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3QFY18 Results Preview

RESULTS PREVIEW | **January 10, 2018**

Has the recovery started?

As the overhang of GST-related disruptions seems to fade, most companies under our coverage are expected to post robust 3Q results helped by the low base of last year. With General Elections in the coming months, Government actions pertaining to reforms (GST, E-way Bill), spending and resolution of bank NPAs would be crucial to watch out for. Also, all eyes would be on the Union Budget, scheduled for 1 February 2018, as it's the first budget after GST. In sectors such as Agri/Chemicals, Building Materials, Utilities, Media and Consumer Discretionary, our FY18 estimates are in line with consensus, but in Capital Goods, Telecom and Banking they are lower. Investors could focus on the themes of increasing financialisation of savings and formalisation (staffing, jewellery, home building). Our Sensex target remains 29K for Mar-18.

TOP BUYs: ITC, GAIL, ICICI Bank, Titan and Infosys.

TOP SELLs: Kotak Mahindra Bank, Bharti Airtel, NTPC, UltraTech, RBL Bank, Wipro and Bata India.

TOP mid-cap BUYs: Info Edge, Cholamandalam, PI Industries, Tata Power and PVR.

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A quarter full of uncertainty and surprises

	Watch out for		Outlook		Recommendations	
	Positives	Negatives	Oct-Dec 2017 Qtr	FY18 vs FY17	Top BUYs	Top SELLs
Agri and Chemicals	Good demand outlook for agri inputs	Weaker agri global exports demand	👍	👍	PI, Aarti Industries	Rallis
Banking	-	Bond yields, credit cost	👎	👍	ICICI Bank	Kotak Mahindra Bank, RBL Bank
Building Materials	Pick-up in volume growth	Increase in copper prices	👍	👍	Havells	Finolex Cables, Supreme
Capital Goods	Pick-up in execution	Dearth of new BTG orders	👍	<-->	Greaves Cotton	Cummins India
Cement	Volumes	Power costs	👍	👍	-	UltraTech
Consumer Staples	Strong top-line growth; increase in A&P intensity; margin benefit from operating leverage	Inputs cost inflation may affect margins; limited scope for price hikes	👍	👍	HUL, Britannia	-
Consumer Discretionary	Topline growth	Margins may be affected due to input cost inflation	👍	👍	Titan, Page, PVR	Bata, Arvind
E&C/Infra	Uptick in execution	Working capital	👍	👍	BEL	L&T, NBCC
Media	Revival of advertising spends	Content cost inflation	👍	👍	InfoEdge, Dish TV	Justdial
NBFCs	Loan growth	Margins	👍	👍	CIFC	LICHF
Oil and Gas	Increase in crude oil prices (inventory gains for OMCs); forex gains (appreciation of INR against USD)	QoQ decline in GRMs, decline in marketing margins of OMCs and increase in gas prices (negative for city gas distributors)	👍	👍	IGL, GAIL	HPCL
Telecom	Cost control	Sharp reduction in ARPU	👍	👍	-	Bharti Airtel
Utilities	Improvement in power demand	Rising coal prices	👍	👍	Tata Power	NTPC

Source: Ambit Capital research

Exhibit 1: Material revisions to estimates and valuations ahead of the earnings season (more than 5%)

Company	New EPS estimates (%)		Change in EPS estimates (%)		Valuations			Stance
	FY18E	FY19E	FY18E	FY19E	New	Old	Change (%)	
Rallis India	10.4	11.9	9.7	11.2	205	180	14	SELL
HDFC	70.7	53.4	37	-3	1,485	1,402	6	SELL
MGMA	9.6	13.3	17	-4	118	111	6	SELL
Bajaj Electricals	13.9	22.4	6	13	608	523	16	BUY
Pidilite	18.0	21.4	-8	-10	900	900	-	BUY

Source: Ambit Capital research

Exhibit 2: Sectoral snapshot ahead of the results

	FY18 estimate revisions before results		Compared to FY18 consensus		Stance	
	Up	Down	Higher	Lower	BUY	SELL
Agri and Chemicals	Rallis	Vinati	PI, Rallis, Aarti, Vinati	SRF	PI, SRF, Aarti, Vinati	Rallis
Banking	-	-	-	ICICI Bk., Axis Bank, SBI, PNB, SIB, Equitas, Ujjivan	ICICI Bank, Bank of Baroda	Kotak Mahindra Bank, RBL Bank
Building Materials	Bajaj Electricals	-	Pidilite	Crompton Consumer	Bajaj Electricals, Crompton Consumer, Havells, V-Guard, Pidilite	Finolex Cables, Supreme Industries
Capital Goods	-	BHEL, Cummins	BHEL, Thermax	Inox Wind, Cummins India	Greaves Cotton	BHEL, Cummins, Inox Wind, Thermax
Cement	--	--	--	--	Dalmia, Orient	UltraTech, Ambuja, ACC, Shree, Ramco
Consumer Staples	-	Nestle	Asian Paints, Berger Paints, Dabur, ITC, Nestle, USL	Britannia, Emami, GCPL, GSK, Hatsun, HUL, Marico, UB	HUL, ITC, Britannia, USL, Dabur, Emami, Hatsun	Colgate, GCPL, Marico, Asian Paints, Berger Paints, UB, Nestle, GSK Consumer
Consumer Discretionary	-	-	Trent, Bata, PVR, Page	Titan, Jubilant FoodWorks, Arvind, ABFRL, Wonderla	Titan, Trent, ABFRL, PVR, Wonderla, Page	Arvind, Bata, Jubilant, Avenue Supermarts
E&C/ Infra	L&T, PWGR, TEEC		L&T, BEL, VATW, TEEC	NBCC, SADE	BEL, AIAE, SADE, SIPL, TEEC, VATW	L&T, PGCIL, NBCC, EIL
Media	-	-	InfoEdge, DB Corp, Dish TV, Zee Entertainment, Hathway	Justdial	InfoEdge, Dish TV, DB Corp	Justdial, Hathway Cable, Zee Entertainment
NBFCs	MGMA, HDFC	MMFS	MGMA, HDFC	LICHF, MMFS, BAF, CIFC	CIFC, MOFS	LICHF, MMFS, BAF, MGMA, HDFC
Oil & Gas	-	-	GAIL, IOCL and PLNG	BPCL, HPCL, IGL and MGL	BPCL, GAIL, IGL, IOCL and PLNG	HPCL and MGL
Telecom	-	-	-	Bharti Airtel, Bharti Infratel	-	Bharti Airtel, Bharti Infratel
Utilities	-	Tata Power	Tata Power, JSW Energy, Torrent Power	NTPC	Tata Power, JSW Energy, Torrent Power	NTPC

Source: Ambit Capital research

Exhibit 3: Sector views

Sector	Views	Estimate revisions for FY18
Agri/Chemicals	▪ Better product realisations and export volumes due to shutdown of Chinese capacities. ▪ Consolidation in industry possible owing to reduced agrochemical imports from China. ▪ Good reservoir levels in Rabi season provides further positivity to overall scenario.	Upward
Building Materials	▪ Volume recovery on the back of market-share gain from unorganised ▪ New product launches in the lower price categories for ply, pipes and sanitaryware ▪ Downward earnings revisions for adhesives and ply industry	Upward
Banking	▪ Subdued loan growth and elevated credit costs are likely to continue in the near term ▪ Banks with stronger balance sheets and strong assets-side differentiation are better placed	Unchanged
Capital Goods	▪ BTG execution should pick up ▪ Order book for BTG players should decline ▪ Genset industry to witness consolidation	Downward
Cement	▪ Industry should grow by 9% while large players should grow materially ahead in the quarter ▪ Prices across regions have largely been stable to ~2% decline ▪ Watch out for impact of Petcoke price increase	Unchanged
Consumer Staples	▪ The sector should see strong volume growth on a low base and price cuts to pass on GST; ▪ Also good monsoon, rising MSP and multi-year high wage inflation should help rural recovery. ▪ Margins to improve as operating leverage will offset input costs inflation and rising A&P spends	Unchanged
Consumer Discretionary	▪ Small-ticket discretionary spending continues to grow strong ▪ GST to drive market-share gains in high-ticket jewellery segment. ▪ Margins likely to be volatile in FY18 due to transition to GST which will normalise in FY19	Unchanged
E&C/ Infra	▪ Improvement in execution and order inflow momentum as GST impact fades; strong traffic growth ▪ Higher working capital may continue as GST impact on receivables eases gradually	Upward
Media	▪ Consolidation to result in scale benefits for the DTH industry ▪ Advertising revenue recovery for the industry (TV, print and digital)	Unchanged
NBFCs	▪ Loan growth and asset quality to improve (ex-HFCs)	Unchanged
Oil & Gas	▪ OMCs will be impacted by sequential decline in benchmark GRMs. ▪ Increase in the crude oil price will result in inventory gains for OMCs, ▪ Though marketing margins (ex-inventory gains) witnessed a material hit during the quarter. ▪ CGD companies will benefit from increased thrust on cleaner fuels.	Unchanged
Telecom	▪ Continued ARPU pressure owing to challenging competitive dynamics ▪ Persistently high capex as incumbents aggressively add capacity to compete with Jio ▪ Eventual consolidation in the towerco space notwithstanding delays	Unchanged
Utilities	▪ Power demand growth should improve ▪ Surge in coal prices to hurt margins ▪ Announcement of new domestic coal linkages through Shakti scheme	Unchanged

Source: Ambit Capital research

TOP BUY RECOMMENDATIONS

Recommendation	Upside (%)	Rationale/catalysts
HUL (HUVR IN EQUITY) CMP: ₹1,357 TP: ₹1,500	11	▪ Relative market-share gains from over indexation to rural India and a higher degree of direct servicing to overcome wholesale channel disruption to boost sales growth ▪ Continued cost-efficiency programmes and mix improvement to aid margin growth
ICICI Bank (ICICIBC IN) CMP: ₹310 TP: ₹355	15	▪ Reducing exposure to lower-rated corporates would decrease credit cost ▪ Increase in household savings in financial assets should benefit ICICI given its strong subsidiaries ▪ Decreasing balance sheet risk and RoE improvement should narrow the valuation discount
GAIL GAIL IN CMP: ₹497 TP: ₹580	17	▪ Recent uptick in crude oil prices will make US LNG contracts profitable ▪ Implementation of unified tariff will increase gas transmission RoCE to 12% from 6% now ▪ Petrochemical and LPG segments are geared to benefit from higher crude oil prices and volumes ▪ Will witness 38% EBIT CAGR over FY17-20E assuming unified tariffs get implemented in FY20 ▪ Core business (excluding investments) currently trades at a cheap valuation of 7x FY20 net profit
Titan (TTAN IN) CMP: ₹926 TP: ₹988	7	▪ Wedding jewellery segment should drive 16% increase in sales psf in FY19E ▪ GHS to form 21% of revenues in FY19E, supplementing overall growth ▪ Share of studded jewellery to increase from 29% to 30% in FY19E, hence, supporting margins
Britannia (BRIT IN EQUITY) CMP: ₹4,694 TP: ₹5,300	14	▪ Market-share gains as industry shifts from unorganised to organised sector ▪ Margin gains through continued internal cost-cutting programmes
Bharat Electronics BHE IN EQUITY CMP: ₹184 TP: ₹210	14	▪ Best-in-class defence PSU in a high-growth segment with strong supply chain and manufacturing footprint ▪ EVM orders likely to result in 20%+ revenue growth, well ahead of mid-teen street expectations ▪ Valuations of 22x FY18E EPS are punchy but should sustain
Tata Power TPW IN CMP: ₹99 TP: ₹113	15	▪ Balance sheet deleveraging through stake sale in non-strategic assets ▪ Mundra turnaround in FY20 through importing coal from Russia ▪ IPO of renewable business closer to $2bn valuation
Cholamandalam CIFC IN CMP: ₹1,325 TP: ₹1,600	19	▪ Best auto-NBFC, replicating success in niche LCV financing in non-LCVs (2x market share over FY12-17). ▪ Also looking to synergistically scale up housing finance business. ▪ Sustained earnings momentum (21% EPS CAGR over FY17-20E) overhang due to management change and LAP.
InfoEdge INFOE IN CMP: ₹1,390 TP: ₹1,672	20	▪ Unmatched prowess across internet verticals; expect robust 19% revenue growth in 99Acres (FY19E) versus 4% in FY17 ▪ Valuations to move up in steps; category wins and monetisation of investees like Zomato and PolicyBazaar are key catalysts
PI Industries PI IN CMP: ₹985 TP: ₹1,100	12	▪ CSM growth should start recovering from 3QFY18 ▪ We expect a strong FY19 for CSM business growth ▪ Expansion into non-agri CSM over the next 12-18 months would be an added catalyst
Trent (TRENT IN) CMP: ₹347 TP: ₹344	0	▪ Expect ~10% LTL growth in Westside along with addition of 20 stores in FY19E ▪ Reduction in losses in Star over FY18-19E to ₹602mn ▪ Improvement in Zara's margins over FY18/19E as CVD is subsumed in GST
Aarti Industries ARTO IN CMP: ₹1,149 TP: ₹1,300	13	▪ Improved pricing environment for products directly competing with Chinese suppliers ▪ New contract with two MNC clients to come onstream in FY18 ▪ These recent deals also show growing client confidence indicating more such future deals

Recommendation	Upside (%)	Rationale/catalysts
PVR (PVRL IN) CMP: ₹1,458 TP: ₹1,708	17	▪ Visibility on 40-50 ready-to-open screens in FY18 ▪ Improving share of ancillary revenues by 400bps over FY17-20E
DB Corp DBCL IN CMP: ₹366 TP: ₹490	34	▪ Market-share gains and ad revenues should grow to 9% in FY18-19E vs 3% in FY15-17 ▪ Valuation of 15x FY19E P/E is attractive for 24% FY19E RoCE and 13% FY17-19E EPS CAGR
Greaves Cotton GRV IN CMP: ₹141 TP: ₹179	28	▪ Expect 14% revenue growth led by recovery in 3W and 4W SVC sales ▪ ~80% of the business is linked to rural demand where we expect a recovery ▪ Threat of EVs in 3W is unwarranted given negligible electric infrastructure

Source: Bloomberg, Ambit Capital research

TOP SELL RECOMMENDATIONS

Recommendation	Downside (%)	Rationale/catalysts
Bharti Airtel (BHARTI IN) CMP: ₹516 TP: ₹325	37	▪ Jio's aggression for market-share gains imply mere 2% ARPU CAGR even from a low base in FY19E ▪ 30% premium valuations to ASEAN telcos unjustified in the wake of muted ARPU recovery
Kotak Mahindra Bank (KMB IN) CMP: ₹1,010 TP: ₹689	32	▪ Kotak Mahindra Bank would have to compromise yields to quickly expand its balance sheet ▪ NIMs would also compress with increased leverage as debt will get replaced by equity
NTPC NTPC IN CMP: ₹177 TP: ₹131	26	▪ NTPC regulated RoE to be cut by 250bps over 2019-24 ▪ NTPC's new capacity addition to decelerate given India does not need additional power plants ▪ Expansion in renewables is dilutive for NTPC
UltraTech UTCEM CMP: ₹ 4,427 TP: ₹3,180	28	▪ UltraTech should grow below industry average to support pricing discipline by not pushing for market-share gains in its extant capacities ▪ Consolidation of Jaypee's capacities in FY18 to result in 20% EPS dilution ▪ UltraTech trades at 19x FY18 EV/EBITDA, 45% premium to its historical average and upon consolidation of Jaypee's assets, the stock will trade at 20x FY18 EV/EBITDA, in line with Shree Cement
HPCL HPCL IN CMP: ₹419 TP: ₹367	12	▪ HPCL's valuation premium to IOCL/BPCL should diminish as it generates lower FCF over next 5 years ▪ Large capital allocation for refining/petrochemical will reduce earnings predictability ▪ ONGC parentage could mean upstream participation and dilution of a high-performance culture ▪ An open offer or substantial premium for HPCL is unlikely by ONGC
LIC Housing Finance (LICHF IN) CMP: ₹583 TP: ₹518	12	▪ Competitive and macro tailwinds (RERA, Demonetisation) will moderate LICHF's growth (15% YoY). ▪ NIM pressure from competition will compress RoE by 260bps and two-year EPS CAGR to 8%. ▪ 2.2x 1-yr forward P/B do not factor potential earnings downgrade (by 10% in FY18/19E).
Cummins KKC IN CMP: ₹937 TP: ₹555	40	▪ KKC's EBITDA margin may decline as KOEL has become very aggressive ▪ Market share may come under pressure due to increase in competitive intensity ▪ Low KVA export growth to peak out in FY18
NBCC NBCC IN CMP: ₹251 TP: ₹135	46	▪ Consensus expectations of ~40% EPS CAGR unlikely to materialize due to delays in execution ▪ High quantum of realty sales required to support project execution may cause further delays ▪ Valuations of 39x FY19E EPS factor in punchy growth expectations
RBL Bank (RBK IN) CMP: ₹541 TP: ₹404	25	▪ Sticky cost-to-income ratio and credit cost will limit RoA expansion ▪ High loan growth with muted RoE means dilution risk is significant which will limit EPS growth
Supreme Industries SI IN CMP: ₹1,329 TP: ₹1,050	20	▪ Increasing competition in agri segment as niche players expand offering to cater to all customer segments; resulting lower margins ▪ Lack of high-margin products launched and unutilised capacities continue to strain RoCE
Arvind (ARVND IN) CMP: ₹447 TP: ₹311	30	▪ Specialty retail to be under pressure in the face of competition from global chains ▪ Margins to be under pressure due to appreciating rupee and volatility in cotton prices ▪ Capital employed turns to remain capped at 2.5x as revenue growth tracks capital employed growth
Bata India (BATA IN) CMP: ₹762 TP: ₹380	50	▪ Low volume growth poses risk to revenue growth of 11% in FY18E ▪ Higher marketing efforts to drive higher A&P spends (by 25-50bps); higher K-scheme commissions ▪ Valuations remain rich at 48x FY19E EPS as reversion to store expansions despite threat of e-commerce will continue to inflate fixed costs (35% of sales)

Recommendation	Downside (%)	Rationale/catalysts
Justdial JUST IN CMP: ₹567 TP: ₹320	44	▪ Tepid 8% revenue growth as the company continues to lose ground owing to its lack of focus and inability to adapt to the mobile internet landscape ▪ No deal with Google; we expect the company to continue losing lucrative SMBs to Google

Source: Bloomberg, Ambit Capital research

Agri/Chemicals

The companies in our coverage should report a healthy quarter. In agri-inputs, good reservoir levels in the Rabi season, better product realisations and export volumes given shutdown of Chinese capacities and low base of last year due to demonetisation will help improve performance for 3Q. Meanwhile, we expect consolidation in this industry owing to reduced agrochemical imports from China. Chemical companies too are witnessing improved realisations due to the shutdown of Chinese capacities. Rallis should report the best earnings in the space driven by improved pricing growth in some of its key agrochemicals molecules. PI's CSM business should report 28% growth driven by planned customer deliveries. SRF should report muted quarter (as guided earlier) despite weaker offtake in chemicals business. Aarti is expected to report improved performance driven by better product realisations and increased traction from global clients. For Vinati, there will be delay of one more quarter in reporting improved numbers due to extended plant shutdown of one of its major clients.

Ambit vs consensus: Our FY18 EPS estimates are broadly in line with consensus for Aarti and marginally ahead of consensus for Vinati. However, we lag consensus estimates for SRF by ~2.5%. We are 4% and 5% ahead for PI and Rallis respectively.

Key recommendations: We expect Aarti to rise up the curve on grounds of better product realisations, increased client traction and bagging big contracts in recent past. We expect agrochemicals exporters, especially SRF and PI, to stage a recovery from 4QFY18 given: a) global demand for agrochemicals has started to improve; global agrochem companies have reported strong results so far; b) inventory levels at innovators' have sharply corrected and even a marginal uptick in end-demand will make innovators ramp up their own product inventories; c) global client traction towards Indian players, thanks to China's fight against pollution. We are BUYers on PI (TP: ₹1,100), Vinati Organics (TP: ₹1,070) and SRF (TP: ₹1,950). Aarti Industries (TP: ₹1,300) is our other key idea with growth led by new contracts to supply. We are SELLers on Rallis India (TP: ₹ 205).

