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### EQUITY MARKETS

India	Change %			
	1-Oct	1-day	1-mo	3-mo
Sensex	36,526	0.8	(5.5)	3.6
Nifty	11,008	0.7	(5.8)	3.3
<b>Global/Regional indices</b>				
Dow Jones	26,774	0.5	3.1	10.8
Nasdaq Composite	8,000	(0.5)	(1.4)	6.6
FTSE	7,475	(0.3)	(0.4)	(1.6)
Nikkei	24,175	(0.4)	6.5	11.0
Hang Seng	26,840	(1.1)	(3.1)	(6.0)
KOSPI	2,310	(1.3)	0.1	1.6
<b>Value traded – India</b>				
Cash (NSE+BSE)	420		421	371
Derivatives (NSE)	7,743		5,552	4,366
Deri. open interest	3,123		3,406	3,022

#### Forex/money market

	Change, basis points			
	1-Oct	1-day	1-mo	3-mo
Rs/US\$	72.9	42	171	412
10yr govt bond, %	8.2	-	-	-

#### Net investment (US\$ mn)

	28-Sep	MTD	CYTD
FIs	(234)	#N/A	(2,006)
MFs	(126)	#N/A	12,977

#### Top movers

Best performers	Change, %			
	1-Oct	1-day	1-mo	3-mo
RIL IN Equity	1,232	(2.1)	0.2	26.8
WPRO IN Equity	330	1.9	7.1	26.1
ARBP IN Equity	770	3.4	10.0	22.8
JSTL IN Equity	381	(0.2)	(4.1)	22.2
DIVI IN Equity	1,320	0.7	2.5	21.5

#### Worst performers

JPA IN Equity	7	6.1	(40.4)	(55.3)
YES IN Equity	201	9.4	(40.8)	(40.4)
UT IN Equity	3	(1.9)	(33.8)	(38.6)
IDEA IN Equity	39	0.5	(24.1)	(31.8)
TTMT/A IN Equity	121	3.8	(16.1)	(23.3)

**OCTOBER 03, 2018**
**CHANGE IN RECO.**

Coverage view: **Neutral**

Price (₹): **201**

Target price (₹): **270**

BSE-30: **36,526**

**Risk-reward favorable post sharp correction.** HCG share price has declined by 30% in the past three months and 38% since our downgrade in February 2018 and the recent correction offers another opportunity to take a positive view on the stock. HCG has executed strongly at new centers, while mature centers continue to grow at healthy pace of 12-13%. We expect HCG to deliver a healthy EBITDA CAGR of 19% over FY2018-20 and valuations are now reasonable at 13X FY2020E EBITDA. Upgrade to BUY with a target price of ₹270 (versus ₹290 earlier).

**Company data and valuation summary**

HCG				Forecasts/Valuations			
Stock data				2019E	2020E	2021E	
52-week range (Rs) (high,low)	354-199			EPS (Rs)	2.0	3.8	6.5
Market Cap. (Rs bn)	17.6			EPS growth (%)	28.8	87.5	73.4
Shareholding pattern (%)				P/E (X)	99.7	53.1	30.6
Promoters	24.8			Sales (Rs bn)	10.2	12.0	13.3
FIs	36.6			Net profits (Rs bn)	0.2	0.3	0.6
MFs	10.7			EBITDA (Rs bn)	1.4	1.7	2.0
Price performance (%)				EV/EBITDA (X)	15.6	12.9	10.1
Absolute	1M	3M	12M	ROE (%)	3.3	5.9	9.4
	(21.5)	(30.4)	(27.3)	Div. Yield (%)	0.0	0.0	0.0
Rel. to BSE-30	(17.0)	(32.5)	(37.8)				

**30% correction offers another entry opportunity**

HCG's share price have corrected by ~30% in the past three months since weak 1QFY19 numbers with valuation declining from 17X to 13X FY2020E EBITDA on the back of concerns related to rising debt and addition of a proton center. We like structural growth drivers present in both oncology and fertility markets and expect HCG to capitalize on this opportunity by expanding its network. Overall demand outlook for the industry remains unchanged.

**Increasing net debt, but strong execution at new centers continues**

Even as HCG's mature centers have continued to deliver a strong 13% revenue and 19% EBITDA CAGR over FY2016-18 driven by healthy performance at flagship facility, investors have expressed concerns on aggressive expansion plans, rising net debt and potential addition of Proton center. We note that even after adding over (1) 400 beds in the past 24 months (30% addition to operational beds) with addition of centers at Gulbarga, Vizag, Baroda, Nagpur and Mumbai and (2) three new Milann centers, HCG's EBITDA losses from new centers have been contained at <₹100 mn annually while centers at Gulbarga, Vizag and Baroda have broken even within 12 months of operation. Addition of Proton center is still in nascent stage and we expect HCG to be an O&M partner without taking the asset on its balance sheet. We also expect Milann growth to recover to 12-13% post a disappointing 1Q, which was impacted by unavailability of a key doctor. Overall, we expect HCG's mature facilities to continue growing at 11-12% while losses from new centers including upcoming centers of Kolkata (50 beds), Nasik (92 beds) and Jaipur (50 beds) are likely to be contained at <₹100 mn annually as Borivali and Nagpur centers break even by the end of FY2019.

**Risk-reward favorable—upgrade to BUY**

After recent correction in the stock price, HCG is now trading at ~13X FY2020E EBITDA, down from 18X previously. We cut our FY2019-21E estimates by 2-4% to account for lower growth and margins from Milann and upgrade the stock to BUY (from REDUCE earlier) with a price target of ₹270 (versus ₹290 earlier), valuing the stock at 17X FY2020E attributable EBITDA (adjusting for 50% stake in Milann).

Chirag Talati, CFA

Kumar Gaurav

**Exhibit 1: HCG track record of execution at new centers has been better than peers**  
Breakeven timelines of new hospitals

Center	Number of beds	Commissioning date	Breakeven date
<b>HCG centers</b>			
Gulbarga	85	Mar-16	Mar-17
Vizag	88	Apr-16	Apr-17
Baroda	60	May-16	Jun-17
Borivali	69	Sep-17	Expected by end of FY19
Nagpur	115	Sep-17	Expected by end of 3QFY19
<b>Other hospitals</b>			
Apollo Navi Mumbai	200	Nov-16	Jun-18
Aster CMI Bengaluru	230	Aug-16	Mar-18
Narayana Mumbai	150	Apr-17	Expected by 1HFY20
Narayana Jammu	200	Apr-16	Expected by 1HFY20

Source: Company, Kotak Institutional Equities estimates

**Exhibit 2: We revise our EBITDA estimates by 2-4% over FY2019-21E**

Earnings revision table, interim results, March fiscal year ends, 2019-21E (Rs mn)

	New estimates			Old Estimates			Changes %		
	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2020E
Sales	10,224	11,951	13,347	10,278	12,039	13,572	(0.5)	(0.7)	(1.7)
<b>EBITDA</b>	<b>1,395</b>	<b>1,670</b>	<b>2,044</b>	<b>1,421</b>	<b>1,695</b>	<b>2,127</b>	<b>(1.8)</b>	<b>(1.5)</b>	<b>(3.9)</b>
PBT (adjusted)	386	620	947	408	639	1,016	(5.3)	(3.0)	(6.8)
<b>PAT (adjusted)</b>	<b>171</b>	<b>321</b>	<b>557</b>	<b>186</b>	<b>335</b>	<b>606</b>	<b>(7.9)</b>	<b>(4.1)</b>	<b>(8.1)</b>
<b>FD EPS (Rs mn)</b>	<b>1.9</b>	<b>3.7</b>	<b>6.3</b>	<b>2.1</b>	<b>3.9</b>	<b>7.0</b>	<b>(8.9)</b>	<b>(5.2)</b>	<b>(9.2)</b>
EBITDA margin (%)	13.6	14.0	15.3	13.8	14.1	15.7			

Source: Company, Kotak Institutional Equities estimates

**Exhibit 3: We value HCG at ₹270/share**

SOTP-based valuation on Mar 2020, March fiscal year-ends (Rs mn)

	Mar-20 EBITDA (Rs mn)	Multiple (X)	Value (Rs mn)
HCG centers	1,544	17	26,252
Milann (50.1% stake)	126	17	1,073
Net debt			3,964
<b>Fair value</b>			<b>23,360</b>
Number of shares (mn)			87
<b>Fair value/share (Rs)</b>			<b>269</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 4: We expect new centers in Maharashtra and North India to drive revenue growth**  
HCG revenue and EBITDA breakup, March fiscal year-ends, 2015-21E (Rs mn)

	2015	2016	2017	2018	2019E	2020E	2021E
<b>Revenues (Rs mn)</b>							
Karnataka cluster	2,415	2,624	2,899	3,247	3,646	4,113	4,631
Gujarat cluster	1,095	1,371	1,855	2,220	2,517	2,764	2,985
East India cluster	318	414	491	587	710	843	913
Maharashtra cluster	204	193	244	672	1,197	1,615	1,817
Others	759	770	923	912	1,439	1,776	2,015
<b>Oncology revenues</b>	<b>4,791</b>	<b>5,372</b>	<b>6,412</b>	<b>7,638</b>	<b>9,508</b>	<b>11,112</b>	<b>12,362</b>
Milann revenues	403	470	590	669	716	840	985
<b>Total revenues</b>	<b>5,194</b>	<b>5,842</b>	<b>7,001</b>	<b>8,307</b>	<b>10,224</b>	<b>11,951</b>	<b>13,347</b>
<b>Growth (%)</b>							
Karnataka cluster		8.7	10.5	12.0	12.3	12.8	12.6
Gujarat cluster		25.2	35.3	19.7	13.4	9.8	8.0
East India cluster		30.2	18.6	19.6	20.9	18.9	8.3
Maharashtra cluster		(5.4)	26.4	175.4	78.1	34.9	12.5
Others		1.4	19.9	(1.1)	57.7	23.5	13.5
<b>Oncology revenues</b>		<b>12.1</b>	<b>19.4</b>	<b>19.1</b>	<b>24.5</b>	<b>16.9</b>	<b>11.3</b>
Milann revenues		16.7	25.4	13.5	7.0	17.3	17.3
<b>Total revenues</b>		<b>12.5</b>	<b>19.8</b>	<b>18.7</b>	<b>23.1</b>	<b>16.9</b>	<b>11.7</b>
<b>EBITDA (Rs mn)</b>							
Oncology	955	1,078	1,231	1,382	1,718	1,982	2,382
Milann	109	118	110	113	72	126	148
Corporate expenses	(301)	(348)	(291)	(329)	(394)	(438)	(486)
<b>Consolidated EBITDA</b>	<b>762</b>	<b>848</b>	<b>1,050</b>	<b>1,167</b>	<b>1,395</b>	<b>1,670</b>	<b>2,044</b>
<b>EBITDA margin (%)</b>							
Oncology	19.9	20.1	19.2	18.1	18.1	17.8	19.3
Milann	27.0	25.0	18.6	17.0	10.0	15.0	15.0
Corporate expenses (as % of total revenues)	(5.8)	(6.0)	(4.2)	(4.0)	(3.9)	(3.7)	(3.6)
<b>EBITDA margins (%)</b>	<b>14.7</b>	<b>14.5</b>	<b>15.0</b>	<b>14.1</b>	<b>13.6</b>	<b>14.0</b>	<b>15.3</b>

Source: Company, Kotak Institutional Equities estimates

## Exhibit 5: We expect HCG to post EBITDA CAGR of 19% over FY2018-21E

HCG consolidated income statement, balance sheet, March fiscal year-ends, 2013-21E (Rs mn)

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>Net revenues</b>	<b>3,383</b>	<b>4,513</b>	<b>5,194</b>	<b>5,842</b>	<b>7,001</b>	<b>8,307</b>	<b>10,224</b>	<b>11,951</b>	<b>13,347</b>
<b>Gross profit</b>	<b>2,348</b>	<b>3,179</b>	<b>3,733</b>	<b>4,342</b>	<b>5,292</b>	<b>6,410</b>	<b>7,833</b>	<b>9,156</b>	<b>10,209</b>
<b>EBITDA</b>	<b>462</b>	<b>382</b>	<b>762</b>	<b>848</b>	<b>1,050</b>	<b>1,188</b>	<b>1,395</b>	<b>1,670</b>	<b>2,044</b>
Depreciation & amortisation	(296)	(362)	(398)	(441)	(568)	(715)	(716)	(753)	(841)
<b>EBIT</b>	<b>167</b>	<b>21</b>	<b>364</b>	<b>407</b>	<b>482</b>	<b>474</b>	<b>679</b>	<b>917</b>	<b>1,204</b>
Net interest	(268)	(283)	(294)	(343)	(133)	(296)	(293)	(298)	(256)
<b>Profit before tax</b>	<b>(101)</b>	<b>(267)</b>	<b>24</b>	<b>3</b>	<b>348</b>	<b>286</b>	<b>386</b>	<b>620</b>	<b>947</b>
Tax & deferred tax	(7)	(54)	17	20	(118)	(102)	(131)	(174)	(265)
Less: minority interest	3	(36)	(36)	(37)	(9)	22	(84)	(125)	(125)
<b>Net income</b>	<b>(105)</b>	<b>(356)</b>	<b>5</b>	<b>(14)</b>	<b>222</b>	<b>205</b>	<b>171</b>	<b>321</b>	<b>557</b>
<b>EPS (Rs)</b>	<b>(2)</b>	<b>(5)</b>	<b>0</b>	<b>(0)</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>6</b>
<b>Balance sheet</b>									
Cash & equivalents	710	255	270	1,212	953	288	246	477	835
Debtors	602	529	638	695	1,032	1,284	1,523	1,823	2,079
Other current assets	235	313	312	368	457	629	679	736	785
<b>Current assets</b>	<b>1,548</b>	<b>1,096</b>	<b>1,220</b>	<b>2,276</b>	<b>2,442</b>	<b>2,201</b>	<b>2,448</b>	<b>3,036</b>	<b>3,700</b>
Fixed assets (incl. goodwill)	5,085	5,224	5,707	7,109	8,329	10,017	11,025	11,222	11,031
Other non-current assets	457	566	835	1,130	1,469	2,219	2,219	2,219	2,219
<b>Total assets</b>	<b>7,090</b>	<b>6,887</b>	<b>7,762</b>	<b>10,514</b>	<b>12,240</b>	<b>14,437</b>	<b>15,692</b>	<b>16,477</b>	<b>16,950</b>
Short-term loans	380	180	293	372	416	17	17	17	17
Creditors and other liabilities	1,179	1,315	1,577	1,927	2,853	3,570	3,870	4,210	4,500
<b>Current liabilities</b>	<b>1,559</b>	<b>1,495</b>	<b>1,870</b>	<b>2,299</b>	<b>3,269</b>	<b>3,588</b>	<b>3,888</b>	<b>4,227</b>	<b>4,518</b>
Secured loans	2,393	2,518	2,802	3,593	4,040	3,724	4,424	4,424	3,924
Other liabilities (incl. deferred)	178	53	41	37	31	1,334	1,334	1,334	1,334
<b>Total liabilities</b>	<b>4,130</b>	<b>4,066</b>	<b>4,714</b>	<b>5,929</b>	<b>7,339</b>	<b>8,647</b>	<b>9,646</b>	<b>9,986</b>	<b>9,776</b>
<b>Equity</b>	<b>2,960</b>	<b>2,821</b>	<b>3,048</b>	<b>4,586</b>	<b>4,901</b>	<b>5,790</b>	<b>6,045</b>	<b>6,492</b>	<b>7,174</b>
<b>Total equity and liabilities</b>	<b>7,090</b>	<b>6,887</b>	<b>7,762</b>	<b>10,514</b>	<b>12,240</b>	<b>14,437</b>	<b>15,692</b>	<b>16,477</b>	<b>16,950</b>
<b>Cash flow</b>									
<b>PBT</b>	<b>(101)</b>	<b>(267)</b>	<b>24</b>	<b>50</b>	<b>348</b>	<b>272</b>	<b>386</b>	<b>620</b>	<b>947</b>
Depreciation & amortisation	296	362	405	450	568	715	716	753	841
Working capital	(108)	57	(102)	(72)	(121)	(270)	11	(18)	(15)
Tax	(76)	(88)	(65)	(108)	(61)	(42)	(131)	(174)	(265)
<b>CF From operations</b>	<b>311</b>	<b>514</b>	<b>597</b>	<b>690</b>	<b>913</b>	<b>978</b>	<b>1,275</b>	<b>1,479</b>	<b>1,764</b>
Capex	(895)	(507)	(802)	(2,137)	(1,927)	(2,562)	(1,724)	(950)	(650)
<b>FCF</b>	<b>(583)</b>	<b>7</b>	<b>(205)</b>	<b>(1,447)</b>	<b>(1,014)</b>	<b>(1,584)</b>	<b>(449)</b>	<b>529</b>	<b>1,114</b>
<b>Ratios (%)</b>									
EBITDA margin (%)	13.7	8.5	14.7	14.5	15.0	14.3	13.6	14.0	15.3
RoE (%)	(3.6)	(12.6)	0.2	(0.3)	4.5	3.5	2.8	4.9	7.8
RoCE (%)	3.3	0.4	6.7	7.0	7.0	6.3	8.0	10.5	14.1
Net debt/equity (X)	0.7	0.9	0.9	0.6	0.7	0.6	0.7	0.6	0.4

Source: Company, Kotak Institutional Equities estimates

**Moderating trends.** Coal India reported flat 0.8% yoy growth in dispatches in September 2018, bringing down YTD growth to 8.1%. The moderated growth for the month should be seen in the context of 15% yoy growth in September 2017. E-auction premiums are still holding up with 93% premium over notified prices in August 2018. After two years of disappointing earnings performance, Coal India appears well on course to mend its earnings trajectory. Maintain ADD rating with a target price of Rs320/share.

**Company data and valuation summary**

Coal India

**Stock data**

52-week range (Rs) (high,low)	317-256
Market Cap. (Rs bn)	1,691.8

**Shareholding pattern (%)**

Promoters	78.3
FII's	5.4
MF's	1.9

Price performance (%)	1M	3M	12M
Absolute	(4.7)	3.1	0.6
Rel. to BSE-30	0.8	(0.0)	(13.8)

**Forecasts/Valuations**

	2019E	2020E	2021E
EPS (Rs)	24.9	25.5	27.1
EPS growth (%)	120.4	2.2	6.6
P/E (X)	10.9	10.7	10.0
Sales (Rs bn)	953.5	1,030.2	1,089.6
Net profits (Rs bn)	154.7	158.1	168.5
EBITDA (Rs bn)	184.9	211.7	219.6
EV/EBITDA (X)	8.3	7.0	6.5
ROE (%)	62.7	65.9	76.0
Div. Yield (%)	7.3	9.2	9.2

**Growth performance moderates in September, bring downs YTD growth to 8.1% yoy**

Coal India reported 0.8% yoy growth in coal dispatches at 43.9 mn tons in September 2018 with all subsidiaries but three reporting positive volume growth. Production volumes were healthy with a growth of 3.8% yoy in September 2018 despite a less favorable base—10% yoy growth in September 2017. Overall performance in 2QFY19 remains modest with 4.3% yoy growth in dispatches and 5.8% yoy growth in production volumes.

