit of Tata Sons, is set to exit the roads business by selling four of its projects, for which preliminary talks are on with Singaporean sovereign fund GIC Pte, two people aware of negotiations told ET...

4

BSNL revival: Govt readies Rs 74,000 crore plan for bleeding telco

The department of telecommunications is pushing for a Rs 74,000-crore revival package for the loss-making BSNL and MTNL on the ground that closing them down would cost higher — around Rs 95,000 crore...

5

Reliance Jio may unveil GigaFiber at shareholder meet on August 12

After disrupting the Indian mobile telephony market, Reliance Jio is all set to storm the wired broadband market with its commercial launch slated to be announced during Reliance Industries' (RIL's) annual general meeting on August 12...

6

Govt looks to cut stake in select state-run entities to up to 26%

The government is looking to pare down its stake in select state-run entities to up to 26%, setting the stage for some big-ticket strategic sales. A draft note will be put out for consultation before the proposal is finalised, a government official told ET...

7

USFDA found different dietary, medicinal claims on Patanjali's sharbat bottles

Labels on Patanjali's two sharbat products, earmarked to be sold within India, were found to be having "additional medicinal and dietary market claims" as compared to the ones on bottles set aside for export to America, according to the US health regulator...



Reliance Industries

BSE SENSEX	S&P CNX
38,337	11,419
Bloomberg	RIL IN
Equity Shares (m)	6,339
M.Cap.(INRb)/(USD\$b)	7917.5 / 115
52-Week Range (INR)	1417 / 1017
1, 6, 12 Rel. Per (%)	0/0/8
12M Avg Val (INR M)	11709
Free float (%)	53.8

Financials & Valuations (INR b)

Y/E March	2019	2020E	2021E
Net Sales	5,671	6,332	7,043
EBITDA	839	954	1,108
Net Profit	398	446	494
EPS (INR)	67.2	75.3	83.4
EPS Gr. (%)	10.4	12.1	10.7
BV/Sh. (INR)	653	721	796
RoE (%)	11.7	11.0	11.0
RoCE (%)	9.1	8.5	9.3
Payout (%)	10.3	10.3	10.3

Valuations

P/E (x)	18.6	16.6	15.0
P/BV (x)	1.9	1.7	1.6
EV/EBITDA (x)	12.0	10.4	8.6
EV/Sales (x)	1.8	1.6	1.3

Estimate change

TP change

Rating change

CMP: INR1,249 TP: INR1,400 (+12)

Neutral

Better throughput offsets poor GRMs

RIL reported in-line standalone revenue of INR883b (-3% YoY, +6% QoQ) in 1QFY20. Although EBITDA of INR136b was in line with our estimate, it declined 10% YoY (flat QoQ) due to much poorer GRM of USD8.1/bbl v/s USD10.5/bbl in the year-ago period. Despite the contraction in most petrochem margins, RIL's petrochem segment delivered 2% YoY (+7% QoQ) growth in implied EBITDA/mt (USD). Much lower depreciation, combined with higher-than-expected other income and lower effective interest cost, resulted in a beat of 12% in standalone PAT of INR90.4b (+2% YoY, +6% QoQ). At the consol. level, RIL reported EBITDA of INR213b (our estimate: INR201b; +3% YoY, +2% QoQ), primarily led by better-than-expected performance by the digital and retail segments. Much lower depreciation than expected resulted in consol. PAT of INR101b (our estimate: INR89b; +7% YoY, -3% QoQ).

- **Lower-than-expected GRM:** GRM stood at USD8.1/bbl (our estimate: USD8.5/bbl), as against USD10.5/bbl in 1QFY19 and USD8.2/bbl in 4QFY19. Throughput was at 17.5mmt (our estimate: 17.5mmt; +5% YoY, +9% QoQ). Premium over Singapore complex stood at USD4.6/bbl.
- **Petrochem volumes decline:** Petrochem EBIT declined 5% YoY/QoQ to INR74b, primarily driven by lower volumes. However, implied EBITDA (USD/mt) was higher at USD424/mt v/s USD412/mt in 4QFY19 (USD437/mt in 1QFY19), despite a contraction in most petrochem margins, due to better optimization of feedstock.
- **Domestic E&P continues downtrend:** Gas production from KG D6 stood at 1.76mmscmd in the quarter, down from 1.82mmscmd in 4QFY19. CBM production stood at 0.93mmscmd.
- **RJio's ARPU falls but EBITDA improves:** RJio added 8.2m net subscribers, indicating a relative slowdown in the pace of addition over the past few quarters. This apart, ARPU was down 3.3% QoQ to INR122 (our estimate: INR126). Revenue increased 5% QoQ to INR116.8b, while EBITDA was up 5% QoQ to INR46.7b – an 18% beat on account of lower-than-expected operating expenses. Margins expanded 100bp QoQ to 40% (our estimate: 32.8%), helped by lower opex. PAT grew 6.1% QoQ to INR8.9b (our estimate: INR1.4b). Subscriber churn was at 0.97% (v/s 0.75% in 4QFY19).

Valuation and view

- Capex intensity remains high with total investment of INR226b in 1QFY20 (v/s INR1,345b in FY19), of which Jio accounted for INR85b, RIL standalone for INR60b and retail for INR20b. There is no specific guidance on capex going forward. The petcoke gasifiers appear to have been fully commissioned, which should reduce capex, at least in the standalone business.

- SG refining margins have been recovering over the past few weeks, primarily due to large shutdowns that are being taken globally – either unplanned or to align production with IMO 2020. As these refineries come on stream, SG refining margins will likely stabilize at USD5-6/bbl over the medium term, in our view.
- Petrochem margins are expected to be weak in light of the expected expansions. Incremental capacity addition in 2019 is expected to be more than that in 2017 and 2018 combined, against which there is no commensurate demand.
- We value RIL using SOTP. Core segment of refining and petrochem is valued at 7.5x FY21E EV/EBITDA. Peers trade at ~6.0x FY20E EV/EBITDA. RIL's premium is due to its ability to optimize crude basket, product yield, risk management and multiple feedstock availability for its petrochem segment.
- RJio: Our DCF-based TP at INR230 ascribes 10% WACC and 4.5% terminal growth with implied EV/EBITDA of 16/11x on FY20/21E. We have reduced our net debt estimate by INR365b as the tower debt is shifted to Brookfield, but kept our TP unchanged due to (a) downward revision in the FY21 EBITDA estimate on the back of lower revenues and increase in opex (earlier capitalized) and (b) rich valuation, leaving limited room for further upside.
- Current valuations of the new-age retail and telecom segments reflect the fair value of those businesses, which is already built in our rich valuations. We reiterate our **Neutral** stand on the company with a target price of INR1,400, which leaves limited upside from the current levels.

Standalone - Quarterly Earning Model

(INR Billion)

Y/E March	FY19				FY20				FY19	FY20E	FY20	Var v/s
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	911.6	961.7	1,001.0	836.0	882.6	965.6	965.5	965.5	3,710.2	3,779.1	880.9	0%
YoY Change (%)	42.0	40.3	36.6	-0.5	-3.2	0.4	-3.5	15.5	27.9	1.9	-3.4	
Total Expenditure	760.1	812.8	855.9	698.9	746.2	802.8	794.0	794.0	3,127.6	3,137.1	744.3	26%
EBITDA	151.5	148.9	145.1	137.0	136.4	162.8	171.5	171.4	582.6	642.1	136.6	0%
Margins (%)	16.6	15.5	14.5	16.4	15.5	16.9	17.8	17.8	15.7	17.0	15.5	
Depreciation	27.6	27.5	25.9	24.7	21.8	28.2	28.2	28.2	105.6	106.3	29.8	-27%
Interest	21.4	24.2	24.1	27.9	27.0	25.6	25.6	24.1	97.5	102.2	15.6	73%
Other Income	20.7	20.1	24.6	28.8	33.5	21.6	21.6	21.6	94.2	98.2	18.8	78%
PBT	123.2	117.4	119.7	113.3	121.1	130.6	139.3	140.7	473.7	531.7	110.0	10%
Tax	35.0	28.8	30.4	27.8	30.7	34.5	36.8	37.1	122.0	139.1	29.0	6%
Rate (%)	28.4	24.6	25.4	24.5	25.4	26.4	26.4	26.4	25.8	26.2	26.4	
Adj PAT	88.2	88.6	89.3	85.6	90.4	96.1	102.5	103.6	351.6	392.6	81.0	12%
YoY Change (%)	7.6	7.2	5.6	-1.6	2.4	8.5	14.8	21.0	4.6	11.6	-8.2	
Margins (%)	9.7	9.2	8.9	10.2	10.2	10.0	10.6	10.7	9.5	10.4	9.2	
Key Assumptions												
Refining throughput (mmt)	16.6	17.7	18.0	16.0	17.5	17.5	17.5	17.5	68.3	70.0	17.5	0%
GRM (USD/bbl)	10.5	9.5	8.8	8.2	8.1	10.5	10.5	10.5	9.3	9.9	8.5	-5%
Petchem EBITDA/tonne (USD/MT)	436.9	408.1	379.5	412.1	424.4	400.0	400.0	400.0	409.2	406.1	380.0	12%
Petchem volumes (mmt)	3.1	3.3	3.5	3.1	2.9	3.5	3.5	3.5	13.0	13.4	3.1	-6%

E: MOFSL Estimates

Consolidated - Quarterly Earning Model

(INR Billion)

Y/E March	FY19				FY20				FY19	FY20E	FY20	Var v/s
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	1,287.6	1,433.2	1,564.0	1,386.6	1,569.8	1,578.8	1,587.5	1,595.7	5,671.4	6,331.8	1,492	5%
YoY Change (%)	54.3	56.7	56.7	18.6	21.9	10.2	1.5	15.1	44.8	11.6	15.9	
Total Expenditure	1,081.0	1,222.2	1,350.8	1,178.3	1,356.6	1,342.4	1,338.0	1,340.6	4,832.2	5,377.6	1,291	5%
EBITDA	206.6	211.1	213.2	208.3	213.2	236.4	249.5	255.1	839.2	954.1	201	6%
Margins (%)	16.0	14.7	13.6	15.0	13.6	15.0	15.7	16.0	14.8	15.1	13.5	
Depreciation	51.7	52.3	52.4	53.0	50.1	56.6	58.5	61.3	209.3	226.4	59	-15%
Interest	35.5	39.3	41.2	48.9	51.1	47.5	48.4	48.8	165.0	195.8	37	36%
Other Income	17.8	12.5	24.6	31.5	31.5	23.3	23.3	23.3	86.4	101.3	20	53%
PBT before EO expense	137.2	132.0	144.2	137.9	143.4	155.6	165.9	168.4	551.2	633.3	125	15%
PBT	137.2	132.0	144.2	137.9	143.4	155.6	165.9	168.4	551.2	633.3	125	15%
Tax	42.4	36.5	40.7	34.3	42.3	46.0	48.9	50.7	153.9	187.8	36	17%
Rate (%)	30.9	27.7	28.2	24.9	29.5	29.6	29.5	30.1	27.9	29.7	28.8	
Minority Interest & P/L of Asso. Cos.	-0.1	0.0	-0.2	-0.7	-0.3	-0.3	-0.3	-0.3	-1.0	-1.0	0	
Reported PAT	94.8	95.5	103.8	104.3	101.4	109.8	117.2	118.0	398.4	446.4	89	14%
YoY Change (%)	4.5	17.9	9.9	10.2	6.9	15.0	13.0	13.1	10.4	12.1	-5.9	
Margins (%)	7.4	6.7	6.6	7.5	6.5	7.0	7.4	7.4	7.0	7.1	6.0	
Key assumptions												
Refining throughput (mmt)	16.6	17.7	18.0	16.0	17.5	17.5	17.5	17.5	68.3	70.0	17.5	
GRM (USD/bbl)	10.5	9.5	8.8	8.2	8.1	10.5	10.5	10.5	9.3	9.9	8.5	
Petchem sales (mmt)	3.1	3.3	3.5	3.1	2.9	3.5	3.5	3.5	13.0	13.4	3.1	
Petchem (EBITDA/mt)	437	408	379	412	424	400	400	400	409	406	380	

E: MOFSL Estimates

Quality of India's employment improves...

...albeit at a much slower pace

The government published its first Periodic Labor Force Survey (PLFS) annual report 2017-18 (Jul'17-Jun'18) in end-May'19. The headline numbers suggest that the labor force participation ratio (LFPR) and worker-population ratio (WPR) has declined further; however, the unemployment rate has seen a sharp rise. Nevertheless, considering the massive underemployment in the country, the quantitative analysis of India's labor market is not enough, and thus, a qualitative analysis is necessary. Our analysis confirms that while the quality of India's employment has continued to improve in the past few years, the pace of improvements has slowed markedly v/s the previous period between 2004-05 and 2011-12. Key findings of our analysis are:

- **India's LFPR not as low as the headline numbers suggest:** India's labor force participation ratio (LFPR) for all ages has declined consistently and was as low as 36.9% in 2017-18, primarily because of the youth and low participation of women. The youth (15-24 years) LFPR has declined from 50% in 2004-05 to 29.6% in 2017-18, while that of the working age population (25-59 years) has declined from 74.3% in 2004-05 to 68% in 2011-12 and further to 62.9% in 2017-18 (implying annual decline of about 1pp since 2004-05). More notably, while LFPR among men (rural and urban) for working-age population remains ~97%, it has declined consistently from ~51% in 2004-05 to ~30% in 2017-18 for females. Within female population, the urban female LFPR has been low and broadly stable at 24%; the rural female LFPR has led to the fall in total female LFPR. Excluding rural females, India's LFPR has declined only marginally from 80.8% in 2011-12 to 79% in 2017-18.
- **WPR among youth and working-age population replicated past trend...:** The worker-population ratio (WPR) among the youth (aged 15-24 years) declined from 33.3% in 2011-12 to 21.9% in 2017-18, implying an annual decrease of 1.9pp, same as that between 2004-05 (when it was 46.7%) and 2011-12. WPR among the working-age population (25-59 years) also witnessed similar trends – from 73.4% in 2004-05 to 67.3% in 2011-12 and further to 61.4% in 2017-18.
- **Informality, however, reduced at slower pace...:** The share of informal workers (constituting partnerships, proprietorships, employer households and others) has declined by 0.45pp per annum between 2011-12 and 2017-18 (from 79.5% to 76.7%), slower than the annual decline of 0.65pp between 2004-05 and 2011-12.
- **...and the share of organized workers actually declined:** The share of organized workers (defined as workers engaged in enterprises with 10 or more workers) has declined marginally from 23.3% in 2011-12 to 23.1% in 2017-18. In contrast, it had risen sharply in the previous period – from 17% in 2004-05.

Excluding rural females, India's LFPR has declined only marginally from 80.8% in 2011-12 to 79% in 2017-18.

The share of organized workers has actually declined from 23.3% in 2011-12 to 23.1% in 2017-18.

- **Formalization has risen faster in the unorganized than the organized sector:** Since our definitions of formal/informal and organized/unorganized workers are very broad, the cross-analysis suggests that while the share of formality has increased, it is primarily because of the rising formality in the unorganized sector. Formal workers in the organized sector have increased only marginally – at 0.1pp per annum between 2011-12 and 2017-18 v/s an annual rise of 0.6pp in the previous period. Overall, while the structure of employment has improved – measured by Employment Situation Index (ESI), it has happened at a very slow pace in recent years compared to the previous periods.
- **Education profile of workers:** The share of illiterate workers has declined slowly in recent years compared to the previous period, while the share of high-educated (secondary education and above) workers has risen at a slower pace. From ~40% in 2004-05, the share of illiterate workers declined to 30.7% in 2011-12 (implying annual fall of 1.3pp) and declined further to 26% in 2017-18 (implying annual decline of 0.8pp). The share of highly-educated workers rose from 20.4% in 2004-05 to 28.8% in 2011-12 and further to 33.4% in 2017-18.
- **Distribution of workers by status in employment:** Between 2011-12 and 2017-18, the share of regular wage/salaried workers in total employment increased by 0.87pp every year, almost double the pace of improvement of 0.48pp in the previous period between 2004-05 and 2011-12. The entire shift, however, can be attributed to casual workers, as the share of self-employed workers remained unchanged at 52.2% between 2011-12 and 2017-18 (it was ~57% in 2004-05).
- **Industrial distribution of workers:** According to industry-wise classification, the share of workers in agriculture, etc. continued to decline (albeit at slower pace) and the share of services sector rose further (at faster pace). Worryingly though, the share of industrial workers rose at slowest pace since 1999-00 and the share of manufacturing employment declined from 12.6% in 2011-12 to 12.1% in 2017-18, in contrast to the rising trend in the previous periods.
- **Condition of employment:** The share of regular wages/salaried employees, who had no written job contract in the non-agricultural sector rose further to 71.1% (from 59.1% in 2004-05 and 64.7% in 2011-12), while those who are not eligible for paid leave increased to 54.2% (from 46.2% in 2004-05 and 50% in 2011-12). The share of regular workers eligible for any social security benefit (provident fund/pension, gratuity, health care and maternity benefits), however, increased to above-50% in 2017-18, higher than 44.6% in 2011-12 (and 45.5% in 2004-05).
- **Unemployment rate highest among youth and highest-educated people:** In our opinion, the headline unemployment rate of 6.1% does not deserve much attention because it is primarily led by the youth and the highly-educated. The unemployment rate among the youth (15-24 years) increased from 8.2% in 2011-12 to 26.1% in 2017-18, while it rose from 1.0% for the working-age population (25-59 years) in 2011-12 to 2.5% in 2017-18. Similarly, while the unemployment rate among the illiterate rose from 0.4% to 1.1%, it surged from 7.6% to 16.5% for the highest-educated (graduate and above) people.

