

19 October 2015

India Morning Bell



All the latest research and data

Sensex: 27215

Nifty: 8238

India Consumer - Home advantage. Our in-depth study of FMCG companies in India shows that domestic firms have outpaced many MNCs in growth and market cap. Domestic FMCG companies have, over the years, grown from single-product companies to multi-product, multi-category firms. Their margins and return ratios have improved. They have used steady cash-flows to invest in products and distribution to drive growth. *Ajay Thakur, ajaythakur@rathi.com* ▶

TTK Prestige - Huge spike in Q2 sales; valuation expensive; Sell. TTK Prestige's Q2 revenue growth came at 10.2% yoy, to ₹4.2bn. The EBITDA margin rose 41bps yoy, to 12.5%, aided by a better product mix and utilisation. PAT grew 21.7% yoy, to ₹340m. TTK is going aggressive in e-commerce and is focusing on a better product mix. *Girish Solanki, girishsolanki@rathi.com* ▶

Conference Call - Agro Tech Foods today, at 2:00 pm IST.

India Research Team

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Markets

	16 Oct '15	1 Day	YTD
Sensex	27215	0.8%	-1.0%
Nifty	8238	0.7%	-0.5%
Dow Jones	17216	0.4%	-3.4%
S & P 500	2033	0.5%	-1.3%
FTSE	6378	0.6%	-2.9%
Nikkei*	18099	-1.1%	3.7%
Hang Seng*	23007	-0.3%	-2.5%

Volumes (\$m)

	16 Oct '15	1 Day	Avg '15
Cash BSE	421	-4.3%	517
Cash NSE	2,372	-3.3%	2,798
Derivatives (NSE)	32,832	0.0%	41,129

Flows (\$m)

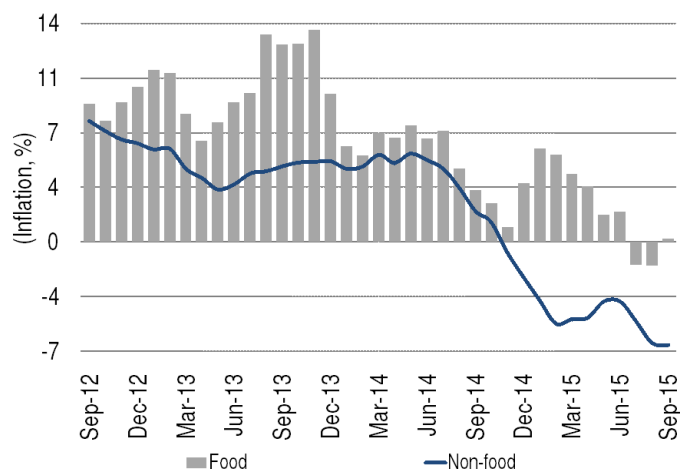
	16 Oct '15*	MTD	YTD
FI - Cash			
Buy	544	39,247	9,72,728
Sell	477	36,175	9,48,941
Net	67	472	4,080
FI - Derivatives			
Buy	2,636	37,378	7,83,178
Sell	2,805	35,221	7,66,064
Net	-169	2,157	19,761
DI - Cash			
Buy	247	1,945	32,551
Sell	232	1,364	23,895
Net	16	601	8,530

Others

	16 Oct '15	1 Day	YTD
Oil Brent (US\$/bbl)*	50.3	-0.4%	-23.2%
Gold (US\$/oz)*	1,174.1	-0.3%	-0.9%
Steel (US\$/MT)	360.0	-6.5%	-35.1%
₹/US\$	64.8	0.0%	-2.7%
US\$/Euro*	1.1	-0.2%	6.4%
Yen/US\$*	119.3	0.1%	0.4%
Call Rate	6.6%	5.bps	-220.bps
10-year G-Secs	7.6%	1.5bps	-29.2bps
EMBI spreads	396.14	-7.3bps	8.7bps

@7:30am *Provisional Source: BSE, Bloomberg

India: Food inflation turns around as favourable base impact wanes



Source: Government of India

Anand Rathi Share and Stock Brokers Limited (hereinafter "ARSSBL") is a full-service brokerage and equities research firm and the views expressed therein are solely of ARSSBL and not of the companies which have been covered in the Research Report. This report is intended for the sole use of the Recipient. Disclosures and analyst certifications are present in the Appendix.

