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EQUITY MARKETS

India	Change %			
	12-Sep	1-day	1-mo	3-mo
Sensex	37,718	0.8	0.2	5.5
Nifty	11,370	0.7	0.1	4.7
Global/Regional indices				
Dow Jones	26,146	0.6	3.3	3.9
Nasdaq Composite	8,014	0.7	1.8	3.3
FTSE	7,282	(0.4)	(4.3)	(6.2)
Nikkei	23,004	0.8	2.9	1.2
Hang Seng	27,014	2.5	(2.7)	(11.3)
KOSPI	2,316	1.3	2.5	(4.4)
Value traded – India				
Cash (NSE+BSE)	361		378	347
Derivatives (NSE)	22,618		5,540	6,137
Deri. open interest	4,516		3,883	3,870

Forex/money market

	Change, basis points			
	12-Sep	1-day	1-mo	3-mo
Rs/US\$	71.7	5	173	377
10yr govt bond, %	8.4	-	30	18

Net investment (US\$ mn)

	11-Sep	MTD	CYTD
FIs	(193)	(40)	(731)
MFs	129	401	12,190

Top movers

Best performers	Change, %			
	12-Sep	1-day	1-mo	3-mo
ARB IN Equity	774	(2.1)	22.6	27.0
HDIL IN Equity	29	(3.4)	13.5	26.7
RIL IN Equity	1,253	1.2	3.5	24.3
WPRO IN Equity	329	1.5	15.3	23.4
INFO IN Equity	743	1.2	5.5	19.9

Worst performers

UT IN Equity	3	(6.2)	(24.7)	(37.1)
JPA IN Equity	10	(4.0)	(25.4)	(35.5)
IDEA IN Equity	46	0.0	(11.2)	(26.4)
HPCL IN Equity	240	(1.4)	(11.0)	(22.4)
TTMT/A IN Equity	142	(0.2)	5.1	(22.2)

W for winner. We initiate coverage on TCNS Clothing (TCNS) with a BUY rating and target price of ₹760 based on September 2020E P/E of 30X. We believe TCNS is uniquely positioned to benefit from rising spends on branded apparel. Further, we like its ability to scale new brands, presence across multiple channels of retail and steady margin profile. We forecast healthy revenue/PAT/EPS CAGR of 20/23/20% over FY2018-21E, steady return ratios and gradual improvement in FCF generation.

Company data and valuation summary

TCNS Clothing Co.

Stock data				Forecasts/Valuations			
52-week range (Rs) (high,low)				725-627			
Market Cap. (Rs bn)				40.1			
Shareholding pattern (%)				EPS (Rs)			
Promoters				32.4			
FIIs				0.0			
MFs				0.0			
Price performance (%)				EPS growth (%)			
Absolute				2.3			
Rel. to BSE-30				2.8			
				P/E (X)			
1M				3M			
3M				12M			
0.0				0.0			
0.0				0.0			
				Sales (Rs bn)			
				8.4			
				10.2			
				12.3			
				Net profits (Rs bn)			
				1.0			
				1.1			
				1.5			
				EBITDA (Rs bn)			
				1.6			
				2.0			
				2.5			
				EV/EBITDA (X)			
				25.5			
				19.8			
				15.0			
				ROE (%)			
				27.5			
				22.7			
				22.2			
				Div. Yield (%)			
				0.0			
				0.0			
				0.0			

Multi-channel womenswear platform in a fast-growing category

TCNS is a leading designer and retailer of womens' ethnic wear apparel. We like TCNS' leadership position in the underpenetrated branded womenswear market, its ability to scale new brands and presence across multiple retail channels. Its strong brand pull, capital-efficient growth model with 1.5-2.0 years of store payback and steadily improving FCF drive our positive view. Our target price of ₹760 is based on September 2020E P/E of 30X.

Scale-up of new brand and category expansion are key revenue drivers

Over the 16 years of its existence, TCNS has introduced three brands, of which W and Aurelia have already scaled ₹5 bn in gross sales, and have potential to grow further. Scale-up of its third brand Wishful, introduction of complementary product lines such as footwear and artificial jewelry, as well as consistent additions to points of sale are key drivers of a steady 20% revenue growth over FY2018-21. We believe the company, in the future, will explore adjacent categories in womenswear enabling it to gain a greater share of the fast-growing branded apparel space.

Forecast healthy revenue/PAT/EPS CAGR of 20/23/20% over FY2018-21

We forecast healthy revenue, EBITDA and PAT CAGR of 20%, 26% and 23%, respectively over FY2018-21 driven by steady SSSG of 6%, additions to points of sale and steady margins of ~21%. With future yoy revenue growth tapering to 19-21% over FY2019-21 from much higher levels seen in the past, we expect working capital requirements to stabilize, thus driving an improvement in FCF generation.

Key risks: change in customer preferences, inventory obsolescence, competitive intensity

Slowdown in demand for TCNS' products due to change in customer preferences and lower brand appeal are key risks. Competition from other brands, including from private labels retailed by channels such as large format stores and e-tailers are also risks. Future grant of ESOPs resulting in further dilution and stake sale by existing holders can be an overhang on share price.

Garima Mishra

We initiate coverage on TCNS Clothing (TCNS) with a BUY rating and target price of ₹760 based on September 2020E P/E of 30X. We believe TCNS is uniquely positioned to benefit from rising spends on branded apparel.

Our investment thesis for TCNS is based on the following:

Steadily increasing demand for new designs and fusion wear. TCNS' flagship brand W is a premium ethnic wear brand for women with an emphasis on fusion wear and western silhouettes. We believe this brand, when it started selling in 2002, was a one of a kind clothing brand, with the only alternative being tailored clothing.

Ability to introduce and scale multiple brands. After introducing W in 2002, TCNS introduced two more brands – Aurelia in 2009 and Wishful in 2016. Aurelia is now 34% of revenues, and has grown faster than W over FY2015-18. The focus of the company is now shifting to Wishful, and while this is not a mass market brand, we believe this brand can meaningfully add to revenue growth over the near term.

Exhibit 1: TCNS has managed to scale new brands over time

Brand-wise revenues of TCNS, March fiscal year-ends

	2015	2016	2017	2018	2015-18 CAGR (%)
Brand-wise revenues (Rs mn)					
W	1,967	3,214	4,400	4,856	35
Aurelia	765	1,270	2,181	2,837	55
Wishful	221	374	605	731	49
Total	2,953	4,859	7,185	8,424	42
As proportion of total (%)					
W	67	66	61	58	
Aurelia	26	26	30	34	
Wishful	7	8	8	9	

Source: Company, Kotak Institutional Equities

Presence across different retail channels. TCNS has steadily improved its presence across multiple retail channels. It is improving its geographic reach by adding more large-format stores (LFS). Further, it is also focusing on growing its e-commerce channel, which is already contributing 11% of revenues.

Exhibit 2: Multiple channels have driven TCNS' growth

Channel-wise revenues of TCNS, March fiscal year-ends

	2015	2016	2017	2018	2015-18 CAGR (%)
Channel-wise revenues (Rs mn)					
Exclusive brand outlets	1,502	2,576	3,473	4,212	41
Large format stores	840	1,487	2,102	2,359	41
Multi brand outlets	274	457	801	969	52
Online	394	340	719	885	31
Total	3,010	4,861	7,095	8,424	41
As proportion of total (%)					
Exclusive brand outlets	50	53	49	50	
Large format stores	28	31	30	28	
Multi brand outlets	9	9	11	12	
Online	13	7	10	11	

Source: Company, Kotak Institutional Equities

We forecast TCNS to post revenue, adjusted EBITDA and EPS CAGR of 20%, 21% and 20% over FY2018-21E. Like its peers, it is a key beneficiary of an increasing demand for branded apparel and higher discretionary consumption spends. Its widening reach, improving brand portfolio and strong design philosophy make it a key player in the branded womenswear space.

Exhibit 3: TCNS to report steady revenue growth trajectory over FY2019-21E
 Details of key assumptions, March fiscal year-ends

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Revenues									
SSSG (%)			17.5	27.3	8.5	8.0	6.0	6.0	6.0
EBO count (#)			235	305	381	465	540	615	690
LFS count (#)			565	794	991	1,469	1,664	1,859	2,034
Total revenues (Rs mn)	1,284	1,696	3,010	4,861	7,110	8,424	10,233	12,291	14,568
Yoy growth (%)		32	77	62	46	18	21	20	19
Costs									
Gross margin (%)	51.8	54.3	57.4	61.1	62.0	59.4	59.7	59.9	60.0
Employee cost as proportion of revenues (%)	13.1	13.0	11.8	32.4	21.6	14.7	13.9	12.5	12.3
Other costs as proportion of revenue (%)	26.9	28.7	28.7	29.5	29.7	26.3	26.6	26.8	26.6
EBITDA margin (%)	11.8	12.7	17.0	(0.8)	10.7	18.5	19.2	20.6	21.1
ESOP expense as proportion of revenue (%)	—	—	—	18.5	10.4	2.6	1.6	0.7	0.5
Adjusted EBITDA margin (%)	11.8	12.7	17.0	17.7	21.1	21.0	20.8	21.3	21.7

Source: Company, Kotak Institutional Equities estimates

Exhibit 4: Consolidated income statement, balance sheet and cash flow, March fiscal year-ends, 2013-21E (Rs mn)

