

February 8, 2023

## Q3FY23 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	3,135		3,135	
Sales (Rs. m)	3,72,462	4,09,247	3,81,599	4,19,480
% Chng.	(2.4)	(2.4)		
EBITDA (Rs. m)	50,672	56,534	51,914	57,947
% Chng.	(2.4)	(2.4)		
EPS (Rs.)	182.0	203.4	185.6	208.2
% Chng.	(1.9)	(2.3)		

### Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. bn)	292	334	372	409
EBITDA (Rs. bn)	34	38	51	57
Margin (%)	11.5	11.4	13.6	13.8
PAT (Rs. bn)	25	27	36	41
EPS (Rs.)	123.8	134.7	182.0	203.4
Gr. (%)	(16.6)	8.9	35.1	11.8
DPS (Rs.)	95.0	100.0	105.0	105.0
Yield (%)	3.6	3.8	4.0	4.0
RoE (%)	16.0	16.7	21.1	21.4
RoCE (%)	17.6	19.5	25.1	25.4
EV/Sales (x)	1.5	1.3	1.1	1.0
EV/EBITDA (x)	13.1	11.3	8.4	7.3
PE (x)	21.1	19.4	14.4	12.9
P/BV (x)	3.3	3.2	2.9	2.6

### Key Data

### HROM.BO | HMCL IN

52-W High / Low	Rs.2,939 / Rs.2,147
Sensex / Nifty	60,664 / 17,872
Market Cap	Rs.523bn/ \$ 6,338m
Shares Outstanding	200m
3M Avg. Daily Value	Rs.1070.74m

### Shareholding Pattern (%)

Promoter's	34.75
Foreign	29.22
Domestic Institution	24.24
Public & Others	11.79
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(4.6)	(4.4)	(2.1)
Relative	(5.8)	(7.3)	(6.7)

### Himanshu Singh

himanshuksingh@plindia.com |

### Mansi Lall

mansilall@plindia.com | 91-22-66322391

## Increasing focus on non-core segments

### Quick Pointers:

- Vida launch cost had a 70bps impact on EBITDA margin.
- Plans to focus on scooter, premium and exports segments- where it doesn't have significant presence.

**We trim our EPS estimates by c2% for FY24E-FY25 each, led by c2% cut in revenue. Hero Motocorp's (HMCL) 3Q EBITDA margin at 11.5% (-67bps YoY, +7bps QoQ) came slightly lower than our estimates at 11.8%, due to 70bps impact from Vida launch and higher discounting. We expect 2W industry to benefit from rural recovery, low base of export markets and stable pricing environment (as commodity prices cool down in FY24). Accordingly, HMCL is also expected to show double-digit revenue growth in FY24 given (1) product launches in premium/scooter segment, (2) improving market share and (3) higher exports.**

**We expect HMCL's margins to improve in the near term from operating leverage, premiumisation (3QFY23: 30% of volumes vs 20% during last festive season), cost control and stable commodity costs (we build in 230bps expansion over FY22-25E). The company is investing in EVs and aims to have wider product portfolio in next 18-24 months. Maintain 'BUY' at an unchanged target price of Rs 3,135 (at 15x on Dec-24E standalone EPS, Rs 86 for Fincorp and Rs 78 for Ather).**

- **Revenue at Rs 80.3bn declined 11.5% QoQ:** Volumes at 1.24mn units declined 13.2%, led the decline in revenue in 3QFY23. Though, ASPs grew 2% QoQ to Rs 64.8k, this increase was lower compared to its peers. Contribution from executive + premium segment contracted 400bps QoQ.
- **EBITDA margin of 11.5% suppressed by higher expenses:** Though HMCL's gross profit/vehicle grew by 11% QoQ to Rs 19.8k (as commodity prices softened, GM +250bps), overall other expense ratio expanded by 170bps. This was due to ~70bps impact with regards to Vida launch. EBITDA margin at 11.5% was flat QoQ, -70bps YoY. PAT at Rs 7.11bn, +4/-1% YoY/QoQ.
- **Key takeaways: (1) Demand outlook:** Rural recovery has been weak, however, there are some green shoots visible in UP, Bihar, MP, West Bengal and Rajasthan; largely led by marriage season demand. Inventory level stands at ~6 weeks. HMCL aims to increase revenue mix from global business to 10%. **(2) Market share improvement remains a key:** HMCL has lost significant market share (~400bps, since FY19) owing to weak rural demand, due to affordability issues. It targets regaining market share by expanding its product portfolio (new launches every quarter) and improving its channels and processes. HMCL highlighted that the recently launched "Xoom" scooter has been well received. **(3) Premiumisation and EV strategy:** HMCL has been strengthening its 125cc portfolio with XTec launches, which now contribute 30% to its volumes; Super Splendor XTec to be launched soon. On the EV side, Vida has been in three cities (Bengaluru, Jaipur and Delhi). Geographical expansion will continue in FY24, followed by product expansion. **(4) Margin expansion going ahead:** As the commodity cost headwinds are largely behind, margin expansion will be driven by operating leverage in FY24. However, we believe, EV losses can dilute margins.

