

Hero Motocorp

Refer to important disclosures at the end of this report

Demand outlook unchanged; maintain Buy

CMP	Target Price
Rs 2,895 as of (October 16, 2018)	Rs 3,560 (▼) 12 months
Rating	Upside
BUY (■)	23.0 %

- Revenue grew 9% yoy to Rs90.9bn, in line with estimates (Emkay est: Rs91.2bn; consensus est: Rs90.4bn). Despite the recent increase in insurance costs for buyers, management reiterated its double-digit volume growth expectation for FY19, driven by new product launches and strong rural demand.
- At 15.2%, the EBITDA margin came in slightly below our estimate of 15.4%. In the near term, the margin is expected to be under pressure due to commodity inflation and adverse currency movements. Over the next few quarters, margin would gradually improve due to price increases, tax benefits from the Gujarat/AP plants, and cost-reduction efforts.
- We slightly adjust our FY19/FY20 EPS forecasts by 2%/3% to Rs185.6/Rs222.6 due to a downgrade in margin assumption by ~40bps. Despite this revision, we expect 10% earnings CAGR over FY18-20.
- We maintain our Buy rating, with a revised target price of Rs3,560 (Rs4,130 earlier), based on 16x FY20E EPS (18x earlier). We have reduced the valuation multiple factoring in lower earnings growth. Average ROE/ROCE are expected at 31%/43% over FY19-20, with FCF generation of Rs36bn/year. Dividend yield remains high at ~3%.

Outlook and recommendation

- Conference call highlights:** 1) Volume growth expectation of 10% for FY19 remains unchanged despite the increase in insurance costs for buyers; 2) festive season (*Navratri* and *Diwali* period) growth is expected at 8-10%; although demand in the initial days of the festival season was muted, it has started to improve gradually; rural growth continues to be better than urban growth; 3) new product (Xtreme 200cc motorcycle; two 125cc scooters) launches remain a focus area; the 125cc scooter segment witnessed over 70% growth in H1FY19, and two new launches in this category are expected to support volumes ahead; and 4) although there is near-term margin pressure due to commodity inflation and adverse currency movements, the company is able to pass on this impact with a quarter's lag. A blended price increase of Rs600-700/unit was implemented in Oct'18.
- Maintain Buy:** We slightly adjust our FY19E/FY20E EPS by 2%/3% to Rs185.6/Rs222.6 on a downgrade in margin assumption by ~40bps. Post cut, we expect an earnings CAGR of 10% over FY18-20. We maintain Buy, with a revised TP of Rs3,560 (Rs4,130 earlier), based on 16x FY20E EPS (18x earlier). We have reduced our valuation multiple factoring in lower earnings growth. Average ROE/ROCE are expected at 31%/43% for FY19-20, with Rs36bn/year in FCF generation. The dividend yield remains high at ~3%.

Change in Estimates

EPS Chg FY19E/FY20E (%)	(2.2)/(3.0)
Target Price change (%)	(13.8)
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY19E	FY20E
Emkay	185.6	222.6
Consensus	185.3	207.3
Mean Consensus TP (12M)	Rs 3,565	

Stock Details

Bloomberg Code	HMCL IN
Face Value (Rs)	2
Shares outstanding (mn)	200
52 Week H/L	3,895 / 2,692
M Cap (Rs bn/USD bn)	578 / 7.85
Daily Avg Volume (nos.)	540,271
Daily Avg Turnover (US\$ mn)	22.9

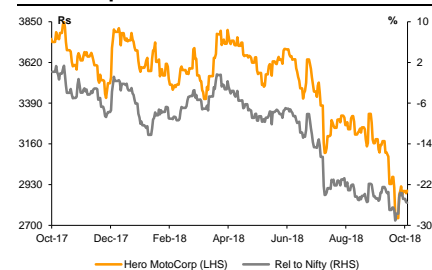
Shareholding Pattern Sep '18

Promoters	34.6%
FII's	38.9%
DII's	14.8%
Public and Others	11.7%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(9)	(15)	(24)	(23)
Rel. to Nifty	(1)	(13)	(24)	(26)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

Raghunandhan N L

raghunandhan.nl@emkayglobal.com
 +91-022-66242428

Mumuksh Mandlesha

mumuksh.mandlesha@emkayglobal.com
 +91-022-66121334

Financial Snapshot (Standalone)

