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### EQUITY MARKETS

India	Change %			
	5-Oct	1-day	1-mo	3-mo
Sensex	26,786	2.2	6.3	(5.0)
Nifty	8,119	2.1	6.1	(4.7)
<b>Global/Regional indices</b>				
Dow Jones	16,776	1.8	4.2	(5.1)
Nasdaq Composite	4,781	1.6	2.1	(4.2)
FTSE	6,299	2.8	4.2	(3.6)
Nikkei	18,326	1.8	3.0	(8.9)
Hang Seng	21,855	1.6	4.9	(13.4)
KOSPI	1,989	0.5	5.5	(3.2)
<b>Value traded – India</b>				
Cash (NSE+BSE)	217		192	210
Derivatives (NSE)	1,799		1,916	1,476
Deri. open interest	1,983		2,075	1,912

#### Forex/money market

	Change, basis points			
	5-Oct	1-day	1-mo	3-mo
Rs/US\$	65.2	2	(174)	189
10yr govt bond, %	7.8	(1)	(20)	(26)

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

	1-Oct	MTD	CYTD
FIs	15	15	3,623
MFs	73	72	8,863

#### Top movers

Best performers	Change, %			
	5-Oct	1-day	1-mo	3-mo
AL IN Equity	94.7	0.5	11.4	28.5
TECHM IN Equity	569.9	1.2	7.7	22.7
IDBI IN Equity	80.0	0.8	44.0	22.6
BOB IN Equity	186.4	2.9	7.0	21.7
INFO IN Equity	1181.8	0.7	10.0	20.2

#### Worst performers

VEDL IN Equity	84.6	1.4	(9.3)	(48.3)
HNDL IN Equity	74.0	4.4	0.1	(32.1)
TTMT IN Equity	315.2	5.8	(2.4)	(26.9)
TATA IN Equity	225.0	6.0	2.8	(24.7)
BOI IN Equity	139.2	3.6	8.2	(24.6)

OCTOBER 06, 2015

NEW RELEASE

BSE-30: 26,786

**King making in the bastion of India's demographic dividend.** Caste is currency in Bihar. The age-old promissory note continues to have powerful political value that all but overshadows small but progressive changes in the state. We learned this and more in first hand interactions with key players and persuaders last week in Bihar. Who wins in India's youngest state—also one of its most populous—will impact capital markets as well as national economics and politics.

#### First things first: what's the call on the elections?

It is fashionable for financial wizards to have a point of view on where the elections are headed. We met politicians, entrepreneurs, media men and citizens for a sense of political expectations and alignments. This is a closely contested election (Oct 12-Nov 5; results on Nov 8): as the opinion polls show (Exhibits 1&2), even pollsters are finding it difficult to make up their minds.

#### Change...: alliances and voter profiles

This election is expected to be a one-to-one encounter between the Grand Alliance and the BJP+. There could be some disruption from 'vote destroyers' but in the final analysis, the winner is expected to get a comfortable majority: just don't ask who the winner is expected to be! We were impressed with the proliferation of digital technologies and the visible aspirations of young women. Indeed, it is being speculated that women as a voting block may surprise by voting very differently than men – a big departure from the norm.

#### ...and constancy: caste trumps development

For those who follow politics in India and the Gangetic region, it should come as no surprise that there was hardly any discussion on the topic of development. Election talk focused more on caste politics and on the recent debate on 'reservations' (affirmative action). Caste pride was discussed more passionately than the agenda of building infrastructure to spur development. We were surprised by this preoccupation considering that the two big alliances have dwelt at length on multi-trillion rupee investment in development over the next five years.

#### Importance of the Gangetic valley to India's future...

India's demographic dividend will come from the states in the Gangetic belt. Exhibit 3 details how the median age of India is significantly influenced by the large youth cohort in Bihar. Fertility rates in south and west India are down to replacement levels; India's population is expected to rise, driven largely by high fertility rates in the Gangetic belt. We highlight recent signs of fertility rates in the region beginning to decline in Exhibit 4.

#### ...and to its politics

The large population has three implications for Indian politics: (1) short term: the politics of Bihar (of caste versus development) will feed into the elections next year in the neighboring states of West Bengal and the year after in UP (see Exhibit 5) for the next round of elections; (2) medium term: this can slowly, though marginally, impact the composition of the Rajya Sabha (see Exhibit 6 on the RS MPs from Bihar), (3) long term: if the parliamentary seats were redistributed (as is required by the Constitution post 2026), the Gangetic belt would gain meaningfully (see Exhibit 7) and hence it is important to be in power in such states.

#### There are a large number of low-hanging fruits to be plucked

Bihar could do with massive spending on the basic public goods. We hark back to our standard metrics of *bijli*, *sadak*, *paani*, *shiksha*, *swasthya* and *suraksha* and note in Exhibits 8-13 that Bihar is significantly below average in providing these to its citizens: it is no wonder that health indicators as well as per-capita income in Bihar are significantly lower than the national average. A sharp focus on land consolidation (average land parcel is 0.4 ha), urbanization (only 11% in 2011) and creation of manufacturing jobs (4.3% of its 2014 GDP) is the need of the hour. More pertinent, these are points that the leaders now need to talk to their voters about.

#### QUICK FACTS

- Bihar elections: question is whether BJP+ wins boosts Centre's reform push
- Identity still dominates discussions – development is an after-thought even as society is fast evolving
- Very close elections to call

### Politicians and persuaders

- (1) Prominent politicians and political workers that we met included (in alphabetical order):
  - Mr. Harivansh, MP, Rajya Sabha (JD-U)
  - Mr. Lalu Prasad Yadav, ex-CM, Bihar
  - Mr. Manish Tiwari, author of the book, *Battleground UP*
  - Mr. Nitish Kumar, CM, Bihar
  - Mr. Pappu Yadav, MP, Lok Sabha,
  - Mr. Rajeev Pratap Rudy, Union Minister, Skill development
  - Mr. Ram Jethmalani, MP, Rajya Sabha (BJP)
  - Mr. Ravi Shankar Prasad, Union Minister, Telecom
  - Mr. Sushil Modi, ex-deputy CM, Bihar,
- (2) Journalists and media persons (ABP, CNN-IBN, Indian Express, Rajya Sabha TV and many local publications)
- (3) Local entrepreneurs – from IIT graduates to local tea vendors
- (4) Citizens

### Vote blocks versus the alliances

For all the talk about and posters devoted to development, the battle will be largely fought along caste combinations. Every discussion we had would invariably veer towards caste-affiliations and related numbers within minutes. The usual election forecasting tools yield no clarity this time round -- seasoned political leaders, analysts and reporters are confounded by the strong support each big alliance has. Depending on whom you speak with, you get a strong case for each of the key alliances. We share the broad view of expected voting patterns:

- (1) 15% upper caste Hindus are likely to vote for BJP+ . This will counter-balance the 15% Muslims that would vote for the Grand Alliance (of JD (U), RJD and INC)
- (2) Factions of Dalits and Maha-dalits (comprising ~40% population) are divided between the JD (U) headed by Mr. Nitish Kumar and the allies of BJP+ (Mr. Manjhi/Mr. Paswan and others)
- (3) Votes of the ~30% population comprising Extremely Backward Castes would be the key in determining the outcome – some factions within this group act could swing the result.

### Key contenders: Factors in favor and against

The chance of a hung assembly looks low if the voters do get polarized between only the first two alliances – whoever wins will possibly win a strong mandate. Election plusses and minuses of key players:

#### (1) The Grand Alliance

- Favored because of the work put in by and the image of the current Chief Minister Mr. Nitish Kumar.
- Could be weakened by the partnership with Mr. Lalu Prasad who conveys contrasting images: to his Muslim-Yadav (M-Y) combination, he is still a vote catcher but other castes may turn away from the Grand Alliance because of this alliance.
- INC is not a factor in any equation, most reactions to our specific queries were dismissive

#### (2) The BJP-led Alliance

- Banking on the 'same-government-at-Centre and state' argument. They have been put on the back foot due to the "reconsider the reservation" comment by the RSS chief recently – this seems to have become a big issue.

- Some BJP leaders have mentioned that their CM, if they win, may not be from the forward castes.

### (3) The disrupters

Several complicating factors and 'vote destroyers' could alter the balance if the battle is closely fought or if there is a hung assembly:

- Third Front of SP, NCP, JAP, SJD-D, NPP
- Independents and small alliances: Disgruntled workers across all parties who are fighting independently or with the above two combines and
- MIM: not expected to be a big vote catcher, but it could surprise.

## Manifestos and mantras

### Grand Alliance

The key message from the Grand Alliance is 'the current CM Nitish Kumar has put in the hard work; Lalu Yadav has provided voice (empowerment) to the people'. The elder brother-younger brother combination is communicating this message strongly across the state. It is interesting to note the change in emphasis between the Yadav leaders: we heard Mr. Pappu Yadav of JAP speaking about how Bihar needs an economic solution of growth and development and not a political solution based on caste; Mr. Lalu Yadav completely reverses the argument in his pitch – he spoke of providing an identity before economic deliverance.

Depending on who you speak to, this alliance is either a killer combination or will be a super-dud! It does seem though that there will be effective vote transfer between these two parties. Everybody concedes that for these two politicians this is possibly their last electoral battle if they lose – and hence they will give it their all to win! The most critical shot-in-the-arm for this coalition has been the discussion on reconsidering reservations, a point readily conceded by the BJP/RSS camp.

### BJP+

The BJP+ camp touts the advantage of a common government in Delhi and Patna. The BJP has promised a few giveaways if it comes to power – many find this surprising given that its focus was on job-led growth and development rather than handouts. The BJP team has put significant fire-power into the elections. Senior union cabinet ministers have been given small specific areas (25-30 assembly constituencies) to work and convert. The fact that the CM seat is still open for discussion in the alliance also seems to be a motivator among various participants.

The BJP's campaign bears the mark of its slick national campaign in 2014. From hoardings to press releases, the messaging was timely, consistent and sharp. The party's logo appeared in all its communications in contrast to hoardings of the Grand Alliance many of which had no party symbols next to the portraits and slogans. Many voters we spoke to were fuzzy about the symbols of the parties in the Grand Alliance.

## Social observations: signs of modernity

Around us we saw scores of women engaged in activity other than traditional roles. At a center for Bank PO exams, all candidates were women (we checked – it was not an 'all-girls' center), most dressed like their counterparts in any modern Indian metropolis (tops and leggings). Journalists who track Patna closely corroborated this trend. As *GameChanger* has highlighted multiple times earlier, if women start entering the workforce in large numbers, India will need to annually create 20 mn+ jobs and not the 12-15 mn jobs as currently estimated.

On the heels of a report on e-commerce and all things digital, GameChanger continues to be preoccupied with studying the spread of mobile and digital into the heart of India. It was heartening to find an Ola cab at midnight at Patna! Clearly there is enough liquidity in the market for Ola partners to remain 'online' at midnight!

At our meeting with Mr. Lalu Yadav deep in rural Bihar, there were around 200-250 people. Of the 40-50 who were hanging around where the interview was being recorded, around 5-6 people had expensive smartphones and were taking videos, photos, selfies and groupies.

This bunch was also users of data – 2G connection linkages were clearly visible. Deep in rural Bihar though, there were no women in this crowd.

A group of mainly women told us, outside a 'roadshow' of a prominent leader, that they would not go in to discuss their problems (water, quality of life...) on account of their lower caste. Clearly, caste overshadows economics as a decision factor in this election.

The spread of the smart phone, television and technology is altering this dynamic and the younger population may be slightly less impacted by caste considerations – but the change is currently at the margin.

We saw about 15-20 hospitals of 5-10 beds on the way out from Patna – we have no idea why so many hospital dotted the stretch of a few kilometers.

### Non-trivial thought experiments

- (1) The 2010 elections were held between Oct 21 and Nov 20 – this period included the holidays of Diwali (Nov 5), Chatt Pooja (Nov 11) and Eid (Nov 16). This year Eid preceded the elections and Diwali/Chatt will follow them. This meant that a lot of the local migratory population (city workers) that was home during the festival holidays in the last election may not be there this time round. If it is indeed a close election, will this make all the difference?
- (2) Three parties had toll-free numbers to call them on – the JD (U), LJP and Jan Adhikar Party (JAP). We called them all but received a 'welcome sms' only from one party. Can you guess which it was?
- (3) It became clear that GST roll-out will not be possible from Apr 1, 2016 and it is safe to assume the implementation roll-out will be from Apr 1, 2017 if there is consensus by then. There has been some discussion that governments which bring in GST don't get voted back to power. If Apr 1, 2017 is too difficult to pull-off, the government may not want to risk rolling out GST towards the end of its term. In which case, will this dent the market's faith in the central government's muscle to push through crucial reforms?

#### Exhibit 1: Two key alliances in the battle for Bihar 2015

Cast of key parties and alliances

Party name	Acronym	Party symbol	Key leaders
<b>Grand Alliance</b>			
Janata Dal (United)	JD (U)	Arrow	Mr. Nitish Kumar, to be CM if this alliance wins
Rashtriya Janata Dal	RJD	Lantern	Mr. Lalu Prasad Yadav
Indian National Congress	INC	Hand	Mrs. Sonia Gandhi
<b>BJP+</b>			
Bharatiya Janata Party	BJP	Lotus	Mr. Narendra Modi, no CM candidate announced
Lok Janshakti Party	LJP	Bungalow	Mr. Ram Vilas Paswan
Hindustani Awam Morcha	HAM	Telephone	Mr. Jitan Ram Manjhi
Rashtriya Lok Samata Party	RLSP	Fan	Mr. Upendra Kushwaha
<b>Third Front</b>			
Jan Adhikar Party	JAP		Mr. Rajesh Ranjan alias Pappu Yadav
National People's Party	NPP	Book	Mr. P.A. Sangma
Nationalist Congress Party	NCP	Clock	Mr. Sharad Pawar
Samajwadi Janata Dal (Democratic)	SJD (D)		Mr. Devendra Prasad Yadav
Samajwadi Party	SP	Cycle	Mr. Mulayam Singh Yadav

Source: Media searches, Kotak Institutional Equities

**Exhibit 2: Opinion polls present a very mixed picture on the outcome of Bihar 2015**  
Projections by the various opinion poll agencies

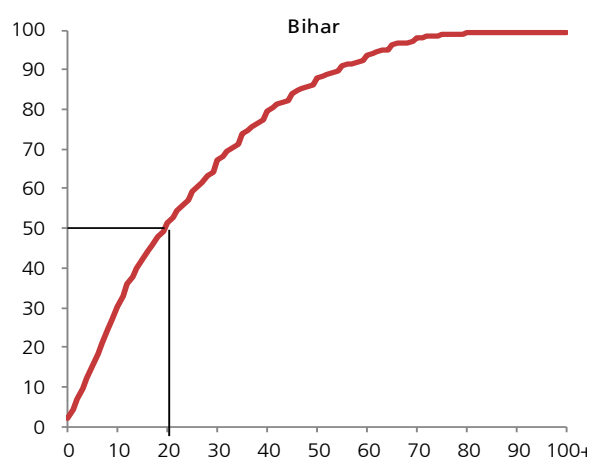
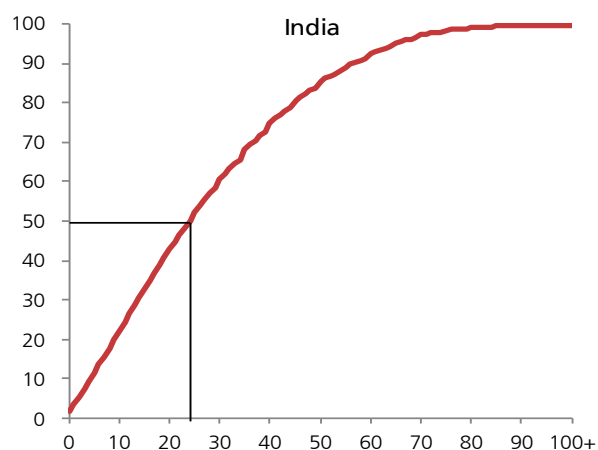
	JD(U)+RJD+INC	BJP+LJP+HAM+RLSP	Others
Times Now- C Voter (Sep)	112	117	14
Zee-News (Sep)	70	140	33
ABP-Neilsen (Sep)	122	118	3
India Today - Cicero (Sep)	106	125	12
Leadtech- Infoelection (Aug)	59	180	4
ABP-Neilsen (Jul)	129	112	2
ABP-Neilsen (Apr-May)	114	124	5
<b>Current assembly strength</b>	<b>138</b>	<b>90</b>	<b>15</b>

Notes:

(1) The current assembly strength for the BJP+ has data for only BJP.

Source: Various agencies, media articles, Kotak Institutional Equities

**Exhibit 3: The median age in Bihar at 19 is significantly lower than the national median of 25**  
Population curves of India and Bihar, Census year-end, 2011



Source: Census of India, Kotak Institutional Equities

**Exhibit 4: Fertility rates in northern India are high but falling**

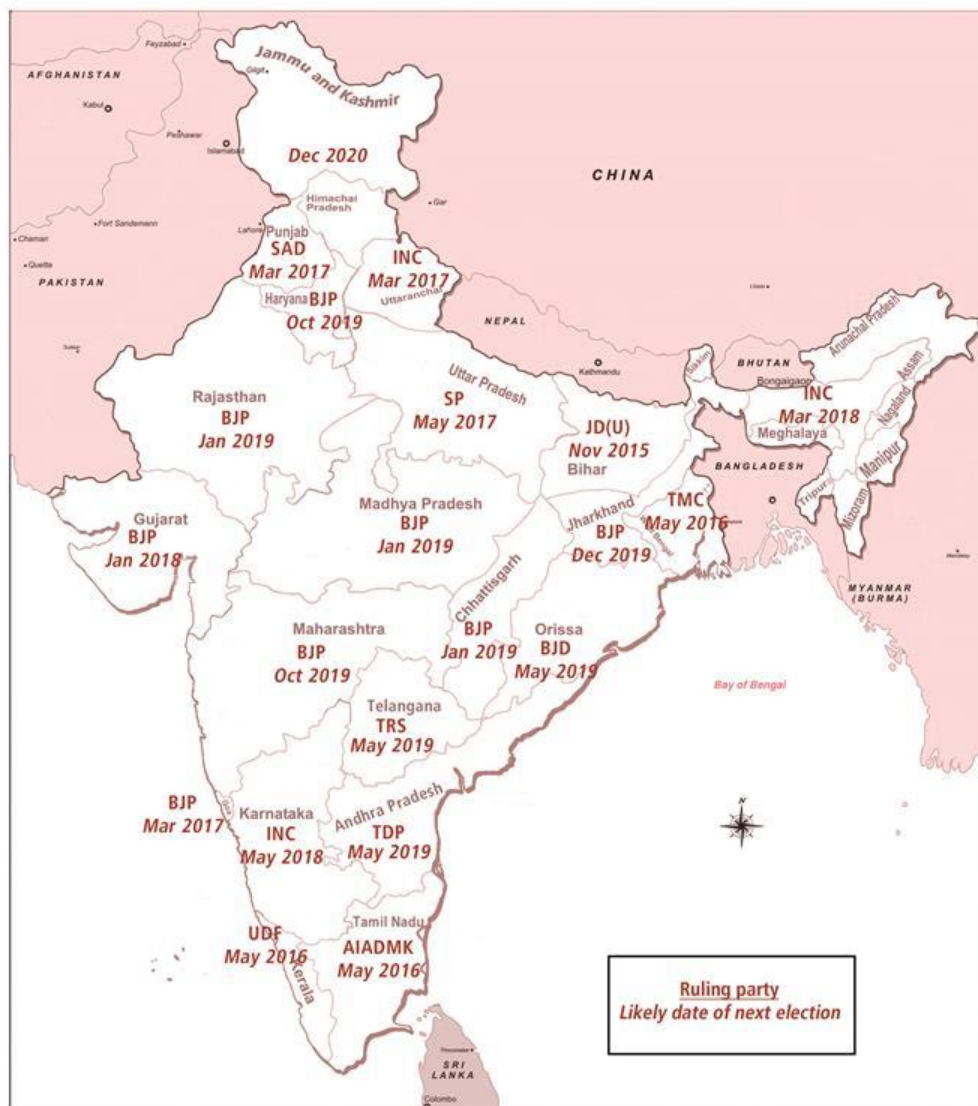
Annual estimates of Total Fertility rate by residence, India and bigger States, 2008-13

India and bigger States	Total						Rural						Urban					
	2008	2009	2010	2011	2012	2013	2008	2009	2010	2011	2012	2013	2008	2009	2010	2011	2012	2013
India	2.6	2.6	2.5	2.4	2.4	2.3	2.9	2.9	2.8	2.7	2.6	2.5	2.0	2.0	1.9	1.9	1.8	1.8
Andhra Pradesh	1.8	1.9	1.8	1.8	1.8	1.8	2.0	2.0	1.9	1.9	1.9	1.9	1.6	1.6	1.6	1.7	1.7	1.7
Assam	2.6	2.6	2.5	2.4	2.4	2.3	2.8	2.8	2.7	2.6	2.5	2.4	1.5	1.6	1.6	1.5	1.5	1.5
Bihar	3.9	3.9	3.7	3.6	3.5	3.4	4.0	4.0	3.8	3.7	3.6	3.5	2.8	2.8	2.7	2.6	2.5	2.5
Chhatisgarh	3.0	3.0	2.8	2.7	2.7	2.6	3.2	3.2	3.0	2.9	2.9	2.8	2.0	2.0	1.9	1.9	1.8	1.8
Delhi	2.0	1.9	1.9	1.8	1.8	1.7	2.1	2.0	2.1	1.9	1.9	1.8	1.9	1.9	1.9	1.8	1.8	1.7
Gujarat	2.5	2.5	2.5	2.4	2.3	2.3	2.8	2.8	2.7	2.6	2.5	2.5	2.2	2.1	2.1	2.0	2	2.0
Haryana	2.5	2.5	2.3	2.3	2.3	2.2	2.7	2.6	2.5	2.4	2.4	2.3	2.2	2.2	2.0	2.0	2	2.0
Himachal Pradesh	1.9	1.9	1.8	1.8	1.7	1.7	2.0	1.9	1.9	1.8	1.7	1.7	1.4	1.3	1.3	1.2	1.2	1.2
Jammu & Kashmir	2.2	2.2	2.0	1.9	1.9	1.9	2.4	2.4	2.2	2.1	2	2.0	1.5	1.4	1.4	1.3	1.3	1.3
Jharkhand	3.2	3.2	3.0	2.9	2.8	2.7	3.5	3.4	3.2	3.2	3	2.9	2.1	2.2	2.1	2.1	2	2.0
Karnataka	2.0	2.0	2.0	1.9	1.9	1.9	2.2	2.2	2.1	2.0	2	2.0	1.8	1.7	1.7	1.7	1.7	1.6
Kerala	1.7	1.7	1.8	1.8	1.8	1.8	1.7	1.7	1.8	1.9	1.9	1.9	1.7	1.8	1.8	1.8	1.8	1.8
Madhya Pradesh	3.3	3.3	3.2	3.1	2.9	2.9	3.6	3.6	3.5	3.3	3.1	3.1	2.2	2.3	2.2	2.1	2	2.0
Maharashtra	2.0	1.9	1.9	1.8	1.8	1.8	2.1	2.1	2.0	1.9	2	1.9	1.7	1.8	1.7	1.6	1.6	1.6
Odisha	2.4	2.4	2.3	2.2	2.1	2.1	2.5	2.5	2.4	2.3	2.2	2.2	1.6	1.6	1.6	1.5	1.5	1.5
Punjab	1.9	1.9	1.8	1.8	1.7	1.7	2.0	1.9	1.8	1.8	1.7	1.7	1.8	1.7	1.7	1.7	1.6	1.6
Rajasthan	3.3	3.3	3.1	3.0	2.9	2.8	3.6	3.6	3.3	3.2	3.1	3.0	2.5	2.5	2.4	2.4	2.3	2.3
Tamil Nadu	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.8	1.8	1.7	1.7	1.7	1.6	1.7	1.6	1.7	1.7	1.7
Uttar Pradesh	3.8	3.7	3.5	3.4	3.3	3.1	4.0	3.9	3.7	3.6	3.4	3.3	3.0	3.0	2.7	2.6	2.5	2.5
West Bengal	1.9	1.9	1.8	1.7	1.7	1.6	2.1	2.1	2.0	1.9	1.8	1.8	1.3	1.3	1.3	1.3	1.2	1.2

