

MAY 17, 2019

	16-May	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	37,393	0.8	(4.8)	4.4
NIFTY Index	11,257	0.9	(4.5)	5.0
NSEBANK Index	28,855	0.8	(5.5)	7.7
NIFTY 500 Index	9,222	0.7	(5.7)	4.5
CNXMcap Index	16,673	0.3	(8.6)	2.8
BSESMCAP Index	13,817	0.3	(8.9)	4.3
World Indices				
Dow Jones	25,863	0.8	(2.2)	(0.1)
Nasdaq	7,898	1.0	(1.2)	5.7
FTSE	7,354	0.8	(1.6)	1.6
NIKKEI	21,063	(0.6)	(4.0)	2.3
Hangseng	28,275	0.0	(6.5)	0.9
Shanghai	2,956	0.6	(10.3)	9.1

Value traded (Rs cr)	16-May	% Chg Day
Cash BSE	2,128	(6.1)
Cash NSE	30,294	(5.1)
Derivatives	1,986,219	58.5

Net inflows (Rs cr)	15-May	MTD	YTD
FII	(1,048)	(2,950)	65,271
Mutual Fund	302	6,562	3,901

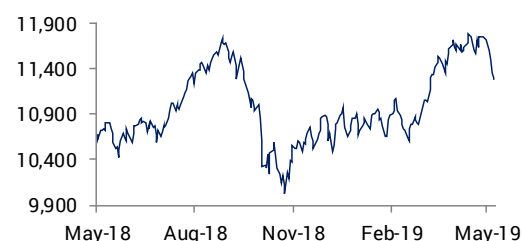
Nifty Gainers & Losers	Price	Chg	Vol
16-May	(Rs)	(%)	(mn)
Gainers			
Zee Entertainment	346	7.2	21.3
BPCL	376	4.5	6.6
Ultratech Cement	4,513	3.9	0.6
Losers			
Yes Bank Ltd	138	(3.6)	82.7
Bharti Airtel	325	(1.8)	4.5
Indusind Bank	1,358	(1.5)	4.6

Advances / Declines (BSE)					
16-May	A	B	T	Total	% total
Advances	250	431	47	728	100
Declines	206	527	59	792	109
Unchanged	4	27	12	43	6

	16-May	% Chg		
		1 Day	1 Mth	3 Mths
Commodity				
Crude (US\$/BBL)	73.0	0.5	1.9	10.2
Gold (US\$/OZ)	1,286.7	(0.8)	0.9	(2.7)
Silver (US\$/OZ)	14.6	(1.6)	(3.1)	(8.0)

Debt / Forex Market	16-May	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.4	7.4	7.4	7.4
Re/US\$	70.0	70.3	69.6	71.4

Nifty



Source: Bloomberg

News Highlights

- ▶ The Securities and Exchange Board of India (Sebi) and the Reserve Bank of India (RBI) have held discussions to examine the business model of rating agencies, the people cited above said on condition of anonymity. (Mint)
- ▶ Qatar Airways, which has sought additional seat capacity on temporary basis for its flights from Indian cities to Doha, said it will "seriously" consider any proposal for partnership from Indian carriers. (Mint)
- ▶ India plans to come up with its own standards for charging stations for its emerging electric vehicle (EV) ecosystem. To start with, the Bureau of Indian Standards (BIS) and the Department of Science and Technology (DST) are working on an indigenous charging standard that will also help reduce the cost of establishing charging stations for EVs in the country. (Mint)
- ▶ **Punjab National Bank** said it has terminated the agreements with General Atlantic Group and Varde Partners to sell its stake in PNB Housing Finance. (Mint)
- ▶ The RIL-BP combine made its first bid for an oil and gas exploration block in more than a decade, vying for one of the 32 blocks up for auction in the OALP-II and III bid rounds, which saw mining major **Vedanta** put in as many as 30 bids and **ONGC**, for 20 areas. (Mint)
- ▶ Minority shareholders of **IndiGo**, the largest airline in the country by market share, have approached the board of directors, alleging operational mismanagement in the company, according to sources close to the matter. These shareholders have questioned contracts and deals signed by the company, it is learnt. (BS)
- ▶ **Larsen and Toubro Ltd (L&T)** purchased 880,000 shares of **Mindtree Ltd**, raising its stake in the IT services firm from 25.94% to 26.48%. (Mint)
- ▶ **Dewan Housing Finance Corporation (DHFL)** is holding talks with US-based Oaktree Capital on offloading wholesale real estate loans worth Rs 170-180bn and has signed a nonbinding pact to this effect, said people with knowledge of the matter. (ET)
- ▶ **Ashok Leyland** has won an order from African nation Senegal to supply 400 minibuses valued 10.06 million Euros to Senbus Industries, a company manufacturing and selling buses and operating out of the West African nation's capital city Dakar. (ET)
- ▶ The board of **Action Construction Equipment** approved a proposal to buy back the company's fully paid-up equity shares for an aggregate amount not exceeding Rs342.5 mn at a price not exceeding Rs125 a share. (BL)

What's Inside

- ▶ **Result Update:** Genus Power and Infrastructure Ltd, Mahindra Holidays Resorts India Ltd
- ▶ **Company Update:** Talbros Automotive Components Ltd

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, IE = Indian Express, BL = Business Line, BQ = BloombergQuint, ToI: Times of India, BSE = Bombay Stock Exchange, MC = Moneycontrol

Result Update

GENUS POWER INFRASTRUCTURES LTD

Stock Details

Market cap (Rs mn)	:	6884
52-wk Hi/Lo (Rs)	:	50 / 23
Face Value (Rs)	:	1
3M Avg. daily vol (Nos)	:	255,228
Shares o/s (mn)	:	257.3

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20E	FY21E
Revenue	10,555	12,890	14,132
Growth (%)	26.4	22.1	9.6
EBITDA	1,280	1,565	1,731
EBITDA margin (%)	12.1	12.1	12.2
PAT	724	801	876
EPS	2.8	3.1	3.4
EPS Growth (%)	40.5	10.7	9.3
BV (Rs/share)	32	34	37
Dividend/share (Rs)	0.4	0.4	0.4
ROE (%)	9	9	10
ROCE (%)	14	16	16
P/E (x)	9.4	8.5	7.8
EV/EBITDA (x)	6.7	5.8	5.2
P/BV (x)	0.9	0.8	0.7

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Mar 19	Dec-18	Sep-18
Promoters	50.5	50.5	50.5
FII	1.6	1.6	1.8
DII	8.3	8.3	9.2
Others	39.6	39.6	38.5

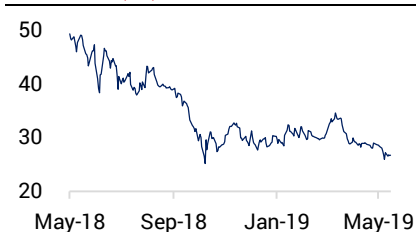
Source: Bloomberg

Price Performance (%)

(%)	1M	3M	6M
Genus Power	(7.9)	(11.1)	(16.5)
Nifty	(4.5)	5.0	5.4

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

PRICE Rs.27

TARGET Rs.31

BUY

Genus reported good numbers on the operational front and reported profits in line with estimates. Outlook on EBITDA margins remains positive as material cost pressure is easing off.

