Economy News

- The Reserve Bank if India yesterday issued new guidelines on ownership in private sector banks by bundling shareholding patterns into two broad categories of individuals (natural persons) and legal entities/institutions, but retained the cap on foreign ownership at 74%. (Mint)
- The Index of Industrial Production (IIP) rose 0.1% in March against a 2% increase in February that had raised hopes of a recovery after three consecutive months of contraction. (Mint)
- The Securities and Exchange Board of India (SEBI) will tighten norms for participatory notes (P-Notes) further in an attempt to curb round-tripping or money laundering through this route. (Mint)
- The International Finance Corporation (IFC), the private-sector investment arm of the World Bank, is in talks with asset managers to assess potential investment opportunities in India's bad-loan market. (BS)
- Railways will increase the pace of laying new track to 19 km per day from the current 7.8 km which will likely generate Rs 800 bn business in the procurement of cement, steel and cable among others in the next three years. (ET)
- After months of debate, a new aviation policy, showcasing key areas of reform, is ready for clearance by the Union cabinet in the run-up to the government's second anniversary. (BS)

Corporate News

- **Crompton Greaves,** de-merged entity Crompton Greaves Consumer Electrical, which deals in consumer products business, is going to list today. (ET)
- Germany's Bayer AG may be considering a bid for U.S. seed company **Monsanto** that would yield an even-larger international agricultural giant in a deal that could be worth as much as $65 billion. (ET)
- The government has declined Anil Ambani-led **Reliance Power's** request to let it mortgage coal blocks attached to Sasan Ultra Mega Power Project (UMPP) in Madhya Pradesh to lenders of the plant. (ET)
- **Maruti Suzuki** has urged its component suppliers to make investment for the future as the company's requirements are expected to grow, with it predicting double-digit expansion in annual sales at least until 2020.(ET)]
- Utility vehicle major **Mahindra & Mahindra** has launched a more powerful variant of its compact SUV TUV300 priced at Rs 8.87 lakh.(BL)
- **Cairn India** has extended the repayment period for a $1.25-billion loan to a group company by two years but at a higher interest rate. (BS)
- Compared with the Trai prescribed norm of 2 per cent cap on call drops, **Bharti** has set itself a benchmark of maximum of 1.5 per cent call drops. (ET)
- Jewellery exporter and retailer **Rajesh Exports (REL)** has said that its Board will meet next month to consider an acquisition in the Middle East to expand its global footprint. (ET)
- **Sun Pharmaceutical Industries** said it isn't aware of any adverse findings related to the manufacturing plants of Ranbaxy Laboratories - which it acquired in 2014 - that are said to be part of an affidavit filed in the Supreme Court by the regulator. (ET)
- **TVS Motor Company,** the third largest scooter brand in India by volume, has introduced a special "Himalayan Highs'' edition of TVS Scooty Zest 110.(BL)
- **State Bank of India** is likely to shortlist three potential partners to buy out GE Capital's stake in its cards business by the end of June. (ET)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

Equity

	12 May 16	% Chg 1 Day	% Chg 1 Mth	% Chg 3 Mths
Indian Indices				
SENSEX Index	25,790	0.8	0.6	12.2
NIFTY Index	7,900	0.7	0.6	13.2
BANKEX Index	19,281	0.9	4.0	21.6
SPBSITIP Index	11,288	1.1	0.0	9.6
BSETCG INDEX	13,576	(0.0)	2.6	20.7
BSEOIL INDEX	9,250	0.8	(1.6)	13.1
CNXMcap Index	13,182	0.7	0.4	14.8
SPBSSIP Index	11,141	0.9	1.8	15.1
World Indices				
Dow Jones	17,721	0.1	(1.0)	10.9
Nasdaq	4,737	(0.5)	(4.2)	9.2
FTSE	6,104	(0.9)	(4.1)	6.9
NIKKEI	16,646	0.4	0.6	10.2
HANGSENG	19,915	(0.7)	(6.7)	7.8

Value traded (Rs cr)

	12 May 16	% Chg - Day
Cash BSE	2,488	3.0
Cash NSE	15,781	(11.3)
Derivatives	234,915	(19.5)

Net inflows (Rs cr)

	11 May 16	% Chg	MTD	YTD
FII	(324)	(184)	(213)	11,577
Mutual Fund	1,583	1,204	2,439	5,036

FII open interest (Rs cr)

	11 May 16	% Chg
FII Index Futures	13,909	3.9
FII Index Options	67,687	3.0
FII Stock Futures	49,331	1.5
FII Stock Options	3,695	5.3

Advances / Declines (BSE)

12 May 16	A	B	T	Total	% total
Advances	201	747	26	974	64
Declines	94	378	30	502	33
Unchanged	3	47	3	53	3

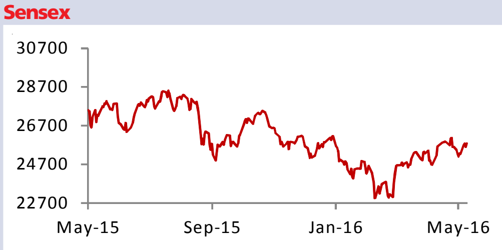
Commodity

	12 May 16	% Chg 1 Day	% Chg 1 Mth	% Chg 3 Mths
Crude (US$/BBL)	46.1	(1.2)	10.5	56.7
Gold (US$/OZ)	1,271.1	(0.1)	1.7	2.5
Silver (US$/OZ)	17.1	(1.1)	4.5	8.1

Debt / forex market

	12 May 16	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.4	7.4	7.4	7.7
Re/US$	66.6	66.6	66.4	68.2

Sensex



RESULT UPDATE

Ruchir Khare
ruchir.khare@kotak.com
+91 22 6218 6431

HAVELLS INDIA LTD (HIL)

PRICE: RS.341 **RECOMMENDATION: SELL**
TARGET PRICE: RS.330 **FY18E P/E: 29.5x**

HIL Q4FY16 result was encouraging; revenue growth was satisfactory (in line with our estimates) on back of strong YoY growth in lighting division. Operating margins expanded YoY driven by switchgear/consumer durable business. PAT outperformed our estimates due to sharp increase in switchgear division margin and lower reported tax expenses in the quarter. Sylvania residual business (mainly Brazil and Thailand business) cut losses in Q4FY16 and reported EBIT at break-even level.

However we note that Havells stock has had a substantial run up of 25% in last three months. We believe that at current price, it fully discounts potential benefits arising from 1) improved focus/resource allocation in the domestic market (post conclusion of Sylvania stake sale) and 2) revival in consumer demand (2HFY16 revenue growth outperformed 1HFY16 growth rate). We roll forward our valuation on FY18 earnings (value HIL stock at 29x FY18 earnings) and arrive at a revised target price of Rs 330 (Rs 320 earlier at 32xFY17 earnings). In view of downside to our revised target price we change recommendation to 'SELL' from 'ACCUMULATE' earlier.

Summary table

(Rs mn)	FY16	FY17E	FY18E
Sales	54,369	62,452	72,159
Growth (%)	3.8	14.9	15.5
EBITDA	6,535	7,479	8,770
EBITDA margin (%)	13.8	14.0	14.3
PBT	7721	8393	9834
Net profit	5,130	6,208	7,207
EPS (Rs)	8.2	9.5	11.4
Growth (%)	40.2	14.9	16.1
CEPS (Rs)	11.0	11.9	13.6
BV (Rs/share)	30.8	35.5	41.6
DPS (Rs)	6.0	3.5	4.5
ROE (%)	27.4	28.6	29.5
ROCE (%)	22.6	28.3	29.3
Net cash (debt)	8,638	8,179	11,347
NW Capital (Days)	39.0	0.5	4.4
EV/Sales (x)	3.6	3.2	2.8
EV/EBITDA (x)	26.7	22.7	19.4
P/E (x)	39.4	34.3	29.5
P/Cash Earnings (x)	31.0	28.6	25.0
P/BV (x)	11.1	9.6	8.2

Source: Company, Kotak Securities - Private Client Research

Quarterly performance - Standalone

(Rs mn)	Q4FY16	Q4FY15	% YoY	Q3FY16	QoQ%
Net Income	**14754**	**13493**	**9.3**	**13445**	**9.7**
Decrease/ (Increase) in stock	(158)	951		99	
Raw Material consumed	8745	7312	19.6	7666	14.1
Employee expenses	1018	803	26.8	974	4.5
Forex fluctuation	(6)	(17)		(17)	
Other expenses	2566	2347	9.3	2329	10.1
advertising expenses	388	284	36.3	561	
Total expenditure	12553	11680	7.5	11613	8.1
EBITDA	**2202**	**1813**	**21.4**	**1832**	**20.2**
Other income	291.3	124.2	134.5	132.0	120.7
Depreciation	237.2	212.9	11.4	231.9	2.3
EBIT	**2256**	**1725**	**30.8**	**1732**	**30.3**
Finance Cost	48	12	297.5	19	151.1
Exceptional items	2023.9				
Reported PBT	4231.8	1712.7	147.1	1712.6	147.1
Adj.PBT	**2208**	**1713**	**28.9**	**1713**	**28.9**
Tax	567	494	14.7	505	12.3
Reported PAT	**3665**	**1219**	**200.8**	**1208**	**203.4**
PAT	**1641**	**1219**	**34.7**	**1208**	**35.9**
Reported EPS (Rs)	5.9	2.0	200.8	1.9	203.4
Adj EPS	**2.6**	**2.0**	**34.7**	**1.9**	**35.9**
EBITDA (%)	14.9	13.4		13.6	
Adj PAT (%)	11.1	9.0		9.0	
RM/Sales (x)	59.3	54.2		57.0	
Tax Rate (%)	25.7	28.9		29.5	

Source: Company

Result Highlights; recovery visible across key segments

In Q4FY16, Havells reported 9.3% YoY revenue growth (standalone) at Rs 14.7 Bn driven mainly by lighting segment. While domestic business reported a growth of 5% YoY in FY16, exports declined (de-grew 18% YoY) in the same period. Drop in conventional lighting (mainly CFL) and sharp currency depreciation in Africa contributed to weak overseas performance in the FY16.

Consumer division reported 7.2% YoY revenue growth at Rs 3 Bn in the quarter. HIL has been observing demand pick up and have been able to gain market share across key product categories. Management expects further strengthening of demand in FY17.

Consumer durable segment reported EBIT margin at 27.9% vis-à-vis 25.5% in Q4FY15. We believe that over the next few years, increased in-house manufacturing of various products will help retaining margins.

Cable and wire division reported 7% YoY revenue growth at Rs 6 Bn in Q4FY16. We note that the high volume growth in cables & wire segment got offset by drop in commodity prices in FY16 resulting in lower sales growth (1% YoY growth in FY16). Industrial cables (reported 14% YoY growth in FY16) observed meaningful demand recovery on back of pickup in infrastructure spends. Domestic cable volume grew 11% YoY in FY16. Management believes that going ahead, cable division would benefit from pickup in housing demand and demand form other sectors like roads, power etc.

Lighting division reported strong 23.3% YoY revenue growth at Rs 2.3 Bn in the quarter, mainly driven by 100% YoY growth in LED lighting. Traditional lighting and CFL continues to de-grow (industry wide phenomenon; demand is shifting to new LED based technology at a rapid pace). LED segment accounted for 50% of segment sales in Q4FY16.

Switchgear division reported 7% YoY revenue growth at Rs 3.2 Bn. Cost rationalization and favourable input prices led improvement in EBIT margins (reported at 39.2%) in switchgear division in the quarter.

Havells reported an exceptional income of Rs 2 Bn in Q4FY16 (Rs 7.2 Bn in FY16) on account of divestment in Sylvania stake.

Havells reported YoY operating margin expansion at 14.9% in Q4FY16 against 13.4% in Q4FY15 driven by increased profitability across segments. Higher operating margins and lower tax expense resulted in standalone adj. PAT of Rs 1.6 Bn in the quarter vis-à-vis Rs 1.2 Bn in Q4FY15.