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Profit model									
Revenue from operations	1,284	1,696	3,010	4,861	7,110	8,424	10,233	12,291	14,568
Gross profit	665	921	1,728	2,971	4,410	5,008	6,111	7,358	8,739
EBITDA	152	215	511	(39)	763	1,554	1,963	2,533	3,078
Adjusted EBITDA	152	215	511	860	1,499	1,770	2,126	2,618	3,158
Depreciation and amortisation expense	(31)	(40)	(62)	(89)	(134)	(167)	(237)	(323)	(404)
EBIT	121	175	449	(128)	629	1,388	1,725	2,211	2,674
Other income	8	7	10	21	19	67	41	83	149
Finance costs	(51)	(49)	(49)	(29)	(25)	(7)	(10)	(10)	(10)
Profit before tax	77	133	410	(136)	624	1,448	1,756	2,284	2,813
Taxation	(30)	(45)	(147)	(279)	(466)	(467)	(615)	(799)	(985)
Profit after tax	48	87	263	(415)	158	981	1,141	1,485	1,828
Diluted EPS (Rs/share)	0.9	1.7	5.0	(7.9)	2.6	15.4	17.8	22.8	27.5
Weighted average number of shares - diluted (mn)	52	53	53	53	60	64	64	65	67
Balance sheet									
Shareholders' funds	746	834	1,104	483	2,819	4,314	5,752	7,597	9,910
Total debt	308	342	398	382	86	2	—	—	—
Deferred tax liability	—	—	—	96	—	—	—	—	—
Total shareholders' funds + liabilities	1,055	1,176	1,502	962	2,905	4,317	5,752	7,597	9,910
Net fixed assets	86	124	212	395	502	600	733	809	853
Inventory + debtors	1,059	1,203	1,544	2,013	2,937	3,708	4,486	5,388	6,386
Other current assets	119	171	260	408	446	735	877	1,053	1,248
Current liabilities + provisions	326	434	642	2,126	1,353	1,447	1,654	1,987	2,355
Total assets	1,055	1,176	1,502	962	2,905	4,317	5,752	7,597	9,910
Key ratios (%)									
Revenue growth		27	77	62	46	18	21	20	19
EBITDA growth		42	138	NA	NA	104	26	29	21
PAT growth		84	200	NA	NA	521	16	30	23
Gross margin	52	54	57	61	62	59	60	60	60
EBITDA margin	12	13	17	(1)	11	18	19	21	21
Tax rate	39	34	36	(204)	75	32	35	35	35
Net debt/equity (X)	0.3	0.3	0.3	0.6	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)
RoAE		11	27	(52)	10	28	23	22	21
RoACE		11	22	(26)	8	27	23	22	21
Cash flow	12	13	17	(1)	11	18	19	21	21
Operating profit before working capital changes	121	156	374	556	897	1,385	1,552	1,902	2,323
Change in working capital/ other adjustments	(69)	(75)	(234)	(212)	(646)	(971)	(713)	(746)	(825)
Capital expenditure	(46)	(81)	(147)	(271)	(242)	(274)	(371)	(398)	(448)
Free cash flow	6	(1)	(7)	74	9	140	468	758	1,049

Source: Company, Kotak Institutional Equities estimates

SEPTEMBER 14, 2018

UPDATE

BSE-30: 37,718

Inflation subdued but upside risks increasing. While we expect CPI inflation prints in the near term to remain benign, it will likely inch towards 4.8% by March 2019 on the back of pass-through of MSP hikes and elevated core inflation. The upside risks from imported inflation have also intensified with the recent INR depreciation and higher crude oil prices—threatening to overshoot the RBI’s 1QFY20 inflation estimate of 5%. We pencil in a 25 bps rate hike in the October policy.

CPI inflation slides to a 10-month low

CPI inflation moderated to 3.69% in August compared to 4.17% in July (Kotak: 3.6%, Consensus: 3.7%) led by softer food and core inflation (Exhibit 1). Food inflation moderated to 0.3% from 1.3% in July, mostly led by favorable base effect. On a sequential basis, expectedly, food prices increased by mere 0.3% mom from 1.5% in July led by fall in prices of fruits, eggs, and meat and fish. Vegetable prices increased by 0.6% mom (8.5% in July). Meanwhile, the prices of cereals, pulses, sugar, and oil and fats firmed up on a monthly basis. The high-frequency data for September indicates that prices have picked up for vegetables, cereals, sugar, milk, oilseeds and pulses while prices of fruits have remained muted. We expect food inflation to trend gradually higher partly led by MSP increases for the *kharif* output. Fuel and Light inflation inched higher to 8.5% reflecting the pass-through of global crude oil prices.

Core inflation begins to slide lower but remains elevated

Core inflation (including petrol and diesel) moderated to 6% in August from 6.2% in July though the monthly momentum remained broadly unchanged at 0.5% mom. ‘Transport and communication’ increased to 0.6% mom (from -0.1%) reflecting the surge in fuel prices. Even as the fading of adverse base effect will continue to moderate core inflation lower, we estimate average core inflation at 5.7% in FY2019 (FY2018: 4.5%). We expect CPI inflation to remain broadly capped below 5% in FY2019. However, the likely impact of partial MSP pass-through from next quarter and firm core inflation should push headline inflation towards 4.8% by March 2019 (Exhibit 2). We remain watchful of the global financial markets volatility, steady fall in INR, and crude prices which have increased the upside risks to medium term inflation.

IIP growth slows but remains firm; likely to slowdown in 2HFY19

IIP growth moderated to 6.6% (Kotak: 7.1%) in July after a downwardly revised 6.9% in June (Exhibit 3). Manufacturing sector production grew 7%, owing to steady growth in consumer goods production (consumer non-durables grew at 5.6% and durables at 14.4%) largely due to favorable base effect even as capital goods growth moderated to 3% (Exhibit 4). Electricity sector increased to 6.7% (8.5% in June), while mining grew 2.1% (3.7% in June). Notably, infrastructure and construction segment grew firm at 8.4%. We expect the average IIP growth to moderate to ~3.1% against the April-July cumulative growth of 5.4%.

Increasing imported inflation risks will likely prompt RBI-MPC to act

While a sub 5% inflation trajectory and expectation of moderation in growth in 2HFY19 would have provided some room for the MPC to remain on hold, the recent sharp INR depreciation and elevated crude oil prices have increased the imported inflation risks meaningfully for the medium term. Based on the FX and crude price risks, we believe that the MPC will deliver a 25 bps of repo rate hike in the October policy, possibly with a tweak in the policy stance.

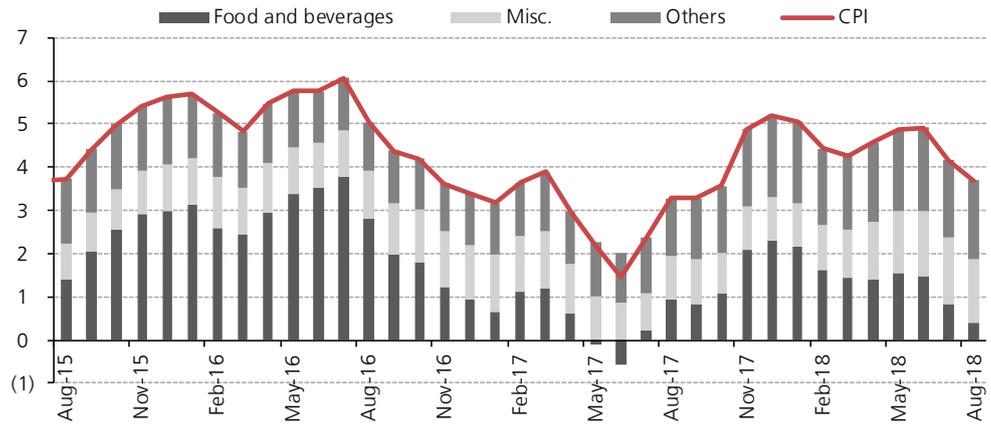
QUICK NUMBERS

- **August CPI inflation at 3.69%; core inflation at 6%**
- **July IIP growth at 6.6%**
- **RBI likely to hike by 25 bps in October policy**

Upasna Bhardwaj

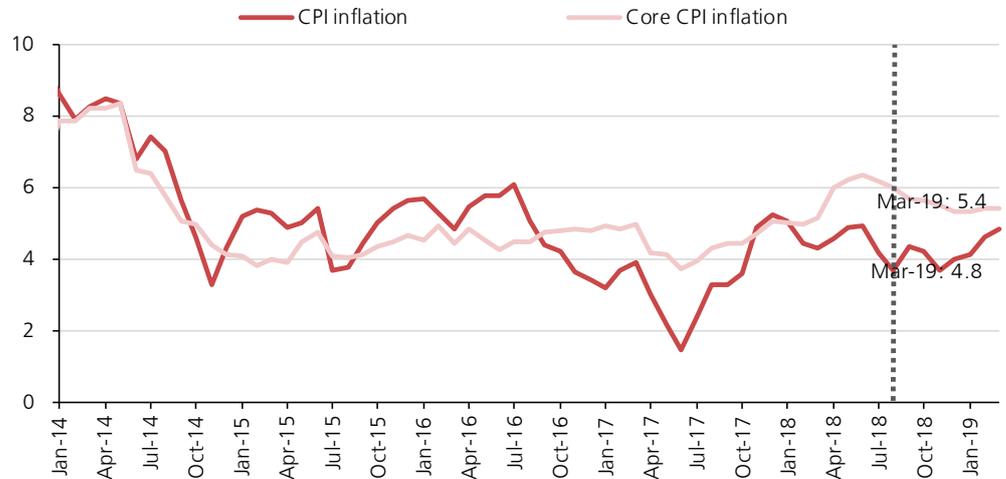
Suvodeep Rakshit

Exhibit 1: Food inflation leading to softening of headline inflation
Contribution to CPI inflation by major segments (%)



Source: CEIC, Kotak Economics Research

Exhibit 2: Upside risks to inflation from crude price and INR weakness
Headline and core CPI inflation (%)



Source: CEIC, Kotak Economics Research estimates

Exhibit 3: IIP growth at 6.6% in July 2018

Sectoral classification of IIP growth, March fiscal year-ends, 2017-19 (%)

	Mining (%)			Manufacturing (%)			Electricity (%)			General (%)		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
April	6.7	3.0	3.8	4.9	2.9	4.9	14.4	5.4	2.1	6.0	3.2	4.5
May	5.7	0.3	5.8	7.7	2.6	3.7	6.1	8.3	4.2	7.3	2.9	3.9
June	10.2	0.1	6.6	7.5	(0.7)	6.7	9.8	2.1	8.5	8.0	(0.3)	6.9
July	0.9	4.5	3.7	5.3	(0.1)	7.0	2.1	6.6	6.7	4.5	1.0	6.6
August	(4.3)	9.3		5.5	3.8		2.1	8.3		4.0	4.8	
September	(1.2)	7.6		5.8	3.8		5.1	3.4		5.0	4.1	
October	1.0	(0.2)		4.8	2.0		3.0	3.2		4.2	1.8	
November	8.1	1.4		4.0	10.4		9.5	3.9		5.1	8.5	
December	10.8	1.2		0.6	8.7		6.4	4.4		2.4	7.3	
January	8.6	0.3		2.5	8.7		5.1	7.6		3.5	7.5	
February	4.6	(0.4)		0.7	8.4		1.2	4.5		1.2	6.9	
March	10.1	3.1		3.3	5.7		6.2	5.9		4.4	5.3	
Average	5.1	2.5		4.4	4.7		5.9	5.3		4.6	4.4	

Source: CEIC, Kotak Economics Research

Exhibit 4: IIP growth buoyed by consumer goods production

Use-based classification of IIP growth, March fiscal year-ends, 2017-19 (%)

