India Equity Analytics

Results Preview Q4FY19

Narnolia™

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#For valuation, CMP of 2nd April 2019 has been considered.

Amara Raja Batteries Ltd.

AMRJ IN

Automobiles

CMP	**721**
Target	**818**
Upside	**13%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	18%	16%	15%	17%
Roce%	25%	22%	21%	24%
P/E	31.7	28.9	24.8	19.4
P/B	5.9	4.6	3.7	3.3
EV/Ebdita	17.8	15.4	12.7	10.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Capacity (mn units)							
4W	10.5	12.8	17.4	21.0	12.8	17.4	17.4
2W	11.0	15.0	16.0	18.0	15.0	16.0	16.0
Lead Prices-USD/MT	2002	2375	2125	2125	2,518	1,966	2,040
Segment Revenue							
Automotive	3,204	3,878	4,578	5,328	1,012	1,102	1,110
Industrial	2136	2181	2356	2745	569	593	598
Financials							
Sales	5,317	6,059	6,934	8,073	1,581	1,695	1,707
Sales Gr	*15%*	*14%*	*14%*	*16%*	*18%*	*9%*	*8%*
Ebdita	850	883	970	1,205	211	253	260
Ebdita Gr	*3%*	*4%*	*10%*	*24%*	*14%*	*5%*	*24%*
Net Profits	478	471	497	635	110	131	134
Profit Gr%	*-3%*	*-1%*	*6%*	*28%*	*11%*	*-3%*	*22%*
Ebdita Margin%	16.0%	14.6%	14.0%	14.9%	13.3%	14.9%	15.2%
Net Profit Margin%	9.0%	7.8%	7.2%	7.9%	6.9%	7.7%	7.8%

Std/Fig in Rs Cr

❑ Revenue growth expectation of 8%YoY in 4QFY19 driven by growth in automotive aftermarket segment and industrial batteries segment led by telecom and railways. Going ahead, management expects revenue of Rs.10000 crores in next 2-3 years.

❑ EBITDA Margin is expected to improve by 30bps QoQ in 4QFY19 largely on account of reduction in commodity prices (lead and Sulphuric acid).

❑ The replacement demand in the automotive segment will also continue to be robust in FY20 based on the higher sales in FY17-18.

❑ Based on higher utilization level in industrial battery segment and 4W segment we expect capex of Rs.400 crores in FY20.

Key Trackable this Quarter

❑ Update on 2 wheeler plant status.

❑ Replacement demand scenario amidst volume sluggishness in OEM market.

❑ Telecom battery outlook (12% of revenue; market share gain of 300bps to 55% in 3QFY19).

We value our stock at 22x FY20e EPS. ACCUMULATE

Ashok Leyland Limited

AL IN

Automobiles

CMP	**89**
Target	**102**
Upside	**15%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	20.0%	21.8%	22.5%	22.2%
Roce%	23.2%	28.8%	28.9%	29.7%
P/E	19.4	30.2	14.0	12.4
P/B	3.9	6.6	3.2	2.8
EV/Ebdita	14.3	20.5	11.8	7.4

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Growth YoY							
MHCV	*3%*	*16%*	*9%*	*8%*	15%	-17%	-1%
LCV	*4%*	*37%*	*25%*	*15%*	*59%*	*28%*	*8%*
Total Volumes	*3%*	*21%*	*13%*	*10%*	23%	-6%	1%
Average Realisation	*2%*	*9%*	*-3%*	*-2%*	*7%*	*-6%*	*-4%*
Financials							
Sales	20,019	26,248	28,713	30,829	8,772	6,325	8,516
Sales Gr	*6%*	*31%*	*9%*	*7%*	*33%*	*-12%*	*-3%*
Ebdita	2,203	2,739	3,074	3,506	1,033	650	948
Ebdita Gr	*-2%*	*24%*	*12%*	*14%*	*41%*	*-23%*	*-8%*
Net Profits	1,223	1,563	1,856	2,097	668	381	577
Profit Gr%	*214%*	*28%*	*19%*	*13%*	*40%*	*-21%*	*-14%*
Ebdita Margin%	11.0%	10.4%	10.7%	11.4%	11.8%	10.3%	11.1%
Net Profit Margin%	6.1%	6.0%	6.5%	6.8%	7.6%	6.0%	6.8%

Std/Fig in Rs Cr

❑ Revenue growth is expected to decline by 3%YoY in 4QFY19 led by mere1% volume growth and 4%YoY decline in realization growth. The demand in FY20 will be largely tilted towards 2HFY20. Pre-buying due to BS-VI implementation will happen from 1st April 2020.

❑ EBITDA margin is expected to increase by 83 bps to 11.1% on sequential basis on account of better product mix over last quarter and reduction in commodity prices. (MHCV:LCV mix improved to 74:26 in 4QFY19 over 68:32 in 3QFY19).

❑ The LCV business (earlier JV with Nissan) is merged with Ashok Leyland and it will help the company to offer the entire range of LCVs from 2020.

❑ The major export markets continue to struggle due to uncertainties regarding oil prices (Middle East) and political condition (Sri-Lanka) which is expected to settle down in next 1-2 quarters.

❑ The company is working on to bring modular plat-form in the production from 2020 which can lead to cost reduction of 150 bps over next 2 years.

Key Trackable this Quarter

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

❑ Demand outlook for 1HFY20.

We value the standalone business at 13x FY20e EPS and Rs.9 per share for HLFL. BUY

Bajaj Auto Limited

BJAUT IN

Automobiles

CMP	**2855**
Target	**3260**
Upside	**14%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	22.8%	20.7%	19.9%	20.3%
Roce%	22.9%	21.7%	20.1%	21.4%
P/E	19.9	18.9	18.2	15.8
P/B	4.5	3.9	3.6	3.2
EV/Ebdita	18.3	16.5	16.8	14.1

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Growth YoY							
2 wheelers	*-4%*	*5%*	*26%*	*13%*	*22%*	*32%*	*17%*
3 wheelers	*-16%*	*43%*	*23%*	*9%*	*118%*	*-1%*	*1%*
Total Volumes	*-4%*	*5%*	*25%*	*12%*	*33%*	*26%*	*14%*
Average Realisation	*2%*	*6%*	*-5%*	*3%*	*4%*	*-8%*	*-8%*
Financials							
Sales	21,767	25,165	29,978	34,791	6,773	7,409	7,163
Sales Gr	*-4%*	*16%*	*19%*	*16%*	*38%*	*16%*	*6%*
Other Income	1,222	1,212	1,443	1,515	366	470	281
Ebdita	4,419	4,782	4,907	5,831	1,316	1,155	1,129
Ebdita Gr	*-7%*	*8%*	*3%*	*19%*	*45%*	*-6%*	*-14%*
Net Profits	4,079	4,219	4,543	5,241	1,175	1,221	1,024
Profit Gr%	*1%*	*3%*	*8%*	*15%*	*36%*	*20%*	*-13%*
Ebdita Margin%	20.3%	19.0%	16.4%	16.8%	19.4%	15.6%	15.8%
Net Profit Margin%	18.7%	16.8%	15.2%	15.1%	17.4%	16.5%	14.3%

Conso/Fig in Rs Cr

❑ Revenue growth is expected to be 6%YoY to be largely driven by 14%YoY volume growth in 4QFY19 while realization is expected to decline by 8% because of higher sales of entry segment motorcycles in domestic and export markets.

❑ Margins are expected to improve by 20 bps QoQ to 15.8% in 4QFY19 led by reduction in commodity prices. Higher sales of Platina will also lead to EBITDA breakeven in the entry segment.

❑ The 2W inventory across the industry is as high as 80 days while the inventory level at BAJAJ-AUTO is at 45 days.

❑ Domestic 3 wheeler volumes (contributes 53% of the 3 wheeler volumes) are expected to grow by 5%YoY due to higher base and increasing E-Rickshaw penetration in FY20. However the volumes may remain close to 100000 units going ahead.

❑ The company expects 10-12% growth in the emerging exports market which will be mainly driven by African market while ASEAN and Middle East will show average growth rate and LaTam will continue to be stagnant.

Key Trackable this Quarter

❑ Market share in Entry segment: target is to achieve 45% (currently at 33%)

❑ Launch status of Electric 2W "Urbanite"

We value the stock at 18x FY20e EPS. ACCUMULATE

Balkrishna Industries Ltd.

BIL IN

CMP	**1001**
Target	**926**
Upside	**-8%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	20%	18%	18%	18%
Roce%	22%	19%	22%	22%
P/E	19.2	28.8	23.2	19.5
P/B	3.9	5.2	4.1	3.5
EV/Ebdita	12.3	19.2	14.0	12.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Rubber (RSS-4)	136	130	126	126	125	124	126
Crude	48	56	66	66	65	54	60
Growth YoY							
Volumes (MT)	172,419	199,213	209,875	228,437	54,002	46,780	54,002
Growth YoY	*16%*	*16%*	*5%*	*9%*	*17%*	*-6%*	*0%*
Average Realization	*-1%*	*2%*	*12%*	*4%*	*5%*	*15%*	*13%*
Financials							
Sales	3,788	4,464	5,285	5,961	1,232	1,206	1,392
Sales Gr	*16%*	*18%*	*18%*	*13%*	*23%*	*9%*	*13%*
Ebdita	1,132	1,107	1,345	1,562	296	301	353
Ebdita Gr	*35%*	*-2%*	*21%*	*16%*	*16%*	*4%*	*20%*
Net Profits	715	739	796	951	194	145	199
Profit Gr%	*63%*	*3%*	*8%*	*20%*	*41%*	*-24%*	*3%*
Ebdita Margin%	29.9%	24.8%	25.4%	26.2%	24.0%	25.0%	25.4%
Net Profit Margin%	18.9%	16.6%	15.1%	16.0%	15.7%	12.0%	14.3%

Std/Fig in Rs Cr

❑ Revenue growth expectation of 13% YoY largely driven by realization growth of 13% YoY in 4QFY19. The management had lowered FY19 volume guidance to 210000 MT from 225000 MT based on drought in Europe impacting agriculture sector.

❑ EBITDA margins expected to increase by 40bps on sequential basis because of decline in the commodity prices (rubber and crude). However, the margins are expected to be in the range of 25-26% as against management's guidance of 28-30% in FY20.

❑ The carbon black plant commenced production from 4QFY19 and it will lead to 100-125 bps improvement in overall margins because of backward integration.

❑ In order to meet the increasing demand of its products globally management is working on Rs.2000 crores of expansion plans in India and these projects will become operational over next 2-3 years.

Key Trackable this Quarter

❑ Demand scenario in Europe (52% of total revenue).

❑ Management commentary on margins: guidance of 28-30% (as difficult to achieve in current market scenario)

We value the stock at 18x FY20e EPS. NEUTRAL

CEAT Limited

CEAT IN

CMP	**1128**
Target	**1030**
Upside	**-9%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	15%	9%	9%	8%
Roce%	16%	15%	11%	9%
P/E	14.8	23.0	18.5	18.6
P/B	2.2	2.1	1.6	1.5
EV/Ebdita	9.4	9.3	8.9	9.1

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Rubber (RSS-4)	136	130	126	126	125	124	126
Crude	48	56	66	66	65	54	60
Growth YoY							
Volumes (MT)	295,924	304,802	330,237	351,021	82,278	76,847	83,923
Growth YoY	*10%*	*3%*	*8%*	*6%*	*11%*	*2%*	*2%*
Average Realization	*-5%*	*5%*	*4%*	*3%*	*4%*	*9%*	*5%*
Financials							
Sales	5,767	6,231	6,958	7,610	1,674	1,714	1,783
Sales Gr	*5%*	*8%*	*12%*	*9%*	*14%*	*11%*	*7%*
Ebdita	657	615	631	701	198	143	153
Ebdita Gr	*-15%*	*-6%*	*3%*	*11%*	*49%*	*-26%*	*-22%*
Net Profits	361	233	247	245	77	52	60
Profit Gr%	*-17%*	*-35%*	*6%*	*-1%*	*16%*	*-43%*	*-22%*
Ebdita Margin%	11.4%	9.9%	9.1%	9.2%	11.8%	8.3%	8.6%
Net Profit Margin%	6.3%	3.7%	3.5%	3.2%	4.6%	3.0%	3.4%

Conso/Fig in Rs Cr

❑ Revenue growth of 7%YoY in 4QFY19 is to be driven by 2% YoY volume growth and 5% YoY realization growth. Further we expect 6%YoY volume growth in FY20 largely driven by replacement demand.

❑ EBITDA margin expected to improve by 30bps QoQ due to reduction in commodity prices and price hikes. However, the management expects further commodity price benefit to come in 1QFY20.

❑ Capex plan for FY19 was reduced to Rs.1100-1150 crores from Rs.1300-1500 crores and for FY20 capex guidance remained in the range of Rs.1500-1700 crores.

❑ PCR and OTR plant will become operational in 2QFY20 and 4QFY20 respectively. The management expects to increase its market share in the PCR from 8-10% to 16-22% in next 3 years and OTR plant is expected to reach at full utilization in 1.5 years.

❑ The total debt stood at Rs.1280 crores as of December 2018 and the debt level is expected to remain at elevated in FY20 also based, on the expansion plan across categories.

Key Trackable this Quarter

❑ PCR and OTR plant status.

❑ Debt Equity ratio owing to capex plans ahead: (currently at 0.46:1)

We value the stock at 17x FY20e EPS. NEUTRAL

Eicher Motors Limited

EICHER IN

Automobiles

CMP	**20581**
Target	**22317**
Upside	**8%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	31.2%	27.9%	25.4%	23.4%
Roce%	37.8%	36.8%	30.0%	27.6%
P/E	40.7	39.4	25.1	22.1
P/B	12.7	11.0	6.4	5.2
EV/Ebdita	31.2	27.5	19.1	16.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Growth YoY							
Royal Enfield	11%	23%	1%	6%	27%	-6%	-14%
Average Realisation	2%	4%	7%	7%	5%	10%	8%
VECV	*13%*	*14%*	*9%*	*16%*	*33%*	*4%*	*-9%*
Financials							
Sales	7,033	8,965	9,682	10,981	2,528	2,341	2,385
Sales Gr	*14%*	*27%*	*8%*	*13%*	*34%*	*3%*	*-6%*
Ebdita	2,174	2,808	2,932	3,358	797	680	713
Ebdita Gr	*29%*	*29%*	*4%*	*15%*	*36%*	*-4%*	*-11%*
Net Profits	1,667	1,960	2,235	2,534	462	533	560
Profit Gr%	*25%*	*18%*	*14%*	*13%*	*0%*	*2%*	*21%*
Ebdita Margin%	30.9%	31.3%	30.3%	30.6%	31.5%	29.0%	29.9%
Net Profit Margin%	23.7%	21.9%	23.1%	23.1%	18.3%	22.8%	23.5%

Conso/Fig in Rs Cr

❑ Revenue growth is expected to decline by 6% YoY in Q4FY19 due to decline in volumes by 14% YoY. The realization is expected to improve because of new product launches and increasing sales in export markets.

❑ EBITDA margins are expected to increase by 90 bps QoQ largely on account of softness in commodity prices, better product mix and price hikes taken during the quarter.

❑ The inventory level of premium motorcycles segment has not been much affected as compared to entry level motorcycles and it stands at 40-45 days while the company's inventory level stands at 30-35 days.

❑ The 650 twins models have waiting period of 5-6 months in the international markets. Going ahead, the management is also strongly focusing on increasing its presence in emerging exports markets like; Southeast Asia, the Middle East and Africa.

❑ On the VECV front, the management expect demand scenario to improve after elections and will be largely driven by pre-buying ahead of BS-VI norms.

Key Trackable this Quarter

❑ Demand outlook for premium motorcycles in Tier-2/3 cities

❑ 650 twins demand status: production guidance of 4500-5000 units by April 2019

We value the stock at 24x FY20e EPS. ACCUMULATE

Escorts Limited

ESC IN

Automobiles

CMP	**776**
Target	**811**
Upside	**5%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	8%	16%	19%	18%
Roce%	15%	22%	25%	24%
P/E	42.3	31.1	18.6	16.2
P/B	3.4	4.9	3.5	2.9
EV/Ebdita	18.4	19.5	12.6	11.1

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Agri Machinery Vol.	63,786	80,417	96,412	105,118	23,568	25,743	25,136
Growth YoY	*24%*	*26%*	*20%*	*9%*	*57%*	*36%*	*7%*
ECE Volume	3,315	4,486	6,015	6,918	1541	1413	1926
Growth YoY	*30%*	*35%*	*34%*	*15%*	*49%*	*30%*	*25%*
Segment Revenue Growth							
Agri Machinery	22%	18%	20%	12%	36%	36%	14%
ECE	32%	29%	44%	19%	45%	44%	36%
Railway Equip.	18%	18%	32%	15%	14%	34%	15%
Financials							
Sales	4,145	5,059	6,360	7,198	1,436	1,655	1,699
Sales Gr	*21%*	*22%*	*26%*	*13%*	*40%*	*37%*	*18%*
Ebdita	309	554	759	866	174	200	202
Ebdita Gr	*92%*	*79%*	*37%*	*14%*	*134%*	*38%*	*16%*
Net Profits	131	347	508	585	113	140	127
Profit Gr%	*86%*	*166%*	*47%*	*15%*	*89%*	*52%*	*13%*
Ebdita Margin%	7.5%	10.9%	11.9%	12.0%	12.1%	12.1%	11.9%
Net Profit Margin%	3.1%	6.9%	8.0%	8.1%	7.8%	8.5%	7.5%

*Yearly Consolidated and Quarterly Standalone — Fig in Rs Cr

❑ Revenue is expected to grow by 18.3% YoY largely driven by 14%, 36% and 15% YoY growth in agri-machinery, construction equipment and railways segment respectively.

❑ The management expects 13-15% growth in its construction equipment industry in FY19 and expects the industry to grow in double digit in FY20. The management also expects the railways business to grow by 20-25% in FY19 as well as for next 3-4 years.

❑ Domestic tractor industry is expected to grow at 8% CAGR over next 2-3 years while Escorts growth is expected be higher than industry. The management targets to achieve 15% market share by FY22 in the domestic market.

❑ Expanding footprints in South East Asia, Mexico and Brazil in exports market with overall 8000-9000 units volume guidance by FY22 (achieved target of 3000 units in FY19).

❑ EBITDA margin is expected to decline by 20 bps QoQ to 11.9% due to higher discounting and change in product mix towards subsidy based orders which had lower margins.

❑ The management expects to reduce the total debt from Rs 239 crs to Rs100-150 crs by 31st March 2019.

Key Trackable this Quarter

❑ Commentary on strategy for market share gains

❑ Demand outlook for tractor industry in FY20

We value the stock at 17x FY20e EPS. HOLD

Gabriel India Limited

GABR IN

CMP	**146**
Target	**131**
Upside	**-10%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	18%	18%	17%	16%
Roce%	24%	25%	24%	22%
P/E	21.4	22.3	21.2	20.1
P/B	3.9	4.0	3.5	3.2
EV/Ebdita	11.8	12.2	11.3	10.4

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
2W/3W	*841*	*1,026*	*1,234*	*1,350*	*265*	*311*	*300*
PV	489	568	508	552	154	128	101
CV	199	238	304	339	78	71	79
Financials							
Sales	1,529	1,833	2,047	2,241	497	510	480
Sales Gr	*6%*	*20%*	*12%*	*10%*	*27%*	*14%*	*-3%*
Ebdita	144	171	185	202	46	43	42
Ebdita Gr	*12%*	*19%*	*8%*	*9%*	*26%*	*6%*	*-10%*
Net Profits	82	94	99	104	27	22	21
Profit Gr%	*8%*	*15%*	*5%*	*5%*	*16%*	*2%*	*-21%*
Ebdita Margin%	9.4%	9.3%	9.1%	9.0%	9.3%	8.4%	8.7%
Net Profit Margin%	5.3%	5.1%	4.8%	4.6%	5.4%	4.3%	4.4%

Std/Fig in Rs Cr

- Revenue is expected to de-grow by 3% YoY in 4QFY19 largely due to shift in mix towards 2Ws because of slowdown in the passenger vehicle segment and phasing out of old Wagon R. Management has the new model lined up from Maruti - alto for which production will start from August 2019. The company also has won orders for new models from Volkswagen and Skoda.
- EBITDA margin is expected to improve by 30bps QoQ. Some of the benefit of decline in commodity prices (aluminium and crude) will offset by weaker operating leverage and change in product mix.
- The Sanand plant is expected to commence production from 3QFY20 and it will cater to HMSI.
- CAPEX guidance for FY20 is Rs.70 crores which is mainly for addition in Research and development, de-bottlenecking of plant and maintenance.

Key Trackable this Quarter

- Strategy regarding entering premium segment cars. (Majorly presence in entry segment cars)
- Management Commentary on Margins.

We value our stock at 18x FY20e EPS. NEUTRAL

Hero MotoCorp Limited

Automobiles

HMCL IN

CMP	**2569**
Target	**2574**
Upside	**0%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	34.4%	31.1%	26.1%	25.2%
Roce%	38.7%	39.2%	33.0%	32.9%
P/E	18.6	19.4	14.9	14.0
P/B	6.4	6.0	3.9	3.5
EV/Ebdita	14.4	13.6	10.3	9.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Growth YoY							
2 Wheelers	0%	14%	3%	2%	23%	5%	-11%
Average Realisation	*0%*	*0%*	*0%*	*4%*	*0%*	*2%*	*2%*
Financials							
Sales	28,585	32,458	33,592	35,774	8,564	7,865	7,827
Sales Gr	*0%*	*14%*	*3%*	*6%*	*24%*	*8%*	*-9%*
Other Income	522	523	656	548	166	188	129
Ebdita	4,576	5,325	5,003	5,495	1,371	1,105	1,143
Ebdita Gr	*4%*	*16%*	*-6%*	*10%*	*43%*	*-5%*	*-17%*
Net Profits	3,546	3,722	3,451	3,672	967	769	754
Profit Gr%	*14%*	*5%*	*-7%*	*6%*	*35%*	*-5%*	*-22%*
Ebdita Margin%	16.0%	16.4%	14.9%	15.4%	16.0%	14.0%	14.6%
Net Profit Margin%	12.4%	11.5%	10.3%	10.3%	11.3%	9.8%	9.6%

*Yearly Consolidated and Quarterly Standalone

Fig in Rs Cr

❑ Revenue growth is expected to decline by 9% YoY due to 11% YoY decline in volume growth. The realization growth is expected to improve by 2%YoY on the back of 125cc motorcycles and scooter sales. Going ahead rural demand is expected to revive from Q1FY20 as non-agri based income is becoming stable and is gaining more traction.

❑ EBITDA margin is expected to improve by 60 bps QoQ to 14.6% on account of softening commodity prices and cost control initiatives taken by the company. The management has guided to maintain EBITDA margins in the range of 14%-16%.

❑ The inventory at the dealer's level is unsustainable and stands at 75-80 days while the overall 2 wheeler inventory at company level stands over 65 days.

❑ The company has gained 90bps market share in last 2 quarters in the scooter segment which currently stands at 11.4% on account of new product Destini in 125cc space.

❑ The management assures that they have not faced any financing issue during the liquidity crisis (37- 40% of volumes are financed). Hero FinCorp (~22.5% of HMCL's volumes is financed by this captive arm) is one of the key financiers.

Key Trackable this Quarter

❑ Management's strategy to regain market share in entry segment

❑ Focus on exports markets

We value the stock at 14x FY20e EPS. NEUTRAL

Lumax Industries Limited

LUMX IN

Automobiles

CMP	**1797**
Target	**1900**
Upside	**6%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	19%	22%	30%	23%
Roce%	24%	29%	31%	33%
P/E	28.2	32.2	14.6	16.1
P/B	5.3	7.0	4.4	3.7
EV/Ebdita	12.8	15.2	9.5	7.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
PV	923	1,127	1,350	1,519	380	289	397
CV	65	99	132	156	34	30	41
2-Wheelers	312	431	*555*	*627*	145	112	*154*
Financials							
Sales	1,300	1,650	2,037	2,302	559	431	593
Sales Gr	*4%*	*27%*	*23%*	*13%*	*45%*	*16%*	*6%*
Ebdita	100	134	175	214	46	41	52
Ebdita Gr	*13%*	*35%*	*30%*	*22%*	*83%*	*26%*	*12%*
Net Profits	45	63	115	105	18	51	24
Adj Net Profits	45	63	79	105	18	14	24
Profit Gr%	*21%*	*40%*	*25%*	*33%*	*66%*	*-17%*	*33%*
Ebdita Margin%	7.7%	8.1%	8.6%	9.3%	8.3%	9.6%	8.8%
Net Profit Margin%	3.5%	3.8%	5.6%	4.5%	3.2%	11.8%	4.0%

Std/Fig in Rs Cr

❑ Revenue growth of 6% and 13%YoY is expected in 4QFY19 and FY20 respectively on account of increasing share of premium segment vehicles leading to gradual increase in adoption of LED lamps.

❑ The management expects LED lamps contribution to reach 50% by 2020 from 25%. The average shift from conventional to LED may increase the prices from 3x to 10x based on the technology.

❑ Higher fixed cost on new product launches, higher import content in LEDs and appreciation in USD is expected to reduce EBITDA margins by 80bps on sequential basis in 4QFY19.

❑ Management guidance on CAPEX planned for FY20 is around Rs. 100-120 Crores which includes brownfield expansion on Bawal plant, Sanand plant and Bangalore Plant.

Key Trackable this Quarter

❑ Import content in Raw Material.

❑ Localization of LEDs and raw material import ratio.

❑ Management commentary on margins.

We value the stock at 17x FY20e EPS. HOLD

Mahindra & Mahindra Ltd

MM IN

CMP	**667**
Target	**728**
Upside	**9%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	15.4%	14.4%	14.5%	11.5%
Roce%	14.2%	13.4%	13.7%	10.9%
P/E	10.0	14.9	8.8	10.3
P/B	1.5	2.1	1.3	1.2
EV/Ebdita	8.6	10.5	6.7	6.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Volume Growth							
Passenger Vehicles	0%	5%	2%	8%	10%	1%	7%
Commercial vehicles	8%	20%	15%	10%	27%	16%	1%
3W	-5%	4%	22%	9%	43%	20%	13%
Export	3%	-24%	37%	5%	20%	36%	18%
Farm Equipment	23%	21%	4%	3%	41%	11%	-14%
Total Volumes	9%	13%	8%	7%	25%	11%	-0.3%
Financials							
Sales	43,785	48,686	52,982	56,799	13,308	13,070	13,403
Sales Gr	*7%*	*11%*	*9%*	*7%*	*20%*	*13%*	*1%*
Ebdita	4,769	6,224	6,469	7,076	1,754	1,517	1,475
Ebdita Gr	*3%*	*31%*	*4%*	*9%*	*87%*	*1%*	*-16%*
Net Profits	3,956	4,356	4,833	4,165	1,059	1,077	885
Profit Gr%	*23%*	*10%*	*11%*	*-14%*	*46%*	*-11%*	*-16%*
Ebdita Margin%	10.9%	12.8%	12.2%	12.5%	13.2%	11.6%	11.0%
Net Profit Margin%	*9.0%*	*8.9%*	*9.1%*	*7.3%*	*8.0%*	*8.2%*	*6.6%*
Sales incl. MVML	41,895	47,792	54,144	60,823	13,189	12,893	13,195
Ebdita incl MVML	5,643	7,064	8,159	9,521	1,995	1,703	1,847
Net Profits incl MVML	3,891	4,638	5,444	5,768	1,155	1,396	1,071

Std/Fig in Rs Cr

- Revenue growth of 0.7% YoY will be driven by 0.3%YoY decline in volume growth and 1%YoY increase in realization. Auto segment volumes grew by 6%YoY while Farm Equipment Segment (FES) declined by 14%YoY as the demand has been impacted by lower Rabi sowing and demand slowdown in southern and western markets.
- The management expects single digit growth in tractor segment in FY20.
- EBITDA margin is expected to decline by 60 bps due to higher launch cost of XUV300, increased discounts and weaker operating leverage.
- The passenger vehicle industry inventory were as high as 45-50 days while the commercial vehicle industry inventory was high upto 55-60 days.
- The company has made USD1-billion investment in Mahindra SsangYong for product development. It will further invest USD1-billion in the next 3-4 years.

Key Trackable this Quarter

- Demand outlook for PV and Tractor segment
- Update on inventory level in tractor and CV segment

We value M&M+MVML at 12x FY20e EPS and subsidiaries at Rs. 308 per share. ACCUMULATE

Maruti Suzuki India Limited

Automobiles

MSIL IN

CMP	**6883**
Target	**6974**
Upside	**1%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	20.3%	18.5%	15.8%	16.5%
Roce%	20.9%	21.9%	18.0%	19.9%
P/E	24.2	34.0	27.7	23.7
P/B	4.9	6.3	4.4	3.9
EV/Ebdita	17.6	22.2	18.1	15.1

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Capacity('000)	1600	1900	1963	2213	1900	1900	1963
Growth YoY							
Domestic	11%	14%	6%	7%	12%	1%	*0%*
Exports	*0%*	*2%*	*-13%*	*5%*	*9%*	*-25%*	*-15%*
Total Volumes	*10%*	*13%*	*5%*	*7%*	*11%*	*-1%*	*-1%*
Average Realisation	*8%*	*3%*	*3%*	*-3%*	*4%*	*3%*	*2%*
Financials							
Sales	68,085	79,809	86,045	89,279	21,166	19,668	21,434
Sales Gr	*18%*	*17%*	*8%*	*4%*	*15%*	*2%*	*1%*
Other Income	2,290	2,046	2,016	1,811	595	917	300
Ebdita	10,358	12,063	11,495	13,740	2,999	1,894	2,872
Ebdita Gr	*17%*	*16%*	*-5%*	*20%*	*18%*	*-37%*	*-4%*
Net Profits	7,511	7,881	7,508	8,778	1,882	1,489	1,697
Profit Gr%	*37%*	*5%*	*-5%*	*17%*	*10%*	*-17%*	*-10%*
Ebdita Margin%	15.2%	15.1%	13.4%	15.4%	14.2%	9.6%	13.4%
Net Profit Margin%	11.0%	9.9%	8.7%	9.8%	8.9%	7.6%	7.9%

Conso/Fig in Rs Cr

❑ Revenue is expected to grow by 1.3% YoY in Q4FY19 due to 0.7%YoY decline in volumes and 2%YoY growth in realization. There is a slowdown in demand in passenger vehicle segment across various geographies both in rural as well as urban areas and it is expected to remain flat in 1HFY20 as well.

❑ Exports demand impacted as Indonesia has stopped imports of vehicles. Going ahead the management expects flat exports even for next year.

❑ EBITDA margin though is expected to improve by 377 bps QoQ to 13.4% due to softening of commodity prices, price hike taken by the company and change in product mix towards compact segment.

❑ Currently, six models on INR based royalty (~45% of 3QFY19 volumes) and the management expects all models to be under INR-based royalty by 2022.

Key Trackable this Quarter

❑ Discounts offered on premium cars: 5.3% of realization in 3QFY19

❑ Localization level at Gujarat plant to support margins

❑ Liquidity crunch impact on demand: 80% finance penetration

We value the stock at 24x FY20e EPS. NEUTRAL

Minda Industries limited

MNDA IN

Automobiles

CMP	**342**
Target	**357**
Upside	**4%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	24%	24%	21%	22%
Roce%	25%	23%	24%	26%
P/E	30.0	23.1	25.4	19.2
P/B	7.3	5.5	5.4	4.3
EV/Ebdita	14.4	14.5	12.2	9.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
Switches	1,206	1,533	2,319	2,629	565	534	593
Horns/Acoustics	626	683	757	907	189	169	208
Lighting	895	1,151	1,341	1,592	313	337	359
Others	757	1,103	1,561	1,985	304	431	396
Financials							
Sales	3,386	4,471	5,978	7,385	1,371	1,470	1,556
Sales Gr	*34%*	*32%*	*34%*	*24%*	*45%*	*39%*	*14%*
Ebdita	374	534	736	913	170	180	196
Ebdita Gr	*57%*	*43%*	*38%*	*24%*	*53%*	*43%*	*16%*
Net Profits	185	331	353	467	140	81	98
Profit Gr%	*67%*	*79%*	*7%*	*32%*	*142%*	*23%*	*-30%*
Ebdita Margin%	11.0%	11.9%	12.3%	12.4%	12.4%	12.3%	12.6%
Net Profit Margin%	5.5%	7.4%	5.9%	6.3%	10.2%	5.5%	6.3%

Conso/Fig in Rs Cr

❑ Revenue is expected to grow by 14% YoY in 4QFY19 based on strong growth in Horns, lighting and alloy wheel segment. However, on account of higher base effect the growth is expected to be slightly lower than compared to last year.

❑ EBITDA margin is expected to expand by 30bps QoQ on account of reduction in commodity prices and increasing alloy wheel presence. However, management expects margins to be in range of 12-12.5% in FY19.

❑ Merger of Harita seating systems will take 9-10 months for NCLT approvals and to start contributing in revenue. MINDAIND will be benefitted by the strong clientele and higher ATO (4x) of Harita seating.

❑ Capex guidance of Rs.400 crs to be spent towards new project development (controller & telematics and 2W alloy wheel plant) and maintenance capex for FY20.

Key Trackable this Quarter

❑ Management's plan to reduce D/E ratio (currently at 0.5:1)

❑ Commercial production of Sensor plant (revenue potential of Rs.400 crs)

We value our stock at 20x FY20e EPS. HOLD

Motherson Sumi Systems Limited

Automobiles

MSS IN

CMP	**154**
Target	
Upside	
Rating	**UNDER REVIEW**

	FY17	FY18	FY19E	FY20E
Roe%	26%	23%	20%	21%
Roce%	18%	20%	19%	21%
P/E	16.1	33.3	21.1	16.9
P/B	4.2	7.6	4.3	3.6
EV/Ebdita	9.2	15.6	9.3	7.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Copper(USD/MT)	5,159	6,449	6,346	6,346	6,957	6,208	6,223
Crude(USD/Barrel)	48	56	70	70	65	70	70
Segment Revenue							
MSSL Standalone	6,229	7,440	7,732	8,651	2,107	1,730	2,002
SMR	11,869	12,106	13,292	14,484	3,285	3,328	3,547
SMP	22,101	26,177	29,990	35,388	7,089	8,255	8,365
PKC	-	7,940	9,759	12,384	2,177	2,442	2,656
Others	3,403	3,956	4,591	5,310	1,122	1,125	1,268
Financials							
Sales	42,475	56,293	63,762	74,383	15,407	16,473	17,409
Sales Gr	*14%*	*33%*	*13%*	*17%*	*37%*	*14%*	*13%*
Ebdita	4,285	5,123	5,655	6,665	1,500	1,393	1,549
Ebdita Gr	*21%*	*20%*	*10%*	*18%*	*21%*	*11%*	*3%*
Net Profits	2,270	2,438	2,306	2,879	778	555	638
Adjusted Pat	2,172	2,260	2,306	2,879	757	555	638
Profit Gr%	*22%*	*4%*	*2%*	*25%*	*7%*	*-1%*	*-16%*
Ebdita Margin%	10.1%	9.1%	8.9%	9.0%	9.7%	8.5%	8.9%
Net Profit Margin%	5.1%	4.0%	3.6%	3.9%	4.9%	3.4%	3.7%
D/E	1.2	1.0	1.1	0.8			

Conso/Fig in Rs Cr

❑ Revenue growth expectation of 13% YoY largely led by double digit growth in SMP and PKC business verticals. However revenue guidance of USD 18bn by 2020 might be difficult to achieve for the company.

❑ EBITDA margin expected to improve by 40bps on sequential basis primarily on account of reduction in commodity prices. Further, higher employee cost and other expenses will lead to limited expansion in margins for next 1-2 quarter.

❑ Depreciation and Finance cost is expected to be higher for the next one year, till the new plants reach at some minimum capacity utilization level.

❑ Recent acquisition of Bombardier Transportation (Rolling Stock) UK Ltd. will help to grow PKC group by at least 20% YoY.

❑ The management expects BS-VI implementation may increase the value per content of wiring harness by 10-15% going ahead.

Key Trackable this Quarter

❑ Demand outlook in the European market.

❑ Repayment status of debt as there are no new green-field projects .

The stock is currently under review.

SKF INDIA Limited

SKF IN

Automobiles

CMP	**2060**
Target	**2151**
Upside	**4%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	13%	16%	20%	19%
Roce%	16%	21%	26%	25%
P/E	27.3	30.2	30.8	26.8
P/B	3.7	4.9	6.0	5.1
EV/Ebdita	18.1	18.9	20.2	17.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
Auto	1,033	1,141	1,271	1,407	303	307	318
Export	197	262	203	198	56	46	48
Industrial	1,402	1,348	1,565	1,792	345	415	386
Financials							
Sales	2,631	2,750	3,042	3,400	704	768	755
Sales Gr	*-12%*	*5%*	*11%*	*12%*	*8%*	*10%*	*7%*
Other income	87	71	88	87	19	23	11
Ebdita	336	435	482	559	106	122	122
Ebdita Gr	*-8%*	*29%*	*11%*	*16%*	*33%*	*-1%*	*14%*
Net Profits	244	296	331	380	72	85	78
Profit Gr%	*-5%*	*21%*	*12%*	*15%*	*24%*	*3%*	*9%*
Ebdita Margin%	12.8%	15.8%	15.8%	16.5%	15.1%	15.8%	16.1%
Net Profit Margin%	9.3%	10.8%	10.9%	11.2%	10.2%	11.1%	10.3%

Std/Fig in Rs Cr

❑ Revenue growth is expected to be 7% YoY driven by implementation of ABS IN 2Ws, increase in branded bearings demand in the aftermarket and railways segment. The growth in FY20 will be tilted towards 2HFY20 due to recent slow down in auto industry and infrastructure activity led by elections.

❑ EBITDA margins are expected to improve by 30 bps QoQ due to decrease in aluminum and steel prices. Reduction in proportion of trading mix will further improve the margins. (Trading: manufacturing mix in 4QFY18 was 38:62, which increased to 45:55 in 3QFY19)

❑ Capex guidance of Rs150 crs in FY20 based on 95% capacity utilization in both automotive and industrial segments and new product development.

❑ SKF sees strong growth opportunity of about Rs.800 crores in the railways segment. Due to change is norms in terms of field and development trials which were there earlier are now removed since last two months, the management expects revenue contribution from railways segment to increase going ahead. (currently 7% of total revenues)

Key Trackable this Quarter

❑ Trading and Manufacturing mix.

❑ Hub-3 bearing plant status.

We value the stock at 28x FY20e EPS. HOLD

Subros limited

SUBR IN

Automobiles

CMP	**286**
Target	**265**
Upside	**-7%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	4%	15%	12%	14%
Roce%	16%	21%	20%	21%
P/E	91.1	28.7	22.0	17.3
P/B	3.6	4.3	2.7	2.4
EV/Ebdita	8.5	8.9	7.6	6.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
PV AC	*1,437*	*1,761*	*1,975*	*2,117*	*497*	*466*	*510*
Growth YoY		23%	12%	7%	28%	11%	3%
Non PV AC	105	152	190	296	55	45	49
Growth YoY		*45%*	*25%*	*56%*	*102%*	*48%*	*-11%*
Financials							
Sales	1,554	1,913	2,165	2,413	552	511	559
Sales Gr	*19%*	*23%*	*13%*	*11%*	*33%*	*14%*	*1%*
Ebdita	167	210	236	276	64	57	63
Ebdita Gr	*10%*	*26%*	*13%*	*17%*	*40%*	*19%*	*-1%*
Net Profits	14	61	85	108	19	17	25
Profit Gr%	*-42%*	*334%*	*40%*	*27%*	*157%*	*5%*	*34%*
Ebdita Margin%	10.8%	11.0%	10.9%	11.5%	11.6%	11.1%	11.3%
Net Profit Margin%	0.9%	3.2%	3.9%	4.5%	3.4%	3.4%	4.4%

Conso/Fig in Rs Cr

❑ Revenue growth expectation of 1% YoY in 4QFY19 due to slowdown in the PV segment leading to production cut down for Maruti during the quarter. The demand scenario is expected to improve from 2HFY20 onwards.

❑ EBITDA margin is expected to improve by 20bps QoQ in 4QFY19. However the full impact of decline in commodity prices in last 2 quarters will be offset by currency depreciation. Management expects margins to be at 12% in FY20.

❑ The management is focused on expanding the non-car segment from 8-10% to 14-15% by the next two years.

❑ The company targets revenue growth of ~13% with EBITDA margin expansion of 100-150bps over the next 2 years. It is taking various cost control measures such as increase in localization and in-house tool development.

❑ Import content is currently stood at 30% and is expected to go down to 20% by the next two years.

Key Trackable this Quarter

❑ Import Content.

❑ Debt repayment status: Rs.50 crs expected to repay in FY20

❑ Demand outlook for Passenger vehicles: ~70% turnover comes from Maruti Suzuki

We value the stock at 16x FY20e EPS. NEUTRAL

Swaraj Engines Limited.

SWE IN

CMP	**1441**
Target	**1376**
Upside	**-5%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	18%	18%	32%	31%
Roce%	24%	25%	44%	42%
P/E	21.4	22.3	22.1	21.0
P/B	3.9	4.0	7.1	6.5
EV/Ebdita	11.8	12.2	13.8	13.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Engine Volumes	82,297	92,022	96,271	98,123	21,780	22,569	18,400
Growth YoY	28%	12%	5%	2%	10%	3%	-16%
Average Realization	80,943	83,802	87,491	86,897	85,060	88,050	88,050
Growth YoY	*-1%*	*4%*	*4%*	*-1%*	*5%*	*6%*	*4%*
Financials							
Sales	666	771	842	853	185	199	162
Sales Gr	*27%*	*16%*	*9%*	*1%*	*15%*	*8%*	*-13%*
Ebdita	105	122	127	131	29	27	23
Ebdita Gr	*42%*	*16%*	*5%*	*3%*	*18%*	*7%*	*-19%*
Net Profits	69	80	79	83	18	17	14
Profit Gr%	*34%*	*16%*	*-1%*	*5%*	*15%*	*1%*	*-23%*
Ebdita Margin%	15.7%	15.8%	15.1%	15.4%	15.4%	13.8%	14.2%
Net Profit Margin%	10.3%	10.3%	9.4%	9.8%	9.5%	8.7%	8.4%

Std/Fig in Rs Cr

❑ Volume is expected to declined by 16%YoY in Q4FY19 due to lower than expected rainfall in key markets and lower rabi crop sowing. Revenue growth of 9%YoY is expected in 4QFY19 driven by volume and realization growth of 5% and 4% YoY respectively.

❑ EBITDA margin is expected to improve by 40bps on sequential basis based on reduction in commodity prices. Further margins are expected to be over 15% level on account of increase in the mix of higher HP tractors.

❑ Considering the lower Rabi crop output and slowdown in demand in southern region, the management of M&M anticipates tractor volumes to grow at single digit in FY20. However, management doesn't need to cut down the production.

❑ 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

❑ Pricing strategy amidst falling volume

❑ Rural demand outlook and tractor Volume growth.

We value the stock at 20x FY20e EPS. NEUTRAL

TVS Motor Company Limited

Automobiles

TVSL IN

CMP	**486**
Target	**517**
Upside	**6%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	23%	23%	21%	22%
Roce%	23%	23%	21%	22%
P/E	36.6	43.0	29.4	23.3
P/B	8.5	9.9	6.1	5.1
EV/Ebdita	24.4	25.5	14.2	11.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Growth YoY							
Domestic	*12%*	*16%*	*9%*	*6%*	*29%*	*19%*	*-2%*
Export	*-7%*	*35%*	*33%*	*8%*	*45%*	*26%*	*22%*
Total Volumes	*9%*	*18%*	*13%*	*6%*	*32%*	*20%*	*2%*
Average Realisation	*-8%*	*5%*	*6%*	*5%*	*7%*	*6%*	*7%*
Financials							
Sales	12,135	15,130	18,170	20,287	3,993	4,664	4,359
Sales Gr	*9%*	*25%*	*20%*	*12%*	*40%*	*27%*	*9%*
Other Income	173	145	22	90	24	1	3
Ebdita	857	1,129	1,455	1,714	281	376	344
Ebdita Gr	*6%*	*32%*	*29%*	*18%*	*74%*	*31%*	*23%*
Net Profits	558	663	696	878	166	178	159
Profit Gr%	*14%*	*19%*	*5%*	*26%*	*31%*	*16%*	*-4%*
Ebdita Margin%	7.1%	7.5%	8.0%	8.4%	7.0%	8.1%	7.9%
Net Profit Margin%	4.6%	4.4%	3.8%	4.3%	4.1%	3.8%	3.6%

Std/Fig in Rs Cr

- ❑ Revenue is expected to grow at 9%YoY led by 2%YoY volume growth and 7%YoY realization growth. Volume growth is expected to be 6% for the year driven by growth across entry segment motorcycles, 125cc scooter and exports in FY20.
- ❑ EBITDA Margin is expected to decline 20 bps QoQ to 7.9% by 4QFY19 led by increased advertisement & promotional expenses and weaker operating leverage. Management's focus will be margin expansion through various cost cutting initiatives and localization going ahead.
- ❑ The company had the lowest inventory level amongst all the OEMs and it stands at 30-35 days. The overall 2W industry inventory is as high as 75-80 days at dealer level.
- ❑ The management expects exports outlook of the company to remain healthy based on stable foreign exchange situation and exports market conditions. The management is strongly focused on increasing its presence in markets like Philippines for 3W and Argentina and Mexico for 2W.
- ❑ The company is expected to launch an electric vehicle in FY20 and will also invest further in the same area. TVS also holds 25.76% stake in Ultraviolette Automotive, a Bengaluru based start up with an investment of Rs.11 crores.

Key Trackable this Quarter

- ❑ Pricing strategy regarding competition in entry & premium segment
- ❑ Cost control initiatives in order to improve margin expansion

We value the stock 25x FY20e std EPS + Rs.50/- value of TVS credit services. NEUTRAL

ACC Limited

ACC IN

CMP	**1634**
Target	**1771**
Upside	**8%**
Rating	**ACCUMULATE**

	CY16	CY17	CY18E	CY19E
Roe%	7%	10%	14%	12%
Roce%	10%	14%	14%	17%
PE	39.4	35.2	17.8	23.3
PB	2.9	3.5	2.6	2.8
EV/Ebdita	16.2	15.6	11.7	11.0

	CY16	CY17	CY18E	CY19E	Q1CY18	Q4CY18	1QCY19E
Cement Vol.(MT)	23.0	26.2	28.4	29.7	7.11	7.50	7.47
Growth YoY	*-2%*	*14%*	*8%*	*5%*	*8%*	*8%*	*5%*
Cement Real.Rs./Tn)	5,089	5,060	4,826	4,842	4,721	4,776	4,848
Growth YoY	*8%*	*-1%*	*-5%*	*0%*	*-8%*	*2%*	*3%*
RMC Vol.(MCM)	2.60	2.84	3.27	3.44	0.84	0.86	0.86
Financials							
Sales	**10,990**	**13,285**	**14,802**	**15,837**	**3,625**	**3,895**	**3,984**
Sales Gr	*-7%*	*21%*	*11%*	*7%*	*14%*	*11%*	*10%*
Ebdita	**1,478**	**1,912**	**2,048**	**2,503**	**492**	**487**	**669**
Ebdita Gr	*-4%*	*29%*	*7%*	*22%*	*18%*	*10%*	*36%*
Net Profits	**658**	**925**	**1,521**	**1,322**	**247**	**730**	**360**
Profit Gr%	*12%*	*40%*	*64%*	*-13%*	*18%*	*261%*	*45%*
Ajusted Profits	**658**	**925**	**1,012**	**1,322**	**247**	**230**	**360**
Ebdita Margin%	**13.5%**	**14.4%**	**13.8%**	**15.8%**	**13.6%**	**12.5%**	**16.8%**
Net Profit Margin%	**6.0%**	**7.0%**	**10.3%**	**8.3%**	**6.8%**	**18.8%**	**9.0%**

Cons./ Fig in Rs Cr

- Cement prices has increased in all regions except. In south where the company has almost 30% of exposure, cement prices has increased by around 5%. In East and west regions price has increased by 1% on sequential basis, the company has 40% exposure to these regions. Considering price hike across regions we except realization to increase by 1.5% on QoQ basis in Q4 FY19.

- Cement volume of the company is expected to grow to the tune of 5-6% on YoY led by strong traction from rural housing schemes and demand from affordable housing segment.

- RMC volumes are expected to remain range bound till general elections as volume growth in this segment is largely dependent on the demand from infrastructure activities.

- Margins of ACC Cement is expected to improve in upcoming quarter as higher sales in premium segment and sales from newly commissioned cost-efficient units of Jamul and Sindri. The company is also focusing on using higher linkage coal and on reducing lead distance.

- Capacity utilization of the company is above 85% and thus considering the growth in cement demand in upcoming quarters, company is expanding its capacities. ACC is setting up a greenfield unit in Katni (MP), with a clinker capacity of 3MT and a grinding capacity of 1MT and 1.6MT split grinding unit in Tikaria (UP). These new capacities are expected to have 20% lower operational cost.

Key Trackable this Quarter

- Progress on the expansion plans.
- Volume growth

We value the stock at 12x CY19e EV/EBITDA. ACCUMULATE

Century Plyboards (India) Limited

Building Materials

CPBI IN

CMP	**218**
Target	**192**
Upside	**-12%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	30%	20%	19%	20%
Roce%	22%	17%	20%	21%
P/E	31.0	46.3	26.4	22.2
EV/Sales	3.5	3.9	2.2	2.1
EV/Ebdita	21.4	25.3	15.6	13.5

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segmental Metrices							
Plywood - Revenue	1,261	1,263	1,296	1,392	321	313	345
Plywood - EBITDA	216	181	193	205	52	38	50
Laminates - Revenue	364	370	434	479	102	112	123
Laminates - EBITDA	59	61	43	65	13	10	16
MDF - Revenue	-	112	302	341	65	88	83
MDF - EBITDA	-	21	39	55	10	14	13
Particle Board - Revenue	23	73	98	109	19	26	25
Particle Board - EBITDA	4	13	21	23	3	6	5
Sales	1,782	1,967	2,299	2,496	544	579	618
Sales Gr%	*9%*	*10%*	*17%*	*9%*	*11%*	*14%*	*14%*
COGS	918	1,023	1,207	1,297	274	309	329
Ebdita	292	306	330	389	83	76	94
Ebdita Gr%	*3%*	*5%*	*8%*	*18%*	*-1%*	*-13%*	*13%*
Net Profits	186	157	176	218	36	41	51
Profit Gr%	*9%*	*-16%*	*12%*	*24%*	*-36%*	*-11%*	*43%*
Gross Margin%	48.5%	48.0%	47.5%	48.0%	49.7%	46.7%	46.8%
Ebdita Margin%	16.4%	15.6%	14.4%	15.6%	15.3%	13.1%	15.2%
Net Profit Margin%	10.4%	8.0%	7.6%	8.7%	6.6%	7.2%	8.3%

Std/Fig in Rs Cr

- Going by segments; Ply margins would be lower in near term due to change in strategy to focus on mid-market segment, Laminates prices now cover high RM costs which would normalize margins, MDF (which is in a highly competitive market right now) is expected to improve with demand/supply gap narrow down, Particle board segment is strong with improving margins sequentially.
- With 10% guided volume growth in Ply/Lam and high growth of MDF & particle board, revenue for the quarter is expected to be up by 14% YoY to Rs 618 crores.
- While the gross margin would be under pressure at 46.8%, EBITDA margin would be flat at 15.2% on better volumes and as the base quarter includes forex loss.
- To improve its customer reach, company aims to expand touchpoints for laminates to 30000 and plywood to 15000 in next 1, 1-1/2 years time.
- The Board has approved a proposal for setting-up a Particle Board and MDF Unit at UP.

Key Trackable this Quarter

- Success of company's startegy to focus on the mid-market segment
- Forex exposure on Balance Sheet and Working capital status
- Demand/Supply dynamics of the MDF industry

We value the stock at 12x FY20e EV/Ebdita. NEUTRAL

Cera Sanitaryware Ltd

CRS IN

CMP	**2914**
Target	**2977**
Upside	**2%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	21%	18%	18%	19%
Roce%	27%	23%	23%	25%
P/E	38.1	45.1	34.4	25.5
EV/Sales	3.8	3.7	2.9	2.3
EV/Ebdita	22.3	25.6	19.8	14.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segmental Revenue							
Sanitaryware & Allied	60%	56%	54%	53%	55%	52%	54%
Faucets	21%	22%	23%	23%	23%	24%	24%
Tiles	16%	20%	20%	21%	19%	21%	19%
Others	3%	3%	3%	3%	3%	4%	3%
Sales	1,011	1,182	1,349	1,556	361	319	419
Sales Gr%	*10%*	*17%*	*14%*	*15%*	*16%*	*10%*	*16%*
COGS	481	563	641	733	174	150	202
Ebdita	171	171	194	242	51	46	67
Ebdita Gr%	*21%*	*0%*	*14%*	*25%*	*-2%*	*13%*	*32%*
Net Profits	104	100	117	149	31	28	40
Profit Gr%	*25%*	*-4%*	*17%*	*27%*	*-6%*	*23%*	*32%*
Gross Margin%	52.4%	52.3%	52.5%	52.9%	51.8%	52.9%	51.7%
Ebdita Margin%	16.9%	14.4%	14.4%	15.6%	14.1%	14.4%	16.0%
Net Profit Margin%	10.3%	8.5%	8.7%	9.6%	8.5%	8.9%	9.6%

Std/Fig in Rs Cr

❑ The company in Q3 reported a topline growth of 10% with only faucets segment growing at ~23%. In the seasonally best quarter four, the company is expected to report a topline growth of 16% YoY to Rs 419 crores.

❑ The high growth in faucets segment will help to increase its share in the total revenue pie by 100bps to 24%.

❑ Price hikes, enough to tackle the higher RM costs, will help the company report gross margin at 51.7%.

❑ EBITDA margin is expected to be higher by 190bps YoY to 16% as the other expenses in base quarter were higher due to high gas prices, recruitment costs and high A&P spends.

❑ PAT is expected to be Rs 40 crores, margins at 9.6%.

❑ The total capex guided for FY19 stands at Rs 70 crores of which company has already spent around 41.72 crores in the first nine months.

Key Trackable this Quarter

❑ Overall market environment in the real estate sector

❑ Share of outsource based sales

❑ Further expansion/acquisition strategy to enhance capacity

We value the stock at 26x FY20e P/E. HOLD

Greenlam Industries Limited

GRLM IN

Building Materials

CMP	**923**
Target	**855**
Upside	**-7%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	18%	19%	20%	20%
Roce%	17%	19%	20%	22%
P/E	30.8	44.2	29.3	23.9
EV/Sales	1.7	2.6	1.9	1.7
EV/Ebdita	12.9	19.9	15.3	12.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Laminates Volume*	12.8	13.8	13.5	14.4	3.7	3.3	3.7
Laminate Realisation	681	693	798	810	693	761	797
Segment Mix							
Laminates - Revenue	939	984	1,076	1,166	266	262	294
Laminates - EBITDA	136	134	147	162	35	35	42
Veneer - Revenue	137	160	189	218	45	52	51
Veneer - EBITDA	3	16	14	21	4	6	5
Sales	1,076	1,145	1,265	1,383	311	314	345
Sales Gr%	*4%*	*6%*	*11%*	*9%*	*6%*	*12%*	*11%*
COGS	567	598	668	725	167	162	183
Ebdita	138	149	161	183	39	41	47
Ebdita Gr%	*9%*	*8%*	*8%*	*14%*	*-9%*	*5%*	*20%*
Net Profits	50	65	78	93	18	20	25
Profit Gr%	*32%*	*30%*	*21%*	*19%*	*0%*	*14%*	*38%*
Gross Margin%	47.3%	47.7%	47.2%	47.6%	46.3%	48.3%	47.0%
Ebdita Margin%	12.9%	13.0%	12.7%	13.2%	12.5%	13.1%	13.5%
Net Profit Margin%	4.6%	5.6%	6.2%	6.7%	5.7%	6.3%	7.2%

*(in mn sheets) Conso/Fig in Rs Cr

❑ Laminate segment continue to face weak demand environment and over-capacities in industry while strong brand recall helping the company. The veneer segment is facing pressures due to higher RM costs and lower realisations.

❑ The management has said that it would be difficult to take further price hikes in the current market scenario. YTD price hikes leading to 11% YoY rise in realisations in laminates and high growth from wooden doors & floors in veneer & allied segment would drive sales growth of 11% YoY to Rs 345 crores for quarter 4.

❑ With continued pressure from higher RM costs, Gross Margins are expected to be at 47%. With breakeven achieved in doors segment and higher laminate volumes in seasonally best quarter, EBITDA margins would improve by 100 bps YoY to 13.5%.

❑ The company has announced a brownfield expansion of 1.6 million sheets for laminates division at a layout of Rs 25 crores funded through internal accruals.

❑ The company has acquired a Swiss company Decolan SA engaged in laminates and expects its revenue to go up to CHF 6.7 million in 1-2 years from present CHF 2.86 million.

Key Trackable this Quarter

❑ Overall demand environment and product pricing in market

❑ Sustainable EBITDA margin for the wooden doors segment

❑ Breakeven progress for the wooden floors segment

We value the stock at 12times EV/EBDITA. NEUTRAL

Heidelberg Cement India Ltd

Building Materials

HEIM IN

CMP	**183**
Target	**196**
Upside	**7%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	8%	13%	19%	19%
Roce%	5%	9%	13%	14%
PE	35.2	24.2	18.9	16.9
PB	2.8	3.1	3.5	3.1
EV/Ebdita	11.6	9.6	9.1	8.4

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Cement Vol.(MT)	4.4	4.6	4.9	4.9	1.3	1.3	1.2
Growth YoY	-1%	6%	6%	0%	13%	6%	-2%
Realization(Rs./Ton)	3,914	4,066	4,322	4,440	4,184	4,358	4,358
Growth YoY	5.5%	3.9%	6.3%	2.7%	1.3%	8.0%	4.2%
Financials							
Sales	**1,717**	**1,889**	**2,132**	**2,197**	**531**	**564**	**542**
Sales Gr	*4%*	*10%*	*13%*	*3%*	*15%*	*15%*	*2%*
Ebdita	**279**	**363**	**481**	**502**	**120**	**123**	**123**
Ebdita Gr	*21%*	*30%*	*32%*	*4%*	*52%*	*48%*	*2%*
Net Profits	**76**	**133**	**219**	**245**	**52**	**59**	**59**
Profit Gr%	*115%*	*75%*	*65%*	*12%*	*41%*	*84%*	*14%*
Ebdita Margin%	**16.2%**	**19.2%**	**22.6%**	**22.8%**	**22.6%**	**21.7%**	**22.6%**
Net Profit Margin%	**4.4%**	**7.0%**	**10.3%**	**11.1%**	**9.8%**	**10.4%**	**10.9%**

Std/ Fig in Rs Cr

❑ Cement demand in central India especially in Madhya Pradesh has slowed since the formation of the new state government, and in UP capacities are already operating at higher utilization levels. We expect volume growth of the company to remain range bound or marginal dip of 2% on YoY basis in 4Q FY19.

❑ In the month of Feb, 2019 cement prices have increased in most of the regions of the country but in March prices has corrected a bit. We expect realizations of the company in 4QFY19 to remain at level of 3QFY19.

❑ Considering supply constraint, management of the company is focusing on increasing the sale of premium products which remains the key trackable for the growth prospective of the company.

