

Navigating uncertainties

We maintain BUY on CDSL post higher revenues but lower margins in 1QFY20. Annuity revenue (+23% YoY) is driving growth led by the unlisted opportunity. Our SoTP of Rs 320 is based on 30x core FY21 earnings plus net cash.

HIGHLIGHTS OF THE QUARTER

- Revenue was up 15.6% QoQ to Rs 584mn (vs est. of Rs 501mn). Growth was supported by 7.5/39% QoQ rise in Issuer charges/IPO & corporate action.
- Total 655 un-listed companies applied for Demat services by paying ~Rs 15K/company. CDSL is adding ~200-250 un-listed companies per month vs. ~500 by NSDL. Annual issuer revenue (+23.3% FY20E) is driving growth for CDSL and is a multi-year opportunity.
- Others (e-CAS, e-Voting, Govt.) was up 42.7% QoQ led by one-off Govt. project (Rs 69.3mn, adjusted total revenue was up 1.8% QoQ). The Govt. project is at 31% margins and may continue till this year-end.
- Reported margin contracted 1,675bps QoQ to 38.8% led by wage hike, provisions, and lower margin Govt business. Adjusted margin stood at 52.5% vs. est. of 55%. Steep wage hike of ~30% was a negative surprise and will increase employee cost by ~36% for FY20E.
- CDSL continued to gain a Beneficiary Owner (BO) market share (49%, +202bps YoY). Incremental market

share for CDSL stood at 74% (vs. 64%) which indicates the rising preference of CDSL over NSDL.

- There are ~546 (vs 520 QoQ) universities registered under NAD and ~17.1mn academic records have been generated. This is a future revenue driver.
- Near-term outlook:** We expect growth to continue led by annual Issuer charges. Margins will improve with growth and absence of one-off costs.

STANCE: Unlisted opportunity is bearing fruit

CDSL has a diversified revenue stream, ~33% of the revenue is annuity and ~40% is market-linked (and uncertain). Huge opportunity for demat of ~60K unlisted public companies is now bearing fruits. At current run-rate, it will contribute ~7% to growth with negligible incremental cost. Transactions charges/KYC revenue will revive with better market conditions. New revenue streams like National Academic Depository (NAD) and e-warehouse receipts will start contributing only from 2HFY20E.

We like CDSL based its (1) Annuity revenue stream, (2) Cash-rich balance sheet (Net cash of Rs 6.50bn, ~32% of Mcap), (3) Option value and (4) Unlisted opportunity. We expect CDSL revenue/EBITDA/PAT to grow at a CAGR of 14/11/8% over FY19-21E. Risks include regulatory changes, market slowdown and increase in competition.

FINANCIAL SUMMARY (CONSOLIDATED)

YE March (Rs mn)	1QFY20	1QFY20	YoY (%)	4QFY19	QoQ (%)	FY17	FY18	FY19	FY20E	FY21E
Net Revenues	584	453	29.0	505	15.6	1,460	1,877	1,947	2,235	2,540
EBITDA	226	257	(11.9)	281	(19.3)	794	1,104	1,089	1,135	1,345
APAT	274	219	25.4	336	(18.2)	858	1,032	1,135	1,180	1,329
Diluted EPS (Rs)	2.6	2.1	25.4	3.2	(18.2)	8.2	9.9	10.9	11.3	12.7
P/B (x)						3.8	3.4	3.0	2.8	2.5
P/E (x)						23.6	19.7	17.9	17.2	15.3
EV / EBITDA (x)						18.6	13.3	12.6	11.5	9.2
RoE (%)						16.1	17.2	17.0	16.1	16.5

Source: Company, HDFC sec Inst Research # Consolidated

INDUSTRY	EXCHANGES
CMP (as on 29 Jul 2019)	Rs 194
Target Price	Rs 320
Nifty	11,189
Sensex	37,686
KEY STOCK DATA	
Bloomberg	CDSL IN
No. of Shares (mn)	105
MCap (Rs bn) / (\$ mn)	20/295
6m avg traded value (Rs mn)	38
STOCK PERFORMANCE (%)	
52 Week high / low	Rs 279/192
	3M 6M 12M
Absolute (%)	(16.6) (11.2) (28.8)
Relative (%)	(13.1) (17.0) (29.8)
SHAREHOLDING PATTERN (%)	
	Mar-19 June-19
Promoters	24.00 24.00
FIs & Local MFs	41.68 42.46
FPIs	3.85 2.71
Public & Others	30.47 30.83
Pledged Shares	0.00 0.00
Source : BSE	