**Exhibit 1: Q3FY23 Result Overview (Rs m) – Other expenses were higher on back of Vida launch cost and higher discounts**

Y/e Mar (Rs.mn)	3QFY23	3QFY22	YoY gr. (%)	2QFY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
<b>Net Revenues</b>	<b>80,310</b>	<b>78,833</b>	<b>1.9</b>	<b>90,754</b>	<b>(11.5)</b>	<b>2,54,989</b>	<b>2,18,237</b>	<b>16.8</b>
Raw Materials	55,743	55,943	(0.4)	65,301	(14.6)	1,82,118	1,56,843	16.1
<i>% of Net Sales</i>	<i>69.4</i>	<i>71.0</i>		<i>72.0</i>		<i>71.4</i>	<i>71.9</i>	
Personnel	5,456	5,180	5.3	5,490	(0.6)	16,328	14,591	11.9
<i>% of Net Sales</i>	<i>6.8</i>	<i>6.6</i>		<i>6.0</i>		<i>6.4</i>	<i>6.7</i>	
Manufacturing & Other Exp	9,869	8,109	21.7	9,579	3.0	27,510	21,391	28.6
<i>% of Net Sales</i>	<i>12.3</i>	<i>10.3</i>		<i>10.6</i>		<i>10.8</i>	<i>9.8</i>	
Total Expenditure	71,068	69,233	2.7	80,370	(11.6)	2,25,956	1,92,825	17.2
<b>EBITDA</b>	<b>9,241</b>	<b>9,600</b>	<b>(3.7)</b>	<b>10,383</b>	<b>(11.0)</b>	<b>29,032</b>	<b>25,412</b>	<b>14.2</b>
<i>EBITDA Margin (%)</i>	<i>11.5</i>	<i>12.2</i>		<i>11.4</i>		<i>11.4</i>	<i>11.6</i>	
Depreciation	1,620	1,644	(1.5)	1,634	(0.9)	4,884	4,913	(0.6)
<b>EBIT</b>	<b>7,621</b>	<b>7,956</b>	<b>(4.2)</b>	<b>8,749</b>	<b>(12.9)</b>	<b>24,149</b>	<b>20,499</b>	<b>17.8</b>
Interest Expenses	49	65	(24.7)	33	48.0	152	191	(20.6)
Non-operating income	1,832	1,216	50.6	921	99.0	3,282	4,172	(21.3)
Extraordinary Expenses	0	0		0		0	0	
<b>PBT</b>	<b>9,404</b>	<b>9,107</b>	<b>3.3</b>	<b>9,637</b>	<b>(2.4)</b>	<b>27,279</b>	<b>24,479</b>	<b>11.4</b>
Tax-Total	2,294	2,246	2.1	2,476	(7.4)	6,763	6,020	12.3
<i>Tax Rate (%) - Total</i>	<i>24.4</i>	<i>24.7</i>		<i>25.7</i>		<i>24.8</i>	<i>24.6</i>	
<b>Reported PAT</b>	<b>7,111</b>	<b>6,861</b>	<b>3.6</b>	<b>7,161</b>	<b>(0.7)</b>	<b>20,517</b>	<b>18,460</b>	<b>11.1</b>
<b>Adj. PAT</b>	<b>7,111</b>	<b>6,861</b>	<b>3.6</b>	<b>7,161</b>	<b>(0.7)</b>	<b>20,517</b>	<b>18,460</b>	<b>11.1</b>
<i>PAT Margin</i>	<i>8.9</i>	<i>8.7</i>		<i>7.9</i>		<i>8.0</i>	<i>8.5</i>	

