

# ICICI Securities

## Strong cash ADTV growth drives PAT growth

Increased cash market activity is expected to boost broking revenue by 16.3% YoY in FY21E. We believe this would be cyclical, and as volatility and retail participation recede, we expect ISEC's market share to drop back to ~8%. We remain concerned about discount brokers acquiring a higher share in active clients and believe the yields would remain pressured. We expect a muted year for distribution income (-10.7% YoY) as average MF assets and life insurance sales could remain subdued. We expect the C/I ratio to improve substantially to 50.8% in FY21E, driving FY21/22E PAT growth of 18.5/3.9% YoY. Given the highly cyclical nature of the business, we are concerned that we may be closer to peak earnings and worry that the market may be ascribing a closer-to-peak multiple. We maintain a REDUCE rating with a target price of Rs 540, i.e. 25x FY22E EPS.

- **1QFY21 highlights:** Total broking revenue at Rs 4.1bn (+60.5%/26.6% YoY/QoQ) was led by sharp growth in cash ADTV (+115.0/57.9% YoY/QoQ), causing blended yields for the broking business to grow 16.9/31.4% YoY/QoQ to 0.7bps. Active clients base growth moderated to 3.7% QoQ; the sign-up of new clients was hit by the lockdown, and ISEC was able to launch digital sign-ups only towards the end of Apr-20. Funding book grew 158.6% QoQ to Rs 15bn due to sharp recovery in equity markets. Distribution revenue were soft at Rs 798mn (-19.1/-30.9% YoY/QoQ) as AAUMs and insurance sales were muted.
- Higher employee expenses (+35.6/23.7% YoY/QoQ), despite 1.6% QoQ lower headcount, drove total expenses higher by 30.1/9.4% YoY/QoQ. Management stated that it has provided for higher variable pay, based on strong 1QFY21 operating performance. PBT for 1Q was up 69.7/23.9% YoY/QoQ to Rs 1.93bn.
- **Outlook:** Strong cash volumes are likely to continue for most of FY21E driving up broking revenues. We expect a gradual improvement in financial product sales over the remaining 9MFY21. We build FY21E PAT growth of 18.5% YoY.

### Quarterly financial summary

(Rs mn)	1QFY21	1QFY20	YoY(%)	4QFY20	QoQ(%)	FY19	FY20	FY21E	FY22E	FY23E
Adj. revenues	5,134	3,709	38.4	4,490	14.3	16,456	16,116	17,572	17,576	18,550
EBITDA	2,627	1,782	47.4	2,198	19.5	7,358	7,873	9,514	9,660	10,353
EBITDA Margin (%)	51.2	48.1	312bps	49.0	222bps	44.7	48.9	54.1	55.0	55.8
APAT	1,931	1,138	69.7	1,559	23.9	4,773	5,622	6,664	6,921	7,436
AEPS			69.7	4.8	23.9	14.8	17.5	20.7	21.5	23.1
EV/EBITDA (x)						23.8	23.9	19.5	19.2	17.9
P/E (x)						35.8	30.4	25.6	24.7	23.0
ROE (%)						50.4	49.8	49.5	43.4	40.8

Source: Company, HSIE Research

### Change in estimates

(Rs mn)	FY21E Revised	FY21E Old	Change % / bps	FY22E Revised	FY22E Old	Change % / bps
Revenues	17,572	17,366	1.2	17,576	17,380	1.1
EBITDA	9,514	9,554	-0.4	9,660	9,682	-0.2
EBITDA margin (%)	54.1	55.0	-88bps	55.0	55.7	-75bps
APAT	6,664	6,548	1.8	6,921	6,857	0.9
EPS	20.7	20.3	1.8	21.5	21.3	0.9
RoE (%)	49.5	48.9	66bps	43.4	43.3	11bps

Source: Company, HSIE Research

## REDUCE

CMP (as on 22 July 2020) Rs 530

Target Price Rs 540

NIFTY 11,133

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 530	Rs 540
EPS %	FY21E	FY22E
	+1.8	+0.9

### KEY STOCK DATA

Bloomberg code	ISEC IN
No. of Shares (mn)	322
MCap (Rs bn) / (\$ mn)	171/2,291
6m avg traded value (Rs mn)	223
52 Week high / low	Rs 569/191

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	65.7	23.0	135.6
Relative (%)	45.0	30.9	136.0

### SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	79.2	79.2
FIs & Local MFs	11.5	10.2
FPIs	3.2	3.8
Public & Others	6.2	6.8
Pledged Shares	Nil	Nil

Source : BSE

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*Adj. revenues grew 38.4% YoY on account of strong show in broking segment.*

*Employee expenses grew 35.6% YoY, despite head count reducing 13.2/1.6% YoY/QoQ. Management stated that this is on account of variable component.*

