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GROUND VIEW

INDIA OVER THE TOP AND LINEAR TELEVISION MAKING PEACE NOT WAR

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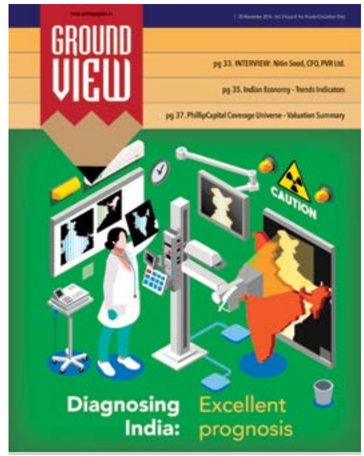

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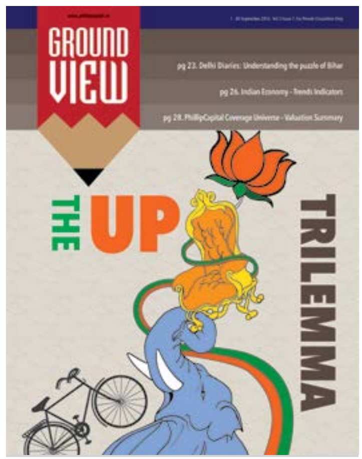

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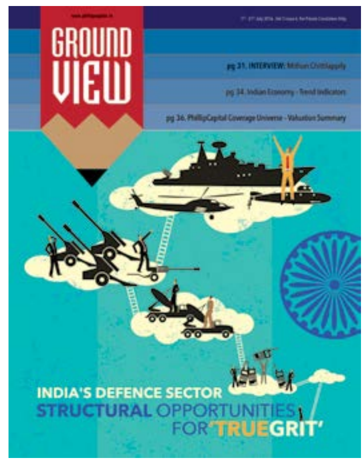

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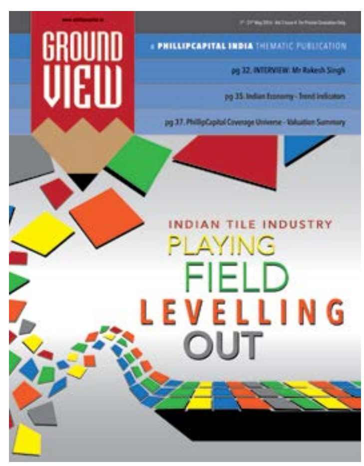

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Letter from the MD

The global entertainment industry has changed immensely over the past decade. With the advent of Over The Top (OTT) platforms, non-linear content consumption has risen manifold. Netflix, the world leader in internet streaming content is now valued many times more than well-established media conglomerates like Viacom or Newscorp. The need for more, better, original, here and now content is insatiable, and this craving for content drives growth for OTT players. Suggestion algorithms and data mining of viewing patterns are their greatest strengths, giving them a decisive edge over traditional broadcasters. At this juncture, the developed markets are clearly poised to grow the non-linear way.

The Indian market is also seeing a surge in high-quality online content. Netflix and Amazon Prime have started providing services to Indian consumers. Reliance Jio, with its ultra-inexpensive data plans on 4G, has immensely accelerated data consumption. India is now the biggest mobile data consumer in the world. With a sharp rise in data consumption and the growing popularity of OTT mediums, it seems like the Indian entertainment market is set for a big change. However, this market is markedly different from developed markets and has its own set of challenges for OTT players.

Our cover story "India OTT and Linear TV: Making peace, not war" penned by analyst Manoj Behera explores the challenges posed by new viewing formats and the adapting capabilities of Indian broadcasters. Also read in this issue – a conversation with Gurvinder Singh Grewal, proprietor of Diamond Roadlines.

Best wishes

Vineet Bhatnagar

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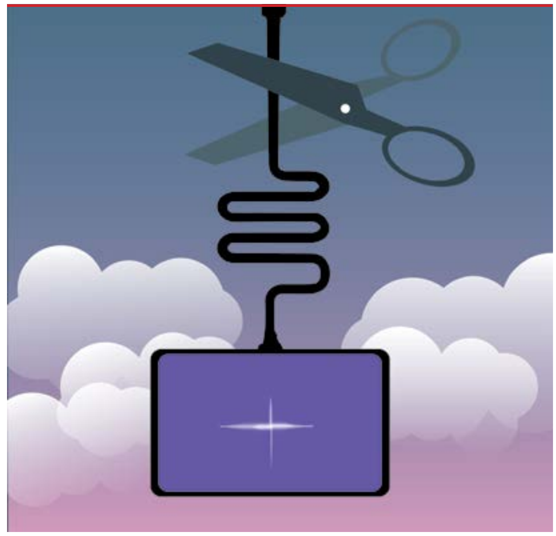


BY MANOJ BEHERA & NAVEEN KULKARNI

India over the top and linear television: making peace not war

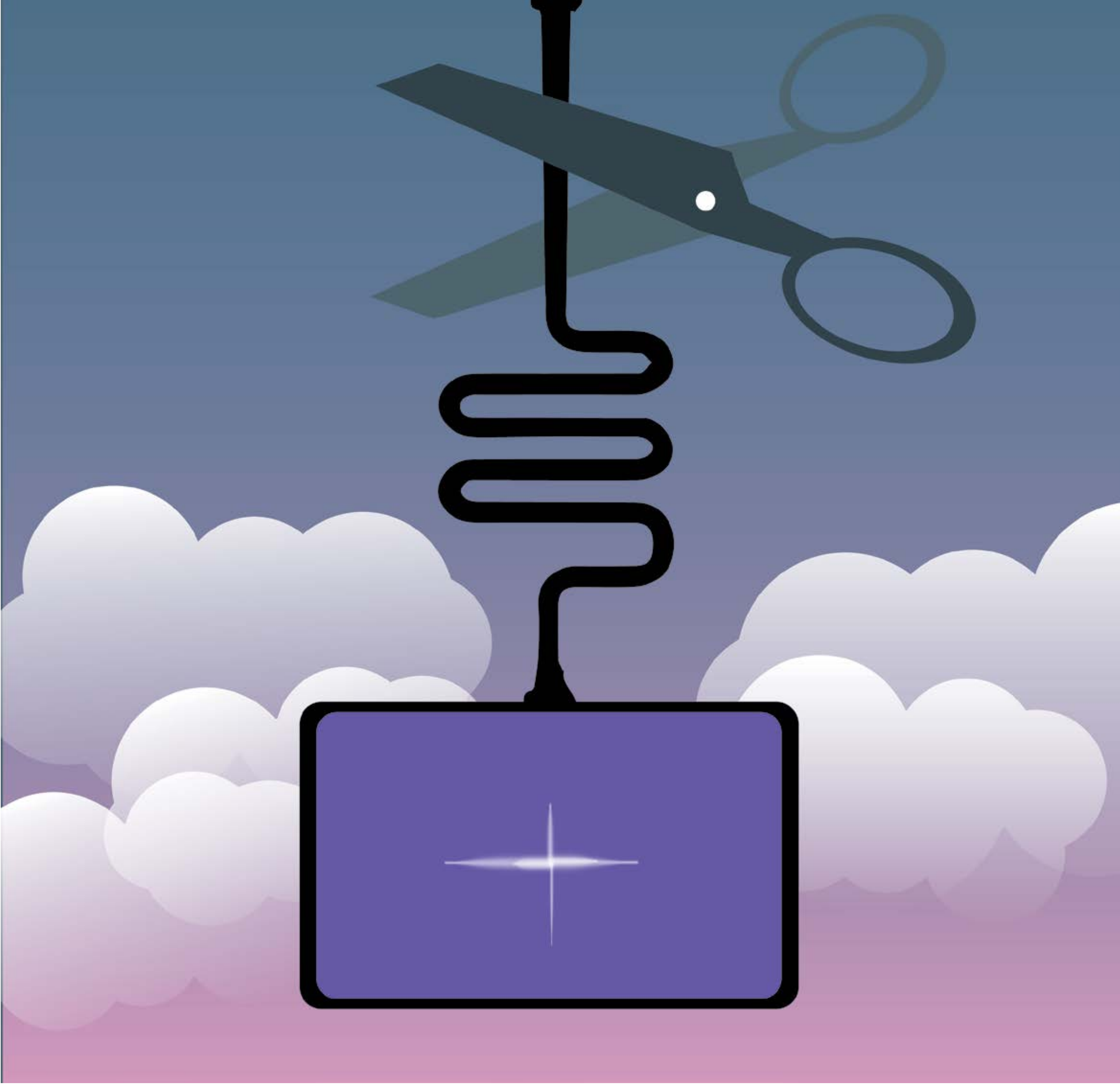
Over the last couple of years, India has seen much-anticipated frenzied launches of streaming media and video-on-demand giants – Netflix and Amazon Prime Video. In the same period, various broadcasters and content providers in India unveiled their over-the-top content platforms. Reliance's launch of telecom services, especially data, at rock-bottom tariffs under the brand name JIO, has precipitated the question – are the business models of linear-TV providers under threat in India? Will India mimic the developed markets in the way media is consumed?

To get a grip on the real situation, GV interacted with many industry participants, content providers, and broadcasting companies to decipher: (1) the competitive landscape of the Indian broadcasting industry, (2) whether there has been any change in the video-consumption pattern of the Indian audience, and (3) how they plan to cope with increased penetration of connected devices.

Most Indian broadcasters are privy to the changing patterns of video consumption and realise that the number of screens via which a typical subscriber consumes content is multiplying. However, they seem to be unfazed by the entry of global giants in the OTT space, and believe that the Indian broadcasting space is unlikely to meet the same fate as their global counterparts. They accept that non-traditional TV viewing and non-subscription catch-up services will increase. Devices like smartphones and tablets will drive consumption of content on alternative internet-enabled platforms, particularly among younger audiences. However, for now, broadcasters believe these changes will merely open up new distribution platforms to monetise their content. Although increased connectivity presents challenges for them, as they attempt to navigate a landscape in which television is increasingly distributed and accessed online, they seem reasonably prepared.

The Indian TV distribution industry seems to possess the same level of fearlessness and belief that it will remain relatively unaffected by the internet, at least for now. Rock-bottom video ARPUs, poor internet infrastructure, and low penetration of smartphones will keep the threat of 'internet TV' at bay, at least in the medium term. However, to stay a step ahead of the looming threat and cater to the changing needs of ever-demanding subscribers, digital TV distributors have already started providing various value-added services (catch-up, movies on demand, and recording facilities).

All in all, it seems like the proliferation of OTT services will provide an opportunity for content providers – an additional platform to distribute content and monetise it. In India, given that broadcasters are also major content providers, they seem well placed to benefit from the ongoing digital revolution. For now, in a complicated and diverse market like India, it seems like standalone OTT players may not come into their own – they are more likely to start weakening due to financial pressures.



RISING POPULARITY

Is OTT the death knell of linear TV in the Western world?

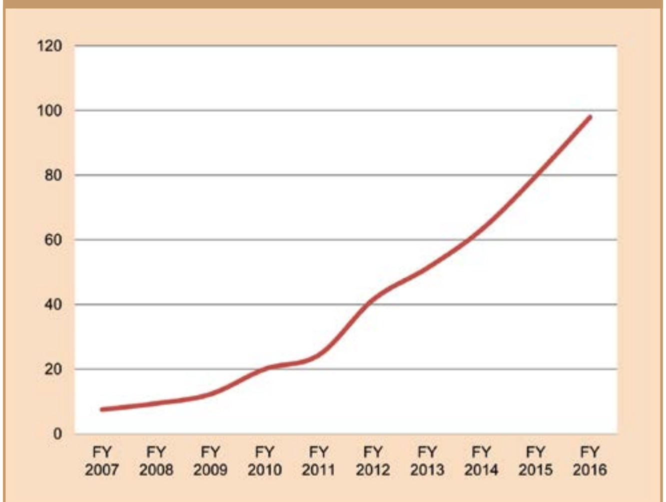
The rising popularity of Over The Top (OTT) video (video carried along (or on top of) existing telecommunication pipelines and delivered to smart TV sets or to any mobile devices through the internet rather than through traditional cables or satellites) signals a major shift in US home entertainment. It promises to destabilise the traditional television ecosystem and threatens the business model of linear TV broadcasting. For many in the developed market, OTT is the future of televised or TV-like content consumption and is here to stay.

Cutting the cord: Setting traditional TV adrift…

In developed markets, there has been a steady drumbeat of scepticism about the health of the traditional cable business. This is mainly a result of the growing phenomenon of "cord cutting" and the popularity of streaming services such as Netflix and Hulu. Industry experts have attributed the phenomenon to the high cost of cable TV services and viewers shifting to low-cost alternatives.

