INSTITUTIONAL RESEARCH

Cummins

Drivers in place for further re-rating

We interacted with the management of Cummins India Ltd (CIL), and the key takeaways are highlighted as below. Over the past 12 months CIL has outperformed S&P–BSE Cap Goods Index by ~28% on the back of overall cyclical recovery and uptick in margins. Going ahead, we make a case of PE expansion, given (1) structural changes in emission norms, (2) strong budget roadmap for infrastructure creation aligning with CIL product portfolio, (3) ahead-of-peers leadership in clean energy solutions, (4) recovery in end exports markets and, lastly, (5) probable long-term case for CIL-CTIL merger. We maintain BUY on CIL with a revised TP of Rs 1,068 (SOTP); upgrade P/E from 25x to 30x FY23E EPS (average 6.5yrs P/E post May-14, NDA Govt).

- **Economic recovery faster than expected, government's infra push positive:** Economic rebound and emphasis on long-term infra creation by the government in the FY22 budget bodes well for the capital goods sector. Supply chain continues to be a concern, especially on the electronics and semiconductors side. However, CIL is able to manage this relatively better being part of a large global group, which helps it in sourcing competitively. Commodity costs have increased and are being monitored closely. CIL is now operating at ~100% of manned capacity.
- **Growth guidance - targeting to outperform nominal GDP growth:** CIL has not given any definitive growth guidance though FY22E revenue is pegged to be better than FY19. Over longer term, the intent is to beat nominal GDP growth in domestic and relevant exports markets. This pegs the growth number around 12-15% over medium to long to term.
- **Margins under near term pressure, price action to aid recovery:** given commodity price uptick, and return of expenses (employee expenses & discretionary spend) due to reversals of temporary measures related to COVID taken earlier, as business volumes pick up, margins might be under pressure over the next 2 quarters. Appropriate price actions may be taken, but there is usually a lag period of 2-4 quarters before this reflects in margins. CIL needs to get higher volume of business to maximise utilisation and sustain these higher EBIDTA margins (16.5-17%). Product readiness, courtesy group experience from other leading markets, puts the company in a strong position to derive better value than competition.
- **CIL to drive alternate fuels technology, clarity awaited on CIL/CTIL merger:** Hydrogen, fuel cells and alternate fuel electrification technology will be pushed through CIL in segments like Rail, Infra, Marine, etc. where CIL has a decent scale, and is bidding actively. Incubation of this new business will take some time, and it will be a medium-term driver, while contribution in the short term will be negligible. Government's thrust on the same in the form of National Hydrogen Energy Mission is encouraging. Non CIL aligned business may continue to happen through CTIL. Any corporate action between CIL-CTIL will be driven by shareholders and parent CMI.

Standalone Financial summary

(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net Revenues	47,088	50,773	50,825	56,590	51,577	45,331	58,707	66,767
EBITDA	7,751	8,018	7,325	8,641	5,863	6,540	9,740	11,158
APAT	7,543	7,346	6,524	7,226	6,492	6,037	8,526	9,757
Diluted EPS (Rs)	27.2	26.5	23.5	26.1	23.4	21.8	30.8	35.2
P/E (x)	32.3	33.2	37.4	33.8	37.6	40.4	28.6	25.0
EV/EBIDTA (x)	27.5	29.7	32.3	27.5	40.3	36.0	23.8	20.5
RoE (%)	22.6	20.3	16.9	17.8	15.6	14.2	18.8	19.6

Source: Company, HSIE Research

BUY

CMP *(as on 12 Mar 2021)*	Rs 884
Target Price	Rs 1,068
NIFTY	15,031

KEY CHANGES		OLD	NEW
Rating		BUY	BUY
Price Target		Rs 810	Rs 1,068
EPS change %	FY21E	FY22E	FY23E
	-	*+7.6*	*+8.5*

KEY STOCK DATA	
Bloomberg code	KKC IN
No. of Shares (mn)	277
MCap (Rs bn) / ($ mn)	245/3,370
6m avg traded value (Rs mn)	1,024
52 Week high / low	Rs 923/280