Source: Sample Registration Survey 2013, Kotak Institutional Equities



Exhibit 5: Kerala, Tamil Nadu and West Bengal next in line for polls  
Poll calendar in Indian states, October 2014



Source: Election Commission of India, Kotak Institutional Equities



**Exhibit 6: Of 98 MPs to be elected in Rajya Sabha in Jan 2015-Mar 2015, only 5 will come from Bihar**  
State-wise and party-wise list of RS MPs coming up for re-election, December 2014

	BJP	INC	Others	Total	Comments
Andhra Pradesh	1	2	1	4	TDP 1
Assam		2		2	
Chhattisgarh	1	1		2	
Gujarat	2	1		3	
Haryana	2			2	
Himachal Pradesh	1			1	
Jammu and Kashmir		2	2	4	J&K NC
Jharkhand		1		1	
Karnataka	2	1	1	4	Vijay Mallaya, IND
Kerala		2	4	6	CPI(M) 3, CPI 1
Madhya Pradesh	2	1		3	
Maharashtra	1	2	3	6	NCP 2, SS 1
Nagaland			1	1	NPF (part of NDA)
Nominated		2	5	7	
Odisha			3	3	BJD 2, IND 1
Puduchery		1		1	
Punjab	1	3	3	7	SAD 3
Rajasthan	1	2	1	4	Ram Jethmalani, IND
Sikkim			1	1	SDF 1
Telangana		1	1	2	TDP 1
Tripura			1	1	CPI (M) 1
Uttar Pradesh	1	1	9	11	BSP 6, SP 3
Uttarakhand	1			1	
West Bengal		1	5	6	AITC 4, CPI(M) 1
<b>Total - where current legislature elects</b>	<b>16</b>	<b>26</b>	<b>41</b>	<b>83</b>	
Bihar			5	5	
Goa		1		1	
Delhi		3		3	
Tamil Nadu		1	5	6	AIADMK 3, DMK 2
<b>Total - where new legislature elects</b>	<b>0</b>	<b>5</b>	<b>10</b>	<b>15</b>	
<b>Grand total</b>	<b>16</b>	<b>31</b>	<b>51</b>	<b>98</b>	

Source: Election Commission of India, Rajya Sabha, Kotak Institutional Equities

**Exhibit7: The number of people an MP represents is large, increasing and diverging across states**  
Current and one possible projection of the number of people being represented by a Member of Parliament (MP), March fiscal year-ends, 2011-26E (mn)

State	Population		Electorate represented (mn)			Number of MPs		
	2011	2026	2011	2026	Change	2011	2026	Change
Andhra Pradesh	85	94	2.0	2.2	0.2	42	36	(6)
Arunachal Pradesh	1	1	0.7	0.7	0.0	2	1	(1)
Assam	31	36	2.2	2.5	0.3	14	14	0
Bihar	104	114	2.6	2.8	0.2	40	44	4
Chhattisgarh	26	29	2.3	2.6	0.3	11	11	0
Goa	1	2	0.7	1.1	0.4	2	1	(1)
Gujarat	60	69	2.3	2.7	0.3	26	27	1
Haryana	25	31	2.5	3.1	0.6	10	12	2
Himachal Pradesh	7	8	1.7	1.9	0.2	4	3	(1)
Jammu and Kashmir	13	13	2.1	2.2	0.1	6	5	(1)
Jharkhand	33	37	2.4	2.7	0.3	14	14	0
Karnataka	61	67	2.2	2.4	0.2	28	26	(2)
Kerala	33	37	1.7	1.9	0.2	20	14	(6)
Madhya Pradesh	73	88	2.5	3.0	0.5	29	34	5
Maharashtra	112	133	2.3	2.8	0.4	48	52	4
Manipur	3	3	1.3	1.4	0.1	2	1	(1)
Meghalaya	3	3	1.5	1.5	0.0	2	1	(1)
Mizoram	1	1	1.1	1.2	0.1	1	1	0
Nagaland	2	3	2.0	2.6	0.6	1	1	0
Odisha	42	45	2.0	2.2	0.2	21	18	(3)
Punjab	28	31	2.1	2.4	0.3	13	12	(1)
Rajasthan	69	82	2.7	3.3	0.5	25	32	7
Sikkim	1	1	0.6	0.7	0.1	1	1	0
Tamil Nadu	72	72	1.8	1.8	(0.0)	39	28	(11)
Tripura	4	4	1.8	2.1	0.3	2	2	0
Uttar Pradesh	200	249	2.5	3.1	0.6	80	96	16
Uttarakhand	10	12	2.0	2.3	0.3	5	5	0
West Bengal	91	101	2.2	2.4	0.2	42	39	(3)
<b>Union territories</b>								
Andaman and Nicobar Islands	0	1	0.4	0.7	0.3	1	1	0
Chandigarh	1	3	1.1	2.5	1.5	1	1	0
Dadra and Nagar Haveli	0	1	0.3	0.5	0.2	1	1	0
Daman and Diu	0	0	0.2	0.4	0.2	1	1	0
Delhi	17	28	2.4	4.0	1.6	7	11	4
Lakshadweep	0	0	0.1	0.1	0.0	1	1	0
Puducherry	1	2	1.2	2.2	1.0	1	1	0
<b>Total</b>	<b>1,211</b>	<b>1,400</b>	<b>2.2</b>	<b>2.6</b>	<b>0.3</b>	<b>543</b>	<b>548</b>	<b>5</b>
Gangetic belt	605	710	2.5	2.9	0.4	246	275	29
Non-gangetic belt	606	690	2.0	2.3	0.3	297	273	(24)
<b>Propotions</b>								
Gangetic belt	50.0	50.7				45.3	50.2	

Source: Lok Sabha, Election Commission, Kotak Institutional Equities

**Exhibit 8: The availability of power is significantly lower in Bihar than in rest of India**  
Availability of power over the year, March fiscal year-end, 2014

	Availability (mn units)	Population (mn)	Per capita annual availability (units)
Uttarakhand	11,493	10.1	1,139
Uttar Pradesh	81,613	199.8	408
Rajasthan	58,042	68.5	847
Madhya Pradesh	49,385	72.6	680
Bihar	14,759	104.1	142
Jharkhand	7,007	33.0	212
Chhattisgarh	18,800	25.5	736
West Bengal	42,762	91.3	468
Gangetic region	283,861	605.0	469
Non-Gangetic region	675,968	605.6	1,116
All India	959,829	1,210.6	793

Source: CEA, Kotak Institutional Equities

**Exhibit 9: National highways as a proportion of population and land area are low in Bihar**  
Data on highways, March fiscal year-end, 2014

	National highways (kms)	Population (mn)	Per-capita availability (kms/mn pop)	Land area ('000 sq kms)	National highways as a proportion of land area (km per '000 sq km)
Uttarakhand	2,365	10	234	53.48	44.22
Uttar Pradesh	7,863	200	39	240.93	32.64
Rajasthan	7,806	69	114	342.24	22.81
Madhya Pradesh	5,185	73	71	308.25	16.82
Bihar	4,539	104	44	240.93	18.84
Jharkhand	2,997	33	91	79.72	37.59
Chhattisgarh	3,078	26	121	135.19	22.77
West Bengal	2,910	91	32	88.75	32.79
Gangetic region	36,742	605	61	1,489.49	24.67
Non-Gangetic region	56,109	606	93	1,797.98	31.21
All India	92,851	1,211	77	3,287.47	28.24

Source: NHAI, Kotak institutional Equities

**Exhibit 10: A significant proportion of people still do not have drinking water facilities within their premises**

Number per 1,000 households having drinking water within premises and proportions of households travelling different distances to reach principal source of drinking water, March fiscal year-end, 2012

	Households having drinking water facilities within premises		Distance household members have to travel to reach principal source of drinking water			
	Rural	Urban	Less than 0.2 k.m.		0.2 k.m. -0.5 k.m.	
			Rural	Urban	Rural	Urban
Uttarakhand	546	858	291	124	118	8
Uttar Pradesh	581	776	383	177	30	15
Rajasthan	396	830	322	85	190	37
Madhya Pradesh	194	708	563	252	194	32
Bihar	717	856	258	133	21	3
Jharkhand	186	659	491	221	275	94
Chhattisgarh	173	619	636	349	186	31
West Bengal	301	490	547	384	132	76
All-India (2012)	461	768	409	182	93	29

Source: NSSO 68th round survey, Kotak Institutional Equities

**Exhibit 11: Primary enrolment rates high; drop outs a matter of concern**  
Proportion of kids in school, March fiscal year end 2011

	Class I-V			Class VI-X			Class XI-XII		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Uttarakhand	99	102	101	82	81	81	58	55	56
Uttar Pradesh	93	97	94	53	52	53	27	26	26
Rajasthan	96	93	94	66	52	59	39	24	32
Madhya Pradesh	108	113	110	70	68	69	29	23	26
Bihar	94	94	94	46	43	45	11	11	11
Jharkhand	104	107	105	54	52	53	12	8	10
Chhattisgarh	110	109	110	75	72	74	34	28	31
West Bengal	93	96	94	67	73	70	34	30	32
<b>Ganga-average</b>	<b>96</b>	<b>99</b>	<b>97</b>	<b>59</b>	<b>57</b>	<b>58</b>	<b>27</b>	<b>24</b>	<b>26</b>
<b>Non-Ganga average</b>	<b>97</b>	<b>98</b>	<b>97</b>	<b>77</b>	<b>76</b>	<b>77</b>	<b>35</b>	<b>37</b>	<b>36</b>

Source: All India School Education Survey, Ministry of Human Resource Development; Census of India; Kotak Institutional Equities

**Exhibit 12: Health parameters are worse off in the Gangetic states**  
Comparing various health parameters, March fiscal year-end, 2012

	Life expectancy at birth (years)	Infant mortality rate (out of 1,000 live births)	Maternal mortality rate (out of 1,000 live births)	Total Fertility rate (per women)
Uttar Pradesh	60.0	53.0	292.0	3.3
Uttarakhand	NA	34.0	292.0	2.1
Rajasthan	62.0	49.0	255.0	2.9
Madhya Pradesh	58.0	56.0	230.0	2.9
Bihar	61.6	43.0	291.0	3.5
Jharkhand	NA	38.0	219.0	2.8
Chhattisgarh	NA	47.0	230.0	2.7
West Bengal	64.9	32.0	117.0	1.7
<b>Total Ganga</b>	<b>61.3</b>	<b>44.0</b>	<b>240.8</b>	<b>2.7</b>
<b>All India</b>	<b>63.5</b>	<b>42.0</b>	<b>178.0</b>	<b>2.4</b>

Source: Annual report to the people 2014, Kotak Institutional Equities

**Exhibit 13: Labor force participation for women is very poor in some Gangetic states, especially Bihar and Uttar Pradesh**  
Labor force participation rate (per 1,000) for persons of age 15-59 years according to usual principal status approach, 2012

	Rural			Urban			Rural+urban		
	Male	Female	Male+Female	Male	Female	Male+Female	Male	Female	Male+Female
Uttarakhand	634	397	518	799	139	492	677	334	513
Uttar Pradesh	815	146	483	772	88	444	805	133	474
Rajasthan	817	348	586	771	133	467	804	295	556
Madhya Pradesh	871	420	656	762	174	479	844	360	612
Bihar	826	72	461	746	60	423	816	71	457
Jharkhand	834	204	533	767	142	476	821	192	522
Chhattisgarh	791	562	679	749	211	482	783	495	642
West Bengal	874	136	520	850	165	516	868	143	519
<b>All-India</b>	<b>840</b>	<b>312</b>	<b>579</b>	<b>805</b>	<b>185</b>	<b>509</b>	<b>829</b>	<b>276</b>	<b>558</b>

Source: NSSO 68th round survey, Kotak Institutional Equities

OCTOBER 06, 2015

UPDATE

BSE-30: 26,786

**2QFY2016E earnings preview.** We expect automobile companies (excluding Tata Motors) to report 20% yoy increase in net profit in 2QFY2016E. Ashok Leyland will likely report robust earnings on strong volume growth and better margins. In the large-cap space, Bajaj Auto and Hero MotoCorp are likely to report a strong quarter as lower commodity prices will lead to sequential improvement in EBITDA margin. On the other hand, lower volumes and weaker product mix will impact revenue growth and profitability of JLR.

#### Quick summary of our expectations for key companies

- ▶ **Amara Raja Batteries** – We expect revenues to grow by 10% yoy driven by strong growth in auto four-wheeler replacement segment. We expect EBITDA margins to decline by 100 bps qoq led by the delayed impact of increase in lead prices in 1QFY2016.
- ▶ **Ashok Leyland** – We expect 57% yoy growth in revenues driven by 47% yoy growth in volumes and better product mix. We note that volume growth in this quarter is driven by 64% yoy growth in heavy truck volumes. We expect EBITDA margin to improve by 300 bps qoq (to 13%) led by lower commodity prices, operating leverage and some reduction in discount levels.
- ▶ **Bajaj Auto** – We expect revenues to increase by 1% yoy as volumes remain flat. On a sequential basis, the product mix is marginally positive in this quarter due to higher revenue mix of three-wheelers and the Pulsar segment. We expect EBITDA margins to improve by ~120 bps qoq largely on lower commodity prices.
- ▶ **Bharat Forge** – We forecast consolidated revenues will decline by 3% yoy due to steep decline in Oil & Gas, Mining and Construction segments (which form 20% of standalone revenues). We expect standalone EBITDA margins to decline by around 200 bps qoq largely due to weakness in higher margin non-auto segments and negative operating leverage. Overall, consolidated EBITDA margins will likely decline by 130 bps qoq.
- ▶ **Eicher Motors** – We expect consolidated net profit to increase by 67% yoy in 2QFY16 led by 56% yoy growth in Royal Enfield volumes. We expect consolidated EBITDA margin to improve ~300 bps yoy led by 200 bps yoy improvement in Royal Enfield margins and 130 bps yoy increase in VECV margins.
- ▶ **Exide Industries** – We estimate revenues to remain flat yoy as growth in auto replacement segment will be offset by weakness in inverter and other industrial segments. We expect EBITDA margin to decline by 180 bps qoq due to the delayed impact of increase in lead prices in 1QFY2016 and also weaker product mix.
- ▶ **Hero Motocorp** – The company's volumes declined by 7% yoy in 2QFY16 due to subdued demand environment in rural markets. We believe it will still report 16% yoy growth in EBITDA led by 240 bps yoy improvement in EBITDA margin, mainly driven by lower commodity prices and price increase taken during the year.
- ▶ **Mahindra and Mahindra** - We expect revenues to decline by 9% yoy largely due to steep 26% yoy decline in tractor volumes. Despite the benefit of lower commodity prices, we expect EBITDA margin to decline by ~100 bps qoq due to lower tractor mix and negative operating leverage.

- ▶ **Maruti Suzuki** –We expect revenues to increase by 12% yoy on the back of 10% yoy growth in volumes. We expect EBITDA margin to remain largely flat qoq as the benefit of lower commodity prices will likely be offset by some increase in discount levels and higher launch costs of S-Cross.
- ▶ **Motherson Sumi Systems** – We expect consolidated revenues to increase by 4% yoy led by strong growth in SMRPV revenues. We note that revenue growth is lower due to appreciation of INR versus EUR; in EUR terms, we expect SMRPV revenues to increase by ~20% yoy. Standalone revenues will likely remain flat yoy due to subdued industry demand and decline in copper prices. We expect consolidated EBITDA margin to remain flat qoq.
- ▶ **Tata Motors** – We expect some improvement in the performance of the standalone entity due to the recovery in heavy truck volumes. Standalone EBITDA margins will likely improve by 200 bps qoq due to lower commodity prices and benefits of operating leverage. We expect JLR volumes to decline by 9% yoy. We expect adjusted EBITDA margins to decline by ~100 bps qoq due to the weaker mix and lower volumes. We note that in 1QFY16, JLR booked annual incentives of GBP 62 mn which benefitted EBITDA margins by 120 bps
- ▶ **Wabco India** - We expect revenues to increase by 22% yoy led by strong growth in both domestic and export segments. We expect EBITDA margins to remain largely flat qoq.

#### Exhibit 1: Raw material costs have declined significantly qoq

Quarterly movement of raw material prices

	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16
Domestic CRC steel price (Rs/ton)	42,162	41,450	39,938	39,633	40,233	39,962	42,200	43,107	43,600	43,969	43,169	39,615	36,215	32,817
QoQ chg (%)	(0.4)	(1.7)	(3.6)	(0.8)	1.5	(0.7)	5.6	2.1	1.1	0.8	(1.8)	(8.2)	(8.6)	(9.4)
China CRC steel price (\$/ton)	805	722	730	781	762	727	708	676	659	644	633	578	516	435
QoQ chg (%)	(2.7)	(10.3)	1.1	7.0	(2.4)	(4.6)	(2.6)	(4.5)	(2.5)	(2.3)	(1.7)	(8.7)	(10.7)	(15.8)
LME aluminum (\$/ton)	1,979	1,934	2,000	1,996	1,844	1,784	1,773	1,710	1,800	1,989	1,853	1,798	1,769	1,597
QoQ chg (%)	(9.2)	(2.3)	3.4	(0.2)	(7.6)	(3.3)	(0.6)	(3.6)	5.3	10.5	(6.9)	(3.0)	(1.6)	(9.7)
LME lead (\$/ton)	1,982	2,001	2,193	2,283	2,049	2,095	2,125	2,099	2,098	2,182	1,843	1,824	1,939	1,718
QoQ chg (%)	(5.3)	1.0	9.6	4.1	(10.2)	2.2	1.4	(1.2)	(0.0)	4.0	(15.5)	(1.0)	6.3	(11.4)
LME copper (\$/ton)	7,856	7,757	7,889	7,906	7,135	7,082	7,191	7,017	6,794	6,720	6,368	6,107	6,051	5,278
QoQ chg (%)	(5.9)	(1.3)	1.7	0.2	(9.8)	(0.7)	1.5	(2.4)	(3.2)	(1.1)	(5.2)	(4.1)	(0.9)	(12.8)
RSS4-natural rubber (Rs/kg)	192.9	180.8	172.5	160.8	168.9	188.5	158.2	149.3	144.2	122.1	128.6	125.3	129.3	113.1
QoQ chg (%)	1.1	(6.3)	(4.6)	(6.8)	5.1	11.6	(16.1)	(5.6)	(3.4)	(15.4)	5.3	(2.5)	3.2	(12.5)

Source: Bloomberg, Kotak Institutional Equities estimates

## Exhibit 2: Rupee has depreciated by 2.5% versus dollar on a qoq basis

Movement of rupee versus other currencies

	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15
<b>INR-USD</b>														
Average	54.2	55.1	54.2	54.2	56.0	62.1	62.0	61.8	59.8	60.6	62.0	62.2	63.4	65.0
Period-end	55.4	52.9	54.8	54.5	59.5	62.5	61.9	59.9	60.0	61.4	63.7	62.3	63.6	65.6
<b>GBP-USD</b>														
Average	1.58	1.58	1.61	1.55	1.54	1.55	1.62	1.65	1.68	1.67	1.58	1.51	1.53	1.55
Period-end	1.57	1.62	1.62	1.52	1.52	1.62	1.66	1.66	1.71	1.62	1.56	1.48	1.57	1.51
<b>EUR-USD</b>														
Average	1.28	1.25	1.30	1.32	1.31	1.33	1.36	1.37	1.37	1.33	1.25	1.13	1.11	1.11
Period-end	1.27	1.29	1.32	1.28	1.30	1.35	1.37	1.38	1.37	1.27	1.22	1.07	1.11	1.12
<b>JPY-INR</b>														
Average	0.68	0.70	0.67	0.59	0.57	0.63	0.62	0.60	0.59	0.58	0.54	0.52	0.52	0.53
Period-end	0.69	0.68	0.63	0.58	0.60	0.64	0.59	0.58	0.59	0.56	0.53	0.52	0.52	0.55
<b>GBP-CNY</b>														
Average	10.0	10.0	10.0	9.7	9.5	9.5	9.9	10.1	10.5	10.3	9.7	9.5	9.5	9.8
Period-end	10.0	10.2	10.1	9.4	9.3	9.9	10.0	10.4	10.6	10.0	9.7	9.2	9.8	9.6
<b>GBP-RUB</b>														
Average	49.1	50.5	49.9	47.2	48.6	50.8	52.7	58.0	58.9	60.0	75.3	95.2	80.8	97.9
Period-end	50.9	50.5	49.6	47.2	49.9	52.4	54.5	59.3	58.1	63.6	83.2	86.3	86.9	98.8
<b>GBP-INR</b>														
Average	85.6	87.1	87.0	84.1	85.8	96.4	100.4	102.2	100.6	101.1	98.0	94.2	97.4	100.6
Period-end	87.0	85.5	89.0	82.5	90.6	101.3	102.4	99.6	102.7	99.6	99.1	92.5	99.9	99.2
<b>GBP-EUR</b>														
Average	1.23	1.26	1.24	1.18	1.18	1.17	1.19	1.21	1.23	1.26	1.27	1.35	1.39	1.39
Period-end	1.24	1.26	1.23	1.19	1.17	1.20	1.21	1.21	1.25	1.28	1.30	1.38	1.41	1.35
<b>EUR-INR</b>														
Average	69.4	68.9	70.3	71.5	72.9	82.3	84.4	84.6	82.0	80.5	77.2	70.1	70.3	72.3
Period-end	70.1	68.0	72.3	69.6	77.3	84.7	84.9	82.4	82.4	77.8	77.5	66.9	70.9	73.2
<b>NGN-INR</b>														
Average	0.34	0.35	0.34	0.34	0.35	0.38	0.39	0.38	0.37	0.37	0.36	0.32	0.32	0.33
Period-end	0.34	0.34	0.35	0.34	0.37	0.39	0.39	0.36	0.37	0.37	0.35	0.31	0.32	0.33
<b>EGP-INR</b>														
Average	9.0	9.1	8.8	8.1	8.0	8.9	9.0	8.9	8.5	8.5	8.7	8.3	8.3	8.6
Period-end	9.1	8.7	8.6	8.0	8.5	9.1	8.9	8.6	8.4	8.6	8.9	8.2	8.5	8.4
<b>LKR-INR</b>														
Average	0.42	0.42	0.42	0.43	0.44	0.47	0.47	0.47	0.46	0.46	0.47	0.47	0.47	0.48
Period-end	0.42	0.41	0.43	0.43	0.46	0.47	0.47	0.46	0.46	0.47	0.49	0.47	0.48	0.46
<b>COP-INR</b>														
Average								0.31	0.31	0.32	0.28	0.25	0.25	0.22
Period-end								0.30	0.32	0.31	0.27	0.24	0.24	0.21
<b>PHP-INR</b>														
Average								1.37	1.36	1.38	1.38	1.40	1.42	1.41
Period-end								1.33	1.38	1.38	1.41	1.39	1.41	1.40