Netflix has had phenomenal success over the years as it expanded its footprint in the US, Europe, and other developed nations. It streamed 42.5bn hours in 2015 and remains the poster boy of online video by a fair margin against its competitors. It has capitalised on consumer preferences and interests, and combined it with a compelling user experience to build a fast-growing and very loyal fan base. Consumers expect to stream the latest videos in high definition without buffering. Netflix says, "People love TV content, but they don't love the linear TV experience, where channels present programs only at particular times on non-portable screens with complicated remote controls," Netflix and other players that provide TV over the internet (on-demand, customised, and available on any screen) is replacing linear TV.

Netflix subscribers (mn)

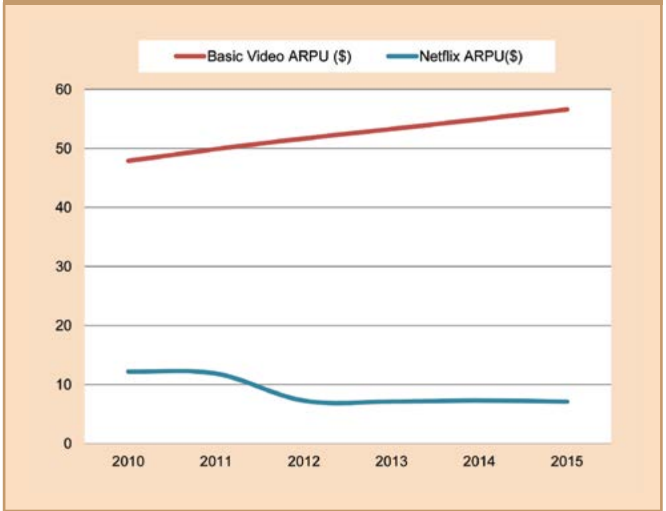


Source: Netflix website

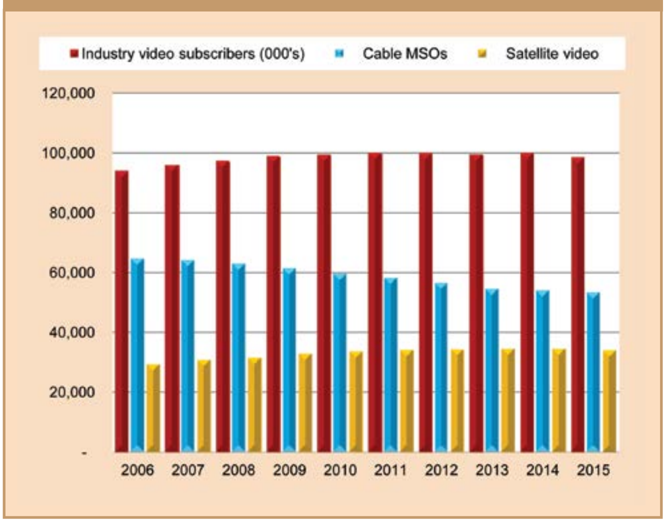
The evolution of media viewing habits

In the US, radio was the first choice in home entertainment media for about 50 years until linear TV assumed control in the 1950s and '60s. Direct video into households was a remarkable improvement over radio as a medium to reach

Comparison of basic and Netflix video ARPUs



Cable MSO video subscribers have started declining



Source: Bloomberg

prospective audiences. The new period of internet TV, which started just 10 years ago, is probably going to be huge, given the adaptability and omnipresence of the web. In the past, television channels numbered just a handful and beamed programs on a fixed schedule.

As technology and connectivity underwent a sea change, people's media viewing habits also evolved. Viewing is no longer limited to traditional linear broadcasts but encompasses catch-up and video-on-demand platforms, across both content and platform providers. Viewers are now able to decide what they want to watch, when they want to watch it, and where. The media landscape has continued to rapidly evolve in response to the rise of broadband internet and a wide adoption of internet-enabled smart devices. The high cost of cable TV in America is driving millions to "cut the cord" and subscribe to on-demand streaming services as inexpensive substitutes.

Internet TV is spreading rapidly because of: (1) the internet becoming faster and more reliable, while penetration of smart TVs and smart phones is rising, (2) consumers can watch content on demand, on any screen, and the experience is personalised to individual tastes, and (3) internet TV apps have frequent improvement updates, and streaming is the primary source of UHD 4K video content.

What are broadcasters doing to tackle the rising phenomenon of cord-cutting?

Linear TV (TV that is viewed at the time of broadcast) played an important role in subscribers' viewing habits – it was particularly valued for event content, live sports, and other live events. Sector participants believe that if linear TV operators address certain negative aspects – such as excessive and distracting advertising, lack of personalisation, and no flexibility for catch-up services vs. on-demand services – they can stem their subscriber loss.

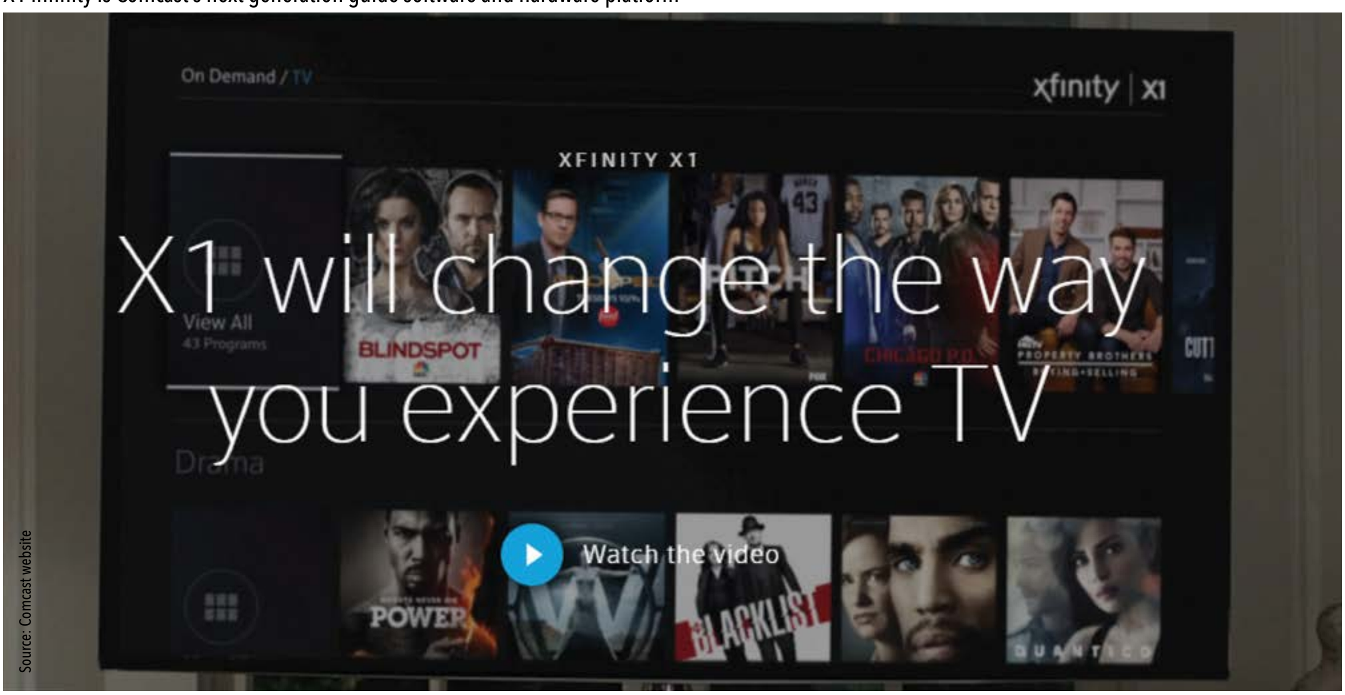
In order to address the growing demand of value-added services, networks are promising a significant increase in on-demand access to episodes of current seasons through set-top boxes, websites, and mobile apps. Similarly, pay-TV distributors are now pushing to make it the industry standard to "stack" each episode (after it airs on linear TV or at a pre-determined time) for video-on-demand in the duration of the show's season. For example Comcast, US' largest cable operator, will offer full-season stacks for 60% of original scripted series on the top-10 broadcast and cable networks, up from 31% two seasons ago.

Similarly, there is proliferation of so-called "skinny bundle" service by various cable TV operators (Sling TV by Dish, Directv Now by Directv, Playstation Vue), which is basically an online streaming service of live television from a selection of well-known channels for as low as US$ 20 a month, with no annual contract. However, since US media companies license content with conditions attached (cannot record through Sling TV; on-demand viewing of previous broadcasts is available only for certain channels), several value-added services cannot be offered on skinny packs. But, this does address the concerns of a casual TV viewer who doesn't want to shell out a bomb to subscribe to traditional cable-TV services.

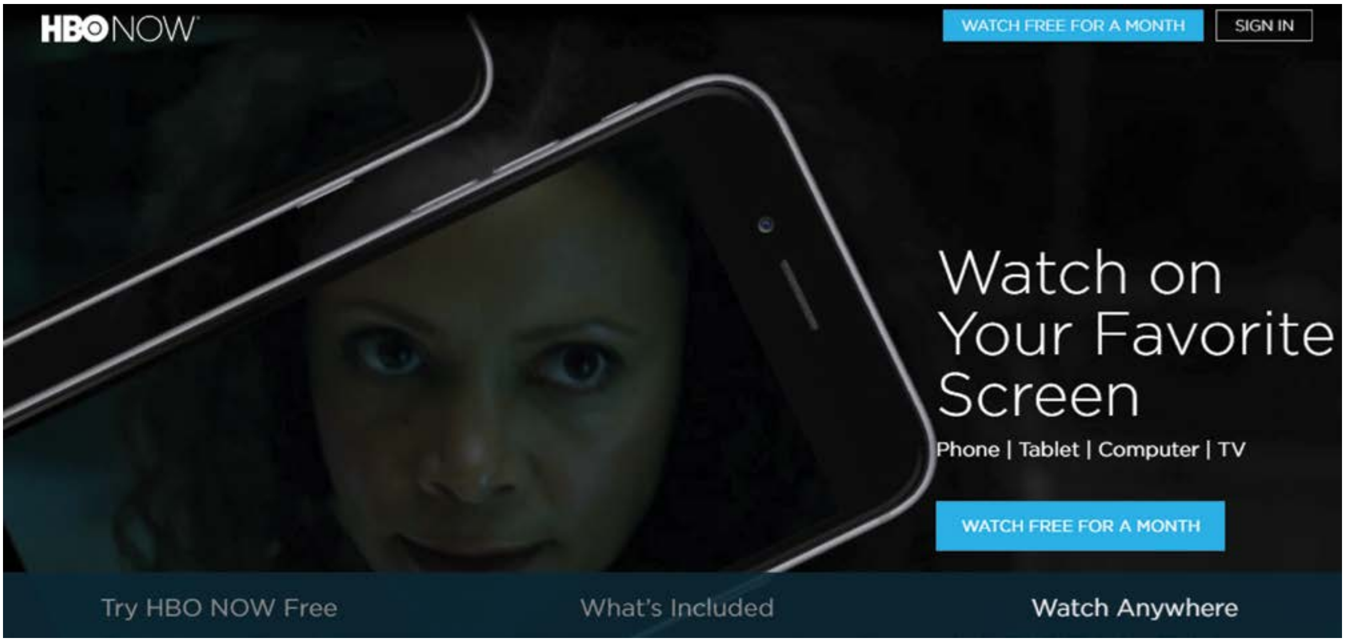
Price plan comparison of skinny packs

	Playstation Vue	Sling TV(Single-Stream)	Sling TV(Multi-Stream)
Base monthly price	$30-40	$20	$20
Channels in base package	57	22	28
Broadcast networks	ABC,NBC, Fox	ABC, Univision	Fox, Univision, UniMas
Add-ons	$5/month – adds 9 channels, $15/ month – adds 40 channels	$5 "Extra" packs for Sports, Kids, Hollywood, World News and Lifestyle	$5 "Extra" packs for Hollywood, World News and Lifestyle
Regional sports	Fox sports		Fox sports
Live channels?	Yes	Yes	Yes
On-demand video?	Yes	Yes	Yes
DVR?	"Cloud DVR" saves upto 28 days		
Time-shift Live TV?	Yes	Varies by channel	Varies by channel
TV Everywhere authentication	59 apps	Watch ESPN only	
Grid-based TV guide?	Yes		
Bookmark favourite channels?	Yes		
Multiple user profiles?	Up to 5		
Commercials?	Yes (DVR can skip)	Yes	Yes
Simultaneous streams	5 devices	1 device	3 devices
Locations restrictions?	TV devices cant leave the house	None	None
Long-term contracts?	No	No	No
Online cancellation?	Yes	Yes	Yes
Device deals		$50 off Fire TV/Roku 3 or free Roku 2 with 3 months prepaid	$50 off Fire TV/Roku 3 or free Roku 2 with 3 months prepaid

X1 infinity is Comcast's next generation guide software and hardware platform



Source: Comcast website



Collaborations, new launches, add-ons

Cable TV operators have launched integrated platforms (like Comcast Xfinity X1) and have started providing triple-play services to subscribers to protect their household ARPUs. Cable TV companies are collaborating with Netflix and other streaming services and integrating them in their set-top boxes. These companies are also essentially internet service providers for customers; hence, it becomes difficult to cut the cord. X1 infinity service launched by Comcast quickly searches across live TV, on demand, and the DVR library, to find exactly what one wants to watch, and it even makes recommendations and gives shortcuts for what is most watched.

