

# CDSL

## Robust performance continues

CDSL delivered robust performance in a challenging environment. Both revenue and margin were higher than estimate, and the company's operation is not impacted due to Covid-19. The transaction charges increased for the second consecutive quarter and KYC revenues have surged. SEBI recently allowed Aadhaar based e-KYC for account opening, which will further boost CVL-KYC volumes. CDSL continued to gain BO account market from NSDL (stood at 52.4% in April-20 vs. 48.4% in FY19). We value CDSL on SoTP basis by assigning 30x to FY22E core profit and adding net cash to arrive at a TP of Rs 325. Maintain BUY.

- Revenue was up 10.7% QoQ to Rs 599mn (vs est. of Rs 556mn) driven by 17.6/28.4% QoQ growth in Transaction charges/Online data charges. Surprisingly, the IPO/corporate action revenue grew 56.4% QoQ.
- Annual issuer revenue (34.4% of rev) was flat QoQ but was up 15.4% in FY20. CDSL unlisted market share is at 30%, which can go up with new incentive structure for CS and RTAs. A total of 2,011 unlisted companies applied for demat in FY20. CDSL is adding ~150-200 unlisted companies per month vs. ~350-400 by NSDL. In the near term, new additions can be impacted due to lockdown, but it remains a multi-year growth opportunity.
- Adjusted EBIT margin was up 905bps to 52.7%, higher than our est. of 44.3%. Margin expansion was led by lower employee cost offset by higher technology cost. The EBIT margin for FY20 stood at 42.9%, down 793 bps YoY due to lower margin Govt. project in 1HFY20.
- CDSL total number of BO account stood at 21.2mn in FY20, +21.7% YoY. The incremental market share of CDSL is at 78% and BO account market share of 52.0% (FY20). Net cash stands at Rs 7.18bn (~29% of MCap) and OCF/EBITDA stands at healthy 80.4% vs. 78.4% in FY19.
- CDSL has a diversified revenue stream, ~35% of the revenue is annuity in nature and ~45% is market linked (Transaction, IPO/corporate action and KYC). Positives include (1) Demat of ~70K Unlisted public companies, (2) Proposed hike in Annual Issuer Charges, (3) Pickup in Transaction and KYC revenue and (4) Approval for e-KYC. On the flip side, termination of NAD project was a negative surprise. Other initiatives like Insurance and Commodity repository remain on track. We expect revenue/EBIT/Core PAT to grow at a CAGR of 9/12/12% over FY20-22E. The company trades at a P/E of 21/18x FY21/22E earnings.**

### Financial Summary

YE Mar (Rs mn)	4Q FY20	4Q FY19	YoY (%)	3Q FY20	QoQ (%)	FY18	FY19	FY20	FY21E	FY22E
Net Revenues	599	505	18.5	541	10.7	1,877	1,947	2,251	2,309	2,682
EBIT*	315	254	24.0	236	33.6	1,034	990	966	975	1,223
APAT	374	336	11.4	314	19.1	1,032	1,135	1,255	1,206	1,409
Diluted EPS (Rs)	3.6	3.2	11.4	3.0	19.1	9.9	10.9	12.0	11.5	13.5
P/E (x)						24.5	22.2	20.1	20.9	17.9
EV / EBITDA (x)						17.8	17.2	16.7	15.9	12.2
RoE (%)						17.2	17.0	17.3	15.3	16.2

Source: Company, HSIE Research, \* EBIT adjusted for one offs for FY20

## BUY

CMP (as on 20 May 2020)	Rs 242
Target Price	Rs 325
NIFTY	9,067

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 315	Rs 325
EPS %	FY21E	FY22E
	0.7%	0.4%

### KEY STOCK DATA

Bloomberg code	CDSL IN
No. of Shares (mn)	105
MCap (Rs bn) / (\$ mn)	25/335
6m avg traded value (Rs mn)	204
52 Week high / low	Rs 302/180

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(15.8)	5.3	7.9
Relative (%)	9.4	29.4	29.6

### SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	20.00	20.00
FIs & Local MFs	41.20	41.77
FPIs	2.23	1.78
Public & Others	36.57	36.45
Pledged Shares	0.00	0.00

Source : BSE

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Revenue was up 10.7/18.5% QoQ/YoY in the quarter. For FY20, revenue growth was 15.6%

Employee cost was down due to retirement of three KMPs

Other expenses excludes CSR of Rs 65.1mn for Covid-19 and Rs 19.8mn as MAT credit write-off