Between 2011-12 and 2017-18, the share of regular wage/salaried workers increased 0.87pp every year, almost double the pace of improvement of 0.48pp in the previous period.

The unemployment rate among the youth (15-24 years) increased from 8.2% in 2011-12 to 26.1% in 2017-18, while it rose from 1.0% to 2.5% for the working-age population (25-59 years).



Hero MotoCorp

BSE SENSEX
38,337

S&P CNX
11,419

CMP: INR2,388 TP: INR2,636 (+10%)

Neutral



Stock Info

	HMCL IN
Bloomberg	
Equity Shares (m)	200
M.Cap.(INRb)/(USD\$)	476.9 / 6.9
52-Week Range (INR)	3510 / 2360
1, 6, 12 Rel. Per (%)	-6/-23/-36
12M Avg Val (INR M)	1881
Free float (%)	65.4

Financials Snapshot (INR b)

Y/E Mar	2019	2020E	2021E
Sales	336.5	343.1	386.1
EBITDA	49.3	47.3	54.0
NP	33.8	31.6	35.7
Adj. EPS (INR)	169.5	158.0	178.3
EPS Gr. (%)	-8.5	-6.7	12.8
BV/Sh. (INR)	643.7	691.8	755.6
RoE (%)	27.5	23.7	24.6
RoCE (%)	26.4	22.8	23.8
P/E (x)	14.1	15.1	13.4
P/BV (x)	3.7	3.5	3.2

Shareholding pattern (%)

As On	Jun-19	Mar-19	Jun-18
Promoter	34.6	34.6	34.6
DII	18.6	16.1	14.4
FII	35.2	38.2	39.6
Others	11.6	11.1	11.4

FII Includes depository receipts

Expect industry growth of 5-7% in FY20

Aspiring for leadership in EVs via internal programs and stake in Ather

Our analysis of Hero MotoCorp's (HMCL) FY19 annual report highlights the company's outlook for the two-wheeler (2W) industry, its strategic focus and update on key export markets. Key insights from the annual report:

- HMCL expects the domestic 2W industry to grow 5-7% in FY20 (v/s our estimate of 2-3% growth in FY20).
- The company plugged gaps in its product portfolio — 125cc scooter and premium motorcycles – in FY19.
- The recently launched Destini 125cc scooter has become the fastest growing scooter brand in India surpassing ~100k unit sales in just 26 weeks. Destini currently has ~20% market share in the 125cc scooter segment.
- With the electric vehicle (EV) segment picking up, HMCL expects a structural shift in competition with many new players entering the EV space and challenging the traditional companies. It is aspiring for leadership in the EV 2W space and is approaching this opportunity by pursuing its internal EV program, in addition to partnering with Ather.
- It is witnessing a trend of scooterization and premiumization in the export market, particularly in the SAARC region.
- The company has continued to focus on improving its competitive positioning in key export markets by expanding network and improving value proposition for customers through products and offerings (including financing). For e.g., it plans to revamp its product portfolio and distribution in Africa in FY20.

Valuation & view: HMCL's FY19 annual report touches upon the impending electrification of EVs and its potential to disrupt the competitive landscape due to the entry of many new players. We believe HMCL has little to lose and more to gain from electrification as it can throw up opportunities to gain market share in the e-scooter segment. While EV is an opportunity for HMCL, we believe it would be seeing value migration from its cash-cow – the Executive segment towards the Entry motorcycles (low margins) and scooters and Premium motorcycles (weak presence in both). In the medium term, the 2W industry in general and HMCL in particular are susceptible to substantial price hikes due to BS6. This coupled with high competitive intensity should result in muted earnings growth over the next 2-3 years. Valuations at ~15.1x/13.4x FY20/FY21 EPS is a fair reflection of the tepid earnings growth expectation (~3% CAGR over FY19-21E). Maintain Neutral.



BSE SENSEX	S&P CNX
38,337	11,419
Bloomberg	HDFCB IN
Equity Shares (m)	2,723
M.Cap.(INRb)/(USD\$b)	6493 / 94.3
52-Week Range (INR)	2503 / 1884
1, 6, 12 Rel. Per (%)	0/6/3
12M Avg Val (INR M)	6842
Free float (%)	78.7

Financials & Valuations (INR b)

Y/E MARCH	FY19	FY20E	FY21E
NII	482.4	570.6	670.4
OP	397.5	488.0	579.2
NP	210.8	252.7	305.3
NIM (%)	4.4	4.4	4.4
EPS (INR)	79.3	92.8	112.1
EPS Gr. (%)	16.9	17.0	20.8
BV/Sh. (INR)	547.9	616.6	709.4
ABV/Sh. (INR)	525.6	590.0	678.2
RoE (%)	16.5	15.9	16.9
RoA (%)	1.8	1.9	1.9
Payout (%)	22.8	25.9	17.2
Valuations			
P/E(X)	30.0	25.6	21.2
P/BV (X)	4.3	3.9	3.3
P/ABV (X)	4.5	4.0	3.5
Div. Yield (%)	0.8	1.0	0.8

CMP: INR2,376 TP: INR2,750 (+16%)

Buy

In-line performance; prudential provisioning to facilitate steady earnings growth

- HDFCB reported 1QFY20 PAT of INR55.7b (+21% YoY, in-line). The bank stepped up provisions on the unsecured book, created a contingent provision of INR1.6b and additional general provision of INR0.9b toward the NBFC/HFC sector.
- NII grew 23% YoY to INR132.9b (in-line), while margins contracted 10bp QoQ to 4.3%. Core fee income grew 12% YoY to INR35.5b; treasury gain of INR2.1b boosted other income growth to 30% YoY.
- Opex grew ~19% YoY (flat QoQ) despite higher PSLC cost, resulting in healthy PPop growth of ~29% YoY (core PPop up 22% YoY). C/I ratio declined ~70bp QoQ to 39% (70bp improvement in the cost/core income ratio).
- Loan growth moderated to 17% YoY (+1% QoQ) to INR8.3t due to slowdown in auto segment (8.5% YoY v/s 21.1% in 1QFY19). Corporate segment grew by 18% YoY (flat QoQ), whereas retail segment growth slowed down to 16.5% YoY. Deposits growth of 18.5% YoY (+3.4% QoQ) was led by 22.5% YoY growth in term deposits, while CASA grew at 13% YoY (-3% QoQ). CASA mix declined 270bp QoQ to 39.7% (42.4% in 4QFY19).
- Slippages stood at INR42.2b (2.1% annualized) led by higher agri slippages, resulting in ~5% QoQ increase in GNPA, while NNPA rose 11% QoQ. GNPA/NNPA ratio increased by 4bp QoQ to 1.4%/0.4%. Coverage ratio declined to 69.7% (-170bp QoQ).
- **Other highlights: (a)** Tier 1 ratio stood at 15.6%. **(b) Subsidiaries: HDB Financial** - (i) Gross loans grew ~23% to INR563b; it reported PAT of INR2.2b (-3% QoQ). (ii) GNPA/NNPA was at 2.3%/1.7% (+50bp/+40bp). **HDFC Securities** - (i) Reported PAT of INR665m, representing a decline of 8% QoQ.
- **Valuation and view:** HDFCB's operating performance remains strong, although business growth has shown moderation, reflecting weakness in the consumption-linked lending segments and cautious stance on unsecured loans. We lower our growth estimates marginally - expect the bank to deliver 19%/20% loan book/PAT CAGR over FY19-21, led by stable margins and a continued improvement in operating leverage. Maintain Buy with a target price of INR2,750 (3.8x FY21E ABV for the bank).

Quarterly Snapshot

(INRm)

	FY19				FY20E				FY19	FY20E	1Q	V/s our
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			FY20E	Est
Net Interest Income	108.1	117.6	125.8	130.9	132.9	137.0	148.4	152.4	482.4	570.6	133	-0.3
% Change (Y-o-Y)	15.4	20.6	21.9	22.8	22.9	16.4	18.0	16.4	20.3	18.3	23.3	-0.4
Other Income	38.2	40.2	49.2	48.7	49.7	52.0	56.4	58.7	176.3	216.8	46	9.0
Total Income	146.3	157.8	175.0	179.6	182.6	189.0	204.7	211.1	658.7	787.4	179	2.0
Operating Expenses	59.8	63.0	67.2	71.2	71.2	72.5	76.4	79.4	261.2	299.4	69	3.3
Operating Profit	86.5	94.8	107.8	108.4	111.5	116.5	128.4	131.6	397.5	488.0	110	1.2
% Change (Y-o-Y)	15.0	21.3	27.5	22.7	28.9	22.9	19.1	21.4	21.8	22.8	27.3	1.6
Provisions	16.3	18.2	22.1	18.9	26.1	24.5	26.6	25.0	75.5	102.3	24	9.4
Profit before Tax	70.2	76.6	85.7	89.5	85.3	92.0	101.8	106.6	322.0	385.7	86	-1.0
Tax	24.2	26.5	29.8	30.7	29.7	31.9	34.6	36.9	111.2	133.1	30	-2.6
Net Profit	46.0	50.1	55.9	58.9	55.7	60.0	67.2	69.7	210.8	252.7	56	-0.1
% Change (Y-o-Y)	18.2	20.6	20.3	22.6	21.0	19.9	20.3	18.5	20.5	19.9	21.2	-0.2
Operating Parameters												
Deposit Growth (%)	20.0	20.9	22.0	17.0	18.5	20.7	20.0	18.0	17.0	18.0	21.0	-2.5
Loan Growth (%)	22.0	24.1	23.7	24.5	17.1	19.5	19.9	19.0	24.5	19.0	22.0	-4.9
Deposit	8,058	8,334	8,525	9,231	9,546	10,062	10,228	10,893	9,231	10,893	9,751	-2.1
Loan	7,086	7,508	7,810	8,194	8,297	8,972	9,362	9,751	8,194	9,751	8,645	-4.0
Asset Quality												
Gross NPA	95.4	101.0	109.0	112.2	117.7	123.3	129.4	135.7	112.2	135.7	115.5	1.9
Gross NPA (%)	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.3	0.1
Net NPA	29.1	30.3	33.0	32.1	35.7	33.9	36.2	43.3	32.1	43.3	32.3	10.3
Net NPA (%)	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.1
PCR (%)	69.5	70.0	69.7	71.4	69.7	72.5	72.0	68.1	71.4	68.1	72.0	-2.3

Source: MOFSL, Company



Hindustan Zinc

BSE SENSEX	S&P CNX
38,337	11,419
Bloomberg	HZ IN
Equity Shares (m)	4,225
M.Cap.(INRb)/(USD\$b)	928.5 / 13.5
52-Week Range (INR)	292 / 218
1, 6, 12 Rel. Per (%)	-3/-25/-24
12M Avg Val (INR M)	282
Free float (%)	35.1

Financials & Valuations (INR b)

Y/E March	2019	2020E	2021E
Sales	211	217	231
EBITDA	106.7	108.4	114.9
NP	79.6	79.8	84.8
Adj. EPS (INR)	18.8	18.9	20.1
EPS Gr(%)	-10.8	0.3	6.2
BV/Sh. (INR)	79.5	90.5	102.1
RoE (%)	22.9	22.2	20.8
RoCE (%)	31.1	27.9	25.7
P/E (x)	11.7	11.6	11.0
P/BV	2.8	2.4	2.2

Estimate change

TP change

Rating change

CMP: INR220 TP: INR216 (-2%)

Neutral

In-line performance despite production challenges

Expect 8% volume CAGR but valuations rich; Maintain Neutral

- **Zinc premiums offset lower volumes:** EBITDA of INR24.8b (-11% QoQ/-9% YoY) came in line with our estimate of INR24.5b, as the impact from lower metal volumes (-6% QoQ) was offset by higher-than-expected zinc premiums. PAT declined 12% QoQ/8%YoY to INR17.7b.
- **Geo-tech challenges impact production:** Mine production declined 13% QoQ owing to geo-tech issues at the SK mine. Ore grade was also lower due to an adverse mine mix. Management expects SK's production to improve with the commissioning of the paste fill plant (Jun'19). The company has maintained its guidance of 1mt mine production for FY20.
- **Cost of production (COP) increases:** Reported CoP increased USD80/t QoQ to USD1,067/t due to lower volumes and higher power cost. Generation from the company's captive plants was impacted by water scarcity, leading to external purchase of power. However, HZ expects CoP to decline amid normalization of power cost, volume-led benefit and lower coal costs.

Valuations bake in scale led benefit; Maintain Neutral

- While the zinc market remains in deficit, factors such as (a) demand concerns due to ongoing trade war/weakening global demand and (b) anticipated higher supply have led to a fall in LME zinc prices to ~USD2,480 (v/s Mar'19: ~USD3,000). Accordingly, we have lowered our FY20 (average) zinc LME estimate to INR2,600.
- We expect mine production CAGR of 8% over FY19-21 and CoP to decline as shafts commission at RA and SKM. However, at zinc LME of USD2,600/t for FY20, the stock is trading at 6.6x EV/EBITDA. Maintain **Neutral** with a target price of INR216 based on 6.5x FY20E EV/EBITDA.

Quarterly Performance (Standalone) – INR m

Y/E March	FY19				FY20				FY19	FY20E	FY21E	vs Est.	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				1QE	%
Mine prodn. (kt)	212	232	247	245	213	255	260	264	936	992	1,093	229	-7
Sales													
Zinc refined (kt)	170	160	187	177	168	195	199	202	694	763	836	170	-1
Lead refined (kt)	42	49	54	52	48	56	57	58	197	219	240	50	-6
Silver (tonnes)	141	161	178	199	155	176	180	183	679	694	757	164	-5
Zinc LME (USD/t)	3,108	2,541	2,631	2,709	2,761	2,550	2,550	2,550	2,751	2,603	2,500	2,761	0
Net Sales	53,100	47,770	55,400	54,910	49,870	54,196	55,791	57,108	211,180	216,965	230,867	50,000	0
Change (YoY %)	16.0	-10.0	-6.5	-12.5	-6.1	13.5	0.7	4.0	-4.4	2.7	6.4	-5.8	
EBITDA	27,130	23,340	28,380	27,890	24,770	26,722	28,018	28,879	106,740	108,389	114,906	24,462	1
Change (YoY %)	13.8	-22.8	-12.5	-23.0	-8.7	14.5	-1.3	3.5	-13.0	1.5	6.0	-9.8	
Finance cost	150	0	510	510	290	0	0	0	1,170	290	0	0	
DD&A	3,870	4,540	4,890	5,530	5,340	5,393	5,447	5,502	18,830	21,683	22,563	5,585	-4
Other Income	2,990	3,940	5,500	5,390	4,290	3,878	4,020	3,516	17,820	15,704	14,964	3,778	14
PBT	26,100	22,740	28,480	27,240	23,430	25,207	26,591	26,893	104,560	102,120	107,307	22,655	3
Total Tax	6,920	4,590	6,370	7,120	5,780	5,293	5,584	5,647	25,000	22,305	22,534	4,757	21
% Tax	26.5	20.2	22.4	26.1	24.7	21.0	21.0	21.0	23.9	21.8	21.0	21.0	
Reported PAT	19,180	18,150	22,110	20,120	17,650	19,913	21,007	21,245	79,560	79,815	84,772	17,897	-1
Adjusted PAT	19,180	18,150	22,110	20,120	17,650	19,913	21,007	21,245	79,560	79,815	84,772	17,897	-1
Change (YoY %)	2.2	-19.5	-0.9	-21.3	-8.0	9.7	-5.0	5.6	-10.8	0.3	6.2	-6.7	



Dabur

BSE SENSEX	S&P CNX
38,337	11,419
Bloomberg	DABUR IN
Equity Shares (m)	1,762
M.Cap.(INRb)/(USDb)	743.9 / 10.8
52-Week Range (INR)	491 / 357
1, 6, 12 Rel. Per (%)	12/-6/7
12M Avg Val (INR M)	1273
Free float (%)	32.1

CMP: INR421

TP: INR425 (+1%)

Neutral

Beat on estimates; Cautious commentary going ahead

- **Consolidated sales grew 9.3% YoY** to INR22.7b (v/s est. of INR22.2b). EBITDA grew 18.5% YoY to INR4.6b (v/s est. of INR4b). Adj. PAT increased 14.2% YoY to INR3.8b (v/s est. of INR3.4b). The domestic FMCG business grew 10.5% with underlying volume growth of 9.6% (v/s est. of +2%).
- **Gross margin contracted 10bp YoY to 49.5%**; this along with lower staff cost as % of sales (down 60bp YoY to 10.2%), ad spends as a % of sales (down 70bp YoY to 8.9%) and low other expenses as % of sales (down 40bp YoY to 10.3%) meant that Consol. EBITDA margin expanded 160bp YoY to 20.1%.
- **Standalone Sales, EBITDA and Adj. PAT** grew 10.5%, 23.3% and 17.5%, respectively. EBITDA margins expanded 200bp YoY to 19.4%.
- **Concall highlights:** (a) Despite good sales growth in the domestic business in 1QFY20 (+10.5%) YoY, management has cautiously refrained from giving double-digit sales growth guidance for the full year, given the sequential slowdown, channel liquidity crunch and competitive intensity in some categories, (b) Raw material costs remained benign, we do not expect it to rise in the near term, (c) Target of maintaining full-year ~20% EBITDA margin.
- **Valuation and View:** Results for the quarter were ahead of our estimate. But cautious commentary on the demand environment has led to minor changes in our full-year estimates. We have increased FY20/FY21 EPS forecasts by ~1%/0.4%. Valuations are fair at 41x FY21, particularly for a business with moderate earnings growth prospects (~10.2% CAGR over FY19-21) and ROCEs in mid-20's that are inferior to peers. Earnings trajectory could be better than expected if rural growth surprises positively and from potential sharpening of focus under a new CEO (higher investments behind Power Brands and a revamp of the Supply Chain infrastructure). We maintain Neutral rating on the stock with a target price of INR425 (targeting 40x Jun'21 EPS).