Market Data

Large Caps (>US\$1bn)				Mid Caps (US\$250m-1bn)				Small Caps (US\$100m-250m)			
Price Performance				Price Performance				Price Performance			
Top-5 gainers				Top-5 gainers				Top-5 gainers			
Company	CMP (INR)	1 wk (%)	1 Mth (%)	Company	CMP (INR)	1 wk (%)	1 Mth (%)	Company	CMP (INR)	1 wk (%)	1 Mth (%)
VEDANTA LTD	108	18.9	6.5	FUTURE CONSUMER	19	28.5	24.0	OSWAL GREENTECH	39	27.2	(5.0)
VEDANTA RESOURCE	568	12.1	6.9	MAHINDRA HOLIDAY	395	23.3	33.2	CASTEX TECHNOLOG	23	26.6	(37.4)
NATIONAL ALUMIN	40	12.0	9.3	COROMANDEL INTER	195	21.3	14.5	ELECTROSTEEL STE	3	26.0	43.2
AUROBINDO PHARMA	806	8.2	13.0	TAKE SOLUTIONS	195	21.0	63.1	HCL INFOSYSTEMS	63	21.7	77.9
HINDALCO INDS	89	8.2	12.7	TTK PRESTIGE LTD	4275	17.9	8.2	ZEE MEDIA CORPOR	22	18.1	25.9
Top-5 losers				Top-5 losers				Top-5 losers			
Company	CMP (INR)	1 wk (%)	1 Mth (%)	Company	CMP (INR)	1 wk (%)	1 Mth (%)	Company	CMP (INR)	1 wk (%)	1 Mth (%)
EMAMI LTD	1068	(9.1)	(13.0)	DCB BANK LTD	107	(23.1)	(18.2)	GLOBAL OFFSHORE	424	(38.4)	(30.9)
GUJARAT PIPAVAV	189	(7.7)	9.0	WELSPUN CORP LTD	112	(7.9)	(2.5)	RAM MINERALS AND	180	(14.1)	(20.4)
WELSPUN INDIA	796	(7.7)	(7.6)	RICOH INDIA LTD	858	(7.0)	15.2	SIGNET INDUSTRIE	41	(12.5)	21.5
MINDTREE LTD	1409	(7.3)	2.8	HMT LTD	56	(6.8)	50.4	OJAS ASST RECONS	40	(10.9)	(8.7)
BANK OF BARODA	174	(6.9)	(7.0)	JK CEMENTS LTD	623	(6.6)	(0.2)	JBM AUTO LTD	182	(7.2)	(1.8)
Volume				Volume				Volume			
Volume spurts				Volume spurts				Volume spurts			
Company	CMP (INR)	1 wk avg	1/4 wk (%)	Company	CMP (INR)	1 wk avg	1/4 wk (%)	Company	CMP (INR)	1 wk avg	1/4 wk (%)
RAMCO CEMENT/THE	333	4,09,304	160.6	TTK PRESTIGE LTD	4,275	1,14,859	249.2	CASTEX TECHNOLOG	23	74,51,436	274.8
CHOLAMANDALAM IN	621	84,229	113.9	BIRLA CORP LTD	446	69,977	228.1	BANNARI AMMAN	993	42,836	252.0
PIRAMAL ENTERPRI	950	2,89,698	106.8	GATEWAY DISTRIPIA	344	21,51,502	224.4	GRAPHITE INDIA	78	8,97,712	219.5
VEDANTA LTD	108	356,42,752	84.9	ZENSAR TECH LTD	942	3,79,940	195.6	MEP INFRASTRUCTU	56	73,52,436	214.3
HONEYWELL AUTOMA	9,463	2,309	83.6	ESSAR PORTS LTD	99	1,42,249	190.3	TRIBHOVANDAS BHI	130	3,68,579	213.3
Technical				Technical				Technical			
Above 200 DMA				Above 200 DMA				Above 200 DMA			
Company	CMP (INR)	200D Avg	(%)	Company	CMP (INR)	200D Avg	(%)	Company	CMP (INR)	200D Avg	(%)
RAJESH EXPORTS	634	318	100.5	DISHMAN PHARMACE	364	184	96.5	SANGAM INDIA LTD	284	143	98.6
WELSPUN INDIA	796	573	39.4	FORCE MOTORS LTD	3,306	1,771	87.0	SIGNET INDUSTRIE	41	23	82.7
ESSAR OIL LTD	194	141	38.2	JUBILANT LIFE	395	216	82.8	ORISSA SPONGE IR	380	212	78.9
3M INDIA LTD	11,423	8,682	31.5	AVANTI FEEDS LTD	3,272	1,995	63.9	NIIT LTD	92	52	76.4
ABBOTT INDIA LTD	5,638	4,283	31.4	TAKE SOLUTIONS	195.4	120.5	61.5	HIGH GROUND ENTE	77	44	74.4
Below 200 DMA				Below 200 DMA				Below 200 DMA			
Company	CMP (INR)	200D Avg	(%)	Company	CMP (INR)	200D Avg	(%)	Company	CMP (INR)	200D Avg	(%)
VEDANTA LTD	108	167	(35.6)	IL&FS TRANSPORTA	95	154	(38.7)	CASTEX TECHNOLOG	23	113	(79.2)
BANK OF INDIA	141	196	(28.1)	KAVERI SEED	491	765	(35.9)	AMTEK AUTO LTD	44	136	(67.6)
HINDALCO INDS	89	119	(25.5)	ORIENTAL BANK OF	145	200	(27.4)	GOLD LINE INTL F	162	428	(62.1)
ADANI POWER LTD	28	37	(25.2)	GUJARAT MINERAL	76	100	(24.5)	ABAN OFFSHORE	237	365	(35.3)
TATA MOTORS LTD	352	459	(23.5)	IFCI LTD	23	29	(20.9)	GAMMON INFRASTRU	8	12	(35.3)