❑ EBITDA margin of the company is expected to improve marginally on sequential basis as realization has remained almost same, lower freight cost/ton is due to increased axle norm which was partially offset by the increase in the power and fuel cost.

❑ Company is carrying debottlenecking process at all over its grinding units in 3 phases. First phase is already completed. Post this process grinding capacity is likely to go up by 0.3MTPA. We remain watchful on the progress of this whole process.

❑ Company is looking to expand its capacities by the way of acquisitions but plans are yet to be firmed up.

Key Trackable this Quarter

❑ Status of debottlenecking process.

❑ Price hike in Central region.

We value the stock at 9x EV/EBITDA. ACCUMULATE

JK Cement Limited

JKCE IN

Building Materials

CMP	**851**
Target	**942**
Upside	**11%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	11%	16%	12%	13%
Roce%	5%	8%	7%	7%
PE	31.0	20.8	21.0	18.3
PB	3.5	3.3	2.5	2.3
EV/Ebdita	12.3	11.5	10.0	9.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Grey Cement Vol(MT)	6.84	8.23	8.56	8.89	2.40	2.14	2.52
Wall putty(MT)	1.1	1.2	1.3	1.3	0.3	0.4	0.3
Total volume	7.9	9.4	9.8	10.2	2.7	2.5	2.9
Growth YoY	1%	19%	4%	4%	25%	8%	5%
Blend. Real.(Rs./Tn)	4,742	4,889	5,047	5,124	4,838	5,099	5,150
Growth YoY	4%	3%	3%	2%	3%	5%	6%
Financials							
Sales	**3,756**	**4,591**	**4,960**	**5,225**	**1,316**	**1,273**	**1,471**
Sales Gr	*6%*	*22%*	*8%*	*5%*	*28%*	*13%*	*12%*
Ebdita	**693**	**761**	**777**	**826**	**182**	**211**	**246**
Ebdita Gr	*34%*	*10%*	*2%*	*6%*	*-5%*	*24%*	*35%*
Net Profits	**211**	**342**	**284**	**326**	**96**	**61**	**109**
Profit Gr%	*107%*	*62%*	*-17%*	*15%*	*126%*	*-16%*	*13%*
Adjusted Profits	**211**	**342**	**309**	**326**	**96**	**86**	**109**
Ebdita Margin%	**18.5%**	**16.6%**	**15.7%**	**15.8%**	**13.8%**	**16.5%**	**16.7%**
Net Profit Margin%	**5.6%**	**7.4%**	**5.7%**	**6.2%**	**7.3%**	**4.8%**	**7.4%**

Std/ Fig in Rs Cr

❑ Volume growth of 5-6% on YoY is expected as per management guidance.

❑ Cement prices in North (JK Cement has half of the exposure in North) has increased by almost 2-3% in the month of Feb but prices have declined by 2% in the month of March. Hence we expect realization of the company to grow marginally by 0.5% on sequential basis.

❑ Company is making efforts to save Rs. 60-70/Ton in logistics cost, currently it is saving Rs.40-45/Ton. Further, re-positioning, better modalities and increasing trade volumes to save another Rs. 50-75/Ton. Overall company is working on to save 125-150/Ton. Presently company has achieved 50% of that and balance to be achieved in next 6-8 months.

❑ Tax rate for 3QFY19 was 48% v/s 21% in the year ago period. Now tax rate in Q4FY19 is expected to be normalized.

❑ The company is ramping up its UAE operations and expects this plant to be EPS accretive from FY21. In CY18, expected loss from UAE is Rs. 50 Cr. Company has taken various cost control initiatives at the plant. .

Key Trackable this Quarter

❑ Status of ongoing expansion of 4.2 MT Nimbahera and Mangrol.

❑ Profitability of UAE business

We value the stock at 10x EV/EBITDA. ACCUMULATE

Kajaria Ceramics Ltd

KJC IN

CMP	**604**
Target	**622**
Upside	**3%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	23%	19%	17%	20%
Roce%	30%	24%	23%	27%
P/E	36.9	38.5	39.3	29.1
EV/Sales	3.7	3.3	3.1	2.7
EV/Ebdita	19.0	19.9	19.8	15.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Tiles Volume Growth	5%	6%	13%	15%	5%	16%	15%
Segmental Revenue							
Own Mfg (Tiles)	54%	56%	57%	55%	57%	55%	55%
JVs (Tiles)	31%	24%	22%	23%	23%	23%	21%
Outsourcing (Tiles)	10%	14%	14%	15%	14%	16%	16%
Sanitaryware/Faucet	5%	5%	7%	7%	7%	6%	8%
Sales	2,550	2,711	3,023	3,538	750	759	882
Sales Gr%	*6%*	*6%*	*12%*	*17%*	*4%*	*15%*	*18%*
COGS	919	1,060	1,135	1,363	291	297	344
Ebdita	496	456	470	603	120	121	143
Ebdita Gr%	*8%*	*-8%*	*3%*	*28%*	*-8%*	*10%*	*19%*
Net Profits	253	235	239	330	66	65	78
Profit Gr%	*9%*	*-7%*	*2%*	*38%*	*-7%*	*19%*	*18%*
Gross Margin%	63.9%	60.9%	62.4%	61.5%	61.2%	60.9%	61.1%
Ebdita Margin%	19.5%	16.8%	15.5%	17.0%	16.0%	15.9%	16.2%
Net Profit Margin%	9.9%	8.7%	7.9%	9.3%	8.8%	8.5%	8.8%

Conso/Fig in Rs Cr

❑ With the positive momentum of volume growth in Q3, the company is expected to report a 15% YoY growth as guided by the management. The sanitaryware and faucets business would continue to grow at 40% YoY as guided. With realisations maintained sequentially, the revenue is expected to be at Rs 882 crores, up 18% YoY.

❑ With the global gas prices cooling down, the overall gas cost as a % of sales is expected to remain flat sequentially at 20.3%.

❑ The high volume sales growth and easing fuel cost pressures would help to report EBITDA margin at 16.2% in the seasonally best quarter for the industry.

❑ PAT is expected to be Rs 78 crores, margins at 8.8%.

❑ The total capex guided for FY19 stands at Rs 150 crores. Company's plant expansion of 5.6 msm per annum at Multana, Rajasthan has now been extended to be made by end of FY20.

Key Trackable this Quarter

❑ Pricing and capacity in the Industry post NGT order on Morbi

❑ Prices of gas which account for ~20% of sales

❑ Growth and breakeven progress of Sanitaryware and faucets segment

We value the stock at 30x FY20e P/E. HOLD

The Ramco Cements Limited

Building Materials

RAMCO IN

CMP	**742**
Target	**816**
Upside	**10%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	17%	14%	11%	11%
Roce%	15%	12%	9%	9%
PE	25.6	31.1	35.9	32.9
PB	4.5	4.3	3.8	3.6
EV/Ebdita	14.8	16.5	18.6	17.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Total Cement Vol.(MT)	8.4	9.3	10.7	11.8	2.7	2.7	2.9
Growth YoY	17%	11%	15%	10%	19%	21%	6%
Blend. Realiz.(Rs./Tn)	4,702	4,733	4,606	4,592	4,579	4,406	4,561
Growth YoY	-5%	1%	-3%	0%	-11%	-5%	0%
Financials							
Sales	**3,950**	**4,406**	**4,943**	**5,397**	**1,255**	**1,210**	**1,329**
Sales Gr	*11%*	*12%*	*12%*	*9%*	*5%*	*15%*	*6%*
Ebdita	**1,195**	**1,099**	**973**	**1,109**	**272**	**214**	**261**
Ebdita Gr	*11%*	*-8%*	*-12%*	*14%*	*1%*	*-9%*	*-4%*
Net Profits	**649**	**556**	**472**	**522**	**109**	**101**	**132**
Profit Gr%	*20%*	*-14%*	*-15%*	*11%*	*-19%*	*-18%*	*21%*
Ebdita Margin%	**30.2%**	**25.0%**	**19.7%**	**20.5%**	**21.7%**	**17.7%**	**19.7%**
Net Profit Margin%	**16.4%**	**12.6%**	**9.6%**	**9.7%**	**8.7%**	**8.3%**	**9.9%**

std/ Fig in Rs Cr

- Being major presence of Ramco Cement in South, company is the major beneficiary of cement price hike. In South cement price has increased by almost 5% in the month of Feb. We expect realization of the company to increase by 3.5-4% on QoQ and flat on YoY in Q4 FY19. In Q3 FY19, cement prices has dipped significantly in South and hence after this hike in Feb, realization of the company is expected to come at Q4 levels of previous year.
- Demand in South is expected to pick up in upcoming quarters on the back of rehabilitation of infrastructure post massive destruction by heavy rain during monsoon season in Kerala. Volume growth to the tune of 6-7% on YoY is expected in upcoming quarters.
- Further infrastructure activities in South are likely to pick up as new capital to be formed in AP.
- Recently India has slammed 200% customs duty by India on products from Pakistan which should boost volume for south based cement companies .
- EBITDA margin is expected to improve sequentially on back of higher realizations, lower power and fuel cost. However margins are lower when compared on YoY basis because of dip in realization and cost escalation in last three quarters.

Key Trackable this Quarter

- Infrastructural demand in South
- Cement prices sustainability

We value the stock at 19x FY20e EV/EBITDA. ACCUMULATE

Somany Ceramics Ltd

SOMC IN

Building Materials

CMP	**418**
Target	**410**
Upside	**-2%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	20%	13%	7%	11%
Roce%	21%	13%	9%	12%
P/E	29.6	40.5	40.4	24.4
EV/Sales	1.9	1.9	1.2	1.0
EV/Ebdita	13.7	17.2	14.0	10.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Tiles Volume Growth	7%	-1%	7%	10%	2%	8%	7%
Sales	1,731	1,713	1,755	1,959	541	425	555
Sales Gr%	*1%*	*-1%*	*2%*	*12%*	-	*7%*	*3%*
COGS	707	707	768	899	256	179	284
Ebdita	234	186	146	186	62	35	53
Ebdita Gr%	*64%*	*-20%*	*-21%*	*27%*	-	*-23%*	*-14%*
Net Profits	98	70	44	73	26	9	22
Profit Gr%	*52%*	*-28%*	*-38%*	*65%*	-	*-45%*	*-16%*
Gross Margin%	59.2%	58.7%	56.2%	54.1%	52.7%	57.9%	48.8%
Ebdita Margin%	13.5%	10.9%	8.3%	9.5%	11.5%	8.2%	9.6%
Net Profit Margin%	5.7%	4.1%	2.5%	3.7%	4.8%	2.2%	3.9%

Conso/Fig in Rs Cr

- ❑ The 9MFY19 volume growth for tiles stands at 7% YoY with value growth being only 3.5% on poor realisations The company has been cutting down on credit period for a better working capital position.
- ❑ The company is expected to report a tiles volume growth of 7% in Q4.
- ❑ The bathware segment is expected to grow 25% for the quarter
- ❑ With the global gas prices cooling down, the overall gas cost as a % of sales is expected to remain flat sequentially at 17.5%.
- ❑ Higher sales in seasonally best quarter and stabilising operations from working capital initiatives, EBITDA margins would improve by 140 bps sequentially to 9.6%.
- ❑ PAT is expected to be Rs 22 crores, margins at 3.9%.
- ❑ The company has commenced commercial production at its 3.48 msm GVT South plant of subsidiary from March, 2019

Key Trackable this Quarter

- ❑ Pricing and capacity in the Industry post NGT order on Morbi
- ❑ Prices of gas which account for ~20% of sales
- ❑ Working Capital status post intiatives taken by the management

We value the stock at 24x FY20e P/E. NEUTRAL

Shree Cement Limited

SCRM IN

CMP	**18569**
Target	**20420**
Upside	**10%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	17%	16%	11%	13%
Roce%	14%	13%	10%	12%
PE	44.3	40.7	62.1	45.3
PB	7.7	6.3	6.6	5.9
EV/Ebdita	24.1	24.1	25.8	21.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Cement Vol(Mn Ton)	20.6	22.5	25.5	27.2	6.4	5.9	6.9
Growth YoY	45%	9%	13%	7%	9%	11%	7%
Realization(Rs./Tn)	4,396	4,314	4,253	4,391	4,160	4,316	4,338
Growth YoY	-12%	-2%	-1%	3%	-5%	4%	4%
Power vol.(Mn Units)	2,066	1,197	1,747	1,761	345	446	450
Financials							
Sales	**8,594**	**9,833**	**11,654**	**12,815**	**2,811**	**2,781**	**3,217**
Sales Gr	*56%*	*14%*	*19%*	*10%*	*15%*	*21%*	*14%*
Ebdita	**2,513**	**2,473**	**2,631**	**3,061**	**629**	**710**	**826**
Ebdita Gr	*79%*	*-2%*	*6%*	*16%*	*12%*	*25%*	*31%*
Net Profits	**1,339**	**1,384**	**1,042**	**1,427**	**399**	**301**	**412**
Profit Gr%	*17%*	*3%*	*-25%*	*37%*	*31%*	*-10%*	*3%*
Adjusted profit	**1,339**	**1,384**	**1,220**	**1,427**	**399**	**301**	**412**
Ebdita Margin%	**29.2%**	**25.1%**	**22.6%**	**23.9%**	**22.4%**	**25.5%**	**25.7%**
Net Profit Margin%	**15.6%**	**14.1%**	**8.9%**	**11.1%**	**14.2%**	**10.8%**	**12.8%**

Std/ Fig in Rs Cr

❑ Shree Cement major portion of revenue comes from North region. In North cement prices have increased marginally in the month of Feb 2019, but in month of March, prices have again corrected. Hence we expect marginal increase in the realization of the company on sequential basis and 4% on YoY basis.

❑ Company's volume growth is expected to remain in the range of 5-6% in Q4 FY19, as cement demand in Northern India has picked up post and further pickup is expected post general elections.

❑ Revenue from power sector is expected to remain muted as the company has increased captive usage of power. We expect power sector to clock revenue of Rs. 507 Cr in Q4 FY19.

❑ Freight cost of the company is expected to come down in Q4 FY19 as the benefit of increased axle norms and change from FOR sales to Ex- Factory sales. This change will reduce the transport burden form the seller side.

❑ The company has commissioned Clinker capacity of 3MT Integrated Cement Plant at Kodla, Karnataka on 25 Dec'18.

❑ Company is expanding its capacities by adding 3 MT of grinding capacity at a capex of 4.23 Billion in Cuttack & 2.5mt in Jharkhand at a capex of 4.8 Billion, Cuttack capacity is expected to come on Steam by Sept-19 & Jharkhand by Jun-19. Capex for FY20 is Rs. 1200 Cr.

Key Trackable this Quarter

❑ Status of capacity expansion at Cuttack and Jharkhand

❑ Update on sales by overseas arm

We value the stock at 24x FY20e EV/EBITDA. ACCUMULATE

UltraTech Cement Limited

UTCEM IN

CMP	**4029**
Target	**4686**
Upside	**16%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	11%	10%	8%	10%
Roce%	13%	10%	8%	10%
PE	40.4	42.2	51.7	36.4
PB	4.5	4.1	3.9	3.6
EV/Ebdita	22.0	20.6	21.6	17.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Total Cement Vol.(MT)	52.4	63.3	73.7	79.8	19.1	19.0	20.4
Growth YoY	-2%	21%	21%	21%	29%	15%	7%
Blend. Realiz.(Rs./Tn)	4,843	4,964	4,959	4,959	4,945	4,930	5,019
Growth YoY	-1%	3%	0%	0%	4%	2%	1%
Financials							
Sales	**25,375**	**31,411**	**36,533**	**39,562**	**9,421**	**9,390**	**10,231**
Sales Gr	*1%*	*24%*	*16%*	*8%*	*34%*	*17%*	*9%*
Ebdita	**5,212**	**6,145**	**6,068**	**7,270**	**1,781**	**1,445**	**1,846**
Ebdita Gr	*6%*	*18%*	*-1%*	*20%*	*33%*	*8%*	*4%*
Net Profits	**2,715**	**2,222**	**2,142**	**3,043**	**446**	**390**	**745**
Profit Gr%	*10%*	*-18%*	*-4%*	*42%*	*-39%*	*-15%*	*67%*
Adjusted Profits	**2,599**	**2,571**	**2,142**	**3,043**	**761**	**390**	**745**
Ebdita Margin%	**20.5%**	**19.6%**	**16.6%**	**18.4%**	**18.9%**	**15.4%**	**18.0%**
Net Profit Margin%	**10.7%**	**7.1%**	**5.9%**	**7.7%**	**4.7%**	**4.2%**	**7.3%**

Conso/ Fig in Rs Cr

❑ Volume of the company is expected to grow by almost 7% on YoY basis in Q4 FY19 on account of strong traction in rural housing and low income housing scheme like Pradhan Mantri Awaas Yojana. This growth momentum is likely to be continued for upcoming quarters as post general elections, infrastructure activities will also pick.

❑ Being pan India player, the realization of the company is likely to grow marginally as prices has increased only in South, East and West whereas in other regions prices remains almost flat. We factor price hike of 1.5% on sequential basis in Q4 FY19 and 1% on YoY basis.

❑ EBITDA margin of the company is expected to improve sequentially to 18% on the back of higher realizations, lower power and freight cost.

❑ JPA update- JPA is operating at 75% utilization. Plants' operational parameter is at par or better than UltraTech's existing plants standard.

❑ Binani Cement- Ultratech has undertaken equipment up-gradation and improvement measures, optimized raw mix and has started using pet coke. UNCL is expected to sell 5 lakh Ton of cement in Q4 FY19.

❑ Company is setting up of a 3.5 MTPA cement plant at Dhar, Madhya Pradesh at a total cost of around Rs 2,600 Cr. Commercial production from the plant is expected to commence Q4 FY19.

❑ Bara grinding unit is likely to be commissioned by June 2020.

Key Trackable this Quarter

❑ Update on integration of CTIL assets into Ultratech.

❑ Volume growth

We value Ultratech at Rs 4686/- on SOTP basis. BUY

Engineers India Ltd.

ENGINERS IN

Capital Goods

CMP	**120**
Target	**111**
Upside	**-8%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	12%	16%	14%	14%
Roce%	10%	17%	14%	14%
EV/Ebdita	37.79	29.15	26.97	26.22
P/E	29.8	26.0	21.6	21.3
P/B	3.5	4.3	3.1	3.0

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Order Inflow	5,663	2,141	5,963	1,990	74	91	100
Order Book	7,762	8,413	10,249	9,434	8,413	10,787	10,249
Consultancy	4,021	4,714	4,357	4,744	4,714	4,617	4,357
Turnkey	3,741	3,699	5,892	4,690	3,699	6,170	5,892
Revenue							
Consultancy	1,165	1,379	1,357	1,389	337	343	360
Turnkey	284	408	1,112	1,417	172	234	278
EBIT M %							
Consultancy	30%	31%	29%	28%	27%	28%	29%
Turnkey	36%	19%	6%	7%	7%	6%	5%
Financials							
Sales	1,480	1,824	2,470	2,805	510	577	638
Sales Gr	*-4%*	*23%*	*35%*	*14%*	*15%*	*22%*	*25%*
Other Income	222	176	205	200	48	52	40
Ebit	292	403	332	348	52	90	76
Ebit Gr	*59%*	*38%*	*-18%*	*5%*	*7%*	*-31%*	*46%*
Net Profits	330	383	350	355	69	91	75
Profit Gr%	*19%*	*16%*	*-9%*	*2%*	*5%*	*-16%*	*8.5%*
Ebit Margin%	19.7%	22.1%	13.4%	12.4%	10.1%	15.5%	11.9%
Net Profit Margin%	*22.3%*	*21.0%*	*14.2%*	*12.7%*	*13.5%*	*15.7%*	*11.7%*

Consolidated data/ Quaterly Standalone   Fig in Rs Cr

- ❑ Company is expected to report healthy revenue growth of 25.1% YoY in Q4FY19 on account of strong execution of Turnkey projects.
- ❑ EBIT is expected to grow by 46% YoY and the EBIT margin is expected to go up by 171 bps on account of higher margin on consultancy business.
- ❑ The PAT is expected to grow by only 9% YoY. PAT margins are expected to be down due to higher tax levels.
- ❑ Company has strong order Inflow visibility with various hydrocarbon projects lined up which will be materialize going forward into Q4FY19 and FY20. Majority order inflow in FY20 will be from consultancy segment.
- ❑ The cash in hand at present is around Rs 2300 Cr. The other income is directly related to treasury operation.
- ❑ International market continue to remain sluggish in terms of new order inflow, down by 45% in 9MFY19.

Key Trackable this Quarter

- ❑ Execution of Turnkey projects
- ❑ Recovery in International business

We value the stock at 20x FY20E EPS . Maintain NEUTRAL

KEC International Ltd.

KECI IN

Capital Goods

CMP	**304**
Target	**361**
Upside	**19%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	19%	23%	21%	21%
Roce%	29%	33%	33%	32%
D/E	1.27	0.82	1.17	0.91
P/E	17.6	21.7	15.0	12.7
P/B	3.4	5.0	3.2	2.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Order Inflow	12,358	15,109	14,568	15,823	3,809	3,598	3,038
Order Book	12,631	17,298	19,549	22,505	17,298	20,592	19,549
Revenue							
Transmission	6,029	6,795	6,835	7,560	2,468	1,563	2,930
Transmission SAE	1,002	1,025	957	1,433	307	195	309
Cables	1,054	1,009	1,146	1,167	278	310	312
Railway	447	844	1,706	2,090	359	551	421
Civil/Water	85	268	434	548	126	106	103
Solar	159	288	315	70	189	16	6
Financials							
Net Sales	8,755	10,096	11,223	12,739	3,664	2,646	4,040
Sales Gr	*1%*	*15%*	*11%*	*14%*	*27%*	*10%*	*10%*
Ebdita	818	1,006	1,170	1,326	370	281	423
Ebdita Gr	*18%*	*23%*	*16%*	*13%*	*23%*	*15%*	*14%*
Net Profits	305	460	520	618	196	111	207
Profit Gr%	*77%*	*54%*	*13%*	*19%*	*35%*	*0%*	*5%*
Ebdita Margin%	*9.3%*	*10.0%*	*10.4%*	*10.4%*	*10.1%*	*10.6%*	*10.5%*
Net Profit Margin%	*3.5%*	*4.6%*	*4.6%*	*4.9%*	*5.4%*	*4.2%*	*5.1%*

Cons./ Fig in Rs Cr

- ❑ Revenue is expected to report 10.3% growth YoY with the strong performance in International T&D business, execution pick up at SAE and the growth trajectory of NON-T&D business expected to continue.
- ❑ Growth in SAE is expected to pick up from the end of Q4FY19. The execution in SAE was impacted due to delay in execution in EPC project and some project company supplies towers the site were not available on part of the client so the delivery was deferred.
- ❑EBITDA margin is expected to improve by 33 bps as the margin of NON-T&D business is expected to improve on account of volume growth.
- ❑ PAT is expected to grow by just 5.5% YoY on account of higher interest and tax level while the margins are expected to be down by 25 bps.
- ❑ There is improvement in the borrowing mix. Collection from Saudi (received Rs 270 Cr in Q4FY19) and large advances expected are to be received. Debt expected to be around Rs2500 Cr by the year end.
- ❑ NWC days expected to improve by 10-15 days.

Key Trackable this Quarter

- ❑ Working Capital days
- ❑ Debt Level

We value the stock at 15x FY20E EPS. BUY

Kalpataru Power Transmission Ltd.

Capital Goods

KPP IN

CMP	**472**
Target	**504**
Upside	**7%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	6%	10%	9%	11%
Roce%	16%	16%	17%	17%
D/E	1.1	1.1	1.0	1.0
P/E	27.0	26.7	26.7	20.8
P/B	1.6	2.8	2.5	2.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
KPTL							
Order Inflow	9,068	9,341	8,526	9,359	2,585	1,706	2,068
Order Book	8,640	12,404	14,021	15,484	12,404	14,218	14,021
JMC							
Order Book	7,000	7,616	9,454	9,755	7,616	9,930	9,454
Financials:- KPTL							
Sales	5,011	5,779	6,893	7,915	1,931	1,725	2,269
Sales Gr	*14%*	*15%*	*19%*	*15%*	*29%*	*22%*	*17%*
Ebdita	529	631	757	874	209	184	246
Ebdita Gr	*10%*	*10%*	*10%*	*10%*	*33%*	*21%*	*17%*
Net Profits	269	322	389	464	105	96	124
Profit Gr%	*40%*	*20%*	*21%*	*19%*	*17%*	*27%*	*19%*
Ebdita Margin%	*10.6%*	*10.9%*	*11.0%*	*11.0%*	*10.8%*	*10.7%*	*10.8%*
Net Profit Margin%	*5.4%*	*5.6%*	*5.6%*	*5.9%*	*5.4%*	*5.6%*	*5.5%*
JMC							
Sales	2,328	2,756	3,162	3,699	723	893	846
Net Profits	59	105	134	156	34	37	40

Std/Fig in Rs Cr

- ❑ Revenue growth expected to be 17% YoY led by Pipeline & Railway business which is expected to grow at 72% YoY in FY19.
- ❑ EBITDA growth expected to be 17% YoY and PAT is expected to grow by 19% YoY in 4QFY19.
- ❑ JMC expected to report revenue growth of 17% YoY backed by strong order book. While PAT margin will remain stable.
- ❑ Company has recently acquired 85% of the shares of Linjemontage i Grastorp AB, a Swedish EPC company which has order book of approx Rs 500 Cr and revenue of Rs 510 Cr. This acquisition will help KPTL to get entry into Europe.
- ❑ Debt will be around Rs.900 Cr on KPTL books and at JMC level it will be lower from current level of Rs 650 cr.
- ❑ KPTL increased Equity holding in SSL from 71.52% to 80.06% and preferential holding from 85.01% to 100%.
- ❑ Merchant banker has been appointed to sell of BOOT projects where equity investment is Rs 349 Cr and expects the deal to be complete by 1QFY20.

Key Trackable this Quarter

- ❑ Execution of Power T&D
- ❑ EBITDA margin as 60% orders are fixed price contract
- ❑ Execution at JMC level
- ❑ BOOT project sell off status

We value the std. business at 14x FY20 EPS & Rs.64/- for Subsidiary. ACCUMULATE

Larsen & Toubro Limited

Capital Goods

LT IN

CMP	**1410**
Target	**1802**
Upside	**28%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	16%	16%	17%	18%
Roce%	7%	9%	10%	9%
D/E	1.72	1.67	1.66	1.78
P/E	19.5	25.1	20.4	17.9
P/B	2.7	3.6	3.1	2.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Order Book	261,400	263,205	295,219	343,503	263,205	284,000	295,219
Order Inflow	143,000	152,800	175,003	185,605	49,600	42,200	54,560
Segmental Revenues							
Infrastructure	53,920	63,416	75,713	77,969	24,349	18,371	29,603
Power	6,939	6,208	4,356	3,923	1,507	908	1,308
Heavy Engineering	3,447	4,858	6,011	6,050	1,468	1,738	1,656
Electrical & Auto.	5,367	5,508	6,067	5,847	1,643	1,565	1,689
Hydrocarbon	9,628	11,760	14,828	21,650	3,559	3,778	3,976
IT & Technology Ser.	9,888	11,357	14,641	17,109	3,152	3,764	3,915
Financial Services	8,545	10,064	12,663	14,378	2,722	3,259	3,208
Developmental Proj.	4,368	4,476	5,179	4,774	1,217	1,194	1,194
Others	*10,851*	*4,434*	*5,461*	*3,650*	*1,626*	*1,661*	*939*
Financials							
Sales	110,011	119,862	142,373	151,466	40,678	35,709	46,300
Sales Gr	*8%*	*9%*	*19%*	*6%*	*10%*	*24%*	*14%*
Ebdita	11,130	13,571	16,699	17,787	5390	3996	6019
Ebdita Gr	*6%*	*22%*	*23%*	*7%*	*24%*	*27%*	*12%*
Net Profits	6,881	8,004	10,210	11,554	3338	2362	3701
Profit Gr%	*51%*	*16%*	*28%*	*13%*	*10%*	*32%*	*11%*
Ebdita Margin%	*10.1%*	*11.3%*	*11.7%*	*11.7%*	*13.3%*	*11.2%*	*13.0%*
Net Profit Margin%	*6.3%*	*6.7%*	*7.2%*	*7.6%*	*8.2%*	*6.6%*	*8.0%*

Conso/Fig in Rs Cr

- ❑ Revenue will be up by 14% YoY led by the strong execution of Infra business. Infrastructure is expected to report growth of 22% YoY while Services business likely to grow at 21% YoY.
- ❑ Infrastructure margin have been impacted by cost overruns in few government transportation infrastructure projects . Hydrocarbons revenues are expected to rise by 12% due to strong execution of domestic orders. Power continues to suffer weak order book in challenging macro environment. Heavy engineering segment (including Defence) should be driven by strong execution of domestic and Intl order book
- ❑ EBITDA will up by 12% YoY while EBITDA margin is expected to remain in range of 13-13.5%.
- ❑ PAT will be up by 11% YoY while PAT margin will be 8% as against 8.2%.
- ❑ LT will end quarter with order inflow of Rs.54000-55000 Cr (ex. Services business), which will be up by 10% YoY.
- ❑ Working capital as % of sales is likely to remain stable at 20%.

Key Trackable this Quarter

- ❑ Management commentary on private capex
- ❑ Infrastructure segment EBITDA.
- ❑ Working capital

We value Std. business at 24x FY20E EPS and Rs 596 per share for Subsidiary. BUY

Asian Paints Limited

APNT IN

Consumers

CMP	**1519**
Target	**1443**
Upside	**-5%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	28%	25%	25%	25%
Roce%	33%	31%	32%	32%
P/E	53.0	52.7	63.1	54.8
EV/Sales	6.8	6.4	7.4	6.8
EV/Ebdita	34.4	33.7	38.8	33.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Capacity (India)*	1,130	1,130	1,730	1,730	1,130	1,430	1,730
Domestic Volume Gr#	9%	7%	12%	7%	10%	19%	8%
Domestic rev Gr#	-1%	8%	16%	11%	13%	27%	14%
Int & Indstrial rev gr#	-3%	10%	9%	10%	21%	10%	10%
Sales	15,062	16,825	19,431	21,591	4,484	5,294	5,108
Sales Gr%	*6%*	*12%*	*15%*	*11%*	*15%*	*24%*	*14%*
Ebdita	2,986	3,198	3,700	4,397	840	1,043	998
Ebdita Gr%	*8%*	*7%*	*16%*	*19%*	*19%*	*17%*	*19%*
Net Profits	1,939	2,039	2,270	2,661	474	636	593
Profit Gr%	*11%*	*5%*	*11%*	*17%*	*0%*	*12%*	*25%*
Gross Margin%	44.7%	42.4%	41.5%	42.6%	43.2%	41.0%	42.2%
Ebdita Margin%	19.8%	19.0%	19.0%	20.4%	18.7%	19.7%	19.5%
Net Profit Margin%	12.9%	12.1%	11.7%	12.3%	10.6%	12.0%	11.6%

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

❑ The management commentary continues to be cautious with the impending elections and crude prices/currency volatility. The demand momentum continues to be on hold for almost past 2 years. The company is expected to exit the financial year with an 8% volume growth in quarter 4.

❑ The Industrial segment continues to witness good growth while the Automotive segment witnessed sectoral demand slowdown. In current market scenario, the pass-through of rising costs is difficult and that has led to suppressed margins for the segment.

❑ In international markets, key units like Egypt, Bangladesh and Sri-Lanka continue to be affected with challenging business conditions. Though a bit of a pick-up was seen in Ethiopia with the unit able to secure forex for imports, the future outlook needs to be seen with the challenges continuing.

❑ Full impact of December 1.7% price hike would help the company to improve its gross margins sequentially by 120 bps to 42.2%. Further 200 bps YoY lower other expenses as a % of sales would lead the EBITDA margin to improve by 80bps YoY to 19.5%.

❑ The management has guided for a capex of Rs 1200 crores for FY19. Karnataka facility commenced its operations on 20th Sept, 2018 and Andhra Pradesh facility commenced on 29th January, 2019.

Key Trackable this Quarter

❑ Demand environment given the upcoming election in India

❑ Business challenges improvement in international market like Egypt, Bangladesh and Ethiopia.

❑ Realisation growth led by price hikes or product premiumisation needs to be seen

We value the stock at 52x FY20e P/E. HOLD

Agro Tech Foods Limited

ATFL IN

Consumers

CMP	**586**
Target	**683**
Upside	**17%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	9%	9%	9%	12%
Roce%	15%	14%	13%	17%
P/E	44.7	55.8	42.5	30.3
P/B	4.0	5.2	3.9	3.6
EV/Ebdita	20.2	26.6	21.2	16.5

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenue Breakup(esti.)							
Sundrop Oil	501	487	478	514	129	119	124
Crystal business	125	121	139	155	32	35	36
Food	175	204	230	303	55	60	62
Segmental Volume growth%							
Sundrop Oil	1%	3%	-2%	3%	9%	-10%	-7%
Crystal business	3%	3%	2%	2%	10%	2%	2%
Peanut butter	14%	94%	35%	35%	73%	14%	14%
Financials							
Sales	808	812	845	972	214	215	222
Sales Gr%	*3%*	*0%*	*4%*	*15%*	*4%*	*0%*	*3%*
Other Income	0	1	3	5	0	1	1
Ebdita	61	66	66	85	16	18	16
Ebdita Gr%	*8%*	*8%*	*0%*	*29%*	*6%*	*1%*	*2%*
Net Profits	28	32	34	47	8	10	8
Profit Gr%	*19%*	*14%*	*6%*	*40%*	*12%*	*10%*	*10%*
Ebdita Margin%	7.6%	8.1%	*7.8%*	*8.8%*	7.3%	8.4%	*7.2%*
Net Profit Margin%	3.4%	3.9%	*4.0%*	*4.8%*	3.5%	4.6%	*3.7%*

Cons/Fig in Rs Cr

❑ ATFL's sales for Q4FY19 is expected to grow by 3.3% on the back of better volume growth in Peanut butter and bagged snacks while we expect better realization from Crystal will help in delivering strong growth in commodity business of the company.

❑ Food business primarily comprising of ActII and peanut butter, contributed ~28% of the total sales this year. Next goal of the company is to inch it up to ~30% and than 50% in next few years.

❑ Post fire at Unnao plant, the production of RTE Popcorn, Extruded snacks, Tortilla chips is being addressed through alternate plants and third party which will maintain the supplies while Choco popz is expected to return to the market by 2QFY20 as the company did not have any alternative to continue its production.

❑ Gross margin is expected to improve by 219 bps to 32.9% led by reduction in prices of some inputs, better product mix and higher contribution from company's food business while EBITDA margin is expected to decline by 12 bps to 7.2% YoY due to higher Ad spends.

❑ Ad & promotion and other expense are expected to increase led by higher promotional activities in order to overcome the competitive intensity in its food business.

Key Trackable this Quarter

❑ A&P expenses: Last few quarters lower margin restricted A&P expenses.

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

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

Bajaj Consumer Care Limited

BAJAJCON IN

Consumers

CMP	**315**
Target	**440**
Upside	**40%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	44%	43%	48%	53%
Roce%	51%	49%	56%	61%
P/E	27.4	32.5	20.5	17.9
P/B	12.1	13.9	9.8	9.5
EV/Ebdita	22.6	27.0	16.5	14.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Almond Drops Hair Oil(ADHO)							
Volume (Lac cases)	49.2	50.6	54.3	58.4	13.4	13.6	14.5
Volume Growth%	-2%	3%	7%	8%	7%	9%	8%
ADHO Market share							
Value wise	60.6%	61.3%					
Volume wise	58.0%	58.7%					
Distri. Reach(mn)	3.7	3.9			3.9	4.0	5.4
Financials							
Sales	797	828	915	1,027	222	230	247
Sales Gr%	*0%*	*4%*	*10%*	*12%*	*8%*	*10%*	*11%*
Other Inome	39	24	20	27	1	7	6
Ebdita	264	254	279	314	72	71	80
Ebdita Gr%	*-4%*	*-4%*	*10%*	*13%*	*8%*	*5%*	*11%*
Net Profits	218	211	227	260	55	60	65
Profit Gr%	*11%*	*-3%*	*7%*	*15%*	*5%*	*9%*	*18%*
Ebdita Margin%	33.1%	30.6%	*30.5%*	*30.5%*	32.4%	30.9%	*32.4%*
Net Profit Margin%	27.4%	25.5%	*24.8%*	*25.3%*	25.0%	26.2%	*26.6%*

Note:Management is expecting to hit 5.4 lacs outlets in direct coverage by end of FY19. Cons/Fig in Rs Cr

- Volume growth is expected to remain 8% in Q4FY19 led by coming back of category growth and distribution expansion with gain in market share in ADHO . Both volume and value growths are coming back in the hair oil segment.
- We expect better traction International business (IB) as the company has revamped IB and business team in place for all strategic locations.Management is expecting better growth from international market(IB) going forward on the back of its expansion in Key markets like in Nepal, Bangladesh, KSA, Saudi-Arabia, UAE and Indonesia.
- Company is focusing towards ADHO's distribution reach expansion in rural. Currently Bajaj Almond Oil is available in 40 lakh outlets while company's direct reach is up to 4.9 lakh outlets. Management plans to expand it to 5.4 lakh by end of FY19.
- BAJAJCON's gross margin is expected to expand by 73 bps to 68% led by decline in crude, while EBITDA margin is expected to remain flat, impact of improvement in gross margin would not pass to EBITDA, lagging on account of higher employee cost which is expected to be up by 70 bps YoY.
- The company is actively looking for acquisition in the tune of Rs.700-800cr. Presently it has ~Rs.300 cr in its balance sheet.

Key Trackable this Quarter

- Volume growth: tapering of rural growth may impact the volume in Q4FY19.
- Other expenses:New launches and distribution ramp up may increase other expenses.

We value the stock at 25x FY20E EPS. Recommend BUY

Berger Paints India Ltd

BRGR IN

Consumers

CMP	**332**
Target	**360**
Upside	**8%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	26%	24%	22%	26%
Roce%	28%	27%	27%	32%
P/E	49.5	54.0	59.4	46.2
EV/Sales	5.1	4.8	5.1	4.6
EV/Ebdita	32.5	30.8	33.7	26.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Domestic Volume Gr	11%	9%	16%	8%	12%	19%	14%
Domestic rev Gr	8%	14%	18%	11%	14%	21%	18%
Int & Indstrial rev gr	11%	13%	25%	12%	52%	18%	12%
Sales	4,552	5,166	6,112	6,795	1,298	1,617	1,522
Sales Gr%	*8%*	*13%*	*18%*	*11%*	*17%*	*21%*	*17%*
Ebdita	719	807	924	1,185	200	236	254
Ebdita Gr%	*11%*	*12%*	*14%*	*28%*	*24%*	*6%*	*27%*
Net Profits	474	461	529	698	106	134	143
Profit Gr%	*28%*	*-3%*	*15%*	*32%*	*1%*	*3%*	*35%*
Gross Margin%	43.1%	41.7%	39.3%	41.8%	41.3%	37.8%	41.1%
Ebdita Margin%	15.8%	15.6%	15.1%	17.4%	15.4%	14.6%	16.7%
Net Profit Margin%	10.4%	8.9%	8.7%	10.3%	8.2%	8.3%	9.4%

Conso/Fig in Rs Cr

❑ The management guided that it expects the decorative segment to show improvement. However, the ongoing headwinds faced by the industry and election environment causes us to remain cautious. YTD the company has grown at a faster pace than the industry and a similar performance is expected with a decorative volume growth of 14% in quarter 4.

❑ The net realisations is expected to improve for decorative with the full effect of december 1.6% price hike and better product mix.

❑ The steady growth in industrial and automotive business is expected to continue due to lower sensitivity of company to PV sales. The subsidiaries are also expected to continue their strong performance. However, a higher base would restrict the international and industrial growth to 12%.

❑ Revenue for the quarter is expected at Rs 1,522 crores, up 17% YoY.

❑ Q3 gross margins were affected due to high cost RM inventory. However, the gross margins are expected to bounce to 41.1% in quarter 4 once the inventory effect and price hike lag effect in industrial segment is done away with.

❑ Riding on operational efficiency, a 120bps lower other expenses will lead to an EBITDA margin of 17.7% for the quarter.

❑ Capex guidance for FY19 is INR 200cr on standalone books relating to plant in Maharashtra, largely for painting machines and capacity expansion in all the existing plants.

Key Trackable this Quarter

❑ Demand environment given the upcoming election in India

❑ Continued strong growth from Bolix Poland, BJN Nepal and Saboo Coatings

❑ Costs of TiO2, monomers and rupee impact in the current macro environment

We value the stock at 50x FY20e P/E. BUY

Britannia Industries Limited

BRIT IN

Consumers

CMP	**2994**
Target	**3217**
Upside	**7%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	33%	29%	28%	30%
Roce%	42%	39%	38%	40%
P/E	50.7	67.3	61.9	48.9
P/B	16.6	19.8	17.6	14.8
EV/Ebdita	17.5	22.5	40.5	32.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Core Vol. growth	5%	7.3%	9.4%	9.6%	11.0%	7.0%	6.5%
Pricing gr.(%)(esti.)	4%	2.2%	2.6%	6.8%	1.6%	4.0%	3.7%
Distribution Reach (in mn outlets)							
Dire. Distri. Reach	1.6	1.8	2.4	3.0			
Over. Distri. Reach.	4.7	5.0	5.6	6.2			
Financials							
Sales	9,054	9,914	11,052	12,916	2538	2842	2796
Sales Gr%	*5%*	*9%*	*11%*	*17%*	*13%*	*11%*	*10%*
Ebdita	1,278	1,502	1,752	2,167	397	452	456
Ebdita Gr%	*5%*	*17%*	*17%*	*24%*	*29%*	*13%*	*15%*
Net Profits	885	1,004	1,160	1,471	263	300	307
Profit Gr%	*7%*	*13%*	*16%*	*27%*	*25%*	*14%*	*16%*
Ebdita Margin%	14.1%	15.1%	*15.9%*	*16.8%*	15.6%	15.9%	*16.3%*
Net Profit Margin%	9.8%	10.1%	*10.5%*	*11.4%*	10.4%	10.6%	*11.0%*

Cons/Fig in Rs Cr

❑ We expect volume growth to be at 6.5% YoY impacted by higher base (11%), and tapering down rural growth However, company's distribution expansion in Hindi speaking belt and new product launches will support volumes. Pricing growth is expected to be at 3.7% YoY led by product mix tilt towards premiumization.

❑ Hindi belt continues to grow faster than overall growth of the company with Rajasthan, MP, UP and Gujarat growing at 25.1%, 21.3%, 18.6% and 16.7% respectively on year to date basis.

❑ The Company's new launches in 3QFY19 includes layer cake, brownie, Swiss roll, Whole wheat Vita Marie gold while Croissant is expected to be launched at the end of 4QFY19. Going forward, the company also plans to launch salty snacks under its existing brand Time Pass as a part of strategy to expand its non-biscuit segments.

❑ Gross margin is expected to improve by 233 bps to 40.8% YoY while EBITDA margin is expected to improve by 67 bps YoY to 16.3% YoY due to expansion in gross margin.

❑ We expect higher advertising on account of new launches. Other expenses is expected to be higher by 175 bps YoY to 20.3%.

Key Trackable this Quarter

❑ Volume growth.

❑ Management comments on rural growth and cash and carry channel.

❑ 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 HOLD

Colgate Palmolive (India) Limited

Consumers

CLGT IN

CMP	**1247**
Target	**1388**
Upside	**11%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	45%	44%	51%	54%
Roce%	64%	63%	71%	77%
P/E	43.1	43.1	42.5	38.2
P/B	19.5	19.1	21.9	20.7
EV/Ebdita	26.1	25.8	26.5	23.4

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Volume growth	-1%	3%	7%	9%	4%	7%	10%
Pricing growth	2%	3%	1%	4%	1%	0%	0%
Marketshare:							
Toothpaste(Vol. Ms)	54%	52%			53%	52%	
Toothbrush(Vol. Ms)	45%	45%			45%	45%	
Financials							
Sales	3,982	4,188	4,500	5,109	1092	1099	1192
Sales Gr%	*3%*	*5%*	*7%*	*14%*	*5%*	*6%*	*9%*
Ebdita	944	1,112	1,261	1,421	308	314	335
Ebdita Gr%	*1%*	*18%*	*13%*	*13%*	*27%*	*11%*	*9%*
Net Profits	577	681	775	889	189	192	218
Profit Gr%	*-4%*	*18%*	*14%*	*15%*	*32%*	*13%*	*16%*
Ebdita Margin%	23.7%	26.6%	28.0%	27.8%	28.2%	28.6%	28.2%
Net Profit Margin%	14.5%	16.3%	17.2%	17.4%	17.3%	17.5%	18.3%

Note: Market share 2018 Stand/Fig in Rs Cr

❑ COLPAL's volume is expected to be at 9.5% in 4QFY19 backed by lower base (4% YoY), enhancement of direct reach (targets to expand direct reach by ~25% in FY19) and addition of value-added new products across all price points.

❑ Colgate Max Fresh gained volume share despite of premium pricing mainly due to continuous product improvement. Colgate Max Fresh volume and value market share stood at 7.5% and 8.1% as of 2018.The company is also venturing out in Natural space and witnessing better traction from it.

❑ The Company's toothpaste volume market share is now stabilizing at 52.4%(2018) while toothbrush volume market share which remained subdued has seen increament by 100 bps QoQ to 45.2% (2018).

❑ The Company will continue focusing on volume led sales with higher investment in advertising to promote its brands, gain market share in both tooth paste and tooth brush category.

❑ We expect gross margin to improve by 35 bps to 66% YoY led by lower packaging cost on account of declining crude oil prices while EBITDA margin is expected to remain flat to 28.2% YoY led by higher other expenses (higher investment behind brands).

Key Trackable this Quarter

❑ Tooth brush and Tooth paste volume market share.

❑ Volume growth: considering signs of stress in rural market.

❑ A & P expense due to competitive intensity and other expense on account of expansion in direct distribution reach.

We value the stock at 43x FY20E EPS. Recommend ACCUMULATE

Dabur India Limited

DABUR IN

Consumers

CMP	**403**
Target	**482**
Upside	**20%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	26%	24%	26%	28%
Roce%	24%	22%	25%	28%
P/E	42.6	48.4	47.0	37.7
P/B	11.2	11.5	12.1	10.5
EV/Ebdita	36.2	40.5	39.1	31.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Domestic Vol. gr.	1%	6%	13%	11%	8%	12%	10%
Pricing gr.(esti.)	-2%	2%	3%	5%	5%	3%	3%
Int. Bus.CC gr.(esti.)	3%	6%	13%	9%	17%	1%	1%
Financials							
Sales	7,701	7,748	8,603	9,788	2033	2199	2199
Sales Gr%	*-2%*	*1%*	*11%*	*14%*	*6%*	*12%*	*8%*
Ebdita	1,509	1,617	1,817	2,219	485	445	534
Ebdita Gr%	*-1%*	*7%*	*12%*	*22%*	*16%*	*10%*	*10%*
Net Profits	1,277	1,354	1,510	1,885	397	367	436
Profit Gr%	*2%*	*6%*	*12%*	*25%*	*19%*	*10%*	*10%*
Ebdita Margin%	19.6%	20.9%	*21.1%*	*22.7%*	23.9%	20.3%	*24.3%*
Net Profit Margin%	16.6%	17.5%	*17.6%*	*19.3%*	19.5%	16.7%	*19.8%*

Conso/Fig in Rs Cr

❑ Dabur is expected to report ~8% revenue growth in Q4FY19 led by domestic volume growth of 9.5%. Dabur's continuous distribution expansion, new product launches, better traction from Natural portfolio to drive domestic volume growth although tapering down of rural growth may negatively impact volume in this quarter.

❑ Pricing growth is expected to remain ~2.7% as company took price hike in Q3FY19.

❑ In last few quarters, the company is very proactively protecting its turfs. The company has regained its market share in Honey and Chayanprash. Now company is concentrating on scaling up its smaller brands like Pudin Hara, Honitus and Lal Tail which will boost company's growth going ahead.

❑ International business (IB) is expected to grow by 1% in cc terms as expecting low revenue from Namaste due to on going EU issues regarding pricing & distribution while currency headwinds may impact Turkey business. Concern to remain with Middle East business considering volatility in crude oil prices.

❑ Gross margin is expected to decline by 59 bps YoY to 50.1% due to input inflation while slightly lower crude to put some cushion on it. EBITDA margin is expected to improve by 44 bps YoY to 24.3% led by 86 bps decline in other expenses on account of cost efficiency measures taken by the company.

Key Trackable this Quarter

❑ Domestic business Volume growth and Management's commentary regarding rural growth.

❑ Commentary regarding margins .

❑ International business cc growth.

We value the stock at 45x FY20 EPS. BUY

Dixon Technologies Ltd

DIXON IN

Consumers

CMP	**2375**
Target	**2429**
Upside	**2%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	24%	19%	18%	19%
Roce%	39%	30%	30%	30%
EV/Ebdita	NA	32.9	19.9	16.2
P/E	NA	61.0	40.5	33.3
P/B	NA	11.8	7.2	6.1

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenue							
Consumer Electronics	845	1,073	1,129	1,310	214	288	258
Lighting Products	551	774	894	1,018	213	234	279
Home Appliances	188	250	372	470	81	92	90
Mobile Phones	811	670	388	544	77	151	100
Reverse Logistics	63	73	31	13	12	3	3
Security Systems	-	0	78	113	0	25	34
Financials							
Sales	2,457	2,842	2,891	3,467	598	794	765
Sales Gr	77%	16%	2%	20%	-2%	17%	28%
Ebdita	91	113	138	170	27	39	40
Ebdita Gr	55%	24%	23%	23%	44%	36%	46%
Net Profits	48	61	66	81	14	18	20
Profit Gr%	*20%*	*28%*	*9%*	*22%*	*39%*	*16%*	*39%*
Ebdita Margin%	3.7%	4.0%	4.8%	4.9%	4.6%	4.9%	5.2%
Net Profit Margin%	1.9%	2.1%	2.3%	2.3%	2.36%	2.22%	2.55%

Conso/Fig in Rs Cr

- ❑ Sales is expected to grow at 28% YoY led by growth in revenue of Mobile,Consumer Electronic, Lighting and Home Appliances. Mobile,Consumer Electronic, Lighting, Home appliance and are expected to grow by 30%, 21%, 31% and 11% YoY respectively in 4QFY19.
- ❑ EBITDA is expected to grow by 46% and margins will improve by 60bps led by improvement in ODM share in Consumer Durables and Lighting segments and backward integration.
- ❑ Margin of Home appliance is expected to be in line with 3QFY19 due to stable rupee and crude oil prices.
- ❑ Net Profit is expected to grow by 39% YoY.
- ❑ Company has added Xiaomi as a customer in consumer electronic and has supplied 75K TV set till December and targeted to supply 250K TV in 4QFY19.
- ❑ Samsung has stopped its Television production in India and is in talk with Dixon and Foxconn for the contract manufacturing.
- ❑ Samsung is expected to double its volume of washing machine from January 2019 and another increase is expected to be in June 2019 making to half a million.

Key Trackable this Quarter

- ❑ Revenue and volume growth of Consumer Electronics
- ❑ Samsung Television order
- ❑ Volume growth and Margins in Home Appliance business
- ❑ ODM share in Consumer Electronics and Lighting Product business

We value the stock at 33x FY20E EPS. ACCUMULATE

Avenue Supermarts Limited

DMART IN

CMP	**1492**
Target	**1450**
Upside	**-3%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	12%	17%	16%	15%
Roce%	18%	24%	24%	22%
P/E	133.7	114.7	103.5	94.3
P/B	16.7	19.8	16.7	14.2
EV/Ebdita	64.5	68.1	58.5	53.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Cumul. no. stores	131	155	179	206	155	164	179
Ret. Bus. Are.(cr sq ft)	0.41	0.49	0.57	0.66	0.49	0.53	0.57
Rev. per sqft in Rs.	31,120	32,719	34,682	37,110	7,775	10,285	7,739
Ret. Bus. Area/store	0.003	0.003	0.003	0.003	0.003	0.003	0.003
Financials							
Sales	11,898	15,033	19,802	24,536	3810	5451	4886
Sales Gr%	*39%*	*26%*	*32%*	*24%*	*22%*	*33%*	*28%*
Ebdita	981	1,353	1,583	1,728	294	453	301
Ebdita Gr%	*48%*	*38%*	*17%*	*9%*	*42%*	*7%*	*2%*
Net Profits	479	806	900	988	167	257	161
Profit Gr%	*50%*	*68%*	*12%*	*10%*	*73%*	*2%*	*-4%*
Ebdita Margin%	8.2%	9.0%	*8.0%*	*7.0%*	7.7%	8.3%	*6.2%*
Net Profit Margin%	4.0%	5.4%	*4.5%*	*4.0%*	4.4%	4.7%	*3.3%*

Conso/Fig in Rs Cr

❑ Dmart revenue is expected to grow by 28.2% to Rs.4886 crs on back of higher discounts offered by the company. The company has online presence with Dmart Ready, it is online portal allowing customers to avail pickups from Dmart Ready pick up points (PUP) or get paid delivery.

❑ Company has product mix in three categories: Food, Non-Food (FMCG) & Gen. merchandise wherein revenue contribution from Non-food (FMCG) & Gen. merchandise increased.

❑ Dmart follows cluster-based expansion approach & increase penetration in the areas where they are already present, before expanding to newer regions. Company added 4 stores in 3QFY19 taking the total to 164 stores & is expected to end FY19 with 179 stores. It has Retail Business Area of 5.3 million sq ft(Q3FY19).

❑ Gross margin is expected to deteriorate by 150 bps to 13.4% on account of price cuts due to high competitive intensity coming from e-retailers consequently EBITDA margin is also expected to decline by 156 bps to 6.2% led by contraction in gross margin.

Key Trackable this Quarter

❑ Gross and EBITDA Margin.

❑ Number of stores addition.

We value the stock at 52x FY20E EV/EBITDA. NEUTRAL

Emami Limited

HMN IN

Consumers

CMP	**410**
Target	**441**
Upside	**8%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	19%	15%	15%	21%
Roce%	23%	17%	18%	23%
P/E	74.7	77.8	58.2	37.6
P/B	14.5	11.8	8.6	7.8
EV/Ebdita	33.4	33.1	24.6	20.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Domestic vol. growth	7%	2%	6%	10%	8%	4%	6%
Domestic Pric. growth	4%	3%	4%	4%	2%	3%	4%
Financials							
Sales	2,533	2,531	2,730	3,120	617	811	677
Sales Gr%	*6%*	*0%*	*8%*	*14%*	*7%*	*7%*	*10%*
Ebdita	759	719	755	919	173	267	175
Ebdita Gr%	*10%*	*-5%*	*5%*	*22%*	*-3%*	*1%*	*1%*
Net Profits	340	308	321	495	60	138	73
Profit Gr%	*-6%*	*-10%*	*4%*	*55%*	*-28%*	*-7%*	*23%*
Ebdita Margin%	30.0%	28.4%	*27.6%*	*29.4%*	28.1%	32.9%	*25.9%*
Net Profit Margin%	13.4%	12.1%	*11.7%*	*15.9%*	9.7%	17.0%	*10.8%*

Conso/Fig in Rs Cr

❑ EMAMILTD's sales is expected to grow by ~10% YoY in Q4FY19 led by 6% growth in domestic volume and 15% growth in International business(IB) while CSD is expected to grow by 2% .

❑ EMAMILTD's growth will be backed by recovery in wholesale, Increased penetration and recovery in the volume of *Keshking* and *zandu pancharishta*. The company has reduced its dependence on wholesale to 38%-40%from 52%. Company's overall direct reach went up to 9.25 lakhs stores across India.

❑ The acquisition of Crème 21 is expected to boost and complement Emami's international business & portfolio, particularly in MENA, SAARC and Russian markets.

❑ Gross margin is expected to improve by 13 bps YoY to 65.3% led by softening crude oil and change in the products mix while we expect EBITDA margin to decline by 218 bps on the back of higher A&P expense 200 bps YoY. Last few quarters the company has under invested in terms of A&P. Management is also guided for A&P expenses in the range of 18-19%(in Q2FY19's concall).

❑ PAT growth will be 23% to Rs 73 cr led by lower provisioning of Taxes by 11.7% as management has guided for 20-21% tax rate for FY19.

Key Trackable this Quarter

❑ Domestic Volume growth:Seasonality may impact the volume growth.

❑ Gross margin: considering Volatility in Mentha oil, declining trend in crude oil.

We value the stock at 40x FY20E EPS. HOLD

Gillette India Limited

GILL IN

Consumers

CMP	**6628**
Target	**6386**
Upside	**-4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	51%	33%	28%	29%
Roce%	69%	49%	42%	45%
P/E	62.4	80.7	90.1	75.1
P/B	31.5	26.6	25.4	22.0
EV/Ebdita	41.1	47.8	52.3	42.8

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19E
Segmental Revenues							
Grooming	1418	1331	1529	1682	353	373	441
Oral care	341	346	418	419	99	102	104
Financials							
Sales	1,788	1,677	1,947	2,102	452	476	546
Sales Gr%	*2%*	*-6%*	*16%*	*8%*	*-14%*	*17%*	*21%*
Ebdita	382	382	406	495	118	98	125
Ebdita Gr%	*25%*	*0%*	*6%*	*22%*	*-26%*	*0%*	*6%*
Net Profits	253	229	240	287	71	54	70
Profit Gr%	*18%*	*-9%*	*5%*	*20%*	*-33%*	*-8%*	*-1%*
Ebdita Margin%	21.3%	22.8%	20.9%	23.5%	26.1%	20.6%	22.8%
Net Profit Margin%	14.2%	13.7%	12.3%	13.7%	15.8%	11.4%	12.9%

Cons/Fig in Rs Cr

- We expect male grooming business(contributes ~78%) to grow by 25% in Q3FY19 led by negative base (~22% due to changes in the treatment of indirect taxes post implementation of GST),higher media spends to promote growth while we expect Oral care business(contributes ~22%) to grow by 6% backed by higher base (~17%).
- Male grooming as well as oral care segment is expected to deliver strong performance backed by strong volumes driven by category expansion, go-to market and brand building initiatives.
- Gross margin is expected to improve by 42 bps to 59% YoY due to reduction in input prices while EBITDA margin is expected decline by 331 bps to 22.8% YoY led by higher Ad & P expense. Share of premium products in products mix will may give some cushion to the margin.
- Ad & P expense is expected to increase on account of higher marketing spend on brand building initiatives to accelerate growth.
- PAT is expected to decline by 1.2% YoY to Rs 70 Cr on account of increase in tax (as % of PBT) by 5.8% due expiry of tax benefits.