Key Highlights

- Q4FY19 revenue growth was weak but should bounce back as order book is strong.
- While working capital remains stretched at 185 days of sales but it has improved compared to 203 days at the end of FY18
- Order book is up 25% to Rs 15.0 bn (net of GST) on a y-o-y basis.

Valuation and Outlook

The stock is trading at 8.5x and 7.8x FY20E and FY21E earnings respectively. We value the stock at 10x FY20E (earlier 14x FY20E) in view of general de-rating of the mid-cap stocks. Thus, we arrive at a price target of Rs 31 (Rs 40 earlier). Since valuations have shrunk significantly in the past twelve months and coupled with good earnings visibility for FY20E, we maintain BUY.

Quarterly performance

(Rs mn)	Q4FY19	Q4FY18	YoY (%)
Net Sales	3014.5	2857.9	5.5
Raw Material Consumed	2061	2000	3.1
Stock Adjustment	-109.65	46.3	-336.8
Employee Expenses	268.8	245	9.7
Other Expenses	421.5	214.8	96.2
Total operating expenditure	2642	2506	5.4
EBITDA	372	352	5.8
Depreciation	50.07	43.7	14.6
Other Income	63.17	28.8	119.3
EBIT	386	337	14.3
Interest	97.16	73.2	32.7
PBT	288	264	9.2
Tax	42.8	112.1	-61.8
Tax of earlier years	19.8	0.0	
Reported Profit After Tax	226	152	48.6
EPS per share	0.9	0.6	
EBITDA (%)	12.4	12.3	
Raw material to sales (%)	64.7	71.6	
Employee costs to sales (%)	8.9	8.6	
Other expenditure to sales (%)	14.0	7.5	
Tax rate (%)	14.9	42.5	

Source: Company

Reported Vs Estimated performance

Rs mn	Reported	Estimated
Revenue	3015	3300
EBITDA %	12.4%	12.60%
PAT	226	216

Source: Kotak Securities – Private Client Research

Sanjeev Zarbade

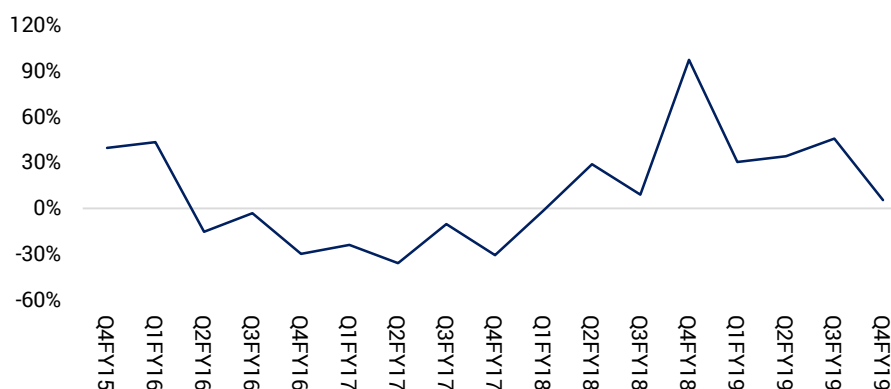
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Performance Highlights

- Backed by strengthening order book, Genus reported good revenue growth in FY19 on the back of improving order book and delivery of smart meter order that it had received in FY18.
- In terms of revenue mix in FY19, revenue from sale of meters stood at Rs 9.6 bn while the balance revenue of Rs 984 mn were contributed by EPC projects. Revenue from smart meters stood at Rs 1700 mn of the fiscal.
- Exports of meters grew at a good pace and the company booked export revenue of Rs 700 mn in FY19 as against Rs 280 mn in FY18.

Revenue growth (YoY %)



Source: Company

Q4FY19 EBITDA margins was stable on a y-o-y basis

In Q4FY19, EBITDA margins expanded by 10 bps on a y-o-y basis but declined 80 bps on a sequential basis.

Gross margins rose to 35.3% vs 28.4% on a y-o-y basis, which is mainly attributed to cooling down in commodity prices – price of Polycarbonate used in meter casing had gone up sharply in H1FY19.

However, margin gains were restrained by increase in “Other expenditure”, which the management attributed to 1) Warranty related provisions and 2) Forex loss.

On a full year basis, the company managed to deliver 100 bps gain in EBITDA margin in FY19 despite commodity cost pressures and volatile forex movement.

EBITDA margin (%)



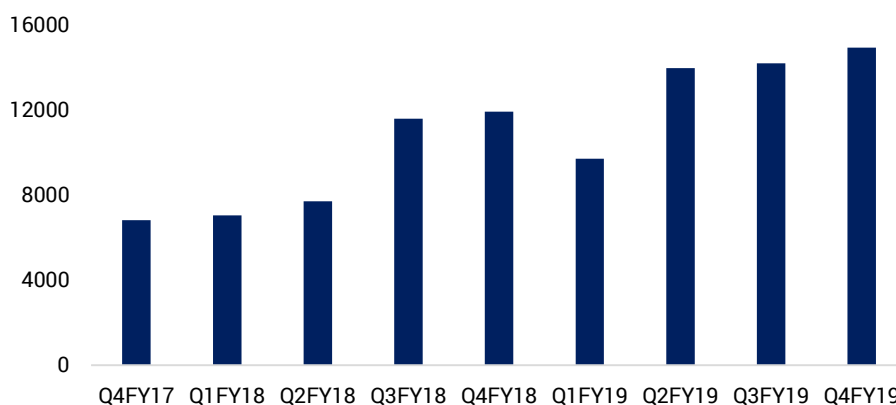
Source: Company

Strong order book

Order book at the end of Q4FY19 stands at Rs 15.0 bn (as against Rs 11.9 bn on a y-o-y basis).

As far as the order pipeline is concerned, the management noted that it has a bid pipeline of Rs 9.0 bn in meters.

Order book (Rs mn)



Source: Company

Conference call highlights

- The management indicated that Rs 12 bn of the Rs 15 bn order book is executable in FY20E.
- Order book mix consists of Rs 14.4 bn and Rs 560 mn of Meters orders and EPC orders respectively.
- EESL has scrapped two smart meters tenders on which it had called for bids. The reasons being change in product specifications.
- The management indicated that it is not solely dependent on EESL for smart meter orders as there is good visibility of orders from state discoms.
- The management believes that if the USD/INR rate remains stable in the coming quarters, then it can improve upon its margins.
- The management expects to deliver EBITDA margins of ~ 13-14% in FY20E. However, in our projections we have maintained margins at 12.1%, stable on a y-o-y basis.
- The management expects tax rate to remain at 26-27% in FY19.
- Net debt at the end of Q4FY19 stood at Rs 1.1 bn, indicating net debt/equity of 0.14x.

Earnings Outlook

On the basis of the strong order book, we project revenue to grow at a healthy clip over FY19-21. We project revenue growth of 16% CAGR over FY19-21E.