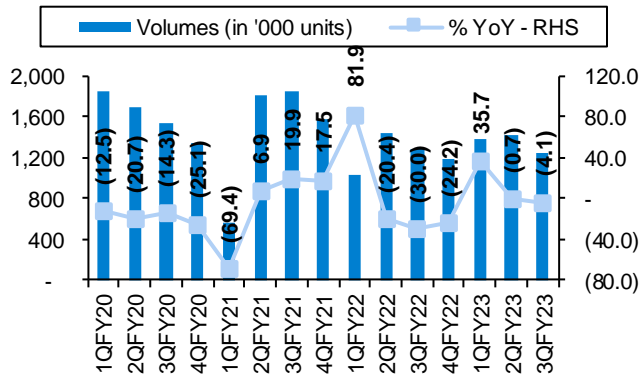
Source: Company, PL

**Exhibit 2: Operating Metrics – EBITDA per vehicle has been growing consistently**

Y/e Mar (Rs)	3QFY23	3QFY22	YoY gr. (%)	2QFY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
Sales Volume (nos)	12,39,599	12,92,135	(4.1)	14,28,168	(13.2)	40,57,959	37,55,102	8.1
Net Realisation/Vehicle	64,787	61,010	6.2	63,545	2.0	62,837	58,118	8.1
Material cost / vehicle	44,969	43,295	3.9	45,724	(1.7)	44,879	41,768	7.4
Gross Profit / vehicle	19,818	17,714	11.9	17,822	11.2	17,957	16,350	9.8
Employee cost /vehicle	4,401	4,009	9.8	3,844	14.5	4,024	3,886	3.6
Other expenses / vehicle	7,962	6,276	26.9	6,707	18.7	6,779	5,697	19.0
EBITDA/vehicle	7,455	7,430	0.3	7,270	2.5	7,154	6,767	5.7
Net Profit/vehicle	5,736	5,310	8.0	5,014	14.4	5,056	4,916	2.8

