

# Hero Motocorp

## Demand at pre-COVID level

While 1QFY21 PAT was weak at Rs 613mn (-90% YoY), the management highlighted that demand is back to pre-COVID level in 2QFY21. Hero has gained market share in the quarter, led by rising demand in rural/semi-urban markets and ramp-up in production. The OEM's foray into the premium segment has got off to an encouraging start, and it is targeting double-digit market share in it. We reiterate BUY (please see our recent note: '[Xtreme measures, looking beyond COVID](#)').

- **1QFY21 financials:** Volume declined by 69/58% YoY/QoQ to 5.63k units, leading to a revenue decline of 63% YoY. While reported EBITDA margin came in at 3.6% (14.4/10.6% YoY/QoQ), the company spent Rs.2.5bn on lockdown-related costs, adjusting for which margin would be at 12%. The reported PAT at Rs 613mn declined 92/90% YoY/QoQ.
- **Demand is ahead of supply currently** as the vendor network faces start/stop related hurdles, amidst rising demand. As per the management, retails are being driven by the need for personal mobility, and sales have recovered to 95% of the pre-COVID level. First-time customers and additional purchases are driving sales while replacement demand has been impacted. As sales have sustained through June-August, the volumes have exceeded the initial pent-up demand and are expected to sustain going into the festive season as well. Hero's market share has risen by 500bps in domestic 2W segment to 41% vs 35% in FY20 (motorcycle market share at 54% vs 52% in FY20).
- **Premium segment—eyeing double-digit market share, initial response to 'Xtreme 160' encouraging:** The management is targeting a double-digit market share. The OEM will follow up this launch with more models across subcategories in the premium segment. This is reflective of Hero's improved capabilities. The OEM continues to spend on R&D and has invested Rs 7bn in FY20 (higher than the competition).
- **FI technology should outpace 'E-carb' due to its larger ecosystem:** The management believes that FI technology outcores the E-Carb technology on several fronts including scalability and performance. As most competitors have migrated to FI, the ecosystem will develop for this product, which will ensure improved service availability/lower costs.
- **Maintain BUY:** We slightly trim our FY21 estimates by 2%, while keeping FY22/23 unchanged. Our target price is Rs 3,100 at 19x Jun-22E EPS (at a 15% premium to its long-term average trading multiple). **Key risks:** Slower-than-expected industry growth and a rise in competitive intensity.

### Financial Summary

YE March (Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	29,715	80,303	(63.0)	62,384	(52.4)	336,505	288,361	264,632	298,434	344,268
EBITDA	1,081	11,580	(90.7)	6,599	(83.6)	49,301	39,580	31,138	39,410	46,149
APAT	613	7,625	(92.0)	6,207	(90.1)	33,849	30,952	24,952	31,233	36,463
Adj. EPS (Rs)	3.1	38.2	(92.0)	31.1	(90.1)	169.5	155.0	124.9	156.4	182.5
APAT Growth(%)						(8.5)	(8.6)	(19.4)	25.2	16.7
P/E (x)						16.6	18.1	22.5	17.9	15.4
RoE (%)						27.5	22.9	17.0	19.5	20.5

Source: Company, HSIE Research

## BUY

CMP (as on 14 Aug 2020)	Rs 2,805
Target Price	Rs 3,100
NIFTY	11,178

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 3,100	Rs 3,100
EPS %	FY21E	FY22E
	-2%	0%

### KEY STOCK DATA

Bloomberg code	HMCL IN
No. of Shares (mn)	200
MCap (Rs bn) / (\$ mn)	560/7,481
6m avg traded value (Rs mn)	3,782
52 Week high / low	Rs 3,023/1,475

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	25.2	19.1	6.5
Relative (%)	3.5	27.2	5.0

### SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	34.6	34.8
FIs & Local MFs	19.9	21.7
FPIs	34.3	32.7
Public & Others	11.2	10.8
Pledged Shares	0.0	0.0