Segment reporting (Standalone)

	Q4FY16	Q4FY15	% YoY	Q3FY16	QoQ%
Revenues (Rs mn)					
Switchgear	3272	3055	7.1	3276	(0.1)
Cable and Wires	6090	5690	7.0	5227	16.5
Lighting and fixtures - India	2318	1880	23.3	2107	10.0
Electrical consumer durables	3074	2867	7.2	2834	8.5
PBIT (Rs mn)					
Switchgear	1284	906	41.7	1315	(2.4)
Cable and Wires	895	776	15.4	745	20.1
Lighting and fixtures - India	567	483	17.4	549	3.4
Electrical consumer durables	857	732	17.1	729	17.5
PBIT (%)					
Switchgear	39.2	29.7		40.1	
Cable and Wires	14.7	13.6		14.3	
Lighting and fixtures - India	24.5	25.7		26.0	
Electrical consumer durables	27.9	25.5		25.7	

Source: Company

Other Highlights

- Management has guided for a double digit growth (15-18%) in FY17 on back of expected recovery across segments. Havells is likely to maintain margins at current levels.
- Management also stated that Q4FY16 reported margins is not the reflection of entire year as typically Q4 margins are affected by factors like year-end dealers incentives etc.
- Havells would save 50 bps on royalty payments from FY17 onwards. Management stated that the savings would be reinvested into the business to achieve growth.
- Management stated that company is observing early signs of recovery. However demand from housing continues to remain lackluster affecting Switchgear sales.
- Within consumer durables, fans and water heater continues to pull demand. Other appliances are expected grow at a reasonable pace in FY17.
- Overall demand/penetration from small towns continues to remain strong. Havells has also been observing improved sales from West/South India, where it had weaker presence traditionally.
- Havells management has guided for the capex in the range of Rs 2.6-2.8 Bn for next year mainly towards capacity addition in -Cables, Switchgear and ECB segment.
- Management shared optimistic outlook for 'Standard' brands and expects to achieve sales of Rs 10 Bn by year 2020 (current sales at Rs 2 Bn). Company will add new product categories in Standard brands as well.
- Havells inorganic growth initiatives would be motivated by gaining 1) technology (new products) 2) market share and 3) geographical reach (mainly domestic).
- In FY16, Havells invested Rs 290 mn in Promptec Renewable Energy Solutions limited for acquiring 51% stake in the same.
- Performance in Thailand and Brazil business has been stable with margins at break-even level in Q4FY16 as compare to negative margin in the preceding quarters.

Valuation and Recommendation

We recommend SELL on Havells India Ltd with a price target of Rs.330

At current price of Rs.341, HIL stock is trading at 29.5x P/E and 19.4x EV/EBITDA on FY18E earnings.

We roll forward our valuation on FY18 earnings (value HIL stock at 29x FY18 earnings) and arrive at a revised target price of Rs 330 (Rs 320 earlier at 32xFY17 earnings). In view of downside to our revised target price we change recommendation to **'SELL'** from 'ACCUMULATE' earlier.

RESULT UPDATE

Teena Virmani
teena.virmani@kotak.com
+91 22 6218 6432

CENTURY PLYBOARDS LTD

PRICE: RS.173 **RECOMMENDATION: BUY**
TARGET PRICE: RS.204 **FY18E P/E: 17.8x**

Results overview: Revenues for Q4FY16 were better than our estimates and were led by improvement in plywood and laminates division. CFS division also reported healthy growth during the quarter, although supported by lower base of last year. Operating margins witnessed a decline due to shift in sales mix towards mid segment category. However, despite lower margins, better than expected revenue growth led to PAT coming in line with our estimates. Volumes are likely to improve going forward as company has taken lot of promotional initiatives in last one year to push volumes along with higher expense on branding and advertisement. Along with this, market has started witnessing some improvement in demand as the cash crunch situation of end users is easing now.

We tweak our FY17 estimates to factor in lower volumes. We also introduce FY18 estimates, and roll forward our valuations on FY18 and arrive at a revised price target of Rs 204 (Rs 200 earlier) based on 21x FY18 estimates. We remain positive on the company as we expect it to benefit from demand revival and GST implementation going forward. We maintain BUY recommendation on the stock.

Summary table

(Rs mn)	FY16	FY17E	FY18E
Sales	16,469	17,945	20,231
Growth (%)	6%	9%	13%
EBITDA	2,759	3,230	3,642
EBITDA margin (%)	16.8	18.0	18.0
PBT	1,978	2,313	2,539
Net profit	1,681	1,966	2,158
EPS(Rs)	7.6	8.8	9.7
Growth(%)	11	17	10
CEPS(Rs)	9.6	11.4	13.0
BVPS(Rs)	25.0	33.8	43.5
DPS (Rs)	-	-	-
ROE (%)	35.6	30.1	25.1
ROCE (%)	25.6	23.4	21.4
Net debt	4,515	6,062	4,582
NW capital (Days)	147.0	147.0	147.0
P/E (x)	22.9	19.6	17.8
P/BV (x)	6.9	5.1	4.0
EV/Sales (x)	2.6	2.5	2.1
EV/EBITDA (x)	15.4	13.7	11.7

Source: Company, Kotak Securities - Private Client Research

Financial highlights

(Rs mn)	Q4FY16	Q4FY15	YoY (%)
Net Sales	**4512.5**	**4049.4**	**11.4%**
Total Expenditure	3774.1	3298.8	14.4%
EBITDA	**738.4**	**750.6**	**-1.6%**
EBITDA margins %	16.4%	18.5%	
Depreciation	122.1	118.6	
EBIT	**616.3**	**632.0**	**-2.5%**
Interest	103.1	90.2	
EBT (Exc other income)	513.2	541.8	-5.3%
Other operating income	35.7	42.8	
Other Income	0	8.7	
EBT	**548.9**	**593.3**	**-7.5%**
Tax	143.7	113.5	
Tax %	26.2%	19.1%	
Profit After Tax	405.2	479.8	-15.5%
Equity Capital	222.53	222.53	
Face Value (In Rs)	1	1	
EPS (Rs)	**1.8**	**2.2**	**-15.5%**

Source: Company

Revenue growth led by higher commercial veneer and laminate sales; Plywood growth yet to be seen in coming quarters.

The company reported revenue growth of 11.4% YoY led by 10% YoY growth in plywood and 15% YoY growth in laminate division. CFS reported a growth of 36.6% YoY. Plywood division sales improvement was led by sharp jump of 44% YoY in commercial veneer volumes. Laminate division growth of 15% YoY was led by improvement in capacity utilizations, realizations as well as higher branding and advertisement.

Plywood segment revenues: For Q4FY16, volume growth of plywood was 4% YoY while deco ply volumes were up by 34% YoY and commercial veneer volumes were higher by 44% YoY. In terms of realizations, plywood realizations were up by just 1% YoY due to demand slowdown while commercial veneer realizations were down by 13% YoY. Drop in commercial veneer realizations was on account of lower quality of veneer being sold in the market. Deco ply realizations were down by 2% YoY. Deco ply and commercial veneer form just 10% and 11.5% respectively of the total plywood division sales.

On yearly basis, plywood volumes were down by 2% YoY with flat realizations while commercial veneer volumes were up by 24% with 8% YoY decline in average realizations. Going ahead growth in plywood division is likely to come from improvement in volumes while realizations may remain flat. Additional lines of plywood are being planned in Punjab if demand exceeds company's capacity.

Laminate segment revenues: Domestic sales volume during the quarter were 15% YoY while export sales volume were up by 16% YoY. In terms of realizations, domestic realizations were up by 8% YoY due to improvement in demand while export realizations were down by 1% YoY. Laminate division performance was led by improvement in operational efficiencies of its plants coupled with better capacity utilization. It expects to run the laminate plant for 29 days in a month during FY17.

On yearly basis, domestic laminate volumes were up by 17% YoY with flat realizations while export volumes were up by 22% with 4% YoY improvement in average realizations. Going ahead, we believe that growth in laminate division is likely to come from improvement in capacity utilizations as well as prices. Company is also planning to set up new laminate capacity in Kolkata if demand remains strong.

CFS segment revenues: Volumes handled by the logistics division were up by 22% YoY for Q4FY16 while realizations are also higher by 13% YoY. This led to almost 38% YoY growth in CFS revenues. For the full year, volumes are up by 13% YoY while realizations are up by 5% YoY.

Demand scenario: Demand scenario has started witnessing improvement in select segment for the plywood segment. Company is also focusing on mid-segment range of Sainik in order to capture shift in demand from premium category to mid-segment category. Commercial veneer sales are also likely to increase going forward post company's additional lines in Laos get operational. It has 5 lines in Myanmar with a capacity of 8000 CBM each and increasing to 10 lines in Laos with a capacity of 8000 CBM each. Thus currently including both these locations (5 lines in Myanmar and 10 lines in Laos), company has a capacity of 120000 CBM. Operating at an effective utilization of 65%, company would produce nearly 78000 CBM of veneer. As per current requirement, for a 210000 CBM of plywood capacity, company requires 16-17000 CBM of face veneer for in house use. So the surplus veneer is being sold in open market to cheaper grade plywood manufacturers.

Capex: Company is setting up an MDF manufacturing unit in Punjab with an estimated capex of Rs 4 bn and capacity of 600 CBM per day and is expected to commission by Dec,16 or Jan,17. It has already incurred capex of Rs 380 mn for MDF for acquiring land for the first phase and placing orders for major machinery with reputed foreign suppliers from China and European countries. Company has also invested nearly Rs 500 mn for settting up a particle board unit which will make particle board from timber wastage, saw mill dust etc generated at Chennai unit. It will backward integrate with company's existing pre-lamination board units at Chennai. The plant construction is complete and company is awaiting electricity connections. Remaining capex of Rs 100 mn for this plant is likely to be incurred in FY17.

With imposition of anti-dumping duty expected on MDF, company is expected to benefit from the same as its plant is likely to commission during current financial year.

We tweak our FY17 estimates to factor in lower volumes and also introduce FY18 estimates. We expect revenues to grow at a CAGR of 11% between FY16-18. (as against revenues of Rs 18.6 bn estimated earlier).

Operating margins lower than our estimates

Operating margins witnessed a decline due to shift in sales mix towards mid segment category. This shift has resulted in putting pressure on plywood division margins which have declined sharply for the quarter as well as for the full year. Another reason for decline in plywood margin was lower commercial veneer realizations. Also during the quarter, the discounts were higher to push volumes which had put pressure on margins. Laminate division margins have improved on account of better operational efficiencies and higher capacity utilization. Company expects margins to sustain around 17%-18% going forward. We maintain our estimates and expect margins of 18% going forward.

Net profit performance impacted by lower margins

Net profit performance was impacted by lower margins and higher tax rate for quarter. However, despite lower margins, better than expected revenue growth led to PAT coming in line with our estimates. Company enjoys tax benefits at its manufacturing locations in Guwahati and CFS division in Kolkata. We expect full year tax rate of 15% for the company.

Post tweaking our estimates, we expect net profits to grow at a CAGR of 13.3% between FY16-18. (as against our PAT estimate of Rs 2.12 bn earlier for FY17)

Valuation and recommendation

We recommend BUY on Century Plyboards Ltd with a price target of Rs.204

At current price of Rs.173, stock is trading at 19.6x and 17.8x P/E and 13.7x and 11.7x EV/EBITDA on FY17 and FY18 estimates respectively. We roll forward our valuations on FY18 and arrive at a revised price target of Rs 204 (Rs 200 earlier) based on 21x FY18 estimates. We remain positive on the company as we expect it to benefit from demand revival and GST implementation going forward. We maintain **BUY** recommendation on the stock.

