

# Nippon Life India Asset Management

## Market share remains elusive

While we remain concerned about the loss of market share in both debt and equity assets—down 332/275bps since Mar-19 to 7.5/6.8%—we believe that post ownership change, NAM stands to benefit from increased credibility to raise HNI/institutional capital. We expect the company to focus on improving investment return performance and gradually recoup part of its lost market share, although this journey would neither be easy nor inexpensive. We expect NAM to post an FY21-23E revenue/PAT CAGR of 13.7/15.8% and retain a REDUCE rating with TP of Rs 280 i.e. at 36x (20% discount to HDFCAMC's multiple) FY22E NOPLAT + cash and investments. Any signs of improving performance and market share will be key re-rating drivers for the stock.

- 1QFY21 highlights:** Revenue at Rs 2.33bn (-28.3%/-15.1% YoY/QoQ) was 5.1% below our estimate as outflows from the credit risk fund and a reduction of equity in the mix resulted in a lower yield. Debt/equity QAAUM market share deteriorated 246/235bps YoY to 7.5/6.8%. Debt funds QAAUM declined 9.0% QoQ due to outflows and write-downs. The core operating profit was at Rs 966mn, -33.5/36.6% YoY/QoQ, mainly due to lower revenue. Recovery in equity markets and decline in bond yields resulted in treasury income of Rs 1.03bn (+192% YoY), raising APAT by 24.3% YoY to Rs 1.56bn.
- Management stated that it raised capital from HNIs/family offices (75+), corporate (26/100 BSE 100 began reinvesting), and institutions (adds: 120+ since Oct-19). NAM is revisiting its investment policy with the intent of reducing the volatility of treasury income.
- Outlook:** We expect a gradual recovery in assets and earnings. For FY21E, we expect revenue/EBIT to decline 15.0/21.2% YoY respectively.

### Financial Summary

(Rs bn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	2.33	3.25	-28.3	2.75	-15.1	14.8	12.0	10.2	11.7	13.2
Operating profits	0.97	1.45	-33.5	1.52	-36.6	5.3	5.7	4.5	5.5	6.6
OP Margin (%)	42.0	45.2	-322bps	55.6	-1366bps	35.8	47.3	43.8	47.4	49.8
APAT	1.56	1.25	24.6	0.04	4,101.6	4.9	4.2	4.9	5.7	6.6
EV/NOPLAT (x)						39.9	34.4	42.8	33.9	27.9
P/E (x)						34.0	40.7	34.4	29.8	25.6
ROE (%)						19.5	16.1	18.5	19.9	21.1

Source: Company, HSIE Research

### Change in estimates

(Rs bn)	FY21E Revised	FY21E Old	Change % / bps	FY22E Revised	FY22E Old	Change % / bps
Revenues	10.2	10.1	1.3	11.7	11.4	2.3
EBIT	4.5	4.4	3.9	5.6	5.4	3.7
EBIT margin (%)	44.3	43.1	114bps	47.8	47.2	64bps
NOPLAT	3.4	3.3	3.7	4.2	4.0	3.4
NOPLAT margin (%)	33.0	32.2	77bps	35.8	35.4	36bps
APAT	4.9	4.6	6.2	5.7	5.5	2.6
RoE (%)	18.5	17.6	97bps	19.9	19.6	30bps

Source: Company, HSIE Research

## REDUCE

CMP (as on 27 July 2020) Rs 270

Target Price Rs 280

NIFTY 11,132

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	Rs 271	Rs 280
EPS %	FY21E +6.2%	FY22E +2.6%

### KEY STOCK DATA

Bloomberg code	NAM IN
No. of Shares (mn)	612
MCap (Rs bn) / (\$ mn)	165/2,213
6m avg traded value (Rs mn)	664
52 Week high / low	Rs 453/201

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	12.2	(26.3)	18.9
Relative (%)	(7.3)	(18.4)	18.7

### SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	75.9	75.9
FIs & Local MFs	6.7	6.2
FPIs	5.3	5.8
Public & Others	12.1	12.1
Pledged Shares	0.00	0.00