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Revenue grew 15.6% QoQ and adjusted for the Govt. contract the growth was 1.8% QoQ

Employee cost went up sharply due to wage hike of ~30% (after three years). The one-time impact related to leave encashment, PF and Gratuity was at Rs 35mn

Other expenses doubled QoQ due to the Govt. project (Rs 54.9mn) and provisions of Rs 16mn

Adjusted EBITDA margin stood at 52.5% down 306bps QoQ. Adjusted EBITDA stood at Rs 270mn vs. est. of Rs 278mn.

APAT for the quarter stood at Rs 274mn down 18.2% QoQ led by lower margin and wage hike

Adjusted for one-offs PAT stood at Rs 319mn vs. est. of Rs 328mn

Quarterly Consolidated Financials Snapshot

YE March (Rs mn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)
Total Revenue	584	453	29.0	505	15.6
Employee Cost	143	80	77.6	99	44.4
Technology Expenses	31	24	32.3	30	5.6
Other Operating Expenses	184	92	100.1	96	90.5
EBITDA	226	257	(11.9)	281	(19.3)
Depreciation	27	25	7.5	26	2.6
EBIT	200	232	(14.0)	254	(21.6)
Interest Cost	0	0	NM	0	NM
Other Income	150	52	191.0	177	(15.3)
PBT	350	284	23.3	432	(19.0)
Tax	71	64	11.3	90	(21.4)
Share of Profit Loss from JV & Associates	0	0	NM	0	NM
Minority Interest	5	2	209.1	6	(24.1)
RPAT	274	219	25.4	336	(18.2)
E/o gains (adj for tax)	0	0	NM	0	NM
APAT	274	219	25.4	336	(18.2)

Source: Company, HDFC sec Inst Research

Margin Analysis

MARGIN ANALYSIS (%)	1QFY20	1QFY19	YoY (bps)	4QFY19	QoQ (bps)
Employee Cost % of Net Rev	24.4	17.7	670	19.6	488
Technology exp % of Net Rev	5.3	5.2	13	5.8	(50)
Other Operating Exp % of Net Rev	31.5	20.3	1,118	19.1	1,237
EBITDA Margin (%)	38.8	56.8	(1,801)	55.5	(1,675)
EBIT Margin (%)	34.2	51.3	(1,709)	50.3	(1,617)
Tax Rate (%)	20.2	22.4	(217)	20.8	(62)
APAT Margin (%)	47.0	48.3	(132)	66.4	(1,942)

Source: Company, HDFC sec Inst Research

Annual issuer charges grew 7.5% QoQ and incremental growth will come from the unlisted opportunity

Transaction charges were flat QoQ and will recover with higher with better delivery percentage and higher churn

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

Others consist of document storage charges, e-voting, ECAS charges and Govt.

Govt. revenue was Rs 69.3mn vs Rs 25mn last quarter. The phase-1 of the contract is over and CDSL made EBITDA of Rs 21.4mn.

The project involves verification of ~40mn records and can extend for the next one year. We have not assumed any revenue in our future estimates.

Segmental Revenue Analysis

Segments Split (Rs mn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)	FY18	FY19	YoY (%)
Annual issuer charges	192	157	22.6	179	7.5	556	672	20.7
Transaction charges	99	97	2.1	99	0.1	440	393	(10.8)
IPO/corporate action charges	53	59	(10.0)	38	39.0	295	199	(32.6)
Online data charges	76	69	11.5	75	1.5	292	317	8.6
Others (e-voting, CAS, Govt etc)	164	72	127.4	115	42.7	294	367	24.7
Total	584	453	29.0	505	15.6	1,877	1,947	3.7