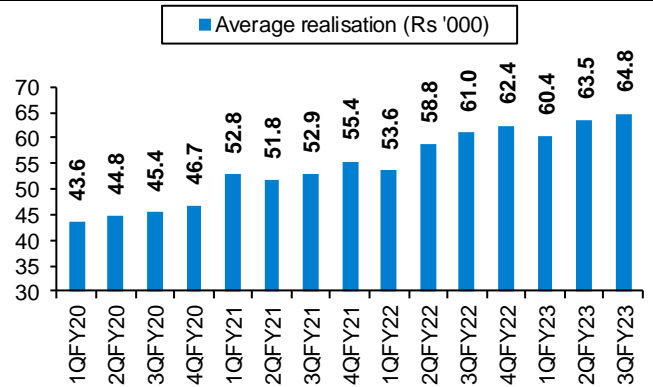
Source: Company, PL

**Exhibit 3: Volumes softened by 4% QoQ**



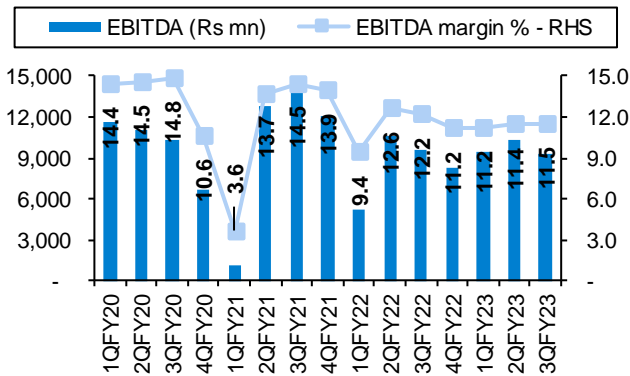
Source: Company, PL

**Exhibit 4: ASPs grew 2% QoQ**



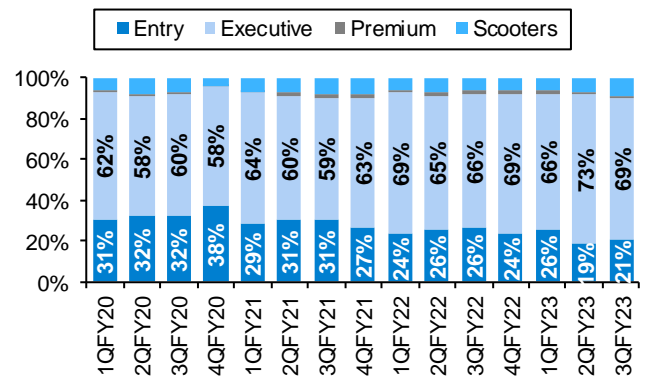
Source: Company, PL

**Exhibit 5: EBITDA margin at 11.5% was flat QoQ**



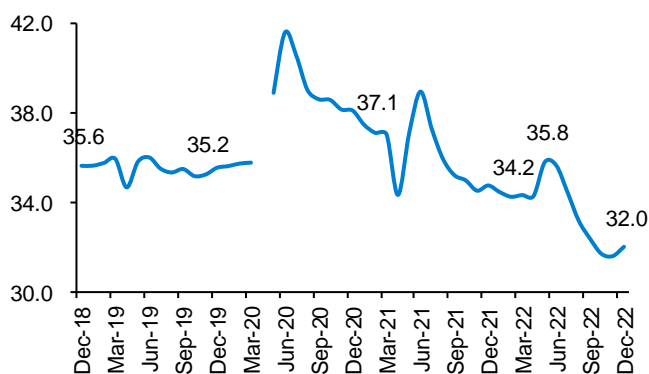
Source: Company, PL

**Exhibit 6: Share of exec. + premium bikes contracted QoQ**



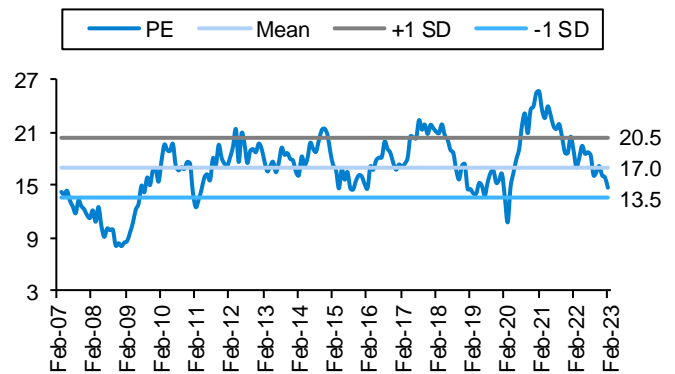
Source: Company, PL

**Exhibit 7: Hero has lost 380bps market share since FY19**



Source: SIAM, PL

**Exhibit 8: One-year forward PE band chart**



Source: Industry, Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Net Revenues</b>	<b>2,92,455</b>	<b>3,34,332</b>	<b>3,72,462</b>	<b>4,09,247</b>
YoY gr. (%)	(5.0)	14.3	11.4	9.9
Cost of Goods Sold	2,08,267	2,38,027	2,64,431	2,90,548
Gross Profit	84,187	96,304	1,08,031	1,18,698
Margin (%)	28.8	28.8	29.0	29.0
Employee Cost	19,354	21,564	22,720	24,555
Other Expenses	31,145	36,609	34,639	37,610
<b>EBITDA</b>	<b>33,688</b>	<b>38,131</b>	<b>50,672</b>	<b>56,534</b>
YoY gr. (%)	(16.2)	13.2	32.9	11.6
Margin (%)	11.5	11.4	13.6	13.8
Depreciation and Amortization	6,498	6,736	7,435	8,345
<b>EBIT</b>	<b>27,190</b>	<b>31,394</b>	<b>43,237</b>	<b>48,189</b>
Margin (%)	9.3	9.4	11.6	11.8
Net Interest	258	200	200	200
Other Income	5,569	4,702	5,068	5,707
<b>Profit Before Tax</b>	<b>32,501</b>	<b>35,896</b>	<b>48,105</b>	<b>53,696</b>
Margin (%)	11.1	10.7	12.9	13.1
Total Tax	7,771	8,974	11,738	13,048
Effective tax rate (%)	23.9	25.0	24.4	24.3
<b>Profit after tax</b>	<b>24,730</b>	<b>26,922</b>	<b>36,367</b>	<b>40,648</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>24,730</b>	<b>26,922</b>	<b>36,367</b>	<b>40,648</b>
YoY gr. (%)	-	-	-	-
Margin (%)	8.5	8.1	9.8	9.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>24,730</b>	<b>26,922</b>	<b>36,367</b>	<b>40,648</b>
YoY gr. (%)	(16.6)	8.9	35.1	11.8
Margin (%)	8.5	8.1	9.8	9.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
<b>Equity Shares O/s (m)</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>
<b>EPS (Rs)</b>	<b>123.8</b>	<b>134.7</b>	<b>182.0</b>	<b>203.4</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>1,04,022</b>	<b>1,07,386</b>	<b>1,21,386</b>	<b>1,35,386</b>
Tangibles	1,04,022	1,07,386	1,21,386	1,35,386
