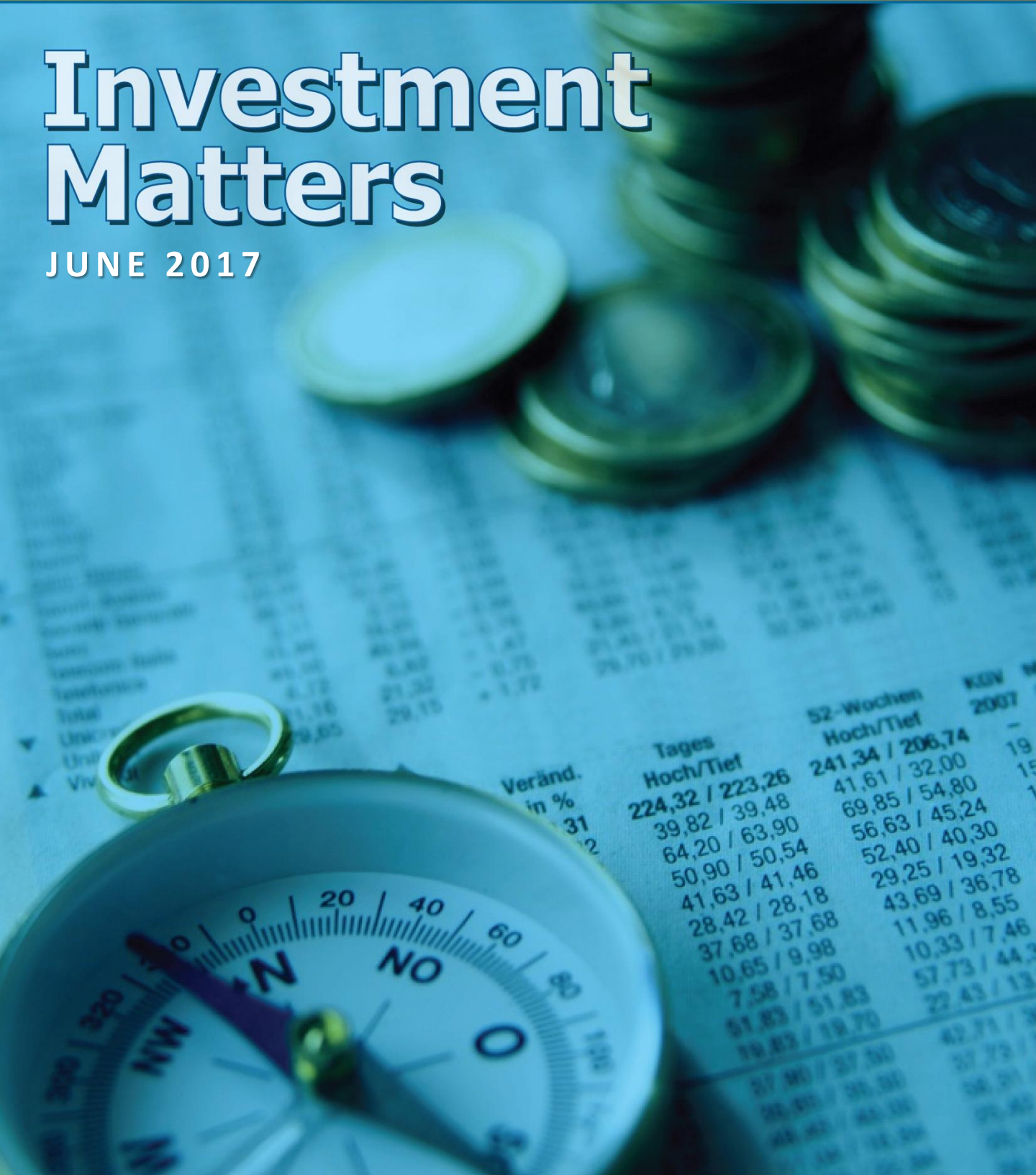


Investment Matters

JUNE 2017



EQUITY OUTLOOK

Q4FY17 earnings season ended on a strong note, with headline Nifty earnings growing by 15% - highest in over 10-12 quarters. However, a large part of growth in earnings was on account of global commodity businesses, including oil & gas. Nifty earnings growth, excluding Oil & Gas and Financials, was a much lower 2.5%. The highlight of the quarter, in my opinion, is the fact that sales growth has once again come back to healthy double digits (excluding Oil & Gas and Financials). Our investee companies had another strong quarter of performance, with most businesses delivering 20%+ profit growth – a few standouts like Bajaj Finance, Sundram Fastners, Kalpataru Power, Qess Corp continue to deliver strong earnings. On the other hand, a few names, as expected, delivered a weak performance for the quarter, such as TV18, Greaves Cotton, Bajaj Auto, Ultratech Cement.