Source: Company, HDFC sec Inst Research

Segmental Revenue Contribution

Segment Contribution (%)	1QFY20	1QFY19	YoY (bps)	4QFY19	QoQ (bps)	FY18	FY19	YoY (bps)
Annual issuer charges	32.9	34.6	(171)	35	(245)	29.6	34.5	487
Transaction charges	16.9	21.3	(445)	19	(261)	23.4	20.2	(327)
IPO/corporate action charges	9.1	13.0	(394)	8	153	15.7	10.2	(549)
Online data charges	13.1	15.1	(204)	15	(182)	15.5	16.3	73
Others (e-voting, CAS, Govt etc)	28.0	15.9	1,214	23	534	15.7	18.8	317
Total	100.0	100.0		100.0		100.0	100.0	

Source: Company, HDFC sec Inst Research

Change in Estimate

Particulars	Earlier estimates	Revised estimates	% change
FY20E			
Revenue (Rs mn)	2,166	2,235	3.2
EBITDA (Rs mn)	1,246	1,135	(8.9)
EBITDA margin (%)	57.5%	50.8%	(674)bps
APAT (Rs mn)	1,225	1,180	(3.7)
FY21E			
Revenue (Rs mn)	2,419	2,540	5.0
EBITDA (Rs mn)	1,425	1,345	(5.6)
EBITDA margin (%)	58.9%	53.0%	(593) bps
APAT (Rs mn)	1,364	1,329	(2.6)

Source: Company, HDFC sec Inst Research

No of DPs stood at 603 vs 278 for NSDL in 1QFY20. Total no. of BO accounts for CDSL is at 18.0mn (+17.4% YoY) vs 18.7mn (+8.3% YoY) for NSDL

The gap between CDSL & NSDL is narrowing

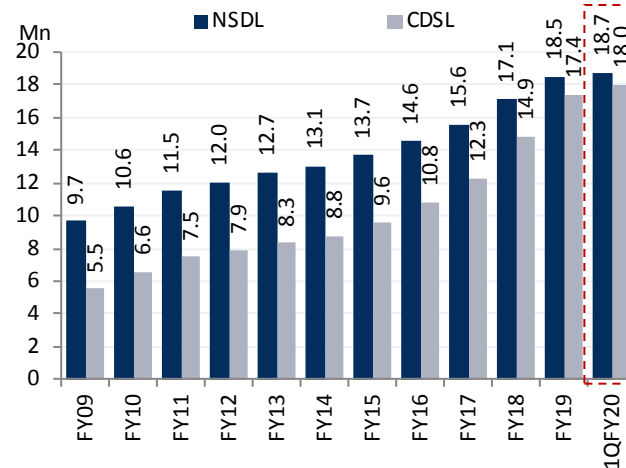
CDSL has more no of DPs than NSDL due to more retail focus, whereas NSDL is institutional focused

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 is at 49% (+59bps QoQ)

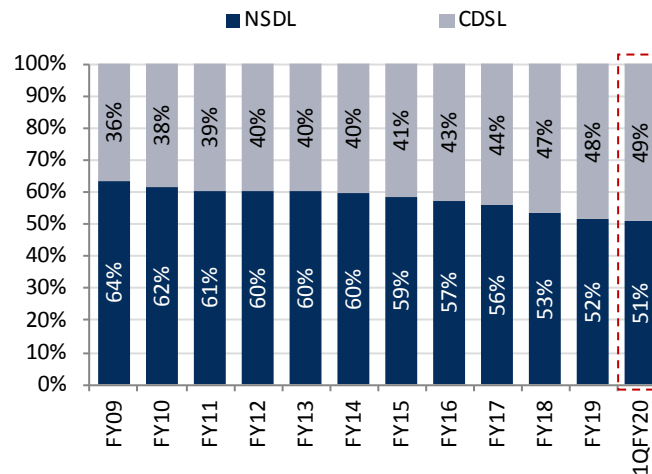
Incremental BO market share is at 74% up from 64% last quarter