Source: Bloomberg



## Exhibit 3: Quarterly earnings preview of auto companies

	Sep-14	Jun-15	Sep-15	Change		
				qoq (%)	yoy (%)	Comments
<b>Amara Raja Batteries</b>						
Net sales	10,656	11,450	11,721	2.4	10.0	We estimate revenues to grow by 10% yoy driven by strong growth in auto four wheeler replacement segment
EBITDA	1,853	2,080	1,999	(3.9)	7.8	We expect EBITDA margins to decline by 100 bps qoq led by lagged impact of increase in lead prices in 1QFY2016
Margin (%)	17.4	18.2	17.1			
<b>Adjusted net profit</b>	<b>1,003</b>	<b>1,221</b>	<b>1,169</b>	<b>(4.3)</b>	<b>16.5</b>	
EPS	5.9	7.2	6.8	(4.3)	16.5	
<b>Ashok Leyland</b>						
Volumes (units)	25,379	28,190	37,337	32.4	47.1	Overall volume growth is driven by 64% yoy growth in MHCV volumes
Net sales	32,177	38,412	50,412	31.2	56.7	We estimate 57% yoy growth in revenues driven by 47% yoy growth in volumes and better product mix
EBITDA	2,344	3,887	6,510	67.5	177.7	We expect EBITDA margin to improve by 300 bps qoq (to 13%) led by benefit of lower commodity prices, operating leverage and some reduction in discount levels
Margin (%)	7.3	10.1	12.9			
<b>Adjusted net profit</b>	<b>444</b>	<b>1,593</b>	<b>3,524</b>			
EPS	0.2	0.6	1.2			
<b>Bajaj Auto</b>						
Volumes (units)	1,055,582	1,013,029	1,056,596	4.3	0.1	
Net sales	59,631	56,135	60,000	6.9	0.6	We expect revenues to increase by 1% yoy as volumes remain flat
EBITDA	11,268	11,397	12,886	13.1	14.4	We expect EBITDA margins to improve by ~120 bps qoq on lower commodity prices
Margin (%)	18.9	20.3	21.5			
<b>Adjusted net profit</b>	<b>8,528</b>	<b>10,149</b>	<b>9,307</b>	<b>(8.3)</b>	<b>9.1</b>	
EPS	29.5	35.1	32.2	(8.3)	9.1	
<b>Bharat Forge (consolidated)</b>						
Net sales	16,815	17,291	16,272	(5.9)	(3.2)	We estimate standalone revenues to decline by 5% yoy due to steep decline in Oil & Gas, Mining and Construction segments.
EBITDA	3,559	3,837	3,398	(11.4)	(4.5)	We expect standalone EBITDA margins to decline by around 200 bps qoq largely due to weakness in higher margin non-auto segments
Margin (%)	21.2	22.2	20.9			
<b>Adjusted net profit</b>	<b>1,650</b>	<b>1,999</b>	<b>1,744</b>	<b>(12.8)</b>	<b>5.7</b>	
EPS	7.0	8.4	7.3			
<b>Eicher Motors (standalone)</b>						
Sales volumes (units)	81,977	106,613	127,611	19.7	55.7	Demand for Royal Enfield bikes continues to remain strong
Net sales	8,212	10,968	13,120	19.6	59.8	
EBITDA	2,052	2,898	3,575	23.3	74.2	We expect EBITDA to grow by 74% yoy aided by strong volume growth and margin expansion led by lower commodity prices and operating leverage benefit
Margin (%)	25.0	26.4	27.2			
<b>Adjusted net profit</b>	<b>1,410</b>	<b>1,836</b>	<b>2,369</b>	<b>29.1</b>	<b>68.1</b>	
EPS	52.1	67.9	87.6	29.1	68.1	
<b>Eicher Motors (consolidated)</b>						
Net sales	22,750	29,167	30,693	5.2	34.9	
EBITDA	3,053	4,316	5,014	16.2	64.3	Expect EBITDA margins for VECV business to improve by 40 bps qoq to 8.2% on lower commodity prices
Margin (%)	13.4	14.8	16.3			
<b>Adjusted net profit</b>	<b>1,650</b>	<b>2,218</b>	<b>2,754</b>	<b>24.2</b>	<b>66.9</b>	
EPS	61.0	82.0	101.9	24.2	66.9	
<b>Exide Industries</b>						
Net sales	17,633	17,995	17,517	(2.7)	(0.7)	We estimate revenues to remain flat yoy as growth in auto replacement segment will be offset by weakness in inverter and other industrial segments
EBITDA	2,077	2,659	2,282	(14.2)	9.9	We expect EBITDA margin to decline by 180 bps qoq due to lagged impact of increase in lead prices in 1QFY2016
Margin (%)	11.8	14.8	13.0			
<b>Adjusted net profit</b>	<b>1,258</b>	<b>1,552</b>	<b>1,300</b>	<b>(16.2)</b>	<b>3.3</b>	
EPS	1.5	1.8	1.5	(16.2)	3.3	
<b>Hero Motocorp</b>						
Volumes (units)	1,692,523	1,645,543	1,574,861	(4.3)	(7.0)	Decline in volumes is largely led by subdued rural demand
Net sales	69,153	69,553	67,923	(2.3)	(1.8)	
EBITDA	9,348	10,479	10,831	3.4	15.9	We expect EBITDA margin to improve by 80 bps qoq due to benefit from lower commodity prices
Margin (%)	13.5	15.1	15.9			
<b>Adjusted net profit</b>	<b>7,634</b>	<b>7,504</b>	<b>7,701</b>	<b>2.6</b>	<b>0.9</b>	
EPS	38.2	37.5	38.5	2.6	0.9	

Source: Company, Kotak Institutional Equities estimates

## Exhibit 4: Quarterly earnings preview of auto companies

<b>Mahindra and Mahindra (including MVML)</b>						
Volumes (units)	176,535	171,925	158,380	(7.9)	(10.3)	Volume decline driven by 26% yoy decline in tractor volumes
Net sales	91,779	94,373	83,953	(11.0)	(8.5)	We estimate revenues to decline by 9% yoy largely due to steep 26% yoy decline in tractor volumes
EBITDA	11,005	13,531	11,085	(18.1)	0.7	We estimate EBITDA margin to decline by ~100 bps qoq due to lower tractor mix and decline in volumes
Margin (%)	12.0	14.3	13.2			
<b>Adjusted net profit</b>	<b>9,741</b>	<b>8,312</b>	<b>8,593</b>	<b>3.4</b>	<b>(11.8)</b>	<b>Sequential uptick in PAT is due to dividend income from subsidiaries</b>
EPS	17.1	14.6	15.1	3.4	(11.8)	
<b>Mahindra CIE (consolidated)</b>						
Net sales		13,346	13,200			
EBITDA		1,474	1,432			
Margin (%)		11.0	10.8			
<b>Adjusted net profit</b>		<b>666</b>	<b>657</b>			
EPS		2.1	2.0			
<b>Maruti Suzuki</b>						
Volumes (units)	321,898.0	341,329	353,335	3.5	9.8	Volume growth driven largely by new launches
Net sales	123,037.8	134,249	138,396	3.1	12.5	We expect revenues to increase by 12% yoy
EBITDA	15,207.8	21,891	22,895	4.6	50.5	We expect EBITDA margin to remain largely flattish qoq as lower commodity prices will offset higher discounts and new launch expenses.
Margin (%)	12.4	16.3	16.5			
<b>Adjusted net profit</b>	<b>8,625</b>	<b>11,929</b>	<b>12,670</b>	<b>6.2</b>	<b>46.9</b>	
EPS	28.5	39.5	41.9	6.2	46.9	
	Sep-14	Jun-15	Sep-15	qoq (%)	yoy (%)	Comments
<b>Motherson Sumi (standalone)</b>						
Net sales	12,705.6	12,370	12,786	3.4	0.6	We estimate revenues to remain flattish yoy due to subdued industry demand and decline in copper prices
EBITDA	2,191.4	2,128	2,390	12.3	9.1	We expect EBITDA margin to improve sequentially on greater control over costs
Margin (%)	17.2	17.2	18.7			
<b>Adjusted net profit</b>	<b>1,446</b>	<b>1,302</b>	<b>1,332</b>	<b>2.3</b>	<b>(7.9)</b>	
EPS	1.6	1.5	1.5			
<b>Motherson Sumi (consolidated)</b>						
Net sales	80,167	93,848	83,322	(11.2)	3.9	We estimate revenues to increase by 4% yoy. Revenue growth is lower due to appreciation of INR versus EUR
EBITDA	7,089	8,331	7,337	(11.9)	3.5	We expect EBITDA margin to remain flattish qoq
Margin (%)	8.8	8.9	8.8			
<b>Adjusted net profit</b>	<b>2,287</b>	<b>2,729</b>	<b>2,432</b>	<b>(10.9)</b>	<b>6.3</b>	
EPS	2.6	3.1	2.8	(10.9)	6.3	
<b>Tata Motors (standalone)</b>						
Volumes (units)	126,620	116,510	126,059	8.2	(0.4)	Volumes flat yoy as strong growth in MHCVs is offset by weaker LCV volumes
Net sales	87,496	92,970	106,916	15.0	22.2	We expect 22% yoy revenue growth due to increased mix of MHCVs
EBITDA	(2,646)	3,462	6,192			Margins will improve by 200 bps qoq due to lower commodity prices and operating leverage benefits.
Margin (%)	(3.0)	3.7	5.8			
<b>Adjusted net profit</b>	<b>(18,185)</b>	<b>(2,881)</b>	<b>(3,008)</b>			
<b>JLR (mn pounds)</b>						
Volumes (units)	103,975	110,648	100,671	(9.0)	(3.2)	Sales volumes likely to decline by 9% yoy
Net sales	4,808	5,002	4,483	(10.4)	(6.8)	
EBITDA	933	821	634	(22.7)	(32.0)	Adjusted EBITDA margins to decline by ~100 bps qoq due to weaker mix and lower volumes. Margins in 1QFY16 benefitted by 120 bps due to one-off incentives
Margin (%)	19.4	16.4	14.1			
<b>Adjusted net profit</b>	<b>450</b>	<b>492</b>	<b>219</b>	<b>(55.4)</b>	<b>(51.3)</b>	
<b>Tata Motors (consolidated)</b>						
Net sales	605,642	610,195	583,626	(4.4)	(3.6)	
EBITDA	95,665	91,088	77,427	(15.0)	(19.1)	
Margin (%)	15.8	14.9	13.3			
<b>Adjusted net profit</b>	<b>32,909</b>	<b>27,689</b>	<b>21,343</b>	<b>(22.9)</b>	<b>(35.1)</b>	
EPS	9.8	8.3	6.4	(22.9)	(35.1)	
<b>Wabco India</b>						
Net sales	3,230	3,850	3,948	2.5	22.2	We estimate revenues to increase by 22% yoy led by strong growth in both domestic and export segments
EBITDA	507	696	725	4.2	43.0	
Margin (%)	15.7	18.1	18.4			
<b>Adjusted net profit</b>	<b>313</b>	<b>475</b>	<b>483</b>	<b>1.7</b>	<b>54.3</b>	
EPS	16.5	25.0	25.4			

Source: Company, Kotak Institutional Equities estimates

OCTOBER 06, 2015

UPDATE

BSE-30: 26,786

**2QFY16E preview: look Ma, no change!** We expect 2QFY16 yoy comps to be similar to 1QFY16's for the broader FMCG universe with little to call out even in terms of material improvement or deterioration for any specific company. Demand recovery remains a shifting goal-post while RM tailwinds will start fading away sharply from 3QFY16. We retain our 'tread selectively' stance; preferred picks going into 2QFY16 earnings are GCPL, Dabur, Britannia, Bajaj Corp, Manpasand and ITC.

#### Price-deflation across multiple categories to keep aggregate revenue growth under sub-10%

For 2QFY16E, we estimate 7.8% yoy revenue growth for KIE consumer universe (ex-ITC, Nestle and Titan); our channel checks suggest marginal improvement in volume growth in a few categories. Lower price-led growth due to base effect and price cuts/promotional price-offs in several categories like soaps, detergents, shampoos (15-30% cuts), dairy products, dishwash, edible oils, hair oils and paints is likely to put further pressure on reported revenue growth.

We build in strong revenue growth for Jubilant Foodworks (+7% SSG and store expansion), Bajaj Corp (11.4% volume growth in ADHO partially aided by low base) and Britannia (9% volume growth and 4% price/mix-led growth). ITC (still sluggish cigarette volumes; we bake in 15% decline), Nestle (zero Maggi sales), Titan (high base; 2QFY15 saw GHS redemption) and HUL (sharp cuts in S&D and shampoos to drag revenue growth; we expect 6% UVG) are likely to report weak revenue growth.

#### Strong RM tailwinds continue; we expect aggregate GM expansion of 310 bps yoy

Input cost moderation (yoy) across a wide category of inputs will continue to drive strong GM expansion for the third consecutive quarter – we note quarterly average prices for 2QFY16 indicate 3-51% yoy deflation across key inputs except Kenyan tea, wheat, select edible oils, mentha oil and PENTA. We note on qoq basis, RM tailwind has strengthened further with several inputs witnessing sharp qoq deflation; highest in PFAD, crude oil, copra, VAM, styrene and PAN (all down 10%+ qoq).

For 2QFY16, key deflationary inputs yoy include – (1) agri-inputs like international coffee, sugar, barley, milk and milk powder, (2) oil commodities like crude oil, palm oil, PFAD, LLP and copra and (3) other inputs like LAB, PAN, Tio2, acrylic acid, VAM and Styrene.

#### We expect robust GM-led EBITDA margin expansion across companies except TGBL

We expect 2QFY16 to witness gross margin expansion across most companies – we model 310 bps yoy aggregate gross margin expansion for our universe (ex-ITC, Nestle and Titan) led by sustained RM tailwinds and high base. On a company level, we have modeled GM expansion for entire KIE consumer universe (except TGBL) and 200 bps+ GM expansion for 12 out of 17 companies. At the EBITDA level, we have built in 196 bps aggregate margin expansion. We expect all companies under our coverage universe to post EBITDA margin expansion except SRL, TGBL and Nestle (Maggi impact). Pidilite, Asian Paints, GSKCH, Bajaj Corp., JYL, Britannia, GCPL, Marico and Colgate are likely to post 200 bps + yoy expansion in EBITDA margins.

#### EBITDA/net profit – strong 20%+ growth aided by RM tailwinds

We expect EBITDA growth of 21.5% for our consumer universe (ex-ITC, Nestle and Titan) and 20.9% growth in PAT for the quarter aided by sustained benefits from strong RM tailwinds. We expect 30%+ yoy EBITDA growth for JYL, Britannia, Pidilite, Jubilant Foodworks and GCPL. Earnings acceleration, however, is largely priced in, as the broader sector (ex-ITC) continues to trade at rich multiples.

### Positives – Britannia, Marico, CPL, JYL and Pidilite; Weak results – ITC, HUL, Titan (high base) and Nestle (zero Maggi sales)

We expect ITC's cigarette business to remain under pressure due to steep excise hikes and consequent price hikes; we have modeled 15% volume decline in cigarettes business, 21% price/mix-led growth and 7% EBIT growth. We expect ITC's FMCG business to post 13% revenue growth and positive EBIT of ₹120 mn (2QFY15 had witnessed loss of ₹103 mn). We expect HUL's domestic FMCG business to report 4% revenue growth yoy led by 6% underlying volume growth (UVG) and 2% price deflation (due to sustained competitive intensity in S&D and recent cuts in shampoos); we have modeled -1% and 8% yoy growth in S&D and PP segment revenues. We model 7% growth in recurring net income largely aided by higher GMs; we model 310 bps yoy expansion in GMs. However, EBITDA margin expansion is likely to be curtailed at 105 bps yoy due to higher A&SP (we model 190 bps jump yoy).

Among other companies, we expect Britannia, Marico, GCPL, JYL and Pidilite to post good earnings growth while Titan (high base) and Nestle (zero Maggi sales) are likely to post negative earnings growth. Sector forward P/E multiple remains rich at around 29X FY2017E (34X ex-ITC). We retain our 'tread selectively' stance. Our preferred picks include ITC, Dabur, Britannia, GCPL, Bajaj Corp. and Manpasand.

Exhibit 1: KIE Consumer universe valuation summary

Company	Rating	TP	5-Oct-15	Upside / (downside)	Mkt cap.		EPS (Rs)			EPS Growth, %			PER (X)			EPS	Sales
		(Rs)	Price (Rs)	(%)	(Rs bn)	(US\$ m)	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	CAGR - (2015-17E), %	
Consumer Products																	
Asian Paints	REDUCE	800	840	(5)	805	12,111	14.8	19.8	22.9	15.8	33.7	15.5	56.6	42.3	36.7	24.2	13.0
Bajaj Corp	BUY	510	451	13	66	999	14.9	18.4	21.0	23.7	23.8	14.0	30.3	24.4	21.4	18.8	17.2
Britannia Industries	ADD	3,500	3,123	12	375	5,633	45.2	72.5	93.4	37.2	60.3	28.8	69.0	43.1	33.4	43.7	17.1
Colgate-Palmolive (India)	REDUCE	1,000	962	4	262	3,933	20.6	23.0	27.9	13.9	12.1	21.3	46.8	41.7	34.4	16.6	11.4
Dabur India	ADD	315	279	13	490	7,361	6.1	7.7	8.9	15.7	27.6	15.0	45.9	36.0	31.3	21.1	13.7
GlaxoSmithKline Consumer	REDUCE	6,300	6,054	4	255	3,829	138.8	164.0	186.1	12.6	18.2	13.5	43.6	36.9	32.5	15.8	12.0
Godrej Consumer Products	ADD	1,400	1,229	14	418	6,290	25.9	34.5	42.2	16.9	33.3	22.4	47.5	35.6	29.1	27.7	14.0
Hindustan Unilever	REDUCE	825	816	1	1,766	26,561	17.4	20.3	23.1	5.8	16.9	13.7	46.9	40.1	35.3	15.3	10.8
ITC	ADD	360	329	10	2,647	39,804	11.9	12.8	14.5	10.6	7.1	13.6	27.6	25.7	22.6	10.3	8.6
Jubilant Foodworks	SELL	1,400	1,640	(15)	108	1,624	16.9	24.5	35.3	(6.1)	45.0	44.4	97.2	67.0	46.4	44.7	26.9
Jyothy Laboratories	NR	-	316	(100)	57	860	5.8	8.3	10.4	47.0	45.1	24.9	54.9	37.8	30.3	34.6	13.8
Manpasand Beverages	BUY	500	415	20	21	312	8.0	11.1	16.8	46.1	38.6	52.3	52.0	37.6	24.7	45.3	45.0
Marico	REDUCE	440	400	10	258	3,878	8.9	11.5	13.3	18.1	29.9	15.1	45.0	34.6	30.1	22.3	13.1
Nestle India	REDUCE	5,800	6,423	(10)	619	9,312	122.1	121.3	157.1	6.7	(0.7)	29.5	52.6	52.9	40.9	13.4	4.6
Pidilite Industries	REDUCE	525	580	(9)	307	4,622	10.1	13.7	16.0	13.4	35.6	16.7	57.5	42.4	36.3	25.8	13.6
Speciality Restaurants	REDUCE	155	159	(3)	7	112	2.0	3.0	4.8	(50.0)	47.8	60.2	79.0	53.5	33.4	53.9	17.7
Tata Global Beverages	BUY	150	130	15	82	1,234	5.4	6.2	7.3	(1.0)	14.8	16.8	23.9	20.8	17.8	15.8	7.2
Titan Industries	REDUCE	320	327	(2)	291	4,369	9.2	9.6	11.4	9.1	4.3	19.1	35.6	34.1	28.7	11.4	9.0
KIE universe					8,834	132,845				11.5	16.1	16.8	39.5	34.0	29.1	16.5	11.1
KIE universe (ex-ITC)					6,187	93,041				11.9	22.1	18.2	48.5	39.7	33.6	20.1	11.8

Company	Price performance (%)				EV/EBITDA (X)			EV/Sales (X)			FCF yield (%)			Dividend yield (%)	
	1-mo	3-mo	6-mo	1-yr	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2016E	2017E
Asian Paints	3	9	2	33	35.6	27.0	23.3	5.6	5.0	4.3	0.9	1.9	2.5	1.0	1.1
Bajaj Corp	(5)	2	(4)	70	26.6	20.9	17.3	7.7	6.5	5.4	3.3	3.5	4.5	2.0	2.7
Britannia Industries	5	13	43	123	43.1	28.8	22.4	4.7	4.1	3.4	1.7	1.5	2.5	0.8	1.0
Colgate-Palmolive (India)	2	(6)	(4)	11	31.5	27.0	21.7	6.5	6.0	5.2	1.3	2.2	2.1	3.1	3.6
Dabur India	(3)	(2)	5	26	38.0	29.8	25.9	6.3	5.6	4.7	1.6	2.3	2.5	0.9	1.1
GlaxoSmithKline Consumer	0	(3)	(3)	9	31.7	26.0	22.0	5.4	4.9	4.2	2.2	1.5	2.1	1.1	1.2
Godrej Consumer Products	1	1	14	24	32.7	25.4	21.0	5.3	4.6	4.0	0.4	2.0	2.4	0.6	0.7
Hindustan Unilever	(2)	(12)	(8)	11	33.6	28.0	24.1	5.6	5.1	4.5	1.5	2.3	2.8	1.8	2.1
ITC	4	4	(1)	(10)	19.2	17.6	15.2	7.0	6.5	5.8	2.5	3.0	3.6	2.1	2.5
Jubilant Foodworks	4	(14)	11	28	41.9	30.2	24.2	5.1	4.0	3.5	(0.1)	0.2	0.2	0.2	0.3
Jyothy Laboratories	(1)	8	16	33	32.9	24.3	20.3	4.0	3.5	3.0	2.5	2.6	4.2	1.3	1.3
Manpasand Beverages	0	—	—	—	34.2	17.7	13.3	6.1	3.4	2.6	(4.8)	(5.5)	(0.3)	0.4	0.6
Marico	(0)	(8)	3	28	30.1	23.2	20.3	4.5	4.0	3.4	2.4	2.6	2.8	1.0	1.1
Nestle India	7	4	(7)	7	29.7	30.1	23.5	6.2	6.6	5.6	2.7	1.7	3.4	0.9	1.4
Pidilite Industries	4	6	(4)	46	39.5	28.3	24.6	6.3	5.5	4.7	0.1	1.7	2.2	0.7	0.9
Speciality Restaurants	10	14	(12)	9	22.7	16.0	11.4	2.2	1.9	1.6	(4.7)	(0.3)	0.3	0.6	0.8
Tata Global Beverages	8	(4)	(14)	(18)	11.6	11.4	9.8	1.1	1.0	1.0	2.7	3.6	3.8	1.9	2.3
Titan Industries	(2)	(8)	(16)	(19)	25.2	23.4	19.7	2.4	2.2	1.9	1.0	4.7	2.5	0.8	1.0
<b>KIE FMCG universe</b>	<b>2</b>	<b>(1)</b>	<b>(1)</b>	<b>9</b>	<b>27.1</b>	<b>23.2</b>	<b>19.7</b>	<b>5.4</b>	<b>5.0</b>	<b>4.3</b>	<b>1.8</b>	<b>2.4</b>	<b>2.9</b>	<b>1.2</b>	<b>1.4</b>
<b>KIE universe (ex-ITC)</b>	<b>1</b>	<b>(3)</b>	<b>(1)</b>	<b>19</b>	<b>32.6</b>	<b>26.7</b>	<b>22.4</b>	<b>5.0</b>	<b>4.5</b>	<b>3.9</b>	<b>1.4</b>	<b>2.2</b>	<b>2.7</b>	<b>1.1</b>	<b>1.4</b>
<b>Sensex</b>	<b>3</b>	<b>(6)</b>	<b>(7)</b>	<b>(1)</b>											

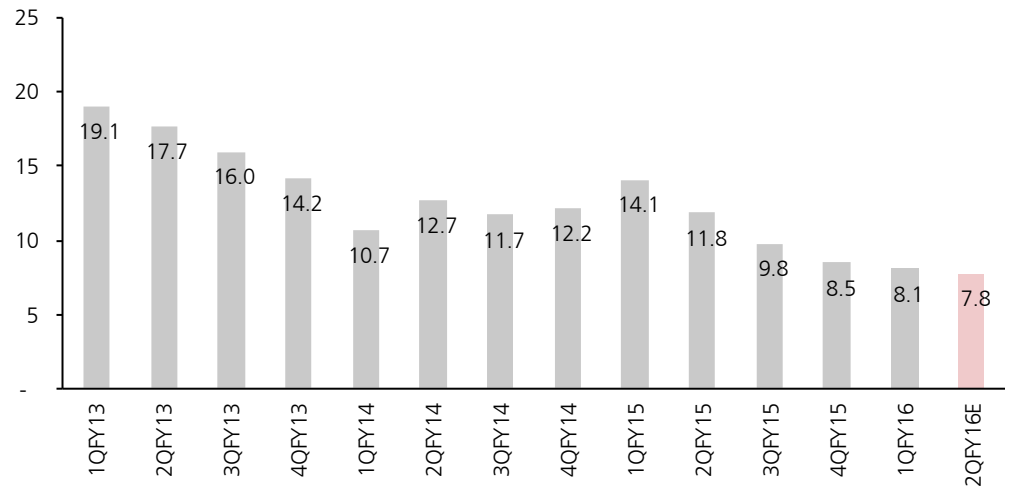
Source: Company, Kotak Institutional Equities estimates

### Aggregate sectoral trends (in charts)

All aggregate discussions/charts based on sector performance excluding ITC (still sluggish cigarette volumes, Nestle (zero Maggi sales) and Titan (not comparable yoy due to high base; 2QFY15 had golden harvest scheme redemptions).