	Primary goods			Capital goods			Intermediate goods			Infrastructure and construction goods			Consumer durables			Consumer non-durables		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
April	12.6	3.0	2.7	9.2	(4.8)	9.8	(0.3)	3.6	0.4	0.8	4.7	8.5	9.3	(0.7)	3.9	0.2	8.8	7.5
May	4.6	3.7	5.7	14.7	(1.6)	6.9	4.3	0.7	0.8	7.4	(0.1)	7.4	9.9	0.6	6.4	11.3	9.7	(2.1)
June	8.2	(0.3)	9.3	14.8	(6.1)	9.8	6.0	(1.2)	1.5	6.6	1.0	8.2	4.5	(3.5)	13.4	11.4	4.8	0.2
July	4.2	2.2	6.9	8.8	(1.1)	3.0	2.5	(2.8)	1.2	(0.9)	4.3	8.4	0.2	(2.4)	14.4	14.5	4.1	5.6
August	(1.0)	7.1		0.5	7.3		4.6	(0.5)		6.5	2.7		7.3	4.3		11.3	7.2	
September	2.2	6.6		(7.5)	8.7		1.8	2.1		8.7	0.5		10.3	(4.1)		12.7	10.5	
October	5.2	2.4		(4.7)	3.5		4.7	0.2		7.4	5.8		1.5	(9.0)		5.6	8.2	
November	5.5	3.3		5.3	5.7		5.7	6.5		3.9	13.7		6.8	3.1		3.3	23.7	
December	7.4	3.8		(6.2)	13.2		2.1	7.5		5.5	6.5		(5.0)	2.1		(0.2)	16.8	
January	3.8	5.9		(0.6)	12.4		3.3	5.4		2.6	7.5		(2.0)	7.6		9.6	10.7	
February	0.8	3.7		(2.4)	16.6		2.3	3.4		(1.9)	13.0		(4.6)	7.5		10.4	7.4	
March	5.8	3.0		9.4	(3.1)		3.1	2.5		1.1	9.1		(0.6)	6.2		7.5	14.1	
Average	5.0	3.7		3.5	4.2		3.3	2.3		4.0	5.7		3.1	1.0		8.1	10.5	

Source: CEIC, Kotak Economics Research

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)
		12-Sep-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	
Automobiles																													
Amara Raja Batteries	REDUCE	825	780	(5.4)	141	2.0	171	32	37	43	17.1	15.9	14.5	25.5	22.0	19.2	13.6	11.6	10.0	4.2	3.6	3.1	17.4	17.5	17.4	0.6	0.7	0.8	5.6
Apollo Tyres	BUY	231	340	47.4	132	1.8	541	20	25	29	46.9	25.7	17.0	11.7	9.3	8.0	7.3	6.2	5.1	1.2	1.1	1.0	11.0	12.5	13.1	1.3	1.3	1.3	11.4
Ashok Leyland	BUY	128	160	25.1	375	5.2	2,926	6.2	8.9	9.4	15.3	43.2	6.1	20.6	14.4	13.6	10.6	7.7	7.2	4.5	3.7	3.2	23.4	28.4	25.4	1.5	2.1	2.2	45.6
Bajaj Auto	SELL	2,868	2,500	(12.8)	830	11.5	289	148	161	176	5.4	9.0	9.3	19.4	17.8	16.3	13.6	12.1	10.7	3.9	3.5	3.1	21.2	20.7	20.3	2.1	2.2	2.5	31.7
Balkrishna Industries	REDUCE	1,159	1,300	12.1	224	3.1	193	50	62	70	34.5	24.1	12.8	23.0	18.6	16.5	12.6	10.3	8.9	4.5	3.7	3.1	21.6	22.1	20.7	0.5	0.5	0.6	14.0
Bharat Forge	SELL	662	600	(9.4)	308	4.3	466	23	27	29	44.4	14.6	7.1	28.3	24.7	23.1	16.0	14.0	13.0	5.6	4.8	4.2	21.5	21.0	19.4	0.8	0.8	0.9	11.7
CEAT	ADD	1,362	1,500	10.1	55	0.8	40	99	108	116	53.7	8.3	7.9	13.7	12.7	11.7	8.7	7.5	6.8	1.9	1.6	1.5	14.4	13.8	13.2	0.7	0.7	0.8	13.2
Eicher Motors	SELL	28,812	24,000	(16.7)	786	10.9	27	997	1,180	1,306	25.8	18.4	10.7	28.9	24.4	22.1	20.9	17.6	15.3	10.5	7.9	6.2	42.4	37.1	31.4	0.1	0.1	—	20.4
Escorts	BUY	772	1,200	55.5	66	1.3	89	59	71	78	52.2	19.9	10.6	13.1	10.9	9.9	8.0	6.5	5.4	2.3	2.0	1.7	17.6	18.0	17.1	1.1	1.4	1.5	14.3
Exide Industries	SELL	270	235	(12.9)	229	3.2	850	10	11	13	25.3	11.0	11.6	26.2	23.6	21.2	14.9	13.3	11.9	3.8	3.5	3.2	15.4	15.5	15.7	1.1	1.3	1.5	8.2
Hero Motocorp	SELL	3,164	3,000	(5.2)	632	8.8	200	183	204	225	(0.9)	11.4	10.2	17.2	15.5	14.0	10.2	9.0	8.0	4.8	4.3	3.8	29.3	29.1	28.6	2.9	3.2	3.6	20.7
Mahindra CIE Automotive	ADD	281	290	3.4	106	1.5	378	14	16	17	45.0	12.7	10.4	20.2	17.9	16.2	10.1	8.9	7.9	2.5	2.2	1.9	13.2	13.1	12.7	—	—	—	3.7
Mahindra & Mahindra	BUY	938	1,085	15.7	1,166	16.2	1,138	45	51	53	18.5	14.4	3.1	20.9	18.2	17.7	13.6	11.7	11.1	3.1	2.7	2.5	15.8	16.0	14.7	1.0	1.1	1.1	30.3
Maruti Suzuki	ADD	8,494	9,200	8.3	2,566	35.6	302	298	362	408	16.7	21.2	12.9	28.5	23.5	20.8	16.0	12.7	10.9	5.3	4.6	4.0	20.1	21.1	20.5	0.9	1.1	1.2	66.8
Motherson Sumi Systems	SELL	291	280	(3.6)	612	8.5	2,105	11	14	16	40.2	21.5	13.8	25.3	20.9	18.3	10.1	8.4	7.3	5.3	4.5	3.8	22.5	23.2	22.3	1.0	1.1	1.2	14.4
MRF	REDUCE	69,143	69,000	(0.2)	293	4.1	4	3,425	3,932	4,411	28.3	14.8	12.2	20.2	17.6	15.7	9.5	8.2	7.0	2.6	2.3	2.0	13.9	13.9	13.7	0.1	0.1	0.1	7.0
Schaeffler India	BUY	5,480	6,000	9.5	91	1.3	17	156	199	233	9.0	27.3	17.6	35.1	27.6	23.5	21.4	16.3	13.6	4.8	4.3	3.7	14.5	16.4	17.0	0.6	0.7	0.9	0.5
SKF	ADD	1,752	1,800	2.7	90	1.2	51	69	82	97	19.7	18.5	18.2	25.4	21.4	18.1	16.2	13.4	11.0	4.2	3.7	3.2	16.7	17.1	17.4	0.7	0.8	1.0	0.4
Tata Motors	BUY	262	425	62.0	891	11.5	3,396	22	36	39	10.7	62.7	8.0	11.9	7.3	6.8	3.6	3.0	2.8	0.9	0.8	0.7	7.6	11.2	10.8	—	—	—	51.4
Timken	SELL	647	660	2.0	44	0.6	68	19	25	30	42.3	27.5	21.8	33.6	26.3	21.6	18.5	14.7	12.2	5.3	4.5	3.7	17.1	18.5	18.8	0.2	0.2	0.2	0.4
TVS Motor	SELL	579	405	(30.0)	275	3.8	475	16	20	25	13.9	23.0	26.0	36.4	29.6	23.5	20.0	16.6	13.5	8.2	6.9	5.8	24.2	25.4	27.0	0.8	1.0	1.3	14.0
Varrco Engineering	BUY	1,017	1,250	22.9	137	1.9	135	39	47	51	52.3	19.9	10.2	26.1	21.8	19.8	20.0	17.0	14.8	4.0	3.3	2.7	15.3	15.3	13.5	—	—	—	—
WABCO India	SELL	7,005	6,350	(9.3)	133	1.8	19	169	222	225	17.8	31.3	1.0	41.3	31.5	31.2	27.0	20.4	20.2	7.3	6.0	5.1	19.2	20.9	17.7	0.1	0.2	0.2	0.4
Automobiles	Neutral				10,182	141					17.7	25.4	10.1	22.0	17.5	15.9	9.8	8.1	7.2	3.3	2.9	2.5	14.8	16.3	15.8	0.9	1.1	1.2	386.0
Banks																													
Axis Bank	REDUCE	635	600	(5.6)	1,632	22.7	2,567	18	40	45	1,577.6	122.3	12.3	35.3	15.9	14.1	—	—	—	2.7	2.3	2.0	7.1	14.1	14.1	0.4	0.9	1.1	76.7
Bank of Baroda	NR	134	—	—	353	4.9	2,652	21	26	29	323.7	26.4	12.1	6.5	5.2	4.6	—	—	—	1.1	0.9	0.7	12.7	14.0	13.7	—	—	—	32.7
Canara Bank	ADD	265	300	13.3	194	2.7	733	(5)	51	68	91.6	1,147.0	33.3	(54.7)	5.2	3.9	—	—	—	1.6	0.9	0.6	(1.0)	10.1	12.0	—	—	—	25.9
City Union Bank	REDUCE	186	200	7.8	136	1.9	665	9	11	12	5.8	13.3	16.7	19.7	17.4	14.9	—	—	—	3.1	2.7	2.3	15.5	15.6	16.0	0.9	1.0	1.2	1.6
DCB Bank	ADD	165	205	24.1	51	0.7	308	10	12	16	28.2	21.0	33.1	16.2	13.4	10.0	—	—	—	1.9	1.7	1.5	11.7	12.7	14.9	0.6	0.7	0.9	4.0
Equitas Holdings	BUY	145	190	31.3	49	0.7	340	4.4	8.4	11.4	378.4	89.9	35.6	32.6	17.2	12.7	—	—	—	2.1	1.9	1.7	6.4	11.2	13.4	—	—	—	4.8
Federal Bank	BUY	76	130	70.5	151	2.1	1,972	5.7	7.9	9.7	29.5	39.5	22.9	13.5	9.7	7.9	—	—	—	1.2	1.1	1.0	8.8	11.4	12.8	1.7	2.4	2.9	17.6
HDFC Bank	REDUCE	2,012	2,000	(0.6)	5,462	75.8	2,595	78	94	112	15.7	20.0	19.1	25.8	21.5	18.0	—	—	—	3.8	3.3	2.9	16.7	16.2	17.0	0.7	0.9	1.1	76.7
ICICI Bank	BUY	323	400	23.9	2,078	28.8	6,429	8	26	31	(19.6)	209.1	19.2	38.1	12.3	10.3	—	—	—	2.2	1.8	1.6	5.1	14.5	15.5	0.5	1.6	1.9	95.9
IDFC Bank	NR	44	—	—	149	2.1	3,404	1.2	2.9	4.3	(52.7)	146.7	44.8	36.6	14.8	10.2	—	—	—	1.0	0.9	0.9	2.6	6.3	8.6	0.5	1.3	2.0	7.6
IndusInd Bank	REDUCE	1,828	1,900	3.9	1,099	15.2	600	71	87	102	17.5	23.6	16.9	25.9	21.0	17.9	—	—	—	3.9	3.4	2.9	17.6	16.8	17.0	—	0.6	0.7	28.7
J&K Bank	BUY	54	100	85.9	30	0.4	557	7	11	15	82.4	63.8	33.5	8.1	4.9	3.7	—	—	—	0.6	0.6	0.5	5.9	9.1	11.2	2.5	4.0	5.4	0.3
Karur Vysya Bank	ADD	91	110	21.5	73	1.0	727	3	13	14	(32.3)	306.7	9.1	28.1	6.9	6.3	—	—	—	1.3	1.1	1.0	3.7	14.1	13.9	0.9	3.6	4.1	1.6
Punjab National Bank	ADD	81	90	10.9	224	3.1	2,761	(27)	12	18	40.4	145.3	46.9	(3.1)	6.8	4.6	—	—	—	4.0	1.3	0.8	(23.4)	10.7	13.8	—	—	—	38.9
RBL Bank	SELL	598	475	(20.6)	254	3.5	420	22	29	36	48.1	31.5	21.0	26.7	20.3	16.8	—	—	—	3.5	3.1	2.7	13.3	15.5	16.5	0.6	0.7	0.9	16.1
State Bank of India	BUY	285	370	29.7	2,546	35.3	8,925	8	37	53	204.8	380.5	42.7	37.1	7.7	5.4	—	—	—	1.9	1.4	1.0	3.1	13.6	16.7	—	0.1	0.2	95.9
Ujivan Financial Services	ADD	326	420	28.9	39	0.5	121	19	28	32	3,033.9	47.3	15.1	17.4	11.8	10.3	—	—	—	2.0	1.8	1.5	12.1	15.8	15.8	0.5	0.8	1.1	5.2
Union Bank	ADD	81	120	47.8	95	1.3	1,169	8	33	40	117.1	330.8	22.5	10.6															