RESULT UPDATE

Arun Agarwal
arun.agarwal@kotak.com
+91 22 6218 6443

APOLLO TYRES (APTY)

PRICE: RS.159 **RECOMMENDATION: BUY**
TARGET PRICE: RS.185 **FY18E P/E: 6.5x**

In 4QFY16, APTY reported below expected operational performance - partly impacted by one-offs. Consolidated revenues came in at Rs29.9bn (5% decline YoY), impacted by volume decline in European operations (problems related to SAP implementation). Consolidated EBIDTA margin at 16% was lower YoY and QoQ and below expectation. Higher other expenses in the standalone business and negative operating leverage in the European subsidiary (due to lower sales) marred APTY's operating margins. Accordingly, PAT at Rs2.45bn, came in below estimates. Management was optimistic on healthy double digit volume growth in FY17. However, EBITDA margin (standalone operations) is expected to have peaked out in FY16 and we thereby expect EBITDA margin to witness contraction going forward. We introduce FY18 estimates and roll over target price on FY18 earnings. We retain BUY on the stock with price target of Rs185 (earlier Rs200). We have valued the stock on a PE of 7.5x FY18E EPS (earlier valued at 9x FY17E EPS).

Summary table

(Rs mn)	FY16	FY17E	FY18E
Sales	117,930	134,025	154,682
Growth (%)	(7.8)	13.6	15.4
EBITDA	19,682	21,540	24,329
EBITDA margin (%)	16.7	16.1	15.7
PBT	15,706	16,522	18,046
Adj Net profit	10,613	11,536	12,542
Adj EPS (Rs)	20.8	22.7	24.6
Growth (%)	2.8	8.7	8.7
CEPS (Rs)	29.8	32.1	36.1
BV (Rs/share)	121.4	138.4	160.6
Dividend / share (Rs)	2.0	2.0	2.0
ROE (%)	18.9	17.4	16.5
ROCE (%)	23.8	21.0	19.4
Net cash (debt)	(6,338)	(14,880)	(24,951)
NW Capital (Days)	57.6	52.7	49.8
P/E (x)	7.4	7.0	6.5
P/BV (x)	1.3	1.1	1.0
EV/Sales (x)	0.7	0.7	0.7
EV/EBITDA (x)	4.4	4.4	4.4

Source: Company, Kotak Securities - Private Client Research

Standalone result highlights

Quarterly performance (Standalone)

(Rs mn)	4QFY16	4QFY15	YoY (%)	3QFY16	QoQ (%)
Revenues	**21,552**	**22,664**	**(4.9)**	**21,490**	**0.3**
Total expenditure	17,798	18,906	(5.9)	17,674	0.7
RM consumed	11,927	13,724	(13.1)	12,408	(3.9)
Employee cost	1,449	1,489	(2.7)	1,473	(1.6)
Other expenses	4,422	3,693	19.8	3,794	16.6
EBITDA	**3,754**	**3,758**	**(0.1)**	**3,816**	**(1.6)**
EBITDA margin (%)	17.4	16.6	-	17.8	-
Depreciation	716	587	22.0	690	3.8
Interest cost	235	300	(21.5)	202	16.5
Other Income	213	(144)		41	423.9
Exceptional item			-		-
PBT	**3,016**	**2,728**	**10.6**	**2,964**	**1.8**
PBT margins (%)	14.0	12.0		13.8	
Tax	910	904	0.7	991	(8.2)
Tax rate (%)	30.2	33.1	-	33.4	-
Reported PAT	**2,106**	**1,824**	**15.5**	**1,973**	**6.8**
PAT margins (%)	9.8	8.0	-	9.2	-
Reported EPS (Rs)	**4.1**	**3.6**	**15.5**	**3.9**	**6.8**

Source: Company

- Standalone revenues in 4QFY16 declined by 5% YoY to Rs21.6bn. During the same period, volumes grew by 5% but there was negative impact of 10% on account of price and mix. Sequentially revenue stood broadly unchanged.
- Raw material cost in 4QFY16 was lower - both YoY and QoQ. Accordingly, standalone business gross margins expanded by 522bps YoY and 240bps QoQ to 44.7%.
- Employee cost in 4QFY16 remained under control. However, other expenses increased significantly, impacting standalone operating performance. Rise in other expense was primarily related to higher spend on brand building exercise and cost related to launch of two wheeler tyres (one-off).

- EBITDA growth remained almost flat as gross margin expansion gains were negated by rise in other expenses. EBITDA margin for the quarter stood at 17.4%, as against 16.6% reported during similar period last year.
- Interest cost increased QoQ due to increase in standalone net debt from Rs2.5bn in 3QFY16 to Rs2.8bn by end 4QFY16.
- APTY reported standalone PAT of Rs2.1bn, 16% higher YoY. Higher other income and lower tax provision as compared with 4QFY15 contributed towards PAT growth.

Consolidated result highlights

Quarterly performance (Consolidated)

(Rs mn)	4QFY16	4QFY15	YoY (%)	3QFY16	QoQ (%)
Revenues	**29,897**	**31,597**	**(5.4)**	**29,488**	**1.4**
Total expenditure	25,123	26,429	(4.9)	24,432	2.8
RM consumed	14,813	17,720	(16.4)	14,560	1.7
Employee cost	4,202	3,956	6.2	3,967	5.9
Other expenses	6,108	4,753	28.5	5,905	3.4
EBITDA	**4,773**	**5,169**	**(7.7)**	**5,056**	**(5.6)**
EBITDA margin (%)	16.0	16.4	-	17.1	-
Depreciation	1,228	876	40.1	1,049	17.0
Interest cost	239	348	(31.4)	194	23.0
Other Income	197	(49)		68	189.9
Exceptional item		(35)	-		-
PBT	**3,504**	**3,861**	**(9.2)**	**3,881**	**(9.7)**
PBT margins (%)	11.7	12.2		13.2	
Tax	1,052	786	33.9	1,096	(4.0)
Tax rate (%)	30.0	20.4	-	28.2	-
PAT (bef minority int/asso pft)	2,452	3,075	(20.3)	2,785	(12.0)
Share of associates/Minority Int -	-	-	-	-	
Reported PAT	**2,452**	**3,075**	**(20.3)**	**2,785**	**(12.0)**
PAT margins (%)	8.2	9.7		9.4	
Reported EPS (Rs)	4.8	6.0	(20.3)	5.5	(12.0)

Source: Company

- Consolidated revenues declined by 5% YoY to Rs29.9bn. Fall in revenues was due to volume decline in European operations and impact of price cut.
- Indian operations revenue declined by 5% due to 10% impact of price cut and product mix.
- European operations revenue declined by 17% YoY to Rs7.4bn due to ~17% YoY fall in volumes. Decline in volume/revenue was on account of problem relating to SAP implementation. Management indicated that the industry volume did not decline and entire volume decline in the quarter was due to company's internal issue.
- Revenues from other geographies witnessed sharp YoY increase.
- Fall in natural rubber prices and crude prices translated into YoY gross margin expansion for the company. Consolidated gross margin increased by 653bps YoY to 50.5%.
- Employee cost increased by 6% YoY. Rise in other expenses pertains to higher other expenses in standalone business (higher spend on brand building and expenses related to two wheeler tyre launch).

- Consolidated EBITDA margin declined YoY from 16.4% to 16%. Weak European operation performance coupled higher other expenses in the standalone business impacted margins. European business EBITDA margins declined YoY from 14.7% to 11%. Lower sales in European business led to negative operating leverage, thereby impacting operational performance.
- EBITDA de-growth and higher YoY tax provision led to PAT decline of 20%. PAT came in at Rs2.46bn.

Conference Call Highlights

- Management sounded positive about standalone business volume growth in FY17. Company expects double digit volume growth in FY17 at Indian operations. Company indicated bullish signs of demand pick-up in the farm segment. Truck Bus Bias (TBB) segment too is showing growth. Further additional capacity from Chennai expansion will also contribute to volume increase in the growing TBR segment. In 4QFY16, APTY reported 10% volume growth in 4QFY16.
- In Europe operations, volumes in FY16 were impacted by certain one-offs. On a weak FY16 base, company expects significant growth in FY17. Further in FY18, volume growth will come from new plant coming up in Hungary.
- Company is in the process of resolving SAP related issue at the European operations. However, there is likely to be some impact of this on sales in 1QFY17.
- Two wheeler tyre sales commenced from March 2016 and the response has been strong so far. Further, the company highlighted that the business will be profitable even at early stages.
- Company expects raw material cost to increase going ahead. In 1QFY17, company expects 3-4% increase in raw material cost basket. 2QFY17 will likely witness further input cost pressure. Standalone business margins have peaked out in FY16 and will correct in FY17.
- Over the next two years, Europe business operating margins will improve over FY16 levels, but the same will be lower than high margins achieved in FY14/FY15.
- On the back of increase in raw material cost, the industry has not taken any pricing action in the past two months.
- In the consolidated revenues - 75% contribution was from replacement and 25% came from OEM. Trucks accounted for 46%, cars - 34% and balance from other vehicle category.
- In the standalone business, trucks accounted for 65% and 17% came from car tyre segment.
- Capacity utilization was ~ 75-79% at Indian operations and 90% for the European operations.
- Average raw material price in 4QFY16 - Natural Rubber - Rs115/kg, Synthetic Rubber - Rs100/kg, Tyre Cord Fabric - Rs240/kg, Steel Cord - Rs110/kg and Carbon Black - Rs62/kg.
- Consolidated gross debt was Rs14.4bn and standalone net debt was Rs2.8bn.
- Government has initiated investigation into dumping issue related to TBR Chinese imports.
- Hungary plant production will start in early 2017. Chennai capacity expansion will from 3QFY17. Apart from this, the company is working on increasing capacity (marginal increase) through de-bottlenecking in 1HFY17. In 4QFY16, APTY TBR sales growth was flat QoQ due to capacity constraints.

- Capex in FY16 was Rs3bn for Indian operations and Euro100mn for the Hungary plant. For FY17 capex planned is Rs17bn for Indian operations and Euro200mn for Hungary plant.
- Reifencom revenues for the quarter was Rs23mn and the business achieved break even at the EBITDA level.
- Company guided for full tax rate for Indian operations. Tax rate in Netherland is 20%.

Outlook

- For the past four years (FY13-FY16), demand was sluggish but raw material was on a declining mode, aiding APTY to improve margins and grow profits. Over the next two years (FY17 and FY18), we expect the trend to reverse. We expect domestic volume growth scenario to improve. Company has indicated double digit volume growth for FY17. However, raw material prices seem to have bottomed out and are expected to be higher in FY17/FY18 in comparison with FY16.
- APTY's FY16 European business performance was impacted by certain one-off events. In FY17, we expect strong revenue growth and margin improvement over a weak FY16 base. In FY18, volume growth will likely come from start-up of Hungary plant. Given rising input cost scenario, we expect EBITDA margins in FY17/FY18 to be lower than FY15 levels.
- On a consolidated basis, we expect revenues to grow and operating margins to come down over the next two years.
- Government have initiated probe against TBR dumping from China. Any positive development on this event can potentially give strong boost to TBR/TBB volumes. APTY derives significant proportion of sales from truck tyres and thereby APTY could be a key beneficiary if Chinese TBR imports are curbed.
- Over the next two years, APTY will make significant capex and that will lead to increased debt levels. However, despite sharp rise in debt levels, debt-equity will remain under control (0.3x in FY18).

We retain BUY on Apollo Tyres with a price target of Rs.185

- We introduce FY18 estimates and roll over target price on FY18 earnings. We retain **BUY** on the stock with price target of Rs185 (earlier Rs200). We have valued the stock on a PE of 7.5x FY18E EPS (earlier valued at 9x FY17E EPS).

Key Risk

Lower than expected volume growth and significant increase in raw material cost are key risks to our earnings estimates.