Source: Bloomberg

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India Consumer

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Our in-depth study of FMCG companies in India shows that domestic firms have outpaced many MNCs in growth and market cap. Domestic FMCG companies have, over the years, grown from single-product companies to multi-product, multi-category firms. Their margins and return ratios have improved. They have used steady cash-flows to invest in products and distribution to drive growth.

Niche to mainstream. Domestic FMCG players have grown their product portfolios, from niche offerings such as chyawanprash to more mainstream offerings such as skincare products and beverages. Domestic players have utilised cash flows from these niche products to expand into new product categories.

Four 'I's driving growth for domestic companies. Better India-consumer connect, innovation, inorganic growth and international forays have been the prime growth drivers for domestic firms. Barring innovation, most domestic firms have been able to leverage the other three 'I's far better than MNCs.

Margin gains, structural. According to our study, in the past 5-10 years domestic FMCG firms' margins have grown faster than those of MNCs. This has been assisted by a better sales mix, scaled-up benefits and greater cost controls. We expect the margin gains to persist, especially for small and midcap FMCG operators, which have yet to gain from the scaled-up benefits.

Valuations. TINA effect ("there is no alternative") playing out? Despite rich valuations and slowing demand, most FMCG companies have outstripped the broader indices. This has been driven by rising defensive premiums amidst the continuing subdued earnings performance by cyclical stocks. We initiate coverage on Godrej Consumer Products (Buy), Bajaj Corp (Buy), DFM Foods (Buy) and Zydus Wellness (Buy).

Also, we are upgrading our recommendations on Dabur, Marico and Emami from Holds to Buys.

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Key Data	Reco	M cap (₹ bn)	Price (₹)	TP (₹)	EPS (₹)			PE (x)			RoE (%)	Dividend Yield
					FY16e	FY17e	FY18e	FY16e	FY17e	FY18e	FY16e	FY16e (%)
Dabur	Buy	479	273	330	7.3	8.6	10.1	37.2	31.5	27.0	34.4	0.9
Godrej Consumer Products	Buy	412	1,207	1,450	32.9	39.7	47.1	36.8	30.4	25.6	23.7	0.6
Britannia	Hold	387	3,227	3,400	64.6	81.3	95.7	50.0	39.7	33.7	52.1	0.6
Marico	Buy	258	400	500	10.9	13.2	15.7	36.7	30.4	25.5	34.1	0.8
Emami	Buy	244	1,073	1,450	28.2	34.9	41.1	38.0	30.7	26.1	47.6	0.7
Bajaj Corp	Buy	61	414	600	17.9	20.9	24.3	23.1	19.8	17.0	54.9	3.3
Jyothy Labs	Hold	56	311	340	8.1	10.1	12.6	38.2	30.9	24.7	18.2	1.4
Zydus Wellness	Buy	34	871	1,050	31.1	35.4	40.6	28.0	24.6	21.4	26.9	0.8
DFM Foods	Buy	5	518	650	17.4	21.0	27.0	29.8	24.7	19.2	32.8	0.5

Source: Bloomberg, Anand Rathi Research

All share prices as on 16th October 2015

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16 October 2015

TTK Prestige

Huge spike in Q2 sales; valuation expensive; Sell

Rating: **Sell**

Target Price: ₹3,496

Share Price: ₹4,200

TTK Prestige's Q2 revenue growth came at 10.2% yoy, to ₹4.2bn. The EBITDA margin rose 41bps yoy, to 12.5%, aided by a better product mix and utilisation. PAT grew 21.7% yoy, to ₹340m. TTK is going aggressive in e-commerce and is focusing on a better product mix.

Highest ever Q2 sales. Q2 sales rose to ₹4.2bn (up 10.2% yoy), 2.6% above our estimate. This was because of growth in its appliances (up 16% yoy), cookers (up 9% yoy), and cookware (up 2.7% yoy). Q2 domestic sales grew 10.5% yoy, whereas exports declined slightly. The non-southern market grew 16% yoy, the southern market, 6%. For H1, revenue came at ₹7.7bn (up 7.1% yoy)

Margins improve slightly. The Q2 margin improved 41bps yoy, to 12.5%, because of better fixed-cost absorption, capacity utilisation and product mix. Management plans launches with a better product mix. During H1, margins, at 11.8%, were flattish.