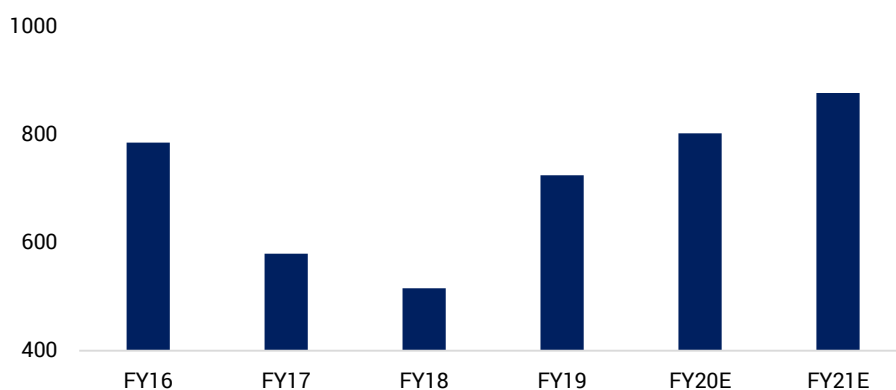
Forecast EPS to grow from Rs 2.8 per share in FY19E to Rs 3.4 per share in FY21E, at a CAGR of 9.0%. Earnings could surprise on the upside if the company manages to extract higher margins and ensures its working capital remains under control.

Earnings estimates - FY20E

(Rs mn)	Earlier	Revised
Revenue	12,320.0	12,890.3
EBITDA %	11.7	12.1
EPS	2.9	3.1
% change		6.3%

Source: Kotak Securities – Private Client Research

PAT (Rs mn)

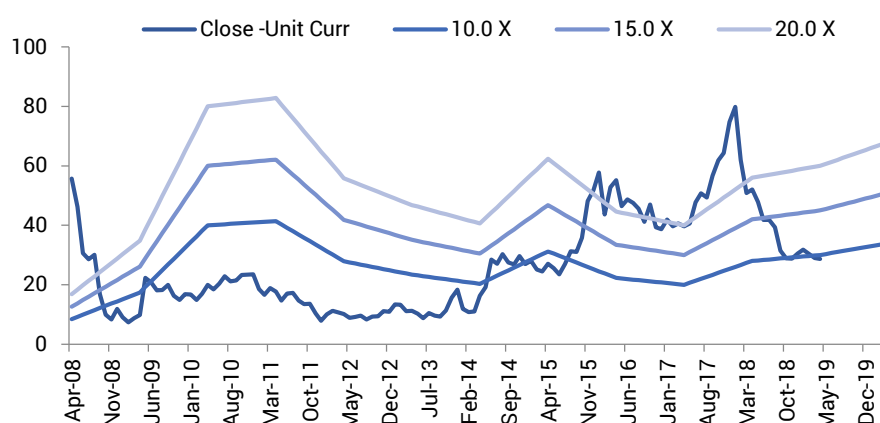


Source: Company

Valuations

The stock is trading at 8.5x and 7.8x FY20E and FY21E earnings respectively. We value the stock at 10x FY20E (earlier 14x FY20E) in view of general de-rating of the mid-cap stocks. Thus, we arrive at a price target of Rs 31 (Rs 40 earlier). Since valuations have shrunk significantly in the past twelve months and coupled with good earnings visibility for FY20E, we maintain BUY.

PE band



Source: Kotak Securities – Private Client Research

Company Background

Genus is the flagship company of the USD 400 million Kailash group. The company primarily manufactures and distributes Electric meters (EMs) and hybrid microcircuits as well as executes power distribution management projects in India and across the world. It manufactures the entire range of EMs, ie from transformer meters to household and industrial meters. The company also has a rich clientele that includes the state electricity boards (SEBs) as well as private utility firms like Reliance Energy, the Torrent Group, Tata Power and JSW Energy.

Financials: Standalone

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Revenues	8,351	10,555	12,890	14,132
% change yoy	30.0	26.4	22.1	9.6
EBITDA	930	1,280	1,565	1,731
% change yoy	7.4	37.6	22.3	10.6
Depreciation	171	194	215	238
EBIT	759	1,086	1,351	1,493
% change yoy	6.5	43.1	24.4	10.5
Net Interest	228	339	417	456
Other Income	220	179	180	180
Earnings Before Tax	751	926	1,113	1,217
% change yoy	6.7	23.3	20.2	9.3
Tax	235	202	312	341
as % of EBT	31.3	21.8	28.0	28.0
Net Income adj	516	724	801	876
% change yoy	(11.0)	40.5	10.7	9.3
Exceptional items	0.0	0.0	0.0	0.0
Reported Net Income	516	724	801	876
Shares outstanding (m)	256.9	256.9	256.9	256.9
EPS (Rs)	2.0	2.8	3.1	3.4
DPS (Rs)	0.4	0.4	0.4	0.4
CEPS	2.7	3.6	4.0	4.3

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
PBDIT	930	1,280	1,565	1,731
Tax and adjustments	126	(508)	(312)	(341)
Cash flow from operations	1,056	771	1,254	1,390
Net Change in WC	(1,061)	(709)	(1,068)	(653)
Net Cash from Operations	(4)	62	186	737
Capital Expenditure	(260)	(305)	(270)	(270)
Cash from investing	201	189	180	180
Net Cash from Investing	(59)	(116)	(90)	(90)
Interest paid	(228)	(339)	(417)	(456)
Issue of Shares	-	-	-	-
Dividends Paid	(108)	(127)	(123)	(123)
Debt Raised	178	534	590	-
Net cash from financing	(158)	68	49	(580)
Net change in cash	(221)	14	145	68
Free cash flow	(264)	(243)	(84)	467
Cash at end	377	391	535	603

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Cash and cash equivalents	377	391	535	603
Accounts receivable	5,083	5,731	7,240	7,937
Stocks	1,956	2,067	2,649	2,904
Loans and Advances	-	-	-	-
Others	102	33	33	33
Current Assets	7,518	8,222	10,457	11,477
LT investments	3,083	3,213	3,236	3,236
Net fixed assets	1,655	1,769	1,824	1,856
Intangible assets	12	11	11	11
Deferred tax assets	367	373	373	373
CWIP	19	16	16	16
Other non current assets	563	423	423	423
Total Assets	13,216	14,026	16,340	17,392
Payables	2,497	2,477	3,500	3,800
Provisions	104	118	118	118
Current liabilities	2,601	2,595	3,618	3,918
LT debt	2,377	2,911	3,500	3,500
Other liabi(def tax+minority int)	754	416	439	439
Equity & reserves	7,485	8,105	8,783	9,535
Total Liabilities	13,216	14,026	16,340	17,392
BVPS (Rs)	29.1	31.5	34.2	37.1

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY18	FY19	FY20E	FY21E
EBITDA margin (%)	11.1	12.1	12.1	12.2
EBIT margin (%)	9.1	10.3	10.5	10.6
Net profit margin (%)	6.2	6.9	6.2	6.2
Adjusted EPS growth (%)	(11.0)	40.5	10.7	9.3
Receivables (days)	222.2	198.2	205.0	205.0
Inventory (days)	85.5	71.5	75.0	75.0
Sales / Net Fixed Assets (x)	5.0	6.0	7.1	7.6
ROE (%)	7.1	9.3	9.5	9.6
ROCE (%)	12.6	13.6	15.9	16.1
EV/ Sales	1.0	0.8	0.7	0.6
EV/EBITDA	8.7	6.7	5.8	5.2
Price to earnings (P/E)	13.3	9.4	8.5	7.8
Price to book value (P/B)	0.9	0.9	0.8	0.7
Price to cash earnings	9.9	7.4	6.7	6.1