RESULT UPDATE

Saday Sinha
saday.sinha@kotak.com
+91 22 6218 6437

INDIAN BANK

PRICE: RS.86 **RECOMMENDATION: BUY**
TARGET PRICE: RS.110 **FY18E P/E: 6.2x; P/ABV: 0.5x**

Q4FY16 results: Higher provisions pulled down earnings

Higher NPA provisioning on a/c of second tranche of RBI's Asset Quality Review (AQR) pulled down earnings. Core earnings (NII: Rs.11.3 bn) grew at muted pace (2.4% YoY) on back of margin compression (10bps YoY) mainly impacted by interest de-recognition as asset quality deteriorated. Spike in the NPA provisions (2.1x YoY) pulled down earnings (Rs.0.84 bn; down 59% YoY). Although Indian Bank trades at reasonable valuation (0.5x FY18E ABV), it has high share of stressed assets (~12% of loan book) which remains an overhang on the stock performance, in our view. Nonetheless, bank is comfortable on core capital (CET-I at 11.7%) and therefore we assigning slightly higher P/ABV multiple for the stock (vis-à-vis its peers) where risk of equity dilution at <1x BV is almost negligible. We are modeling subdued return profile (RoE at ~5% while RoA at ~30bps) during FY17/18E and cutting the TP to Rs.110 (Rs.125 earlier; 0.6x FY18E ABV) but retain BUY rating on the stock.

Result Performance

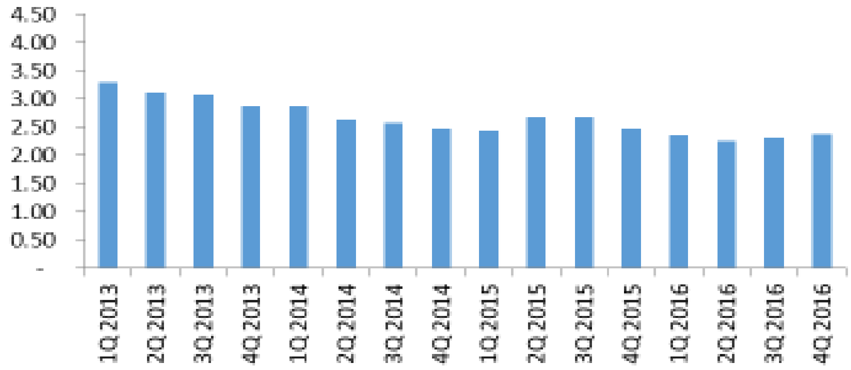
(Rs mn)	Q4FY16	Q4FY15	YoY (%)
Interest on advances	28,929	30,114	-3.9
Interest on Investment	10,626	9,101	16.8
Interest on RBI/ banks' balances	209	320	-34.8
Other interest	79	29	173.6
Total Interest earned	39,842	39,564	0.7
Interest expenses	28,496	28,484	0.0
Net interest income	**11,346**	**11,079**	**2.4**
Other income	5,294	4,541	16.6
Net Revenue (NII + Other income)	**16,640**	**15,621**	**6.5**
Operating Expenses	8,366	7,448	12.3
Payments to / Provisions for employees	4,872	4,359	11.8
Other operating expenses	3,493	3,090	13.1
Operating profit	**8,274**	**8,172**	**1.2**
Provisions & contingencies	8,136	5,626	44.6
Provision for taxes	(707)	485	-245.6
Net profit	**845**	**2,062**	**-59.0**
EPS (Rs.)	**1.76**	**4.29**	**-59.0**

Source: Company

Higher NPA provisioning on a/c of second tranche of RBI's Asset Quality Review (AQR) pulled down earnings.

NII (Rs.11.3 bn) grew at muted pace (2.4% YoY) on back of margin compression (2.38% in Q4FY16; down 10bps YoY) mainly impacted by interest de-recognition (Rs.3.5 bn; 35bps impact) as asset quality deteriorated while loan book continued to grow at subdued pace (2.9% YoY). Decline in NIM is largely due to sharp fall in yield on advances (75bps YoY) while cost of deposits fell only 53bps, during the same period. We believe change in asset mix towards lower yielding products as well as income de-recognition on account of elevated delinquencies have taken a toll on yield on assets in recent quarters while relatively lower CASA share (28-30%) provides limited cushion to the declining margin. We have been conservative enough in modeling lower NIM at 2.3/2.2% during FY17/18E, as against 2.33% reported for FY16.

Trends in NIM (%)



Source: Company

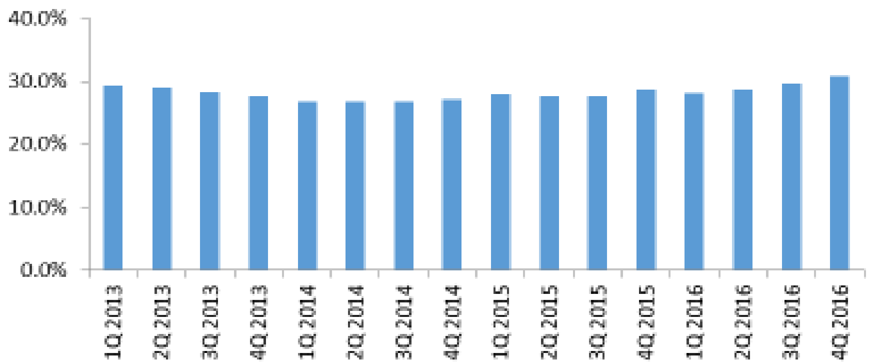
Non-interest income grew at healthy pace (16.6% YoY) translating into moderate growth in revenue line (6.5% YoY). Spike in the NPA provisions (2.1x YoY) on a/c of second tranche of RBI's Asset Quality Review (AQR) pulled down earnings (Rs.0.84 bn; down 59% YoY) which remained in black on tax write-back (Rs.707 mn).

Business growth has seen moderation on risk aversion; liability franchise remained stable

Indian bank has been reporting subdued loan growth during previous eight quarters (<10% levels) due to risk aversion (as NPL risk persists), as against the run-rate of 15-16% seen earlier. Loan book grew at subdued pace (2.9% YoY) during Q4FY16 as compared to our assumption of ~5% loan growth during FY16 which is likely to trend upward to ~7%/10% during FY17/18 on back of likely improvement in the economic environment.

Deposit growth was also moderate at 5.4% YoY during Q4FY16, largely on back of subdued growth in term deposits. During the same period, saving deposits grew at healthy pace (15.6% YoY) while traction in current account floats remained healthy (10.9% YoY). CASA mix saw marginal improvement from 29.6% in Q3FY16 to 30.9% in Q4FY16.

Trends in CASA (%)



Source: Company

NPLs spiked on back of RBI's AQR; however, comfortable Tier-I capital justify relatively better valuation

Indian bank witnessed spike in the fresh slippage (Rs.34 bn) which rose to 10.6% (annualized) during Q4FY16 on back second tranche of RBI's Asset Quality Review (AQR) vis-a-vis slippage seen at ~1.6% during H1FY16. Out of Rs.34 bn of gross slippage, Rs.16-17 bn came from AQR and remaining mainly originated from iron & Steel, Power and textile segments. In absolute terms, GNPA/NNPA grew 24.8%/39.6% (QoQ), respectively, while in percentage terms, they stand at elevated levels - 6.7%/4.2% in Q4FY16 as compared to 5.6%/3.2% in Q3FY16. Provision coverage ratio saw decline (740bps QoQ) to 53.4% (Q4FY16) which may not bode well for the stock.

Trend in NPAs

(Rs. Bn)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Gross NPA	37.23	41.79	38.35	45.62	47.23	50.03	54.61	54.70	58.15	57.73	70.71	88.27
Gross NPA (%)	3.41	3.76	3.42	3.67	4.01	4.21	4.52	4.40	4.65	4.61	5.61	6.66
Net NPA	24.86	28.04	24.84	27.64	28.57	29.76	32.35	31.47	31.93	31.88	38.81	54.19
Net NPA (%)	2.31	2.56	2.25	2.26	2.48	2.48	2.74	2.50	2.62	2.60	3.17	4.20
PCR (%)	33.2%	32.9%	35.2%	39.4%	39.5%	40.5%	40.8%	44.5%	45.1%	44.8%	45.1%	38.6%
PCR (%) - inc W/O A/Cs	61.3%	58.6%	58.0%	57.8%	57.6%	57.4%	57.1%	60.1%	60.9%	62.2%	60.8%	53.4%

Source: Company

Its outstanding standard restructured book stands at ~5% (Rs.63.7 bn) with total stressed portfolio at ~12% of loan book. Its provision coverage ratio now stands at 53.4%, which does not bode well for the stock, which used to enjoy ~90% coverage ratio only few years back. However, we believe comfortable core capital (CET-I: 11.7%) reduces the risk of equity dilution at <1x BV, which could be book value dilutive in nature.

Valuation & recommendation

Although Indian Bank trades at reasonable valuation (0.5x FY18E ABV), it has high share of stressed assets (~12% of loan book) which remains an overhang on the stock performance, in our view. Nonetheless, bank is comfortable on core capital (CET-I at 11.7%) and therefore we assigning slightly higher P/ABV multiple for the stock (vis-à-vis its peers) where risk of equity dilution at <1x BV is almost negligible.

We recommend BUY on Indian Bank with a price target of Rs.110

We have marginally cut the earnings estimate for FY17E on higher credit costs assumption and expect its net income growth to remain muted during FY17/18. We are modelling earnings to de-grow at 3.1% CAGR during FY16-18E with subdued return profile which justifies lower P/ABV multiple for the stock. Despite asset quality concerns, we believe Indian bank deserves better valuation vis-à-vis its peers in PSU banking pack with strong capitalization which reduces the risk of equity dilution at <1x BV (book value dilutive). We are modeling subdued return profile (RoE at ~5% while RoA at ~30bps) during FY17/18E and cutting the TP to Rs.110 (Rs.125 earlier; 0.6x FY18E ABV) but retain **BUY** rating on the stock.

Key data

(Rs. Bn)	2015	2016	2017E	2018E
Interest income	158.6	162.4	172.2	186.6
Interest expense	113.9	118.0	126.0	138.2
Net interest income	**44.7**	**44.5**	**46.3**	**48.4**
Growth (%)	2.6%	-0.6%	4.0%	4.6%
Other income	13.6	17.8	16.0	17.5
Gross profit	30.2	30.3	27.4	27.9
Net profit	**10.2**	**7.1**	**5.9**	**6.7**
Growth (%)	-12.3%	-30.0%	-16.4%	12.3%
Gross NPA (%)	4.4	6.7	6.9	6.3
Net NPA (%)	2.5	4.2	3.6	3.2
NIM (%)	2.5	2.3	2.3	2.2
CAR (%)	12.9	12.3	12.1	12.1
RoE (%)	8.4	5.6	4.5	4.9
RoA (%)	0.5	0.4	0.3	0.3
DPS (Rs)	4.2	4.5	5.0	5.0
EPS (Rs)	**21.2**	**14.8**	**12.4**	**13.9**
Adjusted BVPS (Rs)	**195.9**	**158.0**	**173.0**	**182.6**
P/E (x)	**4.1**	**5.8**	**6.9**	**6.2**
P/ABV (x)	**0.4**	**0.5**	**0.5**	**0.5**

Source: Company, Kotak Securities - Private Client Research

RESULT UPDATE

Ritwik Rai
ritwik.rai@kotak.com
+91 22 6218 6426

NESTLE INDIA

PRICE: RS.5710 **RECOMMENDATION: ACCUMULATE**
TARGET PRICE: RS.6000 **CY17E P/E: 38.0x**

Nestle India's 1QCY16 results have come in ahead of estimates, led by a topline surprise. Profit lines have surprised, in addition, on lower overheads, underlining the brand power of MAGGI. We believe the results shall lead to positive revisions in consensus estimates (we are 8% ahead of consensus), and the company has potential to deliver earnings ahead of our estimates in the quarters ahead. We raise our recommendation to ACCUMULATE (SELL earlier), with a revised price target of Rs 6000 (from Rs 4850).