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	51.7	93.7	97.2
Relative (%)	41.5	62.9	54.9

SHAREHOLDING PATTERN (%)	Sep-20	Dec-20
Promoters	51.00	51.00
FIs & Local MFs	31.29	27.50
FPIs	8.17	8.97
Public & Others	11.54	12.53
Pledged Shares	-	-

Source : BSE

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Meeting key takeaways

Opening commentary

- **Demand drivers:** Emphasis on Union budget -2021, focus on Capex cycle, PPP, highways, electrification of railways, port connectivity. **Construction** – has recovered, construction as a segment would have multiyear growth rate. **Mining** – still India is importing 25-30% despite having one of the highest coal reserves in country. Private participation will require demand for higher tonnage of dump trucks, more Capex will be required, and automation of mining will happen. **Railways:** end market clearly, mix of story, passenger real capacity not deployed, electrification to be completed by FY2023. CIL has lost some revenue due to lower passenger traffic and lower demand for power car. Laying the electrification infra may provide some opportunity.

- **Data centre** – <u>the size of market is pegged at Rs 2.5-3bn/annum and is growing in double digits over past few years,</u> primarily driven by emphasis on retaining data in the country, extensive data generation owing to mobile phone adoption and proliferation of digital services is also spurring demand. The need for processing infra and putting in place digital infra continues to rise, which augurs well for CIL.

- **Exports** – market uncertainty continues with the second wave or virus mutation, especially in European region, Latin America, from the end market perspective uncertainty remains. <u>CIL is seeing some optimism building in core commodities and oil, implying natural resources dependent countries will start to spend.</u> In Asia pacific, CIL continues to see steady demand from China and South East Asia, primarily driven by 5G and data centers.

- **Other segment -** tourism, hospitality, entertainment and education stay in recovery mode relative to other segments.

- **Powergen business** – continues to see strong interest, inquiries and orders, which is encouraging. Within powergen LHP, CIL continues to focus on key accounts and look at segments like rental and infra where it sees much quicker recovery, post lockdown. For other MHP and HHP, it sees fair action, as a lot of projects and data centers are getting completed.

- **Distribution** – has introduced new service 'Ashwasan', which provides comprehensive package to customers. This is tactical service positioning.

- **Regulatory norms CPCB 4+** - CIL is getting ready for CPCB 4+; government may extend July- 21 deadline to Apr-22/Jul-22 (awaiting announcement by Govt). CIL is working towards keeping its products line ready for implementation. For CEV BS4 migration implementation CIL is ready as per the earlier deadline of Oct-20.

- **Concluding remarks:** economy has rebounded; for FY22 and beyond, CIL remains optimistic. Supply chain issues persist but getting ironed out. Demand/supply mismatch is there for electronics and semi conductor. Being part of Cummins Inc, CIL is able to leverage better supplies. Commodities costs have risen in last few months, with copper and steel rising. CIL will take calibrated pricing and tactical actions to mitigate impact. CIL is operating at 100% manned capacity perspective. It remains optimist on government initiative on Green hydrogen, for which CIL has the necessary technology – housed in a separate unit 'New Power' which focuses on hydrogen, fuel cells, alternate fuel electrification. CIL will have necessary offerings, whenever India opens up for these technologies.

Q&A

- **CIL is looking to surpass FY19 revenue in FY22E:** FY20 was impacted as 4QFY21 was a washout. FY19 would provide a reasonable comparison. Post unlock, economic activity has picked. CIL may recover 85-95% of what it was from volume perspective in FY21E, FY22 would see return of growth. Over mid to longer term, CIL is targeting to outperform the nominal GDP growth in respective domestic and exports markets. Whilst things have rebounded, CIL refrained from giving any growth guidance. HSIE believes that 12-15% growth over mid to long term is what CIL seems to be targeting, given commentary on outpacing nominal GDP growth.