Launches of various add on services by cable-TV operators have helped them to not only slow down their churn, but also to start adding net subscribers over the last few quarters. Broadcasters are also launching streaming services, which are targeted at the cord-cutters. HBO Now is an over-the-top subscription video-on-demand service operated by HBO. It is available as a standalone service and does not require a television subscription, targeting cord cutters who use competing services such as Netflix and Hulu. This offers on-

Source: Comcast website

demand access to HBO's entire library of original series, as well as original films and documentaries, along with acquired films from its library through the cable channel's content partners (such as 20th Century Fox, Universal Pictures, and HBO's sister company Warner Bros. Pictures).

CBS All Access is an over-the-top subscription-streaming video-on-demand service owned and operated by CBS. It offers original content, content newly aired on CBS's broadcast properties, and content from CBS's vast library.

Also, broadcasters are adding more original hours, increasing production costs, favouring in-house production, and introducing big stars to tackle the threat of rising popularity of non-linear TV viewing. The reason for this trend is two-fold. Viewership for reruns is lower than ever (and thus less profitable than ever) as streaming services with on-demand libraries of reruns win that market. Compounding this trend, the success of original series like Netflix's "House of Cards" and Amazon's "Transparent" are increasing competition.

The ascent of Netlfix and similar streaming services has offered viewers an alternative to broadcast television; they've also opened up a potential income stream for legacy shows and newer series produced by networks. Broadcast networks like ABC are now producing shows for Netflix (such as Daredevil).

The future of awesome

Evolve or expire – if you can't beat 'em, join 'em

The way a subscriber consumes content is evolving rapidly, and there is an ever-rising demand for various value-added services (catch-up, pause and play). Traditional broadcast networks have realised the rising threat of internet-TV and are now collaborating with these players to maximise their broadcast revenue streams; they are investing more in original content to suit the changing needs of their subscribers. Some have launched their own streaming services to target those customers who want to watch content on the go, thereby maximising their revenue streams. For example, Netflix in its recent earnings call outlined that it is going to spend over US$ 6bn on content – a huge opportunity for broadcast TV networks.

Switching over (Pay TV subscribers in the US)

Source: MoffettNathanson

Similarly, traditional cable-TV and satellite companies are also evolving, and they have started providing various value-added services to tackle the threat of cord-cutting. They are now collaborating with on-demand service providers and providing triple-play services to reduce churn.

The rising popularity of on-demand services is therefore an opportunity for all stakeholders across the value chain.

Is India mirroring the developed world?

Until 2015, the Indian cable and broadcasting industry was relatively untouched by the digital revolution. But over the last few years, various OTT platforms exploded on the Indian scene and global on-demand service providers such as Netflix and Amazon Prime also entered India. With over 40 OTT platforms, the audience in India is now spoilt for choice. According to a Media Partner Asia (MPA) report, in 2014, India had 12mn active OTT video subscribers – expected to rise to 105mn by 2020.

Can Netflix recreate its global magic in India?

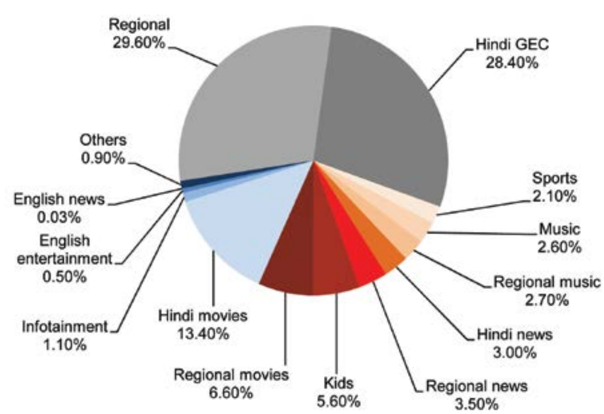
A media executive from a leading broadcasting company says, "Currently, OTT services are targeted at premium customers, who form a miniscule proportion of overall TV viewership – at least for now. If only these customers subscribe to OTT services, it is not going to break the linear TV viewership business model."

How does Netflix grapple with India's thirst for local content?

Not only does India have Bollywood, it also boasts of many more regional cinema industries – Telugu, Tamil, Bengali – each with its own massive fan following. Every year, India churns out more than 1,500 movies, the largest in the world. In order to have mass subscription, Netflix would need to invest heavily in local movie content, which could prove a daunting task for any new entrant. In India, digital rights of old movies either lie with some broadcaster or with an existing OTT player.

"A big drawback for Netflix is its inability to channel local content, the way rivals such as Hotstar, Spuul, and Eros Now have managed to do, albeit in a fragmented way," says the strategy head of a niche content production company. Publishers face problems in providing a rich portfolio of content across India's myriad languages. The country's diversity also adds to the multiplicity of genres and volume of content that a provider would need to cover the entire spectrum of languages across the country. While there is moderate demand for English content in India, the broader market consumes local, regional, and Hindi content at significantly lower pay-tv ARPUs.

Viewership share by genre in 2015



Source: FICCI KPMG 2016 report

An inferior offering in India

Another problem for a player like Netflix is that a large part of its content is not licensed for India, which makes its India offering sub optimal. For e.g., the TV series House of Cards is not available on Netflix as it sold its rights to Zee for India. A senior executive for a leading English broadcaster has a balanced take on this. He says, "A lot of the Netflix content has not been syndicated to channels in India, so that is one advantage it has. It is too early to say what impact it will have on broadcasters, because internationally too, Netflix has not really substituted TV – they co-exist".

According to unogs.com, which keeps a record of the number of TV shows and movies that are available on Netflix in various countries, Netflix India had only 563 movies and 263 TV shows in January 2016, while Netflix in the US offered 4,567 movies and 1,114 TV shows. Six months later, Netflix offered 916 movies and 368 TV shows, while in the US, Netflix offered 4,042 movies and 1,138 TV shows – while Netflix's India library is growing slowly, it's growing nevertheless.

English viewership share is too small, mass market rules

In India, the TV viewership share of English content is much less compared with Hindi and regional languages, which command a lion's share. "I don't see any significant impact on broadcasters or other digital players in the near term, as only 5-7% of TV-viewing audiences watch English content. Moreover, the broadband infrastructure in the country is still in nascent stages and it will take 3-5 years to build a number for critical mass," says the business head of a leading DTH player in India.

Netflix enjoys tremendous cost advantage in US and Europe where its Internet TV offering is much cheaper than traditional TV services (cable/satellite). Unfortunately, this is not the case in India. Also, India has limited number of residential broadband connections, small data limits, lack of connected media devices, and tough censorship laws. Cost consciousness is extremely high among Indian consumers, and Netflix, with its current pricing model, makes a weak case. In a country where a 'platinum' cable subscription usually offers 300+ channels and is available for Rs 500 a month, Netflix's paid offering of Rs 500-800 per month is a tough sell for mass subscription. In the words of Eros International Group CEO Jyoti Deshpande, "In our experience of the partnership we had with HBO to launch premium digital ad-free channels on DTH and cable, even the Rs 200 pricing for two channels meant a ceiling of 200,000 subscribers, beyond which there was no appeal. The premium pricing that Netflix is aiming for, alienates the core category driving consumption, that is, the middle class in a mass-volume market like India."

Netflix's monthly plans

	Basic	Standard	Premium
Price after free month ends on 07/02/16	Rs 500	Rs 650	Rs 800
HD available	✗	✓	✓
Ultra HD	✗	✗	✓
Screens you can watch on at the same time	1	2	4
Watch on your laptop, TV, phone and tablet	✓	✓	✓
Unlimied movies and TV shows	✓	✓	✓
Cancel anytime	✓	✓	✓
First month free	✓	✓	✓

Source: Netflix India website, Tata sky

Indian broadcasters have already launched their own OTT services

In India, it looks like Netflix's competitors have picked up strategies directly from its playbook, in fact leaving it behind. The business model of Indian broadcasting companies is very different from ones in developed countries – unlike their western counterparts, Indian broadcasters either own the Intellectual Property (IP) of the content that they beam out, or they commission content from a third party. All major broadcasters in India – Zee, Sun, Star, TV18 – have a wide array of channels spanning languages and genres, and have been operating in India for at least over a decade.

During this time, they have built a repertoire of content (daily soaps, movies), which a standalone OTT player would find difficult to replicate. Almost all broadcasters have already launched their own OTT platforms (Zee – Dittotv, Star – Hotstar, Sony – Sonyliv, TV18 – Voot) to target customers who primarily want to watch catch-up TV over a mobile platform. As broadcasters have

Fresh content hours by top 3 broadcasters

Broadcaster	Zee	Star India	TV18
No of channels	48	48	41
Fresh Content Hours/Year	23,000	18000	15,000

Source: PhillipCapital India Research

already incurred content cost, the OTT platform merely creates another avenue for monetisation of their content – precisely the reason why broadcasters can afford to provide the content for free (i.e., without charging any subscription revenue) and still sustain the profitability of the existing business.

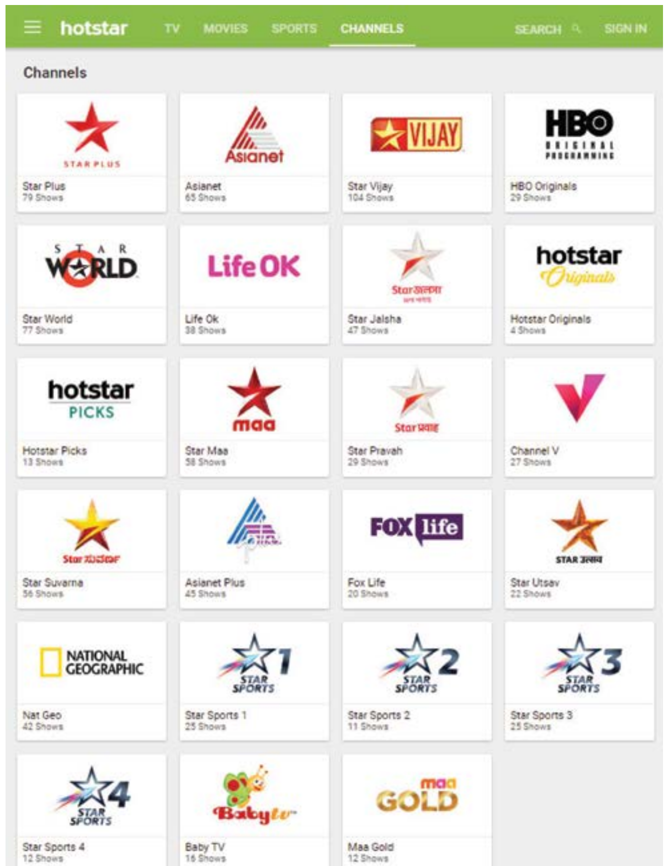
Broadcasters generally incur an initial start-up cost – usually the technology cost (varies from Rs 2-3 bn) and other operating cost (content) – which is easily manageable considering the financial might of established broadcasters. This is also why they can afford to provide OTT services for free, or at a nominal price.

Soon after Netflix arrived last year, Hotstar (owned by 21st Century Fox through Star India) made a deal with HBO that gave it access to most of the latter's content, minutes after it aired in the USA. Adding to its exclusive deals, in January 2017, Hotstar tied up with Disney India to bring the latter's film and TV slate onto its service.

