

Q2FY19 Play on Earnings



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We highlight names of 5 Companies, we have high conviction going into Q2FY19 earnings season. For each of these companies, we expect strong earnings growth and stock to outperform markets in medium term.

Top 5

Godrej Consumer Products Ltd.

Nestle (India) Ltd.

JSW Steel Ltd.

NIT Tech Ltd.

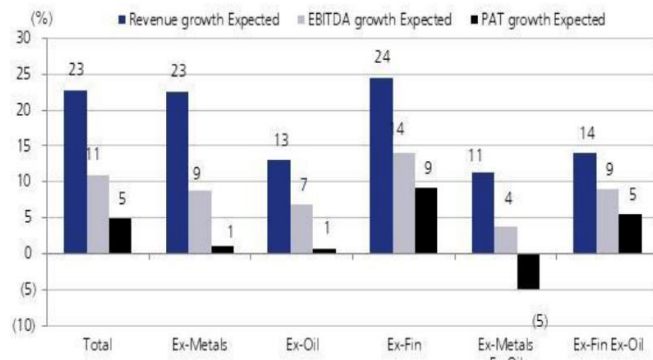
Hindalco Ltd.

Q2FY19

Sector-wise Q2FY19 growth expectations

- In 2QFY19, we expect sales growth of 22.7%YoY, EBITDA growth of 10.9%YoY and PAT growth of ~5%YoY for the companies under our coverage as margins are estimated to compress by more than 200bps.
- As is the case always, the earnings growth looks a more respectable 17.2% YoY if we exclude telecom, aviation, Tata Motors and PSU banks.

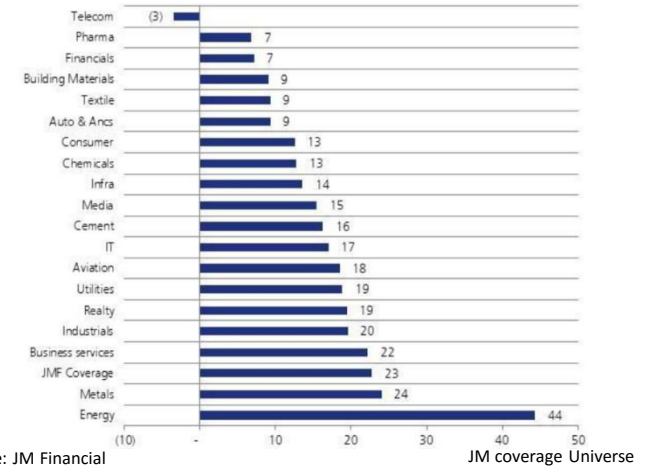
Growth forecast



Source: JM Financial

JM coverage Universe

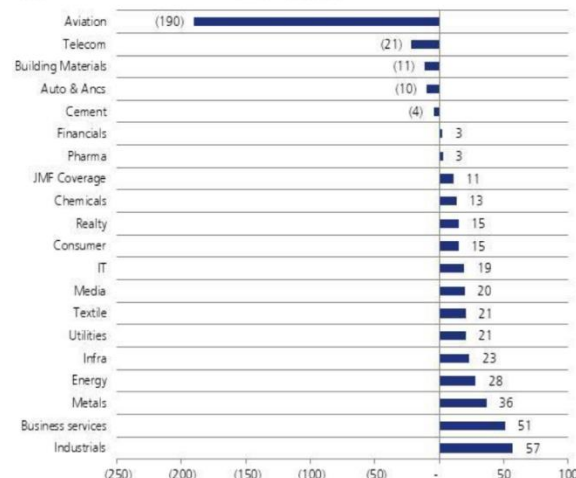
Revenue growth (%)



Source: JM Financial

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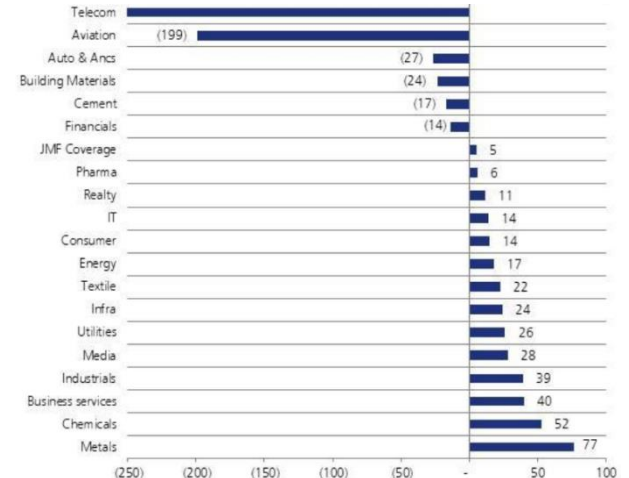
EBITDA growth (%)



Source: JM Financial

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PAT growth (%)



