Q4FY19E RESULTS PREVIEW

Sector	Top Pick
Automobile	BAJAJ
Cement	UltraTech CEMENT The Engineer's Choice
IT	Infosys
BFSI	AXIS BANK
Capital Goods & Engineering	GREAVES SINCE 1859
Power	एनटीपीसी NTPC
Real Estate	Sunteck
FMCG	marico

Top Picks

Bajaj Auto

With export market revival and 3 wheeler segment growing rapidly due to permits, we expect the company to outperform the industry in FY20. In the domestic markets the growth is coming through the entry level segments mainly from CT100 and Platina, Bajaj management is confident of gaining market share in this segment as the rural disposable income will increase on back of hike in MSPs. Motorcycle industry is growing at faster rate than scooter industry. With new launches, better product mix, better dollar realization profitability is expected to increase. **We have a Positive view on the stock from longer term perspective.**

Ultratech Cement

With strong improvement in demand scenario leading to ~7% demand growth in FY18 and sustained demand growth in FY19, we believe demand is expected to remain healthy over the next 2-3 years. With cement demand growth rate higher than the industry incremental capacity addition, Ultratech, being a pan-India market leader, is expected to benefit the most from the same. **We have a Positive view on the stock from longer term perspective.**

Infosys

Infosys has seen good growth across geographies and large business segments in the last few quarters. With the digital business growing strongly and increase in large deal wins to over US$ 1.57 bn, Infosys management expects strong demand in the market. Operating margins will be maintained in the range of 22-24%. Infosys also raised its revenue growth guidance to 8.5-9% in CC terms from 6-8% which shows the strong deal pipeline and demand in the system. We believe going forward the stock will narrow its valuation gap with its larger peer TCS. **We have a Positive view on the stock from longer term perspective.**

Axis Bank

Axis Bank has laid out its strategy for the next three financial years that involves focus on growth, profitability and sustainability with a goal to deliver ROE of 18% with focus on wholesale banking, while continuing its momentum in retail. Loan book growth across segments has seen a pickup and bank will continue to reduce its stressed asset portfolio. With change in top management and aggressive focus on profitability, **we believe the stock will be an outperformer in FY20.**

Top Picks

Greaves Cotton

Greaves Cotton enjoys dominant position in the 3-wheeler diesel engine segment with more than 70% market share. With a stable growth in its automotive engine business and impending BSVI compliant CNG engine launch the stock is likely to outperform. Also the company is debt free and have a high dividend yield. **We have a positive view on the stock from a longer term perspective.**

NTPC

With 53,166MW of operating assets, guaranteed regulated RoE and high cash in its books, NTPC comes as a safe bet in volatile market. Also at 1x FY21E P/BV the stock is available below its 10-year average 1-year forward P/BV of ~1.6x. **Its high quality balance sheet and inexpensive valuation makes us positive on the stock.**

Sunteck Realty

Over the past few quarters Sunteck has shown increased traction in its pre-sales volume and also witnessing robust collections. We believe, going forward, Sunteck's robust sales momentum coupled with strong execution of its ongoing projects would help it to register 20.9% revenue CAGR over FY18-21E period, while earnings are expected to report a 23.1% CAGR over the same period on the stock. **We are positive on the stock from longer term perspective.**

Marico

With healthy 7%+ volume growth in Indian business and double digit constant currency growth in its international business, Marico appears to be in a sweet spot. Also with copra down cycle playing tailwind for the company EBITDA margins will be stable at 18%+ with upside trigger. **We are positive on the Indian consumption story and Marico is our top pick in the FMCG sector.**

AUTOMOBILE SECTOR

Automobile Q4FY19E Preview

- **Weak Q4FY19 expected for Auto companies**
  We are expecting a weak quarter for the auto companies mainly due to weak demand environment prevailing in the industry. Our channel check suggests that auto dealers are sitting on reasonably high inventory, as compared to previous 12-month average inventory levels.

- **Huge discounts fail to boost demand slowdown**
  Despite aggressive promotional activities by the auto companies like huge discounts, attractive exchange offers etc. the auto sales numbers failed to pick up as can be seen in the March auto sales number for the auto companies.

- **CV segment leading the slowdown**
  The slowdown in the auto space is more pronounced in the CV space as the latest monthly sales number from Ashok Leyland and Tata Motors suggest. Also the rural distress is being witnessed in the tractor sales number of M&M. The overall weak consumer sentiment is getting reflected in the passenger vehicle sales number of Maruti.

- **Muted growth to continue in near term**
  Going forward we expect the auto companies to report muted growth in their topline and margins will remain under pressure due to reversal in the commodity cycle. The only alternative for the companies will be to increase their efficiency by rationalising their expenditure.

- **Two-wheeler space relatively better – Bajaj Auto showing traction in exports**
  Despite rural slowdown the two-wheeler space is relatively insulated as being depicted by the latest sales numbers from Bajaj Auto, also the export numbers are robust for Bajaj Auto despite the slowdown. The company is our top pick in the sector.

Top Pick: Bajaj Auto

Bajaj Auto – Sales Volume

Q4FY19	Q4FY18	Q3FY19
1,193,590	1,045,378	1,259,828

QoQ Growth	YoY Growth
- 5.3%	+ 14.2%

M&M – Sales Volume (Auto)

Q4FY19	Q4FY18	Q3FY19
174,679	165,251	143,292

QoQ Growth	YoY Growth
+ 21.9%	+ 5.7%

M&M – Sales Volume (Tractors)

Q4FY19	Q4FY18	Q3FY19
60,878	70,635	90,729

QoQ Growth	YoY Growth
- 32.9%	- 13.8%

Ashok Leyland – Sales Volume (M&HCV)

Q4FY19	Q4FY18	Q3FY19
44,019	44,425	29,805

QoQ Growth	YoY Growth
+ 47.7%	- 0.9%

TVS Motors – Sales Volume

Q4FY19	Q4FY18	Q3FY19
907,328	889,133	989,787

QoQ Growth	YoY Growth
- 8.3%	+ 2.0%

Maurti Suzuki – Sales Volume

Q4FY19	Q4FY18	Q3FY19
458,479	461,773	428,643

QoQ Growth	YoY Growth
+ 7.0%	- 0.7%

Tata Motors – Sales Volume (Standalone)