Source : BSE

**Madhukar Ladha, CFA**  
 madhukar.ladha@hdfcsec.com  
 +91-22-6171-7323

**NAM Results Summary: 1QFY21**

(Rs mn)	1QFY21	1QFY20	YoY (%)	4QFY20	QoQ(%)
<b>Revenue</b>	<b>2,331</b>	<b>3,251</b>	<b>(28.3)</b>	<b>2,745</b>	<b>(15.1)</b>
Staff cost	715	825	(13.3)	529	35.3
Admin & other opex	439	629	(30.2)	402	9.1
Fee and commission	94	252	(62.8)	198	(52.7)
<b>Total expenses</b>	<b>1,248</b>	<b>1,705</b>	<b>(26.8)</b>	<b>1,129</b>	<b>10.5</b>
<b>EBITDA</b>	<b>1,084</b>	<b>1,546</b>	<b>(29.9)</b>	<b>1,617</b>	<b>(33.0)</b>
Depreciation and amortization	105	76	37.8	89	18.0
<b>EBIT</b>	<b>979</b>	<b>1,470</b>	<b>(33.4)</b>	<b>1,528</b>	<b>(35.9)</b>
Finance cost	13	17	(26.7)	5	173.9
<b>Core operating profits</b>	<b>966</b>	<b>1,452</b>	<b>(33.5)</b>	<b>1,523</b>	<b>(36.6)</b>
Other Income	1,031	353	192.0	-1,249	NM
<b>PBT</b>	<b>1,997</b>	<b>1,805</b>	<b>10.6</b>	<b>274</b>	<b>630.1</b>
Tax	436	549	(20.7)	232	87.6
<b>PAT (pre minority interest)</b>	<b>1,561</b>	<b>1,256</b>	<b>24.3</b>	<b>41</b>	<b>3,680.1</b>
Share of profit/ (loss) in associate	1.8	(2.0)	NM	(4.1)	NM
Minority interest	-	-	NM	-	NM
<b>APAT</b>	<b>1,563</b>	<b>1,254</b>	<b>24.6</b>	<b>37</b>	<b>4,101.6</b>
Adjustment (post-tax)	-	-	NM	-	NM
<b>RPAT</b>	<b>1,563</b>	<b>1,254</b>	<b>24.6</b>	<b>37</b>	<b>4,101.6</b>

*Core operating profits at Rs 9.67bn (-33.5/-36.6% YoY/QoQ) were 18.2% below estimates.*

*Other income grew 192% YoY on account of large MTM gains.*

*EBITDA margins deteriorate 106bps YoY despite the fall in total expenses (26.8% YoY) as revenues declined 28.3% YoY.*

**Margins and tax rate (%)**

EBITDA	46.5	47.5	-106bps	58.9	-1240bps
EBIT	42.0	45.2	-322bps	55.6	-1366bps
Operating profits	41.4	44.7	-323bps	55.5	-1404bps
Operating profits (net of tax)	32.4	31.1	132bps	8.4	2403bps
PBT	85.7	55.5	3012bps	10.0	7569bps
PAT	67.0	38.6	2848bps	1.4	6569bps
Tax rate (%)	21.8	30.4	-862bps	84.9	-6309bps

Source: Company, HSIE Research

**Operating metrics**

As % of QAAUM (bps) (Annualised)	1QFY21	1QFY20	YoY (%)	4QFY20	QoQ(%)
Revenue	51.8	58.4	-7bps	53.6	-2bps
Staff cost	15.9	14.8	1bps	10.3	6bps
Admin & other opex	9.7	11.3	-2bps	7.8	2bps
Fee and commissions	2.1	4.5	-2bps	3.9	-2bps
EBITDA	24.1	27.8	-4bps	31.6	-7bps
Operating profits	21.5	26.1	-5bps	29.7	-8bps
Operating profits (net of tax)	16.8	18.2	-1bps	4.5	12bps
PBT	44.4	32.4	12bps	5.3	39bps
PAT	34.7	22.6	12bps	0.8	34bps

Source: Company, HSIE Research

*Core operating profit yields declined sequentially to 21.5bps as against 33.6bps for HDFCAMC.*

**Five quarters at a glance**

MF QAAUM (Rs bn)	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY (%)	QoQ (%)
Equity	935	871	899	861	684	(26.8)	(20.5)
Debt	690	598	552	574	522	(24.3)	(9.0)
Liquid	334	275	327	328	342	2.5	4.4
ETFs	267	284	266	287	252	(5.6)	(12.1)
<b>Total</b>	<b>2,226</b>	<b>2,028</b>	<b>2,043</b>	<b>2,049</b>	<b>1,801</b>	<b>(19.1)</b>	<b>(12.1)</b>
<b>Retail AUM (Rs bn)*</b>	<b>863</b>	<b>519</b>	<b>546</b>	<b>444</b>	<b>460</b>	<b>(46.7)</b>	<b>3.7</b>
<b>Share in AUM (%)</b>							
Equity	42.0	43.0	44.0	42.0	38.0	-400bps	-400bps
Debt	31.0	29.0	27.0	28.0	29.0	-200bps	100bps
Liquid	15.0	14.0	16.0	16.0	19.0	400bps	300bps
ETFs	12.0	14.0	13.0	14.0	14.0	200bps	0bps
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		
<b>Retail AUM as % of total AUM</b>	<b>38.8</b>	<b>25.6</b>	<b>26.7</b>	<b>21.7</b>	<b>25.6</b>	<b>-1321bps</b>	<b>389bps</b>

Equity QAAUMs declined 20.5% sequentially despite the sharp recovery in the market, indicating redemptions remain high.

