India Equity Analytics

Results Preview Q2FY19

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Index

#For valuation, CMP of 03rd October 2018 has been considered.

Amara Raja Batteries Ltd

Auto & Auto Components

AMRJ IN

CMP	**737**
Target	**882**
Upside	**20%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	18%	16%	15%	17%
Roce%	25%	22%	20%	24%
P/E	31.7	28.9	25.7	19.2
P/B	5.9	4.6	3.8	3.3
EV/Ebdita	17.8	15.4	13.3	10.2

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Capacity (mn units)							
4W	10.5	12.8	17.4	21.0	10.5	12.8	12.8
2W	11.0	15.0	16.0	18.0	11.0	15.0	15.0
Lead Prices-USD/MT	2002	2375	2125	2125	2,331	2,395	2,125
Segment Revenue							
Automotive Sales	3,204	3,878	4,738	5,343	914	1,227	1,107
Industrial Sales	2,136	2,181	2,256	2,752	514	551	521
Financials							
Sales	5,317	6,059	6,995	8,095	1,428	1,779	1,627
Sales Gr	*15%*	*14%*	*15%*	*16%*	*6%*	*19%*	*14%*
Ebdita	850	883	948	1,233	238	220	210
Ebdita Gr	*3%*	*4%*	*7%*	*30%*	*4%*	*14%*	*-12%*
Net Profits	478	471	491	655	127	113	104
Profit Gr%	*-3%*	*-1%*	*4%*	*33%*	*-7%*	*13%*	*-18%*
Ebdita Margin%	16.0%	14.6%	13.5%	15.2%	16.7%	12.4%	12.9%
Net Profit Margin%	9.0%	7.8%	7.0%	8.1%	8.9%	6.3%	6.4%

Std/Fig in Rs Cr

❑Revenue growth of 16%YoY is expected in 2QFY19 and FY19 both will be driven by strong demand outlook from automotive segment. However the company aims to be a Rs.10000 crores entity in the next 2-3 years.

❑ A higher share of traded batteries (due to capacity constraint) and higher 4W OEM contribution along with raw material price increase have led to pressure on margins front.

❑However increasing premiumisation in automotive batteries will keep the margins on the higher side of the guided range of 14-16%.

❑ Telecom batteries segment will continue to show negative growth trend for next couple of quarters as no manor recovery is being seen there.

❑Guided for capex of Rs 550 crores in FY19 for the 2W plant (balance capex of Rs200 crores), Rs 80-90 crores for inverter, initial capex for 4W and maintenance capex. It will be investing Rs700 crores to increase 4W capacity by 6.5m (to 17m in 18-24 months). 2W capacity stands at 15m; planning to add further 10m by FY21-22.

Key Trackable this Quarter

❑ EBITDA margin guidance in the range of 14-16%.

❑ Localisation ratio of Lead imports: currently 40% Lead imported

❑ Telecom revenue growth: contributes 50% of industrial revenues

We value the stock 23x FY20e EPS.

Ashok Leyland Limited

AL IN

Auto & Auto Components

CMP	**119**
Target	**143**
Upside	**20%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	20%	22%	25%	26%
Roce%	23%	29%	34%	35%
P/E	19.4	30.2	16.3	13.4
P/B	3.9	6.6	4.1	3.5
EV/Ebdita	14.3	20.5	13.0	8.6

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Volume Growth							
MHCV	113,298	131,390	147,556	161,972	31,397	30,646	38,386
Growth YoY	*3%*	*16%*	*12%*	*10%*	*58%*	*-31%*	*25%*
LCV	31,770	43,441	53,316	61,794	9588	11,481	13,572
Growth YoY	*4%*	*36%*	*23%*	*16%*	*11%*	*-20%*	*18%*
ASP(Rs'000/vehicle)	1,380	1,501	1,485	1,501	1,475	1,484	1,485
Growth YoY	*2%*	*9%*	*-1%*	*1%*	*7%*	*0%*	*1%*
Financials							
Sales	20,019	26,248	29,822	33,593	6,047	6,250	7,714
Sales Gr	*6%*	*31%*	*14%*	*13%*	*31%*	*47%*	*28%*
Ebdita	2,203	2,739	3,466	4,027	612	648	862
Ebdita Gr	*-2%*	*24%*	*27%*	*16%*	*14%*	*112%*	*41%*
Net Profits	1,223	1,563	2,135	2,588	334	370	534
Profit Gr%	*214%*	*28%*	*37%*	*21%*	*14%*	*233%*	*60%*
Ebdita Margin%	11.0%	10.4%	11.6%	12.0%	10.1%	10.4%	11.2%
Net Profit Margin%	6.1%	6.0%	7.2%	7.7%	5.5%	5.9%	6.9%

Std/Fig in Rs Cr

❑Revenue growth of 28%YoY to be expected in 2QFY19 on the back of 27%YoY volume growth. The volume growth expectation for FY19 is 15%YoY ahead of the industry guidance of 8-10%.

❑ Rising commodity prices and higher discounting practices continues to put pressure on margins but on account of better product mix and operating leverage benefit margins expected to improve by 70bps QoQ.

❑ Capex of Rs.1000 crores towards capacity addition and new product development. Apart from that additional investment of Rs.400 crores over the next 3 years towards development of new LCV platform.

❑ Defence business to become Rs.5000 crores in next 5 years from Rs.750 crores currently.

❑ Export is 12% of total revenue and the management is planning it to make approx.33% in next 3-5 years time frame.

Key Trackable this Quarter

❑ Commentary on axle norms

❑ Hinduja Foundries Limited EBITDA margin: started contributing positively to consolidated EBITDA

❑ Industry Discount trends : heavy discounts from competitors leading to market share loss

We value the stock at 16x FY20e EPS.

Bajaj Auto Limited

BJAUT IN

CMP	**2733**
Target	**3137**
Upside	**15%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	23%	21%	19%	20%
Roce%	23%	22%	21%	22%
P/E	19.9	18.9	18.4	15.4
P/B	4.5	3.9	3.5	3.1
EV/Ebdita	18.3	16.5	15.8	13.3

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Volume Growth							
2 wheelers ('000)	3,220	3,369	4,070	4,429	919	1,030	1,127
Growth YoY	*-4%*	*5%*	*21%*	*9%*	*2%*	*33%*	*23%*
3 wheelers ('000)	446	637	766	815	153	197	213
Growth YoY	*-16%*	*43%*	*20%*	*6%*	*14%*	*74%*	*39%*
ASP (Rs/vehicle)	59,375	62,806	62,017	64,029	60,427	59,245	60,268
Growth YoY	*2%*	*6%*	*-1%*	*3%*	*5%*	*-1%*	*0%*
Financials							
Sales	21,767	25,165	29,879	33,578	6,580	7,419	8,218
Sales Gr	*-4%*	*16%*	*19%*	*12%*	*9%*	*36%*	*25%*
Ebdita	4,419	4,782	4,995	5,939	1,297	1,280	1,368
Ebdita Gr	*-7%*	*8%*	*4%*	*19%*	*0%*	*37%*	*5%*
Net Profits	4,079	4,219	4,307	5,133	1,194	1,042	1,178
Profit Gr%	*1%*	*3%*	*2%*	*19%*	*-1%*	*25%*	*-1%*
Ebdita Margin%	20.3%	19.0%	16.7%	17.7%	19.7%	17.3%	16.7%
Net Profit Margin%	18.7%	16.8%	14.4%	15.3%	18.1%	14.0%	14.3%

Conso/Fig in Rs Cr

❑ 27%YoY revenue growth to be driven by 25%YoY volume growth in 2QFY19. Realisation expected to improve by 2%YoY led by higher contribution of exports and 3 wheelers.

❑ Margin to remain under pressure in 2QFY19 also led by increase in commodity cost and higher discounting (6-7%) in the entry segment motorcycles.

❑ Aggressive pricing strategy to gain market share in entry level bikes will continue for next 2-3 years. Currently the market share stands at 35% and the management targets to achieve 40-45% in next 12-18 months.

❑ 3 wheelers growth will be driven by new permits coming out in the state of Telangana, Delhi and Karnataka and permit discontinuation on clean fuel vehicles where Bajaj-Auto has 86% market share.

❑ Rising bond yield may drag the other income down (25-28% of PAT).

❑ Capex guidance of Rs.300 crores for FY19.

Key Trackable this Quarter

❑ Realisation Trend: higher sales of CT100 & Platina may drag the realization down

❑ Growth in spares revenues as supply shortages led to lower than average growth last quarter

❑ Management commentary on Margins

We value the stock at 18x FY20e EPS.

Balkrishna Industries Limited

Auto & Auto Components

BIL IN

CMP	**1054**
Target	**1126**
Upside	**7%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	20%	18%	19%	20%
Roce%	22%	19%	24%	25%
P/E	19.2	28.8	22.7	18.0
P/B	3.9	5.2	4.2	3.6
EV/Ebdita	12.3	19.2	13.8	11.2

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Rubber (RSS-3)	197	181	159	159	182	170	148
Crude	48	56	71	71	50	72	71
Volume Growth							
Volumes (MT)	172,419	199,213	231,453	265,107	49,331	56,754	55,744
Growth YoY	*16%*	*16%*	*16%*	*15%*	*16%*	*23%*	*13%*
Price Growth YoY	*-1%*	*2%*	*9%*	*4%*	*3%*	*10%*	*2%*
Financials							
Sales	3,788	4,464	5,662	6,725	1,114	1,362	1,365
Sales Gr	*16%*	*18%*	*27%*	*19%*	*20%*	*35%*	*22%*
Ebdita	1,132	1,107	1,483	1,844	305	358	358
Ebdita Gr	*35%*	*-2%*	*34%*	*24%*	*-1%*	*65%*	*17%*
Net Profits	715	739	905	1,147	203	230	213
Profit Gr%	*63%*	*3%*	*22%*	*27%*	*-16%*	*50%*	*5%*
Ebdita Margin%	29.9%	24.8%	26.2%	27.4%	27.4%	26.2%	26.2%
Net Profit Margin%	18.9%	16.6%	16.0%	17.1%	18.2%	16.9%	15.6%

Conso/Fig in Rs Cr

❑Revenue is expected to grow at 22%YoY led by 13%YoY volume growth and 8%YoY realization growth. Volume growth to remain robust at 16%YoY in FY19 as against the guided range of 12-15% based on healthy demand for agri and mining tyres in Europe as well as in domestic market.

❑ Margins to remain at similar level as 1QFY19 based on increase in crude and rupee depreciation as over 50% raw material is imported.

❑ BKT overall market share is 5% and the management expects it to reach 7.5-8% in next 2-3 years.

❑ Carbon Black plant (Bhuj) will be completed by FY21 with a total cost of Rs.425 crores and it may improve the EBITDA margins by 150bps on full ramp up due to backward integration.

❑ A capex outlay of Rs. 1,700 crores, to be completed over the next 30 months will be financed through blend of debt and internal accruals. Of the total capex, (1) Rs. 700 crore is for setting up a green field tyre plant with capacity of 20,000 MT in USA,(2) Rs. 500 crore will be spent in Waluj to replace the existing plant with a new facilities (3) Rs.500 crore towards setting up a new line of 5,000 MT for layers of all steel radial OTR tyres and additional mixing line in Bhuj.

Key Trackable this Quarter

❑ Realisation for the quarter

❑Management commentary on EBITDA margin

We value the stock at 19x FY20e EPS

CEAT Limited

CEAT IN

Auto & Auto Components

CMP	**1108**
Target	**1313**
Upside	**19%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	15%	9%	11%	12%
Roce%	16%	15%	12%	13%
P/E	14.8	23.0	13.9	11.9
P/B	2.2	2.1	1.6	1.4
EV/Ebdita	9.4	9.3	8.3	6.7

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Rubber (RSS-4)	136	130	127	127	133	123	131
Crude	48	56	70	70	50	70	71
Volume Growth							
Volumes (MT)	295,924	304,802	344,124	389,846	75,174	84,972	83,443
Growth YoY	*10%*	*3%*	*13%*	*13%*	*2%*	*18%*	*11%*
Price Growth YoY	*-5%*	*5%*	*0%*	*3%*	*5%*	*-1%*	*2%*
Financials							
Sales	5,767	6,231	7,038	8,184	1,523	1,706	1,713
Sales Gr	*5%*	*8%*	*13%*	*16%*	*7%*	*17%*	*13%*
Ebdita	657	615	722	937	175	176	184
Ebdita Gr	*-15%*	*-6%*	*17%*	*30%*	*-6%*	*222%*	*5%*
Net Profits	361	233	323	376	73	71	86
Profit Gr%	*-17%*	*-35%*	*39%*	*16%*	*-32%*	*5077%*	*17%*
Ebdita Margin%	11.4%	9.9%	10.3%	11.4%	11.5%	10.3%	10.7%
Net Profit Margin%	6.3%	3.7%	4.6%	4.6%	4.8%	4.2%	5.0%

Conso/Fig in Rs Cr

❑ Revenue is expected to grow at 13%YoY largely driven by 11%YoY volume growth and 2%YoY realisation growth. The volume growth expectation is 13%YoY for FY19 which is in line with double digit growth guidance. Guidance of 15% revenue growth for next 3 years.

❑ EBITDA margin for OTR tyres can reach 20% once the plant reaches at optimum utilization (70-80%). Current utilization level is 25%.

❑ Rubber prices declined by 1% while crude prices increased by 8%QoQ in 1QFY19 but on account of strong volume growth and price hike in 2Ws margin is expected to improve by 40bps QoQ.

❑ CEAT is investing close to Rs. 1000 crores towards increasing its TBR capacity (210 TPD). The new capacity should be on board by 3QFY19 with full ramp-up by 3QFY20.

❑ The company has plans to invest close to Rs.3500-4000 crores over the next 3-5 years to expand capacity and this will lead to increase in capacity by 50% in FY21.

❑ Based on huge expansion plan debt level is expected to remain at elevated in FY19 and FY20.

Key Trackable this Quarter

❑ Implementation of new axle load norms could lead to development of new tyres with increased rim size

❑ Management commentary on margin

❑ Pricing strategy in lieu of Raw material price inflation and INR depreciation

We value the stock at 14x FY20e EPS.

Eicher Motors Limited

Auto & Auto Components

EICHER IN

CMP	**23171**
Target	**27675**
Upside	**19%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	31%	28%	27%	26%
Roce%	38%	37%	33%	31%
P/E	40.7	39.4	25.6	21.1
P/B	12.7	11.0	7.0	5.5
EV/Ebdita	31.2	27.5	19.1	16.1

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Volume Growth							
Royal Enfield ('000)	666	820	912	1,021	203	225	210
Growth YoY	*11%*	*23%*	*11%*	*12%*	*22%*	*22%*	*4%*
ASP (Rs/vehicle)	105,534	109,263	112,960	116,571	106,834	113,052	112,521
Growth YoY	*2%*	*4%*	*3%*	*3%*	*-2%*	*2%*	*-1%*
VECV ('000)	59	67	80	94	16	16	19
Growth YoY	*13%*	*14%*	*19%*	*18%*	*18%*	*40%*	*18%*
Financials							
Sales	7,033	8,965	10,307	11,907	2,167	2,548	2,364
Sales Gr	*14%*	*27%*	*15%*	*16%*	*24%*	*27%*	*9%*
Ebdita	2,174	2,808	3,312	3,924	683	810	754
Ebdita Gr	*29%*	*29%*	*18%*	*18%*	*26%*	*30%*	*10%*
Net Profits	1,667	1,960	2,467	2,995	518	576	577
Profit Gr%	*25%*	*18%*	*26%*	*21%*	*25%*	*25%*	*11%*
Ebdita Margin%	30.9%	31.3%	32.1%	33.0%	31.5%	31.8%	31.9%
Net Profit Margin%	23.7%	21.9%	23.9%	25.2%	23.9%	22.6%	24.4%

Conso/Fig in Rs Cr

❑ Revenue growth is expected to be 9%YoY driven by 4%YoY volume growth and 5%YoY realization growth. Volume growth to be 11%YoY based on strong demand for classic 350 and Thunderbird X models in FY19. Bookings for 650cc twins to begin from Nov-18.

❑ Despite the increase in commodity prices, margin is expected to increase by 10bps QoQ largely on account of operating leverage benefit.

❑ Capex of Rs.800 crores towards capacity addition will lead to total capacity of 9.5 lakh units for RE by March 2019. Capacity expansion at Vallam plant to come by 2HCY19.

❑ The management is aggressively targeting export market by new launches and expansion of exclusive outlets.

❑ VECV volumes are expected to grow at 16% CAGR over FY18-20. The company plans to spend Rs.500 crores towards capacity addition in FY19.

❑ Other Income is ~14% of total PAT and recent spike in bond yield may drag down the other income in 2QFY19.

Key Trackable this Quarter

❑ Realisation: price hikes in order to protect margins

❑ Waiting period for classic models

❑ Strike at Oragadam Plant: Hampered 10000 units in September

We value the stock at 25x FY20e EPS.

Escorts Limited

ESC IN

Auto & Auto Components

CMP	**622**
Target	**750**
Upside	**21%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	8%	16%	18%	18%
Roce%	15%	22%	24%	24%
P/E	42.3	26.0	13.4	10.9
P/B	3.4	4.1	2.4	2.0
EV/Ebdita	18.4	16.3	8.9	7.5

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Agri Machinery Vol.	63,786	80,417	94,174	102,716	20,358	24,494	21,039
Growth YoY	*24%*	*26%*	*17%*	*9%*	*31%*	*39%*	*3%*
ECE Volume	3,315	4,486	5,495	6,484	972	1,345	1,166
Growth YoY	*30%*	*35%*	*22%*	*18%*	*34%*	*52%*	*20%*
Segment Revenue							
Agri Machinery	3,346	3,958	4,551	5,123	973	1,177	1,001
ECE	607	780	965	1,179	165	246	214
Railway Equip.	242	287	330	379	73	88	84
Financials							
Sales	4,145	5,059	6,038	6,906	1,212	1,511	1,300
Sales Gr	*21%*	*22%*	*19%*	*14%*	*26%*	*32%*	*7%*
Ebdita	309	554	721	864	141	186	152
Ebdita Gr	*92%*	*79%*	*30%*	*20%*	*108%*	*90%*	*8%*
Net Profits	131	347	474	587	78	120	99
Profit Gr%	*86%*	*166%*	*37%*	*24%*	*148%*	*91%*	*28%*
Ebdita Margin%	7.5%	10.9%	11.9%	12.5%	11.6%	12.3%	11.7%
Net Profit Margin%	3.1%	6.9%	7.9%	8.5%	6.4%	7.9%	7.6%

*Yearly Consolidated and Quarterly Standalone　　Fig in Rs Cr

❑ Volumes have grown by 3%YoY due to delay in festive season in Q3. Domestic tractor industry expected to grow at 12-15% while Escorts volumes to grow at 17%YoY in FY19. Exports target of 3000 units in FY19 (52%YoY growth).

❑ EBITDA margin is expected to decline by 60bps QoQ led by change in product mix, rising commodity prices and increased USD (impacting construction equipment margins).

❑ Construction Equipment segment margins to improve in FY19 as the segment has become EBIT positive in FY18 on the back of operating leverage benefit.

❑ Expectation of close to 300bps improvement in EBITDA margin over FY18-22 on the back of vendor rationalization, VA-VE (Value Analysis & Value Engineering) exercises and operating leverage benefit.

❑ Capex in FY19 of Rs.300 crores will be spent towards product development and capacity expansion.

Key Trackable this Quarter

❑ Commentary on strategy for market share gains

❑ Pricing strategy on the back of Raw material price inflation

❑ Management guidance on margins (earlier guidance: Tractors/CE/ railways business margins to be ~14%/~5%/~18%.)

We value the stock at 13x FY20e EPS.

Gabriel India Limited

Auto & Auto Components

GABR IN

CMP	**121**
Target	**153**
Upside	**26%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	18%	18%	18%	19%
Roce%	24%	25%	27%	27%
P/E	21.4	22.3	15.6	13.2
P/B	3.9	4.0	2.9	2.5
EV/Ebdita	11.8	12.2	8.6	7.2

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segment Revenue							
2W/3W	841	1,026	1,187	1,337	269	298	308
PV	489	568	613	666	142	139	143
CV	199	238	302	347	61	77	75
Financials							
Sales	1,529	1,833	2,109	2,369	472	515	526
Sales Gr	*6%*	*20%*	*15%*	*12%*	*20%*	*23%*	*11%*
Ebdita	144	171	202	240	45	49	52
Ebdita Gr	*12%*	*19%*	*18%*	*19%*	*22%*	*22%*	*13%*
Net Profits	82	94	111	131	27	24	28
Profit Gr%	*8%*	*15%*	*18%*	*18%*	*26%*	*31%*	*5%*
Ebdita Margin%	9.4%	9.3%	9.6%	10.1%	9.6%	9.5%	9.8%
Net Profit Margin%	5.3%	5.1%	5.3%	5.5%	5.7%	4.7%	5.4%

Std/Fig in Rs Cr

❑ Revenue growth is expected to be 11% and 15%YoY in 2QFY19 and FY19 respectively based on strong double digit volume growth across segments in FY19YTD.

❑ Aluminium and crude prices increased by 9% and 8% QoQ in 1QFY19 respectively, considering that there will be some price negotiations with OEMs in order to sustain EBITDA margin over 9.5%. However management aspires to touch double digit margins in FY19.

❑ The capex for FY19 will be Rs.156 crores towards capacity addition in two wheeler and commercial vehicles which are running over 85-90% capacity utilization and new product developments.

❑ The biggest driver for Gabriel's PV segment going forward is the 2019 launch of the Alto replacement code named currently as 'Y1K'. Gabriel has won a contract to be the sole vendor of this best seller from Maruti's stable.

❑ CV business: We also believe that the pre-buying which is expected to happen in the wake of BS VI norms implementation may create a spurt in the CV volumes from Q1 of FY 20.

❑ Railway business: the conventional shock absorbers will be replaced by LHBs to the tune of 18 from existing 6 units per coach mainly in the high speed and hi-tech trains. These products were earlier imported but now are produced locally by the likes of Gabriel.

Key Trackable this Quarter

❑ Commentary on Railway business growth

❑ Price hike during the quarter

We value the stock at 17x FY20e EPS.

Hero MotoCorp Limited

Auto & Auto Components

HMCL IN

CMP	**2916**
Target	**3217**
Upside	**10%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	34%	31%	27%	28%
Roce%	39%	39%	36%	37%
P/E	18.6	19.4	15.6	13.3
P/B	6.4	6.0	4.3	3.7
EV/Ebdita	14.4	13.6	10.5	9.0

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Volume Growth							
2 Wheelers ('000)	6,664	7,583	8,406	9,097	2,023	2,105	2,134
Growth YoY	*0%*	*14%*	*11%*	*8%*	*11%*	*14%*	*5%*
ASP (Rs/vehicle)	42,895	42,805	42,092	43,216	41,339	41,853	41,916
Growth YoY	*0%*	*0%*	*-2%*	*3%*	*-3%*	*-3%*	*1%*
Financials							
Sales	*28,585*	*32,458*	*35,383*	*39,314*	*8,362*	*8,810*	*8,945*
Sales Gr	*0%*	*14%*	*9%*	*11%*	*7%*	*11%*	*7%*
Ebdita	4,576	5,325	5,544	6,435	1,456	1,377	1,378
Ebdita Gr	*4%*	*16%*	*4%*	*16%*	*6%*	*6%*	*-5%*
Net Profits	3,546	3,722	3,724	4,385	1,010	909	916
Profit Gr%	*14%*	*5%*	*0%*	*18%*	*1%*	*-1%*	*-9%*
Ebdita Margin%	16.0%	16.4%	15.7%	16.4%	17.4%	15.6%	15.4%
Net Profit Margin%	12.4%	11.5%	10.5%	11.2%	12.1%	10.3%	10.2%

*Yearly Consolidated and Quarterly Standalone — Fig in Rs Cr

❑Revenue growth of 7%YoY in 2QFY19 to be driven by 5%YoY volume growth. Volume growth expected to be 11%YoY in FY19 and it will be driven by festivals, marriage season and new launches in premium segment 2 wheelers and scooters.

❑ EBITDA margin may decline by 20bps QoQ despite price hikes taken in 2QFY19 due to sharp increase in commodity prices. However margins to remain in the range of 15-16% slightly ahead of sustainable guided margin range of 14-15%. The upcoming safety norm which includes CBS and ABS will increase the cost by Rs.500 and Rs.3500 respectively from 1st April 2019.

❑ The cost of ownership has increased by 15-20% due to increase in insurance cost. It is mandatory for all general insurance companies to issue 5 year third party insurance for new 2 wheelers sold from 1-sep-2018.

❑ The company has lost 370bps market share over last one quarter to Bajaj Auto in the entry segment motorcycles due to heavy discounts offered by Bajaj-Auto.

❑ Other Income is 14-15% of total PAT and recent spike in bond yield may drag down the other income in 2QFY19.

Key Trackable this Quarter

❑ Management commentary on price competition

❑ LEAP program benefit

We value the stock at 15x FY20e EPS

Lumax Industries Limited

LUMX IN

CMP	**1809**
Target	**2271**
Upside	**26%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	19%	22%	22%	27%
Roce%	24%	29%	32%	38%
P/E	28.2	32.2	22.1	14.3
P/B	5.3	7.0	4.9	3.9
EV/Ebdita	12.8	15.2	9.7	7.2

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segment Revenue							
PV	923	1,127	1,318	1,492	258	323	308
CV	65	99	118	153	23	30	26
2-Wheelers	312	431	573	616	99	144	138
Financials							
Sales	1,300	1,650	2,012	2,261	380	496	475
Sales Gr	*4%*	*27%*	*22%*	*12%*	*23%*	*42%*	*25%*
Ebdita	100	134	170	221	30	41	40
Ebdita Gr	*13%*	*35%*	*27%*	*30%*	*18%*	*66%*	*34%*
Net Profits	45	63	77	118	18	20	17
Profit Gr%	*21%*	*40%*	*21%*	*54%*	*54%*	*116%*	*-7%*
Ebdita Margin%	7.7%	8.1%	8.4%	9.8%	8.0%	8.2%	8.5%
Net Profit Margin%	3.5%	3.8%	3.8%	5.2%	4.8%	4.0%	3.6%

Std/Fig in Rs Cr

- The passenger vehicle industry is expected to grow at 8-9% in next 3-4 years while 2 wheeler industry growth expectations is around 10-11% for next 2 years. Revenue growth of 25% and 22%YoY is expected in 2QFY19 and FY19 led by faster adoption of LED lamps (3x to 10x higher realisation than conventional lamps).
- Recent appreciation in USD will lead to contraction in margins as raw material import stands at 35-36%. However the management targets double digit margin through increasing localization and operating leverage benefit by FY20.
- Gujarat plant has started production from 4QFY18 so we expect depreciation cost to remain on the higher side in FY19.
- The management expect conventional and LED lamps ratio to be around 60:40 by 2020 which currently stands at 75:25.
- Capex of Rs.70-80 crores, includes brown field expansion at Sanand plant.

Key Trackable this Quarter

- Localisation Status
- Utilisation level of Gujarat Plant
- Management commentary on margins

We value the stock at 18x FY20e EPS

Mahindra & Mahindra Ltd

Auto & Auto Components

MM IN

CMP	**791**
Target	**1051**
Upside	**33%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	15%	14%	14%	15%
Roce%	14%	13%	13%	14%
P/E	10.0	14.9	20.2	17.0
P/B	1.5	2.1	2.8	2.5
EV/Ebdita	8.6	10.5	13.2	11.1

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segment volumes							
Passenger Vehicles	236	249	264	290	66	61	61
Commercial vehicles	181	217	264	307	51	57	63
3W	52	55	66	76	14	13	18
Export	37	28	35	38	8	9	9
Farm Equipment	263	317	349	376	81	101	78
Financials							
Sales	43,785	48,686	54,611	60,379	12,182	13,520	12,685
Sales Gr	*7%*	*11%*	*12%*	*11%*	*15%*	*17%*	*4%*
Ebdita	4,769	6,224	7,191	8,511	1,729	1,872	1,649
Ebdita Gr	*3%*	*31%*	*16%*	*18%*	*40%*	*48%*	*-5%*
Net Profits	3,956	4,356	4,656	5,548	1,332	1,221	1,058
Profit Gr%	*23%*	*10%*	*7%*	*19%*	*14%*	*59%*	*-21%*
Ebdita Margin%	10.9%	12.8%	13.2%	14.1%	14.2%	13.8%	13.0%
Net Profit Margin%	9.0%	8.9%	8.5%	9.2%	10.9%	9.0%	8.3%
D/E	0.11	0.09	0.08	0.07			

Std/Fig in Rs Cr

❑Revenue growth of 4%YoY will be driven by 5%YoY volume growth and 1%YoY decline in realisation. Farm Equipment Segment (FES) volume growth expected to be 10%YoY as against guidance of 12-14% based on rain deficiency in some high volume states.

❑ Overall, automotive segment is expected to post 15%YoY growth in FY19 on account of strong growth in CV segment and new product launches receiving healthy response in the PV segment.

❑ FES revenue contribution is around 32% and management targets it to be 50% in next 3 years. Cost reduction of ~500bps in FES through cost control measures like “Horizon 500” and “Kuber Returns” over the next 2-3 years.

❑ Margin is expected to decline by 80bps QoQ due to rising steel, aluminium, crude prices and higher marketing expenses related to launch of Marazzo.

❑ The plans to spend around Rs.15000 crores towards capacity addition, new products and electric vehicles development till FY21.

Key Trackable this Quarter

❑ Commentary on volumes for S201 and Marazzo

❑ Management strategy on increasing market share in states where they have less than 43% share in tractors

We value the stock at 16x FY20e EPS (std) and Rs.305 per share for subsidiaries.

Maruti Suzuki India Limited

Auto & Auto Components

MSIL IN

CMP	**7252**
Target	**9040**
Upside	**25%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	20%	19%	19%	20%
Roce%	21%	22%	23%	24%
P/E	24.2	34.0	24.2	20.1
P/B	4.9	6.3	4.5	3.9
EV/Ebdita	17.6	22.2	15.8	13.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Capacity('000)	1600	1900	1963	2213	1900	1900	1900
Volume Growth							
Domestic ('000)	1,444	1,654	1,846	2,021	457,401	463,840	455,400
Growth YoY	*11%*	*14%*	*12%*	*10%*	*19%*	*26%*	*0%*
Exports ('000)	124	126	125	131	34,717	26,639	29,448
Growth YoY	*0%*	*2%*	*-1%*	*5%*	*-2%*	*2%*	*-15%*
ASP (Rs/vehicle)	434,062	448,475	450,225	457,251	442,337	457,907	460,758
Growth YoY	*8%*	*3%*	*0%*	*2%*	*-1%*	*0%*	*1%*
Financials							
Sales	68,085	79,809	88,489	97,911	21,768	22,459	22,340
Sales Gr	*18%*	*17%*	*11%*	*11%*	*22%*	*28%*	*3%*
Ebdita	10,358	12,063	13,812	16,223	3,634	3,335	3,507
Ebdita Gr	*17%*	*16%*	*14%*	*17%*	*20%*	*44%*	*-3%*
Net Profits	7,511	7,880	8,870	10,861	2,484	1,975	2,307
Profit Gr%	*37%*	*5%*	*13%*	*22%*	*4%*	*27%*	*-7%*
Ebdita Margin%	15.2%	15.1%	15.6%	16.6%	16.7%	14.8%	15.7%
Net Profit Margin%	11.0%	9.9%	10.0%	11.1%	11.4%	8.8%	10.3%

Conso/Fig in Rs Cr

❑ Q2FY19 Volume declined by 1%YoY led by higher base and delayed festive season. Revenue growth to be 2.6%YoY driven by new model launches and premium segment cars. Volume growth for FY19 would be 11%YoY largely in line with industry expectation of double digit growth.

❑ Price hikes and higher sales of premium models will mitigate impact of rising commodity prices and margin is expected to improve by 90bps QoQ in 2QFY19.

❑ Recent depreciation in Rupee vs Yen will lead to increase in royalty outgo in 2QFY19. (5.7% of sales).

❑ Other Income is 20-22% of total PAT and recent spike in bond yield may drag down the other income in 2QFY19.

❑ Out of the total capex of Rs.5000 crores, Maruti has earmarked Rs 1,000 crores in the FY19 to buy land parcels for new component suppliers in Gujarat. Currently localization at Gujarat plant is 15% and in next 3-4 years it will reach to 65%.

Key Trackable this Quarter

❑ Realisation Trend: premium cars to drive the realisation and margins

❑ Discounts: higher discounts can impact the margins negatively

❑ Management commentary on recent plant shifting strategy from Gurugram to Manesar

We value the stock at 25x FY20E EPS.

Minda Industries Limited

MNDA IN

Auto & Auto Components

CMP	**342**
Target	**440**
Upside	**29%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	24%	24%	22%	24%
Roce%	25%	23%	26%	26%
P/E	30.0	23.1	23.2	17.4
P/B	7.3	5.5	5.2	4.1
EV/Ebdita	14.4	14.5	12.3	10.1

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segment Revenue							
Switches	1,206	1,533	2,228	2,547	346	586	522
Horns/Acoustics	626	683	862	1,032	168	200	209
Lighting	895	1,151	1,290	1,514	303	315	313
Others	757	1,103	1,404	1,790	281	329	330
Financials							
Sales	3,386	4,471	5,784	6,883	1,098	1,430	1,373
Sales Gr	*34%*	*32%*	*29%*	*19%*	*23%*	*51%*	*25%*
Ebdita	374	534	727	889	137	170	180
Ebdita Gr	*57%*	*43%*	*36%*	*22%*	*42%*	*68%*	*32%*
Net Profits	185	331	386	515	73	85	96
Profit Gr%	*67%*	*79%*	*17%*	*33%*	*75%*	*64%*	*31%*
Ebdita Margin%	11.0%	11.9%	12.6%	12.9%	12.4%	11.9%	13.1%
Net Profit Margin%	5.5%	7.4%	6.7%	7.5%	6.7%	5.9%	7.0%

Conso/Fig in Rs Cr

- ❑ We expect 16% and 19%YoY growth in 2QFY19 and FY19 based on strong passenger vehicle outlook and incremental growth from consolidation of businesses.
- ❑ Currently, exports are 18% of the revenue and management targets to reach 25% in next couple of years.
- ❑ The rising commodity prices and depreciation in rupee can pose risk to margins but increasing utilization on the alloy wheel business (20%+ margins) will lead to expansion in margins.
- ❑ Government's focus to improve safety features in vehicles (airbags and rear parking camera) will add incremental revenue to the company from FY20 onwards.
- ❑ Capex guidance of Rs.350-400 crores of for FY19 out of that Rs.137 crores will be spend towards consolidation of TG Minda and around Rs.60 crores towards I-SYS acquisition.
- ❑ Debt level will be in the range of 0.8-0.9:1 in FY19 & 20 which is currently stands at 0.4:1.

Key Trackable this Quarter

- ❑ Strategy on Passing on Cost appreciation (currently 6 months lag)
- ❑ Management commentary on margins

We value the stock 22x FY20e EPS.

Motherson Sumi

MSS IN

CMP	**243**
Target	**323**
Upside	**33%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	26%	23%	25%	26%
Roce%	18%	20%	23%	25%
P/E	16.1	33.3	17.5	13.6
P/B	4.2	7.6	4.4	3.5
EV/Ebdita	9.2	15.6	8.8	6.7

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Copper(USD/MT)	5,159	6,449	6,477	6,477	6,349	6,766	6,189
Crude(USD/Barrel)	48	56	70	70	50	70	*71*
Segment Revenue							
MSSL Standalone	6,229	7,440	8,471	9,816	1,856	2,004	2,098
SMR	11,869	12,106	12,989	14,029	2,898	3,257	3,043
SMP	22,101	26,177	29,732	35,084	6,124	6,404	6,859
PKC	-	7,940	10,927	13,880	1,860	2,390	2,629
Others	3,403	3,956	4,620	5,313	998	1,112	1,148
Financials							
Sales	42,475	56,293	65,011	76,098	13,431	14,775	15,369
Sales Gr	*14%*	*33%*	*15%*	*17%*	*32%*	*13%*	*14%*
Ebdita	4,285	5,123	6,164	7,586	1,251	1,412	1,383
Ebdita Gr	*21%*	*20%*	*20%*	*23%*	*24%*	*19%*	*11%*
Net Profits	2,172	2,260	2,918	3,759	593	618	630
Profit Gr%	*22%*	*4%*	*29%*	*29%*	*24%*	*78%*	*6%*
Ebdita Margin%	10.1%	9.1%	9.5%	10.0%	9.3%	9.6%	9.0%
Net Profit Margin%	5.1%	4.0%	4.5%	4.9%	4.4%	4.2%	4.1%
D/E	1.2	1.0	0.8	0.6			

Conso/Fig in Rs Cr

❑ Revenue guidance of USD 18bn by 2020 and currently order book stands at close to USD 19bn. Revenue growth expected to be 16%YoY driven by strong sales growth in domestic market, robust order book for SMRPBV and healthy class-8 truck volumes.

❑ Recent run up in crude prices coupled with rupee depreciation may put pressure on margins. Import content for the company is around 50-55% of total raw material cost.

❑ Management has strong focus towards its 3CX15 strategy where no component, customer or country would contribute over 15% of its revenue.

❑ Electric vehicles will be an opportunity for the company as content per car will increase going ahead.

❑ Capex For FY19: Rs.2000 crores and the capex cycle will be lower for next couple of years as most of the capex has been incurred.

Key Trackable this Quarter

❑ SMR revenue growth & margin

❑ Status of Tuscaloosa plant: expected to start production from 3QFY19

❑Depreciation and amortisation expenses: new plants ramp up

We value the stock at 18x FY20e EPS.

SKF India Limited

SKF IN

Auto & Auto Components

CMP	**1699**
Target	**1990**
Upside	**17%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	13%	16%	16%	16%
Roce%	16%	21%	22%	22%
P/E	27.3	30.2	25.6	22.4
P/B	3.7	4.9	4.1	3.6
EV/Ebdita	18.1	18.9	15.8	13.6

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segment Revenue							
Auto	1,033	1,141	1,313	1,458	286	321	328
Export	197	262	264	291	68	54	73
Industrial	1,402	1,348	1,445	1,560	326	380	343
Financials							
Sales	2,631	2,750	3,022	3,309	680	755	744
Sales Gr	*-12%*	*5%*	*10%*	*9%*	*3%*	*13%*	*9%*
Ebdita	336	435	498	571	111	116	111
Ebdita Gr	*-8%*	*29%*	*15%*	*15%*	*32%*	*24%*	*0%*
Net Profits	244	296	340	390	74	81	76
Profit Gr%	*-5%*	*21%*	*15%*	*15%*	*23%*	*26%*	*3%*
Ebdita Margin%	12.8%	15.8%	16.5%	17.3%	16.3%	15.4%	15.0%
Net Profit Margin%	9.3%	10.8%	11.3%	11.8%	10.9%	10.7%	10.2%

Std/Fig in Rs Cr

❑ Revenue growth is expected to be 10%YoY driven by strong demand from auto sector and railways segment. Further industrial segment growth will be driven by increasing infrastructure and mining sector demand.

❑ We expect shift towards manufacturing will gradually mitigate the effect of rising steel cost going ahead.

❑ The bearing market has Rs.1000 crores of opportunity in the railway space; 60% is freight and 40% is passenger coaches and locomotives. Introduction of DFC and new metro projects will increase the contribution from Railways segment which is currently 8-9% of total sales.

❑ Implementation of ABS in 2Ws will improve the realization of bearings by 3x and also the 3rd generation bearings are being used in passenger vehicles though these are in initial stage but they are high realization products (2-2.5x) than the 1st generation bearings.

❑ For 3rd generation bearings, the company has set up a manufacturing facility of 500000 lines that can go up to 700000 lines. On full capacities the estimated revenue could be around Rs.40-50 crores.

Key Trackable this Quarter

❑ Raw material import composition

❑ Traded and Manufacturing mix

We value the stock at 26x FY20e EPS.

Subros Limited

SUBR IN

CMP	**300**
Target	**400**
Upside	**33%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	4%	15%	19%	22%
Roce%	16%	21%	26%	31%
P/E	91.1	28.7	21.2	14.3
P/B	3.6	4.3	4.0	3.2
EV/Ebdita	8.5	8.9	8.4	6.3

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segment Revenue							
PV AC	1,437	1,761	2,022	2,244	469	479	524
Growth YoY		*23%*	*15%*	*11%*	*16%*	*27%*	*12%*
Non PV AC	105	152	215	296	29	53	49
Growth YoY		*45%*	*42%*	*38%*	*3%*	*42%*	*72%*
Financials							
Sales	1,554	1,913	2,237	2,540	497	532	573
Sales Gr	*19%*	*23%*	*17%*	*14%*	*15%*	*28%*	*15%*
Ebdita	167	210	244	305	54	57	68
Ebdita Gr	*10%*	*26%*	*16%*	*25%*	*20%*	*29%*	*25%*
Net Profits	14	61	92	137	15	19	28
Profit Gr%	*-42%*	*334%*	*52%*	*48%*	*210%*	*80%*	*89%*
Ebdita Margin%	10.8%	11.0%	10.9%	12.0%	10.9%	10.7%	11.9%
Net Profit Margin%	0.9%	3.2%	4.1%	5.4%	3.0%	3.6%	5.0%
D/E	0.9	0.8	0.6	0.4			

Conso/Fig in Rs Cr

❑ Revenue growth of 15%YoY will be driven by new model launches by Passenger Vehicle (PV) OEMs, capacity addition in line with Maruti and mandatory Truck AC/blower norm in 2QFY19.

❑ Margin is expected to increase in 2QFY19 on the back of operating leverage benefit and increasing localization.

❑ In the commercial vehicle space Subros command 70% market share. CV market size stand somewhere between 300-350 k units per annum. Rs.85-90 crores of revenue expectation in Truck air conditioners in FY19.

❑ The management expect margins to expand going ahead as the import content will reduce to 20-25% in next 2-3 years. Currently import content is around 34% of sales.

❑ Overall debt stood at Rs.315 crores in FY18 and the company will repay around Rs.35 crores in FY19.

❑ Capex guidance of Rs.120-130 crores in FY19 and Rs.50-60 crores in FY20.

Key Trackable this Quarter

❑ Import content as sales

❑ Commercial Vehicle revenue

❑ Management commenatry on margins

We value the stock at 19x FY20e EPS.

Swaraj Engines Limited

SWE IN

Auto & Auto Components

CMP	**1423**
Target	**1858**
Upside	**31%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	24%	35%	36%	38%
Roce%	31%	46%	49%	52%
P/E	26.6	30.3	18.5	14.5
P/B	6.5	10.6	6.7	5.6
EV/Ebdita	17.5	19.9	11.9	9.6

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Volume Growth							
M&M volume	248,409	301,934	332,925	362,732	76,928	97,360	73,902
Growth YoY	23%	22%	10%	9%	33%	20%	-4%
Engine Volumes	82,297	92,022	102,501	115,668	24,984	26,742	24,001
Growth YoY	*28%*	*12%*	*11%*	*13%*	*12%*	*15%*	*-4%*
ASP (Rs/Engine)	80,943	83,802	88,257	90,024	83,517	87,697	87,697
Growth YoY	*-1%*	*4%*	*5%*	*2%*	*5%*	*5%*	*5%*
Financials							
Sales	*666*	*771*	*905*	*1,041*	*209*	*235*	*210*
Sales Gr	*27%*	*16%*	*17%*	*15%*	*17%*	*21%*	*1%*
Ebdita	105	122	145	179	35	37	32
Ebdita Gr	*42%*	*16%*	*19%*	*23%*	*20%*	*13%*	*-9%*
Net Profits	69	80	93	119	24	23	21
Profit Gr%	*34%*	*16%*	*17%*	*28%*	*22%*	*7%*	*-12%*
Ebdita Margin%	15.7%	15.8%	16.0%	17.2%	16.8%	15.6%	15.1%
Net Profit Margin%	10.3%	10.3%	10.3%	11.4%	11.3%	9.8%	9.8%

Std/Fig in Rs Cr

❑ Volume growth is expected to decline by 4% YoY in 2QFY19 due to shift of festive season in 3QFY19. 11%YoY volume growth driven by strong rural outlook and based on M&M tractor volumes as it supplies primarily to M&M.

❑ Based on increase in demand for higher HP tractors (41-50 HP) realisation will be on the higher side in 2QFY19.

❑ Despite sharp increase commodity prices margins are expected to be maintained over 15% on the back of cost control initiatives, price hike in 1QFY19 and operating leverage benefit.

❑ Based on the strong volume growth outlook, the capacity is expected to increase from 120000 units to 150000 units by FY21 and it will be financed through internal accruals.

Key Trackable this Quarter

❑ Engine Realization

❑ Management commentary on margin

We value the stock at 20x FY20e EPS.

TVS Motor Company Limited

Auto & Auto Components

TVSL IN

CMP	**542**
Target	**568**
Upside	**5%**
Rating	**Neutral**

	FY17	FY18	FY19E	FY20E
Roe%	23%	23%	20%	24%
Roce%	20%	25%	25%	30%
P/E	36.6	43.0	38.1	26.2
P/B	8.5	9.9	7.6	6.3
EV/Ebdita	24.4	25.5	19.7	14.5

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Volume Growth							
Domestic ('000)	2,502	2,892	3,219	3,662	801	738	889
Growth YoY	*12%*	*16%*	*11%*	*14%*	*14%*	*9%*	*11%*
Exports ('000)	425	574	735	792	148	190	199
Growth YoY	*-7%*	*35%*	*28%*	*8%*	*31%*	*52%*	*35%*
ASP (Rs/vehicle)	41,460	43,650	46,265	48,053	42,721	44,746	46,571
Growth YoY	*0%*	*5%*	*6%*	*4%*	*2%*	*6%*	*9%*
Financials							
Sales	12,135	15,130	18,294	21,402	4,052	4,154	5,069
Sales Gr	*9%*	*25%*	*21%*	*17%*	*18%*	*22%*	*25%*
Ebdita	857	1,129	1,312	1,758	350	306	375
Ebdita Gr	*6%*	*32%*	*16%*	*34%*	*27%*	*45%*	*7%*
Net Profits	558	663	677	983	213	147	205
Profit Gr%	*14%*	*19%*	*2%*	*45%*	*20%*	*13%*	*-4%*
Ebdita Margin%	7.1%	7.5%	7.2%	8.2%	8.6%	7.4%	7.4%
Net Profit Margin%	4.6%	4.4%	3.7%	4.6%	5.3%	3.5%	4.0%

Std/Fig in Rs Cr

- ❑ Revenue is expected to grow at 25%YoY led by 15%YoY volume growth and 9%YoY realization growth. Volume growth to remain robust at 15%YoY driven by strong growth in entry segment motorcycles, 125cc scooter sales and export. Stiff competition in entry level motorcycles and scooters restricted the company from taking any significant price hike despite rising commodity prices, which may result in cost pressure in 2QFY19.

- ❑ Stiff competition in entry level motorcycles and scooters will restrict the company from taking any significant price hike despite rising commodity prices.

- ❑ The company will be investing close to Rs.700 crores in FY19 towards new product development and BS-VI up-gradation before the deadline.

- ❑ On the basis of strong cash flow generation debt to equity ratio is expected to improve in FY19. Currently, Rs.1037 crores of total debt in books as of 31st March 2018 (standalone).

- ❑ Invested around Rs.25 crores in TVS credit services in 1QFY19 and has plans to further invest around Rs.75-100 crores in FY19.

Key Trackable this Quarter

- ❑ Exports realization
- ❑ Management commentary on price competition
- ❑ Debt to Equity

We value the stock 25x FY20e EPS (standalone) and Rs 55 per share for subsidiaries.

Dixon Technologies Ltd

DIXON IN

Capital Goods

CMP	**2540**
Target	**3219**
Upside	**27%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	24%	19%	21%	23%
Roce%	39%	30%	30%	35%
D/E	0.22	0.13	0.22	0.25
P/E	NA	NA	35.0	26.0
P/B	NA	NA	7.4	5.9

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	2QFY19E
Segment Revenue							
Consumer Electronics	845	1,073	1,547	2,107	466	223	611
Lighting Products	551	774	869	1,013	188	190	213
Home Appliances	188	250	359	450	58	86	81
Mobile Phones	811	670	314	331	142	73	77
Reverse Logistics	63	73	75	84	25	14	25
Security Systems	-	0	101	139	-	7	26
Financials							
Sales	2,457	2,842	3,193	4,125	879	520	1,033
Sales Gr	77%	16%	12%	29%	19%	-24%	18%
Ebdita	91	113	144	206	35	26	36
Ebdita Gr	55%	24%	28%	43%	24%	21%	2%
Net Profits	48	61	82	110	21	13	21
Profit Gr%	*20%*	*28%*	*35%*	*34%*	*33%*	*15%*	*2%*
EbditaM%	4%	4%	5%	5%	4%	5%	3%
Net Mgn%	2%	2%	3%	3%	2%	2%	2%

Conso/Fig in Rs Cr

❑ Revenue expected to be grow by 18% YoY mainly led by strong volume growth in consumer electronics and Home appliance segment. Additionally, company is selected as contract manufacture of "Mi Smart TV" for Xiaomi.

❑ EBITDA growth likely to remain muted due to lower EBITDA margin.

❑ EBITDA margin expected to be down by 50 bps on account of lower margin in Consumer electronics and Home appliances.

❑ Though, the margin is likely to improve from Q3FY19 as the company will completely shut down Dehradun facility for TV manufacturing and a complete backward integration of LCM and SMT from October.

❑ Polymer is the main raw material for washing machine and that is a by product of crude. So raising crude price and currency depreciation will affect margin of Home appliance business.

❑ PAT is expected to go down by 40 bps which will be in line with reduction in EBITDA margin.

❑ Raise in import duty on Washing Machine from 10% to 20% will have positive impact on Home appliances business going ahead.

Key Trackable this Quarter

❑ Volume growth

❑ EBITDA margin:- Consumer Electronic .Home appliance and Reverse Logistics

We value the stock at 33x FY20 EPS.

Engineers India Limited

ENGINERS IN

Capital Goods

CMP	**113**
Target	**133**
Upside	**18%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	12%	16%	13%	13%
Roce%	10%	17%	12%	12%
D/E	0.00	0.00	0.00	0.00
P/E	29.8	26.0	22.0	21.2
P/B	3.5	4.3	2.9	2.7

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	2QFY19E
Order Inflow	5,663	2,141	2,548	2,803	1,608	83	165
Order Book	7,762	8,413	8,096	8,227	8,881	7,229	6,903
Revenue							
Consultancy-Dom.	864	1,153	1,060	1,072	276	279	235
Consultancy-Over.	301	226	156	158	57	43	37
Turnkey	1,165	1,379	1,216	1,230	333	322	272
Financials							
Sales	1,480	1,824	2,172	2,671	429	573	491
Sales Gr	*-4%*	*23%*	*19%*	*23%*	*27%*	*53%*	*14%*
Ebdita	314	427	321	331	139	86	72
Ebdita Gr	*51%*	*36%*	*-25%*	*3%*	*48%*	*6%*	*-48%*
Net Profits	330	383	324	337	119	87	76
Profit Gr%	*19%*	*16%*	*-15%*	*4%*	*27%*	*6%*	*-36%*
EbditaM%	21%	23%	15%	12%	32%	15%	15%
Net Mgn%	22%	21%	15%	13%	28%	15%	15%

Consolidated data/ Quaterly Standalone — Fig in Rs Cr

❑ Revenue expected to be up by 14% YoY mainly led by execution of couple of large turnkey projects. Turnkey business revenue is likely to improve by 128% YoY.

