IIFL Institutional Equities

The Front Page

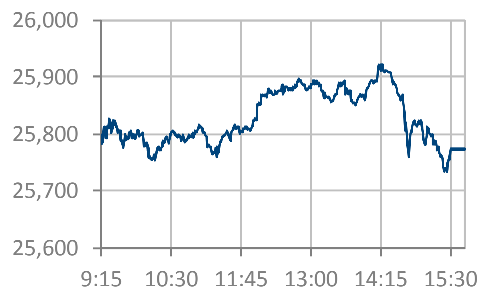
India | May 18, 2016

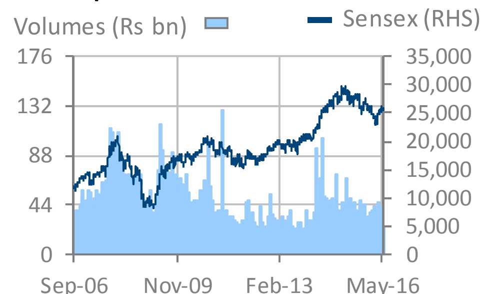
Market Front Page

Index Movements	Closing	% Chg	% YTD
Sensex	25,774	0.5	(1.3)
Nifty	7,891	0.4	(0.7)
BSE Smallcap	11,145	0.2	(5.8)
CNX Midcap	13,151	0.1	(1.8)
S&P 500	2,047	(0.9)	0.2
IBOV	50,839	(1.9)	17.3
FTSE	6,168	0.3	(1.2)
CAC	4,298	(0.3)	(7.3)
Turnover		**US$m**	**% Chg**
BSE		363	15.8
NSE		2,622	13.9
Derivatives (NSE)		39,457	(2.9)
FII F&O (US$m)		**Index**	**Stocks**
Net buying		141	(59)
Open interest		12,783	8,158
Chg in open int.		243	78
Net Flows (US$m)	**Latest**	**MTD**	**YTD**
FII (Eqy) (16/5)	(14)	201	1,999
DII (Eqy) (17/5)	58	459	1,192
MF (Eqy) (16/5)	(21)	303	658
FII (Debt) (16/5)	(66)	(29)	(219)

ADR/GDR (US$)	Latest	% Chg	% Prem
HDFC Bank	63.4	(1.7)	22.5
Reliance	28.8	(2.2)	(0.8)
Infosys	18.4	(2.3)	1.4
L&T	19.2	0.6	(0.5)
Wipro	11.8	(1.2)	46.6
ICICI Bank	6.8	(0.7)	0.3
SBI	26.6	(0.2)	0.4
Dr Reddy's	44.9	(0.2)	(0.5)
Tata Motors	28.2	(3.7)	(3.1)
Commodities	**Latest**	**%Chg**	**%YTD**
Gold (US$/ounce)	1,277	(0.1)	20.3
Crude (US$/bl)	48	1.2	30.4
Aluminium (US$/MT)	1,545	(0.2)	2.5
Copper (US$/MT)	4,657	0.3	(1.0)
Forex Rates	**Closing**	**% Chg**	**%YTD**
Rs/US$	66.9	(0.1)	(1.1)
Rs/EUR	75.7	(0.0)	(4.7)
Rs/GBP	96.8	(0.8)	1.2
Bond Markets		**Closing**	**bps Chg**
10 yr bond		7.45	-
Interbank call		6.25	5.00

Chart Front Page





Top Research Stories

Motherson Sumi (BUY); **Petronet LNG** (BUY); **Bharat Forge** (REDUCE); **Sun TV Networks** (ADD); **Vardhman Textiles** (BUY); Events

Corporate Front Page

- Taking ahead agenda for consolidation, the boards of **State Bank of India** and its five associate banks cleared a proposal for possible merger of associate banks with the parent (SBI). SBI will also be taking over Bharatiya Mahila Bank. (BL)
- **Wipro Ltd**. announced partnership with US-based IT firm Xactly Corporation to offer cloud-based solutions to its clients for improving their sales and drive growth. (BS)
- **Tata Consultancy Services** announced that its client, the National Employment Savings Trust (NEST) in the UK, has now signed up more than 100,000 employers to its auto-enrolment pension scheme. This also means that the company's insurance vertical will see an uptick in demand. (BS)
- **Tata Steel** has recalled its order sent to Bombay High Court for a merger plan between group companies - Tata Metaliks and Tata Metaliks DI Pipes with itself. (BL)
- **Aurobindo Pharma Limited** announced that the company has received final approval from the US Food and Drug Administration to manufacture and market Hydromorphone Hydrochloride Tablets USP, 2 mg, 4 mg, and 8 mg. (ET)
- The promoters of **Navneet Education Ltd**. have made a strategic investment of an undisclosed amount in the Mumbai-based school uniform and supplies company SchoolWear Private Limited. (BS)

Result table

Rs m	Revenues	%YoY	PAT	%YoY
Bharat Forge	10,080	-17.6	1,645	-19.0
Motherson Sumi	102,349	8.0	4,137	21.6
Voltas	18,757	26.4	1,759	48.9

Market Front Page

FII – FII trades

Scrip	5/16/2016			5/17/2016		
	Volume '000	Price	Avg.Prem %	Volume '000	Price	Avg.Prem %
Grasim	16	4,465	5.1	13	4,481	4.6
HDFC Bank	965	1,394	21.5	1,061	1,404	21.3
IDFC	-	-	-	74	52	4.8
PNB	19	81	6.2	52	81	7.7
Tata chem	-	-	-	5	422	0.1

Top Movers BSE 200

Top Gainers	Price (Rs)	Chg (%)	YTD (%)	Top Losers	Price (Rs)	Chg (%)	YTD (%)
Sun TV Network Ltd	432	9.8	1.3	Castrol India Ltd	397	(4.5)	(10.3)
Motherson Sumi Systems Ltd	290	8.4	(1.0)	Vakrangee Ltd	175	(3.7)	0.3
Piramal Enterprises Ltd	1,336	5.0	33.0	Shree Cement Ltd	12,911	(3.5)	12.5
Syndicate Bank	67	4.7	(24.1)	Strides Shasun Ltd	1,160	(2.7)	(10.0)
Indiabulls Real Estate Ltd	89	4.5	38.8	Eicher Motors Ltd	18,611	(2.4)	10.4

Market Front Page

Volume spurts

Company	CMP	M.Cap (US$ m)	Vol. (in '000)	10D A.Vol (in '000)	Vol % Chg
Motherson Sumi Systems Ltd	290	5,745	2,186	308	609.8
HCL Technologies Ltd	732	15,438	2,826	450	528.1
Sun TV Network Ltd	432	2,544	699	117	497.9
Syndicate Bank	67	699	2,148	465	361.5
Bharat Forge Ltd	751	2,613	283	87	226.6
Piramal Enterprises Ltd	1,336	3,447	67	24	185.8
Indian Hotels Co Ltd	115	1,708	133	58	128.4
Voltas Ltd	335	1,658	392	177	121.7
Bata India Ltd	589	1,131	86	43	102.6
AIA Engineering Ltd	941	1,327	2	1	84.0

Corporate Front Page

- **Havells India** is expecting an overall growth of 10% from the newly-launched entry-level modular switches under the brand name Reo Bliss. (BS)
- UK-based vehicle testing agency Global NCAP awarded zero star rating for the Renault Kwid, **Maruti Suzuki** Celerio, **Maruti Suzuki** Eeco, **Mahindra** Scorpio and Hyundai Eon following a crash test it conducted. (ET)

Economy Front Page

- Centre and states will create a platform to monitor the status of clearances and approvals of auctioned mines bearing minerals such as gold, iron ore and limestone. (BL)
- No instance of illegal mining was noticed in 2015-16, Union minister of state for mines informed the Lok Sabha. (BS)
- As parts of Tamil Nadu continued to receive rains for the second day, the MeT department said the low pressure area over the Bay of Bengal has intensified into a depression and is likely to bring heavy rainfall in the next two days in coastal areas of the southern states. (BS)
- Sebi plans to approach the government seeking amendments to securities law for more clarity on adjudicating officers' discretionary powers in determining the quantum of monetary penalty in cases of violations. (ET)

Motherson Sumi – BUY

18 May 2016

4Q result review

IIFL Institutional Equities

Decent quarter; order flow remains strong

Motherson's 4Q Ebitda came in 4% above our estimate, as stronger-than-expected performance of the standalone business and SMR offset weakness in SMP. SMP/SMR will open eight new plants in 3QFY16-1QFY17; this will improve growth in the subsequent quarters. We also expect margins to improve as start-up costs from these new plants diminish. SMR+SMP won new orders worth EUR2.7bn in 2HFY16 to add to EUR6.1bn won in 1HFY16. The total of EUR8.9bn is 2.2x of annual revenues of SMR+SMP. We largely retain our EPS estimates. BUY with TP of Rs360.

4Q Ebitda 4% above estimate, led by standalone performance: Standalone Ebitda came in 19% above our estimate as both revenues and margins surprised positively. SMR revenue came in 4% below estimate; this was more than offset by better-than-expected margins (12.5% vs. estimate of 10.7%), leading to 13% Ebitda beat. On the other hand, SMP Ebitda missed by 13% as both revenue and margin came in below estimate.

Bunching up of new plant openings to improve growth, margins: Eight new plants of SMP/SMR are set to commence operations over 3QFY16-1QFY17. We expect revenue growth to improve over the upcoming quarters as these plants ramp up. Post 1QFY17, there are no new plants scheduled to open for six quarters. We expect to see SMP/SMR's full margin potential in this period as start-up costs will diminish substantially. Management highlighted that without any start-up costs of new plants, SMP's margins would have been 7.3% in 4QFY16, instead of the reported 5.7%.

Forecast 24% EPS Cagr over FY16-FY18; retain BUY: The 4Q results and continued new order flow provide good visibility to our growth forecasts. Pass-through of fall in copper price and JPY depreciation impacted standalone growth in FY16; we expect the recent JPY appreciation to add 3-4ppt to FY17 growth. Similarly, EUR depreciation vs. INR resulted in translation losses in FY17; this has reversed partly and will drive higher INR growth for SMP/SMR in FY17.

Result update

CMP	Rs290
12-mth TP (Rs)	360 (24%)
Market cap (US$m)	5,750
Enterprise value(US$m)	6,235
Bloomberg	MSS IN
Sector	Auto

Price performance (%)

	1M	3M	1Y
Absolute (Rs)	12.6	30.4	(12.1)
Absolute (US$)	12.3	24.2	(15.1)
Rel. to Sensex	12.0	20.1	(6.4)

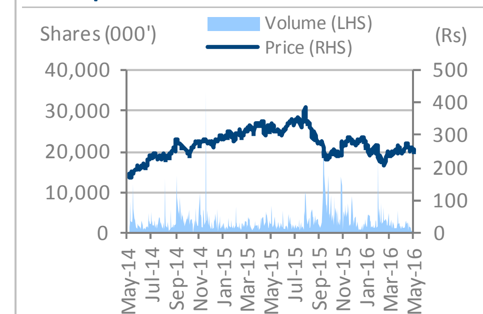
Cagr (%)	3 yrs	5 yrs
EPS	42.9	54.5

Shareholding pattern (%)

Promoter	65.6
FII	17.7
DII	7.0
Others	9.7

52Wk High/Low (Rs)	396/206
Shares o/s (m)	1323
Daily volume (US$ m)	8.6
Dividend yield FY16ii (%)	0.9
Free float (%)	34.4

Stock performance



Financial summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Revenues (Rs m)	307,179	350,224	386,769	465,272	539,828
Ebitda margins (%)	*8.7*	*9.1*	*9.8*	*10.2*	*10.6*
Pre-exceptional PAT (Rs m)	7,650	10,027	14,170	17,210	21,671
Reported PAT (Rs m)	7,650	8,625	12,737	17,210	21,671
Pre-exceptional EPS (Rs)	5.8	7.6	10.7	13.0	16.4
Growth (%)	*72.1*	*31.1*	*41.3*	*21.5*	*25.9*
IIFL vs consensus (%)				*0.0*	*1.8*
PER (x)	**50.2**	**38.3**	**27.1**	**22.3**	**17.7**
ROE (%)	*29.2*	*31.9*	*37.6*	*35.9*	*35.2*
Net debt/equity (x)	1.3	1.0	1.0	0.7	0.4
EV/Ebitda (x)	15.8	13.0	11.2	8.9	7.2
Price/book (x)	13.0	11.6	9.1	7.1	5.5

Source: Company, IIFL Research. Priced as on 17 May 2016

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Figure 1: Consolidated: Ebitda 4% above estimate led by beat in standalone

Consolidated (Rs. m)	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
Net Sales	**94,743**	**98,597**	**102,349**	**8.0**	**3.8**
Raw Material	58,535	59,881	59,428	1.5	(0.8)
Employee costs	17,272	18,456	20,086	16.3	8.8
Other Expenditure	9,610	10,484	12,221	27.2	16.6
EBIDTA	**9,326**	**9,775**	**10,613**	**13.8**	**8.6**
Depreciation	2,307	2,532	2,662	15.4	5.1
EBIT	7,019	7,243	7,951	13.3	9.8
Interest	853	718	656	(23.1)	(8.6)
Other income	34	37	55	61.2	47.7
Extra ordinary expense/(income)	(85)	614	844		
PBT	6,286	5,948	6,506	3.5	9.4
Tax	1,387	1,677	704	(49.2)	(58.0)
PAT before minority interest	4,899	4,271	5,802	18.4	35.9
PAT after minority interest	**3,401**	**3,074**	**4,137**	**21.6**	**34.6**
Pre Exceptional PAT	**3,316**	**3,545**	**4,981**	**50.2**	**40.5**
Gross Margin	38.2%	39.3%	41.9%	372 bps	267 bps
EBIDTA Margin	**9.8%**	**9.9%**	**10.4%**	**53 bps**	**46 bps**
EBIT Margin	7.4%	7.3%	7.8%	36 bps	42 bps
Tax rate	22.1%	28.2%	10.8%	(1124) bps	(1738) bps
PAT Margin	3.6%	3.1%	4.0%	45 bps	93 bps

Source: Company, IIFL Research

Figure 2: SMR: Rev was below est; positive surprise in margin led to 13% Ebitda beat

SMR (EUR m)	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
Revenue	366	369	391	7.0	6.0
EBITDA	39	39	49	26.0	25.6
EBITDA margin	**10.6%**	**10.6%**	**12.5%**	**189 bps**	**196 bps**

Source: Company, IIFL Research

Figure 3: Standalone: Both revenue and Ebitda came in above estimate

Standalone (Rs. m)	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
Net Sales	**12,827**	**12,685**	**14,514**	**13.2**	**14.4**
Raw Material	7,123	6,920	7,642	7.3	10.4
Employee costs	1,503	1,708	1,757	17.0	2.9
Other Expenditure	1,605	1,650	2,106	31.2	27.6
EBIDTA	**2,596**	**2,407**	**3,009**	**15.9**	**25.0**
Depreciation	478	494	506	5.7	2.3
EBIT	2,118	1,913	2,504	18.2	30.9
Interest	90	59	55	(39.2)	(7.5)
Other income	19	19	376	1,839.2	1,911.8
Extra ordinary expense/(income)	(48)	153	18		
PBT	2,096	1,719	2,807	33.9	63.3
Tax	634	511	452	(28.7)	(11.5)
Reported PAT	**1,461**	**1,208**	**2,355**	**61.1**	**95.0**
Pre Exceptional PAT	**1,413**	**1,361**	**2,373**	**67.9**	**74.3**
Gross Margin	44.5%	45.4%	47.3%	288 bps	190 bps
EBIDTA Margin	**20.2%**	**19.0%**	**20.7%**	**49 bps**	**176 bps**
EBIT Margin	16.5%	15.1%	17.2%	74 bps	217 bps
Tax rate	30.3%	29.7%	16.1%	(1415) bps	(1363) bps
PAT Margin	11.0%	10.7%	16.3%	533 bps	562 bps

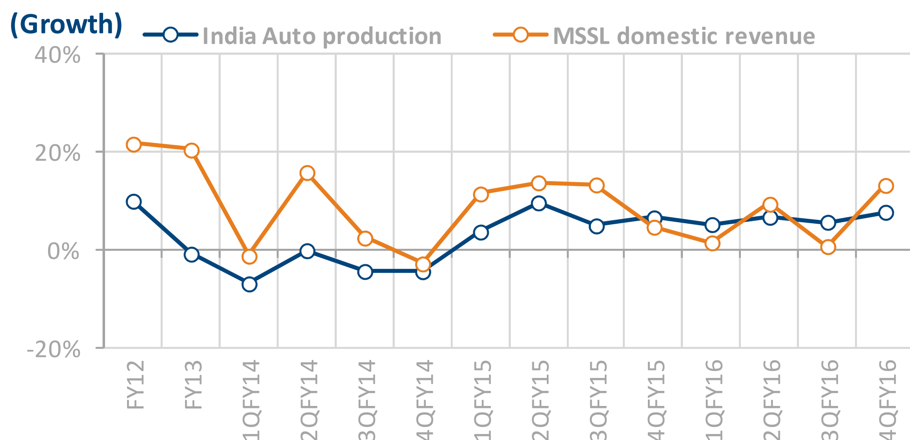
Source: Company, IIFL Research

Figure 4: SMP: Both revenue and margin came in below estimate

SMP (EUR m)	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
Revenue	650	690	662	1.9	(4.1)
EBITDA	38	42	38	1.3	(9.5)
EBITDA margin	**5.8%**	**6.1%**	**5.7%**	**(3) bps**	**(35) bps**

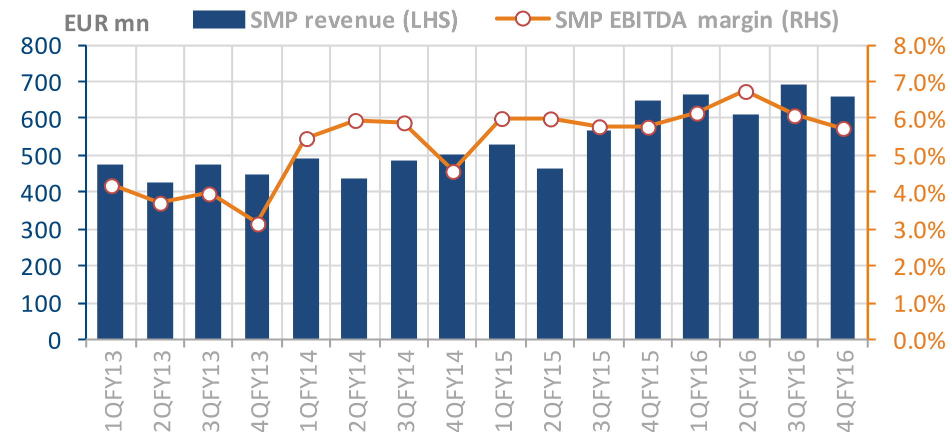
Source: Company, IIFL Research

Figure 5: Domestic revenue grew 13% YoY in 4QFY16 vs. average 4% in 1Q-3QFY16.



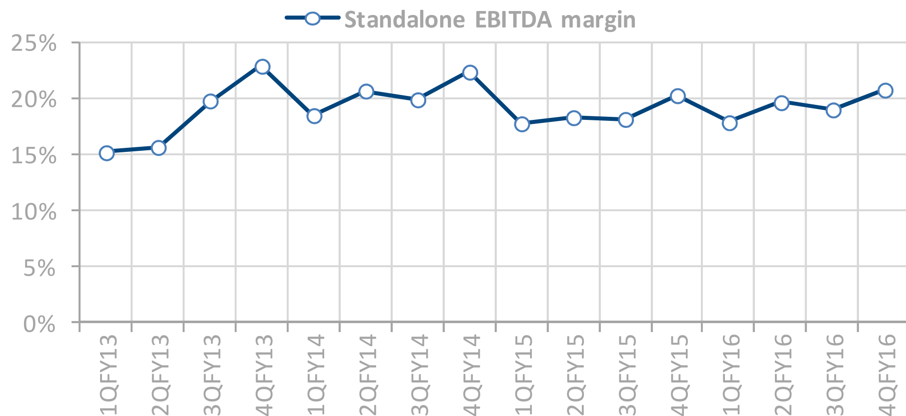
Source: Company, IIFL Research

Figure 7: SMP: Revenue up only 2% YoY in EUR terms, margins contracted 35bps QoQ



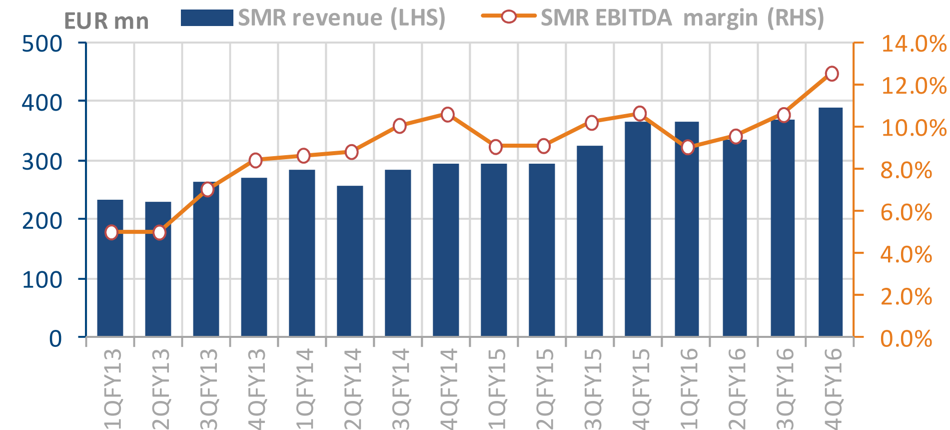
Source: Company, IIFL Research

Figure 6: Ebitda margin improved 50bps YoY to 20.7%; 150bps above our estimate.