Continuing with the trend seen last month, ECL and WCL showed the highest dispatch growth of 10% yoy and 8% yoy respectively followed by MCL (+4% yoy). On the production front, all but two subsidiaries reported negative volume growth with MCL and SECL reporting decline of 3.4% yoy and 3% yoy respectively in September 2018. Other subsidiaries barring BCCL reported strong growth in the range of 8-16% yoy.

**Auction premiums remain strong, inventory remains precarious in West**

E-auction premiums increased to 93% in August 2018 from 76% seen in July 2018. Premiums are still well above those seen in FY2018, and should also be seen in the context of the price increase taken in January 2018. Coal inventory which remained at 10 days over the last five months has decreased to seven days in September 2018. As many as 13 plants with critical/super-critical inventories are located in the west out of a total of 19 plants across India. The east has no plants with critical inventory while the north and south have two and four plants each.

**Improved pricing and volume profile augurs well for earnings**

Coal India has started FY2019 on a firm footing with 1QFY19 delivering 61% yoy growth in earnings on the back of 22% yoy growth in revenue. We expect the earnings momentum to continue on the back of double-digit growth in realizations and healthy volume growth. Contained wage cost and double-digit revenue growth make for strong 120% yoy growth in net income for FY2019, reversing the earnings trajectory with a marked improvement from the reported earnings of the past two years. Maintain ADD rating and target price of Rs320/share.

Murtuza Arsiwalla

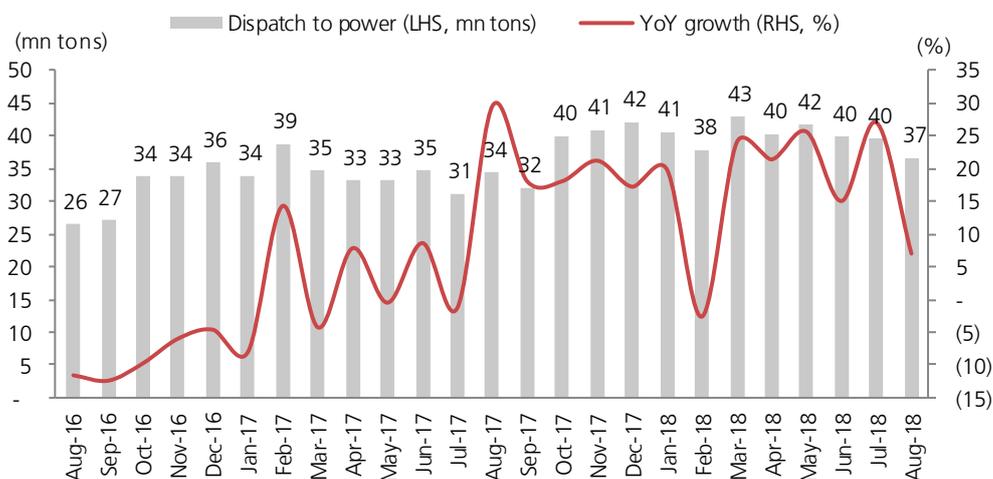
Samrat Verma

Exhibit 1: Coal India's dispatch growth slowed down to 0.8% yoy in September 2018; production volume growth was 3.8% yoy  
Subsidiary-wise monthly dispatch volumes, March fiscal year-ends (mn tons)

	Sep-18	Sep-17	Jul-18	Growth (%)		YTD			Quarterly		
				yoy	mom	2019	2018	(% chg.)	2QFY19	2QFY18	(% chg.)
<b>Dispatches</b>											
ECL	3.4	3.1	3.3	10.1	3.4	22.5	18.4	22.1	10.2	8.9	15.3
BCCL	2.4	2.6	2.5	(5.1)	(2.8)	17.0	15.5	9.9	8.0	7.7	3.4
CCL	4.6	5.2	4.6	(12.8)	(1.9)	31.7	31.3	1.4	14.1	15.4	(8.5)
NCL	8.2	7.9	8.3	3.4	(1.1)	49.2	44.7	9.9	24.8	23.0	8.1
WCL	3.9	3.6	3.7	8.0	5.9	25.2	22.1	13.9	11.6	11.0	5.6
SECL	10.7	10.9	12.1	(1.5)	(11.8)	76.5	71.9	6.4	35.9	34.3	4.7
MCL	10.7	10.3	10.7	4.2	0.4	68.5	64.9	5.5	32.8	31.6	3.9
NEC	0.0	0.0	0.0	(25.0)	—	0.3	0.3	(13.3)	0.1	0.1	-
<b>CIL</b>	<b>43.9</b>	<b>43.6</b>	<b>45.2</b>	<b>0.8</b>	<b>(2.9)</b>	<b>290.8</b>	<b>269.0</b>	<b>8.1</b>	<b>137.4</b>	<b>131.7</b>	<b>4.3</b>
<b>Production</b>											
ECL	3.4	2.9	3.0	15.9	11.7	20.4	16.7	22.3	9.4	7.8	20.4
BCCL	2.4	2.3	2.2	1.7	7.2	14.6	13.6	7.5	6.9	6.7	2.7
CCL	4.1	3.8	3.7	8.4	11.6	22.8	20.9	9.3	11.4	10.7	6.4
NCL	8.0	7.2	7.7	11.6	3.4	48.4	38.3	26.5	23.8	17.1	39.4
WCL	3.1	2.7	2.2	16.1	40.9	16.6	15.2	9.5	7.0	7.1	(1.1)
SECL	9.8	10.1	10.7	(2.9)	(8.2)	72.2	61.3	17.9	32.3	29.5	9.3
MCL	9.4	9.7	9.2	(3.4)	2.4	61.2	61.4	(0.3)	28.8	29.5	(2.6)
NEC	0.0	0.0	0.0	33.3	33.3	0.2	0.1	56.3	0.1	0.1	21.6
<b>CIL</b>	<b>40.2</b>	<b>38.8</b>	<b>38.8</b>	<b>3.8</b>	<b>3.7</b>	<b>256.5</b>	<b>231.9</b>	<b>10.6</b>	<b>119.6</b>	<b>113.0</b>	<b>5.8</b>

Source: Company, Kotak Institutional Equities

Exhibit 2: Monthly dispatches to power sector increased by 7% yoy in August 2018  
Monthly trend of coal dispatches to power sector, March fiscal year-ends, Aug-2016 - Aug-2018



Source: Ministry of Power, Kotak Institutional Equities

Exhibit 3: Coal inventory at plants deteriorated in September; number of plants with critical inventory continues to remain high in West  
Inventory position of coal across power plants in India, March fiscal year-ends, 2017-18

	Sep-2018			Aug-2018			Jul-2018		
	Days	Critical (#)	Super-Critical (#)	Days	Critical (#)	Super-Critical (#)	Days	Critical (#)	Super-Critical (#)
North	12	2	—	12	1	—	14	—	1
West	6	5	8	10	3	6	10	6	5
South	6	2	2	13	—	1	12	—	1
East	4	—	—	4	—	—	5	—	—
<b>All India</b>	<b>7</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>4</b>	<b>7</b>	<b>11</b>	<b>6</b>	<b>7</b>

	Sep-2017			Aug-2017			Jul-2017		
	Days	Critical (#)	Super-Critical (#)	Days	Critical (#)	Super-Critical (#)	Days	Critical (#)	Super-Critical (#)
North	7	1	5	9	1	2	13	11	—
West	5	4	6	8	4	3	12	1	1
South	7	2	1	10	—	—	16	—	—
East	5	—	2	6	—	—	9	—	—
<b>All India</b>	<b>6</b>	<b>7</b>	<b>14</b>	<b>8</b>	<b>5</b>	<b>5</b>	<b>12</b>	<b>—</b>	<b>1</b>

Source: CEA, Kotak Institutional Equities

Exhibit 4: Coal-based generation remained flat yoy in August 2018

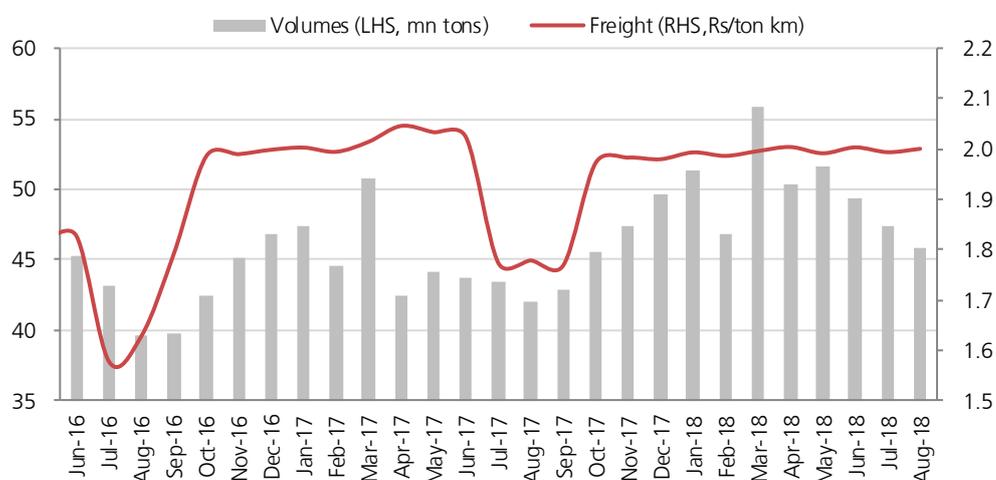
Key details of installed capacity, generation and PLF in India, March fiscal year-ends

	Monthly			YTD		
	Aug-18	Aug-17	yoy (%)	Aug-18	Aug-17	yoy (%)
<b>Overall</b>						
Installed capacity (MW)	344,688	329,316	4.7	344,688	329,316	4.7
Generation (MU)	104,755	101,692	3.0	521,476	505,726	3.1
PLF (%)	51.2	50.4	80 bps	51.7	50.9	80 bps
<b>Coal</b>						
Installed capacity (MW)	196,097	193,557	1.3	196,097	193,557	1.3
Generation (MU)	77,111	77,102	0.0	405,380	389,317	4.1
PLF (%)	54.4	55.4	-101 bps	57.9	56.7	120 bps

Source: CEA, Kotak Institutional Equities

Exhibit 5: Railways freights not reflecting the seasonal drop this time around

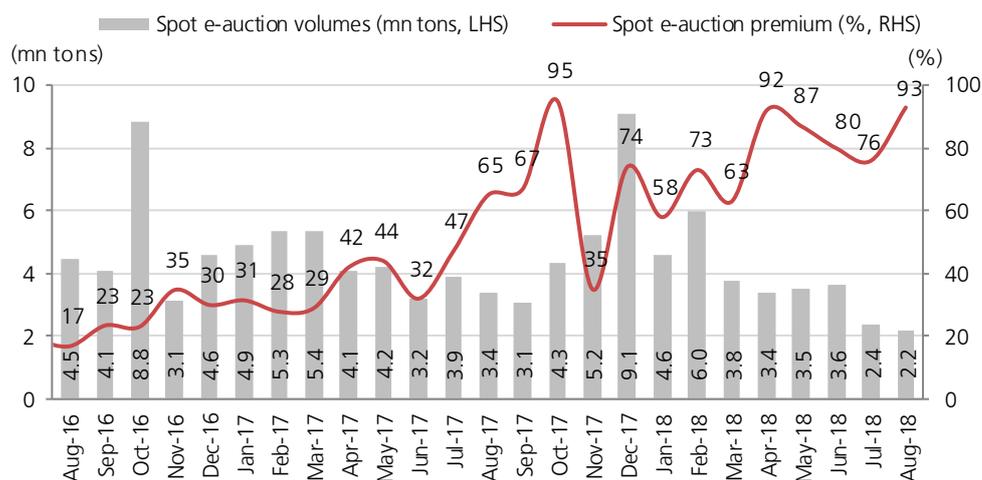
Volume and freight rates for coal movement by railway (mn tons, Rs/ton km)



Source: Indian Railways, Kotak Institutional Equities

**Exhibit 6: Spot e-auction premiums increased sharply to 93% in August 2018**

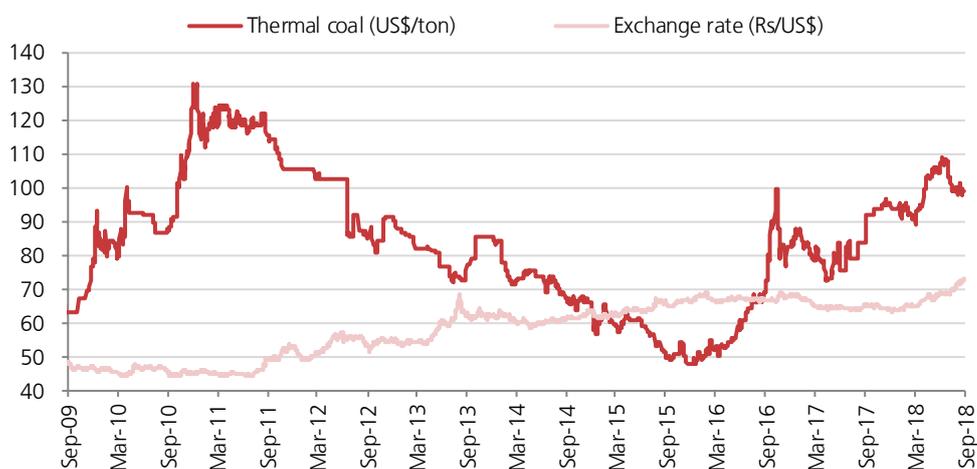
Monthly trend in spot coal volumes and premium for Coal India, March fiscal year-end, Aug-2016 – Aug-2018



Source: Ministry of Power, Kotak Institutional Equities

**Exhibit 7: Imported coal prices averaged at US\$99/ton in September 2018**

Trend in price of imported coal, March fiscal year-ends, Sep-2009 - Sep-2018



Source: Bloomberg, Kotak Institutional Equities

**Exhibit 8: Our earnings assumptions factor 3% yoy growth in volumes for FY2019E**

Key operational and financial assumptions, March fiscal year-ends, 2016-21E (Rs mn)

	2016	2017	2018	2019E	2020E	2021E	Growth (%)					
							2016	2017	2018	2019E	2020E	2021E
Volumes (mn tons)	534	543	580	608	637	658	9	2	7	5	5	3
Realization (Rs/ton)	1,415	1,389	1,408	1,519	1,569	1,609	(4)	(2)	1	8	3	3
Revenue (Rs mn)	756,443	754,666	817,000	924,315	999,695	1,058,172	5	(0)	8	13	8	6
Employee costs	(296,598)	(335,143)	(426,336)	(400,414)	(413,435)	(431,778)	(1)	13	27	(6)	3	4
Overburden	(28,114)	(26,722)	(33,583)	(35,408)	(37,983)	(40,663)	(27)	(5)	26	5	7	7
EBITDA	181,791	122,242	86,571	184,857	211,671	219,629	5	(33)	(29)	114	15	4
PAT	142,329	92,678	70,198	154,744	158,083	168,529	4	(35)	(24)	120	2	7

Source: Company, Kotak Institutional Equities estimates

Exhibit 9: Profit model, balance sheet, cash model of Coal India, March fiscal year-ends, 2016-21E (Rs mn)

	2016	2017	2018	2019E	2020E	2021E
<b>Profit model</b>						
Net sales	756,443	754,666	817,000	924,315	999,695	1,058,172
Transport and loading recovery	22,386	27,382	32,533	29,253	30,592	31,518
<b>Total income</b>	<b>793,271</b>	<b>794,430</b>	<b>832,738</b>	<b>953,470</b>	<b>1,030,231</b>	<b>1,089,632</b>
<b>EBITDA</b>	<b>181,791</b>	<b>122,242</b>	<b>86,571</b>	<b>184,857</b>	<b>211,671</b>	<b>219,629</b>
Interest income	48,042	37,306	33,531	20,975	3,621	10,409
Other Income (ex transport, interest)	10,515	18,008	22,144	51,976	51,976	51,976
Interest expense	(207)	(4,117)	(4,318)	(4,149)	(4,156)	(4,156)
Depreciation	(24,664)	(29,101)	(30,664)	(24,739)	(25,651)	(26,311)
<b>Pretax profits</b>	<b>215,476</b>	<b>144,337</b>	<b>107,264</b>	<b>228,921</b>	<b>237,461</b>	<b>251,548</b>
Tax	(73,148)	(51,660)	(37,067)	(74,177)	(79,379)	(83,019)
<b>Net income</b>	<b>142,329</b>	<b>92,678</b>	<b>70,198</b>	<b>154,744</b>	<b>158,083</b>	<b>168,529</b>
Extraordinary items	415	(18)	—	—	—	—
Reported profit	142,743	92,660	70,198	154,744	158,083	168,529
<b>Earnings per share (Rs)</b>	<b>23</b>	<b>15</b>	<b>11</b>	<b>25</b>	<b>25</b>	<b>27</b>
<b>Balance sheet</b>						
Paid-up common stock	63,164	62,074	62,074	62,074	62,074	62,074
<b>Total shareholders' equity</b>	<b>338,976</b>	<b>245,268</b>	<b>198,466</b>	<b>207,969</b>	<b>184,501</b>	<b>171,478</b>
Minority interest	1,048	3,459	3,625	3,625	3,625	3,625
Total borrowings	11,988	30,078	15,309	15,598	15,598	15,598
Shifting and rehab fund	31,777	38,197	43,666	43,666	43,666	43,666
<b>Total liabilities and equity</b>	<b>383,788</b>	<b>317,002</b>	<b>261,065</b>	<b>270,858</b>	<b>247,389</b>	<b>234,367</b>
Net fixed assets	183,608	220,900	275,774	265,454	254,222	234,319
Capital work-in progress	58,942	103,078	102,864	82,948	63,031	54,179
Investments	29,019	14,829	15,086	15,086	15,086	15,086
Cash	383,128	312,298	314,751	171,994	221,029	284,783
Current assets (excl. cash)	427,055	482,357	512,892	558,809	579,070	589,998
Current liabilities and provisions	718,408	843,787	1,013,852	877,696	940,657	1,000,942
Deferred tax asset	20,445	27,328	53,551	54,263	55,609	56,943
Misc. expenditure	—	—	—	—	—	—
<b>Total assets</b>	<b>383,788</b>	<b>317,002</b>	<b>261,065</b>	<b>270,858</b>	<b>247,389</b>	<b>234,367</b>
<b>Free cash flow</b>						
Operating cash flow, excl. working capital	165,021	121,761	100,862	178,771	182,388	193,504
Working capital changes	(62,730)	70,077	139,530	(182,073)	42,700	49,358
Capital expenditure	(43,450)	162,491	(85,324)	5,498	5,498	2,444
Investments	(885)	14,191	(258)	—	—	—
<b>Free cash flow</b>	<b>57,957</b>	<b>368,519</b>	<b>154,810</b>	<b>2,195</b>	<b>230,586</b>	<b>245,306</b>
<b>Ratios</b>						
Net debt/equity (%)	(109)	(115)	(151)	(75)	(111)	(157)
Return on equity (%)	38	32	32	76	81	95
Book value per share (Rs)	54	40	32	34	30	28
<b>ROCE (%)</b>	<b>39</b>	<b>34</b>	<b>36</b>	<b>88</b>	<b>92</b>	<b>106</b>

Source: Company, Kotak Institutional Equities estimates

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**Strong growth in commercial vehicle segment.** In September 2018, commercial vehicle industry volumes surprised positively with strong double-digit volume growth while there was some softness in demand for passenger vehicles due to weak retail demand in September. We note that the shift in the festival season this year has also impacted yoy volume growth across consumer-oriented segments. In two-wheelers, Royal Enfield volumes were particularly impacted due to a strike at one of their plants and weak retail demand in September.

