

### Contents

#### Daily Alerts

##### Company alerts

**Infosys:** Accelerating digital shift

- ▶ Strengthens Salesforce practice through acquisition of Nordics-based company
- ▶ Acquisition consistent with digital strategy; expects some more in the future
- ▶ Client metrics and deal wins are healthy; attrition is the thing to focus on

##### Economy alerts

**Economy:** FX measures – I

- ▶ Measures aimed at restoring confidence in the INR
- ▶ Marginally positive for rates and INR in the near term
- ▶ Structural challenges and adverse global conditions will keep the risks of INR depreciation alive

**Economy:** Input prices' inflation continues to ease on favorable base

- ▶ Headline WPI inflation eases on the back of favorable base effect
- ▶ Core WPI inflation inches up
- ▶ RBI likely to hike rates by 25 bps in October policy

### EQUITY MARKETS

India	Change %			
	14-Sep	1-day	1-mo	3-mo
Sensex	38,091	1.0	0.4	6.9
Nifty	11,515	1.3	0.4	6.4
<b>Global/Regional indices</b>				
Dow Jones	26,155	0.0	1.9	4.2
Nasdaq Composite	8,010	(0.0)	2.5	3.4
FTSE	7,304	0.3	(3.4)	(4.3)
Nikkei	23,095	1.2	3.7	1.1
Hang Seng	27,286	1.0	0.3	(10.0)
KOSPI	2,307	(0.5)	2.7	(4.0)
<b>Value traded – India</b>				
Cash (NSE+BSE)	363		380	348
Derivatives (NSE)	6,125		7,495	14,190
Deri. open interest	4,043		4,110	4,320

#### Forex/money market

	Change, basis points			
	14-Sep	1-day	1-mo	3-mo
Rs/US\$	71.8	(27)	207	377
10yr govt bond, %	8.3	-	24	15

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

	12-Sep	MTD	CYTD
FIs	(148)	(188)	(879)
MFs	157	560	12,366

#### Top movers

	Change, %			
	14-Sep	1-day	1-mo	3-mo
<b>Best performers</b>				
HDIL IN Equity	30	1.7	(12.2)	30.5
ARBP IN Equity	800	3.4	21.9	30.3
WPRO IN Equity	330	0.4	17.9	23.7
DABUR IN Equity	468	3.1	2.6	23.6
RIL IN Equity	1,253	0.1	4.1	23.6
<b>Worst performers</b>				
UT IN Equity	3	3.3	(26.7)	(33.0)
JPA IN Equity	10	2.6	(24.0)	(31.1)
IDEA IN Equity	46	0.3	(8.9)	(23.6)
TTMT/A IN Equity	144	1.0	5.9	(20.2)
HPCL IN Equity	253	5.1	(5.6)	(17.5)

**SEPTEMBER 17, 2018**
**UPDATE**

Coverage view: **Cautious**

Price (₹): **734**

Target price (₹): **770**

BSE-30: **38,091**

**Accelerating digital shift.** Infosys announced a small EUR65 mn acquisition of Fluido, a 200 people strong Nordics-based platinum Salesforce consulting partner. We estimate revenues of approximately US\$25-30 mn of this acquired entity. The acquisition is consistent with the digital strategy laid out by the CEO at the beginning of the year. We expect Infosys to use a mix of tuck-in/ beachhead acquisitions and use organic build out to accelerate its digital shift. Infosys stock had a strong run in the last six months and will generate moderate returns from here on unless INR depreciates further.

**Company data and valuation summary**

Infosys

**Stock data**

52-week range (Rs) (high,low)	749-437
Market Cap. (Rs bn)	3,205.1

**Shareholding pattern (%)**

Promoters	12.9
FIs	52.0
MFs	11.7

**Price performance (%)**

	1M	3M	12M
Absolute	4.2	18.4	65.8
Rel. to BSE-30	3.0	11.1	40.1

**Forecasts/Valuations**

	2018	2019E	2020E
EPS (Rs)	32.3	36.5	41.3
EPS growth (%)	3.0	12.8	13.3
P/E (X)	22.7	20.1	17.8
Sales (Rs bn)	705.2	816.0	912.9
Net profits (Rs bn)	146.0	158.6	179.7
EBITDA (Rs bn)	190.1	216.0	243.2
EV/EBITDA (X)	15.8	13.8	12.0
ROE (%)	21.8	23.4	24.2
Div. Yield (%)	1.9	3.0	2.7

**Strengthens Salesforce practice through acquisition of Nordics-based company**

Infosys announced the acquisition of Fluido, a Nordics-based Salesforce consulting company (headquartered in Finland) for EUR65 mn (US\$75 mn). Fluido is a platinum partner of Salesforce, offering consulting, implementation and training services. The company is majority owned by the management team and CapMan private equity with Salesforce Ventures owning a minority stake. Fluido has team size of 200. We estimate revenue range of US\$25-30 mn using benchmark deal value/ revenue of other such acquisitions in the space. The acquisition will close in December 2018 quarter. This acquisition can help in a small way in enhancing Infosys' presence in the Nordic market, a relatively weak market for Infosys. Salesforce is a fast growing practice for all; acquisition helps in building scale in this fast growing area.

**Acquisition consistent with digital strategy; expects some more in the future**

This acquisition is Infosys' second digital acquisition in the last five months. The first one was the acquisition of a digital creative agency, Wongdoody that was announced in April 2018. We expect Infosys to use a mix of small capability building/ tuck in acquisition and organic build out of capability to accelerate its digital shift. We note that Infosys has lost mindshare and relative positioning due to a mix of churn causing a lag in select digital competencies (IoT and cyber security), insufficient engagement with industry analysts and communication. This is being corrected through acquisitions, building out of competencies organically and industry analyst outreach. Steps taken by Infosys has been in the right direction

**Client metrics and deal wins are healthy; attrition is the thing to focus on**

Infosys' TCV of deal wins has been robust and accelerated in the last six months. We expect this momentum to sustain. Further client metrics have continued to impress with growth in its large client base (clients with billing of more than US\$100 mn increased to 24 from 18 a year back). High attrition across all levels is a key risk to our call. Infosys has made a number of interventions to reduce the same and this will be a key monitorable. After a strong 66% increase in stock price in the last 12-months, the stock is not be as attractive. Nonetheless, the potential of a turnaround in the business and acceleration in growth rates keeps us constructive on the stock. Maintain ADD with unchanged target price of Rs770/ share.

Kawaljeet Saluja

Jaykumar Doshi

Exhibit 1: Profit model, balance sheet, cash model of Infosys, March fiscal year-ends, 2014-21E (Rs mn)

	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>Profit model</b>								
Revenues	501,330	533,190	624,410	684,850	705,220	804,826	885,245	968,295
<b>EBITDA</b>	<b>136,340</b>	<b>149,010</b>	<b>170,780</b>	<b>186,050</b>	<b>190,100</b>	<b>209,914</b>	<b>230,484</b>	<b>252,046</b>
Depreciation	(13,740)	(10,690)	(14,590)	(17,030)	(18,620)	(19,210)	(21,035)	(22,602)
Other income	26,690	34,270	31,250	30,790	31,930	22,006	25,304	28,364
<b>Pretax profits</b>	<b>149,291</b>	<b>172,591</b>	<b>187,441</b>	<b>199,811</b>	<b>203,411</b>	<b>212,710</b>	<b>234,754</b>	<b>257,810</b>
Tax	(40,620)	(49,290)	(52,520)	(55,980)	(56,740)	(58,574)	(64,557)	(72,186)
<b>Profit after tax</b>	<b>108,671</b>	<b>123,301</b>	<b>134,921</b>	<b>143,831</b>	<b>146,671</b>	<b>154,136</b>	<b>170,197</b>	<b>185,623</b>
<b>Diluted earnings per share (Rs)</b>	<b>46.6</b>	<b>53.9</b>	<b>59.0</b>	<b>62.7</b>	<b>64.6</b>	<b>70.9</b>	<b>78.3</b>	<b>85.3</b>
<b>Balance sheet</b>								
Total equity	445,300	507,360	578,260	689,820	649,230	689,835	758,245	834,253
Assets held for sale	—	—	—	—	3,240	3,240	3,240	3,240
Minority interest	—	—	—	-	10	10	10	10
Current liabilities	124,360	155,530	173,150	141,660	141,010	144,087	149,927	155,957
<b>Total liabilities and equity</b>	<b>569,660</b>	<b>662,890</b>	<b>751,410</b>	<b>831,480</b>	<b>793,490</b>	<b>837,172</b>	<b>911,422</b>	<b>993,459</b>
Cash	259,500	303,670	326,970	226,250	198,180	215,156	262,944	318,014
Other current assets	180,240	209,940	258,790	276,940	299,660	322,992	346,229	370,219
Deferred taxation	6,290	5,360	5,330	3,330	7,410	7,410	7,410	7,410
Goodwill	22,440	35,950	44,760	36,520	22,110	22,110	22,110	22,110
Tangible fixed assets	70,950	85,270	96,640	124,920	144,500	147,875	151,099	154,077
Investments	30,240	22,700	18,920	163,520	121,630	121,630	121,630	121,630
<b>Total assets</b>	<b>569,660</b>	<b>662,890</b>	<b>751,410</b>	<b>831,480</b>	<b>793,490</b>	<b>837,172</b>	<b>911,422</b>	<b>993,459</b>
<b>Free cash flow</b>								
Operating cash flow, excl. working capi	93,920	91,610	120,090	126,080	124,854	151,029	165,927	179,860
Working capital changes	(2,810)	(8,420)	(21,460)	(16,240)	(1,114)	(20,254)	(17,398)	(17,960)
Capital expenditure	(27,450)	(22,550)	(27,230)	(27,600)	(19,980)	(22,275)	(24,260)	(25,580)
Acquisitions	—	(13,760)	(7,470)	—	(600)	—	—	—
Other income	23,800	25,510	23,810	29,570	31,930	22,006	25,304	28,364
<b>Free cash flow</b>	<b>87,460</b>	<b>72,390</b>	<b>87,740</b>	<b>111,810</b>	<b>135,090</b>	<b>130,506</b>	<b>149,573</b>	<b>164,685</b>
<b>Key ratios and assumptions</b>								
<b>Revenue growth (US\$ terms) (%)</b>	<b>11.5</b>	<b>5.6</b>	<b>9.1</b>	<b>7.4</b>	<b>7.2</b>	<b>6.8</b>	<b>9.1</b>	<b>9.4</b>
Re/US\$ rate	60.8	61.2	65.7	67.1	64.5	68.9	69.5	69.5
EBITDA margin (%)	27.2	27.9	27.4	27.2	27.0	26.1	26.0	26.0
<b>EBIT margin (%)</b>	<b>24.5</b>	<b>25.9</b>	<b>25.0</b>	<b>24.7</b>	<b>24.3</b>	<b>23.7</b>	<b>23.7</b>	<b>23.7</b>
RoAE	26.3	25.9	24.9	22.7	21.9	23.0	23.5	23.3
RoIC	59.5	58.7	54.4	45.7	39.3	40.5	41.8	43.0

Source: Company, Kotak Institutional Equities

**FX measures - I.** The measures aimed at increasing capital flows and re-iteration of the government's commitment to stick to fiscal deficit targets will likely help in curbing the negative around the INR in the near term provided global conditions remain benign. The government, till now, has refrained from any knee-jerk reactions which is a positive. Maintaining macro stability and addressing the underlying structural issues for long-term economic adjustments should remain the priority as the government deliberates on various measures over the next few days.