Source: Company, IIFL Research

Figure 8: SMR: Revenue up only 7% YoY in EUR terms, margins expanded 200bps QoQ



Source: Company, IIFL Research

Figure 9: Details of upcoming plants in SMR and SMP

Starts in	Company	Location	Type	Product
Q3FY16	SMP	Boetzingen, Germany	Brownfield plant	Door Panels
Q3FY16	SMP	Polinya, Spain	Painting Facility	Bumpers
Q4FY16	SMR	Marysville, USA	Brownfield plant	Exterior Rear View mirrors
Q4FY16	SMR	Ningbo, China	Expansion	Exterior Rear View mirrors
Q4FY16	SMR	Ochang, South Korea	Expansion	Exterior Rear View mirrors
Q1FY17	SMP	Zitlaltepec (Mexico)	Greenfield Plant	Bumpers, Rocker panels, Wheel covers, Roof spoilers
Q1FY17	SMP	Beijing, China	Expansion	Door Panels
Q1FY17	SMR	Noida, India	Brownfield plant	
Q4FY18	SMP	Kecskemet, Hungary	Greenfield Plant	Bumpers & Door Panels
FY19	SMP	Tuscaloosa, AL (USA)	Greenfield Plant	Bumpers, Door panels, other exterior parts

Source: Company, IIFL Research

Figure 10: Summary of estimates

Motherson Sumi	FY16	FY17	FY18
Standalone (Rs mn)			
Revenues	53,495	61,462	71,754
Revenue growth	6.7%	14.9%	16.7%
EBITDA	10,234	11,801	13,777
EBITDA margin	19.1%	19.2%	19.2%
Pro-forma PAT	7,019	7,837	9,364
EPS	5.3	5.9	7.1
SMR (EUR mn)			
Revenues	1,460	1,674	1,928
Revenue growth	14.4%	14.6%	15.2%
EBITDA	153	184	222
EBITDA margin	10.5%	11.0%	11.5%
SMP (EUR mn)			
Revenues	2,626	3,049	3,523
Revenue growth	18.2%	16.1%	15.5%
EBITDA	162	213	263
EBITDA margin	6.2%	7.0%	7.5%
Consolidated (Rs mn)			
Revenues	386,769	465,272	539,828
Revenue growth	10.4%	20.3%	16.0%
EBITDA	38,025	47,275	57,391
EBITDA margin	9.8%	10.2%	10.6%
Pro-forma PAT	14,170	17,210	21,671
EPS	10.7	13.0	16.4

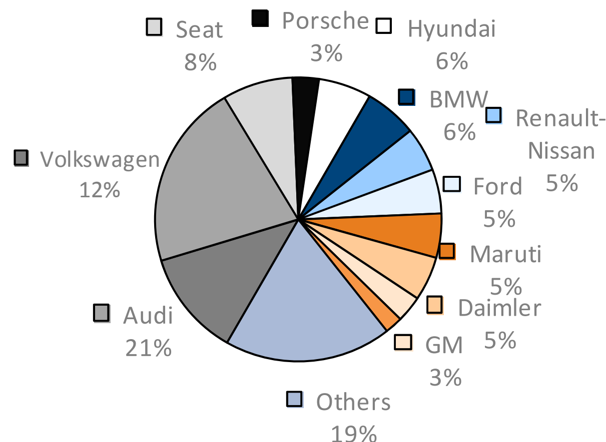
Source: IIFL Research

Background: Motherson Sumi Systems Limited (MSSL), the flagship company of the Samvardhana Motherson Group is a joint venture between Samvardhana Motherson International Limited (SMIL) and Sumitomo Wiring Systems, Ltd., Japan (SWS). The standalone company (MSSL) is India's largest manufacturer of automotive wiring harnesses. Through SMR (subsidiary), it is one of the largest manufacturers of rearview mirrors for passenger cars in the world. Through SMP (subsidiary), it is one of the largest manufacturers of IP modules, door trims and bumpers for European OEMs and a leading supplier of plastic components globally.

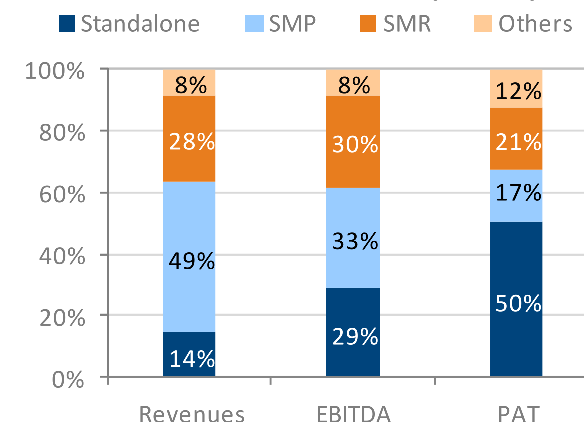
Management

Name	Designation
Mr. V C Sehgal	Chairman
Pankaj Mital	Whole-time Director / COO
G N Gauba	CFO & Company Secretary

Consolidated Revenue (By customers)



Cons. revenues FY15 (By entity)

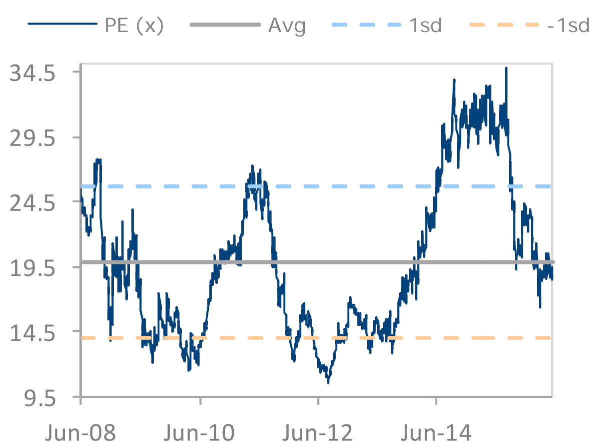


Assumptions

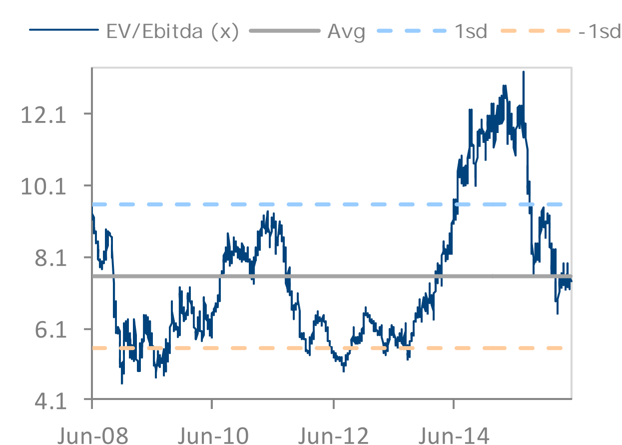
Y/e 31 Mar	FY14	FY15	FY16	FY17ii	FY18ii
Standalone rev growth	5.3	10.3	6.7	14.9	16.7
Standalone Ebitda margin	19.0	18.0	19.1	19.2	19.2
SMP rev growth	5.0	15.9	18.2	16.1	15.5
SMP Ebitda margin	5.4	6.2	6.2	7.0	7.5
SMR rev growth	12.7	14.0	14.4	14.6	15.2
SMR Ebitda margin	9.6	9.8	10.5	11.0	11.5

Source: Company data, IIFL Research

PE chart



EV/Ebitda



Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Revenues	**307,179**	**350,224**	**386,769**	**465,272**	**539,828**
Ebitda	26,871	31,932	38,025	47,275	57,391
Depreciation and amortization	(8,172)	(9,206)	(10,014)	(11,126)	(12,447)
Ebit	18,699	22,726	28,011	36,149	44,944
Non-operating income	206	271	173	326	638
Financial expense	(2,943)	(3,178)	(2,706)	(2,637)	(2,259)
PBT	15,962	19,819	25,478	33,838	43,324
Exceptionals	0	(1,648)	(2,080)	0	0
Reported PBT	15,962	18,171	23,399	33,838	43,324
Tax expense	(4,994)	(5,256)	(5,836)	(9,023)	(11,554)
PAT	10,968	12,915	17,563	24,814	31,771
Minorities, Associates etc.	(3,318)	(4,290)	(4,826)	(7,604)	(10,100)
Attributable PAT	**7,650**	**8,625**	**12,737**	**17,210**	**21,671**

Ratio analysis

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Per share data (Rs)					
Pre-exceptional EPS	5.8	7.6	10.7	13.0	16.4
DPS	2.5	2.0	2.5	3.5	4.0
BVPS	22.4	25.1	31.8	40.7	52.4
Growth ratios (%)					
Revenues	19.9	14.0	10.4	20.3	16.0
Ebitda	51.3	18.8	19.1	24.3	21.4
EPS	72.1	31.1	41.3	21.5	25.9
Profitability ratios (%)					
Ebitda margin	8.7	9.1	9.8	10.2	10.6
Ebit margin	6.1	6.5	7.2	7.8	8.3
Tax rate	31.3	28.9	24.9	26.7	26.7
Net profit margin	3.6	3.7	4.5	5.3	5.9
Return ratios (%)					
ROE	29.2	31.9	37.6	35.9	35.2
ROCE	22.9	25.0	26.0	28.6	31.5
Solvency ratios (x)					
Net debt-equity	1.3	1.0	1.0	0.7	0.4
Net debt to Ebitda	1.5	1.0	1.1	0.8	0.5
Interest coverage	6.4	7.2	10.4	13.7	19.9

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Cash & cash equivalents	9,061	18,919	18,978	18,561	24,889
Inventories	32,822	37,500	45,033	51,244	60,571
Receivables	32,384	30,144	34,656	41,974	47,917
Other current assets	9,119	15,740	16,225	18,970	22,321
Creditors	36,579	42,066	48,376	55,632	63,977
Other current liabilities	29,478	37,499	37,979	42,155	47,513
Net current assets	**17,329**	**22,738**	**28,537**	**32,962**	**44,208**
Fixed assets	68,304	70,847	87,329	97,183	105,716
Intangibles	1,184	1,909	3,649	3,649	3,649
Investments	749	649	1,009	1,009	1,009
Other long-term assets	0	0	0	0	0
Total net assets	**87,566**	**96,143**	**120,525**	**134,804**	**154,583**
Borrowings	48,397	51,306	62,082	56,964	51,164
Other long-term liabilities	9,576	11,599	16,336	23,940	34,040
Shareholders' equity	**29,593**	**33,238**	**42,106**	**53,899**	**69,379**
Total liabilities	**87,566**	**96,143**	**120,525**	**134,804**	**154,583**

Cash flow summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Ebit	18,699	22,726	28,011	36,149	44,944
Tax paid	(5,597)	(6,167)	(5,836)	(9,023)	(11,554)
Depreciation and amortization	8,172	9,206	10,014	11,126	12,447
Net working capital change	2,403	12,650	(5,740)	(4,843)	(4,918)
Other operating items	3,998	(5,058)	(11,052)	0	0
Operating cash flow before interest	27,675	33,357	15,398	33,409	40,919
Financial expense	(2,865)	(2,896)	(2,706)	(2,637)	(2,259)
Non-operating income	160	215	173	326	638
Operating cash flow after interest	**24,970**	**30,676**	**12,865**	**31,098**	**39,299**
Capital expenditure	**(13,517)**	**(18,390)**	**(19,352)**	**(20,980)**	**(20,980)**
Long-term investments	(6)	(10,434)	(360)	0	0
Others	(394)	165	0	0	0
Free cash flow	**11,053**	**2,017**	**(6,847)**	**10,118**	**18,319**
Equity raising	0	0	0	0	0
Borrowings	(6,001)	11,380	10,776	(5,118)	(5,800)
Dividend	(1,935)	(3,539)	(3,869)	(5,417)	(6,191)
Net chg in cash and equivalents	3,117	9,858	59	(418)	6,328

Source: Company data, IIFL Research

Petronet LNG – BUY

18 May 2016

Earnings downgrade

Dahej going strong, Kochi woes continues

- Petronet LNG (PLNG) operated its Dahej terminal at 115% utilisation in 4QFY16 and charged 5% higher re-gas price, which led to 42% YoY growth in PAT, adjusted for tax write-backs in FY15. Kochi terminal utilisation was low at 2.5% in 4QFY16, as there was no gas bunkering (trans-shipment cargo).
- PLNG is on track to commission 5m MT capacity at Dahej by 3QFY17, which would expand capacity to 15m MT; with capacity fully contracted, and no evacuation challenges, commissioning of capacity in a benign gas price environment lowers offtake risk significantly.
- However, the Kochi terminal is likely to incur sustained losses of Rs3-4bn pa in FY17-18, with further delay in pipeline construction by GAIL. We cut FY18 EPS by 10% to reflect such delays.
- At CMP, on FY17ii, the stock trades fairly at 17.7x EPS; further re-rating should be driven by: 1) timely project completion; and 2) news flow on commencement of pipeline construction work at Kochi.

Result update

CMP	**Rs279**
12-mth TP (Rs)	**325 (16%)**
Market cap (US$ m)	**3,133**
Enterprise value(US$m)	**3,476**
Bloomberg	**PLNG IN**
Sector	**Gas Utilities**

Shareholding pattern (%)

Promoter	50.0
FII	21.6
DII	6.1
Others	22.3

Price performance (%)

	1M	3M	1Y
Absolute (Rs)	7.6	17.2	57.8
Absolute (US$)	7.3	10.1	51.7
Rel. to Sensex	7.0	7.0	63.4
Cagr (%)		**3 yrs**	**5 yrs**
EPS		(12.6)	14.9

Stock performance

52Wk High/Low (Rs)	285/164
Shares o/s (m)	750
Daily volume (US$ m)	6
Dividend yield FY16ii (%)	0.9
Free float (%)	50.0

Financial summary (Rs m)

Y/e 31 Mar, Parent	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17ii	FY15	FY16ii	FY17ii
Sales Volumes (TBTU)	114	120	113	75	93	84	60	123	128	421	367	447
% growth	*2.3*	*7.8*	*8.2*	*(33.6)*	*(18.6)*	*(29.3)*	*(46.9)*	*65.0*	*38.3*	*(4.2)*	*(13.0)*	*21.8*
Regas Volumes (TBTU)	25	31	28	21	35	72	79	27	24	105	213	189
% growth	*36.1*	*156.5*	*48.7*	*361.6*	*41.9*	*133.2*	*183.6*	*27.5*	*(32.3)*	*95.0*	*103.9*	*(11.3)*
EBITDA/mmbtu (Rs.)	26	34	24	23	28	30	23	30	29	27	27	33
% growth	*(16.0)*	*16.5*	*(14.9)*	*(29.8)*	*9.4*	*(13.6)*	*(6.2)*	*28.6*	*3.4*	*(9.9)*	*0.2*	*19.2*
Revenues (Rs m)	**101,608**	**109,800**	**111,985**	**71,617**	**83,772**	**75,450**	**51,460**	**60,653**	**63,133**	**395,010**	**271,334**	**266,782**
% change	*20.3*	*15.7*	*19.4*	*(31.3)*	*(17.6)*	*(31.3)*	*(54.0)*	*(15.3)*	*(24.6)*	*4.6*	*(31.3)*	*(1.7)*
Ebitda (Rs m)	**3,578**	**5,190**	**3,408**	**2,214**	**3,611**	**4,668**	**3,158**	**4,466**	**4,435**	**14,390**	**15,903**	**20,790**
Ebitda Margins (%)	***3.5***	***4.7***	***3.0***	***3.1***	***4.3***	***6.2***	***6.1***	***7.4***	***7.0***	***3.6***	***5.9***	***7.8***
Interest expense (Rs m)	(784)	(799)	(685)	(667)	(612)	(612)	(588)	(576)	(576)	(2,935)	(2,388)	(2,078)
Effective tax rate (%)	*34.1*	*33.8*	*26.2*	*(14.4)*	*24.0*	*31.0*	*24.0*	*32.0*	*33.0*	*21.8*	*28.5*	*32.0*
Reported PAT (Rs m)	1,566	2,628	1,624	3,007	2,475	2,489	1,784	2,393	2,353	8,825	9,140	11,843
Pre-exceptional PAT (Rs m)	**1,566**	**2,628**	**1,624**	**1,494**	**1,925**	**2,489**	**1,784**	**2,393**	**2,353**	**7,055**	**8,364**	**11,843**
% change	*(30.5)*	*44.6*	*19.8*	*(11.8)*	*22.9*	*(5.3)*	*9.9*	*60.2*	*22.3*	*(0.9)*	*18.6*	*41.6*

Source: Company, IIFL Research. Priced as on 17 May 2016

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Figure 1: PLNG reported PAT declined 20% YoY on the back of tax reversals last year

Rs m	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
Net Sales	70,773	48,219	59,501	-16%	23%
Operating Costs	69,403	48,302	56,187	-19%	16%
Material Costs	68,356	47,165	54,927	-20%	16%
Personnel Costs	218	229	194	-11%	-15%
Other Overheads	829	908	1,066	28%	17%
Other Operating Income	844	3,242	1,152	36%	-64%
Ebitda	2,214	3,158	4,466	102%	41%
Ebidta Margin	3.1%	6.5%	7.5%		
Other Income	576	584	427	-26%	-27%
Depreciation	817	807	800	-2%	-1%
Interest	667	588	576	-14%	-2%
PBT	**1,306**	**2,348**	**3,517**	**169%**	**50%**
Tax	(378)	564	1,124	-397%	99%
Profit After Tax	**1,684**	**1,784**	**2,393**	**42%**	**34%**
Adj. PAT Margin	4.2%	3.7%	4.0%		
Extra-ordinary items	1,323	-	-	NM	NM
Reported PAT	3,007	1,784	2,393	-20%	34%

Figure 2: Dahej terminal operated at 115% utilization in 4QFY16

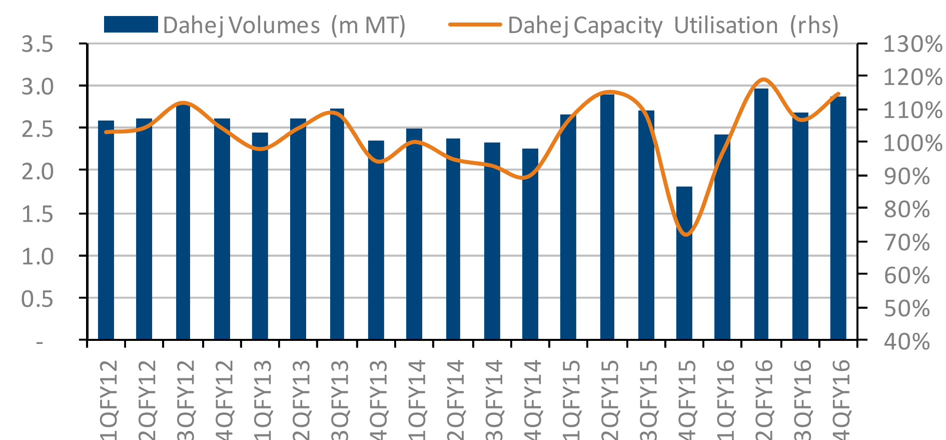
Dahej volumes (TBTU's)	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
Long term	60.0	37.7	109.4	82%	190%
Short term	12.4	21.1	12.5	1%	-40%
Third party - Regas	20.8	79.5	26.5	27%	-67%
Total	93.2	138.2	148.5	59%	7%
Plant Utilisation	72%	107%	115%		

Figure 3: Kochi terminal utilization was at 2%, in absence of gas bunkering

Kochi volumes (TBTU's)	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
Reload volumes	6.9	2.7	-	NM	NM
Short term	2.4	1.5	1.5	-39%	-1%
Total	9.3	4.2	1.5	-84%	-65%
Plant Utilisation	14%	7%	2%		

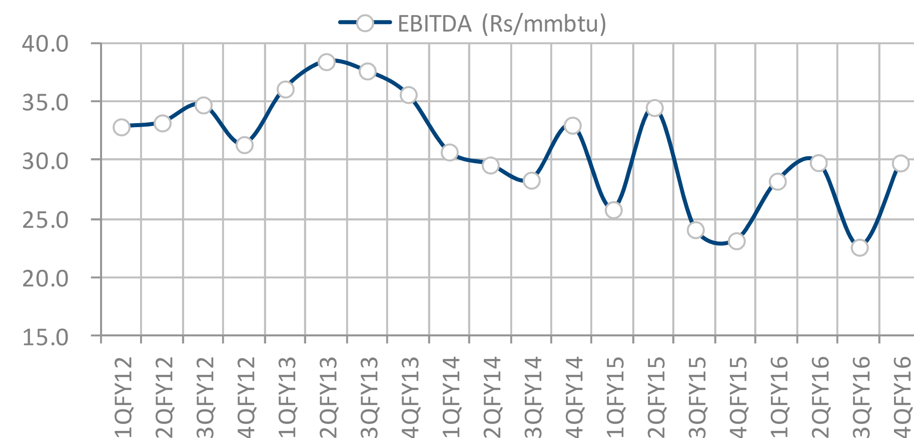
Source: Company, IIFL Research

Figure 4: Dahej capacity utilization improved on back of higher off-take of LT cargo....



Source: Company, IIFL Research

Figure 5: Ebitda/mmbtu, improved QoQ, on back of higher utilisation

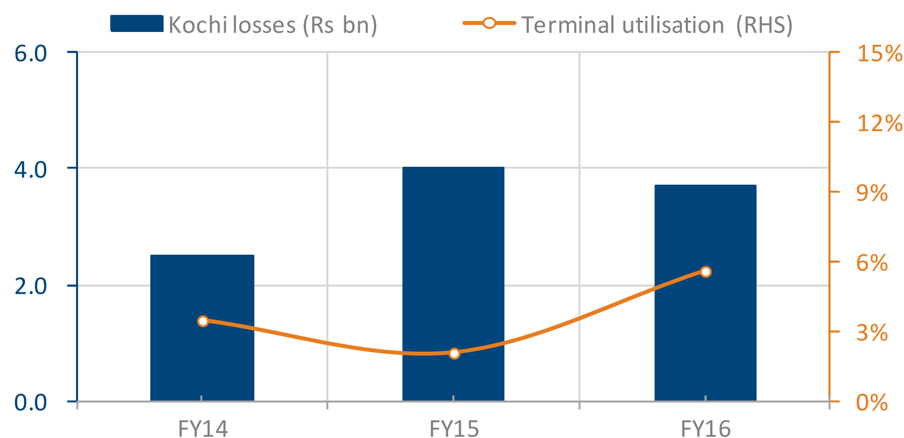


Source: Company, IIFL Research

4QFY16 results: Strong volume growth drives adjusted PAT:

- PLNG's 4QFY16 reported PAT declined 20% YoY as the company had booked tax reversal of Rs1.3bn last year. As such, the PBT grew by 169% YoY driven by sharp uptick in LNG volumes at Dahej (up 59% YoY) and 5% increase in regas charges implemented wef January 2016. The 4Q performance was marginally below estimates given QoQ fall in utilization at Kochi terminal.
- PLNG operated its 10m MT Dahej terminal (Gujarat) at 115% utilization vs. 72% a year ago and 107% a quarter ago. The YoY improvement in utilization (volumes up 595 YoY) was because of significant increase in volumes s(up 82% YoY) under the long-term RasGas contract with Qatar.
- Note that, PLNG has successfully re-negotiated the 7.5m MT RasGas contract (revised the pricing formulae) and resultantly the LNG prices were revised from US$12/mmbtu to US$5/mmbtu from 1st January 2016. This increased the consumer's affordability and increased the off-take. Also note that, as per the revised contract, PLNG is also buying additional 1m MT from Qatar.
- The 5m MT Kochi terminal remained almost stranded (2.5% utilisation) in 4QFY16; QoQ the utilization fell in absence of reload (trans-shipment cargo). For FY16, PLNG reported a total loss of Rs3.7bn at Kochi terminal.