#### Exhibit 2: Revenue growth to remain sub-10% due to weak pricing action

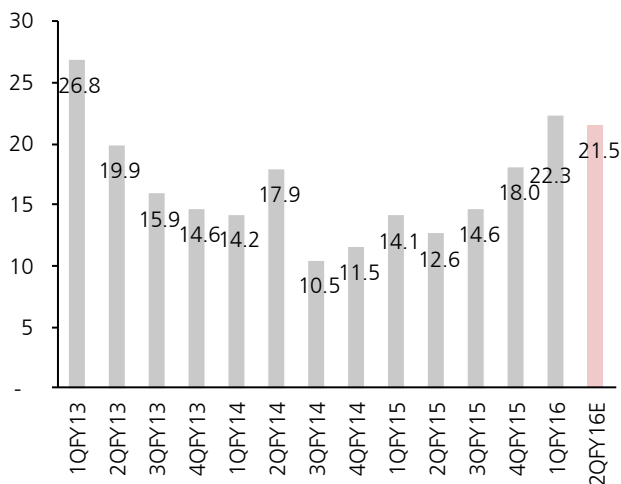
KIE Consumer universe revenue growth trends yoy (%)



Source: Company, Kotak Institutional Equities estimates

#### Exhibit 3: Strong EBITDA growth to be driven by higher GMs

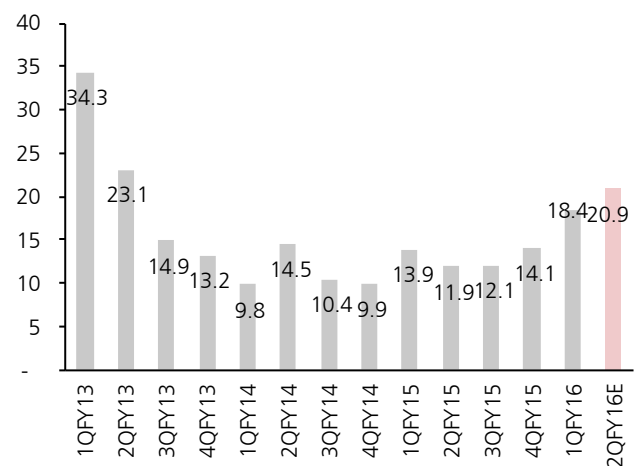
KIE Consumer universe EBITDA growth trends yoy (%)



Source: Company, Kotak Institutional Equities estimates

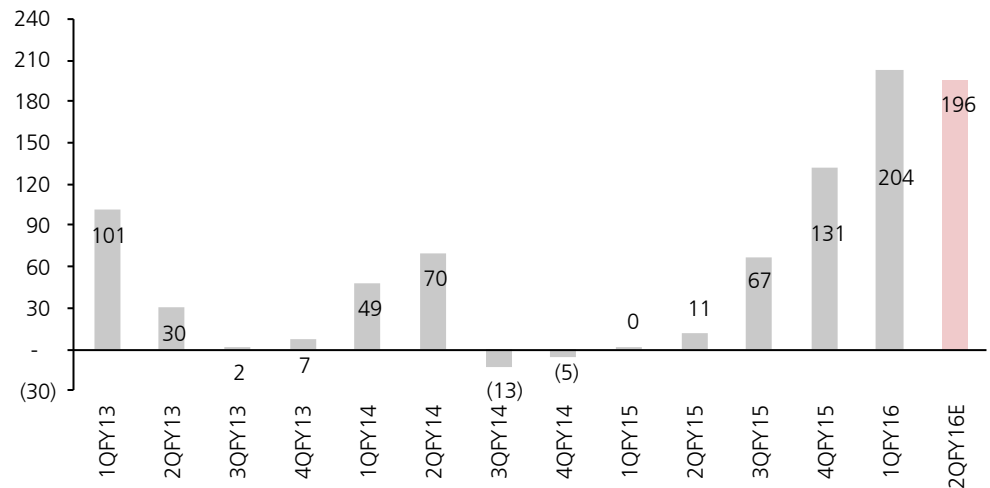
#### Exhibit 4: PAT growth highest over last 12 quarters (ex-ITC)

KIE Consumer universe recurring PAT growth trends yoy (%)



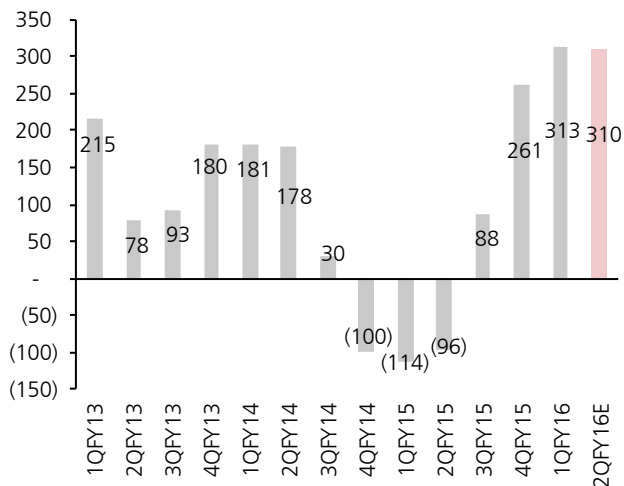
Source: Company, Kotak Institutional Equities estimates

**Exhibit 5: We expect EBITDA margins to expand 200 bps yoy led by higher GMs**  
KIE Consumer universe EBITDA growth trends ( bps yoy)



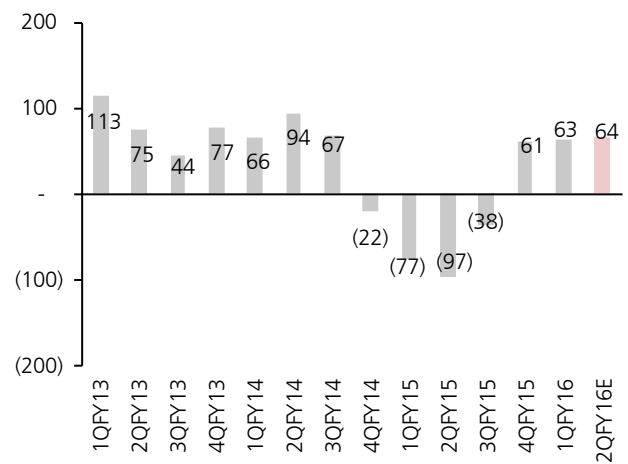
Source: Company, Kotak Institutional Equities estimates

**Exhibit 6: GMs to expand 310 bps yoy**  
KIE Consumer universe gross margin trends (bps yoy)



Source: Company, Kotak Institutional Equities estimates

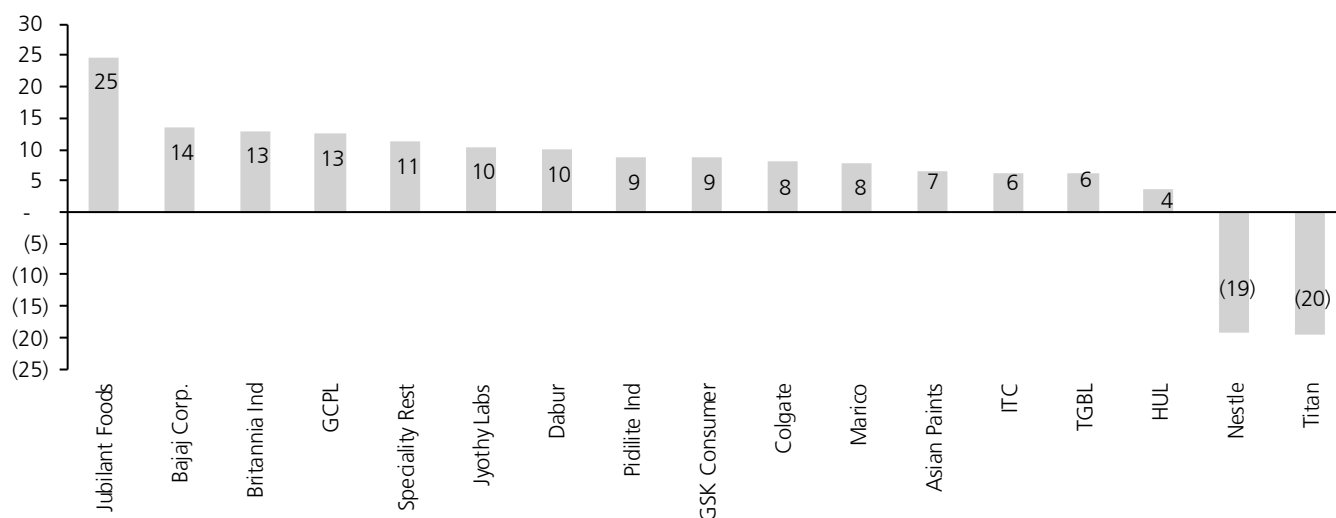
**Exhibit 7: Pick-up in A&SP spends to sustain on a low base**  
KIE Consumer universe A&SP trends (bps yoy)



Source: Company, Kotak Institutional Equities estimates

## Company-wise estimates for 2QFY16 (in charts)

**Exhibit 8: Jubilant Foodworks, Bajaj Corp, Britannia and GCPL to post robust revenue growth; ITC, HUL and TGBL to remain weak**  
KIE consumer universe company-wise revenue growth estimate for 2QFY16, yoy (%)



Source: Company, Kotak Institutional Equities estimates

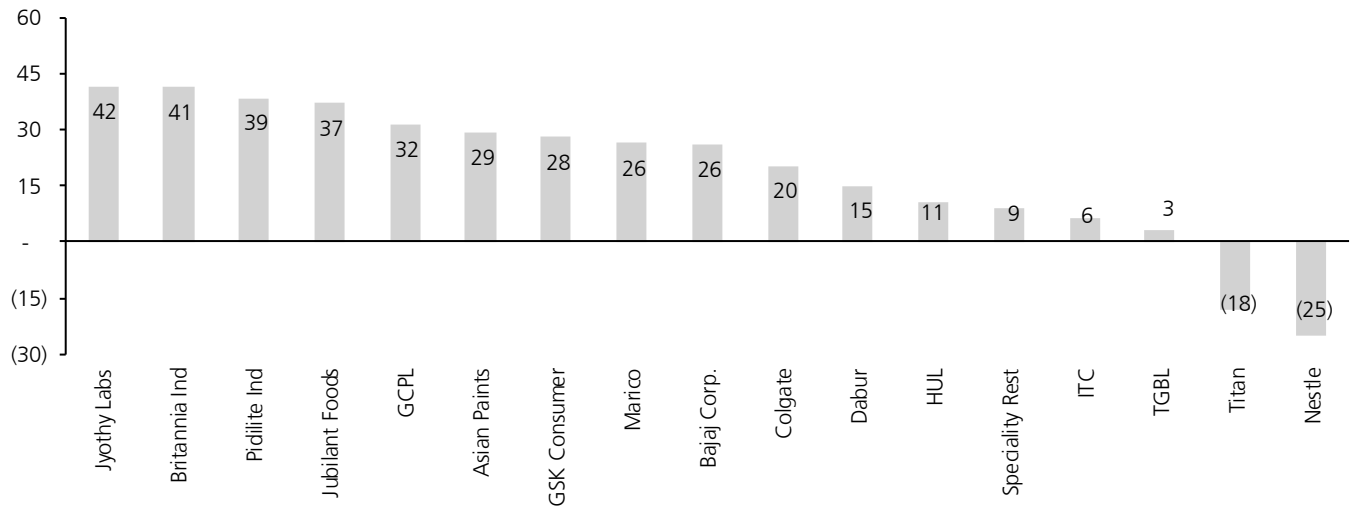
**Exhibit 9: Volumes to accelerate a tad – Bajaj Corp, Britannia, Marico (VAHO), GCPL (soaps), and APNT to perform relatively better**  
KIE consumer universe company-wise revenue growth trends, yoy (%)

	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16E
<b>Staples</b>														
Bajaj Corp - Almond Drop Hair Oil	24.4	19.0	23.4	20.6	19.1	14.1	(1.5)	(10.4)	(1.0)	4.0	19.2	23.9	10.6	11.4
Britannia Industries - Domestic	3.5	2.0	5.5	4.0	5.0	4.0	3.5	2.5	10.0	6.0	9.0	10.0	9.0	9.0
Colgate - Overall	11.0	10.0	7.0	12.0	9.0	10.0	10.0	7.0	5.0	7.0	5.0	5.0	3.0	6.0
Colgate - Toothpaste	11.0	11.0	8.0	11.0	11.0	9.0	11.0	7.0	5.0	7.0	5.0	5.0	3.0	6.0
Dabur - Domestic	11.6	9.0	9.5	12.0	9.0	10.7	9.0	9.2	8.3	8.7	7.4	8.1	8.1	7.0
GSK Consumer	7.0	6.0	8.0	8.0	7.0	10.0	11.0	7.0	3.0	2.0	5.0	—	2.0	4.0
GCPL - Soaps	24.0	6.0	2.0	4.0	7.0	4.0	6.0	(4.0)	(3.0)	4.0	5.0	7.0	10.0	8.0
HUL (FMCG business)	9.0	7.0	5.0	6.0	4.0	5.0	4.0	3.0	6.0	5.0	3.0	6.0	6.0	6.0
Marico - Domestic	16.0	17.0	15.0	14.0	10.0	4.0	3.0	6.0	6.5	8.0	5.0	3.0	6.0	5.5
Marico - Parachute	18.0	9.0	6.0	5.0	4.0	1.0	2.0	10.0	6.0	7.0	8.0	5.0	8.0	6.0
Marico - Saffola	12.0	6.0	4.0	5.0	10.0	7.0	9.0	11.0	10.0	9.5	3.0	(1.0)	4.0	4.0
Marico - Value-added hair oils	25.0	20.0	30.0	24.0	16.0	15.0	8.0	5.0	11.0	13.0	10.0	5.0	14.0	10.0
Nestle	(2.0)	(3.0)	—	1.0	3.0	4.0	(1.0)	(3.0)	(1.0)	(1.0)	2.0	—	NM	NM
<b>Discretionary</b>														
Asian Paints	(3.0)	8.0	14.0	3.0	10.0	13.0	7.0	15.0	11.0	12.0	3.0	4.0	10.0	8.0
ITC - Cigarettes	(0.5)	—	1.5	3.0	(2.0)	(4.0)	(2.5)	(3.0)	(2.5)	(4.0)	(14.0)	(13.0)	(17.0)	(15.0)
Jubilant Foodworks - SSG	22.3	19.8	16.1	7.7	6.3	6.6	(2.6)	(3.4)	(2.4)	(5.3)	1.9	6.6	4.6	7.0
Pidlite - Domestic consumer business	12.0	11.0	16.0	10.5	8.0	15.0	11.0	12.0	13.0	10.0	8.0	5.5	5.0	6.0
Titan - Jewelry	(21.0)	(13.0)	13.0	9.0	67.0	(4.0)	(21.0)	(2.0)	(24.0)	75.0	25.0	(11.0)	(10.0)	(21.0)

Source: Company, Kotak Institutional Equities estimates

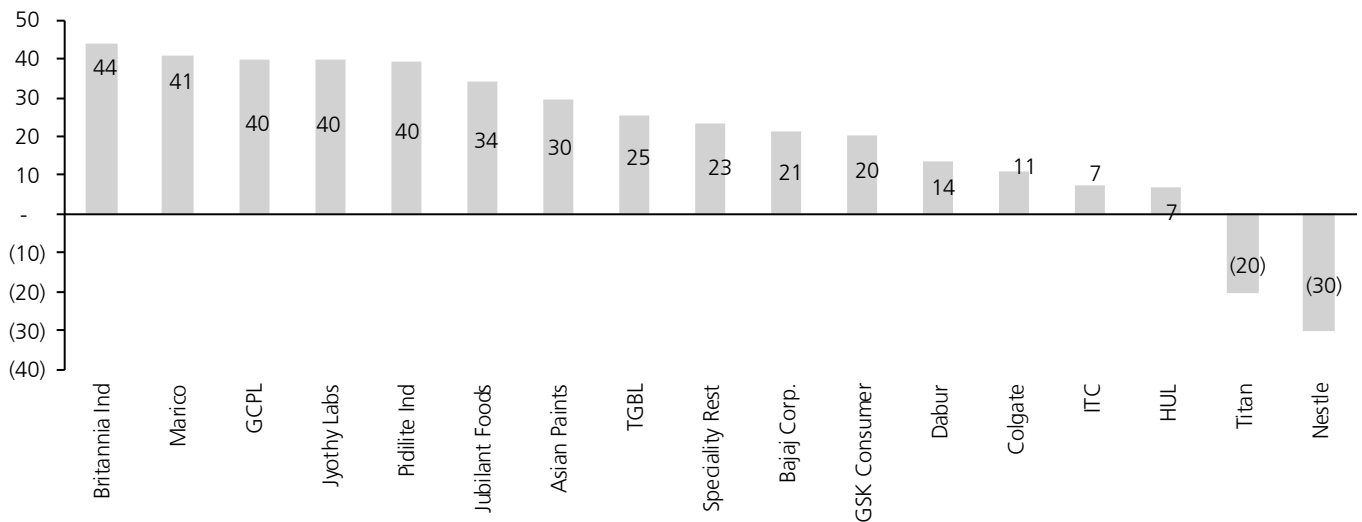


**Exhibit 10: We expect JYL, Britannia, Pidilite, Jubilant Foodworks and GCPL to lead in terms of EBITDA growth**  
KIE consumer universe company-wise EBITDA growth estimate for 2QFY16, yoy (%)



Source: Company, Kotak Institutional Equities estimates

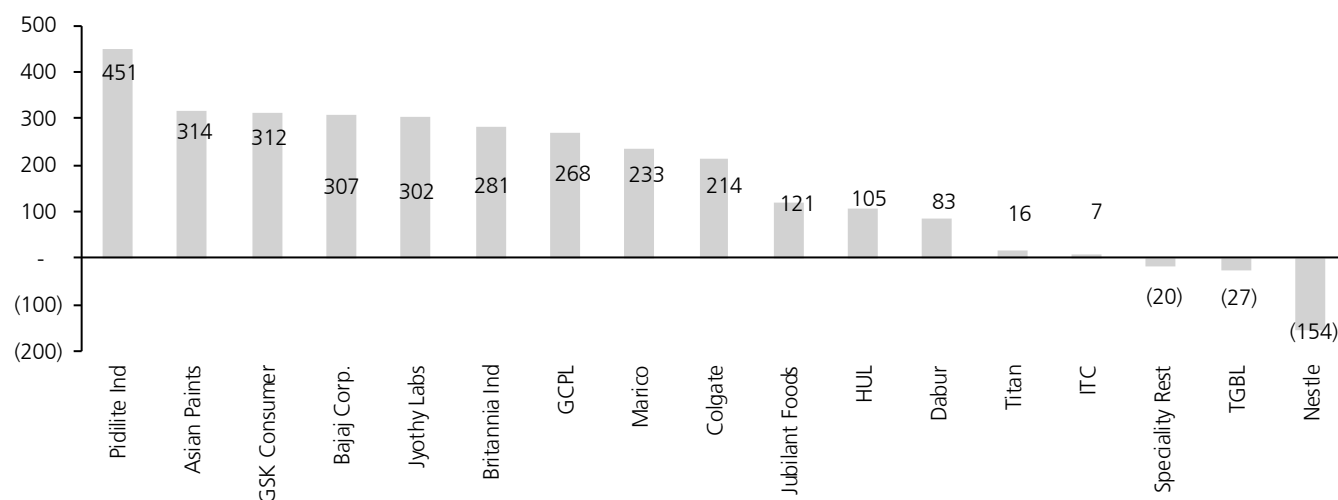
**Exhibit 11: We expect strong net income growth for Britannia, Marico, GCPL JYL, Pidilite and Jubilant Foodworks**  
KIE consumer universe company-wise recurring PAT growth estimate for 2QFY16, yoy (%)



Source: Company, Kotak Institutional Equities estimates

**Exhibit 12: EBITDA margin to expand across companies except SRL, TGBL and Nestle (Maggi impact)**

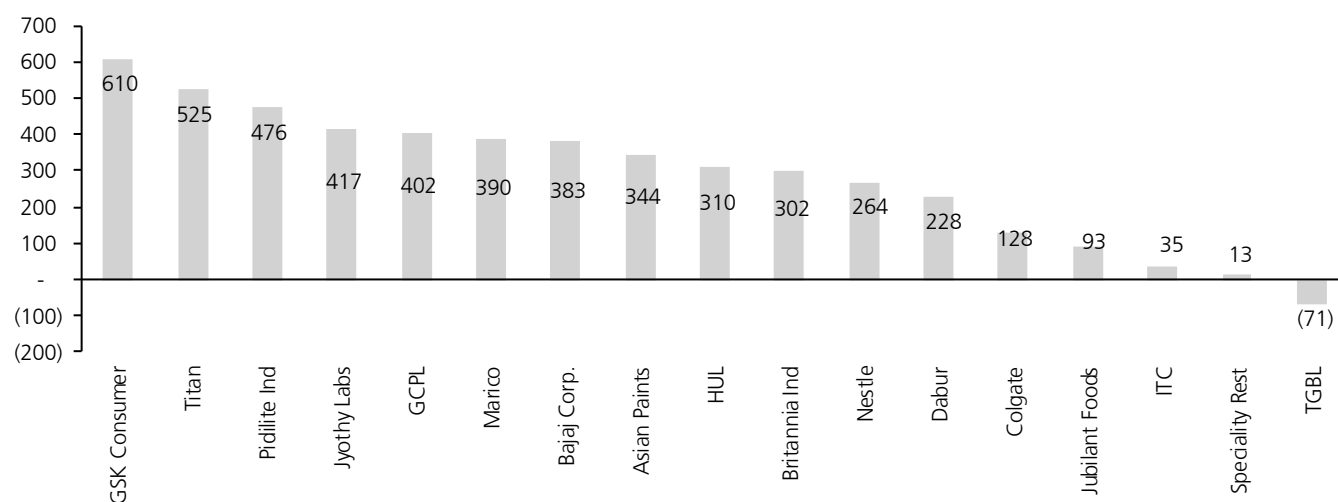
KIE consumer universe company-wise EBITDA margin change estimate for 2QFY16, yoy (bps)



Source: Company, Kotak Institutional Equities estimates

**Exhibit 13: GMs to expand across all companies except TGBL**

KIE consumer universe company-wise GM change estimate for 2QFY16, yoy (bps)



Source: Company, Kotak Institutional Equities estimates

**Exhibit 14: Strong RM tailwinds continue on a yoy basis except select inputs like Kenyan tea, wheat and mentha oil**  
Quarterly movement in inputs/commodities