Q4FY19	Q4FY18	Q3FY19
193,015	204,538	171,777

QoQ Growth	YoY Growth
+ 12.4%	- 5.6%

Tata Motors – Sales Volume (JLR)

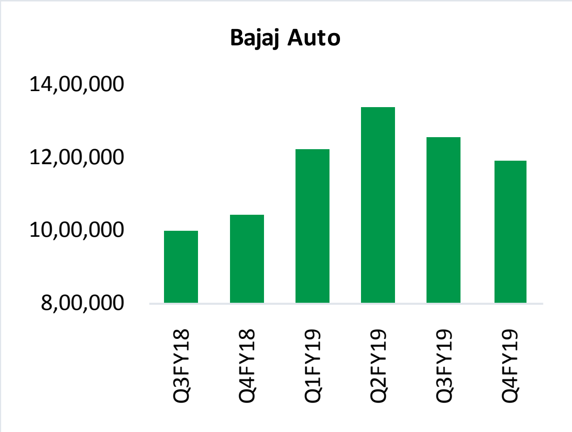
Q4FY19E	Q4FY18	Q3FY19
159,307	182,757	141,552

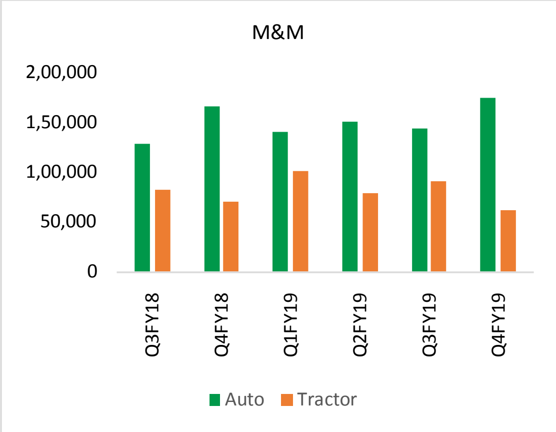
QoQ Growth	YoY Growth
+ 12.5%	- 12.8%

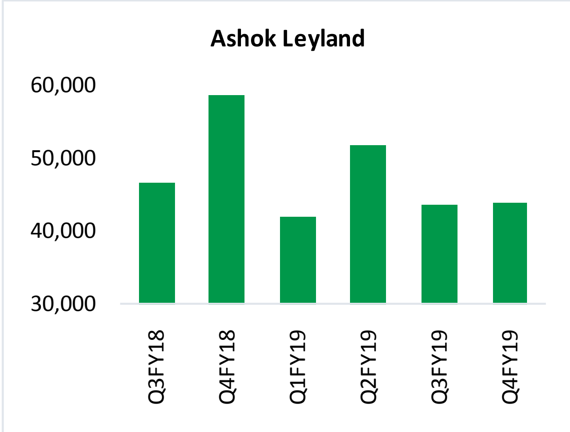
Hero MotoCorp – Sales Volume

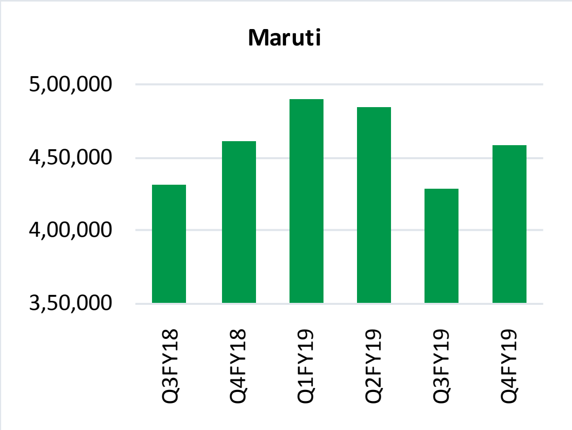
Q4FY19	Q4FY18	Q3FY19
1,781,250	2,001,595	1,798,905

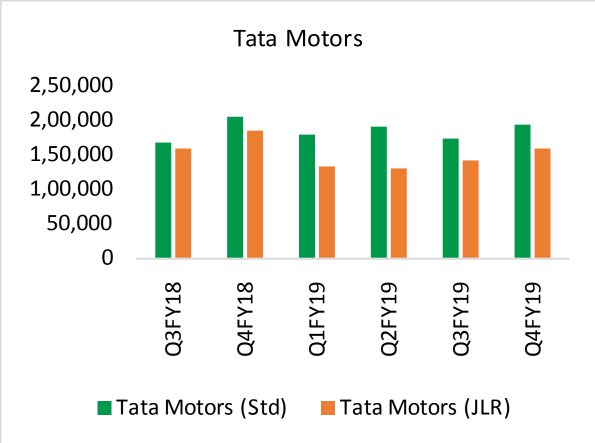
QoQ Growth	YoY Growth
- 1.0%	- 11.0%

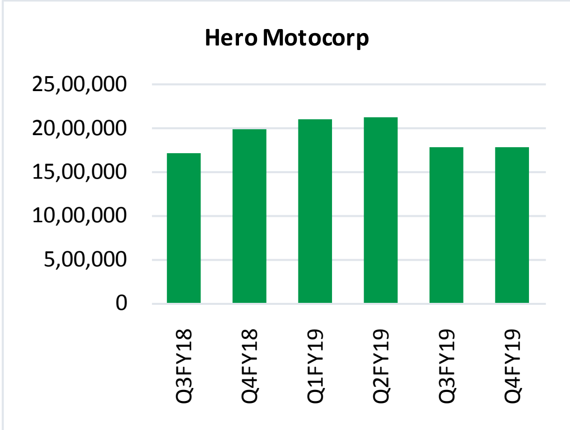












Average Discounts for Q4FY19

Company	**Maruti**						**Tata**				**M&M**				
Model	Alto 800	Alto K10	Celerio	Ignis	Swift	Dzire	Tiago	Tigor	Hexa	Nexon	TUV3OO	KUV1OO	Marazzo	Scorpio	XUV500
Discount (Rs)	44,000	35,000	38,000	21,000	35,000	37,000	15,000	28,000	32,000	25,000	43,000	53,000	7,000	38,000	37,000