PAT up 21%. Q2 profit was ₹340m (up 21.7% yoy). This was aided by declining interest cost (down 33% yoy), increase in other income (up 95.5% yoy) and a 166-bp yoy cut in the tax rate. For H1 FY16, PAT grew 2.8% yoy, to ₹560m.

Guidance. The recent launches would drive consumer interest. With this, the company expects double-digit growth in FY16. PSK has been growing robustly and plans to widen its network. The company has no major capex plans for the next two years besides minimal capex of ~₹150m every year. It is focusing on expanding its after-sales service. Also, it expects exports to do better in coming quarters.

Valuation. At the CMP, the stock trades at P/E of 34.6 FY17e and 30x FY18e EPS. This, we believe, is richly valued, given the macro-economic headwinds and restricted short-term potential. Based on the above and because of the poor monsoon, we maintain our Sell call, with a Mar'18 price target of ₹3,496.

Risks. Easing input costs and better power available in the south.

Key data	TTKPT IN / TTKL.BO
52-week high / low	₹4401 / ₹2989
Sensex / Nifty	27000 / 8100
3-m average volume	\$1m
Market cap	₹49.2bn / \$0.8bn
Shares outstanding	11.65m

Shareholding pattern (%)	Jun'15	Mar'15	Dec'14
Promoters	70.3	70.3	70.3
- of which, Pledged	-	-	-
Free Float	29.7	29.7	29.7
- Foreign Institutions	16.8	14.8	18.1
- Domestic Institutions	5.0	6.0	4.5
- Public	7.7	8.7	6.9

Financials (YE Mar)	FY17e	FY18e
Sales (₹ m)	18,036	20,604
Net profit (₹ m)	1,416	1,629
EPS (₹)	121.5	139.9
Growth (%)	23.2	15.1
PE (x)	34.6	30.0
PBV (x)	6.0	5.2
RoE (%)	18.3	18.6
RoCE (%)	25.1	25.4
Dividend yield (%)	0.8	0.8
Net gearing (%)	-0.1	-0.2

Source: Anand Rathi Research

Quarterly results (YE Mar)	Q2 FY15	Q2 FY16	% yoy	H1 FY15	H1 FY16	% yoy
Sales (₹ m)	3,820	4,210	10.2	7,183	7,696	7.1
EBITDA (₹ m)	462	526	13.9	854	909	6.4
EBITDA margin (%)	12.1	12.5	41 bps	11.9	11.8	(8)bps
Interest (₹ m)	11	7	-33.3	16	13	-18.3
Depreciation (₹ m)	48	49	1.7	94	95	1.7
Other income (₹ m)	11	22	95.5	23	46	98.3
PBT (₹ m)	414	492	18.8	767	846	10.3
Tax (₹ m)	135	152	12.7	240	249	3.5
Tax rate (%)	32.5	30.8	(166)bps	31.3	29.4	(195)bps
PAT (₹ m)	280	340	21.7	545	560	2.8

Source: Company Share price as on 15th October 2015

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2QFY16 Quarterly Result Estimates