#### **Demand in passenger vehicle industry was impacted by weak consumer sentiment**

As per our calculations, passenger vehicle industry volumes declined by 2-3% yoy in September 2018 due to a weak start to the festive season and a shift in the festive season inventory push to October 2018 this year from September/October last year. Maruti's overall volumes declined by 0.5% yoy to 162,290 units led by (1) 1.4% yoy increase in domestic volumes and (2) 25.1% yoy decline in exports. Weakness in domestic volumes was due to weak retail demand and the impact of floods in Kerala. In terms of segments, volumes marginally improved in both premium hatchback/entry sedan and SUV segments while Ciaz volumes grew due to the launch of a new model. In terms of other OEMs, domestic volumes of Hyundai and Honda declined by 5% and 20% yoy respectively while Toyota reported 1% yoy volume growth in September 2018. Tata Motors' passenger vehicle segment volumes grew by 6% yoy led by the success of new launches – Nexon and Tiago.

#### **M&M's overall volumes declined by 7% yoy in September 2018**

Mahindra reported 7% yoy overall decline in volumes led by (1) 2.5% yoy growth in auto segment led by 19% yoy growth in LCV/pick-up volumes and 17% yoy growth in three-wheeler volumes while SUV volumes declined by 16% yoy. The company has launched Marazzo recently, which has received a very good response and this model should drive stronger growth in SUV volumes for the company over the next few months and (2) 18% yoy decline in tractor volumes mainly led by the shift in the festive season this year versus last year. Escorts' tractor volumes were up by 2.5% yoy in September 2018 – yoy volume growth is low due to the shift in the festive season.

#### **MHCV industry volumes likely grew by 25-26% yoy in September 2018**

Demand in MHCV industry surprised positively with 25-26% yoy growth in domestic industry volumes in September 2018 (base was not low as volumes grew by 26% yoy in September 2017). We note that strong industry growth is despite uncertainty post the announcement of new axle load norms. In terms of OEMs, (1) Tata reported 26% yoy growth in domestic CV volumes led by strong growth in both MHCV and LCV segments, (2) Ashok Leyland reported 21% yoy growth in overall MHCV volumes and (3) VECV's domestic MHCV volumes increased by 8% yoy.

#### **Two-wheeler industry volumes grew by ~12% yoy in September 2018**

Overall two-wheeler volumes for OEMs grew by 12% yoy in September 2018 partly led by strong growth in exports and push of inventory to dealers. Retail demand was quite weak in September in our view. Hero reported 7% yoy volume growth in September 2018. Bajaj Auto's overall volumes increased by 17% yoy led by (1) 10% yoy growth in domestic motorcycle volumes and (2) 12% yoy growth in domestic three-wheeler volumes and (3) 30% yoy growth in exports. TVS reported 18% yoy volume growth led by 20% yoy growth in exports while domestic 2W volumes were up 18% yoy. Eicher reported only 2% yoy volume growth due to Kerala floods (accounts for 11% of the company's volumes), a strike at one of its plants and weak retail demand.

Hitesh Goel

Nishit Jalan

**Exhibit 1: Maruti Suzuki reported flattish volumes (yoy) in September 2018**  
Maruti Suzuki monthly sales volume, March fiscal year-ends (units)

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	YTD	
														2018	2019
<b>Sales volume (units)</b>															
M800, Alto, A-Star, Wagon R	38,479	32,490	38,204	32,146	33,316	33,789	37,511	37,794	37,864	29,381	37,710	35,895	34,971	219,727	213,615
Swift, Baleno, Ritz, Celerio, Dzire	72,804	62,480	65,447	53,336	67,868	65,213	68,885	83,834	77,263	71,570	74,373	71,364	74,011	365,246	452,415
Gypsy, Ertiga, S-Cross, Brezza	19,900	23,382	23,072	19,276	20,693	20,324	22,764	20,804	25,629	19,321	24,505	17,971	21,639	124,248	129,869
Omni and Ecco	13,735	12,669	13,565	11,420	12,250	12,425	13,689	15,886	16,717	12,185	15,791	13,663	14,645	79,119	88,887
Ciaz	5,603	4,107	4,009	2,382	5,062	4,897	4,321	5,116	4,024	1,579	48	7,002	6,246	34,135	24,015
Light commercial vehicle	879	872	1,003	726	1,411	1,252	1,412	1,544	1,703	1,626	1,723	1,805	2,038	3,357	10,439
<b>Total domestic</b>	<b>151,400</b>	<b>136,000</b>	<b>145,300</b>	<b>119,286</b>	<b>140,600</b>	<b>137,900</b>	<b>148,582</b>	<b>164,978</b>	<b>163,200</b>	<b>135,662</b>	<b>154,150</b>	<b>147,700</b>	<b>153,550</b>	<b>825,832</b>	<b>919,240</b>
Exports	11,671	10,446	9,300	10,780	10,751	11,924	12,016	8,008	9,312	9,319	10,219	10,489	8,740	60,857	56,087
<b>Total volumes</b>	<b>163,071</b>	<b>146,446</b>	<b>154,600</b>	<b>130,066</b>	<b>151,351</b>	<b>149,824</b>	<b>160,598</b>	<b>172,986</b>	<b>172,512</b>	<b>144,981</b>	<b>164,369</b>	<b>158,189</b>	<b>162,290</b>	<b>886,689</b>	<b>975,327</b>
<b>Yoy change (%)</b>															
M800, Alto, A-Star, Wagon R	(13.3)	(4.2)	(1.8)	2.0	(12.2)	2.1	21.1	(2.8)	(3.1)	15.1	(10.9)	1.3	(9.1)	(2.8)	
Swift, Baleno, Ritz, Celerio, Dzire	34.1	18.8	24.8	16.3	15.4	31.5	11.3	31.8	50.8	76.7	17.8	(3.6)	1.7	23.9	
Gypsy, Ertiga, S-Cross, Brezza	8.0	29.8	34.0	19.9	26.8	13.8	24.3	0.8	13.4	39.2	(4.9)	(16.2)	8.7	4.5	
Omni and Ecco	0.9	(0.9)	10.8	23.8	(13.6)	(12.5)	17.7	14.0	32.7	32.3	0.5	(1.9)	6.6	12.3	
Ciaz	(14.4)	(35.4)	(26.2)	(35.8)	(22.5)	(16.8)	(12.1)	(27.2)	(14.8)	(60.0)	(99.2)	8.4	11.5	(29.6)	
<b>Total domestic</b>	<b>10.3</b>	<b>9.9</b>	<b>15.0</b>	<b>12.1</b>	<b>5.0</b>	<b>14.2</b>	<b>16.1</b>	<b>14.2</b>	<b>24.9</b>	<b>45.5</b>	<b>0.1</b>	<b>(2.8)</b>	<b>1.4</b>	<b>11.3</b>	
Exports	(1.3)	4.2	0.8	(6.2)	2.8	24.9	2.1	19.1	48.1	(29.0)	(9.9)	(10.4)	(25.1)	(7.8)	
<b>Total volumes</b>	<b>9.3</b>	<b>9.5</b>	<b>14.1</b>	<b>10.3</b>	<b>4.8</b>	<b>15.0</b>	<b>14.9</b>	<b>14.4</b>	<b>26.0</b>	<b>36.3</b>	<b>(0.6)</b>	<b>(3.4)</b>	<b>(0.5)</b>	<b>10.0</b>	

Source: Company, Kotak Institutional Equities estimates

**Exhibit 2: Mahindra & Mahindra: Overall volumes declined by 7% yoy in September 2018; tractor volumes down 18% yoy**  
Mahindra & Mahindra monthly sales volume, March fiscal year-ends (units)

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	YTD	
														2018	2019
<b>Sales volume (units)</b>															
Passenger UVs (incl. Verito)	25,327	23,903	16,030	15,543	23,686	22,389	26,555	21,927	20,715	18,137	19,781	19,758	21,411	121,465	121,729
Commercial Vehicles	19,201	19,284	15,554	17,542	21,002	20,946	25,496	18,963	18,748	19,229	19,284	20,326	22,917	96,973	119,467
3-wheelers	5,928	6,126	4,455	3,894	4,744	5,138	6,602	4,327	4,355	4,323	5,540	5,289	6,940	23,666	30,774
Exports (Auto sector)	3,207	2,343	2,531	2,221	2,626	2,654	3,424	2,880	3,031	3,466	2,594	2,951	3,754	12,448	18,676
<b>Auto division</b>	<b>53,663</b>	<b>51,656</b>	<b>38,570</b>	<b>39,200</b>	<b>52,058</b>	<b>51,127</b>	<b>62,077</b>	<b>48,097</b>	<b>46,849</b>	<b>45,155</b>	<b>47,199</b>	<b>48,324</b>	<b>55,022</b>	<b>254,552</b>	<b>290,646</b>
Tractors (Dom + Exp)	45,788	40,262	22,754	18,288	21,875	20,483	28,277	30,925	29,330	40,529	22,679	17,785	37,581	165,944	178,829
<b>Total</b>	<b>99,451</b>	<b>91,918</b>	<b>61,324</b>	<b>57,488</b>	<b>73,933</b>	<b>71,610</b>	<b>90,354</b>	<b>79,022</b>	<b>76,179</b>	<b>85,684</b>	<b>69,878</b>	<b>66,109</b>	<b>92,603</b>	<b>420,496</b>	<b>469,475</b>
<b>Yoy change (%)</b>															
Passenger UVs (incl. Verito)	23.3	(3.4)	17.6	(6.9)	17.9	8.7	4.7	13.1	2.1	12.2	(5.6)	2.2	(15.5)	0.2	
Commercial vehicles	19.4	6.8	22.3	23.9	51.2	27.9	11.3	25.9	15.3	27.1	28.4	24.7	19.4	23.2	
3-wheelers	0.0	3.3	12.7	12.6	55.2	50.0	30.4	25.9	7.3	68.9	46.7	35.4	17.1	30.0	
Exports (Auto sector)	(10.5)	(28.5)	(9.5)	8.2	16.1	15.4	26.4	88.5	134.4	86.8	30.8	14.3	17.1	50.0	
<b>Auto division</b>	<b>16.3</b>	<b>(0.7)</b>	<b>16.5</b>	<b>7.8</b>	<b>32.5</b>	<b>19.7</b>	<b>10.8</b>	<b>22.0</b>	<b>11.8</b>	<b>26.4</b>	<b>13.1</b>	<b>14.7</b>	<b>2.5</b>	<b>14.2</b>	
Tractors (Dom + Exp)	49.8	(10.9)	31.8	30.2	37.5	36.5	46.2	18.3	14.6	23.1	20.4	6.9	(17.9)	7.8	
<b>Total</b>	<b>29.7</b>	<b>(5.4)</b>	<b>21.8</b>	<b>14.0</b>	<b>33.9</b>	<b>24.1</b>	<b>19.9</b>	<b>20.5</b>	<b>12.9</b>	<b>24.8</b>	<b>15.4</b>	<b>12.5</b>	<b>(6.9)</b>	<b>11.6</b>	

Source: Company, Kotak Institutional Equities estimates

**Exhibit 3: Tata Motors reported 20% yoy volume growth in September 2018; domestic CV volumes increased by 26% yoy**  
Tata Motors monthly sales volume, March fiscal year-ends (units)

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	YTD	
														2018	2019
<b>Sales volume (units)</b>															
MHCVs	17,007	15,508	17,621	21,851	18,431	20,706	24,321	18,271	17,565	17,456	16,143	19,698			
LCVs	23,559	21,085	22,386	24,640	25,855	24,970	31,296	20,915	22,861	26,147	23,535	25,389			
<b>Total CVs</b>	<b>40,566</b>	<b>36,593</b>	<b>40,007</b>	<b>46,491</b>	<b>44,286</b>	<b>45,676</b>	<b>55,617</b>	<b>39,186</b>	<b>40,426</b>	<b>43,603</b>	<b>39,678</b>	<b>45,087</b>	<b>51,269</b>	<b>180,769</b>	<b>259,249</b>
UVs	5,218	5,201	5,676	6,177	6,854	6,393	7,908	6,659	6,043	6,044	5,706	6,558			
Cars	12,333	11,403	11,708	8,252	13,484	11,692	12,628	10,676	11,525	12,372	11,483	12,112			
<b>Total PVs</b>	<b>17,551</b>	<b>16,604</b>	<b>17,384</b>	<b>14,429</b>	<b>20,338</b>	<b>18,085</b>	<b>20,536</b>	<b>17,335</b>	<b>17,568</b>	<b>18,416</b>	<b>17,189</b>	<b>18,670</b>	<b>18,579</b>	<b>82,243</b>	<b>107,757</b>
<b>Total sales</b>	<b>58,117</b>	<b>53,197</b>	<b>57,391</b>	<b>60,920</b>	<b>64,624</b>	<b>63,761</b>	<b>76,153</b>	<b>56,521</b>	<b>57,994</b>	<b>62,019</b>	<b>56,867</b>	<b>63,757</b>	<b>69,848</b>	<b>263,012</b>	<b>367,006</b>
<b>Yoy change (%)</b>															
MHCVs	15.9	(0.8)	53.2	57.6	11.7	19.1	20.1	208.9	70.8	59.4	26.2	31.5			
LCVs	24.0	3.2	56.3	54.6	55.1	40.6	47.9	72.4	33.4	44.4	28.3	29.7			
<b>Total CVs</b>	<b>20.5</b>	<b>1.5</b>	<b>54.9</b>	<b>56.0</b>	<b>33.5</b>	<b>30.0</b>	<b>34.3</b>	<b>117.1</b>	<b>47.4</b>	<b>50.1</b>	<b>27.4</b>	<b>30.5</b>	<b>26.4</b>		<b>43.4</b>
UVs	206.9	159.5	335.9	371.5	179.2	174.3	223.3	309.3	447.4	406.6	101.1	127.5			
Cars	(7.1)	(22.7)	(0.5)	(16.0)	25.7	15.8	(5.1)	(5.5)	17.1	22.4	(6.2)	4.8			
<b>Total PVs</b>	<b>17.2</b>	<b>(0.9)</b>	<b>33.0</b>	<b>29.5</b>	<b>54.3</b>	<b>45.5</b>	<b>30.4</b>	<b>34.1</b>	<b>60.5</b>	<b>62.9</b>	<b>14.0</b>	<b>29.3</b>	<b>5.9</b>		<b>31.0</b>
<b>Total sales</b>	<b>19.5</b>	<b>0.7</b>	<b>47.5</b>	<b>48.8</b>	<b>39.4</b>	<b>34.0</b>	<b>33.3</b>	<b>82.5</b>	<b>51.2</b>	<b>53.7</b>	<b>23.0</b>	<b>30.1</b>	<b>20.2</b>		<b>39.5</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 4: Ashok Leyland reported 26% yoy volume growth in September 2018; MHCV volumes up 21% yoy**  
Ashok Leyland monthly sales volume, March fiscal year-ends (units)

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	YTD	
														2018	2019
<b>Sales volume (units)</b>															
LCV	3,566	3,804	3,819	3,303	4,458	4,455	5,396	3,709	3,238	4,534	4,203	4,228	5,141	18,206	25,053
MHCV	11,802	9,107	10,641	15,950	13,643	13,726	17,057	8,968	10,421	11,257	10,996	13,158	14,232	51,309	69,032
<b>Total CVs</b>	<b>15,370</b>	<b>12,911</b>	<b>14,460</b>	<b>19,253</b>	<b>18,101</b>	<b>18,181</b>	<b>22,453</b>	<b>12,677</b>	<b>13,659</b>	<b>15,791</b>	<b>15,199</b>	<b>17,386</b>	<b>19,373</b>	<b>69,515</b>	<b>94,085</b>
<b>Yoy change (%)</b>															
LCV	15.3	28.6	44.3	69.5	58.3	62.7	57.6	45.0	10.4	44.9	42.2	37.9	44.2		37.6
MHCV	31.7	(4.8)	53.6	81.6	13.2	21.2	11.8	97.9	69.8	21.8	21.8	24.5	20.6		34.5
<b>Total CVs</b>	<b>27.5</b>	<b>3.0</b>	<b>51.0</b>	<b>79.4</b>	<b>21.7</b>	<b>29.2</b>	<b>20.2</b>	<b>78.8</b>	<b>50.6</b>	<b>27.6</b>	<b>26.9</b>	<b>27.5</b>	<b>26.0</b>		<b>35.3</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 5: VECV reported 11% yoy volume growth in September 2018; domestic MHCV volumes increased by 8% yoy**  
VECV monthly sales volume, March fiscal year-ends (units)

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	YTD	
														2018	2019
<b>Domestic sales</b>															
LCV	1,252	1,228	1,018	1,410	1,664	1,499	2,193	1,124	1,864	1,857	1,731	1,423	1,536		
MHCV	3,832	3,235	3,044	3,635	4,346	4,284	5,787	2,265	3,404	3,639	3,427	3,420	4,149		
<b>Total</b>	<b>5,084</b>	<b>4,463</b>	<b>4,062</b>	<b>5,045</b>	<b>6,010</b>	<b>5,783</b>	<b>7,980</b>	<b>3,389</b>	<b>5,268</b>	<b>5,496</b>	<b>5,158</b>	<b>4,843</b>	<b>5,685</b>	<b>22,529</b>	<b>29,839</b>
<b>Export sales</b>															
LCV	162	166	65	111	154	329	404	168	115	233	223	195	201		
MHCV	688	537	600	799	548	684	861	382	491	586	535	910	692		
<b>Total</b>	<b>850</b>	<b>703</b>	<b>665</b>	<b>910</b>	<b>702</b>	<b>1,013</b>	<b>1,265</b>	<b>550</b>	<b>606</b>	<b>819</b>	<b>758</b>	<b>1,105</b>	<b>893</b>	<b>3,743</b>	<b>4,731</b>
<b>Total sales</b>	<b>5,934</b>	<b>5,166</b>	<b>4,727</b>	<b>5,955</b>	<b>6,712</b>	<b>6,796</b>	<b>9,245</b>	<b>3,939</b>	<b>5,874</b>	<b>6,315</b>	<b>5,916</b>	<b>5,948</b>	<b>6,578</b>	<b>26,272</b>	<b>34,570</b>
<b>Yoy change (%)</b>															
LCV	10.4	9.5	59.8	65.1	59.8	9.9	20.1	(8.6)	9.1	56.6	51.3	45.8	22.7		
MHCV	27.1	18.4	71.9	50.5	57.7	23.7	26.2	68.0	51.6	65.7	33.3	20.3	8.3		
<b>Total domestic</b>	<b>22.6</b>	<b>15.8</b>	<b>68.7</b>	<b>54.3</b>	<b>58.3</b>	<b>19.8</b>	<b>24.5</b>	<b>31.5</b>	<b>33.3</b>	<b>62.5</b>	<b>38.9</b>	<b>26.8</b>	<b>11.8</b>		<b>32.4</b>
<b>Export sales</b>															
LCV	(7.4)	(19.8)	(75.0)	63.2	(29.4)	213.3	101.0	0.0	(19.6)	26.6	(4.7)	(21.1)	24.1		
MHCV	67.4	38.4	50.4	26.4	26.0	53.4	80.5	15.4	10.8	83.7	45.4	99.6	0.6		
<b>Total exports</b>	<b>45.1</b>	<b>18.2</b>	<b>0.9</b>	<b>30.0</b>	<b>7.5</b>	<b>83.8</b>	<b>86.6</b>	<b>10.2</b>	<b>3.4</b>	<b>62.8</b>	<b>25.9</b>	<b>57.2</b>	<b>5.1</b>		<b>26.4</b>
<b>Total sales</b>	<b>25.3</b>	<b>16.1</b>	<b>54.1</b>	<b>50.0</b>	<b>50.9</b>	<b>26.3</b>	<b>30.4</b>	<b>28.0</b>	<b>29.4</b>	<b>62.5</b>	<b>37.1</b>	<b>31.6</b>	<b>10.9</b>		<b>31.6</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 6: Escorts reported 3% yoy volume growth in September 2018**  
Escorts monthly sales volume, March fiscal year-ends (units)