Star also holds the rights to some of the biggest sporting leagues and tournaments, be it The Premier League, Bundesliga, or Wimbledon. "No other OTT platform in the world delivers this mix of entertainment and sports," claims Hotstar's CEO Ajit Mohan, pointing out that the platform also holds exclusive digital rights for some properties, especially cricket's popular Indian Premier League. The IPL has become a hot property – its 10-year rights (currently held by Sony Entertainment Television) are up for renewal in 2017. Hotstar claims that in major Indian cities, more people watched this year's IPL season on its service than on TV.

TV broadcasters expect revenues from digital platforms to grow at 10-15% in a few years, chiefly due to mobile advertising. Punit Goenka, MD, Zee Enterprises exhorts, "At an incredible price of Rs 20, we see dittoTV becoming a necessity and everyone's default app on their mobile phones, allowing them to access TV just about anytime and anywhere. We see it serving as your first and only screen, as your second screen, or just your TV on the go!" To drive the subscriber numbers and increase the number of eyeballs, broadcasting companies are collaborating with telecom companies, who are bundling apps into the data packs or selling these to consumers – a strategy to spur data volume. Over-the-top (OTT) platforms in India are in their infancy and are currently dealing with more fundamental issues. As Uday Sodhi, Business Head, Sony Liv explains, "OTT platforms are currently focusing on increasing content consumption by sorting out peripheral infrastructure related to payment gateways, bandwidth, and video streaming."

List of traditional TV channels available on Hotstar platform



The business models of current OTT providers are yet to stabilise

Buoyed by the success of on-demand streaming services in the developed world, India saw a slew of launches in the OTT space. While industry experts believe that no player has found a 'magic formula' for monetising free OTT services, there is hope – India has a bright future for online video and audio services driven by the growth of connected devices, a large internet-enabled mobile user base, increasing internet penetration, and growing consumer appetite for on-demand and live/linear content services.

"The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday's logic."

– Peter Drucker

Standalone OTT apps business model to revolve around ad based revenue model in the short term "India's online video space will predominantly be an AVoD market," claims a leading executive of an OTT player. Advertising video on demand (AVoD – free content with compulsory advertisements) services are supported by advertising, within or around online video streams, or on a website or app. Online video advertising will be driven by increased penetration of high-speed broadband and smartphones, and a greater volume of exclusive content leading to differentiated services that can command premium ad rates and sponsorships. As per a FICCI KPMG report 2016, India will improve its fixed broadband subscriber numbers to 28.3mn by 2021 from 16.6mn in 2015, and wireless broadband subscribers to 622mn from 120mn.

Although the subscription market is very small, it will pick up once data prices fall and payment gateways evolve. In the next 8-12 months, developments such as penetration of 4G services, rationalisation of data prices, and greater use of alternative payment models will help the freemium (mostly internet business model in which basic services are free while more advanced features are paid), SVoD (subscription video on demand, usually unlimited at a flat monthly rate), and TVoD (usually pay per view) business models to emerge. Digital video advertising is a US$ 1bn opportunity over the next five years. AVoD services are projected to see a CAGR of 38% between 2016 and 2021.

ALT Digital Media to try out the SVOD model – Will it succeed?

ALT Digital Media, the OTT video streaming firm of television and film production company Balaji Telefilms, eyeing an October launch, plans to produce more than 200 hours of exclusive original Indian content in a year. Currently, ALT Digital is firming up distribution partnerships with mobile phone manufacturers, telecom firms, and internet service providers. The company will follow a SVoD business model as it intends to move away from interruptive advertising to provide a value-for-money immersive viewer experience. However, it will work with select brands to integrate them seamlessly into its shows.

The big question is – how do you develop a business model in which viewers are willing to pay the content owner to view content on a second screen? A single definitive business model in OTT is missing in India. While Netflix is considered a global giant in this space, it is not sure if its model will be a game changer in India. Currently, most of the digital platform operators and standalone content providers are still experimenting with the 'freemium' business model and provide most services free, because of which they rely heavily on advertising revenue. Given that the subscription based business model is yet to pick-up any traction, most of the standalone OTT companies will be in investment mode for a long time, as financial data suggests that advertising income is not sufficient to cover the cost of content investment (let alone marketing). New and standalone OTT players would find it difficult to survive this experimentation phase, and industry experts believe that it be at least 3-5 years before a definite business model emerges.

Sneak peak in to Hotstar financials reveals worrying trends

Preliminary analysis of Novi Digital Entertainment Pvt Ltd (holding company of Hotsar) indicates that its revenue increased by an impressive 250% in FY16 but its operating losses widened to Rs 3.65bn from Rs 0.7bn in FY15. Its content cost was Rs 3.2bn, indicating that the company was not able to recoup its investment in content only through advertising revenue. Novi also spent Rs 1.6bn as selling and distribution expenses in FY16, which indicates that the initial operating expenditure is very high in order to sustain eyeballs.

As a rule of thumb, every 20 minutes of a scripted show costs Rs 1mn and non-scripted shows cost Rs 2-3mn. Hence, to provide the subscriber with a seamless service with decent content options, an OTT provider needs to have at least 300-400 hours of content (scripted, non-scripted, and movie included). Hence, the content cost to run an OTT platform on a per-annum basis would be at least Rs 3-4bn – an investment that is not viable for small-scale and standalone OTT operators. Hotstar, with strong parent backing and ample funding access, can afford to invest aggressively in content and experiment with various revenue models before becoming self-sustainable.

OTT revolution is an opportunity for the content providers

Where there are eyeballs, there needs to be content and Over-The-Top (OTT) service providers globally have emerged in the past two years for filling in those needs. In India, as the market for OTT content continues to grow, standalone OTT providers will have to capitalise on changing consumer preferences and interests, and combine these with a compelling user experience to build a fast-growing and very loyal paying fan base. Consumers expect to stream latest videos in high definition without buffering. With sports being streamed live online as well, consumers are beginning to expect the same uninterrupted live stream, and to download videos in high quality.

Conclusion

With faster 4G internet speeds, affordable data plans, and increase in smartphone penetration, OTT players that create the right exclusive original content, and play seamlessly on all four screens (smartphones, tablets, laptops, and televisions), with high-quality stream options (HD, ultra HD) – all at the right price-point – will be the winners of tomorrow.

Lack of much needed infrastructure is an almost debilitating condition for a fast-growing economy like India, a country that has nevertheless seen both volume and 'strength' growth in digital channels. Given the large, educated, young population with rising income levels, these changes (internet penetration, consuming video on the go) should be expeditious, but the reality is stark – broadband connectivity in India is not strong and internet penetration is low, especially in rural areas. Regulatory delays are another significant hurdle in the path of connectivity. Acquiring content rights for a new distribution platform such as OTT is undoubtedly challenging, given OTT's unproven nature, faster change in consumer habits, and time taken for subscriber growth. Content owners have an additional challenge in maintaining a delicate balance between new opportunities and their existing relationships with distribution and marketing partners.

Currently, launches of multiple OTT platforms provide immense opportunities for niche content providers, as they can now leverage on changing video consumption patterns and target their prospective audience, which was otherwise difficult due to their lower bargaining power vis-a-vis the traditional linear TV platform. Global majors like Netflix and Amazon Prime, who are targeting India for the next leg of their subscriber growth, need to invest in local content due to limited appetite for English content. They need to tie up with local content production houses to fill in the gaps in their portfolios – a win-win situation for both parties.

Similarly, OTT platforms also provide an opportunity for traditional broadcasters to experiment and invest in niche content, as they now have an additional platform to not only reach their target audience, but to also increase their revenue streams – precisely the reason why most broadcasters are now investing in original content for their OTT platforms.

With Reliance JIO offering data at competitive tariffs, and other incumbent telecoms service providers following suit, mobile broadband penetration (made available at an affordable price) is going to increase at a rapid pace. Hence, bandwidth cost will no longer be a deterrent for consumption of online video (1GB of data is now available at Rs 50, which is sufficient for three hours of mobile video consumption). With one of the major hurdles now being removed, it is a matter of time before the industry discovers the best way to run this emerging business in a profitable way. Until then, participants will continue to experiment with various business models and players with deep pockets will keep emerging and forging ahead. Broadcasters with huge content libraries and IP rights of lucrative sports properties are already a step ahead of other OTT players. With changing video consumption patterns, multiplication of viewing devices, and an appetite for niche local content, there is enough space for standalone OTT players to flourish and thrive.

PRE-BUYING: But at a cost

In the light of a change in emission norms, and expectations of strong pre-buying in the MHCV segment, GV talked with Mr. Gurvinder Singh Grewal, Proprietor of Diamond Roadlines, and Vice President of Bombay Goods Transport Association. He shared his insights on the industry's current status, pre-buying and discounting trends, fleet profitability, demand, and challenges that the Indian transportation sector faces.

Q. Can you give a brief about your firm, Diamond Roadlines (DRL), and the role of the Bombay Goods Transport Association (BGTA)?

A. DRL is a large transport company that specialises in FTL (full truckload), ODC (over dimensional consignment), and warehousing. It operates through 100 owned trucks and other attached fleets. BGTA is a premier association of goods transporters based out of western India. The association has over 2,000 members, and each member owns an average of over 60 trucks. The association's prime objective is to encourage and promote goods transport and protect its members.

Q. The transportation sector took quite a downturn due to demonetisation; what is the current situation?

A. November and December saw sharp dips in goods transport, but things have recovered and are normalising. Small operators (1-2 trucks) were washed out after demonetisation and organised players are seeing healthy demand now. However, the industry is still on its path to normalcy.

Mr. Gurvinder Singh Grewal

Proprietor of Diamond Roadlines & Vice President of Bombay Goods Transport Association

Q. What is the average age of the fleet of BGTA members? How have freight rates and fleet profitability moved recently?

A. BGTA members together own over 120,000 MHCVs, and currently the average fleet age is about 5.5 years. Freight rates have been largely mimicking fuel prices. The government's recent directive of a 0.5% cash-back discount on fuel helped profitability.

Q. In the light of emission norms change and price hikes from April, have we seen fleet operators pre-buying MHCVs in order to save costs?

A. Yes, from February, fleet operators have started pre-buying trucks as an opportunity to lower their average fleet size while saving in terms of additional costs. The incremental cost of a 20-tonne BS4 truck vs. a BS3 one would be about Rs 250,000; hence, pre-buying does lead to savings. OEMs have resorted to aggressive discounts to push BS3 inventory – both Tata Motors and Ashok Leyland are offering discounts to the tune of Rs 500,000 for a 20-tonne truck (MRP Rs 2.2mn) vs. Rs 250,000-300,000 in the previous quarter. The demand is currently so high that Tata Motors has a waiting period of up to a month, as it is not able to ramp up production. Tata Motors did not see any major inventory build up in demand anticipation unlike its competition.

Q. If demand is strong why are OEMs offering such high discounts?

A. Discounts are bloated as January didn't see any pre-buying; RTO is adamant that it will not allow BS3 trucks to register from April. Hence, OEMs are in a flux – they are pushing discount-led sales to clear BS3 inventory.

Q. Why is the RTO not allowing registration of BS3 trucks from April – we believed only production will not be allowed?

A. RTO has maintained that until it receives a written mandate from the government it won't allow BS3 registration; hence, OEMs are also pushing sales for now.

Q. What could the quantum of pre-buying be? Are fleet owners adding new fleets or only replacing?

A. Fleet owners are not increasing size; they are taking this as an opportunity to reduce average fleet age due to bloated discounts and cost savings on MRP. Our rough calculations suggest that BGTA members could end up replacing 5-10% of total fleet, which means ~8000 MHCVs could be bought by BGTA members themselves.

Q. Owners are looking at fleet replacement – does this mean that the used vehicle market has improved?

A. No. Used truck sales have totally slumped and haven't seen any recovery yet. Used truck prices are down 30-50% and still transactions are not taking place. Fleet operators are buying new vehicles from a cost-benefit perspective and would sell off their old vehicles once the market improves.

Q. Which OEMs do you prefer and why?

A. We have an over two-decade-old association with Tata Motors, which form 100% of our fleets. We had given Ashok Leyand a try, but it didn't go well for us. Tata Motors has really improved in terms of post-sales service in the last two years. They have launched loyalty cards and discounts for servicing, started providing free medi-claim for drivers. M&M, with its recent Blazo series, is also getting good response.

Q. Your views on the scrappage policy?

A. We are dissatisfied that scrappage policy is being framed without consulting any of the transport associations. Voluntary scrappage (that was mentioned), aims to scrap about 11mn vehicles through incentives (up to 15% by providing lower taxes). We do not see this materially leading to replacement of old vehicles as benefits are not big enough to compel a small trucker to voluntarily replace his vehicle. Additionally, India doesn't have large enough scrappage capacities to handle big volumes.