❑ EBITDA expected to be down by 48% YoY on account of revenue mix. Turnkey contribution will be 44% v/s 22%.

❑ EBITDA margin expected to be come down to 14.6% compared to 32.4%.

❑ PAT will move in the same line and we estimated de growth of 36.3% YoY.

❑ Company has received large order of Rs.5000 Cr from HPCL for its green filed refinery project at Balmer.

❑ International Bid pipeline:- Capex in Middle East was down due to low crude prices earlier but now with increases in crude price management is expecting revival in capex cycle. Though, it will take 5-6 months time period.

Key Trackable this Quarter

❑ Turnkey projects execution

❑ Recovery in International business

We value the stock at 25x FY20 EPS

Kalpataru Power Transmission Ltd

Capital Goods

KPP IN

CMP	**319**
Target	**467**
Upside	**46%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	6%	10%	9%	11%
Roce%	16%	16%	17%	18%
D/E	1.06	1.12	1.03	0.99
P/E	27.0	26.7	18.3	13.9
P/B	1.6	2.8	1.7	1.5

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
KPTL							
Order Inflow	9,068	9,341	10,197	11,217	1,814	2,698	1,887
Order Book	8,640	12,404	14,777	15,816	9,620	13,742	13,872
JMC							
Order Book	7,000	7,616	9,483	9,818	6,569	9,814	9,609
Financials							
Sales	7,629	8,742	9,897	11,732	1,223	1,325	1,506
Sales Gr	*5%*	*15%*	*13%*	*19%*	*10%*	*13%*	*23%*
Ebdita	867	1,022	1,099	1,324	133	157	169
Ebdita Gr	*10%*	*10%*	*10%*	*10%*	*9%*	*14%*	*27%*
Net Profits	157	278	267	352	71	81	87
Profit Gr%	*107%*	*77%*	*-4%*	*32%*	*24%*	*15%*	*22%*
EbditaM%	*11%*	*12%*	*11%*	*11%*	*11%*	*12%*	*11%*
Net Mgn%	*2%*	*3%*	*3%*	*3%*	*6%*	*6%*	*6%*

Consolidated data/ Quaterly Std — Fig in Rs Cr

- KPTL:-Revenue growth expected to be 24% YoY on account of robust order book of Infrastructure business and steady execution of T&D business.
- JMC:- Revenue growth will be 17% YoY as the major Infra projects are currently in design phase and expect to start construction soon.
- Shubham:- Warehouse utilization level is likely to improve going ahead and management planning to infuse another round of equity(75-80 Cr).
- EBITDA margin expected to improve by 30 bps to 11.2% on account of improvement in Railway and Pipeline business. EBITDA growth will be in line with revenue growth.
- Lower exposure on buyer's credit will help company to maintain borrowings at Rs.1000 Cr level. Hence, we expect interest cost as % of sales to remain at 1.8%.
- Bottom line growth expected to be in line with revenue growth.
- 60% orders of the order book are price variable contract.

Key Trackable this Quarter

- Commodity prices
- Appointment date for Infra projects
- Utilization level

We value the std. business at 12x FY20 EPS and Rs.60 per share for Subsidiary

KEC International Limited

KECI IN

Capital Goods

CMP	**275**
Target	**301**
Upside	**9%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	19%	23%	22%	21%
Roce%	29%	33%	34%	34%
D/E	1.27	0.82	1.11	0.90
P/E	17.6	21.7	13.3	10.9
P/B	3.4	5.0	2.9	2.3

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	2QFY19E
Order Inflow	12,358	15,109	16,902	17,747	2,957	2,748	3,401
Order Book	12,631	17,298	22,949	26,931	14,013	18,518	19,557
Revenue							
Transmission	6,029	6,795	7,215	7,922	1,461	1,007	1,613
Transmission SAE	1,002	1,025	1,069	1,474	248	270	110
Cables	1,054	1,009	1,085	1,290	239	259	172
Railway	447	844	1,596	2,124	119	313	355
Civil/Water	85	268	432	680	40	119	75
Telecom	159	288	454	276	44	160	37
Financials							
Net Sales	8,755	10,096	11,754	13,628	2,132	2,105	2,339
Sales Gr	*1%*	*15%*	*16%*	*16%*	*1%*	*11%*	*10%*
Ebdita	818	1,006	1,197	1,378	216	216	241
Ebdita Gr	*18%*	*23%*	*19%*	*15%*	*16%*	*23%*	*12%*
Net Profits	305	460	533	648	89	87	95
Profit Gr%	*77%*	*54%*	*16%*	*22%*	*37%*	*38%*	*7%*
EbditaM%	*9%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*
Net Mgn%	*3%*	*5%*	*5%*	*5%*	*4%*	*4%*	*4%*

Conso/Fig in Rs Cr

❑ We estimate 9% YoY revenue growth. Non T&D business continue to drive the sales and management maintain its 15% revenue growth guidance for FY19.

❑ Improvement in EBITDA margin is expected to be 20 bps on account of improved performance of non T&D business.

❑ Borrowing is likely to remain higher due to stoppage of roll over facilities for buyers' credit and tight liquidity situation. Interest cost as % of sale will be 3.3% v/s 2.7%.

❑ Higher interest cost will restrict PAT growth and we have anticipated 6.8% growth in Q2FY19. Currently 40% borrowings are in foreign currency but company has around 45-50% revenue from international market. This provides natural hedge.

❑ Order inflow announced in Q2FY19 is Rs.2367 Cr and for the full year management has guided for 20% growth in FY19.

Key Trackable this Quarter

❑ Domestic T&D projects execution

❑ Trade payables and Acceptance days

❑ Commodity prices

❑ Rupee Depreciation:- 40% of the total debt is in Foreign currency

We value the stock at 12x FY20 EPS

LARSEN & TOUBRO

Capital Goods

LT IN

CMP	**1244**
Target	**1479**
Upside	**19%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	16%	16%	16%	16%
Roce%	7%	9%	9%	9%
D/E	1.72	1.67	1.66	1.80
P/E	19.5	25.1	19.9	17.2
P/B	2.7	3.6	2.8	2.5

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Order Book	261,400	263,205	315,459	374,103	257,500	271,700	277,039
Order Inflow	143,000	152,800	172,612	189,873	28,700	35,957	30,996
Segmental Revenues							
Infrastructure	53,920	61,658	70,600	76,222	11,989	12,331	15,203
Power	6,939	6,208	4,107	3,313	1,667	1,081	978
Heavy Engineering	3,447	4,578	4,607	6,568	1,211	1,111	948
Electrical & Auto.	5,367	5,508	5,236	6,686	1,309	1,324	931
Hydrocarbon	9,628	11,760	14,376	17,849	2,561	3,516	3,059
IT & Technology Ser.	9,888	11,357	13,690	15,724	2,724	3,356	3,321
Financial Services	8,545	10,064	13,553	16,770	2,413	3,058	3,285
Developmental Proj.	4,368	4,673	5,145	4,868	1,416	1,494	1,217
Others	*10,851*	*6,497*	*3,662*	*4,559*	*1,845*	*1,373*	*595*
Financials							
Sales	110,011	119,862	131,958	148,745	26,447	28,283	28,799
Sales Gr	*8%*	*9%*	*10%*	*13%*	*6%*	*18%*	*9%*
Ebdita	11,130	13,571	15,615	17,621	2962	2913	3312
Ebdita Gr	*6%*	*22%*	*15%*	*13%*	*29%*	*42%*	*12%*
Net Profits	6,881	8,004	8,764	10,139	2131	1472	1830
Profit Gr%	*51%*	*16%*	*9%*	*16%*	*49%*	*43%*	*-14%*
EbditaM%	*10%*	*11%*	*12%*	*12%*	*11%*	*10%*	*12%*
Net Mgn%	***6%***	***7%***	***7%***	***7%***	***8%***	***5%***	***6%***

Conso/Fig in Rs Cr

- ❑ Revenue is expected to grow by 9% YoY led strong execution of Infrastructure, hydrocarbon projects and services business.
- ❑ EBITDA will higher by 12% YoY.
- ❑ EBITDA margin is expected to improve by 30 bps on account of improved performance of Infrastructure and services business (Higher contribution from Digital business).
- ❑ PAT is expected to de grow by 14% YoY due to higher tax rate (35% v/s 21%).
- ❑ Power segment continue to struggle due to intense competition
- ❑ Net working capital is likely to remain 20% of the sales.

Key Trackable this Quarter

- ❑ EBITDA margin: - Infrastructure business
- ❑ Order Inflow :- Power segment
- ❑ Capacity utilization of Ship building
- ❑ Net Working capital

We value Std. business at 24x FY20 EPS and Rs.404 for Subsidiary

HeidelbergCement India Ltd

HEIM IN

Cement

CMP	**138**
Target	**143**
Upside	**4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
ROE%	8%	13%	17%	18%
ROCE%	5%	9%	13%	15%
PE	35.2	24.2	7.6	6.5
PB	2.8	3.1	1.3	1.2
EV/EBITDA	11.6	9.6	3.7	3.0

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Volume							
Cement (mt)	4.48	4.65	5.03	5.25	1.06	1.27	1.12
Realization(Rs./Ton)	3,837	4,062	4,381	4,424	4,018	4,254	4,424
Financials							
Sales	1,717	1,889	2,203	2,324	426	540	497
Sales Gr	*4%*	*10%*	*17%*	*5%*	*10%*	*22%*	*17%*
Ebdita	279	363	426	450	93	119	89
Ebdita Gr	*21%*	*30%*	*17%*	*6%*	*45%*	*78%*	*-5%*
Net Profits	76	133	200	235	33	51	36
Profit Gr%	*115%*	*75%*	*50%*	*17%*	*102%*	*219%*	*8%*
EbditaM%	16.2%	19.2%	19.3%	19.4%	21.9%	22.1%	17.8%
Net Mgn%	4.4%	7.0%	9.1%	10.1%	7.8%	9.5%	7.2%

Std./ Fig in Rs Cr

❑ Volume growth in grey cement is expected to grow by around 7% in FY19; on the back of demand coming from growth in rural and urban housing, road project and canals. This will lead capacity utilisation to 94% in coming quarters.

❑ Cement prices in Central India has increased by almost 4% on sequential basis in Q2 FY19 on the other hand pet coke prices and diesel prices have increased by 5-6% each in the same period which is likely to impact gross margin by 200bps in Q2 to 42.2%.

❑ Freight and logistics cost is expected to go down due to increased truck pay load by 25%. The Logistics mix for road is close to 58% for the company.

❑ WHR generation also has increased in the last quarter, so 20% is currently the weightage in the current quarter, which was earlier lower because company is continuously ramping up WHR power generation.

❑ Company is likely to repay debt of Rs. 75 Cr. in 9M of FY19.

❑ No major capex is required in FY19, minor capex for maintenance is planned.

Key Trackable this Quarter

❑ Freight, Power and fuel cost.

❑Management commentary on Debt Repayment.

❑Sourcing of karnataka's power requirement through renewable (Solar) PPA which is 30-35% cheaper than grid prices.

We value the stock at 2.5x FY20e P/BV. Recommend NEUTRAL

JK Cement Limited

JKCE IN

Cement

CMP	**747**
Target	**771**
Upside	**3%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
ROE%	11%	16%	10%	10%
ROCE%	5%	8%	4%	5%
PE	31.0	20.7	29.4	27.4
PB	3.5	3.3	3.0	2.8
EV/EBITDA	11.7	11.5	14.2	12.5

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Volume							
Grey Cement	4.80	8.23	8.71	8.78	1.93	2.04	2.29
White Cement	3.12	1.18	1.10	1.09	0.30	0.28	0.28
Financials							
Sales	3,797	4,591	4,950	5,459	1,108	1,116	1,275
Sales Gr	*7%*	*21%*	*8%*	*10%*	*20%*	*7%*	*15%*
Ebdita	734	757	682	771	207	150	215
Ebdita Gr	*42%*	*3%*	*-10%*	*13%*	*30%*	*-24%*	*4%*
Net Profits	211	342	242	259	93	49	102
Profit Gr%	*107%*	*63%*	*-29%*	*7%*	*127%*	*-38%*	*9%*
EbditaM%	19.3%	16.5%	13.8%	14.1%	18.7%	13.5%	16.8%
Net Mgn%	5.6%	7.5%	4.9%	4.7%	8.4%	4.4%	8.0%

Std./ Fig in Rs Cr

- ❑ Volume growth of around 6% is expected in FY19 on the back of major demand coming from North which may lead to higher capacity utilization (in the range of 80-85%) in coming quarters.
- ❑ Cement prices has increased on an average of 4% in the September quarter as compared to April to June 2018 and price is expected raise further by Rs. 20-25/bag in the northern states post the end of the monsoon season but on the other hand raw material cost has moved significantly.
- ❑ Pet coke price has increased further in the September quarter by 5% to USD 125/Ton, and in the same period rupee has depreciated against dollar which makes pet coke more costly. JK cement is currently using 90% pet coke as a fuel. We expect this will escalate power and fuel cost for the company.
- ❑ J K Cements has successfully implemented additional installed capacity of 2 lakh tonnes per annum of white cement based wall putty at Badwara Distt., Katni, M.P.
- ❑ 4 MT green field project in Rajasthan is on track and likely to be commissioned by FY20. Full capex planned is Rs. 2000 Cr. out of which company is going to raise Rs. 1300 Cr as debt by the month of Sep-Oct 2018. For this project land has been acquired and all contracts have been placed.
- ❑ Capex for FY19 is Rs. 400-450 Cr (excluding maintenance capex of Rs. 100 Cr.)

Key Trackable this Quarter

- ❑ Grey cement volume growth
- ❑ Commentary on Capacity expansion status
- ❑ Composition of traded volume in overall mix which is currently 68%

We value the stock at 2.1x FY20e P/BV. Recommend NEUTRAL

UltraTech Cement Limited

UTCEM IN

Cement

CMP	**3850**
Target	**4006**
Upside	**4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
ROE%	11%	9%	9%	11%
ROCE%	9%	6%	6%	8%
PE	41.6	48.6	41.6	31.9
PB	4.6	4.2	3.8	3.4
EV/EBITDA	22.4	20.8	19.1	15.5

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Volume							
Cement(Mn Ton)	50.2	60.7	69.3	73.4	13.1	17.5	14.7
Realization(Rs./Ton)	4,749	4,912	5,051	5,225	5,001	4,946	4,995
Financials							
Sales	23,891	29,790	34,988	38,368	6,571	8,655	7,351
Sales Gr	*1%*	*25%*	*17%*	*10%*	*20%*	*31%*	*12%*
Ebdita	4,969	5,883	6,163	7,446	1,351	1,623	1,345
Ebdita Gr	*7%*	*18%*	*5%*	*21%*	*17%*	*4%*	*0%*
Net Profits	2,628	2,231	2,538	3,316	431	598	478
Profit Gr%	*11%*	*-15%*	*14%*	*31%*	*-28%*	*-33%*	*11%*
EbditaM%	20.8%	19.7%	17.6%	19.4%	20.6%	18.8%	18.3%
Net Mgn%	11.0%	7.5%	7.3%	8.6%	6.6%	6.9%	6.5%

Std./ Fig in Rs Cr

❑ Strong volume growth in the range of 8-10% is expected in coming quarters on the back of higher demand coming from major infra projects like Mumbai airport, Mumbai Nagpur expressway, Kolavaram dam in Andhra etc.

❑ Recent hike in MSP will strengthen rural cement demand. Rural sales consist of 40% of total volume.

❑ Cement prices has increased by around 3% in the last quarter but on the other hand freight, power and fuel cost has increased significantly in the last few months.

❑ Pet coke price has increased further in the September quarter by 5% to USD 125/Ton, and in the same period rupee has depreciated against dollar which makes pet coke more costly. Ultra Tech Cement is currently using 75% pet coke as a fuel. We expect this will escalate power and fuel cost for the company.

❑ Other income is likely to dip QoQ due to MTM impact of rising bond yields.

❑ 4MTPA Bara grinding unit will come on board by Q4FY19.

❑ Proposed merger of around 13.4mtpa cement capacity of Century textiles is expected to be consummated by Q4FY19.

❑ Planned capex for FY19 is Rs. 2100 Cr.

Key Trackable this Quarter

❑ Variable cost differential between JPA and UTCEM to improve further by Rs. 50 per ton.

❑ Management commentary on increasing logistic costs due to fuel prices.

❑ Commissioning of 62MW of WHRS to meet 15% of power requirement

We value the stock at 3.6x FY20e P/BV. Recommend NEUTRAL

Asian Paints Limited

APNT:IN

Consumer Staples

CMP	**1252**
Target	**1450**
Upside	**16%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	28%	25%	25%	26%
Roce%	33%	31%	32%	33%
P/E	51.4	53.5	52.6	44.9
P/B	13.5	12.8	12.4	10.7
EV/Ebdita	34.4	33.7	32.2	27.1

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Capacity (India)*	1,130	1,130	1,730	1,730	1,130	1,130	1,430
Domestic Volume Gr#	9%	7%	11%	9%	9%	11%	12%
Sales	15,062	16,825	19,558	22,210	4,265	4,390	4,910
Sales Gr%	*6%*	*12%*	*16%*	*14%*	*15%*	*15%*	*15%*
COGS	8,329	9,691	11,352	12,782	2,504	2,492	2,954
Ebdita	2,986	3,198	3,736	4,434	801	874	881
Ebdita Gr%	*8%*	*7%*	*17%*	*19%*	*14%*	*31%*	*10%*
Net Profits	1,939	2,039	2,281	2,674	576	549	548
Profit Gr%	*11%*	*5%*	*12%*	*17%*	*20%*	*29%*	*-5%*
Gross Margin%	44.7%	42.4%	42.0%	42.5%	41.3%	43.2%	39.8%
Employee Cost %	6.9%	6.6%	6.5%	6.5%	6.6%	7.0%	6.3%
Other Expenses %	18.0%	16.8%	16.4%	16.0%	15.9%	16.3%	15.6%
Ebdita Margin%	19.8%	19.0%	19.1%	20.0%	18.8%	19.9%	17.9%
Net Profit Margin%	12.9%	12.1%	11.7%	12.0%	13.5%	12.5%	11.2%

*in '000 KL #As per our calculations Conso/Fig in Rs Cr

❑ The overall domestic paints industry rejoiced on reduction of GST rate from 28% to 18% effective 27th July, 2018 and this will help company to report a double digit growth supported by the seasonal demand adding up by second half of the quarter.

❑ The Industrial and Automotive coatings business has been witnessing good demand and growth over the past two quarters and is expected to continue with the help of positive sentiments in Auto/Industrial space in Q2. The company has been facing troubles in Egypt and Ethiopia for quite some time now due to forex; however Nepal, Bangladesh, Sri Lanka and Indonesia are expected to help international clock better numbers, margin may be affected though. Home improvements to continue showing growth signs.

❑ Revenue for the quarter is expected at Rs 4,910 crores, up 15% YoY.

❑ Gross margins are primarily going to be affected due to rising raw material costs which would be difficult to be passed through price hikes post the GST rate change and so it is expected to be 39.8% for the quarter and EBITDA margins are expected to be at 17.9%.

❑ PAT is expected to be Rs 548 crores, lower 5% YoY.

❑ The management have guided for a capex of Rs 1200 crores for FY19. Karnataka facility commenced its operations on 20th Sept, 2018 while Andhra Pradesh facility is expected to in jan.

Key Trackable this Quarter

❑ Demand environment post GST reduction in domestic market and seasonal demand pick-up.

❑ Forex unavailability and currency depreciation in Egypt & Ethiopia and Indonesia plant status.

❑ Costs of Titanium Dioxide and monomers in the current macro environment.

We value the stock at 52x FY20e P/E

Agro Tech Foods Limited

ATFL IN

Consumer Staples

CMP	**540**
Target	**707**
Upside	**31%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	9%	9%	10%	12%
Roce%	14%	14%	14%	17%
P/E	44.7	55.8	37.1	27.0
P/B	4.0	5.2	3.6	3.3
EV/Ebdita	20.2	26.6	18.5	14.8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenue Breakup(esti.)							
Sundrop Oil	**501**	**487**	**502**	**537**	**116**	**117**	**120**
Crystal business	**125**	**121**	**135**	**151**	**28**	**34**	**31**
ActII	**137**	**156**	**190**	**247**	**43**	**35**	**49**
Peanut butter	**25**	**42**	**54**	**60**	**11**	**11**	**14**
Segmental Volume growth%							
Sundrop Oil	1%	3%	5%	5%	-1%	7%	6%
Crystal business	3%	3%	2%	2%	-2%	2%	2%
Act II							
Peanut butter	14%	94%	55%	35%	109%	71%	50%
Financials							
Sales	808	812	881	995	197	197	214
Sales Gr	*3%*	*0%*	*9%*	*13%*	*-2%*	*6%*	*9%*
Ebdita	61	66	70	88	18	14	17
Ebdita Gr	*8%*	*8%*	*5%*	*26%*	*19%*	*-3%*	*-3%*
Net Profits	28	32	35	49	9	7	9
Profit Gr%	*19%*	*14%*	*12%*	*37%*	*23%*	*0%*	*2%*
EbditaM%	7.6%	8.1%	*7.9%*	*8.8%*	8.9%	7.2%	*8.0%*
Net Mgn%	3.4%	3.9%	*4.0%*	*4.9%*	4.4%	3.3%	*4.1%*

Conso/Fig in Rs Cr

❑ ATFL's sales for Q2FY19 is expected to grow by ~9% on the back of better volume growth in Sundrop Oil and Peanut butter business by 6% and 50% respectively while Crystal business volume is expected to grow by 2%.

❑ Gross margin is expected to decline by 518 bps YoY to 59.2% on the back of higher input prices and impact of passing GST benefits to the consumers. Company's pricing action on account of this will be very crucial while increase of the contribution of food business in the total revenue will put some cushion to the declining margin.

❑ Food business primarily comprising of ActII and peanut butter, contributed ~25% of the total sales this year. Next goal of the company is to inch it up to ~30%.

❑ Present focus of management is to achieve 9% EBITDA margin.

❑ NO major capex in the next 2-3 years. Capex guidance of mere Rs12-15 cr going forward.

Key Trackable this Quarter

❑ Pricing in Sundrop oil portfolio: Due to anti profiteering clause Company didn't pass increased cost to the consumers.

❑ Volume growth in food segment as new products launched in last 6months.

We value the stock at 35x FY20E EPS. Recommend BUY.

Bajaj Corp Limited

Consumer Staples

BJCOR IN

CMP	**401**
Target	**487**
Upside	**21%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	44%	43%	44%	51%
Roce%	51%	49%	52%	58%
P/E	27.4	32.5	26.6	22.2
P/B	12.1	13.9	11.7	11.4
EV/Ebdita	22.6	27.0	21.2	18.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Almond Drops Hair Oil(ADHO)							
Volume in cases	12.3	12.6	13.7	14.9	12.9	13.2	13.8
Volume Growth%	-2%	3%	9%	9%	6%	11%	7%
ADHO Market share							
Value wise	*60.6%*	*61.3%*			*61.0%*	*61.8%*	
Volume wise	*58.0%*	*58.7%*			*58.4%*	*59.4%*	
Distri. Reach(mn)	3.7	3.9			3.8	3.9	
Financials							
Sales	797	828	926	1,050	204	221	229
Sales Gr	*0%*	*4%*	*12%*	*13%*	*4%*	*12%*	*12.1%*
Ebdita	264	254	278	319	58	69	67
Ebdita Gr	*-4%*	*-4%*	*10%*	*15%*	*-13%*	*14%*	*15.3%*
Net Profits	218	211	223	266	51	54	52
Profit Gr%	*11%*	*-3%*	*6%*	*20%*	*-13%*	*-2%*	*2.3%*
EbditaM%	33%	31%	*30%*	*30%*	29%	31%	*29%*
Net Mgn%	27%	25%	*24%*	*25%*	25%	24%	*23%*

Conso/Fig in Rs Cr

❑ Overall volume growth to remain 7%in Q2FY19 led by recovery in rural demand, expansion of direct reach and coming back of category growth. Overall reach of company increased by 7% to 3.9 mn outlets in FY18.

❑Real effect of the crude prices rising is going to hit in Q2FY19, because of which the company has taken a price hike in August to the tune of ~3-3.5 % to cover up price hike of LLP.

❑ Gross margin is expected to decline by 171 bps YoY on the back of higher crude (up by ~50% YoY) and LLP in Q2FY19.

❑ Company did investment in distribution reach and building human resource in FY18 which impacted company's profitability. Going forward, company's stance regarding this will be crucial.

❑ We expect improvement in EBITDA margin by 82 bps led by lower other expenses as most of the investment company has already done.

❑The company is actively looking for acquisition in the tune of Rs 700-800 cr. Presently it has Rs 350-400 cr cash in its balance sheet.

Key Trackable this Quarter

❑ The company may take price hike if required.

❑ Other Income: May be impacted by higher bond yield.

❑ Volume growth: volume growth >7% will be positive.

We value the stock at 27x FY20E EPS . Recommend BUY.

Britannia Industries Limited

BRIT IN

Consumer Staples

CMP	**5737**
Target	**6615**
Upside	**15%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	33%	29%	30%	31%
Roce%	41%	38%	39%	40%
P/E	50.7	67.3	56.6	45.1
P/B	16.6	19.8	16.7	14.0
EV/Ebdita	35.0	45.0	37.5	30.2

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Core Vol. growth	5%	7%	9%	10%	5%	12%	9%
Pricing gr.(%)(esti.)	4%	2%	5%	7%	2%	2%	4%
Distribution Reach (in mn outlets)							
Dire. Distri. Reach	1.55	1.84	2.4	3.0			
Over. Distri. Reach.	4.7	5.0	5.60	6.20			
Financials							
Sales	9,054	9,914	11,322	13,280	2545	2544	2885
Sales Gr	*5%*	*9%*	*14%*	*17%*	*7%*	*12%*	*13%*
Ebdita	1,278	1,502	1,809	2,230	378	389	463
Ebdita Gr	*5%*	*17%*	*20%*	*23%*	*11%*	*19%*	*23%*
Net Profits	885	1,004	1,216	1,526	261	258	314
Profit Gr%	*7%*	*13%*	*21%*	*26%*	*12%*	*19%*	*20%*
EbditaM%	14%	15%	*16%*	*17%*	15%	15%	*16%*
Net Mgn%	10%	10%	*11%*	*11%*	10%	10%	*11%*

Conso/Fig in Rs Cr

- Volume growth to remain at ~9% on the back of lower base(5%), revival in category growth, new product launches and distribution expansion in Hindi speaking belt while we expect pricing growth to remain ~4% in the wake of inflation in wheat prices by ~10%.
- FY19 is to remain bench mark year for the company as far as innovation and premiumization is concern. Plans to launch 50 products by the end of FY19e.
- The company's cost saving initiatives is expected (targeting Rs 225 cr of cost saving in FY19e) to lead in EBITDA margin improvement of 121 bps in Q2FY19. The company may do consumer campaign highlighting its completion of100 years. So Ad spend will be key to watch for.
- The company has set up factories at Mundra(started April18) and Guwahati(Q4FY18) which is likely to offer ~25-30% of manufacturing cost saving.
- Inter Corporate deposits to the group companies for FY18: Rs 350 cr vs Rs 450 cr(in FY17).
- The company is ramping up its International business. Britannia is targeting one new geography every year starting from Nepal.
- The company is investing in dairy business. It plans to launch milk-based drinks in Q2FY19.

Key Trackable this Quarter

- Dividend Payout: On Completion of 100 years of the company, Britannia may announce special dividend, current div payout~28%.
- Other expenses: New product launches may push other expenses at elevated level but company's cost saving program will expected to negate it.

We value the stock at 52x FY20E EPS. Recommend BUY.

Colgate Palmolive (India) Ltd

Consumer Staples

CLGT IN

CMP	**1088**
Target	**1206**
Upside	**11%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	45%	44%	51%	54%
Roce%	64%	63%	70%	77%
P/E	43.1	43.1	37.6	33.4
P/B	19.5	19.1	19.1	18.0
EV/Ebdita	26.1	25.8	23.4	20.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Volume growth	-1%	3%	4%	6%	-1%	4%	4%
Pricing growth	2%	3%	4%	5%	4%	3%	4%
Marketshare:							
Toothpaste(Vol. Ms)	55%	53%					
Toothbrush(Vol. Ms)	47%	45%					
Financials							
Sales	3,982	4,188	4,518	5,017	1085	1041	1175
Sales Gr	*3%*	*5%*	*8%*	*11%*	*3%*	*6%*	*8%*
Ebdita	944	1,112	1,243	1,418	301	282	332
Ebdita Gr	*1%*	*18%*	*12%*	*14%*	*9%*	*27%*	*11%*
Adj. Net Profits	577	681	764	887	178	190	199
Profit Gr%	*-4.3%*	*18.0%*	*12.1%*	*16.2%*	*-2%*	*39%*	*12%*
EbditaM%	24%	27%	28%	28%	28%	27%	28%
Net Mgn%	15%	16%	17%	18%	16%	18%	17%

Conso/Fig in Rs Cr

❑ COLPAL's volume growth is expected to be 4% in Q2FY19 backed by revival in rural economy (contributes~45% of revenue), expansion of direct reach (looking to expand direct reach by ~25% in FY19), lower base (-1%) and launching Cibaka Vedshakti in entire nation.

❑ Presently, Vedshakti is 4% of the sales of the company, expects it to scale up to double digit in coming year.

❑ Declining Patanjali's competitive intensity will augur well for COLPAL.

❑ Company's pricing action and cost efficiency measures gives us confidence of improvement in margin Q2FY19. We expect gross and EBITDA margin to improve by 219 and 58 bps respectively.

❑ As major capex is done with, we expect lower capex going forwards. Expected capex for FY19: Rs 150 cr.

Key Trackable this Quarter

❑ Volume growth: >4% will be positive in the wake of higher competitive intensity.

❑ Market share in toothpaste and tooth brush segment.

❑ Higher competitive intensity can lead to higher A&P which may contract the EBITDA margin.

We value the stock at 37x FY20E EPS. Recommend HOLD.

Dabur India Limited

Consumer Staples

DABUR IN

CMP	**426**
Target	**460**
Upside	**8%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	26%	24%	26%	28%
Roce%	24%	22%	26%	28%
P/E	42.6	48.4	48.1	38.9
P/B	11.2	11.5	12.7	11.1
EV/Ebdita	36.2	40.5	40.2	33.0

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Domestic Vol. gr.	1%	6%	15%	12%	7%	21%	13%
Pricing gr.(esti.)	-2%	2%	5%	5%	3%	4%	5%
Intern. Bus.CC gr.(esti.)	4%	6%	11%	10%	4%	11%	12%
Financials							
Sales	7,701	7,748	8,881	10,193	1959	2081	2244
Sales Gr	*-2%*	*1%*	*15%*	*15%*	*-1%*	*16%*	*15%*
Ebdita	1,509	1,617	1,865	2,268	420	386	491
Ebdita Gr	*-1%*	*7%*	*15%*	*22%*	*3%*	*25%*	*17%*
Net Profits	1,277	1,354	1,559	1,929	363	330	414
Profit Gr%	*2%*	*6%*	*15%*	*24%*	*2%*	*25%*	*14%*
EbditaM%	20%	21%	*21%*	*22%*	21%	19%	*22%*
Net Mgn%	17%	17%	*18%*	*19%*	19%	16%	*18%*

Conso/Fig in Rs Cr

❑ Dabur's sales expected to grow by ~15% in Q2FY19 on the back of domestic volume growth of 13%and better traction from International business. Domestic business growth is expected to be driven by revival in rural economy (~50% of the sales), wide distribution coverage and LUP.

❑ Strong performance in Oral care is expected to continue while market share gain in honey and Chyawanprash are expected. Waning competitive intensity from Patanjali is also expected to boost revenue.

❑ International business is expected to grow by 12% in cc terms led by strong growth in MENA and Namaste. Middle East business accounts for~31% of International business.

❑ Gross margin is expected to decline by 72 bps YoY led by crude related inflation while EBITDA margin is expected to improve by 46 bps YoY led by cost efficiency measures taken by the company, benefits operating leverage and lower other expenses led by post GST channels realignment.

❑ Expected capex: Rs 250 cr for FY19.

❑ Open for any acquisition if valuation is reasonable. Cash in books: over Rs 2000 cr.

Key Trackable this Quarter

❑ Domestic business Volume growth

❑ Commentary regarding rural momentum and urban pickup.

❑ EBITDA margin unlikely to increase further.

❑ Market share of Honey and Chyawanprash .

❑ International business cc growth.

We value the stock at 42x FY20E EPS. Recommend HOLD.

Emami Limited

HMN IN

Consumer Staples

CMP	**496**
Target	**592**
Upside	**19%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	19%	15%	19%	22%
Roce%	26%	20%	24%	27%
P/E	74.7	77.8	54.9	41.0
P/B	14.5	11.8	10.2	9.2
EV/Ebdita	33.4	33.1	26.2	22.8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Domestic Vol. gr.	7%	2%	13%	11%	10%	18%	9%
Pricing gr.(esti.)	4%	3%	4%	4%	4%	3%	4%
Revenues Break up:							
Domestic reve.	85%	85%					
Interna. Busi.	*11%*	*11%*					
CSD	*4%*	*4%*					
Direct Reach(outlets in mn)							
Direct Reach	*0.73*	*0.85*					
Financials							
Sales	2,533	2,531	2,907	3,332	628	614	706
Sales Gr	*6%*	*0%*	*15%*	*15%*	*7%*	*16%*	*12%*
Ebdita	759	719	857	984	201	124	229
Ebdita Gr	*10%*	*-5%*	*19%*	*15%*	*15%*	*54%*	*14%*
Net Profits	340	308	410	549	99	27	118
Profit Gr%	*-6%*	*-10%*	*34%*	*34%*	*49%*	*2873%*	*19%*
EbditaM%	30%	28%	*29%*	*30%*	32%	20%	*32%*
Net Mgn%	13%	12%	*14%*	*16%*	16%	4%	*17%*

Conso/Fig in Rs Cr

❑ EMAMILTD's sales is expected to grow by ~12 % YoY in Q2FY19 led by 9% growth in domestic volume and 8% growth in International business while CSD is expected to grow by 15% on the back of lower base.

❑ EMAMILTD's growth will be backed by recovery in rural demand, increased penetration and recovery in the volume of Keshking and zandu pancharishta. The company has reduced its dependence on wholesale to 38%. Company's overall direct reach went up to 8.5 lakhs stores.

❑ Mgt commentary in Q4FY18 concall, suggested worse is over for Keshking and Pancharistha. Traction still to be seen.

❑ Gross margin is expected to remain flat considering inflation in crude while EBITDA margin is likely to improve by 36 bps on the back of change in products mix(Keshking has higher margin) , channel rationalization and benefits of operating leverage. The company has taken price hike of ~4% for the entire year of FY19.

❑ Tax Rate: 20% for coming few years.

❑ Capex: Rs 80-100 cr for FY19.

Key Trackable this Quarter

❑ Domestic Volume growth.

❑ Gross margin.

We value the stock at 49x FY20E EPS. Recommend BUY.

Gillette India Limited

GILL IN

Consumer Staples

CMP	**6684**
Target	**7078**
Upside	**6%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	51%	33%	31%	32%
Roce%	69%	49%	44%	44%
P/E	62.4	80.7	81.0	68.0
P/B	31.5	26.6	25.1	21.4
EV/Ebdita	41.1	47.8	49.8	42.7

	FY17	FY18	FY19E	FY20E	Q1FY18	Q4FY18	Q1FY19E
Segmental Revenues							
Grooming	1418	1331	1469	1664	309	337	334
Oral care	341	346	359	392	99	72	87
Financials							
Sales	1,788	1,677	1,829	2,056	408	410	421
Sales Gr	*2%*	*-6%*	*9%*	*12%*	*-1%*	*1%*	*3%*
Ebdita	382	382	430	498	106	60	104
Ebdita Gr	*25%*	*0%*	*13%*	*16%*	*32%*	*-11%*	*-1%*
Net Profits	253	229	269	320	64	35	65
Profit Gr%	*18%*	*-9%*	*17%*	*19%*	*17%*	*-8%*	*1%*
EbditaM%	21%	23%	*23%*	*24%*	26%	15%	*25%*
Net Mgn%	14%	14%	*15%*	*16%*	16%	8%	*16%*

Std/Fig in Rs Cr

❑We expect male grooming business to grow by 8% in Q1FY19 while assume decline in Oral care business to continue on the back of higher base (~19%) and higher competitive intensity in this business.

❑ Male grooming business is expected to be better because of stabilization of trade channels and improved in-store execution.

❑The company expects high single digits category growth going ahead.

❑ Gross margin is expected to decline by 141 bps YoY to 57.9% due to higher input prices while decline in EBITDA margin is expected to be 113 bps YoY.Share of premium products in products mix may give some cushion to the margin.

❑ Employee and A&P expenses are believed to be similar to previous quarter while we expect slight decline in other expenses led by rationalization of distribution channels.

❑Strategies of new management will be crucial thing to watch for going ahead.

Key Trackable this Quarter

❑ Gross and EBITDA margin: Especially contribution of premium products in total sales, A&P and other expenses.

❑ Revenue growth in male grooming business .

❑ Performance of oral care business.

We value the stock at 72x FY20E EPS. Recommend NEUTRAL.

Godrej Consumer Products Ltd

Consumer Staples

GCPL IN

CMP	**767**
Target	**826**
Upside	**8%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	25%	26%	25%	24%
Roce%	20%	22%	23%	25%
P/E	42.7	44.1	44.2	40.9
P/B	10.5	11.5	11.1	9.9
EV/Ebdita	30.7	35.6	33.8	29.7

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Domestic Vol. gr.	4%	9%	11%	10%	10%	14%	9%
Intern. Busin. gr.	12%	1%	5%	7%	2%	9%	6%
Segmental Revenues							
Domestic revenue	5014	5163	5903	6817	1347	1278	1482
Indonesia	1527	1354	1463	1565	322	353	351
Africa,USA & Middle Eas	1990	2185	2440	2855	558	564	614
Latin America	569	584	636	751	149	100	167
Europe	410	461	290	0	116	152	90
Others	135	95	100	101	26	24	25
Sales	9,268	9,843	10,838	12,089	2507	2476	2728
Sales Gr	*10%*	*6%*	*10%*	*12%*	*6%*	*14%*	*9%*
Ebdita	1,898	2,067	2,350	2,653	532	444	593
Ebdita Gr	*16%*	*9%*	*14%*	*13%*	*14%*	*27%*	*11%*
Adj. Net Profits	1,308	1,494	1,778	1,918	362	405	423
Profit Gr%	*20%*	*14%*	*19%*	*8%*	*13%*	*80%*	*17%*
EbditaM%	20%	21%	*22%*	*22%*	21%	18%	*22%*
Net Mgn%	14%	15%	*16%*	*16%*	14%	16%	*16%*

Note: we have not factored exceptional gain on sale of UK business in Q2FY19's number. Conso/Fig in Rs Cr

❑ Sales is expected to grow by ~9% in Q2FY19 on the back of 9% volume growth in domestic business and 6% growth from International business. New product launches, ramping up rural distribution reach and revival in rural demand is expected to support the domestic volume.

❑ The company launched Good night power chip, green Shakti coil and Liquid Vaporizer machine with 50% more power in Q2FY19 and expected to launches 2-3 new product in coming 2-3 months. Management expects rural business to continue to grow faster.

❑ International business growth is expected to be support by Indonesia business (7% cc growth) led by lower base (-7% cc growth in Q2FY18) and some recovery in demand while Africa business continues to remain lag.

❑ Gross margin may decline by 24 bps led by higher crude oil prices which indirectly impacts 40-50%of cost bar while EBITDA margin is expected to improve by 50 bps led by cost efficiency measure and better international business margin.

❑ GCPL has divested its entire stake in UK business to JZ International for the consideration of GBP 34 million. Rs 90 cr of sales accounted from UK business in this quarter.

Key Trackable this Quarter

❑ Indonesian business: Outlook of business after earthquake and tsunami .

❑ Africa business: Outlook and mgt commentary on the recovery of the business.

❑ Domestic business volume growth

We value the stock at 44x FY20E EPS. Recommend HOLD.

GlaxoSmithKline Consumer

Consumer Staples

SKB IN

CMP	**6706**
Target	**7532**
Upside	**12%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	21%	20%	22%	22%
Roce%	25%	23%	26%	26%
P/E	36.5	34.3	33.6	29.4
P/B	7.7	6.9	7.3	6.5
EV/Ebdita	25.0	23.1	22.6	20.1

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
HFD volumes	-7%	6%	9%	8%	3%	13%	8%
Pricing growth(esti.)	1%	4%	4%	6%	2%	4%	4%
Financials							
Sales	3,986	4,377	4,838	5,494	1115	1107	1244
Sales Gr	*-4%*	*10%*	*11%*	*14%*	*3%*	*12%*	*12%*
Ebdita	833	883	1,067	1,176	261	230	322
Ebdita Gr	*-1%*	*6%*	*21%*	*10%*	*7%*	*38%*	*23%*
Net Profits	657	700	839	960	192	200	238
Profit Gr%	*-4%*	*7%*	*20%*	*14%*	*5%*	*52%*	*24%*
EbditaM%	21%	20%	*22%*	*21%*	23%	21%	*26%*
Net Mgn%	16%	16%	*17%*	*17%*	17%	18%	*19%*

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Std/Fig in Rs Cr

❑ GSKCONS's sales for Q2FY19 is expected to increase by 12% YoY on the back of lower base, better traction from new launched products, LUP and distribution expansion. Investments behind fast growing segments of high science like Protein +, Growth +, and new formats like Boost Ready-to-drink is expected to fetch better result in Q2FY19.

❑ Protein Plus and Growth Plus market share remained 0.7% and 0.3% respectively in Q1FY19.

❑The company had launched Boost on the Go RTD on 1st May 2018 and Piloting it in the Tamil Nadu market.

❑ Sachet's contribution in total revenue remained ~9% and it is expected to grow at the rate of high double digits.

❑ Volume growth for the quarter is expected to remain at 8%. Management had also guided for mid to high single digit volume growth going forward in Q1FY19 concall.

❑ Gross margin and EBITDA margin expected to improve by 402 bps and 244 bps respectively on the back of lower SMP prices and benefits of operating leverage in Q2FY19.

❑ The company envisages a capex of Rs 2-3bn over the next two years.

Key Trackable this Quarter

❑ Overall volume growth

❑ Liquid Milk and SMP.

❑Development regarding the sale of Horlicks business.

We value the stock at 33x FY20E EPS. Recommend ACCUMULATE.

Hindustan Unilever Limited

HUVR IN

Consumer Staples

CMP	**1622**
Target	**1863**
Upside	**15%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	67%	72%	84%	99%
Roce%	84%	96%	113%	135%
P/E	40.9	63.4	55.0	47.9
P/B	27.2	45.5	46.5	47.4
EV/Ebdita	28.7	43.7	38.5	33.2

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Overall Volume gr.	1%	6%	9%	8%	4%	12%	9%
Segmental Revenues							
Home care	11346	11629					
Personal care	16305	16464					
Foods	1123	1165					
Refreshment	4848	5225					
Others	818	720					
Financials							
Sales	33,162	35,545	40,326	45,824	8309	9487	9167
Sales Gr	*3%*	*7%*	*13%*	*14%*	*6%*	*11%*	*10%*
Ebdita	6,340	7,499	9,066	10,498	1682	2251	1962
Ebdita Gr	*5%*	*18%*	*21%*	*16%*	*20%*	*21%*	*17%*
Net Profits	4,490	5,225	6,381	7,334	1276	1529	1377
Profit Gr%	*8%*	*16%*	*22%*	*15%*	*16%*	*19%*	*8%*
EbditaM%	19%	21%	*22%*	*23%*	20%	24%	*21%*
Net Mgn%	14%	15%	*16%*	*16%*	15%	16%	*15%*

Annual Consolidate/ Quterly Std. Fig in Rs Cr

❑ Hindunilvr's volume growth to remain at 8.5% on the back of lower base, recovery in rural demand and strong performance of Natural product portfolio in Q2FY19. Management also expects stable Q2FY19 and a 7 to 8% volume growth.

❑ Naturals portfolio is growing ~2.5X of overall HUL average.

❑ Management anticipates a step up in competitive intensity going ahead.

❑ Gross margin is expected to be improve by 49 bps YoY led by company's pricing action and change in products mix towards premiumization(25%of portfolio is premium). HUL has taken a price hike of ~ 3-4% across products and SKUs in the home care, household & laundry portfolio.

❑ EBITDA margin is expected to improve by 116 bps YoY led by expansion is gross margin and cost efficiency measures. Company continues to save cost in the range of 6-7% of sales.

❑ Provision towards restructuring and few contested matters is expected to be Rs 59 cr. Exceptional items will include supply chain write-offs and restructuring costs due to one off payments to employees on industrial infrastructure going forward.

❑ These exceptional items will be there for the next 5-6 quarters.

Key Trackable this Quarter

❑ Overall volume growth.

❑ Provision towards restructuring and few contested matters .

❑ Growth in Natural Portfolio.

We value the stock at 55x FY20E EPS. Recommend BUY.

ITC Limited

ITC IN

Consumer Staples

CMP	**295**
Target	**328**
Upside	**11%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	23%	22%	23%	25%
Roce%	31%	29%	31%	33%
P/E	26.3	29.7	28.5	25.1
P/B	5.9	6.5	6.5	6.2
EV/Ebdita	17.6	20.5	19.4	17.3

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Cigarette volume	2%	-3%	4%	3%	-6%	2%	5%
Segmental Revenues							
Cigarettes	18940	19125	20237	22058			
Others FMCG	10512	11329	12499	14373			
Agri Business	8265	8068	8724	9247			
Paperb, Pap. & Pcka.	5095	5182	5438	5710			
Hotels	1342	1417	1575	1732			
Financials							
Sales	42,777	43,449	46,940	51,526	10314	10707	10576
Sales Gr	*9%*	*2%*	*8%*	*10%*	*7%*	*8%*	*3%*
Ebdita	15,436	16,483	18,335	20,704	3762	4202	4125
Ebdita Gr	*7%*	*7%*	*11%*	*13%*	*4%*	*12%*	*10%*
Net Profits	10,477	11,493	12,656	14,371	2640	2819	2871
Profit Gr%	*10%*	*10%*	*10%*	*14%*	*6%*	*10%*	*9%*
EbditaM%	36%	38%	*39%*	*40%*	36%	39%	*39%*
Net Mgn%	24%	26%	*27%*	*28%*	26%	26%	*27%*

Annual Consolidate/ Quterly Std. Fig in Rs Cr

❑ Adj. Sales of ITC is expected to growth by ~3% to Rs 10576 cr in Q2FY19 on the back of gradual recovery in cigarette volume, better performance of other FMCG and Hotel business. Cigarette volume is expected to grow by 5% led by lower base (-6% in Q2FY18) and recovery in volume.

❑ Other FMCG is expected to grow by 11% in Q2FY19 led by stable performance of Aashirvaad atta, new product launches and venturing out in other categories. The company is aggressively ramping up its other FMCG business and targets Rs 65,000 cr revenue from packaged food division by 2030.

❑ ITC's EBITDA margin is expected to improve by 254 bps YoY on the back of improvement in margins in the other FMCG business and benefits of operating leverage. Company's other FMCG business is turning around.

❑ The company plans a investments of over Rs 25,000 cr for 65 projects, including 25 factories for packaged foods

Key Trackable this Quarter

❑A possible increase in GST rates in subsequent Council meetings remains an overhang. Moreover, any upward revision of ad valorem duty will act as another dampener for the company.

❑Cigarette Volume growth and EBIT growth

❑ Other FMCG volume and EBIT growth

We value the stock at 28x FY20E EPS. Recommend HOLD.

Jubilant Foodworks Limited

Consumer Staples

JUBI IN

CMP	**1192**
Target	**1504**
Upside	**26%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	8%	22%	28%	29%
Roce%	11%	29%	37%	38%
P/E	109.8	73.7	47.3	35.6
P/B	8.6	14.7	11.8	9.2
EV/Ebdita	29.5	34.1	25.0	19.7

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
SSG (%)	(2.7)	13.9	20.2*	10.0	5.5	25.9	25.0
No. of stores							
Domino's Pizza India	1117	1134	1201	1301	1,125	1,144	1,164
Dunkin' Donuts India	63	37	37	37	52	37	37
Sales	2,546	2,980	3,613	4,228	727	855	919
Sales Gr%	*6%*	*17%*	*21%*	*17%*	*9%*	*26%*	*27%*
Ebdita	247	446	610	753	102	142	161
Ebdita Gr%	*-9%*	*81%*	*37%*	*23%*	*59%*	*79%*	*57%*
Net Profits	67	206	333	441	48	75	89
Profit Gr%	*-37%*	*207%*	*61%*	*33%*	*125%*	*213%*	*84%*
Employee cost%	23.0%	20.3%	18.3%	18.1%	21.5%	18.1%	18.3%
Rent%	11.7%	10.6%	9.7%	9.4%	10.0%	9.8%	9.5%
Ebdita Margin%	9.7%	15.0%	16.9%	17.8%	14.1%	16.6%	17.5%
Net Profit Margin%	2.6%	6.9%	9.2%	10.4%	6.7%	8.7%	9.7%

*On average basis

Std/Fig in Rs Cr

❑ Same stores sales growth has been higher over the past two quarters in the range of 25-27% on the back of increased delivery orders, EDV offers and healthy customer acquisitions. The company is expected to carry this performance in Q2FY19 with SSG likely to be 25% on back of 5.5% last year.

❑ Sales to grow at 26.5% YoY to Rs 919 crores.

❑ Company's cost rationalisation efforts for employee cost and rent negotiations along with increasing online orders and higher SSG to continue driving EBITDA margin expansion by 340 bps YoY and 90 bps QoQ in Q2.

❑ Dunkin' donuts reported strong Q1 on back of donuts and beverages reducing the drag on EBITDA to 55 bps in Q1FY19 and management expects it to breakeven by end of FY19.

❑ The company guides for a capex of Rs 150 crores for FY19 and intends to open 75 stores in the whole year. Store expansion to pick-up with 20 new stores in Q2FY19.

❑ The recently announced Bangladesh JV with Golden Harvest group is in final stages of launch.

Key Trackable this Quarter

❑ Store expansion strategy and demand driving SSG and overall sales growth

❑ Progress of cost rationalisation efforts and Dunkin' Donuts turnaround.