Figure 6: Kochi continues to be pain point for PLNG

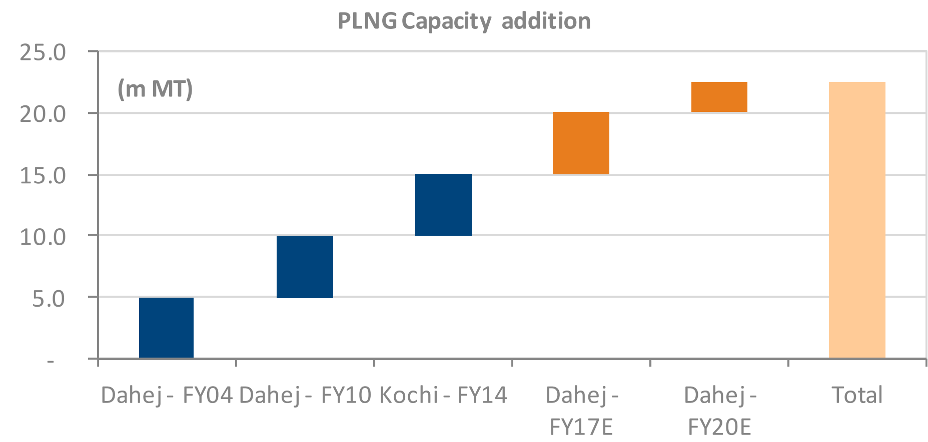


Source: Company, IIFL Research

Dahej expansion on track, Kochi evacuation challenges persists:

- Construction work on PLNG's Dahej's terminal is on track and is scheduled to complete by 3QFY17. Post expansion, the nameplate capacity would stand enhanced from 10m MT to 15m MT.
- Unlike Kochi, this terminal does not face any evacuation challenges; also, PLNG's investment in this project is 35-40%, as balance amount (Rs14bn) funded through advances from principle off-takers GAIL, GSPC, IOCL and BPCL. Such funding structure, to a large extent helps insulate PLNG from off take risk. Almost 65-70% of capex is incurred on this project till FY16.
- Expansion on Dahej is on track, and management shared that utilization at the Kochi terminal is likely to remain low, as the two pipelines continue to see delays. Kochi-Mangalore pipeline, being executed by GAIL, at best should commission by 2HFY18, and benefit company only from FY19. No timelines were shared for the second pipeline from Kochi-Bangalore.
- Meanwhile the consumers adjoining the terminal (Kochi refinery, FACT, BSES power plant etc) are likely to see increase in offtake, which should improve utilisation at 15% by FY18.

Figure 7: PLNG plans to further expand its Dahej capacity to 17.5m MT



Source: Company, IIFL Research

Maintain FY17 EPS; lower FY18 EPS by 10%:

- We cut our FY18 estimates by 10% to account for delay in commissioning of Kochi-Mangalore pipeline resulting in a more gradual than expected ramp-up in Kochi terminal utilization. Kochi is likely to report losses in region of Rs3-4bn pa through FY18.
- Notwithstanding such cut, PLNG's FY16-18ii EPS should grow by 27% pa, on back of Dahej capacity adds. In the interim, outlook on gas prices remains weak, considering sustained supply globally and depressed demand. Weak gas prices (US$5/mmbtu) + no capacity ramp up in India meanwhile bodes well for PLNG.
- At CMP, PLNG's stock trades at 17.7x FY17ii EPS; we see the valuations fair, and further re-rating to be driven by 1) commissioning of the Dahej terminal, and 2) news flow on commencement of work at the pipeline connecting the Kochi terminal.

Valuation summary (Rs m)

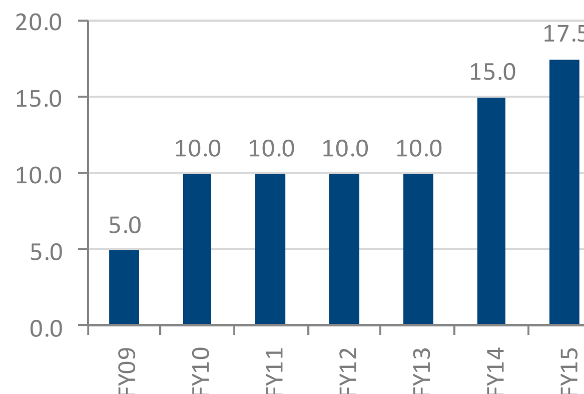
Y/e 31 Mar, Parent	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Revenues (Rs m)	377,476	395,010	271,334	266,782	514,059
Ebitda margins (%)	4.0	3.6	5.9	7.8	4.6
Pre-exceptional PAT (Rs m)	7,119	7,055	8,364	11,843	13,487
Reported PAT (Rs m)	7,119	8,825	9,140	11,843	13,487
Pre-exceptional EPS (Rs)	9.5	9.4	11.2	15.8	18.0
Growth (%)	(37.1)	(0.9)	18.6	41.6	13.9
IIFL vs consensus (%)				2.6	(19.1)
PER (x)	**29.4**	**29.7**	**25.0**	**17.7**	**15.5**
ROE (%)	15.1	13.2	13.9	17.3	17.3
Net debt/equity (x)	0.4	0.4	0.0	0.0	(0.2)
EV/Ebitda (x)	15.3	16.1	13.2	9.9	8.2
Price/book (x)	4.2	3.7	3.3	2.9	2.5

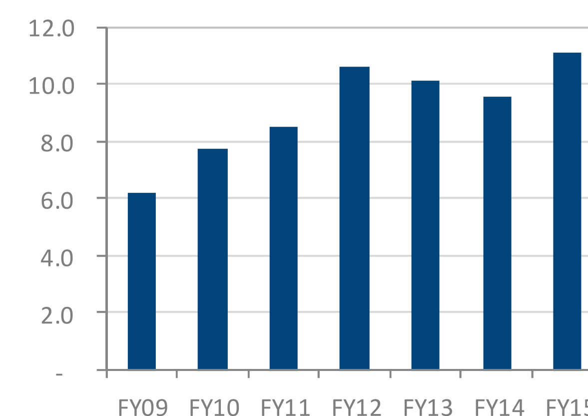
Source: Company data, IIFL Research

Background: Petronet LNG Limited (PLNG) imports, re-gassifies and markets liquefied natural gas (LNG) in the Indian market. It operates India's largest LNG terminal with 10m MT capacity at Dahej (Gujarat) and 5m MT at Kochi (Kerala). PLNG earns fixed re-gas margins on long-term volumes and additional marketing margins on short-term volumes that are paid by the gas off-takers. PLNG was incorporated in April 1998 to set up LNG terminals and import LNG into the country. It is a JV between four government-owned companies—BPCL, GAIL, IOC, and ONGC (each holds a 12.5% stake). In addition, GDFI (part of GDF Suez, a French national gas company) holds a 10% stake and it is a strategic partner. Asian Development Bank has another 5.2% stake, which it is looking to sell to a strategic player.

Management

Name	Designation
Prabhat Singh	MD & CEO
R K Garg	Director (Finance)
Rajender Singh	Director (Technical)





Assumptions

Y/e 31 Mar, Parent	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Dahej Volumes (m MT)	9.4	10.1	11.0	12.0	15.0
Kochi Volumes (m MT)	0.1	0.1	0.3	0.3	0.6
Marketing margins (Rs/mmbtu)	8.0	33.0	25.3	40.0	25.0

Source: Company data, IIFL Research

Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Parent	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Revenues	**377,476**	**395,010**	**271,334**	**266,782**	**514,059**
Ebitda	14,985	14,390	15,903	20,790	23,547
Depreciation and amortisation	(3,081)	(3,154)	(3,216)	(3,195)	(3,954)
Ebit	11,904	11,236	12,687	17,595	19,592
Non-operating income	838	1,214	1,704	1,900	1,881
Financial expense	(2,196)	(2,935)	(2,388)	(2,078)	(1,639)
PBT	10,545	9,515	12,004	17,417	19,834
Exceptionals	0	1,770	776	0	0
Reported PBT	10,545	11,285	12,780	17,417	19,834
Tax expense	(3,426)	(2,460)	(3,640)	(5,573)	(6,347)
PAT	7,119	8,825	9,140	11,843	13,487
Minorities, Associates etc.	0	0	0	0	0
Attributable PAT	**7,119**	**8,825**	**9,140**	**11,843**	**13,487**

Ratio analysis

Y/e 31 Mar, Parent	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Per share data (Rs)					
Pre-exceptional EPS	9.5	9.4	11.2	15.8	18.0
DPS	2.0	2.0	2.5	3.2	3.6
BVPS	66.5	75.8	85.0	97.1	110.9
Growth ratios (%)					
Revenues	20.0	4.6	(31.3)	(1.7)	92.7
Ebitda	(22.6)	(4.0)	10.5	30.7	13.3
EPS	(37.1)	(0.9)	18.6	41.6	13.9
Profitability ratios (%)					
Ebitda margin	4.0	3.6	5.9	7.8	4.6
Ebit margin	3.2	2.8	4.7	6.6	3.8
Tax rate	32.5	21.8	28.5	32.0	32.0
Net profit margin	1.9	2.2	3.4	4.4	2.6
Return ratios (%)					
ROE	15.1	13.2	13.9	17.3	17.3
ROCE	15.3	13.9	15.5	19.8	20.6
Solvency ratios (x)					
Net debt-equity	0.4	0.4	0.0	0.0	(0.2)
Net debt to Ebitda	1.3	1.6	0.1	(0.2)	(0.6)
Interest coverage	5.4	3.8	5.3	8.5	12.0

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Parent	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Cash & cash equivalents	12,826	3,641	21,829	22,879	30,862
Inventories	9,557	8,826	2,461	2,424	4,816
Receivables	20,157	13,428	9,885	9,737	19,343
Other current assets	2,937	5,371	5,795	5,708	11,339
Creditors	21,236	14,006	19,753	18,115	28,776
Other current liabilities	9,830	6,483	9,143	8,385	13,320
Net current assets	**14,411**	**10,777**	**11,074**	**14,247**	**24,263**
Fixed assets	62,650	69,426	66,516	63,320	81,366
Intangibles	0	0	0	0	0
Investments	900	900	900	900	900
Other long-term assets	10,100	9,595	17,095	22,595	1,000
Total net assets	**88,061**	**90,697**	**95,584**	**101,062**	**107,529**
Borrowings	32,669	26,541	23,110	19,515	15,651
Other long-term liabilities	5,530	7,270	8,710	8,710	8,710
Shareholders' equity	**49,861**	**56,886**	**63,764**	**72,836**	**83,168**
Total liabilities	**88,061**	**90,697**	**95,584**	**101,062**	**107,529**

Cash flow summary (Rs m)

Y/e 31 Mar, Parent	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Ebit	11,904	11,236	12,687	17,595	19,592
Tax paid	(1,806)	(720)	(3,640)	(5,573)	(6,347)
Depreciation and amortization	3,081	3,154	3,216	3,195	3,954
Net working capital change	(4,725)	(5,552)	17,891	(2,123)	(2,034)
Other operating items	1,182	179	0	0	0
Operating cash flow before interest	9,636	8,298	30,154	13,094	15,166
Financial expense	(2,196)	(2,935)	(2,388)	(2,078)	(1,639)
Non-operating income	838	1,214	1,704	1,900	1,881
Operating cash flow after interest	**8,278**	**6,576**	**29,471**	**12,916**	**15,408**
Capital expenditure	**(8,024)**	**(9,418)**	**(8,427)**	**(5,500)**	**(405)**
Long-term investments	0	0	0	0	0
Others	(1,185)	1,585	2,769	0	0
Free cash flow	**(931)**	**(1,257)**	**23,813**	**7,416**	**15,003**
Equity raising	0	0	0	0	0
Borrowings	2,328	(6,128)	(3,431)	(3,595)	(3,864)
Dividend	(1,755)	(1,800)	(2,194)	(2,771)	(3,156)
Net chg in cash and equivalents	(358)	(9,185)	18,188	1,050	7,983

Source: Company data, IIFL Research

Bharat Forge – REDUCE

18 May 2016

Earnings downgrade

Weak quarter; outlook remains grim

Bharat Forge's (BHFC) 4Q results came in much weaker than our estimates; standalone revenue and profits declined 18% YoY. Non-auto (both domestic and exports) and the US CV segment saw a sharp decline in revenues. These segments are expected to remain weak in the coming quarters and will easily outweigh gains from new segments/customers. Management has guided to flat FY17 revenues YoY; this builds in a sharp YoY revenue drop in 1HFY17 with some recovery in 2HFY17. We cut our FY17-FY18 EPS forecasts by 18%. We believe that the earnings downgrade cycle is still not behind us. Retain REDUCE; 12-month TP of Rs675 is based on 18x FY18 EPS.

Weak 4Q as revenues see sharp drop: Revenues declined 18% YoY, worse than our estimate of 11% decline. Domestic revenue was flat YoY, with growth in CV segment offset by weak non-auto revenues. Export revenue declined 29% YoY, as US revenues dropped 42%. This was the result of decline in the US CV as well as non-auto segments. Ebitda margin was maintained at ~30%, in line with our expectations. Absolute Ebitda came in 10% below our estimate. Lower depreciation and tax rate restricted the miss at PAT level to 7%.

Near-term risks outweigh structural story: Management has guided to YoY revenue decline continuing in 1QFY17. The flat full-year revenue guidance is built on hopes of a recovery in 2HFY17. The US Class 8 truck volumes are expected to fall 30% this year. There are no signs of a turnaround in non-auto revenues, both in India and abroad. Although management highlighted new customer/order wins in PV, aerospace, defence, railways etc., they may not ramp up fast enough to offset near-term macro concerns.

Margin contraction may drive the next leg of downgrades: BHFC (standalone) has held on to its peak 29-30% margins despite fall in revenues. This may not sustain if revenues continue to drop. Forging is a business with high fixed costs, implying high operating leverage. There is reasonable probability of margins contracting; this will result in further earnings downgrade.

Result update

CMP	**Rs751**
12-mth TP (Rs)	**675 (-10%)**
Market cap (US$m)	**2,615**
Enterprise value(US$m)	**2,826**
Bloomberg	**BHFC IN**
Sector	**Auto**

Shareholding pattern (%)

Promoter	46.7
FII	15.9
DII	16.6
Others	20.7

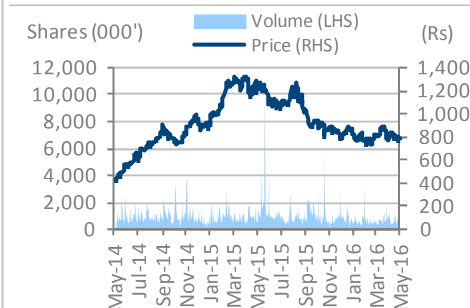
52Wk High/Low (Rs)	1332/720
Shares o/s (m)	233
Daily volume (US$ m)	9.1
Dividend yield FY16ii (%)	1.0
Free float (%)	53.3

Price performance (%)

	1M	3M	1Y
Absolute (Rs)	(9.6)	(4.4)	(40.9)
Absolute (US$)	(9.8)	(1.8)	(43.1)
Rel. to Sensex	(10.1)	(14.6)	(35.3)

Cagr (%)	**3 yrs**	**5 yrs**
EPS	20.6	129.9

Stock performance



Financial summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Revenues (Rs m)	67,161	76,248	76,465	79,503	87,010
Ebitda margins (%)	*15.3*	*18.9*	*18.6*	*19.0*	*19.3*
Pre-exceptional PAT (Rs m)	4,179	7,238	6,580	7,341	8,686
Reported PAT (Rs m)	4,985	7,625	6,500	7,341	8,686
Pre-exceptional EPS (Rs)	17.9	31.1	28.3	31.5	37.3
Growth (%)	*83.4*	*73.2*	*(9.1)*	*11.6*	*18.3*
IIFL vs consensus (%)				*(18.7)*	*(22.0)*
PER (x)	**41.8**	**24.1**	**26.6**	**23.8**	**20.1**
ROE (%)	*16.9*	*23.6*	*18.9*	*19.5*	*20.4*
Net debt/equity (x)	0.5	0.4	0.4	0.2	0.1
EV/Ebitda (x)	18.3	13.1	13.4	12.2	10.6
Price/book (x)	6.5	5.1	4.9	4.4	3.9

Source: Company, IIFL Research. Priced as on 17 May 2016

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Figure 1: 4Q results were much weaker than expected due to weak top line

(Rs. m)	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
Net Sales	**12,239**	**10,520**	**10,080**	**(17.6)**	**(4.2)**
Raw Material	4,778	3,601	3,616	(24.3)	0.4
Employee costs	889	947	929	4.6	(1.9)
Other Expenditure	2,975	2,799	2,553	(14.2)	(8.8)
EBIDTA	**3,597**	**3,173**	**2,982**	**(17.1)**	**(6.0)**
Depreciation	497	674	644	29.6	(4.3)
EBIT	3,100	2,499	2,338	(24.6)	(6.4)
Interest	224	226	202		
Other income	200	231	225	12.2	(2.7)
Extra ordinary expense/(income)	(5)	42	0		
PBT	3,081	2,461	2,361	(23.4)	(4.1)
Tax	1,049	800	716		
Reported PAT	2,032	1,662	1,645	(19.0)	(1.0)
Pre Exceptional PAT	**2,027**	**1,704**	**1,645**	**(18.8)**	**(3.4)**
Gross Margin	61.0%	65.8%	64.1%	317 bps	(164) bps
EBIDTA Margin	**29.4%**	**30.2%**	**29.6%**	**19 bps**	**(57) bps**
EBIT Margin	25.3%	23.8%	23.2%	(214) bps	(56) bps
Tax rate	34.1%	32.5%	30.3%	(373) bps	(218) bps
PAT Margin	16.6%	16.2%	16.3%	(24) bps	13 bps

Source: Company, IIFL Research

Revenues declined 18% YoY, worse than our estimate of 11% decline. Domestic revenues were flat YoY. Export revenues declined 29% YoY.

Absolute Ebitda came in 10% below our estimate. Lower depreciation and tax-rate restricted the miss at PAT-level to 7%.

Ebitda margin was maintained at around 30%, in line with our expectations.

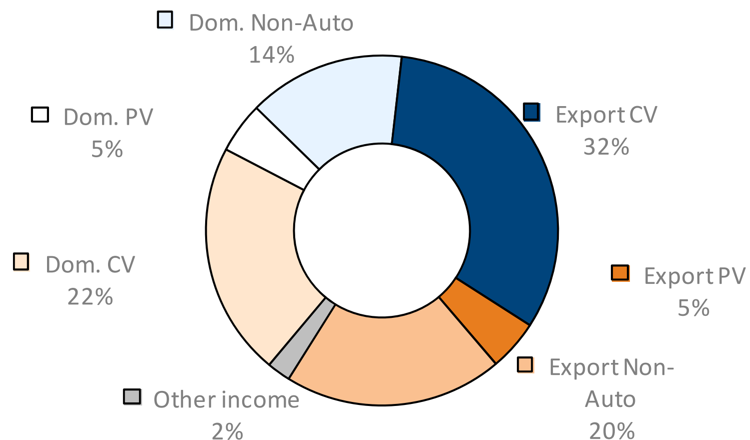
Figure 2: Subsidiary margins improved significantly compared to our estimate

Subsidiaries (Rs mn)	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
Net Sales	**5,857**	**5,684**	**5,744**	**(1.9)**	**1.1**
EBITDA	351	243	442	25.9	81.9
PBT	5	(105)	52	940.0	NM
Ebitda margin	**6.0%**	**4.3%**	**7.7%**	**170 bps**	**342 bps**

Source: Company, IIFL Research

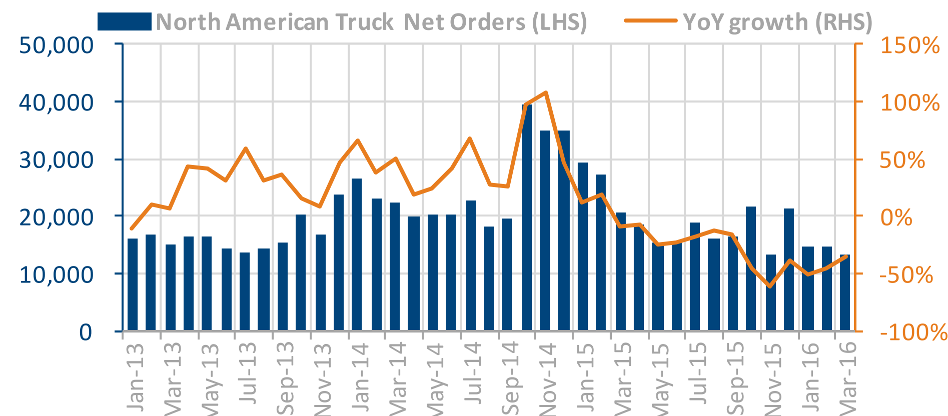
Subsidiary performance improved sequentially and YoY.