Financials & Valuations (INR b)

Y/E Mar	2019	2020E	2021E
Net Sales	85.3	94.3	104.9
EBITDA	17.4	19.7	22.1
NP	15.0	16.2	18.1
EPS (INR)	8.5	9.1	10.3
EPS Gr. (%)	9.0	7.9	12.2
BV/Sh. (INR)	31.8	35.6	38.7
RoE (%)	26.4	27.1	27.6
RoCE (%)	24.1	25.1	25.4
P/E (x)	49.7	46.0	41.0
P/BV (x)	13.2	11.8	10.9

Estimate change



TP change



Rating change



Quarterly Performance (Consolidated)

(INR Million)

Y/E March	FY19				FY20				FY19	FY20E	FY19	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Domestic FMCG vol. growth (%)	21.0	8.1	12.4	4.3	9.6	6.0	4.0	12.0	11.5	8.0	2.0	
Net sales	20,807	21,250	21,992	21,282	22,733	23,401	23,944	24,259	85,331	94,337	22,159	2.6%
YoY change (%)	16.2	8.5	11.8	4.7	9.3	10.1	8.9	14.0	10.1	10.6	6.5	
Gross profit	10,321	10,491	10,839	10,589	11,256	11,788	12,112	12,342	42,240	47,498	10,992	
Margin (%)	49.6	49.4	49.3	49.8	49.5	50.4	50.6	50.9	49.5	50.3	49.6	
EBITDA	3,861	4,508	4,454	4,572	4,576	4,965	4,849	5,261	17,396	19,651	4,001	14.4%
Margins (%)	18.6	21.2	20.3	21.5	20.1	21.2	20.3	21.7	20.4	20.8	18.1	
YoY growth (%)	25.0	7.4	10.4	-5.8	18.5	10.1	8.9	15.1	7.6	13.0	3.6	
Depreciation	427	431	449	462	528	517	538	484	1,769	2,067	461	
Interest	149	156	167	124	153	148	151	122	596	573	128	
Other income	737	812	753	661	733	893	828	769	2,899	3,223	825	
PBT	4,022	4,734	4,591	4,647	4,629	5,193	4,988	5,424	17,930	20,235	4,237	9.3%
Tax	724	961	924	328	864	1,091	1,047	1,045	2,937	4,047	805	
Rate (%)	18.0	20.3	20.1	7.1	18.7	21.0	21.0	19.3	16.4	20.0	19.0	
Adjusted PAT	3,292	3,766	3,661	4,307	3,761	4,095	3,933	4,362	14,964	16,151	3,425	9.8%
YoY change (%)	18.1	4.1	10.2	8.7	14.2	8.7	7.4	1.3	9.3	7.9	4.0	

E: MOFSL Estimates



Interglobe Aviation

BSE SENSEX	S&P CNX
38,337	11,419
Bloomberg	INDIGO IN
Equity Shares (m)	384
M.Cap.(INRb)/(USDb)	562.9 / 8.2
52-Week Range (INR)	1716 / 697
1, 6, 12 Rel. Per (%)	-7/31/32
12M Avg Val (INR M)	2283
Free float (%)	25.1

CMP: INR1,463 TP: INR1,410 (-4%) Neutral

Improved load factor/RASK; yield in-line

INDIGO reported Ind-AS 116-based quarterly results. Yield for the quarter was in line with our estimate at INR4.55, leading to 45% YOY increase in net sales at INR94.2b (our estimate: INR88.6b). EBITDAR was at INR31.7b (+207% YoY) due to the transaction impact of Ind-AS 116 – lease and supplementary expenses were replaced by depreciation (on ROU asset recognized) and finance charges (finance lease liability). Forex gain was at INR446m (v/s loss of INR2,461m in 1QFY19 and gain of INR105m in 4QFY19). PAT came in at INR12.0b (v/s our estimate: INR6.9b; gain of INR0.3b in 1QFY19 and INR5.9b in 4QFY19). Employee cost was higher by 70% YoY at INR11.1b owing to salary increments and new pilots hiring (currently under training).

Operational data:

- ASK increased 31% YoY to 23.3b. The company added ~18 new planes during the quarter and expects delivery of first leap of A320neo next year.
- INDIGO has been allotted ~30% of the 160 domestic departure slots of Jet Airways (Mumbai – 108 slots; Delhi – 52).
- RPK in 1QFY20 increased by 30% YoY at 20.7b, with RASK at INR4.04 – the highest since 1QFY16.
- Also, cargo revenue increased significantly as INDIGO has increased the range of its cargo products.
- Load factor was 88.8% (-100bp YoY, +300bp QoQ) v/s our estimate of 86.0%.
- Yield was strong and in line with our estimate at INR4.55 (+11% YoY, +10% QoQ), aided by highest booking in the 0-15 day window.
- Fuel cost was lower 11% YoY at INR1.36/ASK.

Guidance:

- The company has guided for pressure in 2QFY20 due to seasonality effect. From 3QFY20, it expects new hired pilots to commence operations and increased allotment of Jet Airways domestic departure slots in Oct-Nov'19, to better aircraft utilization in 2HFY20.
- Cash on the books at the end of the quarter stood at ~INR173b (~INR77b of free cash and ~INR96b of restrictive cash).
- INDIGO is looking to replace its lease back model by buying planes by utilizing excess cash on its balance sheet (already has ~12 planes on its books). The company has guided for ASK growth of ~30% in FY20.
- A321neo (v/s A320neo) is expected to have ~8-10% better range on unit cost basis, with ~15% fuel burn improvement.

Valuation view:

- Management guided that the impact of the yield increase due to the grounding of Jet Airways has come to an end.
- Also, the recent spate of conflicts between the promoters could continue posing corporate governance challenges. However, INDIGO will induct a woman director on the board, to be in compliance with the SEBI norms.
- Our estimates are highly sensitive to (a) yield, (b) PLF and (c) crude price assumption. However, we remain **Neutral** on the stock and value it at 14x FY21E EPS of INR100.7 to arrive at a target price of INR1,410.

Financials & Valuations (INR b)

Y/E March	2019	2020E	2021E
Sales	285.0	383.3	412.6
EBITDAR	47.9	123.8	139.5
NP	1.6	33.8	38.7
EPS (INR)	4.1	88.0	100.7
EPS Gr. (%)	-93.0	NM	14.4
BV/Sh (INR)	180.7	195.4	212.2
RoE (%)	2.2	46.8	49.4
RoCE (%)	3.8	41.6	31.7
Payout (%)	301.1	83.3	83.3

Valuations

P/E (x)	NM	16.6	14.5
P/BV (x)	8.1	7.5	6.9
Adj.EV/EBITDAR(x)	17.7	6.0	5.0
Div. Yield (%)	0.3	4.2	4.8

Estimate change



TP change



Rating change



Quarterly performance

(INR Million)

Y/E March	FY19				FY20				FY19	FY20E	FY20
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			
Net Sales	65,120	61,853	79,162	78,833	94,201	91,970	97,592	99,560	2,84,968	3,83,322	88,645
YoY Change (%)	13.2	16.9	28.1	35.9	44.7	48.7	23.3	26.3	23.8	34.5	36.1
Fuel cost	27,480	30,684	34,487	28,168	31,779	32,520	33,465	30,386	1,20,820	1,28,151	30,320
Employee cost	6,536	7,729	8,347	8,766	11,081	11,363	11,552	11,747	31,378	45,743	8,817
Other expenses	20,791	22,330	20,375	21,336	19,659	21,542	21,901	22,543	84,830	85,646	27,145
Total Expenditure	54,807	60,742	63,209	58,270	62,519	65,425	66,918	64,677	2,37,028	2,59,539	66,282
EBITDAR	10,313	1,111	15,953	20,563	31,681	26,544	30,674	34,883	47,940	1,23,783	22,363
Margins (%)	15.8	1.8	20.2	26.1	33.6	28.9	31.4	35.0	16.8	32.3	25.2
Net Rentals	10,424	11,161	13,761	14,649	6,405	6,628	6,979	7,238	49,994	27,251	12,447
EBITDA	-110	-10,050	2,192	5,914	25,276	19,916	23,695	27,645	-2,055	96,532	9,915
Margins (%)	-0.2	-16.2	2.8	7.5	26.8	21.7	24.3	27.8	-0.7	25.2	11.2
Depreciation	1,553	1,820	2,038	2,185	9,009	9,664	9,897	9,849	7,596	38,419	2,241
Interest	1,087	1,300	1,377	1,326	4,842	6,206	6,917	7,607	5,090	25,572	1,352
Other Income	3,064	3,289	3,131	3,764	3,669	3,754	3,753	3,947	13,248	15,123	3,389
PBT	314	-9,881	1,908	6,167	15,094	7,800	10,634	14,136	-1,492	47,664	9,711
Tax	36	-3,359	0	272	3,063	2,574	3,509	4,677	-3,052	13,823	2,816
Rate (%)	11.3	34.0	0.0	4.4	20.3	33.0	33.0	33.1	204.5	29.0	29.0
Reported PAT	278	-6,521	1,908	5,895	12,031	5,226	7,125	9,460	1,560	33,842	6,895
EPS	0.7	-17.0	5.0	15.3	31.3	13.6	18.5	24.6	4.1	88.0	17.9
YoY Change (%)	-96.6	-218.2	-75.0	401.1	4,225.4	-180.1	273.3	60.5	-93.0	2,069.5	2,378.8

E: MOSL Estimates



L & T Infotech

BSE SENSEX	S&P CNX
38,337	11,419
Bloomberg	LTI IN
Equity Shares (m)	172
M.Cap.(INRb)/(USD\$b)	262.8 / 3.8
52-Week Range (INR)	1990 / 1438
1, 6, 12 Rel. Per (%)	-11/-21/-18
12M Avg Val (INR M)	437
Free float (%)	25.2

CMP: INR1,514 TP: INR1,700 (+12%) Neutral

Spending weakness transcends beyond just the top customer

- Soft 1QFY20 performance on expected lines:** Revenues in constant currency (CC) grew 12.9% YoY (in-line), INR EBIT grew 4.1% YoY (in-line) while PAT grew 1.6% YoY (2.7% miss). Performance during the quarter was dragged by volatility in top accounts. Revenues from the top 6-10 clients declined 6.7% sequentially. EBIT margin during the quarter stood at 16%, declining 170bp sequentially. Decline in margins was led by (a) visa cost - 100bp, (b) sales and marketing investments - 100bp, and (c) currency movement - 20bp. The decline was partially offset by higher working days and adoption of IND-AS, which contributed +25bp to the margins.
- Specific client issues span beyond the largest customer:** LTI's BFS revenue has suffered over the last couple of quarters due to spending cuts in its top account. While this bottomed out in 1QFY20, there are other top accounts with specific issues, which would weigh down near-term revenue growth. Completion of project from a large African client and ramp-down in certain sizeable accounts should offset the revenue visibility from net-new deals in 2QFY20. For now, LTI expects normal growth to resume from 3QFY20. Assuming a flattish 2QFY20, LTI would have to grow at a CQGR upwards of 4% in 2HFY20 to reach a double-digit growth rate.
- Valuation View:** We expect LTI to grow its USD revenues at a CAGR of 10% and earnings at a CAGR of 8% over FY19-21E. LTI has seen one of the best executions among Tier-II IT, as a consequence of which, we expect it to continue commanding a premium to its peers. But, we have cut our multiple from 18x to 17x on account of muted recent performance and near-term uncertainty. Our price target of INR1,700 discounts forward earnings by 17x and implies an upside of 12%. Maintain **Neutral**.

Financials & Valuations (INR b)

Y/E Mar	2019	2020E	2021E
Net Sales	94.5	102.4	116.4
EBITDA	18.8	19.9	23.9
PAT	15.2	15.1	17.6
EPS (INR)	86.6	86.2	100.4
Gr. (%)	30.6	-0.5	16.5
BV/Sh (INR)	279.6	345.1	421.5
RoE (%)	34.6	27.6	26.2
RoCE (%)	41.5	32.5	31.9
P/E (x)	17.5	17.6	15.1
P/BV (x)	5.4	4.4	3.6

Estimate change

TP change

Rating change



Quarterly Performance

Y/E March	FY19				FY20				FY19	FY20E	Est. 1QFY20	Var. (% / bp)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Revenue (USD m)	320	329	347	354	357	358	369	380	1,349	1,464	357	(0.2)
QoQ (%)	3.5	2.7	5.6	2.0	0.8	0.5	3.1	3.0	19.1	8.5	1.0	(22)
Revenue (INR m)	21,557	23,312	24,729	24,860	24,849	25,075	25,850	26,623	94,458	1,02,396	24,852	(0.0)
YoY (%)	29.0	33.1	31.3	24.2	15.3	7.6	4.5	7.1	29.3	8.4	15.3	(1)
GPM (%)	35.2	35.1	34.8	34.0	33.1	33.5	34.0	34.5	34.7	33.8	33.7	(60)
SGA (%)	15.7	14.6	14.2	14.8	14.7	14.3	14.3	14.3	14.8	14.4	14.5	17
EBITDA	4,190	4,790	5,090	4,765	4,579	4,811	5,104	5,368	18,835	19,861	4,686	(2.3)
EBITDA Margin (%)	19.4	20.5	20.6	19.2	18.4	19.2	19.7	20.2	19.9	19.4	18.9	(47)
EBIT Margin (%)	17.7	19.0	19.1	17.7	16.0	16.2	16.7	17.2	18.4	16.5	15.9	7
Other income	1,036	943	288	648	812	836	789	789	2,915	3,226	941	(13.7)
ETR (%)	25.5	25.4	25.2	24.9	25.6	25.0	25.0	25.0	25.3	25.1	25.0	
Adj PAT	3,612	4,003	3,755	3,787	3,555	3,671	3,839	4,018	15,157	15,083	3,655	(2.7)
QoQ (%)	6.9	10.8	-6.2	0.9	-6.1	3.3	4.6	4.7			-0.5	
YoY (%)	35.1	46.6	32.7	12.0	-1.6	-8.3	2.2	6.1	30.5	-0.5	4.3	
EPS (INR)	20.6	22.9	21.5	21.6	20.3	21.0	21.9	22.9	86.6	86.2	20.9	(2.9)
Headcount	25,150	26,414	27,513	28,169	29,347	29,417	30,437	31,227	28,169	31,227	28,609	2.6
Util incl. trainees (%)	79.7	80.4	82.1	80.1	80.5	-	-	-	-	-	-	-
Attrition (%)	15.1	15.3	16.5	17.5	18.3	-	-	-	-	-	-	-
Offshore rev. (%)	53.2	52.4	52.2	52.2	50.5	-	-	-	52.5	50.3	53.3	(283)

E: MOFSL Estimates



BSE SENSEX	S&P CNX
38,337	11,419
Bloomberg	RBK IN
Equity Shares (m)	427
M.Cap.(INRb)/(USD\$)	214 / 3.1
52-Week Range (INR)	717 / 439
1, 6, 12 Rel. Per (%)	-18/-18/-15
12M Avg Val (INR M)	1153
Free float (%)	100.0

Financials & Valuations (INR b)

Y/E March	FY19	FY20E	FY21E
NII	25.4	35.2	48.0
OP	19.4	26.6	35.3
NP	8.7	10.4	14.8
NIM (%)	3.7	4.0	4.1
EPS (INR)	20.3	24.3	31.3
EPS Gr. (%)	34.3	19.8	28.4
BV/Sh. (INR)	176.9	197.8	257.5
ABV/Sh. (INR)	168.5	183.3	242.6
RoE (%)	12.2	13.0	14.3
RoA (%)	1.2	1.1	1.2
Payout (%)	10.2	12.0	15.0

Valuations

P/E(X)	24.6	20.6	16.0
P/BV (X)	2.8	2.5	1.9
P/ABV (X)	3.0	2.7	2.1

CMP: INR500 TP: INR640 (+28%) Buy

Earnings momentum to take a breather; guided for elevated slippages during FY20E

- RBK reported 1QFY20 PAT at INR2.7b (41% YoY growth, inline) though the guidance on asset quality will drive elevated credit cost and impact earnings trajectory over the coming quarters.
- GNPA increased 4.6% QoQ to INR7.9b (1.4% of loans) while NNPA stood flat at INR3.7b enabling 230bp QoQ improvement in PCR to 52.9% (69.1% including TWO). **RBK guided for: (i) Elevated stress in a few corporate accounts (exposure: INR9-10b), (ii) Incremental credit cost of ~35-40bp towards these exposures, and, (iii) GNPA ratio to increase to 2.3-2.5% by end-FY20 from 1.38% currently.**
- NII grew 48% YoY to INR8.2b, led by 35% YoY growth in advances and 8bp QoQ expansion in the margin to 4.3%. Core fees increased 41% YoY (+5% QoQ) to INR4.1b, driven by credit cards (+66% YoY; ~47% of total fees).
- Loan book grew 35% YoY, led by strong growth in retail book (+62% YoY), while wholesale book grew 23% YoY. The share of retail loans increased by 160bp QoQ to ~46%. Deposits base increased 35% YoY led by a robust 73% YoY increase in SA deposits. CASA ratio increased to 25.8% (+80bp QoQ).
- **Other highlights:** (i) Tier-1 ratio declined to 11.3% due to higher capital charge on unrated assets, (ii) **MFI book** declined 1% QoQ to INR49.7b (8.7% of total loans), (iii) **Cards portfolio** grew to 2m (1.7m in FY19), while credit card book grew 129% YoY to INR66.5b (11.7% of total loans), and, (iv) **Mix of BB and below book** increased 110bp QoQ to 7%.
- **Valuation view:** RBL has demonstrated strong momentum in business growth and earnings. However the exposure to a few stressed corporate accounts is likely to drive an increase in provisioning expenses and dent the earnings trajectory. We, thus, cut our PAT estimates by 12%/9% for FY20/21 as we factor in higher credit cost of 160bp/140bp for FY20/21 (~100bp in FY19) though robust margins and improving profitability in the cards business will still facilitate 30% earnings CAGR over FY19-21. We revise our TP to INR640 (2.5x FY21E BV). Maintain **Buy**.