Stock Performance

(%)	3-month	
	Absolute	Rel to Sensex
SRF	25.6	17.5
PI Industries	32.4	24.3
Aarti Industries	34.9	26.7
Vinati Organics	5.0	(3.1)
Rallis India	28.7	20.6

Dec'17E Quarterly EPS

(₹)	Ambit	Consensus
SRF	18.3	20.8
PI Industries	6.6	6.6
Aarti Industries	9.1	9.9
Vinati Organics	6.8	6.6
Rallis India	1.7	2.0

FY18E EPS

(₹)	Ambit	Consensus
SRF	75.5	77.4
PI Industries	32.1	30.9
Aarti Industries	39.7	39.4
Vinati Organics	31.1	30.6
Rallis India	10.4	9.9

Source: Ambit Capital research

Exhibit 4: Detailed Dec'17E Quarterly estimates

Company	Dec'17E	Dec'16	YoY	Sep'17	QoQ	Comments
SRF						
Sales (₹ mn)	12,964	11,330	14%	12,864	1%	Specialty chemicals' growth is likely to remain muted. We expect a sales growth of 10% in chemicals primarily led by the refrigerants portfolio. Packaging films will witness ~25% increase in revenue due to new capacities. Drop in margins in packaging films business and technical textiles business on a YoY basis will drive ~330bps dip in EBITDA margins. We expect PAT to remain muted on a YoY basis.
EBITDA (₹ mn)	2,220	2,316	-4%	2,036	9%	
EBITDA margin (%)	17.1%	20.4%	(332)	15.8%	130	
PBT (₹ mn)	1,316	1,318	0%	1,189	11%	
PAT (₹ mn)	1,053	1,047	1%	1,028	2%	
PI Industries						
Sales (₹ mn)	6,008	4,879	23%	5,611	7%	Domestic sales for PI would grow by ~12% due to better Rabi and low base quarter due to demon effect. Overall, there is recovery in agrochem sector globally and thus we have built in 28% growth in CSM consequently. On these grounds, we expect Sales and EBITDA to grow by 23% and 35% and PAT should decline by 3% on a YoY basis. The decline in PAT is due to almost nil tax payout in the base quarter due to SEZ benefits which have now eased out.
EBITDA (₹ mn)	1,394	1,034	35%	1,222	14%	
EBITDA margin (%)	23.2%	21.2%	201	21.8%	142	
PBT (₹ mn)	1,172	973	20%	1,127	4%	
PAT (₹ mn)	914	940	-3%	803	14%	
Aarti Industries						
Sales (₹ mn)	8,732	7,702	13%	8,879	-2%	Aarti should witness an EBITDA growth of ~10% driven by volume growth on account of new products and mid single-digit growth in existing products. Volumes should grow by mid-teens though margins will contract slightly on account of higher fixed costs from new plants. Overall, it will report muted performance at PBT and PAT levels due to higher interest costs.
EBITDA (₹ mn)	1,659	1,502	10%	1,603	4%	
EBITDA margin (%)	19.0%	19.5%	(50)	18.1%	95	
PBT (₹ mn)	909	908	0%	960	-5%	
PAT (₹ mn)	745	738	1%	785	-5%	
Vinati Organics						
Sales (₹ mn)	1,741	1,644	6%	1,607	8%	One of the major clients of Vinati undertook plant expansion which got completed only in mid-Nov. Consequently, IBB (~30% of Vinati's sales) had limited sales for 90 days in the quarter while fixed costs are incurred for the full quarter. Consequently, we expect muted EBITDA growth of 10% while PAT growth of 7% is due to higher interest charges and tax rates.
EBITDA (₹ mn)	583	531	10%	459	27%	
EBITDA margin (%)	33.5%	32.3%	121	28.6%	491	
PBT (₹ mn)	514	486	6%	432	19%	
PAT (₹ mn)	349	326	7%	291	20%	
Rallis India						
Sales (₹ mn)	3,769	3,314	14%	5,879	-36%	Our channel checks hint at a very strong quarter for Rallis India with ~10% sales growth for Metahelix and 16% sales growth for domestic business. This is due to improved volume and realisations on account of reduced competitive intensity in generics product portfolio. Gross margins should also improve based on improved pricing growth. Consequently, EBITDA and PAT margins will improve in the range of ~100-200bps.
EBITDA (₹ mn)	560	424	32%	1,225	-54%	
EBITDA margin (%)	14.9%	12.8%	207	20.8%	(598)	
PBT (₹ mn)	466	318	46%	1,125	-59%	
PAT (₹ mn)	336	253	33%	773	-56%	

Source: Company, Ambit Capital research.

Exhibit 5: Revisions ahead of the earnings season

	New Estimates		Old Estimates		Change		Comments
	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	
Vinati Organics							
Recommendation	**BUY**		**BUY**				We have revised our earnings estimates on grounds of extended period of plant shutdown of one of the major clients of Vinati. This delay will result in lower realisations on IBB front. However, our TP remains same at ₹1,070.
TP (₹)	1,070		1,070		0.0%		
Revenues (₹ mn)	7,587	9,431	7,670	9,522	-1.1%	-1.0%	
EBITDA (₹ mn)	2,551	3,430	2,586	3,470	-1.4%	-1.2%	
EBITDA margin (%)	33.6%	36.4%	33.7%	36.4%	(0.1)	(0.1)	
PBT (₹ mn)	2,354	2,993	2,389	3,033	-1.5%	-1.3%	
PAT (₹ mn)	1,602	2,037	1,626	2,065	-1.5%	-1.3%	
EPS (₹)	31.1	39.5	31.5	40.0	-1.5%	-1.3%	
Rallis India							
Recommendation	**SELL**		**SELL**				We have revised our TP from ₹180 to ₹205 on grounds of improvement in gross margins by 90bps and reduction in other manufacturing expenses. However, we maintain our SELL instance on Rallis.
TP (₹)	205		180		13.9%		
Revenues (₹ mn)	18,104	20,296	18,104	20,296	0.0%	0.0%	
EBITDA (₹ mn)	3,095	3,533	2,917	3,353	6.1%	5.4%	
EBITDA margin (%)	17.1%	17.4%	16.1%	16.5%	1.0	0.9	
PBT (₹ mn)	2,687	3,078	2,509	2,898	7.1%	6.2%	
PAT (₹ mn)	2,015	2,308	1,882	2,174	7.1%	6.2%	
EPS (₹)	10.4	11.9	9.7	11.2	7.1%	6.2%	

Source: Company, Ambit Capital research

Banking

On a low base of last year, bank credit growth improved from 7% to 11% YoY during 3QFY18. However, underlying growth trends in the corporate segment are weak; trade/retail are key drivers of improvement. Increase in bond yields will hurt banks' treasury income at a time when credit costs are likely to stay elevated. Moderation in low-cost CASA deposits growth (with demonetisation-related gain well past behind) will impact banks' NIM. Thus, 3QFY18 will be a weak quarter for the banking sector due to muted loan growth, fall in treasury income and continued high credit costs. We estimate RoA of 1.3% for private sector banks and 0.9% for PSU banks. Outlook on banks' bad debt resolution and probable haircuts would be key things to watch out for. Our key BUY recommendation is ICICI Bank (15% upside), beneficiary of turning credit cycle. Kotak Mahindra Bank (32% downside) and RBL Bank (25% downside) are our key SELLs, with their underwhelming RoE in light of expensive valuations.

Ambit vs consensus

Our earnings estimates for the quarter are ~10% lower than consensus and ~5% lower than consensus for FY18. The divergence is predominantly due to higher credit costs, slippage assumptions and weaker upgrades/recovery forecasts.

Change in our target price

Exhibit 6: Roll-forward leads to a minor upgrade in our target prices

Target Price (₹)	Old	New
New Private		
HDFC Bank	1,330	1,380
ICICI Bank	355	**355**
Axis Bank	507	526
Kotak Mahindra Bank	664	689
RBL Bank	389	404
PSUs		
SBI	361	**361**
Bank of Baroda	200	**200**
Punjab National Bank	202	**202**
Bank of India	134	**134**
Union Bank	173	**173**
Old Private		
Federal Bank	77	80
Karur Vysya Bank	93	96
City Union Bank	167	173
South Indian Bank	19.1	19.8
Small Finance Banks		
Equitas Holdings	131	136
Ujjivan Financials	344	357

Source: Ambit Capital research

Recommendations

The consolidated net profit for private banks in our coverage universe is likely to grow by 1% QoQ, while PSU banks' net profit would grow on a very low base (104% QoQ). Sequentially, consolidated RoA (for banks under our coverage universe) should reduce QoQ to ~0.7%. New private sector banks are expected to deliver an average RoA of 1.3% compared with PSU banks' ~0.14%.

Stock Performance

(%)	3-month	
	Absolute	Rel to Sensex
HDFC Bank	3	(5)
ICICI Bank	16	8
Axis Bank	12	4
Kotak Mahindra Bk.	(3)	(11)
IndusInd Bk.	2	(6)
RBL Bank	6	(2)
State Bk. of India	19	11
Bank of Baroda	14	6
Punjab National Bk.	28	20
Bank of India	20	12
Union Bk. of India	12	4
Federal Bank	(2)	(10)
Karur Vysya Bk.	(8)	(16)
City Union Bank	7	(1)
South Indian Bk.	7	(1)
Equitas Holdings	5	(3)
Ujjivan Financials	26	18

FY18E EPS

(₹)	Ambit	Consensus
HDFC Bank	67.5	68.3
ICICI Bank	9.5	14.2
Axis Bank	16.5	18.0
Kotak Mahindra Bk.	31.0	31.4
RBL Bank	15.3	15.5
State Bk. of India	(2.3)	12.6
Bank of Baroda	2.8	8.2
Punjab National Bk.	(7.3)	9.7
Bank of India	(19.5)	1.4
Union Bk. of India	(19.0)	(4.8)
Federal Bank	6.1	5.8
Karur Vysya Bk.	6.4	6.7
City Union Bank	8.9	9.0
South Indian Bk.	1.9	2.0
Equitas Holdings	1.4	1.8
Ujjivan Financials	(2.2)	1.4

We are positive on **ICICI Bank** (ICICIBC IN, Mcap US$31.6bn, TP ₹355, 15% upside) given our expectations of improvement in consolidated RoE (from 6.3% in FY18E to 15.5% in FY20E) due to 170bps dip in credit cost, 20bps increase in NIM along with high RoE of >25% in domestic subsidiaries. Decreasing balance sheet risk and RoE improvement should also narrow the valuation discount between ICICI Bank and its peers. We see the highest downside risks for **Kotak Mahindra Bank** (KMB IN, Mcap US$30.2bn, TP ₹689, 32% downside) and **RBL Bank** (RBK IN, Mcap US$3.5bn, TP ₹404, 25% downside).

Exhibit 7: Detailed Dec'17E quarterly estimates

	Dec'17	Dec'16	Sep'17	YoY	QoQ	Comment
HDFC Bank						
Net Interest Income (₹ mn)	100,786	83,091	97,521	21%	3%	We expect net interest income and PAT to grow in-line with loan book growth.
Operating Profit (₹ mn)	80,511	66,093	78,179	22%	3%	
Cost to income (%)	40.9%	42.3%	41.5%			
PBT (₹ mn)	70,077	58,935	63,417	19%	11%	
PAT (₹ mn)	46,251	38,653	41,510	20%	11%	
ICICI Bank						
Net Interest Income (₹ mn)	58,115	53,634	57,091	8%	2%	Muted loan book growth (~9%), elevated provisions and lack of treasury gains to result in negative net profit growth.
Operating Profit (₹ mn)	51,494	55,239	69,865	-7%	-26%	
Cost to income (%)	45.0%	40.6%	35.9%			
PBT (₹ mn)	15,423	28,112	24,836	-45%	-38%	
PAT (₹ mn)	11,567	24,418	20,582	-53%	-44%	
Axis Bank						
Net Interest Income (₹ mn)	49,412	43,337	45,396	14%	9%	We expect moderation of credit cost vs last year. Expecting RoAs of 47bps.
Operating Profit (₹ mn)	40,471	46,402	37,773	-13%	7%	
Cost to income (%)	46.8%	40.0%	47.0%			
PBT (₹ mn)	11,310	8,444	6,369	34%	78%	
PAT (₹ mn)	7,578	5,796	4,324	31%	75%	
Kotak Mahindra Bank						
Net Interest Income (₹ mn)	24,171	20,503	23,127	18%	5%	Bank is exposed to loan growth slowdown emanating from GST-linked disruption in real estate (LAP), agri (tractor) and SME businesses. RoE to remain at ~12%.
Operating Profit (₹ mn)	19,035	15,277	17,248	25%	10%	
Cost to income (%)	45.7%	48.4%	47.2%			
PBT (₹ mn)	16,013	13,356	15,083	20%	6%	
PAT (₹ mn) - standalone	10,729	8,798	9,943	22%	8%	
PAT (₹ mn) - consolidated	15,289	12,668	14,413	21%	6%	
IndusInd Bank						
Net Interest Income (₹ mn)	18,641	15,784	18,210	18%	2%	
Operating Profit (₹ mn)	16,013	13,633	16,335	17%	-2%	
Cost to income (%)	46.9%	47.5%	45.7%			
PBT (₹ mn)	13,527	11,465	13,398	18%	1%	
PAT (₹ mn)	9,063	7,506	8,801	21%	3%	
RBL Bank						
Net Interest Income (₹ mn)	4,599	3,216	4,202	43%	9%	Growth in PAT is in line with growth in net interest income.
Operating Profit (₹ mn)	3,185	2,351	3,032	35%	5%	
Cost to income (%)	54.2%	53.3%	54.2%			
PBT (₹ mn)	2,379	1,989	2,283	20%	4%	
PAT (₹ mn)	1,594	1,287	1,506	24%	6%	

	Dec'17	Dec'16	Sep'17	YoY	QoQ	Comment
State Bank of India*						
Net Interest Income (₹ mn)	194,813	147,515	185,859	32%	5%	Expect muted loan growth, treasury gains and elevated credit cost.
Operating Profit (₹ mn)	139,083	125,433	145,630	11%	-4%	
Cost to income (%)	52.6%	48.6%	50.1%			
PBT (₹ mn)	17,324	36,004	-45,745	-52%	-138%	
PAT (₹ mn)	12,127	26,100	-31,346	-54%	-139%	
Bank of Baroda						
Net Interest Income (₹ mn)	38,419	31,344	37,205	23%	3%	Expect muted loan growth, treasury gains and elevated credit cost.
Operating Profit (₹ mn)	27,759	25,952	30,418	7%	-9%	
Cost to income (%)	46.3%	47.1%	44.3%			
PBT (₹ mn)	3,854	5,157	7,125	-25%	-46%	
PAT (₹ mn)	2,582	2,527	3,554	2%	-27%	
Punjab National Bank						
Net Interest Income (₹ mn)	41,593	37,308	40,152	11%	4%	Expect muted loan growth, treasury gains and elevated credit cost.
Operating Profit (₹ mn)	30,156	27,809	32,791	8%	-8%	
Cost to income (%)	46.2%	52.6%	44.6%			
PBT (₹ mn)	6,124	2,187	8,383	180%	-27%	
PAT (₹ mn)	4,103	2,072	5,606	98%	-27%	
Bank of India						
Net Interest Income (₹ mn)	30,137	28,626	29,082	5%	4%	Expect muted loan growth, treasury gains and elevated credit cost.
Operating Profit (₹ mn)	21,005	24,584	22,331	-15%	-6%	
Cost to income (%)	52.3%	46.9%	51.6%			
PBT (₹ mn)	1,971	1,559	2,798	26%	-30%	
PAT (₹ mn)	1,320	1,017	1,791	30%	-26%	
Union Bank of India						
Net Interest Income (₹ mn)	25,311	21,366	23,207	18%	9%	Expect muted loan growth, treasury gains and elevated credit cost.
Operating Profit (₹ mn)	19,683	18,513	19,390	6%	2%	
Cost to income (%)	45.6%	46.7%	45.2%			
PBT (₹ mn)	1,604	1,811	-16,157	-11%	-110%	
PAT (₹ mn)	1,074	1,040	-15,307	3%	-107%	
Federal Bank						
Net Interest Income (₹ mn)	9,493	7,914	8,989	20%	6%	Robust loan growth of 20% boosting RoAs to 0.85%
Operating Profit (₹ mn)	5,603	4,749	5,832	18%	-4%	
Cost to income (%)	53.0%	55.5%	50.8%			
PBT (₹ mn)	4,020	3,161	4,064	27%	-1%	
PAT (₹ mn)	2,694	2,057	2,637	31%	2%	
Karur Vysya Bank						
Net Interest Income (₹ mn)	5,820	5,176	5,550	12%	5%	We expect some recovery in margins, but muted loans growth and elevated credit costs to keep RoAs at around 52bps.
Operating Profit (₹ mn)	4,091	3,350	4,270	22%	-4%	
Cost to income (%)	48.3%	51.3%	45.6%			
PBT (₹ mn)	1,181	1,775	1,057	-33%	12%	
PAT (₹ mn)	862	1,158	756	-26%	14%	
City Union Bank						
Net Interest Income (₹ mn)	3,656	3,070	3,548	19%	3%	Loan growth is likely to remain around ~16% but superior margins to protect profitability at ~1.5%.
Operating Profit (₹ mn)	2,707	2,736	3,200	-1%	-15%	
Cost to income (%)	41.8%	39.2%	37.3%			
PBT (₹ mn)	1,966	1,816	1,908	8%	3%	
PAT (₹ mn)	1,410	1,266	1,448	11%	-3%	

	Dec'17	Dec'16	Sep'17	YoY	QoQ	Comment
South Indian Bank						
Net Interest Income (₹ mn)	5,364	4,175	5,032	28%	7%	Elevated cost to income ratio and provisions to lead to muted RoAs of 0.5%.
Operating Profit (₹ mn)	3,844	3,770	4,603	2%	-16%	
Cost to income (%)	45.9%	44.2%	41.3%			
PBT (₹ mn)	1,545	1,703	66	-9%	2245%	
PAT (₹ mn)	1,011	1,114	43	-9%	2239%	
Equitas Holdings						
Net Interest Income (₹ mn)	2,503	2,291	2,296	9%	9%	Muted collection efficiencies for industry will challenge the RoAs of the companies.
Operating Profit (₹ mn)	709	1,046	445	-32%	59%	
Cost to income (%)	75.4%	61.4%	83.1%			
PBT (₹ mn)	130	706	174	-82%	-25%	
PAT (₹ mn)	83	450	109	-81%	-24%	
Ujjivan Financials						
Net Interest Income (₹ mn)	2,031	1,981	1,863	3%	9%	Muted collection efficiencies for industry will challenge the RoAs of the companies.
Operating Profit (₹ mn)	790	1,211	702	-35%	13%	
Cost to income (%)	68.2%	49.1%	68.8%			
PBT (₹ mn)	113	664	-180	-83%	-163%	
PAT (₹ mn)	73	439	-120	-83%	-161%	

Source: Company, Ambit Capital research

Building Materials

For electricals, 3Q will be better than 2Q with GST-related disruptions now largely behind. All companies should witness double-digit volume growth led by Bajaj Electricals, Havells, Crompton and V-Guard. EBITDA margin for all companies should increase given the base effect; during demonetisation, all companies' margins declined due to higher incentives offered to the channel. Bajaj Electricals' consumer business should report >7% margins given sales from TOC accounted for >80% of revenues. Introduction of the E-way bill should lead to accelerated formalisation from FY19. For other home building companies, channel continues to be under working capital stress, resulting in delay in channel restocking since June'17. Realisations for home building companies could trend downwards given low acceptance for premium products by customers and increasing competition in the value segment with formalisation of unorganised capacities. Look out for roll-outs in value segment and improvement in working capital turnover of large listed players. With Pidilite trading close to our TP and Century Plyboards 17% above our last published TP, we have limited BUY ideas under this segment.

Ambit vs consensus: Our 3QFY18 estimates are broadly in line with consensus except for Finolex Cables where we are below consensus by 15%. Our FY18 consensus estimates for most Electrical & Home building companies are also broadly in line with consensus. Century Plyboards is under review.

GST and RERA to accelerate growth for Electrical companies

We recently turned positive on Light Electricals as GST/RERA should accelerate formalisation. GST has plugged loopholes under VAT by making tax rates uniform pan-India and introducing HSN codes for reducing unaccounted inventory. GST should incentivise real estate to buy from organised as input tax credit and RERA would limit unaccounted transactions given stringent audit requirements to withdraw money from escrow. Whilst valuations of electrical companies are punchy, we see value in buying given expectation of higher earnings growth than implied by reverse DCF assumptions; drive to premiumise portfolios and technology spends will accelerate, leaving behind opportunistic players. Havells and Bajaj Electricals are our top picks.