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 Limited

Consumers

GCPL IN

CMP	**659**
Target	**770**
Upside	**17%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	25%	26%	27%	22%
Roce%	20%	22%	22%	25%
P/E	42.7	48.2	40.1	37.6
P/B	10.5	11.5	9.4	8.5
EV/Ebdita	30.7	35.6	30.6	26.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Domestic Vol. gr.	4%	9%	8%	11%	6%	1%	10%
Intern. Busin. gr.	12%	1%	3%	6%	1%	1%	2%
Segmental Revenues							
Domestic revenue	5014	5257	5759	6673	1329	1473	1528
Indonesia	1527	1354	1499	1679	345	396	386
Africa,USA & Mi. East	1990	2185	2479	3024	517	680	605
Latin America	569	584	295		179		
Europe	410	461	152		117		
Others	135	95	407	440	30	167	221
Sales	9,268	9,843	10,624	11,927	2529	2722	2767
Sales Gr%	*10%*	*6%*	*8%*	*12%*	*6%*	*3%*	*9%*
Ebdita	1,898	2,067	2,235	2,546	597	609	688
Ebdita Gr%	*16%*	*9%*	*8%*	*14%*	*10%*	*3%*	*15%*
Adj. Net Profits	1,308	1,494	1,681	1,790	617	424	485
Profit Gr%	*20%*	*14%*	*13%*	*6%*	*59%*	*-1%*	*-21%*
Ebdita Margin%	20.5%	21.0%	*21.0%*	*21.3%*	23.6%	22.4%	*24.9%*
Net Profit Margin%	14.1%	15.2%	*15.8%*	*15.0%*	24.4%	15.6%	*17.5%*

Cons/Fig in Rs Cr

- ❑ Sales is expected to grow by 9.4% YoY in Q4FY19 backed by 10% volume growth in domestic business and 2% growth from International business(IB).New product launches and ramping up rural distribution reach are expected to support the domestic volumes.
- ❑ Godrej Expert Rich Creme continues to deliver robust growth with highest ever market share while company's market share in soap segment continues to improve led by focus on new states and micro-marketing initiatives.
- ❑ We expect International business to clock 2% value growth backed by double digit growth from Indonesia business on account of new launches while Africa business to remain subdued although company is taking several positive steps like launching LUPs under Darling brand with different Sub brand. We expect unstable macro-economic condition to continue in LATAM.
- ❑ The company's previous quarter launch includes i.e. *Naturals Neem incense stick* (launched in Andhra Pradesh and Telangana to counter the increased competitive intensity in HI segment), *Good Knight power chip* and plans to launch 6-8 major innovation in FY20.
- ❑ Gross margin is expected to remain flat at 59% YoY led by benign crude and palm oil price while EBITDA margin is expected to improve by 128 bps to 24.9% YoY led by cost efficiency measure and better international business margin.
- ❑ Except. items (Q4FY18) includes ~Rs 195 cr due to change in earn out liability of a subsidiary.

Key Trackable this Quarter

- ❑ Africa business: Outlook and mgt commentary on the recovery of the business.
- ❑ Domestic business volume growth considering slowing down of rural.

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

GlaxoSmithKline Consumer

SKB IN

CMP	**7058**
Target	**7910**
Upside	**12%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	21%	20%	24%	23%
Roce%	25%	23%	27%	27%
P/E	36.5	34.3	31.5	29.7
P/B	7.7	6.9	7.6	6.8
EV/Ebdita	25.0	23.1	23.0	20.4

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
HFD volumes	-7%	6%	10%	8%	8%	8%	9%
Pricing growth	1%	4%	2%	6%	2%	-1%	3%
Financials							
Sales	3,986	4,377	4,842	5,543	1180	1117	1346
Sales Gr%	*-4%*	*10%*	*11%*	*14%*	*7%*	*8%*	*14%*
Ebdita	833	883	1,112	1,230	250	239	289
Ebdita Gr%	*-1%*	*6%*	*26%*	*11%*	*15%*	*17%*	*16%*
Net Profits	657	700	943	998	212	221	246
Profit Gr%	*-4%*	*7%*	*35%*	*6%*	*20%*	*35%*	*16%*
Ebdita Margin%	20.9%	20.2%	*23.0%*	*22.2%*	21.2%	21.4%	*21.5%*
Net Profit Margin%	16.5%	16.0%	*19.5%*	*18.0%*	18.0%	19.8%	*18.2%*

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Cons/Fig in Rs Cr

- GSKCONS's sales is expected to grow by 14.1% YoY led by domestic HFD volumes growth of 9% YoY backed by distribution expansion and LUP's with price increase of ~3% YoY mainly on account of input cost inflation.
- Sachets continued to grow high double digit and contributed to the extent of ~10% of total sales value in 3QFY19.
- The Company is expected to take adequate price increase (expected ~3%) to overcome the inflation in barley and wheat while packaging cost is expected to remain subdued led by decline in crude prices thereby resulting into gross margin improvement to the extent of 30 bps to 68.6% YoY.
- EBITDA margin is expected to improve by 30 bps to 21.5% YoY led by reduction in other expenses by 189 bps YoY while employee and advertising expenses are expected to be higher on account of brand building activities and distribution expansion.
- The company envisages a capex of Rs 2-3bn over the next two years.
- In January 2019 the merger deal with HUL ltd was approved by CCI and is subject to other necessary statutory and regulatory approvals. The merger process is progressing as per expected time line.

Key Trackable this Quarter

- Overall volume growth
- Pricing action taken by the company.
- Gross margin and EBITDA margin expansion.

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

Hindustan Unilever Limited

HUVR IN

Consumers

CMP	**1687**
Target	**1958**
Upside	**16%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	67%	72%	83%	100%
Roce%	84%	96%	111%	138%
P/E	40.9	63.4	58.4	49.5
P/B	27.2	45.5	48.5	49.4
EV/Ebdita	28.7	43.7	40.9	34.0

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Overall Volume gr.	1%	6%	10%	9%	11%	10%	7%
Segmental Revenues							
Home care	11,346	11,629	12,780	14,531	3,102	3,148	3,406
Personal care	16,305	16,464	17,698	20,011	4,096	4,539	4,436
Foods	1,123	2,437	7,010	7,837	299	1,728	1,793
Refreshment	4,848	3,977	0	0	1,409	0	0
Others	818	696	707	970	191	143	281
Financials							
Sales	33,162	35,545	39,549	44,752	9097	9558	9916
Sales Gr%	*3%*	*7%*	*11%*	*13%*	*11%*	*11%*	*9%*
Ebdita	6,340	7,499	8,884	10,695	2048	2046	2320
Ebdita Gr%	*5%*	*18%*	*18%*	*20%*	*24%*	*22%*	*13%*
Net Profits	4,490	5,225	6,255	7,377	1351	1444	1532
Profit Gr%	*8%*	*16%*	*20%*	*18%*	*14%*	*9%*	*13%*
Ebdita Margin%	19.1%	21.1%	*22.5%*	*23.9%*	22.5%	21.4%	*23.4%*
Net Profit Margin%	13.5%	14.7%	*15.8%*	*16.5%*	14.9%	15.1%	*15.5%*

Conso/Fig in Rs Cr

❑ Hindunilvr's revenue is expected to grow by ~9% on the back of expected volume growth of 7% led by better traction from natural space, company's focused WIMI strategy(Wining in many India) and better volume from LUP(Lower Unit Packs).

❑ Gross margin is expected to improve by 92 bps YoY to 53.5% led by declining crude prices while EBITDA margin is expected to improve by 89 bps YoY to 23.4% led by expansion is gross margin and cost efficiency measures.

❑ Adv. Expenses is expected to be up 74 bps led by on-going new launches & ad campaigns whereas, other expenses is expected to decline by 71 bps on account of cost saving measures of the company. 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.62 cr.

❑ Integration of Aditya milk portfolio is progressing well.

❑ Recent Gskcons merger with HUL is expected to be EPS accretive. Post merger HUL EPS is expected to improve by 4% and 11% for FY20e and FY21e respectively.

Key Trackable this Quarter

❑ Overall volume growth

❑ Provision towards restructuring and few contested matters .

❑ Gross and EBITDA margin.

We value the stock at 57x FY20E EPS. BUY

ITC Limited

ITC IN

Consumers

CMP	**297**
Target	**340**
Upside	**14%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	23%	22%	24%	25%
Roce%	31%	29%	31%	34%
P/E	26.3	29.7	27.8	24.4
P/B	5.9	6.5	6.5	6.2
EV/Ebdita	17.6	20.6	19.3	16.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Cigarette volume	2%	-3%	5%	3%	-2%	6%	5%
Segmental Revenues							
Cigarettes	18,940	19,125	20,637	22,494	4,936	5,073	5,410
Others FMCG	10,512	11,329	12,741	14,652	3,052	3,201	3,510
Agri Business	8,265	8,068	9,335	10,269	1,808	1,925	2,040
Paperb, Pap. & Pcka.	5,095	5,182	5,891	6,303	1,301	1,543	1,568
Hotels	1,342	1,417	1,625	1,869	408	452	469
Financials							
Sales	42,777	43,449	48,438	53,501	10,587	11,228	12,387
Sales Gr%	*9%*	*2%*	*11%*	*10%*	*-5%*	*13%*	*17%*
Ebdita	15,436	16,483	18,619	21,512	4144	4326	4868
Ebdita Gr%	*7%*	*7%*	*13%*	*16%*	*7%*	*11%*	*17%*
Net Profits	10,477	11,493	13,044	14,857	2933	3209	3370
Profit Gr%	*10%*	*10%*	*14%*	*14%*	*10%*	*4%*	*15%*
Ebdita Margin%	36.1%	37.9%	*38.4%*	*40.2%*	39.1%	38.5%	*39.3%*
Net Profit Margin%	24.5%	26.5%	*26.9%*	*27.8%*	27.7%	28.6%	*27.2%*

Conso/Fig in Rs Cr

❑ Adj. Sales of ITC is expected to grow by 17%YoY in Q4FY19 backed by 5% cigarette volume growth and growth in other FMCG business. We expect company's Cigarette, other FMCG and Hotel business revenue to grow by 10%, 15% and 15% respectively in Q4FY19.

❑ The company is banking on its other FMCG business for future growth. It is rapidly expanding its other FMCG business by launching innovative products, acquiring new brands like Nimyle (floor cleaner) and venturing out new categories.

❑ ITC's Gross margin is expected to improve by 19 bps YoY to 62.4% backed by lower crude and pricing action taken by company in Cigarette segment. EBITDA margin is expected to improve by 16 bps YoY 39.3% on the back of improvement in gross margin.

Key Trackable this Quarter

❑ Cigarette Volume growth and EBIT growth

❑ Other FMCG revenue and EBIT growth.

We value the stock at 28x FY20E EPS. ACCUMULATE

Jubilant Foodworks Limited

JUBI IN

Consumers

CMP	**1441**
Target	**1530**
Upside	**6%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	8%	22%	28%	29%
Roce%	11%	29%	37%	38%
P/E	109.8	73.7	56.3	42.4
EV/Sales	2.9	5.1	5.2	4.4
EV/Ebdita	29.5	34.1	30.2	23.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
SSG (%)	(2.7)	13.9	18.0*	9.0*	26.5	14.6	11.0
No. of stores							
Domino's Pizza India	1117	1134	1209	1309	1,134	1,200	1,209
Dunkin' Donuts India	63	37	32	32	37	32	32
Sales	2,546	2,980	3,558	4,138	780	929	893
Sales Gr%	*6%*	*17%*	*19%*	*16%*	*27%*	*17%*	*15%*
Ebdita	247	446	615	760	128	171	155
Ebdita Gr%	*-9%*	*81%*	*38%*	*24%*	*111%*	*25%*	*21%*
Net Profits	67	206	338	449	68	97	89
Profit Gr%	*-37%*	*207%*	*64%*	*33%*	*914%*	*46%*	*31%*
Employee cost%	23.0%	20.3%	18.9%	18.8%	18.2%	19.1%	19.1%
Rent%	11.7%	10.6%	9.7%	9.1%	11.0%	9.3%	10.2%
Other Expenses%	31.4%	28.9%	29.1%	28.9%	28.7%	28.8%	28.5%
Ebdita Margin%	9.7%	15.0%	17.3%	18.4%	16.4%	18.4%	17.3%
Net Profit Margin%	2.6%	6.9%	9.5%	10.8%	8.7%	10.4%	10.0%

*On average basis

Std/Fig in Rs Cr

❑ The company is expected to deliver an SSG of 11%. Higher base and the company's store expansion strategy by splitting up the existing stores will result in a slowdown of SSG to lower double digits in quarter 4.

❑ However, the new stores opened over the past two years and premiumisation through EDV launches would help the company achieve better sales and thus sales is expected to grow by 15% YoY to Rs 893 crores.

❑ Dunkin' donuts achieved break-even ahead of its target in Q3FY19 which would now won't lead to any drag on the overall Company's EBITDA margins.

❑ The strong operational control demonstrated by the company along with rising online orders would continue to help expand its EBITDA margins by 90bps to 17.3%.

❑ The company announced opening of its first outlet in Bangladesh on 18th March, 2019 and has already broken global record of highest no. of orders in first week of operation for Dominos.

❑ In March, 2019 Company announced the launch of its first own brand 'Hong's Kitchen' marking its entry into the Chinese cuisine segment.

Key Trackable this Quarter

❑ Sustainable EBITDA margin for Dunkin' Donuts business

❑ Capital allocation in Hong's Kitchen Brands

❑ Company's defence to NAA's anti-profiteering order

We value the stock at 45x FY20e EPS. BUY

Jyothy Laboratories Limited

JYL IN

Consumers

CMP	**183**
Target	**202**
Upside	**11%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	31%	23%	25%	27%
Roce%	28%	22%	23%	25%
P/E	31.7	50.5	36.3	31.7
P/B	9.8	11.9	9.2	8.5
EV/Ebdita	24.4	29.4	22.5	20.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Volume growth	7%	2%	9%	9%	11%	6%	6%
Pricing growth(esti.)	-2%	-3%	2%	4%	2%	0%	3%
Financials							
Sales	1,632	1,700	1,816	2,026	505	434	548
Sales Gr%	*6%*	*4%*	*7%*	*12%*	*13%*	*6%*	*9%*
Ebdita	260	277	295	317	91	72	95
Ebdita Gr%	*14%*	*7%*	*6%*	*7%*	*49%*	*5%*	*5%*
Net Profits	202	161	183	209	60	49	63
Profit Gr%	*171%*	*-21%*	*14%*	*15%*	*-44%*	*30%*	*5%*
Ebdita Margin%	15.9%	16.3%	*16.2%*	*15.6%*	17.9%	16.5%	*17.4%*
Net Profit Margin%	12.4%	9.4%	*10.1%*	*10.3%*	11.9%	11.1%	*11.6%*

Stan./Fig in Rs Cr

❑ JYOTHYLAB's sales is expected to grow by 9% on back of volume growth of 6%. Company's volume growth will by driven by strong sales growth from *Ujala & Maxo* and better traction from modern trade.

❑ Company targets of ~Rs.500 Crs turnover by financial year 2022 only from its 'ayurvedic portfolio'.

❑ Gross margin is expected to deteriorate by 312 bps to 46.8% due to change in product mix while, EBITDA margin is expected to deteriorate by 52 bps YoY to 17.4% on account of decline in Ad Expenses & other expenses by 250 bps & 14 bps respectively.

❑ Tax rate estimated as 20%. As per management, Tax rate to remain at MAT rate for next 6-7 years.

❑ Company's innovation program across portfolio is on track. *Maxo Agarbathi* with 100% natural solution is giving decent initial results in test market. Dish wash - *Pril Tamarind Shine* Specialist was rolled in 3QFY19 & was received well. *T shine*, 100% organic Toilet cleaner was launched in Kerala gave expected results, company is looking to take it further and roll it out. Company is also planning to launch liquid neem based facewash under Margo brand.

Key Trackable this Quarter

❑ Overall Volume growth.

❑ Pricing Strategy.

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

Marico Limited

MRCO IN

Consumers

CMP	**346**
Target	**458**
Upside	**32%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	35%	33%	35%	40%
Roce%	46%	41%	44%	51%
P/E	52.2	52.1	46.9	37.6
P/B	18.2	16.9	16.3	14.9
EV/Ebdita	36.5	37.8	34.1	27.5

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Domes. Volume Gr.	4%	2%	8%	9%	1%	5%	7%
Intern. Busin. CC gr.	1%	8%	9%	13%	16%	11%	6%
Segmental Volume Growth							
Parachute Rigid	4%	3%	9%	9%	-5%	9%	11%
Saffola	8%	-2%	5%	5%	-1%	2%	4%
Value add. Hair Oils	5%	6%	8%	12%	11%	7%	6%
Revenue Break up:							
Domestic	4579	4970	5843	6690	1157	1449	1327
International	1357	1364	1577	1861	323	412	368
Financials							
Sales	5,936	6,333	7,420	8,551	1,480	1,861	1,695
Sales Gr%	*-1%*	*7%*	*17%*	*15%*	*12%*	*15%*	*14.5%*
Ebdita	1,159	1,138	1,305	1,613	252	349	307
Ebdita Gr%	*10%*	*-2%*	*15%*	*24%*	*-3%*	*16%*	*21.6%*
Net Profits	811	827	952	1,189	183	252	223
Profit Gr%	*12%*	*2%*	*15%*	*25%*	*7%*	*13%*	*22.4%*
Ebdita Margin%	19.5%	18.0%	17.6%	18.9%	17.0%	18.8%	18.1%
Net Profit Margin%	13.7%	13.1%	12.8%	13.9%	12.3%	13.5%	13.2%

Cons/Fig in Rs Cr

- ❑ Marico's revenue is expected to grow by ~15% led by better domestic volume growth and realization. Domestic volume is expected to grow by 7% led by 11% growth in *Parachute Rigid*, 4% in Saffola and 6% in VAHO.
- ❑ Company's revenue is expected to be driven by strong volume growth coming from *Parachute rigid*, continuously doing well & gaining market share and VAHO with gain in market share in both Shanti Amla & Sarso Amla & better traction from premium products.
- ❑ International business (IB) is expected to clock 6% cc growth led by better growth in Bangladesh from strong traction from new product pipeline & and strong growth from Vietnam business after returning back on track.
- ❑ Marico's gross margin is expected to improve by 315 bps YoY led by declining copra prices and company's focus on premiumization while EBITDA margin is expected to improve by 105 bps YoY,due to higher Adv. Expenses of 226 bps.
- ❑ PAT is expected to grow by 22.4% YoY.
- ❑ New Launches: In VAHO, Hair & Care Dry Fruit Oil & In Health-conscious segment, Saffola FITTIFY Gourmet range of foods & beverages are expected to do well.

Key Trackable this Quarter

- ❑ Gross & EBITDA Margin.
- ❑ Saffola volume growth.

We value the stock at 50x FY20E EPS. Recommend BUY

Nestle India Limited

Consumers

NEST IN

CMP	**10767**
Target	**11778**
Upside	**9%**
Rating	**HOLD**

	CY17	CY18E	CY19E	FY20E
Roe%	36%	44%	44%	49%
Roce%	54%	65%	64%	72%
P/E	72.4	63.5	59.0	50.4
P/B	25.9	27.8	26.0	24.7
EV/Ebdita	39.3	36.8	35.2	30.1

	CY17	CY18E	CY19E	CY20E	Q1CY18	Q4CY18	Q1CY19E
Segmental Revenues							
Milk products & nutr.	4,820	5,188	5,773	6,424			
Beverages	1,387	1,523	1,677	1,955			
Pre. Dish. & cook. aids	2,707	3,105	3,485	4,025			
Chocolate & confect.	1,221	1,401	1,611	1,853			
Gross Sales(in cr)	10,135	11,216	12,546	14,257			
Financials							
Sales	9,953	11,216	12,546	14,257	2757	2897	3141
Sales Gr%	*9%*	*13%*	*12%*	*14%*	*11%*	*11%*	*14%*
Ebdita	2,221	2,732	2,900	3,376	712	614	713
Ebdita Gr%	*9%*	*23%*	*6%*	*16%*	*35%*	*-5%*	*0%*
Net Profits	1,225	1,607	1,759	2,059	424	342	447
Profit Gr%	*22%*	*31%*	*9%*	*17%*	*38%*	*10%*	*6%*
Ebdita Margin%	22.2%	*24.2%*	*23.0%*	*23.5%*	25.8%	21.2%	*22.7%*
Net Profit Margin%	12.2%	*14.2%*	*13.9%*	*14.3%*	15.4%	11.8%	*14.2%*

Conso/Fig in Rs Cr

❑ NESTLEIND is expected to report a sales growth of 14% in 1QCY19 on the back of better traction from new launches, distribution ramp up and changing consumption pattern in urban as well as from semi-rural India.

❑ The company witnessed broad based growth in all categories from key brands. Received good response from new launches which includes CEREGROW, NAN excella Pro, NAN Grow(Milk Products and Nutrition),while also received good growth from existing portfolio like MASALA- AE-MAGIC,NESCAFE Classic & Sunrise and KITKAT.

❑ The company plans to launch two dozen products this year and expect consumption sentiment to improve because of multiple macro factors. Thus are focused on innovation-led volume growth.

❑ Milk Prod. &Nutri (contri. ~46% in CY18) is expected to post volume growth of 7% for CY19e led by new launches, Prepared dishes contribution has increased by 64bps to 27.69% in CY18 and continues to show good traction led by maggi (with ~60% market share) and is expected to grow by ~12% in CY19e.

❑ 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.

❑ Gross margin is expected to improve by 25 bps to 59.4% YoY in 1QCY19 led by benign input prices while EBITDA margin is expected to decline by 312 bps to 22.7% YoY led by higher other expense (as the company is focusing on penetration & new launches).

Key Trackable this Quarter

❑ Volume growth and performance of Milk Products & Nutri. Category.

❑ Gross and EBITDA margins .

We value the stock at 55x CY20E EPS. HOLD

Parag Milk Foods Limited

PARAG IN

Consumers

CMP	**261**
Target	**296**
Upside	**13%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	1%	12%	14%	15%
Roce%	6%	18%	20%	20%
P/E	499.8	26.6	18.3	15.6
P/B	3.8	3.2	2.6	2.3
EV/Ebdita	27.2	12.1	9.3	8.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Milk Products Gr.	1%	17%	20%	18%	40%	19%	6%
Fresh Milk Gr.	16%	5%	8%	45%	13%	11%	8%
Segmental Revenues							
Skimmed Milk Powder	224	254	300	344	76	76	88
Fresh Milk	371	391	423	474	100	103	108
Milk Products	1108	1290	1530	1805	347	405	368
Other Revenues	28	20	51	74	-5	17	16
Financials							
Sales	1,731	1,955	2,303	2,697	518	601	579
Sales Gr	*5%*	*13%*	*18%*	*17%*	*21%*	*16%*	*12%*
Ebdita	88	193	237	264	55	62	57
Ebdita Gr	*-41%*	*120%*	*23%*	*11%*	*43%*	*5%*	*4%*
Net Profits	5	87	119	140	26	31	30
Profit Gr%	*-90%*	*1748%*	*37%*	*17%*	*18%*	*21%*	*14%*
Ebdita Margin%	5.1%	9.9%	*10.3%*	*9.8%*	10.6%	10.3%	*9.9%*
Net Profit Margin%	0.3%	4.5%	*5.2%*	*5.2%*	5.0%	5.1%	*5.2%*

Cons/Fig in Rs Cr

❑ Parag's sales is expected to grow by 12.2 % YoY in Q4FY19 on the back of aggressive new product launches and ramping up of distribution reach(targets to add 8000-10000 outlets every quarter). We expect 6% growth from VAP considering higher base. The company targets to achieve Revenues in the range of Rs. 2,700 to Rs. 3,000 Cr by 2020.

❑ Gross margin is expected to be at 32%, YoY flat, while sequentially down by 59 bps on the wake of firming up milk prices from its low while decline in crude may some cushion on packaging cost front. EBITDA margin is expected to decline 74 bps to 9.9% YoY led by investment behind brand and distribution reach expansion.

❑ The company is planning to increase its value added products contribution to revenue from 67% to ~71% till 2021 while for Health &Nutrition business, aims to achieve 7% sales by FY21 from 3.5% in 3FY19.

❑ The Company's net debt stood at Rs 270 Cr including LT debt as of 3QFY19.

❑ Acquisition of Sonipat plant: Sonipat plant is expected to contribute ~3-5% of sales for the current year.

Key Trackable this Quarter

❑ Fresh milk procurement prices & gross margin.

❑ EBITDA margin considering new launches and investment behind distribution expansion.

❑ Working Capital Days.

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

P&G Hygiene

PG IN

Consumers

CMP	**10749**
Target	**11023**
Upside	**3%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	82%	47%	37%	44%
Roce%	115%	70%	53%	63%
P/E	50.1	82.4	88.3	58.5
P/B	41.2	38.3	32.9	25.5
EV/Ebdita	32.5	49.5	56.6	37.3

	FY17	FY18	FY19E	FY20E	Q3FY18	Q2FY19	Q3FY19E
Segmental Revenues(gross)							
Oint. and Creams	412	456	520	608			
Cough Drops	265	278	301	325			
Tablets	51	52	57	60			
Prsnl Prod, Toilet Preps.	1691	1669	1969	2363			
Financials							
Sales	2,320	2,455	2,849	3,356	569	818	660
Sales Gr%	*2%*	*6%*	*16%*	*18%*	*-1%*	*16%*	*16%*
Ebdita	665	615	604	909	134	191	115
Ebdita Gr%	*10%*	*-7%*	*-2%*	*50%*	*-13%*	*-9%*	*-14%*
Net Profits	433	375	395	596	83	124	73
Profit Gr%	*2%*	*-13%*	*6%*	*51%*	*-16%*	*-5%*	*-12%*
Ebdita Margin%	28.6%	25.1%	*21.2%*	*27.1%*	23.5%	23.4%	*17.5%*
Net Profit Margin%	18.6%	15.3%	*13.9%*	*17.8%*	14.6%	15.2%	*11.1%*

Cons/Fig in Rs Cr

❑ PGHH's revenue is expected to grow by 16% YoY of on the back of better growth driven by company's investment in A&P and distribution ramp up.

❑ Gross margin is expected to contract by 779 bps YoY to 56.2% on account of input inflation,reduction in Sanitary napkins prices and absence of input tax credit. While, EBITDA margin is expected to decline by 602 bps YoY to 17.5% led by higher COGS & investment behind brands(expect 116 bps increase in A&P in Q3FY19).

❑ Company's PAT is expected to decline by 12% lead by higher COGS & brand building initiatives.

❑ Company's latest strategy is to launch lower priced-products, increase rural reach and aggressively innovate its existing brands.

❑ Vicks reaches to 3.5 million outlets. Distribution has been a big focus for the company, its still critical, especially for lower urban and rural areas.

❑ P&G Global controls market share of 50%+ for sanitary napkins, diapers and shaving razors, 25% in shampoo segment and 20% in laundry care.

Key Trackable this Quarter

❑ EBITDA Margin: as past few quarters company is investing behind brands and distribution expansion.

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

Trent Limited

TRENT IN

Consumers

CMP	**364**
Target	**415**
Upside	**14%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	5%	5%	8%	11%
Roce%	5%	9%	11%	15%
P/E	84.9	112.1	96.4	63.3
P/B	4.7	6.1	7.3	6.8
EV/Ebdita	58.7	50.1	52.6	36.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Walk-ins (Crs)	3	3.6	3.9	4.3			
Incr. in sales / stores	0%	3%	2%	2%			
Bill size (Rs.)	2029	2197	2373	2563			
Conversion Ratio	32%	26%	27%	28%			
Westside's Contri.	97%	96%	*0%*	*0%*			
Cum. stores(westside)	107	125	150	175			
Financials							
Sales	1,812	2,157	2,571	3,168	529	656	613
Sales Gr%	*14%*	*19%*	*19%*	*23%*	*16%*	*26%*	*16%*
Ebdita	126	201	235	334	25	73	28
Ebdita Gr%	*35%*	*60%*	*17%*	*42%*	*78%*	*6%*	*14%*
Net Profits	85	87	125	191	12	40	13
Profit Gr%	*54%*	*3%*	*44%*	*52%*	*-54%*	*6%*	*15%*
Ebdita Margin%	6.9%	9.3%	*9.1%*	*10.6%*	4.7%	11.1%	*4.6%*
Net Profit Margin%	4.7%	4.0%	*4.9%*	*6.0%*	2.2%	6.1%	*2.2%*

**Yearly Consolidated and Quarterly Standalone* Fig in Rs Cr

❑ Sales (standalone) is expected to grow by 16% YoY to Rs.613 cr led by increase in number of walk-ins on the back of addition of new stores. The company has walk-ins to customer conversion ratio of ~30% (average % of past three years). Westside & landmark forms the standalone part of the company & contribute ~96% of consolidated sales.

❑ Trent has 195 stores in total while under Westside format it has 125 stores in FY18. 19 stores were added in FY18 in Westside, expecting to add 25 stores each in FY19 & FY20

❑ Gross margin is expected to deteriorate by 120 bps to 49.1% due to discounts offered by the company while EBITDA margin is expected to decline by 8 bps to 4.6% benefited by decrease in other expenses by 155 bps on account of cost efficiency measures taken by the company. Employee benefit expense is expected to be up by 43 bps.

❑ The Company is building omni-channel presence through Tatacliq (online platform). The platform gained traction in FY18 with strong revenue base. Revenue in the region of Rs.100 Crores is targeted through this channel in FY19.

Key Trackable this Quarter

❑ LFL sales Growth

❑ Walk-ins & Bill size

We value the stock at 42x FY20E EV/EBITDA. ACCUMULATE

United Breweries Limited

UBBL IN

Consumers

CMP	**1407**
Target	**1403**
Upside	**0%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	10%	16%	21%	21%
Roce%	13%	22%	31%	31%
P/E	88.8	63.6	57.9	50.1
EV/Sales	4.4	4.5	5.7	5.1
EV/Ebdita	32.4	28.1	29.3	25.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Domestic Volume Gr%	*-3%*	*10%*	*13%**	*9%**	*24%*	*16%*	*10%*
Sales	4,734	5,617	6,510	7,159	1,472	1,451	1,667
Sales Gr%	*-2%*	*19%*	*16%*	*10%*	*32%*	*21%*	*13%*
Ebdita	641	901	1,257	1,419	208	248	290
Ebdita Gr%	*-7%*	*41%*	*39%*	*13%*	*106%*	*62%*	*39%*
Net Profits	229	394	637	742	91	109	142
Profit Gr%	*-23%*	*72%*	*62%*	*17%*	*1250%*	*130%*	*56%*
Gross Margin%	53.7%	53.0%	54.1%	54.3%	52.7%	53.3%	53.5%
Ebdita Margin%	13.5%	16.0%	19.3%	19.8%	14.1%	17.1%	17.4%
Net Profit Margin%	4.8%	7.0%	9.8%	10.4%	6.2%	7.5%	8.5%

*On Average Basis

Conso/Fig in Rs Cr

- The beer industry volumes has shown strong growth of 11% over the first nine months of FY19 over a favourable base (GST and highway ban impacted FY18) and UBL outperformed the industry by 400bps to grow its volume at 15% for 9MFY19.
- The market leader is expected to continue outperforming the industry and report volume growth at 10% for the quarter four on an exceptional high base.
- Revenue for the quarter is expected to be Rs 1667 crores, up 13% YoY.
- Higher price realisations through premiumisation & exports, strong cost initiatives and operational efficiency will continue to drive quarter four margins higher to 17.4%.
- Declining debt and finance cost would help the company to report profit of Rs 142 crores for the quarter.
- The company has launched *AMSTEL* Beer in international premium strong beer category in FY18-19.
- The company also announced its foray in the non-alcholic beverages category with Kingfisher Radler and has said that the distribution network would be completely different for the product.

Key Trackable this Quarter

- Volume growth and price trends with product premiumisation
- Working Capital status post the state law changes in West Bengal and Uttar Pradesh
- Launch of Craft beer in the product portfolio

We value the stock at 50x FY20e P/E. NEUTRAL

Westlife Development Ltd

WLDL IN

Consumers

CMP	**440**
Target	**475**
Upside	**8%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	NA	2%	8%	11%
Roce%	NA	1%	6%	10%
P/E	NA	387.3	145.5	104.4
EV/Sales	3.6	4.4	4.7	4.0
EV/Ebdita	70.9	64.2	53.5	41.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
SSG (%)	4.0	15.8	19.0*	10.9*	25.1	14.5	11.5
No. of stores							
McDonalds	258	277	304	339	277	292	304
Mc Café	111	149	190	235	149	182	190
Sales	931	1,135	1,424	1,679	303	371	361
Sales Gr%	*12%*	*22%*	*25%*	*18%*	*35%*	*21%*	*19%*
COGS	366	425	514	598	110	134	130
Royalty	37	48	65	77	14	17	17
Ebdita	47	77	124	163	18	34	28
Ebdita Gr%	*10%*	*65%*	*60%*	*32%*	*88%*	*41%*	*53%*
Net Profits	(12)	13	46	66	7	14	13
Profit Gr%	*-528%*	*LP*	*257%*	*43%*	*259%*	*76%*	*92%*
Gross Margin%	60.6%	62.6%	63.9%	64.4%	63.6%	63.9%	64.0%
Ebdita Margin%	5.0%	6.8%	8.7%	9.7%	6.1%	9.2%	7.8%
Net Profit Margin%	-1.3%	1.1%	3.2%	3.9%	2.2%	3.7%	3.5%

*On average basis for yearly; LP- Loss to Profit

Conso/Fig in Rs Cr

- The company is expected to deliver an SSG of 11.5%. The continued momentum of delivering high SSG growth will witness a slowdown to lower double digits in quarter 4 on a higher base. However, new stores, price hikes and premiumisation through improvised menu & brand extensions would help the company acheive better sales and thus grow by 19% YoY to Rs 361 crores.

- The gross margin expansion with the McCafe extension and increasing new value added products in the improvised menu would continue and the company is likely to report margins at 64% for the quarter 4.

- Operating metrics continue to improve with the ROP 2.0 model and cost rationalisation along with brand extensions in place. EBITDA margin for the quarter would be 7.8%, 170bps up YoY.

- The company will report a PAT of Rs 13 crores for quarter 4.

- The company has announced its royalty structure going ahead as follows: FY20 - 4%, FY21 - 4%, FY22 - 4.5%, FY23 - 4.5%, FY24 - 5%, FY25 - 5%, FY26-30 - 8% and FY30-40 (subject to extension) - 8%.

Key Trackable this Quarter

- Progress of the company towards announced Vision 2022
- Improvisation of menu with new launches and response
- Cost rationalisation efforts driving operational efficiency

We value the stock at 45x FY20e EV/EBITDA. ACCUMULATE

Zydus Wellness Limited

Consumers

ZYWL IN

CMP	**1312**
Target	**1581**
Upside	**21%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	20%	19%	18%	19%
Roce%	16%	16%	16%	16%
P/E	30.2	36.6	34.7	29.8
P/B	5.9	7.1	6.4	5.5
EV/Ebdita	29.1	36.1	33.5	28.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Key Assumptions:							
Sugar Subst. cat. gr.	7%	13%	3%	7%	10%	1%	4%
Scrub cat. gr.	7%	10%	15%	14%	10%	18%	18%
Peel off mas. cat. gr	5%	17%	19%	20%	21%	20%	20%
Financials							
Sales	463	503	579	623	132	145	152
Sales Gr%	*9%*	*9%*	*15%*	*8%*	*16%*	*10%*	*16%*
Ebdita	99	125	138	158	33	38	40
Ebdita Gr%	*8%*	*26%*	*10%*	*14%*	*25%*	*14%*	*19%*
Net Profits	109	134	148	172	36	40	41
Profit Gr%	*6%*	*23%*	*10%*	*16%*	*22%*	*10%*	*13%*
Ebdita Margin%	21.4%	24.9%	*23.8%*	*25.3%*	25.4%	25.9%	*26.0%*
Net Profit Margin%	23.6%	26.6%	*25.5%*	*27.6%*	27.5%	27.3%	*26.9%*

Note-Sugar Subst. category growth of 3QFY19 is on YTD basis. Conso/Fig in Rs Cr

❑ Sales is expected to grow by 15.8% YoY backed by increased penetration, better traction from new launches and higher media spending for the new as well as existing product portfolio.

❑ Sugar free maintained its leadership with a Market share of 93.9% while Everyuth Peel off Mask MS improved by 20 bps QoQ to 84.9% and Everyuth Scrub MS stood at 32.5%in Q3FY19.

❑ Sugar free green and Mayonnaise are witnessing decent traction while volumes from Nutralite increased led by institutional segment.Also newly launched Sugar lite for sugar users in previous quarter and is expected to perform well going ahead.

❑ Products launched in last 3 years contributed to the extent of ~ 5% of total revenue in last quarter.

❑ Gross margin is expected to improve by 176 bps to 68.5% YoY led by softening of crude and palm oil prices (contri. ~29% of RM).However, the entire gross margin improvement may not get reflected in EBITDA margin due to higher Ad & Promotion expense and is expected to improve by 61 bps to 26% YoY.

❑ For Acquisition of Heinz India ltd products which includes 4 brands namely Complan, Nycil, Glucon-D and Sampriti Ghee, the company paid a total of Rs 4667 Cr including Cash balance of Rs 125 Cr (which is sitting in Heinz India book) out of which Rs 2575 Cr is by way of Equity, Rs 1500 Cr by way of NCD and remaining are funded through Internal accruals.

Key Trackable this Quarter

❑ Sugar substitute cat. Growth.

❑ Management strategy regarding acquisition of Heinz.

We value the stock at 36x FY20E EPS. BUY

AU Small Finance Bank Ltd

Financials- Banks

AUBANK IN

CMP	**608**
Target	**662**
Upside	**9%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	10.1%	13.7%	13.7%	12.7%
Roa%		2.0%	1.5%	1.3%
Div Yield%	-	0.1	0.2	0.2
BVPS	70	80	105	132
P/B	-	7.7	5.8	4.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	11,055	16,038	24,057	33,680	16,038	21,765	24,057
AUM Growth%	*34%*	*45%*	*50%*	*40%*	*45%*	*62%*	*50%*
Borrowings	7,120	15,562	25,059	34,367	15,562	23,502	25,059
Deposits	-	6,743	13,747	23,227	6,743	12,573	13,747
Deposits Gr			*104%*	*69%*		*248%*	*104%*
GNPA%	1.9%	2.0%	2.0%	1.7%	2.0%	2.1%	2.0%
NNPA%	1.2%	1.3%	1.3%	1.0%	1.3%	1.3%	1.3%
Net Interest Income	784	940	1,333	1,782	287	348	378
NII Gr	*27%*	*20%*	*42%*	*34%*	*27%*	*39%*	*32%*
Opex	353	753	1,064	1,347	267	275	283
Opex Growth%	*37%*	*113%*	*41%*	*27%*	*126%*	*35%*	*6%*
Pre-provision Profit	570	576	702	925	155	179	195
PPP Gr	*57%*	*1%*	*22%*	*32%*	*7%*	*17%*	*26%*
Provisions	97	133	147	263	30	32	44
Net Profits	822	292	365	444	83	95	101
Profit Gr%	*288%*	*-64%*	*25%*	*22%*	*7%*	*21%*	*22%*
NIM% (Cal.)	7.1%	5.5%	5.3%	4.9%	8.8%	7.4%	7.3%
Cost to Income%	38%	57%	60%	59%	63%	61%	59%

Std/Fig in Rs Cr

❑ NII is expected to grow by 32% YoY on the back of strong AUM growth. Due to the rise in cost of fund, margins are likely to get impacted; however rise in incremental yield to provide cushion to NIM pressure.

❑ C/I ratio will remain in the range of 57-60% in medium term on the back of opening of new branches in Mumbai, Delhi and Pune for the first phase and expected to be rolled in beginning of 3QFY20. OPEX is expected to grow at 6%.The branch banking for the bank is expected to break even in next 18-24 months.

❑ Retail Assets are of main focus area for the bank. Loan book is expected to grow at the rate of 50% in 4QFY19 as vehicle finance is targeted to grow at 30% YoY.The management targets vehicle finance to be at Rs 20000 cr by March 2022.Deposits growth is expected to be at 9% QoQ.

❑ Asset quality remained stable in last few quarters as GNPA stood at 2%.Major area for GNPA concern has been wholesale segment. Going ahead we expect GNPA to be stable.

❑ PSLC target has already been completed and bank can book PSLC income from 1QFY20

Key Trackable this Quarter

❑ Deposits growth.

❑ Asset quality in wholesale segment.

❑ Management commentary on breakeven of branches.

We Value the stock at 5x P/BV FY20e. NEUTRAL

Axis Bank Limited

AXSB IN

CMP	**767**
Target	**942**
Upside	**23%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	6.8%	0.5%	8.4%	16.5%
Roa%	0.7%	0.0%	0.7%	1.4%
Div Yield%	1.0%	0.0%	0.5%	0.8%
BVPS	233	247	268	314
P/B	2.1	2.1	2.9	2.4

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	373,069	439,650	505,598	606,717	439,650	475,104	505598
Adv Growth%	*10%*	*18%*	*15%*	*20%*	*18%*	*13%*	*15%*
Deposits	414,379	453,623	537,870	635,972	453,623	514,092	537870
Dep Growth%	*16%*	*9%*	*19%*	*18%*	*9%*	*26%*	*19%*
CD Ratio%	90%	97%	94%	95%	97%	92%	94%
GNPA%	5.0%	6.8%	5.2%	4.1%	6.8%	5.8%	5.2%
NNPA%	2.1%	3.4%	2.1%	1.5%	3.4%	2.4%	2.1%
Slippages %	6.5%	9.2%	3.2%	1.5%	4.0%	0.9%	0.5%
Net Interest Income	18,093	18,618	21,968	27,952	4,730	5,604	5,965
NII Gr	*7%*	*3%*	*18%*	*27%*	*0%*	*18%*	*26%*
Other Income	11,691	10,967	13,143	13,832	2,789	4,001	3,539
Other Inc Gr%	*25%*	*-6%*	*20%*	*5%*	*-7%*	*54%*	*27%*
Pre-provision Profit	17,585	15,594	19,218	23,486	3,672	5,525	5,227
PPP Gr	*9%*	*-11%*	*23%*	*22%*	*-16%*	*43%*	*42%*
Provisions	12,117	15,473	10,975	4,662	7,180	3,055	1,655
Net Profits	3,679	276	5,529	12,424	(2,189)	1,681	2,358
Profit Gr%	*-55%*	*-93%*	*1906%*	*125%*	*-279%*	*131%*	*208%*
NIM% (Cal.)	3.4%	3.1%	3.2%	3.4%	3.1%	3.4%	3.5%
Cost to Income%	41%	47%	45%	44%	51%	42%	45%

Std/Fig in Rs Cr

❑ Margins are likely to remain strong, driven by increasing its share towards the high yield retail and asset re-pricing as one year MCLR increased by 50 bps in last one year. Management targets global NIM of 3.75-3.8% in long run. Other income is expected to grow at 27% YoY backed by strong growth in fee income by 15% YoY.

❑ Strong margins and stabilization in the credit cost on account of lower slippages will drive the earnings with PAT growth of 40% QoQ. Management targets to achieve 18% ROE over the medium term.

❑ Advances growth is expected to inch up backed by retail and corporate growth. About 85% of the incremental lending is to A+ & above rated corporate. Advances growth is expected at 15% YoY in Q4FY19.

❑ Asset quality is expected to improve with the moderation in slippages ratio at 0.53% in Q4FY19. With high PCR of 75%, credit cost is likely to be lower in 4Q FY19.

Key Trackable this Quarter

❑ NIM Performance

❑ Slippages trend

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

Bank of Baroda

BOB IN

Financials- Banks

CMP	**133**
Target	**164**
Upside	**23%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	3.4%	-5.8%	5.4%	7.7%
Roa%	0.2%	-0.3%	0.3%	0.4%
Div Yield%	0.7%	0.0%	0.4%	1.1%
BVPS	174	164	173	186
P/B	1.0	0.9	0.8	0.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	383,259	427,432	482,998	755,593	427,432	448,679	482998
Adv Growth%	*0%*	*12%*	*13%*	*56%*	*12%*	*12%*	*13%*
Deposits	601,675	591,315	643,997	1035058.3	591,315	610,569	643997
Dep Growth%	*5%*	*-2%*	*9%*	*61%*	*-2%*	*7%*	*9%*
CD Ratio%	64%	72%	75%	73%	72%	73%	75%
GNPA%	10.5%	12.3%	10.0%	7.6%	12.3%	11.0%	10.0%
NNPA%	4.7%	5.5%	4.0%	2.9%	5.5%	4.3%	4.0%
Slippages %	4.7%	7.3%	3.9%	4.7%	3.3%	0.9%	0.9%
Net Interest Income	13,513	15,522	18,450	30,256	4,002	4,743	4,833
NII Gr	*6%*	*15%*	*19%*	*64%*	*12%*	*8%*	*21%*
Other Income	6,758	6,657	5,811	9,306	1,696	1,621	1,690
Other Inc Gr%	*35%*	*-1%*	*-13%*	*60%*	*-14%*	*-3%*	*0%*
Pre-provision Profit	10,975	12,006	13,311	19,386	2,665	3,539	3,686
PPP Gr	*24%*	*9%*	*11%*	*46%*	*-12%*	*-3%*	*38%*
Provisions	8,502	14,796	9,544	12,446	6,672	2,794	2,155
Net Profits	1,383	(2,432)	2,420	4,510	(3,102)	471	995
Profit Gr%	*-126%*	*-276%*	*200%*	*86%*	*N/A*	*322%*	*LTP*
NIM% (Cal.)	2.1%	2.3%	2.6%	2.8%	2.4%	2.7%	2.7%
Cost to Income%	46%	46%	45%	51%	53%	44%	44%

Std/Fig in Rs Cr *FY20 numbers are of merged entity

❑ NII growth is expected to be 21% YoY as loan growth will pick up during the quarter. NIM is expected to improve due to MCLR reset and lower interest reversal. Improvement in international business will also boost the NIM.

❑ Loan book of BOB is expected to grow by 13% YoY led by strong growth in both retail loan and corporate loan.

❑ Slippage is expected to decline in Q4FY19. Management expects assets quality to improve going forward. Total Watchlist stands at Rs 8500 Cr.

❑ The merged entity will have nearly 9,500 branches will help BoB increase its reach in the western, southern and north-eastern regions. The merger will create 3rd largest lender of the country with the asset base of Rs 10 lakh Crore. Opex is likely to be higher for the merged entity in near term.

❑ For strengthening the balance sheet of the merged entity, the government has decided to infuse Rs 5,042 Cr into Bank of Baroda by way of preferential allotment of equity shares.

Key Trackable this Quarter

❑ Management Commentary on growth outlook of merged entity

❑ Operating expenses will be closely watched.

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

Bank of India

BOI IN

Financials- Banks

CMP	**106**
Target	**122**
Upside	**15%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	-4.8%	-17.8%	-12.9%	8.9%
Roa%	-0.3%	-1.0%	-0.8%	0.6%
Div Yield%	0.0%	0.0%	0.0%	0.0%
BVPS	308	204	139	152
P/B	0.5	0.5	0.8	0.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	366,482	341,380	348,891	383,780	341,380	331,114	348891
Adv Growth%	*2%*	*-7%*	*2%*	*10%*	*-7%*	*-6%*	*2%*
Deposits	540,032	520,854	531,845	577,112	520,854	515,128	531845
Dep Growth%	*5%*	*-4%*	*2%*	*9%*	*-4%*	*-2%*	*2%*
CD Ratio%	68%	66%	66%	67%	66%	64%	66%
GNPA%	13.2%	16.6%	14.8%	12.1%	16.6%	16.3%	14.8%
NNPA%	6.9%	8.3%	4.7%	4.0%	8.3%	5.9%	4.7%
Slippages %	6.1%	11.0%	5.4%	3.0%	4.1%	1.4%	0.7%
Net Interest Income	11,826	10,506	13,189	14,518	2,564	3,332	3,576
NII Gr	*1%*	*-11%*	*26%*	*10%*	*-26%*	*33%*	*39%*
Other Income	6,772	5,734	5,204	6,958	1,375	1,669	1,675
Other Inc Gr%	*85%*	*-15%*	*-9%*	*34%*	*-22%*	*60%*	*22%*
Pre-provision Profit	9,733	7,139	8,362	10,523	1,172	2,273	2,573
PPP Gr	*61%*	*-27%*	*17%*	*26%*	*-63%*	*68%*	*119%*
Provisions	12,105	15,772	16,608	4,068	6,674	9,001	1,700
Net Profits	(1,558)	(6,044)	(5,223)	4,261	(3,969)	(4,738)	576
Profit Gr%	*74%*	*-288%*	*14%*	*182%*	*N/A*	*N/A*	*N/A*
NIM% (Cal.)	2.1%	1.9%	2.3%	2.4%	1.8%	2.4%	2.6%
Cost to Income%	48%	56%	55%	51%	70%	55%	56%

Std/Fig in Rs Cr

❑ NII is expected to grow at 39% YoY on account of improvement on NIM and positive trend in advances growth.

❑ Management expects Rs 1000 Cr provisions to be done for one account but excluding this one account ageing of provision will not be seen for some time due to the higher provisions in Q3FY19. Going forward there will be not much pressure on the credit cost.

❑ Asset quality is expected to improve due to moderation in the slippages on account of relief on not recognizing IL&FS exposure as NPA with prior approval from the tribunal. SMA-1 amounts to around Rs 12000 Cr and in Q4FY19 mainly the stress will be from the agriculture segment.

❑ The bank had sold Rs 2000 Cr to ARC in Q3FY19, for which the gain will be booked in Q4FY19 which means around 38-40% recovery is expected. Expectation of 85% recovery from NCLT account will boost earnings going forward.

❑ Positive trend in advances growth is expected for the bank as the restriction on growth has been over as it is now out of PCA norms. Loan book is expected to grow at 2% YoY.

Key Trackable this Quarter

❑ Loan growth.

❑ Credit cost trend

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

Canara Bank

CBK IN

Financials- Banks

CMP	**295**
Target	**329**
Upside	**12%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	3.4%	-12.2%	3.8%	10.2%
Roa%	0.2%	-0.7%	0.2%	0.6%
Div Yield%	0.3%	0.0%	0.0%	1.7%
BVPS	564	486	496	549
P/B	0.5	0.5	0.6	0.5

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	342,009	381,703	427,507	470,258	381,703	417,227	427507
Adv Growth%	*5%*	*12%*	*12%*	*10%*	*12%*	*12%*	*12%*
Deposits	495,275	524,772	585,627	653,136	524,772	575,525	585627
Dep Growth%	*3%*	*6%*	*12%*	*12%*	*6%*	*14%*	*12%*
CD Ratio%	69%	73%	73%	72%	73%	72%	73%
GNPA%	9.6%	11.8%	9.5%	7.4%	11.8%	10.3%	9.5%
NNPA%	6.3%	7.5%	5.8%	4.2%	7.5%	6.4%	5.8%
Slippages %	3.8%	7.7%	4.6%	2.0%	3.8%	1.3%	0.8%
Net Interest Income	9,872	12,163	14,858	16,731	2,988	3,814	3,880
NII Gr	*1%*	*23%*	*22%*	*13%*	*10%*	*4%*	*30%*
Other Income	7,554	6,943	6,338	6,571	1,332	1,325	1,625
Other Inc Gr%	*55%*	*-8%*	*-9%*	*4%*	*-44%*	*-15%*	*22%*
Pre-provision Profit	8,914	9,548	10,342	11,976	1,765	2,357	2,725
PPP Gr	*25%*	*7%*	*8%*	*16%*	*-41%*	*-17%*	*54%*
Provisions	7,272	16,109	9,401	5,914	9,075	1,977	2,006
Net Profits	1,122	(4,222)	1,373	4,001	(4,860)	318	474
Profit Gr%	*140%*	*-476%*	*133%*	*191%*	*NA*	*153%*	*NA*
NIM% (Cal.)	1.8%	2.2%	2.4%	2.5%	2.2%	2.6%	2.5%
Cost to Income%	48.8%	50.0%	51.2%	48.6%	59.1%	54.1%	50.5%

Std/Fig in Rs Cr

❑ NII is expected to grow by 30% YoY on the account of strong advances growth.NIM is expected to be stable sequentially in 4QFY19.The management targets NIM to be at 3% in FY20.

❑ Advances growth is expected to be robust at 12% YoY; growth mainly is expected from retail segment. The advances of Rs 4.5 Lakh Cr are expected in FY20 as per management.

❑ Operating expenses are expected to grow by 9% YoY.

❑ Going ahead, the bank will focus on CASA taking it up from 32.2% to 37.7% and focus on RAM will continue to be there with 60% and corporate will continue 40% of total portfolio mix.

❑ Management targets to restrict the slippages to Rs 2500 Cr in 4QFY19.

❑ Asset quality is expected to improve as GNPA/NNPA is targeted to be below 10% and 6% in 4QFY19.PCR is expected to be around 70% going ahead.

Key Trackable this Quarter

❑ Recovery & up-gradation outlook

❑ NIM performance

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

City Union Bank Limited

CUBK IN

Financials- Banks

CMP	**204**
Target	**230**
Upside	**13%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	15.2%	15.3%	15.3%	16.3%
Roa%	1.5%	1.6%	1.6%	1.6%
Div Yield%	0.2%	0.2%	0.2%	0.3%
BVPS	49	57	66	77
P/B	2.5	2.7	3.1	2.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	23,833	27,853	33,006	39,442	27,853	30,322	33006
Adv Growth%	*13%*	*17%*	*19%*	*20%*	*17%*	*18%*	*19%*
Deposits	30,116	32,853	38,830	46,954	32,853	35,504	38830
Dep Growth%	*11%*	*9%*	*18%*	*21%*	*9%*	*13%*	*18%*
CD Ratio%	79%	85%	85%	84%	85%	85%	85%
GNPA%	2.8%	3.0%	2.8%	2.7%	3.0%	2.9%	2.8%
NNPA%	1.7%	1.7%	1.6%	1.5%	1.7%	1.7%	1.6%
Slippages %	2.3%	2.5%	2.1%	1.9%	0.6%	0.6%	0.5%
Net Interest Income	1,199	1,430	1,629	2,002	368	418	438
NII Gr	*22%*	*19%*	*14%*	*23%*	*18%*	*15%*	*19%*
Other Income	484	532	500	575	120	120	132
Other Inc Gr%	*18%*	*10%*	*-6%*	*15%*	*-5%*	*-2%*	*10%*
Pre-provision Profit	994	1,208	1,231	1,527	294	307	329
PPP Gr	*19%*	*22%*	*2%*	*24%*	*19%*	*4%*	*12%*
Provisions	301	418	305	361	86	79	81
Net Profits	503	592	689	851	152	178	181
Profit Gr%	*13%*	*18%*	*16%*	*24%*	*18%*	*15%*	*19%*
NIM% (Cal.)	3.8%	4.0%	4.0%	4.1%	4.2%	4.3%	4.3%
Cost to Income%	40.9%	38.5%	42.2%	40.7%	39.7%	43.0%	42.3%

Std/Fig in Rs Cr

❑ NIM is expected to improve led by the bank's focus towards the secured high yielding assets (MSME and traders constitutes 51% of the portfolio). CUBK has one of the best NIM in the industry.

❑ C/I ratio is expected to remain high on account of higher opex. Overall in long term horizon management also expect C/I ratio to be in the range of 42-45%. Fall in bond yield is likely to boost treasury income and other income is expected to grow at 10% YoY.

❑ Asset quality is expected to improve with the moderation in slippages. Management expects slippages ratio to restrict in the range of 1.75%-2% going forward. However, management does not expect additional provision to impact earnings going forward. PAT is expected to grow at 19% YoY.

❑ Management expects 18-20% credit growth driven by retail and MSME segment for FY18-19. The bank may infuse capital in FY20.

Key Trackable this Quarter

❑ NIM performance

❑ Credit cost trend

❑ C/I ratio trend

We value the stock at 3x P/BV FY20e. ACCUMULATE

DCB Bank Limited

DCBB IN

Financials- Banks

CMP	**203**
Target	**204**
Upside	**0%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	10.0%	9.8%	11.0%	13.2%
Roa%	0.9%	0.9%	1.0%	1.1%
Div Yield%	0.3%	0.5%	0.5%	0.6%
BVPS	77	91	101	114
P/B	2.2	1.8	2.0	1.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	15,818	20,337	25,116	31,395	20,337	22,888	25116
Adv Growth%	*22%*	*29%*	*24%*	*25%*	*29%*	*23%*	*24%*
Deposits	19,289	24,007	29,971	37,464	24,007	27,509	29971
Dep Growth%	*29%*	*24%*	*25%*	*25%*	*24%*	*29%*	*25%*
CD Ratio%	82%	85%	84%	84%	85%	83%	84%
GNPA%	1.6%	1.8%	1.8%	1.9%	1.8%	1.9%	1.8%
NNPA%	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Slippages %	2.0%	2.2%	2.1%	1.7%	0.4%	0.5%	0.4%
Net Interest Income	797	995	1,159	1,433	264	294	311
NII Gr	*29%*	*25%*	*16%*	*24%*	*20%*	*17%*	*18%*
Other Income	249	311	349	442	85	94	98
Other Inc Gr%	*13%*	*25%*	*12%*	*27%*	*33%*	*26%*	*15%*
Pre-provision Profit	418	525	647	838	142	174	186
PPP Gr	*20%*	*26%*	*23%*	*29%*	*23%*	*42%*	*31%*
Provisions	111	139	141	167	39	40	36
Net Profits	200	245	326	436	64	86	97
Profit Gr%	*3%*	*23%*	*33%*	*34%*	*21%*	*51%*	*52%*
NIM% (Cal.)	3.9%	3.9%	3.6%	3.6%	4.2%	3.9%	3.9%
Cost to Income%	60.0%	59.8%	57.1%	55.3%	59.4%	55.2%	54.5%

Std/Fig in Rs Cr

❑ Margins are expected to be under pressure due to continuous increase in the cost of fund. However MCLR reset and decrease in competitive scenario will support the margin in medium term. We expect near term margin pressure to persist. NII growth is expected at 18% YoY.

❑ Moderation in the operating cost has led to decline in the C/I ratio. Going forward management expects C/I ratio to be at 50% or below in course of time from the current level of 55% and also guided to add 15-20 more branches for FY20 which will be mostly on the existing location.

❑ The Bank's asset quality is relatively better compared to peers with GNPA/NNPA ratio at 1.92%/0.71% as on 3QFY19. The provision coverage ratio remains healthy at 77%. Management expects some momentum in the recovery in the coming quarter or the following quarter.

❑ Loan book of the bank has been doubled in the last 3 years driven by high demand for mortgages and rural loans. Loan book is expected to grow around 24% in 4Q FY19. Liquidity issue in NBFC is likely to benefit DCB banks to gain market share. Deposits growth is expected to grow at 25% and the management is confident that the deposit profile will improve.

Key Trackable this Quarter

❑ C/I ratio trend

❑ Recovery & upgradation

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

Equitas Holdings Limited

EQUITAS IN

Financials- Banks

CMP	**135**
Target	**151**
Upside	**12%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	8.9%	1.4%	9.0%	13.5%
Roa%	2.0%	0.3%	1.4%	1.9%
Div Yield%	0.0%	0.0%	0.0%	0.0%
Book Value	66	67	73	84
P/B	2.6	2.1	1.8	1.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	7,176	8,239	11,535	15,687	8,239	10,861	11,535
AUM Growth%	*17%*	*15%*	*40%*	*36%*	*15%*	*41%*	*40%*
Borrowings	6,543	10,607	12,675	17,051	10,607	11,898	12,675
Deposit	1,885	4,719	7,209	12,067	4,719	6,618	7,209
Deposit Growth%		*150%*	*53%*	*67%*	*150%*	*79%*	*53%*
GNPA%	3.5%	2.7%	3.0%	3.0%	2.7%	3.1%	3.0%
NNPA%	1.5%	1.4%	1.4%	1.4%	1.4%	1.8%	1.4%
Net Interest Income	855	925	1,191	1,575	248	320	339
NII Gr	*42%*	*8%*	*29%*	*32%*	*12%*	*36%*	*37%*
Opex	615	891	1,012	1,192	223	263	275
Opex Growth%	*71%*	*45%*	*14%*	*18%*	*15%*	*14%*	*23%*
Pre-provision Profit	354	223	439	724	68	123	132
PPP Gr	*11%*	*-37%*	*97%*	*65%*	*42%*	*192%*	*96%*
Provisions	103	172	104	170	14	24	28
Net Profits	159	31	216	360	35	63	68
Profit Gr%	*-5%*	*-80%*	*587%*	*67%*	*409%*	*310%*	*94%*
NIM% (Cal.)	11.3%	8.7%	8.9%	9.2%	9.5%	9.7%	9.8%
Cost to Income%	63%	80%	70%	62%	77%	68%	68%

Conso/Fig in Rs Cr

❑ NII growth of 37% is backed by strong loan growth of 40% in the loan assets. The growth will be mainly backed by MSME & Vehicle segment. PAT growth is expected to 8% QoQ to Rs 69 Cr.