### ISEC Results Summary: 1QFY21

(Rs mn)	1QFY21	1QFY20	YoY(%)	4QFY20	QoQ(%)
<b>Revenues (see note below)</b>	<b>5,134</b>	<b>3,709</b>	<b>38.4</b>	<b>4,490</b>	<b>14.3</b>
Employee expenses	1,728	1,274	35.6	1,397	23.7
Operating expenses	102	133	-23.8	146	-30.3
Other expenses	678	520	30.4	749	-9.5
<b>Total expenses</b>	<b>2,507</b>	<b>1,927</b>	<b>30.1</b>	<b>2,292</b>	<b>9.4</b>
<b>EBITDA</b>	<b>2,627</b>	<b>1,782</b>	<b>47.4</b>	<b>2,198</b>	<b>19.5</b>
Depreciation	134	156	-14.0	163	-17.3
<b>EBIT</b>	<b>2,492</b>	<b>1,626</b>	<b>53.3</b>	<b>2,035</b>	<b>22.5</b>
Finance expenses	112	91	23.6	78	44.1
Other income	214	225	-5.1	120	78.3
<b>PBT</b>	<b>2,594</b>	<b>1,760</b>	<b>47.4</b>	<b>2,077</b>	<b>24.9</b>
Tax expenses	663	622	6.6	519	27.9
<b>APAT</b>	<b>1,931</b>	<b>1,138</b>	<b>69.7</b>	<b>1,559</b>	<b>23.9</b>
<b>Adjustment</b>	<b>-</b>	<b>0</b>	<b>NM</b>	<b>0</b>	<b>NM</b>
<b>RPAT</b>	<b>1,931</b>	<b>1,138</b>	<b>69.7</b>	<b>1,559</b>	<b>23.9</b>
<b>AEPS (Rs)</b>	<b>6.0</b>	<b>3.5</b>	<b>69.7</b>	<b>4.8</b>	<b>23.9</b>
<b>Margins (%)</b>					
EBITDA	51.2	48.1	312bps	49.0	222bps
EBIT	48.6	43.8	472bps	45.3	322bps
PBT	50.5	47.5	307bps	46.3	426bps
APAT	37.6	30.7	693bps	34.7	289bps
Tax rate (%)	25.6	35.4	-979bps	25.0	60bps
C/I ratio (%)	45.9	49.8	-394bps	47.7	-180bps

Note: Revenues netted of for estimated interest cost on margin funding and ESOP funding book; treasury income re-classified as other income.

Source: Company, HSIE Research

### Operating metrics

Broking (Rs mn)	1QFY21	1QFY20	YoY (%)	4QFY20	QoQ (%)
Retail	3,210	1,983	61.9	2,501	28.3
Institutional	348	306	13.7	372	-6.5
<b>Pure broking revenues</b>	<b>3,558</b>	<b>2,289</b>	<b>55.4</b>	<b>2,873</b>	<b>23.8</b>
Prime/other plan (fees)	104	21	395.2	79	31.6
<b>Adj. broking revs</b>	<b>3,662</b>	<b>2,310</b>	<b>58.5</b>	<b>2,952</b>	<b>24.1</b>
NII on MTF + ESOP funding	113	88	29.3	125	-9.5
Interest on exchange liened FDs	341	167	104.3	174	96.0
<b>Total broking revenues</b>	<b>4,116</b>	<b>2,564</b>	<b>60.5</b>	<b>3,251</b>	<b>26.6</b>

*Retail broking revenues grew 61.9% YoY as cash share in mix improved.*

### Distribution

MF revenue (Rs mn)	494	562	-12.1	570	-13.3
MF AAUM (Rs bn) - RHS	318	368	-13.6	345	-7.8
MF equity AAUM (Rs bn)	236	274	-13.9	254	-7.1
Blended yield (%)	0.62	0.61	1bps	0.66	-4bps
Insurance dist. revenue (Rs mn.)	49	76	-35.5	171	-71.3
Insurance premium (Rs mn)	1,231	1,483	-17.0	2,653	-53.6
Yield (%)	4.0	5.1	-114bps	6.4	-247bps
Other dist. revenue	255	348	-26.7	414	-38.4

*MF and life insurance distribution revenues were weak.*

Investment banking revenues	223	167	33.5	99	125.3
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Source: Company, HSIE Research

### ISEC's ADTV breakup and market share

Rs bn	1QFY21	1QFY20	YoY (%)	4QFY20	QoQ (%)
Cash ADTV	49	23	115.0	31	57.9
- Share (%)	5.6	3.5	208bps	3.6	199bps
- Growth (%)	115.0	13.5	NM	50.1	NM
Derivatives ADTV	817	621	31.7	821	-0.5
- Share (%)	94.3	96.8	-258bps	96.5	-223bps
- Growth (%)	31.7	38.9	NM	45.4	NM
<b>Total</b>	<b>867</b>	<b>641</b>	<b>35.3</b>	<b>851</b>	<b>1.9</b>
Growth (%)	35.3	37.3	NM	45.7	NM

*IB revenues showed marked improvement as a result of block deals and few fund raising mandates.*