❑ Progress of anti-profiteering investigation by Director General Anti Profiteering to NAA.

We value the stock at 45x FY20e EPS, We recommend BUY

Jyothy Laboratories Limited

JYL IN

Consumer Staples

CMP	**193**
Target	**238**
Upside	**23%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	31%	23%	23%	27%
Roce%	28%	22%	24%	27%
P/E	31.7	50.5	39.5	30.8
P/B	9.8	11.9	9.2	8.4
EV/Ebdita	24.4	29.4	22.0	19.3

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Volume growth	7%	2%	9%	9%	4%	19%	6%
Pricing growth(esti.)	-2%	-2%	3%	5%	-4%	2%	3%
Financials							
Sales	1,632	1,700	1,882	2,106	419	405	454
Sales Gr	*6%*	*4%*	*11%*	*12%*	*-3%*	*18%*	*8%*
Ebdita	260	277	317	358	72	61	79
Ebdita Gr	*14%*	*7%*	*14%*	*13%*	*13%*	*40%*	*9%*
Net Profits	202	161	177	227	42	32	45
Profit Gr%	*171%*	*-21%*	*10%*	*28%*	*35%*	*57%*	*6%*
EbditaM%	16%	16%	*17%*	*17%*	17%	15%	*17%*
Net Mgn%	12%	9%	*9%*	*11%*	10%	8%	*10%*

Std/Fig in Rs Cr

❑ JYOTHYLAB 's sales is expected to grow by 8% on the back of 6% volume growth and 125 bps QoQ improvement in realization. Major reason for lower sales will be Kerala floods which contributes ~15% of the total revenue of JYOTHYLAB.

❑ Mgt. envisages Kerala floods impact in the extent of 1.5% of the overall revenue growth in FY19 and for Q2FY19, Kerala floods is expected to impact sales by 6%.

❑ Management maintained its guidance of 12-15% revenue growth with 16-17% EBITDA margin despite Kerala floods.

❑ Gross margin is expected to deteriorate by 23 bps led by crude oil inflation(35% of company raw material are link to crude) although company has taken price hike in the range 5% in detergent segment. EBITDA margin is expected to improve by 5 bps YoY on the back of lower other ex. and advertising & promotion expenses.

❑ As per the management, if Dollar breaches 72 level than company will take another price hike 2-3% and look for reducing in some consumer promotions to give cushion to the margin.

❑ Gross debt in the books of the company is Rs 375 cr while net debt remained Rs 275 cr as on Q1FY19.

❑ FY19E: Rs 20-25 cr as maintenance capex.

❑ Tax rate will be at MAT for next 6-7 years.

Key Trackable this Quarter

❑ Gross & EBITDA margin.

❑ Volume growth will be impacted by Kerala floods.

❑ Pricing action taken by the company.

We value the stock at 38x FY20E EPS. Recommend BUY.

Marico Limited

MRCO IN

Consumer Staples

CMP	**327**
Target	**409**
Upside	**25%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	35%	33%	34%	39%
Roce%	46%	41%	44%	50%
P/E	52.2	52.1	45.0	36.3
P/B	18.2	16.9	15.4	14.2
EV/Ebdita	36.5	37.8	32.6	26.3

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Domes. Volume Gr.	4%	2%	9%	9%	8%	12%	7%
Intern. Busin. CC gr.	1%	8%	10%	13%	1%	7%	11%
Segmental Volume Growth							
Parachute Rigid	4%	3%	5%	9%	12%	9%	3%
Saffola	8%	-2%	7%	7%	3%	10%	6%
Value add. Hair Oils	5%	6%	13%	12%	12%	15%	11%
Revenue Break up:							
Domestic	4579	4970	5792	6675	1200	1628	1387
International	*1357*	*1364*	*1518*	*1757*	*336*	*399*	*377*
Financials							
Sales	5,936	6,333	7,310	8,432	1536	2027	1763
Sales Gr	*-1%*	*7%*	*15%*	*15%*	*6%*	*21%*	*14.8%*
Ebdita	1,159	1,138	1,288	1,591	259	355	273
Ebdita Gr	*10%*	*-2%*	*13%*	*24%*	*2%*	*9%*	*5.5%*
Net Profits	811	827	937	1,161	185	260	202
Profit Gr%	*12%*	*2%*	*13%*	*24%*	*2%*	*10%*	*9.1%*
EbditaM%	20%	18%	18%	19%	16.9%	18%	15.5%
Net Mgn%	14%	13%	13%	14%	12.0%	13%	11.4%

Conso/Fig in Rs Cr

❑ Marico's revenue is expected to grow by ~15% led by better domestic volume & realization and International business performance. Domestic volume is expected to grow by 7% led by 3% growth in Parachute Rigid,6% in Saffola and 11% in VAHO.

❑ Rural growth and LUP is going to play important role in VAHO volume growth while sorting out issues related modern trade will help Saffola. Due to higher base Parachute's growth to remain lower.

❑ International business is expected to clock 11% cc growth led by better growth in MENA business and improvement in Bangladesh business. Vietnam business is expected remain soft in this quarter.

❑ Gross margin is expected to improve by 241 bps QoQ(while decline 229 bps in YoY) led by softening of Copra prices. EBITDA margin is expected to decline by 137 bps YoY led by mainly shrinkage in gross margin.

Key Trackable this Quarter

❑ Copra prices: expect softening in Copra prices to continue.

❑ Prachute Rigid and Saffola's volume growth.

❑ Commentary regarding Vietnam business.

We value the stock at 45x FY20E EPS. Recommend BUY.

Nestle India Limited

Consumer Staples

NEST IN

CMP	**9344**
Target	**10278**
Upside	**10%**
Rating	**BUY**

	CY17	CY18E	CY19E	CY20E
Roe%	36%	44%	45%	50%
Roce%	51%	62%	63%	71%
P/E	72.4	54.7	49.7	42.0
P/B	25.9	24.2	22.1	21.0
EV/Ebdita	41.6	33.0	30.4	26.1

	CY17	CY18E	CY19E	CY20E	Q3CY17	Q2CY18	Q3CY18E
Segmental Revenues							
Milk products & nutr.	4820	5163	5690	6271			
Beverages	1387	1647	1903	2177			
Pre. dishes & cook. aids	2707	3271	3884	4486			
Chocolate & confection.	1221	1385	1571	1765			
Gross Sales(in cr)	10135	11466	13047	14699			
Financials							
Sales	9,953	11,237	12,886	14,517	2514	2698	2818
Sales Gr	*9%*	*13%*	*14%*	*13%*	*7%*	*12%*	*12%*
Ebdita	2,097	2,681	2,907	3,378	584	645	667
Ebdita Gr	*13%*	*28%*	*8%*	*16%*	*21%*	*40%*	*14%*
Net Profits	1,225	1,648	1,814	2,144	343	395	407
Profit Gr%	*22%*	*34%*	*10%*	*18%*	*23%*	*50%*	*19%*
EbditaM%	21%	*24%*	*23%*	*23%*	23%	24%	*24%*
Net Mgn%	12%	*15%*	*14%*	*15%*	13.6%	15%	*14%*

Std/Fig in Rs Cr

❑ NESTLEIND is expected to report a sales growth of 12% in Q3CY18 on the back of aggressive new product launches and distribution ramp up.

❑ EBITDA margin is expected to expand by 42 bps mainly due to expansion in gross margin by 254 bps YoY. Gross margin is expected to improve backed by lower milk prices and SMP.

❑ The company has launched ~40 new products in last 2 years in which 25 are doing well. Going forward, we expect new launches to continue from its parent portfolio (more than 2000 products globally).

❑ Contribution of new launches remained 3% of total sales in H12018.

❑ Cluster approach to boost growth: To promote keen consumer connect and high agility, the company is introducing cluster based strategy in which it has divided whole India into 15 clusters.

❑ NESTLEIND is a strong play in Food and Beverages space with the leadership in ~85% of the product portfolio in which it exists.

Key Trackable this Quarter

❑ Volume growth.

❑ Gross Margin: Expect gross margin to improve as Key input prices are still benign.

We value the stock at 55x CY19E EPS. Recommend BUY.

Parag Milk Foods Limited

Consumer Staples

PARAG IN

CMP	**249**
Target	**313**
Upside	**26%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	1%	12%	15%	15%
Roce%	5%	15%	18%	19%
P/E	499.8	26.6	17.3	14.3
P/B	3.8	3.2	2.5	2.2
EV/Ebdita	27.2	12.1	8.5	7.2

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Milk Products Gr.	1%	17%	28%	18%	6%	41%	35%
Fresh Milk Gr.	16%	5%	9%	10%	4%	9%	9%
Segmental Revenues							
Skimmed Milk Powder	224	254	308	354	54	70	67
Fresh Milk	371	391	424	466	101	106	110
Milk Products	1108	1290	1636	1922	344	363	465
Other Revenues	28	20	42	61	6	11	10
Financials							
Sales	1,731	1,955	2,410	2,803	505	549	652
Sales Gr	*5%*	*13%*	*23%*	*16%*	*7%*	*33%*	*29%*
Ebdita	88	193	244	285	50	60	66
Ebdita Gr	*-41%*	*120%*	*26%*	*17%*	*48%*	*103%*	*33%*
Net Profits	5	87	121	146	25	28	34
Profit Gr%	*-90%*	*1748%*	*39%*	*21%*	*95%*	*169%*	*35%*
EbditaM%	5%	10%	*10%*	*10%*	10%	11%	*10%*
Net Mgn%	0%	4%	*5%*	*5%*	5%	5%	*5%*

Conso/Fig in Rs Cr

❑ Parag's sales is expected to grow by 29%YoY in Q2FY19 on the back of strong traction from value added products, aggressive new product launches and ramp up of distribution reach.The company targets to achieve Revenues in the range of Rs. 2,700 to Rs. 3,000 Cr by 2020.

❑ Company bought Danone manufacturing facility in North India (Sonipat) which will give company much needed foot hold in north India in terms of procurement of milk.

❑ Gross margin is expected to improve by 55 bps YoY led by benign fresh milk prices while higher milk procurement prices (government increased minimum milk procurement prices to Rs25) paid for pouch milk (non subsidy) may impact margins adversely. For value added products government will provide Rs 5 subsidy to the company.

❑ The company is planning to increase its value added products contribution to revenue from 64% to 65% till 2021. Health &Nutrition business has to expand from 2% to 7%.

❑ Capex: Rs 30cr in FY19. Tax rate: 26-28.5%.

Key Trackable this Quarter

❑ Gross Margin.

❑ Other Expenses:The company is in the process of launching new products and expansion of its distribution reach.

We value the stock at 18x FY20E EPS. Recommend BUY.

P&G Hygiene

PG IN

CMP	**9506**
Target	**9894**
Upside	**4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	82%	47%	39%	40%
Roce%	115%	70%	57%	57%
P/E	50.1	82.4	74.5	57.6
P/B	41.2	38.3	29.0	23.1
EV/Ebdita	32.5	49.5	46.0	36.5

	FY17	FY18	FY19E	FY20E	Q1FY18	Q4FY18	Q1FY19E
*Segmental Revenues(gross) **							
Oint. and Creams	412	441	485	543			
Cough Drops	265	286	309	334			
Tablets	51	38	35	31			
Personal Products, Toile	1691	1792	1935	2226			
Financials							
Sales	2,320	2,455	2,716	3,102	658	525	707
Sales Gr	*2%*	*6%*	*11%*	*14%*	*10%*	*4%*	*7%*
Ebdita	665	615	655	817	187	84	194
Ebdita Gr	*10%*	*-7%*	*7%*	*25%*	*24%*	*-36%*	*3%*
Net Profits	433	375	414	535	116	45	123
Profit Gr%	*2%*	*-13%*	*11%*	*29%*	*11%*	*-43%*	*7%*
EbditaM%	29%	25%	*24%*	*26%*	29%	16%	*27%*
Net Mgn%	19%	15%	*15%*	*17%*	18%	8%	*17%*

* FY18 revenue break up is expected. Std/Fig in Rs Cr

❑ PGHH's revenue is expected to grow by 7%YoY of on the back of better growth in Ointments & Creams and Personal Products, Toilet Preparations segments. This growth will be driven by company's investment in A&P and revival in economy.

❑ Gross margin is expected to expand by 491 bps YoY(contraction of 180 bps QoQ) to 62.8%on the back of lower input prices. Gross margin was impacted by the price cut taken by ~2-3% in July to pass GST rate cut to the consumers.

❑ EBITDA margin is expected to decline by 110 bps YoY led by company's investment in advertisement, promotion and distribution activities. We expect 112 and 489 bps increase in other expenses and A&P respectively in Q1FY19.

❑ The company had made a strategic foray in emerging comfort segment with new Whisper Ultra Soft product launch.

❑ The company expects growth rate in the categories in which it competes to be around high single digits.

Key Trackable this Quarter

❑ Revenue growth: Past 2 years remained dampener, so we expect better sales in FY19.

❑ Gross and EBITDA Margin as past few quarters company is investing on A&P and other ex.

We value the stock at 60x FY20E EPS. Recommend NEUTRAL.

Prabhat Dairy Limited

PRABHAT IN

Consumer Staples

CMP	**129**
Target	**162**
Upside	**26%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	7%	6%	7%	10%
Roce%	12%	12%	13%	17%
P/E	31.2	31.0	21.8	14.3
P/B	2.1	2.0	1.6	1.5
EV/Ebdita	10.6	10.0	7.1	5.6

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segmental Revenues							
Milk	192	315	403	476			
Milk Powder	623	711	783	900			
Butter +ghee	289	215	258	310			
Condensed milk	164	80	39	19			
Cheese ,Paneer & Sri Kh	39	91	160	240			
Others	88	141	104	122			
Financials							
Sales	1,410	1,554	1,746	2,066	386	386	423
Sales Gr	*21%*	*10%*	*12%*	*18%*	*19%*	*7%*	*10%*
Ebdita	127	138	157	200	32	32	35
Ebdita Gr	*10%*	*9%*	*14%*	*27%*	*15%*	*14%*	*10%*
Net Profits	47	47	57	87	9	11	11
Profit Gr%	*106%*	*1%*	*21%*	*52%*	*4%*	*90%*	*21%*
EbditaM%	9.0%	8.9%	9.0%	9.7%	8%	8%	8%
Net Mgn%	3.3%	3.0%	3.3%	4.2%	2%	3%	3%

Conso/Fig in Rs Cr

❑ PRABHAT's sales for Q2FY19 is expected to remain 10% backed by company's distribution expansion(plans to double distribution reach in next 2 years), new product launches in B2C segment and company's initiatives of setting up different packing stations (third Party) in Vidarbha and Western Maharashtra.

❑ Gross margin can expand by 95 bps YoY, lesser than what we earlier expected as company will have to pay ~21% more for milk procurement in pouch milk (non subsidy) segment. Gross margin will be supported by higher contribution of value added products in the total revenue.

❑ EBITDA margin improvement is expected to be flat led by elevated other expenses as company will invest benefits of lower input prices in brand building (invest Rs 30cr) and distribution expansion.

❑ Delay in payment of subsidy by government may increase working capital by Rs 10 Cr in FY19.

Key Trackable this Quarter

❑ Gross Margin: need to see impact of higher milk procurement prices in pouch segment (non subsidy).

❑ Share of consumer business in total revenue.

❑ Other expenses: the company is investing benefits of lower milk prices to the expansion of distribution reach and promotional activities.

We value the stock at 18x FY20E EPS. Recommend BUY.

Westlife Development Ltd

WLDL IN

Consumer Staples

CMP	**341**
Target	**342**
Upside	**0%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	-2%	2%	12%	11%
Roce%	-2%	1%	10%	12%
P/E	-274.2	387.3	74.3	74.7
P/B	6.3	9.2	8.6	7.8
EV/Ebdita	72.2	65.8	35.9	30.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
SSG (%)	4.0	15.8	19.8*	10.0	8.4	24.1	25.0
No. of stores							
McDonalds	258	277	304	339	265	281	287
Mc Café	111	149	189	233	136	156	168
Sales	931	1,135	1,430	1,666	265	342	349
Sales Gr%	*12%*	*22%*	*26%*	*16%*	*13%*	*30%*	*32%*
COGS	366	425	509	577	99	123	126
Royalty	37	48	67	98	10	16	16
Ebdita	47	77	150	176	20	34	37
Ebdita Gr%	*10%*	*65%*	*94%*	*18%*	*80%*	*130%*	*84%*
Net Profits	(12)	13	71	71	1	12	19
Profit Gr%	*-528%*	*206%*	*456%*	*0%*	*-127%*	*-528%*	*1440%*
Gross Margin%	60.6%	62.6%	64.4%	65.4%	62.7%	64.0%	64.0%
Ebdita Margin%	5.0%	6.8%	10.5%	10.6%	7.6%	9.9%	10.7%
Net Profit Margin%	-1.3%	1.1%	5.0%	4.3%	0.5%	3.4%	5.3%

*On average basis for yearly

Conso/Fig in Rs Cr

- Same stores sales growth has been higher over the past three quarters in the range of 20-25% with the help of improvised menu, McDelivery launch and Mc Cafes. Q2FY19 SSG is likely to be 25% on a base of 8.4%.
- Sales to grow at 31.9% YoY to Rs 349 crores.
- Mc Cafe expansion and increasing new value added products in the improvised menu have lead to rise in gross margins for the company with Q2FY19 gross margins likely to be 64%.
- The 2016 announced ROP 2.0 model for new restaurant design and cost rationalisation along with branch extensions will continue to drive EBITDA expansion of 310bps YoY in quarter.
- The company guides for a capex of Rs 100-120 crores for FY19 and intends to open 25-30 stores in the whole year along with faster expansion of Mc Cafe branch expansion. We expect 6 new stores and 12 Mc Cafes expansion in the quarter.
- With royalty at 4% for FY19, we estimate PAT to be Rs 18.6 crores.

Key Trackable this Quarter

- Store expansion strategy, McCafe store launches and Mc Delivery expansion
- Menu Innovations and cost rationalisation efforts driving operational efficiency
- Royalty announcement for FY20

We value the stock at 75x FY20e EPS. We rate Neutral

Zydus Wellness Limited

ZYWL IN

Consumer Staples

CMP	**1376**
Target	**1566**
Upside	**14%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	20%	20%	19%	20%
Roce%	16%	16%	16%	17%
P/E	30.2	36.6	36.0	29.9
P/B	5.9	7.1	6.7	5.9
EV/Ebdita	29.1	36.1	34.8	28.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Key Assumptions:							
Sugar Subst. category	7%	13%	8%	15%	15%	5%	8%
Scrub category	7%	10%	14%	16%	11%	10%	15%
Peel off mask category	5%	17%	18%	18%	17%	18%	18%
Financials							
Sales	463	503	578	669	124	143	139
Sales Gr	*9%*	*9%*	*15%*	*16%*	*18%*	*14%*	*13%*
Ebdita	99	125	140	168	35	22	39
Ebdita Gr	*8%*	*26%*	*12%*	*20%*	*15%*	*-6%*	*10%*
Net Profits	111	137	153	184	36	26	41
Profit Gr%	*6%*	*23%*	*12%*	*20%*	*13%*	*2%*	*12%*
EbditaM%	21%	25%	*24%*	*25%*	28%	15%	*28%*
Net Mgn%	24%	27%	*26%*	*27%*	29%	18%	*29%*

Conso/Fig in Rs Cr

- ❑ Sales is expected to grow by 13% YoY led by better traction from new launches, focused A&P initiatives and increased penetration. Last quarter company had launched Sugarfree veda (Ayurvedic) and Nutralite mayo. New products had contributed ~5% of the total revenue in Q1FY19.
- ❑Zyduswell aspires for Rs 1000 cr of revenue in next 4-5 years. The company has strong cash balance of Rs 414 cr in FY18 which can be utilized for any suitable inorganic opportunity going forward.
- ❑New product launches and expansion of distribution reach will be the key for company's future growth.
- ❑Gross margin is expected to decline by 150 bps led by higher crude prices (indirect: used in packaging material (~34% of RM)) and palm oil prices (~29% of RM). EBITDA margin is expected to decline by 66 bps YoY led by shrinkage in gross margin.
- ❑Sugar Free Green's market share for FY18 remained ~2%.
- ❑Expected Tax Rate: 9.5 to 10% in FY19.

Key Trackable this Quarter

- ❑ Sugar substitute cat. Growth.
- ❑ Pricing action to mitigate the impact of rising input prices.
- ❑ Market share of Sugar Free Green.

We value the stock at 34x FY20E eps. Recommend ACCUMULATE.

AU Small Finance Bank Ltd

Financials- Banks

AUBANK IN

CMP	**565**
Target	**541**
Upside	**-4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	10.1%	13.7%	12.6%	14.4%
Roa%	10.2%	2.0%	1.5%	1.5%
Div Yield%	-	0.1	0.2	0.3
BVPS	70	80	105	120
P/B	-	7.7	5.4	4.7

	FY17	FY18	FY19E	FY 20E	Q2FY18	Q1FY19	Q2FY19E
AUM	11,055	16,038	22,453	30,312	12,133	17,322	18,806
AUM Growth%	*34%*	*45%*	*40%*	*35%*	*30%*	*61%*	*55%*
Borrowings	7,120	15,562	22,453	30,618	9,404	16,874	18,437
Deposits	-	6,743	12,137	20,208	1,978	8,071	8,955
Deposits Gr QoQ			*80%*	*67%*		*890%*	*353%*
GNPA%	1.9%	2.0%	2.7%	2.9%	3.1%	2.2%	2.4%
NNPA%	1.2%	1.3%	1.8%	1.8%	2.1%	1.4%	1.6%
Net Interest Income	784	940	1,229	1,744	220	286	292
NII Gr	*27%*	*20%*	*31%*	*42%*	*12%*	*56%*	*33%*
Opex	353	753	1,024	1,405	173	237	243
Opex Growth%	*37%*	*113%*	*36%*	*37%*	*134%*	*103%*	*40%*
Pre-provision Profit	570	576	677	976	144	152	162
PPP Gr	*57%*	*1%*	*18%*	*44%*	*-9%*	*22%*	*12%*
Provisions	97	133	173	272	41	35	39
Net Profits	822	292	335	472	68	77	81
Profit Gr%	*288%*	*-64%*	*15%*	*41%*	*-3%*	*24%*	*19%*
NIM% (Cal.)	7.1%	5.5%	5.0%	5.3%	8.0%	7.8%	7.1%
Cost to Income%	38%	57%	60%	59%	55%	61%	60%

Std/Fig in Rs Cr

❑ Cost of fund has declined owing to increase share of deposits, Incremental yields on AUM has increase from 12.6% in 4QFY18 to 13.4% this quarter. However lower yield on investment assets will drag the total yield on earning assets. We expect NIM to stabilize going ahead. NII is expected to grow by 33% YoY in 2Q FY19. C/I ratio is expected to stabilise in near term as management do not intend to open more branches.

❑ AU BANK has grown at a 40% CAGR over the last 2 years. Growth is led by increased penetration and gaining market share from informal sources and NBFCs. Loan book is expected to grow at the rate of 30-40% in FY19 & 55% in 2QFY19. Recent capital infusion will ensure long term healthy growth of the company.

❑ Deposit stands at 48% of the total borrowings and is expected to grow to 66% by FY20 led by deepening the presence as per strategy and improving liability productivity.

❑ Assets quality is expected to remain stable but will be watched closely on GST impact of MSME, NBFC issue and Rajasthan loan waiver impact.

Key Trackable this Quarter

❑Assets quality trend.

❑Healthier deposit will be positive.

❑NIM & C/I ratio trend.

Stock is trading at premium. We are Neutral on the stock with 4.5x P/BV FY20e.

Axis Bank Limited

AXSB IN

Financials- Banks

CMP	**572**
Target	**664**
Upside	**16%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	6.8%	0.5%	9.3%	16.3%
Roa%	0.7%	0.0%	0.8%	1.4%
Div Yield%	1.0%	0.0%	0.7%	1.0%
BVPS	233	247	271	316
P/B	2.1	2.1	2.1	1.8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	373,069	439,650	518,787	612,169	410,171	441,074	471697
Adv Growth%	*10%*	*18%*	*18%*	*18%*	*16%*	*14%*	*15%*
Deposits	414,379	453,623	534,832	631,102	416,431	447,079	476461
Dep Growth%	*16%*	*9%*	*18%*	*18%*	*10%*	*14%*	*14%*
CD Ratio%	90%	97%	97%	97%	98%	99%	99%
GNPA%	5.0%	6.8%	4.7%	4.4%	5.9%	6.5%	6.2%
NNPA%	2.1%	3.4%	2.1%	1.6%	3.1%	3.1%	2.7%
Slippages %	6.5%	9.2%	3.2%	1.4%	2.4%	1.0%	1.0%
Net Interest Income	18,093	18,618	21,828	28,212	4,540	5,167	5,111
NII Gr	*7%*	*3%*	*17%*	*29%*	*1%*	*12%*	*13%*
Other Income	11,691	10,967	12,343	13,568	2,586	2,925	3,019
Other Inc Gr%	*25%*	*-6%*	*13%*	*10%*	*2%*	*-2%*	*17%*
Pre-provision Profit	17,585	15,594	18,677	23,554	3,777	4,372	4,390
PPP Gr	*9%*	*-11%*	*20%*	*26%*	*-8%*	*2%*	*16%*
Provisions	12,117	15,473	9,351	4,715	3,140	3,338	3,081
Net Profits	3,679	276	6,174	12,434	432	701	864
Profit Gr%	*-55%*	*-93%*	*2139%*	*101%*	*36%*	*-46%*	*100%*
NIM% (Cal.)	3.4%	3.1%	3.1%	3.4%	3.2%	3.3%	3.2%
Cost to Income%	41%	47%	45%	44%	47%	46%	46%

Std/Fig in Rs Cr

❑ Cost of fund is on rising trend putting pressure on NIM, however expected lower slippages, assets re-pricing at higher MCLR and interest recovery from NPA accounts is likely to provide some support to NIM at current level. NII is expected to grow by 13% in 2Q FY19.

❑ Loan book grew by 14% majorly on account of retail and SME assets. Corporate loan mix has shrunken to 40% in FY18 against 46% in FY16. Further management has also shifted its focus towards better rated corporate client and working capital loans which we believe will drive the loan book towards 18% in FY19.

❑ Slippages ratio normalized during the quarter at 1.03% from 4.04% in Q4FY18. About 88% of corporate slippages were from BB and below rated watch list. We expect slippages and credit cost to remain elevated in 2Q FY19, but having PCR at 69%, credit cost would normalize from 2H FY19.

❑ Announced the appointment Amitabh Chaudhry as new MD and CEO from Jan 2019. Changes at senior level management and strategy would be key event to watch in the near term.

Key Trackable this Quarter

❑ Slippages and trend in BB stress pool will be watched closely.

❑Trend in Recovery and up gradation.

❑Movement in NIM.

We value the stock at 2.1x P/BV FY20e and recommend BUY.

Bank of Baroda

BOB IN

CMP	**103**
Target	**163**
Upside	**58%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	3.4%	-5.8%	6.9%	11.0%
Roa%	0.2%	-0.3%	0.4%	0.6%
Div Yield%	0.7%	0.0%	0.5%	1.9%
BVPS	174	164	175	195
P/B	1.0	0.9	0.6	0.5

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	383,259	427,432	491,547	565,279	387,302	414,517	429905
Adv Growth%	*0%*	*12%*	*15%*	*15%*	*9%*	*10%*	*11%*
Deposits	601,675	591,315	692,319	785,109	583,212	581,484	597091
Dep Growth%	*5%*	*-2%*	*17%*	*13%*	*3%*	*2%*	*2%*
CD Ratio%	64%	72%	71%	72%	66%	71%	72%
GNPA%	10.5%	12.3%	9.6%	6.5%	11.2%	12.5%	12.1%
NNPA%	4.7%	5.5%	4.0%	2.5%	5.1%	5.4%	5.2%
Slippages %	4.7%	7.3%	3.5%	2.0%	1.0%	1.2%	1.1%
Net Interest Income	13,513	15,522	18,961	22,015	3,721	4,381	4,605
NII Gr	*6%*	*15%*	*22%*	*16%*	*9%*	*29%*	*24%*
Other Income	6,758	6,657	5,620	6,531	1,737	1,148	1,333
Other Inc Gr%	*35%*	*-1%*	*-16%*	*16%*	*11%*	*-26%*	*-23%*
Pre-provision Profit	10,975	12,006	13,704	16,204	3,042	3,006	3,355
PPP Gr	*24%*	*9%*	*14%*	*18%*	*13%*	*13%*	*10%*
Provisions	8,502	14,796	8,937	8,028	2,329	2,166	2,428
Net Profits	1,383	(2,432)	3,081	5,396	355	528	602
Profit Gr%	*-126%*	*-276%*	*227%*	*75%*	*-36%*	*160%*	*70%*
NIM% (Cal.)	2.1%	2.3%	2.6%	2.7%	2.3%	2.6%	2.7%
Cost to Income%	46%	46%	44%	43%	44%	46%	44%

Std/Fig in Rs Cr

❑ Net interest Income growth is expected to remain healthy at 24% YoY, however lower other income can drag the total income growth at 9% YoY. We expect operating profit growth of 10% during the quarter.

❑ Advances growth has shown healthy recovery despite NPA issues, driven by robust retail growth (mainly in home loans). Further, advances growth is expected to be 11% in 2Q FY19 led by SME and corporate book.

❑ Due to incremental slippages from stress pool and MTM losses, total provisions are expected to remain elevated in near term. But the normalization of situation will give significant boost to earnings in FY20.

❑ Management expects NPA to recede going forward due to lower slippages and higher recoveries. Watchlist declined by 14% sequentially at Rs 8600 Cr. Bank Baroda is in a better position among PSU banks with 60% calculated PCR.

Key Trackable this Quarter

❑ Slippages trend, Recovery and up-gradation.

❑ Merger details

❑ NIM performance

We value the stock at 0.9x P/BV FY20e and recommend BUY.

Bank of India

BOI IN

CMP	**81**
Target	**82**
Upside	**1%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	-4.8%	-17.8%	-2.7%	3.3%
Roa%	-0.3%	-1.0%	-0.2%	0.2%
Div Yield%	0.0%	0.0%	0.0%	0.0%
BVPS	308	204	198	204
P/B	0.5	0.5	0.4	0.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	366,482	341,380	348,208	376,064	364,502	327,775	328052
Adv Growth%	*2%*	*-7%*	*2%*	*8%*	*0%*	*-10%*	*-10%*
Deposits	540,032	520,854	519,713	553,036	543,716	514,604	504695
Dep Growth%	*5%*	*-4%*	*0%*	*6%*	*8%*	*-5%*	*-7%*
CD Ratio%	68%	66%	67%	68%	67%	64%	65%
GNPA%	13.2%	16.6%	13.8%	10.7%	12.6%	16.7%	17.1%
NNPA%	6.9%	8.3%	6.8%	5.3%	6.5%	8.5%	8.2%
Slippages %	6.1%	11.0%	4.0%	1.8%	0.6%	2.1%	1.0%
Net Interest Income	11,826	10,506	12,321	12,746	2,908	3,354	2,942
NII Gr	*1%*	*-11%*	*17%*	*3%*	*7%*	*32%*	*1%*
Other Income	6,772	5,734	4,404	4,971	1,706	830	984
Other Inc Gr%	*85%*	*-15%*	*-23%*	*13%*	*-15%*	*-48%*	*-42%*
Pre-provision Profit	9,733	7,139	6,756	7,491	2,233	1,869	1,571
PPP Gr	*61%*	*-27%*	*-5%*	*11%*	*-10%*	*-21%*	*-30%*
Provisions	12,105	15,772	9,043	5,736	1,953	2,564	2,459
Net Profits	(1,558)	(6,044)	(955)	1,158	179	95	(587)
Profit Gr%	*74%*	*-288%*	*84%*	*221%*	*41%*	*8%*	*-428%*
NIM% (Cal.)	2.1%	1.9%	2.2%	2.2%	2.0%	2.4%	2.1%
Cost to Income%	48%	56%	60%	58%	52%	55%	60%

Std/Fig in Rs Cr

❑ Bank is under PCA list of RBI due to which its loan book has been shrinking continuously. Its loan book has contracted by 10% in 1Q FY19. We expect the bank to continue reduce its corporate exposure and hence interest income growth will remain under pressure.

❑ Elevated credit cost, MTM loss and PCA impact will continue to haunt the bank till FY19. We see no improvement in profitability unless and until there is significant recovery and up-gradation from NPA.

❑ BOI has 67% PCR which is the key positive but high exposure to NCLT cases and latest turbulence in power sector would have hangover of significant haircut going forward.

❑ BOI has Rs 8799 Cr of restructured assets which can be major source of slippages going forward.

Key Trackable this Quarter

❑ Trend in recovery and up-gradation.

❑ Improvement in capital ratio will be important for the bank.

❑ Slippages trend.

We value the stock at 0.4x P/BV FY20e. NEUTRAL.

Canara Bank

CBK IN

CMP	**232**
Target	**278**
Upside	**20%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	3.4%	-12.2%	3.7%	9.9%
Roa%	0.2%	-0.7%	0.2%	0.5%
Div Yield%	0.3%	0.0%	0.0%	2.2%
BVPS	564	486	504	556
P/B	0.5	0.5	0.5	0.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	342,009	381,703	427,507	470,258	358,255	386,253	401246
Adv Growth%	*5%*	*12%*	*12%*	*10%*	*10%*	*13%*	*12%*
Deposits	495,275	524,772	593,760	653,136	496,440	533,274	549652
Dep Growth%	*3%*	*6%*	*13%*	*10%*	*3%*	*10%*	*11%*
CD Ratio%	69%	73%	72%	72%	72%	72%	73%
GNPA%	9.6%	11.8%	9.4%	7.3%	10.5%	11.1%	10.5%
NNPA%	6.3%	7.5%	5.5%	4.1%	7.0%	6.9%	6.4%
Slippages %	3.8%	7.7%	3.4%	2.0%	1.1%	1.2%	0.7%
Net Interest Income	9,872	12,163	15,406	16,200	2,783	3,883	3,607
NII Gr	*1%*	*23%*	*27%*	*5%*	*14%*	*43%*	*30%*
Other Income	7,554	6,943	6,569	6,513	1,936	1,833	1,565
Other Inc Gr%	*55%*	*-8%*	*-5%*	*-1%*	*9%*	*-13%*	*-19%*
Pre-provision Profit	8,914	9,548	11,039	11,672	2,480	2,933	2,534
PPP Gr	*25%*	*7%*	*16%*	*6%*	*16%*	*19%*	*2%*
Provisions	7,272	16,109	9,057	5,857	2,157	2,582	2,313
Net Profits	1,122	(4,222)	1,358	3,838	260	281	146
Profit Gr%	*140%*	*-476%*	*132%*	*183%*	*-27%*	*12%*	*-44%*
NIM% (Cal.)	1.8%	2.2%	2.5%	2.4%	2.0%	2.8%	2.5%
Cost to Income%	49%	50%	50%	49%	47%	49%	51%

Std/Fig in Rs Cr

❑ Net Interest Income is expected to grow by 30% due to assets growth improvement and lower interest income reversal. However operating profit growth is expected to remain muted due to lower other income growth during the quarter. Credit cost is expected to remain elevated during the quarter and hence we expect earnings to remain muted.

❑ Advances growth is expected to be around 12% YoY backed by strong retail and SME growth.

❑ CANBK showed resilient recovery from the stressed assets, after rising its NPA cycle. Recovery & up gradation has stood at Rs 4208 Cr during 1Q FY19. Management expects slippages to restrict around Rs 2000 Cr per quarter going forward where as recovery and up-gradation expectation is Rs 16k-17k Cr in FY19. We expect assets quality in improving trend.

❑ Canara Bank has Rs 27000 Cr of credit exposure in Kerala, out of this Rs 11000 Cr is agriculture loan. Kerala flood can have significant on credit book of the bank. Management commentary on outlook of flood impact will be important.

Key Trackable this Quarter

❑ Slippages trend- Slippages under management guidance will be positive.

❑ Recovery and up-gradation trend. Pace of NCLT cases resolution.

❑ Management commentary on power companies development to NCLT.

We value the stock at 0.5x P/BV FY20e. BUY.

City Union Bank Limited

Financials- Banks

CUBK IN

CMP	**169**
Target	**159**
Upside	**-6%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	15.2%	15.3%	15.3%	16.0%
Roa%	1.5%	1.6%	1.6%	1.7%
Div Yield%	0.2%	0.2%	0.3%	0.4%
BVPS	54	63	72	84
P/B	2.5	2.7	2.3	2.0

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	23,833	27,853	32,588	38,454	25,045	27,853	29303
Adv Growth%	*13%*	*17%*	*17%*	*18%*	*14%*	*17%*	*17%*
Deposits	30,116	32,853	37,893	44,713	30,882	33,597	34073
Dep Growth%	*11%*	*9%*	*15%*	*18%*	*9%*	*10%*	*10%*
CD Ratio%	79%	85%	86%	86%	81%	83%	86%
GNPA%	2.8%	3.0%	2.9%	3.0%	3.1%	3.0%	2.9%
NNPA%	1.7%	1.7%	1.6%	1.6%	1.8%	1.7%	1.6%
Slippages %	2.3%	2.5%	2.0%	2.1%	0.6%	0.5%	0.5%
Net Interest Income	1,199	1,430	1,616	1,913	355	375	397
NII Gr	*22%*	*19%*	*13%*	*18%*	*18%*	*9%*	*12%*
Other Income	484	532	524	555	155	129	132
Other Inc Gr%	*18%*	*10%*	*-2%*	*6%*	*49%*	*-5%*	*-15%*
Pre-provision Profit	994	1,208	1,284	1,522	320	299	317
PPP Gr	*19%*	*22%*	*6%*	*19%*	*35%*	*1%*	*-1%*
Provisions	301	418	347	381	129	78	86
Net Profits	503	592	684	833	145	162	169
Profit Gr%	*13%*	*18%*	*16%*	*22%*	*17%*	*15%*	*17%*
NIM% (Cal.)	3.8%	4.0%	4.0%	4.0%	4.2%	4.1%	4.2%
Cost to Income%	41%	38%	40%	38%	37%	41%	40%

Std/Fig in Rs Cr

❑ City Union Bank has one of the best NIM in the industry at 4.24% given its focus on secured high yielding assets (MSME and traders constitutes 51% of the portfolio). However due to rising cost, NIM will have some pressure going forward. NII is expected to grow by 12% YoY in 2Q FY19.

❑ Opex growth is expected at 11% YoY led by control in cost and lower credit cost will led the profitability growth around 17% in 2Q FY19.

❑ Bank has been steadily growing its portfolio with an average rate of 16%-17%. Loan book is expected to grow by 17% YoY in 2Q FY19 led by healthy growth in retail and MSME book.

❑ Assets quality is expected to remain stable. Impact of GST on MSME portfolio of CUB was minimal. Hence credit cost is expected to remain under control.

Key Trackable this Quarter

❑ Pick up in deposit growth to match loan growth.

❑ Assets quality trend.

❑ NIM performance.

We value the stock at 1.9x P/BV FY20e and recommend NEUTRAL.

DCB Bank Limited

DCBB IN

CMP	**149**
Target	**168**
Upside	**13%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	10.0%	9.8%	10.5%	12.4%
Roa%	0.9%	0.9%	0.9%	1.0%
Div Yield%	0.3%	0.5%	0.7%	0.8%
BVPS	77	91	100	112
P/B	2.2	1.8	1.5	1.3

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	15,818	20,337	25,421	31,776	17,395	21,243	22266
Adv Growth%	*22%*	*29%*	*25%*	*25%*	*20%*	*31%*	*28%*
Deposits	19,289	24,007	30,263	37,829	20,567	25,032	26350
Dep Growth%	*29%*	*24%*	*26%*	*25%*	*16%*	*31%*	*28%*
CD Ratio%	82%	85%	84%	84%	85%	85%	85%
GNPA%	1.6%	1.8%	1.8%	1.9%	1.8%	1.9%	1.9%
NNPA%	0.8%	0.7%	0.7%	0.7%	0.9%	0.7%	0.7%
Slippages %	2.0%	2.2%	1.9%	1.7%	0.5%	0.5%	0.5%
Net Interest Income	797	995	1,146	1,343	248	273	280
NII Gr	*29%*	*25%*	*15%*	*17%*	*30%*	*17%*	*13%*
Other Income	249	311	359	454	65	83	85
Other Inc Gr%	*13%*	*25%*	*15%*	*27%*	*6%*	*-3%*	*30%*
Pre-provision Profit	418	525	618	794	124	141	148
PPP Gr	*20%*	*26%*	*18%*	*29%*	*23%*	*4%*	*19%*
Provisions	111	139	139	169	30	33	34
Net Profits	200	245	310	407	59	70	75
Profit Gr%	*3%*	*23%*	*26%*	*31%*	*21%*	*7%*	*27%*
NIM% (Cal.)	3.9%	3.9%	3.6%	3.4%	4.3%	4.0%	3.9%
Cost to Income%	60%	60%	59%	56%	60%	60%	59%

Std/Fig in Rs Cr

- Rising bond yield and pricing pressure on loan assets have led to NIM under pressure. 40% of the loan book is mortgage loan which is highly competitive and hence facing pricing pressure from the peers. We expect NIM to remain under pressure.
- Slowing the pace of expansion will lead to lower opex growth and moreover with the maturity of older branches C/I ratio could improve significantly over FY20. DCB bank has the highest C/I ratio of 60% as on FY18. We expect C/I ratio in declining trend going forward.
- Loan book of DCB BANK has registered CAGR of 25% in last 5 years and it is very likely that due to growing SME sector in India, gaining market share from PSU banks will add another 25% CAGR over the next 2 years.
- We expect assets quality to remain stable with GNPA at 1.9% and slippages ratio of 0.5%.

Key Trackable this Quarter

- Downward trend in C/I ratio will be positive for the company.
- NIM performance.
- Slippages trend.

We value the stock at 1.5x P/BV FY20e and recommend ACCUMULATE.

Equitas Holdings Limited

EQUITAS IN

Financials- Banks

CMP	**116**
Target	**160**
Upside	**38%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	8.9%	1.4%	9.3%	13.6%
Roa%	2.0%	0.3%	1.4%	1.8%
Div Yield%	0.0%	0.0%	0.0%	0.0%
Book Value	66	67	73	84
P/B	2.6	2.1	1.6	1.4

	FY17	FY18	FY19E	FY 20E	Q2FY18	Q1FY19	Q2FY19E
AUM	7,176	8,239	11,370	15,349	7,326	8,925	9,597
AUM Growth%	*17%*	*15%*	*38%*	*35%*	*3%*	*27%*	*31%*
Borrowings	6,543	10,607	14,766	19,553	7,373	11,635	12,464
Deposit	1,885	4,719	9,887	15,663	3,098	5,721	6,855
Deposit Growth%		*150%*	*110%*	*58%*	*0%*	*154%*	*121%*
GNPA%	3.5%	2.7%	2.6%	3.0%	5.8%	2.8%	2.8%
NNPA%	1.5%	1.4%	1.0%	0.9%	2.8%	1.5%	1.5%
Net Interest Income	855	925	1,138	1,531	230	254	277
NII Gr	*42%*	*8%*	*23%*	*34%*	*14%*	*18%*	*21%*
Opex	615	891	993	1,175	219	239	241
Opex Growth%	*71%*	*45%*	*12%*	*18%*	*69%*	*5%*	*10%*
Pre-provision Profit	354	223	421	725	44	76	103
PPP Gr	*11%*	*-37%*	*89%*	*72%*	*-68%*	*10%*	*132%*
Provisions	103	172	111	163	27	21	25
Net Profits	159	31	221	366	11	36	51
Profit Gr%	*-5%*	*-80%*	*604%*	*66%*	*-76%*	*127%*	*364%*
NIM% (Cal.)	11.3%	8.7%	8.0%	8.1%	9.7%	8.0%	7.8%
Cost to Income%	63%	80%	70%	62%	83%	76%	70%

Conso/Fig in Rs Cr

❑NIM continues to remain under pressure it has decreased from 8% to 7.2% QoQ with the rising share of investment book. NIM is expected to remain under pressure in near term with the rising bond yield scenario.

❑ C/I ratio has fallen to 76% from 80% in FY18. C/I ratio is expected to further decline due to slow down in expansion and increasing the productivity.

❑ Advances picked up strongly at 27% growth YoY in 1QFY19 and with the increasing demand for the vehicle finance, loan growth is expected to grow at 31% in 2QFY19.

❑ Deposits increased to 50% of the borrowing against 45% in FY18 and CASA has reached to 32% of the deposits. Deposits are expected to reach 80% of the borrowing in FY19.

❑ Assets quality has slightly deteriorated, GNPA increasing to 2.84% from 2.73% sequentially. MFI GNPA at less than 1% gives confidence for lower credit cost in FY19. We have factored credit cost of 1% on total AUM against 2.2% in FY18.

Key Trackable this Quarter

❑ Improvement in C/I ratio will be positive

❑ NIM performance.

❑ AUM growth of more than 30% will be important

We value the stock at 2x P/BV FY20e and recommend BUY.

The Federal Bank Limited

FB IN

Financials- Banks

CMP	**70**
Target	**92**
Upside	**31%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	9.8%	8.3%	9.4%	11.6%
Roa%	0.8%	0.7%	0.8%	0.9%
Div Yield%	1.0%	1.1%	1.7%	2.1%
BVPS	52	62	67	73
P/B	1.8	1.5	1.0	1.0

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	73,336	91,957	113,107	135,729	80,645	94,297	99193
Adv Growth%	*26%*	*25%*	*23%*	*20%*	*25%*	*24%*	*23%*
Deposits	97,665	111,992	131,520	161,582	97,211	111,242	114015
Dep Growth%	*23%*	*15%*	*17%*	*23%*	*13%*	*16%*	*17%*
CD Ratio%	75%	82%	86%	84%	83%	85%	87%
GNPA%	2.3%	3.0%	2.8%	2.5%	2.4%	3.0%	3.0%
NNPA%	1.3%	1.7%	1.5%	1.3%	1.3%	1.7%	1.7%
Slippages %	1.9%	2.8%	1.7%	1.1%	0.4%	0.5%	0.4%
Net Interest Income	3,053	3,583	4,201	5,078	899	980	1,047
NII Gr	*22%*	*17%*	*17%*	*21%*	*24%*	*22%*	*16%*
Other Income	1,082	1,159	1,211	1,439	287	271	298
Other Inc Gr%	*38%*	*7%*	*4%*	*19%*	*10%*	*-18%*	*4%*
Pre-provision Profit	1,925	2,291	2,673	3,347	583	603	665
PPP Gr	*35%*	*19%*	*17%*	*25%*	*23%*	*8%*	*14%*
Provisions	618	947	853	915	177	199	193
Net Profits	831	879	1,197	1,605	264	263	311
Profit Gr%	*75%*	*6%*	*36%*	*34%*	*31%*	*25%*	*18%*
NIM% (Cal.)	3.1%	3.0%	2.9%	3.0%	3.2%	3.0%	3.2%
Cost to Income%	53%	52%	51%	49%	51%	52%	51%

Std/Fig in Rs Cr

❑We expect pressure on NIM as bond yield has increased by more than 150 bps within one year hence it will result in cost of fund to rise for Federal Bank going forward. NII growth is expected around 16% YoY whereas operating profit should grow around 14% YoY during 2Q FY19.

❑ Kerala Flood- Federal bank has credit exposure of 32% in Kerala of which around Rs 25000 is related to retail, SME and mid-market segment. However credit exposure of only Rs 1500 Cr is related to most impacted areas of flood. Management guided that there could be increase of 20-30% slippages in non-corporate Kerala book in near term, however management has not altered its earlier guidance on the performance of bank till now and will be able to analyse the impact during 2Q FY19 results.

❑ We believe the current situation will not hamper the long term growth story of Federal Bank, however in near term assets quality may see some impact.

Key Trackable this Quarter

❑ Management commentary on Flood impact.

❑ NIM performance

❑ Improvement in C/I ratio

We value the stock at 1.25x P/BV FY20e and recommend BUY.

HDFC Bank Limited

HDFCB IN

Financials- Banks

CMP	**2031**
Target	**2403**
Upside	**18%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	17.9%	17.9%	16.5%	16.4%
Roa%	1.8%	1.8%	1.8%	1.9%
Div Yield%	0.8%	0.7%	0.7%	0.9%
BVPS	349	410	535	604
P/B	4.1	4.6	3.8	3.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	554568	658333	790000	948000	604867	708649	751124
Adv Growth%	*19%*	*19%*	*20%*	*20%*	*22%*	*22%*	*24%*
Deposits	643640	788771	877777	1089655	689346	805785	834582
Dep Growth%	*18%*	*23%*	*11%*	*24%*	*16%*	*20%*	*21%*
CD Ratio%	86%	83%	90%	87%	88%	88%	90%
GNPA%	1.1%	1.3%	1.4%	1.4%	1.3%	1.3%	1.3%
NNPA%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Slippages %	1.3%	2.0%	1.7%	1.3%	0.4%	0.5%	0.5%
Net Interest Income	33139	40095	46729	56739	9752	10814	11329
NII Gr	*20%*	*21%*	*17%*	*21%*	*22%*	*15%*	*16%*
Other Income	12296	15220	17263	20583	3606	3818	4319
Other Inc Gr%	*14%*	*24%*	*13%*	*19%*	*24%*	*9%*	*20%*
Pre-provision Profit	25732	32625	38133	46445	7818	8648	9310
PPP Gr	*20%*	*27%*	*17%*	*22%*	*30%*	*15%*	*19%*
Provisions	3593	5927	6255	7100	1476	1629	1642
Net Profits	14550	17487	20898	25793	4151	4601	5019
Profit Gr%	*18%*	*20%*	*20%*	*23%*	*20%*	*18%*	*21%*
NIM% (Cal.)	4.4%	4.6%	4.5%	4.6%	4.5%	4.4%	4.3%
Cost to Income%	43%	41%	40%	40%	41%	41%	41%

Std/Fig in Rs Cr

❑ Due to rise in bond yield of 150 bps within a year, cost of fund has increased for HDFC Bank. Hence NIM has come under pressure but equity capital raised will support the NIM at current level of 4.2% (reported) in 2Q FY19. Management believe NIM of 4.3-4.5% is realistic over the longer period. NII is expected to grow by 16% YoY.

❑ Higher bond yield is likely to result in MTM losses but volatility in rupee will also contribute in higher forex income. Hence we expect other income to grow around 20% range in 2Q FY19.

❑ Loan book constitutes 46% retail asset and the rest is wholesale and SME portfolio. Corporate loan book increased to 18% in 1Q FY19, after moderation in Q4FY18. However, retail assets have shown tremendous growth in recent times backed by healthy vehicle demand and personal segment. We expect loan book to grow by 24% in 2Q FY19.

❑ We expect assets quality to remain stable with GNPA/NNPA at 1.3%/0.4% in 2Q FY19.

Key Trackable this Quarter

❑ Management commentary on succession plan for MD & CEO.

❑ Assets quality in agriculture book.