Quarterly performance

	FY19				FY20E				FY19	FY20E	1Q V/s our	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			FY20E	Est
Net Interest Income	5,527	5,930	6,551	7,387	8,173	8,450	8,978	9,608	25,395	35,209	7,792	5%
% Change (Y-o-Y)	46.1	41.1	40.2	47.6	47.9	42.5	37.1	30.1	43.8	38.6	41.0	690
Other Income	3,260	3,331	3,741	4,092	4,812	4,777	5,076	5,240	14,424	19,905	4,349	11%
Total Income	8,787	9,261	10,291	11,480	12,985	13,227	14,054	14,847	39,818	55,114	12,141	7%
Operating Expenses	4,464	4,770	5,307	5,880	6,797	6,835	7,262	7,584	20,420	28,477	6,083	12%
Operating Profit	4,323	4,491	4,985	5,600	6,188	6,393	6,792	7,263	19,398	26,637	6,058	2%
% Change (Y-o-Y)	38.8	48.1	49.5	46.2	43.1	42.4	36.3	29.7	45.7	37.3	40.1	301
Other Provisions	1,404	1,397	1,607	2,000	2,132	2,640	2,694	3,309	6,407	10,775	2,110	1%
Profit before Tax	2,920	3,094	3,378	3,600	4,056	3,753	4,099	3,954	12,992	15,862	3,948	3%
Tax Provisions	1,019	1,048	1,126	1,128	1,386	1,295	1,414	1,364	4,322	5,472	1,362	2%
Net Profit	1,900	2,045	2,252	2,472	2,671	2,458	2,685	2,590	8,670	10,389	2,586	3%
% Change (Y-o-Y)	34.8	35.8	36.2	38.8	40.5	20.2	19.2	4.8	36.5	19.8	36.1	446
Operating Parameters												
Deposit (INR b)	449.5	477.9	521.9	583.9	608.1	623.7	683.2	782.5	583.9	782.5	574.2	6%
Loan (INR b)	422.0	458.7	498.9	543.1	568.4	612.6	664.7	716.9	543.1	716.9	562.6	1%
Deposit Growth (%)	26.9	30.7	35.1	33.0	35.3	30.5	30.9	34.0	33.0	34.0	27.7	755
Loan Growth (%)	35.7	36.6	35.2	34.9	34.7	33.5	33.2	32.0	34.9	32.0	33.3	136
Asset Quality												
Gross NPA (INR b)	6.0	6.4	7.0	7.5	7.9	10.2	12.6	17.0	7.5	17.0	8.2	-4%
Gross NPA (%)	1.4	1.4	1.4	1.4	1.4	1.6	1.9	2.4	1.4	2.4	1.5	-7
Net NPA (INR b)	3.2	3.4	3.6	3.7	3.7	4.7	5.7	8.8	3.7	8.8	3.9	-6%
Net NPA (%)	0.8	0.7	0.7	0.7	0.7	0.8	0.9	1.2	0.7	1.2	0.7	-5
PCR (%)	47.0	47.5	48.5	50.6	52.9	53.5	55.0	48.1	50.6	48.1	52.0	91

Source: MOFSL

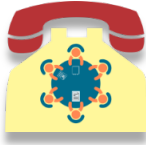
BSE SENSEX
38,721

S&P CNX
11,559

CMP: INR110

Buy

Conference Call Details



Date: 22nd July 2019

Time: 11:00am IST

Dial-in details:

+91-22- 62801141/

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Financials & Valuations (INR b)

Y/E March	2019	2020E	2021E
Total Income	64.4	69.9	83.1
PPP	37.5	40.9	48.8
PAT	22.3	23.9	27.5
EPS (INR)	11.2	12.0	13.8
BV/Sh. (INR)	68.4	79.0	91.1
RoAA (%)	2.3	2.1	2.1
RoE (%)	18.0	16.2	16.2
Payout (%)	13.9	11.6	11.6
Valuation			
P/E (x)	9.9	9.2	8.0
P/BV (x)	1.6	1.4	1.2
Div. Yield (%)	1.2	1.1	1.3

In-line; Healthy growth in focused segments; 50% mark down on specific HFC exposure

- 1QFY20 PAT was largely flat YoY/QoQ at INR5.5b (in-line), despite 50% mark down on the HFC exposure of INR5.7b. Since most of the IL&FS exposure is classified as 'Green,' the company has started recognizing interest on the same. 2HFY19 de-recognized interest (INR840m) is also recognized in 1QFY20.
- Overall loans grew 16% YoY (flat QoQ) to INR999b. The focused loan book (ex SFG and DCM) grew 2% QoQ/24% YoY to INR905b, driven by strong growth in rural (36% YoY) and housing finance (28% YoY).
- Within the rural businesses, the company continues reporting strong growth in 2W (55% YoY) and farm equipment (20% YoY) segments, despite slowdown in underlying sales. Micro loans segment growth remains largely in line with industry trend; however, the company has become cautious in a few geographies. After witnessing strong growth over the last few quarters, RE financing has seen moderation. LAP segment remains flattish on QoQ/YoY basis. Share of rural and housing improved 6% YoY to 52%.
- With the change in business dynamics/macro environment, LTFH now classified structured finance (SFG) and DCM business as de-focused business (being a marginal player and have no right to win). This forms 9% of AUM and the company plans to run this down gradually. Consumer finance and SME business loans now have been identified as the key focus areas.
- Asset quality was stable QoQ – gross stage 3 % declined 18bp QoQ (-220bp YoY) to 5.7%, with PCR largely stable at 58%. The contingency provision buffer stands at INR3.5b (flat QoQ), of which INR2.4b is for rural businesses and INR1.2b for housing finance business.
- Other highlights** – (a) NIM + fees as % of loans declined 20bp QoQ to 6.76% (adjusted for IL&FS interest). (b) COF increased just 6bp QoQ to 8.6%. (c) AAUM grew 3% QoQ/YoY to INR735b. (d) Wealth AUM grew 36% YoY to INR256b.
- Update on liquidity** – (a) Positive ALM in one-year bucket. (b) INR49b in liquid assets. (c) Undrawn bank lines of INR63b. (d) Back up line from L&T (parent) of INR20b. (e) Raised INR10b (INR15b in 4Q) via Retail NCD. (f) USD275m raised via ECB from IFC. (g) Already in compliance with RBI draft guidelines related to liquidity. (h) Share of CPs down to 13% from 20% a year ago.
- Valuation view:** Over the past one year, the company has reported healthy operating performance and asset quality, despite a tough liquidity situation. Any one-off income has been utilized to provide for expected stress in the balance sheet. Over the last three years, LTFH has delivered a turnaround in business, with a strong improvement in RoE from 10% to 16-18%. Also, it is well on its journey of 'retailization' of its balance sheet.

LTFH: Quarterly performance

(INR Million)

Y/E March	FY19				FY20	FY19	FY20E
	1Q	2Q	3Q	4Q	1Q		
Interest Income	31,061	31,532	33,629	33,042	35,945	1,29,265	1,47,115
Interest Expenses	15,122	16,497	18,659	18,325	19,229	68,603	80,932
Net Interest Income	15,939	15,035	14,970	14,717	16,716	60,661	66,182
YoY Growth (%)	54.6	17.2	31.2	15.2	4.9	28.2	9.1
Other income	643	1,870	893	797	950	4,203	3,742
Total Income	16,582	16,905	15,863	15,514	17,666	64,865	69,924
YoY Growth (%)	43.3	30.4	33.0	19.4	6.5	31.2	7.8
Operating Expenses	5,048	5,256	5,430	4,324	4,435	20,058	29,027
YoY Growth (%)	41.6	21.9	50.9	-16.9	-12.1	20.3	44.7
Operating Profits	11,535	11,649	10,433	11,190	13,231	44,806	40,897
YoY Growth (%)	44.1	34.7	25.3	43.6	14.7	36.7	-8.7
Provisions	4,243	3,673	2,675	3,696	5,804	14,287	8,140
Profit before Tax	7,292	7,976	7,758	7,494	7,426	30,520	32,757
Tax Provisions	1,894	2,385	1,949	1,972	1,932	8,200	8,844
Profit after tax	5,398	5,591	5,810	5,521	5,494	22,320	23,912
YoY Growth (%)	71.8	62.2	77.8	104.5	1.8	71.8	7.1
Loan growth (%)	24.0	24.1	21.8	16.3	15.7	15.1	21.2
Cost to Income Ratio (%)	30.4	31.1	34.2	27.9	25.1	30.9	41.5
Tax Rate (%)	26.0	29.9	25.1	26.3	26.0	26.9	27.0

E: MOSL Estimates



Amara Raja Batteries

BSE SENSEX	S&P CNX
38,337	11,419
Bloomberg	AMRJ IN
Equity Shares (m)	171
M.Cap.(INRb)/(USDb)	104.3 / 1.5
52-Week Range (INR)	908 / 573
1, 6, 12 Rel. Per (%)	7/-27/-25
12M Avg Val (INR M)	439
Free float (%)	71.9

CMP: INR610 TP: INR715 (+17%) Buy

Margins powered by volumes growth; price cuts in 2W aftermarket

- Volumes were up ~7% YoY, but price pass-through (5-6%) restricted revenue growth** to just 2% YoY (INR18.2b v/s our estimate of INR17.4b). 4W battery volumes increased 5% YoY, driven by growth of 10-11% YoY in aftermarket and 22% YoY in exports, partly offset by an 18% YoY decline in OEM volumes. 2W volumes were up 6-7% YoY, driven by 20% YoY growth in aftermarket, despite 25-28% YoY decline OEM volumes. Inverter volumes were flat YoY. Industrial volumes increased 11% YoY, driven by 25% YoY growth in UPS, despite 8-9% YoY decline in telecom battery volumes.
- Operating leverage drives margins:** Lead prices were lower by 10-12% YoY. Operating leverage and change in lease accounting (20-25bp benefit) drove EBITDA margin expansion of ~300bp YoY (stable QoQ) to 15.4% (our estimate: 15.1%). Implementation of AS116 (lease accounting) resulted in higher depreciation (by ~INR40m) and interest cost (by ~INR10m). Adj. PAT increased ~25% YoY (+18% QoQ) to INR1.4b (our estimate: INR1.3b).
- Takeaways from management interaction:** (a) AMRJ recently reacted to the 5-6% price cut in the 2W replacement market by EXID. Also, the warranty period was increased by six months across auto segments. (b) Realized lead price was at INR141-143k/ton (v/s INR154k in 4QFY19). (c) Capex guidance of INR4-4.5b for ongoing capacity expansion in 2W batteries (by 3m units to 17m units), 4W batteries (by ~2m units to 14.5m) and implementation of punch-grid technology. (d) AMRJ would be launching e-rickshaw batteries by 3QFY20.
- Valuation and view:** We expect replacement market growth to remain strong for organized players. This, coupled with some stability in telecom segment volumes and soft lead prices, is likely to support margins. With the exit of Johnson Control, promoters are expected to play a pivotal role in the long-term strategy and technology sourcing. We estimate revenue/EBITDA/PAT CAGR of 7%/11%/10% over FY19-21. The stock trades at 19.9x/17.7x FY20/21E EPS. Maintain Buy with a target price of INR715 (20x Jun'21E EPS).

Financials & Valuations (INR b)

Y/E Mar	2019	2020E	2021E
Net Sales	67.9	70.5	78.2
EBITDA	9.5	10.6	11.8
PAT	4.8	5.2	5.9
EPS (INR)	28.3	30.6	34.5
Gr. (%)	2.6	8.2	12.7
BV/Sh (INR)	195	217	241
RoE (%)	15.4	14.9	15.1
RoCE (%)	14.9	14.3	14.4
P/E (x)	21.6	19.9	17.7
P/BV (x)	3.1	2.8	2.5

Estimate change	↔
TP change	↔
Rating change	↔

Quarterly Performance

Y/E March (INR m)	(INR Million)											
	FY19				FY20				FY19	FY20E	FY20	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q	VAR (%)
Net Sales	17,787	17,531	16,947	15,667	18,150	18,232	18,302	15,819	67,931	70,503	17,431	4.1
YoY Change (%)	18.8	22.8	9.1	-0.9	2.0	4.0	8.0	1.0	12.1	3.8	-2.0	
RM Cost (% of sales)	71.5	69.1	67.2	65.2	67.6	67.5	67.5	67.2	67.6	67.5	67.0	60bp
Staff Cost (% of sales)	4.7	5.3	5.1	5.2	5.4	5.1	5.2	5.7	4.9	5.0	5.1	30bp
Other Exp (% of sales)	11.4	12.1	12.7	14.1	11.6	11.8	12.0	13.5	13.0	13.2	12.8	-120bp
EBITDA	2,203	2,366	2,528	2,421	2,792	2,849	2,792	2,139	52,573	10,572	2,631	6.1
Margins (%)	12.4	13.5	14.9	15.5	15.4	15.6	15.3	13.5	77.4	15.0	15.1	30bp
Depreciation	630	643	657	683	733	740	800	808	2,612	3,082	700	
Interest	15	18	18	19	29	19	29	-7	70	70	19	
Other Income	137	142	125	63	102	120	110	118	468	450	100	
PBT	1,695	1,848	1,978	1,783	2,132	2,210	2,073	1,455	50,360	7,870	2,013	5.9
Tax Rate (%)	33.3	34.9	33.8	33.0	33.9	33.5	33.5	32.9	1.4	33.5	33.5	
Adj PAT	1,130	1,202	1,309	1,193	1,409	1,470	1,379	976	49,637	5,234	1,338	5.3
YoY Change (%)	13.2	-5.5	-2.6	8.7	24.7	22.2	5.3	-18.2	953.1	-89.5	18.4	

E: MOSL Estimates

**RESULTS
FLASH**

Future Lifestyle Fashions

BSE SENSEX 38,337
S&P CNX 11,419

CMP: INR449

TP: INR585 (+30%)

Buy

EBITDA up 13% YoY (in-line) on pre-Ind-AS 116 basis

On reported basis...

- Revenues increased 17% YoY to INR15.4b in 1QFY20.
- Reported EBITDA was up 1.2x YoY to INR2.6b on Ind-AS 116 basis.
- EBITDA margin expanded 800bp YoY to 17.1%.
- Rent expenses were down by 73% YoY to INR337m, while depreciation expense was up 2.5x YoY to INR1,6b due to change in accounting standards.
- PAT declined 34% YoY to INR245m.
- SSG was 5.2% YoY, with Central SSG at 7% YoY (our estimate: 4%) and Brand Factory SSG at 2.5% YoY (our estimate: 10%)

On pre-Ind-AS 116 basis...

- Revenue was up 16.8% YoY to INR15.4b (2.5% miss).
- EBITDA increased 13.3% YoY to INR1.4b (1.2% beat).
- EBITDA margin shrank 30bp YoY to 8.7% (our estimate: 8.4%).
- Net profit declined 15.3% YoY to INR314m (3.6% miss).