Figure 3: BHFC Standalone revenue break-down – FY16



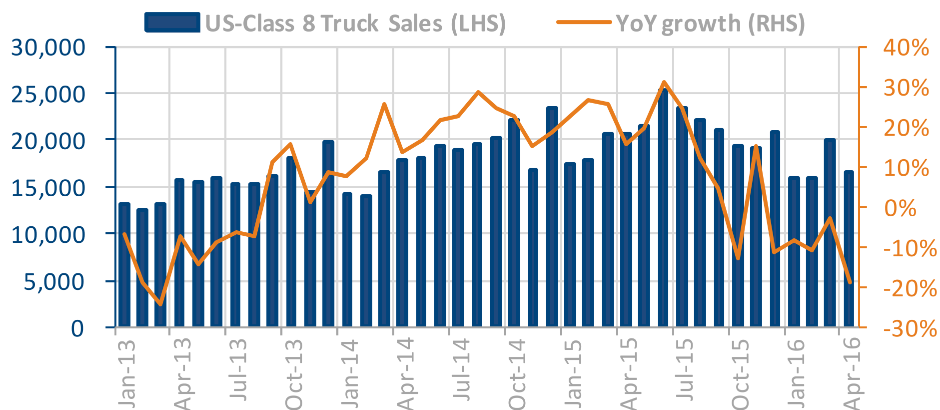
Source: Company, IIFL Research

Figure 5: New truck orders in North America remain very weak



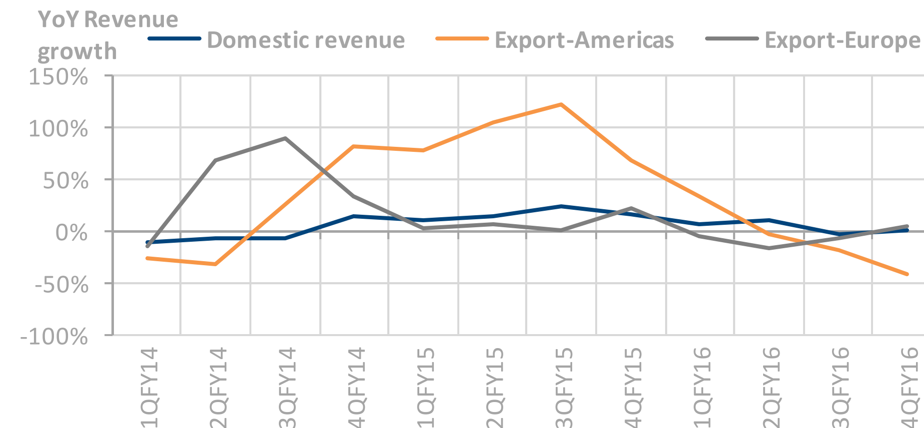
Source: Bloomberg, IIFL Research

Figure 4: US Class 8 truck retails continue to decline due to inventory correction



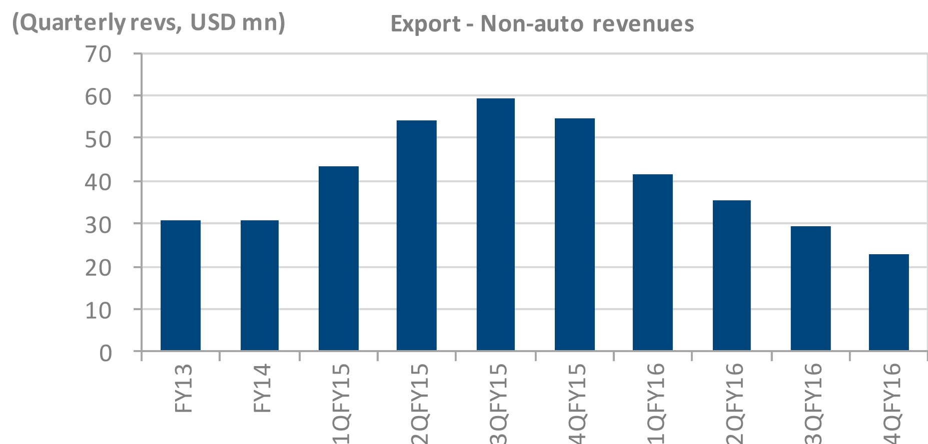
Source: Bloomberg, IIFL Research

Figure 6: Revenue from US declined 42% YoY



Source: Company, IIFL Research

Figure 7: Export non-auto revenue declined 56% YoY in 4QFY16



Source: IIFL Research

Figure 8: Revision to estimates

Bharat Forge	Previous			Revised		
	FY16	FY17	FY18	FY16	FY17	FY18
Standalone (Rs mn)						
Revenues	44,295	48,239	55,143	43,054	43,791	49,241
Revenue growth	-2.6%	8.9%	14.3%	-5.3%	1.7%	12.4%
EBITDA	13,294	14,419	16,604	12,830	12,719	14,286
EBITDA margin	30.0%	29.9%	30.1%	29.8%	29.0%	29.0%
Pro-forma PAT	7,280	8,495	10,216	7,053	7,104	8,453
EPS	31.3	36.5	43.9	30.3	30.5	36.3
Consolidated (Rs mn)						
Revenues	77,663	84,528	93,535	76,465	79,503	87,010
Revenue growth	1.9%	8.8%	10.7%	0.3%	4.0%	9.4%
EBITDA	14,915	16,346	18,668	14,213	15,093	16,794
EBITDA margin	19.2%	19.3%	20.0%	18.6%	19.0%	19.3%
Pro-forma PAT	7,521	8,876	10,610	6,580	7,341	8,686
EPS	32.3	38.1	45.6	28.3	31.5	37.3

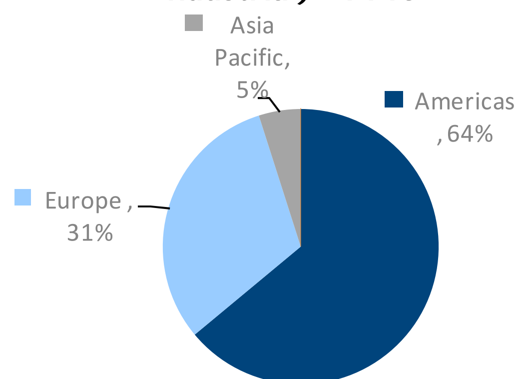
Source: IIFL Research

Background: Bharat Forge is largest forging company with manufacturing facilities spread across India, Germany and Sweden. Bharat Forge manufactures a wide range of high performance, critical and safety components for the automotive and industrial sector. It is India's largest manufacturer and exporter of automotive components and leading chassis component manufacturer in the world. Bharat Forge's customer base includes virtually every global automotive OEM and Tier 1 supplier. Apart from automotive industry, Bharat Forge caters to six industrial segments namely - power, oil and gas, construction & mining, locomotive, marine and aerospace.

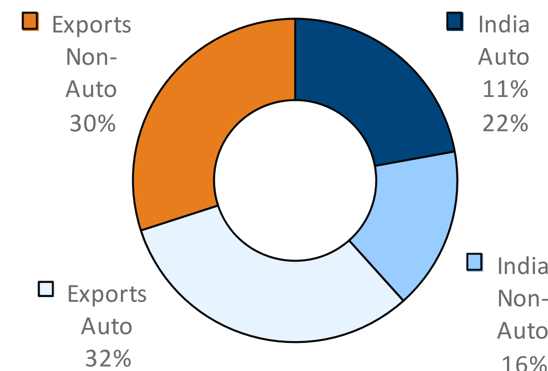
Management

Name	Designation
B N Kalyani	Chairman & Managing Director
Amit B Kalyani	Executive Director
Kishore Saletore	Executive Director, CFO

Geo. mix of Exports (Auto + Industrial) - FY15



Standalone revenue break-up - FY15E

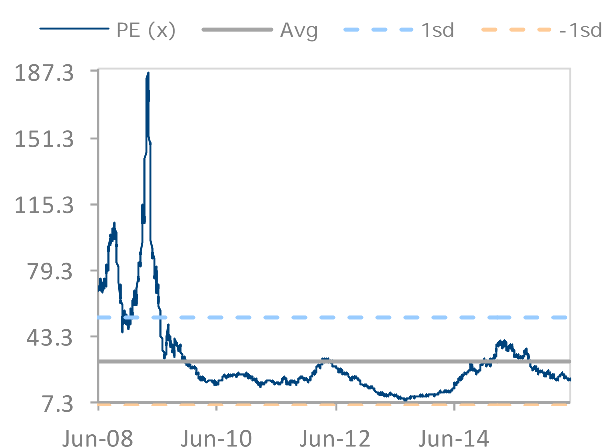


Assumptions

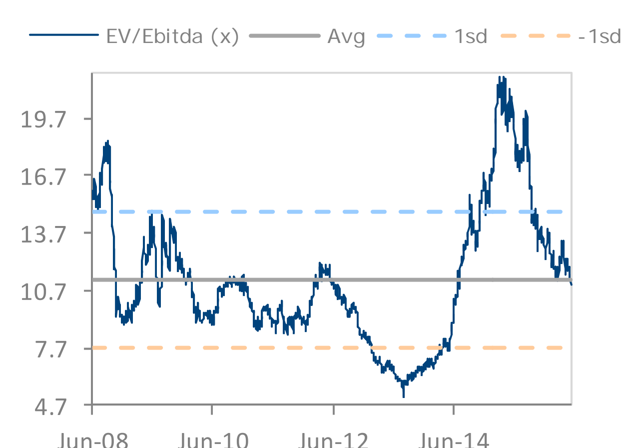
Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16A	FY17ii	FY18ii
Standalone revenue growth	7.9	33.8	(5.3)	1.7	12.4
Standalone Ebitda margin	25.4	29.2	29.8	29.0	29.0
Subsidiaries revenue growth	30.0	(7.2)	8.6	6.9	5.8
Subsidiaries Ebitda margin	4.9	3.6	4.1	6.6	6.6
Consolidated revenue growth	17.8	13.5	0.3	4.0	9.4
Consolidated Ebitda margin	15.3	18.9	18.6	19.0	19.3

Source: Company data, IIFL Research

PE chart



EV/Ebitda



Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Revenues	**67,161**	**76,248**	**76,465**	**79,503**	**87,010**
Ebitda	10,271	14,408	14,213	15,093	16,794
Depreciation and amortization	(3,579)	(3,624)	(4,187)	(4,566)	(4,846)
Ebit	6,693	10,784	10,026	10,527	11,948
Non-operating income	1,249	1,368	1,336	1,715	2,116
Financial expense	(1,692)	(1,356)	(1,403)	(1,437)	(1,281)
PBT	6,250	10,795	9,958	10,806	12,783
Exceptionals	807	387	(80)	0	0
Reported PBT	7,057	11,182	9,879	10,806	12,783
Tax expense	(2,100)	(3,587)	(3,408)	(3,465)	(4,098)
PAT	4,957	7,596	6,470	7,341	8,686
Minorities, Associates etc.	29	30	30	0	0
Attributable PAT	**4,985**	**7,625**	**6,500**	**7,341**	**8,686**

Ratio analysis

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Per share data (Rs)					
Pre-exceptional EPS	17.9	31.1	28.3	31.5	37.3
DPS	4.5	7.5	7.5	10.0	12.0
BVPS	115.3	147.9	151.8	171.4	194.3
Growth ratios (%)					
Revenues	17.8	13.5	0.3	4.0	9.4
Ebitda	33.5	40.3	(1.4)	6.2	11.3
EPS	83.4	73.2	(9.1)	11.6	18.3
Profitability ratios (%)					
Ebitda margin	15.3	18.9	18.6	19.0	19.3
Ebit margin	10.0	14.1	13.1	13.2	13.7
Tax rate	29.8	32.1	34.5	32.1	32.1
Net profit margin	7.4	10.0	8.5	9.2	10.0
Return ratios (%)					
ROE	16.9	23.6	18.9	19.5	20.4
ROCE	14.8	21.0	18.1	19.0	21.1
Solvency ratios (x)					
Net debt-equity	0.5	0.4	0.4	0.2	0.1
Net debt to Ebitda	1.3	1.0	1.1	0.6	0.2
Interest coverage	4.0	8.0	7.1	7.3	9.3

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Cash & cash equivalents	11,949	11,386	11,566	14,085	17,718
Inventories	10,386	10,339	11,825	11,022	12,052
Receivables	8,660	8,535	11,485	11,269	12,279
Other current assets	12,893	16,817	12,195	12,869	13,659
Creditors	0	0	0	0	0
Other current liabilities	21,085	20,816	24,949	25,685	27,969
Net current assets	**22,803**	**26,262**	**22,122**	**23,560**	**27,739**
Fixed assets	31,110	34,336	40,628	40,062	39,216
Intangibles	57	537	554	554	554
Investments	291	389	817	817	817
Other long-term assets	0	0	0	0	0
Total net assets	**54,260**	**61,523**	**64,120**	**64,993**	**68,326**
Borrowings	25,613	25,464	26,979	23,304	21,304
Other long-term liabilities	1,815	1,617	1,795	1,795	1,795
Shareholders' equity	**26,832**	**34,442**	**35,346**	**39,894**	**45,227**
Total liabilities	**54,260**	**61,523**	**64,120**	**64,993**	**68,326**

Cash flow summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Ebit	6,693	10,784	10,026	10,527	11,948
Tax paid	(2,113)	(4,099)	(3,408)	(3,465)	(4,098)
Depreciation and amortization	3,579	3,624	4,187	4,566	4,846
Net working capital change	(1,629)	(1,240)	818	1,081	(546)
Other operating items	638	1,226	111	0	0
Operating cash flow before interest	7,168	10,296	11,734	12,709	12,150
Financial expense	(8,547)	(1,460)	(1,403)	(1,437)	(1,281)
Non-operating income	6,266	609	1,336	1,715	2,116
Operating cash flow after interest	**4,886**	**9,445**	**11,667**	**12,988**	**12,985**
Capital expenditure	**(5,843)**	**(7,113)**	**(10,479)**	**(4,000)**	**(4,000)**
Long-term investments	1,897	90	(428)	0	0
Others	(566)	(845)	0	0	0
Free cash flow	**374**	**1,577**	**759**	**8,988**	**8,985**
Equity raising	0	0	0	0	0
Borrowings	3,368	(621)	1,515	(3,675)	(2,000)
Dividend	(1,221)	(1,519)	(2,095)	(2,794)	(3,352)
Net chg in cash and equivalents	2,521	(562)	179	2,519	3,633

Source: Company data, IIFL Research

Sun TV Networks – ADD

18 May 2016

Update on Tamil Nadu elections

DMK victory can drive re-rating

Sun TV trades at 53% discount to Zee Entertainment (Zee) at present, in sharp contrast to the premium it enjoyed. Sun TV's stock saw a severe de-rating owing to three factors: 1) CBI investigations against the promoters; 2) regime change in the home market of Tamil Nadu (TN); and 3) slower ad-revenue growth. Four out of five exit polls forecast DMK's victory which would lead to an improvement in operating environment of its key market - TN. A victory could also reduce intensity with which CBI pursues cases against the promoters. That said the slower ad growth is solely due to weak performance of its channels outside TN, which will not improve in the absence of improvement in ratings. DMK's potential victory will drive re-rating but it will continue to trade at discount to Zee. At 30% discount to Zee's valuation Sun TV's target price would work out to Rs642/share – ~50% higher than current price.

DMK's victory could drive subscription revenues: Sun TV's promoters and DMK's first family are related by blood. Sun TV's business suffered due to high animosity between DMK and the ruling party AIADMK. Post AIADMK's victory in 2011, takeover of cable operations in TN by a government entity resulted in drop in Sun TV's cable subscription revenues. Non-implementation of digitisation in TN is partially because of AIADMK government's interventions. If DMK wins the elections, these issues will reverse, which will drive subscription revenues.

Ad revenue growth will not be impacted: Sun TV's ad revenues grew at ~8% Cagr over FY12-16ii compared with ~14% growth in television ad spends. The company has maintained its leadership position in TN despite the change in regime in 2011. The weakness in ad-revenue growth is due to loss of viewership share in non-Tamil markets. Competition in these markets remains elevated. Contrary to perception, DMK's victory in TN will have no impact on Sun TV's ad-revenue growth.

DMK's victory to drive re-rating but Sun TV will trade at discount to Zee: Sun TV's valuation discount is largely because of a hostile political regime in the home state and CBI cases. DMK's victory would alleviate the impact of these factors on valuation. However, Sun TV will trade at a discount to Zee due to lower ad revenue growth and slot-sale business model. At 30% discount to Zee, the TP works out to Rs642/share.

Company update

CMP	**Rs433**
12-mth TP (Rs)	**464 (7%)**
Market cap (US$m)	**2,554**
Enterprise value(US$m)	**2,407**
Bloomberg	**SUNTV IN**
Sector	**Media**

Price performance (%)

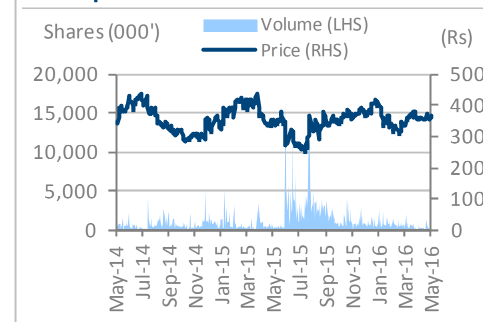
	1M	3M	1Y
Absolute (Rs)	20.6	30.0	24.7
Absolute (US$)	20.3	30.9	21.7
Rel. to Sensex	20.1	19.7	30.3
Cagr (%)		**3 yrs**	**5 yrs**
EPS		4.1	8.5

Shareholding pattern (%)

Promoter	75.0
FII	16.6
DII	2.6
Others	5.8

52Wk High/Low (Rs)	437/256
Shares o/s (m)	394
Daily volume (US$ m)	3.6
Dividend yield FY16ii (%)	2.8
Free float (%)	25.0

Stock performance



Financial summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Revenues (Rs m)	22,236	23,954	26,627	29,826	32,794
Ebitda margins (%)	*67.9*	*70.0*	*70.8*	*71.6*	*71.9*
Pre-exceptional PAT (Rs m)	7,481	7,820	10,062	11,440	12,597
Reported PAT (Rs m)	7,481	7,820	10,062	11,440	12,597
Pre-exceptional EPS (Rs)	19.0	19.8	25.5	29.0	32.0
Growth (%)	*5.4*	*4.5*	*28.7*	*13.7*	*10.1*
IIFL vs consensus (%)			*10.6*	*10.4*	*6.6*
PER (x)	**22.8**	**21.8**	**17.0**	**14.9**	**13.5**
ROE (%)	*25.4*	*24.3*	*28.2*	*28.0*	*26.7*
Net debt/equity (x)	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)
EV/Ebitda (x)	10.8	9.6	8.4	7.2	6.3
Price/book (x)	5.5	5.1	4.5	3.9	3.4

Source: Company, IIFL Research. Priced as on 17 May 2016

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Figure 1: Four out of five exit polls predict a DMK victory in TN elections

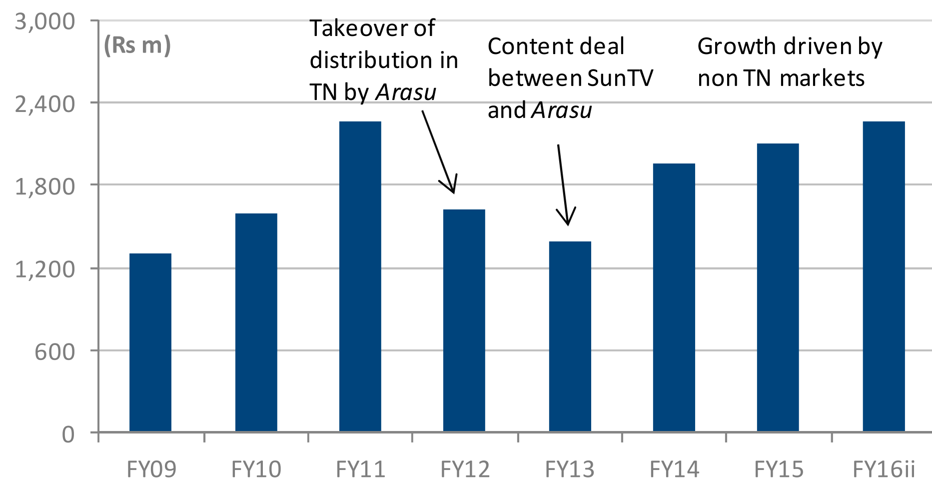
Alliance	India Today	News Nation	C Voter	News X	ABP Nielsen	Poll of polls
DMK+	132	116	78	140	132	120
AIADMK	95	97	139	90	95	103
BJP	1	0	0	0	1	0
Others	6	21	17	4	6	11
Total seats	**234**	**234**	**234**	**234**	**234**	**234**
Seats for victory	118	118	118	118	118	118

Source: Company, IIFL Research

Cable revenue growth can accelerate on DMK's victory

Sun TV's cable subscription revenues declined 28% YoY in FY12. This drop was owing to takeover of broadcasting distribution in key market of Tamil Nadu by *Arasu*, the state-owned cable operator. Cable subscription revenue started growing again as *Arasu* and Sun TV struck a content deal in 2QFY13. However, content cost paid by *Arasu* is ~75% lower than Sun TV's subscription revenues before takeover by *Arasu*. A large part of growth post 2QFY13 is driven by the non-Tamil markets. Subscription revenues from TN continue to languish. A change in regime can facilitate realization of Sun TV's fair share in subscription fees paid by viewers in TN.

Figure 2: Sharp drop in Sun TV's cable revenues in FY12 post takeover by Arasu



Source: Company, IIFL Research

Digitisation in TN might be finally implemented

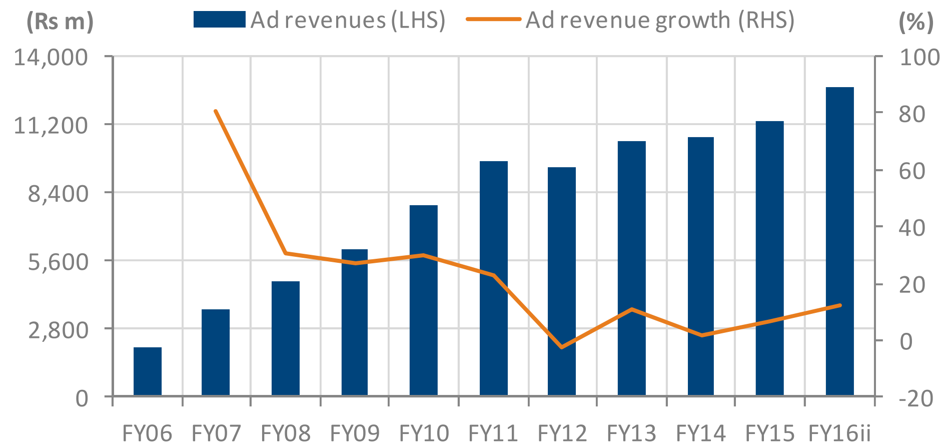
Digitisation of cable TV in phase I & II cities of TN viz. Chennai and Coimbatore is pending. *Arasu*, the state-owned MSO revived by AIADMK in 2011 currently enjoys virtual monopoly in the TN cable distribution market. It is yet to receive a digital cable license to operate in the state as TRAI regulations prohibit state-owned entities from distributing content. *Arasu* continues to broadcast analog signals in the state and the case is pending with the Madras High Court. Owing to this issue, digitisation in the state of TN has been delayed. Other cable operators might gain market share during DMK's regime facilitating digitisation of key cities. Effective implementation of digitisation in TN can lead to a step-jump in Sun TV's subscription revenues.