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)
		12-Sep-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	
NBFCs																													
Bajaj Finance	SELL	2,594	2,000	(22.9)	1,499	20.8	575	68	90	114	56.6	31.9	27.3	38.2	28.9	22.7	—	—	—	7.8	6.3	5.0	22.4	24.0	24.6	0.3	0.3	0.4	59.8
Bajaj Finserv	REDUCE	6,413	6,100	(4.9)	1,021	14.2	159	245	307	376	39.7	25.2	22.5	26.1	20.9	17.1	—	—	—	4.1	3.5	2.9	17.5	18.1	18.6	0.2	0.2	0.2	19.0
Bharat Financial Inclusion	NA	1,124	—	—	157	2.2	139	43	54	69	31.1	27.2	25.8	26.2	20.6	16.4	—	—	—	4.2	3.5	2.8	17.9	18.5	19.0	—	—	—	9.7
Cholamandalam	REDUCE	1,309	1,500	14.6	205	2.8	156	90	110	136	44.8	22.1	23.4	14.5	11.9	9.6	—	—	—	3.4	2.7	2.2	24.5	24.3	24.3	0.8	1.0	1.2	7.3
HDFC	ADD	1,878	2,075	10.5	3,177	44.1	1,676	56	67	81	(25.8)	19.0	21.2	33.6	28.2	23.3	—	—	—	4.3	3.9	3.5	13.8	14.5	16.0	1.1	1.3	1.6	72.5
HDFC Standard Life Insurance	SELL	437	405	(7.2)	879	12.2	2,007	6	7	8	14.8	10.9	14.7	68.8	62.0	54.1	—	—	—	18.2	16.3	14.5	28.0	27.7	28.4	0.4	0.4	0.5	8.5
ICICI Lombard	SELL	897	620	(30.8)	407	5.6	454	26	32	37	37.1	21.5	18.5	34.5	28.3	23.9	—	—	—	7.5	6.3	5.3	23.8	24.2	24.0	0.7	0.8	1.0	3.4
ICICI Prudential Life	BUY	363	500	37.8	521	7.2	1,436	12	13	15	10.1	7.0	10.0	29.2	27.3	24.8	—	—	—	6.5	5.5	4.6	24.5	21.8	20.2	0.6	0.6	0.7	8.8
IIFL Holdings	SELL	646	625	(3.3)	206	2.9	319	38	45	52	31.5	18.6	16.0	17.2	14.5	12.5	—	—	—	3.1	2.7	2.3	20.5	20.0	20.0	1.2	1.5	1.7	1.7
L&T Finance Holdings	ADD	156	190	21.9	311	4.3	1,996	13	14	16	70.9	12.3	12.8	12.4	11.1	9.8	—	—	—	2.2	1.9	1.7	18.9	18.8	18.3	1.3	1.6	1.5	14.5
LIC Housing Finance	ADD	477	610	27.9	241	3.3	505	50	58	66	14.1	16.2	14.6	9.6	8.2	7.2	—	—	—	1.5	1.3	1.2	17.4	16.9	16.8	1.6	1.9	2.2	15.1
Magma Fincorp	BUY	135	190	40.9	36	0.5	237	13	17	21	34.0	31.8	23.0	10.3	7.9	6.4	—	—	—	1.3	1.2	1.0	13.9	15.8	17.0	1.4	1.9	2.3	0.9
Mahindra & Mahindra Financial	REDUCE	426	500	17.4	263	3.7	614	23	28	34	58.4	23.2	18.6	18.5	15.0	12.7	—	—	—	2.7	2.4	2.2	14.3	15.8	16.7	1.5	1.8	2.2	10.5
Max Financial Services	ADD	472	650	37.8	127	1.8	268	6	6	6	36.9	1.8	1.8	75.2	73.8	72.5	—	—	—	—	—	—	8.3	8.0	7.8	—	0.5	0.5	5.1
Muthoot Finance	ADD	451	480	6.4	180	2.5	400	40	42	48	(7.8)	6.0	14.8	11.4	10.7	9.4	—	—	—	2.0	1.8	1.6	19.0	17.6	17.8	2.0	2.1	2.5	5.8
PNB Housing Finance	REDUCE	1,288	1,325	2.8	216	3.0	167	62	75	92	25.3	20.9	22.4	20.7	17.1	14.0	—	—	—	3.0	2.6	2.3	15.2	15.9	17.0	0.3	0.3	0.3	5.1
SBI Life Insurance	ADD	673	785	16.6	673	9.3	1,000	15	18	21	26.0	22.9	17.0	46.3	37.7	32.2	—	—	—	8.8	7.4	6.2	20.6	21.3	20.9	0.3	0.4	0.5	3.1
Shriram City Union Finance	ADD	1,926	2,250	16.8	127	1.8	66	141	174	209	40.4	22.7	20.5	13.6	11.1	9.2	—	—	—	2.2	1.9	1.7	15.8	16.9	17.6	0.9	1.1	1.4	1.5
Shriram Transport	ADD	1,177	1,550	31.7	267	3.7	227	114	130	146	64.4	14.3	12.8	10.4	9.1	8.0	—	—	—	1.8	1.6	1.4	18.3	17.5	17.1	1.4	1.5	1.9	32.3
NBFCs	Neutral				10,513	146					15.1	19.5	19.4	26.7	22.3	18.7				4.3	3.7	3.2	16.1	16.7	17.3	0.7	0.9	1.0	619.1
Cement																													
ACC	SELL	1,554	1,270	(18.3)	292	4.1	188	62	70	81	27.0	13.8	15.2	25.1	22.1	19.2	13.9	12.0	10.1	2.9	2.6	2.4	11.9	12.5	13.1	1.1	1.1	1.1	15.6
Ambuja Cements	REDUCE	227	210	(7.3)	450	6.2	1,986	9	11	12	14.5	23.2	15.8	26.3	21.4	18.5	8.9	7.3	6.1	2.1	2.0	1.8	8.1	9.5	10.4	1.6	1.6	1.6	11.6
Dalmia Bharat	ADD	2,570	2,830	10.1	229	3.2	89	94	122	139	55.8	29.3	14.8	27.3	21.1	18.4	10.4	8.5	7.3	3.3	2.9	2.5	12.9	14.6	14.5	0.1	0.1	0.1	4.6
Grasim Industries	BUY	1,020	1,170	14.8	670	9.3	657	46	55	70	(2.5)	18.8	28.0	22.1	18.6	14.5	7.5	7.1	6.6	1.1	1.1	1.0	5.2	5.9	7.1	0.5	0.5	0.5	15.4
India Cements	REDUCE	117	118	0.7	36	0.5	308	4	8	12	28.0	102.6	41.3	28.0	13.8	9.8	8.8	6.9	5.8	0.7	0.7	0.6	2.5	4.8	6.5	0.9	0.9	0.9	9.1
J K Cement	ADD	792	890	12.4	55	0.8	70	45	79	78	3.7	75.4	(0.8)	17.6	10.1	10.1	10.4	8.5	7.0	2.5	2.0	1.7	15.0	22.3	18.5	1.0	1.0	1.0	0.5
JK Lakshmi Cement	ADD	316	370	17.1	37	0.5	118	11	28	37	153.5	147.9	30.5	27.9	11.3	8.6	9.8	6.4	5.2	2.4	2.0	1.7	8.9	19.5	21.0	0.6	0.6	0.6	0.3
Orient Cement	ADD	106	145	36.8	22	0.3	205	7	11	15	212.9	58.7	41.3	15.7	9.9	7.0	7.5	5.7	4.3	1.9	1.7	1.4	12.9	18.2	21.8	1.4	1.9	1.9	0.2
Shree Cement	SELL	16,879	12,500	(25.9)	588	8.2	35	421	630	760	6.0	49.7	20.6	40.1	26.8	22.2	18.6	14.0	11.3	5.8	4.8	4.0	15.4	19.7	19.8	0.3	0.3	0.3	5.4
UltraTech Cement	SELL	4,096	2,950	(28.0)	1,125	15.6	275	126	162	201	42.7	28.9	24.0	32.6	25.3	20.4	17.0	14.1	11.7	3.9	3.4	2.9	12.6	14.3	15.4	0.2	0.2	0.2	18.8
Cement	Cautious				3,505	49					19.5	30.3	21.8	28.3	21.7	17.8	10.8	9.3	8.0	2.4	2.2	2.0	8.4	10.0	11.0	0.6	0.6	0.6	81.6

