

## Recovery imminent

We maintain BUY on CDSL based on better than expected 4QFY19. Annuity revenue stream is driving growth led by un-listed opportunity. We value CDSL on SoTP basis by assigned 30x multiple to core FY-21 earnings and adding net cash to arrive at a TP of Rs 335.

### HIGHLIGHTS OF THE QUARTER

- Revenue was up 10.4% QoQ to Rs 505mn (vs est. of Rs 485mn). Growth was supported by 1.5/3.7% QoQ rise in Issuer charges/Transaction revenue.
- Around 1,400 un-listed companies applied for demat services by paying ~Rs 21K/company. CDSL is adding ~200-250 issuers per month. This additional revenue can boost Issuer charges by ~6-7% for FY20E.
- Online Data charges (KYC) revenue recovered 5.6% QoQ as Aadhar based offline e-KYC was allowed. The offline e-KYC is done using QR code on a voluntary basis and maintains privacy. This will boost the demand for e-KYC services and CDSL, which has ~60% market share will be a beneficiary.
- Margin expanded 657bps QoQ to 55.5% (vs our est of 57%) led by growth and lower provisions (adjusted for provisions margin was flat QoQ).
- CDSL continued to gain Beneficiary Owner (BO) market share (49% in FY19, +205bps YoY). Incremental market

### FINANCIAL SUMMARY (CONSOLIDATED)

YE March (Rs mn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY17	FY18	FY19P	FY20E	FY21E
Net Revenues	505	499	1.2	458	10.4	1,460	1,877	1,947	2,166	2,419
EBITDA	281	277	1.4	224	25.2	794	1,104	1,089	1,246	1,425
APAT	336	258	30.1	281	19.5	858	1,032	1,135	1,225	1,364
Diluted EPS (Rs)	3.2	2.5	30.1	2.7	19.5	8.2	9.9	10.9	11.7	13.1
P/B (x)						4.4	3.9	3.5	3.2	2.9
P/E (x)						27.5	22.8	20.8	19.2	17.3
EV / EBITDA (x)						22.7	16.3	15.6	13.0	10.9
RoE (%)						16.1	17.2	17.0	16.7	16.8

Source: Company, HDFC sec Inst Research # Consolidated

share for CDSL stood at 64% which indicates DPs preference of CDSL over NSDL.

- There are ~520 universities registered under NAD and ~10.5mn academic records has been generated.
- Near-term outlook:** We expect growth to revive led by growth in annual Issuer charges and KYC revenue. Margins will improve with growth led by non-linearity.

### STANCE: Better days ahead, unlisted opportunity

CDSL has a diversified revenue stream, ~35% of the revenue is of annuity nature and ~47% is market linked (Transaction, IPO/corporate action and KYC). Big opportunity is emerging with the demat of ~60K unlisted public companies. The opportunity size is ~Rs 0.12bn per year (taking ~50% share) with negligible incremental cost. CVL KYC issues are behind and growth with resume with revised e-KYC regulations. New revenue streams like National Academic Depository (NAD) and e-warehouse receipts will start contributing meaningfully in 2HFY20E.

We like CDSL based its (1) Annuity revenue stream, (2) Cash rich balance sheet (Net cash of Rs 6.53bn, ~28% of Mcap), (3) Option value and (4) Unlisted opportunity. We expect CDSL revenue/EBITDA/PAT to grow at a CAGR of 11/14/10% over FY19-21E. Risks include regulatory changes, market slowdown and increase in competition.

INDUSTRY	EXCHANGES		
<b>CMP (as on 08 May 2019)</b>	<b>Rs 226</b>		
<b>Target Price</b>	<b>Rs 335</b>		
Nifty	11,359		
Sensex	37,789		
<b>KEY STOCK DATA</b>			
Bloomberg	CDSL IN		
No. of Shares (mn)	105		
MCap (Rs bn) / (\$ mn)	24/339		
6m avg traded value (Rs mn)	53		
<b>STOCK PERFORMANCE (%)</b>			
<b>52 Week high / low</b>	<b>Rs 302/205</b>		
	3M	6M	12M
Absolute (%)	6.2	(9.5)	(19.5)
Relative (%)	2.8	(16.7)	(26.8)
<b>SHAREHOLDING PATTERN (%)</b>			
	<b>Dec-18</b>	<b>Mar-19</b>	
Promoters	24.00	24.00	
FIs & Local MFs	41.39	41.68	
FPIs	3.03	3.85	
Public & Others	31.58	30.47	
Pledged Shares	0.00	0.00	