Source: Company, Kotak Securities – Private Client Research

Result Update

MAHINDRA HOLIDAYS RESORTS INDIA LTD

Stock Details

Market cap (Rs mn)	:	28006
52-wk Hi/Lo (Rs)	:	353 / 185
Face Value (Rs)	:	10
3M Avg. daily vol (Nos)	:	55,644
Shares o/s (mn)	:	134

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20E	FY21E
Revenue	11,252	12,361	13,431
Growth (%)	5.7	9.9	8.7
EBITDA	2475	2748	2986
EBITDA margin (%)	22.0	22.2	22.2
PAT	1557	1652	1718
EPS	11.7	12.4	12.9
EPS Growth (%)	15.9	6.1	4.0
BV (Rs/share)	120	127	134
Dividend/share (Rs)	4	5	6
ROE (%)	13.2	10.1	9.9
ROCE (%)	16.6	12.4	11.9
P/E (x)	17.0	16.1	15.5
EV/EBITDA (x)	10.6	9.5	8.5
P/BV (x)	1.7	1.6	1.5

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Mar 19	Dec-18	Sep-18
Promoters	67.3	67.3	67.5
FII	6.0	6.0	13.4
DII	12.8	12.8	7.3
Others	13.5	13.5	11.9

Source: Bloomberg

Price Performance (%)

(%)	1M	3M	6M
MHRL	(11.7)	9.5	(3.4)
Nifty	(4.5)	5.0	5.4

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

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PRICE RS.210

TARGET RS.276

BUY

MHRIL Q4FY19 standalone results were ahead of our estimates (on like to like basis under old accounting standards). However, the new member additions declined by 10.3% yoy as the company focused on 1) restructuring sales and marketing expenses and 2) members with high down payment and low EMI.

Key Highlights

- Standalone net revenue on a like to like basis grew at 6% yoy to Rs 3.1 bn driven by 1.6% yoy growth in VO income, 9.8% yoy growth in ASF income, 10.6% yoy growth in resort income and 17% yoy growth in interest income.
- Member additions in Q4FY19 disappointed with 10.3% yoy decline to 5671 on account of focus on high down payment and low EMI and restructuring of sales and marketing expenditure.
- Overall cumulative member base grew at slower pace of 3.3% yoy to 243,574 and was lower than historical growth rate of 8%, as the company took one-off cancellation of 9,556 overdue members along with retirement of 1,039 members due to completion of contract.
- EBITDA margin at 23.9% (vs estimates of 21%) was stronger and improved by 280 bps yoy driven by 13% yoy decline in sales and marketing expenses.

Valuation & outlook

We have marginally revised our earnings estimates for FY20E factoring in strong margins (based on previous Ind AS 18) and introduced estimates for FY21E. But, we have reduced our growth estimates for new members' addition. We believe that the company's focus on adding right kind of members and rationalization of sales and marketing spend may impact near term growth rate, but will have positive impact on resort income, margins and cash flows. Further, addition of new locations and room inventory would support membership growth in the longer run. The stock is presently trading at FY20E/21E PE of 16.1/15.5x based on EPS of Rs. 12.4/12.9 respectively. We maintain Buy on the stock with a revised SOTP based target price of Rs 276 (Vs Rs 315).

Quarterly performance table (based on Ind AS 18)*

Year to March (INR Mn.)	Q4FY19	Q4FY18	% Chg	Q3FY19	% Chg
Net Revenues	3,138	2,961	6.0	2,721	15.3
Employee Expenses	737	643	14.6	641	14.9
Other Expenses	1,653	1,693	(2.4)	1,476	12.0
Operating Expenses	2,390	2,336	2.3	2,117	12.9
EBITDA	749	625	19.7	604	24.0
EBITDA margin	23.9%	21.1%		22.2%	
Depreciation	122	129	(5.9)	129	(5.7)
Other income	138	98	40.6	108	28.0
Net finance expense	0	-	-	-	-
Profit before tax	765	594	28.8	583	31.3
Provision for taxes	271	209	30	207	31
Reported net profit	494	386	28.1	376	31.3
As % of net revenues					
Employee cost	23.5	21.7		23.6	
Other Expenses	52.7	57.2		54.2	
Reported net profit	15.7	13.0		13.8	
Tax rate (% of PBT)	35.4	35.1		35.4	

Source: Company

Quarterly performance table (under new accounting standard Ind AS 115)*

Year to March (INR Mn.)	Q4FY19	Q4FY18	% Chg	Q3FY19	% Chg
Net Revenues	2,383	2,961	(19.5)	2,361	0.9
Employee Expenses	651	643	1.2	625	4.1
Other Expenses	1,521	1,693	(10.2)	1,383	10.0
Operating Expenses	2,172	2,336	(7.0)	2,008	8.1
EBITDA	211	625	(66.2)	353	(40.1)
EBITDA margin	8.9%	21.1%		14.9%	
Depreciation	122	129	(5.9)	129	(5.7)
Other income	138	98	40.6	108	28.0
Net finance expense	0	-	-	-	-
Profit before tax	228	594	(61.6)	332	(31.2)
Provision for taxes	84	209	(59.8)	119	(29.6)
Reported net profit	144	386	(62.6)	213	(32.2)
As % of net revenues					
Employee cost	27.3	21.7		26.5	
Other Expenses	63.8	57.2		58.6	
Reported net profit	6.1	13.0		9.0	
Tax rate (% of PBT)	36.8	35.1		35.9	

Source: Company

*Note: MHRIL has adopted accounting standard Ind AS 115 from 1st April 2018, due to which actual reported Q4FY19 numbers are not comparable on yoy. The company has also reported comparable Q4FY19/FY19 numbers under previous Ind AS 18 and we have analyzed results based on the same.

Revenue ahead of estimates with strong margins

Standalone net revenue for the quarter was ahead of our estimates with 6% yoy growth to Rs 3.1 mn. This was driven by 1.6% yoy growth in VO income, 9.8% yoy growth in ASF income, 10.6% yoy growth in resort income and 17% yoy growth in interest income. Growth in resort income was driven by 26.6% yoy growth in room income with F&B income also grew by 8.5%. VO income grew at slower rate of 1.6% yoy on account of 10.3% yoy decline in new members additions. MHRIL reported 19.7% yoy growth in Q4FY19 EBITDA with EBITDA margins of 23.9% as against our estimates of 21%. EBITDA margins improved by 280 bps yoy driven by lower other expenses due to 13% yoy decline in sales and marketing expenses. The company is focused on rationalizing sales and marketing expenses. In addition, the company witnessed large number of members' upgradation which will also have positive impact on margins. PAT for the quarter grew by 28% yoy to Rs 494 mn as against estimates of Rs 330 mn on strong margins and higher other income.