Stock Performance

(%)	3-month Absolute	3-month Rel to Sensex
Havells	10.4	2.4
Bajaj Electricals	52.9	44.9
V-Guard	25.4	17.4
Finolex Cables	38.7	30.7
Crompton Consumer	22.9	14.9
Pidilite Industries	14.0	6.0
Supreme Industries	22.0	14.0
Century Plyboards	35.5	27.5

Dec'17E Quarterly EPS

(₹)	Ambit	Consensus
Havells	2.6	2.8
Bajaj Electricals	3.7	NA
V-Guard	0.9	0.9
Finolex Cables	4.7	5.4
Crompton Consumer	1.0	1.2
Pidilite Industries	3.8	NA
Supreme Industries	8.6	NA
Century Plyboards	1.8	NA

Note: NA- less than 3 estimates available

FY18E EPS

(₹)	Ambit	Consensus
Havells	11.1	11.0
Bajaj Electricals	13.9	14
V-Guard	4.2	4.1
Finolex Cables	25.4	25.4
Crompton Consumer	5.1	5.4
Pidilite Industries	19.6	18.0
Supreme Industries	33.4	33.3
Century Plyboards	UR	8.2

Source: Ambit Capital research

Exhibit 8: Detailed Dec17E quarterly estimates

Company Name	Dec'17E	Dec'16	Sept'17	YoY	QoQ	Comment
Havells						
Sales (₹ mn)	19,350	15,060	17,774	28%	9%	We model organic sales growth of 5.5% in 3QFY18 (translates into double-digit volume growth) led by strong growth in water heaters, fans and appliances. We model revenue of ₹3.4bn from Lloyd (11% YoY comparable growth)
EBITDA (₹ mn)	2,417	1,930	2,569	25%	-6%	Ex-Lloyd, we model margin of 13.7% and Lloyd to report 7% margin
EBITDA margin (%)	12.5%	12.8%	14.5%	-30bps	-200bps	
PBT (₹ mn)	2,317	2,067	2,440	12%	-5%	Decline led by higher interest expense and lower other income due to cash outgo given the acquisition of Lloyd
PAT (₹ mn)	1,625	1,340	1,710	21%	-5%	We expect tax rate of 29%
Crompton consumer						
Sales (₹ mn)	9,309	8,889	9,597	5%	-3%	We expect double-digit volume growth led by fans and lighting
EBITDA (₹ mn)	1,084	993	1,207	9%	-10%	Marginal improvement in EBITDA margin
EBITDA margin (%)	11.6%	11.2%	12.6%	40bps	-100bps	
PBT (₹ mn)	932	855	1,054	9%	-12%	Trickle-down impact of higher EBITDA
PAT (₹ mn)	627	574	708	9%	-12%	
Bajaj Electricals						
Sales (₹ mn)	10,835	10,495	9,355	3%	16%	We expect consumer revenue to grow by 6% and volume to grow in double digit given more than two-third of revenue comes from TOC; for E&P, we expect flat revenue growth
EBITDA (₹ mn)	741	672	471	10%	57%	In consumer + lighting, EBIT margin would improve by 110bps YoY to 7.5% due to majority of revenue coming from TOC areas. In EPC, EBIT margin would improve by 40bps YoY to 6.0%.
EBITDA margin (%)	6.8%	6.4%	5.0%	40bps	180bps	
PBT (₹ mn)	604	452	309	34%	95%	Interest expense is likely to decline by 30% YoY led by decline in debt; other income is likely to grow by 49% YoY led by higher cash balance.
PAT (₹ mn)	376	297	232	27%	62%	Assume tax rate of 37%
V-Guard						
Sales (₹ mn)	4,927	4,596	5,599	7%	-12%	We expect double-digit volume growth led by water heaters, fans and stabilisers
EBITDA (₹ mn)	554	386	670	44%	-17%	Margin improvement led by lower base impact
EBITDA margin (%)	11.3%	8.4%	12.0%	290bps	-70bps	
PBT (₹ mn)	528	372	639	42%	-17%	Trickle-down impact of higher EBITDA
PAT (₹ mn)	384	280	465	37%	-17%	
Finolex Cables						
Sales (₹ mn)	6,991	6,754	7,022	4%	0%	Growth led by higher growth in communication cables
EBITDA (₹ mn)	956	922	988	4%	-3%	Lower margin due to higher base impact
EBITDA margin (%)	13.7%	13.6%	14.1%	10bps	-40bps	
PBT (₹ mn)	986	839	1,421	17%	-31%	Trickle-down impact of higher EBITDA
PAT (₹ mn)	720	804	997	-11%	-28%	We expect tax rate to increase from 18% in 3QFY17 to 27% in 3QFY18
Pidilite Industries						
Sales (₹ mn)	14,145	13,344	15,299	6%	-8%	We expect strong demand in consumer and bazaar business.
EBITDA (₹ mn)	3,253	2,909	3,761	12%	-13%	
EBITDA margin (%)	23.0%	21.8%	24.6%	120bps	-160bps	Marginally improved margins compared to same quarter last year due to improved VAP mix.
PBT (₹ mn)	2,933	2,814	3,763	4%	-22%	
PAT (₹ mn)	1,965	2,020	2,518	-3%	-22%	

Company Name	Dec'17E	Dec'16	Sept'17	YoY	QoQ	Comment
Supreme Industries						
Sales (₹ mn)	12,718	11,074	10,551	15%	21%	We expect 16% volume growth in piping systems led by strong demand in CPVC and discount-led demands in agri segment. Packaging division to post ~5% realisations growth as same quarter last year included Diwali sales. Our channel checks suggest prices have been stable for plastic pipes despite higher resin costs for the companies. We expect 220bps margin decline in pipping systems.
EBITDA (₹ mn)	1,951	1,848	1,440	6%	36%	
EBITDA margin (%)	15.3%	16.7%	13.6%	-140bps	170bps	
PBT (₹ mn)	1,484	1,384	1,066	7%	39%	
PAT (₹ mn)	994	902	699	10%	42%	
Century Plyboards						
Sales (₹ mn)	4,874	4,255	4,746	15%	3%	We expect Plywood business to report flat revenue growth while laminates to post 15% and 3% volume and value growth. Also, MDF capacity came into operations from this quarter.
EBITDA (₹ mn)	872	660	740	32%	18%	EBITDA margin improvement majorly led by the 12% contribution from higher margin MDF business.
EBITDA margin (%)	17.9%	15.5%	15.6%	240bps	230bps	
PBT (₹ mn)	537	445	529	21%	2%	We expect marginally weaker PAT margins due to increase in depreciation and interest cost corresponding to MDF capacity charged in the quarter.
PAT (₹ mn)	407	373	401	9%	2%	

Source: Company, Ambit Capital research

Exhibit 9: Revisions ahead of the earnings season

	New estimate		Old estimate		Change in estimate		Comments
	FY18	FY19	FY18	FY19	FY18	FY19	
Havells							
Recommendation							
TP (₹)		429		418		2.8%	Led by rollover of TP by 3 months
Revenues (₹ mn)	90,394	105,661	90,394	105,661	0%	0%	
EBITDA (₹ mn)	10,301	12,820	10,301	12,820	0%	0%	
EBITDA margin (%)	11.4%	12.1%	11.4%	12.1%	0bps	0bps	
PBT (₹ mn)	9,669	11,349	9,669	11,349	0%	0%	No change
PAT (₹ mn)	6,852	8,041	6,852	8,041	0%	0%	
EPS (₹)	10.9	12.8	10.9	12.8	0%	0%	
Bajaj Electricals							
Recommendation	BUY		BUY				
TP (₹)	608		523		16%		Led by rollover of TP by 3 months and upgrade of long-term EBITDA margin of the consumer business over FY21-30 to 11%
Revenues (₹ mn)	43,134	44,878	43,134	44,878	0%	0%	
EBITDA (₹ mn)	2,819	3,640	2,701	3,272	4%	11%	
EBITDA margin (%)	6.5%	8.1%	6.3%	7.3%	20bps	80bps	Growth in PBT and PAT in FY18 and FY19 is higher on account of operating leverage
PBT (₹ mn)	2,088	3,370	1,970	2,994	6%	13%	
PAT (₹ mn)	1,399	2,258	1,320	2,006	6%	13%	
EPS (₹)	13.9	22.4	13.1	19.9	6%	13%	
Crompton Consumer							
Recommendation	BUY		BUY				
TP (₹)	302		287		5%		Led by rollover of TP by 3 months
Revenues (₹ mn)	42,997	49,976	42,997	49,976	0%	0%	
EBITDA (₹ mn)	5,419	6,780	5,419	6,780	0%	0%	
EBITDA margin (%)	12.6%	13.6%	0	0	0bps	0bps	
PBT (₹ mn)	4,895	6,392	4,895	6,392	0%	0%	No change
PAT (₹ mn)	3,280	4,282	3,280	4,282	0%	0%	
EPS (₹)	5.1	6.6	5	7	0%	0%	

	New estimate		Old estimate		Change in estimate		Comments
	FY18	FY19	FY18	FY19	FY18	FY19	
V-Guard							
Recommendation	**BUY**		**BUY**				
TP (₹)	261		254		3%		Rollover of TP by 3 months
Revenues (₹ mn)	23,645	27,442	23,645	27,442	0%	0%	
EBITDA (₹ mn)	2,440	2,920	2,440	2,920	0%	0%	
EBITDA margin (%)	10.3%	10.6%	0	0	0bps	0bps	
PBT (₹ mn)	2,401	2,911	2,401	2,911	0%	0%	No change
PAT (₹ mn)	1,777	2,149	1,777	2,149	0%	0%	
EPS (₹)	4.2	5.1	4	5	0%	0%	
Pidilite Industries							
Recommendation	**BUY**		**BUY**				
TP (₹)	900		900				
Revenues (₹ mn)	59,155	69,803	63,704	75,178	-7%	-7%	Due to destocking in June 2017 given GST and sluggish outlook of the real estate.
EBITDA (₹ mn)	13,251	15,776	13,872	16,870	-4%	-6%	
EBITDA margin (%)	22.4%	22.6%	21.8%	22.4%	62bps	16bps	Marginally improvement for higher VAM
PBT (₹ mn)	13,420	15,987	14,480	17,826	-7%	-10%	
PAT (₹ mn)	9,165	10,911	9,991	12,122	-8%	-10%	
EPS (₹)	17.95	21.37	19.57	23.72	-8%	-10%	
Supreme Industries							
Recommendation	**BUY**		**BUY**				
TP (₹)	1,050		1,000				Led by rollover of TP by 3 months
Revenues (₹ mn)	49,238	56,857	49,238	56,857	0%	0%	.
EBITDA (₹ mn)	7,399	8,901	7,399	8,901	0%	0%	
EBITDA margin (%)	15.0%	15.7%	15.0%	15.7%	0bps	0bps	
PBT (₹ mn)	5,540	6,962	5,540	6,962	0%	0%	
PAT (₹ mn)	4,239	5,201	4,239	5,201	0%	0%	
EPS (₹)	33	41	33	41	0%	0%	

Source: Company, Ambit Capital research

Bajaj Electricals

We upgrade our valuation by 16% led by upgrade to our long term EBIT margin for the consumer business which we now assume at 11% over FY21-30 led by completion of TOC by March'18. Already margin in the consumer business has improved to 6% by 2QFY18 and we expect 7.5% in 3QFY18. As TOC gets streamlined, we expect 14% revenue CAGR over FY18-23. Consequently our TP for consumer business gets upgraded by 16% to ₹495/share which implies 30x FY20 P/E, 10% discount to Havells target price of ₹526 (except Lloyd)

Capital Goods

Execution across sub-sectors should be somewhat weak. Revenues of BHEL (pick-up in execution), Thermax (higher order book) and Cummins (KKC, pick-up in industrial revenue) should grow by 15%, 10% and 2% respectively. Greaves (GRV) should report 14% revenue growth due to higher realisation under BSIV and volume growth in 3Ws and SCVs. Inox should report a 90% decline in revenue as execution has virtually stopped given decline in wind tariffs. Whilst BHEL/Thermax could report 40bps/70bps improvement in EBITDA margin, KKC/GRV could report 80bps/10bps decline. Inox should report PBT loss of ₹159mn. We reiterate our negative outlook on the boiler turbine generator (BTG) sector given structural decline in opportunity size; we are cautious on wind turbine generator (WTG) and genset sectors given increase in competitive intensity. Our top SELL is KKC.

Ambit vs consensus: Currently, our estimates for BHEL are higher than that of consensus and lower for all others for 3QFY18. Our FY18 estimates for BHEL and Thermax are higher than consensus and lower for Cummins and Inox Wind. For Greaves, we are in line with consensus.

Key recommendations:
Cummins (KKC IN, 6M ADV US$4.5mn, SELL, TP: ₹555/share, 40% downside)

EBITDA margin may structurally decline as market shifts to medium/low KVA from high KVA given the combination of declining power deficit and low capacity utilisation across industries. Further, the growth in the distribution business (high-margin business) may decelerate given the decline in engine working hours due to the low running hours of engines used for back-up applications.

Competitive intensity in gensets has been increasing, with KOEL looking at entering the high KVA segment (625KVA and above). Also, Sterling Wilson has forayed into the manufacturing of gensets from 10-500KVA; hitherto, it was manufacturing larger gensets from 500-3,300KVA.

KKC trades at a punchy multiple of 42x FY18E P/E, a ~45% premium to its historical average. KKC's P/E multiple has been re-rated since the commissioning of Phaltan export facility in 4QFY14. However, investors' excitement may plummet, as they learn that this export opportunity is only transient due to shift in manufacturing from the UK plant to India.

Stock Performance

(%)	3-month	
	Absolute	Rel to Sensex
BHEL	19.8	11.8
Thermax	33.6	25.7
Cummins India	5.2	-2.8
Greaves Cotton	8.8	0.8
Inox Wind	26.2	18.2

Dec'17E Quarterly EPS

(₹)	Ambit	Consensus
BHEL	1.7	0.5
Thermax	6.2	6.7
Cummins India	6.8	7.1
Greaves Cotton	1.9	1.9
Inox Wind	-0.5	NA

FY18E EPS

(₹)	Ambit	Consensus
BHEL	3.2	2.8
Thermax	28.5	25.7
Cummins India	22.4	27.5
Greaves Cotton	8.0	8.0
Inox Wind	-5.2	-0.1

Source: Ambit Capital research

Exhibit 10: Detailed Dec17E quarterly estimates

Company name	Dec'17E	Dec'16	Sept'17	YoY	QoQ	Comment
BHEL						
Sales (₹ mn)	72,743	63,254	63,849	15%	14%	Revenue growth led by pick-up in execution
EBITDA (₹ mn)	2,870	2,239	(954)	28%	-401%	Margin expansion led by favourable operating leverage and lower provisioning on receivables
EBITDA margin (%)	3.9%	3.5%	-1.5%	40bps	NA	
APBT (₹ mn)	5,320	1,246	1,472	327%	261%	Trickle-down impact of higher EBITDA
APAT (₹ mn)	4,170	935	1,154	346%	261%	
Thermax						
Sales (₹ mn)	8,949	8,136	9,143	10%	-2%	Revenue growth led by higher opening order book in FY18
EBITDA (₹ mn)	948	807	899	18%	5%	Led by favourable operating leverage
EBITDA margin (%)	10.6%	9.9%	9.8%	70bps	80bps	
PBT (₹ mn)	948	850	912	12%	4%	Trickle-down impact of higher EBITDA
PAT (₹ mn)	616	567	593	9%	4%	
Inox Wind						
Sales (₹ mn)	1,200	11,606	795	-90%	51%	Sharp decline in revenue and profitability as the work on wind projects has virtually stopped from Apr'17 as the states have stopped signing PPA under Feed-in-tariff regime.
EBITDA (₹ mn)	291	1,810	(177)	-84%	NA	
EBITDA margin (%)	24.3%	15.6%	-22.3%	800bps	NA	
PBT (₹ mn)	(159)	1,429	(681)	NA	NA	
PAT (₹ mn)	(103)	1,075	(467)	NA	NA	
Cummins						
Sales (₹ mn)	13,774	13,550	11,539	2%	19%	We expect higher revenue growth in industrial engines/after-market led by increase in infra-led demand/pick-up in the utilisations. We expect lower growth in domestic powergen/exports. We expect NIL revenue from auto engines as highlighted by management in 4Q conference call.
EBITDA (₹ mn)	2,184	2,265	1,675	-4%	30%	Led by gross margin decline due to pricing pressure in the domestic powergen and unfavourable product mix; industrial engines is a low-margin business.
EBITDA margin (%)	15.9%	16.7%	14.5%	-80bps	140bps	
PBT (₹ mn)	2,524	2,446	1,953	3%	29%	Higher PBT growth led by 15% higher other income
APAT (₹ mn)	1,893	1,981	1,529	-4%	24%	We expect tax rate to increase from 19% in 2QFY17 to 28% as from FY18 (sixth year) Phaltan will get only 30% tax exemption vs 100% earlier.
Greaves Cotton						
Sales (₹ mn)	4,615	4,050	4,524	14%	2%	Revenue growth led by higher genset volumes and price hikes under BSIV for auto engines.
EBITDA (₹ mn)	693	613	679	13%	2%	Margin decline led by additional discount to customers.
EBITDA margin (%)	15.0%	15.1%	15.0%	-10bps	0bps	
APBT (₹ mn)	653	604	712	8%	-8%	We model 31% tax rate in 3QFY18 vs 33% in 3QFY17
APAT (₹ mn)	451	441	429	2%	5%	

Source: Company, Ambit Capital research.

Exhibit 11: Revisions ahead of the earnings season

Companies	New Estimates		Old Estimates		Change in estimate		Comments
	FY18	FY19	FY18	FY19	FY18	FY19	
BHEL							
Recommendation	**SELL**		**SELL**				
TP (₹)		78		75		3.5%	Led by roll over and upgrade to FY19 EBITDA estimates
Revenues (₹ mn)	293,164	322,425	314,939	329,483	-7%	-2%	FY18 cut led by poor performance in 1H
EBITDA (₹ mn)	8,324	27,307	23,640	26,069	-65%	5%	Cut in FY18 margin led by unfavourable operating leverage; FY19 margin has been increased led by lower provisions
EBITDA margin (%)	2.8%	8.5%	7.5%	7.9%	-470bps	60bps	
PBT (₹ mn)	11,878	24,218	21,029	20,374	-44%	19%	
PAT (₹ mn)	7,958	16,226	14,090	13,651	-44%	19%	Trickle-down impact on EBITDA
EPS (₹)	2.2	4.4	3.8	3.6	-44%	22%	
Cummins							
Recommendation	**SELL**		**SELL**				
TP (₹)		555		576		-4%	Led by cut to estimates
Revenues (₹ mn)	52,075	60,568	53,501	62,344	-3%	-3%	
EBITDA (₹ mn)	7,290	9,691	7,918	9,975	-8%	-3%	
EBITDA margin (%)	14.0%	16.0%	14.8%	16.0%	-80bps	0bps	EBITDA cut is higher than revenue on account of operating leverage. Marginal cut in revenue is on account of cut in export revenue
PBT (₹ mn)	8,523	11,978	9,135	12,292	-7%	-3%	
PAT (₹ mn)	6,222	8,744	6,668	8,973	-7%	-3%	
EPS (₹)	22.4	31.5	24.1	32.4	-6.7%	-2.6%	

Source: Company, Ambit Capital research.

Cement

For 3QFY18, channel checks suggest strong demand growth in the East, West and South, except Tamil Nadu. Strong growth in these regions has been slightly offset by low activity in North and Central regions. All India volume growth in 3Q should be ~9% vs. 14% for our coverage. We expect 19% volume growth for UltraTech as flat volumes in existing capacities are complemented by 35% utilisation at Jaypee's acquired capacities. Also, ACC and Ambuja should deliver higher-than-industry growth as they push volumes in their ending quarter. Average cement prices (50kg/bag) increased by 3% in APT while it was flat to -2% across other regions and hence, realisations should decline by 1-2% sequentially across players. Average petcoke costs are likely to have declined over 2QFY18 and 3QFY18. Whilst we are BUYers only on Orient and Dalmia, we see little upsides; Dalmia's further re-rating depends on more cost savings and a potential acquisition in North, thus making it an efficient pan-India player.

Ambit vs consensus

Based on limited consensus data, our 3QFY18 earnings estimates are higher than consensus for all companies except Dalmia.