Source : BSE

#### Amit Chandra

amit.chandra@hdfcsec.com  
+91-22-6171-7345

#### Apurva Prasad

apurva.prasad@hdfcsec.com  
+91-22-6171-7327

#### Akshay Ramnani

akshay.ramnani@hdfcsec.com  
+91-22-6171-7334

*Revenue grew 10.4% led by higher issuer charges, growth in transaction revenue, one-time verification work of Rs 17mn, increased in CAS, KYC and e-voting revenue offset by fall in IPO/corporate action revenue*

*Adjusted EBITDA margin was also flat QoQ while employee cost increased due to investments in new initiatives*

*Adjusted for higher provisions last quarter, other expense was flat QoQ*

*Full year margin stood at 56%, down 285bps YoY, due to soft revenue growth (+3.7% in FY19) and 10.9% increase in total cost*

*PAT for the quarter stood at Rs 0.34bn up 19.5% QoQ (vs est. of Rs 0.27bn) led by growth and higher other income (+7.9% QoQ to Rs 0.18bn)*

### Quarterly Consolidated Financials Snapshot

YE March (Rs mn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)
<b>Total Revenue</b>	<b>505</b>	<b>499</b>	<b>1.2</b>	<b>458</b>	<b>10.4</b>
Employee Cost	99	96	3.3	79	25.3
Technology Expenses	30	24	21.1	29	1.4
Other Operating Expenses	96	102	(5.9)	126	(23.3)
<b>EBITDA</b>	<b>281</b>	<b>277</b>	<b>1.4</b>	<b>224</b>	<b>25.2</b>
Interest Cost	0	0	NM	0	NM
Depreciation	26	27	(1.4)	26	1.5
Other Income	177	117	51.5	164	7.9
<b>PBT</b>	<b>432</b>	<b>367</b>	<b>17.5</b>	<b>363</b>	<b>19.1</b>
Tax	90	108	(16.8)	78	15.2
Share of Profit Loss from JV & Associates	0	0	NM	0	NM
Minority Interest	6	1	399.4	4	71.6
<b>RPAT</b>	<b>336</b>	<b>258</b>	<b>30.1</b>	<b>281</b>	<b>19.5</b>
E/o gains (adj for tax)	0	0	NM	0	NM
<b>APAT</b>	<b>336</b>	<b>258</b>	<b>30.1</b>	<b>281</b>	<b>19.5</b>

Source: Company, HDFC sec Inst Research

### Margin Analysis

MARGIN ANALYSIS (%)	4QFY19	4QFY18	YoY (bps)	3QFY19	QoQ (bps)
Employee Cost % of Net Rev	19.6	19.2	40	17.2	233
Technology exp % of Net Rev	5.8	4.9	96	6.4	(52)
Other Operating Exp % of Net Rev	19.1	20.5	(144)	27.5	(838)
EBITDA Margin (%)	55.5	55.4	8	48.9	657
Tax Rate (%)	20.8	29.4	(860)	21.5	(70)
APAT Margin (%)	66.4	51.7	1,473	61.4	504

Source: Company, HDFC sec Inst Research

**Annual issuer charges grew 20.7% QoQ in FY19 and incremental growth will come from unlisted opportunity**

**Transaction charges recovered in the quarter but was down 10.8% YoY in FY19 led by lower retail participation**

**Online data charges (KYC) revenue is partial linked to market conditions and MFs flow**

**IPV (In person verification) and manual error checking remains the key strengths for CVL. QR code based Aadhaar verification services will boost CVL revenue**

**Others consists of document storage charges, e-voting, ECAS charges etc.**

**Transaction and IPO/corporate action revenue will revive with higher no of IPOs and better market conditions**

### Segmental Revenue Analysis

Segments Split (Rs mn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY18	FY19	YoY (%)
Annual Issuer charges	179	147	21.7	176	1.5	556	672	20.7
Transaction charges	99	123	(19.7)	95	3.7	440	393	(10.8)
IPO/corporate action charges	38	81	(52.9)	40	(4.5)	295	199	(32.6)
Online data charges	75	84	(10.0)	71	5.6	292	317	8.6
Others	115	65	76.6	75	52.1	294	367	24.7
<b>Total</b>	<b>505</b>	<b>499</b>	<b>1.2</b>	<b>458</b>	<b>10.4</b>	<b>1,877</b>	<b>1,947</b>	<b>3.7</b>