- **Exports outlook:** From Cummin Inc's (CMI) point of view, besides China, India is one of the three countries where the bulk of manufacturing assets are based. The Group looks at lowest cost to decide where to export from. Exports provide growth potential as there is continued demand from Chinese data centers, 5G roll out continues, and demand is also emerging from the Philippines, which is in the process of rolling out 5G. This is reasonably sustainable demand which can stretch to multi-quarter as well. Commodities price increase may revive demand from the Middle East, Africa and Latin America.

- **CIL to get new tech**: cleaner energy solutions will be offered via CIL in end-user industries where CIL already has presence. Non competing applications will be part of CTIL portfolio, the stand has been clarified in the past also that they will continue in CTIL. CIL is expected to have access to fuel cell, hydrogen product and applications.

- **On clean energy market size in India** – the government is implementing green hydrogen mission and it shows its intent to focus on green energy. How big this market or how soon these products will be available is subject to when market will open or when the Indian market would be ready. The demand will come through larger institutions which have hydrogen viz. with oil companies, coal, thermal power companies. They need tech to harness this hydrogen technology and convert to alternate source of energy. CIL is working closely with the government on educating and implementing the technology. Timeframe when the market is ready to adopt this tech cannot be ascertained - 24months or 36months or longer. But what is encouraging is the push by the government. Some of the applications can be like railways running on hydrogen (in Germany, CMI has done it using hydrogen tech).

- **CEV BS4 and CPCB 4+ norms:** will be applicable on all diesel sets up to 850KVA, CEV BS4 – implemented for fleet application and over time track application. At least from the industrials perspective, the entire portfolio will be covered over a period of time. 850KVA distribution LHP/MHP – roughly 55-65% and CEV BS 4- 40-50% will be covered. CIL is still working on the price hike and will have to see and discover the price from the market.

- **CPCB 4+ impact on Exports** – India has strict emission standards and will be ahead of the Rest of World. When other countries start to improve the emission norms, India will be ahead; CIL will have the experience and it can tweak the products. CPCB 4+ is definitely a positive for CIL. After treatment comes under CTIL and is driven by emission standards. CIL will have access to these solutions if required, to comply with emission standards. CIL is working on an overall package, for equitable distribution of margins for both entities.

- **EBIDTA Margins –** there are multitude of factors. If volumes go back to previous levels, CIL will need to leverage that or higher capacity so that it can optimise asset utilisation. Emission norm is great news for CIL. CPCB 4+ is a step change and not incremental and from readiness perspective which meets spirit of law, CIL is in the strongest position. There may be transition issue owing to price discovery. Beyond that, it will help the company. CIL will continue to rely on internal productivity efforts to keep cost at lower levels and expand margin and pricing.

- **FY22E outlook** – revenue may be better than FY19 base. CIL had taken some temporary measure, managing payroll and discretionary costs, as things are coming back, services operation coming to normalcy, some of these costs will come back. Commodity prices are going up, and CIL smaller suppliers are facing heat, it has given them some price increase and by the time CIL renegotiate prices with clients, there will be a transition period. <u>Over slightly longer basis, CIL will be in a better position, due to pricing and productivity actions.</u>
- **Railways:** Power car segment is impacted due to low passenger occupancy. Tracks electrification is still 2-3 years away for broad gauges. Still maintenance equipment will be required for electrified network. CIL has application for these. While the power car as a product will have limited demand as trains run on electric network, CIL has looked ahead and started working on other applications so as to grow from end market perspective.
- **Data centers competition and opportunity**: CIL believes that market size is about Rs 2.5-3bn/annum with annual growth in double digits. From CIL perspective, there are 3 segments in data centers viz. Level 1, Level 2 and Level 3 (hyperscale, complex mission critical data center). From value, margins and differentiation perspective, Level 3 is the best. At lower levels, pricing pressure is there. CIL offering is good, reference points are good, and some large datacenters in India are powered by CIL.
- **Alternate fuels for datacenters** – everyone negotiates heavily for pricing, definitely the customers are willing to pay for it, but it can't be a walk in the park and CIL can get super premium, it is not that easy.
- **Adoption of alternate fuels in datacenters** – its excitement around hydrogen, fuel cell, adoption will take time. CIL will see signals for acceleration of adoption.
- **Capex largely done:** CILs mega capex cycle is over, now the capex will be focused on new products, new application and refreshing the offerings. Other capex will go on sustenance engineering and for upgrading manufacturing assets.
- **CTIL – CIL merger** – how the legal structure in the country will be is in the realm of the shareholders on how they think. What is right legal entity structure in India is what the parent CME should answer. At appropriate time if CIL receives some indication it will be communicated to all shareholders.
- **RODTEP and MEIS:** waiting for guidelines to come, CIL has significant exports and there is merit in getting the same benefit.