APAT stood at Rs 0.37bn up 19.1% QoQ (vs est. of Rs 0.30bn), led by higher growth and margin expansion offset by lower interest income (-8.9% QoQ)

Bad debt provisions for FY20 stood at Rs 75mn vs Rs 30mn in FY19. This is no longer considered one off item

Annual issuer charge growth slowed down, admission of unlisted companies will be slower in 1HFY21E

Transaction charge recovered strongly for the quarter led by improvement in market conditions

Total number of KRA records stood at 21.6mn vs. 18.8mn in FY19

e-KYC will ease the client on boarding process and will boost volumes

### Quarterly Consolidated Financial Snapshot

YE March (Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)
<b>Total Revenue</b>	<b>599</b>	<b>505</b>	<b>18.5</b>	<b>541</b>	<b>10.7</b>
Employee Cost	93	99	(5.5)	123	(24.3)
Technology Expenses	43	30	44.4	37	14.6
Other Operating Expenses *	117	96	21.3	114	2.5
<b>EBITDA</b>	<b>346</b>	<b>281</b>	<b>23.2</b>	<b>266</b>	<b>29.8</b>
Depreciation	30	26	15.9	30	0.3
<b>EBIT</b>	<b>315</b>	<b>254</b>	<b>24.0</b>	<b>236</b>	<b>33.6</b>
Interest Cost	0	0	NM	0	NM
Other Income	43	177	(75.7)	38	12.8
<b>PBT</b>	<b>358</b>	<b>432</b>	<b>(17.0)</b>	<b>274</b>	<b>30.6</b>
Tax	77	90	(14.6)	58	32.1
Share of Profit Loss from JV & Associates	0	0	NM	0	NM
Minority Interest	-5	6	NM	8	NM
<b>RPAT</b>	<b>286</b>	<b>336</b>	<b>(14.8)</b>	<b>208</b>	<b>37.4</b>
E/o gains	-88	0	NM	-106	NM
<b>APAT</b>	<b>374</b>	<b>336</b>	<b>11.4</b>	<b>314</b>	<b>19.1</b>

Source: Company, HSIE Research, adjusted for one offs

### Margin Analysis

MARGIN ANALYSIS (%)	4QFY20	4QFY19	YoY (bps)	3QFY20	QoQ (bps)
Employee Cost % of Net Rev	15.6	19.6	-396	22.8	-721
Technology exp % of Net Rev	7.1	5.8	127	6.9	24
Other Operating Exp % of Net Rev	19.5	19.1	46	21.1	-156
<b>EBITDA Margin (%)</b>	<b>57.7</b>	<b>55.5</b>	<b>223</b>	<b>49.2</b>	<b>853</b>
<b>EBIT Margin (%)</b>	<b>52.7</b>	<b>50.3</b>	<b>234</b>	<b>43.6</b>	<b>905</b>
Tax Rate (%)	21.4	20.8	62	21.2	24
<b>APAT Margin (%)</b>	<b>62.4</b>	<b>66.4</b>	<b>-396</b>	<b>58.0</b>	<b>444</b>

Source: Company, HSIE Research

### Segmental Revenue Analysis

Segment Revenue Analysis (Rs mn)	4QFY20	4QFY19	YoY (%)	3QFY20	QoQ (%)	FY20	FY19	YoY (%)
Annual issuer charges	195	179	9.1	196	(0.5)	775	672	15.4
Transaction charges	129	99	31.1	110	17.6	429	393	9.3
IPO/corporate action charges	76	38	98.2	48	56.4	226	199	13.5
Online data charges	119	75	57.8	93	28.4	369	317	16.4
Others (e-voting, CAS, Govt etc)	80	115	(29.9)	95	(14.9)	452	367	23.3
<b>Total</b>	<b>599</b>	<b>505</b>	<b>18.5</b>	<b>541</b>	<b>10.7</b>	<b>2,251</b>	<b>1,947</b>	<b>15.6</b>

Source: Company, HSIE Research

### Segmental Revenue Contribution

Revenue Contribution (%)	4QFY20	4QFY19	YoY (bps)	3QFY20	QoQ (bps)	FY20	FY19	YoY (bps)
Annual issuer charges	32.5	35.4	(282)	36	(366)	34.4	34.5	(7)
Transaction charges	21.6	19.5	207	20	126	19.1	20.2	(111)
IPO/corporate action charges	12.6	7.6	508	9	370	10.0	10.2	(18)
Online data charges	19.8	14.9	494	17	274	16.4	16.3	11
Others	13.4	22.7	(927)	17	(404)	20.1	18.8	125
<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, HSIE Research