Q. What are the other challenges that fleet operators face?

A. The biggest challenge that we face as an industry is the availability of drivers. We have started benefit programs for drivers to lure them and stick with us. Second big problem is bribery – while this had decreased 30-40% after demonetisation, it is rising again. Also, while emission norms have been made stringent and truck prices have risen, the industry is looking for relief by way of increasing the operational life of a truck to compensate for higher costs due to better and frugal engines.

Clark Kent no more – it's only Superman now

BY ROSHAN SONY

There has been a sea change in the US' philosophical outlook – not the whole of the US, obviously, but of an astounding majority of its population under its new president. Under Trump, the US seems to be shedding its mantle of 'prescribed modesty'. It is flexing its muscles and letting everybody know that it is the mightiest nation in the world. It seems done with pretending to play nice. What Trump is essentially doing is refusing to play by the rules, unwritten codes of conduct that have been followed by Democrat and Republican Presidents alike, even as they did exactly what they want. In that sense, these newfound fears, because Trump is President, seem unwarranted – this status quo has been present for more than century now – a world in which the US reigns supreme and pretty much influences most global events. It's just old wine in a brash new bottle.

The US became a super power in the early 20th century. However, in the early years it was mostly at par with the UK. It was only after the Second World War that the world truly acknowledged the financial and military might of Uncle Sam. Overall, for well over a 100 years, the US has reigned supreme. The US President, any US President, has been widely acknowledged to be the 'most powerful person in the world'.

In the early years of its ascension as a super power, the US' approach to its strength was very matter of fact. It was the strongest and it did not bother to conceal its strength under a veneer of false humility. They say a picture speaks a thousand words. In that case, this photo of Stalin, Roosevelt, and Churchill at the end of the Second World War, speaks volumes.

This photo is arguably one of the most analysed by 'body language' experts who conclude that Roosevelt (and in turn America) knows that he is the most important and dominant, reflected in his easy and confident stance. Churchill, representing Britain, is hunched and almost subservient, reflecting his country's diminishing status (he was sick at the time though), and Stalin, while reasonably confident, leans in towards Roosevelt, indicating his willingness to follow the leader. While body-language analysis might be debatable, the US did know for sure by then that it could steamroll its allies and enemies and make them eventually agree with whatever it wanted, and it was blasé about it.

For example, look at one of US' earliest and biggest acts of aggression: the myth of the Pearl Harbour attacks and US' subsequent 'retaliatory' atomic attack on Hiroshima and Nagasaki. Japan attacked Pearl Harbour in 1941, in the middle of the Second World War. The US dropped atomic bombs on Hiroshima and Nagasaki in 1945 – towards the end of the Second World War, apparently because Japan would not surrender and the whole world wanted the war to end. However, the real reason may be a little more chilling – because it could.

With the atomic bombings the might of the US was firmly established. Over the course of the next few decades, the US would be involved in major conflicts across the world (diplomatic and/or military) and would be heavily influencing policy in almost every country (at least the ones that were in its interest). The Korean War in the 1950s, the Vietnam War in the 1960s, war against communists in Thailand in the mid 1960s, the Persian Gulf war (against Iran) in 1987-88, Gulf War of 1990-91, numerous conflicts in Africa, Bosnian war in the mid 1990s, the Afghanistan War (which is now in its second decade), the Iraq War of 2003-2011, war in North West Pakistan from 2004, Libya, and ISIL – the list is almost endless.

However, something started to change in the mid 50s – television sets and the rise of television journalism (mostly far left), the rise of the 'flower-power' anti-war generation (hippies) within the US who heavily criticised its involvement in the Vietnam conflict, the rise of liberal ideas, the world in general becoming more aware about injustice and raising its collective voice, the rise of the principle of 'tolerance', and the rise of political correctness. These developments led to the US toning down its belligerence and gradually taking on a more politically correct tone. However, what is more important is that irrespective of which government was in power in the US (Democrats or Republicans), this 'enforced humility' and 'obligatory political correctness' was largely lip service! The US pretty much continued to do whatever it pleased.

It has been known to take a stance, usually in line with liberal ideas, while doing things counter to that rhetoric. The more the liberal press criticized America, the more 'diplomacy' it began to practice. Here are few of the things that the US has been criticised for, even while it was outwardly becoming 'sensitive' to the world's problems.

- Making statements supporting peace and respecting national sovereignty even as it carried out military actions (Grenada, provoking a civil war in Colombia to break off Panama, Iraq)
- Advocating free trade while protecting its local industries with import tariffs
- Advocating concern for human rights while refusing to ratify the Convention on the Rights of the Child
- Publicly opposing torture while, well, Guantanamo Bay
- Voicing concern about narcotics production in countries such as Bolivia and Venezuela, but not cutting bilateral aid programs
- Supporting dictatorships with economic assistance and military hardware
- Failure to support the 1997 Kyoto Protocol

Jim Webb (former Democratic senator from Virginia, former Secretary of the Navy in the Reagan administration) has told the media that the Congress has an ever-decreasing role in US foreign policy making, with 9/11 precipitating this change. It is speculated that powers have shifted firmly to the Presidency, as centralised decision-making was considered best for a nation under attack where decisive action was frequently necessary. However, even before Jim Webb's observation, it was fairly well known that US Presidents have a lethal weapon in the form of 'executive orders' to push their will in the face of dissent from the Congress. Executive orders DO NOT need the Congress' approval to take effect, but they still have the same legal weight. So far, Trump seems to have used executive orders to show voters that he has a strong intention of following through on his election promises. Franklin Roosevelt holds the record of having issued more than 3,500 executive orders between 1933 and 1945, followed by Wilson, Coolidge, and Theodore Roosevelt at 1,803, 1,203, and 1,081. Obama issued 276, Bush (Jr.) 291, and Clinton issued 364! Trump has issued about 12 so far. The only real deterrent to Trump's executive orders as of now is if the Supreme Court finds such orders unconstitutional.

Even so, none of this is new. The US and its Presidents have pretty much forced their will on the rest of the world through most of the last century – for both inward-looking and outward-looking policies. With Trump coming from a non-political background, and refusing to follow well-established political etiquette, it might seem that he is doing something outlandish. However, what he is essentially doing is simply not sugar coating anything anymore. It is also possible that his policies will tend to focus on repairing and restoring his country to what he believes was its former glory, rather than focusing outwards – it's too early to say. What is for sure is, nothing is really too different from what it was before January 20th, 2017. The world is just the same, just a whole lot less PC.

Indian Economy – Trend Indicators

Monthly Economic Indicators

Growth Rates (%)	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17
IIP	-0.9	-1.5	2.0	0.3	-1.3	1.1	2.0	-2.5	-0.7	0.7	-1.8	5.7	-0.4	
PMI	49.1	51.1	51.1	52.4	50.5	50.7	51.7	51.8	52.6	52.1	54.4	52.3	49.6	50.4
Core sector	0.9	2.9	5.7	6.4	8.5	2.8	5.2	3.0	3.2	5.0	6.6	4.9	5.6	
WPI	-0.7	-0.9	-1.0	-0.9	0.3	0.8	1.6	3.5	3.9	3.8	3.8	3.2	3.4	5.2
CPI	4.0	3.9	4.4	4.8	5.5	5.8	5.8	6.1	5.0	4.4	4.2	3.6	3.4	3.2
Money Supply	11.0	11.1	11.3	10.3	10.0	10.1	10.4	10.4	10.3	12.1	10.9	8.5	6.2	6.4
Deposit	10.9	11.1	11.0	9.9	9.3	9.5	9.7	9.5	9.2	11.3	9.8	15.3	14.5	13.2
Credit	11.1	11.4	11.6	11.3	9.2	9.8	9.4	9.7	9.6	11.2	8.5	4.7	4.7	4.62
Exports	-14.7	-13.6	-5.7	-5.5	-6.7	-0.8	1.3	-6.8	-0.3	4.6	9.6	2.3	5.7	4.3
Imports	-3.9	-11.0	-5.0	-21.6	-23.1	-13.2	-7.3	-19.0	-14.1	-2.5	8.1	10.4	0.5	10.7
Trade deficit (USD Bn)	-11.7	-7.6	-6.5	-5.1	-4.8	-6.3	-8.1	-7.8	-7.7	-8.3	-10.2	-13.0	-10.4	-9.8
Net FDI (USD Bn)	3.6	4.1	2.8	1.4	2.0	1.5	3.3	3.6	4.4	4.6	2.4	2	4	-
FII (USD Bn)	-2.6	-1.5	-2.4	4.3	1.1	-0.4	-0.2	2.7	1.0	3.0	-1.8	-3.8	-2.6	-
ECB (USD Bn)	3.0	1.4	1.4	1.5	0.3	1.3	1.1	1.2	3.2	1.6	1.5	0.3	2.5	-
Dollar-Rupee	66.2	67.8	68.4	66.2	66.3	67.3	67.5	67.0	67.0	66.6	66.8	68.4	67.9	-
FOREX Reserves (USD Bn)	352.1	349.2	346.8	355.6	361.6	360.2	360.8	365.5	366.8	372.0	367.2	365.3	360.3	-

Quarterly Economic Indicators

Balance of Payment (USD Bn)	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17
Exports	81.7	85.3	79.0	70.8	68.0	67.6	64.9	65.8	66.6
Imports	116.3	123.9	118.3	102.5	102.2	104.7	98.9	90.6	90.4
Trade deficit	-34.6	-38.6	-39.3	-31.7	-34.2	-37.2	-34.0	-24.8	-23.8
Net Invisibles	26.7	28.5	30.9	30.2	28.0	28.6	26.9	24.4	23.5
CAD	-7.9	-10.1	-8.4	-1.5	-6.1	-8.6	-7.1	-0.3	-0.3
CAD (% of GDP)	1.6	2.0	1.7	0.3	1.2	1.7	1.3	0.1	0.1
Capital Account	19.2	16.5	23.6	30.7	18.6	8.1	10.9	3.5	7.1
BoP	11.2	6.9	13.2	30.1	11.4	-0.9	4.1	3.3	7.0

GDP and its Components (YoY, %)	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17
Agriculture & allied activities	2.8	-2.4	-1.7	2.5	2.0	-1.0	2.3	1.8
Industry	6.2	3.4	6.9	7.1	8.5	10.3	9.2	7.7
Mining & Quarrying	7.0	9.1	10.1	8.5	5.0	7.1	8.6	-0.4
Manufacturing	5.8	1.7	6.6	7.3	9.2	11.5	9.3	9.1
Electricity, Gas & Water Supply	8.8	8.8	4.4	4.0	7.5	5.6	9.3	9.4
Services	9.9	11.7	8.3	8.3	7.9	8.5	8.1	8.4
Construction	5.3	4.9	2.6	5.6	0.8	4.6	4.5	1.5
Trade, Hotel, Transport and Communications	8.4	6.2	13.1	10.0	6.7	9.2	9.9	8.1
Finance, Insurance, Real Estate & Business Services	12.7	12.1	9.0	9.3	11.9	10.5	9.1	9.4
Community, Social & Personal Services	10.3	25.3	4.1	5.9	6.9	7.2	6.4	12.3
GDP at FC	8.1	6.7	6.2	7.2	7.3	6.9	7.4	7.3