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Target price			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)
		Price (Rs) 12-Sep-18	(Rs)	Upside (%)	(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	
Consumer products																													
Asian Paints	REDUCE	1,291	1,325	2.6	1,238	17.2	959	27	33	39	32.1	20.3	18.3	47.6	39.6	33.5	29.8	24.7	20.8	12.9	11.2	9.8	28.8	30.3	31.3	0.9	1.2	1.4	21.7
Bajaj Corp.	ADD	429	470	9.6	63	0.9	148	15	17	19	7.8	10.3	9.5	27.8	25.2	23.0	22.3	19.0	16.5	12.9	12.9	12.6	46.3	51.2	55.4	3.0	3.3	3.5	0.5
Britannia Industries	ADD	6,016	6,700	11.4	723	10.0	120	104	127	152	24.5	22.2	19.2	57.8	47.3	39.6	37.9	30.9	25.9	16.8	13.6	11.1	32.5	31.8	30.9	0.6	0.7	0.9	12.7
Coffee Day Enterprises	REDUCE	311	290	(6.9)	66	0.9	211	8	10	12	129.9	30.0	21.2	40.5	31.2	25.7	13.0	11.4	10.5	2.6	2.4	2.2	6.6	8.0	8.9	—	—	—	1.1
Colgate-Palmolive (India)	ADD	1,107	1,250	12.9	301	4.2	272	27	32	36	14.7	15.6	15.5	40.6	35.1	30.4	23.2	20.2	17.5	17.7	15.4	13.5	46.0	46.9	47.3	1.4	1.7	2.1	6.8
Dabur India	REDUCE	454	390	(14.1)	802	11.1	1,762	9	10	12	17.3	12.9	13.6	49.8	44.1	38.8	41.7	36.0	31.2	14.0	12.2	10.7	28.1	29.6	29.4	0.8	1.0	1.2	18.3
GlaxoSmithKline Consumer	ADD	7,398	7,300	(1.3)	311	4.3	42	199	223	246	19.5	12.1	10.1	37.2	33.2	30.1	26.1	22.5	19.8	8.0	7.3	6.7	22.8	23.0	23.1	1.2	1.4	1.7	2.1
Godrej Consumer Products	SELL	865	733	(15.3)	885	12.3	1,022	17	19	22	18.8	13.7	12.7	51.2	45.0	39.9	36.3	31.5	27.6	12.0	10.4	9.1	25.3	24.7	24.2	0.7	0.7	0.8	13.0
Hindustan Unilever	REDUCE	1,627	1,570	(3.5)	3,522	48.9	2,160	29	33	37	19.5	13.2	12.6	55.5	49.0	43.5	38.4	33.8	29.9	43.4	36.9	31.7	83.5	81.4	78.3	1.3	1.5	1.7	35.5
ITC	ADD	307	330	7.6	3,752	52.1	12,275	10	11	12	8.2	12.3	11.7	31.8	28.3	25.3	20.6	18.2	16.2	6.9	6.5	6.1	20.4	22.2	24.2	1.9	2.2	2.5	55.5
Jubilant Foodworks	BUY	1,345	1,650	22.7	178	2.5	132	25	35	46	73.6	37.5	32.3	53.2	38.7	29.3	26.6	20.0	15.2	13.2	10.0	7.7	28.9	29.5	29.7	0.1	0.2	0.3	29.5
Jyothy Laboratories	ADD	202	240	18.8	73	1.0	364	6	7	8	27.6	16.7	15.4	35.9	30.8	26.7	24.0	20.4	17.3	5.5	4.8	4.2	16.6	16.8	16.9	0.5	0.7	1.0	1.0
Marico	ADD	344	375	8.9	445	6.2	1,291	7	8	9	8.9	20.0	14.5	50.5	42.1	36.7	35.0	28.9	24.9	16.5	15.4	14.2	33.7	37.9	40.2	1.4	1.6	1.8	9.5
Nestle India	ADD	10,354	11,000	6.2	998	13.9	96	171	197	223	34.2	15.7	13.2	60.7	52.5	46.3	34.7	30.0	26.3	26.8	24.6	22.6	46.1	49.0	50.8	1.1	1.3	1.5	9.4
Page Industries	SELL	33,936	25,000	(26.3)	379	5.3	11	418	508	607	34.3	21.6	19.5	81.2	66.8	55.9	52.5	43.3	36.2	34.3	27.2	21.9	47.8	45.5	43.4	0.5	0.6	0.8	17.5
Pidlite Industries	REDUCE	1,101	1,080	(1.9)	559	7.8	508	21	26	31	16.8	21.8	20.2	52.3	42.9	35.7	34.7	28.7	23.8	13.3	11.1	9.3	27.4	28.2	28.4	0.6	0.7	0.9	8.5
S H Kelkar and Company	BUY	222	290	30.7	32	0.4	145	7	10	12	(6.2)	41.9	23.2	32.0	22.5	18.3	20.6	14.8	12.8	3.5	3.1	2.8	11.3	14.5	16.0	0.8	0.9	1.2	0.4
Tata Global Beverages	REDUCE	223	250	12.3	141	2.0	631	8	9	10	7.7	17.0	12.9	28.1	24.0	21.3	15.4	13.5	11.9	1.9	1.8	1.8	7.0	7.9	8.5	1.3	1.6	1.8	11.1
Titan Company	SELL	826	840	1.6	734	10.2	888	16	20	23	25.6	21.8	19.3	51.5	42.3	35.4	34.1	27.2	22.3	12.2	10.2	8.6	25.6	26.3	26.4	0.5	0.7	0.8	36.4
United Breweries	SELL	1,315	1,100	(16.4)	348	4.8	264	21	26	31	39.2	23.6	20.6	63.3	51.2	42.4	31.3	26.8	23.0	11.0	9.3	7.8	18.7	19.6	20.0	0.2	0.3	0.4	13.8
United Spirits	REDUCE	572	590	3.2	415	5.8	727	10	13	17	34.7	30.9	24.5	55.8	42.6	34.2	32.5	26.3	22.2	11.4	8.4	6.4	24.2	22.7	21.3	—	—	0.4	13.6
Varun Beverages	ADD	815	800	(1.8)	149	2.1	183	15	20	26	29.8	34.5	30.7	54.5	40.5	31.0	17.9	15.2	12.9	7.5	6.4	5.4	14.6	17.1	19.0	—	—	0.2	1.5
Consumer products	Cautious				16,113	224					17.7	16.0	14.7	45.3	39.1	34.1	29.4	25.2	21.9	11.9	10.6	9.5	26.1	27.1	27.8	1.1	1.4	1.6	319.4
Energy																													
BPCL	REDUCE	334	375	12.2	725	10.1	1,967	38	39	39	(6.7)	3.1	1.1	8.9	8.6	8.5	6.5	6.1	6.0	1.7	1.6	1.4	20.5	19.1	17.5	4.5	4.6	4.7	26.0
Castrol India	SELL	155	155	(0.2)	153	2.1	989	7	8	9	2.9	10.1	9.7	22.0	19.9	18.2	13.7	12.4	11.2	14.4	14.1	13.6	67.1	71.5	76.0	3.5	4.0	4.3	3.8
GAIL (India)	BUY	370	440	18.9	835	11.6	2,255	26	29	31	27.8	10.0	9.5	14.2	12.9	11.8	8.9	8.1	7.4	1.9	1.7	1.6	14.0	14.1	14.2	2.3	2.6	2.8	24.0
GSPL	SELL	179	175	(2.4)	101	1.4	564	11	11	12	(6.5)	(0.5)	11.9	16.2	16.3	14.5	6.0	6.0	5.3	1.8	1.7	1.5	11.7	10.7	10.9	0.9	0.9	1.0	1.3
HPCL	REDUCE	240	285	18.6	366	5.1	1,524	32	32	32	(22.3)	(2.2)	0.5	7.4	7.6	7.6	6.8	7.2	7.5	1.4	1.3	1.2	19.6	17.4	16.1	5.5	5.4	5.4	22.6
Indraprastha Gas	SELL	270	240	(11.0)	189	2.6	700	12	13	15	16.4	12.3	10.7	22.5	20.0	18.1	14.2	12.5	11.1	4.6	4.0	3.6	22.1	21.5	20.9	0.9	1.1	1.5	9.7
IOCL	REDUCE	149	150	0.6	1,448	20.1	9,479	18	17	18	(11.2)	(4.1)	2.8	8.2	8.5	8.3	4.7	4.7	4.5	1.2	1.1	1.0	15.1	13.4	12.9	4.9	4.7	4.8	18.7
Mahanagar Gas	ADD	843	965	14.5	83	1.2	99	56	60	64	16.0	7.6	5.4	15.0	14.0	13.2	8.7	7.9	7.3	3.5	3.1	2.8	24.8	23.5	22.0	2.6	2.9	3.0	12.2
ONGC	ADD	169	200	18.7	2,162	30.0	12,833	20	20	19	16.8	0.3	(5.9)	8.3	8.3	8.8	4.0	3.8	3.7	0.9	0.9	0.8	11.2	10.6	9.5	4.0	4.2	4.2	15.6
Oil India	SELL	203	200	(1.3)	230	3.2	1,135	23	24	23	(6.7)	3.4	(2.5)	8.8	8.5	8.7	5.8	5.5	5.5	0.8	0.8	0.7	9.2	9.0	8.4	4.5	4.7	4.6	2.1
Petronet LNG	BUY	238	280	17.7	357	5.0	1,500	16	18	20	16.7	13.1	9.4	14.7	13.0	11.9	9.8	8.3	7.4	3.2	2.8	2.6	23.3	23.2	22.7	2.4	3.1	3.8	10.4
Reliance Industries	SELL	1,253	985	(21.4)	7,412	102.9	5,922	69	78	87	17.6	12.4	11.9	18.0	16.0	14.3	12.1	10.3	8.8	2.2	2.0	1.8	12.2	12.1	12.1	0.5	0.5	0.6	138.7
Energy	Attractive				14,062	195					7.2	5.2	4.8	12.7	12.1	11.5	7.7	7.1	6.6	1.7	1.5	1.4	13.0	12.5	12.0	2.1	2.1	2.2	285.4