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>48,942</b>	<b>55,679</b>	<b>63,114</b>	<b>71,459</b>
Tangibles	48,942	55,679	63,114	71,459
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>55,080</b>	<b>51,708</b>	<b>58,272</b>	<b>63,927</b>
Tangibles	55,080	51,708	58,272	63,927
Intangibles	-	-	-	-
Capital Work In Progress	7,567	7,480	7,401	7,330
Goodwill	-	-	-	-
Non-Current Investments	26,000	28,600	31,460	34,605
Net Deferred tax assets	(5,514)	(5,624)	(5,736)	(5,851)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	80,524	89,924	99,064	1,07,918
Inventories	11,227	13,740	15,307	16,818
Trade receivables	23,043	18,320	20,409	22,424
Cash & Bank Balance	1,751	1,285	(395)	3,139
Other Current Assets	11,131	11,688	12,272	12,886
<b>Total Assets</b>	<b>2,17,140</b>	<b>2,23,678</b>	<b>2,44,832</b>	<b>2,70,194</b>
<b>Equity</b>				
Equity Share Capital	400	400	400	400
Other Equity	1,57,430	1,64,372	1,79,760	1,99,429
<b>Total Networkth</b>	<b>1,57,829</b>	<b>1,64,772</b>	<b>1,80,160</b>	<b>1,99,829</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	42,603	41,219	45,920	50,455
Other current liabilities	11,194	12,064	13,016	14,059
<b>Total Equity &amp; Liabilities</b>	<b>2,17,140</b>	<b>2,23,678</b>	<b>2,44,832</b>	<b>2,70,194</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	32,501	35,896	48,105	53,696
Add. Depreciation	6,498	6,736	7,435	8,345
Add. Interest	258	200	200	200
Less Financial Other Income	5,569	4,702	5,068	5,707
Add. Other	(5,569)	(4,702)	(5,068)	(5,707)
Op. profit before WC changes	33,688	38,131	50,672	56,534
Net Changes-WC	(6,720)	1,022	1,306	1,334
Direct tax	(7,794)	(8,864)	(11,625)	(12,933)
<b>Net cash from Op. activities</b>	<b>19,175</b>	<b>30,289</b>	<b>40,353</b>	<b>44,935</b>
Capital expenditures	(4,894)	(3,277)	(13,921)	(13,929)
Interest / Dividend Income	-	-	-	-
Others	3,205	2,102	2,208	2,561
<b>Net Cash from Inv. activities</b>	<b>(1,689)</b>	<b>(1,175)</b>	<b>(11,714)</b>	<b>(11,368)</b>
Issue of share cap. / premium	96	-	-	-
Debt changes	-	-	-	-
Dividend paid	(18,981)	(19,980)	(20,979)	(20,979)
Interest paid	(258)	(200)	(200)	(200)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(19,143)</b>	<b>(20,180)</b>	<b>(21,179)</b>	<b>(21,179)</b>
<b>Net change in cash</b>	<b>(1,657)</b>	<b>8,934</b>	<b>7,460</b>	<b>12,388</b>
Free Cash Flow	14,280	27,012	26,431	31,006