(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	284,427	285,005	322,305	352,902	407,377
EBITDA	44,550	46,348	52,802	53,743	64,179
EBITDA Margin (%)	15.7	16.3	16.4	15.2	15.8
APAT	31,602	33,771	36,974	37,062	44,444
EPS (Rs)	158.2	169.1	185.1	185.6	222.6
EPS (% chg)	24.4	6.9	9.5	0.2	19.9
ROE (%)	41.1	35.7	33.8	29.8	31.8
P/E (x)	18.3	17.1	15.6	15.6	13.0
EV/EBITDA (x)	12.2	11.5	9.9	9.7	8.1
P/BV (x)	6.5	5.7	4.9	4.4	3.9

Source: Company, Emkay Research

Exhibit 1: Actual vs Estimate

(Rs mn)	Actual	Estimate		% Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue	90,909	91,193	90,309	(0.3)	0.7	In line with estimates. Revenue grew 9% yoy, supported by growth of 6% in volume and 3% in realization
EBITDA	13,787	14,044	14,037	(1.8)	(1.8)	
EBITDA Margin (%)	15.2	15.4	15.5	(23) bps	(38) bps	Slightly below estimates due to higher other expenses
Reported Net profit	9,763	9,591	9,470	1.8	3.1	Above estimate on higher non-operating income

Source: Emkay Research, Company

Exhibit 2: Quarterly Financial Summary

Rs mn	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	YoY (%)	QoQ (%)	YTD FY19	YTD FY18	YoY(%)
Revenue	79,805	83,717	73,142	85,640	88,098	90,909	8.6	3.2	179,008	163,522	9.5
Expenditure	66,846	69,160	61,562	71,935	74,325	77,122	11.5	3.8	151,448	136,006	11.4
as % of sales	83.8	82.6	84.2	84.0	84.4	84.8			84.6	83.2	
Consumption of RM	54,030	57,078	49,307	57,931	61,650	62,997	10.4	2.2	124,647	111,108	12.2
as % of sales	67.7	68.2	67.4	67.6	70.0	69.3			69.6	67.9	
Employee Cost	3,737	3,837	4,019	3,809	4,131	4,341	13.2	5.1	8,473	7,573	11.9
as % of sales	4.7	4.6	5.5	4.4	4.7	4.8			4.7	4.6	
Other expenditure	9,079	8,246	8,235	10,195	8,544	9,784	18.7	14.5	18,328	17,325	5.8
as % of sales	11.4	9.8	11.3	11.9	9.7	10.8			10.2	10.6	
EBITDA	12,959	14,557	11,580	13,706	13,773	13,787	(5.3)	0.1	27,560	27,516	0.2
Depreciation	1,330	1,360	1,383	1,483	1,482	1,518	11.6	2.4	3,000	2,690	11.5
EBIT	11,630	13,197	10,197	12,223	12,291	12,269	(7.0)	(0.2)	24,561	24,826	(1.1)
Other Income	1,317	1,176	1,100	1,665	1,157	2,237	90.2	93.3	3,394	2,493	36.1
Interest	16	16	16	15	21	21	37.2	1.4	43	31	35.4
PBT	12,931	14,357	11,282	13,872	13,427	14,485	0.9	7.9	27,912	27,288	2.3
Total Tax	3,790	4,252	3,227	4,198	4,336	4,722	11.0	8.9	9,057	8,043	12.6
Adjusted PAT after MI	9,140	10,105	8,054	9,674	9,092	9,763	(3.4)	7.4	18,855	19,245	(2.0)
Extra ordinary items Loss/(Gain)	0	0	0	0	0	0			0	0	#DIV/0!
Reported PAT	9,140	10,105	8,054	9,674	9,092	9,763	(3.4)	7.4	18,855	19,245	(2.0)
Adjusted EPS	45.8	50.6	40.3	48.4	45.5	48.9	(3.4)	7.4	94.4	96.4	(2.0)