Outlook and valuation

We maintain BUY with a revised TP of INR 1,068 (vs 810 earlier).

- We have adopted an SOTP-based valuation methodology to arrive at CIL's fair valuation. Whilst the company's 10-year average 1-yr forward P/E multiple is 26x, it has traded at ~6.5-year average 1-yr forward multiple P/E multiple of 30x, post the NDA government coming into power. With the budget push, recovery in exports markets, and receding concerns on CG issues with newer technologies/products introduction through publicly listed CIL, we believe multiple reversion to 30x is warranted. Emission norms may further lead to market share gains. Standalone CIL is valued at 30x (vs 25x earlier) Mar-23E EPS, which is in line with its peak-cycle multiple. We have upgraded our FY22E/23E estimates by 7.6%/8.5% on the back of faster-than-anticipated rebound. For arriving at the core EPS for standalone business, we have excluded (1) rental income; (2) dividend from JV. The PBT of core CIL includes long-term recurring treasury income net of interest expense. Post taxation of 25.17%, we arrive at core EPS for the CIL standalone, which we have valued at Rs 842/sh.
- For the Valvoline Cummins JV, we have projected the FY21/22/23E profit and for CIL share of 50% in the JV, we have ascribed 30x Mar-23E EPS valuation, in line with other listed lubricants companies. For 50% stake, we ascribe Rs 114/sh.
- Cummins generator business is valued in line with CIL multiple at 30x Mar-23E EPS. For CIL share of 48.5%, we have valued the stake at Rs 59/sh.
- For rental income, we have assumed (net operating income) NOI at 80% of rental and ascribed a cap rate of 8.5% (vs 7.5% of listed REITs, due to single standalone property). We value the assets at Rs 53/sh.
- Based on the valuation of Standalone and JV/Rentals, **we arrive at Rs 1,068/sh SOTP for CIL** (implied P/E of 28.5x consolidated FY23E profits).

Valuation summary

Entity	Valuation Methodology	Mulitiple (x)	Stake (%)	Core EPS (Rs/sh)	Core EPS - CIL Share (Rs)	Value/Share (Rs)	Comment
Cummins India Standalone	P/E	30	100	28.1	28.1	842	Equal to peak cycle average PE of 30x
Valvoline Cummins JV	P/E	30	50	7.6	3.8	114	In line with lubricants target PE
Cummins Generator Technologies	P/E	30	48.5	4.1	2.0	59	Inline with CIL multiple
Rental Income Captive	Cap Rate		100			53	NOI at 85% of rental and 8.5% cap rate
SOTP - (Rs/Sh)						**1,068**	

Source: HSIE Research

We have upgraded our FY22E/23E EPS estimates by 7.6%/8.5% on the back of faster-than-anticipated rebound

Change in estimates

Standalone Rs Mn	FY21E			FY22E			FY23E		
	Old	Revised	% Chg	Old	Revised	% Chg	Old	Revised	% Chg
Net Sales	45,331	45,331	-	55,115	58,707	*6.5*	62,643	66,767	*6.6*
EBITDA	6,540	6,540	-	8,951	9,740	*8.8*	10,152	11,158	*9.9*
EBIDTA Margin (%)	14.4	14.4	-	16.2	16.6	*35.1*	16.2	16.7	*3.1*
Adj PAT	6,037	6,037	-	7,925	8,526	*7.6*	8,991	9,757	*8.5*
AEPS (Rs)	21.8	21.8	-	28.6	30.8	*7.6*	32.4	35.2	*8.5*
TP (Rs/share)	**810**	**1,068**	***31.9***						