#### Measures aimed at restoring confidence in the INR

The government, in consultation with the RBI, announced five measures to address the issue of capital flows: (1) mandatory hedging conditions for infrastructure loans (ECBs) will be reviewed, (2) maturity of ECBs availed by manufacturing sector reduced to 1-year from 3-years, (3) removal of exposure limit of (a) 20% of FPI's corporate bond portfolio to a single corporate group and (b) 50% of any issue of corporate bonds will be reviewed, (4) exemption from withholding tax for masala bonds issued in FY2019, and (5) removal of restrictions on Indian banks' market making in masala bonds including underwriting. Unconfirmed media reports suggest that the government expects US\$8-10 bn of inflows through these measures. Notably, measures on capping the CAD are yet awaited as the government deliberates on steps to curb non-essential imports and increase exports. Additionally, measures from RBI could shape up in due course in the form of aggressive FX intervention and swap window for oil companies. We expect RBI to hike policy rate by 25bps, but with overall trajectory still remaining under control and slower growth in 2HFY19, we see limited room for aggressive rate hikes beyond.

#### Marginally positive for rates and INR in the near term

The negative sentiments around the INR are likely to mitigate in the near term given the intent of the government to bridge the CAD funding gap. The government has highlighted that it will stick to its FY2019 fiscal deficit target of 3.3% through buoyant direct tax revenues and overshooting of its divestment target even as it maintains its capital expenditure targets. The RBI, also, announced Rs100 bn of OMO purchase due on September 19. The combined effect of these announcements will be positive for yields and INR in the near term. However, we remain skeptical on the fiscal space and will be watchful on (1) pace and quality of revenue and capital expenditure, (2) GST revenues, and (3) progress on divestments. Further, even if the center were to somehow stick to its targets, the risks of slippage on the states' part (FY2019BE GFD/GDP of 2.6%) remains.

#### Structural challenges and adverse global conditions will keep the risks of INR depreciation alive

We believe that the INR will remain under pressure as the DM monetary policies unwind (along with the effects of trade wars, higher crude prices, etc.) and their effects on EMs are visible over the next few years. We highlighted in a recent report (*Economic growth at any cost?*, September 11) that India needs to improve its savings profile in order to manage its external sector risks. If macroeconomic risks are to be mitigated, the aggregate demand needs to slow down. A relook at the retail credit disbursement pace, fiscal expenditure and pace of consumption is essential. As the global economy undergoes a prolonged period of adjustment from the winding up of easy monetary policy in DMs, phases of pains in the EMs will continue. It will be imperative that India continues to work on its twin deficit challenges, keep inflation under check, and balance its consumption-savings behavior.

Suvodeep Rakshit

Upasna Bhardwaj

### Key measures announced

- ▶ **Mandatory hedging conditions for infrastructure loans (ECBs) will be reviewed.** Currently, it is mandatory to hedge 100% of the ECB exposure. While the magnitude of relaxation is yet to be notified, unhedged borrowings will be more attractive. However, if the relaxation is only for hedging and not with regards to end-use then the overall benefit may not be significant. Domestic financing for the infrastructure sector has been constraint lately amid the NPA issues and the lowering of cost by allowing unhedged borrowings will provide a relatively cheaper source of financing.
- ▶ **Permit manufacturing sector entities to avail ECBs up to US\$50 mn with minimum maturity of 1-year (earlier 3-year).** Again if the end-use restrictions are not relaxed simultaneously, it is unlikely to attract much interest. Further, with lower maturity, the risk of volatility of flows could increase in the medium term. However, most of the decisions of the companies will be based on the strategy regarding mix of short-term versus long-term liability on the books and not dictated by attractiveness of available funding solely.
- ▶ **Removal of exposure limit of 20% of FPI's corporate bond portfolio to a single corporate group (company, and related entities) and 50% of any issue of corporate bonds will be reviewed.** This could work for a few issuers with high ratings and mostly in the privately placed market. This can be a marginal positive in terms of flows and encourage higher issuance by selected large companies.
- ▶ **Exemption from withholding tax for masala bonds issued in FY2019.** Positive at the margin.
- ▶ **Removal of restrictions on Indian banks' market making in masala bonds including underwriting of masala bonds.** Banks are allowed to raise masala bonds towards additional Tier 1 capital and Tier 2 capital along with long-term bonds for infrastructure financing and affordable housing. Further, Indian banks are allowed to act as underwriters though underwriting by overseas branches/subsidiaries of Indian banks is not allowed for issuances by Indian Banks. While we await the details, if the masala bonds are accorded repo status/SLR status in order to create the market making ability of the banks, it would be a positive for the bond market and subsequently for flows as well with better liquidity in the market.

SEPTEMBER 17, 2018

UPDATE

BSE-30: 38,091

**Input prices' inflation continues to ease on favorable base.** WPI inflation continued to ease as the unfavorable base effects waned and will likely be at 4.7% by March 2019. The key risks will be from imported inflation (global commodity prices and currency depreciation) reflected in core inflation continuing to inch up. CPI inflation will continue to be RBI's focus. The recent INR depreciation and risks from crude prices will likely prompt the RBI to hike repo rate by 25 bps in the October policy.

#### Headline WPI inflation eases on the back of favorable base effect

WPI inflation eased to 4.53% in August (Kotak: 4.55%, consensus: 4.62%) from 5.1% in July, mostly on favorable base effects. The trend was similar to CPI inflation, which also eased partly on the back of favorable base effects (Exhibits 1 and 2). Primary food inflation momentum in August softened to 0.1% mom with the yoy print at (-)4% after (-)2.2% in July (Exhibit 3). Within food, sequentially cereals (1.4% mom) and pulses (3.1%) increased sharply while vegetables maintained an upward bias (0.8%) and fruit prices contracted 1.2%. Eggs, meat and fish prices declined sequentially ((-)2.6% in August). Energy inflation was at 17.7% after 18.1% in July, with increase in LPG prices (4.6% mom), petrol (0.3%), and diesel (0.2%). Headline inflation continued to be propped up by energy and manufactured products segment (Exhibit 4). We estimate WPI inflation to remain around current levels and reach 4.7% in March 2019 and average at 4.7% in FY2019 against 2.9% in FY2018 (Exhibit 5).

#### Core WPI inflation inches up

Core WPI inflation (manufactured products excluding food products) increased to 5.2% from 4.9% in July with the sequential growth increasing to 0.4% (from 0% in July). Heavyweights (and global prices driven segments) such as 'basic metals' ((-)0.4% mom) and 'chemicals and chemical products' (0.4% mom) will likely see significant sequential increases over the next few months given the recent INR depreciation. We estimate core inflation to remain around the current levels and reach 4.8% by March 2019. We estimate average core inflation at 4.8% in FY2019 against 2.9% in FY2018.

#### RBI likely to hike rates by 25 bps in October policy

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 CPI inflation estimate of 5%. Even as the WPI inflation is not the RBI's primary focus, cues will be taken in terms of input price inflation, especially for the imported inflation. While a sub-5% CPI 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.

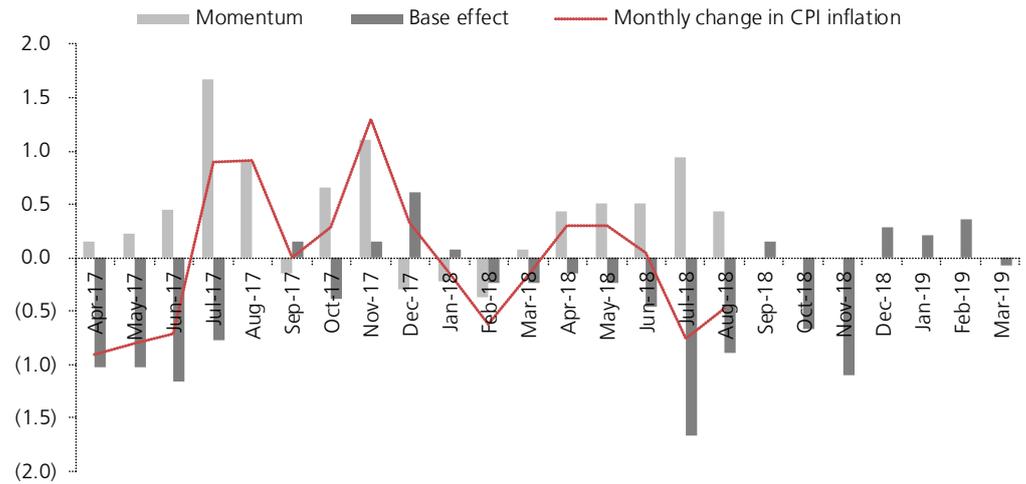
#### QUICK NUMBERS

- **Headline WPI inflation at 4.53% in August**
- **Core WPI inflation at 5.18% in August**
- **Expect FY2019 average WPI inflation at 4.7%; core WPI inflation at 4.8%**

Suvodeep Rakshit

Upasna Bhardwa

**Exhibit 1: Favorable base effects supported moderation in CPI inflation in August**  
Trend in momentum, base effect, and monthly change in CPI inflation (%)

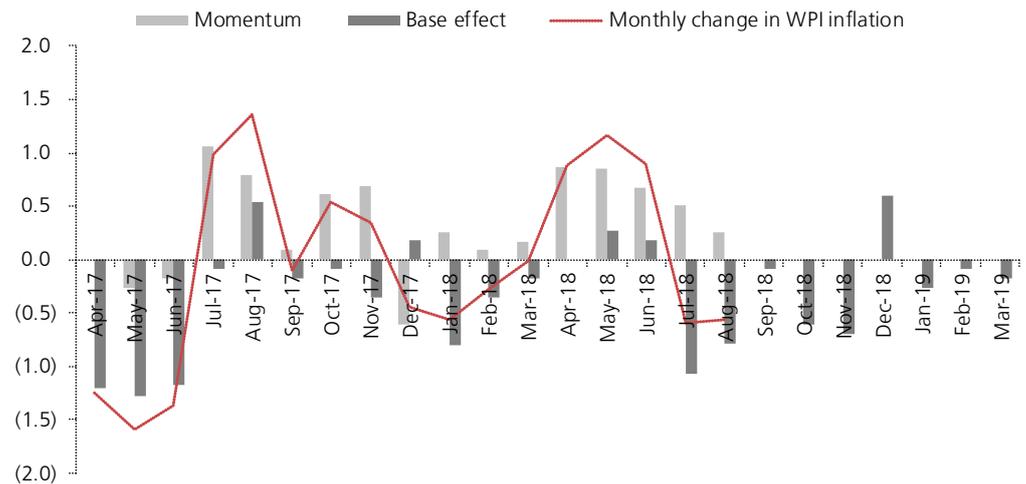


Notes:

(a) Momentum is mom growth while base effect is 12-m prior mom change with signs reversed.