*Driven by increased retail participation, ISEC witnessed improvement in market share across all segments.*

### Market shares (%)

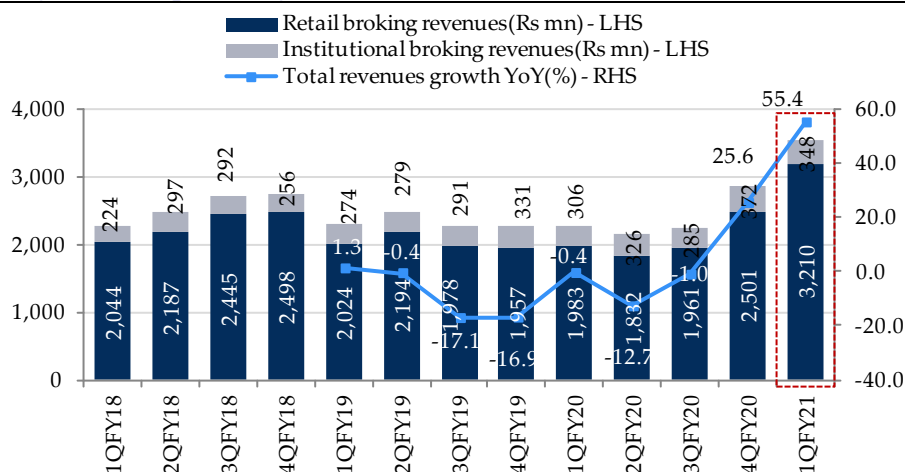
Cash market share (%)	10.7	8.1	260bps	9.1	160bps
Derivatives market share (%)	8.9	7.4	150bps	8.0	90bps
Blended market share (%)	9.0	7.4	160bps	8.0	100bps
Blended yield (bps)	0.70	0.59	16.9	0.53	16.6
Active clients - NSE (mn)	1.12	0.88	27.3	1.08	3.7

*Blended yields improve 16.9bps YoY as share of cash ADTV increased in mix.*

Source: Company, HSIE Research

### Broking revenue split and growth

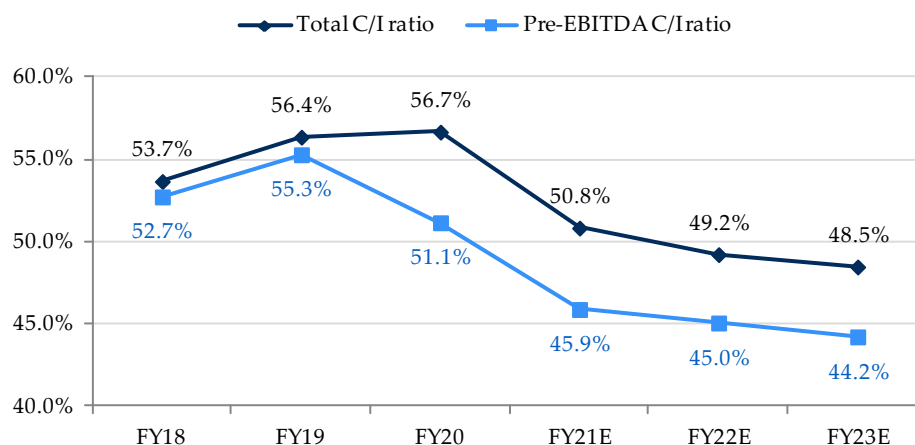
*Strong retail broking revenues steer total broking revenues to grow 55.4% YoY.*



Source: Company, HSIE Research

### C/I ratio trend

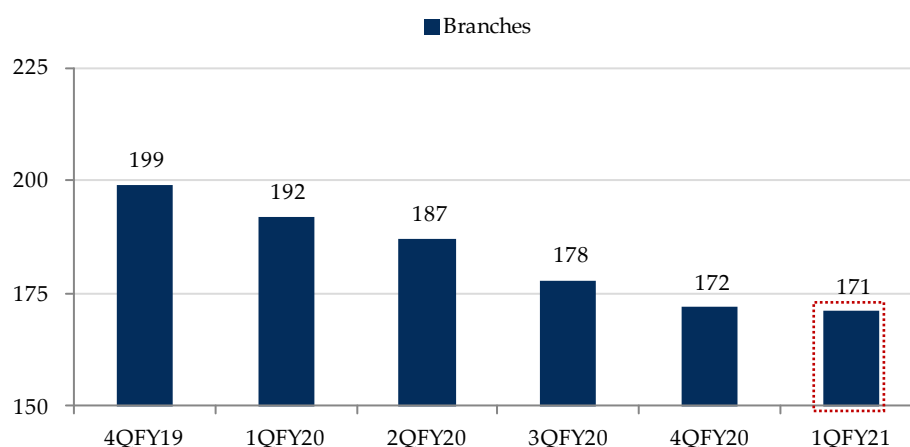
*Pre-EBITDA C/I ratio expected to improve over FY20-23E from 51.1% to 44.2%.*