Summary table

(Rs mn)	CY15	CY16E	CY17E
Sales	81,233	103,820	117,714
Growth (%)	-17.2	27.8	13.4
EBITDA	15,613	22,338	25,608
EBITDA margin (%)	19.2	21.5	21.8
PBT	8,136	18,749	22,029
Net profit	5,633	12,318	14,473
EPS (Rs)	58.4	127.8	150.1
Growth (%)	(52.2)	118.7	17.5
CEPS (Rs)	190.9	168.0	193.7
BV (Rs/share)	292.3	338.1	330.7
Dividend/share (Rs)	48.5	86.0	87.0
ROE (%)	34.2	37.8	45.4
ROCE (%)	19.9	36.1	38.6
Net cash (debt)	4,817.7	9,851.0	8,064.7
NW Capital (Days)	(87.4)	(70.7)	(60.0)
P/E (x)	57.1	44.7	38.0
P/BV (x)	19.5	16.9	17.3
EV/Sales (x)	6.7	5.2	4.6
EV/EBITDA (x)	34.9	24.2	21.2

Source: Company, Kotak Securities - Private Client Research

Results Summary

(Rs mn)	1QCY16	1QCY15	% chg y/y	4QFY15	% chg. q/q
Net Sales	**22957**	**25068**	**-8.4%**	**19464**	**17.9%**
- Domestic Sales	21299	23326	-8.7%	17913	18.9%
- Exports	1658	1742	-4.8%	1551	6.9%
Expenses:				0	
Cost of Materials	9654	11105	-13.1%	8691	11.1%
Purchase of Stocks in Trade	289	259	11.8%	230	25.6%
Changes in Inventories	-93	-738	-87.5%	-839	-89.0%
Raw Material Expenses	9851	10626	-7.3%	8082	21.9%
Gross Profit	**13106**	**14442**	**-9.2%**	**11383**	**15.1%**
Gross Margin (%)	57.1	57.6		58.5	
Employee Expenses	2488	2203	12.9%	2556	-2.6%
Other Expenses	5433	6219	-12.6%	5171	5.1%
Provisions for contingencies (ops)	118	86	36.9%	92	28.7%
CSR Expenses	6	20	NA	165	-96.5%
EBITDA	**5062**	**5914**	**-14.4%**	**3400**	**48.9%**
Depreciation and Amortization	891	950		897	
Impairment losses	0	114	NA	0	#DIV/0!
EBIT	**4170**	**4850**	**-14.0%**	**2503**	**66.6%**
Other Operating Income	67	97		130	NM
Net Provisions for contingencies (other)	346	302	14.7%	0	NM
Other Income	349	255	36.8%	273	27.8%
Financial Expenses	38	34	12.6%	-2	NM
PBT before exceptional items	4202	4866		2908	
Exceptional Items	-2	0	NA	247	NM
PBT	**4204**	**4866**	**-13.6%**	**2661**	**58.0%**
Tax Expenses	1614	1663	-2.9%	829	94.7%
PAT	**2590**	**3203**	**-19.1%**	**1832**	**41.4%**

Source: Company reports

Nestle India (Nestle) reported Rs 22.9Bn net sales in 1QCY16 - 8% ahead of estimates. Domestic net sales registered 18% q/q growth (y/y financials not representative, given the issues the company faced on account of ban on MAGGI noodles). Export sales registered 7% q/q growth. Net sales of the company were the key surprise of the quarter, and indicate that the company's noodles sales are gaining strong traction.

The company's earnings release notes that MAGGI has already regained the #1 position in instant noodles sales and has over 50% of market share within five months of re-launch (re-launched in November, 2015). Also, importantly, as the release notes, in a recent survey of India's Brands by TRA in October/ November 2015, MAGGI has emerged as the Most Trusted Brand in the Fast Moving Foods category.

Gross margins came in at 57.1%, modestly lower than our estimates, and a decline of 140 bps q/q.

Employee expenses grew broadly in line with estimates; other expenses of the company registered lower growth than expected. As a result, EBITDA, Rs 5.06Bn, came in 25% ahead of our estimates.

Most line items below the EBITDA line are in line with our estimates. We note that depreciation charges for 1QCY15 included a charge of Rs 81 mn on reassessment of useful life of assets. Other income is higher on account of higher cash. Taxes paid in the quarter have come in well higher than estimates, leading to relatively subdued PAT outperformance.

The company has declared an interim dividend of Rs 12/share.

Outlook and Investment View

The quarter's results indicate that Nestle has been able to ramp up its distribution/ market share rapidly over the past two/ three months. Market share gains suggest that secondary sales of the company have also been strong. We note that MAGGI is yet to relaunch certain variants of its noodles. As such, the quarter grants scope for further sequential growth in the coming quarters.

We further like the fact that the ramp up in sales has come in with relatively modest growth in advertising / promotion in as much as can be judged from the other expenses line, granting credence to the idea that brand MAGGI has held up well despite adverse publicity over the past few quarters.

Over the past few quarters, investor attention has been, in our understanding, focused on : a/ the idea that MAGGI is slow to recover the market share (belief that emerges from lower than expected 4QCY15 revenues) and b/ the belief that the company's advertising / promotion / distribution ramp-up was inadequate in the light of the crisis that the company was facing. The 1QCY16 results, in our opinion, do address some of these concerns.

These results, along with the market share data coming in, indicate that the management is in good control of the situation, and has a strong judgment of the traction that MAGGI would gain over a period of time.

Further, the company has lost volumes in other categories over the past few quarters, likely as a result of weakening distribution post the MAGGI issue. There is scope for gain in market share among these products as well.

Given the underperformance of the company over the past few quarters, consensus estimates have been cut drastically, and are currently factoring in 8% lower EBITDA (Bloomberg consensus estimates prior to results). We expect this earnings release to lead to a revision in consensus estimates. Further, we see an upside to our estimates, as : a/ market share gains in MAGGI are quicker than our estimates factor in, and b/ advertising/ promotion intensity required may be lower than our estimates. As of now, we leave our estimates unchanged.

To take account of the possibility of positive surprises in Nestle earnings, as also considering the fact that Nestle has, over the years, traded at a significant premium to our FMCG universe, we raise our target multiple to 40X CY17E PER (38x CY16E earlier). We thus value the stock at Rs 6000 (revised from Rs 4850, as we roll forward our valuation to CY17E.

We recommend ACCUMULATE on Nestle India with a price target of Rs.6000

We raise our recommendation to **ACCUMULATE,** in light of the positive return expectation, as also our belief that the risks in the stock have diminished, following visibility in MAGGI market share, and anecdotal evidence that the return to normalcy in the instant noodles market would be sharper than we had earlier believed.

Key Risks

Ongoing legal proceedings in the Supreme Court that may have an adverse impact on the company, slow ramp-up in variants, other industry-level risks.

RESULT UPDATE

Sumit Pokharna
sumit.pokharna@kotak.com
+91 22 6218 6438

MANGALORE REFINERY AND PETROCHEMICALS LTD. (MRPL)

PRICE: RS.70 **RECOMMENDATION: ACCUMULATE**
TARGET PRICE: RS.77 **FY17E P/E: 12.1x**

MRPL's result is better than markets and our expectations. In Q4FY16, the company reported a PAT of Rs.13.5 bn, 16% yoy and 354% qoq mainly on account of higher throughput, better GRMs and lower other expenses. MRPL's core operating margin stood at $9.01/bbls in Q4FY16 as compared to $8.56/bbls in Q4FY15. The improvement in GRM is mainly on account of premium products like polypropylene and pet coke production from the newly commissioned phase III secondary units and increase in throughput.

We expect going ahead, the profitability to improve on account of i). Improved product mix, ii). Better refining margins iii). Economies of scale, iv). Forward integration - Polypropylene plant and v). Various tax benefits. At current price of Rs.70, the stock is trading at 12.1x P/E and 1.6x P/B multiples on FY18E earnings. We believe that the stock is fairly valued at 4.7x FY18E EV/EBIDTA, and offer limited upside. Hence, we recommend ACCUMULATE (earlier BUY) rating with a revised price target of Rs.77 (earlier Rs.63), valuing it at 5x FY18E EV/EBIDTA.

Near-term concerns: Due to acute water scarcity, the company has shut down phase-III units of the refinery. The district administration has suspended water supply to MRPL. We believe this will meaningfully impact the crude through put and GRMs of the company. The company is planning to procure fuels from other refineries and marketing it. We believe that procuring fuel from other refineries will partially off-set the impact of shut down but will impact the GRMs. As a result we revise our FY17E earnings downward to Rs. 5.72 (earlier Rs. 8.85).

Summary table

(Rs mn)	FY16E	FY17E	FY18E
Sales	397,507	346,093	484,618
Growth (%)	(30)	(13)	40
EBITDA	17,162	33,145	39,685
EBITDA margin (%)	4.3	9.6	8.2
PBT	3,065	12,703	14,961
Net profit	2,807	8,511	10,024
EPS (Rs)	4.05	4.86	5.72
Growth (%)	NM	20	18
CEPS(Rs)	7.4	11.0	12.2
BV (Rs/share)	33.7	38.6	42.9
DPS (Rs)	-	-	1.1
ROE (%)	12.7	13.4	13.8
ROCE (%)	9.3	11.7	11.9
Net debt/(cash)	(10,495)	91,427	63,683
NW Capital (days)	(146)	(48)	(41)
P/E (x)	17.0	14.2	12.1
P/BV (x)	2.0	1.8	1.6
EV/Sales (x)	0.28	0.61	0.38
EV/EBITDA (x)	6.4	6.4	4.7

Source: Company, Kotak Securities - Private Client Research

Results table

MRPL (Rs.mn)	Q4FY16	Q4FY15	YoY (%)	QoQ (%)
Net Sales/Income from ops	**92,848**	**110,928**	**(16)**	**5**
Incr/(Decr) in stock	(7,258)	(1,396)		
Total Expenditure	70,295	98,759	(29)	(20)
EBIDTA	**15,295**	**10,774**	**42**	**244**
Depreciation	2,449	1,489	64	53
EBIT	**12,846**	**9,285**	**38**	**351**
Other income	2,475	3,816	(35)	49
Interest-net	1,458	1,138	28	(4)
PBT	**13,864**	**11,963**	**16**	**364**
Extra ordinary Exp/(Inc)	77			
Tax	253.5	266.1	(5)	
PAT	**13,534**	**11,697**	**16**	**354**
Equity Capital	17,526	17,526		
EPS (Rs)	**7.7**	**6.7**	**16**	**354**

Source: Company

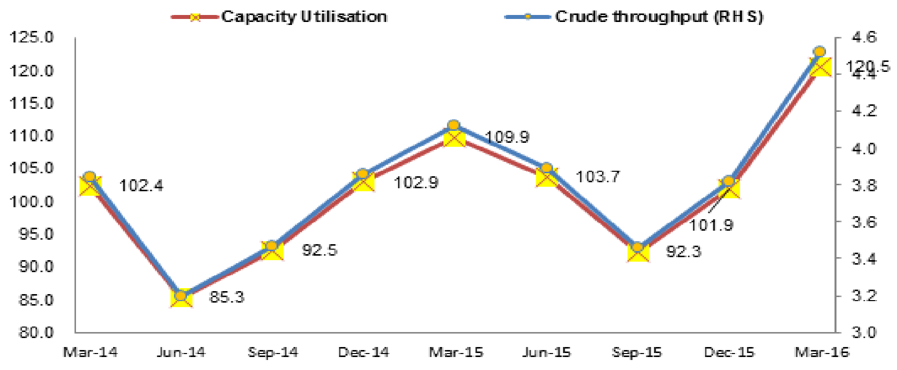
MRPL Q4FY16 results analysis

Crude throughput:

In Q4FY16, MRPL reported throughput of 4.52 mmt, significantly up by 10% yoy and 18% qoq (base effect - planned shutdown in Q3FY16), resulting in sequentially higher capacity utilization (121% in Q4FY16 as against 102% in Q3FY16).

In FY16, the Company reported a crude throughput of 15.69 mmtpa as against 14.65 mmtpa in FY15.

Lower crude throughput resulted in lower capacity utilization



Source: Company

Core GRMs improved:

MRPL's core operating margin stood at $9.01/bbls in Q4FY16 as compared to $8.56/bbl in Q4FY15. The improvement in GRM is mainly on account of products like Polypropylene and Pet Coke generated out of the new Phase III secondary units and increase in throughput of 0.40 MMT. However, reported GRMs stood at $8.24/bbls in Q4FY16 as compared to $6.97/bbls in Q4FY15 and $4.83/bbls in Q3FY16.