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	YTD	
														2018	2019
<b>Sales volume (units)</b>															
<b>Escorts</b>	<b>10,353</b>	<b>10,205</b>	<b>5,119</b>	<b>3,606</b>	<b>5,316</b>	<b>6,462</b>	<b>11,790</b>	<b>6,186</b>	<b>8,325</b>	<b>9,983</b>	<b>5,626</b>	<b>4,812</b>	<b>10,617</b>	<b>37,919</b>	<b>45,549</b>
Domestic	10,144	10,001	4,941	3,476	5,160	6,295	11,557	6,094	8,087	9,758	5,483	4,674	10,396	37,016	44,492
Exports	209	204	178	130	156	167	233	92	238	225	143	138	221	903	1,057
<b>Yoy change (%)</b>															
<b>Escorts</b>	<b>34.0</b>	<b>13.8</b>	<b>6.5</b>	<b>13.1</b>	<b>45.6</b>	<b>52.2</b>	<b>66.5</b>	<b>26.3</b>	<b>20.9</b>	<b>72.8</b>	<b>3.6</b>	<b>5.2</b>	<b>2.5</b>		<b>20.1</b>
Domestic	32.4	12.9	5.2	14.2	47.1	53.4	64.8	28.0	19.5	72.1	3.9	6.3	2.5		20.2
Exports	242.6	83.8	64.8	(9.7)	7.6	16.8	258.5	(33.8)	105.2	110.3	(7.7)	(22.0)	5.7		17.1

Source: Company, Kotak Institutional Equities estimates

**Exhibit 7: Bajaj reported 17% yoy volume growth in September 2018; strong growth across segments**  
Bajaj monthly sales volume, March fiscal year-ends (units)

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	YTD	
														2018	2019
Domestic motorcycles	247,418	211,553	141,948	112,930	163,111	175,489	158,987	200,742	192,543	200,949	201,433	218,437	273,029	1,010,559	1,287,133
Export motorcycles	122,260	114,225	122,022	115,832	125,825	122,025	110,952	148,875	150,052	136,803	131,247	144,486	157,910	683,876	869,373
<b>Total motorcycles</b>	<b>369,678</b>	<b>325,778</b>	<b>263,970</b>	<b>228,762</b>	<b>288,936</b>	<b>297,514</b>	<b>269,939</b>	<b>349,617</b>	<b>342,595</b>	<b>337,752</b>	<b>332,680</b>	<b>362,923</b>	<b>430,939</b>	<b>1,694,435</b>	<b>2,156,506</b>
Domestic three-wheelers	34,361	35,657	37,887	36,579	39,082	38,534	44,613	28,722	32,082	33,627	36,078	37,194	38,474	137,285	206,177
Exports three-wheelers	24,713	21,029	24,601	27,206	25,129	21,835	19,796	36,829	32,367	33,050	31,585	36,975	32,596	128,224	203,402
<b>Total three-wheelers</b>	<b>59,074</b>	<b>56,686</b>	<b>62,488</b>	<b>63,785</b>	<b>64,211</b>	<b>60,369</b>	<b>64,409</b>	<b>65,551</b>	<b>64,449</b>	<b>66,677</b>	<b>67,663</b>	<b>74,169</b>	<b>71,070</b>	<b>265,509</b>	<b>409,579</b>
<b>Total sales</b>	<b>428,752</b>	<b>382,464</b>	<b>326,458</b>	<b>292,547</b>	<b>353,147</b>	<b>357,883</b>	<b>334,348</b>	<b>415,168</b>	<b>407,044</b>	<b>404,429</b>	<b>400,343</b>	<b>437,092</b>	<b>502,009</b>	<b>1,959,944</b>	<b>2,566,085</b>
<b>Yoy change (%)</b>															
Domestic motorcycles	7.3	(0.7)	1.6	5.9	36.1	23.2	5.0	24.0	23.0	85.9	22.1	27.2	10.4		27.4
Exports motorcycles	20.5	20.4	24.5	19.9	36.7	18.9	19.6	12.8	24.4	41.7	30.9	28.8	29.2		27.1
<b>Total motorcycles</b>	<b>11.4</b>	<b>5.8</b>	<b>11.0</b>	<b>12.5</b>	<b>36.4</b>	<b>21.4</b>	<b>10.5</b>	<b>18.9</b>	<b>23.6</b>	<b>65.0</b>	<b>25.5</b>	<b>27.9</b>	<b>16.6</b>		<b>27.3</b>
Domestic three-wheelers	37.0	38.3	156.7	180.1	154.0	129.1	150.2	80.0	83.1	78.2	67.2	28.3	12.0		50.2
Exports three-wheelers	25.5	(6.5)	41.1	197.1	70.9	86.1	95.4	85.0	69.3	54.8	50.7	66.7	31.9		58.6
<b>Total three-wheelers</b>	<b>31.9</b>	<b>17.4</b>	<b>94.1</b>	<b>187.1</b>	<b>113.4</b>	<b>111.4</b>	<b>130.3</b>	<b>82.8</b>	<b>75.9</b>	<b>65.8</b>	<b>59.0</b>	<b>44.9</b>	<b>20.3</b>		<b>54.3</b>
<b>Total sales</b>	<b>13.8</b>	<b>7.4</b>	<b>20.9</b>	<b>29.7</b>	<b>46.0</b>	<b>30.8</b>	<b>22.8</b>	<b>25.9</b>	<b>29.7</b>	<b>65.2</b>	<b>30.1</b>	<b>30.5</b>	<b>17.1</b>		<b>30.9</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 8: Hero reported 7% yoy volume growth in September 2018**  
Hero MotoCorp monthly sales volume, March fiscal year-ends (units)

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	YTD	
														2018	2019
Total sales	720,739	631,105	605,270	472,731	641,501	629,597	730,473	694,022	706,365	704,562	679,862	685,047	769,138	3,872,180	4,238,996
<b>Yoy change (%)</b>	<b>6.8</b>	<b>(4.8)</b>	<b>26.1</b>	<b>43.2</b>	<b>31.7</b>	<b>20.0</b>	<b>19.8</b>	<b>17.4</b>	<b>11.4</b>	<b>12.9</b>	<b>9.1</b>	<b>0.9</b>	<b>6.7</b>		<b>9.5</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 9: Royal Enfield reported 2% yoy volume growth in September 2018**  
Royal Enfield monthly sales volume, March fiscal year-ends (units)

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	YTD	
														2018	2019
<b>Sales volume (units)</b>															
<b>Royal Enfield</b>	<b>70,431</b>	<b>69,492</b>	<b>70,126</b>	<b>66,968</b>	<b>77,878</b>	<b>73,077</b>	<b>76,087</b>	<b>76,187</b>	<b>74,697</b>	<b>74,477</b>	<b>69,063</b>	<b>69,377</b>	<b>71,662</b>	<b>388,167</b>	<b>435,463</b>
Domestic	69,393	68,014	67,716	65,367	76,205	71,327	74,209	74,627	72,510	72,588	67,001	68,014	70,065	379,606	424,805
Exports	1,038	1,478	2,350	1,601	1,673	1,750	1,878	1,560	2,187	1,889	2,062	1,363	1,597	8,561	10,658
<b>Yoy change (%)</b>															
<b>Royal Enfield</b>	<b>21.8</b>	<b>17.5</b>	<b>22.4</b>	<b>16.7</b>	<b>30.5</b>	<b>25.0</b>	<b>26.6</b>	<b>26.7</b>	<b>23.1</b>	<b>17.9</b>	<b>5.0</b>	<b>2.1</b>	<b>1.7</b>		<b>12.2</b>
Domestic	21.8	16.5	21.4	16.1	31.1	25.7	26.7	27.4	23.6	17.7	3.9	1.7	1.0		11.9
Exports	17.4	97.6	59.9	48.0	8.4	2.8	20.1	(1.1)	6.7	26.9	58.4	23.3	53.9		24.5

Source: Company, Kotak Institutional Equities estimates

**Exhibit 10: TVS Motor's volumes increased by 18% yoy in September 2018**  
TVS Motors monthly sales volume, March fiscal year-ends (units)

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	YTD	
														2018	2019
<b>Sales volume (units)</b>															
<b>Motorcycles</b>	<b>143,923</b>	<b>125,409</b>	<b>93,202</b>	<b>95,281</b>	<b>98,649</b>	<b>113,296</b>	<b>134,412</b>	<b>131,704</b>	<b>126,711</b>	<b>128,825</b>	<b>121,434</b>	<b>131,743</b>	<b>166,489</b>	<b>695,327</b>	<b>806,906</b>
Scooters	121,601	106,910	78,397	83,640	85,521	93,573	100,972	89,245	95,879	102,763	118,996	126,676	142,562	585,905	676,121
Mopeds	85,330	76,045	71,724	68,709	78,825	74,073	80,381	72,469	75,545	69,613	67,426	71,657	101,645	427,175	458,355
Three-wheelers	8,996	9,047	8,642	9,279	8,806	9,731	10,894	11,377	11,730	12,413	13,323	13,141	13,282	42,285	75,266
<b>Total sales</b>	<b>359,850</b>	<b>317,411</b>	<b>251,965</b>	<b>256,909</b>	<b>271,801</b>	<b>290,673</b>	<b>326,659</b>	<b>304,795</b>	<b>309,865</b>	<b>313,614</b>	<b>321,179</b>	<b>343,217</b>	<b>423,978</b>	<b>1,750,692</b>	<b>2,016,648</b>
<b>Yoy change (%)</b>															
Total motorcycles	17.2	3.2	37.3	63.7	63.7	92.0	40.5	31.8	7.4	14.9	11.0	17.7	15.7		16.0
Scooters	43.3	15.7	7.2	50.6	22.1	35.6	20.0	9.6	11.9	13.6	28.8	10.8	17.2		15.4
Mopeds	6.9	(15.4)	(8.1)	4.4	9.7	(5.3)	13.0	21.4	5.3	5.4	9.6	(13.5)	19.1		7.3
Total three-wheelers	54.9	88.3	46.9	72.1	81.6	86.3	103.2	114.5	78.2	140.9	70.0	56.1	47.6		78.0
<b>Total sales</b>	<b>22.7</b>	<b>2.8</b>	<b>12.0</b>	<b>38.9</b>	<b>31.3</b>	<b>37.5</b>	<b>27.4</b>	<b>23.7</b>	<b>9.9</b>	<b>14.5</b>	<b>18.4</b>	<b>8.1</b>	<b>17.8</b>		<b>15.2</b>

Source: Company, Kotak Institutional Equities estimates

**Exhibit 11: Residual volume growth run rate are negative for CV OEMs (potential upside risks to FY2019 volume estimates)**  
Summary table of OEM volumes

OEM	Sep-18	Yoy chg (%)	Mom chg (%)	YTDFY18	Yoy chg (%)	Residual monthly volume run rate	Residual volume run rate (Yoy growth)
Ashok Leyland	19,373	26.0	27.5	94,085	35.3	17,405	(0.8)
Bajaj Auto	502,009	17.1	25.4	2,566,085	30.9	376,765	10.4
Eicher Motor (RE)	71,662	1.7	3.8	435,463	12.2	77,778	8.0
Eicher Motor (VECV)	6,578	10.9	11.2	34,570	31.6	4,804	(0.4)
Escorts	10,617	2.5	88.7	45,549	20.1	7,934	12.0
Hero Motocorp	769,138	6.7	13.1	4,238,996	9.5	613,616	(0.9)
Maruti Suzuki	162,290	(0.5)	(1.3)	975,327	10.0	171,012	14.9
Mahindra and Mahindra	92,603	(6.9)	32.5	469,475	11.6	88,293	18.6
Tata Motors (standalone)	69,848	20.2	22.8	367,006	39.5	60,492	(3.6)
TVS Motors	423,978	17.8	32.0	2,016,648	15.2	301,659	5.5

Source: Companies, Kotak Institutional Equities estimates

OCTOBER 03, 2018

UPDATE

BSE-30: 36,526

**GST revenues: Lengthening shadow on fiscal math.** On a cash accounting basis, 1HFY19 collections are likely at around ₹900 bn, implying a required run rate of ₹1.19 bn for 2HFY19. Without reduction in revenue expenditure it will be difficult to stick to the budgeted GFD/GDP, which is important from a macro-prudential basis. We maintain our FY2019E GFD/GDP at 3.5% factoring around ₹500-600 bn of lower CGST revenue and some reduction in capital expenditure. Overall, we believe that expenditure needs to be reduced if the government wants to stick to the 3.3% mark.

#### August 2018 GST revenues at ₹944 bn

Based on the monthly PIB release, total GST collections was at ₹944 bn in August compared to ₹940 bn in July. CGST collection amounted to ₹153 bn (July: ₹153 bn), SGST stood at ₹211 bn (₹212 bn), IGST at ₹501 bn (₹499 bn), and compensation cess was at ₹80 bn (₹76 bn) (see Exhibit 1). CGST and SGST collections have stagnated around ₹150-160 bn and ₹210-220 bn. After allocations from the IGST, CGST for August was at ₹306 bn (July: ₹370 bn) and SGST was ₹350 bn (July: ₹411 bn). The number of returns filed in August was similar to that in July at 6.7 mn.

#### Required run rate for 2HFY19 at ₹1.19 tn

Accounting for refunds, on a cash accounting basis, August collections would likely be around ₹894 bn implying a 1HFY19 run rate of around ₹900 bn (see Exhibit 2). For 1HFY19 CGST would be around 2.15 tn with unallocated IGST at ₹303 bn. SGST would likely be around ₹2.47 tn. We note that the budgeted run rate would be around ₹1.05 tn implying a required run rate of ₹1.19 tn for 2HFY19. This translates to mom growth of 8% in CGST, SGST, and IGST for the next six months. It is unlikely that such a growth in momentum is possible in the near term. Even with an optimistic scenario of (1) 1% increase in mom collections in 2HFY19, (2) higher IGST allocation to center, and (3) distribution of unallocated compensation cess equally between center and states, the center's shortfall would likely be around ₹500-600 bn.

#### Fiscal math: Sticking to budgeted fiscal deficit remains a challenge

The government has re-iterated its commitment to stick to the budgeted GFD/GDP of 3.3%. However, the GST run rate poses significant challenges to the fiscal math. The government is looking to bridge the shortfall through higher-than-budgeted (1) direct taxes (possible), and (2) divestments (difficult). We believe that without expenditure cuts, it will be difficult to stick to the budgeted target. We maintain our GFD/GDP estimate at 3.5% factoring in reduction in capital expenditure and some increase in revenue expenditure to factor for higher food and fuel subsidy (see Exhibit 3). However, from a macro-prudential perspective, we have been advocating that a slowdown in aggregate consumption is required to structurally improve the external sector (*Economic growth at any cost?*, September 11). The government needs to keep its expenditure under check through reduction in revenue expenditure in order to maintain the GFD/GDP at 3.3%. However, gross borrowing through dated securities may not necessarily increase (managed through further reduction in buybacks) unless divestments disappoint too.

#### QUICK NUMBERS

- August GST collections at ₹944 bn
- 1HFY19 run-rate at ₹900 bn; required rate at ₹1.19 tn for 2HFY19
- Maintain our FY2019 GFD/GDP estimate at 3.5%

Suvodeep Rakshit

Upasna Bhardwaj

**Exhibit 1: August GST revenue at Rs944 bn**  
Breakup of monthly GST collection (Rs bn)

	CGST	SGST	IGST	IGST (imports)	Compensation		Total GST	Total filings (mn)
					cess			
Jul-17	151	230	481	213	73	936	5.9	
Aug-17	148	216	486	238	80	930	5.9	
Sep-17	145	219	505	247	82	951	5.7	
Oct-17	157	230	448	223	79	913	5.0	
Nov-17	136	193	428	218	81	837	5.3	
Dec-17	145	205	453	231	86	889	5.6	
Jan-18	145	204	447	229	85	880	5.8	
Feb-18	157	214	445	232	77	893	6.0	
Mar-18	187	257	505	212	86	1,035	6.0	
Apr-18	159	217	491	244	73	940	6.2	
May-18	160	220	495	245	81	956	6.5	
Jun-18	159	223	500	249	84	965	6.6	
Jul-18	153	212	499	265	76	940	6.7	
Aug-18	153	211	501	253	80	944	6.7	

Source: PIB, Kotak Economics Research estimates

**Exhibit 2: GST run rate significantly below budgeted run rate**  
Summary of GST collections, March fiscal year-ends (Rs bn)

	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18
<b>Monthly collections (PIB press releases)</b>						
<b>Center</b>	<b>325</b>	<b>288</b>	<b>316</b>	<b>579</b>	<b>370</b>	<b>306</b>
Center GST (CGST)	187	159	160	159	153	153
Centre's share of IGST (C-IGST)	138	129	157	420	217	153
<b>States</b>	<b>403</b>	<b>340</b>	<b>367</b>	<b>638</b>	<b>411</b>	<b>350</b>
States' GST (SGST)	257	217	220	223	212	211
States' share of IGST (S-IGST)	146	123	147	415	200	140
<b>Unallocated IGST</b>	<b>222</b>	<b>239</b>	<b>192</b>	<b>(335)</b>	<b>82</b>	<b>209</b>
<b>Compensation cess</b>	<b>86</b>	<b>73</b>	<b>81</b>	<b>84</b>	<b>76</b>	<b>80</b>
<b>Total</b>	<b>1,035</b>	<b>940</b>	<b>956</b>	<b>965</b>	<b>940</b>	<b>944</b>
<b>FYTD collections (incl. CGA adjustments for CGST, SGST, IGST)</b>						
<b>Centre</b>	<b>521</b>	<b>971</b>	<b>1,383</b>	<b>1,563</b>	<b>1,975</b>	<b>2,450</b>
- CGST	321	602	911	1,490	1,851	2,147
- Unallocated IGST	200	369	471	72	124	303
<b>State</b>	<b>399</b>	<b>732</b>	<b>1,092</b>	<b>1,730</b>	<b>2,132</b>	<b>2,473</b>
Compensation cess	85	157	237	317	391	469
<b>Total</b>	<b>1,004</b>	<b>1,860</b>	<b>2,712</b>	<b>3,609</b>	<b>4,498</b>	<b>5,392</b>
<b>FY2019BE</b>						
Centre						6,539
- Unallocated IGST						500
State						5,078
Compensation cess						900
<b>Total</b>						<b>12,517</b>
<b>FY2019BE required run rate</b>						
Centre						545
- Unallocated IGST						42
State						423
Compensation cess						75
<b>Total</b>						<b>1,043</b>
<b>FYTD run rate</b>						
Centre	521	486	461	391	395	408
- Unallocated IGST	200	185	157	18	25	50
State	399	366	364	432	426	412
Compensation cess	85	79	79	79	78	78
<b>Total</b>	<b>1,004</b>	<b>930</b>	<b>904</b>	<b>902</b>	<b>900</b>	<b>899</b>

Notes:

(a) Monthly collections are inclusive of monthly IGST transfers.