Source : BSE

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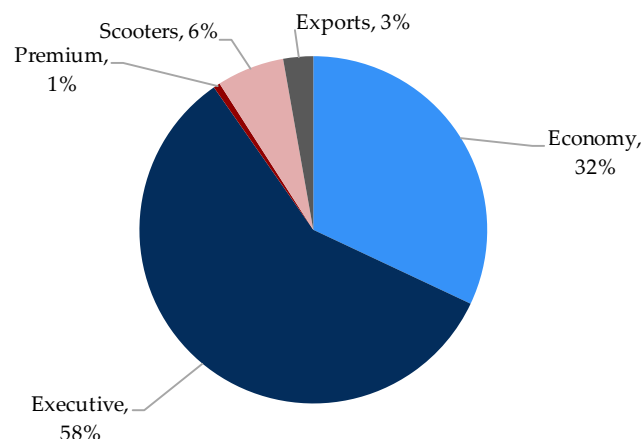
- In our recent note, titled 'Xtreme Measures, looking beyond COVID', we highlighted that Hero's strategic initiatives would yield benefits in the medium term as:
  - The OEM is aggressively expanding in the premium segment, with the launch of the Xtreme 160cc. We expect Hero to gain 10% market share in this segment (negligible share currently).
  - The company has been scaling up its NBFC arm, which now funds ~15% of its 2Ws. This scale-up enhances finance availability through cycles.
  - The management is investing in new technologies (EVs/ride-sharing), which would make it ready for any future transition.
  - We believe that Hero would gain an additional 150-200bps in market share (52% currently) in the motorbike segment with its initiatives, thus sustaining its market leadership.
  - Further, the enhanced government focus on agriculture reforms would support demand as Hero derives ~50% sales from this segment.
- **Xtreme 160R is Hero's foray in the mainstream premium segment**, and the bike is priced competitively at below Rs 100,000. The company has reentered this segment after a long hiatus, as its earlier endeavours with Erik Buell did not materialise. We believe that it would achieve a 10% market share in the premium segment, given its brand equity, which would enhance its overall market share by ~150-200bps in the motorbike segment (current market share is 54%).
- Hero is preparing for future disruptions by developing its electric vehicles (e-Maestro) as well as investing in 2W EV/ride-sharing startups. Its investments are also reflective in its expanding R&D facilities.
- **Hero Fincorp—supporting the core business:** Hero has nurtured its finance NBFC, Hero Fincorp, which finances ~15% of its 2Ws (up from 7% in FY16). The overall loan book of ~Rs 225bn is well-diversified, with the 2W portfolio comprising ~30% of the total. This business ensures finance availability through cycles and provides Hero with a sustainable competitive advantage (the company is now the market leader in the entry segment, with a 64% share), particularly over Japanese competitors such as HMSI.
- **Hero to benefit from government's rural push:** The government has rolled out several structural reforms (Rs 1 trillion agri fund, removing interstate barriers, and amending the Essential Commodities Act). As the OEM derives ~50% of its sales from the rural segment, it would be a principal beneficiary.

### Xtreme 160R



Source: Company, HSIE Research

### Hero Motocorp's segment mix (%)



Source: SIAM, Company, HSIE Research

*Demand in July is at 95% of pre-COVID level. Rural demand is strong, driven by good monsoons*

*The company has gained 500bps of market share in the domestic 2W segment*

*Lockdown-related costs in 1QFY21 were Rs 2.5bn, adjusted for which EBITDA margin would be at 12%*

*The company has a cash flow of Rs 10bn in the quarter, despite the challenging COVID conditions*