❑ Liability franchise is showing strong traction, deposit in percent to total liabilities is expected to reach to 58% in 4QFY19. CASA is expected to be maintained at 30% in 4QFY19.

❑ Margins has experienced expansion as management has declined its excess investment to finance its loan book growth & paid back its high cost borrowings. NIM will be marginally affected as EQUITAS management has increased interest rate of fixed deposit ranging from 1-3 years from the range of 50-105 bps on account of rise on FD rates by large banks. Though management has passed on the rise in interest rates to its customer successfully we expect margin to be slightly impacted.

❑ With improvement in rural cash flow, GNPA % is expected to decline, credit cost is expected to stand at 100 bps in 4QFY19.

Key Trackable this Quarter

❑ NIM performance.

❑ AUM growth of more than 30% will be important

❑ Vehicle AUM growth

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

The Federal Bank Limited

FB IN

Financials- Banks

CMP	**98**
Target	**112**
Upside	**14%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	9.8%	8.3%	9.9%	12.8%
Roa%	0.8%	0.7%	0.8%	1.0%
Div Yield%	1.0%	1.1%	1.2%	1.5%
BVPS	52	62	67	75
P/B	1.8	1.5	1.5	1.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	73,336	91,957	113,107	139,687	91,957	105,550	113107
Adv Growth%	*26%*	*25%*	*23%*	*24%*	*25%*	*24%*	*23%*
Deposits	97,665	111,992	133,381	166,294	111,992	123,457	133381
Dep Growth%	*23%*	*15%*	*19%*	*25%*	*15%*	*23%*	*19%*
CD Ratio%	75%	82%	85%	84%	82%	85%	85%
GNPA%	2.3%	3.0%	3.0%	2.6%	3.0%	3.1%	3.0%
NNPA%	1.3%	1.7%	1.6%	1.4%	1.7%	1.7%	1.6%
Slippages %	1.9%	2.8%	1.9%	1.1%	1.1%	0.4%	0.3%
Net Interest Income	3,053	3,583	4,229	5,462	933	1,077	1,149
NII Gr	*22%*	*17%*	*18%*	*29%*	*11%*	*13%*	*23%*
Other Income	1,082	1,159	1,304	1,625	314	346	365
Other Inc Gr%	*38%*	*7%*	*12%*	*25%*	*11%*	*51%*	*16%*
Pre-provision Profit	1,925	2,291	2,803	3,827	589	708	795
PPP Gr	*35%*	*19%*	*22%*	*37%*	*7%*	*26%*	*35%*
Provisions	618	947	875	1,122	372	190	197
Net Profits	831	879	1,257	1,785	145	334	395
Profit Gr%	*75%*	*6%*	*43%*	*42%*	*-43%*	*28%*	*172%*
NIM% (Cal.)	3.1%	3.0%	3.0%	3.1%	2.9%	3.1%	3.3%
Cost to Income%	53.4%	51.7%	49.3%	46.0%	52.8%	50.3%	47.5%

Std/Fig in Rs Cr

❑ Margins are expected to improve led by increase in yield primarily on corporate book on account of re-pricing of assets at higher MCLR rate. Management expects margins to be at 3.2%.

❑ The management expects C/I ratio to exit the year 2019 at 50% or slightly better than it and targeting at least 100 bps improvement in the FY20. Other income is expected to grow at 16% YoY driven by strong fee income.

❑ Slippages is expected to fall drastically in Q4FY19 and guided it to be around Rs 1550 Cr for FY19, as the management expects that RBI's restructuring dispensation on MSME loan will support going forward. SME book is facing problem due to Kerala flood but the management expects it to normalize in FY20.

❑Lower provisioning on account of slow down in the slippages and strong other income will drive earnings in Q4FY19. PAT growth is expected to grow at 172% YoY.

❑ Loan book is expected to be 20-25% driven by corporate and SME segments . Deposits growth has also started to show strong traction and is expected to grow at 19% YoY.

Key Trackable this Quarter

❑ NIM performance

❑ Slippages trend

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

HDFC Bank Limited

HDFCB IN

CMP	**2297**
Target	**2585**
Upside	**13%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	17.9%	17.9%	16.6%	17.2%
Roa%	1.8%	1.8%	1.8%	2.0%
Div Yield%	0.8%	0.7%	0.7%	0.8%
BVPS	349	410	541	616
P/B	4.1	4.6	4.2	3.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	554568	658333	805141	966170	658333	780951	805141
Adv Growth%	*19%*	*19%*	*22%*	*20%*	*19%*	*24%*	*22%*
Deposits	643640	788771	894602	1110540	788771	852502	894602
Dep Growth%	*18%*	*23%*	*13%*	*24%*	*23%*	*22%*	*13%*
CD Ratio%	86%	83%	90%	87%	83%	92%	90%
GNPA%	1.1%	1.3%	1.4%	1.3%	1.3%	1.4%	1.4%
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%	0.4%
Net Interest Income	33139	40095	48264	59821	10658	12577	13111
NII Gr	*20%*	*21%*	*20%*	*24%*	*18%*	*22%*	*23%*
Other Income	12296	15220	17747	20197	4229	4921	4992
Other Inc Gr%	*14%*	*24%*	*17%*	*14%*	*23%*	*27%*	*18%*
Pre-provision Profit	25732	32625	39858	48736	8836	10778	10952
PPP Gr	*20%*	*27%*	*22%*	*22%*	*21%*	*28%*	*24%*
Provisions	3593	5927	7683	7158	1541	2212	2022
Net Profits	14550	17487	21068	27225	4799	5586	5875
Profit Gr%	*18%*	*20%*	*20%*	*29%*	*20%*	*20%*	*22%*
NIM% (Cal.)	4.4%	4.6%	4.6%	4.7%	4.6%	4.6%	4.7%
Cost to Income%	43.4%	41.0%	39.6%	39.1%	40.6%	38.4%	39.5%

Std/Fig in Rs Cr

- NBFC crisis has led the bank to gain its market share and also got the pricing power back. Going forward, with the increase in MCLR rates and re-gain of pricing power will provide stability in NIM.
- Fee income is driven by the payment business and going forward, the bank is targeting to increase the wholesale fees as well.
- Slippages is expected to remain elevated as the management expects spike in Agriculture NPA to continue. However strong operating income growth is likely to provide cushion for higher credit cost on agri slippages.
- Loan book for HDFCB is expected to remain strong driven by both corporate and retail growth. Loan growth is expected to grow at 22% YoY.

Key Trackable this Quarter

- NIM performance
- Slippages trend on agri portfolio

We value the stock at 4.2x P/BV FY20e. BUY

ICICI Bank Limited

ICICIBC IN

CMP	**397**
Target	**530**
Upside	**34%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	10.3%	6.6%	4.5%	13.0%
Roa%	1.3%	0.8%	0.5%	1.5%
Div Yield%	1.0%	0.5%	0.6%	0.9%
BVPS	156	164	169	189
P/B	1.6	1.7	2.3	2.1

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	464,232	512,395	589,255	677,643	512,395	564,308	589255
Adv Growth%	*7%*	*10%*	*15%*	*15%*	*10%*	*12%*	*15%*
Deposits	490,039	560,975	626,867	705,878	560,975	606,755	626867
Dep Growth%	*16%*	*14%*	*12%*	*13%*	*14%*	*17%*	*12%*
CD Ratio%	95%	91%	94%	96%	91%	93%	94%
GNPA%	7.9%	8.8%	7.5%	5.9%	8.8%	7.8%	7.5%
NNPA%	4.9%	4.8%	2.3%	1.8%	4.8%	2.6%	2.3%
Slippages %	7.9%	6.4%	2.3%	1.5%	3.1%	0.4%	0.5%
Net Interest Income	21,737	23,026	26,622	32,135	6,022	6,875	7,227
NII Gr	*2%*	*6%*	*16%*	*21%*	*1%*	*21%*	*20%*
Other Income	19,504	17,420	14,721	16,298	5,679	3,883	3,830
Other Inc Gr%	*27%*	*-11%*	*-15%*	*11%*	*88%*	*23%*	*-33%*
Pre-provision Profit	26,487	24,742	23,635	29,342	7,514	6,146	6,430
PPP Gr	*11%*	*-7%*	*-4%*	*24%*	*47%*	*22%*	*-14%*
Provisions	15,208	17,307	17,454	6,704	6,626	4,244	3,244
Net Profits	9,801	6,777	4,784	14,941	1,020	1,605	2,389
Profit Gr%	*1%*	*-31%*	*-29%*	*212%*	*-50%*	*-3%*	*134%*
NIM% (Cal.)	3.2%	3.0%	3.1%	3.4%	3.2%	3.4%	3.5%
Cost to Income%	35.8%	38.8%	42.8%	39.4%	35.8%	42.9%	44.2%

Std/Fig in Rs Cr

❑ NIM is expected to improve going forward with the MCLR reset (80% of the book is linked to MCLR) at higher rates and change in asset mix.

❑ Earnings of the bank are expected to improve led by NII growth on account of strong advances growth. PPP growth is expected to grow at 5% QoQ.

❑ Fee income is expected to remain strong at 18% YoY.

❑ Asset quality is expected to improve on account of moderation in NPA addition. However, management expects credit cost to remain elevated in Q4FY19, but will normalize from FY20. PCR stood highest at 76% among its peers.

❑ Overall advances growth remained strong driven by continued traction in retail loans, but share of overseas loans has been continuously on declining trend. Loan growth is expected to be at 15% YoY in Q4FY19. Management is targeting consolidated 15% ROE going ahead.

Key Trackable this Quarter

❑ NIM performance

❑ Asset quality trend

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

IndusInd Bank Limited

IIB IN

Financials- Banks

CMP	**1776**
Target	**1883**
Upside	**6%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	15.0%	16.2%	15.5%	19.1%
Roa%	1.8%	1.8%	1.6%	1.8%
Div Yield%	0.4%	0.4%	0.5%	0.6%
BVPS	345	397	454	538
P/B	4.1	4.5	3.9	3.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	113,081	144,954	188,440	237,435	144,954	173,169	188440
Adv Growth%	*28%*	*28%*	*30%*	*26%*	*28%*	*35%*	*30%*
Deposits	126,572	151,639	188,440	237,435	151,639	175,701	188440
Dep Growth%	*36%*	*20%*	*24%*	*26%*	*20%*	*20%*	*24%*
CD Ratio%	89%	96%	100%	100%	96%	99%	100%
GNPA%	0.9%	1.2%	1.0%	1.0%	1.2%	1.1%	1.0%
NNPA%	0.4%	0.5%	0.4%	0.4%	0.5%	0.6%	0.4%
Slippages %	1.3%	1.6%	1.2%	0.9%	0.6%	0.5%	0.3%
Net Interest Income	6,063	7,497	9,037	11,596	2,008	2,288	2,423
NII Gr	*34%*	*24%*	*21%*	*28%*	*20%*	*21%*	*21%*
Other Income	4,171	4,750	5,595	7,142	1,209	1,469	1,508
Other Inc Gr%	*27%*	*14%*	*18%*	*28%*	*0%*	*24%*	*25%*
Pre-provision Profit	5,451	6,656	8,281	10,683	1,769	2,117	2,260
PPP Gr	*32%*	*22%*	*24%*	*29%*	*13%*	*27%*	*28%*
Provisions	1,091	1,175	2,249	2,082	336	607	702
Net Profits	2,868	3,606	3,954	5,677	953	985	1,013
Profit Gr%	*25%*	*26%*	*10%*	*44%*	*27%*	*5%*	*6%*
NIM% (Cal.)	4.1%	4.0%	3.9%	3.9%	4.2%	4.1%	4.1%
Cost to Income%	46.7%	45.7%	43.4%	43.0%	45.0%	43.7%	43.3%

Std/Fig in Rs Cr

- Corporate and non-vehicle yield is expected to increase due to hike in MCLR rate, but yield on vehicle finance will be under pressure to fixed rate yield. However, we expect margins to remain under pressure with the rising cost. NII growth is expected to grow at 21% YoY.
- Other income has shown strong traction led by fee income and higher treasury gain. Going ahead it is expected to grow at 25% YoY.
- Exposure to IL&FS is Rs 3000 Cr of which Rs 2000 Cr is towards parent company for which the bank has provided provisions of Rs 600 Cr. Asset quality is expected to improve with the moderation in slippages ratio at 0.32% in Q4FY19. Going forward provision on IL&FS is likely to remain high on 4Q FY19.
- Loan growth remained strong backed by gain in market share in corporate book. Retail growth remained strong, but LAP portfolio continues to decline. Loan growth is expected at 30% YoY, while deposits to grow at 24% YoY due to increase in CASA.

Key Trackable this Quarter

- NIM Performance
- Slippages trend

We value the stock at 3.5x P/BV FY20e. HOLD

Karur Vysya Bank Limited

KVB IN

CMP	**74**
Target	**85**
Upside	**15%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	12.6%	6.1%	3.5%	10.3%
Roa%	1.0%	0.5%	0.3%	0.9%
Div Yield%	2.3%	0.6%	1.4%	1.4%
BVPS	75	78	80	85
P/B	1.4	1.2	0.9	0.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	40,908	44,800	46,816	53,370	44,800	46,005	46816
Adv Growth%	*5%*	*10%*	*4%*	*14%*	*10%*	*5%*	*5%*
Deposits	53,700	56,890	61,787	69,493	56,890	58,624	61787
Dep Growth%	*7%*	*6%*	*9%*	*12%*	*6%*	*3%*	*9%*
CD Ratio%	76%	79%	76%	77%	79%	78%	76%
GNPA%	3.6%	6.6%	9.6%	10.4%	6.6%	8.5%	9.6%
NNPA%	2.5%	4.2%	5.1%	4.7%	4.2%	5.0%	5.1%
Slippages %	3.4%	5.2%	6.0%	3.5%	1.4%	2.0%	1.6%
Net Interest Income	2,074	2,298	2,342	2,543	643	581	599
NII Gr	*16%*	*11%*	*2%*	*9%*	*11%*	*3%*	*-7%*
Other Income	782	900	943	1,079	209	260	253
Other Inc Gr%	*11%*	*15%*	*5%*	*14%*	*-10%*	*16%*	*21%*
Pre-provision Profit	1,571	1,777	1,680	1,920	480	425	434
PPP Gr	*21%*	*13%*	*-5%*	*14%*	*-5%*	*1%*	*-9%*
Provisions	688	1,274	1,384	1,034	394	400	348
Net Profits	605	346	224	676	51	21	73
Profit Gr%	*7%*	*-43%*	*-35%*	*202%*	*-77%*	*-70%*	*45%*
NIM% (Cal.)	3.7%	3.8%	3.7%	3.6%	4.3%	3.7%	3.7%
Cost to Income%	45.0%	44.4%	48.9%	47.0%	43.7%	49.4%	49.0%

Std/Fig in Rs Cr

❑ NII is expected to decline by 7% YoY backed by slow growth in advances. PAT is expected to grow by 45% YoY due to lower base. The management gives guidance of operating profit of Rs 2200 Cr in the period of next 5 Quarters.

❑ Cost of funds is expected to decline. Yield is expected to remain under pressure due to stress in the asset quality putting pressure on NIM ,but rising MCLR rates and pricing power will support yield.

❑ Operating expenses are expected to grow by 12% YoY.

❑ Advances growth is expected to be at 5% YoY backed by growth in retail segment. Corporate segment is expected to degrow. The management tends to decrease the corporate share and increase retail and MSME in the medium term.

❑ The management expects Net slippages of Rs 1300 Cr in next 4-5 quarters taking the PCR to 60%. The management expects to provide provisions aggressively.

Key Trackable this Quarter

❑ NIM performance

❑ Slippages trend

❑ Outlook on AUM growth

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

Kotak Mahindra Bank Ltd.

KMB IN

Financials- Banks

CMP	**1339**
Target	**1391**
Upside	**4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	13.2%	12.5%	11.9%	12.6%
Roa%	0.8%	0.8%	0.9%	1.1%
Div Yield%	0.1%	0.1%	0.1%	0.1%
BVPS	150	197	224	253
P/B	5.8	5.3	6.0	5.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	136,082	169,718	207,056	247,432	169,718	196,432	207056
Adv Growth%	*15%*	*25%*	*22%*	*20%*	*25%*	*23%*	*22%*
Deposits	157,426	192,643	223,218	264,852	192,643	213,804	223218
Dep Growth%	*14%*	*22%*	*16%*	*19%*	*22%*	*18%*	*16%*
CD Ratio%	86%	88%	93%	93%	88%	92%	88%
GNPA%	2.3%	2.4%	2.3%	2.1%	2.2%	2.1%	2.2%
NNPA%	1.3%	1.0%	0.7%	0.8%	1.0%	0.7%	0.7%
Net Interest Income	8,126	9,532	11,440	13,719	2,580	2,939	3,229
NII Gr	*18%*	*17%*	*20%*	*20%*	*19%*	*23%*	*25%*
Other Income	3,477	4,052	4,535	5,423	1,152	964	1,201
Other Inc Gr%	*33%*	*17%*	*12%*	*20%*	*15%*	*-7%*	*4%*
Pre-provision Profit	5,985	7,158	8,289	9,886	2,018	1,938	2,224
PPP Gr	*48%*	*20%*	*16%*	*19%*	*19%*	*7%*	*10%*
Provisions	837	940	993	1,124	307	(32)	202
Net Profits	3,412	4,084	4,782	5,740	1,124	1,291	1,324
Profit Gr%	*63%*	*20%*	*17%*	*20%*	*15%*	*23%*	*18%*
NIM% (Cal.)	4.3%	4.2%	4.2%	4.3%	4.2%	4.1%	3.9%
Cost to Income%	48%	47%	48%	48%	46%	50%	50%

Std/Fig in Rs Cr

❑ NII is expected to remain strong at 25% on the back of 22% of loan book growth. Advances growth is expected to be driven by both corporate & retail segment. Deposit is expected to grow at the rate of 16% YoY.

❑ Asset quality is expected to remain stable due superior risk franchise and stringent risk management going ahead.

❑ NIM is expected to remain stable despite rise in cost of fund as the pricing power is expected to improve. Strong CASA franchise will also aid the margins.

❑ C/I is expected to tend higher as management plans to add 100 branches to be added incrementally by Mar'19 & FY20 as well.

Key Trackable this Quarter

❑ Management commentary on SME book performance

❑ Guidance on CASA Growth

We value the stock on SOTP. 3.8x P/BV FY20e for lending Business. NEUTRAL

RBL Bank Limited

RBK IN

Financials- Banks

CMP	**678**
Target	**718**
Upside	**6%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	12.2%	11.5%	12.4%	16.1%
Roa%	1.0%	1.1%	1.3%	1.4%
Div Yield%	0.4%	0.4%	0.4%	0.4%
BVPS	116	159	177	205
P/B	4.3	3.0	3.8	3.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	29,449	40,268	53,959	70,147	40,268	49,893	53959
Adv Growth%	*39%*	*37%*	*34%*	*30%*	*37%*	*35%*	*34%*
Deposits	34,588	43,902	56,799	77,941	43,902	52,187	56799
Dep Growth%	*42%*	*27%*	*29%*	*37%*	*27%*	*35%*	*29%*
CD Ratio%	85%	92%	95%	90%	92%	96%	95%
GNPA%	1.2%	1.4%	1.4%	1.3%	1.4%	1.4%	1.4%
NNPA%	0.6%	0.8%	0.7%	0.7%	0.8%	0.7%	0.7%
Slippages %	2.5%	1.9%	1.8%	1.3%	0.3%	0.5%	0.4%
Net Interest Income	1,221	1,766	2,488	3,339	500	655	688
NII Gr	*49%*	*45%*	*41%*	*34%*	*42%*	*40%*	*37%*
Other Income	755	1,068	1,441	1,888	312	374	407
Other Inc Gr%	*54%*	*41%*	*35%*	*31%*	*32%*	*45%*	*31%*
Pre-provision Profit	920	1,331	1,904	2,572	383	498	524
PPP Gr	*70%*	*45%*	*43%*	*35%*	*36%*	*49%*	*37%*
Provisions	239	365	571	609	113	161	130
Net Profits	446	635	880	1,295	178	225	260
Profit Gr%	*53%*	*42%*	*39%*	*47%*	*37%*	*36%*	*46%*
NIM% (Cal.)	3.0%	3.4%	3.8%	3.9%	3.9%	4.2%	4.2%
Cost to Income%	53.4%	53.0%	51.5%	50.8%	52.8%	51.6%	52.1%

Std/Fig in Rs Cr

❑ Cost of fund is expected to rise, but increase in yield on account of MCLR reset at higher rate will lead to stabilization on NIM. NII growth is expected to grow at 37% YoY.

❑ Fee income is expected to grow at 36% YoY primarily on account of increase in credit card and general banking business. Other income is expected to grow at 31% YoY.

❑ C/I rato is expected to remain elevated led by higher opex growth. Management will add 25 more branches in Q4FY19 and another 60-70 branches will be added in FY20 to increase deposits. Guidance of C/I ratio is 52% For FY19.

❑ Loan growth is expected to grow at 34% YoY in Q4FY19 mainly driven by retail and corporate asset. Deposit is expected to grow at 29% YoY. Management may raise capital in FY20.

❑ Slippages are expected to remain elevated on account of stress on the agriculture portfolio due to loan waiver. Slippages ratio is expected to be at 0.40% in Q4FY19. Management expects asset quality to remain more or less the same in FY20.

Key Trackable this Quarter

❑ NIM performance

❑ Capital raising plans.

❑ Growth in credit card business.

We value the stock at 3.5x P/BV FY20e. NEUTRAL

State Bank of India

SBIN IN

CMP	**329**
Target	**429**
Upside	**30%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	6.3%	-3.0%	2.7%	12.8%
Roa%	0.4%	-0.2%	0.2%	0.8%
Div Yield%	0.9%	0.0%	0.2%	1.8%
BVPS	236	246	252	286
P/B	1.2	1.0	1.3	1.1

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	1571078	1934880	2147717	2405443	1934880	2047779	2147717
Adv Growth%	*7%*	*23%*	*11%*	*12%*	*23%*	*12%*	*11%*
Deposits	2044751	2706343	2942078	3295127	2706343	2830538	2942078
Dep Growth%	*18%*	*32%*	*9%*	*12%*	*32%*	*7%*	*9%*
CD Ratio%	77%	71%	73%	73%	71%	72%	73%
GNPA%	6.9%	10.9%	8.0%	6.9%	10.9%	8.7%	8.0%
NNPA%	3.7%	5.7%	3.5%	2.9%	5.7%	4.0%	3.5%
Slippages %	3.1%	6.6%	2.1%	1.3%	1.9%	0.4%	0.3%
Net Interest Income	61860	74854	89770	105787	19974	22691	24375
NII Gr	*9%*	*21%*	*20%*	*18%*	*11%*	*21%*	*22%*
Other Income	35461	44601	35473	38855	12495	8035	11383
Other Inc Gr%	*26%*	*26%*	*-20%*	*10%*	*21%*	*-1%*	*-9%*
Pre-provision Profit	50848	59511	56561	71942	15883	12625	18058
PPP Gr	*18%*	*17%*	*-5%*	*27%*	*-1%*	*7%*	*14%*
Provisions	35992	75039	46242	25482	28096	6006	8915
Net Profits	10485	-6547	6058	30664	-7718	3955	6034
Profit Gr%	*5%*	*-162%*	*193%*	*406%*	*-374%*	*-264%*	*178%*
NIM% (Cal.)	2.7%	2.7%	2.7%	2.9%	2.6%	2.9%	3.0%
Cost to Income%	48%	50%	55%	50%	51%	59%	50%

Std/Fig in Rs Cr

- NII is expected to grow at 22% driven by NIM expansion. PAT is expected to grow at the rate of 53% QoQ.
- NIM is expected to improve with improvement in yield. Lower interest reversal will further drive margin growth. Management believes to reach 3% NIM in one year time.
- AUM growth is expected to grow at 11% driven by strong growth in the retail segment. Deposit is expected to grow at the rate 9% YoY in 4QFY19 with CASA % at the rate 44% in 4QFY19. .
- Credit cost is expected to be in the range of 1.70% in 4QFY19 on account of lower delinquency. SMA accounts stands at Rs 17000 Cr in this corporate SMA is almost at Rs 9300 Cr. Management believes that the slippages will be in the range of Rs 25000-30000 Cr for FY20 and credit cost will also be anywhere between Rs 25000 to Rs 30000 Cr thus providing 100% on the fresh slippages.
- Board has planned to raise Rs 20000 Cr till Mar next year

Key Trackable this Quarter

- Management commentary on NCLT resolution pickup.
- NIM performance going ahead.

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

The South Indian Bank Ltd

Financials- Banks

SIB IN

CMP	**17**
Target	**20**
Upside	**17%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	9.0%	6.6%	4.8%	10.0%
Roa%	0.6%	0.4%	0.3%	0.6%
Div Yield%	1.9%	1.8%	2.9%	2.9%
BVPS	27	29	30	32
P/B	0.8	0.8	0.6	0.5

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	46,389	54,563	62,202	70,910	54,563	59,322	62202
Adv Growth%	*13%*	*18%*	*14%*	*14%*	*18%*	*15%*	*14%*
Deposits	66,117	72,030	80,781	93,303	72,030	77,665	80781
Dep Growth%	*19%*	*9%*	*12%*	*16%*	*9%*	*14%*	*12%*
CD Ratio%	70%	76%	77%	76%	76%	76%	77%
GNPA%	2.5%	3.6%	4.9%	5.0%	3.6%	4.9%	4.9%
NNPA%	1.5%	2.6%	3.4%	3.3%	2.6%	3.5%	3.4%
Slippages %	4.2%	3.9%	3.3%	1.7%	1.2%	1.2%	0.5%
Net Interest Income	1,675	1,966	2,056	2,392	492	520	536
NII Gr	*11%*	*17%*	*5%*	*16%*	*12%*	*2%*	*9%*
Other Income	716	837	690	852	179	187	199
Other Inc Gr%	*38%*	*17%*	*-18%*	*24%*	*30%*	*18%*	*11%*
Pre-provision Profit	1,215	1,481	1,268	1,614	311	332	357
PPP Gr	*38%*	*22%*	*-14%*	*27%*	*11%*	*1%*	*15%*
Provisions	614	981	875	761	149	203	235
Net Profits	393	335	257	563	114	84	80
Profit Gr%	*18%*	*-15%*	*-23%*	*119%*	*51%*	*-27%*	*-30%*
NIM% (Cal.)	2.6%	2.7%	2.5%	2.6%	2.6%	2.6%	2.7%
Cost to Income%	49.2%	47.2%	53.8%	50.2%	53.7%	53.0%	51.5%

Std/Fig in Rs Cr

❑ NIM has shown some improvement due to increase in yield led by rising MCLR rates and stable cost. NIM is expected to increase by 7bps QoQ.

❑ Management is positive on assets quality outlook and guided slippages in the range of Rs 200-250 Cr per quarter. Sippage is expected to be Rs 257 Cr for Q4FY19.

❑ Credit cost remain elevated in Q4FY19 due to spike in the slippages. However credit cost is expected to be in 1.55% in Q4FY19, which will impact PAT to sluggish. Management expects credit cost to be 1% in FY19. PCR declined in Q3FY19 to 28%, but PCR is expected to be in the range of 30-31%.

❑ Loan book is expected to grow around 14% in Q4FY19 on the back of growth in retail advances. Management focuses on Retail and SME portfolio. Deposits are expected to be 12.15% YoY in Q4FY19.

❑CRAR Stands at 11.8% for the quarter while, Management expects to raise equity in FY20.

Key Trackable this Quarter

❑ NIM performance

❑ Credit cost trend.

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

Ujjivan Financial Services Ltd

UJJIVAN IN

Financials- Banks

CMP	**335**
Target	**364**
Upside	**9%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	14.1%	0.4%	10.2%	13.1%
Roa%	2.9%	0.1%	1.7%	1.9%
Div Yield%	4.6%	83.0%	5.5%	5.3%
Book Value	147	146	161	182
P/B	2.9	2.4	2.1	1.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	6,380	7,552	9,969	12,959	7,552	9,349	9,969
AUM Growth%	*16%*	*29%*	*32%*	*30%*	*18%*	*32%*	*32%*
Borrowings	6,292	6,019	5,106	7,162	7,625	9,244	9,969
Deposit	206	1,606	4,863	6,480	1,606	4,413	4,863
Deposit Growth %		*680%*	*203%*	*33%*	*680%*	*318%*	*203%*
GNPA%	0.3%	3.6%	1.7%	1.5%	3.6%	1.4%	1.7%
NNPA%	0.0%	0.7%	0.3%	0.2%	0.7%	0.3%	0.3%
Net Interest Income	807	838	1,094	1,329	269	288	302
NII Gr	*38%*	*4%*	*31%*	*21%*	*111%*	*33%*	*12%*
Opex	458	654	967	1,047	175	256	262
Opex Growth%	*49%*	*43%*	*48%*	*8%*	*28%*	*53%*	*50%*
Pre-provision Profit	397	323	315	537	133	74	90
PPP Gr	*75%*	*311%*	*37%*	*124%*	*217%*	*-2%*	*-32%*
Provisions	75	311	37	124	35	7	8
Net Profits	208	7	188	272	65	45	54
Profit Gr%	*17%*	*-96%*	*2485%*	*45%*	*235%*	*54%*	*-17%*
NIM% (Cal.)	12.2%	10.1%	11.0%	10.4%	13.2%	12.1%	12.0%
Cost to Income%	54%	67%	75%	66%	57%	78%	75%

Conso/Fig in Rs Cr

- ❑ NII growth is expected to be around 12% YoY driven by strong AUM growth of 32% in 4QFY19. Loan growth is expected to be driven by growth in small business loan & affordable housing segment.

- ❑ NIM is expected to remain under pressure as share of Non-MFI portfolio increases while cost of deposit rises across the entire banking portfolio.

- ❑ C/I ratio is expected to trend downwards as operational efficiency of recently converted bank branches improves. C/I ratio is expected to decline to 75.50% in 4QFY19. Operation expense is expected to grow at the rate of 50% YoY. Ujjivan plans to add another 100 branches in FY20. Management has highlighted branch expansion will be slower than FY19 in FY20.

- ❑ UJJIVAN has committed to abide by the RBI guidelines in terms of Listing by Jan 2020 and Dilution of Promoter's Equity in the SFB by 2022 and has reviewed several options keeping in mind shareholder's interest.

Key Trackable this Quarter

- ❑ Opex growth will be a key watch.
- ❑ Trend in Asset Quality.
- ❑ Management Commentary on listing of SFB.

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

Union Bank of India

UNBK IN

Financials- Banks

CMP	**99**
Target	**113**
Upside	**14%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	2.4%	-21.6%	3.1%	7.2%
Roa%	0.1%	-1.1%	0.2%	0.5%
Div Yield%	0.0%	0.0%	0.0%	0.0%
BVPS	341	215	172	185
P/B	0.5	0.4	0.6	0.5

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	286,467	288,761	297,424	318,243	288,761	291,890	297424
Adv Growth%	*7%*	*1%*	*3%*	*7%*	*1%*	*-1%*	*3%*
Deposits	378,391	408,501	407,430	430,059	408,502	402,297	407430
Dep Growth%	*10%*	*8%*	*0%*	*6%*	*8%*	*1%*	*0%*
CD Ratio%	76%	71%	73%	74%	71%	73%	73%
GNPA%	11.2%	15.7%	14.7%	12.8%	15.7%	15.7%	14.7%
NNPA%	6.6%	8.4%	7.2%	5.9%	8.4%	8.3%	7.2%
Slippages %	5.2%	8.0%	4.8%	3.4%	3.7%	1.1%	0.9%
Net Interest Income	8,903	9,305	10,321	10,863	2,193	2,494	2,707
NII Gr	*7%*	*5%*	*11%*	*5%*	*-8%*	*-2%*	*23%*
Other Income	4,965	4,990	4,392	4,431	1,485	1,095	1,190
Other Inc Gr%	*37%*	*1%*	*-12%*	*1%*	*3%*	*25%*	*-20%*
Pre-provision Profit	7,430	7,540	7,618	7,705	1,889	1,750	2,007
PPP Gr	*30%*	*1%*	*1%*	*1%*	*-11%*	*6%*	*6%*
Provisions	7,088	14,181	6,828	4,256	5,668	1,617	1,326
Net Profits	555	(5,247)	871	2,276	(2,583)	153	449
Profit Gr%	*59%*	*-1045%*	*117%*	*161%*	*-2487%*	*112%*	*LTP*
NIM% (Cal.)	2.2%	2.1%	2.3%	2.3%	2.0%	2.2%	2.4%
Cost to Income%	46.4%	47.3%	48.2%	49.6%	48.6%	51.2%	48.5%

Std/Fig in Rs Cr

- NII growth is expected to be 9% QoQ as advances growth is expected to pick up during the quarter. NIM is expected to improve due to increase in yield and stable cost of fund.
- Cost to income ratio is expected to be decline in Q4FY19 as management expects ratio in the range of 46-49% in the quarter.
- Advances growth is expected to be 3% YoY led by retail and SME growth.
- Bank has IL&FS exposure mainly in thermal power plant of Rs 900 Cr and other than IL&FS exposure of Rs 200 Cr, out of which Rs 100 Cr has slipped and Rs 100 Cr can slip in Q4FY19 but slippage is expected to remain elevated due to slippage from retail and MSME in next 2 quarter. Management expects Rs 4000 Cr of recovery in 4QFY19 from resolution including SAMADHAN.
- GNPA is expected to be 14.65% in Q4FY19. PCR has also improved for UNIONBANK. Management expects PCR to be around 60% in Q4FY19.
- Government has planned to infuse Rs 4112 Cr equity capital and bank has raised Rs 426 Cr through ESOP during the quarter.

Key Trackable this Quarter

- NIM performance
- Slippage trend outlook.

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

Yes Bank Limited

YES IN

Financials- Banks

CMP	**280**
Target	**300**
Upside	**7%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	18.6%	17.7%	16.0%	18.9%
Roa%	1.8%	1.6%	1.3%	1.5%
Div Yield%	0.8%	0.9%	1.3%	1.4%
BVPS	97	112	128	150
P/B	3.2	2.7	2.2	1.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Net Advances	132,263	203,534	244,241	293,089	203,534	243,885	244241
Adv Growth%	*35%*	*54%*	*20%*	*20%*	*54%*	*42%*	*20%*
Deposits	142,874	200,738	222,037	271,378	200,738	222,758	222037
Dep Growth%	*28%*	*41%*	*11%*	*22%*	*41%*	*30%*	*11%*
CD Ratio%	93%	101%	110%	108%	101%	109%	110%
GNPA%	1.5%	1.3%	2.1%	2.1%	1.3%	2.1%	2.1%
NNPA%	0.8%	0.6%	1.1%	1.0%	0.6%	1.2%	1.1%
Slippages %	2.0%	4.0%	2.1%	0.9%	0.2%	1.0%	0.3%
Net Interest Income	5,797	7,737	10,062	12,297	2,154	2,666	2,759
NII Gr	*27%*	*33%*	*30%*	*22%*	*31%*	*41%*	*28%*
Other Income	4,157	5,224	5,280	6,341	1,421	891	1,221
Other Inc Gr%	*53%*	*26%*	*1%*	*20%*	*13%*	*-37%*	*-14%*
Pre-provision Profit	5,838	7,748	9,200	11,369	2,135	1,990	2,388
PPP Gr	*36%*	*33%*	*19%*	*24%*	*26%*	*-1%*	*12%*
Provisions	793	1,554	2,702	2,217	400	550	586
Net Profits	3,330	4,225	4,417	6,040	1,179	1,002	1,190
Profit Gr%	*31%*	*27%*	*5%*	*37%*	*29%*	*-7%*	*1%*
NIM% (Cal.)	3.2%	3.1%	3.2%	3.3%	3.5%	3.3%	3.2%
Cost to Income%	41.4%	40.2%	40.0%	39.0%	40.3%	44.0%	40.0%

Std/Fig in Rs Cr

❑ NII growth is expected to moderate at 28% YoY on account of slower credit growth. Going forward with the decline in yield and increase in cost of deposit will lead margins under pressure. Declining CASA ratio will also lead to pressure in NIM.

❑ Core fee income growth is expected to de-grow at 17% YoY with the moderation on credit growth going forward. C/I ratio is expected to be at 40%.

❑ Asset quality is expected to improve with the decline in the slippages as remaining IL&FS exposure of Rs 617 will not slip into NPA without the prior approval of tribunal. Management expects the credit cost to go up to 80 bps going ahead.

❑ Loan growth is expected to significantly slowdown in near term due to tight liquidity condition on account of higher CD ratio and lower CET 1 ratio at 9%. Mr. Ravneet Gill has taken charge as MD &CEO of the bank w.e.f March, 19 for the tenure of 3 years. Strategy of new management will be very crucial for earning trajectory of Yes Bank going forward.

Key Trackable this Quarter

❑ Loan growth trend.

❑ Strategy and capital raising plan as per new management.

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

Bajaj Finance Limited

BAF IN

Financials-Nbfc

CMP	**3049**
Target	**2956**
Upside	**-3%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	21.7%	20.3%	21.9%	24.2%
Roa%	3.3%	3.6%	3.7%	3.8%
Div Yield%	0.3%	0.2%	0.2%	0.2%
Book Value	176	287	337	422
P/B	6.7	6.2	9.1	7.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	60,194	84,033	116,644	149,304	80,444	109,931	116,644
AUM Growth%	*36%*	*40%*	*39%*	*28%*	*34%*	*41%*	*45%*
Borrowings	49,250	61,567	99,696	123,392	61,567	80,862	99,696
Borrowings Growth%	*33%*	*25%*	*62%*	*24%*	*25%*	*40%*	*62%*
GNPA%	1.7%	1.5%	1.5%	1.6%	1.5%	1.6%	1.5%
NNPA%	0.4%	0.4%	0.5%	0.5%	0.4%	0.6%	0.5%
Net Income	6,200	8,150	11,826	15,446	2,365	3,209	3,310
Net Inc. Gr%	*39%*	*31%*	*45%*	*31%*	*40%*	*46%*	*40%*
Opex	2,564	3,272	4,215	5,353	992	1,120	1,162
Opex Growth%	*32%*	*28%*	*29%*	*27%*	*40%*	*31%*	*17%*
Pre-provision Profit	3,636	4,878	7,611	10,093	1,373	2,089	2,149
PPP Gr%	*45%*	*34%*	*56%*	*33%*	*40%*	*56%*	*56%*
Provisions	818	1,035	1,520	1,981	274	454	425
Net Profits	1,837	2,496	3,939	5,273	721	1,060	1,120
Profit Gr%	*44%*	*36%*	*58%*	*34%*	*61%*	*54%*	*55%*
NIM% (Cal.)	10.5%	11.3%	11.7%	11.5%	11.0%	13.2%	12.5%
Cost to Income%	41%	40%	36%	35%	42%	35%	35%

*YoY not comparable due to IND AS

Conso/Fig in Rs Cr

❑ Net Income growth is expected to be 40% in 4QFY19 driven by strong AUM growth. The strong growth AUM is expected to be driven by rural portfolio. Loan growth is expected to remain strong at 45% in 4QFY19.

❑ PAT is expected to grow at the rate of 55% YoY. Rise in operational efficiency will result in decline of C /I ratio going ahead.

❑ NIM expected to marginally decline QoQ even though cost has declined by 30 bps from the month of November, we expect management to pass on the benefit to the customer. Management has also guided to maintain liquidity cushion in the balance sheet which may slightly affect NIM in 4QFY19.

❑ Credit cost is expected to decline as 1.50% in 4QFY19 as the 3QFY19 number includes one-time additional provision of Rs 45 Cr. Provision growth is expected to remain flat YoY.

Key Trackable this Quarter

❑ Margins performance will be important going ahead.

❑ C/I ratio is expected to improve with rise in operational efficiency.

We value the stock at 7x P/BV FY20E. NEUTRAL

Can Fin Homes Limited

CANF IN

Financials-Nbfc

CMP	**349**
Target	**421**
Upside	**21%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	24.1%	24.9%	21.5%	22.0%
Roa%	1.9%	2.1%	1.9%	1.9%
Div Yield%	0.1%	0.6%	0.6%	0.6%
Book Value	81	101	123	150
P/B	5.2	4.8	2.8	2.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	13,313	15,743	18,577	22,664	15,743	17,568	18,577
AUM Growth%	*25%*	*18%*	*18%*	*22%*	*18%*	*17%*	*18%*
Borrowings	11,872	13,925	16,440	20,235	13,925	15,500	16,440
Borrowings Growth%	*25%*	*17%*	*18%*	*23%*	*17%*	*17%*	*18%*
Disbursement (Rs Cr)	4,792	5,207	5,411	6,696	1,386	1,318	1,486
GNPA%	0.2%	0.4%	0.7%	0.3%	0.4%	0.7%	0.7%
NNPA%	0.0%	0.2%	0.5%	0.2%	0.2%	0.4%	0.5%
Net Interest Income	422	507	539	672	130	136	146
NII Gr	*40%*	*20%*	*6%*	*25%*	*10%*	*7%*	*12%*
Opex	80	86	82	96	25	22	23
Opex Growth%	*19%*	*8%*	*-5%*	*17%*	*6%*	*3%*	*-6%*
Pre-provision Profit	389	480	495	616	119	126	133
PPP Gr	*42%*	*23%*	*3%*	*24%*	*7%*	*7%*	*12%*
Provisions	20	22	-	16	1	-	-
Net Profits	235	302	320	400	75	80	88
Profit Gr%	*50%*	*28%*	*6%*	*25%*	*6%*	*21%*	*16%*
NIM% (Cal.)	3.5%	3.5%	3.1%	3.3%	3.5%	3.4%	3.4%
Cost to Income%	17.0%	15.2%	14.2%	13.5%	17.2%	14.6%	14.8%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII growth is expected to be 12% in 4QFY19 driven by strong AUM growth of 18%. PAT is expected to grow at the rate of 16% YoY.

❑ NIM expansion will be driven by resetting of the PLR hike across the portfolio as the management has successfully been able to pass on the rise in Cost of borrowings to the customer and rise in share of non- metro branches.

❑ CANF loan book has got impacted due to RERA implementation in home region which resulted in 50% of the business then & now is at 31% of the business. Management is confident of strong AUM growth in 4QFY19, with improvement in the supply side issue in its (the first time home owner's) LIG segment we expect growth traction to revive going ahead. Lower balance transfer will further add to growth & margin performance.

❑ CANF is experiencing temporary spike in the GNPA number due to cyclicity, we expect this number to stabilize in 4QFY19. CANF presently sits on Rs 10 Cr of extra provision so we don't expect significant credit cost in 4QFY19.

Key Trackable this Quarter

❑ NIM performance will be closely watched

❑ Assets quality trend

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

Cholamandalam Inv & Fin.

Financials-Nbfc

CIFC IN

CMP	**1482**
Target	**1696**
Upside	**14%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	18.0%	20.6%	21.5%	22.1%
Roa%	2.5%	2.8%	2.5%	2.3%
Div Yield%	0.6%	0.4%	0.6%	0.6%
Book Value	276	329	398	484
P/B	3.5	4.4	3.7	3.1

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	34,167	42,879	54,456	65,892	42,879	50,393	54,456
AUM Growth%	*15%*	*25%*	*27%*	*21%*	*25%*	*29%*	*27%*
Borrowings	24,207	31,902	49,506	62,755	31,902	46,811	49,506
Borrowings Growth%	*7%*	*32%*	*55%*	*27%*	*32%*	*65%*	*55%*
Disbursement (Rs Cr)	18,591	25,119	31,088	40,118	8,008	7,644	9,530
GNPA%	4.7%	2.9%	3.0%	2.7%	2.9%	3.3%	3.0%
NNPA%	3.2%	1.7%	1.9%	1.5%	1.7%	2.1%	1.9%
Net Interest Income	2,403	3,195	3,436	4,284	843	875	932
NII Gr	*13%*	*33%*	*8%*	*25%*	*28%*	*22%*	*11%*
Opex	1,013	1,363	1,224	1,476	378	316	337
Opex Growth%	*20%*	*34%*	*-10%*	*21%*	*37%*	*12%*	*-11%*
Pre-provision Profit	1,416	1,834	2,212	2,808	465	559	595
PPP Gr	*9%*	*29%*	*21%*	*27%*	*19%*	*29%*	*28%*
Provisions	311	350	353	500	12	95	98
Net Profits	719	974	1,222	1,523	300	304	328
Profit Gr%	*26%*	*35%*	*26%*	*25%*	*37%*	*39%*	*9%*
NIM% (Cal.)	7.5%	8.3%	7.1%	7.1%	9.3%	7.5%	7.5%
Cost to Income%	41.7%	42.6%	35.6%	34.5%	42.5%	36.1%	36.1%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑AUM growth is expected to be around 27% in 4QFY19; Growth is expected to be driven by the strong diversified portfolio. Home Equity disbursement is likely to remain healthy offsetting the slower growth in vehicle finance.

❑ NII is expected to grow at 11% YoY with PAT growth of 9% YoY. NIM is expected to improve as interest hike of 100 bps in 3QFY19 resets into the portfolio. NIM is expected to improve with rising share of higher yielding assets & lower balance transfer in housing finance segment.

❑ GNPA ratio is expected to decline in 4QFY19 to 3% due to rise in collection efficiency. Credit cost is expected to maintain in the range of 75 bps. Few more SARFAESI resolution is expected to come in 4QFY19.

❑ C/I ratio is expected to trend higher as management plans to increase 200 Housing branches by FY20.

Key Trackable this Quarter

❑ Decline in the marginal cost of borrowing.

❑ Vehicle Growth rate will be closely watched .

We value the stock at 3.5x P/BV FY20e. BUY

HDFC Limited

HDFC IN

Financials-Nbfc

CMP	**1992**
Target	**2217**
Upside	**11%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	20.2%	24.1%	13.4%	14.8%
Roa%	2.4%	3.3%	2.1%	2.3%
Div Yield%	1.3%	1.1%	1.0%	1.1%
Book Value	249	366	448	493
P/B	6.0	5.0	4.4	4.0

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	338,478	399,511	463,433	537,582	399,511	441,022	463,433
AUM Growth%	*16%*	*18%*	*16%*	*16%*	*18%*	*15%*	*16%*
Borrowings	280,534	320,656	367,804	440,641	320,656	354,728	367,804
Borrowings Growth%	*18%*	*14%*	*15%*	*20%*	*14%*	*15%*	*19%*
GNPA%	0.8%	1.1%	0.0%	1.4%	1.1%	1.3%	1.3%
NNPA%	0.5%	0.7%	0.8%	0.8%	0.7%	0.8%	0.8%
Net Interest Income	9,954	11,313	11,569	14,464	3,211	2,975	3,252
NII Gr%	*14%*	*14%*	*2%*	*25%*	*13%*	*21%*	*1%*
Opex	1,339	1,628	2,133	2,408	405	534	533
Opex Growth%	*13%*	*22%*	*31%*	*13%*	*26%*	*-22%*	*32%*
Pre-provision Profit	11,427	12,037	13,496	17,084	3,691	2,985	3,531
PPP Gr	*6%*	*5%*	*12%*	*27%*	*20%*	*-61%*	*-4%*
Provisions	700	455	661	499	180	116	124
Net Profits	7,443	12,164	9,224	11,775	2,846	2,114	2,453
Profit Gr%	*5%*	*63%*	*-24%*	*28%*	*39%*	*-60%*	*-14%*
Spread%	3.2%	3.1%	2.7%	2.9%	3.4%	2.8%	3.0%
Cost to Income%	10.5%	11.9%	13.6%	12.4%	9.9%	15.2%	13.1%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

- NII is expected to grow at 9% QoQ in 4QFY19, NII growth is expected to be driven by margin expansion. AUM growth is expected to still remain under pressure with 16% in 4QFY19 driven by individual segment while we remain cautious on the non individual segment growth.
- Given the strong relationship, HDFC has been able to raise money from various sources and comfortably managing the ALM. However it has also resulted in slightly higher rates for funds.
- HDFC's deteriorating GNPA in the non individual segment has made us cautious on the asset quality front due to rising concern in the Real estate developer portfolio.
- NIM is expected to expand in 4QFY19, driven by fall in marginal Cost of borrowing by 20-30 bps while Management has altogether taken 70 bps hike in PLR from April which will help in margin expansion.
- Other Income is expected to decline as dividend income from HDFCAMC has declined to Rs 12 dividend per share against Rs 16 last year.

Key Trackable this Quarter

- NIM performance & AUM growth
- Asset quality amid real estate stress

We value the stock at 4.5x P/BV FY20e. ACCUMULATE

Indiabulls Housing Finance Ltd

Financials-Nbfc

IHFL IN

CMP	**841**
Target	**898**
Upside	**7%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY 20E
Roe%	25.5%	30.1%	27.7%	25.9%
Roa%	3.2%	3.3%	3.2%	3.3%
Div Yield%	2.7%	4.2%	5.3%	6.5%
Book Value	286	315	405	449
P/B	3.5	3.9	2.1	1.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	91,300	122,600	132,408	156,241	122,600	124,271	132,408
AUM Growth%	*33%*	*34%*	*8%*	*18%*	*34%*	*16%*	*8%*
Borrowings	85,300	110,260	112,210	135,862	110,260	107,609	112,210
Borrowings Growth%	*40%*	*29%*	*2%*	*21%*	*29%*	*0%*	*2%*
Disbursement (Rs Cr)	35,482	48,060	42,144	61,746	19,500	3,853	17,213
GNPA%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
NNPA%	0.4%	0.3%	0.6%	0.6%	0.3%	0.6%	0.6%
Total Net Income	5,291	6,987	7,415	7,950	1,874	2,031	1,949
Net Income Gr	*24%*	*32%*	*6%*	*7%*	*26%*	*-4%*	*4%*
Opex	737	880	1,200	1,113	220	336	323
Opex Growth%	*19%*	*19%*	*36%*	*-7%*	*5%*	*13%*	*47%*
Pre-provision Profit	4,554	6,107	6,215	6,837	1,655	1,695	1,625
PPP Gr	*25%*	*34%*	*2%*	*10%*	*30%*	*-6%*	*-2%*
Provisions	783	1,131	493	513	412	308	80
Net Profits	2,906	3,847	4,249	4,709	1,030	985	1,165
Profit Gr%	*24%*	*32%*	*10%*	*11%*	*23%*	*-14%*	*13%*
NIM% (Cal.)	4.4%	4.5%	4.6%	4.5%	6.0%	5.7%	5.0%
Cost to Income%	13.9%	12.6%	16.2%	14.0%	11.7%	16.5%	16.6%

*YoY not comparable due to IND AS

Conso/Fig in Rs Cr

❑Net income is expected to grow at 4% YoY whereas PAT is expected to grow by 13%.

❑ Due to rise in cost of fund and declining spread NIM is expected to come under pressure for IHFL. Further change in assets mix by reducing high yield assets will also impact NIM going ahead. We expect gradual downfall in margin going ahead.

❑ First instalment of Rs 200 Cr from Palais Royale NPA account is expected to get recovered during 4Q FY19 which will boost the income. Further, remaining will be recovered going ahead..

❑ Due to liquidity tightness, pressure on borrowing and stress on AUM growth is expected. AUM is expected to grow by 8% YoY. However, management expects 20% growth from FY20 onwards. Securitization has been focus area of management as it provides additional way of funding. It is expected to be elevated in 4QFY19.

❑ Asset quality is expected to remain stable but rising concern over stress on developer segment keeps us cautious in short to medium term.

Key Trackable this Quarter

❑ Incremental spread performance

❑ 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

CMP	**151**
Target	**175**
Upside	**16%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	14.1%	14.4%	17.5%	18.3%
Roa%	1.5%	1.8%	2.3%	2.3%
Div Yield%	0.6%	0.5%	0.7%	0.7%
Book Value	44	63	67	80
P/B	2.8	2.5	2.2	1.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	66,650	83,654	99,548	119,458	83,654	94,710	99,548
AUM Growth%	*14%*	*26%*	*19%*	*20%*	*26%*	*22%*	*19%*
Borrowings	54,994	71,577	92,174	110,609	71,577	87,818	92,174
Borrowings Growth%	*26%*	*30%*	*29%*	*20%*	*17%*	*28%*	*29%*
Disbursement	18,313	22,664	23,344	24,044	22,664	13,682	23,344
GNPA%	7.1%	4.8%	6.5%	6.0%	4.8%	6.7%	6.5%
NNPA%	5.0%	2.3%	2.6%	2.7%	2.3%	2.6%	2.6%
Net Interest Income	3,034	3,408	4,409	5,234	1,015	1,150	1,143
NII Gr	*13%*	*12%*	*29%*	*19%*	*46%*	*60%*	*13%*
Opex	1,276	1,537	1,964	2,618	467	460	479
Opex Growth%	*-3%*	*20%*	*28%*	*33%*	*52%*	*28%*	*2%*
Pre-provision Profit	2,669	3,637	4,694	5,881	1,034	1,192	1,213
PPP Gr	*31%*	*36%*	*29%*	*25%*	*34%*	*43%*	*17%*
Provisions	1,590	1,897	1,592	2,251	475	416	413
Net Profits	1,042	1,459	2,272	2,686	409	581	592
Profit Gr%	*22%*	*40%*	*56%*	*18%*	*29%*	*78%*	*45%*
NIM% (Cal.)	4.9%	4.5%	4.8%	4.8%	5.7%	5.8%	5.5%
Cost to Income%	32.4%	29.7%	29.5%	30.8%	31.1%	27.8%	28.3%

*YoY not comparable due to IND AS

Conso/Fig in Rs Cr

❑ NII is expected to grow at 13% YoY driven by healthy AUM growth of 19% YoY. Strong growth in AUM is expected to be driven by the rural portfolio (high yielding portfolio). PAT growth is expected to be around 45% YoY.

❑ NIM is expected to remain stable as management is able to successfully pass on the rise in cost of fund to the customers due to lower competition. 75 bps PLR hike in 3QFY19 will aid to NIM expansion in 4QFY19.

❑ Growth in rural portfolio will lead to spike in the cost to income ratio in 4QFY19 from 27.85% to 28.30% QoQ.

❑ L&TFH has Rs 1800 Cr exposure to IL&FS but due to NCLAT temporary dispensation of asset classification, these loans are not classified as NPA thus providing some relief to L&TFH, so credit cost is expected to remain in the range of 170 bps in 4QFY19.

Key Trackable this Quarter

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

❑ Asset Quality on the wholesale segment

We value the stock at 2.2x P/BV FY20e. BUY

LIC Housing Finance Ltd

Financials-Nbfc

LICHF IN

CMP	**549**
Target	**678**
Upside	**23%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	19.1%	16.7%	16.1%	16.9%
Roa%	1.4%	1.2%	1.3%	1.4%
Div Yield%	1.2%	1.3%	1.3%	1.5%
Book Value	219	251	326	376
P/B	2.8	2.1	1.7	1.5

	FY17	FY18	FY19E	FY 20E	Q4FY18	Q3FY19	Q4FY19E
AUM	144,534	166,363	192,149	220,972	166,363	181,698	192,149
AUM Growth%	*15%*	*15%*	*16%*	*15%*	*15%*	*16%*	*16%*
Borrowings	126,335	145,339	168,552	195,550	145,339	160,291	168,552
Borrowings Growth%	*14%*	*15%*	*16%*	*16%*	*15%*	*16%*	*16%*
Disbursement (Rs Cr)	41,541	49,385	49,710	63,641	17,402	12,778	13,066
GNPA%	0.4%	0.8%	1.3%	1.3%	0.8%	1.3%	1.3%
NNPA%	0.1%	0.4%	0.9%	0.8%	0.4%	0.9%	0.9%
Net Interest Income	3,645	3,701	4,299	5,372	1,004	1,084	1,157
NII Gr	*24%*	*2%*	*16%*	*25%*	*-3%*	*42%*	*15%*
Opex	612	648	844	1,167	224	253	271
Opex Growth%	*31%*	*6%*	*30%*	*38%*	*14%*	*140%*	*21%*
Pre-provision Profit	3,237	3,301	3,562	4,474	867	856	921
PPP Gr	*19%*	*2%*	*8%*	*26%*	*-3%*	*23%*	*6%*
Provisions	281	239	294	305	28	(3)	47
Net Profits	1,931	1,990	2,349	3,002	539	596	612
Profit Gr%	*16%*	*3%*	*18%*	*28%*	*2%*	*26%*	*13%*
NIM% (Cal.)	2.7%	2.4%	2.4%	2.6%	2.6%	2.5%	2.6%
Cost to Income%	15.9%	16.4%	19.2%	20.7%	20.5%	22.8%	22.8%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ Cost of fund is expected to rise, but increase in yield due to hike in PLR rate by 70 bps will lead to improvement in NIM. Management expects Spreads and margins should improve going forward.

❑ C/I ratio is trending upward due to sharp increase in the employee expenses. Going ahead it is expected to remain elevated due to increase in number of employees.

❑ Asset quality has shown some stress on account of increase in GNPA by 12 bps at 0.93% on the individual portfolio. We remain cautious on the asset quality font due to increasing its share towards the developer loan portfolio and expects GNPA ratio be at 1.27% in Q4FY19.

❑ Developer loan portfolio share is expected to increase as LICHSGFIN has received multiple proposals related to project finance and had added about 38 accounts in builder loans in 9MFY19. Management expects 16% of loan growth in Q4FY19.

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Key Trackable this Quarter

❑ NIM performance

❑ Further deterioration of asset quality in project loan

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

M&M Financial Services Ltd

Financials-Nbfc

MMFS IN

CMP	**418**
Target	**465**
Upside	**11%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	6.4%	11.3%	13.7%	14.3%
Roa%	0.9%	1.8%	2.2%	2.2%
Div Yield%	0.8%	1.0%	1.1%	1.2%
Book Value	114	151	167	186
P/B	2.8	2.8	2.5	2.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	46,776	55,101	66,121	78,023	55,101	63,073	66,121
AUM Growth%	*14%*	*18%*	*20%*	*18%*	*18%*	*30%*	*20%*
Borrowings	34,670	39,556	52,064	61,923	39,556	50,052	52,064
Borrowings Growth%	*18%*	*14%*	*32%*	*19%*	*14%*	*43%*	*30%*
Disbursement (Rs Cr)	31,659	37,773	47,709	52,756	11,861	13,290	13,224
GNPA%	9.0%	8.5%	7.0%	8.0%	8.5%	7.7%	7.0%
NNPA%	3.6%	3.8%	5.2%	4.6%	3.8%	5.8%	5.2%
Net Interest Income	3,316	4,147	4,702	5,553	1,305	1,204	1,255
NII Gr	*3%*	*25%*	*13%*	*18%*	*17%*	*20%*	*-4%*
Opex	1,451	1,671	1,782	2,123	493	483	489
Opex Growth%	*23%*	*15%*	*7%*	*19%*	*22%*	*37%*	*-1%*
Pre-provision Profit	1,929	2,534	3,028	3,541	825	744	791
PPP Gr	*-8%*	*31%*	*19%*	*17%*	*14%*	*12%*	*-4%*
Provisions	1,309	1,227	968	1,149	157	225	218
Net Profits	400	827	1,341	1,555	424	319	372
Profit Gr%	*-40%*	*107%*	*62%*	*16%*	*81%*	*-20%*	*-12%*
NIM% (Cal.)	7.6%	8.1%	7.8%	7.7%	10.2%	8.2%	8.1%
Cost to Income%	42.9%	39.7%	37.0%	37.5%	37.4%	39.4%	38.2%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ Sluggish auto sales will impact AUM growth of Vehicle financier. However, AUM growth for M&MFIN is expected to be 20% in Q4FY19 led by deeper penetration to rural areas. SME is expected to be in the range of 8-10% of book in medium term given the cash flow pressures of SME customers.NII growth is expected to be 4% in Q4FY19 QoQ. PAT growth is expected to increase by 17% QoQ.