Source: CEIC, Kotak Economics Research

**Exhibit 2: Favorable base effects supported moderation in WPI inflation in August**  
Trend in momentum, base effect, and monthly change in WPI inflation (%)

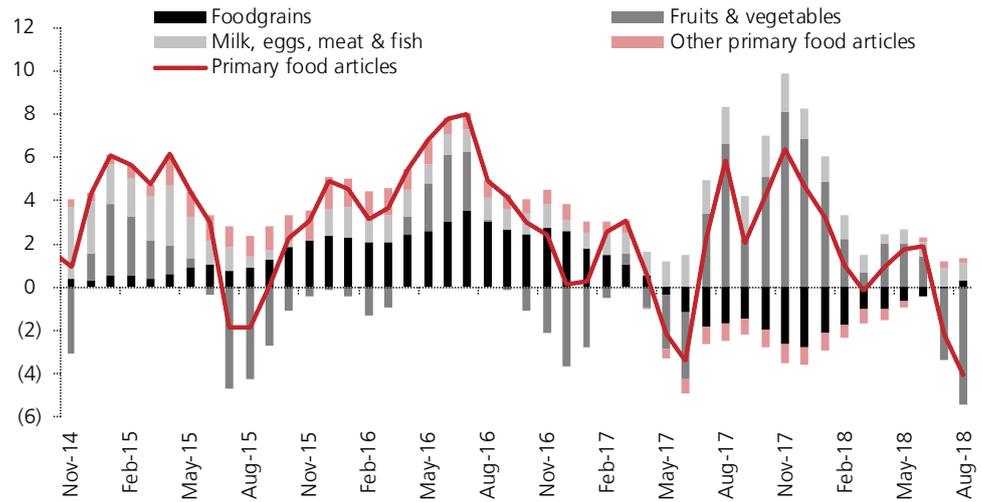


Notes:

(a) Momentum is mom growth while base effect is 12-m prior mom change with signs reversed.

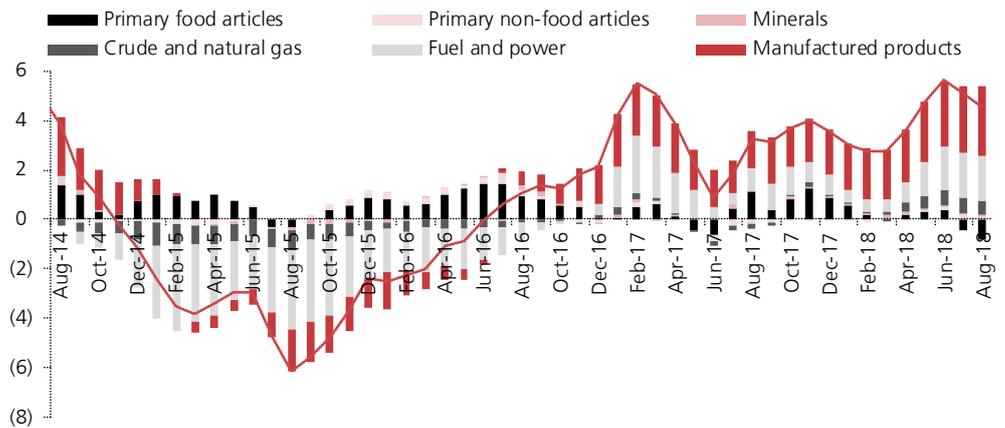
Source: CEIC, Kotak Economics Research

**Exhibit 3: Fruits and vegetables prices push down food inflation on favorable base**  
 Contribution of key food items to primary food inflation (%)



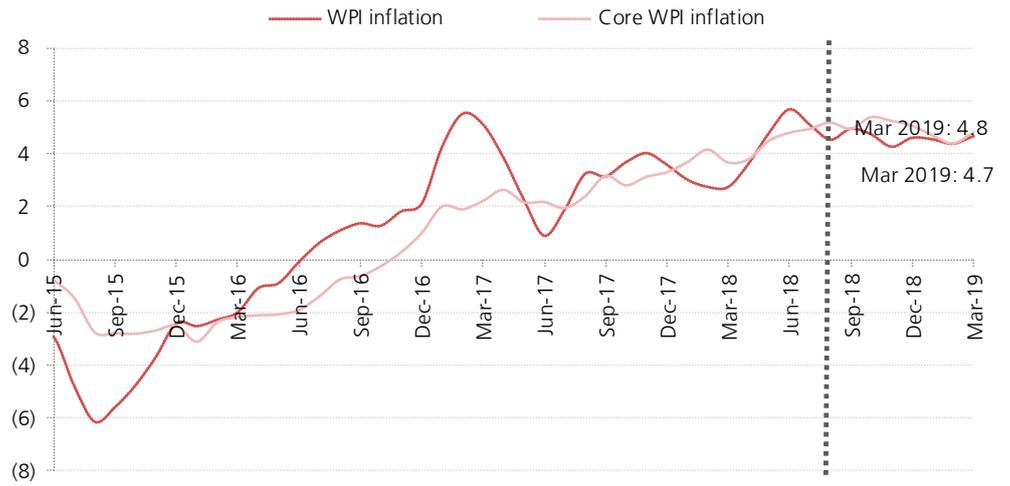
Source: CEIC, Kotak Economics Research

**Exhibit 4: Energy and crude inflation propping up WPI inflation along with manufactured products**  
 Contribution of key items to WPI inflation (%)



Source: CEIC, Kotak Economics Research

**Exhibit 5: WPI inflation likely to remain at current levels over next few months**  
Trend in headline and core WPI inflation (%)



Source: CEIC, Kotak Economics Research estimates

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

Company	Rating	Price (Rs)			Mkt cap. (Rs 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)	
		14-Sep-18	Target price (Rs)	Upside (%)			2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E		
<b>Automobiles</b>																													
Amara Raja Batteries	REDUCE	805	780	(3.1)	137	1.9	171	32	37	43	17.1	15.9	14.5	24.9	21.5	18.8	13.3	11.3	9.8	4.1	3.5	3.0	17.4	17.5	17.4	0.6	0.7	0.8	5.7
Apollo Tyres	BUY	242	340	40.7	138	1.9	541	20	25	29	46.9	25.7	17.0	12.3	9.8	8.3	7.6	6.4	5.3	1.3	1.2	1.0	11.0	12.5	13.1	1.2	1.2	1.2	11.6
Ashok Leyland	BUY	131	160	21.9	385	5.4	2,926	6.2	8.9	9.4	15.3	43.2	6.1	21.2	14.8	13.9	10.9	7.9	7.4	4.6	3.8	3.3	23.4	28.4	25.4	1.4	2.0	2.2	45.8
Bajaj Auto	SELL	2,878	2,500	(13.1)	833	11.6	289	148	161	176	5.4	9.0	9.3	19.5	17.9	16.3	13.6	12.1	10.7	3.9	3.5	3.2	21.2	20.7	20.3	2.1	2.2	2.4	31.8
Balkrishna Industries	REDUCE	1,161	1,300	12.0	224	3.1	193	50	62	70	34.5	24.1	12.8	23.1	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	14.1
Bharat Forge	SELL	668	600	(10.2)	311	4.3	466	23	27	29	44.4	14.6	7.1	28.6	24.9	23.3	16.1	14.1	13.1	5.7	4.9	4.2	21.5	21.0	19.4	0.7	0.8	0.9	11.8
CEAT	ADD	1,389	1,500	8.0	56	0.8	40	99	108	116	53.7	8.3	7.9	14.0	12.9	12.0	8.9	7.6	6.9	1.9	1.7	1.5	14.4	13.8	13.2	0.7	0.7	0.8	13.1
Eicher Motors	SELL	29,366	24,000	(18.3)	801	11.1	27	997	1,180	1,306	25.8	18.4	10.7	29.5	24.9	22.5	21.4	18.0	15.7	10.8	8.1	6.3	42.4	37.1	31.4	0.1	0.1	—	20.7
Escorts	BUY	781	1,200	53.7	67	1.3	89	59	71	78	52.2	19.9	10.6	13.2	11.0	10.0	8.1	6.6	5.5	2.3	2.0	1.7	17.6	18.0	17.1	1.1	1.4	1.5	14.4
Exide Industries	SELL	274	235	(14.2)	233	3.2	850	10	11	13	25.3	11.0	11.6	26.6	24.0	21.5	15.2	13.5	12.1	3.9	3.5	3.2	15.4	15.5	15.7	1.1	1.3	1.5	8.3
Hero Motocorp	SELL	3,187	3,000	(5.9)	636	8.8	200	183	204	225	(0.9)	11.4	10.2	17.4	15.6	14.2	10.3	9.1	8.0	4.8	4.3	3.8	29.3	29.1	28.6	2.9	3.2	3.5	20.8
Mahindra CIE Automotive	ADD	279	290	4.0	106	1.5	378	14	16	17	45.0	12.7	10.4	20.0	17.8	16.1	10.0	8.8	7.9	2.5	2.2	1.9	13.2	13.1	12.7	—	—	—	3.7
Mahindra & Mahindra	BUY	951	1,085	14.2	1,182	16.4	1,138	45	51	53	18.5	14.4	3.1	21.1	18.5	17.9	13.7	11.9	11.3	3.1	2.8	2.5	15.8	16.0	14.7	0.9	1.1	1.1	30.5
Maruti Suzuki	ADD	8,627	9,200	6.6	2,606	36.2	302	298	362	408	16.7	21.2	12.9	28.9	23.9	21.1	16.3	13.0	11.1	5.4	4.7	4.1	20.1	21.1	20.5	0.9	1.0	1.2	67.5
Motherson Sumi Systems	SELL	288	280	(2.8)	606	8.4	2,105	11	14	16	40.2	21.5	13.8	25.1	20.7	18.2	10.1	8.3	7.2	5.2	4.4	3.8	22.5	23.2	22.3	1.0	1.1	1.2	14.4
MRF	REDUCE	70,244	69,000	(1.8)	298	4.1	4	3,425	3,932	4,411	28.3	14.8	12.2	20.5	17.9	15.9	9.6	8.3	7.1	2.7	2.3	2.0	13.9	13.9	13.7	0.1	0.1	0.1	7.1
Schaeffler India	BUY	5,466	6,000	9.8	91	1.3	17	156	199	233	9.0	27.3	17.6	35.0	27.5	23.4	21.4	16.3	13.5	4.8	4.2	3.7	14.5	16.4	17.0	0.6	0.7	0.9	0.5
SKF	ADD	1,775	1,800	1.4	91	1.3	51	69	82	97	19.7	18.5	18.2	25.7	21.7	18.4	16.5	13.6	11.2	4.3	3.7	3.2	16.7	17.1	17.4	0.7	0.8	0.9	0.4
Tata Motors	BUY	267	425	59.4	905	11.7	3,396	22	36	39	10.7	62.7	8.0	12.1	7.4	6.9	3.6	3.0	2.8	0.9	0.8	0.7	7.6	11.2	10.8	—	—	—	51.4
Timken	SELL	653	660	1.1	44	0.6	68	19	25	30	42.3	27.5	21.8	33.9	26.6	21.8	18.7	14.9	12.3	5.4	4.5	3.8	17.1	18.5	18.8	0.2	0.2	0.2	0.3
TVS Motor	SELL	587	405	(31.0)	279	3.9	475	16	20	25	13.9	23.0	26.0	36.9	30.0	23.8	20.3	16.8	13.7	8.3	7.0	5.9	24.2	25.4	27.0	0.8	1.0	1.3	14.0
Varrco Engineering	BUY	1,054	1,250	18.6	142	2.0	135	39	47	51	52.3	19.9	10.2	27.1	22.6	20.5	20.6	17.5	15.3	4.2	3.5	2.8	15.3	15.3	13.5	—	—	—	—
WABCO India	SELL	7,100	6,350	(10.6)	135	1.9	19	169	222	225	17.8	31.3	1.0	41.9	31.9	31.6	27.4	20.7	20.5	7.4	6.1	5.2	19.2	20.9	17.7	0.1	0.2	0.2	0.4
<b>Automobiles</b>	<b>Neutral</b>				<b>10,307</b>	<b>143</b>					<b>17.7</b>	<b>25.4</b>	<b>10.1</b>	<b>22.2</b>	<b>17.7</b>	<b>16.1</b>	<b>9.9</b>	<b>8.2</b>	<b>7.3</b>	<b>3.3</b>	<b>2.9</b>	<b>2.5</b>	<b>14.8</b>	<b>16.3</b>	<b>15.8</b>	<b>0.9</b>	<b>1.1</b>	<b>1.2</b>	<b>388.3</b>
<b>Banks</b>																													
Axis Bank	REDUCE	636	600	(5.7)	1,634	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	78.3
Bank of Baroda	NR	134	—	—	356	4.9	2,652	21	26	29	323.7	26.4	12.1	6.6	5.2	4.6	—	—	—	1.2	0.9	0.7	12.7	14.0	13.7	—	—	—	33.3
Canara Bank	ADD	269	300	11.3	198	2.7	733	(5)	51	68	91.6	1,147.0	33.3	(55.6)	5.3	4.0	—	—	—	1.6	0.9	0.6	(1.0)	10.1	12.0	—	—	—	25.9
City Union Bank	REDUCE	184	200	8.8	135	1.9	665	9	11	12	5.8	13.3	16.7	19.5	17.2	14.7	—	—	—	3.0	2.6	2.3	15.5	15.6	16.0	0.9	1.0	1.2	1.7
DCB Bank	ADD	169	205	21.2	52	0.7	308	10	12	16	28.2	21.0	33.1	16.6	13.7	10.3	—	—	—	1.9	1.7	1.5	11.7	12.7	14.9	0.6	0.7	0.9	4.1
Equitas Holdings	BUY	148	190	28.3	50	0.7	340	4.4	8.4	11.4	378.4	89.9	35.6	33.4	17.6	13.0	—	—	—	2.1	1.9	1.7	6.4	11.2	13.4	—	—	—	4.8
Federal Bank	BUY	78	130	67.0	154	2.1	1,972	5.7	7.9	9.7	29.5	39.5	22.9	13.8	9.9	8.0	—	—	—	1.3	1.1	1.0	8.8	11.4	12.8	1.7	2.3	2.8	17.3
HDFC Bank	REDUCE	2,030	2,000	(1.5)	5,510	76.6	2,595	78	94	112	15.7	20.0	19.1	26.0	21.7	18.2	—	—	—	3.8	3.4	3.0	16.7	16.2	17.0	0.7	0.9	1.1	77.4
ICICI Bank	BUY	328	400	21.8	2,113	29.4	6,429	8	26	31	(19.6)	209.1	19.2	38.7	12.5	10.5	—	—	—	2.2	1.9	1.6	5.1	14.5	15.5	0.5	1.6	1.9	96.1
IDFC Bank	NR	45	—	—	153	2.1	3,404	1.2	2.9	4.3	(52.7)	146.7	44.8	37.6	15.2	10.5	—	—	—	1.0	0.9	0.9	2.6	6.3	8.6	0.5	1.3	1.9	7.6
IndusInd Bank	REDUCE	1,873	1,900	1.5	1,125	15.7	600	71	87	102	17.5	23.6	16.9	26.5	21.5	18.4	—	—	—	4.0	3.4	3.0	17.6	16.8	17.0	—	0.5	0.6	28.9
J&K Bank	BUY	55	100	82.8	30	0.4	557	7	11	15	82.4	63.8	33.5	8.2	5.0	3.8	—	—	—	0.6	0.6	0.5	5.9	9.1	11.2	2.4	4.0	5.3	0.3
Karur Vysya Bank	ADD	91	110	20.7	73	1.0	727	3	13	14	(32.3)	306.7	9.1	28.3	7.0	6.4	—	—	—	1.3	1.1	1.0	3.7	14.1	13.9	0.9	3.6	4.1	1.6
Punjab National Bank	ADD	83	90	8.7	229	3.2	2,761	(27)	12	18	40.4	145.3	46.9	(3.1)	6.9	4.7	—	—	—	4.1	1.4	0.8	(23.4)	10.7	13.8	—	—	—	38.8
RBL Bank	SELL	611	475	(22.3)	259	3.6	420	22	29	36	48.1	31.5	21.0	27.3	20.7	17.1	—	—	—	3.6	3.2	2.8	13.3	15.5	16.5	0.6	0.7	0.9	16.0
State Bank of India	BUY	290	370	27.4	2,592	36.0	8,925	8	37	53	204.8	380.5	42.7	37.8	7.9	5.5	—	—	—	1.9	1.4	1.1	3.1	13.6	16.7	—	0.1	0.2	96.4
Ujivan Financial Services	ADD	332	420	26.5	40	0.6	121	19	28	32	3,033.9	47.3	15.1	17.8	12.1	10.5	—	—	—	2.1	1.8	1.6	12.1	15.8	15.8	0.5	0.8	1.0	5.2
Union Bank	ADD	84	120	43.5	98	1.4	1,169	8	33	40	117.1	330.																	