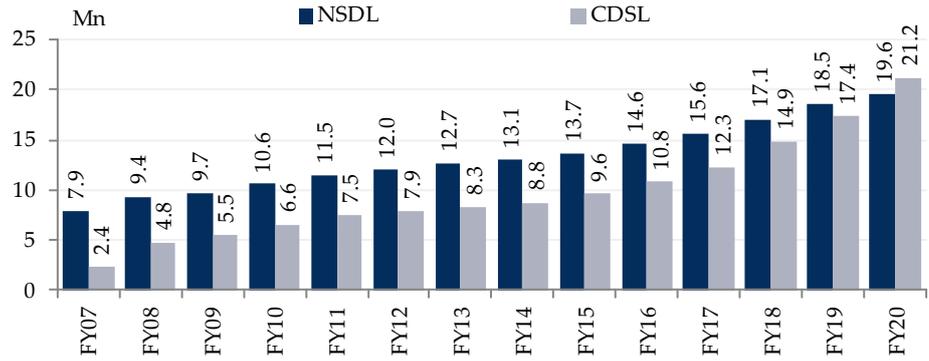
No of DPs stood at 599 vs. 280 for NSDL. Total no. of BO accounts for CDSL is at 21.2mn (+21.7% YoY) vs 19.6mn (+5.7% YoY) for NSDL

CDSL market share is at 52% and has become the market leader. CDSL incremental market share stands at 78% for FY20

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

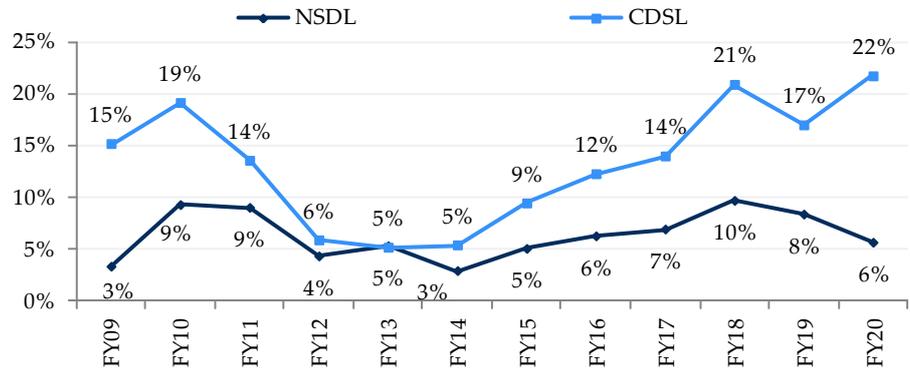
CDSL is more DP friendly than NSDL on various aspects like lower transaction fee for higher volume, zero fixed fees for no activity