Source: Industry, Arihant Research

AUTOMOBILE

Company	Reco Price	CMP	Target Price	Rating	Revenue (Rs Cr)					EBITDA (Rs Cr)					PAT (Rs Cr)				
					Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)
Bajaj-Auto	**2500**	**2943**	**2736**	**Hold**	8358	6651	7243	25.7	15.4	1297	1300	1156	-0.2	12.2	810	1064	1102	-23.9	-26.5
Tata Motors	**150**	**216**	**159**	**Hold**	104141	91279	77001	14.1	35.2	11004	11250	6212	-2.2	77.2	10148	1331	-26823	662.7	-137.8
M&M	**650**	**670**	**703**	**Hold**	13437	13308	13070	1.0	2.8	1509	1754	1517	-14.0	-0.5	503	1059	1077	-52.5	-53.3
Hero MotoCorp	**2807**	**2594**	**3120**	**Hold**	10092	8564	7865	17.8	28.3	1561	1371	1105	13.9	41.3	921	967	769	-4.8	19.8
Ashok Leyland	**79**	**92**	**91**	**Accumulate**	8113	8772	6325	-7.5	28.3	847	1033	649	-18.0	30.5	600	667	385	-10.2	55.7
TVS Motors	**554**	**482**	**525**	**Reduce**	5030	3993	4664	26.0	7.8	466	281	376	65.8	23.9	270	166	178	62.9	51.2
Maruti Suzuki	**6513**	**7186**	**6069**	**Reduce**	22302	20594	18926	8.3	17.8	2488	3015	1931	-17.5	28.8	1590	1882	1489	-15.5	6.8

CEMENT SECTOR

Cement Q4FY19E Preview

- **Stable quarter expected for cement companies**
  We expect cement companies to report a stable quarter. The demand has come back in the system and average capacity utilisation in the country is hovering around 70-75%, a meaningful improvement from the bottom of 60-65% seen two years back. However due to a high base of last year topline numbers for the cement companies will remain flat.

- **Domestic cement demand to grow 8-9%**
  During Jan-Feb 2019 period, cement volumes grew by 9.6%, going forward we expect the domestic cement demand growth to be around 8-9% mainly driven by the diminishing base effect, increased thrust on infrastructure and affordable housing segment by the government.

- **Pricing power coming back to the players**
  In Q4FY19, cement prices on all-India basis increased by Rs7-8/bag on QoQ basis and Rs1/bag on YoY basis. Prices rose in southern region by Rs16/bag QoQ after sharp price hike taken by companies in Feb 2019. In North, West and Central region price rose by Rs1-5/bag QoQ, while in Eastern region, prices declined by Rs1/bag on QoQ basis.

- **Margins to improve on the back of lower input costs**
  Domestic pet-coke prices declined by 3% QoQ in Q3FY19 and 2% QoQ in Q4FY19, with 5% overall decline in H2FY19. Cement companies usually carry 45-60 days of pet-coke inventory, thus this 5% decline in pet-coke prices will start reflecting in the numbers from Q4FY19. Hence we expect the margins to improve in the coming quarters. Also lower freight cost driven by fall in diesel prices will aid margins.

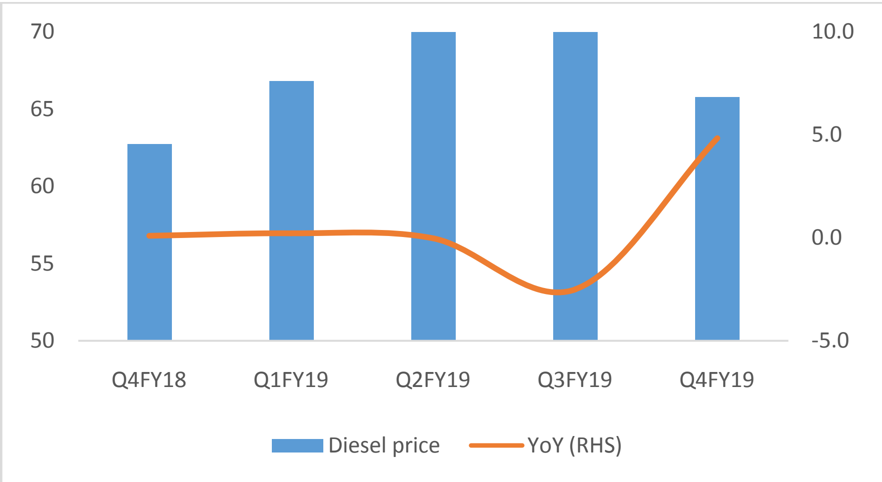
Top Pick: Ultratech Cement

Indian Regional Cement Capacity Projection (2018-21)

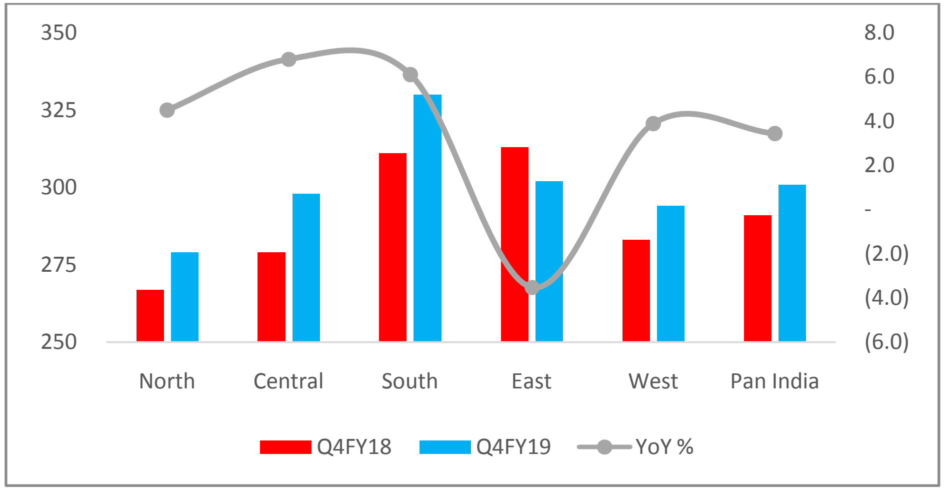
	Capacity in MT			Demand in MT			Supply over Demand	Increase/ (Decrease) in excess capacity by FY21	Utilisation (%)		Top 5 players capacity share (in FY22E)
	FY18	FY21E	% change	FY18	FY21E	% change	FY21E		FY18	FY21E	
South	146	162.7	11%	60.2	72.4	20%	90.3	4.5	50%	55%	47%
West	58.3	63.7	9%	67.0	80.5	20%	-16.9	-8.1	85%	94%	80%
North	90.7	103.8	14%	61.7	74.2	29%	29.6	0.5	78%	82%	83%
Central	51.7	63.2	22%	40.4	50.0	21%	4.4	1.2	85%	81%	77%
East	67.4	83.8	24%	57.7	71.3	24%	12.5	2.8	76%	75%	74%