### Quarterly Financial Snapshot

Particulars (in mn)	1QFY21	1QFY20	YoY (%)	4QFY20	QoQ (%)
Volumes (in units)	563,426	1,842,920	(69.4)	1,334,511	(57.8)
Net ASP (Rs/veh)	52,741	43,574	21.0	46,747	12.8
<b>Net sales (incl OOI)</b>	<b>29,715</b>	<b>80,303</b>	<b>(63.0)</b>	<b>62,384</b>	<b>(52.4)</b>
Material Expenses	20,939	55,919	(62.6)	43,200	(51.5)
Employee Expenses	3,824	4,677	(18.2)	4,354	(12.2)
Other Operating Expenses	3,872	8,127	(52.4)	8,231	(53.0)
<b>Total Expenditure</b>	<b>28,635</b>	<b>68,723</b>	<b>(58.3)</b>	<b>55,785</b>	<b>(48.7)</b>
<b>EBITDA</b>	<b>1,081</b>	<b>11,580</b>	<b>(90.7)</b>	<b>6,599</b>	<b>(83.6)</b>
Depreciation	1,708	2,361	(27.7)	1,747	(2.3)
EBIT	(627)	9,219	(106.8)	4,852	(112.9)
Other Income (including EO)	1,485	9,563	(84.5)	1,695	(12.4)
Interest Cost	63	44	43.2	41	54.2
PBT	795	18,738	(95.8)	6,506	(87.8)
Tax	182	6,165	(97.1)	299	(39.2)
<b>RPAT</b>	<b>613</b>	<b>12,573</b>	<b>(95.1)</b>	<b>6,207</b>	<b>(90.1)</b>
EO Items (Adj For Tax)	-	4,948	-	-	-
<b>APAT</b>	<b>613</b>	<b>7,625</b>	<b>(92.0)</b>	<b>6,207</b>	<b>(90.1)</b>
<b>Adj EPS</b>	<b>3.1</b>	<b>38.2</b>	<b>(92.0)</b>	<b>31.1</b>	<b>(90.1)</b>

Source: Company, HSIE Research

### Quarterly Performance Analysis

As % of sales	1QFY21	1QFY20	YoY (bps)	4QFY20	QoQ (bps)
Material Expenses	70.5	69.6	83	69.2	122
Employee Expenses	12.9	5.8	704	7.0	589
Other Operating Expenses	13.0	10.1	291	13.2	(16)
<b>Total Expenditure</b>	<b>96.4</b>	<b>85.6</b>	<b>1,078</b>	<b>89.4</b>	<b>694</b>
<b>EBITDA</b>	<b>3.6</b>	<b>14.4</b>	<b>(1,078)</b>	<b>10.6</b>	<b>(694)</b>
<b>RPAT</b>	<b>2.1</b>	<b>15.7</b>	<b>(1,359)</b>	<b>9.9</b>	<b>(789)</b>
<b>APAT</b>	<b>2.1</b>	<b>9.5</b>	<b>(743)</b>	<b>9.9</b>	<b>(789)</b>
Tax as % of PBT	22.9	32.9	(1,003)	4.6	1,828

Source: Company, HSIE Research

### Volume assumptions

(in '000 units)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Motorcycle sales	5,736	5,834	6,677	7,081	5,990	5,092	5,587	6,170
% YoY	-1%	2%	14%	6%	-15%	-15%	10%	10%
Scooter sales	896	830	910	740	419	359	394	471
% YoY	8%	-7%	10%	-19%	-43%	-14%	10%	20%
Total sales	6,632	6,664	7,587	7,821	6,410	5,451	5,981	6,641
% YoY	0%	0%	14%	3%	-18%	-15%	10%	11%
Avg realisation (Rs)	42,886	42,729	42,480	43,027	44,988	48,549	49,897	51,838
% YoY	3%	0%	-1%	1%	5%	8%	3%	4%