Source: Company, HDFC sec Inst Research

### Segmental Revenue Contribution

Segment Contribution (%)	4QFY19	4QFY18	YoY (bps)	3QFY19	QoQ (bps)	FY18	FY19	YoY (bps)
Annual issuer charges	35.4	29.4	594	38	(310)	29.6	34.5	487
Transaction charges	19.5	24.6	(508)	21	(126)	23.4	20.2	(327)
IPO/corporate action charges	7.6	16.2	(868)	9	(118)	15.7	10.2	(549)
Online data charges	14.9	16.8	(186)	16	(68)	15.5	16.3	73
Others	22.7	13.0	969	16	622	15.7	18.8	317
<b>Total</b>	<b>100.0</b>	<b>100.0</b>		<b>100.0</b>		<b>100.0</b>	<b>100.0</b>	

Source: Company, HDFC sec Inst Research

### Change in Estimate

Particulars	Earlier estimates	Revised estimates	% change
<b>FY20E</b>			
Revenue (Rs mn)	2,166	2,166	(0.0)
EBITDA (Rs mn)	1,272	1,246	(2.0)
EBITDA margin (%)	58.7%	57.5%	(118) bps
APAT (Rs mn)	1,210	1,225	1.2
<b>FY21E</b>			
Revenue (Rs mn)	2,458	2,419	(1.6)
EBITDA (Rs mn)	1,498	1,425	(4.9)
EBITDA margin (%)	61.0%	58.9%	(206) bps
APAT (Rs mn)	1,394	1,364	(2.2)

Source: Company, HDFC sec Inst Research

**No of DPs stood at 598 vs 278 for NSDL in FY19. Total no. of BO accounts for CDSL is at 17.6mn (+15.2% YoY) vs 18.6mn (+8.8% YoY) for NSDL**

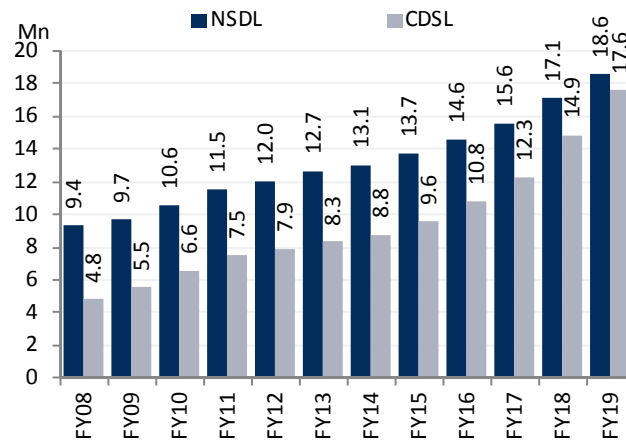
**CDSL has more no of DP's than NSDL due to more retail focus, whereas NSDL focus is institutional**

**CDSL is more DP friendly than NSDL on various aspects like lower transaction fee for higher volume, zero fixed fees for no activity**

**CDSL growth in BO accounts has been impressive, current market share stands at 49% (+205bps YoY)**

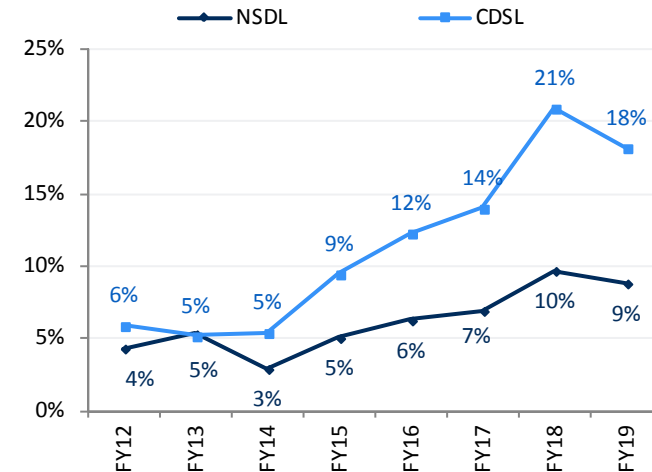
**Incremental BO market share is at 64% up from 63% last year**