(b) FYTD collections for Jun-18 is based on our estimates of refunds and IGST settlements.

Source: PIB, CGA, Kotak Economics Research estimates

**Exhibit 3: Expenditure cuts are likely in order to maintain GFD/GDP at 3.3%**  
Major central government budgetary items, March fiscal year-ends, 2016-19E (Rs bn)

	2016	2017	2018P	2019BE	2019E	Change (%)			
						2017/ 2016	2018P/ 2017	2019BE/ 2018P	2019E/ 2018P
<b>Receipts</b>									
1. Revenue receipts (2d + 3)	11,950	13,742	14,352	17,257	16,919	15	4	20	18
<b>2. Gross tax revenues (a + b)</b>	<b>14,556</b>	<b>17,158</b>	<b>19,192</b>	<b>22,712</b>	<b>22,193</b>	<b>18</b>	<b>12</b>	<b>18</b>	<b>16</b>
2.a. Direct taxes	7,458	8,539	10,077	11,552	11,552	14	18	15	15
2.a.1. Corporation tax	4,532	4,849	5,712	6,210	6,210	7	18	9	9
2.a.2. Income tax	2,876	3,646	4,082	5,290	5,290	27	12	30	30
2.a.3. Other taxes	50	43	283	52	52	(13)	553	(81)	(81)
2.b. Indirect taxes	7,098	8,620	9,115	11,160	10,641	21	6	22	17
2.b.1. Goods and Services Tax	—	—	4,347	7,439	6,920	—	—	71	59
2.b.1.1. CGST	—	—	2,033	6,039	5,520	—	—	197	172
2.b.1.2. IGST	—	—	1,688	500	500	—	—	(70)	(70)
2.b.1.3. Compensation cess	—	—	626	900	900	—	—	44	44
2.b.2. Customs duty	2,103	2,254	1,369	1,125	1,125	7	(39)	(18)	(18)
2.b.2.1. Basic duties	572	646	808	963	963	13	25	19	19
2.b.2.2. Others	1,532	1,608	562	162	162	5	(65)	(71)	(71)
2.b.3. Excise duty	2,881	3,821	2,586	2,596	2,596	33	(32)	0	0
2.b.4. Service tax	2,114	2,545	812	—	—	20	(68)	—	—
2.c Transfers to states, UTs and national funds	5,119	6,145	6,765	7,906	7,726	20	10	17	14
2.d Net tax revenues	9,438	11,014	12,427	14,806	14,468	17	13	19	16
3. Non-tax revenues	2,513	2,728	1,925	2,451	2,451	9	(29)	27	27
3.a. RBI's transfer of surplus	659	659	407	400	400	(0)	(38)	(2)	(2)
4. Non-debt capital receipts (a + b)	630	654	1,158	922	922	4	77	(20)	(20)
4.a Recovery of loans	208	176	156	122	122	(15)	(11)	(22)	(22)
4.b Other receipts (disinvestments)	421	477	1,002	800	800	13	110	(20)	(20)
<b>5. Total receipts (1 + 4)</b>	<b>12,580</b>	<b>14,396</b>	<b>15,510</b>	<b>18,179</b>	<b>17,841</b>	<b>14</b>	<b>8</b>	<b>17</b>	<b>15</b>
<b>Expenditure</b>									
<b>6. Revenue expenditure</b>	<b>15,378</b>	<b>16,906</b>	<b>18,790</b>	<b>21,418</b>	<b>21,603</b>	<b>10</b>	<b>11</b>	<b>14</b>	<b>15</b>
6.a. Interest payments	4,417	4,807	5,292	5,758	5,758	9	10	9	9
6.b. Subsidies	2,641	2,348	2,242	2,928	3,114	(11)	(5)	31	39
6.b.1. Food	1,394	1,102	1,003	1,693	1,843	(21)	(9)	69	84
6.b.2. Fertilizer	724	663	664	701	701	(8)	0	5	5
6.b.3. Oil	300	275	244	249	285	(8)	(12)	2	17
6.b.4. Other subsidies	223	308	331	285	285	38	7	(14)	(14)
6.c. Pay, allowances and pensions	3,301	3,996	4,414	4,791	4,791	21	10	9	9
6.c.1.a. Pay and allowances	2,334	2,682	2,940	3,107	3,107	15	10	6	6
6.c.1.b. Pensions	967	1,314	1,474	1,685	1,685	36	12	14	14
6.d. Agriculture and farmers' welfare	153	369	374	467	467	141	1	25	25
6.e. Education	672	720	800	850	850	7	11	6	6
6.f. Health and family welfare	322	377	514	528	528	17	36	3	3
6.g. Rural development	774	951	1,086	1,124	1,124	23	14	4	4
6.h. Others	3,097	3,338	4,069	4,971	4,970	8	22	22	22
<b>7. Capital expenditure</b>	<b>2,530</b>	<b>2,846</b>	<b>2,637</b>	<b>3,004</b>	<b>2,848</b>	<b>12</b>	<b>(7)</b>	<b>14</b>	<b>8</b>
7.a. Defence	836	915	955	996	946	9	4	4	(1)
7.b. Railways	350	452	434	531	504	29	(4)	22	16
7.c. Roads and Highways	275	412	508	594	594	50	23	17	17
7.d. Housing and urban affairs	106	165	153	164	156	56	(7)	7	2
7.e. Others	963	902	587	720	648	(6)	(35)	23	10
<b>8. Total expenditure (6 + 7)</b>	<b>17,908</b>	<b>19,752</b>	<b>21,427</b>	<b>24,422</b>	<b>24,451</b>	<b>10</b>	<b>8</b>	<b>14</b>	<b>14</b>
<b>Deficit</b>									
Primary deficit (PD)	911	549	624	485	852	(55)	14	(22)	36
Revenue deficit (RD)	3,427	3,164	4,438	4,160	4,684	3	40	(6)	6
<b>Gross fiscal deficit (GFD)</b>	<b>5,328</b>	<b>5,356</b>	<b>5,917</b>	<b>6,243</b>	<b>6,610</b>	<b>0</b>	<b>10</b>	<b>6</b>	<b>12</b>
Gross borrowings (dated securities)	5,840	5,830	5,451	5,350	5,350	3	(7)	(2)	(2)
Net market borrowing	4,406	4,082	4,055	3,916	3,915	(4)	(1)	(3)	(3)
Net market borrowing (adjusted for buyback)	4,041	3,497	3,485	3,651	3,868	5	(0)	5	11
Short-term borrowing (T-bills)	507	55	775	170	320	—	—	—	—
<b>Nominal GDP at market prices</b>	<b>137,640</b>	<b>152,537</b>	<b>167,731</b>	<b>187,223</b>	<b>187,188</b>	<b>10.8</b>	<b>10.0</b>	<b>11.6</b>	<b>11.6</b>
PD/GDP (%)	0.7	0.4	0.4	0.3	0.5				
RD/GDP (%)	2.5	2.1	2.6	2.2	2.5				
<b>GFD/GDP (%)</b>	<b>3.9</b>	<b>3.5</b>	<b>3.5</b>	<b>3.3</b>	<b>3.5</b>				

Source: Union Budget, Kotak Economics Research estimates

## September 2018: Results calendar

Mon	Tue	Wed	Thu	Fri	Sat	Sun
<b>8-Oct</b>	<b>9-Oct</b>	<b>10-Oct</b>	<b>11-Oct</b>	<b>12-Oct</b>	<b>13-Oct</b>	<b>14-Oct</b>
		Zee Entertainment Enterprises	TCS	Hindustan Unilever		
<b>15-Oct</b>	<b>16-Oct</b>	<b>17-Oct</b>	<b>18-Oct</b>	<b>19-Oct</b>	<b>20-Oct</b>	<b>21-Oct</b>
	Hero Motocorp	ACC			HDFC Bank	
	Infosys	Mphasis			ICICI Lombard	
	Mahindra CIE Automotive					
<b>22-Oct</b>	<b>23-Oct</b>	<b>24-Oct</b>	<b>25-Oct</b>	<b>26-Oct</b>	<b>27-Oct</b>	<b>28-Oct</b>
GlaxoSmithkline Pharmaceuticals	Bajaj Finance	Bajaj Auto		Bharat Electronics		
Kansai Nerolac	Bajaj Finserv	Bajaj Holding & Investment		Dr Reddy's Laboratories		
	HDFC Standard Life	Bharat Financial Inclusion		PI Industries		
	TVS Motor	Hexaware Technologies				
		Jubilant Foodworks				
		Mahindra & Mahindra Financial				
<b>29-Oct</b>	<b>30-Oct</b>	<b>31-Oct</b>	<b>1-Nov</b>	<b>2-Nov</b>	<b>3-Nov</b>	<b>4-Nov</b>
Colgate-Palmolive (India)	Info Edge	Dabur India	HDFC	Aditya Birla Fashion		
GRUH Finance	Tech Mahindra			Axis Bank		
Tata Power	Torrent Power					
<b>5-Nov</b>	<b>6-Nov</b>	<b>7-Nov</b>	<b>8-Nov</b>	<b>9-Nov</b>	<b>10-Nov</b>	<b>11-Nov</b>
Timken				Amara Raja Batteries		
<b>12-Nov</b>	<b>13-Nov</b>	<b>14-Nov</b>	<b>15-Nov</b>	<b>16-Nov</b>	<b>17-Nov</b>	<b>18-Nov</b>

Source: NSE, Kotak Institutional Equities

**Kotak Institutional Equities: Valuation summary of KIE Universe stocks**

Company	Rating	Price (Rs)		Upside (%)	Mkt cap. (Rs bn)	O/S shares (US\$ bn)	EPS (Rs)			EPS growth (%)			P/E (X)		EV/EBITDA (X)			P/B (X)		RoE (%)		Dividend yield (%)			ADVT 3mo (US\$ mn)				
		1-Oct-18	Target price (Rs)				2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2019E	2020E	2019E	2020E	2019E	2020E	2021E					
<b>Automobiles</b>																													
Amara Raja Batteries	REDUCE	745	780	4.7	127	1.7	171	32	37	43	17.1	15.9	14.5	23.1	19.9	17.4	12.3	10.5	9.0	3.8	3.3	2.8	17.4	17.5	17.4	0.7	0.8	0.9	6.4
Apollo Tyres	BUY	213	340	59.5	122	1.7	541	19	23	28	38.9	26.1	18.1	11.5	9.1	7.7	7.3	6.1	5.0	1.1	1.0	0.9	10.4	12.0	12.7	1.4	1.4	1.4	12.8
Ashok Leyland	BUY	120	160	33.5	352	4.8	2,926	6.2	8.9	9.4	15.3	43.2	6.1	19.3	13.5	12.7	9.8	7.1	6.6	4.2	3.5	3.0	23.4	28.4	25.4	1.6	2.2	2.4	46.2
Bajaj Auto	SELL	2,730	2,600	(4.8)	790	10.8	289	155	168	180	10.8	8.1	7.4	17.6	16.3	15.1	12.0	10.7	9.6	3.7	3.3	3.0	22.2	21.4	20.6	2.3	2.5	2.6	32.0
Balkrishna Industries	REDUCE	1,084	1,300	19.9	210	2.9	193	50	62	70	34.5	24.1	12.8	21.6	17.4	15.4	11.7	9.6	8.3	4.2	3.5	2.9	21.6	22.1	20.7	0.5	0.6	0.6	15.7
Bharat Forge	SELL	626	600	(4.1)	291	4.0	466	23	27	29	44.4	14.6	7.1	26.8	23.3	21.8	15.2	13.3	12.3	5.3	4.6	3.9	21.5	21.0	19.4	0.8	0.9	1.0	12.5
CEAT	ADD	1,134	1,500	32.3	46	0.6	40	99	108	116	53.7	8.3	7.9	11.4	10.5	9.8	7.6	6.6	6.0	1.5	1.4	1.2	14.4	13.8	13.2	0.9	0.9	0.9	12.8
Eicher Motors	SELL	24,839	21,500	(13.4)	677	9.3	27	981	1,124	1,251	23.7	14.6	11.3	25.3	22.1	19.9	18.1	15.8	13.6	9.1	7.0	5.5	41.8	35.8	30.8	0.1	0.1	—	23.4
Escorts	BUY	622	1,200	92.8	53	1.0	89	59	71	78	52.2	19.9	10.6	10.5	8.8	7.9	6.4	5.1	4.1	1.9	1.6	1.4	17.6	18.0	17.1	1.4	1.7	1.9	15.5
Exide Industries	SELL	263	235	(10.6)	223	3.1	850	10	11	13	25.3	11.0	11.6	25.6	23.0	20.6	14.5	13.0	11.6	3.8	3.4	3.1	15.4	15.5	15.7	1.1	1.3	1.5	8.8
Hero Motocorp	SELL	2,973	2,600	(12.5)	594	8.2	200	174	182	196	(6.1)	4.7	7.6	17.1	16.3	15.2	10.0	9.4	8.5	4.5	4.1	3.7	27.9	26.2	25.4	2.9	3.1	3.3	21.9
Mahindra CIE Automotive	ADD	255	290	13.7	97	1.3	378	14	16	17	45.0	12.7	10.4	18.3	16.3	14.7	9.2	8.1	7.2	2.3	2.0	1.8	13.2	13.1	12.7	—	—	—	3.5
Mahindra & Mahindra	BUY	848	1,125	32.7	1,054	14.5	1,138	45	54	56	18.8	19.0	4.2	18.8	15.8	15.2	12.2	10.1	9.5	2.8	2.5	2.2	15.8	16.6	15.4	1.1	1.3	1.3	31.8
Maruti Suzuki	ADD	7,465	9,200	23.2	2,255	31.0	302	298	362	408	16.7	21.2	12.9	25.0	20.6	18.3	13.7	10.9	9.2	4.7	4.0	3.5	20.1	21.1	20.5	1.0	1.2	1.4	80.7
Motherson Sumi Systems	SELL	249	280	12.5	524	7.2	2,105	11	14	16	40.2	21.5	13.8	21.7	17.9	15.7	8.9	7.3	6.3	4.5	3.8	3.2	22.5	23.2	22.3	1.1	1.3	1.4	15.9
MRF	REDUCE	63,026	69,000	9.5	267	3.7	4	3,425	3,932	4,411	28.3	14.8	12.2	18.4	16.0	14.3	8.5	7.3	6.3	2.4	2.1	1.8	13.9	13.9	13.7	0.1	0.1	0.1	7.8
Schaeffler India	BUY	5,246	6,000	14.4	87	1.2	17	156	199	233	9.0	27.3	17.6	33.6	26.4	22.5	20.4	15.5	12.9	4.6	4.1	3.6	14.5	16.4	17.0	0.6	0.8	0.9	0.6
SKF	ADD	1,693	1,800	6.3	87	1.2	51	69	82	97	19.7	18.5	18.2	24.5	20.7	17.5	15.6	12.9	10.6	4.1	3.5	3.1	16.7	17.1	17.4	0.7	0.8	1.0	0.4
Tata Motors	BUY	229	425	85.4	779	9.9	3,396	22	36	39	10.7	62.7	8.0	10.4	6.4	5.9	3.3	2.8	2.5	0.8	0.7	0.6	7.6	11.2	10.8	—	—	—	50.5
Timken	SELL	581	570	(1.8)	44	0.6	68	19	24	28	41.7	25.1	18.0	30.3	24.2	20.5	18.4	14.9	12.5	4.7	3.9	3.2	16.9	17.5	17.2	0.2	0.2	0.2	0.3
TVS Motor	SELL	556	350	(37.0)	264	3.6	475	15	17	20	8.4	15.1	15.6	36.8	31.9	27.6	20.0	17.5	15.3	7.9	6.8	5.9	23.1	22.9	22.9	0.8	0.9	1.1	15.1
Varrco Engineering	BUY	895	1,250	39.6	121	1.7	135	39	47	51	52.3	19.9	10.2	23.0	19.2	17.4	17.8	15.1	13.1	3.5	2.9	2.4	15.3	15.3	13.5	—	—	—	—
WABCO India	SELL	6,727	6,350	(5.6)	128	1.8	19	169	222	225	17.8	31.3	1.0	39.7	30.2	29.9	25.8	19.5	19.3	7.0	5.8	4.9	19.2	20.9	17.7	0.2	0.2	0.2	0.4
<b>Automobiles</b>	<b>Neutral</b>				<b>9,190</b>	<b>126</b>					<b>17.4</b>	<b>25.0</b>	<b>9.7</b>	<b>19.9</b>	<b>15.9</b>	<b>14.5</b>	<b>8.8</b>	<b>7.3</b>	<b>6.5</b>	<b>2.9</b>	<b>2.6</b>	<b>2.3</b>	<b>14.8</b>	<b>16.2</b>	<b>15.6</b>	<b>1.0</b>	<b>1.2</b>	<b>1.3</b>	<b>414.8</b>
<b>Banks</b>																													
Axis Bank	REDUCE	594	600	1.0	1,526	21.0	2,567	19	41	46	1,635.7	118.8	12.3	31.9	14.6	13.0	—	—	—	2.5	2.1	1.8	7.3	14.3	14.3	0.5	1.0	1.2	90.4
Bank of Baroda	NR	104	—	—	276	3.8	2,652	21	26	29	323.7	26.4	12.1	5.1	4.0	3.6	—	—	—	0.9	0.7	0.5	12.7	14.0	13.7	—	—	—	41.6
Canara Bank	ADD	233	300	28.9	171	2.3	733	(5)	51	68	91.6	1,147.0	33.3	(48.1)	4.6	3.4	—	—	—	1.4	0.8	0.6	(1.0)	10.1	12.0	—	—	—	26.8
City Union Bank	REDUCE	172	200	16.3	126	1.7	665	9	11	12	5.8	13.3	16.7	18.2	16.1	13.8	—	—	—	2.8	2.5	2.1	15.5	15.6	16.0	1.0	1.1	1.3	1.9
DCB Bank	ADD	146	205	40.6	45	0.6	308	10	12	16	28.2	21.0	33.1	14.3	11.8	8.9	—	—	—	1.7	1.5	1.3	11.7	12.7	14.9	0.7	0.8	1.1	4.4
Equitas Holdings	BUY	122	190	56.2	41	0.6	340	4.4	8.4	11.4	378.4	89.9	35.6	27.4	14.4	10.6	—	—	—	1.8	1.6	1.4	6.4	11.2	13.4	—	—	—	4.9
Federal Bank	BUY	73	105	43.7	145	2.0	1,972	5.7	8.0	9.8	27.8	39.5	22.9	12.8	9.2	7.5	—	—	—	1.2	1.1	1.0	8.9	11.5	12.9	1.8	2.4	3.0	18.0
HDFC Bank	REDUCE	2,035	2,000	(1.7)	5,531	75.9	2,595	78	94	112	15.7	20.0	19.1	26.1	21.7	18.3	—	—	—	3.8	3.4	3.0	16.7	16.2	17.0	0.7	0.9	1.1	80.7
ICICI Bank	BUY	314	400	27.4	2,020	27.7	6,429	8	26	31	(19.6)	209.1	19.2	37.0	12.0	10.1	—	—	—	2.1	1.8	1.5	5.1	14.5	15.5	0.5	1.7	2.0	96.1
IDFC Bank	NR	37	—	—	127	1.7	3,404	1.2	2.9	4.3	(52.7)	146.7	44.8	31.3	12.7	8.8	—	—	—	0.8	0.8	0.7	2.6	6.3	8.6	0.6	1.6	2.3	7.3
IndusInd Bank	REDUCE	1,643	1,900	15.7	988	13.6	600	70	86	101	15.8	24.3	17.0	23.6	19.0	16.2	—	—	—	3.5	3.0	2.6	17.4	16.7	16.9	—	0.6	0.7	34.6
J&K Bank	BUY	43	100	134.7	24	0.3	557	7	11	15	82.4	63.8	33.5	6.4	3.9	2.9	—	—	—	0.5	0.5	0.4	5.9	9.1	11.2	3.1	5.1	6.8	0.3
Karur Vysya Bank	ADD	80	110	38.2	64	0.9	727	3	13	14	(32.3)	306.7	9.1	24.7	6.1	5.6	—	—	—	1.1	1.0	0.8	3.7	14.1	13.9	1.0	4.1	4.7	1.7
Punjab National Bank	ADD	63	90	42.4	174	2.4	2,761	(27)	12	18	40.4	145.3	46.9	(2.4)	5.3	3.6	—	—	—	3.2	1.0	0.6	(23.4)	10.7	13.8	—	—	—	41.7
RBL Bank	SELL	525	475	(9.5)	223	3.1	420	22	29	36	48.1	31.5	21.0	23.4	17.8	14.7	—	—	—	3.1	2.7	2.4	13.3	15.5	16.5	0.6	0.8	1.0	15.7
State Bank of India	BUY	274	370	35.1	2,444	33.6	8,925	8	37	53	204.8	380.5	42.7	35.6	7.4	5.2	—	—	—	1.8	1.3	1.0	3.1	13.6	16.7	—	0.1	0.2	102.3
Ujivan Financial Services	ADD	259	420	62.3	31	0.4	121	19	28	32	3,033.9	47.3	15.1	13.8	9.4	8.2	—	—	—	1.6	1.4	1.2	12.1	15.8	15.8	0.6	1.1	1.3	5.4
Union Bank	ADD	69	120	73.7	81	1.1	1,169	8	33	40	117.1	330.8	22.5																

## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Target price	Upside	Mkt cap.		EPS (Rs)			EPS growth (%)			P/E (X)		EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT		
		1-Oct-18	(Rs)	(%)	(Rs bn)	(US\$ bn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	3mo	
<b>NBFCs</b>																													
Bajaj Finance	SELL	2,209	2,000	(9.4)	1,276	17.5	575	68	90	114	56.6	31.9	27.3	32.5	24.6	19.4	—	—	—	6.6	5.3	4.3	22.4	24.0	24.6	0.3	0.4	0.5	71.4
Bajaj Finserv	REDUCE	5,882	6,100	3.7	936	12.9	159	245	307	376	39.7	25.2	22.5	24.0	19.2	15.6	—	—	—	3.8	3.2	2.7	17.5	18.1	18.6	0.2	0.2	0.2	21.3
Bharat Financial Inclusion	NA	1,017	—	—	143	2.0	139	43	54	69	31.1	27.2	25.8	23.8	18.7	14.8	—	—	—	3.8	3.1	2.5	17.9	18.5	19.0	—	—	—	10.9
Cholamandalam	ADD	1,235	1,425	15.4	193	2.7	156	74	92	113	19.4	23.8	23.1	16.6	13.4	10.9	—	—	—	3.3	2.8	2.3	20.6	21.3	21.7	0.7	0.9	1.1	7.8
HDFC	ADD	1,806	2,020	11.8	3,059	42.0	1,676	55	65	79	(27.3)	18.7	21.2	32.9	27.7	22.9	—	—	—	4.1	3.8	3.4	13.6	14.2	15.7	1.2	1.4	1.7	81.9
HDFC Standard Life Insurance	SELL	388	405	4.3	782	10.7	2,007	6	7	8	14.8	10.9	14.7	61.2	55.1	48.1	—	—	—	16.2	14.5	12.9	28.0	27.7	28.4	0.4	0.5	0.5	7.8
ICICI Lombard	SELL	789	620	(21.4)	358	4.9	454	26	32	37	37.1	21.5	18.5	30.3	24.9	21.0	—	—	—	6.6	5.5	4.7	23.8	24.2	24.0	0.8	0.9	1.1	5.4
ICICI Prudential Life	BUY	330	500	51.3	474	6.5	1,436	12	13	15	10.1	7.0	10.0	26.6	24.9	22.6	—	—	—	5.9	5.0	4.2	24.5	21.8	20.2	0.6	0.7	0.7	8.6
IIFL Holdings	SELL	513	625	21.8	164	2.2	319	38	45	52	31.5	18.6	16.0	13.7	11.5	9.9	—	—	—	2.4	2.1	1.8	20.5	20.0	20.0	1.6	1.9	2.2	1.8
L&T Finance Holdings	ADD	131	165	25.9	262	3.6	1,996	13	14	16	70.9	12.3	12.8	10.4	9.3	8.2	—	—	—	1.9	1.6	1.4	18.9	18.8	18.3	1.5	1.9	1.8	19.5
LIC Housing Finance	BUY	417	580	39.0	211	2.9	505	48	55	66	10.9	13.9	19.8	8.6	7.6	6.3	—	—	—	1.4	1.2	1.0	17.0	16.2	16.9	1.8	2.1	2.5	17.0
Magma Fincorp	BUY	118	165	40.4	32	0.4	237	13	17	21	34.0	31.8	23.0	9.0	6.8	5.6	—	—	—	1.2	1.0	0.9	13.9	15.8	17.0	1.7	2.2	2.7	1.0
Mahindra & Mahindra Financial	ADD	414	450	8.7	256	3.5	614	23	28	34	58.4	23.2	18.6	18.0	14.6	12.3	—	—	—	2.6	2.4	2.1	14.3	15.8	16.7	1.5	1.9	2.2	12.1
Max Financial Services	ADD	401	650	62.2	108	1.5	268	6	6	6	36.9	1.8	1.8	63.9	62.7	61.7	—	—	—	—	—	—	8.3	8.0	7.8	—	0.6	0.6	5.2
Muthoot Finance	ADD	426	480	12.7	170	2.3	400	40	42	48	(7.8)	6.0	14.8	10.7	10.1	8.8	—	—	—	1.9	1.7	1.5	19.0	17.6	17.8	2.1	2.3	2.6	7.3
PNB Housing Finance	REDUCE	953	1,200	26.0	160	2.2	167	62	75	92	25.3	20.9	22.4	15.3	12.6	10.3	—	—	—	2.2	1.9	1.7	15.2	15.9	17.0	0.4	0.4	0.4	4.2
SBI Life Insurance	ADD	521	785	50.6	521	7.2	1,000	15	18	21	26.0	22.9	17.0	35.9	29.2	24.9	—	—	—	6.8	5.7	4.8	20.6	21.3	20.9	0.4	0.5	0.6	2.8
Shriram City Union Finance	ADD	1,600	2,120	32.5	106	1.4	66	139	171	206	38.1	22.6	20.5	11.5	9.4	7.8	—	—	—	1.8	1.6	1.4	15.5	16.7	17.4	1.1	1.3	1.6	1.5
Shriram Transport	BUY	1,139	1,450	27.3	258	3.5	227	109	127	143	57.8	16.2	12.5	10.5	9.0	8.0	—	—	—	1.8	1.5	1.3	17.6	17.2	16.8	1.3	1.6	1.9	34.6
<b>NBFCs</b>	<b>Neutral</b>				<b>9,468</b>	<b>130</b>					<b>13.2</b>	<b>19.5</b>	<b>19.6</b>	<b>24.4</b>	<b>20.4</b>	<b>17.1</b>				<b>3.9</b>	<b>3.4</b>	<b>2.9</b>	<b>15.9</b>	<b>16.5</b>	<b>17.1</b>	<b>0.8</b>	<b>0.9</b>	<b>1.1</b>	<b>709.3</b>
<b>Cement</b>																													
ACC	SELL	1,574	1,270	(19.3)	296	4.1	188	62	70	81	27.0	13.8	15.2	25.4	22.3	19.4	14.1	12.1	10.3	2.9	2.7	2.4	11.9	12.5	13.1	1.1	1.1	1.1	16.9
Ambuja Cements	REDUCE	223	210	(5.7)	442	6.1	1,986	9	11	12	14.5	23.2	15.8	25.9	21.0	18.1	8.7	7.2	6.0	2.1	1.9	1.8	8.1	9.5	10.4	1.6	1.6	1.6	10.9
Dalmia Bharat	ADD	2,301	2,830	23.0	205	2.8	89	94	122	139	55.8	29.3	14.8	24.5	18.9	16.5	9.4	7.7	6.5	3.0	2.6	2.2	12.9	14.6	14.5	0.1	0.1	0.1	4.5
Grasim Industries	BUY	999	1,170	17.2	657	9.0	657	46	55	70	(2.5)	18.8	28.0	21.6	18.2	14.2	7.4	7.0	6.5	1.1	1.0	1.0	5.2	5.9	7.1	0.6	0.6	0.6	16.6
India Cements	REDUCE	100	118	17.7	31	0.4	308	4	8	12	28.0	102.6	41.3	24.0	11.8	8.4	8.2	6.4	5.3	0.6	0.6	0.5	2.5	4.8	6.5	1.0	1.0	1.0	9.6
J K Cement	ADD	750	890	18.7	52	0.7	70	45	79	78	3.7	75.4	(0.8)	16.7	9.5	9.6	10.0	8.2	6.7	2.4	1.9	1.6	15.0	22.3	18.5	1.1	1.1	1.1	0.5
JK Lakshmi Cement	ADD	297	370	24.6	35	0.5	118	11	28	37	153.5	147.9	30.5	26.2	10.6	8.1	9.4	6.1	4.9	2.3	1.9	1.6	8.9	19.5	21.0	0.7	0.7	0.7	0.3
Orient Cement	ADD	90	145	60.6	18	0.3	205	7	11	15	212.9	58.7	41.3	13.4	8.4	6.0	6.7	5.1	3.8	1.6	1.4	1.2	12.9	18.2	21.8	1.7	2.2	2.2	0.3
Shree Cement	SELL	16,763	12,500	(25.4)	584	8.0	35	421	630	760	6.0	49.7	20.6	39.8	26.6	22.1	18.5	13.9	11.3	5.8	4.8	4.0	15.4	19.7	19.8	0.3	0.3	0.3	5.2
UltraTech Cement	SELL	3,940	2,950	(25.1)	1,082	14.9	275	126	162	201	42.7	28.9	24.0	31.3	24.3	19.6	16.4	13.5	11.2	3.7	3.3	2.8	12.6	14.3	15.4	0.3	0.3	0.3	19.1
<b>Cement</b>	<b>Cautious</b>				<b>3,403</b>	<b>47</b>					<b>19.5</b>	<b>30.3</b>	<b>21.8</b>	<b>27.5</b>	<b>21.1</b>	<b>17.3</b>	<b>10.6</b>	<b>9.1</b>	<b>7.8</b>	<b>2.3</b>	<b>2.1</b>	<b>1.9</b>	<b>8.4</b>	<b>10.0</b>	<b>11.0</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>84.0</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		1-Oct-18	Target price		(Rs bn)	(US\$ bn)		2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	
<b>Consumer products</b>																													
Asian Paints	REDUCE	1,279	1,325	3.6	1,226	16.8	959	27	33	39	32.1	20.3	18.3	47.2	39.2	33.2	29.5	24.4	20.6	12.7	11.1	9.7	28.8	30.3	31.3	0.9	1.2	1.4	24.2
Bajaj Corp.	ADD	395	470	19.0	58	0.8	148	15	17	19	7.8	10.3	9.5	25.6	23.2	21.2	20.4	17.4	15.2	11.9	11.9	11.7	46.3	51.2	55.4	3.3	3.5	3.8	0.6
Britannia Industries	ADD	5,844	6,700	14.7	702	9.6	120	104	127	152	24.5	22.2	19.2	56.1	45.9	38.5	36.8	30.0	25.1	16.3	13.2	10.8	32.5	31.8	30.9	0.6	0.8	0.9	14.9
Coffee Day Enterprises	REDUCE	273	290	6.2	58	0.8	211	8	10	12	129.9	30.0	21.2	35.5	27.3	22.5	11.9	10.4	9.7	2.3	2.1	1.9	6.6	8.0	8.9	—	—	—	1.2
Colgate-Palmolive (India)	ADD	1,094	1,250	14.2	298	4.1	272	27	32	36	14.7	15.6	15.5	40.1	34.7	30.1	22.9	19.9	17.3	17.5	15.2	13.3	46.0	46.9	47.3	1.5	1.7	2.1	7.5
Dabur India	REDUCE	439	390	(11.2)	776	10.7	1,762	9	10	12	17.3	12.9	13.6	48.2	42.7	37.6	40.3	34.8	30.2	13.6	11.8	10.4	28.1	29.6	29.4	0.9	1.0	1.3	21.2
GlaxoSmithKline Consumer	ADD	6,971	7,300	4.7	293	4.0	42	199	223	246	19.5	12.1	10.1	35.0	31.2	28.4	24.4	21.0	18.4	7.6	6.9	6.3	22.8	23.0	23.1	1.3	1.5	1.8	2.2
Godrej Consumer Products	SELL	797	733	(8.0)	814	11.2	1,022	17	19	22	18.8	13.7	12.7	47.1	41.4	36.8	33.4	29.0	25.3	11.0	9.6	8.3	25.3	24.7	24.2	0.7	0.8	0.9	13.8
Hindustan Unilever	REDUCE	1,642	1,570	(4.4)	3,555	48.8	2,160	29	33	37	19.5	13.2	12.6	56.0	49.5	44.0	38.8	34.1	30.2	43.8	37.2	32.0	83.5	81.4	78.3	1.3	1.5	1.6	37.5
ITC	ADD	297	330	11.1	3,637	49.9	12,275	10	11	12	8.2	12.3	11.7	30.8	27.4	24.5	19.9	17.6	15.6	6.7	6.3	5.9	20.4	22.2	24.2	1.9	2.3	2.6	59.8
Jubilant Foodworks	BUY	1,239	1,650	33.2	164	2.2	132	25	35	46	74.7	37.6	32.4	48.7	35.4	26.8	24.3	18.2	13.7	12.1	9.2	7.0	29.0	29.7	29.9	0.2	0.2	0.3	28.6
Jyothy Laboratories	ADD	190	240	26.6	69	0.9	364	6	7	8	27.6	16.7	15.4	33.7	28.9	25.0	22.6	19.1	16.2	5.2	4.5	4.0	16.6	16.8	16.9	0.5	0.8	1.1	0.9
Marico	ADD	333	375	12.5	430	5.9	1,291	7	8	9	8.9	20.0	14.5	48.8	40.7	35.5	33.9	28.0	24.1	16.0	14.9	13.7	33.7	37.9	40.2	1.4	1.7	1.9	10.2
Nestle India	ADD	9,610	11,000	14.5	927	12.7	96	171	197	223	34.2	15.7	13.2	56.3	48.7	43.0	32.1	27.7	24.3	24.9	22.8	20.9	46.1	49.0	50.8	1.2	1.4	1.6	9.9
Page Industries	SELL	33,269	25,000	(24.9)	371	5.1	11	418	508	607	34.3	21.6	19.5	79.6	65.5	54.8	51.5	42.5	35.4	33.7	26.7	21.4	47.8	45.5	43.4	0.5	0.7	0.8	17.7
Pidlite Industries	REDUCE	1,041	1,080	3.7	529	7.3	508	21	26	31	16.8	21.8	20.2	49.4	40.6	33.8	32.8	27.1	22.5	12.5	10.5	8.8	27.4	28.2	28.4	0.7	0.8	0.9	8.2
S H Kelkar and Company	BUY	211	290	37.4	31	0.4	145	7	10	12	(6.2)	41.9	23.2	30.4	21.4	17.4	19.7	14.1	12.2	3.3	2.9	2.6	11.3	14.5	16.0	0.8	0.9	1.3	0.5
Tata Global Beverages	REDUCE	231	250	8.5	145	2.0	631	8	9	10	7.7	17.0	12.9	29.1	24.9	22.0	15.9	14.0	12.4	2.0	1.9	1.8	7.0	7.9	8.5	1.3	1.5	1.7	11.1
Titan Company	SELL	810	840	3.7	719	9.9	888	16	20	23	25.6	21.8	19.3	50.4	41.4	34.7	33.4	26.7	21.9	11.9	10.0	8.5	25.6	26.3	26.4	0.6	0.7	0.9	40.9
United Breweries	SELL	1,330	1,100	(17.3)	352	4.8	264	21	26	31	39.2	23.6	20.6	64.0	51.8	42.9	31.6	27.1	23.3	11.1	9.4	7.9	18.7	19.6	20.0	0.2	0.3	0.4	14.5
United Spirits	REDUCE	517	590	14.2	375	5.2	727	10	13	17	34.7	30.9	24.5	50.4	38.5	30.9	29.5	23.8	20.0	10.3	7.6	5.8	24.2	22.7	21.3	—	—	0.5	12.5
Varun Beverages	ADD	721	800	11.0	132	1.8	183	15	20	26	29.8	34.5	30.7	48.2	35.9	27.4	16.2	13.8	11.6	6.6	5.7	4.8	14.6	17.1	19.0	—	—	0.3	1.3
<b>Consumer products</b>	<b>Cautious</b>				<b>15,660</b>	<b>215</b>					<b>17.7</b>	<b>16.0</b>	<b>14.7</b>	<b>44.1</b>	<b>38.0</b>	<b>33.1</b>	<b>28.5</b>	<b>24.5</b>	<b>21.3</b>	<b>11.5</b>	<b>10.3</b>	<b>9.2</b>	<b>26.1</b>	<b>27.1</b>	<b>27.8</b>	<b>1.2</b>	<b>1.4</b>	<b>1.6</b>	<b>339.0</b>
<b>Energy</b>																													
BPCL	REDUCE	369	375	1.8	799	11.0	1,967	38	39	39	(6.7)	3.1	1.1	9.8	9.5	9.4	7.1	6.7	6.6	1.9	1.7	1.6	20.5	19.1	17.5	4.1	4.2	4.3	25.0
Castrol India	SELL	146	155	6.5	144	2.0	989	7	8	9	2.9	10.1	9.7	20.6	18.7	17.0	12.8	11.6	10.5	13.5	13.2	12.7	67.1	71.5	76.0	3.8	4.3	4.6	3.8
GAIL (India)	BUY	381	455	19.4	859	11.8	2,255	29	31	33	41.7	6.4	8.0	13.2	12.4	11.5	8.2	7.7	7.1	1.9	1.8	1.6	15.4	14.9	14.7	2.5	2.6	2.8	26.2
GSPL	SELL	182	185	1.8	102	1.4	564	16	12	13	31.3	(25.1)	12.1	11.7	15.6	13.9	4.7	5.6	5.0	1.8	1.6	1.5	16.2	10.9	11.1	1.3	1.0	1.1	1.5
HPCL	REDUCE	243	285	17.2	371	5.1	1,524	32	32	32	(22.3)	(2.2)	0.5	7.5	7.7	7.6	6.8	7.2	7.6	1.4	1.3	1.2	19.6	17.4	16.1	5.4	5.3	5.3	22.0
Indraprastha Gas	SELL	247	240	(2.9)	173	2.4	700	12	13	15	16.4	12.3	10.7	20.6	18.4	16.6	12.9	11.4	10.0	4.2	3.7	3.3	22.1	21.5	20.9	1.0	1.3	1.7	10.0
IOCL	REDUCE	154	150	(2.6)	1,495	20.5	9,479	18	17	18	(11.2)	(4.1)	2.8	8.5	8.8	8.6	4.8	4.8	4.6	1.2	1.1	1.1	15.1	13.4	12.9	4.7	4.5	4.7	17.3
Mahanagar Gas	ADD	810	965	19.1	80	1.1	99	56	60	64	16.0	7.6	5.4	14.4	13.4	12.7	8.3	7.6	6.9	3.4	3.0	2.7	24.8	23.5	22.0	2.7	3.0	3.1	12.7
ONGC	ADD	179	200	11.7	2,297	31.5	12,833	20	20	19	16.8	0.3	(5.9)	8.8	8.8	9.3	4.2	4.0	3.9	1.0	0.9	0.9	11.2	10.6	9.5	3.8	3.9	3.9	16.6
Oil India	SELL	221	200	(9.5)	251	3.4	1,135	23	24	23	(6.7)	3.4	(2.5)	9.6	9.3	9.5	6.2	6.0	5.9	0.9	0.8	0.8	9.2	9.0	8.4	4.2	4.3	4.2	2.2
Petronet LNG	BUY	222	280	26.0	333	4.6	1,500	16	18	20	16.7	13.1	9.4	13.7	12.1	11.1	9.2	7.7	6.8	3.0	2.7	2.4	23.3	23.2	22.7	2.6	3.3	4.1	10.1
Reliance Industries	SELL	1,232	985	(20.0)	7,289	100.1	5,922	69	78	87	17.6	12.4	11.9	17.7	15.8	14.1	11.9	10.2	8.7	2.2	2.0	1.7	12.2	12.1	12.1	0.5	0.6	0.6	146.8
<b>Energy</b>	<b>Attractive</b>				<b>14,194</b>	<b>195</b>					<b>8.0</b>	<b>4.8</b>	<b>4.8</b>	<b>12.7</b>	<b>12.2</b>	<b>11.6</b>	<b>7.7</b>	<b>7.1</b>	<b>6.6</b>	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>	<b>13.1</b>	<b>12.5</b>	<b>12.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.2</b>	<b>294.2</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Target price	Upside	Mkt cap.		EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT	
		1-Oct-18	(Rs)	(%)	(Rs bn)	(US\$ bn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E
<b>Industrials</b>																													
ABB	SELL	1,423	1,020	(28.3)	302	4.1	212	26	29	36	30.1	14.2	23.5	55.2	48.3	39.1	32.4	29.2	24.2	7.7	7.0	6.2	14.5	15.1	16.7	0.6	0.6	0.6	2.3
BHEL	REDUCE	71	89	25.3	261	3.6	3,671	3.3	5.5	7.6	47.9	69.3	38.0	21.9	12.9	9.4	6.7	4.1	3.0	0.8	0.8	0.8	3.6	6.1	8.2	2.8	4.8	6.6	9.4
Carborundum Universal	SELL	390	322	(17.4)	74	1.0	189	14	17	20	25.0	21.4	13.8	27.3	22.5	19.8	15.0	12.2	10.6	4.2	3.8	3.4	16.3	17.8	18.1	1.1	1.3	1.5	0.5
CG Power and Industrial	BUY	46	72	57.9	29	0.4	627	2.9	4.3	6.2	25.2	48.7	44.9	15.7	10.6	7.3	6.7	5.3	4.1	1.1	1.0	0.9	6.7	9.8	13.3	—	—	—	5.5
Cummins India	REDUCE	669	710	6.1	185	2.5	277	28	33	37	15.2	17.5	13.7	24.1	20.5	18.0	20.1	17.2	14.8	4.4	4.1	3.8	18.7	20.6	21.8	2.2	2.7	3.0	5.0
Kalpitaru Power Transmission	BUY	325	560	72.2	50	0.7	153	23.0	32.1	41.0	26.0	39.1	27.7	14.1	10.1	7.9	6.5	5.1	4.3	1.7	1.4	1.2	12.5	15.2	16.7	0.5	0.5	0.5	0.6
KEC International	BUY	286	410	43.4	74	1.0	257	21	27	33	16.9	29.7	23.0	13.7	10.5	8.6	7.8	6.3	5.4	3.0	2.4	1.9	24.1	25.2	24.9	0.8	1.0	1.3	2.6
L&T	BUY	1,248	1,600	28.2	1,749	24.0	1,401	66.3	67.6	79.5	28.2	1.9	17.6	18.8	18.5	15.7	17.3	16.8	14.0	3.1	2.8	2.6	17.6	16.2	17.1	1.8	1.8	2.1	47.2
Siemens	SELL	942	1,000	6.2	335	4.6	356	29	35	—	21.4	21.7	—	32.4	26.6	—	18.1	14.5	—	3.9	3.6	—	12.3	14.0	—	1.3	1.5	—	3.7
Thermax	REDUCE	943	1,010	7.1	112	1.5	113	27.8	38.7	43.8	34.7	39.2	13.2	33.9	24.4	21.5	21.5	15.9	13.6	3.7	3.3	3.0	11.1	14.3	14.7	1.0	1.2	1.3	1.0
<b>Industrials</b>	<b>Neutral</b>				<b>3,171</b>	<b>44</b>					<b>29.0</b>	<b>13.9</b>	<b>11.9</b>	<b>21.9</b>	<b>19.2</b>	<b>17.2</b>	<b>16.0</b>	<b>14.2</b>	<b>11.7</b>	<b>2.7</b>	<b>2.5</b>	<b>2.5</b>	<b>12.3</b>	<b>12.9</b>	<b>14.3</b>	<b>1.6</b>	<b>1.9</b>	<b>2.1</b>	<b>77.9</b>
<b>Infrastructure</b>																													
Adani Ports and SEZ	BUY	330	460	39.2	684	9.4	2,071	19	23	29	1.2	21.1	29.8	17.7	14.6	11.2	12.3	10.2	8.9	2.8	2.4	2.0	17.0	17.7	19.4	0.6	0.6	0.6	17.6
Ashoka Buildcon	BUY	107	235	120.5	30	0.4	282	9	10	10	4.1	17.8	(1.3)	12.2	10.3	10.5	8.1	6.8	6.4	1.3	1.2	1.1	11.8	12.3	11.0	1.6	1.2	1.2	0.6
Container Corp.	SELL	652	635	(2.6)	318	4.4	487	21	25	29	17.4	20.9	15.0	31.5	26.0	22.7	19.4	15.4	12.7	3.1	2.9	2.7	10.3	11.6	12.3	1.3	1.6	1.5	5.5
Dilip Buildcon	BUY	637	1,240	94.6	87	1.2	137	56	71	85	19.8	27.5	20.1	11.5	9.0	7.5	6.2	5.0	4.2	2.7	2.1	1.6	26.7	26.2	24.4	—	—	—	4.0
Gateway Distriparks	BUY	144	250	73.3	16	0.2	109	7	8	11	(5.8)	15.2	37.5	20.1	17.5	12.7	9.7	8.0	6.5	2.7	2.4	2.0	9.8	14.5	17.1	—	2.1	2.1	0.3
Gujarat Pipavav Port	BUY	101	150	47.9	49	0.7	483	5.3	6.5	7.8	29.7	22.9	19.3	19.0	15.5	13.0	10.0	8.2	6.8	2.4	2.3	2.3	12.7	15.3	17.8	4.4	5.3	6.3	0.9
IRB Infrastructure	BUY	145	320	121.5	51	0.7	351	31	33	23	36.8	7.1	(31.3)	4.7	4.4	6.4	6.0	6.5	7.8	0.8	0.7	0.6	17.6	16.3	10.0	2.1	2.8	3.0	5.9
Mahindra Logistics	REDUCE	512	565	10.5	36	0.5	71	15	21	25	50.7	39.3	23.7	34.6	24.8	20.1	19.2	13.9	11.0	7.2	5.8	4.7	22.7	25.8	25.8	—	—	—	0.5
Sadbhav Engineering	BUY	224	435	94.1	38	0.5	172	17	22	23	31.7	31.0	2.6	13.2	10.1	9.8	9.9	7.8	6.6	1.8	1.6	1.4	14.5	16.5	14.7	—	—	—	1.4
<b>Infrastructure</b>	<b>Attractive</b>				<b>1,309</b>	<b>18</b>					<b>11.3</b>	<b>20.3</b>	<b>16.7</b>	<b>17.0</b>	<b>14.1</b>	<b>12.1</b>	<b>10.8</b>	<b>9.1</b>	<b>8.2</b>	<b>2.5</b>	<b>2.2</b>	<b>1.9</b>	<b>14.8</b>	<b>15.5</b>	<b>15.7</b>	<b>0.9</b>	<b>1.1</b>	<b>1.1</b>	<b>36.7</b>
<b>Internet</b>																													
Info Edge	ADD	1,424	1,425	0.1	174	2.4	122	26	33	40	14.9	27.5	20.6	55.1	43.2	35.8	41.6	31.4	25.5	6.5	5.9	5.3	13.2	14.3	15.6	0.6	0.6	0.7	3.2
Just Dial	ADD	484	610	26.0	33	0.4	67	26	30	33	23.0	15.0	9.4	18.5	16.1	14.7	9.4	7.4	6.0	2.9	2.5	2.2	16.7	16.6	15.7	0.5	0.6	0.7	22.8
<b>Internet</b>	<b>Cautious</b>				<b>206</b>	<b>3</b>					<b>17.6</b>	<b>23.0</b>	<b>16.8</b>	<b>42.1</b>	<b>34.2</b>	<b>29.3</b>	<b>30.5</b>	<b>23.9</b>	<b>20.0</b>	<b>5.4</b>	<b>4.9</b>	<b>4.3</b>	<b>12.9</b>	<b>14.2</b>	<b>14.7</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>26.0</b>
<b>Media</b>																													
DB Corp.	REDUCE	211	270	28.0	39	0.5	184	20	23	26	14.9	12.3	14.8	10.4	9.3	8.1	5.6	4.9	—	2.1	2.0	—	20.7	22.3	25.2	8.0	10.0	12.0	0.6
DishTV	ADD	59	90	52.2	109	1.5	1,925	1.8	3.4	4.9	514.6	88.2	42.6	NM	17.2	12.1	5.2	4.1	3.2	1.6	1.5	1.3	5.1	8.9	11.5	—	—	—	5.3
Jaagran Prakashan	REDUCE	116	131	13.3	34	0.5	311	11	12	14	10.0	13.6	14.5	10.9	9.6	8.4	4.7	4.0	3.5	1.8	1.7	1.6	15.9	18.2	19.7	4.3	6.5	7.4	0.4
PVR	BUY	1,226	1,430	16.6	57	0.8	47	38	50	61	41.2	32.3	22.4	32.3	24.4	20.0	12.5	10.6	9.0	4.6	4.0	3.4	15.3	17.6	18.3	0.3	0.4	0.5	11.6
Sun TV Network	REDUCE	654	925	41.5	258	3.5	394	35	39	43	20.7	10.9	10.7	18.8	17.0	15.3	12.6	11.0	9.4	5.0	4.5	4.1	28.1	27.9	27.9	2.7	3.1	3.4	18.6
Zee Entertainment Enterprises	ADD	439	600	36.6	422	5.8	960	17	20	22	11.3	17.0	13.9	26.3	22.4	19.7	16.1	13.6	11.8	4.9	4.3	3.8	19.9	20.6	20.7	1.0	1.3	1.6	18.6
<b>Media</b>	<b>Attractive</b>				<b>919</b>	<b>13</b>					<b>28.7</b>	<b>21.0</b>	<b>17.2</b>	<b>22.0</b>	<b>18.2</b>	<b>15.5</b>	<b>10.4</b>	<b>8.8</b>	<b>7.3</b>	<b>3.6</b>	<b>3.2</b>	<b>3.1</b>	<b>16.3</b>	<b>17.7</b>	<b>19.8</b>	<b>1.7</b>	<b>2.1</b>	<b>2.5</b>	<b>54.9</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)	
		1-Oct-18	Target price (Rs)		(Rs bn)	(US\$ bn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E		
<b>Metals &amp; Mining</b>																													
Coal India	ADD	273	320	17.4	1,692	23.2	6,207	25	25	27	120.4	2.2	6.6	10.9	10.7	10.0	8.3	7.0	6.5	6.7	7.4	7.9	62.7	65.9	76.0	7.3	9.2	9.2	14.8
Hindalco Industries	BUY	243	330	35.9	545	7.5	2,229	28	33	35	28.1	17.8	6.4	8.7	7.4	6.9	5.6	4.8	4.3	0.9	0.8	0.7	10.8	11.4	10.9	0.5	0.5	0.5	36.3
Hindustan Zinc	REDUCE	290	280	(3.4)	1,225	16.8	4,225	21	24	27	(3.8)	15.7	12.3	14.0	12.1	10.8	8.2	6.7	5.6	3.0	2.6	2.3	22.9	23.2	22.6	2.8	2.8	2.8	6.4
Jindal Steel and Power	REDUCE	194	215	11.0	188	2.6	968	8	14	22	195.9	68.5	60.8	23.8	14.1	8.8	6.7	6.1	5.2	0.6	0.6	0.6	2.7	4.3	6.5	—	—	—	35.7
JSW Steel	SELL	381	350	(8.1)	921	12.6	2,406	31	26	31	16.1	(16.2)	17.2	12.2	14.5	12.4	7.2	8.3	7.4	2.6	2.3	1.9	23.5	16.6	16.8	0.9	0.9	0.9	35.3
National Aluminium Co.	BUY	62	87	40.1	120	1.6	1,933	10	8	9	238.9	(16.0)	3.6	6.3	7.5	7.3	2.8	3.4	3.2	1.1	1.1	1.0	17.6	14.4	14.6	9.7	9.7	9.7	11.6
NMDC	REDUCE	111	120	8.0	352	4.8	3,164	12	10	11	4.2	(14.3)	5.9	9.1	10.6	10.0	5.6	6.5	6.0	1.3	1.3	1.2	15.3	12.4	12.5	4.9	4.9	4.9	6.3
Tata Steel	ADD	584	660	13.1	667	9.2	1,205	76	85	94	12.8	12.1	10.9	7.7	7	6.2	5.9	6.2	5.9	1.0	1.0	0.8	14.3	14.3	14.4	1.7	1.7	1.7	75.3
Vedanta	BUY	233	360	54.7	865	11.9	3,717	27	38	39	26.7	39.0	2.2	8.5	6.1	6.0	5.3	4.0	3.6	1.3	1.1	1.0	15.4	19.4	17.7	3.5	4.9	5.0	47.0
<b>Metals &amp; Mining</b>		<b>Attractive</b>			<b>6,574</b>	<b>90</b>					<b>35.8</b>	<b>10.0</b>	<b>9.1</b>	<b>10.3</b>	<b>9.4</b>	<b>8.6</b>	<b>6.4</b>	<b>5.9</b>	<b>5.3</b>	<b>1.8</b>	<b>1.6</b>	<b>1.5</b>	<b>17.3</b>	<b>17.5</b>	<b>17.3</b>	<b>3.6</b>	<b>4.3</b>	<b>4.3</b>	<b>268.8</b>
<b>Pharmaceutical</b>																													
Apollo Hospitals	ADD	1,066	1,090	2.3	148	2.0	139	20	27	33	133.5	36.7	21.6	54.1	39.6	32.5	19.0	16.0	14.1	4.3	4.0	3.7	8.2	10.5	11.8	0.5	0.6	0.8	15.7
Aster DM Healthcare	BUY	152	240	58.4	77	1.1	505	5	8	12	74.4	62.0	51.4	31.5	19.5	12.8	11.5	9.1	7.0	2.5	2.3	1.9	8.3	12.2	16.3	—	—	—	0.2
Aurobindo Pharma	ADD	769	760	(1.1)	450	6.2	584	42	57	64	1.0	35.8	12.3	18.2	13.4	11.9	12.2	9.0	8.0	3.2	2.7	2.2	19.3	19.9	18.6	0.7	0.8	1.0	39.0
Biocon	SELL	679	330	(51.4)	407	5.6	601	8	15	18	35.9	75.7	21.7	80.6	45.9	37.7	35.1	23.4	19.9	6.7	6.1	5.4	8.7	13.9	14.3	0.4	0.8	0.9	23.2
Cipla	BUY	654	680	4.0	527	7.2	805	24	31	40	34.5	31.0	29.4	27.8	21.2	16.4	15.6	12.4	9.7	3.3	2.9	2.6	12.4	14.6	15.7	0.7	1.0	1.3	24.5
Dr Lal Pathlabs	REDUCE	945	900	(4.7)	79	1.1	83	24	29	34	19.0	17.9	18.4	38.8	32.9	27.8	23.7	19.9	16.2	8.3	7.0	5.9	23.4	23.1	22.9	0.5	0.6	0.7	1.2
Dr Reddy's Laboratories	REDUCE	2,509	2,150	(14.3)	416	5.7	166	89	118	141	50.2	32.8	19.3	28.3	21.3	17.9	14.2	10.2	8.5	3.0	2.7	2.4	11.1	12.6	13.3	0.5	0.7	0.9	35.0
HCG	BUY	201	270	34.6	18	0.2	85	2	4	7	28.8	87.5	73.4	99.7	53.1	30.6	15.6	12.9	10.1	3.2	3.0	2.8	3.3	5.9	9.4	—	—	—	0.2
Laurus Labs	ADD	426	500	17.5	45	0.6	106	16	29	34	2.4	79.9	17.5	26.2	14.6	12.4	12.2	8.5	7.4	2.7	2.3	1.9	10.9	17.1	15.6	—	—	—	0.6
Lupin	REDUCE	898	800	(10.9)	406	5.6	450	27	39	50	(28.9)	44.0	27.4	33.1	23.0	18.1	15.5	11.2	9.0	2.8	2.5	2.2	8.6	11.4	12.4	0.5	0.7	0.8	46.7
Narayana Hrudayalaya	ADD	232	265	14.2	47	0.7	204	3	6	9	23.0	103.2	40.7	75.0	36.9	26.2	21.5	15.0	12.0	4.3	3.9	3.4	5.9	11.0	13.7	—	—	—	0.2
Sun Pharmaceuticals	SELL	635	540	(14.9)	1,523	20.9	2,406	16	24	29	7.5	45.5	21.6	38.9	26.8	22.0	21.0	15.2	12.6	3.7	3.3	2.9	9.8	12.9	13.2	0.5	0.7	0.9	61.3
Torrent Pharmaceuticals	NR	1,653	—	—	280	3.8	169	47	61	81	18.0	29.6	32.1	34.9	27.0	20.4	15.3	13.1	10.8	5.3	4.6	3.9	15.3	17.2	19.3	0.7	0.9	1.1	7.9
<b>Pharmaceuticals</b>		<b>Neutral</b>			<b>4,423</b>	<b>61</b>					<b>11.3</b>	<b>40.7</b>	<b>22.6</b>	<b>33.4</b>	<b>23.7</b>	<b>19.3</b>	<b>17.2</b>	<b>12.8</b>	<b>10.6</b>	<b>3.6</b>	<b>3.2</b>	<b>2.8</b>	<b>10.9</b>	<b>13.5</b>	<b>14.6</b>	<b>0.5</b>	<b>0.7</b>	<b>0.9</b>	<b>255.6</b>
<b>Real Estate</b>																													
Brigade Enterprises	BUY	190	290	52.3	26	0.4	136	9	15	17	(17.0)	59.2	15.8	20.7	13.0	11.2	13.1	10.2	8.2	1.1	1.0	1.0	5.4	8.1	8.8	1.3	1.3	1.3	0.3
DLF	RS	158	—	—	283	3.9	1,784	5.3	23.9	14.1	(87.2)	354.6	(41.0)	30.2	6.6	11.2	45.7	8.0	15.0	0.8	0.7	0.7	2.6	11.3	6.2	1.3	1.3	1.3	19.5
Godrej Properties	SELL	600	400	(33.3)	138	1.9	216	13.3	15.8	18.2	(38.9)	19.1	15.2	45.2	38.0	33.0	270.1	141.3	116.2	3.9	3.5	3.2	10.5	9.7	10.1	—	—	—	1.7
Oberoi Realty	BUY	404	560	38.7	147	2.0	340	62	44	66	385.4	(28.0)	49.3	6.5	9.1	6.1	9.2	11.4	4.8	1.5	1.3	1.1	27.4	15.2	19.2	0.5	0.5	0.5	2.3
Prestige Estates Projects	ADD	215	315	46.3	81	1.1	375	19	21	11	(24.2)	8.4	—	11.3	10.4	20.2	10.0	10.2	13.4	0.8	0.8	—	14.6	14.9	7.3	1.4	1.4	0.7	0.8
Sobha	REDUCE	396	510	28.8	38	0.5	95	23	36	24	(48.8)	51.7	(32.6)	16.9	11.1	16.5	10.6	8.4	10.4	1.7	1.6	1.5	9.0	14.8	9.1	1.8	1.8	1.8	1.6
Sunteck Realty	REDUCE	394	360	(8.5)	58	0.8	140	19	19	39	22.4	1.6	106.6	21.1	20.7	10.0	18.0	17.5	7.5	1.9	1.8	1.5	9.5	8.9	16.2	0.3	0.3	0.3	1.9
<b>Real Estate</b>		<b>Neutral</b>			<b>769</b>	<b>11</b>					<b>(53.1)</b>	<b>65.1</b>	<b>(14.4)</b>	<b>16.4</b>	<b>10.0</b>	<b>11.6</b>	<b>18.1</b>	<b>10.7</b>	<b>11.7</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>7.1</b>	<b>10.6</b>	<b>9.0</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>28.1</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

## Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		1-Oct-18	Target price (Rs)		(Rs bn)	(US\$ bn)		2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	
<b>Technology</b>																													
HCL Technologies	REDUCE	1,098	1,100	0.1	1,530	21.0	1,409	71	78	82	14.6	8.9	5.0	15.4	14.1	13.5	10.0	8.9	8.2	3.4	2.9	2.6	24.4	22.3	20.6	0.7	2.8	3.0	35.4
Hexaware Technologies	SELL	432	455	5.4	128	1.8	302	20	24	27	19.5	21.6	12.7	21.8	17.9	15.9	16.1	12.2	10.7	5.6	4.7	4.1	27.6	28.7	27.5	1.9	1.9	2.3	22.6
Infosys	ADD	747	770	3.1	3,262	44.8	4,350	36	41	45	12.8	13.3	8.9	20.5	18.1	16.6	14.0	12.3	11.0	4.6	4.1	3.7	23.4	24.2	23.7	2.9	2.6	2.8	90.3
L&T Infotech	ADD	1,930	2,100	8.8	334	4.6	175	83	96	113	30.5	15.6	18.1	23.3	20.1	17.0	17.7	14.2	12.1	7.0	5.7	4.6	33.5	31.3	30.0	1.2	1.3	1.6	9.5
Mindtree	ADD	1,072	1,225	14.3	176	2.4	165	45	57	65	29.5	27.0	14.5	24.0	18.9	16.5	15.2	11.9	10.2	5.5	4.6	3.9	24.7	26.6	25.8	1.3	1.6	1.8	26.0
Mphasis	SELL	1,160	900	(22.4)	224	3.1	193	53	60	63	21.9	12.1	4.7	21.7	19.4	18.5	16.0	13.6	12.6	4.3	3.9	3.5	18.9	21.0	20.0	1.7	2.2	2.6	7.0
TCS	REDUCE	2,256	1,950	(13.6)	8,636	118.6	3,829	84	94	101	24.9	11.7	7.4	26.8	24.0	22.3	19.8	17.7	16.4	8.7	8.5	8.4	34.3	35.6	37.7	1.9	3.3	3.6	83.9
Tech Mahindra	ADD	761	865	13.7	672	9.2	891	46	57	64	8.4	22.4	13.0	16.5	13.4	11.9	9.8	7.7	6.6	3.1	2.6	2.2	20.2	21.2	20.3	1.2	1.3	1.5	40.3
Wipro	REDUCE	330	325	(1.6)	1,494	20.5	4,507	19	23	25	12.8	19.5	7.5	17.3	14.5	13.5	11.2	9.4	8.6	2.7	2.4	2.3	16.5	17.6	17.4	0.5	3.0	3.3	20.8
<b>Technology</b>	<b>Cautious</b>				<b>16,455</b>	<b>226</b>					<b>15.6</b>	<b>13.0</b>	<b>8.1</b>	<b>22.2</b>	<b>19.7</b>	<b>18.2</b>	<b>15.4</b>	<b>13.5</b>	<b>12.3</b>	<b>5.4</b>	<b>4.9</b>	<b>4.5</b>	<b>24.2</b>	<b>25.1</b>	<b>24.9</b>	<b>1.8</b>	<b>2.9</b>	<b>3.1</b>	<b>335.7</b>
<b>Telecom</b>																													
Bharti Airtel	ADD	326	445	36.6	1,303	17.9	3,997	(6)	(4)	5	(221.5)	28.8	215.1	(56.7)	(79.6)	69.2	9.0	7.6	6.0	2.0	2.0	2.0	(3.4)	(2.5)	2.9	0.3	(0.3)	0.4	24.9
Bharti Infratel	REDUCE	265	285	7.5	490	6.7	1,850	13	12	13	(4.8)	(8.5)	7.7	20.3	22.1	20.6	7.5	7.9	7.4	3.0	3.0	3.0	14.6	13.7	14.6	4.0	3.7	3.9	10.0
IDEA	REDUCE	39	45	16.1	338	4.6	4,359	(17)	(17)	(15)	(75.6)	(2.4)	11.4	(2.3)	(2.3)	(2.5)	39.8	33.4	20.5	0.8	1.2	2.1	(29.7)	(41.1)	(59.4)	—	—	—	16.1
Tata Communications	ADD	503	660	31.2	143	2.0	285	0	3	7	(77.5)	694.2	123.5	1,358	171.0	76.5	10.3	9.1	8.2	(62.5)	(84.9)	(1,644.2)	7.8	(42.1)	(211.0)	1.3	1.5	1.5	3.2
<b>Telecom</b>	<b>Cautious</b>				<b>2,275</b>	<b>31</b>					<b>(2,384.5)</b>	<b>5.0</b>	<b>68.0</b>	<b>(31.7)</b>	<b>(33.3)</b>	<b>(104.2)</b>	<b>10.6</b>	<b>9.3</b>	<b>7.7</b>	<b>2.2</b>	<b>2.4</b>	<b>2.5</b>	<b>(6.9)</b>	<b>(7.2)</b>	<b>(2.4)</b>	<b>1.1</b>	<b>0.7</b>	<b>1.1</b>	<b>54.3</b>
<b>Utilities</b>																													
CESC	BUY	867	1,180	36.1	115	1.6	133	115	128	141	31.7	11.6	10.1	7.6	6.8	6.1	5.5	4.9	4.3	0.7	0.7	0.6	10.0	10.4	10.5	1.5	1.5	1.5	8.0
JSW Energy	REDUCE	61	70	15.6	99	1.4	1,640	5.1	6.5	6.6	65.9	26.8	2.9	11.9	9.4	9.1	5.3	4.4	3.9	0.8	0.8	0.7	7.2	8.5	8.0	—	—	—	1.3
NHPC	ADD	23	30	30.2	236	3.2	10,260	3.1	3.2	3.4	26.9	1.8	8.0	7.4	7.3	6.8	7.0	6.8	7.2	0.8	0.7	0.7	10.4	10.2	10.6	7.5	7.6	6.4	1.6
NTPC	BUY	169	190	12.7	1,390	19.1	8,245	15	16	18	18.8	4.4	16.5	11.3	10.8	9.3	9.0	8.3	7.0	1.3	1.2	1.1	11.6	11.3	12.2	2.7	2.8	3.2	11.9
Power Grid	BUY	192	250	29.9	1,007	13.8	5,232	19	21	23	19.3	13.6	7.6	10.2	9.0	8.4	7.3	6.7	6.4	1.7	1.5	1.4	17.1	17.5	17.0	3.3	3.7	4.0	14.4
Tata Power	BUY	68	90	32.5	184	2.5	2,705	6.0	7.0	10.9	12.7	15.6	57.0	11.3	9.8	6.2	10.4	10.0	8.7	1.1	1.0	0.8	10.1	10.6	14.6	—	—	—	4.5
<b>Utilities</b>	<b>Attractive</b>				<b>3,031</b>	<b>42</b>					<b>21.1</b>	<b>8.8</b>	<b>14.1</b>	<b>10.3</b>	<b>9.5</b>	<b>8.3</b>	<b>7.9</b>	<b>7.3</b>	<b>6.6</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>11.9</b>	<b>12.0</b>	<b>12.5</b>	<b>2.9</b>	<b>3.1</b>	<b>3.4</b>	<b>41.7</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