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.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		12-Sep-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	
Industrials																																
ABB	SELL	1,464	1,020	(30.3)	310	4.3	212	26	29	36	30.1	14.2	23.5	56.8	49.7	40.3	33.4	30.0	24.9	7.9	7.2	6.4	14.5	15.1	16.7	0.6	0.6	0.6	1.6			
BHEL	REDUCE	75	89	18.5	276	3.8	3,671	3.3	5.5	7.6	47.9	69.3	38.0	23.1	13.7	9.9	7.3	4.5	3.3	0.8	0.8	0.8	3.6	6.1	8.2	2.7	4.5	6.3	9.2			
Carborundum Universal	SELL	388	322	(17.0)	73	1.0	189	14	17	20	25.0	21.4	13.8	27.2	22.4	19.7	14.9	12.2	10.5	4.2	3.8	3.4	16.3	17.8	18.1	1.1	1.3	1.5	0.4			
CG Power and Industrial	BUY	55	72	31.8	34	0.5	627	2.9	4.3	6.2	255.2	48.7	44.9	18.8	12.7	8.7	7.6	6.0	4.7	1.3	1.2	1.1	6.7	9.8	13.3	—	—	—	6.5			
Cummins India	REDUCE	777	710	(8.6)	215	3.0	277	28	33	37	15.2	17.5	13.7	27.9	23.8	20.9	23.5	20.2	17.3	5.1	4.7	4.4	18.7	20.6	21.8	1.9	2.3	2.6	4.5			
Kalpitaru Power Transmission	BUY	325	560	72.4	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	289	410	41.9	74	1.0	257	21	27	33	16.9	29.7	23.0	13.8	10.6	8.7	7.8	6.4	5.4	3.0	2.4	1.9	24.1	25.2	24.9	0.8	1.0	1.2	2.8			
L&T	BUY	1,352	1,600	18.3	1,895	26.3	1,401	66.3	67.6	79.5	28.2	1.9	17.6	20.4	20.0	17.0	18.2	17.6	14.7	3.4	3.1	2.8	17.6	16.2	17.1	1.6	1.7	2.0	46.2			
Siemens	SELL	945	1,000	5.8	336	4.7	356	29	35	—	21.4	21.7	—	32.5	26.7	—	18.1	14.6	—	3.9	3.6	—	12.3	14.0	—	1.3	1.5	—	3.2			
Thermax	REDUCE	975	1,010	3.6	116	1.6	113	27.8	38.7	43.8	34.7	39.2	13.2	35.1	25.2	22.3	22.2	16.4	14.1	3.8	3.4	3.1	11.1	14.3	14.7	1.0	1.1	1.2	0.9			
Industrials	Neutral				3,381	47					29.0	13.9	11.9	23.3	20.5	18.3	16.7	14.9	12.3	2.9	2.6	2.6	12.3	12.9	14.3	1.5	1.8	2.0	75.8			
Infrastructure																																
Adani Ports and SEZ	BUY	376	460	22.3	779	10.8	2,071	19	23	29	1.2	21.1	29.8	20.1	16.6	12.8	13.7	11.3	9.9	3.2	2.7	2.3	17.0	17.7	19.4	0.5	0.5	0.5	22.0			
Ashoka Buildcon	BUY	129	235	82.3	36	0.5	282	9	10	10	4.1	17.8	(1.3)	14.7	12.5	12.7	9.6	8.1	7.5	1.6	1.5	1.3	11.8	12.3	11.0	1.3	1.0	1.0	0.5			
Container Corp.	SELL	631	635	0.6	308	4.3	487	21	25	29	17.4	20.9	15.0	30.5	25.2	21.9	18.7	14.8	12.2	3.0	2.8	2.6	10.3	11.6	12.3	1.4	1.7	1.6	5.6			
Dilip Buildcon	BUY	748	1,240	65.9	102	1.4	137	56	71	85	19.8	27.5	20.1	13.4	10.5	8.8	7.1	5.6	4.8	3.2	2.4	1.9	26.7	26.2	24.4	—	—	—	4.0			
Gateway Distriparks	BUY	173	250	44.6	19	0.3	109	7	8	11	(5.8)	15.2	37.5	24.1	20.9	15.2	10.9	9.0	7.4	3.3	2.8	2.4	9.8	14.5	17.1	—	1.7	1.7	0.3			
Gujarat Pipavav Port	BUY	107	150	40.2	52	0.7	483	5.3	6.5	7.8	29.7	22.9	19.3	20.0	16.3	13.7	10.6	8.7	7.2	2.5	2.5	2.4	12.7	15.3	17.8	4.1	5.0	5.9	0.9			
IRB Infrastructure	BUY	174	320	84.2	61	0.8	351	31	33	23	36.8	7.1	(31.3)	5.6	5.3	7.6	6.4	6.8	8.1	0.9	0.8	0.7	17.6	16.3	10.0	1.8	2.3	2.5	5.6			
Mahindra Logistics	REDUCE	545	565	3.7	39	0.5	71	15	21	25	50.7	39.3	23.7	36.9	26.5	21.4	20.5	14.8	11.8	7.7	6.2	5.0	22.7	25.8	25.8	—	—	—	0.6			
Sadbhav Engineering	BUY	260	435	67.2	45	0.6	172	17	22	23	31.7	31.0	2.6	15.3	11.7	11.4	11.2	8.8	7.4	2.1	1.8	1.6	14.5	16.5	14.7	—	—	—	1.4			
Infrastructure	Attractive				1,440	20					11.3	20.3	16.7	18.7	15.5	13.3	11.6	9.9	8.9	2.8	2.4	2.1	14.8	15.5	15.7	0.8	1.0	1.0	41.0			
Internet																																
Info Edge	ADD	1,597	1,425	(10.8)	195	2.7	122	26	33	40	14.9	27.5	20.6	61.8	48.5	40.2	47.2	35.8	29.1	7.3	6.6	5.9	13.2	14.3	15.6	0.5	0.5	0.6	3.1			
Just Dial	ADD	534	610	14.3	36	0.5	67	26	30	33	23.0	15.0	9.4	20.4	17.8	16.2	11.1	8.9	7.5	3.2	2.7	2.4	16.7	16.6	15.7	0.5	0.6	0.6	26.6			
Internet	Cautious				231	3					17.6	23.0	16.8	47.0	38.2	32.7	34.8	27.4	23.0	6.1	5.4	4.8	12.9	14.2	14.7	0.5	0.5	0.6	29.7			
Media																																
DB Corp.	REDUCE	220	270	22.8	40	0.6	184	20	23	26	14.9	12.3	14.8	10.9	9.7	8.4	5.8	5.1	—	2.2	2.1	—	20.7	22.3	25.2	7.7	9.6	11.5	0.6			
DishTV	ADD	67	90	35.1	123	1.7	1,925	1.8	3.4	4.9	514.6	88.2	42.6	NM	19.4	13.6	5.7	4.6	3.6	1.8	1.7	1.5	5.1	8.9	11.5	—	—	—	7.3			
Jaagran Prakashan	REDUCE	122	131	7.6	36	0.5	311	11	12	14	10.0	13.6	14.5	11.5	10.1	8.8	5.0	4.3	3.7	1.9	1.8	1.7	15.9	18.2	19.7	4.1	6.2	7.0	0.5			
PVR	BUY	1,392	1,430	2.8	65	0.9	47	38	50	61	41.2	32.3	22.4	36.7	27.7	22.7	14.0	11.9	10.1	5.3	4.5	3.8	15.3	17.6	18.3	0.3	0.4	0.4	11.3			
Sun TV Network	REDUCE	680	925	36.0	268	3.7	394	35	39	43	20.7	10.9	10.7	19.6	17.7	15.9	13.2	11.5	9.8	5.2	4.7	4.2	28.1	27.9	27.9	2.6	2.9	3.3	20.1			
Zee Entertainment Enterprises	ADD	464	600	29.4	446	6.2	960	17	20	22	11.3	17.0	13.9	27.7	23.7	20.8	17.1	14.4	12.5	5.2	4.6	4.0	19.9	20.6	20.7	1.0	1.2	1.5	18.1			
Media	Attractive				978	14					28.7	21.0	17.2	23.4	19.4	16.5	11.1	9.5	7.8	3.8	3.4	3.3	16.3	17.7	19.8	1.6	2.0	2.3	57.9			