Figure 3: Digitisation timelines in key cities

City	Date of digitisation
Delhi	Nov-12
Mumbai	Nov-12
Kolkata	Mar-13
Chennai	**Pending**
Hyderabad	Mar-13
Pune	Apr-13
Bangalore	Jan-14
Coimbatore	**Pending**

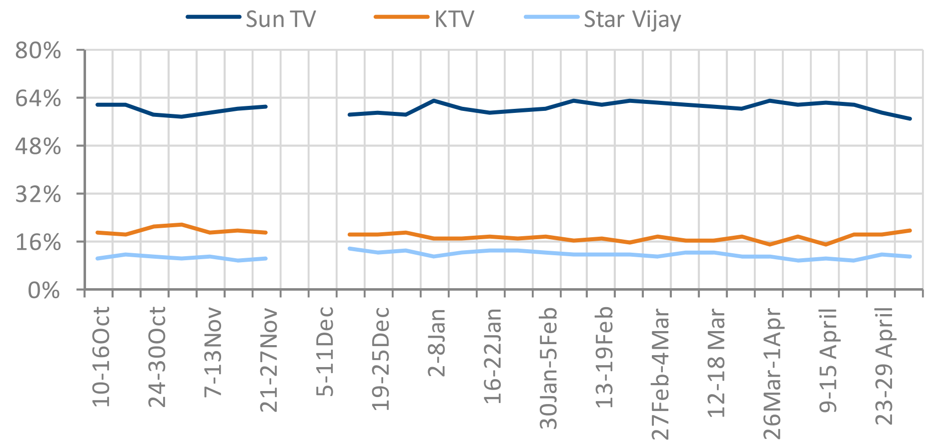
Source: Industry data, IIFL Research

Figure 4: Decline in Sun TV's ad revenue growth is attributed to fall in viewership ratings in non Tamil markets



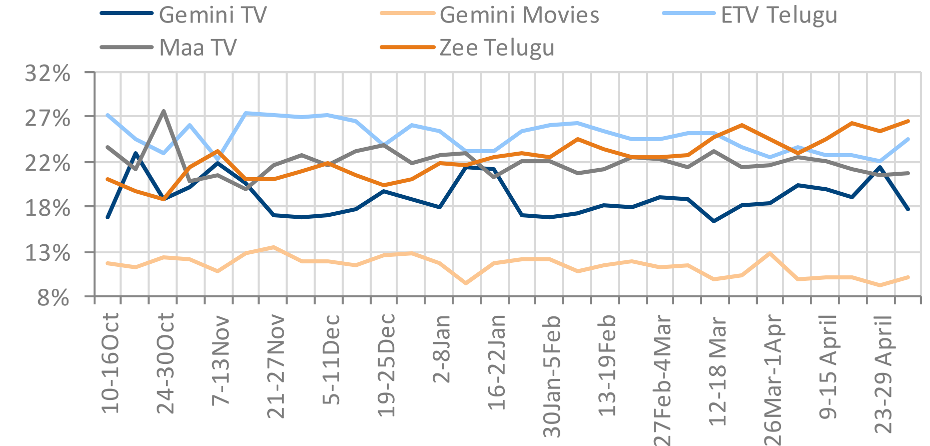
Source: Company, IIFL Research

Figure 5: Flagship channel has ~60% share in the Tamil market; Sun TV has maintained ~75% network market share in the Tamil genre



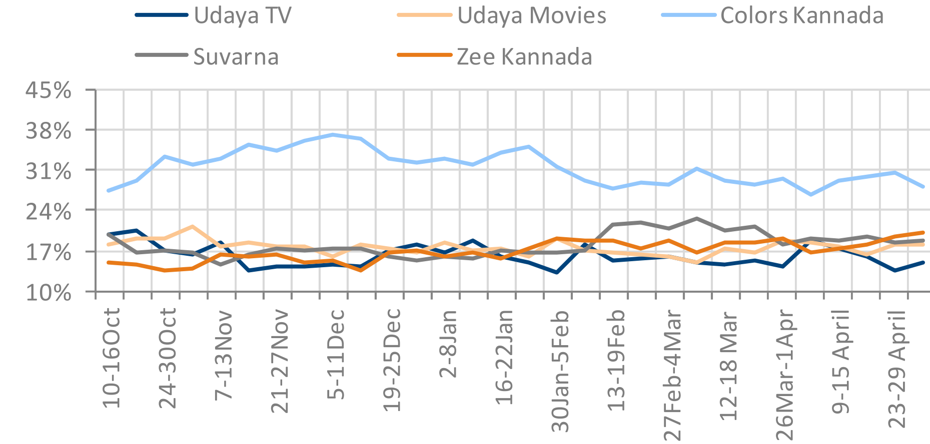
No ratings were published during 28th Nov to 11th Dec due to floods in Tamil Nadu
Source: BARC, IIFL Research

Figure 6: *Gemini TV,* Sun TV's flagship Telugu GEC, has lost its leadership position over the last few years to competition



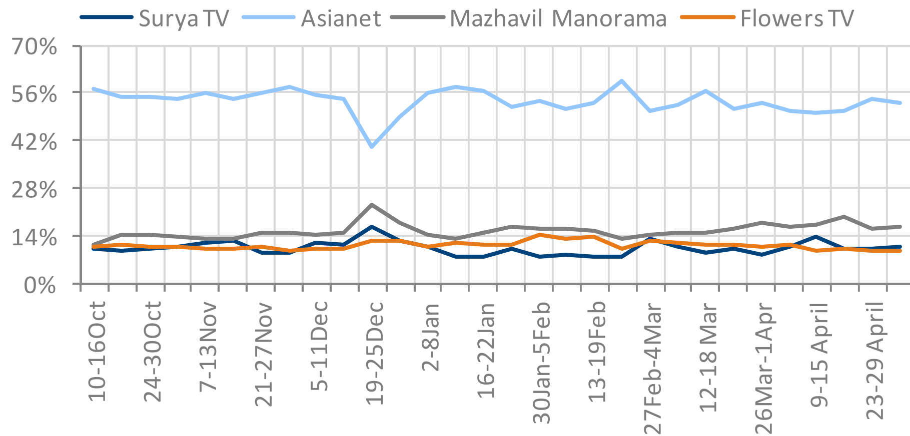
Source: Company, IIFL Research

Figure 7: *Colors Kannada* has emerged as a strong competitor to Sun's channel *Udaya TV* in Karnataka



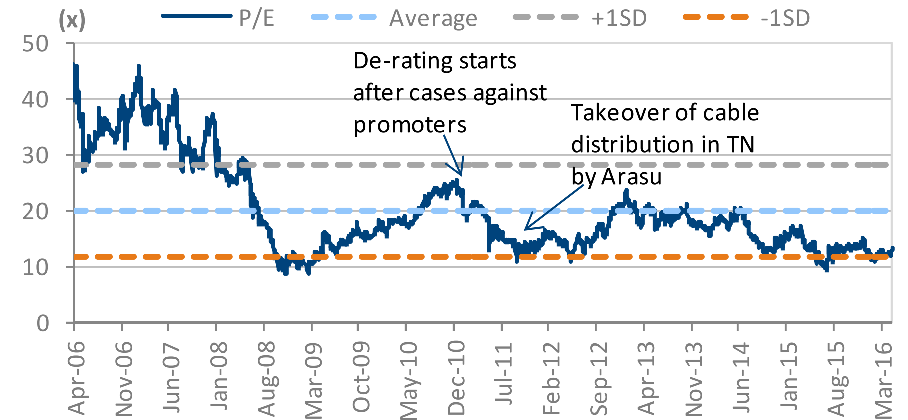
Source: Company, IIFL Research

Figure 8: *Asianet* enjoys strong lead in Malayalam market; Sun TV's channel *Surya TV* faces strong competition for third position



Source: Company, IIFL Research

Figure 9: Sun TV is currently trading at 53% discount to Zee based on FY18ii P/E; a DMK victory can close this gap



Source: Company, IIFL Research

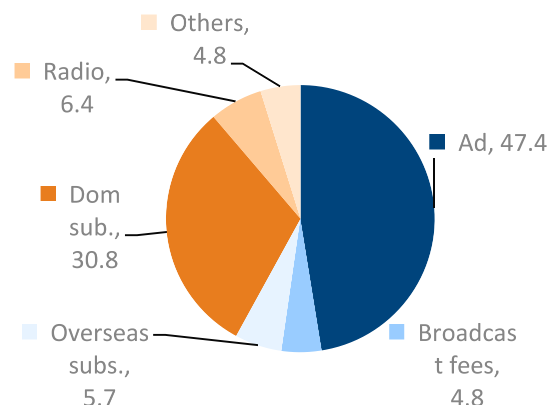
DMK victory to drive re-rating; discount to Zee would continue

Sun TV is trading at 13.5x FY18ii P/E and at 53% discount to Zee. Note that prior to 2011, Sun TV used to trade at a premium to Zee. The stock started de-rating in early 2011 with commencement of investigations against the promoters in the Aircel Maxis deal. With AIADMK coming to power in May 2011, the political climate in TN changed adversely for Sun TV. Moreover, Sun TV's ad revenue growth trailed that of industry and Zee over FY12-16 due to loss of viewership share in non-Tamil markets as competition increased. We believe, a DMK victory in TN would alleviate first two concerns and drive re-rating of the stock. Note that a change in political climate would not affect ad revenue growth. Consequently, Sun TV is expected to trade at a discount to Zee due to lower ad-revenue growth.

Background: Sun TV Network, one of the largest broadcasters in India is a part of India's largest media conglomerate – Sun Group, run by Kalanithi Maran. The network has a bouquet of 33+ channels in four south Indian languages that span across general entertainment, news, movies and kids entertainment genres. Primarily catering to South Indian market, it is leading broadcaster in three southern states and is third in the fourth state, Kerala. Sun TV's reach extends to >95m households in India and its channels are broadcast in >27 countries. Sun TV'S huge movie library (>9,500 movies) with perpetual rights and in-house production are its key competitive advantages. The company owns and operates 46 FM radio channels across India. In 2012, the company acquired Hyderabad franchise of Indian Premium league.

Management

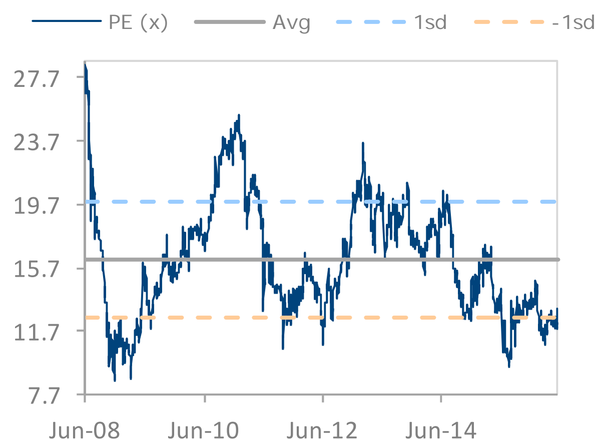
Name	Designation
Kalanithi Maran	Chairman
K. Vijay Kumar	MD & CEO
S L Narayanan	Group CFO

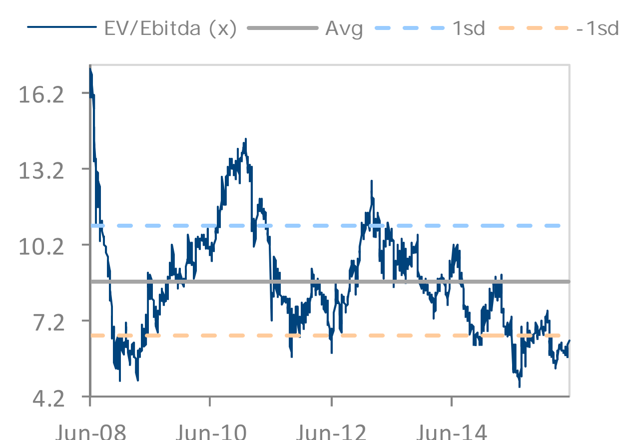


Assumptions

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Ad revenue growth (%)	1.7	6.5	12.0	10.0	8.0
Cable subscription revenue growth (%)	41.1	7.6	7.0	30.0	15.0
DTH subscription revenue growth (%)	20.2	17.6	10.0	10.0	10.0

Source: Company data, IIFL Research





Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Revenues	**22,236**	**23,954**	**26,627**	**29,826**	**32,794**
Ebitda	15,098	16,772	18,850	21,364	23,581
Depreciation and amortisation	(4,783)	(6,153)	(5,040)	(5,748)	(6,488)
Ebit	10,315	10,619	13,810	15,616	17,094
Non-operating income	866	989	1,239	1,489	1,739
Financial expense	(46)	(23)	(23)	(23)	(23)
PBT	11,135	11,586	15,026	17,082	18,810
Exceptionals	0	0	0	0	0
Reported PBT	11,135	11,586	15,026	17,082	18,810
Tax expense	(3,682)	(3,760)	(4,959)	(5,637)	(6,207)
PAT	7,453	7,826	10,067	11,445	12,603
Minorities, Associates etc.	28	(6)	(6)	(6)	(6)
Attributable PAT	**7,481**	**7,820**	**10,062**	**11,440**	**12,597**

Ratio analysis

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Per share data (Rs)					
Pre-exceptional EPS	19.0	19.8	25.5	29.0	32.0
DPS	9.5	11.3	12.0	12.0	12.0
BVPS	78.5	85.0	96.2	110.9	128.5
Growth ratios (%)					
Revenues	15.6	7.7	11.2	12.0	9.9
Ebitda	7.1	11.1	12.4	13.3	10.4
EPS	5.4	4.5	28.7	13.7	10.1
Profitability ratios (%)					
Ebitda margin	67.9	70.0	70.8	71.6	71.9
Ebit margin	46.4	44.3	51.9	52.4	52.1
Tax rate	33.1	32.5	33.0	33.0	33.0
Net profit margin	33.5	32.7	37.8	38.4	38.4
Return ratios (%)					
ROE	25.4	24.3	28.2	28.0	26.7
ROCE	36.1	34.3	40.2	40.0	38.3
Solvency ratios (x)					
Net debt-equity	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)
Net debt to Ebitda	(0.6)	(0.6)	(0.7)	(0.8)	(1.0)
Interest coverage	NM	NM	NM	NM	NM

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Cash & cash equivalents	8,689	10,395	13,294	17,673	24,042
Inventories	6	5	6	6	6
Receivables	6,342	7,575	8,420	9,432	10,370
Other current assets	4,728	5,410	5,410	5,410	5,410
Creditors	1,977	2,184	2,365	2,574	2,802
Other current liabilities	1,105	78	178	278	378
Net current assets	**16,683**	**21,122**	**24,586**	**29,668**	**36,648**
Fixed assets	7,976	7,329	7,963	8,475	8,897
Intangibles	5,776	4,481	4,939	5,279	4,969
Investments	2,121	2,256	2,256	2,256	2,256
Other long-term assets	0	0	0	0	0
Total net assets	**32,554**	**35,188**	**39,745**	**45,679**	**52,771**
Borrowings	0	0	0	0	0
Other long-term liabilities	1,600	1,707	1,847	1,988	2,129
Shareholders' equity	**30,955**	**33,481**	**37,897**	**43,691**	**50,642**
Total liabilities	**32,555**	**35,188**	**39,745**	**45,679**	**52,771**

Cash flow summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Ebit	10,315	10,619	13,810	15,616	17,094
Tax paid	(3,682)	(3,760)	(4,959)	(5,637)	(6,207)
Depreciation and amortization	4,783	6,153	5,040	5,748	6,488
Net working capital change	1,002	(2,734)	(565)	(703)	(610)
Other operating items	(470)	1,344	0	0	0
Operating cash flow before interest	11,947	11,623	13,326	15,023	16,764
Financial expense	(46)	(23)	(23)	(23)	(23)
Non-operating income	866	989	1,239	1,489	1,739
Operating cash flow after interest	**12,767**	**12,589**	**14,543**	**16,490**	**18,480**
Capital expenditure	**(4,736)**	**(4,212)**	**(6,132)**	**(6,600)**	**(6,600)**
Long-term investments	0	0	135	135	135
Others	445	(1,378)	0	0	0
Free cash flow	**8,475**	**6,999**	**8,546**	**10,025**	**12,015**
Equity raising	0	0	0	0	0
Borrowings	0	0	0	0	0
Dividend	(4,380)	(5,293)	(5,646)	(5,646)	(5,646)
Net chg in cash and equivalents	4,095	1,705	2,900	4,379	6,369

Source: Company data, IIFL Research

Vardhman Textiles – BUY

18 May 2016

Analyst meet

Fabric to drive growth

In its analyst meet, Vardhman Textiles (VTEX), a leading textile player with India's largest yarn capacity and fast growing fabric division, reiterated its intention of growing share of fabric sales. VTEX expects FY17 Ebitda margin to remain in 18-22% range (vs. c20% in FY16). With 1HFY17 benefiting from low-cost cotton inventory in a rising cotton cost environment, we conservatively expect Ebitda margin to remain flattish in FY17. VTEX intends to finalize capex of cRs10bn over FY17/18 by 1QFY17. Further, it expects steady state Ebitda margin range to rise from 18-22% levels over 4-5 years as the share of fabric sales increases. Sale of 40% stake in the threads JV (c11% of sales) at 2.8x FY16 BV (vs 1.6x FY16 P/B for VTEX) is value accretive, in our view. We broadly maintain our EPS estimates. Maintain BUY.

Increased focus on fabric segment: VTEX highlighted that the fabric segment has greater entry barriers vs. yarn segment, since the fabric segment requires higher upfront infusion to fund losses/develop minimum capacity, to compete effectively. Thus, despite having higher subsidies, not many Indian players have been able to develop a presence in fabrics. Further, rising labour costs in China favourably place India and integrated players such as VTEX, in particular, to grow in the fabric segment.

Capacity addition plan likely to be shared by 1QFY17: VTEX is filling product gaps such as printed fabrics and may look at more synthetic/ blended yarns, stretch fabric etc. It believes a number of good assets are under stress and could be available at good bargains. However, it remains a passive pursuer of such opportunities. It intends to expand capacity at a pace which is manageable and intends to incur capex of Rs10bn over FY17/18, details of which are likely to be announced by end-1QFY17.

Expect steady-state Ebitda margin range to rise over 4-5 years: VTEX expects 18-22% Ebitda margin in steady state in FY17. With fabric share increasing over next 4-5 years, VTEX expects this margin range to rise. In the near term, we expect tailwinds from healthy yarn spreads (as VTEX benefits from low-cost cotton inventory) to help maintain FY17 margins at c20%. The stock is trading at 10x FY17 EPS; we maintain BUY with TP of Rs1100 (1.4x FY18 BV).

Company update

CMP	**Rs972**
12-mth TP (Rs)	**1100 (13%)**
Market cap (US$m)	**926**
Enterprise value(US$m)	**1,210**
Bloomberg	**VTEX IN**
Sector	**Mid-cap**

Shareholding pattern (%)

Promoter	61.9
FII	12.1
DII	11.2
Others	14.8

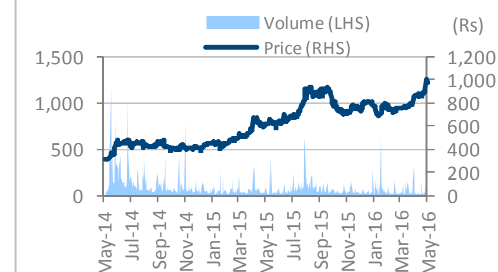
52Wk High/Low (Rs)	1029/602
Shares o/s (m)	64
Daily volume (US$ m)	0.6
Dividend yield FY16ii (%)	1.4
Free float (%)	38.1

Price performance (%)

	1M	3M	1Y
Absolute (Rs)	11.9	27.6	53.0
Absolute (US$)	11.6	30.3	50.2
Rel. to Sensex	11.3	17.4	58.7

Cagr (%)	**3 yrs**	**5 yrs**
EPS	41.5	6.8

Stock performance



Financial summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Revenues (Rs m)	61,664	67,860	66,369	64,189	71,585
Ebitda margins (%)	*23.7*	*16.5*	*19.8*	*20.2*	*20.0*
Pre-exceptional PAT (Rs m)	7,183	4,002	5,786	6,028	6,816
Reported PAT (Rs m)	7,183	4,002	5,786	6,028	6,816
Pre-exceptional EPS (Rs)	114.9	62.9	90.9	94.7	107.1
Growth (%)	*101.6*	*(45.3)*	*44.6*	*4.2*	*13.1*
IIFL vs consensus (%)			*(13.1)*	*(18.8)*	*0.0*
PER (x)	**8.5**	**15.5**	**10.7**	**10.3**	**9.1**
ROE (%)	*25.5*	*12.3*	*16.0*	*14.5*	*14.4*
Net debt/equity (x)	0.8	0.4	0.4	0.2	0.2
EV/Ebitda (x)	6.1	7.2	6.0	5.9	5.3
Price/book (x)	1.9	1.8	1.6	1.4	1.2

Source: Company, IIFL Research. Priced as on 17 May 2016

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Key analyst meet takeaways

Fabric to remain key focus area for future growth

- Vardhman Textiles (VTEX), a leading textile player with India's largest yarn capacity and a fast growing fabric division, believes that fabric segment offers significant barriers to entry and hence it intends to focus capacity addition on this segment. It expects fabric segment to drive growth going forward.
- While focus remains on fabric segment, VTEX intends to invest in additional yarn capacity to ensure that it is able to meet external demand.
- In addition to cotton yarn and blends, the company would look at more synthetic and blended yarns and expansion in stretch fabric, to enhance its product portfolio.

Expect steady state Ebitda margin of 18-22% for the next few years; range to rise as share of fabric increases

- VTEX expects Ebitda margin in the steady state to remain in the 18-22% range.
- It expects this range to increase over the next 4-5 years as share of fabric sales rise.

Expect FY17 to be similar to FY16

- VTEX expects sales growth to remain muted in FY17 as it continues to focus on consolidation in FY17. The proposed addition of printed fabric capacity is likely to stabilise by 4QFY17. However, VTEX expects 8-9% volume growth in fabric segment from its consolidation activities.
- VTEX has acquired cotton at lower cost vs current levels. This should aid yarn spreads in 1HFY17. However, with FY16 benefiting from currency depreciation gains, we conservatively expect margins to remain flattish YoY.
- Depreciation costs should moderate, as FY16 levels are higher than steady-state levels. Also, interest costs should decline further as cash flow from operations reduce net debt and interest rates moderate (company pursuing banks to reduce rates).
- Tax rate should expand as tax benefits moderate. As a result, VTEX expects FY17 to be broadly similar to FY16.

Sewing threads JV stake (c40%) to be sold at 2.8x FY16 BV

- VTEX has entered into an agreement with its JV partner (American and Efrid Global LLC) for sale of c40% stake in its 51% threads subsidiary. For the remaining 11% stake, VTEX would have a put option that can be exercised after three years.
- The transaction values the 100% stake in subsidiary at Rs9.9bn (2.8x FY16 BV; 1.4x FY16 sales). Sale of 40% stake would result in pre-tax cash inflow of Rs3.96bn.
- Management maintained that the sewing threads business was a complex business, and continued operations in it would require significant management bandwidth and hence the decision to sell the business was taken.

Consolidation activities have helped drive improvement in operational efficiencies

- While capacity has increased 4% and utilization is up from 95.6% in FY14 to 97.3% in FY16, production per day has seen a sharper 18% increase over FY14-16 on the back of its de-bottlenecking and other consolidation activities.
- Further, during the same period, energy consumption per kg of production has decreased by 15% while hard waste generation has decreased by 22%.