Source: Company, HSIE Research

### ISEC's branch count has reduced over the last 6 quarters

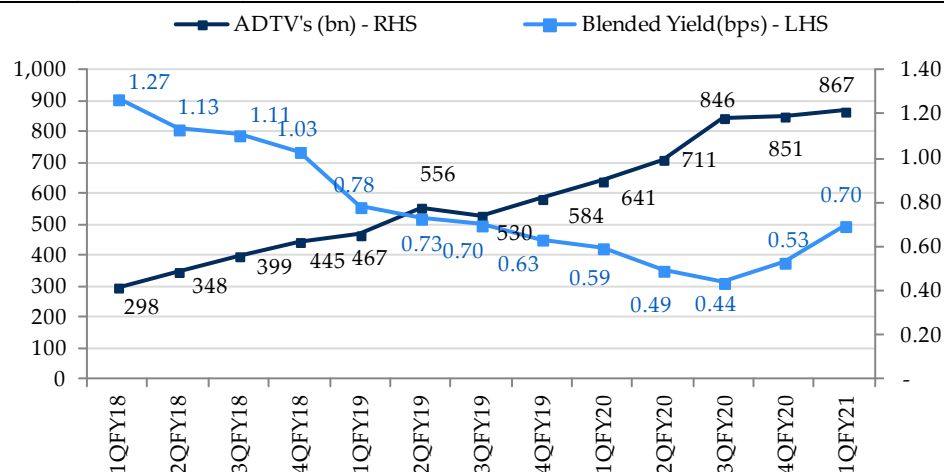
*Shutting down of low profitability branches has been management's key focus.*



Source: Company, HSIE Research

### Broking: ADTV and yields

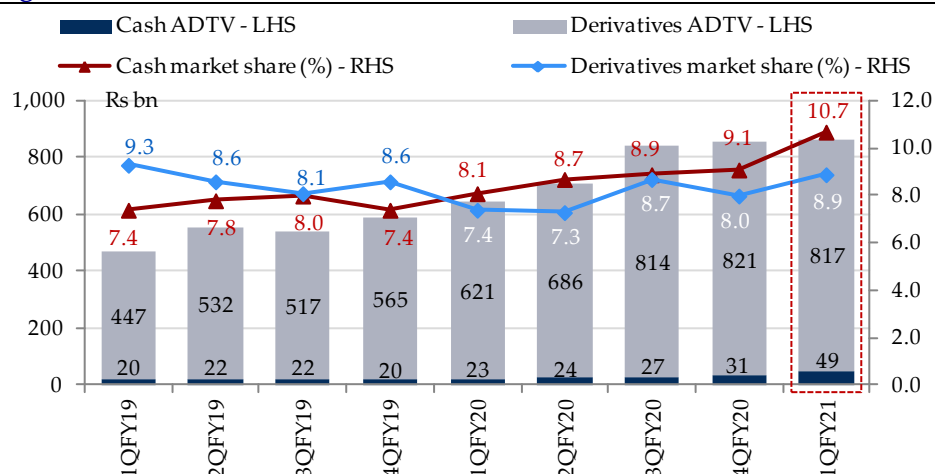
Blended yield saw sequential growth of 0.166bps in 1QFY21 as share of cash ADTV improved 199bps QoQ in the mix.



Source: Company, HSIE Research

### Rising market share of cash ADTV's

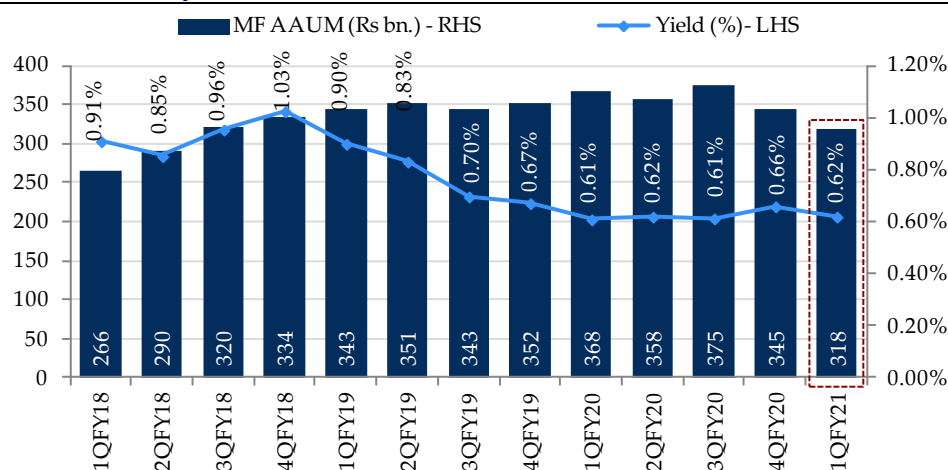
Cash market share improved ~260bps YoY in 1QFY21.