Source: HSIE Research

Financials

Standalone Income Statement

Year ending March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net Revenues	**47,088**	**50,773**	**50,825**	**56,590**	**51,577**	**45,331**	**58,707**	**66,767**
Growth (%)	***6.9***	***7.8***	***0.1***	***11.3***	***(8.9)***	***(12.1)***	***29.5***	***13.7***
Material Expenses	29,622	32,745	32,581	36,135	33,679	28,480	37,852	42,590
Employee Expenses	4,156	4,334	4,979	5,458	5,602	4,942	5,235	5,769
Other Operating Expenses	5,559	5,677	5,940	6,356	6,434	5,369	5,881	7,250
EBIDTA	**7,751**	**8,018**	**7,325**	**8,641**	**5,863**	**6,540**	**9,740**	**11,158**
EBIDTA (%)	***16.5***	***15.8***	***14.4***	***15.3***	***11.4***	***14.4***	***16.6***	***16.7***
EBIDTA Growth (%)	***5.4***	***3.4***	***(8.7)***	***18.0***	***(32.2)***	***11.6***	***48.9***	***14.6***
Depreciation	810	848	938	1,103	1,187	1,279	1,343	1,410
EBIT	**6,941**	**7,170**	**6,387**	**7,538**	**4,676**	**5,261**	**8,397**	**9,747**
Other Income (Incl. EO Items)	2,259	2,080	2,836	2,928	3,127	2,987	2,973	3,247
Interest	96	168	148	162	203	172	181	190
PBT	**9,104**	**9,082**	**9,074**	**10,304**	**7,601**	**8,075**	**11,189**	**12,805**
Tax	1,561	1,736	2,000	3,078	1,297	1,922	2,663	3,048
RPAT	**7,543**	**7,346**	**7,075**	**7,226**	**6,303**	**6,153**	**8,526**	**9,757**
EO items (net of tax)	-	-	551	-	(189)	117	-	-
APAT	**7,543**	**7,346**	**6,524**	**7,226**	**6,492**	**6,037**	**8,526**	**9,757**
APAT Growth (%)	***(4.0)***	***(2.6)***	***(11.2)***	***10.8***	***(10.2)***	***(7.0)***	***41.2***	***14.4***
EPS	27.2	26.5	23.5	26.1	23.4	21.8	30.8	35.2
EPS Growth (%)	***(4.0)***	***(2.6)***	***(11.2)***	***10.8***	***(10.2)***	***(7.0)***	***41.2***	***14.4***

Source: Company, HSIE Research

Standalone Balance Sheet

As at March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
SOURCES OF FUNDS								
Share Capital	554	554	554	554	554	554	554	554
Reserves	34,259	36,867	39,306	40,750	41,195	42,913	46,727	51,495
Total Shareholders Funds	**34,813**	**37,421**	**39,861**	**41,305**	**41,750**	**43,468**	**47,282**	**52,050**
Minority Interest								
Long Term Debt	-	-	-	-	-	-	-	-
Short Term Debt	0	2,508	2,515	3,092	4,854	4,854	4,854	4,854
Total Debt	**0**	**2,508**	**2,515**	**3,092**	**4,854**	**4,854**	**4,854**	**4,854**
Other Non Current Liabilities	1,021	887	734	1,015	1,439	1,439	1,439	1,439
Deferred Taxes	(604)	24	299	988	800	800	800	800
TOTAL SOURCES OF FUNDS	**35,230**	**40,840**	**43,409**	**46,399**	**48,843**	**50,561**	**54,375**	**59,143**
APPLICATION OF FUNDS								
Net Block	12,818	12,240	12,828	12,823	12,258	12,208	12,558	13,098
CWIP	5,192	4,631	380	1,585	800	850	900	950
Intangible Assets	75	82	54	25	19	8	-	-
Other Non Current Assets	374	3,052	7,738	7,706	10,792	10,792	10,792	10,792
Total Non-current Assets	**18,460**	**20,006**	**20,999**	**22,139**	**23,869**	**23,858**	**24,250**	**24,840**
Inventories	6,003	5,621	5,375	6,254	5,729	6,242	6,222	7,001
Debtors	9,381	9,557	13,263	12,727	11,316	11,579	12,627	14,361
Cash & bank balances	4,235	8,447	9,769	9,807	12,353	13,310	16,746	19,392
ST Loans & Advances	1,287	1,287	1,287	-	-	-	-	-
Other Assets	4,808	5,493	4,621	7,610	6,274	6,337	6,780	7,255
Total Current Assets	**25,713**	**30,403**	**34,314**	**36,397**	**35,672**	**37,467**	**42,376**	**48,009**
Creditors	7,170	7,470	9,819	9,846	8,652	8,583	9,852	11,085
Other Current Liabilities & Provns	1,773	2,099	2,084	2,291	2,046	2,046	2,046	2,046
Total Current Liabilities	**8,943**	**9,568**	**11,903**	**12,137**	**10,698**	**10,629**	**11,898**	**13,131**
Net Current Assets	**16,770**	**20,835**	**22,410**	**24,260**	**24,974**	**26,838**	**30,478**	**34,878**
Misc Expenses & Others						(135)	(353)	(576)
TOTAL APPLICATION OF FUNDS	**35,230**	**40,841**	**43,409**	**46,399**	**48,843**	**50,561**	**54,375**	**59,143**