Operating Metrics

- Central/Brand Factory added gross 3/6 stores but closed 1/2 stores. Thus, on net basis, Central/Brand Factory added 2/4 stores, taking the total store count to 47/97 in 1QFY20.
- Brand Factory's share in overall sales increased by 224bp YoY to 42.1%.

Exhibit 1: FLFL Quarterly Results

Consol. - Quarterly Earning Model

Y/E March	(INR m)											
	FY19				FY20				FY19	FY20	FY20 Est Var	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Net Sales	13,190	13,360	16,920	13,810	15,403	16,299	21,150	16,963	57,281	69,816	15,828	-13
YoY Change (%)	21.7	19.5	38.1	28.9	16.8	22.0	25.0	22.8	27.3	21.9	47.8	
Total Expenditure	12,000	12,130	15,260	12,580	12,777	14,756	19,000	16,700	52,022	63,232	14,496	-13
EBITDA	1,190	1,230	1,660	1,230	2,626	1,543	2,150	263	5,259	6,583	1,332	-8
Margins (%)	9.0	9.2	9.8	8.9	17.1	9.5	10.2	1.6	9.2	9.4	8.4	33bp
Depreciation	450	470	510	640	1,580	682	700	-164	2,071	2,798	666	-4
Interest	270	280	280	340	713	275	275	-162	1,168	1,102	275	23
Other Income	90	80	130	80	108	95	95	88	383	386	95	-16
PBT	560	560	1,000	330	441	680	1,270	677	2,403	3,069	486	-32
Tax	190	180	320	-230	157	224	419	213	465	1,013	160	
Rate (%)	33.9	32.1	32.0	-69.7	35.5	33.0	33.0	31.4	19.4	33.0	33.0	
MI & Profit/Loss of Asso. Cos.	0	0	0	0	39	0	0	0	48	0	0	
Reported PAT	370	380	680	560	245	456	851	465	1,890	2,056	325	72
Adj PAT	370	380	680	210	245	456	851	465	1,640	1,270	325	-35
YoY Change (%)	15.6	25.5	53.0	0.0	-33.7	19.9	25.2	121.3	30.1	-22.6	-80.2	
Margins (%)	2.8	2.8	4.0	1.5	1.6	2.8	4.0	2.7	2.9	1.8	2.1	

Source: MOFSL, Company



RJio only player to add subs; Bharti surprises with healthy MBB subs adds

The Telecom Regulatory Authority of India (TRAI) has released subscriber data for May'19.

Key highlights:

- Industry gross subscribers declined by 0.4m MoM to 1.16b in May'19. Notably, RJio was the only player to add subscribers in the month (+8.2m). On the other hand, Bharti/Vodafone Idea's (VIL) gross subscribers declined by 1.5m/5.7m.
- Active subscriber base declined by 2.2m MoM to 997.5m in May'19, led by Bharti (-4.2m) and VIL (-5m). RJio was again the only player to add active subscribers (+6.9m), but the pace of addition continued slowing down.
- At the gross level, RJio's 323m subscribers surpassed Bharti's 320m. VIL's gross subscriber base stood at 388m. However, RJio's active subscriber base stood at 272m, much below Bharti/VIL's 320m/337m.
- Broadband subscriber adds stood at 14.5m in May'19 (+3.6m in Apr'19), reaching 563m (56.4% of the active subscriber base).
- RJio continued adding MBB subscribers (+8.2m) at a healthy pace. Bharti also witnessed healthy adds of 6.89m. However, Vodafone Idea witnessed a marginal decline in MBB subscribers, possibly indicating SIM card consolidation.

Net active subscriber base declines marginally in May'19

Industry gross subscribers declined by 0.4m MoM to 1.16b in May'19. Notably, RJio was the only player to subscribers (+8.2m). On the other hand, Bharti/VIL's gross subscribers declined by 1.5m/5.7m.

Net active subscriber base was down 0.2% to 997.5m, likely on account of continued clean-up of inactive subscribers following the recently launched minimum recharge plans. Both Bharti (-4.2m; -1.3% MoM) and Vodafone Idea (-5m; -1.5m MoM) lost active subscribers in the month. While RJio continued adding active subscribers (+2.6% MoM to 6.9m), the pace of addition slowed down for the third consecutive month. Nevertheless, its active subscriber market share improved by 80bp MoM to 27.3% in the month.

At the gross level, RJio's 323m subscribers surpassed Bharti's 320m. VIL's gross subscriber base stood at 388m. However, RJio's active subscriber base stood at 272m, much below Bharti/VIL's 320m/337m.

Bharti's active subscriber base down marginally

Bharti's gross subscribers declined by 1.5m to 320m, while its active subscribers too were down by 4.2m to 320m. The company's active subscriber market share shrank 30bp MoM to 32.1%, probably on the back of the implementation of minimum recharge plans.



1. RBL BANK: NPAS MAY RISE TO 2.5 PERCENT OVER NEXT 9 MONTHS IN THE WORST CASE SCENARIO; Vishwavir Ahuja, MD & CEO

- As a result of leverage position in certain companies, tight liquidity conditions and volatile nature of equity market, there are a few small corporate relationships of the bank where there may be emerging stress.
- Want to make it clear that all these accounts are standard, they are current as of now and from bank's past track record, have been careful and prudential in client selection and have avoided every troubled situation that has come up in the country in the last few years.
- In terms of dimensions, on a conservative basis, this could be less than 1.75 percent of current advances. It may not end up even close to that. It can have an impact, if bank has to take the loss given default in terms of provisioning that it may have to take, it could be between 30 and 40 bps on the profit and loss.
- It was not a sectoral problem as the bank had a diverse portfolio. On worst case basis, gross non-performing assets (NPAs) may rise to 2.25-2.5 percent over next 6-9 months.

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2. APOLLO HOSPITALS : PROMOTER PLEDGE TO HALVE ONCE MONEY FROM APOLLO MUNICH STAKE SALE COMES IN; Suneeta Reddy, MD

- While the deal is signed, the money will come to company by the end of September or first week of October. At that time, the pledge, which is at currently 75%, will come down by 50%.
- Post the Munich deal, will be at around 35% to 40% of the pledge. Hope to bring that down to about 20%.
- Company is not looking at an outside investor to reduce debt. Believe that current cash flows will enable company to reduce debt plus have one liquidity event. Will get cash from Apollo Munich sale. The debt will reduce on the balance sheet. For the family, yes the Apollo Munich is a liquidity event and do have other assets that company can look at.
- Margin expansion would continue. New hospitals which were started 30 months ago are now picking up traction. They were at about 6%. Look forward to seeing them at around 10%. This year, company is also looking at mature hospitals, which were at 21.7%. Expect to improve that by another 100 bps.
- On the consolidated Apollo balance sheet, there has been a very good turnaround with Apollo Health and Lifestyles and there should be EBITDA breakeven this quarter.

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1. ALIGNING PROFIT WITH PURPOSE FOR SUSTAINABLE BUSINESS

- The notion of the company dates back to 11th century Italy, when Italian seafaring merchants received money from passive investors, in return for a share of the profits from their voyage. More formal manifestations of the company took shape centuries later, beginning with the East India Company in 1600, which by royal charter was awarded a monopoly of English trade with Asia. In the 18th century era of Adam Smith and classical liberalism, companies assumed the form of private enterprises free of governmental influence or direction, with the intent that private enterprises are capable of delivering benefits to all levels of society. When the English parliament passed the Joint Stock Companies Act of 1856, it became possible for citizens to follow a simple procedure and register a company with their liability limited to the extent of their investments. Since then, companies have been at the centre of a complex and evolving relationship between economics, government and society, propelling capitalist progress. Companies have produced life-saving drugs, put cellphones in the hands of every other human, brought information to our finger tips, and are now gearing up to explore outer space. In doing so, they have had to balance the interests of various stakeholders they serve—shareholders, customers, employees and society at large.

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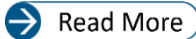
2. AN AI INNOVATION ENGINE FOR NEW INDIA

- Last month, a friend pointed out that the Silicon Valley now hosts more than 15,000 top-end engineers from IITs. What this means is we are still exporting our top talent (raw material) and buying back innovations (Google, Facebook, Amazon). Such is the power of the innovation engine built over the last 70 years in the Silicon Valley that it is the dominant source of tech innovation for the entire world. China learnt the innovation engine model that the Silicon Valley had pioneered; today, its economy is 5x that of India and has already surpassed that of the US in purchasing power parity. China is poised to get \$8 trillion gains out of the massive AI wave that is slated to deliver \$16 trillion of new economic value (as per Accenture Research). How did they manage to recreate the Silicon Valley magic? China did three things right that yielded strong results.

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3. WHAT'S NEXT FOR EUROPE'S CAPITAL MARKETS?

- When the United Kingdom eventually leaves the European Union – assuming it does – it will take Europe's biggest capital market with it. The loss of the City of London could drive the EU's 27 remaining members to pursue an inward-looking strategy for managing their capital markets. But, as we argue in a new policy brief for the Centre for European Reform, the EU27 would be far better off keeping those markets open to – and, indeed, integrated with – London and the rest of the world. Greater capital market openness has been on the EU's agenda for some time. Since 2014 – well before the Brexit vote – the EU has been aiming to build more integrated markets for cross-border investment within the bloc. But the creation of a capital markets union (CMU) requires politically tricky policy changes in a wide range of areas, including taxation, insolvency regimes, and financial regulation. As a result, progress has been slow. Without the City of London, the EU can probably forget about creating a capital market that could compete with New York or Tokyo. But that does not mean it should abandon its ambition to build a CMU. After all, the fundamental issues that such a union is supposed to address endure.

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Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Automobiles																
Amara Raja	Buy	610	715	17	28.3	30.6	34.5	2.6	8.1	12.7	19.9	17.7	2.8	2.5	14.9	15.1
Ashok Ley.	Buy	79	110	39	6.9	6.0	5.3	16.6	-14.1	-10.4	13.3	14.9	2.6	2.5	20.3	17.3
Bajaj Auto	Neutral	2558	2988	17	165.9	168.6	186.2	9.6	1.6	10.4	15.2	13.7	3.1	2.8	21.3	21.3
Bharat Forge	Buy	438	534	22	22.2	23.2	25.6	20.3	4.8	10.1	18.8	17.1	3.4	2.9	18.9	18.3
Bosch	Neutral	15167	17214	13	541.9	523.6	636.5	15.3	-3.4	21.6	29.0	23.8	5.7	5.0	18.2	22.2
CEAT	Buy	871	1169	34	63.6	60.7	78.9	-0.5	-4.6	30.0	14.3	11.0	1.2	1.1	8.6	10.4
Eicher Mot.	Buy	17668	22724	29	813.9	793	942	1.8	-2.5	18.8	22.3	18.7	4.6	4.0	22.4	22.7
Endurance Tech.	Buy	953	1296	36	36.2	40.2	46.3	24.5	11.2	15.2	23.7	20.6	4.5	3.9	20.5	20.4
Escorts	Neutral	509	625	23	53.2	52.4	53.5	34.7	-1.5	2.1	9.7	9.5	1.5	1.3	16.1	14.4
Exide Ind	Buy	188	267	42	9.1	10.3	11.5	10.6	13.9	11.9	18.3	16.3	2.4	2.2	13.4	13.6
Hero Moto	Neutral	2388	2636	10	169.5	158.0	178.3	-8.5	-6.8	12.8	15.7	13.9	3.6	3.3	23.7	24.6
M&M	Buy	571	778	36	42.7	40.6	42.7	4.1	-4.9	5.1	14.1	13.4	1.8	1.7	12.0	11.3
Mahindra CIE	Buy	207	290	40	14.1	16.4	18.9	44.7	16.3	14.9	12.6	10.9	1.6	1.4	13.5	13.5
Maruti Suzuki	Buy	5769	7425	29	247.7	240.0	303.6	-7.1	-3.1	26.5	24.0	19.0	3.6	3.3	14.5	17.1
Motherson Sumi	Buy	111	150	36	5.1	5.5	7.3	-5.2	7.6	32.8	20.1	15.1	3.0	2.7	15.2	18.7
Tata Motors	Neutral	155	183	18	-4.4	13.3	15.4	PL	LP	15.7	11.6	10.1	0.8	0.8	7.2	7.8
TVS Motor	Neutral	396	434	10	14.1	16.1	20.6	1.1	14.3	27.8	24.6	19.2	4.8	4.0	21.1	22.9
Aggregate								-21.1	17.5	15.3	18.7	16.2	2.6	2.4	14.2	14.9
Banks - Private																
AU Small Finance	Buy	658	750	14	13.2	18.6	25.8	28.9	41	38.9	35.4	25.5	4.9	4.1	15.9	17.7
Axis Bank	Buy	729	925	27	18.2	35.5	51.7	1,538.1	95	45.5	20.5	14.1	2.5	2.1	12.8	16.1
DCB Bank	Neutral	194	225	16	10.5	12.1	15.5	32.0	15.3	27.8	16.0	12.5	1.8	1.6	12.3	13.9
Equitas Hold.	Buy	115	160	39	6.3	10.1	13.4	583.7	58.8	32.9	11.4	8.6	1.4	1.2	13.0	15.3
Federal Bank	Buy	99	125	26	6.3	8.0	10.2	32.2	27.8	27.1	12.3	9.7	1.4	1.2	11.5	13.3
HDFC Bank	Buy	2376	2750	16	79.3	92.8	112.1	16.9	17.1	20.8	25.6	21.2	3.9	3.3	15.9	16.9
ICICI Bank	Buy	410	500	22	5.2	21.1	28.3	-52.8	304.0	34.1	19.4	14.5	2.3	2.0	12.3	14.9
IndusInd	Buy	1421	1830	29	54.9	91.7	120.2	-8.8	67.1	31.1	15.5	11.8	2.6	2.2	18.6	20.1
Kotak Mah. Bk	Neutral	1500	1350	-10	37.7	44.2	53.8	16.0	17.1	21.7	33.9	27.9	4.3	3.8	13.2	14.3
RBL Bank	Buy	500	640	28	20.3	24.3	31.3	34.3	19.6	28.8	20.6	16.0	2.5	1.9	13.0	14.3
South Indian	Buy	13	18	42	1.4	2.0	2.8	-26.2	48.7	37.8	6.2	4.5	0.4	0.4	6.8	8.8
Aggregate								16.7	57.1	30.5	23.3	17.9	3.2	2.8	13.6	15.5
Banks - PSU																
BOB	Buy	118	145	23	1.6	11.6	22.0	LP	606.9	90.8	10.2	5.4	0.7	0.6	6.4	12.0
BOI	Neutral	80	90	12	-24.6	-0.8	8.1	Loss	Loss	LP	NM	9.9	0.5	0.5	-0.5	4.7
Canara	Neutral	265	278	5	4.7	28.9	30.7	LP	519.5	6.0	9.2	8.6	0.6	0.6	5.9	6.0
Indian Bk	Buy	221	300	36	6.7	17.9	36.6	-74.4	166.6	104.6	12.4	6.1	0.6	0.5	5.1	9.8
PNB	Neutral	73	80	10	-27.1	3.5	8.2	Loss	LP	131	21	8.9	0.8	0.7	3.6	7.8
SBI	Buy	356	430	21	2.6	33.5	37.3	LP	1,198	11.6	10.6	9.5	1.3	1.1	13.4	13.2
Union Bk	Neutral	74	80	8	-20.1	-2.9	1.9	Loss	Loss	LP	NM	39.0	0.5	0.5	-2.1	1.4
Aggregate								Loss	LP	39	12	9.0	1.0	0.9	7.7	9.7
NBFCs																
Aditya Birla Cap	Buy	87	130	49	4.0	4.3	5.8	25.7	9.0	34.4	20.2	15.0	1.8	1.5	9.9	10.9
Bajaj Fin.	Neutral	3322	2900	-13	69.3	87.8	106.9	59.6	26.7	21.8	37.9	31.1	7.9	6.5	23.1	23.0
Cholaman. Inv.&F n	Under Review	265	-		15.2	17.5	19.7	21.7	15.4	12.4	15.1	13.5	2.8	2.4	20.2	19.0
HDFC	Buy	2304	2600	13	43.1	45.9	51.1	29.6	6.4	11.3	50.2	45.1	4.8	4.3	12.8	12.8
HDFC Life Insur.	Buy	488	475	-3	6.3	7.4	8.9	14.6	16.4	20.3	66.1	55.0	4.4	3.7	21.0	18.3
ICICI Pru Life	Buy	379	475	25	8.0	8.5	9.3	-29.5	6.8	10.1	44.7	40.6	2.2	1.9	16.4	16.7
Indiabulls Hsg	Under Review	635	-		95.9	80.5	85.6	5.0	-16.0	6.2	7.9	7.4	1.5	1.4	19.9	19.3
Indostar Capital	Buy	341	525	54	26.1	35.5	50.3	2.5	35.9	41.9	9.6	6.8	0.9	0.8	10.3	12.9
L&T Fin Holdings	Buy	111			11.2	12.0	13.8	64.8	7.1	15.0	9.2	8.0	1.4	1.2	16.2	16.2
LIC Hsg Fin	Buy	523	650	24	48.1	55.7	63.8	21.4	15.8	14.4	9.4	8.2	1.4	1.3	16.3	16.3
MAS Financial	Buy	587	745	27	27.8	32.2	38.5	47.1	15.6	19.8	18.3	15.2	3.1	2.7	19.3	19.8