❑ Due to rise in cost of fund, NIM has been under pressure. But the rise in cost is likely to be pass on to the customers going ahead. Also focus on increasing share of used vehicle segment is likely to support NIM ahead. NIM is likely to remain flat on sequential basis.

❑ On the assets quality front management expects a positive trend from rural segment. GNPA is expected to be 7% in Q4FY19 and credit cost would likely to be in the range of 1.4% quarterly.

❑ Liquidity issue is not a concern area for M&M FIN. Company is able to raise fund from banks, retail deposit and from securitizations of portfolio.

Key Trackable this Quarter

❑ Rise in cost of fund and yield outlook.

❑ AUM and Disbursement Growth.

❑ Branch expansion.

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

Magma Fincorp Ltd

Financials-Nbfc

MGMA IN

CMP	**118**
Target	**127**
Upside	**8%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	0.9%	10.2%	12.0%	13.5%
Roa%	0.1%	1.5%	1.9%	2.2%
Div Yield%	0.8%	0.5%	0.8%	1.0%
Book Value	92	98	102	116
P/B	1.2	1.6	1.2	1.0

	FY17	FY18	FY19E	FY 20E	Q4FY18	Q3FY19	Q4FY19E
AUM	16,101	15,555	17,111	19,506	15,555	16,507	17,111
AUM Growth%	*-11%*	*-3%*	*10%*	*14%*	*-3%*	*6%*	*10%*
Borrowings	10,096	9,829	12,489	14,449	9,829	12,017	12,489
Borrowings Growth%	*-15%*	*-3%*	*27%*	*16%*	*-3%*	*0%*	*27%*
Disbursement (Rs Cr)	1,478	2,233	2,395	3,121	2,233	2,133	2,395
GNPA%	6.7%	7.0%	6.2%	6.6%	7.0%	6.3%	6.2%
NNPA%	5.6%	5.2%	3.8%	3.0%	5.2%	4.0%	3.8%
Net Interest Income	1,105	1,162	1,154	1,292	319	338	352
NII Gr	*-3%*	*5%*	*-1%*	*12%*	*5%*	*13%*	*10%*
Opex	620	701	690	718	167	175	177
Opex Growth%	*-2%*	*13%*	*-2%*	*4%*	*12%*	*16%*	*-7%*
Pre-provision Profit	654	691	725	854	158	172	186
PPP Gr	*-4%*	*6%*	*5%*	*18%*	*-6%*	*12%*	*1%*
Provisions	607	374	281	274	33	53	57
Net Profits	13	230	304	395	80	74	88
Profit Gr%	*-94%*	*1712%*	*32%*	*30%*	*166%*	*65%*	*9%*
NIM% (Cal.)	6.4%	7.3%	7.1%	7.1%	9.5%	8.3%	8.4%
Cost to Income%	48.7%	50.3%	48.7%	45.7%	50.8%	50.4%	48.8%

*YoY not comparable due to IND AS

Conso/Fig in Rs Cr

❑ Due to tight liquidity, AUM growth in Q3FY19 was flat. AUM growth is expected to be in the range of 10-12% in Q4FY19. AUM growth would be driven by Commercial vehicle, Used Assets, SME and Mortgage finance. Disbursement growth is expected to be 14% in Q4FY19.

❑ Opex is expected to grow by 6% YoY, while Cost to income ratio is expected to be in the range of 48-49%. Managment expects to expand its reach and distribution capabilities to over 120 branches and 36 micro branches in FY19-20.

❑ Due to rise in cost of fund, Margins remain under pressure. Management expects to increase cost of fund by 50 bps going ahead. But rise in cost of fund is likely to be passed on to the customers. NII is expected to grow by 10% YoY.

❑ Strong collection efficiency will result in improved assets quality. GNPA is expected to improve to 6.20% in Q4FY19. Management is optimistic about the credit cost of 1-1.50% which improves PAT growth. PAT growth is expected at 9% in Q4FY19.

Key Trackable this Quarter

❑ Borrowing growth outlook

❑ AUM and Disbursement growth outlook.

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

Manappuram Finance Limited

Financials-Nbfc

MGFL IN

CMP	**122**
Target	**140**
Upside	**15%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	24.7%	18.6%	22.5%	21.7%
Roa%	5.4%	4.1%	5.0%	5.0%
Div Yield%	2.6%	0.5%	2.0%	2.0%
Book Value	40	46	54	70
P/B	2.5	2.4	2.3	1.7

	FY17	FY18	FY19E	FY 20E	Q4FY18	Q3FY19	Q4FY19E
AUM	13,657	15,765	18,602	22,323	15,765	17,783	18,602
AUM Growth%	*19%*	*15%*	*18%*	*20%*	*15%*	*21%*	*18%*
Borrowings	9,163	10,240	12,002	14,882	10,240	11,390	12,002
Borrowings Growth%	*-5%*	*12%*	*17%*	*24%*	*12%*	*21%*	*17%*
GNPA%	2.0%	0.7%	0.6%	1.0%	0.7%	0.6%	0.6%
NNPA%	1.7%	0.3%	0.3%	0.5%	0.3%	0.3%	0.3%
Net Interest Income	2,219	2,396	2,834	3,592	622	727	768
NII Gr	*58%*	*8%*	*18%*	*27%*	*3%*	*19%*	*24%*
Opex	965	1,222	1,391	1,828	314	350	382
Opex Growth%	*16%*	*27%*	*14%*	*31%*	*17%*	*3%*	*22%*
Pre-provision Profit	1,275	1,227	1,504	1,831	319	397	403
PPP Gr	*116%*	*-4%*	*23%*	*22%*	*-8%*	*31%*	*26%*
Provisions	109	210	52	104	43	9	11
Net Profits	756	671	939	1,134	182	245	255
Profit Gr%	*114%*	*-11%*	*40%*	*21%*	*-9%*	*43%*	*40%*
NIM% (Cal.)	17.7%	16.3%	16.5%	17.6%	17.3%	17.3%	17.5%
Cost to Income%	43.1%	49.9%	48.1%	50.0%	49.6%	46.9%	48.7%

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

❑ Although the funding cost will remain elevated in 4QFY19 ,but as the interest rates on its bank borrowing are expected to decline by up to 50 basis points due to RBI stance to allow banks to lend on the basis of credit rating which will give cushion to margin expansion. The impact will be there in 1QFY20.NII is expected grow at 24% YoY and PAT growth is expected to be at 40% YoY.

❑ AUM is expected to be flattish QoQ but will grow by 18% YoY due to lower base effect; the growth mainly is expected to come from non gold loan segments (microfinance, CV). Going ahead change in portfolio mix to 68% gold and 32% Non gold loan is expected.Gold loan growth is expected to be 8-10% in FY19 and 10-15% in FY20.The management targets AUM of Rs 1000 Cr for Housing finance business in FY20.

❑ The management expects to raise equity in the near future of 200 mn dollars & diluting its stake in Ashirvad MFI by 15-16%.

❑ Improved collection efficiency reflects strong asset quality. GNPA & PCR has been improving quarter on quarters. Going ahead we expect management to continue conducting auctions and keeping the GNPA at 60 bps in 4QFY19.

Key Trackable this Quarter

❑ NIM performance due to cost of funds and yield due to change in portfolio mix.

❑ Borrowings trend and change in borrowing mix.

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

MAS Financial Services Ltd.

Financials-Nbfc

MASFIN IN

CMP	**586**
Target	**640**
Upside	**9%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	26.7%	19.9%	19.8%	20.1%
Roa%	3.5%	4.4%	4.8%	4.4%
Div Yield%	0.0%	0.3%	0.3%	0.3%
Book Value	76	131	154	183
P/B		4.6	3.8	3.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	3,156	4,114	5,266	6,636	4,114	4,915	5,266
AUM Growth%	*23.0%*	*30%*	*28%*	*26%*	*30%*	*34%*	*28%*
Borrowings	1,513	1,785	2,701	3,492	1,785	2,524	2,701
Borrowings Growth%	*2%*	*18%*	*51%*	*29%*	*18%*	*57%*	*51%*
GNPA%	1.1%	1.2%	1.4%	1.4%	1.2%	1.3%	1.4%
NNPA%	1.0%	0.9%	1.0%	0.9%	0.9%	0.9%	1.0%
Net Interest Income	189	274	365	424	78	99	101
NII Gr	*19%*	*45%*	*33%*	*16%*	*62%*	*31%*	*29%*
Opex	60	72	83	101	18	20	24
Opex Growth%	*10%*	*18%*	*16%*	*22%*	*12%*	*-10%*	*35%*
Pre-provision Profit	130	204	291	345	60	83	81
PPP Gr	*24%*	*58%*	*42%*	*19%*	*85%*	*52%*	*34%*
Provisions	27	46	54	60	15	14	14
Net Profits	67	103	154	185	30	45	44
Profit Gr%	*26%*	*53%*	*49%*	*20%*	*101%*	*51%*	*46%*
NIM% (Cal.)	6.6%	7.5%	7.8%	7.1%	8.6%	8.9%	8.4%
Cost to Income%	32%	26%	22%	23%	23%	20%	23%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII is expected to grow at 29% in 4QFY19 with AUM growth of 28% YoY. AUM growth is expected to be driven by micro enterprise loans. Management has guided 2W portfolio to grow at the rate of 20-25% going ahead.

❑ NIM is expected to remain under pressure as the COF is expected to be increased by 50-75 bps going ahead. Though rise in the interest rate across portfolio will provide some cushion to the Margin.

❑ With improving collection efficiency & lowering PAR 30 number we expected GNPA to trend down in 4QFY19.

❑ C/I ratio is expected to trend on a higher range as management has plans to double the number of branches FY20.

Key Trackable this Quarter

❑ Growth in MSME segment.

❑ Funding availability.

We value the stock at 3.5x P/BV FY20e. HOLD

Muthoot Finance Limited

MUTH

Financials-Nbfc

CMP	**616**
Target	**705**
Upside	**14%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	19.4%	24.1%	23.1%	22.2%
Roa%	4.1%	5.5%	5.8%	5.8%
Div Yield%	2.0%	1.8%	1.3%	1.3%
Book Value	163	194	234	282
P/B	2.3	2.1	2.6	2.2

	FY17	FY18	FY19E	FY 20E	Q4FY18	Q3FY19	Q4FY19E
AUM	27,279	29,138	33,509	38,200	29,138	32,470	33,509
AUM Growth%	*12%*	*7%*	*15%*	*14%*	*7%*	*15%*	*15%*
Borrowings	21,096	21,268	26,385	30,079	21,268	25,221	26,385
Borrowings Growth%	*13%*	*1%*	*24%*	*14%*	*1%*	*20%*	*24%*
GNPA%	2.1%	7.0%	2.0%	2.0%	7.0%	2.0%	2.0%
NNPA%	1.7%	6.2%	0.2%	0.2%	6.2%	0.2%	0.2%
Net Interest Income	3,346	4,222	4,532	5,116	1,101	1,122	1,177
NII Gr%	*32%*	*26%*	*7%*	*13%*	*-5%*	*2%*	*7%*
Opex	1,267	1,307	1,462	1,513	366	344	377
Opex Growth%	*32%*	*25%*	*6%*	*13%*	*9%*	*6%*	*3%*
Pre-provision Profit	2,186	2,997	3,096	3,633	792	784	806
PPP Gr%	*48%*	*37%*	*3%*	*17%*	*-5%*	*-1%*	*2%*
Provisions	265	240	24	109	60	2	16
Net Profits	1,180	1,720	1,974	2,290	451	485	513
Profit Gr%	*46%*	*46%*	*15%*	*16%*	*40%*	*1%*	*14%*
NIM% (Cal.)	13.0%	15.0%	14.5%	14.3%	15.6%	14.4%	14.6%
Cost to Income%	36.7%	30.4%	32.1%	29.4%	31.6%	30.5%	31.8%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII growth is expected to be at 7% YoY. PAT is expected to grow by 14% YoY.

❑ Cost of funds have been rising in 3QFY19, due to which the company increased its lending rates by 100 bps, the impact is expected to be there in 4QFY19. The cost is expected to be at the same level going ahead.NIM has been under pressure in 3QFY19 but is expected to show improvement in 4QFY19.

❑ The company reduced its LTV in Oct to bring cash to the company and degrew its book by more than Rs 1000 cr to solve liquidity issue. AUM growth is expected to be more than 15% YoY . NCD public issue is expected in the future to attract retail customers..

❑ Collection has been strong over the past few quarters. GNPA & PCR has been improving. We expect GNPA to be stable going ahead. Auctions of Rs 300 Cr are expected in 4QFY19.

Key Trackable this Quarter

❑ NIM performance

❑ Borrowings trend has to be checked.

❑ AUM growth outlook

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

Power Finance Corporation Ltd

Financials-Nbfc

POWF IN

CMP	**122**
Target	**168**
Upside	**38%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	5.9%	15.3%	15.9%	15.6%
Roa%	0.8%	2.1%	2.1%	2.0%
Div Yield%	3.8%	9.1%	6.1%	7.0%
Book Value	138	151	152	168
P/B	0.5	0.6	0.8	0.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	245,524	278,914	298,438	334,251	278,914	298,128	298,438
AUM Growth%	*3%*	*14%*	*7%*	*12%*	*14%*	*14%*	*7%*
Borrowings	202,589	229,539	255,075	283,263	229,539	249,117	255,075
Borrowings Growth%	*1%*	*13%*	*11%*	*11%*	*13%*	*17%*	*11%*
Disbursement (Rs Cr)	28,384	26,852	26,859	30,083	26,852	14,647	26,859
GNPA%	3.2%	9.6%	9.4%	8.0%	9.6%	9.5%	9.4%
NNPA%	2.4%	7.4%	4.5%	3.8%	7.4%	4.6%	4.5%
Net Interest Income	9,837	8,616	9,204	10,622	1,636	2,451	2,442
NII Gr	*-7%*	*-12%*	*7%*	*15%*	*16%*	*27%*	*49%*
Opex	381	391	388	472	50	95	109
Opex Growth%	*17%*	*2%*	*-1%*	*22%*	*-19%*	*34%*	*118%*
Pre-provision Profit	10,205	9,142	8,894	10,676	1,946	2,463	2,411
PPP Gr	*-5%*	*-10%*	*-3%*	*20%*	*19%*	*40%*	*24%*
Provisions	5,094	815	(315)	811	500	(295)	52
Net Profits	2,126	5,855	6,377	6,610	936	2,074	1,580
Profit Gr%	*-65%*	*175%*	*9%*	*4%*	*-127%*	*72%*	*69%*
NIM% (Cal.)	4.1%	3.3%	3.2%	3.4%	2.5%	3.4%	3.3%
Cost to Income%	4%	4%	4%	4%	3%	4%	4%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII is expected to grow at the rate of 49% on the back of NIM expansion aided by lower interest reversal. PAT is expected to grow at 69% YoY on the back of lower credit cost.

❑ AUM growth is expected to be muted due to the acquisition of RECLTD, as management has said 70% of the deal will be funded through internal accruals while 30% is expected to be raised via various debt obligations. Tier 1 CRAR is expected to remain intact as no substantial debt raised for the company.

❑ Stage III assets stood at Rs 28200 Cr while Stage II stood at Rs 7000 Cr. In respect to these 27 NPA projects 52% provision is already been made. Asset Quality is expected to improve as there is no major addition to the GNPA number in 4QFY19, we expect delinquency number to fall going ahead. GVK Ratle project with loan amounting to Rs 811 Cr is servicing regular, it is expected to reverse in 4QFY19. All IL&FS SPV's where PFC has exposure were declared solvent.

Key Trackable this Quarter

❑ Resolution of NPA cases.

❑ Cost at which borrowings has been raised for acquisittion

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

PNB Housing Finance Ltd.

Financials-Nbfc

PNBHOUSI IN

CMP	**920**
Target	**1052**
Upside	**14%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	13.6%	14.0%	14.6%	16.3%
Roa%	1.5%	1.6%	1.3%	1.3%
Div Yield%	0.0%	0.4%	0.7%	0.7%
Book Value	337	381	432	501
P/B	3.5	3.7	2.1	1.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	41,492	62,252	84,663	104,135	62,252	79,737	84,663
AUM Growth%	*51%*	*50%*	*36%*	*23%*	*50%*	*38%*	*36%*
Borrowings	35,657	54,268	74,266	91,347	54,268	69,166	74,266
Borrowings Growth%	*36%*	*52%*	*37%*	*23%*	*52%*	*36%*	*37%*
Disbursement (Rs Cr)	20,639	33,195	36,830	43,076	8,740	9,345	9,313
GNPA%	0.2%	0.3%	0.5%	0.6%	0.3%	0.5%	0.5%
NNPA%	0.2%	0.3%	0.4%	0.5%	0.3%	0.4%	0.4%
Net Interest Income	846	1,408	1,933	2,578	452	504	560
NII Gr	*41%*	*66%*	*37%*	*33%*	*36%*	*23%*	*24%*
Opex	357	508	547	689	166	139	149
Opex Growth%	*42%*	*42%*	*8%*	*26%*	*85%*	*31%*	*-10%*
Pre-provision Profit	907	1,477	1,683	2,225	387	450	475
PPP Gr	*55%*	*63%*	*14%*	*32%*	*26%*	*17%*	*23%*
Provisions	103	199	251	318	44	70	72
Net Profits	524	830	983	1,259	220	266	274
Profit Gr%	*61%*	*59%*	*18%*	*28%*	*45%*	*16%*	*24%*
NIM% (Cal.)	2.5%	2.7%	2.6%	2.7%	3.3%	2.8%	2.9%
Cost to Income%	28.3%	25.6%	24.5%	23.6%	30.0%	23.7%	23.9%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII is expected to grow at 24% YoY backed by healthy AUM growth of 36%. AUM growth is expected to be driven by Individual segment as well as lower balance transfer. PAT is expected to grow at 24% YoY.

❑ NIM is expected to improve on the back of several interest rate hikes taken by the management. PNB Housing has raised 465$ mn ECB during 4QFY19, further declining marginal COF.

❑ We remain cautious on the asset quality front on the back of recent real estate crisis, however management has maintained NIL NPA on the wholesale book as at 3QFY19.

❑ Punjab National Bank has sold a 13% stake of PNB Housing Finance Ltd to private equity (PE) firms General Atlantic and Varde Partners. PNB will continue to hold a strategic stake of about 19.79% in PNB Housing Finance and will stay on as a promoter.

Key Trackable this Quarter

❑ Delinquency in the Individual segment

❑ NIM performance amid cost pressure

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

Rural Electrification Corp Ltd

RECL IN

Financials-Nbfc

CMP	**147**
Target	**200**
Upside	**36%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	20.2%	13.5%	17.5%	19.0%
Roa%	3.0%	2.0%	2.3%	2.3%
Div Yield%	5.3%	7.3%	6.6%	7.3%
Book Value	169	180	176	200
P/B	0.5	0.7	0.8	0.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	201,929	239,449	275,366	319,425	239,449	269,170	275,366
AUM Growth%	*0.3%*	*19%*	*15%*	*16%*	*19%*	*20%*	*15%*
Borrowings	167,517	198,791	231,400	270,699	198,791	227,192	231,400
Borrowings Growth%	*-1%*	*19%*	*16%*	*17%*	*19%*	*25%*	*16%*
Disbursement (Rs Cr)	20,572	22,285	11,015	12,777	22,285	19,727	11,015
GNPA%	2.4%	7.2%	6.5%	3.5%	7.2%	7.6%	6.5%
NNPA%	1.6%	5.7%	3.4%	1.8%	5.7%	4.0%	3.4%
Net Interest Income	9,485	7,919	9,541	11,361	1,702	2,542	2,603
NII Gr	*3%*	*-17%*	*20%*	*19%*	*-26%*	*13%*	*53%*
Opex	352	344	503	735	101	107	124
Opex Growth%	*4%*	*-2%*	*46%*	*46%*	*89%*	*18%*	*24%*
Pre-provision Profit	9,969	8,267	9,178	11,598	1,822	1,856	2,489
PPP Gr	*9%*	*-17%*	*11%*	*26%*	*-27%*	*16%*	*37%*
Provisions	1,109	1,416	270	1,044	557	26	48
Net Profits	6,246	4,647	6,143	7,071	834	1,275	1,636
Profit Gr%	*11%*	*-26%*	*32%*	*15%*	*-37%*	*16%*	*96%*
NIM% (Cal.)	4.7%	3.6%	3.7%	3.8%	3.1%	4.0%	4.0%
Cost to Income%	3%	4%	5%	6%	5%	5%	5%

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

❑ NII growth is expected to be strong at 53% mainly driven by NIM expansion, amid the merger news we expected growth to be affected & remain muted at 15% YoY in 4QFY19.

❑ AUM growth is expected to be around 15% YoY in 4QFY19. Growth is expected to be mainly driven by huge capital assets investment in transmission & distribution.

❑ Due to focus on operational projects, better rated client & lower slippage ratio, NIM is likely to improve beyond 4% going ahead.

❑ Asset quality is expected to improve as more recovery is expected in 4QFY19. There is no major slippage addition in 4QFY19. Credit cost is expected to remain under 1% in 4QFY19 with lower delinquency.

❑ Govt. has sold 52.63% stake in the company to PFC ltd.

Key Trackable this Quarter

❑ Management commentary on the operations after the acquisition.

❑ Asset quality is expected to improve with lesser slippages.

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

Shriram City Union Finance Ltd.

Financials-Nbfc

SCUF IN

CMP	**1796**
Target	**2242**
Upside	**25%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	11.7%	12.5%	14.8%	14.6%
Roa%	2.5%	2.5%	3.0%	3.1%
Div Yield%	0.4%	0.5%	0.6%	0.6%
Book Value	763	844	988	1121
P/B	3.0	2.5	1.8	1.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	23,132	27,461	29,109	32,602	27,461	28,795	29,109
AUM Growth%	*18%*	*19%*	*6%*	*12%*	*19%*	*18%*	*6%*
Borrowings	17,042	20,421	22,673	25,800	20,421	22,395	22,673
Borrowings Growth%	*18%*	*20%*	*11%*	*14%*	*20%*	*13%*	*18%*
Disbursement (Rs Cr)	22,356	24,920	23,865	27,785	6,632	4,583	6,404
GNPA%	6.7%	9.0%	8.5%	8.0%	9.0%	8.7%	8.5%
NNPA%	1.8%	3.4%	3.4%	3.2%	3.4%	2.7%	2.6%
Net Interest Income	2,897	3,416	3,687	4,118	812	883	902
NII Gr	*18%*	*18%*	*8%*	*12%*	*14%*	*-3%*	*11%*
Opex	1,136	1,362	1,489	1,653	325	361	364
Opex Growth%	*8%*	*20%*	*9%*	*11%*	*15%*	*-6%*	*12%*
Pre-provision Profit	1,764	2,071	2,198	2,464	488	536	552
PPP Gr	*24%*	*17%*	*6%*	*12%*	*13%*	*-6%*	*13%*
Provisions	911	1,054	780	872	412	134	181
Net Profits	556	665	895	1,013	47	259	241
Profit Gr%	*5%*	*20%*	*35%*	*13%*	*291%*	*2%*	*414%*
NIM% (Cal.)	13.6%	13.5%	13.0%	13.3%	12.7%	12.5%	12.5%
Cost to Income%	39.2%	39.7%	40.4%	40.2%	40.0%	40.3%	39.7%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

❑ NII is expected to grow at the rate of 11% YoY, with AUM growth of 6% YoY. AUM growth is expected to be tepid due to slower growth in the small enterprise business, 2-Wheeler segment amid liquidity crisis.

❑ NIM is expected to remain under pressure due to pricing issue & rise on cost of borrowings. Operating profit is expected to grow at the rate of 13% YoY.

❑ Asset quality is expected to improve as management has stopped disbursing loan in the state of Tamil Nadu due to increase in delinquency number. We expect credit cost to be around 2.50%. Management has guided to credit cost to go below 3% in FY20.

❑ Management plans to focus on 6 states for next 3 years like Andhra Pradesh, Telangana, Tamil Nadu, Karnataka, Maharashtra and Gujarat. C/I ratio is expected to remain in the 40% range in FY20.

Key Trackable this Quarter

❑ Assets quality performance

❑ Borrowing and AUM growth outlook.

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

Shriram Transport Finance

SHTF IN

Financials-Nbfc

CMP	**1200**
Target	**1459**
Upside	**22%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	11.7%	13.1%	17.5%	17.9%
Roa%	1.8%	1.9%	2.5%	2.5%
Div Yield%	0.8%	0.9%	0.9%	0.9%
Book Value	498	554	689	811
P/B	2.2	2.6	1.7	1.5

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
AUM	78,761	95,306	107,696	126,004	95,306	103,818	107,696
AUM Growth%	*8%*	*21%*	*13%*	*17%*	*21%*	*14%*	*13%*
Borrowings	53,110	63,320	92,048	109,569	63,320	89,546	92,048
Borrowings Growth%	*7%*	*19%*	*45%*	*19%*	*19%*	*16%*	*45%*
Disbursement (Rs Cr)	39,100	50,730	52,928	69,320	14,157	9,550	16,154
GNPA%	8.2%	9.2%	8.5%	7.5%	9.2%	8.8%	8.5%
NNPA%	2.7%	2.8%	5.6%	5.3%	2.8%	5.9%	5.6%
Net Interest Income	5,521	6,735	7,995	9,219	1,808	2,027	2,073
NII Gr	*8%*	*22%*	*19%*	*15%*	*28%*	*16%*	*15%*
Opex	1,229	1,489	1,777	2,053	419	433	450
Opex Growth%	*-6%*	*21%*	*19%*	*16%*	*44%*	*14%*	*7%*
Pre-provision Profit	4,368	5,494	6,296	7,225	1,560	1,620	1,639
PPP Gr	*12%*	*26%*	*15%*	*15%*	*37%*	*17%*	*5%*
Provisions	2,444	3,122	2,487	2,531	1,367	636	635
Net Profits	1,257	1,568	2,469	3,051	145	635	653
Profit Gr%	*7%*	*25%*	*57%*	*24%*	*-3%*	*17%*	*351%*
NIM% (Cal.)	7.3%	7.7%	7.9%	7.9%	8.2%	8.0%	8.0%
Cost to Income%	22.0%	21.3%	22.0%	22.1%	21.2%	21.1%	21.6%

*YoY not comparable due to IND AS

Std/Fig in Rs Cr

- ❑ AUM is expected to remain under pressure due to subdued demand in heavy vehicle and slowdown in real estate market. Management expects AUM to be in the range of 14-15%. NII growth is expected to be 14% YoY in Q4FY19. PAT growth is expected to increase by 3% QoQ to Rs 653 Cr.

- ❑ Although Management is able to partially pass on cost of fund hike to the customers still NIM is expected to remain under pressure in Q4FY19.

- ❑ Borrowing Mix is expected to change sequentially having more NCDs and Securitization in Q4FY19 led by liquidity tightness.

- ❑ Strong collection efficiency will result in improved asset quality. GNPA is expected to improve to 8.50% in Q4FY19. However, management expects credit cost to come down to 2%.

Key Trackable this Quarter

- ❑ AUM growth outlook and demand in new vehicle.

- ❑ NIM performance outlook.

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

Ahluwalia Contracts India Ltd.

AHLU IN

CMP	**335**
Target	**336**
Upside	**0%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	17%	19%	16%	17%
Roce%	29%	31%	27%	29%
EV/Ebdita	11.5	11.1	9.7	7.8
P/E	24.1	21.8	18.8	14.9
P/B	4.1	4.0	3.1	2.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Order Inflow	1,450	1,505	4,061	2,000	-	1,425	600
Order Book	3,550	3,074	5,403	5,312	3,074	5,337	5,403
Financial							
Sales	1,427	1,647	1,797	2,100	447	419	535
Sales Gr	*14%*	*15%*	*9%*	*17%*	*-5%*	*16%*	*20%*
Ebdita	173	219	224	276	53	50	64
Ebdita Gr	*8%*	*27%*	*2%*	*23%*	*24%*	*-21%*	*20%*
Net Profits	86	115	119	150	31	27	33
Profit Gr%	*2%*	*34%*	*3%*	*26%*	*52%*	*-8%*	*7%*
Ebdita Margin%	12.1%	13.3%	12.5%	13.1%	11.9%	11.9%	12.0%
Net Profit Margin%	6.0%	7.0%	6.6%	7.2%	6.9%	6.4%	6.2%

*Yearly Consolidated and Quarterly Standalone — Fig in Rs Cr

❑ Revenue growth is expected to 20% YoY on the back of strong executable order book.

❑ EBITDA growth is expected to be 20% YoY mainly on account of increased revenue while EBITDA margin is expected to remain stable at 12%.

❑ PAT is expected to up only by 7% YoY on account of higher interest and tax levels

❑Company has reduced the revenue guidance for the FY19 to around 10% on account of delay in approvals for Bihar and Delhi Project due to NGT issues but company expects to make up for lost revenue in FY20. The total cost of the projects is around Rs 1000 Cr.

❑ All the necessary projects related approval has received for Delhi redevelopment projects and work is expected to commence from Q1FY20. Kolkata project has started after redesign work.

❑Company is looking to increase its focus on geographies like Kolkata, Patna, and Mumbai to counter the various NGT issues that are appearing too often in Delhi.

❑ Order inflow in Q4FY19 will be Rs 1162 Cr.

❑ The trade receivables at the end of Q3FY19 stand at Rs 655 Cr while the trade payables are Rs 350 Cr and the inventory levels at Rs 180 Cr. Receivables days may increase by 20-30 days due to general election.

❑ Revenue from Kota BoT assets is expected to improve from Rs 40 lakh to Rs 1.3 Cr on account of improvment in occupancy level.

Key Trackable this Quarter

❑ Progress in Delhi, Bihar, Kolkata Projects.

❑ Occupancy Level and Profitability in Kota project.

❑ Working Capital days due to general elections

We value the stock at 15x FY20E EPS. NEUTRAL

Ashoka Buildcon Ltd.

ASBL IN

Infrastructure

CMP	**133**
Target	**150**
Upside	**13%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	10%	12%	11%	12%
Roce%	10%	12%	15%	14%
EV/Ebdita	15.1	15.9	8.6	8.0
P/E	17.1	16.7	15.0	12.8
P/B	1.7	2.1	1.7	1.5

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Order Book							
Roads BOT	2629	2237	7171	6387	2237	4893	7171
Roads EPC	2485	2019	872	2788	2019	2542	872
Power T&D	1891	1593	1465	529	1593	1353	1465
Railway	0	0	1192	843	0	749	1192
Gross Toll Collection	*895*	*965*	*986*	*1056*	*237*	*236*	*258*
Financials							
Sales	2006	2463	3535	4185	702	1065	1022
Sales Gr	*4%*	*22%*	*44%*	*18%*	*15%*	*62%*	*45%*
Other Income	72	98	78	68	61	25	13
Ebdita	243	293	455	505	81	149	121
Ebdita Gr	*-2%*	*21%*	*55%*	*11%*	*27%*	*99%*	*50%*
Net Profits	176	237	244	286	105	62	68
Profit Gr%	*19%*	*35%*	*3%*	*17%*	*60%*	*32%*	*-36%*
Ebdita Margin%	12.1%	12.0%	12.9%	12.1%	11.5%	14.0%	11.8%
Net Profit Margin%	8.7%	9.7%	6.9%	6.8%	15.0%	5.8%	6.6%

Std/Fig in Rs Cr

❑ Revenue growth expected to be 45% YoY led by increase in execution of ongoing projects and increase in revenue from Power T&D segment due to early execution demanded by State Government. For the full year FY19 management has guided revenue growth of 35-40%. Gross toll collection expected to post 8% YoY growth.

❑ EBITDA growth expected to be 50% YoY mainly led by strong revenue growth. EBITDA margin expected to remain in range of 11-12%.

❑ PAT is expected to down by 36% due to higher tax rate i.e. 26% compared to 4QFY18 rate of 9%.

❑ Total order inflow for the quarter amount to Rs 2000 Cr of which Rs 443 Cr of order was form Railways, the second order, previously Rs 749 Cr of order was won from Railway.

❑ 2 HAM projects namely Tumkur Shivamoga I and II are facing issue due to change in NHAI rule which leads to delay in appointment date.

❑ Total equity requirement of HAM projects is Rs 554 Cr over next 2-3 years.

❑ Company has invested Rs 35 Cr into City Gas Distribution project in Ratnagiri in JV with Morgan Stanley in 51:49 share ratio and Rs 75 Cr of revenue is expected to come in from FY20. Morgan Stanley is to invest Rs 150 Cr in the said project.

Key Trackable this Quarter

❑ Financial closure of the HAM projects and appointment dates for the same

❑ Status of Tumkur Shivmoga I and II

We value Std. business at 10x FY20E EPS and Rs.48/- for BoT/HAM business. BUY

Capacit'e Infraprojects Ltd.

CAPACITE IN

Infrastructure

CMP	**232**
Target	**276**
Upside	**19%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	23%	11%	12%	13%
Roce%	38%	17%	20%	22%
EV/Ebdita	0.3	10.2	5.8	4.7
P/E	0.0	25.8	15.5	12.6
P/B	0.0	2.7	1.9	1.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Order Inflow	2,496	2,722	3,747	3,569	792	1,346	594
Order Book	4,289	5,682	7,594	8,950	5,682	7,519	7,594
Financials							
Sales	1,155	1,341	1,809	2,214	381	449	519
Sales Gr	*35%*	*16%*	*35%*	*22%*	*26%*	*23%*	*36%*
Ebdita	204	204	266	326	62	62	85
Ebdita Gr	*78%*	*0%*	*31%*	*23%*	*-10%*	*24%*	*35%*
Net Profits	70	80	101	125	22	24	32
Profit Gr%	*43%*	*14%*	*28%*	*23%*	*-16%*	*5%*	*42%*
Ebdita Margin%	*17.7%*	*15.2%*	*14.7%*	*14.7%*	*16.4%*	*13.8%*	*16.3%*
Net Profit Margin%	*6.0%*	*5.9%*	*5.6%*	*5.7%*	*5.9%*	*5.3%*	*6.1%*

Std/Fig in Rs Cr

❑ Revenue is expected to go up by 36% YoY on account of strong order bok of Rs7519 Cr and execution ramp up on on-going projects.

❑ EBITDA growth is expected to be in line with the revenue growth at 35% while the margin is expected to be stable YoY at 16.3%.

❑ The Company is expected to register 42% YoY growth at PAT level while the PAT margin is expected to be down by 26 bps to 5.6% on account of higher depreciation.

❑ Out of the current order book of Rs 7500 Cr work has started on all the projects except one project worth Rs 519 Cr from Wadhwa group which is under the designing stage.

❑ Last quarter company has suspended one order of Rs 114 Cr as the client was facing liquidity issue. Further as a part of strategy Company will not work for the client where payment is delayed more than 2 months.

❑ Currently MHADA project is under design stage and will start contributing in revenue from next year on wards.

❑ Current NWC days is 81 including retention money, management expect improvement as the company is replacing retention money with bank guarantee. Reducing number of site will further improve the NWC days.

Key Trackable this Quarter

❑ Retention money and Working capital days

❑ Execution run rate

We value the stock at 15x FY20E EPS. Maintain BUY

Dilip Buildcon Ltd.

DBL IN

CMP	**647**
Target	**657**
Upside	**2%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	19%	25%	25%	20%
Roce%	31%	32%	31%	32%
EV/Ebdita	4.6	10.4	5.9	4.8
P/E	13.2	22.2	11.0	11.1
P/B	2.6	5.6	2.7	2.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Order Book	17,568	23,931	21,526	22,707	23,931	23,100	21,526
Revenue							
Roads & Bridges	4,570	6,578	8,419	9,497	2,156	2,181	2,628
Irrigation	303	161	38	-	34	-	-
Urban Development	70	32	65	22	28	24	22
Mining	140	841	884	1,301	245	283	215
Financials							
Sales	5,098	7,746	9,462	11,033	2558	2487	2914
Sales Gr	*25%*	*52%*	*22%*	*17%*	*46%*	*28%*	*14%*
Ebdita	992	1,403	1,692	2,053	473	441	537
Ebdita Gr	*24%*	*41%*	*21%*	*21%*	*33%*	*28%*	*14%*
Net Profits	361	620	808	800	217	207	263
Profit Gr%	*63%*	*72%*	*30%*	*-1%*	*11%*	*26%*	*21%*
Ebdita Margin%	*19.5%*	*18.1%*	*17.9%*	*18.6%*	*18.5%*	*17.7%*	*18.4%*
Net Profit Margin%	*7.1%*	*8.0%*	*8.5%*	*7.3%*	*8.5%*	*8.3%*	*9.0%*

Std/Fig in Rs Cr

❑ Revenue growth expected to be 13.9 % YoY on the back of strong executable order book and projects under construction being on full swing.

❑ The EBITDA is expected to grow in line with the revenue by 13.6% YoY while the EBITDA margin is expected to be stable at 18.4%.

❑ PAT is likely to grow by 21% YoY while the margin is expected to be up by 53 bps.

❑ Company has received final sanction letters for 11 projects and In-principle approval for reaming 1 project. Documentation has completed for 5 projects and another 6 projects are in process. Appointed date of the 4 HAM projects have already received.

❑ Debt by the year end will be in range of Rs 3200-3300 Cr.

❑ Mobilization advance of Rs 1500 Cr is likely to receive over next 2-3 quarters as the appointment date of 8 HAM projects is likely to receive by Q1FY20.

Key Trackable this Quarter

❑ Appointed Date of HAM projects

❑ Mobilization advance

❑ Debt Level

We value Std. business at 10x FY20E EPS & Rs.73/- for BoT/HAM business. NEUTRAL

IRB Infrastructure Developers

IRB IN

CMP	**155**
Target	**170**
Upside	**10%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	14%	16%	15%	7%
Roce%	12%	11%	11%	9%
D/E	2.5	2.3	2.5	2.8
P/E	10.8	10.3	5.9	11.3
EV/Ebdita	6.4	7.9	6.8	8.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Order Book	9,959	15,080	13,610	14,747	15,080	12,167	13,610
Revenue							
EPC	3,565	3,964	4,470	4,863	885	1,253	1,251
BOT	2,371	1,847	2,138	1,845	494	532	565
Financials							
Sales	5,846	5,694	6,574	6,708	1,382	1,789	1,815
Sales Gr	*14%*	*-3%*	*15%*	*2%*	*-15%*	*38%*	*31%*
Ebdita	3,048	2,679	2,969	2,772	659	760	791
Ebdita Gr	*15%*	*-12%*	*11%*	*-7%*	*-20%*	*21%*	*20%*
Net Profits	715	920	920	482	240	219	278
Profit Gr%	*12%*	*29%*	*0%*	*-48%*	*16%*	*6%*	*16%*
Ebdita Margin%	52.1%	47.1%	45.2%	41.3%	47.7%	42.5%	43.6%
Net Profit Margin%	12.2%	16.2%	14.0%	7.2%	17.3%	12.2%	15.3%

Conso/Fig in Rs Cr

- ❑ Revenue is expected to be up by 31.3% as revenue from construction segment is expected to go up by 41.2% YoY and gross toll collection expected to rise 11 % YoY.
- ❑ Toll collection at Agra- Etawah is likely to remain impacted on account of ongoing construction.
- ❑ EBITDA will be up by 20.1% YoY with rise in revenues. EBITDA margin will be affected on account of increased share of HAM projects (low margin) and change in revenue mix.
- ❑ PAT is expected to be up by 15.9% YoY. PAT margin is expected to be down by 204 bps.
- ❑ The Two Tamil Nadu projects are witnessing delays because of land acquisition issues faced by the NHAI, the company is waiting for clarity on timeline from the NHAI.
- ❑ Financial closure of Hapur Moradabad project is in advanced level and the company expects the closure soon.
- ❑ The equity requirement in FY20 will be Rs 1300 Cr and Rs 500 Cr in FY21. The total equity infused till now in all the projects is close to Rs 7000 Cr.
- ❑ The management is confident of meeting the equity requirement with the current cash levels and profits from the existing projects.
- ❑ Concession period of Mumbai Pune BoT project is ending on August 2019 which would be a big dent to toll revenue. The project contributed Rs 902 Cr in FY18 (52.68% of total gross collection).

Key Trackable this Quarter

- ❑ Appointed Date of Tamil Nadu Projects
- ❑ Financial closure of Hapur Moradabad project
- ❑ EBITDA Margin

We value the stock at 8.5x EV/EBITDA. NEUTRAL

KNR Constructions Ltd.

KNRC IN

Infrastructure

CMP	**258**
Target	**257**
Upside	**0%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	18%	24%	15%	13%
Roce%	16%	18%	13%	13%
EV/Ebdita	11.47	10.78	10.25	9.62
P/E	15.9	12.9	17.3	17.3
P/B	2.8	3.0	1.9	1.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Order Book	3,766	6,302	6,933	7,170	6,302	1,541	6,933
Financials							
Sales	1,541	1,932	1,875	2,263	624	448	454
Sales Gr	*71%*	*25%*	*-3%*	*21%*	*30%*	*4%*	*-27%*
Ebdita	230	386	370	391	121	90	87
Ebdita Gr	*50%*	*68%*	*-4%*	*6%*	*67%*	*-9%*	*-28%*
Net Profits	157	272	209	209	80	52	38
Profit Gr%	*-2%*	*73%*	*-23%*	*0%*	*50%*	*-21%*	*-52%*
Ebdita Margin%	*14.9%*	*20.0%*	*19.7%*	*17.3%*	*19.3%*	*20.0%*	*19.2%*
Net Profit Margin%	*10.2%*	*14.1%*	*11.1%*	*9.2%*	*12.8%*	*11.5%*	*8.3%*

Std/Fig in Rs Cr

❑ Company is expected to report a revenue de-growth of 27.3% YoY as majority of EPC projects are in final stage and the recently awarded HAM projects are yet to receive the appointment date.The gross toll collection during the quarter is expected to be up by 22.5% to Rs 34 Cr.

❑ EBITDA for the quarter is expected to be down by 27.9% YoY mainly on account of shortfall in revenue and the EBITDA margin is expected to be down by 16 bps with irrigation projects which yield high margins having barely order book of Rs 320 Cr.

❑ During the quarter company has entered into share purchase agreement with Cube Highways for the following SPVs:- KNR Srirangam Infra Private Limited, KNR Chidambaram Infra Private Limited, KNR Tirumala Infra Private Limited. As per agreement Cube highway will invest 49% of the equity requirement.

❑ The KNR Walayar project has started 100% toll collection and current per day collection is16 lakh/day. Current toll collection is sufficient for principal repayment, interest payment and O&M payment. We expect the toll collection for Q4FY19 to be around Rs 16 Cr.

❑ During the quarter company has received appointed date for Chittor to Mallavaram and signed the concession agreement for the KSHIP HAM, financial closure is under progress.

❑ Company has guided to receive new orders worth Rs 2000 Cr in Q4FY19 as aginst this order Inflow till date has been Rs 1278 Cr with one HAM and two EPC projects.

Key Trackable this Quarter

❑ Appointed date of HAM projects

❑ Land status of Ramsanpalle to Mangloor

We value the EPC business at 13x FY20E EPS & Rs 53 for BoT/HAM business. NEUTRAL

NBCC

NBCC IN

Infrastructure

CMP	**64**
Target	**55**
Upside	**-14%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	19%	19%	14%	18%
Roce%	24%	21%	12%	18%
EV/Ebdita	35.6	38.6	38.5	23.7
P/E	48.1	47.9	38.1	28.6
P/B	9.2	9.1	5.5	5.1

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenue							
PMC	6,485	6,459	8,354	10,443	2,257	2,239	2,663
Real Estate	185	25	246	400	(0)	32	50
EPC	684	780	584	642	266	134	159
Financials							
Sales	7,424	6,942	8,594	11,593	2,546	2,439	2,896
Sales Gr	*27%*	*-7%*	*24%*	*35%*	*-3%*	*16%*	*14%*
Other Income	*151*	*154*	*184*	*184*	*52*	*49*	*49*
Ebdita	405	422	259	410	192	71	74
Ebdita Gr	*28%*	*4%*	*-39%*	*58%*	*-9%*	*19%*	*-61%*
Net Profits	326	372	300	400	150	87	83
Profit Gr%	*13%*	*14%*	*-19%*	*33%*	*-10%*	*9%*	*-45%*
Ebdita Margin%	5.4%	6.1%	3.0%	3.5%	7.5%	2.9%	2.6%
Net Profit Margin%	4.4%	5.4%	3.5%	3.5%	5.9%	3.6%	2.9%

Conso/Fig in Rs Cr

- ❑ Revenue is expected to grow at 13.7% YoY led by the strong 18% growth in the PMC segment.
- ❑ EBITDA margin is expected to be down by 240 bps(though not comparable on YoY) on account of two new acquisition(HSCC and HSCL). Acquired companies performance was not in line due to employee unrest issue. Though, the margin is expected to improve in FY20.
- ❑ The Two Delhi redevelopment projects are cleared by the NGT and are expected to start by end of March 2019.The management expects Rs 2000-3000 Cr of revenue in FY20 from redevelopment project.
- ❑ Company has submitted the DPR for Sarojini Nagar project and will come out with tenders worth Rs 10000 Cr in month of March or April.
- ❑ Company has submitted bid to acquire JPINFRA and waiting for the outcome. JPINFRA has O/S debt of Rs 10000 Cr.

Key Trackable this Quarter

- ❑ Revenue from Redevelopment projects (Sarojini Nagar and Netaji Nagar)
- ❑ Clarity on Nauroji Nagar redevelopment project
- ❑ Update on Jaypee infra Takeover

We value the stock at 25x FY20E EPS. NEUTRAL

PNC Infratech Ltd.

PNCL IN

CMP	**155**
Target	**164**
Upside	**6%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	13%	14%	12%	11%
Roce%	10%	12%	14%	15%
EV/Ebdita	11.0	12.6	10.2	8.3
P/E	11.4	15.9	16.6	16.2
P/B	1.5	2.2	2.0	1.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Order Book	5,379	10,217	13,329	14,237	10217	13799	13329
Financials							
Sales	1,689	1,857	2,913	4,092	759	727	892
Sales Gr	*-16%*	*10%*	*57%*	*40%*	*116%*	*54%*	*17%*
Ebdita	221	319	423	536	161	102	117
Ebdita Gr	*-17%*	*44%*	*33%*	*27%*	*239%*	*54%*	*-27%*
Net Profits	210	251	239	245	112	47	55
Profit Gr%	*-11%*	*20%*	*-4%*	*2%*	*231%*	*-49%*	*-51%*
Ebdita Margin%	*13.1%*	*17.2%*	*14.5%*	*13.1%*	*21.2%*	*14.0%*	*13.1%*
Net Profit Margin%	*12.4%*	*13.5%*	*8.2%*	*6.0%*	*14.7%*	*6.5%*	*6.1%*

Std/Fig in Rs Cr

❑ Revenue is expected to grow by 17.5%(27.2% excluding bonus in Q4FY18) as the majority of existing EPC and HAM projects are in full swing and contribution from Purvanchal packages is expected to set in.

❑ EBITDA is expected to be down by 27.4% YoY as the bonus of Rs 58 Cr received in Q4FY18 while the adj. margin (ex. bonus) is expected to be 13.1% maintaining historical trend of 13-14%.

❑ PAT for Q4FY19 is expected to be down by 50.9% YoY on account of higher depreciation, interest level and bonus of Rs 58 Cr received in corresponding quarter last year.

❑ PNCINFRA has achieved financial closure of 3 under development HAM projects and appointment date is expected to receive by the end of FY19.

❑ Company received the appointed date for Nagpur-Mumbai Expressway (EPC) but the project is facing certain mining related approval so the construction activity is expected to start in Q1FY20.

❑ Company is in final stage of monetization of its BoT project Aligarh Ghaziabad and the remaining BoT projects are still under discussion. Company is also looking to monetize 2 out of its 7 HAM projects.

❑ Total equity requirement is Rs 832 Cr over next 2-3 years and out of it Rs 230 Cr is invested till Q3FY19 and for FY20 equity requirement is in range of Rs.250-270 Cr.

❑ Two Bihar projects are expected to start construction in full swing which was delayed more than 2 years.

Key Trackable this Quarter

❑ Execution of Purvanchal , Bihar and Mumbai Nagpur packages

❑ Appointed Date of HAM projects

❑ Monetisation of various BoT and HAM projects

We value EPC business at 15x FY20E EPS & Rs 35/-for HAM/BoT. Reduce to HOLD

Sadbhav Engineering Ltd.

SADE IN

Infrastructure

CMP	**248**
Target	**266**
Upside	**7%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	11%	12%	12%	11%
Roce%	8%	10%	9%	12%
EV/Ebdita	15.5	16.8	10.8	8.7
P/E	28.1	30.1	17.1	16.2
P/B	3.2	3.6	2.0	1.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Order book	7,683	13,249	13,521	16,875	13,249	13,743	13,521
Transporation							
BOT & HAM	333	1,248	2,633	2,818	740	744	880
EPC	2,199	1,784	849	1,258	138	139	248
Irrigation	458	278	91	180	120	13	26
Minning	317	264	147	385	105	28	45
Financials							
Sales	3,320	3,505	3,728	4,646	1,104	926	1,201
Sales Gr	*4%*	*6%*	*6%*	*25%*	*7%*	*10%*	*9%*
Ebdita	356	415	445	548	124	111	144
Ebdita Gr	*6%*	*17%*	*7%*	*23%*	*13%*	*5%*	*16%*
Net Profits	188	221	248	262	70	56	90
Profit Gr%	*42%*	*17%*	*12%*	*5%*	*2%*	*-9%*	*29%*
Ebdita Margin%	*10.7%*	*11.8%*	*11.9%*	*11.8%*	*11.2%*	*12.0%*	*12.0%*
Net Profit Margin%	*5.7%*	*6.3%*	*6.7%*	*5.6%*	*6.3%*	*6.1%*	*7.5%*

Std/Fig in Rs Cr

- ❑ Revenue growth expected to be 9% YoY led by increase in execution of ongoing projects.
- ❑ EBITDA growth expected to be 16% YoY mainly led by the improvement in EBITDA margin (80 bps) on account of higher contribution of HAM projects.
- ❑ PAT is expected to grow by 29%YoY on account of improvement in margins. PAT margin will be 7.5% compared to 6.3% in Q4FY18.
- ❑ Remaining HAM projects are expected to be closed financially. However, lower land availability is likely to push execution in 2QFY20.
- ❑ O/S loan portion given to SIPL is Rs 458 Cr which is expected to come down .
- ❑ Company has won arbitration award of Mumbai Nasik amounting Rs 192 Cr of which 72% belongs to SADBHAV i.e. Rs 138 Cr.
- ❑ By the year end debt will be come down to Rs 1350-1400 Cr.

Key Trackable this Quarter

- ❑ Financial closure and appointment date of HAM projects
- ❑ Debt level
- ❑ Status of Arbitration award on three projects namely: - Rohtak Panipat, Dhule Palesner and Nagpur Seoni

We value EPC business at 10x FY20E EPS and Rs 105 for BoT/HAM busines. HOLD

VA TECH WABAG

VATW

CMP	**323**
Target	**284**
Upside	**-12%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	10%	13%	11%	14%
Roce%	21%	17%	14%	17%
EV/Ebdita	11.94	8.87	5.96	4.98
P/E	36.3	18.2	12.8	8.9
P/B	3.7	2.4	1.4	1.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Order Inflow	3,620	3,193	5,190	4,450	1667	500	1700
Order Book	7,328	6,809	8,974	9,458	6,809	8,361	8,974
India	4,003	3,388	5,310	4,920	3,388	4,461	5,310
Overseas	2,010	1,924	2,094	2,537	1,924	2,318	2,094
O&M (India + Overseas)	1,316	1,497	1,571	2,000	1,497	1,581	1,571
Revenue							
India	1,635	1,639	1,863	2,169	469	392	714
Overseas	1,065	1,379	982	1,337	457	159	325
O&M (India + Overseas)	507	410	370	460	103	101	111
Financials							
Net Sales	3,208	3,457	3,251	3,966	1,037	662	1,149
Sales Gr	*28%*	*8%*	*-6%*	*22%*	*-8%*	*-23%*	*11%*
Ebdita	297	292	265	320	95	49	111
Ebdita Gr	*27%*	*-2%*	*-9%*	*21%*	*-28%*	*-37%*	*18%*
Net Profits	102	147	114	155	63	12	60
Profit Gr%	*15%*	*44%*	*-23%*	*36%*	*-16%*	*-60%*	*-6%*
Ebdita Margin%	*9.2%*	*8.4%*	*8.1%*	*8.1%*	*9.1%*	*7.4%*	*9.7%*
Net Profit Margin%	*3.2%*	*4.3%*	*3.5%*	*3.9%*	*6.1%*	*1.8%*	*5.2%*

Fig in Rs Cr

❑ Revenue growth is expected to be 10.8% YoY despite strong order book of Rs 8361 Cr as the new orders will take time to reflect in revenue. However, FY20 is expected to witness execution ramp up.

❑ Management has also reduced the revenue guidance for full year FY19 to Rs 3500-3700 Cr from Rs 4000-4200 Cr while maintain the order inflow guidance of Rs 5300 Cr to 5700 Cr.

❑ EBITDA is expected to grow by 17.6 % YoY while EBITDA margin is expected to be up by 51 bps with major chunk of revenue coming from domestic business where the margins are generally high.

❑ PAT is expected to down by 4.5% on account of higher tax rate and rising interest levels due to higher working capital requirement; PAT margin is expected to be down by 84 bps.

❑ O/S receivable from GENCO projects is Rs 550 Cr and expects to reduce to Rs 400 Cr by the year end.

❑ Working capital days will be 100 days by the end of FY19. It will improve by 15-20 days in FY20, if substantial portion of receivables from APGENCO is collected.

Key Trackable this Quarter

❑ Receivables from GENCO Projects

❑ Execution Run Rate

We value the stock at 10x FY20E EPS. NEUTRAL

Allcargo Logistics Ltd.

AGLL IN

Logistics

CMP	**113**
Target	**147**
Upside	**30%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	13%	9%	11%	12%
Roce%	14%	10%	12%	12%
EV/Ebdita	9.28	9.73	6.32	5.61
P/E	17.4	20.8	11.7	9.9
P/B	2.3	1.8	1.3	1.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
MTO Volume Gr %	11%	15%	19%	10%	26%	16%	15%
Realization/ TEU	93,254	91,717	90,851	94,698	85,671	96,631	94,698
CFS Volume Gr %(Adj)	7%	3%	12%	10%	10%	15%	9%
Realization/ TEU	14,789	13,667	13,886	14,341	13,926	14,341	14,341
Revenue							
MTO	4,756	5,375	6,362	7,294	1,370	1,623	1,742
CFS	431	409	467	531	106	118	119
PE	457	314	334	397	74	80	88
EBIT M %							
MTO	3%	4%	4%	4%	4%	4%	4%
CFS	24%	29%	30%	29%	29%	30%	29%
PE	7%	-16%	0%	6%	-49%	4%	5%
Financials							
Sales	5,583	6,047	7,096	8,149	1,536	1,803	1,931
Sales Gr	-1%	8%	17%	15%	13%	22%	26%
Ebit	465	375	463	536	74	112	124
Ebit Gr	-8%	-19%	24%	16%	-30%	20%	68%
Net Profits	238	174	237	278	13	51	70
Profit Gr%	*-4%*	*-27%*	*36%*	*17%*	*-77%*	*57%*	*436%*
Ebdita Margin%	8.3%	6.2%	6.5%	6.6%	4.8%	6.2%	6.4%
Net Profit Margin%	4.3%	2.9%	3.3%	3.4%	0.8%	2.8%	3.6%

Fig in Rs Cr

- ❑ Revenue is expected to grow by 26% YoY with each segment contributing to the growth.
- ❑ EBIT is expected to improve by 210 bps on account of improved performance of P&E segment.
- ❑ PAT for the quarter is expected to be at 70 cr. YoY in line with revenue and EBIT.
- ❑ MTO segment expected to grow at 27% YoY with strong volume growth of 15%. Company continuously leveraging its LCL network for FCL cargo. Though the margin is lower on FCL.
- ❑ Volume of CFS business is expected to grow by 9% YoY with 12% revenue growth. DPD scheme is not successful as only 12 accounts are using DPD scheme out of 1700 register accounts.
- ❑ Current run rate at Kolkata CFS is 7500-8000 TEUs per quarter and break even is expected to achieve soon.
- ❑ Assets Utilization of P&E expected to improve from 45% to 60% and subsequently revenue will be up by 18% YoY.
- ❑ Construction of Hyderabad and JNPT warehouse facility is going on and revenue contribution is expected to start from H2FY20.

Key Trackable this Quarter

- ❑ MTO EBIT Margin :- Cargo mix may impact the margin profile
- ❑ Volume growth of CFS segment
- ❑ Asset utilization in P&E segment

We value stock at 13x FY20E EPS. BUY

Mahindra Logistics Ltd

MAHLOG IN

CMP	**519**
Target	**622**
Upside	**20%**
Rating	**BUY**

	FY17*	FY18	FY19E	FY20E
Roe%	13%	15%	18%	21%
Roce%	17%	23%	27%	32%
P/E	65.3	53.7	41.3	29.2
P/B	8.6	8.2	7.5	6.2
EV/Ebdita	38.1	28.0	23.1	16.7

*Based on Issue Price

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
SCM	2,372	3,076	3,505	4,365	807	881	957
PTS	295	340	388	435	86	100	100
Sales	2,667	3,416	3,894	4,800	893	981	1,057
Sales Gr	*29%*	*28%*	*14%*	*23%*	*23%*	*17%*	*18%*
Ebdita	76	120	157	215	38	36	47
Ebdita Gr	*46%*	*57%*	*31%*	*37%*	86%	22%	*24%*
Net Profits	46	64	89	127	20	19	27
Profit Gr%	*25%*	*40%*	*40%*	*42%*	*72%*	*29%*	*32%*
Ebdita Margin%	2.9%	3.5%	4.0%	4.5%	4.2%	3.7%	4.4%
Net Profit Margin%	1.7%	1.9%	2.3%	2.6%	2.3%	2.0%	2.6%

Conso/Fig in Rs Cr

❑ Revenue growth in Q4FY19 is expected to be around 18% on the back of strong performance in both the segments - SCM segment is expected to grow by 19% YoY due to higher growth in warehousing revenue in Non M&M side post several client wins. PTS segment is expected to remain flat QoQ but is expected to grow by 16% YoY due to base effect.

❑ Q3FY19 witnessed some marquee client wins - including Gulf Oil - a lubricant manufacturing & marketing company, a multinational beverage group, a global telecom equipment manufacturer, a global construction equipment manufacturer, a leading non-ferrous manufacturer.

❑ EBITDA margins are expected to be around 4.4% in Q4FY19 with FY19 margins at 4% as against 3.5% in FY18 (in line with management guidance of 50 bps margin expansion annually).