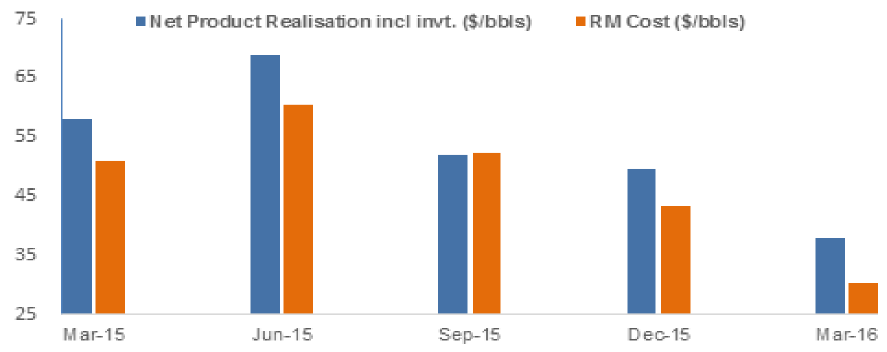
Net revenue growth

In Q4FY16, MRPL has reported net revenue of Rs.92.8 bn, lower 16% yoy but up 5% qoq. Sequential increase in revenues is mainly on account of higher crude throughput and better GRMs. In Q4FY16, average implied realization per unit (calculated on crude through put) stood at $ 38/bbls, down 12% qoq and 34% yoy.

Raw material cost:

In Q4FY16, raw material consumption decreased 16% qoq and 29% yoy to Rs. 68 bn. In per unit terms, MRPL's crude oil price stands at $30/bbls. However, the fall in product prices is lower than raw material cost resulting in higher implied spread.

Chart showing product and raw material price decline



Source: Company

Margin Ratio

(%)	Q4FY16	Q4FY15	YoY (%)	QoQ (%)
EBITDA Margin	16.5	9.7	6.8	11.4
EBIT Margin	13.8	8.4	5.5	10.6
Adj PAT Margin	14.7	10.5	4.1	11.3
Other Income/PBT	17.9	31.9	(14.0)	(37.6)
Tax/PBT	1.8	2.2	(0.4)	1.8
excise/net sales	45.2	18.6	26.6	18.2

Source: Company

Expenses

(Rs. Mn)	Q4FY16	Q4FY15	YoY (%)	QoQ (%)
Raw Material consumption	68,114	96,393	(29)	(16)
Staff costs	884	695	27	28
Forex Loss/(Gain)	143			(91)
Other Exp.	1,154	1,671	(31)	(76)
Total	70,295	98,759	(29)	(20)

Source: Company

Expenses Ratio

	Q4FY16	Q4FY15	YoY (%)	QoQ (%)
Employee to Sales	1.0	0.6	0.4	0.3
RM to VOP	79.6	88.0	(8.4)	(7.8)
Forex Loss to VOP	0.2	-	0.2	(1.6)
Mfg exp. To Sales	1.3	1.5	(0.2)	(3.9)

Source: Company

Staff Cost: In Q4FY16, employee cost increased 28% qoq to Rs.884 mn (+27% yoy). Broadly, MRPL's staff cost is within control.

Forex Loss: In Q4FY16, MRPL has incurred lower forex loss of Rs.143 mn as against Rs.1.6 bn in Q3FY16 mainly due to forex volatility.

Other expenditure: In Q4FY16, MRPL's adjusted other expenditure decreased meaningfully 76% qoq and 31% yoy (base effect) to Rs.1.2 bn. In per unit terms, MRPL's operating cost stands at USD$0.97/bbls, down 67% qoq and 23% yoy.

Operating profit - In Q4FY16, MRPL'sreported operating profit increased 42% yoy and 244% qoq to Rs.15.3 bn on account of reasons mentioned above.

Depreciation cost: In Q4FY16, MRPL reported higher depreciation charge (Rs.2.45 bn, 64% yoy and 53% QoQ) mainly on account of commissioning of new units. The Company has adopted depreciation rate in line with the new schedule II of the Companies Act, 2013.

Finance cost: MRPL's interest cost has decreased to Rs. 1.5 bn, down 4% qoq but up 28% yoy. Gross debt as on 30th March'16 stands at Rs.128 bn as against Rs133 bn as on 31st Mar'15. Lower crude oil price has improved working capital situation and lowered borrowings.

Other income: In Q4FY16, MRPL's other income stands at Rs.2.5 bn increased 49% qoq (due to base effect, 32% qoq decline in Q3FY16) but decline 35% yoy.

Profit before tax (PBT): In Q4FY16, MRPL's PBT increased 16% yoy and 364% qoq to Rs.13.9 bn mainly due to higher crude throughput, better GRMs and lower forex losses.

Income Tax: In Q4FY16, due to previous quarter losses the Company has paid lower income tax.

Bottom line: The Company has reported a net profit of Rs.13.5 bn in Q4FY16, higher by 16% yoy and 355% qoq supported by better GRMs, higher crude throughput, lower interest cost and lower other expenses.

Key Developments

MRPL is venturing into RLNG business: MRPL has signed a memorandum of understanding (MOU) with new Mangalore Port Trust to study the feasibility of setting up an LNG re-gasification terminal at Mangalore. We believe this is at a preliminary stage and will have a long gestation period. However, if materializes then it will help MRPL to lower its refinery operating cost by replacing costlier liquid fuel with cheaper LNG.

New expansion plans in place - Growth is a process: The Company plans to expand crude processing capacity by 40% to 420,000 bopd by end-March 2018. On a conservative basis, we have not considered the same.

Re-commencing retail outlets - MRPL has drawn up plans for opening over 100 retail outlets which will improve its overall margins due to addition of marketing margins.

Marketing initiatives

MRPL sold higher volume domestically there by reducing the dependency on exports. Due to marketing initiatives, the domestic evacuation by way of direct marketing sales during Q4FY16 was 0.57 MMT as against 0.27 MMT in Q4FY15. This increase is mainly on account of products like Polypropylene, Petcoke, Bitumen and Sulphur.

Valuations & Recommendations:

We recommend ACCUMULATE on MRPL with a price target of Rs.77

We expect going ahead, the profitability to improve on account of i). Improved product mix, ii). Better refining margins iii). Economies of scale, iv). Forward integration - Polypropylene plant and v). Various tax benefits. At current price of Rs.70, the stock is trading at 12.1x P/E and 1.6x P/B multiples on FY18E earnings. We believe that the stock is reasonably valued at 4.7x FY18E EV/EBIDTA, and offer limited upside. Hence, we recommend ACCUMULATE (earlier BUY) rating with a revised price target of Rs.77 (earlier Rs.63), valuing it at 5x FY18E EV/ EBIDTA.

Key Risk and Concerns

1). Wide fluctuations in crude, forex and product prices can impact the margins.

2). If global supply exceeds demand then margins can be under pressure.

3). Any delay in executing the project can significantly impact the valuations.

Company back ground

Mangalore Refinery and Petrochemicals Ltd. (Mini-Ratna status) is a pure play crude oil refiner with strong promoter backing of ONGC (India's biggest government owned exploration Company). MRPL has transformed itself into a large and complex refinery with phase-III capacity expansion and has emerged into a much stronger player in the industry.

ECONOMY UPDATE

Jayesh Kumar
kumar.jayesh@kotak.com
+91 22 6218 5373

IIP

Volatile IIP growth surprises again with 0.0% YoY growth in Mar, April CPI at 5.39%

- **Flat IIP in March on high base year number of 2.7% is a negative reading. FY16 (Apr-Mar) IIP growth stands at 2.4% YoY vs 2.8% in FY15. Due to delays in the reporting system and seasonal volatility we beleive 3-MMA is better representative of industrial activities, currently at 0.15%, against 12-MMA IIP growth of 2.5%. Significant increase in Electric machinery (11% growth), was offset by decline in capital goods (15% YoY decline). Primarily Cables/Rubber had a negative contribution of 2.45%; excluding cables, IIP growth would have been at 2.5%.**
- **CPI for April stood at 5.39%, which was beyond expectations, but within RBI's guided range. MoM CPI index rose by 1%, Core CPI is at 4.89% vs 4.66% in Mar. We expect CPI to remain in a range for summer months, before base effect kicks in (October onwards). Barring pulses (34%), spices (9.8%), tobacco (7.9%) and meat (8%) all other items reported 4-6% inflation.**
- **IMD & Skymet forecasts of better monsoon season this year bode well for inflation outlook and revival of rural economy. We would be watching out for the implementation of 7th CPC, which is expected to push inflation higher by 100-150 bps. A significant part of this is through HRA recommendations, which are mostly transient in our view. We expect RBI to look though transient factors in headline inflation. We maintain our call of rate cut by RBI : 25 bps in August policy, after a likely pause in June policy.**

Industrial production reported growth (-1.9%) on m-o-m basis. Economy is yet to recover fully from the earlier lows, though we expect recovery in economic activity from current levels. 3-month moving average in IIP growth rate stands at 0.15%. Past revisions in the IIP growth suggest volatility is still persistent in the series, and one shall look at longer term trend rather than individual data points. However, consistently slower IIP growth is a cause of concern - IIP growth in past 48 months have averaged 1.6% against long term average of 5.5%! Prolonged slowdown in industrial activities have contributed to stress in the banking system as well.

Table 1: Performance of Industrial Production (YoY %)

	Mining		Manufacturing		Electricity		General	
Month	**FY15**	**FY16**	**FY15**	**FY16**	**FY15**	**FY16**	**FY15**	**FY16**
April	1.7%	-0.6%	3.0%	3.9%	11.9%	-0.5%	3.7%	3.0%
May	2.5%	2.1%	5.9%	2.1%	6.7%	6.0%	5.6%	2.5%
June	4.8%	-0.4%	2.9%	5.2%	15.7%	1.2%	4.3%	4.2%
July	0.1%	0.9%	-0.3%	4.6%	11.7%	3.5%	0.9%	4.1%
August	1.2%	4.2%	-1.1%	6.6%	12.9%	5.6%	0.5%	6.3%
September	0.1%	3.5%	2.7%	2.7%	3.9%	11.4%	2.6%	3.7%
October	4.5%	5.3%	-5.6%	10.6%	13.7%	9.0%	-2.7%	9.9%
November	4.0%	1.7%	4.7%	-4.6%	10.0%	0.7%	5.2%	-3.4%
December	-1.7%	2.7%	4.1%	-2.2%	4.8%	3.2%	3.6%	-1.2%
January	-1.8%	1.5%	3.4%	-2.8%	3.3%	6.6%	2.8%	-1.5%
February	1.9%	4.8%	5.2%	0.7%	5.9%	9.6%	4.9%	1.9%
March	1.1%	0.0%	2.8%	-1.3%	2.0%	11.3%	2.5%	0.0%

Source: MOSPI and Kotak Securities - Private Client Research

Mining, Manufacturing and Electricity sectors grew by (-0.1%), (-1.2%) and 11.3%. The cumulative growth in three sectors during FY16 has been 2.2%, 2% and 5.6% respectively. As per Use-based classification, the growth rates are 4% in Basic goods, (-)15.4% in Capital goods and 3.7% in Intermediate goods. The Consumer durables and Consumer non-durables have recorded growth of 8.7% and (-)4.4% respectively, with the overall growth in Consumer goods being 0.4%.

Components of Industrial Production

In terms of industries, tweleve out of the twenty two industry groups in the manufacturing sector have shown positive growth. The industry group 'TV and Communication' has shown the highest positive growth of 36.5%, followed by 19.8% in 'Tobacco products' and 16.9% in 'Wearing apparel.

On the other hand, the industry group 'electrical machinery' has shown the most negative growth of (-)36.2%, followed by (-)15.0% in 'food products and beverages' and (-)9.9% in 'recorded media'.