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
M&M Fin.	Buy	361	500	38	25.3	29.3	33.0	44.7	15.7	12.7	12.3	10.9	1.9	1.7	16.3	16.3
Muthoot Fin	Neutral	605	600	-1	49.2	55.9	63.4	10.8	13.5	13.4	10.8	9.5	2.2	1.9	22.4	21.8
PNB Housing	Buy	738	900	22	71.1	77.5	85.3	40.9	8.9	10.1	9.5	8.7	1.5	1.3	16.4	15.7
Repco Home	Buy	352	500	42	37.5	37.8	43.1	16.7	0.8	14.1	9.3	8.2	1.3	1.1	14.4	14.4
Shriram City Union	Buy	1447	2100	45	149.9	168.4	186.1	48.7	12.4	10.5	8.6	7.8	1.3	1.1	16.1	15.5
Shriram Trans.	Buy	1058	1300	23	113.0	115.3	127.6	4.2	2.1	10.6	9.2	8.3	1.3	1.2	15.6	15.1
Aggregate								28.4	8.6	14.1	24.1	21.1	3.4	3.0	14.2	14.2
Capital Goods																
ABB	Sell	1415	1331	-6	12.0	18.6	23.4	12.7	54.8	25.9	76.2	60.5	6.8	6.0	8.9	10.0
Bharat Elec.	Buy	99	132	34	7.9	7.5	8.2	37.7	-5.1	9.6	13.1	12.0	2.4	2.1	18.3	17.9
BHEL	Neutral	64	74	16	3.5	3.9	4.4	58.9	11.8	11.6	16.3	14.6	0.7	0.7	4.3	4.7
Blue Star	Neutral	727	770	6	19.5	24.4	31.0	34.7	25.6	26.6	29.8	23.5	6.7	5.5	22.4	23.3
CG Cons. Elec.	Buy	232	270	16	6.0	7.6	9.0	15.5	28.2	17.9	30.3	25.7	10.6	8.5	38.7	36.7
Cummins	Buy	728	915	26	26.1	28.6	32.6	10.8	9.6	14.1	25.5	22.4	4.5	4.2	18.5	19.5
Engineers India	Buy	106	145	37	5.9	6.5	7.5	-8.4	10.4	15.3	16.4	14.2	2.9	2.6	17.1	18.0
GE T&D	Neutral	217	255	17	8.3	8.8	10.2	10.8	5.4	16.6	24.8	21.3	3.5	3.2	15.0	15.8
Havells	Neutral	716	800	12	12.7	15.9	20.0	12.9	25.5	25.9	45.1	35.8	9.2	7.9	20.4	22.0
K E C Intl	Buy	318	438	38	18.9	24.3	29.3	5.7	28.5	20.7	13.1	10.8	2.7	2.2	21.0	20.7
L&T	Buy	1412	1850	31	61.4	75.8	94.7	18.7	23.4	25.0	18.6	14.9	2.8	2.5	16.1	17.8
Siemens	Buy	1193	1473	23	25.1	32.5	34.0	27.1	29.5	4.6	36.7	35.1	4.7	4.2	13.3	12.7
Solar Ind	Neutral	1164	1230	6	28.9	35.0	43.9	18.6	21.0	25.6	33.3	26.5	7.1	5.8	23.2	24.1
Thermax	Buy	1101	1206	10	27.2	30.4	38.9	32.4	12.0	27.8	36.2	28.3	3.8	3.4	10.9	12.8
Va Tech Wab.	Neutral	293	331	13	23.1	25.4	33.1	-9.5	10.0	30.4	11.5	8.8	1.4	1.2	12.4	14.4
Voltas	Neutral	578	620	7	15.7	18.3	21.6	-9.2	16.3	18.0	31.7	26.8	4.2	3.7	13.9	14.7
Aggregate								19.7	18.9	20.6	23.0	19.1	3.1	2.8	13.3	14.4
Cement																
Ambuja Cem.	Neutral	214	209	-2	6.3	6.7	7.5	2.0	6.4	12.8	32.0	28.4	2.0	1.9	6.2	6.9
ACC	Buy	1544	2040	32	57.3	74.4	91.0	22.1	29.9	22.3	20.8	17.0	2.5	2.3	12.6	14.0
Birla Corp.	Buy	597	691	16	33.2	48.6	63.8	53.6	46.2	31.4	12.3	9.3	1.0	0.9	8.1	9.9
Dalmia Bhar.	Buy	1006	1325	32	15.6	22.5	30.2	13.3	43.7	34.3	44.8	33.3	1.8	1.7	4.1	5.2
Grasim Inds.	Neutral	879	836	-5	71.3	83.8	97.1	50.6	17.6	15.9	10.5	9.1	1.3	1.2	5.6	5.9
India Cem	Neutral	98	101	3	2.3	5.1	7.8	-31.0	126.9	51.8	19.3	12.7	0.6	0.5	3.0	4.4
J K Cements	Buy	985	1237	26	34.1	46.5	49.2	-16.8	36.2	6.0	21.2	20.0	2.5	2.3	12.6	12.1
JK Lakshmi Ce	Buy	350	435	24	6.8	11.9	19.0	-8.7	75.8	59.8	29.5	18.5	2.5	2.2	8.8	12.7
Ramco Cem	Under Review	761	-		21.9	25.9	29.8	-8.7	18.4	14.9	29.4	25.6	3.6	3.2	12.9	13.2
Orient Cem	Buy	105	119	14	2.3	7.3	8.6	7.5	215.1	17	14.3	12.2	1.8	1.6	13.4	13.8
Prism Johnson	Buy	92	104	13	3.1	4.0	4.1	123.4	26.4	4.7	23.3	22.2	3.5	3.1	16.2	14.9
Sanghi Inds.	Buy	64	75	18	2.0	3.3	3.1	-44.9	58.7	-4.5	19.6	20.5	0.9	0.8	4.8	4.4
Shree Cem	Under Review	21173	-		362.2	350.5	508.4	-6.1	-3.2	45.1	60.4	41.6	7.0	6.1	12.1	15.6
Ultratech	Buy	4524	5562	23	88.7	144.0	185.2	-11.5	62.3	28.6	31.4	24.4	3.3	2.9	11.9	12.5
Aggregate								13.3	27.9	22.7	24.1	19.6	2.4	2.2	9.9	11.3
Consumer																
Asian Paints	Sell	1368	1185	-13	23.1	23.7	28.8	9.1	2.6	21.7	57.8	47.5	12.9	11.8	23.1	26.0
Britannia	Buy	2746	3410	24	48.1	58.0	68.5	15.1	20.6	18.1	47.3	40.1	14.6	14.3	31.8	36.1
Colgate	Buy	1173	1400	19	27.4	29.6	34.1	8.8	8.0	15.3	39.6	34.4	23.1	25.0	56.9	69.8
Dabur	Neutral	421	425	1	8.5	9.1	10.3	9.0	6.8	13.8	46.0	41.0	11.8	10.9	27.1	27.6
Emami	Buy	320	390	22	12.2	12.8	15.1	0.2	5.5	17.8	24.9	21.2	6.2	6.0	26.4	28.9
Future Consumer	Buy	36	58	63	-0.1	0.5	1.4	Loss	LP	187.6	72.7	25.3	5.5	4.5	7.8	19.6
Godrej Cons.	Neutral	628	700	12	15.1	16.0	18.8	7.2	6.0	17.4	39.2	33.4	8.3	8.0	21.8	24.4
GSK Cons.	Neutral	7374	7470	1	233.7	229.6	256.8	40.4	-1.8	11.8	32.1	28.7	6.8	6.1	22.3	22.4
HUL	Buy	1725	2070	20	28.9	32.7	39.0	18.2	13.1	19.2	52.7	44.2	47.5	46.7	91.3	106.5
ITC	Neutral	268	310	15	10.2	10.8	12.1	14.8	6.6	12.1	24.8	22.1	5.3	4.9	22.0	23.0



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Jyothy Lab	Neutral	158	180	14	5.4	5.9	7.2	10.5	9.2	23.3	26.9	21.9	4.2	4.0	15.9	18.6
Marico	Buy	365	435	19	7.2	8.8	10.6	14.2	22.6	19.4	41.3	34.6	13.3	11.6	34.8	35.7
Nestle	Neutral	11553	11000	-5	178.6	196.0	227.2	27.5	9.8	15.9	58.9	50.8	30.0	32.0	51.2	61.0
Page Inds	Neutral	20063	19740	-2	353.2	385.8	464.6	13.5	9.2	20.4	52.0	43.2	24.8	21.6	47.6	50.1
Parag Milk Foods	Buy	258	320	24	15.7	16.7	20.4	51.5	6.3	22.1	15.4	12.6	2.3	2.0	15.9	17.0
Pidilite Ind.	Neutral	1197	1170	-2	18.6	21.7	25.2	-2.0	17.2	15.8	55.0	47.5	12.6	10.8	24.6	24.4
P&G Hygiene	Neutral	10502	10380	-1	131.9	166.2	207.6	14.5	26.0	24.9	63.2	50.6	30.8	25.9	52.8	55.7
United Brew	Neutral	1372	1520	11	21.3	23.9	29.3	42.8	12.1	22.6	57.5	46.9	9.8	8.3	18.3	19.1
United Spirits	Buy	582	695	19	9.3	12.4	17.0	38.1	32.8	37.3	47.0	34.2	11.3	8.5	24.0	24.8
Aggregate								15.7	9.9	16.8	41.1	35.2	11.4	10.5	27.7	30.0
Healthcare																
Alembic Phar	Neutral	519	565	9	31.0	27.6	31.4	41.6	-10.9	13.5	18.8	16.5	3.1	2.7	17.5	17.3
Alkem Lab	Buy	1798	2100	17	63.8	76.3	104.7	8.4	19.6	37.2	23.6	17.2	3.5	3.0	15.7	18.9
Ajanta Pharma	Buy	932	1225	32	44.4	48.2	55.6	-16.1	8.4	15.4	19.3	16.8	3.2	2.7	17.6	17.5
Aurobindo	Buy	552	720	30	43.2	53.7	63.5	1.1	24.4	18.3	10.3	8.7	1.9	1.6	20.4	19.9
Biocon	Neutral	240	280	16	6.2	9.5	11.3	99.6	52.9	19.3	25.4	21.3	4.2	3.7	17.5	18.4
Cadila	Buy	228	290	27	18.3	17.5	19.1	4.3	-4.3	9.1	13.1	12.0	2.0	1.8	16.2	15.6
Cipla	Neutral	537	525	-2	18.7	22.6	26.9	-3.1	20.9	18.9	23.7	20.0	2.5	2.3	10.7	11.4
Divis Lab	Neutral	1624	1590	-2	50.0	58.6	69.1	55.0	17.1	17.9	27.7	23.5	5.4	4.6	20.8	21.0
Dr Reddy's	Neutral	2612	2700	3	105.2	120.8	133.0	62.6	14.8	10.1	21.6	19.6	2.8	2.5	13.5	13.2
Glenmark	Neutral	433	525	21	25.9	28.9	34.6	-9.0	11.5	19.7	15.0	12.5	1.9	1.7	13.7	14.5
Granules	Buy	88	150	71	9.2	10.5	12.7	76.5	14.0	20.6	8.4	6.9	1.3	1.2	16.6	17.8
GSK Pharma	Neutral	1173	1350	15	24.6	28.8	32.9	25.2	17.0	14.4	40.8	35.6	8.9	8.3	21.8	23.2
IPCA Labs	Buy	930	1145	23	37.1	45.4	54.5	95.7	22.2	20.0	20.5	17.1	3.3	2.8	17.0	17.6
Jubilant Life	Buy	441	640	45	57.5	63.0	68.8	26.1	9.7	9.1	7.0	6.4	1.2	1.0	18.7	17.3
Laurus Labs	Buy	350	430	23	31.3	37.8	26.7	49.4	20.6	-29.3	9.3	13.1	1.6	1.8	19.3	15.0
Lupin	Buy	747	900	20	23.3	33.2	43.0	-27.1	42.5	29.4	22.5	17.4	2.3	2.1	10.5	12.5
Sanofi India	Buy	6021	6930	15	165.5	187.5	208.9	16.7	13.3	11.4	32.1	28.8	5.7	5.1	17.8	17.8
Shilpa Medicare	Buy	346	410	18	11.8	16.7	20.4	-8.2	41.6	22.2	20.7	17.0	2.1	1.9	10.6	11.7
Strides Pharma	Buy	348	480	38	6.9	24.6	36.3	-39.2	258.6	47.9	14.2	9.6	1.1	1.0	8.0	11.1
Sun Pharma	Buy	422	465	10	15.1	17.7	20.8	12.2	17.6	17.4	23.8	20.2	2.3	2.1	9.9	10.7
Torrent Pharma	Neutral	1516	1450	-4	42.7	50.8	70.0	-7.1	18.9	37.8	29.8	21.7	4.8	4.2	17.2	20.9
Aggregate								12.8	18.4	17.8	20.6	17.4	2.8	2.4	13.4	14.0
Infrastructure																
Ashoka Buildcon	Buy	122	175	43	11.9	13.0	15.4	40.6	9.1	19.1	9.4	7.9	1.4	1.2	15.3	15.9
IRB Infra	Neutral	91	106	17	24.2	19.6	12.4	1.2	-18.8	-36.6	4.6	7.3	0.4	0.4	9.7	5.7
KNR Constructions	Buy	271	335	24	18.9	16.2	19.2	-2.4	-14.2	18.7	16.7	14.1	2.3	2.0	15.0	15.3
Sadbhav Engineering	Neutral	179	275	53	10.9	11.7	14.7	-15.3	7.1	26.0	15.4	12.2	1.4	1.3	9.4	10.9
Aggregate											9.3	9.9	1.0	0.9	10.7	9.2
Logistics																
Allcargo Logistics	Buy	100	139	39	9.7	10.5	12.6	33.6	8.5	19.8	9.5	7.9	1.1	1.0	12.2	12.9
Concor	Buy	535	663	24	19.9	21.9	24.3	14.9	9.8	10.8	24.4	22.0	3.0	2.8	12.5	13.0
Aggregate								14.9	4.8	13.2	21.9	19.3	2.5	2.3	11.4	12.0
Media																
D B Corp	Buy	166	210	27	15.7	17.6	20.9	-11.1	12.3	18.7	9.4	8.0	1.6	1.5	16.4	18.2
Ent.Network	Buy	401	580	45	10.9	17.2	26.7	60.2	58.5	55.0	23.3	15.0	1.9	1.7	8.5	11.9
Jagran Prak.	Buy	94	140	49	8.8	12.2	7.2	-8.7	39.1	-41.5	7.7	13.2	1.3	1.3	18.2	9.8
Music Broadcast	Buy	52	70	34	2.2	2.8	3.6	22.9	25.4	29.8	18.8	14.4	2.1	1.9	12.0	13.7
PVR	Buy	1735	1950	12	37.8	40.7	50.6	41.7	7.5	24.4	42.7	34.3	5.1	4.5	13.6	13.9
Sun TV	Buy	460	637	38	35.4	40.3	45.5	27.6	14.0	12.8	11.4	10.1	2.8	2.4	26.7	25.3
Zee Ent.	Neutral	353	392	11	16.4	18.0	21.4	36.4	9.6	18.9	19.6	16.5	3.3	2.8	18.0	18.4
Aggregate								8.4	20.6	5.3	15.5	14.7	2.6	2.6	16.4	17.6
Metals																