No of BO Accounts, CDSL Catching Up With NSDL



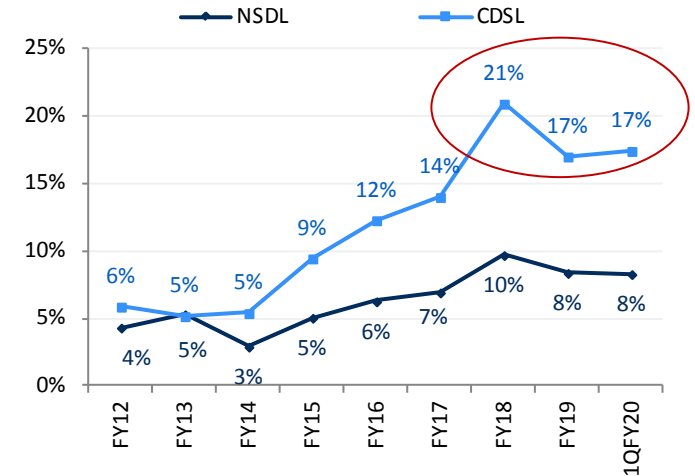
Source: CDSL, NSDL, HDFC sec Inst Research

CDSL Gaining Market Share From NSDL



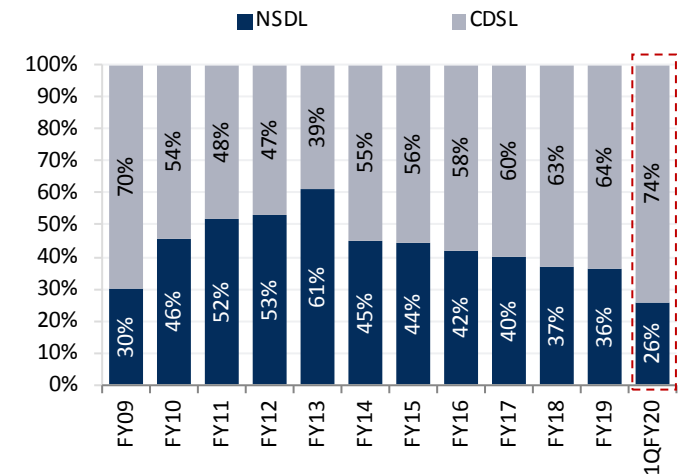
Source: CDSL, NSDL, HDFC sec Inst Research

Growth In BO Accounts Is Impressive



Source: CDSL, NSDL, HDFC sec Inst Research

Incremental Market Share (%)



Source: CDSL, NSDL, HDFC sec Inst Research

CDSL added 655 unlisted companies while NSDL added 1,770 companies in the same period

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

Growth is driven by Annual issuer charges (CAGR of 23% over FY19-21E)

The steep growth in others is due to the Govt. project

CDSL Revenue Break-up And Assumptions

CDSL Revenue (Rs mn)	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	CAGR 14-19	CAGR 16-19	CAGR 19-21E
Annual Issuer Charges	382	355	481	517	556	687	828	1,013	12%	12%	23%
Growth %	-1.9%	-7.3%	35.8%	7.4%	7.6%	23.4%	23.3%	22.3%			
% of Revenue	43.0%	33.7%	39.2%	35.4%	29.6%	35.3%	37.1%	39.9%			
Transaction Charges	199	283	258	312	440	397	406	437	15%	15%	5%
Growth %	-9.0%	42.4%	-8.8%	20.9%	40.8%	-9.8%	3.5%	7.5%			
% of Revenue	22.4%	26.9%	21.0%	21.4%	23.4%	20.4%	18.2%	17.2%			
IPO/Corporate action	0	62	107	165	295	199	204	221	NM	68%	5%
Growth %	NM	NM	72.8%	54.3%	78.5%	-32.6%	2.8%	8.0%			
% of Revenue	0.0%	5.9%	8.7%	11.3%	15.7%	10.2%	9.1%	8.7%			
Online Data Charges	89	147	154	187	292	313	315	340	29%	27%	4%
Growth %	-23.0%	64.1%	4.8%	21.9%	55.8%	7.2%	-0.6%	8.0%			
% of Revenue	10.0%	13.9%	12.5%	12.8%	15.5%	16.1%	14.1%	13.4%			
Others	219	206	228	278	294	352	481	529	11%	17%	20%
Growth %	19.4%	-5.6%	10.5%	21.9%	5.8%	19.6%	31.2%	10.0%			
% of Revenue	24.6%	19.6%	18.6%	19.0%	15.7%	18.1%	21.5%	20.8%			
Total	889	1,053	1,229	1,460	1,877	1,947	2,235	2,540	17%	17%	14%
Growth %	-2.0%	18.4%	16.7%	18.8%	28.6%	3.7%	14.8%	13.6%			