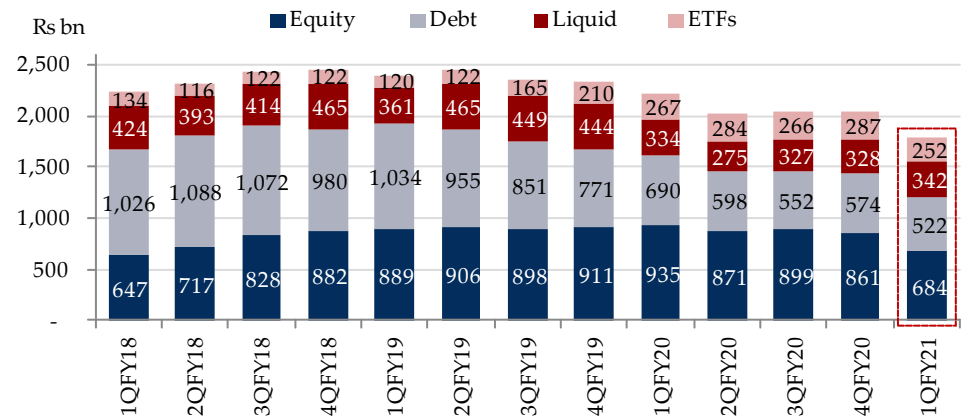
Debt AUM declined as a result of redemptions and write-down of stressed credits.

Management has decided to invest only in AA and above rated paper in all schemes except for the credit risk fund.

Source: Company, HSIE Research

\* Beginning 2QFY20 AMFI changed the definition of "Retail investor" classification" has been changed to folio holding upto Rs 0.2mn from Rs 0.5mn earlier.

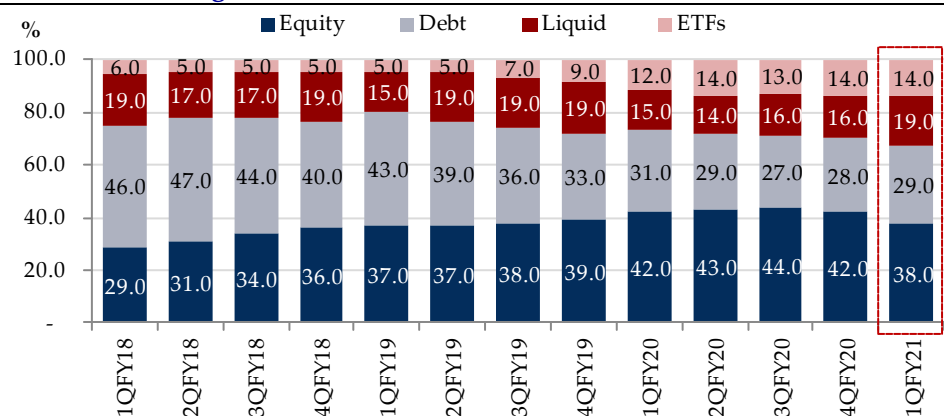
**Equity QAAUM declined 20.5% QoQ**



Equity QAAUM declined 26.8/20.5% YoY/QoQ despite markets showed strong recovery.

Source: Company, HSIE Research

**Debt schemes losing share**



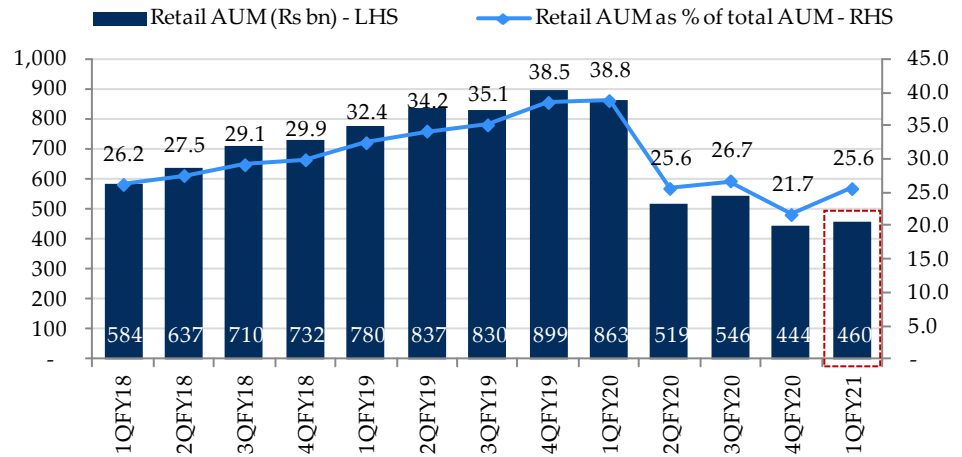
Share of equity AUM in mix has reduced considerably in 1QFY21 to 38.0% (-400bps QoQ).

Note: As a percentage of QAAUM.

Source: Company, HSIE Research

**Retail participation**

Retail participation has picked up meaningfully to 25.6% as market recovered.