Annual Economic Indicators and Forecasts

Indicators	Units	FY9	FY10	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E
Real GDP/GVA growth	%	6.7	8.6	8.9	6.7	4.9	5.6	7.1	7.2	6.8	7.4
Agriculture	%	0.1	0.8	8.6	5	1.2	4.3	-0.2	1.2	4	3
Industry	%	4.1	10.2	8.3	6.7	5.1	0.4	6.5	8.8	5.5	10.6
Services	%	9.4	10	9.2	7.1	6	8.2	9.4	8.2	7.8	7.4
Real GDP	Rs Bn	41587	45161	49185	52475	54821	90844	97275	104272	111362	119603
Real GDP	US$ Bn	908	953	1079	1096	1008	1503	1595	1604	1662	1772
Nominal GDP	Rs Bn	56301	64778	77841	90097	101133	112728	124882	135762	150594	168176
Nominal GDP	US$ Bn	1229	1367	1707	1881	1859	1864	2047	2089	2248	2491
WPI (Average)	%	8.1	3.8	9.6	8.7	7.4	6	2	-2.5	3	3
CPI (Average)		9	12.4	10.4	8.3	10.2	9.5	6.4	4.9	4.6	4
Money Supply	%	20.5	19.2	16.2	15.8	13.6	13.5	12	10.3	11	11.5
CRR	%	5	5.75	6	4.75	4	4	4	4	4	4
Repo rate	%	5	5	6.75	8.5	7.5	8	7.5	6.75	5.75	5.25-5.5
Reverse repo rate	%	3.5	3.5	5.75	7.5	6.5	7	6.5	5.75	5.25	4.75-5
Bank Deposit growth	%	19.9	17.2	15.9	13.5	14.2	14.6	12.1	9.7	14	8
Bank Credit growth	%	17.5	16.9	21.5	17	14.1	13.5	12.5	10.7	8	9
Centre Fiscal Deficit	Rs Bn	3370	4140	3736	5160	5209	5245	5107	5351	5339	5045
Centre Fiscal Deficit	% of GDP	6	6.4	4.8	5.7	5.2	4.6	4.1	3.9	3.5	3
State Fiscal Deficit	% of GDP	2.4	2.9	2.1	1.9	2	2.2	2.9	2.4	2.7	2.8
Consolidted Fiscal Deficit	% of GDP	8.4	9.3	6.9	7.6	6.9	7.1	6.6	6.3	6.2	5.8-6
Exports	US$ Bn	189	182.4	251.1	309.8	306.6	318.6	316.7	266.4	275.7	279.8
YoY Growth	%	13.7	-3.5	37.6	23.4	-1	3.9	-0.6	-15.9	3.5	1.5
Imports	US$ Bn	308.5	300.6	381.1	499.5	502.2	466.2	460.9	396.4	392.5	412.1
YoY Growth	%	19.7	-2.5	26.7	31.1	0.5	-7.2	-1.1	-14	-1	5
Trade Balance	US$ Bn	-119.5	-118.2	-129.9	-189.8	-195.6	-147.6	-144.2	-130.1	-116.8	-132.3
Net Invisibles	US$ Bn	91.6	80	84.6	111.6	107.5	115.2	116.2	107.9	102.9	106.5
Current Account Deficit	US$ Bn	-27.9	-38.2	-45.3	-78.2	-88.2	-32.4	-27.9	-22.2	-13.9	-25.8
CAD (% of GDP)	%	-2.3	-2.8	-2.6	-4.2	-4.7	-1.7	-1.4	-1.1	-0.6	-1
Capital Account Balance	US$ Bn	7.8	51.6	62	67.8	89.3	48.8	90	41.1	39	63.4
Dollar-Rupee (Average)		45.8	47.4	45.6	47.9	54.4	60.5	61.2	65.5	67	67.5

Source: RBI, CSO, CGA, Ministry of Agriculture, Ministry of commerce, Bloomberg, PhillipCapital India Research

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	Rs	Rs bn	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Tata Motors	Automobiles	452	1,447	2,778,630	3,195,336	446,700	562,265	156,757	230,352	49	72	41.8	46.9	9.3	6.3	1.5	1.3	4.0	3.1	16.5	19.9	8.6	11.2
Bharat Forge	Automobiles	1,066	248	72,614	80,294	13,685	15,935	6,242	8,008	27	34	-4.7	28.3	39.7	31.0	6.3	5.5	19.2	16.2	15.8	17.8	12.1	14.2
Mahindra & Mahindra	Automobiles	1,318	819	443,257	497,442	58,953	66,906	36,700	42,038	62	71	11.5	14.5	21.3	18.6	3.1	2.8	13.8	12.0	14.7	15.1	12.7	13.4
Ashok Leyland	Automobiles	94	267	201,621	238,868	22,794	26,389	12,351	15,063	4	5	11.2	22.0	21.6	17.7	4.1	3.4	11.4	9.4	18.8	19.0	15.7	17.0
Apollo Tyres	Automobiles	179	91	133,058	149,745	19,925	21,437	10,308	11,156	20	22	-1.4	8.2	8.9	8.2	1.3	1.1	5.5	5.0	14.5	13.7	10.9	10.5
Maruti Suzuki	Automobiles	6,000	1,813	665,340	753,298	106,188	118,994	73,469	82,496	243	273	60.7	12.3	24.7	22.0	5.5	4.6	16.9	14.9	22.3	20.8	22.6	21.2
Mahindra CIE	Automobiles	203	77	54,170	66,956	6,497	9,384	3,147	5,040	10	13	90.4	37.1	20.8	15.2	2.9	1.8	12.3	7.9	14.0	13.7	12.1	21.6
Bajaj Auto	Automobiles	2,782	805	220,067	256,225	47,024	54,642	39,729	46,098	137	159	8.8	16.0	20.3	17.5	5.5	4.6	16.6	14.1	27.3	26.5	28.1	27.6
Hero MotoCorp	Automobiles	3,102	619	314,421	363,560	53,333	59,632	38,093	42,785	191	214	21.6	12.3	16.3	14.5	6.3	5.1	11.5	10.2	38.6	35.0	37.9	35.1
Escorts Ltd	Automobiles	410	50	39,725	45,855	3,187	4,476	2,243	2,972	19	25	115.9	32.5	21.8	16.5	2.4	2.1	15.6	10.6	11.1	13.0	7.7	12.2
Ceat Ltd	Automobiles	1,136	46	60,151	70,844	7,784	9,567	4,294	5,583	105	137	-6.2	30.0	10.8	8.3	1.9	1.6	6.2	4.8	17.7	19.1	17.4	18.9
Cummins India	Capital Goods	893	247	51,137	58,296	8,639	10,179	7,897	9,115	28	33	4.7	15.4	31.3	27.1	6.5	6.0	28.7	24.2	20.8	22.0	20.2	21.3
Engineers India	Capital Goods	148	100	14,387	19,604	3,034	3,669	3,335	3,859	5	6	31.2	15.7	29.9	25.8	3.6	3.6	23.3	19.4	12.2	13.8	13.4	15.1
Siemens	Capital Goods	1,205	429	113,677	114,685	11,405	12,999	6,699	8,025	19	23	15.7	19.8	64.0	53.5	7.8	6.3	35.1	29.8	12.2	11.8	9.6	39.7
Crompton Greaves	Capital Goods	66	41	60,489	65,839	5,474	6,348	1,933	2,727	3	4	62.0	41.1	21.4	15.2	0.9	0.8	6.3	5.1	4.1	5.6	3.2	5.0
VA Tech Wabag	Capital Goods	525	29	30,646	36,765	2,612	3,517	1,220	1,734	22	32	37.2	42.1	23.5	16.6	2.7	2.4	11.2	8.4	11.3	14.4	9.1	11.2
Voltas	Capital Goods	345	114	60,642	69,762	5,311	6,339	4,407	4,953	13	15	39.2	12.4	25.9	23.1	3.5	3.2	21.4	17.7	13.6	13.7	15.0	14.1
BHEL	Capital Goods	154	377	299,845	345,430	12,599	29,244	9,466	20,956	4	9	-204.3	121.4	39.8	18.0	1.1	1.1	22.1	9.7	2.8	5.9	2.1	4.4
ABB India	Capital Goods	1,234	261	86,484	103,243	7,547	10,342	3,612	5,445	17	26	11.6	50.7	72.4	48.0	8.0	7.3	33.9	25.0	11.0	15.1	9.6	13.1
Larsen & Toubro	Capital Goods	1,484	1,384	1,110,087	1,274,713	120,994	144,127	57,874	67,262	62	72	38.2	16.2	23.9	20.6	2.9	2.6	18.3	15.5	12.0	12.6	5.0	5.6
KEC International	Capital Goods	167	43	84,462	91,484	7,607	8,247	2,580	3,102	10	12	14.3	20.2	16.6	13.8	2.5	2.2	8.2	7.4	15.0	15.7	9.9	10.6
Thermax	Capital Goods	856	102	47,679	53,138	4,225	5,034	3,118	3,457	26	29	13.2	10.9	32.7	29.5	3.9	3.6	23.7	19.5	12.0	12.1	10.4	11.3
Inox Wind	Capital Goods	172	38	46,885	51,662	7,025	7,765	4,191	4,578	19	21	-8.0	9.2	9.1	8.3	1.8	1.5	6.5	5.4	19.3	18.2	14.1	13.5
Dalmia Bharat Ltd	Cement	1,907	170	81,114	86,858	20,304	23,397	5,248	5,845	59	66	174.8	11.4	32.3	29.0	3.9	3.4	11.0	9.2	12.0	11.9	8.4	8.6
Shree Cement	Cement		540	90,772	98,584	31,833	35,748	18,381	20,311	528	583	203.1	10.5	29.4	26.6	7.1	5.8	16.4	14.2	24.0	21.9	23.2	23.1
Mangalam Cement	Cement	284	8	8,801	9,835	1,168	1,555	280	617	11	23	-237.0	119.8	27.0	12.3	1.5	1.3	10.8	7.7	5.4	10.9	5.3	8.1
OCL India	Cement	914	52	29,529	33,165	5,857	6,592	3,224	3,721	57	65	57.5	15.4	16.1	14.0	3.2	2.7	8.4	7.0	19.5	19.3	17.5	20.6
JK Lakshmi Cement	Cement	388	46	31,203	36,664	4,797	6,257	751	1,817	6	15	221.9	142.1	60.8	25.1	3.2	2.9	13.3	9.7	5.3	11.7	6.3	9.2
JK Cement	Cement	867	61	37,763	45,175	6,005	8,230	1,503	2,999	21	43	137.1	99.5	40.3	20.2	3.6	3.3	14.5	10.4	8.9	16.3	6.4	9.1
HeidelbergCement	Cement	111	25	18,244	19,946	2,454	3,182	676	1,164	3	5	74.9	72.2	37.0	21.5	2.6	2.4	12.9	9.3	7.1	10.9	6.6	8.6