Source: Bloomberg, Arihant Research

Diesel price trend over the quarters



Region-wise price trend of cement for 50kg bag



CEMENT

Company	Reco Price	CMP	Target Price	Rating	Revenue (Rs Cr)					EBITDA (Rs Cr)					PAT (Rs Cr)				
					Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)
Ultratech Cement	**3511**	**4131**	**3806**	**Hold**	9567	9421	9390	1.6	1.9	1689	1781	1445	-5.2	16.9	617	446	394	38.2	56.6
ACC	**1401**	**1637**	**1601**	**Accumulate**	3941	3625	3896	8.7	1.2	575	492	488	17.0	18.0	303	250	732	21.2	-58.6
Ambuja Cement	**200**	**224**	**216**	**Hold**	2945	2863	2863	2.9	2.9	515	507	404	1.6	27.6	362	272	537	33.3	-32.6
Ramco Cement	**604**	**757**	**692**	**Accumulate**	1337	1255	1210	6.5	10.4	254	272	214	-6.7	18.6	152	109	101	40.0	50.3

*** ACC & Ambuja follow CY (so Q4FY19E for them will be Q1CY19E)**

IT SECTOR

IT Q4FY19E Preview

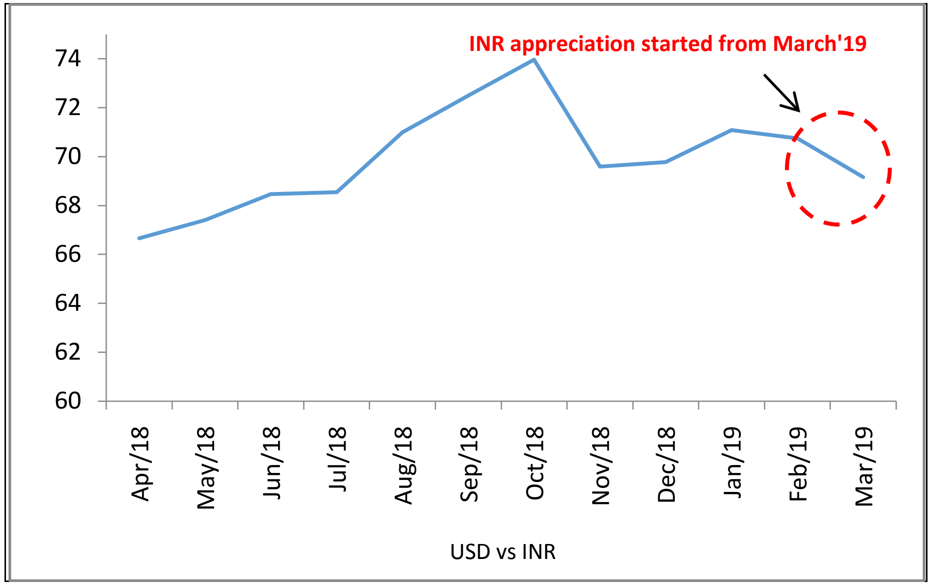
- **Sequential growth of of 1.5-2% expected in constant currency (CC) terms in Q4FY19E**
  IT companies to report a flat quarter in Q4FY19E on the back of approx. 1.5-2% QoQ growth in CC terms. However in rupee terms growth could be better due to rupee depreciation. Rupee started appreciating only from March 2019, so for major portion of Q4FY19, they will get benefit of the currency tailwind.

- **Margin to remain flat due to cross currency pressure**
  On the margin front, due to rising staff costs and currency appreciation (1.7% MoM in March), we expect the margins of IT companies to remain flat on QoQ basis or at best can rise by 10-30 bps.

- **5-7% QoQ growth in PAT expected**
  We expect a moderate 5-7% QoQ growth in PAT in rupee terms for the IT companies due to a high base of Q3FY19 and some cross currency headwind due to ~ 1% swing in closing exchange rate for the quarter.

- **Future guidance & management commentary will provide visibility**
  The key thing to watch out for would be the guidance and commentary given by the large cap IT companies, which will provide visibility for the future. We believe with strong demand environment and robust deal pipeline in the system, the guidance and commentary would be encouraging.