									Inflationary = +3%	
									Deflationary = -3%	
No	Commodity	Unit	2QFY16	% chg - local currency			% chg - currency Adj.			Companies impacted
				qoq	yoy	vs FY15	qoq	yoy	vs FY15	
Agri Commodities										
1	Tea - India Avg.	Rs/Kg	134	17	(2)	9	17	(2)	9	HUL, TGBL
2	Tea - World Avg.	USD/MT	2,927	5	5	10	8	12	17	HUL, TGBL
3	Tea - Mombassa/Nairobi	USD/MT	2,997	7	49	46	10	60	55	HUL, TGBL
4	Coffee Arabica - Intl.	USD/MT	2,494	(10)	(31)	(30)	(8)	(26)	(25)	HUL, Nestle, TGBL
5	Coffee Robusta - Intl.	USD/MT	2,003	(6)	(14)	(14)	(4)	(8)	(8)	HUL, Nestle, TGBL
6	Sugar - domestic	Rs/Quintal	2,553	(4)	(22)	(18)	(2)	(17)	(13)	HUL, Nestle, GSKCHL, ITC, Dabur, Britannia
7	Wheat	Rs/Quintal	1,595	5	1	(0)	5	1	(0)	ITC, Nestle, GSKCHL, Britannia
8	Barley	Rs/Quintal	1,254	1	(14)	(13)	1	(14)	(13)	GSKCHL
9	Maize (com)	USD/MT	168	0	(3)	(8)	2	4	(2)	Colgate, HUL, Dabur (Sorbitol)
10	Liquid Milk - domestic	Rs/Ltr	30	—	(21)	(15)	—	(21)	(15)	Nestle, GSKCHL, Jubilant Foodworks, Britannia
11	Milk Powder - domestic	Rs/Kg	211	(5)	(25)	(18)	(5)	(25)	(18)	Nestle, GSKCHL, Britannia
12	Cocoa Bean	USD/MT	3,514	5	(1)	5	8	6	12	Nestle
Oil Commodities										
13	Crude Oil - Brent	USD/Barrel	50	(19)	(51)	(41)	(17)	(47)	(38)	HUL, GCPL, Jyothy Labs, Asian Paints, Pidilite
14	Palm oil	MYR/Ton	2,051	(6)	(7)	(11)	(14)	(22)	(22)	HUL, GCPL, Jyothy Labs
15	PFAD	USD/MT	444	(23)	(36)	(33)	(21)	(31)	(29)	HUL, GCPL, Jyothy Labs
16	Light liquid paraffin (LLP)	Rs/Ltr	40	(6)	(32)	(24)	(6)	(32)	(24)	Marico, Dabur, Bajaj Corp
17	Copra	Rs/Quintal	7,519	(15)	(31)	(24)	(15)	(31)	(24)	Marico, Dabur
18	Coconut oil	Rs/Quintal	11,186	(14)	(29)	(23)	(14)	(29)	(23)	Marico, Dabur
19	Rice Bran oil	Rs/10Kg	530	4	(8)	(0)	4	(8)	(0)	Marico
20	Kardi oil/ Safflower oil	Rs/MT	90,000	3	1	2	3	1	2	Marico
21	Sunflower oil	Rs/MT	63,848	3	12	10	3	12	10	Marico
22	Groundnut oil	Rs/MT	103,743	7	32	23	7	32	23	Marico, Dabur
23	Linseed oil	Rs/MT	77,930	1	4	3	1	4	3	Marico, Dabur, Bajaj Corp, Asian Paints
24	Castor oil	Rs/MT	83,509	5	(2)	(0)	5	(2)	(0)	Marico, Dabur, Bajaj Corp, Asian Paints
25	Mentha oil	Rs/Kg	1,105	(2)	33	25	(2)	33	25	Emami, Colgate, HUL, Dabur
Chemicals/Paints/Other Commodities										
26	Caustic soda	Rs/ 50Kg	1,648	(7)	(3)	(4)	(7)	(3)	(4)	HUL, GCPL, Jyothy Labs
27	Soda ash	Rs/ 50Kg	1,246	(5)	(7)	(1)	(5)	(7)	(1)	HUL, GCPL, Jyothy Labs
28	LAB	Rs/Kg	91	(8)	(27)	(21)	(8)	(27)	(21)	HUL, Jyothy Labs
39	HDPE - domestic	Rs/Kg	111	(4)	(13)	(6)	(4)	(13)	(6)	All companies
30	PAN	Rs/Kg	68	(12)	(21)	(15)	(12)	(21)	(15)	Asian Paints
31	PENTA	Rs/Kg	115	—	10	6	—	10	6	Asian Paints
32	Tio2 Anatase	Rs/Kg	125	—	(17)	(21)	—	(17)	(21)	Asian Paints
33	Tio2 Rutile	Rs/Kg	160	(6)	(16)	(15)	(6)	(16)	(15)	Asian Paints
34	Tio2 Dupont	Rs/Kg	215	1	(10)	(8)	1	(10)	(8)	Asian Paints
35	Turpentine oil	Rs/Ltr	85	—	(4)	(2)	—	(4)	(2)	Asian Paints
36	Formaldehyde	Rs/Kg	25	(3)	(7)	(13)	(3)	(7)	(13)	Asian Paints
37	Acrylic acid	Rs/Kg	103	(0)	(28)	(23)	(0)	(28)	(23)	Asian Paints
38	Vinyl Acetate - China	USD/MT	932	(15)	(32)	(21)	(12)	(28)	(16)	
39	Styrene - domestic	Rs/Kg	85	(13)	(22)	(10)	(13)	(22)	(10)	Asian Paints
40	Gold	Rs/10gm	25,827	(4)	(7)	(6)	(4)	(7)	(6)	Titan, Jewellery companies
41	Diamond price index	USD/Carrat	129	(3)	(11)	(9)	(1)	(5)	(3)	Titan, Jewellery companies

Source: Bloomberg, Kotak Institutional Equities

**Exhibit 15: Rupee has appreciated versus most currencies on yoy basis; Russia, Turkey, Malaysia and Australia the worst performers**  
 Movement of rupee versus relevant international currencies for KIE Consumer universe

Currency	Period end		qoq (%)	Average rate		yoy (%)	Companies impacted
	30th Sept 15	30th Jun 15		2QFY16 Avg	2QFY15 Avg		
Euro	73.2	70.9	3	72.3	80.3	(10)	Dabur, TGBL
USD	65.6	63.6	3	65.0	60.6	7	All Companies
GBP	99.2	99.9	(1)	100.7	101.2	(0)	GCPL, TGBL
Canada	49.2	50.9	(3)	49.7	55.7	(11)	TGBL
Australia	46.0	49.0	(6)	47.1	56.1	(16)	TGBL
SL	0.5	0.5	(2)	0.5	0.5	3	GCPL, Marico, Dabur, Asian Paints
Bangladesh	0.8	0.8	3	0.8	0.8	7	GCPL, Marico, Dabur, Asian Paints, Pidilite
Nepal	0.6	0.6	0	0.6	0.6	(0)	Dabur, Asian Paints
Indonesia	0.4	0.5	(6)	0.5	0.5	(9)	GCPL
Malaysia	14.9	17.0	(12)	16.0	19.0	(15)	Marico (Revenue), GCPL/HUL (Palm oil imports)
Vietnam	0.3	0.3	0	0.3	0.3	3	Marico
South Africa	4.7	5.2	(9)	5.0	5.6	(11)	GCPL, Marico, TGBL
Nigeria	0.3	0.3	3	0.3	0.4	(12)	GCPL, Dabur
Kenya	0.6	0.6	(2)	0.6	0.7	(8)	GCPL, TGBL
Turkey	21.7	23.7	(9)	22.8	28.0	(19)	Dabur
Egypt	8.4	8.3	1	8.3	8.5	(2)	Marico, Dabur, Pidilite
Middle East (AED)	17.8	17.3	3	17.7	16.5	7	GCPL, Marico, Dabur, Asian Paints, Pidilite
Argentina	7.0	7.0	(1)	7.0	7.3	(4)	GCPL
Uruguay	2.3	2.3	(4)	2.3	2.6	(11)	GCPL
Chile	0.9	1.0	(5)	1.0	1.0	(9)	GCPL
Poland	17.3	16.9	2	17.3	19.2	(10)	TGBL
Czech	2.7	2.6	4	2.7	2.9	(8)	TGBL
Russia	1.0	1.1	(13)	1.0	1.7	(38)	TGBL

Source: Bloomberg, Kotak Institutional Equities

Exhibit 16: Results preview for KIE Consumer universe for the quarter ending September 2015 (Rs mn)

Company	Sep-14	Jun-15	Sep-15E	yoy (%)	qoq (%)	Comments
<b>Asian Paints (consolidated)</b>						
Revenues	36,330	36,235	38,735	6.6	6.9	We model domestic sales growth of ~6% yoy led by 8% volume growth and 2% price deflation (due to recent price cuts)
Gross margin (%)	43.7	46.3	47.1	344 bps	80 bps	We build 340 bps yoy expansion (80 bps qoq expansion) in gross margins led by sustained softening of key inputs (including Tio2 and select monomers in 2QFY16)
EBITDA	5,362	6,835	6,935	29.3	1.5	
EBITDA margin (%)	14.8	18.9	17.9	314 bps	-97 bps	
Net income	3,473	4,552	4,502	29.6	(1.1)	
EPS (Rs/share)	3.6	4.7	4.7	29.6	(1.1)	
<b>Bajaj Corp.</b>						
Revenues	1,876	2,184	2,130	13.5	(2.5)	We expect ADHO volumes to grow at 11.4% yoy and build in 4.5% realization growth aided by price hike in 1QFY16; we model 55% decline in NOMARKS revenue due to recent relaunch of brand with new packaging and consequent pipeline correction
Gross margin (%)	61.4	64.6	65.3	383 bps	62 bps	We expect gross margins to expand 380 bps yoy due to drop in LLP prices
EBITDA	517	656	652	26.2	(0.6)	
EBITDA margin (%)	27.6	30.0	30.6	307 bps	58 bps	We model EBITDA margin expansion of 310 bps yoy led by higher GMs
Net income	492	593	596	21.3	0.6	
EPS (Rs/share)	3.3	4.0	4.0	21.3	0.6	
<b>Britannia Industries (consolidated)</b>						
Revenues	19,745	20,186	22,312	13.0	10.5	We model consolidated revenues to grow 13% yoy led by 9% domestic volume growth and ~4% price/mix-led growth
Gross margin (%)	39.7	42.6	42.7	301 bps	5 bps	We model 300 bps yoy expansion in gross margins led by benign input cost environment
EBITDA	2,201	2,884	3,113	41.4	7.9	
EBITDA margin (%)	11.1	14.3	14.0	280 bps	-34 bps	We expect EBITDA margins to expand 280 bps yoy led by higher GMs
Net income	1,465	1,897	2,111	44.1	11.3	
EPS (Rs/share)	12.2	15.8	17.6	43.9	11.2	
<b>Colgate</b>						
Revenues	10,005	10,102	10,807	8.0	7.0	We model 11% growth in gross revenues led by 6% volume growth and 5% price/mix-led growth adjusted for 3% excise hike impact (full impact this quarter)
Gross margin (%)	62.7	63.5	64.0	127 bps	46 bps	
EBITDA	1,865	2,018	2,246	20.4	11.3	
EBITDA margin (%)	18.6	20.0	20.8	214 bps	80 bps	We model 210 bps expansion in EBITDA margin led by higher GMs and lower A&SP yoy (as % of sales; model in 70 bps decline)
Net income	1,296	1,331	1,439	11.1	8.2	We expect net income growth to be impacted by higher ETR (up 400 bps yoy)
EPS (Rs/share)	9.5	9.8	10.6	11.1	8.2	
<b>Dabur (consolidated)</b>						
Revenues	19,241	20,641	21,164	10.0	2.5	We model 7% volume growth in domestic business partially hit by base effect (due to delayed Diwali this year; had boosted Real sales in 2QFY15)
Gross margin (%)	53.0	53.7	55.3	227 bps	162 bps	
EBITDA	3,454	3,164	3,975	15.1	25.6	
EBITDA margin (%)	17.9	15.3	18.8	83 bps	345 bps	We expect EBITDA margin to expand 80 bps yoy led by higher GMs partially negated by higher overheads (as % of sales; due to weaker operating leverage)
Net income	2,875	2,611	3,264	13.6	25.0	
EPS (Rs/share)	1.6	1.5	1.9	13.5	25.0	
<b>GSK Consumer</b>						
Revenues	11,136	10,450	12,109	8.7	15.9	We model 11% growth in domestic business led by 4% volume growth and ~4% price/mix-led growth (post baking in jump in excise duty by ~3-3.5%)
Gross margin (%)	62.9	69.3	69.0	609 bps	-33 bps	We expect gross margins to expand 610 bps yoy led by softening of key inputs
EBITDA	1,957	1,989	2,506	28.1	26.0	
EBITDA margin (%)	17.6	19.0	20.7	312 bps	166 bps	We expect EBITDA margin expansion to be curtailed at 310 bps yoy as savings from higher GMs is curtailed by higher overheads
Net income	1,603	1,550	1,925	20.1	24.2	
EPS (Rs/share)	38.1	36.9	45.8	20.1	24.2	

Source: Company, Kotak Institutional Equities estimates

Exhibit 16 (continued): Results preview for KIE Consumer universe for the quarter ending September 2015 (Rs mn)

Company	Sep-14	Jun-15	Sep-15E	yoy (%)	qoq (%)	Comments
<b>GCPL (consolidated)</b>						
Revenues	20,475	20,952	23,046	12.6	10.0	We model 14% growth in the domestic business (12%, 14% and 16% growth in soaps, hair colors and HI, respectively) and 10.5% growth in IBD (lower due to negative translation impact across geographies)
Gross margin (%)	52.0	56.3	56.0	401 bps	-31 bps	We model 400 bps expansion in consolidated GMs largely driven by 550 bps expansion in domestic business
EBITDA	3,257	3,142	4,284	31.5	36.3	
EBITDA margin (%)	15.9	15.0	18.6	268 bps	359 bps	We expect EBITDA margin expansion to be curtailed at 270 bps yoy due to higher A&SP expenses (up 50 bps yoy) and other expenses
Net income	2,145	2,096	3,004	40.0	43.3	
EPS (Rs/share)	6.3	6.2	8.8	40.0	43.3	
<b>HUL (standalone)</b>						
Revenues	76,393	81,051	79,296	3.8	(2.2)	We model 4% domestic FMCG sales growth led by 6% underlying volume growth (UVG) and 2% price deflation (due to sustained competitive intensity in S&D and recent cuts in shampoos); we have modeled -1% and 8% yoy growth in S&D and PP segment revenues
Gross margin (%)	48.2	51.9	51.3	310 bps	-58 bps	We expect gross margins to expand 310 bps yoy aided by softening of key inputs
EBITDA	12,420	15,064	13,727	10.5	(8.9)	
EBITDA margin (%)	16.3	18.6	17.3	105 bps	-128 bps	We expect EBITDA margin expansion to be curtailed at 105 bps yoy due to higher A&SP (we model 190 bps jump yoy)
Net income	9,570	10,494	10,235	7.0	(2.5)	
EPS (Rs/share)	4.4	4.9	4.7	7.0	(2.5)	
<b>ITC (standalone)</b>						
Revenues	89,303	85,055	94,834	6.2	11.5	We model ~15% yoy volume decline in cigarettes and modest growth in FMCG business of 13% yoy; among other businesses, we model 13%, 5% and 2% growth in hotels, agri-business (high base) and paperboards (still sluggish) respectively
Gross margin (%)	60.2	62.7	60.5	34 bps	-221 bps	
EBITDA	33,952	33,037	36,119	6.4	9.3	We estimate a ~7% growth in cigarette EBIT
EBITDA margin (%)	38.0	38.8	38.1	6 bps	-76 bps	
Net income	24,252	22,654	26,064	7.5	15.1	
EPS (Rs/share)	3.0	2.8	3.2	6.7	14.8	
<b>Jubilant Foodworks</b>						
Revenues	5,011	5,706	6,249	24.7	9.5	We model 7% SSG (qoq acceleration from 4.6%) and robust topline growth led by store expansion - we model addition of 40 Domino's stores and 8 DD stores
Gross margin (%)	74.7	75.7	75.6	92 bps	-10 bps	
EBITDA	610	704	836	37.1	18.7	
EBITDA margin (%)	12.2	12.3	13.4	120 bps	103 bps	We expect EBITDA margin to expand 120 bps yoy led by higher GMs (low base) and higher operating leverage benefits due to stronger SSG (vs. base which had negative SSG)
Net income	290	295	388	33.9	31.8	
EPS (Rs/share)	4.4	4.5	5.9	33.5	31.7	
<b>Jyothy Laboratories (consolidated)</b>						
Revenues	3,677	4,140	4,062	10.5	(1.9)	We expect 10.5% topline growth led by Dishwash, Margo and high single-digit growth in Uajala; HI business to remain sluggish due to lower growth in coils business
Gross margin (%)	47.8	51.9	52.0	416 bps	9 bps	
EBITDA	392	685	556	41.7	(18.8)	
EBITDA margin (%)	10.7	16.5	13.7	301 bps	-286 bps	We model 300 bps expansion in EBITDA margins led by higher GMs (ex-ESOP charge)
Net income	312	563	436	39.9	(22.5)	
EPS (Rs/share)	1.7	3.1	2.4	39.8	(22.5)	

Source: Company, Kotak Institutional Equities estimates

Exhibit 16 (continued): Results preview for KIE Consumer universe for the quarter ending September 2014 (Rs mn)

Company	Sep-14	Jun-15	Sep-15E	yoy (%)	qoq (%)	Comments
<b>Marico (consolidated)</b>						
Revenues	14,291	17,815	15,419	7.9	(13.4)	We model 5.5% volume growth in domestic business led by 6%, 4% and 10% volume growth in Parachute (rigids), Saffola (still sluggish) and VAHO portfolio; price/mix-led growth to decelerate to 3% due to base effect and promotional price-offs in core brands
Gross margin (%)	44.2	46.1	48.1	389 bps	194 bps	We model 390 bps expansion in GMs aided by benign input cost environment; we note copra is down 30% yoy for the quarter (high base)
EBITDA	1,932	3,236	2,444	26.5	(24.5)	
EBITDA margin (%)	13.5	18.2	15.8	232 bps	-232 bps	EBITDA margin expansion to be curtailed to 230 bps due to higher A&SP to support new launches (up 90 bps yoy)
Net income	1,183	2,379	1,663	40.6	(30.1)	Net income growth higher versus EBITDA growth due to lower ETR (high base due to high dividend income received from Bangladesh subsidiary)
EPS (Rs/share)	1.8	3.7	2.6	40.6	(30.1)	
<b>Manpasand Beverages</b>						
Revenues	NM	1,549	890	NM	(42.5)	Yoy comparison not available due to recent IPO; sharp qoq drop due to seasonality impact
Gross margin (%)	NM	40.4	41.5	NM	113 bps	
EBITDA	NM	339	137	NM	(59.7)	
EBITDA margin (%)	NM	21.9	15.3	NM	-656 bps	
Net income	NM	157	10	NM	(93.4)	
EPS (Rs/share)	NM	3.1	0.2	NM	(93.4)	
<b>Nestle</b>						
Revenues	25,578	19,338	20,698	(19.1)	7.0	Growth (yoy) not comparable due to zero sales of Maggi in current quarter; price-led growth to trend down as well due to cuts in milk, chocolates and other dairy products
Gross margin (%)	53.9	55.8	56.5	264 bps	73 bps	We model 260 bps expansion in GMs due to benign input cost environment
EBITDA	5,347	3,597	4,009	(25.0)	11.5	
EBITDA margin (%)	20.9	18.6	19.4	-154 bps	76 bps	Margin contraction not comparable yoy
Net income	3,113	(644)	2,177	(30.1)	(438.0)	We haven't modeled any one-off losses due to Maggi recall in our numbers for current quarter which can potentially drive net income lower versus our estimate
EPS (Rs/share)	32.3	24.2	22.6	(30.1)	(6.8)	
<b>Pidilite Industries</b>						
Revenues	12,546	14,695	13,649	8.8	(7.1)	We model 6% volume growth and 4% price/mix-led growth in domestic CBP business; industrial business growth to remain muted at 5% yoy
Gross margin (%)	44.1	49.1	48.9	475 bps	-19 bps	We expect GMs to expand 475 bps yoy due to benign input cost environment led by lower crude oil prices and VAM prices (down 25% yoy and 15% qoq)
EBITDA	2,062	3,442	2,859	38.7	(16.9)	
EBITDA margin (%)	16.4	23.4	20.9	451 bps	-248 bps	EBITDA margins to expand 450 bps led by higher GMs
Net income	1,389	2,255	1,938	39.5	(14.1)	
EPS (Rs/share)	2.7	4.4	3.8	39.5	(14.1)	
<b>Speciality Restaurants</b>						
Revenues	750	801	835	11.3	4.2	Discretionary spend environment remains weak. Revenue growth driven by store additions.
Gross margin (%)	68.6	68.2	68.8	13 bps	54 bps	
EBITDA	70	72	76	8.9	5.5	
EBITDA margin (%)	9.3	9.0	9.1	-21 bps	10 bps	We expect EBITDA margins to contract 20 bps yoy impacted by weak revenue growth
Net income	24	23	29	23.3	29.3	
EPS (Rs/share)	0.5	0.5	0.6	23.3	29.3	
<b>Tata Global Beverages (consolidated)</b>						
Revenues	20,217	20,290	21,442	6.1	5.7	We model 6% revenue growth yoy aided by (1) 13% growth in domestic tea business (equal mix of price and volume-led growth) and (2) low single-digit growth in international business (impacted by negative translation impact across geographies)
Gross margin (%)	51.5	50.1	50.8	-71 bps	71 bps	
EBITDA	1,860	1,883	1,915	3.0	1.7	
EBITDA margin (%)	9.2	9.3	8.9	-27 bps	-36 bps	We expect 30 bps contraction in EBITDA margin due to weak revenue growth and lower GMs (lower coffee prices to be negated by sharp jump in Kenyan tea prices)
Net income	829	851	1,038	25.3	22.0	Net income growth higher versus EBITDA growth due to lower ETR (high base due to high dividend income received from subsidiaries)
EPS (Rs/share)	1.3	1.3	1.6	22.8	22.0	
<b>Titan Industries</b>						
Revenues	35,931	27,086	28,921	(19.5)	6.8	We model - (1) 25% decline in jewelry business revenues led by 21% dip in volumes (high base; 2QFY15 was GHS redemption quarter) and 7% decline in gold prices and (2) 5% volume decline in watches business (3% revenue growth)
Gross margin (%)	24.5	28.8	29.8	524 bps	95 bps	
EBITDA	3,331	2,227	2,727	(18.1)	22.5	
EBITDA margin (%)	9.3	8.2	9.4	16 bps	120 bps	We expect margin to expand a tad led by increase in jewelry segment (aided by hedging gains); we model 250 bps decline in watches segment margins yoy (high base and rupee depreciation impact)
Net income	2,400	1,511	1,911	(20.4)	26.5	We note net income drop not comparable yoy due to high base effect
EPS (Rs/share)	2.7	1.7	2.2	(20.4)	26.5	

Source: Company, Kotak Institutional Equities estimates



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UPDATE

BSE-30: 26,786

**2QFY16E preview: soft quarter.** Usual seasonal weakness in voice volumes and some unusual slowdown in qoq data volume/revenue growth will likely drive qoq decline in India wireless revenues and EBITDA for both Bharti and Idea even as yoy comps should come in fine. Bharti Infratel should see improved sequential comps while TCOM will likely have another subdued quarter. We do not see any operational improvement at RCOM even as quarterly performance bears little meaning for the (event-driven) stock at this point. We remain positive on both Bharti and Idea.

#### India wireless: data momentum slowdown, voice seasonally weak as usual

We expect pronounced seasonal weakness in voice revenues and some slowdown in sequential growth momentum in data as well. In addition, accelerated network rollouts will pressure margins and reflect in sharp sequential EBITDA decline for the wireless players. We discuss our estimates for Bharti and Idea on key India wireless KPIs below:

- ▶ Revenues – we expect Bharti's India wireless revenues to be flat qoq and up 9% yoy. We note that yoy revenue comps continue to get impacted by the IUC rate changes implemented from March 1, 2015. For Idea, we expect 1.6% qoq decline and 15% yoy growth in pure wireless service revenues.
- ▶ EBITDA – we estimate qoq wireless EBITDA margin decline of 90 bps and 170 bps for Bharti and Idea respectively; this should still mean yoy expansion of 100 bps for Bharti and 270 bps for Idea driving a robust 12% yoy wireless EBITDA growth for Bharti and a stronger 26% for Idea.
- ▶ Voice – we estimate 3-4% qoq decline in voice volumes and flattish voice RPMs qoq. Voice revenues will likely be flat for Bharti on a yoy basis while growing around 6% for Idea. We note that September is a seasonally weak quarter for voice volumes.
- ▶ Data – we forecast some slowdown in sequential and yoy growth momentum in data revenues as well as volumes. From mid-double-digit qoq growth levels, we expect both data revenues and volumes to grow at a slower 9-11% pace for Bharti and Idea. We estimate qoq decline in data ARMB despite the early-quarter push for raising data pack pricing in several circles. We note that this pricing move did not sustain.