Source: Company, HSIE Research

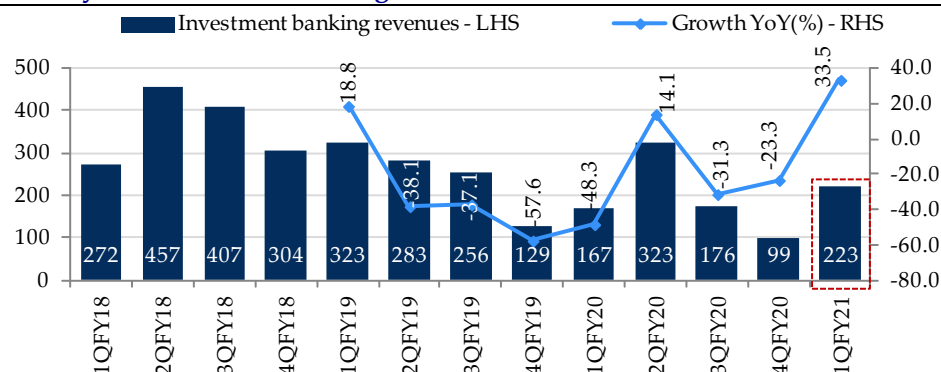
### MF AAUMs and yields

MF distribution yield deteriorated in 1QFY21.



Source: Company, HSIE Research

## Advisory revenues (Rs mn) and growth (%)



Source: Company, HSIE Research

## Assumptions

Particulars	FY19	FY20	FY21E	FY22E	FY23E
<b>Broking income</b>					
Total broking revenues	10,723	11,124	12,932	12,103	12,236
Growth (%)	(4.8)	3.7	16.3	(6.4)	1.1
Broking Revenues	9,328	9,476	11,167	10,053	9,826
Growth (%)	(8.9)	1.6	17.8	(10.0)	(2.3)
I-sec ADTO	533	764	862	946	1,051
Growth (%)	43.3	43.3	12.8	9.8	11.1
Total market ADTO (ex-prop)	6,271	9,670	10,637	12,126	13,824
Calculated market share	8.5%	7.9%	8.1%	7.8%	7.6%
Yield (bps)	0.71	0.50	0.52	0.43	0.38
Growth (%)	(36.2)	(29.1)	4.5	(18.0)	(12.0)
Prime/other plan (fees)	7	196	314	439	593
Growth (YoY) %		2,700.0	60.0	40.0	35.0
NII on margin funding book	373	382	448	399	381
Avg. loan book (Rs mn.)	5,285	8,001	11,202	12,098	12,703
Growth (%)	2.0	51.4	40.0	8.0	5.0
Interest on lien FD	1,015	1,070	1,002	1,212	1,436
Assumed interest rate	9.1%	7.3%	5.5%	6.5%	7.0%
Lien with exchanges	10,604	18,694	17,759	19,535	21,489
Growth (%)	(9.8)	76.3	(5.0)	10.0	10.0
<b>Distribution</b>					
Total distribution revenues	4,635	4,031	3,599	4,445	5,211
Growth (%)	(0.9)	(13.0)	(10.7)	23.5	17.2
MF revenue (Rs mn.)	2,695	2,263	2,115	2,600	3,140
Growth (%)	(5.3)	(16.0)	(6.5)	23.0	20.8
MF AAUM (Rs bn.)	347	362	322	374	430
Growth (%)	13.8	4.3	-11.0	16.0	15.0
Yield (%)	0.78%	0.63%	0.66%	0.70%	0.73%
Insurance dist. Revenue (Rs mn.)	474	490	359	517	612
Growth (%)	3.0	3.4	(26.7)	44.0	18.2
Insurance Premium (Rs mn.)	8,869	7,983	5,987	7,185	8,047
Growth (%)	(1.9)	(10.0)	(25.0)	20.0	12.0
Yield (%)	5.3%	6.1%	6.0%	7.2%	7.6%
Other Dist. Revenue	1,466	1,278	1,125	1,327	1,460
Growth (%)	7.2	(12.8)	(12.0)	18.0	10.0
<b>Investment Banking</b>					
Investment banking revenues	991	764	840	908	980
Growth (%)	(30.7)	(22.9)	10.0	8.0	8.0
Other revenues	107	197	201	121	123
Growth (%)	(76.3)	84.5	2.0	(40.0)	2.0
Total Revenues	16,456	16,116	17,572	17,576	18,550
Growth (%)	(7.7)	(2.1)	9.0	0.0	5.5

Source: Company, HSIE Research

We suspect broking yields will continue to compress as more clients opt for prime/prepaid brokerage plans and option pricing is reduced.

We build an AAUM decline of ~11% in FY21E.

We have revised our estimates to increase IB revs as 1QFY21 showcased strong operational performance.