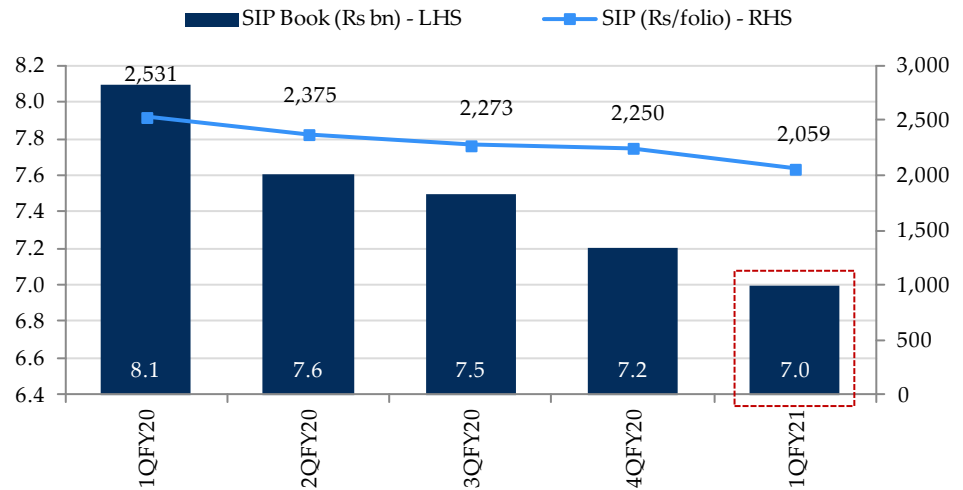


Source: Company, HSIE Research

Beginning 2QFY20 AMFI changed the definition of "Retail investor" to folio holding upto Rs 0.2mn from Rs 0.5mn earlier.

**SIP book declined QoQ**

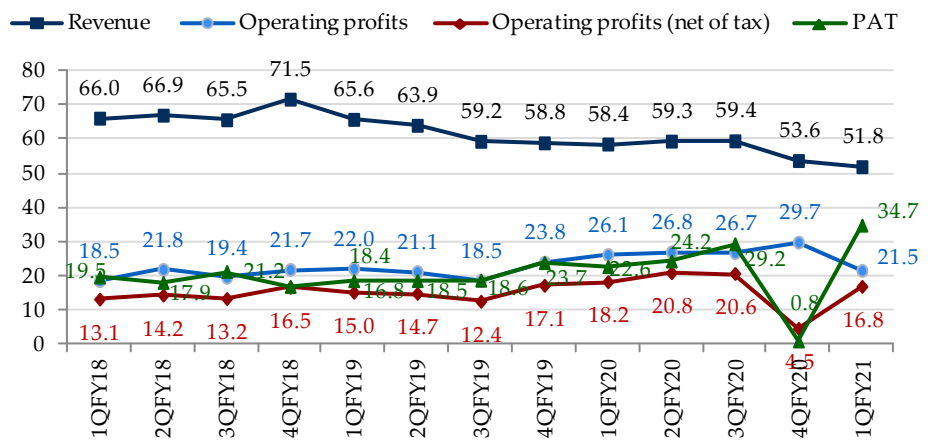
Monthly avg. SIP inflows declined to Rs 7.0bn (-13.6/-2.8% YoY/QoQ); Avg. SIP contribution/folio is at Rs 2,059.



Source: Company, HSIE Research

**As a % of QAAUM**

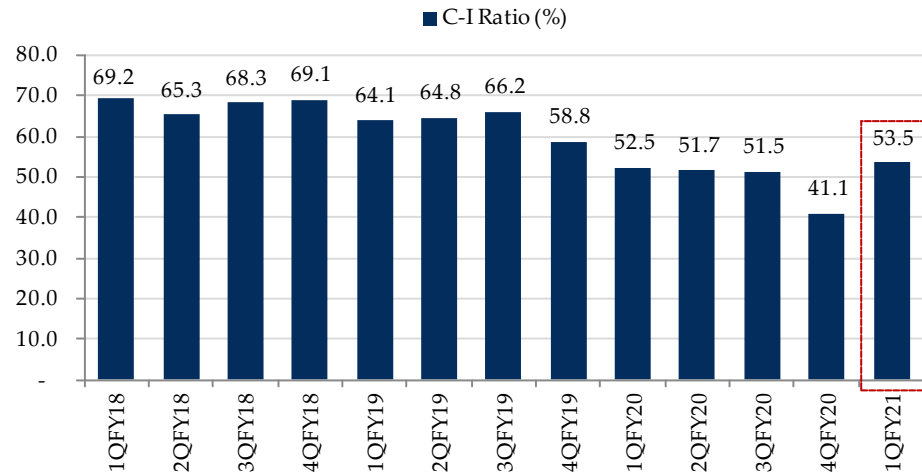
Core operating profits were 21.5bps of QAAUM.