## 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)
		14-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	
<b>NBFCs</b>																													
Bajaj Finance	SELL	2,672	2,000	(25.2)	1,544	21.5	575	68	90	114	56.6	31.9	27.3	39.3	29.8	23.4	—	—	—	8.0	6.5	5.2	22.4	24.0	24.6	0.3	0.3	0.4	60.5
Bajaj Finserv	REDUCE	6,710	6,100	(9.1)	1,068	14.8	159	245	307	376	39.7	25.2	22.5	27.4	21.8	17.8	—	—	—	4.3	3.6	3.0	17.5	18.1	18.6	0.2	0.2	0.2	19.1
Bharat Financial Inclusion	NA	1,148	—	—	161	2.2	139	43	54	69	31.1	27.2	25.8	26.8	21.1	16.7	—	—	—	4.3	3.5	2.9	17.9	18.5	19.0	—	—	—	9.8
Cholamandalam	REDUCE	1,325	1,500	13.2	207	2.9	156	90	110	136	44.8	22.1	23.4	14.7	12.0	9.7	—	—	—	3.4	2.8	2.2	24.5	24.3	24.3	0.8	1.0	1.2	7.4
HDFC	ADD	1,925	2,075	7.8	3,257	45.3	1,676	56	67	81	(25.8)	19.0	21.2	34.4	28.9	23.9	—	—	—	4.4	4.0	3.6	13.8	14.5	16.0	1.1	1.3	1.6	73.1
HDFC Standard Life Insurance	SELL	426	405	(4.8)	857	11.9	2,007	6	7	8	14.8	10.9	14.7	67.0	60.4	52.7	—	—	—	17.7	15.9	14.1	28.0	27.7	28.4	0.4	0.4	0.5	8.4
ICICI Lombard	SELL	921	620	(32.7)	418	5.8	454	26	32	37	37.1	21.5	18.5	35.4	29.1	24.6	—	—	—	7.7	6.5	5.4	23.8	24.2	24.0	0.6	0.8	0.9	3.4
ICICI Prudential Life	BUY	379	500	32.0	544	7.6	1,436	12	13	15	10.1	7.0	10.0	30.5	28.5	25.9	—	—	—	6.8	5.7	4.9	24.5	21.8	20.2	0.6	0.6	0.6	8.9
IIFL Holdings	SELL	659	625	(5.2)	210	2.9	319	38	45	52	31.5	18.6	16.0	17.5	14.8	12.7	—	—	—	3.1	2.7	2.3	20.5	20.0	20.0	1.2	1.4	1.7	1.7
L&T Finance Holdings	ADD	161	190	18.0	322	4.5	1,996	13	14	16	70.9	12.3	12.8	12.8	11.4	10.1	—	—	—	2.3	2.0	1.7	18.9	18.8	18.3	1.2	1.6	1.5	14.8
LIC Housing Finance	ADD	479	610	27.2	242	3.4	505	50	58	66	14.1	16.2	14.6	9.6	8.3	7.2	—	—	—	1.6	1.3	1.2	17.4	16.9	16.8	1.6	1.9	2.2	15.3
Magma Fincorp	BUY	136	190	40.1	37	0.5	237	13	17	21	34.0	31.8	23.0	10.4	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	454	500	10.1	281	3.9	614	23	28	34	58.4	23.2	18.6	19.8	16.0	13.5	—	—	—	2.9	2.6	2.3	14.3	15.8	16.7	1.4	1.7	2.0	10.8
Max Financial Services	ADD	489	650	32.9	131	1.8	268	6	6	6	36.9	1.8	1.8	78.0	76.6	75.2	—	—	—	—	—	—	8.3	8.0	7.8	—	0.5	0.5	5.2
Muthoot Finance	ADD	455	480	5.4	182	2.5	400	40	42	48	(7.8)	6.0	14.8	11.5	10.8	9.4	—	—	—	2.0	1.8	1.6	19.0	17.6	17.8	2.0	2.1	2.4	6.0
PNB Housing Finance	REDUCE	1,295	1,325	2.3	217	3.0	167	62	75	92	25.3	20.9	22.4	20.8	17.2	14.0	—	—	—	3.0	2.7	2.3	15.2	15.9	17.0	0.3	0.3	0.3	4.7
SBI Life Insurance	ADD	670	785	17.2	670	9.3	1,000	15	18	21	26.0	22.9	17.0	46.1	37.5	32.1	—	—	—	8.8	7.3	6.1	20.6	21.3	20.9	0.3	0.4	0.5	3.0
Shriram City Union Finance	ADD	1,895	2,250	18.7	125	1.7	66	141	174	209	40.4	22.7	20.5	13.4	10.9	9.1	—	—	—	2.2	1.9	1.6	15.8	16.9	17.6	0.9	1.2	1.4	1.5
Shriram Transport	ADD	1,215	1,550	27.6	276	3.8	227	114	130	146	64.4	14.3	12.8	10.7	9.4	8.3	—	—	—	1.9	1.6	1.4	18.3	17.5	17.1	1.3	1.5	1.8	32.4
<b>NBFCs</b>	<b>Neutral</b>				<b>10,748</b>	<b>149</b>					<b>15.1</b>	<b>19.5</b>	<b>19.4</b>	<b>27.3</b>	<b>22.8</b>	<b>19.1</b>				<b>4.4</b>	<b>3.8</b>	<b>3.3</b>	<b>16.1</b>	<b>16.7</b>	<b>17.3</b>	<b>0.7</b>	<b>0.8</b>	<b>1.0</b>	<b>623.9</b>
<b>Cement</b>																													
ACC	SELL	1,602	1,270	(20.7)	301	4.2	188	62	70	81	27.0	13.8	15.2	25.9	22.8	19.7	14.4	12.4	10.5	3.0	2.7	2.5	11.9	12.5	13.1	1.1	1.1	1.1	15.7
Ambuja Cements	REDUCE	230	210	(8.6)	456	6.3	1,986	9	11	12	14.5	23.2	15.8	26.7	21.7	18.7	9.0	7.5	6.2	2.1	2.0	1.9	8.1	9.5	10.4	1.6	1.6	1.6	11.5
Dalmia Bharat	ADD	2,699	2,830	4.9	241	3.3	89	94	122	139	55.8	29.3	14.8	28.7	22.2	19.3	10.9	9.0	7.7	3.5	3.0	2.6	12.9	14.6	14.5	0.1	0.1	0.1	4.6
Grasim Industries	BUY	1,064	1,170	10.0	699	9.7	657	46	55	70	(2.5)	18.8	28.0	23.0	19.4	15.1	7.6	7.2	6.7	1.2	1.1	1.0	5.2	5.9	7.1	0.5	0.5	0.5	15.6
India Cements	REDUCE	123	118	(4.4)	38	0.5	308	4	8	12	28.0	102.6	41.3	29.5	14.6	10.3	9.1	7.2	6.0	0.7	0.7	0.7	2.5	4.8	6.5	0.8	0.8	0.8	9.2
J K Cement	ADD	800	890	11.3	56	0.8	70	45	79	78	3.7	75.4	(0.8)	17.8	10.2	10.2	10.4	8.6	7.0	2.5	2.1	1.8	15.0	22.3	18.5	1.0	1.0	1.0	0.5
JK Lakshmi Cement	ADD	316	370	17.0	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	36.5	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	17,680	12,500	(29.3)	616	8.6	35	421	630	760	6.0	49.7	20.6	42.0	28.0	23.3	19.5	14.7	12.0	6.1	5.1	4.2	15.4	19.7	19.8	0.3	0.3	0.3	5.5
UltraTech Cement	SELL	4,189	2,950	(29.6)	1,150	16.0	275	126	162	201	42.7	28.9	24.0	33.3	25.8	20.8	17.4	14.4	12.0	4.0	3.5	3.0	12.6	14.3	15.4	0.2	0.2	0.2	18.8
<b>Cement</b>	<b>Cautious</b>				<b>3,617</b>	<b>50</b>					<b>19.5</b>	<b>30.3</b>	<b>21.8</b>	<b>29.2</b>	<b>22.4</b>	<b>18.4</b>	<b>11.1</b>	<b>9.5</b>	<b>8.3</b>	<b>2.4</b>	<b>2.2</b>	<b>2.0</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>81.9</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.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)
		14-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	
<b>Consumer products</b>																																
Asian Paints	REDUCE	1,334	1,325	(0.7)	1,279	17.8	959	27	33	39	32.1	20.3	18.3	49.2	40.9	34.6	30.8	25.5	21.5	13.3	11.6	10.1	28.8	30.3	31.3	0.9	1.1	1.4	21.9			
Bajaj Corp.	ADD	434	470	8.4	64	0.9	148	15	17	19	7.8	10.3	9.5	28.1	25.5	23.3	22.5	19.2	16.7	13.1	13.0	12.8	46.3	51.2	55.4	3.0	3.2	3.5	0.5			
Britannia Industries	ADD	6,112	6,700	9.6	734	10.2	120	104	127	152	24.5	22.2	19.2	58.7	48.0	40.3	38.5	31.4	26.3	17.1	13.8	11.3	32.5	31.8	30.9	0.6	0.7	0.9	13.0			
Coffee Day Enterprises	REDUCE	313	290	(7.4)	66	0.9	211	8	10	12	129.9	30.0	21.2	40.7	31.3	25.8	13.1	11.4	10.6	2.6	2.4	2.2	6.6	8.0	8.9	—	—	—	1.0			
Colgate-Palmolive (India)	ADD	1,121	1,250	11.5	305	4.2	272	27	32	36	14.7	15.6	15.5	41.1	35.6	30.8	23.5	20.4	17.7	17.9	15.6	13.7	46.0	46.9	47.3	1.4	1.7	2.1	7.0			
Dabur India	REDUCE	468	390	(16.7)	827	11.5	1,762	9	10	12	17.3	12.9	13.6	51.4	45.5	40.0	43.0	37.1	32.2	14.5	12.6	11.1	28.1	29.6	29.4	0.8	1.0	1.2	18.8			
GlaxoSmithKline Consumer	ADD	7,553	7,300	(3.3)	318	4.4	42	199	223	246	19.5	12.1	10.1	38.0	33.9	30.7	26.8	23.1	20.3	8.2	7.4	6.8	22.8	23.0	23.1	1.2	1.4	1.7	2.1			
Godrej Consumer Products	SELL	864	733	(15.2)	884	12.3	1,022	17	19	22	18.8	13.7	12.7	51.1	45.0	39.9	36.3	31.5	27.5	12.0	10.4	9.0	25.3	24.7	24.2	0.7	0.7	0.8	13.2			
Hindustan Unilever	REDUCE	1,629	1,570	(3.6)	3,527	49.0	2,160	29	33	37	19.5	13.2	12.6	55.6	49.1	43.6	38.5	33.8	29.9	43.5	36.9	31.7	83.5	81.4	78.3	1.3	1.5	1.7	35.9			
ITC	ADD	307	330	7.4	3,756	52.2	12,275	10	11	12	8.2	12.3	11.7	31.8	28.3	25.4	20.6	18.2	16.2	6.9	6.5	6.1	20.4	22.2	24.2	1.9	2.2	2.5	56.4			
Jubilant Foodworks	BUY	1,337	1,650	23.4	176	2.5	132	25	35	46	73.6	37.5	32.3	52.9	38.5	29.1	26.4	19.9	15.1	13.1	10.0	7.6	28.9	29.5	29.7	0.1	0.2	0.3	29.7			
Jyothy Laboratories	ADD	200	240	19.8	73	1.0	364	6	7	8	27.6	16.7	15.4	35.6	30.5	26.4	23.8	20.2	17.2	5.5	4.8	4.2	16.6	16.8	16.9	0.5	0.7	1.0	1.0			
Marico	ADD	346	375	8.3	447	6.2	1,291	7	8	9	8.9	20.0	14.5	50.8	42.3	36.9	35.2	29.1	25.1	16.6	15.5	14.3	33.7	37.9	40.2	1.4	1.6	1.8	9.6			
Nestle India	ADD	10,335	11,000	6.4	996	13.9	96	171	197	223	34.2	15.7	13.2	60.6	52.4	46.2	34.7	29.9	26.3	26.8	24.6	22.5	46.1	49.0	50.8	1.1	1.3	1.5	9.5			
Page Industries	SELL	33,800	25,000	(26.0)	377	5.2	11	418	508	607	34.3	21.6	19.5	80.9	66.5	55.7	52.3	43.2	36.0	34.2	27.1	21.8	47.8	45.5	43.4	0.5	0.6	0.8	17.7			
Pidlite Industries	REDUCE	1,137	1,080	(5.0)	577	8.0	508	21	26	31	16.8	21.8	20.2	54.0	44.3	36.8	35.9	29.6	24.6	13.7	11.5	9.6	27.4	28.2	28.4	0.6	0.7	0.8	8.4			
S H Kelkar and Company	BUY	224	290	29.5	32	0.5	145	7	10	12	(6.2)	41.9	23.2	32.3	22.7	18.5	20.8	14.9	12.9	3.5	3.1	2.8	11.3	14.5	16.0	0.8	0.9	1.2	0.4			
Tata Global Beverages	REDUCE	233	250	7.2	147	2.0	631	8	9	10	7.7	17.0	12.9	29.5	25.2	22.3	16.1	14.2	12.5	2.0	1.9	1.8	7.0	7.9	8.5	1.3	1.5	1.7	11.1			
Titan Company	SELL	843	840	(0.3)	748	10.4	888	16	20	23	25.6	21.8	19.3	52.5	43.1	36.1	34.8	27.8	22.8	12.4	10.4	8.8	25.6	26.3	26.4	0.5	0.7	0.8	37.2			
United Breweries	SELL	1,316	1,100	(16.4)	348	4.8	264	21	26	31	39.2	23.6	20.6	63.3	51.2	42.5	31.3	26.8	23.0	11.0	9.3	7.8	18.7	19.6	20.0	0.2	0.3	0.4	13.7			
United Spirits	REDUCE	582	590	1.4	423	5.9	727	10	13	17	34.7	30.9	24.5	56.8	43.4	34.8	33.0	26.8	22.6	11.6	8.5	6.6	24.2	22.7	21.3	—	—	0.4	13.8			
Varun Beverages	ADD	812	800	(1.5)	148	2.1	183	15	20	26	29.8	34.5	30.7	54.3	40.4	30.9	17.9	15.2	12.8	7.5	6.4	5.4	14.6	17.1	19.0	—	—	0.2	1.5			
<b>Consumer products</b>	<b>Cautious</b>				<b>16,254</b>	<b>226</b>					<b>17.7</b>	<b>16.0</b>	<b>14.7</b>	<b>45.7</b>	<b>39.5</b>	<b>34.4</b>	<b>29.6</b>	<b>25.4</b>	<b>22.1</b>	<b>12.0</b>	<b>10.7</b>	<b>9.6</b>	<b>26.1</b>	<b>27.1</b>	<b>27.8</b>	<b>1.1</b>	<b>1.3</b>	<b>1.6</b>	<b>323.6</b>			
<b>Energy</b>																																
BPCL	REDUCE	355	375	5.8	769	10.7	1,967	38	39	39	(6.7)	3.1	1.1	9.4	9.2	9.1	6.9	6.5	6.3	1.8	1.7	1.5	20.5	19.1	17.5	4.2	4.4	4.4	26.0			
Castrol India	SELL	157	155	(1.0)	155	2.2	989	7	8	9	2.9	10.1	9.7	22.1	20.1	18.3	13.8	12.5	11.3	14.5	14.2	13.7	67.1	71.5	76.0	3.5	4.0	4.3	3.7			
GAIL (India)	BUY	370	440	18.9	834	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	24.2			
GSPL	SELL	184	175	(4.9)	104	1.4	564	11	11	12	(6.5)	(0.5)	11.9	16.6	16.7	14.9	6.2	6.2	5.5	1.9	1.7	1.6	11.7	10.7	10.9	0.9	0.9	1.0	1.3			
HPCL	REDUCE	253	285	12.8	385	5.4	1,524	32	32	32	(22.3)	(2.2)	0.5	7.8	8.0	7.9	7.0	7.4	7.7	1.5	1.3	1.2	19.6	17.4	16.1	5.2	5.1	5.1	22.9			
Indraprastha Gas	SELL	272	240	(11.8)	190	2.6	700	12	13	15	16.4	12.3	10.7	22.7	20.2	18.2	14.3	12.6	11.2	4.7	4.1	3.6	22.1	21.5	20.9	0.9	1.1	1.5	9.4			
IOCL	REDUCE	155	150	(3.4)	1,508	21.0	9,479	18	17	18	(11.2)	(4.1)	2.8	8.5	8.9	8.6	4.9	4.8	4.7	1.2	1.2	1.1	15.1	13.4	12.9	4.7	4.5	4.6	18.7			
Mahanagar Gas	ADD	848	965	13.9	84	1.2	99	56	60	64	16.0	7.6	5.4	15.1	14.0	13.3	8.7	8.0	7.3	3.5	3.1	2.8	24.8	23.5	22.0	2.6	2.8	3.0	12.2			
ONGC	ADD	173	200	15.7	2,219	30.9	12,833	20	20	19	16.8	0.3	(5.9)	8.5	8.5	9.0	4.1	3.9	3.8	0.9	0.9	0.8	11.2	10.6	9.5	3.9	4.0	4.0	15.7			
Oil India	SELL	206	200	(2.7)	233	3.2	1,135	23	24	23	(6.7)	3.4	(2.5)	8.9	8.6	8.9	5.9	5.6	5.6	0.8	0.8	0.7	9.2	9.0	8.4	4.5	4.6	4.5	2.2			
Petronet LNG	BUY	242	280	15.5	364	5.1	1,500	16	18	20	16.7	13.1	9.4	15.0	13.2	12.1	10.0	8.5	7.5	3.3	2.9	2.6	23.3	23.2	22.7	2.3	3.0	3.7	10.4			
Reliance Industries	SELL	1,253	985	(21.4)	7,416	103.1	5,922	69	78	87	17.6	12.4	11.9	18.0	16.1	14.4	12.1	10.3	8.8	2.2	2.0	1.8	12.2	12.1	12.1	0.5	0.5	0.6	139.7			
<b>Energy</b>	<b>Attractive</b>				<b>14,261</b>	<b>198</b>					<b>7.2</b>	<b>5.2</b>	<b>4.8</b>	<b>12.9</b>	<b>12.3</b>	<b>11.7</b>	<b>7.8</b>	<b>7.2</b>	<b>6.6</b>	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>	<b>13.0</b>	<b>12.5</b>	<b>12.0</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>	<b>286.2</b>			