Source: Company, HSIE Research

### Peer set comparison

	Mcap (Rs bn)	CMP (Rs/sh)	Reco	Adj EPS (Rs/sh)			P/E (x)			RoE (%)		
				FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Ashok Leyland	181	62	REDUCE	0.6	3.5	4.7	101.3	17.6	13.1	2.4	13.4	16.4
Bajaj Auto	863	2,983	ADD	144.3	166.0	194.0	20.7	18.0	15.4	20.0	20.9	22.2
Escorts Ltd.	135	1,101	ADD	54.1	71.1	85.0	20.4	15.5	12.9	13.0	13.6	14.2
<b>Hero Motocorp</b>	<b>560</b>	<b>2,805</b>	<b>BUY</b>	<b>124.9</b>	<b>156.4</b>	<b>182.5</b>	<b>22.5</b>	<b>17.9</b>	<b>15.4</b>	<b>17.0</b>	<b>19.5</b>	<b>20.5</b>
Mahindra & Mahindra	733	615	ADD	27.5	35.3	41.9	22.4	17.4	14.7	9.2	10.9	11.8
Maruti Suzuki	1,989	6,587	BUY	145.9	261.6	330.9	45.1	25.2	19.9	8.5	14.1	16.1
Tata Motors	448	125	ADD	(29.7)	(0.5)	9.8	(4.2)	(227.8)	12.7	(25.0)	(0.5)	9.0

Source: HSIE Research

### Change in Estimates

Rs mn	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	264,632	298,434	344,268	262,128	295,619	341,004	1	1	1
EBITDA	31,138	39,410	46,149	31,630	39,039	45,711	(2)	1	1
EBITDA Margin (%)	11.8	13.2	13.4	12.1	13.2	13.4	-30 bps	0 bps	0 bps
PAT	24,952	31,233	36,463	25,496	31,165	36,403	(2)	0	0
EPS	124.9	156.4	182.5	127.6	156.0	182.2	(2)	0	0

Source: HSIE Research

# Financials

## Standalone Income Statement

(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net Revenues	284,427	284,750	322,305	336,505	288,361	264,632	298,434	344,268
<i>Growth (%)</i>	3.1	0.1	13.2	4.4	(14.3)	(8.2)	12.8	15.4
Material Expenses	193,098	190,118	218,346	233,177	196,974	183,902	204,708	235,807
Employee Expenses	13,159	13,960	15,401	17,302	18,417	17,201	19,100	21,689
Other Operating Expenses	33,620	34,324	35,755	36,725	33,390	32,391	35,215	40,624
<b>Total Expenses</b>	<b>239,877</b>	<b>238,402</b>	<b>269,503</b>	<b>287,205</b>	<b>248,781</b>	<b>233,494</b>	<b>259,023</b>	<b>298,119</b>
<b>EBITDA</b>	<b>44,550</b>	<b>46,348</b>	<b>52,802</b>	<b>49,301</b>	<b>39,580</b>	<b>31,138</b>	<b>39,410</b>	<b>46,149</b>
<i>EBITDA Margin (%)</i>	15.7	16.3	16.4	14.7	13.7	11.8	13.2	13.4
<i>EBITDA Growth (%)</i>	25.8	4.0	13.9	(6.6)	(19.7)	(21.3)	26.6	17.1
Depreciation	4,376	4,927	5,556	6,020	8,180	7,053	8,034	8,710
<b>EBIT</b>	<b>40,173</b>	<b>41,421</b>	<b>47,246</b>	<b>43,281</b>	<b>31,400</b>	<b>24,085</b>	<b>31,376</b>	<b>37,439</b>
Other Income (Including EO Items)	4,224	7,157	5,258	6,913	14,557	8,094	9,126	9,751
Interest	49	61	63	86	220	189	201	201
<b>PBT</b>	<b>44,349</b>	<b>48,517</b>	<b>52,442</b>	<b>50,107</b>	<b>45,737</b>	<b>31,990</b>	<b>40,301</b>	<b>46,989</b>
Tax (Incl Deferred)	12,747	12,813	15,468	16,259	9,404	7,038	9,068	10,526
<b>RPAT</b>	<b>31,602</b>	<b>35,704</b>	<b>36,974</b>	<b>33,849</b>	<b>36,333</b>	<b>24,952</b>	<b>31,233</b>	<b>36,463</b>
EO (Loss) / Profit (Net Of Tax)	-	(1,318)	-	-	(5,381)	-	-	-
<b>APAT</b>	<b>31,602</b>	<b>34,386</b>	<b>36,974</b>	<b>33,849</b>	<b>30,952</b>	<b>24,952</b>	<b>31,233</b>	<b>36,463</b>
<i>APAT Growth (%)</i>	26.8	8.8	7.5	(8.5)	(8.6)	(19.4)	25.2	16.7
<b>Adjusted EPS (Rs)</b>	<b>158.2</b>	<b>172.2</b>	<b>185.1</b>	<b>169.5</b>	<b>155.0</b>	<b>124.9</b>	<b>156.4</b>	<b>182.5</b>
<i>EPS Growth (%)</i>	26.8	8.8	7.5	(8.5)	(8.6)	(19.4)	25.2	16.7