A gist of quarterly performance is given below. It is worth noting that we are optimistic of much improved performance for some of the companies that have not delivered growth during the current quarter, such as –

ACC – Expect volume growth of 5-8% for the next few years with realisation improvement of 4-5% per annum, leading to healthy 20%+ profit growth

Bajaj Auto – Expect volume growth of 10% with some improvement in margins, leading to 15%+ profit growth.

BASF – Company has recently commissioned a large capacity and is facing teething troubles on quality of produce. We expect the management to take care of these initial issues and profit growth of 30%+ over the next few years.

Greaves Cotton – Bharat Stage IV norms for engines have been implemented from April 2017 – company has taken a 8-10% price increase along with improvement in volume growth, starting April 2017. This will lead to high sales growth along with improvement in margins. Also, the start of 3rd party branded spare parts business is likely to scale up over the next few years.

TV18 Broadcast – FY17 was a year of new channel launches, leading to muted profitability. FY18 and beyond would be a period of exploiting these channels, leading to much higher profitability.

EQUITY OUTLOOK

| Name | No of shares Mn | CMP Rs. | Market Cap Rs. Mn | Sales | | | EBIDTA | | | PAT | | | EPS | | |
|-------------------|--------------------|------------|----------------------|--------|--------|-------|--------|--------|-------|--------|--------|-------|--------|--------|-------|
| | | | | Q4FY17 | Q4FY16 | % chg | Q4FY17 | Q4FY16 | % chg | Q4FY17 | Q4FY16 | % chg | Q4FY17 | Q4FY16 | % chg |
| ACC * | 188 | 1500 | 281700 | 30997 | 28727 | 8% | 3418 | 3775 | -9% | 2115 | 2347 | -10% | 11.3 | 12.5 | -10% |
| Bajaj Auto | 289 | 2850 | 823650 | 48973 | 53595 | -9% | 9060 | 11534 | -21% | 8018 | 9493 | -16% | 27.7 | 32.8 | -16% |
| Bajaj Finance | 545 | 1300 | 709020 | 26650 | 19162 | 39% | - | - | - | 4492 | 3150 | 43% | 8.2 | 5.8 | 43% |
| Bajaj Finserv | 159 | 4100 | 652474 | 70434 | 63118 | 12% | - | - | - | 5349 | 5180 | 3% | 33.6 | 32.5 | 3% |
| BASF | 43 | 1320 | 57156 | 12753 | 11521 | 11% | 1217 | 1194 | 2% | 426 | 788 | -46% | 9.8 | 18.2 | -46% |
| BEML | 42 | 1250 | 52213 | 13160 | 11240 | 17% | 1996 | 1745 | 14% | 1864 | 1467 | 27% | 44.6 | 35.1 | 27% |
| Concor | 244 | 1200 | 292800 | 15579 | 15952 | -2% | 4950 | 4661 | 6% | 3357 | 3061 | 10% | 13.8 | 12.5 | 10% |
| Escorts | 123 | 700 | 86100 | 10223 | 8881 | 15% | 744 | 388 | 92% | 444 | 296 | 50% | 3.6 | 2.4 | 50% |
| Federal Bank | 1723 | 110 | 189530 | 25981 | 22629 | 15% | - | - | - | 2566 | 103 | 2391% | 1.5 | 0.1 | 2391% |
| Grasim Industries | 467 | 1100 | 513480 | 99954 | 94546 | 6% | 18732 | 19373 | -3% | 7746 | 8136 | -5% | 16.6 | 17.4 | -5% |
| Greaves Cotton | 244 | 150 | 36630 | 4350 | 4520 | -4% | 533 | 625 | -15% | 404 | 461 | -12% | 1.7 | 1.9 | -12% |