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)
		12-Sep-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	
Metals & Mining																													
Coal India	ADD	282	326	15.8	1,748	24.3	6,207	27	28	28	138.2	3.0	0.7	10.5	10.1	10.1	6.7	6.3	6.1	6.6	6.9	7.1	66.1	66.4	69.1	7.1	8.9	8.9	14.2
Hindalco Industries	BUY	238	305	28.2	534	7.4	2,229	27	31	34	25.1	13.6	10.2	8.7	7.7	6.9	5.6	4.9	4.3	0.9	0.8	0.7	10.6	10.8	10.8	0.5	0.5	0.5	33.9
Hindustan Zinc	ADD	286	290	1.3	1,209	16.8	4,225	22	26	27	3.7	14.7	5.4	12.8	11.2	10.6	7.4	6.1	5.4	2.9	2.5	2.2	24.4	24.2	22.1	2.8	2.8	2.8	6.8
Jindal Steel and Power	REDUCE	224	215	(4.2)	217	3.0	968	8	14	22	195.9	68.5	60.8	27.5	16.4	10.2	7.0	6.4	5.5	0.7	0.7	0.6	2.7	4.3	6.5	—	—	—	30.2
JSW Steel	SELL	400	350	(12.4)	966	13.4	2,406	31	26	31	16.1	(16.2)	17.2	12.8	15.3	13.0	7.4	8.6	7.6	2.7	2.4	2.0	23.5	16.6	16.8	0.8	0.8	0.8	28.9
National Aluminium Co.	ADD	70	80	14.8	135	1.9	1,933	9	7	8	125.8	(21.1)	2.4	7.5	9.5	9.3	3.4	4.3	4.3	1.2	1.2	1.2	16.8	13.0	13.3	8.6	8.6	8.6	11.6
NMDC	REDUCE	122	120	(1.6)	386	5.4	3,164	12	10	11	4.2	(14.3)	5.9	10.0	11.6	11.0	6.2	7.2	6.7	1.5	1.4	1.3	15.3	12.4	12.5	4.5	4.5	4.5	5.5
Tata Steel	ADD	606	660	9.0	694	9.6	1,205	76	85	94	12.8	12.1	10.9	8.0	7	6.4	6.0	6.3	6.0	1.0	1.0	0.9	14.3	14.3	14.4	1.7	1.7	1.7	70.2
Vedanta	BUY	224	370	65.5	831	11.5	3,717	32	39	38	49.1	19.7	(0.7)	6.9	5.8	5.8	4.6	3.8	3.5	1.2	1.1	1.0	18.0	19.4	17.2	4.3	5.2	5.1	45.7
Metals & Mining		Attractive			6,721	93					42.5	6.8	6.4	10.0	9.3	8.8	6.1	5.8	5.3	1.8	1.7	1.5	18.1	17.8	17.1	3.6	4.2	4.2	247.0
Pharmaceutical																													
Apollo Hospitals	ADD	1,105	1,090	(1.3)	154	2.1	139	20	27	33	133.5	36.7	21.6	56.1	41.0	33.7	19.6	16.5	14.5	4.5	4.1	3.8	8.2	10.5	11.8	0.4	0.6	0.7	14.6
Aster DM Healthcare	BUY	166	240	44.7	84	1.2	505	5	8	12	74.4	62.0	51.4	34.5	21.3	14.1	12.4	9.8	7.6	2.7	2.5	2.1	8.3	12.2	16.3	—	—	—	0.2
Aurobindo Pharma	ADD	774	760	(1.8)	453	6.3	584	42	57	64	1.0	35.8	12.3	18.3	13.5	12.0	12.2	9.1	8.1	3.3	2.7	2.2	19.3	19.9	18.6	0.7	0.8	1.0	34.9
Biocon	SELL	640	330	(48.4)	384	5.3	601	8	15	18	35.9	75.7	21.7	76.0	43.2	35.5	33.1	22.1	18.8	6.4	5.7	5.1	8.7	13.9	14.3	0.5	0.8	1.0	19.8
Cipla	BUY	656	680	3.6	529	7.3	805	24	31	40	34.5	31.0	29.4	27.9	21.3	16.4	15.7	12.5	9.7	3.3	2.9	2.6	12.4	14.6	15.7	0.7	1.0	1.3	26.8
Dr Lal Pathlabs	REDUCE	986	900	(8.7)	82	1.1	83	24	29	34	19.0	17.9	18.4	40.5	34.4	29.0	24.9	20.8	17.1	8.7	7.3	6.1	23.4	23.1	22.9	0.5	0.6	0.7	1.3
Dr Reddy's Laboratories	REDUCE	2,529	2,150	(15.0)	420	5.8	166	89	118	141	50.2	32.8	19.3	28.5	21.5	18.0	14.3	10.2	8.5	3.0	2.7	2.4	11.1	12.6	13.3	0.5	0.7	0.9	40.9
HCG	REDUCE	241	290	20.4	21	0.3	85	2	4	7	39.8	80.3	80.8	110.2	61.1	33.8	17.8	14.8	11.4	3.8	3.6	3.3	3.5	6.1	10.1	—	—	—	0.2
Laurus Labs	ADD	438	500	14.1	46	0.6	106	16	29	34	2.4	79.9	17.5	27.0	15.0	12.8	12.5	8.7	7.6	2.8	2.4	2.0	10.9	17.1	15.6	—	—	—	0.6
Lupin	REDUCE	959	800	(16.6)	434	6.0	450	27	39	50	(28.9)	44.0	27.4	35.4	24.6	19.3	16.5	12.0	9.7	2.9	2.7	2.4	8.6	11.4	12.4	0.4	0.6	0.8	49.6
Narayana Hrudayalaya	ADD	256	265	3.6	52	0.7	204	3	6	9	23.0	103.2	40.7	82.7	40.7	28.9	23.4	16.4	13.2	4.8	4.3	3.7	5.9	11.0	13.7	—	—	—	0.2
Sun Pharmaceuticals	REDUCE	650	520	(20.0)	1,559	21.6	2,406	17	24	29	11.1	42.5	20.5	38.6	27.1	22.4	21.2	15.6	13.0	3.7	3.4	3.0	10.2	13.1	13.3	0.5	0.7	0.9	65.2
Torrent Pharmaceuticals	NR	1,752	—	—	296	4.1	169	47	61	81	18.0	29.6	32.1	37.0	28.6	21.6	16.1	13.8	11.4	5.7	4.9	4.2	15.3	17.2	19.3	0.6	0.8	1.1	8.3
Pharmaceuticals		Neutral			4,515	63					12.4	39.9	22.3	33.7	24.1	19.7	17.5	13.0	10.9	3.7	3.3	2.9	11.0	13.6	14.6	0.5	0.7	0.9	262.6
Real Estate																													
Brigade Enterprises	BUY	197	290	47.3	27	0.4	136	9	15	17	(17.0)	59.2	15.8	21.4	13.5	11.6	13.3	10.3	8.3	1.1	1.1	1.0	5.4	8.1	8.8	1.3	1.3	1.3	0.3
DLF	RS	202	—	—	361	5.0	1,784	5.3	23.9	14.1	(87.2)	354.6	(41.0)	38.5	8.5	14.4	53.8	9.4	17.7	1.0	0.9	0.9	2.6	11.3	6.2	1.0	1.0	1.0	17.1
Godrej Properties	SELL	658	400	(39.2)	151	2.1	216	13.3	15.8	18.2	(38.9)	19.1	15.2	49.7	41.7	36.2	294.0	153.4	126.3	4.3	3.9	3.5	10.5	9.7	10.1	—	—	—	1.5
Oberoi Realty	BUY	449	560	24.7	163	2.3	340	62	44	66	385.4	(28.0)	49.3	7.3	10.1	6.8	10.1	12.6	5.5	1.7	1.4	1.2	27.4	15.2	19.2	0.4	0.4	0.4	2.3
Prestige Estates Projects	ADD	218	315	44.5	82	1.1	375	19	21	11	(24.2)	8.4	—	11.5	10.6	20.4	10.1	10.2	13.5	0.8	0.8	—	14.6	14.9	7.3	1.4	1.4	0.7	0.9
Sobha	REDUCE	430	510	18.5	41	0.6	95	23	36	24	(48.8)	51.7	(32.6)	18.3	12.1	17.9	11.2	8.8	11.0	1.9	1.7	1.6	9.0	14.8	9.1	1.6	1.6	1.6	1.5
Sunteck Realty	REDUCE	462	360	(22.1)	68	0.9	140	19	19	39	22.4	1.6	106.6	24.7	24.3	11.8	20.6	20.0	8.8	2.3	2.1	1.8	9.5	8.9	16.2	0.2	0.2	0.2	1.9
Real Estate		Neutral			892	12					(53.1)	65.1	(14.4)	19.1	11.6	13.5	20.0	11.8	13.1	1.3	1.2	1.2	7.1	10.6	9.0	0.7	0.7	0.7	25.5

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.	O/S shares	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo	
		12-Sep-18	(Rs)	(%)	(Rs bn)	(US\$ bn)	(mn)	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	(US\$ mn)
Technology																													
HCL Technologies	REDUCE	1,087	1,100	1.2	1,513	21.0	1,409	71	78	82	14.6	8.9	5.0	15.2	14.0	13.3	9.9	8.8	8.1	3.4	2.9	2.6	24.4	22.3	20.6	0.8	2.8	3.0	34.1
Hexaware Technologies	SELL	461	455	(1.3)	137	1.9	302	20	24	27	19.5	21.6	12.7	23.3	19.2	17.0	17.3	13.1	11.5	6.0	5.1	4.3	27.6	28.7	27.5	1.7	1.7	2.2	22.4
Infosys	ADD	743	770	3.6	3,245	45.0	4,350	36	41	45	12.8	13.3	8.9	20.4	18.0	16.5	14.0	12.2	10.9	4.6	4.1	3.7	23.4	24.2	23.7	2.9	2.6	2.8	86.9
L&T Infotech	ADD	1,880	2,100	11.7	325	4.5	175	83	96	113	30.5	15.6	18.1	22.7	19.6	16.6	17.2	13.8	11.7	6.9	5.5	4.5	33.5	31.3	30.0	1.3	1.4	1.6	8.5
Mindtree	ADD	1,146	1,225	6.9	188	2.6	165	45	57	65	29.5	27.0	14.5	25.6	20.2	17.6	16.3	12.8	11.0	5.9	5.0	4.2	24.7	26.6	25.8	1.2	1.5	1.7	26.2
Mphasis	SELL	1,257	900	(28.4)	243	3.4	193	53	60	63	21.9	12.1	4.7	23.5	21.0	20.0	17.4	14.8	13.8	4.6	4.2	3.8	18.9	21.0	20.0	1.6	2.0	2.4	6.7
TCS	REDUCE	2,044	1,950	(4.6)	7,825	108.6	3,829	84	94	101	24.9	11.7	7.4	24.3	21.7	20.2	17.8	16.0	14.8	7.9	7.7	7.6	34.3	35.6	37.7	2.1	3.7	4.0	91.3
Tech Mahindra	ADD	740	865	16.9	653	9.1	891	46	57	64	8.4	22.4	13.0	16.0	13.1	11.6	9.5	7.5	6.4	3.0	2.6	2.2	20.2	21.2	20.3	1.2	1.4	1.5	39.3
Wipro	REDUCE	329	325	(1.1)	1,487	20.6	4,507	19	23	25	12.8	19.5	7.5	17.2	14.4	13.4	11.1	9.3	8.6	2.6	2.4	2.2	16.5	17.6	17.4	0.5	3.0	3.3	17.5
Technology	Cautious				15,618	217					15.6	13.0	8.1	21.1	18.7	17.3	14.5	12.7	11.6	5.1	4.7	4.3	24.2	25.1	24.9	1.9	3.1	3.3	332.8
Telecom																													
Bharti Airtel	ADD	377	445	18.1	1,506	20.9	3,997	(6)	(4)	5	(221.5)	28.8	215.1	(65.5)	(92.0)	80.0	9.7	8.2	6.6	2.3	2.3	2.3	(3.4)	(2.5)	2.9	0.3	(0.2)	0.3	24.8
Bharti Infratel	REDUCE	271	285	5.2	501	7.0	1,850	13	12	13	(4.8)	(8.5)	7.7	20.7	22.6	21.0	7.6	8.1	7.6	3.1	3.1	3.0	14.6	13.7	14.6	3.9	3.6	3.9	10.8
IDEA	REDUCE	46	45	(2.6)	404	5.6	4,359	(17)	(17)	(15)	(75.6)	(2.4)	11.4	(2.8)	(2.7)	(3.0)	42.8	35.7	21.8	0.9	1.4	2.6	(29.7)	(41.1)	(59.4)	—	—	—	16.0
Tata Communications	ADD	524	660	25.8	149	2.1	285	0	3	7	(77.5)	694.2	123.5	1,415	178.2	79.7	10.6	9.3	8.4	(65.1)	(88.5)	(1,713.7)	7.8	(42.1)	(211.0)	1.2	1.4	1.4	3.6
Telecom	Cautious				2,560	36					(2,384.5)	5.0	68.0	(35.6)	(37.5)	(117.3)	11.4	10.0	8.2	2.5	2.7	2.9	(6.9)	(7.2)	(2.4)	1.0	0.6	1.0	55.2
Utilities																													
CESC	BUY	973	1,180	21.2	129	1.8	133	115	128	141	31.7	11.6	10.1	8.5	7.6	6.9	5.9	5.2	4.6	0.8	0.8	0.7	10.0	10.4	10.5	1.3	1.3	1.4	7.3
JSW Energy	REDUCE	66	70	5.4	109	1.5	1,640	5.1	6.5	6.6	65.9	26.8	2.9	13.0	10.3	10.0	5.6	4.7	4.2	0.9	0.8	0.8	7.2	8.5	8.0	—	—	—	1.2
NHPC	ADD	25	30	21.5	253	3.5	10,260	3.1	3.2	3.4	26.9	1.8	8.0	8.0	7.8	7.3	7.3	7.1	7.6	0.8	0.8	0.7	10.4	10.2	10.6	7.0	7.1	6.0	1.7
NTPC	BUY	170	190	11.8	1,402	19.5	8,245	15	16	18	30.9	4.4	16.5	11.4	10.9	9.4	9.0	8.3	7.0	1.3	1.2	1.1	11.6	11.3	12.2	2.6	2.7	3.2	12.0
Power Grid	BUY	194	250	29.0	1,014	14.1	5,232	19	21	23	19.3	13.6	7.6	10.3	9.1	8.4	7.3	6.7	6.4	1.7	1.5	1.4	17.1	17.5	17.0	3.2	3.7	4.0	15.1
Tata Power	BUY	74	90	21.6	200	2.8	2,705	6.0	7.0	10.9	12.7	15.6	57.0	12.3	10.6	6.8	10.7	10.3	9.0	1.2	1.1	0.9	10.1	10.6	14.6	—	—	—	4.3
Utilities	Attractive				3,107	43					26.0	8.8	14.1	10.6	9.7	8.5	8.0	7.4	6.7	1.3	1.2	1.1	11.9	12.0	12.5	2.9	3.1	3.3	41.5