Figure 1: Improvements in operational efficiencies

Parameter	FY14	FY16	% change
No. of Spindles	954,367	994,651	4.2%
Capacity Utilization (%)	95.6	97.3	1.8%
Production (in MT) / Day	478	564	18.0%
Grams/Spindles/Shift (30's count Hoisery) (indexed to 100)	100	107	7.0%
Grams/Spindles/Shift (30's count Poly-Cotton) (indexed to 100)	100	116	16.0%
Generation of Hard Waste (indexed to 100)	100	78	-22.0%
Average Invisible Loss (indexed to 100)	100	89	-11.0%
Energy Consumption (Units/kg) (indexed to 100)	100	85	-15.0%

Source: Company, IIFL Research

Others

- Product quality and consistency have allowed VTEX to charge a premium for its yarn among consumers. Further, the fabric segment is well diversified geographically with the largest customer from US, second largest from Europe, third largest from India and fourth largest from Japan.
- VTEX believes that textile industry would benefit from Free trade agreement (FTA) with Europe and is hopeful of it being finalized soon.
- Management believes that the policy environment is not conducive for apparel business in India, but it remains open to expand presence in apparel should the regime turn favourable.
- VTEX has increased dividend payout over the years. Although there is no stated dividend payout policy, VTEX would try to move in similar direction and intends to maintain at least the absolute amount of dividends.
- VTEX is not actively pursuing any inorganic acquisitions. However, it remains open to any good assets, which may become available at bargain prices.
- No major capex is planned in the acrylic fibres business and the garments business.
- VTEX does not expect any material impact from the Trans Pacific Partnership. It believes that the impact would be largely in the synthetic apparel space.

4QFY16: Operating performance above estimate

VTEX reported above estimate operating performance. Standalone 4Q sales declined 1% YoY, with underlying volumes in yarn up 2% and in fabric up 10-12%. Ebitda growth at 3% YoY came in above estimate as VTEX textile Ebit margins expanded to 14.9% (up 300bps YoY and 110bps QoQ). The company received Rs0.9bn dividend from subsidiaries vs. Ebitda of Rs3.1bn. This along with healthy operating performance resulted in PAT growth coming in above estimate.

Consol sales were flattish YoY. Textile segment sales were up 0.4% YoY. Acrylic segment saw another quarter of sales decline (down 13% YoY) given weakness in crude prices. Ebitda margin expanded 210bps QoQ (190bps YoY) to 22.5%. Textile Ebit margin expanded 80bps QoQ (up 280bps YoY) to 15.3%. Acrylic margins saw another quarter of QoQ expansion (up 230bps QoQ, 820bps YoY) to 13%.

Figure 2: VTEX consolidated 4Q: Healthy margin expansion

Consolidated (Rs m)	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
Revenue	16,604	17,101	16,511	-0.6%	-3.5%
Other operating income	552	103	516	-6.5%	399.5%
Net sales	17,156	17,204	17,027	-0.8%	-1.0%
Total expenses	(13,634)	(13,695)	(13,203)	-3.2%	-3.6%
Ebitda	3,522	3,509	3,824	8.6%	9.0%
Ebitda margin (%)	20.5	20.4	22.5	193bps	206bps
Depreciation	(1,408)	(982)	(1,074)	-23.7%	9.4%
Ebit	2,114	2,528	2,750	30.0%	8.8%
% margin	12.3	14.7	16.1	382bps	146bps
Interest	(303)	(212)	(281)	-7.0%	32.7%
PBT	**1,812**	**2,315**	**2,468**	**36.2%**	**6.6%**
Tax	(583)	(701)	(748)	28.3%	6.7%
% tax rate	32.2	30.3	30.3	-188bps	2bps
PAT before minority	1,229	1,614	1,720	40.0%	6.6%
PAT margin (%)	7.2	9.4	10.1	294bps	72bps
Minority interest	(136)	(135)	(126)	-7.4%	-6.8%
PAT	**1,093**	**1,480**	**1,595**	**45.9%**	**7.8%**
Cost details (Rs m)	**4QFY15**	**3QFY16**	**4QFY16**	**% YoY**	**% QoQ**
RM Costs	8,328	7,888	7,704	-7.5%	-2.3%
% sales	48.5	45.8	45.2	-330bps	-61bps
Employee costs	1,116	1,411	1,288	15.5%	-8.7%
% sales	6.5	8.2	7.6	106bps	-63bps
Other expenses	4,190	4,396	4,211	0.5%	-4.2%
% sales	24.4	25.6	24.7	31bps	-82bps

Source: Company, IIFL Research

Figure 3: Acrylic fibre Ebit flattish QoQ

Consol segmental sales (Rs m)	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
Textiles	16,076	16,627	16,132	0.4%	-3.0%
Acrylic Fibre	1,035	1,097	898	-13.2%	-18.2%
Unallocated	425	672	603	41.7%	-10.2%
Consol Ebit (Rs m)	**4QFY15**	**3QFY16**	**4QFY16**	**% YoY**	**% QoQ**
Textiles	2,013	2,418	2,471	22.7%	2.2%
% margin	12.5	14.5	15.3	279bps	78bps
Acrylic Fibre	53	121	119	126.4%	-1.4%
% margin	5.1	11.0	13.3	819bps	226bps

Source: Company, IIFL Research

Figure 4: VTEX standalone 4Q: Above estimates

Standalone (Rs m)	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
Revenue	14,078	14,362	13,899	-1.3%	-3.2%
Other operating income	410	86	456	11.4%	431.6%
Net sales	**14,487**	**14,448**	**14,355**	**-0.9%**	**-0.6%**
Total expenses	(11,495)	(11,567)	(11,276)	-1.9%	-2.5%
Ebitda	**2,993**	**2,881**	**3,080**	**2.9%**	**6.9%**
Ebitda margin (%)	**20.7**	**19.9**	**21.5**	**79bps**	**151bps**
Depreciation	(1,323)	(882)	(973)	-26.5%	10.2%
Other income	0	0	902	NA	NA
Ebit + other income	**1,670**	**1,999**	**3,009**	**80.2%**	**50.5%**
% margin	11.5	13.8	21.0	943bps	712bps
Interest	(286)	(188)	(246)	-14.2%	31.0%
PBT	1,384	1,811	2,763	99.7%	52.6%
Tax	(482)	(528)	(588)	22.1%	11.3%
% tax rate	34.8	29.2	21.3	-1353bps	-788bps
PAT	**902**	**1,283**	**2,175**	**141.2%**	**69.5%**
PAT margin (%)	6.2	8.9	15.2	893bps	627bps

Source: Company, IIFL Research

Figure 5: VTEX standalone cost details

Cost details (Rs m)	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
RM Costs	7,334	7,051	6,942	-5.3%	-1.5%
% sales	50.6	48.8	48.4	-226bps	-44bps
Employee costs	878	1,136	1,015	15.6%	-10.7%
% sales	6.1	7.9	7.1	101bps	-80bps
Other expenses	3,283	3,380	3,319	1.1%	-1.8%
% sales	22.7	23.4	23.1	46bps	-27bps

Source: Company, IIFL Research

Figure 6: Fourth consecutive quarter of Ebit margin expansion in textiles

Standalone sales (Rs m)	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
Textiles	14,070	14,354	13,894	-1.3%	-3.2%
Unallocated	425	672	603	41.7%	-10.2%
Standalone Ebit (Rs m)	**4QFY15**	**3QFY16**	**4QFY16**	**% YoY**	**% QoQ**
Textiles	1,686	1,987	2,074	23.0%	4.4%
% margin	12.0	13.8	14.9	295bps	108bps
Unallocated	7	178	154	2002.7%	-13.6%
% margin	1.7	26.4	25.5	2375bps	-98bps

Source: Company, IIFL Research

Figure 7: VTEX volume growth healthy across yarn and fabric segments

Sales	4QFY15	3QFY16	4QFY16	% YoY	% QoQ
Yarn (MT)	50,673	52,785	51,839	2.3%	-1.8%
Greige fabric (m mts)	42	46	47	9.9%	1.5%
Processed fabric (m mts)	26	30	29	11.8%	-1.7%
Production					
Yarn (MT)	48,292	50,728	51,487	6.6%	1.5%
Greige fabric (m mts)	43	44	46	6.3%	3.9%
Processed fabric (m mts)	25	30	29	17.4%	-4.3%

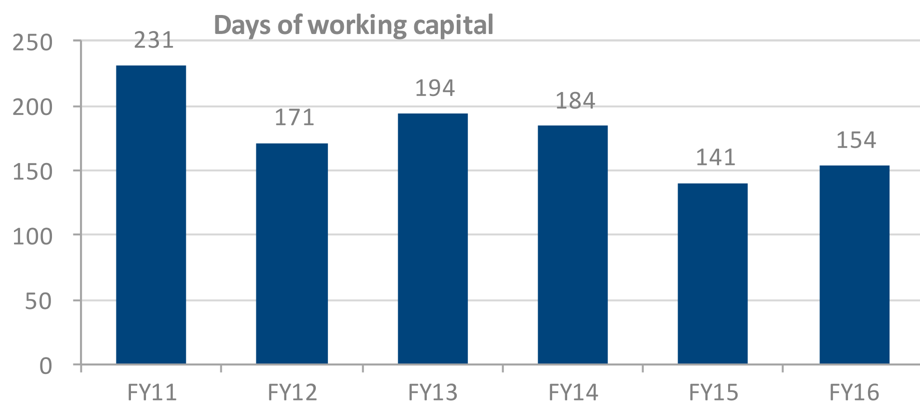
Source: Company, IIFL Research

Figure 8: Net debt moderates in FY16

	Standalone		Consolidated	
Days of sales	**FY15**	**FY16**	**FY15**	**FY16**
Inventory	101	117	103	113
Receivables	42	44	44	45
Payables	9	10	12	11
Working Capital	**135**	**150**	**135**	**148**
Net Debt (Rs m)	19,008	15,045	14,565	13,786
Capex (Rs m)	2,386	3,820	2,764	4,254

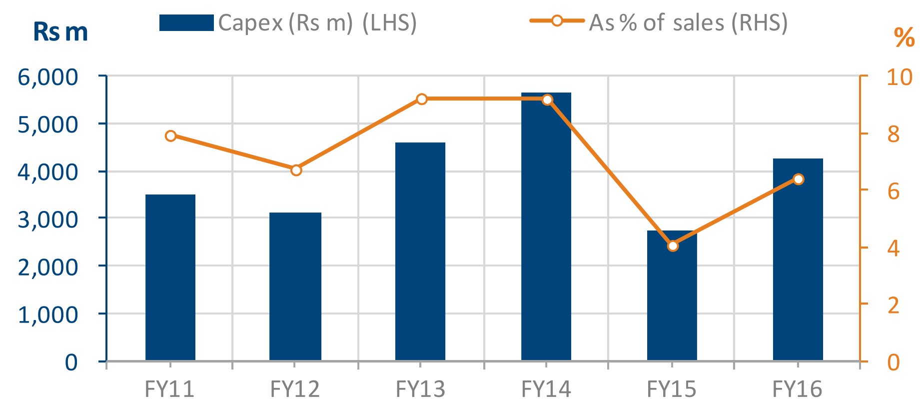
Source: Company, IIFL Research

Figure 9: Working capital up YoY as VTEX inventory levels rise



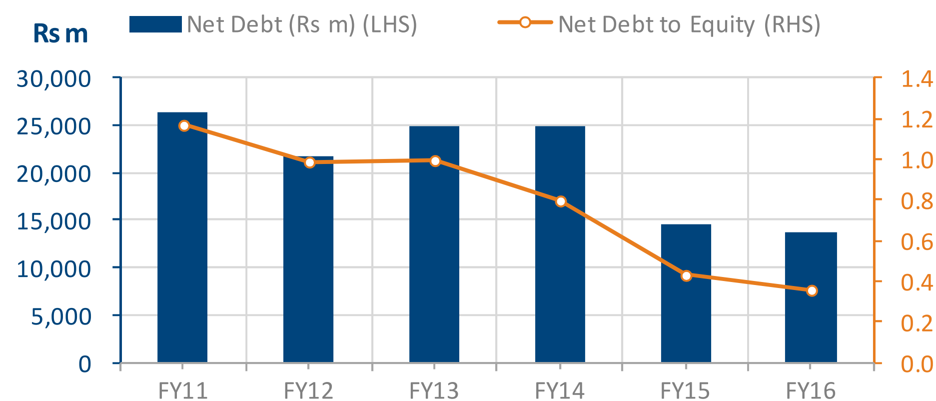
Source: Company, IIFL Research

Figure 10: Capex levels have largely remained between 6-8% of sales



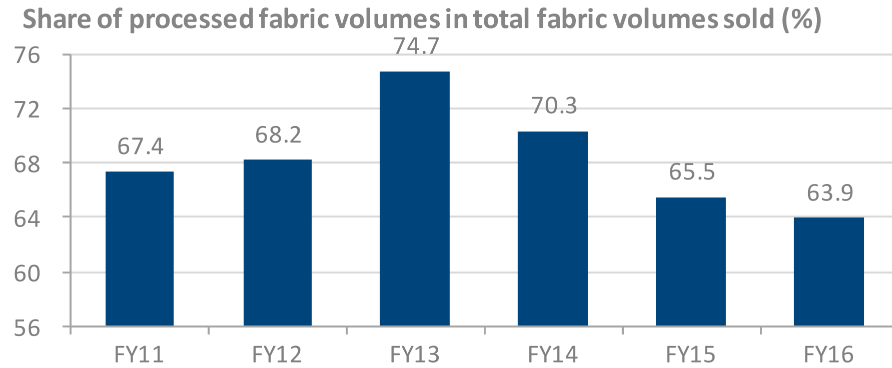
Source: Company, IIFL Research

Figure 11: Debt levels continue to moderate



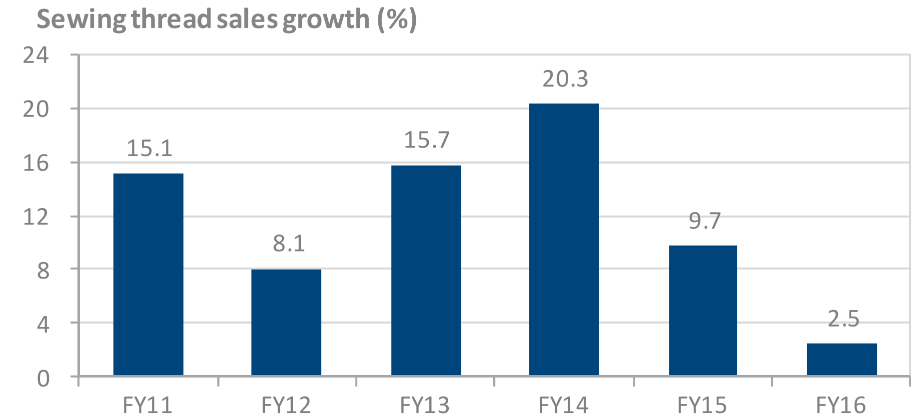
Source: Company, IIFL Research

Figure 12: Share of processed fabric has declined



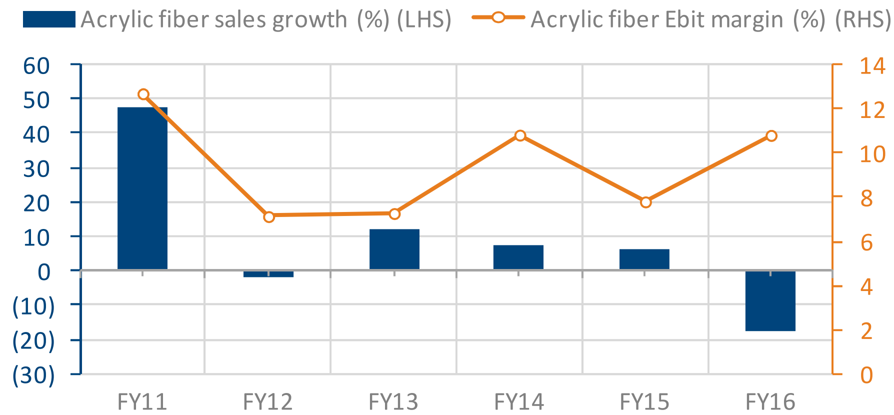
Source: Company, IIFL Research

Figure 14: Growth moderates in sewing thread division



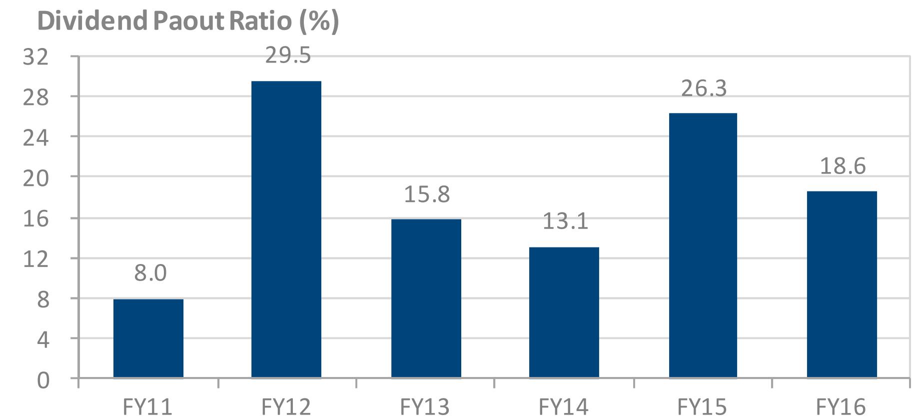
Source: Company, IIFL Research

Figure 13: Acrylic Ebit up YoY on back of decline in crude prices



Source: Company, IIFL Research

Figure 15: Dividend per share has seen a steady increase over the years



Source: Company, IIFL Research

Figure 16:Vardhman Textiles: Standalone Income statement

Y/e 31 Mar, Standalone	FY14	FY15	FY16	FY17	FY18
Revenues	52,253	58,872	56,607	60,085	66,757
EBITDA	13,148	10,867	11,597	12,610	14,054
Depreciation and amortisation	-2,941	-4,889	-3,619	-3,987	-4,449
Ebit	10,206	5,979	7,977	8,624	9,605
Non-operating income	105	130	1,538	219	230
Financial expense	-1,518	-1,215	-869	-875	-875
PBT	8,793	4,893	8,647	7,968	8,960
Exceptionals	0	0	0	0	0
Reported PBT	8,793	4,893	8,647	7,968	8,960
Tax expense	-2,275	-1,302	-2,116	-2,072	-2,419
PAT	6,518	3,591	6,531	5,896	6,541
Adj PAT	6,518	3,591	6,531	5,896	6,541

Source: Company, IIFL Research

Figure 17:Vardhman Textiles: Standalone Balance Sheet

Y/e 31 Mar, Standalone	FY14	FY15	FY16	FY17	FY18
Cash & cash equivalents	5,224	6,051	10,378	10,025	9,198
Inventories	18,715	16,367	18,091	20,411	23,600
Receivables	7,388	6,768	6,819	7,238	8,042
Other current assets	5,924	5,405	4,329	4,595	5,105
Creditors	1,122	1,439	1,603	1,736	1,931
Other current liabilities	4,040	3,617	2,721	4,007	4,303
Net current assets	32,089	29,535	35,294	36,526	39,712
Fixed assets	28,900	25,897	26,098	29,611	31,662
Investments	2,427	2,446	2,446	2,446	2,446
Total net assets	63,416	57,877	63,837	68,583	73,820
Borrowings	32,271	25,059	25,423	25,423	25,423
Other long-term liabilities	2,661	1,985	1,882	1,882	1,882
Shareholders' equity	28,483	30,834	36,532	41,278	46,515
Total liabilities	63,416	57,877	63,837	68,583	73,820

Source: Company, IIFL Research

Figure 18:Vardhman Textiles: Standalone ratio analysis

Y/e 31 Mar, Standalone	FY14	FY15	FY16	FY17	FY18
Per share data (Rs)					
Pre-exceptional EPS	102.4	56.4	102.6	92.6	102.8
DPS	11.0	10.0	15.0	15.0	17.0
BVPS	447.5	484.4	573.9	648.5	730.8
Growth ratios (%)					
Revenues	24.2	12.7	(3.8)	6.1	11.1
Ebitda	50.2	(17.3)	6.7	8.7	11.4
EPS	101.3	(44.9)	81.9	(9.7)	10.9
Profitability ratios (%)					
Ebitda margin	25.2	18.5	20.5	21.0	21.1
Ebit margin	19.5	10.2	14.1	14.4	14.4
Tax rate	25.9	26.6	24.5	26.0	27.0
Net profit margin	12.5	6.1	11.5	9.8	9.8
Return ratios (%)					
ROE	25.4	12.1	19.4	15.2	14.9
ROCE	17.4	10.1	15.6	13.4	13.8
Solvency ratios (x)					
Net debt-equity	0.9	0.6	0.4	0.4	0.3
Net debt to EBITDA	2.1	1.7	1.3	1.2	1.2
Interest coverage	6.7	4.9	9.2	9.9	11.0

Source: Company, IIFL Research

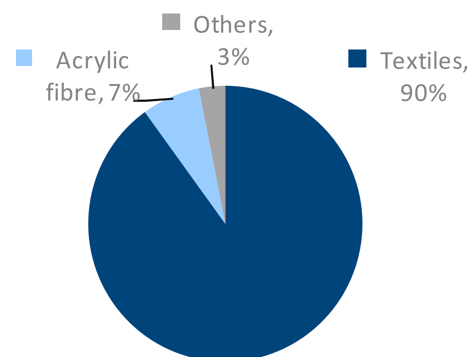
Background: Vardhman Textiles is the largest yarn manufacturer in a heavily fragmented industry. The company has also forward integrated into fabrics and garments. It also has presence in acrylic fibre and sewing thread manufacturing. Most of the company's sales are export linked and are largely B2B in nature.