Margins (%)							(bps)	(bps)			(bps)
EBIDTA	16.2	17.4	15.8	16.0	15.6	15.2	(222)	(47)	15.4	16.8	(143)
EBIT	14.6	15.8	13.9	14.3	14.0	13.5	(227)	(46)	13.7	15.2	(146)
EBT	16.2	17.1	15.4	16.2	15.2	15.9	(122)	69	15.6	16.7	(109)
PAT	11.5	12.1	11.0	11.3	10.3	10.7	(133)	42	10.5	11.8	(124)
Effective Tax rate	29.3	29.6	28.6	30.3	32.3	32.6	298	31	32.4	29.5	298

Source: Company, Emkay Research

Exhibit 3: Revision in estimates

Rs mn	FY19E				FY20E			
	Earlier	Revised	% Chg.	% YoY	Earlier	New	% Chg.	% YoY
Volumes	8,321,033	8,312,223	(0.1)	9.6	9,327,388	9,323,694	(0.0)	12.2
Net Sales	355,964	352,902	(0.9)	9.5	409,933	407,377	(0.6)	15.4
EBITDA	55,086	53,743	(2.4)	1.8	66,361	64,179	(3.3)	21.0
Margin (%)	15.5	15.2	(25) bps	(115) bps	16.2	15.8	(43) bps	73 bps
APAT	37,910	37,062	(2.2)	0.2	45,836	44,444	(3.0)	21.5
EPS	189.8	185.6	(2.2)	0.2	229.5	222.6	(3.0)	21.5

Source: Company, Emkay Research

Concall highlights

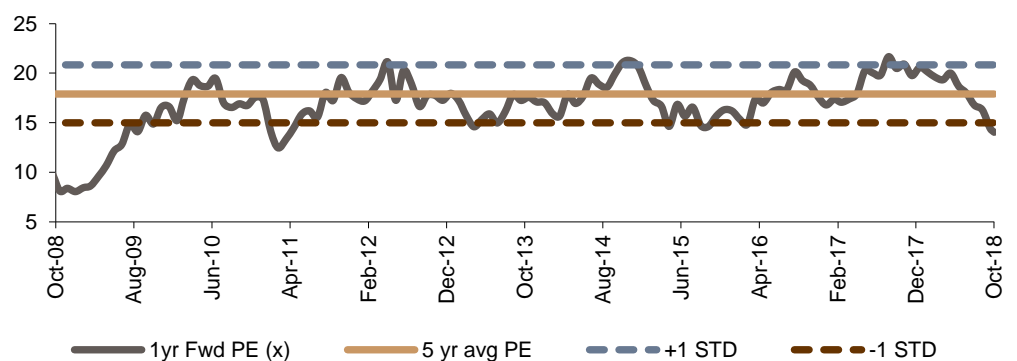
- **Volume guidance:** Volume growth expectation of 10% for FY19 remains unchanged despite increase in insurance costs for buyers and higher petrol prices.
- Festive season (*Navratri* and *Diwali* period) growth expected at 8-10%. Although demand in the initial days of the festival season was muted, it has started to improve gradually. Rural growth continues to be better than urban growth.
- **Product launches:** 1) Xtreme 200cc motorcycle is available throughout the country and has sold over 6,000 units; more variants are expected in this category; 2) the new 125cc scooter dispatches to commence from next week and the product will be made available to dealers throughout the country in one month; and 3) another 125cc scooter to be launched by Q4FY19.
- The 125cc scooter segment has witnessed over 70% growth in H1FY19, and two new launches in this category are expected to support volumes.
- Exports grew 27% yoy in Q2FY19, supported by growth in Bangladesh and Central American regions.
- Spare parts revenue rose 24% yoy to Rs7.13bn in Q2FY19.
- **Margins:** although the company is facing margin pressure due to commodity inflation and adverse currency movements, it is able to pass on this impact with a quarter's lag to consumers; the company increased prices by Rs600-700/unit in October.
- It has forex hedges for three months.
- The financing ratio stood at 36.5% in the domestic market. Of this, 11% was financed by Hero Fincorp. Financing in the urban market is higher at 55-60%.