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	Rs	Rs bn	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
India Cement	Cement	163	50	60,035	66,592	10,226	11,472	2,601	3,949	8	13	80.1	50.9	19.2	12.7	1.4	1.3	7.2	6.0	7.3	10.4	7.5	9.3
Ambuja Cement	Cement	239	474	98,754	108,682	17,340	21,077	10,163	12,052	6	6	10.3	5.6	41.5	39.3	5.3	5.6	26.5	21.7	12.8	14.3	9.9	12.7
ACC	Cement	1,469	276	109,456	129,581	11,988	14,977	6,430	7,696	34	41	-14.5	19.7	42.9	35.9	3.2	3.1	21.4	17.3	7.4	8.6	7.0	7.5
Ultratech Cement	Cement	3,720	1,021	279,403	352,815	54,309	69,379	28,669	29,712	104	108	25.4	3.6	35.6	34.4	4.3	3.9	19.3	17.9	12.2	11.4	9.8	8.6
Havells India Ltd	ELECTRICALS	427	267	59,506	67,500	8,118	9,346	5,739	6,540	9	10	11.9	14.0	46.5	40.8	9.1	8.2	31.3	26.8	19.7	20.0	17.6	18.3
Finolex Cables Ltd	ELECTRICALS	445	68	25,780	28,026	4,037	4,573	3,229	3,398	21	22	69.3	5.2	21.1	20.0	3.9	3.4	16.0	13.5	18.6	16.8	19.1	17.3
KEI Industries	ELECTRICALS	182	14	26,328	29,983	2,797	3,231	2,522	2,940	33	38	16.2	16.6	5.6	4.8	3.1	2.6	7.0	5.9	56.0	53.4	26.6	28.3
Bajaj Electricals Ltd	ELECTRICALS	257	26	46,946	50,568	2,605	2,989	1,069	1,284	11	13	11.8	20.0	24.3	20.2	3.1	2.7	11.9	10.2	12.7	13.5	10.6	11.1
LIC Housing Finance	Financials	560	282	1,642	1,872	2,624	1,754	19,638	23,422	39	46	18.2	19.3	14.4	12.1	0.0	0.0	107.6	160.9	213.0	251.8	19.7	20.0
DCB Bank	Financials	137	39	1,866	2,223	950	930	1,936	2,505	7	8	-0.5	15.0	20.2	17.5	2.0	1.6	41.2	42.1	69.8	85.4	10.2	10.6
Indusind Bank	Financials	1,338	799	36,706	46,472	8,046	9,715	29,659	38,207	50	64	29.3	28.8	26.9	20.9	4.0	3.4	99.4	82.3	339.0	394.8	15.6	17.4
Repco Home Finance	Financials	657	41	364	474	600	601	1,802	2,354	29	37	20.0	29.8	22.8	17.6	0.1	0.0	68.5	68.4	178.8	212.2	17.4	19.2
Punjab National Bank	Financials	140	298	33,023	36,326	101,370	81,296	19,045	32,451	9		-143.2	-100.0	16.0	-	0.8	0.7	2.9	3.7	196.2	208.0	5.1	7.8
Bank of Baroda	Financials	166	383	29,585	33,135	83,430	67,044	21,096	49,375	9	21	-139.1	134.1	18.2	7.8	1.0	0.9	4.6	5.7	180.8	199.2	5.7	12.4
State Bank of India	Financials	270	2,149	184,269	204,784	283,537	269,311	109,095	134,407	13	16	5.1	20.7	20.0	16.6	1.4	1.3	7.6	8.0	197.7	212.2	7.2	8.0
Union Bank	Financials	142	98	15,220	16,832	48,963	46,540	8,368	14,157	11	17	-44.0	58.0	12.9	8.2	0.5	0.5	2.0	2.1	324.3	329.8	4.0	6.1
Canara Bank	Financials	294	160	17,054	19,027	48,372	43,340	16,073	25,218	28	41	-153.4	49.6	10.6	7.1	6.0	5.8	3.3	3.7	582.2	594.7	5.9	8.5
Indian Bank	Financials	292	140	4,764	6,041	18,795	17,880	14,995	16,966	31	35	110.8	13.1	9.3	8.3	0.9	0.9	7.5	7.8	366.3	396.9	10.5	10.5
Oriental Bank of Comm	Financials	121	42	11,018	12,394	29,240	27,158	5,491	7,243	16	19	226.6	20.3	7.6	6.4	0.3	0.3	1.4	1.5	418.3	410.3	3.9	4.8
ICICI Bank	Financials	282	1,642	99,840	22,400	162,259	121,444	85,083	71,498	15	12	-12.7	-16.1	19.3	23.0	1.7	1.7	10.1	13.5	162.7	167.6	9.2	7.4
Shriram Transport Fin	Financials	945	215	716	823	17,165	18,679	17,233	20,661	76	91	46.3	19.9	12.4	10.4	0.0	0.0	12.5	11.5	512.9	592.9	16.7	16.5
Shriram City Union Fin	Financials	1,909	126	539	537	7,102	7,697	6,286	8,034	95	122	18.6	27.8	20.0	15.7	0.1	0.1	17.7	16.4	759.5	861.1	13.2	15.0
AXIS Bank	Financials	490	1,171	82,684	92,879	120,520	100,622	32,977	56,097	14	23	-60.1	69.3	35.6	21.0	0.4	0.4	9.7	11.6	228.8	242.8	6.1	9.9
Chola Investment	Financials	1,016	159	296	353	4,108	3,731	7,487	9,981	48	64	31.7	33.3	21.2	15.9	0.0	0.0	38.7	42.6	276.5	334.2	18.8	20.9
HDFC Limited	Financials	1,404	2,226	4,042	4,365	1,644	1,644	73,588	81,113	47	51	3.7	10.2	30.2	27.4	0.0	0.0			241.5	270.6	20.4	20.1
Mahindra & Mah Fin	Financials	292	166	2,971	3,217	11,290	8,930	8,286	11,494	15	20	23.2	38.7	19.9	14.4	0.0	0.0	14.7	18.6	117.7	133.3	13.0	16.2
HDFC Bank	Financials	1,375	3,509	105,514	123,893	32,025	38,530	146,510	175,679	58	69	19.2	19.9	23.7	19.8	0.8	0.7	109.6	91.1	333.1	389.2	18.7	19.2
SKS Microfinance	Financials	623	86	1,045	1,505	499	590	7,295	8,381	53	60	122.2	13.7	11.8	10.3	0.0	0.0	172.2	145.6	207.9	266.1	34.4	25.5
Manappuram Finance	Financials	103	86	17,952	22,649	9,435	12,425	5,955	7,830	7	9	76.6	31.5	14.5	11.0	2.7	2.3	9.2	7.0	20.1	22.3	4.5	4.9
Muthoot Finance	Financials	349	139	29,972	34,858	18,191	21,430	11,592	13,627	29	34	43.2	17.6	12.0	10.2	2.1	1.8	7.7	6.5	19.1	19.4	4.0	4.1

PhillipCapital India Coverage Universe: Valuation Summary

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	Rs	Rs bn	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Asian Paints	FMCG	965	926	164,341	188,343	31,859	35,405	20,334	22,752	21	24	14.3	11.9	45.5	40.7	14.0	12.1	28.8	25.7	30.8	29.6	31.4	30.2
Hindustan Unilever	FMCG	843	1,824	322,609	363,026	65,022	72,675	42,027	47,864	19	22	2.5	13.9	43.5	38.2	46.2	41.8	27.7	24.7	106.1	109.6	117.2	121.8
Bajaj Corp	FMCG	368	54	8,709	9,631	2,692	2,979	2,438	2,631	17	18	0.2	7.9	22.3	20.6	11.6	11.9	19.9	18.1	52.3	57.8	48.5	57.0
ITC	FMCG	269	3,255	388,213	427,304	149,626	168,404	103,012	114,830	9	10	9.6	11.5	31.3	28.1	9.4	8.9	21.3	18.9	29.8	31.7	23.2	24.5
Emami	FMCG	1,085	246	28,121	31,637	8,047	9,198	5,602	6,466	25	28	5.8	15.4	44.0	38.1	16.8	15.2	31.2	27.2	38.1	39.8	18.3	23.3
Nestle	FMCG	6,240	602	101,096	112,742	21,507	24,159	12,459	14,162	129	147	17.1	13.7	48.3	42.5	18.2	15.8	27.8	24.3	37.6	37.2	40.5	39.7
Jubilant Foodworks	FMCG	992	65	26,187	29,231	2,630	3,018	889	1,102	14	17	-22.4	23.9	73.0	58.9	7.6	6.7	24.6	21.0	10.4	11.4	10.4	11.5
Marico Industries	FMCG	268	345	65,107	73,527	12,389	14,084	8,573	9,762	7	8	18.3	13.9	40.3	35.4	13.7	11.5	27.4	23.8	34.0	32.5	31.7	30.8
Colgate	FMCG	914	249	43,472	49,506	10,005	11,546	6,010	6,934	22	25	-1.1	15.4	41.4	35.9	19.2	15.3	24.6	21.1	46.4	42.6	52.0	47.5
Agro Tech Foods	FMCG	536	13	8,066	8,585	651	769	316	421	13	17	35.2	33.1	41.3	31.0	3.6	3.3	20.7	17.2	8.7	10.7	8.2	8.9
Dabur India Ltd	FMCG	266	468	86,850	96,506	15,605	17,221	12,800	14,269	7	8	2.2	12.5	36.5	32.5	9.6	8.2	29.9	27.0	26.3	25.4	24.3	23.8
Godrej Consumer Pro	FMCG	1,613	549	101,171	112,021	18,447	20,852	12,895	14,922	38	44	12.5	15.7	42.6	36.8	9.0	7.6	30.6	26.6	21.2	20.7	16.5	17.2
Britannia	FMCG	3,241	389	93,599	105,653	12,116	14,203	8,943	10,404	75	87	9.6	16.3	43.5	37.4	16.8	13.1	31.8	26.8	38.6	35.2	40.9	37.4
Apcotex Industries	FMCG	326	7	5,640	6,557	798	1,074	500	691	24	33	30.2	38.0	13.5	9.8	3.1	2.5	8.1	5.2	22.7	25.8	25.0	28.7
Glaxo Smithkline Con	FMCG	5,106	215	39,742	42,703	8,427	9,403	7,014	7,747	167	184	-0.7	10.5	30.6	27.7	7.8	6.9	21.8	19.0	25.3	24.8	26.9	26.3
PNC Infratech Ltd	Infrastructure	105	27	20,142	24,170	2,618	3,190	1,971	1,849	8	7	-17.7	-6.2	13.7	14.6	1.7	1.6	10.4	8.5	13.6	11.3	13.4	11.1
GMR Infrastructure	Infrastructure	14	85	94,388	94,438	33,267	35,629	-28,985	-25,388	-5	-5	70.7	-12.4	-2.6	-3.0	2.0	5.5	15.1	13.6	-73.7	-182.4	-0.6	-0.1
GVK Power	Infrastructure	7	11	48,605	51,068	28,264	28,952	-3,136	-2,543	-2	-2	-53.9	-18.9	-3.3	-4.1	0.7	0.7	8.4	7.9	-21.7	-16.8	3.4	3.5
KNR Construction	Infrastructure	180	25	13,087	16,359	1,832	2,290	1,209	1,364	9	10	-85.0	12.8	20.9	18.5	3.0	2.6	14.7	11.9	15.4	15.0	14.1	13.6
NCC	Infrastructure	82	46	88,468	99,079	8,183	9,165	2,785	3,708	5	7	17.5	33.1	16.4	12.3	1.3	1.1	7.4	6.7	7.6	9.3	10.3	11.1
ITD Cementation	Infrastructure	161	25	37,158	40,874	3,158	3,474	1,261	1,497	8	10	89.8	18.6	19.7	16.6	3.6	2.9	9.1	8.3	18.0	17.6	16.5	16.6
Ashoka Buildcon	Infrastructure	192	36	30,066	35,089	8,938	10,989	1,087	1,214	6	6	10.5	11.6	33.0	29.6	1.8	1.7	8.6	7.0	5.5	5.9	5.7	6.4
Adani Ports & SEZ	Infrastructure	298	617	84,450	94,589	55,535	62,504	37,017	41,420	18	20	30.0	11.9	16.7	14.9	3.7	3.0	14.9	13.0	22.1	20.1	11.6	11.6
IRB Infrastructure	Infrastructure	227	80	57,142	63,658	30,815	35,748	6,734	6,561	19	19	5.9	-2.6	11.9	12.2	1.4	1.2	7.6	6.6	11.5	9.9	3.6	3.8
Ahluwalia Contracts	Infrastructure	297	20	13,808	15,879	1,864	2,144	1,001	1,226	15	18	18.5	22.6	19.9	16.2	3.9	3.3	10.9	9.1	21.5	22.0	20.0	20.9
Hindustan Construction	Infrastructure	39	39	36,188	41,616	4,343	4,994	-1,276	2,005	-1	2	-188.3	-257.1	-30.9	19.7	1.5	1.4	13.6	10.4	-5.6	7.3	4.7	7.4
Mindtree Ltd	IT Services	475	80	52,286	58,027	7,116	8,294	4,107	5,428	26	32	-19.4	23.6	18.2	14.7	2.8	2.7	11.0	9.3	15.5	18.3	17.3	19.3
Wipro	IT Services	479	1,165	548,281	578,512	112,324	116,869	83,199	89,682	34	37	-5.5	8.3	14.0	13.0	2.3	2.1	11.4	10.6	16.7	16.1	15.9	15.7
NIIT Technologies	IT Services	426	26	27,710	30,444	4,574	5,088	2,593	2,917	42	48	-3.1	12.4	10.0	8.9	1.5	1.4	4.2	3.3	15.2	15.3	12.9	15.0
Infosys Technologies	IT Services	1,005	2,308	689,083	771,203	187,458	211,257	144,440	164,449	63	72	7.0	13.9	15.9	14.0	3.4	3.0	10.2	8.8	21.2	21.3	22.1	22.6