Recommendations

In this weak demand environment (FY18E demand growth of 3-5% at best), we expect regional players to outperform pan-India players (trading at 15-20% premium to regional players), as pan-India players are likely to surrender market share to chase pricing. Orient Cement is our top BUY idea as we expect a sharp recovery in volume and pricing in the existing business; however, the stock may remain under pressure until visibility on funding and profitability of the acquisition improves. We reiterate SELL on both UltraTech and Shree, but prefer Shree over UltraTech as it offers superior volume as well as pricing growth. We maintain SELL on Ambuja and ACC. Between the two, Ambuja offers superior pricing growth given its exposure to North and West markets.

Stock Performance

(%)	3-month	
	Absolute	Rel to Sensex
UltraTech	12	4
Ambuja	(1)	(9)
ACC	5	3
Shree Cement	(1)	(9)
Dalmia Cement	5	(4)
The Ramco Cement	14	6
Orient Cement	11	3

Dec'17E Quarterly EPS

(₹)	Ambit	Consensus
UltraTech	17.5	17.2
Ambuja	1.5	1.2
ACC	8.3	8.1
Shree Cement	96.4	NA
Dalmia Cement	11.5	13.95
The Ramco Cement	6.6	NA
Orient Cement	1.4	NA

Exhibit 12: Detailed Dec17E quarterly estimates

Company	Dec-17E	Dec-16	Sep-17	YoY	QoQ	Comments
UltraTech						
Cement despatches (mn tonnes)	13.6	11.4	12.7	19	7	Due to ramp-up in volumes from acquired Jaypee capacities in Central and East India
Realisation (₹/tonne)	5,202	4,920	5,170	6	1	Prices were stables in most markets compared to last quarter
Sales (₹ mn)	70,750	56,091	65,713	26	8	
EBITDA (₹ mn)	14,140	11,135	13,513	27	5	Lower EBITDA/t due to higher contribution from less cost efficient acquired Jaypee capacities
EBITDA margin (%)	20.0	19.9	20.6	13bps	-58bps	
Grey Cement EBITDA (₹/tonne)	879	896	812	(2)	8	
PBT (₹ mn)	7,160	7,655	6,447	(6)	11	
PAT (₹ mn)	4,797	5,634	4,312	(15)	11	
EPS (₹)	17.5	20.5	15.7	(15)	11	
Ambuja Cement						
Cement despatches (mn tonnes)	5.6	5.0	5.0	12	12	Led by ramp-up in volumes from new capacities in West Bengal and volume recovery in West India.
Realisation (₹/tonne)	4,538	4,393	4,561	3	(0)	Sequentially lower realisations as volumes are pushed in year-ending quarter
Sales (₹ mn)	25,714	22,310	23,196	15	11	
EBITDA (₹ mn)	4,060	3,291	3,544	23	15	
EBITDA margin (%)	15.8	14.8	15.3	104bps	51bps	Marginal improvement in EBITDA/t due to lower raw material costs
EBITDA (₹/tonne)	725	658	706	10	3	
PBT (₹ mn)	3,930	2,003	3,359	96	17	
PAT (₹ mn)	3,065	1,759	2,724	74	13	
EPS (₹)	1.5	0.9	1.4	74	13	
ACC						
Cement despatches (mn tonnes)	6.3	5.5	6.0	15	5	Higher volume growth led by ramp-up in new capacities in the east; Jamul and Sindri
Cement Realisation (₹/tonne)	4,550	4,353	4,645	5	(2)	Sequentially lower realisations as volumes are pushed in year-ending quarter
Sales (₹ mn)	32,088	26,973	31,165	19	3	
EBITDA (₹ mn)	3,994	2,857	4,150	40	(4)	
EBITDA margin (%)	12.4	10.6	13.3	185	(87)	
EBITDA (₹/tonne)	639	524	696	22	(8)	Sequentially lower EBITDA/t due to higher power and freight cost
PBT (₹ mn)	2,404	849	2,624	183	(8)	
PAT (₹ mn)	1,557	805	1,777	93	(12)	
EPS (₹)	8.3	4.3	9.5	93	(12)	
Shree Cement						
Cement despatches (mn tonnes)	5.5	4.9	4.9	12	13	Led by higher volumes sold in East India and sequential growth over 2Q, which is usually a weaker quarter
Cement Realisation (₹/tonne)	4,144	3,697	4,177	12	(1)	Stable prices in North and marginally lower prices in the central and east regions
Sales (₹ mn)	23,771	18,435	21,368	29	11	
EBITDA (₹ mn)	6,711	4,691	5,605	43	20	
EBITDA margin (%)	28.2	25.4	26.2	279	200	
EBITDA (₹/tonne)	1,205	975	1,135	24	6	Higher realisations and lower fixed overheads/t led to improvement
PBT (₹ mn)	5,011	2,460	3,968	104	26	
PAT (₹ mn)	3,357	2,355	2,115	43	59	
EPS (₹)	96.4	67.6	60.7	43	59	

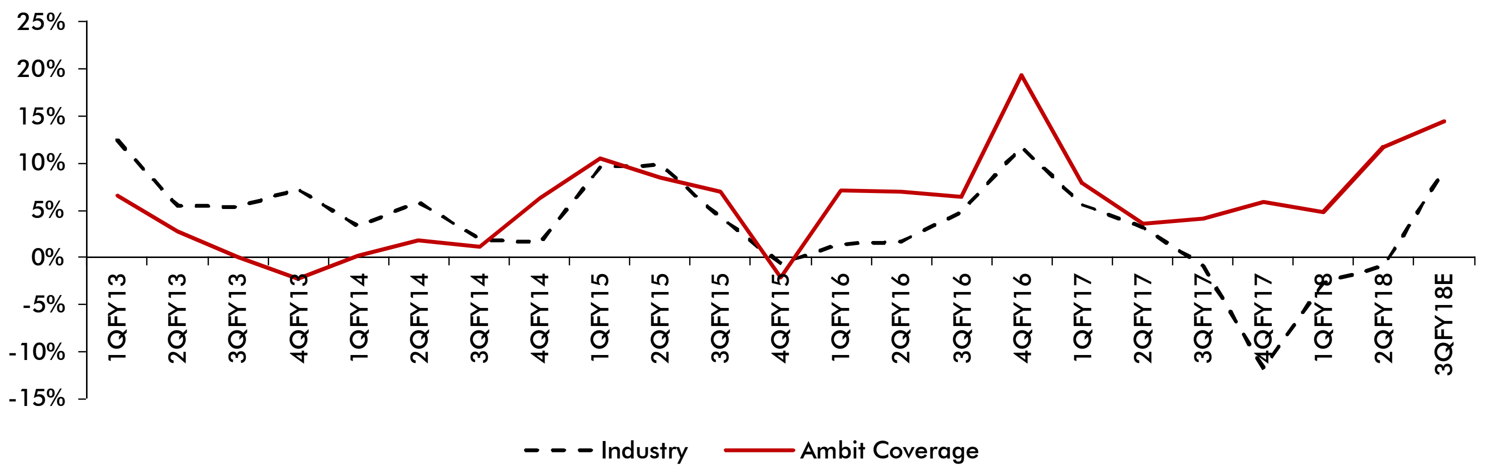
Source: Company, Ambit Capital research.

Exhibit 13: Detailed Dec17E quarterly estimates

Company	Dec-17E	Dec-16	Sep-17	YoY	QoQ	Comments
Dalmia Bharat Consol						
Cement despatches (mn tonnes)	3.8	3.6	3.6	5	3	Led by higher volumes in APT and East
Cement Realisation (₹/tonne)	4,962	4,886	4,964	2	(0)	Stable realisations compared to last year due to less despatches in Tamil Nadu and higher in East India.
Sales (₹ mn)	18,607	17,393	18,337	7	1	
EBITDA (₹ mn)	4,367	4,211	4,414	4	(1)	
EBITDA margin (%)	23.5	24.2	24.1	(74)	(60)	
EBITDA (₹/tonne)	1,160	1,183	1,195	(2)	(3)	Higher freight costs due to higher lead distance as demand in Tamil Nadu to be affected by rains and shortage of sand
PBT (₹ mn)	1,527	1,131	1,814	35	(16)	
PAT (₹ mn)	1,023	357	1,037	187	(1)	
EPS (₹)	11.5	4.0	11.7	186	(1)	
The Ramco Cement						
Cement despatches (mn tonnes)	2.1	2.0	2.2	6	(2)	Higher volume sold in the east India. Demand to be weak in Tamil Nadu due to rains and sand shortage
Cement Realisation (₹/tonne)	4,700	4,682	4,783	0	(2)	Stable realisations despite price growth in most market; as more volumes are pushed in East
Sales (₹ mn)	9,904	9,308	10,293	6	(4)	
EBITDA (₹ mn)	2,529	2,623	2,644	(4)	(4)	
EBITDA margin (%)	25.5	28.2	25.7	(265)	(16)	
EBITDA (₹/tonne)	1,200	1,319	1,229	(9)	(2)	Decline led by higher petcoke and freight cost
PBT (₹ mn)	2,019	2,040	2,197	(1)	(8)	
PAT (₹ mn)	1,575	1,519	1,685	4	(7)	
EPS (₹)	6.6	6.4	7.1	4	(7)	
Orient Cement						
Cement despatches (mn tonnes)	1.45	1.25	1.31	16	11	Led by ramp-up in Gulbarga plant and strong demand in APT and Karnataka
Cement Realisation (₹/tonne)	4,067	3,632	3,996	12	2	Strong price growth compared to last year in Southern markets and Maharashtra
Sales (₹ mn)	5,898	4,565	5,231	29	13	
EBITDA (₹ mn)	1,049	456	746	130	41	
EBITDA margin (%)	17.8	10.0	14.3	780	352	
EBITDA (₹/tonne)	723	364	570	99	27	Higher EBITDA/t recovery due to strong realisations growth and lower overheads/t
PBT (₹ mn)	434	(180)	177	(340)	145	
PAT (₹ mn)	295	(117)	102	(351)	190	
EPS (₹)	1.4	(0.6)	0.5	(351)	190	

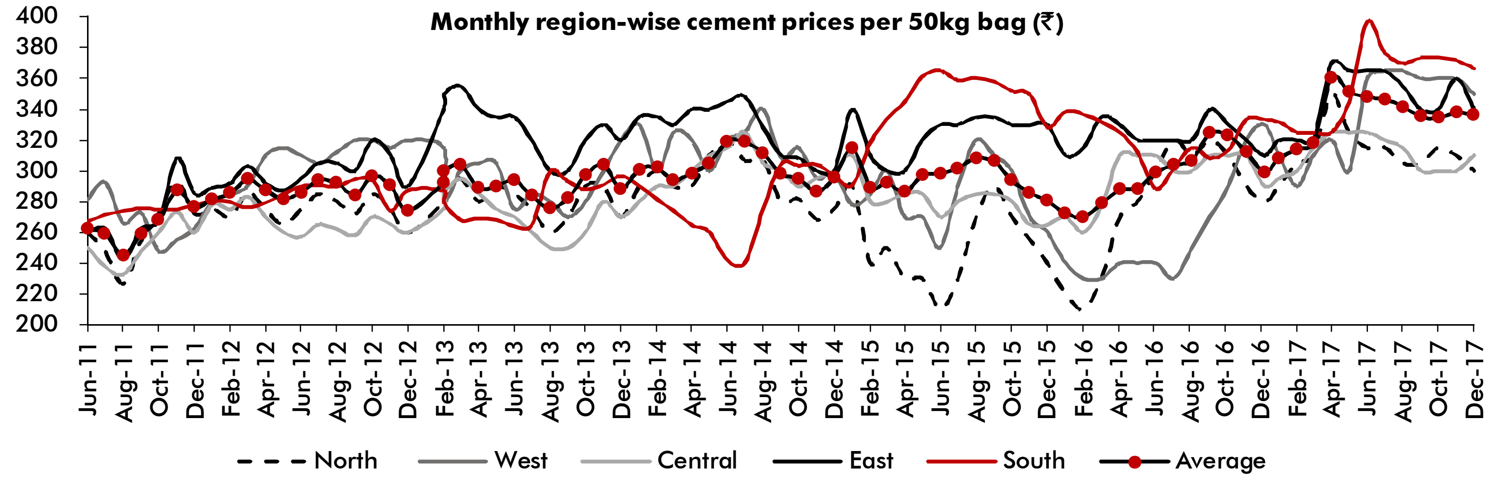
Source: Company, Ambit Capital research.

Exhibit 14: Volume growth



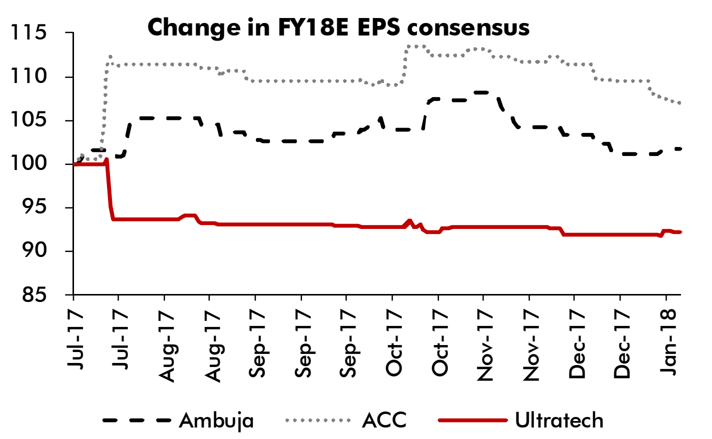
Source: Bloomberg; Note Ambit coverage includes Ultratech, ACC, Ambuja, Shree, Dalmia, Ramco and Orient

Exhibit 15: On an average for 3QFY18, Cement prices were up 8% YoY but flat sequentially



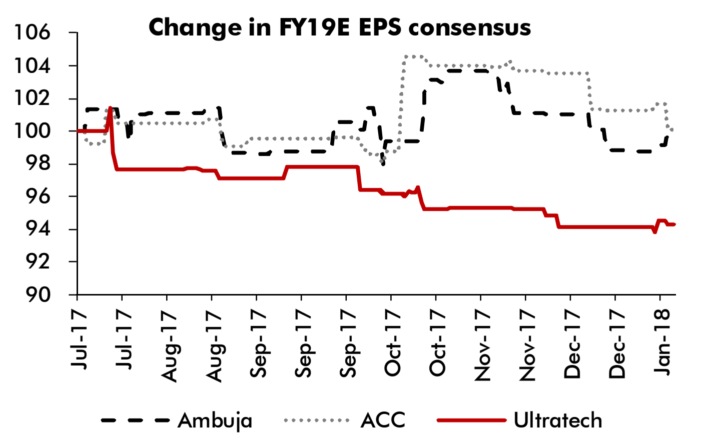
Source: Ambit Capital Research

Exhibit 16: Downward revision of earning estimates has started



Source: Bloomberg

Exhibit 17: 6% downward revision in Ultratech FY19 EPS



Source: Bloomberg

Consumer

A low base of last year (demonetisation), an uptick in volumes due to price cuts to pass on tax cuts from GST, a tapering impact of wholesale channel disruption and ramp-up of new launch pipeline will allow FMCG companies to enjoy high-teen top-line growth on a YoY basis. Whilst this growth looks substantial, we believe it will moderate in upcoming quarters as benefit of low base wanes. Given increased minimum support price (MSP), multi-year high rural wage inflation and good monsoons, rural growth should outpace urban growth benefiting companies that have higher rural salience. However, companies with a higher direct reach like HUL, ITC and Dabur will be able to drive higher sales growth given disruption in wholesale channel post GST. As MENA region stabilises with an increase in crude prices, we believe companies like Dabur and Emami with exposure to these areas will show an improved top-line growth.

We expect GMs to be flat in 3Q as input cost inflation cycle that started in 3Q last year gets into the base. Companies have been unable to take price hikes due to anti-profiteering clause in GST. We expect companies to have renewed their new launch pipeline as channel has started stabilising resulting in ramp up of their A&P spends which were earlier withheld due to channel disruption. Overall, we expect EBITDA margins to rise in 3Q due to operating leverage from pick-up in sales growth which should offset rise in A&P spends or GM pressures.

For the paints companies, channel checks suggest a ~10-11% increase in volumes, which coupled with price hikes of ~5% taken early in 4QFY17 and 1QFY18, should lead to top-line growth of ~16%. Whilst crude prices have been steadily increasing, we believe the impact on GM will be offset by two factors: aforementioned price hikes and base effect of high-cost inventory of last year. This combined with operating leverage should offset increase in A&P spends resulting in flattish EBITDA margins for Asian Paints and Berger.

In the alcobev space, we believe both USL and UB will witness double-digit volume growth due to channel re-stocking post re-opening of shops and bars as Supreme Court diluted its verdict on sale of alcohol near highways. Further, top-line growth may be boosted by price hikes in states, such as Andhra and Telangana. We expect continued mix improvement (more so for USL than for UB), price hikes mentioned above and operating leverage to result in margin gains of ~80/300bps for UB/USL.

Key recommendations: ITC, HUL and Britannia are our top BUYs. Given rural salience, HUL should gain as rural growth outpaces urban growth. HUL sales were also less impacted by GST-led wholesale channel disruption as it relied more on direct reach. We expect ITC to witness revival in growth in cigarette volumes as impact of price hikes is absorbed. FMCG sales should also pick up post wholesale channel disruption. 45% discount to the sector lends valuation comfort. Being an F&B play, we believe Britannia should gain from the share shift from the unorganised/unbranded segment to the branded segment, especially as it focuses on increasing reach in rural hinterlands.

Stock Performance

(%)	3-month	
	Absolute	Rel to Sensex
HUL	13.3	5.4
Dabur	14.3	6.4
GCPL	4.9	-3.0
Marico	2.6	-5.4
Britannia	7.6	-0.4
Nestle	8.0	-
GSK Consumer	27.2	19.3
Colgate	2.6	-5.4
Emami	20.7	12.7
ITC	-0.2	-8.2
Asian Paint	2.1	-5.8
Berger	2.2	-5.8
Hatsun	14.2	6.2
USL	66.2	58.2
UB	34.9	26.9

Dec'17E Quarterly EPS

(₹)	Ambit	Consensus
HUL	4.9	5.6
Dabur	2.0	1.95
GCPL	6.0	6.6
Marico	1.7	1.58
Britannia	21.6	22.5
Nestle	27.6	31.6
GSK Consumer	39.0	40.4
Colgate	5.7	NA
Emami	9.70	10.4
ITC	2.62	2.3
Asian Paint	5.9	5.8
Berger	1.30	1.23
Hatsun	2.10	2.35
USL	13.1	13.0
UB	2.1	3.67

FY18E EPS

(₹)	Ambit	Consensus
HUL	23.7	23.6
Dabur	8.3	7.9
GCPL	20.0	21.5
Marico	6.7	6.7
Britannia	81.8	84.7
Nestle	122.7	129.7
GSK Consumer	172.1	166.0
Colgate	24.2	NA
Emami	28.7	25.1
ITC	9.9	9.3
Asian Paint	20.6	22.2
Berger	4.8	4.9
Hatsun	11.0	10.8
USL	34.9	38.0
UB	12.1	13.9