Source: Company, HSIE Research

Standalone Cash Flow

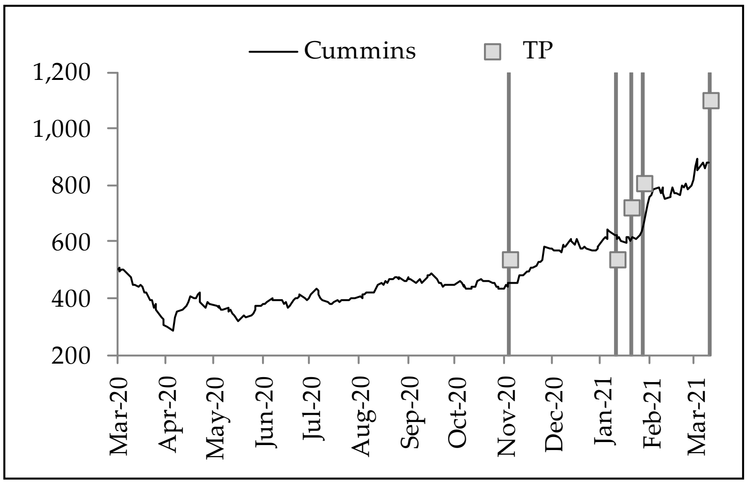
Year ending March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
PBT	9,104	9,082	9,084	10,304	7,601	8,075	11,189	12,805
Non-operating & EO items	(1,431)	(1,147)	(1,634)	(1,367)	(1,847)	(1,581)	(894)	(1,064)
Interest expenses	96	168	148	162	203	172	181	190
Depreciation	810	848	938	1,103	1,187	1,279	1,343	1,410
Working Capital Change	33	371	(370)	(2,341)	144	(907)	(204)	(1,754)
Tax paid	(1,694)	(1,867)	(1,823)	(2,361)	(1,297)	(1,922)	(2,663)	(3,048)
OPERATING CASH FLOW (a)	**6,918**	**7,456**	**6,344**	**5,500**	**5,990**	**5,116**	**8,952**	**8,540**
Capex	(4,899)	(2,315)	(905)	(2,734)	(2,366)	(850)	(1,300)	(1,550)
Free cash flow (FCF)	2,019	5,141	5,440	2,766	3,623	4,266	7,652	6,990
Investments	1,339	(3,655)	(1,518)	670	(1,163)	1,000	-	-
Non operating income	1,439	1,110	1,095	2,233	1,395	1,374	677	836
INVESTING CASH FLOW (b)	**(2,121)**	**(4,860)**	**(1,327)**	**169**	**(2,135)**	**1,524**	**(623)**	**(714)**
Share capital Issuance	0	-	-	-	-	-	-	-
Debt Issuance	-	2,508	8	576	1,726	-	-	-
Dividend Payment	(4,669)	(4,663)	(4,639)	(5,641)	(5,681)	(4,435)	(4,712)	(4,990)
Others	-	-	-	(40)				
Interest expenses	(9)	(90)	(100)	(121)	(154)	(172)	(181)	(190)
FINANCING CASH FLOW (c)	**(4,677)**	**(2,245)**	**(4,731)**	**(5,226)**	**(4,109)**	**(4,607)**	**(4,893)**	**(5,179)**
NET CASH FLOW (a+b+c)	**120**	**350**	**285**	**443**	**(254)**	**2,033**	**3,436**	**2,646**