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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

Company	Rating	Price (Rs)		Target price (Rs)	Upside (%)	Mkt cap.		O/S shares			EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo
		14-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	2019E	2020E	2021E
<b>Industrials</b>																																
ABB	SELL	1,448	1,020	(29.6)	307	4.3	212	26	29	36	30.1	14.2	23.5	56.2	49.2	39.8	33.0	29.7	24.6	7.8	7.1	6.3	14.5	15.1	16.7	0.6	0.6	0.6	1.8			
BHEL	REDUCE	77	89	15.5	283	3.9	3,671	3.3	5.5	7.6	47.9	69.3	38.0	23.7	14.0	10.1	7.7	4.7	3.4	0.9	0.8	0.8	3.6	6.1	8.2	2.6	4.4	6.1	9.3			
Carborundum Universal	SELL	379	322	(15.1)	72	1.0	189	14	17	20	25.0	21.4	13.8	26.6	21.9	19.2	14.6	11.9	10.3	4.1	3.7	3.3	16.3	17.8	18.1	1.1	1.4	1.6	0.4			
CG Power and Industrial	BUY	55	72	30.9	34	0.5	627	2.9	4.3	6.2	255.2	48.7	44.9	18.9	12.7	8.8	7.6	6.1	4.7	1.3	1.2	1.1	6.7	9.8	13.3	—	—	—	6.5			
Cummins India	REDUCE	755	710	(5.9)	209	2.9	277	28	33	37	15.2	17.5	13.7	27.1	23.1	20.3	22.8	19.6	16.8	4.9	4.6	4.3	18.7	20.6	21.8	2.0	2.4	2.7	4.6			
Kalpitaru Power Transmission	BUY	330	560	69.5	51	0.7	153	23.0	32.1	41.0	26.0	39.1	27.7	14.3	10.3	8.1	6.5	5.1	4.3	1.7	1.5	1.2	12.5	15.2	16.7	0.5	0.5	0.5	0.6			
KEC International	BUY	294	410	39.5	76	1.1	257	21	27	33	16.9	29.7	23.0	14.0	10.8	8.8	8.0	6.5	5.5	3.1	2.5	2.0	24.1	25.2	24.9	0.8	1.0	1.2	2.8			
L&T	BUY	1,359	1,600	17.7	1,905	26.5	1,401	66.3	67.6	79.5	28.2	1.9	17.6	20.5	20.1	17.1	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	957	1,000	4.5	341	4.7	356	29	35	—	21.4	21.7	—	32.9	27.0	—	18.4	14.8	—	3.9	3.7	—	12.3	14.0	—	1.2	1.5	—	3.3			
Thermax	REDUCE	996	1,010	1.4	119	1.7	113	27.8	38.7	43.8	34.7	39.2	13.2	35.9	25.8	22.7	22.7	16.8	14.4	3.9	3.5	3.2	11.1	14.3	14.7	0.9	1.1	1.2	1.0			
<b>Industrials</b>	<b>Neutral</b>				<b>3,396</b>	<b>47</b>					<b>29.0</b>	<b>13.9</b>	<b>11.9</b>	<b>23.4</b>	<b>20.6</b>	<b>18.4</b>	<b>16.8</b>	<b>14.9</b>	<b>12.3</b>	<b>2.9</b>	<b>2.7</b>	<b>2.6</b>	<b>12.3</b>	<b>12.9</b>	<b>14.3</b>	<b>1.5</b>	<b>1.7</b>	<b>1.9</b>	<b>76.4</b>			
<b>Infrastructure</b>																																
Adani Ports and SEZ	BUY	380	460	21.0	787	10.9	2,071	19	23	29	1.2	21.1	29.8	20.3	16.8	12.9	13.8	11.4	10.0	3.2	2.7	2.3	17.0	17.7	19.4	0.5	0.5	0.5	22.2			
Ashoka Buildcon	BUY	122	235	92.2	34	0.5	282	9	10	10	4.1	17.8	(1.3)	14.0	11.9	12.0	9.2	7.7	7.2	1.5	1.4	1.3	11.8	12.3	11.0	1.4	1.1	1.1	0.5			
Container Corp.	SELL	646	635	(1.7)	315	4.4	487	21	25	29	17.4	20.9	15.0	31.2	25.8	22.4	19.2	15.2	12.5	3.1	2.9	2.7	10.3	11.6	12.3	1.3	1.6	1.5	5.6			
Dilip Buildcon	BUY	755	1,240	64.2	103	1.4	137	56	71	85	19.8	27.5	20.1	13.6	10.6	8.9	7.1	5.7	4.8	3.2	2.5	1.9	26.7	26.2	24.4	—	—	—	4.0			
Gateway Distriparks	BUY	172	250	45.7	19	0.3	109	7	8	11	(5.8)	15.2	37.5	23.9	20.8	15.1	10.9	9.0	7.4	3.2	2.8	2.4	9.8	14.5	17.1	—	1.7	1.7	0.3			
Gujarat Pipavav Port	BUY	108	150	39.1	52	0.7	483	5.3	6.5	7.8	29.7	22.9	19.3	20.2	16.4	13.8	10.7	8.8	7.3	2.5	2.5	2.4	12.7	15.3	17.8	4.1	5.0	5.9	0.9			
IRB Infrastructure	BUY	178	320	80.1	62	0.9	351	31	33	23	36.8	7.1	(31.3)	5.8	5.4	7.8	6.4	6.9	8.1	0.9	0.8	0.8	17.6	16.3	10.0	1.7	2.2	2.4	5.6			
Mahindra Logistics	REDUCE	555	565	1.8	39	0.5	71	15	21	25	50.7	39.3	23.7	37.5	27.0	21.8	20.9	15.1	12.0	7.8	6.3	5.1	22.7	25.8	25.8	—	—	—	0.6			
Sadbhav Engineering	BUY	265	435	64.2	45	0.6	172	17	22	23	31.7	31.0	2.6	15.6	11.9	11.6	11.3	8.9	7.5	2.1	1.8	1.6	14.5	16.5	14.7	—	—	—	1.4			
<b>Infrastructure</b>	<b>Attractive</b>				<b>1,458</b>	<b>20</b>					<b>11.3</b>	<b>20.3</b>	<b>16.7</b>	<b>18.9</b>	<b>15.7</b>	<b>13.5</b>	<b>11.7</b>	<b>10.0</b>	<b>9.0</b>	<b>2.8</b>	<b>2.4</b>	<b>2.1</b>	<b>14.8</b>	<b>15.5</b>	<b>15.7</b>	<b>0.8</b>	<b>1.0</b>	<b>1.0</b>	<b>41.2</b>			
<b>Internet</b>																																
Info Edge	ADD	1,685	1,425	(15.4)	205	2.9	122	26	33	40	14.9	27.5	20.6	65.2	51.1	42.4	50.1	38.0	30.9	7.7	7.0	6.3	13.2	14.3	15.6	0.5	0.5	0.6	3.1			
Just Dial	ADD	525	610	16.1	35	0.5	67	26	30	33	23.0	15.0	9.4	20.1	17.5	16.0	10.8	8.7	7.2	3.1	2.7	2.3	16.7	16.6	15.7	0.5	0.6	0.6	26.4			
<b>Internet</b>	<b>Cautious</b>				<b>241</b>	<b>3</b>					<b>17.6</b>	<b>23.0</b>	<b>16.8</b>	<b>49.1</b>	<b>39.9</b>	<b>34.2</b>	<b>36.5</b>	<b>28.8</b>	<b>24.2</b>	<b>6.4</b>	<b>5.7</b>	<b>5.0</b>	<b>12.9</b>	<b>14.2</b>	<b>14.7</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>	<b>29.5</b>			
<b>Media</b>																																
DB Corp.	REDUCE	217	270	24.7	40	0.6	184	20	23	26	14.9	12.3	14.8	10.7	9.5	8.3	5.7	5.0	—	2.2	2.1	—	20.7	22.3	25.2	7.8	9.7	11.7	0.6			
DishTV	ADD	68	90	33.2	124	1.7	1,925	1.8	3.4	4.9	514.6	88.2	42.6	NM	19.6	13.8	5.8	4.6	3.7	1.8	1.7	1.5	5.1	8.9	11.5	—	—	—	7.3			
Jagran Prakashan	REDUCE	122	131	7.7	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	1,379	1,430	3.7	64	0.9	47	38	50	61	41.2	32.3	22.4	36.4	27.5	22.5	13.9	11.8	10.0	5.2	4.5	3.8	15.3	17.6	18.3	0.3	0.4	0.4	11.4			
Sun TV Network	REDUCE	688	925	34.5	271	3.8	394	35	39	43	20.7	10.9	10.7	19.8	17.8	16.1	13.3	11.6	9.9	5.3	4.7	4.3	28.1	27.9	27.9	2.5	2.9	3.3	20.4			
Zee Entertainment Enterprises	ADD	472	600	27.1	453	6.3	960	17	20	22	11.3	17.0	13.9	28.2	24.1	21.2	17.4	14.7	12.7	5.3	4.7	4.1	19.9	20.6	20.7	1.0	1.2	1.5	18.1			
<b>Media</b>	<b>Attractive</b>				<b>989</b>	<b>14</b>					<b>28.7</b>	<b>21.0</b>	<b>17.2</b>	<b>23.7</b>	<b>19.6</b>	<b>16.7</b>	<b>11.2</b>	<b>9.6</b>	<b>7.9</b>	<b>3.9</b>	<b>3.5</b>	<b>3.3</b>	<b>16.3</b>	<b>17.7</b>	<b>19.8</b>	<b>1.6</b>	<b>2.0</b>	<b>2.3</b>	<b>58.2</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)