**No of BO Accounts, CDSL Catching Up With NSDL**



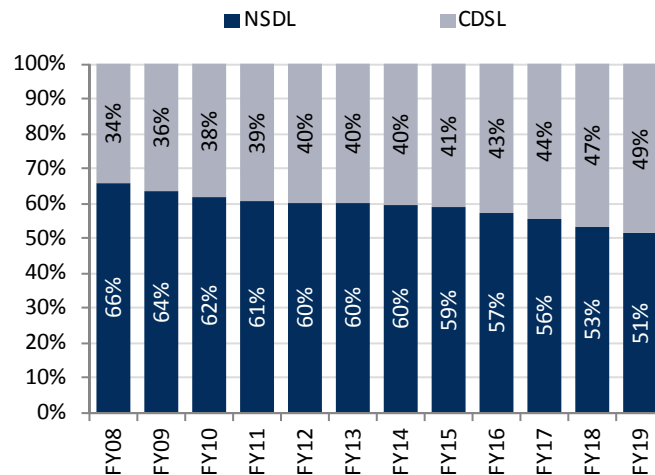
Source: CDSL, NSDL, HDFC sec Inst Research

**Growth In BO Accounts**



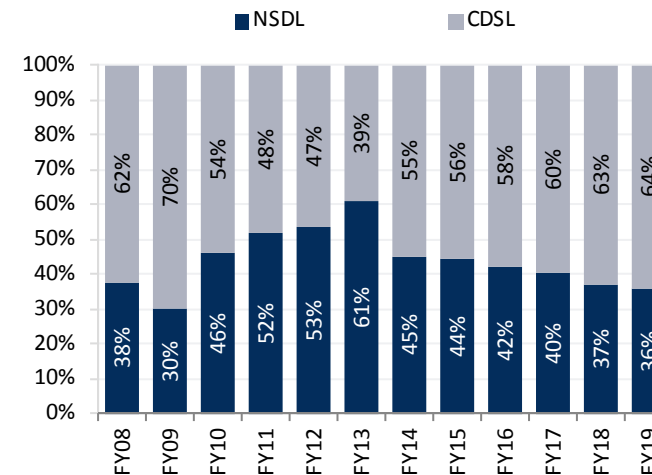
Source: CDSL, NSDL, HDFC sec Inst Research

**CDSL Gaining Market Share From NSDL**



Source: CDSL, NSDL, HDFC sec Inst Research

**Incremental Market Share (%)**



Source: CDSL, NSDL, HDFC sec Inst Research

**CDSL Revenue Break-up And Assumptions**

CDSL Revenue (Rs mn)	FY14	FY15	FY16	FY17	FY18	FY19P	FY20E	FY21E	CAGR 14-19	CAGR 16-19	CAGR 19-21E
<b>Annual Issuer Charges</b>	<b>382</b>	<b>355</b>	<b>481</b>	<b>517</b>	<b>556</b>	<b>687</b>	<b>778</b>	<b>909</b>	<b>12%</b>	<b>12%</b>	<b>16%</b>
Growth %	-1.9%	-7.3%	35.8%	7.4%	7.6%	23.4%	15.9%	16.8%			
% of Revenue	43.0%	33.7%	39.2%	35.4%	29.6%	35.3%	35.9%	37.6%			
<b>Transaction Charges</b>	<b>199</b>	<b>283</b>	<b>258</b>	<b>312</b>	<b>440</b>	<b>397</b>	<b>425</b>	<b>457</b>	<b>15%</b>	<b>15%</b>	<b>8%</b>
Growth %	-9.0%	42.4%	-8.8%	20.9%	40.8%	-9.8%	8.3%	7.5%			
% of Revenue	22.4%	26.9%	21.0%	21.4%	23.4%	20.4%	19.6%	18.9%			
<b>IPO/Corporate action</b>	<b>0</b>	<b>62</b>	<b>107</b>	<b>165</b>	<b>295</b>	<b>199</b>	<b>215</b>	<b>236</b>	<b>NM</b>	<b>68%</b>	<b>9%</b>
Growth %	NM	NM	72.8%	54.3%	78.5%	-32.6%	8.0%	10.0%			
% of Revenue	0.0%	5.9%	8.7%	11.3%	15.7%	10.2%	9.9%	9.8%			
<b>Online Data Charges</b>	<b>89</b>	<b>147</b>	<b>154</b>	<b>187</b>	<b>292</b>	<b>313</b>	<b>344</b>	<b>373</b>	<b>29%</b>	<b>27%</b>	<b>9%</b>
Growth %	-23.0%	64.1%	4.8%	21.9%	55.8%	7.2%	8.5%	8.5%			
% of Revenue	10.0%	13.9%	12.5%	12.8%	15.5%	16.1%	15.9%	15.4%			
<b>Others</b>	<b>219</b>	<b>206</b>	<b>228</b>	<b>278</b>	<b>294</b>	<b>352</b>	<b>403</b>	<b>444</b>	<b>11%</b>	<b>17%</b>	<b>10%</b>
Growth %	19.4%	-5.6%	10.5%	21.9%	5.8%	19.6%	10.0%	10.0%			
% of Revenue	24.6%	19.6%	18.6%	19.0%	15.7%	18.1%	18.6%	18.3%			
<b>Total</b>	<b>889</b>	<b>1,053</b>	<b>1,229</b>	<b>1,460</b>	<b>1,877</b>	<b>1,947</b>	<b>2,166</b>	<b>2,419</b>	<b>17%</b>	<b>17%</b>	<b>11%</b>
Growth %	-2.0%	18.4%	16.7%	18.8%	28.6%	3.7%	11.3%	11.7%			