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	Rs	Rs bn	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Tata Consultancy	IT Services	2,412	4,753	1,188,280	1,295,824	326,828	343,999	264,902	275,357	134	140	9.4	3.9	17.9	17.3	5.7	4.9	14.5	13.5	32.0	28.3	33.0	29.6
HCL Technologies	IT Services	839	1,184	530,604	567,387	114,765	121,025	89,906	95,640	63	67	8.8	6.4	13.3	12.5	3.4	3.0	10.1	9.4	25.2	24.0	25.0	23.8
Persistent Systems	IT Services	630	50	28,986	32,029	4,585	5,233	3,099	3,460	39	43	4.2	11.6	16.2	14.6	2.6	2.3	10.7	9.3	16.2	16.1	16.0	15.8
KPIT Technologies	IT Services	132	26	33,087	35,534	3,628	4,282	2,196	2,593	11	14	-23.9	18.1	11.5	9.7	1.6	1.4	6.8	5.4	13.8	14.2	14.4	12.9
Tech Mahindra	IT Services	504	491	293,050	320,768	44,036	50,112	29,803	32,613	34	37	-2.6	9.4	14.8	13.5	2.8	2.5	11.0	9.4	19.2	18.4	15.3	14.9
Allcargo Logistics	Logistics	164	41	56,674	61,740	4,788	5,943	2,248	3,007	9	12	-19.2	33.7	18.4	13.7	2.4	2.1	9.5	7.7	13.0	15.3	9.3	12.7
VRL Logistics Ltd	Logistics	294	27	18,056	19,661	2,335	2,657	836	1,042	9	11	-18.3	24.7	32.1	25.7	4.9	4.6	12.4	10.7	15.4	17.8	11.1	13.2
Container Corp Of India	Logistics	1,230	240	55,481	61,739	10,115	11,968	7,253	8,410	37	43	-7.9	16.0	33.1	28.5	2.7	2.6	23.2	19.5	8.3	9.1	8.2	8.9
Navkar	Logistics	161	23	4,646	7,908	1,975	3,161	1,193	2,047	8	14	6.8	71.6	19.3	11.2	1.6	1.4	13.4	8.0	8.3	12.2	7.9	11.5
Gateway Distripacks	Logistics	255	28	10,902	12,342	2,411	3,262	1,081	1,782	10	16	-1.3	64.9	25.6	15.5	2.9	2.7	13.9	10.3	11.3	17.2	8.3	11.9
Zee Entertainment	Media	520	499	65,355	67,083	17,749	22,115	10,784	15,312	11	16	18.1	42.0	46.3	32.6	7.1	4.8	27.0	20.1	15.4	14.7	17.4	18.2
DB Corp Limited	Media	378	69	22,761	25,196	6,484	7,586	3,814	4,690	21	26	28.3	23.0	18.2	14.8	4.5	4.0	10.5	8.7	25.0	26.8	22.5	24.6
Jagran Prakashan	Media	190	62	22,853	24,721	6,265	7,084	3,656	4,266	12	13	11.4	16.7	16.5	14.1	3.1	2.7	10.1	8.4	19.1	19.3	15.8	15.6
HT Media	Media	82	19	27,311	29,520	3,781	4,329	2,310	2,750	10	12	32.6	19.0	8.3	6.9	0.8	0.7	6.6	5.0	9.9	10.4	9.1	9.3
Dish TV	Media	88	94	30,446	34,089	10,324	12,614	2,729	3,844	3	4	-61.3	40.9	34.3	24.3	14.1	8.9	9.2	7.3	41.1	36.7	51.3	40.1
HMVL	Media	270	20	9,343	10,320	1,913	2,320	1,824	2,139	25	29	0.7	17.3	10.9	9.3	1.8	1.5	10.1	7.5	16.9	16.7	19.2	18.8
Ortel Communication	Media	120	4	2,533	3,025	844	1,084	125	88	4	3	4.2	-29.9	29.0	41.4	2.4	2.3	6.4	4.9	8.3	5.5	8.5	8.1
NALCO	Metals	65	126	72,089	77,808	12,945	14,162	9,019	9,765	5	5	77.5	8.3	13.9	12.9	1.2	1.1	7.6	7.6	8.6	8.9	6.7	7.8
SAIL	Metals	60	248	427,690	508,894	16,075	40,607	-14,663	-1,844	-4	-0	-64.4	-87.4	-16.9	-134.5	0.7	0.7	35.3	15.2	-3.9	-0.5	-0.0	1.7
Tata Steel	Metals	470	456	1,141,936	1,343,417	152,526	186,759	35,127	64,668	36	67	279.1	84.1	13.0	7.1	1.5	1.3	8.2	6.4	11.4	17.8	4.8	6.7
Vedanta Ltd	Metals	264	783	720,078	847,756	210,679	252,322	48,186	83,511	16	22	54.0	38.2	16.2	11.7	1.6	1.3	7.0	5.5	10.1	10.8	7.5	9.4
JSW Steel	Metals	187	451	560,481	617,282	125,234	139,556	36,024	44,652	15	18	160.4	23.9	12.5	10.1	2.1	1.8	7.1	6.0	16.9	17.6	8.9	9.4
Hindustan Zinc	Metals	302	1,275	174,849	194,319	96,157	117,663	83,178	103,441	20	24	1.5	24.4	15.3	12.3	3.0	2.6	10.3	7.8	19.5	21.0	19.6	20.9
Hindalco Inds	Metals	184	380	1,034,837	1,071,588	131,922	137,352	30,064	33,525	15	16	285.5	11.5	12.6	11.3	0.9	0.9	7.4	6.7	7.3	7.6	5.4	5.5
Sintex Industries	Midcap	94	49	91,007	108,439	16,345	20,034	6,408	8,378	12	16	-13.9	30.7	7.7	5.9	0.7	0.7	7.3	6.2	9.7	11.4	6.3	7.1
KDDL	Midcap	182	2	4,760	5,513	279	459	30	97	3	10	-44.0	228.4	61.8	18.8	2.3	2.1	12.0	7.5	3.7	11.4	4.6	7.8
Pennar Inds.	Midcap	43	5	15,352	19,052	1,918	2,411	672	893	6	7	53.3	32.9	7.6	5.7	0.9	0.8	3.9	3.1	11.9	14.0	14.2	15.9
Praj Inds.	Midcap	78	14	11,257	14,084	1,162	1,931	799	1,354	5	8	16.8	69.5	17.4	10.3	2.1	1.9	11.2	6.7	12.0	18.3	11.5	18.2
PEBS	Midcap	126	4	5,496	6,897	776	971	379	482	11	14	18.3	27.1	11.4	8.9	1.8	1.6	6.1	5.1	15.9	17.6	14.8	15.9
Indraprastha Gas	Oil & Gas	1,039	145	37,965	37,552	10,040	10,899	5,790	6,568	43	47	38.5	10.3	24.4	22.1	5.1	4.4	13.6	12.3	21.0	19.9	17.8	17.5

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (Rs mn)		EBIDTA (Rs mn)		PAT (Rs mn)		EPS (Rs)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	Rs	Rs bn	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E
Petronet LNG	Oil & Gas	390	292	256,120	317,108	23,548	29,133	13,617	17,201	18	23	27.4	26.3	21.5	17.0	4.0	3.4	12.5	9.8	18.5	20.0	13.3	15.6
Gujarat State Petronet	Oil & Gas	164	93	10,603	12,522	9,215	11,029	4,989	6,219	9	11	12.2	24.6	18.5	14.9	2.1	1.9	10.2	8.2	11.5	12.9	9.4	10.7
GUJARAT GAS LTD	Oil & Gas	617	85	47,203	52,594	8,705	10,008	2,926	3,668	21	27	47.4	25.3	29.0	23.2	3.7	3.3	12.3	10.7	12.6	14.1	7.5	8.0
Reliance Industries	Oil & Gas	1,074	3,484	3,079,673	3,807,884	462,012	565,352	284,344	224,753	96	76	4.4	-21.1	11.2	14.1	1.2	1.1	12.0	11.0	10.6	7.8	6.7	5.2
GUJARAT GAS LTD	Oil & Gas	617	85	47,203	52,594	8,705	10,008	2,926	3,668	21	27	47.4	25.3	29.0	23.2	3.7	3.3	12.3	10.7	12.6	14.1	7.5	8.0
Castrol India	Oil & Gas	434	215	37,133	40,744	10,538	11,608	7,084	7,839	14	16	9.1	10.7	30.3	27.4	30.2	27.2	19.6	17.7	99.6	99.3	107.3	104.8
Gulf Oil Lubricants	Oil & Gas	695	34	11,423	13,266	1,815	2,172	1,195	1,445	24	29	19.1	21.0	28.8	23.8	10.8	8.6	18.8	15.6	37.6	36.0	28.1	29.4
Cadila Healthcare	Pharma	449	460	94,489	116,314	19,795	26,579	13,251	18,276	13	18	-10.0	37.9	34.7	25.2	7.2	5.9	23.9	17.6	19.9	22.4	14.3	17.0
Sun Pharma	Pharma	670	1,606	320,223	348,598	108,972	125,059	71,519	82,596	30	34	23.6	15.5	22.5	19.5	4.3	3.6	13.4	11.2	19.1	18.5	16.0	16.0
Dr Reddy's Labs.	Pharma	2,920	484	141,792	156,917	27,649	36,875	13,793	21,184	81	124	-31.7	53.6	36.1	23.5	4.1	3.6	18.5	13.5	11.3	15.1	7.0	10.7
Aurobindo Pharma	Pharma	664	389	154,569	180,376	37,097	45,815	23,759	29,253	41	50	16.5	23.1	16.3	13.2	4.2	3.3	11.3	9.1	26.0	24.9	24.5	24.3
Cipla Ltd	Pharma	594	478	15,149	17,556	3,863	4,740	1,413	1,901	18	24	-9.9	34.6	33.8	25.1	3.6	3.2	124.8	101.6	20.8	22.8	-	-
Ipca Laboratories	Pharma	530	67	32,197	38,184	5,016	7,123	2,380	4,288	19	34	74.7	80.2	27.9	15.5	2.6	2.2	14.1	9.7	9.4	14.5	7.5	12.3
Divi's Laboratories	Pharma	745	198	44,131	51,593	16,117	19,812	11,870	14,045	45	53	9.2	18.3	16.7	14.1	3.8	3.2	12.2	10.0	23.0	22.5	-	-
Glenmark Pharma	Pharma	947	267	91,779	101,909	22,884	24,733	13,052	15,322	46	54	41.9	17.4	20.5	17.4	4.9	3.8	12.9	11.7	23.7	22.0	16.3	16.7
Lupin	Pharma	1,460	659	168,586	192,620	45,367	53,828	28,673	34,590	64	77	29.6	20.6	22.9	19.0	4.9	4.0	15.3	12.5	21.3	20.9	-	-
Biocon	Pharma	1,107	221	39,496	47,701	9,725	10,551	6,112	5,166	31	26	35.6	-15.5	36.2	42.8	4.6	4.3	23.2	21.6	12.4	9.5	-	-
Titan Company	Retail	426	378	128,390	146,821	11,986	14,271	7,785	9,640	9	11	12.9	23.8	48.5	39.2	8.9	7.7	31.4	26.0	20.1	21.0	20.7	21.6
Atul Ltd	Specialty Chm	2,220	66	28,860	32,128	5,195	5,976	2,982	3,507	100	118	10.7	17.6	22.1	18.8	4.3	3.6	12.7	10.6	19.4	18.9	-	-
Camlin Fine Sciences	Specialty Chm	98	10	5,593	7,490	895	1,438	227	599	2	6	-44.2	163.9	41.7	15.8	4.9	3.8	13.8	9.2	14.4	26.8	-	-
Meghmani Organics	Specialty Chm	41	10	16,014	17,484	3,139	3,584	967	1,133	4	4	17.1	17.2	10.8	9.2	1.4	1.2	4.7	3.9	13.1	13.4	11.2	12.1
Vinati Organics	Specialty Chm	739	38	7,167	8,379	2,157	2,609	1,356	1,670	26	32	41.3	23.1	28.1	22.8	5.9	4.8	17.6	15.3	20.8	21.0	-	-
Aarti Industries	Specialty Chm	794	65	31,676	36,208	6,905	8,074	3,443	4,132	42	50	34.0	20.0	18.9	15.8	5.1	4.1	11.5	9.9	28.3	27.0	-	-
SRF Ltd	Specialty Chm	1,554	89	50,103	56,097	10,672	12,061	5,120	5,947	89	104	18.1	16.2	17.4	15.0	2.9	2.5	10.3	9.1	15.3	15.0	9.5	10.0
Bharti Airtel	Telecom	364	1,453	990,357	1,063,683	349,654	378,037	37,404	57,520	9	14	-4.2	53.8	38.9	25.3	2.1	1.9	7.5	7.0	5.4	7.5	5.5	5.9
Idea Cellular	Telecom	106	380	394,873	412,429	139,155	138,427	13,347	2,309	4	1	-56.4	-82.7	28.4	164.3	1.4	1.4	5.6	6.0	4.9	0.9	4.7	3.5
Tata Communications	Telecom	747	213	220,447	237,790	36,115	40,386	1,401	3,882	5	14	-35.7	177.1	152.0	54.8	-41.5	-79.2	8.0	6.9	-27.3	-144.5	4.8	6.6
Bharti Infratel	Telecom	309	572	84,732	88,529	58,942	61,502	26,398	28,609	14	15	13.5	8.4	21.7	20.0	3.4	3.3	8.7	8.0	15.7	16.6	11.8	12.8

Source: PhillipCapital India Research Estimates

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