		14-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	
<b>Metals &amp; Mining</b>																													
Coal India	ADD	277	326	17.5	1,722	23.9	6,207	27	28	28	138.2	3.0	0.7	10.3	10.0	9.9	6.6	6.2	6.0	6.5	6.8	7.0	66.1	66.4	69.1	7.2	9.0	9.0	14.3
Hindalco Industries	BUY	246	305	24.2	551	7.7	2,229	27	31	34	25.1	13.6	10.2	9.0	7.9	7.2	5.7	5.0	4.4	0.9	0.8	0.7	10.6	10.8	10.8	0.5	0.5	0.5	34.2
Hindustan Zinc	ADD	299	290	(3.1)	1,265	17.6	4,225	22	26	27	3.7	14.7	5.4	13.4	11.7	11.1	7.9	6.5	5.7	3.1	2.6	2.3	24.4	24.2	22.1	2.7	2.7	2.7	6.8
Jindal Steel and Power	REDUCE	233	215	(7.9)	226	3.1	968	8	14	22	195.9	68.5	60.8	28.7	17.0	10.6	7.1	6.5	5.6	0.7	0.7	0.7	2.7	4.3	6.5	—	—	—	30.8
JSW Steel	SELL	408	350	(14.2)	986	13.7	2,406	31	26	31	16.1	(16.2)	17.2	13.1	15.6	13.3	7.5	8.7	7.7	2.8	2.4	2.1	23.5	16.6	16.8	0.8	0.8	0.8	29.4
National Aluminium Co.	ADD	70	80	14.0	136	1.9	1,933	9	7	8	125.8	(21.1)	2.4	7.5	9.5	9.3	3.4	4.4	4.3	1.2	1.2	1.2	16.8	13.0	13.3	8.6	8.6	8.6	11.7
NMDC	REDUCE	124	120	(3.2)	392	5.5	3,164	12	10	11	4.2	(14.3)	5.9	10.1	11.8	11.2	6.3	7.3	6.8	1.5	1.4	1.4	15.3	12.4	12.5	4.4	4.4	4.4	5.6
Tata Steel	ADD	615	660	7.3	706	9.8	1,205	76	85	94	12.8	12.1	10.9	8.1	7	6.5	6.1	6.4	6.0	1.1	1.0	0.9	14.3	14.3	14.4	1.6	1.6	1.6	70.8
Vedanta	BUY	236	370	57.1	875	12.2	3,717	32	39	38	49.1	19.7	(0.7)	7.3	6.1	6.2	4.8	3.9	3.6	1.3	1.1	1.0	18.0	19.4	17.2	4.1	4.9	4.9	45.3
<b>Metals &amp; Mining</b>		<b>Attractive</b>			<b>6,859</b>	<b>95</b>					<b>42.5</b>	<b>6.8</b>	<b>6.4</b>	<b>10.2</b>	<b>9.5</b>	<b>9.0</b>	<b>6.2</b>	<b>5.9</b>	<b>5.4</b>	<b>1.8</b>	<b>1.7</b>	<b>1.5</b>	<b>18.1</b>	<b>17.8</b>	<b>17.1</b>	<b>3.6</b>	<b>4.1</b>	<b>4.1</b>	<b>248.9</b>
<b>Pharmaceutical</b>																													
Apollo Hospitals	ADD	1,117	1,090	(2.4)	155	2.2	139	20	27	33	133.5	36.7	21.6	56.7	41.4	34.1	19.8	16.7	14.7	4.5	4.2	3.9	8.2	10.5	11.8	0.4	0.6	0.7	14.8
Aster DM Healthcare	BUY	163	240	47.7	82	1.1	505	5	8	12	74.4	62.0	51.4	33.8	20.9	13.8	12.2	9.6	7.5	2.7	2.4	2.1	8.3	12.2	16.3	—	—	—	0.2
Aurobindo Pharma	ADD	800	760	(5.0)	469	6.5	584	42	57	64	1.0	35.8	12.3	19.0	14.0	12.4	12.6	9.3	8.3	3.4	2.8	2.3	19.3	19.9	18.6	0.6	0.8	0.9	35.7
Biocon	SELL	663	330	(50.2)	398	5.5	601	8	15	18	35.9	75.7	21.7	78.7	44.8	36.8	34.3	22.9	19.5	6.6	5.9	5.3	8.7	13.9	14.3	0.4	0.8	1.0	20.1
Cipla	BUY	666	680	2.1	536	7.5	805	24	31	40	34.5	31.0	29.4	28.3	21.6	16.7	15.9	12.7	9.9	3.3	3.0	2.6	12.4	14.6	15.7	0.7	1.0	1.3	26.9
Dr Lal Pathlabs	REDUCE	980	900	(8.2)	82	1.1	83	24	29	34	19.0	17.9	18.4	40.3	34.2	28.8	24.7	20.7	16.9	8.6	7.2	6.1	23.4	23.1	22.9	0.5	0.6	0.7	1.3
Dr Reddy's Laboratories	REDUCE	2,582	2,150	(16.7)	429	6.0	166	89	118	141	50.2	32.8	19.3	29.1	21.9	18.4	14.6	10.5	8.7	3.1	2.8	2.4	11.1	12.6	13.3	0.5	0.7	0.8	40.7
HCG	REDUCE	244	290	19.1	21	0.3	85	2	4	7	39.8	80.3	80.8	111.4	61.8	34.2	18.0	14.9	11.5	3.9	3.7	3.3	3.5	6.1	10.1	—	—	—	0.2
Laurus Labs	ADD	443	500	12.9	47	0.7	106	16	29	34	2.4	79.9	17.5	27.3	15.2	12.9	12.6	8.8	7.7	2.8	2.4	2.0	10.9	17.1	15.6	—	—	—	0.6
Lupin	REDUCE	969	800	(17.4)	438	6.1	450	27	39	50	(28.9)	44.0	27.4	35.7	24.8	19.5	16.6	12.1	9.8	3.0	2.7	2.4	8.6	11.4	12.4	0.4	0.6	0.8	49.9
Narayana Hrudayalaya	ADD	252	265	5.3	51	0.7	204	3	6	9	23.0	103.2	40.7	81.4	40.0	28.4	23.0	16.1	13.0	4.7	4.2	3.7	5.9	11.0	13.7	—	—	—	0.2
Sun Pharmaceuticals	REDUCE	665	520	(21.8)	1,596	22.2	2,406	17	24	29	11.1	42.5	20.5	39.5	27.7	23.0	21.7	16.0	13.4	3.8	3.4	3.0	10.2	13.1	13.3	0.5	0.7	0.9	65.0
Torrent Pharmaceuticals	NR	1,738	—	—	294	4.1	169	47	61	81	18.0	29.6	32.1	36.8	28.4	21.5	16.0	13.7	11.3	5.6	4.9	4.1	15.3	17.2	19.3	0.6	0.8	1.1	8.3
<b>Pharmaceuticals</b>		<b>Neutral</b>			<b>4,598</b>	<b>64</b>					<b>12.4</b>	<b>39.9</b>	<b>22.3</b>	<b>34.3</b>	<b>24.6</b>	<b>20.1</b>	<b>17.8</b>	<b>13.3</b>	<b>11.1</b>	<b>3.8</b>	<b>3.3</b>	<b>2.9</b>	<b>11.0</b>	<b>13.6</b>	<b>14.6</b>	<b>0.5</b>	<b>0.7</b>	<b>0.9</b>	<b>263.9</b>
<b>Real Estate</b>																													
Brigade Enterprises	BUY	204	290	42.3	28	0.4	136	9	15	17	(17.0)	59.2	15.8	22.2	13.9	12.0	13.5	10.5	8.4	1.2	1.1	1.0	5.4	8.1	8.8	1.2	1.2	1.2	0.3
DLF	RS	209	—	—	373	5.2	1,784	5.3	23.9	14.1	(87.2)	354.6	(41.0)	39.8	8.8	14.8	55.1	9.7	18.1	1.0	0.9	0.9	2.6	11.3	6.2	1.0	1.0	1.0	17.2
Godrej Properties	SELL	655	400	(38.9)	150	2.1	216	13.3	15.8	18.2	(38.9)	19.1	15.2	49.4	41.4	36.0	292.6	152.7	125.7	4.2	3.8	3.5	10.5	9.7	10.1	—	—	—	1.5
Oberoi Realty	BUY	468	560	19.6	170	2.4	340	62	44	66	385.4	(28.0)	49.3	7.6	10.5	7.1	10.5	13.1	5.8	1.7	1.5	1.2	27.4	15.2	19.2	0.4	0.4	0.4	2.3
Prestige Estates Projects	ADD	235	315	34.3	88	1.2	375	19	21	11	(24.2)	8.4	—	12.3	11.4	22.0	10.3	10.5	14.0	0.9	0.8	—	14.6	14.9	7.3	1.3	1.3	0.6	0.9
Sobha	REDUCE	434	510	17.4	41	0.6	95	23	36	24	(48.8)	51.7	(32.6)	18.5	12.2	18.1	11.3	8.9	11.1	1.9	1.7	1.6	9.0	14.8	9.1	1.6	1.6	1.6	1.6
Sunteck Realty	REDUCE	479	360	(24.8)	70	1.0	140	19	19	39	22.4	1.6	106.6	25.6	25.2	12.2	21.3	20.6	9.1	2.3	2.1	1.8	9.5	8.9	16.2	0.2	0.2	0.2	1.9
<b>Real Estate</b>		<b>Neutral</b>			<b>921</b>	<b>13</b>					<b>(53.1)</b>	<b>65.1</b>	<b>(14.4)</b>	<b>19.7</b>	<b>11.9</b>	<b>13.9</b>	<b>20.4</b>	<b>12.1</b>	<b>13.4</b>	<b>1.4</b>	<b>1.3</b>	<b>1.3</b>	<b>7.1</b>	<b>10.6</b>	<b>9.0</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>25.7</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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