Revenue Breakup

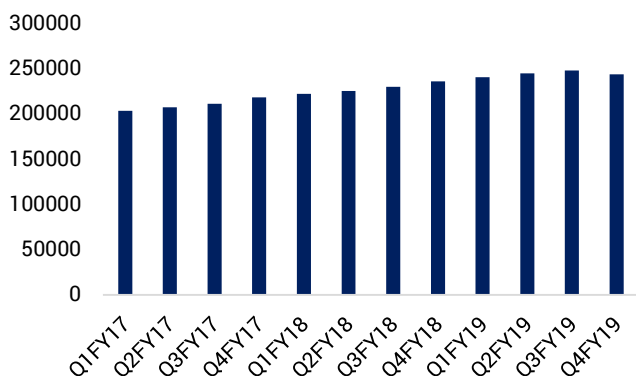
	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ (%)
VO Income	1668	1642	1.6%	1236	34.9%
ASF Income	638	580	9.8%	621	2.6%
Resorts Income	548	496	10.6%	584	-6.1%
Interest & Others	285	244	17.0%	280	2.0%
Others (non operating income)	138	98	40.7%	108	28.0%

Source: Company

New member addition declined by 10.3%

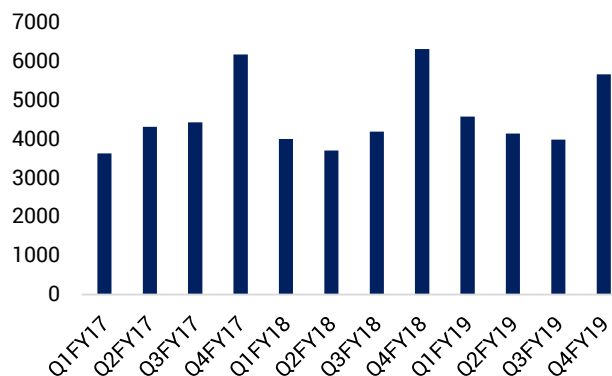
In the quarter, the net membership additions stood at 5671 (vs estimates of 6430) which declined by 10.3% yoy due to company's focus on quality members and reduction in cost of members' acquisition. The growth in membership addition affected in the quarter as the company adopted corrective measures such as 1) targeting members of the right profile, 2) encouraging higher down payments with increased share of members who are paying 50% down payment and 3) reduction in cost of membership additions. The company's focus on adding right quality members will positively impact its margins and cash flows in the longer run. The company is restructuring sales and marketing spend which also declined by 13% yoy in the quarter. Overall cumulative member base was at 243,574, up 3.3% yoy (lower than historical growth rate of 8%) as the company has taken one-off cancellation of 9,556 overdue members and retirement of 1,039 members. The overdue member were not paying their dues and were not contributing much to company's revenue. The due from these members have already been provided in the past quarters and there was no one time hit on Q4FY19's P&L due to the same.

Cumulative membership base (nos)



Source: Company

Net Membership addition (nos)



Source: Company

Adding ~200 inventory in FY20

MHRIL has added 6 new resorts in FY19, out of this 2 new resorts are added on lease in Q4FY19. With this, it has added 123 rooms in FY19 and 55 room in Q4FY19. The company will continue to add new room inventories through greenfield capex as well as leased properties. The company's total room inventory stood at 3595 from 61 resorts at the end of Q4FY19 with approximately one third are from long term leased properties. It targets to add ~200 rooms through organic route in FY20E. As part of its greenfield capex plans, MHRIL is adding over 450-500 new units at three location with capex of ~Rs 5 bn. The expansion at three properties at Asanora, (Goa), Ashtamudi (Kerala) will be completed in FY20E. Regarding Kandaghat (Himachal Pradesh), the company is awaiting certain approvals. Asnora and Ashtamudi will be operational by Q1FY20 and Q4FY20 respectively would add total inventory by ~200. Apart from these, the company is exploring expansions at new and existing location through lease model. The addition of new inventory is expected to drive growth in membership in coming years.

Change in Accounting Standard

The company has adopted new accounting standard Ind AS 115 retrospectively on total membership base under which VO income is recognized over the tenure of membership as against previous accounting standard (Ind AS 18) under

which 60% of new membership fee was accounted upfront and balance was deferred over the membership tenure. This 60% upfront booking was covering entire membership cost. Under the new AS, only direct expenses related to membership acquisition (like certain commission, incentives, etc) can be deferred over the membership period. The new AS will reduce total reported revenue and EBITDA margin, but it will not affect overall profits over the membership tenure, operating cash flows and free cashflows in the long term.

Other highlights

- As per management, higher down payment, lower EMI tenure and improved receivables management has enabled MHRIL to achieve healthy cash balance of Rs 5.72 bn in FY19 (vs Rs 4.69 bn in FY18).
- MHRIL's subsidiary, HCRO reported a revenue of 154.6 mn Euro (Vs 158.9 mn Euro) and made a PAT of 0.5 mn Euro (Vs 4.7 mn) in FY19. The decline in performance was due to exceptionally warm summer in Finland last year and delay in completion of projects due to a problem with contractor in Sweden.
- In HCRO, revenue from all other business areas increased except in Villas. Further, in Spain, it has restructured its business model to rentals.

Outlook and valuation

We have marginally revised our earnings estimates for FY20E factoring in strong margins (based on previous Ind AS 18) and introduce estimates for FY21E. But we have reduced our growth estimates for new member's addition, which reduce our valuation for standalone business. We believe that the company's focus on adding right kind of members and rationalization of sales and marketing spend may impact near term growth rate, but will have positive impact on resort income, margins and cash flows. Further, addition of new locations and room inventory would support membership growth in the longer run. We have given our projection based on old AS 18 due to like to like comparison. We believe that the company will continue to generate strong cash flows in the longer run. The stock is presently trading at FY20E/21E PE of 16.1/15.5x based on EPS of Rs. 12.4/12.9 respectively. We maintain Buy on the stock with revised SOTP based target price of Rs 276 (Vs Rs 315).

SOTP valuation

Segment	Parameter	Value (Rs mn)	Rs Per Share
Mahindra Holidays	DCF	32228	243
Holiday Club Resort	BV of equity	4450	34
Equity value		36678	276

Source: Kotak Securities - Private Client Research

Changes in estimates

Particulars Rs Mn	Previous		Actual FY19A	Revised FY20E	Change		New FY21E
	FY19E	FY20E			FY19A	FY20E	
Revenue	11501	13079	11252	12361	-2.2	-5.5	13431
EBITDA	2319	2843	2475	2748	6.7	-3.4	2986
EBITDA Margin%	20.2	21.7	22.0	22.2	180 bps	53 bps	22.2
Adj PAT	1375	1562	1557	1652	13.3	5.8	1718
Adj EPS (Rs)	10.4	11.8	11.7	12.4	12.8	5.5	12.9

Source: Kotak Private Client Research

Company Background

Mahindra Holidays & Resorts India Limited (MHRIL), part of Mahindra group and founded in 1996, is a leading player in the leisure hospitality industry operating under brand name 'Club Mahindra'. The company is the market leader in the vacation ownership (VO) business in India with over 20 years of track record. MHRIL has built a membership base of over 2 lakh members, offering them holidays across 50+ resorts across India. In FY15, MHRIL acquired Finnish vacation ownership player 'Holiday Club Resorts", a leading vacation ownership company in Europe. MHRIL initially acquired 18% stake in Holiday Club Resorts Oy (HCRO) which subsequently increased to around 95%. With this acquisition, MHRIL has become the largest vacation ownership company outside US with a bouquet of 81 resorts across Thailand, Malaysia, Dubai, Finland, Sweden and Spain. Further, its members can choose to access a range of resorts globally through its RCI affiliation. The company delivers quality family holidays experience at its properties by offering various activities such as sports, adventure, fun, dance, etc. Its resorts are located at different terrain such as beaches, hill stations, jungle, deserts, etc giving bouquet of experiences.