Source: Company, HDFC sec Inst Research

**CDSL added 1,400 unlisted companies contributing Rs 30mn to revenue, which comes to ~Rs 21K/company**

**CDSL charges Rs 15K/company as fixed one-time charge and Rs 5-6K/company based on paid up equity capital**

**The total opportunity from unlisted can be Rs 0.60bn over the next five years**

**Assuming the current rate of 200 companies per month the incremental revenue in FY 20 could be Rs 0.05bn (~7% growth over FY19)**

**CDSL Cost Analysis and Assumptions**

CDSL Costing Analysis (Rs mn)	FY14	FY15	FY16	FY17	FY18	FY19P	FY20E	FY21E	CAGR 14-19	CAGR 16-19	CAGR 19-21E
<b>Employee Cost</b>	<b>175</b>	<b>192</b>	<b>215</b>	<b>249</b>	<b>303</b>	<b>342</b>	<b>376</b>	<b>417</b>	<b>14%</b>	<b>11%</b>	<b>10%</b>
Growth %	1.8%	10.0%	11.9%	15.7%	22.0%	12.7%	10.0%	11.0%			
% of Revenue	19.6%	18.2%	17.5%	17.0%	16.2%	17.6%	17.4%	17.3%			
% of Total Cost	31.0%	31.9%	36.5%	37.3%	43.0%	39.9%	40.9%	42.0%			
<b>IT Cost</b>	<b>80</b>	<b>79</b>	<b>79</b>	<b>84</b>	<b>97</b>	<b>116</b>	<b>126</b>	<b>136</b>	<b>8%</b>	<b>14%</b>	<b>8%</b>
Growth %	21.4%	-1.0%	-0.2%	7.1%	15.2%	19.9%	8.0%	8.0%			
% of Revenue	9.0%	7.5%	6.4%	5.8%	5.2%	6.0%	5.8%	5.6%			
% of Total Cost	14.2%	13.1%	13.3%	12.7%	13.8%	13.6%	13.7%	13.7%			
<b>Other cost</b>	<b>179</b>	<b>207</b>	<b>273</b>	<b>287</b>	<b>264</b>	<b>357</b>	<b>375</b>	<b>396</b>	<b>15%</b>	<b>9%</b>	<b>5%</b>
Growth %	-0.8%	15.6%	31.9%	5.2%	-7.9%	35.2%	5.0%	5.5%			
% of Revenue	20.1%	19.6%	22.2%	19.7%	14.1%	18.4%	17.3%	16.4%			
% of Total Cost	31.8%	34.4%	46.3%	43.1%	37.5%	41.7%	40.8%	39.8%			
<b>IP Fund</b>	<b>129</b>	<b>123</b>	<b>23</b>	<b>46</b>	<b>41</b>	<b>42</b>	<b>43</b>	<b>45</b>	<b>-20%</b>	<b>22%</b>	<b>4%</b>
Growth %	-2.7%	-4.4%	-81.3%	98.8%	-11.2%	2.0%	3.0%	5.0%			
% of Revenue	14.5%	11.7%	1.9%	3.1%	2.2%	2.1%	2.0%	1.9%			
% of Net Profit	26.6%	22.1%	4.0%	5.4%	3.7%	3.7%	3.5%	3.3%			
<b>Total Cost</b>	<b>562</b>	<b>601</b>	<b>589</b>	<b>666</b>	<b>705</b>	<b>857</b>	<b>920</b>	<b>994</b>	<b>9%</b>	<b>13%</b>	<b>8%</b>
Growth %	2.2%	6.9%	-2.0%	13.0%	5.9%	21.5%	7.3%	8.1%			
<b>EBITDA</b>	<b>327</b>	<b>452</b>	<b>639</b>	<b>794</b>	<b>1,171</b>	<b>1,089</b>	<b>1,246</b>	<b>1,425</b>	<b>27%</b>	<b>19%</b>	<b>14%</b>
Growth %	-8.4%	38.1%	41.5%	24.3%	47.5%	-7.0%	14.4%	14.4%			
EBITDA Margin %	36.8%	42.9%	52.0%	54.4%	62.4%	56.0%	57.5%	58.9%	1,917	393	294