Company Name	Result Date	Sales		EBITDA Margin		PAT		What to watch out for
		Sep-15	YoY (%)	Sep-15	YoY (bps)	Sep-15	YoY (%)	
SKS Microfinance	19-Oct-15	1,330	34.7	-	-	698	23.0	Growth will continue to remain on the higher side; we expect yields to remain steady on account of long term loans despite reduction in their interest rate in Q2FY16
Can Fin Homes Ltd.	20-Oct-15	799	62.0	-	-	357	93.5	Increase in borrowings through NCDs and commercial paper would help contain cost of funds. Growth and margins will remain key to watch for
Everest Industries	20-Oct-15	2,749	11.5	7.0	354	78	132.9	Steel Building topline to register a healthy sales growth, with improved margins
Kajaria Ceramics	20-Oct-15	5,984	10.9	16.8	176	485	22.1	Improved sales; substantial margin growth ahead
Federal Bank	20-Oct-15	6,321	4.3	-	-	2,435	1.3	Focus on high-yielding retail and SME loans. Margins and loan growth strategy would be key to watch for
Cholamandalam Finance and Investments Ltd	23-Oct-15	5,104	24.1	-	-	1,156	21.5	Margins would be stable due to the change in product mix. Asset quality and margins would be the key things to watch
Cera Sanitaryware	23-Oct-15	2,372	18.9	14.0	19	189	19.8	Lukewarm demand on account of slow recovery in consumer demand.
Symphony	23-Oct-15	1,253	22.0	23.7	55	262	21.3	Growth rate to be slightly lower; valuations expensive
HIL	26-Oct-15	2,563	12.4	10.3	286	139	(2.7)	Change in product mix will lead to growth in margins
PI Industries	27-Oct-15	4,915	15.2	20.2	197	619	26.5	Overall revenue growth on account of robust upside in CSM business ; margins to remain steady
Alembic Pharma	27-Oct-15	8,598	57.2	37.1	1,727	2,411	212.1	Recently-launched Ability to boost revenue and margins
Shriram City Union Finance	28-Oct-15	5,908	15.8	-	-	1,616	17.3	NIM to be healthy on modest cost of funds in coming quarters on more market borrowings. Growth in gold portfolio would be the key driver
SKF India	29-Oct-15	6,380	4.1	12.5	(93)	589	0.5	Revenue to grow marginally due to subdued industry growth, margins to remain under pressure due lower fixed cost absorption
Torrent Pharma	29-Oct-15	14,937	22.7	30.0	757	2,918	47.4	Integration of Elder's brand-named portfolio in the domestic market and the recently-launched generic version of Ability would boost performance.
Indoco Remedies	30-Oct-15	2,613	14.4	20.0	(129)	279	24.5	Recovery in domestic formulations and commencement of supplies to watson
Karnataka Bank	30-Oct-15	3,392	14.1	-	-	1,176	33.0	With its network expansion in place, momentum in advances is expected. Asset quality will have to be watched, focusing on sale of assets to ARCs
Ajanta Pharma	30-Oct-15	4,046	19.9	33.0	17	875	13.0	Scaling up on export front; focus on the US
JK Cement	31-Oct-15	8,589	3.7	11.2	57	59	(81.8)	Price deterioration in the North will lead to lower realisations and a subdued EBITDA/ton
Phillips Carbon Black	2-Nov-15	5,038	(23.7)	9.2	272	81	96.3	Expect 4-5% volume growth, with better margins
Prism Cement	3-Nov-15	13,371	0.4	5.2	217	(132)	64.0	Volumes to remain flat with a decrease in net realisations
Century Plyboards	4-Nov-15	4,395	8.0	18.6	292	456	27.6	Lower topline growth ; operating margins to remain strong
IDBI Bank	4-Nov-15	15,513	10.3	-	-	1,500	26.6	NIM to improve to 2% in the next two quarters. Asset quality will be under pressure. Pressure on credit cost to continue; business growth will remain weak
The Ramco Cements	6-Nov-15	9,392	1.9	24.1	386	943	5.1	Recently-commissioned 0.95m-ton grinding unit in A.P; dominant market share to drive profitability
Sanghvi Movers	6-Nov-15	1,017	83.0	67.0	2,177	168	298.0	Increase in capacity utilisation and high yields would help in robust growth, strong margins and profitability
Suprajit Engineering	9-Nov-15	1,399	7.2	16.5	102	127	10.2	Q2 expected to be muted led by low two-wheeler offtake
NRB Bearings	14-Nov-15	1,853	7.0	16.0	(296)	131	(12.3)	Exports to aid top line growth, margins though would be under pressure
ACE	-	1,666	10.1	4.6	29	19	47.1	Crane division to aid topline growth and improved profitability
Aegis Logistics	-	12,129	(18.5)	4.5	197	315	22.8	Capacity expansion will lead to improved margins and profitability.
Ahluwalia Contracts	-	2,540	5.9	11.6	(31)	157	(3.2)	Stable revenues and EBITDA margin expected owing to large orderbook.
Ashok Leyland	-	51,392	59.7	12.1	483	3,119	1,279.1	Revenue and EBITDA are expected to rise on robust volume increase.
Andhra Bank	-	13,000	17.7	-	-	2,275	57.5	With management focus on recoveries, earnings would improve gradually. There can be surprise on the recovery front while asset quality pressure would continue in line with industry trend
Apollo Tyres	-	32,821	(1.0)	20.0	511	3,717	44.1	Margins expected to be driven up by low rubber and crude-oil prices.
Atul Auto	-	1,443	9.9	13.1	108	113	3.2	Robust volume growth is expected to increase income and margins
Birla Corp	-	7,456	(2.8)	6.6	(101)	291	(10.5)	Volumes to remain muted, but with a favourable market mix, efficient operations outlook is positive
Balkrishna Industries	-	9,108	3.3	30.4	686	1,683	84.2	Revenue and operating margins are expected to improve following softer rubber prices and better export realisation.