Source: Company, HSIE Research

**C/I Ratio deteriorated materially**

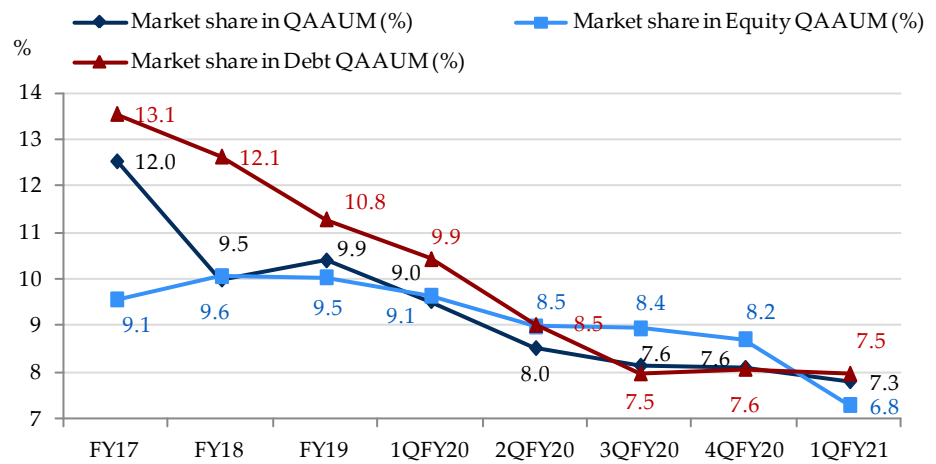
*C/I ratio deteriorated significantly in 1QFY21 by ~1,240bps QoQ to 53.5% as revenue dipped 15.1% QoQ.*



Source: Company, HSIE Research

**AUM Market share trend**

*NAM's debt/equity QAAUM market share declined to 7.5/6.8% (-246/-235bps YoY).*



Source: Company, HSIE Research

\*FY17 and FY18 numbers have been taken on closing AUM basis.

### Assumptions

	FY19	FY20	FY21E	FY22E	FY23E
<b>Closing AUM (Rs bn)</b>					
Mutual fund	2,278	1,635	2,281	2,848	3,289
Managed accounts	35	39	47	54	62
Offshore funds and advisory	31	89	107	123	141
Pension	1,878	830	1,038	1,204	1,396
<b>Total</b>	<b>4,222</b>	<b>2,593</b>	<b>3,472</b>	<b>4,228</b>	<b>4,888</b>

*We expect closing total MF AUM to increase 39.5/24.9% YoY in FY21/22E.*

<b>MF AAAUM (Rs bn)</b>					
Equity	901	891	772	954	1,113
Debt	795	603	554	684	792
Liquid	395	316	365	478	533
ETFs	190	276	266	329	385
<b>Total</b>	<b>2,282</b>	<b>2,086</b>	<b>1,958</b>	<b>2,445</b>	<b>2,823</b>

<b>Growth (%)</b>					
Equity	17.3	(1.1)	(13.4)	23.6	16.7
Debt	(23.5)	(24.1)	(8.2)	23.3	15.8
Liquid	(6.2)	(20.0)	15.7	30.9	11.3
ETFs	48.7	44.8	(3.4)	23.5	17.1
<b>Total</b>	<b>(3.2)</b>	<b>(8.6)</b>	<b>(6.2)</b>	<b>24.9</b>	<b>15.5</b>

<b>Share(%)</b>					
Equity	39.5	42.7	39.4	39.0	39.4
Debt	34.9	28.9	28.3	28.0	28.0
Liquid	17.3	15.1	18.7	19.6	18.9
ETFs	8.3	13.2	13.6	13.5	13.6
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

<b>As % of MF AAUM (bps)</b>					
Revenue	64.8	57.7	52.2	47.8	46.8
Staff cost	12.9	14.5	15.9	13.8	13.1
Admin & other opex	12.7	8.1	6.2	5.4	5.0
Marketing expenses	4.3	2.6	2.7	2.4	2.2
Brokerage expenses	11.3	3.4	2.2	1.9	1.8
EBITDA	23.6	29.2	25.2	24.4	24.7
PBT-OI	23.2	27.3	22.9	22.7	23.3
PBT-OI (net of tax)	16.1	20.3	17.2	17.1	17.6
PBT	30.7	26.8	33.3	30.7	31.0
APAT (post minority interest)	21.3	19.9	25.1	23.2	23.3

*We have fine tuned our estimates to increase revenues by 1.3/2.3% for FY21E/FY22E.*

<b>Efficiency Ratios</b>					
C/I Ratio (%)	64.2	52.2	55.7	52.2	49.9
Tax Rate (%)	30.4	25.7	24.6	24.6	24.6