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Hindalco	Buy	196	244	24	24.7	19.7	22.3	30.9	-20.4	13.4	10.0	8.8	1.0	0.9	10.7	11.0
Hind. Zinc	Neutral	220	216	-2	18.8	18.9	20.1	-10.8	0.4	6.3	11.6	11.0	2.4	2.2	22.2	20.8
JSPL	Buy	139	227	64	11.5	-7.8	0.6	LP	PL	LP	NM	222.1	0.4	0.4	-2.4	0.2
JSW Steel	Buy	259	322	24	31.8	20.7	31.5	32.4	-34.9	51.8	12.5	8.2	1.6	1.4	13.5	18.0
Nalco	Buy	46	63	38	9.2	5.1	5.3	79.9	-44.7	4.5	9.0	8.6	0.8	0.8	9.2	9.2
NMDC	Buy	115	138	20	15.6	12.6	13.4	19.2	-19.6	7.0	9.2	8.6	1.3	1.2	14.4	14.6
SAIL	Neutral	45	49	10	6.3	4.9	5.5	2,344.1	-21	10.3	9.0	8.2	0.4	0.4	5.0	5.3
Vedanta	Sell	161	141	-12	18.1	14.5	14.1	-11.0	-20.2	-2.5	11.1	11.4	0.9	0.9	8.4	7.9
Tata Steel	Neutral	458	518	13	88.6	66.9	78.2	27.3	-24.4	16.8	6.8	5.9	0.8	0.7	11.6	12.3
Aggregate								24.1	-23.8	15.4	10.7	9.3	1.0	0.9	9.5	10.1
Oil & Gas																
Aegis Logistics	Buy	203	263	30	6.6	10.8	12.2	11.9	62.8	13.3	18.8	16.6	4.1	3.4	23.6	22.5
BPCL	Buy	351	477	36	43.4	44.7	55.5	-12.9	3.1	24.1	7.8	6.3	1.6	1.4	21.4	23.5
Castrol India	Buy	125	192	53	7.2	7.6	7.7	2.4	6.4	0.7	16.4	16.3	9.6	8.8	61.4	56.2
GAIL	Neutral	138	174	26	14.0	14.9	15.5	38.4	6.1	3.9	9.2	8.9	1.3	1.2	14.5	13.8
Gujarat Gas	Neutral	164	158	-4	6.3	8.8	7.9	47.4	40.0	-9.7	18.7	20.7	4.2	3.7	24.8	18.9
Gujarat St. Pet.	Neutral	208	194	-7	14.1	14.4	14.6	18.9	2.2	1.6	14.4	14.2	1.8	1.6	13.3	12.1
HPCL	Neutral	292	335	15	43.9	52.0	53.7	-7.3	18.5	3.3	5.6	5.4	1.3	1.1	24.3	22.1
IOC	Buy	147	199	36	18.8	17.5	22.0	-23.7	-7.1	26.0	8.4	6.7	1.1	1.0	13.8	16.1
IGL	Neutral	322	328	2	11.2	13.0	14.6	19.1	16.0	12.3	24.7	22.0	4.7	4.0	20.4	19.8
Mahanagar Gas	Neutral	778	889	14	55.3	57.6	59.2	14.3	4.1	2.9	13.5	13.1	2.8	2.5	22.2	20.3
MRPL	Neutral	58	69	19	1.9	6.9	10.4	-84.8	255.0	50.7	8.4	5.6	0.9	0.8	10.8	14.7
Oil India	Buy	158	242	54	32.0	28.7	30.1	35.6	-10.5	5.0	5.5	5.2	0.6	0.6	11.3	11.2
ONGC	Buy	144	197	37	27.1	27.8	28.8	34.4	2.3	3.8	5.2	5.0	0.8	0.7	15.6	14.8
PLNG	Buy	242	291	20	14.4	18.0	21.0	3.7	25.4	16.6	13.4	11.5	3.3	3.1	25.8	27.8
Reliance Ind.	Neutral	1249	1400	12	67.2	75.3	83.4	10.4	12.0	10.8	16.6	15.0	1.7	1.6	11.0	11.0
Aggregate								6.0	5.7	11.0	11.0	9.9	1.4	1.3	13.2	13.3
Retail																
Avenue Supermarts	Sell	1401	1215	-13	14.5	18.8	24.7	11.9	29.8	31.5	74.7	56.8	12.9	10.5	19.0	20.5
Aditya Birla Fashion	Buy	206	240	17	1.6	3.7	5.4	156.7	126.3	46.2	55.3	37.8	9.2	7.4	18.3	21.9
Future Lifestyle	Buy	449	585	30	8.6	10.8	14.5	30.1	25.4	34.6	41.6	30.9	4.3	3.8	10.7	13.0
Future Retail	Buy	426	595	40	14.6	15.3	16.7	19.1	4.6	9.5	27.9	25.5	4.6	3.9	18.1	16.7
Jubilant Food.	Neutral	1216	1360	12	24.1	29.3	33.1	62.0	21.7	12.9	41.5	36.7	11.3	9.9	27.2	26.9
Shoppers Stop	Neutral	466	572	23	7.8	13.2	15.9	-36.3	70.0	19.9	35.2	29.4	3.8	3.4	11.4	12.1
Spencers Retail	Buy	83	175	112	0.1	0.4	0.7	LP	388.7	89.2	209.8	110.9	4.4	4.2	2.1	3.9
Titan Company	Buy	1091	1500	38	15.7	19.7	25.7	24.0	25.9	30.4	55.3	42.4	15.4	12.8	28.3	33.0
Trent	Buy	440	500	14	2.9	5.7	7.5	11.6	95.7	31.4	77.0	58.6	5.2	4.8	8.6	8.6
V-Mart Retail	Neutral	2031	2448	21	39.5	47.2	57.2	-8.0	19.6	21.0	43.0	35.5	7.4	6.1	18.9	18.9
Aggregate								22.8	28.3	26.9	55.0	43.3	9.9	8.4	17.9	19.3
Technology																
Cyient	Buy	482	650	35	43.4	44.4	49.7	13.4	2.5	11.8	10.8	9.7	1.9	1.7	17.4	17.7
HCL Tech.	Neutral	1016	1200	18	73.6	80.3	94.0	17.6	9.2	17.0	12.7	10.8	3.0	2.6	24.6	25.7
Hexaware	Neutral	355	370	4	19.3	20.2	24.1	16.5	4.5	19.1	17.6	14.7	4.0	3.5	24.0	25.5
Infosys	Buy	786	840	7	35.4	37.6	44.0	9.3	6.1	17.0	20.9	17.9	5.5	5.1	25.6	29.6
L & T Infotech	Neutral	1514	1700	12	86.6	86.2	100.4	30.6	-0.5	16.5	17.6	15.1	4.4	3.6	27.6	26.2
Mindtree	Neutral	666	750	13	44.8	40.0	50.3	53.1	-10.6	25.5	16.6	13.2	3.1	2.8	20.2	21.9
Mphasis	Neutral	933	1070	15	56.1	64.2	71.5	27.4	14.4	11.4	14.5	13.0	2.9	2.4	22.3	22.1
NIIT Tech	Neutral	1346	1380	3	67.0	75.1	86.2	47.1	12.1	14.9	17.9	15.6	3.5	3.1	20.8	20.9
Persistent Sys	Buy	578	780	35	44.0	53.3	60.2	8.9	21.2	13.0	10.8	9.6	1.8	1.6	16.9	17.6
TCS	Neutral	2077	2100	1	83.5	88.5	100.2	26.4	6.1	13.2	23.5	20.7	8.7	8.2	36.7	40.9
Tech Mah	Buy	675	840	24	48.2	53.0	60.2	12.8	9.9	13.6	12.7	11.2	2.8	2.5	22.7	23.9
Wipro	Neutral	265	270	2	14.8	16.6	18.1	10.1	12.0	9.1	16.0	14.7	3.1	2.9	17.7	20.4
Zensar Tech	Buy	238	300	26	13.8	16.3	19.1	29.2	17.7	17.5	14.6	12.4	2.4	2.1	17.7	18.1



Company	Reco	CMP (INR)	TP (INR)	% Upside Downside	EPS (INR)			EPS Gr. YoY (%)			P/E (x)		P/B (x)		ROE (%)	
					FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Aggregate								14.6	3.9	14.3	20.3	17.8	5.5	5.1	27.2	28.5
Telecom																
Bharti Airtel	Buy	340	400	18	-8.8	-5.4	-2.2	PL	Loss	Loss	NM	NM	1.9	1.9	-3.3	-1.2
Bharti Infratel	Neutral	260	275	6	13.6	13.1	12.6	-0.3	-3.4	-4.1	19.8	20.6	3.5	3.7	17.2	17.5
Vodafone Idea	Buy	11	16	46	-18.5	-5.1	-4.7	Loss	Loss	Loss	NM	NM	0.4	0.6	-22.6	-21.4
Tata Comm	Neutral	470	578	23	-2.2	13.1	25.4	PL	LP	94.2	35.9	18.5	70.1	14.6	7,856	130.9
Aggregate								Loss	Loss	Loss	-19	-23.3	1.5	1.7	-8.2	-7.2
Utilities																
Coal India	Buy	222	310	40	28.3	28.4	30.1	47.9	0.0	6.1	7.8	7.4	4.5	4.0	57.7	53.9
CESC	Buy	763	911	19	88.9	91.1	98.9	43.1	2.5	8.5	8.4	7.7	1.0	0.9	12.9	12.7
JSW Energy	Neutral	72	77	7	4.2	5.0	5.9	40.2	17.4	18.1	14.4	12.2	1.0	0.9	6.8	7.7
NHPC	Neutral	23	27	15	2.2	2.5	2.6	-10.8	15.1	2.5	9.4	9.1	0.7	0.7	8.0	7.9
NTPC	Buy	130	170	31	11.9	13.7	15.4	33.3	15.3	12.8	9.5	8.4	1.1	1.0	11.8	12.3
Power Grid	Buy	206	243	18	19.2	20.9	22.7	16.0	9.2	8.4	9.8	9.1	1.6	1.5	17.5	17.1
Torrent Power	Buy	305	354	16	18.7	22.0	28.6	-4.6	17.8	29.8	13.9	10.7	1.5	1.4	11.3	13.4
Tata Power	Neutral	66	65	-2	2.1	4.3	4.8	-60.5	105.8	11.4	15.3	13.7	1.0	1.0	6.8	7.2
Aggregate								30.5	7.4	8.7	8.9	8.2	1.5	1.4	17.2	17.2
Others																
Brigade Enterpr.	Buy	274	316	15	17.5	14.4	13.7	62.0	-17.7	-5.0	19.0	20.0	1.6	1.5	8.6	7.6
BSE	Buy	571	750	31	38.1	37.2	46.1	-12.4	-2.2	23.7	15.3	12.4	1.1	1.1	6.9	8.5
Coromandel Intl	Buy	377	542	44	25.2	28.1	31.9	6.5	11.5	13.5	13.4	11.8	2.8	2.4	22.5	21.8
Delta Corp	Buy	157	304	94	7.2	8.7	10.1	23.8	21.4	16.6	18.1	15.5	2.0	1.8	11.5	12.0
Indian Hotels	Buy	145	183	26	2.4	3.1	4.3	257.4	31.4	38.2	46.9	33.9	3.7	3.4	8.2	10.5
Interglobe	Neutral	1463	1410	-4	4.1	88.0	100.7	-93.0	2,067	14	17	14.5	7.5	6.9	46.8	49.4
Info Edge	Neutral	2139	2000	-6	23.0	31.9	39.0	54.2	38.8	22.3	67.1	54.9	9.9	8.6	15.8	17.0
Gateway Distr.	Buy	116	151	30	12.9	7.2	9.5	-7.2	-44.5	31.7	16.1	12.3	0.9	0.9	5.8	7.3
Godrej Agrovet	Buy	486	608	25	12.5	14.5	19.1	10.9	15.4	32.0	33.6	25.5	5.1	4.5	16.0	18.9
Kaveri Seed	Buy	442	629	42	34.4	38.7	41.9	7.7	12.3	8.4	11.4	10.5	2.5	2.2	22.9	22.2
Lemon Tree Hotel	Buy	64	90	40	0.7	0.9	2.0	271.9	34.7	117.9	70.4	32.3	3.7	3.3	6.4	10.7
MCX	Buy	856	990	16	28.7	32.0	39.5	35.2	11.5	23.7	26.8	21.7	3.1	2.9	11.9	13.8
Navneet Education	Buy	103	135	31	6.7	8.2	9.7	22.5	22.2	18.5	12.6	10.6	2.5	2.1	21.6	21.6
Oberoi Realty	Buy	561	650	16	22.5	32.8	32.4	78.1	45.8	-1.1	17.1	17.3	2.2	2.0	13.9	12.2
Phoenix Mills	Buy	660	801	21	25.0	25.6	32.6	57.8	2.5	27.4	25.8	20.3	2.7	2.4	10.8	12.4
Qess Corp	Under Review	460	-		17.5	27.7	38.0	-19.8	58.1	37.2	16.6	12.1	1.7	1.4	13.9	16.3
PI Inds.	Buy	1092	1267	16	29.7	38.0	46.9	11.6	27.9	23.4	28.7	23.3	5.6	4.6	21.0	21.8
Piramal Enterp.	Buy	1904	2974	56	73.7	124.6	151.5	-5.2	68.9	21.6	15.3	12.6	1.3	1.2	8.9	10.1
SRF	Buy	2675	3276	22	113.7	139.5	179.4	60.0	22.7	28.6	19.2	14.9	3.3	2.7	18.3	19.9
S H Kelkar	Buy	127	169	33	6.1	7.5	9.4	-13.7	22.7	25.1	16.9	13.5	2.0	1.8	12.2	14.3
Tata Chemicals	Buy	593	709	20	42.9	45.8	54.7	-10.8	6.6	19.5	12.9	10.8	1.2	1.1	9.2	10.2
Team Lease Serv.	Buy	2950	3550	20	57.2	83.7	119.0	32.9	46.4	42.2	35.2	24.8	7.4	5.7	23.4	26.0
Trident	Buy	55	77	41	8.4	8.5	9.6	71.2	1.5	13.4	6.4	5.7	0.9	0.8	13.7	14.4
UPL	Neutral	644	711	10	28.9	42.3	50.8	-0.8	46.3	20.0	15.2	12.7	3.0	2.5	20.7	21.5



Company	1 Day (%)	1M (%)	12M (%)
Automobiles			
Amara Raja Batt.	-4.6	4.9	-20.0
Ashok Leyland	-2.5	-4.2	-25.0
Bajaj Auto	-2.9	-9.4	-17.8
Bharat Forge	-0.8	0.6	-24.9
Bosch	-2.6	-6.7	-14.0
CEAT	-1.4	-3.0	-30.9
Eicher Motors	-4.0	-10.7	-34.5
Endurance Tech.	-4.3	-19.5	-23.3
Escorts	-3.8	-2.9	-39.7
Exide Inds.	-6.4	-4.0	-28.1
Hero Motocorp	-3.7	-8.4	-31.0
M & M	-4.4	-7.1	-37.3
Mahindra CIE	-5.1	-8.6	-17.9
Maruti Suzuki	-2.0	-10.3	-38.6
Motherson Sumi	-5.1	-11.7	-41.2
Tata Motors	-3.7	0.1	-38.7
TVS Motor Co.	-4.4	-10.2	-29.8
Banks - Private			
AU Small Fin. Bank	-1.5	-3.4	5.0
Axis Bank	-1.5	-5.4	38.3
DCB Bank	-3.7	-13.3	18.7
Equitas Holdings	-6.2	-12.6	-13.6
Federal Bank	-0.3	-5.1	15.1
HDFC Bank	-1.2	-2.2	8.7
ICICI Bank	-2.1	-2.3	57.0
IndusInd Bank	-3.4	2.8	-24.8
Kotak Mah. Bank	-2.5	0.1	11.1
RBL Bank	-13.7	-19.7	-10.0
South Ind. Bank	-2.5	-3.1	-41.6
Banks - PSU			
BOB	-2.8	1.9	-1.8
BOI	-2.4	-2.9	-3.2
Canara	-1.2	2.9	13.8
Indian Bk	-2.3	-12.5	-32.3
PNB	-0.5	-3.3	-3.2
SBI	-2.1	5.1	36.8
Union Bk	-1.6	1.9	-3.5
NBFCs			
Aditya Birla Cap	-2.2	-2.9	-30.6
Bajaj Fin.	-4.2	-5.7	32.0
Cholaman. Inv. & Fn	-1.9	-6.5	-10.9
HDFC	-1.7	5.8	15.8
HDFC Life Insur.	-3.1	11.6	3.5
Indiabulls Hsg	-3.6	14.4	-47.6
Indostar Capital	-2.6	-5.4	-27.7
L&T Fin. Holdings	-5.7	0.8	-26.9
LIC Hsg Fin	-2.1	-3.3	1.6
M&M Fin.	-4.3	-7.0	-22.9
Muthoot Fin	-3.4	-0.7	55.2
MAS Financial Serv.	-4.1	-3.5	7.3
ICICI Pru Life	-1.2	3.9	8.7
PNB Housing	-2.0	-3.4	-40.3
Repco Home	-1.8	-1.7	-39.1
Shriram City Union	-3.7	6.1	-24.0
Shriram Trans.	0.5	-0.3	-10.5
Capital Goods			
ABB	-2.8	-8.9	22.1
Bharat Elec.	2.1	-8.4	0.7