# Financials

## Profit and Loss Account

(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>10,672</b>	<b>13,429</b>	<b>17,824</b>	<b>16,456</b>	<b>16,116</b>	<b>17,572</b>	<b>17,576</b>	<b>18,550</b>
<i>Growth (%)</i>	-6.9%	25.8%	32.7%	-7.7%	-2.1%	9.0%	0.0%	5.5%
Employee benefits expenses	4,014	4,846	5,453	5,545	5,338	5,262	5,104	5,302
Operating expenses	1,015	1,290	1,683	1,226	1,024	1,160	1,142	1,169
Other expenses	2,058	2,244	2,260	2,327	1,881	1,636	1,669	1,727
<b>EBITDA</b>	<b>3,586</b>	<b>5,049</b>	<b>8,427</b>	<b>7,358</b>	<b>7,873</b>	<b>9,514</b>	<b>9,660</b>	<b>10,353</b>
<i>EBITDA Margin (%)</i>	33.6	37.6	47.3	44.7	48.9	54.1	55.0	55.8
<i>EBITDA Growth (%)</i>	-17.4%	40.8%	66.9%	-12.7%	7.0%	20.8%	1.5%	7.2%
Depreciation	160	155	153	150	614	613	634	677
<b>EBIT</b>	<b>3,426</b>	<b>4,895</b>	<b>8,274</b>	<b>7,208</b>	<b>7,259</b>	<b>8,900</b>	<b>9,027</b>	<b>9,675</b>
Other Income (includes treasury )	372	277	289	183	546	267	325	379
Interest & Financial Charges	57	(49)	14	27	276	259	99	113
<b>PBT</b>	<b>3,741</b>	<b>5,221</b>	<b>8,549</b>	<b>7,365</b>	<b>7,529</b>	<b>8,909</b>	<b>9,253</b>	<b>9,941</b>
Tax	1,354	1,835	2,971	2,592	1,908	2,245	2,332	2,505
<b>APAT</b>	<b>2,387</b>	<b>3,386</b>	<b>5,577</b>	<b>4,773</b>	<b>5,622</b>	<b>6,664</b>	<b>6,921</b>	<b>7,436</b>
<i>APAT Growth (%)</i>	-18.8%	41.8%	64.7%	-14.4%	17.8%	18.5%	3.9%	7.4%
<b>RPAT</b>	<b>2,387</b>	<b>3,386</b>	<b>5,577</b>	<b>4,908</b>	<b>5,420</b>	<b>6,664</b>	<b>6,921</b>	<b>7,436</b>
<i>RPAT Growth (%)</i>	-18.8%	41.8%	64.7%	-12.0%	10.4%	22.9%	3.9%	7.4%
<b>AEPS</b>	<b>7.4</b>	<b>10.5</b>	<b>17.3</b>	<b>14.8</b>	<b>17.5</b>	<b>20.7</b>	<b>21.5</b>	<b>23.1</b>
<i>EPS Growth (%)</i>	-18.8%	41.8%	64.7%	-14.4%	17.8%	18.5%	3.9%	7.4%

Source: Company, HSIE Research

## Balance Sheet

(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>SOURCES OF FUNDS</b>								
Share Capital	1,611	1,611	1,611	1,611	1,611	1,611	1,611	1,611
Reserves	2,371	3,285	6,866	8,862	10,485	13,213	15,470	17,715
<b>Total Shareholders Funds</b>	<b>3,982</b>	<b>4,896</b>	<b>8,477</b>	<b>10,473</b>	<b>12,095</b>	<b>14,824</b>	<b>17,081</b>	<b>19,326</b>
Long-term Debt	-	-	-	-	1,574	1,257	903	819
Short-term Debt	1,729	3,954	6,724	4,473	14,975	11,500	13,000	13,500
<b>Total Debt</b>	<b>1,729</b>	<b>3,954</b>	<b>6,724</b>	<b>4,473</b>	<b>16,550</b>	<b>12,757</b>	<b>13,903</b>	<b>14,319</b>
Other Financial Liabilities & Provisions	310	389	535	705	829	887	949	1,015
Other Non Current Liabilities	628	827	5,210	5,286	5,311	5,683	6,081	6,506
Net Deferred Tax Liability	(509)	(578)	(666)	(738)	(596)	(607)	(620)	(632)
<b>TOTAL SOURCES OF FUNDS</b>	<b>6,139</b>	<b>9,488</b>	<b>20,279</b>	<b>20,199</b>	<b>34,189</b>	<b>33,543</b>	<b>37,394</b>	<b>40,535</b>
<b>APPLICATION OF FUNDS</b>								
<b>Net Block</b>	<b>354</b>	<b>346</b>	<b>382</b>	<b>436</b>	<b>1,980</b>	<b>2,239</b>	<b>2,380</b>	<b>2,564</b>
CWIP	24	28	39	40	81	33	33	33
Loans & Deposits	1,293	1,362	1,828	1,246	1,183	1,194	1,206	1,218
Other Non Current Assets	-	-	-	-	-	-	-	-
<b>Total Non-current Assets</b>	<b>1,671</b>	<b>1,737</b>	<b>2,249</b>	<b>1,722</b>	<b>3,244</b>	<b>3,466</b>	<b>3,619</b>	<b>3,815</b>
Liened FDs (ST + LT)	6,412	8,450	13,689	12,645	18,694	17,759	19,535	21,489
Debtors	2,933	7,101	3,101	4,770	888	963	963	1,016
Cash & Equivalents	264	1,206	1,770	18,841	5,420	4,248	5,291	5,520
Loans & Advances	254	359	5,822	4,061	5,733	11,072	11,557	12,197
Other Current Assets	1,932	1,045	1,442	3,870	9,854	4,444	4,505	4,646
<b>Total Current Assets</b>	<b>11,795</b>	<b>18,160</b>	<b>25,824</b>	<b>44,187</b>	<b>40,589</b>	<b>38,487</b>	<b>41,850</b>	<b>44,869</b>
Creditors	5,925	8,699	6,117	23,362	6,926	7,086	6,632	6,705
Other Current Liabilities	1,402	1,710	1,677	2,347	2,717	1,325	1,444	1,445
<b>Total Current Liabilities</b>	<b>7,328</b>	<b>10,409</b>	<b>7,794</b>	<b>25,709</b>	<b>9,643</b>	<b>8,410</b>	<b>8,076</b>	<b>8,149</b>
<b>Net Current Assets</b>	<b>4,468</b>	<b>7,751</b>	<b>18,031</b>	<b>18,478</b>	<b>30,946</b>	<b>30,077</b>	<b>33,774</b>	<b>36,720</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>6,139</b>	<b>9,488</b>	<b>20,279</b>	<b>20,199</b>	<b>34,189</b>	<b>33,543</b>	<b>37,394</b>	<b>40,535</b>