Source: Company, HSIE Research

## Financials

### Income statement

(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Net Revenues	11,999	13,074	15,918	14,786	12,030	10,229	11,689	13,218
<i>Growth (%)</i>	41.7%	9.0%	21.8%	-7.1%	-18.6%	-15.0%	14.3%	13.1%
Employee benefits expenses	1,923	1,957	2,572	2,935	3,024	3,114	3,363	3,700
Operating expenses	5,911	6,451	8,250	6,461	2,921	2,178	2,361	2,548
<b>EBITDA</b>	<b>4,166</b>	<b>4,665</b>	<b>5,096</b>	<b>5,390</b>	<b>6,085</b>	<b>4,936</b>	<b>5,965</b>	<b>6,971</b>
<i>EBITDA Margin (%)</i>	34.7	35.7	32.0	36.5	50.6	48.3	51.0	52.7
<i>EBITDA Growth (%)</i>	17.5%	12.0%	9.2%	5.8%	12.9%	-18.9%	20.8%	16.9%
Depreciation	43	179	85	101	333	407	372	349
<b>EBIT</b>	<b>4,122</b>	<b>4,486</b>	<b>5,011</b>	<b>5,290</b>	<b>5,753</b>	<b>4,530</b>	<b>5,593</b>	<b>6,622</b>
Other Income (includes treasury )	1,100	1,326	1,569	1,713	(98)	2,040	1,967	2,165
Interest & Financial Charges	-	-	-	-	57	55	49	44
<b>PBT</b>	<b>5,222</b>	<b>5,812</b>	<b>6,579</b>	<b>7,002</b>	<b>5,598</b>	<b>6,515</b>	<b>7,511</b>	<b>8,742</b>
Tax	1,242	1,786	1,984	2,132	1,441	1,603	1,848	2,151
<b>RPAT</b>	<b>3,980</b>	<b>4,026</b>	<b>4,595</b>	<b>4,871</b>	<b>4,158</b>	<b>4,912</b>	<b>5,663</b>	<b>6,592</b>
<i>RPAT Growth (%)</i>	12.4%	1.2%	14.1%	6.0%	-14.6%	18.2%	15.3%	16.4%
<b>APAT</b>	<b>3,980</b>	<b>4,026</b>	<b>4,580</b>	<b>4,861</b>	<b>4,158</b>	<b>4,912</b>	<b>5,663</b>	<b>6,592</b>
<i>APAT Growth (%)</i>	12.4%	1.2%	13.8%	6.1%	-14.5%	18.2%	15.3%	16.4%
<b>AEPS</b>	<b>6.8</b>	<b>6.9</b>	<b>7.5</b>	<b>7.9</b>	<b>6.6</b>	<b>7.8</b>	<b>9.0</b>	<b>10.5</b>
<i>EPS Growth (%)</i>	12.4%	1.2%	9.2%	6.1%	-16.3%	18.2%	15.3%	16.4%

Source: Company, HSIE Research

### Balance Sheet

(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>SOURCES OF FUNDS</b>								
Share Capital	415	415	6,120	6,120	6,121	6,121	6,121	6,121
Reserves	17,504	18,311	17,533	19,580	19,809	20,953	23,601	26,717
Minority Interest	89	-	654	-	-	-	-	-
<b>Total Shareholders Funds</b>	<b>18,008</b>	<b>18,726</b>	<b>24,307</b>	<b>25,700</b>	<b>25,931</b>	<b>27,074</b>	<b>29,722</b>	<b>32,838</b>
Long-term Debt	1	-	-	-	591	725	616	554
Short-term Debt	-	-	-	-	-	-	-	-
<b>Total Debt</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>591</b>	<b>725</b>	<b>616</b>	<b>554</b>
Other Financial Liabilities & Provisions	110	216	297	435	393	336	384	435
Other Non Current Liabilities	1	-	-	-	-	-	-	-
Net Deferred Tax Liability	(86)	(37)	(123)	0	(7)	(7)	(7)	(7)
<b>TOTAL SOURCES OF FUNDS</b>	<b>18,033</b>	<b>18,904</b>	<b>24,481</b>	<b>26,135</b>	<b>26,907</b>	<b>28,128</b>	<b>30,716</b>	<b>33,820</b>
<b>APPLICATION OF FUNDS</b>								
<b>Net Block</b>	<b>119</b>	<b>2,512</b>	<b>2,603</b>	<b>2,568</b>	<b>3,256</b>	<b>3,118</b>	<b>3,079</b>	<b>3,030</b>
Loans & Deposits	3,781	1,488	3,180	1,251	536	541	546	552
Other Non Current Assets	79	74	-	-	-	-	-	-
<b>Total Non-current Assets</b>	<b>3,979</b>	<b>4,074</b>	<b>5,783</b>	<b>3,819</b>	<b>3,792</b>	<b>3,659</b>	<b>3,625</b>	<b>3,582</b>
Current Investments	9,108	9,465	9,934	12,900	18,846	20,730	22,803	25,083
Debtors	594	432	404	1,026	593	560	641	724
Cash & Equivalents	795	397	6,091	5,428	4,633	3,791	4,436	5,406
Loans & Advances	4,602	5,840	4,246	4,032	656	677	684	691
Other Current Assets	145	268	602	554	282	280	320	362
<b>Total Current Assets</b>	<b>15,244</b>	<b>16,402</b>	<b>21,276</b>	<b>23,939</b>	<b>25,010</b>	<b>26,039</b>	<b>28,884</b>	<b>32,267</b>
Creditors	650	1,083	1,329	474	677	588	673	760
Other Current Liabilities	539	489	1,249	1,150	1,218	981	1,121	1,267
<b>Total Current Liabilities</b>	<b>1,190</b>	<b>1,572</b>	<b>2,578</b>	<b>1,623</b>	<b>1,895</b>	<b>1,569</b>	<b>1,793</b>	<b>2,028</b>
<b>Net Current Assets</b>	<b>14,054</b>	<b>14,830</b>	<b>18,698</b>	<b>22,316</b>	<b>23,115</b>	<b>24,469</b>	<b>27,091</b>	<b>30,239</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>18,032</b>	<b>18,904</b>	<b>24,481</b>	<b>26,135</b>	<b>26,907</b>	<b>28,128</b>	<b>30,716</b>	<b>33,820</b>