**No of BO Accounts, CDSL Higher Vs. NSDL**



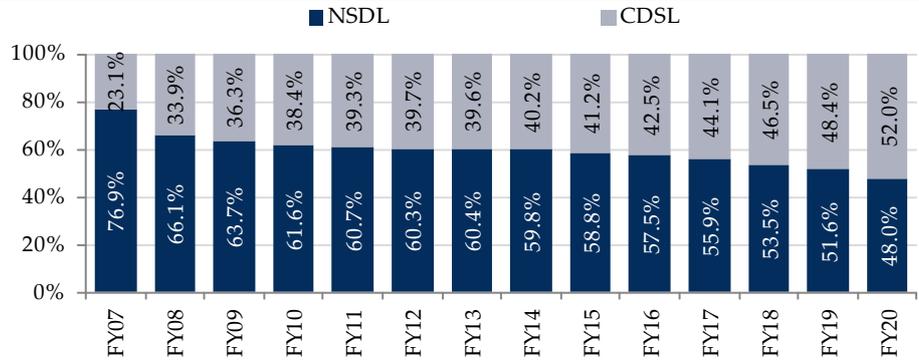
Source: CDSL, NSDL, HSIE Research

**Growth In BO Accounts Is Impressive**



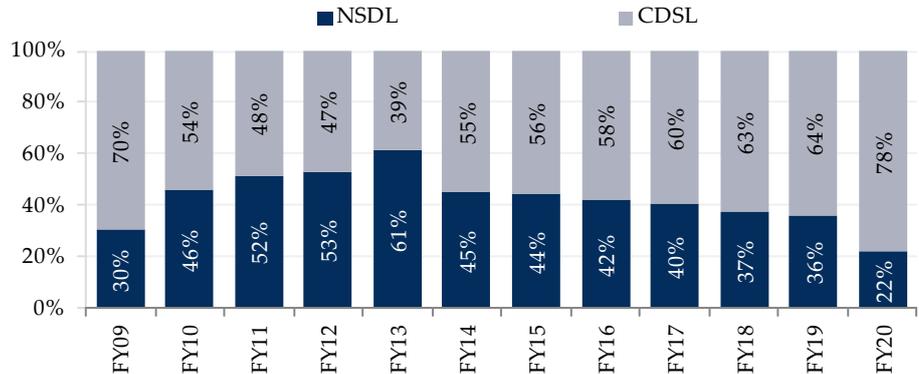
Source: CDSL, NSDL, HSIE Research

**CDSL Market Share Crossed NSDL**



Source: CDSL, NSDL, HSIE Research

**Incremental Market Share (%)**



Source: CDSL, NSDL, HSIE Research

*CDSL added ~2K unlisted companies, while NSDL added ~5K companies*

*CDSL charges Rs 15K/company as fixed one-time charge and Rs 6K/company based on paid up equity capital. Revenue is realised on pro rata basis*

*The total opportunity for CDSL from the unlisted can be ~Rs 0.30bn over the next five years taking 40% market share*

*Issuer growth in FY22E is driven by addition of new companies and proposed hike in issuer fee, we have assumed 5% hike for FY22E*

*There is a steep fall in others revenue for FY21E, as we have not assumed any revenue from the Govt. project (Rs 0.10bn in FY20)*

### CDSL Revenue Break-up And Assumptions

CDSL Revenue (Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	CAGR 17-20	CAGR 15-20	CAGR 20-22E
<b>Annual Issuer Charges</b>	481	517	556	672	775	838	1,045	14%	17%	16%
Growth %	35.8%	7.4%	7.6%	20.7%	15.4%	8.1%	24.7%			
% of Revenue	39.2%	35.4%	29.6%	34.5%	34.4%	36.3%	39.0%			
<b>Transaction Charges</b>	258	312	440	393	429	485	547	11%	9%	13%
Growth %	-8.8%	20.9%	40.9%	-10.8%	9.2%	13.0%	12.8%			
% of Revenue	21.0%	21.4%	23.5%	20.2%	19.1%	21.0%	20.4%			
<b>IPO/Corporate action</b>	107	165	295	199	226	245	269	11%	30%	9%
Growth %	72.8%	54.3%	78.5%	-32.6%	13.5%	8.5%	10.0%			
% of Revenue	8.7%	11.3%	15.7%	10.2%	10.0%	10.6%	10.0%			
<b>Online Data Charges</b>	154	187	292	317	369	402	444	25%	20%	10%
Growth %	4.8%	21.9%	55.8%	8.5%	16.4%	9.0%	10.5%			
% of Revenue	12.5%	12.8%	15.5%	16.3%	16.4%	17.4%	16.6%			
<b>Others</b>	228	278	294	367	452	339	376	18%	17%	-9%
Growth %	10.5%	21.9%	5.7%	24.8%	23.3%	-25.0%	11.0%			
% of Revenue	18.6%	19.0%	15.6%	18.8%	20.1%	14.7%	14.0%			
<b>Total</b>	1,229	1,460	1,877	1,947	2,251	2,309	2,682	16%	16%	9%
Growth %	16.7%	18.8%	28.6%	3.7%	15.6%	2.6%	16.2%			