❑ NIM performance

We value the stock at 4x P/BV FY20e. BUY.

ICICI Bank Limited

ICICIBC IN

CMP	**304**
Target	**339**
Upside	**12%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	10.3%	6.6%	5.0%	11.8%
Roa%	1.3%	0.8%	0.6%	1.3%
Div Yield%	1.0%	0.5%	0.8%	1.2%
BVPS	156	164	170	188
P/B	1.6	1.7	1.8	1.6

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	464,232	512,395	579,007	665,858	482,780	516,289	540714
Adv Growth%	*7%*	*10%*	*13%*	*15%*	*6%*	*11%*	*12%*
Deposits	490,039	560,975	609,481	693,602	498,643	546,878	569172
Dep Growth%	*16%*	*14%*	*9%*	*14%*	*11%*	*12%*	*14%*
CD Ratio%	95%	91%	95%	96%	97%	94%	95%
GNPA%	7.9%	8.8%	7.0%	4.0%	7.9%	8.8%	8.6%
NNPA%	4.9%	4.8%	2.8%	1.2%	4.4%	4.2%	3.8%
Slippages %	7.9%	6.4%	3.0%	1.5%	1.0%	0.8%	0.8%
Net Interest Income	21,737	23,026	25,580	29,226	5,709	6,102	6,282
NII Gr	*2%*	*6%*	*11%*	*14%*	*9%*	*9%*	*10%*
Other Income	19,504	17,420	14,726	15,924	5,186	3,852	3,515
Other Inc Gr%	*27%*	*-11%*	*-15%*	*8%*	*-43%*	*14%*	*-32%*
Pre-provision Profit	26,487	24,742	23,422	27,319	6,987	5,808	5,589
PPP Gr	*11%*	*-7%*	*-5%*	*17%*	*-34%*	*12%*	*-20%*
Provisions	15,208	17,307	16,270	6,653	4,503	5,971	4,294
Net Profits	9,801	6,777	5,366	13,640	2,058	(120)	971
Profit Gr%	*1%*	*-31%*	*-21%*	*154%*	*-34%*	*-106%*	*-53%*
NIM% (Cal.)	3.2%	3.0%	3.0%	3.1%	3.2%	3.2%	3.2%
Cost to Income%	36%	39%	42%	39%	36%	42%	46%

Std/Fig in Rs Cr

❑ We expect NIM to largely remain stable in 2Q FY19 as the lower interest reversal will provide cushion against increasing cost of fund. Increase in MCLR will also provide support to yield.

❑ We expect loan growth of 12% in 2Q FY19 for ICICI Bank on the back of retail and SME assets growth. Corporate loan growth is expected to remain muted due to consolidation in corporate and overseas book. Management targets to increase retail loan share to 60% from current 57%.

❑ Management has guided for 70% PCR ratio going forward from current 66% and hence through FY19 credit cost is expected to remain in the higher range.

❑ Slippage ratio is expected to remain elevated around 75 bps for the quarter as the potential stress assets pool is high at around Rs 24600 Cr. However due to pickup in recovery and up-gradation GNPA/NNPA ratio is expected to stabilize and gradually will trend downward.

❑ On the management front, things are getting settled. One should watch for further senior level changes.

Key Trackable this Quarter

❑ Movement in NCLT resolution and recovery & up-gradation

❑ Slippages trend within watch-list. Higher slippages will be disappointment.

❑ NIM performance will be closely watched.

We value the stock at 1.8x P/BV FY20e and recommend ACCUMULATE.

IndusInd Bank Limited

Financials- Banks

IIB IN

CMP	**1639**
Target	**2025**
Upside	**24%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	15.0%	16.2%	17.3%	19.0%
Roa%	1.8%	1.8%	1.8%	1.9%
Div Yield%	0.4%	0.4%	0.5%	0.6%
BVPS	345	397	462	547
P/B	4.1	4.5	3.5	3.0

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	113,081	144,954	182,642	226,476	123,181	150,675	156440
Adv Growth%	*28%*	*28%*	*26%*	*24%*	*24%*	*29%*	*27%*
Deposits	126,572	151,639	198,524	250,250	141,441	158,862	166425
Dep Growth%	*36%*	*20%*	*31%*	*26%*	*26%*	*19%*	*18%*
CD Ratio%	89%	96%	92%	91%	87%	95%	94%
GNPA%	0.9%	1.2%	1.2%	1.2%	1.1%	1.2%	1.2%
NNPA%	0.4%	0.5%	0.4%	0.4%	0.4%	0.5%	0.4%
Slippages %	1.3%	1.6%	1.0%	0.9%	0.4%	0.3%	0.3%
Net Interest Income	6,063	7,497	9,179	11,459	1,821	2,122	2,227
NII Gr	*34%*	*24%*	*22%*	*25%*	*25%*	*20%*	*22%*
Other Income	4,171	4,750	5,585	6,697	1,188	1,302	1,345
Other Inc Gr%	*27%*	*14%*	*18%*	*20%*	*22%*	*12%*	*13%*
Pre-provision Profit	5,451	6,656	8,209	10,205	1,634	1,911	1,983
PPP Gr	*32%*	*22%*	*23%*	*24%*	*27%*	*20%*	*21%*
Provisions	1,091	1,175	1,395	1,489	294	350	338
Net Profits	2,868	3,606	4,450	5,753	880	1,036	1,069
Profit Gr%	*25%*	*26%*	*23%*	*29%*	*25%*	*24%*	*21%*
NIM% (Cal.)	4.1%	4.0%	3.9%	3.9%	4.2%	4.3%	4.3%
Cost to Income%	47%	46%	44%	44%	46%	44%	45%

Std/Fig in Rs Cr

- ❑ Continuous rise in bond yield and lower yield on corporate loan book driven by highly competitive pressure has led NIM to come under pressure. Management expects NIM to remain in the range of 3.9-4% going forward. We expect NII growth of around 22% YoY led by healthy advances growth.
- ❑ We expect other income growth of 13% YoY in 2Q FY19 under which fee income growth should be around 24%. Lower trading gain on investments should be offset by higher forex gain.
- ❑ We expect loan growth of 27% during 2Q FY19 backed by across the segment growth. Vehicle sales have been strong during the quarter and IIB being a major player would continue to benefit from it. On the other hand corporate book is also growing as fast pace of 30% due to increase in market share.
- ❑ Assets quality should remain stable with slippages ratio of around 30 bps during the quarter.

Key Trackable this Quarter

- ❑ Assets quality improvement in corporate lending will be key positive.
- ❑ NIM performance.
- ❑ Strong growth in consumer loan division will be important.

We value the stock at 3.7x P/BV FY20e. Recommend BUY.

Karur Vysya Bank Limited

KVB IN

CMP	**80**
Target	**96**
Upside	**20%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	12.6%	6.1%	5.6%	12.5%
Roa%	1.0%	0.5%	0.5%	1.1%
Div Yield%	2.3%	0.6%	1.3%	2.5%
BVPS	83	86	89	96
P/B	1.4	1.2	0.9	0.8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	40,908	44,800	49,728	56,193	43,435	46,406	48213
Adv Growth%	*5%*	*10%*	*11%*	*13%*	*11%*	*11%*	*11%*
Deposits	53,700	56,890	62,160	71,130	56,400	57,554	59522
Dep Growth%	*7%*	*6%*	*9%*	*14%*	*8%*	*5%*	*6%*
CD Ratio%	76%	79%	80%	79%	77%	81%	81%
GNPA%	3.6%	6.6%	7.1%	6.7%	4.8%	7.4%	7.4%
NNPA%	2.5%	4.2%	4.0%	3.6%	3.2%	4.5%	4.4%
Slippages %	3.4%	5.2%	3.6%	1.7%	1.1%	1.8%	0.7%
Net Interest Income	2,074	2,298	2,503	2,724	555	584	620
NII Gr	*16%*	*11%*	*9%*	*9%*	*12%*	*8%*	*12%*
Other Income	782	900	963	1,064	230	255	236
Other Inc Gr%	*11%*	*15%*	*7%*	*10%*	*6%*	*8%*	*3%*
Pre-provision Profit	1,571	1,777	1,869	2,079	427	459	467
PPP Gr	*21%*	*13%*	*5%*	*11%*	*12%*	*2%*	*9%*
Provisions	688	1,274	1,363	800	321	423	343
Net Profits	605	346	356	844	76	46	82
Profit Gr%	*7%*	*-43%*	*3%*	*137%*	*-40%*	*-69%*	*8%*
NIM% (Cal.)	3.7%	3.8%	3.8%	3.7%	3.8%	3.8%	3.9%
Cost to Income%	45%	44%	46%	45%	46%	45%	46%

Std/Fig in Rs Cr

❑ NIM is expected to remain under pressure due to increase in cost of fund. Lower deposits growth will increase market borrowing adding more pressure on cost of fund.

❑ Due to lower PCR and higher slippages in recent quarters will impact in higher credit cost in FY19.

❑ We expect loan growth in the range of 11-12% as corporate book growth will continue to moderate due to focus on SME and retail assets.

❑ Slippages increased to 1.83% during 1Q FY19. Corporate slippages were mainly from watchlist. But higher slippage from SME (Rs 241 net) was key negative. We believe SME slippage was mainly on account of GST issue. We expect corporate slippages to reduce significantly due to negligible watchlist account.

Key Trackable this Quarter

❑ Slippages trend in SME.

❑ NIM performance.

❑ Traction in fee income.

We value the stock at 1x P/BV FY20e. BUY

RBL Bank Limited

RBK IN

Financials- Banks

CMP	**526**
Target	**577**
Upside	**10%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	12.2%	11.5%	12.9%	16.2%
Roa%	1.0%	1.1%	1.3%	1.4%
Div Yield%	0.4%	0.4%	0.5%	0.6%
BVPS	116	159	178	206
P/B	4.3	3.0	3.0	2.6

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	29,449	40,268	53,556	69,623	33,576	42,198	45328
Adv Growth%	*39%*	*37%*	*33%*	*30%*	*35%*	*36%*	*35%*
Deposits	34,588	43,902	58,214	77,359	36,569	44,950	47216
Dep Growth%	*42%*	*27%*	*33%*	*33%*	*31%*	*27%*	*29%*
CD Ratio%	85%	92%	92%	90%	92%	94%	96%
GNPA%	1.2%	1.4%	1.3%	1.3%	1.4%	1.4%	1.4%
NNPA%	0.6%	0.8%	0.7%	0.7%	0.8%	0.8%	0.7%
Slippages %	2.5%	1.9%	1.4%	1.3%	0.3%	0.4%	0.3%
Net Interest Income	1,221	1,766	2,417	3,161	420	553	581
NII Gr	*49%*	*45%*	*37%*	*31%*	*39%*	*46%*	*38%*
Other Income	755	1,068	1,436	1,871	241	326	340
Other Inc Gr%	*54%*	*41%*	*34%*	*30%*	*43%*	*27%*	*41%*
Pre-provision Profit	920	1,331	1,869	2,465	303	432	442
PPP Gr	*70%*	*45%*	*40%*	*32%*	*38%*	*39%*	*46%*
Provisions	239	365	481	483	75	140	120
Net Profits	446	635	914	1,308	151	190	212
Profit Gr%	*53%*	*42%*	*44%*	*43%*	*68%*	*35%*	*41%*
NIM% (Cal.)	3.0%	3.4%	3.6%	3.6%	3.5%	4.0%	4.0%
Cost to Income%	53%	53%	51%	51%	54%	51%	52%

Std/Fig in Rs Cr

❑ Due to spike in bond yield, cost of fund is expected to rise significantly for RBL bank as the share of CASA is also low; however increasing share of high yield assets will support the NIM at current level. We expect stable NIM of 4% in 2Q FY19.

❑ Fee income is expected to grow by 54% YoY in 2Q FY19 on the back of rising credit card business. Opex growth should be in the range of 34% with C/I ratio of 51% as management is heavily investing in branches and new growth opportunity.

❑ Loan book is expected to grow by 35% in 2Q FY19 on the back of strong growth in non-wholesale segment; however deposits growth would be in the range of 29%.

❑ Assets quality is expected to remain stable with GNPA/NNPA at 1.4%/0.74%. Agri portfolio will be under monitor.

Key Trackable this Quarter

❑ NIM performance

❑ Stress in non-wholesale segment

❑ Growth in credit card business.

We value the stock at 2.8x P/BV FY20e.ACCUMULATE.

State Bank of India

SBIN IN

Financials- Banks

CMP	**258**
Target	**340**
Upside	**32%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	6.3%	-3.0%	1.7%	12.7%
Roa%	0.4%	-0.2%	0.1%	0.8%
Div Yield%	0.9%	0.0%	0.2%	2.3%
BVPS	236	246	250	283
P/B	1.2	1.0	1.0	0.9

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	1571078	1934880	2128368	2383772	1802609	1875773	1910765
Adv Growth%	*7%*	*23%*	*10%*	*12%*	*26%*	*4%*	*6%*
Deposits	2044751	2706343	2956067	3265442	2623180	2747813	2769225
Dep Growth%	*18%*	*32%*	*9%*	*10%*	*41%*	*6%*	*6%*
CD Ratio%	77%	71%	72%	73%	69%	68%	69%
GNPA%	6.9%	10.9%	9.0%	7.8%	9.8%	10.7%	10.3%
NNPA%	3.7%	5.7%	4.0%	3.3%	5.4%	5.3%	4.9%
Slippages %	3.1%	5.7%	2.6%	1.6%	0.6%	0.8%	0.6%
Net Interest Income	61860	74854	85316	93517	18586	21798	20567
NII Gr	*9%*	*21%*	*14%*	*10%*	*29%*	*24%*	*11%*
Other Income	35461	44601	36332	43128	16017	6679	8598
Other Inc Gr%	*26%*	*26%*	*-19%*	*19%*	*90%*	*-17%*	*-46%*
Pre-provision Profit	50848	59511	55930	69818	20000	11973	12541
PPP Gr	*18%*	*17%*	*-6%*	*25%*	*78%*	*1%*	*-37%*
Provisions	35992	75039	49956	23941	19137	19228	12306
Net Profits	10485	-6547	3855	30278	1582	-4876	155
Profit Gr%	*5%*	*-162%*	*159%*	*685%*	*-38%*	*-343%*	*-90%*
NIM% (Cal.)	2.7%	2.7%	2.6%	2.6%	2.8%	2.8%	2.7%
Cost to Income%	48%	50%	54%	49%	42%	58%	57%

Std/Fig in Rs Cr

❑ NII growth is expected to be around 11% YoY in 2Q FY19. Cost of fund is expected to rise but lower interest reversal will keep the yield supportive during the quarter. Other income is expected to decline by nearly 45% YoY due to higher base effect. Management has approved for stake sale in its General insurance subsidiary which will fetch Rs 481 Cr to SBI.

❑ Advances growth is expected to rise to 6% YoY led by healthy retail and SME assets growth. Corporate loan growth will remain moderate during the quarter. Deposits are also expected to grow by around 6% during the quarter. Management has guided for 10-12% loan growth for full year in FY19.

❑ Slippages are expected to improve sequentially but will remain at elevated level of 60 bps during the quarter as watch-list is still high at Rs 25000 Cr. We believe most of the stress in the system has been recognized and bank will see improvement in assets quality going forward. Higher credit cost coupled with MTM losses will keep provisioning at higher level during the quarter.

Key Trackable this Quarter

❑ Management commentary on NCLT resolution pickup

❑ Slippages trend and movement in watchlist. Outlook on Power sector.

❑ Recovery & up-gradation status.

We value the stock at 1.2x P/BV FY20e and recommend BUY.

The South Indian Bank Ltd

SIB IN

Financials- Banks

CMP	**14.15**
Target	**18**
Upside	**27%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	9.0%	6.6%	3.7%	11.6%
Roa%	0.6%	0.4%	0.2%	0.6%
Div Yield%	1.9%	1.8%	3.5%	3.5%
BVPS	27	29	30	33
P/B	0.8	0.8	0.5	0.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	46,389	54,563	62,747	71,532	48,954	55,444	57276
Adv Growth%	*13%*	*18%*	*15%*	*14%*	*12%*	*19%*	*17%*
Deposits	66,117	72,030	82,562	96,016	67,142	72,488	73431
Dep Growth%	*19%*	*9%*	*15%*	*16%*	*12%*	*10%*	*9%*
CD Ratio%	70%	76%	76%	75%	73%	76%	78%
GNPA%	2.5%	3.6%	4.5%	4.2%	3.6%	4.5%	4.6%
NNPA%	1.5%	2.6%	2.8%	2.4%	2.6%	3.3%	3.0%
Slippages %	4.2%	3.9%	2.4%	1.0%	0.6%	1.1%	0.4%
Net Interest Income	1,675	1,966	2,028	2,274	503	494	506
NII Gr	*11%*	*17%*	*3%*	*12%*	*13%*	*7%*	*1%*
Other Income	716	837	727	895	280	146	183
Other Inc Gr%	*38%*	*17%*	*-13%*	*23%*	*92%*	*-33%*	*-35%*
Pre-provision Profit	1,215	1,481	1,321	1,648	460	270	331
PPP Gr	*38%*	*22%*	*-11%*	*25%*	*55%*	*-29%*	*-28%*
Provisions	614	981	1,023	660	454	232	225
Net Profits	393	335	194	652	4	23	70
Profit Gr%	*18%*	*-15%*	*-42%*	*235%*	*-96%*	*-77%*	*1512%*
NIM% (Cal.)	2.6%	2.7%	2.5%	2.4%	2.9%	2.6%	2.6%
Cost to Income%	49%	47%	52%	48%	41%	58%	52%

Std/Fig in Rs Cr

❑CASA ratio is low at 25%. NIM is expected to remain under pressure due to rising of cost of fund. Management expects NIM to be at 2.8% in FY19. NII growth is expected to be muted during the quarter.

❑ Other income is expected to de-grow by 35% due to lower treasury income during the quarter. However volatility in Rupee could add forex fee income significantly during the quarter

❑ Loan book is expected to grow around 17%, led by strong retail and SME advances growth. Management is targeting loan growth of 20%. Deposits growth would moderate at 9% growth only due to tight liquidity situation

❑ SIB's is Kerala-based bank with total lending exposure of 41% to the state and due to flood in the Kerala region the bank is likely to be at risk in the form of increased slippages. The bank has 464 branches in Kerala, out of total 855 branches

Key Trackable this Quarter

❑ Improvement in PCR is crucial for the bank.

❑ Slippages below Rs 200 Cr in the quarter would be comfortable.

❑ Management commentary on Kerala Flood impact will be closely watched.

We value the stock at 0.55x P/BV FY20e and maintain BUY.

Ujjivan Financial Services Ltd

UJJIVAN IN

Financials- Banks

CMP	**255**
Target	**271**
Upside	**6%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	14.1%	0.4%	9.5%	13.7%
Roa%	2.9%	0.1%	1.6%	2.0%
Div Yield%	4.6%	83.0%	5.5%	5.1%
Book Value	147	146	160	182
P/B	2.9	2.4	1.6	1.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
AUM	6,380	7,552	9,440	12,083	6,669	7,718	8,003
AUM Growth%	*16%*	*29%*	*25%*	*28%*	*3%*	*19%*	*20%*
Borrowings	6,292	6,019	7,097	8,691	6,469	7,775	8,166
Deposit	206	1,606	2,736	4,028	734	2,057	2,254
Deposit Growth %		*680%*	*70%*	*47%*	*0%*	*410%*	*207%*
GNPA%	0.3%	3.6%	2.5%	1.5%	5.0%	2.7%	2.7%
NNPA%	0.0%	0.7%	0.4%	0.2%	1.4%	0.3%	0.3%
Net Interest Income	807	838	1,026	1,214	186	242	247
NII Gr	*38%*	*4%*	*22%*	*18%*	*0%*	*46%*	*32%*
Opex	458	654	925	944	155	217	233
Opex Growth%	*49%*	*43%*	*41%*	*2%*	*42%*	*38%*	*50%*
Pre-provision Profit	397	323	329	531	70	83	70
PPP Gr	*75%*	*311%*	*61%*	*94%*	*-41%*	*87%*	*-1%*
Provisions	75	311	61	94	88	15	13
Net Profits	208	7	175	283	(12)	45	37
Profit Gr%	*17%*	*-96%*	*2305%*	*62%*	*116%*	*-160%*	*408%*
NIM% (Cal.)	12.2%	10.1%	10.6%	10.1%	9.5%	10.9%	10.9%
Cost to Income%	54%	67%	74%	64%	69%	72%	77%

Conso/Fig in Rs Cr

❑NIM has expanded to 11.60% from 9.23% as UJJIVAN recovered from the demonetization effect. Going ahead NIM is expected to remain under pressure with the rising share of Non-MFI segment and increase in cost of fund. NII is expected to grow by 32% YoY in 2Q FY19.

❑Cost to income ratio has increased significantly in 1QFY19 to 72% from 57% in 4QFY18. Going ahead C/I ratio is expected to remain elevated as management is planning to increase branch outlets in FY19.

❑ We expect 20% AUM book growth in 2QFY19 on the back of diversification in the affordable and SME segment. MFI growth is expected to moderate going ahead due to consolidation of business mix.

❑ Asset quality has improved to 2.7% from 3.6% QoQ while NNPA has improved from 30 bps from 70 bps QoQ. PCR ratio is maintained at a higher level of 89%. Going ahead asset quality is expected to improve as the latest 15 months portfolio is at 99.6% collection efficiency. However impact of Kerala flood and Karnataka loan waiver is to be watched closely.

Key Trackable this Quarter

❑Opex growth will be key watch.

❑ Trend in Asset Quality.

❑Deposit growth trend.

We value the stock at 1.6x P/BV FY20e. ACCUMULATE.

Union Bank of India

Financials- Banks

UNBK

CMP	**69**
Target	**84**
Upside	**22%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	2.4%	-21.6%	3.8%	8.4%
Roa%	0.1%	-1.1%	0.2%	0.4%
Div Yield%	0.0%	0.0%	0.0%	0.0%
BVPS	341	215	222	241
P/B	0.5	0.4	0.3	0.3

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	286,467	288,761	311,862	343,048	290,850	293,099	302484
Adv Growth%	*7%*	*1%*	*8%*	*10%*	*10%*	*5%*	*4%*
Deposits	378,391	408,501	427,208	463,578	386,025	405,860	414362
Dep Growth%	*10%*	*8%*	*5%*	*9%*	*7%*	*8%*	*7%*
CD Ratio%	76%	71%	73%	74%	75%	72%	73%
GNPA%	11.2%	15.7%	14.6%	11.7%	12.4%	16.0%	15.9%
NNPA%	6.6%	8.4%	7.1%	5.3%	6.7%	8.7%	8.1%
Slippages %	5.2%	8.0%	4.2%	1.7%	1.0%	1.8%	1.3%
Net Interest Income	8,903	9,305	10,311	10,439	2,321	2,626	2,576
NII Gr	*7%*	*5%*	*11%*	*1%*	*2%*	*17%*	*11%*
Other Income	4,965	4,990	4,191	4,251	1,217	1,208	998
Other Inc Gr%	*37%*	*1%*	*-16%*	*1%*	*7%*	*-15%*	*-18%*
Pre-provision Profit	7,430	7,540	7,369	7,399	1,939	2,089	1,769
PPP Gr	*30%*	*1%*	*-2%*	*0%*	*7%*	*2%*	*-9%*
Provisions	7,088	14,181	6,248	3,938	3,555	2,229	1,675
Net Profits	555	(5,247)	962	2,284	(1,531)	130	62
Profit Gr%	*59%*	*-1045%*	*118%*	*137%*	*-966%*	*11%*	*104%*
NIM% (Cal.)	2.2%	2.1%	2.2%	2.1%	2.2%	2.3%	2.3%
Cost to Income%	46%	47%	49%	50%	45%	46%	51%

Std/Fig in Rs Cr

❑Operating profit is expected to remain under pressure due to lower other income growth during the quarter. We expect NII growth of 11% YoY.

❑ Due to rise in bond yield, cost of fund is expected to increase going forward hence pressuring the NIM, however lower interest reversal will improve yield significantly from 2H FY19. Management expects NIM to be maintained at 2.25% for FY19.

❑ Advances growth is expected to be around 4% for 2Q FY19 on the back of retail advances. Deposits growth should be in the range of 7%.

❑ Management expects Rs 3500 Cr recovery from the NCLT account for FY19. Total recovery and up gradation is expected to be in the range of Rs 6500 -7000 Cr for FY19.

❑ Union Bank has exposure of Rs 22500 Cr in power sector of which only Rs 5200 Cr is GNPA. Due to recent tumultuous in power sector, slippages for Union bank is expected to remain elevated in near term. However increased recovery & up-gradation will result in declining GNPA ratio.

Key Trackable this Quarter

❑ Resolution in NCLT cases and pickup in recovery and up-gradation other than NCLT cases will be key trigger.

❑ Improvement in NIM and Slippages trend will be important.

We value the stock at 0.35x P/BV FY20e . BUY

Yes Bank Limited

YES IN

Financials- Banks

CMP	**206**
Target	**264**
Upside	**28%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	18.6%	17.7%	18.0%	20.3%
Roa%	1.8%	1.6%	1.5%	1.6%
Div Yield%	0.8%	0.9%	1.7%	1.9%
BVPS	97	112	130	155
P/B	3.2	2.7	1.6	1.3

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Net Advances	132,263	203,534	254,417	318,022	148,675	214,720	240111
Adv Growth%	*35%*	*54%*	*25%*	*25%*	*35%*	*53%*	*62%*
Deposits	142,874	200,738	242,302	302,878	157,990	213,395	223359
Dep Growth%	*28%*	*41%*	*21%*	*25%*	*23%*	*42%*	*41%*
CD Ratio%	93%	101%	105%	105%	94%	101%	108%
GNPA%	1.5%	1.3%	1.6%	1.7%	1.8%	1.3%	1.3%
NNPA%	0.8%	0.6%	0.7%	0.7%	1.0%	0.6%	0.6%
Slippages %	2.0%	4.0%	1.1%	0.9%	5.1%	0.3%	0.4%
Net Interest Income	5,797	7,737	10,218	12,624	1,885	2,219	2,409
NII Gr	*27%*	*33%*	*32%*	*24%*	*30%*	*23%*	*28%*
Other Income	4,157	5,224	6,594	7,424	1,248	1,694	1,681
Other Inc Gr%	*53%*	*26%*	*26%*	*13%*	*41%*	*50%*	*35%*
Pre-provision Profit	5,838	7,748	10,452	12,430	1,907	2,455	2,535
PPP Gr	*36%*	*33%*	*35%*	*19%*	*38%*	*44%*	*33%*
Provisions	793	1,554	2,930	2,331	447	626	569
Net Profits	3,330	4,225	5,017	6,665	1,003	1,260	1,298
Profit Gr%	*31%*	*27%*	*19%*	*33%*	*25%*	*31%*	*29%*
NIM% (Cal.)	3.2%	3.1%	3.2%	3.2%	3.7%	3.3%	3.2%
Cost to Income%	41%	40%	38%	38%	39%	37%	38%

Std/Fig in Rs Cr

❑ NII is expected to grow by 28% YoY driven by strong loan growth. NIM will continue to trend downwards as cost of fund is expected to rise significantly for Yes Bank. Focus on better rated corporate client will also add pressure to yield.

❑ Advances growth will be around 62% and deposits growth of 41% in 2Q FY19, however in the current situation with uncertainty over new management and low on capital adequacy front, growth is expected to slow down significantly in rest of the quarters of FY19.

❑ On the assets quality front, divergence report by RBI has not been released yet, however management said in a press release that GNPA was stable at 1.35%. We believe divergence will be a major problem for Yes Bank in near term and hence credit cost may increase significantly.

❑ Recently RBI did not approve the extension of Mr Rana Kapoor as MD and CEO of the bank which raised the questions on credibility of management. Further with low on capital adequacy ratio, growth of Yes Bank has come under pressure.

Key Trackable this Quarter

❑ Divergence report on assets quality by RBI

❑ Appointment of new management and ability to raise capital

❑ Management commentary on growth outlook going ahead

We value the stock at 1.7x P/BV FY20e and recommend BUY.

Bajaj Finance Limited

BAF IN

FINANCIALS- NBFC

CMP	**2232**
Target	**2516**
Upside	**13%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	21.7%	20.3%	21.5%	24.0%
Roa%	3.3%	3.6%	3.9%	4.1%
Div Yield%	0.3%	0.2%	0.2%	0.3%
Book Value	176	287	335	419
P/B	6.7	6.2	6.7	5.3

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
AUM	60,194	84,033	106,186	140,166	72,139	93,314	95,945
AUM Growth%	*36%*	*40%*	*26%*	*32%*	*38%*	*35%*	*33%*
Borrowings	49,250	61,567	81,682	109,504	52,891	67,425	73,804
Borrowings Growth%	*33%*	*25%*	*33%*	*34%*	*23%*	*26%*	*40%*
GNPA%	1.7%	1.5%	1.6%	1.7%	1.7%	1.4%	1.4%
NNPA%	0.4%	0.4%	0.5%	0.5%	0.5%	0.4%	0.4%
Net Income	6,200	8,150	11,213	14,593	1,959	2,578	2,687
Net Inc. Gr%	*39%*	*31%*	*38%*	*30%*	*39%*	*46%*	*37%*
Opex	2,564	3,272	3,970	4,909	875	954	985
Opex Growth%	*32%*	*28%*	*21%*	*24%*	*42%*	*28%*	*13%*
Pre-provision Profit	3,636	4,878	7,242	9,685	1,083	1,624	1,702
PPP Gr%	*45%*	*34%*	*48%*	*34%*	*36%*	*60%*	*57%*
Provisions	818	1,035	1,330	1,711	228	327	319
Net Profits	1,837	2,496	3,845	5,198	557	836	902
Profit Gr%	*44%*	*36%*	*54%*	*35%*	*37%*	*81%*	*62%*
NIM% (Cal.)	10.5%	11.3%	11.8%	11.8%	9.7%	12.6%	12.3%
Cost to Income%	41%	40%	35%	34%	45%	37%	37%

*YoY not comparable due to IND AS

Conso/Fig in Rs Cr

❑Net Income growth is expected at 4% sequentially to Rs 2687 Cr. Cost of fund is expected to rise due to increasing bond yield. We are cautious on margin front due to rising bond and tight liquidity condition in the system.

❑ With increased focus on network expansion and technology of the company, C/I ratio is expected to be at 37% in 2Q FY19. We expect operating profit growth of Rs 5% to Rs 1702 Cr in 2Q FY19.

❑ BAF is one of the leading players in consumer durable finance business and has been continuously gaining the market share on the back of strong distribution network. AUM has grown at 36% CAGR over last 5 years. AUM growth is expected at 33% YoY in 2Q FY19 led by strong consumer durable and rural lending. The mortgage lending might register slower growth going forward.

❑ Assets quality is expected to remain stable with GNPA at 1.35% and NNPA at 0.42%. Provisions are expected to be in the range of Rs 320 Cr.

Key Trackable this Quarter

❑ Cost to income ratio

❑ NIM performance

❑ AUM growth

We value the stock at 6x P/BV FY20E. BUY.

Can Fin Homes Limited

FINANCIALS- NBFC

CANF IN

CMP	**252**
Target	**262**
Upside	**4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	24.1%	24.9%	21.1%	19.0%
Roa%	1.9%	2.1%	1.8%	1.6%
Div Yield%	0.1%	0.6%	0.8%	0.8%
Book Value	81	101	122	145
P/B	5.2	4.8	2.1	1.7

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
AUM	13,313	15,743	18,734	22,856	14,456	16,199	16,914
AUM Growth%	*25%*	*18%*	*19%*	*22%*	*21%*	*17%*	*17%*
Borrowings	11,872	13,925	16,653	20,409	12,827	14,272	14,902
Borrowings Growth%	*25%*	*17%*	*20%*	*23%*	*19%*	*16%*	*16%*
Disbursement (Rs Cr)	4,792	5,207	6,154	8,068	1,346	1,164	1,522
GNPA%	0.2%	0.4%	0.5%	0.3%	0.4%	0.7%	0.6%
NNPA%	0.0%	0.2%	0.3%	0.2%	0.2%	0.4%	0.4%
Net Interest Income	422	507	537	603	143	137	142
NII Gr	*40%*	*20%*	*6%*	*12%*	*27%*	*4%*	*5%*
Opex	80	86	84	95	20	20	22
Opex Growth%	*19%*	*8%*	*-2%*	*13%*	*3%*	*-3%*	*6%*
Pre-provision Profit	389	480	485	544	122	117	121
PPP Gr	*42%*	*23%*	*1%*	*12%*	*31%*	*4%*	*-1%*
Provisions	20	22	9	31	8	-	2
Net Profits	235	302	314	338	75	77	78
Profit Gr%	*50%*	*28%*	*4%*	*8%*	*36%*	*11%*	*4%*
NIM% (Cal.)	3.5%	3.5%	3.1%	2.9%	3.8%	3.4%	3.4%
Cost to Income%	17%	15%	15%	15%	14%	15%	15%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ Spike in bond yield has added the pain over margin front. Cost of fund is expected to rise going ahead. There is concern over tight liquidity in the market which may impact the cost of fund to rise significantly. NII growth is expected to remain muted at 5% YoY in 2Q FY19.

❑ CANFINHOME loan book has got impacted due to uncertainty over RERA in Karnataka and Kerala which constitute 50% of the business. There has been supply side issue as well on affordable segment; consolidation is taking place to complete the stalled projects. We expect AUM growth of 17% in 2Q FY19. Due to liquidity issue in the system, borrowing is also expected to get impacted.

❑ Assets quality remains healthy among its peers but it has moved to 66 bps GNPA. NNPA numbers has also risen to 44 bps. With the rising portion of builder loan book we cautious of its asset quality trend as the share of builder loan book sanction is also slightly on higher side. But management is confident once the issue is resolved salaried segment should come back.

❑ Management is looking to raise Rs 1000 Cr to depending on growth situation.

Key Trackable this Quarter

❑ Pick up in disbursement growth will be important

❑ NIM performance will be closely watched

❑ Assets quality trend

We value the stock at 1.8x P/BV FY20e.NEUTRAL.

Cholamandalam Inv & Fin.

FINANCIALS- NBFC

CIFC IN

CMP	**1198**
Target	**1446**
Upside	**21%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	18.0%	20.6%	22.3%	20.7%
Roa%	2.5%	2.8%	2.7%	2.5%
Div Yield%	0.6%	0.4%	0.5%	0.6%
Book Value	276	329	402	482
P/B	3.5	4.4	3.0	2.5

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
AUM	34,167	42,879	51,455	58,659	36,490	45,097	46,342
AUM Growth%	*15%*	*25%*	*20%*	*14%*	*14%*	*30%*	*27%*
Borrowings	24,207	31,902	45,942	52,374	26,889	40,520	42,322
Borrowings Growth%	*7%*	*32%*	*44%*	*14%*	*8%*	*33%*	*57%*
Disbursement (Rs Cr)	18,591	25,119	32,299	36,989	5,498	7,014	8,110
GNPA%	4.7%	2.9%	2.6%	2.3%	4.5%	3.0%	2.9%
NNPA%	3.2%	1.7%	1.4%	1.3%	2.9%	1.7%	1.6%
Net Interest Income	2,403	3,195	3,423	3,872	739	795	839
NII Gr	*13%*	*33%*	*7%*	*13%*	*26%*	*20%*	*14%*
Opex	1,013	1,363	1,097	1,234	309	258	269
Opex Growth%	*20%*	*34%*	*-20%*	*13%*	*22%*	*12%*	*-13%*
Pre-provision Profit	1,416	1,834	2,327	2,639	430	537	571
PPP Gr	*9%*	*29%*	*27%*	*13%*	*26%*	*24%*	*33%*
Provisions	311	350	378	450	83	98	93
Net Profits	719	974	1,274	1,433	227	285	313
Profit Gr%	*26%*	*35%*	*31%*	*12%*	*33%*	*36%*	*38%*
NIM% (Cal.)	7.5%	8.3%	7.3%	7.0%	8.3%	7.6%	7.3%
Cost to Income%	42%	43%	32%	32%	42%	32%	32%

*YoY not comparable due to IND AS — Std/Fig in Rs Cr

❑ Due to continuous rise in bond yields, incremental cost of fund is expected to rise going forward. Recently yields have also decreased due to change in assets mix towards lower yielding assets. NIM is expected to remain under pressure going ahead with rising competitive intensity. NII is expected around Rs 839 Cr registering 6% sequential growth.

❑ Cost efficiency measures and slow down in expansion plans will help in lowering of C/I ratio. We expect C/I ratio to be at 32% in 2Q FY19.

❑ MHCV, Cars & MUV, LCV and SCV industry is expected to grow at a CAGR of 4%, 10%, 12% and 14% respectively till FY22. We expect AUM growth of 27% in 2QFY19. Disbursement growth would be around 16% QoQ. Home Equity segment growth pick up in last quarter.

❑ GNPA is at 2.99/1.71%. GNPA increased in the VF business (2.18%, up 14bps QoQ), however HE segment (5.15%, down 21bps QoQ) driven by repossession and sale of properties through SARFAESI. Asset quality is expected to further lower down as management is focusing on increasing the collection efficiency of the portfolio.

Key Trackable this Quarter

❑ Trend in home equity assets quality.

❑ AUM growth pickup in home equity segment.

❑ NIM performance.

We value the stock at 3x P/BV FY20e and recommend BUY.

Dewan Hsg Fin Corp Ltd.

DEWH IN

CMP	**318**
Target	**398**
Upside	**25%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	44.5%	14.0%	17.6%	15.2%
Roa%	3.6%	1.2%	1.4%	1.2%
Div Yield%	1.2%	0.5%	0.9%	1.3%
Book Value	255	280	349	398
P/B	1.4	1.8	0.9	0.8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
AUM	83,560	111,090	142,195	173,478	94,090	120,940	127,022
AUM Growth%	*20%*	*33%*	*28%*	*22%*	*25%*	*37%*	*35%*
Borrowings	81,340	92,715	120,504	148,272	86,702	106,320	110,453
Borrowings Growth%	*33%*	*14%*	*30%*	*23%*	*11%*	*24%*	*27%*
Disbursement (Rs Cr)	28,585	44,806	52,507	61,093	9,950	13,583	11,432
GNPA%	0.9%	1.0%	1.0%	1.1%	1.0%	0.9%	1.0%
NNPA%	0.6%	0.0%	0.7%	0.7%	0.0%	0.7%	0.7%
Net Interest Income	2,000	2,445	3,406	3,740	601	831	866
NII Gr	*20%*	*22%*	*39%*	*10%*	*22%*	*35%*	*44%*
Opex	583	723	984	1,020	170	234	249
Opex Growth%	*6%*	*24%*	*36%*	*4%*	*21%*	*48%*	*47%*
Pre-provision Profit	1,620	2,177	3,027	3,359	541	729	764
PPP Gr	*27%*	*34%*	*39%*	*11%*	*36%*	*42%*	*41%*
Provisions	218	420	479	659	107	91	115
Net Profits	2,896	1,172	1,734	1,782	293	435	441
Profit Gr%	*297%*	*-60%*	*48%*	*3%*	*26%*	*35%*	*51%*
NIM% (Cal.)	2.6%	2.5%	2.7%	2.4%	2.6%	3.1%	3.0%
Cost to Income%	26%	25%	25%	23%	24%	24%	25%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ Net Interest income is expected grow by 4% on sequentially to Rs 866 Cr. Operating profit is expected to grow to Rs 764 Cr registering a growth of 5% QoQ.

❑ Due to tightening of liquidity in the system and rising bond yield, NIM of DHFL is expected to come under pressure. Negative assets liability management (As per Annual report) has also raised the concerns over margin front. On the other hand Yield for housing finance company has been under pressure due to intensive competition from the banks.

❑ AUM is expected to grow around 35% YoY on 2Q FY19 backed by healthy growth in non-core home loan segment. However this growth is also expected to get moderate in medium term due to rising concerns on liability franchise.

❑ Tier 1 ratio of DHFL is at 10.6%. However management is planning to raise Rs 4000 Cr of equity capital going forward to support the growth but if management fails to raise capital then growth may come under immense pressure.

Key Trackable this Quarter

❑ Incremental cost of fund for DHFL will be watched closely

❑ Borrowing growth will be important

❑ Management commentary on ALM

We value the stock at 1x P/BV FY20e and recommend BUY.

HDFC Limited

HDFC IN

FINANCIALS- NBFC

CMP	**1797**
Target	**2232**
Upside	**24%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	20.2%	24.1%	14.0%	13.5%
Roa%	2.4%	3.3%	2.1%	1.9%
Div Yield%	1.3%	1.1%	1.0%	1.0%
Book Value	249	366	411	446
P/B	6.0	5.0	4.4	4.0

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
AUM	338,478	399,511	467,428	546,891	368,217	419,503	430,814
AUM Growth%	*16%*	*18%*	*17%*	*17%*	*18%*	*18%*	*17%*
Borrowings	280,534	320,656	376,958	446,441	300,300	332,526	339,224
Borrowings Growth%	*18%*	*14%*	*18%*	*18%*	*18%*	*16%*	*19%*
GNPA%	0.8%	1.1%	1.2%	1.1%	0.7%	1.2%	1.2%
NNPA%	0.5%	0.7%	0.8%	0.8%	0.7%	0.8%	0.9%
Total Net Income	12,263	12,995	13,615	15,964	3,227	3,599	3,147
Total Net Income Gr%	*6%*	*6%*	*5%*	*17%*	*26%*	*42%*	*-2%*
Opex	837	958	1,481	1,574	225	510	295
Opex Growth%	*10%*	*14%*	*55%*	*6%*	*-34%*	*46%*	*31%*
Pre-provision Profit	11,427	12,037	12,134	14,390	3,002	3,090	2,853
PPP Gr	*6%*	*5%*	*1%*	*19%*	*13%*	*41%*	*-5%*
Provisions	700	455	298	507	95	20	53
Net Profits	7,443	12,163	9,201	9,857	2,101	2,190	2,775
Profit Gr%	*5%*	*63%*	*-24%*	*7%*	*15%*	*54%*	*32%*
Spread%	2.3%	2.3%	2.3%	2.2%	2.3%	2.3%	2.3%
Cost to Income%	7%	7%	11%	10%	7%	14%	9%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ Net income is expected to decline by 13% QoQ due to timing mismatch of dividend income. Dividend income from subsidiaries has been already recognised in 1Q FY19. However extra-ordinary income of Rs 787 Cr from IPO of HDFC AMC will keep gross revenue on growing trend.

❑ Due to rising cost, spread is expected to remain under pressure. However we believe HDFC is in a better position to manage its spread in the current liquidity scenario due to diversification of liability franchise. Opex is expected to decline by 42% QoQ to Rs 295 Cr as ESOP expenses as been accounted in 1Q FY19 only. Credit cost is expected to remain under control as HDFC has extra provisions in balance sheet.

❑ Loan book is expected to grow by 17% YoY led by pick up in individual and LRD segment. Corporate segment is still expected to report moderate growth.

❑ Assets quality under IND AS reporting showed negative surprise in 1Q FY19 with 2.5% of assets being under stage 3 as standard stressed assets. However with PCR of28% for stage 3 assets we don't expect any major credit cost hangover in near term but assets quality will be watched closely going ahead.

Key Trackable this Quarter

❑ Spread performance

❑ Assets quality trend

We value the stock on SOTP based to Rs 2232. BUY

Indiabulls Housing Finance Ltd

FINANCIALS- NBFC

IHFL IN

CMP	**943**
Target	**977**
Upside	**4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	25.5%	30.1%	30.1%	30.9%
Roa%	3.2%	3.3%	3.1%	3.2%
Div Yield%	2.7%	4.5%	4.8%	5.8%
Book Value	286	315	415	488
P/B	3.5	3.0	2.3	1.9

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
AUM	91,300	122,600	156,928	197,729	100,300	125,963	130,390
AUM Growth%	*33%*	*34%*	*28%*	*26%*	*33%*	*33%*	*30%*
Borrowings	85,300	110,260	140,114	174,982	96,840	115,990	118,536
Borrowings Growth%	*40%*	*29%*	*27%*	*25%*	*30%*	*31%*	*22%*
Disbursement (Rs Cr)	35,482	48,060	57,943	72,257	9,504	10,044	12,387
GNPA%	0.9%	0.8%	0.9%	0.9%	0.8%	0.8%	0.8%
NNPA%	0.4%	0.3%	0.6%	0.7%	0.3%	0.6%	0.6%
Net Interest Income	5,291	6,987	7,583	9,783	1,507	1,736	1,820
NII Gr	*24%*	*32%*	*9%*	*29%*	*21%*	*20%*	*21%*
Opex	737	880	1,020	1,116	212	269	260
Opex Growth%	*19%*	*19%*	*16%*	*9%*	*17%*	*44%*	*22%*
Pre-provision Profit	4,554	6,107	6,564	8,667	1,295	1,467	1,561
PPP Gr	*25%*	*34%*	*7%*	*32%*	*21%*	*16%*	*21%*
Provisions	783	1,131	356	673	182	65	80
Net Profits	2,906	3,847	4,677	5,944	860	1,055	1,116
Profit Gr%	*24%*	*32%*	*22%*	*27%*	*26%*	*30%*	*30%*
NIM% (Cal.)	4.4%	4.5%	4.4%	4.3%	5.4%	5.5%	5.4%
Cost to Income%	14%	13%	13%	11%	14%	15%	14%

*YoY not comparable due to IND AS

Conso/Fig in Rs Cr

❑ Profit growth is expected to remain healthy at 6% QoQ to Rs 1116 Cr as on 2Q FY19. Total Net Income is expected to grow to Rs 1820 Cr on the back of healthy AUM growth.

❑ Due to rise in cost of fund, NIM has been under pressure for IBULHSGFIN; however management was able to pass on the cost to customer to some extent which resulted in increase in incremental spread as reported by the management. However we expect NIM to remain under pressure due to rise in bond Yield and tightening of liquidity will also increase the short term borrowing rates.

❑ Credit cost is expected to be lower under the impact of IND AS norms as IBULHSGFIN has buffer provisions than required. LGD ratio is also expected at 25% which will keep overall provisioning lower going forward.

❑ AUM is expected to remain healthy at 30% YoY growth in 2Q FY19. Assets quality is expected to remain stable during the quarter.

Key Trackable this Quarter

❑ Incremental spread and NIM performance

❑ C/I Ratio trend

❑ Management commentary on borrowing and AUM growth outlook

We value the stock at 2x P/BV FY20e. NEUTRAL.

L&T Finance Holdings Limited

LTFH IN

FINANCIALS- NBFC

CMP	**128**
Target	**160**
Upside	**25%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	14.1%	14.4%	17.2%	18.9%
Roa%	1.5%	1.8%	2.3%	2.3%
Div Yield%	0.6%	0.5%	0.8%	0.8%
Book Value	44	63	67	80
P/B	2.8	2.5	1.9	1.6

	FY17	FY18	FY19E	FY 20E	Q2FY18	Q1FY19	Q2FY19E
AUM	66,650	83,654	102,894	122,444	72,348	86,570	90,435
AUM Growth%	*14%*	*26%*	*23%*	*19%*	*19%*	*24%*	*25%*
Borrowings	54,994	71,577	91,057	106,473	65,736	77,242	80,387
Borrowings Growth%	*26%*	*30%*	*27%*	*17%*	*19%*	*21%*	*22%*
Disbursement	18,313	22,664	23,344	24,044	20,239	15,603	21,049
GNPA%	7.1%	4.8%	7.0%	6.0%	5.8%	7.9%	7.9%
NNPA%	5.0%	2.3%	2.8%	2.7%	3.3%	3.2%	3.2%
Net Interest Income	3,034	3,408	4,124	4,942	809	1,018	957
NII Gr	*13%*	*12%*	*21%*	*20%*	*23%*	*60%*	*18%*
Opex	1,276	1,537	2,002	2,259	342	500	479
Opex Growth%	*-3%*	*20%*	*30%*	*13%*	*3%*	*40%*	*40%*
Pre-provision Profit	2,669	3,637	4,850	5,947	856	1,165	1,156
PPP Gr	*31%*	*36%*	*33%*	*23%*	*31%*	*46%*	*35%*
Provisions	1,590	1,897	1,836	2,209	471	436	443
Net Profits	1,042	1,459	2,231	2,766	362	540	528
Profit Gr%	*22%*	*40%*	*53%*	*24%*	*46%*	*59%*	*46%*
NIM% (Cal.)	4.9%	4.5%	4.4%	4.4%	5.2%	5.7%	5.1%
Cost to Income%	32%	30%	29%	28%	29%	30%	29%

*YoY not comparable due to IND AS

Conso/Fig in Rs Cr

❑Total Net income is expected to grow 36% YoY Rs 1634 Cr led by healthy NII growth of 18% YoY and strong fee income growth. Despite the rise in cost of fund, calculated NIM is expected to remain stable due to change in assets mix towards higher yielding assets.

❑ Cost to income has increased to 30.04% from 28.92% due to considerable investment in rural and housing segment. C/I ratio is expected to trend lower with rising operating efficiency.

❑ L&TFH has grown at a CAGR of 32% over the last 2 years. We expect loan book to grow at the rate of 25% in 2QFY19 on the back of strong growth in rural focused business.

❑ Gross Stage 3 has decreased to 7.93% from 11.70% YoY, Net Stage 3 has decreased to 3.17% from 6.13% YoY with rise in provision coverage to 62% from 51% YoY. Asset quality is expected to improve as management is focusing on improving collection efficiency but we maintain a close watch on wholesale GNPA trend.

Key Trackable this Quarter

❑ Cost Income ratio.

❑ NIM performance due to rising bond yield and changing share of portfolio mix.

❑ Asset Quality on the wholesale segment

We value the stock at 2x P/BV FY20e. BUY.

LIC Housing Finance Ltd

LICHF IN

FINANCIALS- NBFC

CMP	**412**
Target	**414**
Upside	**0%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	19.1%	16.7%	18.7%	16.5%
Roa%	1.4%	1.2%	1.4%	1.3%
Div Yield%	1.2%	1.3%	1.8%	1.9%
Book Value	219	251	301	345
P/B	2.8	2.1	1.4	1.2

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
AUM	144,534	166,363	191,317	220,015	151,417	168,652	174,129
AUM Growth%	*15%*	*15%*	*15%*	*15%*	*16%*	*15%*	*15%*
Borrowings	126,335	145,339	166,363	191,317	133,622	147,735	151,417
Borrowings Growth%	*14%*	*15%*	*14%*	*15%*	*15%*	*14%*	*13%*
Disbursement (Rs Cr)	41,541	49,385	55,189	62,392	10,983	9,594	12,015
GNPA%	0.4%	0.8%	1.0%	0.9%	0.8%	1.2%	1.2%
NNPA%	0.1%	0.4%	0.8%	0.5%	0.4%	0.0%	1.1%
Net Interest Income	3,645	3,701	4,155	4,696	946	1,026	1,040
NII Gr	*24%*	*2%*	*12%*	*13%*	*3%*	*7%*	*12%*
Opex	612	648	365	415	140	77	86
Opex Growth%	*31%*	*6%*	*-44%*	*14%*	*3%*	*-16%*	*-39%*
Pre-provision Profit	3,237	3,301	4,006	4,528	806	949	954
PPP Gr	*19%*	*2%*	*21%*	*13%*	*2%*	*11%*	*18%*
Provisions	281	239	382	447	58	161	86
Net Profits	1,931	1,990	2,609	2,679	489	568	625
Profit Gr%	*16%*	*3%*	*31%*	*3%*	*-1%*	*18%*	*28%*
NIM% (Cal.)	2.7%	2.4%	2.3%	2.3%	2.4%	2.3%	2.3%
Cost to Income%	16%	16%	8%	8%	15%	7%	8%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ Earnings have been muted in 1QFY19 under the strain of continued margin pressure, moderate disbursement, stagnant loan book growth over a period of time and deteriorating assets quality.