Source: BSE, HDFC sec Inst Research

## Valuation & outlook

- We expect CDSL revenue/EBITDA/PAT to increase at a CAGR of 11/14/10% over FY19-21E. EBITDA margin will expand from 56.0% in FY19 to 58.9% in FY21E led by a fixed cost business model (cost to grow at 8% CAGR over FY19-21E)
- RoE for the business is only 17.0%, owing to high net cash on the books (Rs 6.53bn in FY19, ~28% of Mcap). Adjusting for cash, RoIC stands at healthy 60.7% in FY19. There is no capital requirement in the business to fuel growth, thus core return ratios will remain high.
- We see value based on (1) Diversified revenue stream, (2) Fixed cost model, (3) Oligopoly market (4) Cash rich balance sheet (Net cash ~82% of BS), (4) High return ratios (RoE 17%, RoIC 61% in FY19) (5) Option value of new growth engines like NAD and e-warehouse receipts (4) No capex required to fund growth, (5) Asset light model (6) Excellent operating cash generation (~64% of EBITDA and 62% of PAT in FY19).

- We believe the business should command higher multiple because of its asset light nature, higher (~35%) annuity revenue stream vs exchanges, higher return ratios and excellent cash generation. We assign a P/E multiple of 30x to core earnings and add back net cash to arrive at a SoTP based price of Rs 335 (49% upside from CMP). At P/E of 19.2/17.3x FY20/21E earnings, we believe the stock is not expensive. We maintain our BUY rating.

### CDSL Valuation Table

Core FY21 PAT (Rs mn)	982
Core P/E Multiple (x)	30
Core Mcap (Rs mn)	29,311
Net Cash (Rs mn)	5,746
Target Mcap (Rs mn)	35,057
<b>TP (Rs)</b>	<b>335</b>
CMP (Rs)	226
Upside from CMP (%)	49%

Source: Company, HDFC sec Inst Research, \* Net cash ex liabilities

### Peer Set Comparison

Company	M-Cap (Rs bn)	Rating	CMP (Rs)	TP (Rs)	P/E (x)				EV/EBITDA (x)				RoE (%)			
					FY18	FY19P	FY20E	FY21E	FY18	FY19P	FY20E	FY21E	FY18	FY19P	FY20E	FY21E
MCX	42.0	BUY	826	950	38.8	28.0	26.0	21.7	44.9	35.1	25.0	18.8	7.9	11.4	12.8	14.9
BSE	32.0	BUY	614	802	11.5	13.3	13.6	12.0	1.2	11.3	12.1	8.1	7.8	7.1	8.1	9.1
<b>CDSL</b>	<b>23.6</b>	<b>BUY</b>	<b>226</b>	<b>335</b>	<b>22.8</b>	<b>20.8</b>	<b>19.2</b>	<b>17.3</b>	<b>16.3</b>	<b>15.6</b>	<b>13.0</b>	<b>10.9</b>	<b>17.2</b>	<b>17.0</b>	<b>16.7</b>	<b>16.8</b>