Exhibit 4: HMCL Volume Assumption

Volume (units)	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Domestic Motorcycles	5,424,758	5,679,634	5,603,136	5,693,681	6,499,051	7,205,477	8,077,975
Growth (%)	1.1	4.7	-1.3	1.6	14.1	10.9	12.1
Export Motorcycles	113,173	120,061	132,718	140,579	178,156	181,719	208,977
Growth (%)	-17.1	6.1	10.5	5.9	26.7	2.0	15.0
Domestic Scooters	690,079	752,052	818,777	789,974	883,667	901,340	1,009,501
Growth (%)	25.5	9.0	8.9	-3.5	11.9	2.0	12.0
Export Scooters	17,525	79,956	77,521	39,812	26,319	23,687	27,240
Growth (%)	-28.6	356.2	-3.0	-48.6	-33.9	-10.0	15.0
Total Volume	6,245,535	6,631,703	6,632,152	6,664,046	7,587,193	8,312,223	9,323,694
Growth (%)	2.8	6.2	0.0	0.5	13.9	9.6	12.2
Realization/unit (Rs)	40,467	41,595	42,885	42,766	42,480	42,456	43,693
Growth (%)	3.4	2.8	3.1	-0.3	-0.7	-0.1	2.9
Revenue (Rs/unit)	252,755	275,853	284,427	285,005	322,305	352,902	407,377
Growth (%)	6.3	9.1	3.1	0.2	13.1	9.5	15.4

Source: Emkay Research, Company

Exhibit 5: One-year forward P/E



Source: Emkay Research, Company

Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenue	284,427	285,005	322,305	352,902	407,377
Expenditure	239,877	238,657	269,503	299,159	343,199
EBITDA	44,550	46,348	52,802	53,743	64,179
Depreciation	4,376	4,927	5,556	6,093	6,696
EBIT	40,173	41,421	47,246	47,649	57,483
Other Income	4,224	5,224	5,258	6,140	7,018
Interest expenses	49	61	63	75	90
PBT	44,349	46,585	52,442	53,714	64,411
Tax	12,747	12,813	15,468	16,651	19,967
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	31,602	33,771	36,974	37,062	44,444
Adjusted PAT	31,602	33,771	36,974	37,062	44,444

Balance Sheet

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity share capital	399	399	399	399	399
Reserves & surplus	87,945	100,714	117,289	130,616	148,207
Net worth	88,344	101,113	117,689	131,015	148,607
Minority Interest	0	0	0	0	0
Loan Funds	0	0	0	0	0
Net deferred tax liability	2,225	4,143	5,117	5,654	6,298
Total Liabilities	90,569	105,256	122,805	136,669	154,905
Net block	35,844	43,956	46,545	49,617	55,421
Investment	45,810	58,899	75,252	83,252	99,252
Current Assets	38,021	39,438	42,407	46,851	53,833
Cash & bank balance	1,314	1,367	1,413	1,966	2,019
Other Current Assets	5,496	5,113	7,444	8,151	9,409
Current liabilities & Provision	35,159	41,686	44,583	49,570	60,120
Net current assets	2,862	(2,249)	(2,176)	(2,719)	(6,287)
Misc. exp	0	0	0	0	0
Total Assets	90,569	105,256	122,805	136,669	154,905

Cash Flow

Y/E Mar (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
PBT (Ex-Other income) (NI+Dep)	39,722	41,360	47,183	47,574	57,393
Other Non-Cash items	0	0	0	0	0
Chg in working cap	4,462	3,993	342	712	955
Operating Cashflow	34,914	35,056	39,809	44,052	52,379
Capital expenditure	(15,278)	(11,491)	(6,105)	(12,500)	(12,500)
Free Cash Flow	19,635	23,565	33,703	31,552	39,879
Investments	(9,082)	(9,917)	(16,354)	(8,000)	(16,000)
Other Investing Cash Flow	1,647	1,969	(1,952)	(6,140)	(7,018)
Investing Cashflow	(18,489)	(14,215)	(19,152)	(20,500)	(28,500)
Equity Capital Raised	6	15	27	0	0
Loans Taken / (Repaid)	0	0	0	0	0
Dividend paid (incl tax)	(13,978)	(20,910)	(20,431)	(22,925)	(23,736)
Other Financing Cash Flow	(2,709)	169	(144)	0	0
Financing Cashflow	(16,703)	(20,787)	(20,610)	(23,000)	(23,826)
Net chg in cash	(279)	54	46	552	53
Opening cash position	1,593	1,314	1,367	1,413	1,966
Closing cash position	1,314	1,367	1,413	1,966	2,019