Source: Ambit Capital research

Exhibit 18: Detailed Dec17E quarterly estimates

Company	Dec'17E	Dec'16	Sept'17	YoY	QoQ	Comments
Staples						
Britannia						
Sales (₹ mn)	27384	22820	25453	20%	8%	Britannia sales growth to be led by post-GST volume push
EBITDA (₹ mn)	3751	3126	3777	20%	-1%	EBITDA increase in line with sales increase; gains in GM to be re-invested in increased A&P spends
EBITDA margin (%)	*13.7%*	*13.7%*	*14.8%*	-	-114	
PBT (₹ mn)	3786	3201	3934	18%	-4%	PAT to grow by 18% YoY due to decline in other income
PAT (₹ mn)	2590	2204	2609	18%	-1%	
Dabur						
Sales (₹ mn)	22235	18529	19589	20%	14%	Dabur sales to benefit from MENA recovery due to rising crude prices; top-line growth driven by volume growth led by price cuts post GST
EBITDA (₹ mn)	4095	3339	4199	23%	-2%	EBITDA margin to improve by 40bps due to operating leverage and GM improvement of ~20bps
EBITDA margin (%)	*18.4%*	*18.0%*	*21.4%*	40	-302	
PBT (₹ mn)	4425	3697	4508	20%	-2%	PAT to increase by ~20%, in line with sales growth
PAT (₹ mn)	3540	2945	3629	20%	-2%	
Emami						
Sales (₹ mn)	8530	7260	6281	18%	36%	Growth in sales led by volume push post wholesale channel disruption on a low base
EBITDA (₹ mn)	3038	2585	2013	18%	51%	EBITDA margin gains to be flattish
EBITDA margin (%)	*35.6%*	*35.6%*	*32.1%*	-	356	
PBT (₹ mn)	2088	1723	1213	21%	72%	PAT margins to benefit from lower tax rate
PAT (₹ mn)	1649	1342	986	23%	67%	
Colgate						
Sales (₹ mn)	10145	8746	10849	16%	-6%	We expect sales to grow by ~16%, lesser than industry, as our interactions with company suggest that rural recovery has been lower for Colgate than peers and market-share losses continue
EBITDA (₹ mn)	2564	2141	3006	20%	-15%	EBITDA margins to improve by ~80bps due to operating leverage and flow-through effect of price hikes taken pre-GST
EBITDA margin (%)	25.3%	24.5%	27.7%	80	-243	
PBT (₹ mn)	2333	1908	2703	22%	-14%	PAT to grow by ~22%
PAT (₹ mn)	1563	1278	1776	22%	-12%	
Hatsun						
Sales (₹ mn)	10983	9468	10668	16%	3%	Improving milk procurement in Tamil Nadu and continued expansion in Maharashtra and AP/Telangana to drive sales growth
EBITDA (₹ mn)	1063	878	1052	21%	1%	Softening of milk prices combined with coming onstream of backward integrations like windmills and packaging unit to aid margin gains
EBITDA margin (%)	9.7%	9.3%	9.9%	40	-18	
PBT (₹ mn)	403	388	482	4%	-16%	PAT growth will be impacted by a low tax rate in the base
PAT (₹ mn)	314	288	382	9%	-18%	
HUL						
Sales (₹ mn)	90160	77060	83090	17%	9%	We expect HUL sales to grow by ~17% on the back of mix improvement, volume push post GST-led price cuts and relative market-share gains
EBITDA (₹ mn)	15958	13554	16820	18%	-5%	EBITDA to grow by 80bps on the back of operating leverage
EBITDA margin (%)	*17.7%*	*17.6%*	*20.2%*	11	-254	
PBT (₹ mn)	15783	13331	17650	18%	-11%	PAT to grow by ~19% in line with EBITDA
PAT (₹ mn)	10476	8849	12400	18%	-16%	
Marico						
Sales (₹ mn)	16859	14167	15363	19%	10%	We expect Marico to grow by ~19% largely on the back of price hikes taken to offset rising copra prices as volume growth might lag peers on lower channel re-stocking and rising prices
EBITDA (₹ mn)	3142	2724	2591	15%	21%	We expect continued GM hit of ~400bps; EBITDA margin to decline by ~40bps mainly led by fall in GM due to rise in copra prices
EBITDA margin (%)	*18.6%*	*19.2%*	*16.9%*	-59	177	
PBT (₹ mn)	3115	2698	2529	15%	23%	PAT to grow by ~17%, in line with EBITDA
PAT (₹ mn)	2213	1916	1850	15%	20%	
GSK Consumer						
Sales (₹ mn)	9894	9216	11153	7%	-11%	We expect a better 2H topline for GSK on the back of A&P initiatives taken by the company in H1; expected volume growth of ~7-8%
EBITDA (₹ mn)	2093	1677	2614	25%	-20%	EBITDA margins to increase by ~166bps; GM increase of ~30bps on the back of operating scale leverage; A&P spends to increase on the back of continued efforts
EBITDA margin (%)	21.2%	19.5%	23.4%	166	-229	
PBT (₹ mn)	2476	2059	2981	20%	-17%	Increase in PAT to be in line with rise in sales
PAT (₹ mn)	1641	1364	1924	20%	-15%	

Company	Dec'17E	Dec'16	Sept'17	YoY	QoQ	Comments
ITC						
Sales (₹ mn)	112751	92484	103141	22%	9%	Actual comparable sales growth difficult to ascertain given difference in tax regimes; topline to be led by resurgence in cigarette volumes and FMCG sales growth post-channel disruption
EBITDA (₹ mn)	43912	35464	37615	24%	17%	GM to increase to ~30bps due to operating leverage, EBITDA to improve by ~60bps YoY due to price hikes
EBITDA margin (%)	38.9%	38.3%	36.5%	60	248	
PBT (₹ mn)	48212	39542	39443	22%	22%	PAT and PBT growth to be in line with sales growth
PAT (₹ mn)	31820	26467	26398	20%	21%	
GCPL						
Sales (₹ mn)	27144	24022	25066	13%	8%	Topline to grow by 13% led by volume growth post price cuts
EBITDA (₹ mn)	5895	5168	5427	14%	9%	EBITDA growth marginally higher on a YoY basis
EBITDA margin (%)	21.7%	21.5%	21.6%	20	7	
PBT (₹ mn)	5260	4598	4829	14%	9%	PAT should grow by 13%, in line with EBITDA growth
PAT (₹ mn)	4075	3612	3769	13%	8%	
Nestle						
Sales (₹ mn)	26742	22663	25141	18%	6%	We expect sales revenue to grow by 18% on a low base and volume push post GST-led price cuts
EBITDA (₹ mn)	4520	3918	5840	15%	-23%	GM gains should be offset by increase in A&P spends
EBITDA margin (%)	16.9%	17.3%	23.2%	-38	-633	
PBT (₹ mn)	3832	3219	5178	19%	-26%	PAT should increase due to increase in other income
PAT (₹ mn)	2662	1944	3432	37%	-22%	
Paints						
Berger						
Sales (₹ mn)	13566	11746	12817	16%	6%	Berger sales should grow by ~16% led by volume growth of ~10-11% and price hike of ~5% taken in 1QFY18
EBITDA (₹ mn)	2120	1836	1991	16%	6%	EBITDA margin flattish YoY, in line with GM; impact on GM mitigated due to price hikes
EBITDA margin (%)	15.6%	15.6%	15.5%	-	9	
PBT (₹ mn)	1860	1601	1711	16%	9%	PAT should increase by 15% YoY in line with growth in sales
PAT (₹ mn)	1239	1078	1088	15%	14%	
Asian Paint						
Sales (₹ mn)	45473	39370	42652	15%	7%	Asian Paints' sales should grow by ~15% led by volume growth of ~10% and price hike of ~5% taken in 1QFY18
EBITDA (₹ mn)	8921	7763	8011	15%	11%	EBITDA margins should remain flattish YoY, in line with GM; impact on GM mitigated due to price hikes; A&P to increase in line with sales
EBITDA margin (%)	19.6%	19.7%	18.8%	-10	84	
PBT (₹ mn)	8581	7231	7569	19%	13%	PAT to increase by 19% YoY, higher than sales growth due to increase in other income
PAT (₹ mn)	5656	4766	5110	19%	11%	
Alco-Bev						
UB						
Sales (₹ mn)	10938	10222	12764	7%	-14%	Topline should benefit from low base and price hikes coming through states, such as Andhra Pradesh
EBITDA (₹ mn)	1457	1280	2219	14%	-34%	Margins should expand due to GM gain of 50bps and reduction in other expenditure
EBITDA margin (%)	13.3%	12.5%	17.4%	80	-407	
PBT (₹ mn)	830	759	1454	9%	-43%	PAT should grow by 13%, in line with EBITDA
PAT (₹ mn)	548	485	938	13%	-42%	
United Spirits						
Sales (₹ mn)	25289	24553	19513	3%	30%	Sales should increase by 3% YoY on the back of mix improvement
EBITDA (₹ mn)	3790	2935	3177	29%	19%	Despite low sales growth, EBITDA should increase YoY due to strong GM gains given franchising of popular brands and premiumisation
EBITDA margin (%)	15%	12.0%	16.3%	303	-130	
PBT (₹ mn)	2840	2056	2497	38%	14%	PAT to increase on the back of increasing financial deleverage as repayment of loans will reduce interest costs
PAT (₹ mn)	1903	1476	1675	29%	24%	

Source: Company, Ambit Capital research.

Consumer Discretionary

Apparel companies are expected to report moderate results despite most of the players holding "End of Season Sale" (EoSS) in December, similar to last year. This is largely due to split of festive season between 2Q (Dusshera) and 3Q (Diwali) unlike last year and e-tailers holding their EoSS in December. This should affect the apparel companies in our coverage (Arvind, ABFRL, Bata). Trent is expected to deliver a double-digit top-line growth despite not advancing its EoSS. Multiplex players are expected to deliver slightly disappointing top-line growth given postponement of a much anticipated release to the next quarter. Amusement industry continues to face footfall challenges posed by high GST rates (28%). Despite Diwali not being as prolific as expected for jewellers, wedding jewellery sales (decent buildup of weddings in December) are expected to deliver decent growth for players like Titan.

Ambit vs consensus: Our FY18 EPS estimates are broadly in line with consensus.

Key recommendations: We like PVR (BUY; TP: ₹1,708; upside: 17%), Titan (BUY; TP: ₹988; upside: 6%), Page (BUY; TP: ₹19,745; upside 0%) and Trent (BUY; TP: ₹344; upside: 0%) given their strong balance sheets and proven execution. We are SELLers of Jubilant FoodWorks (SELL; TP: ₹1,009; downside: 48%), Arvind (SELL; TP: ₹311; downside: 30%), Bata (SELL; TP: ₹382; downside: 50%) given the relatively weak franchise strength and immense competition from players in their respective categories.

Stock Performance

(%)	3-month Absolute	3-month Rel to Sensex
Titan	55	47
Trent	10	2
Bata	3	(5)
Jubilant	25	17
Arvind	16	8
ABFRL	10	2
PVR	11	3
Wonderla	11	3
Page	29	21
Avenue Supermarts	11	3

Dec'17E Quarterly EPS

(₹)	Ambit	Consensus
Titan	3.8	3.7
Trent	1.3	NA
Bata	4.2	3.6
Jubilant	6.3	7.0
Arvind	3.1	3.2
ABFRL	0.6	NA
PVR	7.2	9.7
Wonderla	2.1	1.8
Page	74.4	69.4
Avenue Supermarts	3.5	3.9

FY18E EPS

Company	Ambit	Consensus
Titan	12.6	13.2
Trent	3.9	3.7
Bata	16.2	15.9
Jubilant	19.5	22.8
Arvind	12.4	13.3
ABFRL	0.6	0.9
PVR	33.2	29.3
Wonderla	8.2	10.5
Page	321.8	296.2
Avenue Supermarts	12.1	12.1

Source: Ambit Capital research

Exhibit 19: Detailed Dec17E quarterly estimates

Company name	Dec'17E	Dec'16	Sept'17	YoY	QoQ	
Titan						
Sales (₹ mn)	43,938	38,675	33,785	14%	30%	Revenues should grow led by growth in wedding jewellery
EBITDA (₹ mn)	4,789	3,668	4,206	31%	14%	Expect EBITDA margin to expand due to operating leverage and GST-led margin gains
EBITDA margin (%)	10.9%	9.5%	12.4%			
PBT (₹ mn)	4,779	3,466	4,245	38%	13%	Expect PAT to expand due to higher EBITDA and higher other income
PAT (₹ mn)	3,393	2,531	3,056	34%	11%	
Trent						
Sales (₹ mn)	5,091	4,379	5,221	16%	-2%	Sales should grow by 16% led by like-to-like (LTL) growth of ~8%
EBITDA (₹ mn)	575	484	494	19%	17%	Expect EBITDA margin to expand due to operating leverage
EBITDA margin (%)	11.3%	11.1%	9.5%			
PBT (₹ mn)	529	484	494	9%	7%	PAT should expand due to trickle-down impact of EBITDA and higher other income
PAT (₹ mn)	418	372	290	12%	44%	
Bata						
Sales (₹ mn)	6,536	6,408	5,869	2%	11%	Expect revenues to expand by 2% as we expect weak LTL growth due to better performance of online players
EBITDA (₹ mn) *	831	785	645	6%	29%	Expect EBITDA margin to expand due to Input Tax Credit (ITC) benefits on account of GST
EBITDA margin (%)	12.7%	12.3%	11.0%			
PBT (₹ mn)	269	235	229	15%	17%	PAT is expected to decline YoY due to lower other income and higher tax
PAT (₹ mn)	546	594	429	-8%	27%	
Jubilant FoodWorks						
Sales (₹ mn)	7,351	6,588	7,266	12%	1%	Expect Sales to expand due to price hikes taken which will aid LTL growth
EBITDA (₹ mn)	923	640	1,022	44%	-10%	Expect EBITDA margin to expand due to benefits on account of ITC benefits and reduction in Dunkin losses
EBITDA margin (%)	12.6%	9.7%	14.1%			
PBT (₹ mn)	615	294	733	109%	-16%	PAT should expand due to lower depreciation
PAT (₹ mn)	412	199	485	107%	-15%	
Arvind						
Sales (₹ mn)	26,171	23,355	26,285	12%	0%	Sales is expected to expand led by >25% growth in branded apparel segment (including Tommy Hilfiger and CK).
EBITDA (₹ mn)	2,355	2,359	2,123	0%	11%	Expect EBITDA margin to contract due to shift in mix in favour of brands business and increase in cotton prices
EBITDA margin (%)	9.0%	10.1%	8.1%			
PBT (₹ mn)	1,107	1,058	926	5%	20%	Expect PAT to expand marginally due to higher other income and lower interest
PAT (₹ mn)	797	779	689	2%	16%	
Aditya Birla Fashion						
Sales (₹ mn)	19,536	17,072	18,040	14%	8%	Expect sales to expand on a favourable base; Madura and Pantaloons are expected to grow by ~15%
EBITDA (₹ mn)	1,504	869	930	73%	62%	EBITDA margin is expected to expand due to operating leverage and ITC benefits on account of GST
EBITDA margin (%)	7.7%	5.1%	5.2%			
PBT (₹ mn)	434	(124)	(100)	NA	NA	PAT should expand due to expansion of EBITDA
PAT (₹ mn)	434	(124)	(100)	NA	NA	
Page						
Sales (₹ mn)	6,662	5,287	6,257	26%	6%	Expect Sales to expand led by volume growth in leisurewear and womenswear
EBITDA (₹ mn)	1,326	991	1,285	34%	3%	EBITDA margin is expected to expand due to operating leverage
EBITDA margin (%)	19.9%	18.7%	20.5%			
PBT (₹ mn)	1,239	904	1,229	37%	1%	PAT should expand due to higher other income and flat depreciation
PAT (₹ mn)	830	629	841	32%	-1%	

Company name	Dec'17E	Dec'16	Sept'17	YoY	QoQ	
PVR						
Sales (₹ mn)	6,004	5,377	5,554	12%	8%	Sales should expand led by increase in F&B revenues and ad revenues
EBITDA (₹ mn)	1,028	890	905	16%	14%	EBITDA margin is expected to expand due to operating leverage
EBITDA margin (%)	17.1%	16.5%	16.3%			
PBT (₹ mn)	508	363	393	40%	29%	Expect PAT to increase due to expansion in EBITDA
PAT (₹ mn)	335	235	253	43%	32%	
Wonderla						
Sales (₹ mn)	769	701	494	10%	56%	Expect sales to increase by 10% led by increase in F&B revenues
EBITDA (₹ mn)	256	133	111	92%	130%	EBITDA margin is expected to expand due to lower net sales value, ITC benefits on account of GST and operating leverage
EBITDA margin (%)	33.3%	19.0%	22.5%			
PBT (₹ mn)	174	63	36	174%	382%	PAT should expand due to increase in EBITDA
PAT (₹ mn)	116	42	23	176%	395%	
Avenue Supermarts						
Sales (₹ mn)	42,206	33,394	35,083	26%	20%	Sales is expected to expand led by LTL growth and new store growth
EBITDA (₹ mn)	3,733	2,883	3,179	29%	17%	Expect EBITDA margin to expand due to lower net sales value and ITC benefits on account of GST
EBITDA margin (%)						
PBT (₹ mn)	3,340	2,344	2,930	43%	14%	Expect PAT to expand due to lower interest
PAT (₹ mn)	2,205	1,519	1,910	45%	15%	

Source: Company, Ambit Capital research.

E&C/ Infrastructure

Main focus in 3QFY18 earnings for contractors will be potential improvement in order inflow and execution momentum as the effect of GST wears off. A small impact of demonetisation in 3QFY17 should further aid growth pegs. L&T's contracting division, a reasonable proxy for the Indian E&C sector should witness double-digit growth (13% vs single-digit in the previous quarter). Order inflow momentum and commentary should be bullish. Recovery in working capital post the GST impact may be sluggish. Earnings growth remains more than 20% for most companies in this space. Strong order book, financial leverage and the Government's capex focus are likely to sustain earnings growth in FY19 as well. However, valuations have taken another step-up and the expensive multiples may begin to taper as we move through the cycle. BEL remains our top pick in the sector.

Key recommendations: Revenue growth led by higher Government ordering has not yet fully materialised. Bharat Electronics is our top pick since we expect the company to surprise positively on revenue growth in FY18. Avoid companies that have high expectations baked in in terms of either order inflows (Engineers India) or execution (NBCC).

Stock Performance

(%)	3-month	
	Absolute	Rel to Sensex
L&T	17	9
PWGR	0	(8)
BEL	10	2
NBCC	15	7
AIAE	11	3
EIL	33	25
SADE	42	34
VATW	6	(2)
TEEC	18	10

Dec'17E Quarterly EPS

(₹)	Ambit	Consensus
L&T	11.0	7.5
PWGR	4.1	4.3
BEL	1.2	NA
AIAE	9.4	NA
EIL	1.4	NA
SADE	3.6	3.6
VATW	8.7	NA
TEEC	4.4	NA
NBCC	1.2	NA

FY18E EPS

(₹)	Ambit	Consensus
L&T	52	49
PWGR	17	17
BEL	8	7
NBCC	4	5
AIAE	42	42
EIL	6	6
SADE	5	5
VATW	35	33
TEEC	21	19

Source: Ambit Capital research

Exhibit 20: Detailed Dec17E quarterly estimates

Company	Dec-17	Dec-16	YoY	Sep-17	QoQ	Comments
Larsen & Toubro (Consolidated)						
Sales (₹ mn)	291.0	262.9	11%	264.5	10%	▪ Core contracting business growth of 13% driven by the infrastructure segment. Improvement in order inflow momentum
EBITDA (₹ mn)	29.4	25.4	16%	29.6	-1%	
EBITDA margin (%)	10.1%	9.6%	50 bps	11.2%	-110 bps	▪ Core business EBITDA margin expansion witnessed in 2QFY18 to sustain
PBT (₹ mn)	24.6	16.8	47%	26.7	-8%	▪ PBT to grow due to sharp improvement in other income and strong EBITDA growth
PAT (₹ mn)	15.4	9.7	58%	18.2	-15%	
Power Grid Corp (standalone)						
Sales (₹ mn)	75.4	66.3	14%	72.5	4%	▪ Capitalisation momentum to sustain leading to a double-digit growth
EBITDA (₹ mn)	67.1	59.6	13%	64.7	4%	▪ EBITDA margin to largely remain steady
EBITDA margin (%)	89.0%	89.9%	-90 bps	89.3%	-30 bps	
PBT (₹ mn)	27.3	25.1	9%	26.1	5%	▪ Core RoE in line with previous quarters and growth to taper to low double digits
PAT (₹ mn)	21.7	19.4	12%	20.6	5%	
Bharat Electronics (standalone)						
Sales (₹ mn)	21.8	20.4	7%	24.8	-12%	▪ Strong growth in 1HFY18 means top-line growth for the rest of the year will remain in single digits
EBITDA (₹ mn)	3.8	4.8	-21%	6.0	-36%	
EBITDA margin (%)	17.5%	23.6%	-610 bps	24.0%	-650 bps	▪ EBITDA margin to decline due to higher employee cost provisioning
PBT (₹ mn)	3.8	5.0	-24%	5.9	-35%	
PAT (₹ mn)	2.7	3.7	-28%	4.1	-35%	▪ Lower EBITDA and lower other income leads to lower PAT
NBCC						
Sales (₹ mn)	19.7	14.3	38%	13.3	48%	▪ Growth led by 25% growth in the core PMC business as key projects kick off; ▪ HSCL aids further growth
EBITDA (₹ mn)	1.4	0.8	78%	0.9	60%	▪ EBITDA margin expansion on the back of uptick in execution and low base
EBITDA margin (%)	7.0%	5.4%	160 bps	6.5%	50 bps	
PBT (₹ mn)	1.7	1.0	73%	1.1	46%	▪ Strong EBITDA growth translates to strong PAT
PAT (₹ mn)	1.1	0.6	65%	0.8	35%	

Source: Company, Ambit Capital research

Exhibit 21: Detailed Dec17E quarterly estimates

Company	Dec-17	Dec-16	YoY	Sep-17	QoQ	Comments
AIA Engineering						
Sales (₹ mn)	6,148	5,901	4%	5,591	10%	▪ Top-line growth due to 5% growth in volumes and steady realisations
EBITDA (₹ mn)	1,475	1,728	-15%	1,124	31%	
EBITDA margin (%)	24.0%	29.3%	-530 bps	20.1%	390 bps	▪ Trend of sub-25% EBITDA margin to continue but improve vs the previous quarter as RM prices trace back
PBT (₹ mn)	1,505	1,773	-15%	1,166	29%	
PAT (₹ mn)	1,039	1,203	-14%	865	20%	▪ Lower EBITDA translates to lower PAT
Engineers India (standalone)						
Sales (₹ mn)	4,525	3,250	39%	4,291	5%	▪ Strong top-line growth led by the PMC segment; LSTK segment growth to recover due to ramp up in new projects
EBITDA (₹ mn)	942	809	16%	1,390	-32%	▪ The same quarter in the previous year had provision write-backs that are unlikely to recur.
EBITDA margin (%)	20.8%	24.9%	-410 bps	32.4%	-1160 bps	
PBT (₹ mn)	1,380	1,308	5%	1,793	-23%	▪ Other income to decline materially due to the impact of buyback on the cash balances
PAT (₹ mn)	911	850	7%	1,192	-24%	
Sadbhav Engineering (standalone)						
Sales (₹ mn)	9,946	8,648	15%	6,931	43%	▪ Growth momentum to sustain on the back of new road projects
EBITDA (₹ mn)	1,144	938	22%	788	45%	▪ Margins to expand led by later-stage execution of road EPC projects
EBITDA margin (%)	11.5%	10.8%	70 bps	11.4%	10 bps	
PBT (₹ mn)	626	505	24%	254	146%	
PAT (₹ mn)	626	524	19%	254	146%	▪ Higher EBITDA translates to better PAT
VA Tech Wabag						
Sales (₹ mn)	8,189	7,183	14%	8,865	-8%	▪ Execution momentum to sustain; APGENCO project will be the key focus area
EBITDA (₹ mn)	901	794	13%	775	16%	
EBITDA margin (%)	11.0%	11.1%	-10 bps	8.7%	230 bps	▪ Margins to sustain
PBT (₹ mn)	706	624	13%	590	20%	
PAT (₹ mn)	494	579	-15%	369	34%	▪ PAT decline due to lower tax rate in 3QFY17
Techno Electric (Consolidated)						
Sales (₹ mn)	3,888	3,563	9%	2,542	53%	▪ Top-line growth mainly led by the EPC segment; focus should remain on inflows
EBITDA (₹ mn)	789	751	5%	768	3%	▪ Steady margin in each segment; decline led by the change in revenue mix
EBITDA margin (%)	20.3%	21.1%	-80 bps	30.2%	-990 bps	
PBT (₹ mn)	715	587	22%	711	1%	▪ Higher other income and lower interest cost to boost PAT growth
PAT (₹ mn)	501	407	23%	601	-17%	

Source: Company, Ambit Capital research.