Source: Company, HSIE Research

## Standalone Balance Sheet

(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>SOURCES OF FUNDS</b>								
Share Capital - Equity	399	399	399	400	400	400	400	400
Reserves	87,945	100,714	117,289	128,172	140,965	151,934	166,987	187,271
<b>Total Shareholders Funds</b>	<b>88,344</b>	<b>101,113</b>	<b>117,689</b>	<b>128,571</b>	<b>141,364</b>	<b>152,334</b>	<b>167,387</b>	<b>187,670</b>
<b>Total Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Deferred Taxes</b>	<b>2,225</b>	<b>4,143</b>	<b>5,117</b>	<b>5,365</b>	<b>5,428</b>	<b>5,536</b>	<b>5,647</b>	<b>5,760</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>90,569</b>	<b>105,256</b>	<b>122,805</b>	<b>133,936</b>	<b>146,792</b>	<b>157,870</b>	<b>173,034</b>	<b>193,431</b>
<b>APPLICATION OF FUNDS</b>								
Net Block	39,014	45,899	47,692	47,998	62,981	57,783	57,838	57,218
CWIP	2,883	2,707	2,038	3,607	1,603	1,442	1,298	1,168
Investments	5,937	8,758	10,209	15,718	19,791	21,770	23,947	26,342
<b>Total Non-current Assets</b>	<b>47,834</b>	<b>57,364</b>	<b>59,938</b>	<b>67,322</b>	<b>84,374</b>	<b>80,995</b>	<b>83,083</b>	<b>84,728</b>
Cash & Equivalents	41,187	51,508	66,456	45,333	64,854	72,717	84,772	103,054
Inventories	6,730	6,563	8,236	10,724	10,920	10,150	11,447	13,205
Debtors	12,828	15,619	15,202	28,216	16,031	21,751	23,711	27,353
Other Current Assets	17,150	15,889	17,556	24,817	11,314	11,761	12,413	13,129
<b>Total Current Assets</b>	<b>77,894</b>	<b>89,578</b>	<b>107,450</b>	<b>109,090</b>	<b>103,119</b>	<b>116,379</b>	<b>132,343</b>	<b>156,741</b>
Creditors	26,506	32,473	33,188	33,553	30,305	28,276	30,252	34,898
Other Current Liabilities & Provns	8,654	9,214	11,395	8,923	10,396	11,228	12,140	13,140
<b>Total Current Liabilities</b>	<b>35,159</b>	<b>41,686</b>	<b>44,583</b>	<b>42,476</b>	<b>40,701</b>	<b>39,504</b>	<b>42,392</b>	<b>48,039</b>
<b>Net Current Assets</b>	<b>42,735</b>	<b>47,892</b>	<b>62,867</b>	<b>66,614</b>	<b>62,418</b>	<b>76,875</b>	<b>89,951</b>	<b>108,702</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>90,569</b>	<b>105,256</b>	<b>122,805</b>	<b>133,936</b>	<b>146,792</b>	<b>157,870</b>	<b>173,034</b>	<b>193,431</b>