Financials: Standalone

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Revenues	10,642	11,252	12,361	13,431
% change yoy	(0.8)	5.7	9.9	8.7
Employees expenses	2,428	2,704	2,975	3,272
Material Consumed	347	366	403	437
Other SG&A Expenses	3,359	3,653	4,018	4,340
Total Expenditure	8,322	8,777	9,613	10,444
EBITDA	2,320	2,475	2,748	2,986
% change yoy	-5.0	6.7	11.0	8.7
Depreciation	548	514	718	920
EBIT	1,772	1,961	2,030	2,067
Other Income	300	451	474	498
Interest	0	0	0	0
Profit Before Tax	2,072	2,412	2,504	2,564
% change yoy	3.1	16.4	3.8	2.4
Tax	728	855	851	846
as % of EBT	35.1	35.4	34.0	33.0
PAT	1,344	1,557	1,652	1,718
% change yoy	2.8	15.9	6.1	4.0
Shares outstanding (mn)	133	133	133	133
EPS (Rs)	10.1	11.7	12.4	12.9
DPS (Rs)	4.0	4.0	5.0	5.5
CEPS(Rs)	14.2	15.6	17.9	19.9
BVPS(Rs)	57.6	120.5	127.0	133.5

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Pre-Tax Profit	2,072	2,412	2,504	2,564
Depreciation	548	514	718	920
Change in WC	1,692	886	691	1,658
Other operating activities	(993)	(843)	(851)	(846)
Operating Cash Flow	3,318	2,970	3,062	4,296
Capex	(781)	(3,642)	(2,100)	(2,600)
Free Cash Flow	2,536	(672)	962	1,696
Chg in Investments & Others	(3,369)	1,329	-	-
Investment cash flow	(4,150)	(2,313)	(2,100)	(2,600)
Equity Raised	59	1	-	-
Debt Raised	-	-	-	-
Dividend & others	(535)	(634)	(778)	(855)
CF from Financing	(477)	(633)	(778)	(855)
Change in Cash	(1,308)	24	184	841
Opening Cash	1,547	239	263	447
Closing Cash	239	263	447	1,287

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Equity	7,644	15,992	16,867	17,729
Equity Share Capital	1,328	1,329	1,329	1,329
Other Equity	6,317	14,663	15,538	16,400
Liabilities	25,233	28,560	30,384	32,663
Non-current liabilities	20,543	23,434	24,992	26,761
Financial Liabilities & Prov.	101	2,367	2,367	2,367
Other non-current liabilities	20,442	21,067	22,625	24,393
Current liabilities	4,690	5,126	5,392	5,902
Financial Liabilities	1,997	2,198	2,304	2,547
Provisions	34	55	49	53
Other current liabilities	2,660	2,872	3,039	3,302
Total Equities & Liabilities	32,878	44,551	47,251	50,392
Non-current assets	17,692	28,471	30,377	32,133
Property, Plant and Equip.	8,485	17,932	19,305	20,975
Capital work-in-progress	1,085	2,182	2,182	2,182
Intangible assets	107	101	111	121
Financial Assets	6,349	6,656	7,180	7,255
Deferred Tax Assets (Net)	135	(500)	(500)	(500)
Other non-current tax assets (Net)	1,178	1,671	1,671	1,671
Current assets	15,185	16,080	16,873	18,259
Inventories	63	56	84	92
Financial Assets	14,767	15,580	16,468	17,819
Cash & Equivalent	4,686	3,381	3,565	4,406
Other current assets	355	443	321	349
Total Assets	32,878	44,551	47,251	50,392

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Profitability Ratios				
EBITDA margin (%)	21.8	22.0	22.2	22.2
EBIT margin (%)	16.7	17.4	16.4	15.4
Net profit margin (%)	12.6	13.8	13.4	12.8
Balance Sheet Ratios:				
Receivables (days)	321	305	290	280
Inventory (days)	3	2	2	2
Payable (days)	44	43	43	44
Working capital (days)	218	242	253	240
Asset Turnover	0.4	0.3	0.3	0.3
Net Debt/ Equity	(0.6)	(0.2)	(0.2)	(0.2)
Return Ratios:				
RoCE (%)	24.6	16.6	12.4	11.9
RoE (%)	18.7	13.2	10.1	9.9
Valuation Ratios:				
P/E (x)	19.8	17.0	16.1	15.5
P/BV (x)	3.5	1.7	1.6	1.5
EV/EBITDA (x)	11.3	10.6	9.5	8.5
EV/Sales (x)	2.5	2.3	2.1	1.9

Source: Company, Kotak Securities – Private Client Research

Company Update

Stock Details

Market cap (Rs mn)	:	2148
52-wk Hi/Lo (Rs)	:	335 / 162
Face Value (Rs)	:	10
3M Avg. daily vol (Nos)	:	10,218
Shares o/s (mn)	:	12

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20E	FY21E
Sales	4,923	5,416	6,150
Growth (%)	25.3	10.0	13.6
EBITDA	517	567	672
EBITDA margin (%)	10.5	10.5	10.9
Adjusted Net profit	252	272	360
Adjusted EPS (Rs)	20.4	22.0	29.1
Growth (%)	21.7	7.8	32.2
Book value (Rs/share)	164	184	212
Dividend per share (Rs)	1.5	1.5	1.5
ROE (%)	13.2	12.7	14.7
ROCE (%)	12.3	12.1	14.1
P/E (x)	8.4	7.8	5.9
EV/EBITDA (x)	6.7	5.8	4.6
P/BV (x)	1.0	0.9	0.8

Source: Company, Kotak Securities - PCG

Shareholding Pattern (%)

(%)	Mar 19	Dec-18	Sep-18
Promoters	56.6	56.6	56.6
FII	0.1	0.1	0.1
DII	2.0	2.0	2.0
Others	41.2	41.2	41.3

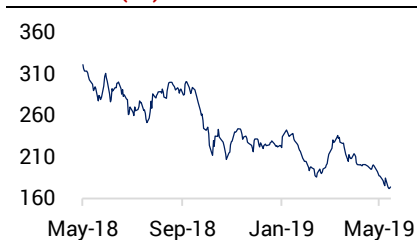
Source: Bloomberg

Price Performance (%)

(%)	1M	3M	6M
Talbro Automotive	(13.0)	(8.6)	(25.7)
Nifty	(4.5)	5.0	5.4

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

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TALBROS AUTOMOTIVE COMPONENTS LTD (TBA)

PRICE Rs.172

TARGET Rs.291

BUY

Slowdown in domestic automobile retail demand has accelerated in recent months on account of NBFC liquidity issue and weaker demand sentiments and retail financing concern (due to NBFC liquidity issue). In order to correct dealer level inventory, OEM's have cut down their production. Given TBA's meaningful exposure to domestic OEM's, we expect near term performance of the company to be subdued.

However, going forward, we expect the company's performance to improve. Gasket segment revenue is expected to grow from increased opportunity from BSVI implementation in India and heat shield opportunities in the export market. Execution of new orders won is expected to drive revenue growth in the forging segment in FY20 and FY21. Magneti Marelli Talbro joint venture has won multiple orders of which some have started and supplies for few are expected to start in FY20.

Valuation

We cut our FY20E earnings to factor and also introduce FY21E earnings. At the current market price, the stock is trading at a PE of 7.8x on FY20E earnings and 5.9x on FY21E earnings. We retain BUY with revised price target of Rs291 (earlier Rs335). In view of weak auto segment demand, we have lowered the assigned PE multiple from 12x to 10x. We value the stock on FY21E earnings (earlier valued at FY20E earnings).