Source: Anand Rathi Research

2QFY16 Quarterly Result Estimates

Company	Result	Sales		EBITDA Margin		PAT		What to watch out for
Name	Date	Sep-15	YoY (%)	Sep-15	YoY (bps)	Sep-15	YoY (%)	
Bajaj electricals	-	11,206	8.9	6.0	505	234	264.5	Consumer durables growth to come flat, E&P to grow with improved profitability
Britannia	-	22,116	13.1	12.8	247	1,952	33.4	Steady double digit revenue momentum, Expect margin expansion to continue led by correction in key input prices
Ceat	-	13,766	(0.4)	15.3	360	1,186	44.4	Softer raw material environment would drive margins up.
City Union Bank	-	2,273	10.3	-	-	1,073	14.6	Gradual recovery in credit growth is expected, mostly in H2 FY16. Growth will be in focus
Dabur India	-	21,357	22.5	19.7	113	3,425	37.1	Domestic volume growth to be maintained at ~8%. Margin expansion will drive earnings
Escorts	-	7,743	(22.0)	5.9	252	279	454.6	Revenue is expected to decline due to expected decline in volumes.
Exide Industries	-	18,519	5.0	14.8	293	1,615	27.2	Owing to the replacement market growth and decline in raw material prices, revenue and margins are expected to rise.
Finolex Cables	-	6,586	3.4	11.4	(119)	472	(40.2)	Electric cables to register slightly lower growth, copper rods to register growth
Fortis Healthcare	-	11,157	8.2	5.8	443	110	119.5	Exit from all international assets, re-emphasising India (a high-margin business)
Firstsource Solutions	-	7,698	-	11.8	-	614	-	US\$ revenues to grow after 5 quarters on ramp up of deals won earlier - and on US\$17m p.a. lift-out deal's contribution. Margins to benefit on account of currency.
Gabriel India	-	4,039	5.1	8.5	46	194	10.3	Slow 2W sales to slowdown topline growth; margins to be stable
Gayatri Projects	-	4,035	31.7	14.0	(177)	99	771.9	Topline & bottomline to registeryoy growth on back of revenue from EPC Orders and some contribution from power plant.
Genus Power	-	2,755	13.7	14.0	40	212	10.5	Company is expected to report ~20% y/y revenue growth with margins above 13% are expected. We expect profit of Rs212mn in Q2FY16.
Granules India	-	3,610	17.3	18.0	98	296	34.3	Growth momentum on account of a significant turnaround in the business toward a higher-value chain and additional products from Auctus Pharma
Heidelberg	-	4,107	2.7	14.1	153	85	445.3	Uses 60% pet coke so cost efficient; realisations to be muted and volumes to pick up this quarter
Hinduja Global Solutions	-	7,021	-	11.5	-	385	-	To show remarkable improvement from the last quarter. The company is all set to show revenue growth – organic growth and Mphasis deal revenues for one month. Margins will expand on account of currency and revenue growth.
Emami	-	6,577	34.3	25.0	187	1,356	50.5	New launches to aid revenue momentum, Kesh King acquisition to aid margin mix
HSIL	-	4,482	5.8	17.3	(32)	234	22.6	Uptick in building and container-glass divisions
India Cement	-	11,180	(1.2)	17.1	126	331	341.3	Weak demand in the region will lead to decline in volumes, however realisations to remain good
Indian Bank	-	11,885	1.0	-	-	2,680	(14.8)	Advances growth to be driven by MSME, retail and agricultural advances. Asset quality and Treasury profits will be key to watch for
Intellect Design	-	1,438	-	(14.3)	-	(271)	-	Revenue momentum from 1Q should continue. Key watch out factor will be deal wins during the quarter
Indian Overseas Bank	-	15,083	12.2	-	-	980	139.9	Weak macros and slow loan growth in sectors such as metals and infra are negatives. Asset quality will be a key monitorable
IPCA Laboratories	-	7,816	0.1	14.0	(326)	510	(24.7)	US FDA woes continue; expect domestic formulations to increase.
Intrasoft	-	596	-	1.1	-	9	-	A slow growth quarter as 3Q is seasonally very strong for the company due to holiday season. Revenues are expected to be flattish but still deliver 100% growth on a YoY basis.
Jammu & Kashmir Bank	-	6,958	0.6	-	-	1,702	(1.2)	It will take at least two to three quarters to get on track owing to high NPAs and floods in J&K. Asset quality and corporate portfolio will be key to watch for
JK Tyres & Industries	-	18,380	(1.8)	16.9	450	1,346	57.1	Expected soft raw material prices would support sequential margin expansion.
J.Kumar Infraprojects	-	3,487	16.1	17.0	(377)	196	(3.0)	Topline to improve on yoy basis owing to strong orderbook & execution skills
Jyothy Laboratories	-	4,155	13.0	13.1	406	303	20.5	Barring Saffola, volume growth to remain steady; Benign copra prices to aid margins
KEC International	-	22,184	2.1	7.3	174	451	122.4	Strong order inflows with incremental orders coming with better margins and low margins legacy orders coming to an end, company is expected to reach margins of ~8% in FY16.
KEI Industries	-	6,411	27.0	10.7	114	198	113.7	Healthy revenue growth led by strong growth in EPC and retail business, strong margins ahead
KNR Construction	-	1,643	(3.5)	14.0	(371)	98	(29.5)	Results for 2Q may remain muted as new orders received in 1Q will take time to ramp up. Expect improvement in 2HFY16
KPIT Technologies	-	7,574	-	13.2	-	706	-	Steady quarter with growth resumption as ITS deliveries begin to happen. On the margin front, EBITDA margin will benefit due to operational improvement (despite 2Q being a wage hike quarter) and currency. At Net Income levels, currency benefit will not flow through due to foreign currency loans.