❑ PAT is expected to grow by 32% in Q4FY19 on the back of EBITDA margins improvement.

❑ Management has guided a 0.5mn addition in warehousing space in Q4FY19. We expect another 2.2mn sq ft to be added in FY20 (as against 1.8mn sq ft in FY19). MAHLOG is targeting to increase the size of large warehouses from 3 lac sq ft to 3 mn sq ft in the next 3 years.

❑ Management believes that freight forwarding business of MAHLOG has the potential to contribute 10-12% of the total revenue from the current 5-6% in the medium term.

❑ Management has guided for INR 6,000cr revenue by FY21 (CAGR of 25% over FY18-21) with 0.5% EBITDA margin expansion annually on the back of higher share of warehousing to the total revenue.

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 35x FY20e EPS. BUY

Container Corporation Of India Ltd

Logistics

CCRI IN

CMP	534
Target	587
Upside	10%
Rating	ACCUMULATE

	FY17	FY18	FY19E	FY20E
Roe%	10%	11%	12%	14%
Roce%	10%	12%	14%	16%
P/E	28.1	28.8	27.2	22.7
P/B	2.7	3.2	3.3	3.1
EV/Ebdita	16.9	18.1	16.0	13.4

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Standalone Volume (in 000 TEUs)							
EXIM	2,642	3,002	3,245	3,635	797	786	816
Domestic	461	530	584	643	154	140	163
Standalone Segment Revenue							
EXIM	4,518	4,851	5,407	6,190	1,254	1,301	1,407
Domestic	1,088	1,319	1,438	1,587	379	357	391
Sales	5,606	6,167	6,845	7,777	1,632	1,657	1,798
Sales Gr	*-5%*	*10%*	*11%*	*14%*	*2%*	*1%*	*10%*
Ebdita	1,247	1,483	1,816	2,161	425	418	504
Ebdita Gr	*-7%*	*19%*	*22%*	*19%*	*-14%*	*-6%*	*18%*
Net Profits	858	1,049	1,195	1,431	291	275	331
Profit Gr%	*-10%*	*22%*	*14%*	*20%*	*-13%*	*-5%*	*14%*
Ebdita Margin%	22.2%	24.0%	26.5%	27.8%	26.0%	25.2%	28.0%
Net Profit Margin%	15.3%	17.0%	17.5%	18.4%	17.9%	16.6%	18.4%

Std/Fig in Rs Cr

❑ EXIM revenue is expected to grow by 12.2% YoY despite a tepid 2.5% volume growth YoY. However, realizations are expected to improve by 9.5% YoY to INR 17,234 due to lower base & price hike of INR 1,500 taken in H1FY19. As per trade data, exports / imports grew by 14.3% / 8% in Jan-Feb of Q4FY19.

❑ Domestic volumes are expected to grow by 5.4% YoY while realizations are expected to fall by 2.2% YoY as competitive ability of road has gone up post correction in fuel prices.

❑ EBITDA margins are expected to improve by 250bps YoY to 26.5% in FY19 as CONCOR continues to witness efficiency gains due to higher double stacking (2346 trains in 9MFY19 as against 1,504 trains in 9MFY18) & improvement in rail freight margin.

❑ Capex is expected to be around INR 800-1000cr in FY19. Management has guided for an increase in terminal network from 79 in FY18 to 90 in FY19 (82 in Q3FY19) & 100 in FY20.

❑ Management is targeting a revenue of INR 12,000cr & 7,000 (000's) TEUs by FY21 on the back of foray into 3PL logistics, coastal shipping venture.

❑CONCOR started its coastal shipping venture in January 2019 with 2 vessels (capacity of 700 containers each) on a weekly basis. Company also marked its entry into asset light 3PL logistics business with its 1st Distribution Logistics Centre at Ennore, Chennai.

❑ Meanwhile, CONCOR is also exploring the overseas market by participating in tender based bidding process for IDC business in Egypt, involving a capital outlay of 35mn USD.

Key Trackable this Quarter

❑ Growth in Double Stacking & guidance for FY20

❑ EXIM & Domestic Realizations

We value the stock 25x FY20e EPS. ACCUMULATE

TCI Express Ltd

TCIEXP IN

CMP	**725**
Target	**760**
Upside	**5%**
Rating	**ACCUMULATE**

Logistics

	FY17	FY18	FY19E	FY20E
Roe%	26%	32%	31%	31%
Roce%	32%	39%	41%	43%
P/E	40.4	31.2	37.7	28.6
P/B	9.4	8.8	10.4	7.9
EV/Ebdita	24.8	20.3	23.4	17.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Volume Growth %		14.0%	15.7%	14.8%	18.2%	11.0%	11.7%
Sales	750	885	1,044	1,241	249	263	287
Sales Gr	*13%*	*18%*	*18%*	*19%*	*23%*	*15%*	*15%*
Ebdita	62	91	120	158	28	31	35
Ebdita Gr	*13%*	*46%*	*33%*	*31%*	*53%*	*29%*	*23%*
Net Profits	37	58	74	97	18	19	22
Profit Gr%	*29%*	*56%*	*26%*	*32%*	*50%*	*21%*	*23%*
Ebdita Margin%	8.3%	10.2%	11.5%	12.7%	11.4%	11.8%	12.2%
Net Profit Margin%	5.0%	6.6%	7.0%	7.8%	7.1%	7.1%	7.7%

Std/Fig in Rs Cr

❑ Revenue growth in Q4FY19 is expected to be 14.9% on the back of 11.7% volume growth. Volume growth in Q4FY19 is expected to soften compared to 15.3% in 9MFY19 primarily due to high base. Q3FY19 saw a higher addition of clients in the SME space.

❑ With diesel fuel surcharge clause in 80% of the client contracts (100% from April 2019), TCIEXP will continue to maintain its gross margins. Further, cost rationalisation efforts for operating expenses & employee cost along with higher capacity utilization (86% in Q3FY19 as against 80% in FY16) to continue driving EBITDA margin expansion by 80 bps YoY and 40 bps QoQ in Q4FY19.

❑ PAT is expected to grow by 23.3% to INR 22cr in Q4FY19 on the back of EBITDA margin improvement.

❑ TCIEXP has acquired 7.7% stake in Uketoru Co Ltd, a Japanese company in express B2C technology business for 20mn Yen. Uketoru, incorporated in April 2015 had revenues of 0.32mn / 1.36mn Yen in FY17 / 18.

❑ Management is on track to achieve its 5 year capex plan of INR 400cr embarked in FY18. Capex is expected to be around INR 70cr & 80cr in FY19 and FY20 respectively.

❑ TCIEXP has opened 50 new branches in 9MFY19 by expanding its presence in Tier 2 & 3 cities. Management is targeting to double revenues in the next 4 years by increasing the branch network to 1000 by FY20 from 650 in FY18.

Key Trackable this Quarter

❑ Revenue & Volume Growth Guidance

❑ Increase in capacity of sorting centres

We value the stock 30x FY20e EPS. ACCUMULATE

APL Apollo Tubes Limited

Metals and Minerals

APAT IN

CMP	**1500**
Target	**1510**
Upside	**1%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	20%	19%	11%	13%
Roce%	33%	35%	23%	24%
P/E	18.9	29.4	33.0	21.7
P/B	3.8	5.6	3.6	2.8
EV/Ebdita	8.8	12.9	11.2	8.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Sales (ex-scrap) (KT)	932	1130	1339	1540	301	315	418
Segmental Volume							
Hollow Section(KT)	475	614	766	881	164	184	238
Black Pipe (KT)	151	164	198	228	47	45	64
GI Pipe (KT)	117	111	92	106	27	19	30
GP Pipe (KT)	189	241	283	325	63	67	86
Financials							
Sales	4,545	5,335	7,118	7,096	1519	1691	2060
Sales Gr	*8%*	*17%*	*33%*	*0%*	*15%*	*29%*	*36%*
Ebdita	324	371	335	416	103	59	81
Ebdita Gr	*15%*	*14%*	*-10%*	*24%*	*38%*	*-33%*	*-21%*
Net Profits	146	160	110	169	45	13	23
Profit Gr%	*45%*	*10%*	*-32%*	*54%*	*8%*	*-64%*	*-48%*
Ebdita Margin%	7.1%	7.0%	4.7%	5.9%	6.8%	3.5%	3.9%
Net Profit Margin %	3.2%	3.0%	1.5%	2.4%	2.9%	0.8%	1.1%
D/E	0.79	0.80	0.85	0.53			

***FY19 Actual Volume** Conso/Fig in Rs Cr

❑ Revenue is expected at Rs.2060cr (up 36% and 22% QoQ), robust growth is primarily driven by strong volume growth in the quarter. FY19 revenue is expected at Rs.7118cr (up 33%).

❑ Company in 4QFY19 registered robust volume growth of 39% at 418 KT on the back of strong demand recovery in the product segments of hollow section pipes, Direct Forming Technology (DFT) pipes and Galvanized Tubes (GI). FY19 volume grew by 18.5% to 1339 KT.

❑ Realisation in the quarter is expected to fall by close to 8% across the entire product category on the back of 8% fall in domestic HRC prices in 4QFY19.

❑ Margin is still expected to remain under pressure as company had 150 KT of HRC inventory priced at Rs.43000-44000/t (4QFY19 average HRC price at Rs.41600/t). EBITDA for the quarter is expected at Rs.81cr (down 21% YoY, up 37% QoQ) and EBITDA margin is expected at 4% (vs.7% in 4QFY18 and 3.5% in 3QFY19).

❑ Company at the end of 3QFY19 had 51% stake in Apollo Tricoat and is trying to take it to 65%. It has recently set up a 50000 TPA facility in Bengaluru. Apl Apollo would spend Rs.247cr on the deal. Rs.172cr would be infused by promoters through preferential and warrant issue.

Key Trackable this Quarter

❑ Impact on gross margin on account of inventory loss due to fall in HRC prices in 4QFY19.

❑ Movement in realisation in the quarter as Raw material prices (HRC) prices has fallen by 8%.

We value the stock at 9x FY20e EV/EBITDA. NEUTRAL

Astral Poly Technik Limited

ASTRA IN

CMP	**1199**
Target	**1270**
Upside	**6%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	17%	18%	17%	18%
Roce%	22%	23%	22%	24%
P/E	45.5	56.1	71.6	54.8
P/B	7.7	9.9	11.9	9.8
EV/Ebdita	25.3	32.0	38.2	30.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Capacity(MT)	137708	152100	175708	250000	152101	175708	175708
Sales(MT)	89449	103991	109858	129633	31618	27882	32250
Segmental Revenues							
Pipes	1474	1592	1860	2179	504	492	543
Adhesives	455	530	624	737	156	152	173
Adjst.	40	15	28	-	10	10	0
Total	1889	2106	2456	2916	651	634	716
Financials							
Sales	1,889	2,106	2456	2916	651	634	716
Sales Gr	*13%*	*10%*	*17%*	*19%*	*12%*	*24%*	*10%*
Ebdita	264	317	379	477	118	94	113
Ebdita Gr	*27%*	*17%*	*20%*	*26%*	*33%*	*27%*	*-4%*
Net Profits	145	176	201	262	65	53	64
Profit Gr%	*42%*	*18%*	*14%*	*31%*	*18%*	*15%*	*-2%*
Ebdita Margin%	14.0%	15.0%	15.4%	16.3%	18.2%	14.8%	15.8%
Net Profit Margin %	7.7%	8.3%	8.2%	9.0%	10.0%	8.4%	8.9%
D/E	0.19	0.12	0.12	0.10			

Conso/Fig in Rs Cr

❑ Revenue is expected at Rs.716cr (up 10%YoY and 13%QoQ), 10%YoY growth rate is the lowest in last six quarters. Moderate volume growth (2%YoY) expected in piping business is the primary reason for slowdown. Pipe revenue is expected at Rs.543cr (incl. Rex) (up 8%YoY) and adhesive revenue expected at Rs.173cr (up 11%YoY).Rex is expected to contribute Rs.45cr to pipe revenue.

❑ Pipe volume (ex-Rex) is expected to be around 32250 MT (up 2%YoY and 16%QoQ), we expect moderate volume growth in pipe volume considering liquidity problems in the market which had also impacted 3QFY19 volume. In adhesive business we expect high base effect would start coming in from 4QFY19 leading to lower sales growth number.

❑ Realization in piping business is expected to be around Rs.154361/t (down 3% YoY and QoQ) considering the fall in PVC prices in 3QFY19 would come in 4QFY19 numbers.

❑ EBITDA is expected at Rs.113cr (down 4%YoY, up 21%QoQ), margin is expected at 15.8% (vs.18.2% in 4QFY19 and 14.8% in 3QFY19). YoY fall in margin is due to higher input cost.

❑ Capacity is expected to increase by 75000MT by FY20 led by Hosur and Eastern region expansion, however if eastern expansion gets delayed than it would be higher by 50000MT-55000MT. Rex's current capacity is close to 25000MT.

Key Trackable this Quarter

❑ Receivables may increase as liquidity crunch impacted operations in 3QFY19, as a corrective measure, management had done some systematic correction to improve receivable cycle.

❑ Growth in overall revenue of Adhesive operation (Resinova + SEAL IT).

We value the stock at 32x FY20e EV/EBITDA. HOLD

Coal India Limited

COAL IN

CMP	**237**
Target	**274**
Upside	**15%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	37%	35%	80%	76%
Roce%	37%	31%	92%	87%
P/E	19.6	25.1	8.9	9.2
P/B	7.3	8.7	7.1	7.0
EV/Ebdita	12.3	15.1	5.3	5.0

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Production (mt)	554.14	567.37	598.5	635.0	152.1	119.6	162.1
Offtake (mt)	543.32	580.29	607.4	643.6	151.7	137.5	158.8
Operating Matrix							
FSA Vol. (mt)	429.8	460.0	521.3	551.7	126.4	135.8	138.2
FSA Realiz. (Rs/t)	1301	1257	1335	1334	1403	1334	1380
E-Auc Vol. (mt)	94.2	106.2	72.6	79.8	29.3	14.7	20.8
E-Auc Realiz. (Rs/t)	1536	1839	2623	2487	2112	2847	2700
Washed Coal Vol. (mt)	14.0	11.5	10.8	9.8	3.1	2.9	2.9
Washed Coal Realiz. (Rs,	3049	3022	2668	2543	2923	2866	2734
Othr. Prodt. Vol. (mt)	3.4	2.9	2.8	2.4	0.8	0.7	0.7
Othr. Prodt. Realiz.(Rs/t	2915	3249	3346	3344	3373	3425	3488
Financials							
Sales	78,221	85,862	98,490	100,702	26,909	25,046	27,299
Sales Gr	*0%*	*10%*	*15%*	*2%*	*16%*	*15%*	*1%*
Other Income	5,516	4,658	6,278	5,591	2,000	1,163	1,244
Employee Cost	33,514	42,634	37,647	38,400	16,654	9,518	9,578
Ebdita	12,240	9,565	23,389	23,260	196	6,788	7,604
Ebdita Gr	*-35%*	*-22%*	*145%*	*-1%*	*-94%*	*55%*	*3775%*
Net Profits	9,266	7,019	16,504	15,945	1,296	4,567	5,067
Profit Gr%	*-35%*	*-24%*	*135%*	*-3%*	*-52%*	*50%*	*291%*
Ebdita Margin%	15.6%	11.1%	23.7%	23.1%	0.7%	27.1%	27.9%
Net Profit Margin %	11.8%	8.2%	16.8%	15.8%	4.8%	18.2%	18.6%

Conso/Fig in Rs Cr

- ❑ Revenue is expected to be up 1.4%YoY, up 9% QoQ. Lower volume growth (2%YoY) expectation with decrease in share of e-auction volume is the main reason for muted YoY growth. However, higher volume QoQ and strong realization is expected to drive QoQ growth.
- ❑ Volume in 4QFY19 is expected to at 162.72mt (up 2% YoY, up 6% QoQ). YoY slowdown is on account of lower than expected volumes from the large mines such as SECL and MCL due to law and order issue in Odisha leading to repeated work stoppage at MCL and overburden removal issue at SECL also impacting the overall volume.
- ❑ FSA realisation is expected to be around Rs.1380/t and E-Auction is expected to be around Rs.2700/t. Price hike taken in Jan-18 has increased the base of FSA realisation keeping it on higher side. Shortage of coal in the market is helping to sustain the strong E-auction realisation.
- ❑ EBITDA is expected at Rs.7604cr (vs.Rs.196cr in 4QFY18 and Rs.6788cr in 3QFY19). Higher volume and realisation is expected to improve EBITDA margin to 28% from 27% in 3QFY19.
- ❑ COAL recently completed buyback of 4.46cr shares at Rs.235/share with total cash outlay of Rs.1050cr.

Key Trackable this Quarter

- ❑ E-Auction allocation, as higher E-Auction volume can improve margins.
- ❑ E-auction realization trend as international non-coking coal prices have moderated QoQ.

We value the stock at 6x FY20e EV/EBITDA. BUY

Finolex Industries Limited

FNXP IN

CMP	**500**
Target	**487**
Upside	**-3%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	15%	11%	11%	11%
Roce%	22%	15%	16%	15%
P/E	20.2	27.6	18.9	18.6
P/B	3.1	3.0	2.1	2.0
EV/Ebdita	12.7	17.0	11.1	11.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Pipes & Fittings (MT)	209339	252036	254556	282558	71758	59178	72469
PVC Resin (MT)	235104	258767	241127	268280	72123	66838	62043
Power (MWH)	202890	208747	207492	245802	57912	51480	63042
Segmental Revenues							
PVC	1754	1778	1755	1752	516	484	440
PVC Pipes & Fittings	2211	2329	2492	2665	683	591	709
Power	145	142	154	184	40	42	47
Less:Int Seg. Rev.	1131	1418	1464	1448	430	360	385
Total	2979	2831	2938	3153	809	757	811
Financials							
Sales	2,988	2,738	2938	3153	809	757	811
Sales Gr	*5%*	*-8%*	*7%*	*7%*	*-20%*	*5%*	*0%*
Other Income	24	25	61	48	3	17	17
Ebdita	563	484	557	541	188	125	113
Ebdita Gr	*39%*	*-14%*	*15%*	*-3%*	*-13%*	*152%*	*-40%*
Net Profits	355	299	328	334	121	79	69
Adj PAT	352	299	355	334	121	79	69
Profit Gr%	*53%*	*-15%*	*19%*	*-6%*	*-2%*	*13%*	*-43%*
Ebdita Margin%	18.8%	17.7%	18.9%	17.1%	23.2%	16.5%	13.9%
Net Profit Margin %	11.8%	10.9%	12.1%	10.6%	14.9%	10.4%	8.5%
D/E	0.04	0.04	0.05	0.05			

Std/Fig in Rs Cr

- ❑ Revenue in 4QFY19 is expected to be Rs.811cr(flat YoY,up7%QoQ),YoY growth is expected to be muted due to 15% fall in PVC resin revenue compensated by 4% growth in pipe revenue.
- ❑ Pipe & fittings volume is expected at 72469MT (up 1%YoY and 22%QoQ).Total PVC resin volume is expected at 62043MT (down 14%YoY and 7%QoQ) and external sales is expected at 11314MT (down 34%YoY and 49%QoQ), fall in external sale is due to higher captive consumption.
- ❑ Realisation is expected at Rs.97808/t (up 3%YoY, down 2%QoQ) in pipe & fittings .PVC resin realisation is expected at Rs.70967/t (down 1%YoY and 2%QoQ). Realisation is expected to fall QoQ on account of fall in PVC prices in 3QFY19 which would come in 4QFY19.
- ❑ EBITDA is expected to be at Rs.113cr (down 40%YoY and 10%QoQ).Margin is expected to fall to 13.9% (vs.23% in 4QFY18 and 16.5% in 3QFY18) due to shrinking PVC and EDC spread.
- ❑Delay in payments to sugarcane farmers in Maharashtra and Karnataka has impacted volume in FY19. However, management expects 10-15% volume growth in FY20 and EBIT margin in pipe is expected to be around 8%.

Key Trackable this Quarter

- ❑ Volume growth in 4QFY19, as delay in payment to sugarcane farmers in Maharashtra and Karnataka has impacted company's volume growth recently.
- ❑ Realisation in pipe division as management stated it may take price cut due to sluggish demand.

We value the stock at 11x FY20e EV/EBITDA. NEUTRAL

Hindalco Industries Limited

HNDL IN

Metals and Minerals

CMP	**217**
Target	**244**
Upside	**13%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY 20E
Roe%	4%	8%	9%	9%
Roce%	2%	6%	5%	5%
P/E	23.2	11.2	8.9	7.9
P/B	1.0	0.9	0.8	0.7
EV/Ebdita	7.0	6.3	6.3	6.1

Ratios on consolidated basis

Volume (kt)	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Alumina	2887	2880	2900	3000	710	749	783
Aluminium	1265	1290	1273	1305	321	323	325
Copper	376	411	365	411	108	99	105
Novelis Shipments	3067	3189	3215	3295	806	800	811
Segmental Revenues							
Aluminium	19,986	21,062	23,334	23,227	5513	6018	5589
Copper	19,408	22,371	21,521	23,329	6170	5925	5881
Less: Excise/Adj.	2,457	635	21	-	2	5	-
Sales	36,937	42,798	44,834	46,556	11681	11938	11470
Financials (Standalone)							
Sales	36,937	42,798	44,834	46,556	11681	11938	11470
Sales Gr	*8%*	*16%*	*5%*	*4%*	*11%*	*5%*	*-2%*
Other Income	1,005	948	852	1,091	205	273	273
Ebdita	4,814	5,124	4,295	5,337	1258	928	951
Ebdita Gr	*44%*	*6%*	*-16%*	*24%*	*11%*	*-22%*	*-24%*
Net Profits	1,557	1,438	1,230	2,043	377	247	261
Adj PAT	1,472	1,113	1,230	2,043	377	247	261
Profit Gr%	*167%*	*-24%*	*11%*	*66%*	*18%*	*-21%*	*-31%*
Novelis Ebitda(USDmn)	1001	1181	1238	1271	314	284	276
Utkal EBITDA	673	1084	2551	2013	345	771	640
Ebdita Margin%	13.0%	12.0%	9.6%	11.5%	10.8%	7.8%	8.3%
Net Profit Margin %	4.2%	3.4%	2.7%	4.4%	3.2%	2.1%	2.3%

Std/Fig in Rs Cr

- Standalone (ex-Utkal)revenue is expected at Rs.11470cr (down 1.8%YoY and 4%QoQ).The expected YoY fall is due to fall in LME aluminium , fall in LME copper and lower copper volume.
- Aluminium volume is expected to come in at 325kt as operations run at full capacity.
- Copper volume is expected to come in at 105kt (down 3% YoY, up 6% QoQ).
- Standalone (ex-Utkal) EBITDA is expected at Rs.951cr (down 24%YoY, up 2%QoQ), YoY fall is due to higher other expenses (due to higher volume from captive coal mine leading to higher stripping cost) and higher power and fuel cost.
- FY19 capex is expected at Rs.1300cr, FY20 capex is expected to be higher than FY19 as major portion of Utkal expansion would come in FY20.
- Novelis is expected to deliver 811kt (flat YoY and up 1%QoQ), EBITDA is expected at USD 276mn (down 12%YoY and 3%QoQ) due to lower LME aluminium.
- Regulatory approvals for Aleris acquisition is in progress and is expected to close in 2QFY20.

Key Trackable this Quarter

- Pick up in margin at standalone level, as it was at lowest levels in 3QFY19 in last 12 quarters.
- Volume at Novelis, as slowdown in UK and China is a key concern.

We value the stock at 6.5x FY20e EV/EBITDA. ACCUMULATE

Hindustan Zinc Limited

Metals and Minerals

HZ IN

CMP	**283**
Target	**286**
Upside	**1%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	27%	26%	24%	25%
Roce%	26%	30%	27%	29%
P/E	14.6	13.8	14.6	12.5
P/B	4.0	3.5	3.5	3.1
EV/Ebdita	9.2	8.6	9.1	7.4

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Zinc & Lead(KT)	907	947	966	1149	255	247	280
Refined Metal							
Zinc (KT)	672	792	740	913	206	188	214
Lead (KT)	144	169	202	218	50	54	56
Total	816	961	941	1131	256	242	271
Sliver (MT)	480	557	670	775	170	178	184
Revenue break-up							
Zinc	13703	16679	15252	18337	4564	3841	4466
Lead	2304	2888	3254	3494	867	826	905
Silv.er	1860	2148	2494	2902	637	677	671
Others	501	498	674	430	106	196	58
Financials							
Sales	17273	22084	21728	25163	6277	5540	6101
Sales Gr	*22%*	*28%*	*-2%*	*16%*	*-7%*	*-6%*	*-3%*
Other Income	2474	1751	1555	1607	486	550	312
Ebdita	9739	12272	10985	13080	3620	2838	3100
Ebdita Gr	*46%*	*26%*	*-10%*	*19%*	*-3%*	*-13%*	*-14%*
Net Profits	8316	9276	8165	9530	2505	2211	2221
Adj PAT	8316	9036	8165	9530	2556	2211	2221
Profit Gr%	*1%*	*9%*	*-10%*	*17%*	*-4%*	*-29%*	*-13%*
Ebdita Margin%	56.4%	55.6%	50.6%	52.0%	57.7%	51.2%	50.8%
Net Profit Margin %	48.1%	40.9%	37.6%	37.9%	40.7%	39.9%	36.4%

**FY17 gross revenue break-up* Std/Fig in Rs Cr

❑ Revenue is expected at Rs.6101cr (down 3%YoY, up 10%QoQ), YoY decline is expected due to lower LME zinc and lower LME lead and QoQ improvement is expected due to higher realisation in both zinc and lead and higher volume in both zinc and lead driven by higher underground ore production. Silver volume is expected at 184kt (up 8% YoY and 3%QoQ).

❑ On the cost front, higher volume is expected to generate operational efficiency and furthermore the full benefit of lower diesel prices in 3QFY19 is expected to come in 4QFY19.

❑ EBITDA is expected to come in at Rs.3100cr (down 14% YoY, up 9% QoQ) and margin is expected to be at 51% (vs.57.7% in 4QFY18 and 51.2% in 3QFY19). YoY fall in EBITDA is due to lower LME in both zinc and lead.

❑ Management at the end of 3QFY19 stated that the full shaft commissioning at RA mine has been delayed to 2QFY20 due to some financial issue with shaft sinker. It also led to lowering of capex guidance to USD350mn (earlier USD400-450mn) for FY19.

Key Trackable this Quarter

❑ Improvement in EBITDA margin on account of higher volume and lower diesel cost.

❑ Contribution of other income.

We value the stock at 7.5x FY20e EV/EBITDA. NEUTRAL

Jindal Steel & Power Limited

Metals and Minerals

JSP IN

CMP	**184**
Target	**194**
Upside	**5%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	-8%	-5%	1%	2%
Roce%	1%	4%	7%	8%
P/E	-4.4	-13.1	40.5	28.8
P/B	0.4	0.7	0.6	0.6
EV/Ebdita	9.3	8.3	5.7	4.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Stdln. Steel Sales (mt)	3.35	3.76	5.10	6.07	1.18	1.2	1.43
Oman Steel Sales (mt)	1.31	1.67	1.79	1.91	0.48	0.45	0.45
Power (mill unit)	9176	10905	10360	11914	2310	2609	3004
Financials (Consol.)							
Sales	21,051	27,383	39,159	40,108	8,599	9,566	9,946
Sales Gr	*15%*	*30%*	*43%*	*2%*	*37%*	*37%*	*16%*
Ebdita	4,658	6,469	8,653	9,317	2,137	2,077	2,092
Ebdita Gr	*36%*	*39%*	*34%*	*8%*	*38%*	*29%*	*-2%*
Finance Cost	3,390	3,866	4,116	3,878	1,071	1042	1015
Net Profits	(2,286)	(1,409)	439	619	(308)	(23)	(62)
Adj PAT	(1,914)	(822)	184	619	130	(23)	(62)
Profit Gr%	-	-	-	*237%*	-	-	-
Ebdita Margin%	22.1%	23.6%	22.1%	23.2%	24.8%	21.7%	21.0%
Net Profit Margin %	-9.1%	-3.0%	0.5%	1.5%	1.5%	-0.2%	-0.6%
D/E	1.33	1.29	1.27	1.15	-	-	-
Intrst. Covrge. Ratio	0.21	0.67	1.08	1.24	1.10	1.00	0.98

Conso/Fig in Rs Cr

❑ Revenue is expected at Rs.9946cr (up 16%YoY and 5%QoQ), YoY growth is led by 21% volume growth and 7% realisation growth in Indian steel business, however 9% fall in Oman business revenue due to lower volume and lower realization is expected to partly offset the gain in revenue by Indian business.

❑ Steel volume from Indian business is expected to increase to 1.43mt (up 21%YoY and 19%QoQ) on account of angul plant ramp up (Jan'19 exit run rate of 6mt annually) and Oman business volume is expected at 0.45mt (down 7%YoY and 1%QoQ).

❑ Power division revenue is expected at Rs.1064cr (up 12% YoY and 6% QoQ), power generation is expected at 3004mn units (up 30% YoY, 15% QoQ). Company recently got short term PPA of 200MW from 15th Jan'19 to 13th Apr'19 from Telangana.

❑ Margin at consolidated level is expected to be around Rs.2092cr (down 2% YoY, up 1% QoQ) . YoY fall is expected on account of higher iron ore and coking coal prices and increase in power and fuel cost due to higher non coking coal prices.

❑ IPO of Oman business is at very advance stage and management expects to raise USD300mn out of it. To be used for deleveraging and restructuring of Australian business debt.

❑ Company recently restarted 1.8mt DRI plant at Angul, company targets to produce 1mt of crude steel from it in FY20.

Key Trackable this Quarter

❑ Extend of fall in realisation, as in 3QFY19 higher VAP share helped in increasing the realisation even in falling steel prices scenario.

❑ Cautious about exceptional items (no provision for couple of contingent liabilities).

We value the stock at 5x FY20e EV/EBITDA. NEUTRAL

JSW Steel Limited

JSTL IN

CMP	**290**
Target	**315**
Upside	**9%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	15%	22%	21%	15%
Roce%	16%	19%	21%	16%
P/E	13.1	11.4	9.7	12.5
P/B	2.0	2.5	2.0	1.8
EV/Ebdita	6.3	6.8	5.5	6.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Steel Sales stdln.(mt)	14.77	15.62	15.58	16.57	4.22	3.68	4.11
Avg.HRC (Rs./t)	39075	40340	44292	42000	44167	45000	40500
Financials (Consol.)							
Sales	55,605	70,225	83,533	80,585	20,817	20,318	21,144
Sales Gr	*34%*	*26%*	*19%*	*-4%*	*25%*	*25%*	*2%*
Ebdita	12,174	14,794	18,423	16,012	5,290	4,501	3,911
Ebdita Gr	*90%*	*22%*	*25%*	*-13%*	*67%*	*17%*	*-26%*
Finance Cost	3,768	3,701	3,876	4,069	883	1,021	1,005
PBT	5,128	7,873	10,720	8,072	3,587	2,439	1,885
PBT Gr	-	*54%*	*36%*	*-25%*	*157%*	*15%*	*-47%*
Net Profits	3,454	6,071	7,327	5,610	2,872	1,619	1,301
Adj PAT	3,454	6,335	7,327	5,610	2,872	1,619	1,301
Profit Gr%	-	*83%*	*16%*	*-23%*	*195%*	*-7%*	*-55%*
Ebdita Margin%	21.9%	21.1%	22.1%	19.9%	25.4%	22.2%	18.5%
Net Profit Margin %	6.2%	8.6%	8.8%	7.0%	13.8%	8.0%	6.2%
D/E	1.65	1.21	1.05	1.06	-	-	-

Conso/Fig in Rs Cr

❑ 4QFY19 revenue is expected at Rs.21144cr (up 2% YoY, 4% QoQ) , moderate YoY growth is primarily on account of flat realisation in standalone business and 2.7% fall in volume and QoQ improvement is led by 11.5% growth in volume over 3QFY19.

❑ Coated business revenue is expected to be at Rs.3008cr (down 1%YoY, up 2%QoQ), flat YoY growth is due to 7% fall in volume (increase in imports continue to impact the coated product volume) compensated by 7% increase in realisation due to higher priced raw material (HRC).

❑ US plate and pipe mill revenue is expected at Rs.809cr (up 110%YoY and 9%QoQ), YoY growth is due to higher volume from plate and pipe mill at 92864MT (up 76%YoY, 33% QoQ) and 17672MT (up 45%YoY and 6%QoQ) respectively led by improvement in domestic environment led by import barriers being put by US govt. Realisation is also expected to grow by 23%YoY, however recent correction in steel prices is expected to lead to fall in realistion on QoQ basis.

❑ EBITDA is expected at Rs.3911cr (down 26%YoY and 13%QoQ) and margin is expected at 18.5% (vs.25% in 4QFY18 and 22% in 3QFY19) higher coking coal and non coking coal cost are expected to impact EBTIDA.

❑ 9MFY19 capex was Rs.6570cr, coke oven battery A have started and trial run for battery B at Dolvi have also started, tin plate is ramping up and iron ore conveyor belt trail run are on.

❑ Company signed USD700mn deal with Duferco to supply steel for 5 years. The deal provides long term funding to complete its growth capex in return of supply steel products to DITH.

Key Trackable this Quarter

❑ Movement in margins considering steel prices has fallen but coking coal price is at same level and non coking coal prices have increased, however iron ore prices have declined.

We value the stock at 7x FY20e EV/EBITDA. HOLD

National Aluminium Company Ltd

Metals and Minerals

NACL IN

CMP	**56**
Target	**63**
Upside	**13%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	7%	13%	15%	9%
Roce%	6%	9%	22%	10%
P/E	22.1	9.6	6.5	11.8
P/B	1.4	1.2	1.0	1.0
EV/Ebdita	11.6	7.3	2.9	5.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segmental Revenues							
Alumina	4046	5162	5559	4428	1741	1307	1259
Aluminium	5537	6409	7117	7557	1695	1690	1928
Others	109	127	192	163	21	25	41
Total	9692	11698	12868	12147	3458	3021	3228
Less: Intr. Segmt. Rvn.	1642	2079	1377	1697	595	302	470
Net Sales	8050	9618	11491	10451	2863	2719	2758
Financials							
Sales	8,050	9,618	11,491	10,451	2863	2719	2758
Sales Gr	*11%*	*28%*	*19%*	*-9%*	*18%*	*14%*	*-4%*
Other Income	408	300	300	400	57	76	71
Ebdita	1,080	1,397	2,768	1,538	490	513	393
Ebdita Gr	*13%*	*29%*	*98%*	*-44%*	*15%*	*49%*	*-20%*
Net Profits	668	1,342	1,712	897	257	302	213
Adjt. PAT	709	874	1,621	897	251	302	213
Profit Gr%	*-3%*	*23%*	*85%*	*-45%*	*-8%*	*9%*	*-15%*
Ebdita Margin%	13.4%	14.5%	24.1%	14.7%	17.1%	18.9%	14.2%
Net Profit Margin %	8.8%	9.1%	14.1%	8.6%	8.8%	11.1%	7.7%

Std/Fig in Rs Cr

❑ Revenue for the quarter is expected to at Rs.2758cr (down 4% YoY, up 1% QoQ), YoY fall is primarily on account of 17% YoY fall in alumina volume to 365000 MT and 27% YoY fall in alumina realisation . Aluminium volume is expected to grow by 8% YoY to 121515 MT and aluminium realisation is expected to fall by 4%.

❑ EBITDA for the quarter is expected to be at Rs.393cr (down 20% YoY and 23% QoQ) and margin is expected at 14.2% (vs.17% in 4QFY18 and 19% in 3QFY18). Lower margins are primarily on account of lower alumina prices and higher power and fuel cost due to high non-coking coal prices.

❑ Furthermore, lower alumina volume with lower alumina prices and higher aluminium volume with falling aluminium prices would only put pressure on margins as in aluminium business if the LME aluminium gets below USD 2000/t level the margins starts contracting as absorption of power cost (major portion in aluminium production) becomes a concern.

Key Trackable this Quarter

❑ Aluminium and alumina volume in the quarter, as higher aluminium volume coupled with low realisation would negatively impact the margins.

❑ Impact of power and fuel cost on EBITDA margins.

We value the stock at 1.2x FY20e Book Value. ACCUMULATE

NMDC Limited

Metals and Minerals

NMDC IN

CMP	**105**
Target	**93**
Upside	**-11%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	11%	16%	16%	12%
Roce%	15%	23%	24%	16%
P/E	16.3	9.9	8.0	10.8
P/B	1.9	1.5	1.3	1.3
EV/Ebdita	10.2	5.5	4.6	6.4

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Chhatisgarh(mn ton)	23.01	23.17	23.30	25.00	7.15	6.28	7.34
Karnataka	12.62	12.91	8.35	7.00	3.38	2.42	2.13
Total	35.62	36.08	31.65	32.00	10.54	8.70	9.46
Realization/Cost(Rs/t)							
Realization	2478	3220	3625	2922	3653	4157	3100
Cost	1467	1609	1613	1499	1881	1718	1514
EBITDA/ton	1011	1610	2013	1423	1804	2475	1619
Financials							
Sales	8,828	11,615	11,474	9,351	3883	3649	2965
Sales Gr	*37%*	*32%*	*-1%*	*-19%*	*35%*	*48%*	*-24%*
Other Income	909	520	456	390	170	136	64
Ebdita	3,602	5,809	6,370	4,554	1901	2154	1532
Ebdita Gr	*31%*	*61%*	*10%*	*-29%*	*104%*	*78%*	*-19%*
Net Profits	2,589	3,806	4,170	3,077	1106	1577	982
Adj PAT	2,589	3,662	4,170	3,077	1107	1577	982
Profit Gr%	*-11%*	*41%*	*14%*	*-26%*	*256%*	*113%*	*-11%*
Ebdita Margin%	40.8%	50.0%	55.5%	48.7%	49.0%	59.0%	51.7%
Net Profit Margin %	29.3%	31.5%	36.3%	32.9%	28.5%	43.2%	33.1%

Std/Fig in Rs Cr

- Revenue is expected at Rs.2965cr (down 24% YoY and 19% QoQ), YoY fall is primarily on account of 10% fall in volume and 15% fall in realisation and QoQ fall is expected on account of 25% fall in realisation which is compensated by 8.7% QoQ growth in volume.
- Total volume in the quarter is expected to be at 9.46mt (down 10%YoY, up 8.7%QoQ), Chhattisgarh volume is expected at 7.34mt (up 3%YoY and 17%QoQ) in seasonally strong quarter and Karnataka volume is expected to fall to 2.13mt (down 37%YoY and 12%QoQ). Volume from Karnataka's Kumaraswamy mine has increased in recent quarters, however the production loss from non-operational Donimalai mine continue to hurt the Karnataka volume significantly.
- Donimalai mine has not been in operation since beginning of Nov'18 and is still non-operational.
- EBITDA is expected at Rs.1532cr (down 19% YoY and 29% QoQ) , YoY fall is due to lower realisaiton and lower volume and QoQ fall is primarily on account of fall in realisation.
- NMDC's iron ore prices have remain volatile over last few months, falling from Rs.3850/t at end -Oct'18 to Rs.2600/t at the beginning-Feb'19 and again increasing to Rs.3000/t towards end Feb'19.
- NMDC recently completed buyback of 10.20cr shares at Rs.98/share, leading to total cash outlay of around Rs.1000cr. It further announced a dividend of Rs.5.52/share for FY19.

Key Trackable this Quarter

- Volume growth rate at Chhattisgarh.
- Change in realisation, as iron ore prices have been very volatile.

We value the stock at 5.5x FY20e EV/EBITDA. NEUTRAL

Ratnamani Metals & Tubes Ltd

RMT IN

CMP	**890**
Target	**1050**
Upside	**18%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	12%	12%	16%	15%
Roce%	17%	16%	21%	20%
P/E	24.9	26.3	16.9	16.0
P/B	3.0	3.1	2.7	2.4
EV/Ebdita	13.8	15.0	10.4	9.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
SS Volume (MT)	18228	21054	20040	23046	5334	5405	5000
Realization (Rs/t)	311554	299791	362719	332965	317210	359721	365117
CS Volume (MT)	179655	201027	285458	319856	74804	73680	63996
Realization(Rs/t)	44302	51299	68288	63012	52888	70013	70714
Segmental Revenues							
SS Sales	568	631	727	767	169	194	183
CS Sales	796	1031	1949	2015	396	516	453
Other	48	107	27	0	54	18	0
Total	1412	1769	2703	2783	619	728	635
Financials							
Sales	1,412	1,767	2703	2783	619	728	635
Sales Gr	*-18%*	*25%*	53%	3%	*59%*	*36%*	*3%*
Other Income	14	32	50	45	13	11	11
Ebdita	257	266	406	452	93	101	98
Ebdita Gr	*-10%*	*3%*	53%	11%	*36%*	*20%*	*6%*
Net Profits	144	152	245	260	56	63	56
Profit Gr%	*-13%*	*7%*	62%	6%	*47%*	*38%*	*-1%*
Ebdita Margin%	18.2%	15.1%	15.0%	16.3%	15.0%	13.9%	15.5%
Net Profit Margin %	10.2%	8.6%	9.1%	9.3%	9.1%	8.6%	8.8%
D/E	0.00	0.06	0.10	0.12			

Std/Fig in Rs Cr

- ❑ Revenue is expected at Rs.635cr (up 3%YoY and down 13% QoQ), Stainless steel (SS) revenue is expected at Rs.183cr (up 8%YoY, down 6%QoQ) and Carbon steel (CS) revenue is expected at Rs.453cr (up 14%YoY, down 12%QoQ).Realisations in both SS and CS are expected to remain healthy due to delivery of orders booked at higher steel prices.
- ❑ Order book stood at Rs.1322cr at the beginning of CY19 (vs. Rs.1383cr –Nov'18), CS still dominate the order book however share of SS have increased to 31% of total order book and have moved up to level of Rs.400-450cr from earlier level of Rs.300-350cr.
- ❑ Volume in SS division is expected at 5000MT (down 6%YoY) , SS remain impacted by low capex in refinery and power sector. CS volume is expected to fall to 63996MT (down 14%YoY) considering some delay expected on order lifting front from the govt. due to general election.
- ❑ EBITDA is expected at Rs.98cr (up 6% YoY, down 2%QoQ) and margin at 15.5% (vs.15% in 4QFY18 and 14% in 3QFY19).
- ❑ Capex including SS and CS division is expected at Rs.600cr (Rs.150cr in FY19 and Rs.450cr in FY20). 50% will be funded by internal accrual and rest by debt. SS capex of 20 KT is expected to be online by Oct-Dec'19 and CS capex of 120 KT is expected to be online by Nov-Dec'19.

Key Trackable this Quarter

- ❑ Sustainability of 2QFY19 realization in both CS and SS into 3QFY19.
- ❑ Volume in CS division, considering substantially better volumes in 1HFY19.

We value the stock at 11x FY20e EV/EBITDA. BUY

Tata Metaliks Limited

TML IN

CMP	**658**
Target	**670**
Upside	**2%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	56%	44%	23%	18%
Roce%	52%	41%	31%	26%
P/E	12.8	11.7	10.6	9.6
P/B	7.2	5.2	2.4	1.8
EV/Ebdita	7.3	7.4	5.2	4.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Pig Iron (MT)	379434	502964	513023	513023	135857	128039	133386
Realization(Rs/t)	25357	27686	31755	30866	28487	31554	30607
DI Pipes (MT)	183947	211793	220265	225637	64628	66536	55066
Realization(Rs/t)	46218	47201	47930	46840	46415	47989	47029
Segmental Revenues							
Pig Iron	962	1393	1629	1584	387	404	408
Ductile Pipe	850	1000	1056	1057	300	319	259
Inter Segment/Others	-494	-519	-601	-599	-141	-177	-144
Total Sales	1318	1873	2084	2041	546	546	523
Financials							
Sales	1,318	1,873	2,084	2,041	546	546	523
Sales Gr	*0%*	*42%*	*11%*	*-2%*	*36%*	*12%*	*-4%*
Ebdita	225	277	304	329	88	75	78
Ebdita Gr	*4%*	*23%*	*10%*	*8%*	*17%*	*3%*	*-12%*
Net Profits	116	159	157	173	55	40	40
Profit Gr%	*3%*	*37%*	*-1%*	*10%*	*35%*	*-2%*	*-27%*
Ebdita Margin%	17.1%	14.8%	14.6%	16.1%	16.1%	13.7%	14.9%
Net Profit Margin %	8.8%	8.5%	7.5%	8.5%	10.0%	7.3%	7.6%
D/E	1.60	1.16	0.52	0.32			

Std/Fig in Rs Cr

- Revenue is expected at Rs.523cr (down 4%YoY and QoQ), expected YoY fall is primarily account of lower DI pipe volume as company till 3QFY19 had already done 82% of designed capacity so even after assuming 105% of capacity utilization volume is expected to be lower.
- DI pipe volume is expected to be at 55066MT (down 15% YoY and 17% QoQ). Pig iron volume is expected at 133386MT (down 2% YoY, up 4% QoQ), after weak 3QFY19 due to blast furnace shutdown and festive season pig iron volume are expected to pick up.
- Realisation in DI pipe division is expected to be at Rs.47029/t (up 1%YoY, down 2%QoQ) and in pig iron realisation is expected to be at Rs.30607/t (up 7%YoY, down 3%QoQ) , QoQ fall is expected due to 4% fall in pig iron prices.
- EBITDA is expected at Rs.78cr (down 11.5% YoY, up 4% QoQ) .QoQ improvement is expected in margins due to stable realisation in DI pipe business and lower raw material prices.
- In March 2019, company approved allotment of 27.97 lakh shares to raise Rs.179.56cr and 34.92 lakh equity warrants @624/- aggregating Rs.224cr to Tata Steel. Fund raised would be used to expand DI pipe capacity from 2LTPA to 4LTPA, increasing mini blast furnace capacity and installation of 15MW power plant, the whole capacity is expected to be added by FY2022 and total capex required is Rs.555cr.

Key Trackable this Quarter

- Scale of expansion in margins due to lower priced iron ore inventory coming in 4QFY19.
- Growth in DI pipe volume as the segment was operating at 82% utilization level in 3QFY19.

We value the stock at 5x FY20e EV/EBITDA. NEUTRAL

Vedanta Limited

Metals and Minerals

VEDL IN

CMP	**189**
Target	**178**
Upside	**-6%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	12%	13%	10%	13%
Roce%	14%	18%	15%	17%
P/E	11.2	13.0	11.9	8.7
P/B	1.3	1.6	1.1	1.2
EV/Ebdita	4.6	5.0	4.3	3.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Zinc (kt)	672	791	740	913	206	188	214
Zinc Intl. (kt)	140	171	136	280	37	33	50
Lead (kt)	138	169	202	218	50	54	56
Refined Silver (tons)	453	558	670	775	170	178	184
Aluminium (mt)	1209	1672	1975	2000	487	494	527
Oil & Gas (kboepd)	189926	185587	200000	225000	190171	187191	194000
Financials (Consol.)							
Sales	72,225	91,866	90,048	90,144	27,630	23,669	21,468
Sales Gr	*12%*	*27%*	*-2%*	*0%*	*23%*	*-2.84%*	*-22%*
Other Income	4,581	3,574	3,008	2,400	993	1,398	600
Ebdita	21,332	25,164	23,254	28,823	7,837	5,645	6,117
Ebdita Gr	*41%*	*18%*	*-8%*	*24%*	*7%*	*-17%*	*-22%*
PBT	13,766	16,672	13,322	17,445	5,723	3,478	4,186
Net Profits	9,873	13,692	9,281	11,671	5,675	2,332	2,801
Adj PAT*	7,271	7,983	5,893	8,036	1,933	1,574	1,763
PAT Gr	*0%*	*42%*	*-26%*	*36%*	*27%*	*-29%*	*-9%*
Ebdita Margin%	30%	27%	26%	32%	28%	24%	28%
Net Profit Margin %	10%	9%	7%	9%	7%	7%	8%
D/E	1.03	0.77	0.79	0.79			

**Excluding non controlling interest and before exceptional item* Conso/Fig in Rs Cr

❑Revenue (ex-copper) is expected to grow by 7% YoY and 3% QoQ to Rs.21468cr. YoY growth is primarily led by 22% YoY growth in zinc international revenue and Rs.1400cr revenue from other segment (steel) vs. Rs.196cr in 4QFY18. Aluminium revenue is expected to grow by 5% Yoy to Rs.7484cr led by 8% YoY growth in volume to 527kt. Oil and Gas revenue is expected at Rs.2836cr (up 3% YoY, down 15% QoQ), led by 2% growth in gross production at 194000 boepd.

❑ EBITDA for the quarter is expected at Rs.6117cr (down 22% YoY, up 8% QoQ), led by significantly lower YoY aluminium EBTIDA at Rs.329cr (down 75% YoY, up 25% QoQ) due to lower LME aluminium, higher alumina and power cost. Further more negative EBITDA of Rs.60cr in copper vs. Rs.409cr in 4QFY19 is also expected to impact overall EBITDA.

❑ Company's Goa iron ore operation continues to be impacted by suspension of mining in Goa. Copper India operation at Tuticorin too continues to remain shut.

❑ During 3QFY19 company had paid USD200mn (Rs.1431cr) to purchase stake in Anglo American PLC through its subsidiary (CIHL), and Rs.2000cr of incremental investment is also to be made over a period of 20 months for this investment. The investment is linked to underlying share price of Anglo American PLC.

Key Trackable this Quarter

❑ Volume ramp up at zinc international.

❑ Cost of production and Power cost in Aluminium business.

We value the stock at 3.5x FY20e EV/EBITDA. NEUTRAL

Aegis Logistics Limited

AEGIS IN

Oil & Gas

CMP	**204**
Target	**250**
Upside	**23%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	14%	16%	18%	19%
Roce%	20%	18%	21%	24%
P/E	27.2	42.9	27.2	21.1
P/B	3.9	7.0	4.8	4.0
EV/Ebdita	17.1	32.6	19.1	15.0

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Volume(MnTon)							
LPG sourcing	1,043	1,177	1,078	1,351	285	273	319
Segment Sales(Cr)							
Liquid	154	168	188	239	45	46	52
Gas	3,778	4,623	5,014	6,465	1,207	1,274	1,387
Segment EBIT(Cr)							
Liquid	63	75	73	96	16	16	23
Gas	122	163	248	328	45	64	66
Financials							
Sales	**3,930**	**4,791**	**5,202**	**6,705**	**1,252**	**1,320**	**1,439**
Sales Gr	*78%*	*22%*	*9%*	*29%*	*-1%*	*-8%*	*15%*
Ebdita	**204**	**266**	**366**	**465**	**70**	**93**	**98**
Ebdita Gr	*10%*	*31%*	*38%*	*27%*	*35%*	*29%*	*41%*
Net Profits	**119**	**198**	**251**	**323**	**55**	**65**	**69**
Profit Gr%	*5%*	*66%*	*27%*	*29%*	*83%*	*22%*	*26%*
Ebdita Margin%	**5.2%**	**5.6%**	**7.0%**	**6.9%**	**5.6%**	**7.0%**	**6.8%**
Net Profit Margin%	**3.0%**	**4.1%**	**4.8%**	**4.8%**	**4.4%**	**4.9%**	**4.8%**

Conso/ Fig in Rs Cr

❑ In LPG logistics business, volume is expected to remain strong led by the ramp of Haldia and Pipavav terminals. Further company's existing clients have also started taking additional volumes. Volume growth of 15-20% YoY is expected in Q4 FY19.

❑ LPG sourcing volume is expected to pick up as lower off take by BPCL is already factored in sourcing volumes. Aegis logistics has now entered in 1.5 MT LPG sourcing contract with IOC for 2019 which will start reflecting in books from Q4 FY19. Mgt. expects huge growth in sourcing volumes in 2019.

❑ EBITDA of liquid terminal is expected to start improving from Q4 FY19 because in last quarter new Kandla terminal has started, due to which full lease cost has been reflected in books but new terminal has not generated enough revenue resulting in lower EBITDA.

❑ Pipavav terminal is likely to continue operating at 25% capacity due to ongoing rail connectivity issues, while Haldia terminal is expected to witness higher volumes and profitability in Q4 FY19.

❑ Construction work at HPCL's Uran- Chakkan LPG pipeline has been delayed. Work of last 25km is obstructed by the villagers. These issues may take another 6-9 months to resolve.

Key Trackable this Quarter

❑ Incremental volumes at Haldia and Manglore terminal

❑ EUpdate on completion of Uran pipeline

We value the stock at 18x FY20e EV/EBITDA. BUY

Bharat Petroleum Corporation Ltd

Oil & Gas

BPCL IN

CMP	**381**
Target	**390**
Upside	**2%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	27%	23%	14%	15%
Roce%	21%	18%	13%	15%
P/E	11.7	11.7	15.2	13.0
P/B	3.2	2.7	2.2	2.0
EV/Ebdita	10.6	9.9	10.6	8.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Volume(MMT)							
Crude throughput	25.4	28.5	30.9	31.8	7.9	7.5	7.5
Market sales	37.7	41.2	42.8	44.1	10.7	10.7	10.6
Export sales	2.5	2.0	2.0	2.0	0.3	0.8	0.3
Financials							
Sales	*202,211*	*236,313*	*334,479*	*337,374*	*76,067*	*88,238*	*80,925*
Sales Gr	*7%*	*17%*	*42%*	*1%*	*33%*	*26%*	*6%*
Ebdita	10,829	11,669	9,911	11,818	3,722	737	2,879
Ebdita Gr	*-2%*	*8%*	*-15%*	*19%*	*68%*	*-77%*	*-23%*
Net Profits	8,039	7,919	5,447	6,356	2,674	495	1,440
Profit Gr%	*21%*	*-3%*	*-31%*	*17%*	*45%*	*-77%*	*-46%*
EbditaM%	**5.4%**	**4.9%**	**3.0%**	**3.5%**	**4.9%**	**0.8%**	**3.6%**
Net Mgn%	**4.0%**	**3.4%**	**1.6%**	**1.9%**	**3.5%**	**0.6%**	**1.8%**

Std/ Fig in Rs Cr

❑ Company's refinery margins are expected to pick up on sequential basis on the back of revival in the Singapore Refining margins and better distillate yields. In Q3 FY19, margins of the company has dipped significantly due to higher inventory losses, but in Q4 FY19 those losses will not be there, resulting bounce back in margins.

❑ BPCL is in the process of stabilizing its Kochi expansion over the next few quarters, which is likely to expand the Kochi refinery GRM by ~USD2/bbl in upcoming quarters.

❑ BPCL refinery at Chembur, Mumbai which was affected by fire in Aug 2018, is now operational in Jan 2019.

❑ BPCL has 10% stake in the prolific Offshore Area 1 in Mozambique. After almost a delay of 4-5 years, the final investment decision is likely to be concluded in 2019.

❑ Propylene Derivatives Petrochemical Project (Pdpp) at Kochi Refinery is now expected to be commissioned by Nov 2019, delayed by 15 months.

❑ Cabinet has approved expansion of Numaligarh Refinery expansion by 6 MTPA at cost of Rs. 22,000 Cr.

❑ Capex guidance for FY20e is Rs. 7900 Cr.

Key Trackable this Quarter

❑ Margin efficiency of Kochi refinery

❑ Status of Bina refinery expansion

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

Deep Industries Limited

DEEPI IN

Oil & Gas

CMP	**142**
Target	**141**
Upside	**-1%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	18%	17%	12%	13%
Roce%	25%	25%	25%	24%
P/E	15.0	6.0	7.3	6.0
P/B	2.7	1.0	0.9	0.8
EV/Ebdita	7.8	3.6	3.7	3.0

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Order book(Cr)	780	610	748	605	610	600	748
Financials							
Sales	**277**	**313**	**251**	**309**	**79**	**60**	**62**
Sales Gr	*64%*	*13%*	*-20%*	*23%*	*6%*	*-19%*	*-21%*
Ebdita	**156**	**162**	**137**	**159**	**41**	**34**	**33**
Ebdita Gr	*62%*	*4%*	*-15%*	*16%*	*12%*	*-9%*	*-20%*
Net Profits	**70**	**77**	**62**	**75**	**19**	**15**	**16**
Profit Gr%	*72%*	*10%*	*-19%*	*20%*	*-20%*	*-18%*	*-12%*
Ebdita Margin%	**56.2%**	**51.8%**	**54.5%**	**51.5%**	**52.2%**	**56.5%**	**53.0%**
Net Profit Margin%	**25.4%**	**24.8%**	**24.9%**	**24.3%**	**23.5%**	**24.9%**	**26.3%**

Std/ Fig in Rs Cr

❑ Revenue is expected to decline in FY19 due to the termination of gas dehydration contracts by ONGC, however on the back of new contracts in work over rigs from ONGC, revenue is expected to improve in FY20e.

❑ Work over Rigs business- Company expects two new orders from Oil India in work over rigs segment in Assam region. The order size could be around Rs.50 Cr each for the period of 3 years.

❑ Gas compression business- Management is expecting new orders in compression business in upcoming month, order size could be around Rs. 80 Cr for the period of 3 years and the company is looking to expand this business in countries like Egypt, Oman and Kuwait.

❑ Gas dehydration- Only one contract is still running and management expects revenue run rate of Rs. 10 Cr per annum.

❑ E&P Business- Company has completed drilling of 17 wells and is expected to complete drilling of 30 in 7-8 months, after which production estimates can be made. Production is likely to start from 3QFY20 or 4QFY20 and expects some sales to start coming from the Q4 FY20.

❑ EBITDA margins of the company is expected to decline on the back of diminishing order book of gas dehydration business which has high margin profile as compared to other business.

❑ Finance cost is expected to come down in Q4 FY19 as the company has repaid debt of Rs. 70 Cr in first half of FY19 and expected to repay another Rs. 5 Cr in March.

❑ Company is looking to demerge E&P business from services business, consent of all creditors has been obtained except for SBI. Management expects decision to be made by SBI within one-two months.

Key Trackable this Quarter

❑ Status of 2 new bids placed by company with Oil India in gas compression

❑ Consent of SBI for demerger of exploration and services business.

We value the stock at 6x FY20e EPS. NEUTRAL

GAIL (India) Limited

GAIL IN

CMP	**362**
Target	**433**
Upside	**20%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	9%	11%	15%	14%
Roce%	9%	11%	15%	13%
P/E	18.2	16.0	12.5	13.1
P/B	1.7	1.8	1.9	1.8
EV/Ebdita	10.2	9.5	7.8	8.1

	FY17	FY18	FY19E	FY 20E	Q4FY18	Q3FY19	Q4FY19E
Gas Mkt. Sales(Cr)	**37378**	**41096**	**60550**	**64941**	**12128**	**16197**	**14666**
Gas mkt. vol(MMSCMD)	313	327	366	392	89	96	91
NG Transm. Sales(Cr)	4606	4974	5718	6051	1188	1472	1404
NG Transm. vol(MMSCMD)	402	422	428	452	107	109	105
Petchem. Sales(Cr)	5646	5855	6806	6853	1639	1599	1821
Petchem. vol(MMSCMD)	*595*	*675*	*726*	*757*	192	177	201
Financials							
Sales	*48,055*	*53,662*	*74,228*	*79,345*	*15,431*	*19,789*	*17,865*
Sales Gr	*-7%*	*11%*	*38%*	*7%*	*15%*	*37%*	*16%*
Ebdita	6,409	7,634	10,310	10,046	1,695	2,673	2,465
Ebdita Gr	*13%*	*14%*	*14%*	*13%*	*9%*	*36%*	*45%*
Net Profits	3,503	4,618	6,468	6,227	1,021	1,681	1,564
Profit Gr%	*57%*	*32%*	*40%*	*-4%*	*292%*	*33%*	*53%*
Ebdita Margin%	**13.3%**	**14.2%**	**13.9%**	**12.7%**	**11.0%**	**13.5%**	**13.8%**
Net Profit Margin%	**7.3%**	**8.6%**	**8.7%**	**7.8%**	**6.6%**	**8.5%**	**8.8%**

Std/ Fig in Rs Cr

- Natural gas marketing- Gail is replacing Gorgon volumes with US LNG. The company is importing US LNG in India as per the demand pans out and rest of the LNG is sold in international markets. But in Q4 FY19, spot LNG prices has come down significantly which may exert pressure on the marketing margins of the company. However the company has taken hedges in order to protect its margins.