❑ Net interest income is expected to remain muted at 1% sequential growth. NIM will remain under pressure in 2Q FY19 due to rising cost of fund. However increase in PLR rates and increasing share of high yield assets will provide cushion to margins going ahead. NIM of LICHSGFIN has been one of the lowest in the industry due to pricing pressure in core home loan segment.

❑ Loan growth remained stagnant at 15% YoY, with core home loans growing at 9% YoY. Over the last 7-8 quarters, Non Core portfolio has been the key driver of growth. We expect LICHSGFIN to continue to grow at 15% backed by increasing share on non-core home loan portfolio.

❑ GNPA increases to 1.21% in 1Q FY19 against 0.78% in FY18. This raised concerns over assets quality and credit cost going forward.

Key Trackable this Quarter

❑ NIM performance

❑ AUM growth

❑ Assets quality trend

We value the stock at 1.2x P/BV FY20e. NEUTRAL.

M&M Financial Services Ltd

FINANCIALS- NBFC

MMFS IN

CMP	**406**
Target	**463**
Upside	**14%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	6.4%	11.3%	13.5%	13.9%
Roa%	0.9%	1.8%	2.2%	2.1%
Div Yield%	0.8%	1.0%	1.1%	1.2%
Book Value	114	151	167	185
P/B	2.8	2.7	2.4	2.2

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
AUM	46,776	55,101	65,019	76,723	49,917	58,711	59,402
AUM Growth%	*14%*	*18%*	*18%*	*18%*	*14%*	*21%*	*19%*
Borrowings	34,670	39,556	47,808	57,256	37,348	42,887	43,359
Borrowings Growth%	*18%*	*14%*	*21%*	*20%*	*14%*	*21%*	*15%*
Disbursement (Rs Cr)	31,659	37,773	45,011	51,875	7,567	10,339	10,098
GNPA%	9.0%	8.5%	9.0%	8.5%	12.5%	9.4%	9.2%
NNPA%	3.6%	3.8%	5.6%	4.9%	6.5%	6.3%	6.2%
Net Interest Income	3,316	4,147	4,591	5,306	911	1,077	1,123
NII Gr	*3%*	*25%*	*11%*	*16%*	*16%*	*45%*	*23%*
Opex	1,451	1,671	1,618	1,778	369	385	398
Opex Growth%	*23%*	*15%*	*-3%*	*10%*	*4%*	*18%*	*8%*
Pre-provision Profit	1,929	2,534	3,033	3,594	564	706	739
PPP Gr	*-8%*	*31%*	*20%*	*18%*	*25%*	*66%*	*31%*
Provisions	1,309	1,227	993	1,271	445	294	221
Net Profits	400	827	1,327	1,510	78	269	337
Profit Gr%	*-40%*	*107%*	*60%*	*14%*	*-18%*	*34%*	*332%*
NIM% (Cal.)	7.6%	8.1%	7.6%	7.5%	7.7%	8.0%	8.0%
Cost to Income%	43%	40%	35%	33%	40%	35%	35%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII is expected to be around Rs 1123 Cr registering 4% sequential growth backed by strong AUM growth. Cost of fund will rise significantly due to increased market rates. M&MFIN is also aggressive in short term borrowings. Increasing high yield assets (SME) and passing the cost burden to customer may provide some cushion to margins going ahead.

❑ C/I ratio is expected to decline going ahead as management has prioritised branch productivity. Opex growth is expected at 4% QoQ at Rs 398 Cr.

❑ With the deep presence in rural, M&MFIN will key beneficiaries from improving rural economy and good monsoon. Auto sales volume is expected to grow by 10-12% range in FY19. Loan book for M&MFIN is expected to grow 19% in 2QFY19. There might be near term weakness due to change in axle norm.

❑ Stage 3 loans under IND AS declined significantly to 9.4% against 14.5% a year back. Focus of management on collection has yielded the positive result. We expect with improving rural cash flow, assets quality will improve going ahead. Hence credit cost is expected to remain under control.

Key Trackable this Quarter

❑ Assets quality trend

❑ Growth in high yield assets

❑ NIM performance

We value the stock at 2.5x P/BV FY20e. BUY.

Magma Fincorp Ltd

MGMA IN

FINANCIALS- NBFC

CMP	**119**
Target	**129**
Upside	**8%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	0.9%	10.2%	13.2%	13.9%
Roa%	0.1%	1.5%	2.0%	2.2%
Div Yield%	0.8%	0.5%	0.8%	1.0%
Book Value	92	98	103	118
P/B	1.2	1.6	1.2	1.0

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
AUM	16,101	15,555	17,422	19,861	15,262	15,966	16,330
AUM Growth%	*-11%*	*-3%*	*12%*	*14%*	*-13%*	*1%*	*7%*
Borrowings	10,096	9,829	12,905	14,712	9,347	11,844	12,097
Borrowings Growth%	*-15%*	*-3%*	*31%*	*14%*	*-14%*	*-3%*	*29%*
Disbursement (Rs Cr)	1,478	2,233	2,439	3,376	1,641	1,840	2,041
GNPA%	6.7%	7.0%	7.0%	6.6%	7.2%	9.5%	9.0%
NNPA%	5.6%	5.2%	3.2%	3.0%	5.6%	4.4%	0.0%
Net Interest Income	1,105	1,162	1,206	1,359	303	321	342
NII Gr	*-3%*	*5%*	*4%*	*13%*	*-2%*	*9%*	*13%*
Opex	620	701	725	795	167	167	175
Opex Growth%	*-2%*	*13%*	*3%*	*10%*	*8%*	*15%*	*5%*
Pre-provision Profit	654	691	774	894	155	173	188
PPP Gr	*-4%*	*6%*	*12%*	*15%*	*-10%*	*7%*	*21%*
Provisions	607	374	271	278	75	85	61
Net Profits	13	230	338	413	49	68	85
Profit Gr%	*-94%*	*1712%*	*47%*	*22%*	*-4%*	*76%*	*75%*
NIM% (Cal.)	6.4%	7.3%	7.3%	7.3%	7.9%	8.3%	8.5%
Cost to Income%	49%	50%	48%	47%	52%	49%	48%

*YoY not comparable due to IND AS — Conso/Fig in Rs Cr

❑NIM is expected to come under pressure on the back shift in portfolio mix towards lower yielding assets and rising borrowing cost. NII growth is expected at 7% QoQ to Rs 342 Cr in 2QFY19.

❑ Opex growth is expected at 5% QoQ and PAT is expected at Rs 85 Cr due to lower credit cost going ahead. Due to IND AS transition MAGMA took a hit of Rs 370 Cr on ECL provisions.

❑ Growth in disbursements was strong at 24% YoY in 1Q FY19, largely driven by CVs, used vehicles, SME loans and mortgages. MAGMA is gradually increasing its share of SME loans. We expect loan book growth to remain at 7% YoY in 2Q FY19. However liquidity pressure can result in growth pressure going ahead.

❑ Gross stage 3 loan has improved from 11.70% to 9.40% YoY. Gross stage 3 coverage ratio stood at 56%. Collection efficiency has improved to 98%. Credit cost is expected to trend lower than its historical average of 2%.

Key Trackable this Quarter

❑ NIM performance

❑ Management commentary on AUM and borrowing growth.

❑ Assets quality trend

We value the stock at 1.1x P/BV FY20e. HOLD.

Manappuram Finance Limited

FINANCIALS- NBFC

MGFL IN

CMP	**75**
Target	**80**
Upside	**7%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	24.7%	18.6%	18.8%	19.4%
Roa%	5.4%	4.1%	4.3%	4.2%
Div Yield%	2.6%	0.5%	3.3%	3.3%
Book Value	40	46	52	67
P/B	2.5	2.4	1.4	1.1

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
AUM	13,657	15,765	19,470	23,363	13,723	16,618	17,017
AUM Growth%	*19%*	*15%*	*24%*	*20%*	*-5%*	*24%*	*24%*
Borrowings	9,163	10,240	12,809	15,371	8,753	11,027	11,195
Borrowings Growth%	*-5%*	*12%*	*25%*	*20%*	*-28%*	*27%*	*28%*
GNPA%	2.0%	0.7%	0.9%	1.0%	1.2%	0.7%	0.8%
NNPA%	1.7%	0.3%	0.4%	0.5%	0.9%	0.3%	0.3%
Net Interest Income	2,219	2,396	2,711	3,200	583	642	665
NII Gr	*58%*	*8%*	*13%*	*18%*	*7%*	*12%*	*14%*
Opex	965	1,222	1,416	1,693	306	328	345
Opex Growth%	*16%*	*27%*	*16%*	*20%*	*27%*	*14%*	*13%*
Pre-provision Profit	1,275	1,227	1,350	1,576	288	325	334
PPP Gr	*116%*	*-4%*	*10%*	*17%*	*-8%*	*5%*	*16%*
Provisions	109	210	82	85	46	15	21
Net Profits	756	671	830	973	160	200	206
Profit Gr%	*114%*	*-11%*	*24%*	*17%*	*-17%*	*21%*	*29%*
NIM% (Cal.)	17.7%	16.3%	15.4%	14.9%	16.9%	16.9%	16.6%
Cost to Income%	50%	51%	51%	52%	52%	50%	51%

*YoY not comparable due to IND AS

Conso/Fig in Rs Cr

❑NII is expected to grow at 14% YoY due to pick up in AUM growth after demonetization. NIM has been on declining trend. Going forward NIM is expected to further decline with the change in assets mix towards lower yield assets as well as rising cost of fund will further add pressure on NIM.

❑ C/I ratio has elevated this quarter to 50% from 48% YoY. Going ahead we expect C/I ratio to remain on higher range as management is planning to aggressively grow in the non gold portfolio.

❑ AUM growth has picked up by 24% YoY with pickup in gold loan portfolio. AUM growth is expected to be around 24% in 2Q FY19.

❑ Asset Quality remained steady at 70 bps GNPA and NNPA stood at 30 bps, GNPA in microfinance further declined to 1.7% from 2.3% in Q4FY18, and GNPA in housing also declined marginally to 4.6% from 4.8% in Q4FY18. However we maintain cautious stance in asset quality due to Kerala flood event. Manappuram is kerala based NBFC.

Key Trackable this Quarter

❑ Assets quality trend and impact of Kerala flood

❑ NIM performance

❑ AUM growth

We value the stock at 1.2x P/BV FY20e. NEUTRAL.

Muthoot Finance Limited

MUTH

FINANCIALS- NBFC

CMP	**407**
Target	**423**
Upside	**4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	19.4%	24.1%	23.4%	22.0%
Roa%	4.1%	5.5%	6.0%	5.9%
Div Yield%	2.0%	1.8%	2.0%	2.0%
Book Value	163	194	235	282
P/B	2.3	2.1	1.7	1.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
AUM	27,279	29,138	33,509	37,530	27,608	30,997	31,473
AUM Growth%	*12%*	*7%*	*15%*	*12%*	*1%*	*11%*	*14%*
Borrowings	21,096	21,268	24,895	27,800	22,347	23,229	23,487
Borrowings Growth%	*13%*	*1%*	*17%*	*12%*	*4%*	*5%*	*5%*
GNPA%	2.1%	7.0%	2.5%	2.0%	4.6%	2.9%	3.0%
NNPA%	1.7%	6.2%	0.9%	0.7%	4.0%	1.0%	1.1%
Net Interest Income	3,346	4,222	4,637	5,008	1,150	1,121	1,150
NII Gr%	*32%*	*26%*	*10%*	*8%*	*52%*	*31%*	*0%*
Opex	1,267	1,307	1,545	1,465	312	374	383
Opex Growth%	*32%*	*25%*	*9%*	*8%*	*0%*	*20%*	*23%*
Pre-provision Profit	2,186	2,997	3,141	3,600	870	758	779
PPP Gr%	*48%*	*37%*	*5%*	*15%*	*81%*	*37%*	*-10%*
Provisions	265	240	59	106	117	3	16
Net Profits	1,180	1,720	2,005	2,271	454	492	496
Profit Gr%	*46%*	*46%*	*17%*	*13%*	*53%*	*43%*	*9%*
NIM% (Cal.)	13.0%	15.0%	14.8%	14.1%	16.8%	15.5%	15.3%
Cost to Income%	37%	30%	33%	29%	26%	33%	33%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NIM (Cal.) showed improved during 1Q FY19 on the back of recoveries and lower interest reversals. However cost of fund is expected to rise significantly, hence NIM is will be under pressure going forward. Muthoot has 12% of the borrowings in CP of which rates has increased significantly in market due to liquidity issue. Net Interest income is expected to increase by 3% sequentially to Rs 1150 Cr in 2Q FY19.

❑ C/I ratio has elevated this quarter to 33% from 31% QoQ on account of opening of 19 plants in 1QFY19. Going ahead we expect C/I ratio to remain elevated with management's continuous expansion plan

❑ Loan growth has picked up by 11% QoQ a sign of revival in the gold loan portfolio after demonetization. Loan growth is expected to grow at the rate of 14% in 2QFY19.

❑ Asset Quality has shown remarkable improvement, GNPA has decreased from 6.98% in FY18 to 2.85% as per IND-AS. Credit cost is expected to remain low as Muthoot carries surplus provisions in the balance sheet. We maintain cautious stance on the growth and GNPA due to the recent Kerala flood event.

Key Trackable this Quarter

❑ NIM performance will be watched closely

❑ Operating expenses trend

❑ Pick up in AUM growth will be important

We value the stock at 1.5x P/BV FY20e. NEUTRAL.

Power Finance Corporation Ltd

FINANCIALS- NBFC

POWF IN

CMP	**79.8**
Target	**98**
Upside	**23%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	5.9%	15.3%	13.9%	15.8%
Roa%	0.8%	2.1%	3.4%	3.4%
Div Yield%	3.8%	9.1%	9.4%	10.6%
Book Value	138	151	149	164
P/B	0.5	0.6	0.5	0.5

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
AUM	245,524	278,914	312,384	349,870	258,050	284,849	289,016
AUM Growth%	*3%*	*14%*	*12%*	*12%*	*9%*	*13%*	*12%*
Borrowings	202,589	229,539	260,320	296,500	208,985	233,418	238,856
Borrowings Growth%	*1%*	*13%*	*13%*	*14%*	*7%*	*14%*	*14%*
Disbursement (Rs Cr)	28,384	26,852	28,115	31,488	13,820	12,981	15,896
GNPA%	3.2%	9.6%	8.5%	5.0%	8.3%	9.6%	10.0%
NNPA%	2.4%	7.4%	3.8%	2.3%	6.7%	4.5%	4.7%
Net Interest Income	9,837	8,616	8,512	10,499	6,897	6,560	6,881
NII Gr	*-7%*	*-12%*	*-1%*	*23%*	*-10%*	*-22%*	*-23%*
Opex	381	391	266	312	63	68	61
Opex Growth%	*17%*	*2%*	*-32%*	*17%*	*27%*	*9%*	*-2%*
Pre-provision Profit	10,205	9,142	8,747	10,583	2,738	2,043	2,082
PPP Gr	*-5%*	*-10%*	*-4%*	*21%*	*-8%*	*-19%*	*-24%*
Provisions	5,094	815	553	814	122	2	179
Net Profits	2,126	5,855	5,496	6,545	1,887	1,373	1,275
Profit Gr%	*-65%*	*175%*	*-6%*	*19%*	*1%*	*22%*	*-32%*
NIM% (Cal.)	4.1%	3.3%	2.9%	3.2%	4.2%	2.9%	2.8%
Cost to Income%	4%	4%	3%	3%	2%	3%	3%

*YoY not comparable due to IND AS — Std/Fig in Rs Cr

❑ Total Net Income is expected to remain muted with just 1.5% QoQ growth to Rs 2143 Cr led by margin compression. NIM is expected to remain below 3% mark in 2Q FY19 due to rising cost of fund. Management is optimistic once the stress projects will be resolved NIM will bounce to 4% kind of range. However we believe with rising share of lower yield assets (Renewable, Commissioned projects) and increased cost of fund (9% overseas borrowing will add some pressure due to rupee depreciation, 58% hedged), 4% NIM will be hard to achieve in near to mid-term. Significant recovery on NPA accounts will have positive impact on margin.

❑ With major focus on refinancing commissioned projects and renewable segment, AUM is expected to grow at 12% in 2QFY19. UP and Maharashtra is the key focus area for growth.

❑ 89% of the book is stress free. GNPA is 9.6% of which Rs 5300 Cr (5 cases- GVK, Shiga, Dans, South East UP and India Power Haldia) with 15% PCR is expected to be resolved with minimum haircut. PFC has increased PCR to 53% taking one time hit in networth under IND AS; hence credit cost is expected to remain low at 25 bps going ahead giving boost to profitability.

Key Trackable this Quarter

❑Assets quality trend.

❑ Resolution of stress accounts and haircut to be taken

❑NIM Performance

We value the stock at 0.6x P/BV FY20e. BUY.

Rural Electrification Corp Ltd

RECL IN

CMP	**105**
Target	**155**
Upside	**48%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	20.2%	13.5%	16.3%	17.2%
Roa%	3.0%	2.0%	2.2%	2.1%
Div Yield%	5.3%	7.3%	9.3%	10.2%
Book Value	169	180	174	194
P/B	0.5	0.7	0.6	0.5

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
AUM	201,929	239,449	275,366	316,671	215,845	241,913	248,222
AUM Growth%	*0%*	*19%*	*15%*	*15%*	*10%*	*16%*	*15%*
Borrowings	167,517	198,791	227,575	268,366	175,626	200,225	201,806
Borrowings Growth%	*-1%*	*19%*	*14%*	*18%*	*8%*	*19%*	*15%*
Disbursement (Rs Cr)	20,572	22,285	11,015	12,667	13,751	8,316	9,929
GNPA%	2.4%	7.2%	6.5%	3.5%	2.5%	8.1%	8.0%
NNPA%	1.6%	5.7%	3.6%	1.8%	1.7%	4.3%	3.5%
Net Interest Income	9,485	7,919	8,638	10,119	1,944	2,041	2,122
NII Gr	*3%*	*-17%*	*9%*	*17%*	*-17%*	*-11%*	*9%*
Opex	352	344	1,171	681	67	448	421
Opex Growth%	*4%*	*-2%*	*241%*	*-42%*	*-42%*	*41%*	*527%*
Pre-provision Profit	9,969	8,267	9,004	10,027	2,133	2,243	2,322
PPP Gr	*9%*	*-17%*	*9%*	*11%*	*-17%*	*6%*	*9%*
Provisions	1,109	1,416	610	722	310	132	153
Net Profits	6,246	4,647	5,679	6,234	1,215	1,469	1,453
Profit Gr%	*11%*	*-26%*	*22%*	*10%*	*-31%*	*37%*	*20%*
NIM% (Cal.)	4.7%	3.6%	3.4%	3.4%	3.7%	3.4%	3.5%
Cost to Income%	3%	4%	12%	6%	3%	17%	15%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII is expected to recover with 4% sequential growth to Rs 2122 Cr led by healthy AUM growth. Cost of fund has been rising but lower interest reversal with provide cushion to margins in near term. However we expect NIM to remain under pressure in FY19 due to increasing cost of fund as well as yield pressure on power sector.

❑ Loan book is expected to grow by 15% YoY in 2Q FY19 led by healthy demand in transmission & distribution segment. Renewable segment is also expected to grow at healthy pace (low base). Management stated that demand in power has been increasing by 8% MoM. There has been significant rise in power demand in Maharashtra state. Management has guided for 15-17% loan growth in FY19.

❑ We don't expect any major hit on assets quality going forward as the pain in private sector companies has been majorly recognised. 80% of the book has state exposure for which management is confident of being never default. With 47% PCR ratio, credit cost is expected to be under control with 25 bps going ahead giving boost to profitability.

Key Trackable this Quarter

❑ Assets quality trend. Projects under NCLT are key trackables.

❑ NIM performace

We value the stock at 0.8x P/BV FY20e. BUY.

Shriram Transport Finance

SHTF IN

FINANCIALS- NBFC

CMP	**1077**
Target	**1448**
Upside	**34%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	11.7%	13.1%	17.2%	17.5%
Roa%	1.8%	1.9%	2.3%	2.3%
Div Yield%	0.8%	0.9%	1.0%	1.0%
Book Value	498	554	687	804
P/B	2.2	2.6	1.6	1.3

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19E	Q2FY19E
AUM	78,761	95,306	115,797	135,483	85,463	100,978	104,264
AUM Growth%	*8%*	*21%*	*22%*	*17%*	*13%*	*24%*	*22%*
Borrowings	53,110	63,320	97,719	113,375	55,680	85,300	87,987
Borrowings Growth%	*7%*	*19%*	*54%*	*16%*	*7%*	*53%*	*58%*
Disbursement (Rs Cr)	39,100	50,730	62,386	73,604	12,377	13,425	15,118
GNPA%	8.2%	9.2%	8.5%	7.5%	8.1%	9.0%	8.9%
NNPA%	2.7%	2.8%	2.6%	2.3%	2.5%	2.7%	2.7%
Net Interest Income	5,521	6,735	7,775	9,120	1,632	1,840	1,892
NII Gr	*8%*	*22%*	*15%*	*17%*	*21%*	*20%*	*16%*
Opex	1,229	1,489	1,829	2,132	349	437	444
Opex Growth%	*-6%*	*21%*	*23%*	*17%*	*10%*	*31%*	*27%*
Pre-provision Profit	4,368	5,494	5,996	7,047	1,316	1,414	1,461
PPP Gr	*12%*	*26%*	*9%*	*18%*	*25%*	*16%*	*11%*
Provisions	2,444	3,122	2,276	2,484	588	533	590
Net Profits	1,257	1,568	2,417	2,966	479	572	566
Profit Gr%	*7%*	*25%*	*54%*	*23%*	*24%*	*24%*	*18%*
NIM% (Cal.)	7.3%	7.7%	7.4%	7.3%	7.8%	7.5%	7.4%
Cost to Income%	22%	21%	23%	23%	21%	24%	23%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑NIM was slightly under pressure, it has decreased from 7.52% to 7.44% QoQ. This was mainly led by decline in the yields as the share of lower yield assets has increased in the portfolio as well as cost of fund is also on rising trend. NII growth is expected to 16% YoY in 2QFY19 to Rs 1892 Cr.

❑ Cost to income ratio has increased 199 bps to 23.59% YoY. As management is expanding into rural market we expect cost to income ratio to remain elevated going ahead.

❑ Improving road infrastructure, overloading ban, BSVI transitions, increased efficiency post implementation of GST will boost CV demand to 11-12% till FY22. We expect 22% AUM growth in 2QFY19. Due to rise in bond yield and liquidity problem, growth is also expected to tapper in near to mid-term.

❑ GNPA Stage 3 is at 8.98%, Net Stage 3 is at 2.74%. PCR stands at comfortable level of 71%. Assets quality is expected to improve from 2Q FY19 onwards. Credit cost is expected to be around 2% from 2.47% in the last year.

Key Trackable this Quarter

❑ NIM performance

❑ Management commentary on growth outlook

We value the stock at 1.8x P/BV FY20e. BUY.

Lupin Limited

LUPNY US

Pharmaceuticals

CMP	**898.1**
Target	**925**
Upside	**3%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	19%	2%	10%	14%
Roce%	19%	10%	9%	14%
P/E	14.5	17.6	29.1	17.5
P/B	2.5	2.7	2.8	2.5
EV/Ebdita	9.6	13.6	14.8	10.1

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segment Revenue							
North America	8,263	5,894	6,367	6,888	1,361	1,186	1,104
India	3,797	4,125	4,864	5,594	1,159	1,192	1,333
APAC	2266	2573	2467	2301	636	608	583
EMEA	1,012	1,125	923	955	276	276	221
LATAM	452	579	587	661	140	126	145
API	1,129	1,093	1,375	1,719	265	358	331
Sales	17,494	15,804	16,931	18,550	3,952	3,856	3,797
Sales Gr	*23%*	*-10%*	*7%*	*10%*	*-8%*	*0%*	*-2%*
Ebdita	4,493	3,148	2,948	4,237	853	527	612
Ebdita Gr	*22%*	*-30%*	*-6%*	*44%*	*-17%*	*-31%*	*-28%*
Net Profits	2,557	258	1,387	2,310	455	203	227
Profit Gr%	*13%*	*-90%*	*437%*	*67%*	*-31%*	*-43%*	*-50%*
Ebdita Margin%	26%	20%	17%	23%	21.6%	13.7%	16.1%
Net Profit Margin%	15%	2%	8%	12%	11.5%	5.3%	6.0%

Fig in Rs Cr

❑We assume 7% revenue growth in FY19 since management has guided for 15% and 20% growth in India and LATAM business. Ranexa launch in FY19 with 180 days of exclusivity period to contribute towards US sales although US business will continue to see price erosion of 8-9% on the base business.

❑Management guides for $800 mn of US sales in FY19 based on the expected launch of gRanexa, as well as other generic products such as Oseltamivir, Cephalosporin and ramp-up of branded product Solosec.

❑ Procurement prices in China is going up which will affect the gross margin of the company.

❑ Management EBITDA margin guidance of 19-21%, we expect 17% EBITDA margin considering the continuous price erosion in US.

❑ The management guided that R&D expenses will be 10-11% of the total sales, of which 70% will towards all kinds of generics, about 20% is biosimilars, about 10% is drug discovery.

Key Trackable this Quarter

❑ EBITDA Margin guidance in range of 19-21%.

❑ Growth for US.

❑ANDA filings and approvals.

We value the stock at 18x FY20e EPS. We maintain NEUTRAL

Sun Pharmaceutical Industries Ltd

Pharmaceuticals

SUNP IN

CMP	**621.85**
Target	**750**
Upside	**21%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	19%	6%	11%	14%
Roce%	23%	10%	11%	13%
P/E	23.7	55.0	32.4	22.4
P/B	4.5	3.1	3.6	3.2
EV/Ebdita	15.5	27.2	21.5	16.5

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segment Revenue							
US formulation	13,759	8,747	10,852	12,423	1,986	2,544	2,329
India Formulation	7,749	8,029	8,672	9,663	2,221	2,152	2,212
Emerging market	4530	4839	5781	6687	1258	1309	1517
ROW	2,583	2,974	3,140	3,272	711	718	788
API	1,598	1,399	1,648	1,956	309	394	454
Sales	31,578	26,489	30,684	35,066	6,650	7,224	7,448
Sales Gr	11%	-16%	16%	14%	*-19%*	*16%*	*12%*
Ebdita	10,089	5,608	6,505	8,241	1,376	1,607	1,550
Ebdita Gr	*24%*	*-44%*	*13%*	*9%*	*-57%*	*47%*	*13%*
Net Profits	6,964	2,162	4,603	6,663	912	983	1,005
Profit Gr%	*53%*	*-69%*	*90%*	*10%*	*-63%*	*-331%*	*10%*
Ebdita Margin%	31.9%	21.2%	21.2%	23.5%	20.7%	22.2%	20.8%
Net Profit Margin%	22.1%	8.2%	15.0%	19.0%	13.7%	13.6%	13.5%

Fig in Rs Cr

❑Key specialty products like Illumya,OTX-101 and Elepsia XR to drive revenue growth in US in FY19. India formulation sales to improve post GST.

❑We expect 9% and 16%YoY revenue growth in 2QFY19 and FY19 based on strong specialty product pipeline and improved supplies post the clearance of Halol facility.

❑ Management guided that staff expenses, R&D cost and SG&A expenses would be higher because the company is focussing on growing the specialty business.

❑We expect EBITDA margin to be 20.7% because alongwith improved revenue from the sales of US and India formulation, the company will incur significant cost for commercializing specialty products.

❑R&D guidance of 8-9% of total sales considering the focus on growing the specialty business.

Key Trackable this Quarter

❑ Response to USFDA Form 483 on Mohali

❑ R&D investment

❑ Specialty product pipeline.

We value the stock at 27x FY20e EPS. We maintain BUY

Ahluwalia Contracts (India) Ltd

Infrastructure

AHLU IN

CMP	**272**
Target	**334**
Upside	**23%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	17%	19%	19%	20%
Roce%	29%	57%	63%	59%
D/E	0.18	0.05	0.05	0.04
P/E	24.1	21.8	13.0	9.7
P/B	4.1	4.0	2.4	2.0

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	2QFY19E
Order Inflow	1,450	1,505	2,811	2,200	800	2,000	411
Order Book	3,550	3,074	3,564	3,328	3,266	4,300	4,324
Financials							
Sales	1,427	1,647	1,952	2,438	335	404	388
Sales Gr	*14%*	*15%*	*19%*	*25%*	*15%*	*-20%*	*16%*
Ebdita	173	219	254	317	50	52	50
Ebdita Gr	*8%*	*27%*	*16%*	*25%*	*28%*	*-3%*	*1%*
Net Profits	86	115	141	187	26	28	27
Profit Gr%	*2%*	*34%*	*22%*	*33%*	*31%*	*-5%*	*4%*
EbditaM%	12%	13%	13%	13%	15%	13%	13%
Net Mgn%	6%	7%	7%	8%	8%	7%	7%

Std/Fig in Rs Cr

❑Revenue growth is expected to be 16% YoY based on strong order and re-commencement work on NBCC's Kolkata projects. Kolkata project was halted due to change in design.

❑EBITDA margin continue to remain in range of 13-14% as the fixed price contracts is only 15% of the total order book.

❑Bottom line growth is expected to be muted due to low EBITDA margin.

❑Company continues to exceed its guidance of order inflow. Post the Q1FY19 management increases its guidance by Rs.400 Cr and we believe it will achieve higher than that.

❑CPWD Delhi project is halted due to stay on tree cutting permission.

❑Management is confident to achieve 20% revenue growth in FY19 despite 20% de growth in Q1FY19 on account of higher base and couple of project specific issue.

Key Trackable this Quarter

❑Status of stuck project:- Delhi CPWD project

❑Fixed price contract contribution in Order book

We value the stock at 12x FY20 EPS

Ashoka Buildcon Limited

ASBL IN

CMP	**110**
Target	**153**
Upside	**39%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	NA	NA	NA	NA
Roce%	13%	16%	14%	14%
D/E	9.88	15.62	41.67	NA
P/E	NA	NA	NA	NA
P/B	7.7	14.7	23.7	NA

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	2QFY19E
Order Book	7,005	10,935	15,135	16,479	6,110	10,783	9,174
Financials							
Sales	2,980	3,603	4,079	5,515	379	684	419
Sales Gr	*5%*	*21%*	*13%*	*35%*	*-14%*	*-3%*	*11%*
Ebdita	950	1,140	1,056	1,284	51	81	50
Ebdita Gr	*4%*	*20%*	*-7%*	*22%*	*-27%*	*-12%*	*-1%*
Net Profits	(225)	(117)	(159)	(150)	33	64	29
Profit Gr%	*NA*	*NA*	*NA*	*NA*	*-28%*	*12%*	*-10%*
EbditaM%	32%	32%	26%	23%	13%	12%	12%
Net Mgn%	-8%	-3%	-4%	-3%	9%	9%	7%

Annual Consolidate/ Quterly Std. Fig in Rs Cr

❑Revenue growth will be better than last quarter as the execution on ongoing projects will ramp up. We have estimated 11% YoY revenue growth.

❑EBITDA margin will be 12% v/s 13.4% due to Provision for obligation towards Investor in Subsidiary and higher component price for T&D projects. Provision for obligation towards Investor in Subsidiary is non cash expanses in nature and will not affect cash profit.

❑Bottom line is expected to be down by 10% YoY on account of higher tax as the execution on 80IA benefited projects gets completed and lower EBITDA margin.

❑We expected financial closure of 5 new HAM projects by September and October and execution will start immediately as the all the projects have sufficient land (80% +) in place.

❑In last quarter company has won city gas distribution (CGD) license for Chitradurga & Devangere Districts in the State of Karnataka and Latur & Osamanabad Districts in the State of Maharashtra. Ratnagiri CGD project is expected to contribute in revenue from H2FY19. Though, few clearances are still awaited.

❑Toll collection for the full year is expected to remain flat.

Key Trackable this Quarter

❑Financial closure of the HAM projects and Appointment date

❑EBITDA Margin

❑Recovery in Toll Collection

We vale Std. business at 9x FY20 EPS and Rs.40 per share for investment in BoT/HAM

Capacit'e Infraprojects Ltd

Infrastructure

CAPACITE IN

CMP	**213**
Target	**259**
Upside	**22%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	23%	11%	12%	15%
Roce%	38%	17%	19%	24%
D/E	0.55	0.25	0.26	0.30
P/E	NA	25.8	14.4	9.8
P/B	NA	2.7	1.7	1.5

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	2QFY19E
Order Inflow	2,496	2,722	3,558	3,914	937	1,132	890
Order Book	4,289	5,682	7,366	9,137	4,705	6,243	6,727
Financials							
Sales	1,155	1,341	1,700	2,143	322	397	406
Sales Gr	*35%*	*16%*	*27%*	*26%*	*49%*	*49%*	*26%*
Ebdita	204	204	255	327	48	55	56
Ebdita Gr	*78%*	*0%*	*25%*	*28%*	*30%*	*27%*	*18%*
Net Profits	70	80	101	147	18	23	21
Profit Gr%	*43%*	*14%*	*26%*	*46%*	*81%*	*41%*	*19%*
EbditaM%	*18%*	*15%*	*15%*	*15%*	*15%*	*14%*	*14%*
Net Mgn%	*6%*	*6%*	*6%*	*7%*	*5%*	*6%*	*5%*

Conso/Fig in Rs Cr

❑Sales growth to be expected at 26% YoY based on ramp up in execution of new projects (short cycel) which started last quarter and strong order book.

❑EBITDA expected to be up by 18% YoY. Margin may vary quarter to quarter but for the full year we expect margin of 15%..

❑Bottom line expected to grow at 19% YoY on account of strong revenue growth.

❑Rs.100 Cr is stuck as retention amount and management expect to replace it with bank guarantee.

❑Net working days have increased on account of uncertified bill due to GST. In last quarter NWC days has come down to 84 days from 89. GST issue is expected to short out fully and we have estimated improvement in working capital days.

Key Trackable this Quarter

❑ Net Working Capital Days

❑Retention Amount

We value the stock at 12x FY20 EPS

Dilip Buildcon Limited

DBL IN

Infrastructure

CMP	**635**
Target	**-**
Upside	**-**
Rating	**Under Review**

	FY17	FY18	FY19E	FY20E
Roe%	19%	25%	28%	23%
Roce%	31%	32%	33%	35%
D/E	1.19	1.13	0.88	0.90
P/E	13.2	22.2	9.3	8.9
P/B	2.6	5.6	2.6	2.0

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	2QFY19E
Order Book	17,568	23,931	24,011	23,688	14,204	24,090	22,491
Revenue							
Roads & Bridges	4,570	6,578	8,734	11,339	1,338	2,196	2,004
Irrigation	303	161	42	-	28	35	7
Urban Development	70	32	200	-	1	11	95
Mining	140	841	944	984	186	203	212
Financials							
Sales	5,098	7,746	10,011	12,536	1582	2436	2327
Sales Gr	*25%*	*52%*	*29%*	*25%*	*73%*	*46%*	*47%*
Ebdita	992	1,403	1,841	2,370	285	433	415
Ebdita Gr	*24%*	*41%*	*31%*	*29%*	*83%*	*44%*	*46%*
Net Profits	361	620	941	982	116	255	185
Profit Gr%	*63%*	*72%*	*52%*	*4%*	*1559%*	*108%*	*60%*
EbditaM%	*19%*	*18%*	*18%*	*19%*	*18%*	*18%*	*18%*
Net Mgn%	*7%*	*8%*	*9%*	*8%*	*7%*	*10%*	*8%*

Std/Fig in Rs Cr

❑Revenue is expected to grow at 47% YoY on account of strong order book.

❑EBITDA continue to grow in line with revenue growth and we have estimated 46% YoY growth.

❑Bottom line is likely to grow at 60% YoY on account of lower interest expenses. Lower interest expense will supported by improving working capital.

❑Management expects financial closure of all the HAM projects by Q4FY19 and execution will start immediately.

❑Rs.610 Cr is expected to be received from Shrem Group as part of assets sale deal.

❑Recent consequence like sudden resignation of CFO and assets sale transaction has raised question over corporate governance. Company had reported Rs.15 Cr of loss despite sold assets at valuation of 1.05x book value.

❑So till the further clarity emerges on the Assets sale transaction, we keep stock under Review.

Key Trackable this Quarter

❑ Financial Closure of HAM projects

❑BoT Assets sale transaction:- Compnay has sold its entire stake in 24 SPVs to Shrem group for Rs.1600 Cr at 1.05x Book value. But in last quarter company has booked exception loss of Rs.15 Cr. And Management guided it will reverse once the transaction completes fully.

Stock is Under Review

IRB Infrastructure Developers Ltd

IRB IN

CMP	**138**
Target	**160**
Upside	**16%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	14%	16%	15%	11%
Roce%	12%	11%	12%	10%
D/E	2.47	2.28	2.51	2.85
P/E	10.8	10.3	5.1	6.6
EV/EBITDA	6.4	7.9	6.0	7.5

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	2QFY19E
Order Book	9,959	15,080	18,528	20,448	8,189	14,104	12,499
Revenue							
EPC	3,565	3,964	4,552	6,080	884	1,035	1,071
BOT	2,371	1,847	2,294	1,880	385	548	534
Financials							
Sales	5,846	5,694	6,801	7,960	1,123	1,538	1,605
Sales Gr	*14%*	*-3%*	*19%*	*17%*	*-13%*	*-15%*	*43%*
Ebdita	3,048	2,679	3,255	3,122	572	747	781
Ebdita Gr	*15%*	*-12%*	*21%*	*-4%*	*-19%*	*-9%*	*36%*
Net Profits	715	920	959	736	235	250	256
Profit Gr%	*12%*	*29%*	*4%*	*-23%*	*65%*	*5%*	*9%*
EbditaM%	52%	47%	48%	39%	51%	49%	49%
Net Mgn%	12%	16%	14%	9%	21%	16%	16%

Conso/Fig in Rs Cr

❑EPC revenue growth expected to be at 21% YoY led by execution ramp up on Agra- Ethawah, Udaipur Gujarat, Gulabpura Chittorgarh and Kishangarh- Gulabpura BoT projects.

❑Toll collection on Mumbai -Pune will continue to impact as the Mumbra bypass work was going on till 10th September. Though, we expect overall toll collection will be higher by 38% as the construction work commence on 3 Rajasthan projects along with toll collection.

❑EBITDA expected to grow by 36% YoY led by strong revenue growth. However, EBITDA margin will come down to 48.6% v/s 51% on account of change in revenue mix.

❑Bottom line is expected to grow by 9% YoY only. Last year IRB had booked one time profit of Rs.104 Cr on sale of IRB Pathnkot BoT project to IRB InvIT.

❑Management expects to achieve financial closure of 3 HAM projects by October and EPC revenue growth is likely to witness quantum jump in H2FY19.

Key Trackable this Quarter

❑Financial closure of 3 HAM and 1 BoT project

❑Oder Inflow mix (HAM v/s BoT):- HAM has lower EBITDA margin compared to BoT.

We value the stock at 7.7x EV/EBITDA

KNR Constructions Limited

Infrastructure

KNRC IN

CMP	**193**
Target	**219**
Upside	**13%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	18%	24%	11%	13%
Roce%	16%	18%	11%	14%
D/E	0.15	0.18	0.21	0.19
P/E	14.1	13.9	18.2	13.9
P/B	2.5	3.3	2.1	1.8

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	2QFY19E
Order Book	3,766	6,302	6,950	6,849	3,588	5,955	5,611
Financials							
Sales	1,541	1,932	1,851	2,602	393	556	344
Sales Gr	*71%*	*25%*	*-4%*	*41%*	*5%*	*16%*	*-13%*
Ebdita	230	386	314	364	82	110	58
Ebdita Gr	*50%*	*68%*	*-19%*	*16%*	*47%*	*30%*	*-29%*
Net Profits	157	272	149	195	59	74	20
Profit Gr%	*-2%*	*73%*	*-45%*	*30%*	*35%*	*9%*	*-66%*
EbditaM%	*15%*	*20%*	*17%*	*14%*	*21%*	*20%*	*17%*
Net Mgn%	*10%*	*14%*	*8%*	*7%*	*15%*	*13%*	*6%*

Std/Fig in Rs Cr

❑Lower executable order book in hand will affect the revenue growth and we have estimated 13% negative revenue growth.

❑EBITDA growth will be down to 29% due to lower revenue and lower EBITDA margin.

❑We have expects EBITDA margin of 17% which is higher than normal level as the some of the projects are on verge of completion.

❑Bottom line is expected to be down by 66% on account of lower revenue and higher deprecation level.

❑Land available on -Trichy to Kallagam :- 50-60%,Meensurutti to Chidambaram :- 40-45%,Chittor to Mallavaram :- 60-70% and Ramsanpalle to Mangloor :- 90% land is come under forest department and facing issue.

❑KNRCON has tied up the funds with the bank and received sanction latter for 3 HAM projects.

❑Company is planning to bring in strategic partner for HAM projects, who will invest equity.

Key Trackable this Quarter

❑Land status of HAM projects

❑Appointment date

❑Update on Strategic Investor for HAM projects

We value Std. business at 12x FY20E EPS and Rs.53 per share for BoT/HAM business.

NBCC (India) Limited

Infrastructure

NBCC IN

CMP	**59**
Target	**67**
Upside	**14%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	19%	19%	19%	23%
Roce%	24%	21%	22%	29%
D/E	0.00	0.00	0.00	0.00
P/E	48.1	47.9	25.3	18.9
P/B	9.2	9.1	4.9	4.4

	FY17	FY18	FY19E	FY 20E	2QFY18	1QFY19	2QFY19E
Revenue							
PMC	6,485	6,085	7,330	9,530	1,166	1,541	1,341
Real Estate	185	25	410	400	15	130	80
EPC	*684*	*780*	*924*	*1,154*	*138*	*174*	*173*
Financials							
Sales	7,424	6,942	8,718	11,138	1,328	1,854	1,603
Sales Gr	*27%*	*-7%*	*26%*	*28%*	*-13%*	*19%*	*21%*
Ebdita	405	422	474	686	86	68	87
Ebdita Gr	*28%*	*4%*	*12%*	*45%*	*16%*	*-3%*	*2%*
Net Profits	326	372	411	549	81	77	81
Profit Gr%	*13%*	*14%*	*10%*	*34%*	*31%*	*15%*	*0%*
EbditaM%	*5%*	*6%*	*5%*	*6%*	*6%*	*4%*	*5%*
Net Mgn%	*4%*	*5%*	*5%*	*5%*	*6%*	*4%*	*5%*

Conso/Fig in Rs Cr

❑Revenue expected to be grow by 21% YoY mainly led by some of AIIMS projects and company is adopting new construction technology which will boost the execution.

❑EBITDA expected to be up by only 1.6% YoY as the margin will be lower compared to Q2FY18.

❑EBITDA margin is likely to down at its normal range (5.4%). EBITDA margin was higher in Q2FY18 on account of upfront fee booking and realization of old dues.

❑PAT margin expected to be 5.1%.

❑Delhi redevelopment project is stuck due to insufficient tree cutting permission. Management expects resume work from September and expects to tender out Rs.2500-3000 Cr of work.

❑NBCC has acquired HSCC from government for bid price of Rs.285 Cr. HSCC offered consultancy services to healthcare space and has order book of Rs.10000 Cr. This will help company to consolidate its position in constancy space.

❑Rs. 2500 Cr of inventory remains unsold.

Key Trackable this Quarter

❑ Update on Delhi redevelopment project

❑Inventories sell of Real Estate Business

We value the stock at 22x FY20 EPS

PNC Infratech Limited

Infrastructure

PNCL IN

CMP	**137**
Target	**156**
Upside	**14%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	13%	14%	11%	11%
Roce%	10%	12%	14%	17%
D/E	0.09	0.07	0.30	0.35
P/E	11.4	15.9	16.0	14.1
P/B	1.5	2.2	1.8	1.6

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	2QFY19E
Order Book	5,379	10,674	12,362	12,862	10532	15749	15186
Financials							
Sales	1,689	1,857	2,836	4,501	269	736	563
Sales Gr	*-16%*	*10%*	*53%*	*59%*	*-25%*	*106%*	*110%*
Ebdita	221	319	405	590	40	129	74
Ebdita Gr	*-17%*	*44%*	*27%*	*46%*	*-14%*	*149%*	*86%*
Net Profits	210	251	220	249	17	103	29
Profit Gr%	*-11%*	*20%*	*-12%*	*13%*	*-53%*	*244%*	*72%*
EbditaM%	*13%*	*17%*	*14%*	*13%*	*15%*	*18%*	*13%*
Net Mgn%	*12%*	*13%*	*8%*	*6%*	*6%*	*14%*	*5%*

Std/Fig in Rs Cr

❑Revenue expected to be growing by 109% YoY led by the execution ramp up on projects under construction.

❑EBITDA growth expected to be 86% YoY mainly on account of robust revenue growth. EBITDA margin will remain in range of 13.-13.5%.

❑Tax rate expected to be 20% v/s 15% as the execution of 80 IA benefited projects gets completed.

❑Higher tax will restrict higher bottom line growth and we expect 72% YoY growth in bottom line.

❑All the projects except Challakere to Hariyur have 80% land in position and execution will start immediately after financial closure.

❑Company is looking to monetize some of the operational assets to fund equity requirement. Equity requirement is Rs.770 Cr over next 3 years.

❑Capex requirement will higher to support robust order book and management has guidedRs.250 Cr of capex requirement in FY19. Capex incurred in Q1FY19 is Rs.16 Cr.

Key Trackable this Quarter

❑ Financial closure of new HAM projects

❑Assets Monetization

❑Management commentary on funding of Equity requirement

We value Std. business at 12x FY20E EPS and Rs.40 per share for BoT/HAM business

Sadbhav Engineering Limited

SADE IN

CMP	**219**
Target	**327**
Upside	**49%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	11%	12%	13%	12%
Roce%	8%	10%	11%	15%
D/E	0.91	0.71	0.51	0.57
P/E	28.1	30.1	13.8	12.7
P/B	3.2	3.6	1.8	1.6

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Order book	7,683	13,249	17,148	19,301	7715.18	13712.64	14278
Transporation							
BOT/HAM	333	1,275	2,564	3,730	74	549	451
EPC	2,199	1,834	1,017	1,612	540	272	185
Irrigation	458	285	171	178	30	37	45
Minning	317	276	335	311	48	50	101
Financials							
Sales	3,320	3,505	4,102	5,846	693	911	785
Sales Gr	*4%*	*6%*	*17%*	*43%*	*13%*	*-3%*	*13%*
Ebdita	356	415	474	702	79	107	90
Ebdita Gr	*6%*	*17%*	*14%*	*48%*	*20%*	*0%*	*15%*
Net Profits	188	221	271	295	33	63	37
Profit Gr%	*42%*	*17%*	*23%*	*9%*	*81%*	*14%*	*10%*
EbditaM%	*11%*	*12%*	*12%*	*12%*	*11%*	*12%*	*12%*
Net Mgn%	*6%*	*6%*	*7%*	*5%*	*5%*	*7%*	*5%*

Std/Fig in Rs Cr

❑Revenue growth expected to be 13.3% YoY led by strong order book.

❑EBITDA growth expected to be 15% YoY mainly led by strong revenue growth. EBITDA margin expected to remain in range of 11.5-12%.

❑ PAT growth is expected to in line with revenue growth and we have estimated 9.9% YoY growth.

❑For the year FY19 debt is expected to be down by Rs.300 Cr. Reduction in debt numbers will supported by loan repayment from SIPL, large mobilization advances and cash inflow from arbitration awards.

❑We have estimated that the all the HAM projects will be closed financially by September and execution on the same will start from Q3 and Q4.

❑O/S loan portion given to SIPL was Rs.430 Cr at end of Q1FY19.

❑No large capex requirement in FY19. Capes expected to be Rs.100 Cr.

Key Trackable this Quarter

❑ Financial closure and appointment date of HAM projects

❑Debt level

❑Status of Arbitration award on three projects namely:- Nagpur Seoni, Mumbai Nasik and Dhule Palesner

We value Std. business at 12x FY20 EPS and Rs.121 per share for BoT/HAM business.

Allcargo Logistics Limited

Logistics

AGLL IN

CMP	**99**
Target	**110**
Upside	**11%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	13%	9%	10%	11%
Roce%	14%	10%	10%	12%
D/E	0.29	0.19	0.25	0.23
P/E	17.4	20.8	11.3	9.2
P/B	2.3	1.8	1.1	1.0

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	2QFY19E
MTO Volume Gr %	11%	15%	21%	10%	**12%**	**26%**	**20%**
Realization/ TEU	93,254	91,717	83,624	85,297	97,093	83,624	83,624
CFS Volume Gr %(Adj)	7%	0%	4%	2%	-6%	4%	4%
Realization/ TEU	14,789	14,011	13,482	13,482	15,269	13,406	13,406
Revenue							
MTO	4,756	5,375	5,946	6,672	1,388	1,455	1,434
CFS	431	409	410	418	100	110	91
PE	457	314	300	360	70	72	72
EBIT							
MTO	3%	4%	4%	4%	4%	4%	4%
CFS	24%	29%	29%	29%	30%	28%	29%
PE	7%	-16%	-2%	7%	-6%	-8%	-10%
Financials							
Sales	5,583	6,047	6,656	7,467	1,547	1,625	1,602
Sales Gr	-1%	8%	10%	12%	10%	10%	4%
Ebdita	465	375	433	519	105	102	98
Ebdita Gr	-8%	-19%	16%	20%	-17%	-1%	-7%
Net Profits	238	174	216	264	65	54	44
Profit Gr%	*-4%*	*-27%*	*24%*	*22%*	*1%*	*-15%*	*-32%*
EbditaM%	8%	6%	7%	7%	7%	6%	6%
Net Mgn%	4%	3%	3%	4%	4%	3%	3%

Conso/Fig in Rs Cr

❑MTO business- We expect strong volume growth of 20% in MTO though the overall sales growth to remain muted at 7% owing to YoY decline in freight rates by ~18%

❑On the CFS business, Company will slowly convert its CFS/ICD into multi model logistic park to offer end to end services to protect itself from DPD cargo. But it will take time to ramp up. Kolkata CFS has commenced operation and response is good as the company is the only national player at Kolkata port. So based on the above, we assume 4% volume growth going forward.