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

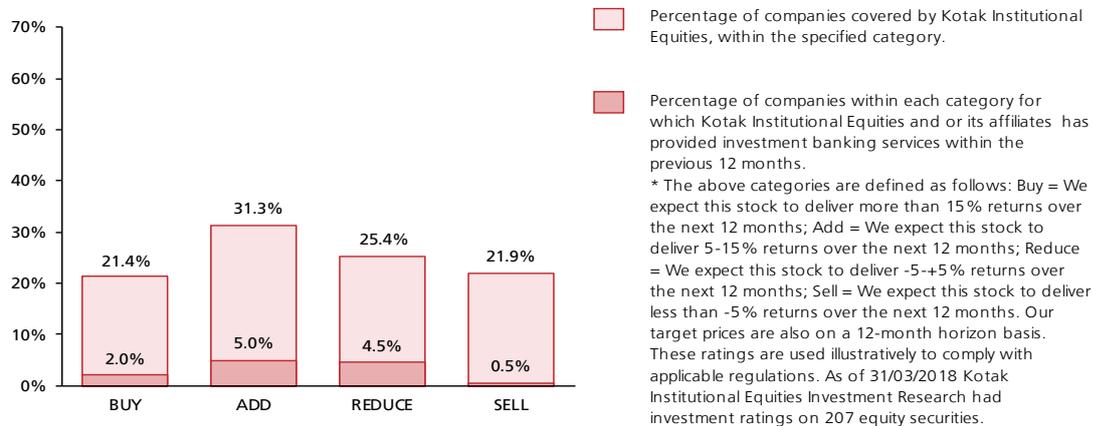
Company	Rating	Price (Rs)		Upside (%)	Mkt cap. (Rs bn) (US\$ bn)		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		12-Sep-18	Target price (Rs)		2019E	2020E		2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	
Others																													
Aditya Birla Fashion and Retail	BUY	191	220	15.4	147	2.0	773	2	4	6	50.6	59.1	53.5	83.0	52.2	34.0	24.3	18.9	15.4	11.6	9.5	7.4	15.0	20.0	24.5	—	—	—	4.5
Astral Poly Technk	SELL	1,101	640	(41.9)	132	1.8	120	19	25	29	30.2	28.8	16.1	57.7	44.8	38.6	31.0	24.6	20.9	10.2	8.4	6.9	19.8	20.5	19.7	0.1	0.1	0.1	0.9
Avenue Supermarts	SELL	1,523	860	(43.5)	950	13.2	624	16	20	26	28.6	26.4	27.5	94.2	74.5	58.4	54.3	42.7	33.6	16.8	13.7	11.1	19.6	20.3	21.0	—	—	—	—
Bayer Cropscience	REDUCE	4,355	4,100	(5.9)	172	2.4	34	106	130	154	20.5	23.1	18.3	41.3	33.5	28.4	30.3	24.7	20.6	7.3	6.2	5.3	18.9	20.0	20.3	0.5	0.6	0.7	0.5
Crompton Greaves Consumer	SELL	217	215	(0.9)	136	1.9	627	6	7	9	19.5	20.7	17.4	35.1	29.1	24.8	21.8	18.4	15.5	12.0	9.2	7.0	40.4	35.8	32.3	0.9	1.2	—	2.4
Dhanuka Agritech	ADD	540	650	20.4	27	0.4	49	27	31	34	3.9	15.4	10.8	20.2	17.5	15.8	14.7	12.1	10.5	3.6	3.1	2.7	19.2	19.2	18.5	1.1	1.2	1.4	0.2
Godrej Agrovet	ADD	576	640	11.1	111	1.5	189	15	19	23	28.9	28.8	21.1	38.8	30.1	24.9	21.1	16.5	13.8	5.7	4.9	4.1	15.7	17.4	17.9	—	—	0.6	0.9
Godrej Industries	RS	591	—	—	199	2.8	336	16	20	—	8.9	24.2	—	37.2	30.0	—	30.7	33.5	—	4.9	4.3	—	13.9	15.1	—	0.3	0.3	—	4.5
Havells India	SELL	647	485	(25.0)	404	5.6	625	14	17	20	26.6	20.5	17.6	46.1	38.3	32.5	29.5	24.0	20.2	9.5	8.3	7.3	22.0	23.2	23.9	0.8	0.9	1.1	13.8
InterGlobe Aviation	BUY	883	1,220	38.2	339	4.7	383	50	83	99	(17.9)	65.3	19.5	17.7	10.7	9.0	9.5	5.4	4.3	3.9	2.9	2.3	24.1	31.1	28.6	0.6	0.9	1.1	20.0
Kaveri Seed	SELL	620	515	(17.0)	41	0.6	66	34	34	37	7.3	0.1	8.3	18.1	18.0	16.7	15.2	14.5	13.0	4.4	3.8	3.3	26.4	22.4	21.0	1.3	1.6	1.6	5.3
PI Industries	BUY	774	875	13.0	107	1.5	138	31	40	48	17.9	26.8	21.5	24.7	19.5	16.0	17.6	13.7	11.1	4.7	3.9	3.2	20.5	21.7	21.9	0.5	0.6	0.8	2.1
Rallis India	ADD	197	220	11.6	38	0.5	195	10	12	13	17.2	19.4	9.7	19.5	16.3	14.9	12.8	10.8	9.5	2.9	2.7	2.4	15.8	17.1	16.9	1.8	2.0	2.2	0.8
SIS	REDUCE	1,057	1,130	6.9	77	1.1	73	33	40	48	48.5	21.1	17.8	31.7	26.2	22.2	19.9	16.6	13.9	6.3	5.2	4.3	21.8	21.7	21.1	0.3	0.3	0.4	0.6
SRF	BUY	1,988	2,200	10.6	114	1.6	57	100	132	150	23.8	32.2	14.1	20.0	15.1	13.2	11.5	9.2	7.8	2.8	2.4	2.1	15.0	17.3	17.0	0.7	0.7	0.8	11.7
Tata Chemicals	ADD	748	760	1.6	191	2.6	255	44	51	56	(15.3)	14.6	11.5	17.0	14.8	13.3	7.1	5.9	5.1	1.6	1.5	1.4	9.7	10.3	10.8	2.0	2.3	2.3	6.9
TCNS Clothing Co.	BUY	655	760	16.1	40	0.6	64	18	23	27	15.3	27.5	20.8	37.1	29.1	24.1	19.8	15.0	11.9	7.4	5.7	4.4	22.7	22.2	20.9	—	—	—	—
TeamLease Services	SELL	2,459	1,785	(27.4)	42	0.6	17	58	75	96	34.2	29.0	28.7	42.5	32.9	25.6	42.9	32.6	25.0	7.8	6.3	5.0	20.1	21.1	21.9	—	—	—	1.3
UPL	ADD	704	660	(6.2)	358	5.0	507	49	55	60	14.0	12.1	9.6	14.4	12.8	11.7	9.7	8.2	7.1	3.2	2.7	2.3	24.6	22.9	21.1	1.4	1.6	1.7	27.2
Vardhman Textiles	ADD	1,032	1,300	26.0	59	0.8	56	118	130	142	14.8	9.7	9.8	8.7	7.9	7.2	6.7	6.1	5.4	1.1	1.0	0.9	13.1	13.0	13.0	1.9	2.9	2.9	0.6
Volta	SELL	586	530	(9.6)	194	2.7	331	17	21	25	0.4	18.8	18.9	33.8	28.4	23.9	25.3	20.6	17.2	4.5	4.0	3.5	13.9	14.8	15.7	0.6	0.7	0.8	12.1
Whirlpool	SELL	1,611	1,350	(16.2)	204	2.8	127	37	46	56	33.9	24.7	20.2	43.5	34.9	29.0	26.5	21.0	17.2	9.4	7.8	6.7	23.7	24.5	24.8	—	0.6	1.0	1.2
Others					4,083		57				8.3	26.4	12.5	31.1	24.6	21.9	18.9	15.0	12.1	5.3	4.5	4.0	17.0	18.3	18.5	0.6	0.7	0.7	117.5
KIE universe					113,240	1,571				24.8	27.2	14.1	22.0	17.3	15.1	11.1	9.8	8.8	2.8	2.6	2.3	12.9	14.8	15.2	1.4	1.7	1.8		
KIE universe (ex-energy)					99,178	1,376				30.6	33.2	16.1	24.5	18.4	15.8	12.3	10.7	9.5	3.1	2.8	2.5	12.8	15.4	16.1	1.3	1.6	1.8		

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\$)= 72.06

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

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

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.

Other definitions

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Corporate Office

Kotak Securities Ltd.
27 BKC, Plot No. C-27, "G Block"
Bandra Kurla Complex, Bandra (E)
Mumbai 400 051, India
Tel: +91-22-43360000

Kotak Mahindra (UK) Ltd
8th Floor, Portoken House
155-157 Minories
London EC3N 1LS
Tel: +44-20-7977-6900

Overseas Affiliates

Kotak Mahindra Inc
369 Lexington Avenue
28th Floor, New York
NY 10017, USA
Tel: +1 212 600 8856

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