Top Pick: Infosys



IT

Company	Reco Price	CMP	Target Price	Rating	Revenue (Rs Cr)					EBITDA (Rs Cr)					PAT (Rs Cr)				
					Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)
Infosys	**684**	**753**	**800**	**Accumulate**	22109	18083	21400	22.3	3.3	5444	4930	4959	10.4	9.8	3860	3690	3609	4.6	7.0
TCS	**1888**	**2040**	**1995**	**Hold**	35701	32075	37338	11.3	-4.4	9922	8652	10083	14.7	-1.6	8482	6904	8105	22.9	4.7
Birlasoft *	**216**	**99**	**115**	**Hold**	564	NA	564	NA	0.0	57	NA	65	NA	-12.9	31	NA	38	NA	-18.8
Mindtree	**887**	**970**	**1141**	**Buy**	1887	1464	1787	28.9	5.6	327	236	283	38.7	15.3	182	182	191	-0.3	-5.0
NIIT Technologies	**1225**	**1298**	**1570**	**Buy**	1025	789	972	29.9	5.5	162	142	181	14.5	-10.0	96	86	100	11.2	-4.5
Persistent Systems	**564**	**625**	**636**	**Accumulate**	859	753	864	14.2	-0.6	147	111	170	32.3	-13.6	93	74	92	25.7	0.7

* For Birlasoft recommended price was of combined entity of KPIT before demerger

BANKING & NBFC SECTOR

BFSI Q4FY19E Preview

- **Banks to report a healthy Q4FY19 with robust treasury income, improving asset quality and resilient NIMs**
  A healthy Q4FY19 is expected for banks driven by higher credit growth, resilient NIMs, robust treasury income and improved asset quality as we expect slippages to remain under control. RBI data shows that in Q3FY19 credit growth of banks accelerated to 12.9% compared to 10.7% in the same period last year. We expect this trend to continue and expect 20% credit growth for the banks under our coverage, with private banks (~22% YoY) outpacing PSU banks (~13% YoY) for FY19.

- **Healthy treasury gains**
  India's 10-year G-Sec yield softened by 43 bps to 7.37% in Q4FY19 from 7.79% in Q3FY19, which would translate into strong treasury income as well as reversals of MTM provisions for the banks. After the RBI rate cut and subsequent change in MCLR rate, we expect moderate improvement in NIMs of the banks. Thus, with healthy credit growth and improving NIMs, we expect ~19% YoY growth in NII for the banks under our coverage.

- **NBFCs will continue to face challenging times**
  Due to tight liquidity condition in the system, we expect Q4FY19 to remain challenging for the NBFC space. Slew of factors like slower disbursements, rising cost of funds and market share gain by banks at the cost of NBFCs would likely to impact their performance. We expect 25-50 bps rise in cost of funds for the NBFCs, which will keep their margins under pressure in Q4FY19.

- **Subdued auto demand to impact vehicle financing companies**
  In the light of subdued auto demand and weak sales, we expect vehicle financing companies (e.g. Sundaram Finance) to report weak set of numbers.

- **Private banks are preferred picks**
  Amongst banking space we like private banks more than the PSU banking space due to their robust loan book, better asset quality and higher NIMs. In our coverage universe we like Axis Bank, HDFC Bank and Yes Bank.

- **NBFC space we prefer niche players like Manappuram**
  In the NBFC space, we prefer Manappuram Finance due to its positive ALM profile, ability to pass on rate hikes, higher yields (~24%) on its loans and superior asset quality due to lower ticket size and shorter duration of loans.

Top Pick: Axis Bank

BFSI

Company	Reco Price	CMP	Target Price	Rating	Net Interest Income (Rs. in Cr.)					Pre-Provisioning profit (Rs. in Cr.)					Profit after tax (Rs. in Cr.)				
					Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)
BANK																			
Axis Bank	**723**	**761**	**789**	**Hold**	5938	4730	5604	25.5	6.0	5151	3672	5525	40.3	-6.8	1758	-2189	1681	NA	4.6
Bandhan Bank	**454**	**550**	**505**	**Hold**	884	863	1124	NA	-21.4	766	704	901	NA	-14.9	583	388	331	50.4	76.1
Bank of Baroda	**114**	**130**	**122**	**Hold**	3439	4002	4743	-14.1	-27.5	3779	2397	3539	57.6	6.8	1069	-3371	471	NA	126.8
CUB	**191**	**200**	**205**	**Hold**	446	368	418	21.3	6.7	397	294	307	34.9	29.4	151	152	178	-0.9	-15.4
DCB Bank	**181**	**197**	**208**	**Accumulate**	295	264	294	12.0	0.6	198	142	174	39.8	13.9	96	64	86	49.1	11.2
Federal Bank	**89**	**98**	**107**	**Buy**	1475	947	1077	55.7	36.9	834	589	708	41.7	17.8	407	145	334	180.7	22.0
HDFC Bank	**2148**	**2237**	**2315**	**Hold**	12958	10658	12577	21.6	3.0	10919	8836	10778	23.6	1.3	5962	4799	5586	24.2	6.7
IndusInd Bank	**1566**	**1747**	**1720**	**Hold**	2718	2008	2288	35.4	18.8	2663	1769	2117	50.5	25.8	797	953	985	-16.4	-19.1
Karnataka Bank	**119**	**132**	**136**	**Accumulate**	606	542	488	11.9	24.2	482	475	400	1.5	20.5	135	11	140	1126.2	-3.9
Yes Bank	**220**	**268**	**255**	**Accumulate**	2888	2154	2666	34.0	8.3	2992	2135	1990	40.1	50.3	1506	1179	1002	27.7	50.4
NBFCs																			
Manappuram	**97**	**120**	**124**	**Buy**	677	622	727	8.9	-6.9	445	308	377	44.5	18.0	254	182	245	39.3	3.6
Sundaram Finance	**1408**	**1442**	**1613**	**Accumulate**	409	343	389	19.3	5.3	267	209	246	27.4	8.5	154	130	157	18.6	-1.6
PNB Housing Fin	**893**	**862**	**998**	**Accumulate**	538	553	354	-2.8	52.0	398	387	512	2.8	-22.2	194	220	303	-11.9	-35.9

PHARMA SECTOR

Pharma Q4FY19E Preview

- **Muted quarter expected for pharma players**

  We expect the pharma companies to report a muted quarter in Q4FY19E. Companies having domestic focus are likely to report a better top line growth as compared to other pharma companies which draw significant portion of their revenue from the international markets especially US. Due to the volatility seen in the US markets the future growth outlook remains challenging for the pharma companies having large exposure to US markets.

- **Margins to remain stable in Q4FY19E**

  Operating margins of the pharma companies to remain stable with limited scope for expansion due to a high base of previous quarters. Going forward we expect the pharma companies to maintain their margins as there is no major threat from price controls as seen in the past few years.