❑Margins on the MTO and CFS business to remain soft owing to drop in realization. PE business continues to be soft and expect to report EBIT loss of 7Cr. This is expected to revive from 3QFY19.

❑In Q1FY19 company has commenced construction of warehouse at JNPT & Hyderabad and bought land of Rs.135 Cr for Jhajjar project.

Key Trackable this Quarter

❑ MTO volume growth

❑CFS segment margin

❑Management commentary on Capex

We value the stock at 11x FY20 EPS

Future Supply Chain Solutions Ltd

Logistics

FSCSL IN

CMP	**655**
Target	**670**
Upside	**2%**
Rating	**NEUTRAL**

	FY17*	FY18	FY19E	FY20E
Roe%	16%	16%	17%	21%
Roce%	15%	22%	18%	25%
P/E	56.8	39.6	31.6	20.6
P/B	8.9	6.4	5.3	4.2
EV/Ebdita	37.5	33.5	21.5	15.8

* Based on Issue Price

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segment Revenue							
Contract	N/A	584	822	1,152	151	169	194
Express	N/A	154	182	209	42	42	48
Temp. Controlled	N/A	32	37	44	8	8	9
Others	N/A	5	18	13	5	9	3
Sales	560	774	1,058	1,418	205	228	254
Sales Gr	*8%*	*38%*	*37%*	*34%*	*N/A*	*50%*	*23%*
Ebdita	74	121	160	240	32	32	44
Ebdita Gr	*6%*	*63%*	*32%*	*50%*	*N/A*	34%	*38%*
Net Profits	46	67	83	128	20	18	25
Profit Gr%	*55%*	*47%*	*23%*	*54%*	*N/A*	*38%*	*23%*
Ebdita Margin%	13.3%	15.7%	15.2%	16.9%	15.6%	14.2%	17.4%
Net Profit Margin%	8.2%	8.7%	7.8%	9.0%	9.9%	7.9%	9.9%

N/A - Not Available

Std/Fig in Rs Cr

❑Revenue growth in Q2FY19 is expected to be around 23% on the back of marquee client wins like Haldiram's, Crompton Greaves, Myntra. Annualized billing from new accounts is expected to be over INR 50cr.

❑ Voltas JV Voltbek partners with FSC wherein it will manage PAN India supply chain network for the consumer electronics JV. The JV is expected to clock revenues of 10,000cr revenue over the next 6 years. This will create a sizeable opportunity for FSC.

❑ In Q2FY19, EBITDA margins are expected to improve to 17.4% as utilization improves after 1.03 mn sq ft of warehousing space addition in Q1FY19.

❑ EBITDA margins are expected to dip in FY19 as 3 mn sq ft of warehousing space is expected to be added , after which operating leverage is expected to kick in FY20 & margins are expected to expand to ~17%.

❑ Vulcan express is expected to turn EBITDA positive from Q4FY19. Consolidated margins are expected to drag a bit in FY19 but will recover from FY20 onwards.

❑ FSC added 1.03 mn sq. ft. of warehousing space in Q1 FY19 as compared to 0.6 mn sq. ft. in FY18.

❑ FSC has raised secured & redeemable NCDs of INR199cr on private placement basis at 10.15% interest rate with redemption in 3 & 4 years i.e. September 2021 & 2022 to fund expansion.

Key Trackable this Quarter

❑ Addition of Marquee Clients & increase in Warehousing Space

❑ Share of Future Group Entities to the Total Revenue & revenue growth of Non-Anchor customers

❑ Performance of Vulcan Express (100% subsidiary acquired in February 2018). Revenue and loss of 163cr and 68cr in FY18

We value the stock 21x FY20e EPS.

Mahindra Logistics Limited

MAHLOG IN

CMP	**518**
Target	**583**
Upside	**13%**
Rating	**ACCUMULATE**

	FY17*	FY18	FY19E	FY20E
Roe%	13%	15%	20%	22%
Roce%	17%	23%	29%	32%
P/E	65.3	53.7	36.8	28.4
P/B	8.6	8.2	7.4	6.1
EV/Ebdita	38.1	28.0	20.8	16.1

*Based on Issue Price

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segment Revenue							
SCM	2,372	3,076	3,556	4,367	749	838	846
PTS	295	340	370	409	87	90	95
Sales	2,667	3,416	3,926	4,776	836	928	941
Sales Gr	*29%*	*28%*	*15%*	*22%*	*36%*	*9%*	*13%*
Ebdita	76	120	172	219	26	41	43
Ebdita Gr	*46%*	*57%*	*44%*	*27%*	45%	53%	*63%*
Net Profits	46	64	100	130	14	24	25
Profit Gr%	*25%*	*40%*	*56%*	*30%*	*25%*	*62%*	*78%*
Ebdita Margin%	2.9%	3.5%	4.4%	4.6%	3.1%	4.4%	4.5%
Net Profit Margin%	1.7%	1.9%	2.5%	2.7%	1.7%	2.6%	2.6%

Conso/Fig in Rs Cr

❑MAHLOG is looking to increase the size of large warehouses from 3 lac sq ft to 3 mn sq ft in the next 3 years, and thus has indentified Delhi, Bangalore and Chennai as three of the potential destinations.

❑ Revenue growth in Q2FY19 is expected to be around 13% on the back of marquee client wins such as L'Oreal & Mobike in Q1FY19.

❑ EBITDA margins are expected to around 4.5% in Q2FY19 on the back of cost rationalisation efforts for operating expenses and employee cost along with higher warehousing revenue growth to continue driving EBITDA margin expansion by 140 bps YoY and 15 bps QoQ in Q2FY19.

❑ PAT is expected to grow by 78% in Q2FY19 on the back of EBITDA margins improvement.

❑ MAHLOG approved an investment of 7cr in Transtech Logistics Pvt Ltd. Also, company has increased its stake in Lords Freight (India) Pvt Ltd from 60% to 78.81% for 3.7cr.

❑ In Q1FY19, company has received income tax refund of 17.7cr (Including Interest of 1.9cr). As on March 31, 2018, MAHLOG had a receivable of 82cr from income tax authorities.

❑ MAHLOG filed an application for reduction in TDS rates to which IT department has reduced TDS rates as under:

On transportation revenues - from 2% to 1.04%, - On warehousing revenues, rental revenues and interest income - from 10% to 2.5%. This will improve the cash flows of the company.

❑ Management has guided for a capex of INR 20-25cr each in the next 2 years.

Key Trackable this Quarter

❑ Addition of Marquee Clients and Increase in Warehousing Space

❑ Share of warehousing revenue in the SCM segment

❑ EBITDA margins trend

We value the stock 32x FY20e EPS.

TCI Express Limited
TCIEXP IN

Logistics

CMP	**581**
Target	**621**
Upside	**7%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	26%	32%	31%	30%
Roce%	32%	39%	40%	39%
P/E	40.4	31.2	30.8	24.3
P/B	8.9	6.4	5.2	4.1
EV/Ebdita	37.5	33.5	21.5	15.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Sales	750	885	1,069	1,277	204	248	255
Sales Gr	*13%*	*18%*	*21%*	*20%*	*10%*	*22%*	*25%*
Ebdita	62	91	121	154	20	27	29
Ebdita Gr	*13%*	*46%*	*33%*	*27%*	*17%*	*46%*	*46%*
Net Profits	37	58	72	92	13	16	17
Profit Gr%	*29%*	*55%*	*24%*	*27%*	*31%*	*33%*	*30%*
Ebdita Margin%	8.3%	10.2%	11.3%	12.0%	9.7%	10.9%	11.3%
Net Profit Margin%	5.0%	6.6%	6.8%	7.2%	6.4%	6.5%	6.7%

Std/Fig in Rs Cr

❑Management is targeting to double its revenues in the next 5 years for which it is increasing size of 8 of its 28 sorting centres over the next 5 years. Also, company will convert these 8 leased sorting centres into owned ones.

❑ Management has guided for a revenue growth of 22-25% in FY19 with 18-20% volume growth with an equal contribution from both SME & Top 500 companies.

❑ Our estimate is revenue growth of 20.8% & 19.5% in FY19 and FY20 with a volume growth of 16.5% & 15.3% respectively.

❑ Revenue is expected to be INR 255cr with a growth of around 25% in Q2FY19.

❑EBITDA margins are expected to around 11.3% & 12% in FY19 and FY20. TCIEXP's cost rationalisation efforts for operating expenses & employee cost along with higher revenue growth to continue driving EBITDA margin expansion by 165 bps YoY and 45 bps QoQ in Q2FY19.

❑ Management has guided for a capex of INR 400cr in 5 years starting FY18. Capex in FY18 was at 71cr.

❑ Capex is expected to be around INR 80cr each in FY19 and FY20.

❑ Despite an expected 46%, 33% and 27% growth in EBITDA in Q2FY19, FY19 & FY20, PAT growth is expected to be around 30%, 24% and 27% due to higher tax rate, finance cost and depreciation.

Key Trackable this Quarter

❑ Addition of Marquee Clients

❑ Progress of cost rationalisation efforts and its effect on EBITDA margins

❑ Increase in capacity of sorting centres

We value the stock 26x FY20e EPS.

APL Apollo Tubes Limited

APAT IN

CMP	**1259**
Target	**1330**
Upside	**6%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	20%	19%	21%	22%
Roce%	33%	35%	36%	39%
P/E	18.9	29.4	14.4	11.2
P/B	3.8	5.6	3.0	2.5
EV/Ebdita	8.8	12.9	6.6	5.3

	FY17	FY18	FY19E	FY20E	Q2FY18	1QFY19	Q2FY19E
Sales (KT)	979	1185	1386	1663	297	318	333
Segmental Volume							
Hollow Section(KT)	475	614	726	871	155	167	174
Black Pipe (KT)	151	164	192	231	39	45	44
GI Pipe (KT)	117	111	119	143	29	23	33
GP Pipe (KT)	189	241	280	336	60	67	67
Coils & Other (KT)	47	54	64	77	14	16	16
Financials							
Sales	4,545	5,335	6,655	7,700	1345	1677	1553
Sales Gr	*8%*	*17%*	*25%*	*16%*	*41%*	*45%*	*15%*
Ebdita	324	371	458	559	101	109	99
Ebdita Gr	*15%*	*14%*	*23%*	*22%*	*23%*	*38%*	*-2%*
Net Profits	146	160	206	265	41	47	41
Profit Gr%	*45%*	*10%*	*29%*	*29%*	*21%*	*21%*	*0%*
EbditaM%	7%	7%	7%	7%	8%	6%	6%
Net Mgn%	3%	3%	3%	3%	3%	3%	3%
D/E	0.79	0.80	0.74	0.65			

Conso/Fig in Rs Cr

❑We have reduced our volume growth assumptions and expect 2QFY19 volume growth to be around 12% YoY due to disruptions caused by monsoon and management has indicated that some projects may get delayed as 2019 being an election year.

❑ Sales growth of 15% YoY is expected on the back of 12% increase in volume and 3% increase in realizations.

❑ We don't expect any significant increase in EBITDA as increase in steel prices has also increased input cost. Though, EBITDA margins are expected to be in the range of 6-7%.

Key Trackable this Quarter

❑ Volume growth rate.

❑ Any decline in EBITDA margin may directly impact profitability.

We value the stock at 12x FY20e EPS.

Astral Poly Technik Limited

Metal Sector

ASTRA IN

CMP	**928**
Target	**1005**
Upside	**8%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	17%	18%	17%	19%
Roce%	22%	23%	24%	26%
P/E	45.5	56.1	52.5	38.8
P/B	7.7	9.9	9.1	7.4
EV/Ebdita	25.3	32.0	28.5	22.2

	FY17	FY18	FY19E	FY20E	Q2FY18	1QFY19	Q2FY19E
Capacity(MT)	137708	152100	175708	202064			
Sales(MT)	89449	103991	122129	144113	26070	22476	30763
Segmental Revenues							
Pipes	1474	1618	1899	2281	385	344	467
Adhesives	455	509	607	716	135	141	159
Adjst.	40	21	9	0	0	9	0
Total	1889	2106	2497	2997	520	477	626
Financials							
Sales	1,889	2,106	2497	2997	520	477	626
Sales Gr	*13%*	*10%*	*19%*	*20%*	*19%*	*12%*	*27%*
Ebdita	264	317	393	504	76	78	89
Ebdita Gr	*27%*	*17%*	*24%*	*28%*	*35%*	*33%*	*64%*
Net Profits	145	176	212	287	39	38	47
Profit Gr%	*42%*	*18%*	*20%*	*35%*	*30%*	*18%*	*68%*
EbditaM%	14%	15%	16%	17%	15%	16%	14%
Net Mgn%	8%	8%	8%	10%	8%	8%	7%
D/E	0.19	0.12	0.12	0.10			

Conso/Fig in Rs Cr

❑Revenue is expected to show a growth of 20% YoY in 2QFY19 led by robust growth of 18% YoY in volume in pipe business (management guidance of 15-20% volume growth in FY19) and strong growth in adhesive business too.

❑ EBITDA margin is expected to be slightly lower YoY to 14.3% from 14.7% in 2QFY18 due to higher other expenses.

❑ Management has given guidance that 2QFY19 numbers would reflect 50% and 4QFY19 numbers would reflect 100% share in Rex . Rex's FY18 revenue stood at Rs.169 crore and EBITDA around Rs.27 crore. However, we have not yet factored that in our assumptions.

Key Trackable this Quarter

❑USD-INR exchange rate.As part of adhesive business is UK & USA based (SEAL IT) which contributed 28% of adhesive topline in FY18.

❑ Volume growth rate in pipe business.

❑ Impact of including 50% share of Rex's on financials.

We value the stock at 42x FY20e EPS.

Coal India Limited

COAL IN

Metal Sector

CMP	**266**
Target	**340**
Upside	**28%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	37%	35%	66%	59%
Roce%	37%	31%	83%	72%
P/E	19.6	25.1	10.5	9.6
P/B	7.3	8.7	7.0	5.7
EV/Ebdita	14.9	18.5	5.9	5.2

	FY17	FY18	FY19E	FY 20E	Q2FY18	Q1FY19	Q2FY19E
Production (mt)	554.14	567.37	604.8	635.0	113.0	136.9	120.5
Offtake (mt)	543.32	580.29	615.7	646.5	131.3	153.0	135.0
Operating Matrix							
FSA Vol. (mt)	429.8	460.0	496.4	504.2	104.6	130.4	108.8
FSA Realiz.	1301	1257	1319	1319	1224	1313	1280
E-Auc Vol. (mt)	94.2	106.2	106.3	129.3	23.3	19.4	22.9
E-Auc Realiz.	1536	1839	2438	2447	1614	2399	2447
Washed Coal Vol. (mt)	14.0	11.5	10.2	10.2	2.9	2.6	2.6
Washed Coal Realiz.	3049	3022	2567	2591	2582	2427	2675
Othr. Prodt. Vol. (mt)	3.4	2.9	2.8	2.8	0.6	0.7	0.7
Othr. Prodt. Realiz.	2915	3249	3064	3085	3050	2943	3158
Financials							
Sales	78,221	85,862	99,504	105,845	18,148	24,261	21,281
Sales Gr	*0%*	*10%*	*16%*	*6%*	*12%*	*27%*	*17%*
Employee Cost	33,514	42,634	36,726	37,461	9,155	9,598	8,432
Ebdita	12,240	9,565	24,334	26,706	1,231	5,732	4,435
Ebdita Gr	*-35%*	*-22%*	*154%*	*10%*	*66%*	*63%*	*260%*
Net Profits	9,266	7,019	16,276	17,811	369	3,786	2,989
Profit Gr%	*-35%*	*-24%*	*132%*	*9%*	*-39%*	*61%*	*710%*
EbditaM%	16%	11%	24%	25%	7%	24%	21%
Net Mgn%	12%	8%	16%	17%	2%	16%	14%

Conso/Fig in Rs Cr

❑Volume in 2QFY19 is expected to be at 135mt down 12% QoQ and up 3% YoY (seasonally weaker due to monsoon). Revenue is expected to be at Rs.21281 crore (up 17% YoY) led by better volume and higher realizations both in FSA (due to price hike taken in Jan) and E-Auction (due to robust demand at domestic level).

❑ On realization front, FSA realization is expected to grow by 5% YoY to Rs.1280/t in 2QFY19 (led by 9% price hike taken in Jan'18). E-Auction realization is expected to increase by 52% YoY to Rs.2447/t led by robust demand by power and non-power sector, shortage of coal in domestic market and increasing prices of thermal coal globally.

❑EBITDA is expected to grow over 3 times YoY to Rs.4435 crore in 2QFY19 led by higher volumes and better realizations and decrease in employee cost by 8% as wage agreement issue is behind.

Key Trackable this Quarter

❑ FSA volume (upside risk, coal stock at power plants still low at around 7 days as of 27 Sep'18).

❑ International thermal coal prices.

We value the stock at 7x FY20e Book value.

Finolex Industries Limited

FNXP IN

Metal Sector

CMP	**526**
Target	**545**
Upside	**4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	15%	11%	11%	12%
Roce%	22%	15%	17%	17%
P/E	20.2	27.6	20.3	17.0
P/B	3.1	3.0	2.2	2.1
EV/Ebdita	12.7	17.0	11.8	10.6

	FY17	FY18	FY19E	FY20E	Q2FY18	1QFY19	Q2FY19E
Pipes and Fittings	209339	252036	279760	310534	47246	77636	52443
PVC Resin	235104	258767	258769	287863	40539	68454	40539
Power (MWH)	202890	208747	292392	324556	36277	81220	54864
Segmental Revenues							
PVC	1754	1778	1908	2113	274	504	302
PVC Pipes & Fittings	2211	2329	2604	2877	425	723	493
Power	145	142	129	143	26	36	24
Less:Int Seg. Rev.	1131	1418	1478	1638	250	435	271
Total	2979	2831	3163	3495	475	828	548
Financials							
Sales	2,988	2,738	3163	3495	475	828	548
Sales Gr	*5%*	*-8%*	*16%*	*10%*	*4%*	*13%*	*15%*
Ebdita	563	484	552	611	50	194	80
Ebdita Gr	*39%*	*-14%*	*14%*	*11%*	*-43%*	*48%*	*61%*
Net Profits	355	299	321	384	28	103	47
Profit Gr%	*38%*	*-16%*	*7%*	*20%*	*-45%*	*30%*	*68%*
EbditaM%	19%	18%	17%	17%	10%	23%	15%
Net Mgn%	12%	11%	10%	11%	6%	12%	9%
D/E	0.04	0.04	0.05	0.05			

Std/Fig in Rs Cr

❑Volume in pipe and fittings segment is expected to grow by 11% in 2QFY19 and FY19 led by healthy demand from agri sector due to govt.'s focus towards irrigation and agri related projects. On QoQ basis volume are expected to decline due to seasonal weakness (monsoon).

❑ Revenue is expected to grow by 15% YoY led by 16% growth in pipes and fittings (11% volume growth and 4% realization growth) and 10% growth in PVC resin. PVC resin external volume is expected to be flattish as more of resin is consumed internally due to increase in pipe production.

❑ EBITDA in 2QFY19 is expected to grow by 61% to Rs.80 core and margins are expected to improve to 15% due to better volume and increase in realization as company for last few quarters have reduced giving discounts to capture market (which was in practice till 2QFY18).

❑ On sequential basis margins are expected to see deterioration due to increase in cost of input (EDC prices have increased 24% and 14% in 1QFY19 and 2QFY19 respt.), comparatively PVC prices have fallen 3% in 1QFY19 and are flat in 2QFY19.

Key Trackable this Quarter

❑ Increasing EDC prices could impact EBITDA margins.

❑ Impact of monsoon on construction activity.

We value the stock at 11x FY20e EV/EBITDA.

Hindalco Industries Limited

Metal Sector

HNDL IN

CMP	**254**
Target	**275**
Upside	**8%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY 20E
Roe%	4%	11%	10%	9%
Roce%	2%	6%	5%	5%
P/E	23.3	7.9	9.9	9.7
P/B	1.0	0.9	0.9	0.9
EV/Ebdita	7.0	6.3	6.6	6.7

Ratios on consolidated basis

Volume (kt)	FY17	FY18	FY19E	FY 20E	Q2FY18	1QFY19	Q2FY19E
Alumina	2887	2880	2937	3000	712	665	726
Aluminium	1265	1290	1290	1305	326	323	326
Copper	376	411	390	411	93	82	82
Novelis Shipments	3067	3189	3269	3350	802	797	812
Segmental Revenues							
Aluminium	20,602	21,396	22,450	22,231	5213	5592	5518
Copper	19,448	22,416	22,677	23,280	5097	5006	4939
Financials (Standalone)							
Sales	36,937	42,798	45,122	45,511	10308	10593	10457
Sales Gr	*8%*	*16%*	*5%*	*1%*	*28%*	*-1%*	*1%*
Ebdita	4,814	5,124	4,788	4,678	1390	1325	1175
Ebdita Gr	*44%*	*6%*	*-7%*	*-2%*	*2%*	*-7%*	*-15%*
Net Profits	1,557	1,438	1,307	1,250	393	414	312
Profit Gr%	*182%*	*-8%*	*-9%*	*-4%*	*-2%*	*-25%*	*-21%*
Novelis Ebitda(USDmn)	1001	1181	1312	1385	268	343	335
Utkal EBITDA	673	1084	2170	2034	201	520	633
EbditaM%	13%	12%	11%	10%	13%	13%	11%
Net Mgn%	4%	3%	3%	3%	4%	4%	3%

Fig in Rs Cr

❑Higher realization in aluminum business is expected to lead to 6% growth in revenue YoY, whereas volume is expected to be flat as plants operate at full capacity. Copper revenue is expected to fall by 3% due to fall in volume as maintenance shutdown taken in 1QFY19 got extended for few days in 2QFY19.

❑ EBITDA at standalone level is expected to fall (15% YoY) primarily on account of robust alumina prices. However, Utkal's EBITDA is expected to grow by 22% QoQ and over 3 times YoY led by upsurge in alumina prices.

❑ Novelis continues to show robust performance. Volumes are expected to grow by 2% QoQ as 20kt of shipments which were impacted in 1QFY19 due to truckers strike in Brazil would now be delivered in 2QFY19. EBITDA is expected to grow by 25% YoY led by higher realization and operating efficiencies.

Key Trackable this Quarter

❑ Aluminium business realization as LME Al has corrected recently.

❑ Growth in Utkal EBITDA due to increase in alumina prices.

We value the stock at 7x FY20e EV/EBITDA.

Hindustan Zinc Limited

HZ IN

Metal Sector

CMP	**289**
Target	**300**
Upside	**4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	27%	26%	21%	23%
Roce%	26%	30%	25%	26%
P/E	14.6	13.8	14.2	11.9
P/B	4.0	3.5	3.0	2.7
EV/Ebdita	9.2	8.6	8.4	6.8

	FY17	FY18	FY19E	FY20E	Q2FY18	1QFY19	Q2FY19E
Zinc & Lead(KT)	907	947	982	1120	219	212	221
Refined Metal							
Zinc (KT)	672	792	799	931	192	172	180
Lead (KT)	144	169	175	179	38	42	40
Total	816	961	974	1111	230	214	220
Sliver (MT)	480	557	658	775	140	138	148
Realization							
Silver LBMA ($/oz.)	16	17	16	15	18	17	17
Zinc LME ($/MT)	3038	3271	2883	2780	3161	3308	2977
Lead LME ($/MT)	2379	2655	2391	2217	2611	2589	2460
Financials							
Sales	17273	22084	22046	24919	5309	5310	5168
Sales Gr	*22%*	*28%*	*0%*	*13%*	*51%*	*16%*	*-3%*
Ebdita	9739	12272	11742	13830	3024	2713	2882
Ebdita Gr	*46%*	*26%*	*-4%*	*18%*	*46%*	*14%*	*-5%*
Net Profits	8316	9276	8757	10400	2254	1918	2184
Profit Gr%	*2%*	*12%*	*-6%*	*19%*	*34%*	*2%*	*-3%*
EbditaM%	56%	56%	53%	56%	57%	51%	56%
Net Mgn%	48%	42%	40%	42%	42%	36%	42%
D/E	0.26	0.00	0.00	0.00			

Std/Fig in Rs Cr

❑Hindzinc's volume in zinc is expected to be down by 6% on yearly basis primarily on account of transition from open cast mine operation to fully underground operations. However, volume in lead and silver are both expected to grow by 6% YoY.

❑ Volume growth is expected to be strong in 2HFY19 led by expected commissioning of production from new shaft from 3QFY19 onwards at Rampura Agucha. Further, commission of new mill of 2mtpa capacity at Zawar expected by 4QFY19 and commissioning of 1.5mtpa mill at Sindesar Khurd by 3QFY19 are expected to boost production.

❑ Due to continuous fall in LME zinc and lead over last few months (June-Sep'18) realizations are expected to fall by 6% YoY to USD 2977/t and USD 2460/t in both zinc and lead respectively. Realization for silver is also expected to be down by 4% on yearly basis.

❑ Revenue in 2QFY19 is expected to fall by 3% YoY due to lower volume in zinc (-6%) and lower realization too (-6%). EBITDA is also expected to decline (-5%) due to lower volume and realizations. However, at PAT level decline is limited to 3% due to other income.

Key Trackable this Quarter

❑ Impact of INR depreciation.

❑ Contribution of other income.

We value the stock at 7x FY20e EV/EBITDA.

Jindal Stainless Limited

JDSL IN

Metal Sector

CMP	**56**
Target	**100**
Upside	**78%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	4%	14%	15%	17%
Roce%	16%	17%	20%	22%
P/E	34.8	10.9	6.0	4.4
P/B	1.6	1.5	0.9	0.8
EV/Ebdita	5.3	5.4	3.6	2.8

	FY17	FY18	FY19E	FY 20E	Q2FY18	1QFY19	Q2FY19E
Capacity (ton)	800000	800000	800000	1100000			
Sales volume (ton)	641333	778933	895773	1021181	202447	216880	223943
SS Price (USD/t)	1906	2097	2202	2200	2199	2207	2200
LME Nickel (USD/t)	10018	11289	14047	14105	10740	14625	13311
Ferrochrome (USD/t)	1187	1195	1175	1191	1214	1125	1125
Financials (Consol.)							
Sales	9,279	11,638	13,884	15,893	2,608	3,147	3,119
Sales Gr	*30%*	*25%*	*19%*	*14%*	*36%*	*56%*	*20%*
Ebdita	1,166	1,340	1,544	1,740	256	375	326
Ebdita Gr	*15%*	*15%*	*15%*	*13%*	*10%*	*50%*	*27%*
Finance Cost	788	566	581	555	161	150	*139*
PBT	78	499	671	881	34	155	122
PBT Gr	-	*539%*	*34%*	*31%*	-	*88%*	*259%*
Net Profits	82	346	448	607	27	91	83
Profit Gr%	-	*324%*	*30%*	*36%*	-	*119%*	*206%*
EbditaM%	13%	12%	11%	11%	10%	12%	10%
Net Mgn%	1%	3%	3%	4%	1%	3%	3%
D/E	2.96	1.86	1.42	1.05			

Yearly data Consolidated , Quarterly Standalone Fig in Rs Cr

❑Revenue is expected to grow at 20% YoY in 2QFY19 led by volume growth of 11%YoY (management expects 15% Volume growth in FY19) and 8% YoY growth in realization.

❑ EBITDA is expected to fall by 13% QoQ led by increase in COGS due to rupee depreciation (company imports 50-60% of raw material) and also on account of increase in power and fuel cost as prices of non coking coal have increased both in domestic as well as international markets.

❑ Though EBITDA margin is expected to be flat YoY and down 2% QoQ on PAT level we expect margin to be at 3%. We expect finance cost to be lower YoY and QoQ led by company's initiatives to reduce debt on books and management also has a guidance of Rs.550-570 crores for finance cost in FY19.

❑ There can be a downside risk to cost of material consumed due to INR depreciation and also to finance cost as company has exposure to FC loans.

Key Trackable this Quarter

❑USD/INR-Raw material Import (50-60%) and FC loan of Rs.750 crore (LT debt of Rs.3550 crore).

❑ Volume growth rate.

We value the stock at 4x FY20e EV/EBITDA.

Jindal Steel & Power Limited

JSP IN

Metal Sector

CMP	**187**
Target	**270**
Upside	**44%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	-8%	-5%	1%	3%
Roce%	1%	4%	7%	8%
P/E	-4.4	-13.1	64.0	20.7
P/B	0.4	0.7	0.6	0.6
EV/Ebdita	9.3	8.3	5.6	4.7

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Ttl. Steel Capcty (mt)	7.1	10.6	10.6	10.6			
Power Capacity (MW)	3400	3400	3400	3400			
Stdln. Steel Sales (mt)	3.35	3.76	5.64	6.20	0.83	1.19	1.35
Oman Steel Sales (mt)	1.31	1.67	1.72	1.77	0.43	0.42	0.43
Power (mill unit)	9176	10905	11450	13168	2427	2751	2548
Financials (Consol.)							
Sales	21,051	27,383	39,151	40,695	6,123	9,665	9,400
Sales Gr	*15%*	*30%*	*43%*	*4%*	*22%*	*36.70%*	*54%*
Ebdita	4,658	6,469	8,820	9,587	1,373	2,277	2,198
Ebdita Gr	*36%*	*39%*	*36%*	*9%*	*38%*	*38%*	*60%*
Finance Cost	3,390	3,866	3,920	3,673	927	972	*982*
PBT	(2,671)	(1,277)	676	1,307	(550)	264	154
PBT Gr	-	-	-	*93%*	-	-	-
Net Profits	(2,538)	(1,616)	282	875	(498)	110	64
Profit Gr%	-	-	-	*210%*	-	-	-
EbditaM%	22%	24%	23%	24%	22%	24%	23%
Net Mgn%	-12%	-6%	1%	2%	-8%	1%	1%
D/E	1.33	1.29	1.28	1.18			
Intrst. Covrge. Ratio	0.21	0.67	1.17	1.36			

Conso/Fig in Rs Cr

❑Revenue in 2QFY19 is expected to grow by 54% led by strong volume growth (63% YoY led by ramp up of Angul plant) to 1.35mt and high realization (up 26% YoY) at standalone level, however realization are expected to correct on sequential basis due to seasonal weakness led by monsoon.

❑ Oman volume is expected to be flat YoY at 0.43mt and realization is expected to be up around 3% in USD and 13% in INR.

❑ Power business is still expected to remain sluggish. However, overall capacity addition in FY18 had fallen to 5% as compared to last 5 years average of 10%, whereas demand is rising and is also supported by different govt. initiatives.

❑ EBITDA for 2QFY19 is estimated to grow at robust rate of 60% to Rs.2198 crores led by better realizations and higher capacity utilization. However, EBITDA margins are expected to fall by 1% to 23% on sequential basis due to higher input cost (i.e iron ore and coking coal) .PAT is expected to be at Rs.64 crores.

Key Trackable this Quarter

❑ Volume ramp up at Angul plant.

❑ Gross margin movement (as iron ore prices are on a continuous uptrend).

We value the stock at 5.5x FY20e EV/EBITDA.

JSW Steel Limited

JSTL IN

Metal Sector

CMP	**382**
Target	**390**
Upside	**2%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	15%	22%	22%	17%
Roce%	16%	19%	22%	18%
P/E	13.1	11.4	12.0	13.7
P/B	2.0	2.5	2.7	2.3
EV/Ebdita	6.3	6.8	6.7	7.3

	FY17	FY18	FY19E	FY 20E	Q2FY18	Q1FY19	Q2FY19E
Capacity (mt)	18.00	18.00	18.00	18.00			
Steel Sales stdln.(mt)	14.77	15.62	16.06	16.57	3.92	3.83	3.53
Avg.HRC (Rs./t)	39075	40340	45449	45382	37367	45833	45150
Financials (Consol.)							
Sales	55,605	70,225	80,440	81,891	16,818	20,519	18,214
Sales Gr	*34%*	*26%*	*15%*	*2%*	*27%*	*40%*	*8%*
Ebdita	12,174	14,794	18,256	17,237	3,036	5,105	4,073
Ebdita Gr	*90%*	*22%*	*23%*	*-6%*	*3%*	*95%*	*34%*
Finance Cost	3,768	3,701	3,872	4,078	950	887	968
PBT	5,128	7,873	11,163	9,795	1,274	3,371	2,300
PBT Gr	-	*54%*	*42%*	*-12%*	*13%*	*277%*	*81%*
Net Profits	3,467	6,113	7,685	6,735	836	2,339	1,582
Profit Gr%	-	*76%*	*26%*	*-12%*	*15%*	*275%*	*89%*
EbditaM%	22%	21%	23%	21%	18%	25%	22%
Net Mgn%	6%	9%	10%	8%	5%	11%	9%
D/E	1.65	1.21	1.04	1.02			

Conso/Fig in Rs Cr

❑Sales for 2QFY19 is expected at Rs.18214 cr (up 8% YoY, down 11% QoQ).Volume is expected to fall by 8% QoQ to 3.53mt as monsoon sets in 2Q19.We expect realization to be strong in 2QFY19 (up 20% YoY) which would offset the effect of volume loss. Coated business revenue is expected to grow by 4% YoY led by increase in realizations.

❑ US plate and pipe is expected to post strong set of numbers with 2QFY19 revenue expected to grow 2 times YoY to Rs.708 crores primarily on account of better capacity utilization (because of trade barriers imposed by US to cut imports) and also better realizations.

❑ EBITDA is expected to be at Rs.4073 crore, we expect margins to fall to 22% from 25% in 1QFY19 due to higher cost of raw material as iron ore prices are on a continuous uptrend.

❑ Company had completed acquisition of Acero (USA based) with capacity of 1.5mtpa EAF, 2.8mtpa of continuous slab caster and 3mtpa of HSM. Acquisition of Aferpi (Italy based) was also completed in 1QFY19 with 1.3mtpa capacity which is to be increased to 4mtpa at a later stage. Operations at these facilities are expected to commission from end of 3QFY18.

❑ Company also has lined up capex of Rs.44450 crores for 4 years (including FY18) to increase capacity by 6.7mt from current 18mt to over 24mt by the end of FY21.

Key Trackable this Quarter

❑ Steel price movement.

❑ China Steel exports.

We value the stock at 7.4x FY20e EV/EBITDA.

National Aluminium Company Ltd

Metal Sector

NACL IN

CMP	**62**
Target	**85**
Upside	**37%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	7%	13%	17%	15%
Roce%	6%	9%	22%	20%
P/E	22.1	9.6	7.0	7.6
P/B	1.4	1.2	1.2	1.1
EV/Ebdita	11.6	7.3	3.7	3.8

	FY17	FY18	FY19E	FY20E	Q2FY18	1QFY19	Q2FY19E
Alumina Sales (MT)	1294900	1337416	1302000	1302000	380000	320000	273420
Aluminium Sales (MT)	385517	426316	415000	420000	113000	105000	103750
Segmental Revenues							
Alumina	4046	5162	8167	8021	1256	2053	1839
Aluminium	5537	6409	6582	6571	1638	1772	1602
Others	109	127	171	163	49	49	41
Total	9692	11698	14920	14755	2943	3873	3481
Less: Intr. Segmt. Rvn.	1642	2079	3405	3320	488	900	835
Net Sales	8050	9618	11515	11435	2455	2973	2646
Financials							
Sales	8,050	9,618	11,515	11,435	2455	2973	2646
Sales Gr	*11%*	*28%*	*20%*	*-1%*	*41%*	*65%*	*8%*
Ebdita	1,080	1,397	3,020	2,880	335	1011	521
Ebdita Gr	*13%*	*29%*	*116%*	*-5%*	*95%*	*344%*	*55%*
Net Profits	668	1,342	1,921	1,753	235	687	317
Adjt. PAT	709	800	1,829	1,753	251	596	317
Profit Gr%	*-3%*	*13%*	*129%*	*-4%*	*118%*	*362%*	*26%*
EbditaM%	13%	15%	26%	25%	14%	34%	20%
Net Mgn%	9%	8%	16%	15%	10%	20%	12%

Std/Fig in Rs Cr

❑Volume both in alumina and aluminum are expected to be lower in 2QFY19, due to robust and better than expected volume in 1QFY19, which may lead to some maintenance cuts and there was some issue with coal availability which may also had some impact on volume.

❑ Alumina realization is expected to be robust at USD 570/t (up 77% YoY) led by continuous upsurge in alumina prices. However, Aluminum realization is expected to be fall by 7% on sequential basis as on the back of fall in LME.

❑ Sales growth of 8% expected in 2QFY19 is primarily driven by growth in alumina revenue. Aluminum revenue is expected to be flat and cost of input in aluminum business is expected to increase as transfer price of alumina would also increase.

❑ EBITDA in 2QFY19 is expected to be at Rs.521 crores up 55% YoY due to increase in alumina realization. However, margins are expected to decline on sequential basis due to lower volume.

Key Trackable this Quarter

❑ Impact of INR depreciation.

❑ Impact of fall in LME aluminium.

We value the stock at 1.4x FY20e Book Value

NMDC Limited

Metal Sector

NMDC IN

CMP	**114**
Target	**115**
Upside	**1%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	11%	16%	15%	14%
Roce%	15%	23%	21%	20%
P/E	16.3	9.9	9.0	9.0
P/B	1.9	1.5	1.4	1.3
EV/Ebdita	10.2	5.5	5.4	5.6

	FY17	FY18	FY19E	FY20E	Q2FY18	1QFY19	Q2FY19E
Chhatisgarh(mn tonne)	23.01	23.17	24.26	26.00	5.13	5.97	5.37
Karnataka	12.62	12.91	12.00	14.00	3.17	0.87	3.00
Total	35.62	36.08	36.26	40.00	8.30	6.84	8.37
Realization/Cost(Rs/t)							
Realization	2478	3220	3142	2920	2887	3504	3364
Cost	1467	1609	1562	1480	1469	1459	1752
EBITDA/tonne	1011	1610	1580	1439	1450	2082	1642
Iron ore price (Rs/t)	2344	2953	3590	3400	2640	3483	4077
Financials							
Sales	8,828	11,615	11,393	11,678	2421	2422	2841
Sales Gr	*37%*	*32%*	*-2%*	*3%*	*39%*	*-15%*	*17%*
Ebdita	3,602	5,809	5,935	5,972	1203	1424	1443
Ebdita Gr	*31%*	*61%*	*2%*	*1%*	*46%*	*-5%*	*20%*
Net Profits	2,589	3,806	4,026	4,039	844	975	977
Profit Gr%	*-5%*	*47%*	*6%*	*0%*	*10%*	*1%*	*16%*
EbditaM%	41%	50%	52%	51%	50%	59%	51%
Net Mgn%	29%	33%	35%	35%	35%	40%	34%
D/E	0.00	0.02	0.00	0.00			

Std/Fig in Rs Cr

❑In 1QFY19 Company's volume declined 26% YoY on account of price differential in Karnataka (imports were cheaper). However, now NMDC have corrected its prices in Karnataka and volumes are expected to revert to normal levels, 2QFY19 volumes are expected to be around 8.37mt (flat YoY and up 22% QoQ).

❑ Sales are expected to grow at 17% YoY primarily on account of increase in realization (up 17% YoY) as volume are expected to be almost flat YoY (up 1%).

❑ EBITDA in 2QFY19 is expected to be around Rs.1443 crores (up 20% and flat QoQ), EBITDA growth is reflecting growth in sales as operating leverage comes into play (realizations have increased , whereas volume have remained flat YoY).

Key Trackable this Quarter

❑ Karnataka volume.

❑ Iron ore realization/tonne.

We value the stock at 5.5x FY20e EV/EBITDA.

Ratnamani Metals & Tubes Ltd

RMT IN

CMP	**857**
Target	**945**
Upside	**10%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	12%	12%	13%	13%
Roce%	17%	16%	17%	17%
P/E	24.9	26.3	20.2	18.1
P/B	3.0	3.1	2.7	2.4
EV/Ebdita	13.8	15.0	12.0	10.2

	FY17	FY18	FY19E	FY20E	Q2FY18	1QFY19	Q2FY19E
SS Volume (MT)	18228	21054	23685	27237	5800	3983	6603
Realization (Rs/t)	311554	299791	342980	339270	301443	361331	339270
CS Volume (MT)	179655	201027	230643	272159	24548	71128	55483
Realization(Rs/t)	44302	51299	60266	58527	53508	64166	58527
Segmental Revenues							
SS Sales	568	631	812	924	175	144	224
CS Sales	796	1031	1390	1593	131	456	325
Other	48	107	9	0	11	9	0
Total	1412	1769	2211	2517	318	609	549
Financials							
Sales	1,412	1,767	2211	2517	318	609	549
Sales Gr	*-18%*	*25%*	13%	18%	*-1%*	*107%*	*73%*
Ebdita	257	266	345	398	51	90	85
Ebdita Gr	*-10%*	*3%*	31%	20%	*-1%*	*92%*	*66%*
Net Profits	144	152	199	221	27	58	48
Profit Gr%	*-13%*	*7%*	29%	21%	*-7%*	*150%*	*78%*
EbditaM%	18%	15%	16%	16%	16%	15%	16%
Net Mgn%	10%	9%	9%	9%	8%	9%	9%
D/E	0.00	0.06	0.17	0.12			

Std/Fig in Rs Cr

❑Ratnamani's volume in 2QFY19 is expected to register robust growth, with SS volume expected to grow at 14%YoY to 6603MT and CS to grow over 2 times 2Q18 numbers led by robust demand primarily from water segment. Realization in SS segment are expected to increase by 13% and by 9% in CS segment on YoY basis led by higher steel prices.

❑ Revenue is expected to increase by 73% to Rs.549 crores,YoY growth is due to improved order book position in FY18 as compare to FY17 and those orders are now getting executed. Order book in 2QFY18 stood at Rs.2248 crores as compare to Rs.750 crores in 2QFY17.

❑ EBITDA in 2QFY19 is expected to grow by 66% YoY to Rs.85 crore due to higher volume and realization and stable operating cost.PAT is estimated to be at Rs.48 crore.

❑ Company's order book as on 1 August 2018 stood healthy at Rs.1738 crores with share of SS orders increasing to Rs.471 crores (crossing Rs.400 crores after 12 quarters) providing healthy revenue visibility going ahead. With prospects of capex revival in Oil & Gas and fertilizers sector SS segment's order book has started witnessing traction which would likely have a positive effect on EBITDA margins going ahead.

Key Trackable this Quarter

❑ Volume growth in SS segment.

❑ EBITDA margins (increase in steel prices may put pressure on margins).

We value the stock at 20x FY20e EPS.

Skipper Limited

SKIPPER IN

Metal Sector

CMP	**99**
Target	**120**
Upside	**21%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	23%	18%	12%	14%
Roce%	32%	32%	26%	29%
P/E	16.8	18.7	11.6	8.8
P/B	3.8	3.5	1.4	1.3
EV/Ebdita	8.2	7.8	4.1	3.4

Volumes (mtpa)	**FY17**	**FY18**	**FY19E**	**FY20E**	**Q2FY18***	**1QFY19***	**Q2FY19E**
Engn. Products	200100	230000	264665.05	304364.81	58972	50420	66125
PVC Products	25134	25500	30737.17	38370	5077	6525	7038
Segmental Revenues							
Infra Projects	81	86	89	102	9	19	11
Engn. Products	1424	1807	2,121	2,439	463	404	530
PVC Products	198	215	264	330	43	56	60
Net Sales	1703	2108	2,474	2,871	516	479	601
Financials							
Sales	1,703	2,074	2,476	2,873	516	479	601
Sales Gr	*13%*	*22%*	*19%*	*16%*	*40%*	*2%*	*17%*
Ebdita	246	303	271	325	68	45	67
Ebdita Gr	*12%*	*23%*	*-10%*	*20%*	*27%*	*19%*	*-1%*
Net Profits	112	118	87	115	23	4	22
Profit Gr%	*17%*	*6%*	*-26%*	*32%*	*16%*	*-7%*	*-4%*
EbditaM%	14%	15%	11%	11%	13%	9%	11%
Net Mgn%	7%	6%	4%	4%	5%	1%	4%
D/E	0.84	0.72	0.72	0.69			

**Quarterly volumes are self calculated* Std/Fig in Rs Cr

❑Skipper's revenue in 2QFY19 is expected to grow by 17% to Rs.601 crores led by growth in engineering product division (revenue growth of 14% expected YoY) and robust growth of 40% in Polymer division (management is trying to increase its market share in polymer business).Infrastructure project is expected to grow at 15%.

❑ At EBITDA level margins, are expected to deteriorate by 200 bps to 11% due to increase in other expenses as in pursuit to capture market share company will be providing incentives to dealers and other parties which will lead to margin contraction , which is expected to last for next 2-3 quarters as per management.

❑ PAT is expected to fall by 4% even after 17% of sales growth primarily on account of contraction in PVC segment and also because of higher finance cost. Due to activity of increasing market share in PVC segment we expect company would require more of working capital to meet its need which would lead to higher finance cost going ahead.

Key Trackable this Quarter

❑ Contraction in EBITDA margins due to margin contraction in PVC segment.

❑ Increase in Finance cost due to increase working capital need.

We value the stock at 1.5x FY20e P/BV

Tata Metaliks Limited

Metal Sector

TML IN

CMP	**661**
Target	**715**
Upside	**8%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	56%	44%	33%	28%
Roce%	52%	41%	42%	37%
P/E	12.8	11.7	9.8	8.6
P/B	7.2	5.2	3.2	2.4
EV/Ebdita	7.3	7.4	5.7	5.1

	FY17	FY18	FY19E	FY20E	Q2FY18	1QFY19	Q2FY19E
Pig Iron (MT)	379434	500600	500000	500000	127600	115000	115000
Realization(Rs/t)	25357	27817	31782	31247	27466	32172	32172
DI Pipes (MT)	183947	209600	205000	210000	45600	47000	47150
Realization(Rs/t)	46218	47695	48758	48515	47735	48374	48374
Segmental Revenues							
Pig Iron	962	1393	1589	1562	350	370	370
Ductile Pipe	850	1000	1000	1019	218	227	228
Inter Segment/Others	-494	-519	-578	-590	-118	-130	-133
Total Sales	1318	1873	2011	1991	450	468	465
Financials							
Sales	1,318	1,873	2,011	1,991	450	468	465
Sales Gr	*0%*	*42%*	*7%*	*-1%*	*39%*	*21%*	*3%*
Ebdita	225	277	312	346	67	66	69
Ebdita Gr	*4%*	*23%*	*12%*	*11%*	*47%*	*33%*	*4%*
Net Profits	116	159	170	195	34	31	37
Profit Gr%	*3%*	*37%*	*7%*	*14%*	*54%*	*-1%*	*9%*
EbditaM%	17%	15%	15%	17%	15%	14%	15%
Net Mgn%	9%	8%	8%	10%	7%	7%	8%
D/E	1.60	1.16	0.68	0.43			

Std/Fig in Rs Cr

❑Total pig iron volume is expected to be around 115000 tonnes (down 10% YoY). YoY fall in volume is due to strong 1QFY19 in terms of volume which we expect will moderate volume growth in 2QFY19, realization is expected to be around Rs.32172/t flat QoQ (pig iron prices in the range of Rs.29K-30K/t for 1QFY19 and 2QFY19) and up 26% YoY (pig iron prices up 17% YoY).

❑ Volume growth in DI pipes is expected to be around 3% YoY. We expect volume to be stronger in 2HFY19 (seasonally being the stronger one). Realization is expected to be around Rs.48374/t as management does not expect any material change in realizations.

❑ Sales are expected to grow by 4% YoY. Growth is led by increase in realization in both segment (26% YoY in pig iron and 3% in Di pipes) and QoQ growth is flat as there is no significant change in volume and realization.

❑ EBITDA is expected to post a growth of 4% YoY due to weakness in coking coal prices (down 6% YoY in 2QFY19).

Key Trackable this Quarter

❑ Volume growth in 2QFY19.

❑ Domestic pig iron price and international hard coking coal price movement.

We value the stock at 5.5x FY20e EV/EBITDA.

Tata Sponge Iron Limited

TTSP IN

Metal Sector

CMP	**830**
Target	**985**
Upside	**19%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	7%	14%	15%	13%
Roce%	6%	17%	18%	15%
P/E	18.3	12.5	7.8	7.7
P/B	1.2	1.8	1.1	1.0
EV/Ebdita	12.5	7.3	4.0	3.8

	FY17	FY18	FY19E	FY20E	Q2FY18	1QFY19	Q2FY19E
Sales/Realization							
Sponge Iron (MT)	392000	413500	420000	430000	92000	115142	92400
Realization (Rs/t)	14389	18409	21531	20540	16895	21358	22559
Power (MKWH)	132	144	141	147	30	37	32
Realization (Rs/unit)	4.89	5.03	5.19	5.17	5.13	5.32	5.09
EBITDA/tonne	1572	4418	5028	4869	3739	5233	5127
Financials							
Sales	557	800	961	927	167	261	218
Sales Gr	*-3%*	*44%*	*20%*	*-4%*	*21%*	*49%*	*30%*
COGS	373	496	627	587	*107*	*171*	*139*
COGS % of Sales	*67%*	*62%*	*63%*	*62%*	*64%*	*66%*	*64%*
Ebdita	62	183	211	209	34	60	47
Ebdita Gr	*157%*	*196%*	*5%*	*-1%*	*103%*	*56%*	*38%*
Net Profits	59	141	169	170	28	46	38
Profit Gr%	*84%*	*140%*	*20%*	*1%*	*72%*	*49%*	*37%*
EbditaM%	11%	23%	22%	23%	21%	23%	22%
Net Mgn%	11%	18%	18%	18%	17%	17%	17%
D/E	0.00	0.00	0.00	0.00			

Conso/Fig in Rs Cr

❑Tata Sponge's volume for 2QFY19 is expected to be at 92400 MT (down 20% QoQ and flat YoY), as company took its annual maintenance shutdown in 2QFY19.However, we expect company to register strong volume growth in 2HFY19.

❑ Realization is expected to be up by 34% on the back of continuous increase in sponge iron prices (up close to 30% YoY in 2QFY19), which we expect would lead to sales growth of 30%.

❑ Cost of goods sold as percentage of sales is expected to be around 64% of sales (down 2% QoQ and flat YoY). QoQ decline is because we assume flattish coal rate QoQ and slight decline in iron ore prices (down 2%) whereas we are assuming 6% increase in realization QoQ.

❑ EBITDA and PAT are expected to grow at 38% and 37% YoY in line with growth in sales and no major change in cost of input.

Key Trackable this Quarter

❑ Sponge iron and Coking coal price movement.

❑ Impact of maintenance shutdown on volume.

We value the stock at 5x FY20e EV/EBITDA.