Source: Company, HSIE Research

## CDSL Cost Analysis and Assumptions

CDSL Costing Analysis (Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	CAGR 17-20	CAGR 15-20	CAGR 20-22E
<b>Employee Cost</b>	<b>215</b>	<b>249</b>	<b>303</b>	<b>342</b>	<b>473</b>	<b>506</b>	<b>547</b>	<b>24%</b>	<b>20%</b>	<b>7%</b>
Growth %	11.9%	15.7%	22.0%	12.7%	38.3%	7.0%	8.0%			
% of Revenue	17.5%	17.0%	16.2%	17.6%	21.0%	21.9%	20.4%			
% of Total Cost	36.5%	37.3%	39.2%	39.9%	40.5%	41.7%	41.1%			
<b>IT Cost</b>	<b>79</b>	<b>84</b>	<b>97</b>	<b>116</b>	<b>126</b>	<b>136</b>	<b>148</b>	<b>14%</b>	<b>10%</b>	<b>9%</b>
Growth %	-0.2%	7.1%	15.2%	19.9%	8.0%	8.5%	8.8%			
% of Revenue	6.4%	5.8%	5.2%	6.0%	5.6%	5.9%	5.5%			
% of Total Cost	13.3%	12.7%	12.5%	13.6%	10.8%	11.2%	11.2%			
<b>Other cost</b>	<b>273</b>	<b>287</b>	<b>332</b>	<b>357</b>	<b>525</b>	<b>527</b>	<b>587</b>	<b>22%</b>	<b>21%</b>	<b>6%</b>
Growth %	31.9%	5.2%	15.7%	7.7%	47.0%	0.3%	11.4%			
% of Revenue	22.2%	19.7%	17.7%	18.4%	23.3%	22.8%	21.9%			
% of Total Cost	46.3%	43.1%	42.9%	41.7%	45.0%	43.4%	44.2%			
<b>IP Fund</b>	<b>23</b>	<b>46</b>	<b>41</b>	<b>42</b>	<b>43</b>	<b>45</b>	<b>47</b>	<b>-2%</b>	<b>-19%</b>	<b>4%</b>
Growth %	-81.3%	98.8%	-11.2%	2.0%	3.0%	4.0%	4.5%			
% of Revenue	1.9%	3.1%	2.2%	2.1%	1.9%	1.9%	1.7%			
% of Net Profit	4.0%	5.4%	4.0%	3.7%	3.4%	3.7%	3.3%			
<b>Total Cost</b>	<b>589</b>	<b>666</b>	<b>773</b>	<b>857</b>	<b>1,167</b>	<b>1,214</b>	<b>1,329</b>	<b>21%</b>	<b>14%</b>	<b>7%</b>
Growth %	-2.0%	13.0%	16.1%	10.9%	36.1%	4.0%	9.5%			
<b>EBITDA</b>	<b>639</b>	<b>794</b>	<b>1,104</b>	<b>1,089</b>	<b>1,084</b>	<b>1,095</b>	<b>1,353</b>	<b>11%</b>	<b>19%</b>	<b>12%</b>
Growth %	41.5%	24.3%	39.0%	-1.3%	-0.5%	1.0%	23.6%			
EBITDA Margin %	52.0%	54.4%	58.8%	56.0%	48.2%	47.4%	50.5%	-625	+525	+231

Source: Company, HSIE Research

*Employee cost has risen sharply in FY20 due to steep wage hike taken in 1QFY20, will normalize in FY21-22E*

*Other cost includes the cost related to Govt. project*

*Margins is falling due to lower margin Govt. business, hiring of KMPs, salary hike and higher provisions for doubtful debts*

## Valuations

- We expect CDSL revenue/EBIT/PAT to increase at a CAGR of 9/12/6% over FY20-22E. EBIT margin will expand from 42.9% in FY20 to 45.6% in FY22E due absence of lower margin Govt. business. Total cost to grow at 7% CAGR over FY20-22E.
- RoE for the business is only 17.3%, owing to high net cash on the books (Rs 7.18bn in FY20, ~29% of Mcap). Adjusting for cash, RoIC stands at healthy 55.7% in FY20. 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, (3) Oligopoly market (4) Cash-rich balance sheet (Net cash ~81% of BS), (4) High return ratios (RoE 17%, RoIC 56% in FY20) (5) Option value of new growth engines like Insurance and e-warehouse receipts (4) No capex required to fund growth, (5) Asset light model (6) Excellent operating cash generation (~76% of EBITDA and 65% of PAT in FY).
- 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 325 (35% upside from CMP). We have taken a discount of 20% to the net cash to factor the impact of buyback tax. At P/E of 20.9/17.9x FY21/22E earnings, we believe the stock is available at reasonable valuations. We maintain our BUY rating.

### CDSL Valuation Table

Core FY22 PAT (Rs mn)	942
Core P/E Multiple (x)	30
Core Mcap (Rs mn)	28,250
Net Cash (Rs mn)	5,746
Target Mcap (Rs mn)	33,997
<b>TP (Rs)</b>	<b>325</b>
CMP (Rs)	242
Upside from CMP (%)	35%

Source: Company, HSIE Research

### Change in Estimates

(Rs mn)	FY21E			FY22E		
	Earlier	New	% Change	Earlier	New	% Change
Revenue	2,254	2,309	2.4	2,640	2,682	1.6
EBITDA	1,068	1,095	2.5	1,331	1,353	1.7
EBITDA Margin (%)	47.4	47.4	5	50.4	50.5	3
APAT	1,198	1,206	0.7	1,403	1,409	0.4