Table 2: Performance of Use Based Industries (YoY %)

	Basic goods		Capital goods		Intermediate goods		Consumer goods	
Month	**FY15**	**FY16**	**FY15**	**FY16**	**FY15**	**FY16**	**FY15**	**FY16**
April	8.6%	2.6%	13.4%	5.5%	3.0%	2.3%	-4.8%	2.8%
May	7.5%	6.2%	4.2%	3.0%	3.5%	1.2%	4.6%	-2.2%
June	10.2%	5.1%	23.3%	-2.0%	2.6%	1.3%	-8.8%	7.2%
July	7.0%	5.0%	-3.0%	10.6%	2.9%	1.7%	-5.9%	0.9%
August	9.0%	3.5%	-10.0%	21.4%	-0.1%	3.1%	-6.2%	6.0%
September	5.0%	4.2%	12.3%	10.1%	2.0%	1.8%	-4.0%	1.2%
October	9.7%	4.2%	-3.2%	16.5%	-3.4%	6.3%	-18.2%	18.3%
November	9.5%	-0.5%	7.0%	-24.4%	4.7%	-1.5%	-1.6%	1.0%
December	5.9%	0.5%	6.1%	-19.1%	1.1%	1.3%	0.6%	3.0%
January	4.8%	2.1%	12.4%	-20.9%	0.1%	2.8%	-1.9%	0.0%
February	5.3%	5.3%	8.5%	-9.7%	1.1%	5.4%	3.9%	0.7%
March	2.7%	4.0%	8.8%	-15.0%	2.5%	3.6%	-0.4%	0.2%

Source: MOSPI and Kotak Securities - Private Client Research

Some important items showing high positive growth include 'Wood Furniture' (77.0%), 'Leather Garments' (73.0%), 'Mobile Phone and Accessories' (60.2%), 'Tea' (56.2%), 'Transformers' (53.8%), 'Cashew Kernels' (31.3%), 'Scooter and Mopeds' (25.0%), 'Aluminium Conductor' (23.8%) and 'Commercial Vehicles' (22.2%).

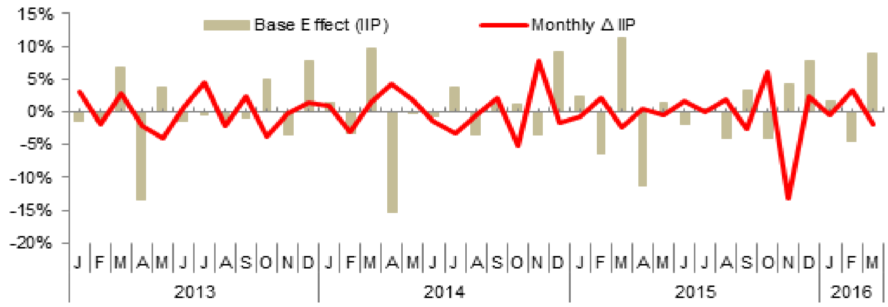
Some important items that have registered high negative growth include 'Cable, Rubber Insulated' (-77.3%), 'Polythene Bags' (-47.5%), 'Cement Machinery' (-46.0%), 'Heat Exchangers' (-39.4%), 'H.R. Sheets' (-35.9%), 'Ship Building and Repairs' (-35.8%), 'Boilers' (-35.5%), 'Lubricating oil' (-31.8%), 'Sugar' (-30.1%), 'Furnace oil' (-27.2%), 'Molasses' (-23.4%), 'Stainless steel' (-21.5%) and 'Woollen Carpets' (-20.6%).

Table 3: Major Contributions in IIP

Item Group	Weights (%)	Contribution
High Positive Contributors		
Electricity	10.32	1.04
Commercial Vehicles	1.93	0.50
Telephone Instruments Including Mobile Phone & Accessories	0.22	0.39
Cement All Kinds	2.41	0.33
Diesel, High Speed	2.11	0.29
High Negative Contributors		
Cable, Rubber Insulated	0.12	-2.44
sugar(including sugar cubes)	1.52	-1.06
Boilers	0.40	-0.38
Stainless/ alloy steel	0.64	-0.36
Plastic Machinery Incl. Moulding Machinery	0.26	-0.18

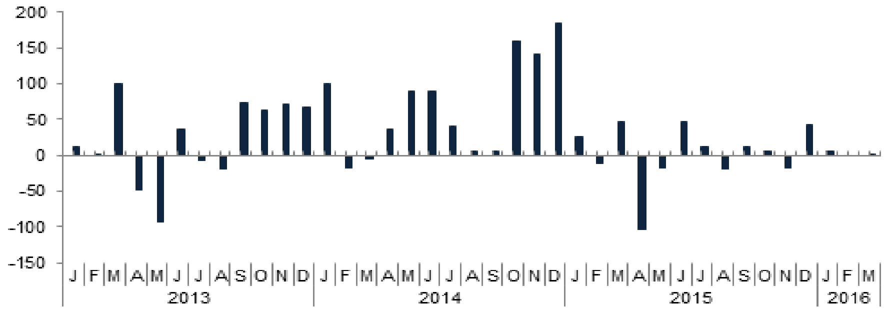
Source: MOSPI and Kotak Securities - Private Client Research

Exhibit 1: Monthly Ä in IIP and Base Effect



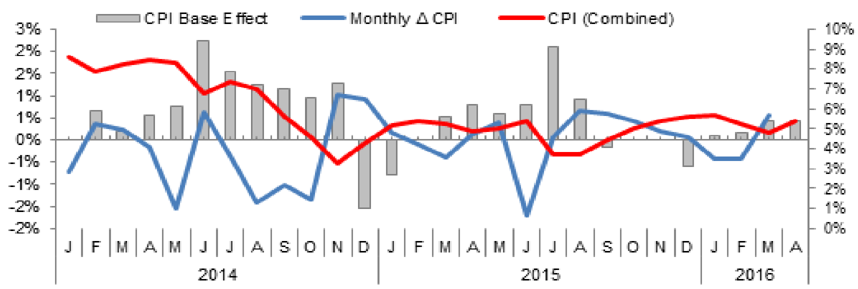
Source: Mospi

Exhibit 2: Magnitude of IIP Revisions (in bps)



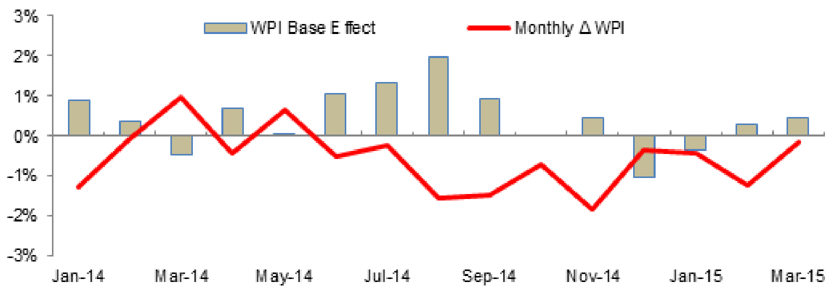
Source: Mospi

Exhibit 3: Monthly Ä in CPI and Base Effect



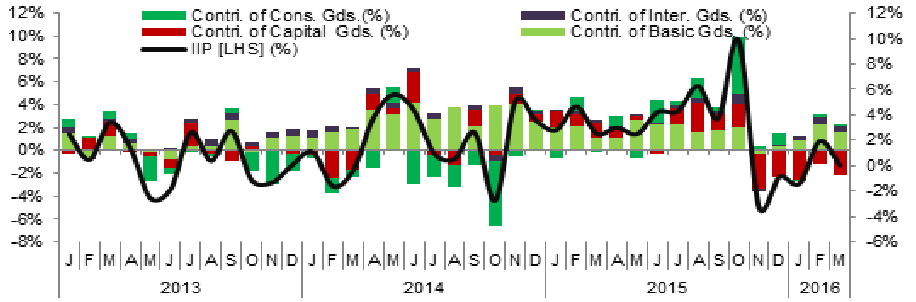
Source: Mospi

Exhibit 4: Monthly Ä in WPI and Base Effect



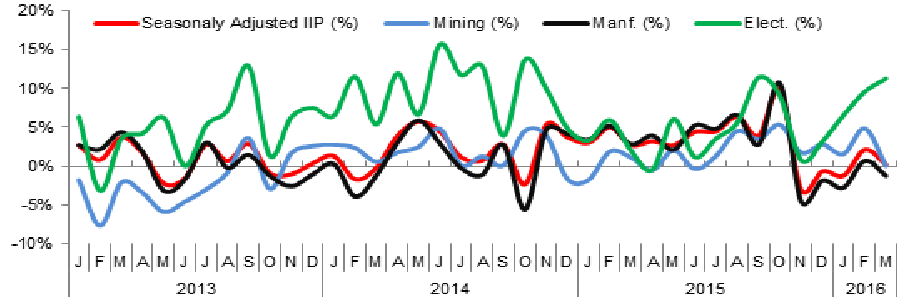
Source: Mospi

Exhibit 5: Contribution to IIP



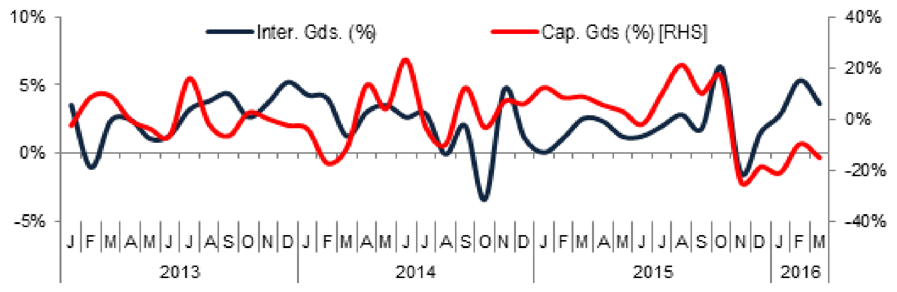
Source: Mospi

Exhibit 6: Sectoral Compenents of IIP



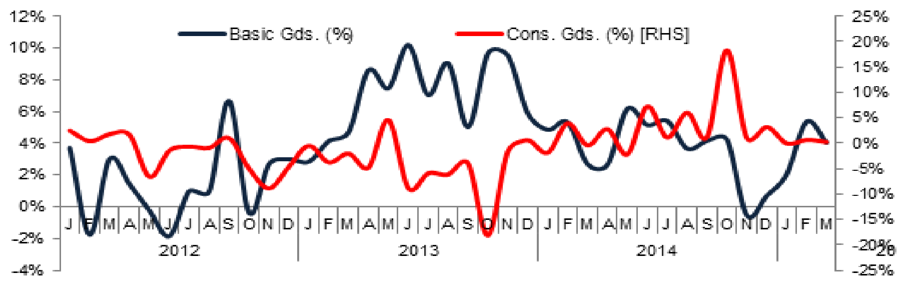
Source: Mospi

Exhibit 7: Use Based IIP Compenents - Cap. Gds. & Inter. Gds.