Exhibit 22: Revisions ahead of the earnings season

	New Estimates		Old Estimates		Change		Comments
	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	
Larsen & Toubro							
Recommendation	**SELL**		**SELL**				
TP (₹)	1,125		1,125		0%		
Revenues (₹ bn)	1,197	1,319	1,197	1,319	0%	0%	We largely maintain our estimates
EBITDA (₹ bn)	135	150	138	152	-2%	-2%	
EBITDA margin (%)	11.3%	11.4%	11.5%	11.6%	-20 bps	-20 bps	
PBT (₹ bn)	116	130	119	133	-2%	-2%	
PAT (₹ bn)	81.5	90.9	78.4	87.7	4%	4%	Uptick in PAT estimates led by lower depreciation and higher other income
EPS (₹)	51.4	58.0	49.2	55.7	4%	4%	
Power Grid Corp							
Recommendation	**SELL**		**SELL**				
TP (₹)	220		215		2%		TP increases marginally due to quarterly roll-over
Revenues (₹ bn)	295	331	292	327	1%	1%	
EBITDA (₹ bn)	262	294	259	290	1%	1%	
EBITDA margin (%)	88.9%	88.9%	88.7%	88.8%	10 bps	10 bps	
PBT (₹ bn)	113.5	131.9	111.7	128.7	2%	2%	
PAT (₹ bn)	89.7	104.2	88.3	101.7	2%	2%	Marginal upgrade to earnings led by higher than expected capex in FY18E
EPS (₹)	17.1	19.9	16.9	19.4	2%	2%	
Bharat Electronics							
Recommendation	**BUY**		**BUY**				
TP (₹)	210		205		2%		TP increases marginally due to quarterly roll-over
Revenues (₹ bn)	106	122	106	122	0%	0%	We largely maintain our estimates
EBITDA (₹ bn)	20.0	22.7	20.2	22.9	-1%	-1%	
EBITDA margin (%)	18.8%	18.7%	19.0%	18.8%	-10 bps	-10 bps	
PBT (₹ bn)	21.9	24.9	22.1	25.0	-1%	-1%	
PAT (₹ bn)	16.6	18.8	16.7	18.9	-1%	-1%	
EPS (₹)	7.5	8.5	7.6	8.6	-1%	-1%	
Techno Electric							
Recommendation	**BUY**		**BUY**				
TP (₹)	425		420		1%		
Revenues (₹ mn)	14,818	16,853	14,764	18,154	0%	-7%	Cut in revenue estimates led by the EPC business
EBITDA (₹ mn)	3,220	3,522	3,165	3,671	2%	-4%	
EBITDA margin (%)	21.7%	20.9%	21.4%	20.2%	30 bps	70 bps	Margin estimates change due to change in revenue mix
PBT (₹ mn)	2,777	3,191	2,679	3,273	4%	-3%	
PAT (₹ mn)	2,376	2,735	2,277	2,775	4%	-1%	
EPS (₹)	21.0	24.3	20.1	24.6	4%	-1%	EPS boosted in FY18E by higher than expected wind revenue

Source: Company, Ambit Capital research

Media

Revival aided by a low base

The media sector is likely to exorcise the demonetisation demons as revenue growth improves from a low base. TV will see the sharpest advertising revenue recovery, followed by radio and print. ARPU trends for DTH operators will improve owing to reduced competition and weakening of DD Free Dish. InfoEdge's revenue growth should sharply rebound led by robust trends in 99Acres (online realty portal). We leave our estimates unchanged and remain bullish on local content businesses (Indian language print companies and radio). Commentaries on the FY19E outlook and advertiser sentiment are critical monitorables for the sector. We are BUYers of InfoEdge, DB Corp and Dish TV and SELLers of Hathway Cable, Justdial and Zee Entertainment.

Ambit vs consensus: We are aligned with the limited broker estimates available on Bloomberg.

Key recommendations:

We remain gung-ho about local content businesses, such as DB Corp and radio companies (Music Broadcast and ENIL). We expect advertisers to intensify local spends as they look to tap new markets due to improved access of networks and breakdown of barriers. Among internet companies, we are bullish on InfoEdge, which has a one of a kind success across multiple verticals and ability to redeploy robust recruitment cash flows across existing and new consumer internet businesses. We are SELLers of Justdial on account of its inability to adapt to the mobile internet ecosystem.

Stock Performance

(%)	3-month	
	Absolute	Rel to Sensex
DB Corp	(5.6)	(13.7)
Dish TV	18.6	10.5
Hathway	32.2	24.1
Zee Entertainment	12.5	4.4
InfoEdge	33.0	24.9
Justdial	39.9	31.8

Dec'17E Quarterly EPS

(₹)	Ambit	Consensus
DB Corp	6.9	7.0
Dish TV	(0.1)	0.3
Hathway	0.2	(0.3)
Zee Entertainment	3.8	4.4
InfoEdge	5.3	5.1
Justdial	3.9	5.2

FY18E EPS

(₹)	Ambit	Consensus
DB Corp	22.9	22.3
Dish TV	0.8	0.6
Hathway	0.7	(1.3)
Zee Entertainment	15.2	14.9
InfoEdge	23.1	21.8
Justdial	17.1	19.9

Source: Ambit Capital research

Exhibit 23: Detailed Dec17E quarterly estimates

Company	Dec'17E	Dec'16	Sept'17	YoY	QoQ	Comments
DB Corp						
Sales (₹ mn)	6,676	6,273	5,683	6%	17%	We expect print media advertising revenues to grow by 8% on account of improved bouyancy. We build in circulation growth of 7%. We expect stable margin trends for the company.
EBITDA (₹ mn)	2,079	1,982	1,399	5%	49%	
EBITDA margin (%)	31.1%	31.6%	24.6%	-46 bps	653 bps	
PBT (₹ mn)	1,916	1,771	1,207	8%	59%	
PAT (₹ mn)	1,278	1,181	787	8%	62%	
Dish TV						
Sales (₹ mn)	7,682	7,480	7,486	3%	3%	ARPU should improve to 3QFY17 levels driving revenue growth of 3% YoY. Our EBITDA estimates factor in increased content provisions as the company closes its contracts with major broadcasters. Given the delay in filing with the registrar of companies we're unsure of the company's financial reporting for the quarter.
EBITDA (₹ mn)	2,283	2,495	2,161	-9%	6%	
EBITDA margin (%)	29.7%	33.4%	28.9%	-364 bps	85 bps	
PBT (₹ mn)	(82)	429	(272)	-119%	-70%	
PAT (₹ mn)	(55)	267	(183)	-121%	-70%	
Hathway						
Sales (₹ mn)	1,377	NA	1,312		5%	We expect subscriber addition momentum to continue as the company expands broadband operations to new markets.
EBITDA (₹ mn)	573	NA	527		9%	
EBITDA margin (%)	41.6%		40.2%		148 bps	
PBT (₹ mn)	179	NA	140		28%	
PAT (₹ mn)	179	NA	140		28%	
Zee Entertainment						
Sales (₹ mn)	17,912	16,391	15,821	9%	13%	TV industry advertising grew by 13-14% in 3QFY18 rebounding on the low base of the demonetisation quarter. We expect ZEEL's ex-sports domestic ad revenue to grow at 17% led by market-share gains in Hindi. We expect increased operating costs owing to the release of Hindi movies and corporate rebranding spends.
EBITDA (₹ mn)	5,398	5,158	4,912	5%	10%	
EBITDA margin (%)	30.1%	31.5%	31.0%	-133 bps	-91 bps	
PBT (₹ mn)	5,569	4,630	6,381	20%	-13%	
PAT (₹ mn)	3,691	2,508	5,912	47%	-38%	
InfoEdge						
Sales (₹ mn)	2,162	1,861	2,252	16%	-4%	We expect InfoEdge's revenue growth to revive led by robust growth in 99Acres from a low base.
EBITDA (₹ mn)	717	471	888	52%	-19%	
EBITDA margin (%)	33.2%	25.3%	39.4%	788 bps	-627 bps	
PBT (₹ mn)	970	658	1,056	47%	-8%	
PAT (₹ mn)	650	471	786	38%	-17%	
Justdial						
Sales (₹ mn)	1,960	1,803	1,945	9%	1%	We expect robust EBITDA growth in Justdial as the company's revenue growth remains steady at 8%. We build in increase in employee and advertising costs.
EBITDA (₹ mn)	312	224	396	39%	-21%	
EBITDA margin (%)	15.9%	12.4%	20.4%	350 bps	-442 bps	
PBT (₹ mn)	412	383	503	8%	-18%	
PAT (₹ mn)	276	296	375	-7%	-26%	

Source: Company, Ambit Capital research.

NBFCs

Strong pick-up in auto sales (specifically CVs), amplified by last year's low base (demonetisation), will drive over 30% EPS growth for auto-NBFCs in our coverage. HFCs' earnings should slow down further (sub-10%) due to: (i) slowdown in growth due to RERA, increasing competition from banks, and moderating growth in real estate prices; (ii) declining spreads as increase in wholesale rates (up 80bps in past 3 months) coincides with pricing cuts by banks on home loans; and (iii) further rise in credit cost (increasing over the past two years) due to the rising share of riskier loans. SME financers' earnings growth should also revive, somewhat in line with auto-NBFCs. Valuation gap of auto-NBFCs with HFCs (20%) should converge on superior earnings performance of the former. BUY CIFC and SELL LICHF.

Ambit versus consensus: Growth, margins and asset quality will be the key metrics to watch out for. Auto-NBFCs' should witness the best earnings over the past 5 quarters, whereas HFCs should see worsening of results. Our earnings estimates range widely from –10% to +12% vis-à-vis consensus.

Key recommendations – BUY CIFC; SELL LICHF: Amongst the auto-NBFCs, we prefer CV financers since the growth recovery therein has been stronger. CIFC is the highest conviction play herein (21% EPS CAGR at 20x one-year forward EPS). Lofty valuations of HFCs (65% above historical average and 50-60% above NBFCs and private banks) don't factor in prospects of sub-10% earnings growth due to the headwinds mentioned above; LICHF being our highest conviction SELL this quarter (1% EPS growth, ~5% below consensus).

Stock Performance

(%)	3-month	
	Absolute	Rel to Sensex
LIC Hou Finance	(12)	(20)
M & M Finance	16	8
Magma Fincorp	(3)	(11)
Bajaj Finance	(3)	(11)
SCUF	2	(7)
Motilal Oswal	11	3
Chola	20	12
HDFC	(2)	(10)

FY18E EPS

(₹)	Ambit	Consensus
LIC Hou. Finance	42.4	41.7
M & M Finance	14.1	17.7
Magma Fincorp	9.6	8.9
Bajaj Finance	44.1	45.6
MOFS	44.5	44.5
CIFC	58.5	58.5
HDFC	70.7	56.2

Exhibit 24: Detailed Dec'17 quarterly estimates

Company name	Dec'17E	Dec'16	Sep'17	YoY	QoQ	Comment
HDFC						
Net Interest Income (₹ mn)	27,702	24,446	24,261	13%	14%	Pressure on margins with slowing growth will lead to muted core PAT growth of 10%. However, investment gains from HDFC Life IPO will lead to 189% PAT growth.
Operating Profit (₹ mn)	80,257	25,174	28,174	219%	185%	
Operating margin (%)	290%	103%	116%			
PBT (₹ mn)	63,291	24,004	27,224	164%	132%	
PAT	45,332	15,704	19,164	189%	137%	
LIC Housing Finance						
Net Interest Income (₹ mn)	9,244	9,154	8,875	1%	4%	Pressure on margins (down 35bps) with slowing growth will lead to flat PAT at 1% YoY growth.
Operating Profit (₹ mn)	8,148	8,109	8,059	0%	1%	
Operating margin (%)	88%	89%	91%			
PBT (₹ mn)	7,679	7,656	7,481	0%	3%	
PAT	5,021	4,993	4,891	1%	3%	
Bajaj Finance						
Net Total Income (₹ mn)	24,641	17,489	19,586	41%	26%	38% YoY AUM growth with expanding NIMs (benefit of recent capital raise) and moderate operating leverage should lead to 40% YoY operating profit growth. However, moderate increase in credit costs (~20bps YoY) would imply 36% YoY PAT growth.
Operating Profit (₹ mn)	14,405	10,297	10,833	40%	33%	
Operating margin (%)	58%	59%	55%			
PBT (₹ mn)	11,562	8,500	8,555	36%	35%	
PAT	7,558	5,557	5,569	36%	36%	
Magma Fincorp						
Net Interest Income (₹ mn)	3,038	3,085	3,034	-2%	0%	Declining AUM (down 13%) should lead to topline declining by 2% YoY. However, with decreasing credit costs, PAT should increase by 43% YoY.
Operating Profit (₹ mn)	1,540	1,611	1,545	-4%	0%	
Operating margin (%)	51%	52%	51%			
PBT (₹ mn)	781	564	796	38%	-2%	
Consol. PAT	530	372	487	43%	9%	
M&M Finance						
Net Interest Income (₹ mn)	9,163	7,463	9,110	23%	1%	Moderately improving growth (15% YoY) and margins (up 53bps) should result in 23% revenue growth. Decreasing credit costs (down 130bps YoY) combined with low base should see 14x increase in PAT.
Operating Profit (₹ mn)	5,401	3,949	5,636	37%	-4%	
Operating margin (%)	59%	53%	62%			
PBT (₹ mn)	2,164	(241)	1,190	-997%	82%	
Consol. PAT	1,821	117	1,007	1453%	81%	
Motilal Oswal Financial Services						
Total Income (₹ mn)	6,324	2,791	5,132	127%	23%	We expect MOFS's total income (ex-HFC) to increase by 23% QoQ driven by 44% QoQ growth in brokerage revenues and 22% QoQ growth in AMC revenues. HFC PAT should struggle at 7% QoQ growth. Assuming that booking of gains on investments continue at the rate of previous quarters, consolidated PAT should grow at 26% QoQ.
Operating Profit (₹ mn)	2,593	1,015	2,027	155%	28%	
Operating margin (%)	41%	36%	40%			
PBT (₹ mn)	2,340	940	1,956	149%	20%	
Consol. PAT	1,807	872	1,438	107%	26%	
CIFC						
Net Interest Income (₹ mn)	7,633	6,040	7,392	26%	3%	16% YoY AUM growth with expanding NIMs (up 70bps) and stable asset quality should lead to 34% YoY PAT growth.
Operating Profit (₹ mn)	4,375	3,520	4,304	24%	2%	
Operating margin (%)	57%	58%	58%			
PBT (₹ mn)	3,258	2,517	3,472	29%	-6%	
Standalone PAT	2,183	1,633	2,273	34%	-4%	
SCUF						
Net Interest Income (₹ mn)	9,113	7,624	8,725	20%	4%	17% YoY AUM growth with improving NIMs (by 20bps YoY) and asset quality (credit costs down by ~40bps) should lead to 44% YoY PAT growth from a very low base of last year.
Operating Profit (₹ mn)	5,581	4,653	5,412	20%	3%	
Operating margin (%)	61%	61%	62%			
PBT (₹ mn)	3,393	2,412	3,041	41%	12%	
PAT	2,273	1,577	1,983	44%	15%	

Source: Company, Ambit Capital research

Exhibit 25: Revisions ahead of earnings season

	New Estimates		Old Estimates		Change		Comments
	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	
LIC HF							
Recommendation	SELL		SELL				Roll-forwards lead to a marginal upgrade in our EVA-based valuation.
TP (₹)	**518**		**499**		4%		
Net Revenues (₹mn)	41,297	44,738	41,297	44,738	0%	0%	
Operating Profit (₹mn)	34,099	36,255	34,099	36,255	0%	0%	
Operating margin (%)	83%	81%	83%	81%			
PBT (₹mn)	31,919	33,424	31,919	33,424	0%	0%	
PAT (₹mn)	21,386	22,394	21,386	22,394	0%	0%	
EPS (₹)	42.4	44.4	42.4	44.4	0%	0%	
Bajaj Finance							
Recommendation	SELL		SELL				Roll-forwards lead to a marginal upgrade in our EVA-based valuation.
TP (₹)	**934**		**900**		4%		
Net Revenues (₹mn)	86,882	114,532	86,882	114,532	0%	0%	
Operating Profit (₹mn)	50,175	68,182	50,175	68,182	0%	0%	
Operating margin (%)	58%	60%	58%	60%			
PBT (₹mn)	37,116	49,736	37,116	49,736	0%	0%	
PAT (₹mn)	24,868	33,323	24,868	33,323	0%	0%	
EPS (₹)	44.1	59.2	44.1	59.2	0%	0%	
Magma Fincorp							
Recommendation	SELL		SELL				Improved rural outlook drives improvement in our credit cost estimates, driving 17% upgrades to our FY18 EPS. Combined with roll forwards, this leads to 6% upgrade in our EVA-based valuation.
TP (₹)	**118**		**111**		6%		
Net Revenues (₹mn)	12,504	13,488	12,504	13,488	0%	0%	
Operating Profit (₹mn)	6,584	7,728	6,584	7,728	0%	0%	
Operating margin (%)	53%	57%	53%	57%			
PBT (₹mn)	3,495	4,797	3,007	4,969	16%	-3%	
PAT (₹mn)	2,341	3,214	2,014	3,329	16%	-3%	
EPS (₹)	9.6	13.3	8.2	13.8	17%	-4%	
M&M Finance							
Recommendation	SELL		SELL				We expect most of the credit costs to hit MMFS' earnings in FY18 rather than FY19. We realign our credit costs estimates, and hence cut FY18 EPS estimates by 19% and upgrade FY19 EPS estimates by 19%.
TP (₹)	**294**		**284**		3%		
Net Revenues (₹mn)	39,729	47,758	39,447	46,323	1%	3%	
Operating Profit (₹mn)	24,243	30,095	23,961	28,108	1%	7%	
Operating margin (%)	61%	63%	61%	61%			
PBT (₹mn)	9,980	18,605	12,333	15,658	-19%	19%	
PAT (₹mn)	6,466	12,053	7,990	10,144	-19%	19%	
EPS (₹)	14.1	24.6	16.8	21.3	-16%	15%	
HDFC							
Recommendation	SELL		SELL				Earnings upgrades are largely driven by ₹54bn of investment gains on the back of HDFC Life IPO. Valuation upgrades are mostly driven by roll-forwards.
TP (₹)	**1485**		**1402**		6%		
Net Revenues (₹mn)	105,218	113,901	104,755	112,932	0%	1%	
Operating Profit (₹mn)	163,833	123,462	118,531	127,112	38%	-3%	
Operating margin (%)	156%	108%	113%	113%			
PBT (₹mn)	158,379	116,115	113,214	119,800	40%	-3%	
PAT (₹mn)	115,203	86,967	83,866	89,524	37%	-3%	
EPS (₹)	70.7	53.4	51.5	55.0	37%	-3%	