Source: HSIE Research

### Peer Set Comparison

Company	M-Cap (Rs bn)	CMP (Rs)	TP (Rs)	Rating	P/E (x)				Dividend Yield (%)				RoE (%)			
					FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E	FY19	FY20E	FY21E	FY22E
MCX	57	1,120	1,300	ADD	37.9	25.2	27.7	22.1	1.6	2.3	2.2	2.7	11.4	17.7	15.5	18.7
CDSL	25	242	325	BUY	22.2	20.1	20.9	17.9	1.7	1.9	1.8	2.1	17.0	17.3	15.3	16.2
BSE	20	448	410	ADD	9.7	13.8	11.8	9.6	7.8	5.6	7.2	8.9	7.1	5.9	6.9	8.5

Source: HSIE Research

# Financials

## Consolidated Income Statement

YE March (Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Net Revenues (Rs mn)</b>	<b>1,229</b>	<b>1,460</b>	<b>1,877</b>	<b>1,947</b>	<b>2,251</b>	<b>2,309</b>	<b>2,682</b>
<i>Growth (%)</i>	<i>16.7</i>	<i>18.8</i>	<i>28.6</i>	<i>3.7</i>	<i>15.6</i>	<i>2.6</i>	<i>16.2</i>
Employee Expenses	215	249	303	342	473	506	547
Other operating Expenses	374	417	470	515	694	708	782
<b>EBITDA</b>	<b>639</b>	<b>794</b>	<b>1,104</b>	<b>1,089</b>	<b>1,084</b>	<b>1,095</b>	<b>1,353</b>
<i>EBITDA Margin (%)</i>	<i>52.0</i>	<i>54.4</i>	<i>58.8</i>	<i>56.0</i>	<i>48.2</i>	<i>47.4</i>	<i>50.5</i>
<i>EBITDA Growth (%)</i>	<i>41.5</i>	<i>24.3</i>	<i>39.0</i>	<i>-1.3</i>	<i>-0.5</i>	<i>1.0</i>	<i>23.6</i>
Depreciation	42	37	69	99	117	120	130
<b>EBIT</b>	<b>597</b>	<b>757</b>	<b>1,034</b>	<b>990</b>	<b>966</b>	<b>975</b>	<b>1,223</b>
<i>EBIT Margin (%)</i>	<i>48.6</i>	<i>51.9</i>	<i>55.1</i>	<i>50.9</i>	<i>42.9</i>	<i>42.2</i>	<i>45.6</i>
Other Income (Including EO Items)	716	408	380	492	398	599	615
Interest	0	0	0	0	0	0	0
<b>PBT</b>	<b>1,313</b>	<b>1,166</b>	<b>1,414</b>	<b>1,482</b>	<b>1,365</b>	<b>1,574</b>	<b>1,838</b>
Tax (Incl Deferred)	402	300	378	334	297	362	423
Minority Interest	1	8	5	13	6	6	6
Share of profit / (Loss) of associate							
<b>RPAT</b>	<b>910</b>	<b>858</b>	<b>1,032</b>	<b>1,135</b>	<b>1,062</b>	<b>1,206</b>	<b>1,409</b>
EO (Loss) / Profit (Net Of Tax)	230	0	0	0	-193	0	0
<b>APAT</b>	<b>680</b>	<b>858</b>	<b>1,032</b>	<b>1,135</b>	<b>1,255</b>	<b>1,206</b>	<b>1,409</b>
<i>APAT Growth (%)</i>	<i>20.5</i>	<i>26.1</i>	<i>20.3</i>	<i>10.0</i>	<i>10.6</i>	<i>-3.9</i>	<i>16.8</i>
<b>Adjusted EPS (Rs)</b>	<b>6.5</b>	<b>8.2</b>	<b>9.9</b>	<b>10.9</b>	<b>12.0</b>	<b>11.5</b>	<b>13.5</b>
<i>EPS Growth (%)</i>	<i>20.5</i>	<i>26.1</i>	<i>20.3</i>	<i>10.0</i>	<i>10.6</i>	<i>-3.9</i>	<i>16.8</i>
<b>Core PAT</b>	<b>414</b>	<b>562</b>	<b>758</b>	<b>767</b>	<b>756</b>	<b>751</b>	<b>942</b>
<i>Core PAT Growth (%)</i>	<i>49.6</i>	<i>35.7</i>	<i>34.8</i>	<i>1.2</i>	<i>(1.5)</i>	<i>(0.7)</i>	<i>25.4</i>