Source: Company, HSIE Research

## Cash Flow

(Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Reported PBT</b>	<b>5,224</b>	<b>5,813</b>	<b>7,258</b>	<b>7,002</b>	<b>5,598</b>	<b>6,515</b>	<b>7,511</b>	<b>8,742</b>
Non-operating & EO Items	(1,029)	(1,339)	(2,132)	(1,479)	592	(2,040)	(1,967)	(2,165)
Interest Expenses	-	-	-	-	-	-	-	-
Depreciation	43	179	336	101	333	407	372	349
Working Capital Change	(591)	2,474	364	355	1,025	(374)	140	147
Tax Paid	(1,432)	(1,580)	(1,883)	(1,924)	(1,301)	(1,603)	(1,848)	(2,151)
<b>OPERATING CASH FLOW ( a )</b>	<b>2,214</b>	<b>5,547</b>	<b>3,942</b>	<b>4,055</b>	<b>6,247</b>	<b>2,905</b>	<b>4,208</b>	<b>4,922</b>
Net Capex	(91)	(2,572)	(151)	(85)	(40)	(269)	(333)	(300)
(Purchase)/sale of net operating financial assets	-	-	-	-	-	-	-	-
<i>Free Cash Flow (FCF)</i>	<i>2,124</i>	<i>2,975</i>	<i>3,791</i>	<i>3,971</i>	<i>6,207</i>	<i>2,637</i>	<i>3,875</i>	<i>4,623</i>
Investments	(739)	(1,002)	2,047	(1,295)	(535)	(1,885)	(2,073)	(2,280)
Non-operating Income	545	632	953	837	742	2,040	1,967	2,165
<b>INVESTING CASH FLOW ( b )</b>	<b>(285)</b>	<b>(2,942)</b>	<b>2,849</b>	<b>(542)</b>	<b>168</b>	<b>(113)</b>	<b>(439)</b>	<b>(415)</b>
Debt Issuance/(Repaid)	-	-	-	-	-	-	-	-
Interest Expenses	-	-	-	-	-	-	-	-
<i>FCFE</i>	<i>2,124</i>	<i>2,975</i>	<i>3,791</i>	<i>3,971</i>	<i>6,207</i>	<i>2,637</i>	<i>3,875</i>	<i>4,623</i>
Proceeds From Issue of Share Capital	-	-	5,869	-	24	-	-	-
Dividend	(1,737)	(3,003)	(6,686)	(2,923)	(4,427)	(3,769)	(3,015)	(3,476)
Others	-	-	(280)	(1,253)	(2,806)	134	(109)	(62)
<b>FINANCING CASH FLOW ( c )</b>	<b>(1,737)</b>	<b>(3,003)</b>	<b>(1,097)</b>	<b>(4,176)</b>	<b>(7,209)</b>	<b>(3,635)</b>	<b>(3,124)</b>	<b>(3,537)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>193</b>	<b>(398)</b>	<b>5,694</b>	<b>(663)</b>	<b>(794)</b>	<b>(842)</b>	<b>646</b>	<b>970</b>
Opening Cash & Equivalents	602	795	397	6,091	5,428	4,633	3,791	4,436
<b>Closing Cash &amp; Equivalents</b>	<b>795</b>	<b>397</b>	<b>6,091</b>	<b>5,428</b>	<b>4,633</b>	<b>3,791</b>	<b>4,436</b>	<b>5,406</b>