Source: Company, HDFC sec Inst Research

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
Employee Cost	175	192	215	249	303	342	466	503	14%	17%	21%
Growth %	1.8%	10.0%	11.9%	15.7%	22.0%	12.7%	36.3%	8.0%			
% of Revenue	19.6%	18.2%	17.5%	17.0%	16.2%	17.6%	20.9%	19.8%			
% of Total Cost	31.0%	31.9%	36.5%	37.3%	43.0%	39.9%	42.4%	42.1%			
IT Cost	80	79	79	84	97	116	126	136	8%	14%	8%
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%	5.6%	5.3%			
% of Total Cost	14.2%	13.1%	13.3%	12.7%	13.8%	13.6%	11.4%	11.4%			
Other cost	179	207	273	287	264	357	465	510	15%	9%	19%
Growth %	-0.8%	15.6%	31.9%	5.2%	-7.9%	35.2%	30.2%	9.6%			
% of Revenue	20.1%	19.6%	22.2%	19.7%	14.1%	18.4%	20.8%	20.1%			
% of Total Cost	31.8%	34.4%	46.3%	43.1%	37.5%	41.7%	42.3%	42.7%			
IP Fund	129	123	23	46	41	42	43	45	-20%	22%	4%
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%	1.9%	1.8%			
% of Net Profit	26.6%	22.1%	4.0%	5.4%	3.7%	3.7%	3.6%	3.4%			
Total Cost	562	601	589	666	705	857	1,100	1,194	9%	13%	18%
Growth %	2.2%	6.9%	-2.0%	13.0%	5.9%	21.5%	28.3%	8.6%			
EBITDA	327	452	639	794	1,171	1,089	1,135	1,345	27%	19%	11%
Growth %	-8.4%	38.1%	41.5%	24.3%	47.5%	-7.0%	4.2%	18.5%			
EBITDA Margin %	36.8%	42.9%	52.0%	54.4%	62.4%	56.0%	50.8%	53.0%	1,917	393	(299)

Source: BSE, HDFC sec Inst Research

Employee cost has risen sharply due to steep wage hike taken in 1QFY20

Other cost includes the cost related to Govt. project

The total cost has risen sharply in FY19 and will continue in FY20E

Margins is falling due to lower margin Govt. business and increase in cost structure

Valuation & outlook

- We expect CDSL revenue/EBITDA/PAT to increase at a CAGR of 14/11/8% over FY19-21E. EBITDA margin will contract from 56.0% in FY19 to 50.8% in FY21E due to lower margin Govt business and increase in cost structure (Total cost to grow at 18% 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, ~32% of Mcap). Adjusting for cash, RoIC stands at healthy 60.7% in FY19. There is no incremental 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) Stable fixed cost (after wage hike), (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 (~33%) 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 320 (65% upside from CMP). At P/E of 17.2/15.3x FY20/21E earnings, we believe the stock is available at attractive valuations. We maintain our BUY rating.

CDSL Valuation Table

Core FY21 PAT (Rs mn)	916
Core P/E Multiple (x)	30
Core Mcap (Rs mn)	27,493
Net Cash (Rs mn)	5,796
Target Mcap (Rs mn)	33,289
TP (Rs)	320
CMP (Rs)	194
Upside from CMP (%)	65%

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)				Dividend Yield (%)				RoE (%)			
					FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E	FY18	FY19	FY20E	FY21E
MCX	41.2	BUY	810	962	38.0	27.4	26.5	20.6	2.1	2.2	2.3	2.9	7.9	11.4	12.3	15.4
BSE	23.7	BUY	525	758	9.9	11.4	12.0	10.5	6.9	5.7	5.5	6.1	7.8	7.1	7.9	9.0
CDSL	20.3	BUY	194	320	19.7	17.9	17.2	15.3	1.8	2.1	2.2	2.4	17.2	17.0	16.1	16.5