Source: Company, HSIE Research

## Consolidated Balance Sheet

YE March (Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>SOURCES OF FUNDS</b>							
Share Capital - Equity	1,045	1,045	1,045	1,045	1,045	1,045	1,045
Reserves	3,748	4,288	4,943	5,636	6,195	6,858	7,633
<b>Total Shareholders' Funds</b>	<b>4,793</b>	<b>5,333</b>	<b>5,988</b>	<b>6,681</b>	<b>7,240</b>	<b>7,903</b>	<b>8,678</b>
Settlement guarantee fund							
Minority Interest	147	155	159	413	419	424	431
<b>Total Debt</b>	<b>0</b>						
Net Deferred Taxes (Net)	29	-15	-19	-33	10	10	10
Long Term Provisions & Others	5	6	9	10	18	18	18
<b>TOTAL SOURCES OF FUNDS</b>	<b>4,974</b>	<b>5,479</b>	<b>6,137</b>	<b>7,071</b>	<b>7,687</b>	<b>8,356</b>	<b>9,137</b>
<b>APPLICATION OF FUNDS</b>							
Net Block	37	55	761	752	743	716	693
LT Loans & Advances & Others	297	228	217	243	309	323	375
<b>Total Non-current Assets</b>	<b>334</b>	<b>283</b>	<b>978</b>	<b>995</b>	<b>1,052</b>	<b>1,039</b>	<b>1,069</b>
Debtors	130	133	189	191	260	253	294
Other Current Assets	88	122	87	89	128	127	148
Cash & Equivalents	4,978	5,512	5,630	6,530	7,183	7,836	8,665
<b>Total Current Assets</b>	<b>5,196</b>	<b>5,767</b>	<b>5,906</b>	<b>6,810</b>	<b>7,571</b>	<b>8,216</b>	<b>9,106</b>
Creditors	73	90	40	36	121	81	94
Other Current Liabilities & Provisions	482	481	707	698	816	818	944
<b>Total Current Liabilities</b>	<b>556</b>	<b>571</b>	<b>747</b>	<b>734</b>	<b>936</b>	<b>899</b>	<b>1,037</b>
<b>Net Current Assets</b>	<b>4,640</b>	<b>5,196</b>	<b>5,159</b>	<b>6,076</b>	<b>6,635</b>	<b>7,317</b>	<b>8,069</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>4,974</b>	<b>5,479</b>	<b>6,137</b>	<b>7,071</b>	<b>7,687</b>	<b>8,356</b>	<b>9,137</b>

Source: Company, HSIE Research

## Consolidated Cash Flow

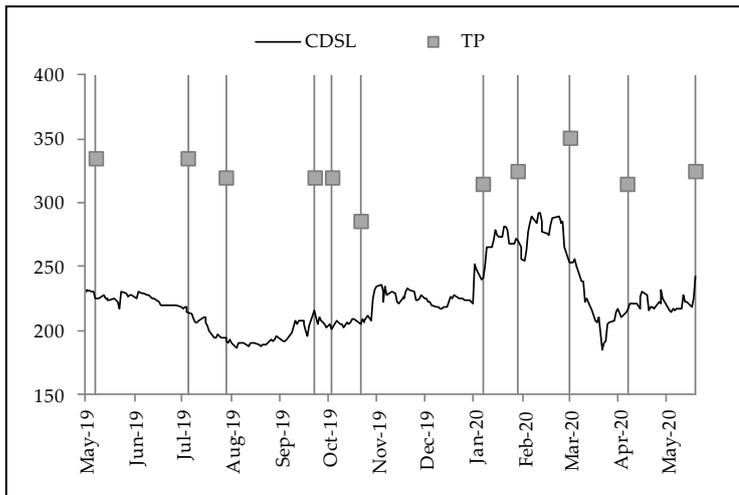
YE March (Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Reported PBT</b>	<b>1,313</b>	<b>1,166</b>	<b>1,414</b>	<b>1,482</b>	<b>1,365</b>	<b>1,574</b>	<b>1,838</b>
Non-operating & EO items	-716	-408	-309	-415	-432	-599	-615
Interest expenses	-	-	-	-	-	-	-
Depreciation	42	37	69	99	117	120	130
Working Capital Change	-258	4	9	25	11	-44	25
Tax Paid	-402	-300	-390	-336	-240	-362	-423
<b>OPERATING CASH FLOW ( a )</b>	<b>-21</b>	<b>498</b>	<b>793</b>	<b>854</b>	<b>822</b>	<b>689</b>	<b>955</b>
Capex	-12	-50	-761	-112	-93	-92	-107
Free cash flow (FCF)	-32	448	32	742	729	597	848
Investments	-	-	-	-	-	-	-
Non-operating Income	716	408	154	359	133	599	615
<b>INVESTING CASH FLOW ( b )</b>	<b>704</b>	<b>358</b>	<b>-607</b>	<b>247</b>	<b>41</b>	<b>507</b>	<b>508</b>
Debt Issuance/(Repaid)	-	-	-	-	-	-	-
Interest Expenses	-	-	-	-	-1	-	-
FCFE	-32	448	32	742	728	597	848
Share Capital Issuance	-	-	-	-	-	-	-
Dividend	-314	-377	-377	-441	-504	-543	-634
<b>FINANCING CASH FLOW ( c )</b>	<b>-314</b>	<b>-377</b>	<b>-377</b>	<b>-441</b>	<b>-505</b>	<b>-543</b>	<b>-634</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>369</b>	<b>479</b>	<b>-191</b>	<b>660</b>	<b>357</b>	<b>653</b>	<b>829</b>
EO Items, Others	37	55	309	239	296	-	-
<b>Closing Cash &amp; Equivalents</b>	<b>4,978</b>	<b>5,512</b>	<b>5,630</b>	<b>6,530</b>	<b>7,183</b>	<b>7,836</b>	<b>8,665</b>