Management

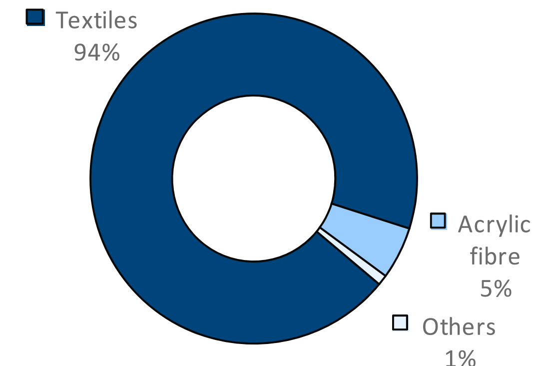
Name	Designation
S P Oswal	Chairman & MD
Sachit Jain	ED
Suchita Jain	ED

Nahar Spinning, RSWM:

Revenue mix - FY15



EBIT mix - FY15



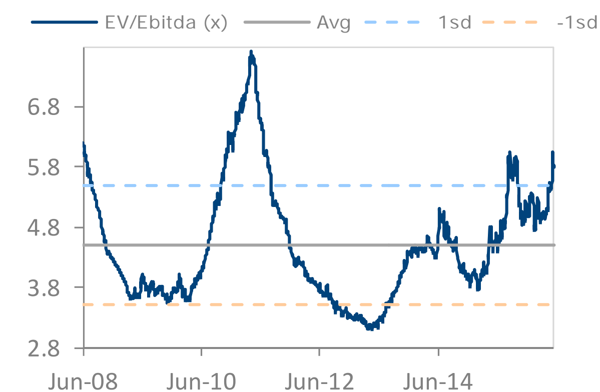
Assumptions

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Textile revenue growth	NA	10.6	(1.6)	(6.0)	11.5
Acrylic fiber revenue growth	7.5	6.3	(17.4)	10.0	15.0
Textile Ebit margin	18.8	10.8	14.7	14.9	14.8
Acrylic fiber Ebit margin	10.8	7.8	10.8	13.0	13.0
Capex (Rs bn)	5.7	2.8	4.3	8.0	7.0
Tax rate (%)	26.9	28.2	30.2	30.0	30.0

Source: Company data, IIFL Research

PE chart

EV/Ebitda



Financial summary

Income statement summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Revenues	**61,664**	**67,860**	**66,369**	**64,189**	**71,585**
Ebitda	14,633	11,178	13,155	12,939	14,339
Depreciation and amortisation	(3,355)	(5,322)	(4,018)	(4,039)	(4,471)
Ebit	11,278	5,856	9,137	8,900	9,868
Non-operating income	739	1,662	864	1,095	1,238
Financial expense	(1,511)	(1,249)	(978)	(958)	(958)
PBT	10,506	6,269	9,023	9,037	10,148
Exceptionals	0	0	0	0	0
Reported PBT	10,506	6,269	9,023	9,037	10,148
Tax expense	(2,821)	(1,765)	(2,724)	(2,711)	(3,044)
PAT	7,685	4,504	6,299	6,326	7,104
Minorities, Associates etc.	(501)	(502)	(513)	(298)	(287)
Attributable PAT	**7,183**	**4,002**	**5,786**	**6,028**	**6,816**

Ratio analysis

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Per share data (Rs)					
Pre-exceptional EPS	114.9	62.9	90.9	94.7	107.1
DPS	6.0	10.0	15.0	15.0	17.0
BVPS	501.0	530.3	604.3	699.9	787.1
Growth ratios (%)					
Revenues	24.0	10.0	(2.2)	(3.3)	11.5
Ebitda	50.1	(23.6)	17.7	(1.6)	10.8
EPS	101.6	(45.3)	44.6	4.2	13.1
Profitability ratios (%)					
Ebitda margin	23.7	16.5	19.8	20.2	20.0
Ebit margin	18.3	8.6	13.8	13.9	13.8
Tax rate	26.9	28.2	30.2	30.0	30.0
Net profit margin	12.5	6.6	9.5	9.9	9.9
Return ratios (%)					
ROE	25.5	12.3	16.0	14.5	14.4
ROCE	17.8	10.8	14.4	13.2	13.5
Solvency ratios (x)					
Net debt-equity	0.8	0.4	0.4	0.2	0.2
Net debt to Ebitda	1.7	1.3	1.0	0.8	0.7
Interest coverage	7.5	4.7	9.3	9.3	10.3

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Cash & cash equivalents	8,782	11,836	14,422	18,231	18,784
Inventories	21,924	19,158	20,563	20,854	23,250
Receivables	8,678	8,095	8,257	7,986	8,906
Other current assets	6,153	4,749	4,665	4,512	5,032
Creditors	1,607	2,209	1,992	2,020	2,252
Other current liabilities	4,970	4,720	3,518	4,819	5,162
Net current assets	**38,961**	**36,909**	**42,398**	**44,744**	**48,556**
Fixed assets	32,678	29,644	29,880	33,609	35,929
Intangibles	133	126	126	126	126
Investments	164	118	118	684	684
Other long-term assets	0	0	0	0	0
Total net assets	**71,935**	**66,797**	**72,521**	**79,162**	**85,295**
Borrowings	33,727	26,402	28,208	28,208	28,208
Other long-term liabilities	6,887	6,643	5,848	6,404	6,987
Shareholders' equity	**31,320**	**33,753**	**38,465**	**44,551**	**50,101**
Total liabilities	**71,935**	**66,797**	**72,521**	**79,162**	**85,295**

Cash flow summary (Rs m)

Y/e 31 Mar, Consolidated	FY14A	FY15A	FY16ii	FY17ii	FY18ii
Ebit	11,278	5,856	9,137	8,900	9,868
Tax paid	(2,349)	(2,247)	(2,724)	(2,711)	(3,044)
Depreciation and amortization	3,355	5,322	4,018	4,039	4,471
Net working capital change	(3,995)	4,269	(2,902)	1,463	(3,260)
Other operating items	50	923	(1,307)	1,432	296
Operating cash flow before interest	8,339	14,123	6,222	13,123	8,330
Financial expense	(1,666)	(1,479)	(978)	(958)	(958)
Non-operating income	448	451	864	1,095	1,238
Operating cash flow after interest	**7,121**	**13,095**	**6,108**	**13,260**	**8,610**
Capital expenditure	**(6,503)**	**(3,051)**	**(4,254)**	**(7,768)**	**(6,791)**
Long-term investments	77	1,281	0	(566)	0
Others	0	1	0	0	0
Free cash flow	**695**	**11,326**	**1,854**	**4,926**	**1,819**
Equity raising	(170)	0	0	0	0
Borrowings	1,991	(7,326)	1,806	0	0
Dividend	(540)	(926)	(1,074)	(1,117)	(1,266)
Net chg in cash and equivalents	1,975	3,075	2,586	3,809	553

Source: Company data, IIFL Research

Results above expectations

Company	FY17 EPS change (%)	FY18 EPS change (%)	Key reasons
ACC	-	-	• ACC's 1QCY16 Ebitda declined 11% YoY to Rs3.7bn but was considerably above our expectation of Rs3.1bn led by lower-than-expected energy cost. A sharp increase in petcoke usage YoY and QoQ resulted in power and fuel cost being lower than our expectation. • PAT for the quarter declined 8% YoY to Rs2.3bn vs. our expectation of Rs1.6bn, owing to higher Ebitda and lower depreciation. • Cement volumes increased 9% YoY, led by improved industry demand growth, owing to increased government spending on infrastructure and a low base. We expect ACC's volumes growth to improve from 3QCY17 onward, led by capacity expansion in the eastern region. • Although demand growth has improved for the industry in the past few months, pricing continues to be volatile with a negative bias in all regions, barring the north, due to fight for market share. We expect improvement in profitability for ACC from the June 2016 quarter, led by lower costs YoY and strong north prices. However, Ebitda growth is likely to fall short of expectation if price volatility increases.
Ambuja	8	6	• Ambuja Cement's (ACL) 1QCY16 result was ahead of expectation, inline with peers, led by higher-than-expected reduction in power and fuel expenses. Ebitda for the quarter declined 10% YoY to Rs4.2bn against our expectation of Rs3.6bn. • Energy cost was lower by 19% due to low fuel price and increased usage of petcoke and alternate fuel, according to ACL. Share of petcoke usage for 1QCY16 increased to 60% from 40% in 1QCY15. • Volumes increased 10%, in line, led by improvement in industry demand growth. However, realisation declined 9%/5% YoY/QoQ and the decline was higher than our expectation; the sharp reduction in costs offset the lower-than-expected realisation. • Cement prices increased sharply in key northern and western markets and have help up in the current quarter so far; we expect the benefit of lower petcoke cost for ACL to continue for another quarter. We upgrade our CY16 Ebitda/EPS estimate by 3/8% to reflect lower-than -expected costs.
Bharti Airtel	19	18	• Bharti's 4Q consol adjusted Ebitda growth at 12.7% YoY/7.6% QoQ was better than estimates with both India and Africa firing. • Africa depreciation included a $23m one-off charge, and consol P&L included the usual Rs3bn exceptional charges. Despite this and higher than expected FX loss at Rs1.9bn, PAT (Rs12.9bn) came above..
Bharti Infratel	1	2	• Bharti Infratel's (BHIN's) 4Q Ebitda growth of 7.1% was above estimates due to wider energy spread. The widening of the energy spread was despite the company guiding to the contrary. Interest income was also slightly higher. Consequently PAT growth of 17% QoQ beat our estimates. • We raise our FY17/18 PAT estimates marginally.

Results above expectations

Company	FY17 EPS change (%)	FY18 EPS change (%)	Key reasons
Biocon	-	(1)	• Biocon's 4QFY16 revenue grew 17% YoY, 6% ahead of our estimates driven by higher-than-expected growth in the Biopharma business. Biopharma business was up 23% QoQ in USD terms vs. our expectation of 13% growth. Biopharma segment's improved performance was on the back of higher sales of Trastuzumab and Insulin Glargine in Emerging Markets. • Biocon's contract research subsidiary, Syngene again posted solid growth of 22% cc during the quarter, primarily driven by growth in all its three verticals and partly due to modest increase in billing rates during the quarter. Company's India business again disappointed with sluggish growth of only 3% YoY. • Biocon's Ebitda margin during the quarter, adjusted for forex loss of Rs170mn, was 22.8% and came in ~90bps higher than our estimates. Margins benefitted from better product mix which led to ~200bps QoQ improvement in gross margins. Gross margin benefit was slightly offset by higher R&D expenses to fund the company's biosimilars and novel products pipeline. • Based on the revenue and Ebitda beat in 4Q, we have raised our FY17/FY18 revenue and Ebitda estimates by ~2%. However, due to higher interest costs expected due to debt increase and higher tax-rates, our EPS estimates remain largely unchanged.
CCL Products	1	-	• Consolidated revenue, Ebitda, and net profit topped our estimate by 8%, 16%, and 27%, respectively. CCL's consolidated net profit for FY16 grew 30% despite the deferral of export incentives, which we estimate would have added another 10-15 percentage points to earnings growth if received on time. • We leave FY17/18ii EPS largely unchanged after a reassuring 4Q FY16 earnings report.
CRISIL	9	7	• CRISIL's 1QCY16 results (30%/40% YoY revenue/PAT growth) beat our estimates driven by strong performance in the research segment. Rating revenue grew 5.2% which was decent considering subdued capex cycle. • Consol Ebitda growth of 30% YoY was above estimates despite inline revenue growth as most cost items (especially employee costs and professional fee costs) remained under control. Ebitda beat and FX gain drove PAT beat (40% YoY).
Gujarat Gas	-	-	• Gujarat Gas' 4QFY16 reported PAT was up 188% YoY, in line with estimates. However, the profit growth adjusted for Rs260m one off expense incurred towards the amalgamation was up 315% YoY, and well exceeded estimates. • During the quarter, GGAS was able to recoup some of the volume it had lost during past 12 quarters as a result of which, the volumes were flat QoQ at 5.4mmscmd. • The blended ebitda/scm was Rs4.1, as GGAS passed on only partial benefits of favorable changes in RasGas contract implemented wef 4QFY16, and was sole reason for earnings beat.
Idea Cellular	17	(10)	• Idea's QoQ Ebitda growth of 15.6% was well above estimates, aided by voice and data yield improvement and strong cost control. • Idea's revenue grew 5.3% QoQ. Ideas Ebitda grew 15.6%/18% QoQ /YoY. PAT of Rs5.75bn was better than expected due to Ebitda beat. The key positive surprise was the Ebitda loss in new circles narrowing from the typical Rs1.8bn run rate to Rs1.1bn.
Infosys	(1)	(1)	• INFO revenue growth of 1.9% (cc, QoQ) was a tad lower than our estimate of 2.3%. But, this is one of the few quarters where the marginal miss needs to be ignored. Its EBITDA margins and FY17 revenue guidance were material positive surprises. • Its 4Q EBITDA margins improved by a substantial 80bps QoQ. Also, unlike management's earlier indication of 2H margins being softer, they were marginally better than 1HFY16. Pricing pressure and wage hikes will continue to be headwinds in FY17. But, we believe that digital services are gaining scale and INFO still has traditional delivery levers to offset these headwinds.

Results above expectations

Company	FY17 EPS change (%)	FY18 EPS change (%)	Key reasons
Kaveri Seed	(1)	-	• 4Q FY16 Ebitda loss/net loss at Rs47m/75m were modestly better than our estimates (Rs108m/130m). A loss was expected in 4Q given its seasonal smallness and the challenging industry environment. • We cut our FY17 cotton seed sales volume estimate to 6.5m packets (from 7.1m), but raise our estimate of Ebitda from the non-cotton seed business due to growing expectations of a good corn season. We leave FY17/18ii EPS for Kaveri largely unchanged at Rs31.2/36.0 following an expectedly weak 4Q FY16 earnings report.
Marico	3	4	• Saffola and value added hair oils recorded double digit volume growth, while youth portfolio grew by 19%. The beat was driven by lower than expected raw material costs as major input costs such as copra and liquid paraffin declined by 41% and 25% respectively. • The company guided for a 15% revenue growth in the medium term, driven by improvement in underlying demand conditions. It aims to continue increasing its market share subject to a threshold margin of 17-18%. (higher in near term)
Maruti Suzuki	-	(2)	• 4Q revenues and Ebitda came in 4% and 8% higher than our estimates respectively. • Domestic realisation per vehicle increased 3% QoQ and export realisation jumped 28% (impact of Baleno). • Gross margin expanded 250bp QoQ; higher employee costs, royalty, and advertising spend negated this, resulting in Ebitda margin expanding 100bp to 15.4% (est. 14.8%).
M&M Financial Services	28	10	• Improvement in collections across major states like Maharashtra, Tamil Nadu & Kerela led to decline of GNPA by cRs10bn QoQ, adjusting for the addition of Rs2.5bn due to the migration from 135-dpd to 120-dpd. • Interest reversals and decline in funding costs led to an improvement in margins. While AUM growth remained muted at 11% YoY, the margin expansion helped drive superior revenue growth. • Marginal upgrades in AUM growth and NIMs (due to better interest recognition) and a decline in loan loss provisions are the key reasons for the upgrade. • Monsoons still remain the key catalyst for a full-blown recovery and we anticipate some seasonal stress build-up in 1HFY17.
Mindtree	-	-	• MTCL's organic revenue growth of 3.6% (cc, QoQ) was strong and much above its recent outlook of 'marginal' growth in 4QFY16. • EBITDA margins fell 60bps QoQ and were in-line with our estimate. Consolidation of lower margin 'Magnet' was a key headwind. However, contrary to earlier indications, lower utilization was not a headwind. Instead, we believe pricing (-4% offshore) was an additional headwind. Commentary indicates that EBITDA margins will improve marginally (YoY) in FY17.
Navin Fluorine	14	10	• Standalone revenue, Ebitda and net profit grew 30%, 96% and 90% YoY respectively, topping our estimates by 27%, 70% and 94%, respectively. The only negative for the quarter was that the consolidated results reported for the full year FY16 reveal a small net loss at the subsidiary companies, as compared to a small net profit in FY15. However, consolidated net profit for FY16 is still 9% higher than our estimate due to the strength in standalone results. • We raise FY17/18ii EPS by 14%/10% to Rs105.8/131.2 following significantly better-than-expected 4Q FY16 earnings.
RIL	(2)	(9)	• Ebit and PAT were ahead of estimates on higher-than-expected profit in refining, driven by opex savings.

Results above expectations

Company	FY17 EPS change (%)	FY18 EPS change (%)	Key reasons
Rallis India	6	8	• Rallis India reported better-than-expected revenue growth in 4Q FY16 (consolidated revenue +9% YoY vs. IIFL estimate +4%). Spill over of previously deferred export orders boosted 4Q FY16 revenues. However, Ebitda fell YoY for the fourth successive quarter due to lower margins and continued challenges in the drought-hit domestic market. Below the EBITDA line, depreciation expense was sharply lower than expected, while other income was unusually high and the tax rate too was lower-than-expected, leading to better-than-expected reported net profit (+51% YoY, while we expected a 17% YoY decline). • We raise FY17/18ii EPS by 6%/8% to Rs9.2/12.0, largely to factor in expectation of better rainfall in FY17 and lower depreciation under Ind AS.
Shoppers Stop	(10)	(7)	• Marginal miss in SSS growth in Shopper's Stop format was offset by lower than expected gross margin contraction, leading to above estimate operating performance. It expects SSS growth in this format to remain similar to FY16 levels as demand conditions remain flattish. • In the remaining Hypercity format, it expects 8% SSS growth in FY17 (vs. 2% in 4Q) as initiatives such as new food brands and enhanced management strength bear fruit.
Ultratech Cement	-	-	• Ultratech Cement's (UCL) 4QFY16 Ebitda grew 4% YoY to Rs12.9bn vs. our expectation of Rs11.9bn, driven by sharp decline in energy costs. PAT grew 11% to Rs6.8bn vs. our estimate of Rs6.0bn owing to Ebitda beat, lower interest cost, and lower-than-expected tax rate. • 4QFY16 sales grew 5% to Rs64.4bn (2% below expectation). Although volumes were 2% above our expectation, realisation declined 9%/5% YoY/QoQ vs. our expectation of 4% YoY decline. • Ebitda per tonne for 4QFY16 was 5% above expectation due to lower costs; power and fuel costs declined 25% YoY, driven by 45% YoY decline in international petcoke costs and better fuel mix. • We expect superior YoY growth in profitability for 1QFY17 as prices have recovered in the north since the middle of Feb 2016, which will reflect in the Jun-16 quarter result. We expect utilisation and profitability for the industry to improve in the medium term as the pace of capacity additions is likely to decline sharply for the next 2-3 years. We expect UCL to record 23% Ebitda Cagr over FY16-FY18.
UPL	1	4	• 4Q FY16 revenues and EBITDA are well ahead of our estimates and the consensus. Revenues grew 20% YoY, much ahead of our estimate of +8%, which was itself 3% above consensus. EBITDA margin expanded 95 bps YoY to 22.6% - a decadal high. EBITDA beat our estimate, which was in line with the consensus, by 14%. • We raise FY17/18ii EPS by 1%/4% to Rs33.0/39.8 after UPL's better-than-expected 4Q FY16 earnings report, which was driven primarily by continued strong growth in the company's Brazilian business.
Vardhman Textiles	-	-	• Steady state margins should rise from 18-22% levels over 4-5 years as the share of fabric sales increases. The fabric segment has high entry barriers with a large capital commitment required upfront. • With 1HFY17 benefitting from low cost cotton inventory in a rising cotton cost environment, we conservatively expect Ebitda margin to remain flat in FY17. We broadly maintain our EPS estimates for FY17/18.

Results above expectations

Company	FY17 EPS change (%)	FY18 EPS change (%)	Key reasons
Welspun India	2	3	• Revenue growth was primarily driven by volumes. Full year Ebitda margin is currently at an all time high, and should sustain in FY17. Change in EPS is driven by the 4Q beat at the PAT level. • Company has guided for a revenue CAGR of 21% from FY16-20ii, reaching a revenue of USD 2bn by FY20. This would be driven by continued innovations, foray into new geographies and increasing share from domestic revenues.
Zee Entertainment	-	-	• Zee's 4Q Ebitda at Rs4.2bn (-4% QoQ; +53% YoY) was 10% and 12% ahead of our and consensus estimates driven by positive surprise in revenues. However, profit at Rs2.7bn (-5% QoQ; +13% YoY) was a tad below estimates due to higher tax rate. • Zee's ad revenues are expected to grow in line with television ad spend growth of ~16% for FY17. . The company has guided for mid-teens growth in domestic subscription revenues. • Zee's Ebitda margins remained stable in FY16 despite full impact of launch of Hindi GEC &TV. Despite this, strong revenue growth and low underlying inflation in content cost would result in 228bps margins expansion in FY17. We have not changed our EPS estimates for FY17 & FY18.

Results below expectations

Company	FY17 EPS change (%)	FY18 EPS change (%)	Key reasons
Agro Tech Foods	(11)	(22)	• Volume growth in Sundrop edible oil and a strong performance in the foods division led to revenues beating our estimate in 4Q. However, higher than expected raw material costs and a higher tax rate led to the EPS miss. • The company has done well to bring back the volumes in its Sundrop edible oils business. However, we believe that the company has limited scope of hiking prices without jeopardizing volumes. Adjusting for the miss, we cut our EPS estimates for FY17/FY18.
Bank of Baroda	3	5	• BoB reported a net loss of Rs32bn driven by large increase in provisions for NPLs and employee pension provision. • We cut our FY17-18ii earnings forecast by 3% and 5% respectively due to loan volume, offset in large measure by higher NIMs and trading income.
Bayer Cropscience	1	1	• Bayer reported soft 4Q FY16 earnings in a challenging environment: net sales decreased 7% YoY, Ebitda fell 60% YoY, and net profit fell 62% YoY. Ebitda/net profit missed our estimates by 58%/56%. However, balance sheet health remains robust, with Rs7.6b in cash at year-end (which however was below our estimate), enabled by a decrease in DSOs to 50 days (vs. 58). Inventories ticked up modestly. • The outlook for FY17 is more positive given forecasts for a normal monsoon. Consequently, we bump up our FY17/18ii Ebitda by 5% each, while EPS ticks up 1% due to lower estimated other income.
Blue Dart	(4)	(7)	• In 4QFY16, Blue Dart's (BDE) revenue growth moderated to 10% YoY and its Ebitda margins and PAT growth were depressed, partly due to non-recurring expenses booked towards employee bonus payment (retrospective provision due to change in act). Even adjusting for this expense, Ebitda margins at 12% (flat YoY) and PAT growth at 35% YoY were below our estimates. • Slower-than-expected revenue growth (moderation in e-commerce segment) and lower adjusted Ebitda margins due to negative operating leverage led to the miss in the quarterly earnings. • We cut FY17/18ii EPS forecasts by 4-7% to reflect the slower–than-expected revenue growth. We expect BDE's FY16-18ii EPS growth at 19% pa, backed by the e-commerce segment.
Coromandel International	(4)	(6)	• Consolidated revenues were in line with our estimate, up 1% YoY. However, gross margins at 25.1% were 290 bps below our estimate. Margins did not expand to the extent we expected despite sharply lower input costs. Dealer discounts and lower margins on traded sales were the key reasons. Therefore, EBITDA at Rs2.0b missed our estimate by 35% and net profit was 44% below our estimate. • We cut FY17/18ii EPS by 4%/6% to Rs13.2/15.1, based on an assumption of lower margins in the fertilizer business.
HCL Tech	(4)	(4)	• HCLT missed our revenue growth estimate in 3QFY16. Despite its commentary on growth accelerating in 2H (Jan-June'16), revenue growth was weak at 1.7% (cc, QoQ). EBITDA margins improved 70bps QoQ and were in-line with our estimate. • A key reason for the negative surprise was poor growth at large verticals like BFSI, Manufacturing and Retail. Commentary indicates that despite the strong deal wins, completion of some of its large projects implied that deal wins were enough to just backfill such ramp downs. Management was categorical in indicating that there are no further such headwinds and that growth will accelerate.