- Considering lower demand of gas in India and declining spot prices, we expect margin in natural gas segment to come down sequentially and volume in marketing segment to remain sluggish to the tune of 2-3% YoY basis.

- Natural gas Transmission- Considering lower demand of LNG gas by the CGD companies in the month of Jan and Feb, we expect volumes of the company to remain under pressure and may decline marginally by 4% on sequential basis in Q4 FY19.

- Petrochemicals- GAIL's petrochemical unit at PATA has been first in India to produce the value added Metellocene film grade polymer. Overall volume in petrochemicals segment is expected to grow to the tune of 6-7% in Q4 FY19. Further the management has also guided for 7 lakh MT volumes in petrochemicals segment in FY19.

- GAIL has won 4 new geographies in 10th round of CGD biding.

Key Trackable this Quarter

- Tariff revision for various pipelines.
- Status of Kochi-Mangalore pipeline project to be completed by June'2019.
- Spot LNG prices

We value the stock at 13x FY20e EPS and subsidiaries at Rs. 75. BUY

Gujarat State Petronet Ltd

GSPL IN

CMP	**179**
Target	**212**
Upside	**18%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	11%	13%	14%	15%
Roce%	21%	20%	24%	24%
P/E	22.0	16.8	12.3	10.8
P/B	2.4	2.2	1.8	1.6
EV/Ebdita	12.0	11.0	7.4	6.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Gas volume (MSCM)	9,071	11,536	12,721	13,738	3,103	3,174	3,041
Growth YoY	*1%*	*27%*	*10%*	*8%*	*47%*	*3%*	*-2%*
Tarrif (Cr .INR/SCM)	1.11	1.13	1.62	1.42	1.12	1.42	1.42
Financials							
Sales	**1,028**	**1,332**	**1,881**	**1,994**	**350**	**454**	**437**
Sales Gr	*4%*	*30%*	*41%*	*6%*	*29%*	*30%*	*25%*
Ebdita	**888**	**1,148**	**1,561**	**1,652**	**289**	**353**	**348**
Ebdita Gr	*3%*	*29%*	*36%*	*6%*	*27%*	*19%*	*20%*
Net Profits	**497**	**668**	**822**	**937**	**157**	**174**	**180**
Profit Gr%	*12%*	*35%*	*23%*	*14%*	*24%*	*-4%*	*14%*
Ebdita Margin%	**86.4%**	**86.2%**	**83.0%**	**82.8%**	**82.5%**	**77.8%**	**79.6%**
Net Profit Margin%	**48.3%**	**50.2%**	**43.7%**	**47.0%**	**44.9%**	**38.2%**	**41.2%**

Std/ Fig in Rs Cr

❑ We factor marginal decline in transmission volumes in Q4 FY19 on account of lower off take by the power, fertilizer plants and slowdown in petchem production at RIL. However GSPL expects higher volumes at Koyali (IOCL) and OPAL to partly offset lower volumes from RIL. We expect volume to remain in the range of 35-36 MMSCMD for next couple of months.

❑ 5 MMTPA Mundra LNG terminal and expanded capacity at Dahej terminal is expected to add substantial volumes of GSPL in the second half of FY20.

❑ Company has taken substantial debt which has resulted in the gross debt increment of Rs.1200 Cr in order to fund the acquisition of Gujarat gas which results in higher interest cost in the last few quarters.

❑ Demand of gas is expected to grow over next three-five years as GSPL has exclusive access to three of the six terminals in Gujarat and is major off-taker for both Mundra and Dahej terminal.

❑ With Commissioning Badmer- Palanpur pipeline, of GSPL will be able to reach new market outside Gujarat.

Key Trackable this Quarter

❑ Status of Badmer- Palanpur pipeline

❑ Timeline of commissioning of PLNG Dahej terminal and Reliance pet coke gasifier

We value the stock at 8x FY20e Std EPS and Rs 77 for Subsidiaries to arrive at SOTP Value of Rs. 212. BUY

Hindustan Petroleum Corp. Ltd

HPCL IN

CMP	**277**
Target	**254**
Upside	**-8%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	31%	27%	15%	16%
Roce%	30%	24%	14%	14%
P/E	8.6	8.2	10.3	8.2
P/B	2.6	2.2	1.5	1.3
EV/Ebdita	6.7	6.6	6.9	6.1

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Volume							
Refinery Thr.	17.8	18.3	18.6	19.2	4.6	4.6	4.8
Marketing							
>Domestic	35.2	36.2	37.6	38.7	9.4	9.4	9.7
>Exports	0.2	0.7	0.8	0.8	0.1	0.3	0.1
Pipeline throughput	17.9	20.1	21.3	22.0	5.3	5.2	5.4
Financials							
Sales	**187,023**	**219,330**	**292,073**	**290,062**	**66,641**	**77,182**	**68,295**
Sales Gr	*5%*	*17%*	*33%*	*-1%*	*13%*	*22%*	*2%*
Ebdita	**10,577**	**10,672**	**8,245**	**8,869**	**2,923**	**963**	**1,969**
Ebdita Gr	*33%*	*1%*	*-23%*	*8%*	*1%*	*-70%*	*-33%*
Net Profits	**6,208**	**6,357**	**4,095**	**5,127**	**1,748**	**248**	**1,026**
Profit Gr%	*67%*	*2%*	*-36%*	*25%*	*-4%*	*-87%*	*-41%*
Ebdita Margin%	**5.7%**	**4.9%**	**2.8%**	**3.1%**	**4.4%**	**1.2%**	**2.9%**
Net Profit Margin%	**3.3%**	**2.9%**	**1.4%**	**1.8%**	**2.6%**	**0.3%**	**1.5%**

Std/ Fig in Rs Cr

❑ HPCL received license of 9 geographical areas 5 in Uttar Pradesh and 4 in west Bengal for city gas distribution. Supply in these newly won geographies are expected to start in next 3 years.

❑ Throughput volume of the company is expected to fall by almost 5% on YoY basis due to weakness in fuel demand in the month of Jan and Feb 2019.

❑ Singapore GRM has bounced back from its low of 3.2 USD/bbl in Dec 2018 to 4.9 USD/bbl in month of March 2019, indicating improvement in the diesel cracks and distillate yields. The core GRM of HPCL is expected to remain in the range of 4-5 USD/bbl in Q4 FY19.

❑ Capex guidance for FY20e is Rs. 9500 Cr.

❑ Government instructed OMC's in Oct'18 to absorb INR1/Litre in margins on auto fuels is likely diminish due to lower crude and product prices in upcoming quarter.

❑ Finance cost has reduced in Q3 FY19 and is expected to remain lower as the company has reduced debt in first half of FY19.

Key Trackable this Quarter

❑ Status of 9MT Barmer refining project

❑ Vizag expansion and Rajasthan refinery-cum-petrochem complex

❑ Inventory Gain/Loss

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

Indraprastha Gas Limited

IGL IN

Oil & Gas

CMP	**302**
Target	**359**
Upside	**19%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	20%	19%	19%	17%
Roce%	27%	27%	26%	23%
P/E	25.2	30.6	27.2	24.9
P/B	4.9	5.8	5.1	4.3
EV/Ebdita	14.8	18.2	16.3	15.5

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Volume(MSCM)							
CNG volume	1,131	1,413	1,589	1,732	358	405	401
Growth YoY	8%	25%	12%	9%	25%	13%	12%
PNG volume	406	479	544	594	124	138	141
Growth YoY	19%	18%	14%	9%	16%	10%	14%
Network							
CNG stations(Nos)	*421*	*446*	*466*	*478*	446	463	466
PNG Dom. Conn.('000)	742	892	1,091	1,241	892	1,053	1,091
PNG Comm. Conn(Nos)	2,870	3,429	5,380	5,710	3,429	5,300	5,380
Financials							
Sales	**4,223**	**5,072**	**6,344**	**7,554**	**1,357**	**1,665**	**1,688**
Sales Gr	*4%*	*20%*	*25%*	*19%*	*23%*	*29%*	*24%*
Ebdita	**964**	**1,113**	**1,262**	**1,330**	**291**	**318**	**341**
Ebdita Gr	*24%*	*16%*	*13%*	*5%*	*27%*	*21%*	*17%*
Net Profits	**571**	**671**	**776**	**850**	**175**	**198**	**216**
Profit Gr%	*36%*	*17%*	*16%*	*10%*	*31%*	*19%*	*23%*
Ebdita Margin%	**22.8%**	**22.0%**	**19.9%**	**17.6%**	**21.5%**	**19.1%**	**20.2%**
Net Profit Margin%	**13.5%**	**13.2%**	**12.2%**	**11.3%**	**12.9%**	**11.9%**	**12.8%**

Std/ Fig in Rs Cr

- Recently in 10th round of CGD biding, IGL has won marketing authorization for 3 geographical areas i.e.- Kaithal District in Haryana, Ajmer, Pali and Rajsamand Districts of Rajasthan and Kanpur (Except area already authorized) District, Fatehpur and Hamirpur Districts in Uttar Pradesh. Gas distribution in these newly won geographies is expected to start within 3 years.
- CNG volumes are expected to grow to the tune of 10-12% on YoY basis on the back of around 8000-9000 new CNG vehicles are coming on road every quarter.
- Volume in PNG segment is also expected to grow gradually and likely to remain in the range of 8-10% on YoY basis. This growth is led by higher number of new PNG connections added every quarter.
- EBITDA margins of the company is expected to improve marginally as there is significant drop in the price of spot LNG, IGL uses around 25-30% of Spot LNG of its total gas requirement.
- PNGRB has revised price of domestic gas by 10% to 3.7 USD/MMBtu. This price is applicable from 1 April to 30 Sep 2019. This hike is expected to put some pressure on margins of the company until the company doesn’t raise prices of both CNG and PNG.

Key Trackable this Quarter

- Volume of gas supplied in Gurugram district.
- Capex required for new geographies

We value the stock at 30x FY20e EPS. BUY

Indian Oil Corporation Ltd

IOCL IN

CMP	**158**
Target	**164**
Upside	**4%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	19%	19%	13%	14%
Roce%	16%	17%	11%	12%
P/E	9.8	8.0	10.3	9.2
P/B	1.9	1.6	1.3	1.3
EV/Ebdita	7.5	5.7	7.2	6.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Volume(MMT)							
Refinery Thru.	65.1	69.0	72.1	74.3	17.2	19.0	17.7
Pipeline Thru.	82.5	85.7	90.5	93.3	22.6	23.1	22.9
Marketing Vol.	79.9	88.8	90.5	93.2	22.6	22.8	21.7
Financials							
Sales	*359,873*	*424,039*	*527,784*	*518,647*	*117,369*	*139,968*	*126,307*
Sales Gr	*4%*	*18%*	*24%*	*-2%*	*17%*	*26%*	*8%*
Ebdita	31,781	39,673	29,516	32,015	11,021	3,610	6,568
Ebdita Gr	*51%*	*25%*	*-26%*	*8%*	*150%*	*-73%*	*-40%*
Net Profits	19,106	21,346	14,917	16,589	5,218	716	4,123
Profit Gr%	*75%*	*12%*	*-30%*	*11%*	*40%*	*-91%*	*-21%*
Ebdita Margin%	**8.8%**	**9.4%**	**5.6%**	**6.2%**	**9.4%**	**2.6%**	**5.2%**
Net Profit Margin%	**5.3%**	**5.0%**	**2.8%**	**3.2%**	**4.4%**	**0.5%**	**3.3%**

Std/ Fig in Rs Cr

❑ Throughput volume of the company is expected to decline by 4% on YoY basis to 21.6 MT in Q4 FY19e led by the lower fuel demand.

❑ IOC continues to import Iran oil and has guided for total of 9 MT of import in FY19e.

❑ Expansion at Polypropylene plant at Paradip has achieved 95% physical progress as on Dec 2018 end, and is expected to see mechanical completion in February 2019. Post this expansion, volume of petrochemical segment is likely to improve from Q1 FY20.

❑ Expansion of Paradip refinery and Haldia Coker which was completed in Q3 FY19, is likely to have positive impact on the GRM of the company from Q4 FY19.

❑ The 5 MTPA Ennore LNG Terminal is under commissioning and is likely to be operational soon. This terminal is intended to supply gas to all the major industries in Chennai's Manali and southern areas of the country.

❑ IOC has received City Gas distribution license for 9 geographical areas of Bihar, Jharkhand and Madhya Pradesh. Also IOC has won 1 license in association with Adani Gas for Jaunpur, Uttar Pradesh. Supply in these newly won geographies is expected to start in next 3 years.

Key Trackable this Quarter

❑ GRM of Paradip refinery

❑ Commissioning of Ennore terminal

We value the stock at 1.3x FY20e P/B. HOLD

Mahanagar Gas Limited

MGL IN

Oil & Gas

CMP	**1005**
Target	**1120**
Upside	**11%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	21%	23%	25%	24%
Roce%	30%	32%	35%	35%
P/E	22.4	16.5	17.4	16.0
P/B	4.8	3.8	4.3	3.9
EV/Ebdita	13.5	9.9	10.4	9.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Volume(MSCM)							
CNG	693	724	797	853	185	200	203
Growth YoY	5%	4%	10%	7%	7%	8%	10%
PNG	244	262	286	312	67	73	74
Growth YoY	6%	7%	9%	9%	7%	7%	10%
Network							
CNG stations	203	220	228	244	220	224	228
PNG conn.('000)	545	600	686	758	600	668	686
Financials							
Sales	**2,239**	**2,453**	**3,106**	**3,673**	**644**	**824**	**843**
Sales Gr	*-2%*	*10%*	*27%*	*18%*	*12%*	*29%*	*31%*
Ebdita	**644**	**780**	**926**	**1,024**	**176**	**239**	**255**
Ebdita Gr	*26%*	*21%*	*19%*	*11%*	*8%*	*19%*	*45%*
Net Profits	**393**	**478**	**572**	**621**	**105**	**148**	**159**
Profit Gr%	*27%*	*21%*	*20%*	*9%*	*5%*	*20%*	*51%*
Ebdita Margin%	**28.8%**	**31.8%**	**29.8%**	**27.9%**	**27.4%**	**29.0%**	**30.2%**
Net Profit Margin%	**17.6%**	**19.5%**	**18.4%**	**16.9%**	**16.3%**	**18.0%**	**18.8%**

Std/ Fig in Rs Cr

- ❑ Volume growth in CNG is expected to remain in the range of 10-12% on YoY basis on the back of around 20,000 new CNG vehicles are coming on road every quarter.
- ❑ Volume growth in PNG is expected to be around 10% on YoY basis in Q4 FY19 as the company is adding around 26000 new PNG connections every quarter.
- ❑ PNGRB has revised price of domestic gas by 10% to 3.7 USD/MMBtu. This price is applicable from 1 April to 30 Sep 2019. This hike is expected to put some pressure on margins of the company until the company doesn't raise prices of both CNG and PNG.
- ❑ MGL has not taken any price hike in CNG and PNG and hence we do not expect any rise in the realization of the company in Q4 FY19.
- ❑ EBITDA margin of the company is expected to improve marginally as there is significant drop in the price of spot LNG prices , MGL uses around 22% spot LNG of its total gas requirement. .
- ❑ Capex guidance for FY20e is Rs. 375 Cr.

Key Trackable this Quarter

- ❑ Status on pipeline expansion in newly won Sindhudurg district, Maharashtra
- ❑ Management commentary on price hike
- ❑ Revenue from Raigad area

We value the stock at 18x EPS. HOLD

Oil India Limited

OIL IN

Oil & Gas

CMP	**182**
Target	**192**
Upside	**5%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	5%	10%	12%	12%
Roce%	4%	8%	10%	11%
P/E	17.3	9.5	5.8	5.4
P/B	0.9	0.9	0.7	0.7
EV/Ebdita	9.4	7.5	3.9	3.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Volume							
Crude (MMT)	3.3	3.4	3.2	3.3	0.83	0.81	0.79
Gas (BCM)	2.6	2.5	2.5	2.6	0.58	0.65	0.60
LPG(MT)	37.1	35.7	38.4	38.9	10.0	9.5	10.9
Financials							
Sales	*9,510*	*10,656*	*13,947*	*14,256*	*2,998*	*3,514*	*3,299*
Sales Gr	*-3%*	*12%*	*31%*	*2%*	*19%*	*23%*	*10%*
Other income	*1,681*	*1,484*	*1,369*	*1,446*	*786*	*601*	*353*
Ebdita	**3,105**	**3,911**	**5,577**	**5,787**	**801**	**1,521**	**1,173**
Ebdita Gr	*-13%*	*26%*	*43%*	*4%*	*35%*	*24%*	*46%*
Net Profits	**1,549**	**2,668**	**3,536**	**3,811**	**867**	**1,233**	**737**
Profit Gr%	*-33%*	*72%*	*33%*	*8%*	*4387%*	*75%*	*-15%*
Ebdita Margin%	**32.6%**	**36.7%**	**40.0%**	**40.6%**	**26.7%**	**43.3%**	**35.5%**
Net Profit Margin%	**16.3%**	**25.0%**	**25.4%**	**26.7%**	**28.9%**	**35.1%**	**22.3%**

Std/ Fig in Rs Cr

❑ Crude Oil Volume is expected to decline by almost 5% on YoY basis in Q4 FY19 led by the lower production in month of Jan and Feb. This lower production could be attributed to lower demand from OMC's and rampant Citizenship Amendment Bill protests in Upper Assam affecting operations.

❑ PNGRB has revised price of domestic gas by 10% to 3.69 USD/MMBtu. This price is applicable from 1 April to 30 Sep 2019. This hike will help the company to ease out the cost pressure in gas exploration business.

❑ Considering decline in the output from existing wells, Oil India is developing Ningru PML gas field and production from this field is expected to be around 800 BOPD of crude oil and 0.2 MMSCMD of gas.

❑ The company is also developing Baghjan field in order to boost oil and gas production by 2022.

❑ Interest cost is expected to decline as the company has paid debt of Rs. 2800 Cr in the first half of FY19.

Key Trackable this Quarter

❑ Update on development of Ningru PML gas field.

❑ Status of number of wells drilled at Baghjan field

We value the stock at 8x Adj FY20e EPS , FV of Investments at Rs 80 and valuation of Mozambique at (-)Rs 50 to arrive at SOTP value of Rs 192. HOLD

Oil & Natural Gas Corpn Ltd

ONGC IN

Oil & Gas

CMP	**157**
Target	**191**
Upside	**22%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	10%	10%	14%	12%
Roce%	10%	10%	14%	12%
P/E	13.3	10.7	6.6	7.2
P/B	1.3	1.1	0.9	0.9
EV/Ebdita	7.3	5.8	3.6	3.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Volume							
Crude Volume(MMT)	19.8	19.7	18.8	19.6	5.0	4.6	4.9
Gas Volume(BCM)	17.9	19.5	20.2	20.4	4.8	5.3	4.9
LPG Volume(MMT)	1,352	1,221	1,131	1,154	309	280	286
Crude realiz.(Rs./BBL)	*3,267*	*3,527*	*4,371*	*3,860*	4,121	3,894	3,860
Financials							
Sales	*77,908*	*85,004*	*111,193*	*116,350*	*23,970*	*27,694*	*28,296*
Sales Gr	*0%*	*9%*	*31%*	*5%*	*10%*	*20%*	*18%*
Other income	*7,548*	*7,884*	*7,142*	*5,951*	*3,734*	*2,225*	*1,873*
Ebdita	**31,079**	**36,988**	**55,939**	**54,987**	**8,346**	**13,896**	**13,978**
Ebdita Gr	*-4%*	*19%*	*51%*	*-2%*	*84%*	*27%*	*67%*
Net Profits	**17,900**	**19,945**	**30,465**	**27,857**	**5,915**	**8,263**	**7,793**
Profit Gr%	*11%*	*11%*	*53%*	*-9%*	*36%*	*65%*	*32%*
Ebdita Margin%	**39.9%**	**43.5%**	**50.3%**	**47.3%**	**34.8%**	**50.2%**	**49.4%**
Net Profit Margin%	**23.0%**	**23.5%**	**27.4%**	**23.9%**	**24.7%**	**29.8%**	**27.5%**

Std/ Fig in Rs Cr

❑ Crude Oil Volume is expected to remain muted in Q4 FY19 led by the lower production in month of Feb. This lower production could be attributed to lower demand from OMC's and lower output from NBP field in the Bassein. However recovery enhancement process is ongoing at Bassein fields and MH south Phase-III fields. These developments are expected to be completed by end of this quarter, any update from management will be key watchable.

❑ Average crude oil price remains flat on sequential basis in Q4 FY19 to Rs. 3860/bbl and hence we assume no significant change in crude realization from previous quarter.

❑ PNGRB has revised price of domestic gas by 10% to 3.69 USD/MMBtu. This price is applicable from 1 April to 30 Sep 2019. This hike will help the company to ease out the cost pressure in gas exploration business.

❑ Company is ramping up production at S1 and Vashishta gas fields which is likely to improve its volume in upcoming fiscal.

❑ Other income is expected to decline due to lower dividend announced by OMC's in Q4 FY19.

Key Trackable this Quarter

❑ Status of Enhanced Recovery of Bassien field

❑ Update on MH South Redevelopment Ph-III

❑ Production update from Mumbai offshore, Daman and Vasai oil fields

We value the stock at 8x FY20e EPS(Std.) & Subsidiary at Rs 28 per Share. BUY

Petronet LNG Limited

PLNG IN

Oil & Gas

CMP	**247**
Target	**255**
Upside	**3%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	21%	21%	22%	22%
Roce%	23%	28%	29%	28%
P/E	17.7	17.5	16.6	15.5
P/B	3.7	3.7	3.7	3.3
EV/Ebdita	12.1	11.0	10.5	9.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Volume(TBUT)							
Dahej terminal	714	816	832	886	207	196	211
Cap. Utiliz.(%)	*112%*	*106%*	*109%*	*99%*	*108%*	*102%*	*110%*
kochi terminal	15	32	25	34	6.00	6.00	6.39
Cap. Utiliz.(%)	*6%*	*12%*	*10%*	*14%*	9%	9%	10%
Financials							
Sales	*24,616*	*30,599*	*40,333*	*44,086*	*8,636*	*10,098*	*10,321*
Sales Gr	*-9%*	*24%*	*32%*	*9%*	*36%*	*30%*	*20%*
Ebdita	**2,592**	**3,312**	**3,528**	**3,757**	**822**	**848**	**862**
Ebdita Gr	*63%*	*28%*	*7%*	*6%*	*33%*	*0%*	*5%*
Net Profits	**1,706**	**2,078**	**2,228**	**2,396**	**523**	**565**	**513**
Profit Gr%	*87%*	*22%*	*7%*	*8%*	*11%*	*7%*	*-2%*
Ebdita Margin%	**10.5%**	**10.8%**	**8.7%**	**8.5%**	**9.5%**	**8.4%**	**8.3%**
Net Profit Margin%	**6.9%**	**6.8%**	**5.5%**	**5.4%**	**6.1%**	**5.6%**	**5.0%**

Std/ Fig in Rs Cr

❑ Dahej Terminal- Volumes at Dahej terminal is likely to remain muted as lower demand by power and city gas distribution companies. We expect volume growth to remain muted or marginal growth of 1-2% on YoY in Q4 FY19. Dahej terminal's 2.5mmtpa expansion is on track for completion in Q1FY20, post which Dahej volumes are expected to rise from 16.1mmt in FY19E to 17.0mmt in FY20E. For FY21, Dahej volume guidance stands at 17.5 MT.

❑ Kochi Terminal- Performance of Kochi terminal is likely to remain subdued in Q4 FY19, due to un-availability of adequate evacuation pipeline. Kochi-Mangalore pipeline is expected to start by June 2019 which will help the company to improve utilization level of this terminal. Kochi volumes, post completion of Mangalore pipeline would increase to 1.44 MTPA. Further two more customers OMPL and MRPL will be ready to take volumes from Kochi terminal. For FY21, Kochi volume guidance stands at 1.44MMT.

❑ Overseas project- PLNG is in the process of feasibility study at Sri Lanka project and has submitted term sheet to the Sri Lankan government whereas negotiation with the Bangladesh government is ongoing.

❑ Spot LNG price has witnessed a sharp decline in Q4 FY19. LNG price has reached to almost three-year low of around USD 4.30 per MMBTU in the last week of March. This is likely to exert pressure on the marketing margins of the company in Q4 FY19 and upcoming quarters.

Key Trackable this Quarter

❑ Update on off-take by OMPL and MRPL

❑ Update on start of Mundra and Ennore terminal.

❑ Status of expansion at Dahej

We value the stock at 10x FY20e EV/EBITDA. HOLD

Reliance Industries Limited

RIL IN

Oil & Gas

CMP	**1388**
Target	**1460**
Upside	**5%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	11%	12%	12%	12%
Roce%	8%	11%	13%	13%
P/E	13.2	16.8	22.0	20.6
P/B	1.5	2.1	2.7	2.5
EV/Ebdita	11.8	11.6	12.5	11.0

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment overview							
Refining sales(Cr.)	250,833	306,095	417,193	477,381	93,519	111,738	111,049
Refining EBIT	25,056	25,869	23,098	27,320	5,607	5,055	7,406
Petchem sales(Cr.)	92,472	125,299	175,149	197,227	38,113	46,246	44,871
Petchem EBIT	12,990	21,179	32,697	38,872	6,435	8,221	8,499
Org.Retail sales(Cr.)	33,765	69,198	131,552	166,141	24,183	35,577	37,649
Org.Retail EBIT	784	2,064	5,081	6,033	951	1,512	1,256
Jio sales(Cr.)		*23,770*	*46,757*	*61,823*	8,421	12,302	13,860
Jio EBIT		3,196	8,094	9,616	1,495	2,362	1,975
Financials							
Sales	*305,382*	*391,677*	*588,102*	*696,180*	*116,915*	*156,397*	*159,626*
Sales Gr	*11%*	*28%*	*50%*	*18%*	*38%*	*57%*	*37%*
Ebdita	**46,194**	**64,176**	**84,687**	**97,511**	**18,469**	**21,317**	**21,601**
Ebdita Gr	*11%*	*39%*	*32%*	*15%*	*51%*	*21%*	*17%*
Net Profits	**29,833**	**36,080**	**39,948**	**42,597**	**9,459**	**10,376**	**10,571**
Profit Gr%	*0%*	*21%*	*11%*	*7%*	*17%*	*10%*	*12%*
Ebdita Margin%	**15.1%**	**16.4%**	**14.4%**	**14.0%**	**15.8%**	**13.6%**	**13.5%**
Net Profit Margin%	**9.8%**	**9.2%**	**6.8%**	**6.1%**	**8.1%**	**6.6%**	**6.6%**

Conso/ Fig in Rs Cr

❑ Refining business throughput volumes is expected to remain muted on account of lower demand in the month of Feb. However refining margins are expected to improve sequentially on the higher distillate yields. Further Singapore refining margins have also improved in the month of March to 4.9 USD/bbl.

❑ Petrochemicals business is expected to remain buoyant in Q4 FY19, led by the stabilization of Petchem plants which were remained shut due to maintenance work in Q3 FY19 and benefit of newly started Nagothane ethane cracking project is likely to reflect in Q4 FY19.

❑ Retail- Recently the company has acquired mid-segment menswear brand John Players from ITC Ltd for Rs. 150 Cr. This will add Rs 350 Cr in FY20e. Further the company is adding 120 new outlets every quarter which gives us strong revenue growth visibility for next couple of years.

❑ Jio has added 280 million subscribers to its network by the end of Dec 2019. Company's aggressive efforts to increase subscriber base restricts ARPU to Rs. 130 in the last quarter. Jio is now rolling out JioGiga Fiber in 1,100 cities in India and is targeting 5 Cr JioGiga Homes in the first phase through local cable network of Hathway and Den network.

Key Trackable this Quarter

❑ GRM for the quarter

❑ Status of starting of Reliance Pet coke gasifier project

❑ Interest cost and depreciation

We value the stock at 12x FY20e EBITDA. HOLD

Alembic Pharmaceuticals Limited

ALPM IN

Pharmaceuticals

CMP	**542**
Target	**595**
Upside	**10%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	21.2%	18.6%	21.6%	15.1%
Roce%	28.0%	19.8%	23.5%	16.7%
P/E	28.7	24.9	17.5	21.9
P/B	6.1	4.6	3.8	3.3
EV/Ebdita	19	17	12	14

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
India Formulation	1,255	1,274	1,416	1,596	304	365	335
US formulation	917	928	1,219	1,227	289	308	269
ROW	319	279	577	560	63	140	140
API	640	650	754	832	198	205	215
Sales	3,135	3,131	3,966	4,215	853	1,018	959
Sales Gr	*-1%*	*0%*	*27%*	*6%*	*15%*	*21%*	*12%*
Ebdita	615	643	878	738	173	242	182
Ebdita Gr	*-39%*	*5%*	*36%*	*-16%*	*29%*	*29%*	*5%*
Net Profits	403	413	586	468	94	170	124
Profit Gr%	*-44%*	*2%*	*42%*	*-20%*	*1%*	*30%*	*33%*
Ebdita Margin%	31.8%	19.6%	20.5%	22.1%	20.3%	23.8%	19.0%
Net Profit Margin%	12.9%	13.2%	14.8%	11.1%	11.0%	16.7%	13.0%

Cons./ Fig in Rs Cr

❑ We expect US revenue to decline by 15% QoQ to US$ 38 million in Q4FY19, as Q3FY19 had a one-off sales based on supply shortage of 3 - 4 products.

❑ For the full year, we believe the US revenue will grow by 21% YoY to US$ 175 million as the company had a one-off opportunity based on Valsartan shortage. Even after the pricing pressures across the market, the company was able to take price hike in about 25% of its portfolio.

❑ We expect India sales to improve by 10% YoY to Rs. 335 crores in Q4FY19 based on the company's focus on the specialty segment like Cardiology, Anti Diabetic and Gynaecology.

❑ We expect margins to be under pressure as exhibit batches are taken from the new plants, the direct R&D cost related to staff cost and other expenses are being expensed out. We believe R&D expense for FY19 will be around 14% of sales in comparison to 13% in FY18.

❑ We assume the overall sales in FY20 to improve by only 6% to 4215 crores. We believe US sales to remain flat in FY20 as this year there was a one- off opportunity on account of Valsartan. We expect PAT to decline by 20% in FY20 due to higher staff cost and R&D expenses as exhibit batches will be taken from the new plants.

❑ As per the management, the General injectable facility will see filings from the end of this calender year and for Onco injectable facility the filings should start from last quarter of FY20. Therefore, we believe the approvals to come from FY20 and the revenue generation to start from FY21 onwards

Key Trackable this Quarter

❑ ANDA filings and approval from the new plants

❑ R&D investment

❑ USFDA Form 483 in Aleor's Derma Plant.

We value the stock at 24x FY20e EPS. NEUTRAL

Aurobindo Pharma Limited

ARBQY US

Pharmaceuticals

CMP	**787**
Target	**928**
Upside	**18%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	24.6%	20.7%	17.7%	19.0%
Roce%	31.5%	26.5%	23.2%	23.5%
P/E	17.2	13.5	18.7	14.4
P/B	4.2	2.8	3.3	2.7
EV/Ebdita	11.4	8.5	11.3	9.1

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
North America	6,827	7,442	8,924	10,240	1,739	2,433	2,374
Europe	3,277	4,354	4,867	6,118	1,152	1,293	1,219
Growth Markets	756	897	1,214	1,278	210	341	309
ARV	1,185	840	958	1,187	149	281	277
API	3,042	2,962	3,319	3,295	800	922	833
Sales	15,090	16,500	19,283	22,119	4,049	5,270	5,012
Sales Gr	*8%*	*9%*	*17%*	*15%*	*11%*	*22%*	*24%*
Ebdita	3,434	3,772	3,984	4,822	804	1,086	1,093
Ebdita Gr	*8%*	*10%*	*6%*	*21%*	*11%*	*6%*	*36%*
Net Profits	2,296	2,420	2,469	3,199	529	712	692
Profit Gr%	*14%*	*5%*	*2%*	*30%*	*-1%*	*20%*	*31%*
Ebdita Margin%	22.8%	22.9%	20.7%	21.8%	19.9%	20.6%	21.8%
Net Profit Margin%	15.3%	14.7%	12.8%	14.5%	13.1%	13.5%	13.8%

Cons./ Fig in Rs Cr

❑ We expect the revenue from the US business to increase by 25% YoY to US$ 338 million as we assume injectable business (Auromedics) to grow by 59% YoY on the back of new launches and improvement in the base business.

❑ The acquisition of Apotex business would trigger revenue growth in Europe as this acquisition would give the company entry into two additional market of Eastern Europe.

❑ We expect the gross margin to decline by 178 bps YoY in Q4FY19 to 57% due to negative impact on account of Chinese sourcing. Therefore, in order to overcome supply constraints from China, the company has acquired 19.9% stake in Synergy Remedies Private Limited.

❑ We expect EBITDA margin to improve by 194 bps YoY in Q4FY19 to 21.8% as we believe Staff cost and other expenses as a percentage of sales will decline on account of sales growth across geographies.

❑ Going forward, the acquisition of Sandoz and seven marketed injectable products from Spectrum Pharmaceuticals in FY20, would give the company entry into derma and Oncology space in US would be a key growth driver.

Key Trackable this Quarter

❑ Raw material cost

❑ R&D Expenditure

❑ANDA filings and Approvals

We value the stock at 17x FY20e EPS. BUY

Cipla Limited

CIPLA IN

Pharmaceuticals

CMP	**526**
Target	**527**
Upside	**0%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	8.3%	10.0%	9.4%	10.0%
Roce%	7.1%	8.4%	8.6%	9.2%
P/E	40.8	31.0	28.9	24.9
P/B	3.8	3.1	2.7	2.5
EV/Ebdita	20	17	16	15

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
India	5,520	5,870	6,281	6,932	1,601	1,585	1,508
North America	2,629	2,589	3,141	3,475	650	849	864
SAGA	2,920	3,339	3,112	3,133	870	775	752
Emerging Markets	1,997	1,682	1,741	1,672	371	393	407
Europe	585	623	647	730	171	189	183
Global API	529	626	672	590	148	154	147
Others	451	491	291	256	103	64	64
Sales	14,630	15,219	15,883	16,787	3,698	4,008	3,925
Sales Gr	6%	4%	4%	6%	*3%*	*2%*	*6%*
Ebdita	2,476	2,826	2,830	3,039	557	708	694
Ebdita Gr	*0%*	*14%*	*0%*	*7%*	*10%*	*-14%*	*25%*
Net Profits	1,035	1,417	1,463	1,696	179	322	327
Profit Gr%	*-25%*	*37%*	*3%*	*16%*	*184%*	*-20%*	*83%*
Ebdita Margin%	16.9%	18.6%	17.8%	18.1%	15.1%	17.7%	17.7%
Net Profit Margin%	7.1%	9.3%	9.2%	10.1%	4.8%	8.0%	8.3%

Cons./ Fig in Rs Cr

- We expect revenue from US business to grow by 17% YoY to US$ 123 million in Q4FY19 on account of ramp up of limited competition products like Albendazole, Atazanavir and Diclofenac gel.

- For India business, Q4 is the weakest quarter as the company have a heavy acute potfolio but with strong growth in the chronic segment, we believe that the sales would increase by 11% YoY to Rs. 1508 crores in Q4FY19.

- We expect SAGA region to decline by 8% YoY to Rs. 752 crs as the tender business will see a little compression due to the weak funding environment. We believe from Q2FY20, the tender business will start seeing a traction based on the new tender which will start being serviced from 1 July 2019.

- We believe EBITDA margin will continue to see pressure on account of increased R&D expenditure. It is expected to be around 8% of sales in FY19 as the company is moving towards more limited competition products and also due to clinial trial charges related to Advair.

Key Trackable this Quarter

- USFDA Form 483 on Goa facility
- R&D investment
- Limited competition launch each quarter.

We value the stock at 25x FY20e EPS. NEUTRAL

Dr. Reddy's Laboratories Limited

DRRD IN

Pharmaceuticals

CMP	**2796**
Target	**2905**
Upside	**4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	8.5%	7.5%	14.4%	14.3%
Roce%	9.3%	8.4%	13.2%	14.1%
P/E	40.9	36.5	22.7	20.2
P/B	3.5	2.7	3.3	2.9
EV/Ebdita	19.2	15.6	14.4	12.5

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
North America	6,360	5,982	6,207	7,312	1,449	1,483	1,707
Europe	761	822	804	862	171	203	207
India	2,313	2,332	2,639	2,899	614	674	671
Emerging Markets	2,107	2,265	2,939	2,987	550	774	751
PSAI	2,128	2,199	2,340	2,412	625	594	603
Proprietary products	412	602	503	514	126	122	124
Sales	14,081	14,203	15,509	17,063	3,554	3,865	4,090
Sales Gr	*-9%*	*1%*	*9%*	*10%*	*-2%*	*1%*	*15%*
Ebdita	2,221	2,351	3,290	3,703	564	805	957
Ebdita Gr	*-38%*	*6%*	*40%*	*13%*	*-5%*	*2%*	*70%*
Net Profits	1,041	947	2,040	2,295	272	500	545
Profit Gr%	*-51%*	*-9%*	*115%*	*13%*	*-17%*	*65%*	*100%*
Ebdita Margin%	15.6%	16.5%	21.2%	21.7%	15.9%	20.8%	23.4%
Net Profit Margin%	7.3%	6.6%	13.2%	13.5%	7.7%	12.9%	13.3%

Cons./ Fig in Rs Cr

❑ We expect revenue from the US business to increase by 9% QoQ to US$ 243 million in Q4FY19 on account of improvement in the base business and re-launch of the generic version of Suboxone in the US market.

❑ We assume Europe revenue to improve in Q4FY19 on the back of improvement in supplies and new launches.

❑ Revenue from Emerging market will be see traction as we expect Russia to report healthy performance based on new launches. ROW is primarily hospital products; we expect to see growth going forward as this market is leveraging out of the US complex generic portfolio.

❑ We assume the EBITDA margin to be 23.4% in Q4FY19 on account of reduced R&D expenditure and other expenses in comparison to the previous year due to the spend control on the back of cost optimization and productivity improvement initiatives.

Key Trackable this Quarter

❑ NuvaRing and gCopaxone launch

❑ R&D Expenditure

❑USFDA Form 483 on Formulations Plant - 3, Hyderabad

We value the stock at 21x FY20e EPS. NEUTRAL

Lupin Limited

LUPNY US

Pharmaceuticals

CMP	**777**
Target	**820**
Upside	**6%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	18.9%	1.9%	4.7%	10.0%
Roce%	18.7%	10.3%	7.0%	10.9%
P/E	25.5	128.8	53.9	23.7
P/B	4.8	2.5	2.5	2.4
EV/Ebdita	15.6	12.2	16.4	11.5

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
North America	8,263	5,894	5,433	7,159	1,499	1,417	1,581
India	3,797	4,125	4,683	5,386	965	1,190	1,097
APAC	2,266	2,573	2,620	2,822	664	694	699
EMEA	1,012	1,125	1,131	1,133	351	280	280
LATAM	452	579	583	649	165	156	156
API	1,129	1,093	1,423	1,493	281	362	368
Sales	17,494	15,804	16,618	19,138	4,034	4,505	4,306
Sales Gr	*23%*	*-10%*	*5%*	*15%*	*-5%*	*13%*	*7%*
Ebdita	4,493	3,148	2,515	3,550	709	756	683
Ebdita Gr	*22%*	*-30%*	*-20%*	*41%*	*-9%*	*10%*	*-4%*
Net Profits	2,557	258	652	1,483	(784)	(152)	332
Profit Gr%	*13%*	*-90%*	*152%*	*127%*	*-306%*	*-169%*	*142%*
Adjusted Net profits	2,557	1,723	994	1,483	685	192	332
Adjusted Profit Gr%	*13%*	*-33%*	*-42%*	*49%*	*79%*	*-14%*	*-52%*
Ebdita Margin%	25.7%	19.9%	15.1%	18.6%	17.6%	16.8%	15.9%
Net Profit Margin%	14.6%	1.6%	3.9%	7.7%	-19.4%	-3.4%	7.7%

Cons./ Fig in Rs Cr

❑ We expect revenue from US generics business to increase by 6% YoY to US$ 212 million in Q4FY19 on account of gRanexa and Levothyroxine launch though the impact on sales will be lower this quarter as the drug was launched in the latter half of the quarter. And also December to February being the peak flu season, we assume Tamiflu would have contributed well.

❑ In the US branded business, we assume the revenue to increase by 63% QoQ to US$ 13 million based on the Solosec ramp up as the company is focussing on increasing the prescriptions.

❑ We assume India and APAC to grow by 14% and 5% YoY to Rs. 1097 crores and Rs. 699 crores respectively. Going forward, we believe Japan will turn out be interesting market as the company has received PMDA approval for Etanercept.

❑ We expect EBITDA margin to decline by 171 bps YoY to 15.9% in Q4FY19 on account of increased remediation cost related to inspection in Somerset facility and Mandideep facility which has been classified as “OAI”.

Key Trackable this Quarter

❑ USFDA OAI status in Mandideep and Somerset facility

❑ R&D Expenditure

❑ Solosec revenue

We value the stock at 25x FY20e EPS. NEUTRAL

Sun Pharmaceutical Industries Ltd.

Pharmaceuticals

SUNP IN

CMP	**470**
Target	**506**
Upside	**8%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	19.0%	5.7%	7.3%	10.6%
Roce%	23.2%	10.3%	13.1%	13.7%
P/E	23.7	55.0	37.5	23.2
P/B	4.5	3.1	2.7	2.5
EV/Ebdita	16	20	15	13

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
US formulation	13,759	8,747	10,147	10,892	2,372	2,606	2,600
India Formulation	7,749	8,029	8,351	9,138	1,963	2,235	2,104
Emerging market	4,530	4,839	3,220	5,849	1,279	1,462	1,466
ROW	2,583	2,974	3,220	3,512	744	898	843
API	1,598	1,399	1,628	1,873	332	426	382
Others	45	77	103	103	21	30	21
Sales	31,578	26,489	29,058	31,366	6,977	7,740	7,490
Sales Gr	*11%*	*-16%*	*10%*	*8%*	*-2%*	*16%*	*7%*
Ebdita	10,089	5,608	7,237	8,212	1,683	2,153	1,947
Ebdita Gr	*24%*	*-44%*	*29%*	*13%*	*9%*	*48%*	*16%*
Net Profits	6,964	2,162	3,006	4,855	1,309	1,240	1,002
Profit Gr%	*53%*	*-69%*	*39%*	*61%*	*7%*	*239%*	*-23%*
Adjusted Net profits	6,964	3,112	4,221	4,855	1,309	1,240	1,002
Adjusted Profit Gr%	*33%*	*-55%*	*36%*	*15%*	*7%*	*239%*	*-23%*
Ebdita Margin%	31.9%	21.2%	24.6%	25.9%	24.1%	27.8%	26.0%
Net Profit Margin%	22.1%	8.2%	10.2%	15.3%	18.8%	16.0%	13.4%

Cons./ Fig in Rs Cr

❑ We expect US revenue to remain flat YoY at US$ 370 million in Q4FY19 as previous quarter was challenging on account of absence of any meaningful launches and pricing pressures. For Taro, we assume the sales will remain flat QoQ at US$175 million in Q4FY19.

❑ For the full year we expect the sales from US to increase by 7% YoY to US$ 1454 million based on specialty launch of Illumya and Xelpros.

❑ In Q4FY19, India business is expected to increase by 7% YoY to Rs. 2104 crores. The company is in the process of transitioning the distribution of India formulation business from Aditya Medisales to 100% subsidiary of Sunpharma by FY20.

❑ We expect EBITDA margin to decline by 183 bps QoQ to 26% in Q4FY19 as we believe the marketing related cost and staff cost to be higher in Q4FY19 on account of Illumya and Xelpros promotion. We assume these expenses to further increase with Cequa launch in Q1FY20.

❑ We expect R&D expenditure to be 7-7.5% of total sales in FY19 considering the focus on growing the specialty business.

Key Trackable this Quarter

❑ ANDA filings and approval

❑ R&D investment

❑ Specialty product pipeline.

We value the stock at 25x FY20e EPS.NEUTRAL

Cyient Limited

CYL IN

Technology

CMP	**579**
Target	**657**
Upside	**13%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	16.9	18.1	18.0	18.7
Roce%	18.4	18.8	21.4	21.4
PE	15.5	19.2	14.9	13.2
PB	2.5	3.3	2.6	2.3
EV/Ebdita	9.6	13.1	8.8	7.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenues (USD m)	**538**	**607**	**658**	**696**	**165**	**165**	**163**
Segment revenue (in crore)							
Mfg and industrial	*290*	*319*	*349*	*379*	82	86	*90*
Utilities,geo and comm	194	226	231	248	60	58	57
DLM	*54*	*62*	*78*	*69*	18	21	*16*
Financials							
Sales	**3,586**	**3,914**	**4,630**	**5,014**	**1,061**	**1,188**	**1,175**
Sales Gr	*16%*	*9%*	*18%*	*8%*	*14%*	*21%*	*11%*
Ebdita	**477**	**535**	**647**	**709**	**141**	**174**	**181**
Ebdita Gr	*13%*	*12%*	*21%*	*10%*	*14%*	*24%*	*28%*
Net Profits	**340**	**403**	**427**	**483**	***120***	**92**	**127**
Profit Gr%	*4%*	*18%*	*6%*	*13%*	*53%*	*6%*	*6%*
Ebdita Margin%	**13.3%**	**13.7%**	**14.0%**	**14.1%**	**13.3%**	**14.7%**	**15.4%**
Ebit Margin%	**10.7%**	**11.0%**	**11.5%**	**11.6%**	**10.9%**	**12.3%**	**12.9%**
Net Profit Margin%	**9.5%**	**10.3%**	**9.2%**	**9.6%**	**11.3%**	**7.8%**	**10.8%**

Fig in Rs Cr

❑ Sales are expected to decline 1.1% QoQ in USD term mainly impacted by delay in large client order ($5million impact expected in 4QFY19).

❑ We expect service business to post 1.6% revenue growth in USD term led by strong growth in verticals like Semiconductor and IE&NR. Due to some deferment of orders by some of customers in the A&D and Communications business units, we expect these segments to post soft growth.

❑ DLM business was down in 3QFY19 on planned exit from lower margin accounts, we expect it to continue to post tepid performance led by large client specific.

❑ Margins are expected to improve 70bps led by exit of lower margin contracts and better DLM margins. However some portion will be mitigated by currency fluctuation.

❑ Management has lowered its service guidance from double digit to 8.5% to 9.5% for FY19. We expect service business to grow even below the guided range for FY19.

Key Trackable this Quarter

❑ Commentary on macro challenges, client budget and major vertical performance aerospace and defense, communication etc.

❑ Margin outlook and levers playing out in FY20.

We value the stock at 15x FY20E EPS. Maintain ACCUMULATE.

HCL Technologies Limited

HCLT IN

Technology

CMP	**1101**
Target	**1297**
Upside	**18%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	31.5	31.8	33.7	33.8
Roce%	31.0	28.1	29.7	29.1
PE	14.5	15.5	14.7	12.7
PB	3.8	3.7	3.6	2.9
EV/Ebdita	11.2	11.7	10.5	8.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Software Ser Rev $mn	4,051	4,589	4,989	5,424	1,198	1,267	1,288
IMS Rev. $mn	2,767	2,959	3,192	3,827	760	825	866
Software Service	27,139	29,611	35,076	38,778	7,752	9,034	9,209
IMS	18,543	19,095	22,452	27,366	4,919	5,883	6,195
BPO Service	1,886	1,863	3,105	3,330	507	782	792
Financials							
Sales	**47,568**	**50,569**	**60,634**	**72,670**	**13178**	**15,699**	**16,197**
Sales Gr	*53%*	*6%*	*20%*	*20%*	*2%*	*23%*	*23%*
Ebdita	**10,385**	**11,246**	**14,057**	**17,489**	**3022**	**3,632**	**3,725**
Ebdita Gr	*56%*	*8%*	*25%*	*24%*	*10%*	*30%*	*23%*
Net Profits	**8,606**	**8,722**	**10,179**	**11,722**	**2,230**	**2,605**	**2,609**
Profit Gr%	*54%*	*1%*	*17%*	*15%*	*-10%*	*26%*	*17%*
Ebdita Margin%	21.8%	22.2%	23.2%	24.1%	23%	23.1%	23.0%
Ebit Margin%	20.1%	19.5%	19.8%	19.8%	20%	19.7%	19.7%
Net Profit Margin%	18.1%	17.2%	16.8%	16.1%	17%	17%	16.1%

Fig in Rs Cr

- Sales are expected to improve 2.9%QoQ in USD term on account of strength in Mode-2 business and continued recovery in the IMS business.
- IMS business which was posting a laggard growth in FY18 due to dip in 2017 order booking, finally showed a recovery in last quarter. We expect the growth to continue as big deal won in IMS will start to ramp up during the quarter and also additional revenue is expected to flow through H&D acquisition.
- Even the management is confident of growth in IMS in 4QFY19 despite 10% sequential growth in the last quarter.

- In Mode 2 (which is entirely digital business) the demand for hybrid cloud is gaining traction which is witnessing strong adoption across large enterprises. Thus, we expect to continue to see good momentum from Mode 2 in 4QFY19 (grew 13.1%QoQ in 3QFY19).

- EBIT margin is likely to be 19.7% within the guided range of 19.5–20.5%.Operational efficiencies is likely to be completely offset by rupee appreciation and continued investment plan by the management in mode 2 and mode 3. Thus we expect overall margin for 4QFY19 to flat.

- Management is looking at a pretty strong quarter in 4QFY19 and thus expecting revenue growth to land in the higher end of guidance for the full year. (9.5% to 11.5%).

Key Trackable this Quarter

- Organic growth outlook and commentary on ER&D business .
- Continued deal wins and update on products acquisition from IBM

We value the stock at 15x FY20E EPS. Maintain BUY

Infosys Limited

INFO IN

Technology

CMP	**757**
Target	**842**
Upside	**11%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	20.9	24.8	22.5	24.3
Roce%	20.7	24.5	22.2	24.0
PE	16.3	15.5	20.1	18.1
PB	3.4	3.8	4.7	4.4
EV/Ebdita	13.8	14.1	16.8	14.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenue USD mn	10,206	10,936	11,802	12,991	2,805	2,987	3,063
Revenue by industry							
Financial services		3,601	3,810	4,195	914	971	998
Manufacturing		1,037	1,171	1,348	269	302	317
E&U		1,286	1,490	1,713	337	382	398
Retail		1,758	1,950	2,169	470	490	500
Life Sciences, Hi tech and others		1,881	1,944	2,029	477	487	488
Communication		1,373	1,437	1,536	289	355	363
Financials							
Sales	**68,485**	**70,522**	**82,995**	**93,538**	**18,083**	**21,400**	**21,858**
Sales Gr	*10%*	*3%*	*18%*	*13%*	*6%*	*20%*	*21%*
Ebdita	**18,605**	**19,011**	**20,352**	**24,254**	**4,812**	**4,959**	**5,333**
Ebdita Gr	*9%*	*2%*	*7%*	*19%*	*3%*	*3%*	*11%*
RPAT	**14,383**	**16,100**	**15,378**	**17,964**	**3,690**	**3,610**	**4,046**
Adj Net Profits	**14,403**	**16,029**	**16,099**	**17,964**	**3,690**	**4,061**	**4,046**
Profit Gr%	*5%*	*11%*	*0%*	*12%*	*2%*	*-21%*	*10%*
Ebdita Margin%	**27.2%**	**27.0%**	**24.5%**	**25.9%**	**26.6%**	**23.2%**	**24.4%**
Ebit Margin%	**24.7%**	**24.3%**	**22.1%**	**25.9%**	**24.1%**	**20.5%**	**22.2%**
Net Profit Margin%	**21.0%**	**22.7%**	**19.4%**	**19.2%**	**20.4%**	**19.0%**	**18.5%**

Cons/ Fig in Rs Cr

❑ Sales are expected to clock 2.5% QoQ in USD term in 4QFY19 led by continued growth in verticals like financial service, manufacturing , E&U and robust TCV wins ($1570million in 3QFY19).

❑ Financial service which is major contributor to revenue (~33%) is expected to be improve in 4QFY19 driven by traction from new account acquisitions and ramping up of accounts opened recently . however some portion growth will be mitigated as challenges persists in buy-side sub-segment and also as the interest rate by Fed remains unchanged will give no strength to the pipeline.

❑ Retail segment which was mainly impacted by seasonal weakness in 3QFY19 is expected to improve 4QFY19 as increasing focus on digital transformation in sub segments is resulting in steady increase in deal wins and deal pipeline of the company.

❑ Communication sector which remained under pressure due to sector specific headwinds in 3QFY19 is expected to post laggard growth as the two deal wins in last quarter will take time to ramp up. However as deal ramps up will help to change the trajectory of the segment.

❑ Margin for 4QFY19 is expected to be impacted by 40 to 50 bps(excluding the one off related to panaya and skaya)due to rupee appreciation, targeted compensation corrections plan, continued investments in business and initial margin impact due to transition cost as the projects ramp up.

Key Trackable this Quarter

❑ Macro level concerns altering client spending plans or trajectory

❑ Outlook on multi- year deal wins, financial service trend and increased TCV wins for FY20.

We value the stock at 20x FY20E EPS. Maintain ACCUMULATE.

Larsen & Toubro Infotech Limited

Technology

LTI IN

CMP	**1714**
Target	**1938**
Upside	**13%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19	FY20
Roe%	36.8	31.8	34.5	30.1
Roce%	39.6	29.5	39.7	35.8
PE	12.5	20.7	18.9	17.1
PB	3.9	6.0	5.8	4.6
EV/Ebdita	9.6	19.1	14.8	12.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenues ($ m)	**972**	**1,132**	**1,351**	**1,546**	**309**	**347**	**356**
BFSI	3,073	3,451	4,520	5,101	940	1,164	1,186
Manufacturing	1,189	1,227	1,485	1,740	345	388	401
CPG, Retail, Pharma & o	*824*	*990*	*1,411*	*1,813*	275	376	390
Energy& Utilies	*722*	*856*	*1,012*	*1,212*	229	268	276
Hi tech, Media	694	782	1,076	1,265	212	278	292
Financials							
Sales	**6,501**	**7,307**	**9,505**	**11,132**	**2,001**	**2,473**	**2,545**
Sales Gr	*11%*	*12%*	*30%*	*17%*	*19%*	*31%*	*27%*
Ebdita	**1,230**	**1,188**	**1,893**	**2,151**	**292**	**509**	**486**
Ebdita Gr	*20%*	*-3%*	*59%*	*14%*	*-8%*	*58%*	*67%*
Net Profits	**971**	**1,113**	**1,517**	**1,676**	**289**	**376**	**380**
Profit Gr%	*15%*	*36%*	*11%*	*-100%*	*14%*	*33%*	*31%*
Ebdita Margin%	**18.9%**	**16.3%**	**19.9%**	**19.3%**	**14.6%**	**20.6%**	**19.1%**
Ebit Margin%	**16.2%**	**14.1%**	**18.4%**	**17.9%**	**12.8%**	**19.1%**	**17.9%**
Net Profit Margin%	**14.9%**	**15.2%**	**16.0%**	**15.1%**	**14.5%**	**15.2%**	**14.9%**

Cons/ Fig in Rs Cr

❑ Sales are expected to improve 2.6% QoQ in USD terms on back of healthy deal pipeline (17 new added in 3QFY19 including 2 from F500 momentum), continued increase in large deal wins (Nets, Nordic) and sustained client mining.

❑ Some portion of revenue growth in 4QFY19 is expected to be mitigated by the tightness in top client budget which will impact near term revenue.

❑ BFS which is largest vertical for the company is expected to see softness in 4QFY19 and FY20 (for near term) as the top clients show some tightness in budgets(largest client Citi bank), however we expect positive traction in wealth space and growth in insurance vertical will support the growth going ahead . Also, Syncordis acquisition will also help in aiding revenue growth in Europe region.

❑ CPG, Retail & Pharma is expected to continue to post strong growth in 4QFY19 (after reflection of 15%, 9.8% in 2QFY19/3QFY19) as one of project won in 1QFY19, has been ramping up and expected to grow in 4QFY19 also.

❑ Margin are expected to decline 150bps mainly on account of planned reduction in utilization (which is at all time high) and continued reinvestment in the business.

❑ We expect the Pat for FY19 to be higher than 15% range which is above the guidance given by the management.

Key Trackable this Quarter

❑ Management outlook on macro challenges and top client performance.

❑ Commentary on BFS & CPG, Retail and continued deal wins to foster future growth.

❑ Outlook on margin going forward.

We value the stock at 20x FY20E EPS. Maintain ACCUMULATE

L&T Technology Services Ltd.

LTTS IN

Technology

CMP	**1609**
Target	**1403**
Upside	**-13%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	33.3	29.6	34.7	28.7
Roce%	36.7	27.0	34.9	31.8
PE	13.8	25.1	21.6	20.6
PB	4.0	6.6	6.6	5.3
EV/Ebdita	10.1	21.9	17.9	15.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenues (USD m)	**484**	**581**	**724**	**831**	**163**	**186**	**192**
Segment revenue ($mn)							
Transportation	160	184	229	275	50	59	62
Industrial Products	127	132	147	166	34	38	38
Telecom & Hi-tech	*90*	*150*	*147*	*166*	48	50	50
Process Industry	*74*	*75*	*103*	*123*	20	27	28
Medical Devices	33	39	48	59	11	13	13
Financials							
Sales	**3,248**	**3,747**	**5,105**	**5,977**	**1,055**	**1,317**	**1,370**
Sales Gr	*6%*	*15%*	*36%*	*17%*	*30%*	*36%*	*30%*
Ebdita	**586**	**576**	**920**	**1,066**	**164**	**242**	**253**
Ebdita Gr	*13%*	*-2%*	*60%*	*16%*	*22%*	*63%*	*55%*
Net Profits	**425**	**507**	**771**	**808**	**159**	**186**	**195**
Profit Gr%	*2%*	*19%*	*52%*	*5%*	*65%*	*47%*	*23%*
Ebdita Margin%	**18.0%**	**15.4%**	**18.0%**	**17.8%**	**15.5%**	**18.4%**	**18.5%**
Ebit Margin%	**16.1%**	**13.0%**	**16.1%**	**15.9%**	**11.3%**	**16.5%**	**16.8%**
Net Profit Margin%	**13.1%**	**13.5%**	**15.1%**	**13.5%**	**15.1%**	**14.1%**	**14.2%**

Cons/ Fig in Rs Cr

❑ Sales are expected to improve 3.1% in USD term led by the ramp of deals across verticals (4 deals in Automotive in areas of EV, Infotainment and deals across Hi-tech and Oil & Gas major).However some portion of revenue growth will be mitigated by 1-month revenue impact from large client.