Source: Company, HSIE Research



## Cash Flow

(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Reported PBT</b>	<b>3,741</b>	<b>5,220</b>	<b>8,524</b>	<b>7,572</b>	<b>7,529</b>	<b>8,909</b>	<b>9,253</b>	<b>9,941</b>
Non-operating & EO Items	22	5	164	130	196	-	-	-
Interest Expenses	251	277	483	413	707	259	99	113
Depreciation	160	155	153	150	614	613	634	677
Working Capital Change	776	(3,120)	(5,324)	19,738	(19,991)	(6,037)	(2,972)	(2,798)
Tax Paid	(1,553)	(1,986)	(3,221)	(2,925)	(2,051)	(2,245)	(2,332)	(2,505)
<b>OPERATING CASH FLOW ( a )</b>	<b>3,397</b>	<b>551</b>	<b>780</b>	<b>25,077</b>	<b>(12,995)</b>	<b>1,498</b>	<b>4,682</b>	<b>5,428</b>
Net Capex	(165)	(154)	(216)	(208)	(226)	(351)	(316)	(334)
(Purchase)/sale of net operating financial assets	-	(16)	6	-	-	-	-	-
Free Cash Flow (FCF)	3,232	382	569	24,869	(13,222)	1,147	4,365	5,094
Investments	(1,075)	1,102	(69)	(2,183)	(5,788)	5,351	(60)	(61)
Non-operating Income								
<b>INVESTING CASH FLOW ( b )</b>	<b>(1,240)</b>	<b>932</b>	<b>(279)</b>	<b>(2,391)</b>	<b>(6,014)</b>	<b>5,000</b>	<b>(376)</b>	<b>(395)</b>
Debt Issuance/(Repaid)	(537)	2,226	2,754	(2,264)	10,079	(3,475)	1,500	500
Interest Expenses	(251)	(277)	(466)	(400)	(626)	(259)	(99)	(113)
FCFE	2,444	2,331	2,857	22,205	(3,769)	(2,588)	5,767	5,482
Proceeds From Issue of Share Capital								
Dividend	(1,927)	(2,490)	(2,224)	(2,951)	(3,865)	(3,935)	(4,665)	(5,191)
Others	-	-	-	-	-	-	-	-
<b>FINANCING CASH FLOW ( c )</b>	<b>(2,715)</b>	<b>(541)</b>	<b>64</b>	<b>(5,615)</b>	<b>5,588</b>	<b>(7,669)</b>	<b>(3,263)</b>	<b>(4,804)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>(557)</b>	<b>942</b>	<b>564</b>	<b>17,071</b>	<b>(13,421)</b>	<b>(1,171)</b>	<b>1,042</b>	<b>230</b>
Opening Cash & Equivalents	821	264	1,206	1,770	18,841	5,420	4,248	5,291
<b>Closing Cash &amp; Equivalents</b>	<b>264</b>	<b>1,206</b>	<b>1,770</b>	<b>18,841</b>	<b>5,420</b>	<b>4,248</b>	<b>5,291</b>	<b>5,520</b>