Results below expectations

Company	FY17 EPS change (%)	FY18 EPS change (%)	Key reasons
ICICI Bank	(17)	(17)	• Loan growth registered deceleration QoQ. Growth was primarily driven by retail banking segment (24% YoY increase). Growth in wholesale banking remained sluggish. • Margins declined 20bp due to increase in NPL and reduction in base rate. Domestic NIMs declined 30bp YoY and 26bp QoQ. • LLP increased sharply in the quarter due to sharp deterioration in asset quality and due to loss contingency reserve (Rs36bn) created by the bank. • GNPL ratio increased sharply on a sequential basis due to early recognition of stressed accounts as mandated by RBI. New NPL accrual rose sharply to 7.4% of standard loans as at 4QFY16. Management commented that recognition of NPLs under RBI mandated AQR (asset quality review) as complete. • In addition, the management disclosed Rs440bn or 10% of loans (Rs410bn excluding SDR accounts) as stressed assets that the bank is working on resolution. • Subdued earnings and the low profitability metrics are likely to be an overhang on valuation. Significant improvement in the operating environment is needed for rerating from the current level.
IGL	-	-	• IGL's 4QFY16 PAT growth of 12% YoY was below our estimates. The disappointment was due to lower-than-expected margins. Ebitda/scm was down 5% QoQ to Rs5.5 as the company partly absorbed the variation in foreign exchange rate. • Aggregate volumes (ex trading) were up 4% YoY to 3.8mmscmd. Growth was broad based with YoY growth of 4% in the CNG segment, 15% in domestic PNG segment, and 3% in industrial sales. • Although Ebitda/scm was up 6.4% YoY, it was down 4.6% QoQ to Rs5.5 since IGL did not pass on the impact of rupee depreciation on its CNG + domestic PNG portfolio (89% of the total volumes). The company has accounted for the same while revising prices from 1 April 2016.
Petronet LNG	-	(10)	• PLNG's 4QFY16 reported PAT declined 20% YoY as the company had booked tax reversal of Rs1.3bn last year. As such, the PBT grew by 169% YoY driven by sharp uptick in LNG volumes at Dahej (up 59% YoY) and 5% increase in regas charges implemented wef January 2016. The 4Q performance was marginally below estimates given QoQ fall in utilization at Kochi terminal. • PLNG operated its 10m MT Dahej terminal (Gujarat) at 115% utilization vs. 72% a year ago and 107% a quarter ago. The YoY improvement in utilization (volumes up 595 YoY) was because of significant increase in volumes s(up 82% YoY) under the long-term RasGas contract with Qatar. • The 5m MT Kochi terminal remained almost stranded (2.5% utilisation) in 4QFY16; QoQ the utilization fell in absence of reload (trans-shipment cargo). For FY16, PLNG reported a total loss of Rs3.7bn at Kochi terminal. The utilization at the Kochi terminal is likely to remain low, as the two pipelines continue to see further delays. We cut our FY18 estimates by 10% to reflect the same.

Results below expectations

Company	FY17 EPS change (%)	FY18 EPS change (%)	Key reasons
Shriram Transp Fin	5	5	• Robust growth in new vehicle disbursements, and broad-based pick-up in growth across HCV, tractors and passenger vehicles has driven AUM growth. • NIMs expanded 98bps YoY, driven by lower cost of funds as well as deployment of excess cash into loans. SHTF indicated that there was no positive impact of the MCLR system yet on their cost of funds. • Increase in GNPAs due to the tighter NPA recognition framework was Rs5bn, much lower than the estimated increase of Rs7-8bn. Addition due to merger of the equipment finance subsidiary was more in-line at Rs8.9bn. Management indicated that the movement to 120-dpd and 90-dpd would lead to an addition of 1-1.5% each to GNPAs. At 180-dpd, GNPAs for the standalone (pre-merger) entity would have been 4.57% in 4QFY16 as compared to 4.3% in 3QFY16. • We upgrade earnings on the back of better AUM growth, stronger margins, and declining loan loss provisions due to healthier asset quality.
TCS	(2)	(2)	• TCS' 4QFY16 revenue growth of 2.1% (cc QoQ) was above our estimate of 1.5%. Growth in large verticals like BFSI (41% of rev.; 3.2% cc QoQ) and Manufacturing (10.5% of rev.; 3.9% cc QoQ) was robust. Digital related services (15.5% of revenue; 15% QoQ) witnessed another strong quarter. • EBITDA margins declined 50bps QoQ (vs. our +70bps QoQ) and were a material negative surprise. Tailwinds from INR depreciation and one-off impact from Chennai floods in 3Q were more than offset by investments and a material increase in equipment/licensing costs.
Titan	(4)	(4)	• Sales growth disappointed in both the jewellery and watch segments, as a weak consumer sentiment along with certain one-offs resulted in flattish growth in jewellery segment and a 13% decline in the watches segment. • Factoring in the weak 4Q performance and the reduced tax benefits at Titan's Pantnagar facility, we cut our FY17/18 EPS estimates by 4% each.
TVS Motor	-	-	• Revenue grew 15% YoY and came in 3% above estimate as realisations improved despite lower share of 3Ws. • Gross margin improved 140bp QoQ driven by lower commodity prices. However, higher operating expenses resulted in Ebitda margin coming in at 6.3%, 100bps below estimate. • Ebitda came in 11% below estimate; higher other income, lower tax led to 7% PAT beat.
Wipro	(7)	(7)	• WPRO's 4QFY16 organic revenue growth of 0.4% (cc, QoQ) was below our estimate of 1.1%. Also, it missed the lower end of its guidance (2%) for the first time in more than four years. Organic revenue guidance for 1QFY17 (-1% to 1% cc, QoQ) is also weak and lower than the past three years. • EBIT margins did not improve in 4QFY16 (QoQ) and were a negative surprise. Tailwinds from INR depreciation and one-off impact of Chennai floods in 3Q were offset by headwinds from integration costs and investments in India/ME.

Results in line with expectations

Company	FY17 EPS change (%)	FY18 EPS change (%)	Key reasons
ABB India	(4)	1	• Results were on expected lines with 11% sales growth and 31% growth in earnings with flat OPMs. • Sales was driven by growth in short cycle businesses (EP & DAM). • While gross margins were 190 bps higher YoY, other expenses grew by 29% YoY – largely due to relatively higher initial warranty provisions for new product lines, Rs80 mn MTM forex loss (gain last year) and one-time contribution by ABB India towards Global R&D and Service Centre being created in India (likely in 2Q as well). • As execution on large power system orders gather momentum, margin profile of the newly formed Power Grids division is likely to improve, however, change in revenue mix may cap significant OPM expansion in CY16. • Tailwinds in short cycle and product orders from non-traditional sectors (railways, renewable, urbanisation) continue to support volumes and profitability in a weak environment.
Asian Paints	-	1	• Despite strong growth in decorative segment in 2HFY16 and likely FY17 growth tailwinds from healthy monsoon and implementation of new government scheme, APNT remains cautious on calling out a demand recovery. • Gross margin may moderate going forward as crude prices inch up, coupled with rupee depreciation. We broadly maintain our FY17/18 EPS estimates. We expect 13% EPS growth in FY17 as decorative volume growth is offset partially by 2% price cut taken in Feb-16 and higher input costs.
Axis Bank	(2)	(1)	• Sharp increase in loan loss provisions was the key factor behind the modest decline in net profit for 4QFY16. • Asset quality will likely deteriorate as large part of the loans identified by the bank as stressed flows through in FY17/18ii, leading to subdued PCR.
CEAT	(27)	(7)	• CEAT's 4QFY16 pre-exceptional PAT grew 15% YoY to Rs1.15bn, in line whereas Ebitda, at Rs1.9bn, was marginally below our estimate owing to higher-than-expected raw material costs and higher ad expenses, although offset at the PAT level by a lower tax rate. 4QFY16 sales declined 1.5% YoY to Rs14.6bn. • Revenue beat expectations by 3% owing to higher-than-expected volume growth at 8% YoY. Realisation decline of 9%/2% YoY/QoQ was owing to price cuts taken in the beginning of 4QFY16 in PCR and CVs. • We expect CEAT to clock robust volume growth of 10-12% led by its capacity expansions in PCR and two-wheeler tyres; however, the sharp rally in natural rubber prices and increase in crude derivatives in the past one month are likely to depress margins in the near term, albeit partially offset by improvement in product mix. • CEAT has implemented price cuts by 5-7% from the start of April in two-wheeler tyres (27% of revenues) and it is unlikely to increase prices soon. We cut our FY17 earnings by 27% to reflect the near-term pressure on costs.
Dabur	1	1	• Domestic revenue growth came at 8.6%, driven by a volume growth of 7% in 4Q. This was primarily driven by oral care and home care segments, while foods segment was back on track with the resumption of the supply from Nepal. The overall consumption scenario has been quite subdued in FY16, and management expects a pick-up in demand happening towards 2HFY17. Overall, the company expects around 8% volume growth in FY17, coupled with a 2-3% price growth. • We believe Dabur has done well to manage an 8% sales growth in FY16 without resorting to any major price cut, given a weak demand scenario and a rising threat from Patanjali. While the overlap with Patanjali exists in many categories, only honey and Chyawanprash have seen a major impact. In Chyawanprash, management believes that the category itself has seen an expansion with the entry of Patanjali and the resultant category growth would eventually offset the market share losses

Results in line with expectations

Company	FY17 EPS change (%)	FY18 EPS change (%)	Key reasons
Emami	(8)	(8)	• While sales in cooling oils were impacted due to an extended winter, Boro Plus saw robust growth due to the same reason. F&H cream was affected by a 20 day delay related to supply issues in its re-launch. • Management has guided towards a 15-16% organic revenue growth in FY17, driven largely by brand extensions and new launches. We believe these would warrant higher allocation towards advertising spends and brand building initiatives and cut our EPS estimates for FY17/18 by 8% each.
GCPL	(1)	(2)	• Domestic business recorded 7% revenue growth in its domestic business buoyed by strong performance in household insecticides and recovery in hair colours. International business performance was impressive with 18% revenue growth in constant currency terms. • GCPL plans to tap further into cross-pollination opportunities by introducing hair colours in Indonesia, and household insecticides and wet hair care products in Africa. Acceleration of cost saving programme “Project PI” and stringent cost control would complement other efforts such as mix improvement, premiumisation and calibrated price hikes to improve margins.
HDFC	-	-	• Inline results, Net profit growth was buoyed by exceptional income from stake sale of life insurance business. • Outlook on FY17ii remains unchanged. AUM growth should accelerate, driven by uptick in non-retail loans.
HDFC Bank	-	-	• The company reported results in line with expectations across all parameters. • The outlook for the stock remains unchanged with 24% EPS Cagr for FY16-19ii.
Hindustan Unilever	(3)	(3)	• Volume growth at 4% was lower than the 5-6% growth reported in the previous few quarters. While channel re-alignment spends affected volumes, the primary reason was demand slowdown, especially in rural. • We cut our FY17/18 estimates by 3%, mainly on account of lower FY16 delivery. With the headwinds of FY16 behind us, we believe HUL is well poised to post 16% EPS CAGR over FY16-18ii.
JSW Energy	-	-	• JSWE’s 4QFY16 reported PAT was down 6% YoY, as it accounted for adjustments in tariff as ordered by RERC towards its Barmer unit. Adjusting for such Rs232m provisions, the profit growth was flat YoY and in line with our estimates. • JSWE acquired the two hydro power assets (1.4GW) from JPVL in 2QFY16, and accounting for such acquisition, the generation is up 24% YoY. Comparative generation (old thermal units of 3.1GW) was up 17% YoY, driven by marked improvement in the performance of Ratnagiri unit, where PLF was 92% vs 71% a year ago. As such, the operational performance of all units in 4QFY16 was in line. • Seasonal factors have weighed high on the performance of hydro units in 4Q, where the PLF was 14%. With part fixed cost recovery linked to actual generation, in a seasonally weakest quarter, the hydro assets have reported a loss of Rs730m. Such loss has been partly offset by 24% YoY growth in the standalone operations which comprise of units at Vijaynagar (100% merchant, PLF of 99%) and Ratnagiri (50% merchant, PLF of 92%).
Kansai Nerolac	2	(1)	• Sales growth was higher than expected led by market share gains and a resultant 15-16% volume growth in the decorative space. Gains from gross margin expansion were re-invested in brand development, resulting inin-line operating performance. • Increased investments in brand development enhance comfort on decorative growth. Further, KNPL remains well placed to benefit from a back-ended recovery in industrial coatings. We keep our EPS estimates broadly unchanged.

Results in line with expectations

Company	FY17 EPS change (%)	FY18 EPS change (%)	Key reasons
Siemens	-	-	• 2QFY16 sales/profit growth of 5%/16% was exactly along expected lines, with better-than-expected expansion in Ebitda margins (150 bps YoY) at 11%. Strong operational performance helped offset the 25% drop in treasury income. • Segment-wise growth was broad-based across business segments except mobility (9% of sales) which declined marginally by 1% on a high base last year. • Better sales mix and healthy services income have supported gross margins expansion of 150 bps YoY, at 33.7% • Order book growth turns positive at 7% YoY after many quarters of decline, at cRs109bn driven by strong 35% jump in 1HFY16 inflows of Rs64bn (63% of FY15 intake of Rs101bn). Order intake in 2Q'16 grew 10% YoY, at Rs29.4bn led by steady base order flows and export order wins in T&D.
Yes Bank	-	-	• Loan growth was robust at 30% YoY with both retail and commercial banking growing strongly. CASA grew 49% YoY, led by 62% growth in SA balances. • Revenue growth was driven by strong loan growth, margin expansion from lower cost of funds, and broad-based fee income contribution with both corporate and retail segments shown strong traction. • Overall stressed assets declined 9bps QoQ to 1.49%. However, GNPA ratio increased 10bps QoQ to 0.76% whereas PCR declined to 62% in 4QFY16. There was no restructuring, SDR, or 5-25 in 4QFY16.

Events Calendar – May 2016

IIFL Institutional Equities

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
2 CCL Products, HDFC, TBZ	**3** Adani Ports&SEZ, Alstom T&D, BASF, Cera Sanitary, Century Text, Godrej Consum, MRF, Shopper Stop, Sical Logi, Star Ferro & Cem, Tube Inv, TVS Motors	**4** Adani Ent, Carborundum Univ, Dewan Hsg Fin, Hexaware, Jindal Steel & Power, Mangalam Cement, Nelco, Nucleus Soft, Orient Cement, SKS Micro, TVS Electro, V-Guard	**5** Aarti Drugs, Emami, Castrol, Eicher Motors, GE Shipping, Gillette, Godrej Properties, Hero MotoCorp, IIFL Hldg, NDTV, NOCIL, P&G, Talwalkars Better	**6** Aarti Inds, Aditya Birla, Amrutanjan, Birla Corp, Equitas Hldg, Eveready Inds, Geometric, Greaves Cott, Hikal, Inox Wind, JSW Hldg, KEC Intl, Pfizer, Reliance Cap, Shemaroo, Siemens, Sun Pharma Adv, Titan, Welspun Inv, Wockhardt	**7** Andhra Bank, Grasim, Hester Bioscie, Indo Count, Jayant Agro
9 8K Miles Softw, Alstom India, Career Point, Deepak Nitrite, Hindustan Unilever, Vardhman Text	**10** Auto Axles, Centur Ply, EID Parry, Kaveri Seed, Kirloskar Brothers, NIIT, Repco Home Fin, SKF India , SRF, Triveni Turbine, Zee Ent	**11** Apollo Tyre, Asian Paints, Chambal Fert, Gulf Oil Lubric, Havells India, Kotak Mah Bank OBC, Orcle Fin, Peninsula Land Quick Heal, Siti Cable, South Indian Bank, TD Power, Vakrangee	**12** Arvind, Bharat Bijle, Dr Reddy Firstsource Soln, Glenmark, Hinduja Vent, Lumax Auto Te, Magma Fin, Manappuram Fin, Merck, Trident, Vijaya Bank, Zydus Mar IIP: +0.1% YoY Apr CPI: +5.4% YoY	**13** Advanta, Akzo Nobel, Bayer Cropscience, BOB, Cadila Health, Capital First, JM Financial, IL&FS Transport, Indraprastha Gas, Phillips Carbon, Sona Koyo, Union Bank of India, United Breweries, Zee Learn	**14** IFGL Refract, Relaxo Footw, Thirumalai
16 NBCC, Petronet, Tata Coffee Apr WPI: 0.3% YoY Apr Exports: -6.7% YoY Apr Imports: -23.1% YoY	**17** Bharat Forge, Glaxo Consumer, Guj Gas, Motherson Sumi, OCL India, Voltas	**18** Balkrishna Inds, JK Lakshmi, JSW Steel, Kirloskar Oil Eng, PTC India	**19** CESC, Dishman Pharma, Esab India, GHCL, Gujarat Pipavav, GSPL, ICRA, Infinite Comp, Lupin, Manpasand, Pidilite, SOBHA, Wabco	**20** Aditya Birla, Ashoka Buildcon, Balrampur Chini, Britannia, Coffee Day, Cox & Kings, eClerx, ITC, JB Chemi, JUST DIAL, Karnataka Bank, Neuland, Ramco Cements, Ramco Inds, Sundaram Fastn Apr CPI: AL/RL	**21** Finolex Ind, Somany Ceramics,
23 BPCL, Chennai Petrole, DISH TV, Emkay Global, Heritage Foods, Jyothy Lab, Mah. Scooters, Sonata Soft, Tata Power, TeamLease, Torrent Pharma, TTK Prestige, VRL	**24** Ahluwalia Cont, Amara Raja Batteries, Bajaj Finance, Bajaj Finserv, Colgate, Dhanuka Agri, Heidelberg Cement, PAGE Inds, PI Inds, NCC, Tech Mahindra, Wonderla Holi	**25** Apollo Hosp, Bajaj Auto, Bajaj Hldgs, CONCOR, CUMMINS India, GAIL, Glaxo Pharma, Godrej Inds, Hindustan Media, Info Edge, L&T, Prism Cement, Sanghvi Movers, Tata Steel, Thermax, TV Today	**26** BHEL, CARE, Deepak Fertilizer, Finolex Cables, GIPCO, GMDC, GOCL Corp, HT Media, Kaya, Mphasis, Shree Cements, Tata Chemicals, VA TECH WABAG	**27** 3i Infotech, Bharat Electronics, BHEL, Bombay Dye, Dolphin Offshore, IOCL, Sudarshan Chem	**28** COAL India, HINDALCO, JK Cement, Jubilant Foodw, Meghmani Organics, NHPC, Nitesh Estates
30 Atul Auto, Bajaj Electricals, Berger Paints, Blue Star, Insecticides, Kopran, Mahindra & Mahindra, Monsanto, Tata Motors	**31** Q4FY16 GDP Apr CPI: IW				

Black: Quarterly results, Blue: Economic data, Red: India Holiday

Events

IIFL Institutional Equities

	Apr-Jun 16	Jul-Sep 16	Oct-Dec 16
Economics / Politics	• RBI's Monetary Policy meeting (Apr, Jun) 4QFY16 Quarterly GDP	• RBI's Monetary Policy meeting (Jul, Sep) 1QFY17 Quarterly GDP	• RBI's Monetary Policy meeting (Oct, Dec) 2QFY17 Quarterly GDP
Cement	• **ACC**'s 3.5mtpa Jamul plant		• **J K Lakshmi Cements** 1.75mtpa Udaipur plant
Metals	• **Tata Steel:** Kalinganagar steel plant (3mtpa) to commence commercial production		
Oil & Gas	• **RIL** PX (2.1mntpa) plant startup • Phased startup of RIL Petcoke gassifier • RIL JIO services commercial launch • BPCL Kochi expansion (6mntpa) commissioning	• **ONGC** OPAL (1.1mntpa) cracker startup	• **RIL**'s Refinery off-gas cracker startup
Pharma	• **Dr Reddy's:** Launch of generic Jalyn in US • **Aurobindo:** Launch of Dexmedetomidine Hydrochloride Injection, Acetylcysteine Injection, Levofloxacin in 5% Dextrose Injection in US	• **Cadila Healthcare:** Launch of generic Asacol HD in US most likely as an authorized generic • **Torrent Pharma:** Launch of generic Enablex in US as part of second-wave generic launches	• **Glenmark:** Launch of generic Zetia in US with 180-day marketing exclusivity • **Aurobindo Pharma, Glenmark, Sun Pharma, Torrent Pharma:** Launch of generic Crestor in US as part of second-wave generic launches • **Lupin, Natco:** Launch of generic Nuvigil in US as part of second-wave generic launches
Telecom	• MVNO policy to be finalized • Recommendation on Non-tariff regulation of OTT players by TRAI	• 1800, 2100, 2300 MHz spectrum auctions	• Commercial nationwide LTE launch by Jio
Utilities	• APTEL verdict on compensatory tariff for **Tata Power** and **Adani Power** expected • Possible announcement of sale of **JSPL's** 1000MW Tamanar I power plant • Tendering os solar projects by SECI - 500MW in Maharashtra and 100MW in Chhattisgarh • **NTPC**: Commissioning of 800MW at Kudgi • **JPVL**: Commissioning of 660MW at Bara • **GMR Energy**: Commissioning of 685MW at Raikheda	• **JPVL**: Commissioning of 660MW at Bara • **NCC Power**: Commissioning of 660MW at Nellore	• **NTPC**: Commissioning of 660MW at Mouda • **RattanIndia:** Commissioning of 270MW at Nasik • **NCC Power**: Commissioning of 660MW at Nellore • **Lanco Infra:** Commissioning of 660MW at Babandh

Disclosure : Published in 2016, © India Infoline Ltd 2016

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BUY - Absolute - Stock expected to give a positive return of over 20% over a 1-year horizon.

SELL - Absolute - Stock expected to fall by more than 10% over a 1-year horizon.

In addition, **Add** and **Reduce** recommendations are based on expected returns relative to a hurdle rate. Investment horizon for **Add** and **Reduce** recommendations is up to a year. We assume the current hurdle rate at 10%, this being the average return on a debt instrument available for investment.

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Reduce - Stock expected to return less than the hurdle rate, i.e. return of less than 10%.

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