Source: Company, HDFC sec Inst Research

Income Statement (Consolidated)

YE March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Net Revenues (Rs mn)	1,460	1,877	1,947	2,235	2,540
<i>Growth (%)</i>	<i>18.8</i>	<i>28.6</i>	<i>3.7</i>	<i>14.8</i>	<i>13.6</i>
Employee Expenses	249	303	342	466	503
Other operating Expenses	417	470	515	634	691
EBITDA	794	1,104	1,089	1,135	1,345
<i>EBITDA Margin (%)</i>	<i>54.4</i>	<i>58.8</i>	<i>56.0</i>	<i>50.8</i>	<i>53.0</i>
<i>EBITDA Growth (%)</i>	<i>24.3</i>	<i>39.0</i>	<i>(1.3)</i>	<i>4.2</i>	<i>18.5</i>
Depreciation	37	69	99	107	123
EBIT	757	1,034	990	1,028	1,222
<i>EBIT Margin (%)</i>	<i>51.9</i>	<i>55.1</i>	<i>50.9</i>	<i>46.0</i>	<i>48.1</i>
Other Income (Including EO Items)	408	380	492	564	569
Interest	0	0	0	0	0
PBT	1,166	1,414	1,482	1,592	1,791
Tax (Incl Deferred)	300	378	334	398	448
Minority Interest	8	5	13	14	14
RPAT	858	1,032	1,135	1,180	1,329
EO (Loss) / Profit (Net Of Tax)	0	0	0	0	0
APAT	858	1,032	1,135	1,180	1,329
<i>APAT Growth (%)</i>	<i>26.1</i>	<i>20.3</i>	<i>10.0</i>	<i>4.0</i>	<i>12.6</i>
Adjusted EPS (Rs)	8.2	9.9	10.9	11.3	12.7
<i>EPS Growth (%)</i>	<i>26.1</i>	<i>20.3</i>	<i>10.0</i>	<i>4.0</i>	<i>12.6</i>
Core PAT	562	758	767	771	916
<i>Core PAT Growth (%)</i>	<i>35.7</i>	<i>34.8</i>	<i>1.2</i>	<i>0.5</i>	<i>18.9</i>

Source: Company, HDFC sec Inst Research

Balance Sheet (Consolidated)

YE March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
SOURCES OF FUNDS					
Share Capital – Equity	1,045	1,045	1,045	1,045	1,045
Reserves	4,288	4,943	5,636	6,286	7,016
Total Shareholders' Funds	5,333	5,988	6,681	7,331	8,061
Settlement guarantee fund					
Minority Interest	155	159	413	427	441
Total Debt	0	0	0	0	0
Net Deferred Taxes (Net)	(15)	(19)	(33)	(33)	(33)
Long Term Provisions & Others	6	9	10	10	10
TOTAL SOURCES OF FUNDS	5,479	6,137	7,071	7,734	8,479
APPLICATION OF FUNDS					
Net Block	55	761	752	757	760
LT Loans & Advances & Others	228	217	243	291	330
Total Non-current Assets	283	978	995	1,047	1,090
Debtors	133	189	191	220	250
Other Current Assets	122	87	89	89	102
Cash & Equivalents	5,512	5,630	6,530	7,179	7,890
Total Current Assets	255	276	280	310	352
Creditors	90	40	36	44	49
Other Current Liabilities & Provns	481	707	698	759	805
Total Current Liabilities	571	747	734	803	854
Net Current Assets	(316)	(471)	(454)	(493)	(502)
TOTAL APPLICATION OF FUNDS	5,479	6,137	7,071	7,734	8,479

Source: Company, HDFC sec Inst Research

Cash Flow (Consolidated)