| GSFC | 399 | 125 | 49813 | 16067 | 17016 | -6% | 1149 | 741 | 55% | 1870 | 326 | 474% | 4.7 | 0.8 | 474% |
| Gujarat Gas | 138 | 750 | 103500 | 14002 | 13781 | 2% | 1463 | 2213 | -34% | 331 | 581 | -43% | 2.4 | 4.2 | -43% |
| HDFC Bank | 2553 | 1600 | 4084800 | 215607 | 188626 | 14% | - | - | - | 39901 | 33742 | 18% | 15.6 | 13.2 | 18% |
| Honda Siel Power | 10 | 1350 | 13689 | 1982 | 1940 | 2% | 217 | 293 | -26% | 131 | 154 | -14% | 13 | 15.1 | -14% |
| Info Edge | 121 | 900 | 108990 | 2084 | 1930 | 8% | 632 | 465 | 36% | 360 | 389 | -7% | 3 | 3.2 | -7% |
| ITC | 12147 | 320 | 3887040 | 111255 | 97567 | 14% | 38754 | 36051 | 7% | 26695 | 23807 | 12% | 2.2 | 2 | 12% |
| ITD Cementation * | 155 | 175 | 27153 | 5234 | 9732 | -46% | 761 | 825 | -8% | 153 | 219 | -30% | 1 | 1.4 | -30% |
| Jain Irrigation | 516 | 95 | 49020 | 22405 | 20521 | 9% | 3541 | 3366 | 5% | 776 | 626 | 24% | 1.5 | 1.2 | 24% |
| Jubilant Life | 159 | 720 | 114696 | 15982 | 14848 | 8% | 3155 | 2952 | 7% | 1501 | 113 | 1228% | 9.4 | 0.7 | 1228% |
| Kalpataru Power | 153 | 350 | 53550 | 6904 | 6517 | 6% | 585 | 540 | 8% | 179 | 116 | 54% | 1.2 | 0.8 | 54% |
| L&T Tech Services | 102 | 750 | 76275 | 8123 | 8014 | 1% | 1338 | 1454 | -8% | 965 | 1091 | -12% | 9.5 | 10.7 | -12% |
| Mahindra CIE * | 378 | 250 | 94525 | 15781 | 13341 | 18% | 1899 | 1427 | 33% | 801 | 538 | 49% | 2.1 | 1.4 | 49% |
| Maruti Suzuki | 302 | 7100 | 2144200 | 183334 | 152438 | 20% | 25607 | 23293 | 10% | 17090 | 14762 | 16% | 56.6 | 48.9 | 16% |
| OFSS | 85 | 3600 | 304920 | 10518 | 10130 | 4% | 3763 | 3636 | 4% | 2280 | 2244 | 2% | 26.9 | 26.5 | 2% |
| PTC India Finance | 662 | 45 | 29790 | 4316 | 2700 | 60% | - | - | - | 1098 | 490 | 124% | 1.7 | 0.7 | 124% |
| Quess Corp | 127 | 840 | 106680 | 11221 | 9965 | 13% | 586 | 401 | 46% | 277 | 276 | 0% | 2.2 | 2.2 | 0% |
| Ramco Cements | 238 | 700 | 166600 | 10132 | 9616 | 5% | 2396 | 3104 | -23% | 1326 | 1802 | -26% | 5.6 | 7.6 | -26% |
| Sundram Clayton | 20 | 4100 | 82984 | 3853 | 3851 | 0% | 349 | 353 | -1% | 384 | 873 | -56% | 19 | 43.1 | -56% |
| Sundram Fastners | 210 | 380 | 79800 | 7751 | 6948 | 12% | 1430 | 1041 | 37% | 877 | 872 | 1% | 4.2 | 4.2 | 1% |
| Syngene | 200 | 500 | 100000 | 2913 | 3315 | -12% | 1004 | 1174 | -14% | 784 | 791 | -1% | 3.9 | 4 | -1% |
| Titan Co | 888 | 490 | 435022 | 34297 | 23915 | 43% | 2721 | 2088 | 30% | 1264 | 1390 | -9% | 1.4 | 1.6 | -9% |
| TV18 Broadcast | 1714 | 35 | 60004 | 2789 | 3016 | -8% | 264 | 856 | -69% | 84 | 913 | -91% | 0 | 0.5 | -91% |
| Ultratech Cement | 275 | 4200 | 1152900 | 65953 | 64023 | 3% | 12782 | 13770 | -7% | 6883 | 7808 | -12% | 25.1 | 28.4 | -12% |
| Varun Beverages * | 182 | 480 | 87504 | 2477 | 2979 | -17% | -129 | 70 | -284% | -688 | -538 | 28% | -3.8 | -3 | 28% |

* Implies CY End i.e CY16 for FY17 and Q1CY17 for Q4FY17

* No EBIDTA for the Finance Companies .

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