Source: Company, HSIE Research

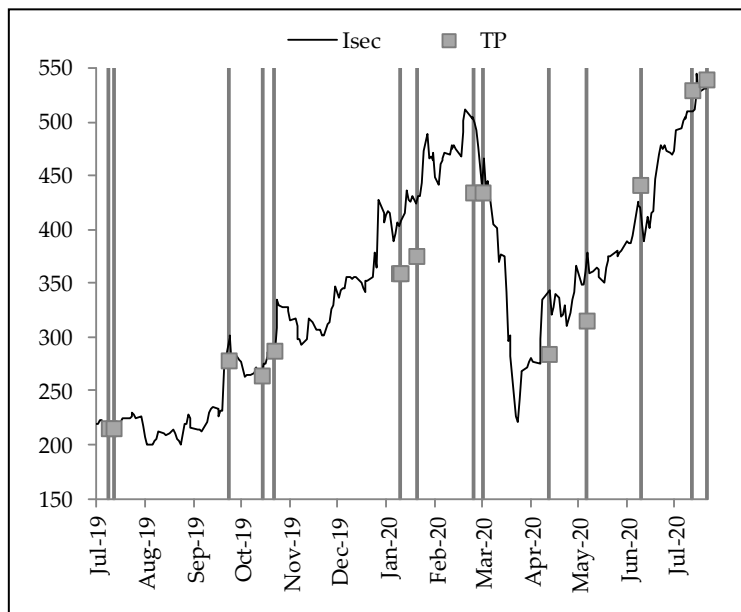
## Key Ratios

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>PROFITABILITY (%)</b>								
EBITDA Margin	33.6	37.6	47.3	44.7	48.9	54.1	55.0	55.8
EBIT Margin	32.1	36.4	46.4	43.8	45.0	50.7	51.4	52.2
APAT Margin	22.4	25.2	31.3	29.8	33.6	37.9	39.4	40.1
RoE	63.6	76.3	83.4	50.4	49.8	49.5	43.4	40.8
Core RoCE	25.4	35.9	42.0	30.0	24.7	22.7	22.2	22.2
RoCE	26.4	35.0	39.0	18.5	17.1	20.1	19.9	19.8
<b>EFFICIENCY</b>								
Tax Rate (%)	36.2	35.1	34.8	35.2	25.3	25.2	25.2	25.2
Asset Turnover (x)	30.4	38.3	48.9	40.2	13.3	8.3	7.6	7.5
Inventory (days)								
Debtors (days)	100	193	64	106	20	20	20	20
Other Current Assets (days)	246	259	421	400	587	629	676	693
Payables (days)	302	376	198	795	227	200	200	200
Other Current Liab & Prov (days)	49	48	34	53	62	30	30	30
Working Capital (days)	-5	29	252	-343	319	419	466	483
Debt/EBITDA (x)	0.48	0.78	0.80	0.61	2.10	1.34	1.44	1.38
Net D/E	0.4	0.6	0.6	(1.4)	0.9	0.6	0.5	0.5
Interest Coverage	60.6	(100.4)	574.1	271.7	26.3	34.4	91.6	85.9
<b>PER SHARE DATA</b>								
AEPS (Rs/sh)	7.4	10.5	17.3	14.8	17.5	20.7	21.5	23.1
CEPS (Rs/sh)	7.9	11.0	17.8	15.3	19.4	22.6	23.5	25.2
DPS (Rs/sh)	5.0	6.4	5.5	9.4	11.0	12.2	14.5	16.1
BV (Rs/sh)	12.4	15.2	26.3	32.5	37.5	46.0	53.0	60.0
<b>VALUATION</b>								
P/E	71.5	50.4	30.6	35.8	30.4	25.6	24.7	23.0
P/BV	42.9	34.9	20.1	16.3	14.1	11.5	10.0	8.8
EV/EBITDA	48.9	34.7	21.2	23.8	23.9	19.5	19.2	17.9
OCF/EV (%)	1.8	0.2	0.3	14.3	(7.1)	0.7	2.4	2.8
FCF/EV (%)	1.8	0.2	0.3	14.2	(7.0)	0.6	2.4	2.8
FCFE/MCAP (%)	1.4	1.4	1.7	13.0	(2.2)	(1.5)	3.4	3.2
Dividend Yield (%)	0.9	1.2	1.0	1.8	2.1	2.3	2.7	3.0

Source: Company, HSIE Research



## RECOMMENDATION HISTORY



Date	CMP	Reco	Target
9-Jul-19	216	NEU	216
13-Jul-19	219	NEU	216
22-Sep-19	273	NEU	279
14-Oct-19	266	NEU	265
23-Oct-19	287	NEU	288
9-Jan-20	403	SELL	360
11-Jan-20	408	SELL	360
21-Jan-20	424	SELL	376
25-Feb-20	505	SELL	435
2-Mar-20	476	SELL	435
11-Apr-20	335	SELL	285
8-May-20	378	SELL	316
10-Jun-20	418	ADD	442
13-Jul-20	530	REDUCE	530
23-Jul-20	530	REDUCE	540

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

## Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

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