Company	Rating	Price (Rs)		Upside (%)	Mkt cap.		EPS (Rs)			EPS growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			RoE (%)			Dividend yield (%)			ADVT 3mo (US\$ mn)	
		14-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		
<b>Technology</b>																													
HCL Technologies	REDUCE	1,071	1,100	2.7	1,491	20.7	1,409	71	78	82	14.6	8.9	5.0	15.0	13.8	13.1	9.8	8.6	8.0	3.3	2.9	2.6	24.4	22.3	20.6	0.8	2.9	3.1	34.2
Hexaware Technologies	SELL	468	455	(2.7)	139	1.9	302	20	24	27	19.5	21.6	12.7	23.6	19.4	17.3	17.6	13.3	11.6	6.1	5.1	4.4	27.6	28.7	27.5	1.7	1.7	2.1	22.6
Infosys	ADD	734	770	4.9	3,205	44.6	4,350	36	41	45	12.8	13.3	8.9	20.1	17.8	16.3	13.8	12.0	10.8	4.5	4.1	3.7	23.4	24.2	23.7	3.0	2.7	2.9	87.1
L&T Infotech	ADD	1,878	2,100	11.8	325	4.5	175	83	96	113	30.5	15.6	18.1	22.6	19.6	16.6	17.2	13.8	11.7	6.8	5.5	4.5	33.5	31.3	30.0	1.3	1.4	1.6	8.6
Mindtree	ADD	1,144	1,225	7.0	188	2.6	165	45	57	65	29.5	27.0	14.5	25.6	20.1	17.6	16.3	12.8	11.0	5.9	4.9	4.2	24.7	26.6	25.8	1.2	1.5	1.7	26.5
Mphasis	SELL	1,238	900	(27.3)	239	3.3	193	53	60	63	21.9	12.1	4.7	23.2	20.7	19.7	17.1	14.6	13.5	4.6	4.1	3.8	18.9	21.0	20.0	1.6	2.0	2.4	6.7
TCS	REDUCE	2,065	1,950	(5.6)	7,908	110.0	3,829	84	94	101	24.9	11.7	7.4	24.5	21.9	20.4	18.0	16.1	15.0	7.9	7.8	7.6	34.3	35.6	37.7	2.0	3.6	3.9	91.8
Tech Mahindra	ADD	760	865	13.7	671	9.3	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	39.4
Wipro	REDUCE	330	325	(1.6)	1,494	20.8	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	17.8
<b>Technology</b>	<b>Cautious</b>				<b>15,660</b>	<b>218</b>					<b>15.6</b>	<b>13.0</b>	<b>8.1</b>	<b>21.1</b>	<b>18.7</b>	<b>17.3</b>	<b>14.6</b>	<b>12.7</b>	<b>11.7</b>	<b>5.1</b>	<b>4.7</b>	<b>4.3</b>	<b>24.2</b>	<b>25.1</b>	<b>24.9</b>	<b>1.9</b>	<b>3.1</b>	<b>3.3</b>	<b>334.7</b>
<b>Telecom</b>																													
Bharti Airtel	ADD	384	445	16.0	1,534	21.3	3,997	(6)	(4)	5	(221.5)	28.8	215.1	(66.7)	(93.7)	81.5	9.8	8.3	6.6	2.3	2.4	2.4	(3.4)	(2.5)	2.9	0.3	(0.2)	0.3	24.8
Bharti Infratel	REDUCE	275	285	3.8	508	7.1	1,850	13	12	13	(4.8)	(8.5)	7.7	21.0	22.9	21.3	7.8	8.2	7.7	3.1	3.1	3.1	14.6	13.7	14.6	3.8	3.5	3.8	10.7
IDEA	REDUCE	46	45	(2.9)	405	5.6	4,359	(17)	(17)	(15)	(75.6)	(2.4)	11.4	(2.8)	(2.7)	(3.0)	42.8	35.8	21.8	0.9	1.4	2.6	(29.7)	(41.1)	(59.4)	—	—	—	16.1
Tata Communications	ADD	526	660	25.4	150	2.1	285	0	3	7	(77.5)	694.2	123.5	1,420	178.8	80.0	10.6	9.3	8.4	(65.4)	(88.8)	(1,719.7)	7.8	(42.1)	(211.0)	1.2	1.4	1.4	3.5
<b>Telecom</b>	<b>Cautious</b>				<b>2,596</b>	<b>36</b>					<b>(2,384.5)</b>	<b>5.0</b>	<b>68.0</b>	<b>(36.1)</b>	<b>(38.0)</b>	<b>(119.0)</b>	<b>11.5</b>	<b>10.1</b>	<b>8.3</b>	<b>2.5</b>	<b>2.7</b>	<b>2.9</b>	<b>(6.9)</b>	<b>(7.2)</b>	<b>(2.4)</b>	<b>1.0</b>	<b>0.6</b>	<b>0.9</b>	<b>55.1</b>
<b>Utilities</b>																													
CESC	BUY	988	1,180	19.4	131	1.8	133	115	128	141	31.7	11.6	10.1	8.6	7.7	7.0	5.9	5.3	4.6	0.8	0.8	0.7	10.0	10.4	10.5	1.3	1.3	1.3	7.3
JSW Energy	REDUCE	69	70	1.2	113	1.6	1,640	5.1	6.5	6.6	65.9	26.8	2.9	13.6	10.7	10.4	5.8	4.8	4.3	0.9	0.9	0.8	7.2	8.5	8.0	—	—	—	1.2
NHPC	ADD	25	30	20.7	255	3.5	10,260	3.1	3.2	3.4	26.9	1.8	8.0	8.0	7.9	7.3	7.3	7.1	7.6	0.8	0.8	0.8	10.4	10.2	10.6	7.0	7.1	6.0	1.7
NTPC	BUY	175	190	8.6	1,443	20.1	8,245	15	16	18	30.9	4.4	16.5	11.7	11.3	9.7	9.2	8.5	7.1	1.3	1.2	1.1	11.6	11.3	12.2	2.6	2.7	3.1	12.1
Power Grid	BUY	200	250	24.9	1,047	14.6	5,232	19	21	23	19.3	13.6	7.6	10.6	9.4	8.7	7.4	6.8	6.5	1.7	1.6	1.4	17.1	17.5	17.0	3.1	3.6	3.8	15.0
Tata Power	BUY	76	90	18.3	206	2.9	2,705	6.0	7.0	10.9	12.7	15.6	57.0	12.6	10.9	7.0	10.8	10.4	9.1	1.2	1.1	0.9	10.1	10.6	14.6	—	—	—	4.2
<b>Utilities</b>	<b>Attractive</b>				<b>3,195</b>	<b>44</b>					<b>26.0</b>	<b>8.8</b>	<b>14.1</b>	<b>10.9</b>	<b>10.0</b>	<b>8.8</b>	<b>8.1</b>	<b>7.5</b>	<b>6.8</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>11.9</b>	<b>12.0</b>	<b>12.5</b>	<b>2.8</b>	<b>3.0</b>	<b>3.2</b>	<b>41.5</b>