**Kotak Institutional Equities: Valuation summary of KIE Universe stocks**

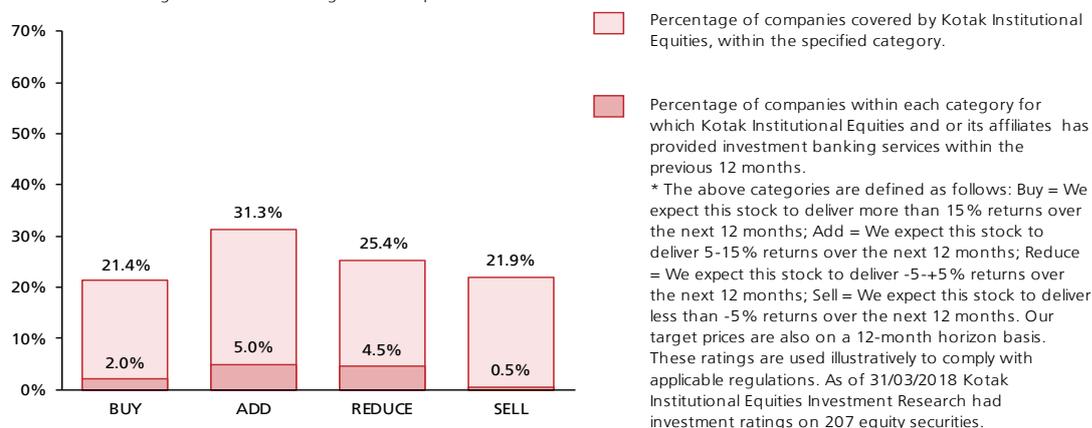
Company	Rating	Price (Rs)		Upside (%)	Mkt cap. (Rs bn) (US\$ bn)		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		1-Oct-18	Target price (Rs)		2019E	2020E		2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	
<b>Others</b>																													
Aditya Birla Fashion and Retail	BUY	185	220	19.0	143	2.0	773	2	4	6	50.6	59.1	53.5	80.5	50.6	33.0	23.7	18.4	14.9	11.3	9.2	7.2	15.0	20.0	24.5	—	—	—	4.9
Astral Poly Technk	SELL	955	640	(33.0)	114	1.6	120	19	25	29	30.2	28.8	16.1	50.0	38.8	33.5	26.9	21.4	18.1	8.8	7.2	6.0	19.8	20.5	19.7	0.1	0.1	0.1	0.9
Avenue Supermarts	SELL	1,349	860	(36.2)	842	11.6	624	16	20	26	28.6	26.4	27.5	83.4	66.0	51.8	48.1	37.8	29.7	14.9	12.2	9.8	19.6	20.3	21.0	—	—	—	—
Bayer Cropscience	REDUCE	4,399	4,100	(6.8)	151	2.1	34	106	130	154	20.5	23.1	18.3	41.7	33.9	28.6	26.4	21.5	17.9	7.3	6.3	5.4	18.9	20.0	20.3	0.5	0.6	0.7	0.5
Crompton Greaves Consumer	SELL	220	215	(2.1)	138	1.9	627	6	7	9	19.5	20.7	17.4	35.6	29.5	25.1	22.1	18.7	15.7	12.1	9.3	7.1	40.4	35.8	32.3	0.9	1.1	—	2.6
Dhanuka Agritech	ADD	393	650	65.2	19	0.3	49	27	31	34	3.9	15.4	10.8	14.7	12.8	11.5	10.5	8.5	7.3	2.6	2.3	2.0	19.2	19.2	18.5	1.5	1.7	1.9	0.2
Godrej Agrovet	ADD	517	640	23.7	99	1.4	189	15	19	23	28.9	28.8	21.1	34.9	27.1	22.4	19.0	14.8	12.3	5.1	4.4	3.7	15.7	17.4	17.9	—	1—	0.7	0.9
Godrej Industries	RS	508	—	—	171	2.3	336	16	20	—	8.9	24.2	—	32.0	25.8	—	27.4	29.8	—	4.2	3.7	—	13.9	15.1	—	0.3	0.3	—	4.3
Havells India	SELL	595	485	(18.5)	372	5.1	625	14	17	20	26.6	20.5	17.6	42.4	35.2	29.9	27.1	22.0	18.4	8.8	7.7	6.7	22.0	23.2	23.9	0.8	1.0	1.2	14.4
InterGlobe Aviation	BUY	807	980	21.5	310	4.3	383	(11)	42	75	(118.1)	496.4	79.4	(76.0)	19.2	10.7	(43.9)	9.0	4.9	4.6	3.7	2.8	(5.9)	21.5	29.9	(0.1)	-	0.5	19.5
Kaveri Seed	SELL	558	515	(7.7)	37	0.5	66	34	34	37	7.3	0.1	8.3	16.3	16.2	15.0	13.4	12.7	11.3	3.9	3.4	2.9	26.4	22.4	21.0	1.4	1.8	1.8	4.6
PI Industries	BUY	696	875	25.7	96	1.3	138	31	40	48	17.9	26.8	21.5	22.2	17.5	14.4	15.7	12.3	9.9	4.2	3.5	2.9	20.5	21.7	21.9	0.5	0.7	0.8	2.2
Rallis India	ADD	183	220	20.4	36	0.5	195	10	12	13	17.2	19.4	9.7	18.1	15.1	13.8	11.9	10.0	8.8	2.7	2.5	2.2	15.8	17.1	16.9	2.0	2.2	2.4	0.7
SIS	REDUCE	927	1,130	21.9	68	0.9	73	33	40	48	48.5	21.1	17.8	27.8	23.0	19.5	17.4	14.5	12.1	5.5	4.6	3.8	21.8	21.7	21.1	0.3	0.4	0.5	0.6
SRF	BUY	1,716	2,200	28.2	99	1.4	57	100	132	150	23.8	32.2	14.1	17.2	13.0	11.4	10.3	8.2	6.9	2.4	2.1	1.8	15.0	17.3	17.0	0.8	0.9	0.9	11.5
Tata Chemicals	ADD	691	760	10.1	176	2.4	255	44	51	56	(15.3)	14.6	11.5	15.6	13.7	12.3	6.5	5.4	4.6	1.5	1.4	1.3	9.7	10.3	10.8	2.2	2.5	2.5	6.9
TCNS Clothing Co.	BUY	609	760	24.8	37	0.5	64	18	23	27	15.6	28.2	20.8	34.3	26.8	22.2	18.4	13.9	10.9	6.8	5.3	4.1	22.7	22.2	20.9	—	—	—	—
TeamLease Services	SELL	2,354	1,785	(24.2)	40	0.6	17	60	77	100	38.9	29.2	28.7	39.3	30.4	23.6	39.6	29.9	22.9	7.4	5.9	4.8	20.8	21.7	22.4	—	—	—	1.1
UPL	ADD	666	660	(0.8)	339	4.7	507	49	55	60	14.6	11.9	9.5	13.5	12.1	11.0	9.2	7.8	6.7	3.0	2.5	2.1	24.7	22.9	21.1	1.5	1.7	1.8	29.2
Vardhman Textiles	ADD	1,013	1,300	28.3	58	0.8	56	118	130	142	14.8	9.7	9.8	8.6	7.8	7.1	6.6	6.0	5.3	1.1	1.0	0.9	13.1	13.0	13.0	2.0	3.0	3.0	0.4
Volta	SELL	536	530	(1.2)	177	2.4	331	17	21	25	0.4	18.8	18.9	30.9	26.0	21.9	23.1	18.8	15.7	4.1	3.7	3.2	13.9	14.8	15.7	0.7	0.8	0.9	12.4
Whirlpool	SELL	1,326	1,350	1.8	168	2.3	127	37	46	56	33.9	24.7	20.2	35.8	28.7	23.9	21.4	16.9	13.7	7.8	6.4	5.5	23.7	24.5	24.8	1—	0.7	1.3	1.7
<b>Others</b>					3,691		51				(10.1)	39.1	18.2	34.1	24.5	20.7	20.0	14.7	11.4	4.9	4.2	3.8	14.4	17.2	18.3	0.6	0.7	0.7	119.6
<b>KIE universe</b>					109,238	1,499					23.1	27.9	14.5	21.4	16.8	14.6	11.0	9.7	8.6	2.7	2.5	2.2	12.7	14.7	15.2	1.4	1.7	1.9	
<b>KIE universe (ex-energy)</b>					95,044	1,304					28.1	34.4	16.6	23.9	17.8	15.2	12.2	10.5	9.3	3.0	2.7	2.4	12.6	15.3	16.1	1.3	1.7	1.9	

Notes:  
 (a) We have used adjusted book values for banking companies.  
 (b) 2019 means calendar year 2018, similarly for 2020 and 2021 for these particular companies.  
 (c) Exchange rate (Rs/US\$)= 72.84

Source: Company, Bloomberg, Kotak Institutional Equities estimates

**Kotak Institutional Equities Research coverage universe**

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of June 30, 2018

**Ratings and other definitions/identifiers**

**Definitions of ratings**

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ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5-+5% returns over the next 12 months.

SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our target prices are also on a 12-month horizon basis.

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