Source: Company, HSIE Research

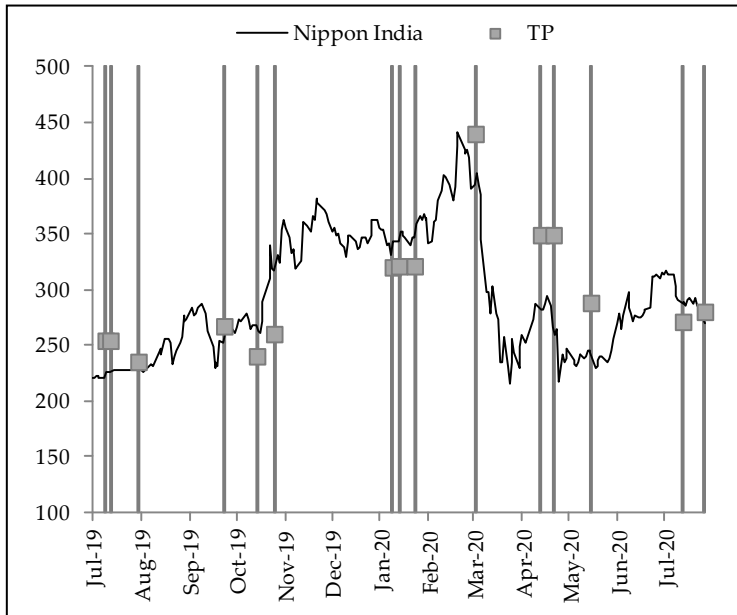
## Key Ratios

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>PROFITABILITY (%)</b>								
EBITDA Margin	34.7	35.7	32.0	36.5	50.6	48.3	51.0	52.7
EBIT Margin	34.4	34.3	31.5	35.8	47.3	43.8	47.4	49.8
APAT Margin	33.2	30.8	28.8	32.9	34.6	48.0	48.4	49.9
RoE	23.8	21.9	21.4	19.5	16.1	18.5	19.9	21.1
Core RoCE	66.5	65.1	81.1	96.8	140.9	135.4	166.0	205.3
RoCE	23.8	21.9	21.4	19.5	16.1	18.5	19.9	21.1
<b>EFFICIENCY</b>								
Tax Rate (%)	23.8	30.7	30.2	30.4	25.7	24.6	24.6	24.6
Asset Turnover (x)	126.1	9.9	6.2	5.7	4.1	3.2	3.8	4.3
Debtors (days)	18	12	9	25	18	20	20	20
Other Current Assets (days)	4	7	14	14	9	10	10	10
Payables (days)	20	30	30	12	21	21	21	21
Other Current Liab & Prov (days)	16	14	29	28	37	35	35	35
Working Capital (days)	-14	-24	-36	-1	-31	-26	-26	-26
Debt/EBITDA (x)	0.00	-	-	-	0.10	0.15	0.10	0.08
Net D/E	(0.0)	(0.0)	(0.3)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
Interest Coverage	-	-	-	-	-	-	-	-
<b>PER SHARE DATA</b>								
AEPS (Rs/sh)	6.8	6.9	7.5	7.9	6.6	7.8	9.0	10.5
CEPS (Rs/sh)	6.8	7.2	7.6	8.1	7.2	8.5	9.6	11.1
DPS (Rs/sh)	2.5	4.2	5.0	6.0	5.0	4.8	5.6	6.5
BV (Rs/sh)	30.5	31.9	38.6	42.0	41.4	43.2	47.5	52.5
<b>VALUATION</b>								
P/E	39.9	39.4	36.1	34.0	40.7	34.4	29.8	25.6
P/BV	8.9	8.5	7.0	6.4	6.5	6.2	5.7	5.1
EV/NOPLAT	49.6	49.8	42.5	39.9	34.4	42.8	33.9	27.9
OCF/EV (%)	1.4	3.6	2.6	2.8	4.3	2.0	3.0	3.6
FCF/EV (%)	1.4	1.9	2.5	2.7	4.3	1.8	2.7	3.3
FCFE/MCAP (%)	1.3	1.8	2.2	2.3	3.7	1.6	2.3	2.7
Dividend Yield (%)	0.9	1.6	1.9	2.2	1.9	1.8	2.1	2.4

Source: Company, HSIE Research



**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
9-Jul-19	221	BUY	254
13-Jul-19	219	BUY	254
30-Jul-19	227	NEU	235
22-Sep-19	254	NEU	267
14-Oct-19	267	NEU	240
25-Oct-19	319	NEU	260
9-Jan-20	343	NEU	320
11-Jan-20	343	NEU	321
24-Jan-20	347	NEU	321
2-Mar-20	391	ADD	440
11-Apr-20	287	BUY	349
21-Apr-20	285	BUY	349
16-May-20	243	BUY	288
13-Jul-20	290	REDUCE	271
28-Jul-20	270	REDUCE	280

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

**Disclosure:**

I, **Madhukar Ladha, CFA, MBA** author and the name 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.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

**Any holding in stock –No**

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

**Disclaimer:**

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

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

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

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

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

**HDFC securities****Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 [www.hdfcsec.com](http://www.hdfcsec.com)