Vedanta Limited

VEDL IN

CMP	**240**
Target	**292**
Upside	**22%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	12%	13%	13%	16%
Roce%	14%	18%	19%	20%
P/E	11.2	13.0	11.0	8.4
P/B	1.3	1.6	1.4	1.4
EV/Ebdita	4.6	5.0	4.0	3.7

	FY17	FY18	FY19E	FY20E	Q2FY18	1QFY19	Q2FY19E
Zinc (kt)	672	791	799	931	192	172	176
Zinc Intl. (kt)	140	171	200	350	43	24	50
Lead (kt)	138	169	175	179	38	42	40
Refined Silver (tons)	453	558	658	775	140	138	145
Aluminium (mt)	1209	1672	2000	2000	380	465	455
Oil & Gas (kboepd)	189926	185587	220000	250000	180956	194986	214510
Financials (Consol.)							
Sales	72,225	91,866	90,945	97,373	21,590	22,206	20,955
Sales Gr	*12%*	*27%*	*-1%*	*7%*	*36%*	*56.15%*	*-3%*
Ebdita	21,332	25,164	28,677	32,202	5,669	6,284	6,802
Ebdita Gr	*41%*	*18%*	*15%*	*13%*	*10%*	*50%*	*20%*
PBT	13,766	16,672	17,409	21,669	3,735	3,360	4,020
Net Profits	9,873	13,692	11,647	14,497	2,986	2,248	2,690
Adj PAT*	7,271	7,983	8,147	10,411	1,905	1,533	1,762
PAT Gr	*29%*	*10%*	*2%*	*28%*	*52%*	*1%*	*-8%*
EbditaM%	30%	27%	32%	33%	26%	28%	32%
Net Mgn%	14%	15%	13%	15%	14%	10%	13%
D/E	1.03	0.77	0.78	0.79			

**Excluding non controlling interest and before exceptional item* Conso/Fig in Rs Cr

❑Revenue is expected to fall by 3% YoY on account of no contribution from copper business. Zinc India's revenue is expected to be flat due to flat volume growth (due to transition from OC to UG operations) and 4% fall in realization QoQ. Aluminium revenue is expected to grow at 3% QoQ led by 2% fall in volume and flattish realization.

❑ Zinc International's revenue is expected to increase to Rs.1015 cr (vs.Rs.573 cr in 1QFY19) driven by increase in volume to 50kt (24kt in 1QFY19 due to planned maintenance shutdown) and EBITDA is expected to grow to Rs.377 cr (vs.Rs.85 cr in 1QFY19) as higher volume would reduce operating cost.

❑ Oil & Gas revenue is expected to grow at 28% (QoQ) and 96% (YoY) led by increase in volume (guidance of 220-250Kboped in FY19 vs. exit rate of 200kbpoed in4QFY18) and increase oil prices.

❑Growth in EBITDA despite fall in sales is on account of copper business as copper business contributed over 25% of topline whereas, it only contributed around 5%-7% at EBITDA level. Aluminium EBITDA is expected to be impacted due to continuous increase in alumina prices as compare to correction in LME aluminium.

Key Trackable this Quarter

❑ LME Zinc Prices.

❑ Imports from FTA countries.

We value the stock at 4.3x FY20e EV/EBITDA.

Aegis Logistics Limited

AEGIS IN

Oil & Gas

CMP	**191**
Target	**252**
Upside	**32%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	14%	16%	18%	19%
Roce%	20%	18%	23%	25%
PE	27.2	32.9	29.6	22.5
PB	3.9	5.4	5.2	4.4
EV/Ebdita	17.1	25.2	20.1	15.6

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Volume('000 MT)							
LPG sourcing	1,043.1	1,176.6	1,026.2	1,239.5	352.9	215.8	241.8
LPG Logistics	1,365.3	1,743.5	2,432.9	2,797.8	441.5	576.5	706.5
Auto Gas	22.3	24.2	27.4	31.1	6.3	6.9	7.3
Bulk LPG	23.5	40.2	67.2	115.7	7.8	11.0	11.6
Commercial LPG	12.5	13.5	15.6	18.1	3.4	3.9	3.5
Financials							
Sales	3,930	4,791	4,999	6,332	1,241	1,017	1,174
Sales Gr	*78%*	*22%*	*4%*	*27%*	*83%*	*19%*	*-5%*
Ebdita	204	266	382	480	68	86	87
Ebdita Gr	*10%*	*31%*	*44%*	*26%*	*43%*	*53%*	*29%*
Net Profits	119	198	252	331	52	59	55
Profit Gr%	*5%*	*66%*	*27%*	*31%*	*93%*	*46%*	*7%*
EbditaM%	5.2%	5.6%	7.6%	7.6%	5.5%	8.5%	7.4%
Net Mgn%	3.0%	4.1%	5.0%	5.2%	4.2%	5.8%	4.7%

Cons./ Fig in Rs Cr

❑In gas division, strong volume growth is expected in LPG terminal segment on the back of stabilization at Haldia terminal. This Haldia terminal was commissioned only in Q3 of FY 2018 and expected to ramp up in FY19.

❑ Aegis Logistics has commercialized major capex plans in both liquid and gas division. The company has already bagged several contracts from existing clients and few contracts are at negotiation stage and are yet to be finalized. The company is gradually ramping up its capacities in order to boost up their volumes which have started reflecting in the books from last two quarters.

❑ In liquid division several projects like Kandla: 100,000KL , Mangalore: 25,000 KL, Haldia: 35,000 KL are commissioned in Q1 FY19 and expects revenue to start coming from Q3 FY19.

❑ HPCL's Uran Chakkan pipeline construction is on track to be commissioned in Dec, 2018.

❑Planned capex for FY19 around Rs. 150 Cr is required.

❑Management has guided for lower interest cost in coming quarters.

❑Adani port has started construction at Mudra terminal. As per the management they have not entered any agreement with OMC's to offtake volume. And thus management does not see any immediate competition arising from this port.

Key Trackable this Quarter

❑ Sourcing and logistics volume in LPG.

❑ LPG distribution volume.

❑ Tax rate

We value the stock at 26x EPS. Recommend BUY

Bharat Petroleum Corporation Ltd

Oil & Gas

BPCL IN

CMP	**369**
Target	**371**
Upside	**1%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	32%	29%	24%	21%
Roce%	16%	14%	13%	20%
PE	8.0	7.8	8.0	8.0
PB	2.5	2.1	1.8	1.6
EV/Ebdita	7.7	7.4	6.6	6.5

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Volume(MMT)							
Refinery Thr.	25	28	29	29	7	8	7
Marketing thr.	38	41	43	44	10	11	10
Financials							
Sales	202,211	236,313	287,873	307,818	53,325	71,697	73,240
Sales Gr	*7%*	*17%*	*22%*	*7%*	*19%*	*25%*	*37%*
Ebdita	10,829	11,669	13,240	14,800	3,528	4,580	3,250
Ebdita Gr	*-2%*	*8%*	*13%*	*12%*	*155%*	*29%*	*-8%*
Net Profits	8,039	7,919	8,857	8,705	2,358	2,293	2,190
Profit Gr%	*21%*	*-3%*	*12%*	*-2%*	*81%*	*208%*	*-7%*
EbditaM%	5.4%	4.9%	4.6%	4.8%	6.6%	6.4%	4.4%
Net Mgn%	4.0%	3.4%	3.1%	2.8%	4.4%	3.2%	3.0%

Std/ Fig in Rs Cr

❑BPCL's Bina refinery (capable of high sulphur crude) is now under process of stablization. This 120,000 bpd Bina refinery in central India has remain shut down for about 45 days from mid-August for maintenance. This refinery has strongly performed in the last quarter and is expected to improve refining margins further in upcoming quarters.

❑Kochi refinery is operating at almost 100% utilization implying cap on strong volume growth going ahead. Management has planned a Kochi refinery shut down in Oct-Nov 2018 for optimization. This refinery is also capable of processing high Sulphur crude which improves margins for the refinery. Post maintenance at Kochi refinery, refining margins is expected to expand to the extent of ~ USD 2/bbl over the next few quarters.

❑BPCL is planning to relocate LPG facility from the Mumbai refinery complex to Rasayani (which is around 60 km off the eastern waterfront) in next two years and build a petchem facility within next five years at an estimated cost of Rs. 36,000-38,000 Cr.

❑Planned capex plans for the current fiscal is Rs.7400 Cr. out of which Rs 5,300 Cr. will be managed through internal accruals and the rest will be funded by debt guidance. This excludes big plans like Mozambique which may come up.

Key Trackable this Quarter

❑Gross Refining Margins

❑Performance of Kochi terminal

❑Ramp-up at Bina refinery

We value the stock at 6.5x FY20e EV/Ebitda. Maintain Neutral

Deep Industries Limited

Oil & Gas

DEEPI IN

CMP	**92**
Target	**98**
Upside	**7%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	18%	17%	16%	14%
Roce%	25%	25%	28%	30%
PE	15.0	6.0	3.6	3.5
PB	2.7	1.0	0.6	0.5
EV/Ebdita	7.8	3.6	2.2	1.9

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Order book(Cr.)	780	610	500	550	650	600	590
Financials							
Sales	277	313	295	292	74	74	74
Sales Gr	*64%*	*13%*	*-6%*	*-1%*	*9%*	*-7%*	*9%*
Ebdita	156	162	168	171	39	40	43
Ebdita Gr	*62%*	*4%*	*4%*	*2%*	*-3%*	*-7%*	*9%*
Net Profits	70	77	83	86	18	18	22
Profit Gr%	*72%*	*10%*	*7%*	*4%*	*7%*	*-14%*	*21%*
EbditaM%	56.2%	51.8%	57.0%	58.4%	53.3%	53.7%	58.0%
Net Mgn%	25.4%	24.8%	28.2%	29.5%	24.5%	24.5%	29.4%

Cons/ Fig in Rs Cr

- Order book as on 30 June 2018 was Rs. 600 Crores (Including order of Rs. 150Crores from ONGC which stands cancelled). The dispute is pending with court and no hearing came till date.
- PSU's has started awarding contracts from last quarter but Deep Industries has not awarded any new contracts till date. All bids placed by the company are under evaluation by PSU's including ONGC.
- Management does not expect any drop in the revenue in FY19 and expects revenue to remain in line with FY18.
- In CM blocks total 5 wells are already drilled and further 36 wells to be drilled in FY19.
- Deep industry has incorporated a new subsidiary DMCC in Dubai for exploration. Recruitment of manpower has already started and company is now contacting major vendors in middle-east countries.
- In Q1 FY19, Deep Industries has successfully executes a US$4 million maiden project in Middle-east and few more projects are under evaluation. With this, the company is smartly diversifying its portfolio in various assets in order to offset the cancellation of orders by ONGC.
- Planned capex in FY19 is around Rs. 100 Crores.(maintenance capex)
- We remain watchful on the contract awarded in the core business of the company (Gas dehydration, gas compression and drilling) from ONGC and other PSU. If absence of any new contract, revenue from the core is expected to come under pressure. Hence we do not expect any significant revenue growth for the company in coming fiscal and remain cautious on this stock.

Key Trackable this Quarter

- Gas production from CBM blocks.
- Revenue guidance from overseas business.

We value the stock at 2x FY20e BV. Maintain NEUTRAL

GAIL (India) Limited

Oil & Gas

GAIL IN

CMP	**380**
Target	**446**
Upside	**17%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	9%	11%	14%	14%
Roce%	9%	11%	13%	13%
PE	18.2	16.0	14.5	13.4
PB	1.7	1.8	2.0	1.8
EV/Ebdita	10.2	9.5	9.0	8.2

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Volume							
Nat. gas(MMSCMD)	402	422	448	475	106	107	112
LPG (MMSCMD)	3,363	3,726	3,794	3,870	918	901	936
NG Mkt.(MMSCMD)	313	327	366	395	72	97	78
Petchem('000 MT)	595	675	706	810	175	166	180
Liquid hydro.('000 MT)	1,097	1,269	1,311	1,337	329	314	335
Financials							
Sales	48,055	53,662	67,392	73,044	12,410	17,299	14,854
Sales Gr	*-7%*	*11%*	*26%*	*8%*	*4%*	*52%*	*20%*
Ebdita	6,409	7,634	8,971	9,719	2,069	2,244	2,370
Ebdita Gr	*50%*	*19%*	*18%*	*8%*	*35%*	*18%*	*15%*
Net Profits	3,503	4,618	5,820	6,311	1,310	1,259	1,583
Profit Gr%	*57%*	*32%*	*26%*	*8%*	*42%*	*23%*	*21%*
EbditaM%	13.3%	14.2%	13.3%	13.3%	16.7%	13.0%	16.0%
Net Mgn%	7.3%	8.6%	8.6%	8.6%	10.6%	7.3%	10.7%

Std/ Fig in Rs Cr

❑Recently PNGRB has revised transmission tariff for the GAIL pipelines which is likely to improve revenue in gas transmission business (which contributes about 10% of total revenues).

❑ GAIL has won 3 bids for City Gas Distribution authorization for Giridihi & Dhanbad Districts in Jharkhand, Sundargarh & Jharsuguda Districts in Odisha and Ganjam, Nayagarh & Puri Districts in Odisha.

❑Company is now focusing on city gas distribution by its own subsidiary Gail gas which gives us volume growth visibility of 10-12% p.a. over FY19-22.

❑ Increasing demand of LPG due to implementation of "Ujjawala" scheme may increase the volume going ahead. Volume growth of 8-10% is expected in coming years.

❑Kochi-Mangalore pipeline commissioning is delayed by two months and is now expected to be operational by March 2019.

❑Management has guided for petchem volume of 7 lakh MT in FY19.

❑ Capex guidance for FY19 is Rs.6500 Crores.

❑There is a planned shutdown at PATA II which leads in lower LPG production in the last quarter.

Key Trackable this Quarter

❑Trading realisations.

❑Volume growth in Natural gas transmission segment.

❑Offtake of Natural gas by City Gas Distribution companies.

We value the stock at 19x FY20e EPS. Recommend BUY

Gujarat State Petronet Ltd

Oil & Gas

GSPL:IN

CMP	**181**
Target	**221**
Upside	**22%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	11%	13%	14%	15%
Roce%	21%	20%	24%	25%
PE	22.0	16.8	13.7	11.0
PB	2.4	2.2	1.9	1.7
EV/Ebdita	12.0	11.0	7.9	6.6

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Gas volume (MSCM)	9,071	11,536	13,147	13,331	2,904	3,321	3,300
Tarrif (INR/SCM)	1.11	1.13	1.12	1.12	1.11	1.14	1.14
Financials							
Sales	1,028	1,332	1,744	1,950	348	391	404
Sales Gr	*-1%*	*30%*	*31%*	*12%*	*26%*	*26%*	*16%*
Ebdita	888	1,148	1,485	1,663	299	344	347
Ebdita Gr	*-2%*	*29%*	*29%*	*12%*	*23%*	*18%*	*16%*
Net Profits	496	669	799	1,002	177	145	184
Profit Gr%	*12%*	*35%*	*20%*	*25%*	*36%*	*-5%*	*4%*
EbditaM%	86.4%	86.2%	85.1%	85.3%	85.8%	87.9%	85.8%
Net Mgn%	48.3%	50.2%	45.8%	51.4%	50.7%	37.1%	45.6%

Std/ Fig in Rs Cr

❑Recently Petroleum and Natural Gas Regulatory Board (PNGRB) revised tariffs for key gas transportation pipelines. GSPL is the key beneficiary of this move and it is expected that this will improve the blended tariffs by around 26% in upcoming quarters.

❑In the current financial year FY19, spot natural gas price has surged by ~10% where as the crude prices has moved up by almost 16% and coal prices by ~15%, petcoke price by 11% in the same period, which increases the attractiveness of natural gas over alternative fuel. This gives us visibility for higher volume demand arising from power and fertilizer plants and volume grow in the range of 13-15% YoY in Q2 FY19e is expected.

❑Further PNGRB has awarded City Gas Distribution rights in new geographies in state of Gujarat. This will gradually enhance demand of natural gas in the state but for now we are waiting for major project work to start by IOC, GGL and Adani Gas. We expect distribution in new geographies to start in next 3 years.

❑Gujarat Gas Ltd. has started to expand its City gas distribution network in 11 geographies which is expected to add ~450-550 MSCM volume in next 2-3 years, so we have assumed that this volume will gradually reflect in coming quarters.

❑In FY18, company has raised substantial debt of Rs. 1200 Crores. in order to buy additional stake in Gujarat Gas Ltd.

Key Trackable this Quarter

❑ Hike in realization

❑ Volume growth

We value the stock at 13x FY20e EPS. Recommend BUY.

Gujarat Gas Limited

GUJS IN

Oil & Gas

CMP	**620**
Target	**643**
Upside	**4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	13%	16%	17%	16%
Roce%	6%	7%	9%	9%
PE	48.7	37.3	22.6	21.2
PB	6.5	5.9	3.9	3.4
EV/Ebdita	17.4	14.5	10.8	10.0

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Volume(MSCM)							
CNG	4.7	5.3	5.7	6.0	1.3	1.4	1.4
PNG(Households)	1.9	2.1	2.2	2.2	0.5	0.4	0.5
PNG (Industrial/Comme	15.1	17.6	18.9	20.4	4.0	4.6	4.3
Total	21.7	25.0	26.7	28.6	5.8	6.4	6.2
Financials							
Sales	5,093	6,174	7,383	7,916	1,391	1,765	1,736
Sales Gr	*-17%*	*21%*	*20%*	*7%*	*12%*	*19%*	*25%*
Ebdita	743	895	978	1,050	203	249	207
Ebdita Gr	*2%*	*20%*	*9%*	*7%*	*-5%*	*-8%*	*2%*
Net Profits	221	291	378	402	61	121	49
Profit Gr%	*16%*	*32%*	*30%*	*6%*	*-15%*	*16%*	*-20%*
EbditaM%	14.6%	14.5%	13.2%	13.3%	14.6%	14.1%	11.9%
Net Mgn%	4.3%	4.7%	5.1%	5.1%	4.4%	6.9%	2.8%

Std./ Fig in Rs Cr

- ❑CNG continues to offer better economies as it is currently priced at Rs. 50.28/kg vs petrol priced at Rs. 82/Lt. gives an opportunity to Gujarat Gas to clock higher volume growth in coming quarters.
- ❑ Similarly, natural gas provides economies when compared to coal and petcoke whose prices have also increased in the last few months.
- ❑ In the last quarter, company has taken price hike across categories in order to pass on the cost hike on its customers and but still some sort of margin pressure is expected in Q2 FY19.
- ❑ Recently prices of the natural gas increased from 3.06 USD/MMBTU to 3.36 USD/MMBTU which is likely to be applicable from Q3 FY19, and hence margin pressure is expected in Q3.
- ❑ Company has set up 44 CNG stations during FY18 and is aiming to add 200+ CNG stations in coming years to tap the opportunity of robust CNG vehicle conversion rates (~50000/annum currently).
- ❑ Gujarat Gas has been rapidly expanding its footprint in Gujarat by way of securing licences to expand its CGD network across five new areas, total count reaches to 19 districts of Gujarat, Dadra and Nagar Haveli, Thane and Palghar in Maharashtra.
- ❑ Company has increased its debt level in the last five years to Rs.2213 Crores till FY18 in order to fund its capex plans.

Key Trackable this Quarter

- ❑ Volume growth
- ❑ EBITDA margins

We value the stock at 22x EPS. Recommend NEUTRAL

Indraprastha Gas Limited

IGL IN

Oil & Gas

CMP	**243**
Target	**314**
Upside	**29%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	20%	19%	18%	18%
Roce%	27%	27%	23%	23%
PE	25.2	30.6	22.7	19.1
PB	4.9	5.8	4.0	3.4
EV/Ebdita	14.8	18.2	17.6	15.3

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	2QFY19E
CNG							
CNG Stations (Nos.)	421	446	435	440	425	447	430
CNG vol(MSCM)	1,269	1,413	1,523	1,633	360	376	381
PNG Voulme							
Connections(mn)	0.74	0.89	1.04	1.19	0.80	0.92	0.96
Ind/Comm (MSCM)	*174*	*203*	*229*	*245*	51	58	56
Domestic (MSCM)	*94*	*109*	*127*	*147*	26	27	31
Natural gas (MSCM)	138	167	191	207	43	44	48
Total PNG Vol	**406**	**479**	**547**	**599**	**120**	**129**	**136**
Financials							
Sales	4,223	5,072	5,875	6,388	1,245	1,422	1,450
Sales Gr	*4%*	*20%*	*16%*	*9%*	*16%*	*22%*	*16%*
Ebdita	964	1,113	1,159	1,337	282	295	285
Ebdita Gr	*24%*	*16%*	*4%*	*15%*	*15%*	*6%*	*1%*
Net Profits	571	671	743	883	169	176	181
Profit Gr%	*36%*	*17%*	*11%*	*19%*	*17%*	*9%*	*7%*
EbditaM%	22.8%	22.0%	19.7%	20.9%	22.6%	20.7%	19.7%
Net Mgn%	13.5%	13.2%	12.6%	13.8%	13.6%	12.3%	12.5%

Std/ Fig in Rs Cr

❑Considering spurt in crude oil prices in the last two months, natural gas prices has been revised from USD 3.06/MMBTU to USD 3.36/MMBTU which is likely to impact the margins of the company for the short term till Q3 FY18 if the company doesn't raise prices of CNG and PNG.

❑In the Q2, company has raised prices in both CNG and PNG segment to the extent of 4.5% on sequential basis in order to pass on the rising gas cost. Margins are likely to be healthy in Q2 quarter.

❑On the volume front, both CNG and PNG volumes are likely to remain robust in Q2 as well as Q3 on the back of major spurt in the prices of the alternate fuel. Futher the management has guided for the double digit volume growth for the next two-three years on the back of expansion in new geographies and better economies of natural gas over alternate fuels.

❑Nearly 3,000-4,000 private cars and 1,000 taxis are getting converted into CNG per month which gives us confidence of steady volume growth of 7-8% p.a. (Ex- Gurugram) for next 2-3 years.

Key Trackable this Quarter

❑EBITDA Margin

❑Industrial/Commercial PNG volume

We value the stock at 25x FY20e EPS. Maintain BUY

Indian Oil Corporation Ltd

IOCL IN

CMP	**155**
Target	**158**
Upside	**2%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	19%	19%	18%	18%
Roce%	16%	17%	16%	16%
PE	9.8	8.0	9.2	8.8
PB	1.9	1.6	1.3	1.2
EV/Ebdita	9.8	8.0	7.8	7.8

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Volume(MMT)							
Refinery Thr.	65	69	71	72	16	18	18
Marketing thr.	80	89	88	89	21	23	22
Financials							
Sales	**359,873**	**424,039**	**503,437**	**637,077**	**90,567**	**129,475**	**125,630**
Sales Gr	*4%*	*18%*	*19%*	*27%*	*13%*	*23%*	*39%*
Ebdita	**31,781**	**39,673**	**38,880**	**39,930**	**7,373**	**12,576**	**8,209**
Ebdita Gr	*51%*	*25%*	*-2%*	*3%*	*28%*	*57%*	*11%*
Net Profits	**19,106**	**21,346**	**20,780**	**21,100**	**3,696**	**6,831**	**4,195**
Profit Gr%	*75%*	*12%*	*-3%*	*2%*	*18%*	*50%*	*14%*
EbditaM%	**8.8%**	**9.4%**	**7.7%**	**6.3%**	**8.1%**	**9.7%**	**6.5%**
Net Mgn%	**5.3%**	**5.0%**	**4.1%**	**3.3%**	**4.1%**	**5.3%**	**3.3%**

Std/ Fig in Rs Cr

❑IOC's Paradip refinery ramp up is on cards and poised to boost profitability in coming quarters while other refineries are operating at optimum levels.

❑ In City Gas Distribution segment, company has participated in 9th round of bidding and has placed bid for 57 GA's out of which the company has won in 18 GA's (including 9 in JV with Adani Gas and 2 in JV with Green Gas).

❑Management expects Paradip refinery and Haldia Coker which is likely to commission in Nov. 2018 to have +ve impact on GRM in coming quarter. It will be a key traceable for upcoming quarter.

❑Iran sanctions are likely to impact Crude oil import by IOC. IOC has contract for 9MMTPA importing on pro-rata basis and this PPU is expected to be completed by December 2018 but till date there is no specific communication on stoppage of imports.

❑Several ongoing projects with refinery upgrades are expected to be completed in 2020. While the polypropylene project at Paradip will be commissioned by Dec'18

❑Total capex of Rs. 22800 Crores. in FY19.

❑IOC will invest Rs 20,000 Crores. in city gas projects in 5-8 years.

Key Trackable this Quarter

❑ Gross Refining Margins

❑ Progress on CGD network expansion

❑ Ramp up of Paradip refinery

We value the stock at 1.2x FY20e book value. Maintain Neutral

Mahanagar Gas Limited

MGL:IN

Oil & Gas

CMP	**813**
Target	**1060**
Upside	**30%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	21%	23%	23%	23%
Roce%	30%	32%	32%	32%
PE	22.4	16.5	15.8	13.8
PB	4.8	4.5	3.3	2.9
EV/Ebdita	13.5	9.9	9.2	8.3

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	2QFY19E
PNG							
Connections(mn)	1.0	1.0	1.1	1.3	1.0	1.1	1.1
Domestic (vol)	244	262	285	311	65	68.34	71
Ind/Com vol(MSCM)	134	137	148	158	35	35.45	38
Total PNG sales	378	399	433	469	100	104	108
CNG							
CNG stations	*203*	*223*	*238*	*253*	207	223	228
CNG vol(MSCM)	693	724	821	911	184	193	209
Financials							
Sales	*2,239*	*2,453*	*2,855*	*3,130*	*588*	*676*	*719*
Sales Gr	-2%	10%	16%	10%	2%	16%	22%
Ebdita	*644*	*780*	*869*	*946*	*200*	*211*	*225*
Ebdita Gr	26%	21%	11%	9%	24%	4%	12%
Net Profits	*393*	*478*	*529*	*579*	*125*	*128*	*140*
Profit Gr%	*27%*	*21%*	*11%*	*9%*	*22%*	*3%*	*12%*
EbditaM%	28.8%	31.8%	30.5%	30.2%	34.1%	31.2%	31.3%
Net Mgn%	17.6%	19.5%	18.5%	18.5%	21.2%	19.0%	19.5%

Std/ Fig in Rs Cr

- ❑The natural gas prices had increased by 11% to USD 3.06/MMBTU in the month of April, 2018 and MGL last raised rates of CNG and PNG in the June 2018. So impact on Q2 FY19 margins will be minimal.
- ❑However natural gas prices has been further revised from USD 3.06/MMBTU to USD 3.36/MMBTU which is likely to impact the margins of the company in Q3 FY18 if the company doesn't raise prices of CNG and PNG.
- ❑MGL has placed bid for three geographies in the 9th CGD round and has won one for Sindhudurg district, Maharashtra only.
- ❑Volume in PNG industrial and commercial sector is expected to grow on the back of higher petcoke prices and ban of petcoke in certain industries gives us confidence of CNG growth rate of 7-8% in FY19.
- ❑Planned capex for FY19 is Rs. 300 Crores

Key Trackable this Quarter

- ❑ Progress on new Geographacal areas bid in 9th round
- ❑ Volume growth in both CNG and PNG
- ❑ Mgt commentary on price hike of CNG and PNG

We value the stock at 18x FY20E EPS. Recommend BUY.

Mangalore Refinery & Petrochem

Oil & Gas

MRPL IN

CMP	**72**
Target	**74**
Upside	**3%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	36%	20%	17%	17%
Roce%	27%	29%	23%	22%
PE	5.1	8.6	5.6	4.6
PB	1.9	1.7	0.9	0.8
EV/Ebdita	4.5	4.6	2.4	1.5

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Volume(Mn Ton)							
Crude Thru.	16.3	16.3	16.4	18.1	3.5	3.9	4.1
Financials							
Sales	43,208	48,451	58,788	62,970	9,097	13,558	15,684
Sales Gr	*9%*	*12%*	*21%*	*7%*	*-9%*	*32%*	*72%*
Ebdita	4,706	4,284	3,891	4,488	908	813	924
Ebdita Gr	*164%*	*-9%*	*-9%*	*15%*	*16%*	*40%*	*2%*
Net Profits	3,644	2,224	2,216	2,744	478	363	507
Profit Gr%	*218%*	*-39%*	*0%*	*24%*	*15%*	*55%*	*6%*
EbditaM%	10.9%	8.8%	6.6%	7.1%	10.0%	6.0%	5.9%
Net Mgn%	8.4%	4.6%	3.8%	4.4%	5.3%	2.7%	3.2%

Std./ Fig in Rs Cr

❑ONGC owned HPCL plans to merge its subsidiary MRPL. HPCL currently owns 17% stake in MRPL while its parent ONGC holds a majority 71.63% stake in the company. This deal will integrate facilities and create operational synergies.

❑ Company's marketing margins are expected to remain under pressure in Q2 FY19 as petrol and diesel final prices to customers have not increased to the extent of rise in international fuel prices. Further amid election year and protest against sharp rise in prices of petrol and diesel may bring price regulation mechanism into play.

❑ We expect better refinery throughput performance with crude volume of 16 MMT for both FY19e.

❑ MRPL's has inaugurated new Retail Outlet at Panambur(Mangalore). Company has also drawn up plans for opening over 100 retail outlet which is likely to improve its overall margins.

❑ Company is actively carrying on forward integration- Polypropylene plant which may improve its margins in coming years.

❑ MRPL is planning to set up company is planning to expand its refining and petrochemical capacity to boost its margins at investment of Rs.11000 Crores. by 2022.

❑ Planned capex of Rs. 1810 Crores will be done to upgrade refinery to Euro VI standard over FY18-20. Other Mangalore refinery up-gradation plans are under consideration.

Key Trackable this Quarter

❑ Gross Refining Margins

❑ Refinery throughput

We value the stock at 0.8x FY20e P/BV. Maintain NEUTRAL

Oil India Limited

OIL IN

Oil & Gas

CMP	**221**
Target	**230**
Upside	**4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	5%	10%	14%	14%
Roce%	4%	8%	12%	13%
PE	17.3	9.5	5.7	5.4
PB	0.9	0.9	0.8	0.8
EV/Ebdita	9.4	7.5	4.5	4.0

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Volume							
Crude (MMT)	3.28	3.39	3.41	3.75	0.85	0.81	0.86
Gas (BCM)	2.63	2.55	2.61	2.67	0.64	0.60	0.65
LPG(MT)	37.13	35.75	40.32	42.33	10.16	8.33	10.67
Financials							
Sales	9,510	10,656	14,471	16,230	2,474	3,390	3,624
Sales Gr	*-3%*	*12%*	*36%*	*12%*	*6%*	*45%*	*47%*
Ebdita	3,105	3,911	6,123	6,789	1,012	1,408	1,655
Ebdita Gr	*-13%*	*26%*	*57%*	*11%*	*35%*	*61%*	*63%*
Net Profits	1,549	2,668	4,066	4,379	646	703	1,620
Profit Gr%	*-33%*	*72%*	*52%*	*8%*	*11%*	*56%*	*151%*
EbditaM%	32.6%	36.7%	42.3%	41.8%	40.9%	41.5%	45.7%
Net Mgn%	16.3%	25.0%	28.1%	27.0%	26.1%	20.7%	44.7%

Std./ Fig in Rs Cr

❑Price of natural gas has increased from 3.06 USD/MMBTU to 3.36 USD/MMBTU. It may improve EPS from 38.1 to 38.6 in FY20e.

❑ In the current financial year, Crude price has surged by 16% to Rs. 5275/bbl which will improve the realization of the company in FY19e.

❑Crude volume growth of 1-1.5% YoY to 0.86 MMT in Q2 FY19 is expected, as major oil fields(like Ningru field, Baghjan field) are under development phase and expected to be completed by 2020.

❑Expanding network of City gas distribution and sequential rise in the prices of pet coke in the last 4 months may led to increase in demand of natural gas, demand of natural gas is expected to grow at CAGR of 8-9% for next couple of years.

❑Natural gas production is expected to remain in the range of 2.7-2.8 MMBTU in FY20e from 2.55 MMBTU in FY18 as the demand remains strong ramp up but the production ramp-up at major fields may take few more quarters.

❑Tax rate is likely to be higher at around 35% in coming quarters as company was availing MAT credit in FY18.

Key Trackable this Quarter

❑ Subsidy sharing with the OMC's.

❑ Volume growth

❑ EBITDA Margins

We value the stock at 0.9x FY20e P/BV. Recommend NEUTRAL

Oil & Natural Gas Corpn Ltd

Oil & Gas

ONGC IN

CMP	**180**
Target	**210**
Upside	**17%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	10%	10%	12%	11%
Roce%	10%	10%	12%	11%
PE	13.3	10.7	8.8	8.4
PB	1.3	1.1	1.0	1.0
EV/Ebdita	7.3	5.8	3.9	3.7

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Crude Volume(MMT)	21	21	20	21	5.3	5.0	5.0
Gas Volume(BCM)	18	19	20	21	4.9	4.9	4.9
Gas Realiz.(INR/BCM)	796	716	872	913	669	831	831
LPG Volume(MMT)	1,352	1,187	1,103	1,125	300	288	279
Financials							
Sales	77,908	85,004	113,215	119,422	18,965	27,213	27,595
Sales Gr	*0%*	*9%*	*33%*	*5%*	*3%*	*43%*	*46%*
Ebdita	31,079	36,988	54,012	56,032	9,136	13,593	13,296
Ebdita Gr	*-4%*	*19%*	*46%*	*4%*	*0%*	*54%*	*46%*
Net Profits	17,900	19,945	24,377	25,499	5,131	6,144	7,536
Profit Gr%	*11%*	*11%*	*22%*	*5%*	*3%*	*58%*	*47%*
EbditaM%	39.9%	43.5%	47.7%	46.9%	48.2%	49.9%	48.2%
Net Mgn%	23.0%	23.5%	21.5%	21.4%	27.1%	22.6%	27.3%

Std/ Fig in Rs Cr

❑Price of natural gas has increased from 3.06 USD/MMBTU to 3.36 USD/MMBTU. It may improve EPS from 19.4 to 19.9 in FY20e.

❑Management has guided for total (Domestic + JV) oil production at 26.9MMT and gas production at 29.53 BCM in FY19e.

❑ONGC has kick-started its USD 5.07 billion KG oil and gas project by spudding the first of the 34 wells, targeting first gas by end of 2019.

❑In the current financial year, Crude price has surged by 16% to Rs. 5275/bbl which will improve the realization of the company in FY19e. Major hangover is subsidy sharing.

❑ Ramp-up in oil production from the redevelopment projects in the Mumbai offshore area (North & South), associated oil from Daman and Vasai (East) is expected to improve oil volume of ONGC from end of 2018. For Q2 FY19, volume is expected to grow by 1.5-2% YoY to 5MMT on the back of slight delay in ramp-up at major fields.

❑Debt (Stdalone) level has reduced from Rs.25000 Crores to Rs.21000 Crores and further debt repayment guidance of Rs.4000 Crores in FY19E.

❑There is decline of 40% in the workover cost at Rigs and this reduction in cost is sustainable.

❑Planned capex for FY19 is Rs. 32000 Crores. (standalone). Capex may be funded by debt.

Key Trackable this Quarter

❑ Subsidy sharing with the OMC's

❑ Volume growth

We value the stock at 10x FY20e EPS. Recommend BUY

Petronet LNG Limited

PLNG

Oil & Gas

CMP	**227**
Target	**286**
Upside	**26%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	21%	21%	21%	19%
Roce%	23%	28%	27%	25%
PE	17.7	17.5	13.6	12.5
PB	3.7	3.7	2.8	2.4
EV/Ebdita	12.1	11.0	8.7	7.9

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Dahej sales(TBTU)	714	816	874	938	210	214	221
Utilization	112%	106%	101%	105%	110%	112%	99%
kochi sales(TBTU)	15	32	45	77	10	6	10
Utilization	*6%*	*12%*	*17%*	*30%*	16%	10%	15%
Financials							
Sales	24,616	30,599	34,209	35,708	7,770	9,169	8,371
Sales Gr	*-9%*	*24%*	*12%*	*4%*	*17%*	*42%*	*8%*
Ebdita	2,592	3,312	3,609	3,776	899	934	968
Ebdita Gr	*63%*	*28%*	*9%*	*5%*	*24%*	*26%*	*8%*
Net Profits	1,706	2,078	2,371	2,587	589	587	659
Profit Gr%	*87%*	*22%*	*14%*	*9%*	*28%*	*34%*	*12%*
EbditaM%	10.5%	10.8%	10.6%	10.6%	11.6%	10.2%	11.6%
Net Mgn%	6.9%	6.8%	6.9%	7.2%	7.6%	6.4%	7.9%

Std/ Fig in Rs Cr

- In the last few months, international spot natural gas price has almost remain unchanged, however depreciation of rupee against dollar may impact the cost of import for the PLNG in coming quarters.
- PLNG has taken hike in realization taken in Jan 2018, to offset the cost hike, regas tariff, better cost efficiency have helped company to improve its margins from Q1 FY19 and we expect margins at around current levels going forward.
- We expect volume growth of approx 11% in FY19. Increasing demand from the fertilizer and power plants, ban of petcoke in certain areas of our country, expanding network of city gas distribution companies.
- BPCL's Kochi refinery expansion has been completed and has started off-taking volumes from PLNG but Fertilisers and Chemicals Travancore Limited (FACT) has lowered its off take from PLNG which capped utilization level at Kochi terminal to 10% in Q1 FY19. Kochi terminal is expected to clock throughput of 45 TBTU in FY19e implying 17% utilization level.
- Dahej capacity expansion to 17.5MMT is on track and is expected to come on stream in the month of June 2019.
- Mundra terminal is expected to be commissioned in next few months
- Management guides Capex of Rs. 230 crores for FY19.
- Guidance for Tax rate is 30-34%. Now the company is out of MAT.

Key Trackable this Quarter

- Realization and regas tariff has improved in the last quarter.

We value the stock at 16x FY20e EPS. Recommend BUY

Reliance Industries Limited

RIL IN

Oil & Gas

CMP	**1229**
Target	**1391**
Upside	**13%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	11%	12%	13%	13%
Roce%	8%	11%	12%	13%
PE	13.5	15.5	17.6	15.9
PB	1.5	1.9	2.3	2.0
EV/Ebdita	12.0	11.9	10.3	9.0

	FY17	FY18	FY19E	FY20E	2QFY18	1QFY19	Q2FY19E
Volume(MMT)							
Crude refined vol	70.2	70.0	71.0	71.0	18.1	16.6	17.6
Crude oil vol	7.2	6.1	5.0	5.0	1.6	1.3	1.3
Natural Gas vol	164	130	108	108	35	27	27
Org. stores(Nos)	*3,616*	*3,837*	*4,213*	*4,493*	3,679	4,003	4,073
Petchem vol	24.9	30.8	40.8	44.9	7.5	9.2	9.8
Financials							
Sales	*305,382*	*391,677*	*566,626*	*649,346*	*95,085*	*133,069*	*144,697*
Sales Gr	*11%*	*28%*	*45%*	*15%*	*16%*	*47%*	*52%*
Ebdita	46,194	64,176	91,203	104,474	15,565	20,661	23,686
Ebdita Gr	*11%*	*39%*	*42%*	*15%*	*39%*	*65%*	*52%*
Net Profits	29,833	36,080	43,154	47,980	8,097	9,485	25,644
Profit Gr%	*0%*	*21%*	*20%*	*11%*	*12%*	*4%*	*217%*
EbditaM%	15.1%	16.4%	16.1%	16.1%	16.4%	15.5%	16.4%
Net Mgn%	9.8%	9.2%	7.6%	7.4%	8.5%	7.1%	17.7%

Cons/ Fig in Rs Cr

❑Company is aggressively expanding its network in organised retail segment and ramp up major capacities in petrochemicals segment has started contributing significantly in the last few quarters and is expected to report good set of numbers in Q2 FY19.

❑ Petrochemicals segment is expected perform better in terms of revenue in Q2, on the back of volume growth due to ramp up of pet coke gasification projects in Jamnagar, and increased realization in the last few months led by the higher crude oil prices.

❑ Recent underlying weakness in refining and petchem margins due to sharp upsurge in crude prices poses risks to RIL's earnings in the near term.

❑ Reliance retail is aggressively expanding its footprint in retail and has opened 4,000 new stores within the Reliance Retail format this year. We believe that this segment will continue to outperform in coming quarters and expects revenue to grow by around 51% YoY to Rs.104,000 Cr in FY19e.

❑ Reliance Jio has recently launched Jio Gigafiber which provides 3 months free trial period and till last quarter Jio subscriber count has reached to 215 million. Jio is aggressively capturing market share which gives us confidence for the long term growth prospect of the company.

❑ Planned capex for FY19 is around Rs. 40,000 Crores.

Key Trackable this Quarter

❑ Subscribers growth and ARPU of Jio.

❑Refining and petchem margins of the company.

❑Interest cost and depreciation

We value the stock at 18x FY20e EPS. Recommend BUY.

Cyient Limited

CYL IN

IT Sector

CMP	**759**
Target	**803**
Upside	**6%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20
Roe%	17%	18%	18%	19%
Roce%	18%	19%	21%	22%
PE	15.5	19.2	19.1	15.6
PB	2.5	3.3	3.2	2.8
EV/Ebdita	9.6	13.1	11.9	9.6

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues (USD m)	**538**	**607**	**679**	**778**	**150**	**161**	**166**
Segment revenue (in crore)							
Mfg and industrial	*1,300*	*1,460*	*1,635*	*1,944*	355	385	*397*
Utilities,geo and comm	1,942	2,060	2,490	2,914	509	574	608
DLM	*365*	*398*	*565*	*586*	102	121	*137*
Total	**3,607**	**3,918**	***4,690***	***5,444***	**965**	**1,080**	***1,142***
Financials							
Sales	3,586	3,914	4,690	5,445	965	1,080	1,142
Sales Gr	*13%*	*16%*	*9%*	*20%*	*16%*	*20%*	*18%*
Ebdita	477	535	637	765	140	131	156
Ebdita Gr	*13%*	*12%*	*19%*	*20%*	*10%*	*15%*	*12%*
Net Profits	340	403	459	570	*111*	82	111
Profit Gr%	*4%*	*18%*	*14%*	*24%*	*15%*	*-7%*	*-1%*
EbditaM%	13.3%	13.7%	13.6%	14.0%	14.5%	12.1%	13.7%
Net Mgn%	9.5%	10.3%	9.8%	10.5%	11.5%	7.5%	9.7%

Conso/Fig in Rs Cr

❑ Sales are expected to improve in 2QFY19 led by bounce back of Aerospace & Defense in 2QFY19. Communication (which contributes 22% of revenue) is expected to witness double-digit growth as client-specific issues are behind. However revenue growth will see some impact due to challenges in Utility segment as the segment is project-driven and continues to face phasing challenges.

❑ Margins are expected to improve by 200bps in 2QFY19 mainly led by operational efficiency and benefit from INR depreciation. However, this will be offset by the 2nd tranche of wage hikes (impacting 90-100bps) and increased investments.

❑ Tax rate benefit of over 200 bps (US tax rate reform and higher growth from SEZ) expected.

❑ The Company hedged 70% of forward contract for the next 12-month, they would get benefit of INR depreciation in operating side (50-70bps) but it may be offset by lower other income(due to forex loss).

❑ The management has maintained its outlook for FY19 with double-digit revenue growth in services, 20% organic growth in DLM (35% including B&F) and flat EBITDA margin.

Key Trackable this Quarter

❑ Aerospace & defense to see growth of 10% in FY19.

❑ Double-digit growth in communication segment and increase in DLM revenue.

❑ Change in onshore- offshore mix to restrict margin expansion.

We value the stock at 16x FY20E. Maintain Neutral.

HCL Technologies Limited

IT Sector

HCLT IN

CMP	**1084**
Target	**1166**
Upside	**8%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20
Roe%	32%	32%	33%	30%
Roce%	31%	28%	30%	27%
PE	14.5	15.5	14.7	13.9
PB	3.8	3.7	3.6	2.9
EV/Ebdita	11.2	11.7	10.5	9.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Software Ser Rev $mn	4,051	4,589	5,021	5,453	1,116	1,203	1,237
IMS Rev. $mn	2,767	2,959	3,118	3,373	742	745	768
Software Service	27,139	29,611	34,832	38,168	7,200	8,122	8,646
IMS	18,543	19,095	21,633	23,612	4,783	5,031	5,366
BPO Service	1,886	1,863	3,165	3,555	450	725	781
Total	47,568	50,569	59,630	65,335	12,433	13,878	14,793
Financials							
Sales	47,568	50,569	59,630	65,335	12433	13,878	14,793
Sales Gr	*55%*	*6%*	*18%*	*10%*	*8%*	*14%*	*19%*
Ebdita	10,385	11,246	13,569	14,708	2741	3,237	3,301
Ebdita Gr	*59%*	*8%*	*21%*	*8%*	*10%*	*20%*	*24%*
Net Profits	8,606	8,722	9,966	10,545	2,207	2,431	2,371
Profit Gr%	*52%*	*1%*	*14%*	*6%*	*9%*	*10%*	*7%*
EbditaM%	21.8%	22.2%	22.8%	22.5%	22.0%	23.3%	22.3%
Net Mgn%	18.1%	17.2%	16.7%	16.1%	17.8%	19.9%	19.3%

Conso/Fig in Rs Cr

❑ 2QFY19 sales are expected to improve 3% QoQ led by robust deal wins, contribution from new acquisitions (Actian and H&D International) and continued growth momentum in the ER&D. However de-focus from India System Integration projects continue to impact revenue in 2QFY19.

❑ Mode 3 which mainly constitutes of intellectual property-related businesses will see some softness in 2QFY19 due to seasonality in the business.

❑ IMS which is HCLT's key growth driver prior to FY18 (which was 25-30% YOY CC growth 6-7 quarters ago)is expected to improve in 2QFY19, however it is expected to be in 10% range for FY19 and expected to reach same level(25%YoY)in FY20 as the deal size increases .

❑ Margin are expected to be in 19.3% for 2QFY19 as the company will continue to see impact of India SI projects, weakness in seasonal weakness in IP revenue . Benefit of INR depreciation will be seen but it will not completely flow to bottom line as the pricing of new deals is getting driven around the higher dollar/rupee conversion ratio so margin maybe at similar levels for FY19.

❑ For FY19, HCLT guided for CC revenue growth of 9.5-11.5% (incl. inorganic growth) similar to FY18 guidance. 5.25 approx expected from inorganic investments (including acquisition from C3i solutions USD200m) and other from organic growth (5.25%).

Key Trackable this Quarter

❑ Organic growth outlook.

❑ Continued deal wins.

❑ CC revenue growth of 9.5-11.5% for FY19.

We value the stock at 15x FY20E EPS. Maintain Neutral.

Infosys Limited

INFO IN

IT Sector

CMP	**733**
Target	**824**
Upside	**12%**
Rating	**BUY**

	FY17	FY18	FY19	FY20
Roe%	21%	25%	23%	24%
Roce%	26%	25%	29%	30%
PE	16.3	15.4	20.1	17.8
PB	3.4	3.8	4.6	4.3
EV/Ebdita	13.8	14.0	16.1	14.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenue USD mn	10,206	10,898	11,699	12,761	2,720	2,831	2,904
Revenue by industry							
Financial services		3,574	3,710	3,977	903	900	927
Retail		1,756	1,961	2,213	434	470	484
Communication		1,373	1,465	1,565	338	360	365
Energy, Utilities, Resources & Servic		1,286	1,483	1,685	319	351	365
Manufacturing		1,031	1,129	1,236	254	272	277
Hi Tech		793	859	949	196	209	214
Life Sciences		725	759	789	183	187	189
Other		360	333	347	93	82	83
Financials							
Sales	68,485	70,522	81,178	89,326	17,567	19,128	20,298
Sales Gr	*10%*	*3%*	*15%*	*10%*	*1%*	*12%*	*16%*
Ebdita	18,605	19,011	21,329	24,108	4,702	4,703	5,393
Ebdita Gr	*9%*	*2%*	*12%*	*13%*	*-1%*	*3%*	*15%*
Net Profits	14,353	16,029	15,884	17,981	3,726	3,612	3,975
Profit Gr%	*5%*	*12%*	*-1%*	*13%*	*3%*	*4%*	*7%*
EbditaM%	27.2%	27.0%	26.3%	27.0%	27%	25%	27%
Net Mgn%	21.0%	22.7%	19.6%	20.1%	21%	19%	20%

Conso/Fig in Rs Cr

❑ 2QFY19 is a seasonally strong quarter for Infosys, thus the sales are expected to increase 3%QoQ on the back of adoption of digital offering, increase in north America spending and improvement in financial service in Europe.

❑ Financial service is expected to improve in 2QFY19 as Europe will start to see improvement and TCV will continue to increase in 2QFY19 (BFSI constituting for 40% of the TCV won in 1QFY19).

❑ Margins are expected to improve 50 bps in 2QFY19(excluding the impact of Rs270 crores on sale of Panaya)on the back INR depreciations benefit (50 to100bps), however it will likely to curtailed by investment done by the company in emerging technologies and wage revision for senior management. Even the management had outlined 100 bps investments as a part of growth acceleration plan.

❑ Attrition will be major concern for the management as it is continuing to increase and reached 23% in 1QFY19.

Key Trackable this Quarter

❑ Financial services to be better in FY19.

❑ Outlook on multi- year deal wins and increased TCV wins from BFS.

We value the stock at 20x FY20E. Maintain Buy.

Larsen & Toubro Infotech Ltd

IT Sector

LTI IN

CMP	**1914**
Target	**1895**
Upside	**-1%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20
Roe%	37%	32%	34%	30%
Roce%	40%	29%	36%	31%
PE	12.5	20.7	22.6	20.2
PB	3.9	6.0	6.7	5.4
EV/Ebdita	9.6	19.1	19.0	17.2

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues ($ m)	**972**	**1,132**	**1,352**	**1,555**	**271**	**319**	**333**
BFSI	3,073	3,451	4,605	5,450	838	1,058	1,142
Manufacturing	1,189	1,227	1,371	1,435	281	340	341
CPG, Retail, Pharma & o	*824*	*990*	*1,259*	*1,437*	230	295	311
Energy& Utilies	*722*	*856*	*915*	*1,029*	210	220	226
Hi tech, Media	694	782	1,079	1,377	193	244	262
Total	6,503	7,306	9,230	10,729	1,751	2,156	2,282
Financials							
Sales	6,501	7,307	9,230	10,729	1,751	2,156	2,282
Sales Gr	*11%*	*12%*	*26%*	*16%*	*9%*	*29%*	*30%*
Ebdita	1,230	1,188	1,716	1,882	294	419	411
Ebdita Gr	*20%*	*-3%*	*44%*	*10%*	*-3%*	*50%*	*40%*
Net Profits	971	1,113	1,459	1,629	273	361	347
Profit Gr%	*16%*	*15%*	*31%*	*12%*	*17%*	*35%*	*27%*
EbditaM%	18.9%	16.3%	18.6%	17.5%	16.8%	19.4%	18.0%
Net Mgn%	14.9%	15.2%	15.8%	15.2%	15.6%	16.8%	15.2%

Conso/Fig in Rs Cr

- Sales are expected to show top quartile growth in FY19 on the back of solid growth in BFS, CPG Retail & Pharma and Hi-tech & Media.
- BFS vertical (contributes 31% of revenue) saw ~12% QoQ growth in Q1FY19. We expect the growth momentum in BFSI to continue in 2QFY19 as the company will continue to get benefit of tax cut and growth in the US economy.
- With strong Order bookings and deal pipeline, Energy & utility vertical is expected to recover in 2QFY19.
- In the near term, Q2FY19 will see ~180bps dip in margin due to wage increments, partially offset by absence of VISA costs. However, on a full year basis the EBIT margin is expected to improve by 250bps mainly led by Improvement in realized rate, strong cross-currency tailwind and pass-through revenues.