- **Earnings are likely to see a dip**

  Pharma companies are likely to report a dip in their earnings and we expect a decline in YoY PAT numbers due to high base of last year as well as some cross currency headwinds (rupee appreciation in the month of March 2019).

- **Neutral view on pharma sector despite inexpensive valuation**

  Overall our view is neutral on the pharma pack due to continuing volatility in the US markets from where most pharma companies draw a major portion of their revenues. However the stocks have already corrected steeply in last 6-9 months which have made their valuation attractive.

PHARMA

Company	Reco Price	CMP	Target Price	Rating	Revenue (Rs Cr)					EBITDA (Rs Cr)					PAT (Rs Cr)				
					Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)
Ajanta Pharma	981	1014	1000	Neutral	484	530	485	-8.8	-0.3	117	140	107	-15.8	9.5	78	94	67	-17.2	16.7
Aurobindo Pharma	761	790	782	Neutral	3314	4049	5270	-18.2	-37.1	661	804	1086	-17.8	-39.2	416	529	712	-21.3	-41.6
Sanofi India*	5984	5791	6600	Hold	756	618	726	22.4	4.1	188	134	137	40.1	37.1	115	83	79	38.8	44.4
NATCO Pharma Ltd	635	565	774	Buy	711	768	557	-7.4	27.7	176	383	208	-54.1	-15.6	131	300	159	-56.3	-17.6
Suven Life Sciences Ltd	220	268	280	Buy	180	214	129	-15.9	39.3	103	91	36	12.4	188.2	60	63	25	-3.6	138.9

*** Sanofi follow CY (so Q4FY19E for it will be Q1CY19E)**

CAPITAL GOODS & ENGINEERING SECTOR

Capital Goods & Engineering Q4FY19E Preview

- **Flat quarter expected on YoY basis for capital goods companies, though QoQ growth will be strong due to seasonality**
  We expect a flat quarter in Q4FY19E for the capital goods companies, with modest to flat YoY growth in topline, though on QoQ basis revenue growth will be strong, due to seasonality as Q4 usually remains the best quarter for the capital goods companies.

- **Minor uptick in EBITDA margin due to fall in commodity prices**
  We expect the EBITDA margins to expand by 150-200bps in Q4FY19E compared to last year due to fall in commodity prices, though on QoQ basis margins could remain flat.

- **Decent YoY growth in PAT**
  We expect the capital goods companies to report a decent YoY growth in PAT, aided by stable revenue, improving margins and reduction in interest costs.

- **Low capacity utilisation amidst subdued demand environment**
  Despite company level efficiency in cutting costs and improving margins, the topline growth is not visible due to subdued demand environment in the country which is reflected in lower capacity utilisation level across the industry.

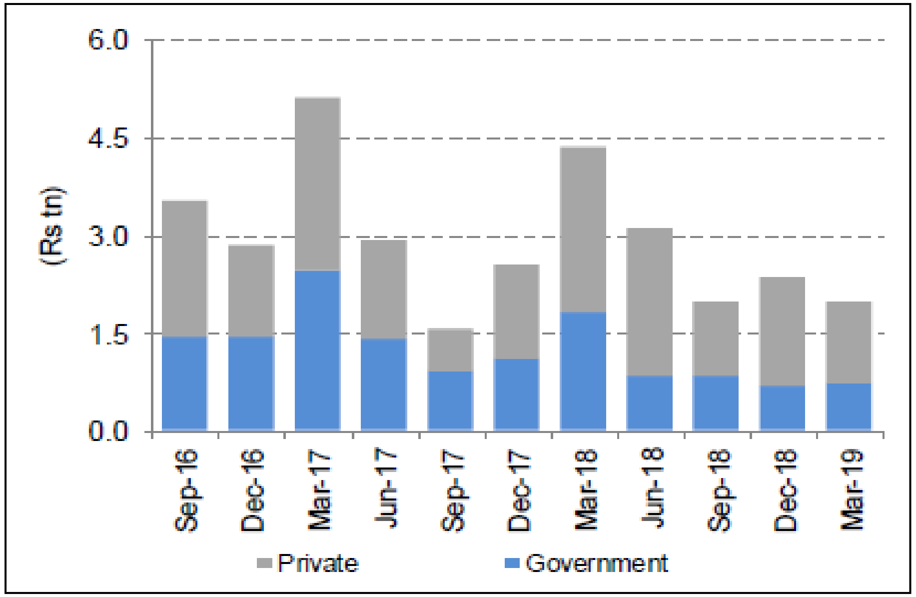
- **H2FY19 order inflow impacted due to election related slowdown**
  Although declared orders grew by ~70% during H1FY19, there was a perceptible decline of ~33% in H2FY19, resulting in flat inflow for the entire fiscal. A large part of the slowdown can be attributed to election related activities, also some of it was due to high base of H2FY18 on account of GST-related skewness.

Top Pick: Greaves Cotton

Quarterly Capex Aggregates

Rs Trillion	June 2018	Sept 2018	Dec 2018	March 2019
New Projects	3.12	2.00	2.39	1.99
Completed Projects	1.33	0.99	1.32	2.00
Stalled Projects	0.37	0.46	3.18	2.67
Revived Projects	0.30	0.50	0.85	0.11
Implementation of stalled projects	0.10	0.59	0.34	1.51

Source: CMIE, Arihant Research



Source: CMIE, Arihant Research

Sector outlook to improve post election

CMIE data suggest that in FY19, completed projects were up **+10% YoY**, (PSU projects **+27% YoY** & private sector projects **-5% YoY**). The strong uptick seen in private projects until 9MFY19 tapered off in in Q4FY19. New projects declined by 60% YoY in Q4FY19 in PSU sector and by 51% YoY in private sector. We believe the slowdown is due to election, once a new government comes both private capex as well as government expenditure will start flowing in.