Source: Anand Rathi Research

2QFY16 Quarterly Result Estimates

Company	Result	Sales		EBITDA Margin		PAT		
Name	Date	Sep-15	YoY (%)	Sep-15	YoY (bps)	Sep-15	YoY (%)	What to watch out for
Kalpataru Power	-	12,835	12.5	9.5	40	489	14.6	Order inflows of Rs35bn in H1FY16 is significantly higher which is expected to take order book to 110bn. We expect ~10% EBITDA margins in Q2 and FY16.
L&T Finance Holdings	-	7,612	13.8	-	-	2,034	12.0	Growth and margins will be key things to watch out for.
Mangalam	-	2,000	(15.9)	(2.7)	(1,177)	(180)	(487.3)	Volumes to sustain with poor realisations leading to a negative EBITDA/ton
Magma Fincorp	-	2,942	11.5	-	-	389	(5.2)	We expect slowdown in disbursement and AUM growth to continue in this quarter due to slowdown in rural economy. Margins and return ratios would be the key things to watch
Marico	-	16,149	13.0	14.9	138	1,541	30.3	Expect double digit volume growth (vs. 6% last quarter). Gross margin gains (up 410 bps in Q1FY16) are likely to moderate on detergent price cuts
MRF	-	35,873	6.7	22.9	479	4,547	43.5	Low rubber and crude oil prices would drive up the margins yoy.
Mayur Uniquoters	-	1,455	10.6	22.6	383	199	27.0	Subdued sales to footwear manufacturers resulting in slow growth rate
National Building Construction Corporation.	-	11,963	28.9	5.3	(12)	592	(1.5)	Strong orderbook & revenue generation from some large redevelopment projects likely to aid topline growth, however 2Q is generally lean for construction industry
NCC	-	18,071	(19.5)	8.9	82	339	53.1	Ordinary results for 2QFY16 is expected along with high base effect, since power orderbook is coming to an end.
Natco Pharma	-	2,577	17.5	26.5	(33)	402	24.2	Niche product opportunities to take off; Sovaldi launch to augment domestic and RoW formulations
Orient Cement	-	3,476	(9.5)	17.5	(312)	315	(27.4)	Low cost cement producer. Gulbarga expansion of 3m tons has commenced its operations on Sept26,2015
Pratibha Industries	-	8,649	20.0	13.9	(40)	140	39.2	Revenue booking from large orders likely to aid topline growth.
Persistent Systems	-	4,642	-	20.6	-	713	-	Growth quarter (largely organic as Aepona deal got postponed to 3Q) as no new challenges from large traditional clients emerge in this quarter. Key beneficiary of currency depreciation due to high offshoring although rate cut will impact the margins in this quarter.
PTC Financial services	-	1,040	24.7	-	-	689	80.6	Focus on renewable power and other emerging segments in the power sector. Asset quality will be the key
Setco Automotive	-	1,369	15.0	13.7	43	107	7.8	Growth led by high M&H CV replacement and export demand; margins to improve due to better product mix
Star Ferro and Cement	-	4,115	41.2	26.0	734	278	272.1	Strong volume & demand growth in NE region will lead to a higher EBITDA/ton for the quarter
Sagar	-	1,522	21.5	18.0	1,102	157	121.8	Both volumes and realisations expected to improve as optimistic on increase in cement consumption from government projects.
Shriram Transport Finance	-	11,735	49.1	-	-	3,306	9.4	AUM likely to grow in low double digits. Performance of the subsidiary would be a key thing to watch out for.
Simplex Infrastructures	-	13,913	11.5	10.5	(108)	67	(47.7)	Muted topline & Bottomline is expected due to slow execution & high interest cost.
Skipper	-	3,191	20.5	15.4	420	176	(50.1)	Expect 21% y/y revenue growth accompanied by strong order inflows. Margins to remain steady above 15% and profit is expected to be up by 30% y/y.
Supreme Infrastructure	-	3,552	10.5	16.0	35	(45)	(272.9)	Muted growth due to execution challenges in this quarter.
Suven Life Sciences	-	1,469	5.1	28.1	61	299	20.6	Steady performance in base CRAMS and commercial supplies for three products to start from FY16 end
Techno Electric & Engineering	-	2,282	43.8	15.0	(428)	248	(26.3)	Strong order inflows and better execution would lead to 40% y/y revenue growth and ~23% consolidated EBITDA margin.
Technocraft Ind	-	1,924	4.2	15.5	20	184	16.8	Scaffolding would be under pressure; garment business to grow
TVS Motors	-	28,048	4.5	6.7	64	1,026	8.2	Supported by realisation and market share expansion, we expect EBITDA to increase.
Vivimed labs	-	3,558	12.3	17.5	115	183	11.7	Supplies of US generics will drive formulations business. More volumes and new products would drive growth in its specialty chemicals business
Vijaya Bank	-	7,248	25.3	-	-	1,650	14.8	Shed most of its bulk deposits and re-priced its high-cost deposits; the full benefit will now be seen. Improvement in operational parameters along with asset quality are key to watch for
Visaka Industries	-	2,361	12.7	10.5	124	57	53.9	Pick up in building product division to bolster growth
VST Tillers & Tractors	-	1,599	8.2	19.0	(22)	201	6.5	Owing to the negative growth in the tractor industry, volumes would drop sequentially, leading to a fall in revenue.
Wim Plast	-	981	8.5	17.5	305	105	31.0	Pick-up expected from new territories
Yes Bank	-	10,964	28.0	-	-	5,812	20.4	NIMs expected to remain stable to marginal decline. Loan growth expected to remain above industry. Asset quality would remain a key monitorable.