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY16	FY17	FY18	FY19E	FY20E
EBITDA Margin	15.7	16.3	16.4	15.2	15.8
EBIT Margin	14.1	14.5	14.7	13.5	14.1
Effective Tax Rate	28.7	27.5	29.5	31.0	31.0
Net Margin	11.1	11.8	11.5	10.5	10.9
ROCE	57.2	47.6	46.0	41.5	44.2
ROE	41.1	35.7	33.8	29.8	31.8
RoIC	130.0	106.6	113.4	108.4	124.9

Per Share Data (Rs)	FY16	FY17	FY18	FY19E	FY20E
EPS	158.2	169.1	185.1	185.6	222.6
CEPS	180.2	193.8	213.0	216.1	256.1
BVPS	442.4	506.3	589.3	656.1	744.1
DPS	72.0	85.0	95.0	98.4	111.3

Valuations (x)	FY16	FY17	FY18	FY19E	FY20E
PER	18.3	17.1	15.6	15.6	13.0
P/CEPS	16.1	14.9	13.6	13.4	11.3
P/BV	6.5	5.7	4.9	4.4	3.9
EV / Sales	1.9	1.9	1.7	1.5	1.3
EV / EBITDA	12.2	11.5	9.9	9.7	8.1
Dividend Yield (%)	2.5	2.9	3.3	3.4	3.8

Gearing Ratio (x)	FY16	FY17	FY18	FY19E	FY20E
Net Debt/ Equity	(0.4)	(0.5)	(0.5)	(0.4)	(0.4)
Net Debt/EBIDTA	(0.8)	(1.0)	(1.1)	(1.1)	(0.9)
Working Cap Cycle (days)	2.0	(4.6)	(4.1)	(4.8)	(7.4)

Growth (%)	FY16	FY17	FY18	FY19E	FY20E
Revenue	3.1	0.2	13.1	9.5	15.4
EBITDA	25.8	4.0	13.9	1.8	19.4
EBIT	33.8	3.1	14.1	0.9	20.6
PAT	32.5	6.9	9.5	0.2	19.9

Quarterly (Rs mn)	Q2FY18	Q3FY18	Q4FY18	Q2FY19	Q2FY19
Revenue	83,717	73,142	85,640	90,909	90,909
EBITDA	14,557	11,580	13,706	13,787	13,787
EBITDA Margin (%)	17.4	15.8	16.0	15.2	15.2
PAT	10,105	8,054	9,674	9,763	9,763
EPS (Rs)	50.6	40.3	48.4	48.9	48.9

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Promoters	34.6	34.6	34.6	34.6	34.6
FIs	42.1	42.3	41.9	39.6	38.9
DIs	11.6	11.5	12.0	14.4	14.8
Public and Others	11.6	11.5	11.4	11.4	11.7

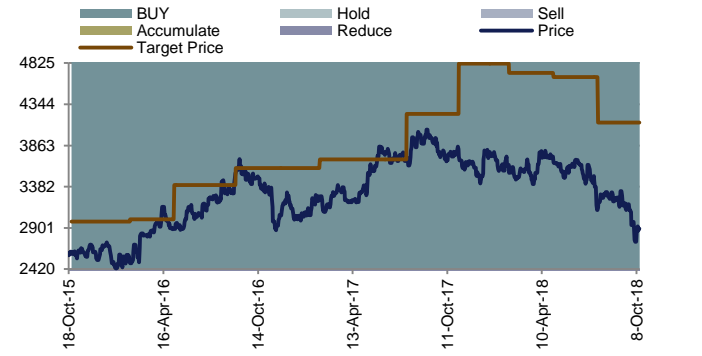
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
3-Aug-18	3,251	4,130	12m	Buy	Raghunandhan NL
26-Jul-18	3,137	4,130	12m	Buy	Raghunandhan NL
2-May-18	3,664	4,660	12m	Buy	Raghunandhan NL
6-Feb-18	3,542	4,710	12m	Buy	Raghunandhan NL
2-Nov-17	3,736	4,820	12m	Buy	Raghunandhan NL
4-Oct-17	3,795	4,230	12m	Buy	Raghunandhan NL
4-Sep-17	3,979	4,230	12m	Buy	Raghunandhan NL
25-Jul-17	3,709	4,230	12m	Buy	Raghunandhan NL
11-May-17	3,462	3,700	12m	Buy	Mihir Jhaveri
9-Feb-17	3,265	3,700	12m	Buy	Mihir Jhaveri
3-Feb-17	3,214	3,600	12m	Buy	Bibhishan Jagtap
7-Dec-16	3,228	3,600	12m	Buy	Bibhishan Jagtap
28-Oct-16	3,352	3,600	12m	Buy	Bibhishan Jagtap
1-Sep-16	3,548	3,600	12m	Buy	Kaushal Maroo
9-Aug-16	3,412	3,400	12m	Buy	Kaushal Maroo
6-May-16	2,890	3,400	12m	Buy	Kaushal Maroo
12-Feb-16	2,489	3,000	12m	Buy	Kaushal Maroo
9-Feb-16	2,581	2,975	12m	Buy	Kaushal Maroo
26-Nov-15	2,689	2,975	12m	Buy	Kaushal Maroo
23-Oct-15	2,596	2,975	12m	Buy	Kaushal Maroo