#### Bharti – Africa weakness and forex losses to mar consolidated performance

Adding to the seasonal weakness in the India business for Bharti would be continued operational and forex-related pressure in Africa. Some of the African currencies have again seen sharp depreciation and this would impact Africa operational comps as well as drive below-EBITDA forex losses for yet another quarter. We build in 5% qoq decline in Africa USD revenues (flat in constant currency terms); external tenancy revenue loss on account of the tower deals signed so far explains around 1.5-2 %pts of this 5% expected qoq revenue decline. We bake in forex loss of ₹5 bn in our consolidated forecasts versus ₹7.8 bn in the previous quarter and ₹2.2 bn in 2QFY15. Our consolidated revenue, EBITDA and recurring PAT estimates are ₹235 bn (down 1% qoq, +3% yoy), ₹80.3 bn (down 2.6% qoq, up 6% yoy) and ₹11.1 bn (flat qoq and down 28% yoy). We note that we do not treat forex losses as non-recurring.

Exhibits 2-6 detail our 2QFY16E expectations for Bharti, Idea, BHIN, TCOM and RCOM respectively while Exhibit 1 depicts our India wireless assumptions for Bharti and Idea.

Exhibit 1: Bharti/Idea – India wireless: key assumptions, March fiscal year-ends

	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16E
<b>Bharti</b>										
India wireless revenues (Rs bn)	113.7	110.6	114.3	119.0	126.0	124.6	130.1	131.6	136.0	135.9
Voice	94.6	92.5	94.9	98.4	103.1	99.5	100.8	100.6	101.6	98.7
Data	9.3	10.4	12.1	13.6	15.6	18.0	21.1	23.2	26.1	29.0
SMS/VAS	9.9	7.7	7.3	7.0	7.2	7.1	8.2	7.8	8.3	8.2
End-period subs (mn)	190.9	193.5	198.5	205.5	209.4	211.8	217.2	226.0	230.7	235.2
Total traffic (bn min)	258	251	255	265	271	264	267	278	291	282
Voice RPM (Rs/min)	0.366	0.368	0.372	0.372	0.381	0.377	0.377	0.362	0.349	0.350
Overall RPM (Rs/min)	0.440	0.440	0.448	0.449	0.465	0.472	0.486	0.474	0.468	0.482
ARPU (Rs/sub/month)	200	192	194	196	202	197	202	198	199	195
MOU (Rs/sub/month)	455	436	434	437	435	418	416	418	425	404
EBITDA margin (%)	31.5	32.4	33.1	33.9	35.9	35.5	35.8	37.3	37.4	36.5
<b>Idea</b>										
India wireless revenues (Rs bn)	64.4	61.9	65.0	68.4	74.6	74.6	79.0	82.9	87.1	85.7
Voice	54.1	51.9	54.5	57.1	61.3	58.8	60.8	62.6	64.4	62.1
Data	4.6	5.4	6.2	6.9	8.6	10.4	12.4	14.0	15.4	16.8
SMS/VAS	5.7	4.6	4.3	4.4	4.7	5.3	5.9	6.3	7.3	6.8
End-period subs (mn)	125.0	127.2	128.7	135.8	139.0	143.6	150.5	157.8	162.1	165.6
Total traffic (bn min)	147	139	145	157	165	162	171	185	196	189
Voice RPM (Rs/min)	0.367	0.374	0.377	0.364	0.371	0.362	0.356	0.338	0.329	0.329
Overall RPM (Rs/min)	0.437	0.446	0.449	0.436	0.451	0.458	0.463	0.448	0.446	0.454
ARPU (Rs/sub/month)	174	164	169	173	181	176	179	179	182	174
MOU (Rs/sub/month)	398	368	376	397	401	384	388	400	408	384
EBITDA margin (%)	28.6	28.2	27.9	28.2	30.0	29.3	31.0	33.1	33.7	32.0

Source: Kotak Institutional Equities estimates

Exhibit 2: Bharti - 2QFY16E preview, IFRS, March fiscal year-ends (Rs mn)

	2QFY15	1QFY16E	2QFY16E	Change (%)	
				qoq	yoy
<b>Consolidated results</b>					
Revenues	228,452	236,709	234,880	(0.8)	2.8
Operating costs	(152,605)	(154,232)	(154,546)		
EBITDA	75,847	82,477	80,334	(2.6)	5.9
EBITDA margin (%)	33.2	34.8	34.2		
Depreciation and Amortization	(38,530)	(40,404)	(42,750)		
EBIT	37,317	42,073	37,584	(10.7)	0.7
EBIT margin (%)	16.3	17.8	16.0		
Net finance (cost)/income	(9,058)	(19,191)	(17,800)		
PBT	28,259	22,882	19,784	(13.5)	(30.0)
Tax provision	(14,827)	(13,481)	(10,288)		
PAT before minority interest	13,432	9,401	9,496		
Minority interest	272	(565)	(600)		
Equity in earnings of affiliates	1,709	2,126	2,250		
Extraordinary items	(1,581)	4,581	—		
Reported net income	13,832	15,543	11,146	(28.3)	(19.4)
Adjusted net income	15,413	10,962	11,146	1.7	(27.7)
Reported EPS	3.46	3.89	2.79	(28.3)	(19.4)
<b>Segmental performance</b>					
<b>Wireless - India</b>					
Revenues	126,342	137,987	137,927	(0.0)	9.2
EBITDA	46,115	53,489	52,292	(2.2)	13.4
OPM (%)	36.5	38.8	37.9		
ARPU (Rs/sub/month)	197	199	195	(2.0)	(1.4)
MOU (min/sub/month)	418	425	404	(4.9)	(3.4)
RPM (Rs/min)	0.472	0.468	0.482	3.0	2.1
EPM (Rs/min)	0.175	0.184	0.185	0.8	6.1
Total minutes (bn)	263.9	290.8	282.1	(3.0)	6.9
<b>Wireless - South Asia</b>					
Revenues	3,893	3,886	3,900	0.4	0.2
EBITDA	107	(476)	(525)	NM	(590.7)
OPM (%)	2.7	(12.2)	(13.5)		
<b>Bharti Africa</b>					
Revenues	68,956	61,595	59,912	(2.7)	(13.1)
EBITDA	16,310	12,674	11,683	(7.8)	(28.4)
EBITDA margin (%)	23.7	20.6	19.5		
<b>Telemedia services</b>					
Revenues	11,160	11,427	11,576	1.3	3.7
EBITDA	4,481	5,270	5,325	1.0	18.8
OPM (%)	40.2	46.1	46.0		
<b>Enterprise Services</b>					
Revenues	17,037	19,690	18,903	(4.0)	11.0
EBITDA	4,080	4,108	3,781	(8.0)	(7.3)
OPM (%)	23.9	20.9	20.0		
<b>Passive infra business</b>					
Revenues	13,744	13,946	14,407	3.3	4.8
EBITDA	6,305	6,791	6,987	2.9	10.8
OPM (%)	45.9	48.7	48.5		
<b>Others (incl DTH)</b>					
Revenues	6,988	7,644	8,026	5.0	14.9
EBITDA	962	1,920	2,007	4.5	108.6
OPM (%)	13.8	25.1	25.0		

Source: Company, Kotak Institutional Equities estimates

Exhibit 3: Idea - 2QFY16E preview, Indian GAAP, March fiscal year-ends (Rs mn)

	2QFY15	1QFY16	2QFY16E	Change	
				qoq (%)	yoy (%)
<b>Consolidated</b>					
<b>Revenues</b>	<b>75,699</b>	<b>87,984</b>	<b>86,768</b>	<b>(1.4)</b>	<b>14.6</b>
Standalone	75,673	87,965	86,748	(1.4)	14.6
Indus	5,990	6,231	6,418	3.0	7.1
Eliminations	(5,964)	(6,212)	(6,398)	3.0	7.3
<b>Costs</b>	<b>(51,042)</b>	<b>(55,700)</b>	<b>(56,249)</b>	<b>1.0</b>	<b>10.2</b>
<b>EBITDA</b>	<b>24,657</b>	<b>32,284</b>	<b>30,519</b>	<b>(5.5)</b>	<b>23.8</b>
<b>EBITDA margin (%)</b>	<b>32.6</b>	<b>36.7</b>	<b>35.2</b>		
<b>D&amp;A</b>	<b>(11,788)</b>	<b>(15,159)</b>	<b>(15,500)</b>	<b>2.2</b>	<b>31.5</b>
EBIT	12,869	17,125	15,019	(12.3)	16.7
Net interest income/(expense)	(1,445)	(2,792)	(2,750)		
PBT	11,424	14,333	12,269	(14.4)	7.4
Taxes	(4,116)	(5,025)	(4,294)		
<b>PAT</b>	<b>7,308</b>	<b>9,309</b>	<b>7,975</b>	<b>(14.3)</b>	<b>9.1</b>
<b>Wireless metrics</b>					
Wireless ARPU (Rs/sub/month)	176	182	174	(4.2)	(0.9)
Wireless MOU (min/sub/month)	384	408	384	(5.8)	0.1
Wireless RPM (Rs/min)	0.458	0.446	0.454	1.8	(1.0)
Voice RPM (Rs/min)	0.362	0.329	0.329	—	(9.2)
Wireless EPM (Rs/min)	0.136	0.151	0.147	(2.9)	7.8
Wireless CPM (Rs/min)	0.322	0.295	0.307	4.1	(4.7)
Total minutes (bn min)	162.5	195.8	188.9	(3.5)	16.3
Churn (%)	5.0	4.6	4.6		
Non-voice as % of revenues	21.0	26.2	27.5		
Data as % of revenues	14.0	17.7	19.6		
Data revenues	10,442	15,419	16,800	9.0	60.9

Source: Company, Kotak Institutional Equities estimates

Exhibit 4: RCOM - 2QFY16E preview, Indian GAAP, March fiscal year-ends (Rs mn)

(Rs mn)	2QFY15	1QFY16	2QFY16E	Change (%)	
				qoq (%)	yoy (%)
<b>Consolidated results</b>					
<b>Revenues</b>	<b>54,026</b>	<b>55,413</b>	<b>55,577</b>	<b>0.3</b>	<b>2.9</b>
Operating costs	(35,756)	(36,661)	(36,294)	(1.0)	1.5
<b>EBITDA</b>	<b>18,270</b>	<b>18,752</b>	<b>19,283</b>	<b>2.8</b>	<b>5.5</b>
<b>EBITDA margin (%)</b>	<b>33.8</b>	<b>33.8</b>	<b>34.7</b>		
Depreciation and Amortization	(9,427)	(9,731)	(9,828)	1.0	4.3
<b>EBIT</b>	<b>8,843</b>	<b>9,021</b>	<b>9,455</b>	<b>4.8</b>	<b>6.9</b>
<b>EBIT margin (%)</b>	<b>16.4</b>	<b>16.3</b>	<b>17.0</b>		
Net finance (cost)/income	(6,704)	(7,042)	(7,042)	—	5.0
PBT	2,139	1,979	2,413	21.9	12.8
Tax provision	(20)	(89)	(100)		
PAT before minority interest	2,119	1,890	2,313	22.4	9.1
Minority interest	(590)	(124)	(100)		
Extraordnaries	—	—	—		
<b>Reported net income</b>	<b>1,529</b>	<b>1,766</b>	<b>2,213</b>	<b>25.3</b>	<b>44.7</b>

Source: Company, Kotak Institutional Equities estimates

Exhibit 5: Bharti Infratel - 2QFY16E preview, Indian GAAP, March fiscal year-ends (Rs mn)

Rs mn	2QFY15	1QFY16	2QFY16E	Change (%)	
				QoQ	YoY
<b>Revenues</b>	<b>29,301</b>	<b>30,157</b>	<b>30,761</b>	<b>2.0</b>	<b>5.0</b>
<b>Costs</b>					
Power and fuel	(11,009)	(10,733)	(10,841)	1.0	(1.5)
Rent	(2,319)	(2,556)	(2,585)	1.1	11.5
Employee expenses	(990)	(1,017)	(1,050)	3.2	6.1
Others	(2,832)	(2,880)	(2,950)	2.4	4.2
<b>Total</b>	<b>(17,150)</b>	<b>(17,186)</b>	<b>(17,426)</b>	<b>1.4</b>	<b>1.6</b>
<b>EBITDA</b>	<b>12,151</b>	<b>12,971</b>	<b>13,334</b>	<b>2.8</b>	<b>9.7</b>
Net revenues (ex power and fuel)	18,292	19,424	19,919	2.6	8.9
EBITDA margin (% on gross)	41.5	43.0	43.3		
EBITDA margin (% on net)	66.4	66.8	66.9		
<b>D&amp;A - net</b>	<b>(5,420)</b>	<b>(5,571)</b>	<b>(5,600)</b>	<b>0.5</b>	<b>3.3</b>
<b>EBIT</b>	<b>6,731</b>	<b>7,400</b>	<b>7,734</b>	<b>4.5</b>	<b>14.9</b>
Net finance costs and other income	373	1,493	1,250	(16.3)	235.1
<b>PBT</b>	<b>7,104</b>	<b>8,893</b>	<b>8,984</b>	<b>1.0</b>	<b>26.5</b>
Provision for taxes	(2,452)	(3,136)	(3,046)	(2.9)	24.2
<b>PAT</b>	<b>4,652</b>	<b>5,757</b>	<b>5,939</b>	<b>3.2</b>	<b>27.7</b>
# of shares	1,889	1,896	1,896		
<b>EPS (Rs/share)</b>	<b>2.46</b>	<b>3.04</b>	<b>3.13</b>	<b>3.2</b>	<b>27.2</b>
<b>Margins (%)</b>					
EBITDA (on gross) (%)	41.5	43.0	43.3		
EBITDA (on net) (%)	66.4	66.8	66.9		
EBIT (on gross) (%)	23.0	24.5	25.1		
EBIT (on net) (%)	36.8	38.1	38.8		
PAT (on gross) (%)	15.9	19.1	19.3		
PAT (on net) (%)	25.4	29.6	29.8		
Effective tax rate (%)	34.5	35.3	33.9		
<b>Key operating metrics</b>					
<b>Consolidated</b>					
Service revenues (Rs mn)	17,583	18,854	19,261	2.2	9.5
Energy reimbursements (Rs mn)	11,718	11,303	11,500	1.7	(1.9)
Gross revenues (Rs mn)	29,301	30,157	30,761	2.0	5.0
Total towers (#)	84,303	86,397	86,890	0.6	3.1
Total tenants (#)	174,270	185,215	188,782	1.9	8.3
Incremental tenants (#)	3,950	2,921	3,567		
Tenancy ratio (end-period)	2.07	2.14	2.17		
<b>Bharti Infratel - Standalone</b>					
Total towers (#)	36,381	37,486	37,750	0.7	3.8
Total tenants (#)	72,597	77,292	78,709	1.8	8.4
Tenancy ratio (end-period)	2.00	2.06	2.09		
Sharing revenue per tower (Rs/month)	73,202	75,270	76,356	1.4	4.3
Sharing revenue per operator (Rs/month)	37,073	36,714	36,825	0.3	(0.7)
<b>Indus towers</b>					
Total towers (#)	114,101	116,454	117,000	0.5	2.5
Total tenants (#)	242,079	256,960	262,080	2.0	8.3
Tenancy ratio (end-period)	2.12	2.21	2.24		
Sharing revenue per tower (Rs/month)	67,554	71,311	72,369	1.5	7.1
Sharing revenue per operator (Rs/month)	32,055	32,465	32,550	0.3	1.5

Source: Company, Kotak Institutional Equities estimates

Exhibit 6: TCOM - 2QFY16E preview, Indian GAAP, March fiscal year-ends (Rs mn)

	2QFY15	1QFY16	2QFY16E	Change (%)	
				qoq (%)	yoy (%)
<b>Revenues</b>	<b>50,716</b>	<b>51,799</b>	<b>52,400</b>	<b>1.2</b>	<b>3.3</b>
Global voice	23,101	21,159	21,200	0.2	(8.2)
Global data	22,364	25,177	26,000	3.3	16.3
Neotel + others	6,120	5,726	5,500	(3.9)	(10.1)
Total expenditure	(43,129)	(44,447)	(44,950)	1.1	4.2
<b>EBITDA</b>	<b>7,587</b>	<b>7,352</b>	<b>7,450</b>	<b>1.3</b>	<b>(1.8)</b>
Depreciation and amortization	(5,231)	(5,591)	(5,620)	0.5	7.4
<b>EBIT</b>	<b>2,356</b>	<b>1,761</b>	<b>1,830</b>	<b>3.9</b>	<b>(22.3)</b>
Other income	360	799	800		
Interest expense	(1,871)	(1,958)	(1,900)		
<b>Pre-tax profits</b>	<b>845</b>	<b>602</b>	<b>730</b>	<b>21.3</b>	<b>(13.6)</b>
Tax (incl. deferred tax)	(759)	(938)	(850)		
<b>Net income pre exceptionals</b>	<b>86</b>	<b>(336)</b>	<b>(120)</b>		
Exceptional items	842	—	—		
<b>PAT after exceptional items</b>	<b>927</b>	<b>(336)</b>	<b>(120)</b>		
Minority int. share of loss	(4)	(4)	(4)		
Share in loss of associates	0	1	1		
<b>Reported net income</b>	<b>924</b>	<b>(339)</b>	<b>(123)</b>		
<b>Margins (%)</b>					
EBITDA	15.0	14.2	14.2		
EBIT	4.6	3.4	3.5		
PBT	1.7	1.2	1.4		
PAT (pre exceptionals and MI)	0.2	(0.6)	(0.2)		

Source: Company, Kotak Institutional Equities estimates

## September 2015: Result calendar

Mon	Tue	Wed	Thu	Fri	Sat	Sun
<b>5-Oct</b>	<b>6-Oct</b>	<b>7-Oct</b>	<b>8-Oct</b>	<b>9-Oct</b>	<b>10-Oct</b>	<b>11-Oct</b>
		Bajaj Corp.		IndusInd Bank		
<b>12-Oct</b>	<b>13-Oct</b>	<b>14-Oct</b>	<b>15-Oct</b>	<b>16-Oct</b>	<b>17-Oct</b>	<b>18-Oct</b>
Infosys		Hindustan Unilever	LIC Housing Finance			
		Zee Entertainment Enterprises	Karur Vysya Bank			
			Mindtree			
<b>19-Oct</b>	<b>20-Oct</b>	<b>21-Oct</b>	<b>22-Oct</b>	<b>23-Oct</b>	<b>24-Oct</b>	<b>25-Oct</b>
HCL Technologies	ACC	Bajaj Auto		Asian Paints	Godrej Consumer Products	Persistent Systems
GRUH Finance	Bajaj Finserv	Bajaj Holdings				
SKS Microfinance	Biocon	HDFC Bank				
	Jyothy Laboratories	Mahindra & Mahindra Financial				
	Mphasis	Mahindra CIE Automotive				
		JSW Steel				
<b>26-Oct</b>	<b>27-Oct</b>	<b>28-Oct</b>	<b>29-Oct</b>	<b>30-Oct</b>	<b>31-Oct</b>	<b>1-Nov</b>
HDFC	Axis Bank	Ambuja Cements	Colgate Palmolive (India)	Karnataka Bank	GlaxoSmithKline Pharma	
	Coromandel International	Amara Raja Batteries	Kotak Mahindra Bank	Mahindra Lifespace Developers	IDFC	
	PI Industries	Dabur India	Torrent Pharma	Titan Company	J K Cement	
<b>2-Nov</b>	<b>3-Nov</b>	<b>4-Nov</b>	<b>5-Nov</b>	<b>6-Nov</b>	<b>7-Nov</b>	<b>8-Nov</b>
	Tech Mahindra		Tata Steel	Info Edge		
				Mahindra & Mahindra		
<b>9-Nov</b>	<b>10-Nov</b>	<b>11-Nov</b>	<b>12-Nov</b>	<b>13-Nov</b>	<b>14-Nov</b>	<b>15-Nov</b>
					Shree Cement	