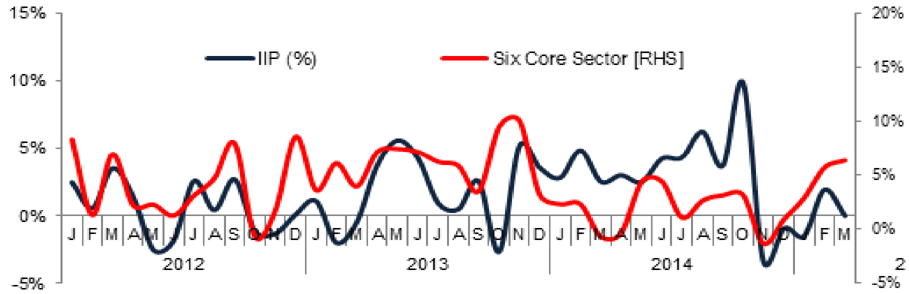
Source: Mospi

Exhibit 8: Use Based Compenents of IIP - Consumer Goods



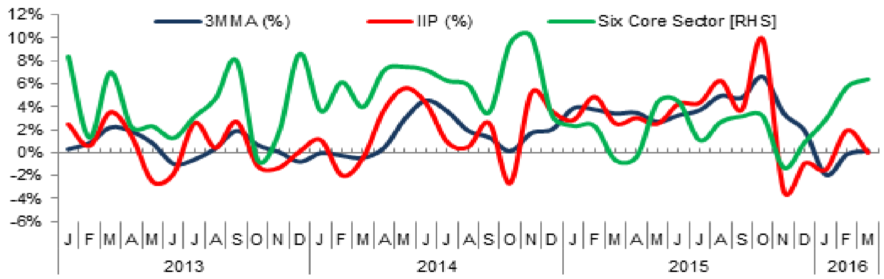
Source: Mospi

Exhibit 9: Core Sector and IIP Growth Rates



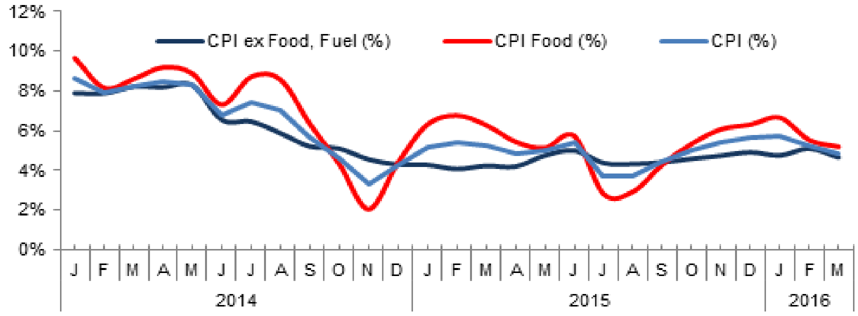
Source: Mospi

Exhibit 10: IIP & Core Secotr Growth Trend



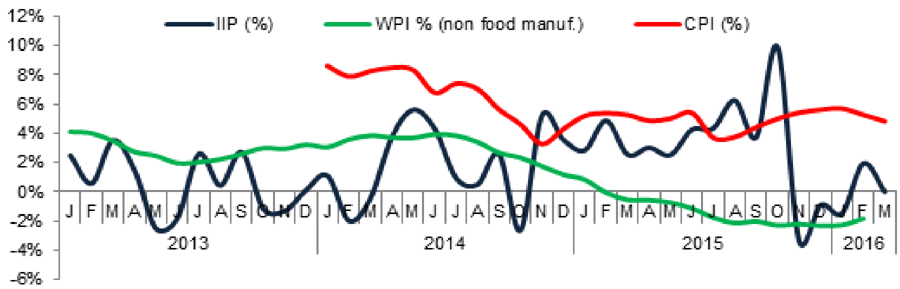
Source: Mospi

Exhibit 11: CPI, Food and ex-Food CPI



Source: Mospi

Exhibit 12: Inflation vs. Growth



Source: Mospi

Bulk deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
12-May	BAJAJHCARE	E Tricks Enterprises Pvt Ltd	B	101,600	172.4
12-May	BAJAJHCARE	Ifl Enterprises Ltd	B	48,000	172.4
12-May	DUNE	Rushabh Shantilal Kubadia	S	26,100	19.2
12-May	DUNE	Pankaj Shantilal Kubadia	S	26,300	19.2
12-May	DUNE	Navalben Gangji Gala	S	26,200	19.2
12-May	DUNE	Gangji Arjan Gala	S	26,400	19.2
12-May	DUNE	Noshir Rustomji Anklesaria	B	200,000	19.3
12-May	DUNE	Saumil A Bhavnagri Huf	S	35,300	19.3
12-May	DUNE	Saumil Arvindbhai Bhavnagari	S	60,000	19.3
12-May	FRANKLIN	Midland Financial Advisory Pvt Ltd	S	144,000	15.0
12-May	GPCL	Guiness Securities Ltd	S	42,000	25.8
12-May	GUJINTRX	Sharad Kanayalal Shah	B	20,010	58.5
12-May	KRISHFAB	S R Venkatesh	S	22,000	31.2
12-May	KRISHFAB	Deepchand Ashokkumar	B	22,000	31.4
12-May	MRSS	Vikram Navalchand Shah	S	30,000	117.5
12-May	NOBPOL	Kalpesh Anilbhai Malvi	S	79,000	5.8
12-May	NUTRICIRCLE	Sri Kakatiya Shelters Pvt Ltd	S	50,750	8.0
12-May	RISHITECH	Harish Kumar Gupta	S	56,585	20.0
12-May	SAUMYACAP	Care Wealth Advisors Pvt Ltd	S	99,000	1.1
12-May	SAUMYACAP	Parikh Arvindkumar Jayant Ilal	B	99,000	1.1
12-May	SPECIAPP	Shriram Credit Company Ltd	S	943,772	0.3
12-May	SUPRBPA	Bharat Bhavsar	S	36,000	33.1
12-May	VIPULDYE	Yogita Manoj Mittal	B	30,000	47.2
12-May	VIPULDYE	Manoj Bishan Mittal	B	32,728	46.0
12-May	VIPULDYE	Skyhorizon Engineering Pvt Ltd	S	89,500	40.0
12-May	VIPULDYE	Kshetra Engineering Pvt Ltd	S	87,401	40.4
12-May	VIPULDYE	Kshetra Engineering Pvt Ltd	S	81,575	41.4
12-May	YOGYA	Kasturchand Jethmal Kochar	B	24,000	4.4
12-May	YOGYA	Indo Jatalia Securities Pvt Ltd	S	32,000	4.3

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
Bosch Ltd	20,925	4.4	NA	0.03
DRL	2,971	3.6	NA	1.7
ICICI Bank	232	3.5	NA	21.8
Losers				
Aurobindo Pharma	801	(2.0)	NA	1.6
Axis Bank	493	(1.1)	NA	13.5
Eicher Motors	19,753	(1.1)	NA	0.1

Source: Bloomberg

Forthcoming events

Company/Market

Date	Event
13 - May	Allahabad Bank, Bank of Baroda, Cadila Healthcare, IL&FS Transporation Networks, Union Bank, The Phoenix Mills earnings expected

Source: Bloomberg

RATING SCALE

Definitions of ratings

BUY	–	We expect the stock to deliver more than 12% returns over the next 9 months
ACCUMULATE	–	We expect the stock to deliver 5% - 12% returns over the next 9 months
REDUCE	–	We expect the stock to deliver 0% - 5% returns over the next 9 months
SELL	–	We expect the stock to deliver negative returns over the next 9 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
RS	–	**Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 9-month perspective. Returns stated in the rating scale are our internal benchmark.

Fundamental Research Team

Dipen Shah
Information Technology
dipen.shah@kotak.com
+91 22 6218 5409

Arun Agarwal
Auto & Auto Ancillary
arun.agarwal@kotak.com
+91 22 6218 6443

Amit Agarwal
Logistics, Transportation
agarwal.amit@kotak.com
+91 22 6218 6439

Nipun Gupta
Information Technology
nipun.gupta@kotak.com
+91 22 6218 6433

Sanjeev Zarbade
Capital Goods, Engineering
sanjeev.zarbade@kotak.com
+91 22 6218 6424

Ruchir Khare
Capital Goods, Engineering
ruchir.khare@kotak.com
+91 22 6218 6431

Meeta Shetty, CFA
Pharmaceuticals
meeta.shetty@kotak.com
+91 22 6218 6425

Jayesh Kumar
Economy
kumar.jayesh@kotak.com
+91 22 6218 5373

Teena Virmani
Construction, Cement
teena.virmani@kotak.com
+91 22 6218 6432

Ritwik Rai
FMCG, Media
ritwik.rai@kotak.com
+91 22 6218 6426

Jatin Damania
Metals & Mining
jatin.damania@kotak.com
+91 22 6218 6440

K. Kathirvelu
Production
k.kathirvelu@kotak.com
+91 22 6218 6427

Saday Sinha
Banking, NBFC, Economy
saday.sinha@kotak.com
+91 22 6218 6437

Sumit Pokharna
Oil and Gas
sumit.pokharna@kotak.com
+91 22 6218 6438

Pankaj Kumar
Midcap
pankajr.kumar@kotak.com
+91 22 6218 6434

Technical Research Team

Shrikant Chouhan
shrikant.chouhan@kotak.com
91 22 6218 5408

Amol Athawale
amol.athawale@kotak.com
+91 20 6620 3350

Derivatives Research Team

Sahaj Agrawal
sahaj.agrawal@kotak.com
+91 79 6607 2231

Rahul Sharma
sharma.rahul@kotak.com
+91 22 6218 5498

Malay Gandhi
malay.gandhi@kotak.com
+91 22 6218 6420

Prashanth Lalu
prashanth.lalu@kotak.com
+91 22 6218 5497

Disclaimer

Kotak Securities Limited established in 1994, is a subsidiary of Kotak Mahindra Bank Limited. Kotak Securities is one of India's largest brokerage and distribution house.

Kotak Securities Limited is a corporate trading and clearing member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), Metropolitan Stock Exchange of India Limited (MSEI). Our businesses include stock broking, services rendered in connection with distribution of primary market issues and financial products like mutual funds and fixed deposits, depository services and Portfolio Management.

Kotak Securities Limited is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Kotak Securities Limited is also registered with Insurance Regulatory and Development Authority as Corporate Agent for Kotak Mahindra Old Mutual Life Insurance Limited and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI). We are registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise letters or levied minor penalty on KSL for certain operational deviations. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

We offer our research services to clients as well as our prospects.

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Kotak Securities Ltd. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither Kotak Securities Limited, nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Equities Research Group of Kotak Securities Limited.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Kotak Securities Limited (KSL) may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. The views provided herein are general in nature and does not consider risk appetite or investment objective of particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with KSL. Kotak Securities Limited is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation. Kotak Securities Limited does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and take professional advice before investing.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

No part of this material may be duplicated in any form and/or redistributed without Kotak Securities' prior written consent.

Details of Associates are available on our website ie www.kotak.com

Research Analyst has served as an officer, director or employee of subject company(ies): No

We or our associates may have received compensation from the subject company(ies) in the past 12 months. We or our associates may have managed or co-managed public offering of securities for the subject company(ies) in the past 12 months. We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates have not received any compensation or other benefits from the subject company(ies) or third party in connection with the research report. Our associates may have financial interest in the subject company(ies).

Research Analyst or his/her relative's financial interest in the subject company(ies): No

Kotak Securities Limited has financial interest in the subject company(ies): Havells India - Yes

Our associates may have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report.

"A graph of daily closing prices of securities is available at www.nseindia.com and http://economictimes.indiatimes.com/markets/stocks/stock-quotes. (Choose a company from the list on the browser and select the "three years" icon in the price chart)."

Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: www.kotak.com. Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No: NSE INB/INF/INE 230808130, BSE INB 010808153/INF 011133230, MSEI INE 260808130/INB 260808135/INF 260808135, AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-NSDL-23-97. Our research should not be considered as an advertisement or advice, professional or otherwise. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing. Investments in securities are subject to market risk; please read the SEBI prescribed Combined Risk Disclosure Document prior to investing. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts. Compliance Officer Details: Mr. Manoj Agarwal. Call: 022 - 4285 6825, or Email: ks.compliance@kotak.com.

In case you require any clarification or have any concern, kindly write to us at below email ids:

- **Level 1**: For Trading related queries, contact our customer service at 'service.securities@kotak.com' and for demat account related queries contact us at ks.demat@kotak.com or call us on: Online Customers - 30305757 (by using your city STD code as a prefix) or Toll free numbers 18002099191 / 1800222299, Offline Customers - 18002099292
- **Level 2:** If you do not receive a satisfactory response at Level 1 within 3 working days, you may write to us at ks.escalation@kotak.com or call us on 022-42858445 and if you feel you are still unheard, write to our customer service HOD at ks.servicehead@kotak.com or call us on 022-42858208.
- **Level 3:** If you still have not received a satisfactory response at Level 2 within 3 working days, you may contact our Compliance Officer (Name: Manoj Agarwal) at ks.compliance@kotak.com or call on 91- (022) 4285 6825.
- **Level 4:** If you have not received a satisfactory response at Level 3 within 7 working days, you may also approach CEO (Mr. Kamlesh Rao) at ceo.ks@kotak.com or call on 91- (022) 6652 9160.