	New Estimates		Old Estimates		Change		Comments
	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	
Motilal Oswal Financial Services							
Recommendation	BUY		BUY				
TP (₹)	**1531**		**1476**		4%		
Net Revenues (₹mn)	21,064	27,777	20,652	26,821	2%	4%	Roll-forwards lead to a marginal upgrade in our EVA-based valuation.
PBT (₹mn)	7,745	10,984	7,567	10,478	2%	5%	
PAT (₹mn)	6,415	9,124	6,438	9,331	0%	-2%	
EPS (₹)	44.5	63.4	44.7	64.8	0%	-2%	
Shriram City Union Finance							
Recommendation	SELL		SELL				
TP (₹)	**2147**		**2069**		4%		
Net Revenues (₹mn)	33,404	38,087	33,404	38,087	0%	0%	
Operating Profit (₹mn)	20,449	23,431	20,449	23,431	0%	0%	Roll forwards lead to 4% upgrade in our EVA-based valuation.
Operating margin (%)	61%	62%	61%	62%			
PBT (₹mn)	8,952	11,324	8,952	11,324	0%	0%	
PAT (₹mn)	5,998	7,587	5,998	7,587	0%	0%	
EPS (₹)	91.0	115.1	91.0	115.1	0%	0%	

Source: Company, Ambit Capital research

Oil & Gas

OMCs' marketing margins (ex-inventory gains) are expected to be weaker sequentially given limited pricing actions to mitigate increase in crude price. Further, benchmark refinery margins also declined sequentially ($6.5/bbl in 3QFY18 vs $7.3/bbl in 2QFY18). However, this would be offset by inventory gains because of the increase in crude price. Gas consumption in India and imports should grow by 8-10% YoY and 15-17% YoY respectively in 3QFY18. This would benefit gas transmission volumes of GAIL and re-gasification volumes of PLNG. GAIL's petrochemical plant operated at close to full capacity but the profitability would be lower sequentially as the plant has still not stabilised. Profitability of GAIL's liquid hydrocarbon segment would increase due to widening of LPG spreads. Among CGD players, IGL's volume growth (14% YoY) is expected to be higher than MGL's (5% YoY). CGD companies have taken adequate price hikes to mitigate the rise in domestic gas prices but some marginal QoQ decline in margins is anticipated due to increase in operating expenses.

GAIL is our top pick

Our top pick in the sector is GAIL (TP: ₹580, 17% upside) due to normalisation of RoCE of the gas transmission after implementation of unified tariff and improvement in operating performance of gas marketing segment, petrochemical segment and liquid hydrocarbon segment given recent increase in crude oil prices. Click here for our recent upgrade note.

Ambit vs consensus:

Based on limited consensus data for 3QFY18, our earnings estimates are ahead of consensus for GAIL, IOCL and PLNG and lower than consensus for BPCL, HPCL, IGL and MGL.

Stock Performance

(%)	3-month	
	Absolute	Rel to Sensex
BPCL	1.6	(6.5)
GAIL	14.7	6.6
HPCL	(4.7)	(12.8)
IGL	14.6	6.5
IOCL	(5.6)	(13.7)
MGL	0.6	(7.5)
Petronet LNG	5.7	(2.4)

Dec'17E Quarterly EPS

(₹)	Ambit	Consensus
BPCL	9.0	14.3
GAIL	7.2	7.1
HPCL	11.2	11.2
IGL	3.1	3.2
IOCL	16.9	10.3
MGL	12.0	12.9
Petronet LNG	3.7	4.5

FY18E EPS

(₹)	Ambit	Consensus
BPCL	31.1	38.4
GAIL	28.3	27.8
HPCL	36.6	38.0
IGL	10.8	12.4
IOCL	47.1	40.5
MGL	48.6	49.7
Petronet LNG	13.6	13.4

Source: Ambit Capital research

Exhibit 26: Detailed Dec17E quarterly estimates

Company	Dec'17E	Dec'16	Sept'17	YoY	QoQ	Comments
BPCL						
Sales (₹ mn)	653,756	535,427	22%	533,252	23%	Petroleum products' volume should grow by 2% YoY and 3% QoQ. Rest of the increase is led by diesel and petrol price hikes and increase in prices of other petroleum products.
EBITDA (₹ mn)	29,852	33,165	-10%	35,276	-15%	Blended GRM would increase led by partial stabilisation of the Kochi refinery. This would be offset to some extent by lower benchmark GRMs QoQ (flat YoY).
EBITDA margin (%)	4.6%	6.2%	(163)	6.6%	(205)	The marketing margins of Diesel and Petrol declined during the quarter as the increase in products' prices were not fully passed onto the customers. Hence, blended marketing margins will be lower QoQ and YoY. Lower GRMs and marketing margins will be offset by inventory gains.
PBT (₹ mn)	28,618	32,491	-12%	34,526	-17%	Lower 'other income' because of MTM losses would result in PBT and PAT declining more than EBITDA QoQ. On a YoY basis, PBT and PAT would decline more than EBITDA because of lower 'other income' and higher tax rate respectively.
PAT (₹ mn)	19,540	22,719	-14%	23,574	-17%	
GAIL						
Sales (₹ mn)	139,187	121,324	15%	124,097	12%	On a QoQ basis, gas transmission volumes would remain flat as the decline in gas demand by power sector is off-set by higher demand from other sectors. However, it would still be 3% higher YoY. Gas marketing volume is expected to remain flat YoY. Petrochemical plant is expected to operate close to full capacity (up 37% YoY and 14% QoQ). Balance of the revenue growth is driven by increase in crude oil prices, which benefits gas marketing, petrochemical and liquid hydrocarbon segments.
EBITDA (₹ mn)	21,035	17,261	22%	20,694	2%	Gas transmission margins will decline QoQ as they normalise from the highs of 2QFY18. Gas marketing margins would also decline QoQ because of increase in gas prices. However, in both the segments, margins would still be higher YoY. Petrochemical segment margins would also decline QoQ as the operations have yet not stabilised in PATA-II. Liquid hydrocarbon segment on the other hand to benefit from widening of LPG spreads QoQ and YoY.
EBITDA margin (%)	15.1%	14.2%	89	16.7%	(156)	
PBT (₹ mn)	18,042	14,836	22%	19,273	-6%	Lower 'other income' because of MTM losses would result in PBT and PAT declining more than EBITDA. Higher EBITDA to flow through PBT YoY, further, lower tax rate to result in PAT growing faster than PBT.
PAT (₹ mn)	12,260	9,829	25%	13,096	-6%	
HPCL						
Sales (₹ mn)	569,771	485,556	17%	475,226	20%	Petroleum products' volume should grow by 3% YoY and 6% QoQ. Rest of the increase is led by diesel and petrol price hikes and increase in prices of other petroleum products.
EBITDA (₹ mn)	29,150	30,836	-5%	29,056	0%	GRMs should improve sequentially from the lows of 2QFY18, but still lower than 1QFY18 because of lower benchmark GRMs.
EBITDA margin (%)	5.1%	6.4%	(123)	6.1%	(100)	HPCL to be the most impacted because of decline in marketing margins of petrol and diesel. Inventory gains will offset some portion of the decline in the marketing margin.
PBT (₹ mn)	25,360	26,849	-6%	25,882	-2%	Lower 'other income' because of MTM losses would result in PBT and PAT declining as compared to flat EBITDA QoQ. On a YoY basis, PBT would decline more than EBITDA because of lower 'other income'.
PAT (₹ mn)	16,997	17,809	-5%	17,347	-2%	
IGL						
Sales (₹ mn)	11,593	9,467	22%	11,261	3%	Volume growth to remain elevated at 14% YoY, which translates into flat QoQ volume. Balance increase is led by price hikes undertaken to offset the increase in gas cost.
EBITDA (₹ mn)	2,768	2,470	12%	2,816	-2%	Higher domestic gas and LNG prices would result in a marginal decline in the sequential EBITDA/scm. Hence, inspite of favourable operating leverage, EBITDA would decline QoQ.
EBITDA margin (%)	23.9%	26.1%	(222)	25.0%	(113)	
PBT (₹ mn)	2,535	2,144	18%	2,612	-3%	Sequentially, lower EBITDA should flow through PBT. On a QoQ basis, lower tax rate should result in PAT increasing inspite of decline in PBT. On a YoY basis, higher 'other income' should result in PBT and PAT growing faster than EBITDA.
PAT (₹ mn)	1,724	1,448	19%	1,689	2%	

Company	Dec'17E	Dec'16	Sept'17	YoY	QoQ	Comments
IOCL						
Sales (₹ mn)	1,153,622	931,167	24%	905,667	27%	Petroleum products' volume should grow by 1% YoY and 8% QoQ. Rest of the increase would be led by diesel and petrol price hikes and increase in the prices of other petroleum products.
EBITDA (₹ mn)	140,920	79,486	77%	73,733	91%	Further improvement in the operations of the Paradip refinery would result in higher GRM for the quarter inspite of decline in benchmark GRMs QoQ.
EBITDA margin (%)	12.2%	8.5%	368	8.1%	407	Among the OMCs, IOCL is the least impacted because of decline in marketing margins of petrol and diesel. Hefty inventory gains will more than offset the decline in the marketing margin.
PBT (₹ mn)	121,611	61,907	96%	54,914	121%	Depreciation and financial leverage would increase PBT and PAT higher than EBITDA QoQ and YoY.
PAT (₹ mn)	81,857	39,949	105%	36,963	121%	
MGL						
Sales (₹ mn)	5,460	5,043	8%	5,338	2%	Volume growth should remain muted at 5% YoY or flat QoQ. Balance increase would be led by price hikes undertaken to offset the increase in gas cost.
EBITDA (₹ mn)	1,930	1,672	15%	2,003	-4%	Higher domestic gas and LNG prices would result in a marginal decline in the sequential EBITDA/scm.
EBITDA margin (%)	35.3%	33.1%	220	37.5%	(217)	
PBT (₹ mn)	1,796	1,544	16%	1,883	-5%	Lower 'other income' QoQ should result in PBT and PAT decreasing more than EBITDA. Higher EBITDA YoY should flow through PBT and decline in tax rate YoY should result in PAT growing higher than PBT.
PAT (₹ mn)	1,190	990	20%	1,248	-5%	
PLNG						
Sales (₹ mn)	104,594	62,993	66%	77,702	35%	QoQ volume growth to be lower than India's LNG imports as Dabhol terminal re-started and more volumes were captured by Shell Hazira terminal in 3QFY17. This results in volume growth of 12% YoY.
EBITDA (₹ mn)	8,713	6,071	44%	8,987	-3%	On a YoY basis, EBITDA/MMBTU to benefit from favourable operating leverage. On a QoQ basis, EBITDA/MMBTU is expected to decline as the 'other expenses' normalise from the lows of 2QFY18.
EBITDA margin (%)	8.3%	9.6%	(131)	11.6%	(324)	
PBT (₹ mn)	8,083	5,095	59%	8,504	-5%	On a QoQ basis, lower 'other income' should result in PBT and PAT decreasing more than EBITDA. Higher 'other income' YoY should result in PBT growing faster than EBITDA. However, this would be offset by higher tax rate YoY.
PAT (₹ mn)	5,596	3,975	41%	5,888	-5%	

Source: Company, Ambit Capital research

Telecom

IUC cut and woeful pricing

Incumbent telcos like Airtel, Idea and Vodafone will witness sharp revenue decline due to a combination of interconnect usage charge (IUC) cut and pricing pressure from Jio's aggression. For Infratel, we expect revenue growth to moderate due to tenancy exits of weak telcos. Both Airtel and Idea will witness sharp EBITDA pressure due to a combination of muted revenue growth and escalating overheads linked to data network build-up. Despite tenancy-led revenue growth, we expect Infratel's operating margins to remain steady due to tenancy exits of weak telcos. We leave our estimates unchanged and remain pessimistic on incumbent telcos as the sharp reduction in interconnect usage charge (IUC) makes Jio much more competitive. We remain SELLers on Airtel and Infratel whilst keeping our stance on Idea under review.

Ambit vs consensus: Our revenue estimates are lower than that of consensus. This translates to lower EBITDA than consensus. Our earnings estimates for Airtel/Infratel are different from consensus owing to varied assumptions of forex fluctuations/MTM swings.

Key recommendations: We remain SELLers on the telecom space despite factoring in exit of weak telcos in FY18/19. We believe that pricing improvement is unlikely as cost pressures for Jio are easing due to the sharp cut in IUC (w.e.f 1st Oct'17). We expect Jio to gain significantly at the expense of weak telcos as it undercuts further to attract price-conscious consumers as evidenced by recent pricing action.

Stock Performance

(%)	3-month	
	Absolute	Rel to Sensex
Bharti Airtel	43	34.9
Bharti Infratel	(7.9)	(16.0)
Idea Cellular	57.0	48.9

Dec'17E Quarterly EPS

(₹)	Ambit	Consensus
Bharti Airtel	1.1	1.2
Bharti Infratel	3.9	3.6
Idea Cellular	(3.6)	(3.5)

FY18E EPS

(₹)	Ambit	Consensus
Bharti Airtel	3.8	5.8
Bharti Infratel	15.5	15.6
Idea Cellular	(8.8)	(10.7)

Source: Ambit Capital research

Exhibit 27: Detailed Dec17E quarterly estimates

Company	Dec'17E	Dec'16	Sept'17	YoY	QoQ	Comments
Bharti Airtel						
Sales (₹ mn)	2,11,582	2,33,639	2,18,322	-9%	-3%	The sharp (57%) cut in interconnect usage charge (IUC) and increased ARPU pressures due to bundle adoption will reflect in muted revenue trends. We expect the company's margin trajectory in Africa to sustain even as it faces pressure in India.
EBITDA (₹ mn)	75,887	85,097	79,773	-11%	-5%	
EBITDA margin (%)	35.9%	36.4%	36.5%	-56 bps	-67 bps	
PBT (₹ mn)	7,502	15,860	7,540	-53%	-1%	
PAT (₹ mn)	4,375	3,118	3,430	40%	28%	
Bharti Infratel						
Sales (₹ mn)	37,038	34,007	36,482	9%	2%	We expect net tenancy addition to get impacted by exits by weak telcos. Margins to remain steady YoY.
EBITDA (₹ mn)	16,096	14,801	16,146	9%	0%	
EBITDA margin (%)	43.5%	43.5%	44.3%	-6 bps	-80 bps	
PBT (₹ mn)	11,016	10,441	10,715	6%	3%	
PAT (₹ mn)	7,161	6,204	6,384	15%	12%	
Idea Cellular						
Sales (₹ mn)	69,417	86,627	74,655	-20%	-7%	Idea's 3QFY18 results will reflect the company bearing the brunt of 57% IUC. We expect the company's data user growth to catch up with Airtel as the company aggressively marketed unlimited data bundles during the quarter.
EBITDA (₹ mn)	13,561	21,655	15,016	-37%	-10%	
EBITDA margin (%)	19.5%	25.0%	20.1%	-546 bps	-58 bps	
PBT (₹ mn)	(19,878)	(6,087)	(17,113)	NM	NM	
PAT (₹ mn)	(12,854)	(3,839)	(11,066)	NM	NM	

Source: Company, Ambit Capital research.

Utilities

Growth in power generation decelerated to 3% YoY in Oct-Nov'17 from 6%/4% in 2QFY18/1QFY18. However, India's thermal plant load factor (PLF) improved to 64.5% from 61.8% at the end of 2QFY18. In our coverage, the average PLF of NTPC (thermal) improved to 80.2%, JSWE is likely to report 15% YoY growth in generation and Tata's (thermal) PLF was flat, at 78%. JSWE's PAT should increase by 449% given strong generation at Ratnagiri. NTPC (increase in regulated equity), Tata (higher generation from renewables) and Torrent (higher generation from wind) should report 11%, 12% and 48% growth in PAT respectively. NTPC (26% downside) is our top SELL and JSWE (10% upside) is our top BUY. Maintain BUY on Tata and Torrent.

Ambit vs consensus: Except for Torrent Power, our 3Q estimates are broadly in line with consensus. For Torrent we are below consensus given renewable business is cyclical in nature with 2Q season being the strongest season. On a full year basis we are higher than consensus for all stocks except NTPC.

Stock Performance

(%)	3-month Absolute	3-month Rel to Sensex
NTPC	0.9	-7.1
Tata Power	23.8	15.8
JSW Energy	18.3	10.3
Torrent Power	29.6	21.6

Dec'17E Quarterly EPS

(₹)	Ambit	Consensus
NTPC	3.3	3.3
Tata Power	1.1	1.3
JSW Energy	0.7	0.9
Torrent Power	3.3	4.8

FY18E EPS

(₹)	Ambit	Consensus
NTPC	12.6	13.2
Tata Power	7.1	6.0
JSW Energy	5.0	4.8
Torrent Power	18.9	14.3

Source: Ambit Capital research

Recommendations

NTPC (NTPC IN, 6M ADV US$15.3mn, SELL, TP: ₹132/share, 26% downside)

Expensive power from new plants: NTPC's competitive advantage as a low-cost producer has diminished given new plants are far from mines, FSA for plants commissioned after FY09 allows the supply of domestic coal equivalent to ~70% PLF versus 85% PLF pre-2009.

Capacity addition to decelerate: We expect NTPC's new capacity addition to decelerate given India does not need additional power plants. Assuming demand CAGR of 6.4% over FY17-32 (0.8x correlation to GDP), the decline in AT&C losses to 15% by FY32 and PLF rises to 85%, power capacity addition CAGR over FY17-32 should reduce to 4.2% versus 7.2% over FY01-17.

Cut in regulated RoE: NTPC's regulated RoE should be cut by 250bps for 2019-24 to 13% due to: (a) 200bps fall in G-Sec yield; and (b) 50bps cut in spread over G-Sec yield as the Government wants to disincentivise fresh capacity additions.

NTPC's valuation at 1.4x FY18 P/B would de-rate as capacity addition growth would plateau and RoE declines to 11%.

JSW Energy (JSW IN, 6M ADV US$12.8mn, BUY, TP: ₹96/share, 10% upside)

Vijayanagar is highly likely to sign a PPA with Karnataka for supply from FY19. Karnataka needs to open PPA bids as it has PPA shortfall of 1.4GW. Vijayanagar is the best bet as it has fixed cost of 71paise/unit versus ₹1.5-2.5/unit for recently commissioned plants.

Fuel cost should reduce by 60paise due to: (i) 50% domestic coal blending; JSWE may tie-up domestic coal under new coal linkage auction policy at ₹989/tn; and (ii) decline in imported coal price in FY18E as China (48% of global consumption) steps back on addition of new thermal capacity.

JSWE multiple (1.3x FY18 P/B) should re-rate once Vijayanagar signs a PPA. Post PPA, merchant exposure would reduce to 10% from 29% currently. NTPC, despite 11% FY18E RoE, trades at a much higher 1.4x FY18 P/B given NIL merchant exposure.