## Key Ratios

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>PROFITABILITY (%)</b>							
GPM	82.5	83.0	83.8	82.4	79.0	78.1	79.6
EBITDA Margin	52.0	54.4	58.8	56.0	48.2	47.4	50.5
APAT Margin	55.4	58.8	55.0	58.3	55.8	52.3	52.5
RoE	14.2	16.1	17.2	17.0	17.3	15.3	16.2
RoIC (or Core RoCE)	76.4	103.3	84.6	60.7	55.7	52.5	64.3
RoCE	14.7	16.4	17.8	17.2	17.0	15.0	16.1
<b>EFFICIENCY</b>							
Tax Rate (%)	30.6	25.7	26.7	22.5	21.8	23.0	23.0
Fixed Asset Turnover (x)	15.6	11.3	2.1	2.0	2.0	1.9	2.1
Inventory (days)	0	0	0	0	0	0	0
Debtors (days)	39	33	37	36	42	40	40
Other Current Assets (days)	26	30	17	17	21	20	20
Payables (days)	22	22	8	7	20	13	13
Other Current Liab & Provns (days)	143	120	137	131	132	129	128
Cash Conversion Cycle (days)	-100	-79	-92	-85	-89	-82	-81
Debt/EBITDA (x)	0	0	0	0	0	0	0
Net D/E (x)	-1.0	-1.0	-0.9	-1.0	-1.0	-1.0	-1.0
Interest Coverage (x)	NM	NM	NM	NM	NM	NM	NM
<b>PER SHARE DATA (Rs)</b>							
EPS	6.5	8.2	9.9	10.9	12.0	11.5	13.5
CEPS	6.9	8.6	10.5	11.8	13.1	12.7	14.7
Dividend	2.5	3.0	3.5	4.1	4.6	4.3	5.0
Book Value	45.9	51.0	57.3	63.9	69.3	75.6	83.0
<b>VALUATION</b>							
P/E (x)	37.1	29.4	24.5	22.2	20.1	20.9	17.9
P/BV (x)	5.3	4.7	4.2	3.8	3.5	3.2	2.9
EV/EBITDA (x)	31.7	24.8	17.8	17.2	16.7	15.9	12.2
OCF/EV (%)	-0.1	2.5	4.0	4.6	4.6	4.0	5.8
FCF/EV (%)	-0.2	2.3	0.2	4.0	4.0	3.4	5.1
FCFE/Mkt Cap (%)	-0.1	1.8	0.1	2.9	2.9	2.4	3.4
Dividend Yield (%)	1.0	1.2	1.5	1.7	1.9	1.8	2.1

Source: Company, HSIE Research

**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
9-May-19	226	BUY	335
5-Jul-19	214	BUY	335
30-Jul-19	194	BUY	320
22-Sep-19	204	BUY	320
4-Oct-19	205	BUY	320
23-Oct-19	206	BUY	286
7-Jan-20	240	BUY	315
30-Jan-20	271	BUY	325
2-Mar-20	265	BUY	351
6-Apr-20	210	BUY	315
21-May-20	242	BUY	325

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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