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Rating Distribution

BUY	Expected total return (%) (Stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (Stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (Stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (Stock price depreciation) of upto (-) 10% within the next 12-18 months.
SELL	The stock is believed to underperform the broad market indices or its related universe within the next 12-18 months.

Completed Date: 17 Oct 2018 01:05:53 (SGT)

Dissemination Date: 17 Oct 2018 01:06:53 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). EGFSL along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com

EGFSL is registered as Research Analyst with SEBI bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years, except that NSE had disabled EGFSL from trading on October 05, October 08 and October 09, 2012 for a manifest error resulting into a bonafide erroneous trade on October 05, 2012. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to clients as well as prospects. The analyst 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.

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals 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 may be 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 including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject EGFSL or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

- This publication has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research publication relating to any issuer.

- Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets

Disclaimer for U.S. persons only: This research report is a product of Emkay Global Financial Services Limited (Emkay), 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 Financial Institutions Regulatory Authority (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 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.

GENERAL DISCLOSURE/DISCLAIMER BY DBS BANK LTD AS DISTRIBUTOR OF THE RESEARCH REPORT

This report is solely intended for the clients of DBS Bank Ltd, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies. Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report. This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that: (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein. Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets. Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBSVUSA, a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associate¹ does not serve as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of October 16, 2018
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Research Report
Disclosure of previous investment recommendation produced:
3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have any material conflict of interest in the securities recommended in this report as of October 16, 2018.
5. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the October 16, 2018
6. EGFSL, its subsidiaries and/or other affiliates and Research Analyst have not received any compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
7. EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst have not received any compensation or other benefits from securities recommended in this report (subject company) or third party in connection with the research report.
8. Securities recommended in this report (Subject Company) has not been client of EGFSL, its subsidiaries and/or other affiliates and/or and Research Analyst during twelve months preceding the October 16, 2018

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY DBS BANK LTD AS DISTRIBUTOR OF THE RESEARCH REPORT

1. DBS Bank Ltd., DBS HK, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") or their subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of 30 Apr 2018.
2. Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.

Compensation for investment banking services:

3. DBSVUSA, does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

Disclosure of previous investment recommendation produced:

4. DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates in the preceding 12 months.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is not for distribution into Australia.
Hong Kong	This report is not for distribution into Hong Kong.
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is not for distribution into Malaysia.
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 16800306E) or DBSVS (Company Regn. No. 1860024G) both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an agreement under Regulation 32C of the financial Advisers Regulations. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608-610, 6 th Floor, Gate Precinct Building 5, PO Box 506538, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

SINGAPORE**DBS Bank Ltd**

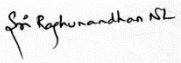
Contact: Janice Chua
12 Marina Boulevard, Marina Bay Financial Centre Tower 3
Singapore 018982
Tel. 65-6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E

THAILAND**DBS Vickers Securities (Thailand) Co Ltd**

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Nagkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand

INDONESIA**PT DBS Vickers Sekuritas (Indonesia)**

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel. 62 21 3003 4900
Fax: 62 21 3003 4943
e-mail: research@id.dbsvickers.com



Raghunandhan N L, MBA

raghunandhan.nl@emkayglobal.com

+91-022-66242428