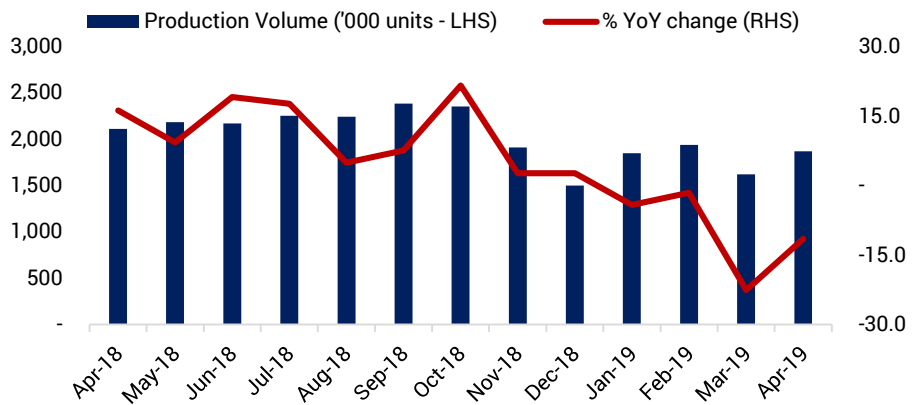
Automobile demand slowdown to impact near term performance

Slowdown in retail auto demand and inventory correction is expected to keep TBA's financial performance subdued in the near term. In the standalone gasket business, ~73% of revenue comes from domestic OEM's. Forging segment generates ~51% of revenues by supplying parts to domestic OEM. Nippon Leakless JV revenue comes primarily from gaskets supplied to domestic OEM's. For Magneti Marelli JV and Marugo Rubber JV, revenue growth from both domestic and exports markets.

On reported consolidated numbers, TBA's 9MFY19 revenue exposure to domestic OEM's stood at ~66%. Under IndAS reporting, TBA's consolidated revenue includes standalone gasket and forging revenue and excludes joint venture revenue.

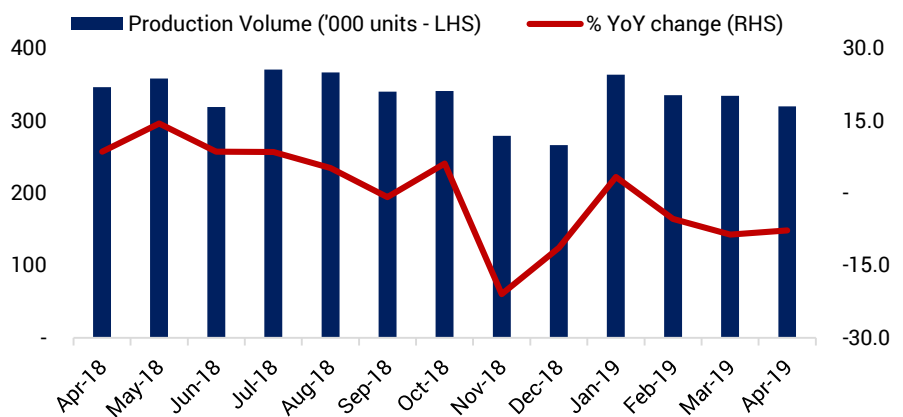
Slowdown in domestic automobile retail demand has accelerated in recent months on account of NBFC liquidity issue and weaker demand sentiments. In the past 2-3 months, OEM production has taken further hit as dealers were saddled with high inventories. In 4QFY19, two wheeler and passenger vehicle production declined by 10% and 4% respectively (decline was higher in March 2019). In April 2019, production decline ranged between 8-12% for two wheeler, passenger vehicle and commercial vehicle segment. We expect the demand to stay weak in the near term and expect improvement in coming quarters. Various OEM's have guided for single digit volume growth in FY20. Lower 2HFY19 base and pre-buying before BSVI emission norm implementation is likely to support volume growth in FY20. Given TBA's meaningful exposure to domestic OEM's, we expect near term performance of the company to be subdued.

Two wheeler production and growth



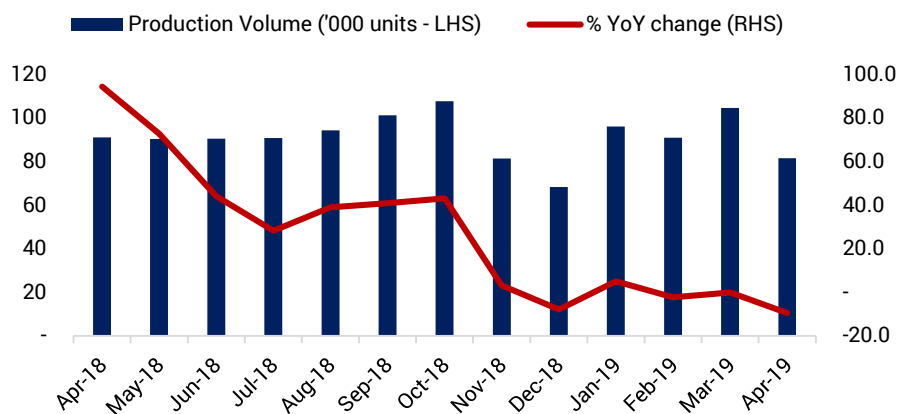
Source - SIAM

Passenger Vehicle production and growth



Source - SIAM

Commercial Vehicle production and growth



Source - SIAM

Company is focussing on exports for growth in the gasket segment

Gasket segment revenue is expected to grow from increased opportunity from BSVI implementation in India and heat shield opportunities in the export market. TBA is witnessing additional gasket business opportunities with the implementation of BSVI emission norms. BSVI compliant vehicles are likely to get introduced in 2HFY20. For TBA, full benefit of the same is expected in FY21.

Heat Shield is another product category where the management see strong business prospects. TBA has won a small order in heat shields from Europe based OEM and the management is positive on additional business going ahead. TBA is in talks with multiple customers (mainly in Europe) for this product and is expecting strong traction in the coming years. Company also highlighted that introduction of electric cars provides improved business opportunities for heat shields.

In the two wheeler gasket segment, TBA (including JV) is the market leader with significant market share. TBA's revenue in the two wheeler OEM gasket business is expected to grow broadly in line with industry volume growth. Given domestic market leadership in the overall gasket business, company is focusing on export markets and is in talks with customers in stationary engine, off highway engine, heavy duty engine and the tractor segment. We expect exports to grow ahead of domestic revenue in the gasket segment.

Forging business growth expected to stay healthy

TBA's forging segment revenues has grown at strong pace on the back of certain key order wins. Going ahead, we expect the growth rate to moderate (on higher base) but remain healthy. Execution of new orders won is expected to drive revenue growth in the forging segment in FY20 and FY21. In FY19, the company started execution of Rs350mn annual order; however, the full year impact of that order will come in FY20. TBA also won two orders worth Rs200mn annually (combined) and the revenue from them will aid growth going ahead. TBA is winning orders in both domestic and export segment. We note that ~43% of forging revenue in 9MFY19 came from exports. Company expects growth to be driven by both – volume and value. Management is looking to move to higher tonnage parts to add value. In FY18, forging segment revenue was Rs1.1bn (9MFY19 was ~Rs1.3bn) and the management aims to take this to Rs2.5bn in the next 2-3 years.