Exhibit 28: Detailed Dec17 quarterly estimates

	Dec'17E	Dec'16	Sept'17	YoY	QoQ	Comment
NTPC						
Sales (₹ mn)	217,717	192,875	196,987	13%	11%	Led by 10% growth in generation
EBITDA (₹ mn)	59,436	52,260	55,933	14%	6%	
EBITDA margin (%)	27.3%	27.1%	28.4%	20bps	-90bps	Marginal YoY increase in EBITDA margin
PBT (₹ mn)	36,136	30,819	32,228	17%	12%	
PAT (₹ mn)	27,343	24,687	24,386	11%	12%	
Tata Power						
Sales (₹ mn)	75,693	72,089	69,686	5%	9%	Revenue growth led by higher income from renewables, SED, Mumbai circle
EBITDA (₹ mn)	16,668	11,552	15,874	44%	5%	Trickle down impact of higher revenue from renewables (wind generation season)
EBITDA margin (%)	22.0%	16.0%	22.8%	600bps	-80bps	
APBT (₹ mn)	2,860	862	1,044	232%	174%	Trickle down impact of lower EBITDA
APAT (₹ mn)	5,654	5,027	2,209	12%	156%	
JSW Energy						
Sales (₹ mn)	21,331	19,043	20,490	12%	4%	Led by growth in volumes at Ratnagiri/Vijayanagar due to improved demand
EBITDA (₹ mn)	6,364	6,575	8,824	-3%	-28%	Led by increase in average fuel cost at Ratnagiri/Vijanagar
EBITDA margin (%)	29.8%	34.5%	43.1%	-470bps	-1330bps	
APBT (₹ mn)	1,649	407	4,170	305%	-60%	Higher growth in PBT and PAT led by decline in interest cost
APAT (₹ mn)	1,174	214	2,969	449%	-60%	
Torrent Power						
Sales (₹ mn)	24,500	23,267	29,151	5%	-16%	Marginal growth in revenue
EBITDA (₹ mn)	6,568	5,863	8,378	12%	-22%	EBITDA growth led by higher generation from wind (YoY increase in wind capacity 313MW)
EBITDA margin (%)	26.8%	25.2%	28.7%	160bps	-190bps	
PBT (₹ mn)	2,168	1,221	4,296	78%	-50%	Trickle-down impact of higher EBITDA
PAT (₹ mn)	1,584	1,067	3,178	48%	-50%	

Source: Company, Ambit Capital research

Exhibit 29: Revisions ahead of the earnings season

	New estimate		Old estimate		Change in estimate		Comments
	FY18	FY19	FY18	FY19	FY18	FY19	
Tata Power							
Recommendation		BUY		BUY			
TP (₹)		113		114		-1%	
Revenues (₹ mn)	394,276	424,070	406,173	427,438	-3%	-1%	
EBITDA (₹ mn)	87,194	98,728	98,810	102,031	-12%	-3%	EBITDA cut is led by higher losses at Mundra on account of increase in imported coal prices. The impact on PBT is higher on account of operating leverage. No impact on TP as the decline has been offset by rollover of TP
EBITDA margin (%)	22.1%	23.3%	24.3%	23.9%	-220bps	-60bps	
PBT (₹ mn)	32,779	48,955	41,778	52,933	-22%	-8%	
PAT (₹ mn)	19,226	29,906	25,256	32,571	-24%	-8%	
EPS (₹)	7.1	11.1	9.3	12.0	-24%	-8%	
JSW Energy							
Recommendation		SELL		SELL			
TP (₹)		96		92		5%	Led by rollover of TP by 3 months and assuming 100% PPA in Ratnagiri from FY20
Revenues (₹ mn)	89,873	94,145	89,873	91,994	0%	2%	
EBITDA (₹ mn)	34,473	42,079	34,473	40,193	0%	5%	
EBITDA margin (%)	38.4%	44.7%	38.4%	43.7%	0bps	100bps	No change
PBT (₹ mn)	12,279	21,377	12,279	19,520	0%	10%	
PAT (₹ mn)	8,227	14,322	8,227	13,078	0%	10%	
EPS (₹)	5.0	8.7	5.0	8.0	0%	10%	

Source: Company, Ambit Capital research

Exhibit 30: Ambit Coverage Valuation Summary

Name	Reco	Mcap	ADVT - 6m	CMP	TP	Upside	EPS (₹)			P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)	
		($ mn)	($ mn)	(₹)	(₹)	(%)	FY17E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Agri/Chemicals																	
PI Inds	BUY	2,190	3.4	1,012	1,100	9	33	32	42	31	24	7.7	6.5	23	19	26	29
SRF	BUY	1,762	6.4	1,955	1,950	(0)	90	75	108	26	18	3.1	2.7	15	11	13	16
Aarti Inds.	BUY	1,470	1.0	1,140	1,300	14	38	40	56	29	20	5.8	4.8	16	12	23	27
Rallis India	SELL	829	2.2	271	205	(24)	9	10	12	26	23	4.2	3.7	16	14	17	17
Vinati Organics	BUY	789	0.4	978	1,070	9	27	31	39	31	25	6.0	4.8	19	14	21	22
Capital Goods																	
BHEL	SELL	5,826	14.6	101	78	(23)	1	2	4	47	23	1.2	1.2	32	10	2	5
Cummins	SELL	4,065	5.1	934	555	(41)	27	24	32	39	29	6.4	5.6	33	26	17	21
Thermax	SELL	2,478	1.2	1,325	667	(50)	22	28	32	47	42	5.7	5.2	29	27	13	13
Greaves Cotton	BUY	565	1.4	147	179	22	7	8	9	18	16	3.8	3.5	13	10	21	23
Inox Wind	SELL	506	1.3	145	107	(26)	14	(5)	9	N/A	16	1.6	1.4	(64)	12	(5)	9
Cement																	
UltraTech	SELL	19,077	14.6	4,427	3,170	(28)	109	120	156	37	28	4.6	4.1	20	16	13	15
Shree Cement	SELL	10,624	6.8	19,430	14,500	(25)	720	917	1,121	21	17	4.8	4.0	22	18	25	25
Ambuja Cement*	SELL	8,638	8.9	277	244	(12)	5	6	8	48	36	2.5	2.4	18	14	5	7
ACC*	SELL	5,341	12.3	1,812	1,450	(20)	28	51	61	35	30	3.7	3.5	17	15	11	12
Dalmia Bharat	BUY	4,461	5.2	3,195	3,000	(6)	39	87	123	37	26	4.6	4.0	14	12	14	16
The Ramco Cements	SELL	2,999	3.5	802	580	(28)	27	30	31	27	26	3.1	2.8	16	16	18	16
Orient Cement	BUY	562	1.0	175	200	14	(2)	7	13	26	13	3.2	2.6	11	8	13	22

Name	Reco	Mcap	ADVT - 6m	CMP	TP	Upside	EPS (₹)			P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)	
		($ mn)	($ mn)	(₹)	(₹)	(%)	FY17E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Consumer Staples																	
ITC	BUY	51,766	56.5	271	375	39	9	10	12	27	23	8.0	7.2	19	16	31	33
Hind. Unilever	BUY	46,247	23.2	1,361	1,500	10	20	24	29	58	47	42.3	40.3	41	34	76	88
Nestle India *	SELL	11,772	5.8	7,779	6,751	(13)	99	123	148	63	53	23.1	21.2	37	32	38	42
Godrej Consumer	SELL	10,568	10.3	988	650	(34)	19	20	23	49	42	11.2	9.7	34	30	24	25
Dabur India	BUY	9,935	6.1	359	400	11	7	8	10	43	37	11.4	9.9	36	31	28	29
United Spirits	BUY	8,769	22.2	3,845	4,000	4	25	35	62	110	62	24.4	17.5	53	37	25	33
Britannia Inds	BUY	8,747	12.5	4,642	5,300	14	74	82	103	57	45	35.0	29.2	39	31	33	35
Marico Inds	SELL	6,561	5.6	324	275	(15)	6	7	8	48	41	15.9	14.0	33	29	35	36
Colgate Palmolive	SELL	4,784	5.4	1,121	950	(15)	21	24	28	46	40	21.2	18.7	28	24	49	50
United Breweries	SELL	4,732	6.0	1,140	710	(38)	9	12	15	95	78	11.6	10.4	38	33	13	14
Emami	BUY	4,708	2.9	1,322	1,500	14	15	20	25	68	53	15.3	13.4	35	29	24	27
GSK Consumer	SELL	4,159	1.3	6,301	5,820	(8)	106	114	130	55	49	7.6	6.8	36	32	15	15
Hatsun Agro	BUY	2,009	1.0	841	960	14	9	11	17	77	49	27.3	19.8	28	21	41	47
Consumer Discretionary																	
Titan	BUY	13,000	23.0	933	988	6	9	13	17	74	56	17.6	15.6	50	37	25	29
Avenue Supermarts	SELL	12,088	17.4	1,234	930	(25)	7	10	15	118	82	16.8	13.7	60	46	18	20
Page Inds	BUY	4,229	5.5	24,154	19,745	(18)	239	322	413	75	59	43.1	34.3	49	39	47	51
Aditya Birla Fashion	BUY	2,159	2.0	178	180	1	1	1	2	310	90	13.7	11.9	36	26	5	14
Jubilant Foodworks	SELL	1,991	24.6	1,922	1,009	(48)	9	19	27	99	71	14.2	12.3	38	31	15	19
Arvind	SELL	1,887	11.4	465	311	(33)	13	12	18	37	25	3.0	2.8	16	12	9	12
Trent	BUY	1,773	1.3	340	344	1	2	4	6	87	54	6.9	6.3	63	49	8	12
Bata India	SELL	1,507	10.2	747	382	(49)	14	16	18	46	40	6.6	6.0	29	25	16	16
PVR	BUY	1,091	5.0	1,487	1,709	15	21	33	52	45	28	6.4	5.4	18	13	15	20
Wonderla	BUY	358	0.2	404	425	5	6	8	11	50	35	4.8	4.3	24	18	10	13
Engineering, Construction & Infrastructure																	
L&T	SELL	29,307	45.1	1,333	1,125	(16)	44	51	58	26	23	3.5	3.2	20	18	14	15
Bharat Electronics	BUY	7,040	11.3	183	205	12	7	8	9	24	21	4.7	4.1	20	18	20	20
NBCC	SELL	3,543	7.8	251	134	(47)	4	5	7	50	34	11.8	10.0	41	27	25	32
AIA Engineering	BUY	2,305	1.2	1,557	1,550	(0)	48	43	57	36	27	4.5	4.1	25	19	14	17
Engineers India	SELL	2,089	6.9	198	125	(37)	5	6	8	34	26	4.6	4.5	29	19	14	18
Sadbhav	BUY	1,095	1.5	406	335	(18)	1	5	9	89	47	4.2	3.9	10	9	5	9
Sadbhav Infra	BUY	804	1.1	146	130	(11)	(6)	(2)	(0)	N/A	N/A	4.3	3.7	13	12	0	0
Techno Electric	BUY	728	0.6	412	425	3	17	21	24	20	17	3.8	3.3	14	13	20	21
VA Tech	BUY	537	1.5	626	780	25	19	35	41	18	15	3.0	2.6	9	8	18	18

Name	Reco	Mcap ($ mn)	ADVT - 6m ($ mn)	CMP (₹)	TP (₹)	Upside (%)	EPS (₹) FY17E	EPS (₹) FY18E	EPS (₹) FY19E	P/E (x) FY18E	P/E (x) FY19E	P/B (x) FY18E	P/B (x) FY19E	EV/EBITDA (x) FY18E	EV/EBITDA (x) FY19E	ROE (%) FY18E	ROE (%) FY19E
Home Building																	
Asian Paints	SELL	17,961	14.7	1,193	996	(17)	20	21	24	58	50	13.4	11.9	36	31	25	25
Pidilite	BUY	7,363	7.5	915	900	(2)	17	16	20	57	46	11.6	10.2	38	31	24	25
Havells	BUY	5,419	11.4	552	618	12	10	11	13	49	43	9.5	8.5	32	26	20	21
Berger Paints	SELL	4,085	3.2	268	244	(9)	5	5	6	56	45	12.2	10.7	34	29	23	25
Crompton Consumer	BUY	2,716	3.7	276	302	9	5	5	7	53	40	24.2	19.9	31	25	52	54
Supreme Inds	SELL	2,649	1.3	1,329	1,050	(21)	35	33	41	40	32	8.6	7.7	23	19	23	25
Finolex Cables	SELL	1,756	1.2	732	550	(25)	22	25	26	29	28	5.4	4.9	25	23	20	18
V-Guard	BUY	1,586	4.7	238	261	10	4	4	5	57	47	13.2	11.2	41	35	25	26
Century Ply	UR	1,214	1.8	348	UR	N/A	-	-	-	-	-	-	-	-	-	-	-
Bajaj Electricals	BUY	895	3.1	560	608	9	11	14	22	40	25	5.8	4.9	22	17	15	21
Media																	
Zee	SELL	8,744	19.9	580	425	(27)	13	15	20	38	29	9.1	7.3	25	19	23	28
Info Edge	BUY	2,619	1.9	1,373	1,672	22	17	23	27	60	50	7.7	7.0	43	36	13	15
Dish TV	BUY	1,442	5.6	86	103	20	1	1	2	88	45	15.4	11.5	11	9	19	30
DB Corp.	BUY	1,078	0.5	373	490	31	20	23	26	16	15	3.9	3.6	10	8	25	26
Just Dial	SELL	613	25.2	561	320	(43)	21	17	19	33	29	3.9	3.5	22	20	12	12
Hathway	SELL	511	0.2	39	30	(23)	(2)	(1)	(0)	N/A	N/A	3.9	4.0	16	14	(6)	(4)
Oil & Gas																	
IOCL	BUY	29,907	31.3	392	455	16	39	47	49	8	8	1.7	1.6	6	6	22	20
BPCL	BUY	16,891	30.9	496	556	12	56	31	40	16	12	2.9	2.5	11	8	19	22
GAIL	BUY	13,298	27.5	501	580	16	19	25	33	20	15	2.0	1.9	11	9	0	0
HPCL	SELL	9,979	32.6	417	367	(12)	81	47	40	9	10	2.3	1.9	9	10	29	20
Petronet LNG	BUY	5,961	18.9	253	300	19	11	14	16	19	16	4.0	3.4	12	10	23	23
Indraprastha Gas	BUY	3,549	11.4	323	300	(7)	8	11	12	30	26	7.2	6.6	18	16	25	26
Gujarat State Petronet	UR	1,933	3.3	218	UR	N/A	-	-	-	-	-	-	-	-	-	-	-
Mahanagar Gas	SELL	1,712	4.4	1,104	1,075	(3)	40	49	48	23	23	5.4	4.7	14	14	25	22
Power Utilities																	
NTPC	SELL	22,868	22.5	177	131	(26)	11	13	13	14	13	1.4	1.3	11	10	10	10
Power Grid Corporation	SELL	16,505	19.2	201	215	7	14	17	20	12	10	1.9	1.7	8	7	17	18
Tata Power	BUY	4,186	10.7	99	113	15	6	7	11	14	9	1.5	1.3	8	7	11	16
JSW Energy	BUY	2,301	15.9	89	96	7	4	5	9	18	10	1.4	1.2	8	6	8	13
Torrent Power	BUY	2,188	5.9	290	301	4	9	14	7	21	40	1.8	1.8	8	10	9	5

Name	Reco	Mcap	ADVT - 6m	CMP	TP	Upside	EPS (₹)			P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)	
		($ mn)	($ mn)	(₹)	(₹)	(%)	FY17E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Software/Tech																	
TCS	BUY	81,394	38.8	2,709	2,730	1	133	133	143	20	19	6.8	6.0	14	13	31	33
Infosys	BUY	37,543	94.6	1,041	1,185	14	63	72	70	14	15	3.4	3.0	12	12	24	22
Wipro	SELL	24,229	13.2	317	260	(18)	17	17	18	19	18	84.5	84.5	12	12	16	17
HCL Tech	SELL	20,020	20.4	894	825	(8)	60	62	49	14	18	3.5	3.2	10	13	25	25
Tech Mahindra	SELL	8,206	16.9	534	485	(9)	32	36	36	15	15	2.5	2.3	11	10	18	16
L&T Infotech	BUY	2,990	1.1	1,109	1,240	12	56	64	70	17	16	5.9	4.7	15	13	37	33
Persistent Systems	SELL	932	1.0	743	600	(19)	39	44	47	17	16	2.8	2.6	11	10	17	16
Staffing																	
Quess Corp.	BUY	2,356	2.9	1,085	1,300	20	9	21	36	52	30	7.6	6.1	40	26	21	23
Teamlease	BUY	630	0.7	2,348	2,640	12	39	46	67	51	35	8.7	7.0	60	40	19	22
Telecom																	
Bharti Airtel	SELL	31,985	80.2	510	314	(38)	10	4	12	134	42	3.0	2.9	9	8	3	7
Bharti Infratel	SELL	10,695	33.3	368	365	(1)	15	15	19	24	19	4.4	4.4	10	9	19	23
Idea Cellular	BUY	6,149	24.4	109	116	7	(1)	(9)	(5)	N/A	N/A	1.8	2.0	12	10	(14)	(10)
Banks/Financial Services																	
HDFC Bank	SELL	75,766	45.4	1,864	1,380	(26)	57	67	81	28	23	4.6	4.0	N/A	N/A	18	19
HDFC	SELL	43,506	77.4	1,735	1,402	(19)	46	51	55	34	32	6.4	5.7	N/A	N/A	19	17
SBI	SELL	41,228	95.4	304	361	19	13	(2)	17	N/A	18	1.4	1.3	N/A	N/A	(1)	7
ICICI Bank	BUY	31,511	73.3	313	355	14	15	10	20	33	15	1.9	1.7	N/A	N/A	6	12
Kotak Mahindra Bank	SELL	30,187	34.2	1,010	689	(32)	27	31	37	33	27	3.8	3.4	N/A	N/A	13	13
Axis Bank	SELL	22,751	70.5	565	526	(7)	15	17	39	34	14	2.3	2.0	N/A	N/A	7	15
Bajaj Finance	SELL	16,463	32.6	1,820	900	(51)	34	44	59	41	31	6.4	5.4	N/A	N/A	19	19
IndusInd Bank	UR	16,238	33.1	1,725	UR	NA	-	-	-	-	-	-	-	N/A	N/A	-	-
Punjab National Bank	SELL	6,649	45.0	175	202	16	6	(7)	2	N/A	83	1.0	1.0	N/A	N/A	(5)	1
Bank of Baroda	BUY	5,949	36.8	165	200	22	6	2	19	68	9	1.0	0.9	N/A	N/A	2	11
SHTF	UR	5,398	16.8	1,516	UR	NA	-	-	-	-	-	-	-	N/A	N/A	-	-
MMFS	SELL	4,680	13.9	483	284	(41)	7	11	21	42	23	4.0	3.5	N/A	N/A	10	16
LIC HFC	SELL	4,579	18.8	578	499	(14)	38	42	44	14	13	2.4	2.1	N/A	N/A	19	17
Federal Bank	SELL	3,552	17.2	115	80	(31)	5	6	7	19	16	1.8	1.7	N/A	N/A	11	11
RBL Bank	SELL	3,529	13.6	539	404	(25)	12	15	19	36	28	3.4	3.1	N/A	N/A	11	12
Motilal Oswal	BUY	3,496	3.1	1,539	1,476	(4)	25	45	66	34	23	10.3	7.7	N/A	N/A	28	30
CIFC	BUY	3,270	5.3	1,333	1,600	20	46	59	70	23	19	4.1	3.4	N/A	N/A	19	19
Bank of India	SELL	3,165	13.0	170	134	(21)	(15)	(19)	(0)	N/A	N/A	0.8	0.8	N/A	N/A	(11)	(0)
SCUF	SELL	2,210	1.0	2,135	2,069	(3)	84	91	115	23	19	2.6	2.3	N/A	N/A	11	13
Union Bank of India	SELL	1,935	11.1	144	173	20	8	(19)	1	N/A	101	0.6	0.6	N/A	N/A	(9)	1
City Union Bank	SELL	1,820	1.6	175	173	(1)	8	9	11	20	16	2.9	2.5	N/A	N/A	15	16
Karur Vysya Bank	SELL	1,407	3.7	124	96	(23)	10	6	10	19	12	1.4	1.3	N/A	N/A	8	11
South Indian Bank	SELL	941	8.3	33	20	(40)	2	2	3	17	10	1.2	1.1	N/A	N/A	7	12
Equitas	SELL	849	5.3	159	136	(15)	5	1	5	115	33	2.4	2.2	N/A	N/A	8	9
Ujjivan Financial Services	SELL	784	12.5	414	357	(14)	15	(2)	16	N/A	26	0.3	0.2	N/A	N/A	-	-
Magma	SELL	625	0.8	168	111	(34)	1	10	13	18	13	1.7	1.5	N/A	N/A	10	13

*Source: Bloomberg, Ambit Capital research, Note: N/A indicates Field Not Applicable, UR - Under Review *- December ending*

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