❑ The telecom vertical which contributes 27% of overall revenue will see some softness in 4QFY19 (1 month revenue impact) and will see the full impact in FY20 (approx 4% impact in overall revenue) due to one large client issue. However other verticals like transportation, industrial, medical are expected to post strong growth in 4QFY19 on the back robust deal wins (net new wins $80 mn in 3QFY19) and healthy pipeline.

❑ EBITDA margin is expected to improve slightly by 10 bps during the quarter led by benefit from onsite /offshore mix and growth from higher margin business (medical and process segment).

❑ For FY20, management has stated of mid teens revenue growth seeing robust deal pipeline and huge opportunities in segment like medical, transportation and telecom etc. We expect the company to post 15% growth in FY20 factoring in the large client issue in telecom which will impact the overall revenue growth by 4%.

Key Trackable this Quarter

❑ Commentary on macro challenges,ER&D budget and any further client specific issues.

❑ Margin levers for FY20

We value the stock at 18FY20E EPS. Maintain NEUTRAL.

Mastek Limited

MAST IN

Technology

CMP	**474**
Target	**563**
Upside	**19%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	7.4	11.8	14.8	16.2
Roce%	10.1	15.2	19.7	21.3
PE	11.5	16.5	10.2	8.7
PB	0.9	2.1	1.7	1.4
EV/Ebdita	8.3	11.3	7.2	5.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenue by industry							
UK	465	563	768	954	161	198.99	209
US	62	237	257	261	60	62.36	63
Others	35	17	16	14	2	3.65	3
TOTAL	***562***	***817***	**1,041**	**1,229**	**224**	**265**	**275**
UK Growth		21.2%	36.4%	24.2%	36.1%	39.2%	29.5%
US Growth		283.1%	8.2%	1.6%	9.1%	0.0%	4.1%
Financials							
Sales	**562**	**817**	**1,041**	**1,229**	**224**	**265**	**275**
Sales Gr	*7%*	*45%*	*27%*	*18%*	*25%*	26%	23%
Ebdita	**53**	**100**	**132**	**157**	**28**	**34**	**36**
Ebdita Gr	*191%*	*89%*	*33%*	*19%*	*68%*	*32%*	*29%*
Net Profits	**37**	**70**	**102**	**120**	**19**	**27**	**28**
Profit Gr%	*169%*	*90%*	*45%*	*18%*	*82%*	*44%*	*42%*
Ebdita Margin%	**9.4%**	**12.2%**	**12.7%**	**12.8%**	**12.5%**	**12.8%**	**13.1%**
Net Profit Margin%	**6.6%**	**8.6%**	**9.8%**	**9.7%**	**8.7%**	**10.0%**	**10.0%**

Cons/ Fig in Rs Cr

❑ Mastek 4QFY19 sales are expected to improve 3.8% QoQ mainly led by robust order backlog, continued growth in the mature market and strong traction from UK government sector.

❑ The company has strongly positioned itself in the UK government sector for long time. Thus we expect growth to continue in 4QFY19 led by strong order backlog and also benefit will be resulting from brexit as more projects will kick in from UK Government departments like Home Office (Immigration & Biometrics) and NHS Digital (Healthcare).

❑ US business is nascent and is showing declining trend in recent few quarters , however we expect the segment to improve from here without further declining as the management has been working on recovery plan to eliminate the execution issue.

❑ We see US revenues to post laggard growth for a couple of quarters, investments in sales engine may put some pressure on margins.

❑ Order backlog declined 14% QoQ from Rs 599 crore to Rs517 in 3QFY19 due to seasonality and delay in decision making by the management. However we are confident of traction to improve in 4QFY19 on the back of continued client addition and increase in wallet share with existing customer.

❑ Margin is expected to see 30bps improvement led by benefit from currency fluctuation and improvement in operational efficiency. However some pressure will come from US business and lower utilization.

Key Trackable this Quarter

❑ M&A plan for inorganic growth

❑ Growth in UK business to remain in momentum

❑ Management commentary EBDITA Margin for FY20

We value the stock at 11times FY20 EPS.Maintain BUY.

MindTree Limited

Technology

MTCL IN

CMP	**945**
Target	**983**
Upside	**4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20
Roe%	16.2	20.8	23.1	22.4
Roce%	19.2	18.7	25.1	25.0
PE	18.2	21.4	20.3	17.3
PB	2.9	4.4	4.7	3.9
EV/Ebdita	10.6	16.4	14.5	12.1

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenue USD mn	780	847	998	1,141	226	252	259
Revenue by industry							
Retail, CPG & Manufactu	186	197	223	256	53	56	58
BFSI	192	205	219	236	51	55	56
Technology, Media and	286	317	392	457	86	99	102
Travel & Hospitality	116	127	164	190	36	42	43
Financials							
Sales	**5,236**	**5,463**	**7,030**	**8,207**	**1,464**	**1,787**	**1,848**
Sales Gr	*12%*	*4%*	*29%*	*17%*	*11%*	*30%*	*26%*
Ebdita	**705**	**741**	**1,071**	**1,269**	**236**	**283**	**286**
Ebdita Gr	*-14%*	*5%*	*45%*	*19%*	*44%*	*37%*	*22%*
Net Profits	**419**	**570**	**763**	**896**	**182**	**191**	**208**
Profit Gr%	*-24%*	*36%*	*34%*	*17%*	*87%*	*35%*	*14%*
Ebdita Margin%	**13.5%**	**13.6%**	**15.2%**	**15.5%**	**16.1%**	**15.9%**	**15.5%**
Ebit Margin%	**9.9%**	**10.4%**	**12.9%**	**13.2%**	**13.4%**	**13.6%**	**13.3%**
Net Profit Margin%	**8.0%**	**10.4%**	**10.9%**	**10.9%**	**12.4%**	**10.7%**	**11.2%**

Cons/ Fig in Rs Cr

❑ Mindtree sales are expected to improve to 2.8% in USD term led by growth in digital business (30%+ YoY), continued TCV pipeline ($256million) and robust growth in Travel & Hospitality vertical and Retail, CPG & Mfg vertical as well as recovery in BFSI .

❑ BFSI is expected to recover in 4QFY19 on the back of a deal announced however some challenges will continue in insurance for next few quarters.

❑ Digital business (~ 49.5% of revenue) is expected to continue to grow led by robust deal pipeline. Larger deal wins are expected in 4QFY19 and FY20 ($136mn deal came from digital in 3QFY19) as management is seeing expansion in digital deal-size and demand environment remain positive for digital business.

❑ Margin is expected to decline by 40bps as management continues to remain invested in business. The operational efficiencies will result in margin improvement however investment in addition of workforce will offset the margin performance in 4QFY19.

***Key Trackable this Quarter*.**

❑ Commentary on macro challenges and revenue growth from digital business.

❑ Challenge in top 2 to 10 client.

We value the stock at 18x FY20E EPS. Maintain NEUTRAL

MphasiS Limited

MPHL IN

Technology

CMP	**989**
Target	**1314**
Upside	**33%**
Rating	**BUY**

	FY17	FY18	FY19	FY20
Roe%	12.9	15.3	21.1	20.7
Roce%	14.5	18.1	24.6	25.5
PE	15.4	19.5	16.3	14.4
PB	2.0	3.0	3.4	3.0
EV/Ebdita	12.2	15.3	13.0	10.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenues (USD m)	**894**	**989**	**1,120**	**1,255**	**264**	**283**	**293**
Segment revenue ($mn)							
Direct International	*643*	*691*	*760*	*836*	182	190	*196*
DXC / HP Business	214	260	320	376	71	82	86
Others	*36*	*38*	*39*	*43*	10	10	*10*
Financials							
Sales	**6,076**	**6,546**	**7,798**	**9,039**	**1,744**	**1,971**	**2,092**
Sales Gr	*0%*	*8%*	*19%*	*16%*	*16%*	*19%*	*20%*
Ebdita	**969**	**1,062**	**1,339**	**1,588**	**309**	**331**	**356**
Ebdita Gr	*8%*	*10%*	*26%*	*19%*	*30%*	*21%*	*15%*
Net Profits	**792**	**837**	**1,080**	**1,222**	**238**	**278**	**272**
Profit Gr%	*18%*	*6%*	*29%*	*13%*	*29%*	*29%*	*15%*
Ebdita Margin%	**15.9%**	**16.2%**	**17.2%**	**17.6%**	**17.7%**	**16.8%**	**17.0%**
Ebit Margin%	**14.6%**	**15.1%**	**16.2%**	**16.6%**	**16.8%**	**15.8%**	**16.0%**
Net Profit Margin%	**13.0%**	**12.8%**	**13.8%**	**13.5%**	**13.6%**	**14.1%**	**13.0%**

Fig in Rs Cr

❑ Sales are expected to improve by 3.5%QoQ in USD terms mainly on account continued growth in strategic account and new client wins black stone portfolio (part of direct core). HP /DXC channel is expected to be growth driver during the quarter seeing the encouraging TCV wins ($210 million in 3QFY19).

❑ Digital Risk business which is key to Mphasis strength in BFSI domain is expected to post muted performance in 4QFY19 (much below desired range of USD28-30m) as management continues to face challenges due to fall in origination volumes and issue in mortgage industry. However it is expected to be better than 3QFY19 as some spill off to ramp up during the quarter.

❑ EBIT margin is expected to improve by 20bps as compared to 3QFY19 on account of the absence of wage hike & transaction cost and mainly led by improvement in operational parameters like utilization .

❑ For the year FY19, we expect Margins to exit in higher end of guided range of 15% to 17% on the back of FX tailwind, shift in business model & better margin in digital.

Key Trackable this Quarter

❑ Commentary on top customer performance and digital risk business.
❑ Management commentary on macro challenges like Mortgage industry and interest scenario.
❑ Margin outlook for FY20.

We value the stock at 20x FY20 EPS. Maintain BUY.

NIIT Technologies Limited

Technology

NITEC IN

CMP	**1350**
Target	**1340**
Upside	**-1%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20
Roe%	17.6	15.7	14.5	18.0
Roce%	17.8	18.3	23.9	24.7
PE	9.8	19.0	19.7	15.8
PB	1.6	3.0	3.9	3.3
EV/Ebdita	4.9	9.8	11.4	9.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenues growth(usd)	420	462	530	602	121	135	140
Vertical Mix(mn $)							
BFSI	175	197	239	273	53	61	63
Travel & Trans.	*134*	*126*	*141*	*158*	31	36	37
Mfg, Med & Oth	*109*	*138*	*149*	*171*	36	38	40
Financials							
Sales	**2,802**	**2,991**	**3,712**	**4,336**	**789**	**972**	**1,008**
Sales Gr	*4%*	*7%*	*24%*	*17%*	*6%*	*28%*	*28%*
Ebdita	**480**	**501**	**664**	**781**	**145**	**181**	**187**
Ebdita Gr	*1%*	*4%*	*32%*	*18%*	*0%*	*45%*	*29%*
Net Profits	**272**	**280**	**413**	**516**	**86**	**100**	**115**
Profit Gr%	*-5%*	*3%*	*48%*	*25%*	*-20%*	*33%*	*34%*
Ebdita Margin%	**17.1%**	**16.7%**	**17.9%**	**18.0%**	**18.4%**	**18.7%**	**18.5%**
Ebit Margin%	**12.6%**	**12.5%**	**14.5%**	**14.8%**	**14.5%**	**15.4%**	**15.3%**
Net Profit Margin%	**9.7%**	**9.4%**	**11.1%**	**11.9%**	**10.9%**	**10.3%**	**11.4%**

Cons/ Fig in Rs Cr

❑ 4QFY19 are expected to robust quarter again for NIITECH (expectation of 3.7% QoQ in USD term)on the back of sustained flow of fresh order ($165 mn in 3QFY19), strong growth in travel & insurance, and recovery in BFS after furloughs.

❑ BFS revenue growth in 3QFY19 was lower due to furloughs and a strong base present in the past two quarters. The segment is expected to bounce back in 4QFY19 on the back healthy pipeline and large deal wins .however some headwinds will still persists in spending by asset management companies.

❑ Insurance segment which is largest vertical for NIITTECH is expected to continue to post robust growth in 4QFY19 as the demand for platform continues to driving growth.

❑ We expect travel and transport to post strong growth in 4QFY19 as well in FY19 as demand in airlines (40% of Travel) is showing robust growth. The management is continuing to see high demand in the vertical.

❑ Margin is expected to decline 20bps on the back of investment in business to meet supply constraint. 18% will became a new threshold for the margins in FY20.

Key Trackable this Quarter

❑ Commentary on Inorganic growth through M&A.
❑ Expectation to sign at least two large deals every quarter.
❑ Macro challenges in UK and there implication on travel and insurance verticals.
❑ Commentary on Sustained uptick in fresh order intake .

We value the stock at 16x FY20E EPS. Maintain NEUTRAL.

Persistent Systems Limited

Technology

PSYS IN

CMP	**632**
Target	**721**
Upside	**14%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19	FY20
Roe%	17.0	16.0	16.4	17.3
Roce%	17.9	15.4	20.7	21.7
PE	15.8	18.0	13.9	12.3
PB	2.5	2.7	2.3	2.0
EV/Ebitda	9.9	12.1	7.9	6.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenues (USD m)	**429**	**471**	**483**	**523**	**117**	**121**	**120**
Revenue by industry							
Services	195	206	204	216	53	51	52
Digital	70	100	109	130	28	28	29
Alliance	126	130	142	147	28	36	32
Accelerite	38	34	27	30	7	7	7
Financials							
Sales	**2,878**	**3,034**	**3,390**	**3,761**	**753**	**864**	**856**
Sales Gr	*24%*	*5%*	*12%*	*11%*	*3%*	*9%*	*14%*
Ebdita	**465**	**469**	**605**	**681**	**108**	**170**	**151**
Ebdita Gr	*12%*	*1%*	*29%*	*13%*	*-17%*	*24%*	*39%*
Net Profits	**302**	**323**	**352**	**397**	**74**	**92**	**84**
Profit Gr%	*1%*	*7%*	*9%*	*13%*	*1%*	*0%*	*14%*
Ebdita Margin%	**16.2%**	**15.5%**	**17.8%**	**18.1%**	**14.4%**	**19.7%**	**17.6%**
Ebit Margin%	**11.0%**	**10.2%**	**13.1%**	**13.3%**	**8.8%**	**15.1%**	**12.7%**
Net Profit Margin%	**10.5%**	**10.6%**	**10.4%**	**10.5%**	**9.8%**	**10.6%**	**9.8%**

Cons/ Fig in Rs Cr

- ❑ Persistent revenue growth for 4QFY19 is expected to remain muted led by weakness in IP led revenue however some revenue is expected to come through digital business.
- ❑ Digital business which bounce backed in 3QFY19, is expected to continue growth momentum Q4FY2019 driven by ramping up of new deals and also as demand for new-age technologies improves among existing customers.
- ❑ Even the partnership with Partners Healthcare (platform installed in 3-4 big hospitals in Boston/East Coast area in the US under a pilot phase) would aid some revenues in Q4FY2019.
- ❑ Alliance business is expected to remain soft in 4QFY19 as seasonality will be seen IBM CE/CLM and other IPs.
- ❑ Reseller business which showed weakness in 3QFY19 is expected to show better growth in 4QFY19 as lot of opportunity is seen there.
- ❑ Ebitda margin had surprised in 3QFY19 result by improving 250bps(excluding exchange loss) however in 4QFY19 we expect the margins to decline 210 as the company plan to invest in hiring to meet the supply constraints and weakness in IP business.
- ❑ For FY20 , management has stated to maintain the margin at current level led by 1) partnership led businesses increasing which comes with higher rate.2)moving to offshore will benefit margins however aggressive hiring and limited room from utilization to mitigate some margins in coming quarters.

Key Trackable this Quarter

- ❑ Initiative taken by new leadership team (new Ceo).
- ❑ Commentary on IP led revenue and new wins in digital business.
- ❑ Outlook on the margin for FY20.

We value the stock at 14x FY20E EPS. Maintain ACCUMULATE.

Tata Elxsi Limited

Technology

TELX IN

CMP	**982**
Target	**1148**
Upside	**17%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	36.7	37.0	34.2	30.6
Roce%	56.4	49.4	47.4	42.1
PE	26.3	25.6	20.9	18.0
PB	8.2	8.3	6.3	4.9
EV/Ebitda	14.9	17.5	13.6	11.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Software Development	1166	1329	1582	1856	360	394	428
Systems Integration	67	57	54	53	15	13	16
Segments(in cr)							
Software Development							
Embedded Prod Design	996	1,160	1,410	1,678	314	352	381
Indl Design & Visualis.	*171*	*169*	*171*	*178*	46	41	47
Systems Integration	67	57	54	53	15	13	16
Financials							
Sales	**1,233**	**1,386**	**1,636**	**1,909**	**375**	**407**	**444**
Sales Gr	*15%*	*12%*	*18%*	*17%*	*15%*	*18%*	*18%*
Ebdita	**293**	**346**	***430***	***496***	**95**	**103**	**113**
Ebdita Gr	*19%*	*18%*	*24%*	*15%*	*25%*	*11%*	*19%*
Net Profits	**173**	**240**	***292***	***340***	**70**	**66**	**73**
Profit Gr%	*12%*	*39%*	*22%*	*16%*	*58%*	*5%*	*4%*
Ebdita Margin%	**23.8%**	**25.0%**	**26.3%**	**26.0%**	**25.3%**	**25.4%**	**25.5%**
Ebit Margin%	**21.6%**	**23.1%**	**24.8%**	**24.5%**	**23.7%**	**23.9%**	**24.1%**
Net Profit Margin%	**14.1%**	**17.3%**	**17.9%**	**17.8%**	**18.7%**	**16.2%**	**16.5%**

Std/ Fig in Rs Cr

❑ Sales are expected to post 18.3%YoY growth in 4QFY19 led by continued growth in automotive segment ex JLR, new opportunities in android & OTT space (Broadcast) and robust growth in medical and communication segments.

❑ However some growth will be offset by JLR weakness and uncertainty in auto industry.

❑ Automotive segment which is major contributor in EPD (Embedded Product Design) is expected to continue to improve as the growth in ex JLR client is now growing twice JLR account. However as this segment is majorly concentrated in Europe , due to brexit uncertainty near term growth pace will lower as client spending is moving very cautiously .

❑ Tata Elxsi is witnessing strong traction in the OTT segment thus broadcast segment is expect to continue to aid growth in 4QFY19.Even communication segment is growing due to traction from 5G in the areas of network transformation and testing however full impact will take some time to roll out in this segment .

❑ Industrial design (contributes approx 11% of the overall revenue) is expected to continue to grow in 4QFY19 as new engagement are ramping up in 4QFY19.

❑ Margins are expected to remain flat (improvement of 10bps) as investment plan will hold the margin in guided range of 25%.

Key Trackable this Quarter

❑ Expansion in new markets like china, Southeast Asia.

❑ Commentary on revenue growth and margins levers for FY20.

❑ Management response on Brexit and macro challenges around auto industry.

We value the stock at 21x FY20E EPS. Maintain BUY.

Tata Consultancy Services Limited

Technology

TCS IN

CMP	**2080**
Target	**1994**
Upside	**-4%**
Rating	**NEUTRAL**

	FY17	FY18	FY19	FY20
Roe%	33.5	30.2	35.9	34.8
Roce%	37.3	34.4	41.5	40.0
PE	18.2	21.1	24.3	21.4
PB	5.6	6.4	8.5	6.6
EV/Ebitda	14.7	16.6	19.1	16.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenues growth(%)		**9%**	**9%**	**10%**	**12%**	**9%**	**8%**
Revenue by industry							
BFSI	5,861	6,096	6,472	7,141	1,546	1617	1,657
Manufacturing	1,289	1,417	1,504	1,566	368	378	382
Retail and Consumer bu	2,845	3,113	3,454	3,761	825	866.25	884
Communication, media	2,600	2,863	3,034	3,257	741	761	769
Others	*4,942*	*5,600*	*6,416*	*7,219*	1,492	1,628	1,672
TOTAL	***17,537***	***19,089***	***20,880***	***22,943***	**4,972**	**5,250**	**5,364**
Financials							
Sales	**117,966**	**123,104**	**146,805**	**166,337**	**32,075**	**37,338**	**38,352**
Sales Gr	*9%*	*4%*	*19%*	*13%*	*8%*	*21%*	*20%*
Ebdita	**32,311**	**32,516**	**39,828**	**44,592**	**8,652**	**10,083**	**10,394**
Ebdita Gr	*6%*	*1%*	*22%*	*12%*	*6%*	*22%*	*20%*
Net Profits	**26,357**	**25,880**	**31,405**	**35,649**	**6,925**	**8,121**	**7,993**
Profit Gr%	*9%*	*-2%*	*21%*	*14%*	*5%*	*24%*	*15%*
Ebdita Margin%	**27.4%**	**26.4%**	**27.1%**	**26.8%**	**27.0%**	**27.0%**	**27.1%**
Ebit Margin%	**25.7%**	**24.8%**	**25.7%**	**25.5%**	**25.4%**	**25.6%**	**25.7%**
Net Profit Margin%	**22.3%**	**21.0%**	**21.4%**	**21.4%**	**21.6%**	**21.7%**	**20.8%**

Cons/ Fig in Rs Cr

- Sales are expected to post 2.1% in USD terms led by strong TCV wins, continued growth in BFSI and retail segment. However some part is expected to be impacted by manufacturing and Hi tech.
- BFSI is expected to see strong growth in 4QFY19 led by higher order booking ($2+billion in 3QFY19) and continued traction from large US banks.
- Hi-Tech and Automotives are the two segments which are expected to continue to face some growth headwinds in 4QFY19 due to client specific issues. Communications vertical has been volatile in last few quarters and is expected to continue in the near term as visibility from 5G will take some time to play out.
- Regional market which primarily constitute of platform revenues is expected to continue to deliver strong growth in 4QFY19 too on the back of execution of past deal wins.
- EBIT margin is expected to remain flat (10 bps QoQ improvement to 25.7%) mainly led by operational efficiency however some portion will be pushed down by rupee appreciation (40bps).
- For FY19, we expect TCS to post double-digit constant currency revenue growth for FY19. However aspire margin band of 26% to 29% is unlikely to achieved in FY19

Key Trackable this Quarter

- Commentary on the macro environment, spends by BFSI and Retail clients.
- Increase in TCV wins
- Margin levers for FY20.

We value the stock at 21x FY20E EPS. Maintain NEUTRAL.

Tech Mahindra Limited

TECHM IN

CMP	**792**
Target	**829**
Upside	**5%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	18.4	21.5	21.4	20.3
Roce%	16.8	16.5	21.3	20.6
PE	15.7	16.5	17.9	16.2
PB	2.7	3.3	3.6	3.1
EV/Ebitda	10.5	13.2	11.8	10.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenues growth(%)	**10%**	**6%**	**14%**	**14%**	**7%**	**15%**	**16%**
Revenue by industry							
Communication	2,077	2,066	2,042	2,261	518	518	534
Enterprise	2,268	2,706	2,964	3,290	728	743	769
TOTAL	**4,345**	**4,772**	**5,007**	**5,551**	**1,246**	**1,261**	**1,302**
Financials							
Sales	**29,141**	**30,773**	**35,161**	**39,969**	**8,055**	**8,944**	**9,311**
Sales Gr	*10%*	*6%*	*14%*	*14%*	*7%*	*15%*	*16%*
Ebdita	**4,184**	**4,710**	**6,477**	**7,162**	**1,412**	**1,723**	**1,778**
Ebdita Gr	*-2%*	*13%*	*38%*	*11%*	*57%*	*36%*	*26%*
Net Profits	**2,851**	**3,786**	**4,352**	**4,785**	**1,231**	**1,207**	**1,190**
Profit Gr%	*-6%*	*33%*	*15%*	*10%*	*109%*	*31%*	*-3%*
Ebdita Margin%	**14.4%**	**15.3%**	**18.4%**	**17.9%**	**17.5%**	**19.3%**	**19.1%**
Ebit Margin%	**11.0%**	**11.8%**	**15.1%**	**14.5%**	**13.8%**	**16.1%**	**15.8%**
Net Profit Margin%	**9.8%**	**12.3%**	**12.4%**	**12.0%**	**15.3%**	**13.5%**	**12.8%**

Cons/ Fig in Rs Cr

- TECHM is expected to post strong growth of 3.3% QoQ in USD term led by turnaround in telecom, robust deal wins ramping up ($440mn wins in 3QFY19) and continued growth in enterprise segment.
- Communication segment which was dragging the growth for long time is now showing a turnaround from 2QFY19, is expected to post a strong growth again in 4QFY19 led by ramping up of large wins ($240 won in 3QFY19)and continued growth in deal win in digital transformation work.
- 5G requires next few quarter to properly play out, Growth in Communications does not factor in any tailwind from the 5G opportunity.
- Enterprise segment which contributes 50 to 55% of the revenue is expected to improve in 4QFY19 on the back of large deal wins and growth in retail and manufacturing segment.
- After the continued seven to eight quarter growth , margin are expected to muted in 4QFY19(slight decline of 20bps QoQ) mainly impacted by currency headwind, onsite /offshore impact , however some part will be mitigated by levers like improvement in business mix, increase in digital share and continued improvement in telecom space.
- Attrition is in its highest level(21% in 3QFY19), thus can become major concern for the company going head.
- Management has a stated that the pace of margin improvement has been quite fast in last few quarters so they expect margin pace to lower or much more muted going ahead as workforce file, wage hike and location of onsite and offshore may impact the margins.

Key Trackable this Quarter

- Commentary on capex for telecom industry and 5G play out.
- Management comment on guidance of 8% to 10% cc growth in enterprise segment.
- Margin outlook for FY20 and the leverages that will play out.

We value the stock at 17x FY20E EPS. Maintain NEUTRAL.

Wipro Limited

WRPO IN

Technology

CMP	**262**
Target	**302**
Upside	**15%**
Rating	**ACCUMULATE**

	FY17	FY18	FY19E	FY20E
Roe%	17.4	16.1	17.4	16.5
Roce%	17.8	15.6	17.2	17.0
PE	14.7	15.9	17.4	15.6
PB	2.4	2.7	2.8	2.4
EV/Ebitda	11.8	13.0	13.9	12.0

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenues (USD m)	**7,723**	**7,895**	**8,120**	**8,677**	**2,019**	**2,047**	**2,075**
Segment revenue (in crore)							
IT Services	*52,844*	*52,841*	*42,743*	*62,906*	13,412	14,665	*14,942*
IT Products	2,592	1,800	1,560	1,270	417	486	433
Total							
Financials							
Sales	**55,448**	**54,487**	**59,233**	**64,176**	**13,769**	**15,060**	**15,375**
Sales Gr	*8%*	*-2%*	*9%*	*8%*	*-4%*	*10.2%*	*12%*
Ebdita	**11,321**	**10,387**	**11,692**	**13,269**	**2,453**	**3,293**	**3,334**
Ebdita Gr	*5%*	*-8%*	*13%*	*13%*	*-24%*	*32%*	*36%*
Net Profits	**8,518**	**8,003**	**9,090**	**10,136**	*1,801*	**2,544**	**2,566**
Profit Gr%	*-5%*	*-6%*	*14%*	*12%*	*-9%*	*32%*	*42%*
Ebdita Margin%	**20.4%**	**19.1%**	**19.7%**	**20.7%**	**17.8%**	**21.9%**	**21.7%**
Ebit Margin%	**16.3%**	**15.2%**	**16.5%**	**17.5%**	**13.7%**	**18.4%**	**18.3%**
Net Profit Margin%	**15.4%**	**14.7%**	**15.3%**	**15.8%**	**13.1%**	**16.9%**	**16.7%**

Fig in Rs Cr

❑ Sales in IT service are expected to deliver 1.2%cc growth in 4QFY19 mainly on account of greater traction in BFSI, energy& utilities and revenue from the Alight deal. However Healthcare and manufacturing business will continue to be under pressure.

❑ IT Products revenue is expected to remain soft in 4QFY19 as management focus is now to run tight and profitable business.

❑ Healthcare segment is expected to continue to remain volatile for the foreseeable future as management is seeing Enrolments to be 10% lower than last year. Even manufacturing is expected to continue face challenges as the industry is going through transformation, thus will continue to remain volatile for next few quarters.

❑ For 4QFY19, Management has guided a sequential growth outlook of 0% to 2% for IT Services which is lower than the last quarter guidance seeing the uncertainties of macro changes (brexit, uncertainty in US , risk of high level of pressure on talent and 10% lower enrolment compared to the base last year).

❑ Adjusted EBITDA margin is expected to decline 20bps led by INR appreciation, salary hike given

Key Trackable this Quarter

❑ Demand outlook in BFSI and E&U.

❑ Outlook on spending on key clients

❑ Commentary on large deal wins for FY20

We value the stock at 18x FY20E EPS. Maintain ACCUMULATE.

Zensar Technologies Limited

Technology

ZENT IN

CMP	**231**
Target	**226**
Upside	**-2%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	17.4	15.7	17.7	16.5
Roce%	19.3	14.4	15.4	16.8
PE	17.4	16.4	16.4	15.3
PB	2.8	2.4	2.7	2.4
EV/Ebitda	10.4	10.5	11.3	9.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenues (in usd term)	**458**	**482**	**565**	**636**	**127**	**144**	**148**
Revenue (in crore)							
Application	2,406	2,592	3,314	3,742	700	861	862
IMS	665	517	652	806	115	175	195
Financials							
Sales	**3,056**	**3,108**	**3,966**	**4,548**	**814**	**1,036**	**1,057**
Sales Gr	*2%*	*2%*	*28%*	*15%*	*9%*	*30%*	*30%*
Ebdita	**382**	**365**	**473**	**557**	**95**	**110**	**124**
Ebdita Gr	*-21%*	*-4%*	*30%*	*18%*	*62%*	*5%*	*30%*
Net Profits	**238**	**246**	**317**	**339**	**73**	**57**	**82**
Profit Gr%	*-18%*	*3%*	*29%*	*7%*	*583%*	*-6%*	*12%*
Ebdita Margin%	**12.5%**	**11.7%**	**11.9%**	**12.3%**	**11.7%**	**10.7%**	**11.7%**
Ebit Margin%	**10.9%**	**9.6%**	**9.8%**	**9.8%**	**10.0%**	**8.4%**	**9.7%**
Net Profit Margin%	**7.8%**	**7.9%**	**8.0%**	**7.5%**	**9.0%**	**5.5%**	**7.7%**

Cons/ Fig in Rs Cr

❑ Sales are expected to improve 2.9%QoQ in USD terms led by ramping of the deal wins ($200million in 3QFY19) and strong growth in digital business. However some growth will be mitigated by disinvestment from ROW business.

❑ ZENSAR technologies TCV stands for USD900+mnYTD which is expected to translate in revenues in 4QFY19 and the full impact to be seen in 1QFY20.

❑ Digital business (which now contributes 44.9% of overall revenue) continued to grow in 3QFY19 (5.8%sequentially) mainly driven by CX/UX, front end development capabilities and cloud in Infrastructure and mobility business. We are confident of momentum to continue in 4QFY19 and for rest of the year led by robust deal pipeline (nearly 50% wins have been in Digital).

❑ IMS is expected to continue to post strong growth as large deal wins will lead to growth in coming quarters (~2.5 mn USD quarterly run-rate mainly coming from Cloud, Digital led next gen CI).

❑ Retail business is going through the shift from e-commerce to order management supply chain side of that business. We expects growth to come back in 4QFY19 however the dramatic growth seen in retail in past, will take come more quarter to get back that level.

❑ Margin are expected to improve 100 bps led by absence of furlough, and improvement in operational parameters. However higher onsite cost and increase in sub-contracting expense will impact the margins in 4QFY19.

Key Trackable this Quarter

❑ Continued increase in share of Digital revenue.
❑ Management commentary on Deal wins client spending and acquired entity growth.
❑ Margin levers for FY20

We value the stock at 15x FY20E EPS. Maintain NEUTRAL.

InterGlobe Aviation Limited

INDIGO IN

Others

CMP	**1383**
Target	**1450**
Upside	**5%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	51%	41%	-2%	19%
Roce%	28%	32%	-10%	11%
P/E	24.4	22.1	NA	38.7
EV/Sales	2.9	2.8	2.9	2.5
EV/Ebitdar	10.2	9.8	17.2	10.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
ASK (cr)	1,410	1,710	2,031	2,543	1,710	2,160	2,031
Yield (Rs)	3.5	3.6	3.6	3.9	3.3	3.8	3.8
RASK (Rs)	3.4	3.6	3.6	3.7	3.4	3.7	3.8
CASK (Rs)	3.0	3.1	3.6	3.5	3.3	3.6	3.4
CASK ex-fuel (Rs)	1.8	1.9	2.1	2.0	1.9	2.0	2.1
LoadFactor %	84.7%	87.4%	86.5%	86.9%	88.9%	85.3%	87.0%
Sales	18,581	23,021	28,230	36,116	5,799	7,916	7,617
Sales Gr%	*15%*	*24%*	*23%*	*28%*	*20%*	*28%*	*31%*
Other Income	789	947	1,225	1,348	258	313	277
Ebditar	5,269	6,567	4,793	8,317	1,123	1,595	2,055
Ebditar Gr%	*-6%*	*25%*	*-27%*	*74%*	*-16%*	*-19%*	*83%*
Net Profits	1,659	2,242	(149)	1,372	118	191	284
Profit Gr%	*-16%*	*35%*	*PL*	*LP*	*-73%*	*-75%*	*141%*
Fuel Cost%	34.1%	33.7%	42.3%	41.0%	40.3%	43.1%	36.4%
Ebditar Margin%	28.4%	28.5%	17.0%	23.0%	19.4%	20.2%	27.0%
Net Profit Margin%	8.9%	9.7%	-0.5%	3.8%	2.0%	2.4%	3.7%

PL - Profit to Loss; LP - Loss to Profit Std/Fig in Rs Cr

❑ The ongoing capacity disruption due to Mumbai Airport maintenance, grounding of 737 Max plans, daily 30 flights cancellation by INDIGO and Jet airways troubles has contained the high rate growth of capacity in the industry. This has consequently led to better yields and load factors for the industry, even in the slowest passenger growth rate over last 60 months environment .

❑ Amidst all the above factors, INDIGO ASK is expected to be lower by 6% sequentially to 2031 crore; however higher by 18.8% YoY.

❑ With the load factor at 87%, a 15% YoY higher yield would lead the revenue to grow by 31% YoY to Rs 7617 crores.

❑ While the marginally lower or flat ATF prices on a YoY basis would bring the overall fuel cost down to 36.4% for the quarter, the higher grounding costs of cancelled flights and higher crew hiring expenses would push CASK ex-fuel higher at Rs 2.1.

❑ Though the EBITDAR for the quarter would be higher at 27%, higher tax expenses on account of reversal of ealier claimed tax benefits in Q2FY19 would lower quarterly PAT to Rs 284 crores.

Key Trackable this Quarter

❑ Industry capacity and passenger growth pace, market share

❑ Sustainability of higher fare pricing in the wake of Jet airways revival plan

❑ Deliveries of airplanes and capacity guidance going ahead

❑ Crude and ATF price movement

We value the stock at 11x FY20e EV/EBITDAR. NEUTRAL

INOX Leisure Limited

INOL IN

Others

CMP	**325**
Target	**396**
Upside	**22%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	6%	17%	13%	13%
Roce%	7%	13%	19%	18%
P/E	90.0	22.2	27.5	22.6
P/B	5.0	3.8	3.5	3.0
EV/Ebitda	20.9	13.4	11.3	9.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Number of Screens	472	492	574	654	492	557	574
ATP (Net)	139	150	157	164	150	159	164
SPH (Net)	53	57	70	78	62	70	69
Admits (in Cr)	5.37	5.33	6.04	6.48	1.26	1.53	1.58
Revenue Streams							
NBOC	748	802	950	1,062	190	243	259
F&B	284	306	421	508	78	106	109
Advertising	96	139	179	201	33	56	45
Others	92	101	103	118	23	28	27
Sales	1,221	1,348	1,653	1,889	324	433	440
Sales Gr	*5%*	*10%*	*23%*	*14%*	*12%*	*33%*	*36%*
Ebdita	145	207	294	329	42	84	83
Ebdita Gr	*-23%*	*43%*	*42%*	*12%*	*77%*	*80%*	*97%*
Net Profits	31	115	121	147	58	36	36
Profit Gr%	*-62%*	*274%*	*6%*	*21%*	-	*177%*	*-38%*
Ebdita Margin%	11.9%	15.4%	17.8%	17.4%	13.0%	19.3%	18.8%
Net Profit Margin%	2.5%	8.5%	7.3%	7.8%	17.8%	8.4%	8.1%

Conso/Fig in Rs Cr

❑ NBOC is expected to grow by 36.8% YoY driven by a 25.1% YoY growth in Admits to 1.58cr & 9.4% YoY growth in ATP (net) from 150 to 164. This is primarily on account of GST rate cut on movie tickets & better content. As per Box Office India, collections in Q4FY19 (12 weeks) stood at INR 1180cr (INR 953cr in Q4FY18). Also, collections from top Tollywood movies this quarter stood at INR 627cr (INR 515cr in Q4FY18).

❑ F&B revenue is expected to grow by 39.7% YoY led by 25.1% YoY growth in admits & 11.7% YoY growth in SPH (net) from 62 to 69. Advertising revenue is expected to grow by 36.8% YoY due to higher ad inventory YoY & higher ad rates.

❑ EBITDA margins are expected to improve by 580bps YoY to 18.8% in Q4FY19 as occupancy levels improve due to better content with higher contribution from F&B and advertising revenue.

❑ PAT degrowth of 38% YoY is mainly due to tax reversal of INR 47cr of earlier years in the base quarter.

❑ New Screen addition - INOXLEISUR is expected to add another 80 screens in FY20 post addition of 82 screens in FY19.

❑ The outside food matter is currently subjudice, with no date fixed for hearing in the Supreme Court. However, Industry is reasonably confident that they have a very good case as Maharashtra government has supported the exhibitors and J&K order has been stayed by the Apex Court.

Key Trackable this Quarter

❑ Guidance for Screen addition

❑ Occupancy ratio %, ATP & SPH growth

We value the stock 12x FY20e EV/EBITDA. BUY

KEI Industries Limited

KEII IN

Others

CMP	**421**
Target	**481**
Upside	**14%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	23%	27%	26%	27%
Roce%	23%	24%	28%	30%
P/E	15.4	21.1	18.3	14.0
EV/Sales	0.8	1.1	0.9	0.8
EV/Ebdita	7.7	10.9	9.1	7.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Revenue Mix							
Domestic	1,483	2,015	2,285	2,557	618	541	701
Dealer	812	978	1,381	1,671	315	356	387
Exports	375	453	553	688	97	190	163
Product Mix							
LT cable	1,207	1,418	1,588	1,698	407	396	448
HT Cable	381	497	757	867	160	216	240
EHV	104	168	170	323	52	49	75
HW, WW	433	564	831	1,038	187	208	234
SS Cable	104	116	135	137	30	33	35
EPC (excl. cable)	421	654	689	792	187	176	206
Sales	2,628	3,459	4,219	4,917	1,030	1,087	1,251
Sales Gr%	*13%*	*32%*	*22%*	*17%*	*39%*	*22%*	*21%*
Ebdita	269	338	434	516	101	118	130
Ebdita Gr%	*11%*	*26%*	*28%*	*19%*	*39%*	*40%*	*28%*
Net Profits	94	145	183	237	50	48	62
Profit Gr%	*51%*	*54%*	*27%*	*29%*	*40%*	*24%*	*24%*
Ebdita Margin%	10.2%	9.8%	10.3%	10.5%	9.8%	10.8%	10.4%
Net Profit Margin%	3.6%	4.2%	4.3%	4.8%	4.8%	4.5%	4.9%

Std/Fig in Rs Cr

❑ The seasonally best quarter four will see a 22% YoY revenue growth for the company with HT Cable continuing to grow at 50% YoY and EHV segment finally gearing up post approvals from customers to grow by 44.2% YoY.

❑ The LT cable segment is expected to grow at 10% with the new facility launched in May, 2018 making way for further sale and the growing house wire segment will deliver a 25% YoY higher sales at Rs 234 crores. EPC segment as guided would remain flat for the year.

❑ Higher Cables volumes, higher EPC value and increasing share from retail/dealer sales would drive EBITDA margin higher to 10.4% for the quarter.

❑ PAT is expected to be Rs 62 crores, margins at 4.9%.

❑ The company has announced Rs 55-60 crore capex at Silvassa to expand its House wire cable capacity worth Rs 300 crores in first phase.

Key Trackable this Quarter

❑ Expansion of distribution network and share of retail to total sales

❑ Further expansion strategy to enhance capacity

❑ Working Capital position and receipt of retention money from EPC

We value the stock at 16x FY20e P/E. BUY

PVR Limited

PVRL IN

Others

CMP	**1657**
Target	**1955**
Upside	**18%**
Rating	**BUY**

	FY17	FY18	FY19E	FY20E
Roe%	10%	12%	15%	13%
Roce%	10%	14%	16%	16%
P/E	69.6	45.5	42.0	34.9
P/B	6.9	5.3	6.2	4.6
EV/Ebitda	23.6	15.6	14.3	11.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Number of Screens	579	625	763	853	625	748	763
ATP (Net)	148	164	166	171	164	166	168
SPH (Net)	73	80	86	89	83	84	87
Admits (in Cr)	7.53	7.61	10.83	13.09	1.90	2.57	2.61
Revenue Streams							
NBOC	1,117	1,248	1,622	1,962	312	425	438
F&B	551	608	841	1,028	157	217	226
Advertising	245	295	359	450	72	112	94
Others	206	184	235	228	43	89	51
Sales	2,119	2,334	3,057	3,667	585	843	809
Sales Gr	*15%*	*10%*	*31%*	*20%*	*21%*	*51%*	*38%*
Ebdita	314	402	580	696	94	164	154
Ebdita Gr	*7%*	*28%*	*44%*	*20%*	*102%*	*64%*	*63%*
Net Profits	96	125	184	229	26	52	47
Profit Gr%	*-3%*	*30%*	*48%*	*25%*	*52500%*	*79%*	*80%*
Ebdita Margin%	14.8%	17.2%	19.0%	19.0%	16.1%	19.5%	19.0%
Net Profit Margin%	4.5%	5.3%	6.0%	6.2%	4.5%	6.1%	5.8%

Conso/Fig in Rs Cr

❑ NBOC is expected to grow by 40.1% YoY driven by a 37.3% YoY growth in Admits to 2.61cr & a 2% YoY growth in ATP (net) from 164 to 168. This is primarily due to GST rate cut on movie tickets & lower base on account of SPI acquisition in August 2018. As per Box Office India, collections in Q4FY19 (12 weeks) stood at INR 1180cr (INR 953cr in Q4FY18). Also, collections from top Tollywood movies this quarter stood at INR 627cr (INR 515cr in Q4FY18).

❑ F&B revenue is expected to grow by 44.2% YoY lead by a 37.3% YoY growth in admits & 5% YoY growth in SPH (net) from 83 to 87.

❑ Advertising revenue is expected to grow by 30.8% YoY due to higher ad inventory YoY & higher ad rates. Other operating revenues are expected at INR 51cr post the revised deal with online ticketing aggregators in August 2018.

❑ EBITDA margins are expected to improve by 290bps YoY to 19% in Q4FY19 as occupancy levels improve due to better content with higher contribution from F&B and advertising revenue.

❑ New Screen addition - PVR is expected to add another 90 screens in FY20 post addition of 138 screens (68 screens from SPI acquisition) in FY19.

❑ The outside food matter is currently subjudice, with no date fixed for hearing in the Supreme Court. However, Industry is reasonably confident that they have a very good case as Maharashtra government has supported the exhibitors and J&K order has been stayed by the Apex Court.

Key Trackable this Quarter

❑ Guidance for Screen addition

❑ Occupancy ratio %, ATP & SPH growth

We value the stock 14x FY20e EV/EBITDA. BUY

SPICEJET LTD

SJET IN

Others

CMP	**96**
Target	**102**
Upside	**7%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	NA	NA	NA	NA
Roce%	114%	74%	-22%	35%
P/E	14.2	13.2	NA	15.1
EV/Sales	2.2	2.0	1.7	1.5
EV/Ebitdar	9.1	8.6	12.1	7.8

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
ASK (cr)	445	516	575	706	516	576	575
RASK (Rs)	3.8	4.1	4.2	4.5	4.0	4.4	4.4
CASK (Rs)	3.6	3.8	4.3	4.4	4.0	4.3	4.2
CASK ex-fuel (Rs)	2.3	2.4	2.6	2.6	2.4	2.4	2.6
Fuel CASK (Rs)	1.1	1.2	1.6	1.6	1.4	1.7	1.4
LoadFactor%	91.6%	93.6%	92.1%	92.4%	94.0%	90.0%	*91.8%*
Sales	6,191	7,795	9,088	11,690	2,029	2,487	2,485
Sales Gr%	*22%*	*26%*	*17%*	*29%*	*25%*	*19%*	*22%*
Other Income	113	137	150	196	61	44	42
Ebditar	1,504	1,790	1,296	2,185	368	456	520
Ebditar Gr%	*24%*	*23%*	*14%*	*19%*	*17%*	*PL*	*41%*
Net Profits	431	567	(270)	379	46	55	103
Adjusted Net Profits	392	567	(206)	379	46	55	103
Profit Gr%	*2%*	*44%*	*PL*	*LP*	*11%*	*-77%*	*122%*
Fuel Cost%	30.0%	31.2%	37.8%	35.9%	35.7%	38.9%	32.4%
Ebditar Margin%	24.3%	23.0%	14.3%	18.7%	18.1%	18.4%	20.9%
Net Profit Margin%	7.0%	7.3%	-2.3%	3.2%	2.3%	2.2%	4.1%

PL - Profit to Loss; LP - Loss to Profit — Std/Fig in Rs Cr

❑ The ongoing capacity disruption due to Mumbai Airport maintenance, grounding of 737 Max plans, daily 30 flights cancellation by INDIGO and Jet airways troubles has contained the high rate growth of capacity in the industry. This has consequently led to better yields and load factors for the industry, even in the slowest passenger growth rate in last 60 months environment .

❑ Though the company was scheduled to receive 7 max aircrafts and 1 freighter aircraft in Q4, the grounding of its 737 Max aircrafts would lead sequentially flat ASK of 575 crores.

❑ The revenue is expected to grow by 22% YoY to Rs 2485 crores with load factor at 91.8% and RASK up 8.4% YoY.

❑ Lower ATF prices would bring the overall fuel cost down to 32.4%. Higher operational expenses due to grounding of aircrafts and reshuffling subsequently would take the CASK ex-fuel higher to Rs 2.6.

❑ An higher EBITDAR margin of 20.9% will drive quarterly profit to Rs 103 crore, up 122% YoY.

Key Trackable this Quarter

❑ Industry capacity and passenger growth pace, market share

❑ Sustainability of higher fare pricing in the wake of Jet airways revival plan

❑ Deliveries of airplanes and capacity guidance going ahead

❑ Resolution over the possibility of issuance of CRPS in the SC case.

We value the stock at 8x FY20e EV/EBITDAR. NEUTRAL

SIS (India) Ltd

SECIS IN

Others

CMP	**846**
Target	**1087**
Upside	**28%**
Rating	**BUY**

	FY17*	FY18	FY19E	FY20E
Roe%	17%	16%	17%	22%
Roce%	14%	16%	14%	20%
P/E	61.8	50.6	30.4	19.5
P/B	10.3	8.0	5.2	4.3
EV/Ebitda	26.4	26.0	17.1	11.8

*Based on Issue Price

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Segment Revenue							
Security-India	1,595	2,144	2,682	3,462	570	723	771
Security-Australia	2,396	3,019	3,509	4,295	841	863	953
Facilities Mngt.	577	671	968	1,420	182	251	297
Segment EBITDA Margin %							
Security-India	6.4%	6.9%	5.5%	5.8%	6.6%	5.8%	6.0%
Security-Australia	4.3%	4.3%	4.3%	4.9%	4.6%	4.6%	4.8%
Facilities Mngt.	3.8%	5.1%	6.8%	7.9%	5.9%	6.5%	7.1%
Sales	4,567	5,833	7,159	9,178	1,592	1,837	2,020
Sales Gr	*19%*	*28%*	*23%*	*28%*	*29%*	*19%*	*27%*
Ebdita	221	312	363	522	87	98	113
Ebdita Gr	*70%*	*41%*	*16%*	*44%*	33%	16%	*31%*
Net Profits	91	162	204	319	33	59	61
Profit Gr%	*109%*	*79%*	*26%*	*56%*	*-40%*	*25%*	*83%*
Ebdita Margin%	4.8%	5.3%	5.1%	5.7%	5.4%	5.3%	5.6%
Net Profit Margin%	2.0%	2.8%	2.9%	3.5%	2.1%	3.2%	3.0%

Conso/Fig in Rs Cr

❑ Revenue growth in Q4FY19 is expected to be 27% YoY.

Security-India segment is expected to grow by 35.3% YoY driven by 19% organic growth & consolidation of Uniq & SLV.

Security-Australia segment is expected to grow by 13.3% YoY with a 9.4% organic growth & consolidation of P4G & Henderson.

Facility Management is expected to continue with its growth momentum (63% YoY) with an organic growth of 51% YoY (INR 91cr monthly run rate in December 2018) & consolidation of Rare Hospitality (in Healthcare space-One of the largest FM verticals).

❑ EBITDA margins are expected to improve by 27bps QoQ to 5.4% in Q4FY19 as contribution of higher margins facility management segment to total revenue increases, consolidation of margin accretive Henderson acquisition (11%) & operational efficiency post training expenses in H1FY19.

❑ Cash Logistics Industry structure is seeing consolidation with elimination of MSPs. Cash Logistics segment (accounted using the Equity Method) is expected to achieve breakeven in FY20.

❑ SIS made two acquisitions in Q4FY19 - 60% in Henderson based out of Singapore having annual revenues of SGD 58mn in FY17 for SGD 43mn & 51% in P4G, a security service provider in New Zealand having annual revenues of NZD 7.8mn in FY18 for NZD 1.34mn.

❑ Henderson acquisition (SGD 43mn funded through debt) will result debt to increase.

Key Trackable this Quarter

❑ Order Wins in Security Services - India & Australia, Facilities Management & expansion of customer base and branch network.

We value the stock 25x FY20e EPS. BUY

Teamlease Services Ltd

TEAM IN

Others

CMP	**3026**
Target	**2848**
Upside	**-6%**
Rating	**NEUTRAL**

	FY17	FY18	FY19E	FY20E
Roe%	16%	17%	19%	20%
Roce%	8%	13%	16%	17%
P/E	28.9	51.7	51.1	38.2
P/B	4.5	8.6	9.5	7.6
EV/Ebitda	40.3	52.4	50.5	37.4

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Headcount (Gen Staf)	149,902	175,375	210,450	237,809	175,375	205,218	210,450
Segment Revenue							
General Staffing	2,945	3,375	4,067	4,901	883	1,062	1,112
Specialised Staffing	51	183	306	374	73	79	77
Other HR Services	45	66	132	149	22	31	33
Sales	3,041	3,624	4,506	5,425	977	1,172	1,221
Sales Gr	*21%*	*19%*	*24%*	*20%*	*20%*	*28%*	*25%*
Ebdita	37	69	99	131	23	25	30
Ebdita Gr	*44%*	*86%*	*43%*	*33%*	85%	37%	*31%*
Net Profits	58	73	101	135	21	25	29
Profit Gr%	*132%*	*28%*	*38%*	*34%*	*-36%*	*37%*	*38%*
Ebdita Margin%	1.2%	1.9%	2.2%	2.4%	2.3%	2.1%	2.4%
Net Profit Margin%	1.9%	2.0%	2.2%	2.5%	2.2%	2.2%	2.4%

Conso/Fig in Rs Cr

❑ Revenue growth in Q4FY19 is expected to be 25%. The total headcount of general staffing associates and NETAP trainees in general staffing segment is expected to grow by 20% YoY to around 2,10,000.

❑ Specialized Staffing segment is expected to grow by 5.3%YoY as Telecom is expected to remain flat YoY at INR 44cr while IT staffing is expected to grow by 11%YoY to INR 33cr.

❑ Other HR Services segment is expected to post revenue of INR 33cr largely due to new contract wins. (Revenues of INR 99cr in 9MFY19 as against INR 45cr in 9MFY18).

❑ EBITDA margins are expected to improve by 11bps YoY to 2.44% in Q4FY19 due to improvement in staffing core employee productivity & contribution from the higher margin segments - Specialized Staffing & Other HR Services increases from 6.9% in FY18 to 9.6% in FY20e.

❑ PAT is expected to be higher by 38% in Q4FY19 as TEAMLEASE continues to enjoy nil tax rates due to Section 80JJAA benefit. Tax rate is expected to remain 0% as long as the Section 80JJAA benefit continues on the back of strong growth in headcount.

❑ TEAMLEASE has acquired IT staffing vertical of eCentric at 4.5x of PBT transferred. Annual revenues of INR 45cr in FY18. eCentric is expected to be consolidated from May 2019 onwards.

❑ Management is targeting revenues of INR 14,000cr & PAT margins of 3-4% by FY23. Management is looking to enter Hospitality, Healthcare & Engineering services verticals within the Specialized Staffing segment.

Key Trackable this Quarter

❑ Growth in Headcount & Core Employee Productivity

❑ Management commentary on avenues to achieve INR 14,000 revenue target, potential verticals in specialized staffing segment and their source of funding

We value the stock 36x FY20e EPS. NEUTRAL

Zee Entertainment Enterprises Ltd

Z IN

Others

CMP	**418**
Target	**506**
Upside	**21%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	15%	18%	19%	19%
Roce%	21%	22%	25%	25%
P/E	51.0	40.9	23.7	20.6
P/B	7.6	7.3	4.5	3.8
EV/Ebitda	25.3	25.5	14.2	12.2

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Viewership Share %	16.0%	17.9%			18.0%	20.2%	
Segment Revenue							
Advertising	3,674	4,205	5,047	5,792	1,050	1,463	1,228
Subscription	2,263	2,029	2,348	2,610	547	618	603
Others	498	452	505	624	129	86	154
Sales	6,434	6,686	7,900	9,025	1,725	2,167	1,985
Sales Gr	*10%*	*4%*	*18%*	*14%*	*13%*	*18%*	*15%*
Ebdita	1,927	2,076	2,659	3,009	506	754	663
Ebdita Gr	*28%*	*8%*	*28%*	*13%*	8%	27%	*31%*
Net Profits	2,221	1,479	1,690	1,944	231	562	416
Adjusted Profits	998	1,344	*1,690*	*1,944*	231	562	416
Adj Profit Gr%	*-6%*	*35%*	*26%*	*15%*	*-85%*	*75%*	*80%*
Ebdita Margin%	29.9%	31.1%	33.7%	33.3%	29.3%	34.8%	33.4%
Adj Net Profit Margin%	15.5%	20.1%	21.4%	21.5%	13.4%	26.0%	20.9%

Conso/Fig in Rs Cr

❑ The continuous improvement in viewership share (from 16% in FY17 to 17.9% in FY18 & further to 20.2% in Q3FY19) has contributed to improvement in earning rates (especially regional channel portfolio). Advertising revenue is expected to grow by 17% YoY.

❑ Despite management revising its FY19/FY20 subscription revenue guidance from low teens to high teens / low teens on the back of content partnership deals signed with telecos, Q4FY19 growth is expected to be around 10.3% due to high base. However, MRP based tariff implementation can lead to some uncertainty in the near term.

❑ Revenue from movies & other businesses is expected to grow by 19.4% in Q4FY19 due to distribution & production of Manikarnika (January 25, 2019 release) & Kesari (March 21, 2019 release). This would lead to an overall revenue growth of 15.1% YoY in Q4FY19.

❑ Despite the higher investments in ZEE5 (6 originals per month in FY20), management continues to maintain its EBITDA margin guidance at 30%+ levels.

❑ Q4FY19 reported profit is expected to grow by 80% YoY to INR 416cr primarily driven by 400bps YoY expansion in EBITDA margins to 33.4% (QoQ down by 140bps).

❑ The uncertainty around the strategic partner for proposed strategic sale of upto 50% by Essel Group by April 2019 will continue to weigh on the company.

Key Trackable this Quarter

❑ All India Viewership Market Share

❑ Updates on ZEE5 - Monthly Active User growth, Average Time Spend per day, number of ZEE5 original releases, further investments & its performance

We value the stock 25x FY20e EPS. HOLD

Zee Media Corporation Ltd

ZEEN IN

Others

CMP	**18**
Target	**24**
Upside	**31%**
Rating	**HOLD**

	FY17	FY18	FY19E	FY20E
Roe%	-3%	4%	11%	15%
Roce%	13%	9%	16%	22%
P/E	N/A	64.5	9.7	6.1
P/B	3.0	2.7	1.1	0.9
EV/Ebitda	11.0	13.6	1.9	1.0

N/A - Loss in FY17

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Viewership (in mn)	1,181	1,371			328	350	
Segment Revenue							
Advertising	373	511	650	823	154	176	188
Subscription	47	47	50	55	13	13	13
Others	31	20	24	27	13	6	6
Sales	450	578	724	905	180	194	207
Sales Gr	*-17%*	*28%*	*25%*	*25%*	*12%*	*22%*	*15%*
Ebdita	100	104	195	277	20	58	60
Ebdita Gr	*27%*	*4%*	*87%*	*42%*	-23%	55%	*198%*
Net Profits	(16)	28	108	138	4	27	27
Adjusted Profits	(16)	28	87	138	4	27	27
Adj Profit Gr%	*-1096%*	*LP*	*212%*	*59%*	*-17%*	*123%*	*506%*
Ebdita Margin%	22.2%	18.0%	26.9%	30.6%	11.2%	29.9%	29.1%
Adj Net Profit Margin%	-3.6%	4.8%	12.0%	15.3%	2.5%	14.0%	13.1%

LP - Loss to Profit

Conso/Fig in Rs Cr

❑ Q4FY19 Revenue growth is expected to taper down to around 14.9% as against 30% in 9MFY19 due to higher base. Media Industry is witnessing an upsurge in earning rates on the back of higher viewership due to election phase (25-50% increase in H1FY19).

❑ As per tracking firm Centre for Media Studies, the election exercise as a whole will cost a record INR 50,000 cr ($7 billion) as against an estimated $5 billion in 2014.

❑ EBITDA margins are expected to expand to 29.1% as against 11.2% in Q4FY18 due to operating leverage, loss making Ez Mall in Q4FY18 (sold in Q1FY19) & higher earning rates.

❑ PAT is expected to be INR 27cr as against INR 4cr in Q4FY18 as loss making E-commerce business is exited (EBIT of INR -14cr & INR -28cr in Q4FY18 & FY18 respectively) In FY19, PAT includes exceptional gain of INR 21cr on the sale of E-commerce business accrued in Q1FY19.

❑ Management has guided for a 25-30% revenue growth over FY18-21 (primarily ad revenues) with 22-25% EBITDA margins in FY19. After which, margins are expected to expand beyond 25% on the back of turnaround in loss making channels & increase in higher margin event business.

❑ The excess leverage at promoter level & its consequent impact on Essel group entities led to sharp correction in share price of ZEEMEDIA. However, proposed strategic sale of upto 50% in ZEEL by April 2019 along with the sale of infra & road assets by Essel Group will address the promoter level debt issues.

Key Trackable this Quarter

❑ Viewership & market share of channels

❑ Expanion of WION in additional geographies & commentary on its potential breakeven

We value the stock 8x FY20e EPS. HOLD

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Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVelox Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

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