Source: Anand Rathi Research

2QFY16 Actual vs Estimates

Company	Result	Sales		EBITDA Margin		PAT		Variance		
Name	Date	Sep-15	YoY (%)	Sep-15	YoY (bps)	Sep-15	YoY (%)	Sales (%)	EBITDA (bps)	PAT (%)
IndusInd Bank	9-Oct-15	10,943	31.3	-	-	5,600	30.2	2.6	-	(2.1)
DCB	13-Oct-15	1,500	27.4	-	-	369	(10.1)	1.7	-	(25.5)
TTK Prestige	14-Oct-15	4,210	10.2	12	41	340	21.7	2.6	110	19.1
Cyient Ltd	15-Oct-15	7,716	14.8	15	(99)	926	7.1	14.8	(99)	7.1
Karur Vysya Bank	15-Oct-15	4,374	29.6	-	-	1,422	57.1	(0.5)	-	(2.2)
Mastek	15-Oct-15	1,310	2.3	3	(1,020)	27	48.6	2.3	(1,020)	48.6
Mindtree Ltd.	15-Oct-15	11,657	31.7	19	(85)	1,500	9.6	31.7	(85)	9.6
V Guard Industries	15-Oct-15	4,334	0.5	8	15	231	20.3	(10.1)	(48)	0.5
Swaraj Engines	16-Oct-15	1,532	(8.4)	15	16	155	(12.4)	-	-	-
South Indian Bank	17-Oct-15	3,884	8.4	-	-	934	22.4	7.0	-	(3.5)
Unichem Laboratories	17-Oct-15	3,056	9.9	11	(73)	231	3.5	(1.3)	(148)	(4.2)

Source: Anand Rathi Research

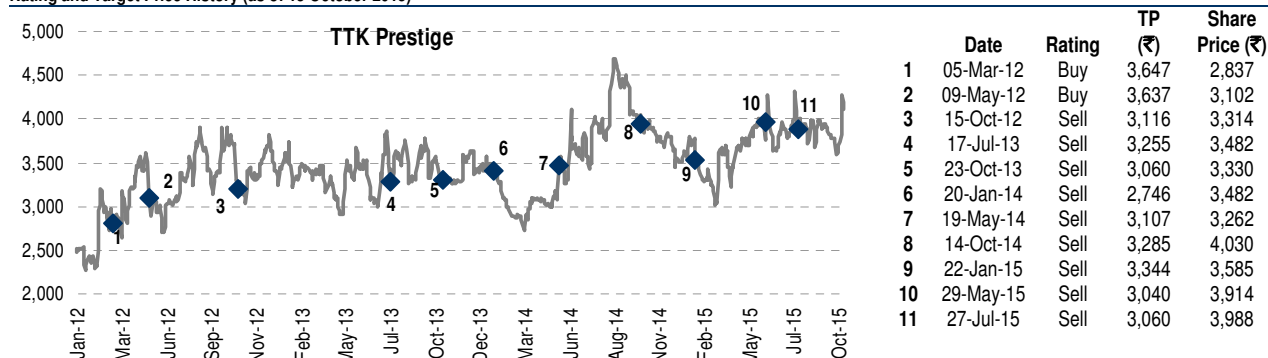
Appendix

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