Source: Company, HSIE Research

## Standalone Cash Flow

(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Reported PBT	44,349	48,517	52,442	50,107	45,737	31,990	40,301	46,989
Non-operating & EO Items	(4,224)	(7,157)	(5,258)	(6,913)	(14,557)	(8,094)	(9,126)	(9,751)
Interest Expenses	49	61	63	86	220	189	201	201
Depreciation	4,376	4,927	5,556	6,020	8,180	7,053	8,034	8,710
Working Capital Change	(6,257)	5,164	(27)	(24,871)	23,718	(6,594)	(1,021)	(470)
Tax Paid	(9,786)	(10,895)	(14,495)	(16,010)	(9,342)	(6,929)	(8,957)	(10,413)
<b>OPERATING CASH FLOW ( a )</b>	<b>28,507</b>	<b>40,617</b>	<b>38,280</b>	<b>8,420</b>	<b>53,956</b>	<b>17,614</b>	<b>29,433</b>	<b>35,266</b>
Capex	(10,021)	(11,636)	(6,679)	(7,895)	(21,159)	(1,694)	(7,946)	(7,960)
Free Cash Flow (FCF)	18,486	28,981	31,602	525	32,797	15,920	21,487	27,306
Investments	2,701	(2,821)	(1,451)	(5,509)	(4,073)	(1,979)	(2,177)	(2,395)
Non-operating Income	4,224	7,157	5,258	6,913	14,557	8,094	9,126	9,751
<b>INVESTING CASH FLOW ( b )</b>	<b>(3,096)</b>	<b>(7,300)</b>	<b>(2,872)</b>	<b>(6,491)</b>	<b>(10,675)</b>	<b>4,420</b>	<b>(997)</b>	<b>(604)</b>
Debt Issuance/(Repaid)	-	-	-	-	-	-	-	-
Interest Expenses	(49)	(61)	(63)	(86)	(220)	(189)	(201)	(201)
FCFE	18,437	28,920	31,539	439	32,577	15,731	21,286	27,105
Share Capital Issuance	5,707	(5,961)	(1,426)	(5,588)	(5,563)	-	0	0
Dividend	(14,378)	(16,975)	(18,972)	(17,378)	(17,978)	(13,983)	(16,180)	(16,180)
<b>FINANCING CASH FLOW ( c )</b>	<b>(8,720)</b>	<b>(22,996)</b>	<b>(20,460)</b>	<b>(23,052)</b>	<b>(23,760)</b>	<b>(14,172)</b>	<b>(16,381)</b>	<b>(16,381)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>16,691</b>	<b>10,321</b>	<b>14,949</b>	<b>(21,123)</b>	<b>19,521</b>	<b>7,863</b>	<b>12,055</b>	<b>18,282</b>
Closing Cash & Equivalents	41,187	51,508	66,456	45,333	64,854	72,717	84,772	103,054