Magneti Marelli Talbros (MMT) joint venture on a strong footing

MMT JV is into the manufacturing of chassis components. Under this JV, the company has won multiple orders of which some have started and supplies for remaining are expected to start in FY20. The company acquired an order worth Rs350mn from a large European OEM and the revenue scale-up from this business is expected in FY20. In the domestic market, TBA won new business from Maruti Suzuki and Tata Motors for vehicles that are planned to be launched in FY20. Company is also expecting revenue growth from RE60. In order to cater to growth from the large European order and RE60, the JV is putting up a new plant in Pune.

Expect margins to remain under pressure in the near term

In the near term, given weak demand and expected lower growth, EBITDA margins are expected to be under pressure. However, over the medium to longer term, we expect EBITDA margin to witness improvement. In FY19, continuous rise in raw material prices negatively impacted margins. With cost pass through to customers happening, we expect the pressure on gross margins to start easing out. Company is working on localization and that gives some scope for margin improvement in FY21. Further foray into high margin products and internal efficiencies is also expected to help the company improve its margins in the coming years.

Outlook and Valuation

In the domestic market, TBA has exposure to all segments through the standalone entity and its joint ventures. In 9MFY19, two wheeler, passenger vehicle and commercial vehicle segment accounted for 31%, 28% and 30% of TBA domestic revenue (including joint venture revenue). Significant portion of TBA's revenue comes from supplying parts to the domestic OEM's. With slowdown across all the segments within the auto industry, we expect TBA's revenue and earnings in the near term to get negatively impacted. However, going forward, we expect the company's performance to improve on the back of pick-up in demand (current levels), new business from BSVI implementation and execution of exports order won earlier.

We cut our FY20E earnings to factor in current weak demand and lower our EBITDA margin assumption. We introduce FY21E earnings and expect the company's earnings growth to improve in FY21.

At the current market price, the stock is trading at a PE of 7.8x on FY20E earnings and 5.9x on FY21E earnings. We retain BUY with revised price target of Rs291 (earlier Rs335). In view of weak auto segment demand, we have lowered the assigned PE multiple from 12x to 10x. We value the stock on FY21E earnings (earlier valued at FY20E earnings).

Change in estimates - FY20

Rs mn	Old	New	% change
Revenues	5,749	5,416	(5.8)
EBITDA margin (%)	11.3	10.5	-
Adjusted PAT	345	272	(21.1)

Source: Kotak Securities – Private Client Research

Risk and Concern

- Longer than expected slow-down in automobile demand
- Sharp increase in raw material prices
- Introduction on electric vehicle will have impact on certain products manufactured by the company

Company Background

Talbro Automotive Components Limited, the flagship manufacturing company of the Group, manufactures automotive & industrial Gaskets in collaboration with Coopers Payen of UK. Currently company manufactures gaskets & heat shields, forgings, suspension systems, anti-vibration components and hoses. TBA has three joint ventures – Nippon Leakless Talbro Pvt. Ltd (JV partner - Leakless Corporation – Japan), Magneti Marelli Talbro Chassis Systems Pvt. Ltd. (JV partner - Magneti Marelli - Italy) and Talbro Marugo Rubber Pvt. Ltd. (JV partner - Marugo Rubber - Japan). In terms of revenue (as per Indian Gaap), 60% of revenues comes from gaskets, 26% from forging, 10% from MMT JV and 4% from TMR JV.

Financials: Consolidated

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Revenues	3,930	4,923	5,416	6,150
% change YoY	21.0	25.3	10.0	13.6
EBITDA	408	517	567	672
% change YoY	29.8	26.6	9.7	18.6
Depreciation	142	182	201	212
EBIT	266	335	366	460
% change YoY	39.1	25.9	9.3	25.7
Net interest	139	159	163	152
Other Income	63	68	65	70
Exceptional income/(loss)	22	0	0	0
Profit before tax	211	244	268	378
% change YoY	119.4	15.7	9.8	41.0
Tax	52	83	91	129
as % of PBT	24.4	34.0	34.0	34.0
Share of profit/(loss) from asso	69.2	91.0	95.0	110.0
Profit after tax	229	252	272	360
Adjusted PAT	207	252	272	360
% change YoY	69.7	21.7	7.8	32.2
Shares outstanding (m)	12	12	12	12
Adjusted EPS (Rs)	16.8	20.4	22.0	29.1
DPS (Rs)	1.5	1.5	1.5	1.5

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
EBIT	266	335	366	460
Depreciation	142	182	201	212
Change in working capital	(8)	(252)	(134)	(179)
Chg in other net current asset	(62)	(6)	(5)	(6)
Operating cash flow	337	259	428	487
Interest	(139)	(159)	(163)	(152)
Tax / Deferred tax	(37)	(83)	(91)	(129)
Other Income	63	68	65	70
EO income / Others	54	-	-	-
Profit from JV	69	91	95	110
Cash flow from operations	347	176	334	387
Capex	(249)	(339)	(150)	(150)
(Inc)/dec in investments	(94)	-	-	-
Cash flow from investments	(343)	(339)	(150)	(150)
Proceeds from issue of equities	-	-	-	-
Increase/(decrease) in debt	30	179	(100)	(100)
Proceeds from share premium	-	-	-	-
Dividends	(22)	(22)	(22)	(22)
Cash flow from financing	8	157	(122)	(122)
Opening cash	66	78	71	132
Closing cash	78	71	132	247

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Cash and cash equivalents	78	71	132	247
Accounts receivable	1,242	1,484	1,632	1,853
Inventories	1,092	1,349	1,497	1,696
Loans and Adv & Others	296	320	345	373
Current assets	2,708	3,224	3,606	4,169
LT investments	662	662	662	662
Net fixed assets	1,281	1,438	1,388	1,326
Total assets	4,650	5,324	5,656	6,157
Payables	1,372	1,619	1,780	2,022
Other liabilities	153	167	182	198
Current Liabilities	1,526	1,785	1,962	2,220
Provisions	46	50	55	61
Deferred Tax Liability	42	42	42	42
Debt	1,243	1,422	1,322	1,222
Equity	123	123	123	123
Reserves	1,671	1,901	2,151	2,488
Total liabilities	4,650	5,324	5,656	6,157
BVPS (Rs)	145	164	184	212

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY18	FY19	FY20E	FY21E
Margins				
EBITDA margin (%)	10.4	10.5	10.5	10.9
EBIT margin (%)	6.8	6.8	6.8	7.5
Adj. net profit margin (%)	5.3	5.1	5.0	5.9
Working capital days				
Inventory (days)	101	100	101	101
Receivable (days)	115	110	110	110
Payable (days)	127	120	120	120
Ratios				
Debt/equity ratio (x)	0.7	0.7	0.6	0.5
ROE (%)	12.4	13.2	12.7	14.7
ROCE (%)	11.2	12.3	12.1	14.1
Valuations				
EV/ Sales	0.8	0.7	0.6	0.5
EV/EBITDA	8.1	6.7	5.8	4.6
Price to earnings (P/E)	10.2	8.4	7.8	5.9
Price to book value (P/B)	1.2	1.0	0.9	0.8

Source: Company, Kotak Securities – Private Client Research

RATING SCALE

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	Not Rated. Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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