Source: Company, HDFC sec Inst Research

**Income Statement (Consolidated)**

YE March (Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
<b>Net Revenues (Rs mn)</b>	<b>1,460</b>	<b>1,877</b>	<b>1,947</b>	<b>2,166</b>	<b>2,419</b>
<b>Growth (%)</b>	<b>18.8</b>	<b>28.6</b>	<b>3.7</b>	<b>11.3</b>	<b>11.7</b>
Employee Expenses	249	303	342	376	417
Other operating Expenses	417	470	515	544	577
<b>EBITDA</b>	<b>794</b>	<b>1,104</b>	<b>1,089</b>	<b>1,246</b>	<b>1,425</b>
<b>EBITDA Margin (%)</b>	<b>54.4</b>	<b>58.8</b>	<b>56.0</b>	<b>57.5</b>	<b>58.9</b>
<b>EBITDA Growth (%)</b>	<b>24.3</b>	<b>39.0</b>	<b>(1.3)</b>	<b>14.4</b>	<b>14.4</b>
Depreciation	37	69	99	107	116
<b>EBIT</b>	<b>757</b>	<b>1,034</b>	<b>990</b>	<b>1,139</b>	<b>1,309</b>
Other Income (Including EO Items)	408	380	492	513	528
Interest	0	0	0	0	0
<b>PBT</b>	<b>1,166</b>	<b>1,414</b>	<b>1,482</b>	<b>1,652</b>	<b>1,838</b>
Tax (Incl Deferred)	300	378	334	413	459
Minority Interest	8	5	13	14	14
<b>RPAT</b>	<b>858</b>	<b>1,032</b>	<b>1,135</b>	<b>1,225</b>	<b>1,364</b>
EO (Loss) / Profit (Net Of Tax)	0	0	0	0	0
<b>APAT</b>	<b>858</b>	<b>1,032</b>	<b>1,135</b>	<b>1,225</b>	<b>1,364</b>
<b>APAT Growth (%)</b>	<b>26.1</b>	<b>20.3</b>	<b>10.0</b>	<b>7.9</b>	<b>11.3</b>
<b>Adjusted EPS (Rs)</b>	<b>8.2</b>	<b>9.9</b>	<b>10.9</b>	<b>11.7</b>	<b>13.1</b>
<b>EPS Growth (%)</b>	<b>26.1</b>	<b>20.3</b>	<b>10.0</b>	<b>7.9</b>	<b>11.3</b>

Source: Company, HDFC sec Inst Research

**Balance Sheet (Consolidated)**

YE March (Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	1,045	1,045	1,045	1,045	1,045
Reserves	4,288	4,943	5,636	6,310	7,060
<b>Total Shareholders' Funds</b>	<b>5,333</b>	<b>5,988</b>	<b>6,681</b>	<b>7,355</b>	<b>8,105</b>
Settlement guarantee fund					
Minority Interest	155	159	413	427	441
<b>Total Debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Deferred Taxes (Net)	(15)	(19)	(33)	(33)	(33)
Long Term Provisions & Others	6	9	10	10	10
<b>TOTAL SOURCES OF FUNDS</b>	<b>5,479</b>	<b>6,137</b>	<b>7,071</b>	<b>7,758</b>	<b>8,523</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	55	761	752	721	690
LT Loans & Advances & Others	228	217	243	303	339
<b>Total Non-current Assets</b>	<b>283</b>	<b>978</b>	<b>995</b>	<b>1,024</b>	<b>1,029</b>
Debtors	133	189	191	214	239
Other Current Assets	122	87	89	152	169
Cash & Equivalents	5,512	5,630	6,530	7,321	8,099
<b>Total Current Assets</b>	<b>5,767</b>	<b>5,906</b>	<b>6,810</b>	<b>7,686</b>	<b>8,507</b>
Creditors	90	40	36	149	166
Other Current Liabilities & Provns	481	707	698	803	847
<b>Total Current Liabilities</b>	<b>571</b>	<b>747</b>	<b>734</b>	<b>952</b>	<b>1,013</b>
Net Current Assets	5,196	5,159	6,076	6,734	7,494
<b>TOTAL APPLICATION OF FUNDS</b>	<b>5,479</b>	<b>6,137</b>	<b>7,071</b>	<b>7,758</b>	<b>8,523</b>