Source: Company, Bloomberg, Kotak Institutional Equities estimates



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

Company	Rating	Price (Rs)	Target price	Upside	Mkt cap.	O/S shares	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			ADVT-3mo	
		05-Oct-15	(Rs)	(%)	(Rs mn)	(US\$ mn)	(mn)	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	(US\$ mn)
Automobiles																													
Amara Raja Batteries	SELL	1,036	620	(40.2)	176,987	2,717	171	24.1	27.1	30.0	12.2	12.2	10.8	42.9	38.3	34.6	24.7	21.3	18.8	10.4	8.6	7.3	0.3	0.5	0.6	26.9	24.7	22.8	5.9
Apollo Tyres	BUY	191	250	30.9	97,198	1,492	509	21.6	24.3	25.5	1.6	12.7	4.7	8.8	7.8	7.5	5.2	5.1	5.1	1.9	1.6	1.3	1.1	1.2	1.3	22.9	22.1	19.3	9.6
Ashok Leyland	ADD	95	95	0.3	269,505	4,137	2,846	0.9	3.5	5.6	150.7	281.2	62.0	104.3	27.4	16.9	28.8	15.0	10.6	5.3	4.7	4.0	0.5	1.1	1.8	5.4	18.1	25.5	24.0
Bajaj Auto	BUY	2,389	2,750	15.1	691,225	10,610	289	109.0	135.1	152.6	(2.8)	23.9	13.0	21.9	17.7	15.7	16.7	14.3	12.7	6.5	5.4	4.6	2.1	2.3	2.6	31.1	33.3	31.7	13.4
Balkrishna Industries	BUY	662	850	28.4	64,002	982	97	48.9	55.1	62.5	(0.4)	12.6	13.5	13.5	12.0	10.6	8.0	7.1	6.1	2.8	2.3	1.9	0.4	0.4	0.4	22.7	21.1	19.7	0.7
Bharat Forge	ADD	948	1,070	12.8	220,747	3,388	237	32.1	33.5	43.6	53.0	4.2	30.1	29.5	28.3	21.8	16.6	15.6	12.5	6.5	5.5	4.6	0.4	0.7	0.9	24.9	21.2	23.2	17.3
Eicher Motors	SELL	18,773	10,100	(46.2)	509,537	7,821	27	227.1	396.3	500.8	55.9	74.5	26.4	82.7	47.4	37.5	45.3	27.3	21.2	20.2	14.6	10.7	0.3	0.2	0.2	26.9	35.7	32.9	24.2
Exide Industries	REDUCE	153	150	(1.8)	129,795	1,992	850	6.4	7.4	7.9	12.1	15.1	6.9	23.8	20.7	19.3	14.3	12.3	11.4	3.2	2.9	2.7	2.1	1.6	1.6	14.0	14.8	14.5	4.2
Hero Motocorp	BUY	2,502	3,000	19.9	499,618	7,669	200	127.2	154.2	183.3	20.5	21.2	18.9	19.7	16.2	13.6	14.8	12.2	10.2	7.6	6.4	5.4	2.4	3.1	3.7	41.7	42.8	42.9	17.1
Mahindra CIE Automotive	BUY	258	310	20.3	83,286	1,278	323	7.4	8.4	13.0	-	12.2	55.4	34.6	30.8	19.9	22.2	14.0	10.2	4.4	3.8	3.2	-	-	-	12.6	13.2	17.6	1.4
Mahindra & Mahindra	ADD	1,271	1,290	1.5	789,222	12,114	569	54.3	61.6	69.1	(19.9)	13.5	12.3	23.4	20.6	18.4	17.3	14.7	13.1	3.6	3.2	2.9	1.2	1.2	1.4	16.8	16.6	16.6	22.5
Maruti Suzuki	BUY	4,414	5,000	13.3	1,333,396	20,466	302	122.9	191.6	251.4	33.4	56.0	31.2	35.9	23.0	17.6	19.9	13.6	11.0	5.6	4.7	3.9	0.6	0.9	1.1	16.6	22.3	24.5	34.1
Motherson Sumi Systems	SELL	238	220	(7.6)	314,941	4,834	1,323	7.3	9.1	12.5	8.2	24.5	36.8	32.5	26.1	19.1	10.9	9.2	6.9	9.5	7.6	6.1	0.8	1.2	1.6	30.9	32.4	35.5	19.0
Tata Motors	BUY	315	525	66.6	1,028,784	15,791	3,395	41.7	44.7	53.3	(5.4)	7.1	19.3	7.5	7.0	5.9	3.7	3.5	3.1	1.9	1.4	1.1	0.6	0.6	0.6	23.3	22.6	20.8	58.5
WABCO India	ADD	6,846	7,700	12.5	129,850	1,993	19	63.6	117.5	173.5	2.7	84.7	47.7	107.6	58.3	39.5	62.7	36.6	25.0	15.0	12.3	9.6	0.1	0.2	0.3	14.9	23.2	27.3	1.0
Automobiles	Attractive				6,338,095	97,283					4.4	20.9	21.4	19.7	16.3	13.4	9.8	8.6	7.3	4.3	3.4	2.8	0.9	1.1	1.3	21.8	21.0	21.2	252.9
Banks/Financial Institutions																													
Axis Bank	ADD	513	620	20.8	1,220,435	18,732	2,371	31.0	36.7	42.2	17.3	18.1	15.2	16.5	14.0	12.2	-	-	-	2.7	2.3	2.0	0.9	1.1	1.3	17.8	18.0	17.9	67.7
Bajaj Finserv	ADD	1,799	1,720	(4.4)	286,330	4,395	159	106.3	121.5	139.5	10.3	14.3	14.8	16.9	14.8	12.9	-	-	-	2.6	2.1	1.8	0.8	0.8	0.8	16.7	15.7	15.0	2.3
Bank of Baroda	ADD	186	190	1.9	412,223	6,327	2,449	15.3	18.2	25.2	(27.3)	18.5	38.9	12.2	10.3	7.4	-	-	-	1.1	1.0	0.9	1.8	2.0	2.8	9.2	10.7	13.3	27.7
Bank of India	ADD	139	190	36.5	92,555	1,421	793	25.7	31.4	44.5	(39.5)	22.3	41.8	5.4	4.4	3.1	-	-	-	0.4	0.3	0.3	3.6	4.4	6.2	6.3	8.3	10.5	9.4
Canara Bank	REDUCE	290	320	10.4	149,356	2,292	515	56.9	47.6	66.6	7.6	(16.4)	40.0	5.1	6.1	4.4	-	-	-	0.5	0.4	0.4	3.6	3.0	4.2	8.8	7.3	9.4	16.5
Cholamandalam	ADD	646	730	13.0	100,833	1,548	155	30.2	33.7	41.8	18.8	11.7	24.0	21.4	19.2	15.4	-	-	-	3.8	2.8	2.4	0.7	0.8	1.0	17.4	16.7	16.8	0.6
City Union Bank	BUY	92	110	19.7	54,974	844	597	6.6	7.0	8.2	3.5	6.3	16.4	13.9	13.1	11.2	-	-	-	2.0	1.8	1.6	1.2	1.3	1.5	16.7	14.7	15.1	0.9
DCB Bank	BUY	141	150	6.5	39,937	613	282	6.8	7.2	8.3	12.1	6.4	15.0	20.8	19.5	17.0	-	-	-	2.5	2.2	2.0	-	-	-	14.4	12.4	12.6	3.2
Dewan Housing Finance	BUY	219	285	30.0	63,929	981	291	47.6	27.6	33.4	14.8	(41.9)	20.8	4.6	7.9	6.6	-	-	-	1.4	1.2	1.1	2.5	1.4	1.7	16.7	15.9	16.6	7.5
Federal Bank	BUY	65	83	26.8	111,589	1,713	1,713	5.9	6.4	7.8	19.7	8.5	22.0	11.1	10.2	8.4	-	-	-	1.4	1.3	1.2	1.8	2.0	2.4	13.7	13.4	14.6	5.0
HDFC	BUY	1,257	1,410	12.2	1,983,063	30,438	1,575	40.4	53.4	55.6	15.6	32.3	4.1	31.1	23.5	22.6	-	-	-	6.4	5.8	5.3	1.2	1.8	1.8	21.2	24.7	22.7	54.7
HDFC Bank	ADD	1,098	1,150	4.7	2,765,857	42,453	2,507	40.8	50.6	59.6	15.3	24.2	17.7	26.9	21.7	18.4	-	-	-	4.4	3.8	3.3	0.7	0.9	1.1	19.4	19.0	19.3	25.7
ICICI Bank	BUY	281	400	42.4	1,631,667	25,044	5,798	19.3	20.8	23.3	13.5	7.8	12.3	14.6	13.5	12.0	-	-	-	2.0	1.8	1.7	1.8	2.2	2.5	14.5	14.3	14.6	65.1
IDFC	BUY	63	205	225.4	100,423	1,541	1,593	10.7	(3.8)	5.3	(10.1)	(135.8)	239.3	5.9	(16.4)	11.8	-	-	-	0.6	0.5	0.5	4.1	(2.0)	0.9	10.5	(4.3)	12.0	18.5
IIFL Holdings	BUY	188	225	20.0	58,396	896	310	14.4	16.8	19.2	54.0	16.1	14.7	13.0	11.2	9.8	-	-	-	2.3	1.9	1.6	1.6	0.0	0.0	20.1	19.3	18.5	0.9
IndusInd Bank	ADD	960	1,020	6.3	567,966	8,718	589	33.9	40.0	48.9	26.5	18.0	22.2	28.3	24.0	19.6	-	-	-	5.3	3.2	2.8	0.4	0.5	0.6	19.7	17.3	15.5	17.6
J&K Bank	ADD	92	125	36.3	44,454	682	485	10.5	17.5	18.4	(57.0)	67.3	5.0	8.7	5.2	5.0	-	-	-	0.7	0.7	0.6	2.3	3.8	4.0	8.7	13.2	12.6	0.7
Karur Vysya Bank	BUY	449	630	40.2	54,322	834	122	37.5	57.8	69.0	(6.5)	54.3	19.4	12.0	7.8	6.5	-	-	-	1.3	1.2	1.0	2.9	3.2	3.8	12.0	15.6	16.7	0.8
L&T Finance Holdings	ADD	68	80	18.2	116,516	1,788	1,750	5.0	4.9	5.7	43.0	(1.7)	16.4	13.7	13.9	11.9	-	-	-	1.9	1.6	1.4	1.1	0.9	0.9	13.9	12.3	12.7	6.6
LIC Housing Finance	ADD	483	525	8.7	243,828	3,743	505	30.0	35.9	43.3	15.2	19.7	20.6	16.1	13.4	11.1	-	-	-	3.1	2.7	2.3	1.1	1.3	1.5	18.8	19.4	20.0	18.6
Magma Fincorp	ADD	93	120	29.2	21,997	338	236	8.8	8.6	11.4	22.3	(2.1)	33.0	10.6	10.8	8.1	-	-	-	1.3	0.9	0.9	0.9	0.9	1.8	10.7	10.1	11.3	0.2
Mahindra & Mahindra Financial	BUY	238	320	34.5	135,309	2,077	564	14.8	14.6	18.7	(6.2)	(0.8)	27.8	16.1	16.2	12.7	-	-	-	2.4	2.1	1.9	1.7	1.6	2.0	15.5	13.9	16.0	5.5
Max India	ADD	524	570	8.7	139,987	2,149	266	10.5	10.5	13.9	100.4	0.4	31.9	49.9	49.7	37.7	-	-	-	4.2	3.3	2.8	1.4	1.4	1.8	8.8	7.5	8.1	2.3
Muthoot Finance	BUY	163	250	53.1	64,981	997	397	16.9	18.8	23.9	(19.5)	11.3	27.3	9.7	8.7	6.8	-	-	-	1.3	1.2	1.0	3.6	3.5	4.4	14.3	14.0	16.2	0.5
Oriental Bank of Commerce	ADD	138	200	45.4	41,244	633	300	16.6	44.6	58.2	(56.4)	169.0	30.5	8.3	3.1	2.4	-	-	-	0.3	0.3	0.3	2.4	6.5	8.4	3.7	9.4	11.3	

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

Company	Rating	Price (Rs)	Target price	Upside	Mkt cap.		O/S shares	EPS (Rs)			EPS growth (%)			PER (X)		EV/EBITDA (X)			Price/BV (X)		Dividend yield (%)			RoE (%)		ADVT-3mo			
		05-Oct-15	(Rs)	(%)	(Rs mn)	(US\$ mn)	(mn)	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	(US\$ mn)			
<b>Cement</b>																													
ACC	SELL	1,370	1,450	5.9	257,155	3,947	188	45.7	49.9	82.7	(2.3)	9.2	65.7	30.0	27.4	16.6	19.3	16.2	8.7	3.1	3.0	2.7	1.7	1.7	1.7	10.7	11.2	17.0	6.8
Ambuja Cements	SELL	210	210	0.0	325,821	5,001	1,550	8.5	6.6	9.9	28.0	(22.4)	49.9	24.6	31.8	21.2	16.2	18.6	12.3	3.0	3.1	2.9	1.5	2.0	2.0	12.7	9.6	14.0	9.4
Dalmia Bharat	BUY	657	782	19.0	53,341	819	81	1.1	30.3	69.9	208.9	2,580.8	130.8	581.7	21.7	9.4	24.5	7.9	5.2	1.7	1.6	1.4	0.3	0.3	0.3	0.3	7.7	15.9	0.4
Grasim Industries	ADD	3,615	4,350	20.3	332,112	5,098	92	190.8	235.7	331.4	(10.0)	23.5	40.6	18.9	15.3	10.9	8.6	6.1	4.0	1.4	1.3	1.2	1.1	1.1	1.1	7.8	9.0	11.6	3.7
India Cements	REDUCE	85	90	5.4	26,233	403	307	(0.1)	4.8	8.8	97.2	4,539.1	83.5	NM	17.9	9.7	7.8	7.4	5.9	0.8	0.7	0.7	-	2.5	2.5	(0.1)	4.2	7.2	4.5
J K Cement	BUY	654	785	20.0	45,735	702	70	18.1	12.1	49.9	63.9	(33.3)	313.8	36.2	54.3	13.1	17.1	12.2	7.5	2.8	2.8	2.3	0.6	0.8	0.8	7.5	5.1	19.2	0.3
JK Lakshmi Cement	BUY	379	400	5.7	44,538	684	118	14.8	14.4	27.6	54.6	(2.5)	91.7	25.7	26.3	13.7	16.7	11.5	7.7	3.3	3.0	2.5	0.5	0.5	0.5	13.1	12.0	19.9	0.7
Orient Cement	BUY	167	200	19.7	34,244	526	205	9.5	10.6	18.2	92.8	11.4	71.6	17.6	15.8	9.2	15.2	11.3	6.4	3.5	3.0	2.3	1.0	1.2	1.2	21.6	20.5	28.5	0.2
Shree Cement	SELL	12,597	7,768	(38.3)	438,850	6,736	35	132.5	247.1	402.7	(40.2)	86.4	63.0	95.0	51.0	31.3	33.1	22.4	14.9	8.3	7.2	5.9	0.2	0.2	0.2	9.2	15.2	20.9	2.1
UltraTech Cement	SELL	2,816	2,500	(11.2)	772,864	11,863	274	73.5	78.7	129.4	(6.0)	7.1	64.5	38.3	35.8	21.8	20.4	17.6	11.8	4.1	3.6	3.1	0.3	0.3	0.3	11.2	10.7	15.5	14.9
<b>Cement</b>	<b>Cautious</b>				<b>2,330,893</b>	<b>35,777</b>					<b>(0.4)</b>	<b>15.9</b>	<b>61.9</b>	<b>33.7</b>	<b>29.1</b>	<b>18.0</b>	<b>16.5</b>	<b>13.0</b>	<b>8.5</b>	<b>3.0</b>	<b>2.8</b>	<b>2.5</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>9.0</b>	<b>9.7</b>	<b>13.9</b>	<b>43.0</b>
<b>Consumer products</b>																													
Asian Paints	REDUCE	855	800	(6.5)	820,498	12,594	959	14.8	19.8	22.9	15.8	33.7	15.5	57.7	43.1	37.4	36.3	27.5	23.7	17.3	14.4	12.1	0.7	0.9	1.1	32.4	36.4	35.1	17.5
Bajaj Corp.	BUY	462	510	10.5	68,079	1,045	148	14.9	18.4	21.0	23.7	23.8	14.0	31.0	25.0	22.0	27.3	21.5	17.7	13.9	12.3	10.8	2.5	1.9	2.6	43.6	52.1	52.2	1.0
Britannia Industries	ADD	3,214	3,500	8.9	385,560	5,918	120	45.2	72.5	93.4	37.1	60.3	28.8	71.1	44.3	34.4	44.0	29.3	22.4	30.9	21.9	15.8	0.5	0.8	0.9	53.0	57.9	53.3	12.0
Colgate-Palmolive (India)	REDUCE	965	1,000	3.7	262,344	4,027	272	20.6	23.0	27.9	13.9	12.1	21.3	46.9	41.9	34.5	31.6	27.1	21.8	34.1	28.9	23.9	1.3	1.6	1.8	81.6	74.7	75.9	8.1
Dabur India	ADD	275	315	14.5	483,301	7,418	1,757	6.0	7.7	8.9	15.0	29.5	15.0	46.0	35.5	30.9	36.9	29.0	25.2	14.4	11.6	9.5	0.7	0.9	1.1	34.9	36.1	33.7	6.7
GlaxoSmithKline Consumer	REDUCE	6,049	6,300	4.1	254,409	3,905	42	138.8	164.0	186.1	(13.5)	18.2	13.5	43.6	36.9	32.5	31.7	25.9	22.0	12.0	10.3	8.8	0.9	1.1	1.2	29.7	30.1	29.2	1.2
Godrej Consumer Products	ADD	1,312	1,400	6.7	446,864	6,859	340	26.3	34.5	42.2	17.7	31.2	22.4	49.9	38.0	31.1	34.0	26.5	21.8	10.4	8.7	7.2	0.4	0.5	0.6	22.1	24.8	25.4	5.1
Hindustan Unilever	REDUCE	810	825	1.9	1,752,301	26,896	2,164	17.4	20.3	23.1	5.8	16.9	13.7	46.6	39.8	35.0	33.3	27.7	23.9	47.0	41.4	36.3	1.9	1.9	2.1	107.5	110.6	110.6	21.6
ITC	ADD	330	360	9.3	2,644,730	40,594	8,132	11.5	12.8	14.5	7.4	11.4	13.6	28.7	25.8	22.7	18.6	17.0	14.7	8.7	7.8	7.0	1.9	2.1	2.4	28.4	28.6	29.4	33.2
Jubilant Foodworks	SELL	1,662	1,400	(15.7)	109,067	1,674	66	16.9	24.5	35.3	10.0	45.0	44.4	98.5	67.9	47.1	42.3	30.5	22.3	17.0	14.1	11.3	0.1	0.2	0.3	18.6	22.7	26.7	7.1
Jyothy Laboratories	NR	314	-	(100.0)	56,942	874	181	5.8	8.3	10.4	47.0	45.1	24.9	54.6	37.7	30.2	31.8	23.6	19.7	7.3	6.6	6.7	1.3	1.3	1.3	19.6	23.7	27.1	0.9
Manpasand Beverages	BUY	434	500	15.3	21,708	333	50	8.0	11.1	16.8	46.1	38.6	52.3	54.4	39.2	25.8	35.6	18.6	14.0	11.4	3.5	3.2	0.3	0.3	0.6	20.9	13.8	13.0	-
Marico	REDUCE	403	440	9.2	259,937	3,990	645	8.9	11.5	13.3	21.2	29.6	15.1	45.2	34.9	30.3	29.9	23.1	20.2	14.2	11.5	9.4	0.6	1.0	1.1	36.1	36.5	34.1	3.0
Nestle India	REDUCE	6,479	5,800	(10.5)	624,639	9,588	96	122.1	121.3	157.1	6.7	(0.7)	29.5	53.0	53.4	41.2	30.0	30.4	23.7	22.0	20.7	17.9	1.0	0.9	1.4	47.9	42.6	49.1	7.6
Page Industries	SELL	13,552	10,000	(26.2)	151,155	2,320	11	175.7	232.2	294.9	27.5	32.1	27.0	77.1	58.4	45.9	47.9	36.9	29.1	39.1	28.2	20.0	0.5	0.6	0.6	58.0	56.2	51.0	4.0
Pidlite Industries	REDUCE	579	525	(9.3)	296,832	4,556	513	10.1	13.7	16.0	13.4	35.8	16.5	57.4	42.3	36.3	38.1	27.3	23.7	13.1	10.9	9.1	0.5	0.7	0.9	24.5	28.1	27.4	3.3
Speciality Restaurants	REDUCE	161	155	(3.5)	7,546	116	47	2.0	3.0	4.8	(50.0)	47.8	60.2	79.8	54.0	33.7	22.9	16.2	11.5	2.5	2.3	2.2	0.6	0.6	0.8	3.1	4.4	6.7	0.1
Tata Global Beverages	BUY	132	150	13.8	83,148	1,276	631	5.4	6.2	7.3	(1.0)	14.8	16.8	24.3	21.1	18.1	11.7	11.5	9.9	1.5	1.5	1.4	1.7	1.9	2.3	6.0	7.0	7.9	3.9
Titan Company	REDUCE	331	320	(3.3)	293,724	4,508	888	9.3	9.6	11.4	10.1	3.2	19.1	35.6	34.5	29.0	25.5	23.6	20.0	9.5	8.1	6.8	0.7	0.8	1.0	29.4	25.3	25.4	6.5
United Breweries	SELL	914	700	(23.4)	241,666	3,709	264	8.4	12.3	15.9	(1.6)	45.8	29.5	108.5	74.4	57.5	44.1	34.2	28.5	13.3	11.6	9.9	0.1	0.2	0.3	12.6	16.6	18.6	3.0
United Spirits	BUY	3,199	4,000	25.0	464,962	7,137	145	(11.7)	40.4	84.8	(30.6)	445.0	110.0	NM	79.2	37.7	83.6	36.2	21.9	51.5	22.9	12.3	0.1	0.3	0.5	(8.6)	40.0	42.3	9.8
<b>Consumer products</b>	<b>Cautious</b>				<b>9,729,411</b>	<b>149,336</b>					<b>9.3</b>	<b>21.9</b>	<b>19.0</b>	<b>43.6</b>	<b>35.7</b>	<b>30.0</b>	<b>28.3</b>	<b>23.8</b>	<b>19.9</b>	<b>13.5</b>	<b>11.6</b>	<b>9.9</b>	<b>1.2</b>	<b>1.4</b>	<b>1.6</b>	<b>31.0</b>	<b>32.4</b>	<b>33.1</b>	<b>155.6</b>
<b>Energy</b>																													
Aban Offshore	RS	235	—	—	13,698	210	58	89.5	87.2	80.4	6.7	(2.5)	(7.8)	2.6	2.7	2.9	6.4	6.0	6.1	0.2	0.2	0.2	3.6	2.5	2.6	11.0	8.9	7.8	9.0
BPCL	ADD	861	950	10.4	622,359	9,553	723	70.3	82.4	80.5	25.2	17.1	(2.3)	12.2	10.4	10.7	7.9	6.7	6.6	2.8	2.4	2.1	2.6	2.7	2.6	24.3	24.4	20.5	25.1
Cairn India	RS	155	—	—	290,415	4,458	1,875	34.9	20.5	20.8	(46.5)	(41.1)	1.1	4.4	7.5	7.5	2.8	4.1	3.2	0.5	0.5	0.5	5.9	4.5	4.5	11.2	6.4	6.3	6.5
Castrol India	SELL	450	430	(4.5)	222,602	3,417	495	9.6	12.8	13.9	(3.8)	33.5	8.5	46.9	35.1	32.4	30.5	23.1	21.3	44.8	42.2	39.6	1.7	2.3	2.4	76.0	123.7	126.2	2.5
GAIL (India)	BUY	299	400	33.8	379,148	5,820	1,268	26.1	20.2	25.9	(20.0)	(22.6)	28.0	11.4	14.8	11.6	9.4	9.9	7.9	1.3	1.2	1.2	2.0	2.0	2.5	11.8	8.6	10.3	7.2
GSPL	ADD	118	145	22.8	66,474	1,020	563	6.5	8.1	9.5	(13.4)	26.0	17.1	18.3	14.5	12.4	8.2	7.1	6.1	1.8	1.7	1.6	1.0	1.7	2.5	10.5	12.1	13.0	1.7
HPCL	REDUCE	783	870	11.1	265,281	4,072	339	80.6	90.5	88.6	57.7	12.3	(2.1)	9.7	8.7	8.8	7.9	6.2	6.1	1.7	1.5	1.3	3.1	3.5	3.4	17.6	18.1	15.9	25.6
IOCL	ADD	402	450	11.9	976,401	14,987	2,428	17.2	44.5	44.7																			