Key Ratios

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
PROFITABILITY (%)								
GPM	37.1	35.5	35.9	36.1	34.7	37.2	35.5	36.2
EBITDA Margin	16.5	15.8	14.4	15.3	11.4	14.4	16.6	16.7
EBIT Margin	14.7	14.1	12.6	13.3	9.1	11.6	14.3	14.6
APAT Margin	16.0	14.5	12.8	12.8	12.6	13.3	14.5	14.6
RoE	22.6	20.3	16.9	17.8	15.6	14.2	18.8	19.6
Core RoCE	19.9	19.3	18.0	19.3	14.2	15.4	24.0	26.6
RoCE	22.8	20.0	16.1	16.9	14.6	13.0	17.2	18.2
EFFICIENCY								
Tax Rate (%)	17.1	19.1	22.0	29.9	17.1	23.8	23.8	23.8
Asset Turnover (x)	2.5	2.6	2.6	2.7	2.4	2.2	2.8	3.0
Inventory (days)	47	40	39	40	41	50	39	38
Debtors (days)	73	69	95	82	80	93	79	79
Other Current Assets (days)	47	49	42	49	44	51	42	40
Payables (days)	56	54	71	64	61	69	61	61
Other Current Liab (days)	14	15	15	15	14	16	13	11
Net Working Capital Cycle (Days)	**97**	**89**	**91**	**93**	**89**	**109**	**85**	**85**
Debt/EBITDA (x)	0.0	0.3	0.3	0.4	0.8	0.7	0.5	0.4
Net D/E	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3
Interest Coverage	72.5	42.7	43.1	46.5	23.1	30.6	46.5	51.4
PER SHARE DATA								
EPS (Rs/sh)	27.2	26.5	23.5	26.1	23.4	21.8	30.8	35.2
CEPS (Rs/sh)	30.1	29.6	26.9	30.0	27.7	26.4	35.6	40.3
DPS (Rs/sh)	14.0	14.0	15.0	17.0	14.0	16.0	17.0	18.0
BV (Rs/sh)	125.6	135.0	143.8	149.0	150.6	156.8	170.6	187.8
VALUATION								
P/E	32.3	33.2	37.4	33.8	37.6	40.4	28.6	25.0
P/BV	7.0	6.5	6.1	5.9	5.8	5.6	5.2	4.7
EV/EBITDA	30.9	29.7	32.3	27.5	40.3	36.0	23.8	20.6
OCF/EV (%)	2.9	3.1	2.7	2.3	2.5	2.2	3.9	3.7
FCF/EV (%)	0.8	2.2	2.3	1.2	1.5	1.8	3.3	3.0
FCFE/Market Cap (%)	0.8	3.1	2.2	1.4	2.2	1.7	3.1	2.9
Dividend Yield (%)	1.6	1.6	1.7	1.9	1.6	1.8	1.9	2.0

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
6-Nov-20	454	BUY	540
12-Jan-21	623	BUY	540
21-Jan-21	618	BUY	724
1-Feb-21	666	BUY	810
15-Mar-21	880	BUY	1,104

Rating Criteria

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

Disclosure:

We, **Parikshit Kandpal, CFA, Rohan Rustagi, MBA & Chintan Parikh, MBA**, 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. HSL has no material adverse disciplinary history as on the date of publication of this report. 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.

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