Key Trackable this Quarter

- Management conviction of its past guidance of top quartile growth in FY19.
- BFSI demand environment in US.
- Key deal wins to foster future growth.
- Outlook on margin going forward owing to depreciation in Rupee.

We value the stock at 20x FY20E. Maintain Neutral

Mastek Limited

MAST IN

IT Sector

CMP	**452**
Target	**532**
Upside	**18%**
Rating	**BUY**

	FY17	FY18	FY19	FY20
Roe%	7%	12%	14%	16%
Roce%	10%	15%	18%	19%
PE	11.5	16.5	11.1	9.3
PB	1.0	2.1	1.7	1.5
EV/Ebdita	8.3	11.3	7.7	6.1

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenue by industry							
UK	465	563	733	866	136	174	184
US	62	237	265	300	58	65	66
Others	35	17	20	20	4	5	5
TOTAL	*562*	*818*	1,018	1,186	198	244	256
UK Growth	-7.7%	21.1%	30.2%	18.1%	56.8%	31.6%	28.9%
US Growth		282.3%	11.8%	13.3%		15.0%	13.9%
Financials							
Sales	562	817	1,018	1,187	198	244	256
Sales Gr	*7%*	*45%*	*25%*	*17%*	*58%*	32%	29%
Ebdita	53	100	130	154	24	31	33
Ebdita Gr	*191%*	*89%*	*30%*	*19%*	*112%*	*38%*	*39%*
Net Profits	37	70	95	113	17	22	24
Profit Gr%	*169%*	*90%*	*36%*	*19%*	*129%*	*53%*	*39%*
EbditaM%	9.4%	12.2%	12.7%	13.0%	12.0%	12.7%	12.9%
Net Mgn%	6.6%	8.6%	9.4%	9.5%	8.8%	9.2%	9.5%

Conso/Fig in Rs Cr

❑ Sales are expected to improve in 2QFY19 led by large deal wins and healthy pipeline in UK and strong performance in US (where company has entered 18 month back) in its digital business.

❑ Margin are expected to see benefit from currency fluctuation and improvement in onshore delivery. However volatility will be seen in the quarter due to continued investment to grow the business.

❑ Order book for 1QFY19(Rs. 504 crores) saw a dip due to timing issue and closing of some project , it is expected to improve 2QFY19 .

❑ Mastek had cash and cash equivalents of around Rs. 200 crores in its book in 1QFY19 excluding the holdings in Majesco (13.8% stake in Majesco USA). Management has indicated that if needed it would sell its stake in Majesco for its M&A plan.

❑ With New leadership team (appointment of CEO Mr. John Owen), strong performance by UK and new logo wins, the management expect the growth to continue in FY19 too.

Key Trackable this Quarter

❑ Management expects 10% year-over-year growth for US market.

❑ Growth in UK business to remain in momentum.

❑ Management aims EBDITA Margin of 14% to 15% in next 3 years.

We value the stock at 11times FY20 EPS.Maintain Buy

MindTree Limited

MTCL IN

IT Sector

CMP	**1073**
Target	**1267**
Upside	**18%**
Rating	**BUY**

	FY17	FY18	FY19	FY20
Roe%	16%	21%	23%	25%
Roce%	19%	19%	24%	26%
PE	18.2	21.9	24.3	17.8
PB	2.9	4.6	5.5	4.4
EV/Ebdita	10.6	16.8	17.2	13.3

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenue USD mn	780	847	1,012	1,183	206	242	249
Revenue by industry							
Retail, CPG & Mfg.	1,248	1,269	1,630	1,947	312	378	404
BFSI	1,288	1,326	1,560	1,886	329	366	383
Tech & Media	1,924	2,047	2,711	3,279	497	637	673
Travel & Hospitality	777	822	1,048	1,161	193	259	260
TOTAL	*5,236*	*5,463*	6,949	8,273	1,332	1,640	1,720
Financials							
Sales	5,236	5,463	6,951	8,278	1,332	1,640	1,721
Sales Gr	*12%*	*4%*	*27%*	*19%*	*3%*	*27%*	*29%*
Ebdita	705	741	1,046	1,334	154	231	258
Ebdita Gr	*-14%*	*14%*	*15%*	*16%*	*-5%*	*61%*	*67%*
Net Profits	419	570	743	1,014	125	158	180
Profit Gr%	*-24%*	*10%*	*11%*	*12%*	*32%*	*30%*	*44%*
EbditaM%	13.5%	13.6%	15.0%	16.1%	11.6%	14.1%	15.0%
Net Mgn%	8.0%	10.4%	10.7%	12.2%	9.4%	9.6%	10.5%

Conso/Fig in Rs Cr

❑ Mind tree sales are expected to improve 3% QOQ in 2QFY19 led by continued traction from digital, strong growth in top client and healthy TCV growth.

❑ Mindtree's renewed deal stood at USD255m contributing to majority of deal closures in 1QFY19. However softness was seen in new deals TCV (USD51m) which is expected to improve in the rest of the year as management is seeing robust deal wins.

❑ Margins are expected to improve by 90bps as large deals wins coming in at higher margins, improved execution and INR depreciation benefit may play out in 2QFY19.

❑ Management expects faster growth in bottom line than in top line.

❑ Bluefin and Magnet360 which have been under pressure since time of acquisition are expected to show better performance in FY19.

Key Trackable this Quarter

❑ Strong deal pipelines leading to strong revenue growth.

❑ Steady increase in revenue contribution from Digital.

❑ BFSI traction to come in 2QFY19.

We value the stock at 21x FY20E. Maintain Neutral.

MphasiS Limited

MPHL IN

IT Sector

CMP	**1160**
Target	**1288**
Upside	**11%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19	FY20
Roe%	13%	15%	18%	17%
Roce%	14%	18%	21%	21%
PE	15.4	19.5	20.8	18.9
PB	2.0	3.0	3.7	3.3
EV/Ebdita	12.2	15.3	16.6	14.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues ($ mn)	**894**	**989**	**1,116**	**1,256**	**242**	**269**	**277**
Segment revenue ($mn)							
Direct International	643	691	*771*	*869*	170	186	191
DXC / HP Business	214	260	310	350	63	74	76
Others	36	38	*35*	*38*	9	9	9
Total	894	989	1,116	1,256	242	269	277
Financials							
Sales	6,076	6,546	7,625	8,607	1,605	1,820	1,895
Sales Gr	*0%*	*8%*	*16%*	*13%*	*6%*	*19%*	*18%*
Ebdita	969	1,062	1,344	1,523	249	320	339
Ebdita Gr	*8%*	*10%*	*26%*	*13%*	*1%*	*39%*	*36%*
Net Profits	792	837	1,077	1,185	198	258	271
Profit Gr%	*18%*	*6%*	*29%*	*10%*	*-6%*	*38%*	*37%*
EbditaM%	15.9%	16.2%	17.6%	17.7%	15.5%	17.6%	17.9%
Net Mgn%	13.0%	12.8%	14.1%	13.8%	12.3%	14.2%	14.3%

Conso/Fig in Rs Cr

❑ HP channel (27% of revenue) has expanded from being one dimensional to four HPE, HP Inc, DXC and Micro Focus. Investments are being made in Digital cloud and automation in terms of capabilities and in new geographies. With multiple opportunities, we expect the channel to grow at or above market in FY19.

❑ Due to its focus on digital, Mphasis has seen increase in pricing which will aid revenue growth in FY19.

❑ Digital Risk (22% of direct international channel) business is key to Mphasis strength in BFSI domain and expected to stabilize in the desired range of USD28-30m in 2QFY19.

❑ Europe which has shown strong growth in last quarter is expected to continue improve in 2QFY19 as the company continues to focus in sales and investments within the region.

❑ Margin are expected to land in the higher end of guided range of 15% to 17% on the back of FX tailwind, shift in business model and better margin in the digital services.

Key Trackable this Quarter

❑ Expanded relationship with HP to aid strong revenue growth

❑ Continued increase in share of Digital/Newgen (44.9% of Direct Core).

❑ For structuring process, company may avail M&A option.

❑ Margin expected to be in range of 15% to17% band despite wage hike in 3QFY19.

We value the stock at 21x FY20EPS. Maintain Accumulate.

NIIT Technologies Limited

NITEC IN

IT Sector

CMP	**1217**
Target	**1342**
Upside	**10%**
Rating	**HOLD**

	FY17	FY18	FY19	FY20
Roe%	18%	16%	16%	17%
Roce%	18%	18%	21%	22%
PE	9.8	17.2	19.1	16.3
PB	1.6	3.0	3.6	3.1
EV/Ebdita	4.9	9.8	12.0	10.1

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues growth(%)	4%	7%	18%	17%	6%	16%	19%
Vertical Mix(mn $)							
BFSI	175	197	239	286	47	56	58
Travel & Trans.	*134*	*126*	*141*	*159*	30	34	35
Mfg, Med & Oth	*109*	*138*	*139*	*145*	35	34	35
Financials							
Sales	2,802	2,991	3,530	4,128	737	825	850
Sales Gr	*4%*	*7%*	*18%*	*17%*	*6%*	*16%*	*19%*
Ebdita	480	501	597	701	122	132	151
Ebdita Gr	*1%*	*4%*	*19%*	*17%*	*6%*	*21%*	*23%*
Net Profits	272	308	391	434	73	90	99
Profit Gr%	*-5%*	*13%*	*27%*	*17%*	*24%*	*63%*	*35%*
EbditaM%	17.1%	16.7%	16.9%	17.0%	16.5%	15.9%	17.2%
Net Mgn%	9.7%	10.3%	11.1%	11.1%	9.9%	11.0%	11.2%

Conso/Fig in Rs Cr

❑ 2QFY19 revenue growth are expected to improve as the impact of Morris has 100% bottomed out, strong traction continuing in Digital and continued ramp up in order book (which is now USD 151mn).

❑ The management expects double digit growth in revenue in FY19 on an organic basis in CC terms owing to a healthy order book attained in FY18 and deal win momentum.

❑ As BFS industry spending is increasing significantly, with increase in spending across regulatory and innovation domains, BFS is expected to show a strong growth in FY19. Also, digital engagements will also aid growth in BFS in FY19.

❑ Margin are expected to slightly improve in 2QFY19 as wage hikes, H1B visa fees and the seasonality in GIS revenues has been already seen in 1QFY19, thus we expect to see increased margin as onsite /offshore mix improves and increased contribution of high margin digital segments.

Key Trackable this Quarter

❑ Management expects to win around 8 new clients per quarter (4to 5 client last quarter).

❑ Commentary regarding new compensation, crucial for margin in FY19

❑ Significant growth in revenue driven by Digital and bottomed out of Client specific issue .

❑ Double digit growth in revenue on an organic basis in CC terms in FY19.

We value the stock at 18x FY20E. Maintain Hold.

Persistent Systems Limited

PSYS IN

IT Sector

CMP	**730**
Target	**900**
Upside	**23%**
Rating	**BUY**

	FY17	FY18	FY19	FY20
Roe%	17%	16%	17%	18%
Roce%	18%	15%	18%	20%
PE	16	18	16	12
PB	3	3	2	2
EV/Ebdita	10	12	10	8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues growth(%)	**22%**	**10%**	**9%**	**14%**	**12%**	**9%**	**15%**
Revenue by industry							
Services	195	206	211	229	52	51	52
Digital	70	100	116	150	25	26	28
Alliance	126	130	161	181	32	40	39
Accelerite	38	34	25	26	10	6	6
TOTAL	429	471	513	586	118	124	126
Financials							
Sales	2,878	3,034	3,543	4,102	761	834	875
Sales Gr	*24%*	*5%*	*17%*	*16%*	*8%*	*15%*	*15%*
Ebdita	465	466	582	697	116	140	139
Ebdita Gr	*12%*	*0%*	*25%*	*20%*	*5%*	*34%*	*20%*
Net Profits	302	323	376	480	83	88	89
Profit Gr%	*1%*	*7%*	*16%*	*28%*	*12%*	*17%*	*8%*
EbditaM%	16.2%	15.4%	16.4%	17.0%	15.2%	16.8%	15.9%
Net Mgn%	10.5%	10.7%	10.6%	11.7%	10.9%	10.5%	10.2%

Conso/Fig in Rs Cr

❑ Digital unit saw a dip in 1QFY19 due to completion of project with two partner platform and delay in ramping up of new deals. However with robust pipeline we expect the digital unit to recover gradually and return back to its 30% growth in FY19.

❑ With strong pipeline and great traction from the focus areas, the management expects technology service business to be well poised for driving the growth in future.

❑ IP revenues (which contribute 27% of overall revenue) increased 30% QoQ in 1QFY19 due to strong performance in the IBM business as well as the ramp up of new IP deals. We expect strong deal momentum to continue for rest of the year.

❑ EBIT margins for 2QFY19 are expected to be impacted because of wage hikes by 2%. The overall margin for the year is expected to improve by 100 bps in FY19.

❑ Alliance expected to see weakness due to Seasonality in IBM IoT.

Key Trackable this Quarter

❑ Digital (contributes 21% of revenue)is expected to recover in 2QFY19 on back of robust pipeline and deal wins.

❑ Accelerite revenue to bounce back in 2QFY19 as demand for new products (Neuro, Share Insights and Sentient) and new project ramps up.

We value the stock at 15x FY20E. Maintain Buy.

Sonata Software Limited

SSOF IN

IT Sector

CMP	**353**
Target	**420**
Upside	**19%**
Rating	**BUY**

	FY17	FY18	FY19	FY20
Roe%	29%	31%	33%	32%
Roce%	29%	28%	30%	35%
PE	21.4	17.6	16.1	14.4
PB	5.6	5.2	5.0	4.3
EV/Ebdita	16.0	13.3	11.0	9.4

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
IIT Services growth	18%	19%	15%	12%	18%	22%	12%
Domestic growth	36%	-12%	10%	14%	-39%	2%	97%
Revenue (Ex intersegmental)							
Intl Services- OPD	234	267	297	329	68	72	73
Intl Services-TTL	214	255	290	332	63	69	71
Intl Services-Retail Dist.	195	237	269	310	61	64	66
Intl Services-Others	134	170	209	223	42	51	52
Domestic	1,764	1,547	1,704	1,942	200	437	393
TOTAL	*2,541*	*2,475*	2,768	3,136	*434*	*694*	656
Financials							
Sales	2,521	2,454	2,749	3,117	427	688	652
Sales Gr	*30%*	*-3%*	*12%*	*13%*	*-18%*	*8%*	*53%*
Ebdita	192	231	306	343	55	73	75
Ebdita Gr	*0%*	*20%*	*32%*	*12%*	*8%*	*54%*	*37%*
Net Profits	154	193	231	261	45	57	57
Profit Gr%	*-3%*	*25%*	*20%*	*13%*	*19%*	*33%*	*27%*
EbditaM%	7.6%	9.4%	11.1%	11.0%	12.8%	10.6%	11.5%
Net Mgn%	6.1%	7.8%	8.4%	8.4%	10.5%	8.3%	8.8%

Conso/Fig in Rs Cr

❑ IITS revenue growth are expected to revive in 2QFY19 as 50% of IITS revenue growth are mainly driven by IP-led revenues we expect continued upward trajectory in IP revenue.

❑ Domestic business which is volatile in nature and depends on the large deal signing in a particular quarter is expected to report 4% margin in 2QFY19

❑ Margin in IT services are likely to be within the range of 22% to 24% in 2QFY19 as the company is seeing growth through its IP-strategy (higher margin business), digital spending in retail and support from currency.

❑ Other income to be soft in near-term (2QFY19) as the company will be impacted by forex loss since the company has hedged its 75% of net exposure at INR67.68 per USD.

❑ The management has highlighted that if the ~30 clients who are identified as strategic customers, if these accounts scale up from current US$1mn revenues to US$3-5mn, it would significantly boost its service revenues in three years.

Key Trackable this Quarter

❑ IITS business to report better margins than FY18, continued growth in IP revenue.

❑ Hedging of 75% of revenue, this may result in forex loss in 2QFY19.

We value the stock at 16x FY20E. Maintain Buy.

Tata Elxsi Limited

IT Sector

TELX IN

CMP	**1197**
Target	**1420**
Upside	**19%**
Rating	**BUY**

	FY17	FY18	FY19	FY20
Roe%	37%	37%	34%	31%
Roce%	56%	49%	48%	42%
PE	26.3	25.5	25.6	21.9
PB	8.2	8.3	7.7	6.0
EV/Ebdita	14.9	17.5	16.4	14.0

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Software Development	16%	14%	20%	17%	13%	20%	22%
Systems Integration	0%	-15%	-10%	-10%	16%	-12%	-10%
Segments(in cr)							
Software Development							
Embedded Prod Design	996	1,160	1,422	1,678	285	328	356
Indl Design & Visualis.	*171*	*169*	*171*	*180*	39	41	41
Systems Integration	67	57	51	46	18	13	16
Financials							
Sales	1,233	1,386	1,645	1,904	342	382	413
Sales Gr	*15%*	*12%*	*19%*	*16%*	*13%*	*18%*	*21%*
Ebdita	293	346	*436*	*495*	84	107	111
Ebdita Gr	*19%*	*18%*	*26%*	*14%*	*13%*	*45%*	*32%*
Net Profits	173	240	*291*	*340*	57	71	73
Profit Gr%	*12%*	*39%*	*21%*	*17%*	*33%*	*41%*	*28%*
EbditaM%	23.8%	25.0%	26.5%	26.0%	24.6%	27.9%	26.8%
Net Mgn%	14.1%	17.3%	17.7%	17.9%	16.7%	18.5%	17.7%

Std/Fig in Rs Cr

❑ Sales are expected to achieve 19% YoY in 2QFY19 on back of synergies across all the Embedded Product Design business (automotive, broadcast and medical).

❑ In EPD segment, SDN as a technology (part of media & broadcast) where the management were investing for the last 18 months is bearing fruits. We expect large deal wins will be seen in this quarter again.

❑ Medical business (small part of EPD) is expected to continue to win large deals and will be growth engine for the company in FY19.

❑ System integration(now only left with the contribution of 4%) which mainly involves resale business is expected to be continue to soft in 2QFY19 as management is focused to reduce the contribution and is planning to exit from the resale business.

❑ Margin are expected to be improve and surpass the comfort level of 24% -25% led by increase in higher margin SDS segment and revenue from IP business .

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Key Trackable this Quarter

❑ FY19 margins to surpass FY18 (~25%).

❑ Continued automotive segment growth and medical segment.

❑ SIS to continue to see softness in 2QFY19.

❑ Revenue from JLR's business.

We value the stock at 26x FY20E. Maintain Buy.

Tata Consultancy Services Ltd

IT Sector

TCS IN

CMP	**2180**
Target	**2305**
Upside	**6%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20
Roe%	34%	30%	36%	34%
Roce%	37%	34%	41%	39%
PE	18.2	21.1	25.9	23.6
PB	5.6	6.4	9.2	7.2
EV/Ebdita	14.7	16.6	20.7	18.6

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues growth(%)	9%	4%	19%	10%	4%	16%	19%
Revenue by industry							
BFSI	47,505	48,418	48,793	52,402	12,229	13464	11,418
Manufacturing	12,486	13,361	11,826	11,628	3,288	3746	2,629
Retail and Consumer bu	20,459	21,055	24,582	26,963	5,109	5906	6,036
Communication, media	19,521	21,131	21,949	23,117	5,269	5,730	5,329
Others	*17,995*	*19,139*	*39,169*	*48,576*	4,646	5,415	10,981
TOTAL	*117,966*	*123,104*	*146,318*	*162,686*	30,541	34,261	36,392
Financials							
Sales	117,966	123,104	146,318	162,686	30,541	34,261	36,392
Sales Gr	*9%*	*4%*	*19%*	*10%*	*1%*	*16%*	*19%*
Ebdita	32,311	32,516	39,923	43,892	8,164	9,071	10,044
Ebdita Gr	*6%*	*1%*	*23%*	*10%*	*-5%*	*22%*	*23%*
Net Profits	26,357	25,880	31,977	35,084	6,460	7,362	8,006
Profit Gr%	*9%*	*-2%*	*24%*	*9%*	*-5%*	*24%*	*24%*
EbditaM%	27.4%	26.4%	27.3%	27.0%	26.7%	26.5%	27.6%
Net Mgn%	22.3%	21.0%	21.9%	21.6%	20.1%	21.5%	22.0%

Conso/Fig in Rs Cr

❑ Sales are expected to improve 4% QoQ in constant currency in 2QFY19 on the back of revival in US BFS (1.6bn dollar of TCV wins) and retail added by robust deal pipeline and accelerating digital demand.

❑ BFSI which pulled down the revenue growth in FY18 has showed turnaround in 1QFY19.It is expected to continue to improve in 2QFY19 too as spending has picked up in North America and strong traction in deal wins.

❑ All segments for TCS (ex BFS and Retail) are expected to grow in healthy single-digits or lower double-digits in 2QFY19. TCS is expected to post double-digit revenue growth in FY19.

❑ Margin is expected to improve 120bps on account of benefit from INR depreciation (100 bps) and improved operational efficiency. For FY19 margins are expected to reach the aspired band of 26-28% led by currency tailwind, higher revenue growth and improved operational metrics.

Key Trackable this Quarter

❑ Currency, higher revenue growth & improved operations metrics are drivers for Margins.

❑ Increase in TCV wins.

❑ Revival in revenue growth from BFS and Retail in North America expected.

We value the stock at 25x FY20E. Maintain Neutral.

Tech Mahindra Limited

TECHM IN

IT Sector

CMP	**761**
Target	**840**
Upside	**10%**
Rating	**HOLD**

	FY17	FY18	FY19	FY20
Roe%	18%	21%	20%	21%
Roce%	17%	16%	20%	20%
PE	15.7	16.5	18.2	15.4
PB	2.7	3.3	3.5	3.0
EV/Ebdita	10.5	13.2	12.6	10.8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues growth(%)	**10%**	**6%**	**14%**	**12%**	**6%**	**13%**	**13%**
Revenue by industry							
Communication	2,077	2,065	2,018	2,260	516	485	494
Enterprise	2,268	2,707	3,053	3,348	662	739	752
TOTAL	4,345	4,772	5,071	5,608	1,178	1,224	1,247
Financials							
Sales	29,141	30,773	35,047	39,204	7,606	8,276	8,603
Sales Gr	*10%*	*6%*	*14%*	*12%*	*6%*	*13%*	*13%*
Ebdita	4,184	4,710	5,945	6,735	1,106	1,357	1,445
Ebdita Gr	*-2%*	*13%*	*26%*	*13%*	*3%*	*45%*	*31%*
Net Profits	2,851	3,786	4,105	4,842	839	899	1,000
Profit Gr%	*-6%*	*33%*	*8%*	*18%*	*30%*	*14%*	*19%*
EbditaM%	14.4%	15.3%	17.0%	17.2%	14.5%	16.4%	16.8%
Net Mgn%	9.8%	12.3%	11.7%	12.3%	11.0%	10.9%	11.6%

Conso/Fig in Rs Cr

❑ TECHM'S communication business is expected to see sequential acceleration in 2QFY19 as the company is witnessing opportunities in the area of network modernization and 5G which will pose broad-based opportunities for the company.

❑ Enterprise business is expected to continue to report strong performance led by manufacturing. For FY19, it is expected to grow at double digit on the back of success in large deal wins and increase in strong digital demand (30% growth YoY).

❑ Robust deal flows (reflected in LOIs) worth ~USD200m received within first 30 days of the quarter (Q2FY19) and is expected to remain be strong for FY19.

❑ Margins are expected to improve 70bps in 2QFY19 led by INR depreciation benefit (80bps), improved operational efficiencies. However some proportion will be offset by wage hike (for ~50% employees).

❑ Tax rate are expected to be in guided range of 24% for 2QFY19.

Key Trackable this Quarter

❑ Commentary on telecom revival around 5G technologies.

❑ Continued deal wins.

❑ Continued outperformance by enterprise business.

We value the stock at 17x FY20E. Maintain Hold.

Wipro Limited

WRPO IN

IT Sector

CMP	**329**
Target	**361**
Upside	**10%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20
Roe%	17%	16%	16%	16%
Roce%	18%	16%	16%	16%
PE	14.7	15.9	17.4	15.5
PB	2.4	2.7	2.7	2.3
EV/Ebdita	11.8	13.0	13.9	12.1

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues ($ mn)	8,111	8,192	8,415	9,023	2,013	2,079	2,087
Segment revenue (in crore)							
IT Services	*52,844*	*52,841*	*55,935*	*60,492*	13,169	13,700	*13,917*
IT Products	2,592	1,800	1,526	1,764	299	353	376
Total	55,436	54,641	57,461	62,256	13,467	14,054	14,293
Financials							
Sales	55,448	54,487	57,385	62,256	13,469	14,231	14,293
Sales Gr	*8%*	*-2%*	*5%*	*9%*	*-3%*	*4.2%*	*6%*
Ebdita	11,321	10,387	11,098	12,400	2,824	2,687	2,737
Ebdita Gr	*5%*	*-8%*	*7%*	*12%*	*1%*	*-1%*	*-3%*
Net Profits	8,518	8,003	8,581	9,619	*2,192*	2,094	2,105
Profit Gr%	*-5%*	*-6%*	*7%*	*12%*	*6%*	*1%*	*-4%*
EbditaM%	20.4%	19.1%	19.3%	19.9%	21.0%	18.9%	19.2%
Net Mgn%	15.4%	14.7%	15.0%	15.5%	16.3%	14.7%	14.7%

Conso/Fig in Rs Cr

❑IT service revenue are expected to be in range of $2,009 million to $2,049 million(also guided by the management) in 2QFY19 on the back of [1] Greater traction in BFSI, [2] Continued restructuring in the India/Middle East business, [3] Uncertainty in HPS and [4] Pressure in Utilities.

❑IT Products revenue is expected to improve in 2QFY19 onwards as management focus is now on profitability of the segment.

❑Margins are expected to be impacted by wage hike, restructuring of India business and weakness in HPS (health plan service), however we expects IT Service EBIT margins to be within a 16% range.

❑We have not factored the loss due to settlement of the lawsuit filed by National Grid US (impact of Rs 500 crores) in 2QFY19 performance.

❑Wipro declared a new deal wins from Alight Solutions in September 2018.This deal will result in revenues of USD $1.5 to $1.6 billion for Wipro from 2HFY19.

Key Trackable this Quarter

❑ Continued strength in BFS and Energy.

❑ Management has guided to achieve revenue growth of 0.3-2.3% QoQ in IT Service business.

❑Continued uncertainties in HPS, near-term weakness in Utilities and Manufacturing verticals is expected to impact USD revenue growth in 2QFY19

We value the stock at 17x FY20E. Maintain Neutral.

Zensar Technologies Limited

IT Sector

ZENT IN

CMP	**321**
Target	**318**
Upside	**-1%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20
Roe%	17%	16%	20%	20%
Roce%	19%	16%	19%	21%
PE	17.4	16.4	20.3	17.2
PB	2.8	2.4	3.7	3.1
EV/Ebdita	10.4	10.5	12.0	9.8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Revenues growth(%)	1%	5%	18%	15%	3%	18%	18%
Revenue (in usd mn)							
Application	359	402	481	544	98	115	119
IMS	99	80	86	97	20	20	21
TOTAL	458	482	567	641	118	135	140
Financials							
Sales	3,056	3,108	3,927	4,485	763	905	981
Sales Gr	*2%*	*2%*	*26%*	*14%*	*-1%*	*23%*	*29%*
Ebdita	382	365	499	585	89	116	121
Ebdita Gr	*-21%*	*-4%*	*37%*	*17%*	*-21%*	*55%*	*36%*
Net Profits	238	246	355	422	63	84	86
Profit Gr%	*-18%*	*3%*	*44%*	*19%*	*-15%*	*77%*	*37%*
EbditaM%	12.5%	11.7%	12.7%	13.0%	11.6%	12.9%	12.3%
Net Mgn%	7.8%	7.9%	9.0%	9.4%	8.3%	9.3%	8.8%

Conso/Fig in Rs Cr

❑ Zensar won a large deal of TCV USD79mn in 4QFY18 (majority of which were in Digital across the areas of UX, CX, analytics, automation, cloud, commerce and IoT). We expect revenue from this to start coming from 2QFY19 and full impact from 3QFY19, thus aiding significant revenue growth in FY19.

❑ 2QFY19 growth is expected to come on back of strength in digital (contributes 38% in Application management service), ramp-up of recent deal wins and growth from Cloud, Digital Led next gen CIS (part of IMS).

❑ MVS (part of IMS) which is non-core is expected to remain flattish in the range of USD10-15mn in FY19 as the management doesn't intent to invest any further in this business segment.

❑ In 2QFY19, margins are expected to see some headwinds because of wage hike. However, this would be mitigated through higher revenue and other operational efficiency.

Key Trackable this Quarter

❑ 2QFY19 revenue will include 2 months of Indigo Slate's revenues.

❑ Revenue growth and improved margins in IMS.

❑ Strong performance in Digital.

We value the stock at 17x FY20E. Maintain Neutral.

Century Plyboards (India) Limited

CPBI IN

Others

CMP	**178**
Target	**208**
Upside	**17%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	30%	20%	24%	24%
Roce%	22%	17%	23%	24%
P/E	31.0	46.3	17.7	14.0
P/B	8.1	8.7	3.8	3.1
EV/Ebdita	21.4	25.3	11.5	9.5

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segmental Revenue							
Plywood%	73%	65%	59%	54%	66%	61%	55%
Laminates%	21%	21%	19%	18%	26%	17%	21%
MDF%	0%	6%	15%	21%	0%	13%	15%
Particle Board%	1%	3%	3%	4%	3%	3%	4%
CFS%	5%	5%	4%	4%	5%	5%	4%
Sales	1,782	1,967	2,419	2,758	475	537	610
Sales Gr%	*9%*	*10%*	*23%*	*14%*	*3%*	*22%*	*31%*
COGS	918	1,023	1,254	1,419	254	275	326
Ebdita	292	306	382	453	74	87	98
Ebdita Gr%	*3%*	*5%*	*25%*	*19%*	*-2%*	*42%*	*32%*
Net Profits	186	157	223	282	40	45	58
Profit Gr%	*9%*	*-16%*	*42%*	*26%*	*-19%*	*33%*	*44%*
Gross Margin%	48.5%	48.0%	48.2%	48.5%	46.4%	48.7%	46.6%
Ebdita Margin%	16.4%	15.6%	15.8%	16.4%	15.6%	16.1%	16.0%
Net Profit Margin%	10.4%	8.0%	9.2%	10.2%	8.5%	8.4%	9.5%

Std/Fig in Rs Cr

❑The industry as a whole is going through a lot of headwinds like sourcing issues, high raw material costs, heavy competition, pricing pressure and over-supply and the anticipated shift from the unorganised to organised sector post GST and E-way bill is not yet seen.

❑ The company saw growth of 22.5% YoY in sales in Q1 on the back of higher volumes, especially in the laminates division and the absence of MDF business in quarter last year.

❑ With no base of MDF from quarter last year and in a seasonally good quarter, we expect an overall improvement in volumes driving sales to Rs 610 crores, up 31% YoY.

❑ Going by segments; Ply is facing margin pressure due to product mix, Laminates is facing margin pressure due to RM costs being up by almost one-third and MDF realisations are low due to over-supply. All these will keep margin under pressure at 46.6% gross margins and 16% EBITDAM.

❑With the depreciation realigned on SLM basis, lower depreciation (Rs 54 crores in FY19e) will lead to higher NPM of 9.5%, partially offset by higher tax rate due to lower tax incentives.

❑ The management has guided for a capex of Rs 128 crores for FY19 and laminates expansion is expected to be completed.

Key Trackable this Quarter

❑ Pick-up in demand, competition pricing & easing and shift from unorganised to organised.

❑ Update of operations in Myanmar and Laos and outlook on MDF industry.

❑ Sourcing of Raw materials and their prices.

❑ Rupee depreciation impact on financial liabilities

We value the stock at 11x FY20e EV/Ebdita

Greenlam Industries Limited

GRLM IN

Others

CMP	**953**
Target	**987**
Upside	**4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	18%	19%	22%	23%
Roce%	17%	19%	22%	25%
P/E	30.8	44.2	26.9	20.6
P/B	5.1	7.7	5.3	4.3
EV/Ebdita	12.9	19.9	14.4	11.6

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Laminates Volume*	12.8	13.8	14.5	16.1	3.6	3.2	3.7
Laminates Realisation	681	693	760	761	667	746	745
Segment Mix							
Laminates & Allied	*87%*	*86%*	*85%*	*84%*	87%	86%	86%
Veneer & Allied	13%	14%	15%	16%	13%	14%	14%
Sales	1,076	1,145	1,294	1,451	276	288	324
Sales Gr%	*4%*	*6%*	*13%*	*12%*	*-1%*	*4%*	*18%*
COGS	567	598	668	749	142	150	169
Ebdita	138	149	171	206	38	34	44
Ebdita Gr%	*9%*	*8%*	*15%*	*21%*	*8%*	*3%*	*16%*
Net Profits	50	65	86	112	16	15	23
Profit Gr%	*32%*	*26%*	*37%*	*31%*	*16%*	*29%*	*41%*
Gross Margin%	47.3%	47.7%	48.3%	48.4%	48.6%	47.8%	48.0%
Ebdita Margin%	12.9%	13.0%	13.2%	14.2%	13.9%	11.7%	13.7%
Net Profit Margin%	4.6%	5.6%	6.6%	7.7%	5.8%	5.3%	7.0%

*(in mn sheets)

Conso/Fig in Rs Cr

- Industry is facing pricing pressure due to increased competition in the market with management suggesting no shift seen from unorganised to organised.
- Previous quarter, Greenlam took bold move to increase its prices (in line with rising RM costs) and faced lower volumes. Management has said that price rise in current market environment is difficult to take and thus realisation is expected to be at Rs 745 per sheet and volumes at 3.7 mn sheets.
- With the growth starting to kick in for wooden doors and floors and the veneer segment as a whole, the company is expected to report a sales of Rs 324 crores, up 18% YoY.
- Costs of raw materials like phenol, melamine, craft paper and design paper are on the rise and creating pressures on the margins for the company. Gross Margins are expected to be at 48%.
- The overall RM costs pressure in gross margins and the drag from veneer and allied segment led to fall in EBITDA margins for Q1. In a seasonally favorable quarter, with the improvement in veneer and allied segment's margins, we expect Q2FY19 margins at 13.7%.
- The management will focus on increasing capacity utilisation of current facilities and have guided for only maintenance capex to the tune of Rs 35 crores for FY19.

Key Trackable this Quarter

- Pick-up in demand, competitor pricing and shift from unorganised to organised.
- Prices of Raw materials like Phenol, melamine, craft paper and design paper.
- Performance of the wooden doors and floors division

We value the stock at 12times EV/EBDita.

InterGlobe Aviation Limited

INDIGO IN

Others

CMP	**778**
Target	**820**
Upside	**5%**
Rating	**Neutral**

	FY17	FY18	FY19E	FY20E
Roe%	51%	41%	5%	22%
Roce%	28%	32%	-4%	12%
P/E	24.4	22.1	80.5	17.7
P/B	10.7	7.0	4.2	3.7
EV/Ebditar	11.1	10.6	12.2	8.8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
ASK (cr)	1,410	1,710	2,138	2,501	1,510	1,780	1,933
Yield (Rs)	3.5	3.6	3.8	4.0	3.6	3.6	3.7
RASK (Rs)	3.4	3.6	3.7	3.9	3.5	3.7	3.6
CASK (Rs)	3.0	3.1	3.7	3.7	3.0	3.7	3.7
CASK ex-fuel (Rs)	1.9	1.9	2.2	2.1	1.9	2.2	2.2
LoadFactor %	85%	87%	88%	88%	84%	89%	*86%*
Sales	18,581	23,021	29,161	37,054	5,291	6,512	6,866
Sales Gr%	*15%*	*24%*	*27%*	*27%*	*27%*	*13%*	*30%*
Ebditar	5,269	6,567	4,740	7,258	1,557	1,031	862
Ebditar Gr%	*28%*	*29%*	*16%*	*20%*	*61%*	*-47%*	*-45%*
Net Profits	1,659	2,242	371	1,692	552	28	(112)
Profit Gr%	*9%*	*10%*	*1%*	*5%*	*298%*	*-96%*	*-120%*
Fuel Cost%	34.1%	33.7%	40.9%	39.4%	31.1%	41.7%	42.8%
Ebditar Margin%	28.4%	28.5%	16.3%	19.6%	29.4%	15.8%	12.6%
Net Profit Margin%	8.9%	9.7%	1.3%	4.6%	10.4%	0.4%	-1.6%

Std/Fig in Rs Cr

- ❑ Airline industry is growing at a pace of 20%, INDIGO has given ASK growth guidance of 28% for the quarter. We expect the ASK to be around 1933 crores.
- ❑ The demand scenario continues to be encouraging and we expect load factor to be at 86% , while the industry continues to face fare pricing issues due to heavy competition and so the yields would remain under pressure at Rs 3.7.
- ❑ The company is expected to report sales of Rs 6,866 crores for Q2, up 30% YoY.
- ❑ Rising fuel costs is leading to higher costs for the company with CASK for the quarter expected at Rs 3.7, while increased maintenance costs especially for 2nd visit will raise CASK ex-fuel to Rs 2.2.
- ❑ The aviation industry is hit by the rising crude and depreciated rupee will face strain on their EBITDAR margins and we expect INDIGO to report EBITDAR at Rs 862 crores.
- ❑ We expect company to report its first quarterly PAT loss of Rs 112 crores since its listing.
- ❑Given current macro environment, we have taken a 20% discount to 3-yr average EV/EBITDAR

Key Trackable this Quarter

- ❑ Fare pricing scenario in the industry.
- ❑ Capacity guidance and airplane buying strategy.
- ❑ Crude and ATF price movement.

We value the stock at 9x FY20e EV/EBITDAR

SIS (India) Limited

SECIS IN

Others

CMP	**940**
Target	**1311**
Upside	**39%**
Rating	**BUY**

	FY17*	FY18	FY19E	FY20E
Roe%	17%	16%	19%	22%
Roce%	14%	16%	18%	21%
P/E	61.8	50.6	30.0	20.8
P/B	10.3	8.0	5.6	4.6
EV/Ebdita	26.4	26.0	17.3	13.2

*Based on Issue Price

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segment Revenue							
Security-India	1,595	2,144	2,811	3,597	523	565	666
Security-Australia	2,396	3,019	3,491	3,915	773	850	844
FCM & others	577	671	852.6	1,041.2	164	200	207
Sales	4,567	5,833	7,152	8,554	1,460	1,612	1,718
Sales Gr	*19%*	*28%*	*23%*	*20%*	*36%*	*30%*	*18%*
Ebdita	221	312	390	504	74	75	92
Ebdita Gr	*70%*	*41%*	*25%*	*29%*	51%	11%	*24%*
Net Profits	91	162	230	331	60	40	52
Profit Gr%	*109%*	*79%*	*42%*	*44%*	*304%*	*82%*	*-13%*
Ebdita Margin%	4.8%	5.3%	5.5%	5.9%	5.1%	4.6%	5.3%
Net Profit Margin%	2.0%	2.8%	3.2%	3.9%	4.1%	2.5%	3.0%

Conso/Fig in Rs Cr

❑Revenue growth in Q2FY19 is expected to be 18% on the back of quarterly order wins Rs 51 crores, Rs 40 crores and Rs 18 crores from Security Services Business - India, Security Services Business - Australia and Facilities Management respectively in Q1FY19. Company's new ManTech initiatives are seeing early success with Rs 38 crores orders won in 1QFY19.

❑ A large number of Railway bids under consideration with a potential Rs 1200-1400 crores pa opportunity.

❑ EBITDA margins are expected to improve to 5.3% in Q2FY19 as contribution of facilities management to total revenue increases & synergies start to kick in from SXP integration.

❑ PAT is expected to be lower by 13% in Q2FY19 as SIS took the benefit of Section 80JJAA for Q1 & Q2FY18. Tax Rate in Q2FY18 was a mere 1.6% as against 12.2% for FY18. Tax rate is expected to be around 13% and 14%in FY19 and FY20 respectively.

❑ SIS continues to be the leader in Australia with management guiding an 8-10% growth annually. Revenue growth in this geography is expected to be 15% & 12% in FY19 & FY20 respectively.

❑ SIS acquired 51% stake in SLV Security Services by paying an upfront Rs 50 crores with balance payments depending on EV/EBITDA multiple & an option to acquire the balance by 2020. Annual Revenues of INR 240 crores in FY18. SLV is expected to be integrated from Q3FY19 onwards.

❑ Cash Logistics - RBI regulation compliance to result in increased capex and opex in FY19; price rise to follow. Expected to achieve breakeven only in FY20 once industry consolidates.

Key Trackable this Quarter

❑ Order Wins in Security Services - India & Australia, Facilities Management Services.

❑ Expansion in the number of customer sites and branches.

❑ Update on another 2 M&A conversations in advanced stages of communication in FY19

We value the stock 29x FY20e EPS.

SPICEJET LTD

SJET IN

Others

CMP	**63**
Target	**69**
Upside	**10%**
Rating	**Neutral**

	FY17	FY18	FY19E	FY20E
Roe%	-52%	-174%	464%	154%
Roce%	114%	74%	19%	59%
P/E	14.2	13.2	24.9	5.2
P/B	-10.0	-174.6	34.8	4.5
EV/Ebditar	9.1	8.6	7.7	5.8

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
ASK (cr)	445	516	620	744	482	521	578
RASK (Rs)	3.8	4.1	4.3	4.5	3.8	4.4	4.0
CASK (Rs)	3.6	3.8	4.2	4.2	3.6	4.3	4.1
Fuel CASK (Rs)	1.1	1.2	1.6	1.6	1.1	1.6	1.6
LoadFactor%	92%	94%	94%	94%	93%	94%	*94%*
Sales	6,191	7,795	9,773	12,355	1,814	2,236	2,300
Sales Gr%	*22%*	*26%*	*25%*	*26%*	*30%*	*20%*	*27%*
Ebditar	1,504	1,790	1,690	2,547	397	363	338
Ebditar Gr%	*24%*	*23%*	*17%*	*21%*	*25%*	*-21%*	*-15%*
Net Profits	431	567	214	727	105	(38)	(21)
Profit Gr%	*-5%*	*32%*	*-73%*	*381%*	*85%*	*-122%*	*-120%*
Fuel Cost%	30.0%	31.2%	37.7%	36.2%	29.9%	36.3%	39.6%
Ebditar Margin%	24.3%	23.0%	17.3%	20.6%	21.9%	16.3%	14.7%
Net Profit Margin%	7.0%	7.3%	2.2%	5.9%	5.8%	-1.7%	-0.9%

Std/Fig in Rs Cr

❑With the industry growing at a pace more than 20%, SPICEJET grew by 14% YoY in capacity in Q1 which is leading to fall in market share for the company which stood at 12.1% in Q1 vs 3.4% in Q4 last year. For Q2, company is expected to report ASK of 578 crores, up 20% YoY.

❑ The demand scenario continues to be encouraging, so we expect load factor to be at 94% and even though the industry continues to face fare pricing issues, SPICEJET reported higher RASK at Rs 4.4 in Q1 and we expect it report RASK of Rs 4 even in seasonally weak quarter for airlines.

❑ The company is expected to report sales of Rs 2,300 crores for Q2, up 27% YoY.

❑ Rising fuel costs will lead to higher Fuel CASK at Rs 1.6 in the quarter, which will lead to rise in CASK to Rs 4.1.

❑ The whole aviation industry hit by the rising crude and depreciated rupee will face strain on their EBITDAR margins and we expect SPICEJET to report EBITDAR at Rs 338 crores.

❑ We expect company to report quarterly PAT loss of Rs 21 crores.

❑ Given current macro environment and CRPS issue uncertainty; we have taken a 25% discount to 3-yr average EV/EBITDAR.

Key Trackable this Quarter

❑ Fare pricing scenario in the industry. Crude and ATF price movement impacting profits.

❑ Capacity guidance and airplane buying strategy.

❑ Resolution over the possibility of issuance of CRPS in the SC case.

We value the stock at 5.9x FY20e EV/EBITDAR

Zee Entertainment Enterprises Ltd.

Z IN

Others

CMP	**438**
Target	**510**
Upside	**16%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	33%	20%	16%	18%
Roce%	21%	22%	24%	26%
P/E	22.9	37.2	30.0	23.8
P/B	7.6	7.3	4.9	4.2
EV/Ebdita	25.3	25.5	15.9	13.0

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segment Revenue							
Advertising	3,674	4,205	4,931	5,809	987	1,146	1,204
Subscription	2,263	2,029	2,212	2,453	501	519	545
Others	498	452	533	616	94	107	111
Sales	6,434	6,686	7,676	8,878	1,582	1,772	1,860
Sales Gr	*10%*	*4%*	*15%*	*16%*	*-7%*	*15%*	*18%*
Ebdita	1,927	2,076	2,464	2,939	491	566	602
Ebdita Gr	*28%*	*8%*	*19%*	*19%*	0%	17%	*23%*
Net Profits	2,221	1,479	1,401	1,768	591	326	355
Profit Gr%	*116%*	*-33%*	*-5%*	*26%*	*148%*	*31%*	*-40%*
Ebdita Margin%	29.9%	31.1%	32.1%	33.1%	31.0%	31.9%	32.4%
Net Profit Margin%	34.5%	22.1%	18.3%	19.9%	37.4%	18.4%	19.1%

Conso/Fig in Rs Cr

❑ Revenue growth in Q2FY19 is expected to be around 18% on the back of a strong 22% growth from advertising as against 12-14% advertising growth estimated for FY19 by various agencies.

❑ Growth in subscription income is expected to be around 8.5% in Q2FY19 below the management guidance of low teens growth in subscription for FY19. Content partnership deal with Airtel from Q3FY19 onwards will provide a ready customer base & early monetization for ZEEL.

❑ Revenue growth from movies & other businesses is expected to grow by 18% in Q2FY19 as ZEEL had 2 big releases - Gold & Paltan. Total 10-12 movies are expected to be released in FY19 (3 movies released in Q1FY19). In Q3 FY19, Zero is expected to be a big release for ZEEL.

❑ ZEEL is soon planning to launch its Malayalam GEC, Zee Keralam as confirmed by the management. The channel is expected to achieve breakeven in 3-4 years from its launch.

❑ Despite the heavy investments intended to be made on the digital side, EBITDA margins at 30%+ levels is expected to be maintained over FY19 & FY20, in line with management guidance.

❑ Q2FY19 reported profit is expected to be lower by 40% YoY as Q2FY18 had one time gain of INR 296 crores from sale of sports business (135crores) and re-measurement gain in subsidiary (161crores).

❑ Management is working on early redemption of preference shares besides the original plan to redeem 20% every year from FY2018 onwards.

Key Trackable this Quarter

❑ EBITDA Margin guidance of 30%+ levels. All India Viewership Market Share.

❑ Any new channel launches lined up for FY19 along with movie releases & its performance

❑ Updates on ZEE5 - The OTT Platform in terms of number of ZEE5 original releases. Management indicated that they will be sharing financial numbers on the same from Q2FY19

We value the stock 28x FY20e EPS.

Zee Media Corporation Ltd.

ZEEN IN

Others

CMP	**24**
Target	**26**
Upside	**11%**
Rating	**Neutral**

	FY17	FY18	FY19E	FY20E
Roe%	-3%	4%	10%	10%
Roce%	13%	9%	11%	15%
P/E	N/A	64.3	14.2	13.5
P/B	3.0	2.7	1.5	1.3
EV/Ebdita	10.9	13.6	4.9	3.5

N/A - Loss in FY17

	FY17	FY18	FY19E	FY20E	Q2FY18	Q1FY19	Q2FY19E
Segment Revenue							
TV Broadcasting	450	573	645	750	125	155	140
E-Commerce	-	5	0	0	0	-	-
Sales	450	578	645	750	125	155	140
Sales Gr	*-17%*	*28%*	*12%*	*16%*	*-1%*	*35%*	*12%*
Ebdita	100	104	140	178	21	36	28
Ebdita Gr	*27%*	*4%*	*34%*	*28%*	18%	42%	*30%*
Net Profits	(16)	28	78	82	4	36	9
Profit Gr%	*-254%*	*273%*	*179%*	*5%*	*121%*	*386%*	*148%*
Ebdita Margin%	22.2%	18.0%	21.7%	23.8%	17.1%	23.2%	19.9%
Net Profit Margin%	-3.6%	4.8%	12.0%	10.9%	3.0%	23.2%	6.7%

Conso/Fig in Rs Cr

❑ ZEEMEDIA now operates in only 1 segment i.e. TV Broadcasting business after demerging its print buisness (Diligent Media) from FY18 and exiting E-commerce business (Ez Mall) in Q1FY19.

❑ Revenue growth in Q2FY19 is expected to be around 12%. Creative mandate of ZEEMEDIA's 8 news channels (including Zee News, WION) was awarded to Liqvd Asia which will drive the advertisement revenue growth.

❑ Also, ZEEMEDIA unveiled MRP under new tariff regime. Zee News has gone from Free to air (FTA) channel to pay channel. All the channels have been priced between INR 0.5-1 per subscriber per month excluding taxes. This is expected to increase the subscription revenue.

❑ EBITDA margins are expected to improve to 19.9% in Q2FY19 as drag from loss making E-commerce business is off the books after sale of Ez Mall Online Ltd.

❑ PAT is expected to be around INR 9 crores as against INR 4 crores in Q2FY18 as loss making E-commerce business is exited and balance stake in profitable Zee Akaash has been acquired.

❑ ZEEMEDIA sold its entire equity stake in Ez Mall Online Ltd. (E-Commerce business) to a related party at a consideration of Rs 8.6 crores. Ez Mall Online Ltd ceased to be a subsidiary of ZEEMEDIA w.e.f. June 30, 2018. Ez mall had revenue of Rs 5 crores & loss of Rs 28 crores in FY18.

❑ ZEEMEDIA has acquired the balance 40% stake in Zee Akaash News Pvt Ltd (ZANPL) for Rs 49 crores. ZANPL had revenue of Rs 65 crores & PAT of Rs 20 crores in FY18.

Key Trackable this Quarter

❑ Growth in advertisement & subscription revenues.

❑ Viewership & market share of channels.

❑ Updates on the proposed acquisition of Reliance Broadcast Network Ltd.'s radio business with 59 radio licenses under the brand "92.7 BIG FM".

We value the stock 15x FY20e EPS.

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