Source: Company, Bloomberg, Kotak Institutional Equities estimates

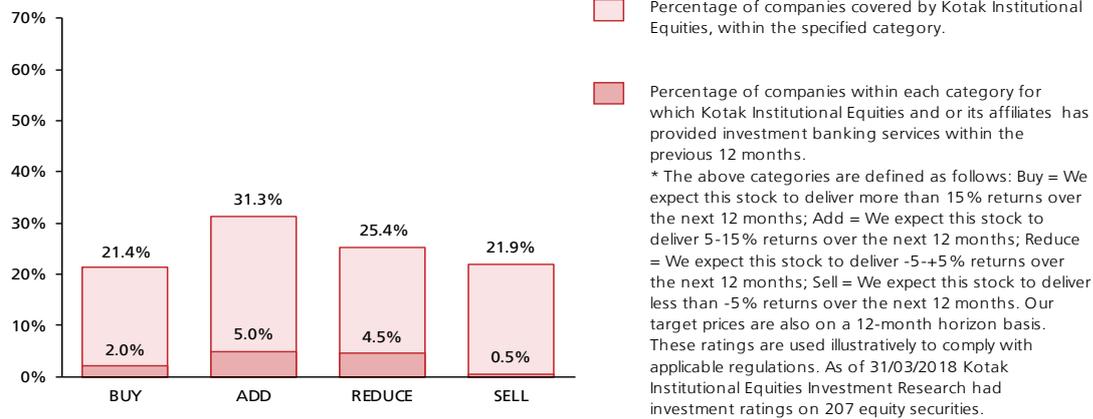
**Kotak Institutional Equities: Valuation summary of KIE Universe stocks**

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)
		14-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	
<b>Others</b>																													
Aditya Birla Fashion and Retail	BUY	191	220	15.0	148	2.1	773	2	4	6	50.6	59.1	53.5	83.4	52.4	34.1	24.4	19.0	15.4	11.6	9.5	7.5	15.0	20.0	24.5	—	—	—	4.5
Astral Poly Technk	SELL	1,095	640	(41.6)	131	1.8	120	19	25	29	30.2	28.8	16.1	57.4	44.6	38.4	30.8	24.5	20.8	10.1	8.3	6.9	19.8	20.5	19.7	0.1	0.1	0.1	0.9
Avenue Supermarts	SELL	1,535	860	(44.0)	958	13.3	624	16	20	26	28.6	26.4	27.5	95.0	75.1	58.9	54.8	43.0	33.9	17.0	13.8	11.2	19.6	20.3	21.0	—	—	—	—
Bayer Cropscience	REDUCE	4,432	4,100	(7.5)	175	2.4	34	106	130	154	20.5	23.1	18.3	42.0	34.1	28.9	30.8	25.1	21.0	7.4	6.4	5.4	18.9	20.0	20.3	0.5	0.6	0.7	0.5
Crompton Greaves Consumer	SELL	220	215	(2.3)	138	1.9	627	6	7	9	19.5	20.7	17.4	35.6	29.5	25.1	22.2	18.7	15.8	12.2	9.3	7.1	40.4	35.8	32.3	0.9	1.1	—	2.4
Dhanuka Agritech	ADD	545	650	19.3	27	0.4	49	27	31	34	3.9	15.4	10.8	20.4	17.7	16.0	14.9	12.2	10.6	3.7	3.2	2.8	19.2	19.2	18.5	1.0	1.2	1.3	0.2
Godrej Agrovet	ADD	585	640	9.3	112	1.6	189	15	19	23	28.9	28.8	21.1	39.4	30.6	25.3	21.4	16.8	14.0	5.8	4.9	4.2	15.7	17.4	17.9	—	—	0.6	1.0
Godrej Industries	RS	590	—	—	198	2.8	336	16	20	—	8.9	24.2	—	37.1	29.9	—	30.7	33.4	—	4.9	4.2	—	13.9	15.1	—	0.3	0.3	—	4.4
Havells India	SELL	660	485	(26.5)	413	5.7	625	14	17	20	26.6	20.5	17.6	47.0	39.0	33.2	30.1	24.5	20.6	9.7	8.5	7.4	22.0	23.2	23.9	0.7	0.9	1.1	13.8
InterGlobe Aviation	BUY	886	1,220	37.7	341	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	20.3
Kaveri Seed	SELL	631	515	(18.4)	42	0.6	66	34	34	37	7.3	0.1	8.3	18.4	18.4	17.0	15.5	14.8	13.3	4.4	3.8	3.3	26.4	22.4	21.0	1.3	1.6	1.6	5.3
PI Industries	BUY	766	875	14.2	106	1.5	138	31	40	48	17.9	26.8	21.5	24.5	19.3	15.9	17.4	13.6	11.0	4.6	3.8	3.2	20.5	21.7	21.9	0.5	0.6	0.8	2.1
Rallis India	ADD	199	220	10.5	39	0.5	195	10	12	13	17.2	19.4	9.7	19.7	16.5	15.1	13.0	10.9	9.6	3.0	2.7	2.4	15.8	17.1	16.9	1.8	2.0	2.2	0.8
SIS	REDUCE	1,079	1,130	4.7	79	1.1	73	33	40	48	48.5	21.1	17.8	32.4	26.7	22.7	20.3	17.0	14.2	6.4	5.3	4.4	21.8	21.7	21.1	0.3	0.3	0.4	0.6
SRF	BUY	2,008	2,200	9.5	115	1.6	57	100	132	150	23.8	32.2	14.1	20.2	15.3	13.4	11.6	9.3	7.9	2.9	2.5	2.1	15.0	17.3	17.0	0.7	0.7	0.8	11.8
Tata Chemicals	ADD	747	760	1.8	190	2.6	255	44	51	56	(15.3)	14.6	11.5	16.9	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	6.8
TCNS Clothing Co.	BUY	656	760	15.9	40	0.6	64	18	23	27	15.6	28.2	20.8	37.0	28.8	23.9	19.9	15.0	11.9	7.4	5.7	4.4	22.7	22.2	20.9	—	—	—	—
TeamLease Services	SELL	2,485	1,785	(28.2)	42	0.6	17	58	75	96	34.2	29.0	28.7	42.9	33.3	25.9	43.4	33.0	25.3	7.9	6.4	5.1	20.1	21.1	21.9	—	—	—	1.3
UPL	ADD	735	660	(10.2)	374	5.2	507	49	55	60	14.0	12.1	9.6	15.0	13.4	12.2	10.0	8.6	7.5	3.3	2.8	2.4	24.6	22.9	21.1	1.4	1.5	1.7	27.3
Vardhman Textiles	ADD	1,035	1,300	25.6	59	0.8	56	118	130	142	14.8	9.7	9.8	8.8	8.0	7.3	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	617	530	(14.1)	204	2.8	331	17	21	25	0.4	18.8	18.9	35.6	29.9	25.2	26.6	21.8	18.2	4.7	4.2	3.7	13.9	14.8	15.7	0.6	0.7	0.8	12.1
Whirlpool	SELL	1,618	1,350	(16.6)	205	2.9	127	37	46	56	33.9	24.7	20.2	43.7	35.0	29.1	26.7	21.1	17.3	9.5	7.9	6.7	23.7	24.5	24.8	—	0.6	1.0	1.3
<b>Others</b>																													
					4,137	58				8.3	26.4	12.5	31.5	24.9	22.2	19.1	15.2	12.3	5.4	4.6	4.1	17.0	18.3	18.5	0.6	0.7	0.7	118.1	
<b>KIE universe</b>					114,783	1,596				24.8	27.2	14.1	22.3	17.5	15.3	11.2	9.9	8.9	2.9	2.6	2.3	12.9	14.8	15.2	1.3	1.7	1.8		
<b>KIE universe (ex-energy)</b>					100,522	1,397				30.6	33.2	16.1	24.8	18.6	16.0	12.4	10.9	9.7	3.2	2.9	2.6	12.8	15.4	16.1	1.2	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\$)= 71.92

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

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**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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