CAPITAL GOODS & ENGINEERING

Company	Reco Price	CMP	Target Price	Rating	Revenue (Rs Cr)					EBITDA (Rs Cr)					PAT (Rs Cr)				
					Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)
Greaves Cotton	**121**	**151**	**159**	**Buy**	474	486	506	-2.6	-6.5	76	55	71	36.6	7.1	57	43	48	32.0	19.9
Shakti Pumps	**388**	**460**	**497**	**Buy**	158	131	152	21.0	4.1	34	23	10	47.8	256.1	12	10	13	27.2	-3.3
Ador Welding	**338**	**341**	**418**	**Buy**	133	145	134	-8.4	-0.9	12	17	12	-30.4	-2.9	4	9	6	-52.9	-19.9

POWER SECTOR

Power Q4FY19E Preview

- **Sluggish quarter expected for private IPPs – PSUs to drive sector earnings**

  We expect a sluggish quarter for the power companies with a flat YoY growth in revenues. Though we do not have coverage on private IPPs, but we acknowledge the fact that at present most listed private IPPs are facing severe financial stress and we expect a meaningful revival in their earnings only with seamless implementation of policy support on PPA and coal supply, which remains elusive as situation stands now.

- **NTPC to report decent earnings in Q4FY19**

  With bleak earnings outlook in near term for the private IPPs, the earnings are mainly driven by PSU players (e.g. NTPC) which have an edge over their private peers, as the PSU players operate on an assured RoE models. Also benefitting the PSUs are factors like stability in CERC's tariff norms with no change in RoE for the next tariff period of 2019-24.

- **Expected improvement in power demand going forward**

  If we look into the demand scenario, then YTD, peak power demand is up 7.9% YoY, with nearly 45% of this incremental demand coming from the states of Maharashtra, Orissa, Punjab, West Bengal, Haryana, Bihar and Telangana, where power cuts have been rampant. Also some moderate growth in demand is coming from the industrial sector. We believe all these factors will help to drive demand for power going forward.

Top Pick: NTPC

POWER

Company	Reco Price	CMP	Target Price	Rating	Revenue (Rs Cr)					EBITDA (Rs Cr)					PAT (Rs Cr)				
					Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)
NTPC	**115**	**135**	**146**	**Buy**	23353	23100	24120	1.1	-3.2	6889	5910	6270	16.6	9.9	3061	2926	2385	4.6	28.3

REAL ESTATE SECTOR

Real Estate Q4FY19E Preview

- **Strong YoY revenue growth expected**

  We are expecting a strong quarter for the real estate companies under our coverage. With robust pre-sales numbers alongwith improving collection figures, both our coverage companies (Sunteck & Oberoi) would report strong YoY growth of more than 70% in Q4FY19E.

- **Organised players to capitalise on the prevailing liquidity crunch**

  Both Sunteck and Oberoi enjoy strong brand equity in their respective micro-markets, so both of these companies are well equipped to capitalise on the ongoing liquidity crunch plaguing most of the unorganised realty players.

- **Some contraction seen in margins in Q4FY19**

  On the margin front we expect some contraction for both Sunteck and Oberoi due to rise in sub-contracting costs as well as rising construction cost on account of revival in commodity prices. On an average we expect EBITDA margins to contract by 1000-1500 bps YoY for both these companies owing to a high base and benign commodity prices last year. Though on QoQ basis margin contraction would be limited to 200-300 bps.

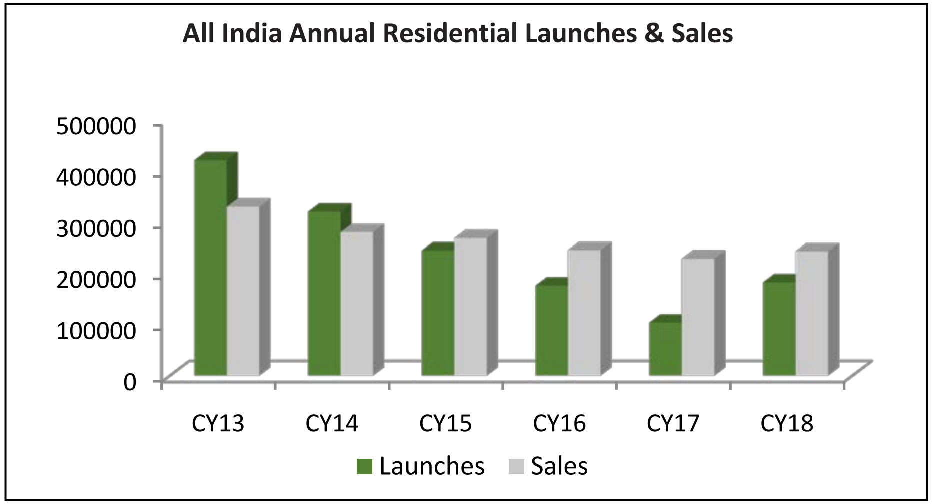
- **Margins to stabilise in subsequent quarters**

  Going forward we expect EBITDA margins of these companies to remain stable in subsequent few quarters, owing to their economies of scale and overall range-bound commodity prices.

- **Decent YoY growth in earnings expected in Q4FY19**

  Both the companies would report decent YoY growth in their earnings, with Sunteck being an outlier due to robust performance from their new project in Naigaon. Compared to Sunteck earnings of Oberoi would be modest due to high base of last year.

Top Pick: Sunteck Realty



Source: Knight Frank, Arihant Research

- As can be seen from the chart, the YoY growth in supply and sales during CY18 is especially exceptional considering that this is the first year that saw any YoY growth in both sales and supply during this decade.
- While this is the first time that sales have increased YoY in any year during this decade, volumes are still a far cry from 2011 highs. However Mumbai residential market experienced the largest sales volume among all the cities.
- With the operating environment being more transparent due to the above regulatory changes, Mumbai focussed organised players like Sunteck and Oberoi will be key beneficiary which would help the company to gain market share which in turn will drive sales momentum.

Real estate sector to outperform in next 2 years owing to government's affordable push and GST cut

Overall going forward we expect the real estate sector to report decent earnings in the coming few quarters on the back of government's push on affordable housing and the recent GST cut, which would help to revive the sales momentum and will help to clear the piling inventory in the system.