Source: Company, HDFC sec Inst Research



**Cash Flow (Consolidated)**

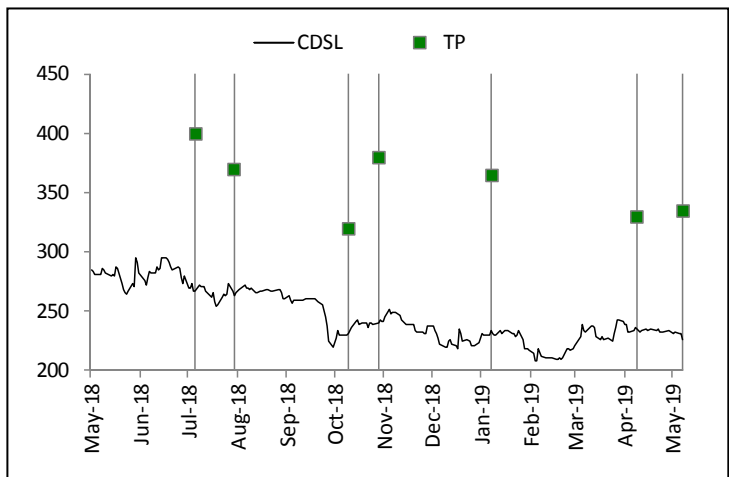
YE March (Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
<b>Reported PBT</b>	<b>1,166</b>	<b>1,414</b>	<b>1,482</b>	<b>1,652</b>	<b>1,838</b>
Non-operating & EO items	(408)	(380)	(492)	(513)	(528)
Interest expenses	0	0	0	0	0
Depreciation	37	69	99	107	116
Working Capital Change	4	164	(56)	72	(17)
Tax Paid	(300)	(378)	(334)	(413)	(459)
<b>OPERATING CASH FLOW ( a )</b>	<b>498</b>	<b>890</b>	<b>699</b>	<b>905</b>	<b>949</b>
Capex	(50)	(776)	(91)	(76)	(85)
Free cash flow (FCF)	448	114	609	829	864
Investments	0	0	0	0	0
Non-operating Income	408	380	492	513	528
<b>INVESTING CASH FLOW ( b )</b>	<b>358</b>	<b>(396)</b>	<b>401</b>	<b>437</b>	<b>444</b>
Debt Issuance/(Repaid)	0	0	0	0	0
Interest Expenses	0	0	0	0	0
FCFE	448	114	609	829	864
Share Capital Issuance	0	0	0	0	0
Dividend	(377)	(444)	(511)	(551)	(614)
<b>FINANCING CASH FLOW ( c )</b>	<b>(377)</b>	<b>(444)</b>	<b>(511)</b>	<b>(551)</b>	<b>(614)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>479</b>	<b>51</b>	<b>590</b>	<b>791</b>	<b>779</b>
EO Items, Others	55	67	310	0	0
<b>Closing Cash &amp; Equivalents</b>	<b>5,512</b>	<b>5,630</b>	<b>6,530</b>	<b>7,321</b>	<b>8,099</b>

Source: Company, HDFC sec Inst Research

**Key Ratios (Consolidated)**

	FY17	FY18	FY19P	FY20E	FY21E
<b>PROFITABILITY (%)</b>					
GPM	83.0	83.8	82.4	82.6	82.7
EBITDA Margin	54.4	58.8	56.0	57.5	58.9
APAT Margin	58.8	55.0	58.3	56.6	56.4
RoE	16.1	17.2	17.0	16.7	16.8
RoIC (or Core RoCE)	103.3	84.6	60.7	64.1	69.5
RoCE	16.4	17.8	17.2	16.5	16.8
<b>EFFICIENCY</b>					
Tax Rate (%)	25.7%	26.7%	22.5%	25.0%	25.0%
Fixed Asset Turnover (x)	11.3	2.1	2.0	2.0	2.1
Inventory (days)	0	0	0	0	0
Debtors (days)	33	37	36	36	36
Other Current Assets (days)	30	17	17	26	26
Payables (days)	22	8	7	25	25
Other Current Liab & Provns (days)	120	137	131	135	128
Cash Conversion Cycle (days)	-79	-92	-85	-99	-91
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	(1.0)	(0.9)	(1.0)	(1.0)	(1.0)
Interest Coverage (x)	NM	NM	NM	NM	NM
<b>PER SHARE DATA (Rs)</b>					
EPS	8.2	9.9	10.9	11.7	13.1
CEPS	8.6	10.5	11.8	12.7	14.2
Dividend	3.0	3.5	4.1	4.4	4.9
Book Value	51.0	57.3	63.9	70.4	77.6
<b>VALUATION</b>					
P/E (x)	27.5	22.8	20.8	19.2	17.3
P/BV (x)	4.4	3.9	3.5	3.2	2.9
EV/EBITDA (x)	22.7	16.3	15.6	13.0	10.9
OCF/EV (%)	2.8	5.0	4.1	5.6	6.1
FCF/EV (%)	2.5	0.6	3.6	5.1	5.6
FCFE/Mkt Cap (%)	1.9	0.5	2.6	3.5	3.7
Dividend Yield (%)	1.3	1.6	1.8	1.9	2.2

Source: Company, HDFC sec Inst Research

**RECOMMENDATION HISTORY**


Date	CMP	Reco	Target
6-Jul-18	267	BUY	400
31-Jul-18	267	BUY	370
10-Oct-18	231	BUY	320
30-Oct-18	240	BUY	380
8-Jan-19	233	BUY	365
9-Apr-19	233	BUY	330
9-May-19	226	BUY	335

**Rating Definitions**

- BUY** : Where the stock is expected to deliver more than 10% returns over the next 12-month period  
**NEUTRAL** : Where the stock is expected to deliver (-)10% to 10% returns over the next 12-month period  
**SELL** : Where the stock is expected to deliver less than (-)10% returns over the next 12-month period

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**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**

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**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)