Company	1 Day (%)	1M (%)	12M (%)
BHEL	-0.5	-5.9	-4.1
Blue Star	-0.8	-6.4	10.8
CG Cons. Elec.	-0.4	1.2	0.7
Cummins	-1.7	-1.2	14.3
Engineers India	0.9	-5.9	-11.3
GE T&D	0.6	-7.0	-24.5
Havells	-0.2	-8.6	27.3
K E C Intl	-0.2	1.1	-1.4
L&T	-1.5	-6.2	12.4
Siemens	-1.0	-6.0	25.9
Solar Ind	-0.5	-0.3	7.2
Thermax	1.1	4.2	7.8
Va Tech Wab.	-3.1	-5.1	-17.2
Voltas	-0.4	-5.2	8.0
Cement			
Ambuja Cem.	-1.4	3.6	10.7
ACC	-1.5	3.4	21.1
Birla Corp.	-0.1	1.9	-15.0
Dalmia Bhar.	0.7	-7.1	
Grasim Inds.	-3.1	-0.3	-6.0
India Cem	-0.2	6.8	-1.0
J K Cements	0.9	-0.9	27.0
JK Lakshmi Ce	0.2	5.4	8.9
Ramco Cem	-1.3	-3.8	20.9
Orient Cem	-1.9	-4.0	-6.9
Prism Johnson	0.1	1.7	-0.5
Sanghi Inds.	1.4	3.4	-22.9
Shree Cem	-1.2	3.7	30.7
Ultratech	-1.7	0.8	17.2
Consumer			
Asian Paints	-1.1	-1.0	-2.2
Britannia	-2.6	-4.5	-13.9
Colgate	-2.5	2.4	4.3
Dabur	-1.9	10.2	12.3
Emami	-0.4	0.3	-41.7
Future Consumer	-1.2	-6.1	-16.5
Godrej Cons.	-2.5	-5.4	-28.2
GSK Cons.	-1.3	-3.6	14.3
HUL	-0.9	-4.8	4.7
ITC	-1.7	-3.2	-1.6
Jyothy Lab	-1.1	-1.1	-25.5
Marico	-1.5	0.2	5.3
Nestle	-0.3	-0.5	12.3
Page Inds	-2.9	-1.4	-28.4
Parag Milk	-0.4	5.9	-9.2
Pidilite Ind.	-2.6	-3.9	14.5
P&G Hygiene	-2.9	-1.7	1.8
United Brew	-1.8	1.8	22.9
United Spirits	-3.3	11.8	3.5
Healthcare			
Alembic Phar	-1.1	10.5	0.9
Alkem Lab	2.4	3.2	-2.5
Ajanta Pharma	0.8	0.9	-4.0
Aurobindo	-3.1	-9.9	-2.9
Biocon	-8.6	-4.2	-15.9
Cadila	-1.1	-4.0	-33.5
Cipla	-1.9	0.6	-12.1
Divis Lab	-1.1	5.4	50.8
Dr Reddy's	-1.6	2.4	28.6



Company	1 Day (%)	1M (%)	12M (%)
Glenmark	-1.7	-15.0	-22.8
Granules	-5.9	-5.7	1.3
GSK Pharma	0.3	-5.6	-15.1
IPCA Labs	-0.3	3.2	25.7
Jubilant Life	-2.8	-6.1	-40.6
Laurus Labs	0.1	6.1	-21.8
Lupin	-1.3	6.2	-6.1
Sanofi India	1.8	11.2	9.4
Shilpa Medicare	-2.3	4.0	-5.3
Strides Pharma	-4.0	-12.1	1.7
Sun Pharma	-1.1	12.2	-22.7
Torrent Pharma	-1.9	1.2	6.6
Infrastructure			
Ashoka Buildcon	-3.5	-8.7	-17.3
IRB Infra.Devl.	-0.7	-3.7	-52.3
KNR Construct.	-1.4	-6.0	28.5
Sadbhav Engg.	-3.7	-30.5	-35.3
Logistics			
Allcargo Logist.	-0.5	-1.0	-8.8
Concor	-0.7	0.7	2.5
Gateway Distr.	-0.2	6.8	-1.0
Media			
D B Corp	-5.7	-12.6	-37.5
Ent.Network	-2.3	-6.7	-43.5
Jagran Prak.	-3.8	-10.6	-27.1
Music Broadcast	-7.9	-9.0	-9.7
PVR	-0.8	5.9	53.0
Sun TV	-1.1	-11.4	-38.9
Zee Ent.	-1.8	0.0	-32.1
Metals			
Hindalco	-2.2	3.2	-1.1
Hind. Zinc	-2.3	-5.2	-18.3
JSPL	-2.7	-4.6	-24.1
JSW Steel	-2.7	-0.5	-14.9
Nalco	-1.4	-3.8	-23.3
NMDC	0.7	6.7	20.4
SAIL	-2.3	-6.7	-37.7
Vedanta	-1.3	-4.3	-22.7
Tata Steel	-1.8	-7.4	-8.3
Oil & Gas			
Aegis Logistics	-1.1	-5.8	-14.3
BPCL	0.6	-7.5	-11.9
Castrol India	-3.7	-9.5	-20.1
GAIL	-3.0	-10.6	-22.9
Gujarat Gas	0.6	-7.0	9.0
Gujarat St. Pet.	-0.4	15.1	12.3
HPCL	0.3	-1.3	2.6
IOC	-0.7	-5.1	-11.6
IGL	1.0	-3.9	17.8
Mahanagar Gas	-1.9	-9.6	-4.9
MRPL	-0.2	-2.1	-25.8
Oil India	-3.5	-8.7	-24.8
ONGC	0.4	-13.9	-10.7
PLNG	-0.8	2.8	16.5
Reliance Ind.	-1.0	-2.2	13.1
Retail			
Aditya Bir. Fas.	1.4	3.8	52.0
Avenue Super.	-2.8	5.0	-8.0
Future Lifestyle	-1.4	2.6	17.1

Company	1 Day (%)	1M (%)	12M (%)
Future Retail	0.4	-7.4	-18.8
Jubilant Food	-2.4	-3.5	-14.0
Spencer's Retail	-4.1	-14.5	
Shoppers St.	2.2	-2.1	-8.7
Titan Co.	0.9	-14.4	25.7
Trent	-2.4	6.0	34.1
V-Mart Retail	-0.6	-9.3	-13.7
Technology			
Cyient	-11.4	-12.2	-30.5
HCL Tech.	-0.2	-6.4	3.3
Hexaware	-1.7	-2.8	-27.1
Infosys	-1.0	4.5	19.3
L&T Infotech	-4.0	-12.6	-12.5
Mindtree	-3.7	-31.5	-31.4
Mphasis	-0.2	-4.4	-18.7
NIIT Tech	0.3	3.4	22.4
Persistent Sys	-5.1	-8.6	-30.2
TCS	0.5	-8.1	4.8
Tech Mah	-1.8	-8.3	5.1
Wipro	-1.6	-9.9	23.7
Zensar Tech	-1.9	-4.8	-3.4
Telecom			
Bharti Airtel	-0.7	-0.5	7.3
Bharti Infra.	-1.0	-4.5	-8.9
Idea Cellular	-3.1	-4.3	-64.0
Tata Comm	-1.1	-5.9	-14.4
Utilities			
Coal India	0.7	-13.8	-15.1
CESC	-1.7	1.0	11.2
JSW Energy	0.3	9.5	13.5
NHPC Ltd	0.2	-4.3	1.3
NTPC	2.2	-3.5	0.9
Power Grid	0.3	2.5	16.2
Tata Power	0.2	4.6	-2.9
Torrent Power	0.4	25.0	37.1
Others			
Brigade Enterpr.	-0.7	15.3	50.5
BSE	-0.9	-6.3	-30.7
Coromandel Intl	0.0	-7.6	-3.2
Delta Corp	-1.6	-12.8	-23.2
Godrej Agrovet	-0.2	-2.6	-17.7
Indian Hotels	-1.8	-1.1	12.5
Interglobe	0.3	-9.0	37.0
Info Edge	-3.5	6.1	64.7
Kaveri Seed	6.1	-1.9	-22.0
Lemon Tree Hotel	-0.5	-4.5	-12.7
MCX	-1.7	7.1	6.2
Navneet Educat.	-2.1	-2.2	-10.0
Oberoi Realty	-1.4	5.0	20.5
Phoenix Mills	0.9	1.4	2.7
PI Inds.	-2.9	-8.4	43.8
Piramal Enterp.	-4.4	9.3	-24.5
Quess Corp	-3.3	-19.9	-57.3
SRF	1.1	-10.1	69.8
S H Kelkar	-1.0	-7.8	-37.7
Tata Chemicals	-1.6	-2.9	-10.8
Team Lease Serv.	-1.7	0.5	10.1
Trident	-9.5	-14.2	2.1
UPL	-1.7	1.7	74.8

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When will government accept fiscal policy limits?

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Fiscal policy has reached limits

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The Land of Opportunities

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Utilities

Power oversupply has started shrinking

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MOTILAL OSWAL July 2019
India Strategy

Last Man Standing!

Research Team (Gautam.Duggad@MotilalOswal.com)

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MOTILAL OSWAL April 2019
India Strategy

1QFY20 ↑
2QFY20 Beyond ↓

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MOTILAL OSWAL January 2019
India Strategy

New Year, New Forces

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REPORT GALLERY

RECENT INITIATING COVERAGE REPORTS

MOTILAL OSWAL Initiating Coverage | 23 April 2020
Sector: Hospitality
Lemon Tree Hotels



The Eagle Eyed

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MOTILAL OSWAL Initiating Coverage | 16 April 2020
Sector: Financials
IndoStar Capital Finance



A New Beginning

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Sector: Agriculture
Godrej Agrovet



Agri behemoth in the making

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MOTILAL OSWAL Initiating Coverage | 22 March 2020
Sector: Utilities
Torrent Power



On growth track, again!

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MOTILAL OSWAL Initiating Coverage | 24 December 2019
Sector: Real Estate
Brigade Enterprises



Tactical Shift

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MOTILAL OSWAL Initiating Coverage | 21 November 2019
Sector: Hospitality
Indian Hotels



Check-in now

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MOTILAL OSWAL Initiating Coverage | 22 June 2018
Sector: Financials
ICI Prudential Life Insurance



Moving up the profitability curve

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MOTILAL OSWAL Initiating Coverage | 08 April 2018
Sector: Real Estate
Phoenix Mills



The Specialist

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MOTILAL OSWAL Initiating Coverage | 23 April 2018
Sector: Chemicals
Tata Chemicals



Flight of rebirth

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DIFFERENTIATED PRODUCT GALLERY

MOTILAL OSWAL

28 June 2019

Annual Report Threadbare

ASIAN PAINTS FY19

Asian Paints' FY19 annual report highlighted continued pressure on its core ROCE (down 10% from 28.3% in FY18 to 25.2% in FY19). This was primarily due to increased capex and the subdued operating performance. Standalone ROCE declined 800bps to 25.2% over the last five years, while consolidated ROCE was down to 4.1% from 7.1% in FY18. The rise in working capital led to a decrease in earnings-to-cash flow conversion to 89% in FY19 from 99% in the previous year and kept ECF modest at INR22.20 (FY18: INR21.18). Consolidated revenue grew 15% to INR193.4b, but (a) higher RM costs, (b) deteriorating product mix and (c) rising discounts resulted in an 80bp contraction in the EBITDA margin to 12.1%. Consolidated P&G was at a relatively slow pace of 5.5% to INR21.8b (FY18: INR20.4b). Over FY18-19, discounts increased by 170bp to 12.8% of gross revenue. Purchases from entities related to KMP stood at INR2.4b, accounting for 1.2% of raw materials consumed (FY18: INR4.3b, 5.1% of RM).

Aggressive capacity expansion drags standalone ROCE: As a result of its increased focus on capacity addition, APNT (standalone) recorded a CAGR of ~120% in capital employed, from INR32.9b in FY14 to INR202.7b in FY19. Over the same period, earnings (EBT post tax) grew at a CAGR of 13%, from INR11.8b to INR21.5b. Consequently, standalone ROCE (on investment in subsidiaries) fell 800bp from 37.4% in FY15 to 28.6% in FY19.

Deteriorating product mix, rising discounts taking a toll: Standalone revenue growth of 16% in FY19 was primarily driven by higher volumes in distempers and economy emulsions. However, discount expenses (including cash discount) rose 14.4% to INR23.9b in the year. Over FY18-19, discounts as a percentage of gross revenue increased from 11.1% to 12.8%. Such a trend is reflective of possible weakening of underlying demand scenario, in our view.

Subsidiaries' weak op. performance adds to ROCE woes: We note that the subdued operating performance at subsidiaries over the last two years also dragged the company's overall ROCE. In FY19, subsidiary revenue grew by 15%, while EBITDA and PAT declined 21.4% and 21.8%, respectively. Capital employed at subsidiaries increased at a five-year CAGR of ~16% to INR26b (~24% of overall capital employed), while its earnings remained flat at INR9.14 (vs. INR9.12), leading to a lower ROCE of 4.1%.

OCF modest, working capital intensity rises: Operating cash flow rose marginally by 4.1% to INR22.2b (FY18: INR21.1b) due to an increase in working capital intensity. Cash conversion cycle rose to 50 days (FY18: 48 days). Free cash flow improved to INR10.3b (FY18: INR9.7b) as capex declined, albeit from a very high level.

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The ART of annual report analysis
One year performance, rising capital intensity and subdued operating performance led ROCE decline by 800bps to 25.2% in FY19

Efforts to curb flow conversion decline to 89% (FY18: 99%) over 100 days rise to 10 (FY18: 60)
Purchases from KMP related entities stood at INR2.4b (FY18: 4.3b), 5% of raw material consumed.

Stock Info	APNT IN
Bloomberg	1558
CMF (INR)	709
Equity Shares (m)	1802 / 18.9
M.Cap (INR)(LAKhs)	2500 / 1120
52 Week Range (INR)	60-160.5
L & L 12 Mt Per (%)	1884
12M Avg Yr (INR M)	47.2
Free Float (%)	

Shareholding pattern (%)	Mar-18	Dec-18	Mar-19
Promoter	52.8	52.8	52.8
DR	8.6	28.5	11.8
FI	16.3	15.7	15.1
Others	22.3	21.1	20.3

Share Performance (3 years)

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MOTILAL OSWAL

24 August 2018

EcoKnowledge

Diving 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 FY15, 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 FY18), while NFC growth eased to 8.6%, personal loans grew faster at 17.8%. Consequently, the latter has become the key driving force for bank loans, and thus, almost all banks are now pushing personal loans. Personal loans now account for ~25% 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 thus, reliance of banks on them.

In the first two parts of our III-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 46.1% 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 widening (number of accounts), rather than credit deepening (loan accounts). 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 tax 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 1).

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

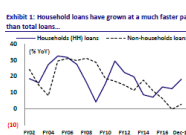


Exhibit 1: Household loans have grown at a much faster pace than total loans.

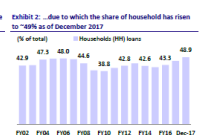


Exhibit 2: Due to which the share of household has risen to ~46% of December 2017.

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MOTILAL OSWAL VOICES



India Inc on Call

VOICES, a quarterly product from Motilal Oswal Research, provides a ready reference for all the post results earnings calls attended by our research analysts during the quarter. Besides making available to readers our key takeaways from these interactions, it also provides links to relevant research updates, and transcripts links of the respective conference calls.

This quarterly report contains:

- Key takeaways from the post results management commentary for 160 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

15 February 2019

The Corner Office

Interaction with the CEO

A great time for large developers with legacy brands

We met Mr. K.T. Jithendran, the Chief Executive Officer of Birla Estates (real estate arm of Century Textiles), who speaks at length about Birla Estates' (BE) key assets, its strategy on building portfolio and trends in the Indian real estate sector. Key takeaways:

- Consumers are sitting on the fence awaiting a price correction given the current slowdown. But, persistent increase in raw material prices, like steel and cement (where higher GST is an overhang) and rising cost of borrowings makes it challenging for developers to reduce prices.

- According to Mr. Jithendran, it's a great time for developers with legacy brands as many developers are approaching them to execute projects on JD models. However, developers need to execute caution while evaluating projects and not rush in. Additionally, projects have to be priced right keeping in mind the size, ultra-luxury projects will have fewer takers in the current environment. He cautions that tie-ups with developers based out of tier-2, tier-3 cities are likely to be more risky in the current environment.

- In order to deal with struggling developers, the government can direct financial institutions to use an L1 model approach, wherein such developers can execute and sell the projects for a DM fee.

- Mr. Jithendran highlighted that BE focused on scaling up its real estate presence by leveraging its strong brand, which has a legacy of over 100 years, across key geographies like Mumbai, Bangalore, and Gurgaon. In the near future, it's looking to monetize large land parcels at locations in Mumbai Metropolitan Region (MMR) such as Worli, Prabhadevi, Kalyan and in Talgaon (Pune). It plans to launch Birla Vanya in Kalyan by Q3 FY20.

Several business development opportunities, but caution advised
Fence sitters are awaiting a price correction, however, developers are not in a position to reduce prices given the rising cost of borrowing and soaring raw material prices. In the current market scenario, larger developers are being approached for several JD/V proposals, however, developers must carefully evaluate the deals before moving forward. According to Mr. Jithendran, projects have to be priced right keeping in mind the size, ultra-luxury projects will have fewer takers in the current environment. He cautions that tie-ups with developers based out of tier-2, tier-3 cities are likely to be more risky in the current environment.

Monetizing large land bank
BE owns several land parcels in the MMR in locations such as Worli, Prabhadevi, Kalyan and in Talgaon (Pune). It is soon planning to launch the Kalyan Project under the name Birla Vanya, which will be built on 22 acres with 1.2mrd saleable area and configurations including 1,2,3,3BHK. Also, it owns a land parcel in Prabhadevi, which could benefit from implementation of the Coastal Regulation Zone (CRZ) Notification, 2018. The Prabhadevi land parcel has the potential to get an increase in FSI, which will significantly boost the economics of the project.

Planning mixed use development in Worli
This is a prime location in Central Mumbai, where Birla Estates has one of the largest land parcels for real estate development. Worli has been one of the busiest office areas in Mumbai. It also lies between two of the city's most important business districts – Nariman Point and the Bandra-Kurla Complex (BKC) which makes it preferred

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Explanation of Investment Rating

Investment Rating

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 becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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