REAL ESTATE

Company	Reco Price	CMP	Target Price	Rating	Revenue (Rs Cr)					EBITDA (Rs Cr)					PAT (Rs Cr)				
					Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)
Sunteck Realty	**330**	**488**	**434**	**Buy**	362	207	195	75.3	86.0	127	107	81	18.5	56.3	83	62	44	34.0	88.1
Oberoi Realty	**478**	**565**	**634**	**Buy**	604	345	529	75.0	14.2	194	183	188	5.9	3.3	151	143	138	5.8	9.6

FMCG SECTOR

FMCG Q4FY19E Preview

- **Stable quarter expected for FMCG sector**

  We are expecting a stable quarter for the FMCG companies in Q4FY19E. The volume growth for the FMCG companies would be decent in the range of 7-8% in Q4FY19, which would aid their revenue growth for the quarter.

- **Tailwind of depressed copra prices to benefit Marico**

  We are especially positive on Marico, as the company would continue to enjoy the tailwind of depressed copra prices in Q4FY19. The down-cycle of copra prices is likely to last another good 9-12 months which would continue to boost the profitability of Marico in the subsequent 2-3 quarters.

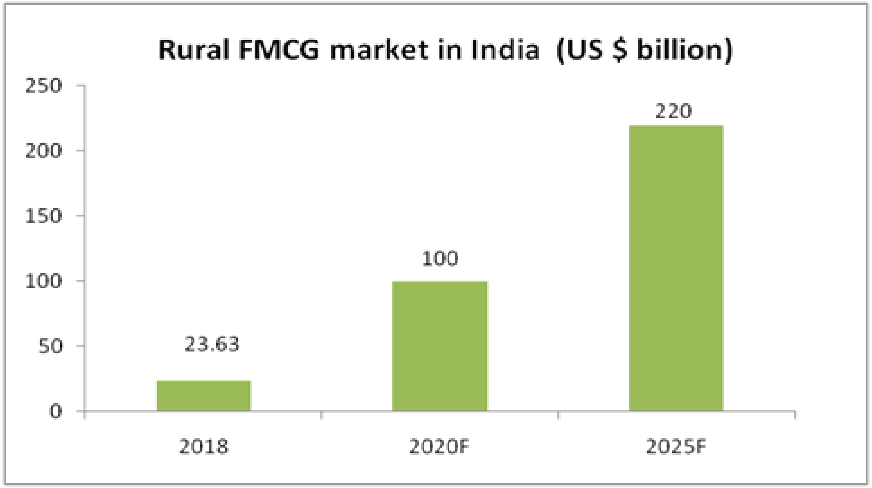
- **Margins to remain stable on YoY basis, but can decline on QoQ basis due to a high base**

  EBITDA margins for the FMCG players would likely to remain stable or might improve marginally by 30-50 bps YoY. However due to a robust Q3FY19 for FMCG players margins on QoQ basis might face some decline.

- **Earnings to see decent growth**

  The FMCG players will continue to report stable PAT numbers for Q4FY19 on the back of decent top line growth and stable margins. However due to rupee appreciation in the month of March, international operations for the FMCG players might face some cross currency headwinds. Also with continued slowdown in the GCC countries overseas revenues will remain under pressure.

Top Pick: Marico



Source: IBEF, Arihant Research

- The FMCG sector offers attractive opportunities for the incumbent players as low penetration levels in rural market offers room for growth. Rural FMCG market in India is expected to grow to US$ 100bn by 2020 and further to US$ 220 bn by 2025 from US$ 23.6 bn in FY18.

- The rural demand is also getting tailwind from other key variables like rise in disposable income. Disposable income in rural India has increased due to the direct cash transfer scheme, which augurs well for the FMCG companies.

- Also, E-commerce companies like Amazon are strengthening their business in FMCG sector, by positioning their platform pantry as front line offering to drive daily products sales. All these will drive the rural growth further for the FMCG companies.

Bright future outlook for the FMCG players as we are bullish on Indian consumption story

Going forward we expect the outlook to remain bright for the FMCG players as consumption still remain the big story for the Indian market. Also with this year being the election year, government had already given some extra sops in this year's budget to increase the disposable income in the hands of the consumers, which in turn would continue to boost the consumption in the country.

FMCG

Company	Reco Price	CMP	Target Price	Rating	Revenue (Rs Cr)					EBITDA (Rs Cr)					PAT (Rs Cr)				
					Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)
Dabur India	**420**	**403**	**491**	**Accumulate**	2229	2033	2199	9.6	1.3	456	485	445	-6.0	2.4	404	396	366	2.0	10.4
Marico	**365**	**359**	**464**	**Buy**	1649	1480	1861	11.4	-11.4	294	252	349	16.4	-15.8	201	181	256	11.5	-21.4

MEDIA SECTOR

Media Q4FY19E Preview

- **Robust YoY growth expected in revenue for Shemaroo, though QoQ growth could remain flat**

  In Q4FY19E we expect 27% YoY growth in revenue for the media company under our coverage (Shemaroo Entertainment) on the back of its continued higher share in traditional media. However on margin front the company is likely to face some pressure due to higher staff costs which might dent margin slightly.

- **Moderate de-growth expected in earnings for Shemaroo**

  On the earnings front we expect moderate de-growth in Q4FY19E. Going forward we expect revenue mix to be 50:50 for traditional and digital media as Shemaroo management's long term goal is to balance its traditional and digital media share both equally. We are positive on the stock and expect 20% growth in its revenue in FY19 and FY20E.

MEDIA

Company	Reco Price	CMP	Target Price	Rating	Revenue (Rs Cr)					EBITDA (Rs Cr)					PAT (Rs Cr)				
					Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)
Shemaroo Ent.	369	400	430	Accumulate	150	118	149	27.0	0.9	35	37	35	-4.2	-0.3	17	18	19	-7.2	-11.9

DIVERSIFIED

Company	Reco Price	CMP	Target Price	Rating	Revenue (Rs Cr)					EBITDA (Rs Cr)					PAT (Rs Cr)				
					Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)	Q4FY19E	Q4FY18A	Q3FY19A	YoY (%)	QoQ (%)
Grasim Industries	721	847	818	Accumulate	5124	4606	5293	11.3	-3.2	932	845	1053	10.3	-11.5	540	373	608	44.8	-11.1

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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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