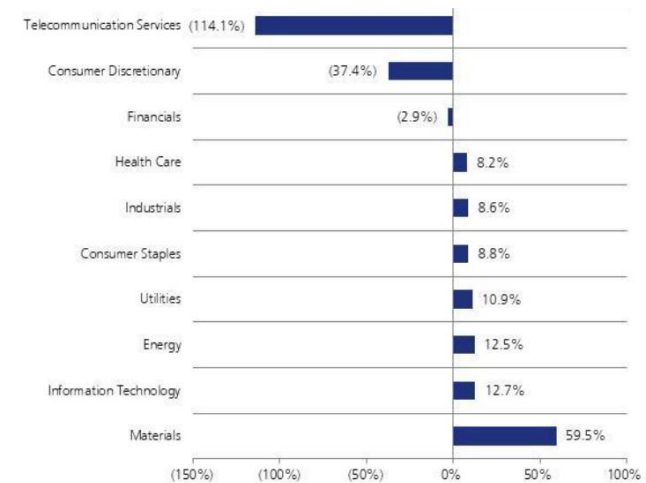
Source: JM Financial

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Q2FY19 Expectation

- Higher commodity prices, competitive pressures and high base effect are some of the reasons for these relatively weaker numbers for the wider set.
- Global uncertainties like trade wars and other macro factors (rising crude, depreciating INR and fiscal deficit in an election year) will continue to be key observables.
- We expect metals, chemicals and industrials to record the highest earnings growth. Telecom, aviation, autos, SOE banks and cement are likely to have the highest negative growth.
- Metals, Industrials, Textiles could witness the highest expansion in operating margin while that of aviation, telecom and cement decline.
- We expect earnings downgrades to top the marginal downgrade made at end of 1QFY19 and believe that the estimated EPS CAGR of over 20% for the Nifty-50 remains at risk.

1QFY19: Nifty sector-wise EPS growth



Source: JM Financial

Q2FY19 Overview

	Sector	Revenue growth Expected	EBITDA growth Expected	PAT growth Expected	EBITDAM Expansion Expected	PATM Expansion Expected	Cos
Auto Total	Auto +	9.3	(9.9)	(26.7)	(255.9)	(224.4)	14
Aviation Total	Aviation	18.5	(190.2)	(198.7)	(2,215.8)	(1,694.3)	2
BM Total	Building Mat.	9.0	(11.5)	(23.7)	(280.0)	(242.1)	6
Business services Total	Business services	22.2	50.7	40.0	40.4	28.8	1
Cement Total	Cement	16.3	(4.5)	(17.1)	(346.7)	(219.8)	8
Chemicals Total	Chemicals	12.8	13.3	52.3	8.6	278.2	4
Consumer Total	Consumer	12.6	14.9	14.5	44.9	24.6	19
Industrials Total	Industrials	19.6	56.8	39.3	270.5	120.7	13
Infra Total	Infra	13.6	23.3	24.1	90.7	49.7	3
IT Total	IT	17.0	19.3	13.8	45.7	(50.3)	14
Media Total	Media	15.5	19.7	28.0	149.7	222.3	3
Metals Total	Metals	24.0	36.4	76.7	179.9	239.6	7
Midcaps Total	Midcaps	15.5	17.2	6.0	22.5	(84.8)	8
Real Estate Total	Realty	19.5	14.7	11.3	(106.6)	(75.7)	5
Oil&Gas Total	Oil&Gas	44.3	28.0	17.4	(151.5)	(148.1)	11
Pharma Total	Pharma	6.9	2.9	5.7	(78.1)	(12.3)	12
Telecom Total	Telecom	(3.5)	(21.5)	(2,213.2)	(631.9)	(872.5)	3
Textile Total	Textile	9.3	20.6	22.1	156.4	63.1	2
Utilities Total	Utilities	18.8	20.6	26.0	45.3	75.9	4
Financials	Financials*	7.1	2.6	(14.2)	(241.0)	(356.5)	24
Pvt. Bank Total	-Pvt. Bank *	12.0	11.6	5.7	(21.9)	(139.1)	9
SOE Bank Total	-PSU Bank *	(1.9)	(14.3)	(152.7)	(655.0)	(936.7)	4
NBFC Total	-NBFC*	24.3	23.5	23.9	(47.8)	(13.8)	11
Grand Total	Total	22.7	10.9	4.9	(205)	(143)	163
Ex-Metals	Ex-Metals	22.6	8.9	1.0	(243)	(181)	156
Ex-Oil	Ex-Oil	13.0	6.8	0.7	(136)	(117)	152
Ex-Fin	Ex-Fin	24.5	13.9	9.1	(148)	(110)	139
Ex-Metals Ex-Oil	Ex-Metals Ex-Oil	11.3	3.8	(4.9)	(176)	(167)	145
Ex-Fin Ex-Oil	Ex-Fin Ex-Oil	14.0	8.9	5.5	(87)	(71)	128

Play on Earnings

Stocks	Revenues					Operating Profits					Net Income				
	2QFY19	2QFY18	Growth YoY (%)	1QFY19	Growth QoQ (%)	2QFY19	2QFY18	Growth YoY (%)	1QFY19	Growth QoQ (%)	2QFY19	2QFY18	Growth YoY (%)	1QFY19	Growth QoQ (%)
GODREJ CONSUMER	27397	24969	9.72	24485	11.89	5817	5427	7.19	4491	29.53	4067	3620	12.37	4050	0.41
NESTLE INDIA*	28224	25007	12.87	26786	5.37	6911	5891	17.31	6577	5.08	4119	3432	20.03	3950	4.28
JSW STEEL LTD.	202441	166380	21.67	199500	1.47	46597	30360	53.48	51050	-8.72	20303	8390	141.99	23660	-14.19
NIIT TECH LTD.	8830	7372	19.78	8249	7.04	1472	1303	13.00	1315	11.97	939	672	39.79	858	9.49
HINDALCO INDS.*	110744	103082	7.43	105932	4.54	12896	13899	-7.21	13253	-2.69	5327	3929	35.60	4135	28.82

Source: Bloomberg

* Standalone (Rs. mIn)

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