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
<b>Net Revenue</b>	<b>86,860</b>	<b>54,871</b>	<b>84,534</b>	<b>78,833</b>
YoY gr. (%)	-	84.7	(9.8)	(19.4)
Raw Material Expenses	61,173	39,796	61,104	55,943
Gross Profit	25,687	15,075	23,430	22,890
Margin (%)	29.6	27.5	27.7	29.0
<b>EBITDA</b>	<b>12,112</b>	<b>5,148</b>	<b>10,664</b>	<b>9,600</b>
YoY gr. (%)	-	376.5	(17.1)	(32.1)
Margin (%)	13.9	9.4	12.6	12.2
Depreciation / Depletion	1,631	1,630	1,639	1,644
<b>EBIT</b>	<b>10,480</b>	<b>3,519</b>	<b>9,025</b>	<b>7,956</b>
Margin (%)	12.1	6.4	10.7	10.1
Net Interest	63	61	65	65
Other Income	874	1,386	1,569	1,216
<b>Profit before Tax</b>	<b>11,291</b>	<b>4,844</b>	<b>10,529</b>	<b>9,107</b>
Margin (%)	13.0	8.8	12.5	11.6
Total Tax	2,642	1,189	2,585	2,246
Effective tax rate (%)	23.4	24.6	24.5	24.7
<b>Profit after Tax</b>	<b>8,650</b>	<b>3,654</b>	<b>7,944</b>	<b>6,861</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>8,650</b>	<b>3,654</b>	<b>7,944</b>	<b>6,861</b>
YoY gr. (%)	-	496.1	(16.7)	(36.7)
Margin (%)	10.0	6.7	9.4	8.7
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>8,650</b>	<b>3,654</b>	<b>7,944</b>	<b>6,861</b>
YoY gr. (%)	39.4	496.1	(16.7)	(36.7)
Margin (%)	10.0	6.7	9.4	8.7
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Avg. Shares O/s (m)	200	200	200	200
<b>EPS (Rs)</b>	<b>43.3</b>	<b>18.3</b>	<b>39.8</b>	<b>34.3</b>

Source: Company Data, PL Research

**Key Financial Metrics**

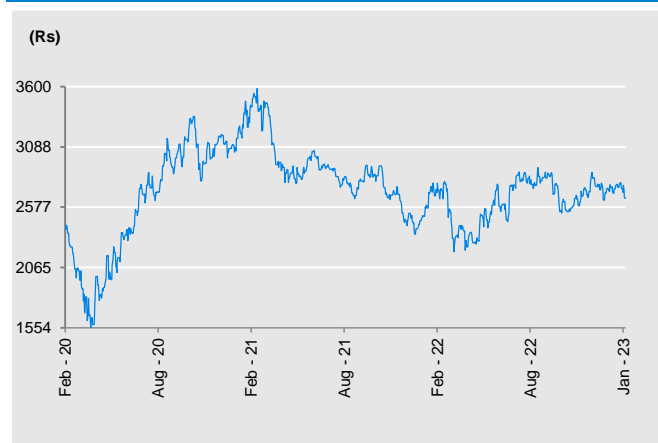
Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	123.8	134.7	182.0	203.4
CEPS	156.3	168.5	219.2	245.2
BVPS	789.9	824.7	901.7	1,000.1
FCF	71.5	135.2	132.3	155.2
DPS	95.0	100.0	105.0	105.0
<b>Return Ratio(%)</b>				
RoCE	17.6	19.5	25.1	25.4
ROIC	28.5	33.6	44.3	46.2
RoE	16.0	16.7	21.1	21.4
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.6)	(0.5)	(0.6)
Net Working Capital (Days)	(20)	(19)	(19)	(19)
<b>Valuation(x)</b>				
PER	21.1	19.4	14.4	12.9
P/B	3.3	3.2	2.9	2.6
P/CEPS	16.7	15.5	11.9	10.7
EV/EBITDA	13.1	11.3	8.4	7.3
EV/Sales	1.5	1.3	1.1	1.0
Dividend Yield (%)	3.6	3.8	4.0	4.0

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY22	FY23E	FY24E	FY25E
Volume (units)	49,43,968	52,72,148	57,75,585	62,41,893
Net realisation (Rs/unit)	59,154	63,415	64,489	65,564

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jan-23	BUY	3,135	2,709
2	05-Nov-22	BUY	3,175	2,598
3	06-Oct-22	BUY	3,175	2,615
4	16-Aug-22	BUY	3,130	2,762
5	08-Jul-22	BUY	3,150	2,839
6	04-May-22	BUY	3,150	2,410
7	11-Apr-22	BUY	3,200	2,335
8	14-Feb-22	BUY	3,221	2,719

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	200	152
2	Bajaj Auto	Hold	4,040	3,717
3	CEAT	Accumulate	1,825	1,585
4	Maruti Suzuki	BUY	10,600	8,699
5	Tata Motors	BUY	520	419
6	TVS Motors	BUY	1,240	984

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



## ANALYST CERTIFICATION

### (Indian Clients)

We/I, Mr. Himanshu Singh- MMS-Finance, Ms. Mansi Lall- MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

### (US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

## DISCLAIMER

### Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at [www.plindia.com](http://www.plindia.com).

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Himanshu Singh- MMS-Finance, Ms. Mansi Lall- MBA Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

### US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

---

### **Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

[www.plindia.com](http://www.plindia.com)