YE March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Reported PBT	1,166	1,414	1,482	1,592	1,791
Non-operating & EO items	(408)	(380)	(492)	(564)	(569)
Interest expenses	-	-	-	-	-
Depreciation	37	69	99	107	123
Working Capital Change	4	164	(56)	(9)	(30)
Tax Paid	(300)	(378)	(334)	(398)	(448)
OPERATING CASH FLOW (a)	498	890	699	728	867
Capex	(50)	(776)	(91)	(112)	(127)
Free cash flow (FCF)	448	114	609	616	740
Investments	-	-	-	-	-
Non-operating Income	408	380	492	564	569
INVESTING CASH FLOW (b)	358	(396)	401	453	442
Debt Issuance/(Repaid)	-	-	-	-	-
Interest Expenses	-	-	-	-	-
FCFE	448	114	609	616	740
Share Capital Issuance	-	-	-	-	-
Dividend	(377)	(444)	(511)	(531)	(598)
FINANCING CASH FLOW (c)	(377)	(444)	(511)	(531)	(598)
NET CASH FLOW (a+b+c)	479	51	590	649	711
EO Items, Others	55	67	310	-	-
Closing Cash & Equivalents	5,512	5,630	6,530	7,179	7,890

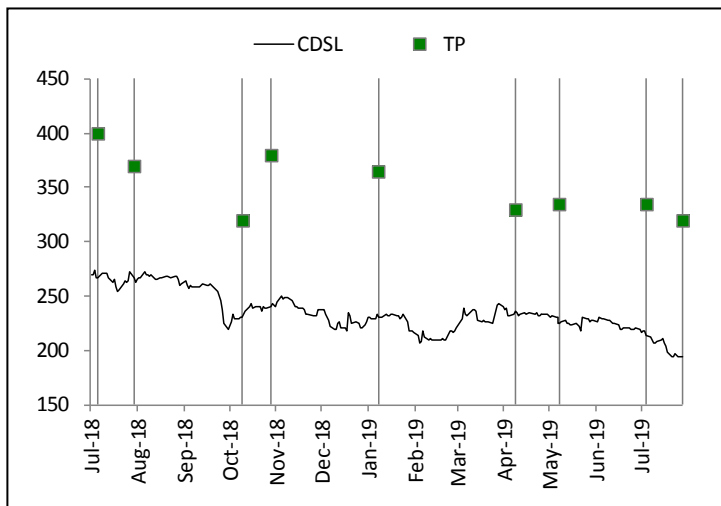
Source: Company, HDFC sec Inst Research

Key Ratios (Consolidated)

	FY17	FY18	FY19	FY20E	FY21E
PROFITABILITY (%)					
GPM	83.0	83.8	82.4	79.1	80.2
EBITDA Margin	54.4	58.8	56.0	50.8	53.0
APAT Margin	58.8	55.0	58.3	52.8	52.3
RoE	16.1	17.2	17.0	16.1	16.5
RoIC (or Core RoCE)	103.3	84.6	60.7	58.6	65.5
RoCE	16.4	17.8	17.2	15.9	16.4
EFFICIENCY					
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	15	15
Payables (days)	22	8	7	7	7
Other Current Liab & Provns (days)	120	137	131	124	116
Cash Conversion Cycle (days)	-79	-92	-85	-80	-72
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
PER SHARE DATA (Rs)					
EPS	8.2	9.9	10.9	11.3	12.7
CEPS	8.6	10.5	11.8	12.3	13.9
Dividend	3.0	3.5	4.1	4.2	4.8
Book Value	51.0	57.3	63.9	70.1	77.1
VALUATION					
P/E (x)	23.6	19.7	17.9	17.2	15.3
P/BV (x)	3.8	3.4	3.0	2.8	2.5
EV/EBITDA (x)	18.6	13.3	12.6	11.5	9.2
OCF/EV (%)	3.4	6.1	5.1	5.6	7.0
FCF/EV (%)	3.0	0.8	4.4	4.7	6.0
FCFE/Mkt Cap (%)	2.2	0.6	3.0	3.0	3.6
Dividend Yield (%)	1.5	1.8	2.1	2.2	2.4

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
5-Jul-19	214	BUY	335
30-Jul-19	194	BUY	320

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

Disclosure:

We, **Amit Chandra, MBA, Apurva Prasad, MBA & Akshay Ramnani, CA**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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