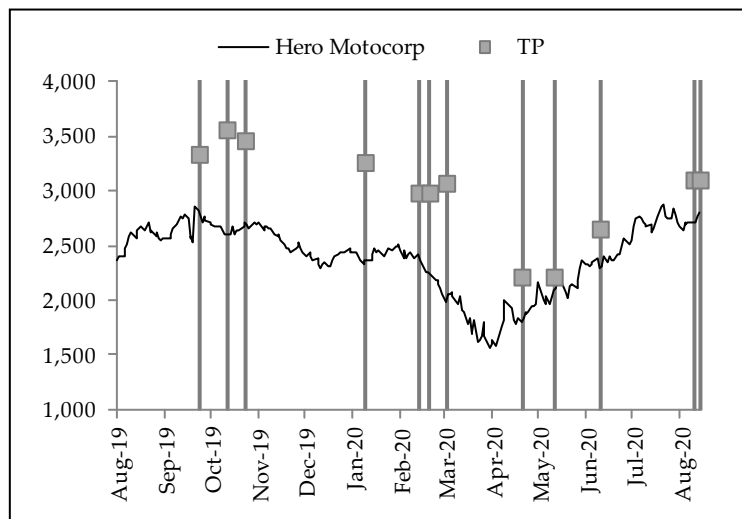
## Key Ratios

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>PROFITABILITY (%)</b>								
GPM	32.1	33.2	32.3	30.7	31.7	30.5	31.4	31.5
EBITDA Margin	15.7	16.3	16.4	14.7	13.7	11.8	13.2	13.4
EBIT Margin	14.1	14.5	14.7	12.9	10.9	9.1	10.5	10.9
APAT Margin	11.1	12.1	11.5	10.1	10.7	9.4	10.5	10.6
RoE	41.1	36.3	33.8	27.5	22.9	17.0	19.5	20.5
RoIC (or Core RoCE)	63.9	59.1	60.5	40.3	29.3	22.5	28.0	32.5
RoCE	40.8	35.1	32.5	26.4	22.2	16.5	19.0	20.0
<b>EFFICIENCY</b>								
Tax Rate (%)	28.7	26.4	29.5	32.4	20.6	22.0	22.5	22.4
Fixed Asset Turnover (x)	7.3	6.2	6.8	7.0	4.6	4.6	5.2	6.0
Inventory (days)	8.6	8.4	9.3	11.6	13.8	14.0	14.0	14.0
Debtors (days)	16.5	20.0	17.2	30.6	20.3	30.0	29.0	29.0
Other Current Assets (days)	22.0	20.4	19.9	26.9	14.3	16.2	15.2	13.9
Payables (days)	34.0	41.6	37.6	36.4	38.4	39.0	37.0	37.0
Other Current Liab & Provns (days)	11.1	11.8	12.9	9.7	13.2	15.5	14.8	13.9
Cash Conversion Cycle (days)	2.0	(4.6)	(4.1)	23.1	(3.1)	5.7	6.3	6.0
Debt/EBITDA (x)	(0.9)	(1.1)	(1.3)	(0.9)	(1.6)	(2.3)	(2.2)	(2.2)
Net D/E (x)	(0.5)	(0.5)	(0.6)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)
Interest Coverage (x)	821.5	684.6	755.9	503.3	142.6	127.4	156.1	186.3
<b>PER SHARE DATA (Rs)</b>								
EPS	158.2	172.2	185.1	169.5	155.0	124.9	156.4	182.5
CEPS	180.2	203.5	213.0	199.6	222.8	160.2	196.6	226.1
Dividend	72.0	85.0	95.0	87.0	90.0	70.0	81.0	81.0
Book Value	442	506	589	644	708	763	838	940
<b>VALUATION</b>								
P/E (x)	17.7	16.3	15.2	16.6	18.1	22.5	17.9	15.4
P/BV (x)	6.3	5.5	4.8	4.4	4.0	3.7	3.3	3.0
EV/EBITDA (x)	11.7	11.0	9.4	10.4	12.5	15.7	12.1	9.9
EV/Revenues (x)	1.8	1.8	1.5	1.5	1.7	1.8	1.6	1.3
OCF/EV (%)	5.5	8.0	7.8	1.6	10.9	3.6	6.2	7.7
FCF/EV (%)	3.6	5.7	6.4	0.1	6.6	3.3	4.5	6.0
FCFE/Mkt Cap (%)	3.3	5.2	5.6	0.1	5.8	2.8	3.8	4.8
Dividend Yield (%)	2.6	3.0	3.4	3.1	3.2	2.5	2.9	2.9

Source: Company, HSIE Research



## RECOMMENDATION HISTORY



Date	CMP	Reco	Target
22-Sep-19	2,863	BUY	3,335
11-Oct-19	2,598	BUY	3,560
24-Oct-19	2,713	BUY	3,460
9-Jan-20	2,318	BUY	3,260
13-Feb-20	2,423	BUY	2,980
21-Feb-20	2,240	BUY	2,980
2-Mar-20	2,052	BUY	3,070
20-Apr-20	1,837	BUY	2,210
11-May-20	2,086	BUY	2,210
10-Jun-20	2,292	BUY	2,650
10-Aug-20	2,702	BUY	3,100
15-Aug-20	1,805	BUY	3,100

From 2<sup>nd</sup> March 2020, we have moved to new rating system

## Rating Criteria

**BUY:** >+15% return potential  
**ADD:** +5% to +15% return potential  
**REDUCE:** -10% to +5% return potential  
**SELL:** >10% Downside return potential

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