Kotak Institutional Equities: Valuation summary of KIE Universe stocks

Company	Rating	Price (Rs)	Target price	Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)			EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			ADVT-3mo (US\$ mn)
		05-Oct-15	(Rs)		(Rs mn)	(US\$ mn)		2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	
Industrials																													
ABB	SELL	1,106	750	(32.2)	234,466	3,599	212	10.8	15.7	24.0	29.2	45.6	52.9	102.6	70.5	46.1	42.5	32.1	24.5	8.3	7.7	6.8	0.3	0.3	0.3	8.3	11.3	15.6	1.2
BHEL	SELL	204	170	(16.7)	499,678	7,670	2,448	5.8	7.4	13.5	(59.0)	28.2	82.2	35.2	27.5	15.1	19.2	13.3	6.3	1.5	1.4	1.3	0.6	0.8	1.4	4.2	5.2	9.0	16.2
Crompton Greaves	ADD	174	200	14.8	109,211	1,676	627	2.9	2.4	8.1	(24.7)	(17.6)	234.1	59.3	72.0	21.6	20.2	20.5	12.8	2.9	2.8	2.5	0.5	0.4	0.6	4.9	3.9	12.3	8.5
Cummins India	REDUCE	1,104	875	(20.7)	306,029	4,697	277	27.1	27.7	35.0	25.1	2.4	26.2	40.8	39.8	31.6	41.0	35.4	27.1	10.6	9.5	8.5	1.3	1.3	1.6	27.5	25.2	28.4	4.4
Kalpataru Power Transmission	ADD	267	290	8.7	40,936	628	153	7.8	10.4	15.5	(1.5)	32.3	49.8	34.0	25.7	17.2	10.8	8.4	7.4	1.8	1.7	1.6	0.6	0.6	0.6	5.6	7.0	9.7	0.5
KEC International	ADD	147	160	9.0	37,728	579	257	6.3	7.7	13.1	89.4	22.8	70.9	23.4	59.1	11.2	11.2	8.2	6.2	2.8	2.5	2.1	0.6	0.8	1.3	12.8	14.0	20.6	2.8
L&T	ADD	1,551	1,820	17.4	1,443,131	22,151	930	35.1	49.3	71.6	(28.2)	40.6	45.1	44.2	31.4	21.7	22.9	19.8	15.6	4.0	3.7	3.3	1.0	1.1	1.2	9.3	12.3	16.3	53.8
Siemens	SELL	1,366	750	(45.1)	486,478	7,467	356	17.5	19.4	24.2	182.1	11.0	25.0	78.2	70.4	56.3	46.2	41.7	33.8	10.0	9.2	8.3	0.7	0.4	0.5	13.5	13.6	15.5	7.8
Thermax	REDUCE	850	850	(0.0)	101,301	1,555	119	21.8	29.0	31.5	5.4	33.1	8.6	39.1	29.4	27.0	22.4	18.4	16.8	4.7	4.2	3.8	0.8	0.9	0.9	12.4	15.2	14.9	0.9
Voltas	ADD	270	315	16.6	89,372	1,372	331	10.2	10.7	13.5	51.1	4.7	26.2	26.4	25.2	20.0	21.5	21.3	16.1	4.2	3.8	3.4	0.8	1.0	1.3	17.2	15.9	17.9	10.0
Industrials	Cautious				3,348,328	51,393					(26.0)	28.0	51.2	45.6	35.6	23.5	24.3	20.4	15.2	3.6	3.4	3.1	0.9	0.9	1.1	8.0	9.6	13.2	106.2
Infrastructure																													
Adani Port and SEZ	ADD	318	340	7.0	658,252	10,103	2,084	11.1	14.4	18.8	33.0	30.0	30.1	28.6	22.0	16.9	21.2	15.5	12.3	6.2	4.9	3.9	0.4	0.5	0.6	23.7	24.9	25.8	23.9
Ashoka Buildcon	BUY	165	210	27.3	30,861	474	188	5.1	2.2	3.8	(16.4)	(56.2)	69.5	32.1	73.4	43.3	13.5	10.3	8.6	2.3	1.7	1.6	0.9	0.9	1.2	6.2	2.6	3.8	0.6
Container Corporation	ADD	1,543	1,520	(1.5)	300,933	4,619	195	53.7	49.3	60.8	6.4	(8.2)	23.2	28.7	31.3	25.4	21.2	20.7	16.3	3.9	3.6	3.3	0.9	0.8	1.0	14.3	12.1	13.6	6.5
Gujarat Pipavav Port	ADD	197	195	(0.8)	94,996	1,458	483	7.5	8.3	10.2	150.4	10.8	23.2	26.3	23.8	19.3	22.7	19.1	15.6	5.3	4.3	3.7	—	—	1.1	22.6	20.0	20.5	2.8
IRB Infrastructure	BUY	247	280	13.6	86,632	1,330	351	15.4	16.1	18.3	18.2	4.5	13.2	16.0	15.3	13.5	8.9	9.0	7.7	2.0	1.8	1.6	1.6	1.5	1.5	13.7	12.4	12.8	7.6
Sadbhav Engineering	BUY	299	345	15.4	51,271	787	172	7.1	8.5	14.4	22.8	20.3	69.2	42.2	35.1	20.7	20.6	17.4	12.4	3.8	3.5	3.0	—	—	—	9.7	10.3	15.6	1.1
Infrastructure	Attractive				1,222,946	18,771					26.9	15.0	27.8	27.4	23.9	18.7	17.6	14.4	11.5	4.5	3.8	3.3	0.6	0.6	0.8	16.4	16.0	17.5	42.5
Internet																													
Info Edge	BUY	797	970	21.7	96,167	1,476	120	2.0	7.3	10.8	(75.6)	262.3	48.2	397.7	109.8	74.1	387.4	498.0	86.0	6.8	6.9	7.0	0.1	0.3	0.5	2.3	6.2	9.4	1.1
Just Dial	BUY	987	1,400	41.8	69,605	1,068	71	19.7	21.1	39.6	14.6	7.2	87.2	50.1	46.7	25.0	36.4	32.1	15.6	10.4	9.2	7.5	0.7	0.7	1.4	23.0	20.8	33.3	10.1
Internet	Attractive				165,772	2,544					(22.5)	45.3	73.3	101.7	70.0	40.4	76.2	71.1	30.3	7.9	7.7	7.2	0.3	0.5	0.9	7.8	11.0	17.8	11.2
Media																													
DB Corp.	ADD	323	375	16.1	59,352	911	184	17.2	20.5	24.6	3.2	18.7	19.9	18.7	15.8	13.2	10.3	8.8	7.4	4.6	4.1	3.6	2.4	3.0	3.9	26.0	27.4	29.2	0.3
DishTV	BUY	108	125	15.8	115,046	1,766	1,066	0.0	2.1	3.7	102.0	7,043.7	76.4	NM	51.3	29.1	16.9	11.5	9.5	6.9	6.9	6.9	—	—	—	0.2	13.5	23.8	13.4
Jagran Prakashan	ADD	144	145	0.9	46,994	721	317	8.0	9.4	10.9	6.6	17.5	16.2	18.0	15.3	13.2	10.1	8.3	7.3	4.0	3.7	3.4	2.8	3.5	4.2	24.2	25.2	26.8	0.5
PVR	BUY	835	900	7.8	38,880	597	47	3.6	25.5	34.1	(72.0)	609.7	33.7	232.3	32.7	24.5	22.5	13.9	11.4	9.5	4.5	3.9	0.1	0.3	0.4	3.7	18.6	17.0	5.5
Sun TV Network	ADD	366	365	(0.4)	144,373	2,216	394	19.9	22.8	26.2	4.9	14.5	14.8	18.4	16.1	14.0	11.7	10.2	8.6	4.3	4.0	3.6	3.1	3.6	4.2	24.4	25.7	27.1	15.4
Zee Entertainment Enterprises	BUY	403	420	4.3	386,725	5,936	961	8.7	9.3	12.7	(5.7)	8.0	36.3	46.5	43.1	31.6	29.6	26.6	19.7	7.0	6.3	5.6	0.9	1.1	1.4	16.2	15.4	18.9	12.9
Media	Neutral				791,370	12,147					6.8	27.6	28.2	35.9	28.1	21.9	17.8	14.5	11.8	5.9	5.3	4.8	1.2	1.5	1.8	16.5	18.8	21.9	48.0
Metals & Mining																													
Coal India	ADD	330	410	24.3	2,082,821	31,969	6,316	21.7	24.8	26.6	(9.1)	14.0	7.3	15.2	13.3	12.4	9.0	7.7	7.2	4.8	4.2	3.7	6.3	3.8	4.0	31.1	33.7	31.5	31.5
Hindalco Industries	REDUCE	74	80	8.1	152,809	2,345	2,065	10.0	0.5	7.6	(19.8)	(94.6)	1,293.5	7.4	136.1	9.8	8.0	8.7	6.6	0.4	0.4	0.4	1.4	1.4	1.4	5.2	0.3	4.0	10.5
Hindustan Zinc	BUY	143	210	46.9	604,221	9,274	4,225	19.4	18.6	19.8	17.6	(4.1)	6.8	7.4	7.7	7.2	4.0	3.5	2.6	1.4	1.2	1.1	3.1	3.1	3.1	20.3	17.0	16.1	2.0
Jindal Steel and Power	RS	69	-	-	63,403	973	915	6.9	1.2	3.6	(66.8)	(82.7)	199.4	10.0	57.9	19.3	9.2	7.8	6.9	0.3	0.3	-	2.7	2.7	2.9	0.5	1.6	11.6	11.0
JSW Steel	ADD	908	1,025	12.9	219,532	3,370	242	75.6	1.2	134.6	14.3	(98.4)	11,120.0	12.0	756.9	6.7	6.2	8.5	4.9	1.0	1.0	0.9	1.3	1.3	1.3	8.1	0.1	13.5	13.1
National Aluminium Co.	SELL	35	34	(2.9)	90,203	1,385	2,577	4.7	2.4	2.6	81.3	(49.2)	6.4	7.4	14.5	13.6	2.0	4.9	4.1	0.7	0.7	0.7	5.0	5.0	2.9	9.8	4.8	5.1	1.0
NMDC	SELL	95	93	(2.3)	377,441	5,793	3,965	16.5	10.3	10.3	3.3	(37.8)	0.4	5.8	9.3	9.2	2.5	4.9	5.3	1.2	1.2	1.2	9.0	9.0	9.0	21.0	12.6	12.6	3.6
Tata Steel	REDUCE	225	230	2.2	218,523	3,354	971	0.0	0.7	22.6	(99.9)	1,986.2	3,238.9	NM	332.6	10.0	7.6	7.6	5.9	0.7	0.7	0.7	3.6	3.6	3.6	0.0	0.2	6.8	30.8
Vedanta	BUY	85	180	112.9	250,665	3,847	3,717	17.1	18.2	19.8	0.8	6.7	8.5	5.0	4.6	4.3	4.4	5.0	4.0	0.6	0.5	0.4	4.8	3.9	3.9	8.0	11.3	10.7	16.2
Metals & Mining	Cautious				4,059,618	62,311					(10.3)	(10.1)	26.5	10.3	11.5	9.1	6.3	6.7	5.4	1.4	1.3	1.2	5.2	4.0	4.1	13.1	10.9	12.8	120.3
Pharmaceutical																													
Biocon	SELL	452	375	(17.0)	90,320	1,386	200	24.8	22.2	24.6	40.5	(10.4)	10.8	18.2	20.3	18.3	13.6	12.9	10.8	2.6	2.1	1.9	1.5	1.7	1.9	15.2	11.5	10.9	4.6
Cipla	BUY	640	790	23.4	514,067	7,890	805	14.7	24.6	29.3	(15.2)	67.5	19.5	43.7	26.1	21.8	24.1	16.1	13.8	4.7	4.1	3.6	0.5	0.8	1.0	11.2	16.8	17.6	22.4
Dr Reddy's Laboratories	REDUCE	4,180	3,250	(22.3)	712,801	10,941	170	135.6	158.8	161.0	7.8	17.1	1.4	30.8	26.3	26.0	20.1	17.0	16.0	6.4	5.3	4.5	0.5	0.6	0.6	22.8	21.9	18.7	25.7
Lupin	REDUCE	2,083	1,700	(18.4)	937,363	14,388	450	53.4	57.0	72.4	30.9	6.7	27.1	39.0	36.5	28.8	25.3	24.1	18.7	10.5	8.5	6.8	0.2	0.4	0.5	30.2	25.7	26.1	40.0
Sun Pharmaceuticals	SELL	898	790	(12.0)	2,160,860	33,167	2,406	19.9	26.0	36.3	(27.9)	30.5	39.6	45.1	34.5	24.7	27.0	23.3	17.8	8.2	6.8	5.5	0.5	0.6	1.0	21.3	21.5	24.7	58.6
Pharmaceuticals	Cautious				4,415,411	67,721					(2.3)	24.7	26.1	39.5	37.1	25.1	24.4	20.8	16.9										

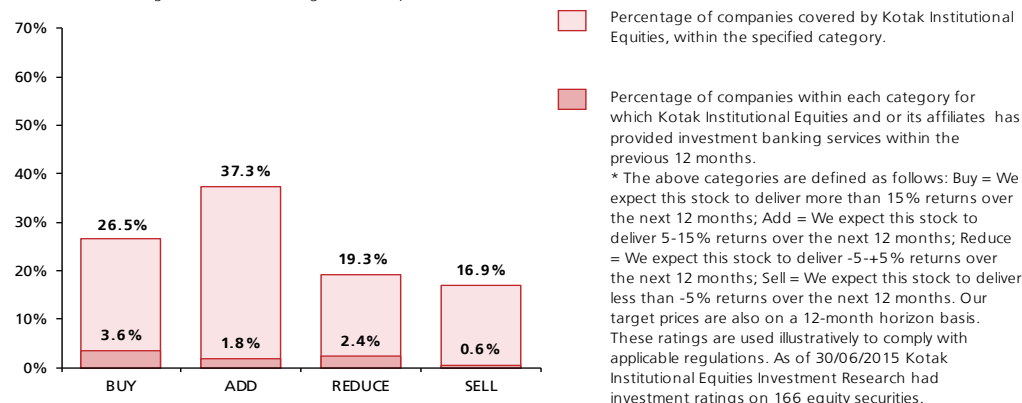
Source: Company, Bloomberg, Kotak Institutional Equities estimates

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

Company	Rating	Price (Rs)	Target price	Upside (%)	Mkt cap.		O/S shares (mn)	EPS (Rs)			EPS growth (%)			PER (X)		EV/EBITDA (X)			Price/BV (X)			Dividend yield (%)			RoE (%)			ADVT-3mo (US\$ mn)	
		05-Oct-15	(Rs)		(Rs mn)	(US\$ mn)		2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E	2017E	2015	2016E		2017E
Real Estate																													
DLF	BUY	134	170	26.9	238,821	3,666	1,799	2.8	3.1	3.5	(22.8)	11.7	11.0	47.8	42.8	38.6	13.8	14.6	12.2	0.8	0.8	0.8	2.2	1.5	1.5	1.7	1.9	2.1	22.7
Godrej Properties	REDUCE	321	280	(12.7)	64,014	983	199	9.6	18.4	18.2	19.1	92.0	(0.9)	33.5	17.5	17.6	35.0	11.9	11.4	3.5	3.0	2.6	0.6	0.8	0.8	10.5	18.3	15.8	1.7
Oberoi Realty	BUY	270	345	27.8	91,571	1,406	339	8.8	10.3	14.6	(6.2)	16.1	42.8	30.6	26.3	18.4	20.1	17.0	10.9	2.0	1.8	1.6	0.7	0.7	0.7	6.4	7.1	9.1	1.2
Prestige Estates Projects	BUY	212	260	22.8	79,406	1,219	375	8.9	4.0	4.9	(14.4)	(55.1)	23.6	23.9	53.2	43.0	11.2	18.4	16.5	2.1	2.0	2.0	0.7	0.7	0.9	9.8	3.9	4.7	1.3
Sobha	BUY	279	545	95.2	27,375	420	98	24.3	24.9	32.6	(2.7)	2.7	30.8	11.5	11.2	8.6	7.4	6.8	5.8	1.1	1.1	1.0	2.5	2.5	2.5	10.1	9.7	11.8	1.2
Sunteck Realty	BUY	219	420	92.1	13,768	211	60	11.4	25.6	82.9	(54.9)	124.9	224.1	19.2	8.6	2.6	17.5	7.8	2.0	0.9	0.8	0.6	0.1	0.9	1—	6.5	10.0	26.8	0.2
Real Estate	Attractive				514,954	7,904					(13.6)	12.7	36.3	31.8	28.2	20.7	14.2	13.7	10.7	1.2	1.1	1.1	1.1	1.2	1.2	3.7	4.1	5.3	28.2
Technology																													
HCL Technologies	REDUCE	860	875	1.8	1,209,201	18,560	1,414	51.3	55.1	60.5	13.6	7.5	9.8	16.8	15.6	14.2	12.6	11.1	9.5	5.0	4.0	3.3	1.5	1.9	2.1	32.4	28.5	25.5	26.0
Hexaware Technologies	SELL	255	230	(9.8)	76,854	1,180	302	10.8	13.5	16.4	(14.4)	25.2	21.0	23.6	18.8	15.5	15.1	12.8	10.6	6.0	5.5	5.0	3.7	3.2	3.9	26.2	30.3	33.6	5.6
Infosys	ADD	1,182	1,260	6.6	2,714,414	41,663	2,286	53.9	56.5	68.0	13.5	4.7	20.4	21.9	20.9	17.4	16.2	14.3	11.7	5.3	4.7	4.1	1.9	1.9	2.3	25.9	23.9	25.2	72.6
Mindtree	REDUCE	1,530	1,350	(11.8)	128,262	1,969	84	63.7	71.1	84.5	18.7	11.6	18.8	24.0	21.5	18.1	16.8	14.7	11.8	6.4	5.3	4.4	1.1	1.3	1.5	29.4	27.0	26.8	4.7
Mphasis	REDUCE	416	390	(6.3)	87,452	1,342	210	32.3	35.7	38.8	119.3	10.6	8.8	12.9	11.7	10.7	7.5	6.9	5.8	1.6	1.5	1.4	3.8	4.3	4.7	12.8	13.3	13.7	1.5
TCS	ADD	2,712	2,800	3.3	5,311,385	81,524	1,959	100.3	122.5	142.9	2.8	22.1	16.7	27.0	22.1	19.0	20.7	15.9	13.4	9.2	7.6	6.3	2.9	1.8	2.1	34.8	37.6	36.3	48.8
Tech Mahindra	ADD	570	630	10.5	548,311	8,416	865	30.1	33.3	42.0	(6.1)	10.7	26.2	19.0	17.1	13.6	12.7	12.0	9.2	4.0	3.4	2.8	1.1	1.1	1.1	24.3	21.5	22.7	19.5
Wipro	REDUCE	600	600	(0.0)	1,482,677	22,758	2,467	35.1	37.4	41.3	10.8	6.5	10.4	17.1	16.1	14.5	11.8	10.6	9.2	3.6	3.2	2.8	2.0	2.3	2.7	23.0	21.1	20.6	13.0
Technology	Attractive				11,558,556	177,412					8.4	12.5	16.1	22.2	19.7	17.0	16.3	13.8	11.5	6.0	5.1	4.3	2.3	1.9	2.2	26.8	25.6	25.4	191.6
Telecom																													
Bharti Airtel	ADD	346	460	32.9	1,384,100	21,244	3,997	15.1	13.7	17.6	122.0	(9.2)	28.4	22.9	25.3	19.7	6.9	6.2	5.2	2.2	2.2	2.0	1.1	0.9	1.3	9.9	8.7	10.7	24.6
Bharti Infratel	ADD	410	395	(3.7)	777,918	11,940	1,903	10.5	13.6	16.7	31.0	29.7	22.0	39.0	30.1	24.6	15.1	13.2	11.4	4.6	4.5	4.3	2.7	2.3	2.9	11.4	15.1	17.9	15.1
IDEA	BUY	154	220	43.0	553,620	8,497	3,598	8.8	9.1	6.3	48.6	3.6	(31.0)	17.5	16.9	24.4	9.0	7.4	6.4	2.4	2.1	2.0	0.5	0.7	1.0	16.0	13.4	8.5	10.4
Reliance Communications	SELL	72	50	(30.7)	179,704	2,758	2,488	2.9	3.7	4.9	(11.7)	30.5	32.2	25.2	19.3	14.6	7.3	7.3	6.6	0.6	0.5	0.5	—	—	—	2.4	2.8	3.6	11.2
Tata Communications	ADD	413	475	14.9	117,805	1,808	285	3.7	2.9	7.7	202.6	(23.4)	168.8	110.6	144.4	53.7	7.7	7.0	6.4	36.0	28.0	17.8	1.1	1.3	1.6	18.8	21.8	40.5	4.3
Telecom	Cautious				3,013,147	46,249					74.1	3.0	12.6	25.1	24.4	21.6	8.1	7.2	6.2	2.2	2.1	2.0	1.3	1.1	1.5	8.9	8.8	9.4	65.6
Utilities																													
Adani Power	SELL	25	31	24.2	73,249	1,124	2,872	(4.5)	(5.5)	0.0	(340.8)	(23.9)	100.9	(5.6)	(4.5)	505.8	10.0	9.9	7.9	1.3	1.7	1.7	—	—	—	(20.9)	(32.2)	0.3	4.4
CESC	REDUCE	530	600	13.2	70,255	1,078	133	15.0	41.8	54.3	(62.0)	179.2	30.0	35.4	12.7	9.8	10.6	6.4	5.9	0.9	0.8	0.8	1.4	1.1	1.2	2.5	6.7	8.3	3.6
JSW Energy	ADD	93	84	(10.1)	153,263	2,352	1,640	8.4	10.3	12.9	22.2	21.6	25.4	11.1	9.1	7.3	6.5	6.5	5.1	2.0	1.7	1.4	—	—	—	19.6	20.1	20.6	3.7
NHPC	REDUCE	17	22	29.8	187,648	2,880	11,071	2.3	2.2	2.2	45.6	(5.2)	(0.2)	7.3	7.7	7.7	6.0	5.8	5.8	0.6	0.6	0.6	4.7	3.5	3.5	8.7	7.7	7.3	1.2
NTPC	BUY	128	150	17.5	1,052,946	16,162	8,245	10.1	11.0	13.2	(21.0)	8.7	19.7	12.6	11.6	9.7	11.5	11.3	9.1	1.3	1.2	1.1	2.9	2.6	3.1	10.0	10.7	11.9	8.8
Power Grid	BUY	133	175	32.1	693,186	10,640	5,232	9.6	12.3	15.6	11.3	28.3	26.7	13.8	10.7	8.5	10.7	8.8	7.5	1.8	1.6	1.5	2.2	2.8	3.6	13.8	16.0	18.2	3.5
Reliance Power	SELL	45	43	(3.4)	124,828	1,916	2,805	3.7	4.9	5.7	(0.1)	33.9	17.0	12.1	9.1	7.7	16.6	9.9	7.7	0.6	0.6	0.5	—	—	—	5.1	6.5	7.1	3.6
Tata Power	ADD	67	80	19.0	181,751	2,790	2,800	0.5	3.3	4.6	(75.9)	544.8	38.9	130.3	20.2	14.5	8.5	6.9	6.2	1.3	1.3	1.2	1.8	1.8	1.8	1.1	6.4	8.4	3.8
Utilities	Attractive				2,537,126	38,942					(11.7)	20.1	30.1	14.6	12.1	9.3	10.2	8.9	7.6	1.2	1.1	1.1	2.3	2.3	2.7	8.4	9.5	11.3	32.5
Others																													
Astral Poly Technik	BUY	425	455	7.1	50,276	772	118	6.4	9.8	14.1	(8.7)	53.0	44.0	66.2	43.3	30.1	31.1	21.2	15.6	8.1	6.9	5.8	0.1	0.2	0.4	16.2	17.3	21.0	0.9
Carborundum Universal	ADD	160	200	24.7	30,200	464	188	5.2	8.6	11.7	6.5	64.9	37.0	30.9	18.7	13.7	12.2	9.3	7.2	2.5	2.3	2.0	1.2	1.1	1.5	8.4	12.7	15.6	0.1
Dhanuka Agritech	BUY	442	690	56.2	22,091	339	50	21.7	23.0	29.9	16.4	6.1	30.2	20.4	19.2	14.8	16.0	14.2	10.7	5.3	4.4	3.6	1.1	1.1	1.5	29.1	25.2	27.0	0.2
Godrej Industries	ADD	359	425	18.5	120,469	1,849	336	12.0	16.8	21.0	21.6	39.8	25.1	29.9	21.4	17.1	34.4	18.2	13.2	3.7	3.2	2.8	0.5	0.5	0.5	13.5	16.2	17.4	2.4
Havells India	REDUCE	259	270	4.1	161,956	2,486	624	7.7	8.4	10.4	(6.9)	8.8	24.0	33.8	31.0	25.0	18.4	17.7	14.5	8.9	7.8	6.7	1.2	1.2	1.6	27.5	26.7	28.7	3.6
Jaiprakash Associates	RS	11	—	—	27,852	427	2,432	(9.3)	0.2	0.8	(66.6)	102.4	247.0	(1.2)	51.3	14.8	10.4	9.2	8.9	0.3	0.3	0.3	0.0	0.0	0.0	(22.0)	0.5	1.9	5.8
Kaveri Seed	BUY	430	620	44.3	29,670	455	69	43.8	43.0	58.7	44.3	(1.9)	36.6	9.8	10.0	7.3	8.6	8.0	5.4	3.9	3.1	2.4	1.7	2.5	4.1	47.5	34.5	37.0	5.8
PI Industries	ADD	644	750	16.5	87,948	1,350	136	18.0	22.4	29.1	30.8	24.0	30.2	35.7	28.8	22.1	23.8	18.8	14.8	9.8	7.6	5.9	0.4	0.5	0.6	30.9	29.8	30.2	2.3
Rallis India	ADD	217	245	12.9	42,209	648	194	8.1	9.3	12.3	3.5	15.0	32.7	26.8	23.3	17.6	15.6	13.5	10.5	5.2	4.6	3.9	1.2	1.4	1.5	20.5	20.8	23.8	1.1
Tata Chemicals	ADD	399	510	27.9	101,622	1,560	255	28.9	38.8	44.7	89.5	34.4	15.1	13.8	10.3	8.9	7.7	6.4	5.5	1.8	1.7	1.5	3.1	3.1	3.1	13.2	16.9	17.5	5.6
UPL	ADD	452	550	21.7	193,729	2,974	429	26.9	31.5	35.7	10.4	17.1	13.4	16.8	14.4	12.7	9.2	8.4	7.4	3.3	2.8	2.4	1.1	1.1	1.2	20.7	21.1	20.2	15.4
Whirlpool	ADD	703	790	12.4	99,185	1,369	127	16.6	19.9	23.7	71.3	20.0	19.1	42.4	35.3	29.7	25.3	20.9	17.8	9.7	7.6	6.4	-	-	0.7	25.4	24.2	23.4	1.0
Others					957,206	</																							

**Kotak Institutional Equities Research coverage universe**

Distribution of ratings/investment banking relationships



Source: Kotak Institutional Equities

As of June 30, 2015

**Ratings and other definitions/identifiers****Definitions of ratings**

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

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

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

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

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

**Other definitions**

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